2003 Annual Report

Groupama

The Groupama group

Groupama is an insurance group that has built itself up over the last hundred years, constantly adapting to economic challenges and anticipating the needs of its members and customers in terms of security. As France's second leading multi-line insurer, the Group's strength lies in the guiding principles it has inherited from agricultural mutual insurance: local presence, responsibility and solidarity.

■ Groupama is a multi-line insurance group – covering property insurance, insurance for private individuals, savings and banking – which conducts its business under two major brand names, Groupama, distributed by the Regional Mutuals, and Gan, distributed by subsidiarised networks. As a locally based insurer, Groupama has over 4,000 local branches all over France.

■ Groupama was founded in the late 19th century by a group of farmers looking for insurance solutions tailored to their highly specific requirements. Built on the mutual insurance model, the Group has been steadily growing ever since, accompanying the rise and the twists and turns of the agricultural industry, bringing its unique know-how to all sections of the population – private individuals, professionals, local authorities and businesses.

■ Groupama is one of the best capitalised French insurers. It is France's leading mutual insurer and – since the buyout of Gan Assurance six years ago – the second biggest multi-line insurer in the domestic market.

■ Groupama's presence in nine countries, chiefly in Europe, affords it a place in the international market.

» CONTENTS

Groupama's figures

8 million policyholders
(Groupama members and Gan customers)

32,900
staff, including **29,400 employees**

12.88 billion of euros
in premium income in 2003
up 6.6% on 2002

155 million of euros
in **net profit** (Group share of combined results)

12.74 billion of euros
in insurance premium income in 2003
up 6.8% on 2002 of which
- **10.53** billion in **France**
- **2.21** billion **internationally**

4 billion of euros
in net assets

52.6 billion of euros
in managed assets at 31.12.2003*
*by Groupama Asset Management, a subsidiary of Groupama

» GROUPAMA IN THE FRENCH MARKET

1st
non-life insurer

6th
life insurer

1st
agricultural insurer

1st
personal health insurer

1st
local authority insurer

2nd
motor insurer

2nd
marine and **transport** insurer

3rd
multi-risk home insurer

3rd
SME insurer
and **group insurer for companies**

Messages from the Chairman

Jean Baligand
Chairman

The Board of Directors has set Groupama the ambitious strategy of becoming a leading player in insurance in Europe. Forging ahead with the growth strategy we started to implement several years ago, we have continued to strengthen our resources to ensure our success. We have completed the restructuring of the Group's central entities and continued with the scheduled consolidation of the Regional Mutuals.

A simplified look at the Group's new central entities

To equip itself with an efficient organisational structure perfectly in line with its strategy, Groupama has restructured its central entities. The Extraordinary General Meeting of 18 December 2003 voted to dissolve the *Caisse centrale des assurances mutuelles agricoles* – its assets passing to the Regional Mutuals – and replace it with three new entities:

- The Fédération Nationale, whose members are the Groupama Regional Mutuals. Its missions are to define the overall direction of the mutual insurance group and ensure that it is implemented; act as an Agricultural Trade Association at national level; and ensure that life within the Group unfolds according to mutualist principles.
- Groupama SA, which steers the operational activities of the Group and the subsidiaries, has had its role extended to encompass the function of reinsurer to the Regional Mutuals, a role previously fulfilled by the Central Mutual.
- And Groupama Holding, a new intermediary structure which, by holding all the Regional Mutuals' equity shares, is responsible for the financial control of Groupama SA.

For greater consistency, these entities have a joint Chairman and General Management. All these changes were accompanied by a restructuring of the Group's decision-making and consultation bodies, which are covered in this annual report.

Continuing consolidation of the Regional Mutuals

The aim of this programme, decided upon on 19 December 2001, is to consolidate the 18 Regional Mutuals in Metropolitan France into 9 Regional Mutuals. The mergers, which are all being conducted as part of a consultative process, will make individual mutuals stronger still, thanks to optimised business management, better distribution of resources, the resulting economies of scale and a simplified decision-making process.
Three new entities were created in 2003: Groupama Rhône-Alpes Auvergne, Groupama d'Oc and Groupama Centre Manche; the consolidation programme continued in April 2004 with the creation of Groupama Paris-Val de Loire. At spring 2004, the Group has 11 Regional Mutuals in Metropolitan France.

The best services at the least cost for our customers

The purpose of all these changes is to ensure that the Group grows sustainably and profitably so that it is always able to fulfil its original mission, which is to provide its 8 million members and customers with the best services at the least cost. Beyond strategic choices, Groupama's strengths lie in the power vested in its organisational structure, its modi operandi and the guiding principles it has inherited from agricultural mutual insurance: local presence, responsibility and solidarity. Groupama, a decentralised company with a strong regional presence, relies on 90,000 elected representatives in the Local and Regional Mutuals and over 30,000 employees; both elected representatives and employees listen to the requirements of customers (farmers, private individuals, professionals, SMEs) and offer them innovative solutions.
Our good performance in 2003 proves that we are well and truly engaged in the process of sustainable, profitable growth we envisaged.

Jean Baligand

and the Executive Management

Jean Azéma
Chief Executive Officer

In a climate of low economic growth in 2003, Groupama's achievements are evidence of its ability to develop its networks and increase profits. The Group is engaged in a process of growth, relying on both internal expansion and its ability to expand externally in a profitable way, in line with the strategy decided upon.

Solid growth drive, higher profits

Groupama achieved premium income of €12.88 billion in 2003, up 6.6% compared with 2002, thus confirming a strong growth momentum. Operating profit and the Group's share of combined net profit were €268 million and €155 million respectively.
The Group has increased its financial stability: net assets amount to €4 billion, unrealised capital gains stand at €4.5 billion thanks to the recovery of the financial markets, its solvency margin has increased significantly to 212% and its gearing rate has fallen again to 29.6%.

Achievements in line with our objectives

Insurance premium income in France has risen by 6.2%. The Group has achieved growth above that of the market in life insurance (up 10.1%) and has reached a steady rate of growth in non-life insurance (up 4.3%).
Gan Assurances has increased its portfolio significantly for the first time in nine years, and the success of the merger of CGU Courtage with Gan Eurocourtage has strengthened the Group's position as a multi-line insurer in the SME niche.
2003 was also the year in which a range of personal banking services was launched throughout the Regional Mutuals' distribution networks, and 100,000 customers have already availed themselves of these services.
There has also been strong growth internationally, with Spain showing 7.5% growth (on a like-for-like basis), Portugal 40% and Italy significant levels of growth.
Business in the United Kingdom has picked up and the UK subsidiary is now showing a profit, marking the culmination of two years' restructuring and repositioning. International insurance business therefore contributed a profit of €45 million to the Group's net income.

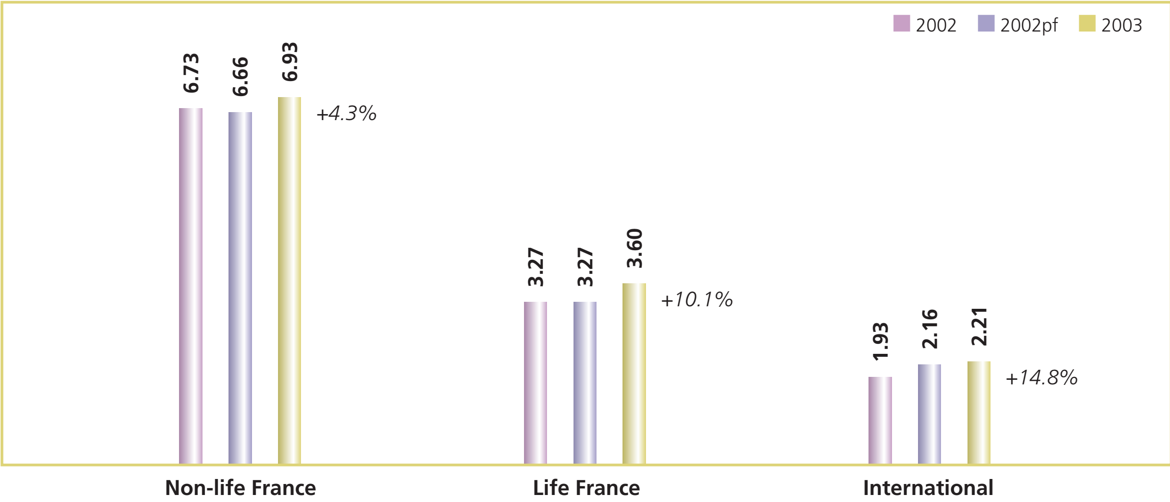
A proactive Group

These results give us confidence in the implementation of our strategy, aimed at growth and improving operational performance. It is Groupama's ambition to become a leading insurer in Europe, which means strengthening its position as a multi-line insurer in France while developing its banking activities, and to grow internationally.
In savings and retirement, Groupama is clearly positioned in the family advice and financial support sector, bringing to market a range of new solutions compliant with the Loi Fillon. We also develop comprehensive solutions to cater for all the insurance needs – motor, property and health – of policyholders. The banking solutions offered by Groupama Banque will be deployed in the networks marketing the Gan brand.
Support for agriculture is also central to Groupama's action; the Group is finalising work on the issue of crop insurance and is currently engaged in some highly rewarding experiments.
Internationally, we hope to expand further into high-potential markets (Southern Europe, Central and Eastern Europe, and in China where the Group was granted a licence in June 2003), focusing on the business lines we know. It is our intention to implement this strategy progressively and selectively, seeking to attain a significant size in each domestic market. We hope to conduct this policy by mastering our distribution channels, without excluding partnerships.
These initiatives and projects are part of the Group's growth strategy which will be combined with better operational performance.

Jean Azéma

Groupama's key figures

INSURANCE PREMIUM INCOME: €12.74 BILLION (UP 6.8%)



€ billions

On a like-for-like basis, non-life and life **insurance premium income (France)** increased by 6.2% to €10.53 billion.
In **non-life insurance**, premium income was in line with trends in the main sectors of the market, reflecting rate adjustments and portfolio growth.
In **life insurance**, premium income grew strongly, faster than the market (up 9%). This performance partly reflects the major successes achieved in euro-based policy revenue.
As for **international insurance**, premium income topped the €2 billion mark for the first time (17% of the Group total). 2003 was the first full year to include the premium income of Groupama Plus Ultra, the Group's subsidiary in Spain, which is now the Group's second largest foreign subsidiary.

FRANCE: STRONG PERFORMANCES

Premium income (€ millions)	Non-life		Life		Total	
	2003	2003/2002pf	2003	2003/2002pf	2003	2003/2002pf
Groupama Assurances	**4,137**	**+5.5%**	**1,627**	**+18.2%**	**5,764**	**+8.8%**
Gan Assurances	**1,253**	**+5.8%**	**815**	**+4.5%**	**2,068**	**+5.3%**
Gan Eurocourtage	**1,114**	**+4.3%**	**248**	**+8.3%**	**1,362**	**+5.0%**
Gan Patrimoine	**-**	**-**	**580**	**0**	**580**	**0**
Gan Prévoyance	**82**	**+2.5%**	**315**	**+9.4%**	**397**	**+7.9%**

Groupama Assurances (the Regional Mutuals and Groupama Vie) achieved good levels of growth.
Gan Assurances and **Gan Eurocourtage** confirmed their full turnaround.
Gan Patrimoine premium income was stable in 2003 compared with 2002.
Gan Prévoyance life insurance premium income grew by 9.4%, an increase greater than the market's.

INTERNATIONAL: GROWTH IN SOUTHERN EUROPE

Premium income (€ millions)	2002pf*	2003	Variance current	Variance constant
Spain	**614**	**660**	**+112.9%**	**+7.5%**
Italy	**500**	**510**	**+2.0%**	**+2.0%**
Portugal	**44**	**62**	**+40.6%**	**+40.6%**
UK	**899**	**827**	**–16.6%**	**–8.0%**
Other	**107**	**150**	**+89.9%**	**+40.2%**
Total	**2,164**	**2,209**	**+14.8%**	**+2.1%**

**2002 premium income converted at average 2003 exchange rate on like-for-like basis.*

- Southern and Central Europe were particularly dynamic, and now represent 60% of the Group's **international premium income**.
- The **U.K.** subsidiary is refocusing on its core business and increasing risk selectivity to improve profitability.

ASSET MANAGEMENT AND GROUP BANKING

		2003/2002
Groupama Asset Management		
Assets under management at 31/12/2003	**52.6 billion euros**	**+12.2%**
Asset allocation		
Bonds	**75%**	**-**
Equities	**18%**	**-**
Treasury bonds	**7%**	**-**
Groupama Immobilier		
Real estate income (rentals)	**220 million euros**	**+5%** like-for-like
Real estate assets	**828,000 sq.m.**	**-**
Breakdown Office/Residential	**60% / 40%**	**-**
Finama		
(Group banking)		
Transaction processing streams	**14.7 billion euros**	**+9.8%**
Securities	**61.7 billion euros**	**+7%**

The asset management and Group banking businesses had to cope with financial markets affected by unfavourable stock market trends in the first half-year, as well as lower interest rates. However, they resisted these trends well and developed their business activities.

IMPROVED PROFIT

€ millions	2002	2003
Pre-tax profit	**11**	**322**
Tax	**–46**	**–87**
Minority interests	**–3**	**+33**
Profit before goodwill	**–38**	**268**
Goodwill amortisation	**–116**	**–113**
Net profit	**–154***	**+155**

**Affected by provision relating to strategic interest in Scor.*

The **Group's profits improved considerably**. The Group achieved a positive operating profit in insurance. The operating profit of non-life insurance remained balanced (€5 million) against a backdrop of unfavourable climatic events. The operating profit of life insurance continued to increase to €202 million (€163 million in 2002).

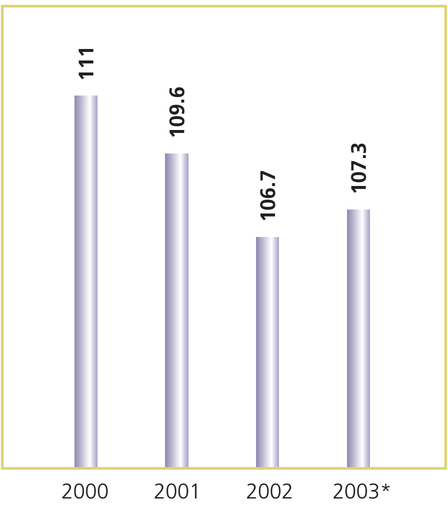
POSITIVE CONTRIBUTION TO PROFIT BY BUSINESS LINES

€ millions	2002	2003
Insurance France	**+181**	**+208**
Non-life	**+1**	**+39**
Life	**+180**	**+169**
International insurance	**–9**	**+45**
Asset management	**+9**	**+8**
Groupama Banque	**–19**	**–23**
Other	**–200**	**+30**
Profit before goodwill amortisation	**–38***	**+268**

**Affected by provision relating to strategic interest in Scor.*

All the business lines made a positive contribution to Group profit, except for personal banking (Groupama Banque), which is in the launch phase and is therefore considered as an investment.

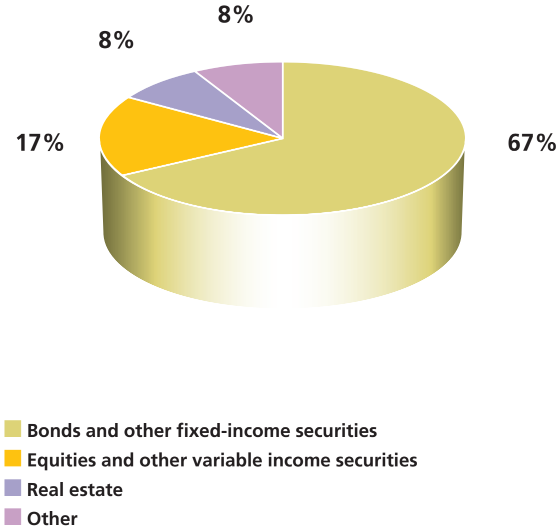
GROUP COMBINED RATIOS (as %)



* Of which:
- France: 108.1;
- International: 103.9.

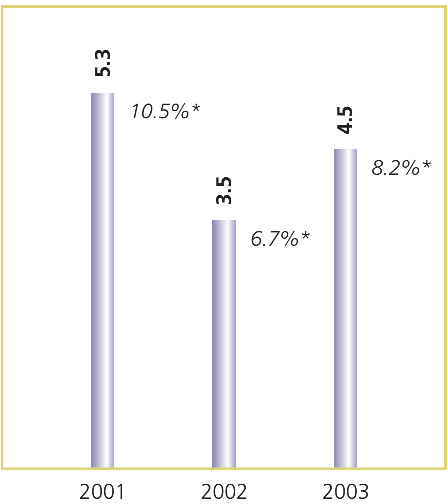
The Group's net combined ratio levelled off in 2003, mainly because of a change in the pattern of claims – fewer exceptional events but a greater number of smaller climatic events. Operating expenses however were fully kept under control (the expense ratio declined by 0.3 percentage point).

INVESTMENTS: €55 BILLION, UP 5.2%



The structure of the investments changed little relative to the figures for the previous year, with the share of bonds increasing slightly to some two-thirds of total investments.

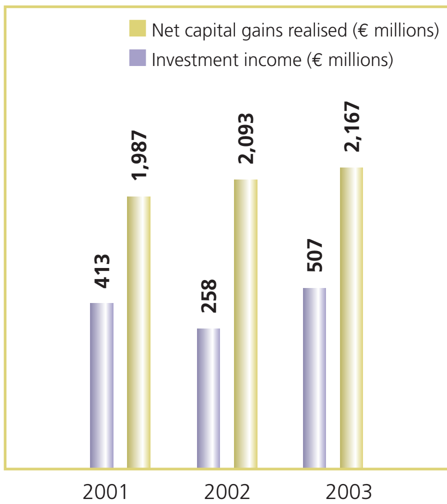
GROWTH IN UNREALISED CAPITAL GAINS (€ billions)



* % of net value of investments.

This growth mainly reflects the growth in unrealised capital gains on securities, amounting to €1.1 billion, because of financial market trends in 2003.
The trend in interest rates led to a slight decline in the stock of capital gains on bonds. Investments at market value increased by 6.6% to €59.5 billion, in line with the growth in premium income.
There was a writeback of €145 million of the depreciation allowance, largely because of the upward stock market trend. As of 31 December 2003, the stock, including provisions for Scor shares, amounted to €973 million.

INCREASED INVESTMENT INCOME: €2.7 billion



This trend reflects the growth in investments correlated to the increase in insurance premium income.
The capital gains realised in 2003 amounted to €362 million, to which are added the writeback of €145 million (making a total of €507 million).
The capital gain realisation rate was 9.1% in 2003.

SOLID FINANCIAL STRUCTURE

€ billions	2002	2003	Var 03/02
Net assets	**3.9**	**4.0**	**+2.6%**
Subordinated debt	**0.75**	**0.75**	**-**
Technical reserves	**52.0**	**54.2**	**+4.3%**
Balance sheet total	**64.3**	**67.3**	**+4.6%**
Technical reserves / Premiums*	**197%**	**187%**	
Unrealised capital gains	**3.5**	**4.5**	
Life	**1.5**	**2.0**	
Non-life	**2.0**	**2.5**	

** Non-life.*

- Technical reserves increased by 4.3% to €54.2 billion. The increase of €2.2 billion primarily reflects the growth in reserves linked to the growth of life insurance premium income.
- The gross technical reserves for the non-life insurance business have remained close, at 187%, to two years of premiums. The decline in the ratio is mainly linked to changes in the scope of consolidation.
- Unrealised capital gains increased by €1 billion, with the Group's share remaining at a high level because of the high proportion of non-life capital gains.

IMPROVED PROFITABILITY AND SOLVENCY

	2002	2003
Net assets/Premium income	**32.5%**	**31%**
Return on assets	**– 1.0%**	**+ 6.6%**
Return after goodwill amortisation	**– 3.9%**	**+ 3.8%**
Margin requirement (€ billions)	**2.9**	**3.0**
European solvency margin	**195%**	**212%**
Debts + subordinated debt / net assets + subordinated debt	**30.6%**	**29.6%**

In 2003, the Group strengthened its financial solidity and its profitability. Groupama has significantly improved its solvency ratio. The solvency ratio compared to core capital was only 98.5%.
This favourable trend reflects the improvement in operating profit, which led to an increase in core capital, while insurance premium income increased sharply.
The increase in unrealised capital gains also contributed to this increase in the solvency ratio.
The Group's debt ratio is limited, and declined by one percentage point to 29.6%. Note that a significant part of this debt is carried by the listed real estate subsidiary Silic, 40%–held by the Group, which took out loans to build up its real estate stock. If the Silic debt is excluded, the Group's debt ratio was 24%.

Consolidated key figures for Groupama SA

The consolidated financial statements of Groupama SA include reinsurance transferred by the Regional Mutuals (about 40% of their insurance premium income) and the income of the subsidiaries.

CONSOLIDATED RESULTS

Premium income (€ millions)	2002	2002pf	2003	Variance constant
Insurance premium income	**8,030**	**9,847**	**10,326**	**+4.9%**
of which Life	**3,612**	**3,608**	**3,986**	**+10.5%**
of which Non-life	**4,418**	**6,239**	**6,340**	**+1.6%**
Total premium income	**8,186**	**9,992**	**10,464**	**+4.7%**
Profit before goodwill amortisation	**–110**	**–161**	**244**	
Goodwill amortisation	**–111**	**–123**	**–106**	
Net profit	**–221***	**–284***	**138**	

**Affected by the exceptional provisions for Scor.*

Groupama SA confirmed its strong growth level, based on organic growth and implementing synergies in the Group. The share of the life insurance businesses in insurance premium income (some €4 billion) is larger in the consolidated Groupama SA figures than in the Group as a whole: 38.6% compared with 31.2%.

FINANCIAL SOLIDITY

	2003
Net assets	**€2.8 billion**
Unrealised capital gains	**€4.0 billion**
European solvency margin	**183%**
Debt ratio	**32.3%**
Return on assets	**+8.9%**
Return after goodwill amortisation	**+5.0%**

The quality of the balance sheet, the solvency and the profitability of the consolidated entity Groupama SA are in line with the data for the Group as a whole.

Significant events

JANUARY 2003

- As part of the Group's IT Strategy, the aim of which is to achieve economies of scale, Groupama brings its IT personnel together within a single intercompany venture, GIE Groupama Systèmes d'Information.
- As part of its growth strategy and keen to achieve vertical integration by market segment, **Groupama acquires Motorcare France, a motor insurance claim management services company.** The Groupama Regional Mutuals and Gan Assurances have been working with Motorcare since 1999 on developing a comprehensive service to take care of Groupama customers' vehicles that are involved in an accident.

FEBRUARY 2003

- "*Donnons à la vie toutes ses chances*" – Give life every chance. With this new strap line and the accompanying advertising campaign to mark the launch, the Groupama brand offers a positive view of its core business, showing how insurance enables its members to overcome the consequences of an accident or other unpleasant occurrence and find a new lease of life.

MARCH 2003

- **Banking services launched: Groupama Banque's offering is marketed throughout 2003 in the Regional Mutuals' networks.**
- Groupama steps up its presence at the French farming show, the *Salon de l'Agriculture*, with the brand prominently displayed in all the halls and a cash machine made available for visitors.
- **Deployment of the CRM (Customer Relationship Management) application in the Groupama Regional Mutuals' networks**, giving salespeople a tool for recording data about their customers and managing their relationship with them over time.
- "*être libre d'esprit – avoir l'esprit libre*" (Being free-spirited leads to peace of mind): the Gan brand launches a new TV advertising campaign on the themes of provident, motor and corporate insurance.
- Gan Assurances, a major player in the SME sector, signs a partnership agreement with the *Confédération Générale des Petites et Moyennes Entreprises* (CGPME).
- Reorganisation of Groupama Insurances, in the United Kingdom, to optimise the management of its business.

APRIL 2003

- **Employee savings plans: Groupama product awarded quality label by the *Comité Intersyndical de l'Épargne Salariale* (CIES).** The principles of "socially responsible investment" are assessed by a specialist body within Groupama Asset Management, in liaison with the monitoring committee set up with the CIES.
- Gan Italia, a Groupama subsidiary in Italy, launches a new product on the Italian agricultural insurance market – a hail risk policy.

MAY 2003

- **To be able to offer new services to its policyholders, Groupama acquires a 20% interest in Rent A Car**, a car hire company.
- Groupama Asset Management receives "*Trophées du Revenu Sicav et Fonds 2003*" awards (for OEIC and fund earnings).

JUNE 2003

- Groupama is a partner in the international young farmers' conference, the *Congrès Mondial des Jeunes Agriculteurs*, held in Paris.
- **The Rhône-Alpes and Centre Sud Regional Mutuals merge to form Groupama Rhône-Alpes Auvergne.** The new entity covers 12 French departments and has net assets of €342 million, 2,250 employees and almost 600,000 members.
- **The Sud-Ouest, Oc and Pays Verts Regional Mutuals merge to form the Groupama d'Oc Regional Mutual.** The new entity covers 14 French departments and has net assets of over €400 million, more than 1,500 employees and 500,000 members.

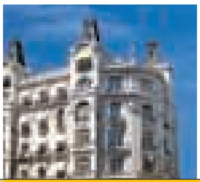
» MARCH-APRIL

Banking services launched

» KEY FIGURE

20%

interest in Rent A Car, a car hire company.



9th

rank in Spain's non-life insurance.

» KEY FIGURE

» NOVEMBER

- Groupama is awarded a licence in China to develop non-life insurance business in the area of Chengdu, the capital of Sichuan province which has a population of 80 million. The Group is the first foreign insurer to become established in western China.

JULY 2003

- **The Central Mutual Board of Directors ratifies the implementation of legal changes to be made to the Group's central entities, scheduled for late 2003**, subject to approval by the Regional Mutuals' Boards and General Meetings.

AUGUST 2003

- Heatwave and drought in France: as part of the solidarity initiatives aimed at cereal and livestock farmers, Groupama grants its members free extended cover.

SEPTEMBER 2003

- Launch of the *Charte Terre Entreprise* in consultation with representatives of the French Young Farmers organisation. This is a set of guidelines designed to make it easier for farmers under 40 to set up their business by giving them special benefits for an initial 5-year period. This new Charter improves on the previous version, which it replaces.

OCTOBER 2003

- **The Group's Spanish subsidiary takes the name Groupama Plus Ultra**, thus completing the integration of Plus Ultra Generales acquired in 2002. The new entity has 1.5 million customers and ranks 9th in Spain's non-life insurance league table.
- A pioneer in road accident prevention, Groupama opens a 9th Centaure driving centre, in Ile-de-France, in partnership with motorway operator Société des Autoroutes Paris-Rhin-Rhône and the *Caisse des dépôts et consignations* (a French public investment organisation).
- The financial rating agencies Standard & Poor's and AM Best confirm Groupama's ratings, A and A+ respectively, emphasising its financial strength, improved operating basis and strong positions in the marketplace.

- Rating agency Fitch Ratings raises Groupama Asset Management's management rating from A+ to AA–. Groupama Asset Management also comes second out of 48 candidates for *Mieux Vivre Votre Argent*'s "*Corbeille long terme*" award (5 years).

NOVEMBER 2003

- **The Eure-et-Loir, Maine and Normandie Regional Mutuals merge to form the Groupama Centre Manche Regional Mutual.** The new entity covers 8 French departments and has net assets of €377 million, 1,270 employees and over 300,000 policyholders.
- Jacques Vabre transatlantic race: a win by the Groupama trimaran confirms Franck Cammas as the winner of the ORMA 2003 multihull championship for the third time. Work begins in 2003 on a second racing yacht – of innovative design and even faster –, scheduled for launch in May 2004.
- **Groupama lends its support to the capital increase of reinsurer Scor.**

DECEMBER 2003

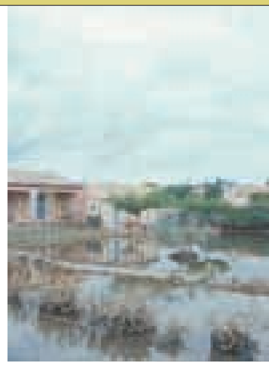
- Extensive flooding in southern France: the Groupama Regional Mutuals and the Gan Assurances networks immediately put their crisis plans into operation to bring help quickly to policyholders affected by the disaster.
- **18 December: the Extraordinary General Meeting of the Central Mutual (CCAMA) unanimously approves the restructuring of the Group's central entities.** The Fédération Nationale is formed, tasked with handling the institutional, political and steering aspects of the organisation. Groupama SA combines all operational activities and CCAMA is dissolved, its assets passing to the Regional Mutuals. The vote represents the final stage of the transformation of Groupama's central entities and makes way for a new, clearer, simplified and strengthened mutualist organisational structure to become operational on 1 January 2004, with a view to supporting the Group's growth strategy. Financial rating agency S&P assigns the same rating that CCAMA had (A) to Groupama SA.

» OCTOBER

Centaure centres
Groupama, a pioneer in road accident prevention.

» DECEMBER

Extensive flood
Groupama immediately put crisis plans.



A mutual insurance group: local presence, responsibility, solidarity

Customer satisfaction – offering the best service at the best cost – is central to Groupama's approach. It is based on the guiding principles inherited from agricultural mutual insurance – local presence, responsibility and solidarity – which drive the entire Group.

A customer-oriented organisational structure at all levels

• The Group is organised into Local Mutuals, Regional Mutuals and central entities, all of which are governed by the principles of local presence, responsibility and solidarity. Groupama's economic performance and financial stability demonstrate the efficiency of the mutual insurance model underpinned by a unique approach to organisation and operation.

The way Groupama is organised and operates means it is in touch with the needs of policyholders. The directors of the Group, who are all elected members representing the entire membership, ratify the Group's overall strategy and monitor its implementation.

• A decentralised network of 7,300 Local Mutuals and 11 Regional Mutuals in Metropolitan France

The Local Mutuals are the basic building blocks of the mutual insurance system, insuring members in their catchment area. They are each managed by a Board of Directors made up of members elected at the Annual General Meeting.

There are 7,300 Local Mutuals spread all over France. Some of them may decide to group together to keep in step with the geographical and demographic development of the membership and ensure that local presence remains a priority. The local directors appoint members to the General Assembly of the departmental Federation – a body that fulfils chiefly a facilated role –, who in turn appoint members to the General Assembly of the **Regional Mutual**, a fully fledged insurance company with a sales network of employees and exclusive agents, providing claims management services.

At 15 April 2004, the Group's regional structure was composed of 11 Regional Mutuals in Metropolitan France – with over 3,000 local branches –, 2 Specialist Mutuals (for silviculturists and tobacco growers) and 2 Overseas Mutuals.

The members of the Regional Mutual General Assemblies elect the members of their Board of Directors who in turn appoint their representatives on the General Assembly of the **Fédération Nationale**. It is this body that decides on the overall direction that the Group takes. The General Assembly of **Groupama SA**, a company responsible for the Group's operational activities at national level, is also composed exclusively of elected directors representing the Regional Mutuals.

A locally-based relationship with members

More than 400,000 members – i.e. almost 10% of the membership – take part every year in the Local Mutuals' Annual General Meetings, at which they vote on the financial statements and listen to presentations on new cover and services offered by Groupama as well as certain matters of topical importance.
They are encouraged to put forward their own comments and suggestions and they elect from among themselves those who are to represent them on the Local Mutual Board of Directors. A total of 90,000 directors are elected to represent the 7,300 Local Mutuals.

The main role of the local directors, who are all volunteers, is to listen to the needs and expectations of the members in their catchment area. In practical terms, they act as intermediaries between policyholders and the company with a view to improving the quality of covers, services and benefits; they act as advisors for the sales network and monitor the handling of claims in their Local Mutual's portfolio; they can assist the loss adjusters with claims assessments; and they conduct awareness and information campaigns in risk prevention.

At regional level, the elected representatives give their opinion on the general direction the Regional Mutual is taking, vote on the budget, and decide on the policies and pricing system. The actual running of the company is delegated to the Managing Director of the Mutual.

This strong local and regional presence gives Groupama considerable leverage when it comes to mobilising resources. As an example, at the time of the storms of 1999 and the floods in southern France in 2002 and 2003, the Group was able immediately to mobilise its loss adjusters, directors and employees to organise mutual aid operations and settle several thousand claims in the shortest possible time.

Reinsurance, the backbone of the Group

The internal reinsurance system is a concrete illustration of the principles of responsibility and solidarity where each level of the organisation receives financial protection from the level above. Under this system, the Local Mutuals are reinsured by their Regional Mutual and cede the bulk of their income to it. The Regional Mutuals in turn are reinsured solely by the central entity, Groupama SA.

This three-tier system of reinsurance is underpinned by internal, permanently and exclusively binding treaties that all the Mutuals are obliged to enter into.
It is based on the principle of spreading part of the risk – or "mutualisation", combining solidarity between the Local and Regional Mutuals and Groupama SA, and the operational autonomy of each level of the organisation. The aim is to keep the Regional Mutuals in business while maximising their profits and underwriting capabilities.
The consolidation of the Regional Mutuals and the restructuring of the Central Mutual in late 2003 gave rise to a need for both internal and external reinsurance. Since 1st January 2004, therefore, all the Regional Mutuals have been reinsured in the same way, ceding exactly the same proportion of risk irrespective of their size. The quota share cession rate for the three main classes of risk has therefore been standardised:
- for primary risks (85% of premium income): 30%,
- for atmospheric risks and heavy commercial risks, the cession rate is 50%.

Quota share retentions are protected by per occurrence or annual excess of loss reinsurance.

In addition, external reinsurance contracts are renegotiated and renewed each year on behalf of Groupama SA and all entities in the Group. In addition to the Regional Mutuals, Groupama SA can now reinsure the Group's profit centres and international subsidiaries.

KEY DATES

Late 19th/ early 20th century
Development of agricultural mutual insurance and local mutuals.

1963
All non-life insurance risks covered; the Group rapidly becomes France's leading local authority insurer.

1972
Launch of life insurance.

1995
Membership opened up to all sections of the population.

1998
Acquisition of Gan, France's fourth biggest insurance company.

2001
Consolidation plan drawn up to reduce the number of Regional Mutuals from 18 to nine *(an initial consolidation was carried out in the early 1990s).*

2002
Acquisition of Plus Ultra Generales in Spain. The new entity, Groupama Plus Ultra, is Spain's ninth biggest non-life insurer and 18th biggest insurer overall.

2003
Banking services launched.

Licence in China.

2004
Restructuring of the Group's central entities to reflect the growth strategy.

An organisational structure aligned with our strategy

The fact that Groupama has been in existence for more than a century is proof of its capacity for long-term success and profitability and its ability to adapt to changes in its environment. It was precisely to accompany the changes in the scope of the Group's business – that have chiefly come about since the acquisition of Gan in 1998 – and to support its growth strategy, that Groupama decided to clarify and strengthen its organisational structure.
The Extraordinary General Meeting of the Central Mutual, which took place on 18 December 2003, unanimously approved the restructuring of the Group's national entities, which became operational on 1 January 2004.

The Group's new national entities

The new organisational structure, simpler and more clearly defined than its predecessor, is true to the Group's mutualist principles and modus operandi. In addition to making the national entities more efficient, the restructuring aims to improve performance and profitability.
The new structure is composed of three entities:

• CORPORATE
The **Fédération Nationale Groupama** is an association of which all the Regional Mutuals are members.
It is responsible for defining and controlling the Group's strategic direction, acts as an Agricultural Trade Association and looks after the development and promotion of the Group's mutualist guiding principles.

• OPERATIONAL
Groupama SA is a *société anonyme* (the French equivalent of a joint-stock company) responsible for steering the Group's operational activities, reinsuring the Regional Mutuals and developing the subsidiaries.

• EQUITY MANAGEMENT
Groupama Holding is a finance company wholly owned by the Regional Mutuals that controls Groupama SA and its subsidiaries on their behalf.

Clearer corporate governance

Within these three entities, there is a clear distinction between the functions of steering and monitoring, fulfilled by each Board of Directors, and those of executive management, entrusted to the Chief Executive Officer of Groupama SA.

The governing bodies of Groupama SA and Groupama Holding have adopted the Board of Directors as their form of management, as provided for by the *Loi NRE* (French new financial regulations act), with a non-executive Chairman and a Chief Executive Officer.

The fact that there are common directors ensures consistency between the Federation, Groupama Holding and Groupama SA. Hence:
- the Chairman is common to all three entities: the Federation, Groupama Holding and Groupama SA. He is the political voice of the Group and is responsible for running it, supported by four Vice-Chairmen (two acting Vice-Chairmen within the Federation, a Vice-Chairman within Groupama Holding and a Vice-Chairman within Groupama SA) who have a broad remit;
- the Chief Executive Officer is also common to all three entities.

The Group's executive bodies consist of the **Group Executive Committee** and the **Groupama SA Steering Committee**.

5 million Groupama members

7,300 Local Mutuals

11 Groupama Regional Mutuals

Membership → **Fédération Nationale Groupama**

100%

Groupama Holding

99.8% *

Groupama SA

Insurance/Banking in France

- Groupama Vie
- Groupama Banque
- Gan Assurances
- Gan Eurocourtage
- Gan Patrimoine
- Gan Prévoyance
- Groupama Transport
- Groupama Épargne Salariale
- Groupama Assurance-Crédit
- Groupama Protection Juridique

Services in France

- Assistance *(Mutuaide)*
- Remote surveillance *(Présence Verte and Cofintex)*
- Compensation in kind *(FMB)*
- Accident management *(Motorcare)*
- Driving centres *(Centaure)*
- Motor repair training centre *(Cesvi France)*

Finance

- Groupama Asset Management
- Finama
- Finama Private Equity
- Groupama Immobilier

International

- United Kingdom *(Groupama Insurances)*
- Spain *(Groupama Plus Ultra)*
- Italy *(Gan Italia)*
- Portugal *(Gan Portugal)*
- Hong Kong *(Gan Assurances IARD Hong Kong Branch)*
- Hungary *(Groupama Biztosito)*
- Switzerland *(Zénith Vie)*
- Turkey *(Günes Sigorta)*
- Groupama Vietnam

** 0.2% of Groupama SA's equity is owned by the employees and exclusive agents*

Reinsurance link

Equity link

The Fédération Nationale Groupama

Set up at the beginning of 2004 in the form of a non-profit making organisation to which only the Regional Mutuals belong, the Fédération is the voice of the mutual division and represents the members.

Its role is threefold

- **To determine and monitor the overall direction that the mutual insurance group takes.**
- **To act as an Agricultural Trade Association.**
- **To promote and develop the Group's mutualist principles.**

The governing bodies

The **General Assembly** is composed of 374 members, 40 per Regional Mutual in Metropolitan France and a total of 14 members for the overseas and specialist Mutuals.

The **Board of Directors** is composed of 47 directors, including 5 representatives per Regional Mutual in Metropolitan France and one representative for each of the two overseas Mutuals. Two representatives of *Jeunes Agriculteurs* (an association for young farmers) sit on the Board as observers.
The **Board Committee** has 18 members, two per Regional Mutual in Metropolitan France. It comprises a Chairman, a first Acting Vice-Chairman and a second Acting Vice-Chairman, six Vice-Chairmen and nine members.
The **Chairmen's Committee** is composed of 9 members, who are the Chairmen of the Regional Mutuals in Metropolitan France. The members of this Committee are also Directors of Groupama Holding and Groupama SA.
The Federation operates through **four divisions**: mutualist organisation, Agricultural Trade Association, political relations and ethics/governance.

The **executive**. The Chief Executive Officer of Groupama SA who is, by right, CEO of the Fédération, is responsible for implementing the decisions of the Board of Directors and managing the Fédération.

Directors' remuneration

During the year ended 31 December 2003, the Central Mutual paid the members of its Board of Directors a total of €172,937 (gross) in allowances for time spent. Directors also have their expenses reimbursed.

Groupama SA

Role

Groupama SA is responsible for steering the Group's operational activities, reinsuring the Regional Mutuals and developing the subsidiaries. This company is virtually wholly owned by the Regional Mutuals.

The governing bodies

Groupama SA is the French equivalent of a joint-stock company whose Board of Directors opted for separate Chairman and Chief Executive Officer functions.

The **Board of Directors** is composed of:
- 11 directors, appointed at the Annual General Meeting for a 6-year term of office,
- 2 directors elected by the employees, appointed for a 4-year term of office.

The **executive** is the responsibility of the Chief Executive Officer of Groupama SA, appointed by the Board of Directors.

Groupama Holding

Role

Groupama Holding holds the shares of Groupama SA.

Only Regional Mutuals that are members of the Fédération can be shareholders of Groupama Holding, whose shares may not be sold to entities outside the Fédération. The sale of shares among members is subject to a pre-emptive right, with an obligation to sell in case of suspension from the Fédération.

Groupama Holding voices the position of the Regional Mutuals at the Groupama SA Annual General Meeting.

The Groupama Holding **Management Committee** ensures that the decisions taken by Groupama Holding are perfectly consistent with the Group's strategy and operation.

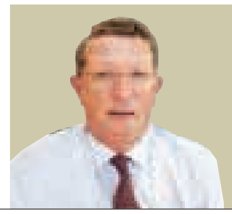
The Fédération Nationale

CHAIRMEN'S COMMITTEE

Jean Baligand,
Chairman
Groupama Rhône-Alpes Auvergne
2010

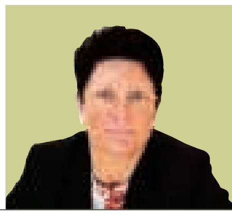
Francis Aussat,
1st Acting Vice-Chairman
Groupama d'Oc
2010

Robert Drouet,
2nd Acting Vice-Chairman
Groupama Centre-Manche
2008



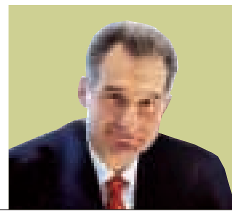
Jean-Pierre Rousseau,
Vice-Chairman
Groupama Centre-Atlantique
2008

OTHER BOARD COMMITTEE MEMBERS



Annie Bocquet,
Groupama Nord-Est
2006

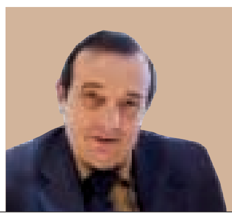
Jean-Charles Courtois,
Groupama Centre-Manche
2006



Jean-Marc Fabre,
Groupama d'Oc
2008

Michel Habig,
Groupama Alsace
2010

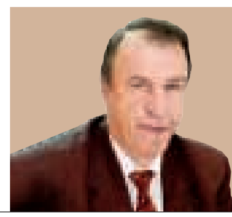
DIRECTORS



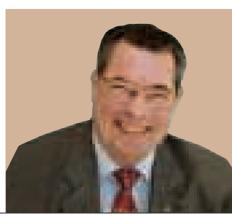
Régis Blondy,
Groupama Centre-Atlantique
2008

Jean-Jacques Canevet,
Groupama Loire Bretagne
2010

Georges Charron,
Groupama Loire Bretagne
2006

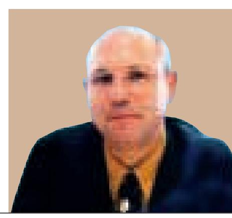


Robert Coste,
Groupama Alpes-Méditerranée
2010



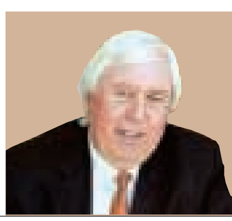
Jean Herault,
Groupama Centre-Atlantique
2010

Jean Jarnac,
Groupama Antilles-Guyane
2006



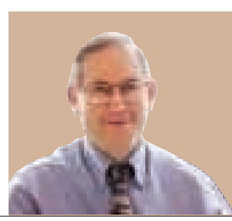
Didier Laluet,
Groupama d'Oc
2006

Pierre Legeard,
Groupama Centre-Manche
2010

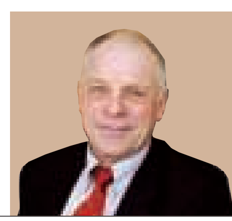


Marcel Roche,
Groupama Sud
2006

Bernard Rousseaux,
Groupama Nord-Est
2006



Patrick Seguin,
Groupama Rhône-Alpes Auvergne
2010

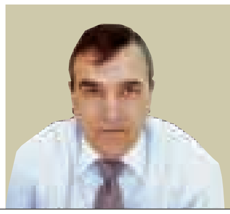


Michel Teillon,
Groupama Rhône-Alpes Auvergne
2006

Groupama Board of Directors

Jean-Luc Wibratte,
Vice-Chairman
Groupama Grand Est
2006

Jean-Luc Baucherel,
Vice-Chairman
Groupama Loire Bretagne
2008



Jack Darboux,
Vice-Chairman
Groupama Sud
2006

Solange Longuet,
Vice-Chairman – Treasurer
Groupama Paris Val de Loire
2008

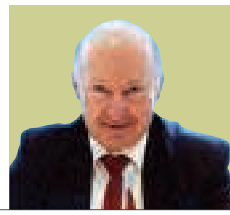
Jean-Luc Viet,
Vice-Chairman –
Secretary of the Board
Groupama Nord-Est - *2008*

Charles Lacaze,
Groupama d'Oc
2010

Marius Mul,
Groupama Alpes-Méditerranée
2008

Jean-Paul Nieutin,
Groupama Paris Val de Loire
2010

Alain Pargade,
Groupama Centre-Atlantique
2006

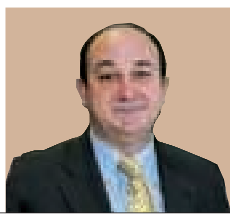


Jean-Jacques Rozier,
Groupama Rhône-Alpes Auvergne
2008

Joseph Vivant,
Groupama Loire Bretagne
2010

Jean-Yves Dagès,
Groupama d'Oc
2006

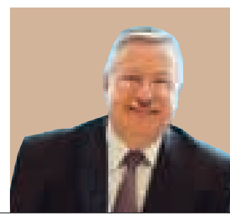
Jean-Pierre Decool,
Groupama Nord-Est
2008



François Desnoues,
Groupama Paris Val de Loire
2010

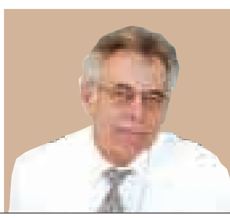
Didier Foucque,
Groupama Océan Indien
et Pacifique
2008

Adeline Gousseau,
Groupama Paris Val de Loire
2006



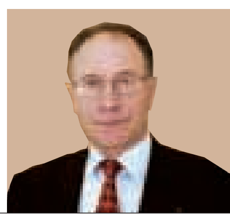
Christian Guillaume,
Groupama Grand Est
2008

Georges Lucas,
Groupama Loire Bretagne
2008

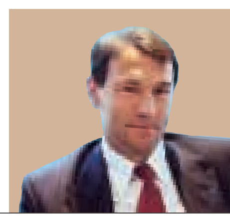


Daniel Lutrat,
Groupama Nord-Est
2010

André Martin,
Groupama Centre-Manche
2006



Jean Merle,
Groupama Rhône-Alpes Auvergne
2006



Roger Pailles,
Groupama Sud
2010

Guy Pelletier,
Groupama Centre-Manche
2008

Lionel Vequaud,
Groupama Centre-Atlantique
2010

AGRICULTURAL ASSOCIATION (Young Farmers) REPRESENTATIVES

Laurent Jartoux

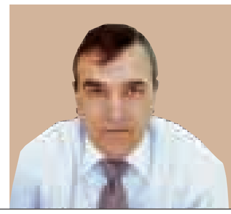
Bernard Layre

Groupama SA
Board of Directors

Jean Baligand,
Chairman
Groupama Rhône-Alpes Auvergne

Jean-Luc Baucherel,
Vice-Chairman
Groupama Loire Bretagne

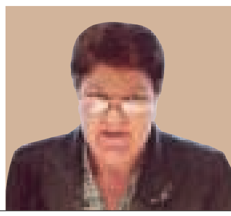
Francis Aussat,
Director
Groupama d'Oc



Jack Darboux,
Director
Groupama Sud

Robert Drouet,
Director
Groupama Centre-Manche

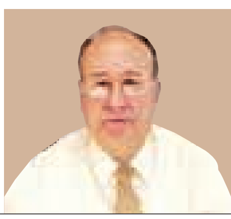
Michel Habig,
Director
Groupama Alsace



Solange Longuet,
Director
Groupama Paris Val de Loire

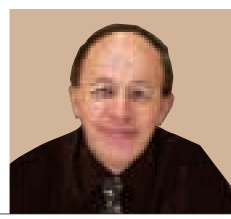
Marius Mul,
Director
Groupama Alpes-Méditerranée

Jean-Pierre Rousseau,
Director
Groupama Centre-Atlantique



Jean-Luc Viet,
Director
Groupama Nord-Est

Jean-Luc Wibratte,
Director
Groupama Grand Est



Henri Durand,
Director elected by employees

Christian Garin,
Director elected by employees

Groupama Holding Board of Directors

Chairman

Jean Baligand,
Groupama Rhône-Alpes Auvergne

Vice-Chairman

Jean-Luc Wibratte,
Groupama Grand Est

Directors

Francis Aussat,
Groupama d'Oc

Jean-Luc Baucherel,
Groupama Loire Bretagne

Jack Darboux,
Groupama Sud

Robert Drouet,
Groupama Centre-Manche

Solange Longuet,
Groupama Paris Val de Loire

Jean-Pierre Rousseau,
Groupama Centre-Atlantique

Jean-Luc Viet,
Groupama Nord-Est

Christophe Buso,
Groupama Centre-Atlantique

Philippe Carraud,
Groupama d'Oc

Patrice Chéreau,
Groupama Loire Bretagne

Thierry Couret,
Groupama Rhône-Alpes Auvergne

Daniel Crédot,
Groupama Paris Val de Loire

Daniel Gaboriau,
Groupama Nord-Est

Gérard Joalland,
Groupama Grand Est

Christian Lemaire,
Groupama Centre-Manche

Auditors

Annie Bocquet,
Groupama Nord-Est

Jean-Charles Courtois,
Groupama Centre-Manche

Jean-Marc Fabre,
Groupama d'Oc

Michel Habig,
Groupama Alsace

Charles Lacaze,
Groupama d'Oc

Marius Mul,
Groupama Alpes-Méditerranée

Jean-Paul Nieutin,
Groupama Paris Val de Loire

Alain Pargade,
Groupama Centre-Atlantique

Jean-Jacques Rozier,
Groupama Rhône-Alpes Auvergne

Joseph Vivant,
Groupama Loire Bretagne

Claude Dollé,
Groupama Alsace

Yves Eveno,
Groupama Alpes-Méditerranée

The Group Executive Committee

The Group Executive Committee is facilated by the Chief Executive Officer of Groupama SA and made up of Regional Mutual Managing Directors and Groupama SA managers.
The Group Executive Committee participates in drawing up, implementing and monitoring the Group's strategy with a view to increasing its operational and financial performance.
The Group Executive Committee relies on the work of specialist **Sub-Committees** and **Operational Committees (business lines, information technology, human resources, finance)**.

Jean Azéma,
Chief Executive Officer
Groupama SA, Groupama Holding, The Fédération Nationale Groupama

Daniel Blanchard,
General Manager Insurance/ Banking and Services for Private Individuals

Christophe Buso,
Managing Director
Groupama Centre-Atlantique

Philippe Carraud,
Managing Director
Groupama d'Oc

Patrice Chéreau,
Managing Director
Groupama Loire Bretagne

Christian Collin,
Corporate Secretary

Thierry Couret,
Managing Director
Groupama Rhône-Alpes Auvergne

Marie-Martine Court,
Director of the Strategy Department and Group Human Resources

Patrick Courtot,
General Manager
Gan Assurances

Daniel Crédot,
Managing Director
Groupama Paris Val de Loire

Claude Dollé,
Managing Director
Groupama Alsace

Yves Eveno,
Managing Director
Groupama Alpes-Méditerranée

Daniel Gaboriau,
Managing Director
Groupama Nord-Est

Rolph Harff,
General Manager
Commercial and Institutional Insurance

Gérard Joalland,
Managing Director
Groupama Grand Est

Christian Lemaire,
Managing Director
Groupama Centre-Manche

Jean-François Lemoux,
General Manager International

Helman le Pas de Sécheval,
General Manager
Chief Financial Officer

The Groupama SA Steering Committee

The Steering Committee, headed by the Chief Executive Officer of Groupama SA, and made up of managers in charge of the main functions of Groupama SA.
The Steering Committee assists the Chief Executive Officer with the management of Groupama SA, in particular with the implementation of Group strategy at corporate level and managing the subsidiaries.

Executive Managers' remuneration

The Groupama SA executive managers received overall gross remuneration including benefits in kind of €4,300,387, of which €768,800 was variable remuneration.

Pascal Alexandre,
Director.
Group Human Resources

Christian Collin,
Corporate Secretary

Rolph Harff,
General Manager.
Commercial and Institutional Insurance

Daniel Blanchard,
General Manager.
Insurance/Banking and Services for Private Individuals

Jacques Guyot,
Director.
IT divisions

Marie-Martine Court,
Director of the Strategy Department and Group Human Resources

Frédérique Granado,
Director.
External Communications

Patrick Courtot,
General Manager.
Gan Assurances

Jean Azéma,
Chief Executive Officer

Jean-François Lemoux,
General Manager. International

Helman le Pas de Sécheval,
General Manager.
Chief Financial Officer

Thierry Martel,
Director. General Auditing and Actuarial divisions

Bertrand Woirhaye,
Director. The Fédération Nationale Groupama

Human resources

With 32,900 employees, 50 companies and 1,800 new recruits a year, the development of our human resources is key to our success, all the more so given the place Groupama occupies in the economic and social fabric of the countries where it operates.
The steady growth of our business, coupled with the strategic and organisational changes that have taken place within the Group in 2003, has called for particularly strong support from the men and women of Groupama.

The major projects undertaken in the last few years – such as the deployment of our banking activities, merging of the Regional Mutuals, international development and consolidation of our IT resources – have been accompanied by an extensive programme of investment in human resources which began in 2001. All areas of human resources development – recruitment, mobility, skill development, social expression, internal communications, management practices, etc. – have benefited from this Group-wide investment initiative.

Recruitment and in-house skill development

■ Groupama, "*Des projets qui nous rapprochent*" (Projects that bring us closer together)

In addition to being France's leading agricultural insurer and mutual insurer, and the second biggest multi-line insurer, Groupama is also one of the country's most attractive employers.
The influence of Groupama's brand identity as an employer, launched in 2002, increased considerably in 2003 and is gradually reaching its full potential, supported by the guiding principles the Group espouses and the advantages it can offer its employees.
The recognition is well-deserved given the number of new recruits (1,800 new permanent employees taken on in 2003).
Groupama's dynamic approach to recruitment advertising has helped to attract new talent and build its reputation as a major employer in the sector. A new visual identity and style guide shared by the Groupama and Gan brands, with the strap line "*Des projets qui nous rapprochent*" (Projects that bring us closer together), has made the Group more identifiable and ensures real consistency to its recruitment actions.
Groupama's participation in the main job fairs and the development of new partnerships with educational establishments such as the *Institut National Agronomique Paris-Grignon*, have also played a part. At the same time, the Group now features more prominently in the press and on the Web.

■ Giving preference to internal mobility

Given the general increase in business, the launch of our banking division and the consolidation of the Regional Mutuals, optimising the human resources available has been a priority in 2003 as never before.
The Mouvy internal mobility website, launched in 2001, is widely used by employees. It provides them with clear, up-to-date information about job vacancies anywhere in the Group. The site receives 63,000 hits a month (equivalent to 2-3 visits a month per employee) for almost 1,000 jobs posted.
Because Groupama is keen to promote the circulation of skills, the cross-fertilisation of different areas of expertise, and improve the speed and efficiency of its recruitment processes and the integration of new employees, a mobility guide has been implemented outlining common practices to support employees transferring between companies. Subjects covered include "Making the move easier", "Getting used to a new environment", etc. These measures are in addition to those already in force in individual companies, geared to the specifics of their location and organisation.

■ Training as a lever for change: 6,500 advisors trained in banking services

Training is at the centre of Groupama's skill development policy and 4.5% of its wage bill was allocated to training in 2002. The emphasis this year was on retraining personnel to adapt to the changes in Groupama's business and a key initiative was the training of 6,500 advisors in sales techniques geared to banking products.
The improvement of management practices remains a priority, as proven by the continuing success of the training programmes aimed at local managers, run in conjunction with the ESCP business school, and senior managers (with ESSEC).
Finally, the new online training resources are a means of responding quickly and cost-effectively to the training needs of the companies in the Group.

Involving everyone through good communication and management

▪ Encouraging expression and dialogue

Rallying its employees and all the companies in the Group behind common goals has been key to Groupama's success. Ensuring that people understand and embrace Group strategy requires a strong commitment and concrete initiatives to inform our 26,200 employees in France, guide their actions and encourage them to express themselves. An initiative called "*Appropriation de la stratégie*" (Embracing the strategy) was deployed by senior managers in early 2003. In addition to these internal communications initiatives, two new information resources were launched – an intranet site called "*Le Kiosque*" and a magazine "*Odyssée*" –, designed to make the experiences of the companies in the Group more widely known and put them to advantage.

▪ A committed and effective management team

The contribution of the Group's senior managers and directors – approximately 1,300 people – is a key factor in the overall motivation of employees and the success of the Group.
Capturing and tapping the collective mind and that of individuals within the Group was the aim of the "Groupama Talents" initiative, launched in 2002. This involves interviews with senior managers when employees, on an individual basis, are encouraged to say how they feel about their talents and what they hope to contribute to the Group.

Use of the Grand Angle management resource centre for Groupama senior managers increased in 2003. A total of 120 interviews were held, resulting in managers transferring to other jobs within the Group, taking part in personal development initiatives (career reviews, coaching, assessments) or obtaining personalised advice on their career path. By constantly monitoring managerial best practice and seeking out the most effective tools, the centre is able to meet the needs of senior managers and effectively support Group strategy.

One concrete expression of Group strategy is Groupama University, set up in 2003. Its objectives are to inform, train, promote dialogue and revitalise working practices. Essentially, the University is a dedicated online forum for senior managers to share knowledge, projects and common reference points.
It offers training courses, corporate seminars and conferences focused on specific business lines.
Among the programmes offered specifically to managers was an original concept called "*Un soir, un jour*" (One evening, one day), a course that dealt with management problems, and the highly effective "*Focus*" sessions that put the emphasis on analysis and development of particular areas of specialisation or expertise, such as customer relationship management, performance management, etc.

A BAROMETER OF GROUP OPINION

Designed as a diagnostic and management tool that encourages people to express their opinions, the barometer measures changes in its employees' perceptions of the Group and its degree of transparency.

Rather than a social barometer, at the end of 2003 the Group wanted to offer all its employees in France a barometer of opinion to find out what they think of Groupama at this crucial point in its development.

The 8,362 responses received are evidence of a strong sense of belonging, not only to the company but also to the Group as a whole, perceived as being solid, well established and culturally rich.

Moreover, the employees' degree of involvement and their confidence in the directors' ability to choose an appropriate strategy bode well for the future.

The barometer is also a powerful tool to assist in planning. The results can be used as a basis for deciding on concrete initiatives for 2004 and, when compared with that gathered from the next barometer at the end of 2005, will provide a means of gauging the progress made.

A HUMAN RESOURCES SNAPSHOT
- **32,900 staff**
- **29,400 employees**
- **1,800 new people taken on permanently of which 600 are under 26**
- **Groupama created more than 370 new jobs in France**

This array of different initiatives has one objective: to mobilise everyone to drive change and the major projects in which Groupama is engaged.
Its implementation calls for close cooperation with all the Human Resources Management departments of the companies in the Group to share resources and build common frames of reference and methods geared to competence, performance and cohesion.

Labour relations

At national level

A significant number of joint meetings with the trade unions were held in 2003 for the purposes of negotiation, information and consultation: 11 for the Group Consultative Bodies and the UDSG Joint National Commissions (mutual division).

The **Group Committee** (which met in June and December 2003) examined the following key matters: consolidated financial statements for 2002 and major Group projects, including consolidation of the Regional Mutuals, personal banking with Groupama Banque, the IT Group Strategy and prospects for opening up the capital.
The **European Works Council**
At its three meetings in February, May and November, the Council monitored the development of the Group's business, both in France and internationally. In particular, it examined the situation of the UK, Luxembourg and Spanish subsidiaries.

These Group Consultative Bodies had two amendments made to their respective constitutional agreements to align them in terms of scope and resources with the development of the Groupama's business.

2003 was a pivotal year for the negotiations surrounding the UDSG scope with several social reform projects being initiated: retirement, continuing education, social dialogue, social security funding, etc.

In terms of the scope of the Gan UES, in addition to the renewal of the part-time working arrangements, work began on standardising the pay system in force for the benefit of the Gan UES and the mutualist scope of Groupama.

At individual company level

Beyond the recurring themes, the process of consolidation of the Regional Businesses had an impact on the social dialogue for the businesses concerned. Social dialogue provides a framework for local negotiation aimed at standardising not only social practices but also certain aspects of the social structure in place.
This year it led to the signing of numerous agreements (work time reorganisation and reduction, medical treatment cover, organisation and operation of staff representative bodies, support for geographical and functional mobility, reimbursement of business expenses, standardisation of the articles of association and their applications, etc.) to give businesses a common frame of reference for social matters in line with their new size and the projects they have to run.

LABOUR RELATIONS
- **The Group's major projects and restructuring programmes gave rise to a particularly rich social dialogue in 2003, a large part of which was focused on the setting up of the new companies. Priority objectives were convergence towards a standardised status and maintaining employment levels at the sites.**

GENERAL AND SPECIFIC DATA

WORKFORCE DEVELOPMENT

	2001(*)	2002	2003
Total number of employees	**28,338**	**29,286**	**29,391**
■ in France	25,266	25,782	26,203
■ Abroad (in 10 countries)	3,072	3,504	3,188
Distribution networks in France (Regional Mutuals and subsidiaries)			
■ Employed salespeople	8,450	8,963	9,179
■ Exclusive agents	4,200	3,514	2,482
■ General agents	1,050	1,050	1,000

(*) Restated staff like-for-like due to the acquisition of CGU Courtage in France and Plus Ultra Generales in Spain.

SPECIFIC DATA (EMPLOYEES IN FRANCE IN 2003)

Core businesses, networks	2002	2003
Regional Mutual head offices and customer services*	8,000	8,160
Regional Mutual sales forces (excluding exclusive agents)	6,845	6,958
Gan subsidiaries' head offices and customer services	3,584	3,511
Gan multi-line and specialist networks' sales forces (excluding exclusive agents and agents)	2,118	2,221
Groupama Banque and Épargne Salariale	70	233
Groupama SA specialist, functional and logistics divisions	1,778	1,780
Group IT departments and centres	1,587	1,553
Financial and real-estate subsidiaries	866	830
Insurance and related services subsidiaries	834	957

** After-sales service and customer service centres.*

Breakdown	2002	2003
By geographical area		
Regions	77%	76%
Paris	23%	24%
By sex		
Women	57%	57%
Men	43%	43%

Recruitment	2002	2003
New people taken on permanently from outside the organisation	2,268	1,809
of which permanent employees under 26	561	605

Training (2002 data)	2001	2002
% of wage bill	4.3%	4.5%
Course participants (% of workforce)	65.4%	58.5%

Foundations and patronage

Groupama takes its benevolent work very seriously. Its approach, based on long-term commitments, has brought success in a number of projects over the last several years. The Group has always been keen to demonstrate its concern for preserving life and our cultural and environmental heritage through concrete initiatives.
In health, Groupama set up *Les Massues* Private Hospital in Lyons in 1960, and in 2000 put in place the Groupama Foundation, whose principal mission is to help in the battle against rare diseases. The Gan Film Foundation, formed in 1987 at the Cannes Film Festival, works to preserve and promote our cinematographic heritage and supports the emergence of new film-makers. In sport, Groupama has been involved in sailing sponsorship for six seasons, by supporting Franck Cammas, skipper of the Groupama trimaran.

The Groupama Foundation

■ Helping in the battle against rare diseases

Since it was formed, the Foundation has contributed a total of €1,315,000 to 75 projects to help combat patient isolation, improve the circulation of information and support research into rare diseases.
The Groupama Regional Mutuals lent their support to 24 of these projects.
Thanks to this financial, material and human support, the Foundation has, alongside other players such as the associations and Orphanet, helped to further knowledge and the recognition of rare diseases.
Groupama has carried out awareness campaigns aimed at members and employees, such as its participation in the "*Marche des Maladies Rares*" organised on the day of the *Téléthon* charity event.
The Groupama Foundation was a partner in the 2nd European Conference of rare diseases organised by the *Alliance Maladies Rares* and Eurordis, which brought together families, healthcare professionals and research scientists, a total of more than 500 participants from 16 European countries, to share thoughts and experiences.
The Foundation continued to distribute the Orphanet directory of rare diseases with a view to facilitating early diagnosis of such diseases. The directory was sent to 1,300 neurologists, the main specialists concerned by these diseases. Having already been sent to 4,800 paediatricians, 400 doctors in maternal and child welfare clinics, and Groupama's 60 medical consultants, it is also made available to any healthcare professional who is interested.

■ Combating patient isolation

As part of its policy of combating patient isolation, the Foundation has supported several initiatives organised by associations, particularly in connection with special facilities for sick children and Internet access.
The Groupama Foundation has sponsored twenty children to stay at a leisure facility with medical support – unique in France – run by the *L'Envol* association.
It has also supported the *Sparadrap* association to publish a booklet entitled "*J'ai une maladie grave… On peut en parler*" (I have a serious illness... We can talk about it) to help very sick children and their families talk about their feelings.
With Groupama Loire Bretagne, the Foundation has given financial support to a project to provide Internet access facilities at the Perharidy hospital in Roscoff, for young cystic fibrosis sufferers confined to their rooms.

■ Medical research funding

Over the last three years, the Groupama Foundation has awarded 12 grants worth an average of €15,000 each to young scientists completing their thesis.
The Foundation got involved in the *Journées de la Fondation Recherche Médicale* at the Sorbonne, participating in the debates on rare diseases between research scientists and the general public.
The information and services website www.fondation-groupama.com, set up in November 2001, achieves 2,000 hits and 4,500 pages read per month.
It was selected for a "*Phénix de la communication*" award by the *Union des annonceurs* (UDA).

■ Merging of Groupama foundations

Plans to merge the Groupama Foundation and *Fondation d'Entreprise Groupama pour la Santé*, which supports *Les Massues* private rehabilitation hospital and the IEG (European Institute of Genetic Mutation), should further extend Groupama's commitment to health, especially rare diseases, in particular making the most of synergies between the various spheres of intervention.

Les Massues Private Hospital European Institute of Genetic Mutation

Prevention and treatment are, of course, at the heart of what *Les Massues* does, but this also applies to Groupama, France's leading personal health insurer.
Les Massues Private Hospital enjoys a reputation for high-level expertise and has been accredited by the French healthcare accreditation and assessment agency, ANAES. It specialises in spinal surgery, the fitting of prostheses and rehabilitation for amputees, the treatment of back pain and rehabilitation of children.
The hospital employs 300 people and has 239 beds.

Work has begun on expanding and refurbishing the hospital and is set to continue until 2006. The first phase has been officially opened by the French Agriculture Minister, Hervé Gaymard. The Group is investing over €17 million in refurbishment and equipment.
The hospital also houses the European Institute of Genetic Mutation (IEG), partly funded by Groupama. The IEG is concerned with the prevention of congenital defects, which has three aspects: epidemiological monitoring, advice to doctors and research.

Gan Film Foundation

■ Supporting the cinema – past, present and future

Now one of the principal private-sector partners of French cinema, the Gan Film Foundation lends its support to film-making, distribution and restoration.

The Gan Film Foundation enables young film directors (between five and seven a year) to make their first feature-length film, thanks to a grant of €67,600 per project. Since its inception 15 years ago, it has been involved in the making of some one hundred films. Among them are *Delicatessen* (Jean Pierre-Jeunet and Marc Caro), *The Scent of Green Papaya* (Tran Anh Hung), *Microcosmos* (Claude Nuridsany and Marie Pérennou) and *The Dreamlife of Angels* (Erick Zonca).

As partner of the Max Linder Cinema in Paris, the Foundation supports delicate films when they are released in the cinemas in France.
Outside France, it regularly organises screenings to promote these films to the distributors (for example "*Les rendez-vous du cinéma*", a monthly event in Rome).

Two years ago, "*Un dimanche au cinéma*" (Sunday at the Movies) was introduced, inviting young people outside the French capital to experience all types of animated films with their families for just €2.

The Gan Foundation also supports numerous festivals all over the world, including the Angers Early European Film Festival, the Belfort Film Festival and the Florence, Lisbon and Cannes Film Festivals among others.

In some cases the Gan Foundation is behind awards (the "*Prix du Jury*" at Alès, the "*Prix du Public*" at Brest, etc.). It has also been organising a travelling film festival for the last three years in France; this year a new festival entitled "*5 Femmes*" (5 great French actresses in 5 great films).

The Foundation intends to ensure the preservation of a unique heritage. Thanks to its support, numerous masterpieces of the world's cinematographic heritage have been rediscovered. It has also lent its support to the restoration of many films (e.g. *Jour de fête* and *Play Time* by Jacques Tati). This activity involves the Foundation in screenings of silent films with live orchestra accompaniment both in France and abroad.

Sports sponsorship

After winning the Jacques Vabre transatlantic race again in 2003, Franck Cammas became the winner of the ORMA world multihull championship for the third time. The skipper of the Groupama trimaran also won the Challenge Mondial Assistance as well as the Lorient, Marseilles and Fécamp Grands Prix in 2003.
This remarkable series of wins reflects the talent and professionalism of the entire team, both crew and technicians.

Groupama and Franck Cammas signed a partnership contract in 1997, which was renewed for 5 years in 2002. This is confirmation of Groupama's dedication and long-term commitment (1997-2007) to sports sponsorship.

The building of a second boat – Groupama 2 – began in 2002 based on extensive design work directed by the skipper himself. Marrying speed and safety, the new trimaran incorporates some major innovations, particularly in the design of the stem and arms.

Ocean racing is a perfect illustration of the tenacity, taste for action, control over risk and sense of innovation that are part of Groupama's identity.

Strategy and resources

Groupama has identified and taken the steps needed to develop its competitive position and increase the economic performance of all elements of the Group.

Consolidation of the Regional Mutuals

The consolidation of the Regional Mutuals is an operation that fully reflects the growth strategy decided upon collectively by the mutualist elected representatives.
The consolidation plan adopted in December 2001 provides for a gradual reduction in the number of Regional Mutuals in Metropolitan France from 18 to 9 homogeneous organisations.
With greater resources at their disposal, the Regional Mutuals can participate even more fully in the Group's development and respond to the competition with innovative products and services. The consolidation serves both a commercial and an industrial purpose:

- commercial: each mutual is large enough and has sufficient resources to fully master its relationship with members and/or customers, from marketing to after-sales service, in all areas of business (insurance, banking and services);
- industrial: the new structure improves performance in customer relationship management, especially with economies of scale coming into play, enables us to reach critical mass so that the Mutuals can continue to invest and make the Group more responsive by simplifying decision-making processes.

The first merger took place in December 2002 (Groupama Loire Bretagne). Three new entities were created in 2003: Groupama Rhône-Alpes Auvergne, Groupama d'Oc and Groupama Centre Manche.
The Paris-Val de Loire Regional Mutual was formed in April 2004. The scope of the Centre-Atlantique and Nord-Est Regional Mutuals will not be changed.

Strengthening the Groupama SA specialist divisions

The eight Groupama SA specialist divisions (Professional Agricultural Risks, Non-life Insurance and Personal Services, Personal Life, Retirement, Savings and Provident Insurance, Personal Health Insurance, Personal Lines Marketing, Distribution, Commercial and Institutional Insurance, Group Insurance), which are centres of expertise, have worked closely with each of the Regional Mutuals and Profit Centres to help them draw up their own Operational Strategic Plan, the objectives being set on a consultative basis. In order to achieve these objectives, the specialist divisions are being strengthened to create the processes and products appropriate to the markets in which the companies in the Group are involved.

International diversification

Groupama is keen to speed up its international expansion, which it sees as a means of diversifying and supporting its growth, initially in Southern Europe, then in Central Europe and Asia. The choice as to where the Group should establish a presence is made according to four criteria:

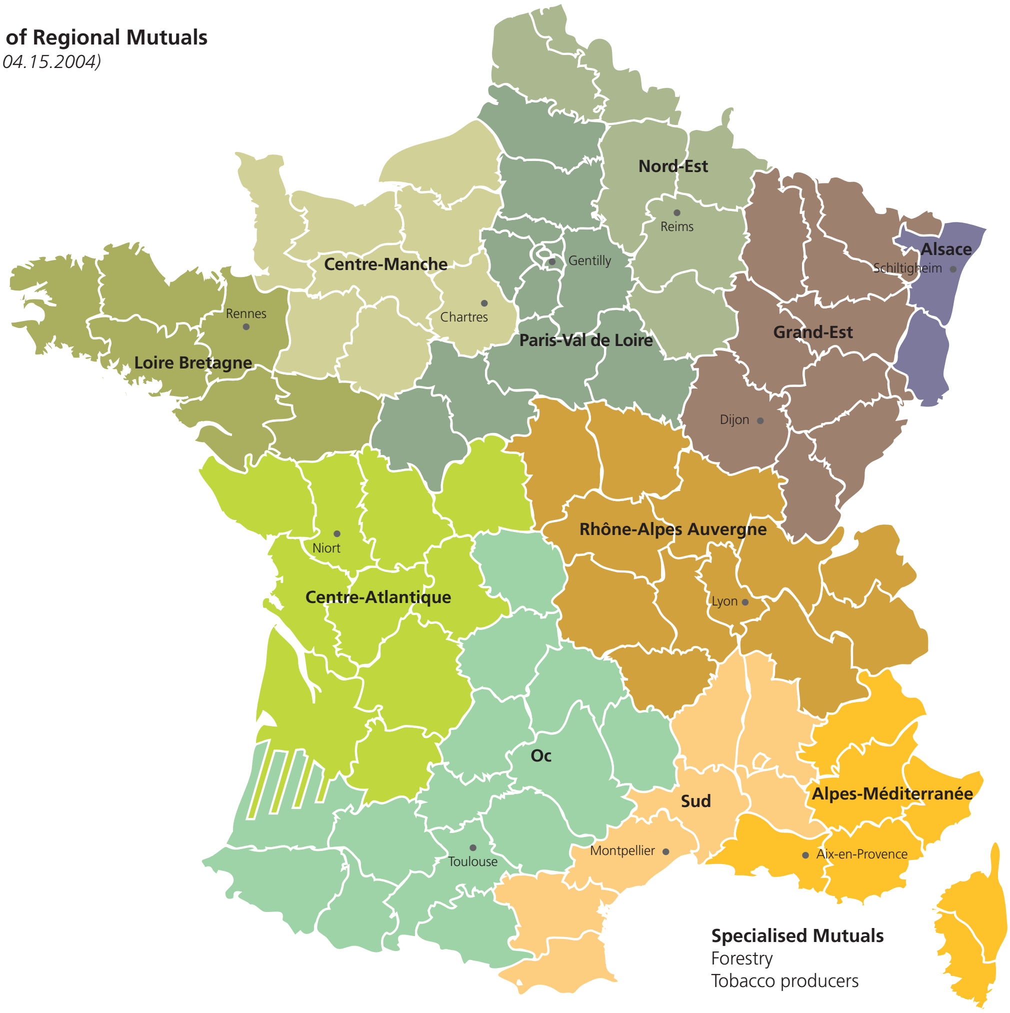
- it should choose markets with extensive potential where the economic agents are as yet less well provided with insurance products than the average in the EU;
- there should be potential for becoming a significant player in the chosen market to be in a position to play an active part in defining the conditions of the insurance industry;
- it must have control over the distribution network; and
- position itself in market segments that reflect the know-how developed in France, for the benefit of private individuals and professionals in these countries.

Groupama's international network has been reshaped and is now concentrated on markets with favourable prospects; today it makes a positive contribution to Group profits.

IT synergies, the changes in the commercial networks and the launch of banking services are covered on pages 28-29, 30-33 and 42-43 respectively.

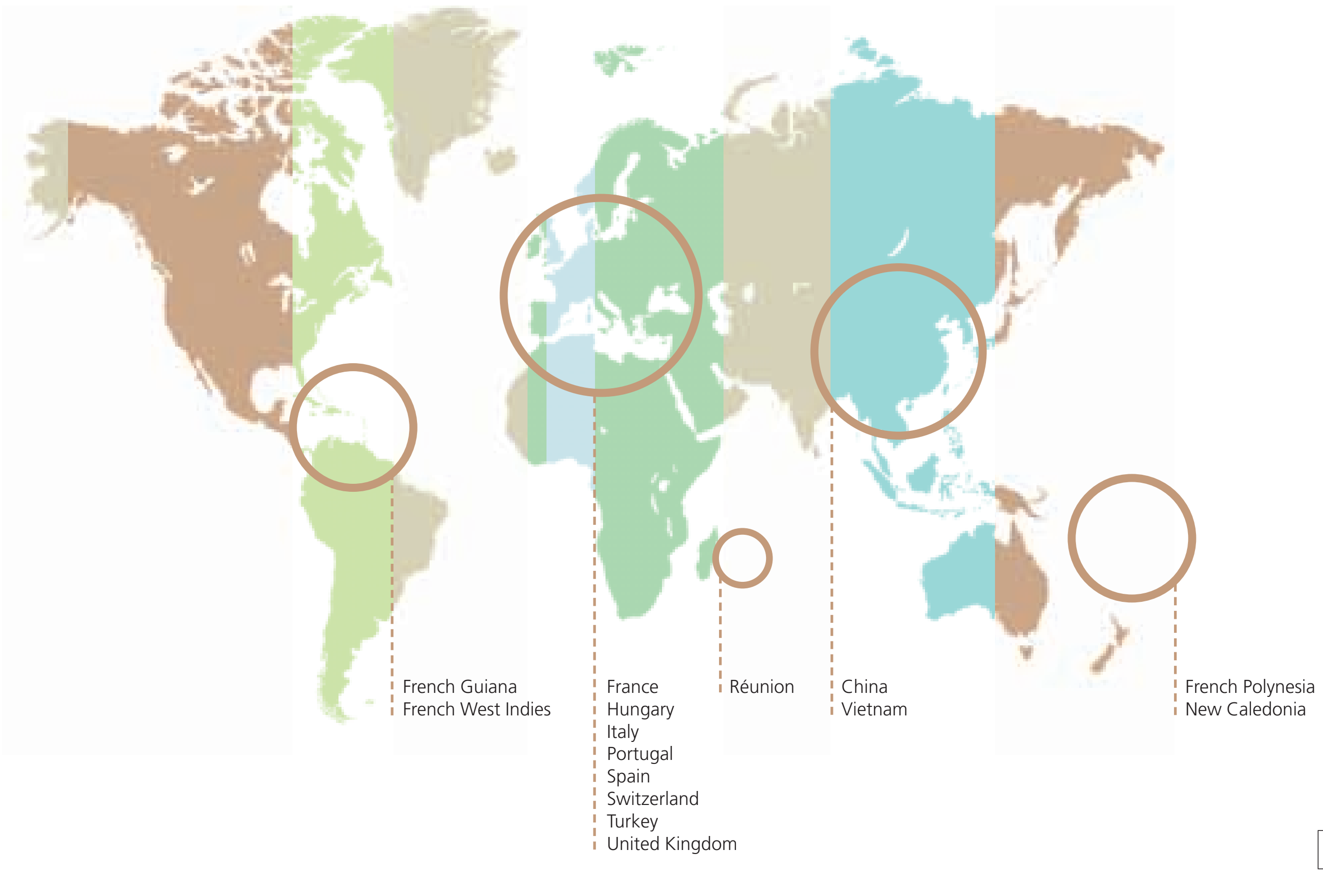
Map of Regional Mutuals

(as at 04.15.2004)



Specialised Mutuals
Forestry
Tobacco producers

Overseas Mutuals
French West Indies – French Guiana
Indian and Pacific Ocean



Information technology within the Group

The implementation of the Group IT Strategy (2001-2007) by Groupama Systèmes d'Information is continuing successfully. The rate of cost reduction in 2003 was in line with the targets set, and all personnel are behind the implementation of the major strategic programmes accompanying the Group's expansion.
Three other intercompany ventures (CIRSO, IG3M and CIBAMA) that manage information technology for certain Regional Mutuals including the overseas Mutuals are involved in implementing the Group IT Strategy.

Cost reduction a reality

The first step towards the goal of cost reduction has been taken. Thanks to optimised capital expenditure and lower running costs, Groupama Systèmes d'Information saved €41 million in 2003, at constant scope.
Cost reduction, based on the reference scope of the Group IT Strategy, has therefore become a reality in the space of a year. This performance is explained by better control of running costs. Efforts were chiefly made in respect of operating and committed costs.
In addition, corporate governance focused on business lines has enabled funding to be directed towards IT projects with a high return on investment.
Despite the cost savings, Groupama Systèmes d'Information significantly increased its business in 2003 thanks to new customers (Gan Patrimoine in particular) and the inclusion of new activities and Group-level programmes, particularly Groupama Banque, Groupama Épargne Salariale, the merger of Gan Eurocourtage with CGU Courtage and the buyout of Motorcare France.

Spending to save in the future

Back office rationalisation and the overhaul of the sales terminals have led to more standardised IT systems and a narrower spectrum of sales support tools. Maintenance and operation of the Group's IT resources will be less management-intensive in the future. In 2003, Groupama Systèmes d'Information modelled its activities and has embarked on a programme of improvements to its working practices based on a Quality guide.

CRM and systems rationalisation

The first version of the Customer Relationship Management system was deployed in all the Regional Mutuals in 2003 and 6,800 sales advisers were trained in its use. Sales personnel now have software at their disposal that enables them to sell banking products and consult individual customer files in real time. At the same time, work on implementing CRM within Gan Prévoyance and Gan Patrimoine has been completed and the preliminary study looking at its introduction within Gan Assurances has commenced.

The back office rationalisation programme is continuing as announced:

- **Non-life Insurance convergence (2,748,000 policies to be migrated)**

The adoption of a single system for managing non-life insurance will bring benefits in terms of both cost savings and consistency. The bulk of the development work was completed in 2003 related to the migration of the GAN Assurances agents' fire, accident and risk insurance system to the SIGMA system used by Groupama.
This programme will establish SIGMA as the Group's preferred non-life insurance management system.

▪ Health Insurance convergence

The Group has reduced the number of Health Insurance sales systems from four to two. In addition, a large-scale national project is in progress to arrive at a single software solution to handle benefits for the Regional Mutuals and Profit Centres.

▪ Group Insurance convergence

2003 was devoted to outlining the convergence system, Accapulco. The new system is based on a program already used by Gan Assurances and Gan Eurocourtage and will become the only system used for Group Insurance processing.

Restructuring reaching completion

Started at the beginning of the year, the *Trajectoires* programme is designed to co-ordinate the transfer of the employees of the CCAMA and Gan Patrimoine IT departments, as well as those from Gan SI and SIG, to Groupama Systèmes d'Information. Work on this continues into 2004, including the putting in place of a new organisational structure, intercompany transfer management and standardisation of personnel status. Initially at seven sites (Bordeaux, Bourges, Castelnau, Ecully, La Défense, Lille and Noisy-le-Grand), the Group's IT activities are currently being grouped according to business line at four locations.

GOVERNANCE ALIGNED WITH GROUP STRATEGY, IN TOUCH WITH USERS' REQUIREMENTS

The Information Systems Committee
Prepares the decisions of the Group Executive Committee, validates the budget of Groupama Systèmes d'Information and manages the IT strategy.

Area Committees
Each of the eight Area Committees, combining representatives from the Group's IT services and principals, is responsible for the IT capital expenditure for a specific business line. They ensure that the Group's IT activities are in line with its priorities.

Before consideration by the Area Committee, the Request Preparation Committee prepares and prioritises so-called "community" requests – requests that can be mutualised for all the Regional Mutuals and/or Profit Centres – for the area concerned.

The Customer Relations Committee
This provides the interface for each customer between principals and Groupama Systèmes d'Information. It reviews reciprocal commitments. The Committees are headed by the MRCs (customer relations managers), who act as a privileged contact for customers.

The Service Quality Committee
Particular attention is paid to Service Quality; commitments are documented in the form of a service contract, monthly performance indicators are drawn up, an annual survey is conducted to find out customers' quality perceptions, etc. The MRC reviews the service contract indicators with each customer on a monthly basis.

Network activities

Groupama Regional Mutuals

Groupama
Donnons à la vie toutes ses chances.

€5.7 billion in gross income
Customer base: private individuals, professionals, businesses and institutions
Products: the whole range of general insurance products and a broader banking offering
Network: over 3,000 branches of the 11 Metropolitan Regional Mutuals

■ Regional Mutuals and Groupama Vie: an upward curve

In non-life insurance, the Regional Mutuals recorded premium income of €4,137 million, a 5.5% increase, the result of a highly active marketing policy in the personal insurance market. Groupama performed well in supplementary sickness and surgery insurance (up 7.3%), motor insurance (up 4.3%), long-term care insurance (up 7.1%) and unforeseen events cover (up 66.9%), a product on which the Regional Mutual commercial networks are concentrating their sales effort. Under Groupama Vie, the Regional Mutuals' life insurance business has increased markedly (up 6.6%), linked to the turnover on euro savings policies which has largely compensated for the downturn in unit-linked policies.

■ Progressive introduction of banking services

A significant event for the Regional Mutual commercial networks in 2003 was the launch of banking services. The first quarter saw the completion of the trial phase, begun in November 2002, in two pilot Regional Mutuals: Rhône-Alpes and Maine. At the end of February, a positive report paved the way for the roll-out of the first batch of the Groupama Banque offering to all the Regional Mutuals, focused on "everyday banking" (all-in packages of products and services), consumer credit and short-term savings products (particularly savings credit).
The roll-out was carried out progressively starting in April, keeping pace with staff training (almost 40,000 days of training were given).
Nearly all the 5,600 advisers of the Regional Mutuals in Metropolitan France were therefore fully operational by July.

By the end of December, almost 90,000 customers had availed themselves of Groupama banking services, thanks largely to the autumn promotional campaign "*Solution Auto*" which combined an attractive lending rate with motor insurance benefits.

At the end of the year, marketable securities (range of mutual funds and direct stock market trading) and mortgages were tested in four pilot Regional Mutuals (Groupama Rhône-Alpes Auvergne, Groupama Centre-Atlantique, Groupama Sud and Groupama Nord-Est), to be rolled out to all the Regional Mutuals from the second quarter of 2004.

In addition, some thirty ATMs were installed.

■ Remote access

The development of remote customer service facilities, using resources such as the Internet and tele-servicing centres, has given customers the freedom and independence to contact Groupama in the way that suits them. The groupama.fr website gives all Internet users direct access to regional sites and the contact details of the sales network. In addition to comprehensive coverage of the products and services available, members using the Internet have access to a secure area where they can consult their life insurance policies and banking agreements and perform all types of transactions (issuing instructions, preliminary claims, etc.).

Gan Assurances

€2.1 billion in premium income
(up 5.3% like-for-like)
Customer base: private individuals, professionals, businesses and institutions
Products: the whole range of general insurance, health insurance and savings products
Network: 1,000 agents, 2,000 branch employees and 350 representatives

Gan Assurances, the 4th largest network of insurance agents in France, serving 2 million customers, confirmed the upturn in its business in 2003.
Agents' non-life insurance business increased by 5.8% (to €952 million), further evidence of the upsurge (an additional 9,500 policies). This growth is explained by a 3.6% increase in the Private individuals/Professionals markets, in particular in motor insurance (up 2.2%) thanks to portfolio growth and intensive marketing of the Gan Auto Oxygène policy launched in June 2003.
In commercial and institutional insurance (up 13.7%), many market segments are on the rise due to rate increases.
Life transactions rose by 4.9% in 2003, to €1,116 million, highlighting the increased growth of Gan Assurances (up 3.2% in 2002). In personal life insurance (up 5.5%), the increase is linked to healthy sales of the Libertance and Chromatys policies and retirement policies.
In personal health insurance, premium growth stood at 7% and in group health insurance the portfolio was up 12%. Premium income from all group life insurance rose by 2.7% compared with 2002.

▪ Enterprise project up and running

Backed by widespread support from agents (more than 85% signed the charter), the enterprise project became operational in 2003. Services for agents and their customers were deployed progressively.
Gan Souscription, which provides direct support for the branches' sales activity, was either launched or prepared in all regions. Two of the six regions have, in addition, tested the customer relations centre, Gan Services, for remote claims management and Gan Fil, for diverting calls away from the branches, conducting sales activity on behalf of agents, etc.
The first development plans for the branches were drawn up by the agents and by the sales inspectorate at the end of 2003 and will be monitored in 2004.

A number of tools, resources and transactions, including the widespread introduction of direct premium payment and an increase in the number of sales leads, particularly as part of national campaigns, have been implemented to enable Gan Assurances to strengthen its trading activities and achieve healthy, sustainable growth.

QUALITY SURVEYS

90% satisfaction rate overall for the Group's two brand names – Proximity and availability universally approved
In 2003, 34,897 Groupama members and 12,315 Gan Assurances customers said what they thought of their entire relationship with their insurer, by returning the questionnaire that had been sent to them. They were asked about policy monitoring, the branches, their personal advisers, claims, how their requests were handled and value for money.
Beyond the overall satisfaction rate of 90%, numerous indicators are analysed and put into perspective from year to year – Groupama has been regularly conducting such surveys for the last 10 years.
Members and customers say they particularly appreciate the local presence and the availability of their personal advisers, and many are very satisfied with the way their claims are handled.
They hope to receive proposals for new forms of cover on a regular basis.
Specific surveys are also conducted each year. For the Regional Mutuals, more than 42,000 motor and home insurance claimants said how they viewed the way their claim was handled in 2003, from the notification of the claim itself, through the assessment and repair stages right through to payment.
New services such as Auto-Presto (which provides a replacement vehicle for the duration of the repairs) are appreciated because they make life easier for policyholders.
In all written questionnaires, there is ample space for respondents to express themselves freely.
Beyond the pre-formatted questions, anyone who wishes to can add their comments (positive or negative) and suggestions.
Whenever a new service is launched, *ad hoc* surveys are carried out to check that it is being properly implemented and make any necessary adjustments.
Certified companies in the Group each have their own satisfaction barometer.
The surveys are a means of determining what improvements need to be made; the results are used to formulate quality programmes and concrete initiatives in the field.

■ An offering geared to customers' requirements: innovation and expertise

The enterprise project is evidence of our commitment to developing an innovative range of products and services, in particular to promote a sales approach based on winning customer loyalty and globalisation.
Gan Assurances is firmly established as a network specialising in the risks and requirements of businesses, particularly SMEs, and all tradesmen, self-employed professionals and farmers, in non-life insurance as well as personal and group life insurance. The leadership position that Gan Assurances has assumed in launching employee savings plans underlines this priority.

The success of Omnipro, a professional multi-risk insurance product offering a global solution for tradesmen, is evidence of unquestionable expertise.

For private individuals, the entire range of motor, home, health and provident insurance products has been revitalised by the launch of Gan Auto Oxygène.
More than 250,000 policies were sold by the branches in a few months. In savings, a new product aimed at the general public, Gan Épargne Énergie, was tested before being made available to all branches in early 2004.
Banking services are due to be launched in 2005.

■ Better control of risks and profits

Putting the branches in closer touch with decision-making and management entities will give Gan Assurances better control of its risks and profits.

Gan Eurocourtage

€1.4 billion in premium income
(up 5% like-for-like)
Customer base: private individuals, professionals, businesses, associations and co-operatives
Products: non-life insurance, group insurance
Network: 1,500 regular partner brokers

■ 2003: a satisfactory increase in business

Gan Eurocourtage IARD, the non-life insurance entity of the Gan Eurocourtage network (France's third largest non-life insurance brokerage network), recorded premium income of €764 million, a 5.2% increase compared with 2002. Alongside the price increases, a more selective risk strategy was pursued and a far-reaching campaign to improve the level of risk for businesses was conducted in 2003.
Engineers made numerous site visits and issued company managers with risk prevention reports, also covering environmental risks, describing the actions to be taken to make their facilities safer still.
The merger with the former CGU Courtage was carried out successfully.

Premium income for Gan Eurocourtage Vie (insurance for private individuals) stood at €598 million, a 4.7% increase compared with 2002. On the one hand, it has stepped up activity in the collective capitalisation sector (retirement products) in anticipation of the new opportunities offered by the *Loi Fillon* from 2004 onwards. On the other hand, growth has been driven by health and provident insurance, in particular with the launch of the new Dimension Prévoyance Entreprises policy in 2003.

Gan Eurocourtage intends to continue developing high added value solutions for its customers (private individuals/professionals, SMEs), making more extensive use of the extranet resource in its relations with brokers.
Gan Eurocourtage was awarded the *Prix d'Excellence* 2003 by the *Syndicat des Assureurs Conseils* for the quality of its services. The life insurance extranet for brokers was singled out for a user friendliness award by the French insurance brokers' federation, the FCA, at the group insurers' conference REAVIE.

Gan Patrimoine

€580 million in premium income
Customer base: private individuals in the middle/upper social and occupational group, both employees and non-salaried workers
Products: Personal insurance
Network: 750 exclusive agents

Gan Patrimoine managed to keep premium income stable compared with 2002 thanks to the healthy performance of its euro policies, particularly Libregan. This favourable result was nonetheless counterbalanced by the less encouraging behaviour of unit-linked policies which suffered at the hands of the uncertain economic climate of the first half of 2003.
A new prestige euro product (minimum investment €50,000) designed for the personal asset management market and incorporating assistance and legal protection covers was created in July 2003. Sales of provident insurance products, which represent a new avenue of development, are rising steadily.
Life insurance products now account for almost 80% of the total premium income.

Projects started in 2003 included a reorganisation of the sales regions, strengthening of the network structure and a large-scale IT investment programme.
Gan Patrimoine's operating basis – net assets, level of profit sharing, solvency margin coverage – will support its growth strategy while enabling it to maintain a satisfactory level of profitability.

Staff at Gan Patrimoine are preparing to integrate the banking services offered by Groupama Banque into its product range.

Gan Prévoyance

€397 million in premium income
Customer base: private individuals and professionals
Products: Personal provident insurance, retirement, savings and health insurance
Network: 1,160 employed advisers

Gan Prévoyance recorded premium income growth of 8% in 2003. This increase, in line with the market, was achieved thanks to the outstanding performance of the portfolio and the sharp rise in sales of periodic-premium and single-premium policies. Premium income from retirement products rose by 15% while that from provident insurance remained stable. Health insurance business increased significantly in 2003.

Backed by its group welfare experience and the expertise of its advisers, Gan Prévoyance is benefiting from a healthy specialised retirement plan market. In this area as well as in personal provident insurance and health insurance, the company is developing a personalised approach to its customers' requirements and offers them a comprehensive range of solutions to support them throughout their lives.

Gan Prévoyance's strategy depends on the training of and ability to adapt the sales network, to provide customers with optimum advice and value-added services. In 2003, the number of provident insurance advisers was increased and the sales regions were reorganised. In 2004, one of the company's flagship provident insurance products is to be updated and work will continue on preparing the policy management process for certification in 2005.
Finally, Gan Prévoyance's product range is to be expanded to include a PERP, a retirement savings plan in line with the new French pension law, the *Loi Fillon*.

Insurance, banking and related services in France

34 // 57

10.53

// TOTAL INSURANCE PREMIUM INCOME IN FRANCE
€ billions

"As an insurer with a strong local presence, Groupama aims to support private individuals and professionals every step of the way in their everyday working and personal lives, by offering innovative, comprehensive solutions (in health, provident insurance, motor and home insurance) that far exceed simple compensation. Insurance is also about preparing for the future (savings, retirement, prevention) with quality advice and products. As a fully-fledged financial player, Groupama has also offered an extended range of banking services since 2003."

Daniel Blanchard,
General Manager, Insurance/Banking and Services for Private Individuals

"Risk analysis and prevention, long-term support in a partnership context, tailor-made solutions... these are the watchwords of the way Groupama approaches and deals with the increasingly varied insurance requirements of businesses and local authorities.
In group insurance and non-life insurance, Groupama is gearing its business more towards SMEs and small and medium sized institutions."

Rolph Harff,
General Manager, Commercial and Institutional Insurance

Personal health insurance: playing to our strengths

As the leading personal health insurer in France, Groupama maintained its position in 2003 in a difficult and rapidly-evolving marketplace in which consumers attach great importance to the quality of the cover provided. Despite fierce competition, the Group's positions again advanced significantly, both in terms of portfolio and premium income. This can be attributed to the modern approach of the Group's solutions, which combine extensive cover, innovative services, and simple sign-up procedures.

2003 strategy: three priorities

The importance of personal health insurance for the Group, which is number one on this market, explains the effort put into devising and implementing a strategy based on three goals in 2003:

- building up the portfolio of policyholders by offering up-to-date and personalised cover (Groupama Santé Active) based on extensive cover, innovative services (a health information call centre operating 6 days a week, a 24-hour telephone help line, and medical expenses reimbursed within 3 days) and the setting up of a systematic direct payment system, which is an essential deciding factor relative to our competitors;
- maintaining the Group's dominant position in the agricultural sector, while limiting effects resulting from the declining number of farmers;
- controlling illness risks and management costs.

SIGNIFICANT EVENTS

- **In December 2003, *Les Dossiers de l'Épargne* awarded Groupama Santé Active a gold medal for its policies.**
- **Development of the *Convergence Prestations Santé* project, defining the target information system for the management of the Group's healthcare services.**
- **A policy administration centre was opened at Poitiers at the end of the year.**
- **In December, the pilot phase of a nationwide direct payment system began.**

2003 initiatives and results: increase of more than 8%

The Group continued to roll out the Groupama Santé Active (GSA) solution, with a particular emphasis on:

- marketing to those covered by the general social security system and to the self-employed;
- the transfer of the existing portfolio towards the GSA solution.

Consumption of medical care and goods has advanced on average by 6% over recent years, a faster rate than GDP. National medical spending was almost 10% of GDP in 2002.
Health is the primary concern of the French.
On this market, which has strong growth potential, but which is also profoundly affected by the enormous deficit of the health insurance system (over €10 billion) in 2003, supplementary health care insurers have little control over the amounts they pay out.
Groupama, however, intends to take a proactive role by controlling the health risk itself, as it has shown in certain fields to the benefit of policyholders, for example:

- *optical services* – over the last 5 years Groupama has set up a partnership with 750 opticians, providing it with genuine transparency in relation to the quality and price of optical services;
- *dentistry* – Groupama is already reimbursing preventive treatment which is not covered by the compulsory health insurance scheme (screening for tooth decay, for example);
- *outpatient healthcare* – the Groupama Health Partners experiment (see opposite page) has enabled both an improvement in healthcare quality and lower treatment and prescription costs.

Against this backdrop, the Group as a whole (Groupama Regional Mutuals and Gan profit centres) achieved an 8.1% increase in premium income in 2003 (€779 million in 2003 and €720 million in 2002), reflecting the quality of its healthcare offering.
The health insurance portfolio increased by 2.8% to some 1,100,000 policies.

Successful experiment with Groupama Health Partners
The Groupama Health Partners experiment, conducted in 3 French departments from 2000 to 2002 in conjunction with Mutualité Sociale Agricole, involves 108 GPs and 3,700 insured farmers with supplementary health insurance cover from Groupama.
The principle: the constitution of working groups of GPs that enable the discussion of practical aspects of medicine between colleagues who are also committed to improving the quality of healthcare, while the insured farmers benefit from direct payment of their expenses and preventive measures.
The result: a 17% decline in outpatient healthcare expenses, compared with a control group which did not take part in the experiment. The approach is similar to that of the quality circle, and is in line with the proposed reform of health insurance: improved treatment, lower costs, and satisfaction for both doctors and the insured.

OUR PRINCIPLES IN ACTION

KEY FIGURES

- Premium income

€779 million **up 8.1%**

- Portfolio

1,066,700 contracts **up 2.8%**

Individual provident, retirement and life insurance

Individual provident, retirement and life insurance are crucial fields for the everyday life and future of the French. In this specific area of personal insurance, the Group is implementing a strategy aimed at expanding and winning market share focused mainly on salaried employees, pensioners and the self-employed. The main premium income and market share targets were fully achieved in 2003.

Individual savings and retirement: strong growth rates…

9.6%: the overall growth rate in this sector for the Group. This figure is particularly significant as it is one and a half points higher than the market, and six and a half points higher than the growth achieved by traditional insurers. Each of the Group's companies achieved strong premium income growth: 16.5% growth for *GAN Prévoyance*, 13.5% for *Groupama Vie*, and 8.3% for *GAN Assurances*. Revenue from *GAN Patrimoine* euro-based policies also increased by 8.3%.
These results can be attributed to increased payments into euro-based products, while there was a significant decline in the figure for unit-linked policies.

…and a satisfactory rate of return

With the main Groupama saving contracts (*Groupama Épargne, Sora-Épargne, Sora-Performance, euro-based funds of Groupama Modulation*: €9.3 billion), and the Gan products (*Libertance 95* and euro-based funds of *Chromatys*, representing customer deposits of €825 million), Group customers have benefited from a high rate of return of 4.7%, representing a 2.5% increase in purchasing power after allowing for annual inflation.

The global Savings and Retirement offering in 2003 was mainly focused on:

- the launch in June by GAN Patrimoine of the new *Patrimoine Privilège* policy (a life insurance policy with free payments and withdrawals combined with supplementary covers and services) which proved extremely popular;
- the test, launched in September, of *Épargne Grand Public*, concerning the sale in Gan Assurances agencies of *GAN Épargne Énergie*, a saving product with payments made at will or at specific intervals;
- various promotional operations relating to euro-based policies: at the start of the year an increased rate of 5.05% was offered on Gan Patrimoine's LibreGan, and a rate of 5.05% on Chromatys from Gan assurances.

At the end of the year, Groupama Vie and Gan Patrimoine offered a guaranteed rate of 4.50% on Groupama Épargne, Sora Épargne, Sora Performance (Groupama Vie) and LibreGan, LibreGan PEP and Patrimoine Privilège (Gan Patrimoine).

Personal provident insurance: specific trends in a diversified market

In a 2003 market that reflected the stability of some types of cover (death and bodily injury), sharp specific increases (unforeseen events cover*) and slight decreases (as potential customers held back on long-term care), Groupama's total premium income rose by 2.4% (€615.3 million).
In 2003, long-term care and unforeseen events cover were at the heart of the action plans of the Groupama Regional Mutual networks, which recorded 5.5% growth (excluding the AAEXA farm worker accident cover scheme), largely because of the development of these products.
Similarly, Groupama Vie premium income grew by 4.6% because of the success of its range of death and funeral policies.

2003 range focuses on senior citizens

During 2003 Groupama offered its provident insurance customers a "Funeral" product including services, supplementing the *Avenir Autonomie* policy which is particularly well suited for long-term care, and which is now distributed by the Regional Mutuals and the *Gan Patrimoine* network.

Groupama's response to the long-term care issue: *Avenir Autonomie*

20% of the French population are over 60 years old: by 2020 the figure will be 25%. This phenomenon raises the issue of long-term care: as people become unable to carry out certain everyday tasks alone, they require assistance; this dependence is also accompanied in some cases by medical, mental and social handicaps. 1.2 million people are in long-term care today.
The high cost of long-term care also raises the serious issue of finance (whether the person concerned stays in his or her own home, or is housed in an institution), a problem which is only partly addressed by the government with the APA scheme (personalised autonomy allowance).
Private insurance can provide a complementary and effective solution. In the event of partial or total reliance on long-term care, a specific policy divided into modules can be provided: *Avenir Autonomie* is today the group's key product in the field of long-term care.
Based on a tax-free life annuity (from €200 to €2000 a month) which is revised on an annual basis, this policy also offers everyday assistance from professionals experienced in the necessary administrative procedures.

** See the chapter on unforeseen events cover (page 46).*

SIGNIFICANT EVENTS

- Groupama was actively involved in the preparation of the text of the Fillon Law on retirement pensions passed on 21 August 2003, and in 2004 will offer a product enabling its policyholders to constitute a personal retirement pension.
- GAN Assurances experts were instrumental in carrying out a retirement survey, conducted with *Investir Magazine* and TNS Sofres, based on the presentation of group and personal solutions to 1,000 people.
- In provident insurance, Groupama set up a Quality Charter with GAMEX (the organisation that manages the AAEXA scheme), enabling the latter to obtain ISO 9001 version 2000 certification for its management platforms in December 2003.
- The Group was honoured with several awards for specific products, strengthening its reputation for performance and expertise: four Grand Prix awards from *Mieux Vivre Votre Argent*, five trophies from *Le Revenu*, six Oscar awards from *Gestion de Fortune* and two gold medals from *Dossiers de l'Épargne*.

KEY FIGURES

- Premium income from pensions

€380 million up 6.6%

- Premium income from savings

€2,257 million up 10.1%

Total: **€2,637 million** up 9.6%

Groupama market share 3.3%

- Personal provident insurance premium income

€639.5 million up 1.7%

of which individual cover:

€615 million up 2.4%

Groupama market share 15.2%

Group insurance and company savings schemes: listening and responding to needs

To be number one on the VSE and SME markets, and strengthen its position as a major player in brokerage: these are the goals of Groupama, number three in the group insurance market. To achieve its objectives, the Group is drawing on its reputation, expertise, product ranges, management system and a spirit of creativity based on continuous innovation: advantages that should bring success.

2003 strategy: market-led and designed for profitability

Number three on the group insurance market, Groupama is applying a strategy aimed at constant leadership based on the quality and adaptability of its products, and the reliability and efficiency of its management policy, while ensuring that the skills of its specialist teams are constantly kept up to date. As it pursues these commercial targets, the Group is also targeting a good level of profitability.

Its experience and its action, acknowledged by professional bodies, have enabled it to be closely involved in two major and highly sensitive issues opened up for debate by the government in 2003: healthcare and retirement savings.

Retirement savings, health insurance, provident insurance: responsiveness and expansion

The Group set out in 2001 to become a major player in the highly competitive retirement savings market. In line with the government's reform aimed at ensuring the sustainability of pay-as-you-go pensions while strengthening retirement savings through the recognition and extension of existing schemes, the Group was particularly active in initiatives to enable individual, optional payments by employees into "*Article 83*" fixed-contribution pensions, a possibility now enshrined in the Fillon law.

Also in 2003, Groupama completed the revamping of its standard multi-network products and services for VSE (very small enterprises) and SME (small and medium size enterprises).

A new module-based provident insurance policy for companies was thus launched by the Gan networks in the fourth quarter of 2003, and immediately proved successful. It is based on the same concept as earlier products, such as the multi-fund "*Article 83*" product (2001) and the health insurance policy (2002).

At the same time, the Group took steps to facilitate the tasks of corporate customers, who are now able to make their quarterly and annual premium declarations, and their payments, via the Internet. By 31 December 2003, over 2,000 companies had opted for this entirely free service.

2003 operations and results: premium income up by 10.2%

In the group insurance sector Groupama made significant progress, despite the uncertainties of the financial environment and the substantial deterioration of the sickness and disability risk.

Group insurance premium income reached €1,335 million, a 10.2% increase on 2002. Gan Eurocourtage was the largest contributor to this figure, with €638 million (47.8%), followed by Gan Assurances with €427 million (32%) and Groupama Assurances with €270 million (20.2%).

This increase is largely due to exceptional payments made into large retirement pension policies and the indexing of health insurance policy premiums, which have maintained the balance in the claim/premium ratio. Groupama is reaping the benefits of its rigorous underwriting and risk monitoring policy, constant attention to profitability (in line with targets), and determination to maintain a prudent level of provisions relative to its commitments.

Employee savings plans: expertise and a comprehensive offering

Groupama's specialist subsidiary Groupama Épargne Salariale can draw on the Group's thirty years of experience in this market. It works with some 4,000 VSEs and SMEs, having demonstrated to them the strategic importance of employee savings plans throughout their existence. For a company head, employee savings plans – and indeed all the services of an insurer – play a key role at each and every stage of the company's life. This sector has therefore been given pride of place in the strategy of Groupama, which in 2004 is managing the plans of more than 80,000 savers through thirteen umbrella funds, 6 specialised funds and 4 employee shareholding funds, all managed by Groupama Asset Management. The employee savings account management activities were ISO 9001 (version 2) certified in 2003, reflecting their excellent level of service.

The funds under management of Groupama Épargne Salariale advanced by 19.8%* in 2003 (while the market expanded by 1.4%, excluding employee shareholding) thanks to its comprehensive offering, including in 2003 the setting up of the voluntary union/management-negotiated employee savings plan. An Internet management tool enabling online transactions for corporate customers and for employees is currently being put in place.

** AFG, March 2004.*

■ Group insurance: premium income

€1,335 million **up 10.2%**

of which

Gan Eurocourtage	**€638 million (47.8%)**
Gan Assurances	**€427 million (32%)**
Groupama Assurances	**€270 million (20.2%)**

■ Breakdown by type of cover

Provident schemes	**39%**
Health insurance	**32%**
Retirement savings	**25%**
Pecuniary losses	**4%**

■ Employee savings plans

€293 million of funds managed

KEY FIGURES

SIGNIFICANT EVENTS

- Gan Eurocourtage Vie was awarded the "*Laurier de la convivialité*" prize by the *Fédération des courtiers d'assurance*. The Group further improved all the documentary and technical tools that facilitate tasks for partner brokers.
- Employee savings plans: the *Épargne Responsable* investment fund, managed in accordance with socially responsible principles, was awarded the quality label of the *Comité intersyndical de l'épargne salariale* (CIES) in 2003.

Personal banking: a financial partner for the family

Initiated in 2001, set up and tested at the end of 2002 and start of 2003, the Groupama Banque project has led to the constitution of a new Group entity exclusively for personal banking customers. The first year has been focused on recruiting and training the teams, as well as winning a 90,000-strong customer base. Following positive test results, the Groupama Banque offering was rolled out in all the Regional Mutuals during 2003. For private individuals, Groupama now provides a one-stop insurance and banking solution.

2003 strategy: everyday banking

The first initiatives were guided by the bank's mission statement: to offer private customers of the Group an innovative and competitive range of banking and saving products and services, distributed through Groupama's locally-based networks. Positive test results in late 2002 at the Rhône-Alpes and Maine Regional Mutuals enabled Groupama Banque to launch its first set of products and services in April 2003, designed to meet a variety of needs:

- everyday banking needs, with the ASTREA range of products and services,
- DESIRIO consumer loans for personal projects, the RESCOUSS' permanent overdraft facility,
- the CAPELLAN project saving scheme and traditional products (CODEVI deposit accounts, LEP passbook accounts, and home-buyers' saving schemes).

Securities products (mutual funds and direct stock market trading) and property loan solutions (*CLÉ DE SOL*) were tested during the 4th quarter at four pilot Regional Mutuals: Rhône-Alpes Auvergne, Centre-Atlantique, Sud and Nord-Est.

The bank's local presence for its customers is also reflected in the installation of some thirty cash dispensers (ATMs) in Groupama offices.

Expertise and operational sites: two centres for expertise and contact

In addition to the network that distributes its products and services throughout France, Groupama Banque boasts a highly efficient system for direct relations with the customer in his home, based on two call centres:

- opened in January 2004, Montreuil (near Paris) is the site of the bank's registered office and the first Customer & Network Service call centre, staffed by more than 55 telephone advisors. During 2003 the advisors processed more than 215,000 calls with an efficiency rate of 98%.
- the second call centre at Amiens Métropole is currently being tested, and will open in 2004.

2003 results: a carefully controlled start

In the space of eight months, Groupama Banque achieved a resounding commercial success by winning 87,000 customers (60,900 accounts opened and 6,900 DESIRIO loans).
A memorandum of agreement has been signed with Banque Finama, which on 1 October sold Groupama Banque part of its personal banking customer base. The transfer is due to take place in 2004.

Total deposits by the end of the year amounted to €235 million, including €56 million for loans to customers.

Net Banking Income consists essentially of revenue generated by customers. The DESIRIO product achieved excellent results. General expenses were kept well under control in the first year of operations.

The launch process resulted in a net loss of €38.7 million, considerably smaller than forecast, even though market conditions were more unfavourable than expected.

ASTREA: three evolving formulas

These solutions have been devised to meet changing customer needs:

- ASTREA 1: the basic formula: a sight deposit account without value date, with automatically renewed chequebooks, monthly statements, and an International Visa card with immediate debit.
- ASTREA 2: the formula for savers, which uses the CLIC Épargne service for the automatic transfer of excess cash to a passbook account paying 3% gross interest on amounts up to €100,000.
- ASTREA 3: a richer formula that enables customers to manage cash flow and temporary overdrafts more easily, by drawing on a specific cash reserve either through automatic transfers or the use of the RESCOUSS' card.

- **90,000** customers at end-December 2003
- **60,900** accounts opened
- Deposits and loans
€235 million
- **215,000** calls processed by the Customer & Network Service

KEY FIGURES

SIGNIFICANT EVENTS

- 6,500 Groupama Regional Mutual employees were given 50,000 days of training on the Groupama Banque offering between April and December 2003.
- The launch in autumn 2003 of a promotional campaign for the *Solution Auto* product, which combines an attractive rate (DESIRIO) with motor insurance advantages.

This initiative is a practical demonstration of Groupama's "*Assurbanque*" credentials.

Everyday motoring needs: the motorists' partner

**Groupama, France's second motor insurer, offers specific and innovative solutions focused on everyday motoring needs.
This concept makes the Group a full-time partner for its motorist customers – an extra advantage in a highly competitive environment.**

2003 strategy: the insurer and banker for everyday motoring needs

The car is inseparable from everyday life. Groupama therefore sees its role as supporting customers at all times by providing insurance cover or by financing the purchase of a vehicle. Its determination to make life easier for customers has led to a wide range of products and services well beyond those usually expected from an insurer: financing, replacement vehicles, vehicle delivery, assistance complete with "home start", replacement vehicle, and breakdown assistance.
In short, Groupama has positioned itself as a "service aggregator", offering its customers a range of services to meet the everyday needs of the motorist, whatever they may be.
This comprehensive offering is being developed in a market which is increasingly competitive and concentrated on a few major players.

Auto-Presto services: the service aggregator approach in practice

By acquiring Motorcare Services SA in January 2003, Groupama widened the scope of services offered by the group in the fiercely competitive sector of motor insurance. This acquisition confirms the group's determination to bring in the top specialists to meet customers' most vital needs.
Motorcare Services SA, founded in 1998, specialises in car accident management, a business that involves three partners:
- *the Policyholder*, who is offered free services whenever an accident occurs;
- the *Repair garage*, whose inclusion in the contract brings it a significant and regular volume of business;
- *the Insurer*, which is thus able to provide its policyholders with a genuinely useful service while ensuring effective cost control.

Motorcare's role is threefold:
- ***to set up***, monitor and supervise a network of approved repair garages,
- ***to boost*** the development of Auto-Presto, a service which immediately takes care of the policyholder and his vehicle in the event of an accident,
- ***to devise*** new services and develop new partner networks.

In 2003, the sales of Motorcare Services SA increased sharply (up 35% compared with 2002), confirming the quality of its services. 50,000 customers took advantage of the Auto-Presto service, and the user satisfaction rate was 95%.

2003 operations and results

2003 saw an increase in the portfolio of vehicles insured by the Group. The Gan Assurances portfolio rose significantly (up 1.42%, while the number of vehicles registered in France rose by 1.2%), thanks to the launch of the *Gan Auto Oxygène* multi-service policy (250,000 policies were sold in the space of a few months).

With the motor insurance market increasing by 5% in 2003 (€17 billion), Groupama's overall market share, with total premium income of €1.78 billion, was about 10.5%.

Other programmes…

- "*10 de conduite jeune*" ('A' in driving for young people): since 1993 this scheme – aimed at 16/18-year-olds in school – has been organised by the French police, Renault, Total, Centaure and Groupama. The aim is to raise the youngsters' awareness of the highway code and enable them to practice driving.
- *Cesvi-France*: this motor repair research and training centre, formed by Groupama in conjunction with two other insurers, carries out new vehicle crash tests and helps to keep costs under control and ensure fair pricing.

Groupama partners Centaure, a key player in French road safety

Created in 1984, the Centaure network of driving practice centres makes a key contribution to improving road safety. 37,000 participants (24,000 Groupama customers and 13,000 company employees) visited the first eight centres in 2003 and received training in the Centaure method, which is based on raising the driver's awareness of the main accident scenarios. The ninth centre, opened in October at Réau in the Paris region, was 51%-financed by Groupama, confirming its determination to play a pioneering role in road accident prevention. Premium income grew by 12.5% compared with 2002, to €6.5 million.

- Groupama premium income*

€1.78 billion **up 3.44%**

** excluding company car fleets.*

- Market share

10.5% *(estimate)*

- Number of vehicles insured

3.8 million

More than 50,000 Auto-Presto customers in 2003

KEY FIGURES

SIGNIFICANT EVENTS

- The *Groupama-Rent a Car* partnership agreement (*with the Group taking a 20% stake*), demonstrating the Group's determination to meet policyholders' motoring needs, even if no accident has taken place, at specially reduced rates.
- Launch of the *Pleine Route* solution, offering the customer a package comprising rental of a new vehicle with an option to buy, insurance, assistance, maintenance and services (servicing, tyres).
- *"Il n'y a pas d'âge pour bien conduire"* (You're never too old to be a good driver): Groupama has developed a training programme for senior citizens living in rural areas.

Everyday home insurance: an everyday partner for policyholders

Groupama's approach to its members and customers is similar to that adopted in motor insurance. The protection of the home is accompanied by a full range of covers for all household risks and unforeseen events.
With Groupama, policyholders can protect every aspect of their private lives.

2003 strategy: Groupama as a "service aggregator"

The home insurance market is becoming increasingly competitive. Alongside the traditional insurers, the bancassureurs are playing a growing role as customers are faced with solutions that combine a range of rates, covers and services.

Within this variety of choices, Groupama has taken up a position as a key partner in the policyholder's everyday life, with a global offering combining home insurance policies and assistance services for both property and people. Groupama is a specialist, able to provide a comprehensive range of services, ranging from legal information to child minding or home help.
All these services can be provided independently of any claim. The Group sets out to devise a panel of services to meet all requirements relating to safety and well-being in everyday life.

Developments: solutions with higher added value

In 2003 Groupama strengthened its home and family life insurance offering with products that improve customers' level of cover:

- *Compensation in kind*: this cover, which is increasingly popular with policyholders, has been widely offered, and an advertising campaign targeting the general public was launched on this topic. With the same idea in mind, Groupama has continued to market its "new for old" cover, a service that fully meets policyholders' expectations;
- *Remote property surveillance*: the Group's remote surveillance service *Activeille* (number 2 in the market) is a useful addition to the home and everyday life covers;
- *Unforeseen events cover*: in 2003 policies of this type achieved very significant growth, making Groupama one of the major players in this market.

Over 100,000 policies have been sold since the launch in 2000. Whatever the nature and cause of the unforeseen events, these policies cover the whole family, and Groupama offers a significant extra feature: these policies can be taken out at ages of up to 75.

The products reflect the latest regulatory changes:

- *Technological disasters*: following the passing of the Law of 30 July 2003 (risk prevention and compensation) in the wake of the AZF factory disaster in Toulouse in 2001, Groupama has included this cover in policies taken out by private individuals;
- *Third-party liability*: Groupama's cover has been brought into line with the Law of 1 August 2003 (financial security) as regards time limits.

2003 results: significant advances

In a market which grew substantially (up 5.5%) and saw a strong increase in claims as a result of climatic events in 2003 (up 25%), Groupama's indicators improved significantly in 2003: growth in the Group's premium income in this sector (€657 million, or 12% of the market) was in line with the market trend (up 5.2%). The increase is divided up as follows:

- Groupama: €433 million (up 5.3%), 8% of the market;
- Gan Assurances: €167 million (up 3.35%), 3% of the market;
- Gan Eurocourtage: €57 million (up 10.34%), 1% of the market.

Peace of mind…

"Peace of mind" solutions combine fully comprehensive home insurance with everyday assistance services.
This offering is intended to provide the policyholder with support in all aspects of private life. For example, if construction or alteration work is required, the policyholder is put in touch with a specialist service provider who will provide an estimate and can carry out the work; for questions relating to private life, legal advice can be provided; assistance is also available on a day-to-day basis concerning services such as child minding and home help.

■ Multi-risk home insurance premium income
€657 million (up 5.2%)
representing **12%** of the market

■ Groupama market share

Groupama Regional Mutuals **€433 million** (up 5.3%), 8% of the market

Gan Assurances **€167 million** (up 3.35%), 3% of the market

Gan Eurocourtage **€57 million** (up 10.34%), 1% of the market

KEY FIGURES

SIGNIFICANT EVENT

■ *Flooding in South-eastern France in December 2003*: 1,200 communes were affected, and some 10,000 claims were received by the Groupama Regional Mutuals and Gan networks. A number of crisis units were set up to apply simplified procedures for members and customers unable to visit their local office. A comprehensive communication system was also put in place for policyholders, based on a locally issued handbook, setting out the procedure and principles of compensation for natural disasters.
For its customers, Gan Assurances activated its Emergency plan, with the creation of a task force to coordinate action in the field. The subsidiaries FMB (compensation in kind) and Mutuaide (Assistance) also contributed to the effort, by speeding up improvements in the situation of the most seriously affected policyholders.

Insurance-related services moving forward with comprehensive offerings

Services are taking on increasing importance in the insurance world. Indeed they can now tip the balance in favour of a particular insurer. In this area, Groupama is ahead of the field. Thanks to the expertise of its specialist subsidiaries, it is developing a range of services that make life easier and safer for its policyholders in all circumstances, and integrating these services into simple offerings.

2003 assistance: 11.8% increase

Assistance premium income grew strongly, boosted by the removal of "distance from home" limitations in new Gan and Groupama motor insurance policies.
The tourist assistance business completed its first full year in 2003, and felt the impact of health-related and geopolitical events worldwide (SARS epidemic, war in Iraq, summer heatwave in France, flooding in the autumn, etc.). The resulting reduction in travel meant that the increase in the case count was only gradual. Total premium income amounted to €32.8 million, up 11.8% on the 2002 figure.
To ensure flawless assistance administration and maintain permanent contact with its customers, Mutuaide opened a second secure IT and call centre to supplement the existing one at Bry-sur-Marne near Paris.

Compensation in kind

Compensation in kind (for example, direct repair after water damage by an approved building contractor) reflects Groupama's determination to provide support to policyholders in their everyday lives. With 450 approved contractors throughout France, France Maintenance Bâtiment (2003 premium income: €1.19 million, up 8.35%) provides rapid repair solutions for property damage. When it moved into the premises of Mutuaide Assistance at the end of 2003, FMB, taking advantage of synergies inside the Group, began to adopt a more comprehensive approach that should lead to new developments in the assistance concept.

Remote property surveillance: Activeille number 2 in the market

The Group's remote surveillance service not only raises the alarm, but also combines the human and technological resources needed to provide a comprehensive solution at a competitive price. This doubtless explains its success, which has enabled the Group to hold second place on the remote property surveillance market since 2003. With more than 16,000 customers (including 4,000 added this year) Activeille achieved premium income of €8.3 million, up more than 16% over the previous year. Demonstrating its growing popularity, the product is now also sold by distributors outside the Group.

Remote assistance for people: record year for *Présence Verte*

In 2003, this service won 6,000 new subscribers (reaching a total of 40,000 members by the end of the year), and achieved premium income of €3 million, representing a 23.8% increase over 2002.
Its effectiveness and reliability were clearly shown during the summer heatwave: the number of victims amongst *Présence Verte* subscribers was half the national average. Efforts are also being made to define more appropriately the needs of senior citizens in this area, so as to devise and offer new services in the near future.

Legal protection: a dynamic product and a more comprehensive solution

With an average increase in earned premiums of over 10%, this market is clearly the most dynamic in the non-life insurance sector. The premiums of the Regional Mutuals advanced faster than in 2002 to €94.6 million (up 6.7%). The specialist subsidiary Groupama Protection Juridique (formerly SFPJ), the leader in this market, achieved an increase of more than 24% (over €20 million), and its net income was 43% higher than in 2002 (€2.26 million), demonstrating both its strong expansion and its improved results. In 2003 its offering was enriched by new products throughout the range, and new covers (particularly as part of the *Privatis* product, which now includes a telephone service for legal document information). Groupama PJ can meet the needs both of companies with a new policy that covers all aspects of corporate life, and of local authorities with a product that enables elected representatives to cope with crisis situations.

Remote insurance: a growing business

The still unfamiliar term of remote insurer reflects what is becoming an increasingly important reality: the assistance business, carried out in most cases by major insurance groups. This is a genuine service rendered to the customer, which also encourages access to new businesses such as remote surveillance.
The different services provided (such as direct repair, the loan of a vehicle in the event of theft, and the location by GPS of a policyholder whose vehicle has broken down) demonstrate the usefulness of Groupama remote insurance.

■ Assistance premium income

€32.8 million **up 11.8%**

250 employees, **220,000** cases processed

Activeille (number 2 in the market)
€8.3 million (up16%) 16,000 subscribers

Présence Verte
€3 million (up 23.8%) 40,000 subscribers

France Maintenance Bâtiment
€1.19 million (up 8.35%)
450 approved building contractors

Legal protection €114 million

KEY FIGURES

SIGNIFICANT EVENTS

- Quality: in December 2003 Mutuaide Assistance obtained ISO 9001 version 2000 certification, extending the ISO 9002 certification achieved in 2001.
- An Internet site for Mutuaide Assistance was launched in May 2003. Its purpose is to raise the profile of the company, its products and its fields of intervention with the general public and particularly with companies, while providing an inflow of job applications from employees or network members.

Agricultural insurance: focusing on a core business

With 65% of the agricultural insurance market in 2003, Groupama confirmed its position as the leading farming insurer. Against a backdrop of profound transformations in the farming world, the 600,000 French farmers constitute one of the foundations of the country's socio-economic structure. The fact that 7 farmers out of 10 choose Groupama shows that the Group's products and services meet their needs when it comes to ensuring the security of their farm.

2003 strategy: change and adaptation

In 2003 as in previous years, the Group continued to innovate to ensure that its products and services are fully in line with farmers' needs. The offering is based on a specific approach for each aspect of a profession that is full of contrasts in techniques, legal status, regulations and behaviour.

Groupama's first concern is with the realities of rural life, which has been undergoing transformations for several decades affecting farming methods, territories, and everyday life.
Against this backdrop, Groupama in 2003 drew up a charter ("*Charte Terre Entreprises*") for young farmers starting their careers and devised a new business interruption insurance product.
To contribute to the dynamism of the farming sector, Groupama is determined to provide personalised answers each year for a profession whose population is declining, in which young farmers and women today play a key role, and which is still in charge of half of the land in France.

A longstanding partnership with the agricultural world and its representatives makes Groupama a major player in this sector, well equipped to consider new aspects of the profession, such as GMO and the contractualisation of trade. Groupama is thus able to provide specific answers to questions raised by the profession, by providing new or modified policies covering matters such as third party liability and crop insurance.

2003 actions and results

Groupama adjusts the traditional components of insurance – and in particular compensation for damage to farm property – by remaining one step ahead of changes in farming (through the monitoring of new risks, grassroots involvement, and contacts with equipment manufacturers and users). New technological features fitted to tractors and agricultural machinery – such as onboard electronics, GPS and malfunction detectors – are closely monitored and taken into account in the insurance policy.

At the same time, Groupama strives to identify new developments that could threaten the financial stability of a farm, and takes action as appropriate through:

- the development of tailormade business interruption insurance for each type of agriculture;
- the launch of innovative offerings such as the tax-deductible unforeseen event saving scheme;
- in-depth analyses of all factors that could engage the liability of a farmer (for example, studies of contamination), the adaptation of third party liability contracts in light of legislation, and the raising of farmers' awareness of topical issues such as environmental damage.

Several actions were taken in 2003 in the area of prevention, an important high value-added field in Groupama's strategy and action:

- a Prevention Guide, drawn up in partnership with farm managers, looks at the main everyday risks and suggests solutions at all levels (safety, dialogue with labour unions, etc.);
- a detailed technical fact sheet has been drawn up on alarm systems in agricultural buildings;
- Groupama has signed a new memorandum of agreement with SOCOTEC and VERITAS on the technical inspection of glasshouses, with specifications drawn up by Groupama in conjunction with CEMAGREF.

Despite the difficult economic context, farming risk premium income increased to €815 million (up 0.5% compared with 2002).

Crop insurance: Groupama blazes the trail

Since 2001, Groupama has been carrying out long-term experiments – hail and frost on vines and on fruit crops, and multi-risk scenarios for large crops – in conjunction with agricultural experts, related institutions (such as the meteorological services) and farmers. They reflect the Group's determination to set up a crop insurance system in France through the Regional Mutuals which take part in the experiments. The experiments have already revealed the vulnerability of farms to climatic risks (such as the 2003 heatwave) and provided a clearer insight into their impact on farmers' incomes.

Reflection is continuing inside the Group so that ultimately the principle of more comprehensive crop insurance (all risks, all crops) can be introduced, in line with the planned changes to the Common Agricultural Policy after 2006. For coverage of this type to be economically viable, however, a top-up from public funds would be necessary.

■ Farmers' professional insurance premium income
€815 million of which:

Fire, damage and farmers' third-party liability	€305 million
Tractors and agricultural machinery	€196 million
Crops	€101 million
Livestock mortality	€15 million

KEY FIGURES

SIGNIFICANT EVENTS

■ Groupama was an active participant in the "*Terre Attitude 2003*" scheme organised by Young Farmers in September 2003, with a presentation of the "*Charte Terre Entreprise*" in the presence of the French Minister of Agriculture.
■ The final on 20 September of the French "*10 de conduite rurale*" Championship ("A" in rural driving), for learner drivers of agricultural machinery, organised for the past 31 years under the patronage of Groupama Prévention, in partnership with Renault Agriculture, Total, and the French police.

Professional insurance: building a partnership in professional and private life

For Groupama, providing products and associated services for the self-employed (including small businesses in the construction industry) and for associations means building up a special kind of partnership covering both professional and private life. Groupama is aiming to win new market share amongst these groups of people, whose businesses and working patterns are highly specific (except in the construction sector, where the objective is to maintain existing positions).

Strategy: a forward-looking and active partnership.

Small businesses of all kinds form a highly dynamic sector of the economy. Groupama has been a major player in this sector for several years, particularly since its acquisition of CGU Courtage in 2001, and its premium income in this field is increasing faster than the market's. The short-term objectives are to offer associated services and make the most of the market share already acquired (14%) while increasing share by one percentage point, to continue the process of operating income improvement, and to cut general expenses so as to raise profitability.

As far as associations are concerned, Groupama's strategy reflects the scale of its ambitions: it wants to become the number one insurer in this sector. With this aim in mind, the group is focusing on three areas: partnership with associations that employ staff, increasing "private life" cover for association members and employees, and improving profitability. More generally, the aim is to build up the number of customers of local associations, large associations, and educational establishments. Determined to be a partner in everyday life, Groupama is adopting a modern approach of assembling a package of solutions and services.

2003 developments and results: new products and new approaches with personal insurance

Groupama has devised two new products for small businesses, one of which is specially designed for the needs of small businesses in the construction industry. To ensure that the practical and economic realities of this type of customer are fully taken into account, rate segmentation has been completely revised.
To win customers in all types of insurance, Groupama now provides its sales network with a "Parcours Pro" marketing kit that provides answers to questions frequently asked by existing or potential customers.

For the associations market, Groupama introduced in 2003 a multi-risk policy primarily aimed at local associations, available in both CD-ROM and paper versions.
This policy, to be marketed by the Regional Mutuals and GAN profit centres, includes a section on prevention to raise awareness of the risks faced by association officials and members.

Construction insurance: operating income improvement confirmed

There was a clear improvement in profit in this sector, which operates in a sensitive area and bases its strategy on expertise in every facet of its business. This improvement confirms the more favourable operating income trend achieved in 2002. During the year, efforts were focused on strengthening risk selection expertise and customer support, and on improving operational performances.
A new product is being prepared for 2004: it is aimed at small businesses and SMEs in the construction and civil engineering sector, with completely revised policy rates and segmentation.
Premium income in this specialised and concentrated market increased by 14% to €118 million.

- Small business premium income (multi-risk professional policies)

€180 million Market share: **14%**

- Association insurance premium income

€14 million

- Construction insurance premium income

€118 million 3rd largest French insurer

KEY FIGURES

SIGNIFICANT EVENT

- **Increasing focus on prevention with the raising of the awareness of association members and officials: briefings at meetings and the issuing of a guideline handbook and fact sheets on specific activities, such as walking, canyoning, open-air events, and mountaineering.**

Commercial and institutional insurance: partnerships and targeted development

Sharply increased profits that reflect the efforts made to improve and build up premium income since 2002, and a strategy based on strengthening and ensuring the sustainability of its portfolio: in 2003 Groupama confirmed its positions as number one in institutional and agri-food insurance and number three in SME insurance.

The Group's position: major advantages in this market

The total market for commercial insurance (particularly in SME) and institutional insurance grew in 2003, as it did in 2002, supported particularly by rate adjustments.
To maintain its key positions in the various sectors, Groupama stresses the specific features that distinguish it from its competitors.
Its expertise is reflected in its high level of competence in risk analysis and advice, spanning areas such as property damage, third party liability and environmental damage. In the agri-food industry, for example, its prevention guidelines, its food contamination cover, its health monitoring service, and its information services (Amalysnews, and via the Internet with Amalys.com) are all advantages for customers who are increasingly working under pressure.
With institutional customers, Groupama bases its approach on partnership and prevention: in 2002 the Group published the *Guide Info-Maires* (mayors' information pack), expanded in 2003, to help elected representatives by providing them with advice and support. It is actively involved at local level, and 18,000 French communes have chosen Groupama as their insurer.

2003 strategy: specific initiatives for the networks

The Group's overall strategy with regard to its target customers (SMEs, small to medium size institutions), based essentially on improving profits and developing premium income, has been implemented network by network, taking into account each one's specific situation.

- Groupama regional mutuals: risk analysis inspections to define, with customers, the necessary degree of prevention and to maintain cover at a balanced rate;
- Gan Assurances: regional underwriting centres set up in conjunction with agents, and an audit of underwriting/claim procedures;
- Gan Eurocourtage: development directed at companies with a good level of prevention, reduction of risk overlaps (following the merger with CGU Courtage in 2002), elimination of certain types of professional third party liability cover, and the raising of rates because of less favourable reinsurance conditions.

2003 premium income: strong growth

The Group's premium income in commercial and institutional insurance grew strongly during the year, with rises of 10% for Gan Eurocourtage, 12% for the Groupama regional mutuals, and 13% for Gan Assurances, in line with trends observed on the French market.
The Group's market share reflects its solid positions on specific markets:

- car fleets (15%);
- SME non-life insurance (14%);
- institutional non-life insurance (26%); and
- cooperative and agri-food industry non-life insurance (30%).

Premium income recorded by the Group amounted to over €1 billion, divided between car fleets (30%); institutional insurance, including insurance for staff employed by communes (13%); and commercial non-life insurance and third-party liability insurance, excluding the construction sector (57%).

Groupama is developing a car fleet solution with a preventive approach that has no equivalent on the market, combining a risk audit with driver training.

Credit insurance

In a market affected by stagnating company export sales, the premium income of Groupama Assurance-Crédit (formerly Gipac) advanced by 4.5% to €28 million in 2003, achieving good profitability levels. This subsidiary, which specialises in the agri-food sector, is also developing a more comprehensive approach covering the timber and metalworking sectors.

Our principles in action: preventing environmental risks

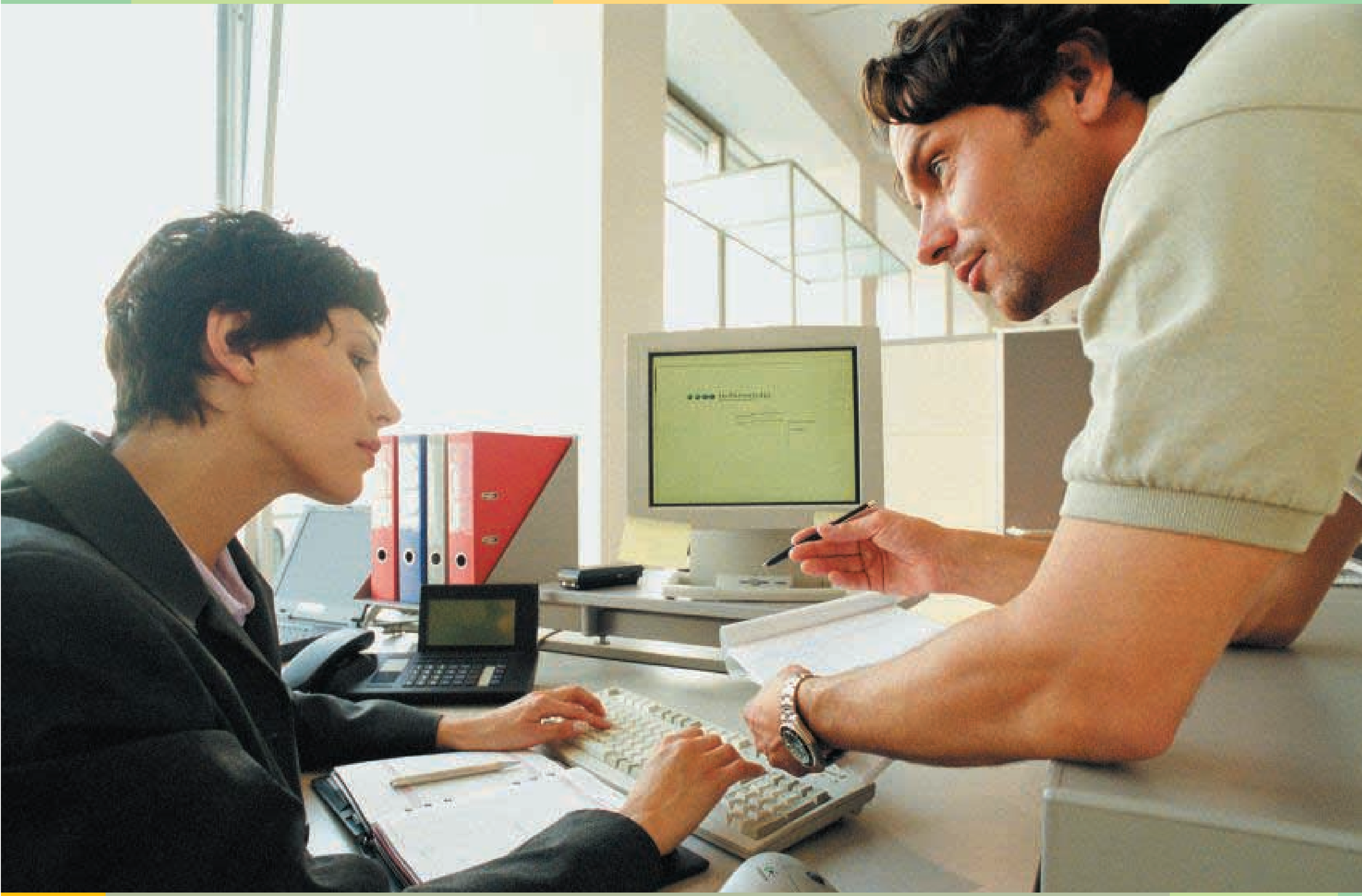
Gan Eurocourtage carried out a series of company inspections with its prevention engineers to improve the quality of commercial risks. Prevention reports now systematically include a study of environmental risks, particularly with regard to flooding. Over 1,600 risk inspections were carried out in 2003.

■ Premium income

€1,003 million, of which:

43% for the Groupama Regional Mutuals
39% for Gan Eurocourtage
17% for Gan Assurances

KEY FIGURES



SIGNIFICANT EVENTS

- Launch of a new guide for responding to institutional calls for tender, enabling Groupama to confirm its position as a significant player on the market. A special institutional section has been added on the Web site groupama.fr
- Groupama participated in 2003 in the GTAM market pool for third party liability in the medical sector, demonstrating its responsible approach to one of the key issues facing our society.

Marine and Transport insurance: continuity and innovation

In 2003 Groupama Transport moved up the rankings to number two in the French transport insurance market. Its success demonstrates that the Group's specialist subsidiary made the right strategic choice, which they based on three key priorities: continuity, risk selectivity, and innovation in products and services.

Marine and transport insurance: partnership and prevention

In 2003, Groupama Transport continued to base its operations on a structural and strategic framework with three key components: the company, brokers and intermediaries, and policyholders.

It was operating against a backdrop influenced by major international events (the SARS epidemic in Asia, war in Iraq, and political tensions in Ivory Coast), while there was also a steady decline in the value of the U.S. dollar against the euro (most Groupama Transport premiums are paid in dollars). This had a negative impact on total premium income (in Marine and Aviation insurance).

More than ever before, the growth strategy is based on risk selection, and on its natural corollary, the "prevention" approach, which is essential and which has been given greater emphasis this year (see insert on opposite page).

Groupama Transport has built up its international partnerships with the Group's overseas operations, particularly in Spain with the new subsidiary Groupama Plus Ultra, the result of the merger in 2003 of Groupama Seguros and Plus Ultra Generales.

In partnership with Schlumberger SEMA (Atos Origin) and the French Transport Ministry, Groupama participated in the compilation of a guide for SME company heads in the road transport sector, helping to raise the authorities' awareness about the negative impact of goods theft on French companies.

2003 results: balance in premium income and business

With total premium income of €235 million (including €158 million in Marine insurance), Groupama Transport achieved a slightly lower net profit (€7.3 million). However, profit is now equally balanced (divided roughly 50/50 between the Marine and Aviation sectors), which represents a step forward compared with the previous year. It is however difficult to compare like with like following the transfers of interests in the aviation and space insurance pools.
The maintaining of profit levels can be attributed to the good loss ratio, with a positive trend for the marine insurance markets as a whole, reflecting the quality of Groupama Transport's highly selective underwriting policy.

Aviation and space insurance: a year of contrasts

2003 saw a substantial change in the scope of consolidation because of the termination of CGU's participation in pools, for reasons of statutory limitation. From 2002 to 2003 therefore, the share of Groupama (Groupama Transport and Groupama Assurances & Services) in La Réunion Aérienne (LRA) declined from 32.43% to 23.06% and in La Réunion Spatiale (LRS) from 31.88% to 25.50%.

The decline in aviation insurance premium income can be attributed to the weakening of the U.S. dollar against the euro, the reduction in commitments to lower the cost of reinsurance cover, and the decline in airline premium ratings. The loss ratio in 2003 was however very favourable. Trends in space insurance were broadly similar.
The 2003 premium income of Groupama thus amounted to €85.9 million in LRA (compared with €190.1 million in 2002) and €9.7 million in LRS (compared with €18.6 million in 2002). 2003 net profit was €13.9 million in LRA (compared with €24.9 million in 2002) and €1.1 million in LRS (compared with –€1.2 million in 2002).

Prevention takes priority

Human and technical considerations are an important part of the strategy of Groupama Transport: professionals with experience in its customers' businesses are therefore hired for posts in the field of prevention, to facilitate communication, and resolve any questions that may arise. Groupama Transport has thus recruited merchant shipping officers, road transport professionals (including a former member of the International Transport Commission), and former technical managers from deep-sea fishing companies. The professionals use their experience in giving advice, and in carrying out surveys and assistance. In some cases, the prevention approach goes beyond technical issues and encompasses all types of professional skills: in addition to ship surveys, Groupama Transport also contributes to the training of ship crews and shipyard workers.

- Groupama Transport premium income

€235 million of which
marine insurance: **€158 million**

- Aviation and space insurance premium income

€95.6 million

KEY FIGURES

SIGNIFICANT EVENTS

- Groupama Transport opened a new office in Strasbourg with the aim of expanding business associated with Rhine/Danube river transport. As the strategy consists of appointing specialists in the businesses concerned, a former captain, who is a specialist in Rhine river law, was put in charge of the office.
- Marine insurance: a partnership agreement has been signed with DEX, with the UK club covering third party liability risks, and Groupama Transport covering the ship policies for commercial fleets.
- Groupama Transport plans to create an entity in Singapore in 2004 to support its dynamic expansion in the Asian zone.

International insurance

2.21

// INTERNATIONAL INSURANCE PREMIUM INCOME
€ billions

"Growth in the international market, and in high-potential markets – in Southern Europe, Central Europe, China and Vietnam – is one of the major goals of the Group's strategy. The international subsidiaries are today making a positive contribution to Group profit. Business trends in Spain, Italy, and Portugal are favourable. The merger in Spain of Groupama Seguros and Plus Ultra Generales (acquired in 2002) – to create Groupama Plus Ultra – is a success. Our project in China is continuing to advance stage by stage, and we have been granted our first licence."

Jean-François Lemoux,
General Manager - International Insurance

KEY FIGURES

United Kingdom

- Groupama Insurances premium income

€828 million

Spain

- Groupama Plus Ultra premium income

€661.2 million

Europe

United Kingdom: initial benefits of refocusing at Groupama Insurances

Positive results were achieved by the Group's U.K. subsidiary in the year following the change of management in 2002. The new management's task had been clearly defined: to restore profitability by applying a new strategy.

Following the completion at the start of the year of the portfolio transfer and the recapitalisation of the operational subsidiaries, Groupama Insurances launched several new projects:

■ Overall structural reorganisation: a rationalisation of the number of claim administration centres, an improvement in service efficiency and productivity, and the renewal and streamlining of the management structure. The process was successfully completed at the end of December 2003.

■ Administration IT: the introduction of a new system began, combining cutting-edge technology with a single platform, which will be applied in all divisions for policy and premium administration. The underlying aim is to improve the efficiency of broker transactions.

■ Internet marketing: Groupama Insurances has been involved from the outset in the Polaris *i*Market project, initiated by a group of six insurers (Zurich, Norwich Union, AXA, Royal Sun Alliance, Allianz-Cornhill and Groupama) and some major brokers, in order to market their products and services through a single Internet portal.

■ Distribution channels: this key Groupama Insurances activity resumed on a completely new basis with a team led by a new sales director, who will implement a project based on the segmentation of the broker network and a more locally-based approach.

The whole strategy has been applied against the background of a further wave of concentration amongst insurers operating in Great Britain. A group consisting of Churchill, Royal Bank of Scotland and their insurance divisions is now the number three player in non-life insurance.

In this rapidly changing environment, Groupama Insurances achieved a premium income of some £572 million (€828 million) while the net combined ratio declined to 100.8%, confirming the subsidiary's gradual recovery. The profit of £10.6 million (€15.2 million) illustrates the clear reversal of the trend following the loss recorded in 2002 and heralds a return to profitability.

Spain: a year of integration for Groupama Plus Ultra

With a total premium income of €661.2 million in 2003, the Spanish subsidiary of Groupama achieved a 7.6% increase compared with 2002 (on a like-for-like basis). The performance in life insurance was particularly outstanding with a 21% rise, compared with 6.7% in non-life.

This level of business reflects the dynamism of a subsidiary distributing a full range of products and services through a network of professionals, built up by successive mergers and acquisitions (completed in 2002) of major insurers in Spain: Groupama Seguros, Unyvip and Plus Ultra Generales were merged in 2003, and are now known as Groupama Plus Ultra, which has become the 18th insurer in Spain, and 9th in non-life insurance.

The efforts of Groupama Plus Ultra were concentrated primarily on integration processes following the mergers of earlier years.

■ *Operational integration* has led to the integration of processes and standards, and of IT systems. On 1st October 2003, 78 products and 900,000 policies were successfully migrated from Plus Ultra systems to the Groupama environment.

■ *Employee integration* was carried out with the setting up of a common organisational structure bringing together teams at head office and in the provincial networks. At the end of 2003, the subsidiary had a work force of 753 professionals.

■ *Legal integration* formally took place with the legal merger of the companies on 1st October 2003, with effect retroactively at 1st January.

KEY FIGURES

Italy

- Gan Italia group premium income

€536 million **up 4.5%**

Portugal

- Gan Portugal Vida premium income

€52 million **up 50%**

- Gan Portugal Seguros written premiums

€11 million **up 9%**

...Europe

■ *Technological integration* enabled the successful automation of processes in the Internet environment, which is now operational for underwriting (TOP products) and claim administration (improved administration of damage claims, a global administration calendar, and multi-risk home insurance claim management systems).

The Groupama Plus Ultra subsidiary is operating successfully in a Spanish market which has however been affected by a significant drop in premiums received (down 14.3%, but up 4.2% if allowance is made for the externalisation of internal pension funds).

Italy: growth and renewal for Gan Italia

Profitability and growth were the key to the 2003 strategy of the Group's Italian subsidiary. For Gan Italia, these two words are synonymous with technical competitivity and marketing, with a more appropriate offering (covers, services and rates), and the protection of profits and net assets by improved financial management.
At the same time, the subsidiary has continued to win new market share through controlled organic growth, the development of distribution networks and new profitable segments, and a diversification of the offering towards the financial sector.

The 3-year action plan devised and put in place is based on a multi-risk offering aimed at the farming world, the revamping of personal and business products and the enlargement of the life/finance range, together with the systematic introduction of risk management, a search for new partners, commercial bancassurance agreements and the diversification of distribution channels (financial sales personnel in the offices).

The product range has thus been enlarged and renewed, with the creation of a fifth profit centre (agricultural cover), the launch of Agrigan, a multi-risk product targeting businesses and the farming sector, and the multi-risk business product "GanImprese".
A partnership has been established with VMG 1857 (crop and livestock insurance). Furthermore, the plan for the on-line connection of offices and the statistical datawarehouse project has been finalised.

Against the backdrop of a market much improved both in financial and regulatory terms (with regulations that are favourable for insurance), the Gan Italia group (Gan Italia, Gan Italia Vita and Gan Finanza Sim) achieved a 2003 premium income of €536 million, 4.5% higher than the previous year and a profit of €13.6 million.
Operating profit meanwhile advanced by over 20%.
All the fundamentals of the subsidiary Gan Italia SpA have been substantially improved, with a decline in the claims ratio (71.2% / 79.4% in 2002) and non-life premium income which grew faster (6.7%) than the market. Although the premium income of Gan Italia Vita SpA was down slightly, its operating profit increased. Gan Finanza SIM virtually doubled its premium income from €9.3 million to €19.2 million.

Portugal: growth and profitability for Gan Portugal

Gan Portugal aimed to take up two challenges in 2003:

■ in the life insurance division, increase premium income, achieve market share gains, and implement an extremely secure financial policy;

■ in the non-life division, maintain growth and profitability by achieving a faster rise in premium income than the market, while ensuring stable general expenses, and developing an innovative offering on the agricultural market.

In a Portuguese insurance market that saw an increase in the life market – stronger for companies linked to banks (up 20.4%) than others (up 6.2%) – and in the non-life market, Gan Portugal fully met its targets:

■ *Gan Portugal Vida* achieved a premium income of €52 millions, more than 50% higher than 2002 thanks to the consolidation of the BEST bancassurance agreement and the strong increase in revenue;

■ *Gan Portugal Seguros* recorded 9% growth in written premiums (€11 million) reflecting the growth in the personal insurance market and progress in the health insurance market, making up for the subsidiary's withdrawal from commercial fire insurance.

The subsidiary extended its offering by launching new products both in life insurance (personal pensions, annuities, group provident schemes with new rates) and in non-life insurance (multi-risk home insurance with new covers and services).
It also signed agreements with the BEST bank (distribution of saving products and personal pension plans) and with the BBVA bank (employee saving and pension plan), set up statistical monitoring tools and launched several schemes to enhance communication between the networks and the customer (result indicators, issue of multi-risk home insurance policies through intermediaries, on-line information system).

KEY FIGURES

Hungary

- Europa Biztosito premium income

€43.7 million **up 49%**

Turkey

- Günes Sigorta premium income

€170 million **up 40%**

Switzerland

- Zénith Vie premium income

€100.5 million **up 57.2%**

- Gan Incendie Accidents premium income

€9.7 million **up 2,5%**

...Europe

Hungary: rapid growth for Europa Biztosito

The strong growth of the Group's Hungarian subsidiary, which began two years ago, continued in 2003, particularly on the private motor insurance market and SME markets. Europa Biztosito is today the number 7 insurer in Hungary. Premium income of 11.1 billion forints (€43.7 million) was 49% higher than in 2002. This was achieved through the network of 700 agents who account for almost 3% of the market. Premiums increased in the non-life sectors by 52% (particularly in motor insurance) and in the life sector by 20%.

The offering was extended in 2003 to include new simpler multi-risk home insurance policies to meet the needs of a diversified customer base, ranging from the Hungarians with the lowest incomes, who have little or no insurance, to others who are extremely demanding, and whose expectations are moving closer to those of customers in Western Europe.

The technical improvement of the motor insurance portfolio and the strengthening of the network are the priorities for 2004.

Turkey: diversification and partnerships

Groupama operates in Turkey through its 36% stake in Günes Sigorta, number six in Turkish non-life insurance, which has a dynamic network of exclusive agents. In 2003 the company continued the diversification of its distribution channels by strengthening partnerships with brokers and extending its direct sales network for health insurance.

In 2003, as inflation in Turkey slowed, the Turkish company's premium income amounted to €170 million, up by almost 40% in local currency terms over the previous year, while profit reached €5.5 million.

Switzerland: gradual withdrawal

In French-speaking Switzerland the Group is represented by a life insurance subsidiary, Zénith Vie, and a non-life insurance branch of Gan Incendie Accidents.

In 2003 these entities' premium income reached €100.5 million (Zénith Vie) and €9.7 million (Gan Incendie Accidents), representing increases of 57.2% and 2.5% respectively compared with 2002.

In life insurance, the change can be attributed mainly to strong revenues for personal single-premium products by local partner Banque Cantonale de Bâle. Zénith Vie profit, however, was negative at €3.3 million because of substantial reserve adjustments.

In 2003, the Group began to withdraw from this non-strategic market.

KEY FIGURES

Asia

- Hong Kong premium income

€11.7 million

Asia, French Overseas Departments and Territories, and the Pacific

ASIA

China: creation of Chengdu branch

In June 2003, the Chinese Insurance Regulatory Commission (CIRC) granted the Group a licence to operate in non-life insurance in the region of Chengdu, capital of Sichuan (Szechuan), for the insurance of Chinese property.
This is the first time that a foreign insurer has been authorised to engage in non-life insurance in China without setting up a joint venture with a local concern. In the second half of 2003, the Group was thus able to start setting up a Groupama SA branch in Chengdu, hire a management team and prepare the approval application, which was submitted to the local regulatory authority in March 2004.
The time needed for the examination of the application has been used to set up the new entity's financial and IT systems, tailor products for the market, and negotiate distribution agreements with Chinese banking institutions, in order to target not only rural farmers but also private individuals and small urban businesses and traders. Groupama's objective is now to start issuing non-life policies from the start of the second half of 2004.

Groupama also has a non-life branch in Hong Kong whose portfolio consists of direct insurance and fronting reinsurance.
In 2003 the premium income of this entity amounted to €11.7 million, and it has now returned to profit.

Vietnam: launch phase

The premium income of the non-life subsidiary Groupama Vietnam General, created in 2001, was €120k in 2003.

To step up the subsidiary's growth and extend its field of action however, the strategy was refocused at the start of 2004: a new management team was appointed, the sales network was reorganised, distribution agreements with Banque Agricole du Vietnam were strengthened, the target customer base was extended to include SMEs, and the terms and conditions of the livestock mortality policies that represent the bulk of the portfolio were revised.

Furthermore, Groupama Vietnam General applied to the regulatory authority for an authorisation to distribute its policies throughout Vietnam, as it is currently limited to the Mekong Delta.

FRENCH OVERSEAS DEPARTMENTS AND TERRITORIES

French West Indies: reorganisation and progress

The decline in tourism, one of the pillars of the local economy, together with continuing difficulties in the agri-food sector (sugar, rum and bananas) had a negative impact on companies throughout 2003. Despite this unfavourable context, made worse by the aggressive stance of competitors, GAN entities in the Antilles achieved encouraging results.
Written premiums (€26 million) were up 4% in Guadeloupe and 8.8% in Martinique in fire and accident insurance. In life and health insurance, total savings declined considerably in Guadeloupe, because of the economic and financial situation, while in Martinique (where the sales team was changed) total savings increased sharply. A profit of €16.9 million was made.

The two GAN entities in the French West Indies focused their efforts primarily on the migration of the computer system to the Lisa application (completed at the end of the year), the adaptation of the rates, wording and marketing of the products Gan Auto Oxygène and Gan Habitat, and finally preparations for a joint venture grouping together the accounting, IT and logistical resources of the Groupama Regional Mutual and the two Gan delegations planned for early 2004.
Furthermore, a new organisational structure for sales has been devised for Martinique and Guadeloupe: its benefits should begin to emerge over the course of the next year.

THE PACIFIC

Contrasting environment

In a local environment that showed signs of an upturn, the Group's entities (GAN Pacifique IARD and GAN Pacifique Vie) had a difficult year because of the cyclone Erica, which caused extensive damage.
The premium income of Gan Pacifique IARD declined by 3% to €22.5 million.

Financial services

61.7

// IN SECURITIES MANAGED BY FINAMA
€ billions

"Serving the entire Group and its customers, the financial services division is a major contributor to Groupama's success. The guiding principle driving the Group subsidiaries in charge of asset management and custody is striving for regular and sustainable performance in order to meet the long-term needs of the policyholders who place their trust in it. The financial solidity of Groupama is a major advantage in the current economic and financial environment."

Helman le Pas de Sécheval,
General Manager-Chief Financial Officer

52.6

// IN ASSETS MANAGED BY GROUPAMA ASSET MANAGEMENT
€ billions

450

// IN ASSETS MANAGED BY FINAMA PRIVATE EQUITY
€ millions

3.7

// IN ASSETS MANAGED BY GROUPAMA IMMOBILIER
€ billions

Group banking: a business in its own right

Groupama also acts as a bank for Group entities (with a full range of banking services), and for companies, businesses and associations (with banking services tailored to suit their specific needs).
Group banking is the responsibility of Banque Finama, which is also the holding company for the Group's securities management companies.

2003 strategy and actions: rapid expansion

Throughout 2003 Banque Finama actively pursued goals aimed at expanding each of its businesses.

- As the *Group bank* it considerably increased its institutional business, on which its image largely depends: transaction processing streams increased by 9.8% and managed securities by 7%. Acknowledging its expertise in this field, several Group entities transferred banking operations to Banque Finama.

- As a player on the *asset management market* through its specialist agency on the Boulevard Haussmann in Paris, Banque Finama focused its efforts in 2003 on the quality of the services it provides to customers facing particularly strong stock market fluctuations which were generally unfavourable again this year.
A customer survey indicated a satisfaction rate of over 94%. Banque Finama also achieved very significant increases in on-balance-sheet saving deposits (up 6.7%), managed securities (up 22.2%) and loans (up 60.4%).

- Committed to responsibility, Banque Finama drew up and tested its own business continuity plan, specifying measures to be taken in the event of total or partial non-availability of the site, and internal and external information system back-up plans.

2003 results: budget control and cost savings

The particularly difficult climate in 2003 – in which all players were affected by the weakness of the financial markets (as the CAC index failed to achieve its 2002 average level), lower interest rates and the decline in the EONIA average annual level (–29%) – held back the net banking income of Banque Finama, which amounted to €40.4 million (compared with €54.6 million in 2002). Net profit came to €4.6 million, and total capital and reserves to €200 million.

Banque Finama also focused its efforts on budget management and systematic cost savings.
The results achieved were in line with targets:
- overheads reduced by more than 15%,
- information system expenses cut by 23%.

Meanwhile, Banque Finama increased the General Banking Risks Fund (GBRF) to €16.2 million.

- Net profit
  €4.6 million
- GBRF
  €16.2 million
- Total capital and reserves
  €200 million
- Securities in custody
  €61.7 billion
- Net banking income
  €40.4 million
- Transaction processing streams
  €14.7 billion

KEY FIGURES

SIGNIFICANT EVENTS

- Creation in the 3rd quarter of 2003 of the Lombard loan, a new form of finance combining savings with a loan, enabling the customer to obtain cash to finance a project while retaining savings in the form of a life insurance policy or stock account.
- Setting up of a tax-deductible *Unforeseen event* saving scheme. Farmers can make payments into a specific bank account to set aside savings to deal with any unforeseen adverse event. Banque Finama is one of the first banks to offer this type of service.

Asset management: consistent performances

In 2003 Groupama Asset Management completed its first year under its new name, adopted in March to make the company more easily identifiable and to capitalise on the Group's reputation and initiatives.
With 3% of the total market for assets under management, this specialist subsidiary is one of the leading French asset management companies and its reputation with institutional investors is improved with each passing year.

Strategy: a focus on risk monitoring while stressing growth and sustainability

Supporting the Group's development is the central task of Groupama Asset Management. Three strategic aims are pursued for this purpose:

- a management approach focused on quality, regularity and security;
- increasing deposits of savings and pension funds, in coordination with the Group's networks;
- expanding the external customer base.

The portfolio management company Groupama Asset Management applies a risk monitoring policy whose quality has been clearly demonstrated over a number of years.

2003 actions and developments: revamping solutions and changing management processes

The year began with a complete revamping of the range of mutual funds offered by Groupama Asset Management to bring them into line with customer demand, particularly for Groupama and Gan distribution network customers.

At the same time, Sicovam codes were replaced by International Securities Identification Numbers (ISIN), to bring them into line with international standards. Groupama Asset Management teams successfully carried out the operation, which consisted of renaming all the mutual funds, updating their prospectuses, and informing customers.

Changes were also made to the management practices of Groupama Asset Management during the year, with a focus on increased risk control and the risk/return ratio from the customer's viewpoint. The methods used involved a combination of the top-down and bottom-up methods, allowing for the specific nature of each financial market.

Groupama Asset Management has also resumed the management of:

- funds managed until now by Groupama Asset Management North America, a subsidiary that was sold in 2003. In North America, GAM has teamed up with Northern Trust Global Investments, an acknowledged expert on the U.S. stock market;
- funds previously managed by Groupama Plus Ultra (€700 million), following the decision that the investments of the international subsidiaries should from now on be managed by Groupama Asset Management.

Finally, the Web site has been completely revamped. Launched at the start of 2004, the new version is more detailed, better targeted and thus even more effective in enhancing the division's image and reputation.

2003 results: number 8 on the French market

In a growing French market, Groupama Asset Management achieved net deposits of €1.1billion, thanks in particular to new management agreements. Total managed assets in 2003 reached €52.6 billion, an increase of 12.2% compared with 2002 (€46.9 billion). Net income, at €55.2 million, decreased slightly by 2%, as a result of market trends in 2003 (although the CAC 40 index rose sharply, on average it was weaker than in 2002).

Against this backdrop, Groupama Asset Management, a specialist in active long-term management, maintained its French market share at 3% (some €53 billion, making it the number 8 French asset management company), with mutual funds (€14.4 billion of the managed assets total) accounting for 2% of the total market.

- Managed assets

€52.6 billion

of which mutual funds represent **€14.4 billion**

- Market share

3%

- Net income

€55.2 million

Total managed assets by class

- Bonds **75%**
  (of which euro zone **99%**)
- Equities **18%**
  (of which euro zone **79%**)
- Short-term **7%**

KEY FIGURES

SIGNIFICANT EVENTS

- **The *Comité intersyndical de l'épargne salariale* (CIES) awarded its label in April 2003 to the *Épargne Responsable* umbrella fund, based on value for money, the degree of fund control by employees, and Socially Responsible Investment criteria (SRI).**
- **The Fitch agency upgraded its rating for Groupama Asset Management from a+ to aa–, acknowledging the quality of its management and the initiatives taken to raise its profile with institutional investors.**

Private Equity: new products launched

€450 million: the amount of assets managed by Finama Private Equity at the end of 2003. The Group's unlisted asset portfolio management company has thus confirmed its position amongst the leading players linked to a major French insurer in this asset class. It operates in two ways: direct management and management of a fund of funds. Its twin operations, like its products, are fully complementary.

Market environment: a popular asset class with institutional investors

Private equity benefits from the support of long-term institutional investors, who have continued over the last few years to apply a policy of increasing the allocation of their assets to private equity, a trend which began in the late 1990s.

The number of European institutional investors that invest in private equity is continuing to increase, and in 2003 average allocation to this class of assets amounted to 4%. This figure has increased steadily from 2.5% in 1999, and should reach 4.5% by 2005.
More than ever before, in these past few months marked by the very low yield of interest rate products, private equity offers significant advantages in terms of yield, independence of stock market trends and considerably lower volatility.

2003 strategy: clearly identified ranges

For Finama Private Equity, 2003 was a year of name changes for its product ranges, which are now clearly identified, as are the teams dedicated to the company's two businesses. Fund of fund products now come under the generic heading Quartilium, while direct investment products are grouped under the Acto name.

- Quartilium: at the end of 2003 the fund of funds business represented a volume of managed or advised commitments of about €350 million. Its aim is to provide diversified access (from geographical, sectorial and risk type viewpoints) to the whole private equity asset class. When private equity funds are constituted, Finama Private Equity selects those offering the best performance in each category (primary business) or buys positions held by other investors in mature private equity funds (secondary business).
- Acto: the volume of direct investment commitments in 2003 amounted to some €100 million.
Acto's objective is to set up a portfolio of holdings in medium-sized French companies with strong growth potential, which are often leaders in their market segment.

At year-end 2003, the funds managed by Finama Private Equity were mainly subscribed by Groupama SA subsidiary insurance companies, with a 10% stake held by the Groupama Regional Mutuals, and the rest by third-party institutional investors (10%-35% depending on the product).

2003 initiatives and results: creation of funds and strengthening of teams

As the Quartilium I fund of funds (formerly Finama Private Equity Global) almost completed its investment programme during 2003 (€130 million was 92%-committed in 33 private equity funds), a follow-up fund of funds, Quartilium II, was created in June 2003. It will apply the same investment strategy as its predecessor. Subscribed on its creation by Groupama SA and its subsidiaries in an amount of around €110 million, this fund is currently raising investment through the Groupama Regional Mutuals and third-party institutional investors, an operation which will continue throughout 2004.

At the same time, a secondary fund of funds called Quartilium Secondaire II was created, to succeed the GFIT fund (€73 million) which is now at the end of its life span, and whose internal rate of return has reached 42%. Also subscribed on its creation by Groupama SA and its subsidiaries in an amount of €25 million, this fund too is currently at the raising stage.

The direct investment fund Acto continued its investment activity in 2003, and made two new investments, taking the total invested to €28 million, or about 35% of the fund's commitments.

Acto facilitated the creation of the French number two in tourist residential property management, by enabling the Duval group to buy *La Société des Domaines du Soleil* through its subsidiary Odalys. The entity thus constituted now manages a base of 45,000 beds.

Furthermore, at the end of the year Acto initiated the take-over of IONISOS, the French number one in cold sterilisation, a highly profitable niche market.

ACTO has also strengthened its position at CIAT, the leading French campsite operator.

■ Assets under management
€450 million

■ Volume of ***Acto*** commitments
approximately **€100 million**

■ Volume of ***Quartilium*** commitments
approximately **€350 million**

KEY FIGURES

SIGNIFICANT EVENT

■ **In 2003 Finama Private Equity increased its workforce from 12 to 15, and continued to strengthen its control structures.**

Real estate: expertise in action

In a market strongly influenced by institutional investors, from residential real estate and refocused on commercial real estate, the Group's specialist subsidiary Groupama Immobilier continued its real estate administration activities while acting as a centre of real estate expertise for the Group.

2003 market: contrasting trends

There were differing trends in commercial and residential real estate in 2003, reflecting the economic situation in France and the rest of Europe.
In **commercial real estate** there was a slowdown in the rental business in France and the rest of Europe. In Paris and the surrounding region many large office spaces are now available, with the vacancy rate rising from 5.5% to 6.3% in one year. As a result, rental values declined significantly (down 10%), taking them back to the 1999 level. For the third year running however, largely because of the influence of European (and particularly German) investors, financial investments again increased, reaching €9.5 billion in 2003.
The relatively low rate of return (6% to 6.5%) was offset by the length of leases.

In **residential real estate**, a combination of two factors has been at work. Purchase prices, contrary to forecasts, continued to increase (up 14% in France), reflecting the impact of low long-term interest rates. Furthermore, institutional investors took advantage of the trend to continue selling their residential real estate assets, significantly reducing rental stock capacity, particularly in the area of family apartments.

2003 strategy: optimising asset management profit

For Groupama Immobilier, management strategy is guided by a key priority: the optimisation of the financial resources generated by the efficient and dynamic management of the assets of the Group companies (Groupama and Gan subsidiaries).
In view of the general trends on this specific market – high selling prices of apartments, easy mobility because of low long-term credit rates, and a plentiful supply of family apartments stimulating demand – capital gains reserves were built up through the market values of the Group's real estate assets.

In this favourable environment, Groupama Immobilier applied a policy throughout the year of selling investors apartment blocks whose quality had been verified, thus providing a guarantee for the tenant occupiers.

2003 initiatives: quality, canvassing, partnership

The Group is determined to ensure quality at all levels and in all sectors of its operations, and this was clearly shown last year in rental real estate administration:

- *Certification*: an application process was begun in 2003 aimed at achieving ISO 9001-2000 certification by 2004 to improve real estate rental procedures and standards.
- *Customer satisfaction*: satisfaction is measured by means of an ongoing survey of tenants, based on a questionnaire that measures satisfaction with products and services. The results have been favourable up to now, with a 50.5% return rate, and a satisfaction rate of more than 90%.
- *Environment*: an asbestos/lead/termite audit which goes beyond legal requirements is now systematically carried out in properties administered by Groupama.
- *Greenhouse effect*: Groupama is a member of an *ad hoc* working group on this issue as part of the Real Estate Commission of the French Insurers Trade Federation (FFSA).

The growth of Groupama's real estate income in 2003 stemmed from a significant decline in involvement in residential real estate, resulting in more time being spent on the administration of rented real-estate on behalf of third parties.
Priority was thus given to two activities:

- *Direct canvassing* of identified targets, with a view to signing new agreements with third parties: the impact of this initiative will begin to be felt in 2004.
- A *technical partnership* agreement signed with Optimège: this Dalkia/Véolia subsidiary specialises in facility management for companies.

By taking responsibility for enhancing property value of and optimising their rent yield, Groupama Immobilier, with its new Optama product launched in 2003, can provide both investors and users with a fully comprehensive service.

- **€220 million** of rent collected
- **€3.72 billion** of total real estate assets

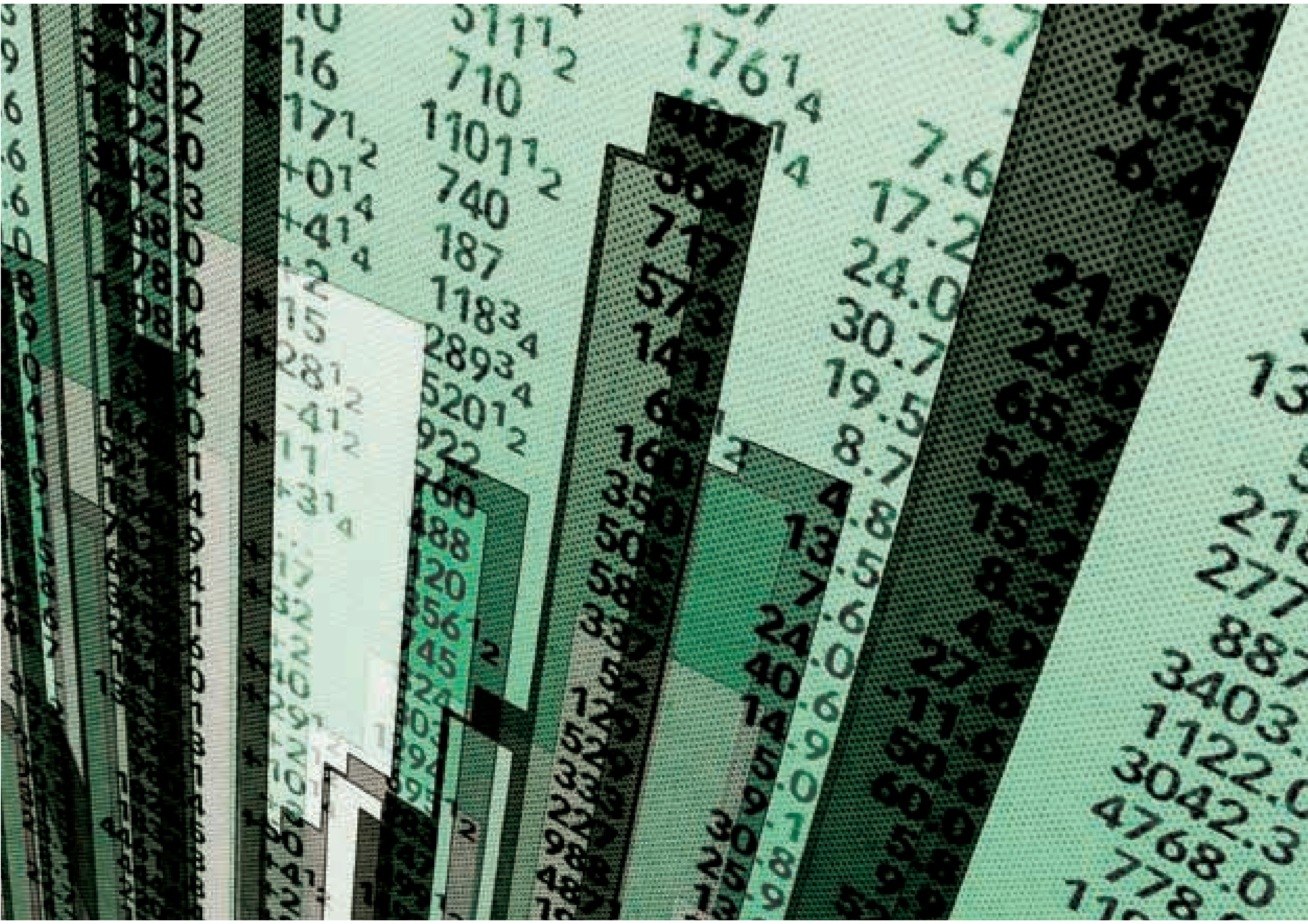
828,000 sq. metres

of which **38%** residential
60% commercial
2% forested areas

KEY FIGURES

SIGNIFICANT EVENTS

- The end of 2003 saw the launch of OPTAMA, a set of services aimed at responding to calls for tender in real estate administration outsourcing. This immediately proved successful.
- The sale by Groupama Immobilier of 48 properties for a total of €255 million (8% of total real-estate assets), generating substantial capital gains.
- €220 million of rents collected (up 5% like-for-like).



Financial report

31 December 2003

Combined Financial Statements

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Management report: Groupama combined financial statements for the year ending 31 December 2003

1. Economic environment

Macro-economic environment in 2003

In 2003, once the geopolitical uncertainties relating to the Iraq crisis had abated and the threat posed by the SARS virus, which had held Asia in its grip, had been overcome, the global economy saw a recovery – clearly profiled in the United States and in Asia although it was rather less pronounced in Europe.

United States: Growth accelerated very sharply at the end of 2003, resulting in an overall rate of 6% for the year. This recovery was driven by the following factors:

- a highly expansionist budgetary policy;
- the leading rates were kept at a low level, buoying up household expenditure and paving the way for a recovery in capital expenditure;
- a recovery in corporate profitability, reflecting productivity improvements combined with very effective control of labour costs;
- the necessary upturn in investments in new technologies.

However, destabilising factors were apparent across the board, casting some doubts on the sustainability of this recovery:

- in the corporate sector: debt levels have stabilised but not diminished, overcapacity remains, the decline in manufacturing jobs continues and some sectors, the automotive sector for example, are experiencing intense pressure on margins;
- household debt levels continue to rise (driven by unrestrained purchasing of property and durable goods), exacerbating the potential impact of a rise in interest rates;
- the widening public finance deficit will be difficult to sustain over the long term.

Europe: The Euro zone saw more or less zero growth during the first half of 2003 and only the slightest sign of recovery was apparent in the second part of the year, reflecting the recovery of exports (France and Germany) and the buoyancy of household expenditure (France and Spain) or public expenditure (Germany). Nonetheless some indicators continue to cause concern:

- misdirected domestic demand, budget deficits higher than the maximum limits set by the stability pact in France and in Germany; sluggish employment market;
- the rise of the euro is undermining corporate competitiveness;
- structural reforms were initiated in 2003, including the Schröder government's Agenda 2010 in Germany and the pensions reform in France.

Japan: For the first time in many years, the recovery in Japan is now set on solid foundations: corporate restructuring, profit recovery, growth of exports – especially exports to China – and recovery in investments. The end of deflation is in sight, even if some concerns remain (debt levels and solvency of the banking system). These factors weigh heavily on domestic demand and on the labour market in particular.

Equity markets, interest rates, exchange rates and the real estate market in 2003

Interest rate markets: The weakness of the economy and the central banks' sensitivity to deflation risk (decreases in interest rates, potential use of non-orthodox monetary policy tools) led to a very pronounced slackening in government bond yields through to mid-June.

A major corrective trend started in the early summer of 2003, affecting USD curves and to a lesser extent EUR curves, following improved business activity reports in the US and some less alarmist pronouncements from the American monetary authorities. 10-year Treasuries ended 2003 at 4.30% – very close to their level at the start of the year.

The search for higher yields by investors with high levels of liquidity at their disposal benefited all spreads products. Risk premiums slackened fairly steadily, especially in some sectors where the medium-term outlook remains very uncertain (automotive or US tobacco). Financing conditions for BBB issuers fell from 200 basis points above Treasuries to less than 100 basis points. Overall the performance of the bond market turned out to be very acceptable in 2003, following an exceptional year in 2002.

Equity markets: The equity indices cancelled out the losses recorded during the first quarter of 2003 (the CAC reached its low point at 2,400 in mid-March). As profits recovered in the United States and Japan, equity markets increased across the board during the second half of 2003. Valuation levels were only moderately attractive in historical terms, and the underlying situation remained very mixed – nonetheless, the equity markets also benefited from a major inflow of liquidity.

In local currency terms, the performance of the Japanese market (Nikkei index up 24.5%) and the American market (S&P 500 up 26.4%) improved after three years of decline. Viewed in euro terms, however, the rankings are different. The gradual emergence from deflation and the strong performance of the yen gave Japanese assets a strong boost (+15% for the Nikkei) but with the dollar's sharp slide against the euro, American equities rose by only around 5%. The pan-European Eurostoxx 50 index rose by 10.5% (16.1% for the CAC40 index). Implied volatility, which was still very high during the first four months of 2003, fell back sharply and ended the year between 15 and 20% for the CAC40 index.

Exchange rates: The euro's rise in value, which started in the second half of 2002 (31 December 2002: €1=US$1.05), gathered pace during 2003, reaching a historical high of 1.25 at the end of December.

Real estate: Investments: the volume of real estate investments in France in 2003 is estimated at between €9.5 and 10.1bn, similar overall to the previous year. German funds led the way with investments of €4 billion, followed by French investors. Office real estate continues to account for 80% of investments.

Commercial rentals: Rental transactions for the year totalled 1,700,000 m^2 compared with 1,500,000 m^2 in 2002 (+11%). 35% of these transactions were concluded in Paris and 27% in the Western business sectors, especially La-Défense. Moreover, the major transactions (>5,000 m^2) represent 44% of the total, confirming that rentals growth is being driven by major deals.

The offer available in one year reached 3,851,000 m^2, an increase of 8% compared with 2002, with 3 million m^2 of the total available immediately. New and renovated buildings represented 30% of the stock. A key trend here is the low level of new and available rental property to be delivered in 2004/2005. The vacancy rate in Ile-de-France stood at 6.5% (5.6% for Paris central business district and 6.5% for La-Défense). Rentals for office properties in Paris fell by 7% on average over the year.

Residential real estate: The key trend of 2003 was that prices continued to rise in Paris (+12.4%) and the inner suburbs (+12%).

2. Key events

Changes to the Group's central entities

On 18 December 2003, the Group decided to proceed with the creation of new central structures, operational as from 1 January 2004, in order to streamline the Group's organisation and support its growth strategy.

As a result, the Central Mutual has been dissolved and its functions have been divided among three new entities:

- the Groupama National Federation, which defines the Group's overall strategies and monitors their implementation, acting as an agricultural trade association and promoting mutualism within the Group;

- Groupama SA, which employs the former CCAMA employees, is responsible for steering the Group's operational activities, reinsuring the Regional Mutuals, and developing the subsidiaries;

- Groupama Holding, which holds the shares in Groupama SA owned by the Regional Mutuals.

These are, clearly, major changes in terms of the Group's organisation and management. They are, however, internal operations and as such their impact on Groupama's consolidated (combined) financial statements is negligible.

Group reorganisation

Mergers of Regional Mutuals

Following the merger of the Pays de la Loire and Bretagne Regional Mutuals to form the Loire-Bretagne Regional Mutual, completed at the end of 2002, several further mergers of Regional Mutuals took place in 2003:

- the merger of Groupama Rhône-Alpes and Groupama Centre-Sud to form Groupama Rhône-Alpes Auvergne;

- the merger of the Sud-Ouest, Oc and Pays Verts Regional Mutuals to form Groupama d'Oc;

- and the merger of the Normandie, Maine and Eure et Loir Regional Mutuals to create Groupama Centre-Manche.

Absorption of Groupama Assurances et Services by Groupama SA

The purpose of this operation – part of the general streamlining of the Group's organisation – was to absorb Groupama Assurances et Services, whose capital was fully held by Groupama SA.

This merger was therefore subject to the provisions of L 236-11 of the *Code de commerce* and did not give rise to any increase of capital on the part of the absorbing company.

It was approved by the Annual General Meeting of Groupama SA on 25 June 2003.

Reorganisation of the Group's UK subsidiaries

On 21 March 2003, the High Court in the UK approved the insurance portfolio transfers the Group had requested. As a result the discontinued business was allocated to a specific entity, a subsidiary of the Gan UK holding company dedicated to managing the run-off. The continuing business is held in a separate subsidiary of Gan UK.

Sale of Groupama Asset Management North America

On 12 May 2003, Groupama Asset Management sold its North American subsidiary, Groupama Asset Management North America, to Gartmore Global Investments (Nationwide Group).

Groupama IT teams brought together in a single EIG (Economic Interest Group)

On 1 January 2003, all the employees of the IT operations serving CCAMA, Gan Patrimoine and the GAN SI (IT) Economic Interest Group were brought together in a single Economic Interest Group: GIE Groupama Systèmes d'Information (the Groupama IT Systems Economic Interest Group).

This organisational change was one of the major goals of the IT Development Plan launched in September 2001. It is designed to improve the quality of the Group's IT services and facilitate systems convergence.

Group development

Groupama Banque roll-out

The nation-wide roll-out of Groupama Banque's operations was completed during the first half of 2003.

The Regional Mutuals have been offering Groupama Banque products and services since the end of May 2003.

Furthermore, on 16 May 2003, Groupama Banque and Banque Finama signed a partial business transfer contract under which Banque Finama's personal banking customer portfolio was transferred to Groupama Banque with effect from 1 October 2003.

Licence to operate in China

On 9 June 2003, the Chinese authorities granted Groupama a licence to conduct non-life insurance business in the area of Chengdu, the capital of Szechuan province, which is located in the south-west of China, with a population of 80 million.

Groupama subsequently established a branch office in Chengdu and commenced recruitment in November 2003. On 4 March 2004 Groupama filed an application with the Chinese authorities with the aim of obtaining the necessary approval for Groupama Chine to begin operations.

Acquisition of Motorcare

At the end of January 2003, Groupama acquired Motorcare France, an accident management service company, from the UK company The Innovation Group.

Acquisition of shareholding in Rent A Car

On 19 May 2003 Groupama signed an agreement with Rent A Car to acquire a 20% shareholding in this company. The agreement also included a shareholder pact and a commercial partnership agreement covering 5 years.

Quality label for Groupama Épargne Salariale's "Épargne Responsable"

In April 2003, the "Épargne Responsable" product offered by Groupama Épargne Salariale was awarded a quality label by the *Comité Intersyndical de l'Épargne Salariale* (inter-union committee for employee savings schemes).

Épargne Responsable is an umbrella fund managed by Groupama Asset Management and offered to SMEs and VSEs, the target market of Groupama Épargne Salariale, via the networks of the Regional Mutuals, Gan Assurances and Gan Eurocourtage.

Development agreement in Vietnam

In Vietnam, the Group has concluded an agreement with the Bank for Agriculture and Rural Development to develop agricultural insurance in the provinces of the Mekong delta and south-eastern Vietnam. This agreement paves the way for the sale of Groupama products via the Bank's network of agents.

Other items

Confirmation of Groupama ratings

On 2 October 2003, Standard & Poor's confirmed its single-"A" rating for counterparty credit and insurer financial strength for Groupama. The outlook associated with this rating is stable. According to Standard & Poor's, Groupama's rating reflects overall its strong competitive position, the improvement in technical fundamentals and its strong capitalisation.

In addition, on 9 October AM Best confirmed its single-"A+" rating for Groupama, while modifying the outlook from "stable" to "negative". This change is due to the Group's exposure to volatility in the financial markets and to its lower results for 2002, the latter impacted by its shareholding in Scor.

This rating also applies to Groupama subsidiaries Groupama Assurance-Crédit (formerly Gipac), Groupama Vie and Groupama Transport.

Shareholding in SCOR

In December 2003, SCOR undertook a share issue which was oversubscribed (1.04x) raising additional capital of €751 million. The delivery of the SCOR shares acquired as part of this operation took place on 7 January 2004.

Groupama's share in the new issue totalled €164.6 million and following this operation the Group held 21.27% of SCOR's share capital (21.43% including shares held by the Regional Mutuals) as compared with 18.79% beforehand. The average value per share as recorded in Groupama SA's accounts was €2.22.

The Group had indicated in its subscription agreement that shares held beyond the 18.79% threshold should be regarded as a purely financial investment. As a result, during January 2004 Groupama took advantage of the increase in SCOR's share price to sell these shares on the market, returning its shareholding in SCOR to its previous level, i.e. 18.95% (18.79% of this held by Groupama SA and its subsidiaries).

Silic – Tax option

On 25 September 2003, the Board of Directors of Silic decided to opt for the SIIC tax regime. This decision will lead to the payment of an "exit tax" spread over four years, calculated on the basis of estimated unrealised capital gains at 31 December 2002, at a rate of 16.50%.

3. Subsequent significant events

There were no subsequent significant events relating to fiscal 2003.

4. Analysis of financial statements

Scope of combination

The changes in the scope of consolidation since 31 December 2002, taking account of the operations outlined above, were as follows:

Companies consolidated for the first time in 2003

- Gan Europa Biztosito (which exceeded the Group's consolidation threshold during the year),
- Groupama Épargne Salariale,
- Groupama Alternative Asset Management,
- Groupama Holding and Groupama Holding 2.

All these subsidiaries are fully consolidated.

Mergers, reorganisations and deconsolidations

- Sale of Groupama Asset Management North America;
- Dissolution of Transama and Cofintex International;
- Merger of Groupama Sud-Ouest, Oc and Pays Verts to form the new entity Groupama d'Oc;
- Merger of Groupama Rhône-Alpes and Groupama Centre Sud to create Groupama Rhône-Alpes Auvergne;
- Merger of Groupama Normandie, Maine and Eure et Loir to form Groupama Centre-Manche;
- Absorption of Groupama Assurances et Services by Groupama SA;
- Merger of Groupama Seguros and Plus Ultra Generales to create Groupama Plus Ultra.

Operations and results

Combined premium income

In 2003, Groupama's premium income from insurance totalled €12.74 billion, an increase of 6.8% at current exchange rates and scope of consolidation compared with 2002. With financial activities included, the Group's combined sales increased by 6.6% to reach €12.88 billion.

At constant exchange rates and scope of consolidation, insurance premium income increased by 5.4% compared with fiscal 2002. Total Group sales at constant exchange rates and scope of consolidation increased by 5.3%.

During this financial year, Groupama continued its dynamic growth based on internal development and on optimizing synergies within the Group. In France, insurance premium income increased by 6.2%. With a growth rate of 10.1%, the Group outperformed the life insurance market as a whole (which recorded growth of 9%, as estimated by the FFSA) and was also able to record steady growth in non-life insurance, both in the Regional Mutuals and at Gan Assurances and Gan Eurocourtage. Internationally the Group achieved excellent results in the markets where it is looking to position itself for the future (southern and central Europe).

Insurance – France

Premium income from the Group's insurance business in France for 2003 increased by 6.2% over the previous year. In non-life insurance, the Group recorded significant growth (+4.3%), in line with trends in the main market sectors in which the Group operates. It should be recalled here that the Group has withdrawn from the major industrial risks sector which involves high capital mobilisation and a high level of exposure to risks. It was specifically this sector, where the fundamentals have not changed, which drove the high levels of market growth in non-life insurance during the year, purely as a result of price increases. The life insurance businesses also recorded very strong growth (+10.1%). All these figures demonstrate the Group's dynamic growth in France.

Regional Mutuals

The **Regional Mutuals** contributed €4,137 million to combined premium income, an increase of 5.5% compared with 2002. This increase reflects the growth in particular sectors, such as supplementary sickness/surgery insurance (+7.3%), where growth was driven by premium increases and by a renewed promotional drive in some Regional Mutuals. The increase also reflects growth in the motor insurance sector (+4.3%) where price increases combined with the volume effect of growth in the vehicle fleet insured. Large risks grew by 13.9%, with strong increases in particular from fire insurance and loss of business/profits (+15.9%). Atmospheric risks increased by 5.3%, mainly reflecting premium increases applied to storms (+10.7%). It should be noted that the Regional Mutuals also performed strongly in long-term care insurance (+7.1%) and personal accident insurance (+66.9%).

Groupama SA

Following the restructuring of the Group, effective retroactively from 1 January 2003, in terms of contribution to combined premium income **Groupama SA** now encompasses the former activities of Groupama Assurances et Services (absorbed by Groupama SA in 2003) and the independent operational activities of Caisse Centrale des Assurances Mutuelles Agricoles (the Central Mutual – dissolved following the Extraordinary General Meetings of 18 December 2003). Premium income for 2003 (€81 million) represented a significant decline (-18.2%) compared with the previous year. The decrease is attributable to lower premium income from the Réunion Aérienne and Réunion Spatiale pools – part of the Group's shareholding in these pools was historically held by Groupama Assurances et Services and has therefore been acquired by Groupama SA. This decline is due to the same reasons as outlined below for Groupama Transport.

Groupama Vie

Groupama Vie recorded premium income of €1,627 million, an increase of 18.2% compared with 2002. This performance mainly reflects two factors: in personal life insurance, the issue of Groupama savings bonds (totalling €87.1 million); and in group insurance, the issue of a single pension premium for EDF employees (for €72.7 million). Adjusted for these two specific items, Groupama Vie recorded premium income growth of 6.6% compared with 2002. This trend was driven by growth in euro-denominated savings policies, which recorded a significant increase, largely offsetting the decline in unit-linked policies.

Gan Assurances

Gan Assurances, the agents' network, recorded a significant increase in business, with premium income up by 5.3% compared with the previous year:

- **Gan Assurances Vie** recorded a 4.9% increase in premium income for the year, bringing the total to €1,116 million. Stronger growth was recorded in personal life insurance (+5.5%) than in group insurance (+2.3%). The personal savings division recorded an increase of 5.1%, driven by a strong performance from Libertance and Chromatys policies, which represent 95% of premium income in this sector. Personal health insurance grew strongly (+7.0%) reflecting premium increases combined with organic growth in the policy portfolio of 3.0% – a higher rate of organic growth than in 2002 (+1.0%). Personal pension plans increased by 2.4%. In group insurance, the provident insurance business was stable, while health cover plans recorded strong growth (+11.7%), mainly driven by growth in the bespoke portfolio (+8.0%) and also in the standard portfolio, following the launch of the Dimension Santé product.

- **Gan Assurances IARD** confirmed its recovery with premium income of €952 million, a substantial increase over the previous year (+5.8%), following a 1.6% increase in 2002. The growth primarily reflects an increase of 3.6% in the personal/professional sector, particularly in motor insurance (+2.2%) where the four-wheel portfolio grew by 12,000 policies while the Gan Auto Oxygène policy recorded dynamic growth. In commercial and local authorities insurance, premium income grew by 13.7% as a result of premium increases. Notable developments here include an increase of 9.7% in premium income from fleet insurance (reflecting both premium increases and organic portfolio growth), along with growth in industrial risks (+15% to +18% according to segment), in professional third-party liability (+20% to +25% according to segment) and in commercial third-party liability (+10%).

Gan Eurocourtage

In 2003, the brokerage network achieved very satisfactory growth both in life insurance and in non-life insurance. Premium income for the network totalled €1,362 million, an increase of 5.0% compared with 2002:

- **Gan Eurocourtage Vie**, the life insurance subsidiary of the Gan Eurocourtage network, recorded growth of 4.7% compared with the previous year, with premium income of €598 million. This growth was driven mainly by the group provident sector (+5.5%) thanks to an increase in bespoke policies (+5.2%), by the health insurance sector, which recorded growth of 20.6% (driven mainly by the increase in the annual social security threshold), and by retirement plans and other group life insurance (+37.3%, including two significant single-premium contracts in group life insurance). However, this overall growth was partially offset by a slight decrease in inward reinsurance (-2.7%) arising from a decline in co-insurance (-18.4%).

- **Gan Eurocourtage IARD**, the non-life insurance subsidiary of the Gan Eurocourtage network, recorded premium income of €764 million, an increase of 5.2% compared with 2002. The increase primarily reflects growth of 10.2% in the commercial portfolio, driven by premium increases, and particularly in the following sectors: industrial risks (+19.3%), special risks (+52.4%) and construction (+10.7%). In commercial motor insurance, the portfolio declined, with a decrease in fleets of around 8.0%, reflecting the impact of competitive pressure in this market. Growth in personal and professional insurance stood at 2.3% – notable trends here include a 14.6% increase in mass products and travel. Trends in other sectors in the personal and professional portfolio varied, according to the specific impacts of premium increases and a very stringent underwriting policy.

Gan Prévoyance

Gan Prévoyance recorded growth of 7.9% in 2003, bringing its premium income for the year to €397 million. The provident insurance sector, which represents more than 50% of premium income for this entity, saw premiums stabilise after several consecutive years of decline. Single-premium and unscheduled payment policies recorded a 29.4% increase in premium income. It should also be noted that the dynamism of the health insurance business, which started up in late 2001, has turned around the decline in non-life insurance, which recorded positive growth for the first time in several years, and that premium income from regular premiums grew by 5%.

Gan Patrimoine and its subsidiaries

Premium income for 2003 at **Gan Patrimoine** and its subsidiaries showed little change from the previous year, totalling 580 million. Growth in this business was driven by a strong performance from euro-denominated policies, with further strong growth from Libregan in particular (+8.6%), and by the launch of the Patrimoine Privilège policy, which led to premium income growth of more than 15% at Caisse Fraternelle Vie. However, these positive developments were entirely cancelled out by the steep downturn arising from economic and stock-market trends, causing a very substantial decline in unit-linked policies (-44.1% at Gan Patrimoine) compared with 2002. The lower proportion of regular premium business at Gan Patrimoine (which fell from 21% of premium income in 2002 to 19% in 2003) reflects customers' declining interest in capitalisation products.

Groupama Transport

Groupama Transport recorded premium income of €203 million for the year, a sharp fall compared with the previous year (-14.0%), impacting both the marine and aviation businesses. In the marine business, premium income fell by 9.6%, reflecting cancellation of major contracts and the negative currency effect on business underwritten in US dollars. The overall decline conceals both a significant effort to drive through premium increases across the portfolio and the acquisition of new customers. All these measures were implemented as part of the division's risk management strategy. In the aviation business, premium income fell by 25%. In the Réunion Aérienne pool the decline reflects lower commitments to policyholders to reduce the cost of some reinsurance cover and lower premium rates for airlines. In the Réunion Spatiale pool, the decline reflects the reduction of commitments and a lower number of "significant launches". In these pools the above-mentioned factors were further exacerbated by the decline of the dollar, the transaction currency.

Other specialist Group companies

Mutuaide, the Group's assistance subsidiary, recorded written premiums of €13 million, an increase of 6.2% over the previous year. The increase derives mainly from insurance policies linked to credit cards, and has a dual cause: an increase in the number of cards plus an increase in premiums for this insurance cover.

Significant growth in the premium income contribution (€19 million) from **Groupama Protection Juridique** (formerly La Société Française de Protection Juridique) (+15.1%) reflects the optimisation of synergies with the Group's various networks (business relating to policies) and with the Gan networks in particular (+15.6%). The external networks also recorded a 16.6% increase in premium income.

Groupama Assurance-Crédit recorded growth in its premium income contribution (€8 million) of 3.5% compared with 2002. The increase reflects the impact of the growth drive in this business over the last two years and the effect of premium adjustments relating to previous years.

Premium income from **Gan Pacifique IARD** (€22 million) was slightly lower than in 2002 (-3.9%). This decline mainly reflects the loss of 50% of the GIPL (health cover) portfolio following the introduction of RUAMM (local social security). Although this entity recorded growth of nearly 10%, this was not sufficient to compensate for the resulting deficit.

Assuvie, a subsidiary created as part of an earlier partnership with Gan, is not issuing any new policies. Its premium income is derived from regular premiums only and fell by 6.8% during the year.

International insurance

The Group's combined premium income from its international insurance operations totalled €2.21 billion, an increase of 2.1% compared with 2002. Trends varied from one market and sector to another:

■ in the **UK**, the Group's subsidiary recorded premium income of €827 million, a fall of 8.0% which affected all the main business sectors. The decrease reflects a prudent underwriting policy which gives precedence to profitability over volume growth. For example, in the property and other risks sector the decrease in premium income (-28.3%) reflects the company's withdrawal from risks in large and medium-sized companies in favour of SMEs. In motor insurance (both private and fleets), severe competitive pressures led to a decrease in premium income;

■ in **Italy**, premium income for the year was €510 million, an increase of 2.0% compared with 2002. Life insurance premium income fell by 5.0%, reflecting a dual trend: premium income from bancassurance fell by more than 30%, while the agents' network recorded a stable performance. Regular-premium products fell by 4.5% while unit- and index-linked products fell by 8.1%. Capitalisation and group products, which were boosted by the impact of exceptional policies in 2002, also fell back in 2003. On the other hand, the reduction in premiums written by Gan Italia Vita was offset by an increase in single-premium euro-denominated products (+13.7%). Steady growth in non-life insurance (+5.9%) was driven by growth in the motor sector (+7.1%), reflecting continuing growth both in the portfolio and in prices (even though both factors were more moderate than in 2002). Personal non-life insurance recorded growth of 4.7%;

■ Groupama Plus Ultra, the **Group's Spanish subsidiary** (created through the merger of Groupama Seguros and Plus Ultra Generales) recorded premium income of €660 million, an increase of 7.5% compared with 2002. The non-life insurance business achieved growth of 6.6% – mainly due to price increases, as the number of policies declined by 0.8% (the result of portfolio restructuring undertaken in 2003, mainly impacting policies issued by Plus Ultra Generales). The same trend was apparent across all the subsidiary's main business segments (following a portfolio review), especially motor insurance (+3.1%), personal insurance (+10.6%) and commercial insurance (+11.9%). The life insurance business recorded growth of 21.6%, reflecting a full year's impact of the marketing of life insurance products across the former Plus Ultra Generales network.

■ **Portugal**, with total premium income of €62 million, recorded a 50.0% increase in premium income from life insurance, in a sector where market growth for the year was 18.2%. This impressive performance reflects both the consolidation of the BEST Bancassurance agreement and strong growth in retirement savings products. In non-life insurance, the Portuguese subsidiary recorded strong growth in premium income (+9.0%), driven mainly by motor insurance (+9.8%), private fire insurance (+13.9%) and health insurance (+8.5%). In most of its business sectors, Gan Portugal's growth outperformed its domestic market. This growth is substantially due to the organic development of the business;

■ in **Switzerland**, Zenith Vie recorded a strong increase in premium income (+56.3% to €100 million) in 2003, driven by two factors: the commercial success of Zenith's single-premium flagship product and a distribution agreement with Banque Cantonale de Bâle;

■ the **Hungarian subsidiary** was consolidated for the first time in 2003. It contributed premium income of €43.0 million, a strong increase compared with 2002 (+44.4%), reflecting substantial growth in the motor vehicle portfolio.

Discontinued activities

The Group's run-off activities have been shown separately in the presentation of premium income for the year. These activities include the Rampart subsidiaries in the United States and Minster Insurances in the United Kingdom. Reflecting the operational status of these subsidiaries, their premium income was close to zero in 2003.

Groupama Banque

Groupama Banque's operations were launched nationwide in France in 2003 and so it has not as yet made a significant contribution to Group income. Its contribution – expressed as "gross banking revenues", the standard term used by insurance companies in the financial reporting of their banking operations – was €4.6 million for the year.

Financial activities

Between 2002 and 2003, **Banque Finama**'s business fell by 16.4% to €56 million. The decrease reflected two factors: lower [pensions transactions] (deposits down by 33%, i.e. by €130 million) and the continuing steep decline in interest rates compared with 2002.

Revenues from the **asset management subsidiaries** (totalling €75 million) were stable compared with 2002. Underlying this result were two contrasting trends: growth driven by new management mandates, which was fully offset by lower commissions on equity fund holdings (even though the performance of the CAC 40 in 2003 was greatly improved over December 2002, the average for the year as a whole was lower).

The activity of **Groupama Épargne Salariale** was licensed with effect from 1 January 2003. Revenues for the year comprised 75% investment commissions and 25% revenues from account charges, net income from treasury investments and Interplan subscription fees.

Analysis of income

Non-life insurance profit/loss from ordinary activities

The Group's non-life insurance operations recorded a profit on ordinary activities of €290 million for 2003 (after taking account of the share of investment income assigned to the non-technical account). This compares to the loss of €50 million in 2002, which reflected a depreciation expense of €235 million relating to SCOR shares, charged to Groupama SA and booked under the share of non-life investment income allocated to net assets. At operating profit level, the non-life insurance operations recorded a slight surplus (€5 million) as compared with a profit of €21 million at 31 December 2002.

The net combined ratio for Groupama as a whole stood at 107.3% for 2003, a slight increase (of 0.6 percentage point) compared with the previous year. On a like-for-like basis the ratio stood at 107.0% in 2002 – also a slight increase.

In France, the combined ratio net of reinsurance stood at 108.1%. The equivalent figure at 31 December 2002 was 105.4%: a significant deterioration, of 2.7 percentage points. In general terms this ratio was severely impacted by climatic events (frost, hail, natural disasters, storms and snow), for which 2003 was a poor year, and by fire risk, which also had a difficult year. Large fire risks were hit especially hard, both in property damage and business interruption.

Technical ratios across the Group's divisions in France developed as follows:

- the Regional Mutuals recorded a combined ratio similar to that of the previous year, at 103.4%. However, if their reinsurer Groupama SA is included, the ratio increased from 103.2% in 2002 to 106.7% in 2003, reflecting the impact of the climatic factors and fires mentioned above, and particularly large risks, as well as the cost of external reinsurance cover;

- the net combined ratio of Gan Assurances IARD showed a slight deterioration (of 0.6 point), reflecting a deterioration in gross current claims especially in the private insurance sector (fire and climatic risks) although this was partially offset by reinsurance cover and by the bodily injury/motor sector;

- the net combined ratio of Gan Eurocourtage IARD improved by 1.5 point mainly due to reduced current claims in the commercial sector. This positive trend was partly offset by higher provisions for bodily injury in prior years;

- in the Group's other insurance entities in France the net combined ratio trend was negative (pro forma increase of 4.4 points). This is mainly attributable to Gan Pacifique IARD where claims were impacted by the tropical cyclone Erica.

In International business, the net combined ratio improved significantly compared with 31 December 2002 (falling by 8.9 points in actual terms and by as much as 9.3 points in pro forma terms). The change is mainly due to the positive trend in net claims at the Group's UK subsidiaries, where operating profits have now stabilised after several years of very substantial reserves strengthening (mainly in the businesses which have now been discontinued).

Net operating expenses totalled €2,290 million at 31 December 2003. The net operating expenses ratio improved by 0.3 percentage point compared with 2002, falling to 28.4%. This shows the first results of the synergies utilised within the Group and of the Group's cost control measures.

Non-life investment income totalled €890 million at 31 December 2003, as compared with €692 million in 2002 (excluding the provision for SCOR shares of €235 million). The increase reflects a slight improvement in current investment income but was driven above all by the positive effect of changes in the permanent depreciations reserve and exchange rate fluctuations. 2002 saw a net allocation to the permanent depreciations reserve for securities of €163 million, whereas in 2003 the net variation in this reserve yielded a write-back of €68 million. Capital gains net of provisions declined sharply (-€102 million). A strong increase in foreign exchange gains should also be noted, totalling €41 million.

Life insurance profit/loss from ordinary activities

The life insurance operating income statement shows a profit on ordinary activities of €253 million at 31 December 2003. Life insurance recorded an operating profit of €202 million, after transfer of €51 million of financial revenue to the non-technical account – a significant improvement over the previous year, when life insurance operating income totalled €163 million.

Premiums earned net of cessions increased by 10.0%, in line with the growth in premium income. However, this increase was driven by two exceptional transactions at Groupama Vie with a combined total of €159.8 million. Excluding these items, the growth in net premiums earned stood at 5.5%. This increase reflects the commercial dynamism of the Group's networks overall.

Technical charges increased over the previous year. This trend is partly due to a volume effect: allocations to reserves increase in line with the increase in premium income. This phenomenon had a very clear impact at Groupama Vie and Gan Prévoyance. In structural terms the ratio of technical charges to net premiums earned increased substantially compared with 2002. The change in this ratio reflects a number of different factors: adverse claims in death benefits at Gan Eurocourtage Vie (especially in loan insurance and coinsurance), an exceptional increase in provisions on the RIP policy at Gan Vie, and exceptional factors which had boosted underwriting balances at Gan Prévoyance and Gan Assurances Vie in 2002.

The policyholders' profit figure increased by €14 million in absolute terms.

Life insurance operating expenses remained at a similar level to 2002 in absolute terms, but declined significantly as a proportion of net earned premiums. In this context, total acquisition costs, and particularly commissions, increased as a result of the growth in business volumes. By contrast, other operating expenses decreased significantly, reflecting in the financial statements the first results of the cost rationalisation drive undertaken by the Group, especially in the IT sector. This improvement also reflects a €27.5 million decrease in the consolidated amortisation expense for deferred acquisition costs compared with 2002.

Life insurance investment income allocated to the technical account totalled €1,733 million at 31 December 2003 (the share allocated to the non-technical account was €51 million) compared with €1,624 million in 2002 (with €35 million allocated to the non-technical account). The increase was due both to recurrent items and to capital gains net of provisions.

Life insurance investment income was substantially higher than in 2002 (+€34 million). The increase reflects a strong increase in outstanding bond investment volumes, even though their impact on investment income was mitigated by a decrease in bond yields on the market. By contrast equity revenues fell sharply – reflecting both an investment strategy focused on fixed-income securities and lower dividends from equity holdings (dividends for 2003 were depressed following the economic difficulties of 2002). It should be noted that the "Other investment income" item fell very sharply in 2003, mainly as a result of a non-recurrent operation with hedging contracts which had impacted the 2002 financial statements.

Capital gains net of provisions increased sharply compared with the previous year. This growth is mainly due to a change in the permanent depreciations reserve – an allocation of €227 million at 31 December 2002 compared with a write-back for this year of €75 million. At the same time the Group's life insurance entities realised very significantly lower capital gains for the year -€216 million lower than in 2002.

Non-operating income statement

The non-operating income statement shows operating profit (life, non-life and banking) of €181 million at 31 December 2003, compared with a profit of €173 million in 2002. After accounting for the share of investments allocated to net assets, the profit on ordinary activities was €517 million (compared with a profit of €137 million in 2002).

It should be noted that the 2002 results were impacted by two exceptional provisions, representing a total sum of €306 million. As part of the sale of its Sorema reinsurance subsidiaries, Groupama had granted a liability guarantee to the purchaser, SCOR. The higher level of cover for this guarantee represented a net charge of €71 million in the combined financial statements for 2002. Also, as mentioned above, Groupama set aside a provision of €235 million in the 2002 combined financial statements for the depreciation of shares relating to its strategic shareholding in SCOR.

The non-recurrence of the provision set aside for the SCOR shares in 2002, combined with a significant improvement in other investment income, explains the strong growth in investment income allocated to net assets and as a result in the profit on ordinary activities, which incorporates all investment income.

It should also be emphasised that the Group's profit on ordinary activities includes an operating loss from the financial activities and Groupama Banque of €26 million (a further decline compared with 31 December 2002, when the loss was €11 million). This development is mainly attributable to Groupama Banque (loss of €39 million, including minority interests) – a result that reflects the launch stage of this new business within the Group.

Financing expenses were lower than in the previous year, decreasing from €124 million at 31 December 2002 to €101 million at 31 December 2003. The main items making up this total are interest on traditional loans at €54.7 million (compared with €81.5 million in 2002) and interest on repurchase agreements at €22.4 million for 2003 (compared with €26.0 million in the previous year). The lower interest expense reflects the Group's lower average debt levels compared with the previous year.

The balance of other non-operating income and expenses (including exceptional income and expenses) represented an expense of €96 million at 31 December 2003, compared with an expense of €5 million in 2002. Apart from the supplementary expense relating to the liability guarantee on the sale of Sorema, totalling €30.9 million (see above), the main items making up this balance were the cumulative prior years' earnings on the first consolidation of Gan Europa Biztosito (totalling -€5.0 million), external expenses on the transfer of the reinsurance business to Groupama SA (-€6.0 million) and the expenses incurred in developing the banking network via the Regional Mutuals network.

The corporate tax charge at 31 December 2003 was €87 million, compared with a charge of €46 million at 31 December 2002. Because of the mechanism of fiscal integration and the existence of deferred tax liabilities, the current tax charge was borne mainly by the Group's Italian companies and real-estate subsidiaries. The change in the tax charge in 2003 reflects, on the one hand, the "exit tax" of €99 million recorded by Silic (arising from the new regulation which listed real-estate companies could opt into before 30 September 2003) and, on the other hand, a deferred tax credit of €35.1 million (following the new legislation on deferred liabilities in France).

Income from companies accounted for by the equity method totalled €1.9 million at 31 December 2003: this comprises the contribution of the Group's Turkish subsidiary Günes Sigorta.

Minority interests represented a loss of €33 million at 31 December 2003 compared with a profit of €3 million in 2002. This deterioration in the profit attributable to minority interests mainly reflects the share of Group losses attributable to minority interests on Groupama Banque and Silic (the latter's results, as indicated above, were strongly depressed by the exceptional expense of the "exit tax").

Goodwill amortisation for the year represented an expense of €113 million, very similar to the expense recorded in the 2002 financial statements. The amortisation expense for new goodwill over the full year (mainly relating to Plus Ultra Generales) largely offset the exceptional amortisation expense of €16 million for Günes Sigorta recorded in 2002.

Summary of net profit

The Group recorded a net profit (Group share) of €155 million for the year, compared with a net loss (Group share) of €154 million in 2002. Excluding exceptional provisions (totalling €306 million) set aside for SCOR shares (€235 million) and the liability guarantee on the sale of Sorema (€71 million), the Group would have recorded a profit of €152 million in 2002 (and of €268 million before goodwill amortisation).

Groupama's net profit (Group share) before goodwill amortisation stood at €268 million (compared with a loss of €38 million at 31 December 2002). Goodwill amortisation was lower than in 2002. Goodwill amortisation for the full year on the acquisition of Plus Ultra Generales in Spain largely offset the exceptional amortisation expense of €16 million for Günes Sigorta recorded in 2002.

The net profit/loss for the year breaks down by business line as follows:

(€ millions)	*Group share 31 December 2002*	***Group share 31 December 2003***
Insurance France	181	208
International Insurance	-9	45
Financial activities and Groupama Banque	-10	-15
Holding companies and other	-200	30
Net profit/loss before goodwill amortisation	-38	268
Goodwill amortisation	-116	-113
Net profit/loss (Group share)	**-154**	**155**

Insurance – France

Non-life insurance in France contributed a profit of €39 million to the Group's net result for the year, compared with the profit of €1 million contributed by this business line in 2002. The increase reflects growth in the profits contributed by Gan Assurances and the Regional Mutuals.

Life insurance in France contributed a profit of €169 million, very similar to the previous year's result (€180 million). The slight decrease mainly reflects lower operating margin, which was not fully offset by growth in investment income net of policyholders' profit sharing.

Regional Mutuals

The contribution of the Regional Mutuals (including the Local Mutuals) to the Group's net income for the year totalled €15.8 million at 31 December 2003. It was close to zero (-€0.4 million) at 31 December 2002.

The combined ratio of the Regional Mutuals (including the Local Mutuals but excluding the internal reinsurance operations of Groupama SA) stood at 103.4% in 2003, largely unchanged compared with 2002. Underlying this overall trend was a deterioration of 1.5 percentage point in the gross claims ratio for all years, a significant improvement in the general expenses ratio and internal costs net of reinsurance largely unchanged from 2002.

The current claims ratio at the Regional Mutuals stood at 78.4% in 2003 compared with 77.4% in 2002. Underlying this overall trend was a strong improvement in claims in motor insurance and third-party liability, which was offset by poor years in fire, large risks and atmospheric risks which recorded very significant deteriorations in gross current claims (+17.2 points, +21.6 points and +51.8 points respectively). In miscellaneous risks, the gross costs of the floods in Southern France stood at €73.9 million, as compared with the gross cost of €135.4 million for the floods in the Gard in 2002.

Operating expenses fell back by 1.3%, reflecting the Regional Mutuals' success in implementing their cost control policy.

Investment income at the Regional Mutuals was the main factor driving the growth in their contribution. Revenues were similar to the previous year while the contribution to capital gains net of provisions improved by €64 million, reflecting changes in the permanent depreciations reserve.

Groupama Vie

The contribution of **Groupama Vie** totalled €69.4 million, a slight increase compared with 2002 (€67.6 million). The advance would have been more substantial had it not been held back by a lower result from the real-estate subsidiaries than in 2002. The same overall trend was apparent across all items in the Groupama Vie income statement:

- Operating profit increased strongly compared with 2002, driven by the results of the provident insurance sector, and particularly personal provident insurance; in other sectors operating profit showed little change from the previous year.

- The balance after administrative costs and profit-sharing was positive and significantly higher than in the previous year. Although operating expenses were up slightly this was mainly due to an increase in distribution expenses arising from business growth. Head office expenses were controlled very effectively, decreasing by 5.1% compared with 2002.

- Investment income showed a clear improvement, driven by growth in bond revenues (due to the volume effect of outstanding amounts) and by an increase in capital gains net of provisions. Gross capital gains contributing to the combined financial statements fell back by €143.5 million while Groupama Vie recorded a write-back from provisions for depreciation of €56.5 million in 2003 (compared with an allocation to provisions of €103.0 million in 2002).

- The tax charge was slightly higher than in the previous year, reflecting the improvement in profits at individual lines.

Gan Assurances

The contribution of Gan Assurances totalled €30.0 million in 2003, compared with €5.9 million in 2002.

Gan Assurances Vie recorded a net consolidated profit of €49.7 million, a slight decrease compared with 2002 (€53.2 million). The following factors contributed to this trend:

- Operating profit fell by 7% compared with 2002, reflecting the impact of a number of exceptional transactions influencing operating profit levels both in 2002 (affecting savings) and in 2003 (affecting provident insurance and pension plans). In group insurance there was an improvement in operating profit, especially in provident insurance and health insurance.

- Operating expenses net of changes in deferred acquisition costs declined in the year, reflecting a very significant reduction in consolidated deferred acquisition costs and lower IT and logistics expenses. The commissions rate was unchanged from 2002.

- Net consolidated investment income increased slightly (+1.5%). This trend mainly reflects a moderate increase in revenues (+1%). The contribution to policyholders' profit-sharing increased in line with investment income. Meanwhile the net tax charge at Gan Assurances Vie decreased sharply (-€27.3 million).

Gan Assurances IARD (non-life insurance) contributed a loss of €19.5 million to the consolidated result (it should be noted that this is after elimination of dividends paid by Gan Assurances Vie) compared with a loss of €47.5 million in 2002. The combined ratio net of reinsurance stood at 113.1% compared with 112.5% at 31 December 2002:

- The deterioration in the combined ratio compared with 31 December 2002 is due to a sharp deterioration in gross current claims, slightly offset at net claims level by reinsurance cover. In direct business, in the agents' network, a clear deterioration in gross current claims was apparent in the personal insurance sector, with multi-risk home insurance severely impacted by water damage and climatic risks (frost, storm, hail and snow), natural catastrophes following the floods in the south-east of France in December 2003, the agricultural portfolio by hail and frost, and motor insurance in bodily injury. Conversely, motor fleets improved their claims by 4.4 percentage points and the other sectors (construction, industrial risks, third-party liability and other corporate and group risks) were effectively controlled.

■ The operating expenses ratio improved by nearly 1.0 percentage point in 2003 compared with 2002, mainly reflecting a strong decrease in IT costs and effective control of other costs.

■ Gan Assurances IARD's profit in 2003 was driven by investment income and exceptional income. Investment income advanced significantly, reflecting a net write-back from provisions for depreciation of investments of €18.1 million, compared with net allocation of €33.2 million in 2002. In this context, consolidated capital gains fell back very significantly (-€39.9 million).

Gan Eurocourtage

Gan Eurocourtage's contribution to combined income was €39.3 million in 2003 compared with €54.5 million in 2002.

Gan Eurocourtage Vie's contribution totalled €24.4 million at 31 December 2003 compared with €30.9 million in 2002. The underlying trends were as follows:

■ Gan Eurocourtage Vie's operating margin fell back significantly compared with the previous year, reflecting trends in the reinsurance and co-insurance businesses, as well as in the loan insurance sector, mainly due to a deterioration in current claims in death cover and to premium surcharges in co-insurance. In health insurance, operating profit improved by €3.3 million as a result of releases from prior years.

■ Operating and claims management expenses fell back significantly compared with the previous year – mainly due to non-recurring charges which had affected 2002.

■ Meanwhile investment income fell back by nearly €10 million. Although revenues from investments increased by €4.8 million, capital gains net of provisions decreased sharply, reflecting a fall in capital gains realised during the year (-€26.9 million).

■ Policyholders' profit-sharing was significantly lower, reflecting the decline in investment income and in operating profit. Structurally, however, the proportion was similar to that of the previous year.

Gan Eurocourtage IARD recorded a contribution of €14.9 million in 2003, compared with €23.6 million in 2002. This sharp fall reflects the performance of the real-estate companies (and of Silic in particular, where income declined sharply as a result of the "exit tax" expense):

■ The net combined ratio at Gan Eurocourtage IARD stood at 110.6% in 2003, compared with 112.1% in 2002. Releases from prior years (net of provisions for claims management expenses) fell back by €23 million, mainly due to a change in the method for assessing claims in third-party liability/bodily injury in the motor sector, which resulted in an extra charge of €23 million in the financial statements.

■ The current claims ratio was 3 percentage points lower, standing at 66% at 31 December. This trend was impacted mainly by the corporate and private/professional insurance sectors, while natural catastrophes were severely affected by the floods in south-east France.

■ The reinsurance expense improved significantly (by €14.8 million) due to the cancellation of a significant proportion of the reinsurance cover relating to facultative policies from the CGU Courtage portfolio.

■ The operating expenses ratio, net of commissions received from reinsurers, fell by 2.4 percentage points following changes to the method for allocating general expenses by destination. Overall, however, general expenses were stable for the year.

■ Investment income for the year totalled €91 million, compared with €89 million in 2002. As for many entities in the Group, the increase was mainly due to net recoveries from provisions for investment securities, where the previous year had seen net allocations to provisions.

Gan Prévoyance

Gan Prévoyance contributed €12.4 million in 2003 as compared with €7.9 million in 2002:

■ The operating margin at Gan Prévoyance fell back slightly compared with 2002 as a result of an exceptional event which affected the provident insurance sector in 2002 (exceptional release on hospitalisation cover under the GS2000 policy). The other sectors saw improvements in their operating margin.

■ Adjusted for structural changes which boosted this entity's results in 2002, general expenses rose slightly during the year. However, it should be noted that the increase in production costs was driven by the increase in premium income, while administrative costs were largely unchanged.

■ Consolidated investment income increased by €25.2 million. This increase was driven by investment revenues (+€13.8 million) and by capital gains realised on investments (+€12.7 million) while allocations to the permanent depreciations reserve fell back for the year.

■ The policyholders' profit-sharing expense was similar to the previous year: due to both operating and investment factors the improvement in the investment result was more or less fully offset by the reduction in the operating result.

It should be emphasised that the portfolio management indicators at Gan Prévoyance are positive: not only was the average workforce higher for the year but also average premiums improved by 8.9% and the lapse rate very clearly confirmed the reduction initiated in previous years.

Gan Patrimoine and its subsidiaries

The contribution from **Gan Patrimoine** and its subsidiaries totalled €11.8 million, a decline compared with 2002 (€14.4 million):

- The operating profit fell by 16.4%, mainly because of a write-back from provisions following the discontinuation of A rate policies at Caisse Fraternelle Épargne, which boosted operating profit in 2002 by around €5 million. Operating expenses increased as a result of increased management expenses relating to IT and to preparations for marketing the banking offer planned for 2004.

- Investment income at the Gan Patrimoine profit centre was similar to the previous year. Investment revenues fell back by €15.7 million, reflecting the lower bond yields seen in recent years, while capital gains net of provisions increased by a roughly similar amount. The latter development reflects adjustments in the permanent depreciations reserve as net capital gains realised were lower than in 2002, due to capital losses sustained on equities.

- Profit-sharing was lower than in the previous year, mainly due to the interest-rate effect, and so net investment income saw a clear improvement, partly offsetting the decrease in operating income.

Groupama Transport

Groupama Transport's contribution increased strongly in 2003 (+€5.6 million) to reach €16.9 million – despite the cancellation of the CGU portfolio in the Réunion Aérienne and Réunion Spatiale pools. The increase reflects improved results from the Marine business.

- The net combined ratio at Groupama Transport (102.3%) increased by 3.1 percentage points compared with 2002. This deterioration reflects the general expenses ratio, and particularly the scissor effect created by a very significant decrease in premiums, despite a 0.8 point improvement in the claims ratio. In Marine insurance, the gross claims ratio was substantially lower (63.5% at 31 December 2003 compared with 80.1% in 2002) reflecting lower current claims (74.2% at 31 December 2003 compared with 88.8% in 2002) due to a significantly lower frequency of major claims. In Aviation, the Réunion Aérienne pool had a good year in terms of claims, as did the Réunion Spatiale pool – with no major claims during the year.

- The reinsurance balance improved compared with the previous year (-€45.4 million in 2003, compared with -€51.7 million in 2002). In the Marine business, however, there was a sharp deterioration in the reinsurance charge, which was €25 million higher than in 2002, reflecting a number of different factors: a significant increase in the cost of reinsurance cover, a clear decline in commissions received from reinsurers due to a change in the reinsurance schedule, an increase in retentions at Groupama Transport and lower claims for the year. In Aviation, by contrast, the reinsurance balance improved significantly (by €31.3 million) compared with 2002. This is mainly attributable to the lower frequency of major claims in 2003.

- Investment income for the year increased, mainly due to an increase in capital gains net of provisions for permanent depreciation and in foreign exchange gains.

Other specialist Group companies

Groupama's other specialist subsidiaries recorded a combined contribution of €12.9 million, lower than in 2002:

- **Groupama Assurance-Crédit**'s contribution was higher than in 2002 (€2.6 million in 2003, compared with €1.1 million in 2002) reflecting higher investment income for the year. However, the combined ratio, at 101.9%, showed some deterioration, resulting from an allocation to the equalisation reserve of €2.4 million in 2003.

- **Mutuaide** recorded lower profits for the year, totalling €3.5 million, compared with €6.1 million for 2002 (when its results were boosted by €1.7 million due to a release from tax provisions). In 2003, operating income deteriorated due to an increase in the claims expense (driven by higher costs for assistance services) and an increase in operating expenses following Mutuaide's entry into the organised travel market.

- **Gan Pacifique IARD** recorded profits of €2.1 million, very significantly lower than in 2002 (€5.3 million), reflecting the impact of cyclone Erica, which increased the net combined ratio at this entity from 85.9% to 99.2% at 31 December 2003.

- **Groupama Protection Juridique** (formerly Société Française de Protection Juridique) recorded a contribution of €2.5 million, an increase compared with the previous year (€2.0 million).

- **Assuvie** recorded a significant decline in profits (which stood at €2.2 million in 2003 compared with €5.7 million in 2002), mainly due to deferred policyholders' profit-sharing.

International insurance

The Group's international insurance operations contributed a profit of €45.4 million to the combined result, as compared with the loss of €70.2 million in 2002 (or of €8.9 million excluding the run-off activities of Rampart and Minster Insurances and the transfer of Gan UK to holding companies). The improvement is mainly due to the contribution from the UK entities.

For the first time in a number of years, the Group recorded a positive contribution from its operational subsidiary in the UK, **Groupama Insurances**. This contribution totalled €12.1 million (compared with a loss of €33.9 million at 31 December 2002). The radical restructuring of these companies has now been completed. As a result of this restructuring, the run-off business is now held within a dedicated entity while the active portfolio is managed by the independent entity Groupama Insurances.

■ The net combined ratio at this subsidiary improved by 1.3 points, falling to 102.0%. This improvement was driven by the gross claims ratio which improved by 5.4 percentage points compared with 2002. Key sectors driving the improvement were multi-risk home insurance, motor fleet insurance, and other property insurance. Private motor insurance saw a slight deterioration in claims – however, at 55.7%, this ratio nonetheless remains one of the best in the market.

■ Provisions were also set aside for non-recurring costs arising from the restructuring of the portfolio. The reinsurance result remained negative but was greatly improved over 2002. As a result of these two factors the entity recorded an operating result that was negative overall. However, on the investment side a prudent investment management policy yielded a significant improvement in the investment result, which largely offset the operating result.

The Italian subsidiaries recorded a contribution of €16.7 million to the combined result, a strong increase compared with 2002 (€11.7 million):

■ In non-life insurance, the net combined ratio improved slightly (by 0.2 percentage point) compared with 2002, standing at 101.2%. for the year. Lower current claims combined with higher surpluses from prior years led to a 2.3 percentage point improvement in the gross claims ratio for all years. However, this improvement was fully offset by the impact of reinsurance following modifications to the terms of cover for the year. Net investment income increased by €5.7 million, driven by higher realised capital gains. After tax, the net contribution (€11.5 million) was slightly higher than in 2002 (€11.1 million).

■ Gan Italia Vita recorded a contribution of €5.2 million, compared with €0.7 million in 2002. This result was mainly driven by a strong improvement in investment income (up by €16.1 million) compared with the previous year, reflecting an increase in capital gains realised and a net recovery from the permanent depreciations reserve in 2003, compared with a net allocation of €6.5 million in 2002. The ratio of general expenses to premiums remained stable.

In Spain,Groupama Plus Ultra's contribution to Group profit in 2003 was €20.0 million, compared with a contribution of €16.3 million in 2002:

■ In non-life insurance there was a marked improvement in the technical fundamentals, and especially in the net combined ratio. This ratio stood at 102.7% at 31 December 2003, compared with a like-for-like figure of 108.3% for 2002 (including Plus Ultra Generales over the full year). The improvement was driven by two factors: a 2.5 point reduction in net claims and a 3.0 point reduction in the operating expenses ratio. The gross claims ratio for the current year improved by 2.2 points. On the one hand this reflects the fact that the 2002 financial statements of Plus Ultra Generales were affected by aligning the provisioning rules with those of the Group; on the other hand it reflects an improvement in the claims ratio in the SME commercial sector, due to a sharp decrease in claims frequency in industrial fire cover and to the absence of major claims during the year.

■ Life insurance profit from ordinary activities was stable, totalling €3.2 million in 2003, compared with €3.3 million in 2002. Nonetheless it should be emphasised that there was significant change in the elements making up this result following the marketing of life insurance products by Plus Ultra Generales agents.

■ Net investment income stood at €50.2 million in 2003 – a significant improvement over the previous year, mainly reflecting higher capital gains arising from the upturn in the financial markets.

The results of other Group subsidiaries in international markets were as follows:

■ **Zénith Vie** recorded a loss of €2.7 million in 2003, compared with a loss of €2.1 million in 2002. Higher technical reserves in incapacity cover fully absorbed an improved investment result for the year.

■ At **the Portuguese subsidiaries** (contributing a profit of €1.5 million for the year, compared with a loss of €4.0 million at 31 December 2002) the recovery was mainly driven by investment income. The combined ratio increased by 2.7 points, mainly due to household insurance and to higher reinsurance costs.

■ **In Hungary**, Gan Europa Biztosito's contribution to the Group's combined result was a loss of €4.9 million, mainly reflecting a deterioration in net claims in third-party motor insurance.

■ **In Turkey**, the Group's shareholding in Günes Sigorta resulted in a contribution of €1.9 million in 2003, compared with a contribution of €2.7 million in 2002.

Groupama Banque

The result of the Group's personal banking operation, **Groupama Banque**, remains negative in 2003 (Groupama's share of the loss was €23.2 million) arising from the fact that this business is still in its launch phase. Following approval of the test phase at the two pilot Regional Mutuals in late February 2003, the first half of 2003 was dedicated to rolling out the bank's offering across the entire network and to training throughout the network. By the end of the year, 61,000 accounts had been opened, representing a total of 90,000 customers.

Financial activities

The Group's financial activities contributed a profit of €7.5 million, a decrease from the profit of €9.0 million contributed in 2002.

The decline is mainly attributable to the new subsidiary, **Groupama Épargne Salariale**, created in late 2002 to develop a presence in the company savings scheme market. This start-up business recorded a loss of €4.3 million in 2003.

Banque Finama contributed a loss of €5.5 million for the year, an improvement of €2.3 million compared with the previous year. In a difficult market environment, which strongly depressed its results for 2003, Banque Finama continued to refocus steadily on its Group banking activities. This entity has embarked on a strategy to reduce systematically its operating expenses, which is reflected in its improved contribution.

The **asset management subsidiaries**' profit for the year showed an improvement over 2002. The combined contribution of Groupama Asset Management and Groupama Gestion stood at €13.1 million for the year, compared with €11.7 million in 2002. The improvement reflects the sale of Groupama Asset Management North America, which generated a consolidated capital gain on disposal of €5.4 million (after expenses related to the sale). By contrast, the operating income fell back compared with the previous year, due to lower premium income net of retrocessions to agents. The new Group subsidiary, Groupama Alternative Asset Management, specialising in alternative management, and Finama Private Equity contributed a loss of €0.5 million and a profit of €0.4 million respectively in 2003.

Groupama Immobilier, the Group's real estate asset management subsidiary, contributed a profit of €4.3 million for the year, a slight decline from its contribution of €4.8 million in 2002.

Analysis of holding companies and other activities

In 2003 the holding companies and other activities contributed a profit of €29.6 million. The main factors underlying this contribution were as follows:

Groupama SA

Groupama SA's contribution to Group profit totalled €10.4 million in 2003. It should be recalled here that Groupama SA now encompasses the former activities of Groupama Assurances et Services (absorbed by Groupama SA in 2003) and the reinsurance business of the Central Mutual along with its former activities as ultimate holding company for the Group.

In operational terms, Groupama SA holds the shares formerly held by Groupama Assurances et Services in the Réunion Aérienne and Réunion Spatiale pools, where claims for the year showed an improvement over 2002. It also plays a central role, of course, in internal and external reinsurance for the Regional Mutuals. The external reinsurance charge showed a deterioration during the year, increasing to €176.6 million in 2003 from €115.5 million in 2002. This result reflects higher reinsurance cover, higher rates in atmospheric risks and lower claims ceded – mainly due to the lower impact of atmospheric events in 2003 compared with 2002.

As a result of these developments, the combined ratio net of reinsurance at Groupama SA stood at 107.8% for 2003 compared with 104.2% for 2002.

Investment income contributed by Groupama SA increased very strongly (+€49.4 million) compared with 2002 in pro forma terms (excluding the provision for shares in SCOR). This growth was driven by movements in the permanent depreciations reserve, where a charge of €59 million in 2002 compares with net movements close to zero in 2003. It should also be noted that Groupama SA's contribution in 2002 was impacted by a provision of €235 million for the depreciation of its strategic shareholding in SCOR and by the higher liability guarantee on the sale of Sorema (€71 million).

In its role as holding company for the Group, Groupama SA also plays a pivotal role in Group financing, which is reflected in external financing costs of €42.3 million. These costs were lower than in 2002, mainly because of lower interest rates on the variable portion of the redeemable subordinated notes issued by the Central Mutual at the time of the Gan acquisition (and transferred to Groupama SA in 2003).

Finally, Groupama SA, in its central role within the Groupama tax group, benefited from an overall tax saving – current and deferred tax – of €166.8 million, while incurring a tax charge for its own activities of €35.4 million. The tax saving related to fiscal integration was significantly higher than in 2002 (+€32.8 million).

Other holding companies

■ **Groupama International**'s result for the year stood at €16.9 million compared with €3.4 million in 2002. The increase mainly reflects the restructuring of the balance sheet at this holding company following its recapitalisation in late 2002. As a result Groupama International was able to grant loans financed on its own resources to the UK subsidiaries in particular, leading to an increase in net interest income of around €13.2 million compared with 2002.

■ The UK holding company, **Gan UK**, recorded a loss of €4.6 million in 2003 (compared with a loss of €24.6 million in 2002). Investment income arising from foreign exchange gains, loans to the insurance subsidiaries and revenues from investments, along with the liquidation of the general guarantee relating to Gan Life (€2.3 million) were not sufficient to fully offset interest on internal financing debts. In 2002, this holding company recorded a loss because it was entirely financed by loans from Groupama International and because it incurred restructuring costs (mainly relating to the business of Minster Trust and the legal and financial reorganisation of its subsidiaries). It should be emphasised that in early 2003 loans of €212.1 million from Groupama International were capitalised at Gan UK, improving the latter's balance sheet structure and financial stability – with the result of generating the financial income mentioned above.

■ As part of the Group's reorganisation in December 2003, involving in particular the dissolution of the Central Mutual, two financial holding companies were created: **Groupama Holding** and **Groupama Holding 2**. Apart from the Groupama SA shares formerly held by CCAMA (the Central Mutual), Groupama Holding carries a medium-term loan related to the financing of the Gan acquisition (at 31 December 2003 the balance was €107 million). In late December 2003 unrealised capital gains relating to these assets were realised in order to honour the payment schedule. Net of loan interest, Groupama Holding's contribution stood at €17.0 million. Groupama Holding 2 broke even for the year.

Other activities

Group subsidiary **Rampart** manages the run-off of Gan's former American business, where operational activity was suspended in 1999, along with some reinsurance portfolios of the Group's former US reinsurance subsidiary, where underwriting was discontinued in 1993. For 2003 this entity's contribution was a loss of €3.4 million.

The Group's run-off business in the UK, which is now held in a dedicated entity, **Minster Insurances**, recorded a loss of €7.0 million in 2003 (compared with a pro forma loss of €36.7 million in 2002). This entity's results for 2002 were impacted by high additional provisions for asbestos, pollution and health risks and in the transport, Treaty and City Commercial sectors, while 2003 saw provisions hold up well.

Combined balance sheet

At 31 December 2003, Groupama's total assets amounted to €67.3 billion, as compared with €64.3 billion at 31 December 2002 – an increase of 4.6%.

Goodwill

The decrease of €76 million in goodwill between 31 December 2002 (€1,664 million) and 31 December 2003 (€1,588 million) mainly reflects the depreciation allowance for the year (-€113 million), partially offset by new goodwill of €21 million on Groupama SA (arising following the sale of shares held by employees in Groupama Holding) and goodwill of €18 million on Gan Eurocourtage IARD, following a review of the fair value of assets and liabilities at CGU Courtage.

Investments (including unit-linked investments)

Insurance investments totalled €55.0 billion in net book value, compared with €52.3 billion in 2002, an increase of €2.7 billion (or 5.2%). Unrealised capital gains totalled €4.5 billion (compared with €3.5 billion in 2002). The growth was mainly due to an increase of €1.1 billion in capital gains on equities following the upturn in the financial markets in the last quarter of 2003. Trends in bond investments resulted in a slight decline in unrealised capital gains on bonds while unrealised capital gains on real estate investments were stable in pro forma terms. Total investments at market value amounted to €59.5 billion (compared with €55.8 billion in 2002).

The structure of these investments breaks down as follows:

■ Bonds and fixed-income mutual funds	67%
■ Equities and variable-income mutual funds	17%
■ Real estate	8%
■ Unit-linked investments	6%
■ Other	2%

As regards provisions for these investments, the Group released €145 million from the permanent depreciations reserve (following some arbitrage transactions and the upturn in the equity market at the end of the year). In consequence, the permanent depreciations reserve stood at €719 million at 31 December 2003 (and a further provision of €254 million should be added to this total, relating to the strategic shareholding in SCOR).

Net assets

As at 31 December 2003, Groupama's combined net assets (combined scope of consolidation) stood at €4.0 billion, an increase compared with the previous year. Changes recorded since the 2002 year end can be summarised as follows:

(€ millions)	
Opening balance 2003	**3,926**
Change in exchange adjustment	-37
Change in accounting method	-8
Members' rebates	-5
Permanent depreciation reserve (NPCA 1995)	7
Changes in scope of consolidation	-1
Net income	155
Net assets at 31 December 2003	**4,037**

The change in exchange adjustment mainly reflects exchange differences on net assets and long-term investment loans granted to the Group's international subsidiaries (particularly in the UK).

The changes in accounting method mainly relate to the implementation of the new accounting regulation governing provisions for major repairs. Accounting regulations relating to the first application of a new accounting method require the impact of the new method to be recorded by a change in the opening balance of statutory capital and surplus for the year.

Technical reserves

The share of technical reserves was €54.2 billion, an increase of 4.3% (€2.2 billion) compared with 2002. The change mainly reflects the increase of mathematical provisions in life insurance, driven by growth in the business.

5. Solvency

Groupama further strengthened its financial soundness in 2003, as is illustrated by a very significant improvement in the solvency margin in the combined financial statements. Applying the provisions relating to group solvency (calculated according to the provisions of European Directive 98/78/CE, which were transposed into French law in May 2002) yields a solvency margin in the combined financial statements of 212% in 2003, compared with 195% in 2002. Taking future profits into account in the ratio represents 13 basis points of margin cover (compared with 13 basis points in 2002). Applying the new European Solvency I provisions – which will be in force from 1 January 2004 – to the 2003 financial statements would yield a solvency margin of 206%.

The Group's solvency margin measured in relation to net assets after goodwill and intangible assets (excluding unrealised capital gains) was nearly 100% (it stood at 98.5%).

The improvement in the solvency margin reflects improved operating profit, which led to an increase in net assets after goodwill and intangible assets and a stable margin requirement, while premium income advanced strongly. The increase in unrealised capital gains also contributed to this improved level of solvency margin cover.

Groupama's debt to equity ratio for 2003 was 29.6%, a 1.0 percentage point improvement compared with 2002. It should be noted that a significant proportion of this debt is held by the Group's listed real-estate company Silic, which subscribed to loans in order to develop its real estate portfolio. Adjusted for this factor, the Group's insurance debt to equity ratio – reflecting debt incurred to further its organic growth, including debt related to some real estate leases – stood at 24.1%, down by 2.1 percentage points compared with 2002. The decrease is due to the repayment of medium-term loans that fell due during the year.

6. Outlook

In line with its chosen strategy, the Group has now established a very strong position from which it can move on to achieve its goals. Thanks to the professionalism of its employees, its expertise and its ability to innovate in the service of its members and customers, the Group is set to be a major player in its chosen business sectors in the European market.

During 2003 Groupama set key markers for its future development:

■ The Group confirmed its strong organic growth, in both non-life and life insurance. This strong growth was apparent both in France and in southern and central Europe – growth markets targeted by the Group for the coming years.

■ The Group has turned around the results of its international insurance operations. Its subsidiaries in southern Europe achieved a further improvement in profitability, and Groupama Insurances in the UK reported a profit for the first time in a number of years.

■ The Group successfully merged its brokerage operations in France (following the acquisition of CGU Courtage) as well as merging Groupama Seguros with Plus Ultra Generales in Spain. In France, the consolidation of the brokerage network raises the Group's profile with customers who prefer this distribution channel. In Spain, the increased size of the Group's subsidiary boosts its growth potential by creating a fuller offer and a more efficient network.

■ In organisational terms the Group successfully completed the streamlining of its organisational structures by transferring to Groupama SA the reinsurance activity of the Central Mutual and by creating the Groupama National Federation, which defines the Group's overall strategies and monitors their implementation, acting as an agricultural trade association and promoting mutualism within the Group.

■ The Group has launched its new banking offer across all the Regional Mutuals in France. Thanks to the dedication and commitment of its workforce, Groupama has successfully met its customers' needs and launched this business in record time.

■ The Group strengthened its financial structure, recording a strongly positive net result for the year, a further steady improvement in its solvency margin and a significant decline in the debt to equity ratio in the insurance operations.

Building on all these achievements, Groupama plans to continue its growth into the future through the sustained and profitable growth of its businesses:

■ In the absence of major events impacting the macroeconomic environment (strong deterioration in the financial markets, climatic events of exceptional magnitude, etc.), by means of a prudent underwriting policy and stringent control of its operating expenses, the Group aims to achieve an improvement in its combined ratio.

■ In life insurance, the growth of the business and the implementation of measures to optimise operational efficiency should lead to an improvement in operating profits and increase in the value of the Group's portfolios.

This growth strategy will be driven by the pragmatism and the strong principles which have helped to make mutual insurer Groupama a major force in the market.

Combined balance sheet
(€ millions)

Assets

Assets		31/12/03	31/12/02
Goodwill	Note 1	1,588	1,664
Intangible assets	Note 2	223	171
Insurance sector investments	Note 3	51,652	49,175
Unit-linked investments	Note 5	3,358	3,092
Banking sector investments	Note 6	814	759
Shares in companies accounted for by the equity method	Note 7	10	11
Shares of accepting offices and retroceding offices in technical reserves	Note 17	1,922	2,147
Receivables relating to insurance or reinsurance operations	Note 8	2,855	2,839
Receivables – banking sector customers	Note 9	310	245
Receivables – banking sector	Note 10	1,529	1,292
Other receivables	Note 11	894	815
Other assets	Note 12	171	172
Accruals	Note 13	1,990	1,952
TOTAL		**67,316**	**64,334**

Liabilities

Liabilities		31/12/03	31/12/02
Initial capital		32	35
Consolidated reserves		3,924	4,082
Unrealised foreign exchange gains or losses		(74)	(37)
Combined net income		155	(154)
Total capital and reserves	Note 14	4,037	3,926
Minority interests	Note 15	231	284
Subordinated debt	Note 16	750	750
Gross technical reserves	Note 17	50,838	48,883
Technical reserves in respect of unit-linked policies		3,352	3,095
Provisions for risks and charges	Note 18	540	631
Debts relating to insurance or reinsurance operations	Note 19	1,451	1,403
Debts – banking sector customers	Note 20	723	512
Securitised debts	Note 21	879	842
Debts – banking sector	Note 22	1,319	1,325
Other debts	Note 23	2,988	2,493
Accruals	Note 24	208	190
TOTAL		**67,316**	**64,334**

Combined income statement
(€ millions)

Income statement (Note 26)		*Non-life insurance*	*Life insurance*	*Banking*	***Total 2003***	*Total 2002*
Premiums written	Note 27	8,765	3,977		12,742	11,933
Change in unearned premiums		(18)			(18)	(40)
Earned premiums		8,747	3,977		12,724	11,893
Banking revenues	Note 26			137	137	152
Financial earnings net of expenses	Note 28	890	2,038		2,928	1,760
Total earnings from ordinary activities		9,637	6,015	137	15,789	13,805
Insurance service expenses		(6,653)	(5,272)		(11,925)	(10,490)
Charges or income net of reinsurance cessions		(346)	(4)		(350)	(294)
Banking expenses				(43)	(43)	(45)
Management expenses	Note 30	(2,348)	(486)	(120)	(2,954)	(2,839)
Total operating expenses		(9,347)	(5,762)	(163)	(15,272)	(13,668)
Profit/loss from ordinary activities		**290**	**253**	**(26)**	**517**	**137**
Other net income	Note 31				(26)	(16)
Financial expenses					(101)	(124)
Exceptional income/expense	Note 31				(70)	11
Corporate tax	Note 25				(87)	(46)
Net profit of group companies					**233**	**(38)**
Share in net income of companies accounted for by the equity method	Note 7				2	3
Depreciation allowance	Note 1				(113)	(116)
Combined net profit					**122**	**(151)**
Minority interests					(33)	3
Net profit (group share)					**155**	**(154)**

Notes to financial statements

1. Key events and subsequent significant events

A - Key events

Changes to the group's central entities

On 18 December 2003, the Group decided to proceed with the creation of new central structures, operational as from 1 January 2004, in order to streamline the Group's organisation and support its growth strategy.

As a result, the Central Mutual has been dissolved and its functions have been divided among three new entities:
- the Groupama National Federation, which defines the Group's overall strategies and monitors their implementation, acting as an agricultural trade association and promoting mutualism within the Group;
- Groupama SA, which employs the former CCAMA employees, is responsible for steering the Group's operational activities, reinsuring the Regional Mutuals, and developing the subsidiaries;
- Groupama Holding, which holds the shares in Groupama SA owned by the Regional Mutuals.

These are, clearly, major changes in terms of the Group's organisation and management. They are, however, internal operations and as such their impact on Groupama's consolidated (combined) financial statements is negligible.

Group reorganisation

Mergers of Regional Mutuals

Following the merger of the Pays de la Loire and Bretagne Regional Mutuals to form the Loire-Bretagne Regional Mutual, completed at the end of 2002, several further mergers of Regional Mutuals took place in 2003:
- the merger of Groupama Rhône-Alpes and Groupama Centre-Sud to form Groupama Rhône-Alpes Auvergne;
- the merger of the Sud-Ouest, Oc and Pays Verts Regional Mutuals to form Groupama d'Oc;
- and the merger of the Normandie, Maine and Eure et Loir Regional Mutuals to create Groupama Centre-Manche.

Absorption of Groupama Assurances et Services by Groupama SA

The purpose of this operation – part of the general streamlining of the Group's organisation – was to absorb Groupama Assurances et Services, whose capital was fully held by Groupama SA.

This merger was therefore subject to the provisions of L 236-11 of the *Code de commerce* and did not give rise to any increase of capital on the part of the absorbing company.

It was approved by the Annual General Meeting of Groupama SA on 25 June 2003.

Reorganisation of the Group's UK subsidiaries

On 21 March 2003, the High Court in the UK approved the insurance portfolio transfers the Group had requested. As a result the discontinued business was allocated to a specific entity, a subsidiary of the Gan UK holding company dedicated to managing the run-off. The continuing business is held in a separate subsidiary of Gan UK.

Sale of Groupama Asset Management North America

On 12 May 2003, Groupama Asset Management sold its North American subsidiary, Groupama Asset Management North America, to Gartmore Global Investments (Nationwide Group).

Groupama IT teams brought together in a single EIG (Economic Interest Group)

On 1 January 2003, all the employees of the IT operations serving CCAMA, Gan Patrimoine and the GAN SI (IT) Economic Interest Group were brought together in a single Economic Interest Group: GIE Groupama Systèmes d'Information (the Groupama IT Systems Economic Interest Group).

This organisational change was one of the major goals of the IT Development Plan launched in September 2001. It is designed to improve the quality of the Group's IT services and facilitate systems convergence.

Group development

Groupama Banque roll-out

The nation-wide roll-out of Groupama Banque's operations was completed during the first half of 2003.

The Regional Mutuals have been offering Groupama Banque products and services since the end of May 2003.

Furthermore, on 16 May 2003, Groupama Banque and Banque Finama signed a partial business transfer contract under which Banque Finama's personal banking customer portfolio was transferred to Groupama Banque with effect from 1 October 2003.

Licence to operate in China

On 9 June 2003, the Chinese authorities granted Groupama a licence to conduct non-life insurance business in the area of Chengdu, the capital of Szechuan province, which is located in the south-west of China, with a population of 80 million.

Groupama subsequently established a branch office in Chengdu and commenced recruitment in November 2003. On 4 March 2004 Groupama filed an application with the Chinese authorities with the aim of obtaining the necessary approval for Groupama Chine to begin operations.

Acquisition of Motorcare

At the end of January 2003, Groupama acquired Motorcare France, an accident management service company, from the UK company The Innovation Group.

Acquisition of shareholding in Rent A Car

On 19 May 2003 Groupama signed an agreement with Rent A Car to acquire a 20% shareholding in this company. The agreement also included a shareholder pact and a commercial partnership agreement covering 5 years.

Quality label for Groupama Épargne Salariale's "Épargne Responsable"

In April 2003, the "Épargne Responsable" product offered by Groupama Épargne Salariale was awarded a quality label by the *Comité Intersyndical de l'Épargne Salariale* (inter-union committee for employee savings schemes).

Épargne Responsable is an umbrella fund managed by Groupama Asset Management and offered to SMEs and VSEs, the target market of Groupama Épargne Salariale, via the networks of the Regional Mutuals, Gan Assurances and Gan Eurocourtage.

Development agreement in Vietnam

In Vietnam, the Group has concluded an agreement with the Bank for Agriculture and Rural Development to develop agricultural insurance in the provinces of the Mekong delta and south-eastern Vietnam. This agreement paves the way for the sale of Groupama products via the Bank's network of agents.

Other items

Confirmation of Groupama ratings

On 2 October 2003, Standard & Poor's confirmed its single-"A" rating for counterparty credit and insurer financial strength for Groupama. The outlook associated with this rating is stable. According to Standard & Poor's, Groupama's rating reflects overall its strong competitive position, the improvement in technical fundamentals and its strong capitalisation.

In addition, on 9 October AM Best confirmed its single-"A+" rating for Groupama, while modifying the outlook from "stable" to "negative". This change is due to the Group's exposure to volatility in the financial markets and to its lower results for 2002, the latter impacted by its shareholding in Scor.

This rating also applies to Groupama subsidiaries Groupama Assurance-Crédit, Groupama Vie and Groupama Transport.

Shareholding in SCOR

In December 2003, SCOR undertook a share issue which was oversubscribed (1.04x) raising additional capital of €751 million. The delivery of the SCOR shares acquired as part of this operation took place on 7 January 2004.

Groupama's share in the new issue totalled €164.6 million and following this operation the Group held 21.27% of SCOR's share capital (21.43% including shares held by the Regional Mutuals) as compared with 18.79% beforehand. The average value per share as recorded in Groupama SA's accounts was €2.22.

The Group had indicated in its subscription agreement that shares held beyond the 18.79% threshold should be regarded as a purely financial investment. As a result, during January 2004 Groupama took advantage of the increase in SCOR's share price to sell these shares on the market, returning its shareholding in SCOR to its previous level, i.e. 18.95% (18.79% of this held by Groupama SA and its subsidiaries).

Silic – Tax option

On 25 September 2003, the Board of Directors of Silic decided to opt for the SIIC tax regime. This decision will lead to the payment of an "exit tax" spread over four years, calculated on the basis of estimated unrealised capital gains at 31 December 2002, at a rate of 16.50%.

B. Subsequent significant events

There were no subsequent significant events relating to fiscal 2003.

2. Principles, methods and scope of consolidation (combination)

2.1. Preliminary note

CCAMA submitted to Groupama SA all elements related to its operations including notably its business as a reinsurer of mutuals, agricultural mutuals and specialist networks on 18 December 2003 and retroactive 1 January 2003.

CCAMA notably submitted a statement of its financial assets and liabilities as standing at 31 December 2002, in application of the *Règlement Général de Réassurance* (General Reinsurance Law) as relates to Article 8 of its bylaws. Groupama in turn appropriated CCAMA's rights and undertook to discharge its commitments as standing at the date of submission, in application of the said *Règlement Général de Réassurance*, effective 1 January 2003.

Following subscription to Fédération Nationale Groupama, which was created on 18 December 2003, Regional Mutuals subject to sections of Article L 771-1 of the Rural Code and to Articles L 322-26-4 and L 322-27 of the French Insurance Code, undertook to reinsure their operations solely with Groupama SA and as such to respect regulations designed to ensure judicious management and balanced operations.

■ *The purpose of Local Mutuals*

To conduct non-life insurance business activities as provided for by sections of Articles L 322-27 and R 322-120 of the French Insurance Code.

■ *The purpose of Regional Mutuals*

■ Reinsure Local Mutuals;

■ Represent Local Mutuals in setting up the guarantees required by insurance regulations and in discharging the liabilities assumed;

■ Reinsure regional mutual insurance companies that subscribe to the bylaws of the Regional Mutuals;

■ Retrocede to Groupama SA all or part of risks assumed that can be reinsured;

■ Reinsuring risks stemming from retrocessions from Groupama SA, irrespective of the situation of these risks;

■ Facilitate the operations of affiliated Mutuals and regional member Mutual companies by representing them and providing technical back-up;

■ Conduct any other operation or transaction within the limits set by the legislation applicable to agricultural mutual insurance funds.

■ *The Purpose of Groupama SA*

■ Offer a comprehensive insurance and coinsurance service with the exception of life insurance and capitalisation operations;

■ Reinsure the Regional or *Département* Mutuals of agricultural reinsurance mutuals in accordance with Article R 332-120 4° of the French Insurance Code;

■ Step in for the Regional Mutuals of reinsured agricultural reinsurance mutuals exempt from licensing in setting up the guarantees required by insurance regulations and discharging liabilities assumed by mutuals, in accordance with sections of Article R 332-132 of French Insurance Code;

■ Reinsure any insurance or reinsurance company governed by the French Insurance Code, regardless of its form, set up by any mutual or provident institution governed by the social security or rural code;

■ Acquire holdings in France and abroad, notably in insurance, reinsurance, banking and financial service institutions and related activities;

■ And generally, to conduct all types of financial, commercial, industrial and civil operations, those involving tangible and intangible assets and directly or indirectly linked to its commercial or similar/related objectives.

2.2. Overview of consolidated financial statements

The consolidated financial statements comply with the following sections:

■ Regulation No.99-02 of the Accounting Regulation Committee relating to the consolidated accounts of commercial companies;

■ Regulation No.99-07 of the Accounting Regulation Committee relating to the consolidation of companies coming under the committee for banking and financial regulation;

■ Regulation No.00-05 of the Accounting Regulation Committee relating to rules for the consolidation and combination of companies governed by the French Insurance Code and provident institutions governed by the social security code or the rural code.

2.2.1. Scope and method of consolidation (combination)

2.2.1.1. Scope of consolidation (combination)

In accordance with Regulation No 00-05 of the Accounting Regulation Committee governed by the French Insurance Code and provident institutions governed by the social security code or the rural code, Groupama's scope of consolidation comprises all the companies that are either combined with one another or consolidated by one or more of the combined companies.

Combined companies

In accordance with Articles L 345-2 and R 345-1-1 of the French Insurance Code, a group of insurance companies whose cohesion does not result from capital ties is required to publish combined financial statements when these companies fall into one of the following situations:

- they have, by virtue of a mutual agreement, either joint management or common services sufficiently extensive to engender joint commercial, technical or financial activity;

- they have mutually important and long-standing reinsurance links by virtue of contractual, statutory or regulatory provisions.

Local Mutuals, Regional Mutuals and Groupama SA form a group of this nature due to the Group's management functions exercised by the Groupama SA via the bylaws and the existence of common services and important and long-standing reinsurance ties between the Mutuals arising from statutory and regulatory provisions (Article R 322-120 4° of the French Insurance Code) and the reinsurance convention existing between Groupama SA and the Regional Mutuals.

Consolidated companies

Companies consolidated by one or more of the companies included in the scope of consolidation for one of the following reasons:

- companies subject to exclusive control;
- companies subject to joint control;
- companies subject to significant influence.

Companies subject to exclusive control

Exclusive control, denoted by the power to direct the financial and operational policies of a company for the purpose of deriving advantage from its activities, results from any of the following:

- direct or indirect possession of the majority of rights in another company;

- designation over two consecutive financial years by the majority of members of the administrative, managerial and supervisory bodies of another company; the parent company is presumed to have made this designation where it held during this period, directly or indirectly, more than forty percent of voting rights and where no other partner or shareholder held, directly or indirectly a greater proportion than its own;

- the right to wield great influence on a company by virtue of a contractual agreement or statutory clauses, where entitled to do so and where the dominant company is a shareholder or partner of this company. Dominant influence exists whenever, under the aforementioned conditions, the parent company is able to use or to direct the utilisation of assets in the same way as it controls its own assets.

Companies subject to joint control

Joint control is the sharing of control over a company operated in common by a limited number of partners or shareholders, such that the financial and operational policies are the result of their agreement.

Two factors are essential to the existence of joint control:

- restricted number of partners or shareholders sharing control; the sharing of control presumes that no one partner or shareholder is likely alone to be able to exercise exclusive control by imposing his decisions on the others; the existence of joint control does not rule out the presence of partners or minority shareholders not participating in the joint control;

- a contractual agreement:
- providing for the exercise of joint control over the economic activity of the company operated in common;
- establishing the decisions that are essential to achieving the objectives of the company operated in common and requiring the assent of all the partners or shareholders participating in the joint control.

Companies subject to significant influence

Significant influence is denoted by the power to participate in the financial and operational policies of a company without possessing control of it. Significant influence may in particular result from representation on the managerial and supervisory representation on the managerial and supervisory bodies, participation in strategic decisions, existence of material inter-company transactions, exchange of managerial personnel, links of technical dependence.

Significant influence over the financial and operational policies of a company is presumed where the parent company holds, directly or indirectly, at least 20% of the voting rights of this company.

Determination of control and significant influence

Exclusive and joint control, as well as significant influence, is taken to mean, in all cases, direct or indirect control. Accordingly, for the assessment of voting rights held by a company at general meetings of another company, the overall voting rights attached to shares held by the parent company and by all the companies that it exclusively controls are to be aggregated, including voting rights attached to investments matching unit-linked contracts.

Calculation of proportion of voting rights held

To calculate the proportion of voting rights held, account is to be taken of shares with double voting rights, certificates of voting rights created at the time of issue of investment certificates and, if necessary, securities subject to firm commitments or to warehousing held on behalf of the parent company.

Particular case of special purpose entities

A special purpose entity is a separate legal structure, created specifically to manage an operation or group of similar operations on behalf of a company. The special purpose entity is structured or organised in a way such that its activity is in fact only conducted on behalf of this company, by making assets available or by supplying goods, services or capital.

A special purpose entity is to be included in the scope of consolidation whenever one or more controlled companies have in substance, by virtue of contractual agreements or statutory clauses, control of the entity and are its shareholders or partners.

With the aim of giving a true and fair view of the financial position of the group, where one or more controlled companies have, in substance, control of a special purpose entity, the notes on the accounts are to detail the assets, liabilities and profits or losses of the special purpose entity. Where the special purpose entity is a mutual fund, this information is to be given only in cases of presumed distortion of the true and fair view.

The following situations may characterise the existence of this type of control by the parent company or a company controlled by it:

- the company in reality holds the powers of decision and management over the special purpose entity or the assets which make it up, even if this power is not actually exercised; it can for example wind up the entity, change its articles of incorporation or association, or on the contrary, formally oppose their amendment;

- the company can, in substance, benefit from the profits, for example in the form of cash flows or entitlements: entitlement to a share of net assets, entitlement to dispose of one or more assets, entitlement to the majority of residual assets in the event of liquidation;

- the company bears residual risks relating to the entity, such as in the case of external investors benefiting from a guarantee, on behalf of the entity or company, enabling them to limit significantly their risk-taking.

The Group securitised a PANE (national action plan for the environment) with a private debt fund to the sum of €129 million. The Group did not consolidate this fund given the effective transfer of risks, the requirement of unanimity regarding decision-making and percentage of control exercised by the Group.

Parent company

In a convention signed between the Regional Mutuals and Groupama SA permitting the combining of accounts, Groupama SA undertook to prepare and publish the consolidated accounts of the companies comprising the group, in application of Article R 345-1-2 of the French Insurance Code.

In application of paragraph 611 of the Appendix to the Accounting Regulation Committee No.2000-05 dated 7 December 2000 and relating to the consolidation or combination of companies subject to the French Insurance Code and to provident institutions governed by the Social security or Rural code, the Regional Mutuals and Groupama SA have agreed:

- to transmit all information essential to the preparation of consolidated financial statements to Groupama SA within the specified timeframe;

- to guarantee that sufficient time is given to the agreements or conventions to ensure the effective consolidation of accounts from one FY to another, in respect of the applicable laws defined by CRC Regulation No.2000-05 of 7 December 2000.

2.2.1.2. Methods of consolidation (combination)

Combination is an aggregation of the accounts restated to the standards of the Group, of the companies included in the scope of combination.

The consolidation (combination) methods adopted in the preparation of Groupama's combined accounts are as follows:

- aggregation for entities as defined in 2.2.1.1., 2nd paragraph;

- global integration for companies subject to exclusive control;

- proportional integration for companies subject to joint control;

- equity method of accounting for companies, subject to significant influence.

Aggregation

Aggregation comprises:

■ aggregation of the assets and earnings of the combined companies, after restatements if any;

■ elimination of transactions and accounts between the aggregated company and the other consolidated (combined) companies.

Global consolidation

Global consolidation comprises:

■ consolidation into the parent company accounts of the components of the accounts of the consolidated companies, after restatements, if any;

■ distribution of capital and reserves and profit or loss between parent company interests and those of other shareholders or partners known as "minority interests";

■ elimination of transactions and accounts between the globally consolidated company and other consolidated companies.

Proportional consolidation

Proportional consolidation comprises:

■ consolidation into the parent company accounts of its proportionate interest in the consolidated company accounts, after restatements, if any, with no minority interest accordingly recognised;

■ elimination of transactions and accounts between the company consolidated proportionally and the other consolidated companies.

Equity method of accounting

The equity method of accounting comprises:

■ substitution of the ownership share of capital and reserves for the book value of shares held, including profit or loss for the fiscal year determined in accordance with consolidation rules;

■ elimination of transactions and accounts between the company accounted for by use of the equity method and the other consolidated companies.

Securities representing unit-linked commitments

Although securities representing unit-linked commitments are taken into account in determining the percentage of control, they are not eliminated and are not taken into account in calculating the group percentage of interest. The corresponding interests are treated separately.

2.2.1.3. Treatment of Local Mutuals

At 31 December 2003, Groupama aggregated the balance sheets and profit and loss statements of all Local Mutuals. Group accounts therefore record all items for all group entities as required by Articles L 341-1 and L 345-2 of the French Insurance Code.

2.2.2. Changes in scope of consolidation (combination); changes of company name

The following changes have taken place in Groupama's scope of consolidation:

■ *CCAMA has been dissolved following restructuring efforts*

■ CCAMA transferred shares of its consolidated companies to Groupama SA excluding Groupama SA shares (CCAMA received Groupama SA shares in remuneration);

■ CCAMA transferred its old Groupama SA shares to Groupama Holding (formerly ASTORG 3), receiving Groupama Holding shares in remuneration;

■ CCAMA devolved to the Regional Mutuals shares of Groupama SA and Groupama Holding received as remuneration for its transfer;

■ The Regional Mutuals sold to Groupama Holding 2 (formerly Groupama Retraite) some of the Groupama SA shares held before CCAMA's devolution;

■ CCAMA transferred to Groupama SA its operational management activities, its regional mutual reinsurance business and its subsidiary development business.

■ *Mergers of Regional Mutuals*

■ Merger of Groupama Pays Verts, Groupama Sud-Ouest and Groupama d'OC Regional Mutuals. The absorbing entity Groupama Pays Verts is renamed Groupama d'OC;

■ Merger of the Groupama Normandie, Groupama Eure et Loir and Groupama du Maine Regional Mutuals. The absorbing entity Groupama Normandie is renamed Groupama Centre-Manche;

■ Merger of the Groupama Rhône-Alpes and Groupama Centre-Sud Regional Mutuals. The absorbing entity Groupama Rhône-Alpes is renamed Groupama Rhône-Alpes-Auvergne.

▪ *Other scopes of consolidation*

Companies entering the scope of consolidation:

- Groupama Holding
- Groupama Holding 2
- Groupama Épargne Salariale
- Groupama Alternative Asset Management
- Europa Bistozito

Companies exiting the scope of consolidation:

- Cofintex International
- Transama
- Groupama Asset Management North America

Other changes:

- Merger of Groupama Seguros and Plus-Ultra Generales, the new entity is named Groupama Plus-Ultra;

- Groupama SA absorbed Groupama Assurances et Services (GAS);

- UK subsidiaries: GAN UK PLC is divided into 3 entities:
  - GAN UK PLC Holding,
  - Entry of Groupama Insurance Company Limited,
  - Entry of Minster Insurances Company Limited.

2.2.3. Closing date

The financial statements of Groupama's consolidated companies are closed at 31 December. Companies that close their books on another date prepare an interim statement on 31 December.

2.2.4. Translation of financial statements of foreign companies

Balance sheet items are translated into euros at the official closing exchange rate except for capital and reserves, excluding profit, which are translated at historical rates. The Group's share of the resulting foreign exchange gains or losses are booked under "Unrealised foreign exchange gains/losses". The balance is booked under "Minority interests".

Income statement transactions are translated at the average rate. The Group's share of the difference between earnings translated at the average rate and earnings converted at the closing rate is booked under "Unrealised foreign exchange gains/losses". The balance is booked under "Minority interests".

2.2.5. Consolidated goodwill

Positive consolidated goodwill

Consolidated goodwill is entered in fixed assets and amortised over a period that reflects, as reasonably as possible, the assumptions adopted and objectives established and documented at the time of acquisition.

Unfavourable material changes arising in the components used for determining the amortisation schedule lead to extraordinary depreciation or to modification of the amortisation schedule, not to a provision for diminution in value. If favourable material changes occur, they lead to modification of the future amortisation schedule to the exclusion of any amortisation written back.

Negative consolidated goodwill

Any negative consolidated goodwill is taken to profit or loss over a term that reflects assumptions adopted and objectives established at the time of acquisition.

2.2.6. Internal transactions between consolidated (combined) Group companies

2.2.6.1. Elimination of transactions between companies consolidated by global consolidation

Transactions eliminated

All intra-group transactions are eliminated.

Where these transactions affect consolidated profit or loss, elimination of profits and losses, as well as capital gains and losses, is applied 100%, then allocated between the interests of the parent company and minority interests in the company having realised the profit or loss. In the event of elimination of losses, the Group ensures that the value of the asset disposed of has not changed on a long-term basis, within the meaning of the generally accepted accounting principles applicable in France to insurance companies. Elimination of the effects of internal transactions relating to assets results in restating them to their entry value in the consolidated balance sheet (consolidated historical cost).

Income tax, as well as contract beneficiary profit participation, is adjusted for the effect of elimination of internal profits or losses.

Accordingly, internal transactions relating, in particular, to the following are eliminated:

▪ reciprocal debts receivable and payable, as well as reciprocal income and charges;
▪ bills receivable and payable are reciprocally eliminated but, where a bill receivable is remitted for discount, the bank advance granted to the group is substituted for the bill payable;

- transactions affecting the statement of commitments received and entered;
- reinsurance acceptances, reinsurance inward and outward;
- co-insurance and co-reinsurance transactions as well as pool management;
- broking or intermediation transactions;
- contractual sharing of profits or losses from collective agreements;
- appropriations to accounts for provisions diminution in value of long-term equity interests constituted by the company holding the securities and, as applicable, appropriations to provisions for liabilities and charges constituted as a result of losses incurred by companies subject to exclusive control;
- transactions on forward financial instruments are likewise eliminated.

Particular cases

Capital gains or losses on internal transactions in insurance investments

In application of the above-defined principle, capital gains or losses on internal transactions in insurance investments are eliminated in full. Where such operations have generated rights due for the benefit of contract beneficiaries, they are cancelled in the consolidated profit and loss account and the consolidated balance sheet by recognition of "Contract beneficiary deferred profit participation". Where the rights generated cannot be reliably identified, they are not cancelled.

Capital losses are retained in full where they meet criteria for diminution in value of an enduring nature.

Intra-group dividends

Intra-group dividends are also eliminated, including dividends relating to profits or losses prior to initial consolidation. Rights due to contract beneficiaries, attached to these dividends, are retained in charges for the fiscal year.

2.2.6.2. Elimination of transactions between a company consolidated proportionally and a company consolidated globally

Reciprocal debts receivable and payable, as well as reciprocal income and charges are eliminated to the extent of the percentage of integration of the jointly controlled company. The difference between the amount eliminated in this way and the amount of debts payable and receivable is classed as a debt payable or receivable with regard to companies external to the group.

In instances of disposal by a company consolidated globally to a company consolidated proportionally, elimination is restricted to the percentage of consolidation of the jointly controlled company. The same applies in the event of a disposal by a company consolidated proportionally to a company consolidated globally.

Appropriations to provisions for diminution in value of long-term equity interests established by the company holding the securities, in respect of losses incurred by the companies consolidated proportionally, are eliminated in full.

2.2.6.3. Elimination of transactions between two proportionally consolidated companies

In the event of a transaction effected between two proportionally consolidated companies, elimination is restricted to the smaller percentage of the two participating interests.

2.2.7. Aligning accounts

General principles

Groupama's consolidated financial statements are intended to provide a consistent representation of the Group formed by the companies included in the scope of consolidation, taking into account characteristics specific to consolidation and objectives for financial reporting specific to consolidated accounts (predominance of substance over form, matching charges with income, elimination of the effect of accounting entries carried out solely for the application of tax legislation).

The consolidated financial statements are drawn up in accordance with methods established by the Group for its consolidation and comply with:

- generally accepted accounting principles applicable to insurance companies in France;

- and the valuation methods specified in this section.

Restatements carried out for the purpose of consistency have been undertaken only to the extent that they are material in character.

The transactions of each legal entity are understood as being independent, other than in exceptional cases duly justified in the notes to the financial statements.

Preferential

The Group applies some methods considered as preferential in the consolidated accounts, as follows:

- costs of retirement and comparable benefits (e.g severance payments, supplementary retirement allowances, medical cover, long-service recognition, sickness and provident benefits) for the benefit of active and retired personnel, chargeable to the company, are subject to provisioning and systematically taken into account in profit or loss over the period of activity of the employees;

- finance leases are accounted for:
- by the leaseholder: in the balance sheet in the form of a tangible fixed asset and a corresponding loan; in the profit and loss account in the form of an appropriation for depreciation and a financial expense; in addition, capital gains on sale and leaseback transactions are spread over the term of the contractual agreement, where the item is once more leased, directly or through an intermediary within the context of a financial leasing transaction;
- by the owner: in the form of loans, in a manner symmetrical to the recording by the lessee;

- bonded debt issue costs, redemption premiums and issue premiums are spread systematically over the term of the loan;

- currency translation differences related to monetary assets and liabilities denominated in foreign currencies are recorded in profit or loss during the period to which they relate.

The Group has opted not to apply the preferential method under which the mathematical reserves for life insurance are calculated on the basis of discount rates, at most equal to the expected rates of return, prudently estimated, on the assets earmarked to represent them. The non-application of this method is not detrimental to the true and fair view provided by the consolidated accounts, as its application would lead to the calculation of mathematical reserves similar to those recorded in the financial statements.

Activity and geographic market sector

Consistent rules for accounting and valuation in consolidated accounts are applied whenever a situation presents itself in a similar way in more than one consolidated company, regardless of the countries concerned.

Where a company belonging to a sector different from the principal activity sector of the Group applies accounting rules that are particular to that sector, taking into account legislation or the types of rights generated by contractual agreements specific to that activity, these accounting rules are retained in the consolidated accounts, to the extent that they are consistent with general accounting principles.

Effect of revaluations carried out in individual accounts

When a consolidated company is induced to carry out in its individual company accounts a general law revaluation (for example, in accordance with Article 12 of the Commercial Code applicable to French companies) or an optional revaluation (total or in part) if permitted by the national legislation of the country in which the company is located, this revaluation is eliminated in the combined accounts.

There has been no revaluation of the consolidated group of companies.

Other revaluations entered in the profit and loss account of insurance companies included in the scope of consolidation have been eliminated.

Effect on the accounts of accounting entries recorded solely for the application of tax legislation

So as not to distort the view given by the consolidated accounts, steps have been taken to eliminate the effect of accounting entries made solely for the application of tax legislation of the country in which the consolidated company is located and in particular:

- recognition or write back of depreciation by way of derogation where a company applies a declining balance method of depreciation provided for by tax legislation, while judging it necessary to retain straight-line depreciation for accounting purposes;

- establishment or writing back of tax-regulated provisions;

- writing back of investment grants to profits or losses;

- recording as charges certain ancillary costs arising from the acquisition of fixed assets;

- accounting for the impact of changes in methods in profits or losses.

2.2.8. Contribution of combined entities to Group capital and reserves

Group capital and reserves are not broken down by individual entities in view of the enduring reinsurance ties between the Groupama SA and the Regional Mutuals, which establish a specific relationship of financial solidarity between them.

3. Accounting principles and valuation methods

3.1. Intangible assets

Intangible assets primarily include software, whether purchased externally or developed in-house, acquisition expenses of fixed assets and goodwill. They are amortised according to the straight-line method over a period ranging from one to five years, except for goodwill, which is amortised over a maximum period of 20 years and for which, moreover, there may be a depreciation allowance.

3.2. Investments

For French companies, investments and any depreciation are valued according to the French Insurance Code. For foreign companies, any material valuation differences that may arise with respect to prevailing local accounting principles are restated in order to bring the financial statements of the said companies into line with those of the Group.

3.2.1. Valuation

Land and real estate holdings in SCIs (unlisted real estate investment companies)

Land and real estate are carried at acquisition cost. Real estate is depreciated over a period extending from 33 to 100 years, depending on its estimated useful life.

Fixed assets held through companies whose primary purpose is to set up and manage real estate assets are depreciated according to the same principle.

Holdings in and shares of SCIs are carried at acquisition cost, reduced when applicable by a provision for depreciation.

The market value of real estate and holdings in, or shares of, SCIs is determined on the basis of a five-year valuation carried out by an expert approved by the *Commission de Contrôle des Assurances* (insurance control commission) in France. During each five-year period, an annual estimation of the asset is carried out and certified by the expert.

Fixed-income securities

Securities governed by Article R 332-19 are recorded at acquisition price less accrued interests. Differences between redemption value and acquisition price are allocated according to actuarial principles as charges (premium) or income (discount) over the residual life of the securities. When there are several redemption dates, residual life is determined as of the date of the latest reimbursement.

The difference to be amortised between the purchase price of an inflation-indexed bond and its redemption value is calculated by taking the initial redemption value of the security and multiplying it by the difference between the base price index on the date of acquisition and the same index on the date of issue.

At each closing date, the index-linked gain or loss since the last closing date – or since the purchase date if this is more recent – is recorded under income and charges.

The estimated fair value of fixed-income securities corresponds to their quoted price on the last trading day of the fiscal year or their market value.

Unrealised capital losses resulting from the comparison between book value and market value do not usually give rise to a provision for depreciation. Nevertheless, a provision for impairment of value is recorded in the event the debtor defaults.

Variable-income securities

Shares and stakes in companies governed by Article R 332-20 are recorded at acquisition price or cost of sale.

Non-consolidated ownership interests are recorded at their acquisition cost.

Investments matching unit-linked policies (mutual fund units, and so forth) are subject to revaluation aimed at offsetting the correlated movement in technical reserves. Data relative to such policies are presented on a specific line of the balance sheet and profit and loss statement.

Tangible fixed assets

Tangible fixed assets are carried at acquisition cost and depreciated according to the straight-line method over their estimated useful life.

Repo operations

In conformity with the regulations, repurchase agreements, with the exception of repurchase agreements with a margin call, are not booked as an off-balance sheet commitment, given or received. They are recorded on the asset side of the balance sheet.

Forward financial instruments (derivatives)

Forward financial instruments are utilised in accordance with Decree No.2002-970 of 4 July 2002. The provisions of Regulation No.2002-19 of the *Comité de la Réglementation Comptable* relating to the reporting of these instruments were applied effective 1 January 2003.

Groupama has hedged its currency-based assets against exchanges risks. These assets include mutual funds quoted in euros and comprising portfolios of yen and dollar-based assets. Based on interpretation of this regulation's criteria, these hedging operations are classified as disinvestment cover. Consequently, unrealised capital gains and losses on restated hedging operations are booked under the profit and loss account. Unrealised capital gains and losses on renewal are entered in a suspense account under the balance sheet until the hedging policy has come to term.

3.2.2 Provisions

Permanent depreciations

Regarding investments governed by Article R 332-20, a provision for line-by-line depreciation can be recognised only if there are grounds to suggest that the depreciation is of a durable nature.

In application of Note No.2002-F of the *Comité d'Urgence* of the *Conseil National de la Comptabilité*, permanence may be presumed in the following cases:

- If a permanent depreciation provision had been set aside for an investment in the previous financial statements;

- If, for non-real estate investments, the investment has been in a situation of significant unrealised capital loss with relation to its book value over a period of six consecutive months preceding the closing date;

- If there is objective evidence of permanent depreciation.

The reference value or recoverable value is determined by means of a range of criteria, in accordance with the character of the assets and the investment strategy.

Provisions for contingent payment risk

Note No.2002-F, dated 18 December 2002 of the *Comité d'urgence* of the *Conseil National de la Comptabilité* relating to provisions for permanent depreciation stipulates, "Provisions for permanent depreciation cover all risks linked to investments subject to Article R 332-20, based on the nature of the insurance", effectively rendering redundant the constitution of provisions for contingent payment risk.

Provisions for contingent payment risk booked in the financial statements closed at 31 December 2002 were only entered in the consolidated financial statements at the request of the *Commission de Contrôle des Assurances*.

The Group had indicated in its notes to the 2002 consolidated financial statements that provisions for contingent payment risk as determined by the rules of Article R 331-5-1 of the French Insurance Code were based on the value of the assets and not their liquidity. Accordingly this provision – which is classified under technical reserves in the parent company's accounts of French insurance companies – has been set against the relevant asset items.

In accordance with Note 2004-B dated 21 January 2004 of the *Comité d'urgence* of the *Conseil National de la Comptabilité* as relates to the booking of provisions for contingent payment, pursuant to Decree No.2003-1236 of 22 December 2003, provisions for contingent payment booked at 31 December 2002 are redundant and are carried forward to the profit and loss account.

3.2.3. Disposals

Capital gains and losses on the disposal of investments are determined according to the FIFO method. They are booked in the profit and loss statement on the date of realisation.

3.3. Technical insurance operations

3.3.1. Non-life insurance

Premiums

Written premiums correspond to underwritings gross of reinsurance excluding taxes, net of cancellations, discounts and rebates, of the change in premiums yet to be written and the change in premiums to be cancelled.

Reserves for unearned premiums

Technical provisions for unearned premiums correspond to the share of premiums relating to the period between inventory date and the next renewal date of the policy. They are calculated on a pro rata basis.

Deferred acquisition costs

In non-life insurance, acquisition costs relating to unearned premiums are deferred and booked under assets in the balance sheet.

Reserves for unexpired risks

Reserves for unexpired risks are aimed at covering the share of loss experience and related administrative costs that exceed the fraction of deferred premiums net of deferred acquisition costs.

Claims and related expenses paid

Claims and related expenses paid correspond to claims paid net of loss recovery received during the fiscal year, and to annuities payments recorded. They include costs and expenses related to claims handling and settlement.

Outstanding claims reserves

Outstanding claims reserves represent the estimated value of the cost of all claims, net of loss recovery to be received, as of the end of the fiscal year, regardless of whether they have been reported or not. They include a claims handling provision determined on the basis of real cost rates.

In construction risk, excluding reserves for claims to be paid (reported or not yet reported), a provision is set aside for claims not yet reported, calculated according to the method set out by Article A 331-21 of the French Insurance Code – separately for ten-year guarantees for general liability and ten-year guarantees for property damages.

Some reserves are assessed according to the specific nature of the risks covered, notably farm and weather-related risks.

Other technical reserves

Reserve for equalisation

The reserve for equalisation is aimed at covering future risks and events characterised by their infrequency and their high unit cost (e.g. atomic, macroeconomic, natural or pollution risks, etc.).

Mathematical reserves for disability and incapacity annuities and technical reserves in group insurance

In group insurance, reserves for disability and incapacity annuities are calculated according to the regulations set out by the decrees of 28 March and 20 December 1996 (articles A 331-10 and A 331-22 of the French Insurance Code).

In non-life insurance, reserves for disability and incapacity annuities are calculated according to a method based on the *TPRV* (prospective life annuity table), a more prudent method than that defined by French insurance regulations.

Reserve for increasing risks

A reserve for increasing risks is set aside in order to cover foreseeable charges when risks rise in line with the policy holder's age and are covered by constant installment premiums.

3.3.2. Life insurance

Premiums

Written premiums correspond to underwritings gross of reinsurance excluding taxes, net of cancellations, discounts and rebates, of the change in premiums yet to be written, and of the change in premiums to be cancelled.

Deferred acquisition costs

Costs that may be directly allocated to the acquisition of life-insurance policies (including ancillary guarantees) are booked under assets in the consolidated financial statements. Under no circumstances can these amounts exceed the current value of future profits from the policies.

These costs are amortised over the average life of policies according to the pace at which future margins appear for each generation of policies, with future margins being determined on the basis of economic assumptions (profit sharing rate, future return on assets and lapse ratio). As the deferred asset value approach is now applied to acquisition costs, mathematical reserves in the balance sheet are not presented according to the *Zillmer* method.

Each year, by homogeneous product family, the likely current value of future margins is compared with total deferred acquisition costs net of amortisations already booked. If this value is lower, a reserve is recognised as a charge.

Life insurance reserves

Mathematical reserves correspond to the difference between the present value of the liabilities assumed by the insurer and policyholders respectively, taking into account the probability that these commitments will be realised.

Mathematical reserves are booked in the balance sheets as liabilities at their gross technical value before any *zillmerisation* effect.

With regard to individual and collective annuity for life policies in France, the reserves are calculated on the basis of the "generation tables" (TPRV or TPG).

With regard to policies governed by Article L 441-1 of the French Insurance Code, the latter require that a special technical reserve be booked under the conditions set out in Article R 441-7 of the Code. It should be noted that this reserve must cover fully the theoretical mathematical reserve of the annuities concerned, calculated on the basis of the tables and the statutory actualisation rates. The latter include a gradual transition to the tables TV88-90 then *TPG*, and the eventual curbing of the actualisation rate at 60% of the *TME* (arithmetic mean of the average monthly yields on fixed-rate government bonds with maturities of more than 7 years recorded during the year preceding payment of coupon), with a maximum rate of 3.5%.

Technical reserves for unit-linked policies

"Technical reserves for unit-linked policies" include all the reserves relative to unit-linked policies, including the reserves for profit sharing expressed in units as well as additional reserves to cover commitments in French francs at maturity. Technical reserves in respect of unit-linked policies are valued at the market value of the unit at inventory date.

Reserve for profit sharing

The reserve for profit sharing comprises a reserve for profit participation due and, if necessary, a reserve for deferred profit participation.

The reserve for profit participation due comprises the identifiable sums, arising from regulatory obligations, due to policyholders or beneficiaries in the form of profit-sharing and rebates, insofar as such amounts have not been credited to the insured's account or included under "Life insurance reserves".

For sums in excess of the minimum regulatory and contractual commitment, policy beneficiaries' profit sharing is recorded in the intermediary financial statements on the basis of the estimated ratio for the current fiscal year and taking account of decisions taken or alternatively it is recorded at the previous closing date, between policy beneficiaries' profit sharing and net investment income for the year.

The reserve for deferred profit participation comprises the provision for unconditional profit participation that is recorded whenever a difference is noted between the bases for calculating future rights in the individual accounts and the consolidated accounts, and the provision for conditional profit participation, in which case the manner of recording the difference in rights noted between the individual accounts and the consolidated accounts depends on a management decision or the occurrence of an event.

In the particular case of the restatement of the capitalisation reserve in the consolidated accounts, a provision for deferred profit sharing is made when the assets and liabilities management assumptions show a likely and sustained recovery in the capitalisation reserve stock.

Other technical reserves

Reserve for financial contingencies

The reserve for financial contingencies is cancelled when the mathematical reserves have been calculated on the basis of discount rates, at most equal to the expected rate of return, and prudently estimated, on assets earmarked to represent them.

Overall management reserve

The overall management reserve is set aside when, for similar product families, the future margins used for purposes of calculating deferred acquisition costs are negative.

3.4. Reinsurance operation

Acceptances

Reinsurance acceptances are booked treaty by treaty without any time lag on the basis of an assessment of business accepted. In the absence of sufficient information from the primary insurer, additional estimates are carried out.

Cessions

In reinsurance, cessions are booked in compliance with the terms of the various treaties. Securities of reinsurers (be they accepting offices or retroceding offices) delivered as cover are entered in the table of commitments given and received.

3.5. Operating costs by ultimate use

Management costs and commissions related to insurance operations are classified according to their ultimate use, by applying allocation coefficients according to the structure and organisation of each insurance entity.

Operating costs are classified by purpose and divided into the following six classifications:

- acquisition costs;
- administrative costs;
- claims administration costs;
- investment expenses;
- other underwriting expenses;
- non-operating expenses.

3.6. Provisions for risks and charges

In addition to the usual provisions, provisions are set aside for general risks related to the Group's business.

Retirement indemnities and commitments

Retirement indemnities and commitments are entered under the item "Reserves for risks and charges".

Rights held by staff working in France with regard to retirement indemnities and commitments undertaken in relation to employees who have retired are provisioned at their present value.

3.7. Deferred tax

3.7.1. Basis

Tax on profits or losses combine all taxes based on profit or loss, whether due for payment or deferred. When tax is due or receivable and its settlement is not contingent on the realisation of future transactions, it is to be termed payable, even if settlement is spread over several fiscal years. It is shown, as appropriate, in balance sheet liabilities or assets.

Transactions carried out by the Group may have positive or negative tax consequences other than those taken into consideration to calculate tax payable. The resulting tax assets or liabilities are termed deferred.

This occurs, in particular, when, as a result of transactions already realised, whether accounted for in individual company accounts or only in the consolidated accounts as restatements and eliminations of internal profits or losses, future differences are likely to arise between company taxable profit or loss and accounting profit or loss, for example where transactions realised during one fiscal year are taxable only in respect of the following fiscal year. Such differences are termed temporary.

3.7.2. Recognition of assets and liabilities in the balance sheet

All deferred tax liabilities, as defined in paragraph 3.7.1 above, must be recognised. Conversely, deferred tax assets are posted on the assets side of the balance sheet only if their recovery is likely.

Deferred tax assets are taken into account only if:

- their recovery does not depend on future earnings in such a situation, they are booked to the amount of deferred tax liabilities already reported that will mature in the period during which such assets become or remain recoverable. In this event, it is possible to draw on tax options aimed at extending the period between the date on which a tax asset becomes recoverable and that on which it loses its status;

- or, if the company will probably be able to recover these assets, as a taxable profit is expected during this period. It is assumed that such a profit will not exist when the company has suffered losses during the two previous fiscal years unless it can provide convincing arguments to the contrary. For instance, it would have to show that said losses resulted from exceptional circumstances that are unlikely to occur again in the foreseeable future.

4. Notes to Groupama financial statements for the year ending 31 December 2003

(Financial data in € millions)

Note 1: Goodwill

(€ millions)	*31/12/03*	*31/12/02*
Opening net amount	1,664	1,412
Change in scope of consolidation	37	369
Groupama SA	21	7
Banque Finama		3
Gan Eurocourtage IARD	18	125
Plus Ultra Generales		233
Groupama Ultra Plus	(4)	
Europa Biztosito	2	
Groupama Transport		1
Deconsolidation		(1)
Cofintex		(1)
Depreciation	(113)	(116)
Year-end net amount	**1,588**	**1,664**

Analysis of goodwill by company

(€ millions)	*31/12/03*			*31/12/02*
Companies	*Gross goodwill amortisation*	*Cumulative goodwill*	*Net goodwill*	*Net*
Groupama SA	35	(11)	24	9
GAN	1,673	(474)	1,199	1,282
Groupama Transport	23	(5)	18	20
Silic	31	(28)	3	4
Gan Eurocourtage IARD	143	(14)	129	119
Groupama Plus Ultra	229	(14)	215	230
Europa Biztosito	2	(2)		
Banque Finama	5	(5)		
Socomie	3	(3)		
Cie Foncière Parisienne	3	(3)		
Total	**2,147**	**(559)**	**1,588**	**1,664**

Note 2: Intangible assets

(€ millions)	31/12/03 Gross	Amortisation	Net	31/12/02 Net
Initial capital and development expenses	3		3	1
Business goodwill purchased	58	(52)	6	7
Other	562	(348)	214	163
Total	**623**	**(400)**	**223**	**171**

Goodwill is amortised over a period not to exceed 20 years.

Other intangible assets mainly comprise expenditure relating to information technology projects under way at the Group's various insurance companies.

Note 3: Insurance sector investments

Breakdown of investments

(€ millions)	31/12/03			31/12/02		
	Net book value	Market value	Unrealised capital gains/losses	Net book value	Market value	Unrealised capital gains/losses
Real estate investments	4,588	6,995	2,407	4,607	6,957	2,350
Equities and other variable-incomesecurities excluding units in mutual funds	4,697	4,957	260	5,582	5,163	(419)
Units in mutual funds holding exclusively fixed-income securities	3,190	3,347	157	3,513	3,812	299
Units in other mutual funds	4,832	4,736	(96)	3,777	3,272	(505)
Bonds and other fixed-income securities	33,324	35,066	1,742	30,557	32,344	1,787
Loans	321	321		400	400	
Deposits	700	700		739	739	
Total	**51,652**	**56,122**	**4,470**	**49,175**	**52,687**	**3,512**

The valuation of permanent depreciations provisions was carried out in accordance with the principle outlined in paragraph 3.2.2. On this basis the provision for 2003 totalled €145 million. As at 31 December 2003 this reserve had a total balance of €973 million.

Estimation of listed and unlisted investments

(€ millions) Listed investments	31/12/03 Net book value	31/12/03 Market value	31/12/03 Unrealised capital gains/losses	31/12/02 Net book value	31/12/02 Market value	31/12/02 Unrealised capital gains/losses
Equities and other variable-income securities excluding units in mutual funds	4,557	4,750	193	4,930	4,548	(382)
Units in mutual funds holding exclusively fixed-income securities	3,190	3,347	157	3,513	3,812	299
Units in other mutual funds	4,832	4,736	(96)	3,777	3,272	(505)
Bonds and other fixed-income securities	32,877	34,612	1,735	29,188	30,925	1,737
Loans						
Deposits						
Total	**45,456**	**47,445**	**1,989**	**41,408**	**42,557**	**1,149**

(€ millions) Unlisted investments	31/12/03 Net book value	31/12/03 Market value	31/12/03 Unrealised capital gains/losses	31/12/02 Net book value	31/12/02 Market value	31/12/02 Unrealised capital gains/losses
Real estate investments	4,588	6,995	2,407	4,607	6,957	2,350
Equities and other variable-income securities excluding units in mutual funds	140	207	67	652	615	(37)
Units in mutual funds holding exclusively fixed-income securities						
Units in other mutual funds						
Bonds and other fixed-income securities	447	454	7	1,369	1,419	50
Loans	321	321		400	400	
Deposits	700	700		739	739	
Total	**6,196**	**8,677**	**2,481**	**7,767**	**10,130**	**2,363**

The realisation of capital gains would give rise to rights due to policyholders and minority shareholders as well as taxation.

Estimation of insurance investments by business and geographical zone

(€ millions) Life business - France	*31/12/03* Net book value	Market value	Unrealised capital gains/losses	*31/12/02* Net book value	Market value	Unrealised capital gains/losses
Real estate investments	1,670	2,225	555	1,756	2,290	534
Equities and other variable-income securities excluding units in mutual funds	3,156	3,179	23	3,760	3,394	(366)
Units in mutual funds holding exclusively fixed-income securities	2,154	2,273	119	2,276	2,446	170
Units in other mutual funds	2,510	2,462	(48)	1,845	1,557	(288)
Bonds and other fixed-income securities	22,768	24,108	1,340	20,854	22,234	1,380
Loans	197	197		262	262	
Deposits	179	179		34	34	
Total	**32,634**	**34,623**	**1,989**	**30,787**	**32,217**	**1,430**

(€ millions) Non-life business - France	*31/12/03* Net book value	Market value	Unrealised capital gains/losses	*31/12/02* Net book value	Market value	Unrealised capital gains/losses
Real estate investments	2,783	4,543	1,760	2,748	4,471	1,723
Equities and other variable-income securities excluding units in mutual funds	1,360	1,600	240	1,587	1,552	(35)
Units in mutual funds holding exclusively fixed-income securities	1,036	1,074	38	1,236	1,365	129
Units in other mutual funds	2,171	2,129	(42)	1,844	1,640	(204)
Bonds and other fixed-income securities	6,623	6,951	328	6,185	6,505	320
Loans	81	81		86	86	
Deposits	211	211		243	243	
Total	**14,265**	**16,589**	**2,324**	**13,929**	**15,862**	**1,933**

For entities operating in both sectors, investments have been allocated to the life and non-life businesses on a pro rata basis, based on the technical reserves.

(€ millions) International life and non-life business	*31/12/03* Net book value	Market value	Unrealised capital gains/losses	*31/12/02* Net book value	Market value	Unrealised capital gains/losses
Real estate investments	135	227	92	103	196	93
Equities and other variable-income securities excluding units in mutual funds	181	178	(3)	235	217	(18)
Units in mutual funds holding exclusively fixed-income securities				1	1	
Units in other mutual funds	151	145	(6)	88	75	(13)
Bonds and other fixed-income securities	3,933	4,007	74	3,518	3,605	87
Loans	43	43		52	52	
Deposits	310	310		462	462	
Total	**4,753**	**4,910**	**157**	**4,459**	**4,608**	**149**

The realisation of capital gains would give rise to rights due to policyholders and minority shareholders as well as taxation.

Note 4: Significant investments in non-consolidated companies

(€ millions)	31/12/03 % stake	31/12/03 Net book value	31/12/03 Market value	31/12/03 Unrealised capital gains/losses	31/12/02 Net book value
Scor	18.98%	202	34	(168)	226
Bolloré	4.64%	55	50	(5)	54
Société Générale	3.06%	771	923	152	773
Lagardère	1.79%	93	114	21	50
Veolia Environnement	5.61%	549	484	(65)	555
Groupama Chegaray Services					10
Siram					24
French companies		1,670	1,605	(65)	1,692
Mediobanca	4.97%	471	333	(138)	471
International companies		471	333	(138)	471
Total		**2,141**	**1,938**	**(203)**	**2,163**

Market value corresponds to:
- to share price at 31 December for listed companies,
- or is determined by the application of multi-criteria method for the shares of unlisted companies.

Note 5: Unit-linked investments

(€ millions)	31/12/03	31/12/02
Real estate investments	100	99
Variable-income securities and similar investments		
Bonds	905	885
Units in mutual funds holding equities	1,856	1,742
Units in mutual funds holding bonds and other investments	497	366
Total	**3,358**	**3,092**

Note 6: Banking sector investments

(€ millions)		*31/12/03*			*31/12/02*	
	Net book value	***Market value***	***Unrealised capital gains/loss***	*Net book value*	*Market value*	*Unrealised capital gains/loss*
Investments in affiliates and similar companies				1	1	
Government bonds and similar securities	9	11	2	23	23	
Bonds and other fixed-income securities	763	763		716	716	
Equities and other variable-income securities	42	42		19	19	
Total	**814**	**816**	**2**	**759**	**759**	

Breakdown of securities portfolio

(€ millions)	***Trading account securities***		***Securities available for sale***		***Debt securites held to maturity***		***Equity securities available for sale in the medium term***		
	Listed securities	***Unlisted securities***	***Listed securities***	***Unlisted securities***	***Listed securities***	***Unlisted securities***	***Listed securities***	***Unlisted securities***	***Total***
Investments in affiliates and similar companies									
Government bonds and similar securities					9				9
Bonds and other fixed-income securities			11		21	731			763
Equities and other variable-income securities	1		31	10					42
Total 31/12/03	**1**		**42**	**10**	**30**	**731**			**814**
Total 31/12/02			19		44	695		1	759

Note 7: Shares in companies accounted for by the equity method

(€ millions)	31/12/03 Equivalent Value	31/12/03 Share of profit/loss	31/12/02 Equivalent Value	31/12/02 Share of profit/loss
Günes Sigorta	9	2	9	2
Socomie	1		1	
Transama				1
Zaragozano Vida y Pensiones			1	
Total	**10**	**2**	**11**	**3**

Value of shares in companies accounted for by the equity method: changes during the fiscal year

(€ millions)	31/12/03	31/12/02
Opening balance	11	9
Share of profit/loss	2	3
Dividends	(1)	(2)
Change in exchange adjustment		(3)
Capital increase		1
Consolidation changes	(2)	3
Year-end balance	**10**	**11**

Significant data at 31 December

(€ millions) 31/12/03	Premium income	Net profit	Total assets	Capital and reserves
Günes Sigorta	348	5	121	46
Socomie	10		5	1

Note 8: Receivables relating to insurance and reinsurance transactions

(€ millions)	31/12/03 Gross	Provision	Net	31/12/02 Net
Premiums earned but not written	688		688	681
Co-insurers and other third parties	1,459	(86)	1,373	1,200
Reinsurer and retrocessionary accounts	295	(21)	274	408
Cedant and retrocedant accounts	522	(2)	520	550
Total	**2,964**	**(109)**	**2,855**	**2,839**

Breakdown by maturity

(€ millions)	Less than 1 year	1 to 5 years	More than 5 years	Total
Premiums earned but not written	688			688
Co-insurers and other third parties	1,291	82		1,373
Reinsurer and retrocessionary accounts	274			274
Cedant and retrocedant accounts	430	90		520
Total 31/12/03	**2,683**	**172**		**2,855**
Total 31/12/02	2,675	164		2,839

Note 9: Receivables – Banking sector customers

(€ millions)	31/12/03 Gross	Provision	Net	31/12/02 Net
Trade receivables				1
Other loans and overdrafts	191	(38)	153	94
Ordinary accounts receivable	157		157	150
Total	**348**	**(38)**	**310**	**245**

Breakdown by maturity

(€ millions)	Less than 1 year	1 to 5 years	More than 5 years	Total
Trade receivables				
Other loans and overdrafts	51	82	20	153
Ordinary accounts receivable	157			157
Total 31/12/03	**208**	**82**	**20**	**310**
Total 31/12/02	192	32	21	245

Note 10: Receivables – Banking sector

(€ millions)	31/12/03 Gross	31/12/03 Provision	31/12/03 Net	31/12/02 Net
Settlement accounts relating to securities transactions	281		281	300
Interbank transactions	554		554	341
Cash at bank, insurance companies	694		694	651
Total	**1,529**		**1,529**	**1,292**

Breakdown by maturity

(€ millions)	Less than 1 year	1 to 5 years	More than 5 years	Total
Settlement accounts relating to securities transactions	281			281
Interbank transactions	554			554
Cash at bank, insurance companies	686	7	1	694
Total 31/12/03	**1,521**	**7**	**1**	**1,529**
Total 31/12/02	1,286	6		1,292

Note 11: Other receivables

(€ millions)	31/12/03 Gross	31/12/03 Provision	31/12/03 Net	31/12/03 Of which insurance	31/12/03 Of which banking	31/12/02 Net
Personnel	16		16	16		18
Social security	14		14	14		14
State	186		186	185	1	189
Deferred tax assets (Note 25)	3		3	3		5
Miscellaneous debtors	704	(29)	675	653	22	589
Total	**923**	**(29)**	**894**	**871**	**23**	**815**

Breakdown by maturity

(€ millions)	Less than 1 year	1 to 5 years	More than 5 years	Total
Personnel	16			16
Social security	14			14
State	176	10		186
Deferred tax assets	1	2		3
Miscellaneous debtors	653	22		675
Total 31/12/03	**860**	**34**		**894**
Total 31/12/02	780	35		815

Note 12: Other assets

(€ millions)	31/12/03 Gross	Amortisation	Net	31/12/02 Net
Non-life insurance	386	(251)	135	136
Life insurance	140	(113)	27	29
Banking	18	(9)	9	7
Total	**544**	**(373)**	**171**	**172**

Other assets consist primarily of tangible fixed assets.

Note 13: Accruals

(€ millions)	31/12/03 Insurance	Banking	Total	31/12/02 Total
Deferred life insurance acquisition expenses	665		665	684
Deferred non-life insurance acquisition expenses	294		294	287
Accrued interest not yet due	823		823	810
Reinsurance underwriting valuations				1
Unrealised foreign exchange gain				
Other accruals	153	55	208	170
Total	**1,935**	**55**	**1,990**	**1,952**

As indicated in note 3.3.2., deferred acquisition costs in life insurance are now based on a deferred asset value approach and are not limited to the zillmerisation difference, as is the case in the parent company accounts.

The effect of the deferred asset approach represents a sum of 461 million over and above the zillmerisation difference. In the consolidated income statement, the application of this procedure is reflected in a charge of €26 million for the year.

In application of regulation 2000-05, unrealised foreign exchange gains and losses are now accounted for in the income statement and bond redemption differences are included under investments.

Note 14: Analysis of change in capital and reserves (Group share)

(€ millions)	*Initial capital*	*Consolidated reserves*	*Net income*	*Unrealised foreign exchange gains/losses*	*Total capital and reserves*
Capital and reserves at 31/12/01	**35**	**3,923**	**159**	**(13)**	**4,104**
Allocation of profit at 31/12/01		159	(159)		
Member dividends		(8)			(8)
Unrealised foreign exchange gains/losses				(24)	(24)
Permanent depreciations reserve		11			11
Change in scope of consolidation		(3)			(3)
Net income			(154)		(154)
Total movements during the year		159	(313)	(24)	(178)
Capital and reserves at 31/12/02	**35**	**4,082**	**(154)**	**(37)**	**3,926**
Allocation of profit at 31/12/02		(154)	154		
Member dividends		(5)			(5)
Unrealised foreign exchange gains/losses				(37)	(37)
Permanent depreciations reserve		7			7
Change in accounting methods		(8)			(8)
Change in capital	(3)	3			
Change in scope of consolidation		(1)			(1)
Net income			155		155
Total movements during the year	(3)	(158)	309	(37)	111
Capital and reserves at 31/12/03	**32**	**3,924**	**155**	**(74)**	**4,037**
Of which capitalisation reserve		1,008			

The change in unrealised foreign exchange gains/losses arises mainly from exchange differences on loans made to Group subsidiaries. These loans are regarded as an integral part of the investment in these subsidiaries. Therefore, in application of the rules outlined in Paragraph 3.2.2 of Regulation 2000-05, "Exchange differences relating to a monetary item which is in substance an integral part of the net investment of an enterprise in a foreign consolidated enterprise are to be entered in consolidated capital and reserves."

Movements entered under item "Change in accounting methods" correspond to the application of the section relating to provisions for major claims payment since 2003.

Note 15: Analysis of change in minority interests

(€ millions)	*Total minority interests*
Minority interests at 31/12/01	**269**
Dividends	(24)
Change in exchange adjustment	
Permanent depreciations reserve	
Consolidation changes	36
Net income	3
Total movements during the year	15
Minority interests at 31/12/02	**284**
Dividends	(22)
Change in exchange adjustment	
Permanent depreciations reserve	
Consolidation changes	2
Net income	(33)
Total movements during the year	(53)
Minority interests at 31/12/03	**231**

Note 16: Subordinated debt

(€ millions)	*Less than 1 year*	*1 to 5 years*	*More than 5 years*	*Total*
Insurance			750	750
Banking				
Total 31/12/03			**750**	**750**
Total 31/12/02			750	750

The item "Subordinated debt" corresponds to a bond loan issued by the Central Mutual in July 1999 in the form of 30-year callable securities which are redeemable before their due date with effect from the 10th year after issue.

This issue represents a total sum of €750 million.

Note 17: Technical insurance reserves

(€ millions)	France	International	Total	31/12/03 France	International	31/12/02 Total
Technical reserves gross of reinsurance						
Life insurance technical reserves	30,369	2,023	32,392	28,516	1,911	30,427
Reserves for claims reported but not yet paid	611	26	637	548	18	566
Reserves for profit sharing	1,402	30	1,432	1,489	31	1,520
Other technical reserves	21	1	22	32	1	33
Total life insurance	32,403	2,080	34,483	30,585	1,961	32,546
Reserves for unearned premiums	830	788	1,618	770	805	1,575
Reserves for claims reported but not yet paid	8,925	2,423	11,348	8,769	2,579	11,348
Reserves for equalisation	333	29	362	399	19	418
Other technical reserves	2,964	63	3,027	2,902	94	2,996
Total non-life insurance	13,052	3,303	16,355	12,840	3,497	16,337
Total technical reserves	**45,455**	**5,383**	**50,838**	**43,425**	**5,458**	**48,883**
Share of reinsurers in technical reserves						
Life insurance technical reserves	12	21	33	10	23	33
Reserves for claims reported but not yet paid	22	2	24	14	3	17
Reserves for profit sharing	20		20	5		5
Other technical reserves				1		1
Total life insurance	54	23	77	30	26	56
Reserves for unearned premiums	54	22	76	43	23	66
Reserves for claims reported but not yet paid	962	603	1,565	1,081	775	1,856
Reserves for equalisation	1		1	1		1
Other technical reserves	202	1	203	162	6	168
Total non-life insurance	1,219	626	1,845	1,287	804	2,091
Total share of reinsurers in technical reserves	**1,273**	**649**	**1,922**	**1,317**	**830**	**2,147**
Total	**44,182**	**4,734**	**48,916**	**42,108**	**4,628**	**46,736**

In application of the provisions of CRC Regulation No.00-05, technical reserves relating to immediate or deferred life annuity policies are determined in accordance with the latest current tables which reflect the risk to which the Group is exposed with regard to its policyholders.

In compliance with the regulations, there was no need to set aside a provision for financial risk in the life insurance subsidiaries.

Breakdown by insurance category

(€ millions)	***31/12/03*** Reserves for unearned premiums	Reserves for claims reported but not yet paid	Total	*31/12/02* Reserves for unearned premiums	Reserves for claims reported but not yet paid	Total
Life insurance: single premiums						
Capitalisation	1,621	58	1,679	1,891	55	1,946
Personal life	14,010	191	14,201	12,490	148	12,638
Group policies	190	15	205	182	13	195
Others	1,481	1	1,482	1,395	1	1,396
Total provisions single premiums	17,302	265	17,567	15,958	217	16,175
Life insurance: regular premiums						
Capitalisation	609	6	615	521	4	525
Personal life	6,462	103	6,565	6,317	92	6,409
Group policies	6,122	243	6,365	5,841	224	6,065
Others	1,897	20	1,917	1,790	29	1,819
Total provisions for regular premiums	15,090	372	15,462	14,469	349	14,818
Total Life insurance reserves	**32,392**	**637**	**33,029**	**30,427**	**566**	**30,993**

(€ millions)	***31/12/03*** Reserves for unearned premiums	Reserves for claims reported but not yet paid	Total	*31/12/02* Reserves for unearned premiums	Reserves for claims reported but not yet paid	Total
Non-life insurance						
Motor vehicle	810	3,733	4,543	793	3,608	4,401
Bodily injury	118	1,132	1,250	108	1,273	1,381
Property	464	2,383	2,847	419	2,372	2,791
General liability	46	1,155	1,201	42	1,210	1,252
Marine, aviation, transport	69	1,013	1,082	62	1,054	1,116
Others	111	1,932	2,043	151	1,831	1,982
Total Non-life insurance reserves	**1,618**	**11,348**	**12,966**	**1,575**	**11,348**	**12,923**

Note 18: Provisions for risks and charges

(€ millions)	31/12/03	31/12/02
Provision for deferred income tax liabilities (Note 25)	3	45
Provision for pensions and similar obligations	196	176
Negative goodwill		
Other provisions for risks and charges(1)	341	410
Total	**540**	**631**

(1) Details concerning this item have not been disclosed as they could negatively impact on the Group currently in the middle of litigation.

Note 19: Debts relating to insurance or reinsurance operations

(€ millions)	31/12/03	31/12/02
Insured intermediaries and other third parties	683	479
Coinsurers	109	94
Reinsurer and retrocessionary accounts	442	543
Cedant and retrocedant accounts	104	164
Other debts/reinsurance operations	20	32
Deposits from reinsurers	93	91
Debts	**1,451**	**1,403**

Breakdown by maturity

(€ millions)	Less than 1 year	1 to 5 years	More than 5 years	Total
Insured intermediaries and other third parties	683			683
Coinsurers	109			109
Reinsurer and retrocessionary accounts	353	89		442
Cedant and retrocedant accounts	71	33		104
Other debts/reinsurance operations	20			20
Deposits from reinsurers	92	1		93
Total 31/12/03	**1,328**	**123**		**1,451**
Total 31/12/02	1,307	96		1,403

Breakdown by currency and interest rate

(€ millions)	Currency		Interest rate	
	Euro Zone	Other	Fixed rate	Variable rate
Insured intermediaries and other third parties	586	97	624	59
Coinsurers	109		109	
Reinsurer and retrocessionary accounts	427	15	442	
Cedant and retrocedant accounts	99	5	104	
Other debts/reinsurance operations	14	6	11	9
Deposits from reinsurers	92	1	60	33
Total 31/12/03	**1,327**	**124**	**1,350**	**101**
Total 31/12/02	1,312	91	1,399	4

Note 20: Debts - Banking sector customers

(€ millions)	31/12/03 Demand deposits	Term deposits	Total	31/12/02 Total
Special savings accounts	199	3	202	73
Ordinary accounts payable	234		234	122
Other trade accounts payable	285	2	287	317
Total	**718**	**5**	**723**	**512**

Breakdown by maturity

(€ millions)	Less than 1 year	1 to 5 years	More than 5 years	Total
Special savings accounts	201	1		202
Ordinary accounts payable	234			234
Other trade accounts payable	287			287
Total 31/12/03	**722**	**1**		**723**
Total 31/12/02	512			512

Note 21: Securitised debts

(€ millions)	31/12/03	31/12/02
Interbank and negotiable debt securities	879	842
Total	**879**	**842**
Of which Insurance		
Of which Banking	879	842

Breakdown by maturity

(€ millions)	Less than 1 year	1 to 5 years	More than 5 years	Total
Interbank and negotiable debt securities	848	31		879
Total 31/12/03	**848**	**31**		**879**
Total 31/12/02	810	32		842

Breakdown by currency and interest rate

(€ millions)	Currency Euro Zone	Other	Interest rate Fixed rate	Variable rate
Interbank and negotiable debt securities	879		212	667
Total 31/12/03	**879**		**212**	**667**
Total 31/12/02	842		257	585

Note 22: Debts – Banking sector

(€ millions)	31/12/03	31/12/02
Financing debts	665	681
Bank loans and overdrafts	604	586
Insurance operations	1,269	1,267
Debts to credit institutions	50	58
Banking operations	50	58
Total	**1,319**	**1,325**

Breakdown by maturity

(€ millions)	Less than 1 year	1 to 5 years	More than 5 years	Total
Financing debts	211	188	266	665
Bank loans and overdrafts	583	21		604
Banking sector operations debts to credit institutions	50			50
Total 31/12/03	**844**	**209**	**266**	**1,319**
Total 31/12/02	801	328	196	1,325

Breakdown by currency and interest rate

(€ millions)	Currency		Interest rate	
	Euro Zone	Other	Fixed rate	Variable rate
Financing debts	665		578	87
Bank loans and overdrafts	604		471	133
Banking sector operations debts to credit institutions	21	29		50
Total 31/12/03	**1,290**	**29**	**1,049**	**270**
Total 31/12/02	1,280	45	1,265	60

Note 23: Other debts

(€ millions)	31/12/03 Insurance	Banking	Total	31/12/02 Total
Amount owed to employees	175	6	181	168
Social security	120	5	125	69
State	202	4	206	202
Other loans, deposits and guarantees received	1,276		1,276	983
Miscellaneous creditors	1,058	142	1,200	1,071
Total	**2,831**	**157**	**2,988**	**2,493**

Breakdown by maturity

(€ millions)	Less than 1 year	1 to 5 years	More than 5 years	Total
Amounts owed to employees	176	5		181
Social security	125			125
State	157	49		206
Other loans, deposits and guarantees received	1,116	100	60	1,276
Miscellaneous creditors	1,137	47	16	1,200
Total 31/12/03	**2,711**	**201**	**76**	**2,988**
Total 31/12/02	2,307	150	36	2,493

Breakdown by currency and interest rate

(€ millions)	Currency Euro Zone	Other	Interest rate Fixed rate	Variable rate
Amount owed to employees	181		181	
Social security	125		125	
State	204	2	206	
Other loans, deposits and guarantees received	1,276		608	668
Miscellaneous creditors	1,136	64	1,200	
Total 31/12/03	**2,922**	**66**	**2,320**	**668**
Total 31/12/02	2,416	77	2,121	372

Note 24: Accruals

(€ millions)	31/12/03 Insurance	Banking	Total	31/12/02 Total
Deferred acquisition expenses (share of accepting offices and retroceding offices)				1
Reinsurance technical valuations				
Unrealised exchange loss				
Other accruals	136	72	208	189
Total	**136**	**72**	**208**	**190**

Note 25: Corporate tax

Breakdown of tax charge

(€ millions)	31/12/03 Life	Non-life	Banking	Total	31/12/02 Total
Current corporate tax	32	(160)		(128)	(50)
Deferred corporate tax	2	39		41	4
Total	**34**	**(121)**		**(87)**	**(46)**

Analysis of main components of deferred tax charge

(€ millions)	31/12/03	31/12/02
Deferred tax arising from temporary differences		
Consolidated AFA and PGG	(113)	(141)
Non-skewing of tables in the consolidated accounts	25	24
Pension funds	3	1
Tax deferral surpluses	(1)	(3)
Valuation differential on mutual funds	(34)	(30)
Temporarily non-deductible reserves	(1)	
Return to original cost for internal assignments	(20)	(18)
Other differences	197	177
Sub-total: Deferred tax arising from temporary differences	56	10
Application of prior deficit		
Deferred tax assets not accounted to temporary differences	(62)	(60)
Contributions to deferred tax	6	10
Deferred tax recorded on the balance sheet	**0**	**40**
Comprising:		
• Assets (Other receivables) (Note 11)	3	5
• Liabilities (Provisions for risks and charges) (Note 18)	3	45

The other temporary differences mainly comprise tax/accounting timing differences relating to the technical reserves.

The Group also has significant non-recorded net assets in its international subsidiaries and in the Groupama SA divisional tax group in France. The assets have not been recorded and total €526 million.

Although it might be possible to recover non-recorded tax assets due to expected taxable profits, the Group adopted a prudent attitude at 31 December 2003 and did not record said tax assets.

Reconciliation of effective tax charge and theoretical tax charge

(€ millions)	*31/12/03*	*31/12/02*
Theoretical tax charge	**(70)**	**35**
Impact of non-deductible charges or income	88	180
Impact of tax rate differences	(93)	14
Tax credits and miscellaneous allocations	11	9
Additional contributions	27	(5)
Application of prior deficits	75	172
Non-activated deficits from the fiscal year	(56)	(367)
De-activation of prior deficits	(26)	(1)
Impact of miscellaneous tax charges	31	(192)
Tax on companies accounted for by the equity method	1	(1)
Non-recorded deferred tax assets	(64)	(82)
Other differences	20	
Effective tax charge	**(87)**	**(46)**

Note 26: Operating income statements by business line

Life insurance

Life operating income statement (€ millions)		*2003 Gross*	*2003 Cession*	*2003 Net*	*2002 Net*
Premiums	Note 27	3,977	(50)	3,927	3,570
Share of operating account in net investment income	Notes 28 & 29	1,733		1,733	1,624
Adjustment to unit-linked contracts (capital gains)	Note 28	425		425	180
Other operating income	Note 30	16		16	16
Benefits and related expenses paid		(3,002)	21	(2,981)	(2,827)
Charges for claims reserves		(67)	7	(60)	(124)
Claims		(3,069)	28	(3,041)	(2,951)
Life insurance reserves		(700)		(700)	(297)
Reserves in respect of unit-linked contracts		(249)		(249)	284
Other technical reserves					
Charges for other technical reserves		(949)		(949)	(13)
Profit-sharing		(1,254)	15	(1,239)	(1,225)
Acquisition expenses		(236)		(236)	(241)
Administrative expenses		(94)		(94)	(98)
Commissions received from reinsurers			3	3	4
Acquisition and administrative expenses	Note 30	(330)	3	(327)	(335)
Adjustment to unit-linked contracts (capital losses)	Note 28	(171)		(171)	(536)
Other operating charges	Note 30	(172)		(172)	(167)
Life insurance operating profit/loss		**206**	**(4)**	**202**	**163**
Employee Profit-sharing	Note 30				
Net investment income excluding share of operating account	Notes 28 & 29	51		51	35
Profit/loss on ordinary activities		**257**	**(4)**	**253**	**198**

Non-life insurance

Non-life operating income statement (€ millions)		*Gross*	*2003 Cession*	*Net*	*2002 Net*
Premiums	Note 27	8,765	(654)	8,111	7,624
Change in unearned premiums		(18)	(26)	(44)	(108)
Earned premiums		8,747	(680)	8,067	7,516
Share of operating account in net investment income	Notes 28 & 29	593		593	523
Other operating income	Note 30	39		39	42
Claims and expenses paid		(6,466)	393	(6,073)	(5,646)
Charges for claims reserves		(208)	(161)	(369)	(297)
Claims		(6,674)	232	(6,442)	(5,943)
Charges for other technical reserves		(42)	56	14	14
Profit-sharing					
Acquisition expenses		(1,595)	68	(1,527)	(1,411)
Administrative expenses		(513)		(513)	(597)
Commissions received from reinsurers			(22)	(22)	(29)
Acquisition and administrative expenses	Note 30	(2,108)	46	(2,062)	(2,037)
Other operating charges	Note 30	(267)		(267)	(159)
Change in reserve for equalisation		63		63	65
Non-life insurance operating profit/loss		**351**	**(346)**	**5**	**21**
Employee profit-sharing	Note 30	(12)		(12)	(5)
Net investment income excluding share of operating account	Note 28 & 29	297		297	(66)
Profit/loss on ordinary activities		**636**	**(346)**	**290**	**(50)**

Banking

Banking sector operating income statement (€ millions)		***2003***	*2002*
Interest and similar income		33	32
Interest and similar charges		(40)	(56)
Income from variable-yield securities			
Commission income		101	116
Commission charges		(26)	(32)
Profits or losses on transactions in trading portfolios		2	3
Profits or losses on investment operations			1
Other operating income		1	
Other operating charges		18	38
Net banking income		89	102
General operating charges	Note 30	(113)	(114)
Appropriations to depreciation and provisions for tangible and intangible fixed assets	Note 30	(7)	(4)
Gross operating profit/loss		**(31)**	**(16)**
Cost of bad and doubtful debts		5	5
Gains or losses on long-term equity investments and shares in affiliated companies (including long-term investment securities portfolio)			
Profit/loss ordinary activities		**(26)**	**(11)**

Note 27: Analysis of premium income

Breakdown by geographical zone

(€ millions)	2003 Life	2003 Non-life	2003 Total	2003 Share %	2002 Life	2002 Non-life	2002 Total	2002 Share %
France	3,601	6,932	10,533	82%	3,271	6,737	10,008	83%
EU (excluding France)	273	1,793	2,066	16%	263	1,596	1,859	15%
United Kingdom		827	827	6%		992	992	8%
Italy	170	340	510	4%	179	321	500	4%
Spain	45	615	660	5%	37	283	320	3%
Portugal	51	11	62	1%	34		34	
Luxembourg	7		7	%	13		13	
Other countries	103	40	143	1%	66		66	1%
Sub-total - insurance	3,977	8,765	12,742	99%	3,600	8,333	11,933	99%
Banking		137	137	1%		152	152	1%
Total	**3,977**	**8,902**	**12,879**	**100%**	**3,600**	**8,485**	**12,085**	**100%**

Breakdown by main line of business

(€ millions)	2003 France	2003 International	2003 Total	2002 France	2002 International	2002 Total
Life business: single premiums						
Capitalisation	164	87	251	128	68	196
Personal life	1,893	48	1,941	1,572	36	1,608
Group policies	3	38	41	3	29	32
Unit-linked policies	166	21	187	272	29	301
Others	48		48	50		50
Total single premiums	**2,274**	**194**	**2,468**	**2,025**	**162**	**2,187**
Life business – regular premiums						
Capitalisation	101	35	136	74	24	98
Personal life	626	95	721	602	100	702
Group policies	484	33	517	467	24	491
Unit-linked policies	5	19	24	5	19	24
Others	111		111	98		98
Total regular premiums	**1,327**	**182**	**1,509**	**1,246**	**167**	**1,413**
Total life	**3,601**	**376**	**3,977**	**3,271**	**329**	**3,600**
Non-life business						
Motor vehicle	1,965	1,158	3,123	1,896	980	2,876
Bodily injury	1,906	104	2,010	1,820	116	1,936
Property	2,082	342	2,424	1,931	269	2,200
General liability	135	56	191	133	36	169
Marine, aviation, transport	244	24	268	403	7	410
Other	602	147	749	554	188	742
Total non-life	**6,934**	**1,831**	**8,765**	**6,737**	**1,596**	**8,333**
Total life and non-life insurance	**10,535**	**2,207**	**12,742**	**10,008**	**1,925**	**11,933**
Total Banking	**137**		**137**	**143**	**9**	**152**
Total	**10,672**	**2,207**	**12,879**	**10,151**	**1,934**	**12,085**

Note 28: Net investment income

(€ millions)	2003 Income/ Charges	2003 Gains/losses on realisations: Gains	2003 Gains/losses on realisations: Losses	2003 Total	2002 Income/ Charges	2002 Gains/losses on realisations: Gains	2002 Gains/losses on realisations: Losses	2002 Total
Real estate	404	110	(4)	510	386	123	(13)	496
Equities	116	227	(277)	66	214	660	(500)	374
Bonds	1,792	145	(90)	1,847	1,660	195	(177)	1,678
Equity mutual funds	42	88	(51)	79	34	282	(112)	204
Bond mutual funds	39	193	(1)	231	22	243	(4)	261
Interest on cash deposits	5			5	15			15
Other investment income	55	392	(4)	443	102	215	(4)	313
Gross income	**2,453**	**1,155**	**(427)**	**3,181**	**2,433**	**1,718**	**(810)**	**3,341**
Internal and external administrative charges	(204)			(204)	(233)			(233)
Other investment charges	(82)		(221)	(303)	(107)		(885)(1)	(992)
Investment expenses	**(286)**		**(221)**	**(507)**	**(340)**		**(885)**	**(1,225)**
Net investment income	**2,167**	**1,155**	**(648)**	**2,674**	**2,093**	**1,718**	**(1,695)**	**2,116**
Adjustments to unit-linked contracts (capital gains)		425		425		180		180
Adjustments to unit-linked contracts (capital losses)			(171)	(171)			(536)	(536)
Net investment income after adjustments to unit-linked contracts	**2,167**	**1,580**	**(819)**	**2,928**	**2,093**	**1,898**	**(2,231)**	**1,760**

Recovery of provisions for depreciation of holdings during FY 2003 stood at €145 million.

(1) The charge of €885 million recorded under "Other investment charges" includes allocations to the permanent depreciations reserve totalling €392 million and allocations to provisions for the depreciation of shareholdings in reinsurance operations totalling €234 million.

Investment income and capital gains/loss - Non-life

(€ millions)	2003 Income / Charges	2003 Gains/losses on realisations: Income	2003 Gains/losses on realisations: Losses	2003 Total	2002 Income / Charges	2002 Gains/losses on realisations: Income	2002 Gains/losses on realisations: Losses	2002 Total
Real estate	310	67	(4)	373	311	82	(7)	386
Equities	36	57	(97)	(4)	82	202	(148)	136
Bonds	476	61	(61)	476	423	51	(43)	431
Equity mutual funds	17	76	(24)	69	18	174	(93)	99
Bond mutual funds	16	72		88	12	75	(4)	83
Interest on cash deposits	6			6	15			15
Other investment income	40	202	(4)	238	54	120	(4)	170
Gross income	**901**	**535**	**(190)**	**1,246**	**915**	**704**	**(299)**	**1,320**
Internal and external administrative charges	(152)			(152)	(165)			(165)
Other investment charges	(97)		(107)	(204)	(128)		(570)	(698)
Investment charges	**(249)**		**(107)**	**(356)**	**(293)**		**(570)**	**(863)**
Net investment income	**652**	**535**	**(297)**	**890**	**622**	**704**	**(869)**	**457**

Investment income and capital gains/loss - Life

(€ millions)	2003 Income / Charges	2003 Gains/losses on realisations: Income	2003 Gains/losses on realisations: Losses	2003 Total	2002 Income / Charges	2002 Gains/losses on realisations: Income	2002 Gains/losses on realisations: Losses	2002 Total
Real estate	94	43		137	75	41	(6)	**110**
Equities	80	170	(180)	70	132	458	(352)	**238**
Bonds	1,316	84	(29)	1,371	1,237	144	(134)	**1,247**
Equity mutual funds	25	12	(27)	10	16	108	(19)	**105**
Bond mutual funds	23	121	(1)	143	10	168		**178**
Interest on cash deposits	(1)			(1)				
Other investment income	15	190		205	48	95		**143**
Investment expenses	**1,552**	**620**	**(237)**	**1,935**	**1,518**	**1,014**	**(511)**	**2,021**
Internal and external administrative charges	(52)			(52)	(68)			**(68)**
Other investment charges	15		(114)	(99)	21		(315)	**(294)**
Gross income	**(37)**		**(114)**	**(151)**	**(47)**		**(315)**	**(362)**
Net investment income	**1,515**	**620**	**(351)**	**1,784**	**1,471**	**1,014**	**(826)**	**1,659**
Adjustments to unit-linked contracts (capital gains)		425		425		180		**180**
Adjustments to unit-linked contracts (capital losses)			(171)	(171)			(536)	**(536)**
Net investment income after adjustments to unit-linked contracts	**1,515**	**1,045**	**(522)**	**2,038**	**1,471**	**1,194**	**(1,362)**	**1,303**

Note 29: Breakdown of investment income between operating and non-operating

(€ millions)	*2003*							*2002*
	Life			*Non-life*				
	Income	*Capital gains/ losses*	*Total*	*Income*	*Capital gains/ losses*	*Total*	*Total*	*Total*
Net investment income	**1,515**	**269**	**1,784**	**652**	**238**	**890**	**2,674**	**2,116**
Allocation to operating account	1,471	262	1,733	435	158	593	2,326	2,147
Allocation to non-operating account	44	7	51	217	80	297	348	(31)

Note 30: Management expenses

(€ millions)	*2003*				*2002*			
	Life	*Non-life*	*Banking*	*Total*	*Life*	*Non-life*	*Banking*	*Total*
Commissions	(88)	(741)		(829)	(94)	(647)		(741)
Change in deferred acquisition expenses	(20)	(34)		(54)	(40)	10		(30)
Other charges	(128)	(820)		(948)	(108)	(874)		(982)
Total acquisition costs	**(236)**	**(1,595)**		**(1,831)**	**(242)**	**(1,511)**		**(1,753)**
Commissions	(22)	(131)		(153)	(27)	(102)		(129)
Other charges	(72)	(382)	(113)	(567)	(71)	(495)	(114)	(680)
Total administration expenses	**(94)**	**(513)**	**(113)**	**(720)**	**(98)**	**(597)**	**(114)**	**(809)**
Acquisition and administration expenses	(330)	(2,108)	(113)	(2,551)	(340)	(2,108)	(114)	(2,562)
Allocations to/recovery of provisions and depreciation			(7)	(7)			(4)	(4)
Other charges and income	(156)	(228)		(384)	(151)	(117)		(268)
Other operating expenses	**(156)**	**(228)**	**(7)**	**(391)**	**(151)**	**(117)**	**(4)**	**(272)**
Employee profit sharing		**(12)**		**(12)**		**(5)**		**(5)**
Gross management charges	**(486)**	**(2,348)**	**(120)**	**(2,954)**	**(491)**	**(2,230)**	**(118)**	**(2,839)**
Cessions	3	46		49	5	71		76
Net management charges	**(483)**	**(2,302)**	**(120)**	**(2,905)**	**(486)**	**(2,159)**	**(118)**	**(2,763)**

Note 31: Other non-operating income and charges, exceptional income and charges

(€ millions)	***2003***	*2002*
Other non-operating income	43	44
Other non-operating charges	(69)	(60)
Total non-operating income and charges	(26)	(16)
Recovery of provisions for exceptional charges	23	119
Recovery of provisions for exceptional depreciation	1	360(2)
Other exceptional income	63	74
Total exceptional income	87	553
Allocations to provisions for exceptional charges	(51)	(94)
Allocations to provisions for exceptional depreciation		(3)
Other exceptional charges (excluding profit sharing)	(106)	(445)(1)
Total exceptional charges	(157)	(542)
Total exceptional income	(70)	11
Net total	**(96)**	**(5)**

(1) This sum includes a charge of €358 million from (the writing off of part of the debt relating to the Bâticrédit case). This charge is covered by a recovery from provisions of the same amount, recorded under recovery of provisions for exceptional depreciation (2).

Note 32: Average workforce of consolidated companies(1)

	Insurance	***2003 Banking***	***Total***	*2002 Total*
France	23,162	600	23,762	23,859
United Kingdom	998		998	1,172
Spain	825		825	866
Italy	436		436	436
Other EU	100		100	113
Non EU	324		324	107
Total	**25,845**	**600**	**26,445**	**26,553**

(1) The workforces of companies consolidated proportionally are included on a pro rata basis.

The Group also employs 1,118 employees in IT company GSI, which is not included in the scope of consolidation (1,137 employees in 2002).

Note 33: Breakdown of commitments given and received

Insurance

(€ millions)	31/12/03	31/12/02
Endorsements, sureties and guarantees received	340	167
Other commitments received	1,761	1,257
Total commitments received excluding reinsurance	2,101	1,424
Reinsurance commitments received	472	502
Endorsements, sureties and guarantees given	631	410
Other commitments relating to securities, assets or revenues	1,019	448
Other commitments given	971	827
Total commitments given excluding reinsurance	2,621	1,685
Reinsurance commitments given	212	153
Sureties belonging to health and provident institutions	3	3
Other sureties held for third parties		

At 31/12/03 unrealised capital gains on currency swaps totalled €220.7 million. Most of these operations were securitised, thus, the sum to be collected in guarantees stood at €206.3 million at 31/12/03.

Banking

(€ millions)	31/12/03	31/12/02
Financing commitments received		
Guarantee commitments received		
Commitments relating to securities pending receipt		123
Total commitments received, Banking operations		**123**
Financing commitments given	41	41
Guarantee commitments given	201	202
Commitments relating to securities pending delivery		
Total commitments given, Banking operations	**242**	**243**

Note 34: Group subsidiaries

	Business	Country	2003 % Control	2003 % Ownership	2003 Consolidation	2002 % Control	2002 % Ownership	2002 Consolidation
Caisse Centrale d'Ass. Mutuelles Agricoles	Insurance	France				-	-	A
Caisses régionales d'Ass. Mutuelles Agricoles	Insurance	France	-	-	A	-	-	A
Caisses locales d'Ass. Mutuelles Agricoles	Insurance	France	-	-	A	-	-	A
Groupama SA	Holding	France	99.82	99.80	GC	99.38	99.38	GC
Groupama Holding	Holding	France	99.96	99.96	GC			
Groupama Holding 2	Holding	France	100.00	100.00	GC			
Groupama International	Holding	France	100.00	99.80	GC	100.00	99.38	GC
Gan Assurances Vie	Insurance	France	100.00	99.80	GC	100.00	99.38	GC
Gan Patrimoine	Insurance	France	100.00	99.80	GC	100.00	99.38	GC
Caisse Fraternelle d'Épargne	Insurance	France	99.92	99.72	GC	99.93	99.31	GC
Caisse Fraternelle Vie	Insurance	France	99.72	99.52	GC	99.62	98.99	GC
Assuvie	Insurance	France	50.00	49.90	GC	50.00	49.69	GC
Gan Eurocourtage Vie	Insurance	France	100.00	99.80	GC	100.00	99.37	GC
Gan Prevoyance	Insurance	France	100.00	99.80	GC	100.00	99.38	GC
Groupama Assurances et Services	Insurance	France				100.00	99.38	GC
Groupama Vie	Insurance	France	100.00	99.80	GC	100.00	99.38	GC
Groupama Assurance Crédit	Insurance	France	100.00	99.80	GC	100.00	99.38	GC
Groupama Transport	Insurance	France	99.91	99.71	GC	99.91	99.29	GC
Scepar	Investments	France	100.00	99.80	GC	100.00	100.00	GC
Mutuaide SA	Insurance	France	99.97	99.77	GC	99.68	99.35	GC
Gan Assurances IARD	Insurance	France	100.00	99.80	GC	100.00	99.38	GC
Gan Pacifique IA	Insurance	France	100.00	99.80	GC	100.00	99.38	GC
Groupama Protection Juridique	Insurance	France	99.67	99.47	GC	99.67	99.05	GC
Gan Eurocourtage IARD	Insurance	France	100.00	99.80	GC	100.00	99.38	GC
Cofintex International	Holding	Netherlands				100.00	99.38	GC
Cofintex Luxembourg	Reinsurance	Luxembourg	100.00	99.80	GC	100.00	99.70	GC
Rampart	Reinsurance	US	100.00	99.80	GC	100.00	99.38	GC
Gan Italia Vita	Insurance	Italy	100.00	99.80	GC	100.00	99.38	GC
Luxlife	Insurance	Luxembourg	85.00	84.83	GC	85.00	84.47	GC
Gan Portugal Vida	Insurance	Portugal	100.00	99.80	GC	100.00	99.38	GC
Zénith Vie	Insurance	Switzerland	82.00	81.84	GC	82.00	81.49	GC
Gunes Sigorta	Insurance	Turkey	36.00	35.93	EM	36.00	35.78	EM
Europa Biztosito	Insurance	Hungary	100.00	99.80	GC			
Groupama Plus Ultra	Insurance	Spain	100.00	99.80	GC	100.00	99.38	GC
Plus Ultra Generales	Insurance	Spain				100.00	99.38	GC
Gan Uk Plc	Holding	UK	100.00	99.80	GC	100.00	99.38	GC
Groupama General Insurances CL	Insurance	UK	100.00	99.80	GC			
Minster Insurances	Insurance	UK	100.00	99.80	GC			
Gan Italia SPA	Insurance	Italy	100.00	99.80	GC	100.00	99.38	GC
Gan Portugal Seguros	Insurance	Portugal	100.00	99.80	GC	100.00	99.38	GC

A: Aggregate method; GC: Global consolidation; PC: Proportional consolidation; EM: Equity method.

Group subsidiaries *(cont.)*

	Business	Country	2003 % Control	2003 % Ownership	2003 Consolidation	2002 % Control	2002 % Ownership	2002 Consolidation
Groupama Gestion	Asset Mgt	France	100.00	97.75	GC	100.00	97.34	GC
Groupama Asset Management	Asset Mgt	France	97.95	97.75	GC	97.95	97.34	GC
Groupama Asset Management North America	Asset Mgt	US				100.00	97.34	GC
Groupama Alternative Assets Management	Asset Mgt	France	100.00	97.75	GC			
Finama Private Equity	Asset Mgt	France	99.98	99.78	GC	99.98	99.36	GC
Banque Finama	Banking	France	100.00	99.80	GC	100.00	99.38	GC
Groupama Banque	Banking	France	60.00	59.88	GC	60.00	59.63	GC
Groupama Épargne Salariale	Asset Mgt	France	100.00	99.80	GC			
Groupama Immobilier	Real estate	France	100.00	99.80	GC	100.00	99.38	GC
Silic	Real estate	France	41.47	41.39	GC	41.06	41.00	GC
Sepac	Real estate	France	100.00	41.39	GC	100.00	41.00	GC
Compagnie Foncière Parisienne	Real estate	France	99.72	99.53	GC	99.70	99.33	GC
Scima	Real estate	France	100.00	99.53	GC	100.00	99.33	GC
Scima 2	Real estate	France	100.00	99.53	GC	100.00	99.33	GC
Sci Défense Astorg	Real estate	France	100.00	99.53	GC	100.00	99.34	GC
Scifma	Real estate	France	100.00	99.84	GC	100.00	99.97	GC
Actipar SA	Real estate	France	100.00	99.53	GC	100.00	99.33	GC
Safragan	Real estate	France	90.00	89.58	GC	90.00	89.39	GC
261 Raspail	Real estate	France	100.00	99.53	GC	100.00	99.33	GC
Transama	Real estate	France				100.00	99.66	EM
Socomie	Real estate	France	100.00	41.39	EM	100.00	41.00	EM

A: Aggregate method; GC: Global consolidation; PC: Proportional consolidation; EM: Equity method.

Report of the statutory auditors on the combined financial statements

Fiscal year ending 31 December 2003

Groupama SA
8-10 rue d'Astorg
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As appointed by you, we have audited Groupama's combined financial statements for the fiscal year ending 31 December 2003.

The combined financial statements have been approved by the Board of Directors of Groupama SA. Our responsibility is to state an opinion on these financial statements.

I - Opinion on the combined financial statements

We have conducted our audit in accordance with generally accepted auditing standards in France. These standards require that we plan and perform an audit to obtain reasonable certainty that the consolidated financial statements are free of material misstatement. An audit includes examining, on the basis of sampling, evidence confirming the amounts and disclosures in the financial statements. An audit also consists in assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We consider that the checks we have performed provide a reasonable basis for the following opinion.

We certify that the combined financial statements, in accordance with generally accepted accounting principles in France, represent fairly, in all material aspects, the assets and financial position of the Group formed by the combined companies.

II - Substantiation of our assessments

In application of the provisions of Article L 225-235 of the French *Code de commerce* relating to the substantiation of assessments, introduced under the Financial Security act of 1 August 2003 and applicable for the first time in this financial year, we would draw your attention to the following:

Some technical items relating to insurance and reinsurance, and to assets and liabilities in your Company's combined financial statements, are estimated on statistical and actuarial bases, in particular the technical reserves, deferred acquisition costs and methods for amortising the latter. The methods used for determining these items are described in notes 3.3 and 3.4 of the notes to the financial statements.

We have assured ourselves of the reasonable character of the hypotheses underlying the calculation models used, particularly with respect to the Group's experience, its regulatory and economic environment, and the overall consistency of these hypotheses.

Positive goodwill entered under assets on the balance sheet is amortised according to the methods described in note 2.2.5 of the notes to the financial statements.

We have assured ourselves that the hypotheses used to determine the amortisation period for this goodwill are in line with forecasts in strategic plans drawn up by the Group and that no significant item has called into question their net values in the balance sheet.

The permanent depreciations provision for the securities portfolio is determined according to the methods outlined in note 3.2.2. of the notes to the financial statements.

We have assured ourselves that the valuation of these provisions is in line with the Group's confirmed intention to retain these securities and with the Group's capacity to retain these securities over a period corresponding to its intention.

In the context of our assessment of the rules and accounting principles followed by your Company, we have assured ourselves of the validity of the changes in accounting methods relating to provisions for major repairs and of the presentation of these changes.

These assessments were formed in the context of our procedures for auditing the combined financial statements and have therefore contributed to forming our unqualified opinion, as expressed in the first section of this report.

III - Specific verification

We have also verified the information given in the Group management report. We have no comment to make regarding its accuracy and consistency with the combined financial statements.

Paris, 22 April 2004

The statutory auditors

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

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