REGISTRATION DOCUMENT 2017 GROUPAMA SA

INCLUDING THE ANNUAL FINANCIAL REPORT

Groupama GROUP

INSURING TOMORROW WITH CONFIDENCE

CONTENTS

2017

GROUPAMA SA

REGISTRATION DOCUMENT

INCLUDING THE ANNUAL FINANCIAL REPORT

This Registration Document was filed with the AMF on 26 April 2018, in compliance with Article 212-13 of its General Rules. It may be used in support of a financial transaction if it is supplemented by a transaction memorandum approved by the AMF. This document was prepared by the issuer and is biding on the signatories.

This Registration Document includes all aspects of the Annual Report mentioned under Section I of Article L.451-1-2 of the French Monetary and Finance Code as well as Article 222-3 of the General Rules of the AMF. A table of concordance for the documents mentioned in Article 222-3 of the General Rules of the AMF and the corresponding sections of this Registration Document is provided on page 357.

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

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

1

OVERVIEW OF THE GROUP

1.1 HISTORY OF THE COMPANY

The creation of Groupama is a story that goes back more than one hundred years. The starting point was the Act of 4 July 1900, which allowed the birth, then the subsequent organisation of the agricultural mutual insurance movement in France.

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

The Assurances Mutuelles Agricoles very quickly realised the need to re-invent themselves and open themselves up to other insurance markets and, more recently, to the banking business, in order to continue their vocation of serving the interests of agriculture and passing on the tradition of mutual insurance.

In 1963, the Assurances Mutuelles Agricoles opened up their business to the entire non-life insurance segment.

In 1972, they started a life insurance business.

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

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

In 1998, on conclusion of a privatisation procedure involving major international groups, Groupama acquired Gan, a group whose business activities complemented those of Groupama. The acquisition resulted in the creation of one of the leading French multi-line insurers.

In 2001, seeking to extend its services to include banking products, the Group joined forces with Société Générale, the leading French retail banking institution, with a view to creating a multi-channel bank for Groupama's customers (Groupama Banque). Groupama plans to become a global player in financial insurance-banking.

Also in 2001, the Board of Directors of the Central Mutual approved a structure consolidating the regional mutuals.

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

In 2003, the regional mutuals rolled out a banking product to Groupama's members. The Group also obtained a non-life insurance licence for China.

In addition, the Group's national entities were restructured to be better adapted to its growth strategy. The Fédération Nationale Groupama was created and Groupama SA became the exclusive reinsurer of the regional mutuals following the dissolution of the Central Mutual, the Caisse Centrale des Assurances Mutuelles Agricoles.

In 2006, Groupama acquired the Spanish subsidiaries of a French group, the Turkish insurance group Basak, the 6th-largest insurer in Turkey (source: Foreign Economic Relations Division, 2006 data), as well as the British broker Carole Nash.

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

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

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

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

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

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

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

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

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

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

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

Major events of 2011 included the eurozone debt crisis, particularly in Greece, and the significant deterioration of the financial markets, which affected Groupama's financial position.

◄ CONTENTS ►

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

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

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

The General Meeting of 11 June 2014 modified Groupama SA's by-laws to include in its corporate purpose its role as central body.

In December 2015, Groupama was the first mutual insurer to launch the mutual insurance certificates authorised by the Social and Solidarity Economy law of July 2014. The regional mutuals thus acquired the necessary financial resources to invest in the territories and develop a new long-term, quality relationship with their members based on trust. As of the end of 2016, all the regional mutuals have issued mutual certificates.

In April 2016, Orange and Groupama signed an agreement to develop an unprecedented 100% mobile banking product. In October 2016, the French and European regulatory and prudential authorities authorised Orange's acquisition of 65% of the capital of Groupama Banque, renamed Orange Bank on 16 January 2017. The Orange Bank offering available in France since the second half of 2017 in the Orange distribution network will also be distributed in the Groupama group's networks in 2018.

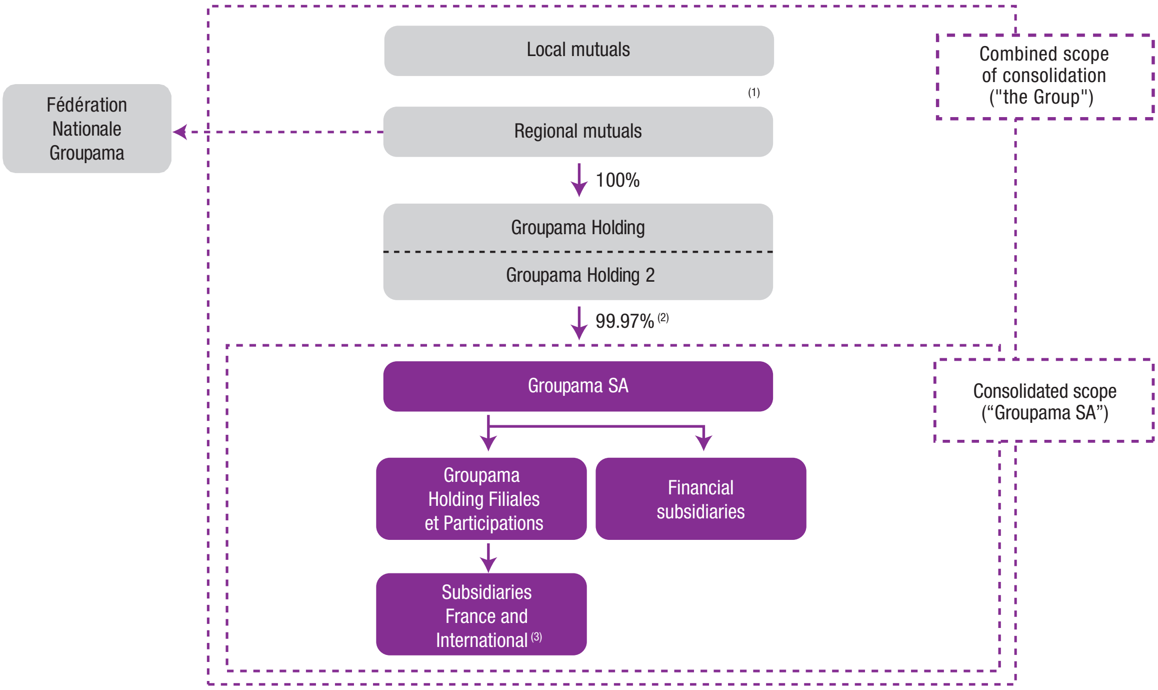
In December 2016, the "Sapin 2" law on transparency, the fight against corruption, and modernisation of the economy was published, putting in place the legislative framework required for the transformation of Groupama group's central body into a mutual insurance company (SAM) with an implementation period of 18 months. Groupama SA will thus become the Caisse Nationale de Réassurance Mutuelle Agricole Groupama (Groupama National Agricultural Reinsurance Mutual), retaining all the responsibilities associated with its role as the central body of the Groupama group.

As part of this initiative, the direct insurance portfolio held by Groupama SA was sold to Gan Assurances effective 29 November 2017, given that the future Caisse Nationale de Réassurance Mutuelle Agricole Groupama will only engage in reinsurance due to its status. On 7 December 2017, most of the insurance and service subsidiaries directly owned by Groupama SA were transferred to Groupama Holding Filiales et Participations, a holding company with the status of an insurance group company. Groupama SA retained mainly direct ownership of the financial subsidiaries, property companies, and some equity stakes.

1
2
3
4
5
6
7

CONTENTS

1.2 ORGANISATION OF THE GROUP AND GROUPAMA SA



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

(2) 92.01% held by Groupama Holding and 7.96% held by Groupama Holding 2.

(3) Certain subsidiaries (including Groupama AVIC) are directly owned by Groupama SA.

1.2.1 GENERAL ORGANISATION

The Group has a governance method which empowers everyone involved within the organisation. Members elect their representatives at the local level (36,500 elected representatives), who in turn elect their representatives at the regional and national levels. The Directors, who are all policyholders of the mutual insurance company, control all the Boards of Directors of the entities within the mutual insurance group. They select the Managers, who handle operating activities. The elected representatives thus participate in all of the Group's management bodies, whether local (3,000) or regional mutuals (9 regional mutuals in Metropolitan France, 2 overseas mutuals and 2 specialised mutuals) or national bodies, through the federations and the Boards of Directors of Groupama SA and its main direct or indirect subsidiaries.

There are therefore two scopes within Groupama:

- the combined scope, which includes all of the Group's entities and all of the activities of the regional mutuals;
- the consolidated scope, in which Groupama SA is the parent holding company. In addition to the activities of the subsidiaries, its business lines include approximately 35% of the activity of the regional mutuals, which is captured by the Internal Reinsurance mechanism.

Since 2003, Groupama has had three central structures:

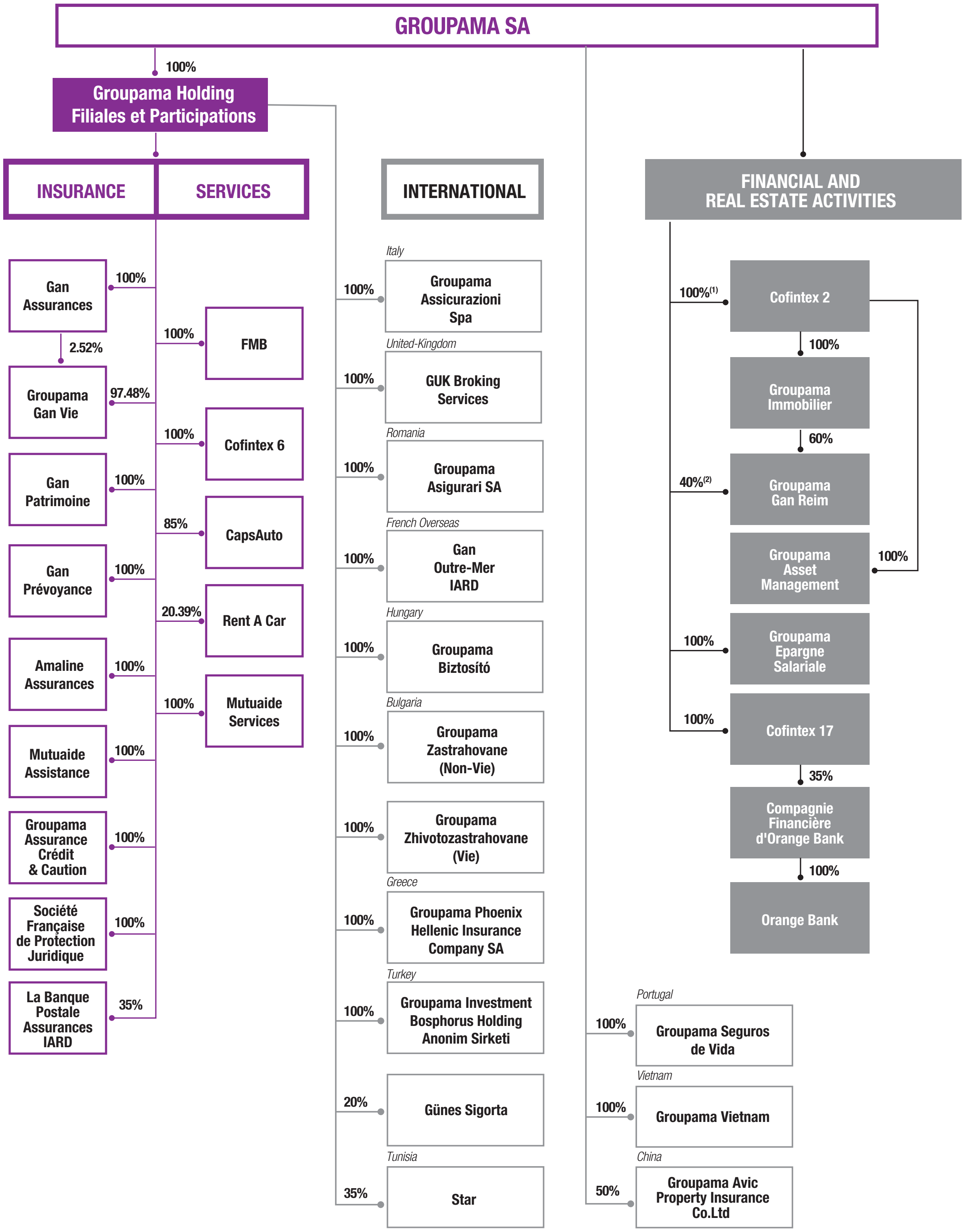
- the Fédération Nationale, comprised of the Groupama regional mutuals. Its duties are to define the general guidelines of the mutual insurance group and check their application, act as an agricultural trade association (OPA) at national level, and promote mutual-insurance principles within the Group;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

The entities share the same Chairman and the same Executive Management to ensure greater consistency.

CONTENTS

1.2.2 GROUPAMA SA

Simplified organisation chart of the Group's main subsidiaries as of 31 December 2017



(1) Directly and indirectly.

(2) Indirectly by Groupama Gan Vie.

A more exhaustive list of the Group's main subsidiaries is presented in Note 48 to the consolidated financial statements.

Groupama SA, a French *société anonyme* (public limited company), is 99.97%-owned by the Caisses Régionales d'Assurances et de Réassurances Mutuelles Agricoles and the specialised mutuals ("regional mutuals") through Groupama Holding and Groupama Holding 2. The remaining portion of its share capital (0.03%) is owned by former or current agents and employees of Groupama SA.

As at 31 December 2017, the breakdown of share capital and voting rights (including double voting rights) is the following:

- 92.01% of the capital and 91.55% of the voting rights held by Groupama Holding;
- 7.96% of the capital and 8.42% of the voting rights held by Groupama Holding 2;
- 0.03% of the capital and voting rights held by former and current agents and employees of Groupama SA (directly or through umbrella funds (FCPE)).

Both Groupama Holding and Groupama Holding 2, which are French *sociétés anonymes* (public limited companies), are wholly owned by the regional mutuals.

Groupama SA is a reinsurance company, the central body of the Groupama network, the sole reinsurer for the regional mutuals and the holding company for the Equity Management Division of the Groupama group. Its main missions are as follows:

- to ensure the cohesion and proper operation of the organisations within the Groupama network;
- to exercise administrative, technical and financial control over the structure and management of the organisations within the Groupama network;
- to define and implement the operational strategy of the Groupama group in collaboration with the regional mutuals and in line with the strategies defined by the Fédération Nationale Groupama;
- to reinsure the regional mutuals;
- to direct all subsidiaries;
- to establish the external reinsurance programme for the entire Group;
- to prepare the consolidated and combined financial statements.

The Company is governed with respect to its activities by the provisions of the French Commercial Code and the French Insurance Code and is subject to the supervision of the French Prudential Control Authority (ACPR).

1.2.3 TIES BETWEEN THE VARIOUS GROUP ENTITIES

Entities within the Groupama SA division are bound by capital ties. The subsidiaries included in this division are consolidated in the financial statements. Moreover, in exchange for a certain amount of operational autonomy, each of the subsidiaries is subject to the requirements and obligations defined by the environment of Groupama SA, particularly in terms of control.

In the Mutual Insurance Division, they are governed:

- by an Internal Reinsurance agreement that binds the regional mutuals to Groupama SA;
- by a security and joint liability agreement between all the regional mutuals and Groupama SA ("Agreement defining the security and joint solidarity mechanisms of the Caisses de Réassurance Mutuelle Agricole that are members of Fédération Nationale Groupama"). This agreement is described in more detail in Note 44, Related Parties, of the consolidated financial statements and is the subject of a special report from the statutory auditors on regulated agreements and commitments (see section 3.10).

CONTENTS

1.3 KEY FIGURES

1.3.1 GROUPAMA SA CONSOLIDATED SCOPE

The following table shows financial disclosures and ratios from the Groupama SA consolidated financial statements for the fiscal years ending 31 December 2015, 2016, and 2017. In accordance with EC Regulation No. 1606/2002 of 19 July 2002 on the application of international financial reporting standards, the Groupama SA consolidated financial statements have been prepared in accordance with the IFRS as adopted by the European Union.

(in millions of euros)	2017	2016	2015
Premium Income[1]	**10,303**	**10,140**	**10,292**
of which France Insurance	7,548	7,357	7,239
of which International Insurance	2,605	2,647	2,770
of which Financial and Banking Activities	150	136	282
Non-life combined ratio[2]	**100.3%**	**103.6%**	**102.5%**
Economic operating income[3]	**196**	**(32)**	**(27)**
Net income (Group share)	**87**	**79**	**133**
Financial structure and soundness			
Shareholders' equity (Group share)	5,257	5,613	4,811
Total balance sheet	90,645	90,484	99,345

(1) Insurance premiums written and income from financial businesses.
(2) See glossary in this registration document (page 356).
(3) Economic operating income equals net income adjusted for realised capital gains and losses, long-term impairment increases and write-backs, and unrealised capital gains and losses on financial assets recognised at fair value (all such items are net of profit sharing and corporate tax). Also adjusted are non-recurring items net of tax, impairment of value of business in force and impairment of goodwill (net of tax).

CONTENTS

1.3.2 GROUPAMA COMBINED SCOPE

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

(in millions of euros)	2017	2016	2015
Premium Income[(1)]	**13,818**	**13,576**	**13,745**
of which France Insurance	11,066	10,796	10,695
of which International Insurance	2,605	2,647	2,770
of which Financial and Banking Activities	147	133	280
Non-life combined ratio[(2)]	**98.9%**	**100.3%**	**99.2%**
Economic operating income[(3)]	**349**	**153**	**163**
Net income (Group share)	**292**	**322**	**368**
Financial structure and soundness			
Shareholders' equity (Group share)	8,912	8,752	8,219
Total balance sheet	98,957	98,085	107,295
Debt ratio[(4)]	25.9%	9.7%	10.2%
Solvency I margin[(5)]	**nd**	**nd**	**255%**
Solvency II margin[(6)]	**315%**	**289%**	**263%**
Rating			
Fitch Ratings	A-	BBB+	BBB+

(1) Insurance premiums written and income from financial businesses.

(2) See glossary in this registration document (page 356).

(3) Economic operating income equals net income adjusted for realised capital gains and losses, long-term impairment increases and write-backs, and unrealised capital gains and losses on financial assets recognised at fair value (all such items are net of profit sharing and corporate tax). Also adjusted are non-recurring items net of tax, impairment of value of business in force and impairment of goodwill (net of tax).

(4) Debt excluding cash of holdings, as a share of book value of shareholders' equity excluding re-evaluation reserve (including subordinated liabilities and minority interests). In 2017, the debt ratio was calculated according to the method chosen by our rating agency.

(5) Pursuant to European Directives, Groupama is subject to regulations for covering the solvency margin, both at the corporate level for each of the insurance companies and at the level of the combined Group.

(6) Provisional data. Reference standard for calculating the solvency margin as from 1 January 2016. Ratio calculated at the Group level, in accordance with the regulatory provisions.

On 3 May 2017, Fitch Ratings upgraded the insurer financial strength rating of Groupama SA and its subsidiaries from “BBB+” to “A-” with a “stable” outlook.

1.3.3 CONSOLIDATED SCOPE/COMBINED SCOPE DATA RECONCILIATION

Premium income

(in millions of euros)	2017	2016
Consolidated premium income	**10,304**	**10,139**
Premium income of regional mutuals	5,541	5,432
Internal operations:		
Groupama SA	(2,024)	(1,988)
Groupama Gan Vie	0	(4)
Groupama Asset Management	(2)	(3)
Combined premium income	**13,819**	**13,576**

Net income

(in millions of euros)	2017	2016
Consolidated net income	**87**	**79**
Net income of regional mutuals	206	244
Net income of Groupama SA	0	0
Net income of Gan Outre-Mer	0	0
Net income of holding companies	(1)	(1)
Combined net income	**292**	**322**

1.4 STRATEGY

In an environment of profound change, the Group has defined its strategic programme for 2014-2018.

This programme, built on Groupama's key strengths, is based on four strategic thrusts for the Group: highly satisfied customers, profitable growth, a culture of efficiency and highly motivated employees.

Each of the Group's entities has developed the strategic programme at its own level on the basis of a roll-out pack. Their employees were involved in the development of the workstreams of this programme in their Operational Strategic Plans (OSP).

AN ENVIRONMENT UNDERGOING PROFOUND CHANGE

In a context of significant change, Groupama is facing external constraints that it has to take on Board and transform into opportunities as part of the Group's strategic programme:

- a difficult economic environment, with interest rates at very low levels over the long term and a systemic crisis affecting demand for insurance and putting pressure on the economic model adopted by insurers, particularly in the life insurance segment;
- very stiff competition;
- numerous regulatory and fiscal changes (Hamon law, ANI, Solvency 2, etc.);
- significant technological advancements, with digital technology playing an increasingly significant role, and access to large quantities of information. Insurers need to be able to process information, and big data and advanced analytics represent considerable opportunities in keeping with our ethics.

A GROUP WITH SOLID STRENGTHS

The Group has a number of key strengths and differentiating factors that allow it to cope with this challenging environment:

- a dense and dynamic institutional network;
- a presence across all distribution channels with one of the most extensive networks in France and a website recognised as one of the most complete;
- a market-leading position on the P&C and health and individual protection markets;

- very strong and complementary brands, enabling it to address all types of customer base;
- an extensive range of insurance and banking products and services, enabling it to cover all of our customers' needs;
- an international network.

Groupama has built its strategic programme around these key strengths.

A STRATEGIC PROJECT BASED ON FOUR FOCUSES

The strategic project has been defined in line with Groupama's core identity: an independent, non-specialist, international group with strong agricultural roots in the mutual insurance segment.

It is structured around four strategic thrusts:

Highly satisfied customers

Customer satisfaction is at the heart of the Group's concerns – it is both a mutualist requirement and an economic approach. Satisfied customers are more loyal and more able to recommend Groupama. The strategic plan to increase customer satisfaction continues to be rolled out. It is based on three pillars: employee behaviours, fluidity of processes, and management of the quality delivered and perceived by customers.

Indicators from our customers' Net Recommendation Index and the number of customers with only one policy provide a view on the successful implementation of these customer-focused actions.

Profitable growth

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

- increasing market share for business activities with high added value, in particular:
  - individual protection,
  - professional risks, capitalising on strengths such as the Gan brand image and Groupama's institutional network,
  - savings/pensions;
- control in underwriting quality risks;
- control in claims management, supported by the deployment of the claims management improvement action plan.

A culture of efficiency

Through efficiency, the Group's operating costs can be controlled, while offering good service quality for customers.

The efficiency focus breaks down into two major action areas:

- commercial efficiency by optimising distribution networks;
- operational efficiency to simplify and digitise operating processes while improving the necessary controls.

The search for efficiency also lies in the improvement of processes, generating greater agility and better management of major projects.

Committed employees

In order to ensure that the strategic plan's implementation is a collective success, the mobilisation and engagement of employees are essential:

- development and adaptation of employee skills are reinforced to promote professionalism and mobility as well as personal fulfilment;
- supervision and management are strengthened in their actions to better highlight and channel team energies;
- employees are included in the improved business performance to better orient it for the benefit of customers;
- continued discussions about the development of the business lines and the skills needed makes it possible to identify the potential talent of tomorrow;
- lastly, developing the quality of life at work is essential, particularly through high-quality industrial dialogue.

The level of pride in belonging to the Group makes it possible to assess and reinforce the general commitment rate among employees.

1.5 HUMAN RESOURCES

1.5.1 SOCIAL POLICY

With a view to implementing its strategy, improving its performance, and therefore satisfying its customers, Groupama invests in its people and has developed a human resources policy based on social responsibility and the engagement of its 32,110 employees.

On 31 December 2017, Groupama SA and its subsidiaries had 13,718 employees (8,533 in France/Overseas Departments and Territories and 5,185 internationally).

Under the structure of the Group, the Group Human Resources Department manages and coordinates corporate policies and programmes and is at the head of the HR functional reporting line in accordance with the established distribution of responsibilities between the Group HR Department and company-level HR Departments. Each company in the Groupama SA scope of consolidation manages its human resources and its social policy as locally as possible, in line with the policy principles and the overall strategy defined by the Group.

In 2017, the consolidated companies hired 1,061 employees under permanent contracts (excluding 6 transfers and 63 secondments), including 578 in France, to strengthen their sales networks and customer relations platforms and to reinvigorate their teams of Managers and experts: 14% of the new employees are under 26 years of age, 10% are 50 and over and 19% of new hires resulted from the conversion of fixed-term contracts into permanent contracts.

In 2017, the Group organised several recruiting events for the companies: "Assure ton Futur" [Ensure Your Future] dedicated to work-study candidates and trainees (600 candidates, 169 profiles selected) and Jobmeetings in nine cities with a new after-work format to reach more candidates already working (151 people received by recruiters and group operational teams). Groupama also expanded its presence as an employer on job-boards and social networks. As for the website Groupama-gan-recrute.com, with its overhauled version in 2016, it recorded 866,000 hits (on the web and mobile sites) and nearly 103,000 applications in one year.

At the same time, the consolidated companies recorded 1,498 departures of employees on permanent contract (excluding 83 secondments), including 751 in France; these break down as follows: 0.4% voluntary redundancy plans, 35.5% resigned, 23% were laid off, 18.5% retired, 11.9% contractual terminations, 9.2% left during their probation period, and 1.5% died in service. Outside France, 747 employees under permanent contracts left: 66.3% terminated their contract, 21% resigned, 9.1% were laid off, 2.5% retired, and 0.9% died in service.

After the plan to reduce general expenses carried out between 2012 and 2014, the Group committed in 2015 to a strategy to control its expense ratios. To that end, the companies in the consolidated scope have stabilised their workforce since 2015, notably by not replacing certain departures and by favouring internal career paths and continuous improvement of skills.

Out of more than 5,000 internal applicants in France, more than 2,000 involved mobility (geographical and/or function), which was the driving force behind the performance of the employees and the Group companies in 2017. The Mouvy intranet site, the internal online recruitment site open to all Group employees in France, recorded 4,317 applications in 2017. Since 2010, all inter-company transfers and secondments within the Group have been governed by a Group agreement. A unanimously signed *addendum* was added in June 2014, reinforcing the mechanisms in place: improved support, better publication of job ads on Mouvy, reduced time frames for transfers, etc.

As of the end of 2017, the payroll shared services centre handled within the Group HR Department the payroll and administrative management of eight entities. Within this framework, the companies of the UES offered in April 2016 an individual electronic safe to all their employees and started issuing paperless pay slips. 98% of employees have activated their safe. The shared service centre has committed to offering payroll services to other subsidiaries and integrating Group training and HR reporting into its scope of involvement over the coming years. The main goals of this grouping within the new HR Expertise Centre are to optimise and secure the processes.

The investment for training within the scope of consolidation in France in 2017 amounted to 2.5% of payroll (not including OPCA deposits and other expenditures). The development of business and managerial skills remains constant with around 4 out of 5 employees concerned in all professional categories. The priority training programmes remain specific to each business line and also devote a significant part to managerial themes. They are supplemented in particular by digital acculturation actions, deployed across very broad audiences and taking various forms (training, conferences, reverse mentoring, e-learning, collaborative programs).

The deployment of the LMS (learning management system) platform launched in 2016 was completed in 2017 to meet the challenges of training and digital transformation of the Group. Twenty-nine thousand employees from 29 Group companies now have access to it. This online platform hosts all training materials (face-to-face, e-learning, virtual classroom, blended learning, video, etc.), from identification of needs to assessment of training.

The operation of the Group, which is made up of smaller-sized companies, is built around a management model based on symmetry of attention, an approach aiming to favour the engagement and well-being at work of employees so that they invest themselves in the continuous improvement of the satisfaction of their internal and external customers.

In France, the companies within the consolidated scope are increasingly guiding their employee development programmes towards support actions by helping them to understand current changes and to adapt to an uncertain environment. It is in this context that the Vision days were organised in March 2017, both to support the Group's strategy and to deploy a culture of innovation, then relayed to their teams by the 1,000 Managers gathered on this occasion.

Inventing and generating new ways of working is one of the objectives of the Campus project, which brings together nearly 3,500 employees from eight companies in a group of five buildings, in the La Défense district in Nanterre, between September 2017 and early 2021 (just over 900 employees of Groupama SA and Gan Assurances moved there in 2017). Priority is given to well-being at work and work/life balance by providing modern, digitised resources in completely overhauled work spaces promoting better knowledge of each other, cross-functionality, and collaboration. Among the key innovations of 2017 is also the implementation of teleworking, through a collective agreement entered into as part of the UES, which allows nearly 700 employees of these companies to benefit from greater flexibility in the organisation of their working hours.

Furthermore, 78 future Managers, selected by the Technical Careers Committee, participated in the "Directors Leadership" programme to prepare them for holding strategic positions.

In order to identify and build the loyalty of the talent necessary to the Group and its companies, the "Groupama Talents" application is gradually being rolled out to all categories of employees. Groupama SA and 18 subsidiaries of the consolidated scope have deployed it with 9,000 employees. Staff reviews have been conducted in each company.

In France, the consolidated companies are principally regulated by the Collective Insurance Companies Agreement (covering 88% of employees), with the other companies regulated by agreements covering their own business lines (banking, support, etc.). Contractual provisions are supplemented by inter-company or company agreements, especially with regard to the organisation and duration of work as well as pension and protection insurance schemes.

At the Group level, industrial dialogue is managed in France within the Group Committee and the industrial dialogue Commission, a negotiating body, and at European level within the European Works Council.

With respect to the collective wages policy, profit-sharing measures are in place in all Group companies in France. To this end, more than €15,613,185 (7,175 beneficiaries) and €3,475,554 (1,369 beneficiaries) respectively were paid out in 2017.

The Group's identity is built on its values of proximity, commitment, performance and solidarity. It is committed as an insurer, as an agricultural trade association and as a responsible employer. As such, the diversity and equal opportunity agreement was amended in 2015 with the following objective:

- harmonise practices for integrating employees with disabilities and maintaining their employment;
- establish support measures for employees who are caregivers;
- promote work/life balance and taking more account of the family situation of employees, particularly single-parent families;
- promote gender equality at work.

Groupama has also taken operational initiatives, developing its presence in "diversity" recruitment fairs, supporting the integration of disabled persons and actively participating in the European week focusing on the employment of people with disabilities.

In 2017, 15 employees (permanent or fixed-term contracts) with disabilities were recruited in the consolidated companies in France. Over ten years, nearly 1,000 employees with disabilities have been recruited (permanent and fixed-term contracts, training contracts or as temporary workers) by the French companies in the framework of this long-term commitment.

Groupama has also broadened the scope of its work on the subject of professional gender equality. In France in 2017, in the consolidated companies, 51% of staff promoted to managerial positions were women, bringing the ratio of women Managers to 48%.

In addition, the companies were attentive in 2017 to the application of the Group agreement on quality of life at work – for the development of actions to prevent, handle and eliminate or, failing that, reduce potential psychosocial risks – and the amendment in 2014 that reinforced the following areas:

- consolidate and reinforce the role of the Group "Committee for Quality of Life at Work";
- establish collective prevention measures, such as Training Managers on quality of life at work and the prevention of psychosocial risks; encouraging work/life balance; promoting the implementation of forums for discussion among employees;
- integration of the prevention of psychosocial risks within the Group companies: appointment of an HR coordinator for PSR and quality of life at work in each company; development of a diagnostic and an action plan for PSR situations to which employees have been exposed; implementation of a crisis management procedure; support for staff during times of significant transformation.

The implementation of the job security law of 14 June 2013 was done as part of a concerted approach at Group level, particularly relating to the implementation of economic and social databases (BDES) and consultation of the works councils on strategic directions and priorities. Since June 2014, the companies (with more than 50 employees) have made available to their staff representative bodies a database developed from a harmonised structure and communicated their three-year strategic priorities (in 2017 for the 2018-2020 period) as part of the works council information/consultation process. A Group tool has been offered since June 2017 and is used by 90% of companies.

Moreover, in 2017, for the fifth year, the Group HR Department carried out social information production projects in the consolidated companies, relating to the obligations of transparency and non-financial reporting covered in the Grenelle law, which, after audit and verification by the statutory auditors, obtained the certificate of participation and an attestation of sincerity.

Thus, Groupama offers all its employees a social and human plan over the long term, consistent with its values and within the framework now established by the Code of Ethics.

◄ CONTENTS ►

1.5.2 GROUP CONSOLIDATED WORKFORCE (FRANCE & INTERNATIONAL)

The consolidated scope includes approximately thirty companies for a total workforce, as at the end of 2017, of 13,718 employees.

The table below (fiscal years 2017 and 2016) corresponds to Note 45 to the consolidated financial statements for fiscal year 2017, as audited by the statutory auditors.

	2017			2016	2015
Number of employees	**Insurance**	**Finance**	**Total**	**Total**	**Total**
France	8,250	283	8,533	8,694	9,345
United Kingdom	0		0	21	359
Italy	796		796	816	830
Hungary	1,855		1,855	2,079	2,183
Greece	302		302	309	319
Romania	1,548		1,548	1,547	1,548
Other EU	194		194	272	276
Outside EU	490		490	528	542
TOTAL	**13,435**	**283**	**13,718**	**14,266**	**15,402**

The decrease in workforce is mainly related to the accounting of the Portuguese subsidiary as business activities to be sold or discontinued, for 89 at 31 December 2017.

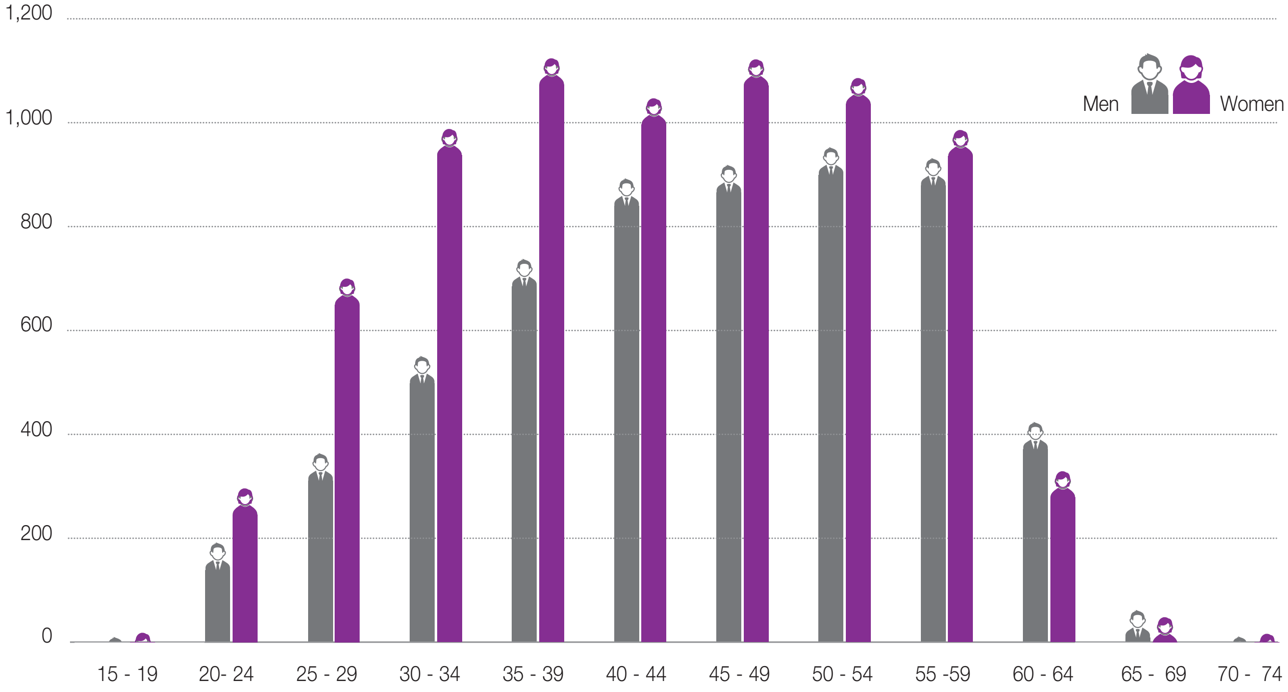
Number of employees	**2017**	**2016**	**2015**
Groupama SA	1,245	1,234	1,268
registered offices and after-sales services of subsidiaries with a customer/network relationship(1)	1,455	1,544	1,552
Sales forces of subsidiaries with customer/network relationship(1)	1,180	1,238	1,350
France insurance/bank and services subsidiaries(2)	2,804	2,768	3,228
of which Groupama Banque	0	0	604
Financial and real estate subsidiaries(3)	390	419	423
Support companies (Groupama Support & Services)	1,459	1,491	1,524
Subtotal France	**8,533**	**8,694**	**9,345**
International	**5,185**	**5,572**	**6,057**
TOTAL	**13,718**	**14,266**	**15,402**

(1) Gan Assurances, Gan Patrimoine, Gan Prévoyance, Gan Outre-Mer IARD.
(2) Groupama Gan Vie, Groupama Banque, Groupama Épargne Salariale, Groupama Assurance-Crédit & Caution, Amaline, Société Française de Protection Juridique, Mutuaide.
(3) Groupama Asset Management, Groupama Immobilier, property businesses.

Distribution by gender		**Breakdown by policy type**		**Breakdown by status type**	
Men	Women	Permanent contract	Fixed-term (incl. work/study)	NC	C
44%	56%	94%	6% / 2%	61%	39%

CONTENTS

The age pyramid is distributed as follows:



1.5.3 EQUITY STAKES AND STOCK OPTIONS

Groupama SA awarded no stock subscription or purchase options to officers or employees in the fiscal year 2017. As of the date of filing of this registration document, there were no stock subscription or purchase options able to be exercised.

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

1.5.4 COMMITMENTS TO PERSONNEL

1.5.4.1 Pension schemes

The Group's companies have different retirement schemes. These schemes are generally financed by contributions paid to insurance companies or other funds, which are administered and valued on the basis of periodic actuarial calculations.

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

1.5.4.2 Other long-term benefits

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

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

1.6 GROUPAMA CORPORATE SOCIAL RESPONSIBILITY POLICY (CSR)

The principal Corporate Social Responsibility indicators are presented in the report of the Board of Directors appearing in section 5.1.12 of this registration document.

Groupama, ever driven by its values – proximity, commitment, performance, and solidarity – in the pursuit of serving people customer satisfaction, has throughout its history striven to respond to social issues – economic, social, and environmental expectations. Rooted in the territories, the Groupama group is attentive to its environment and has a long-term vision for its actions.

We believe the CSR approach is a key factor in our employees' engagement and motivation, in innovation, operational efficiency and the reinforcement of the quality of our relationship with external and internal audiences, thus building confidence.

The Group has adopted a CSR plan for 2016-2018. Its objective is to mobilise the entire group around CSR with high added value to serve the Group's strategic challenges. The plan was constructed through a collaborative approach, involving the coordinators and departments of the companies, with the ambition of further anchoring CSR into the group's everyday activities.

The CSR strategy is based on four commitment priorities:

› Implementing extensive responsibility as an employer

For a number of years, beyond the quality social status (social protection, employee savings, etc.), Groupama has made many commitments as a responsible employer in line with the social issues of CSR, such as professional equality, non-discrimination and promotion of diversity, employment of workers with disabilities and quality of life at work, while at the same time increasing employees' engagement levels. This momentum continues at the Group level and within the companies, strengthening the recruitment of new profiles and the employability and adaptability of employees, in a content of strong development of digital. The biannual Group Opinion Survey assesses changes in the level of employee engagement (73% in 2016, +2 points compared with 2014). The next edition of the survey will be conducted in 2018.

› Acting as a responsible, long-term partner of our customers and members

As a pioneering group with strong brands, Groupama develops insurance and financial products and services that respond to society's major issues, such as mobility, support for entrepreneurship, incentives for responsible behaviour, management of sustainable social protection (retirement, health), problems related to the ageing of the population (assistance, long-term care) and Asset Management incorporating environmental (including the climate), social, and governance criteria (ESG). Today, Groupama is committed to going further in the integration of societal factors into the design of its offerings by using innovation. In addition to offerings, the goal is to continue to develop a responsible relationship based on long-term advice, transparency, accessibility, and a complete prevention policy – safety of property and people, healthcare, prevention of weather risks, etc. – and deployed as local actions, meeting our customers where they are, whether they are private customers, professionals (including in agriculture), companies, or local authorities.

› Strengthening our contribution to the development of the regions and the progress of community organisations and associations

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

For more than 15 years, Groupama has contributed, in conjunction the Groupama Health Foundation, to the fight against rare diseases (research support, information about rare diseases and support for patients). This is one of Groupama's three public health priorities, along with the fight against cancer and Alzheimer's disease. Since its creation, the Foundation has supported more than 30 researchers and hundreds of projects and associations. We will be seeking to highlight our support for research – including medico-social research – and further mobilise our elected representatives and employees around this commitment. A Rare Diseases Research Prize, worth €500,000, was launched in 2017.

› Acting for the environment

We have initiated actions to emphasise the reduction of our environment footprint. We thus wish to continue our efforts and decrease our CO_2 emissions in line with the energy transition law (2015) through energy efficiency and economic use of resources (energy and paper consumption, travel, etc.). Groupama is fully aware of its responsibility in terms of indirect impacts and, as such, has developed actions over several years supporting the eco-responsibility of its customers and suppliers, *via* its innovative insurance and financial offerings (behavioural pricing, renewable energies insurance, SRI products, etc.), prevention and awareness actions, and its procurement contracts. The same is true for the investment policy and the development of our forest assets.

2

THE GROUP'S BUSINESSES

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

Groupama, a mutual insurance Group, is a multi-line insurer, founded at the end of the 19th century by farmers. The expertise developed by the Group throughout its history has been extended to the benefit of all socio-economic players: individuals, professionals, companies and local authorities. Today, Groupama is a major player on the insurance market in France (9th largest French multi-line insurer, source: L'Argus de l'Assurance), in property and casualty insurance, life and health insurance, and financial businesses.

As at the end of 2017, Groupama benefits from dense, complementary distribution networks covering the entire French territory: 7,800 salespeople employed by Groupama's regional mutuals, 900 general agents and 170 representatives at Gan Assurances, 600 partner brokers at Gan Eurocourtage, 330 Gan Patrimoine agents and 550 in-house advisors at Gan Prévoyance.

Groupama also has a presence in direct sales channels following the 2008 launch of Amaguiz.com, a brand exclusively dedicated to direct insurance sales *via* the Internet.

On the domestic market, the Group is supported by the following three brands: Groupama, Gan and Amaguiz, each offering their own specific line of products and services.

Internationally, the Group is present in 10 countries, mainly in Europe and with growth areas in Asia.

2.1.1 STRUCTURE OF CONSOLIDATED PREMIUM INCOME

At the end of 2017, Groupama SA reported total consolidated premium income of €10,304 million, including €10,154 million in insurance premiums and €150 million originating from Asset Management and other financial businesses.

Approximately 75% of Groupama SA's insurance business is carried out in France, amounting to €7.5 billion as at 31 December 2017.

The table below presents the breakdown of premium income by business line in France and internationally.

(in millions of euros)	31.12.2017	31.12.2016	31.12.2015	Change 2017/2016(1)
Property and casualty insurance - France	3,349	3,267	3,218	+2.8%
Life and health insurance - France	4,199	4,090	4,022	+2.7%
Subtotal France	**7,548**	**7,357**	**7,239**	**+2.7%**
Property and casualty insurance - International	1,765	1,767	1,787	+4.0%
Life and health insurance - International	840	880	983	+4.1%
Subtotal International	**2,605**	**2,647**	**2,770**	**+4.1%**
Banking and financial activities	150	136	282	+10.7%
TOTAL GROUPAMA SA	**10,303**	**10,140**	**10,292**	**+3.2%**

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

Details of the premium income by business segment are presented in "Note 33 – Analysis of insurance premium income by major categories" in section 6 – "Financial Statements" of this registration document.

◄ CONTENTS ►

2.1.2 FRENCH NETWORKS

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

(in millions of euros)	31.12.2017	31.12.2016	31.12.2015
Groupama SA	2,154	2,132	2,123
Groupama Gan Vie	3,595	3,490	3,399
Gan Assurances	1,422	1,395	1,414
Amaline Assurances	69	58	57
Other specialist Group companies(1)	308	281	247
Subtotal Insurance - France	**7,548**	**7,356**	**7,239**
Banking and financial activities(2)	150	136	282

(1) Groupama Assurance-Crédit & Caution, Mutuaide Assistance, Société Française de Protection Juridique, Caisse Fraternelle Epargne, and Caisse Fraternelle Vie, Assuvie.

(2) Following the agreement signed with Orange in April 2016, Orange Bank (formerly Groupama Banque) has been accounted for under the equity method in the financial statements since 2016.

2.1.2.1 Groupama network

The Groupama network includes local and regional mutuals.

The local mutuals are the basis of Groupama's mutualist organisation, allowing true proximity to be established with policyholders. Policyholders automatically become members of a local mutual, which gives them the right to participate in the General Meeting, be listened to, elect their representatives to the Board of Directors and be candidates for the Board.

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

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

At the end of 2017, the Groupama network had 9 regional mutuals in metropolitan France, 2 overseas mutuals and 2 specialised mutuals.

2.1.2.2 Gan networks

Gan Assurances has a network of 900 general agents and 170 representatives.

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

Gan Prévoyance has a network of 550 salespeople.

Gan Patrimoine offers its products through a network of 330 agents.

2.1.2.3 Direct sales channels

Amaguiz is the brand dedicated to innovation and online insurance in the Group. As at the end of 2017, with more than 250,000 policies in its portfolio, Amaguiz.com is one of the leading players in France in direct insurance sales to individuals (motor, home and health insurance, Everyday Accident, dogs/cats and loan insurance) by Internet and telephone.

In 2017, Amaguiz continued to build partnerships with start-ups and redesigned its entire website at amaguiz.com and its subscription processes to provide the best customer experience and service quality.

2.1.2.4 Partnerships

Groupama signed a partnership agreement with La Banque Postale in 2009 resulting in the creation of a joint venture, La Banque Postale Assurances IARD, 65% of which is held by La Banque Postale. This Company began distributing non-life insurance products at the end of 2010 *via* distance-selling channels (Internet and telephone) and *via* La Banque Postale's network of offices. The commercial arrangement has clearly yielded results, with the portfolio amounting to more than 1.6 million policies at the end of 2017.

Since 2015, DIAC, the Renault Group's financing and services subsidiary, and Amaguiz have teamed up to offer motor insurance to buyers of a new or used car purchased within the Renault and Dacia networks. DIAC and Amaguiz have constructed a special offering for customers of the Renault and Dacia brands: a simple, comprehensive, competitive offering for used vehicles. The Renault and Dacia brands have offered this motor insurance solution through DIAC. In 2017, Amaguiz strengthened its partnership with DIAC by launching multi-risk home insurance for all Renault and Dacia customers.

2.1.3 INTERNATIONAL NETWORKS

Groupama offers a wide range of non-life and life insurance products internationally, in 10 countries, mainly in Europe. Products on these markets are offered *via* various distribution networks, particularly exclusive agents, salespeople, brokers, banking networks and partnerships.

In the mid-2000s, the Group began to establish banking partnerships, sometimes exclusive, a particular example being the exclusive agreement with OTP Bank covering several countries in Central and Eastern Europe; these partnerships have enabled the Group to develop in new markets supported by established players. In addition to bancassurance partnerships, the international subsidiaries have developed exclusive and non-exclusive distribution agreements with partners such as leasing companies, automobile distribution networks, or farming cooperatives, such as in Turkey, where the Group signed an exclusive agreement with the farming cooperative TKK in 2008. During the 1st half of 2013, Groupama Assicurazioni signed several bancassurance agreements with independent regional banking institutes of medium size located in located in north-central Italy.

At the end of 2010, Groupama and the AVIC group (Aviation Industry Corporation of China) signed an agreement on the creation of a joint venture to expand activities in the non-life insurance segment in the People's Republic of China. The joint venture Groupama AVIC has established sales and service networks for individuals and companies in the provinces where it holds licences. In November 2012, it obtained the qualification to provide complete coverage in non-life insurance on the Chinese market. In 2013, Groupama and the AVIC Group signed a second partnership agreement in the field of insurance to support the strong growth of Groupama AVIC Insurance on the agricultural market and the rural sector in China. In 2017, Groupama AVIC Insurance is present in 7 provinces in the People's Republic of China.

2.2 INSURANCE IN FRANCE

2.2.1 ECONOMIC ENVIRONMENT AND MARKET TRENDS

In 2017, French insurance premium income was stable at €208 billion. This general market trend reflects the 2.3% increase in activity in property and casualty insurance and the stability of life and health insurance (-0.1%), which represented nearly 75% of premium income in 2017 (*source: FFA – 15 March 2018*).

Life and health insurance premium income was stable at €153 billion. For the second year in a row, life insurance declined by -1.8% to €131 billion as of the end of 2017. The proportion of UL vehicles was 28%. Net life insurance inflows (deposits greater than withdrawals), totalling €7.2 billion, were down by nearly €10 billion from 2016. Life insurance assets continued to grow, amounting to €1,676 billion in 2017. In health insurance, premium income grew 4.5% to €22 billion, with growth in healthcare (+3.7%) and protection insurance (+5.4%).

Premium income in property and casualty insurance increased 2.3% to €54 billion. Changes in the volume of insurable items and strong competition weighed on premium growth. The individual insurance sector continues to drive the market upward, with an increase in multi-risk home insurance of 2.4% and motor insurance of 1.9%. The loss experience in 2017 deteriorated, particularly due to the increase in average costs in motor insurance that outbalanced the decrease in frequencies as well as the scale of the impact of Hurricane Irma in the French Antilles, with a total cost estimated at €1.9 billion.

2.2.2 COMPETITION AND POSITIONING

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

The difference lies primarily in the following criteria:

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

CONTENTS

Groupama SA generated €7.5 billion in insurance premium income in France during 2017. The table below shows the change in Groupama's ranking in France, 9th-largest French multi-line insurer in 2017:

French ranking[1]	2017	2016
Insurance	9	8
P&C	3	3
L&H	13	12

(1) Source: L'Argus de l'assurance – December 2017 and December 2016.

2.2.3 PROPERTY AND CASUALTY INSURANCE

Groupama SA generated €3.3 billion in premium income in property and casualty insurance in France (44% of premium income generated in France) as at 31 December 2017.

2.2.3.1 Motor insurance

The Group holds 4th place on the French market in terms of number of policies *(source: L'Argus de l'assurance, October 2017)* and insures more than 3,800,000 passenger vehicles[1] (excluding fleets) at the end of 2017.

The Group offers a complete, innovative range of products and services at competitive prices responding to the major trends in consumption and including an original value-added service offering with the CapsAuto network of repairers as well as a unique prevention offering *via* the Centaure driving training centres, for policyholders and their children, also available to all drivers.

In 2016, the Group launched a priority project to better integrate the innovations of the motor sector into its offerings. Behavioural insurance, connected car, (semi)autonomous vehicle, and management of connected objects (telematics unit, for example) are all topics where Groupama has established a position to offer its customers solutions in line with their needs and the changes in the motor insurance sector.

Since June 2017, Groupama has also been involved in the field of new practices such as carpooling and car rental between individuals by offering its members an extension of the main covers of its major motor insurance policy, Conduire, without any additional costs or formalities.

2.2.3.2 Multi-risk home insurance

Groupama is ranked second on this market in France *(source: L'Argus de l'assurance, October 2017)*, insuring nearly 3.5 million homes[1] as at 31 December 2017.

The premium income growth in 2017 is explained particularly by the gradual improvement of overall competitive pricing on the individual insurance market. The Group also continues to benefit from its development in new fields: improvement of the urban network, development of the offering at Amaguiz.com, and rollout of the distribution partnership with La Banque Postale.

In 2017, the Group launched mobile device insurance in its new multi-risk home insurance offering. This option, offered to households wishing to protect themselves for all their mobile devices (phones and digital devices), covers the repair or replacement of mobile devices. Groupama thus permits better control of the insurance budget with a single policy to cover all the mobile devices of a household.

2.2.3.3 Services

(a) Assistance, remote surveillance, remote alarms

Offered by Mutuaide Assistance, which has operations in all assistance business lines (car breakdown assistance, medical repatriation, travel insurance, home care), this business places the Group in sixth position on this market in France (source: L'Argus de L'assurance, June 2017).

Groupama has recognised expertise on the business lines of remote surveillance of property and remote assistance of individuals through the subsidiaries Cofintex 6, TéléSécurité Loire Bretagne, Sécurité Ouest Services, Spara, and Présence Verte. In August 2017, Groupama and Cofintex 6 launched the Noé offering, the first comprehensive remote assistance offering coupled with a real social network dedicated to seniors and their families.

More than 50,000 customers trust the Group for the security of their private or professional property, and the Group has nearly 150,000 subscribers for individual protection, thanks to innovative, simple, accessible plans.

(b) Legal Protection

Groupama is the second-largest player in France (source: FFA, 2015) in the legal protection market, with insurance cover managed by the regional mutuals and Société Française de Protection Juridique (SFPJ). With this cover, Groupama provides support to policyholders, whether individual or professional, who face situations of conflict, by helping them to assert their claims and assuming the corresponding expenses. SFPJ's operating performance is based on the satisfaction of its customers, managed by its ISO 9001 certification since 1998, and a continuous improvement approach to customer satisfaction.

In 2017, the Group launched its new independent legal protection insurance for individuals incorporating innovative covers such as e-reputation and identity theft. SFPJ also rolled out a new innovative legal protection solution aimed at professionals and small businesses.

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

1 2 3 4 5 6 7

(c) Credit insurance

Groupama Assurance-Crédit & Caution is the Group specialist in matters of credit insurance and surety. Its products are marketed by the regional mutuals, Gan Assurances agents and specialist brokers. Its premium income amounted to €40 million as at 31 December 2017.

2.2.3.4 Agricultural insurance

Groupama, the leading insurer in the agricultural world, has an ever-increasing presence with farmers.

Today, more than two-thirds of farmers are not yet adequately insured. The Group, armed with its OPA status and within the French agriculture council (CAF), has chosen to adopt a pedagogical attitude towards farmers. Today, Groupama's "CLIMATS" climate multi-risk insurance for harvests is one of the main tools for financially securing a farm in the event of weather-related claims. The Group also launched its "Objectif stabilité" policy (revenue insurance), responding to the context of market deregulation and rising volatility in commodity prices.

In addition, Groupama constantly adapts its risk prevention approach to respond to farmers' issues. The aim is to support farmers in their daily lives in the development of their businesses by offering them services such as advisory visits to analyse the risks present on the farm or even personalised prevention plans.

Other initiatives for the agricultural world were carried out by the Group, such as the partnership with "Naïo Technologies" or "Airinov" to protect the new equipment (drones, robots, etc.) that has become everyday working tools for farmers. Drones are also used by some weather experts to facilitate appraisals on crop damage. Groupama is thus the insurer of the WeFarmUp platform.

Lastly, the Group renewed its traditional partnerships with FNCUMA and Entrepreneurs du Territoire and began a new partnership with Méthaniseurs de France (AAMF) to support farmers carrying out projects or those already producing biogas in a "Safety and risk management" approach.

2.2.3.5 Professional insurance

This category includes micro-enterprises, very small businesses and heads of independent companies with very diverse profiles (craftsmen, retailers, self-employed professionals, and service providers). The Group, the number 2 player on this market (source: CSA Research, PEPITES – April 2016), has updated its comprehensive range of offerings and has diagnostic tools that enable risk analysis and advisory services that meet customers' needs as closely as possible.

2.2.3.6 Construction

In an increasingly challenging economic environment, Groupama SA generated €87 million in premium income as at 31 December 2017, driven primarily by multi-risk policies (Non-Life, Civil Liability, and Ten-Year Civil Liability) and distributed through the employee and agent networks.

2.2.3.7 Insurance for local authorities

As the leading insurer of local authorities and organisations, Groupama has a renewed insurance offering for public authorities. This new offering is a response to the new risks that local authorities must face due to territorial reorganisation in France.

The Group provides prevention and advisory services adapted to the risks faced in today's environment: road accident prevention thanks to the Centaure training centres, crisis management, prevention of climate-related risks, etc. In the area of climate-related risk prevention with local authorities, the roll-out of the Groupama – Prédict service continued in 2017; this service sends out highly localised alerts on the Internet and by SMS in the event of a weather event or natural disaster, based on customised information provided up front. The Group also continues to roll out the mayor's "e-guide" and its Apple and Android apps that inform elected officials of local authorities of the risks and how best to control them and is gradually developing its service providing theft and vandalism prevention in public areas.

2.2.3.8 Commercial insurance

In a continued difficult economic environment where pricing competition is particularly fierce, the Group has maintained its level of involvement with businesses. Beyond the agri-food sector, where Groupama remains the leading insurer, Groupama is strengthening its presence alongside SMEs and SMIs. They have access to a very comprehensive offering, including the "base" covers of casualty insurance, credit insurance, Group insurance, employee savings, legal protection, as well as pensions and protection in case of unemployment of the business head. Groupama also intends to support its business customers in the face of the emergence of new risks to which they are exposed; in this context, Groupama has developed a cyber risk cover to protect and support companies that are victims of hacker attacks.

2.2.4 LIFE AND HEALTH INSURANCE

Groupama SA generated premium income of €4.2 billion in life and health insurance (56% of premium income generated in France) as at 31 December 2017.

2.2.4.1 Individual health

In a changing environment, Groupama has managed to maintain its number 1 position as an individual health insurer (source: L'Argus de l'assurance – June 2017).

In 2017, the Group innovated by making the third-party payer certificate available to all of its 1.4 million health policyholders in their customer space.

The customer area for Groupama individual health insurance policyholders has been redesigned to make their experience easier. It is simpler and more user-friendly and can be accessed through any mode of connection. Policyholders can take advantage of many health services in complete security, for example tracking reimbursements, location or geolocation of Sévéane health professionals (opticians, dentists, and hearing aid specialists), details of their cover, reimbursement simulator, prevention space, and their "E-mag'santé".

In addition, in 2017, Groupama decided to increase the amount covered for a private hospital room. The scope of alternative medicine was also expanded in the Groupama Active Health and Groupama Active Health Senior offerings to anticipate the needs of our policyholders.

Lastly, Groupama continued to assume its role as insurer for beneficiaries of supplemental healthcare assistance.

2.2.4.2 Individual savings/pensions

As at 31 December 2017, Groupama SA generated €1.7 billion in premium income in individual savings/pensions, with a share of unit-linked products in individual savings of 45.5%, outperforming the market.

In 2016, the Group expanded its range of structured products, temporary unit-linked policies, offering attractive performance potential along with various levels of capital protection and established an expanded range of sustainable funds (Horizon, OPCI, BGF Global Allocation, etc.). The Group also incorporated a new innovative time-horizon management method into the set of life insurance savings multi-component policies to help customers build up savings in keeping with their life plans.

In 2017, to optimise and facilitate interaction with customers, the Group launched the iPat project, continuing on from the iPrev project, and thus equipped all the agents and inspectors with a new digitised, totally paperless workstation, including electronic signatures.

2.2.4.3 Protection insurance

As a leading player in a highly competitive market, Groupama launched the "Prévoyance 2020" project in 2017, the first result of which is the new simplified, unified, digitised procedure for underwriting medical risks.

In addition, the success of Groupama's "Everyday Accident" offering was confirmed with 7% growth in 2017. This offering, available in several versions, allows policyholders to protect themselves and/or their family against everyday accidents covered little or not at all by the mandatory scheme.

2.2.4.4 Group insurance

The Group generated €1.6 billion in Group insurance premium income as at the end of 2017.

The fiscal year was again very favourable in terms of sales, supported particularly in Group health. The ANI allowed the Group to see a 20% increase in covered very small businesses in 2017.

In Group retirement, the Group is accelerating its development, with a strong increase in investments in unit-linked products (UL).

The digitalisation of the services associated with the range of solutions was intensified, with the sole objective of improving and simplifying the customer experience. In retirement, for example, members with an Article 83 contract can now make occasional or regular deposits with secure online payment and simulate the annuity of their contract, a feature also open to self-employed individuals.

The quality of the Group's support for its partners and customers has been rewarded. The brokerage awarded it first place for the quality of its online business space. Its commercial performance has also been acclaimed internationally: the Insurope network, a network for pooling social protection solutions for companies worldwide, of which Groupama Gan Vie is the exclusive partner in France, awarded the Insurope Award to the sales teams. They won first place in EMEA (Europe, Middle East, and Africa) and globally.

2.2.4.5 Employee savings

Groupama Epargne Salariale is the Group subsidiary dedicated to employee savings. Its products are distributed mainly by the regional mutuals, Gan Assurances, Gan Eurocourtage, and Gan Prévoyance. Groupama Asset Management's employee savings under management reached €2.1 billion at the end of 2017, including €1.2 billion entrusted to Groupama Épargne Salariale by its customers. In 2017, more than 1,000 new companies signed up, making the Group one of the market's most dynamic players with more than 14,000 companies in its portfolio.

2017 also saw the creation of a Corporate Savings and Retirement (ERE) department with the goal of promoting employee savings and group retirement solutions. Groupama Épargne Salariale was also a partner of the first Employee Savings Week. This local initiative led by the AMF, the Treasury, the Directorate of Labour, and the AFG aimed to promote employee savings.

For the 8th year, Groupama Épargne Salariale's offerings were awarded the "Excellence" labels by Les Dossiers de l'Épargne. This label is awarded by experts to the best policies on the market.

◄ CONTENTS ►

2.3 INTERNATIONAL INSURANCE

Groupama SA generated €2.6 billion in insurance premium income internationally during 2017. Premiums written reached €1.8 billion (68% of total premiums) in property and casualty insurance and €0.8 billion (32% of total premiums) in life and health insurance.

The Group is present in 10 countries, mainly in Europe and with growth areas in Asia. The table below presents Groupama's rankings in the major countries where the Group is present:

Ranking	2017		2016	
	Non-life	Life	Non-life	Life
Italy[(1)]	8	23	7	24
Turkey[(2)]	10	12	8	12
Hungary[(3)]	4	4	4	3
Romania[(4)]	5	10	5	11
Greece[(5)]	10	9	10	9

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

The table below presents the geographical breakdown of international premium income:

Premium income *(in millions of euros)*	31.12.2017	31.12.2016	31.12.2015	Change 2017/2016[(3)]
International insurance	**2,605**	**2,647**	**2,770**	**+4.1%**
Italy	1,506	1,456	1,600	+3.4%
Turkey	337	315	411	+7.1%
Greece	132	135	138	-2.3%
CEEC[(1)]	567	533	497	+6.2%
Portugal[(2)]	0	69	61	-
Other countries	63	64	64	-0.9%

(1) Central and Eastern European countries (Hungary, Romania, Bulgaria, Slovakia as from 2012).
(2) The premium income of the Portuguese subsidiaries is included in the net income of the sold businesses.
(3) At constant scope of consolidation, exchange rate and accounting methods.

2.3.1 ITALY

The Italian market was up +4.6% in non-life insurance as at 30 June 2017 and +1.0% in life insurance as at 31 December 2017.

Groupama Assicurazioni generated €1,506 million in premium income as at 31 December 2017, principally *via* a network of general agents across the entire territory and *via* the banking channel, as a result of partnerships concluded with regional banks in northern Italy in 2013.

In a highly competitive environment, premium income in property and casualty insurance reached €1,013 million as at 31 December 2017, including nearly 75% from motor insurance. In life and health insurance, premium income reached €493 million as at 31 December 2017. The Company has undertaken a strategy to control inflows in euros and is favouring development of its life insurance business in unit-linked policies.

2.3.2 TURKEY

The development of insurance on the Turkish market remains supported with an increase of +5.8% in non-life insurance and +11.7% in life insurance as at 31 December 2017.

Groupama Sigorta and Groupama Emeklilik generated premium income of €337 million as at 31 December 2017 *via* a highly diversified distribution network of nearly 2,000 agents, partnerships, brokers, and banking partners throughout the territory. As at 31 December 2017, property and casualty insurance represented €261 million in premium income, and life and health insurance represented €76 million.

2.3.3 GREECE

The Greek market stabilised with a slight decrease of -2.7% in non-life insurance and -1.6% in life insurance as at 30 November 2017.

The €132 million in premium income as at 31 December 2017 was generated mainly by brokers and exclusive branches.

Property and casualty insurance premium income was €79 million and represented 60% of the business. In life and health insurance, Groupama Phoenix generated premium income of €53 million.

2.3.4 CENTRAL AND EASTERN EUROPEAN COUNTRIES (CEEC)

Groupama's premium income for countries in Central and Eastern Europe amounted to €497 million at 31 December 2017. The Group holds leading positions in Hungary and Romania.

2.3.4.1 Hungary

The Hungarian market was up +9.3% in non-life insurance and +10.4% in life insurance as at 30 September 2017.

Groupama Biztosito generated premium income of €350 million as at 31 December 2017 *via* a highly diversified distribution network of agencies, banking partnerships, brokers, and online subscription sites. At 31 December 2017, life and health insurance represented €189 million, and property and casualty insurance represented €160 million.

2.3.4.2 Romania

The Romanian market was down -2.2% in life insurance but saw a sharp increase of +20.7% in non-life insurance as at 30 September 2017.

Groupama Asigurari generated premium income of €202 million at 31 December 2017, driven in equal amounts by bancassurance, brokers, independent agents, and the direct network. Property and casualty insurance represents the bulk of business with premium income of €188 million.

2.3.4.3 Bulgaria

At the end of 2017, premium income from the Bulgarian subsidiaries Groupama Zastrahovane and Groupama Jivotozastrahovane amounted to €15 million, including €9 million in property and casualty insurance.

2.3.5 OVERSEAS TERRITORIES

Gan Outre-Mer remains one of the major insurance players in the Pacific (New Caledonia, French Polynesia, Wallis and Futuna), with premium income of €63 million as at 31 December 2017, including €55 million from property and casualty insurance.

2.3.6 CHINA

In China, the Groupama AVIC joint venture continued to develop during 2017 and is now ranked second among foreign non-life insurers on the Chinese market. The premium income generated in the six provinces amounted to €280 million[(1)] as at 31 December 2017.

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

◄ CONTENTS ►

2.4 FINANCIAL BUSINESSES

2.4.1 GROUPAMA ASSET MANAGEMENT

Groupama Asset Management, a subsidiary dedicated to Asset Management, is ranked 9th among French Asset Management companies (AFG ranking – December 2016). Groupama Asset Management posted income of €132.7 million as at 31 December 2017. Assets under management amounted to €99.8 billion, including 20% on behalf of external customers.

The robustness of subscription flows and the good performance delivered by management reinforce the direction given to the development strategy in recent years, between diversification of customer targets and geographical diversification through the internationalisation of the management offering.

Internationally, the strengthening of Groupama Asset Management's business resulted in an inflow of €1.5 billion from outside customers at the end of 2017.

The management quality and the performance of its funds were recognised again in 2017. Groupama Asset Management has received the Lipper Fund Award 10 times for its Groupama Avenir Euro funds (in France, Switzerland, and Europe for 3, 5, and 10 years) in the Small and Mid-Cap Eurozone Equities category, Groupama Etat Euro CT in the Bond EMU Government ST category (in France for 10 years), and Groupama Expansion (in France for 3 and 10 years). Groupama AM also received the Gold Award for the best 3-year European Equities range by Le Revenu.

With regard to SRI, in line with the Group's policy and values, Groupama Asset Management incorporates ESG (environmental, social and governance) criteria into all of its financial analyses and investment decisions. Its two funds, Euro Capital Durable and Groupama Euro Crédit ISR, obtained the SRI certification in 2016 and 2018.

2.4.2 GROUPAMA IMMOBILIER

The core activities of Groupama Immobilier are the valuation of assets under management, the property management of assets and providing advice to companies of the Group and third parties.

Groupama Immobilier manages property assets held by Groupama SA and its French subsidiaries representing a total value of €3.7 billion as at 31 December 2017.

These assets include commercial property (66%), residential property (20%), and operating property (10%), mainly in Paris and its immediate suburbs, as well as forests (4%).

Groupama Immobilier has ISO 9001 certification (version 2015) for investment, management and valuation of property assets: acquisitions, major projects, marketing, property and technical management and sales.

In 2017, the property investment management company Groupama Gan REIM, a subsidiary of Groupama Immobilier (60%) and Groupama Gan Vie (40%), developed its new real estate investment vehicles (OPIC, SCPI, and OPPCI), available as part of a Groupama life insurance policy or capitalisation contract.

3 CORPORATE GOVERNANCE AND INTERNAL CONTROL

Sections 3.1. to 3.4 below constitute the report on corporate governance, prepared pursuant to the new Article L. 225-37-4 of the French Commercial Code and appended to the management report of the Board of Directors. This report, which was approved by the Groupama SA Board of Directors in its meeting of 15 March 2018, is based on the information compiled under the authority of the Groupama SA Executive Management. It describes the corporate governance of Groupama SA and the rules used to determine the compensation and benefits of any kind granted to corporate officers.

3.1 DISCLOSURES ON CORPORATE GOVERNANCE

3.1.1 BOARD OF DIRECTORS

3.1.1.1 Membership

The Company is administered by a Board of Directors made up of 17 members, including:

- 15 Directors appointed by the General Meeting:
  - 9 Directors who are Chairmen of Groupama metropolitan regional mutuals, representing the controlling shareholder;
  - 2 Directors chosen from the Directors of the Fédération Nationale Groupama;
  - 4 Independent Directors as defined by the AFEP-MEDEF task force and in the internal bylaws of the Board of Directors (see appendix 4 of section 7.1.3.4);
- 2 Directors elected by employees.

During fiscal year 2017, its composition was modified following the appointments of Monique Aravecchia, Marilyn Brossat, and Ada Di Marzo to meet the requirement for balanced representation of women and men.

As at 31 December 2017, the membership of the Board of Directors was as follows:

Chairman:

- Jean-Yves Dagès

Vice-Chairman:

- Jean-Louis Pivard

Directors:

Representing the Controlling shareholder:

- Monique Aravecchia(1);
- Michel Baylet;
- Marilyn Brossat(1);
- Daniel Collay;
- Amaury Cornut Chauvinc;
- Marie-Ange Dubost;
- Michel L'Hostis;
- Laurent Poupart;
- François Schmitt.

Independent members:

- Isabelle Bordry;
- Ada Di Marzo(1);
- Caroline Grégoire Sainte Marie;
- Bruno Rostain.

Employee representatives:

- Thierry Chaudon;
- Liouba Ryjenkova.

Works Council representative:

- Catherine Guibert.

Secretary of the Board:

- Cécile Daubignard.

The average age of the Directors is 57.

The proportion of female Directors is 40%, excluding the female Director elected by the employees (41.7% including her), as at 31 December 2017, the threshold reached following the appointment of three additional Directors at the General Meeting of 28 June 2017.

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

3.1.1.2. Duration and Expiry of Terms of Office

The duration of the terms of office of the Directors appointed by the General Meeting is six years. These terms of office will expire, with regard to Directors representing the majority shareholder, during the 2021 annual General Meeting or during the 2023 annual General Meeting for Monique Aravecchia and Marilyn Brossat and, with regard to the Independent Directors, during the 2020 annual General Meeting for Isabelle Bordry and during the 2023 annual General Meeting for Ada Di Marzo, Caroline Grégoire Sainte Marie, and Monsieur Bruno Rostain.

The terms of office of the two Directors elected by the Company's employees, for a period of four years, will expire following the annual General Meeting in 2020.

(1) At its meeting of 28 June 2017, the General Meeting appointed Monique Aravecchia, Marilyn Brossat, and Ada Di Marzo as new Directors.

◄ CONTENTS ►

3.1.1.3. Terms of office and duties performed by the Directors

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

JEAN-YVES DAGÈS

Date of birth: 21 July 1958

BUSINESS ADDRESS

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

Main role in the Company

Jean-Yves Dagès has been Chairman of the Board of Directors since 14 December 2012 and a Director since 3 August 2011. His terms were renewed respectively during the Board of Directors meeting and the General Meeting of 18 June 2015 and will expire following the annual General Meeting in 2021.

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

Main position outside the Company

- Farmer

Professional experience/Management expertise

- Chairman of Fédération Nationale Groupama
- Chairman of Groupama d'Oc
- Vice-Chairman of Groupama Forêts Assurances – Misso

Current offices held

Served within the Group in France

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

Offices held between 2013 and 2017 no longer held by Mr Dagès

Served within the Group in France

Gan Assurances	› Chairman of the Board of Directors (end of term 13 February 2013)
Groupama Immobilier	› Director (end of term 29 January 2013)

◄ CONTENTS ►

JEAN-LOUIS PIVARD

Date of birth: 27 May 1958

BUSINESS ADDRESS

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

Main role in the Company

Jean-Louis Pivard has been Vice-Chairman of the Board of Directors since 14 December 2012 and a Director since 25 April 2012. His terms were renewed respectively during the Board of Directors meeting and the General Meeting of 18 June 2015 and will expire following the annual General Meeting in 2021.

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

Main position outside the Company

- Farmer

Professional experience/Management expertise

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

Current offices held

Served within the Group in France

Gan Assurances	› Chairman of the Board of Directors	Since 13 February 2013
	› Director	Since 7 March 2007
Groupama Holding	› Director	Since 18 April 2012
Groupama Holding 2	› Director	Since 18 April 2012
SCI Château de Cap de Fouste	› Director	Since 25 November 2015

Served outside the Group in France

Compagnie Financière d'Orange Bank	› Director	Since 4 October 2016

Offices held from 2013 to 2017 no longer held by Mr Pivard

Served within the Group in France

Gan Patrimoine	› Chairman of the Board of Directors (end of term 13 February 2013)
Groupama Immobilier	› Director (end of term 29 January 2013)
SCI Château de Cap de Fouste	› Member of the Supervisory Board (end of term 25 November 2015)
SCI Domaine de Nalys	› Director (end of term 19 July 2017)

MONIQUE ARAVECCHIA

Date of birth: 28 January 1955

BUSINESS ADDRESS

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

Main role in the Company

Monique Aravecchia has been a Director since 28 June 2017. Her term will expire following the annual General Meeting in 2023.

Main position outside the Company

- Farmer

Professional experience/Management expertise

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

Current offices held

Served within the Group in France

Centaure Provence Méditerranée SAS	› Permanent representative of Groupama Méditerranée, Director	Since 10 June 2016
Gan Assurances	› Director	Since 13 February 2013
Mutuaide Assistance	› Director	Since 14 February 2013

Offices held from 2013 to 2017 no longer held by Ms Aravecchia

Served within the Group in France

Centaure Provence Méditerranée	› Permanent representative of Groupama Méditerranée, Director (end of term 10 June 2016)
Groupama Assurance-Crédit & Caution	› Permanent representative of Groupama Méditerranée, Director (end of term 16 April 2013)
SCI Domaine de Nalys	› Director (end of term 19 July 2017)

Served within the Group abroad

Groupama Assicurazioni Spa	› Director (end of term 30 January 2013)

MICHEL BAYLET

Date of birth: 29 September 1954

BUSINESS ADDRESS

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

Main role in the Company

Michel Baylet has been a Director since 29 June 2006. His term was renewed during the General Meetings of 27 May 2009 and 18 June 2015 and will expire following the annual General Meeting in 2021.

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

Main position outside the Company

- Farmer

Professional experience/Management expertise

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

Current offices held

Served within the Group in France

Centaure Centre-Atlantique	Director	Since 14 June 2007
Gan Prévoyance	Chairman of the Board of Directors	Since 11 July 2006
Groupama Holding	Director	Since 29 June 2006
Groupama Holding 2	Director	Since 29 June 2006
SCA Château d'Agassac	Chairman of the Management Board	Since 28 January 2008
SCI Château de Cap de Fouste	Director	Since 25 November 2015

Offices held from 2013 to 2017 no longer held by Mr Baylet

Served within the Group in France

Gan Patrimoine	Director (end of term 13 February 2013)
SCI Château de Cap de Fouste	Member of the Supervisory Board (end of term 25 November 2015)
SCI Domaine de Nalys	Director (end of term 19 July 2017)

ISABELLE BORDRY

Date of birth: 9 January 1970

BUSINESS ADDRESS

RETENCY
152 BOULEVARD HAUSSMANN
75008 PARIS, FRANCE

Main role in the Company

Isabelle Bordry has been an independent Director since 19 May 2016. Her term will expire following the annual General Meeting in 2020.

She has been a member of the Agreements Committee since 19 May 2016 and became Chairman on 20 October 2016.

Main roles outside the Company

- Co-founder of Retency – Head of strategic development
- Member of the Board of Directors of Etablissement public de la Réunion des musées Nationaux et du Grand Palais des Champs Elysées

Professional experience/Management expertise

Since 2014: Retency SAS

2015 to 2016:

- Member of the Board of Directors of Fonds pour l'Innovation Numérique de la Presse (FINP)

2007 to 2013: Business angel

- 2012 to 2013: My Fab
- 2008: Co-founder of Terrafemina
- 2007: Co-founder of WebMediaGroup

1997 to 2005: Yahoo!

- 2004 to 2005: Head of Operations – Yahoo! Europe
- 2001 to 2003: Chief Executive Officer – Yahoo! France
- 1997 to 2001: Director of Sales and Marketing

1993 to 1997: Hachette Filipacchi group

- 1996 to 1997: Grolier Interdeco – Advertising department of the Hachette group

  Marketing of the first media sites accessible on the Internet
- 1994 to 1996: Head of the Promotion Department of Parents and Cousteau Junior magazines
- 1993 to 1996: Marketing and Promotion Department – Télé 7 Jours

Current offices held

Served outside the Group in France

ABCD XYZ	Manager	Since 12 January 2006
Netgem*	Director	Since 6 March 2008
Retency SAS	Member of the Supervisory Board	Since July 2015

Offices held from 2013 to 2017 no longer held by Ms Bordry

Served outside the Group in France

Femmes Associés SAS	Director (end of term 19 December 2013)
MonUsine	Chief Executive Officer (end of term 8 January 2014)
WebMediaGroup SAS	Chairman (end of term 6 September 2013)

* *Listed company.*

CONTENTS

MARILYN BROSSAT

Date of birth: 25 April 1959

BUSINESS ADDRESS

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

Main role in the Company

Marilyn Brossat has been a Director since 28 June 2017. Her term will expire following the annual General Meeting in 2023.

Main position outside the Company

- Business head

Professional experience/Management expertise

- Director, Fédération Nationale Groupama
- Director, Groupama Rhône-Alpes Auvergne

Current offices held

Served within the Group in France

Gan Prévoyance	› Director	Since 8 February 2017

Served outside the Group in France

DGM Publi Gift	› Manager	Since 1 April 2003

Offices held from 2013 to 2017 no longer held by Ms Brossat

Served within the Group in France

Groupama Assurance-Crédit & Caution	› Permanent representative of Groupama Rhone-Alpes Auvergne, Director (end of term 9 February 2017)
Groupama Asset Management	› Director (end of term 8 October 2015)

◄ CONTENTS ►

DANIEL COLLAY

Date of birth: 17 January 1961

BUSINESS ADDRESS

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

Main role in the Company

Daniel Collay has been a Director since 30 May 2012. His term was renewed during the General Meeting of 18 June 2015 and will expire following the annual General Meeting in 2021.

He has been a member of the Agreements Committee since 14 December 2012 and became Chairman on 18 September 2013 until 13 February 2014.

Main position outside the Company

- Farmer

Professional experience/Management expertise

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

Current offices held

Served within the Group in France

Amaline Assurances	Chairman of the Board of Directors	Since 29 October 2014
Groupama Holding	Director	Since 23 May 2012
Groupama Holding 2	Director	Since 23 May 2012
SCI Agrisud	Manager	Since 2 July 2004
SCI Château de Cap de Fouste	Director	Since 25 November 2015

Offices held from 2013 to 2017 no longer held by Mr Collay

Served within the Group in France

Gan Prévoyance	Director (end of term 1 January 2013)
Mutuaide Assistance	Chairman of the Board of Directors (end of term 6 July 2016)
SCA Château d'Agassac	Member of the Management Board (end of term 7 June 2017)
SCI Château de Cap de Fouste	Member of the Supervisory Board (end of term 25 November 2015)
SCI Domaine de Nalys	Director (end of term 19 July 2017)

CONTENTS

AMAURY CORNUT-CHAUVINC

Date of birth: 17 January 1953

BUSINESS ADDRESS

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

Main role in the Company

Amaury Cornut-Chauvinc has been a Director since 30 May 2007. His term was renewed during the General Meetings of 27 May 2009 and 18 June 2015 and will expire following the annual General Meeting in 2021.

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

Main position outside the Company

- Farmer

Professional experience/Management expertise

- Vice-Chairman and Secretary of Fédération Nationale Groupama
- Chairman of Groupama Méditerranée

Current offices held

Served within the Group in France

Groupama Gan Vie	Chairman of the Board of Directors	Since 17 December 2009
Groupama Holding	Director	Since 17 October 2007
Groupama Holding 2	Director	Since 17 October 2007
SCI Château de Cap de Fouste	Chairman of the Board of Directors	Since 25 November 2015

Served outside the Group in France

Paysan du Midi	Chairman of the Board of Directors	Since 15 March 2015
	Director	Since 6 June 2007
SCI du Domaine de Nalys(1)	Director	Since 1 June 1999

Offices held from 2013 to 2017 no longer held by Mr Cornut-Chauvinc

Served within the Group in France

SCA Château d'Agassac	Member of the Management Board (end of term 8 February 2013), then representative of Groupama SA, member of the Management Board (end of term 7 June 2017)
SCI Château de Cap de Fouste	Chairman of the Supervisory Board (end of term 25 November 2015)
SCI Domaine de Nalys	Chairman of the Board of Directors (end of term 19 July 2017)

(1) Company removed from the Group scope on 19 July 2017.

CONTENTS

ADA DI MARZO

Date of birth: 2 April 1974

BUSINESS ADDRESS

BAIN & COMPANY
25 AVENUE KLÉBER
75116 PARIS, FRANCE

Main role in the Company

Ada Di Marzo has been an independent Director since 28 June 2017. Her term will expire following the annual General Meeting in 2023.

She has been a member of the Audit and Risk Management Committee since 28 June 2017.

Main position outside the Company

- Partner of Bain & Company – Head of Financial Services for France

Professional experience/Management expertise

Since 1999: Bain & Company

Since 2010: Partner at the Paris office, Head of Financial Services for France

1999 to 2010: Mission Director at the Rome and Paris offices

1998 to 1999:

- San Paolo Imi, Banco Di Napoli in Italy
- Distribution and Asset Management

1997 to 1998: Telecom Italia Finance – Department of financial markets in Luxembourg

Current offices held

- None

Offices held from 2013 to 2017 no longer held by Ms Di Marzo

- None

Marie-Ange Dubost

Date of birth: 6 August 1955

BUSINESS ADDRESS

GROUPAMA CENTRE-MANCHE
10 RUE BLAISE PASCAL
CS 40337
28008 CHARTRES CEDEX

Main role in the Company

Marie-Ange Dubost has been a Director since 31 July 2014. Her term was renewed during the General Meeting of 18 June 2015 and will expire following the annual General Meeting in 2021.

She has been a member of the Audit and Risk Management Committee since 31 July 2014.

Main position outside the Company

- Farmer

Professional experience/Management expertise

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

Current offices held

Served within the Group in France

Groupama Holding	Director	Since 17 September 2014
Groupama Holding 2	Director	Since 17 September 2014
SCA Château d'Agassac	Member of the Management Board	Since 15 September 2014

Served within the Group abroad

Groupama Assicurazioni Spa	Chairman of the Board of Directors	Since 15 June 2015

Offices held from 2013 to 2017 no longer held by Ms Dubost

Served within the Group in France

Groupama Assurance-Crédit	Chairman of the Board of Directors (from 27 June 2014 to 5 May 2015)

Served within the Group abroad

Groupama Assicurazioni Spa	Director (end of term 1 October 2014)

Caroline Grégoire Sainte Marie

Date of birth: 27 October 1957

Main role in the Company

Caroline Grégoire Sainte Marie has been an independent Director since 25 May 2011. Her term was renewed during the General Meeting of 28 June 2017 and will expire following the annual General Meeting in 2023.

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

Main position outside the Company

- Corporate Director and member of the advisory committee of Safran Corporate Ventures

Professional experience/Management expertise

Since 2011: corporate Director

2009 to 2011: Chairman of Frans Bonhomme (SAS)

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

1997 to 2007: Lafarge

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

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

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

Current offices held

Served outside the Group abroad

FLSmidth* (Denmark)	› Director	Since 30 March 2012
Wieneberger AG* (Austria)	› Member of the Supervisory Board	Since 22 May 2015
Calyos (Belgium)	› Director	Since 28 July 2014

Terms held from 2013 to 2017 no longer held by Ms Grégoire Sainte Marie

Served outside the Group in France

Eramet*	› Director (end of term 27 May 2016)
Safran*	› Non-voting Director (end of term 21 April 2015)

* *Listed company.*

MICHEL L'HOSTIS

Date of birth: 25 September 1955

BUSINESS ADDRESS

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

Main role in the Company

Michel L'Hostis has been a Director since 17 January 2013. His term was renewed during the General Meeting of 18 June 2015 and will expire following the annual General Meeting in 2021.

He has been a member of the Agreements Committee since 17 January 2013 and served as its Chairman from 8 March to 20 October 2016.

Main position outside the Company

- Farmer

Professional experience/Management expertise

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

Current offices held

Served within the Group in France

Groupama Holding	› Director	Since 20 February 2013
Groupama Holding 2	› Director	Since 20 February 2013
Mutuaide Assistance	› Chairman of the Board of Directors	Since 6 July 2016

Offices held from 2013 to 2017 no longer held by Mr L'Hostis

Served within the Group in France

Gan Patrimoine	› Chairman of the Board of Directors (end of term 20 May 2015)
Groupama Banque	› Chairman of the Board of Directors (end of term 4 October 2016)
Groupama Gan Vie	› Director (end of term 15 February 2013)

LAURENT POUPART

Date of birth: 20 February 1964

BUSINESS ADDRESS

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

Main role in the Company

Laurent Poupart has been a Director since 27 May 2015. His term was renewed during the General Meeting of 18 June 2015 and will expire following the annual General Meeting in 2021.

He has been a member of the Compensation and Appointments Committee since 27 May 2015.

Main position outside the Company

- Farmer

Professional experience/Management expertise

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

Current offices held

Served within the Group in France

Groupama Assurance-Crédit & Caution	› Chairman of the Board of Directors	Since 5 May 2015
Groupama Holding	› Director	Since 27 May 2015
Groupama Holding 2	› Director	Since 27 May 2015

Served outside the Group in France

Opale Agri Distribution	› Manager	Since 17 August 2012
SCEA Poupart Regnaut	› Manager	Since 21 July 2005

Offices held from 2013 to 2017 no longer held by Mr Poupart

Served within the Group in France

Groupama Assurance-Crédit	› Permanent representative of Groupama Nord-Est, Director (end of term 27 April 2015)

Served outside the Group in France

SAS Opale Artois	› Chairman (end of term 23 February 2016)
SAS Société Participative Agriadom (SoParAgri)	› Chief Executive Officer (end of term in June 2015)

BRUNO ROSTAIN

Date of birth: 18 April 1956

BUSINESS ADDRESS

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

Main role in the Company

Bruno Rostain has been an independent Director since 2 August 2012. His term was renewed during the General Meeting of 28 June 2017 and will expire following the annual General Meeting in 2023.

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

Main position outside the Company

- Chief Executive Officer of Blackfin Capital Partners

Professional experience/Management expertise

Since 2009: Chief Executive Officer of Blackfin Capital Partners

1991 to 2008: Aviva

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

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

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

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

Current offices held

Served outside the Group in France

AnimSur SAS	President	Since 9 April 2014
Blackfin Capital Partners	Chief Executive Officer	Since 19 March 2009
Chiarezza SAS	President	Since 25 January 2012
Groupe Santiane Holding SAS	Member of the Supervisory Committee	Since 9 September 2015
LSA Holding SAS	Chairman of the Supervisory Board	Since 10 June 2015
Société Financière du Porte Monnaie Électronique Interbancaires (SFPMEI)	Director	Since 6 December 2010

Offices held from 2013 to 2017 no longer held by Mr Rostain

Served outside the Group in France

Compamut	Chairman (end of term 24 January 2014)
Finanzen France SAS	Chairman (end of term 31 March 2015)
Hestis SAS	Chairman (end of term 7 February 2014)
HSBC Assurances Vie	Director (end of term 18 May 2015)
KBO SAS	Chairman (end of term 25 February 2014)
Mister Assur SAS	Chairman (end of term 24 January 2014)

◄ CONTENTS ►

FRANÇOIS SCHMITT

Date of birth: 6 March 1963

BUSINESS ADDRESS

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

Main role in the Company

François Schmitt has been a Director since 30 June 2008. His term was renewed during the General Meetings of 27 May 2009 and 18 June 2015 and will expire following the annual General Meeting in 2021.

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

Main position outside the Company

- Farmer

Professional experience/Management expertise

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

Current offices held

Served within the Group in France

Gan Patrimoine	Chairman of the Board of Directors	Since 20 May 2015
Groupama Holding	Director	Since 27 August 2008
Groupama Holding 2	Director	Since 27 August 2008
SCI Château de Cap de Fouste	Director	Since 25 November 2015

Offices held from 2013 to 2017 no longer held by Mr Schmitt

Served within the Group in France

Mutuaide Assistance	Chairman of the Board of Directors (end of term 14 February 2013)
SCI Château de Cap de Fouste	Member of the Supervisory Board (end of term 25 November 2015)
SCI Domaine de Nalys	Director (end of term 19 July 2017)

Served within the Group abroad

Groupama Assicurazioni Spa	Chairman of the Board of Directors (end of term 15 June 2015)

THIERRY CHAUDON

Date of birth: 26 April 1966

BUSINESS ADDRESS

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

Main role in the Company

Thierry Chaudon has been a Director representing the employees of Groupama SA since 4 July 2016. His term will expire following the annual General Meeting in 2020.

Main position outside the Company

- None

Professional experience/Management expertise

- External Reinsurance Department

Current offices held

- None

Offices held from 2013 to 2017 no longer held by Mr Chaudon

- None

LIOUBA RYJENKOVA

Date of birth: 10 August 1957

BUSINESS ADDRESS

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

Main role in the Company

Liouba Ryjenkova has been a Director representing the employees of Groupama SA since 4 July 2016. Her term will expire following the annual General Meeting in 2020.

Main position outside the Company

- None

Professional experience/Management expertise

- Manager in the payroll shared services centre within the Group Human Resources Department

Current offices held

- None

Offices held from 2013 to 2017 no longer held by Ms Ryjenkova

- None

3.1.1.4 Responsibilities of the Board of Directors

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

In accordance with its corporate governance practices relating to mutual insurance, the Board of Directors has elected to separate the duties of Chairman from those of Chief Executive Officer. Executive duties are therefore entrusted to a CEO who is not a Board member.

3.1.1.5 Responsibilities of the Chairman of the Board of Directors

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

3.1.1.6 Authority Reserved for the Board of Directors

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

- amendments and the annual implementation of the reinsurance agreement with the regional mutuals and the agreement governing security and solidarity plans;
- any issues of securities, irrespective of the type, that may result in a change in the share capital;
- any significant operations that may affect the Group's strategy and its business scope;
- use, by a vote by secret ballot, of the solidarity fund pursuant to the agreement on security and solidarity plans (an overview of this agreement appears in Note 44, entitled "Related parties of the consolidated financial statements");
- termination of the agreement on security and solidarity plans at the initiative of Groupama SA.

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

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

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

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

In addition, at its 15 December 2011 meeting, the Board of Directors of Groupama SA resolved not to set an authorisation threshold on the disposal of shares; however, it has been stipulated in this instance that for transactions in excess of €400 million, the Executive Management undertakes to solicit the consent of the Chairman and two members of the Audit and Risk Management Committee.

3.1.1.7 Code of Corporate Governance

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

- the duration of the term of office of Directors appointed by the General Meeting of the shareholders is not 4 years but 6; given the current situation, Groupama considers the maximum term provided by law to be most appropriate for the structure of its capital;
- the number of Independent Directors represents only 26.7% of the total number of Directors making up the Board of Directors (excluding Directors elected by the employees) and not one-third, the percentage recommended for companies having a controlling shareholder. However, the Company believes that this number, as things stand now, is appropriate given the Company's decision not to publicly offer its capital and sufficient in relation to the technical skills and the outside perspective that they provide as part of the work of the Board of Directors, and also given that it allows each of the Independent Directors to be Chairman of one of the three committees of the Board of Directors;
- the proportion of independent members within the Audit and Risk Management Committee is 50% compared with the recommended two-thirds at least; this membership is meant to be more in line with the structure of the shareholding controlled almost completely by the Groupama regional mutuals; note that the Chairman of the Committee is an Independent Director and that he has proven financial and insurance expertise;

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

Lastly, the employment contract of Thierry Martel, Chief Executive Officer, was suspended due to his 21 years of service within the Company as an employee before his appointment.

3.1.1.8 Work of the Board in 2017

The Board of Directors met ten times during fiscal year 2017, including the Board of Directors seminar, which was held in November.

The attendance rate of the members of the Board of Directors was 96% (compared with 99% in 2016), *i.e.* a high rate of mobilisation of Directors. The Group General Secretary carried out the duties of Secretary of the Board.

In 2017, the Board deliberated mainly on the following issues:

- the individual, consolidated, and combined annual accounts and the consolidated and combined semi-annual accounts as well as the various reports and documents required by the regulations and particularly those required within the Solvency 2 prudential framework (SCR and MCR coverage ratios, group and Groupama SA ORSA, SFCR, and RCR reports, actuarial function reports);
- modification of the General Reinsurance Regulations between Groupama SA and the regional mutuals;
- the reinsurance policy for 2018;
- the provisional audit plan for 2018;
- development of written policies;
- disposals of subsidiaries or equity interests;
- contributions and a portfolio transfer;
- governance, with:
  - the internal assessment of the functioning of the Board of Directors,
  - the proposal to appoint three new Directors,
  - the compensation of Managers and corporate officers,
  - data in connection with the implementation of the Solvency 2 prudential standard;
- the financing of major programmes for 2017 and 2018;
- the report on gender equality.

Lastly, the Board of Directors acknowledged the work of the Board's three committees and reviewed certain matters for information purposes:

- the performance indicators for the Group's businesses and particularly the key management indicators;
- the implementation of the Group's strategy;
- the combined results forecasts for 2017, the 2018 budget, and the forecasts for 2019 to 2020;
- the semi-annual review of the balance sheet and the guidelines for the Asset Management policy;
- with respect to risk management: mainly the Group's major risks;
- updates on the subsidiaries or partnership agreements;
- the review of and guidelines for the human resources policy;
- the financial environment and regulatory changes.

During fiscal year 2017, two training sessions were organised for Board members, the first on cyber risks and the second on the market and trends in life insurance in Europe.

On the proposal of the Compensation and Appointments Committee, a Board seminar was devoted to the digital transformation.

The 2017 financial statements were closed on 15 March 2018 by the Board of Directors, which also prepared the draft management report and the text of draft resolutions to be presented to the General Meeting of shareholders on 7 June 2018. The 2017 financial statements were submitted in advance to the Audit and Risk Management Committee, which reviewed them on 7 March 2018.

3.1.1.9 Internal bylaws of the Board of Directors

The Board of Directors adopted a set of internal bylaws designed to specify its operating methods, to supplement the Company's legal, regulatory and statutory provisions and to spell out the rights and obligations of the Board members.

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

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

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

1
2
3
4
5
6
7

3.1.2 COMMITTEES OF THE BOARD OF DIRECTORS

Pursuant to Article 14 of the articles of association, the Board may rule on the establishment of committees called to deliberate on issues submitted by the Board or its Chairman for review. As such, under the internal bylaws of the Board of Directors of Groupama SA, the Board shall be assisted by technical committees in the performance of its responsibilities.

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

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

The provisions relating to the organisation and operation of each of these committees are attached to the internal bylaws (chapter 7, section 7.1.3).

3.1.2.1 Audit and Risk Management Committee

(a) Membership

In 2017, the Audit and Risk Management Committee was made up of six members appointed by the Board of Directors, including:

- 3 Directors representing the controlling shareholder: Marie-Ange Dubost, Chairman of the Groupama Centre Manche regional mutual, Amaury Cornut-Chauvinc, Chairman of the Groupama Méditerranée regional mutual, and Jean-Louis Pivard, Chairman of the Groupama Rhône-Alpes Auvergne regional mutual;
- 3 Independent Directors: Ms Caroline Grégoire Sainte Marie, Ms Ada Di Marzo appointed at the General Meeting of 28 June 2017, and Mr Bruno Rostain.

The Audit and Risk Management Committee is chaired by an Independent Director, Bruno Rostain.

It should be noted that the Chief Executive Officer of Groupama SA does not participate in the work of the Audit and Risk Management Committee, except by special invitation, and that the CEO is represented by the Deputy CEO in charge of human resources, finance, legal, audit, and risk management, the Group Chief Financial Officer, as well as the General Secretary, who is also the secretary of the committee, accompanied by the Legal Director. Depending on the topics, the Director of Accounting, the Director of Investments, the Director of Audits, and the Director of Compliance and Risks also participate in the committee meetings.

(b) Responsibilities

The main responsibilities of the Audit and Risk Management Committee, which are included in the internal bylaws of the Board of Directors of Groupama SA, are listed below:

- examining the combined/consolidated/parent company draft half-annual and annual financial statements as well as the references and scope of consolidation;
- ensuring that the internal data collection and control procedures guarantee the quality and reliability of the Company's accounts;
- reviewing the performance of the statutory auditors' responsibilities and the amount of fees paid to them and ensuring compliance with the rules guaranteeing their independence;
- reviewing the financial investment policy and assets/liabilities management;
- reviewing the forecasts in advance and monitoring their achievement;
- examining projects for external growth and disposals;
- overseeing the risk management and internal control policy, procedures, and systems;
- reviewing the regulatory reports (ORSA, RSR, SFCR, actuarial function report);
- reviewing the Group's main risks and its solvency situation;
- reviewing the projected audit plan and the monitoring of the implementation of the audit recommendations.

(c) Activity in 2017

In 2017, the Audit and Risk Management Committee met six times: 15 March, 16 May, 26 June, 29 August, 19 October, and 6 December. The attendance rate was 100%, as in 2016.

In 2017, the Audit and Risk Management Committee focused its work on the following main topics:

Monitoring the Group's financial position and implementation of the strategic programme

- over the course of two meetings, the committee reviewed the Asset Management policy looking back to 2017 as well as forwards to fiscal year 2018; this enabled it in particular to monitor the implementation of the Group's investment policy in an environment of continued low interest rates, as well as look at reinvestment flows and their impact on asset structures;
- the committee reviewed Groupama's 2017 projected combined results, the 2018 budget, and the Group's operational strategy planning for 2019-2020.

Legal monitoring of annual and semi-annual financial statements

- the Audit and Risk Management Committee reviewed the 2016 combined, consolidated, and corporate financial statements and the 2017 semi-annual combined and consolidated financial statements, and the Solvency 2 earnings and noted the redemption value of the Groupama SA share, determined on the basis of the consolidated annual and semi-annual financial statements. As part of this, it provided the Board with its opinion on the management report and the Chairman's report on internal control;

- it also devoted two meetings during the year specifically to a review of the principles, rules and options adopted for the closure of the annual and semi-annual financial statements;
- it gave its opinion on draft press releases relating to the annual and semi-annual financial statements and was consulted on the draft 2016 registration document, which was registered with the Autorité des Marchés Financiers (AMF) on 27 April 2017 under number D. 17-0447.

Monitoring of risks and solvency

- the committee reviewed the Group's major risks at 31 December 2016 and 30 June 2017 as well as the risks specific to its property management businesses;
- it reviewed the execution of the audit plan of the third four-month period of 2016 and the 1st and 2nd four-month periods of 2017 as well as the implementation of the audit recommendations and the draft 2018 audit plan;
- it examined the semi-annual reports on major litigation under way within the Group and the report on internal control of the Company's plan against money laundering and terrorist financing;
- it reviewed the 2017 reinsurance policy as well as the prospects for renewal of the external reinsurance programme for 2018;
- it reviewed Groupama SA's off-balance sheet commitments;
- it reviewed the findings of an external audit report pertaining to a subsidiary;
- the committee devoted four meetings to subjects falling within the new Solvency 2 prudential framework during which the following were presented to it, depending on the case, for an opinion or for information:
  - the Group's estimated SCR and MCR coverage ratios for the first quarter of 2017; the stress test assumptions adopted for the work in preparing the ORSA reports and the Group and Groupama SA ORSA reports that were sent to the ACPR,
  - the Groupama group's Solvency and Financial Condition report (SFCR) and Regular Supervisory report (RSR) established under Solvency 2 Pillar 3, relating to the obligations for reporting to the supervisor and the dissemination of information to the public,
  - an update on the establishment of the internal model data quality action plan,
  - a request for approval of a major change to the non-life partial internal model relating to the consideration of future premiums,
  - the actuarial function report,
  - the revision of certain written policies subject to the approval of the Board of Directors.

Follow-up of the statutory auditors' responsibilities

- the committee reviewed the budget for statutory auditor's fees with respect to fiscal year 2016;
- The statutory auditors presented to the Audit and Risk Management Committee their 2017 strategic audit plan, which describes their responsibilities, the areas of particular attention and their audit approach in response to the identified risks;
- the committee expressed its opinion on renewing the term of the statutory auditors of the subsidiaries;
- it is further noted that at every meeting, the committee heard the statutory auditors without the management being present.

Follow-up on certain financial transactions or projects

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

Finally, the committee also defined its programme of work for fiscal year 2018.

3.1.2.2 Compensation and Appointments Committee

(a) Membership

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

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

The Chairman of Groupama SA and the Executive Management do not attend meetings of the committee. The General Secretary of Groupama SA, who performs the duties of secretary of the committee, provides ongoing assistance in the committee's work.

(b) Responsibilities

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

- to propose to the Board of Directors any questions relating to the personal status of the Corporate Secretaries, specifically compensation, retirement and any allocation of options for the subscription or purchase of Company shares, as well as provisions for the departure of members of the Company's management bodies;
- to make any proposals regarding the compensation of Corporate Secretaries and the allocation and distribution of Directors' fees;
- to assess the conditions, amount, and distribution of any options for the subscription or purchase of shares;
- to define the rules for setting the variable portion of the compensation of Corporate Secretaries and ensure the consistency of these rules with the annual assessment of the performance of the Corporate Secretaries and with the Group's medium-term strategies;
- to evaluate all compensation and benefits received by the corporate officers, as applicable, from other companies of the Group, including retirement benefits and benefits of any kind;

- to organise a procedure to select future Independent Directors and to perform its own studies on potential candidates before any measure has been taken with regard to the latter;
- to verify the individual status of each Director annually with regard to the classification of Independent Director and communicate the conclusions of its examination to the Board of Directors;
- to perform tasks involving evaluation of the Board of Directors' operating methods annually and to communicate the conclusions of these tasks to the Board of Directors.

(c) Activity in 2017

During fiscal year 2017, the Compensation and Appointments Committee meet on five occasions: 7 March, 5 May, 10 May, 18 October, and 6 December. Each time, the committee presented a report on its activities to the Board of Directors. The attendance rate was 100%.

In 2017, the work of the committee focused on the following main topics:

Status and compensation of corporate officers

- the committee proposed an assessment of the Chief Executive Officer's variable compensation for 2016, reviewed the outcome of the 2014-2016 multi-year performance plan that was coming to an end, and made proposals for implementing the new 2017-2019 multi-year performance plan;
- it examined Groupama SA's draft registration document and management report for 2016 on compensation for Directors and officers and corporate governance as well as the 2016 compensation components subject to the consultation of the shareholders; it also reviewed the principles and criteria for determining, distributing, and allocating the compensation components of Directors and officers for 2017 subject to the shareholders' vote pursuant to Article L. 225-35-2 of the law adopted on 8 November 2016;
- it presented the variable compensation plan for fiscal year 2017 and made a proposal concerning the CEO's quantitative and qualitative variable compensation objectives for the 2018 fiscal year.

Verification of independence

- the committee verified the independent status of the outside Directors of the Board of Directors with regard to the criteria set out in the AFEP-MEDEF Corporate Governance Code, included in the internal bylaws.

Selection of an Independent Director

- the committee heard candidates for the selection of a fourth Independent Director.

Training of Directors

- the committee proposed a training programme for 2017 and put forward a proposal for subject areas likely to be adopted for 2018.

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

- the committee reviewed the results of the assessment of the operating method of the Board and the committees for fiscal year 2016;
- it reviewed the draft questionnaire on the assessment of the work of the Board and the committees for fiscal year 2017;
- it reviewed the application of the AFEP-MEDEF recommendations on corporate governance and Directors' compensation on the reading of benchmarks on a set of French and European companies.

Conversion of the central body

- in view of the conversion of Groupama SA, the central body, from a public limited company into a national agricultural reinsurance mutual in June 2018, regular progress reports were presented on the compensation aspects for Managers and Directors in the new structure.

Miscellaneous

- for information, a presentation was made on the actions taken by human resources regarding the Group's digital transformation.

Finally, the committee also defined its programme of work for fiscal year 2018.

3.1.2.3 The Agreements Committee

(a) Membership

In 2017, the Agreements Committee was made up of 3 members, including:

- two Directors representing the controlling shareholder: Mr Daniel Collay, Chairman of Groupama Paris Val de Loire regional mutual, and Mr Michel L'Hostis, Chairman of the Groupama Loire Bretagne regional mutual;
- one Independent Director: Ms Isabelle Bordry.

Ms Isabelle Bordry, Independent Director, serves as the Chairman of the Agreements Committee.

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

(b) Responsibilities

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

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

(c) Activity in 2017

During fiscal year 2017, the Agreements Committee met three times: 7 March, 19 October, and 6 December. On each occasion, it presented a report on its activities to the Board of Directors. The attendance rate was 100%, as in 2016.

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

- the modification of the reinsurance agreement in force concerning the conservation rules of the regional mutuals in claims and the procedure applicable to changes in pricing algorithms;
- existing business relationships between the regional mutuals and the subsidiaries in the following areas: property management, Asset Management, employee savings, accident management, valuation and in-kind compensation for buildings after claims, and personal life insurance distribution. The review of the agreements underlying these business relations revealed no potential conflict of interest;
- Groupama SA's financial support on the Group's major national programmes as part of the development of the banking activity and the programme for issuing mutual insurance certificates by the regional mutuals;
- the part of the draft Groupama SA 2016 registration document specifically concerning transactions with related parties and setting out the organisational and operating structure for economic relations between Groupama SA and its subsidiaries and the regional mutuals, specifically the justification for a mechanism to provide the regional mutuals with financial support in implementing Groupama SA's major national programmes.

The committee also examined the statement of agreements entered into by the Directors, which revealed that none were cited in the statutory auditors' special report, as well as the summary list of regulated agreements to be included in this report. In this context, and to allow the Company to comply with the scheme applicable to regulated agreements, the committee re-examined the agreements previously entered into that continued to have effect during fiscal year 2017 and proposed their renewal to the Board of Directors.

Finally, the committee also defined its programme of work for fiscal year 2018.

3.1.2.4 Membership of the committees

Since 28 June 2017, the membership of the committees of the Board of Directors was as follows:

Committee	Members
Audit and Risk Management Committee	▪ Bruno Rostain, Chairman
	▪ Amaury Cornut-Chauvinc
	▪ Ada Di Marzo
	▪ Marie-Ange Dubost
	▪ Caroline Grégoire Sainte Marie
	▪ Jean-Louis Pivard
Compensation and Appointments Committee	▪ Caroline Grégoire Sainte Marie, Chairman
	▪ Michel Baylet
	▪ Laurent Poupart
	▪ François Schmitt
Agreements Committee	▪ Isabelle Bordry, Chairman
	▪ Daniel Collay
	▪ Michel L'Hostis

3.1.3 ASSESSMENT OF THE BOARD OF DIRECTORS

Every year since 2005, Groupama SA has assessed the operations of its Board of Directors and committees and, in this framework, contracts for an external assessment to be carried out every three years, in accordance with the recommendations of the AFEP-MEDEF Code.

The 2017 assessment was carried out internally on the basis of a questionnaire that was validated by the Compensation and Appointments Committee.

The results of this assessment were discussed in the Compensation and Appointments Committee meeting of 7 March 2018 and in the meeting of the Board of Directors on 15 March 2018.

All of the Directors who responded felt that the operation of the Board of Directors met their expectations and that it has steadily improved in recent years. In addition, it is considered to be in compliance with the Company's corporate governance rules.

The nature and quality of the relations between the Board of Directors and the Executive Management are highlighted, and the Directors feel that the Board of Directors is sufficiently independent from the Executive Management, while sharing the same vision of the strategy and risks.

In general, the operation of the Board of Directors is considered satisfactory. Furthermore, the documents provided to the Directors are considered to be of good quality and improving. All of the Directors observed that the Board of Directors works in a spirit of cooperation, collegiality and efficiency and that the discussions made progress.

The points requiring attention raised by the Directors led to the definition of areas for improvement proposed to the Board of Directors for 2018 particularly aimed at strengthening the review of certain topics and defining new training priorities.

3.1.4 VERIFICATION OF THE SITUATION OF OUTSIDE DIRECTORS WITH REGARD TO THE CRITERIA OF INDEPENDENCE ADOPTED BY THE COMPANY, RESULTING FROM THE AFEP-MEDEF CORPORATE GOVERNANCE CODE AND APPENDED TO THE INTERNAL BYLAWS

Criteria	Isabelle Bordry	Ada Di Marzo	Caroline Grégoire Sainte Marie	Bruno Rostain
■ they are not an employee or corporate officer of the Company, or are not an employee or Director of the parent company or a company it is consolidating and have not been at any time over the past five years;	X	X	X	X
■ they have not been paid by the Company, in any form whatsoever, with the exception of Directors' attendance fees, compensation of over one hundred thousand euros (€100,000) within the past five years;	X	X	X	X
■ they are not a Corporate Secretary of a company in which the Company holds, directly or indirectly, the position of Director or in which an employee designated as such or a Corporate Secretary of the Company (currently or within the past five years) holds the position of Director;	X	X	X	X
■ they are not a significant customer, supplier, investment banker or financing banker of the Company or its Group, or for which the Company or its Group represents a significant portion of business activity;	X	X	X	X
■ he has no close family ties to a corporate officer;	X	X	X	X
■ they have not been the auditor of the Company over the previous five years;	X	X	X	X
■ they have not been a Director of the Company for over twelve years.	X	X	X	X

3.1.5 EXECUTIVE MANAGEMENT

The Company is managed by a CEO by resolution of the Company's Board meeting held on 18 December 2003 to separate the roles of the Chairman and the CEO.

3.1.5.1 Chief Executive Officer

Thierry Martel, the Chief Executive Officer, is vested with the broadest powers to act on behalf of the Company under any and all circumstances. He exercises his authority within the limit of the corporate purpose and subject to the authority expressly granted to General Meetings and the Board of Directors and within the limits set by the bylaws and the Board of Directors (see section 3.1.1.6).

Thierry Martel is assisted by two Deputy Chief Executive Officers: Fabrice Heyriès, in charge of human resources, Finance, Legal Affairs, Auditing, and Risks, and Christian Cochennec, in charge of France Damage and IT activities, since 4 July and 1 October 2015 respectively.

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

Thierry Martel

Date of birth: 25 October 1963

BUSINESS ADDRESS

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

Main role in the Company

Thierry Martel was appointed Chief Executive Officer of Groupama SA on 24 October 2011. His term was renewed during the Board meeting of 18 June 2015 and will expire following the annual General Meeting in 2021.

Roles outside the Company

- Chief Executive Officer of Fédération Nationale Groupama
- Vice-Chairman of Association des Assureurs Mutualistes (AAM)
- Member of the Executive Committee of Fédération Française d'Assurance (FFA)

Professional experience/Management expertise

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

Graduated from the École Polytechnique in July 1985.

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

Certified member of the Institut des Actuaires Français.

Current offices held

Served within the Group in France

Groupama Holding	Non-director Chief Executive Officer	Since 26 October 2011
Groupama Holding 2	Non-director Chief Executive Officer	Since 14 December 2012
Groupama Holding Filiales et Participations	Chairman of the Board of Directors	Since 15 May 2017

◄ CONTENTS ►

Served outside the Group in France		
La Banque Postale Assurances IARD	› Vice-Chairman of the Board of Directors	Since 8 December 2011
	› Director	Since 10 December 2009
Compagnie Financière d'Orange Bank	› Vice-Chairman of the Board of Directors	Since 4 October 2016
Fonds Stratégique de Participations	› Permanent representative of Groupama SA, Director	Since 21 September 2015
Offices held from 2013 to 2017 no longer held by Mr Martel		
Served within the Group in France		
SGPS	› Manager (end of term 12 June 2013)	
Served outside the Group in France		
Société Générale*	› Director (end of term 30 August 2013)	

* *Listed company*

3.1.5.2 Steering Committee

The Steering Committee develops, proposes, and implements the strategy of Groupama SA in accordance with the Group's general guidelines set by Fédération Nationale Groupama. It runs the French and international subsidiaries.

It sets the major priorities for the work of the various departments of the Company and monitors the implementation of these decisions.

The committee is made up of 12 members and brings together representatives of Groupama SA's major departments to meet with the Chief Executive Officer. In 2017, it met in the form of a seminar once per six-month period.

3.1.5.3 Group Executive Committee

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

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

There are specialised Operating Committees (COMOP) – business lines, development, operational processes, information technology, finance, human resources and communication – whose members include the appropriate executives from the Group's entities. They contribute to the preparation of project files for the Group Executive Committee and propose steps to be taken on the operational level in accordance with the strategic guidelines.

3.1.6 OTHER INFORMATION

The information mentioned in sections 3.1.6.1., 3.1.6.2., and 3.1.6.3. below is not required for the corporate governance report and is therefore not covered by the statutory auditors' report on the corporate governance report.

3.1.6.1 Relations within the management bodies

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

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

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

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

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

3.1.6.2 Conflicts of interest in the management bodies

In order to review the occurrence of any conflicts of interest between the duties of the people referred to in point 3.1 and their respective private and/or professional interests, an Agreements Committee has been established, the role and operation of which are described in section 3.1.2.3.

Note that the internal bylaws, in their Article 4.2.4, reiterate the Directors' duties of loyalty and the rules for prevention of conflicts of interest.

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

3.1.6.3 Lack of service agreements

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

3.2 DELEGATIONS OF AUTHORITY AND POWERS

Pursuant to the new Article L. 225-37-4 of the French Commercial Code, below is a summary of the delegation of authority and powers granted by the General Meetings of 7 June 2016 and 28 June 2017 to the Board of Directors to increase the share capital pursuant to Articles L. 225-129-1 and L. 225-129-2 of said Code as well as their use during the fiscal year.

Securities	Resolutions	Duration of the authorisation	Expiry	Maximum nominal amount of capital increase
Issue with preferential subscription right (capital increase, all securities combined)	9th Resolution GM of 7 June 2016	26 months	August 2018	€1.1 billion to be charged against the total amount of capital increases authorised by the General Meeting, *i.e.* €1.1 billion
Issue without preferential subscription right of shares or securities giving access to the capital in order to compensate contributions in kind	15th Resolution GM of 28 June 2017	26 months	August 2019	10% of the share capital
Capital increase by capitalisation of premiums, reserves, profits, etc.	16th Resolution GM of 28 June 2017	26 months	August 2019	€400 million
Issue without preferential subscription right of shares or securities giving access to the capital in order to compensate contributions in kind	12th, 13th and 14th Resolutions GM of 28 June 2017	18 months	December 2018	€1.1 billion to be charged against the total amount of capital increases authorised by the General Meeting, *i.e.* €1.1 billion
Capital increase reserved for employees who are members of an employee savings plan	17th Resolution GM of 28 June 2017	26 months	August 2019	€150 million

It will not be proposed to the General Meeting of 7 June 2018 to renew the authorisations expiring in 2018, due to the planned conversion of Groupama SA into a national agricultural reinsurance mutual bank, a form of company without share capital.

As for the financial authorisations expiring in August 2019, they will automatically end once the conversion takes effect.

3.3 AGREEMENTS

We wish to inform you that no agreements within the scope of Article L. 225-37-4, 2° of the French Commercial Code were entered into during the past fiscal year.

3.4 COMPENSATION PAID TO AND EQUITY INTERESTS OWNED BY DIRECTORS

In accordance with the recommendations of the Corporate Governance Code for listed companies revised in November 2016, calculation of the compensation due to corporate secretaries is the responsibility of the Board of Directors and is based on the proposals of the Compensation and Appointments Committee.

Items contributing to the compensation of each Corporate Secretary are reported in accordance with the standardised presentation format recommended by the Corporate Governance Code.

3.4.1 COMPENSATION AND BENEFITS PAID TO THE CORPORATE OFFICERS OF GROUPAMA SA

3.4.1.1 Compensation paid to the members of the Board of Directors

The system of Directors' fees established by the Board of Directors as part of the overall allowance authorised by the General Meeting involves the payment of Directors' fees to all Groupama SA Directors, except for the Chairman of the Board, who receives compensation for his duties, and the Directors elected by the employees. Thus, during the fiscal year, 10 Directors representing the majority shareholder and 4 Independent Directors received Directors' fees.

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

These Directors' fees are paid quarterly.

For fiscal year 2017, as part of the global package maintained at €980,000, the distribution between fixed and variable amounts is as follows:

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

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

Under these circumstances, and given the attendance of the Directors in 2017, the variable portion of the Directors' fees paid by Groupama SA tied to the attendance record outweighs the fixed portion.

CONTENTS

Moreover, in 2017 certain Groupama SA Directors received attendance fees as members of the Board of Directors of the holding company, Groupama Holding, the breakdown of which is summarised in the following table.

Directors' fees *(Figures in euros)*

(Gross amounts before deduction of taxes and social contributions *)

	Directors' fees paid in 2017			Directors' fees paid in 2016		
Board members	**By Groupama SA**	**By Groupama Holding**	**Total**	**By Groupama SA**	**By Groupama Holding**	**Total**
Monique Aravecchia (appointed June 2017)	11,003	-	11,003	-	-	-
Michel Baylet	60,953	44,280	105,233	65,070	44,280	109,350
Isabelle Bordry (2) (appointed 27 Mai 2016)	58,208	-	58,208	24,825	-	24,825
Marilyn Brossat (appointed 28 June 2017)	8,258	-	8,258	-	-	-
Thierry Chaudon (1) (since 4 July 2016)	-	-	-	-	-	-
Daniel Collay	59,580	44,280	103,860	65,070	44,280	109,350
Amaury Cornut-Chauvinc	63,698	44,280	107,978	70,560	44,280	114,840
Ada Di Marzo (2) (appointed 28 June 2017)	14,895	-	14,895	-	-	-
Marie-Ange Dubost	66,443	44,280	110,723	70,560	44,280	114,840
Maria Frigara (1) (until 7 June 2016)	-	-	-	-	-	-
Caroline Grégoire Sainte Marie (2)	84,758	-	84,758	87,503	-	87,503
Brigitte Homo (1) (until 7 June 2016)	-	-	-	-	-	-
Michel L'Hostis	58,208	44,280	102,488	63,698	44,280	107,978
Jean-Louis Pivard	66,443	44,280	110,723	71,933	44,280	116,213
Laurent Poupart	63,698	44,280	107,978	67,815	44,280	112,095
Bruno Rostain (2)	66,443	-	66,443	73,305	-	73,305
Odile Roujol (2) (until 31 January 2016)	-	-	-	17,640	-	17,640
Liouba Ryjenkova (1) (since 4 July 2016)	-	-	-	-	-	-
François Schmitt	63,698	62,280	125,978	66,443	62,280	128,723
Groupama regional mutuals (3)		398,520	398,520		398,520	398,520
TOTAL	**746,286**	**770,760**	**1,517,046**	**744,422**	**770,760**	**1,515,182**

* *Gross Amounts before 21% tax levy and 15.5% social security contributions.*
(1) *Directors employed for a period of four years; they do not receive compensation for their term of office.*
(2) *Independent Directors appointed by the General Meeting for a period of six years.*
(3) *Directors' fees for Directors who are Chief Executive Officers of regional entities are paid directly to their respective regional mutuals.*

3.4.2 COMPENSATION AND BENEFITS PAID TO CORPORATE SECRETARIES

3.4.2.1 Compensation

(a) Chairman

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

- gross annual compensation paid monthly over twelve months;
- rights to replacement income at the time of his departure representing 13.6% of his gross annual compensation, a plan identical to that of his predecessors. It is a defined-contribution retirement scheme (Article 83 of the French General Tax Code). The Company is responsible for a social security expense of 20% on contributions.

The gross annual amount of the estimated pension at 31 December 2017 is appropriately K€5.4.

Since 2012, at which time it was reduced by 10% at the request of the incumbent Chairman, the compensation package has remained unchanged.

Summary of compensation and allocated options and shares *(Figures in euros)*

Jean-Yves Dagès (Chairman of the Board of Directors)	2017	2016
Compensation due for the fiscal year *(detailed in the following table)*	294,451	294,450
Valuation of options allocated during the fiscal year	Not applicable	Not applicable
Valuation of bonus shares allocated during the fiscal year	Not applicable	Not applicable
Valuation of other long-term compensation plans	Not applicable	Not applicable
TOTAL	**294,451**	**294,450**

Summary of compensation *(Figures in euros)*

	2017		2016	
JeanYves Dagès (Chairman of the Board of Directors)	**Amounts due**	**Amounts paid**	**Amounts due**	**Amounts paid**
Fixed compensation	259,200	259,200	259,200	259,200
Variable compensation	Not applicable	Not applicable	Not applicable	Not applicable
Extraordinary compensation	Not applicable	Not applicable	Not applicable	Not applicable
Director's fees	Not applicable	Not applicable	Not applicable	Not applicable
Benefits in kind (1)	35,251	35,251	35,250	35,250
TOTAL	**294,451**	**294,451**	**294,450**	**294,450**

(1) The 2017 amount corresponds to the retirement contribution (€35,251).

(b) Chief Executive Officer

The Chief Executive Officer receives fixed annual compensation in twelve equal instalments and variable compensation paid at the beginning of the following year.

Note that the 2017 variable compensation for the Chief Executive Officer is calculated in relation to a target figure (100% of the fixed compensation) from quantitative criteria (60%) based on the achievement of key performance indicators (France premium income in individual and group health and protection insurance, Group non-life insurance combined ratio, economic operating income), and two qualitative criteria (40%) related to the Group's strategy. The quantitative criteria, qualitative criteria and amounts are set by the Groupama SA Board of Directors on the recommendation of the Compensation and Appointments Committee.

With effect from 2017, a new multi-year performance plan over three years has been implemented for the period 2017-2019.

This involves a multi-year variable compensation package of a maximum amount equal to 75% of the fixed compensation received by the corporate officer, determined on the basis of predefined quantitative targets.

Each year, if the targets are met, one third of the compensation package will be reserved; this share will only be paid out at the end of the three-year period if performance, reviewed each year, is achieved.

◄ CONTENTS ►

The compensation is paid in full when all the targets have been achieved for each of the three years. It is also paid in full when the targets are achieved at the end of the three-year period without having necessarily achieved the targets in previous years since the period-end targets are achieved.

Note that the compensation for the first year can be cancelled in the second year if the performance of this second year is deemed insufficient; the same will be true for the third year. Each target is assessed independently of the others. In addition, there was no provision for payment of compensation in proportion to the rate of achievement of the targets.

In order to be paid the reserved amount, there is a presence condition by virtue of which the officer must still be effective in the function at the end of the three-year period.

Two criteria were used to measure the achievement of the targets set for each year: the refinancing rate spread and a criterion related to the Group's digital strategy.

Summary of compensation and allocated options and shares *(Figures in euros)*

Thierry Martel (CEO)	2017	2016
Compensation due for the fiscal year *(detailed in the following table)*	1,272,466	1,095,419
Valuation of options allocated during the fiscal year	Not applicable	Not applicable
Valuation of bonus shares allocated during the fiscal year	Not applicable	Not applicable
Valuation of other long-term compensation plans	see § 3.4.2.8	223,275
TOTAL	**1,272,466**	**1,318,694**

Summary of compensation *(Figures in euros)*

	2017		2016	
Thierry Martel (CEO)	**Montants dus**	**Montants versés**	**Montants dus**	**Montants versés**
Fixed compensation	660,000	660,000	660,000	660,000
Variable compensation	566,465	389,304	389,304	491,381
Extraordinary compensation	Not applicable	Not applicable	Not applicable	Not applicable
Director's fees	Not applicable	Not applicable	Not applicable	Not applicable
Benefits in kind (1)	46,001	46,001	46,115	46,115
TOTAL	**1,272,466**	**1,095,305**	**1,095,419**	**1,197,496**

(1) Protection, healthcare, social insurance cover for company senior executives and Managers and vehicle benefits.

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

Not applicable, as Groupama SA has never allocated stock subscription or purchase options.

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

Not applicable.

3.4.2.4 Bonus shares allocated during the year to executive officers

Not applicable, as Groupama SA has never issued a bonus share plan.

3.4.2.5 Restricted stock vesting during the year for executive officers

Not applicable.

3.4.2.6 History of stock subscription or purchase option awards

Not applicable.

3.4.2.7 History of allocations of bonus shares

Not applicable.

3.4.2.8 Summary of multi-year variable compensation of each executive officer

Name and function of the executive officer	FY 2017	FY 2016	FY 2015
Jean-Yves Dagès Chairman of the Board of Directors	Not applicable	Not applicable	Not applicable
Thierry Martel Chief Executive Officer	Payment made in 2017 under the 2014-2016 performance plan: 223,275	No payment during the fiscal year	No payment during the fiscal year

3.4.2.9 Summary of the status of the Corporate Secretaries

	Employment Contract		Supplementary pension scheme		Compensation or benefits due or likely to be due as a result of termination or change of functions		Compensation relating to non-competition clause	
Corporate Secretaries	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Jean-Yves Dagès Chairman of the Board of Directors Start date of term of office: 14 December 2012 End date of term of office: 2021		X	X			X		X
Thierry Martel Chief Executive Officer Start date of term of office: 24 October 2011 End date of term of office: 2021	X(1)		X			X		X

(1) Employment contract suspended because of the Chief Executive Officer's service as an employee before his appointment for 21 years.

CONTENTS

3.4.3 MEMBERS OF THE STEERING COMMITTEE

3.4.3.1 Compensation

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

Note that the Steering Committee had 11 members as of the end of 2017, not including the Chief Executive Officer, whose compensation components are indicated in section 3.4.2.1 (b).

	Year 2017	Year 2016
(Figures in euros)	Gross amount paid during the year	Gross amount paid during the year
Members of the Steering Committee (1)	4,683,295	4,497,420
Average number of members during the year	11	11

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

3.4.3.2 Pension commitments made for the members of the Steering Committee

A defined-benefits scheme (Article 39 of the French General Tax Code) was established by an agreement on 26 June 2001 for the members of the Steering Committee; this agreement was amended by agreement on 22 March 2004, then by agreement on 5 December 2005, then by an *addendum* on 31 May 2017.

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

The members of the Steering Committee may qualify for this system provided they meet the conditions precedent under the agreement. Note that the contract is closed to new entrants starting from 31 May 2017.

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

The resulting income may be neither less than 10% of the benchmark salary defined in the agreement nor more than 30% of the average gross annual compensation for the past 36 months. The basic, additional or supplementary schemes must not exceed 50% of the gross annual compensation of the beneficiary. Subject to fulfilling all of the aforementioned conditions, the rough estimate as of 31 December 2017 of the annual theoretical pension is approximately K€251 for the Chief Executive Officer.

The management of the scheme is outsourced.

The Company is responsible for a contribution of 32% on pensions paid.

The total liability as at 31 December 2017 was €18,436,752 for members of the Steering Committee at that time.

3.4.4 COMPENSATION POLICY FOR EXECUTIVE CORPORATE OFFICERS

3.4.4.1 Components of the compensation paid or allocated for fiscal year 2017 to each executive officer of the Company, subject to an *ex-post* vote by the shareholders

Pursuant to Articles L. 225-37-2 and L. 225-100 of the French Commercial Code, the following components of the compensation paid or allocated for the ended fiscal year to each corporate officer of the Company must be subject to an *ex-post* vote by the shareholders:

- the fixed portion;
- the annual variable portion and, where applicable, the multi-year variable portion with the objectives contributing to the determination of this variable portion, with the understanding that the payment of variable compensation components is subject to approval by the General Meeting;
- exceptional compensation, with the understanding that the payment of exceptional compensation components is subject to approval by the General Meeting;
- stock options, restricted stock, and any other long-term compensation components;
- allowances relating to taking on or terminating duties;
- the supplemental pension scheme;
- benefits of any kind.

It is proposed that the General Meeting of 7 June 2018 (Resolutions 6 and 7) cast an *ex-post* vote on the components of the compensation paid or allocated to each corporate officer of the Company for fiscal year 2017, namely:

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

(a) Components of the compensation paid or allocated for fiscal year 2017 to Jean-Yves Dagès, Chairman of the Board of Directors, subject to vote by the shareholders

It is proposed that the General Meeting of 7 June 2018 (Resolution 6) cast a favourable *ex-post* vote on the following components of the compensation paid or allocated to Jean-Yves Dagès, Chairman of the Board of Directors, for the fiscal year now ended.

Components of the compensation paid or allocated during the fiscal year now ended	Amounts or book value subject to vote	Comments
Fixed compensation	259,200	Annual gross compensation approved by the meeting of the Board of Directors held on 14 December 2012.
Annual variable compensation	Not applicable	Jean-Yves Dagès receives no annual variable compensation.
Stock options, restricted stock, and any other long-term compensation components	Not applicable	Jean-Yves Dagès has no stock options, restricted stock, or any other long-term compensation components.
Director's fees	Not applicable	Jean-Yves Dagès does not receive Director's fees.
Value of benefits of any kind	Not applicable	Jean-Yves Dagès no longer has a housing benefit since 1 January 2015.

Components of the compensation paid or allocated for the fiscal year now ended that are or were the subject of a vote by the General Meeting under the procedure for regulated agreements and commitments	Amounts subject to vote	Comments
Severance pay	Not applicable	
Non-competition compensation	Not applicable	
Supplementary pension scheme	35,251	Defined-benefits pension scheme authorised by the Board of Directors on 14 December 2012 and confirmed on 19 February 2014. The amount indicated corresponds to the contributions (13.6% of gross compensation) paid by the Company in the previous year.

CONTENTS

(b) Components of the compensation paid or allocated for fiscal year 2017 to Thierry Martel, Chief Executive Officer, subject to vote by the shareholders

It is also proposed that the General Meeting of 7 June 2018 (Resolution 7) cast an *ex-post* vote in favour of the following components of the compensation paid or allocated to Thierry Martel, Chief Executive Officer, for fiscal year 2017.

Components of the compensation paid or allocated during the fiscal year now ended	Amounts or book value subject to vote *(in euros)*	Comments
Fixed compensation	660,000	Annual gross compensation approved by the meeting of the Board of Directors held on 30 July 2015 as from 18 June 2015
Annual variable compensation	566,465	Given the quantitative and qualitative criteria approved by the Board and the achievements recorded as at 31 December 2017, the amount of the variable portion was determined at the meeting of the Board of Directors held on 15 March 2018 based on recommendations from the Compensation and Appointments Committee on the basis of the following quantitative criteria (France premium income in individual and group health and protection insurance, Group non-life insurance combined ratio, economic operating income) and two qualitative criteria related to the Group's strategy.
Multi-year variable compensation	Valued at 82,500	With effect from 2017, a multi-year performance plan has been established for the period 2017-2019, the maximum amount of which is equal to 75% of the fixed compensation component. This compensation is subject to performance conditions determined on the basis of predefined quantitative objectives. Each year, if the targets are met, one third of the compensation package will be reserved; this share will only be paid out at the end of the three-year period if performance, reviewed each year, is achieved. In order to be paid the reserved amount, there is a presence condition by virtue of which the officer must still be effective in the function at the end of the three-year period. The criteria used to measure the achievement of the targets set for each year: the refinancing rate spread and a criterion related to the Group's digital strategy.
Stock options, restricted stock, and any other long-term compensation components	Not applicable	Like all the corporate officers of the Company, Thierry Martel has no stock options, restricted stock, or any other long-term compensation components.
Director's fees	Not applicable	Thierry Martel does not receive Directors' fees.
Value of benefits of any kind	46,001	Company car benefit in kind, protection and healthcare and social insurance cover for company senior executives and Managers.

Components of the compensation paid or allocated for the fiscal year now ended that are or were the subject of a vote by the General Meeting under the procedure for regulated agreements and commitments	Amounts subject to a vote *(in euros)*	Comments
Severance pay	Not applicable	
Non-competition compensation	Not applicable	
Supplementary pension scheme	No payment	Thierry Martel qualifies for the defined-benefits scheme for members of the Steering Committee. Note that the principle of the extension of this scheme to the corporate officers who are members of the Steering Committee was approved in the General Meeting of 29 June 2006, and that this extension was applied to Thierry Martel as approved at the meeting of the Board of Directors of 15 December 2011 and confirmed on 19 February 2014. ■ Eligibility for this scheme is subject to several conditions precedent, including the final completion of the career, the liquidation of all pension plans and the condition of being or having been a member of the Steering Committee for a minimum of at least five years. ■ The escalation of the rights is 2% per year of the average gross annual salary of the last 36 months (fixed portion + benefits in kind). ■ According to the terms of the contract, the annuity paid for this contract may not exceed 30% of the average gross annual compensation for the last 36 months, keeping in mind that all basic, complementary and supplementary schemes must not exceed 50% of the beneficiary's gross annual compensation.

1
2
3
4
5
6
7

3.4.4.2 Compensation components attributable to each executive officer of the Company, subject to the *ex-ante* vote of the shareholders

Pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code, shareholders must carry out an *ex-ante* vote on the principles and criteria for determination, distribution and allocation of fixed, variable and extraordinary components of the total compensation and benefits of any kind attributable to each executive officer of the Company for fiscal year 2018.

These components, detailed below, were approved at the General Meeting of 28 June 2017, with the understanding that the scales applicable to the Chief Executive Officer's annual variable compensation have been adjusted.

It is proposed to submit to the General Meeting of 7 June 2018 the principles and criteria for determination applicable to each executive officer of the Company, namely:

- Jean-Yves Dagès, Chairman of the Board of Directors (Resolution 8);
- Thierry Martel, Chief Executive Officer (Resolution 9).

The payment of the variable and extraordinary compensation components is conditional on the approval of the compensation components of the persons concerned by the Ordinary General Meeting.

(a) Jean-Yves Dagès, Chairman of the Board of Directors

Compensation components for fiscal year 2018	Principles and criteria for determination, distribution and allocation
Fixed compensation	Annual gross compensation of 259,200 euros approved by the meeting of the Board of Directors held on 14 December 2012.
Annual variable compensation	Jean-Yves Dagès receives no annual variable compensation.
Stock options, restricted stock, and any other long-term compensation components	Jean-Yves Dagès has no stock options, restricted stock, or any other long-term compensation components.
Director's fees	Jean-Yves Dagès does not receive Director's fees.
Benefits of any kind	Jean-Yves Dagès no longer has a housing benefit since 1 January 2015.

Components of the compensation that are or were the subject of a vote by the General Meeting under the procedure for regulated agreements and commitments	Principles and criteria for determination, distribution and allocation
Severance pay	Not applicable
Non-competition compensation	Not applicable
Supplementary pension scheme	Defined-benefits pension scheme (also applicable to his predecessors) authorised by the Board of Directors on 14 December 2012 and confirmed on 19 February 2014. The amount corresponds to the contribution of 13.6% of the gross compensation paid by the Company during the year.

(b) Thierry Martel, Chief Executive Officer

Compensation components for fiscal year 2018	Principles and criteria for determination, distribution and allocation
Fixed compensation	Annual gross compensation approved by the meeting of the Board of Directors held on 30 July 2015: 660,000 euros starting 18 June 2015
Annual variable compensation	The variable portion (with a maximum of 100% of the fixed portion) is valued on the basis of the quantitative and qualitative criteria decided by the Board on the recommendations of the Compensation and Appointments Committee. The 2017 criteria were renewed in 2018 after adjusting the scales according to the Board's decisions of 14 December 2017 and 15 March 2018: ■ quantitative criteria (60%): France premium income in individual and Group health and protection insurance, Group's non-life combined ratio, economic operating income; ■ qualitative criteria (40%) related to the Group's strategy.
Multi-year variable compensation	A multi-year performance plan has been established for the period 2017-2019, the maximum amount of which is equal to 75% of the fixed compensation component. This compensation is subject to performance conditions determined on the basis of predefined targets. Each year, if the targets are met, one third of the compensation package will be reserved; this share will only be paid out at the end of the three-year period if performance, reviewed each year, is achieved. In order to be paid the reserved amount, there is a presence condition by virtue of which the officer must still be effective in the function at the end of the three-year period. Two criteria were used to measure the achievement of the targets set for each year: the refinancing rate spread and a criterion related to the Group's digital strategy.
Stock options, restricted stock, and any other long-term compensation components	Like all the corporate officers of the Company, Thierry Martel has no stock options, restricted stock, or any other long-term compensation components.
Director's fees	Thierry Martel does not receive Directors' fees.
Benefits of any kind	Company car benefit in kind, protection and healthcare and social insurance cover for company senior executives and Managers.

Components of the compensation that are or were the subject of a vote by the General Meeting under the procedure for regulated agreements and commitments	Principles and criteria for determination, distribution and allocation
Severance pay	Not applicable
Non-competition compensation	Not applicable
Supplementary pension scheme	Thierry Martel qualifies for the defined-benefits scheme for members of the Steering Committee. Note that the principle of the extension of this scheme to the corporate officers who are members of the Steering Committee was approved in the General Meeting of 29 June 2006, and that this extension was applied to Thierry Martel as approved at the meeting of the Board of Directors of 15 December 2011 and confirmed on 19 February 2014. ■ Eligibility for this scheme is subject to several conditions precedent, including the final completion of the career, the liquidation of all pension plans and the condition of being or having been a member of the Steering Committee for a minimum of at least five years. ■ The escalation of the rights is 2% per year of the average gross annual salary of the last 36 months (fixed portion + benefits in kind). ■ According to the terms of the contract, the annuity paid for this contract may not exceed 30% of the average gross annual compensation for the last 36 months, keeping in mind that all basic, complementary and supplementary schemes must not exceed 50% of the beneficiary's gross annual compensation.

3.5 INTERNAL CONTROL PROCEDURES

3.5.1 CONTROL ENVIRONMENT

3.5.1.1 Strategy

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

- the Group's medium-term and long-term strategic focuses are determined by the managing bodies;
- they are implemented in the short or medium term in accordance with a Group Strategic and Operational Planning ("SOP") process.

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

The strategic plan is defined for a period of three years: the work carried out in 2015 resulted in the definition of the SOP for 2017-2019.

On the France scope, the national consolidation of objectives is approved by the Group's executive bodies.

Internationally, each subsidiary develops its OSP just like the group's other entities, submitted to the International Subsidiaries Department and the Group's Executive Management for validation.

3.5.1.2 Human Resources (HR)

The responsibilities of the Group HR Department cover three main areas:

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

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

  The Group HR Department is also in charge of employee relations within the UES (Economic and Social Unit), with the aim of managing all information/consultation processes relating to the projects and activities of its member companies (Groupama SA, Groupama Gan Vie, Gan Patrimoine, Gan Prévoyance, Groupama Supports et Services, Gan Assurances);
- activities related to the HR Department of the "company" Groupama SA involving internal checks to ensure that labour laws and regulations are properly enforced: compliance with legal and contractual obligations related to corporate dialogue, human resources development (diversity and non-discrimination, etc.), and to employment contracts, vocational training, occupational health, production and transmission of statistics, legal reports, etc.;
- "Shared service centre" activities for all payroll operations and the administration of personnel for eight companies of the Group including Groupama SA.

The Group HR Department also carries out social projects in the consolidated companies, relating to the obligations of transparency and non-financial reporting covered in the Grenelle II law (publication in the management report of information relating to social impacts - organisation of work, labour relations, diversity, etc.). Note that after audit and verification by the statutory auditors, Groupama successfully obtained for 2017 (like the previous year) a certificate of participation as well as an attestation of sincerity.

3.5.2 INTERNAL CONTROL ORGANISATION AT THE GROUP LEVEL

Internal control is a mechanism that the Group implements to guarantee:

- the application of instructions and guidelines set by Executive Management or the Management Board;
- compliance with the laws and regulations, local rules and codes of conduct relating to the businesses carried out by the Group;
- the proper functioning of the internal processes and rules of each company, particularly those contributing to the safeguarding of the Group's assets;
- the reliability of financial data;
- the control of risks of any nature to which each company is exposed;
- and, in general, contribute to the control of its activities, the effectiveness of its operations and the efficient use of its resources.

Beyond compliance with the regulatory obligations, the implementation of an internal control system constitutes a strategic issue for Groupama essential to the preservation of its interests, the interests of its customers, partners, members and shareholders, and the interests of its staff or even its existence in case of a major event.

In this context, the general principles, objectives and organisation of internal control of the Group and Groupama SA were defined in a policy approved by the Board of Directors of Groupama SA in 2015. For the Group's entities, this policy constitutes the common reference to be respected in the deployment of their internal control processes.

As auditing is part of the internal control procedure, a Group and Groupama SA audit policy supplements the provisions of the internal control policy with its own operating rules and scope of operation. Risk management policies as well as a compliance policy, defining the overall framework for implementation and operation of the compliance system within the Group, complete the general internal control system.

In accordance with the requirements of Solvency 2, a gap analysis was conducted in 2017 on each of the policies to verify whether they should be updated.

The internal control system deployed by the Group is based on commonly accepted practices[1]. It covers the first-level and second-level Permanent Control system as well as periodic control (or third-level control).

Permanent Control is implemented by:

- operational units that provide first-level control;
- teams specifically dedicated to Permanent Control (risks, compliance with laws and regulations, accounting control, security of information systems, etc.) that provide second-level control.

The internal audit function periodically assesses the adequacy and proper functioning of the Permanent Control system and provides a third level of control.

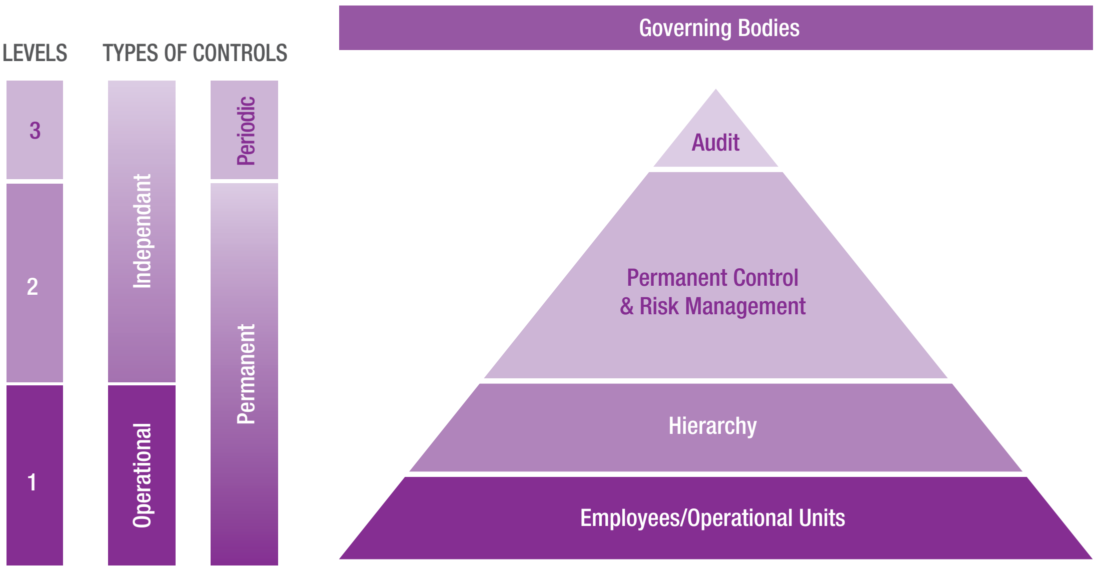
The various business lines are responsible for the risks that they generate through the operations that they carry out. They ensure and assume the first-level controls on their scope of responsibility.

Second-level and third-level controls are usually the responsibility of the specialised departments:

- the Group Risk Management/Control and Compliance Department;
- the Audit Department.

However, certain second-level Permanent Controls may be conducted by dedicated departments according to the organisation of the activity (Accounting Department, Information Systems Security Department, Legal Department, etc.).

INTERNAL CONTROL ORGANISATION



3.5.2.1 Principles of organisation

As the central body, Groupama SA has defined a uniform policy framework to be put in place within the companies that takes into account their specific characteristics in terms of regulations, structure, organisation, and activity. The aim is to ensure the consistency of the principles and rules of management of Permanent Control and periodic control, with a view to controlling the risks that affect the Group, while taking into account the principle of proportionality as provided for in the Solvency 2 Directive.

The Group General Audit Department and the Group Risk Management/Control and Compliance Department each manage and supervise the internal control system for the entire Group. In practice, they are in direct contact with the regional mutuals and the subsidiaries both nationally and internationally as well as with medium-sized companies. Each of these companies must include in its scope all of its own subsidiaries and manage and oversee the implementation and monitoring of internal control systems in accordance with the principles and rules set out by the Group.

The Group Audit Department, under the responsibility of the Director of Audit, Risks, and Internal Control, and the Group Risk Management/Control and Compliance Department (DRCCG) report to the Deputy Chief Executive Officer of Groupama SA.

(1) Inspired by the IFACI's work and using the COSO as a reference.

The Group Audit Director and the Group Risk Management/Control and Compliance Director periodically report to the Audit and Risk Management Committee of the Groupama SA Board of Directors on the Group's position and any work in progress in terms of internal control and risk management. It coordinates the actions of the Group Risk Management Department and the Permanent Control and Compliance Department.

(a) Group Risk Management Department (DRG)

In terms of risk management, as of the end of 2017, the Group Risk Management Department (DRG) has a dedicated team of eight people and is more specifically involved in areas related to financial and insurance risks.

In 2017, the main actions undertaken by the teams in the Group Risk Management Department focused on:

- assessment of the Group's Major Risks, revision and strengthening of reporting to the Group's governance bodies;
- preparation and coordination of specialised Risk Committees;
- continued deployment of the ARRC (adjusted return on required capital) project in the international scope with the Italian and Romanian subsidiaries;
- completion of the annual system of assessment and collection of insurance and financial risks for all of the Group's entities;
- definition of the common methodological principles of assessment and preparation of a generic ORSA report proposed by the Group Risk Management Department, which serves as a basis for the entities to draw up their final report;
- support for the Risk Managers of the Group's entities for the processes of assessing risks and finalising their ORSA reports.

Both at Group level and at the entity level in France and internationally, the ORSA process was presented as work progressed, with approvals sought at each stage from the Steering Committees of Groupama SA and the entities.

At the same time, the Boards of Directors of the Group's insurance companies were involved – directly or through the Audit and Risk Management Committee upstream of the ORSA work (particularly through the validation of calculation assumptions and the choice of scenarios adopted) – and examined the results then approved their company's report before transmission to the local control authorities in accordance with the regulations.

(b) Permanent Control and Compliance Department (DCPCG)

As of the end of 2017, the Permanent Control and Compliance Department (DCPCG) has a dedicated team of twelve people and is involved especially in the scope relating to the management of compliance, operational, and image risks and is also in charge of the internal validation of the partial internal model, major changes, and the SCR calculation by the internal model.

In 2017, the major tasks undertaken by the teams in the Group Permanent Control/Compliance Department focused on:

- supporting and monitoring the deployment of the Group deliverables of Pillar 2 in the Group's entities;
- assessment of operational risks particularly on the basis of the Group nomenclature and the Group assessment methodology;
- actual implementation of the community operational risk management tool, OROp, in nearly all of the companies of the international scope of the Group;
- coordination of the Group's compliance initiatives particularly in connection with the strengthening of regulatory requirements regarding customer protection and the fight against money laundering and terrorist financing;
- support for the Group's entities in the implementation of their Business Continuity Plan in line with the Group policy: testing drills, workshops, plenary session of Managers in the entities, deployment of a crisis management solution, and provision of examples of good practices;
- updating the document reference system;
- management of the network of risk and internal control officers and the organisation of meetings to discuss experiences through regular workgroups and establishment of an ARC (Audit, Risk and Control) COMOP (operational implementation committee) grouping together the ARC Managers of the main companies of the Group's France scope.

In addition to these actions to strengthen the risk and control system, the Group Risk Management and Permanent Control/Compliance Departments worked together on the annual internal control questionnaire campaign. The purpose of this self-assessment questionnaire is to ascertain the status of the risk control and internal control systems and their level of deployment (at both entity level and Group level) and uniformly measure the progress of the Group's entities. This status assessment gives rise to the development and monitoring of improvement action plans.

Lastly, in addition to the Risk Management and Permanent Control/Compliance Departments, a Research Division, reporting directly to the Group Risk Management and Control Director, completes the system; its primary responsibilities include conducting general studies on the subject of risk management and control, monitoring the emergence of new risks and tracking CRO Forum files (Chief Risk Officers – European Forum).

(c) Group General Audit Department

The objectives and the principles for operation and involvement of the Group's General Audit Department and the internal audit function as well as the relationship between the various control levels (Permanent Control, internal audit in the Group entities and General Audit Department) are formalised in the internal audit policy of the Group and Groupama SA developed in 2015.

The Group General Audit Department operates across the entire Group with a staff of fourteen auditors. The Group General Audit Department's 2017 audit plan was approved by the Groupama SA's Board of Directors. It is built around a three-year audit approach for each company of the Group and audits of processes.

The general audits of entities conducted in 2017 by the Group General Audit Department focused on five regional mutuals, two French insurance subsidiaries, and two international subsidiaries.

Targeted audits were conducted in the main insurance subsidiaries in France, Groupama Gan Vie and Gan Assurances.

The audit investigations led to specific recommendations.

Cross-functional process audits pertained to the management of bodily injury claims and anti-money laundering and terrorist financing procedures. Action plans to strengthen controls and optimise processes were validated by the Group Executive Committee and implemented in early 2018.

The audit conclusions are reported *via* a table of assessment of risks to which the Company is exposed on its key processes and a list of recommendations. These conclusions are shared with the Steering Committees of the companies concerned and the Group Executive Committee for the cross-functional audits. They are then presented to the Audit and Risk Management Committee of Groupama SA.

At the end of 2017, the Group's audit team had more than 100 auditors across Groupama SA, the regional mutual and the Group's subsidiaries in France and internationally.

The working methods and the definition of the responsibilities of the key internal audit functions of the entities were formalised in dedicated policies approved in 2015 by the Boards of Directors of most of the Group's entities, consistent with the principles of the Internal Audit policy of the Group and Groupama SA.

The function is managed principally through an annual agreement and a quarterly working group (WG).

3.5.2.2 Internal control and risk management systems within the entities and Groupama SA

(a) Within the entities

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

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

These systems are adapted to each entity based on its organisation, activities, and resources and the local regulations abroad, under the authority of its Executive Management.

Regarding organisation and governance, the French entities subject to the Solvency 2 regulations have specified in their risk policies the roles and responsibilities of the administration and executive management bodies, key functions, and Operational or Support Departments involved in risk management.

As under the Group model, the entities regularly hold specialist Risk Committee meetings and reinforce the level of maturity of the following four key functions, defined under Solvency 2:

- the "Risk Management" key function;
- the "Compliance Verification" key function;
- the "Audit" key function;
- the "Actuarial" key function.

The Group Risk Management/Control and Compliance Department supports the entities in monitoring and rolling out Group standards.

The entities' Permanent Control plans are integrated into the community operational risk management tool according to the Group methodology. This tool also enables collection of incidents, assessment of operational risks, and management of action plans.

Forums for exchanges and good practices (working group, thematic workshops, training sessions), led by the Group Risk Management/Control and Compliance Department, supplement the system and regularly bring together all the risk and Permanent Control/Compliance Managers of the Group's entities, and an ARC Operation Committee brings together the regional mutuals and the main subsidiaries of the France scope of the Group and is the subject of regular reporting to the Group Executive Committee.

(b) Within Groupama SA

Implementing the internal control system at the level of the functional and operational activities of Groupama SA is the responsibility of the different officers in charge of these activities under the authority of the Executive Committee. The area of responsibility of each of these Managers is determined by the delegations of authority approved. The implementation of the internal control system of the corporate entity Groupama SA is handled by an employee of the Group Risk Management/Control and Compliance Department.

(c) Monitoring of entities

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

- Group Finance Department for financial subsidiaries;
- Group Insurance and Services Department for the Non-Life insurance subsidiaries, the French service subsidiaries, Groupama Banque, and Groupama Supports & Services;
- Groupama Gan Vie's Executive Management for the life insurance subsidiary and the distribution subsidiaries Gan Patrimoine and Gan Prévoyance;
- International Subsidiaries Department for foreign subsidiaries.

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

Activity monitoring and financial reporting

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

This approach is based on a process of management planning that is common to all entities. It is implemented and coordinated by the Group Financial Control Department and is based on core Group standards for developing forecasts, approved by the Executive Management and updated regularly.

The internal control procedures for financial reporting are specified in chapter 5 of this registration document.

In addition to this monitoring process, business reviews are conducted twice a year for Group subsidiaries in France and internationally with the Executive Management of Groupama SA.

These exchanges ensure, in particular, that the Company's strategic guidelines conform to the Group framework.

These business reviews have included a specific "risk" section presenting, by entity, the level of deployment of the internal control system and the main activities under way in the area of risk management.

Asset/Liability Management and investment strategy

As the central body, Groupama SA is responsible for defining the Group's investment strategy. The structuring framework of the management measures related to asset/Liability Management and investment operations (general organisation and risk management measures) is formalised as part of the policy of the Group and Groupama SA for asset/Liability Management and investment risk, approved by Groupama SA's Board of Directors on 27 May 2015.

The Group Investment Department, within the Group Financial Department, is in charge of defining the Group investment strategy and relies on, where appropriate, the expertise of the various Group entities or Groupama SA departments:

- Groupama Asset Management, Groupama Immobilier and outside Managers for market analyses;
- the Financial and Actuarial Departments of the various entities for information about the liabilities of each entity.

The major steps of the Group process for analysing assets/liabilities and defining the investment strategy specified below are adapted to the level of each entity on the basis of their objectives and their own governance.

The investment strategy is thus based on asset/liability analyses performed according to the issues of each company or portfolio and on expert analyses, taking into account the margins of prudence in view of the ALM conclusions. These analyses make it possible to determine:

- the major arbitrage transactions to be considered in the portfolios;
- the investment guidelines by major asset class;
- the coverage requirements;
- the recommendations on the liability policies of the entities (underwriting policy in particular).

On the basis of this work, the Group Investment Department then formalises the Group investment strategy defining the following elements:

- the strategic allocation at the Group level and on the main portfolios (stock);
- cash flow projections and areas of allocation on these flows;
- changes in strategies by asset class;
- policies specific to derivatives;
- investments on new asset classes;
- the risk budgets (budget of capital losses, coverage budget, IFRS result budget, capitalisation reserve allowance and writeback policy).

The Group Investment Department verifies that this strategy complies with the Group risk limits. After this compliance verification is performed, the Group investment strategy is validated by:

- the Group Executive Committee;
- the Group Audit and Risk Management Committee;
- the Groupama SA Board of Directors.

After the Group investment strategy is validated, the Investment Department deploys this strategy operationally at the level of:

- each French subsidiary;
- each international subsidiary;
- certain contractual or regulatory administrative districts (for French subsidiaries).

In the Groupama SA subsidiaries, the investment strategies are validated during financial committee or Asset Allocation Committee meetings, depending on their organisation.

In the regional mutuals, investment strategies are validated during their financial committee meeting, in keeping with the Group's investment strategy.

3.5.3 RISK GOVERNANCE

The bodies dedicated to risk management enabling Groupama SA's Executive Management to carry out regular monitoring of the main risks incurred at Group level are the Group Risk Management Committee and the specialist Group committees for the various risk categories (Financial Risks, Insurance Risks and Operational Risks) and the Capital Management Committee.

3.5.3.1 Group Risk Management Committee (CRG)

Its membership is the same as that of the Group Executive Committee.

Its tasks are to approve the risk management policy and the policies by risk area, particularly by setting the limits of major risks and determining the methods to be used to manage risks, to review and monitor the management of major Group risks and to examine the work of the Group Insurance, Financial and Operational Risk Committees.

These specialist committees cover all risks with a systematic focus on major Group risks. They ensure continuity of action from the Group Risk Management Committee to which they report up to the working groups and committees in charge of activities incurring risks. The specialist committees are chaired by a member of the Group Executive Committee. The Group Risk Management and Compliance Department provides coordination and secretarial support to these committees.

(a) Group Financial Risk Committee (CRFG)

The Group Financial Risk Committee is made up of the Deputy Chief Executive Officer (Chairman), the heads of the Group Financial and Investment Departments, the Group Risk Management and Compliance Director, and representatives of the French Subsidiaries/International Subsidiaries Departments and banking and Asset Management subsidiaries. It is responsible for proposing to the Group Risk Management Committee the policy and rules governing the acceptance and retention of financial risks. In this context, it:

- identifies and evaluates financial risks;
- proposes asset risk limits at Group level and entity level as well as hedging principles;
- checks the proper application of these limits by the Group's entities and proposes action plans;
- validates any exemptions and/or the establishment of action plans;
- reviews the models and methodologies for assessment of financial risks (*e.g.* Asset/Liability Management, valuation, etc.) and the limits of these models;
- defines stress test scenarios for financial risks, evaluates their consequences, and proposes a modus operandi in case of occurrence of a financial shock;
- alerts the Group's Executive Management where appropriate.

(b) Group Insurance Risk Committee (CRAG)

The Group Insurance Risk Committee is made up of the Deputy CEO in charge of the Group Insurance and Services Department (Chairman), the heads of the Insurance, Agricultural, SOP Management and Coordination, Reinsurance, Group Actuarial, and Group Risk Management/Control and Compliance Departments, representatives of the International Subsidiaries and Groupama Gan Vie. It is responsible for proposing the policy and rules governing the acceptance and retention of insurance risks to the Group Risk Management Committee. In this context, it:

- identifies and evaluates insurance risks;
- examines the commitment levels at the Group level and the main guidelines;
- defines stress test scenarios on insurance risks, evaluates their consequences, and proposes a modus operandi in case of occurrence;
- monitors governance and the performance of the internal model for insurance risks (*e.g.* decision for major change of the model);
- checks the proper application of the process for development and compliance of new products (life and non-life) with the Group risk management policy;
- alerts the Group's Executive Management where appropriate.

(c) Group Operational Risk Committee (CROG)

Composed of the heads of the Group Risk Management/Control and Compliance Department and the Groupama SA departments that are "owners" of the main identified operational risks and chaired by the General Secretary, it is responsible for:

- identifying and assessing operational risks (including compliance and reputation) and overseeing their consideration within the entities;
- defining and checking the budgets and operational risk limits consistent with the Group risk tolerance;
- monitoring all Group operational risks, particularly major Group operational risks;
- defining the policy for hedging against operational risks (operating risk insurance, BCP, etc.);
- alerting the Group's Executive Management where appropriate.

3.5.3.2 Capital Management Committee

The main objectives of this committee are:

- validation of the capital management policy;
- monitoring of the implementation of the capital management plan;
- monitoring of the Group's solvency risk;
- validation of the internal assessment of risks and the solvency of all Group entities at the Group level.

3.5.3.3 Cross-functional committees

In addition to the specific Risk Committees (CRG, specialised committees by risk category, and capital Management Committee), the Group Risk Management and Compliance Director chairs two cross-functional committees, allowing him to coordinate two important areas involved in the control of the Group's risks: the partial internal model and data quality.

(a) Internal Model Group Committee (CGMI)

The Internal Model Group Committee (CGMI), led by the Group Actuarial Department (in charge of modelling) and by the Group Risk Management and Compliance Department (in charge of independent validation of the model), is a body for decision-making and discussions between the various departments involved in or concerned by the internal model. As such, it takes an active role in the process of validating and changing the internal model. Its responsibilities are defined and detailed in the internal model policy. It reports to the Group Insurance Risk Committee, which has a role of consultation and guidance in such matters. It reports to the Group Risk Committee, the final decision-maker with regard to major changes to the model, before approval by the Board of Directors.

(b) Group Data Quality Committee (CGQD)

The Group Data Quality Committee, coordinated by the Group Management Control function, defines the Group data quality policy, verifies its operational implementation and manages projects necessary to improve data quality. Under the internal model, the CGQD ensures that the data quality (completeness, accuracy, relevance) is sufficient both for entry of the model into calibration and after calibration. It is supported by a network of Data Managers and data owners (by entity and for each Group department concerned), who are in charge of controls applied to the collection process. The CGQD prepares a Group report and reports directly to the Group Risk Management Committee (see above).

3.5.4 GROUP COMPLIANCE

Non-compliance risk is a cross-group operational risk, and the non-compliance risk control system is one of the essential components of internal control organised within the Group.

Compliance essentially covers the themes pertaining to the Group's core business, *i.e.*, non-life insurance, life insurance, banking, Asset Management, and real estate governed particularly by the Insurance, Monetary and Financial, Consumer, and Commercial Codes, the General Regulation of the AMF, as well as the regulations from the supervisory authorities to which these activities are subject. In this context, the main themes and risks covered are as follows:

- the protection of customers;
- the fight against money laundering and terrorist financing;
- l'ethics and professional conduct/conflicts of interest/the fight against corruption and influence peddling/the duty of care of parent companies and whistleblowing rights;
- internal fraud;
- confidentiality, professional secrecy, and processing of medicaldata;
- personal data protection.

The Group Compliance Department supports, advises and verifies the formalisation and implementation of the rules enacted by Groupama SA's functional and Business Departments:

- the Group Legal Department for regulatory and legal watch aspects (compliance with the provisions of the Insurance, Commercial and Consumer Codes, tax regulations on insurance products, etc.) and Group internal standards, particularly for the monitoring of delegations of powers, anti-money laundering regulations and compliance with the provisions of the Data Protection Act. It serves as a cross-functional advisor in the implementation of projects within its fields, actively participates in the professional bodies and communicates the profession's position within the Group. Lastly, by its training actions, it contributes to spreading the legal culture within the Group and raising awareness of compliance with the applicable regulations among the operational functions;
- the Group Financial Department in the framework of compliance with the provisions of the Insurance Code, the AMF's rules and the Monetary and Financial Code;
- the Group Insurance and Services Department for the approval of new products, or significant transformations of new products, to issue the expected opinions, and procedures;
- the Group Human Resources Department particularly with regard to the compensation policy;
- the Group Tax Department in the framework of deployment of the regulations relating to the Automatic Exchange of Information (AEOI) in its US component "FATCA" (Foreign Account Tax Compliance Act), its European component "DAC" (Directive for Administrative Cooperation) and its OECD component "CRS" (Common Reporting Standard);
- the External Communication Department, for the protection of the Groupama group's image and reputation;
- the International Department, for the systematic establishment of the Compliance Verification Function in each international subsidiary, in correspondence with the local laws and regulations.

Each department is owner of the non-compliance risk of its field.

Each year, the Group's Compliance function conducts an assessment of the Group's major risks related to compliance during which the departments that are "owners" of the risks must assess the major risks to which they are exposed. On the basis on this assessment, an annual plan is developed at the end of each year for the following year.

The Group Compliance function regularly reports on major compliance issues to the Audit and Risk Management Committee, which informs the Board of Directors (if necessary). Such issues particularly pertain to the main regulatory developments with implications for compliance, the results of the compliance risk assessment, and any other important issues that should be reported to Management.

In 2015, Groupama SA's Board of Directors approved the Group Compliance Policy aiming to ensure the Group's compliance with all legislative or regulatory texts as well as the standards enacted by the supervisory authorities and the professional practices to which the Group is subject as part of its various activities.

This policy presents the organisation that the Group has put in place to achieve this objective and the organising framework of the system for managing non-compliance risks, *i.e.*:

- the arrangements put in place within the Group in keeping with its strategy and its risk appetite;
- the roles and responsibilities of key players at the Group and company levels.

The Group Compliance policy applies to all companies of the Groupama group both in France and internationally, respecting the rules of proportionality as provided for in Directive 2009/138/EC, regardless of whether they are subject to Solvency 2 or to any equivalent legislation/regulation.

In 2016, each of them:

- appointed a person in charge of the key function of "Compliance Verification", whose name was reported to the ACPR;
- drafted its own Compliance policy on the basis of the Group Compliance policy by adapting it in keeping with the principle of proportionality;
- implemented the drafted Compliance policy.

In 2017, the Group Compliance Policy was substantially revised in the light of major regulatory developments at the European and national levels:

- the Insurance Distribution Directive (DDA), whose implementation date has been postponed to 1 October 2018;
- the PRIIPS Regulation, which came into effect on 1 January 2018;
- the fourth directive on the fight against money laundering and the financing of terrorism;
- the European General Data Protection Regulation (GDPR), which will come into force in May 2018.

- the law on the duty of care of parent companies, which entered into force on 29 March 2017 (France);
- the law on the modernisation of economic life, known as Sapin 2, which entered into force on 1 June 2017 (France).

As part of the implementation of the Insurance Distribution Directive, the Group Compliance function provided support in 2017 for the Group programme for coordinating the work associated with this Directive, which aims to improve customer protection by strengthening business practices on the following aspects:

- requirements on professional capability and ongoing training of distribution networks;
- prevention and management of conflicts of interests;
- requirements on governance and product oversight;
- the duty to advise when during the marketing of insurance policies.

In 2017, the Group Compliance function was also particularly involved alongside the Group Human Resources and Legal Departments in the action plans for implementing the law of 9 December 2016 on transparency, the fight against corruption, and modernisation of economic life, known as "Sapin 2". This law imposed new obligations on all major French companies, whatever their field of business, in order to prevent and detect acts of corruption or influence peddling committed in France and internationally.

3.6 RELATED PARTY TRANSACTIONS

Related party transactions are presented in Note 44 on related party transactions to the consolidated financial statements for fiscal year 2017, audited by the statutory auditors.

3.7 MAJOR CONTRACTS

Over the past two years, other than during the normal course of business, Groupama SA and its subsidiaries have not entered into any major agreements with third parties that would confer a major obligation or commitment on the entire Group consisting of Groupama SA and its subsidiaries.

On the other hand, major agreements bind Groupama SA, its subsidiaries and the regional Groupama mutuals in the context of their business relations. These agreements are described in section 2 of Note 44 of the consolidated financial statements.

◄ CONTENTS ►

3.8 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

(Year ended 31 December 2017)

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

Mazars
Tour Exaltis
61, rue Henri Régnault
92400 Courbevoie

Dear Shareholders,

In our capacity as statutory auditors of the annual financial statements of your company, we hereby present our report on regulated agreements and commitments.

It is our responsibility to communicate to you, based on information that has been given to us, the characteristics, the essential terms, and the reasons justifying the interest for the company of the agreements and commitments brought to our attention or discovered in connection with our mission, without needing to rule on their usefulness and their legitimacy or research the existence of other agreements and commitments. Under the provisions of Article R. 225-31 of the French Commercial Code (Code de commerce) and Article R. 322-57 of the French Insurance Code (Code des assurances), it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable it is also our responsibility to provide shareholders with the information required by Article R. 225-31 of the French Commercial Code and Article 322-57 of the French Insurance Code in relation to the implementation during the year of agreements and commitments already approved by the General Meeting.

We performed the procedures that we deemed necessary in accordance with the professional standards applicable in France to such engagements. These procedures consisted in verifying that the information provided to us is consistent with the underlying documents.

(a) Agreements and commitments subject to the approval of the General Meeting

Agreements and commitments authorised during the past fiscal year

Pursuant to Article L. 225-40 of the French Commercial Code, we were informed of the following agreements and commitments authorised by the Board of Directors.

FINANCING OF MAJOR GROUP PROGRAMMES

As part of the financing of the major programmes for 2018, the Board of Directors, on 14 December 2017, authorised the allocation of grants to the regional mutuals in order to support the development of the banking business (Orange Bank) for a maximum amount of €4.5 million net of corporate income tax (at constant tax rate) and to share in the cost of issuing mutual certificates in 2018 for €25 million.

It also revised the amount of €11.5 million that had been approved by the Board of Directors on 15 December 2016 for mutual certificates for fiscal year 2017 to €20 million.

Each of these grants was successively authorised by the Board of Directors without the Chairman of the fund concerned by the allocation of a grant participating in the vote.

The allocation of grants in the context of financing the Group's major programmes was motivated by the objective of encouraging the mutuals to implement an overall policy in the collective interest and, for mutual certificates, aims to strengthen the Group's solvency in the Solvency 2 environment.

Directors concerned: Mr Baylet, Mr Collay, Mr Cornut-Chauvinc, Mr Dagès, Ms Dubost, Mr L'Hostis, Mr Pivard, Mr Poupart, Mr Schmitt.

AGREEMENT FOR A SECURITY AND SOLIDARITY SYSTEM

On 14 December 2017, The Board of Directors decided, under the provisions of the French Commercial Code (Code de commerce), to continue the agreement defining a security and solidarity system. This decision was successively voted on by regional mutual, without the Chairman of the Mutual concerned by the agreement participating in the vote.

This pursuit was motivated by the entry into force of Solvency 2 on 1 January 2016 and the objective of ensuring the fungibility of equity in the group in the context of a prudential group.

Directors concerned: Mr Baylet, Mr Collay, Mr Cornut-Chauvinc, Mr Dagès, Ms Dubost, Mr L'Hostis, Mr Pivard, Mr Poupart, Mr Schmitt.

(b) Agreements and commitments already approved by the General Meeting

Agreements and commitments approved in previous years that remained in force during the past fiscal year

Pursuant to Article R. 225-30 of the French Commercial Code, we were informed that the performance of the following agreements and commitments, already approved by the General Meeting in previous years, continued during the past fiscal year.

FINANCING OF MAJOR GROUP PROGRAMMES

Concerning the grants authorised by the Board of Directors on 15 December 2016 for the financing of major programmes, the amounts actually allocated to the regional mutuals totalled €8.528 million net of corporate taxes for the banking business deployed in 2017, and the grants actually allocated to the regional mutuals for the issue of mutual certificates in 2016 totalled €12,091 million.

Directors concerned: Mr Baylet, Mr Collay, Mr Cornut-Chauvinc, Mr Dagès, Ms Dubost, Mr L'Hostis, Mr Pivard, Mr Poupart, Mr Schmitt.

AGREEMENT FOR A SECURITY AND SOLIDARITY SYSTEM

The purpose of this agreement, which was approved by the General Meeting on 18 December 2003 and amended in December 2004, December 2013, and July 2015, is to guarantee the security of management and the economic and financial equilibrium of all regional mutuals and Groupama SA and to organise solidarity among those entities; the agreement provides for procedures geared mainly around five measures:

- issue by Groupama SA of all instructions useful for the performance of its duties;
- Groupama SA conducts a three-year audit of all regional mutuals and spot audits if losses are recorded by a regional mutual;
- mutual guarantee between Groupama SA and the regional mutuals aiming to allow Groupama SA or the regional mutuals to respect at all times, as from 1 January 2016, their coverage ratio and to cover any insufficiency of cover;
- appointment of the Chief Executive Officers of the regional mutuals;
- agreement for combination of accounts, designating Grou

pama SA as combining entity.

Directors concerned: Mr Baylet, Mr Collay, Mr Cornut-Chauvinc, Mr Dagès, Ms Dubost, Mr L'Hostis, Mr Pivard, Mr Poupart, Mr Schmitt.

DEFINED-CONTRIBUTION PENSION CONTRACTS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND DEFINED-BENEFIT PROTECTION AND RETIREMENT CONTRACTS OF THE CHIEF EXECUTIVE OFFICER

On 15 December 2016, the Board of Directors decided, in accordance with the conditions of Article L. 225-38 of the French Commercial Code, to continue the Chairman's retirement contract and the defined-benefit protection and retirement contracts of the Chief Executive Officer, without the Chairman taking part in the vote for the Chairman's contract.

Persons concerned: Mr Dagès and Mr Martel.

Neuilly-sur-Seine and Courbevoie,17 April 2018

The statutory auditors

PricewaterhouseCoopers Audit		Mazars
Christine Billy	Nicolas Dusson	Pascal Parant

4

RISK FACTORS

◄ CONTENTS ►

4.1 RISK FACTORS

Groupama draws attention to the risks described below. These risks could materially affect the Company's activities, consolidated net income, financial position, solvency margin and its ability to achieve estimated results.

However, the description of risks is not exhaustive. Additional risks and uncertainties not currently known or deemed to be minor could, in the future, prove to be major and materially affect Groupama.

The risks described below are inherent to the nature of the Group's activities and to the economic, competitive and regulatory environment in which Groupama operates.

Given the multiple possibilities and uncertainties relating to these risks, the impact of the identified risks cannot always be accurately quantified. However, in order to prevent, detect and manage risks on an ongoing basis, Groupama has implemented numerous risk management processes, procedures and controls. As with any control and monitoring system, this should not however be considered an absolute guarantee. Rather, it offers reasonable assurance that operations are secure, and results are managed.

The organisation of the risk management system is described in detail in sections 3.6.3 and 4.2 of this registration document. In addition, if the risks described in section 4.1 result in a quantifiable financial impact or a material contingent liability, these are reflected in the Group's combined and consolidated financial statements, in accordance with applicable IFRS accounting standards.

The risks presented below are categorised based on their origin. They reflect the current view of the governing bodies as to the potential impact of each risk for the Groupama group.

4.1.1 RISK FACTORS RELATING TO THE INSURANCE BUSINESS

4.1.1.1 Cyclical nature of the non-life segment

The cycles associated with the non-life insurance business are of varying length. They may involve unpredictable catastrophic events or be impacted by general economic conditions and may result in alternating periods of intense rate competition and, conversely, rate increases.

These situations, which may result in lower premium income over the course of certain cycles, may lead to volatility and a worsening of the Group's net income and financial position.

4.1.1.2 Natural and human disasters

The increasing number of climate events, on a global level, as well as other risks, such as acts of terrorism, explosions, the appearance and development of pandemics such as the H5N1 and H1N1 viruses and the impact of global warming may have major consequences, not only in terms of their immediate damage and impact, but also in respect of insurers' current and future activities and income.

The potential increase in compensation and claims, the emergence of new kinds of liability, growing uncertainty as to the volume and level of maximum losses may, for example, have a material impact on Groupama's business activities, consolidated net income and liquidity.

Through the diversification of its portfolio, the individual selection of risks accepted, the limitation of its exposure to risks (specifically in respect of natural disasters), the management of overlapping risks and reliance on reinsurance with, for example in storms, a level of coverage against the occurrence of a bicentenary event and a retention equivalent to a 10-year return period, Groupama significantly reduces the negative impacts of its exposure. In 2017, as in 2016, the weather loss experience was exceptional, and the reinsurance protection schemes once again paid off.

However, despite the careful attention paid to the monitoring of these risks and the risk control systems put into place, Groupama, because of its historical customer base and the abundance of local climate events, might still experience major losses in the future on such risks, which would have a substantial negative impact on its position and net income.

4.1.1.3 Inadequacy of reserves to address losses in the non-life segments

The principles and rules for life and non-life underwriting reserves are presented in section 3.12 "Technical operations" of the consolidated financial statements; their breakdown is detailed in Note 25 to the consolidated financial statements.

In accordance with the sector's practices and current accounting and regulatory requirements, Groupama establishes reserves both for claims and claims expenses relating to the non-life segments that it insures.

However, reserves do not represent an exact calculation of the corresponding liability but, instead, estimates of the claims amount, on a given date, using actuarial projection techniques. These reserve estimates are projections of the likely cost of ultimately settling and administering claims, based on our assessment of facts and circumstances known at that time, an analysis of historical settlement patterns, estimates of trends in claims' severity and frequency, legal theories of liability and other factors. However, claims reserves are subject to change due to the number of variables that affect the ultimate cost of claims. These factors may be varied, such as the intrinsic change in claims, regulatory changes, judicial trends, changes in interest rates used to discount the annuity reserves, gaps inherent in the time lag between the occurrence of the insured event, notification of the claim and final settlement of expenses incurred in resolving claims.

These items cannot always be known, particularly on a prospective basis. Actual losses may thus differ materially from the original gross reserves established. Consequently, the reserves may need to be increased or reduced, with an impact on net income.

Groupama continually reviews the adequacy of its established claims reserves with regard to its commitments. While the reserves currently established are sufficient and comply with the Group's prudent reserve policy, there can be no assurance that ultimate losses will not materially exceed the claims reserves established and will not have a material adverse effect on net income.

4.1.1.4 Uncertainties and changes in the forward-looking assumptions used to calculate the life insurance reserves and deferred acquisitions costs (DAC)

The establishment of insurance reserves, including the minimum guarantees found in certain Group savings and pension products, the adequacy test performed on the life insurance policy reserves, the recoverability test on the deferred profit-sharing assets and the establishment of DAC rely, by their very nature, on uncertain information based on forward-looking assumptions about changes in factors that may (i) be of economic, demographic, social, legislative, regulatory or financial origin, (ii) relate to policyholder behaviour (surrender, lapses, persistency, etc.) or (iii) be specific to life insurance, such as mortality, morbidity and longevity.

Use of these many assumptions involving a high degree of estimation on the part of the Group's governing bodies, as well as changes in those assumptions or changes in the financial markets, may influence reserve levels, underwriting expenses and calculation of Groupama's DAC and could have an adverse impact on Groupama's net income, financial position and assessment of its valuation.

4.1.1.5 Requests for compensation that do not conform to the assumptions used to establish prices and to calculate underwriting reserves for life, savings and pension products

The profitability of the life, savings, and pension products depends heavily on the extent to which actual claims match the assumptions used to determine prices for products, insurance policy servicing expenses, and underwriting reserves.

If the benefits actually paid to policyholders were less favourable than those estimated based on the initial underlying assumptions, or if events or trends led us to modify those underlying assumptions, the Group would have to increase its commitments, which could reduce its net income.

As noted in section 4.1.1.4 above, establishing savings/pension insurance reserves, with or without specific guarantees such as minimum guarantees, naturally relies on uncertain information and judgements, both internal and external, and there are no guarantees that the reality of the products will not differ – positively or negatively – from these estimates.

4.1.1.6 Default of a reinsurer or increased reinsurance costs

While the purpose of reinsurance agreements is to transfer a portion of losses and related expenses to other insurers, they do not eliminate the requirement for Groupama, the direct insurer, to settle claims. In this regard, the Group is thus subject to the solvency risk of its reinsurers at the time that sums due are recovered from them (see section 4.2.5 "Risk of reinsurer insolvency" factors for the breakdown of the insurance reserves and recoverables by Groupama by reinsurer rating).

Although Groupama makes certain that its reinsurers are diversified and solvent, based on selection rules that are reviewed and updated regularly as part of the work of the Security and Reinsurance Committee, and although the financial crisis has not led any of the Group's reinsurers to default, they may find themselves unable to meet their financial obligations. This inability could adversely affect the net income.

Furthermore, the availability, amount and cost of reinsurance depend on overall current economic conditions and may vary considerably. In the future, the Group may be unable to obtain reinsurance at commercially reasonable prices, thus increasing its risk of loss due to lower levels of reinsurance, or its income statement could be adversely affected by the increased cost of reinsurance for its already-reinsured activities.

CONTENTS

4.1.2 RISK FACTORS RELATING TO THE FINANCIAL MARKETS, THE FINANCIAL STRENGTH RATING, THE VALUATION OF ASSETS AND OTHER RELATED ASPECTS

4.1.2.1 The difficult and persistent conditions of the economy and the global context

Just like the market's other players, Groupama has been impacted in the past few fiscal years by the financial crisis and its repercussions, which have strongly affected the real economy at the global level. In Europe, despite the economic recovery triggered starting in the second half of 2016, the high debt levels of companies and States and high unemployment, especially in France, Italy, and Spain, can only be significantly reduced very slowly. In addition, the rise of economic protectionism by countries such as the United States and China does not seem to be conducive to sustainable global growth in the medium and long term.

Especially for 2017, there are several geopolitical and economic matters to report:

- the rise of geopolitical tensions in East Asia;
- the continued political and military conflicts in the Middle East and Africa as well as their consequences particularly on migration flows to Europe;
- the intensification of the rise of populist, xenophobic parties in the EU countries;
- persistent uncertainties and tensions regarding the construction of Europe (Brexit, weakening of government parties in Germany, Catalonia, upcoming elections in Italy, etc.) counterbalanced by the election of a pro-European president in France;
- attacks that remain very numerous and spread across Europe and the world;
- an upsurge in cyberattacks;
- synchronised global growth estimated at 3.7% by the IMF and encompassing 120 countries;
- the continued rise in equity prices in developed countries favoured by greater economic visibility and in particular the tax policy in the United States;
- maintaining of an accommodative monetary policy (low rates), but exiting from it presents unknowns with the perception of inflationary tensions.

The volatility of financial markets, in a context of increased risk-taking due to low yields and a rise in global stock markets, remained very low in 2017.

However, abrupt changes in market sentiment would generate especially violent shocks given that market values are good.

The low rates of return on financial investments and the dependence of the Group's businesses on consumer behaviour and confidence have negatively affected the Group's revenues and net income.

4.1.2.2 Financing terms

Although the low level of rates is favourable for issuers, the overall decrease in ongoing risks among credit institutions has brought about more restrictive terms for granting loans. At the same time, the succession of unfavourable events for investors in subordinated debt (illiquidity, trading conditions, "bail-in") implies more difficult issue conditions.

Groupama needs liquidity specifically to pay its operating expenses, claims settlements, contract redemptions and its financial expenses.

The Group's primary sources of liquidity are generated by the insurance business, including insurance premiums, annuity products, reserve funds, Asset Management commissions, cash flow generated by its investment assets as well as by cash and other balance sheet equivalents. These sources of liquidity are supplemented by subordinated debts (TSS, TSDI, and TSR) and credit facilities (see Notes 21 "Total shareholders' equity" and 24 "Financing debts" of the consolidated financial statements).

The issuing of mutual certificates by the regional mutuals implemented in 2016 was extended in 2017 and represented an additional source of financing.

If current resources were unable to meet the Group's needs, Groupama would have to identify alternative financing methods that depend on factors that are both external (including market conditions, credit availability and volume of trade) and internal to the Group (financial rating, borrowing costs, and perceptions of the short-term and long-term financial outlook).

Although Groupama has put proactive management of capital in place, by carrying out exchanges on its financial debts and actively managing its credit line, the Group may nevertheless still not be able to meet its liquidity needs or obtain financing under favourable terms in the event of significant stress on liquidity.

Insufficient liquidity and/or prolonged restricted access to financing could materially affect the Group's business, net income and financial position.

4.1.2.3 However, this restored solvency situation remains sensitive to capital market changes and evolving regulatory interpretations.

Groupama's entities involved in the insurance business are subject to the regulatory capital requirements of various local regulators. These capital requirements imposed on insurance companies generally depend on the design of the products, underwriting volumes, assets invested, commitments, reserves and changes in the capital markets, specifically with regard to interest rates and financial markets, subject to specific provisions applicable in certain countries. These regulatory requirements may be tightened – even significantly – during periods of volatility and downturn in the financial markets and/or when interest rates fall.

The Group's solvency margin is particularly sensitive to conditions on the capital markets (equities, property, credit, and interest rates). Prolonged unfavourable conditions on the capital markets could adversely impact the Group's solvency margin further.

The Group monitors its solvency margin and its insurance disintermediation equity on an on-going basis to ensure compliance with current regulations and to ensure that Groupama SA and its subsidiaries are operating in an appropriate competitive environment.

Insurance regulators have broad discretion to interpret, apply, and implement applicable rules with respect to solvency and regulatory capital requirements. If regulatory capital requirements are not met, regulators may impose more conservative calculation methods or any other similar measures to significantly strengthen core equity requirements or restrict companies' activities.

In this framework and pursuant the financial solidarity plan existing between the regional mutuals and Groupama SA ("solidarity agreement", see section 1.2.3 "Relationships among the various entities of the Group" in this registration document), a contribution in the form of a subsidy, participating shares, or a loan could be put in place if their equity and/or results did not allow them to meet their commitments and obligations for the long term.

Similarly, at the subsidiary level, the Group – and especially Groupama SA – could grant financing resources allowing subsidiaries to improve their solvency margin, particularly through modifications in the dividend policy, capital increases, or intra-group subordinated loans. In 2017, the Group carried out subordinated loans and capital increases for 3 French and 3 international subsidiaries.

These various measures could also have a significant impact on the state of liquidity, consolidated net income, and financial position of Groupama SA and the Group.

Finally, when rating agencies assess Groupama SA's financial strength and credit quality, they take into account the Group's solvency margin and the regulatory capital position of its insurance subsidiaries. In order to comply with the financial solvency criteria of the rating agencies, the policy of holding risky assets remains relatively restrictive.

Although Groupama has set up systems to ensure sufficient solvency for itself and its subsidiaries, unfavourable capital market conditions, the evolving interpretation of regulations, and the changes in the rating agencies' criteria could adversely affect its activities, liquidity position, credit rating, consolidated net income and financial position.

4.1.2.4 Revision of ratings regarding ability to pay claims and financial strength

In 2017, Groupama SA's financial strength rating was upgraded from BBB+ to A- by the financial rating agency Fitch Ratings.

Ratings of ability to pay claims and financial strength remain important although disputed factors in establishing the insurance companies' competitive position vis-à-vis each other. However, rating agencies may revise them at any time.

A downward revision of the financial rating could have an adverse impact on the Group, such as (i) harming its competitive position, (ii) negatively affecting its ability to underwrite new insurance policies, (iii) increasing the surrender or termination rates of existing insurance policies, (iv) increasing the cost of reinsurance, (v) negatively affecting its ability to obtain financing and/or increasing the cost of financing, (vi) triggering the need for additional guarantees under certain agreements, (vii) harming its relationships with creditors or trading counterparties and/or (viii) adversely affecting public confidence in a material way. Any of the above could have an adverse effect on the activities, liquidity position, consolidated net income, revenue and financial position of Groupama SA.

4.1.2.5 Losses due to defaults by financial institutions and third parties, impairment of investment assets and unrealised losses

Third parties that owe Groupama money, securities or other assets may not perform their obligations. These parties may be issuers whose securities the Group holds in its investment portfolios, public or private borrowers under mortgages and other loans extended, Groupama reinsurers, customers, trading counterparties, hedge counterparties, other third parties including intermediaries and brokers, commercial banks, hedge funds and other investment funds, clearing agents, market exchanges, clearing houses and other financial institutions (see Breakdown of the bond portfolio by rating and nature of issuers – Note 6.10.3 "Bond portfolio – by rating" and Note 6.10.4 "Bond portfolio –by nature of bond issuers" to the consolidated financial statements).

Third-party default may also concern third parties with which Groupama has entered into service agreements as part of the outsourcing of activities and may expose the Group to operating, financial and reputation risks.

Similarly, default, and even the fear of default, on the part of major third parties external to Groupama may also disrupt the markets, increase their volatility, generate a chain of defaults or even lead to widespread illiquidity, which would affect the Group or could affect its partners.

The causes of default by third parties may include: bankruptcy, lack of liquidity, downturns in the economy or real estate market, worsening of the financial markets or operational failures.

Although in recent years the Group has continued its operations to reduce risk on equities and the most exposed debts, exposure to Italian and Spanish sovereign debt remains significant (see Note 6.11 "Debt securities of peripheral countries of the eurozone" to the consolidated financial statements).

Considering the increase in the cost of sovereign debt in the most vulnerable countries (cost of financing in real terms exceeding the rate of growth) and the intrinsic volatility of equity markets, Groupama may need to recognise impairment losses on the value of its invested assets. Groupama cannot, under any circumstances, guarantee that such losses or impairments of the accounting value of these assets would not sharply and adversely affect its net income and financial position.

4.1.2.6 Impairment of goodwill, acceleration of the amortisation of Deferred Acquisition Costs (DAC) and Value of Business in Force and/or the derecognition of deferred tax assets and deferred profit sharing

Changes in business and market conditions may affect the amount of goodwill carried on Groupama's balance sheet, the pattern and pace of DAC and VIF amortisation and the valuation of deferred tax assets. The value of certain of the Group's acquisitions, particularly in the areas most affected by the recent economic and financial crisis, depends directly on the position of the financial markets and level of operating performance. Impairments of goodwill on certain Eastern European countries, Greece (2012), and more recently (2016 and June 2017) Turkey were recorded. The impairment tests conducted as at 31 December 2017 did not result in the recognition of additional impairment.

In the future, the downturn in operating performance of the Group's acquisitions or in market conditions, such as a continued environment of low rates, could result in an impairment of goodwill, accelerate the DAC and VIF or lead to the derecognition of deferred tax assets. These items could adversely and materially affect the Group's net income and financial position.

Further information on the assumptions and results of the impairment tests is presented in Note 2 "Goodwill" to the consolidated financial statements.

4.1.2.7 Fluctuations in interest rates and credit spreads

Periods of declining interest rates could have the following major effects on the Group:

- lower investment earnings because of the reinvestment of revenues or repayment of assets (scheduled or early as a result of lower rates) at levels below its portfolio's rate of return;
- reduced spread between interest rates credited to policyholders and the return on the investment portfolio;
- a modification of rate guarantees included in life insurance and annuity policies, given the difference in performance of investment portfolios;
- additional reserves for ordinary annuities affecting income and for retirement benefits affecting equity.

Conversely, periods of rising interest rates could have the following major effects on the Group:

- increased surrenders of life insurance policies and fixed annuity contracts as policyholders choose to trade off their investments in favour of higher-yield savings products;
- loss of competitiveness, which could lead to a loss of market share for non-redeemable life insurance liabilities;
- the possible realisation of capital losses to meet commitments by liquidating fixed-term investments when the prices of these assets are unfavourable in order to obtain liquidity. The adverse effect of these capital losses on the return on assets would increase the spread between the rate of return paid to policyholders and the market rate of return.

Although the Group has taken measures to limit and control the adverse effects of fluctuations in interest rates through asset/Liability Management (see the presentation of asset/Liability Management and the investment strategy in point (b), asset/Liability Management and investment strategy of section 3.6.2.2 "Monitoring of entities") that seeks to calibrate the duration of assets to that of liabilities and reduce the volatility of the differential between the actual yield of the asset and the rate expected and *via* the use of hedging instruments, Groupama could be significantly impacted in terms of its growth, level of assets, expenses, losses or financial revenues, which could then materially impact its net income and financial position (see Analysis of interest rate risk sensitivity in insurance and on financial investments in section 4.2.3.1 "Interest rate risk").

Similarly, a widening of credit spreads could reduce the value of fixed-income securities held by the Group and increase net revenue from the purchase of new, fixed-income securities. Conversely, a tightening of credit spreads would increase the value of fixed-income securities held and would reduce net revenue from the Group's purchase of new fixed-income securities.

In order to strengthen its market risk control, Groupama rolled out a mechanism to limit risks in its assets across all its entities starting in 2014.

Although the credit risk objective is to limit the concentration of issues according to several criteria (country, issuer, ratings, subordinated issues), the current volatility of interest rates and credit spreads, individually or in conjunction with other factors, such as lack of pricing transparency, market illiquidity, falling equity prices and the strengthening or weakening of foreign currencies against the euro, could have a material adverse effect on the Group's net income and financial position and Groupama's cash flow through realised losses, impairments and changes in unrealised loss positions.

4.1.2.8 Fluctuations in exchange rates

Groupama publishes its consolidated and combined financial statements in euros. Nevertheless, Groupama is exposed to foreign exchange risk:

- firstly, through its operations and international development in regions outside the eurozone. In effect, although the Group does business primarily in eurozone countries, about 20% of its premium income at 31 December 2017 (27% on the consolidated scope) was derived from the business of its international subsidiaries (see Note 33 "Analysis of premium income" to the consolidated financial statements), and about 7% was denominated in currencies other than the euro (9% on the consolidated scope), including the Turkish lira, Romanian leu, Hungarian forint, British pound, and Chinese yuan. For example, the Turkish lira lost approximately 23% of its value against the euro between 30 December 2016 and 30 December 2017. Groupama's shareholders' equity is therefore subject to fluctuations in exchange rates through the unrealised foreign exchange adjustment;
- secondly, through investment assets held by its subsidiaries in the eurozone, such as mutual funds or securities denominated in foreign currencies or euro-denominated mutual funds or securities tied to a foreign currency – mainly the U.S. dollar, the Hungarian forint and the pound sterling. Changes in the value of these currencies against the euro have an impact on the Group's net income and financial position.

Although Groupama seeks to control its exposure to currency fluctuations *via* hedging, movements in exchange rates may have a significant impact on its net income, solvency margin and financial position. Similarly, the currency hedges that Groupama uses to manage foreign exchange risk may significantly affect its profits and the amounts available for the distribution of dividends by the subsidiaries, insofar as the unrealised foreign exchange gains or losses on these derivative instruments are recognised in Groupama's income statement (see Analysis of exchange rate sensitivity presented in section 4.2.3.3 "Foreign exchange risk").

4.1.2.9 Inflation rate fluctuations

Inflation is an on-going risk that weighs on the markets on which Groupama operates.

For the eurozone, the annual inflation rate was 1.4% in December 2017, compared with 1.1% in December 2016. According to Eurostat data, the strongest price impacts come from fuels, tobacco, and dairy products.

In addition, in certain countries where Groupama operates, social and political uncertainties and volatile commodity and currency prices are signs of tension.

An increase in inflation rates or the failure to accurately anticipate higher inflation could have multiple impacts on the Group, mainly through the following consequences:

- an increase in the market interest rate that could reduce the levels of unrealised capital gains on some fixed-income securities, reduce the attractiveness of some of the Group's life insurance and savings products, especially those with a fixed interest rate, and increase the cost of financing the Group's future borrowing;
- impairment of equity securities and sluggish performance by equity markets in general. Such a weakening of the equity markets could lead to lower levels of unrealised capital gains on securities held by the Group, reduce the performance and future sales of unit-linked products with underlying securities, and affect the competitiveness and the results of the Group's Asset Management company;
- a deterioration in non-life insurance businesses over long periods, such as construction and third-party liabilities ("long-tail risks"), including in particular an underestimation of reserves at the time the latter are created and an increase in the amounts ultimately paid to settle claims;
- a systematic under-pricing of products.

These factors, which are a direct result of an increase in the inflation rate, are likely to have a negative impact on Groupama's business, net income, solvency margin and financial position.

Conversely, the persistence of zero inflation or disinflation and, in the extreme case, deflation is an obstacle to economic development and therefore insurance businesses (no growth in insurance capacity) and increases the repayment constraints for the most indebted issuers and therefore the probability of default for the most vulnerable issuers, which would affect the net income if it occurs.

4.1.3 GROUPAMA'S INTERNAL RISK FACTORS

4.1.3.1 The dependency of Groupama SA, the holding Company, on its subsidiaries for covering its expenses and payment of dividends

Although Groupama SA operates its own reinsurance business *via* the contractual mechanism of Internal Reinsurance, which binds the regional mutuals to Groupama SA, most of the Group's insurance and financial service operations are run by the direct and indirect subsidiaries of the Group holding company, Groupama SA. A significant share of Groupama SA's financial resources consists of dividends paid by these subsidiaries and funds that may be raised by issuing subordinated debt or bonds, or through bank borrowings.

Groupama SA expects that dividends received from its subsidiaries and other sources of funding will continue to cover the expenses it faces as a separate holding Company of the Group, including interest payments on current financing arrangements (see dividends received by Groupama SA presented in Note 27 "Information about subsidiaries and equity interests" to the annual financial statements).

Legal and regulatory restrictions may also limit the ability of Groupama SA to transfer funds freely either to or from all of its subsidiaries. Some insurance subsidiaries may also be subject to regulatory restrictions in respect of the amount of dividends and debt repayments that can be paid to Groupama SA and other entities of the Group.

In view of the above points, Groupama SA could receive a reduced (or no) dividend from some of its subsidiaries or be required to provide significant funding to some of them through loans or capital injections, which could significantly impact its cash situation.

4.1.3.2 Assessments by the Group and its senior management

(a) In the valuation of certain investments

For some of the Group's financial assets for which there is no active trading market or where observable values are reduced or unrepresentative, fair value is measured by valuation techniques using methodologies and models incorporating assumptions or assessments that involve a significant amount of judgement (see §3.2.1 "Accounting principles and methods used in the valuation of financial assets" in the notes to the consolidated financial statements).

Groupama cannot guarantee that the estimated fair values based on such valuation techniques represent the price at which a security may ultimately be sold or for which it could be sold at any specific point in time. The resulting differences in value as well as changing credit and equity market conditions could have a significant negative impact on the net income and financial position of the Group.

(b) In the determination of reserves and impairment

The determination of the amount of reserves and impairment varies depending on the type of investment and is based on periodic assessment and estimates of known risks inherent to each asset class. These assessments and estimates are revised when conditions change or as new information becomes available. The Group's senior management, based on this information and according to the principles and objective methodologies detailed in the consolidated and combined accounts (see §3 "Accounting principles and valuation methods used" in the notes to the consolidated financial statements), analyses, evaluates, and uses its best judgement to assess the causes of a decline in the estimated fair value of securities and the prospects for short-term recovery, as well as the appropriate amount of the resulting reserves for impairment.

Groupama cannot guarantee that its senior management has correctly estimated the amount of impairment and reserves recorded in the financial statements or that the impairment or additional reserves will not have a negative impact on the net income and financial position of the Group.

4.1.3.3 A decline in the growth of the Group's insurance and Asset Management businesses

The development projections could come to a halt, or be lower than forecast, mainly as a result of difficult conditions in the financial and capital markets and changes in economic conditions in the sectors or countries in which Groupama does business. The development of the Group's life insurance, savings and pension products could also be negatively affected by changes in existing regulations, such as tax legislation.

The Group's inability to capitalise on its innovative products, partnerships or new distribution methods, to deploy them within the Group and develop them according to its objectives could adversely impact the growth of Groupama's business activity.

4.1.3.4 The diversity of the countries where Groupama operates

Groupama markets its products and services in Europe, Turkey, Africa and Asia through legal structures and various distribution channels such as majority- and minority-owned subsidiaries, partnerships, joint ventures, independent brokers, etc.

The diversity of the Group's international presence exposes it to different and sometimes rapidly changing economic, financial, regulatory, commercial, social and political environments, which may affect the demand for its products and services, the value of the investment portfolio or the solvency of its local commercial partners.

The successful implementation of the Group's overall strategy could be affected by the environment of certain countries where Groupama operates and could have an adverse impact on its net income and financial position.

4.1.3.5 Hedging programmes for certain products

Groupama uses derivatives instruments, including equity and treasury futures contracts, to hedge certain risks arising from guarantees given to policyholders.

However, in some cases, Groupama may not be able to use or chooses not to use these hedging techniques, the purpose of which is to limit the economic impact of adverse market trends, particularly in the capital and fixed-income markets, due to a lack of liquidity, the insufficient size of the relevant derivatives markets, or an overly high hedging cost.

Moreover, numerical estimates and the assessments of Groupama's senior management in implementing these hedging programmes, such as those for mortality, surrender rates, election rates, interest rates, volatility and correlation among the markets, could be significantly different to initial expectations and assumptions, which may significantly impact its net income and financial position.

Similarly, measures taken by Groupama to optimise the products covered by this type of guarantee, improve their profitability and avoid future hedging losses cannot constitute a guarantee and could significantly impact Groupama's business, competitive position, net income, and financial position.

4.1.3.6 Existence of contingent liabilities relating to discontinued, sold or liquidated operations and charges relating to other off-balance-sheet commitments

Groupama may occasionally retain insurance and reinsurance obligations and other contingent liabilities relating to the sale or liquidation of various activities or be required to provide guarantees and enter into other off-balance sheet transactions. The Group's reserves for such obligations and liabilities may be inadequate, which could require it to recognise additional charges that could significantly impact its net income.

For more information, refer to Note 46 – "Commitments received and given" to the consolidated financial statements.

4.1.3.7 Operational failures or inadequacies

The causes of operational failure or inadequacy inherent in the Group's business may be human, organisational, material, natural or environmental in nature and result from events or factors that are internal or external to the Group. The operational risk that this poses may manifest itself in various ways, including: failures or malfunctions of Groupama's information systems; business interruption of its vendors or of the financial intermediaries with which the Group works; error, fraud or misconduct by staff, policyholders or intermediaries; breach of internal or external regulations; or hacking or pirating of information systems; etc.

Faced with the emergence of cyber risks stemming from globalisation and an ever-increasing digitisation of management processes, which increasingly exposes the IT system of the Group's companies to attacks of all kinds (theft or destruction of data, denial of service), the measures taken to counter these attacks consist in reinforcing the protection of information systems and the training of users, detecting attempts to intrude, and then limiting the consequences of an attack with a rapid reaction.

Generally speaking, Groupama takes extra care to ensure the maintenance, efficiency and modernisation of its information systems in order to integrate and respond to changes in technological, industrial and regulatory standards and customer preferences.

In the event of a breach or failure in quality, Groupama might be unable to obtain the information it needs to run its business or meet its customers' expectations, which could expose it to litigation or claims or increase its litigation and regulatory risks.

Although the Group strives to manage all of these operational risks as effectively as possible in order to reduce their potential impact (see section 4.2.6.1 of this registration document), these risks could lead to financial loss, loss of liquidity, business disruption, regulatory sanctions or damage to Groupama's reputation.

4.1.4 RISK FACTORS RELATING TO THE DYNAMIC REGULATORY AND COMPETITIVE ENVIRONMENT

4.1.4.1 Heightened competition

Groupama operates in a market challenged by various players (insurance companies, mutual funds, protection institutions, commercial and investment banks, investment funds, Asset Management funds, private equity funds, etc.), which may be subject to different regulations, have multiple distribution channels and offer alternative products or more competitive rates than those of the Group.

Under this competitive pressure, Groupama may need to adjust its pricing on some of these products and services, which could adversely impact its ability to maintain or improve profitability and negatively impact its net income and financial position.

4.1.4.2 Regulatory changes and reform at the local, European and international level

The Group's business is subject to detailed and comprehensive regulation and supervision in the countries where it operates in respect of shareholders' net equity and reserve levels, solvency standards, distribution practices, concentrations and type of investments, rules for consumer protection and customer knowledge, and the rates of revaluation of life insurance products.

This regulation and supervision have been strengthened in the context of the financial crisis, both in Europe and internationally. A set of measures to reform the European System of Financial Supervision (ESFS) has been put into place, especially since late 2010. As a result, organisations such as the European Systemic Risk Board (ESRB) and the European Insurance and Occupational Pensions Authority (EIOPA) may issue guidelines and recommendations that could affect the Group.

There are also recommendations and proposals issued or issuable by the Financial Stability Board (FSB) that may impact the regulation of financial Groups in terms of capital, solvency, corporate governance, and executive compensation.

More specifically, the implementation of the 2009 European Directive on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), amended in 2014 by Directive 2014/51/EU (Omnibus 2), which entered into force on 1 January 2016, aims to establish a solvency scheme better suited for the risks incurred by insurers and to construct a system common to all European Union members.

The approach is based on three pillars: Pillar 1 on quantitative equity requirements and rules for measuring assets and liabilities and capital requirements, Pillar 2 on requirements for governance and management of risks incurred by insurers particularly with the requirement for insurers to conduct an Own Risk and Solvency Assessment ("ORSA") and communicate the results to the supervisor as part of prudential supervision, and Pillar 3 on reporting and transparency requirements.

CONTENTS

Since 2016, the ORSA reports of all of the Group's entities have been made available to the local regulators. In 2015, the Group also obtained the ACPR's approval to use the transitional measure on underwriting reserves for the life insurance subsidiary Groupama Gan Vie (the additional cost brought about by switching from the calculation of underwriting reserves according to Solvency I standards to Solvency II standards is spread out over 16 years) and a partial internal model on non-life underwriting risk at the Group level.

The regulatory capital and solvency requirements associated with Solvency 2 heavily impact the Group in terms of governance and internal organisation as well as risk management and capital management.

Ongoing compliance with the regulatory requirements and any commitments made to supervisors could have significant consequences on the Group, such as the deterioration of net income or its financial position as well as an increase in the required regulatory capital.

In addition, the EU's Insurance Distribution Directive, whose entry into force has been postponed to 1 October 2018, presents considerable progress in the area of marketing of insurance products to consumers, such as better pre-contract information, definition of governance rules for products within the Company, management of conflicts of interest, and training of salespeople. In this context, one of the highlights of 2017 for the Group was the launch and continuation of a project dedicated to the "IDD" including all the processes of design, distribution, and monitoring of the Group's products and its governance.

Changes in regulations that aim to strengthen the protection of policyholders and confer broad powers of regulation on the regulatory authorities could also affect the Group's ability to sell the products that it offers.

The rapidly changing regulatory environment and the firmness shown by the regulatory authorities in the interpretation and application of current regulations require that Groupama be especially vigilant in respect of compliance.

Despite the measures implemented to comply with existing regulations, Groupama could, through its activities as an insurer, Asset Manager, securities issuer, investor, employer, and taxpayer, be subject to regulatory investigations, sometimes accompanied by civil actions.

Systems to fight money laundering and the financing of terrorism are thus the subject of particular attention and controls by the legislative and regulatory authorities, with sanctions for non-compliance.

Given the complexity and the stricter requirements on this topic (revision of the joint guidelines of the ACPR and Tracfin on the Tracfin reporting requirements, transposition of the 4th directive into domestic law on 1 December 2016, etc.), both the risks and the costs of compliance are increasing.

Similarly, with regard to distribution, the Insurance Distribution Directive with broad requirements covering the duty to advise, management of conflicts of interest, supervision and governance of products, disclosure and transparency or the Regulation on key information documents for packaged retail and insurance-based investment products (PRIIPs) could also increase the costs of operational compliance of the Group's entities.

Lastly, the Group's actions now possible in France in certain areas of involvement (consumption and health in terms of compensation for bodily injuries) could increase the risks and litigation costs of the Group's entities.

This strengthening of regulatory requirements, the potential impact of which is difficult to estimate, could significantly affect the business, reputation, net income and financial position of the Group.

4.1.4.3 Changes to tax legislation and regulations at the local, European or international level

Changes to the tax laws of countries where Groupama operates may have adverse consequences either on some Group products and reduce their attractiveness, especially those that currently receive favourable tax treatment, or on the Group's tax expense.

Examples of such changes include the taxation of life insurance policies or annuities contracts, changes in the tax status of some insurance or Asset Management products and tax incentives or disincentives to investing in some asset classes or product categories.

Groupama generally remains vigilant on the future interpretations or developments of the tax systems in the countries in which it operates that could lead to an increase in tax expenditures, generate compliance costs, or adversely affect the Group's activity, cash position, and net income.

In this regard, in France, the tax news of the end of 2017 was shaped by:

- the adoption of a measure to finance the State's liabilities by invalidating the 3% tax on dividends, in the form of an exceptional corporate tax contribution by large companies on their 2017 earnings (see 30% supplementary corporate tax/2017 Finance law);
- the decisions of the Court of Justice of the European Union (CJEU) calling into question the eligibility for VAT exemption of grouping of resources for companies in the financial, banking, and insurance sectors, which are its main users.

However, contrary to the measure of the 2017 amending Finance law (LFr), this change in EU case law (JP) has no immediate effects; however, in terms of financial stakes, it is a major topic for 2018. These issues led the Directorate of Tax Legislation (DLF) and the Minister of the Economy himself to specify that France's intention was not to change the legislation and the doctrine relating to the grouping of resources (Art. 261B of the French General Tax Code) and that there would be no consequence of the EU JP in connection with the control of companies in the financial sector.

The 2018 Finance law also includes the transformation of the tax credit for competitiveness and employment (CICE) into a reduction of social security contributions, without offsetting the corporate tax effect (which cuts the return on the new scheme for companies) and a scheduled decrease in the corporate tax rate (25% in 2022).

◄ CONTENTS ►

4.1.4.4 Potential changes to International Financial Reporting Standards

Groupama's consolidated and combined financial statements were prepared in accordance with the International Financial Reporting Standards and IFRIC interpretations in final form and came into force on 31 December 2015, as adopted by the European Union. Projects to change the standards are underway at the IASB (the international accounting regulator); some of these projects could have a significant impact on the financial statements of insurance Groups and other financial institutions.

The proposed changes would concern the recognition of the Group's assets and liabilities as well the income and expenses in the income statement. Their implementation could take place at the earliest on 1 January 2018 for IFRS 9 on financial instruments to replace IAS 39 (according to the IFRS 9 endorsement date for insurers at the European Union level) or 1 January 2021 for IFRS 4 (phase 2) on insurance contract accounting.

4.1.4.5 Diversity of legal systems in the countries where the Group operates

In recent years, Groupama has expanded internationally into countries where judicial and dispute resolution systems may have a different level of maturity to those of France or the countries of northern and southern Europe. As such, Groupama could find it difficult to take legal action or to enforce judgements in its favour. In such cases, the possible legal ramifications could adversely impact the Group's activities and net income.

4.2 RISK MANAGEMENT AND SENSITIVITY ANALYSES

This section corresponds to Note 47 to the consolidated financial statements for fiscal year 2017, audited by the statutory auditors.

As a multi-line insurer, Groupama is subject to various types of insurance risks with variable time horizons. The Group is also exposed to market risks because of its financial investment activities, particularly credit risks and the risks related to interest rates, equity markets and foreign exchange. Liquidity and reinsurer insolvency risks are also specifically monitored by the Group. In addition, the Group is subject to operational, regulatory, legal and tax risks as are all companies in other business sectors.

4.2.1 ORGANISATION OF RISK MANAGEMENT WITHIN THE GROUP

The general principles, the objectives, and the organisation of internal control are defined in the Group's internal control policy. An internal audit policy, a component of internal control, supplements the provisions of the internal control policy and specifies its own operating rules and its areas of involvement. A general risk management policy and policies dedicated to covering all the risks to which the Group is exposed as well as a compliance policy, defining the overall framework for implementing and operating the compliance system within the Group, complete the system. All these policies are approved by the Groupama SA Board of Directors.

The Group risk management policy is the basis for risk management at both the Group level and the entity level. It defines all the structuring principles of the risk management system within Groupama in terms of risk identification, measurement, and management methods and in organisational terms.

The Group's entities formalise their risk management policy and the various risk policies in line with the Group's policies and depending on their risk profile, their organisation, and their country of operation. The service (or resource), distribution, and financial subsidiaries implement a risk management system in accordance with the rules applicable to their activities, consistent with the framework established by the Group.

The implementation of a consistent risk management system within the Group is ensured by:

- the definition of standards and a structuring framework for analysis and control of risks;
- support from the entities in the implementation of this risk management system;
- downstream checks of compliance with the Group standards and the effectiveness of the risk management system implemented within the entities.

Since 2014, the risk management system has also relied on the ORSA (Own Risk and Solvency Assessment) process, which is reflected in the drafting of an annual report. This exercise, which aims to assess risks and solvency, is carried out at the level of each Group entity and at the consolidated level, and each report is validated by the Board of Directors of the entity in question and communicated to the regulator.

Risks are identified according to the Group classifications defined by risk area – operational, life insurance, non-life insurance, and financial – common to all Group entities and incorporating the Solvency II risk classification. Each major risk (Group and entity) is assigned a risk "owner" responsible for monitoring and controlling the risk in accordance with the standards defined by the Group. The risk owners establish risk control plans, which are implemented within the Group's entities.

At the Group level, risks related to the insurance business lines are monitored especially by the Groupama SA and Groupama Gan Vie Business Departments specialising in the areas in question and by the Reinsurance Department. The Finance Department is responsible for managing the risks related to assets and Asset/Liability Management. Operational risks are monitored by the Groupama SA Business Departments, Support Departments, or subsidiary of Groupama SA specialising in the area in question.

Operationally, the internal control system of the entities and G.I.E Groupama Supports et Services is organised around three complementary systems:

- risk management and Permanent Control/compliance of each entity;
- internal or operational auditing of each entity;
- Group risk management and Permanent Control/compliance as well as the Group General Audit Department, reporting to the Executive Management of Groupama SA, which direct and coordinate the Auditing and Risk & Control functions within the Group.

Several committees are responsible for risk governance at the Group level:

- the Group Risk Management Committee includes members of the Group Executive Committee and the Group Director of Risk Management, Control, and Compliance;
- the Risk Committees by risk family (insurance, financial and operational) organised by the Group Risk Management and Permanent Control/Compliance Departments and made up of major risk owners and according to the affected areas of the representatives of the Groupama SA Business and Support Departments (Group Actuarial Department, Group Steering and Results Department, Investments, etc.), France Subsidiaries/International Subsidiaries Department, and Asset Management subsidiaries;
- and the capital Management Committee, which particularly monitors the Group's solvency risk.

Similar systems are in place at the entity level.

In addition, a committee for the implementation and sharing of objectives, decisions, and best practices between group entities has been set up. This ARC Operation Committee (Audit, Risk, and Control operational implementation committee) is coordinated by the Group Risk Management/Control and Compliance Department and the Group General Audit Department. It brings together the regional mutuals, the main insurance subsidiaries in France, and Groupama Supports & Services (G2S).

4.2.1.1 Regional mutuals

As autonomous legal entities, the regional mutuals implement their own internal control measures and manage their risks in compliance with the Group's standards. These systems are adapted to each regional mutual based on its organisation, its activities and its resources, under the authority of the Executive Management. Regarding organisation and governance, the roles and responsibilities of the administration and executive management bodies, key functions, and operational or Support Departments involved in risk management are specified in the risk policies. The Group Risk Management and Permanent Control/Compliance Departments support the regional mutuals in monitoring and rolling out Group standards.

All of the Risk Management and Permanent Control/Compliance Managers of the regional mutuals supplement the plan and meet regularly within the framework of information exchange and best practices bodies (workgroups, theme-based workshops and training), directed by the Group Risk Management and Permanent Control/Compliance Department; work relating to the implementation of Pillar 2 of Solvency II is also handled there.

The regional mutuals are reinsured within the specific framework of an exclusive reinsurance agreement entered into between them and Groupama SA (General Reinsurance Regulations). The General Reinsurance Regulations of the regional mutuals are one of the primary insurance risk control systems. The principles and rules of reinsurance are formalised in the reinsurance policies of the Group and entities.

For the risks related to the distribution of banking products and life insurance, the regional mutuals apply, in coordination with the Group Permanent Control/Compliance Department, the risk management procedures defined by Orange Bank and Groupama Gan Vie.

4.2.1.2 Groupama SA and its subsidiaries

Subsidiary risk is subject to triple monitoring:

- inter-company monitoring by the Groupama SA business, functional or Support Departments specialising in the area in question, as indicated above;
- on-going monitoring by the services of the division to which they are attached:
  - Group Finance Department for financial subsidiaries,
  - Group Insurance and Services Department for the Non-Life insurance subsidiaries, the French service subsidiaries, Orange Bank, and Groupama Supports & Services,
  - Groupama Gan Vie's Executive Management for the life insurance subsidiary and the distribution subsidiaries Gan Patrimoine and Gan Prévoyance,
  - International Subsidiaries Department for international subsidiaries.
- monitoring by each subsidiary or Groupama SA inter-company venture as part of the responsibility of its officers and in accordance with Group standards. Following the example of the regional mutuals, the Group Risk Management and Permanent Control/Compliance Departments support Groupama SA and its subsidiaries in monitoring and rolling out the internal control and risk management procedure.

All of the Risk and Internal Control Managers of the French and international subsidiaries supplement the plan and meet regularly within the framework of information exchange and best practices bodies (workgroups, theme-based workshops and training), directed by the Group Risk Management and Internal Control Department.

The Groupama SA Board of Directors, with the assistance of the audit and risk Management Committee, nearly half of whose members are Independent Directors, is responsible for the validation and monitoring of the risk management strategy, its implementation and future directions, the validation of risk policies, the review of the consistency of internal control work, and the monitoring of risks.

Lastly, the Board of Directors, particularly through the Groupama SA audit and risk Management Committee, is included in the Group's various tasks for the application of the Solvency II Directive, including work relating to ORSA particularly with the validation of stress scenario assumptions and the examination of the ORSA report for validation by the Board of Directors.

4.2.1.3 Group

The Group's general audit function carries out several types of audits, including a global economic and financial audit of the Group's main entities on a three-year basis, in addition to the operational audits conducted within the entities, audits on Groupama SA's processes and the Group's cross-functional processes, and audits performed on behalf of some entities as part of the pooling of the Audit key function with Groupama SA. The audit plan of the Group General Audit Department is confirmed by the Executive Management of Groupama SA and approved by the Audit and Risk Management Committee of Groupama SA and the Board of Directors of Groupama SA. Every mission involves a review of the risk and internal control system for the activity or entity audited; a report is prepared on the engagement presenting the observations, conclusions and recommendations to the Executive Management of Groupama SA. A regular summary is presented to the Audit and Risk Committee. A report on the progress of the recommendations is communicated on a quarterly basis to the Groupama SA Steering Committee as well as the Groupama SA Audit and Risk Management Committee.

The Group Risk Management and Permanent Control/Compliance functions are responsible for ensuring that all Group entities comply with the requirements of Executive Management in terms of the internal control, compliance, and risk management system, as well as those of Solvency II, Pillar 2.

With regard to risk management, the Group Risk Department is especially involved in areas related to financial risks, insurance risks, and risks related to the Group's solvency. The Permanent Control and Compliance Department is especially involved in the scope relating to the management of compliance, operational, and image risks. Within this framework, these departments, according to their area of responsibility:

- assist the administrative and Executive Management bodies in defining:
  - the risk strategy,
  - the structuring principles of the risk management system;
- are responsible for the implementation and coordination of the risk management system, consisting particularly of the risk management policies and the processes for identifying, measuring, managing, and reporting the risks inherent in the Group's activities;
- monitor and analyse the Group's general risk profile;
- report on exposures to risk and alert the administration and Executive Management bodies in case of major risks threatening the Group's solvency;
- lead the Risk Committees;
- lead the working Groups and bodies with the entities.

More specifically, the Group Risk Department, as regards the risk management function, is responsible for;

- developing the Group risk management policy and the coordinating policies relating to insurance and financial risks together with the risk owners concerned;
- defining the process for setting the Group's risk tolerance (risk limits);
- monitoring the major Group insurance and financial risks (RMG);
- assessing and rating insurance and financial risks, including sensitivity analyses and stress tests;
- implementing the ORSA process: internal assessment by the Company of its risks and its solvency situation;
- supporting the Group's entities in adapting the risk management system;

More specifically, the Group Permanent Control and Compliance Department (DCPC), as regards the Permanent Control/compliance function, is responsible for;

- developing the Group's internal control, operational risk management, and compliance policies;
- developing the Group's standards and reference sources (mapping of processes, operational risks, Permanent Control plans, reference source of permanent controls) and overseeing the system within the entities;
- monitoring and assessing operational risks (related to control of processes);
- acting as project owner of the EU tool for management of operating risks, OROp, managing in particular the collection of Permanent Control results, the incident database and the assessment of operational risks;
- establishing the internal control of the Groupama SA entity;
- defining the business continuity policy (BCP), respecting its implementation, overseeing the system within the entities;
- defining and establishing the compliance policy;
- ensuring data quality, in terms of governance and control plan;
- ensuring the internal validation of the internal model;
- supporting the Group's entities in adapting the operational risk management, Permanent Control and compliance systems (steering, coordination, facilitation, information, and training);
- reporting on the status of the Group's Internal Control system, for the purposes of communication to the governance bodies as well as the appropriate supervisory authorities by the Director of the Group's Risk Management/Control, and Compliance Department.

Each Group entity has Risk Management and Permanent Control/Compliance functions.

The definition of the information systems security policy and its implementation by the entities is the responsibility of Groupama Support & Service (G2S), which reports to the DCPC.

In addition, the Group Management Control Department is responsible for the ongoing monitoring of results and achievement of the Group's objectives based on a process of estimated management common to all entities.

This monitoring system also involves business reviews of subsidiaries conducted by the Executive Management of Groupama SA with biannual business reviews. These reviews include a specific "risk" section that presents, by entity, the level of deployment of the internal control system and the principal work in progress in terms of risk management.

◄ CONTENTS ►

4.2.2 INSURANCE RISKS

4.2.2.1 Prudential oversight

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

4.2.2.2 Objectives for managing risks resulting from insurance policies and methods to limit these risks

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

(a) Product design

Most of Groupama's business lines are subject to strong and increasing competition from other insurance companies, bancassurance companies, and mutual insurance companies. This fierce competition places great pressure on the price of certain Groupama products and services and therefore on its profitability. The Insurance Divisions of Groupama SA ensure that the product line is adapted to the Group's strategy. Life and non-life insurance products are designed by the business units of Groupama SA and Groupama Gan Vie on behalf of the Group's companies. This design is the result of market and profitability studies performed with actuarial tools to control margins in collaboration with the Actuarial Department of the Group and the Investment department where appropriate. Product launches or changes are carried out on the basis of a standard process incorporating the validation of the deliverables for customers and salespeople by the Group's Legal, Risk, and Compliance Departments and are adapted by division (regional mutuals, subsidiaries in France, International subsidiaries).

The main steps of this process are validated in the determined committees (Operating Committees, Insurance Risks Committee, Group Executive Committee).

In 2017, the product design process underwent a global review as part of the work related to the application of the Insurance Distribution Directive, which will come into force in 2018. To that end, a product governance policy was developed and then validated by the Board of Directors in December 2017.

(b) Underwriting and claims management

The underwriting risk management and claim management principles are formalised in the Group underwriting and reserving policy approved by the Groupama SA Board of Directors. In particular, it specifies the underwriting rules, limits of cover, and exclusions in accordance with the reassurance agreements by area of insurance.

Assignment of powers for underwriting and claims are defined in all of the Group's companies. Risks are accepted or refused at every level, based on underwriting guidelines that include the Group's underwriting and commercial policies. Underwriting in particular is secured through a cross Managerial control procedure and through integrated controls performed implicitly by the IT system.

Claims management procedures are defined on a standard basis throughout the Group and are regularly updated in procedural specifications governing the management of bodily injury and property damage claims. Moreover, the integration of processing within the IT systems of the entities ensures that management actions are performed. Claims management includes a review of claims files starting at an average commitment threshold.

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

(c) Valuation of reserves

In accordance with the practices of the insurance sector and with accounting and regulatory requirements, Groupama recognises underwriting reserves to cover claims and its property and life insurance business lines.

Determining underwriting reserves, however, remains an intrinsically uncertain process, relying on estimates.

The application of reserve rules is continually monitored, both before and after the fact, by teams dedicated to this task, in addition to the reviews that are conducted by the local supervisory authorities.

The rules for establishing reserves for claims and the funding tables for life and non-life disability payments are defined within the insurance Divisions in guidelines that are harmonised for all Group entities. Reserves are evaluated by the Claims Managers within the operational entities and, if necessary, are supplemented by reserves for losses that have occurred but have not yet been declared.

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

The reserving standards as well as the principles of measuring and controlling reserving risk are specified in the Group underwriting and reserving policies.

The breakdown of underwriting reserves and life and non-life insurance policies is presented in Note 24.3 to the annual financial statements.

CONTENTS

Breakdown of actuarial reserves according to the criteria of commitments at fixed rate, variable rate, or absence of rate commitments

The breakdown of actuarial reserves based on fixed-rate, variable-rate (*i.e.*, tied to a market rate) or no rate commitments was as follows:

	31.12.2017			31.12.2016
(in millions of euros)	France	International	Total	Total
Commitments guaranteed at fixed rate	36,777	2,687	39,463	40,496
Commitments guaranteed at variable rate	7,732	23	7,755	7,691
Unit-linked and other products without rate commitment	9,612	976	10,587	9,733
TOTAL	**54,120**	**3,686**	**57,806**	**57,920**

The weight of guaranteed-rate commitments continues its slow decline. The share of unit-linked and other products without rate commitment increased, representing 18.3% of total commitments (compared with 16.9% at the end of 2016 – excluding Portugal).

(d) Reinsurance

Reinsurance is organised on two levels. The Internal Reinsurance performed by Groupama SA for all Group entities is designed to optimise retentions for each entity. The external reinsurance defines the optimum reinsurance structure for the Group and the level of risk coverage on the bases of computer models. External reinsurance contracts are renegotiated and renewed each year by Groupama SA on behalf of the entire Group. Moreover, selection rules defined in the securities in reinsurance committee, which is composed particularly of the External Outward Reinsurance Division of Groupama SA and the Group Risk Management Department, which are based on the ratings from ratings agencies, are designed to control the default risk of reinsurers.

The list of reinsurers is reviewed in its entirety at least twice a year. During the year, continual monitoring is performed to adapt the internal ratings of the reinsurers to changes that may occur to them that would modify their solvency assessment.

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

The reinsurance principles and arrangements are described in the Group reinsurance policy.

4.2.2.3 Terms and conditions of the insurance policies which have a material impact on the amount, maturities, and uncertainty of the insurer's future cash flows

(a) General description

The Group offers a broad range of non-life insurance products designed for individuals, institutions and businesses. The motor, individual, professional and agricultural property damage policies offered by the Group are generally one-year contracts with tacit renewal, which include third-party liability coverage.

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

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

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

The Group also sells multi-component policies with one investment component in euros and one or more components in units of account.

(b) Specific features of certain non-life insurance policies

As with other insurers, the income and financial position of Groupama may be affected quite significantly by the unanticipated and random occurrence of natural or man-made events, such as floods, drought, landslides, storms, earthquake, riots, fire, explosions, or acts of terrorism. For example, the storm suffered by France in December 1999 resulted in major damage and a significant increase in compensation claims by Groupama clients. Climate changes that have occurred in recent years, specifically global warming, have contributed to increasing the unpredictable nature and frequency of climate events and natural events in regions where Groupama is active, particularly in Europe, and have created new uncertainty as to Groupama's future risk trends and exposure.

Groupama is implementing a reinsurance programme to limit the losses it is likely to suffer as a result of events or other events affecting its underwriting results. The reinsurance programmes implemented by Groupama transfer a portion of the losses and corresponding expenses to the reinsurers. These programmes are supplemented by the issuance of a "cat bond" on the high tranche of the force-of-nature protections. However, as an issuer of policies covered by reinsurance policies, Groupama remains committed to all its reinsured risks. Reinsurance policies therefore do not relieve Groupama of the obligation to settle claims. The Group remains subject to risks related to the credit situation of reinsurers and its ability to obtain the payments due from them. Moreover, the reinsurance offering, the amounts that may be covered, and the cost of coverage depend upon market conditions and are likely to vary significantly.

1
2
3
4
5
6
7

Other factors in risk growth may be mentioned:

- ageing of the population (health, long-term care);
- increased pollution;
- strengthened legal structure (liability – compensation for bodily injury, etc.).

(c) Specific features of certain life insurance policies and financial contracts

Discretionary profit-sharing clause

Certain life insurance, savings and retirement products offered by the Group contain a discretionary profit-sharing clause. This profit sharing must at least correspond to the regulatory and/or contractual constraints. Commercial considerations may lead to an increase in this profit-sharing. This increase, the amount of which is left to the insurer's discretion, allows policy holders to participate in financial management results and the underwriting results of the insurance Company.

Early redemption option

Most of the savings and retirement products may be surrendered by the policyholders at a value defined by the policy before maturity. Large redemptions may have significant impact on the results or the solvency in certain unfavourable environments.

Specific features of unit-linked policies

Most unit-linked policies sold by Groupama do not generally provide for contractual performance. Under these conditions, the policyholder alone directly assumes responsibility for the investment risk. Certain policies may provide for a minimum redemption guarantee in case of the death of the policyholder.

(d) Mortality and longevity risks

In life insurance, the payment of benefits depends on the death or the survival of the policyholder. It is the occurrence of one or other of these events that gives the right to payment of a benefit. The probability that these events will occur is estimated through experiential or regulatory statistical tables. In most cases, reserves are calculated using the regulatory tables based on statistics of population change. These tables are regularly revised to take demographic changes into account. The income or equity is potentially exposed to risk if demographic change deviates from experience with regard to these reserving tables.

The amount of actuarial reserves for annuities is as follows:

	31.12.2017			31.12.2016
(in millions of euros)	France	International	Total	Total
Actuarial reserves for life annuities	10,017	14	10,031	9,704
Actuarial reserves for non-life annuities	2,320	23	2,343	2,295
TOTAL	**12,337**	**37**	**12,374**	**11,999**

The share of actuarial reserves for life annuities continued to be largely predominant at the end of 2017 (> 80% of annuity commitments).

4.2.2.4 Information on concentrations of insurance risk

The Group is potentially facing a concentration of risks that will accumulate.

There are two types of overlapping risks:

- the risk of underwriting overlaps in which the insurance policies are underwritten by one or more of the Group's entities for the same risk;
- the risk of claim overlaps in which the insurance policies are underwritten by one or more entities of the Group on different risks, which may be affected by claims resulting from the same loss event, or the same initial cause.

(a) Identification

Overlapping risks can be identified at the time of underwriting or during ongoing management of the portfolio.

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

In addition, the underwriting procedures for certain risk categories help to control overlapping risks at the time of underwriting. The procedures applicable to property damage underwriting include:

- the verification of overlapping geographical risks at the time of underwriting for major risks (agricultural risks, agri-business risks, industrial risks, municipalities);

- initial elimination during the underwriting process of cases of inter-network co-insurance overlapping risks. These directives are defined in internal procedural guidelines ;

The procedures in force for managing overlapping portfolio risks cover:

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

(b) Protection

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

The underwriting limits (maximum values insured per risk in property insurance or per person for life and health insurance) are used in the context of catastrophic scenarios and compared with losses that have already occurred. Once these amounts have been defined, they are increased by a safety margin. Moreover, specific monitoring is performed to track the adequacy of the coverage with the risks underwritten.

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

4.2.3 MARKET RISKS

The general system for managing risks relating to asset/Liability Management and investment operations is specified in the Group asset/Liability Management and investment risk policy approved by the Groupama SA Board of Directors.

There are several categories of major market risks to which Groupama might be subject:

- interest rate risk;
- risk of variation in the price of equity instruments (stocks);
- foreign exchange risk;
- credit risk;
- risk on property assets.

4.2.3.1 Interest rate risk

(a) Type of and exposure to interest rate risk

During a period of interest rate volatility, the Group's financial margins might be affected. Specifically, a drop in interest rates would have a negative effect on the profitability of the investments. As such, during a period of low interest rates, the financial performance of the Group might be affected.

Conversely, in the event of an increase in rates, the Group may have to face a rush of redemptions for these policies, which would lead to the sale of a portion of the bond portfolio under unfavourable market conditions.

The consequences of interest rate changes would also impact the SCR and MCR coverage rates.

(b) Group risk management

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

Asset/Liability Management

Asset/liability simulations permit an analysis of the behaviour of the liabilities in different interest-rate environments, particularly the ability to meet the remuneration requirements for the policyholder.

These simulations allow the Group to develop strategies designed to reduce the impact of contingencies on the financial markets on both the results and on the balance sheets.

Interactions with redemption risk

Redemption behaviours are sensitive to changes in interest rates: an increase in the rates can lead to an increase in the policyholders' expectation of revaluation and, if this expectation cannot be met, the sanction of early redemptions. In addition to the loss of income and an increase in payouts, the risk will be losses related to the disposal of assets at a loss (which could be the case for fixed-rate bonds) in cash of insufficient cash.

The objective of Asset/Liabilities Management is to optimise the policyholder's satisfaction and the insurer's risk using strategies that take into account the various reserves available (including cash) and bond management strategies coupled with hedging products.

Interest rate risk related to the existence of guaranteed rate

The constraints of guaranteed minimum interest rates constitute a risk for the insurer if rates fall, as the yield on the assets may be insufficient in terms of these constraints. These risks are handled at the regulatory level through specific risks.

Rate hedges

RISK OF RATE INCREASE

The purpose of the hedges that are implemented is to partially hedge the portfolios against the risk of interest rate increases. This is made possible by converting fixed-rate bonds into variable-rate bonds ("payer swaps"). The strategy consists of transforming a fixed-rate bond into a variable rate, either on a security held or new investments, and has the objective of limiting the capital loss recognised because of an increase in interest rates in case of partial liquidation of the bond portfolio for the payment of benefits. These strategies aim to limit the impact of potential redemptions.

◄ CONTENTS ►

All over-the-counter transactions are secured by a "collateralisation" system with the Group's top-tier banking counterparties.

(c) Sensitivity to interest rate risk analysis

Pursuant to IFRS 7, an analysis of accounting sensitivity was carried out at 31 December 2017 with a comparative period. This analysis applies to year-end balance-sheet postings that show accounting sensitivity to interest rate risk (underwriting non-life and life liabilities, bond investments, financial debt in the form of bonds). It is not similar to analyses applying to embedded-value-type prospective data.

The impacts on shareholders' equity and income are shown net of profit sharing and corporate tax.

Sensitivity of technical insurance liabilities analysis

NON-LIFE INSURANCE

Regarding non-life underwriting liabilities, risk mapping allows the sensitivity of portfolios showing interest rate changes to be analysed, *i.e.*, portfolios of current annuities and temporary payments (individual life and health insurance, and third-party liability insurance premiums). With the exception of increasing annuities and risk reserves for long-term care risk, as non-life insurance underwriting reserves are not discounted on the consolidated financial statements, these amounts are therefore not sensitive to changes in interest rates.

At 31 December 2017, the amount of the discount in the actuarial reserves for non-life annuities, before reinsurance, was €114 million. The amount of the discount in the reserve for increasing risks on long-term care, gross of reinsurance, was approximately €61 million.

The result of the sensitivity to interest rates analyses shows that the Group is not particularly sensitive with regard to all its non-life commitments. The impact of a change of +/-100 basis points, calculated net of tax, is shown in the following table:

	31.12.2017		31.12.2016	
	Interest rate		Interest rate	
(in millions of euros)	+1%	-1%	+1%	-1%
Impact on income (net of taxes)	54	(66)	48	(66)
Equity impact (excluding income)				

LIFE INSURANCE AND FINANCIAL CONTRACTS

This analysis was limited to life commitments with accounts sensitive to changes in interest rates.

Moreover, with the exception of the floor guarantees, no sensitivity analysis was carried out on actuarial reserves for account unit policies, since the risk of change in the index is assumed by the policyholder rather than by the insurer.

The impact of sensitivity to changes in interest rates of +/-100 basis points on the Group's life commitments is shown net of taxes in the following table:

	31.12.2017		31.12.2016	
	Interest rate		Interest rate	
(in millions of euros)	+1%	-1%	+1%	-1%
Impact on income (net of taxes)	22	(25)	76	
Equity impact (excluding income)				

◄ CONTENTS ►

Sensitivity of financial investments analysis

The following table shows the impacts on income and on the revaluation reserve (posted under shareholders' equity) of a sensitivity analysis carried out in the event of a change up or down of 100 basis points (+/-1%) in interest rates.

The impacts are shown after taking the following factors into consideration:

- the rate of profit sharing of the entity holding the securities;
- the current tax rate.

The tests are conducted based on profit-sharing rates derived from historical observations.

In fiscal year 2017, the profit-sharing rate used for entities holding life insurance commitments corresponded to a range of 67.25% to 85.12%.

	31.12.2017		31.12.2016	
	Interest Rate Risk		Interest Rate Risk	
(in millions of euros)	+1%	-1%	+1%	-1%
Impact on the revaluation reserve	**(560)**	**617**	**(491)**	**542**
Equities				
Equity mutual funds				
Bonds	(551)	608	(486)	537
Fixed-income mutual funds	(9)	9	(5)	5
Derivative instruments and embedded derivatives				
Impact on net income	**41**	**(40)**	**26**	**(25)**
Equities				
Equity mutual funds				
Bonds	(4)	5	(3)	4
Fixed-income mutual funds	(16)	16	(8)	8
Derivative instruments and embedded derivatives	61	(61)	37	(37)

We note that the change in fair value of the derivatives and embedded derivatives, which primarily correspond to hedge derivatives, passes through the income statement.

Financial debt sensitivity analysis

Financing debt posted to liabilities on the Group income statement may be posted to debt or shareholders' equity under IFRS.

In fiscal year 2014, the Group issued perpetual bonds consisting of perpetual subordinated instruments (TSDI). The features of this issuance meet the criteria to allow the bond to be considered an equity instrument (see Note 20 "shareholders' equity"). Consequently, a sensitivity analysis is not required.

The principal features of the financial debt instruments analysed are described in Note 23 "Financing debt".

The Group's subordinated debt is recognised at historical cost. In this respect, this balance sheet *item* is therefore not sensitive to potential changes in interest rates.

4.2.3.2 Risk of variation in the price of equity instruments (stocks)

(a) Type of and exposure to equity risk

Exposure to equity markets allows the companies to capture the yield on these markets but also exposes them to two major types of risks:

- accounting reserving risk (reserve for long-term impairment, reserve for contingent payment risks, reserves for financial contingencies);
- the commercial risk brought about by the reserving risk insofar as policyholder compensation could be impacted by the aforementioned reserving.

◄ CONTENTS ►

The weight of equity instruments out of total financial investments (including operating property) was 4.2% in market value, not including option exposures. Most equity instruments are classified in "available-for-sale assets". Equity instruments include:

- equities in French and foreign companies listed for trading on regulated markets. The exposure can also be done in index form and possibly in the form of structured products whose performance is partially indexed to an equity index. They may be held directly or within mutual funds (FCP and SICAV);
- equities in French and foreign companies that are not listed. They may be held directly or in the form of a venture capital fund ("FCPR").

(b) Group risk management

In 2017, the Group continued its specific risk reduction policy with the partial sale of its stake in OTP Bank and the total sale of its Icade shares.

The Group tactically manages its hedges and exposure according to market levels and this year aimed to stabilise its equity exposure against a backdrop of strong growth in 2017. Diversification of risk profiles is also sought through unlisted investments.

The Group manages equities as part of internal constraints under two distinct logics:

- a primary limit fixing the maximum permissible exposure to equity risk;
- a set of secondary limits with the objective of limiting the equity portfolio's concentration by sector, issuer, or major type as well as illiquid equity categories.

These limits are observed at the level of each insurance entity and at the Group level. Any exceeding of the limits is handled according to whether it is part of an entity or the Group by the corresponding Risk Committees.

(c) Sensitivity of financial investments to equity risk analysis

The following table shows the impacts on income and the revaluation reserve (classified under shareholders' equity) of a sensitivity analysis carried out in the event of an up or down change of 10% in stock market prices and indices.

The impacts are shown after taking the following factors into consideration:

- the rate of profit sharing of the entity holding the securities;
- the current tax rate.

The tests are conducted based on profit-sharing rates derived from historical observations.

In fiscal year 2017, the profit-sharing rate used for entities holding life insurance commitments corresponded to a range of 67.25% to 85.12%.

	31.12.2017		31.12.2016	
	Equities risk		Equities risk	
(in millions of euros)	+10%	-10%	+10%	-10%
Impact on the revaluation reserve	**57**	**(57)**	**53**	**(53)**
Equities	32	(32)	34	(34)
Equity mutual funds	25	(25)	19	(19)
Bonds				
Fixed-income mutual funds				
Derivative instruments and embedded derivatives				
Impact on net income	**19**	**(19)**	**33**	**(33)**
Equities				
Equity mutual funds	19	(19)	33	(33)
Bonds				
Fixed-income mutual funds				
Derivative instruments and embedded derivatives				

◄ CONTENTS ►

4.2.3.3 Foreign exchange risk

(a) Exposure to foreign exchange risk

Exposure to foreign exchange risk for subsidiaries in the eurozone corresponds primarily to their assets, subject to exchange rate fluctuations of mutual funds or securities denominated in foreign currencies and mutual funds denominated in euros applying to foreign-currency securities. In practice, the portfolios are exposed primarily to foreign exchange risks corresponding to the euro rate against the dollar, the Hungarian forint, the Romanian leu, the Bulgarian lev, the pound sterling, and the Turkish lira.

Investments made by Groupama, within the context of its international subsidiaries, exposes it to the net accounting position of entities with a different functional currency from the euro. To date, this includes the pound sterling, the Turkish lira, the Hungarian forint, the Romanian leu, the Bulgarian lev, the yuan, and the Tunisian dinar. These impacts are posted in shareholders' equity, under foreign exchange adjustment.

(b) Managing foreign exchange risk

Exchange rate risk is currently hedged mainly through currency swaps. The documentation is updated each time the financial statements are closed. These instruments do not correspond to the accounting notion of hedging as defined by IFRS.

(c) Analysis of exchange rate sensitivity

The following table shows the impacts on income and the revaluation reserve (posted under shareholders' equity) of a sensitivity analysis carried out in the event of an up or down change of 10% in all currencies against the euro.

The impacts are shown after taking the following factors into consideration:

- the rate of profit sharing of the entity holding the securities;
- the current tax rate.

The tests are conducted based on profit-sharing rates derived from historical observations.

In fiscal year 2017, the profit-sharing rate used for entities holding life insurance commitments corresponded to a range of 67.25% to 85.12%.

	31.12.2017		31.12.2016	
	Foreign exchange risk		Foreign exchange risk	
(in millions of euros)	+10%	-10%	+10%	-10%
Impact on the revaluation reserve	**34**	**(34)**	**37**	**(37)**
Equities	11	(11)	13	(13)
Equity mutual funds	1	(1)	2	(2)
Bonds	22	(22)	22	(22)
Fixed-income mutual funds				
Derivative instruments and embedded derivatives				
Impact on net income				
Equities				
Equity mutual funds				
Bonds				
Fixed-income mutual funds				
Derivative instruments and embedded derivatives				

Hedging effects are not taken into account when calculating sensitivity. Consequently, the numbers listed above represent maximum risk and the actual impact reported in the Group's financial statements is considerably lower.

4.2.3.4 Credit risk

The breakdown of the Group bond portfolio by rating and by issuer quality is presented in Notes 6.9.3 and 6.9.4 of the annual financial statements.

The Group manages credit risk as part of internal constraints. The main objective of these constraints is to limit the concentration of issues according to several criteria (country, issuer, ratings, subordinated issues).

These limits are observed at the level of each insurance entity and at the Group level. Any exceeding of the limits is handled according to whether it is part of an entity or the Group by the corresponding Risk Committees.

(a) Spread hedges

Spread widening risk

In addition, a hedging strategy was tested during a pilot operation intended to protect the value of a bond against the risk of widening of its spread. The strategy involved fixing the bond's spread to one year using a dedicated FFI. At the end of the hedge (one year renewable), a finalising balancing payment was paid in return for the gain on the value of the bond hedged for the variation of its spread.

This hedge was the subject of specific documentation for accounting hedges at fair value under IAS 39.

All over-the-counter transactions are secured by a "collateralisation" system with the Group's top-tier banking counterparties.

A new strategy for exposure to the 10-year swap rate was also tested in 2017. It aims to allow the Group to take duration without exposure to spread risk (sovereign or credit). This operation is carried out using a vehicle paying the Euribor and an FFI exchanging this remuneration for the 10-year swap rate.

(b) Risk on bonds of peripheral countries of the eurozone

The Group's gross exposure to sovereign debt of peripheral countries of the eurozone (Greece, Italy, Ireland, Spain, Portugal) amounted to €11,665 million at 31 December 2017, representing 21% of the interest-bearing product portfolio.

(b) Managing counterparty risk

Internal procedures stipulate that any over-the-counter contract is systematically covered by guarantee contracts with the banking counterparties in question.

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

4.2.3.5 Risk on property assets

(a) Type of and exposure to property risk

Exposure to property markets makes it possible to capture the performance of these markets (investment property) and benefit from premises for its operating needs (operating properties), but it also exposes companies to three main types of risks:

- the investment risk generated by property restructuring operations;
- the accounting reserving risk in case of a recoverable amount (sale price net of disposal costs or value in use) that is lower than the net book value and potential loss of value;
- the commercial risk brought about by the reserving risk insofar as policyholder compensation could be impacted by the aforementioned reserving.

The weight of property assets out of total financial investments (including operating property) was 2% in market value. They may be held directly or in OPCI or SCI form. Property assets can be split into:

- investment properties representing 1.56% of total financial investments;
- operating properties representing 0.47% of total financial investments.

(b) Group Risk Management

Property assets are managed by the Group within a framework of internal constraints with a limit setting the maximum permissible exposure to property risk. The limits are defined at the level of each insurance entity and at the Group level. Any exceeding of the limits is handled according to whether it is part of an entity or the Group by the corresponding Risk Committees.

Within the constraints system and concerning investment risk especially, the property commitment committee decides on the property budget as a whole and on acquisition, restructuring, and development works projects beyond predefined amounts.

4.2.3.6 Summary of sensitivity to market risks analyses

The following table shows all the sensitivity to market risks analyses for fiscal years 2017 and 2016, broken down by shareholders' equity and income, excluding profit sharing and taxes.

	31.12.2017				31.12.2016			
	Up fluctuation in sensitivity criteria		Down fluctuation in sensitivity criteria		Up fluctuation in sensitivity criteria		Down fluctuation in sensitivity criteria	
(in millions of euros)	shareholders' equity	Income (Loss)	shareholders' equity	Income (Loss)	shareholders' equity	Income (Loss)	shareholders' equity	Income (Loss)
Interest rate risk	**(560)**	**117**	**617**	**(131)**	**(491)**	**150**	**542**	**(91)**
Underwriting liabilities		76		(91)		124		(66)
Financial investments	(560)	41	617	(40)	(491)	26	542	(25)
Financing debt								
Equities risk	**57**	**19**	**(57)**	**(19)**	**53**	**33**	**(53)**	**(33)**
Financial investments	57	19	(57)	(19)	53	33	(53)	(33)
Foreign exchange risk	**34**		**(34)**		**37**		**(37)**	
Financial investments	34		(34)		37		(37)	

CONTENTS

As a reminder, the sensitivity criteria applied were the following:

- up or down fluctuation of 100 basis points, for interest rate risk;
- up or down fluctuation of 10% in the stock market indices, for equity risk; and
- up or down fluctuation of 10% in all currencies against the euro, for exchange rate risk.

4.2.4 LIQUIDITY RISK

4.2.4.1 Nature of exposure to liquidity risk

The overall liquidity risk is analysed using the asset/liability approach, which defines the cash requirement to be held as an asset based on the liquidity requirements imposed by liabilities, using:

- technical cash flow projections in a central scenario;
- sensitivity scenarios on technical assumptions (production, claims ratio).

4.2.4.2 Risk management

Stress tests are regularly conducted on both assets and liabilities in order to ensure that in the event of a simultaneous increase in benefits payable and interest rates, the Group is able to meet its commitments in terms of both assets to dispose of and any realisations of capital losses.

At the end of 2017, the liquidity risk was greatly reduced by the size of unrealised capital gains present in the portfolio.

4.2.4.3 Financial investment portfolio by maturity

The profile of the annual maturities of the bond portfolios is listed in Note 6.9.2 of the annual financial statements.

4.2.4.4 Liabilities related to insurance policies and liabilities related to financial contracts by maturity

The profile of annual maturities of the liabilities related to insurance policies is the following:

	31.12.2017				31.12.2016			
(in millions of euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Non-life underwriting reserves	4,367	3,619	4,820	12,805	4,238	3,380	4,689	12,307
Life underwriting provisions - insurance policies excluding unit-linked items	1,146	6,272	26,070	33,487	1,030	6,461	26,179	33,670
Underwriting liabilities relating to financial contracts with discretionary profit sharing excluding unit-linked items	378	3,136	10,103	13,616	756	3,164	10,544	14,464
Underwriting liabilities relating to financial contracts without discretionary profit sharing excluding unit-linked items			1	1	3			3
Reserve for deferred profit-sharing liability	4,954	6	54	5,014	5,454	7	56	5,517
TOTAL UNDERWRITING INSURANCE LIABILITIES AND LIABILITIES FOR FINANCIAL CONTRACTS	**10,844**	**13,032**	**41,048**	**64,925**	**11,480**	**13,011**	**41,469**	**65,961**

Most technical liabilities corresponding to financial contracts with and without discretionary profit sharing may be redeemed at any time. The table above provides an economic overview of the liquidation of technical insurance liabilities.

4.2.4.5 Financing debt by maturity

The principal features of financial debt, as well as its breakdown by maturity, are provided in Note 23 herein – Financial Debt.

◄ CONTENTS ►

4.2.5 RISK OF REINSURER INSOLVENCY

Outward reinsurance consists of transferring to the reinsurer a portion of the risks accepted by the ceding Company. They are regularly reviewed to monitor and limit the credit risk on third-party reinsurers. The reinsurance securities committee examines and approves the list of reinsurers accepted for all external outward reinsurance.

This list is reviewed in its entirety at least twice a year. During the year, continual monitoring is performed to adapt the internal ratings of the reinsurers to changes that may occur to them that would modify their solvency assessment. For any given reinsurance placement, any reinsurer approached for an outward reinsurance outside Groupama must first be on the list of the Group Security Committee.

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

Transferred insurance underwriting reserves and recoverables are shown below, by rating, according to the three largest rating agencies (Standard & Poor's, Fitch Ratings, Moody's).

	31.12.2017						
(in millions of euros)	AAA	AA	A	BBB	< BBB	Not rated	Total
Share of reinsurers in non-life insurance reserves		978	110	6	1	459	1,554
Share of reinsurers in life insurance reserves		18	28			34	80
Share of reinsurers in reserves for financial contracts with discretionary profit sharing							
Share of reinsurers in reserves for financial contracts without discretionary profit sharing							
Receivables from outward reinsurance operations		52	4	1	1	126	183
TOTAL		**1,048**	**142**	**7**	**1**	**619**	**1,817**

	31.12.2016						
(in millions of euros)	AAA	AA	A	BBB	< BBB	Not rated	Total
Share of reinsurers in non-life insurance reserves		804	119	4		468	1,394
Share of reinsurers in life insurance reserves		15	21	1		31	67
Share of reinsurers in reserves for financial contracts with discretionary profit sharing							
Share of reinsurers in reserves for financial contracts without discretionary profit sharing							
Receivables from outward reinsurance operations		46	4	5		167	222
TOTAL		**865**	**143**	**10**		**666**	**1,683**

The total share of unrated reinsurers corresponds primarily to outward reinsurance to professional reinsurance pools, especially Assurpol, Assuratome, Gareat, Réunion Aérienne and Réunion Spatiale, which are not subject to any rating.

A share of €278 million (€274 million for fiscal year 2016) is also represented by the Groupama SA retrocession to the regional mutuals under the Internal reinsurance agreement. The breakdown is as follows:

- €275 million in share of reinsurers in non-life insurance reserves;
- €3 million in receivables from outward reinsurance operations.

4.2.6 OPERATING, LEGAL, REGULATORY, AND TAX RISKS

4.2.6.1 Operational Risks

Operational risks are managed in accordance with the principles and rules defined in the Group and Groupama SA operational risk management policy (see point 1).

The operational risk management system of Groupama is based on:

- the definition of internal management rules and operational procedures defining the manner in which the activities of Groupama SA must be conducted. They are appropriate to each business line and each key process. On the basis of group reference source of processes and Group classification of operational risks at every stage of the business line and functional processes, operational risks are identified, and associated permanent controls are formalised across the Group. The system is based on three levels of control with responsibility and control plans appropriate for each level:
  - internal-check type permanent monitoring of the operational level and permanent management control,
  - permanent controls operated by the Permanent Control/Compliance Function of each entity,
  - periodic controls undertaken by internal audit of each entity.
- on the definition and assessment of Group major operational risks and adaptation as entity major risks, which function, as with insurance and financial risks, on the basis of a network of risk owners with management and coordination of the entire system by the Group's Risk and/or Permanent Control/Compliance Departments;
- on securing information systems in the face of the major risks of "information system failures" and "cyber risks";
- on the Group business continuity policy; this policy serves as a reference for crisis management systems and Business Continuity Plans (BCP) being documented within the entities. The process is based on the BIA approach (Business Impact Analysis), which makes it possible to best calibrate the means necessary for the resumption of activity by identifying the critical business activities. Three BCPs have been identified:
  - an Unavailability of human resources BCP,
  - an Unavailability of Real Estate BCP,
  - a systems BCP,
- on the information system security policy and the associated sub-policies;
- on the system for securing people and property;

Moreover, an insurance programme is in place, designed to provide liability protection and the protection of the holdings of the regional mutuals, Groupama SA and its subsidiaries. The policies are distributed among internal insurers and external insurers for the most significant risks. The principal coverage is the following:

- employee insurance;
- third-party liability of corporate officers;
- professional third-party liability;
- operating third-party liability;
- property damage insurance (property, offices, equipment, vehicle fleets, etc.);
- cyber risks.

4.2.6.2 Legal and regulatory risks

The legal and regulatory risks are managed as part of the Group system compliance, which is defined in the Group compliance policy validated by the governing bodies of the Group. The system in place, directed by the compliance charter, aims to ensure that all Group practices comply with legal provisions, administrative regulations and requirements and professional standards, as well as the Group's internal rules, charters and procedures.

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

(a) Application of corporate law and the Commercial Code

The Legal Department, under the supervision of the Corporate Secretary, manages Groupama SA's legal affairs and those of its subsidiaries and provides legal advice as needed to all the French legal entities of Groupama SA. Within this framework, it ensures the legal safety of its operations and its Directors and executives. Internal checks on the effective implementation of administrative legal procedures are based on ongoing monitoring systems on an individual entity basis.

(b) Application of insurance law and regulations governing the insurance business

The Legal Department within the Corporate Secretary of Groupama SA ensures, particularly on behalf of the Business Divisions of Groupama SA, the French insurance subsidiaries, as well as the regional mutuals:

- a function of monitoring and analysing legislation and case law and other standards (FFA professional standards, ACPR recommendations) having an impact on the insurance business; (marketing, communication, advertising, development, subscription, execution, and termination of insurance products, etc.);
- the necessary anticipation and support to implement new regulations for this activity;
- information (notes, circulars, working groups, dissemination of a quarterly bulletin of legal information in connection with customer protection);
- validation of new insurance policies developed by the Business Departments well as the modifications made to existing policies;
- development and validation of distribution and partnership agreements in connection with insurance and other services;
- legal and tax advice (taxation applicable to products and advice in the area of wealth management solutions);
- relations with the administrative authorities for control and support as part of these controls and any resulting consequences on the insurance business.

(c) Other areas

Specific procedures have been put in place to meet special requirements:

- to prevent insider trading, the Internal Regulations of Groupama SA's Board of Directors contain a detailed reminder of the legal and regulatory provisions relating to restrictions on persons holding insider information about listed companies and financial instruments admitted for trading on a regulated market. Groupama SA's employees in charge of investments in financial instruments admitted for trading on a regulated market and those in charge of mergers and acquisitions sign a confidentiality commitment reminding them of these legal and regulatory provisions. Groupama SA's employees called on to work on a strategic transaction involving a listed Company sign such a commitment for each transaction;
- with regard to fighting money laundering and terrorist financing (AML/FT), the entities implement the legal obligations and professional recommendations in this area in their procedures. An AML/FT organisational chart defines the roles and responsibilities of the various participants and stakeholders at Group level and at the level of each operational entity concerned, describes the mechanism in place with respect to informing and training employees, determines the methods and conditions for exchanges of information required for the exercise of vigilance, and specifies the system to be applied for control and risk monitoring. The Permanent Control/compliance and risk management procedures are based on knowledge of the customer base, but also on a set of controls performed prior to the transaction, then after the transaction by analysing the information databases for past transactions. In addition, the Group Legal Department, working with a network of officers responsible for anti-money laundering and terrorist financing activities in the insurance, banking, and Asset Management subsidiaries in France and internationally, and the regional mutuals, ensures the Group coordination and is responsible for monitoring Group compliance with anti-money laundering obligations (changes in regulatory provisions – including the transposition into French law of the 4th European Directive, definitions of action plans in line with sanctions from the ACPR, harmonisation and consistency of procedures, performance indicators, steering of IT projects, and training kits);
- in application of the Data Protection Act, the compliance system makes use of the Group Data Protection Correspondent named by the French National Information Technology and Freedom Commission ("CNIL") and on the network of internal correspondents: one correspondent per entity and nine for Groupama SA in areas implementing sensitive processes. This network can change, depending on modifications to the Group's organisational structure;
- with regard to the protection of medical data, Group recommendations are disseminated by the Groupama SA Business Division concerned or entity concerned. It is the responsibility of the various Group entities (regional mutuals and subsidiaries) to implement these recommendations, in partnership with the medical advisers and in collaboration with the Group compliance function, the Group Data Protection Correspondent ("CIL"), and the Claims Division of the Insurance, Banking, and Services Department;
- regarding the protection of customers, the key function of Groupama SA's Compliance Verification manages or contributes to the operational implementation of several themes, including:
  - ACPR instruction 2015-I-22 of 2 October 2015 on the questionnaire on commercial practices and protection of customers,
  - the ACPR's various recommendations particularly on handling complaints and knowledge of customers with respect to the duty to advise in life insurance, including for remote selling,
  - monitoring of the major risk for the Group of "failure to advise",
  - the planned deployment of the Insurance Distribution Directive. This project also includes the prevention and management of conflicts of interest, the compensation of the distribution networks, and their professional capability,
  - the recurring enrichment of the Permanent Control system.
- in the fight against corruption and influence peddling (Sapin law 2) and the duty of care of parent companies and ordering companies (law 2017-399 of 27 March 2017), the Group is carrying out various operational implementation projects that will be deployed in the current entities in 2018.

4.2.6.3 Tax risks

The role of the Group's Tax Department is to provide information and monitor regulations for all the entities of the Group. It is also regularly questioned about specific technical points and is involved in preparing the end-of-year financial statements. In this capacity, it ensures that the tax consolidation rules are applied (Article 223 A *et seq.* of the General Tax Code) for the Group and, working with the Group Accounting Department, prepares the report on the tax position of the consolidated companies. It also helps to implement documentation and archiving procedures in terms of computerised accounting records, as required under tax law, particularly as part of dedicated "CFCI" (Computerised Accounting Tax Audit) committees for each French entity. Lastly, within a Steering Committee, it coordinates the establishment and the monitoring of regulations on automatic exchanges of tax information, resulting in particular from the US Foreign Account Tax Compliance Act ("FATCA") or the transposition of the European DAC (Directive for Administrative Cooperation).

5

EARNINGS AND FINANCIAL POSITION

◄ CONTENTS ►

5.1 MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

5.1.1 ENVIRONMENT

5.1.1.1 Macroeconomic environment

2017 began with a high level of uncertainty in Europe with the French and German elections and in the United States with the inauguration of Donald Trump. This level of uncertainty gradually decreased, and the year was marked by an acceleration of all economic zones, supported by a rebound in productive investment and a cyclical recovery in the manufacturing industry. This robust, self-sustaining growth cycle is not creating inflationary tensions at this stage, putting little pressure on central banks in tightening their monetary policies.

In the United States, after a disappointing first quarter, GDP growth accelerated above 2% annual in the third quarter, with a favourable short-term outlook given the strength of the job market, corporate restocking requirements, and the restart of wage inflation. It was in this context of robust growth that the US central bank (Fed) continued its monetary tightening: it increased its key rate by 75 basis points over the year within the range of 1.25-1.50% and, in October, began to decrease the size of its balance sheet through non-reinvestment of part of its bond repayments. At the end of the year, the adoption of Donald Trump's tax reform, notably with a 20% corporate tax rate cut, helped to support the rise in the valuation of risky assets.

In the eurozone, activity figures grew more vigorously than expected, while inflation data remained very moderate. The outcome of the French elections helped to remove the risk of destabilisation of the eurozone. The single currency appreciated substantially starting in April. Neither the uncertainty about the formation of a coalition government in Germany nor the outcome of the polls in Catalonia undermined the confidence of the business community. Business confidence indicators were at historically high levels. Activity grew more vigorously than in the United States: the growth rate reached 2.6% year-on-year in the third quarter, on the basis of accelerated job creation and a recovery in productive investment. However, the reflation scenario was slow to materialise, and the ECB was forced to lower its medium-term inflation projections. This context, as well as the strong rise of the euro against the dollar, provided an argument for a very gradual normalisation of its accommodative policy: the asset purchase programme was reduced from $60 billion to $30 billion per month in September 2018, and no timetable on the *exit* from the asset purchase policy was announced. The euro/dollar parity ended the year at $1.20, up almost 15%.

Accelerating global demand supported emerging economies, which benefited from favourable monetary conditions and commodity prices, which rose significantly in the second half of the year. Merchandise exports were close to their end-2013 peak. Chinese growth was in line with expectations, slightly below 7% over one year. The momentum was favourable in the countries of Central and Eastern Europe, whose aggregate PMI confidence index (Poland, Hungary, Czech Republic, Russia, Turkey) suggested a confidence close to the 2011 highs. On the other hand, the dynamics were less vigorous in Latin America: the recovery continued to be in Brazil, and Mexico suffered from monetary tightening this year.

5.1.1.2 Financial markets in 2017

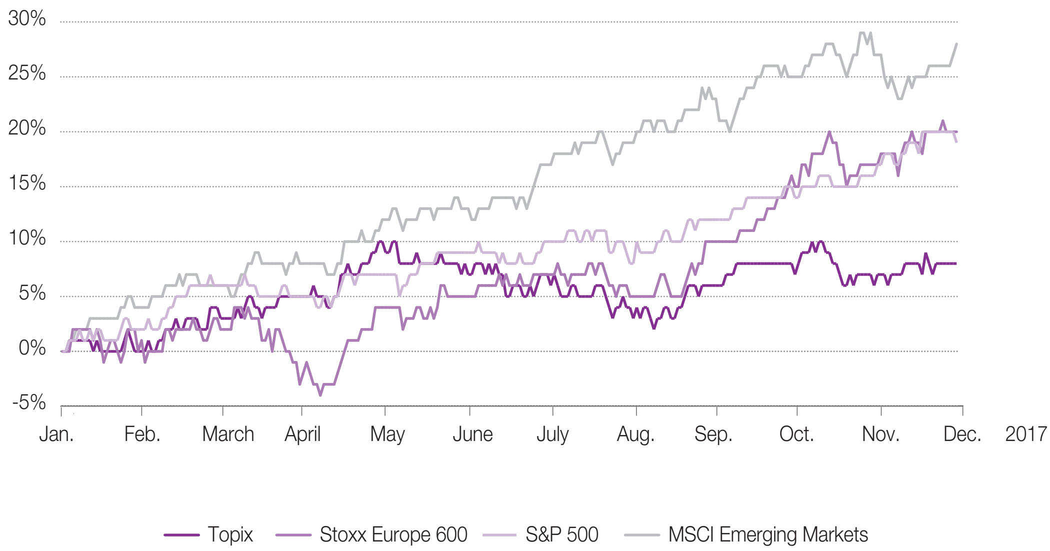
All risky asset classes ended the year with largely positive performance, supported by accelerating global growth in a still accommodative monetary environment.

(a) Changes in equity markets

The particularly favourable global economy and the return of corporate earnings growth contributed to the excellent performance of global equity markets. Volatility reached historically low levels because the excess liquidity of investors limited the phases of decline.

2017 earnings were expected to be higher than in 2016 by +21% in Japan and +11% in the United States and the eurozone, contributing to good performance on both markets (+20% on the S&P and +7% for Eurostoxx). Emerging equity indices were driven by the stock market performance of China's technology sector. At the end of the year, the prospect of the tax reform vote by the US Senate contributed to the growth of corporate valuations in the United States.

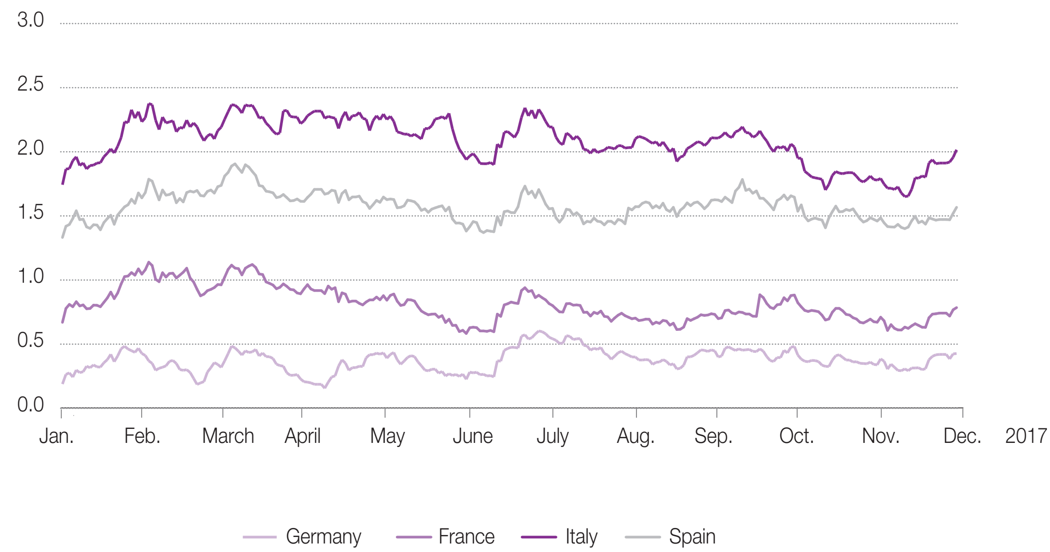
PERFORMANCE OF EQUITY INDICES IN LOCAL CURRENCIES EXCLUDING DIVIDENDS



(b) Changes on interest rate markets

Sovereign yield growth recovered slowly, guided by the stance of the central banks, political risk, and global inflation prospects. Over the year, 10-year yields rose slightly by 10 to 25 basis points in the eurozone, while they remained stable in the major developed economies outside the eurozone. More specifically, the cyclical and structural improvement of the Portuguese economy led the rating agency Fitch to raise its rating by two notches to BBB on the sovereign debt, thus validating the decrease in the risk premium observed throughout the year.

GROWTH OF 10-YEAR YIELDS

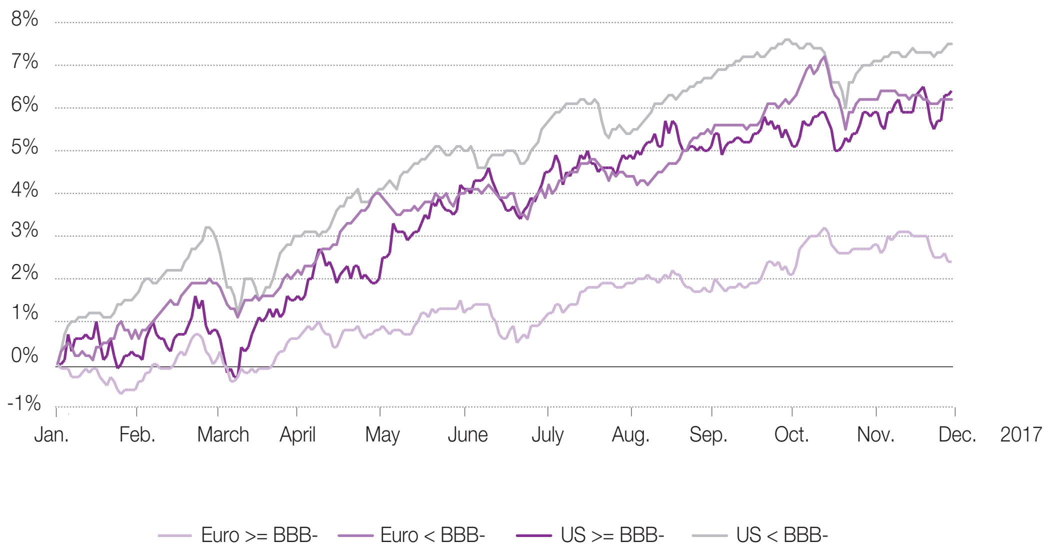


CONTENTS

(c) Changes on the credit market

Risk appetite contributed to the good performance of Investment Grade and High Yield credit in a context where corporate default rates fell to historically low levels.

PERFORMANCE OF LOCAL CURRENCY CREDIT MARKETS COUPONS REINVESTED



In the eurozone, risk premiums accelerated their tightening after the French presidential elections. In the second part of the year, the ECB's accommodative stance helped to keep risk premiums at low interest rates and premium levels. The pursuit of returns and risk appetite drove investors into the riskier High Yield segment, which posted solid performance of +6.2%.

In the United States, renewed investor confidence, the gradual rise in commodity prices, and reduced uncertainty about the Trump administration's policy contributed to its significant performance in 2017, with +6.4% on Investment Grade and +7.5% in the High Yield segment.

CONTENTS

5.1.2 SIGNIFICANT EVENTS OF FISCAL YEAR 2017

5.1.2.1 Financial Strength

(a) Debt refinancing

In early January 2017, Groupama launched an offer to exchange all of its deeply supersubordinated instruments issued in 2007 and a portion of its redeemable subordinated instruments issued in 2009 for new subordinated instruments with a maturity of 10 years.

On 23 January 2017, Groupama issued and placed subordinated instruments with a maturity of 10 years with institutional investors for a total of €650 million with an annual coupon of 6.00%. The operation was widely successful with institutional investors holding the two instruments, since the transformation rate reached 65% on the deeply subordinated instruments issued in 2007 and the 33% ceiling set by the Group on subordinated instruments issued in 2009.

Institutional investors also showed great interest in the proposed new instrument: the additional bond in euros met with strong demand, with an order book subscribed nearly 10 times.

This operation contributes to the active management of Groupama's capital. It aims to extend the maturity of its debt profile and strengthen the Group's financial flexibility.

(b) Financial rating

On 3 May 2017, Fitch Ratings upgraded the insurer financial strength ratings of Groupama SA and its subsidiaries from "BBB+" to "A-". The outlook associated with these ratings is Stable.

(c) Redemption of 2007 deeply supersubordinated bonds

Groupama SA redeemed the balance of its indefinite-term deeply supersubordinated securities issued in 2007 early (ISIN: FR0010533414) at the first redemption date, *i.e.*, 22 October 2017, for €142.85 million.

5.1.2.2 Financial investments

(a) OTP Bank

On 22 March 2017, Groupama announced the successful private placement of 8.260.000 OTP Bank shares, representing approximately 3% of the Company's capital, with institutional investors. The proceeds from this placement were approximately 64,428 million Hungarian forints, or around €208 million.

Following the placement, Groupama directly or indirectly holds approximately 14,140,000 shares of OTP Bank, representing 5% of the Company's capital.

(b) Icade

On 19 June 2017, Groupama sold 9,596,200 Icade shares to Crédit Agricole Assurances, representing 12.95% of Icade's capital, *i.e.*, Groupama's entire stake. The total amount of the transaction was approximately €715 million, or €74.50 per Icade share sold.

With this transaction, Groupama continued its policy of reducing its exposure to risky assets.

(c) Domaine de Nalys

On 19 July 2017, Groupama sold 95% of its stake in SCI du Domaine de Nalys for €52 million.

5.1.2.3 Activities

(a) CaroleNash-Mastercover-Bollington

Groupama continued its withdrawal from non-strategic stakes. Its stakes in various brokerage firms in the UK were thus sold during 2017. Groupama no longer has any operating business in the United Kingdom.

5.1.2.4 Governance

Following the promulgation of Article 52 of law 2016-1691 of 9 December 2016, Groupama SA began its conversion from the Group's central body into a national agricultural mutual reinsurance fund, which is a special form of mutual insurance company (SAM).

In 2017, Groupama SA contributed its direct insurance portfolios to Gan Assurances. Groupama SA, the future national mutual agricultural reinsurance fund, must exclusively operate in either insurance or reinsurance. As Groupama SA is responsible for the reinsurance of the regional mutuals, the future national mutual reinsurance fund therefore could not operate in direct insurance.

With a view to streamlining and separating the reinsurance and investment holding businesses, Groupama SA contributed all of its securities of French insurance companies and service subsidiaries and nearly all of its securities of international subsidiaries to a new holding company, Groupama Holding Filiales et Participations, in 2017.

5.1.3 POST-BALANCE SHEET EVENTS

On 22 September 2017, a memorandum of agreement for the sale of the two Portuguese subsidiaries was signed between Groupama SA and Benefits and Increases Unipessoal Lda. This transaction was approved by local regulatory authorities on 18 January 2018, and the closing took place on 2 February 2018.

1 2 3 4 5 6 7

CONTENTS

5.1.4 ANALYSIS OF FINANCIAL STATEMENTS

5.1.4.1 Introductory summary: reminder of the combined group's business data

Premium income (in millions of euros)	31.12.2016	31.12.2016 *pro forma*	31.12.2017	Actual change	Like-for-like change
Property and casualty insurance - France	5,396	5,388	5,523	2.3%	2.5%
Groupama Gan Vie	3,486	3,486	3,595	3.1%	3.1%
Life and health insurance in France – excluding Groupama Gan Vie	1,914	1,914	1,949	1.8%	1.8%
Total Insurance - France	**10,796**	**10,788**	**11,066**	**2.5%**	**2.6%**
Property and casualty insurance - International	1,767	1,697	1,765	-0.1%	4.0%
Life and health insurance - International	880	807	840	-4.5%	4.1%
Total Insurance - International	**2,647**	**2,504**	**2,605**	**-1.6%**	**4.1%**
Banking and financial businesses	133	133	147	10.8%	10.8%
Total - Groupama	**13,576**	**13,425**	**13,819**	**1.8%**	**2.9%**
Total Insurance	**13,443**	**13,292**	**13,672**	**1.7%**	**2.9%**
Property and casualty insurance	7,163	7,085	7,288	1.7%	2.9%
Life and health insurance	6,280	6,207	6,384	1.7%	2.9%

2016 pro forma data:

The restatement of certain data from 31 December 2016 was necessary in order to permit the comparison and analysis of changes between the two periods.

In France, Société Française de Protection Juridique changed the method of recording certain underwriting reserves with an impact on premium income. The impact on written premiums at 31 December 2016 was -€8 million.

As of 31 December 2017, Groupama SA's direct business portfolio was transferred to Gan Assurances. A pro forma was done to take into account this transfer (impact: €28 million).

At the international level, pro forma premium income at 31 December 2016 included the reclassification of the activity of the Portuguese subsidiaries as a held-for-sale business (impact: -€69 million).

For those entities that do not use the euro as their functional currency (Turkey, Romania and Hungary), the exchange rate effects are neutralised in the pro forma data; the actual data as at 31 December 2016 were converted based on the exchange rate at 31 December 2017.

In the rest of the document, figures are expressed on a like-for-like basis and with constant exchange rates. The data with constant exchange rates correspond to the comparison between the actual data at 31 December 2017 and the actual data at 31 December 2016, converted at the average exchange rates at 31 December 2017.

At 31 December 2017, Groupama's combined premium income from Insurance increased +2.9% to €13.7 billion on a like-for-like basis (+1.7% in actual data) compared with 31 December 2016. Including financial businesses, the Group's combined premium income was up +2.9% on a like-for-like basis (+1.8% in actual change) at €13.8 billion.

The Group's property and casualty insurance premium income increased +2.9%, including +2.5% in France and +4.0% for International. Activity was supported by personal and professional insurance (+2.4%, or more than 60% of property and casualty insurance premiums), which benefited from the good performance of the passenger vehicle (+2.3%) and home (+2.6%) insurance segments, both in France and internationally. Growth in the agricultural business segments (+2.5%), mainly in the International market, and business lines such as assistance (+19.1%) and legal protection (+7.8%) in France reinforced this trend.

Life and health insurance premium income grew by +2.9% at 31 December 2017. Groupama Gan Vie, which handles the retirement/savings business in France, saw its premium income increase by +3.1% over the period, particularly with a rise of +10.1% in individual UL retirement/savings. Other life and health insurance businesses in France also increased +1.8%. This change is mainly explained by the growth of group life and health insurance (+6.2%) and more specifically by the good performances of the retirement (+20.1%), health (+2.9%), and inward reinsurance (+18.8%) segments. Premium income from international life and health insurance grew by +4.1%, mainly driven by growth in individual retirement/savings (+3.2%, including +24.8% in UL).

Insurance premium income in France represented 80.1% of the Group's overall business over the period, whereas international insurance premium income amounted to 18.9% of total premium income. The Group's other businesses (financial and banking businesses) represented 1% of total premium income. Net banking income from these businesses amounted to €143 million at 31 December 2017.

◄ CONTENTS ►

Economic operating income *(in millions of euros)*	**31.12.2016**	**31.12.2017**	**Change in value**
Property and casualty insurance - France	4	59	55
Life and health insurance - France	169	221	52
Total Insurance - France	**173**	**280**	**107**
Property and casualty insurance - International	21	43	22
Life and health insurance - International	29	41	12
Total Insurance - International	**50**	**84**	**34**
Banking and financial businesses	27	32	5
Holding activities	(56)	(46)	10
Total - Groupama	**193**	**349**	**156**
Property and casualty insurance	25	102	76
Life and health insurance	198	262	64

The Group's economic operating income totalled +€349 million at 31 December 2017 compared with +€193 million at 31 December 2016.

Economic operating income from insurance amounted to €364 million in 2017 and showed a strong increase over the period (+€141 million) in both property and casualty insurance (+€76 million) and life and health insurance (+€64 million).

Economic operating income from life and health insurance totalled +€262 million in 2017 *versus* +€198 million in 2016 (+€52 million in France and +€12 million internationally). In France, this increase was mainly due to the improvement in Groupama Gan Vie's underwriting margin as well as the increase in the recurring financial margin. It should be noted that the net combined ratio of the health and bodily injury businesses excluding Groupama Gan Vie remained stable over the period at 90.7%.

In property and casualty insurance, economic operating income amounted to +€102 million compared with +€25 million at 31 December 2016 (+€55 million in France and +€22 million internationally). The net non-life combined ratio was thus 98.9% in 2017 *versus* 100.3% in 2016 (-1.4 points). This change is due to the following:

- stability of the attritional loss experience at 58.9%;
- a lower cost of serious claims (-1.7 points) both in France (-2.2 points) and internationally (-0.8 points);
- a higher cost of climate-related claims (+1.4 points), particularly with the Irma and Maria cyclones in the West Indies, partially offset by an improvement in the reinsurance balance (-0.5 points).

Banking and financial businesses contributed +€32 million to the Group's economic income in 2017. The Group's holding activity posted an economic operating loss of -€46 million in 2017, compared with a loss of -€56 million in 2016.

The Group's net income totalled +€292 million at 31 December 2017 compared with +€322 million at 31 December 2016. The 2017 income includes notably an increase in the non-recurring financial margin (+€26 million), benefiting in particular from the more favourable effect of the change in the fair value of assets.

The 2017 income also includes:

- income from discontinued businesses of +€136 million in 2017 (including €125 million from the disposal of ICADE) compared with +€66 million in 2016 (mainly Cegid);
- the statutory enhancements following the legislative change in life insurance for -€133 million;
- tax expenses related to the tax surcharge of -€25 million and the gradual decline in the tax rate in France of -€28 million, whereas fiscal year 2016 included income of +€61 million (mainly following the *exit* of Groupama Banque);
- the impact of the sale transactions carried out (UK brokers in 2017/Günes in 2016) and in progress (Portugal) of international subsidiaries, representing a favourable change of +€10 million;
- the liquidation of the Groupama UK structure, which had a negative forex translation effect of -€45 million (the liquidation resulting in the externalisation of this unrealised exchange in income);
- other non-recurring expenses related to various projects amounting to -€34 million as well as the equity-method result of Orange Bank for -€35 million;
- higher external financing expenses (-€17 million). This change was due to the fact that the nature of the instruments issued during the debt refinancing carried out in January 2017 were not qualified under IFRS as shareholders' equity but as debts, which resulted in a recording of their compensation in interest expense and no longer in change in shareholders' equity;
- goodwill impairment in Turkey of -€58 million in 2017 compared with -€88 million in 2016.

	31.12.2016	31.12.2017
Economic operating income	**193**	**349**
Net realised capital gains [1]	234	208
Allocation to reserves for long-term impairment [1]	(15)	(7)
Gains or losses on financial assets recognised at fair value [1]	(4)	40
Other expenses and income	(23)	(318)
Financing expenses	(40)	(57)
Net income from discontinued business activities	66	136
Goodwill impairment	(88)	(58)
Net income	**322**	**292**

(1) Amounts net of profit sharing and corporate tax

5.1.4.2 Summary of activity and income

Premium income (in millions of euros)	31.12.2016	31.12.2016 *pro forma*	31.12.2017	Actual change	Like-for-like change
Property and casualty insurance - France	3,267	3,259	3,349	2.5%	2.8%
Groupama Gan Vie	3,490	3,490	3,595	3.0%	3.0%
Life and health insurance in France – excluding Groupama Gan Vie	600	600	604	0.8%	0.8%
Total Insurance - France	**7,356**	**7,349**	**7,548**	**2.6%**	**2.7%**
Property and casualty insurance - International	1,767	1,697	1,765	-0.1%	4.0%
Life and health insurance - International	880	807	840	-4.5%	4.1%
Total Insurance - International	**2,647**	**2,504**	**2,605**	**-1.6%**	**4.1%**
Banking and financial businesses	136	136	150	10.7%	10.7%
Total Groupama SA	**10,140**	**9,988**	**10,304**	**1.6%**	**3.2%**
Total Insurance	**10,004**	**9,852**	**10,154**	**1.5%**	**3.1%**
Property and casualty insurance	5,034	4,956	5,114	1.6%	3.2%
Life and health insurance	4,970	4,897	5,040	1.4%	2.9%

2016 pro forma data:

The restatement of certain data from 31 December 2016 was necessary in order to permit the comparison and analysis of changes between the two periods.

In France, Société Française de Protection Juridique changed the method of recording certain underwriting reserves with an impact on premium income. The impact on written premiums at 31 December 2016 was -€8 million.

As of 31 December 2017, Groupama SA's direct business portfolio was transferred to Gan Assurances. A pro forma was done to take into account this transfer (impact: €28 million).

At the international level, pro forma premium income at 31 December 2016 included the reclassification of the activity of the Portuguese subsidiaries as a held-for-sale business (impact: -€69 million).

For those entities that do not use the euro as their functional currency (Turkey, Romania and Hungary), the exchange rate effects are neutralised in the pro forma data; the actual data as at 31 December 2016 were converted based on the exchange rate at 31 December 2017.

In the rest of the document, figures are expressed on a like-for-like basis and with constant exchange rates. The data with constant exchange rates correspond to the comparison between the actual data at 31 December 2017 and the actual data at 31 December 2016, converted at the average exchange rates at 31 December 2017.

At 31 December 2017, Groupama's consolidated premium income from Insurance increased +3.1% to €10.2 billion on a like-for-like basis (+1.5% in actual data) compared with 31 December 2016. Including financial businesses, the Group's consolidated premium income was up +3.2% on a like-for-like basis (+1.6% in actual change) at €10.3 billion.

The Group's property and casualty insurance premium income increased +3.2%, including +2.8% in France and +4.0% for International. Activity was supported by personal and professional insurance (+2.5%, or more than 60% of property and casualty insurance premiums), which benefited from the good performance of the passenger vehicle (+3.0%) and home (+1.9%) insurance segments, both in France and internationally. Growth in the agricultural business segments (+3.9%), mainly in the International market, and business lines such as assistance (+19.1%) and legal protection (+7.8%) in France reinforced this trend.

◄ CONTENTS ►

Life and health insurance premium income grew by +2.9% at 31 December 2017. Groupama Gan Vie, which handles the retirement/savings business in France, saw its premium income increase by +3.0% over the period, particularly with a rise of +10.1% in individual UL retirement/savings. Other life and health insurance businesses in France also increased +0.8%. This change is mainly explained by the growth of group life and health insurance (+5.4%) and more specifically by the good performances of the retirement (+20.1%), health (+1.8%), and inward reinsurance (+15.8%) segments. Premium income from international life and health insurance grew by +4.1%, mainly driven by growth in individual retirement/savings (+3.2%, including +24.8% in UL).

Insurance premium income in France represented 73.3% of the Group's overall business over the period, whereas international insurance premium income amounted to 25.3% of total premium income. The Group's other businesses (financial and banking businesses) represented 1.4% of total premium income. Net banking income from these businesses amounted to €143 million at 31 December 2017.

Economic operating income *(in millions of euros)*	**31.12.2016**	**31.12.2017**	**Change in value**
Property and casualty insurance - France	(95)	8	103
Life and health insurance - France	82	118	36
Total Insurance - France	**(13)**	**125**	**139**
Property and casualty insurance - International	21	43	22
Life and health insurance - International	29	41	12
Total Insurance - International	**50**	**84**	**34**
Banking and financial businesses	27	32	5
Holding activities	(56)	(45)	11
Total Groupama SA	**8**	**196**	**188**
Property and casualty insurance	(74)	51	125
Life and health insurance	111	159	48

The Group's economic operating income totalled +€196 million at 31 December 2017 compared with +€8 million at 31 December 2016.

Economic operating income from insurance amounted to +€210 million in 2017 and showed a strong increase over the period (+€173 million) in both property and casualty insurance (+€125 million) and life and health insurance (+€48 million).

Economic operating income from life and health insurance totalled +€159 million in 2017 *versus* +€111 million in 2016 (+€36 million in France and +€12 million internationally). In France, this increase was mainly due to the improvement in Groupama Gan Vie's underwriting margin as well as the increase in the recurring financial margin. It should be noted that the net combined ratio of the health and bodily injury businesses excluding Groupama Gan Vie decreased by 1.2 points to 89.1% in 2017.

In property and casualty insurance, economic operating income amounted to +€51 million compared with -€74 million at 31 December 2016 (+€103 million in France and +€22 million internationally). The net property and casualty insurance combined ratio was thus 100.3% in 2017 *versus* 105% in 2016 (-4.7 points). In France, 2017 was marked by a significant decrease in the cost of serious claims, whereas conversely, the cost of climate events (Irma and Maria cyclones in the West Indies, storms and frost on harvests) was higher than in 2016, but it was better covered by reinsurance, which lessened this adverse trend. In the International market, the net loss experience decreased by -2.8 points to 69.2% in 2017.

Banking and financial businesses contributed +€32 million to the Group's economic income in 2017. The Group's holding activity posted an economic operating loss of -€45 million in 2017, compared with a loss of -€56 million in 2016.

The Group's net income totalled +€87 million at 31 December 2017 compared with +€79 million at 31 December 2016.

The 2017 income includes:

- income from discontinued businesses of +€136 million in 2017 (including €125 million from the disposal of Icade) compared with +€66 million in 2016 (mainly Cegid);
- the statutory enhancements following the legislative change in life insurance for -€133 million;
- tax expenses related to the gradual decline in the tax rate in France of -€27 million, whereas fiscal year 2016 included income of +€61 million (mainly following the *exit* of Groupama Banque);
- the impact of the sale transactions carried out (UK brokers in 2017/Günes in 2016) and in progress (Portugal) of international subsidiaries, representing a favourable change of +€10 million;
- the liquidation of the Groupama UK structure, which had a negative forex translation effect of -€45 million (the liquidation resulting in the externalisation of this unrealised exchange in income);
- other non-recurring expenses related to various projects amounting to -€27 million as well as the equity-method result of Orange Bank for -€35 million;

◄ CONTENTS ►

- higher external financing expenses (-€17 million). This change was due to the fact that the nature of the instruments issued during the debt refinancing carried out in January 2017 were not qualified under IFRS as shareholders' equity but as debts, which resulted in a recording in interest expense for their remuneration and no longer in change in shareholders' equity;
- goodwill impairment in Turkey of -€58 million in 2017 compared with -€88 million in 2016.

(in millions of euros)	**31.12.2016**	**31.12.2017**
Economic operating income	**8**	**196**
Net realised capital gain (1)	179	135
Allocation to reserves for long-term impairment (1)	(14)	(8)
Gains or losses on financial assets recognised at fair value (1)	(7)	29
Other expenses and income	(24)	(286)
Financing expenses	(40)	(57)
Net income from discontinued business activities	66	136
Goodwill impairment	(88)	(58)
NET INCOME	**79**	**87**

(1) Amounts net of profit sharing and corporate tax

5.1.4.3 Business and results in France

	31.12.2016 ***pro forma***			**31.12.2017**		
Premium income – France *(in millions of euros)*	**L&H**	**P&C**	**Total**	**L&H**	**P&C**	**Total**
Groupama SA	454	1,650	2,104	462	1,692	2,154
Groupama Gan Vie	3,490		3,490	3,595		3,595
Gan Assurances	135	1,288	1,423	131	1,292	1,422
Amaline Assurances	4	55	58	3	66	69
Other entities (1)	7	266	273	8	300	308
TOTAL	**4,090**	**3,259**	**7,349**	**4,200**	**3,349**	**7,548**

(1) including Assuvie

Insurance premium income for France as at 31 December 2017 increased by +2.7% compared with 31 December 2016 and totalled €7,548 million.

CONTENTS

(a) Property and casualty insurance

Insurance premium income *(in millions of euros)*	P&C - France 31.12.2016 *pro forma*	31.12.2017	Change %
Groupama SA	1,650	1,692	2.5%
Gan Assurances	1,288	1,292	0.3%
Amaline Assurances	55	66	20.9%
Other entities	266	300	12.5%
TOTAL	**3,259**	**3,349**	**2.8%**

Property and casualty insurance premium income (44.4% of premium income in France) increased +2.8% to €3,349 million at 31 December 2017. Insurance for individuals and professionals increased +2.0% over the period to €1,973 million (nearly 60% of written premiums in property and casualty insurance). The growth in passenger vehicles (+3.1% to €903 million), home insurance (+1.1% to €602 million), and professional risks (+1.9% to €332 million) explains this change. Insurance to companies and local authorities (€502 million and 15% of the portfolio) rose by 2.1%, mainly driven by the good performance of the fleet segment (+4.8%). The development of the legal protection segment (+€8 million mainly because of external partnerships) as well as the increase in the assistance activity (+€23 million) also contributed to the increase in property and casualty insurance premium income.

Groupama SA's premium income from property and casualty insurance totalled €1,692 million at 31 December 2017, an increase of +2.5%, driven mainly by insurance for individuals and professionals (+2.6%), which particularly benefited from the growth of the passenger vehicle segment (+4.4%). The growth of insurance to companies and local authorities (4.3%), supported in particular by the fleet segment (+8.0%), is also noteworthy.

Premium income for Gan Assurances grew by +0.3% to €1,292 million at 31 December 2017, the increase in the average premium having been offset by a decrease in the number of policies in the portfolio. The good performance of the professional risk (+2.4%) and fleet (+2.2%) segments offset the decline posted by the property and casualty insurance for companies and local authorities (-3.3%) and construction (-4.2%) segments.

At 31 December 2017, Amaline's property and casualty insurance premium income grew +20.9% to €66 million under the combined effect of the portfolio's growth in number (+30,000 policies) and the increase in the average premium. The passenger vehicle segment benefited from the development of the partnership with Renault and posted an increase of +19.2%. The home insurance segment was up +25.0%.

Groupama Assurance-Crédit et Caution posted premium income of €40 million as at 31 December 2017, up +5.5% from the previous period.

Mutuaide Assistance's premium income as at 31 December 2017 was up +19.1% at €144 million. This change was notably related to the development of new business (including the contribution of new policies by brokers), the increase in activity with a major partner, and the renewal of the Crédit Agricole group bank card contract (growth in number and tariff revision).

Groupama Protection Juridique's premium income grew by +7.8% as at 31 December 2017 to €116 million, due to the steady development of partnerships (particularly La Banque Postale).

Economic operating income in property and casualty insurance in France totalled €8 million in 2017 compared with a loss of -€95 million in 2016. It is presented as follows:

Property and casualty insurance in France *(in millions of euros)*	**31.12.2016**		**31.12.2017**		**2017/2016 change**	
Gross earned premiums	3,293	100.0%	3,334	100.0%	41	1.2%
Underwriting expenses (policy servicing) - excluding claims management costs	(2,543)	-77.2%	(2,404)	-72.1%	139	5.5%
Reinsurance balance	6	0.2%	31	0.9%	25	>100%
Underwriting margin net of reinsurance	**756**	**23.0%**	**961**	**28.8%**	**205**	**27.1%**
Net expenses from current underwriting operations	(955)	-29.0%	(967)	-29.0%	(12)	-1.3%
Underwriting income net of reinsurance	**(199)**	**-6.0%**	**(6)**	**-0.2%**	**193**	**97.0%**
Recurring financial margin net of tax	56	1.7%	56	1.7%		0.2%
Other items	48	1.5%	(42)	-1.3%	(90)	<-100%
Economic operating income	**(95)**	**-2.9%**	**8**	**0.3%**	**103**	**>100%**
Capital gains realised net of corporate income tax	35	1.1%	23	0.7%	(12)	-33.1%
Gains or losses on financial assets recognised at fair value net of corporate income tax		0.0%	2	0.1%	2	
Other operations net of corporate income tax	(13)	-0.4%	(23)	-0.7%	(9)	-69.4%
GROUP NET INCOME	**(73)**	**-2.2%**	**11**	**0.3%**	**84**	**>100%**

In France, net underwriting income (gross premiums earned – gross underwriting expenses – net expenses from current underwriting operations and reinsurance balance) was up +€193 million over the period. This stemmed from the improvement of 5.8 points in the P&C net combined ratio to 100.2% in 2017. Fiscal year 2017 was marked by a significant decrease in the cost of serious claims, whereas conversely, the cost of climate events (Irma and Maria cyclones in the West Indies, storms and frost on harvests) was higher than in 2016, but it was better covered by reinsurance, which lessened this adverse trend. Smaller reserves releases on prior fiscal years partially offset this change. The net claims ratio in property and casualty insurance (71.2% in 2017) thus improved by 5.8 points. The expense ratio was stable at 29.0% in 2017.

The following key items should be noted as at 31 December 2017:

- Groupama SA, the Group's internal reinsurer, assumes a large share of the improvement in the weather and serious loss experience. Its net underwriting income was up €119 million compared with 31 December 2016 with an improvement in the current loss experience (-5.7 points at 79.5% in 2017);
- underwriting income for Gan Assurances in property and casualty insurance was up €59 million compared with 2016. The improvement in the net claims ratio (+4.8 points to 79.6%) masks a stable current loss experience and a favourable change in reserves releases on prior fiscal years (as a reminder, 2016 saw very significant deficits on prior years). On the current fiscal year, the cost of serious claims remained stable at 8%, while there was a slight decrease in the cost of climate-related claims (-0.4 points to 4.4%). The operating expense ratio was stable at 29.6% in 2017;
- Amaline's net combined ratio stood at 101.4% in 2017, compared with 124.0% in 2016 (-22.6 points), in line with the significant decline in net loss experience (-19.6 points to 65.1% in 2017). The improvement in the current claims ratio with fewer serious and climate claims for -20.4 points and -3.4 points respectively explains this trend. The operating cost ratio improved by -3 points to 36.2% in 2017.

Property and casualty insurance in France was impacted in 2017 by the rise in interest rates, which represented an income net of tax of €9 million compared with an expense of -€91 million in 2016.

In France, the recurring financial margin (after tax) in the property and casualty insurance business amounted to €56 million in 2017, stable over the period.

Other items include in particular other non-underwriting income and expenses, tax on recurring income, income for companies accounted for under the equity method and minority interests. This *item* changed unfavourably because it includes the tax expense related to the improvement of the underwriting income.

In France, net income amounted to +€11 million in 2017 *versus* -€73 million in 2016. The non-recurring financial margin decreased by €10 million over the period. Extraordinary items represent an expense of -€23 million and include the corporate tax surcharge.

◄ CONTENTS ►

(b) Life and health insurance

	L&H France		
Insurance premium income *(in millions of euros)*	**31.12.2016**	**31.12.2017**	**Change %**
Groupama Gan Vie	3,490	3,595	3.0%
Groupama SA	454	462	1.7%
Gan Assurances	135	131	-2.9%
Amaline Assurances	4	3	-6.6%
Other entities[(1)]	7	8	21.2%
TOTAL	**4,090**	**4,200**	**2.7%**

(1) including Assuvie

Life and health insurance premium income (55.6% of premium income in France) increased +2.7% to €4,200 million. Group premium income for life insurance and capitalisation in France increased +3.0% in a market down -2% at the end of December 2017 (source: FFA). This change is mainly attributable to the increase in individual UL savings/pensions (+10.1%), while the premium income of the segment in euros declined by -1.7%. After taking into account arbitrage operations (euros for unit-linked for -€248 million) on Fourgous transfers (€359 million) and unit-linked net inflows (€394 million), the rate of actuarial reserves in individual UL savings is now 25.8% (compared with 23.5% as at 31 December 2016).

Premium income in health and bodily injury as at 31 December 2017 was up +2.2% compared with the previous period. This change is due in particular to the increase in health (+0.4%), which breaks down into a decrease of -2.0% in individual health and an increase of +1.8% in group health thanks to the continued efforts involving the ANI. The good performance of the Group protection (+1.8%) and insurance for municipal personnel (+12.5%) segments were also noteworthy.

The Group's net inflows were negative at -€1,200 million as at 31 December 2017 compared with -€1,178 million over the previous period.

The networks comprising Groupama Gan Vie posted +3.0% growth in premium income to €3,595 million at 31 December 2017. By business line, Groupama Gan Vie's premium income was mostly generated in individual insurance (59.2%), with issued premiums +1.4% higher compared with 31 December 2016 at €2,127 million. The individual savings business rose +3.2%. Unit-linked outstandings in individual savings continued to grow, representing 25.8% of total outstandings *versus* 23.5% at the end of December 2016. Note that in addition to premium income, Groupama Gan Vie managed Fourgous transfers to multi-component funds (not recognised in premium income) for €359 million (including €172 million invested in UL). Group insurance (40.8% of the business) increased +5.4% to €1,468 million in connection with the growth of the group retirement (+20.1%) and inward reinsurance (+15.8%) segments.

The breakdown of the Groupama Gan Vie entity's premium income by network is as follows:

(in millions of euros)	**31.12.2016**	**31.12.2017**	**Change 2017-2016**
Regional mutuals	999	1,024	2.5%
General agents	893	868	-2.8%
Brokerage	913	992	8.7%
Gan Patrimoine	195	234	20.5%
Gan Prévoyance	488	475	-2.8%
Réunima	2	2	-24.1%
TOTAL	**3,490**	**3,595**	**3.0%**
Individuals	2,097	2,127	1.4%
of which unit-linked savings/pensions	618	680	10.1%
of which savings/pensions (in euros)	1,070	1,050	-1.9%
Groups	1,393	1,468	5.4%
TOTAL	**3,490**	**3,595**	**3.0%**

CONTENTS

Premium income of the network of regional mutuals amounted to €1,024 million as at 31 December 2017, up +2.5% compared with the previous period. Individual insurance business totalled €977 million (+1.9%) in connection with the rise in individual retirement/savings income (+1.9%, including 3.5% in UL). Also note that Fourgous transfers amounted to €321 million as at 31 December 2017 including €152 million invested in UL. Group insurance premium income totalled €47 million as at 31 December 2017, compared with €40 million over the previous period.

The Gan Assurances network posted premium income of €868 million as at 31 December 2017, down -2.8% compared with 31 December 2016. Individual insurance premiums decreased by -3.0% as a result of the decline in individual retirement/savings business (-2.8%). However, the increase in the segment's UL premium income was noteworthy (+9.2%). This network benefited from Fourgous transfers of €14 million as at 31 December 2017, including €5 million invested in UL. The group insurance activity decreased by -2.6%, mainly under the effect of the decline in Group protection insurance (-6.4%).

The brokerage network posted premium income of €992 million as at 31 December 2017, up +8.7% compared with 31 December 2016, in line with the growth of the group retirement (+39.1%), Group protection (+6.4%), and Group inward reinsurance (+15.5%) segments, which benefited in particular from the development of new business.

Premium income of the Gan Patrimoine network rose +20.5% to €234 million as at 31 December 2017, under the effect of the growth in the individual retirement/savings business (+21.1%), which benefited particularly from the success of commercial operations on multi-component products. The amount of Fourgous transfers was high at €24 million as at 31 December 2017 including €16 million invested in UL.

Gan Prévoyance's sales network contributed €475 million to the Group's premium income as of 31 December 2017 and recorded a -2.8% decrease in its business due to lower savings premiums (-5.5%, including +12.8% in UL savings and -8.3% in savings in euros) and in individual health (-12.9%), affected by the development of ANI group policies. Individual retirement business remained stable over the period at €235 million, with growth in UL premium income (+40.4%).

The premium income in life and health insurance (individual health) of Gan Assurances amounted to €131 million as at 31 December 2017. It decreased -2.9% over the period under the effect of a decrease in the number of policies in the portfolio (-4,000 policies) related to the ANI. Group policies under ANI are not underwritten by Gan Assurances but by Groupama Gan Vie.

The Caisses Fraternelles posted premium income of €4 million at 31 December 2017.

The discontinued business of the subsidiary Assuvie increased +0.8% compared with 31 December 2016. Its premium income (consisting only of periodic premiums in run off) amounted to €4 million as at 31 December 2017.

In life and health insurance, economic operating income in France was €118 million in 2017 compared with €82 million in 2016.

Life and health insurance in France *(in millions of euros)*	**31.12.2016**		**31.12.2017**		**2017/2016 change**	
Gross earned premiums	4,094	100.0%	4,243	100.0%	149	3.6%
Underwriting expenses (policy servicing) - excluding claims management costs	(3,369)	-82.3%	(3,339)	-78.7%	31	0.9%
Reinsurance balance	10	0.3%	(19)	-0.4%	(29)	<-100%
Underwriting margin net of reinsurance	**735**	**17.9%**	**886**	**20.9%**	**151**	**20.5%**
Net expenses from current underwriting operations	(848)	-20.7%	(859)	-20.3%	(11)	-1.3%
Underwriting income net of reinsurance	**(113)**	**-2.8%**	**26**	**0.6%**	**140**	**>100%**
Recurring financial margin net of profit sharing and tax	174	4.3%	124	2.9%	(50)	-28.8%
Other items	21	0.5%	(32)	-0.8%	(53)	<-100%
Economic operating income	**82**	**2.0%**	**118**	**2.8%**	**36**	**43.9%**
Capital gains realised net of corporate income tax and profit sharing	116	2.8%	31	0.7%	(85)	-73.0%
Allocations to reserves for long-term impairment net of corporate income tax and profit sharing	(12)	-0.3%	(8)	-0.2%	4	36.7%
Gains or losses on financial assets recognised at fair value net of corporate income tax and profit sharing	1	0.0%	8	0.2%	6	>100%
Other operations net of corporate income tax	(5)	-0.1%	(141)	-3.3%	(136)	<-100%
Income excluding restructuring	**183**	**4.5%**	**9**	**0.2%**	**(174)**	**-95.3%**
Net income from discontinued business activities	49	1.2%	17	0.4%	(32)	-65.9%
GROUP NET INCOME	**232**	**5.7%**	**25**	**0.6%**	**(206)**	**-89.1%**

Underwriting income net of reinsurance improved by €140 million in 2017 (+€19 million on a *pro forma* basis, taking into account a reclassification of drawdowns on euro outstandings at Groupama Gan Vie).

On Groupama Gan Vie, recurring net underwriting income increased by €25 million over the period (after restatement of the effect of drawdowns on euro outstanding introduced in individual savings and on the L441 scheme in 2017 and representing €121 million). It should be noted that this change led to a higher underwriting margin but had no impact on Groupama Gan Vie's income because its offsetting entry affects the financial margin.

In individual insurance, the underwriting margin excluding fees was stable, but it masks higher mark-ups on UL outstandings and lower mark-ups on premiums in euros.

In group insurance, the margin increased by €2 million before tax with a higher current margin in health/protection mainly (+€12 million), the favourable effect of the rate environment (+€29 million), a lower social equalisation reserve write-back (-€10 million), the increase in the expense of other non-recurring items (-€20 million) affected in particular by the decrease in surpluses/deficits on premiums and benefits, and a lower reinsurance balance after non-recurring income recorded in 2016 (-€8 million).

In addition, the underwriting margin benefited from the favourable impact of other non-recurring items (notably the write-back of underwriting reserves due to regulatory changes).

The individual life and health insurance net underwriting income of the entity Groupama SA was down significantly over the period due to lower results on prior fiscal years.

The recurring financial margin (net of profit-sharing and tax) restated for the effect of drawdowns on euro outstandings (+€79 million after tax) increased by €29 million over the period.

In France, income life and health insurance, excluding discontinued businesses, amounted to €9 million as at 31 December 2017 compared with €183 million as at 31 December 2016. The non-recurring financial margin decreased by €75 million over the period, mainly due to lower realised capital gains. As a reminder, 2016 was marked by efforts to reduce the Italian and Spanish bond debt. Extraordinary items represent an expense of -€141 million, which included in 2017 the reserving of statutory enhancements of life annuities following the legislative change for -€133 million and the corporate tax surcharge.

After taking into account net income from discontinued businesses, net income from life and health insurance in France amounted to €25 million in 2017.

5.1.4.4 International activity and results

	31.12.2016 *pro forma*			31.12.2017		
Premium income – international *(in millions of euros)*	**L&H**	**P&C**	**Total**	**L&H**	**P&C**	**Total**
Italy	488	968	1,456	493	1,013	1,506
Greece	54	81	135	53	79	132
Turkey	68	247	315	76	261	337
Hungary	172	147	318	189	160	350
Romania	12	192	204	14	188	202
Bulgaria	5	6	11	6	9	15
Gan Outre-Mer	8	56	64	8	55	63
TOTAL	**807**	**1,697**	**2,504**	**840**	**1,765**	**2,605**

The Group's International combined premium income was €2,605 million as at 31 December 2017, up +4.1% compared with 31 December 2016.

Property and casualty insurance premium income totalled €1,765 million as at 31 December 2017, a +4.0% increase over the previous period. The growth in the agricultural business segment (+15.5%), especially in Turkey, combined with that of the passenger vehicle segment (+2.9%), mainly in Italy, explains this trend. The good performance posted by the home insurance segment (+4.6%) should also be noted.

Life and health insurance premium income grew by +4.1% to €840 million. Individual life and health insurance registered an increase of +4.1% thanks to the growth in individual savings/retirement (+3.2%), particularly in Hungary. Group life and health insurance also increased +4.1%, with the good performance of the group protection insurance segment (+13.6%) being somewhat mitigated by the decline in group retirement (-14.3%).

Economic operating income for insurance on the International scope was €84 million in 2017 (+€34 million compared with 2016).

Income from the property and casualty business grew +€22 million, with a net combined ratio of 100.6%, an improvement of 2.4 points compared with the 2016 *pro forma* net combined ratio (restated for discontinued businesses). The net claims ratio decreased by -2.8 points to 69.2% in 2017 as a result of the improved loss experience in Turkey (particularly in motor liability) and in Italy (more favourable liquidation of prior fiscal years) and masks the worsened loss experience of certain countries affected by the occurrence of serious claims (Hungary and Pacific). The operating expense ratio was up 0.4 points to 31.4%.

Income for the life and health insurance business increased +€12 million with underwriting income up +€14 million, with an improvement in underwriting results in non-life insurance (-5.5 points to 91.3%), particularly in group health and protection in Italy and the improvement in life insurance of +€3 million (individual protection in Greece).

Economic operating income *(in millions of euros)*	**31.12.2016**	**31.12.2017**
Italy	16	37
Greece	7	9
Turkey	(4)	7
Portugal	(1)	0
Hungary	12	11
Romania	6	10
Bulgaria	0	1
Great Britain	1	0
Gan Outre-Mer	6	2
Equity-method entities	**8**	**7**
Tunisia (Star)	3	1
China (AVIC)	5	6
TOTAL	**50**	**84**

Net income from international insurance amounted to €91 million as at 31 December 2017 compared with €68 million as at 31 December 2016.

The breakdown of net income, by entity, is as follows:

Net income *(in millions of euros)* [(1)]	**31.12.2016**	**31.12.2017**
Italy	17	35
Greece	13	11
Turkey	(2)	8
Hungary	13	15
Romania	7	10
Other	0	1
Gan Outre-Mer	5	2
Equity-method entities	**8**	**7**
Tunisia (Star)	3	1
China (Groupama AVIC)	5	6
Divested entities	**7**	**3**
Great Britain	8	4
Portugal	0	(2)
TOTAL	**68**	**91**

(1) Excluding income from the holding business

◄ CONTENTS ►

(a) Italy

Premium income for the Italian subsidiary Groupama Assicurazioni increased +3.4% to €1,506 million as at 31 December 2017.

Property and casualty insurance premium income increased +4.6% to €1,013 million. The passenger vehicle business (nearly 75% of premiums issued in property and casualty insurance) rose +4.3% thanks to the growth of the portfolio and new business. The growth in home insurance (+6.1%) and business protection (+1.8%) segments can be explained by the portfolio's development in number and the increase in the average premium.

Life and health insurance business (€493 million) posted an increase of +1.0%. Individual savings/pension business decreased -1.0%. In accordance with the Group's guidelines, the subsidiary changed its business mix by focusing on multi-component products. Premium income in individual unit-linked savings increased +42.8% to €88 million, mainly thanks to the network of agents, while business in individual savings in euros (more than 60% life premiums written but more capital intensive) declined by -11.3%. However, the good performance of the protection segments (individual: +6.1% due to portfolio growth and a higher average premium; group: +20.4% thanks to the banking network) partly offset this change.

Economic operating income amounted to +€37 million as at 31 December 2017 compared with +€16 million as at 31 December 2016.

The combined ratio in property and casualty insurance was 99.7% as at 31 December 2017, down -3.6 points compared with 2016. After the earthquakes in 2016, the gross claims ratio improved by 9.6 points to 66.9%. The decline in weather-related claims benefited all the segments with significant releases of liquidation surpluses. Despite strong competition, the motor segment posted a decrease in average cost. On the other hand, the reinsurance ratio deteriorated by 5.4 points following the earthquakes of 2016 (partly borne by the reinsurers), which notably resulted in an increase in the cost of reinsurance and the transfer of liquidation surpluses to reinsurers. The operating expense rate was up slightly (+0.6 points to 29.9%).

In life and health insurance, underwriting income increased by +€5 million as at 31 December 2017 thanks to the good performance of group health and the release of liquidation surpluses.

The recurring financial margin (net of profit sharing) was down as a result of lower rates of return due to the reinvestment of part of the portfolio at less favourable rates.

Net income represented a profit of €35 million as at 31 December 2017 compared with a profit of €17 million as at 31 December 2016. This includes the amortisation expense for the portfolio value for -€11 million.

(b) Turkey

Premium income for the Turkish subsidiaries Groupama Sigorta and Groupama Emeklilik, increased by +7.1% to €337 million as at 31 December 2017.

Property and casualty insurance premium income (€261 million) increased by +5.8%. Agricultural risks (including Tarsim) increased by +15.0% mainly through the TKK agriculture cooperative network. The passenger vehicle segment rose +3.7%, mainly thanks to the pools and the networks of brokers and TKK agricultural cooperatives. However, this good performance was abated by the decline in the business protection segment (-10.7%) due to a more selective underwriting policy.

The life and health insurance business (€76 million) increased +11.7%, mainly due to the growth of individual health (+9.3% due to the good performance of the agencies) and group protection (+12.0% particularly thanks to the TKK agricultural cooperative network).

Economic operating income for the Turkish subsidiaries Groupama Sigorta and Groupama Emeklilik represented a profit of +€7 million as at 31 December 2017 compared with a loss of -€4 million as at 31 December 2016.

The combined ratio of the property and casualty insurance business declined by -2 points to 111.4% as at 31 December 2017. This improvement is mainly due to the sharp drop in liquidation deficits in motor liability, a segment that underwent reinforcement of reserves during fiscal year 2016. The current loss experience excluding pools worsened by 1 point to 81% as at 31 December 2017 due to an increase in the frequency of claims, particularly for professional and business risks. The operating expense ratio was 21.6% in 2017, a slight decrease compared with 31 December 2016.

Underwriting income in life and health insurance increased by +€1 million in 2017, driven by the good performance of borrower insurance.

The recurring financial margin fell slightly due to the depreciation of the Turkish lira, despite the increase in rates of return.

The Turkish subsidiaries' net income amounted to +€8 million as at 31 December 2017 compared with a loss of -€2 million as at 31 December 2016.

(c) Greece

Groupama Phoenix's premium income decreased -2.3% compared with the previous period to €132 million at 31 December 2017.

The property and casualty insurance business was down -2.7% at €79 million. The passenger vehicle segment (nearly 70% of property and casualty insurance premiums) fell -1.7% as a result of the combination of a lower average premium and a smaller portfolio in number (end of partnership with a broker).

Life and health insurance premium income fell -1.6% to €53 million. The decline posted by the group retirement segment (-19.0%, as fiscal year 2016 benefited from exceptional payments) diminished the strong growth of business in individual retirement/savings (>100%), which benefited from the good performance of unit-linked premium income, which tripled over the period.

The economic operating income was a profit of +€9 million in 2017 compared with a profit of +€7 million in 2016.

The combined ratio in property and casualty insurance remained stable at 85.3%, as the decline in the claims ratio offset the rise in reinsurance and general expense ratios. The loss experience benefited from both a drop in average costs and an increase in liquidation surpluses in motor insurance, thus covering serious losses in the fire segment. The decrease in premiums had an impact on the operating expense rate, up 1 point to 46.2%.

Underwriting income in life and health insurance improved mainly under the favourable effect of the change in the reserve for the global test of adequacy of liabilities.

The recurring financial margin (net of profit sharing) gained +€1 million.

Net income amounted to +€11 million at 31 December 2017.

(d) Hungary

Premium income for the subsidiary Groupama Biztosito in Hungary amounted to €350 million as at 31 December 2017, up +9.9% compared with 31 December 2016.

Property and casualty insurance premiums written were up +9.3% at €160 million as at 31 December 2017. The development of the portfolio (particularly thanks to the network of brokers) and the increase in the average premium explain the growth of the passenger vehicle segment (+12.2%). The fleet segment grew +11.7% thanks to a rigorous and prudent underwriting policy. The good performance posted by the business property and casualty segment (+21.0%) should also be noted.

In individual life and health insurance, premium income amounted to €189 million, up +10.4% due to the growth in premiums in individual savings/pensions (+10.8% in connection with the success of sales campaigns). The subsidiary's Life/Savings premium income now accounts for 89.0% of unit-linked policies.

Economic operating income totalled +€11 million as at 31 December 2017, stable compared with 2016.

The net combined ratio in property and casualty insurance improved by 2.0 points to 103.8% as at 31 December 2017. The loss experience net of reinsurance (+3.8 points to 55.8% in 2017) was affected in 2017 by a serious accident (bus accident in Italy) and less favourable weather conditions. The operating expense rate fell 1.8 points to 48.0% in 2017, benefiting from lower taxes and sustained growth in business.

There was a sharp increase in underwriting income in life and health insurance (+€5 million to €8 million in 2017) thanks to the success of new products in individual protection.

The recurring financial margin was down as a result of lower rates.

The Hungarian subsidiary's net income amounted to +€15 million as at 31 December 2017 compared with +€13 million as at 31 December 2016.

(e) Romania

Premium income of the Romania subsidiary Groupama Asigurari declined by -0.9% to €202 million as at 31 December 2017.

The property and casualty insurance business (€188 million) decreased -2.2%. The passenger vehicle segment (70% of premiums in property and liability insurance) decreased -6.3%, breaking down into +10.2% on the damages segment and -27.3% in liability (particularly due to price cap). This adverse change was offset by the good performance of the agricultural business (+16.5%) and business protection (+9.5%) segments.

Life and health insurance premium income (€14 million) increased +20.7% over the period, driven by growth in group health (+38.1% due to portfolio growth).

The Romanian subsidiary's economic operating income totalled +€10 million as at 31 December 2017 compared with a result of +€6 million as at 31 December 2016.

The net combined ratio in property and casualty insurance improved by 1.6 points to 95.8% as at 31 December 2017. The claims ratio rose 1.4 points to 60.6% due to increased reserves in the motor liability segment following a serious loss and the regulatory limitation of price increases. The operating expense ratio decreased by 2.2 points to 32.3% under the combined effect of controlled general expenses and higher earned premiums.

The underwriting result in life and health insurance was down.

The recurring financial margin improved, benefiting from reinvestments at more favourable rates.

Net income was a profit of +€10 million as at 31 December 2017 *versus* +€7 million at 31 December 2016.

(f) Bulgaria

In Bulgaria, premium income of the subsidiaries Groupama Zastrahovane and Groupama Jivotozastrahovane increased +32.1% to €15 million as at 31 December 2017. Life and health insurance premium income grew +14.3% to €6 million. Property and casualty insurance (€9 million) increased +48.8%, in connection with the good performance of the passenger vehicle segment, whose premium income doubled over the period, thanks to a sustained development policy on the broker network.

In this context of strong growth, the contribution of the Bulgarian subsidiaries to the Group's net income was slightly positive as at 31 December 2017, with a significantly improved non-life combined ratio of 100.1%.

◄ CONTENTS ►

(g) Portugal

The net income of the Portuguese subsidiaries was a loss of -€2 million as at 31 December 2017. Given that the Portuguese subsidiaries are in the process of being sold, this income appears in “discontinued businesses”.

(h) Gan Outre-Mer

Premium income for Gan Outre-Mer decreased -0.9% to €63 million as at 31 December 2017. However, the changes were contrasted according to the segments. The property and casualty insurance business fell -1.9% over the period, totalling €55 million. It should be noted, though, that premium adjustments amounting to €1 million were recorded for fiscal year 2016. Restated for this *item*, property and casualty insurance premium income would be down -0.5%. The declines in the fleet (-3.4%) and business property and casualty (-10.0%) segments were due in particularly to terminations. Premium income in life and health insurance (individual health) continued to grow. It was up +6.5% at €8 million.

Gan Outre-Mer’s economic operating income totalled +€2 million in 2017 compared with €6 million in 2016. Net underwriting income in property and casualty insurance decreased by nearly €7 million with a higher net combined ratio of 96.3% due in particular to the increase in the cost of serious and weather-related claims.

Gan Outre-Mer’s net income totalled +€2 million in 2017, compared with +€5 million in 2016.

(i) Great Britain

The British brokerage subsidiary contributed +€4 million as at 31 December 2017 compared with +€8 million as at 31 December 2016. Because of the sale process, the income of the brokerage subsidiaries is presented in discontinued businesses. These subsidiaries were sold at the end of 2017.

(j) Tunisia

The equity-method income of the Tunisian subsidiary Star was €1 million in 2017.

(k) China

The contribution of the Chinese subsidiary represented a profit of +€6 million as at 31 December 2017, an increase of more than 35% compared with 2016.

5.1.4.5 Financial and banking businesses

(in millions of euros)	31.12.2016	31.12.2017	2017/2016 change	
Net banking income, net of cost of risk and long-term financial instruments	136	143	7	5.3%
Other operating income and expenses and non-underwriting current income and expenses	(97)	(97)		0.1%
Other items	(13)	(15)	(2)	-16.3%
Economic operating income	**27**	**32**	**5**	**19.5%**
Other operations net of corporate income tax	(27)	(35)	(8)	-31.6%
GROUP NET INCOME	**0**	**(3)**	**(3)**	

The economic operating income of financial and banking businesses totalled +€32 million in 2017 *versus* +€27 million in 2016. These figures include the income of Groupama Asset Management and Groupama Épargne Salariale, with net banking income up +4.8% and +11.2% respectively over the period. The economic operating income of Groupama Immobilier, the Group’s investment property management subsidiary, was stable over the period.

Net income from financial and banking activities amounted to -€3 million in 2017 and includes the equity-method income of Orange Bank in other transactions net of tax.

1
2
3
4
5
6
7

5.1.4.6 Groupama SA and holding companies

(in millions of euros)	31.12.2016	31.12.2017	2017/2016 change	
Other operating income and expenses and non-underwriting current income and expenses	(106)	(117)	(12)	-11.0%
Recurring financial income (after corporate income tax)	7	10	3	43.3%
Other items	42	62	19	45.2%
Economic operating income	**(56)**	**(45)**	**11**	**19.1%**
Capital gains realised net of corporate income tax	11	68	57	>100%
Allocations to reserves for permanent impairment net of corporate income tax	(2)		1	75.0%
Gains or losses on financial assets recognised at fair value net of corporate income tax	(12)	15	27	>100%
Financing expenses	(40)	(57)	(17)	-43.5%
Other operations net of corporate income tax	30	(75)	(105)	<-100%
Income excluding restructuring	**(70)**	**(96)**	**(26)**	**-37.5%**
Net income from discontinued business activities	10	108	99	>100%
GROUP NET INCOME	**(60)**	**12**	**72**	**>100%**

Groupama SA is the parent company of the Group. It acts as a holding company by holding (directly or indirectly) all of the group's French and international subsidiaries. In this function, Groupama SA directs the operating activities of the Group. It is the focal point for internal and external financing. The financial result is broken down on a standardised basis for the underwriting activity. The expenses allocated to that activity correspond to the share of costs and expenses of general management, functional departments and shared, non-underwriting expenses.

Life and health insurance economic operating income amounted to -€45 million in 2017, up €11 million compared with 2016.

Excluding the income from discontinued businesses of holding companies, income was negative at -€96 million in 2017 compared with a loss of -€70 million in 2016. The non-recurring financial margin improved by €85 million as a result of realised capital gains and a more favourable change in fair value, while financing expenses increased following the introduction of a new TSR whose characteristics no longer permit recording in shareholders' equity under IFRS (unlike the bond that it refinances). Conversely, other transactions net of tax generated an expense of €75 million related to contingent liabilities and non-recurring tax effects.

The holding companies' net income totalled €12 million in 2017 (+€72 million compared with 2016). The income from discontinued businesses in 2017 (+€108 million) corresponds to the proportion of Icade shares allocated to the holding company business.

The Group's net income breaks down as follows:

Net income *(in millions of euros)*	31.12.2016	31.12.2017
Total Insurance - France	159	36
Total Insurance - International	68	91
Banking and financial businesses	0	(3)
Holding activities	(28)	57
Impairment of goodwill	(88)	(58)
Other	(32)	(36)
TOTAL GROUPAMA SA NET INCOME	**79**	**87**

5.1.4.7 Consolidated balance sheet

As at 31 December 2017, Groupama's consolidated balance sheet totalled €90.6 billion, compared with €90.5 billion in 2016, an increase of +0.2%.

(a) Goodwill

Goodwill amounted to €1.9 billion as at 31 December 2017, compared with €2.0 billion as at 31 December 2016. This change is mainly due to an impairment recorded on the goodwill of the Turkish subsidiaries.

(b) Other intangible assets

Other intangible assets totalling €226 million as at 31 December 2017 (*versus* €232 million in 2016) are composed primarily of amortisable portfolio securities (€78 million) and computer software. The decrease in this *item* is particularly related to amortisation for the period.

(c) Investments (including unit-linked investments)

Insurance investments totalled €80.3 billion in 2017 compared with €80.0 billion in 2016, up +0.4%.

The Group's unrealised capital gains (including property) decreased -€0.6 billion to +€9.3 billion (compared with +€9.9 billion at the previous close), mainly because of the decrease in unrealised capital gains on bonds (in a context of rising rates).

By asset allocation, unrealised capital gains are broken down into +€6.5 billion on bonds, +€0.6 billion on equities and +2.2 billion on property.

Unrealised capital gains on financial assets (excluding property) totalled +€7.1 billion, with +€1.3 billion attributable to the Group (after profit sharing and taxes) *versus* +€1.2 billion as at 31 December 2016. These amounts are recorded in the financial statements in the revaluation reserve. Unrealised property gains attributable to the Group (net of tax and deferred profit sharing) remained stable at +€0.6 billion as at 31 December 2017. The Group elected to account for investment and operating property according to the amortised cost method; therefore, unrealised property gains were not recorded in the accounts.

The equity share of total investments in market value was 5.0% (including 1.4% hedged) as at 31 December 2017 *versus* 4.8% (including 1.5% hedged) as at 31 December 2016 according to an economic view.

(d) shareholders' equity

As at 31 December 2017, Groupama consolidated shareholders' equity totalled €5.3 billion *versus* €5.6 billion as at 31 December 2016.

This change can be summarised as follows:

(In millions of euros)

SHAREHOLDERS' EQUITY AT 2017 OPENING	**5,613**
Change in revaluation reserve: fair value of AFS assets	(692)
Change in revaluation reserve: shadow accounting	740
Change in revaluation reserve: deferred tax	29
Partial redemption of the deeply subordinated instrument	(414)
Foreign exchange adjustmen	(46)
Other	(60)
Income (Loss)	87
SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2017	**5,257**

The refinancing of deeply super subordinated instruments issued in 2007 resulted in a decrease in shareholders' equity of €414 million. The characteristics of the new issued securities do not allow them to be documented in IFRS shareholders' equity. The securities issued in connection with the exchange are therefore recorded in subordinated liabilities.

(e) Subordinated liabilities, financing and other debts

Subordinated liabilities and external debt totaled €1.1 billion as at 31 December 2017 *versus* €0.75 billion as at 31 December 2016.

As at 31 December 2017, subordinated debt increased by +€386 million compared with 31 December 2016 to €1,136 million, related to the debt refinancing done in 2017.

The Group no longer has any external debt (excluding subordinated debt) since the end of 2015.

(f) Underwriting reserves

Gross underwriting reserves (including deferred profit sharing) totaled €74.9 billion as at 31 December 2017, compared with €75.1 billion as at 31 December 2016.

(g) Contingent liabilities

Contingent liabilities totaled €463 million in 2017, compared with €455 million in 2016, and were primarily made up of pension commitments under IAS 19.

5.1.5 DEBT

The Group's debt ratio is assessed at the combined scope level (ratio now calculated according to the method chosen by our rating agency) and was 25.9% at the end of 2017, compared with 27.5% at 31 December 2016.

5.1.6 RISK MANAGEMENT AND RELIABILITY OF FINANCIAL INFORMATION

Risk management is addressed in section 3 of the registration document.

Reliability of financial data

The Group Financial Control Department within the Group Finance Department is responsible for preparing the financial statements and the notes to the shareholders, sponsoring authorities and tax authorities.

5.1.6.1 Groupama SA company financial statements

The parent company statements are prepared with an ongoing objective of identifying all funds flows in detail, assigning a value to them and accounting for them in accordance with the regulations in force.

The types of internal control procedure implemented to that end are listed below:

- security procedures and internal checks: every area Manager guarantees the appropriateness of the work load for the skills of his or her staff and ensures their compatibility while at the same time ensuring the separation of duties among employees;
- integrated control and control tests: this refers to all operations guaranteeing the reliability and existence of an audit trail when data are charged to the accounting, tax and regulatory information system, notably:
  - the functions and applications used to perform reliability tests and tests to check on the accuracy and consistency of accounting transactions,
  - other non-electronic actions and tests, mainly focusing on consistency checks carried out by random sampling on large-volume transactions, with very low unit amounts (*e.g.*, balancing of policyholder balances, tax statements);
- hierarchical control: aimed at distributing information and allowing the cross-checking required for the reliability of the parent company financial statements. This is done through several routine management procedures and in inventory:
  - within routine management:
    - separation of the functions of commitment and payment of expenses:

      expenditure of a technical, general or financial nature is in principle ordered by persons outside the Group Financial Control Department who are authorised up to a certain ceiling based on the type of expense; payment of these expenses is initiated by the Group Financial Control Department only after a signature different from that of the authorising officer;
    - monitoring of banking authorities:

      delegation of signature authority for banking transactions, granted to some employees, is subject to administrative monitoring and regular updating; these functions have been the responsibility, since 1 July 2014, of the Group Legal Department, in close liaison with the Group Financial Control Department;
  - within inventory management and preparation of the financial statements:
    - regular review meetings between the Group Financial Control Department and the other Departments designed to provide an overview of all the flows for the year and anticipate their integration into the financial statements;
    - measurement of the consistency between the parent company statements and the estimated statements in collaboration with the various teams of the Group Financial Control Department;
    - building up a set of supporting documentation for the year's financial statements under the supervision of the reviewer's direct superior, then the Department head;
    - review of parent company and Group tax income/expense with the Group Tax Department;
    - internal meetings within the Group Finance Department to deal with different operational and functional views and thus to ensure the validity of the Groupama SA auxiliary and parent company financial statements;
    - approval of the financial statements by the Executive Management.

In accordance with its position as parent company of the Group, Groupama SA handles the accounting for a certain number of subsidiaries through its Service Sharing Centre (operating SCIs GIE Groupama Support & Services, holding companies and other subsidiaries); it also handles investment accounting for the French profit centres.

The Group Financial Control Department prepares the financial portion of the financial statements (securities and real estate, plant and equipment) for the profit centres, using an auxiliary accounting system. For those entities in particular, it works with the Group Tax Department to calculate the financial taxable income/expense (securities and real estate) and drafts the statutory financial statements to be sent to the ACPR.

The tools and procedures used to keep investment auxiliary accounts (back-office securities and accounting tool) and the accounting systems of the entities without the means to have their own Accounting Departments comply with the same internal control criteria as those described previously for the Groupama SA parent company statements (see above). With regard to the investment accounting system, it should be noted that standardised controls, which are subject to written procedures, can be used to guarantee the reliability of the information regarding investments.

5.1.6.2 Consolidated financial statements and combined financial statements

The internal control procedures used to establish the reliability of the consolidated financial data for the shareholders of Groupama SA are based on six basic principles: checking the adequacy of skills (internal check), integrated control, parallel control tests, hierarchical control, Group benchmarking and the procedure for estimating results.

(a) Security and Internal Checking Procedures

They are applied for the Departments preparing the consolidated and combined financial statements in the same way as described in the section on the parent company financial statements (see above).

(b) Integrated Control

The Group's system for developing condensed financial data has been implemented throughout the entities. It is based on a single consolidated data production base. All the entities supply this database with data through secure links. It contains a large number of controls designed to guarantee the quality of the financial data:

- the first level of verification entails checking the standardisation of the data (all the Group's data is presented in a format that follows a single standard);
- at a second level, a series of automatic checks is built into the entities' individual data-gathering phase. These checks mainly relate to the overall accuracy and consistency of the items entered. Depending on the types of control, the data input may either be blocked automatically (which can only be cancelled if the exact data is input), or else the control returns an error, which must be corrected. An audit trail of these controls is maintained centrally. The software allows a fairly high level of automatic control through the development of interfaces with the upstream systems;
- at the central level, additional controls are carried out. These mainly involve the necessary consistency of the data between the different entities in the Group (*e.g.* for internal reciprocal transactions) and central transactions (conversion of foreign subsidiaries, consolidation entries, etc.).

The system has an audit trail that can run any cross-checks that might be desired, to identify and monitor any data *item* and trace the source of any elementary data, from the parent company to the consolidated level. This set of parameters is tested regularly (particularly by republishing old scenarios).

(c) Control Tests

A set of verification and control tests has been put into place to ensure that transactions are executed reliably whether they are electronic or not. In addition to the electronic processes, these tests have two main objectives:

- checking the origin of the data (from the standpoint of accuracy and application of the standards); this check is based mainly on consistency checks with the estimates, with the parent company analytical notes (or the management report) of each entity, and on a management, questionnaire designed to ensure that the Group's most sensitive accounting standards and methods are properly applied;
- verification of central processing: accuracy checks are carried out to guarantee that central consolidation transactions are correctly processed (sharing of shareholders' equity, dilutions/accretions, etc.).

The control tests are documented in a review manual.

(d) Hierarchical Control

Hierarchical control seeks to ensure that the principal items affecting the truthfulness and accuracy of the financial data, as well as the asset position and the profit/loss (parent company and consolidated) disclosed to the shareholders, are captured in the data presented. This control involves the use of several procedures:

- checking for consistency with the estimates and with any *item* used to cross-check the data appearing in the financial statements;
- meetings to approve the financial statements with the employees producing the financial data (with a review of any problem subjects encountered during the approval process);
- approval meetings with the statutory auditors of the consolidated financial statements;
- meetings with the Steering Committee to review the consolidated financial statements;
- meetings of the Audit and Risk Management Committee to review the consolidated financial statements.

All of these tasks are aimed at enhancing the quality of the financial data, particularly the consolidated financial statements as well as the management report to the Board of Directors.

(e) The Group Standard

The accounting standards for the consolidated financial statements are the IFRS. They are distributed at Group level, and instructions for using them are given in a consolidation manual containing reminders of each line *item* in the balance sheet and the income statement:

- IFRS reference text and a summary of the standard;
- the area of application and possible options selected by the Group wherever the IFRS leave the possibility of applying options;
- methods of application.

The consolidation manual is available online. It can be accessed by all the entities in the Group (French and English versions). It is updated regularly based on any changes in the IFRS.

This consolidation manual also includes instructions (French and English versions) issued at every closing to all Group entities. The instructions emphasise the specific items applicable to each approval process. These instructions are sent to the statutory auditors for information.

Training in both methodology and operations is given regularly to all the players involved in the Group so that the requirements introduced by the IFRS are properly understood and incorporated into the financial statements.

5.1.6.3 Supervision of Intra-group Accounting Transactions

Transactions amongst subsidiaries and Groupama SA (internal loans, subsidiary restructurings, capital increases, dividend payouts, etc.) are subject to decisions validated by the Groupama SA Executive Management, and to technical and operational control by the Group Financial Controlling Department. Controls on these operations are carried out by auditing the consolidated financial statements, *i.e.* by reconciling intra-group transactions, monitoring any changes in shareholders' equity, and reviewing the transactions recorded for consistency with legal documentation.

5.1.7 FINANCIAL FUTURES POLICY

5.1.7.1 Interest rate risk

The purpose of the hedges that are implemented is to partially hedge the portfolios against the risk of interest rate increases.

This is made possible by converting fixed-rate bonds into variable-rate bonds ("payer swaps"). The strategy consists in transforming a fixed-rate bond into a variable-rate bond, either on a security held or on new investments. They are intended to permit asset disposals in the event of an increase in interest rates by limiting realisations of capital losses, either to pay benefits or to invest at higher rate levels.

Hedging programmes were gradually implemented on behalf of the life insurance companies as from 2005. In accordance with the approval of the Boards of Directors, the swap programme was supplemented in 2012 and partially extended to the Non-Life portion with a tactical management objective.

All over-the-counter transactions are secured by a "collateralisation" system with Groupama SA's top-tier banking counterparties.

5.1.7.2 Foreign exchange risk

Ownership of international equities entails dollar and yen foreign exchange risk, which can be hedged through forward sales. These forward sales are terminated as the underlyings are disposed of or are renewed to hedge the residual underlyings. The hedging of currency risk on the Hungarian forint has been actively managed since 2015.

The holding of bonds issued in foreign currencies (dollar, sterling, Swiss franc) is hedged *via* currency swaps against the euro.

As with interest rate risk, all OTC transactions are secured by a system of "collateralisation" with leading bank counterparties selected by Groupama SA.

5.1.7.3 Equity risk

In 2017, the Group's equity risk continued to be actively managed, which led to, among other things, the continuation of the hedging policy on protected equity funds. This last strategy uses derivatives housed in mutual funds.

5.1.7.4 Credit risk

In a tactical management strategy of the credit asset class, the Groupama Asset Management can be exposed or hedge credit risk by using forward financial instruments like Credit Default Swaps. This type of operation only involves assets managed through mutual funds.

5.1.7.5 Spread risk

The Group is sensitive to widening spreads, particularly sovereign spreads. In addition, a hedging strategy was tested during a pilot operation intended to protect the value of a bond against the risk of widening of its spread. The strategy involved fixing the bond's spread to one year using a dedicated FFI. At the end of the hedge (one year), a finalising balancing payment was paid in return for the gain on the value of the bond hedged for the variation of its spread.

A new strategy for exposure to the 10-year swap rate was also tested in 2017. It aims to allow the Group to take duration without exposure to spread risk (sovereign or credit). This operation is carried out using a vehicle paying the Euribor and an FFI exchanging this remuneration for the 10-year swap rate.

All over-the-counter transactions are secured by a "collateralisation" system with the Group's top-tier banking counterparties.

◄ CONTENTS ►

5.1.8 ANALYSIS OF THE ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR

5.1.8.1 Income (Loss)

Total premium income reached €2,800.2 million, up 24.5% (+€551.2 million) compared with 2016 (€2,249.0 million). It came mainly from:

- inward reinsurance received from the regional mutuals (€2,023.3 million), up 34.9 million, or +1.8%;
- contributions ceded by the Group's subsidiaries (€644.2 million), up €525.3 million from 2016 (€118.8 million), mainly due to the establishment of new reinsurance treaties with Gan Assurances (€510 million in contributions) and Amaline (€26 million);
- as well as premium income from other operations (professional pools, partnerships, etc.), which decreased -€9.1 million (-6.4%), including -€29 million related to the transfer of Groupama SA's direct business portfolio to Gan Assurances (by retroceded to Groupama SA through a previously mentioned reinsurance treaty) offset by a €17.2 million increase from the partnership with La Banque Postale IARD.

Earned premiums totalled €2,668.1 million, up 19.0% (+€426.2 million) from 2016.

Claims expenses (excluding claims management fees), annuities, and other underwriting reserves (net of conservation of mutuals exempt from approval) totalled -€2,044.0 million, an increase of -206.5 million, including -€199.0 million related to the current loss experience.

The establishment of new reinsurance treaties explains -€310 million of this increase (Gan Assurances: -€288 million; Amaline: -€22 million).

Excluding this new *item*, the 2017 loss experience was more favourable:

- increase in the weather loss experience of -€107 million: €534.0 million in 2017 (which includes Irma and Maria for €324 million) compared with €426.9 million in 2016 (which was marked by a high loss experience in the Crops segment);
- but an improvement in the loss experience of serious claims of +€146 million: €176 million *vs* €332 million in 2016;
- and also a lower attritional loss experience: restated for the new reinsurance treaties, it amounted to €1,042.7 million, down €31 million compared with 2016.

The reinsurance and retrocession balance is an income of €21.7 million (-€1.6 million in 2016), mainly due to Irma and Maria, which resulted in a loss recovery of +€292 million. Claims ceded under reinsurance (including retrocessions to regional mutuals) totalled €433.8 million in 2017, compared with €406.8 million in 2016.

After taking into account the commissions paid to ceding entities for €457.8 million, the net underwriting margin before general expenses was an income of +€188.0 million, up €175.6 million compared with 2016.

Groupama SA's total operating expenses amounted to -€245.1 million, *versus* -€224.6 million in 2016, an increase of €20.5 million, mainly from an increase in taxes and profit-sharing incentive schemes.

Financial income was positive at +€477.4 million, compared with -€232.5 million in 2016. 2017 was marked by a sharp rise in dividends received (€309 million) and capital gains on disposals (€117 million) compared with 2016. In addition, 2016 was marked by allocations to reserves on securities of subsidiaries for €274 million.

Extraordinary income amounted to -€8.8 million compared with -€39.9 million in 2016.

The "Taxes" *item* represents income of +€107.3 million, which includes tax savings realised by the Group from the tax consolidation, retained by Groupama SA in its capacity as head of the tax Group.

Corporate net income for the fiscal year was thus €518.8 million compared with a loss of -€358.5 million in 2016.

5.1.8.2 Balance sheet

The Groupama SA 2017 balance sheet totalled €13,829 million, up €1,417 million compared with 2016.

Shareholders' equity reached €3,196.3 million as at 31 December 2017, compared with €2,677.4 million as at 31 December 2016. The favourable change in shareholders' equity is explained by the positive result for the fiscal year.

Gross underwriting reserves reached €6,124.4 million, up €1,220.2 million compared with the end of 2016 (including €677.2 million from new reinsurance treaties with Gan Assurances and Amaline).

Underwriting reserves ceded and retroceded totalled €1,263.5 million, up +€209.1 million compared with 2016.

Subordinated liabilities amounted to €2,236.1 million (*versus* €2,263.8 million at the end of 2016). In early January 2017, Groupama SA launched an offer to exchange all of its deeply supersubordinated instruments issued in 2007 and a portion of its redeemable subordinated instruments issued in 2009 for new subordinated instruments with a maturity of 10 years.

The main asset on Groupama SA's balance sheet consists of investments, with a net book value of €11,702.5 million, whereas in realisable value, Groupama SA's investments (including FFIs) totals €15,614 million.

CONTENTS

5.1.8.3 Details of invoice payment periods

In accordance with the provisions of the French Commercial Code, the table below provides details of the invoice payment periods in relation to their due date. Pursuant to the French insurance federation's circular of 29 May 2017, the information in the table below does not include transactions related to insurance and reinsurance policies.

	Article D. 441 I. - 1° of the French commercial code: Invoices received and unpaid at the end of the fiscal year and in arrears						Article D. 441 I. - 2° of the French commercial code: Invoices issued and unpaid at the end of the fiscal year and in arrears					
	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 or more days	Total (1 or more days)	0 days (indi-cative)	1 to 30 days	31 to 60 days	61 to 90 days	91 or more days	Total (1 or more days)
(A) Payment arrears range												
Number of invoices concerned	6,633					8						
Total amount of invoices concerned (specify excl. or incl. tax)	87,054,228.36 Incl. Tax	92,163.52 Incl. Tax	13,759.75 Incl. Tax			105,923.27 Incl. Tax						0.00
Percentage of total purchases for the fiscal year (specify excl. or incl. tax)	99.88% Incl. tax	0.11% Incl. tax	0.02% Incl. tax	0.00%	0.00%	0.12% Incl. tax						
Percentage of revenue for the fiscal year (specify excl. or incl. tax)												
(B) Invoices excluded from (A) relating to disputed and unrecorded payables and receivables												
Number of invoices excluded												
Total amount of invoices excluded (specify excl. or incl. tax)												
(C) Standard payment terms used (contractual or legal payment terms – Article L. 441-6 or Article L. 443-1 of the French commercial code)												
Payment terms used to calculate payment arrears	Contractual terms: indicated on the invoice Legal terms: 30 days						- Contractual terms: (specify) - Legal terms (specify)					

5.1.8.4 Income for the year and proposed allocation

We propose that you allocate the distributable profit of €537,319,712.72, corresponding to the profit for the fiscal year of €518,862,511.54 plus prior retained earnings of €18,457,201.18, as follows:

- as a dividend €13,854,121.98
- the balance to "retained earnings" €523,465,590.74

This dividend of €0.034 per share will be paid starting 11 June 2018.

In the event of a change in the number of dividend-paying shares relative to the 407,474,176 shares comprising the share capital as at 1 January 2018, the overall amount of dividends would be adjusted accordingly, including upwards, and the amount allocated to retained earnings would be determined on the basis of dividends actually paid.

To meet the provisions of Article 243 bis of the French General Tax Code, distributions for the past three fiscal years were as follows:

Fiscal years	Total dividends distributed	Total dividends distributed eligible for reduction	Total dividends distributed not eligible for reduction
2016	None	None	None
2015	€14,261,596.16	€4,918.13	€14,256,678.03
2014	None	None	None

5.1.9 INFORMATION REGARDING THE CAPITAL

In compliance with Article L. 233-13 of the French Commercial Code, and taking into account the information received pursuant to Articles L. 233-7 and L. 233-12 of said Code, we cite below the identity of the individuals and/or legal entities directly or indirectly holding, as at the close of the last fiscal year, more than one-twentieth, one-tenth, three-twentieths, one-fifth, one-quarter, one-third, one-half, two-thirds or nineteen-twentieths of the Company's share capital or voting rights at the General Meetings:

- Groupama Holding 92.01% of share capital and 91.55% of voting rights
- Groupama Holding 2 7.96% of share capital and 8.42% of voting rights

Employee shareholders

Pursuant to the provisions of Article L 225-102 of the French Commercial Code, we note that the employees, former employees and officers of the Company held 0.03% of the share capital and voting rights of Groupama SA as at 31 December 2017.

5.1.10 DECISIONS SUBMITTED TO THE GENERAL MEETING

In addition to the decisions related to the approval of the financial statements and the appropriation of the results, the following will be proposed to the General Meeting:

- the renewal of the term of office of one of the principal statutory auditors, Mazars, and the non-renewal of its alternate;
- approval (*ex-post* vote) of the components of the compensation paid or allocated for fiscal year 2017 to Jean-Yves Dagès, Chairman of the Board of Directors, and Thierry Martel, Chief Executive Officer;
- approval (*ex-ante* vote) of the compensation policy applicable to Jean-Yves Dagès, Chairman of the Board of Directors, and Thierry Martel, Chief Executive Officer;
- approval of the merger takeover of Groupama Holding 2 by the Company and the resulting capital increase and reduction;
- approval of the merger takeover of Groupama Holding by the Company and the resulting capital increase and reduction;
- the conversion of the Company into a national agricultural reinsurance mutual;
- the consequent adoption of new articles of association.

5.1.11 REPORT ON CORPORATE GOVERNANCE

The corporate governance report, prepared in accordance with the new Article L. 225-37-4 of the French Commercial Code, appended to this management report, is presented in sections 3.1 to 3.4 of this registration document.

5.1.12 SOCIAL AND ENVIRONMENTAL INFORMATION

The information published in this report pertains only to the consolidated entities in the financial reporting. They therefore do not reflect all of the CSR (Corporate Social Responsibility) actions carried out by the entire Group, particularly concerning the regional mutuals. The elements of the group's CSR strategy are summarised in section 1.6 of the registration document (Group presentation) and more fully in Groupama's annual report.

5.1.12.1 Groupama, a mutual insurance Group built around of values and objectives in line with CSR

Through its complementary brands, the Groupama group forges its identity on values – local service, commitment, performance and solidarity – placing human beings and their expectations at the heart of its actions allowing it to build trust over time. Integrating the issues of sustainable development into its business activities and its relations with its stakeholders is part of its daily commitment to responsible business.

This commitment is fully reflected in its insurance business – protection of the lives and property, advice, prevention, etc. – but also beyond its core business, by supporting initiatives coming from civil society, by participating in the reduction of economic and social vulnerabilities and by contributing to the emergence of solutions related to issues such as the lengthening of human life, care networks, the study of climate change, road safety, etc. The Group and its companies are part of a long-term vision.

CSR fully contributes to the performance of our Group at the service of customer satisfaction, by reinforcing the commitment of our employees, by stimulating innovation and drivers of growth (responsible products and services, new markets, etc.), by reducing costs (logistics optimisation, recycling, reduction of consumables, etc.) and by strengthening the image and quality of the relationship with external and internal audiences, particularly in the regions. CSR thus makes a group-wide contribution to risk control in the major areas of activity (commercial, HR management, communication, etc.).

A CSR Department, created in 2008, and today attached to the group HR Department for more cross-functionality, promotes and coordinates the CSR policy within the Group. It reports on the progress of the CSR strategy to the Group Ethics Committee. In particular, it leads a network of 50 correspondents from all the Group's entities (regional mutuals and Fédération Nationale, Groupama SA, French and international subsidiaries, and the IT and logistics EIG Groupama Supports & Services), which participate in the development of action plans and exchange on their best practices.

Developed in 2008, amended in 2014 to take account of developments, an ethical charter summarising the commitments and values of the Groupama group as well as the resulting rules of conduct for employees was distributed throughout the Group. In 2016-2017, the promulgation of the Sapin 2 (anti-corruption measures) and Duty of Care (prevention of violations of human rights, fundamental freedoms, health and safety of people, and the environment) laws led the Group in 2017 to work on modifying its ethics charter and set up an ethics alert system to be rolled out in 2018 in the companies.

The new Groupama brand communication cycle, which began in 2016 and continues with a newly renovated employer brand in 2017, focuses on highlighting a more global brand identity. The brand now incorporates all aspects that characterise it: products and services, of course, but also business aspects, identity, employer dimension, and social and societal responsibility. This new approach, which therefore emphasises the Group's Mutual identity, values, and commitments, is particularly in line with Groupama's CSR.

Following the Sapin 2 law, Groupama announced in 2016 the conversion of its central body into an SAM (mutual insurance Company), which will take place in 2018 following internal work carried out in 2017. With this transformation, Groupama reaffirms its mutual insurance identity rooted in the regions and simplifies the Group structure by bringing its organisation and its values in line to better serve its members and its customers.

Lastly, 2017 saw the beginning of the consolidation of the teams of Groupama SA and seven of its subsidiaries at the new Nanterre site ("Campus") in high environmental quality buildings with a layout designed for maximum employee comfort.

5.1.12.2 A cross-functional, ambitious CSR strategy

CSR management reflects the integration of sustainable development into the business strategy. 2017 was the second year of the Group's second three-year CSR action plan (2016-2018), a master plan that defines areas for improvement in which the Group's companies are active.

On the strength of its first CSR strategy (2013-2015), the Group set up a new action plan for 2016-2018. The objective of this new strategy will be to mobilise the entire Group around CSR with high added value to serve the Group's strategic challenges. The new plan was constructed thanks to a collaborative approach, involving the CSR coordinators and Departments of the companies, with the goal of further anchoring CSR into the Groupama group's everyday activities.

◄ CONTENTS ►

At the Group level, the Ethics Committee oversees the CSR strategy and directs the goals to be achieved. In 2017, the meeting on 14 March was devoted to the presentation of the review of 2016 actions, and the meeting on 14 November validated:

- the proposed ethics alert system, amendments to the charter of ethics, and the creation of a Code of conduct, in the context of the application of the Sapin 2 and Duty of Care laws;
- the CSR priority guidelines for the end of 2017 and 2018.

The following information was presented according to the focuses of the Group's CSR strategy:

- implementing extended responsibility as an employer by developing the diversity, employability, quality of life at work of its employees;
- acting as a responsible, long-term partner of our members and customers, through advice, prevention, and adapted offerings, especially to reduce vulnerabilities;
- acting for the development of the regions and the progress of civil society;
- acting for the environment by reducing the direct and indirect ecological footprint.

(a) Implementing extensive responsibility as an employer

Backed by its strong values, the Groupama group conducts social policies and many significant actions on the various HR components of CSR. Since 2013, it has accompanied its commitment as a responsible employer with quantified three-year objectives, updated for 2016-2018 (on the Group scope only), in the areas of gender parity, employment of workers with disabilities, work/study training and quality of life at work. The results (on the combined scope) as of 31 December 2017 will be presented to the Group Ethics Committee on 14 March 2018.

In order to better anticipate recent and ongoing developments in the area of human resources, the Group supports the HR functions in understanding these issues and the means that could be deployed. For example, after the 2016 HR Digital Day, the 2017 HR Day brought together all the HR teams of the Group around the topic of "the collaborating experience", inviting them to mobilise on issues of recruitment, integration, management, collaboration, and career path through testimonials and presentations of innovative projects and solutions.

2017 saw the launch of the new employer brand. Our customers inspire us to always look for the best employees. The message of the brand: "Being anchored in the reality of our customers and committed to them, whatever their profession, is what is means to be a true Groupama employee". The employees promote our Group's values of proximity, professionalism, and ethics. They work each day to meet their expectations.

By giving a voice to real customers, Groupama focuses on the identity and mutual values of the Group and responds to the issues of brand awareness and attractiveness and corporate recruitment.

Getting on well together, dialogue, compensation and social protection, and performance in career development, which are factors of employee engagement, are at the heart of our responsibilities as an employer.

Employment

The total headcount of the consolidated scope[1] as at 31 December 2017 was 13,809 employees (-805 compared with 31 December 2016). The 2017 data show 2,104 new hires (-484 compared with 2016, all contract types combined – excluding summer contracts), including 1,061 permanent contracts, and 1,498 permanent contract departures (including 240 redundancies and 3 departures as part of voluntary redundancy plans).

The breakdown of employees by gender, age and geographic area is as follows:

- 56.2% women and 43.8% men;
- 11.4% of employees are under age 30, 53.5% are between 30 and 49, and 35.1% are age 50 or over;
- 61.8% of the consolidated scope's workforce works in France and overseas and 38.2% in international locations.

(1) *The consolidated scope includes all subsidiaries of the Group, in France and abroad, listed in the appendix, page ... It does not include the regional mutuals.*

The total headcount was slightly lower in 2017 due to the *exit* of Carole Nash and Mastercover and the continued implementation of programmes aimed at improving operational performance.

	2016	2017	2017 scope *(%)*
Total headcount	**14,614**	**13,809**	**100**
Distribution by gender	56.2% women 43.8% men	56.2% women 43.8% men	
Distribution by age:			100
■ under 30	12.8%	11.4%	
■ 30 to 49 years	53.7%	53.5%	
■ 50 and older	33.5%	35.1%	
Distribution by geographical area:			100
■ France and Overseas	59.5%	61.8%	
■ International	40.5%	38.2%	
New hires (all contract types combined excluding summer contracts)	2,588	2,173	100
■ of which permanent contracts	1,570	1130	
Departures (permanent contracts)	1,798	1,586	100
■ of which redundancies	246	240	
■ of which departures under voluntary redundancy plans	16	3	

Recruitment actions are described below in the “Measures” section to promote the recruitment and career path of young people.

The average annual compensation in France was €50,110 in 2017, with the following distinction:

- €31,459 for non-executives;
- €59,331 for executives.

	2016	2017	2017 scope *(%)*
Average annual compensation (euros)	49,105	50,110	France
■ non-executives	31,362	31,459	
■ executives	58,633	59,331	

Organisation of work

The theoretical work time in the Group’s companies in France is between 32 hours and 42 minutes and 40 hours per week, without change compared with 2016. Across the entire consolidated scope, the absenteeism rate was 7.90% in 2017 (7.10% of days of absences on the France scope), including 58% related to illness (rate equal to 2016) and 30% related to maternity/paternity (-1 point compared with 2016).

	2016	2017	2017 scope *(%)*
Theoretical working time	**Between 32 hours 42 minutes and 40 hours**	**Between 32 hours 42 minutes and 40 hours**	**France**
Absenteeism rate	6.80%	7.90%	100
■ of which in France	6.10%	7.10%	
Absences related to illness	58%	58%	100
Absences related to maternity/paternity	31%	30%	

Workplace accidents are addressed in the “Health and Safety” section.

In terms of work organisation, the Group strives to develop the working environment in “project management mode”. For example, the creation of the “Agile Hub” made it possible to experiment with such an environment thanks to a virtual platform. Groupama Supports & Services provides project teams with workspaces adapted to new uses and in particular the use of the “Agile” method, which requires, among other things, the implementation of an “integrated platform” grouping together the business line teams, project ownership, and project management.

◄ CONTENTS ►

In line with the evolutions of a more mobile and flexible working word, as well as the widespread use of digital tools, an agreement on telecommuting, signed on 4 July at the UES level, is now applicable to Groupama SA and its subsidiaries.

As of 31 December 2017, 402 employees of Groupama SA are telecommuting and satisfied with this arrangement according to the initial perceptions. Among the positive points, the elimination of a daily commute allows employees to be more efficient and have a better quality of life. The development of digital and softphony makes it possible to remain in contact with the Company, preventing the isolation of employees. The deployment of telecommuting is still recent and will be reviewed in a few months. Of the total headcount of the UES scope (Groupama SA and its main subsidiaries and G2S), 12% have chosen telecommuting.

There was also a major event in 2017: the beginning of the consolidation of the teams of 8 companies of the Group (Groupama SA and 7 French subsidiaries) at the Campus site in Nanterre (Hauts de Seine). In September and November 2017, the first moves took place (teams from Groupama SA and Gan Assurances). The site will house 2,500 employees as of spring 2018. A total of 3,500 employees are expected to move there by 2021. This project marks the starting point of a new dynamic of collaborative work, fully taking into account the evolution of new technologies and changing work habits.

Employee relations

In addition to the employee representative bodies within the entities making up the Group, the Groupama corporate dialogue is organised at the top level through bodies that cover various scopes: European, Group in France, UDSG and UES.

- The European Works Council (EWC) receives information in order to exchange views and engage in dialogue about transnational issues. The EWC met twice in 2017. It covers a European scope representing 29,470 employees as at 31 December 2017 (-767 compared with 31 December 2016), including 13,319 employees of the consolidated scope (-767 compared with 31 December 2016).

  In 2017, the EWC Board, made up of seven employee representatives among the members of the EWC, met three times.
- The Group Committee (CG), a body for dialogue and thought, receives information about the activity, financial position, employment trends and forecasts and economic prospects of the Group for the coming year. It covers a European scope representing 24,684 employees as at 31 December 2017 (-161 compared with 31 December 2016), including 8,533 employees of the consolidated scope (-161 compared with 31 December 2016).

  In 2017, this body met four times on the following main topics: news and group projects, presentation of the 2016 financial statements, and the partnership with Orange in connection with the start of the Orange Bank business.
- The Group Corporate Dialogue Commission (CDSG), an offshoot of the Group Committee, is a body for negotiation at the Group level. Agreements negotiated and signed within this body are intended to be applied to all companies and employees of the group in France. The work of the CDSG led to the signing of an *addendum* dated 15 December 2017 to the agreement on quality of life at work.
- The Group Quality of Life at Work Committee (CQVT), created by the Group agreement relating to quality of life at work, a place for discussion and recommendations, continued the dialogue on quality of life at work and the actions undertaken within the Group and its companies in France.
- The Groupama Social Development Unit (UDSG) is an association governed by the French law of 1901 that groups all the companies of the agricultural mutual insurance scope (Groupama SA, regional mutuals, Groupama Supports & Services, etc.), or 18,345 employees as of 31 December 2017 (-23 compared with 31 December 2016), including 2,789 employees of the consolidated scope (-26 compared with 31 December 2016).
- The Economic and Social Unit (UES) covers Groupama SA, Gan Assurances, Groupama Gan Vie, Gan Prévoyance, Gan Patrimoine and Groupama Supports & Services and represents 6,909 employees as at 31 December 2017 (-131 compared with 31 December 2016).
- Assessment of collective agreements: 57 collective agreements were entered into in 2017 involving all companies of the consolidated scope (including 48 in French companies).

See table below.

Topics covered by the collective agreements entered into in the Group companies (at the company, UDSG, UES, or Group level)

Social dialogue/employee representation	Social dialogue
Employment contract	Defined-purpose fixed-term contracts
Compensation and benefits	Compensation Profit-sharing incentive scheme Major protection Care costs
Employment/Training	Strategic Workforce Planning
Working conditions	Telecommuting agreement Quality of life at work and right to disconnect
Diversity/equal opportunities	Generation contract

The topics of these agreements concern:

› For the Group:
  - The Group agreement of February 2011 on Quality of Life at Work was supplemented by a second *addendum* dated 15 December 2017, which aims to incorporate provisions and measures on the right to disconnect for each employee, to ensure a balance between time devoted to professional life and private life.
  - The Group agreement on Quality of Life at Work defines a common framework for the companies to improve the quality of life at work and, in this context, prevent, treat, eliminate or at least reduce psychosocial risks, beyond the actions and measures already implemented within the Group's companies. See "Health and Safety".

› For the UDSG:
  - Employee savings (agreement of 10 July 2017 revising the Perco-I set up by the agreement of 29 November 2006).

    The agreement signed on 10 July 2017, which took effect on 1 January 2018, gives employees possibilities to save for their retirement by:
    - creating 3 new umbrella funds (FCPE) to expand the Group's range,
    - putting in place a diversified guided management grid (6 funds instead of 3),
    - raising the top-up cap to €800 (instead of €650),
    - permitting the collection of a unilateral top-up from the employer, without employee contribution (the Company taking its decision each year whether to top up the plan according to its situation).
  - As a reminder: disability (*addendum* of 4 July 2016 defining the 2016-2018 action plan).

    The 2016-2018 three-year disability action plan, implementing the UDSG agreement of 10 February 2010 on integrating disabled people into Groupama and keeping them employed, renews the actions of the previous plan by providing them with improvements and adaptations based on the Group agreement and the measures negotiated by the UES in 2015.

› For the UES:

  The UES Central Works Council (CWC) exercises economic powers relating to the general operation of the Company and exceeding the limits of the powers of establishment heads. It is informed and/or consulted periodically on projects affecting economic or legal organisation or economic and financial projects concerning the UES.

  In 2017, it examined the following points:
  - information-consultation on the planned transfer of the Asset Management & Life Insurance Marketing team from Groupama SA to Groupama Gan Vie;
  - information-consultation on the planned new set-up of sites in the Ile-de-France region;
  - information-consultation on the planned conversion of the central body of Groupama SA;
  - information-consultation on the planned creation of the Groupama SA Brokerage Division;
  - presentation of the Group digital transformation plan;
  - status update on the Group and presentation of the Group's 2016 annual financial statements;
  - information-consultation on the planned relocations to the Groupama Campus buildings;
  - information on the hierarchical relationship of Groupama Epargne Salariale with the Groupama Gan Vie Group Insurance Department;
  - review of 2016 UES consolidated labour assessment;
  - information on the 2016 financial and economic situation of Groupama Gan Vie and its networks;
  - information-consultation on the planned transfer of Groupama Gan Vie's individual health production business to Gan Assurances;
  - information on the planned disposal of Groupama Vietnam;
  - information on the planned disposal of the brokerage firms Carole Nash and Mastercover;
  - information-consultation on the planned disposal of Groupama Seguros de Vida and Groupama Seguros;
  - presentation of the summary of the appraisal reports on the 2016 economic and financial situation of the entities of the UES;
  - information on the strategic directions of Groupama Gan Vie and its networks and presentation of the summary of the expert's reports on these strategic orientations;
  - information-consultation relating to the planned transfer of the construction claims management business of Gan Assurances from Groupama SA to Gan Assurances;
  - .information-consultation on the planned disposal of the shares held by Groupama SA in Présence Verte SA;
  - information-consultation on the planned transfer of the Studies and HR Reporting Divisions of the UES institutions to the Groupama SA payroll and management shared services centre;
  - assessment for 2016 of the professional gender equality policy conducted at the level of the UES and its institutions;
  - assessment for 2016 of the policy of employment, integration, training, and job retention for employees with disabilities or supporting a family member affected by disease or disability;
  - information-consultation on the extension of the mandates of the members of the central works council, pursuant to Article 9-II-3° of order no. 2017-1386 of 22 September 2017.

The UES also includes a Central Trade Union Delegation: a collective bargaining body at the UES level, within which compensation is negotiated and an agreement on telecommuting within the UES establishments was entered into, signed on 4 July 2017.

Health and safety

A Group agreement relating to Quality of Life at Work applicable to all companies and employees of the Group in France was signed on 28 February 2011 and supplemented by the signing of an *addendum* on 10 October 2014. It defines a common framework for the Group companies to improve the quality of life at work and, in this regard, in addition to the actions and measures already implemented within the Group companies, prevent, treat, eliminate and, otherwise, reduce any problems related to psychosocial risks. These particularly include stress, harassment, and violence in the workplace as well as internal or external nuisances and particularly public nuisances.

◄ CONTENTS ►

The Group provisions thus cover the following areas:

- consolidate, at the Group level, as part of an annual assessment, indicators making it possible to detect the risks of ill-being at work;
- establish prevention actions in order to train Directors, Managers and all employees on psychosocial risks; raise awareness about improving workplace well-being, conduct actions for prevention and support for employees in case of public incivility or aggression, encouraging work/life balance, and promoting the implementation of forums for discussion among employees;
- offer mechanisms for internal regulation including a psychological counselling centre open to all employees and a mechanism to seek a jointed solution for any event likely to affect the physical and/or mental health of an employee;
- take into account the prevention of psychosocial risks within the Group's companies, which is reflected in particular by the appointment of an HR coordinator for PSR and quality of life at work in each Company, development of a diagnostic and an action plan to reduce psychosocial risks, or support for staff during times of significant changes;
- incorporate measures to guarantee a balance for each employee between the time devoted to professional life and private life, in particular through information, awareness-raising, or training measures promoting the exercise of the right to disconnect, with a duty of non-solicitation;
- ensure the durability of the role of the Group Committee for Quality of Life at Work through the *addendum* signed in December 2017: this joint committee is a place for discussion and recommendations and examines the "quality of life at work" component of structuring projects presented to the Group Committee.

In 2017, the Committee for Quality of Life at Work met three times, in particular to discuss issues related to digital and work organisation, through concrete examples of tools/applications developed in the Group.

The Campus project (installation in Nanterre) was also the subject of discussions, as a global project with a highly innovative purpose, involving several companies in the Group and more than 3,000 employees.

The meetings of the Committee for Quality of Life at Work made it possible to discuss:

- the place of digital tools and their challenges in terms of employee training and managerial support;
- the impact of digital on the social and organisational aspect of companies;
- the project development methods.

In 2017, the Group continued its actions to promote Quality of Life at Work, in particular through communications on good practices and training to make better use of ICT or workstation ergonomics to prevent musculoskeletal problems.

For example, in 2016, Group companies set up e-mail usage charters with numerous tips for employees. The goal is to reconcile the search for efficiency and good quality of the professional relationship.

In 2017, 26 of the Group's companies in France conducted (30 in 2016) or were conducting a diagnosis[1] of psychosocial risks with an authorised outside organisation or internally, *i.e.*, 90% of the Group's companies in France. Thirty of them initiated an action plan, and the others are in progress[2].

In addition, an e-learning module entitled "All stakeholders in Quality of Life at Work" was created in 2016; the goal is to reach 100% of employees in 2018.

In June 2017, the Quality of Life at Work Week was the opportunity for communication and awareness actions, as at Groupama SA, with workshops on "Digital Detox" during the week: What are the consequences of the digital transformation of companies? What are the effects on health? What behaviours should be adopted? Weekly surveys on well-being at work were then sent to Groupama SA employees.

Even beyond the Quality of Life at Work, actions around getting on together and the mobilisation of the collaborators developed strongly during 2017: actions promoting employee expression in various forms, through moments/places/means of friendliness (meetings with the CEO, express surveys, coffee corner, collaborative spaces, collaborative intranets, teambuilding experiences (like Urbangaming), dedicated "day", etc.), widespread implementation of Family Days, etc.

The move to the Campus site (in Nanterre) started in autumn 2017 (see "Organisation of work" section above). Particular care has been taken to welcome and comfort the employees.

Facilitating the intake and integration of newcomers is also key to well-being at work. The companies are therefore also developing social events. The symmetry of attentions – satisfied employees/satisfied customers – is essential in our HR approach.

In 2017, 148 workplace and commuting accidents resulting in a work stoppage were identified at the consolidated scope level, including 122 in France. The frequency rate of these accidents in France was 9, and the severity rate was 0.28.

	2016	2017	2017 scope *(%)*
Workplace accidents resulting in work stoppage	140	148	100
■ of which in France	120	122	
Frequency rate	8.6	9	France
Severity rate	0.25	0.28	France

(1) Final report available in April 2018
(2) As of September 2017

Training

The training policy is implemented within each group Company in order to take into account its specific circumstances (Company project, activities, business lines, age pyramid, etc.). Based on this finding, the Group provides the companies with a community training catalogue, produced based on the needs expressed by the companies, particularly through the network of Training Managers, who meet two to three times per year.

The training offering is increasingly evolving towards a logic of service. Already in 2016, the Group's training Department had selected 55 interesting MOOCs for career paths and digital to offer them to employees.

On the consolidated scope:

- 320,579 training hours were provided (398,585 hours in 2016, but 318,809 hours on a *pro forma* basis);
- 29 training hours were provided on average per trained employee (34 hours in 2016, but 28 hours on a *pro forma* basis).

In 2017, the Group launched the "Mon Université" online training platform: a Learning Management System (LMS) hosting all of Groupama's training programmes, adapted to all profiles (Employees, Managers, trainers, etc.). The LMS was deployed in a pilot phase in 2017. All the companies in France will have adopted it in 2018.

Goals: to develop skills, facilitate the sharing of learning capital between the different companies of the Group, make practices more uniform, and support the group's digital transformation. The platform also provides access to GoFluent, a new way for employee to learn and improve their English.

AS A REMINDER: GROUP AGREEMENT ON PROFESSIONAL TRAINING

Signed in 2016, this agreement highlights:

- the importance of those involved in professional training;
- the need to promote information and professional guidance, through communication on training schemes and the Group's professions;
- development of professional integration and reintegration programmes;
- the areas of professionalisation of employees and the associated tools.

Training and therefore employability are at the heart of responsible HR management, in order to prepare employees for the challenges of tomorrow and to foster their adaptability. Also noteworthy are all the actions around cultural adaptation to digital – through, for example, reverse mentoring, communication on the Group's digital projects – *cf.* roadshows by the Digital Transformation team, a dedicated Intranet site – widespread deployment of tools such as smartphones or tablets.

Digital solutions around collaborative platforms for skills exchanges are under study.

Equality of treatment

The Group Ethics Committee, made up of two Chief Executive Officers of regional mutuals, the Chief Executive Officer, two Deputy Chief Executive Officers and the General Secretary of Groupama SA, meets twice a year, including once on the topic of the group's annual CSR performance review, including the social indicators. In 2017, it met on this subject on 14 March and 14 November.

As a socially responsible employer, the Groupama group and its companies write up their actions to promote diversity and prevention against discrimination consistent with the CSR priority areas.

The Groupama group's commitment against discrimination and for diversity is particularly reflected by:

- its accession to the United Nations Global Compact. In effect since 7 February 2007, it commits the entire Group to respect the ten fundamental principles on the defence of human rights, the preservation of the environment, and the fight against corruption. Each year, the Groupama group publishes its "Communication on Progress" on the website of the United Nations Global Compact and presents the Group's actions in France and the renewal of its commitments;
- accession to the diversity charter developed by the Montaigne Institute and several large companies. Entered into on 26 June 2007, it commits the entire Group in France to establish a policy favouring diversity;
- accession to the Parenthood charter of the Ministry of Labour, Social Relations, Family and Solidarity, dated 14 December 2010. It confirms the Group's commitments in France regarding professional gender equality. It promotes a better quality of life at work based on a rich social framework as well as the professional development of employees who are parents.

The Groupama group also continues its partnership with the Agefiph, signed on 18 November 2010, for the purpose of promoting professional inclusion and maintaining the employment of people with disabilities within the Group's companies in France. This partnership particularly allows job offers from the Group's companies appearing at www.groupama-gan-recrute.com to be posted on the Agefiph website.

GROUP AGREEMENT ON DIVERSITY AND EQUAL OPPORTUNITIES

The Groupama group's commitment has been formalised since 24 October 2008 by the Group agreement relating to diversity and equal opportunities signed with the trade union organisations for an indefinite period. It seeks to ensure equal treatment among employees of the Group's companies in France, to prevent any form of discrimination in development and access to employment throughout the professional life and to promote equal opportunities.

The Group's diversity policy is relayed by a Group Diversity correspondent and in each Company in France by a Diversity correspondent:

- responsible for implementing the Group's diversity policy within his or her Company;
- acting as the employee contact for his or her Company on topics related to diversity;
- serving as the point of contact for the Group diversity correspondent;
- serving as the relay with the staff representative bodies, the expanded diversity committee and on action plans developed on this subject.

This agreement was supplemented in 2011 and 2015 by addendums covering the following areas:

- professional gender equality;
- maintaining the employment of senior workers;
- equal family rights;
- equal parental rights;
- reconciliation of family life/work life;
- informing and Communicating to Managers and employees.

In particular, the *addendum* of 24 June 2015 aims to:

- harmonise practices among the Group's companies for integrating employees with disabilities and keeping them employed;
- establish support measures for employees who are caregivers;
- promote work/life balance by further taking into account the family situation of employees, particularly single-parent families.

A Group-level Diversity correspondent appointed by the group HR Department implements the Group's policy regarding discrimination, promotion of diversity and equal treatment by ensuring that these topics are communicated and relayed internally by the Diversity correspondents of the companies.

The Diversity Correspondent has the following responsibilities:

- assist companies in the implementation of actions;
- ensure the proper appropriation and application of the Group's policy by the HR teams of the various companies and communicate the good practices of the Group's entities;
- promote the development of actions to raise awareness among all employees;
- act as mediator between company Managers and the employees concerned; any dispute involving discriminatory statements, actions or attitudes may be brought before the diversity correspondent;
- present to the Group Committee an assessment relating to the implementation of the agreement within the entities, experiments conducted, as well as good practices identified in the various companies of the Group.

In 2017, the Diversity correspondents met in order to share their best practices. The Annual Meeting addressed the following points:

- legal news on diversity;
- update on the Group's situation in terms of diversity (disability, work/study training, professional equality, etc.);
- organisation of the 2017 European Disability Employment Week.

The issue of diversity has been incorporated into all management training. There is also training for "supporting a personal with disabilities".

An e-learning module on the theme of "non-discrimination training" (relating to the fight against discrimination in hiring) is being prepared.

The companies have also developed training actions complementing these actions or adapted to their specific needs.

ASSISTANCE FOR CAREGIVERS

Because being a family caregiver has an impact on professional life, the Groupama group has put in place measures to help its employees reconcile their professional and family life. The *addendum* of 24 June 2015, which provides for support measures for employees who are caregivers, was supplemented in 2016 with an information guide and a global counselling mechanism (CELA). The Group also supports National Caregiver Day.

MEASURES TAKEN TO PROMOTE GENDER EQUALITY

With 54% women on permanent contracts within the consolidated scope in France as at 31 December 2017 (-0.2 points compared with 2016) and 58.3% abroad, the Groupama group considers gender equality to be a true asset. Pursuant to the aforementioned Group agreement of 24 October 2008, the Group reaffirms its ambition to achieve a balanced representation of women and men.

In order to achieve this goal, the companies have established a number of actions succeeding in the following positive developments:

- as at 31 December 2017, women represented within the consolidated scope:
  - 48.3% of executives in France (48.2% in 2016) and 42.6% of international executives,
  - 63.1% of executives in France (62.9% in 2016) and 61.5% of international non-executives,
  - 25.9% of management executives in France (25.6% in 2016) and 29.3% of international management executives;
- as at 31 December 2017, within the consolidated scope, they represented:
  - 35% of the staff of the "commercial" business lines in France (35.7% in 2016) and 64.6% internationally,
  - 58% of the staff within other families in France (58.4% in 2016) and 53.1% internationally.

CONTENTS

	2016	2017	2017 scope (%)
Proportion of women by status			
■ executives	48.2% in France	48.3% in France	100
	42.7% international	42.6% international	
■ non-executives	62.9% in France	63.1% in France	
	61.3% international	61.5% international	
■ management executives	25.6% in France	25.9% in France	
	24.1% international	29.3% international	
Proportion of women by business line family			
■ "commercial"	35.7% in France	35% in France	100
	63.6% international	64.6% international	
■ other families	58.4% in France	58% in France	
	53.1% international	53.1% international	

In 2016, Groupama launched a pilot mentoring programme for women. Goal: better individual and collective performance, thanks to an approach promoting cross-functionality and collaboration. The commitment and the influence shown by this community of women are a true force in enabling our Group to succeed in its transformation and to meet the challenges facing it. Initiated in 2016 by the group HR Department, and renewed in 2017, the "Mentoring by Groupama" programme brings together 50 women: 25 volunteer mentors – from Groupama SA, Gan Assurances, Groupama Gan Vie, Groupama Asset Management, and Groupama Protection Juridique – including members of the "Women's Leadership" programme – and 25 mentees selected by the Human Resources Department for their professional qualities and their motivation (mainly from Groupama SA and Gan Assurances).

Note that Groupama Assicurazioni (the Group's Italian subsidiary) is a member of Valore D, the first association of large Italian companies to support women's diversity, talent, and leadership.

The Group and its companies pursue actions promoting talents and career development for women: Systematic integration of the gender equality aspect into succession plans and lists of applications for seminars, trainings, etc.

MEASURES TAKEN TO PROMOTE EMPLOYMENT AND INCLUDE PERSONS WITH DISABILITIES

In order to realise its commitments on inclusion and retention of employment of employees with disabilities, the Group:

- regularly communicates about disabilities internally with all employees through items posted online on the Kiosque (articles, interviews, brochures, films, etc.) and externally (through guides, directories, press articles, participation in conferences, exhibitions and forums, intended for professionals or the general public);
- annually renews its partnership with ADAPT, the association behind the week for employment of persons with disabilities (SEPH), in which the Group has participated for several years;
- continues its partnership with the Agefiph for the purpose of promoting professional inclusion of people with disabilities within the companies.

In 2017, the Group (consolidated scope for France) reached an average employment rate of 5.42% (*versus* 5.19% in 2016).

Out of the entire workforce of the consolidated scope at 31 December 2017, 403 employees (-29 compared with 2016, but -1 on a *pro forma* basis) had disabilities, including 307 in France (+2 compared with 2016).

	2016	2017	2017 scope (%)
Number of employees with disabilities	432	403	100
■ of which in France	305	307	

It should be noted that in 2017 as in 2016, employees of the Group's companies and their Company take part in the Special Olympics, which raise funds to fund actions supporting disabled people through sport.

RETENTION OF EMPLOYMENT OF SENIOR WORKERS

In 2017, the Group's companies continued their commitments with regard to keeping seniors employed by taking the following actions:

- anticipate professional developments in relation to the management of ages by maintaining an equivalent number of seniors: designation of liaisons/mentors among senior employees;
- organise intergenerational cooperation: implementation of reverse mentoring in certain companies of the Group;
- develop skills and qualifications of seniors: training, second part of career interview;
- set up end-of-career strategies and transition between working and retirement: retirement preparation training.

The purpose of these commitments is to motivate employees throughout their professional life, be clear on the Company's key skills, and improve their working conditions.

In a context of longer working lives, the Groupama group encourages motivation in the second part of its employees' careers and promotes a non-discriminatory age management policy.

The consolidated scope accounts for 35.1% of senior workers age 50 or more within its staff as at 31 December 2017 (+1.6 points compared with 2016). The changes between 2016 and 2017 are as follows:

	2016	2017	2017 scope *(%)*
Proportion of seniors by status			
■ non-executives	55.9%	54.1%	100
■ executives	40.9%	42.5%	
■ management executives	3.2%	3.4%	
Proportion of seniors by business line family			
■ “commercial”	31.3%	30.4%	100
■ other families	68.7%	69.6%	

MEASURES TO PROMOTE THE RECRUITMENT AND CAREER DEVELOPMENT OF YOUNG PEOPLE

The new employer brand was launched in 2017, highlighting our values of proximity, professionalism, and ethics.

The Group and its companies contribute to economic activity by supporting employment in the regions. For this reason, for the sixth consecutive year, the Groupama group held its “Jobmeetings” in 2017 in 9 cities in France (Paris, Lille, Orleans, Troyes, Strasbourg, Nantes, Mulhouse, Besançon, and Dijon). This friendly recruitment event, organised “in after-work mode” this year, is an opportunity for candidates to meet operations staff, discover the diversity of professions, brands, and job offers.

In addition, to reveal new profiles and future potential, Groupama organised a recruitment session for sales representatives in the form of an escape game. More interactive than the CV, the solving of puzzles was an opportunity to assess cooperation, teamwork, initiative-taking, and communication skills of candidates.

In order to be in line with our society, the Group's companies are increasing the number the new ways of recruiting, with strong positioning on social networks, development of co-opting, etc.

Promotion of and compliance with the stipulations of the ILO fundamental conventions

The Groupama group reiterates its commitment to respect the stipulations of the International Labour Organization (ILO) fundamental conventions in its ethics charter, deployed in all of its companies and brought to the knowledge of all of its employees. The ethics charter also recalls that the Group fully adheres to the recommendations or commitments made by the Universal Declaration of Human Rights and the European Convention of Human Rights, the guiding principles of the OECD, and the ten principles of the Global Compact.

Group ethics charter

The Groupama group's ethics charter was presented in 2008 to the Steering Committee, the Group Executive Committee, and the Board of Directors of Groupama SA, the parent holding Company of the Group. It was appended to the Internal Regulations of the Group's companies in accordance with the procedures for informing and consulting the employee representative bodies (Group Committee and European Works Council, WHSC, Works Council, labour inspectors, registries of labour tribunals, and posting). Lastly, it was distributed in 2009-2010 to all employees (electronically and posted on the Group's intranet) as well as to the multi-line agents of Gan Assurances, the representatives of Gan Patrimoine, and the secretaries/representatives of the regional mutuals.

The main objective of the ethics charter is to unite and mobilise employees around its values of proximity, commitment, performance, and solidarity. It defines the Group's commitments in terms of ethics, such as:

- acting in respect of the confidence given to us by our members and customers;
- promoting the development of the individual and Group talents of employees;
- demonstrating our vocation as a socially responsible player, showing solidarity.

These commitments are set forth in rules of conduct to be adopted by employees. In particular, they are required to show proof of integrity and loyalty in carrying out their duties, both inside and outside their Company when they represent it, and are prohibited from any act of active or passive corruption. The ethics charter also defines the responsibilities of the ethics committee, made up of the Group's senior executives, which meets twice per year (in 2017, on 14 March and 14 November). The ethics charter was revised and presented to the Ethics Committee in 2014 in order to take into account changes in the Group and its environment since 2008. In this text, the parts addressing the following were reinforced in particular:

- the values;
- the duty to advise and the protection of data;
- the fight against corruption and fraud;
- the freedom of expression of employees subject to the preservation of the Group's neutrality, including on social networks;
- the transformation of the role of the Committee, which may rule on any CSR-related subject as well as on ethics.

The new version of the charter was communicated to all Group employees in early 2016 following an internal process of validations, information, and consultations that took place in 2015.

The measures required by the laws promulgated in late 2016 and in 2017, respectively Sapin 2 (prevention/detection of corruption and influence peddling) and Duty of Care (prevention of violations of human rights, fundamental freedoms, health and safety of persons, and the environment), led the Group to continue its work in 2017 to modify its ethics charter, create a separate Code of conduct, and provide for an ethics alert system. These items will be communicated to employees in 2018 following the information-consultation of the social bodies in the coming months. See also section 2.5 "Relations with stakeholders".

Group Opinion Poll

The Group Opinion Poll (BOG) is an action organised every two years, in collaboration with research company Ipsos. The 5th edition (the latest to date) of the Groupama group survey (combined scope including the regional mutuals) took place in spring 2016. The Group Opinion Poll consists in collecting the opinion of Group employees on permanent contracts *via* an electronic questionnaire guaranteeing anonymity and complete confidentiality of responses. In 2016, 70% of them responded to the survey, a very significant participation level.

Reminder of the results of the 5th edition:

- the level of commitment of the Group's employees stands at 73%, +2 points compared with 2014;
- quality of life at work, with a score of 6.5/10 at the Group level, remains at a good level, up 0.1 points compared with 2014.

The next edition of the survey is scheduled for March 2018.

(b) Acting as a responsible, long-term partner of our customers and members

Rooted in modernity and movement, the Groupama group develops offers that respond to society's major issues: mobility, entrepreneurship, pension, health, assistance, long-term care, and adaptation to weather changes. Incorporating strong social and environmental added value into the Group's products and services is a challenge for the future. Today, it is committed to going further in taking environmental, social and societal factors into account in constructing insurance offerings, its prevention actions and Asset Management as well as by adopting responsible behaviour in its relations with its customers and prospects.

During 2017, three surveys were conducted to capture the most relevant societal developments:

- survey: "Europeans, French people, rural people... What are the perceptions of agriculture?"

  Study conducted in January 2017 with 3,055 Europeans, 1,006 French people, and 476 rural people. During the agriculture exhibition in Paris, Groupama, France's leading agricultural insurer, announced the results of the Odoxa survey on Europeans, French people, and their agriculture. They love their farmers and see agriculture as a great asset to their country. While agriculture and farmers enjoy tremendous popularity throughout Europe (89% positive opinions), it is France that wins the gold medal of agriculture in Europe, combining human values and technical and technological innovations. For 66% of French people, farming is a changing profession responding to the challenges of the future. They want environmentally friendly farming (56%), as well as an improvement in the standard of living of farmers, because everyone (85%) agrees on the difficulty of their working conditions;
- survey of local authorities in June/July 2017 (customers and prospects) *via* telephone interviews (2,700 respondents at the national level) and a qualitative survey to better understand and analyse the points of satisfaction and dissatisfaction. 98% of Groupama customers are satisfied with the services on the local authority insurance market;
- survey: "Suburbanites and intergenerational solidarity" (July 2017, conducted by Ipsos for Groupama with more than 1,000 people):
  - the family, a value that remains essential: 77% of people hear from their parents at least once a week, including 25% every day or so;
  - helping your family, a duty but also a pleasure expressed by concrete actions: "the pleasure" of providing help to a family member who needs it, shared by 92% of them;
  - focus on the 45-65 age Group, daily assistance and remote assistance, with solutions favoured by the "pivot generation": practical help (76%) and remote assistance (55%) *via* assistive technology services for home care like Noé.

The results of these surveys are one of the valuable tools leading the Groupama group to reflect on the developments to be monitored in order to offer solutions that best meet the expectations of our customers and members.

PROXIMITY AND SERVICE

As a responsible insurer, beyond the offer, strictly speaking, the Group is very attentive to the quality of the advice and the close relationship, a source of mutual trust with members and customers. In the event of bad weather in particular – like the storms in the West Indies and mainland France in late 2017 – the Group's teams mobilise in the field. Beyond the collection of the declarations of affected members and customers, the goal of the teams is to express their empathy and detect situations of distress and, if necessary, rehousing problems.

Speeding up repairs and supporting people are major concerns; more and more self-care options and the platforms developed by the Group (Sévéane, CapsAuto, FMB) are available to customers for a faster service at the best cost. The same is true internationally, with the MyAngel (auto) app in Italy (an appraiser on site within 30 minutes after an accident, list of the nearest repair shops, compensation periods of just a few days). A comprehensive approach to assisting victims of bodily injury is also put in place and facilitated by Groupama SA's Bodily Injury Division.

For better customer knowledge and to further ensure the relevance of our advice, the Group is working on Artificial Intelligence. Similarly, in 2017, the Group and its companies prepared for the implementation of the Insurance Distribution Directive (2018). With regard to savings and retirement, a Group programme already aims to optimise advice and proximity throughout the life of a policy.

See also section 5.1.12.2 (e) - "Relations with stakeholders".

Prevention

For more than 60 years, the Groupama group's prevention policy has been reflected in a concrete commitment in areas pertaining to economic, social, and environmental responsibility: protection of people and property as well as the sustainability of businesses and the preservation of the environment. Driven by the strong convictions of the Mutualist Directors and the employees, it favours anticipation and long-term actions to serve our members and customers.

For companies of the Groupama group, applying a large-scale prevention policy means encouraging the emergence of responsible attitudes towards the risks of today and tomorrow while being economically efficient. The Group's teams carry out various prevention actions, from technical prevention (business risk inspections, electrical or alarm installation advice, etc.) to institutional prevention with the general public, customers or non-customers (road safety awareness for schoolchildren, prevention of accidents in the home, conferences on health topics, etc.).

Prevention has taken shape over time through multiple individual or collective, innovative or original actions seeking to reinforce the safety of individuals and property on all of their private and professional risks. The deployment of prevention actions conforms to a strategy specific to the group, a source of expertise and legitimacy: integration of dedicated resources (teams of prevention inspectors, Centaure centres, etc.), partnerships of excellence (Predict, Météo France, national police force, highway companies, etc.), and local actions thanks to exceptional coverage of the territory.

The Group is developing – and will increasingly develop – prevention services in connection with the growth of connected objects (particularly through auto, home, health, with young people, seniors, professionals including farmers, businesses, etc.).

During 2017, 227,655 customers or non-customers (17,349 in 2016) were made aware or trained on prevention by the Groupama group's teams (excluding Centaure centres). This increase is explained by the fact that in 2016 the subsidiary Groupama Asigurari was excluded from the scope, therefore excluding the 210,000 people who participated in the burglary prevention days, organised in partnership with the Romanian police. Excluding Romania, the figure is up at 17,655 in 2017.

Our prevention actions Group together five major areas: health, road safety, home risks, agricultural prevention and industrial risks and local authorities.

The "Groupama ma prévention météo" app has been extended to beneficiaries registered on the "Groupama, toujours là" app, as part of the extension of Predict (prevention for local authorities) to individuals, professionals, and businesses for all regional mutuals in 2017.

Content on prevention is regularly posted on the social networks, Twitter accounts, or Facebook pages of the various entities of the Group. Recall that in 2016, the Group showed its innovation, for example #CestAprevoir, the insurance industry's first communication campaign operating "in real time". Through its Twitter account, Groupama relays prevention advice by anticipating topics of interest for the next day.

HEALTH INSURANCE

In health insurance, the Groupama group takes action in a culture of prevention – by covering many acts of prevention, reimbursed by the compulsory scheme or not – and is actively engaged in informing and mobilising policyholders.

The supplemental health offerings take this approach to prevention into account, with, in particular, reimbursement for prescribed vaccines not reimbursed by social security, a free annual oral and dental check-up, coverage for fluoride treatments for children, smoking cessation, prescribed antimalarial medicines, etc. Specific prevention coverage for policyholders age 55 and older for the insured persons aged 55 years and over is incorporated into the senior offering, particularly in dental (gum treatment) and podiatry/podology and provides coverage for treatments not reimbursed by the compulsory schemes.

Groupama's prevention advice to customers and non-customers is presented both during health conferences (on topics such as nutrition, physical activity sleep, elimination of risk factors like tobacco and alcohol, self-medication, etc.) and through Groupama.fr in the form of guides and health profiles on various topics.

The website www.bienmangerpourmieuxvivre.fr provides tips for better eating. sections are dedicated in particular to the elderly, children, pregnant women, and athletes. The Groupama group is a partner of the website published by "Saveurs et vie", a specialist in providing custom at-home meals and nutritional care. Monthly helpful tips (the seasonal basket, for example) and fun sections are exclusively reserved for the Group's policyholders.

ROAD SAFETY

Groupama's road safety policy, developed for several decades, has been extended to all audiences and ages. From younger children starting school to seniors, the Group's companies have put in place a whole range of actions.

The eleven Centaure centres, of which Groupama SA is a shareholder, are an important relay for Groupama's prevention actions as regards its members as well as businesses and the general public. Spread out all over France, they offer road safety courses and professional training courses, including eco-driving modules.

In 2013, the Road Safety Department, Groupama, and the Centaure association renewed the road safety charter, which offers quality post-driving permit training to drivers for safer, more responsible driving, particularly for beginning drivers but also for seniors. In line with this tripartite charter, and in order to reach the widest possible audience, Groupama and Centaure launched the "Centaure 360°" mobile app in 2016. This innovative, educational digital tool, intended for the general public, focuses on virtual reality to inform and immerse smartphone users in the world of prevention and driving improvement. In 2017, new learning modules were deployed (hypo-vigilance, phone use while driving and distractors, etc.). The development of the quality approach within the network resulted in the provision of certificate-issuing training for the companies. On this major point, in connection with the law of March 2014 on the reform of professional training and the decree of 30 June 2015, Centaure obtained recognition from the French national commission for professional certification (CNCP) for the CARD-PRO certificate, the AFNOR training services NF certification (on the learning process, the organisation, etc.), and the quality approval of the OPCA by the EIG Datadock. Centaure's certificate-issuing training courses are eligible for the professional training period in the personal training account (CPF) according to the decisions taken by the professional sectors.

With regard to the general public and businesses, Centaure ensures its sustained presence with prevention messages on social networks (Twitter, Facebook, LinkedIn, Viadeo).

Driver training at the Centaur centres	2016	2017	2017 scope *(%)*
Number of people trained in prevention and eco-driving at the Centaurs centres	40,296	40,873	France

In addition, in connection with the development of connected objects, Groupama On Board is a behaviour-related auto insurance test launched in several companies of the Group incorporating a strong dimension of prevention geared towards young people. It collects and analyses the driving behaviours of beginning drivers, aims to educate drivers with personalised prevention, and reduces the premium to reward good driving. Building on its success and winner of Groupama's 2016 creators of success award, Groupama On Board continued its development in 2017. Also noteworthy was the launch of Santino in the Group's subsidiary in Italy, an app that blocks calls and text messages while users are driving (2017 creators of success award).

Other prevention measures promoting road safety are carried out in the Group's entities. Examples include road safety prevention workshops, distributions of yellow vests, training for seniors as part of the "Il n'y a pas d'âge pour bien conduire" ("You're never too old to be a good driver") programme, and other actions.

Highlight of 2017: Groupama's launch of the letrajetleplussur.fr app, which offers a safer alternative to the route usually proposed by GPS: the first free road safety platform based on government accident data now in open data format, the site can generate and compare two routes in two clicks: the fastest route, traditionally proposed by GPS, and the safest route, the one that is statistically considered the least dangerous.

PREVENTION OF DOMESTIC RISKS

Domestic risks are responsible for more than 19,000 deaths each year in France. Groupama's initiatives aim to encourage preventive and assistance behaviours. Many actions are carried out locally, like information meetings on "everyday accidents", fire hazards and the use of fire extinguishers and defibrillators, or awareness-raising events like "House full of dangers" or "Tourisk family". Groupama also publishes thematic sheets on the everyday risks, such as securing private pools and playgrounds or deciphering danger icons. Our initiatives are implemented *via* local partnerships with players as diverse as Générations Mouvement, the French Red Cross, Familles Rurales, Foyers Ruraux, etc.

At groupama.fr, all the pages on prevention advice regarding home safety have been updated, and prevention approaches were put in place in order to support the legislative developments (particularly for smoke detectors).

The Box Habitat, launched in 2015, allows users to monitor their home themselves and prevent risks of fire, intrusion, power outage, etc. and offers home protection connected 24/7 to a smartphone, PC, or tablet.

In 2017, the launch of Noé, a connected remote assistance service for seniors (connected bracelet, tablet, app on the phone of caregivers or relatives), can prevent falls and other accidents and allow seniors to remain at home in complete safety. During the 2017 Top Success event, second prize was awarded to this new mechanism, which combines digital and human connection.

Recall that in 2016 Crédit Mutuel Arkéa and Groupama established a partnership on pooling know-how in the field of remote assistance for people and remote surveillance of property. This partnership brought about the launch of a joint monitoring platform as well as an R&D centre.

AGRICULTURAL PREVENTION

The agricultural prevention sector, with very comprehensive actions involving multiple innovations, has benefited from the historic commitment of the Groupama group, which celebrated "60 years of prevention" in 2015.

One example is the "Dix de Conduite Rurale" ("Rural Driving 10") campaign, initiated by Groupama in agricultural colleges in 1972 in partnership with the National Police, CLAAS and Total, which is now a benchmark in training on the risks of driving farm vehicle in the rural sector. The "Dix de Conduite Jeune" ("Young Driving 10") campaign is intended for students ages 14 to 16 in general education and agricultural schools; its educational goal is to prevent the real dangers of the road in order to better anticipate and control them.

Agriculture	2016	2017	2017 scope *(%)*
Number of missions carried out by preventionists	175	32	99.82%
Number of outside individuals who benefited from awareness-raising actions, information or training in prevention or safety	16,727	16,680	99.82%

A three-year agricultural prevention Group plan for 2016-2019 began its implementation around three focuses: measuring, acting, and promoting. In particular, it seeks to strengthen the overall effectiveness of our actions and to further experimentation efforts like fodder probe testing, connected farming, and security actions. A guide for methanisation project sponsors was published in November 2016 on the question "How do we integrate security?".

Also note that Groupama offers specific prevention tips for young farmers starting up, *via* the website demainjeseraipaysan.com.

Lastly, in 2017, the Vigielent application was launched as a pilot, making it possible to report in real time the position of a slow or bulky (often agricultural) vehicle on the road, promoting safer sharing of the road.

PREVENTION OF RISKS TO COMPANIES AND LOCAL AUTHORITIES

Groupama supports an approach to prevention of professional, environmental, etc. risks with industrials and local communities in order to understand their vulnerabilities and decrease them using a "customised" approach.

In partnership with Predict Services, a subsidiary of Météo France, the Groupama Predict offer initially intended for local authorities includes assistance in the preparation of a Local Response Plan and a real-time monitoring and information system on flood risks. The plan is in place in 18,000 municipalities, under the Groupama (17,000) and Gan (1,000) brands – the Group is the number 1 insurer of France's municipalities – and provides warnings not only for floods but also risks of storms, coastal flooding, or heavy snowfall. The information provided by Groupama Predict is personalised and issued in real time by Internet or SMS. In addition, a Groupama-Predict app has been developed; it delivers messages regarding key information in order to anticipate and manage a hazard event: severe weather reminders, hydrometeorological assessments, protection instructions, etc. The Predict alert system was extended to other customers of the Group (individuals, professionals, companies, businesses, associations, etc.) with the launch of the "Groupama, ma prévention météo" app and developed across all mutuals in 2017.

Businesses and Local Authorities	2016	2017	2017 scope *(%)*
Number of missions carried out by preventionists	1,143	1,615	99.82%
Number of outside individuals who benefited from awareness-raising actions, information or training in prevention or safety	549	592	99.82%

Also note, with regard to prevention for local authorities, that Centaur training, information meetings on occupational risks, and access to the Mayor Info Guide (50 sheets on all risks) are offered, and the guide has today become the Territories website. The 21st exhibition for French mayors and local authorities (Salon des Maires et des Collectivités) (November 2017) was an opportunity for Groupama to officially launch Territories, its new website dedicated to municipalities and associations.

Promotion of the Activeille remote assistance solution for corporate and community facilities was reinforced during presentations in 2017 (Salon Préventica, Salon des Maires, etc.). Groupama's second participation in the Batimat exhibition in November 2017 allowed DATIWatch to be presented: this Isolated Worker Alarm System is used to trigger an alert to ensure the safety of people working alone. A connected watch, in case of manual triggering or if there are no micro-movements, allows emergency services to be reached quickly.

In addition, Groupama is exporting its expertise in prevention with the recruitment of international risk experts in 2017.

PREVENTION AMONG EMPLOYEES OF THE GROUP'S COMPANIES

Awareness, information and training actions on prevention or safety are also offered to employees of the Group. Awareness actions were carried out with 8,767 (1,838 in 2016) people on various topics in 2017: stress management, cyber security, road safety, workstation ergonomics, and eco-driving (particularly thanks to the Centaure centres). This increase can be explained in particular by the improved recognition of these actions as well as an increased effort by certain entities to raise the awareness of their employees. This year, the Hungarian subsidiary Groupama Biztozito deployed two exceptional automobile accident prevention events and a health day, mobilising 7,650 people.

Insurance and service offerings responding to social and societal issues

ACCESSIBILITY

In order to better meet customer needs and to enable all customers to insure themselves depending on their capacities while continuing to benefit from sufficient coverage, the Group has developed forms for modest and limited budgets in its offers. In 2013, the "Essentials", new forms of the individual supplemental health insurance product, were created. They provide for reimbursements only for health expenditures considered essential by the policyholders, particularly in situations of setbacks. In Group health, as part of the National Interprofessional Agreement (ANI), the Group was one of the first insurers, as early as 2013, to promote through its Gan and Groupama networks, accessibility and protection for all employees by equipping the companies with policies adapted to the characteristics of the professional segments. On the market for these "ANI" policies, Groupama was the leader in 2016 with 55,000 new policies. In 2017, there were 20,200 new policies, confirming the continued equipping with policies. On pro.ganassurances.fr, leaders of very small enterprises/SMEs can quickly obtain health insurance for their employees.

Within the "Assureurs Complémentaires Solidaires" grouping, Groupama has committed to the distribution of the new certified offering, by the Public Authorities, for low-income policyholders to enable them to continue to benefit from the scheme that entitles them to a premium reduction on their policy: supplemental health purchase assistance (ACS).

In 2017, the Group innovated by making the third-party payer certificate available to all of its 1.4 million health policyholders in their customer space.

In the same spirit, in motor insurance, there are also "Mini" or "Essential" offerings or offerings for low-mileage drivers. Since 2015, Groupama has been expanding its range of basic offerings with adaptation on multi-risk home insurance policies. Groupama thus offers low-cost housing insurance for students. Groupama's multi-risk home insurance policy was completely overhauled in 2016, particularly with a simplification of policy documents for better accessibility/clarity of customer information.

In order to support socio-economic developments, the Group has adapted its Everyday Accident insurance: accessible to blended families, adapted coverage for individuals over age 70 and students abroad. Since 2014, there has been a specific option to protect professionals (tradesmen, shopkeepers, and service providers) within Private Everyday Accident.

SUSTAINABLE SOCIAL PROTECTION

In health, the Group is fully committed to complying with the conditions of the "responsible policies" that limit the consumption of unnecessary care or care from health professionals who charge excessive fees. All policies are now "responsible policies", and the same applies to Group health policies (as part of the "ANI" offering).

Health insurance policies offer generalised third-party payment and access to large care networks throughout France (Sévéane), particularly in optical, dental, and hearing aid care. Groupama guides policy holders to healthcare professionals who offer quality equipment at the best price. In 2016, Sévéane was improved and now offers a special price for eyewear (up to -40% on lenses) and a renewed proximity with opticians: the network now has 3,500 opticians.

In 2017, the online healthcare customer area was expanded for Groupama's individual health insurance policy holders: reimbursement tracking, online third-party payment certification, location of Sévéane healthcare professionals, nutrition area, health advice, and Emag'santé Groupama. In 2018, this new healthcare customer area will be rolled out to other health insurance policy holders.

Note the extensive support services provided by the Group: home support including "young mother" support, home help/care assistant, remote assistance upon release from hospital, etc. From September 2017 to the end of August 2018, an experiment on remote consultation is being conducted with two regional mutuals and Médecins Direct, a particularly interesting solution to allow individuals to consult a doctor remotely, in a context of reduced access to doctors in rural areas.

An insurance solution dedicated to seniors was launched in 2015 with covers meeting their needs, such as increased reimbursements on hearing aids. Specific prevention covers are also incorporated into the product, particularly in dental and podology/podiatry, and pay for treatments not reimbursed by the compulsory schemes. In 2017, the Groupama Santé Active offering, including for seniors, was enriched: the scope of alternative medicine, which is increasingly popular with the French, was extended, and the amount for a private hospital room per night was increased for certain options.

A hotline for seniors has already been available for a long time – and will continue to be developed through the "connected home" – and is a response to the issues directly related to the ageing of the population, such as risks for long-term care and home support. With a focus on prevention and intergenerational assistance, Noé was launched in early 2017. Noé is a connected remote assistance service for seniors (connected bracelet, tablet, app on the phone of caregivers or relatives) can allow seniors to remain at home in complete safety. During the 2017 Top Success event, second prize was awarded to this new mechanism, which ensures a real-time connection with a family member who is physically far away.

In terms of protection insurance, the Group and its companies wish to promote their social utility. To that end, it launched in 2017 a comprehensive 2020 Protection plan (redefinition of the product range, distribution strategy, especially with regard to professionals).

Recall that a new long-term care offering was launched in 2016, a field in which Groupama is a pioneer and historical leader. In particular, it will provide policyholders recognised as dependent with a pension of up to €2,000 per month, plus the ability to equip their home appropriately. It includes a wide range of services provided in case of long-term care of the policy holder, but also to support a person who is in a caregiving situation.

In Group protection insurance, a field in which penetration very small enterprises/SMEs is very low, the Group is continuing to develop its flexible offerings (such as Galya at Gan Eurocourtage), which include support and assistance services for employees. Regarding the social protection of agricultural assets, Groupama is continuing its partnership with the social protection group Agrica and the MSA and renewed in 2016 the "corporate mutual" agreement with the FNCUMA, which concerns 5,000 employees.

Two other framework agreements were signed in 2016, with the FNSEA and the JA [young farmers] organisations. Twenty thousand farmers who use labour signed up as part of the agricultural offering partnership. In 2017, Groupama obtained additional protection from the ministry of agriculture.

In order to meet the challenge of ageing and the growing imbalance of the pay-as-you-go system in France - hence increased requirements in terms of performance and security on the part of savers – the Group completely renovated its retirement offer, Gan in 2013 and Groupama in 2014-2015 (secure, protected, diversified UL and time-horizon management). Groupama continued its UL diversification strategy, which allows customers to combine performance potential and capital protection. A Retirement guide was also produced in 2016, and the Tips section on Groupama.fr was expanded on this subject. Note that the Group also contributes to the Certivia fund, intended to promote life annuities in France. The process continued in 2017 with the establishment of an informative website, with the construction of allocations based on the customer's risk profile. The goal is to meet the need for understanding and information of subscribers, with well-expressed priorities in terms of savings and flexibility.

MOBILITY

With the emergence of connected cars, Groupama offers innovative solutions with multiple benefits for both the customer and the environment. Amaguiz's Road Coach offering, launched in January 2016, allows drivers to pay less for insurance according to their driving style. Thanks to an on-Board telematics system, policy holders are encouraged to drive responsibly on a daily basis, and to adopt the proper habits to reduce fuel consumption and CO_2 emissions. This offering allows policy holders to save up to 36% on their insurance premium, paid back in the form of electronic gift vouchers. A similar behaviour-based offering had already been launched by the Group's subsidiaries in Italy (MyAngel) and Turkey (Kaskopilot). In France, launched as a pilot at the end of 2016, then extended in 2017 to other companies, Groupama On Board, focused on young people, offers behaviour-based pricing and prevention advice.

A new "mobility" insurance product in 2017: support for new modes of mobility also led to the expansion of the motor insurance offering, which now includes, at no additional cost, protection for carsharing and carpooling. This concerns nearly a million policies in the 4As system.

Lastly, Groupama is developing products or services that make life easier today, such as in 2017, Domos (for easier moving), PayCar (buying a used car safely), legal protection insurance that takes e-reputation risk into consideration, and a service for members: registration document management in the agency (first prize in 2017 Top Success), a pilot operation in 2017 to be extended in 2018.

PROTECTION FOR ALL FARMING IN THE FACE OF INCREASING RISKS

The response to the needs of agricultural players has historically been at the heart of Groupama's business (number 1 agricultural insurer, with 65% market share).

In 2017, the national "Insurance and Climate Change" day was organised at Groupama SA's offices, under the supervision of the French agriculture council (CAF), of which Groupama is a member. This conference provided an opportunity to provide information on the "multi-risk climate" insurance offering. Multi-risk climate insurance, of which Groupama has been a designer from the beginning (2005, then reformatted as a "basic policy" in 2015), has shown its importance in recent years, when crop losses have been particularly significant. Groupama's mobilisation alongside farmers following bad weather has been strong, thanks in particular to its elected representatives and the 450 Groupama appraisers specialising in crop damage appraisal.

After a pilot in late 2016, Groupama launched in 2017 an innovative product highly anticipated by the profession, "Objectif Stabilité", the name of the "revenue" insurance launched as a test, allowing farmers to protect yields and prices. More generally, the Group, a professional agricultural organisation and an expert in agricultural risk management, is involved in the preparatory work for the 2020 PAC, to work with farmers to build the tools necessary for their protection.

Agriculture is also increasingly a technological and precision business, and Groupama is supporting this development, as illustrated by the Airinov partnership (drone insurance) and insurance for agricultural robots, with the partnership initiated in February. 2017 with NAIO Technologies, or the Smart Agri project (global risk management for a farm). In 2017, Groupama participated in SPACE 2017: "The connected farm, what contributions for your profession as a farmer?", an event offering an opportunity to experiment with solutions using connected objects: fodder probes, connected fences, geolocation of tractors in case of theft, etc.

The development of exo.experts in 2017, specialising using drones to assess weather hazards on crops, makes the inaccessible visible by capturing aerial images of losses, allowing for more reliable, faster assessment of claims.

SUSTAINABILITY OF ECONOMIC PLAYERS AND NEEDS OF LOCAL AUTHORITIES

As the number 1 insurer of local authorities in France, Groupama is a major player in territoriality and also covers the entire spectrum of their needs (insurance for elected officials, municipal staff, facilities, etc.).

The Group also continued its role as contributor of protection for entrepreneurs (unemployment insurance for Corporate Directors, insurance for business creators, new protection insurance for professionals, etc.) and the durability of their Company and the revenue produced. Groupama is one of the players offering the most solutions, covering all needs and positions, with comprehensive advice, proximity, and the possibility of immediate insurance.

In the context of emerging risks, 2016 saw the launch of an offering against cyber risks (through Gan Assurances), which continued in 2017, and the publication of a white paper guide in partnership, which shows in particular the under-protection of very small businesses and SMEs against cyber-attacks.

In connection with the 21st Salon des Maires in 2017, Groupama launched its new Territories website (formerly Mayor Info Guide), see section 2.2.2 "Prevention", and presented a survey on the local authority insurance market (see introduction of section 5.1.12.2 (b)).

Note in 2017, for professionals:

- stronger support (taking advantage of the common local anchoring, etc.) for local businesses, including hotels/restaurants, building tradesmen, etc. (low-cost Group insurance solutions for businesses, ten-year insurance covering all minor works, etc.);
- streamlining of professional multi-risk offerings, taking into account changes in uses and activities (*e.g.* for auto professionals, cover for electric charging stations, insurance for joint garages, etc.);
- new customer area for professionals (health and protection focus).

THE RISE OF THE COLLABORATIVE ECONOMY AND DIGITAL

The Group is a stakeholder in the rise of this economic and societal evolution. For example, Groupama is the insurer of equipment rented on the WeFarmUp agricultural platform (more than 1,000 shared machines). It is involved in the insurance for lenders on crowdlending platforms (Pretup, Finsquare) and participates in the risk analysis of projects presented on the Lendix platform (Gan Assurances partnership). In Bulgaria, the Group's subsidiary has been the insurer of CarAmigo, a website for car rental between individuals, for two years.

In addition, Groupama is one of the two-member insurers of the FinTech Forum (this forum for monitoring, dialogue, and proposals bringing together innovative companies, public authorities, and supervisory authorities provides a better understanding the challenges associated with the development of innovations in terms of opportunities and potential risks) and participates in the Labchain, the 1st European consortium dedicated to studies on the possibilities of Blockchain.

Since September 2017, Groupama has participated (the only insurance/finance partner) in a world-renowned "start-up accelerator" programme, Techstars. Groupama wishes to further strengthen its proximity to the French innovation ecosystem and thus contribute to its influence. Ten Group mentor help identify and support potential partnerships. In doing so, the Group will be able to test new disruptive digital solutions and later use them to serve its customers.

Responsible Asset Management

During the first half of 2017, for the first time, the Groupama group produced a report relating to Article 173 of the French energy transition law, presenting how the Group incorporates Environmental, Social/Societal, and Governance criteria across all asset classes into the choice of its investments and its contribution to the financing of the energy transition.

For more than 15 years, the Groupama group, a financial player in the economy's long-term development, has been involved in promoting Socially Responsible Investment (SRI), through its third-party Asset Management subsidiary, Groupama Asset Management. Its expertise in analysis and research, its management products and its mobilisation within many French and international representative environments make it one of the recognised leaders in this field.

In addition to rolling out this specific SRI strategy, Groupama Asset Management has established a global objective of ensuring the widespread integration of Environmental, Social and Governance (ESG) issues[(1)] policy of integrating ESG criteria is being gradually applied to the financial management of the Group's assets. Groupama Asset Management believes that by promoting the integration of ESG issues into the macroeconomic and microeconomic analysis of its investments, it potentially optimises not only the management of risks but also the sources of added value and long-term value creation of investment portfolios through its policy of Responsible Investment (RI).

The assets concerned in the application of this dual strategy (SRI/RI) are divided into three categories:

- SRI funds or mandates in the strict sense of the terms managed through the application of "best in class" management processes or recognised as SRI by the CIES (French inter-union employee savings committee);
- RI money market funds: this represents all monetary management; *ad hoc* committees decide on the exclusion in principle of certain securities (issuers using tax havens, etc.) and at the same time promote investment in specific cooperative banking structures, etc.);
- the RI category, which includes funds or mandates managed according to specific ESG charters, practicing exclusion in principle or being managed using sustainable benchmarks.

The Group's total investments incorporating ESG criteria (including the specific segment of Socially Responsible Investment – SRI) reached €23.1 billion at 30 December 2017, or 23% of total assets under management. Assets under management, including RI, were virtually stable over the 2016-2017 period.

(1) The policy of integrating ESG criteria into the financial management of the Group's assets is gradually applied to the universe of European medium/ long-term assets (credit bonds and equities). At first, this integration was implemented for the management of Euro/Europe equities only within open or dedicated mutual funds managed by Groupama Asset Management, held by the Groupama group's entities and/or disseminated to outside customers. Starting in 2010, this integration was gradually extended to the management of credit bonds (companies) and European sovereign debts (States). The scope of assets integrating an ESG approach (RI assets) thus involves all securities and money market funds held directly or indirectly.

	31.12.2016	Of which external customers	31.12.2017	Of which external customers
SRI and RI assets under management (in billions of euros)	23.7	9	23.1	8.6
Share of SRI and RI in total outstandings (%)	24%	9.3%	23%	8.2%

The scope taken into account for SRI and RI assets under management is as follows:

- SRI assets in the strict sense of the term (UCIs based on equities, rates, diversified open or dedicated);
- RI money market assets: all money management;
- RI assets: equity, fixed-income, diversified, and dedicated assets managed according to specific ESG charters.

At the end of 2016, following an audit conducted by the AFNOR, the SICAV Euro Capital Durable (Eurozone equities) and the Groupama Crédit Euro ISR fund (Eurozone bonds) were awarded the new SRI label supported by the public authorities (this local label followed the Novethic label). In 2017, following a follow-up audit by the AFNOR, the two labels were renewed.

The responsible management of Groupama Immobilier's assets is also presented in the report relating to Article 173 and "Acting for the environment" section of this report.

Groupama Épargne Salariale, as a business line Department of the Group, is also positioned in a CSR approach, for its offering of financial vehicles intended for the 131,000 employees of 14,000 customer companies. Groupama Epargne Salariale offers SRI funds, accredited by the French inter-union employee savings committee (CIES), with assets under management increasing by more than 6% last year to reach approximately €1.1 billion. In 2017, regarding the environment, the introduction of green bonds units[1] in the Groupama Épargne Responsable range of funds, the replacement of newsletters with e-news, and the awareness campaign on the adoption of e-statements by savers reduced Groupama Epargne Salariale's carbon footprint.

In 2016, Groupama Epargne Salariale launched a new offering for very small enterprises and SMEs incorporating the advantages of the Macron law and continued the development of Solutions Epargne Salariale, the reference site in for employee savings for very small enterprises and SMEs (www.solutions-epargnesalariale.fr is the first Internet site in France dedicated entirely to employee savings).

The Group continued its commitment to invest in the financing of the real economy, with nearly €1.5 billion committed for this as of the end of 2017. This programme to support the real economy involves private equity and loan funds, aimed at financing SMEs and mid-cap companies, mainly in France, as well as financing transport, energy/environment and telecom infrastructure and job-creating commercial property projects. In addition, as of the end of 2017, Groupama had subscribed for nearly €120 million in green bonds.

(c) Acting for the development of the regions and the progress of civil society

€43.9 million was paid to local authorities in the form of territorial economic distribution (CET) in 2016 (the amount for 2017 will be known in spring 2018).

€8.6 billion in benefits were paid in 2017[2] to our policy holders to allow them to protect their economic activity and their family life.

The group's decentralised structure favours strong territorial anchoring and contributes to the development of the regions. For em+ployment, the Groupama group and its companies regularly organise Jobmeetings throughout France (in 2017: Paris, Lille, Orléans, Troyes, Strasbourg, Nantes, Mulhouse, Besançon, and Dijon). After the issuance of first mutual insurance certificates in 2015 by a regional mutual, similar operations followed in 2016 for the other eight metropolitan mutuals. In particular, they strengthen the investment capacity of the mutuals in the regions. Mutual insurance certificates totalled €436 million overall as of 31 December 2017. The regional mutuals are reinsured by Groupama SA.

Almost all of the Group's companies engage in local actions/societal partnerships. Companies favour certain themes. Examples include Gan Assurances (entrepreneurship), Groupama Asset Management (actions to support the disabled), Groupama Assicurazioni in Italy (solidarity, culture, environment), Groupama Sigorta and Emeklilik in Turkey (cinema), and Groupama Asigurari in Romania (cinema, prevention, support for the Romanian Olympic committee).

In 2017, www.lavraievie.Groupama.fr was launched as a true external showcase of the actions in the territories concretely promoted by mutual insurance.

More generally, and in addition to the actions for prevention mentioned in point 5.1.12.2 (b), the Group's companies are present on three major commitment themes associated with our anchoring and local relationships:

- contribution to economic development and initiative in the territories;
- commitments around "Living together";
- the fight against rare diseases.

Economic development and initiative in the territories

Beyond a purely merchant or insurance-based approach, the Group's entities develop partnerships in the field to facilitate, encourage, embrace the initiative and promote employment, and contribute to local economic development.

This is possible and effective thanks to the Groupama group's local anchoring, with interaction between players in the field, thus providing detailed knowledge of the needs:

(1) A green bond *is a bond issue launched by a Company, an international organisation, or a local authority on the financial markets to fund a project or activity for environmental benefit.*

(2) *Stable compared with 2016, consolidated scope (France and International), excluding claims management costs.*

- in agriculture – with full support in the field, thanks to the numerous local initiatives of mutualist elected representatives, for the entire business cycle of farmers: sponsorship and support for installation, training and information, management of setbacks, participation in social progress initiatives (particularly related to health), promotion of agricultural trades (including partnerships with agricultural schools), etc. These actions are taken particularly in partnership with the Chambers of Agriculture (where Groupama is represented), professional associations and federations related to the sectors, the Departmental JA [young farmers] organisations and the FDSEA. Groupama's Departmental federations are represented within Departmental land authorities (DDTs) as well as land-planning and rural-development companies (Safer).

  Groupama also promotes direct distribution thanks in particular to digital with the creation in 2013 of a first local network to put individuals in contact with local members/entrepreneurs (Granvillage);
- in the field of very small businesses and SMEs – with assistance for entrepreneurs and support for regional employment, under the leadership of the Group's companies and their commercial networks: as part of partnerships at the regional level with chartered accountants, CCIs, territorial CPMEs, chambers of trades, CAPEB networks; partnerships with the structures or networks that help those who want to start or take over a business (Initiative France and "local initiatives platforms", Réseau Entreprendre, etc.);
- academic partnerships or partnerships related to the structuring of territories:
  - the regional mutuals have adopted the "territorial dynamics" plan set up with the partnership with CNAM and Fédération Nationale Groupama, studies that may have a direct impact on territorial actions, or the strategic planning of renewal of elected representatives on Boards,
  - on 26 January 2017, Fédération Nationale Groupama signed a national partnership with Centre-Ville en Mouvement, an association created in 2005 by local elected officials, parliamentarians, consular elected representatives, government officials, and researchers around the needs of downtown areas regarding development. This partnership extends the work initiated in certain regional mutuals around the dynamics of the territories,
  - the group's companies create partnerships with schools to promote themselves or to introduce the Company to the world and/or support young people as they enter the job market or even to assist charities involved in employment or insertion.

    In 2015, the Groupama group signed the "Charte Entreprises & Quartiers" charter to help priority neighbourhoods, implemented in the field by Groupama Val de Loire, Groupama Centre-Manche, and Groupama Antilles-Guyane, which signed in 2017. Groupama SA also continued its partnership with Proxité (financial support and promotion of their work with employees), a charity that offers individual sponsorship to middle and high school students in priority neighbourhoods. In three years, 17 employees (including 9 from Groupama SA) have been involved in Proxité;
- around solidarity projects and the local economy initiative, such as:
  - with entrepreneurs and start-ups – new partnerships are being developed using an approach of cross-collaboration and incubation by exchanges of skills, such as support for projects of innovative ESS (for example, GwenneG, Réseau les Cigales, Fondation Emergences, Petites Cantines and Marmite Urbaine, Mécénat Lyon StartUp, Rosalie Life partnership, etc.), partnerships with start-up incubators to provide opportunities to work in an ecosystem to detect innovations (for example, Amaguiz in the Nantes region), the use of unoccupied premises – by developing them for start-ups, independent workers, or solidarity actions (in the Paris region and in the West in particular[1]. Groupama contributes to the economy of tomorrow in the territories by investing in funds (investment capital) like Partech (for start-ups of the Paris-Saclay university centre) or for the development of the Lendix crowdfunding platform, or in Italy with the Think4South partnership. Since September 2017, Groupama has participated in a world-renowned "start-up accelerator" programme, Techstars (see section 5.1.12.2 (b)),
  - Groupama Immobilier also makes it office space available to the start-up incubator Immowell Lab, dedicated to innovation in the property sector, as well as people looking for work (Solid'Office),
  - Groupama and its companies award prizes, like the "Most Daring Entrepreneur" competition (Gan Assurances, in connection with the Entrepreneur Exhibition in Paris, January 2017), or the 2nd edition of "Groupama Inspiring Confidence", organised by Groupama SA, which awarded on 28 June 2017 six initiatives and actions to promote the creation of confidence within French society. Following a call for applications carried out at the national level and in the territories, 15 initiatives providing innovative and creative solutions to the changes and major issues of our society were chosen. Among the winners were Urban Circus, a fashion brand committed to urban road safety, revolutionising visibility garments with the ambition of turning them into a piece fashion and collections adapted to urban uses of the road, and Humaid, the first crowdfunding and donation platform dedicated to people with disabilities.

Commitments around "Living together"

The companies of the Groupama group provide operational and financial support to numerous local associations (sports, cultural, general interest, and other associations) around three main themes:

HEALTH AND DISABILITIES

Health (excluding rare diseases): the entities are significantly committed to the fight against cancer, particularly through walks or running races (like "La Parisienne") and participation in various sporting challenges, combining health and sport or nature. Other commitments have been made around the theme of health: support for AIDS patients or hospitalised children, promotion of blood donation, support for psychomotor research, etc. The Romanian subsidiary Groupama Asigurari has thus committed €28,055 to various health initiatives, and Gan Assurances provides €15,000 in support to research on psychomotricity and civilisation diseases.

(1) Examples: Base10 partnership at Groupama Centre Atlantique, Groupama Up spaces at Groupama Paris Val de Loire, etc.

Disabilities: establishment by the companies of actions to support people with disabilities, beyond the employment of disabled staff, programmes to keep them employed, and the use of adapted enterprise sectors (ESAT); various forms of partnerships: support for associations training dogs for the blind, Handisport, Special Olympics France (a grant, through participation in inter-company relay races, programmes to enable people who live with a mental disability to flourish through sport), Handicap International, purchase of equipment for people with disabilities, support for professional integration, tickets for shows, etc.

Note that the companies of the UDSG scope (including Groupama SA) have set a goal for increasing purchases with sheltered-employment organisations (ESAT/EA) by 10% between 2016 and 2018.

CULTURAL PATRONAGE

A few priority themes:

- commitments around the “local culture”: partnerships for events to showcase local or rural products and traditions; other more traditional commitments: music, heritage (support for museum exhibitions, local restorations, etc.);
- cinema, a group-wide commitment: in particular through the Gan Cinema Foundation, which celebrated 30 years of support for the 7th art in 2017: some figures and data for 1987-2017…:
  - 182 film projects supported,
  - more than 90% of winning projects have been filmed,
  - more than one in three winners produces more than three films,
  - nearly one in two winners assisted for their first film produces a second,
  - more than one in four winners is a Director,
  - one in three winners is of foreign origin,
  - one in five winning films is nominated for the César awards. Since 2014, this proportion has increased to one in four films,
  - for 30 years, one in ten winning films won a César award,
  - since 1987, one out of three winners has been selected for the Cannes Film Festival. Since 2014, nearly 80% of the winners have been selected, and one in three has won a prize.

In 2017, the Gan Foundation continued its action to support young artists and help with distribution, with a budget of €560,000. In addition, through a Group commitment since 2010, the Foundation is a “Grand Mécène” (major sponsor) of the Cinémathèque française, with €120,000 in support allocated this year. This support has been renewed for 3 years: 2018-2020.

In addition, local actions have been taken in France, and commitments have been made abroad: Groupama Emeklilik and Groupama Sigorta in Turkey support the restoration of old films, and the Romanian subsidiary Groupama Asigurari supports various cinema events such as the International Animation Film Festival or “Les Films de Cannes” in Bucharest (total donations of €28,827 in 2017).

SOLIDARITY

Humanitarianism and solidarity: the solidarity actions are very diffuse and multi-faceted, with support given to many organisations on general-interest or humanitarian projects (collection for Christmas, employee book drive, support for civilian victims of disasters, family or charitable organisations, etc.); actions related to international development, particularly for Africa: for example, as part of the Aïcha des Gazelles rally, Gan Assurances supported missions to aid children by contributing €5,000 in 2017 to the charity Cœur de Gazelles. A historic action of the Mutual Insurance Division: For 20 years, Solidarité Madagascar, in partnership with Générations Mouvement in particular; 33 projects are under way (in health, education, and agriculture). Groupama Phoenix (Greece) supported the charity SOS Children Village with €30,000 in 2017.

In 2017, Groupama Asset Management organised its first solidarity football tournament, benefiting 8 charities/foundations, working in fields such as medical research, child care, disability, etc. This event ultimately raised €14,500.

Operations like “Coups de cœur” or “11,000 sourires” are initiatives that team up elected representatives, employees, and elected representatives.

	2016	2017	2017 scope *(%)*
Amounts allocated for philanthropy excluding rare diseases *(in euros)*	2,228,152	2,523,013	100%

The allocated amounts were lower in 2017 (compared to the 2016 data proforma) because a number of special events took place in 2016 (support for the Romanian national team for the Rio Olympics by Groupama Asigurari) or due to a new method of calculation by certain entities (this year, Gan Prévoyance did not record the apprenticeship tax in philanthropy excluding rare diseases).

Regarding relations maintained with learning institutions, many partnerships are forged between our regional mutuals or subsidiaries and the institutions in their region or pool of employment: instructional actions or conferences, sponsorship, acceptance of trainees and interns, simulation of interviews and participation in juries, presence in employment forums and support for teaching chairs.

Fight against rare diseases with the Groupama Health Foundation

Highlights of 2017:

- new "Rare Diseases Research Prize" (€500,000, paid in instalments over 5 years);
- social innovation prize awarded to NeuroSphinx for its Poop&Pee app project;
- continuation of the partnership with the Necker Hospital to "promote optimal living for children with rare diseases" established for a period of three years from 2015 to 2017 and extended by one year (2018);
- assessment of the "Balades solidaires" ("Solidarity Walks"): €260,209 redistributed, 22,150 walkers in the 2017 edition.

The Group's commitment in the fight against rare diseases through the Groupama Health Foundation perfectly illustrates its mutualist values of solidarity, proximity, and trust.

The Foundation acts to promote medical diagnosis, encourage research on rare diseases, and improve the daily life of patients.

Being committed to the fight against rare diseases when this cause was not yet truly taken into account by the public authorities and having maintained this commitment is a great demonstration of our ability to maintain long-term partnerships.

A STRONG COMMITMENT SINCE 2000

Three million people in France and 25 million people throughout Europe are affected by rare diseases: "rare" because each of these 7,000 pathologies affects fewer than 30,000 individuals. However, in France overall, they affect 1 person out of every 20. Since 2000, Groupama has been committed to this public interest issue, which is perfectly consistent with its mission as a responsible insurer and mutual insurer.

The Groupama Health Foundation supports the fight against rare diseases, today public health priorities with cancer and Alzheimer's disease. The goal of the 2016-2018 action plan is to make the Foundation a major illustration of mutual insurance while positioning it as a private player of reference in the field of rare diseases.

To achieve this result, strategic focuses were defined, around proximity/solidarity and research/innovation.

TO STRENGTHEN THE MOBILISATION OF EMPLOYEES AND ELECTED REPRESENTATIVES IN THE FIGHT AGAINST RARE DISEASES

"Let's mobilise against rare diseases". With the goal of developing the commitment of employees, in February October 2017, during the "Semaine de la Fondation" ("Week of the Foundation"), employees were called on to choose, among crowdfunding campaign projects, the two that they wished to see the Foundation support. They were then given a starter donation of €2,500. Of the three selected charity projects, the Foundation donates to the most popular project. It matches 1 euro for each euro paid *via* the HelloAsso platform, up to €2,500 (1 euro paid = 1 euro donated by the Foundation).

Another vector for mobilisation of elected representatives are the "Balades solidaires" ("Solidarity Walks"). Since 2013, annual "Balades solidaires" ("Solidarity Walks") have been held throughout France on the first Sunday in June (for the most part). All the regional mutuals, Groupama SA, and the Group's entities in the Greater Paris region participate in the event. In 2017, the fifth edition of the "Balades solidaires", organised by the federations of elected representatives and the Groupama Health Foundation, brought together more than 20,000 walkers in 105 walks and raised more than a quarter-million euros. Constantly growing results since the first edition.

As a good example of the use of the donations, a cheque for €29,464 from Groupama Centre-Atlantique's "Balades solidaires" was presented to the team of Dr Hagedorn from Inserm de Bordeaux in 2017 for paediatric cancer research. Other solidarity events organised by the regional mutuals (concerts, etc.) raised around €40,000 in 2017.

INCREASE EFFORTS TO AID MEDICAL AND MEDICO-SOCIAL RESEARCH

The Foundation wishes to strengthen its support for research through several actions. The new "Rare Diseases Research Prize" (€500,000, paid in instalments over five years) aims to support a dynamic team, led by a senior researcher who has paved an ambitious way to fight rare diseases, to make real advances in this area. The 2017 winning team consisted of biologists, biophysicists, and clinicians, located in a CNRS research unit in Paris. It focuses on Intestinal Epithelial Dysplasia (IED), a rare condition affecting children.

In addition, the partnership signed in 2015 with Necker Hospital to promote optimal living for children with rare diseases continued. It will be extended to 2018.

The Groupama Foundation joins forces with the regional mutuals in their partnership with university hospital centres or universities. Examples can be found in Rennes with Groupama Loire Bretagne (diagnosis of rare diseases), Bordeaux with Groupama Centre-Atlantique (paediatric cancer), Toulouse with Groupama d'Oc (Prader-Willi), Lille with Groupama Nord-Est (CRACMO), and Strasbourg with Groupama Grand Est (third location close to the university hospital centre) and in the Paris region (Bichat Hospital for the purchase of equipment and the Pontoise hospital centre with local mutuals of Groupama Paris Val de Loire).

In addition, the €20,000 social innovation prize for 2017 was awarded to NeuroSphinx for its Poop&Pee app project, which simplifies the recording and monitoring of the stool and urine calendar. The goal of this prize is to provide support each year for innovative initiatives that mark a significant step forward and a breakthrough for people with rare diseases and their families.

INTENSIFY ACTIONS TO PROVIDE INFORMATION ON RARE DISEASES TO REDUCE WANDERING DIAGNOSIS

Since its creation, the Foundation has been a partner of Orphanet, a unit of INSERM and European reference portal on rare diseases and orphan drugs, and Alliance Maladies Rares, a group of more than 200 charities taking action to provide information and raise awareness about rare diseases.

In addition, for three years, the Foundation has organised crowdfunding training for charities, in partnership with HelloAsso.

Review of actions taken at the Group level	2016	2017
Number of patient associations supported	80	87
Number of encouraged projects (including those supported through the “Balades solidaires”)	84	111
Number of sponsored researchers (excluding co-participation in philanthropy with regional mutuals)	2	5
Amount allocated for the fight against rare diseases by Groupama SA	€386,225	€398,401

The Foundation also benefits from support from the regional mutuals (not included in the consolidated scope), allowing it to reinforce its commitment to the fight against rare diseases.

In addition, the Group’s companies mobilise in support of other “rare disease” institutions or associations. The Group’s commitment (on the consolidated scope) in the fight against rare diseases totalled €398,401 in 2017.

(d) Acting for the environment

Aware of its responsibility in terms of indirect or direct impacts:

- the Groupama group has developed incentives with regard to the environment with its customers and suppliers for several years, through its insurance offerings, its prevention and awareness actions, its SRI products, and its purchase contracts;
- furthermore, we are convinced that we can also improve our direct impacts particularly by reducing our CO_2 emissions, our paper consumption, etc. We are therefore continuing our efforts to achieve the goals that we have set in this area.

General environmental policy

By virtue of our insurance business, the direct impacts of companies of the Groupama group on the environment are limited: our businesses do not constitute threats to biodiversity, water or soil use. However, we have developed a policy to reduce our consumption (paper, water, energy) and our CO_2 emissions, managed at the Group level by the CSR Department, in collaboration with Groupama Supports & Services (G2S). In addition to these in-house commitments and informing employees, the Groupama group is aware of the role it can play in raising awareness about the protection of the environment, among its various stakeholders and particularly among its customers.

With regard to employees, communication/awareness efforts continued in the Group’s companies through various actions. The European Sustainable Development Week (ESDW) in the first week of June 2017 provided another opportunity to disseminate information about the Group’s annual CSR review and messages on the economical use of resources. Badge recognition for printer use allows for more reasonable print management. The use of remote dialogue/meeting tools made available to employees of the companies – Hub Agile and Vydio (at the workstation) – reduces travel.

With regard to insurance, the prevention of environmental risks is thus fully integrated into the process for analysing and underwriting risks of professionals (including in agriculture), companies, and local authorities in order to help avoid or reduce the consequences of impacts of claims. For example, in the agricultural multi-risk offer, a score (on the prevention of risks of environmental harm and fire) has been put in place to recognise the efforts made in these areas and permits a reduction/discount of the insurance premium (such as the presence of a retention basin on hydrocarbon tanks or fire-fighting equipment, for the risk of heat pollution).

With regard to property assets, in anticipation of the 2015 Energy Transition Act, Groupama Immobilier (a subsidiary of Groupama SA that manages for its principals an asset base valued at €3.7 billion[1]) signed the charter for energy efficiency of commercial buildings in 2014.

In addition, Groupama Immobilier put several actions in place:

- development of a green work charter with 15 awareness points (in particular, regulations, energy saving, environment, materials, worksites, etc.), systematically integrated into work files exceeding a certain amount;
- establishment of an energy mapping of commercial buildings consuming the most energy;
- implementation of a programme for metering energy and consolidating these data in an SaaS for 60 of its buildings in order to develop energy-saving strategies (Deepki programme).

The green works charter has a dual objective:

- raise awareness among service providers listed with Groupama Immobilier on the importance of the impact of works on the environment,
- implement an environmental policy in keeping with the Grenelle 1 and 2 law.

Implementation is addressed within the framework of renovation worksites by all AMO HQE or BREEAM service providers, Project Manager, technical studies firms, companies, etc.

As much as possible, HQE (High Environmental Quality) and BREEAM initiatives always sought for acquisitions and/or new construction or restructuring as well as “operating” HQE or BREEAM for all properties in the portfolio.

In corporate real estate, all new signed leases are “green”, *i.e.*, each Party commits to an action programme regarding consumption (energy and water). Within this framework, energy diagnostics and periodic meetings, called “Green Committees”, have begun to be initiated with tenants. In addition, since 2015, Groupama Immobilier has developed new tools and approaches to disseminate and share responsible attitudes (green booklet, welcome booklet, etc.).

(1) Assessment campaign at 31 December 2017.

Groupama Immobilier's environmental strategy is described in "2015-2018 Sustainable Prospects", which presents the 10 indicators monitored for commercial property and forest assets. The subsidiary's contribution to a sustainable city is maintaining its property assets, mainly in Paris, by respecting their history but also by innovating during their revaluation as part of responsible management. 2016-2020 target: Cut energy consumption by 25% and achieve "environment" certification for 40% (in surface area) of the buildings in 2018.

Groupama Sigorta and Emeklilik (Turkey) also adopt this approach. In Turkey, Groupama is the first insurance company with the "Guarantee of Origin" green energy certificate, a European instrument of traceability of electricity, for its own consumption. The subsidiary occupies a building certified LEED Gold (Leadership in Energy and Environmental Design) issued by the US Green Building Council.

In addition, our Datacenter IT centres in Bourges and Mordelles monitor the good practices of the Green Grid, and a majority of our companies have carried out their BEGES (greenhouse gas emissions assessments).

Regarding protection of the environment, our employees are regularly informed of environmental issues, particularly through the now European Sustainable Development Week, the existence of a manual of environmentally friendly actions in the office and the distribution of an Eco Pass Responsible Events charter allowing internal communicators to organise their events with the greatest respect for the environment. One-off actions supplement these recommendations, such as campaigns to raise awareness of eco-driving or the establishment of car-pooling in certain entities.

Note that the first building of Groupama Campus in Nanterre was restored in 2017 as part of a renovation project using the HQE® approach (June 2015 reference standard) with a goal of earning the "Excellent" Passport and BREEAM and a *Very Good* level (*e.g.* LED lighting with presence detection including for 2/3 of the parking lights, optimised water management, etc.). In terms of operating property, the next Campus buildings and new works will be in line with this dynamic.

Circular economy

PREVENTION AND MANAGEMENT OF WASTE

The Groupama group's service business activities do not directly generate waste or pollution other than office waste. However, we wish to make progress in the recycling of such waste, particularly through selective sorting, already effective in several entities of the Group. For example, in 2016, the entities Groupama Asset Management and Groupama Immobilier set up new sorting systems for their employees in 2016 (voluntary sorting or sorting at source, recycling of office paper, ink cartridges, batteries, light bulbs, etc.). Voluntary selective sorting was set up in 2017 on the Campus site in Nanterre, the home of teams of Groupama SA and seven of its subsidiaries.

In 2017, the "Happy Cleanings" operations carried out by the companies moving to Nanterre mobilised the employees to collect and recycle 138 tons of paper[1]. In addition, furniture and supplies were donated to charities for reuse and recovery, particularly in the case of the relocation of Groupama Immobilier, which left 21 boulevard Malesherbes in Paris in 2017.

Also in 2017, Groupama Immobilier became a founding member of Circolab, a charity that aims to create a platform for the recovery of building materials following construction or restructuring projects. It brings together major players in the management of property assets of insurance groups. Convinced of the benefits of the circular economy, Groupama Immobilier's goal with its partners is to bring about changes in practices, particularly through the traceability of materials.

FIGHT AGAINST FOOD WASTE

The Group's entities themselves do not handle food services for employees (subcontracted corporate catering or restaurant vouchers). However, the Group's companies put in place action to combat food waste, such as a poster campaign within the Company restaurant, awareness-raising events on the subject during the European Sustainable Development Week, etc.

SUSTAINABLE USE OF RESOURCES[2]

Paper consumption

Total paper consumption (office paper, marketing and technical documents and mass publishing) amounted to 1,438.54 tonnes, *i.e.*, 105.17 kg per full-time equivalent (FTE). In total and per FTE, it therefore decreased approximately 11% compared with 2016.

In 2017, office paper consumption amounted to 445.27 tonnes, 64.5% of which was certified. It therefore decreased by 7% compared with 2016 per FTE.

For marketing and technical materials, consumption totalled 706.37 tonnes in 2017. There was a decrease in the use of marketing and technical documents of 7.11% per FTE.

The sharp decrease seen in the use of marketing and technical documents is explained in particular by the implementation of "print on demand" by GIE G2S to better manage the printed quantities, but also by decreasing the paper weight for some certain items printed by Gan Assurances.

The consumption of mass publishing reached 286.89 tonnes in 2017. It therefore decreased 21.07% per FTE. This is the lowest volume item in total consumption (19.9%).

In order to reduce overall paper consumption, a project to streamline printers and copiers is underway for the member companies (excluding regional mutuals) of G2S, and the Group is continuing its work to promote electronic exchanges with its customers (customer areas clients on the Web, collection/sending of emails, and electronic document management (EDM)). The EDM programme (claims, subscription), initiated in 2009 to sustainably reduce physical mailings of documents, continued. The development of e-signatures is noteworthy: 45,000 every month (as of the end of 2017).

(1) Source: G2S.

(2) Since 1 January 2017, G2S no longer manages train and plane ticket orders for business travel or office paper orders for other Group entities. As a result, each entity has taken over its own management.

Making building plans electronic (agricultural, for insurance files, or for property assets like Expertissimo) – on a tablet – not only limits the use of paper but also saves time in reporting a claim as well as easier, more secure archiving of data. A “zero inventory” system has been established for certain documents: only the quantities ordered by the entities are printed.

Details of the different types of paper consumption

	2016	2017	2017 scope *(%)*
Consumption of office paper *(tonnes)*	500.57	445.27	99.82
Consumption of office paper per person (kg/FTE)	*35.13*	*32.67*	
Consumption of marketing and technical documents *(tonnes)*	787.82	706.37	99.82
Consumption of marketing and technical documents per person (kg/FTE)	*55.80*	*51.83*	
Consumption of mass publishing *(tonnes)*	324.06	287.145	99.82
Consumption of mass publishing per person (kg/FTE)	*27.24*	*21.5*	

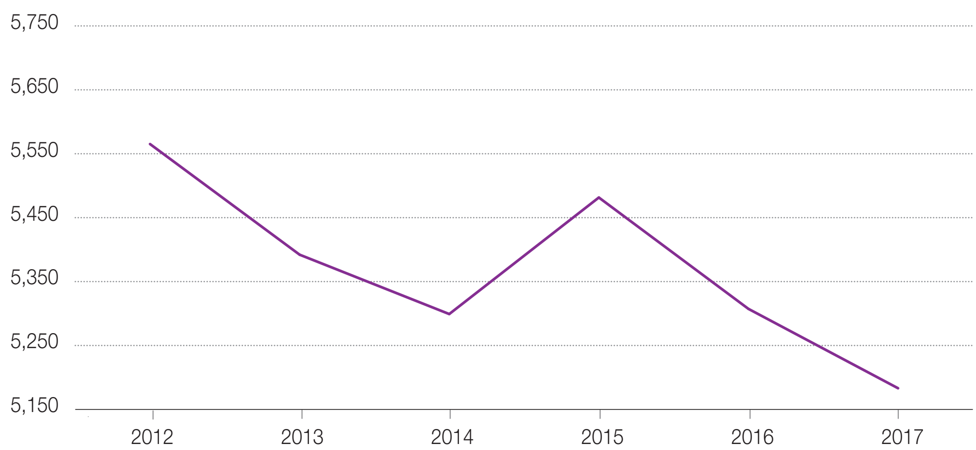
Water consumption

The Groupama group’s business activities do not require water outside of the everyday consumption of its office buildings. In this context, “water prevention” campaigns intended to reduce consumption are regularly conducted with the entities’ employees. In 2017, the Group consumed 117,676.96 m^3 of water, or 9.89 m^3 per FTE (-12.4% compared with 2016).

Energy consumption

In 2017, the Group’s energy consumption (electricity, gas, fuel oil, heat, and chilled water) amounted to 70,111,079.38 kWh, or 5,183.14 kWh per FTE. Total energy consumption per FTE is down 5.19%, reflecting the Group’s desire to control the consumption of resources.

CHANGE IN OVERALL ENERGY CONSUMPTION SINCE 2012 (KWH/FTE)



For several years, the Groupama group has implemented many measures to reduce its consumption levels, including establishing free cooling in the Mordelles Datacenter, decreasing the temperature set points in offices and systematically turning off office lights outside of hours of occupation for most of the buildings managed by G2S.

In addition, by virtue of its insurance businesses, the Group is not affected by the issue of soil use.

Use of renewable energies: see methodological note.

Details of the different consumptions:

	2016	2017	2017 scope (%)
Water consumption *(m³)*	109,462.44	117,676.96	87.24
Water consumption per person (m³/FTE)	*10.76*	*9.89*	
Total energy consumption *(kWh)*	**65,431,070.31**	**70,111,079.38**	**94.73**
Total energy consumption per person *(kWh/FTE)*	***5,467.21***	***5,183.14***	
Electricity consumption *(kWh)*	45,535,849.68	45,275,614	98.66
Electricity consumption per person (kWh/FTE)	*3,894.19*	*3,361.02*	
Gas consumption *(kWh)*	11,047,663.25	15,733,579.98	99.82
Gas consumption per person (kWh/FTE)	*934.43*	*1,154.33*	
Fuel oil consumption *(kWh)*	357,202.14	213,370	99.82
Fuel oil consumption per person (kWh/FTE)	*25.11*	*15.65*	
Heat consumption *(kWh)*	4,255,136.24	4,731,254.4	99.82
Heat consumption per person (kWh/FTE)	*307.46*	*347.12*	
Chilled water consumption *(kWh)*	4,235,219	4,157,261	99.82
Chilled water consumption per person (kWh/FTE)	*306.02*	*305*	

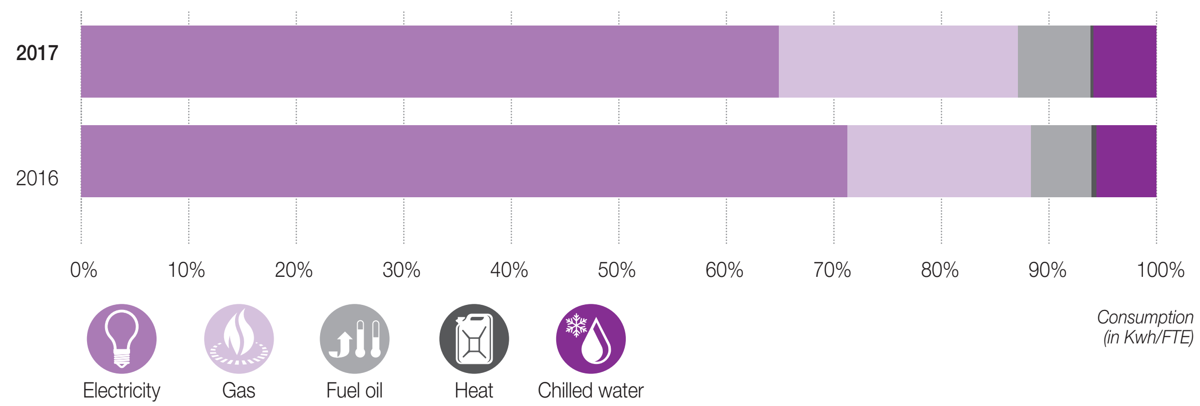
Fuel oil consumption per FTE decreased 37.67% between 2016 and 2017. In addition, due to numerous power cuts, the Turkish subsidiaries Groupama Emeklilik and Groupama Sigorta used generators powered by fuel oil. However, most of the buildings have moved away from or are moving away from this fuel, with the movement of staff to buildings using other sources of energy.

The change in the energy resource at some sites may be a factor to explain the slight increase in gas consumption per FTE (+23.53%). Added to this explanation are a colder winter in 2017 as well as consolidation of staff at certain sites due to significant hiring or relocation, contributing to an increase in gas consumption.

Despite high summer temperatures, the Group's chilled water consumption decreased by 0.33%, due in particular to the decrease involving two buildings, which saw their consumption decrease thanks to energy management measures.

The numerous measures implemented by the Groupama group to reduce its electricity consumption resulted in a decline per FTE of 13.69% in this energy consumption between 2017 and 2016.

CHANGE AND COMPOSITION OF ENERGY CONSUMPTION



Climate change

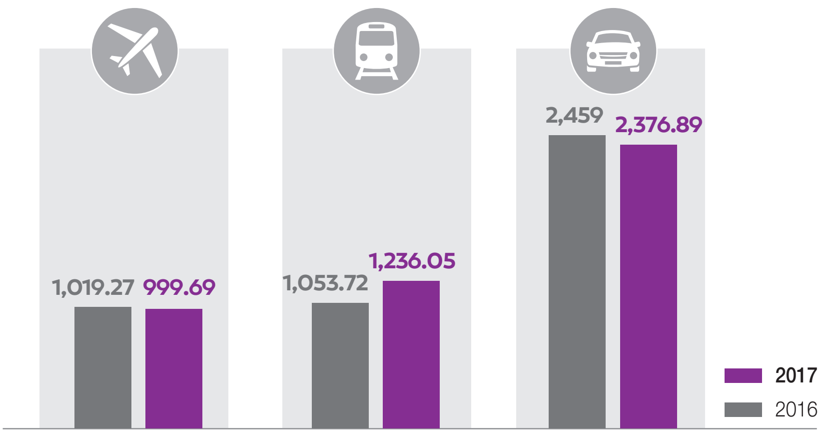
As part of its CSR strategy, the Groupama group is committed to reducing its CO_2 emissions, both through its organisation and by encouraging the eco-friendly behaviours of its stakeholders through innovative initiatives.

In its organise, the levers considered to achieve this end pertain to energy consumption, business travel (including the fleet purchasing policy), and paper consumption. The Group's CSR team steers this objective and is responsible for encouraging community actions, particularly through the sharing of best practices and together with the Logistics working group.

Detail of the various types of business trips:

	2016	2017	2017 scope *(%)*
Business travel by plane *(km)*	13,913,581.04	13,666,282.68	99.82
Business travel by plane per FTE (km/FTE)	*1,019.27*	*999.69*	
Business travel by train *(km)*	14,513,219	16,847,323.2	99.82
Business travel by train per FTE (km/FTE)	*1,053.72*	*1236.05*	
Business travel by car *(km)*	33,876,692	32,397,075	99.82
Business travel by car per FTE (km/FTE)	*2459*	*2,376.89*	
Total business travel by train, plane and car	**62,303,492**	**62,910,680.9**	**99.82**
Total business travel by train, plane and car per FTE	***4,531.99***	***4,612.63***	

CHANGE IN BUSINESS TRAVEL IN KM/FTE BETWEEN 2016 AND 2017



The Group (consolidated scope) saw a 1.78% increase in the number of kilometres travelled per FTE during business travel between 2016 and 2017.

◄ CONTENTS ►

For reasons of safety, cost, and environmental footprint, the Groupama group regularly encourages its employees to limit their travel where possible, makes them aware of the use of videoconferencing to reduce travel, and promotes the use of clean modes of transport. use of clean modes of transport. In this respect, per FTE, the Group achieved a 3.34% decrease in business trips by car, a 1.92% decrease in air travel, and a 17.3% increase in train travel this year.

With regard to fleets, they are renewed every two years and therefore contain the models with the least fuel consumption and lower amount of emissions. A few electric vehicles were introduced on an experimental basis into the fleets of certain companies of the consolidated scope (G2S, Mutuaide, etc.). The introduction of petrol models and the use of onboard telematics are under consideration. At this stage, Groupama favours small, low-emission diesel engines (82 g/95 g).

In 2017, CO_2 emissions totalled the equivalent of 18,179 tonnes of CO_2, or the equivalent of 1.3351 tonnes of CO_2 per FTE (details according to the three scopes of the GHG Protocol in the tables below).

CO_2 emissions for the 2017 reporting period according to the three scopes defined by the GHG Protocol and according to the operational control consolidation method:

Direct emissions – Scope 1 *(TeqCO$_2$)*	**2016**	**2017**	**2017 scope** *(%)*
Direct CO_2 emissions related to gas boilers	2,038.26	2,904.77	99.82
Direct CO_2 emissions related to gas boilers per FTE	*0.1724*	*0.2131*	
Direct CO_2 emissions related to gas boilers	97.15	58.03	99.82
Direct CO_2 emissions related to gas boilers per FTE	*0.0001*	*0.004*	
Direct CO_2 emissions related to business travel in owned land vehicles	1,027.99	1,039.34	99.82
Direct CO_2 emissions related to business travel in owned land vehicles per FTE	*0.0721*	*0.0762*	
Total direct GHG_01 emissions	**3,163.4**	**4,002.14**	
Total direct GHG_01 emissions per FTE	***0.2462***	***0.2936***	

Indirect emissions – Scope 2 *(TeqCO$_2$)*	**2016**	**2017**	**2017 scope** *(%)*
Direct CO_2 emissions related to electricity consumption	5,929.68	7,027.13	94.73
Direct CO_2 emissions related to electricity consumption per FTE	*0.4814*	*0.5206*	
Direct CO_2 emissions related to heat consumption	950.17	1,056.48	95.67
Direct CO_2 emissions related to heat consumption per FTE	*0.0686*	*0.0775*	
Direct CO_2 emissions related to chilled water consumption	141.03	138.43	95.34
Direct CO_2 emissions related to chilled water consumption per FTE	*0.0101*	*0.0101*	
Total indirect GHG_02 emissions	**6,720.88**	**8,222.04**	
Total indirect GHG_02 Emissions per FTE	***0.5602***	***0.6082***	

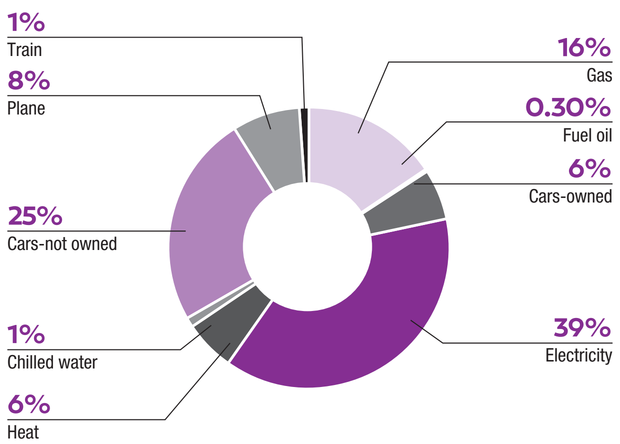
Indirect emissions – Scope 3 *($TeqCO_2$)*	**2016**	**2017**	**2017 scope** *(%)*
Direct CO_2 emissions related to business travel in owned land vehicles	4,731.04	4,468.15	98.79
Direct CO_2 emissions related to business travel in owned land vehicles per FTE	*0.3412*	*0.3278*	
Direct CO_2 emissions related to business air travel	1,498.51	1,375.34	98.79
Direct CO_2 emissions related to business air travel per FTE	*0.1090*	*0.1009*	
Direct CO_2 emissions related to business air travel	105.08	111.80	98.79
Direct CO_2 emissions related to business air travel per FTE	*0.0075*	*0.0069*	
Total indirect GHG_03 emissions	**6,334.64**	**5,955.29**	
Total indirect GHG_03 emissions per FTE	***0.4579***	***0.4356***	

Total CO_2 emissions per FTE increased by 5.61% between 2016 and 2017.

CO_2 emissions per FTE increased 19.2% for our direct emissions and 2.5% for our indirect emissions, due in particular to the 23.6% increase in emissions related to gas consumption, the 5.7% increase in emissions related to business travel by owned cars, the 8.14% increase in emissions related to electricity consumption, and the 12.9% increase in emissions related to heat consumption.

The slight decrease of 4.9% in our CO_2 emissions per FTE of scope 3 is explained by the 7.43% decrease in emissions related to business travel by plane, the 8% decrease in emissions related to train travel, and the 3.9% decrease in emissions related to business travel in non-owned cars due to our policy of reducing business travel.

SOURCE OF CO_2 EMISSIONS PER FTE IN 2017



CLIMATE CHANGE AND OFFERINGS

Although there is currently no method for measuring emissions caused by the insurance offerings (products and services), it is worth mentioning for this fiscal year a whole series of adapted and innovative insurance solutions offered by the Group that contributed to the fight against climate change or intended to mitigate its consequences for its customers and members.

"Eco-friendly" products and services

by encouraging new behaviours or favouring certain equipment, the offerings of Groupama companies contribute to the preservation of the environment and the climate:

- in motor insurance, products with behaviour-based pricing, which encourage safer driving and result in lower fuel consumption, continue to develop with the extension throughout the Group of the "Pay how you drive" principle through the Groupama On Board insurance and application (for young drivers). Amaguiz has also developed, as part of the Renault Assurances partnership, specific insurance and a mobile app for Renault policyholders of the new electric car Zoé (Renault Assurances Connectées). These policy holders can download the app for free and receive personalised advice on their driving, allowing them to save up to the equivalent of 36% of the annual premium.

Renault Assurances Connectées received the 2016 Argus award in the Connected Object Innovations category;

- Centaure's eco-driving training: the eleven Centaure centres are an important relay for Groupama's prevention actions as regards its members as well as businesses and the general public. They offer eco-driving modules among their range of post-licence training;
- the policy of repairing – instead of replacing – damaged auto parts allowed 33% of bumpers and shields to be repaired in 2017. This policy reduces our CO_2 emissions and production of waste;
- in multi-risk home insurance, the offerings include cover for home equipment producing renewable energies as well as, since 2009, an environmentally friendly "new for old" programme for household appliances requiring replacement;
- for professionals, including those in agriculture, Groupama offers cover for activities involving the production of renewable energies and bioenergies, such as methanisation. In 2017, Fédération Nationale Groupama and the French association of biogas farmers signed a partnership agreement aimed at developing and sustaining the agricultural biogas sector. Groupama has been providing biogas production units since 2008. The recognised quality of its participants (underwriting and risk engineering) enables it to develop specific advice and monitoring to manage risks related to methanisation.

Better prevention and compensation in the face of climate change:

- Multi-risk climate insurance for crops allows farmers to protect their crops.

  For 10 years, this cover, jointly constructed with farmers by Groupama, has made it possible to test out this type of protection for 10 years. Since 2015, the Group has marketed a new form of this offer – which the Group helped to define at the national level – in the form of a base policy against setbacks and options, with the objective of offering to a maximum number of farmers the possibility of covering their operational expenses at a limited financial cost. To expand the cover to all production, a policy for Prairies was created in 2016. Groupama is actively involved in the effort to educate and encourage farmers to sign up for these options, which still have too few subscribers. It will be a pillar in the field of risk management tools of PAC 2020;
- Groupama has partnered with Airinov, a leader in agricultural drones, to support the development of drones, in the protection of risk and the deployment of new services to farmers. The services developed by Airinov will enable Groupama to optimise the performance and quality of insurance benefits, such as close monitoring of the situation of crops, damage suffered, or the effective identification of areas affected by a climate event;
- the prevention and alert services of Predict, a subsidiary of Météo France, are now accessible to all customers of the Group. The Groupama-Predict mobile app allows customers to receive messages about key information to anticipate and manage a weather hazard;
- the concept of environmental damage was introduced in the French Criminal Code in 2016, and Groupama will prepare its customers and members, including farmers, for this new responsibility, which will be incorporated into environmental liability.

Responsible Asset Management – especially in the consideration of climate change limitation goals – is addressed in the report under Art. 173, first published on 30 May 2017, available at groupama.com. A second publication is planned for the end of the first half of 2018. The data will be as of 31 December 2017.

Protection of biodiversity

The Group is one of the leading private owners of forests and the number 2 insurer of forests in France. These forest assets, consisting of more than 20,000 hectares, represent one of France's largest "green belts".

In the last 15 years, 10 million trees have been replanted, or approximately 700,000 plants per year, corresponding to a reforestation of nearly 5,000 hectares. More than three-quarters of the reforestation involves areas affected by the Lothar and Martin storms of 1999 – which have been replanted in full – and those affected by the Klaus storm of 2009 – which have been partially replanted, with a finalisation date that was scheduled for 2017.

All forests managed by Groupama Immobilier (28 forest areas) are PEFC-certified (certification guaranteeing sustainable management of wood resources in forests). This certification defines strict rules for operating and work sites within the framework of sustainable forest management. In particular, these rules aim to exploit forests while respecting the soil, water, fauna, and flora.

The Groupama group is a pioneer in assessing forest carbon storage. In 2015, a study conducted on behalf of Société Forestière Groupama, by EcoAct and IF Consultants and with the assistance of Demetz-Costaz, demonstrated for the first time that the forests of Société Forestière Groupama (SFG) played a carbon sink role. They contributed to the reduction of France's net CO_2 emissions (see data below). These carbon amounts have been stored in SFG's forests or have been avoided through the use of wood products from its forests. This study is now updated annually.

Study data for 2017:

SFG forest carbon stock: 10 million t of CO_2 on 20,082 ha

Annual increase in CO_2 stored (balance between planting and cutting + storage of biomass): 336,906 t of CO_2

CO_2 emissions avoided: 53,155 t of CO_2 avoided by the use of sold wood

To be compared with:

311 teqCO_2 emitted by logging sites

18 KteqCO_2 emitted by the Group's operation in 2017 (consolidated scope)

More broadly, our policies contribute directly to the protection of biodiversity with the reduction of paper consumption and CO_2 emissions.

(e) Relations with stakeholders

Subcontractors and suppliers

The Groupama group has very limited recourse to subcontracting. Project management, project ownership and interim purchases represent less than 15% of the Group's total purchases called General Expenses[1]

In application of the 10 principles of the charter of the Global Compact and the diversity charter, CSR commitments have been integrated into the Group's purchasing policy, including a purchasing Ethics charter, which has been incorporated into the Internal Regulations of Groupama SA. It discusses three aspects in particular: consideration of methods of manufacture of materials, the behaviour of suppliers in respect of these methods of manufacture, and the supplier's compliance with the labour law and the rules of the ILO.

The Groupama group has signed the inter-company charter, which particularly favours long-term relationships with SMEs, incorporation of CSR criteria in the choice of suppliers and consideration of the territorial responsibility of a large group.

A guide to eco-responsible purchasing, produced by the Group Purchasing Department, was distributed to all group buyers in order to help them take social and environmental criteria into account in their calls for tenders and purchases: identification of issues and areas for improvement, information about the offering and assessment of present purchases.

In addition, in our calls for tenders, we ask our suppliers, as part of the Supplier CSR charter specific contractual clauses, to declare whether they respect the principles of the ILO, the Universal Declaration of Human Rights and the charter of the Global Compact (working conditions, respect for the environment, ethics), and we encourage them to adopt eco-responsible behaviour (product design, staff training, routing, waste management). A "CSR" clause is inserted into the contracts.

Purchases made by the Group relate mainly to four areas:

- IT and telecommunications;
- intellectual services (strategy consulting, HR consulting, training, marketing, travel, etc.);
- general resources (management of the building overall: construction, service for occupants, etc.);
- insurance purchases.

In 2017, implementation began for the measures required by the Sapin 2 law (prevention/detection of bribery and influence peddling) and the law on the Duty of Care of parent companies and ordering companies (prevention of violations of human rights, fundamental freedoms, health and safety of people, and the environment, especially for subcontracting and suppliers). At the Group level, the overall implementation of anti-corruption measures and the vigilance plan is managed by the Group Compliance Department, with the assistance of the Group Legal Department and the Group Human Resources Department. A report on the progress of the work, started in spring 2017, is produced each month. The anti-corruption component has been prioritised. The operational deployment of this work will take place in 2018 in the companies through the sharing of tools and procedures developed by the Group. The measures implementing the Sapin 2 and Duty of Care laws are mentioned in the Risk Management section of the registration document.

Other stakeholders

MEMBERS AND CUSTOMERS.

On the one hand, membership, the decentralised operating base of the Groupama group's Mutual Insurance Division, allows our 4 million French members to take part in each level of the elective system: local mutual, regional mutual, departmental or national federation. Thus, 300,000 members participate each year in the General Meetings of our some 3,000 local mutuals, which gives them decision-making power within the mutual company. The elected representatives/employees/members relationship is an essential asset for capturing expectations. On the other hand, the four Gan specialised networks have strong territorial anchoring in France, and the Group also has local networks abroad.

The Group and its companies are developing a multi-channel strategy to strengthen proximity. Real-time contact, face-to-face or remotely, is essential today. On the Internet, the "advice" and "customer" areas are clear and exhaustive (they contain all the policies; the health insurance customer area was overhauled in 2017), and the use of e-signatures is growing (45,000/month in October 2017). Some of the Group's companies are developing video experiments in agencies or mobile agencies (Groupama Car).

(1) This percentage reflects project management, project ownership and Interim purchases, including all taxes, carried out in 2017 in relation to the Group's total purchases, including all taxes (excluding international subsidiaries).

Groupama is particularly attentive to its customers, thanks to continuously conducted satisfaction measures – on claims managements, requests, complaints, etc. – with its private customers, as well as regular detailed satisfaction surveys conducted annually, on a very large number of individuals from all of its customer types. The improvement of customer satisfaction (ASC) is a priority issue for employees. As part of the ASC, Groupama takes into account the expectations of its customers with a personalised follow-up and regular contacts. Over the 2014-2017 period of the ASC programme, there was an increase in the NRI (Net Recommendation Index) of +15 pt and +3 pt on very satisfied respondents. This year, Groupama climbed three spots in the ranking of insurers in terms of NRI and matches the market average.

The CSR indicator of the perception of Groupama as an "responsible insurer" (based on relationship-based criteria) increased to 13 out of 20 points in 2017 (+1.1 pt *versus* 2016), at the same pace as the market, which scored 13.5 pts in 2017[1].

PROFESSIONAL ORGANISATIONS

Regarding dialogue with professional organisations, theGroup participates in the CSR working groups of many federations or institutes, in particular: Fédération Française de l'Assurance, MEDEF, AFEP, and Club Finance de l'Orse. Our subsidiary, Groupama Asset Management, has been a member of UNEP-Fi since 2002 (Asset Management Working Group), is Chair of the Sustainable Finance and Responsible Investment Forum of AFG (French Asset Management Association) and the AFG's Responsible Investment Committee, is General Secretary of the FIR (Responsible Investment Forum), has participated in the FIR/PRI Prize for European Research in "Finance and Sustainable Development" for several years, and is an executive member of EUROSIF.

SCHOOLS

For several years, the Groupama group has maintained partnerships with various actuarial schools and is one of the four founding members of the Risk Foundation, which seeks to encourage and coordinate teaching and research projects in all areas of risk (financial risks, industrial risks, environmental risks, wealth risks or individual health in particular) in close relationship with partner institutions: Polytechnique, Centre d'Études Actuarielles, Université Paris-Dauphine, ENSAE. Groupama is also developing a research partnership with Institut Supérieur d'Agriculture de Beauvais on agricultural risks and has entered into a partnership with CNAM to optimise the contribution of our companies to the development of the territories.

(f) Fair practices

Compliance

The Groupama group has a Group Compliance policy, validated by the Board of Directors of Groupama SA (the most recent update was validated in the meeting of 14 December 2017), in order to ensure that its practices are consistent with all laws and regulations as well as the standards enacted by the supervisory authorities and professional practices.

It presents the organisation implemented to achieve this objective and the organising framework of the system for managing risks of non-compliance, *i.e.*:

- the arrangements put in place in agreement with the Group's strategy and in keeping with its risk appetite;
- the roles and responsibilities of key players at the Group and company levels.

The Group Compliance policy applies to all companies of the Groupama group both in France and abroad, respecting the rules of proportionality (nature of activities and associated risk policy, size, workforce, etc.) as provided for in Directive 2009/138/EC, regardless of whether they are subject to Solvency 2 or to any equivalent legislation/regulation. This policy also takes into account the provisions of the Insurance Distribution Directive (IDD) and the Sapin 2 and Duty of Care laws. The measures to implement these laws are mentioned in the Risk Management section of the registration document.

The "Compliance Verification" function is independent of operational activities and reports to a member of the Steering Committee who does not carry out any operational function within the entity to which he or she belongs. The function meets the criteria of skills and good character and is the subject of a notification to the ACPR. The function is subject to a whistleblowing duty and reports on these activities to the governance bodies of the Group and the Group's companies as well as to the supervisory authorities.

With the understanding that non-compliance risk is a cross-group operational risk, and the non-compliance risk control system is one of the essential components of internal control organised within the Groupama group.

Compliance essentially covers the themes pertaining to the Group's core business, *i.e.*, non-life insurance, life insurance, Asset Management, and real estate governed particularly by the insurance, monetary and financial, consumer, and Commercial Codes, the General Regulation of the AMF, as well as the regulations from the supervisory authorities to which these activities are subject. More specifically, it covers:

- the protection of customers;
- the fight against money laundering and terrorist financing;
- ethics and professional conduct as well as management of conflicts of interest/the fight against corruption and influence peddling/the duty of care of parent companies;
- internal fraud;
- whistleblowing rights;
- professional secrecy and processing of medical data;
- personal data protection.

Since 2013, a compliance plan has been in the process of deployment by the Group CIL team. It incorporates the provisions of the new sectoral reference source, adopted in 2014 by the French data protection authority (CNIL) and the representative organisations of the insurance profession.

(1) *Data processed by the Groupama SA Customer Distribution Marketing Department, based on the annual internal survey of customers.*

Personal data protection

The Group's ethical charter specifies that the Group's companies ensure that any personal information collected and processed does not infringe privacy or individual freedoms. The companies are also committed to respecting the rights of the individuals concerned and taking all necessary measures to protect confidentiality.

In 2007, the Groupama group decided to designate a CIL for the Group whose duties are defined by law, consisting particularly of establishing and maintaining the list of data processing in force within the Group's companies, advising, training, ensuring compliance with the relevant regulations (*a priori, a posteriori*), whistleblowing, and managing the rights of individuals. This function maintains relations with the CNIL.

The Group's CIL team fulfils this role and performs these duties for all companies of the Group. The function of Pooled Group CIL is independent by law and reports to the General Secretary, a member of the Steering Committee. The function meets the legal and regulatory requirements governing the conditions for designation of a CIL and has been the subject of a notification to the CNIL. This function is subject to a whistleblowing duty and must report on activities by preparing an "annual activity review" presented to the data controller and held available for the CNIL.

In anticipation of the entry into force of the General Data Protection Regulation in 2018, the Group appointed a Group Corporate Privacy Officer on 28 November 2016.

The interest in this designation lies mainly in the introduction of management and coordination of "Personal Data" governance at the group level, by capitalising on the framework for governance of personal data implemented in France by the CIL (DPO France), thus reducing the risks.

With regard to personal data, compliance control is one of the duties carried out by the Group CIL and his or her teams. The compliance of personal data processing covers not only the above topics pertaining to theGroup's core business (non-life insurance, life insurance, Asset Management, real estate, etc.) but also all other topics as long as personal data are concerned (*e.g.*, human resources, video surveillance devices, service activities, etc.).

Since 2014, the CIL has relied on the CNIL's "insurance compliance package" reference standard for the compliance of the Group companies that are subject to it. The CIL has also implemented the actions necessary to take into account in the Group's companies the new European general personal data protection regulation, which will come into effect on 25 May 2018.

With this in view, a Group policy for governance of personal data was approved by the Group Executive Committee on 13 March 2017. Its adaptation as a French personal data governance policy was approved by this same authority and applies to all French entities of the Group.

In particular, the duties of the DPO are described, as well as the duties of the internal data relay protection officers (DRPO) and their alternates, designated in each of the French companies and constituting a network on which the DPO relies. A DPO will be designated with the personal data protection authority of each European country in which Groupama entities are established.

Fight against money laundering and terrorist financing

As part of this, a network of Managers of anti-money laundering and financing of terrorism (AML/FT) in the entire Group has been established. This is coordinated by the Group Legal Department and involves regular meetings and newsletters, monthly reporting and semi-annual updates for the Group's General Management and an annual report to the Board of Directors of Groupama SA on actions taken within the Group.

This structure also includes a central committee for guidance and monitoring of the fight against money laundering and terrorist financing (AML/CFT) within the group. This committee is responsible for monitoring and coordinating the actions carried out by the various functions and entities involved in this area. An AML/FT organisational chart has been distributed to the Group's companies.

The key points of the system include risk mapping, incorporating an evaluation of risks of money laundering and financing of terrorism based on products, operations, customers and modes of distribution; the collection of information about customers and the source of funds depending on the significance of the risks; a tool for automated detection of individuals appearing on lists of terrorists and persons considered to be politically exposed as well as a secure database of suspicion reports; the establishment of a customer relationship profiling tool for the life/savings businesses; a system for checking proper application of procedures as well as e-learning training tools on the principles of anti-money laundering and financing of terrorism.

In particular, 2017 was devoted to implementing action plans and performing work to reinforce the Group's mechanism as part of the transposition of the "Fourth Anti-Money Laundering Directive" into French law.

Other

The Groupama group adheres to the Universal Declaration of Human Rights of 1948 and the European Convention on Human Rights and the principles of the International Labour Organisation (ILO) and the guidelines of the OECD for multinational companies.

◄ CONTENTS ►

5.1.12.3 Table of concordance and methodological note

In accordance with the provisions of Article L. 225-102-1 of the Commercial Code, Groupama SA presents in its management report the actions and directions taken by the Company to take into account the social and environmental consequences of its activity and to fulfil its societal commitments regarding sustainable development. The correspondence with the disclosures required by the regulations (mentioned in Article R. 225-105-1 of the French Commercial Code) is presented below.

(a) Social information

Employment:	
Total staff and the breakdown of employees by gender, age and geographic area	§5.1.12.2 (a)
Hires and redundancies	§5.1.12.2 (a)
Compensation and its changes	§5.1.12.2 (a)
Organisation of work:	
Organisation of working time	§5.1.12.2 (a)
Absenteeism	§5.1.12.2 (a)
Employee relations:	
Organisation of the corporate dialogue; in particular, the procedures for informing and consulting the staff and negotiating with the staff	§5.1.12.2 (a)
Assessment of collective agreements	§5.1.12.2 (a)
Health and safety:	
Workplace health and safety conditions	§5.1.12.2 (a)
Assessment of agreements signed with union organisations or staff representatives regarding workplace health and safety	§5.1.12.2 (a)
Workplace accidents, particularly their frequency and severity, as well as occupational illnesses	§5.1.12.2 (a)
Training:	
Training policies implemented	§5.1.12.2 (a)
Total number of training hours	§5.1.12.2 (a)
Diversity and equal opportunity/equal treatment	
Policy implemented and measures taken to promote gender equality	§5.1.12.2 (a)
Policy implemented and measures taken to promote employment and inclusion of persons with disabilities	§5.1.12.2 (a)
Policy implemented and measures taken to fight discrimination	§5.1.12.2 (a)
Promotion of and compliance with the stipulations of the ILO fundamental conventions:	
Respect for the freedom of association and the right to collective bargaining	§5.1.12.2 (a)
Elimination of discrimination in employment and professions	§5.1.12.2 (a)
Elimination of forced or compulsory labour	§5.1.12.2 (a)
Effective abolition of child labour	§5.1.12.2 (a)

◄ CONTENTS ►

(b) Environmental information

General environmental policy:	
The Company's organisation to take into account environmental issues and, where appropriate, the approaches for evaluation or certification in environmental matters	§5.1.12.2 (d)
Actions taken to train and inform employees about protection of the environment	§5.1.12.2 (d)
Resources devoted to the prevention of environmental risks and pollution	§5.1.12.2 (d)
Amount of reserves and coverage for environmental risks, provided that this information is not likely to cause serious harm to the Company in a current dispute	§5.1.12.3 (d)
Pollution	
Measures to prevent, reduce or repair of releases into the air, water and soil seriously affecting the environment	§5.1.12.3 (d)
Consideration of noise and any other form of pollution specific to an activity	§5.1.12.3 (d)
Circular economy	
Prevention and management of waste	§5.1.12.2 (d)
■ measures for prevention, recycling, reuse, other forms of recovery and elimination of waste	
■ actions to combat food waste	
Sustainable use of resources	§5.1.12.2 (d)
■ water consumption and water supply based on local constraints	
■ consumption of raw materials and measures taken to improve efficiency in their use	
■ energy consumption, measures taken to improve energy efficiency and use of renewable energies	
Use of soil	§5.1.12.2 (d)
Climate change:	
The significant areas of greenhouse gas emissions generated by the Company's business, including the use of the goods and services that it produces	§5.1.12.2 (d)
Adapting to the impact of climate change	§5.1.12.2 (d)
Protection of biodiversity:	
Measures taken to develop biodiversity	§5.1.12.2 (d)

(c) Societal information

Territorial, economic and social impact of the Company's business:	
Jobs and regional development	§5.1.12.2 (c)
Surrounding and local authorities	§5.1.12.2 (c)
Relations with persons or organisations concerned by the Company's activities:	
Conditions for dialogue with these persons or organisations	§5.1.12.2 (c) §5.1.12.2 (e)
Partnerships and corporate sponsorship	§5.1.12.2 (c)
Subcontractors and suppliers:	
Incorporation of CSR criteria into the Company's purchasing policy	§5.1.12.2 (e)
Importance of outsourcing and incorporation of CSR criteria into relations with suppliers and subcontractors	§5.1.12.2 (e)
Fair practices:	
Actions taken to prevent corruption	§5.1.12.2 (f)
Measures taken for consumer health and safety	§5.1.12.2 (b)
Other human rights initiatives:	
Human rights initiatives	§5.1.12.2 (f)

(d) Methodology note

This note is intended to provide a reminder of Groupama's CSR reporting methodology and to clarify certain points about the scope taken into account and the calculations made on certain indicators.

Data collection

COLLECTION PROCESS

The information published in the management report of the registration document of Groupama SA is collected thanks to the contributions of the Group's network of reporting correspondents.

Most of the environmental and societal data are reported by the entities concerned through SCOOP, a solution offered by Enablon and fully dedicated to the CSR reporting within the Group. The list of employees to the reporting is updated each year before the beginning of the reporting campaign, and training on the use of SCOOP and the reporting process in general is offered by the CSR and Internal Communication department to the employees where appropriate (note: training during 2017 for the upgrading of SCOOP).

Certain environmental and societal data, by virtue of their specificity (when they relate to only one entity of the Group for example) or for practical reasons (difficulty of access to the tool, compliance with deadlines), are collected directly by the CSR and Internal Communication department from the correspondents or departments concerned.

Regarding the social data collection process, the management report (consolidated scope) and the registration document (consolidated scope) are produced from several data sources depending on whether they involve:

- a French or international company;
- consolidated or non-consolidated indicators;
- indicators concerning data or populations managed or not in the corporate information systems;
- indicators that can be produced from data reported each monthly in a group infocentre called SIPGRH, only for certain French companies.

Set up in 2003, the *Système d'Information et de Pilotage Groupe de Ressources Humaines* (SIPGRH or Human Resources Group Steering and Information System) is the only HR database at the group level. This infocentre is populated each month and contains 99.6% of the individual data of Group employees in France and 94% of the individual data of the Group including the international subsidiaries. Regarding the France scope, SIPGRH is populated each month with individual data of approximately 97% of theGroup's employees coming from the personnel administration systems of the French companies and every quarter for the other French companies.

Given that the transmission and control of these indicators by a third-party organisation are new obligations, the CSR data collection process changes each year to take account of recommendations made by the statutory auditors, improve the quality of the transmitted indicators and increase the reliability of the published data.

In December 2015, a new tool called the datahub was implemented to securely collect individual information for small French structures and international subsidiaries. Each quarter they submit their file of data, which are formatted and verified in real time (when uploaded to the datahub), to comply with the existing management rules in SIPGRH. Once all verifications have been completed, the companies use the connection to send the file to the Group HR Department, which transfers it to ADP after validation for loading into SIPGRH along with the other monthly files.

The data from all companies are available in a single environment, SIPGRH, and the Group HR Department can use a single tool to work with reliable, standardised data for the entire Group (or almost, as Asia is not involved).

It should be noted that around only twenty individual pieces of data are now taken into account for these companies: these are mainly contractual data particularly for monitoring staff and movements.

However, certain data or populations (disabilities, representatives/general agents, temporary workers, etc.) are not systematically present in the infocentre. In such cases, the corresponding indicators are requested from the companies through an Excel template sent by email as the end of the year. The same is true for consolidated indicators, such as the number of work-related accidents and those related to training.

A single Excel template is now sent to the various contributors for the indicators corresponding to:

- number of representatives and general agents by gender and workplace (inside or outside the Paris region);
- entries and exits of representatives and general agents during the year;
- number of temporary worker days and amounts paid to temporary employment agencies;
- DADS gross payroll;
- volume of employer contributions;
- theoretical work week duration and number of overtime hours;
- number of employees working atypical hours;
- number of agreements signed during the year and theme of these agreements;
- number of days of absence by reason (only for companies that send data *via* the datahub);
- number of disabled employees at 31 December as well as the ID numbers of the employee concerned and their education level;
- number of disabled employees recruited on permanent or fixed-term contracts as well as the number of employees concerned and their education level;
- number of promotions (only for companies that send data *via* the datahub);
- number of occupational illnesses reported during the year;
- number of workplace/commuting accidents with and without work stoppage.

Concerning the professional training indicators and for the companies within the scope of management of the CAPEDIA community training tool, and now the LMS tool (gradually deployed with the Group companies), they are determined centrally by Group Training sector. For other French companies and International companies, they are included in the Excel templates. These three indicators are as follows:

- employees trained by gender and by category;
- training hours by gender and by category;
- costs of training.

These measures make it possible to reduce the burden on companies and the Group HR Department, reduce lead times, and, above all, make information more reliable, given that the processing is centralised.

With regard to the process of collecting environmental and social data, the CSR data collection process is improved each year, particularly by reinforcing the degree of precision required from employees upstream (specify the method of estimation or extrapolation used if such is the case, sending of attachments – invoices, meter readings, information received by service providers or suppliers in particular – supporting the reported results) and by refining the criteria for whether values are taken into account during the consolidation downstream (see paragraph "Data Consolidation and Publication"), which improves the reliability of the published data.

In addition, improvements have been made on the basis of recommendations prepared by the statutory auditors:

- prevention: a working group of different reporting contributors helped to change the formulation and the definition of the indicator on prevention missions externally, in order to simplify the reporting of data by the entities;
- philanthropy: the definition of philanthropy excluding rare diseases was clarified to refine the scope of the indicator.

REFERENCE SOURCE AND DEFINITIONS OF INDICATORS

The indicators collected and published in the CSR section of the management report were developed in accordance with Article R. 225-105-1 of the Commercial Code and consistent with the guidelines of Groupama's CSR strategy.

A Group Reporting Reference Standard in effect since fiscal year 2010 is updated each year. It clarifies the rules for collection, explains the operation of the software, and specifies in particular the scope taken into account.

The list of collected environmental indicators as well as the methods for calculating these indicators are defined in a glossary of definitions updated each year. The methods for calculating CO_2 emissions are also defined in this Reference Sources and carried out subsequently by the CSR and Internal Communication department. The emission factors used come from the ADEME carbon database and are updated each year.

The collection of societal indicators is also based on a glossary of definitions updated for each reporting period and made available to employees before each new reporting campaign.

REPORTING PERIOD

The reporting period was determined in order to be able to meet the deadlines for verification and publication of the disclosures required by Article R. 225-105-1 of the Commercial Code.

As such, since 2012, the societal and environmental indicators have been collected by rolling year, from 1 November N-1 to 31 October N, *i.e.* from 1 November 2016 to 31 October 2017 in the present case. When it is impossible to obtain a data in advance for this period, an extrapolation by proportion or an estimate (according to the methods defined by the Reporting Reference Source or consistent with the values of previous years) may be performed, and the method used is specified by the employees.

It should be noted that two of the societal and environmental indicators are collected by calendar year: the Centaure Center indicator and the responsible investment data.

As regards social information, it is collected over a calendar year, *i.e.*, from 1 January 2016 to 31 December 2017 in this case. Information related to absenteeism is reported on a rolling-year basis from December 2016 to November 2017.

Reporting Scope

The 24 entities that are part of the reporting scope published in the CSR section of the management report are those integrated and consolidated in the Financial Reporting of Groupama SA's registration document (see list in the Appendix).

The published environmental and societal information relate to 24 entities detailed in the Appendix (or 99.2% of FTEs as at 31 October 2017). For the two entities where the information was not collected (Gan IA Hong Kong and other property subsidiaries), it was decided not to include them in the consolidation of the information.

These same rules have been applied in the calculation of CO_2 emissions.

The social information pertains to the 24 entities on the list in the Appendix.

POLICY OF EXCLUSION FROM THE CONSOLIDATED SCOPE:

Companies accounted for under the equity method in the accounting results are not taken into account in terms of social and environmental indicators, and Groupama AVIC Property Insurances Company, the Groupama group's subsidiary in China, was removed from the non-financial reporting scope in 2013 for a better balance between the consolidated financial and non-financial scope.

The distinction between consolidated scope and combined scope (including all group subsidiaries in France and abroad as well as the regional mutuals) during the environmental and societal data consolidation phase was made by the CSR and Internal Communication department on the basis of reports generated by the SCOOP tool. The SCOOP tool makes it possible to collect data for the combined scope, which are then published in the annual report.

In 2016 and 2017, the GOM Antilles entity was removed from the consolidated scope because the information on GOM Antilles is now included in the financial statements of Caisse Groupama Antilles Guyane. Similarly, it was decided to exclude Groupama Banque, which became Orange Bank in 2016, and has thus been removed from the consolidated scope.

The entities Carole Nash and Mastercover (United Kingdom) were sold in 2017 and are therefore excluded from the consolidated scope. As a result, the totals of the calculated indicators have been revised in their entirety, taking the new scope into account.

Consolidation and publication of data

CONSOLIDATION PROCESS

All environmental and societal data reported by the employees are consolidated by the CSR and Internal Communication department. The consolidation is preceded by a validation for each indicator and for each entity through the following checks:

- when the zero value is entered for an indicator, the CSR and Internal Communication department asks the employees concerned to specify whether this is due to the fact that the indicator is not applicable to their entity (in this case, the entity is included in the consolidation of this indicator) or because the information is not available (in which case, the entity is excluded from the consolidation of this indicator);
- comparison of N and N-1 data: when an entity reports a value fluctuating by +/-20% compared with the figure reported in 2016/2015, the employee concerned is alerted by the CSR and Internal Communication Department, and the figure is confirmed only if the difference can be justified, with the help of supporting documents if necessary;
- other consistency tests: in the event that there is no information about an indicator's significant difference in relation to 2016, the indicator's ratio per FTE for the entity concerned is compared with the average ratio per FTE for the same indicator, and the weight of this entity in the consolidated scope for this indicator is considered – if the entity represents an significant share of the scope or if its ratio per FTE for the indicator concerned seems abnormal, validation of the unsupported data is not possible.

Concerning the quality of social data, checks are made by the SIPGRH Project Owner of the Group HR Department each month at the time of the loadings. Functional tests are also carried out to ensure the consistency of the results relating to staff and staff movements (headcounts for month N = headcounts for N-1 – departures for the month + entries for the month).

In addition, comparisons are made over time between the work carried out by the companies and the work of the Group Human Resources Department (DRHG) on the basis of the social reports, particularly that group together a number of significant indicators.

And, at the time of completion of the work specific to CSR, the data for year N are compared with those for year N-1 by the Studies sector of the Group HR Department.

After consolidation of an indicator, the final total value and the ratio per FTE are compared with those of the 2016 reporting.

SCOPE COVERED

The coverage of the collection scope of each environmental and societal indicator is the ratio of the number of FTEs of entities having provided information validated by the CSR and Internal Communication Department for this indicator to the total number of FTEs of the consolidated scope. The FTEs are provided by the Group HR Department as at 31 October 2017 when this information is available.

Note that the Centaure Centre driving training figures (section 5.1.12.2 (b)), pertain to the Group's entire France scope and may therefore include actions carried out by the regional mutuals (Groupama Loire Bretagne in particular).

PROPERTIES MANAGED BY THE EIG G2S

The following rule was applied for consideration of the consumption of buildings formerly managed by the EIG G2S and recently released:

- buildings vacated before the start of the reporting period (1 November 2016 – 31 October 2017) or occupied for 0 to 6 months during the 2017 reporting period have been removed from the consolidation tables;
- buildings that were occupied for 6 or more months during the 2017 reporting period appear in the consolidation tables; the date on which they were released is mentioned, and their consumption levels are taken into account in the consolidation of the indicators.

PROPERTIES NOT MANAGED BY THE EIG G2S

Decrease in FTEs for Groupama SA and Groupama Gan Vie:

All FTEs of consolidated scope are taken into account in consumption figures (G2S is in charge of 25 buildings housing 15 Group companies) with the exception of 5 FTEs for Groupama SA and 17.86 FTEs for Groupama Gan Vie, which correspond to employees located in buildings not managed by G2S, for which we were unable to obtain consumption details.

We therefore decided to subtract these missing FTEs from the company's total FTEs for the energy consumption indicators (heat, electricity, water, chilled water, fuel oil, gas).

CHANGE IN ACCOUNTING METHOD FOR GAN ASSURANCES ON THE PREVENTION INDICATOR

For agricultural risks, only those missions identified by the relevant unit of headquarters are taken into account. These are therefore prevention missions managed at the central level of Gan Assurances to meet prevention objectives (in 2016, these were contracts covering cold rooms). The prevention of agricultural risks is done not by a dedicated team as for industrial risks, but by the Agricultural Specialist Inspectors (eight in number). This activity is integrated into their everyday activity independently of the prevention campaigns managed by Headquarters: previous years took into account their prevention business during customer acquisition, portfolio risk monitoring, etc. This was no longer the case in 2016, hence the observed drop on the surface, but this does not faithfully reflect the change in the prevention business between the two fiscal years.

CHANGE OF INDICATOR FOR PREVENTION MISSIONS

Since 2016, the indicator no longer covers a number of mission days but a number of missions, to facilitate the accounting of missions by the companies.

DETAILS ABOUT GRENELLE 2 INFORMATION

Because of its service businesses, with environmental impacts limited and reduced to low-pollution consumption (paper, electricity, etc.), the Groupama group has no financial provision for environmental risk. In addition, the activity does not generate noise, and water is not consumed in water stress areas.

In addition, certain Grenelle 2 information is excluded from the reporting because it is deemed immaterial for the entity:

- concerning "Measures to prevent, reduce, or repair releases into the air, water, and soil seriously affecting the environment": this information is not a key point in our CSR strategy because of our service business;
- concerning "water supply based on local constraints": the Group entities are connected to the public network;
- concerning "measures taken to improve energy efficiency and use of renewable energies": the Group entities are connected to the national electricity grid and thus benefit from the network's renewable share.

DETAILS ON THE CALCULATION OF CO_2 EMISSIONS

CO_2 emissions are published according to the three scopes defined by the GHG Protocol and according to the operational control consolidation method, as detailed below:

- scope 1, direct emissions related to consumption of gas and fuel oil and business travel in land vehicles owned by the Group's entities.
- scope 2, indirect emissions related to consumption of electricity, heat and chilled water.
- scope 3, other indirect emissions related to business travel by air, train and land vehicles not owned by the entities (leased vehicles, reimbursement of mileage costs).

The emission factors were updated for the 2017 report using the ADEME carbon database. The factors take into account emissions related to simple combustion and not upstream of production. A few clarifications for certain emission factors:

- for electricity, the emission factors used for entities present in the overseas departments and territories were calculated as follows using the ADEME database: for GOM Antilles, the average between the emission factors of Guadeloupe and Martinique/for GOM Pacifique, the average between the emission factors of New Caledonia, Tahiti, and French Polynesia excluding Tahiti;
- for consumption of steam and chilled water, the CSR and Internal Communication Department used an average of the various factors provided by ADEME for the cities in which Groupama is located;
- for travel by plane, the CSR and Internal Communication Department used the emission factor of a trip of average capacity and average distance (100 to 180 seats and 2,000 to 3,000 km);
- for travel by train in France, the emission factor used by the CSR and Internal Communication Department was the average of the large train line in France, which takes upstream emissions into account, given that it was not possible to differentiate for the other countries.

DETAILS ON THE CALCULATION OF THE RATES CONTAINED IN THE SOCIAL DATA

- absenteeism rate in France = Number of working days of absence/[average monthly headcount of permanent contracts and fixed-term contracts * (number of working days paid under a contract, *i.e.*, 262 working days)]. The formula was updated this year to increase the precision of the indicator;
- accident frequency rates = number of workplace and commuting accidents with work stoppage * 1,000,000/annual theoretical hours worked;
- accident severity rates = (working) days lost for workplace and commuting accidents with work stoppage * 1,000/annual theoretical hours worked.

For these last two indicators, the annual theoretical hours worked by business = theoretical weekly duration * 47 weeks * workforce on permanent contracts & fixed-term contracts as at 31 December 2017.

2016 RESTATED DATA

Modification of the consolidated scope

For certain indicators, the 2016 data were recalculated and modified in this report, taking into account changes in the calculation method or scope, in order to make the 2017 data comparable with the 2016 data. This rule applies to the following indicators and entities:

- 2016 social data:
  - workplace accident frequency rate: recalculation of the 2016 data;
- 2016 environmental data:
  - fuel oil (Groupama Emeklilik, Groupama Sigorta),
  - fuel oil (Nantes building),
  - water (Nantes building, 5 buildings modified by G2S, exclusion of Groupama Biztosito and Gan Prévoyance),
  - electricity (Bourges and Balma building, exclusion of Groupama Biztosito),
  - chilled water (Groupama Zastrahovane Non Life), recalculation of 2016 consumption per FTE excluding Mastercover and Carole Nash,
  - gas (exclusion of Groupama Biztosito), recalculation of 2016 consumption per FTE excluding Mastercover and Carole Nash,
  - marketing and technical documents (Groupama Emeklilik),
  - km by plane (Groupama Immobilier), recalculation of the 2016 data excluding Mastercover and Carole Nash,
  - km by car (exclusion of G2S Air+data, because short-term rentals are excluded from the scope of the indicator),
  - km by train (recalculation of 2016 data excluding Mastercover and Carole Nash),
  - CO_2 emissions (recalculation of 2016 data excluding Mastercover and Carole Nash);
- 2016 societal data:
  - prevention missions (addition of Rural Driving 10 and Young Driving 10 missions)
  - external prevention.

◄ CONTENTS ►

DATA ON RI/SRI ASSETS

› Criteria for definition of funds:
  - assets under management of funds and mandates classified as SRI: They are consistent with the specific SRI management process, which is based on the application of an extra-financial analysis methodology common to equities and credit according to a best-in-class approach; the securities of the available universe are analysed by our teams and classified into five quintiles (the holding of securities belonging to the bottom quintile is prohibited). The funds concerned are particularly specialised funds and collective employee shareholding plans (FCPE) certified by the CIES (French inter-union employee savings committee),
  - assets under management of funds and mandates classified as RI: in this category, we classify funds or mandates that, without be managed according to a best-in-class approach, are subject to ESG/RI charters,
  - the outstanding amount of the whole of the monetary range that practices the *a priori* exclusion of certain financial transmitters (related to tax havens) and promotes at the same time certain types of establishments based on a mutual operation or co-operative (Co-ope3ative Banks).

APPENDIX – List of entities taken into account in the non-financial reporting consolidation scope

Entity (Country)	Information provided for this entity
AMALINE ASSURANCES (France)	Social, environmental and societal
GAN ASSURANCES (France)	Social, environmental and societal
GAN PATRIMOINE (France)	Social, environmental and societal
GAN PRÉVOYANCE (France)	Social, environmental and societal
GROUPAMA GAN VIE (France)	Social, environmental and societal
GAN OUTRE-MER PACIFIQUE (France)	Social, environmental and societal
GROUPAMA ASIGURARI (Romania)	Social, environmental and societal
GROUPAMA ASSET MANAGEMENT (France)	Social, environmental and societal
GROUPAMA ASSICURAZIONI (Italy)	Social, environmental and societal
GROUPAMA ASSURANCE-CRÉDIT (France)	Social, environmental and societal
GROUPAMA EMEKLILIK (Turkey)	Social, environmental and societal
GROUPAMA SIGORTA (Turkey)	Social, environmental and societal
GROUPAMA ÉPARGNE SALARIALE (France)	Social, environmental and societal
GROUPAMA BIZTOSITO (Hungary/Slovakia)	Social, environmental and societal
GROUPAMA IMMOBILIER (France)	Social, environmental and societal
OTHER PROPERTY SUBSIDIARIES (France)	Social
GROUPAMA PHOENIX (Greece)	Social, environmental and societal
GROUPAMA PROTECTION JURIDIQUE (France)	Social, environmental and societal
GROUPAMA SA (France)	Social, environmental and societal
GROUPAMA SEGUROS[1] (Portugal)	Social, environmental and societal
GAN IA (Hong-Kong)	Social
GIE GROUPAMA SUPPORTS ET SERVICES (France)	Social, environmental and societal
GROUPAMA ZASTRAHOVANE NON LIFE[2] (Bulgaria)	Social, environmental and societal
MUTUAIDE ASSISTANCE (France)	Social, environmental and societal

(1) Jointly reported with Groupama Seguros De Vida's data.
(2) Jointly reported with Groupama JivotoZastrahovane Life's data.

CONTENTS

5.1.13 FEES OF THE STATUTORY AUDITORS

The fees of the statutory auditors for fiscal year 2017 break down as follows:

	PwC		Mazars	
Fees for certification of financial statements	**1,713.4**		**1371.9**	
Groupama SA	566.6	33%	510.9	37%
French subsidiaries	1,146.8	67%	861.0	63%
Fees for services other than certification of financial statements	**189.5**		**270.2**	
Groupama SA	179.5	95%	261.2	97%
French subsidiaries	10.0	5%	9.0	3%

Fees for services other than certification of financial statements totaled €270.2 thousand for Mazars and related to attestations provided for Solvency 2, social, environmental, and societal information, a subordinated debt issue, and IFRS 9. Regarding PwC, the fees for services other than certification of financial statements amounted to €189.5 thousand and related to attestations provided for Solvency 2, social, environmental, and societal information, a subordinated debt issue, and a Group retirement insurance policy.

To these fees, which concern Groupama SA and its subsidiaries in France, the following must be added in France at the combined group level for 2017:

- fees for certification of the financial statements of the Groupama regional mutuals totaling €505.1 thousand for Mazars and €717.3 thousand for PwC;
- fees relating to services other than certification of financial statements totaling €55.5 thousand for Mazars, which pertain to attestations relating to social, environmental, and societal information, and totaling €74.3 thousand for PwC for attestations relating to social, environmental, and societal information.

In addition, Groupama uses the international network of members of Groupama's group of statutory auditors to perform:

- work to certify the financial statements amounting to €114.3 thousand for Mazars and €722.4 thousand for PwC;
- attestations and certification of data other than the financial statements of €22.4 thousand for Mazars and €383.5 thousand for PWC. In particular, these fees pertain to work related to Solvency 2 due diligence.

5.1.14 OUTLOOK

2017 demonstrated the resilience of Groupama, which improved its economic operating income in an environment still marked by very significant weather events (frost and storms in France and overseas). The Group intends to continue this increase in 2018.

As part of its strategic guidelines, the Group places its customers at the centre of its commitment while pursuing stronger underwriting and operational profitability. This objective will be particularly sought through a process of innovation in terms of the offer of products, tools, and processes, favoured especially by the deployment of new technologies. These technologies will serve an integrated cross-channel organisation for ongoing access by customers.

With its mutualist values and the commitment of its employees and elected representatives, Groupama is confident in its ability to achieve its goals.

5.2. REPORT OF THE INDEPENDENT THIRD PARTY ON SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION

Report of the independent third party on the consolidated social, environmental and societal information contained in the management report.

(Year ended 31 December 2017)

Mazars SAS

61 rue Henri Régnault

92075 La Défense cedex

Dear Shareholders,

In our capacity as independent third party, a member of the Mazars network, statutory auditor of Groupama SA, accredited by COFRAC Inspection under number 3-1058 (scope available at www.cofrac.fr), we hereby present our report on the consolidated social, environmental and societal information relating to the fiscal year ended 31 December 2017, presented in the management report (hereinafter the "CSR Information"), pursuant to the provisions of Article L. 225-102-1 of the French Commercial Code.

RESPONSIBILITY OF THE COMPANY

It is the responsibility of the Board of Directors to prepare a management report containing the CSR information provided for in Article R. 225-105-1 of the French Commercial Code in accordance with the reference sources used by the Company (hereinafter the "Reference Sources"), a summary of which is contained in the management report and available on request at the Company's headquarters.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulations, the professional ethical Code as well as the provisions of Article L. 822-11-3 of the French Commercial Code. In addition, we have put in place a system of quality control that includes policies and documented procedures designed to ensure compliance with the applicable ethical rules and applicable laws and regulations.

RESPONSIBILITY OF THE INDEPENDENT THIRD PARTY

It is our responsibility, on the basis of our work, to:

- certify that the required CSR Information is presented in the management report or, if omitted, explained pursuant to the third paragraph of Article R. 225-105 of the French Commercial Code (Certification of presence of CSR information);
- express a conclusion of moderate assurance on the fact that the CSR Information, taken as a whole, is presented fairly in all their significant aspects in accordance with the Reference Source (reasoned opinion on the fairness of the CSR Information).

However, it is not our responsibility to decide on the compliance with the applicable laws where appropriate, in particular those provided for in Article L. 225-102-4 of the French Commercial Code (vigilance plan) and by law no. 2016-1691 of 9 December 2016 known as Sapin II (fight against corruption).

Our work was performed by a team of 6 individuals between October 2017 and March 2018 for a duration of 10 weeks.

We performed the work described below in accordance with the decree of 13 May 2013 defining the manner in which the independent third party carries out its mission as well as the professional standards of the French national auditing body (Compagnie nationale des commissaires aux comptes) relating to this work and, concerning the reasoned opinion of fairness, the international standard ISAE 3000 [(1)]

(1) ISAE 3000 – Insurance engagements other than audits or reviews of historical financial information.

(a) Verification of presence of CSR Information

On the basis of interviews with the heads of the departments concerned, we reviewed the statement of sustainable development guidelines, according to the social and environmental consequences related to the Company's business and its societal commitments and, where appropriate, the resulting actions or programmes.

We compared the CSR information presented in the management report with the list provided for by Article R. 225-105-1 of the French Commercial Code.

In case of the absence of certain consolidated information, we verified that explanations were provided in accordance with the provisions of Article R. 225-105 paragraph 3 of the French Commercial Code.

We verified that the CSR Information covered the consolidated scope, namely the Company as well as its subsidiaries within the meaning of Article L. 233-1 and the companies that it controls within the meaning of Article L. 233-3 of the French Commercial Code with the limits specified in the methodological note presented in paragraph 3.4 of the management report.

On the basis of this work and considering the limits mentioned above, we certify the presence of the required CSR Information in the management report.

(b) Reasoned opinion on the truthfulness of the CSR Information

Nature and scope of work

We conducted a dozen interviews with the individuals responsible for the preparation of CSR Information within the departments in charge of information collection processes and, where appropriate, those responsible for internal control and risk management procedures in order to:

- assess the appropriateness of the Reference Sources considering their relevance, completeness, reliability, neutrality and understandable nature, taking into consideration, where appropriate, the best practices of the sector;
- verify the establishment of a collection, compilation, treatment and control process aims at comprehensiveness and consistency of CSR Information and review the internal control and risk management procedures relating to the preparation of CSR Information.

We determined the nature and extent of our tests and checks on the basis of the nature and significance of the CSR information in terms of the characteristics of the Company, the social and environmental issues of its business activities, its sustainable development guidelines and best industry practices.

For the CSR information that we considered most important[(1)]:

- at the level of the consolidating entity, we consulted the documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), we implemented the analytical procedures on the quantitative information, and verified, on the basis of sampling, the calculations as well as the consolidation of data, and we verified their consistency with the other information contained in the management report;
- at the level of a representative sample of entities that we selected[(2)] on the basis of their business, their contribution to the consolidated, their location and a risk analysis, we conducted interviews to verify the correct application of the procedures and implemented detailed tests on the basis of sampling, consisting in verifying the calculations made and reconciling the data of the supporting documents. The selected sample represents 46% of the workforce, considered as a typical size of the social component, and between 59% and 84% of the environmental data considered as typical sizes[(3)] of the environmental component.

(1) Social information: Headcounts and distribution of employees by gender, age, and geographical area; Number of hires and departures on permanent contracts; Proportion of women executives; Number of training hours; Absenteeism rate (France scope); Measures to promote the employment and integration of people with disabilities (and the number of employees with disabilities).
Environmental information: Total paper consumption (office, marketing, desktop publishing); Proportion of certified office paper; Energy consumption of the sites; CO2 emissions related to energy consumption of the sites.
Societal information: Amounts allocated by the Groupama Health Foundation; Number of people trained in prevention and eco-driving at the Centaur centres; Methods for incorporating ESG issues into investment analysis.

(2) Groupama Biztosito (Hungary), Groupama SA (France) for social information, Groupama Supports & Services (France) for environmental information (all the buildings under management for energy and all purchases of paper managed by Groupama Supports & Services on behalf of GSA and its subsidiaries); Gan Assurances; Groupama Gan Vie.

(3) CO_2 emissions related to site energy consumption and total paper consumption.

For other consolidated CSR information, we assessed its coherence in relation to our knowledge of the Company.

Lastly, we assessed the relevance of the explanations relating, where applicable, to the total or partial absence of certain information.

We believe that the sampling methods and sample sizes that we have used in exercising our professional judgement allow us to express a conclusion of moderate assurance; a higher level of assurance would have required more extensive verifications. Because of the use of sampling techniques as well as other limitations inherent in the operation of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR information cannot be totally eliminated.

Conclusion

On the basis of our work, we found no significant anomalies likely call into question the fact that the CSR Information, taken as a whole, is presented fairly in accordance with the Reference Source.

Paris La Défense, 15 March 2018

Independent third party

Mazars SAS

Pascal Parant	Nicolas Dusson	Edwige Rey
Partner	Partner	CSR & Sustainable Development Partner

5.3 DIVIDEND DISTRIBUTION POLICY

5.3.1 DIVIDENDS PAID OVER THE PAST THREE FISCAL YEARS

Fiscal years	Total dividends distributed	Total dividends distributed eligible for reduction	Total dividends distributed not eligible for reduction
2016	None	None	None
2015	€14,261,596.16	€4,918.13	€14,256,678.03
2014	None	None	None

5.3.2 DISTRIBUTION POLICY

Groupama SA pays dividends in euros.

The dividend proposal is submitted to the General Meeting after the allocation of the earnings is proposed by the Board of Directors.

Groupama SA determines its dividend distribution policy on the basis of its consolidated current income minus subsidies paid to regional mutuals.

When considering the dividend to be paid for a given year, Management seeks to reconcile (i) the prudent management of capital, (ii) the reinvestment of past earnings to support the development of businesses and (iii) the objectives set by the controlling shareholder.

Note that 99.9% of the dividend is paid to the controlling shareholder of Groupama SA and 0.03% is paid to the minority shareholders.

Once the Company is converted into a national agricultural reinsurance mutual, a form of company without capital, the Groupama SA shares will be cancelled, and the Company will be able to pay, under certain conditions, compensation for its mutual certificates.

For fiscal year 2017, the payment of a dividend of 0.034 euro per share corresponding to a total distribution of €13.9 million, representing 15.97% of consolidated net income, will be proposed to the General Meeting of 7 June 2018.

At the time of the takeover of Groupama Holding and Groupama Holding 2 by the Company, the number of shares entitled to a dividend relative to the 407,474,176 shares composing the share capital as of 1 January 2018 will change. The overall amount of the dividends will be adjusted upwards accordingly.

	FY 2017	FY 2016	FY 2015
Overall dividend	€13.9 million	€0	€14.3 million
Dividend per share	€0.034	€0	€0.035
Consolidated net income	€87 million	€79 million	€133 million
Distribution rate	15.9%	Not applicable	10.7%

5.3.3 STATUTE OF LIMITATIONS

Dividends not claimed within five years are subject to the statute of limitations. They then revert to the Public Treasury, pursuant to Article L. 1126-1 of the French General Public Property Code.

◄ CONTENTS ►

5.4 CASH AND GROUP FINANCING

5.4.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents totaled €445 million as at 31 December 2017, down €176 million compared with 31 December 2016.

The distribution of cash flows for fiscal year 2017 among the various business lines is as follows:

- Operational business cash flows: €231 million;
- Investment, financial, and other business cash flows: -€407 million;
- Total: -€176 million

5.4.2 ISSUER'S FINANCING STRUCTURE

In early January 2017, Groupama launched an offer to exchange all of its deeply supersubordinated instruments issued in 2007 and a portion of its redeemable subordinated instruments issued in 2009 for new subordinated instruments with a maturity of 10 years.

On 23 January 2017, Groupama issued and placed subordinated instruments with a maturity of 10 years with institutional investors for a total of €650 million with an annual coupon of 6.00%.

The operation was widely successful with institutional investors holding the two instruments, since the transformation rate reached 65% on the deeply subordinated instruments issued in 2007 and the 33% ceiling set by the Group on subordinated instruments issued in 2009.

This operation contributes to the active management of Groupama's capital. It aims to extend the maturity of its debt profile and strengthen the Group's financial flexibility.

Groupama SA debt totaled €1.136 billion as at year-end 2017.

Subordinated liabilities at 31 December 2017 totaled €1,136 billion, €0.386 billion higher than at 31 December 2016.

The Group's debt ratio is assessed at the combined scope level (ratio now calculated according to the method chosen by our rating agency) and was 25.9% at the end of 2017, compared with 27.5% at 31 December 2016.

	31.12.2017				31.12.2016			
(in millions of euros)	<1 year	1-5 years	>5 years	Total	<1 year	1-5 years	>5 years	Total
Subordinated debt of insurance companies			1,136	1,136			750	750
Financing debt represented by securities								
Financing debt with banking-sector companies								
TOTAL FINANCING DEBT			**1,136**	**1,136**			**750**	**750**

The "Subordinated debt" line comprises two issues of bond loans as follows:

The first loan bond was issued by Groupama SA on 27 October 2009 in the form of redeemable subordinated instruments (TSR) for a nominal amount of €750 million. Following the swap completed in January 2017, the nominal value was reduced to €500 million.

This 30-year bond has a fixed annual rate of 7.875% for the first 10 years. After that date, the rate applied will be the three-month Euribor plus a margin of 5.36%.

It includes a "10-year call" that allows the issuer to redeem the bond early as from the tenth year.

At 31 December 2017, this issue was quoted at 113.7% compared with 107.2% at 31 December 2016.

The second bond corresponds to the new instrument issued in the form of redeemable subordinated instruments (TSR) in January 2017 through the swap for a nominal amount of €650 million.

This 10-year bond has a fixed annual rate of 6% for 10 years.

On 31 December 2017, this issue was trading at 126.3%.

In view of the conditions specific to these issues and pursuant to IAS 32 sections 16 and 17, these bonds are considered as financial liabilities rather than equity instruments. They are therefore recognised under financing debt. Interest costs net of tax are recognised in the income statement.

In addition, under IFRS, one subordinated instrument is recorded in equity instruments and therefore does not appear in the tables above.

This is a bond issued by Groupama SA on 28 May 2014 in the form of an indefinite-term subordinated bond (TSDI) for a total nominal amount of €1.1 billion.

This instrument was issued at a fixed rate of 6.375% for the first 10 years and then at a variable rate equal to the 3-month Euribor rate plus a margin of 5.77%. This bond includes a "10-year call" that allows the issuer to redeem the bond early as from the tenth year.

◄ CONTENTS ►

On 31 December 2017, this TSDI was trading at 120.5%, compared with 94.1% on 31 December 2016.

Groupama SA also repaid the balance of the perpetual super-subordinated bond (TSS) early in October 2017 for €143 million.

5.4.3 EMPLOYMENT AND CASH

Interest expenses paid by the Group in 2017 amounted to €88 million (€60 million in 2016).

5.5 PROPERTY, PLANT AND EQUIPMENT

The headquarters of Groupama SA are located at 8-10 rue d'Astorg, 75008 Paris.

As an insurance group, Groupama holds significant property assets, managed primarily by Groupama Immobilier, for a total value of €3.7 billion. These assets are located primarily in Paris and the Greater Paris region.

Investment property and operating activities property are described in the Note 4 and Note 5 of the consolidated financial statements in this registration document.

5.6 ADMINISTRATIVE, JUDICIAL, OR ARBITRATION PROCEEDINGS

Over the past twelve months, the Company has not been subject to any governmental, judicial, or arbitration proceedings, including any pending or threatened proceedings known to the Company, which might have had, or has had over the last 12 months, significant effects on its financial situation or profitability, or that of the Group.

1
2
3
4
5
6
7

◄ CONTENTS ►

6

FINANCIAL STATEMENTS

1 2 3 4 5 6 7

◄ CONTENTS ►

Pursuant to Article 28 of Commission Regulation (EC) 809/2004 of 29 April 2004, the following information has been incorporated into this registration document by reference:

- *the consolidated financial statements of Groupama SA for the fiscal year ended 31 December 2016 and the corresponding statutory auditors' report appear on pages 202 to 318 and 319 to 320, respectively, of the registration document n° D17-0447 filed with the AMF on 27 April 2017;*
- *the consolidated financial statements of Groupama SA for the fiscal year ended 31 December 2015 and the corresponding statutory auditors' report appear on pages 200 to 309 and 310 to 311, respectively, of the registration document n° D16-0426 filed with the AMF on 28 April 2016.*

6.1 CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

6.1.1 CONSOLIDATED BALANCE SHEET

Assets

(in millions of euros)		31.12.2017	31.12.2016
Goodwill	Note 2	1,907	1,975
Other intangible assets	Note 3	226	232
Intangible assets		**2,133**	**2,207**
Investment property excluding unit-linked items	Note 4	1,132	1,068
Unit-linked investment property	Note 7	118	110
Operating property	Note 5	378	418
Financial investments excluding unit-linked items	Note 6	69,382	70,389
Unit-linked financial investments	Note 7	9,212	7,986
Derivatives and separate embedded derivatives	Note 8	113	68
Insurance business investments		**80,335**	**80,040**
Funds used in banking sector activities and investments of other business activities	**Note 9**	**101**	**96**
Investments in related companies and joint ventures	**Note 10**	**493**	**1,096**
Share of outward reinsurers and retrocessionnaires in liabilities relating to insurance and financial contracts	**Note 11**	**1,634**	**1,461**
Other property, plant and equipment	Note 12	171	152
Deferred acquisition costs	Note 13	137	186
Deferred profit-sharing assets			
Deferred tax assets	Note 14	36	23
Receivables arising from insurance and inward reinsurance operations	Note 15	1,899	1,763
Receivables from outward reinsurance operations	Note 16	183	222
Current tax receivables and other tax receivables	Note 17	251	273
Other receivables	Note 18	2,342	2,263
Other assets		**5,018**	**4,882**
Held-for-sale assets and discontinued businesses	**Note 2**	**447**	**94**
Cash and cash equivalents	**Note 19**	**483**	**609**
TOTAL		**90,645**	**90,484**

CONTENTS

Liabilities

(in millions of euros)		31.12.2017	31.12.2016
Capital		2,088	2,088
Revaluation reserves		1,257	1,180
Other reserves		2,325	2,720
Foreign exchange adjustments		(500)	(454)
Consolidated income		87	79
shareholders' equity (Group share)		**5,257**	**5,613**
Non-controlling interests		54	57
Total shareholders' equity	**Note 20**	**5,311**	**5,670**
Reserves for contingencies and charges	**Note 21**	**463**	**455**
Financing debt	**Note 23**	**1,136**	**750**
Technical liabilities relating to insurance policies	**Note 24**	**56,041**	**54,859**
Technical liabilities relating to financial contracts	**Note 25**	**13,854**	**14,696**
Deferred profit-sharing liabilities	**Note 27**	**5,014**	**5,517**
Resources from banking sector activities	**Note 9**	**10**	**8**
Deferred tax liabilities	Note 14	141	157
Debts to unit holders of consolidated mutual funds	Note 28	245	457
Operating debts to banking sector companies	Note 19	57	11
Debts arising from insurance or inward reinsurance operations	Note 29	736	678
Debts arising from outward reinsurance operations	Note 30	427	352
Current taxes payable and other tax liabilities	Note 31	122	134
Derivative instrument liabilities	Note 8	659	750
Other debts	Note 32	6,071	5,982
Other liabilities		**8,459**	**8,521**
Liabilities of discontinued or held-for-sale activities	**Note 2**	**357**	**7**
TOTAL		**90,645**	**90,484**

◄ CONTENTS ►

6.1.2 CONSOLIDATED INCOME STATEMENT

Income statement

(in millions of euros)		31.12.2017	31.12.2016
Written premiums	Note 33	10,154	10,004
Change in unearned premiums		(41)	(38)
Earned premiums		**10,113**	**9,966**
Net banking income, net of cost of risk		**143**	**136**
Investment income		2,158	2,236
Investment expenses		(711)	(830)
Capital gains or losses from divestment of investments net of impairment and depreciation write-backs		384	492
Change in fair value of financial instruments recorded at fair value through income		657	325
Change in impairment on investments		(10)	(40)
Investment income net of expenses	**Note 34**	**2,479**	**2,182**
Total income from ordinary business activities		**12,735**	**12,284**
Insurance policy servicing expenses	Note 35	(9,855)	(9,479)
Income on outward reinsurance	Note 36	535	540
Expenses on outward reinsurance	Note 36	(636)	(647)
Net outward reinsurance income and expenses		**(9,956)**	**(9,585)**
Banking operating expenses		(99)	(100)
Policy acquisition costs	Note 38	(1,250)	(1,215)
Administrative costs	Note 39	(530)	(577)
Other current operating income and expenses	Note 40	(615)	(554)
Total other current income and expenses		**(12,451)**	**(12,030)**
Current operating income		**284**	**253**
Other non-current operating income and expenses	Note 41	(208)	(164)
Operating income		**76**	**89**
Financing expenses	Note 42	(88)	(60)
Share in income of related companies	Note 10	(30)	3
Corporate income tax	Note 43	(6)	6
Net income from continuing business activities		**(49)**	**38**
Net income from discontinued or held-for-sale activities	Note 2	136	43
OVERALL NET INCOME		**87**	**81**
of which, non-controlling interests			1
OF WHICH, NET INCOME (GROUP SHARE)		**87**	**79**

CONTENTS

6.1.3 STATEMENT OF NET INCOME AND GAINS (LOSSES) RECOGNISED DIRECTLY IN SHAREHOLDERS' EQUITY

	31.12.2017			31.12.2016		
(in millions of euros)	Group share	Non-controlling interests	Total	Group share	Non-controlling interests	Total
Net income for fiscal year	**87**		**87**	**79**	**1**	**81**
Gains and losses recognised directly in shareholders' equity						
Items recyclable to income						
Change in foreign exchange adjustments	(46)		(46)	(29)		(29)
Change in gross unrealised capital gains and losses on available-for-sale assets	(712)	(2)	(714)	541	3	544
Revaluation of hedging derivatives	20		20			
Change in shadow accounting	740	3	743	(392)	(2)	(394)
Change in deferred taxes	29		29	7	(1)	6
Other changes	(21)		(21)	(7)	2	(5)
Items not recyclable to income						
Restatement of net actuarial debt from pension commitments (defined-benefit schemes)	19		19	(27)		(27)
Change in deferred taxes	(6)		(6)	9		9
Other changes						
Total gains (losses) recognised directly in shareholders' equity	**22**	**1**	**23**	**102**	**2**	**104**
NET INCOME AND GAINS (LOSSES) RECOGNISED IN SHAREHOLDERS' EQUITY	**109**	**1**	**110**	**181**	**3**	**184**

The statement of net income and gains (losses) recognised directly in shareholders' equity – an integral part of the financial statements – includes, in addition to the net income for the year, the change in the reserve for unrealised capital gains (losses) on available-for-sale assets, net of deferred profit-sharing and deferred taxes, as well as the change in the reserve for foreign exchange adjustments and the actuarial gains (losses) on post-employment benefits.

◄ CONTENTS ►

6.1.4 CHANGE IN SHAREHOLDERS' EQUITY

(in millions of euros)	Capital	Income (Loss)	Subordinated instruments	Consolidated reserves	Revaluation reserves	Foreign exchange adjustment	Shareholders' equity (Group share)	Share of non-controlling interests	Total shareholders' equity
SHAREHOLDERS' EQUITY AT 31.12.2015	**1,687**	**133**	**1,516**	**876**	**1,024**	**(425)**	**4,811**	**50**	**4,861**
Allocation of 2015 income (loss)		(133)		133					
Dividends [1]				(77)			(77)	(5)	(82)
Change in capital	401			299			700	7	707
Business combinations								2	2
Other			(2)				(2)		(2)
Impact of transactions with shareholders	**401**	**(133)**	**(2)**	**355**			**621**	**4**	**625**
Foreign exchange adjustments						(29)	(29)		(29)
Available-for-sale assets					541		541	3	544
Shadow accounting					(392)		(392)	(2)	(394)
Deferred taxes				9	7		16	(1)	15
Actuarial gains (losses) of post-employment benefits				(27)			(27)		(27)
Other				(7)			(7)	2	(5)
Net income for fiscal year		79					79	1	81
Total income (expenses) recognised over the period		**79**		**(25)**	**156**	**(29)**	**181**	**3**	**184**
Total changes over the period	**401**	**(54)**	**(2)**	**330**	**156**	**(29)**	**802**	**7**	**809**
SHAREHOLDERS' EQUITY AT 31.12.2016	**2,088**	**79**	**1,514**	**1,206**	**1,180**	**(454)**	**5,613**	**57**	**5,670**
Allocation of 2016 income (loss)		(79)		79					
Dividends [1]				(51)			(51)	(4)	(55)
Change in capital									
Business combinations									
Other			(414)				(414)		(414)
Impact of transactions with shareholders		**(79)**	**(414)**	**28**			**(465)**	**(4)**	**(469)**
Foreign exchange adjustments						(46)	(46)		(46)
Available-for-sale assets					(712)		(712)	(2)	(714)
Shadow accounting					740		740	3	743
Deferred taxes				(6)	29		23		23
Actuarial gains (losses) of post-employment benefits				19			19		19
Other				(21)	20		(1)		(1)
Net income for fiscal year		87					87		87
Total income (expenses) recognised over the period		**87**		**(9)**	**77**	**(46)**	**109**	**1**	**110**
Total changes over the period		**8**	**(414)**	**19**	**77**	**(46)**	**(356)**	**(3)**	**(359)**
SHAREHOLDERS' EQUITY AT 31.12.2017	**2,088**	**87**	**1,100**	**1,225**	**1,257**	**(500)**	**5,257**	**54**	**5,311**

(1) These being dividends that impact the change in shareholders' equity (group share), they are treated in particular as compensation for subordinated instruments classified as shareholders' equity according to IFRS rules.

CONTENTS

6.1.5 CASH FLOW STATEMENT

(in millions of euros)	31.12.2017	31.12.2016
Operating income before taxes	76	89
Capital gains (losses) on the sale of investments	(236)	(454)
Net allocations to amortisation and depreciation	142	140
Change in deferred acquisition costs	44	4
Change in impairment	(139)	149
Net allocations to technical liabilities related to insurance policies and financial contracts	856	7,470
Net allocations to other reserves	32	26
Change in fair value of financial instruments and investments recognised at fair value through income (excluding cash and cash equivalents)	(657)	(325)
Other non-cash items included in operating income	40	33
Correction of elements included in the operating income other than cash flows and reclassification of investment and financing flows	**81**	**7,043**
Change in operating receivables and payables	69	(7,138)
Change in banking operating receivables and payables	(7)	(5)
Change in repo and reverse-repo securities	61	335
Cash flows from other assets and liabilities	(16)	90
Net tax paid	(34)	(40)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**231**	**374**
Acquisitions/divestments of subsidiaries and joint ventures, net of cash acquired	753	148
Stakes in related companies acquired/divested	(64)	11
Cash flows due to changes in scope of consolidation	**689**	**159**
Net acquisitions of financial investments (including unit-linked investments) and derivatives	(961)	(1,210)
Net acquisitions of investment property	143	53
Net acquisitions and/or issues of investments and derivatives relating to other activities		
Other non-cash items	(29)	(53)
Cash flows from acquisitions and issues of investments	**(846)**	**(1,210)**
Net acquisitions of property, plant and equipment, intangible fixed assets and operating property	(171)	(140)
Cash flows from acquisitions and disposals of property, plant and equipment and intangible fixed assets	**(171)**	**(140)**
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	**(328)**	**(1,191)**
Membership fees		
Issue of capital instruments		707
Redemption of equity instruments [1]	(414)	(2)
Transactions involving own shares		
Dividends paid [2]	(55)	(81)
Cash flows from transactions with shareholders and members	**(469)**	**624**
Cash allocated to financial debt [1]	386	
Interest paid on financial debt	(88)	(61)
Cash flows from group financing	**298**	**(61)**
Financing cash flows from activities to be sold or discontinued		
NET CASH FLOWS FROM FINANCING ACTIVITIES	**(171)**	**564**
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**621**	**890**
Net cash flows from operating activities	231	374
Net cash flows from investment activities	(328)	(1,191)
Net cash flows from financing activities	(171)	564
Cash flows from sold or discontinued assets and liabilities	98	(10)
Effect of foreign exchange changes on cash	(5)	(6)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**445**	**621**

(1) Movements relating to financing activities are detailed in Notes 20.2 and 23.1.
(2) They correspond in particular to payment for subordinated securities classified in shareholders' equity under IFRS.

1
2
3
4
5
6
7

Cash flow statement	31.12.2017
Cash and cash equivalents	609
Cash, central bank, postal bank and accounts receivable from banking businesses	22
Operating debts to banking sector companies	(11)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**621**
Cash and cash equivalents	488
Cash, central bank, postal bank and accounts receivable from banking businesses	19
Operating debts to banking sector companies	(57)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**445**

6.1.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY

1 SIGNIFICANT EVENTS AND POST-BALANCE SHEET EVENTS

1.1 Significant events of fiscal year 2017

1.1.1 Debt refinancing

In early January 2017, Groupama launched an offer to exchange all of its deeply supersubordinated instruments issued in 2007 and a portion of its redeemable subordinated instruments issued in 2009 for new subordinated instruments with a maturity of 10 years.

On 23 January 2017, Groupama issued and placed subordinated instruments with a maturity of 10 years with institutional investors for a total of €650 million with an annual coupon of 6.00%. The operation was widely successful with institutional investors holding the two instruments, since the transformation rate reached 65% on the deeply subordinated instruments issued in 2007 and the 33% ceiling set by the Group on subordinated instruments issued in 2009.

Institutional investors also showed great interest in the proposed new instrument: the additional bond in euros met with strong demand, with an order book subscribed nearly 10 times.

This operation contributes to the active management of Groupama's capital. It aims to extend the maturity of its debt profile and strengthen the Group's financial flexibility.

1.1.2 Financial strength

(a) Financial rating

On 3 May 2017, Fitch Ratings upgraded the insurer financial strength ratings of Groupama SA and its subsidiaries from "BBB+" to "A-". The outlook associated with these ratings is "stable".

(b) Redemption of 2007 deeply supersubordinated bonds

Groupama SA redeemed the balance of its indefinite-term deeply supersubordinated securities issued in 2007 early (ISIN: FR0010533414) at the first redemption date, *i.e.*, 22 October 2017, for €143 million.

1.1.3 Financial investments

(a) OTP Bank

On 22 March 2017, Groupama announced the successful private placement of 8,260,000 OTP Bank shares, representing approximately 3% of the Company's capital, with institutional investors. The sale price was approximately €208 million.

Following the placement, Groupama directly or indirectly holds approximately 14,140,000 shares of OTP Bank, representing 5% of the Company's capital.

(b) Icade

On 19 June 2017, Groupama sold 9,596,200 Icade shares to Crédit Agricole Assurances, representing 12.95% of Icade's capital, *i.e.*, Groupama's entire stake. The total amount of the transaction was approximately €715 million euros, or €74.50 per Icade share sold.

With this transaction, Groupama continued its policy of reducing its exposure to risky assets.

(c) Domaine de Nalys

On 19 July 2017, Groupama sold 64.57% of its stake in SCI du Domaine de Nalys for an amount of €52 million.

1.1.4 Businesses

(a) Carole Nash-Mastercover-Bollington

Groupama continued its withdrawal from non-strategic stakes. Its stakes in various brokerage firms in the UK were thus sold during 2017. Groupama no longer has any operating business in the United Kingdom.

(b) Governance

Following the promulgation of Article 52 of law 2016-1691 of 9 December 2016, Groupama SA began its conversion from the Group's central body into a national agricultural mutual reinsurance fund, which is a special form of mutual insurance company (SAM).

In 2017, Groupama SA contributed its direct insurance portfolios to Gan Assurances. Groupama SA, the future national mutual agricultural reinsurance fund, must exclusively operate in either insurance or reinsurance. As Groupama SA is responsible for the reinsurance of the regional mutuals, the future national mutual reinsurance fund therefore could not operate in direct insurance.

With a view to streamlining and separating the reinsurance and investment holding businesses, Groupama SA contributed all of its securities of French insurance companies and service subsidiaries and nearly all of its securities of international subsidiaries to a new holding company, Groupama Holding Filiales et Participations, in 2017.

1.2 Post-balance sheet events

On 22 September 2017, a memorandum of agreement for the sale of the two Portuguese subsidiaries was signed between Groupama SA and Benefits and Increases Unipessoal Lda. This transaction was approved by local regulatory authorities on 18 January 2018, and the closing took place on 2 February 2018.

2 CONSOLIDATION PRINCIPLES, METHODS AND SCOPE

2.1 Explanatory note

Groupama SA, a French *société anonyme*, is nearly wholly owned, directly or indirectly, by the Caisses Régionales d'Assurances et de Réassurances Mutuelles Agricoles and the Caisses Spécialisées ("Specialised Mutuals", regional mutuals), which form the Mutual Insurance Division of Groupama. Groupama SA is domiciled in France. Its headquarters are located at 8-10, rue d'Astorg, 75008, Paris, France.

The breakdown of share capital as at 31 December 2017 was as follows:

- 92.01% by Groupama Holding;
- 7.96% by Groupama Holding 2;
- 0.03% by the former and current agents and employees of Groupama SA (directly or through umbrella funds – FCPE).

Both Groupama Holding and Groupama Holding 2, which are French *sociétés anonymes* (public limited companies), are wholly owned by the regional mutuals.

Groupama SA is a reinsurance company, the central body of the Groupama network, the sole reinsurer for the regional mutuals and the holding company for the Equity Management Division of the Groupama group. Its main missions are as follows:

- to ensure the cohesion and proper operation of the bodies within the Groupama network;
- to exercise administrative, technical and financial control over the structure and management of the organisations within the Groupama network;
- to define and implement the operational strategy of the Groupama group in collaboration with the regional mutuals and in line with the strategies defined by the Fédération Nationale Groupama;
- to reinsure the regional mutuals;
- to direct all subsidiaries;
- to establish the external reinsurance programme for the entire Group;
- to prepare the consolidated and combined financial statements.

The consolidated financial statements of Groupama SA incorporate the reinsurance ceded by the regional mutuals as well as the activity of the subsidiaries.

The combined financial statements relate to the Groupama group and include all local mutuals, regional mutuals, Groupama SA and its subsidiaries.

The Company is governed with respect to its activities by the provisions of the French Commercial Code and the French Insurance Code and is subject to the supervision of the French Prudential Control Authority (ACPR).

The various entities of the Group are connected:

- within the Groupama SA division, by capital ties. The subsidiaries included in this division are consolidated in the financial statements. Moreover, in exchange for a certain operational autonomy, each of the subsidiaries is subject to the requirements and obligations defined by the Groupama SA environment, particularly in terms of control;
- in the Mutual Insurance Division:
  - by an Internal Reinsurance agreement that links the regional mutuals to Groupama SA,
  - by a security and joint liability agreement between all the regional mutuals and Groupama SA ("agreement defining the security and joint solidarity mechanisms of the Caisses de Réassurance Mutuelle Agricole that are members of Fédération Nationale Groupama").

2.2 General presentation of the consolidated financial statements

The consolidated financial statements as at 31 December 2017 were approved by the Board of Directors, which met on 15 March 2018.

For the purposes of preparing the consolidated financial statements, the financial statements of each consolidated entity are prepared consistently and in accordance with the International Financial Reporting Standards and the interpretations applicable as at 31 December 2017 as adopted by the European Union, the principal terms of which are applied by Groupama SA as described below.

All standards and interpretations that are mandatory for fiscal years starting on or after 1 January 2017 were applied when producing the Group's financial statements as at 31 December 2017, particularly the amendment to IAS 12 "Recognition of deferred tax assets for unrealised losses" and the amendment to IAS 7 "Statement of cash flows disclosure initiative". They have had no significant effect on the Group's financial statements as at 31 December 2017.

The Group did not opt for the early application of IFRS 9 on financial instruments, adopted in November 2016 by the European Union, with an application date of 1 January 2018. Work to identify problems in implementing this standard is in progress.

The amendment to IFRS 4, adopted in November 2017 by the European Union, allows groups whose predominant business activity is insurance to defer the application of IFRS 9 until 2021. The Group meets the eligibility criteria defined in the amendment to defer the application of IFRS 9 and chose to defer the application of IFRS 9 to 2021.

IFRS 15 on revenue recognition, adopted in October 2016 by the European Union, with an application date of 1 January 2018, was not applied early. Its application is deemed not to have a significant impact on the Group's consolidated financial statements.

IFRS 16 on leases, adopted in October 2017 by the European Union, with an application date of 1 January 2019, was not applied early. An analysis is currently underway to assess its potential impact on the Group's consolidated financial statements.

IFRS 17 on insurance contracts, published in May 2017 by the IASB and intended to replace the current IFRS 4, has not yet been adopted by the European Union. Work to identify problems in implementing this standard was begun.

Decisions taken by the Group are based particularly on the summary of the work undertaken by the CNC working groups on the specifics of implementing IFRS by insurance organisations.

Subsidiaries, joint ventures, and related companies of the consolidation scope are consolidated within the scope in accordance with the provisions of IFRS 10, IFRS 11, and IAS 28.

The Group adopted IFRS for the first time for the preparation of the 2005 financial statements.

All amounts on the consolidated balance sheet, the consolidated income statement, the statement of net income and gains (losses) recognised directly in shareholders' equity, the statement of changes in shareholders' equity, the cash flow statement, and the notes are in millions of euros unless otherwise indicated. These amounts are rounded. Rounding differences may exist.

In order to prepare the Group's financial statements in accordance with IFRS, Groupama's management must make assumptions and estimates that have an impact on the amount of assets, liabilities, income, and expenses as well as on the drafting of the related notes.

These estimates and assumptions are reviewed on a regular basis. They are based on past experience and other factors, including future events which can be reasonably expected to occur under the circumstances.

Final future results of operations for which estimates were necessary may prove to be different and may result in an adjustment to the financial statements.

The judgements made by management pursuant to the application of IFRS primarily concern:

- initial valuation and impairment tests performed on intangible assets, particularly goodwill (Notes 3.1.1 and 3.1.2);
- evaluation of technical reserves (Note 3.12);
- estimate of certain fair values on unlisted assets or property (Notes 3.2.1 and 3.2.2);
- estimation of certain fair values of illiquid listed assets (Notes 3.2.1);
- recognition of profit-sharing assets (Note 3.12.2.b) and deferred tax assets (Note 3.13);
- calculation of reserves for contingencies and charges and particularly valuation of employee benefits (Note 3.10).

2.3 Consolidation principles

2.3.1 Scope and methods of consolidation

A company is included in the consolidation scope once its consolidation, or that of the sub-group which it heads, whether on a stand-alone basis or with other consolidated businesses, is material in relation to the consolidated financial statements of all companies included in the scope of consolidation.

In accordance with the provisions of IAS 10 and IAS 28, mutual funds and property investment companies are consolidated either through full consolidation or through the equity method. Control is examined for each mutual fund on a case-by-case basis. Non-controlling interests pertaining to mutual funds subject to full consolidation are disclosed separately as a special financial liability *item* in the IFRS balance sheet. Underlying financial assets appear in the Group's insurance business investments.

(a) Consolidating company

A consolidating company is one that exclusively or jointly controls other companies, regardless of their form, or that has a considerable influence over other companies.

(b) Controlled entities

Controlled entities are fully consolidated. These entities are consolidated once they are controlled. An entity is controlled when the consolidating company holds power over this entity, is exposed or is entitled to variable returns because of its ties with this entity, and when it has the ability to exercise its power over this entity in order to have an influence on the amount of returns that it obtains.

An entity ceases to be fully consolidated once the consolidating company loses control of this entity.

Full integration comprises:

- integrating in the consolidating company's accounts the items in the financial statements of the consolidated entities, after any restatements;
- eliminating transactions and accounts between the fully consolidated company and the other consolidated companies;
- distributing shareholders' equity and net income among the interests of the consolidating company and the interests of the holders of minority interests.

(c) Related companies and joint ventures

Investments in related companies in which the Group has a significant influence and investments in joint ventures are accounted for under the equity method.

When the consolidating company holds, directly or indirectly, 20% or more of the voting rights in an entity, it is assumed to exert significant control, unless it is otherwise demonstrated. Conversely, when the consolidating company directly or indirectly owns less than 20% of the voting rights of the entity, it is assumed not to exert a significant influence, unless it can be demonstrated that such influence exists.

A joint venture is a partnership in which the parties who exercise joint control over the entity have rights to its net assets.

The consolidating company has joint control over a partnership when the decisions concerning the relevant activities of the partnership require the unanimous consent of the parties sharing control.

The equity method consists of replacing the carrying amount of the shares held by the Group, the share of shareholders' equity converted at year end, including the net income for the fiscal year in accordance with consolidation rules.

(d) Deconsolidation

When an entity is in run-off mode (no longer taking new business) and the main aggregates of the balance sheet or the income statement are not significant compared with those of the Group, this entity is deconsolidated.

The securities of such entity are then posted on the basis of their equivalent value, under securities held for sale at the time of deconsolidation. Subsequent changes in values are recorded in accordance with the methodology defined for this type of securities.

2.3.2 Change in the consolidation scope

Changes in the scope of consolidation are described in Note 48 of the notes to the financial statements.

2.3.3 Uniformity of accounting principles

Groupama SA's consolidated financial statements are presented consistently across the entity formed by the companies included within the scope of consolidation, taking into account the characteristics inherent in consolidation and the financial reporting objectives required for consolidated financial statements (predominance of substance over form, elimination of local tax accounting entries).

Restatements under the principles of consistency are made when they are material.

2.3.4 Conversion of financial statements of foreign companies

Balance sheet items are translated to euros (the functional and presentation currency of the Group's financial statements) at the official exchange rate on the balance sheet date, with the exception of shareholders' equity, excluding net income, which is translated at historic rates. The Group share of the resulting unrealised foreign exchange adjustment is recorded under "Unrealised foreign exchange adjustments" and the remaining balance is included in "Non-controlling interests".

Transactions on the income statements are translated at the average rate. The Group share of the difference between income translated at the average rate and income translated at the closing rate is recorded under "Unrealised foreign exchange adjustments" and the remaining balance is included in "Non-controlling interests".

2.3.5 Internal transactions between companies consolidated by Groupama SA

All transactions within the Group are eliminated.

When these transactions affect consolidated income, the elimination of profits and losses as well as capital gains and losses is done at 100% then divided between the interests of the consolidating company and the non-controlling interests in the Company having generated the income. When eliminating losses, the Group ensures that the value of the disposed asset is not changed for the long term. Eliminating the impacts of internal transactions involving assets brings them down to their original value when they entered the consolidated balance sheet (consolidated historical cost).

Inter-company transactions involving the following must be therefore eliminated:

- reciprocal receivables and payables as well as reciprocal income and expenses;
- notes receivable and notes payable are offset but, if the receivable is discounted, the credit facility granted to the Group is substituted for the note payable;
- transactions affecting commitments received and given;
- inward reinsurance, outward reinsurance and retrocessions;
- co-insurance and co-reinsurance operations and pooled management;
- broker and intermediation transactions;
- contractual sharing of premium income of group policies;
- reserves for the write-down of equity interests funded by the Company holding the securities and, if applicable, reserves for contingencies and charges recognised because of losses suffered by exclusively controlled companies;
- transactions on forward financial instruments;
- capital gains and losses from internal transfer of insurance investments;
- intra-group dividends.

3 ACCOUNTING PRINCIPLES AND VALUATION METHODS USED

3.1 Intangible assets

3.1.1 Goodwill

Goodwill on first-time consolidation corresponds to the difference between the acquisition cost of the securities of consolidated companies and the Group's share in restated shareholders' equity as at the acquisition date. When not assigned to identifiable items on the balance sheet, goodwill is recorded on the balance sheet in a special asset *item* as an intangible asset.

Residual goodwill results from the price paid above the Group's share in the fair value of the identifiable assets and liabilities of the acquired company as at the acquisition date, revalued for any intangible assets identified in the acquisition accounting according to revised IFRS 3 (fair value of assets and liabilities acquired). The price paid is the best possible estimate of the price supplements (earn-outs, payment deferrals, etc.).

The residual balance therefore corresponds to the valuation of the share of income expected on future production. This expected performance, which is reflected in the value of future production, results from the combination of intangible items that are not directly measurable. Such assets are assessed based on multiples or forecast future income that served as the valuation base for the price paid on acquisition and are used to establish the value of goodwill stated above.

For combinations prior to 1 January 2010, adjustments of future earn-outs are accounted for as an adjustment cost, and in income for combinations made starting from 1 January 2010.

For business combinations completed on or after 1 January 2010, the costs directly attributable to the acquisition are recorded in expenses when they are incurred.

For each acquisition, a decision is made whether to value non-controlling interests at fair value or for their share of the identifiable net assets of the acquired company.

The subsequent acquisition of non-controlling interests does not result in the creation of additional goodwill.

Operations for the acquisition and disposal of non-controlling interests in a controlled company that have no impact on the control exercised over that company are recorded in the Group's shareholders' equity.

Goodwill is allocated to the cash-generating units (CGU) of the acquiring company and/or the acquired company which are expected to take advantage of the business combination. A CGU is defined as the smallest group of assets that produces cash flows independently of other assets or groups of assets. With management units, management tools, geographic regions or major business lines, a CGU is created by combining entities of the same level.

Goodwill resulting from the acquisition of a foreign entity outside the eurozone is recorded in the local currency of the acquired entity and translated to euros at the closing rate. Subsequent foreign exchange fluctuations are posted to foreign exchange translation reserves.

For entities acquired during the fiscal year, the Group has twelve months from the acquisition date to assign a final value to the acquired assets and liabilities.

In a business combination achieved in stages, the previously acquired stake in control is revalued at fair value and the resulting adjustment recorded through income.

Residual goodwill is not amortised but is subject to an impairment test at least once a year on the same date. The Group reviews the goodwill's book value in case of an unfavourable event occurring between two annual tests. Impairment is recorded when the recoverable amount of the cash generating unit to which the goodwill is allocated is less than its net book value. Recoverable value is defined as fair value less cost of sales, or value in use, whichever is higher.

Fair value, less sales costs, is computed as follows, in accordance with the recommendations of IAS 36 (§25 to 27):

- the sales price shown in a final sales agreement;
- the market value less selling costs if there is an active market;
- otherwise, the best possible information, with reference to comparable transactions.

Value in use corresponds to the current expected value of future cash flows to be generated by the cash generation unit.

Goodwill, recorded at the initial business combination, the value of which is not material or requires disproportionate valuation work in relation to its value, is immediately expensed in the year.

An impairment of goodwill recognised during a previous fiscal year may not be subsequently written back.

If the acquirer's interest in the net fair value of the identifiable assets, liabilities and reserves exceeds the acquisition cost of the Company's shares, the identification and valuation of the assets, liabilities and reserves and the valuation of the cost of the combination is reassessed. If, after this revaluation, the share acquired remains greater than the acquisition cost, this excess is immediately recognised in income.

If control of an entity is taken over, a sale option may be granted to holders of non-controlling interests. The option to sell results in the Group's obligation to buy the securities held by the minority holder at a specified strike price and at a future date (or period of time) if the minority holder exercises its right. This obligation is reflected in the financial statements by a debt valued at the strike price of this discounted right.

The offset of this debt, equal to the price of the option (value of the share), is recognised in goodwill for put options granted before 1 January 2010 or as a reduction of non-controlling interests and/or shareholders' equity for put options contracted subsequent to this date.

3.1.2 Other intangible assets

Intangible fixed assets are identifiable assets, controlled by the entity because of past events and from which future economic benefits are expected for the entity.

They primarily include values in force and investment contracts, customer relations values and network values and brands, determined during business combinations, as well as software acquired and developed.

Amortisable intangible insurance assets (specifically including values in force and investment contracts, the value of customer relations and the value of the networks) are depreciated as margins are discharged over the lifetime of the policy portfolios. A recoverability test is performed each year, based on experience and anticipated changes in major assumptions, and may result in impairment.

Software acquired and developed has a finite lifetime and is generally amortised on a straight-line basis over that lifetime.

Other intangible assets that do not have a finite lifetime are not amortised but do routinely undergo an impairment.

Start-up costs are expensed rather than capitalised.

3.2 Insurance business investments

Investments and any impairment thereon are valued in accordance with IFRS based on the asset class of the investments.

3.2.1 Financial assets

Equities, bonds, loans and receivables, derivatives and bank accounts are considered financial assets.

(a) Classification

Financial assets are classified in one of the following four categories:

- there are two types of assets at fair value through income:
  - investments held for trading, which are investments for which the management intention is to generate income in the short term. If there have been short-term sales in the past, such assets may also be classified in this category,
  - financial assets designated as optional (held-for-trading or even fair value option), provided they comply with the following criteria:
    - asset/liability matching to avoid any accounting mismatch,
    - hybrid instruments including one or more embedded derivatives,
    - group of financial assets and/or liabilities that are managed and the income of which is valued at fair value;
- assets held to maturity include fixed-term investments that the Company expressly intends, and is able, to hold until maturity. The Group does not use this category, with the exception of certain perfectly backed portfolios that meet the criteria defined above;
- the category of loans and receivables includes assets with a defined payment or a payment that can be defined, which are not listed for trading on an active market;
- available-for-sale assets (stated at fair value *via* shareholders' equity) include by default all other fixed-term financial investments, equities, loans and receivables that are not included in the other categories.

(b) Reclassifications

A financial asset may, under exceptional circumstances, be reclassified outside the category of investments held for trading.

A financial asset classified as available-for-sale may be reclassified outside the assets available-for-sale category, into:

- the category of investments held to maturity when the intent or capacity of the Company changes or when the entity no longer has a reliable assessment of fair value;
- the category of loans and receivables when the financial asset meets the definition of loans and receivables on the date of the reclassification and when the entity has the intent and the capacity to hold the financial asset for the foreseeable future or until its maturity.

A financial asset classified in the category of investments held to maturity may be reclassified exceptionally as available-for-sale if the entity's intent or capacity has changed.

(c) Initial recognition

The Group recognises its financial assets when it becomes party to the contractual provisions of these assets.

Purchases and sales of financial investments are recorded on the transaction date.

Financial assets are initially recorded at fair value plus; for assets not valued at fair value through income, the transaction costs directly chargeable to the acquisition. However, when immaterial the transaction costs are not included in the acquisition cost of the financial assets.

Repurchase transactions are maintained as assets on the balance sheet.

(d) Fair value measurement methods

The fair value of financial assets is the amount for which an asset could be exchanged between well-informed, consenting parties, acting under normal market conditions.

The fair value of a financial instrument corresponds to its listed stock price on an active market. When the market for this financial instrument is not active, its fair value is measured by valuation techniques using observable market data when available or, when not available, by resorting to assumptions that imply some judgment.

Pursuant to the amendment to IFRS 7 issued by the IASB in March 2009 and IFRS 13, financial instruments (assets and liabilities) valued at fair value are classified according to a three-level hierarchy. These levels depend on whether a valuation model is used and the data sources used to populate the valuation models:

- level 1 corresponds to a price listed in an active market to which the entity may have access on the valuation date;
- level 2 corresponds to the fair value determined on the basis of a valuation model using data directly observable on an active market or data that can be determined from prices observed;
- level 3 corresponds to the fair value determined on the basis of a valuation model using data not observable on a market.

Valuation techniques include the use of recent transactions under conditions of normal competition between informed and consenting parties, if available, reference to the current fair value of another instrument identical in substance, analysis of discounted cash flows, and option valuation models.

(e) Valuation rules

The valuation rules and any impairment must be understood as depending on the classification of the financial instrument in one of the four categories given above.

Assets held for trading and those for which the option to include them in this category has been applied are recorded in the income statement at the closing fair value.

Financial assets held to maturity, unlisted equities for which the fair value cannot be valued reliably, and loans and receivables are recorded at amortised cost or historic cost. The amortised cost is the amount at which the asset was valued at the time of initial recognition, minus repayments of principal, plus or minus the cumulative amortisation & impairment of the differences between the initial amount and the amount at maturity (based on the effective interest rate) and corrected for any reserves for impairment.

The differences between the redemption value and the acquisition price are distributed actuarially as expenses (agio) or as income (discount) over the residual life of the securities. When several redemption dates are provided, the residual life is determined on the basis of the final redemption date.

Available-for-sale assets are valued at their fair value, and unrealised capital gains or losses are recorded in a separate line of shareholders' equity.

Investments representing unit-linked policies are valued at fair value through income, as an option.

(f) Reserves for impairment

At each closing date, the Group looks for the existence of objective presumptions of impairment in its investments.

DEBT INSTRUMENTS CLASSIFIED AS AVAILABLE-FOR-SALE ASSETS

For debt instruments classified as available-for-sale assets, a loss of value is recognised through income in the event of a proven counterparty risk.

Impairments recognised on debt instruments are written back through income in the event of reduction or disappearance of the counterparty risk.

EQUITY INSTRUMENTS CLASSIFIED AS AVAILABLE-FOR-SALE ASSET

For equity instruments classified as available-for-sale assets, the Group has taken into account the clarifications made by the IFRS interpretations committee (IFRIC) in its July 2009 update on the notion of significant or prolonged decrease in paragraph 61 of IAS 39.

As at 31 December 2017, there is objective evidence of impairment in the following cases:

- the financial investment was already covered by a reserve at the previous published close; or
- a 50% discount is observed as at the closing date; or
- the financial investment has been in a continuous unrealised loss position with respect to its book value over the last 36 months prior to the balance sheet date.

For securities considered strategic securities, held by the Group for the long term, characterised by the Group's representation on their governance bodies or significant, lasting contractual relations or a significant stake in the capital (in absolute or relative value), without significant influence being exercised, this reference period is 48 months.

Where such objective evidence of impairment is observed then the impairment amount corresponding to the difference between the acquisition cost and the fair value for that fiscal year, less any loss in value previously recognised through income, is automatically booked to income.

These criteria may undergo changes over time, by applying good judgement, in order to take account of changes in the environment in which they were postulated. This should allow for the handling of abnormal circumstances (such as a sharp and abnormal drop in net asset values on the balance sheet date).

In addition, in all other cases in which these thresholds are not reached, the Group identifies securities in its portfolio constantly presenting a significant unrealised capital loss over the last six months based on the volatility of the financial markets. For the thus separated securities the Group then carries out a review, based on its judgement, security by security, and decides whether to post an impairment through income or not.

In the event that the financial management of a line of securities is done in a comprehensive manner at the Group level, even when these securities are held by several entities, the determination of whether objective evidence of impairment exists can be done based on the Group's cost price.

The impairment recorded on a shareholders' equity instrument will only be reversed to income when the asset in question is sold.

INVESTMENTS VALUED AT AMORTISED COST

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

(g) Derecognition

Financial assets are derecognised when the contractual risks expire or the Group transfers the financial asset.

Gains or losses on the sale of financial investments are determined using the FIFO method, with the exception of the securities carried by mutual funds. The method used for mutual funds is the weighted average cost method.

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

3.2.2 Investment property

The Group has chosen to recognise investment property using the cost method. It is valued using the component approach.

(a) Initial recognition

Lands and properties appear on the balance sheet at their acquisition cost. The value of the property includes significant transaction costs directly attributable to the transaction, except in the specific case of investment property representing unit-linked commitments that may be posted, by discretion, to income at fair value.

When a real estate asset includes a portion held to produce rental income and another part used for production or administrative purposes, the asset is treated as investment property only if the latter is immaterial.

At the time of the initial recognition, property is subdivided by components and recorded separately.

The impairment periods applied by the Group for each component depend on the nature of the property under consideration and are as follows:

- building shell (impairment period between 30 and 120 years);
- wind- and water-tight facilities (impairment period between 30 and 35 years);
- heavy equipment (impairment period between 20 and 25 years);
- secondary equipment, fixtures and fittings (impairment period between 10 and 15 years);
- maintenance (impairment period: 5 years).

(b) Valuation

The cost of the property is the amount at which the property has been recorded at the time of initial recognition, minus cumulative amortisation & impairment and corrected for any reserves for impairment. The acquisition cost of the property is dependent either on an outright acquisition, or on the acquisition of a company that owns the property. In the latter case, the cost of the property is equal to its fair value on the date of acquisition of the owner company.

Each component is identified by its duration and depreciation rate.

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

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

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

(c) Subsequent expenditure

Subsequent expenditure must be added to the book value of the property:

- if it is probable that these expenses will allow the asset to generate economic benefits;
- during each five-year period, the real estate is subject to an annual appraisal certified by the expert.

(d) Reserves for impairment

On each closing date of its financial statements, the Group determines whether there is evidence of potential loss of value on property recorded at amortised cost. If this is the case, the realisable value of the property is calculated as being the higher of two values: the sale price net of sale costs and the value in use. If the realisable value is less than the net book value, the Group recognises a loss of value in income for the difference between the two values, and the net book value is discounted to reflect only the realisable value.

When the value of the property increases at a later time, the reserve for impairment is written back through income.

(e) Derecognition

Gains or losses from the disposal of property investments are booked in the income statement on the date of realisation and represent the difference between the net sale price and the net book value of the asset.

3.3 Derivatives

3.3.1 General information

A derivative is a financial instrument with the following three features:

- its value fluctuates on the basis of the change in a specific variable known as the “underlying asset”;
- it requires a zero or low initial net investment compared with other instruments that react in the same way to market changes;
- it is settled at a future date.

All derivatives are recorded on the balance sheet at their fair value on the original date and during their subsequent revaluation. Changes in fair value are posted to income except for derivatives designated as cash flow hedges and net foreign investments.

3.3.2 Hedging derivatives

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

Hedging derivatives are recorded at fair value with changes in the income statement, except for cash flow hedges and hedges of net foreign investments considered as effective, for which the changes in fair value are deferred into equity until the cash flows hedges are recognised in the income statement or when the foreign subsidiary is sold.

For a fair value hedge of an available-for-sale asset, the changes in fair value of the hedged *item* are recognised in income or loss so that they exactly offset the changes in the hedging derivative.

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

3.3.3 Embedded derivatives

Embedded derivatives are components of compound financial instruments that meet the definition of a derivative product.

They are separate from the host contract and recognised as derivatives when the following three conditions are met:

- the economic features and the risks of the embedded derivative are not closely linked to the economic features and risks of the host contract;
- a separate instrument containing the same conditions as the embedded derivative meets the definition of a derivative;
- the hybrid instrument is not valued at fair value with recognition of the changes in the fair value through the income statement.

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

3.4 Investments in associates and joint ventures

Investments in associates and joint ventures are consolidated using the equity method. At the time of acquisition, the investment is recorded at the acquisition cost and its net book value is subsequently raised or reduced to take into account particularly the income or losses as well as the change in fair value of financial assets in proportion to the investor's stake.

3.5 Non-current held-for-sale assets and discontinued businesses

A non-current asset (or a group intended to be sold) is considered to be held for sale if its book value will be mainly recovered through a sale transaction rather than through continued use. In order for this to be the case, the asset (or the Group intended to be sold) must be available for immediate sale in its current state, and its sale must be highly probable (within the next 12 months).

Non-current assets (or a group intended to be sold) classified as held for sale are valued at the lower value between the net book value and the fair value minus transfer costs. In case of an unrealised capital loss, impairment is recorded in profit or loss. In addition, non-current assets cease to be depreciated once they are reclassified as held-for-sale assets.

A discontinued activity is considered to include any component from which the entity is separated or that is classified as held for sale and is in one of the following situations:

- it constitutes a line of business or a major, separate geographical area; or
- it is part of a single, coordinated plan for divestment of a line of business or a major, separate geographical area; or
- it is a subsidiary acquired exclusively in order to be sold.

The following are presented on a particular line of the income statement:

- net income after taxes from discontinued businesses until the transfer date;
- profit or loss after taxes resulting from the divestment and measurement at fair value less the costs of the sale of the assets and liabilities constituting the discontinued businesses.

3.6 Tangible fixed assets

The Group has chosen to value operating property using the cost method. This property is presented on a line separate from Investment property as assets. The recognition and valuation method is identical to the method described for investment property.

Property, plant and equipment other than operating property are initially recorded at acquisition cost, which consists of the purchase price, customs duties, discounts and rebates, direct costs necessary for installation and payment discounts.

The depreciation methods reflect the method of economic consumption.

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

3.7 Operating receivables and payables, other assets and other liabilities

Operating receivables and other assets are recorded at face value, taking into account any transaction costs.

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

Moreover, non-controlling interests in fully consolidated mutual funds are included in other liabilities. Under IAS 32, a financial instrument that gives the holder the right to return it to the issuer in exchange for cash is a financial liability. The change in this liability is recognised through the income statement.

3.8 Cash and cash equivalents

Cash corresponds to available cash.

Cash equivalents are short-term liquid investments, easily convertible into a known amount of cash and subject to an insignificant risk of changes in value.

3.9 shareholders' equity

3.9.1 Revaluation reserves

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

- the effects of the revaluation of derivatives assigned to cash flow hedges and net investments in currencies pursuant to IAS 21;
- the effects of the revaluation of financial assets available-for-sale in accordance with the provisions of IAS 39. These are unrealised gains and losses;
- the cumulative impact of the gain or loss from shadow accounting of investment assets available-for-sale;
- the cumulative impact of the deferred tax gain or loss generated by the transactions described above.

3.9.2 Other reserves

Other reserves consist of the following items:

- retained earnings;
- group consolidation reserves;
- other regulated reserves;
- the impact of changes in accounting methods;
- equity instruments akin to deeply subordinated instruments (TSS) or perpetual subordinated bonds (TSDI) whose features allow recognition in shareholders' equity. Compensation for these securities is treated like a dividend on shareholders' equity.

3.9.3 Foreign exchange adjustments

Foreign exchange adjustments result from the consolidation process owing to the translation of statutory financial statements of foreign subsidiaries prepared in a currency other than the euro.

3.9.4 Non-controlling interests

Non-controlling interests represent the share in the net assets and net income of a fully consolidated Group company. This share represents the interests that are not held directly by the parent company or indirectly through subsidiaries (concerning non-controlling interests relating to consolidated mutual funds and the purchase of non-controlling interests, refer to paragraphs 3.7 and 3.11).

3.10 Reserves for contingencies and charges

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

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

When the impact of the time value of the money is substantial, the amount of the reserves is discounted to the present value of the expected expenditures, which the Company believes necessary to discharge the obligation.

3.10.1 Personnel benefit

(a) Pension commitments

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

The liabilities recorded in the balance sheet for defined-benefit schemes and similar schemes correspond to the discounted value of the obligation linked to the defined-benefit schemes at closing, after deducting the closing fair value of the scheme assets.

The actuarial gains and losses resulting from experience-based adjustments and modifications in the actuarial assumptions are recognised directly in equity.

The costs of past services are immediately recognised in income, regardless of whether the rights are ultimately acquired in the event of a change of pension scheme.

With regard to defined-contribution schemes, the Group pays contributions to retirement insurance schemes and is not bound by any other payment commitment. The contributions are booked as expenses related to personnel benefits when they are due. The contributions paid in advance are recorded as assets to the extent that the advance payment results in a reduction of future payments or a cash reimbursement.

3.11 Financing debt

Financial debt includes subordinated liabilities, financial debt represented by securities, and financial debt to banking institutions.

In the absence of a specific IFRIC interpretation, commitments to purchase non-controlling interests are recorded in financial debt at current fair value (strike price of the option). The cross-entry of these debts is recognised either in goodwill for put options granted before 1 January 2010 or as a reduction in shareholders' equity for put options contracted subsequent to this date.

3.11.1 Initial recognition

Financial debt is recognised when the Group becomes party to the contractual provisions of this debt. The amount of the financial debt is then equal to the fair value, adjusted if necessary for the transaction costs directly chargeable to the acquisition or issue of such debt.

3.11.2 Valuation rules

Financial debt is subsequently valued at amortised cost using the effective interest rate method.

3.11.3 Derecognition

Financial debt is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

3.12 Underwriting operations

3.12.1 Classification and method of recognition

There are two categories of contract issued by the Group's insurance companies:

- insurance policies and financial contracts with discretionary profit-sharing, which are governed by IFRS 4;
- financial contracts without discretionary profit-sharing, which are governed by IAS 39.

(a) Insurance policies

An insurance policy is a contract according to which one party (the insurer) accepts a significant insurance risk of another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. An insurance risk is a risk, other than a financial risk, transferred from the policyholder to the issuer. This risk is significant when an insured event may require an insurer to pay significant additional benefits whatever the scenario, with the exception of scenarios that lack business significance.

The existing accounting practices for insurance policies subject to IFRS 4 continue to be maintained, with the exception of the equalisation reserves as defined by IFRS 4 which have been annulled, provided that the reserves thus established meet the solvency tests stipulated by international standards (see paragraph 3.12.2.c).

(b) Financial contracts

Contracts that do not meet the definition of insurance policy as described above are classified as financial contracts. Financial contracts are broken down into two categories: financial contracts with or without discretionary profit sharing.

A discretionary profit-sharing clause is defined as the contractual right held by a subscriber to receive an additional payment or another benefit, the amount or maturity of which is fully or partially at the discretion of the insurer and the valuation of which is based either on the performance of a set of contracts or a determined contract, either on the income or loss of the insurer, a fund, or any other entities having issued the contract or on realised and/or unrealised investment returns of a portfolio of specified assets held by the issuer.

The accounting methods for financial contracts with discretionary profit sharing are identical to the methods for insurance policies described above. Financial contracts without discretionary profit sharing are treated using the valuation procedures described in paragraph 3.12.3.

3.12.2 Insurance policies under IFRS 4

(a) Non-life insurance policies

PREMIUMS

Written premiums represent the gross premiums, before reinsurance and tax, net of cancellations, reductions, rebates, of the change in premiums still to be written and of the change in premiums to be cancelled.

Premiums written and adjusted for the change in reserves for unearned premiums (which are defined below) constitute earned premiums.

INSURANCE POLICY SERVICING EXPENSES

Non-life insurance policy servicing expenses mainly include benefits and expenses paid and the change in reserves for claims and other technical reserves.

Benefits and expenses paid relate to the claims settled net of claims receivable collected for the fiscal year and the periodic payment of annuities. They also include the fees and commissions for the management of claims and payment for services.

TECHNICAL LIABILITIES RELATED TO NON-LIFE INSURANCE POLICIES

Reserves for unearned premiums

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

Reserves for unexpired risks

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

Outstanding claims reserves

The outstanding claims reserves represent the estimate, net of claims receivable, of the cost of all unpaid claims at the end of the fiscal year, both declared and undeclared. They include a charge for management fees that is determined on the basis of actual expense rates.

For construction risks, in addition to the outstanding claims reserves (declared or not yet declared), separate claims reserves that have not yet appeared are also funded for the ten-year civil liability coverage and the ten-year coverage against structural damage.

Reserves are assessed on the basis of the type of specific risks covered, particularly agricultural and climate risks and risks that are highly seasonal in nature.

Other underwriting reserves

Actuarial reserves for annuities

The actuarial reserves for annuities represent the present value of the Company's payables for annuities and annuity expenses.

Reserve for increasing risks

This reserve is set aside for periodic premium health and disability insurance policies, for which the risk grows with the age of the policyholders.

DEFERRED ACQUISITION COSTS

In non-life insurance, acquisition costs related to unearned premiums are deferred and recorded in assets on the balance sheet.

(b) Life insurance policies and financial contracts with discretionary profit sharing

PREMIUMS

Written premiums represent the gross premiums, before reinsurance and tax, net of cancellations, reductions, rebates, of the change in premiums still to be written and of the change in premiums to be cancelled.

INSURANCE POLICY SERVICING EXPENSES

Servicing expenses for life insurance policies and financial contracts with discretionary profit sharing means:

- all claims once they have been paid to the beneficiary;
- technical interest and profit sharing that may be included in those claims;
- all costs incurred by the insurance company for the management and payment of claims.

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

TECHNICAL LIABILITIES RELATED TO LIFE INSURANCE POLICIES AND FINANCIAL CONTRACTS WITH DISCRETIONARY PROFIT SHARING

Actuarial reserves

Actuarial reserves represent the difference between the present values of the commitments made by the insurer and the policyholders respectively, taking into account the probability that these commitments will be realised. Actuarial reserves are recognised as liabilities on the balance sheet at their gross underwriting value, before reinsurance and deferred acquisition costs.

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

Profit-sharing reserve

The profit-sharing reserve consists of a reserve for profit-sharing payable and potentially as a reserve for deferred profit sharing.

The reserve for payable profit sharing includes the identifiable amounts, from regulatory or contractual obligations, intended for the policyholders or beneficiaries of contracts in the form of profit sharing and rebates, to the extent that these amounts have not been credited to the policyholder's account or included in "Life technical reserves".

The reserve for deferred profit sharing includes:

- the reserve for unconditional profit sharing, which is recognised when a difference is recorded between the bases for calculating future rights in the individual company accounts and the consolidated financial statements;
- the reserve for conditional profit-sharing, which relates to the difference in liabilities between the individual company and the consolidated financial statements, the payment of which depends on a management decision or the occurrence of an event.

In the particular case of restatement in the consolidated financial statements of the capitalisation reserve, a reserve for deferred profit-sharing is determined when the Asset/Liability Management assumptions demonstrate a probable permanent write-back of the total capitalisation reserve. The Group recognised no deferred profit sharing on the restatement of the capitalisation reserve.

Application of shadow accounting

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

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

In case of an overall unrealised capital loss of the entity's asset portfolio, the Group records a deferred profit-sharing asset limited to the fraction of deferred profit sharing actually recoverable. A recoverability test based on the projected future performance of insurance portfolios is carried out. This test specifically includes unrealised capital gains on assets posted at amortised cost.

Other underwriting reserves

Overall management expenses reserve

The management expenses reserve is established for all future contract management expenses not covered by mark-ups on premiums or by deductions on investment income provided for by them. This approach is carried out according to the grid of departmental categories.

DEFERRED ACQUISITION COSTS

Variable costs directly attributable to the acquisition of life insurance policies are recorded in assets in the consolidated financial statements. These amounts may not under any circumstances be greater than the present value of future income from the policies.

These costs are amortised over the average life of the policies based on the rate of emergence of future margins for each generation of policies; future margins are determined using economic assumptions (profit-sharing rate, future rate of return on assets and lapse rate). Since these acquisition costs are capitalised, the actuarial reserves appearing on the balance sheet are presented as non-zillmerised.

Every year the expected present value of future margins by homogeneous product family is compared with the total of the deferred acquisition costs net of amortisation already recognised in the past. If this value is lower, an extraordinary impairment charge is recognised on the income statement.

(c) Liabilities adequacy test

An adequacy test is performed at each balance sheet date for liabilities under IFRS 4 intended to ensure that insurance liabilities are sufficient with regard to current estimates of future cash flows generated by insurance policies. Future cash flows resulting from policies take into account their related cover and options. If necessary, and for the purposes of this test, the insurance liabilities are reduced by the deferred acquisition costs and the values of business in force recorded at the time of business combinations or transfers of the related policies.

In case of inadequacy, the potential losses are recognised in full through income.

This test is performed at each balance sheet date and for each consolidated entity.

(d) Unit-linked policies under IFRS 4

Unit-linked policies under IFRS 4 are either insurance policies containing a significant insurance risk, such as a death risk, or financial contracts with discretionary profit sharing, for which the financial risk is assumed by the policyholder.

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

(e) Embedded derivatives in insurance policies and financial contracts with discretionary profit sharing

Embedded derivatives are components of insurance policies that meet the definition of a derivative product.

If the same contract contains a financial component and an insurance component, the financial component is valued separately at fair value when it is not closely tied to the host contract or when the accounting standards do not require recognising all of the rights and obligations associated with the deposit component, in application of the provisions of IFRS 4. In other cases, the entire contract is treated as an insurance policy.

3.12.3 Financial contracts under IAS 39

Liabilities related to financial contracts without discretionary profit sharing must be recognised on the basis of the principle of deposit accounting. Thus, the premiums collected and the benefits are booked on the balance sheet. Management charges and expenses for the contracts are recorded in income. Unearned income is deferred over the estimated life of the contract.

This category primarily includes unit-linked policies and indexed policies that do not meet the definition of insurance policies and financial contracts with discretionary profit sharing. Commitments under these policies are valued at the unit-linked fair value in inventory.

The additional costs directly related to management of the investments of a contract are booked as assets if they can be identified separately and reliably valued, and if it is probable that they will be recovered. This asset, which corresponds to the contractual right acquired by the Group on income resulting from the management of investments, is amortised over the duration of this management and symmetrically with recognition of the corresponding income.

3.12.4 Reinsurance operations

(a) Inward reinsurance

Inward reinsurance is booked treaty by treaty without difference on the basis of an assessment of the business accepted. These operations are classified according to the same rules as those described for insurance policies or financial contracts in paragraph 3.12.1. In the absence of sufficient information from the outward reinsurer, estimates are made.

An asset deposit is recorded for the amount of the counterparty given to the ceding and retroceding companies.

Securities used as hedges are recorded in the statement of commitments given and received.

(b) Outward reinsurance

Outward reinsurance is recognised in accordance with the terms of the various treaties and according to the same rules as described in Note 3.12.1 on insurance policies and financial contracts. A liabilities deposit is recorded for the amount of the corresponding asset received from outward reinsurers and retrocessionaires.

Securities from reinsurers (outward reinsurers and retrocessionaires) remitted as collateral are recorded in the statement of commitments given and received.

◄ CONTENTS ►

3.13 Taxes

Corporate income tax includes all current and deferred taxes. When a tax is payable or receivable and payment is not subject to the execution of future transactions, such tax is classified as current, even if the payment is spread over several fiscal years. It appears as an asset or liability on the balance sheet as applicable.

Operations carried out by the Group may have positive or negative tax consequences other than those taken into consideration for calculating the payable tax. The result is tax assets or liabilities classified as deferred.

This is particularly the case when, because of completed transactions that are posted in either the individual company statements or only in the consolidated financial statements as restatements and eliminations of inter-company income or losses, differences will appear in the future between the tax income and the accounting income of the Company, or between the tax value and the book value of an asset or liability, for example when transactions performed during a fiscal year are taxable only in the following fiscal year. These differences are classified as timing differences.

All deferred tax liabilities must be recognised; however, deferred tax assets are only recognised if it is likely that taxable income (against which these deductible timing differences can be charged) will be available.

All deferred tax liabilities are recognised. Deferred tax assets are recognised when their recovery is considered as "more probable than improbable", *i.e.*, if it is likely that sufficient taxable income will be available in the future to offset the deductible timing differences. In general, a 3-year horizon is considered to be a reasonable period to assess whether the entity can recover the capitalised deferred tax. However, an impairment charge is booked against the deferred tax assets if their recoverability appears doubtful.

Deferred tax assets and liabilities are computed on the basis of tax rates (and tax regulations), which have been adopted as at the balance sheet date.

Deferred tax assets and liabilities are not discounted to present value.

3.14 Segment reporting

A business segment is a component of an entity whose operating profits are regularly examined by the Group's principal operational decision-makers in order to assess the segment's performance and decide on the resources to allocate to it.

The Group is organised into three operational segments: insurance in France, international insurance, and banking and financial businesses. The banking and financial activity segment, which is also the subject of specific notes (Notes 9.1, 9.2, and 33.3), has been grouped with the insurance segment in France in order to create an overall operational segment entitled France.

The various activities of each segment are as follows:

Life and health insurance

The life and health insurance business covers the traditional life insurance business as well as personal injury (largely health risks, disability and long-term care).

Property and casualty insurance

Property and casualty insurance covers, by default, all the Group's other insurance businesses.

Banking and finance business

The banking and finance business relates to distribution of banking products, including fund management activities, real estate management, private equity and employee savings.

Holding company activity

This mainly comprises income and expenses arising from managing the Group and holding the shares of the companies included in the Groupama SA scope of consolidation.

3.15 Costs by category

Management fees and commissions related to insurance business are classified according to their purpose, by applying allocation keys defined based on the structure and organisation of each of the insurance entities.

Expenses are classified into the following six purposes:

- acquisition costs;
- administrative costs;
- claims settlement costs;
- investment expenses;
- other technical expenses;
- non-technical expenses.

1 2 3 4 5 6 7

4 NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SEGMENT REPORTING

Note 1.1 - Segment reporting by operating segment

Note 1.1.1 - Segment reporting by operating segment – Balance sheet

	31.12.2017			31.12.2016		
(in millions of euros)	France	International	Total	France	International	Total
Intangible assets	815	1,318	2,133	801	1,406	2,207
Insurance business investments	73,259	7,076	80,335	72,535	7,506	80,040
Funds used in banking sector activities and investments of other business activities	101		101	96		96
Investments in related companies and joint ventures	350	143	493	934	162	1,096
Share of outward reinsurers and retrocessionnaires in liabilities relating to insurance and financial contracts	1,522	112	1,634	1,315	145	1,461
Other assets	4,235	783	5,018	4,054	827	4,882
Held-for-sale assets and discontinued businesses		447	447		94	94
Cash and cash equivalents	285	198	483	504	106	609
CONSOLIDATED TOTAL ASSETS	**80,568**	**10,077**	**90,645**	**80,238**	**10,246**	**90,484**
Reserves for contingencies and charges	384	80	463	372	83	455
Financing debt	1,136		1,136	750		750
Technical liabilities relating to insurance policies	51,287	4,754	56,041	49,919	4,940	54,859
Technical liabilities relating to financial contracts	12,017	1,837	13,854	12,623	2,073	14,696
Deferred profit-sharing liabilities	4,891	123	5,014	5,365	152	5,517
Resources from banking sector activities	10		10	8		8
Other liabilities	8,168	290	8,459	8,235	286	8,521
Liabilities of held-for-sale or discontinued businesses		357	357		7	7
TOTAL CONSOLIDATED LIABILITIES EXCLUDING SHAREHOLDERS' EQUITY	**77,894**	**7,440**	**85,334**	**77,272**	**7,542**	**84,814**

◄ CONTENTS ►

Note 1.1.2 - Segment reporting by operating segment – Income statement

	31.12.2017			31.12.2016		
(in millions of euros)	France	International	Total	France	International	Total
Earned premiums	7,633	2,480	10,113	7,445	2,521	9,966
Net banking income, net of cost of risk	143		143	136		136
Investment income	1,926	233	2,158	1,992	244	2,236
Investment expenses	(655)	(56)	(711)	(779)	(51)	(830)
Capital gains or losses from divestment of investments net of impairment and depreciation write-backs	364	21	384	466	26	492
Change in fair value of financial instruments recorded at fair value through income	626	31	657	307	18	325
Change in impairment on investments	(10)		(10)	(39)	(1)	(40)
Total income from ordinary business activities	**10,026**	**2,709**	**12,735**	**9,527**	**2,757**	**12,284**
Insurance policy servicing expenses	(8,040)	(1,814)	(9,855)	(7,566)	(1,912)	(9,479)
Income on outward reinsurance	505	30	535	496	44	540
Expenses on outward reinsurance	(491)	(145)	(636)	(481)	(166)	(647)
Banking operating expenses	(99)		(99)	(100)		(100)
Policy acquisition costs	(814)	(437)	(1,250)	(800)	(414)	(1,215)
Administrative costs	(386)	(144)	(530)	(409)	(169)	(577)
Other current operating income and expenses	(541)	(74)	(615)	(496)	(57)	(554)
CURRENT OPERATING INCOME	**161**	**124**	**284**	**171**	**82**	**253**
Other operating income and expenses	(129)	(79)	(208)	(56)	(108)	(164)
OPERATING INCOME	**31**	**45**	**76**	**116**	**(26)**	**89**
Financing expenses	(88)		(88)	(60)	(1)	(60)
Share in income of related companies	(37)	7	(30)	(5)	8	3
Corporate income tax	16	(23)	(6)	21	(15)	6
NET INCOME FROM CONTINUING BUSINESS ACTIVITIES	**(78)**	**29**	**(49)**	**72**	**(34)**	**38**
Net income from discontinued or held-for-sale activities	125	12	136	36	7	43
OVERALL NET INCOME	**47**	**41**	**87**	**107**	**(26)**	**81**
of which, non-controlling interests				2		1
OF WHICH, NET INCOME (GROUP SHARE)	**47**	**41**	**87**	**106**	**(26)**	**79**

◄ CONTENTS ►

Note 1.2 - Segment reporting by business

Note 1.2.1 - Segment reporting by business – Balance sheet

	31.12.2017				31.12.2016			
(in millions of euros)	Insurance	Banking	Inter-segment eliminations	Total	Insurance	Banking	Inter-segment eliminations	Total
Goodwill	1,887	20		1,907	1,955	20		1,975
Other intangible assets	215	11		226	224	9		232
Insurance business investments	83,987	4	(3,656)	80,335	82,999	4	(2,963)	80,040
Funds used in banking sector activities and investments of other business activities		101		101		96		96
Investments in related companies and joint ventures	250	243		493	856	240		1,096
Share of outward reinsurers and retrocessionnaires in liabilities relating to insurance and financial contracts	2,796		(1,162)	1,634	1,762		(302)	1,461
Other assets	5,935	50	(967)	5,018	5,356	46	(520)	4,882
Held-for-sale assets and discontinued businesses	447			447	94			94
Cash and cash equivalents	476	7		483	602	7		609
CONSOLIDATED TOTAL ASSETS	**95,993**	**437**	**(5,785)**	**90,645**	**93,848**	**421**	**(3,785)**	**90,484**
Reserves for contingencies and charges	459	5		463	451	4		455
Financing debt	3,211		(2,075)	1,136	3,132		(2,382)	750
Technical liabilities relating to insurance policies	57,213		(1,173)	56,041	55,167		(308)	54,859
Technical liabilities relating to financial contracts	13,854			13,854	14,696			14,696
Deferred profit-sharing liabilities	5,014			5,014	5,517			5,517
Resources from banking sector activities		10		10		8		8
Other liabilities	10,921	75	(2,537)	8,459	9,546	71	(1,095)	8,521
Liabilities of held-for-sale or discontinued businesses	357			357	7			7
TOTAL CONSOLIDATED LIABILITIES EXCLUDING SHAREHOLDERS' EQUITY	**91,029**	**90**	**(5,785)**	**85,334**	**88,516**	**83**	**(3,785)**	**84,814**

CONTENTS

Note 1.2.2 - Segment reporting by business – Income statement

	31.12.2017									
	France					International				Total
(in millions of euros)	Property and casualty insurance	Life and health insurance	Banking	Holding	Total	Property and casualty insurance	Life and health insurance	Holding	Total	
Earned premiums	**3,382**	**4,251**			**7,633**	**1,652**	**828**		**2,480**	**10,113**
Net banking income, net of cost of risk			**143**		**143**					**143**
Investment income	126	1,787		13	1,926	100	130	3	233	2,158
Investment expenses	(38)	(621)		4	(655)	(40)	(16)		(56)	(711)
Capital gains or losses from divestment of investments net of impairment and depreciation write-backs	36	260		68	364	14	7		21	384
Change in fair value of financial instruments recorded at fair value through income	3	600		23	626	4	27		31	657
Change in impairment on investments	(1)	(9)		(1)	(10)					(10)
TOTAL INCOME FROM ORDINARY BUSINESS ACTIVITIES	**3,508**	**6,268**	**143**	**107**	**10,026**	**1,729**	**977**	**3**	**2,709**	**12,735**
Insurance policy servicing expenses	(2,565)	(5,475)			(8,040)	(1,060)	(754)		(1,814)	(9,855)
Income on outward reinsurance	429	76			505	27	3		30	535
Expenses on outward reinsurance	(397)	(94)			(491)	(142)	(3)		(145)	(636)
Banking operating expenses			(99)		(99)					(99)
Policy acquisition costs	(472)	(342)			(814)	(328)	(109)		(437)	(1,250)
Administrative costs	(252)	(133)			(386)	(97)	(47)		(144)	(530)
Other current operating income and expenses	(145)	(279)	4	(121)	(541)	(63)	(8)	(3)	(74)	(615)
CURRENT OPERATING INCOME	**106**	**21**	**48**	**(14)**	**161**	**66**	**58**	**0**	**124**	**284**
Other operating income and expenses	(56)	(14)	(1)	(57)	(129)	(61)	(18)		(79)	(208)
OPERATING INCOME	**50**	**6**	**46**	**(71)**	**31**	**5**	**41**	**0**	**45**	**76**
Financing expenses				(88)	(88)					(88)
Share in income of related companies	(2)		(35)		(37)	7			7	(30)
Corporate income tax	(35)	4	(15)	62	16	(11)	(11)		(23)	(6)
NET INCOME FROM CONTINUING BUSINESS ACTIVITIES	**13**	**10**	**(3)**	**(97)**	**(78)**	**0**	**29**	**0**	**29**	**(49)**
Net income from discontinued or held-for-sale activities		17		108	125	11			12	136
TOTAL NET INCOME	**13**	**27**	**(3)**	**11**	**47**	**11**	**30**	**0**	**41**	**87**
of which, non-controlling interests		2		(2)						
OF WHICH, NET INCOME (GROUP SHARE)	**12**	**25**	**(3)**	**13**	**47**	**11**	**29**	**0**	**41**	**87**

	31.12.2016									
	France					International				Total
(in millions of euros)	Property and casualty insurance	Life and health insurance	Banking	Holding	Total	Property and casualty insurance	Life and health insurance	Holding	Total	
Earned premiums	**3,344**	**4,101**			**7,445**	**1,655**	**866**		**2,521**	**9,966**
Net banking income, net of cost of risk			**136**		**136**					**136**
Investment income	130	1,860		1	1,992	108	132	3	244	2,236
Investment expenses	(42)	(732)		(6)	(779)	(36)	(15)		(51)	(830)
Capital gains or losses from divestment of investments net of impairment and depreciation write-backs	53	396		16	466	19	7		26	492
Change in fair value of financial instruments recorded at fair value through income	1	325		(19)	307	4	14		18	325
Change in impairment on investments		(36)		(2)	(39)	(1)			(1)	(40)
TOTAL INCOME FROM ORDINARY BUSINESS ACTIVITIES	**3,486**	**5,914**	**136**	**(9)**	**9,527**	**1,750**	**1,004**	**3**	**2,757**	**12,284**
Insurance policy servicing expenses	(2,695)	(4,872)			(7,566)	(1,115)	(797)		(1,912)	(9,479)
Income on outward reinsurance	428	68			496	39	5		44	540
Expenses on outward reinsurance	(423)	(58)			(481)	(159)	(7)		(166)	(647)
Banking operating expenses			(100)		(100)					(100)
Policy acquisition costs	(472)	(329)			(800)	(312)	(102)		(414)	(1,215)
Administrative costs	(276)	(133)			(409)	(113)	(55)		(169)	(577)
Other current operating income and expenses	(111)	(287)	3	(101)	(496)	(48)	(6)	(2)	(57)	(554)
CURRENT OPERATING INCOME	**(61)**	**304**	**39**	**(111)**	**171**	**41**	**41**	**1**	**82**	**253**
Other operating income and expenses	(26)	(8)		(22)	(56)	(62)	(45)	(1)	(108)	(164)
OPERATING INCOME	**(87)**	**296**	**39**	**(132)**	**116**	**(21)**	**(4)**	**(1)**	**(26)**	**89**
Financing expenses				(59)	(60)			(1)	(1)	(60)
Share in income of related companies	(4)	2	(4)		(5)	8		1	8	3
Corporate income tax	25	(115)	(12)	124	21	(12)	(3)		(15)	6
NET INCOME FROM CONTINUING BUSINESS ACTIVITIES	**(67)**	**183**	**23**	**(68)**	**72**	**(25)**	**(7)**	**(1)**	**(34)**	**38**
Net income from discontinued or held-for-sale activities		49		(14)	36	7			7	43
OVERALL NET INCOME	**(67)**	**233**	**23**	**(82)**	**107**	**(18)**	**(7)**	**(1)**	**(26)**	**81**
of which, non-controlling interests		1			2					1
OF WHICH, NET INCOME (GROUP SHARE)	**(67)**	**232**	**23**	**(82)**	**106**	**(18)**	**(7)**	**(1)**	**(26)**	**79**

NOTE 2 GOODWILL, RESULT FROM DISCONTINUED BUSINESSES AND ACTIVITIES TO BE SOLD OR DISCONTINUED

Note 2.1 - Goodwill – Breakdown by cash-generating unit

	31.12.2017				31.12.2016
(in millions of euros)	Gross value	Impairment	Foreign exchange adjustment	Net value	Net value
OPENING VALUE	**2,938**	**(668)**	**(295)**	**1,975**	**2,167**
Newly consolidated entities					
Eliminations from the scope of consolidation	**(37)**	**30**	**7**	**0**	
France					(3)
Central and Eastern European countries			(3)	(3)	3
Turkey		(58)	(7)	(65)	(104)
United Kingdom					(89)
Other changes during the fiscal year		**(58)**	**(10)**	**(68)**	**(192)**
CLOSING VALUE	**2,901**	**(697)**	**(297)**	**1,907**	**1,975**

The grouping within a single cash-generating unit for all countries of Central and Eastern Europe is explained by common tools and a common platform as well as centralised management bancassurance agreements.

Changes during the fiscal year

The changes that affected goodwill on the balance sheet correspond to exchange-rate differences as well as the following variations:

SALE OF BUSINESS

The sale of the English brokerage subsidiaries resulted in the disposal of the goodwill of the subsidiary Bollington. This goodwill had been totally impaired in previous years.

IMPAIRMENT ON THE CASH-GENERATING UNIT (CGU) IN TURKEY

The Group applied an impairment of the goodwill of the cash-generating unit formed from the Turkish subsidiaries for €58 million. After the €88 million impairment charge recorded at 31 December 2016, the goodwill of this cash-generating unit is fully impaired at 31 December 2017.

Impairment test

Goodwill is tested for impairment at least once a year. This test is carried out at the level of the cash-generating unit.

As for those insurance entities acquired during the fiscal year where no index on loss in value exists, no impairment test is carried out. Nevertheless, an internal audit is conducted on a simplified basis so as to link in to the purchase price.

Each cash-generating unit provides its underwriting income forecasts calculated based on an estimated increase in premium income and a target combined ratio for the plan period. These assumptions are adapted on the basis of past experience and external constraints imposed by the local market (competition, regulation, market shares, etc.). Financial assumptions (discount rate and yield rate) are fixed by the Group and used to determine the financial income forecasts and discounted cash flows.

The benchmark value in use applied to justify impairment tests corresponds to the current value of future cash flows to be generated by this cash-generating unit.

As a general rule, the flows used correspond to:

- an explicit period based on the Group's operational strategic planning in the early years. This is subject to a discussion process between local management and the Group;
- beyond the explicit horizon, the cash flow column is completed by a terminal value. This terminal value is based on long-term growth assumptions applied to an updated projection of normative cash flows;
- the solvency margin integrated into the business plans is valued according to the prudential rules established by the Solvency 2 directive for subsidiaries whose country is subject to this regulation.

In mature countries, the explicit life insurance period is generally 10 years, and 6 years for non-life insurance. It may be extended over a longer period (10 years). In effect, this period is necessary for the market to attain a sufficient level of maturity for the normative cash flow to be representative of recurring long-term performance.

The discount rates are set based on risk-free rates for each country, plus a risk premium specific to the insurance business itself. For the eurozone, the discount rate is 7.5%.

For emerging countries, the yield curve used takes into account a higher explicit risk premium and then incorporates future changes in the country's macroeconomic situation and the expected higher level of maturity in these economies. This is particularly the case for the "new countries" of the European Union, which are assumed to have a strong possibility of joining the eurozone.

For non-eurozone subsidiaries located in Romania and Turkey, the rate projections translate, beyond the PSO horizon, into an increase in risk-free rates. In order to maintain a spread that is consistent with the eurozone (the risk premium of the eurozone remains lower than that of countries outside the eurozone), the discount rates for these countries have been revised upwards: for Romania, increase of 100 bps from 2020, the target rate rising from 9% to 10%; for Turkey, increase of 100 bps, the target rate rising from 12% to 13%. The rates for Hungary and Bulgaria have not been modified and remain at 9% beyond the PSO horizon.

For Turkey, the yield curve averages 17% over the first eight years, converging towards 13%. The decline in flows from the Turkish subsidiaries' business plans, justifying the total impairment of goodwill at 31 December 2017, results both from the increase in the discount rate and the tightening of local regulations (limitation of tariff increases in motor liability, costs related to the obligation to join a pool of insurers).

Regarding Greece compared with 2016, the favourable spread level resulted in a decline of 100 bps until 2024, the target rates having been maintained at 8%.

The growth rate applied for valuation after the explicit period depends on market maturity. It is based on indicators resulting from strategic studies. The rates used for Western and Southern European mature markets are within the 1% to 3% bracket. In the emerging markets with a low insurance penetration level this rate may be up to 5%.

Ex post comparative analyses of business plan data and actual data for the main income statement totals (combined ratio, underwriting income, etc.) have been carried out and have not had any impact on the impairment tests.

Sensitivity tests have been carried out on the value in use applied, with the following change assumptions:

- rise of 100 basis points in the discount rate; and
- decline of 50 basis points in the long-term rate of growth.

For the goodwill of the CGU in countries of Central and Eastern Europe, a combined increase of 100 basis points in the discount rate and yield rate would lead to excess hedging of €107 million (while a lowering by 100 basis points would result in excess hedging of €260 million). On this same CGU, the sensitivity test on the long-term growth rate would result in excess hedging of €141 million if it fell by 50 basis points (the excess would be €204 million with an increase of 50 basis points).

For the goodwill of the CGU of the Greek subsidiary, Groupama Phoenix, an increase of 100 basis points in the discount rate would lead to a shortfall of -€19 million (while a lowering of the discount rate by 100 basis points would result in a surplus of €29 million). The sensitivity test on a decrease in the long-term growth rate of 50 basis points would result in a hedging insufficiency of -€5 million (the surplus would be €8 million with a favourable change of 50 basis points).

On the cash-generating unit of the French subsidiary Gan Assurances, the sensitivity test on an increase of 100 basis points in the discount rate would lead to a shortfall of €102 million, while a decrease of 100 points would lead to a surplus of €151 million. The test on a decrease in the long-term growth rate of 50 basis points would result in a shortfall of €17 million, while an increase of 50 basis points would result in a surplus of €30 million.

The simultaneous occurrence of all adverse or favourable scenarios would have an impact nearly identical to the accumulation of impacts taken in isolation.

CONTENTS

Note 2.2 - Goodwill – Breakdown by cash-generating unit

	31.12.2017			
(in millions of euros)	Gross value	Impairment	Foreign exchange adjustment	Net value
Central and Eastern European countries	1,031	(502)	(182)	347
Italy	781			781
Turkey	262	(147)	(115)	0
Greece	131	(48)		83
Total International	**2,205**	**(697)**	**(297)**	**1,211**
Groupama Gan Vie	470			470
Gan Assurances	196			196
Financial businesses, property and other insurance companies	30			30
Total France and Overseas	**696**			**696**
CLOSING VALUE	**2,901**	**(697)**	**(297)**	**1,907**

	31.12.2016			
(in millions of euros)	Gross value	Impairment	Foreign exchange adjustment	Net value
Central and Eastern European countries	1,031	(502)	(179)	350
Italy	781			781
Turkey	262	(88)	(109)	65
United Kingdom	37	(30)	(7)	0
Greece	131	(48)		83
Total International	**2,242**	**(668)**	**(295)**	**1,279**
Groupama Gan Vie	470			470
Gan Assurances	196			196
Financial businesses, property and other insurance companies	30			30
Total France and Overseas	**696**			**696**
CLOSING VALUE	**2,938**	**(668)**	**(295)**	**1,975**

It should be recalled that in fiscal years 2009 to 2016, the Group devalued goodwill by €668 million for the following cash-generating units:

- Countries of Eastern and Central Europe for a total of €502 million, including: €113 million in 2009 corresponding to start-up risk in the emerging countries of Eastern Europe where the OTP Bank group is active, €79 million in 2010, €51 million in 2011 and €260 million in 2012;
- Greece: €39 million in 2011 and €9 million in 2012;
- United Kingdom: €30 million on the brokerage firm Bollington in 2012;
- Turkey: €88 million in 2016.

During the 2017 fiscal year, Groupama impaired all of the residual goodwill of the Turkey CGU for -€58 million. Following the sale of the UK brokerage subsidiaries, the reserve for impairment of previously acquired goodwill on the subsidiary Bollington was written back for €30 million.

Note 2.3 - Income from discontinued businesses

ICADE'S BUSINESS

(in millions of euros)	31.12.2017	31.12.2016
Earned premiums		
Investment income net of management expenses		
Other current operating income and expenses		
Current operating income		
Other operating income and expenses	145	
Operating income	**145**	
Financing expenses		
Share in income of related companies		2
Corporate income tax	(21)	
OVERALL NET INCOME	**125**	**2**
of which, minority interests		
OF WHICH, NET INCOME (GROUP SHARE)	**125**	**2**

Net income of €125 million corresponds to the income from disposal

BUSINESS OF THE ENGLISH BROKERAGE SUBSIDIARIES

(in millions of euros)	31.12.2017	31.12.2016
Earned premiums		
Investment income net of management expenses		
Other current operating income and expenses	8	9
Current operating income	**8**	**9**
Other operating income and expenses	6	(1)
Operating income	**14**	**9**
Financing expenses		
Share in income of related companies	1	1
Corporate income tax	(2)	(2)
OVERALL NET INCOME	**13**	**8**
of which, minority interests		
OF WHICH, NET INCOME (GROUP SHARE)	**13**	**8**

The net income of €13 million consists of €4 million in operating income for fiscal year 2017 and €9 million in income from disposal.

Note 2.4 - Held-for-sale or discontinued businesses

The Group has begun a process of selling the Portuguese subsidiaries Groupama Seguros de Vida and Groupama Seguros. Therefore, in accordance with the provisions of IFRS 5, Groupama Seguros and Groupama Seguros de Vida are considered as held-for-sale businesses.

The application of the principles of IFRS 5 has the following effects on the financial statement at 31 December 2017:

- on the income statement: the results of the Portuguese subsidiaries are presented for an amount net of tax on the “Net income from discontinued or held-for-sale activities” on the income statement;
- on the balance sheet, assets and liabilities (excluding shareholders’ equity and securities liaison accounts) are reclassified to the “Held-for-sale assets and discontinued businesses” and “Liabilities from discontinued or held-for-sale activities” lines of the balance sheet.

ACTIVITY OF GROUPAMA SEGUROS PORTUGAL

(in millions of euros)	**31.12.2017**
Intangible assets	1
Insurance business investments	21
Investments in related companies	
Share of outward reinsurers and retrocessionnaires in liabilities relating to insurance and financial contracts	1
Other assets	11
Cash and cash equivalents	1
Held-for-sale assets and discontinued businesses	**34**
shareholders’ equity (Group share)	10
Minority interests	
Total shareholders’ equity from business activities	**10**
Reserves for contingencies and charges	
Financing debt	
Technical liabilities relating to insurance policies	23
Technical liabilities relating to financial contracts	
Deferred profit-sharing liabilities	
Other liabilities	1
Shareholders’ equity and liabilities from held-for-sale or discontinued businesses	**34**

(in millions of euros)	**31.12.2017**
Earned premiums	23
Investment income net of management expenses	
Other current operating income and expenses	(26)
Current operating income	**(3)**
Other operating income and expenses	
Operating income	**(3)**
Financing expenses	
Share in income of related companies	
Corporate income tax	
OVERALL NET INCOME	**(2)**
of which, minority interests	
OF WHICH, NET INCOME (GROUP SHARE)	**(2)**

ACTIVITY OF GROUPAMA SEGUROS DE VIDA PORTUGAL

(in millions of euros)	31.12.2017
Intangible assets	
Insurance business investments	402
Investments in related companies	
Share of outward reinsurers and retrocessionnaires in liabilities relating to insurance and financial contracts	
Other assets	9
Cash and cash equivalents	1
Held-for-sale assets and discontinued businesses	**412**
shareholders' equity (Group share)	79
Minority interests	
Total shareholders' equity from business activities	**79**
Reserves for contingencies and charges	
Financing debt	
Technical liabilities relating to insurance policies	14
Technical liabilities relating to financial contracts	313
Deferred profit-sharing liabilities	5
Other liabilities	1
Shareholders' equity and liabilities from held-for-sale or discontinued businesses	**412**

(in millions of euros)	31.12.2017
Earned premiums	42
Investment income net of management expenses	11
Other current operating income and expenses	(52)
Current operating income	**1**
Other operating income and expenses	
Operating income	**1**
Financing expenses	
Share in income of related companies	
Corporate income tax	(1)
OVERALL NET INCOME	**0**
of which, minority interests	
OF WHICH, NET INCOME (GROUP SHARE)	**0**

CONTENTS

NOTE 3 OTHER INTANGIBLE ASSETS

	31.12.2017			31.12.2016		
(in millions of euros)	Intangible assets related to insurance business	Other intangible assets	Total	Intangible assets related to insurance business	Other intangible assets	Total
Opening gross value	**466**	**1,158**	**1,625**	**500**	**1,167**	**1,667**
Increase		102	102		101	101
Decrease	(1)	(33)	(34)		(72)	(73)
Foreign exchange adjustments	(13)	(2)	(15)	(13)		(13)
Change in scope of consolidation		(15)	(15)	(19)	(37)	(56)
Closing gross value	**452**	**1,211**	**1,663**	**466**	**1,158**	**1,625**
Opening cumulative amortisation & impairment	**(247)**	**(1,019)**	**(1,266)**	**(261)**	**(1,038)**	**(1,299)**
Increase	(16)	(63)	(79)	(16)	(62)	(77)
Decrease	1	5	6		44	44
Foreign exchange adjustments	11	1	12	11		11
Change in scope of consolidation		15	15	19	37	56
Closing cumulative amortisation & impairment	**(251)**	**(1,062)**	**(1,312)**	**(247)**	**(1,019)**	**(1,266)**
Opening cumulative long-term impairment	**(126)**	**(1)**	**(126)**	**(128)**	**(1)**	**(128)**
Long-term impairment recognised						
Long-term impairment write-backs						
Foreign exchange adjustments	3		3	2		2
Change in scope of consolidation						
Closing cumulative long-term impairment	**(123)**	**(1)**	**(124)**	**(126)**	**(1)**	**(126)**
OPENING NET VALUE	**94**	**138**	**232**	**111**	**128**	**239**
CLOSING NET VALUE	**78**	**148**	**227**	**94**	**138**	**232**

The Group's intangible assets can be split into two groups:

- intangible assets related to insurance business;
- other intangible assets.

Intangible assets related to insurance business

Intangible assets related to insurance business primarily correspond to values in force, values of the distribution networks, values of customer relationships and brands. Only the portfolio value in Italy is subject to amortisation.

The changes in scope consolidation are related to the reclassification of the assets of the Portuguese subsidiaries in “Held-for-sale assets and discontinued businesses”.

Other intangible assets

Other intangible assets consist primarily of software acquired and developed internally.

The changes in scope of consolidation are related to the reclassification of the assets of the Portuguese subsidiaries in “Held-for-sale assets and discontinued businesses”.

◄ CONTENTS ►

Note 3.1 - Other intangible assets by operating segment

	31.12.2017						31.12.2016	
	Intangible assets related to insurance business		Other intangible assets		Total		Total	
(in millions of euros)	France	International	France	International	France	International	France	International
Closing gross value	**1**	**451**	**1,052**	**159**	**1,053**	**610**	**1,000**	**625**
Closing cumulative amortisation & impairment		(251)	(933)	(129)	(933)	(380)	(894)	(372)
Closing cumulative long-term impairment	(1)	(122)		(1)	(1)	(123)	(1)	(126)
Amortisation and reserves	**(1)**	**(373)**	**(933)**	**(130)**	**(934)**	**(503)**	**(895)**	**(497)**
NET BOOK VALUE	**0**	**78**	**119**	**29**	**119**	**107**	**105**	**127**

NOTE 4 INVESTMENT PROPERTY, EXCLUDING UNIT-LINKED INVESTMENTS

	31.12.2017			31.12.2016		
(in millions of euros)	Property	SCI units	Total	Property	SCI units	Total
Opening gross value	**1,225**	**56**	**1,281**	**1,119**	**58**	**1,177**
Acquisitions	46	4	49	30	1	31
Change in scope of consolidation	(4)		(4)			
Subsequent expenditure						
Assets capitalised in the year	172		172	79		79
Transfer from/to unit-linked property						
Transfer from/to operating property	30		30	88		88
Foreign exchange adjustments						
Outward reinsurance	(184)	(8)	(192)	(91)	(3)	(94)
Other						
Closing gross value	**1,284**	**52**	**1,336**	**1,225**	**56**	**1,281**
Opening cumulative amortisation & impairment	**(193)**		**(193)**	**(194)**		**(194)**
Increase	(22)		(22)	(19)		(19)
Change in scope of consolidation	4		4			
Transfer from/to unit-linked property						
Transfer from/to operating property	(11)		(11)	(11)		(11)
Decrease	35		35	31		31
Other						
Closing cumulative amortisation & impairment	**(186)**		**(186)**	**(193)**		**(193)**
Opening cumulative long-term impairment	**(20)**		**(20)**	**(8)**	**(1)**	**(9)**
Long-term impairment recognised						
Change in scope of consolidation						
Transfer from/to operating property				(14)		(14)
Long-term impairment write-backs	2		2	2	1	3
Closing cumulative long-term impairment	**(19)**		**(19)**	**(20)**	**0**	**(20)**
Opening net value	**1,012**	**56**	**1,068**	**917**	**57**	**975**
Closing net value	**1,080**	**52**	**1,132**	**1,012**	**56**	**1,068**
Closing fair value of investment property	**2,974**	**121**	**3,095**	**2,764**	**135**	**2,899**
UNREALISED CAPITAL GAINS/LOSSES	**1,894**	**69**	**1,964**	**1,752**	**78**	**1,830**

The realisation of unrealised capital gains on property representing life insurance commitments would give rise to rights in favour of policy beneficiaries as well as taxation.

Unrealised gains accruing to the Group, including property operating activities (see Note 5), amounted to €610 million as at 31 December 2017 (net of profit sharing and tax), compared with €551 million as at 31 December 2016.

The changes in scope of consolidation are related to the reclassification of the assets of the Portuguese subsidiaries in "Held-for-sale assets and discontinued businesses".

The major restructurings currently underway in various Paris buildings explain the change in the assets capitalised in the year.

Sales of property during the fiscal year include in particular sales by vacant lots of the Group's residential assets as well as the sale of several buildings in Paris.

Transfers of operating properties to investment properties mainly concern a Paris building.

As per the fair value hierarchy established in IFRS 13, the fair value of investment property is ranked as Level 2 for an amount of €3,022 million, and Level 3 for an amount of €73 million. The Level 2 investment property comprises mainly property located in Paris, or the Greater Paris region, whose fair value is based on observable data.

CONTENTS

Note 4.1 - Investment property by operating segment

	31.12.2017						31.12.2016					
	Property			SCI units			Property			SCI units		
(in millions of euros)	France	International	Total	France	International	Total	France	International	Total	France	International	Total
Gross value	1,253	31	1,284	52		52	1,189	35	1,225	56		56
Cumulative amortisation & impairment	(181)	(5)	(186)				(184)	(9)	(193)			
Long-term impairment	(10)	(9)	(19)				(11)	(9)	(20)			
Closing net value	1,062	18	1,080	52		52	994	18	1,012	56		56
Closing fair value of investment property	2,941	33	2,974	121		121	2,731	33	2,764	135		135
UNREALISED CAPITAL GAINS/LOSSES	1,879	15	1,894	69		69	1,737	15	1,752	78		78

Note 4.2 - Investment property by business

Note 4.2.1 - Investment property by business – France

	31.12.2017					
	Property			SCI units		
(in millions of euros)	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty	Total
Gross value	985	268	1,253	32	20	52
Cumulative amortisation & impairment	(153)	(28)	(181)			
Long-term impairment	(10)		(10)			
Closing net value	822	240	1,062	32	20	52
Closing fair value of investment property	2,286	655	2,941	74	48	121
UNREALISED CAPITAL GAINS/LOSSES	1,464	415	1,879	41	28	69

	31.12.2016					
	Property			SCI units		
(in millions of euros)	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty	Total
Gross value	950	240	1,189	35	22	56
Cumulative amortisation & impairment	(151)	(33)	(184)			
Long-term impairment	(11)		(11)			
Closing net value	788	207	994	35	22	56
Closing fair value of investment property	2,153	578	2,731	77	58	135
UNREALISED CAPITAL GAINS/LOSSES	1,366	371	1,737	42	36	78

CONTENTS

Note 4.2.2 - Investment property by business – International

	31.12.2017					
	Property			SCI units		
(in millions of euros)	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross value	19	12	31			
Cumulative amortisation & impairment	(3)	(2)	(5)			
Long-term impairment	(5)	(3)	(9)			
Closing net value	11	7	18			
Closing fair value of investment property	19	14	33			
UNREALISED CAPITAL GAINS/LOSSES	8	7	15			

	31.12.2016					
	Property			SCI units		
(in millions of euros)	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross value	23	12	35			
Cumulative amortisation & impairment	(7)	(2)	(9)			
Long-term impairment	(5)	(3)	(9)			
Closing net value	11	7	18			
Closing fair value of investment property	18	14	33			
UNREALISED CAPITAL GAINS/LOSSES	8	7	15			

◄ CONTENTS ►

NOTE 5 OPERATING PROPERTY

	31.12.2017			31.12.2016		
(in millions of euros)	Property	SCI units	Total	Property	SCI units	Total
Opening gross value	**581**	**10**	**591**	**669**	**10**	**679**
Acquisitions	2		2	1		1
Change in scope of consolidation						
Assets capitalised in the year	5		5	2		2
Transfer from/to investment property	(30)		(30)	(88)		(88)
Foreign exchange adjustments	(1)		(1)			
Outward reinsurance	(1)		(1)	(3)		(3)
Other						
Closing gross value	**555**	**10**	**565**	**581**	**10**	**591**
Opening cumulative amortisation & impairment	**(104)**		**(104)**	**(107)**		**(107)**
Increase	(12)		(12)	(12)		(12)
Change in scope of consolidation						
Transfer from/to investment property	11		11	11		11
Decrease	3		3	4		4
Other						
Closing cumulative amortisation & impairment	**(102)**		**(102)**	**(104)**		**(104)**
Opening cumulative long-term impairment	**(69)**		**(69)**	**(28)**		**(28)**
Long-term impairment recognised	(17)		(17)	(55)		(55)
Change in scope of consolidation						
Transfer from/to investment property				14		14
Long-term impairment write-backs						
Closing cumulative long-term impairment	**(85)**		**(85)**	**(69)**		**(69)**
Opening net value	**408**	**10**	**418**	**534**	**10**	**545**
Closing net value	**368**	**10**	**378**	**408**	**10**	**418**
Closing fair value of operating property	**570**	**17**	**587**	**622**	**19**	**641**
UNREALISED CAPITAL GAINS/LOSSES	**201**	**7**	**208**	**213**	**9**	**222**

Transfers of operating properties to investment properties mainly concern a Paris building.

The allocations to reserves for impairment mainly concern buildings held by Groupama Gan Vie.

◄ CONTENTS ►

Note 5.1 - Operating property by operating segment

	31.12.2017						31.12.2016					
	Property			SCI units			Property			SCI units		
(in millions of euros)	France	International	Total	France	International	Total	France	International	Total	France	International	Total
Gross value	445	110	555	10		10	471	110	581	10		10
Cumulative amortisation & impairment	(88)	(14)	(102)				(92)	(12)	(104)			
Long-term impairment	(81)	(5)	(85)				(67)	(2)	(69)			
Closing net value	277	91	368	10		10	313	95	408	10		10
Closing fair value of operating property	481	89	570	17		17	531	91	622	19		19
UNREALISED CAPITAL GAINS/LOSSES	**204**	**(3)**	**201**	**7**		**7**	**218**	**(4)**	**213**	**9**		**9**

Note 5.2 - Operating property by business

Note 5.2.1 - Operating property by business – France

	31.12.2017					
	Property			SCI units		
(in millions of euros)	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross value	389	56	445	5	5	10
Cumulative amortisation & impairment	(77)	(11)	(88)			
Long-term impairment	(81)		(81)			
Closing net value	232	45	277	5	5	10
Closing fair value of operating property	269	212	481	8	9	17
UNREALISED CAPITAL GAINS/LOSSES	**37**	**167**	**204**	**3**	**4**	**7**

	31.12.2016					
	Property			SCI units		
(in millions of euros)	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross value	418	53	471	6	5	10
Cumulative amortisation & impairment	(82)	(10)	(92)			
Long-term impairment	(67)		(67)			
Closing net value	269	44	313	6	5	10
Closing fair value of operating property	327	204	531	10	9	19
UNREALISED CAPITAL GAINS/LOSSES	**57**	**161**	**218**	**4**	**5**	**9**

CONTENTS

Note 5.2.2 - Operating property by business – International

	31.12.2017					
	Property			SCI units		
(in millions of euros)	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross value	51	59	110			
Cumulative amortisation & impairment	(6)	(8)	(14)			
Long-term impairment		(4)	(5)			
Closing net value	44	47	91			
Closing fair value of operating property	43	46	89	0	0	0
UNREALISED CAPITAL GAINS/LOSSES	**(1)**	**(1)**	**(3)**			

	31.12.2016					
	Property			SCI units		
(in millions of euros)	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross value	50	59	110			
Cumulative amortisation & impairment	(5)	(7)	(12)			
Long-term impairment		(2)	(2)			
Closing net value	45	50	95			
Closing fair value of operating property	43	48	91			
UNREALISED CAPITAL GAINS/LOSSES	**(2)**	**(2)**	**(4)**			

◄ CONTENTS ►

NOTE 6 FINANCIAL INVESTMENTS (EXCLUDING UNIT-LINKED ITEMS)

	31.12.2017	31.12.2016
(in millions of euros)	Net value	Net value
Assets valued at fair value	68,216	69,305
Assets valued at amortised cost	1,166	1,084
TOTAL FINANCIAL INVESTMENTS EXCLUDING UNIT-LINKED ITEMS	**69,382**	**70,389**

Total financial investments (excluding real estate, unit-linked items, and derivatives) as at 31 December 2017 were €69,382 million, marking a decrease of €1,007 million *versus* 31 December 2016.

The bond security repurchase agreement activity was €4,518 million *versus* €4,430 million at 31 December 2016. The cash from these repurchase agreements is invested in specific funds held directly.

Note 6.1 - Investments valued at fair value by operating segment

	31.12.2017								
	Net amortised cost			Fair value (1)			Gross unrealised capital gains (losses)		
(in millions of euros)	France	International	Total	France	International	Total	France	International	Total
Available-for-sale assets									
Equities and other variable-income investments	1,903	320	2,223	2,524	324	2,848	621	4	625
Bonds and other fixed-income investments	41,302	4,252	45,554	47,386	4,656	52,042	6,084	404	6,488
Other investments									
Total available-for-sale assets	**43,205**	**4,572**	**47,777**	**49,910**	**4,981**	**54,890**	**6,705**	**408**	**7,113**
Trading assets									
Equities and other variable-income investments classified as “trading”	19		19	19		19			
Equities and other variable-income investments classified as “held for trading”	374	199	573	374	199	573			
Bonds and other fixed-income investments classified as “trading”	92	1	93	92	1	93			
Bonds and other fixed-income investments classified as “held for trading”	4,344	273	4,617	4,344	273	4,617			
Cash mutual funds classified as “trading”	5,441	40	5,481	5,441	40	5,481			
Cash mutual funds classified as “held for trading”	2,402	141	2,543	2,402	141	2,543			
Other investments classified as “trading”									
Other investments classified as “held for trading”									
Total trading assets	**12,672**	**653**	**13,326**	**12,672**	**653**	**13,326**			
TOTAL INVESTMENTS VALUED AT FAIR VALUE	**55,877**	**5,225**	**61,103**	**62,582**	**5,634**	**68,216**	**6,705**	**408**	**7,113**

(1) For investments valued at fair value, the net value on the balance sheet corresponds to the fair value.

At 31 December 2017, unrealised capital gains but recognised for accounting purposes through shareholders’ equity (revaluation reserve) as available-for-sale financial assets were €7,113 million compared with €7,841 million at 31 December 2016.

◄ CONTENTS ►

	31.12.2016								
	Net amortised cost			Fair value (1)			Gross unrealised capital gains (losses)		
(in millions of euros)	France	Inter-national	Total	France	Inter-national	Total	France	Inter-national	Total
Available-for-sale assets									
Equities and other variable-income investments	1,610	310	1,920	2,161	338	2,499	551	28	579
Bonds and other fixed-income investments	42,084	4,415	46,498	48,909	4,852	53,761	6,825	437	7,262
Other investments	1		1	1		1			
Total available-for-sale assets	**43,695**	**4,725**	**48,420**	**51,071**	**5,189**	**56,261**	**7,376**	**465**	**7,841**
Trading assets									
Equities and other variable-income investments classified as "trading"	25		25	25		25			
Equities and other variable-income investments classified as "held for trading"	444	460	904	444	460	904			
Bonds and other fixed-income investments classified as "trading"	89		89	89		89			
Bonds and other fixed-income investments classified as "held for trading"	3,474	31	3,505	3,474	31	3,505			
Cash mutual funds classified as "trading"	4,920	100	5,020	4,920	100	5,020			
Cash mutual funds classified as "held for trading"	3,206	295	3,501	3,206	295	3,501			
Other investments classified as "trading"									
Other investments classified as "held for trading"									
Total trading assets	**12,158**	**886**	**13,044**	**12,158**	**886**	**13,044**			
TOTAL INVESTMENTS VALUED AT FAIR VALUE	**55,853**	**5,611**	**61,464**	**63,229**	**6,076**	**69,305**	**7,376**	**465**	**7,841**

(1) For investments valued at fair value, the net value on the balance sheet corresponds to the fair value.

CONTENTS

Note 6.2 - Investments valued at fair value by business

Note 6.2.1 - Investments valued at fair value by business – France

	31.12.2017											
	Net amortised cost				Fair value (1)				Gross unrealised capital gains (losses)			
(in millions of euros)	Life and health insurance	Property and casualty	Holding	Total	Life and health insurance	Property and casualty	Holding	Total	Life and health insurance	Property and casualty	Holding	Total
Available-for-sale assets												
Equities and other variable-income investments	1,803	60	39	1,903	2,319	83	122	2,524	515	23	83	621
Bonds and other fixed-income investments	38,909	2,395		41,302	44,877	2,509		47,386	5,968	115		6,084
Other investments												
Total available-for-sale assets	**40,712**	**2,454**	**39**	**43,206**	**47,196**	**2,592**	**122**	**49,910**	**6,484**	**138**	**83**	**6,705**
Trading assets												
Equities and other variable-income investments classified as “trading”		19		19		19		19				
Equities and other variable-income investments classified as “held for trading”	309	65		374	309	65		374				
Bonds and other fixed-income investments classified as “trading”	92			92	92			92				
Bonds and other fixed-income investments classified as “held for trading”	2,718	1,626		4,344	2,718	1,626		4,344				
Cash mutual funds classified as “trading”	4,709	732		5,441	4,709	732		5,441				
Cash mutual funds classified as “held for trading”	2,336	15	51	2,402	2,336	15	51	2,402				
Other investments classified as “trading”												
Other investments classified as “held for trading”												
Total trading assets	**10,164**	**2,457**	**51**	**12,672**	**10,164**	**2,457**	**51**	**12,672**				
TOTAL INVESTMENTS VALUED AT FAIR VALUE	**50,876**	**4,910**	**91**	**55,877**	**57,360**	**5,049**	**173**	**62,582**	**6,485**	**138**	**82**	**6,705**

(1) For investments valued at fair value, the net value on the balance sheet corresponds to the fair value.

	31.12.2016								
	Net amortised cost			Fair value (1)			Gross unrealised capital gains (losses)		
(in millions of euros)	Life and health insurance	Property and casualty	Total	Life and health insurance	Property and casualty	Total	Life and health insurance	Property and casualty	Total
Available-for-sale assets									
Equities and other variable-income investments	1,484	126	1,610	1,937	225	2,161	453	99	552
Bonds and other fixed-income investments	39,542	2,542	42,084	46,204	2,705	48,909	6,662	163	6,825
Other investments		1	1		1	1			
Total available-for-sale assets	**41,026**	**2,668**	**43,695**	**48,141**	**2,930**	**51,071**	**7,115**	**262**	**7,376**
Trading assets									
Equities and other variable-income investments classified as “trading”		25	25		25	25			
Equities and other variable-income investments classified as “held for trading”	361	83	444	361	83	444			
Bonds and other fixed-income investments classified as “trading”	89		89	89		89			
Bonds and other fixed-income investments classified as “held for trading”	2,384	1,090	3,474	2,384	1,090	3,474			
Cash mutual funds classified as “trading”	4,327	593	4,920	4,327	593	4,920			
Cash mutual funds classified as “held for trading”	3,062	144	3,206	3,062	144	3,206			
Other investments classified as “trading”									
Other investments classified as “held for trading”									
Total trading assets	**10,223**	**1,935**	**12,158**	**10,223**	**1,935**	**12,158**			
TOTAL INVESTMENTS VALUED AT FAIR VALUE	**51,249**	**4,603**	**55,852**	**58,364**	**4,865**	**63,229**	**7,115**	**262**	**7,376**

(1) For investments valued at fair value, the net value on the balance sheet corresponds to the fair value.

◄ CONTENTS ►

Note 6.2.2 - Investments valued at fair value by business – International

	31.12.2017								
	Net amortised cost			Fair value (1)			Gross unrealised capital gains (losses)		
(in millions of euros)	Life and health insurance	Property and casualty	Total	Life and health insurance	Property and casualty	Total	Life and health insurance	Property and casualty	Total
Available-for-sale assets									
Equities and other variable-income investments	196	124	320	183	141	324	(13)	17	4
Bonds and other fixed-income investments	2,346	1,906	4,252	2,605	2,051	4,656	259	145	404
Other investments									
Total available-for-sale assets	**2,542**	**2,030**	**4,572**	**2,788**	**2,192**	**4,980**	**246**	**162**	**408**
Trading assets									
Equities and other variable-income investments classified as “trading”									
Equities and other variable-income investments classified as “held for trading”	114	85	199	114	85	199			
Bonds and other fixed-income investments classified as “trading”	1		1	1		1			
Bonds and other fixed-income investments classified as “held for trading”	158	115	273	158	115	273			
Cash mutual funds classified as “trading”	25	15	40	25	15	40			
Cash mutual funds classified as “held for trading”	81	60	141	81	60	141			
Other investments classified as “trading”									
Other investments classified as “held for trading”									
Total trading assets	**379**	**275**	**654**	**379**	**275**	**654**			
TOTAL INVESTMENTS VALUED AT FAIR VALUE	**2,921**	**2,305**	**5,226**	**3,167**	**2,467**	**5,634**	**246**	**162**	**408**

(1) For investments valued at fair value, the net value on the balance sheet corresponds to the fair value.

	31.12.2016								
	Net amortised cost			Fair value (1)			Gross unrealised capital gains (losses)		
(in millions of euros)	Life and health insurance	Property and casualty	Total	Life and health insurance	Property and casualty	Total	Life and health insurance	Property and casualty	Total
Available-for-sale assets									
Equities and other variable-income investments	187	123	310	202	136	338	15	13	28
Bonds and other fixed-income investments	2,537	1,877	4,415	2,792	2,060	4,852	255	183	437
Other investments									
Total available-for-sale assets	**2,724**	**2,001**	**4,725**	**2,994**	**2,196**	**5,189**	**270**	**195**	**465**
Trading assets									
Equities and other variable-income investments classified as "trading"									
Equities and other variable-income investments classified as "held for trading"	271	190	460	271	190	460			
Bonds and other fixed-income investments classified as "trading"									
Bonds and other fixed-income investments classified as "held for trading"	17	14	31	17	14	31			
Cash mutual funds classified as "trading"	73	27	100	73	27	100			
Cash mutual funds classified as "held for trading"	164	131	295	164	131	295			
Other investments classified as "trading"									
Other investments classified as "held for trading"									
Total trading assets	**524**	**362**	**886**	**524**	**362**	**886**			
TOTAL INVESTMENTS VALUED AT FAIR VALUE	**3,248**	**2,363**	**5,611**	**3,518**	**2,558**	**6,076**	**270**	**195**	**465**

(1) For investments valued at fair value, the net value on the balance sheet corresponds to the fair value.

◄ CONTENTS ►

Note 6.3 - Investments valued at fair value - by type

	31.12.2017								
	Net amortised cost			Fair value [1]			Gross unrealised capital gains (losses)		
(in millions of euros)	France	Inter-national	Total	France	Inter-national	Total	France	Inter-national	Total
Equities and other variable-income investments									
Available-for-sale assets	1,903	320	2,223	2,524	324	2,848	621	4	625
Assets classified as “trading”	19		19	19		19			
Assets classified as “held for trading”	374	199	573	374	199	573			
Total equities and other variable-income investments	**2,296**	**519**	**2,815**	**2,917**	**523**	**3,440**	**621**	**4**	**625**
Bonds and other fixed-income investments									
Available-for-sale assets	41,302	4,252	45,554	47,386	4,656	52,042	6,084	404	6,488
Assets classified as “trading”	92	1	93	92	1	93			
Assets classified as “held for trading”	4,344	273	4,617	4,344	273	4,617			
Total bonds and other fixed-income investments	**45,738**	**4,526**	**50,264**	**51,822**	**4,930**	**56,752**	**6,084**	**404**	**6,488**
Cash mutual funds									
Assets classified as “trading”	5,441	40	5,481	5,441	40	5,481			
Assets classified as “held for trading”	2,402	141	2,543	2,402	141	2,543			
Total cash mutual funds	**7,843**	**181**	**8,024**	**7,843**	**181**	**8,024**			
Other investments									
Available-for-sale assets									
Assets classified as “trading”									
Assets classified as “held for trading”									
Total other investments									
TOTAL INVESTMENTS VALUED AT FAIR VALUE	**55,877**	**5,226**	**61,103**	**62,582**	**5,634**	**68,216**	**6,705**	**408**	**7,113**

(1) For investments valued at fair value, the net value on the balance sheet corresponds to the fair value.

	31.12.2016								
	Net amortised cost			Fair value [1]			Gross unrealised capital gains (losses)		
(in millions of euros)	France	International	Total	France	International	Total	France	International	Total
Equities and other variable-income investments									
Available-for-sale assets	1,610	310	1,920	2,161	338	2,499	551	28	579
Assets classified as “trading”	25		25	25		25			
Assets classified as “held for trading”	444	460	904	444	460	904			
Total equities and other variable-income investments	**2,079**	**770**	**2,849**	**2,630**	**798**	**3,428**	**551**	**28**	**579**
Bonds and other fixed-income investments									
Available-for-sale assets	42,084	4,415	46,498	48,909	4,852	53,761	6,825	437	7,262
Assets classified as “trading”	89		89	89		89			
Assets classified as “held for trading”	3,474	31	3,505	3,474	31	3,505			
Total bonds and other fixed-income investments	**45,647**	**4,446**	**50,093**	**52,472**	**4,883**	**57,355**	**6,825**	**437**	**7,262**
Cash mutual funds									
Assets classified as “trading”	4,920	100	5,020	4,920	100	5,020			
Assets classified as “held for trading”	3,206	295	3,501	3,206	295	3,501			
Total cash mutual funds	**8,126**	**395**	**8,521**	**8,126**	**395**	**8,521**			
Other investments									
Available-for-sale assets	1		1	1		1			
Assets classified as “trading”									
Assets classified as “held for trading”									
Total other investments	**1**		**1**	**1**		**1**			
TOTAL INVESTMENTS VALUED AT FAIR VALUE	**55,853**	**5,611**	**61,464**	**63,229**	**6,076**	**69,305**	**7,376**	**465**	**7,841**

(1) For investments valued at fair value, the net value on the balance sheet corresponds to the fair value.

Note 6.4 - Investments valued at amortised cost in net value

	31.12.2017			31.12.2016		
(in millions of euros)	France	International	Total	France	International	Total
Loans	82	59	141	84	59	143
Deposits	598	252	850	531	282	813
Other	175		175	128		128
TOTAL FINANCIAL INVESTMENTS EXCLUDING UNIT-LINKED ITEMS	**855**	**311**	**1,166**	**743**	**341**	**1,084**

Note 6.5 - Reserves for impairment of investments

	31.12.2017			31.12.2016		
(in millions of euros)	Gross	Reserves	Net	Gross	Reserves	Net
Available-for-sale assets						
Equities and other variable-income investments	2,475	(252)	2,223	2,316	(395)	1,920
Bonds and other fixed-income investments	45,557	(3)	45,554	46,502	(4)	46,498
Other investments				1		1
TOTAL AVAILABLE-FOR-SALE ASSETS	**48,032**	**(255)**	**47,777**	**48,819**	**(399)**	**48,420**
Financial investments valued at amortised cost	1,168	(2)	1,166	1,086	(2)	1,084
FINANCIAL INVESTMENTS VALUED AT AMORTISED COST	**1,168**	**(2)**	**1,166**	**1,086**	**(2)**	**1,084**

Total long-term impairment reserves for investments valued at fair value were €255 million, compared with €399 million as at 31 December 2016. The change is mainly due to the partial sale of OTP Bank shares.

Regarding equities, a reserve of €121 million was established for strategic securities.

The amount of reserves for long-term impairment on investments valued at amortised cost remains unchanged at €2 million.

Reserves were determined in accordance with the rules set out in paragraph 3.2.1 of the accounting principles.

Note 6.6 - Financial investments by currency

	31.12.2017				
(in millions of euros)	Euro	Dollar	Pound	Other	Total
Available-for-sale assets					
Equities and other variable-income investments	2,053	218	8	569	2,848
Bonds and other fixed-income investments	51,269	31	245	498	52,042
Other investments					
Total available-for-sale assets	**53,321**	**249**	**253**	**1,067**	**54,890**
Trading assets					
Equities and other variable-income investments classified as “trading”	19				19
Equities and other variable-income investments classified as “held for trading”	573				573
Bonds and other fixed-income investments classified as “trading”	92				93
Bonds and other fixed-income investments classified as “held for trading”	4,611			6	4,617
Cash mutual funds classified as “trading”	5,436	45			5,481
Cash mutual funds classified as “held for trading”	2,543				2,543
Other investments classified as “trading”					
Other investments classified as “held for trading”					
Total trading assets	**13,274**	**45**		**6**	**13,326**
Loans and receivables					
Loans	138			3	141
Deposits	598	3	21	229	850
Other investments	166	10			175
Total loans and receivables	**902**	**12**	**21**	**231**	**1,166**
TOTAL FINANCIAL INVESTMENTS (NET OF DERIVATIVES AND UNIT-LINKED ITEMS)	**67,498**	**306**	**273**	**1,305**	**69,382**

The above figures do not include the hedging for foreign exchange risk established (forward currency sales or currency swaps).

◄ CONTENTS ►

	31.12.2016					
(in millions of euros)	**Euro**	**Dollar**	**Pound**	**Yen**	**Other**	**Total**
Available-for-sale assets						
Equities and other variable-income investments	1,550	252	7		690	2,499
Bonds and other fixed-income investments	52,966	34	246	5	508	53,761
Other investments	1					1
Total available-for-sale assets	**54,518**	**287**	**253**	**5**	**1,198**	**56,261**
Trading assets						
Equities and other variable-income investments classified as "trading"	25					25
Equities and other variable-income investments classified as "held for trading"	905					904
Bonds and other fixed-income investments classified as "trading"	89					89
Bonds and other fixed-income investments classified as "held for trading"	3,499				6	3,505
Cash mutual funds classified as "trading"	5,014	4		2		5,020
Cash mutual funds classified as "held for trading"	3,501					3,501
Other investments classified as "trading"						
Other investments classified as "held for trading"						
Total trading assets	**13,032**	**4**		**2**	**6**	**13,044**
Loans and receivables						
Loans	142				1	143
Deposits	552	5			256	813
Other investments	120	6	1			128
Total loans and receivables	**814**	**11**	**1**		**257**	**1,084**
TOTAL FINANCIAL INVESTMENTS (NET OF DERIVATIVES AND UNIT-LINKED ITEMS)	**68,365**	**302**	**254**	**7**	**1,461**	**70,389**

The above figures do not include the hedging for foreign exchange risk established (forward currency sales or currency swaps).

Note 6.7 - Breakdown of listed investments

(in millions of euros)	**31.12.2017**	**31.12.2016**
Equities	1,545	1,524
Shares in fixed-income mutual funds	5,920	4,945
Shares in other mutual funds	1,661	1,696
Cash mutual funds	8,024	8,521
Bonds and other fixed-income securities	50,683	52,239
TOTAL LISTED INVESTMENTS	**67,833**	**68,924**

The above table meets the requirements of IFRS 12 on non-consolidated mutual funds. As at 31 December 2017, the fair value of these assets totaled €15,605 million compared with €15,162 million as at 31 December 2016.

As at 31 December 2017, total long-term reserves for listed investments valued at fair value were €216 million, compared with €361 million as at 31 December 2016.

◄ CONTENTS ►

Note 6.8 - Breakdown of unlisted investments

(in millions of euros)	31.12.2017	31.12.2016
Equities at fair value	233	209
Bonds and other fixed-income securities at fair value	150	170
Other investments at fair value		1
Loans at amortised cost	141	143
Other investments at amortised cost	1,025	941
TOTAL UNLISTED INVESTMENTS	**1,549**	**1,465**

As at 31 December 2017, total long-term reserves for listed investments valued at fair value were €39 million, compared with €38 million as at 31 December 2016.

Note 6.9 - Breakdown of the bond portfolio

The presentations below pertain to only bond investments held directly or through consolidated mutual funds and do not take into account other investments with similar features (bond mutual funds, rate mutual funds, bond funds, etc.).

Note 6.9.1 - Bond portfolio – by rate

The table below shows the Group's exposure to interest rate risks at the close of each fiscal year.

	31.12.2017			31.12.2016		
(in millions of euros)	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
Listed bonds						
Available-for-sale	48,673	1,265	49,938	50,418	1,202	51,621
Classified as "trading"						
Classified as "held for trading"	679	65	744	559	59	618
Total listed bonds	**49,352**	**1,331**	**50,683**	**50,977**	**1,261**	**52,239**
Unlisted bonds						
Available-for-sale	96	25	120	104	38	142
Classified as "trading"						
Classified as "held for trading"	6	24	29	5	23	28
Total unlisted bonds	**101**	**48**	**150**	**109**	**61**	**170**
TOTAL BOND PORTFOLIO	**49,453**	**1,380**	**50,832**	**51,087**	**1,323**	**52,409**

◄ CONTENTS ►

Note 6.9.2 - Bond portfolio – by maturity

The profile of the annual maturities of the bond portfolios, including consolidated mutual funds, is as follows:

	31.12.2017				31.12.2016			
(in millions of euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Listed bonds								
Available-for-sale	2,293	12,206	35,439	49,938	2,483	10,284	38,854	51,621
Classified as “trading”								
Classified as “held for trading”	87	339	319	744	1	176	441	618
Total listed bonds	**2,380**	**12,544**	**35,758**	**50,683**	**2,483**	**10,460**	**39,295**	**52,239**
Unlisted bonds								
Available-for-sale		10	111	120	20	10	113	142
Classified as “trading”								
Classified as “held for trading”	1	28		29	1	27	1	28
Total unlisted bonds	**1**	**37**	**111**	**150**	**21**	**36**	**114**	**170**
TOTAL BOND PORTFOLIO	**2,381**	**12,582**	**35,869**	**50,832**	**2,504**	**10,496**	**39,409**	**52,409**

The distribution of the bond portfolio thus shows that the types of investments favoured by the Group are primarily long-term bonds (over 5 years) with fixed rates.

Note 6.9.3 - Bond portfolio – by rating

	31.12.2017						
(in millions of euros)	AAA	AA	A	BBB	<BBB	Not rated	Total
Listed bonds							
Available for sale	2,352	23,351	6,949	16,673	173	440	49,938
Classified as “trading”							
Classified as “held for trading”	51	48	622	21		2	744
Total listed bonds	**2,403**	**23,399**	**7,571**	**16,695**	**173**	**442**	**50,683**
Unlisted bonds							
Available for sale		7	10	103			120
Classified as “trading”							
Classified as “held for trading”			24			6	29
Total unlisted bonds		**7**	**34**	**103**		**6**	**150**
TOTAL BOND PORTFOLIO	**2,403**	**23,406**	**7,605**	**16,798**	**173**	**447**	**50,832**

◄ CONTENTS ►

(in millions of euros)	31.12.2016						
	AAA	AA	A	BBB	<BBB	Not rated	Total
Listed bonds							
Available for sale	2,635	23,702	6,039	18,153	587	504	51,621
Classified as “trading”							
Classified as “held for trading”	144	11	299	163			618
Total listed bonds	**2,779**	**23,712**	**6,339**	**18,317**	**587**	**504**	**52,239**
Unlisted bonds							
Available for sale		20	10	112			142
Classified as “trading”							
Classified as “held for trading”			23			5	28
Total unlisted bonds		**20**	**33**	**112**		**5**	**170**
TOTAL BOND PORTFOLIO	**2,779**	**23,733**	**6,372**	**18,429**	**587**	**509**	**52,409**

Note 6.9.4 - Bond portfolio by type of issuer

(in millions of euros)	31.12.2017	31.12.2016
Bonds issued by EU Member States	32,365	33,416
Bonds issued by States outside the EU	178	190
Bonds from public and semi-public sectors	3,410	3,591
Corporate bonds	14,872	15,199
Other bonds (including bond funds)	7	14
TOTAL BOND PORTFOLIO	**50,832**	**52,409**

Note 6.10 - Debt securities of peripheral countries of the eurozone

Note 6.10.1 - Sovereign debt securities of peripheral countries of the eurozone

	31.12.2017					
(in millions of euros)	Gross discounted cost price	Reserves for impairment	Net discounted cost price	Fair value	Gross unrealised capital gains (losses)	Unrealised capital gains (losses) net of taxes and profit-sharing
Spain	2,152		2,152	2,803	650	73
Greece						
Ireland	16		16	18	1	
Italy	7,044		7,044	8,556	1,512	228
Portugal	233		233	289	56	6
TOTAL	**9,446**		**9,446**	**11,665**	**2,220**	**308**

	31.12.2016					
(in millions of euros)	Gross discounted cost price	Reserves for impairment	Net discounted cost price	Fair value	Gross unrealised capital gains (losses)	Unrealised capital gains (losses) net of taxes and profit-sharing
Spain	2,323		2,323	3,044	721	66
Greece						
Ireland	18		18	20	2	0
Italy	7,147		7,147	8,861	1,714	226
Portugal	274		274	286	13	1
TOTAL	**9,761**		**9,761**	**12,211**	**2,450**	**294**

Exposure to sovereign debt securities of peripheral eurozone countries included directly owned securities and look-through reporting, which is required on consolidated mutual funds. Unrealised capital gains on these securities totaled €308 million (net of taxes and profit sharing).

All sovereign debt securities of peripheral eurozone countries are classed as Level 1 using the fair value hierarchy established by IFRS 7; these securities are listed on an active market, and their prices can be easily and regularly obtained.

Recall that the Group sold its entire exposure to Greek sovereign debt during the 2012 fiscal year.

In addition, the exposure level on Hungary is approximately €293 million, mainly held by the Hungarian subsidiary.

The sovereign debt securities of the peripheral eurozone countries have the following maturities:

	31.12.2017				
(in millions of euros)	< 3 years	3 to 7 years	7 to 10 years	> 10 years	Total
Spain	18	99	331	2,356	2,803
Greece					
Ireland	17			1	18
Italy	1,006	1,627	1,810	4,114	8,556
Portugal	3	122	4	160	289
TOTAL	**1,043**	**1,848**	**2,144**	**6,630**	**11,665**

The table below shows the change in sovereign debt securities of peripheral countries of the eurozone at fair value held directly.

	31.12.2017					
(in millions of euros)	Spain	Greece	Ireland	Italy	Portugal	Total
Opening sovereign debt securities	**3,026**		**18**	**8,517**	**283**	**11,844**
Change in unrealised capital gains/losses	(60)		(1)	(175)	43	(192)
Change in scope of consolidation	(16)			(57)	(42)	(115)
Acquisitions				162		162
Divestments/Redemptions	(155)			(213)		(367)
Foreign exchange adjustments						
CLOSING SOVEREIGN DEBT SECURITIES	**2,796**		**17**	**8,234**	**285**	**11,332**

To date, the consolidated mutual funds hold €333 million in sovereign debt securities of peripheral eurozone countries, including in particular €322 million in Italian sovereign debt.

Note 6.10.2 - Non-sovereign debt securities of peripheral countries of the eurozone

	31.12.2017					
(in millions of euros)	Gross discounted cost price	Reserves for impairment	Net discounted cost price	Fair value	Gross unrealised capital gains (losses)	Unrealised capital gains (losses) net of taxes and profit-sharing
Spain	530		530	609	79	10
Greece						
Ireland	8		8	8		
Italy	575		575	597	22	6
Portugal	28		28	28		
TOTAL	**1,140**		**1,140**	**1,242**	**102**	**16**

	31.12.2016					
(in millions of euros)	Gross discounted cost price	Reserves for impairment	Net discounted cost price	Fair value	Gross unrealised capital gains (losses)	Unrealised capital gains (losses) net of taxes and profit-sharing
Spain	548		548	635	87	9
Greece						
Ireland	14		14	15	0	0
Italy	612		612	651	38	8
Portugal	35		35	36	1	0
TOTAL	**1,209**		**1,209**	**1,336**	**127**	**17**

The balance sheet value of the Group's investments in bonds issued by companies, banks, local authorities and para-governmental organisations located in peripheral countries of the eurozone (mainly Spain and Italy) was €1,242 million as at 31 December 2017. These securities present an unrealised capital gain net of taxes and profit sharing of €16 million.

Exposure to non-sovereign debt securities of peripheral eurozone countries included directly-owned securities and look-through reporting which is required on consolidated mutual funds only.

Note 6.11 - Fair value hierarchy

Pursuant to the amendment to IFRS 7 issued by the IASB in March 2009, financial instrument (assets and liabilities) valued at fair value are classified according to a three-level hierarchy. These levels depend on whether a valuation model is used and the data sources used to populate the valuation models:

- level 1 corresponds to a price listed in an active market to which the entity may have access on the valuation date;
- level 2 corresponds to the fair value determined on the basis of a valuation model using data directly observable on an active market or data that can be determined from prices observed;
- level 3 corresponds to the fair value determined on the basis of a valuation model using data not observable on a market.

A financial instrument is considered to be listed on an active market if prices are easily and regularly available from a stock exchange, broker, trader, business sector, or price valuation service and if these prices represent real transactions properly carried out on the market under conditions of normal competition.

Determination of whether a market is active is particularly based on indicators such as the significant decrease in the volume of transactions and the level of activity on the market, high dispersion of prices available over time and between the various market participants, or the fact that the prices no longer correspond to sufficiently recent transactions.

	31.12.2017				31.12.2016			
(in millions of euros)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Available-for-sale assets								
Equities and other variable-income investments	2,502	66	280	2,848	2,286	47	165	2,499
Bonds and other fixed-income investments	50,472	637	933	52,042	52,113	721	926	53,760
Other investments							1	1
Total available-for-sale assets	**52,974**	**703**	**1,213**	**54,890**	**54,399**	**769**	**1,093**	**56,261**
Trading assets								
Equities and other variable-income investments classified as “trading” or “held for trading”	266		326	592	531		398	929
Bonds and other fixed-income investments classified as “trading” or “held for trading”	3,958	395	357	4,710	3,002	256	336	3,594
Cash mutual funds classified as “trading” or “held for trading”	8,024			8,024	8,521			8,521
Other investments								
Total trading assets	**12,248**	**395**	**683**	**13,326**	**12,054**	**256**	**734**	**13,044**
SUBTOTAL OF FINANCIAL INVESTMENTS EXCLUDING UNIT-LINKED ITEMS MEASURED AT FAIR VALUE	**65,222**	**1,098**	**1,896**	**68,216**	**66,453**	**1,024**	**1,827**	**69,305**
Investments in unit-linked policies	5,681	3,361	287	9,329	4,089	3,198	809	8,096
Derivative assets and liabilities		(546)		(546)		(682)		(682)
TOTAL FINANCIAL ASSETS AND LIABILITIES VALUED AT FAIR VALUE	**70,903**	**3,914**	**2,183**	**77,000**	**70,542**	**3,541**	**2,637**	**76,719**

As these are investments in unit-linked policies, the risk is borne by policyholders.

Derivative instruments posted to assets totaled €113 million and derivative instruments posted to liabilities on the balance sheet totaled €659 million as at 31 December 2017. These instruments are classified in level 2.

The Level 3 investments comprise:

- for shares, private equity funds and unlisted equities. The private equity fund units are valued based on the latest net asset values. Unlisted equities are valued using several methods, such as discounted cash flow or the restated net asset method;
- for bonds, securities valued based on a model using extrapolated data;
- for investments in unit-linked policies classified as Level 3 or in structured products not listed on an active market where the compensation is indexed either on indexes, baskets of shares or rates.

Beyond the financial assets and liabilities described in the table, the Group recorded fair-value financial contracts without discretionary profit sharing in its technical liabilities. This amount totalled €163 million as at 31 December 2017, compared with €146 million as at 31 December 2016.

	31.12.2017								
	Available-for-sale assets			Trading assets				Investments in unit-linked policies	Derivative assets and liabilities
(in millions of euros)	Equities	Bonds	Other investments	Equities	Bonds	Cash mutual funds	Other investments		
Level 3 opening amount	**165**	**926**	**1**	**398**	**336**			**809**	
Change in unrealised capital gains/losses recognised in:									
■ income				(38)	(65)			(309)	
■ gains and losses recognised directly in shareholders' equity	31	(58)							
Transfer to level 3	26	11			38			80	
Transfer outside of level 3	(30)	(30)						(45)	
Reclassification to loans and receivables									
Change in scope of consolidation									
Acquisitions	92	93		28	197			7	
Divestments/Redemptions	(2)	(8)	(1)	(63)	(148)			(255)	
Foreign exchange adjustments	(2)								
LEVEL 3 CLOSING AMOUNT	**280**	**933**	**0**	**326**	**357**			**287**	

NOTE 7 INVESTMENTS REPRESENTING COMMITMENTS IN UNIT-LINKED INVESTMENTS

	31.12.2017			31.12.2016		
(in millions of euros)	France	International	Total	France	International	Total
Variable-income securities and related securities		4	4		4	4
Bonds	3,027	505	3,532	2,806	604	3,409
Equity mutual fund units	4,990	168	5,158	4,054	113	4,167
Bond and other mutual fund units	173	273	446	151	214	365
Other investments		71	71		41	41
Subtotal of unit-linked financial investments	**8,190**	**1,022**	**9,212**	**7,011**	**975**	**7,986**
Unit-linked investment property	118		118	110		110
Subtotal of unit-linked investment property	**118**		**118**	**110**		**110**
TOTAL	**8,308**	**1,022**	**9,329**	**7,121**	**975**	**8,096**

The unit-linked investments are solely connected to the Life and Health Insurance business.

NOTE 8 ASSET AND LIABILITY DERIVATIVE INSTRUMENTS AND SEPARATE EMBEDDED DERIVATIVES

	31.12.2017					
	France		International		Total	
(in millions of euros)	Positive fair value	Negative fair value	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Swaps	108	(652)			108	(652)
Options	5	(5)			6	(5)
Foreign currency futures		(2)				(2)
Other						
TOTAL	**113**	**(659)**			**113**	**(659)**

	31.12.2016					
	France		International		Total	
(in millions of euros)	Positive fair value	Negative fair value	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Swaps	58	(738)			58	(738)
Options	5	(3)	1		6	(3)
Foreign currency futures	4	(9)			4	(9)
Other						
TOTAL	**67**	**(750)**	**1**		**68**	**(750)**

As at 31 December 2017, the following derivative instruments were available to the Group:

- swaps indexed to a variable rate for protection of the bond portfolio against an increase in rates;
- fixed-rate swaps to hedge variable-rate indexed underlyings;
- currency or inflation-indexed swaps. The economic aim of this strategy is to invest in fixed-rate euro bonds;
- currency risk hedges;
- synthetic exposure to the credit risk of private issuers through option strategies;
- equity risk hedges through purchases of index call options;
- hedging for risk of widening bond spreads.

This last hedge was the subject of specific documentation for accounting hedges at fair value under IAS 39.

Other derivatives are not recorded as hedging transactions in the sense of IAS 39. As per the principles described in section 3.3 of the financial statements at 31 December 2017, they are recognised at fair value on the balance sheet through income.

The counterparty credit risk was taken into account when determining the fair value of the financial instruments, as per IFRS 13, but this had no significant impact on the fair value of the derivative instruments thanks to the “collateralisation” system put in place by the Group.

CONTENTS

NOTE 9 USES AND SOURCES OF FUNDS FOR BANKING SECTOR OPERATIONS

Note 9.1 - Uses of funds for banking sector activities

	31.12.2017			31.12.2016		
(in millions of euros)	Gross value	Reserves	Net value	Gross value	Reserves	Net value
Petty cash, central banks and postal accounts						
Financial assets at fair value through income	79		79	71		71
Hedging derivatives						
Available-for-sale financial assets	3		3	2		2
Loans and receivables on credit institutions	19		19	22		22
Loans and receivables on customers						
Revaluation difference of interest rate hedged portfolios						
Held-to-maturity financial assets						
Investment property						
TOTAL	**101**		**101**	**96**		**96**

Note 9.2 - Sources of funds for banking sector activities

(in millions of euros)	31.12.2017	31.12.2016
Central banks, postal accounts		
Financial liabilities at fair value through income		
Hedging derivatives		
Debts to credit institutions		
Debts to customers	10	8
Debts represented by securities		
Revaluation difference of interest rate hedged portfolios		
TOTAL	**10**	**8**

NOTE 10 INVESTMENTS IN RELATED COMPANIES AND JOINT VENTURES

	31.12.2017		31.12.2016	
(in millions of euros)	Equivalent value	Share of income	Equivalent value	Share of income
Bollington			2	1
La Banque Postale IARD	107	(2)	80	(4)
Orange Bank (formerly Groupama Banque)	243	(35)	240	(4)
STAR	68	1	87	3
Groupama – AVIC Property Insurance Co.	75	6	73	5
ICADE			614	2
Compagnie Financière d'Orange Bank				
TOTAL	**493**	**(30)**	**1,096**	**3**

Note 10.1 - Significant data pursuant to IFRS 12

	2017				
(in millions of euros)	Premium income	Net income	Underwriting reserves	Total assets	Shareholders' equity
La Banque Postale IARD[1]	326	(7)	451	714	112
STAR[2]	124	3	207	346	109
Groupama – AVIC Property Insurance Co.[1]	280	6	161	400	137
Orange Bank[1]		(76)		5,364	340
Compagnie Financière d'Orange Bank[1]				373	370

(1) Actual data.
(2) Estimated data for income and earnings / Actual data at December 2016 for the balance sheet.

	2016				
(in millions of euros)	Premium income	Net income	Underwriting reserves	Total assets	Shareholders' equity
Bollington[2]	16	1		22	
La Banque Postale IARD[1]	301	(11)	384	586	35
STAR[2]	138	8	239	410	136
Groupama – AVIC Property Insurance Co.[1]	255	3	169	415	139
Groupama Banque[1]		(21)		4,860	317
Compagnie Financière d'Orange Bank[1]				270	270
ICADE[1]	1,493	58		10,037	3,435

(1) Actual data.
(2) Estimated data.

◄ CONTENTS ►

The Group holds several stakes in the following insurance companies:

- la Banque Postale IARD in France in the form of a partnership;
- STAR in Tunisia, a leader in the insurance market in Tunisia, jointly owned with the Tunisian government;
- Groupama AVIC Property Insurance Co. is the result of the joint venture between Groupama and the AVIC group. This company sells non-life insurance products in the People's Republic of China.

Compagnie Financière d'Orange Bank, 65%-held by Orange and 35%-held by the Groupama group, is the holding company that holds Orange Bank, a 100% mobile online bank.

Icade and Bollington were sold during 2017.

The main key figures of these different companies are provided in the above table.

NOTE 11 SHARE OF OUTWARD REINSURERS AND RETROCESSIONAIRES IN LIABILITIES RELATED TO INSURANCE POLICIES AND FINANCIAL CONTRACTS

	31.12.2017			31.12.2016		
(in millions of euros)	France	International	Total	France	International	Total
Share of reinsurers in non-life insurance reserves						
Reserves for unearned premiums	11	19	31	11	19	30
Outstanding claims reserves	1,082	87	1,169	890	120	1,010
Other underwriting reserves	354	1	355	353	1	354
Total	**1,447**	**107**	**1,554**	**1,254**	**140**	**1,394**
Share of reinsurers in life insurance reserves						
Life insurance reserves	25	2	27	20	2	22
Outstanding claims reserves	40	3	43	31	3	34
Profit-sharing reserves	11		11	11		11
Other underwriting reserves						
Total	**75**	**5**	**80**	**62**	**6**	**67**
Share of reinsurers in financial contract reserves						
TOTAL	**1,522**	**112**	**1,634**	**1,315**	**145**	**1,461**

Note 11.1 - Change in the share of outward reinsurers and retrocessionaires in claims reserves for non-life claims split by operating segment

	31.12.2017			31.12.2016		
(in millions of euros)	France	International	Total	France	International	Total
SHARE OF REINSURERS IN OPENING RESERVES FOR CLAIMS	**890**	**120**	**1,010**	**827**	**141**	**968**
Portfolio transfers and changes in scope of consolidation	(9)	(1)	(10)		1	1
Share of reinsurers in total claims expense	431	10	442	406	24	430
Share of reinsurers in total payments	(230)	(38)	(269)	(343)	(43)	(386)
Foreign exchange variation		(5)	(5)		(4)	(4)
SHARE OF REINSURERS IN CLOSING RESERVES FOR CLAIMS	**1,082**	**87**	**1,169**	**890**	**120**	**1,010**

NOTE 12 OTHER PROPERTY PLANT AND EQUIPMENT

Note 12.1 - Change in other property plant and equipment

(in millions of euros)	31.12.2017			31.12.2016		
	Other property, plant and equipment	Other long-term operating assets	Total	Other property, plant and equipment	Other long-term operating assets	Total
Opening gross value	**379**	**56**	**435**	**382**	**56**	**439**
Acquisitions	61	1	62	35	1	36
Change in scope of consolidation	(3)		(3)	(11)		(11)
Assets capitalised in the year	1		1			
Foreign exchange adjustments	(2)		(2)	(2)		(2)
Outward reinsurance	(41)		(41)	(26)	(1)	(27)
Closing gross value	**395**	**57**	**452**	**379**	**56**	**435**
Opening cumulative amortisation & impairment	**(282)**		**(282)**	**(284)**		**(284)**
Increase	(30)		(30)	(30)		(30)
Change in scope of consolidation	3		3	9		9
Foreign exchange adjustments	1		1	2		2
Decrease	28		28	21		21
Closing cumulative amortisation & impairment	**(280)**		**(280)**	**(282)**		**(282)**
Opening cumulative long-term impairment	**(1)**		**(1)**	**(1)**		**(1)**
Long-term impairment recognised						
Change in scope of consolidation						
Foreign exchange adjustments						
Long-term impairment write-backs						
Closing cumulative long-term impairment	**(1)**		**(1)**	**(1)**		**(1)**
Opening net value	**96**	**56**	**152**	**97**	**56**	**153**
Closing net value	**115**	**57**	**171**	**96**	**56**	**152**
Closing fair value of other property, plant and equipment	**114**	**112**	**226**	**96**	**103**	**199**
UNREALISED CAPITAL GAINS/LOSSES	**(1)**	**55**	**55**	**0**	**47**	**47**

Unrealised capital gains on long-term operating assets primarily include biological assets booked in accordance with IAS 41. These are largely forests.

CONTENTS

Note 12.2 - Other property plant and equipment – by operating segment

	31.12.2017						31.12.2016					
	Other property, plant and equipment			Other long-term operating assets			Other property, plant and equipment			Other long-term operating assets		
(in millions of euros)	France	International	Total	France	International	Total	France	International	Total	France	International	Total
Gross value	292	104	396	57		57	274	105	379	56		56
Cumulative amortisation & impairment	(195)	(85)	(280)				(195)	(87)	(282)			
Long-term impairment	(1)		(1)				(1)		(1)			
Closing net value	**96**	**19**	**115**	**57**		**57**	**77**	**19**	**96**	**56**		**56**
Closing fair value of investment property	**95**	**19**	**114**	**112**		**112**	**77**	**19**	**96**	**103**		**103**
UNREALISED CAPITAL GAINS/LOSSES	**(1)**	**0**	**0**	**55**		**55**	**0**	**0**	**0**	**47**		**47**

NOTE 13 DEFERRED ACQUISITION COSTS

	31.12.2017			31.12.2016		
(in millions of euros)	Gross	Deferred profit-sharing	Net	Gross	Deferred profit-sharing	Net
Non-life insurance policies	43		43	78		78
Life insurance policies and financial contracts with discretionary profit sharing	24		24	30		30
France	**67**		**67**	**108**		**108**
Non-life insurance policies	49		49	55		55
Life insurance policies and financial contracts with discretionary profit sharing	23	(3)	21	26	(3)	24
International	**72**	**(3)**	**70**	**81**	**(3)**	**78**
TOTAL DEFERRED ACQUISITION COSTS	**139**	**(3)**	**137**	**189**	**(3)**	**186**

NOTE 14 DEFERRED TAXES

Note 14.1 - Deferred tax assets – by operating segment

	31.12.2017			31.12.2016
(in millions of euros)	France	International	Total	Total
Deferred tax assets	22	13	36	23
TOTAL	**22**	**13**	**36**	**23**

Note 14.2 - Deferred tax liabilities – by operating segment

	31.12.2017			31.12.2016
(in millions of euros)	France	International	Total	Total
Deferred tax liabilities	109	32	141	157
TOTAL	**109**	**32**	**141**	**157**

Note 14.3 - Analysis of the major components of deferred taxes

(in millions of euros)	31.12.2017	31.12.2016
Deferred taxes resulting from timing differences		
Restatements on AFS & Trading financial instruments (net of deferred profit sharing)	(363)	(361)
Life acquisition costs and overall management expenses reserve	(52)	(50)
Consolidation restatements on technical reserves	(105)	(162)
Other differences on consolidation restatements	143	173
Deferred non-life acquisition costs	(28)	(27)
Tax differences on technical reserves and other contingent liabilities	334	350
Tax-deferred capital gains	(2)	(2)
Valuation difference on mutual funds	2	11
Foreign exchange hedge	8	8
Other temporary tax differences	1	(39)
Subtotal of deferred taxes resulting from timing differences	**(61)**	**(99)**
Deferred taxes from stocks of ordinary losses	**(44)**	**(35)**
Deferred taxes recorded on the balance sheet	**(105)**	**(134)**
of which, assets	36	23
of which, liabilities	(141)	(157)

Unrecognised deferred taxes on net assets amounted to €21 million at 31 December 2017, compared with €12 million at 31 December 2016.

On the France scope, deferred taxes were determined by taking into account the gradual decline in the projected corporate tax rate to 25.82% by 2022.

◄ CONTENTS ►

NOTE 15 RECEIVABLES FROM INSURANCE OR INWARD REINSURANCE TRANSACTIONS

Note 15.1 - Receivables from insurance or inward reinsurance transactions – by operating segment

	31.12.2017							31.12.2016
	France			International				
(in millions of euros)	Gross value	Reserves	Net value	Gross value	Reserves	Net value	Total	Total
Earned unwritten premiums	686		686	22		22	708	648
Policyholders, intermediaries, and other third parties	420	(23)	398	421	(69)	352	750	715
Current accounts — co-insurers and other third parties	58	(2)	56	52	(37)	16	72	82
Current accounts — ceding and retroceding companies	361		361	8		8	369	319
TOTAL	**1,525**	**(24)**	**1,501**	**504**	**(106)**	**398**	**1,899**	**1,763**

Note 15.2 - Receivables from insurance or inward reinsurance transactions – by maturity

	31.12.2017				31.12.2016			
(in millions of euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Earned unwritten premiums	708			708	648			648
Policyholders, intermediaries, and other third parties	685	65		750	597	117		715
Current accounts — co-insurers and other third parties	72			72	82			82
Current accounts — ceding and retroceding companies	324	46		369	270	49		319
TOTAL	**1,788**	**111**		**1,899**	**1,596**	**167**		**1,763**

NOTE 16 RECEIVABLES FROM OUTWARD REINSURANCE TRANSACTIONS

	31.12.2017			31.12.2016
(in millions of euros)	Gross value	Reserves	Net value	Net value
Outward reinsurer and retrocessionaire current accounts	80	(6)	74	49
Other receivables from reinsurance transactions	110	(1)	109	173
TOTAL	**190**	**(7)**	**183**	**222**

Note 16.1 - Receivables from outward reinsurance transactions – by maturity

	31.12.2017				31.12.2016			
(in millions of euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Outward reinsurer and retrocessionaire current accounts	37	37		74	39	11		49
Other receivables from reinsurance transactions	109			109	173			173
TOTAL	**146**	**37**		**183**	**211**	**11**		**222**

NOTE 17 CURRENT TAX RECEIVABLES AND OTHER TAX RECEIVABLES

Note 17.1 - Current tax receivables and other tax receivables – by maturity

	31.12.2017				31.12.2016			
(in millions of euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Current tax receivables and other tax receivables	251			251	273			273

“Current tax receivables and other tax receivables” amounted to €251 million as at 31 December 2017 compared with €273 million as at 31 December 2016. It includes corporate tax as well as other government and public authority receivables.

Current tax receivables totalled €80 million as at 31 December 2017, including €29 million for international subsidiaries, *versus* €78 million at 31 December 2016.

Other tax receivables totalled €171 million as at 31 December 2017, including €69 million for international subsidiaries, *versus* €195 million at 31 December 2016.

Note 17.2 - Current tax receivables and other tax receivables – by operating segment

	31.12.2017			31.12.2016		
(in millions of euros)	France	International	Total	France	International	Total
Current tax receivables and other tax receivables	152	99	251	175	98	273

◄ CONTENTS ►

NOTE 18 OTHER RECEIVABLES

	31.12.2017			31.12.2016
(in millions of euros)	Gross value	Reserves	Total	Total
Accrued interest not yet due	666		666	703
Due from employees	7		7	6
Social agencies	7		7	9
Other debtors	1,409	(27)	1,382	1,342
Other receivables	279		279	203
TOTAL	**2,368**	**(27)**	**2,342**	**2,263**

Note 18.1 - Other receivables – by maturity

	31.12.2017				31.12.2016			
(in millions of euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Accrued interest not yet due	666			666	703			703
Due from employees	7			7	6			6
Social agencies	7			7	9			9
Other debtors	1,316	66		1,382	1,267	74	1	1,342
Other receivables	279			279	203			203
TOTAL	**2,275**	**66**		**2,342**	**2,187**	**74**	**1**	**2,263**

Note 18.2 - Other receivables – by operating segment

	31.12.2017			31.12.2016		
(in millions of euros)	France	International	Total	France	International	Total
Accrued interest not yet due	603	63	666	630	73	703
Due from employees	6	1	7	4	1	6
Social agencies	7		7	9		9
Other debtors	1,340	43	1,382	1,301	41	1,342
Other receivables	243	36	279	178	25	203
TOTAL	**2,199**	**143**	**2,342**	**2,123**	**140**	**2,263**

NOTE 19 CASH AND CASH EQUIVALENTS

Note 19.1 - Cash and cash equivalents applied to balance sheet assets

(in millions of euros)	31.12.2017	31.12.2016
France	285	504
International	198	106
TOTAL	**483**	**609**

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

Note 19.2 - Cash applied to balance sheet liabilities

	31.12.2017				31.12.2016			
(in millions of euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Operating debts to banking sector companies	57			57	11			11
TOTAL	**57**			**57**	**11**			**11**

	31.12.2017			
	Currencies		Rate	
(in millions of euros)	Eurozone	Non eurozone	Fixed rate	Variable rate
Operating debts to banking sector companies	57		57	
TOTAL	**57**		**57**	

NOTE 20 SHAREHOLDERS' EQUITY, MINORITY INTERESTS

Note 20.1 - Share capital limits for insurance companies

Insurance business operations are governed by regulatory constraints that define minimum share capital in particular. In France, in accordance with the European Directive and by virtue of Articles R. 22-5 of the French Insurance Code, French companies subject to State control and incorporated in the form of a "*société anonyme*" must have a share capital at least equal to €480,000 or €800,000 depending on the segments operated.

Additionally, in order to ensure a solid financial position for insurance companies and to guarantee protection for insurance customers, in France, insurance companies are subject since 1 January 2016 to the "Solvency 2" regulatory system, which was introduced by European Directive 2009/138/EC of 25 November 2009. It requires insurance companies to continuously comply with the capital requirements relating to the minimum capital requirement (Article L. 352-5 of the French Insurance Code) and the solvency capital requirement (Article L. 352-1 of the French Insurance Code) calculated in accordance with the provisions of delegated Regulation no 2015/35. This obligation also exists abroad, according to similar mechanisms. This entire mechanism is reinforced at the level of the consolidated financial statements by a Group regulatory capital requirement, taking into account, where applicable, the banking businesses engaged in by the insurance group.

CONTENTS

Note 20.2 - Impacts of transactions with shareholders

CHANGE IN THE GROUP'S SHAREHOLDERS' EQUITY DURING THE 2017 FISCAL YEAR

During the 2017 fiscal year, Groupama SA carried out an exchange operation on its perpetual subordinated bond issued in 2007 against a subordinated redeemable bond for €271 million and repaid the balance of this perpetual subordinated bond for €143 million.

ACCOUNTING TREATMENT OF SUBORDINATED BONDS CLASSIFIED IN EQUITY INSTRUMENTS

The bond classified as shareholders' equity consists of a fixed-rate perpetual subordinated bond (TSDI), issued in May 2014, at a fixed interest rate of 6.375% for a nominal amount of €1,100 million.

This bond has particular characteristics, such as:

- unlimited term;
- the ability to defer or cancel any interest payment to unitholders in a discretionary manner;
- an interest "step-up" clause that kicks in following the tenth year of the bond.

Taking into account its characteristics and pursuant to IAS 32 §16 and 17, this bond is considered an equity instrument and not a financial liability. It is therefore recognised under shareholders' equity. Interest costs net of tax are charged directly against shareholders' equity in accordance with IAS 32 § 35 (rather than as an expense in the income statement).

Note 20.3 - Reserves related to changes in fair value recorded in shareholders' equity

The reconciliation between unrealised capital gains losses on available-for-sale investment assets and the corresponding reserve in shareholders' equity may be broken down as follows:

(in millions of euros)	31.12.2017	31.12.2016
Gross unrealised capital gains (losses) on available-for-sale assets	7,113	7,827
■ of which, unrealised gross capital gains (losses) on AFS assets allocated to life and health insurance	6,731	7,385
■ of which, unrealised gross capital gains (losses) on AFS assets allocated to property and casualty insurance	300	442
■ of which, unrealised gross capital gains (losses) on AFS assets allocated to holding business	83	
Shadow accounting	(5,487)	(6,231)
Cash flow hedge and other changes	(40)	(60)
Deferred taxes	(322)	(351)
Share of non-controlling interests	(5)	(5)
REVALUATION RESERVE - GROUP SHARE	**1,257**	**1,180**

The deferred tax amount shown in the table above corresponds to the application of first, a short-term and long-term tax rate on the unrealised gains on financial instruments classified as "available-for-sale assets"; and second, a short-term tax rate on deferred profit sharing ("shadow accounting"). Under the new rules for long-term capital gains (losses) applicable as at 1 January 2006, the unrealised capital gains on "strategic" equity interests are exempt for the calculation of the deferred tax up to a maximum percentage of costs and expenses (*i.e.*, an effective rate of 4.13%).

"Cash flow hedge and other changes" for -€40 million includes a cash flow hedge revaluation reserve of -€22 million and a net investment hedge revaluation reserve of -€18 million. These reserves correspond to the effective share of hedging operations implemented by the Group in the past and since terminated. They are recycled in income when the hedged items are sold in accordance with the provisions of IAS 39.

NOTE 21 RESERVES FOR CONTINGENCIES AND CHARGES

	31.12.2017						
	France			International			Total
(in millions of euros)	Reserves for pensions and similar obligations	Other contingent liabilities [(1)]	Total	Reserves for pensions and similar obligations	Other contingent liabilities [(1)]	Total	
OPENING BALANCE	**251**	**121**	**372**	**35**	**48**	**83**	**455**
Changes in the scope of consolidation and changes in accounting methods							
Increases for the year	140	118	258	4	14	18	276
Write-backs for the year	(179)	(68)	(247)	(5)	(15)	(20)	(267)
Foreign exchange variation				(1)	(1)	(1)	(1)
CLOSING BALANCE	**212**	**172**	**384**	**33**	**46**	**80**	**463**

(1) Details are not provided for this line item because this information could seriously prejudice the Group in view of ongoing litigation proceedings.

	31.12.2016						
	France			International			Total
(in millions of euros)	Reserves for pensions and similar obligations	Other contingent liabilities [(1)]	Total	Reserves for pensions and similar obligations	Other contingent liabilities [(1)]	Total	
OPENING BALANCE	**226**	**118**	**344**	**37**	**47**	**84**	**427**
Changes in the scope of consolidation and changes in accounting methods	(4)	(12)	(16)				(16)
Increases for the year	83	73	156	4	15	19	176
Write-backs for the year	(54)	(58)	(112)	(5)	(14)	(19)	(131)
Foreign exchange variation				(1)	(1)	(1)	(1)
CLOSING BALANCE	**251**	**121**	**372**	**35**	**48**	**83**	**455**

(1) Details are not provided for this line item because this information could seriously prejudice the Group in view of ongoing litigation proceedings.

◄ CONTENTS ►

NOTE 22 INFORMATION PERTAINING TO PERSONNEL BENEFITS – DEFINED-BENEFIT PLANS

Note 22.1 - Closing pensions reserve

	31.12.2017			31.12.2016		
(In millions of euros)	Post-employment benefits	Other long-term benefits	Total	Post-employment benefits	Other long-term benefits	Total
Actuarial debt	601	42	642	611	42	654
Fair value of hedging assets	397		397	370		370
NET ACTUARIAL DEBT	**204**	**42**	**245**	**241**	**42**	**284**

Note 22.1.1 - Pensions reserve – Change in actuarial value of the debt

	31.12.2017			31.12.2016		
(In millions of euros)	Post-employment benefits	Other long-term benefits	Total	Post-employment benefits	Other long-term benefits	Total
OPENING ACTUARIAL DEBT	**611**	**42**	**654**	**593**	**43**	**636**
Cost of past services	7	3	11	9	3	12
Interest payable	12		12	14		15
Revaluations of actuarial debt						
Actuarial differences resulting from changes in demographic assumptions	(5)		(5)	(5)		(4)
Actuarial differences resulting from changes in financial assumptions	12		12	87	1	88
Experience-related adjustments	(5)	(2)	(7)	(4)	(1)	(4)
Benefits paid directly by the employer	(6)	(3)	(9)	(7)	(2)	(9)
Benefits paid by hedging assets	(18)		(18)	(23)		(23)
Cost of past services and profit/loss on liquidation	(1)	1	0			
Change in scope of consolidation	(1)		(1)	(2)	(2)	(4)
Change in exchange rates	(14)		(14)	(55)		(55)
Other	9		9	3		3
CLOSING ACTUARIAL DEBT	**601**	**42**	**642**	**611**	**42**	**654**

◄ CONTENTS ►

Note 22.1.2 - Reserve for pensions – Change in the fair value of hedging assets

(In millions of euros)	31.12.2017 Post-employment benefits	31.12.2017 Other long-term benefits	31.12.2017 Total	31.12.2016 Post-employment benefits	31.12.2016 Other long-term benefits	31.12.2016 Total
OPENING FAIR VALUE OF HEDGING ASSETS	**370**		**370**	**373**		**373**
Interest income	10		10	12		12
Revaluations of hedging assets						
Portion of yield on hedging assets in excess of the discount rate	21		21	52		52
Change in effect of asset cap						
Benefits paid	(19)		(19)	(23)		(23)
Employer contributions	29		29	8		8
Employee contributions						
Change in scope of consolidation	(1)		(1)			
Change in exchange rates	(13)		(13)	(51)		(51)
Other	2		2			
CLOSING FAIR VALUE OF HEDGING ASSETS	**397**		**397**	**370**		**370**

Note 22.2 - Change in post-employment benefits recognised through net income and profits/losses recognised directly through shareholders' equity

(In millions of euros)	31.12.2017	31.12.2016
Cost of services:		
Cost of past services	(7)	(9)
Cost of past services and profit/loss on liquidation	1	
Net interest on net actuarial debt	(2)	(3)
Other		
COMPONENT OF THE EXPENSE RECOGNISED IN THE INCOME STATEMENT	**(9)**	**(12)**
Revaluation of net actuarial debt:		
Portion of return on hedging assets not recognised in the income statement	21	52
Actuarial differences resulting from changes in demographic assumptions	5	5
Actuarial differences resulting from changes in financial assumptions	(12)	(87)
Experience-related adjustments	5	4
Change in effect of asset cap		
COMPONENT OF THE EXPENSE RECOGNISED THROUGH PROFIT/LOSSES POSTED DIRECTLY AS SHAREHOLDERS' EQUITY	**19**	**(27)**

◄ CONTENTS ►

Note 22.3 - Information pertaining to personnel benefits – distribution of hedging assets

(In millions of euros)	31.12.2017	31.12.2016
Equities	251	244
Bonds	61	69
Other	85	58
CLOSING FAIR VALUE OF ASSETS	**397**	**370**

Note 22.4 - Principal actuarial assumptions

	31.12.2017				31.12.2016			
(In millions of euros)	France	United Kingdom	Other	Total	France	United Kingdom	Other	Total
Actuarial debt	218	387	38	642	219	395	40	654
Fair value of hedging assets	32	365		397	8	361	1	370
Net actuarial debt	**186**	**22**	**38**	**245**	**211**	**34**	**39**	**284**
Principal actuarial assumptions								
Financial assumptions								
Discount rate	1.40%	2.50%	NS		1.20%	2.70%	NS	
Yield expected from plan assets	1.40%	2.50%	NS		1.20%	2.70%	NS	
Expected salary/pension increase	1.90%	3.20%	NS		1.89%	3.20%	NS	
Staff turnover								
■ 18 to 34 years	5.90%	NA	NS		5.35%	NA	NS	
■ 35 to 44 years	3.25%	NA	NS		3.40%	NA	NS	
■ 45 to 54 years	1.56%	NA	NS		1.80%	NA	NS	
■ 55 and older	0.00%	NA	NS		0.00%	NA	NS	

Note that in the United Kingdom, the Groupama Insurance Company Limited (GICL) pension fund was transferred to Groupama SA following the sale of the subsidiary in 2012.

Only staff turnover rates for France are material in the context of the consolidated financial statements.

The discount rate used at 31 December 2017 to assess actuarial commitments is the interest rate on high-quality corporate bonds.

The sensitivity to an increase of 50 basis points in this discount rate is -5.9% on the gross actuarial debt total for France, and -8% for the United Kingdom.

Sensitivity to social commitments in relation to illness cover: as at 31 December 2017, actuarial debt for illness cover amounted to €11 million. The sensitivity of this debt to an increase of 50 basis points in the discount rate is -5.2%.

A 0.5% change in the increase in medical costs would not have a material impact on the Group’s consolidated financial statements.

NOTE 23 FINANCING DEBT

Note 23.1 - Financing debt by maturity

	31.12.2017				31.12.2016			
(In millions of euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Subordinated debt of insurance companies			1,136	1,136			750	750
Financing debt represented by securities								
Financing debt with banking-sector companies								
TOTAL			**1,136**	**1,136**			**750**	**750**

Groupama launched an offer to exchange all of its deeply subordinated instruments issued in 2007 and a portion of its redeemable subordinated instruments issued in 2009 for new subordinated instruments with a maturity of 10 years.

On 23 January 2017, Groupama SA completed an exchange operation on two of its subordinated debts (perpetual subordinated bond issued in 2007 and subordinated redeemable bond issued in 2009) against a new issue of subordinated debt in euros maturing in 2027:

- €271 million was exchanged at par on the perpetual subordinated bond issued in 2007;
- €250 million was exchanged at 109.5% on a portion of the subordinated redeemable bond issued in 2009. For this exchange, the difference between the nominal amount of the new debt and the nominal amount of the exchanged debt is amortised over the duration of the new issue.

This exchange operation was supplemented by an issue of the same instrument to new investors for a nominal amount of €117 million.

Following these operations, the subordinated debts classified as "financing debts" are detailed as follows at 31 December 2017:

- the subordinated redeemable bond issued in 2009 totals €500 million;
- the new subordinated redeemable bond issued in 2017 totals €636 million.

The key terms of this 2009 subordinated redeemable bond are as follows:

- the term of the bond is 30 years;
- an early redemption option available to Groupama SA that it may exercise as from the tenth year;
- a clause entitling Groupama SA to defer interest payments as follows, the deferred interest remaining is due to the holders of the securities;
- Groupama SA has the option of deferring interest payments if the Group's solvency margin is below 100%.

The key terms of this 2017 subordinated redeemable bond are as follows:

- the term of the bond is 10 years;
- Groupama SA is prohibited from paying interest in the event of regulatory deficiencies. Deferred interest will be interest arrears.

At 31 December 2017, the rating:

- of the 2009 issue is 113.7%, compared with 107.2% at 31 December 2016;
- of the 2017 issue is 126.3%.

In view of the specific terms and conditions of each issue pursuant to IAS 32 §16 and 17, these bonds are considered as financial liabilities rather than equity instruments. They are therefore recognised under financing debt. Interest costs net of tax are recognised in the income statement.

Note 23.2 - Financing debt by currency and rate

	31.12.2017			
	Currencies		Rate	
(In millions of euros)	Eurozone	Non eurozone	Fixed rate	Variable rate
Subordinated debt of insurance companies	1,136		1,136	
Financing debt represented by securities				
Financing debt with banking-sector companies				
TOTAL	**1,136**		**1,136**	

NOTE 24 TECHNICAL LIABILITIES RELATED TO INSURANCE POLICIES

Note 24.1 - Technical liabilities related to insurance policies by operating segment

	31.12.2017			31.12.2016		
(In millions of euros)	France	International	Total	France	International	Total
Gross technical reinsurance reserves						
Life insurance reserves	31,723	800	32,523	31,321	867	32,188
Outstanding claims reserves	629	68	697	632	56	688
Reserves for profit-sharing	240	4	244	761	9	770
Other underwriting reserves	2	21	24	1	23	24
Total Life insurance	**32,594**	**893**	**33,487**	**32,715**	**955**	**33,670**
Reserves for unearned premiums	706	650	1,355	688	660	1,348
Outstanding claims reserves	6,400	2,135	8,535	5,796	2,294	8,090
Other underwriting reserves	2,879	36	2,915	2,822	47	2,869
Total Non-life insurance	**9,985**	**2,821**	**12,805**	**9,307**	**3,000**	**12,307**
Life insurance reserves for unit-linked policies	**8,708**	**1,040**	**9,748**	**7,896**	**985**	**8,882**
TOTAL	**51,287**	**4,754**	**56,041**	**49,919**	**4,940**	**54,859**

The adequacy tests carried out on liabilities as at 31 December 2017 were found to be satisfactory and did not result in the recognition of any additional technical expense.

Measurement of reserves for insured by not reported (IBNR)

The outstanding claims reserve totalled €8,535 million at 31 December 2017. These reserves are valued on the basis of an actuarial approach, defined in accordance with a Group methodology. By means of valuations of final costs based on payment triangles or costs (by risk segment), this method permits a determination of the sufficient amount of outstanding claims reserve. This valuation incorporates the valuation of delinquent claims and expected recoveries into its approach.

Long-term care

The total amount of reserves relating to long-term care risk stood at €373 million at 31 December 2017 (including €268 million for the reserve for increasing risks). The actuarial reserves for annuities in service and outstanding claims reserve, covering outstanding claims, were determined based on experience data from the long-term care portfolio – law on long-term care – and a technical rate of 0.53% (75% TME). Reserves for increasing risks, covering future claims (likely present value of the commitments of the insurer and the insured) were determined on the basis of experience data from the long-term care portfolio – law on death of able-bodied people, laws on impact differentiated by product, and law on long-term care – and a technical rate of 0.90%, aiming to reflect the current financial environment. Each year, the regional mutual carries out a sufficiency test of the long-term care reserves, including any anticipations of tariff revisions.

CONTENTS

Note 24.2 - Technical liabilities related to insurance policies by business

Note 24.2.1 - Technical liabilities related to insurance policies by business – France

	31.12.2017			31.12.2016		
(In millions of euros)	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross technical reinsurance reserves						
Life insurance reserves	31,723		31,723	31,321		31,321
Outstanding claims reserves	629		629	632		632
Reserves for profit-sharing	240		240	761		761
Other underwriting reserves	2		2	1		1
Total Life insurance	**32,594**		**32,594**	**32,715**		**32,715**
Reserves for unearned premiums	25	681	706	35	653	688
Outstanding claims reserves	658	5,743	6,400	690	5,106	5,796
Other underwriting reserves	1,896	983	2,879	1,875	948	2,822
Total Non-life insurance	**2,578**	**7,406**	**9,985**	**2,600**	**6,707**	**9,307**
Life insurance reserves for unit-linked policies	**8,708**		**8,708**	**7,896**		**7,896**
TOTAL	**43,881**	**7,406**	**51,287**	**43,212**	**6,707**	**49,919**

The establishment of a new accounting system has made it possible to refine contract allocations. A transfer of the profit-sharing reserve took place between the technical liabilities relating to insurance policies to the technical liabilities relating to financial contracts.

Note 24.2.2 -Technical liabilities related to insurance policies by business – International

	31.12.2017			31.12.2016		
(In millions of euros)	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross technical reinsurance reserves						
Life insurance reserves	800		800	867		867
Outstanding claims reserves	68		68	56		56
Reserves for profit-sharing	4		4	9		9
Other underwriting reserves	21		21	23		23
Total Life insurance	**893**		**893**	**955**		**955**
Reserves for unearned premiums	67	583	650	70	590	660
Outstanding claims reserves	78	2,057	2,135	79	2,215	2,294
Other underwriting reserves	12	24	36	14	33	47
Total Non-life insurance	**156**	**2,664**	**2,821**	**162**	**2,838**	**3,000**
Life insurance reserves for unit-linked policies	**1,040**		**1,040**	**985**		**985**
TOTAL	**2,089**	**2,664**	**4,754**	**2,102**	**2,838**	**4,940**

The decrease in the technical reserves is mainly due to the reclassification of the liabilities of the Portuguese subsidiaries as “Held-for-sale liabilities and discontinued businesses”.

Note 24.3 - Breakdown of technical reserves for insurance policies by main categories

(In millions of euros)	31.12.2017 Gross life insurance reserves	31.12.2017 Gross outstanding claims reserves	31.12.2017 Total	31.12.2016 Gross life insurance reserves	31.12.2016 Gross outstanding claims reserves	31.12.2016 Total
Single-premium policies						
Capitalisation	19	12	31	24	12	36
Individual insurance	11,862	106	11,968	11,662	101	11,763
Group policies	177	4	181	193	5	197
Other						
Total reserves for single-premium policies	**12,058**	**122**	**12,180**	**11,878**	**118**	**11,996**
Periodic-premium contracts						
Capitalisation	112	3	115	118	2	121
Individual insurance	6,603	262	6,865	6,808	244	7,051
Group policies	8,176	276	8,452	7,842	300	8,142
Other	2,814	3	2,817	2,909	1	2,910
Total reserves for periodic premium policies	**17,704**	**544**	**18,248**	**17,677**	**547**	**18,224**
Inward reinsurance	**2,761**	**31**	**2,792**	**2,632**	**23**	**2,656**
TOTAL	**32,523**	**697**	**33,220**	**32,188**	**688**	**32,876**

(In millions of euros)	31.12.2017 Reserves for unearned premiums	31.12.2017 Outstanding claims reserves	31.12.2017 Total	31.12.2016 Reserves for unearned premiums	31.12.2016 Outstanding claims reserves	31.12.2016 Total
Non-life insurance						
Motor	560	2,252	2,812	536	2,308	2,844
Bodily injury	89	546	635	87	544	631
Property damage	283	710	994	314	719	1,033
General third-party liability	51	499	550	52	489	541
Marine, aviation, transport	7	169	176	8	183	191
Other risks	165	856	1,021	162	752	913
Inward reinsurance	**199**	**3,504**	**3,703**	**190**	**3,095**	**3,285**
TOTAL NON-LIFE INSURANCE RESERVES	**1,355**	**8,535**	**9,891**	**1,348**	**8,090**	**9,438**

Note 24.4 - Change in non-life outstanding claims reserve

	31.12.2017			31.12.2016		
(In millions of euros)	France	International	Total	France	International	Total
OPENING RESERVES FOR NON-LIFE CLAIMS	**5,796**	**2,294**	**8,090**	**5,490**	**2,305**	**7,795**
Portfolio transfers		**(10)**	**(10)**			
Claims expense for the current fiscal year	3,865	1,236	5,102	3,834	1,293	5,128
Claims expense for previous years	226	(96)	130	(14)	(25)	(39)
Total claims expense	**4,092**	**1,140**	**5,232**	**3,820**	**1,268**	**5,088**
Claims payments for the current year	(1,635)	(580)	(2,215)	(1,814)	(591)	(2,405)
Claims payments for prior fiscal years	(1,852)	(650)	(2,502)	(1,700)	(642)	(2,342)
Total payments	**(3,486)**	**(1,230)**	**(4,717)**	**(3,514)**	**(1,233)**	**(4,747)**
Foreign exchange variation	**(2)**	**(59)**	**(61)**		**(47)**	**(48)**
CLOSING RESERVES FOR NON-LIFE CLAIMS	**6,400**	**2,135**	**8,535**	**5,796**	**2,294**	**8,090**

Note 24.5 - Impact of gross claims

(In millions of euros)	2013	2014	2015	2016	2017
Estimate of the claims expense					
End N	4,733	4,534	4,420	5,075	5,086
End N+1	4,772	4,534	4,421	4,977	
End N+2	4,718	4,519	4,494		
End N+3	4,607	4,524			
End N+4	4,626				
Claims expense	**4,626**	**4,524**	**4,494**	**4,977**	**5,086**
Cumulative claims payments	**4,173**	**3,754**	**3,729**	**3,768**	**2,204**
Outstanding claims reserves	**453**	**770**	**764**	**1,209**	**2,882**
Earned premiums	**6,379**	**6,271**	**6,382**	**6,601**	**6,787**
CLAIMS RATIO	**72.5%**	**72.1%**	**70.4%**	**75.4%**	**74.9%**

The statement of claim trends shows changes in estimates of the gross claims expense per year of occurrence covering the years 2013 to 2017, *i.e.*, changes in the initial estimates and discounted expense as at the balance sheet date.

The reserve per year of occurrence is calculated as the difference between the estimated claim expense (revalued as at the balance sheet date) and the cumulative payments made.

CONTENTS

Note 24.6 - Impact of the discount in actuarial reserves for non-life annuities by operating segment

Gross value

	31.12.2017			31.12.2016		
(In millions of euros)	France	International	Total	France	International	Total
Closing non-life annuity actuarial reserves (net of recoveries)	**2,320**	**23**	**2,343**	**2,272**	**23**	**2,295**
Closing non-life annuity actuarial reserves (net of recoveries) before change in discount rate	2,331	23	2,354	2,172	23	2,196
Closing non-life annuity actuarial reserves (net of recoveries) excluding technical interest	2,445	23	2,468	2,382	23	2,405
Technical interest	(114)		(114)	(210)		(210)
Impact of change in discount rate	(11)		(11)	100		100

Proportion ceded

	31.12.2017			31.12.2016		
(In millions of euros)	France	International	Total	France	International	Total
Share of reinsurers in non-life annuity actuarial reserves carried forward (net of recoveries)	**315**	**(1)**	**314**	**253**		**253**
Share of reinsurers in non-life annuity actuarial reserves carried forward (net of recoveries) before change in discount rate	315	(1)	315	245		245
Share of reinsurers in non-life annuity actuarial reserves carried forward (net of recoveries) excluding technical interest	323	(1)	322	261		260
Technical interest	(8)		(8)	(15)		(15)
Impact of change in discount rate	(1)		(1)	8		8

NOTE 25 TECHNICAL LIABILITIES RELATED TO FINANCIAL CONTRACTS

(In millions of euros)	31.12.2017	31.12.2016
Reserves on financial contracts with discretionary profit sharing		
Life technical reserves	12,956	14,326
Reserves on unit-linked policies	73	84
Outstanding claims reserves	107	122
Reserves for profit-sharing	553	16
Other underwriting reserves	1	1
Total	**13,689**	**14,548**
Reserves on financial contracts without discretionary profit sharing		
Life technical reserve		
Reserves on unit-linked policies	163	146
Outstanding claims reserves	1	2
Reserves for profit-sharing		
Other underwriting reserves		
Total	**165**	**148**
TOTAL	**13,854**	**14,696**

Note 25.1 - Liabilities related to financial contracts (excluding unit-linked items) by operating segment

	31.12.2017			31.12.2016		
(In millions of euros)	France	International	Total	France	International	Total
Reserves on financial contracts - Life	11,141	1,814	12,956	12,276	2,050	14,326
Outstanding claims reserves	94	14	108	113	11	124
Profit-sharing reserves	553		553	13	3	16
Other underwriting reserves	1		1	1		1
TOTAL	**11,790**	**1,828**	**13,618**	**12,402**	**2,064**	**14,466**

The establishment of a new accounting system has made it possible to refine contract allocations. A transfer of the profit-sharing reserve took place between the technical liabilities relating to insurance policies to the technical liabilities relating to financial contracts.

CONTENTS

Note 25.2 - Breakdown of liabilities related to financial contracts by major category

(In millions of euros)	31.12.2017 Life financial contract reserves	31.12.2017 Gross outstanding claims reserves	31.12.2017 Total	31.12.2016 Reserves on financial contracts - Life	31.12.2016 Gross outstanding claims reserves	31.12.2016 Total
Single-premium policies						
Capitalisation	452	4	456	470	8	478
Individual insurance	11,864	84	11,948	12,704	79	12,783
Group policies	73		73	98		98
Other						
Total reserves for single-premium policies	**12,388**	**88**	**12,477**	**13,272**	**88**	**13,359**
Periodic-premium contracts						
Capitalisation	55	7	62	268	7	275
Individual insurance	281	13	294	359	13	372
Group policies	228		228	424	16	440
Other	3		3	3		3
Total reserves for periodic premium policies	**567**	**20**	**587**	**1,054**	**36**	**1,090**
Inward reinsurance						
TOTAL LIFE INSURANCE RESERVES	**12,956**	**108**	**13,064**	**14,326**	**124**	**14,450**

NOTE 26 CHANGE IN ACTUARIAL RESERVES FOR LIFE INSURANCE POLICIES AND FINANCIAL CONTRACTS – BY OPERATING SEGMENT

(In millions of euros)	31.12.2017 France	31.12.2017 International	31.12.2017 Total	31.12.2016 France	31.12.2016 International	31.12.2016 Total
OPENING ACTUARIAL RESERVES	**43,597**	**2,917**	**46,514**	**44,701**	**2,818**	**47,520**
Premiums for the year	1,730	307	2,037	1,713	421	2,134
Portfolio transfer/changes in scope of consolidation						
Interest credited	225	35	260	232	46	278
Profit sharing	684	23	707	815	26	841
Policies at term	(359)	(136)	(494)	(347)	(126)	(474)
Redemptions	(1,448)	(154)	(1,602)	(1,433)	(241)	(1,674)
Annuity arrears	(550)	(1)	(551)	(531)	(3)	(533)
Death benefits	(1,005)	(22)	(1,027)	(991)	(17)	(1,009)
Other changes	(11)	(355)	(366)	(563)	(7)	(570)
CLOSING ACTUARIAL RESERVES	**42,864**	**2,614**	**45,478**	**43,597**	**2,917**	**46,514**

The decrease in the international actuarial reserves is explained particularly by the reclassification of the liabilities of the Portuguese subsidiaries as “Held-for-sale liabilities and discontinued businesses”.

1 2 3 4 5 6 7

NOTE 27 DEFERRED PROFIT SHARING LIABILITIES

	31.12.2017			31.12.2016		
(In millions of euros)	France	International	Total	France	International	Total
Reserve for deferred profit sharing of insurance policies	4,891	17	4,909	5,365	23	5,387
Reserve for deferred profit sharing of financial contracts		106	106		130	130
TOTAL	**4,891**	**123**	**5,014**	**5,365**	**152**	**5,517**

The rate of deferred profit sharing is determined entity by entity (based on regulatory requirements). It is based on the real rate of sharing of investment income between policyholders and shareholders and corresponds to the average real rates over the past three years. This average prevents the inclusion of non-recurring, atypical factors in the calculation.

In the particular case of France, a prospective analysis of the profit-sharing rates was performed based on three-year business plans, which confirms the rate used in the financial statements.

The rates used in France as at 31 December 2017 fall within a bracket of between 70.26% and 85.12%, with 83.70% for Groupama Gan Vie.

NOTE 28 DEBTS TO UNIT HOLDERS OF CONSOLIDATED MUTUAL FUNDS

	31.12.2017			31.12.2016		
(In millions of euros)	Insurance	Banking	Total	Insurance	Banking	Total
Debts to unit holders of consolidated mutual funds	245		245	457		457
TOTAL	**245**		**245**	**457**		**457**

NOTE 29 DEBTS ARISING FROM INSURANCE OR INWARD REINSURANCE TRANSACTIONS

	31.12.2017				31.12.2016			
(In millions of euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Policyholders, intermediaries, and other third parties	577	3		580	513	3		515
Co-insurers	42	55		97	43	17		60
Current accounts — ceding and retroceding companies	55	3		58	100	3		103
TOTAL	**675**	**61**		**736**	**655**	**23**		**678**

CONTENTS

NOTE 30 DEBTS ARISING FROM OUTWARD REINSURANCE TRANSACTIONS

	31.12.2017				31.12.2016			
(In millions of euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Outward reinsurer and retrocessionaire current accounts(1)	317	5		322	294	12		305
Other liabilities from reinsurance activities	103	3		105	44	3		47
TOTAL	**419**	**8**		**427**	**338**	**14**		**352**

(1) Including cash deposits received from reinsurers.

NOTE 31 CURRENT TAXES PAYABLE AND OTHER TAX LIABILITIES

	31.12.2017				31.12.2016			
(In millions of euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Current taxes payable and other tax liabilities	122			122	133			134
TOTAL	**122**			**122**	**133**			**134**

“Current taxes payable and other tax liabilities” amounted to €122 million as at 31 December 2017 compared with €134 million as at 31 December 2016. It includes corporate income taxes due in France and abroad as well as other government and public authority liabilities.

Current tax payables totalled €16 million as at 31 December 2017, *versus* €31 million as at 31 December 2016, broken down as follows:

- €6 million for companies within the tax consolidation scope;
- €10 million for foreign companies.

Other tax liabilities totalled €107 million as at 31 December 2017, including €34 million for international subsidiaries, *versus* €103 million as at 31 December 2016.

NOTE 32 OTHER DEBT

Note 32.1 - Other debt – by operating segment

(In millions of euros)	31.12.2017 France	31.12.2017 International	31.12.2017 Total	31.12.2016 France	31.12.2016 International	31.12.2016 Total
Due to employees	161	7	168	154	6	160
Social agencies	131	6	138	128	7	136
Other loans, deposits, and guarantees received	4,628	5	4,632	4,561	5	4,566
Other creditors	795	50	845	815	40	855
Other debts	263	24	288	238	28	266
TOTAL	**5,979**	**92**	**6,071**	**5,895**	**87**	**5,982**

Note that €4,495 million in debts on securities delivered under repurchase agreements appears in "Other loans, deposits, and guarantees received".

Note 32.2 - Other debt – by maturity

(In millions of euros)	31.12.2017 < 1 year	31.12.2017 1 to 5 years	31.12.2017 > 5 years	31.12.2017 Total	31.12.2016 < 1 year	31.12.2016 1 to 5 years	31.12.2016 > 5 years	31.12.2016 Total
Due to employees	153		15	168	146		14	160
Social agencies	138			138	136			136
Other loans, deposits, and guarantees received	4,584	12	36	4,632	4,518	12	36	4,566
Other creditors	825	20		845	854			855
Other debts	288			288	266			266
TOTAL	**5,988**	**32**	**51**	**6,071**	**5,919**	**12**	**51**	**5,982**

Note 32.3 - Other debt – by currency and rate

	31.12.2017			
	Currencies		Rate	
(In millions of euros)	Eurozone	Non-eurozone	Fixed rate	Variable rate
Due to employees	166	2	168	
Social agencies	137		137	
Other loans, deposits, and guarantees received	4,632		4,555	77
Other creditors	830	15	844	1
Other debts	288		288	
TOTAL	**6,054**	**17**	**5,993**	**78**

◄ CONTENTS ►

NOTE 33 ANALYSIS OF PREMIUM INCOME

Note 33.1 - Analysis of insurance premium income – by major category

	31.12.2017			31.12.2016		
(in millions of euros)	France	International	Total	France	International	Total
Individual retirement savings	1,739	529	2,268	1,695	523	2,218
Individual protection insurance	407	124	531	410	118	528
Individual health	390	63	454	398	74	472
Other	111		111	114		114
Individual life and health insurance	**2,647**	**717**	**3,364**	**2,616**	**715**	**3,332**
Group retirement savings	195	30	225	162	57	219
Group protection scheme	525	63	588	516	74	590
Group health	639	22	662	628	26	654
Other	201		201	175		175
Group life and health insurance	**1,561**	**115**	**1,676**	**1,481**	**157**	**1,638**
LIFE AND HEALTH INSURANCE	**4,208**	**832**	**5,040**	**4,097**	**872**	**4,970**
Motor	930	1,073	2,004	903	1,075	1,978
Other vehicles	48		48	49		49
Home insurance	611	193	804	604	187	791
Personal and professional casualty	339	15	354	333	14	347
Construction	87		87	88		88
Private and professional	**2,016**	**1,281**	**3,297**	**1,977**	**1,276**	**3,253**
Fleets	263	20	283	252	18	270
Business and local authorities casualty	251	187	438	253	190	443
Businesses and local authorities	**514**	**207**	**721**	**505**	**208**	**713**
Agricultural risks	230	152	382	236	155	391
Climate risks	169		169	162		162
Tractors and farming equipment	118		118	114		114
Agricultural business lines	**517**	**152**	**669**	**512**	**155**	**667**
Other business lines	357	71	428	329	72	401
PROPERTY AND CASUALTY INSURANCE	**3,404**	**1,710**	**5,114**	**3,323**	**1,711**	**5,034**
TOTAL INSURANCE	**7,612**	**2,542**	**10,154**	**7,420**	**2,583**	**10,004**

1
2
3
4
5
6
7

Note 33.2 - Analysis of premium income – by business

	31.12.2017					31.12.2016				
(in millions of euros)	Life and health insurance	Property and casualty insurance	Financial businesses	Total	Share %	Life and health insurance	Property and casualty insurance	Financial businesses	Total	Share %
France	4,208	3,404	150	7,762	75%	4,097	3,323	136	7,556	75%
Southern Europe	622	1,353		1,975	19%	685	1,364		2,049	20%
CEEC	210	357		567	6%	188	347		535	5%
TOTAL	**5,040**	**5,114**	**150**	**10,304**	**100%**	**4,970**	**5,034**	**136**	**10,139**	**100%**

The geographic areas are broken down as follows:

- France;
- Southern Europe: Italy, Greece, Turkey;
- Central and Eastern European countries (CEEC): Bulgaria, Hungary, Romania.

Note 33.3 - Analysis of banking items contributing to premium income

(In millions of euros)	31.12.2017	31.12.2016
Interest and related income		
Commissions (income)	146	129
Gains on financial instruments at fair value through income		
Gains on available-for-sale financial assets	1	1
Income from other business activities	3	5
TOTAL	**150**	**136**

Banking premium income shown in the combined financial statements corresponds to banking income before taking into account refinancing costs.

CONTENTS

NOTE 34 INVESTMENT INCOME NET OF MANAGEMENT EXPENSES

Note 34.1 - Investment income net of investment expenses – by operating segment

	31.12.2017			31.12.2016		
(in millions of euros)	France	International	Total	France	International	Total
Interest on deposits and financial investments income	1,682	220	1,902	1,729	230	1,958
Gains on foreign exchange transactions	45	10	56	47	11	58
Income from differences on redemption prices to be received (premium-discount)	102	3	105	98	3	101
Income from property	96		96	119		119
Other investment income						
Income from investments	**1,926**	**233**	**2,158**	**1,992**	**244**	**2,236**
Interest received from reinsurers	(3)		(4)	(5)		(5)
Losses on foreign exchange transactions	(56)	(8)	(64)	(75)	(10)	(85)
Amortisation of differences on redemption prices (premium/discount)	(243)	(32)	(275)	(266)	(27)	(293)
Impairment and reserves on property	(43)	(4)	(48)	(96)	(5)	(101)
Management expenses	(309)	(12)	(321)	(337)	(9)	(346)
Investment expenses	**(655)**	**(56)**	**(711)**	**(779)**	**(51)**	**(830)**
Held for trading	(9)		(9)	(35)	1	(35)
Available-for-sale	158	20	178	380	25	404
Held to maturity						
Other	215	1	216	121	1	122
Capital gains (losses) from sales of investments, net of impairment reversals and write-backs	**364**	**21**	**384**	**466**	**26**	**492**
Held for trading	(10)	15	4	7	11	18
Derivatives	129		129	7		7
Adjustments on unit-linked policies	507	16	523	293	7	300
Change in fair value of financial instruments recorded at fair value by income	**626**	**31**	**657**	**307**	**18**	**325**
Available-for-sale	(12)		(12)	(38)	(1)	(40)
Held to maturity						
Receivables and loans	2		2			
Change in impairment losses on financial instruments	**(10)**		**(10)**	**(39)**	**(1)**	**(40)**
TOTAL	**2,250**	**228**	**2,479**	**1,947**	**236**	**2,182**

Note 34.2 - Investment income net of investment expenses – by business

Note 34.2.1 - Investment income net of investment expenses by business – France

	31.12.2017				31.12.2016			
(in millions of euros)	P&C	L&H	Holding	Total	P&C	L&H	Holding	Total
Interest on deposits and financial investments income	113	1,601	(32)	1,682	118	1,632	(21)	1,729
Gains on foreign exchange transactions	2	9	34	45	4	32	11	47
Income from differences on redemption prices to be received (premium-discount)	1	101		102	1	97		98
Income from property	10	76	10	96	8	100	11	119
Other investment income								
Income from investments	**126**	**1,787**	**13**	**1,926**	**130**	**1,860**	**1**	**1,992**
Interest received from reinsurers			(3)	(3)		(3)	(2)	(5)
Losses on foreign exchange transactions	(4)	(29)	(23)	(56)	(5)	(68)	(2)	(75)
Amortisation of differences on redemption prices (premium/discount)	(11)	(228)	(4)	(243)	(15)	(241)	(11)	(266)
Impairment and reserves on property	(1)	(39)	(3)	(43)	(1)	(91)	(3)	(96)
Management expenses	(21)	(326)	38	(309)	(21)	(329)	13	(337)
Investment expenses	**(38)**	**(621)**	**4**	**(655)**	**(42)**	**(732)**	**(6)**	**(779)**
Held for trading	(3)	34	(40)	(9)		(31)	(4)	(35)
Available-for-sale	22	93	43	158	46	328	6	380
Held to maturity								
Other	17	133	65	215	8	99	14	121
Capital gains (losses) from sales of investments, net of impairment reversals and write-backs	**36**	**260**	**68**	**364**	**53**	**396**	**16**	**466**
Held for trading	1	18	(29)	(10)	1	25	(19)	7
Derivatives	2	75	52	129		7		7
Adjustments on unit-linked policies		507		507		293		293
Change in fair value of financial instruments recorded at fair value by income	**3**	**600**	**23**	**626**	**1**	**325**	**(19)**	**307**
Available-for-sale	(1)	(10)	(1)	(12)	(1)	(36)	(2)	(38)
Held to maturity								
Receivables and loans		2	1	2	1	(1)		
Change in impairment losses on financial instruments	**(1)**	**(9)**	**(1)**	**(10)**	**0**	**(36)**	**(2)**	**(39)**
TOTAL	**126**	**2,017**	**107**	**2,250**	**143**	**1,813**	**(9)**	**1,947**

Note 34.2.2 -Investment income net of investment expenses – by business – International

	31.12.2017				31.12.2016			
(in millions of euros)	P&C	L&H	Holding	Total	P&C	L&H	Holding	Total
Interest on deposits and financial investment income	90	127	3	220	98	129	3	230
Gains on foreign exchange transactions	9	1		10	10	1		11
Income from differences on redemption prices to be received (premium-discount)		2		3	1	2		3
Income from property								
Other investment income								
Income from investments	**100**	**130**	**3**	**233**	**108**	**132**	**3**	**244**
Interest received from reinsurers								
Losses on foreign exchange transactions	(7)	(1)		(8)	(9)	(1)		(10)
Amortisation of differences on redemption prices (premium/discount)	(20)	(12)		(32)	(17)	(11)		(27)
Impairment and reserves on property	(4)	(1)		(4)	(4)			(5)
Management expenses	(9)	(3)		(12)	(6)	(3)		(9)
Investment expenses	**(40)**	**(16)**		**(56)**	**(36)**	**(15)**		**(51)**
Held for trading								1
Available-for-sale	13	7		20	18	6		25
Held to maturity								
Other	1			1				1
Capital gains (losses) from sales of investments, net of impairment reversals and write-backs	**14**	**7**		**21**	**19**	**7**		**26**
Held for trading	3	11		15	4	7		11
Derivatives								
Adjustments on unit-linked policies		16		16		7		7
Change in fair value of financial instruments recorded at fair value by income	**4**	**27**		**31**	**4**	**14**		**18**
Available-for-sale					(1)			(1)
Held to maturity								
Receivables and loans								
Change in impairment losses on financial instruments					**(1)**			**(1)**
TOTAL	**77**	**149**	**3**	**228**	**94**	**138**	**3**	**236**

CONTENTS

Note 34.3 - Investment income net of management expenses (income breakdown by type of asset)

	31.12.2017					31.12.2016				
(in millions of euros)	Income and expenses	Proceeds of disposal [(1)]	Change in fair value	Change in reserves	Total	Income and expenses	Proceeds of disposal [(1)]	Change in fair value	Change in reserves	Total
Property	63	216		(15)	264	71	122		(53)	140
Equities	53	145		(12)	186	51	79		(27)	103
Bonds	1,397	24	12		1,434	1,439	285	21		1,746
Equity mutual funds	94	10			104	80	6	1	(15)	72
Mutual funds: Cash and cash equivalents (repurchase transactions)		(15)	(1)		(16)		(10)	(1)		(11)
Other cash mutual funds		(7)	(1)		(8)		(1)	(1)		(2)
Fixed-income mutual funds	52	6	25		83	63	15	14	3	95
Derivatives			129		129			7		7
Other investment income	192	5	(30)	2	170	190	(4)	(18)		168
Investment income	**1,851**	**384**	**134**	**(25)**	**2,344**	**1,895**	**492**	**25**	**(93)**	**2,319**
Internal and external management expenses and other investment expenses	(308)				(308)	(327)				(327)
Other investment expenses	(80)				(80)	(109)				(109)
Investment expenses	**(389)**				**(389)**	**(436)**				**(436)**
Investment income, net of expenses	**1,462**	**384**	**134**	**(25)**	**1,955**	**1,458**	**492**	**25**	**(93)**	**1,882**
Capital gains on securities representing unit-linked policies			644		644			527		527
Capital losses on securities representing unit-linked policies			(121)		(121)			(227)		(227)
TOTAL	**1,462**	**384**	**657**	**(25)**	**2,479**	**1,458**	**492**	**325**	**(93)**	**2,182**

(1) Net of write-back of impairment and amortisation.

Note 34.3.1 - Investment income net of management expenses (income breakdown by type of asset) – France

(in millions of euros)	31.12.2017					31.12.2016				
	Income and expenses	Proceeds of disposal (1)	Change in fair value	Change in reserves	Total	Income and expenses	Proceeds of disposal (1)	Change in fair value	Change in reserves	Total
Property	65	215		(12)	267	73	121		(50)	144
Equities	52	143		(12)	183	50	77		(27)	100
Bonds	1,220	11	13		1,243	1,250	265	23		1,538
Equity mutual funds	87	7	(22)		72	79	5	(9)	(11)	65
Mutual funds: Cash and cash equivalents (repurchase transactions)		(15)	(1)		(16)		(10)	(1)		(11)
Other cash mutual funds		(6)	(1)		(7)		(1)			(1)
Bond mutual funds	47	6	25		78	51	15	13		79
Derivatives			129		129			7		7
Other investment income	182	3	(23)	2	164	177	(7)	(19)		150
Investment income	**1,651**	**364**	**119**	**(22)**	**2,112**	**1,680**	**466**	**14**	**(89)**	**2,071**
Internal and external management expenses and other investment expenses	(300)				(300)	(319)				(319)
Other investment expenses	(68)				(68)	(98)				(98)
Investment expenses	**(368)**				**(368)**	**(417)**		**0**		**(417)**
Investment income, net of expenses	**1,283**	**364**	**119**	**(22)**	**1,743**	**1,263**	**466**	**14**	**(89)**	**1,654**
Capital gains on securities representing unit-linked policies			618		618			510		510
Capital losses on securities representing unit-linked policies			(111)		(111)			(217)		(217)
TOTAL	**1,283**	**364**	**626**	**(22)**	**2,250**	**1,263**	**466**	**307**	**(89)**	**1,947**

(1) Net of write-back of impairment and amortisation.

◄ CONTENTS ►

Note 34.3.2 - Investment income net of management expenses (income breakdown by type of asset) – International

	31.12.2017					31.12.2016				
(in millions of euros)	Income and expenses	Proceeds of disposal [(1)]	Change in fair value	Change in reserves	Total	Income and expenses	Proceeds of disposal [(1)]	Change in fair value	Change in reserves	Total
Property	(2)	1		(2)	(3)	(2)	1		(3)	(4)
Equities	1	2			3	1	2	1		3
Bonds	178	13			191	189	20	(2)		207
Equity mutual funds	7	3	22		32	1	1	10	(4)	8
Mutual funds: Cash and cash equivalents (repurchase transactions)										
Other cash mutual funds					(1)					
Bond mutual funds	5				5	12		1	3	16
Derivatives										
Other investment income	10	2	(7)		6	13	3	1		18
Investment income	**199**	**21**	**15**	**(2)**	**232**	**214**	**26**	**11**	**(4)**	**248**
Internal and external management expenses and other investment expenses	(8)				(8)	(9)				(9)
Other investment expenses	(12)				(12)	(11)				(11)
Investment expenses	**(20)**				**(20)**	**(19)**				**(19)**
Investment income, net of expenses	**179**	**21**	**15**	**(2)**	**212**	**195**	**26**	**11**	**(4)**	**229**
Capital gains on securities representing unit-linked policies			26		26			17		17
Capital losses on securities representing unit-linked policies			(10)		(10)			(10)		(10)
TOTAL	**179**	**21**	**31**	**(2)**	**228**	**195**	**26**	**18**	**(4)**	**236**

(1) Net of write-back of impairment and amortisation.

CONTENTS

NOTE 35 INSURANCE POLICY SERVICING EXPENSES

Note 35.1 - Insurance policy servicing expenses – by operating segment

	31.12.2017			31.12.2016		
(in millions of euros)	France	International	Total	France	International	Total
Claims						
Paid to policyholders	(7,079)	(1,852)	(8,931)	(7,108)	(1,767)	(8,874)
Change in technical reserves						
Outstanding claims reserves	(555)	157	(398)	(370)	38	(332)
Actuarial reserves	1,840	34	1,874	1,844	(23)	1,821
Unit-linked reserves	(896)	(62)	(957)	(647)	(65)	(712)
Profit sharing	(1,304)	(90)	(1,394)	(1,102)	(93)	(1,195)
Other underwriting reserves	(47)	(2)	(49)	(183)	(3)	(186)
TOTAL	**(8,040)**	**(1,814)**	**(9,855)**	**(7,566)**	**(1,912)**	**(9,479)**

Note 35.2 - Insurance policy servicing expenses – by business

Note 35.2.1 - Insurance policy servicing expenses by business – France

	31.12.2017			31.12.2016		
(in millions of euros)	P&C	L&H	Total	P&C	L&H	Total
Claims						
Paid to policyholders	(2,048)	(5,030)	(7,079)	(2,227)	(4,881)	(7,108)
Change in technical reserves						
Outstanding claims reserves	(508)	(47)	(555)	(345)	(25)	(370)
Actuarial reserves		1,840	1,840		1,844	1,844
Unit-linked reserves		(896)	(896)		(647)	(647)
Profit sharing		(1,304)	(1,304)	1	(1,103)	(1,102)
Other underwriting reserves	(9)	(39)	(47)	(123)	(60)	(183)
TOTAL	**(2,565)**	**(5,475)**	**(8,040)**	**(2,695)**	**(4,872)**	**(7,566)**

◄ CONTENTS ►

Note 35.2.2 -Insurance policy servicing expenses by business – International

	31.12.2017			31.12.2016		
(in millions of euros)	P&C	L&H	Total	P&C	L&H	Total
Claims						
Paid to policyholders	(1,238)	(615)	(1,852)	(1,144)	(623)	(1,767)
Change in technical reserves						
Outstanding claims reserves	174	(17)	157	24	14	38
Actuarial reserves		34	34		(23)	(23)
Unit-linked reserves		(62)	(62)		(65)	(65)
Profit sharing		(90)	(90)		(93)	(93)
Other underwriting reserves	3	(5)	(2)	4	(7)	(3)
TOTAL	**(1,060)**	**(754)**	**(1,814)**	**(1,115)**	**(797)**	**(1,912)**

NOTE 36 OUTWARD REINSURANCE INCOME (EXPENSES)

Note 36.1 - Outward reinsurance income (expenses) – by operating segment

	31.12.2017			31.12.2016		
(in millions of euros)	France	International	Total	France	International	Total
Acquisition and administrative costs	54	25	79	66	26	92
Claims charges	549	5	554	7,254	17	7,271
Change in technical reserves	(98)		(98)	(6,807)	(1)	(6,808)
Profit sharing				(16)	2	(15)
Change in the equalisation reserve						
Income on outward reinsurance	**505**	**30**	**535**	**496**	**44**	**540**
Outward premiums	(492)	(148)	(640)	(481)	(165)	(645)
Change in unearned premiums		3	3		(1)	(2)
Expenses on outward reinsurance	**(491)**	**(145)**	**(636)**	**(481)**	**(166)**	**(647)**
TOTAL	**13**	**(115)**	**(101)**	**16**	**(122)**	**(107)**

The change in “Claims expenses” and “Change in other underwriting reserves” in life and health insurance compared with the previous year results from the non-renewal in 2016 of a three-year quota share reinsurance treaty issued in 2013.

Note 36.2 - Outward reinsurance income (expenses) – by business

Note 36.2.1 - Outward reinsurance income (expenses) by business – France

	31.12.2017			31.12.2016		
(in millions of euros)	P&C	L&H	Total	P&C	L&H	Total
Acquisition and administrative costs	47	7	54	44	22	66
Claims charges	488	61	549	366	6,888	7,254
Change in technical reserves	(106)	8	(98)	18	(6,825)	(6,807)
Profit sharing					(16)	(16)
Change in the equalisation reserve						
Income from outward reinsurance	**429**	**76**	**505**	**428**	**68**	**496**
Outward premiums	(397)	(94)	(492)	(423)	(58)	(481)
Change in unearned premiums						
Expenses on outward reinsurance	**(397)**	**(94)**	**(491)**	**(423)**	**(58)**	**(481)**
TOTAL	**32**	**(18)**	**13**	**5**	**10**	**16**

The change in "Claims expenses" and "Change in other underwriting reserves" in life and health insurance compared with the previous year results from the non-renewal in 2016 of a three-year quota share reinsurance treaty issued in 2013.

Note 36.2.2 -Outward reinsurance income (expenses) by business – International

	31.12.2017			31.12.2016		
(in millions of euros)	P&C	L&H	Total	P&C	L&H	Total
Acquisition and administrative costs	25		25	25	1	26
Claims charges	2	3	5	15	2	17
Change in technical reserves				(1)		(1)
Profit sharing					2	2
Change in the equalisation reserve						
Income from outward reinsurance	**27**	**3**	**30**	**39**	**5**	**44**
Outward premiums	(144)	(4)	(148)	(158)	(7)	(165)
Change in unearned premiums	3		3	(1)		(1)
Expenses on outward reinsurance	**(142)**	**(3)**	**(145)**	**(159)**	**(7)**	**(166)**
TOTAL	**(115)**	**0**	**(115)**	**(120)**	**(3)**	**(122)**

NOTE 37 OPERATING EXPENSES

Note 37.1 - Operating expenses by operating segment

	31.12.2017			31.12.2016		
(in millions of euros)	France	International	Total	France	International	Total
External expenses	(441)	(86)	(528)	(405)	(89)	(495)
Taxes	(115)	(24)	(138)	(110)	(25)	(135)
Personnel expenses	(695)	(150)	(845)	(679)	(153)	(832)
Commissions	(1,028)	(398)	(1,426)	(1,037)	(397)	(1,434)
Amortisation and reserves (net of write-backs)	(63)	(27)	(89)	(88)	(25)	(113)
Other expenses	(31)	(47)	(78)	(18)	(44)	(62)
TOTAL OPERATING EXPENSES BY NATURE	**(2,374)**	**(731)**	**(3,105)**	**(2,337)**	**(734)**	**(3,071)**

The company receives the tax credit for competitiveness and employment (CICE) calculated in accordance with Article 244 *quater* C of the French General Tax Code at 7%. For fiscal year 2017, the CICE amounted to €8 million.

The use of this tax credit particularly permitted the financing of:

- actions to improve the competitiveness of the Group's companies through investments relating to business prospecting, improvement of customer satisfaction, and reinforcement of technical analysis and management procedures;
- IT and process developments related to the use of new technologies;
- employee training;
- actions related to sustainable development.

Note 37.2 - Operating expenses by sector of activity

	31.12.2017			31.12.2016		
(in millions of euros)	Insurance	Banking	Total	Insurance	Banking	Total
External expenses	(487)	(41)	(528)	(451)	(44)	(495)
Taxes	(132)	(6)	(138)	(129)	(6)	(135)
Personnel expenses	(786)	(60)	(845)	(773)	(59)	(832)
Commissions	(1,426)		(1,426)	(1,434)		(1,434)
Amortisation and reserves (net of write-backs)	(86)	(3)	(89)	(109)	(4)	(113)
Other expenses	(68)	(11)	(78)	(53)	(9)	(62)
TOTAL OPERATING EXPENSES BY NATURE	**(2,985)**	**(120)**	**(3,105)**	**(2,949)**	**(122)**	**(3,071)**

CONTENTS

Note 37.3 - Breakdown of employee expenses

(in millions of euros)	31.12.2017	31.12.2016
Salaries	(509)	(513)
Social security expenses	(195)	(195)
Post-employment benefits		
Defined contribution plans	(47)	(47)
Defined benefit plans	(5)	(6)
Anniversary days and employee awards	(4)	(3)
Other personnel benefits	(85)	(68)
ANNUAL SALARY EXPENSES	**(845)**	**(832)**

At 31 December 2017, the gross annual remuneration (including benefits in kind) paid to members of the Groupama SA Management Committee was €6.0 million. As regards the pension plan, the total commitment at 31 December 2017 amounted to €18.4 million.

NOTE 38 POLICY ACQUISITION COSTS

Note 38.1 - Policy acquisition costs by operating segment

	31.12.2017			31.12.2016		
(in millions of euros)	France	International	Total	France	International	Total
Commissions	(588)	(345)	(933)	(583)	(322)	(906)
Change in deferred acquisition costs	(4)	(2)	(6)	(7)	2	(5)
Other expenses	(221)	(89)	(311)	(210)	(94)	(304)
TOTAL	**(814)**	**(437)**	**(1,250)**	**(800)**	**(414)**	**(1,215)**

Note 38.2 - Policy acquisition costs by business

Note 38.2.1 - Policy acquisition costs by business – France

	31.12.2017			31.12.2016		
(in millions of euros)	P&C	L&H	Total	P&C	L&H	Total
Commissions	(409)	(179)	(588)	(402)	(181)	(583)
Change in deferred acquisition costs	2	(6)	(4)	4	(11)	(7)
Other expenses	(65)	(157)	(221)	(73)	(137)	(210)
TOTAL	**(472)**	**(342)**	**(814)**	**(472)**	**(329)**	**(800)**

CONTENTS

Note 38.2.2 -Policy acquisition costs by business – International

(in millions of euros)	31.12.2017 P&C	31.12.2017 L&H	31.12.2017 Total	31.12.2016 P&C	31.12.2016 L&H	31.12.2016 Total
Commissions	(262)	(84)	(345)	(246)	(76)	(322)
Change in deferred acquisition costs	(1)	(1)	(2)	2		2
Other expenses	(65)	(24)	(89)	(68)	(26)	(94)
TOTAL	**(328)**	**(109)**	**(437)**	**(312)**	**(102)**	**(414)**

NOTE 39 ADMINISTRATIVE COSTS

Note 39.1 - Administrative costs by operating segment

(in millions of euros)	31.12.2017 France	31.12.2017 International	31.12.2017 Total	31.12.2016 France	31.12.2016 International	31.12.2016 Total
Commissions	(235)	(24)	(259)	(241)	(46)	(286)
Other expenses	(151)	(120)	(271)	(168)	(123)	(291)
TOTAL	**(386)**	**(144)**	**(530)**	**(409)**	**(169)**	**(577)**

Note 39.2 - Administrative costs by business

Note 39.2.1 - Administrative costs by business – France

(in millions of euros)	31.12.2017 P&C	31.12.2017 L&H	31.12.2017 Total	31.12.2016 P&C	31.12.2016 L&H	31.12.2016 Total
Commissions	(166)	(69)	(235)	(171)	(70)	(241)
Other expenses	(86)	(64)	(151)	(105)	(63)	(168)
TOTAL	**(252)**	**(133)**	**(386)**	**(276)**	**(133)**	**(409)**

Note 39.2.2 -Administrative costs by business – International

(in millions of euros)	31.12.2017 P&C	31.12.2017 L&H	31.12.2017 Total	31.12.2016 P&C	31.12.2016 L&H	31.12.2016 Total
Commissions	(16)	(8)	(24)	(32)	(14)	(46)
Other expenses	(80)	(40)	(120)	(81)	(41)	(123)
TOTAL	**(97)**	**(47)**	**(144)**	**(113)**	**(55)**	**(169)**

◄ CONTENTS ►

NOTE 40 OTHER INCOME AND EXPENSES FROM CURRENT OPERATIONS

	31.12.2017			31.12.2016		
(in millions of euros)	France	International	Total	France	International	Total
Commissions and other operating expenses, Life	(207)	(11)	(217)	(193)	(10)	(203)
Employee profit sharing, Life	(3)		(3)	(2)		(2)
Other operating income, Life	3	8	11	2	8	10
Transfer of operating expenses and capitalised production, Life	16		16	14		14
Total income and expenses from current operations, Life	**(191)**	**(3)**	**(193)**	**(180)**	**(2)**	**(181)**
Non-life commissions and other underwriting expenses	(350)	(73)	(424)	(343)	(69)	(412)
Employee profit sharing, Non-life	(1)		(1)	(1)		(1)
Other non-life underwriting income	134	3	137	129	8	137
Transfer of non-life operating expenses and capitalised production	9		9	19		19
Total other income and expenses from current operations, Non-life	**(208)**	**(70)**	**(279)**	**(195)**	**(61)**	**(256)**
Other non-underwriting expenses	(186)	(22)	(208)	(179)	(18)	(196)
Other non-underwriting income	44	20	64	58	23	81
Total other income and expenses from current operations, Non-underwriting	**(142)**	**(1)**	**(143)**	**(121)**	**5**	**(116)**
Total other income and expenses from current operations, Banking						
TOTAL	**(541)**	**(74)**	**(615)**	**(496)**	**(57)**	**(554)**

NOTE 41 OTHER INCOME AND EXPENSES FROM NON-CURRENT OPERATIONS

	31.12.2017			31.12.2016		
(in millions of euros)	France	International	Total	France	International	Total
Income from non-current operations	53		54	26	1	27
Expenses from non-current operations	(182)	(21)	(203)	(82)	(21)	(102)
Allocation to the reserve for goodwill		(58)	(58)		(88)	(88)
TOTAL	**(129)**	**(79)**	**(208)**	**(56)**	**(108)**	**(164)**

The balance of other net income and expenses from non-current operations amounted to a loss of €208 million as at 31 December 2017 compared with a loss of €164 million at 31 December 2016.

The main items comprising this total include:

- impairment of goodwill of the Turkish subsidiaries for €58 million;
- amortisation of portfolio securities totalling €16 million in 2017, as in 2016;
- an IT project representing an expense of €19 million in 2017 compared with an expense of €21 million in 2016.

NOTE 42 FINANCING EXPENSES

(in millions of euros)	31.12.2017	31.12.2016
Interest expenses on loans and debts	(88)	(60)
Interest income and expenses - Other		
TOTAL	**(88)**	**(60)**

The increase in interest expense is explained by the refinancing operation that took place in early 2017 (see Note 23).

NOTE 43 BREAKDOWN OF TAX EXPENSES

Note 43.1 - Breakdown of tax expenses by operating segment

	31.12.2017			31.12.2016		
(in millions of euros)	France	International	Total	France	International	Total
Current taxes	(1)	(16)	(17)	(8)	(18)	(26)
Deferred taxes	17	(7)	11	29	4	33
TOTAL	**16**	**(23)**	**(6)**	**21**	**(15)**	**6**

The Group underwent a tax audit in 2010. Reserves were set aside for all accepted assessments in 2010. By contrast, assessments relating largely to the level of technical reserves for property and casualty, which was deemed excessive by the tax authorities, as well as the risk of dependence, were not subject to reserves. The Group continues to consider that the reasons for assessments are highly questionable and has prepared technical arguments for a litigation process.

Note 43.2 - Reconciliation between total accounting tax expense and theoretical tax expense calculations

(in millions of euros)	31.12.2017	31.12.2016
THEORETICAL TAX EXPENSE	**15**	**(11)**
Impact of expenses or income defined as non-deductible or non- taxable	(95)	90
Impact of differences in tax rate	74	(73)
Tax credit and various charges		
Charges of prior deficits		
Losses for the fiscal year not capitalised		
Deferred tax assets not accounted for		
Other differences		
EFFECTIVE TAX EXPENSE	**(6)**	**6**

Overall, income tax corresponded to an expense (deferred tax plus social tax) of €6 million at 31 December 2017, *versus* an income of €6 million at 31 December 2016.

The variance between the two years is explained mainly by the change in “non-deductible or non-taxable expenses and income” as well as the change in “impact of rate differences”.

CONTENTS

The increase in the current tax expense due for the tax consolidation scope of €114 million as at 31 December 2017 *versus* an expense of €69 million as at 31 December 2016 is explained by:

- a €1 million increase in short-term tax at 33.3% on current operations;
- a €3 million increase in long-term tax at 15% on operations relating to divestments and distributions of venture capital funds (FCPR);
- €21 million in long-term tax at 19% recognised on the sale of Icade equity securities;
- €26 million in exceptional contribution and additional contribution to corporate tax at the rate of 30%.

The reconciliation with the theoretical statutory tax is as follows:

	31.12.2017		31.12.2016	
(in millions of euros)	Consolidated income (losses) before tax	Theoretical tax rate	Consolidated income (losses) before tax	Theoretical tax rate
France	31	34.43%	86	34.43%
Bulgaria	1	10.00%		10.00%
China	6	25.00%	5	25.00%
Greece	13	29.00%	11	29.00%
Hungary	17	9.00%	17	9.00%
Italy	52	30.82%	28	34.32%
Portugal	(2)	22.50%		22.50%
Romania	10	16.00%	7	16.00%
United Kingdom	13	19.25%	7	20.00%
Tunisia	1	30.00%	3	30.00%
Turkey	(47)	20.00%	(88)	20.00%
TOTAL	**94**		**75**	

The theoretical tax rate applicable in France remains at 34.43%. Nevertheless, on the France scope, deferred taxes were determined by taking into account the gradual decline in the projected corporate tax rate to 25.82% by 2022.

The theoretical tax rates remained stable over the period.

NOTE 44 RELATED PARTIES

1 - General presentation

Groupama SA and its subsidiaries, which make up the Equity Management Division of the Groupama group, maintain close, long-lasting economic relationships with their controlling shareholders, the Groupama regional mutuals, which make up the Groupama group's Mutual Insurance Division. These relationships focus mainly on the reinsurance of the regional mutuals by Groupama SA, and, to a lesser degree, on business relationships amongst the subsidiaries of Groupama SA and the regional mutuals in the areas of insurance, banking and services.

Premium income earned by Groupama SA and its consolidated subsidiaries through the network of regional mutuals comes mainly from Groupama SA and Groupama Gan Vie. Based on these two entities, the contribution of the network of regional mutuals to consolidated premium income totalled €3,019 million, or 30% of total consolidated premium income for 2017.

The resulting economic inter-dependence led the Group's two major divisions to enter into agreements to protect the security of the entity as a whole.

1.1 - Reinsurance

regional mutuals are required by law to obtain reinsurance exclusively from Groupama SA.

This requirement is laid down in the bylaws of the regional mutuals. This reinsurance exclusivity engenders financial solidarity over time, resulting in a transfer of a substantial proportion of the non-life insurance business from the regional mutuals to Groupama SA.

The reinsurance relationship is based on the principle of "fate sharing" between the regional mutuals as ceding companies and their reinsurer Groupama SA. The principle aims to ensure that over the long term, there are neither winners nor losers between ceding companies and their reinsurer.

Implementing this principle means a major use of quota share reinsurance and the reinsurer's participation in the direct insurance management decisions which determine the financial return for the whole.

Thus, Groupama SA either helps to draft the technical terms and conditions for direct insurance, particularly regarding rates, or else it drafts those conditions itself depending on the nature of the risks being reinsured.

In addition, Groupama SA may participate in the handling of any claims file and jointly manages any claim with an estimated cost that exceeds certain thresholds.

Also under the reinsurance agreement, there is a certain number of mechanisms for quickly rectifying any imbalances.

The fate sharing introduced between the regional mutuals and Groupama SA also contributes to certain specific expenses in expanding insurance portfolios (project financing, experimentation, joint ventures, etc.) once those projects become part of the Group's strategy and have the potential to be replicated throughout the regional mutuals, as quota share reinsurance gives Groupama SA the means to contribute to the future results of the portfolios thus expanded.

This reinsurance relationship is designed to continue over the long term, and the duration of the reinsurance agreement between Groupama SA and the regional mutuals is equal to that of Groupama SA itself, which, unless extended, will expire in 2086. Any modifications to the agreement must be made *via* a consensus-based decision-making process, whereby final approval lies with the Groupama SA Board of Directors, after receiving the recommendation of the Agreements Committee.

This reinsurance relationship has led to a powerful community of interests between the regional mutuals and Groupama SA. On the one hand, the regional mutuals have a vital interest in preserving the economic and financial balance of their exclusive reinsurer. On the other hand, Groupama SA has a major interest not only in the economic and financial balance of the mutuals, but also in their growth, in which it participates in proportion to the non-life insurance business transferred.

The reinsurance agreement is described in more detail at § 2.1.

1.2 - Business relationships between the subsidiaries of Groupama SA and the regional mutuals in the areas of insurance and services

Groupama SA and the regional mutuals enjoy business relationships through various subsidiaries of Groupama SA. The role of these subsidiaries is either to offer products or services designed for members and customers in the areas of insurance, banking or services, or to provide financial resources to the entities of the Group.

These business relationships are governed by a principle of preference for the Group up to and including exclusivity, which is based on the interest of the regional mutuals in meeting their needs for products or services and in achieving a return on the investments made in the subsidiaries through Groupama SA.

The preferential nature of these relationships is laid out in an agreement approved by the Groupama SA Board of Directors in its meeting of 14 December 2005.

Under that agreement, the respective commitments of Groupama SA and the regional mutuals are:

- Groupama SA shall ensure that the subsidiaries offer products or services that meet the needs of the market (*i.e.*, products or services designed for members or customers) or the needs of the entities of the Group (*i.e.*, financial services designed for the Group entities) and that are competitive compared to the products offered by competing companies in terms of price and quality of service;
- the regional mutuals agree to the following:
  - concerning the subsidiaries offering products or services designed for members and customers:
    - not to distribute, under any circumstances, competing third-party products or services,
    - to distribute the products or services of the life insurance and employee savings subsidiaries,
    - to distribute the services of the non-life insurance subsidiaries or those of the insurance-related services subsidiaries if they themselves do not offer those services and decide to outsource them;
  - concerning subsidiaries offering financial services designed for the Group entities:
    - to give preference to those subsidiaries in terms of equal price and quality of service.

The creation and growth of subsidiaries offering insurance services or related services to members and customers of the Group is in response to the need for the regional mutuals, whose main business is limited by law to non-life insurance, to have a full range of financial services to offer while sharing amongst themselves through Groupama SA the investment required to create and run a profitable subsidiary.

Such is the case for the life insurance products of Groupama Gan Vie, the services offered by Groupama Épargne Salariale and a number of service subsidiaries (Mutuaide, CapsAuto, FMB, etc.).

It is in the interests of Groupama SA to make these investments, for three reasons:

- owing to their intrinsic return going forward;
- owing to the community of interests between it and the regional mutuals because of reinsurance, Groupama SA either benefits or suffers from any progress or setback in the position of the regional mutuals in the non-life insurance market; it is therefore in its direct interest for the regional mutuals to have a competitive offering in other sectors of the market (life insurance, financial services, etc.) so it can be on an equal footing with the other multi-line insurers active in the market or with bancassurance companies;
- the investments made in those subsidiaries enable the subsidiaries of Groupama SA distributing the Gan brand to have a services offering as well; such is the case of retail banking, employee savings, insurance-related services, etc.

It should be noted that until October 2016, Groupama SA held 100% of the capital of Groupama Banque, whose retail banking offer was marketed by the regional mutuals. Since October 2016, Groupama SA holds only a 35% stake in Groupama Banque, now Orange Bank. The regional mutuals continue to distribute the retail banking offering of this Groupama SA investment.

CONTENTS

1.3 - Security systems

(a) The Groupama brand

The Groupama brand is solely owned by Groupama SA which grants user licences to its regional mutuals and subsidiaries. Groupama can therefore guarantee the brand is properly managed and provide protection for one of the Group's critical assets.

(b) Agreement for a security and solidarity system

On 17 December 2003, Groupama SA and the regional mutuals signed an agreement, amended by various additional clauses, for a security and solidarity system, aimed at guaranteeing the security and the financial equilibrium of all the regional mutuals and Groupama SA and to arrange for solidarity.

By virtue of its new role as central body of the network of agricultural mutual insurance and reinsurance companies or mutuals, Groupama SA has the legal responsibility of ensuring the cohesion and smooth running of the network. It has administrative, technical and financial control over the organisation and management of the organisations within the network. It determines its strategic policies, issues any relevant instructions to this effect and oversees their successful implementation. It also takes any requisite measures to guarantee the solvency of not only each organisation within the network but of the group as a whole, and to ensure they comply with all their respective obligations.

The agreement has been adapted to reflect these new circumstances. It is fundamentally a three-part agreement:

INSTRUCTIONS FROM THE CENTRAL BODY

The agreement defines the scope and system for issuing instructions, these being one of the methods available to the central body for performing its role.

AUDITS

The agreement allows Groupama SA to conduct audits to verify the current and future economic and financial balances of each regional mutual, compliance with regulatory requirements and with the reinsurance agreement. It may also, in certain conditions, conduct an audit following a loss or non-compliance with an instruction.

FINANCIAL SOLIDARITY PLAN

As part of the entry into force on 1st January 2016 of Solvency 2 and the Group prudential notion ensuring the fungibility of equity within the group, the agreement was adjusted by replacing the previously planned solidarity fund with a new solidary mechanism better meeting the constraints set by Solvency 2.

The new mechanism thus institutes a monthly guarantee between Groupama SA and the regional mutuals aiming to allow Groupama SA or the regional mutuals to respect at all times, as from 1st January 2016, their coverage ratio and to cover any insufficiency of cover.

In addition, the duration of the agreement has been revised to better meet the objectives of long-term relationships between Groupama SA and the regional mutuals through this agreement.

(c) The Agreements Committee

The Agreements Committee, the Research Committee of the Groupama SA Board of Directors, is chaired by an Independent Director.

Its main role is to prevent any potential conflict of interest between the regional mutuals or between Groupama SA and its subsidiaries, which is likely to result from their business relationships.

In particular, this committee is responsible for reviewing any amendments to the reinsurance agreement and the agreements entered into between Groupama SA, its subsidiaries and the regional mutuals, ensuring that said agreements are legally sound and that they are in the corporate interest of Groupama SA (conditions for remunerating and distributing the risks arising from said agreements).

2 - Agreements between Groupama SA and its subsidiaries and the regional mutuals

2.1 - The reinsurance agreement

The need for reinsurance has been behind the ties forged among the Groupama mutuals since they were founded more than a century ago. The geographical district covered by the mutuals, which at the time was limited to one or two French departments, led them to seek compensation for the risks taken at the national level in order to expand, following the example of the growth achieved by the large rival insurance companies. Thus, as time went on, an Internal Reinsurance system grew up amongst the Regional Insurance Mutuals and a Central Mutual, whose reinsurance role is now assumed by Groupama SA.

The reinsurance of the regional mutuals by Groupama SA is intended, through an internal pooling of risks, to give each mutual, within its district, underwriting capabilities equivalent to those enjoyed by a single company covering the entire territory. It also limits the use of outside reinsurance to what would be needed by such a company.

In order to achieve this objective, the regional mutuals are reinsured within a common framework set by general regulations and not by individual reinsurance treaties. This agreement, which was designed a long time ago, is based on a certain number of founding principles that have outlasted the adjustments made to it over time.

(a) Permanent principles and amendments to the reinsurance agreement

The permanent principles are:

- reinsurance exclusively with Groupama SA;
- the reinsurance conditions laid down by the agreement are developed by consultative bodies whose members are from Groupama SA and all the mutuals. These conditions apply to all the regional mutuals;
- fate sharing among the mutuals and their internal reinsurer: all risks without exception are subject to outward reinsurance particularly as quota share outward reinsurance, which enables Groupama SA to participate in the business growth of the mutuals, including in those divisions where reinsurance is not technically indispensable (health insurance, for example); in consideration, Groupama SA automatically provides the mutuals with reinsurance when they embark on new, less well-known ventures (multi-risk crop insurance, long-term care insurance, etc.) by calculating the insurance terms and conditions regardless;
- retrocession to the regional mutuals by Groupama SA of a portion of the general profit/loss from its inward reinsurance business, which reduces the need for reinsurance outside the Group and involves all the mutuals in balancing the outward reinsurance business with Groupama SA.

Any amendment to the structural parameters of the reinsurance agreement and its schedules (rate of quota share, commission rates and loading rate by risk family, thresholds and floors for excess claims beyond their annual monetary indexation and additional retentions, predefined algorithms used in the calculation of the pricing of non-proportional protections, modulation of the premium bases for storm protections according to the risk exposure of each mutual) must be made in the form of a written rider and approved by the Groupama SA regional mutuals *via* the following procedure:

- proposed amendments are drafted by a reinsurance working group made up of representatives of Groupama SA and the regional mutuals;
- subject to the approval of the Chief Executive Officer of Groupama SA, they are submitted for the agreement of the Chief Executive Officers of the regional mutuals;
- lastly, they are presented by the Groupama SA Chief Executive Officer to the meeting of the Groupama SA Board of Directors, which is as asked to approve the proposed amendments by a simple majority vote, after seeking the recommendations of the Agreements Committee.

The amendments made to the reinsurance agreement over the past two decades were prompted by one of two factors:

- changes in the structure of the mutuals (successive combinations, opening up the membership and takeover of the non-agricultural risk portfolio previously managed by the Samda subsidiary) that changed their size and therefore their holding capacity;
- certain risk categories (major weather-related events, imbalance in industrial risks, etc.) required greater empowerment of the mutuals in terms of underwriting control and the costs of claims by increasing their holdings in those areas.

In particular, after examination and approval of the project by the Group Executive Committee, the proposal by the Executive Management of Groupama SA to modify the General Reinsurance Regulations of the regional mutuals with effect from 1st January 2014, so that it supports the major objective of recovery of the Group's operational profitability, was accepted by the Groupama SA Board of Directors on 12 December 2013.

The amendment not only seeks to clarify the economic challenges facing Internal Reinsurance and to bring its structures into line with market practice, with the aim of facilitating their uptake by operational Managers, but also, and primarily, to increase the level of involvement of the regional mutuals in the quality of their technical results.

Since then, the agreement resulting from this reform has been the subject of several adjustments aimed at making certain mechanisms more adapted to the evolution of certain segments.

As indicated previously, the reinsurance agreement encompasses all the risks underwritten by the regional mutuals. It is designed to take into account both the overall balance between them and their specific characteristics in terms of cover needs. To that end, all the risks are subject to classification, which makes it possible to differentiate amongst the reinsurance solutions offered while ensuring inter-company consistency.

(b) Classification of reinsured risks

Risks are classified into two groups of reinsurance segments, depending on the nature of their need for protection, which is based on their degree of volatility. Classification of risks is carried out in two groups of reinsurance segments:

SEGMENTS OF GROUP 1

The first group consists of the following segments:

- automobile/Personal Liability – Miscellaneous Liability;
- professionals third-party liability;
- fire;
- storm;
- personal insurance excluding health;
- health.

Given their characteristics, the segments of the first group are subject to relatively similar reinsurance arrangements and to the allocation to each regional mutual fund of share in the profits calculated on all results ceded by it as a quota share for these segments.

CONTENTS

OTHER SEGMENTS

These are risks that, given their significant specificities, are subject to highly differentiated reinsurance, mainly:

- crops;
- natural disasters;
- construction;
- long-Term Care;
- forests;
- attacks (in the sense of the Gareat pool).

The price of reinsurance of each regional mutual may take into account, according to the characteristics of each segment, the quality of the ceded results, by applying common rules.

Regardless of the risks considered, Groupama SA's stake in claims with respect to the various forms of reinsurance provided for in the general regulations (quota share, excess claims, or annual stop loss) falls within the limit of the scope of the covered risks and exclusions as well as the limit of its share of maximum cover amounts per insurance object, as set each year by Groupama SA, in particular according to its own external reinsurance conditions.

(c) General structure of protections

As indicated above, all risks are subject to quota share reinsurance, the rate of which varies according to the risks.

These cessions occur on operations net of non-proportional protections for the segments benefiting from them, with the exception of the "natural disasters" segment.

Groupama SA's stake in claims falls within the limits indicated above but does not include any aggregate-type limitations, except in case of forest insurance, where the protections apply to an annual cumulative loss of no more than 15% of the insured assets declared to Groupama SA.

In "natural disasters", the "premium transfer basis" calculated to take account of the rate of deduction of the fund for prevention of major natural hazards is 88%.

The "origin" business of the regional mutual fund before the quota share cession, for the segments concerned, of excess claim or annual stop loss protections.

In addition, the regional mutual is covered for excess annual losses, across the storm, crop, and natural disasters segments, protecting the accumulation of claims kept below the non-proportional protection threshold of each segment.

For the coverage of claims by these various non-proportional protections, the rules already described apply in the same way: application of limitations relating to the field of covered risks, exclusions, maximum amounts of commitments by risk object defined and specified annually by Groupama SA.

When the regional mutual wishes to issue a guarantee outside the scope of the risks covered, or whose amount exceeds the limits provided for in the general regulations, it asks Groupama SA for optional reinsurance cover, which is acquired only after express agreement and on the basis of the conditions laid down in this framework.

The non-proportional reinsurance thresholds are set for all the regional mutuals (based on two classifications by mutual and by segment) according to the collective decision procedure referred to in paragraph 1.1, based on studies and simulations examined by the "reinsurance" working group to verify the sensitivity of the custody by the mutuals at their level, taking into account the effects in terms of cost.

For excess claims, except in case of more substantial changes, the thresholds are indexed annually according to price indices specific to the risks concerned.

For the operation of reinsurance in excess claims, the regional mutual may generally constitute by segment a single event of all indemnifiable claims, regardless of the number of policies or covers involved, resulting from the same event and occurring during a continuous period.

(d) Retrocession

Outward reinsurance by the mutuals with a central reinsurer does not deplete the capacities for pooling and retention within the Group. Given their level of equity, the mutuals have the capacity to bear a portion of the risk offset nationally and protected by outside reinsurance. They become in turn the reinsurer of Groupama SA.

This allows the total results of the highest risks of reinsurance risks accepted to be shared between Groupama SA and the mutuals and lowers the thresholds for assigning risks to third-party reinsurers.

It is for that purpose that Groupama SA conveys back to the mutuals part of the profit/loss from its total inward reinsurance, net of the effect of outside coverage, in the only reinsurance risks or forms showing volatility justifying this use of additional mutual insurance.

Groupama SA's quota share inward reinsurance is thus not affected by the retrocession, with the exception of the natural disasters and crops segments.

A significant percentage of the inward reinsurance business is retroceded.

Transactions that are the subject of a retrocession are divided amongst the regional mutuals in proportion to the gross premiums.

Aside from its effect on internal mutual insurance, retrocession raises the awareness of and directly involves the mutuals community in the balances of their different outward reinsurance operations with Groupama SA, and as such constitutes an additional regulatory factor.

1 2 3 4 5 6 7

(e) Amounts involved in fiscal year 2017

It should be noted that non-life premiums earned, policy servicing expenses, acquisition costs and administrative expenses include inward reinsurance, with respect to Groupama SA, from the regional mutuals under the Internal Reinsurance treaty.

The amounts accepted for these different transactions break down as follows:

(in millions of euros)	31.12.2017	31.12.2016
Non-life earned premiums	2,019	1,980
Insurance policy servicing expenses	(1,523)	(1,569)
Acquisition costs	(151)	(156)
Administrative costs	(151)	(156)

As at 31 December 2017, the overall retrocession result was -€24 million.

(in millions of euros)	31.12.2017	31.12.2016
Expenses on inward retrocession	(109)	(98)
Income on inward retrocession	85	127

IN SUMMARY

This entire presentation can be summed up as follows:

- the reinsurance agreement is a coherent and balanced whole that must be assessed in terms of its intended purpose and overall effects and not by isolating any one of its components from this context; in any event, this approach of placing the agreement in perspective is not opposed to a segmented, technical attitude to risks and to the reinsurance terms associated with them (see above);
- the internal insurance terms currently applicable are the result of amendments made over time to make this system fully effective in terms of its economic purpose of offsetting and controlling risks;
- the ongoing pursuit of this purpose has resulted in involving Groupama SA in the insurance business of the Groupama regional mutuals in a balanced and controlled way.

The premium income from reinsurance earned by Groupama SA with the regional mutuals amounted to a total of €2,019 million in 2017.

2.2 - Groupama Gan Vie

Relations between Groupama Gan Vie and the regional mutuals are governed by an identical bilateral agreement for each of the regional mutuals.

The purpose of this agreement is the distribution and management by the regional mutuals of personal life insurance and group insurance policies from Groupama Gan Vie.

With regard to distribution, Groupama Gan Vie sets the marketing, subscription and pricing rules for the products as well as the contract documents and the communications media. The regional mutuals are responsible for sales relationships with customers.

At the management level, the regional mutuals must provide all administrative functions, including medical management, within certain limits including amounts, and in accordance with the conditions defined by Groupama Gan Vie.

The regional mutuals are required to comply with a number of ethical rules, particularly governing the treatment of health cases and the prevention of money laundering.

Groupama Gan Vie is authorised to conduct on-site audits of documents and conditions under which the marketing and management functions are exercised.

In personal life insurance, the distribution and management of the regional mutuals are remunerated on the basis of three factors: for all products, a mark-up on premiums and, for certain products, a fee on the outstanding amount (savings and pension products), and a fee based on the regional policy income (protection products) designed to involve the regional mutual in the quality of its management.

Groupama Gan Vie posted premium income under this personal life insurance agreement of €963.3 million in 2017. The fees earned by the regional mutuals amounted to €113.5 million.

In group insurance, the regional mutuals' distribution and management are remunerated on the basis of several factors: mark-up on premiums, mark-up on outstanding amounts for certain products, fees based on regional net income on all death risks and fees on development agreements.

Groupama Gan Vie posted premium income under this group insurance agreement of €37.3 million in 2017. The fees earned by the regional mutuals amounted to €5.5 million.

◄ CONTENTS ►

2.3 - Orange Bank

The relationships between Orange Bank, 35%-held indirectly by Groupama SA, and the regional mutuals have been governed since the bank was founded in late 2002/early 2003 by identical bilateral agreements that break down into two components:

(a) A general marketing and management agreement

The general agreement lays down the respective roles of the bank and the regional mutual. It is licenced by Orange Bank to market its offer under a temporary banking license defining a limited number of banking operations that the mutual is permitted to perform. The operations concerned are preparation or support for banking transactions, given that Orange Bank is the sole party authorised to carry out banking operations in the strict sense.

The regional mutuals underwrite a certain number of commitments aimed at achieving the banking business growth plan in a controlled manner: mobilising the necessary workforce and seeing to it that they are trained, applying the quality charter, deploying an internal control system as well as a system to fight money laundering, etc.

This agreement, which has an initial life of five years, may be renewed by 1-year terms.

(b) An annual marketing and management agreement

This agreement supplements the general agreement on the points needing periodic updating: annual production targets of the regional mutual, compensation, quality objectives, etc.

The regional mutuals are compensated from the net banking income generated by the products held by customers less the payment processing costs and a percentage of the distribution costs related to the bank's remote sales centre.

The net banking income earned by Orange Bank under its agreements amounted to €63.7 million in 2017. The fees earned by the regional mutuals amounted to €14.7 million.

The sale of 65% of Groupama Banque's capital to Orange on 4 October 2016 had no effect in 2017 on the conditions of the relations between Orange Bank and the regional mutuals.

2.4 - Groupama Supports et Services (G2S)

The purpose of Groupama Supports et Services is to facilitate the economic activities of its members, improve or increase the results of these activities by sharing and optimising IT, logistics and purchasing activities.

To this effect, the role of G2S is to:

- undertake any preliminary studies and perform, at the request of its members, all the IT work necessary for the exercise of their business;
- ensure the operation and maintenance of IT systems on behalf of its members;
- lease and manage buildings occupied by at least one member;
- provide its members with all general services;
- assist its members with their purchasing strategy and relationships with group suppliers.

Most services provided by this inter-company venture are exempt from VAT, except for services corresponding to the supply of goods.

The members of the G2S venture, which are not charged VAT, are mainly the regional mutuals, Groupama SA, its French insurance subsidiaries, Groupama Banque and other GIEs of the Group. Non-member clients, which are charged VAT, are mainly group financial management companies and international subsidiaries and, where appropriate, entities outside the Group affiliated through partnership agreements with Groupama.

IT services provided by G2S to group entities are invoiced based on the following principles:

- G2S, as a non-profit inter-company venture, invoices all of its costs, whether they be its own operating costs, costs that are charged by other group entities or costs of technical resources acquired on behalf of third parties;
- all costs are allocated according to a defined list of services (operating services, project services) that cover all areas of operation of the inter-company venture. Invoiced amounts are determined based on the following conditions:
  - charged directly when possible;
  - otherwise, according to allocation keys that can be modified each fiscal year if necessary, the principle of which is determined by G2S for each cost category based on significant criteria.

Special governance was put into place to ensure the relevance and stability of these invoicing keys. These are reviewed regularly by two different advisory bodies, depending on the nature of the services.

Operating services are reviewed by the "Keys Committee" which brings together IT Managers from member companies of the inter-company venture and the various services of the venture in charge of developing and implementing invoicing keys.

For projects, invoicing keys are reviewed by "Business Domain Committees".

Any proposed amendment issued by one of these committees is subject to approval by the Board of Directors of the inter-company venture. Furthermore, a review of the invoicing keys is carried out with the management controllers of G2S for validation of the distribution of the final invoice, and with the Tax Department to ensure compliance with the VAT regulations.

The statutory auditors also ensure the expenses of the venture undergo correct analytical allocation for billing.

Based on the provision above, €282.9 million excluding taxes were billed as at 31 December 2017, €89.3 million of which to the regional mutuals.

1 2 3 4 5 6 7

2.5 - Other agreements

The amount of premium income generated by the other agreements entered into between the subsidiaries of Groupama SA and the regional mutuals in the areas of assistance, legal protection, employee savings and Asset Management proved immaterial for Groupama SA.

3 - Financing of large programmes

Groupama SA participates in the financing of major community programmes by paying subsidies to the regional mutuals designed as incentives for them to implement an overall policy in the general interest.

This system results from the Group's decentralised structure and from the role played in it by Groupama SA, which manages the Group and reinsures the regional mutuals.

3.1 - Operational structure of a decentralised organisation

In a so-called decentralised organisation, the central body arises from the regional level; its role is to embody the collective will and steer the resulting policies, but from a legal standpoint, it does not have the power to impose those policies at regional level. Financing is one lever used to facilitate the implementation of the Group policies.

Moreover, the programmes stemming from these policies usually generate high costs in the beginning with regard to the financial coverage of the regional mutual, with no immediate counterparty, and involve a business risk making the return on investment random. At the level of a regional mutual, implementing such programmes using its own resources seems contrary to its interests, at least in the short term.

Pooling the financing by Groupama SA makes it possible to remove this obstacle and to re-establish within the combination consisting of the regional mutuals the national dimension that would exist were this combination not legally divided into regional mutuals.

3.2 - Interest of the central reinsurer in expanding the business lines of the regional mutuals

As indicated above (see section 1.1), the reinsurance relationship between Groupama SA and the regional mutuals creates a powerful community of interests amongst them. Groupama SA itself has a major interest not only in the economic and financial balance of the mutuals but also in their growth, in which it participates in proportion to the non-life insurance business transferred. Hence it is directly in the interests of Groupama SA to participate in some expenses incurred in expanding the regional mutuals.

3.3 - A rational, efficient system

To qualify for financing by Groupama SA, a programme must meet several conditions:

- it must be part of the strategy defined by the Group;
- it must represent for most of the regional mutuals a financial expense that would disincentivise them from financing the programme alone;
- it must have the potential to be replicated across all the regional mutuals.

The financing is discontinued once it ceases to be necessary.

This system has demonstrated its effectiveness in the past few years. Two major programmes have already achieved significant results, namely the development and launch of a new offering in individual supplementary health insurance, funded by Groupama SA from 1999 to 2007, as well as the development and deployment within the regional mutuals of the SIGMA non-life insurance management system.

In 2017, as in 2016, no IT programme was eligible for financing by Groupama SA.

Another programme has been under way since 2004: support for the deployment of the retail banking business in the regional mutuals. This business requires a major effort on the part of the regional mutuals, especially in terms of sales force training and management. The subsidies related to achieving sales objectives are designed to end when the retail banking business reaches its financial breakeven point. For fiscal year 2017, it was considered that although the banking business is now carried out by a Groupama SA holding and no longer a subsidiary, it was necessary to maintain a subsidy mechanism between Groupama SA and the regional mutuals, aimed at supporting the revival and development of this business and offsetting the distribution costs of the mutuals, as long as the portfolio of banking products was not sufficiently developed to self-fund through commissions. For fiscal year 2017, the amount of financial support devoted to deploying the banking business thus came to a total of €8.6 million, net of corporate tax.

Lastly, for the first time in 2015, Groupama SA covered the costs resulting from the issue of mutual certificates for the regional mutuals. In 2017, Groupama SA paid a subsidy of €12.1 million net of corporate tax for mutual certificates issued in 2017 by 10 regional mutuals.

Funding of major national programmes is subject to review by the Agreements Committee before being authorised by the Groupama SA Board of Directors.

CONTENTS

NOTE 45 EMPLOYEES OF CONSOLIDATED COMPANIES

This note is presented in §1.5.2 of this registration document.

NOTE 46 COMMITMENTS GIVEN AND RECEIVED

Note 46.1 - Commitments given and received – insurance and reinsurance businesses

(in millions of euros)	31.12.2017	31.12.2016
Endorsements, securities, and guarantees received	86	73
Other commitments received	853	856
Total commitments received, excluding reinsurance	**939**	**928**
Reinsurance commitments received	**575**	**511**
Endorsements, securities and guarantees given	296	194
Other commitments on securities, assets, or income	**439**	**469**
Other commitments given	869	933
Total commitments given excluding reinsurance	**1,604**	**1,596**
Reinsurance commitments given	**3,762**	**3,924**
Securities belonging to protection institutions		
Other securities held on behalf of third parties		

Endorsements, securities, and guarantees received totalled €86 million.

Other commitments received excluding reinsurance for €853 million are mainly made up of the following items:

- the line of credit established with HSBC in December 2014 for €750 million and not used at 31 December 2017;
- the securities received as collateral under the collateralisation mechanism put in place to guarantee the unrealised capital gains/losses on derivatives are also recorded in off-balance-sheet commitments. This is reflected in the financial statements by €77 million in commitments received for bond loans.

Endorsements, securities and guarantees given totalled €296 million, consisting largely of the following major transactions:

- general guarantees given as part of the contribution of Groupama Banque securities to Compagnie Financière d'Orange Bank for €75 million;
- guarantee given as part of the sale of Groupama Seguros for €81 million;
- guarantee given as part of the sale of Carole Nash for €95 million.

Other commitments on securities, assets, or income consist of subscriptions to venture capital funds ("FCPR"). The remaining €439 million corresponds to the difference between the investment commitment of the subscribers and the total of calls for funds actually received.

Other commitments given amounted to €869 million. They mostly consist of the following elements:

- securities given as collateral under the collateralisation mechanism put in place to guarantee the unrealised capital gains/losses on derivatives are recorded in other off-balance-sheet commitments. This is reflected in the accounts by €636 million in commitments given for hedging of unrealised capital gains or losses on financial futures;
- €50 million in promises of sales, mainly from the subsidiary Compagnie Foncière Parisienne and GAN Foncier;
- commitments given on real estate projects in progress for €184 million, mainly from the subsidiary The Link Paris La Défense.

Unvalued commitments

Groupama SA, a minority shareholder in an insurance entity in partnership with a credit institution, has undertaken to support the solvency of this holding for the amount of its quota share in the capital, in the event not realised to date that this holding would no longer cover its regulatory solvency needs. This commitment runs until 20 March 2018.

Trigger clauses

Furthermore, in conjunction with issues of subordinated instruments ("TSR", "TSDI"), Groupama SA has trigger clauses:

Groupama SA is entitled to defer payment of interest on the October 2009 TSR of €500 million should the Group's required solvency capital cover fall below 100%.

Groupama SA is prohibited from paying interest in the event of regulatory deficiencies from the issue of the 2017 TSR for €636 million, if the Group's required solvency capital cover falls below 100%. Deferred interest will be interest arrears.

The trigger is valued as of the closing date prior to the anniversary date (ex-dividend date).

NOTE 47 RISK FACTORS AND SENSITIVITY ANALYSES

This note is presented in §4.2 of this registration document.

NOTE 48 LIST OF ENTITIES IN THE SCOPE OF CONSOLIDATION AND MAJOR CHANGES TO THE SCOPE OF CONSOLIDATION

The main changes in the scope of consolidation are the following:

Newly consolidated entities

- Groupama Holding Filiales et Participations;
- Groupama Campus;
- The Link Paris La Défense;
- One mutual fund entered the consolidation scope.

Change of name

The following entities changed their name:

- Groupama Banque became Orange Bank;
- Astorg 2 became Cofintex 2.

Reclassification/merger

SCI Paris Falguière was the subject of a universal transfer of assets.

Eliminations from the scope of consolidation

- the insurance brokerage firms located in the United Kingdom – Carole Nash, Bollington Limited, Mastercover Insurance Services Limited, and Compucar Limited – were sold in December 2017;
- Icade was sold on 19 June 2017;
- On 19 July 2017, Groupama sold its 64.57% stake in SCI du Domaine de Nalys;

Five mutual funds were removed from the consolidation scope.

			31.12.2017			31.12.2016		
	Business sector	Location of head office	% control	% interest	Method	% control	% interest	Method
GROUPAMA SA	Holding	France	100.00	100.00	parent company	100.00	100.00	parent company
GIE GROUPAMA Supports et Services	EIG	France	99.99	99.99	FI	99.99	99.99	FI
GROUPAMA CAMPUS	EIG	France	100.00	100.00	FI			
GROUPAMA HOLDING FILIALES et PARTICIPATIONS	Holding	France	100.00	100.00	FI			
ASTORG 2	Holding	France	100.00	100.00	FI	100.00	100.00	FI
COFINTEX 17	Holding	France	100.00	100.00	FI	100.00	100.00	FI
COMPAGNIE FINANCIERE D'ORANGE BANK	Holding	France	35.00	35.00	EM	35.00	35.00	EM
GROUPAMA GAN VIE	Insurance	France	100.00	100.00	FI	100.00	100.00	FI
GAN PATRIMOINE	Insurance	France	100.00	100.00	FI	100.00	100.00	FI
CAISSE FRATERNELLE D'ÉPARGNE	Insurance	France	99.99	99.99	FI	99.99	99.99	FI
CAISSE FRATERNELLE VIE	Insurance	France	99.99	99.99	FI	99.99	99.99	FI
ASSUVIE	Insurance	France	50.00	50.00	FI	50.00	50.00	FI
GAN PRÉVOYANCE	Insurance	France	100.00	100.00	FI	100.00	100.00	FI
GROUPAMA ASSURANCE CRÉDIT ET CAUTION	Insurance	France	100.00	100.00	FI	100.00	100.00	FI

	Business sector	Location of head office	31.12.2017 % control	31.12.2017 % interest	31.12.2017 Method	31.12.2016 % control	31.12.2016 % interest	31.12.2016 Method
MUTUAIDE ASSISTANCE	Assistance	France	100.00	100.00	FI	100.00	100.00	FI
GAN ASSURANCES	Insurance	France	100.00	100.00	FI	100.00	100.00	FI
GAN OUTRE-MER	Insurance	France	100.00	100.00	FI	100.00	100.00	FI
SOCIÉTÉ FRANÇAISE DE PROTECTION JURIDIQUE	Insurance	France	100.00	100.00	FI	100.00	100.00	FI
LA BANQUE POSTALE IARD	Insurance	France	35.00	35.00	EM	35.00	35.00	EM
AMALINE ASSURANCES	Insurance	France	100.00	100.00	FI	100.00	100.00	FI
GROUPAMA SEGUROS de Vida Portugal	Insurance	Portugal	100.00	100.00	FI	100.00	100.00	FI
GROUPAMA SIGORTA	Insurance	Turkey	99.52	99.52	FI	99.52	99.52	FI
GROUPAMA SIGORTA EMEKLILIK	Insurance	Turkey	100.00	99.79	FI	100.00	99.79	FI
GROUPAMA Investment BOSPHORUS	Holding	Turkey	100.00	100.00	FI	100.00	100.00	FI
STAR	Insurance	Tunisia	35.00	35.00	EM	35.00	35.00	EM
GROUPAMA ZASTRAHOVANE NON LIFE	Insurance	Bulgaria	100.00	100.00	FI	100.00	100.00	FI
GROUPAMA JIVOTOZASTRAHOVANE LIFE	Insurance	Bulgaria	100.00	100.00	FI	100.00	100.00	FI
GROUPAMA BIZTOSITO	Insurance	Hungary	100.00	100.00	FI	100.00	100.00	FI
GROUPAMA PHOENIX Hellenic Asphalistike	Insurance	Greece	100.00	100.00	FI	100.00	100.00	FI
GROUPAMA AVIC PROPERTY INSURANCES CO	Insurance	China	50.00	50.00	EM	50.00	50.00	EM
GUK BROKING SERVICES	Holding	United Kingdom	100.00	100.00	FI	100.00	100.00	FI
CAROLE NASH	Brokerage	United Kingdom				91.40	91.40	FI
BOLLINGTON LIMITED	Brokerage	United Kingdom				49.00	49.00	EM
MASTERCOVER Insurance Services Limited	Brokerage	United Kingdom				100.00	100.00	FI
COMPUCAR LIMITED	Brokerage	United Kingdom				49.00	49.00	EM
GROUPAMA ASSICURAZIONI	Insurance	Italy	100.00	100.00	FI	100.00	100.00	FI
GROUPAMA SEGUROS PORTUGAL	Insurance	Portugal	100.00	100.00	FI	100.00	100.00	FI
GROUPAMA ASIGURARI	Insurance	Romania	100.00	100.00	FI	100.00	100.00	FI
GROUPAMA ASSET MANAGEMENT	Asset Management	France	100.00	100.00	FI	100.00	100.00	FI
ORANGE BANK (formerly Groupama Banque)	Banking	France	35.00	35.00	EM	35.00	35.00	EM
GROUPAMA EPARGNE SALARIALE	Asset Management	France	100.00	100.00	FI	100.00	100.00	FI
GROUPAMA IMMOBILIER	Asset Management	France	100.00	100.00	FI	100.00	100.00	FI
ICADE	Property	France				13.00	12.95	EM
COMPAGNIE FONCIÈRE PARISIENNE	Property	France	95.39	95.39	FI	95.39	95.39	FI
SCI WINDOW LA DÉFENSE	Property	France	100.00	95.39	FI	100.00	95.39	FI
GAN FONCIER II	Property	France	100.00	100.00	FI	100.00	100.00	FI
IXELLOR	Property	France	100.00	100.00	FI	100.00	100.00	FI
79 CHAMPS ELYSÉES	Property	France	91.21	91.21	FI	91.21	91.21	FI
SOCIÉTÉ FORESTIERE GROUPAMA	Property	France	87.67	87.67	FI	87.67	87.67	FI
FORDEV	Property	France	87.67	87.67	FI	87.67	87.67	FI
GROUPAMA GAN PARIS LA DÉFENSE OFFICE	OPCI	France	100.00	95.39	FI	100.00	95.39	FI

	Business sector	Location of head office	31.12.2017			31.12.2016		
			% control	% interest	Method	% control	% interest	Method
GROUPAMA GAN RETAIL FRANCE	OPCI	France	100.00	99.52	FI	100.00	99.44	FI
THE LINK PARIS LA DEFENSE	Property	France	100.00	100.00	FI			
SCI GAN FONCIER	Property	France	100.00	98.89	FI	100.00	98.89	FI
VICTOR HUGO VILLIERS	Property	France	100.00	98.89	FI	100.00	98.89	FI
1 BIS FOCH	Property	France	100.00	98.89	FI	100.00	98.89	FI
16 MESSINE	Property	France	100.00	98.89	FI	100.00	98.89	FI
9 MALESHERBES	Property	France	100.00	98.89	FI	100.00	98.89	FI
97 VICTOR HUGO	Property	France	100.00	98.89	FI	100.00	98.89	FI
44 THÉÂTRE	Property	France	100.00	98.89	FI	100.00	98.89	FI
SCI UNI ANGES	Property	France	100.00	100.00	FI	100.00	100.00	FI
261 RASPAIL	Property	France	100.00	95.39	FI	100.00	95.39	FI
GAN INVESTISSEMENT FONCIER	Property	France	100.00	100.00	FI	100.00	100.00	FI
3 ROSSINI (SCI)	Property	France	100.00	100.00	FI	100.00	100.00	FI
150 RENNES (SCI)	Property	France	100.00	100.00	FI	100.00	100.00	FI
99 MALESHERBES (SCI)	Property	France	100.00	100.00	FI	100.00	100.00	FI
SCA CHÂTEAU D'AGASSAC	Property	France	25.00	25.00	EM	25.00	25.00	EM
102 MALESHERBES (SCI)	Property	France	100.00	100.00	FI	100.00	100.00	FI
LES FRÈRES LUMIÈRES	Property	France	100.00	100.00	FI	100.00	100.00	FI
CAP DE FOUSTE (SCI)	Property	France	61.31	61.31	EM	61.31	61.31	EM
PARIS FALGUIERE (SCI)	Property	France				100.00	100.00	FI
CHAMALIÈRES EUROPE (SCI)	Property	France	100.00	100.00	FI	100.00	100.00	FI
12 VICTOIRE (SCI)	Property	France	100.00	100.00	FI	100.00	100.00	FI
DOMAINE DE FARES	Property	France	31.25	31.25	EM	31.25	31.25	EM
38 LE PELETIER (SCI)	Property	France	100.00	100.00	FI	100.00	100.00	FI
SCIMA GFA	Property	France	44.00	44.00	EM	44.00	44.00	EM
LABORIE MARCENAT	Property	France	64.52	64.52	EM	64.52	64.52	EM
DOMAINE DE NALYS	Property	France				69.57	69.57	EM
GROUPAMA PIPACT	Property	France	31.91	31.91	EM	31.91	31.91	EM
ASTORG STRUCTUR GAD D	Mutual fund	France	99.99	99.99	FI	99.99	99.99	FI
GROUPAMA TRESORERIE IC C	Mutual fund	France				26.18	28.18	EM
ASTORG CTT D	Mutual fund	France	100.00	100.00	FI	99.68	99.68	FI
GROUPAMA AAEXA D	Mutual fund	France				100.00	100.00	FI
ASTORG EURO SPREAD D	Mutual fund	France	99.73	99.73	FI	99.73	99.73	FI
WASHINGTON EURO NOURRI 14 FCP	Mutual fund	France	100.00	100.00	FI	100.00	100.00	FI
WASHINGTON EURO NOURRI 15 FCP	Mutual fund	France	100.00	100.00	FI	100.00	100.00	FI
GROUPAMA CONVERTIBLES ID D	Mutual fund	France	89.37	86.65	FI	89.36	89.36	FI
GROUPAMA ENTREPRISES IC C	Mutual fund	France				30.54	30.54	EM
GROUPAMA CREDIT EURO IC C	Mutual fund	France	78.72	78.72	FI	55.66	55.66	FI
GROUPAMA CREDIT EURO ID D	Mutual fund	France	59.08	59.08	FI	59.08	59.08	FI
WASHINGTON EURO NOURRI 16 FCP	Mutual fund	France	100.00	100.00	FI	100.00	100.00	FI
WASHINGTON EURO NOURRI 17 FCP	Mutual fund	France	100.00	100.00	FI	100.00	100.00	FI
WASHINGTON EURO NOURRI 18 FCP	Mutual fund	France	100.00	100.00	FI	100.00	100.00	FI
GROUPAMA OBLIGATION MONDE I C	Mutual fund	France	94.39	91.48	FI	94.35	94.35	FI
WASHINGTON EURO NOURRI 19 FCP	Mutual fund	France	100.00	100.00	FI	100.00	100.00	FI
WASHINGTON EURO NOURRI 20 FCP	Mutual fund	France	100.00	100.00	FI	100.00	100.00	FI
WASHINGTON EURO NOURRI 21 FCP	Mutual fund	France	100.00	100.00	FI	100.00	100.00	FI
WASHINGTON EURO NOURRI 22 FCP	Mutual fund	France	99.88	99.88	FI	99.88	99.88	FI

	Business sector	Location of head office	31.12.2017 % control	31.12.2017 % interest	31.12.2017 Method	31.12.2016 % control	31.12.2016 % interest	31.12.2016 Method
WASHINGTON EURO NOURRI 23 FCP	Mutual fund	France	100.00	100.00	FI	100.00	100.00	FI
WASHINGTON EURO NOURRI 24 FCP	Mutual fund	France	100.00	100.00	FI	100.00	100.00	FI
ASTORG STRUCTUR LIFE D	Mutual fund	France	100.00	100.00	FI	100.00	100.00	FI
GROUPAMA EONIA IC C	Mutual fund	France	33.38	33.38	EM	44.07	44.07	EM
ASTORG PENSION D	Mutual fund	France	100.00	100.00	FI	99.68	99.68	FI
ASTORG CASH MT D	Mutual fund	France	99.51	99.40	FI	87.92	87.92	FI
ASTORG CASH G D	Mutual fund	France				81.14	81.14	FI
GROUPAMA CREDIT EURO GD D	Mutual fund	France	44.09	44.09	EM	44.09	44.09	EM
GROUPAMA CREDIT EURO LT G D	Mutual fund	France	100.00	100.00	FI	100.00	100.00	FI
ASTORG THESSALONIQUE 1 D	Mutual fund	France	100.00	100.00	FI	100.00	100.00	FI
ASTORG THESSALONIQUE 2 D	Mutual fund	France	100.00	100.00	FI	100.00	100.00	FI
ASTORG THESSALONIQUE 3 D	Mutual fund	France	100.00	100.00	FI	100.00	100.00	FI
ASTORG THESSALONIQUE 4 D	Mutual fund	France	100.00	100.00	FI	100.00	100.00	FI
ASTORG THESSALONIQUE 5 D	Mutual fund	France	100.00	100.00	FI	100.00	100.00	FI
ASTORG MONETAIRE C	Mutual fund	France	94.53	94.53	FI	92.62	92.62	FI
GROUPAMA CASH ÉQUIVALENT G D	Mutual fund	France				70.80	70.80	FI
ASTORG REPO INVEST D	Mutual fund	France	100.00	100.00	FI	100.00	100.00	FI
GROUPAMA TRESORERIE P C	Mutual fund	France	46.59	46.59	EM			
ASTORG OBLIGATIONS CT G D	Mutual fund	France	96.00	93.47	FI	69.53	69.53	FI
ASTORG OBLIGATIONS CT GA D	Mutual fund	France	100.00	100.00	FI	100.00	100.00	FI
G FUND - EUROPEAN CONVERTIBLE BONDS GD D	Mutual fund	France	86.71	86.71	FI	89.63	89.63	FI

FC: Full integration
EM: Equity method

Certain real estate entities are consolidated using the equity method under a “simplified” process. This consists of reclassifying on the balance sheet the value of the units and the financing current account in the line *item* “property investments” and reclassifying in the income statement the dividends or share in the results of the companies on the “Income from property” line *item*.

6.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Year ended 31 December 2017)

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

Mazars
Tour Exaltis
61, rue Henri Régnault
92400 Courbevoie

Dear Shareholders,

I – OPINION

In compliance with the assignment entrusted to us by your General Meeting, we performed an audit of the consolidated financial statements of Groupama for the fiscal year ended 31 December 2017, as attached to this report.

In our opinion, the consolidated financial statements give a true and fair view of the results of operations for the past fiscal year as well as the financial position and assets of the Group at the end of the fiscal year, in accordance with International Financial Reporting Standards as adopted by the European Union.

The above opinion is consistent with the content of our report to the Audit and Risk Management Committee.

II – BASIS OF THE OPINION

Audit reference standard

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities according to these standards are described in the section "Responsibilities of the statutory auditors relating to the audit of the consolidated financial statements" of this report.

Independence

We conducted our audit in accordance with the rules of independence applicable to us, over the period from 1st January 2017 to the issue date of our report. In particular, we did not provide any services prohibited by Article 5, paragraph 1, of regulation (EU) no. 537/2014 or by the professional Code of ethics for statutory auditors.

III – JUSTIFICATION OF THE ASSESSMENTS - KEY POINTS OF THE AUDIT

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the key points of the audit relating to the risks of material misstatement that, in our professional judgment, were the most significant for the audit of the consolidated financial statements for the fiscal year, as well as our responses to these risks.

These assessments contributed to the audit of the consolidated financial statements, taken as a whole, and to the formation of our opinion expressed above. We do not express an opinion on items in these consolidated financial statements viewed in isolation.

Assessment of outstanding claims reserve – Non-life insurance policies (Please refer to notes 3.12.2 and 24.1 of the notes to the consolidated financial statements)

Identified risk	Implemented procedures
Outstanding claims reserve relating to non-life insurance policies, appearing on the balance sheet at 31 December 2017 for €8,535 million, represent one of the greatest liabilities. They correspond to the estimate, net of claims receivable, of the cost of all unpaid claims at the end of the fiscal year, both declared and undeclared, both in principal and incidentals (management fees). The estimate of technical reserves is valued on the basis of an actuarial approach, using ultimate cost valuations based on payment triangles or expenses (depending on the risk segments). This valuation also incorporates the valuation of delinquent claims. It requires the exercise of management's judgment in selecting the actuarial models to be used, the calculation assumptions to be used, and the related management cost estimates. Given the relative weight of these provisions in the balance sheet, the importance of management's judgment and the variety and complexity of the actuarial methods used, we considered the valuation of these provisions as a key point of the audit.	In order to assess the reasonableness of the estimate of the amount of the outstanding claims reserve, we implemented the following procedures, using our actuaries: ❯ Review the design and test the effectiveness of the key controls related to claims management and the determination of these provisions, ❯ Assess the relevance of the methods used to estimate the provisions, ❯ Assess the appropriateness of the relative actuarial assumptions used for the calculation of provisions, ❯ Reconcile the data used as a basis for estimating provisions with accounting, ❯ Conduct a review of the outcome of the previous year's accounting estimates, ❯ Independently assess from the Company's data these provisions in certain business segments and assess their reasonableness.

Valuation of unlisted instruments (classification in level 3 in FRS) (Please refer to Notes 3.2.1 and 6.11 to the consolidated financial statements)

Identified risk	Implemented procedures
Groupama holds financial instruments not listed on an active market classified as Level 3 in the fair value hierarchy according to IFRS 7. These financial instruments represent a net book value of €2, 183 million on the assets side of the Group's consolidated balance sheet at 31 December 2017. These instruments are recorded at fair value on the basis of a valuation model using data not observable on a market. The models also take into account certain market, liquidity, or counterparty risks. The techniques used by management to value these instruments include a significant amount of judgment in the choice of methodologies, assumptions, and data used. Due to the material nature of the outstanding amounts and the significant degree of judgment on the part of Management in determining the market value, we believe that the valuation of financial instruments classified as Level 3 under IFRS 7 is a key point of the audit.	The due diligence tasks that we carried out consisted in: ❯ Assessing the control system associated with the valuation process, particularly by verifying the existence and operational effectiveness of the controls performed by management, Comparing the value applied by management with the latest transactions observed in the market for the security in question or a comparable security where possible, ❯ When the security is valued on the basis of an internal model, calling on our internal experts, so as to: ▪ Analyse the relevance of the assumptions and parameters used, ▪ Perform a critical analysis of model construction and input data used for valuation, ▪ Perform an independent counter-valuation, on a sample of assets, using our own valuation models.

Evaluation of the reserve for increasing risks (Long-term care) (Please refer to Notes 3.12.2 and 24.1 to the consolidated financial statements)

Identified risk	Implemented procedures
For insurance operations on risks of loss of autonomy, a reserve for increasing risks is established for the temporary differences existing between the period of application of the cover and its financing by insurance premiums. This provision is made prospectively, comparing the future commitments of the insurer and those of the policyholder. The regulations do not specify all the parameters to be used for the calculation of this reserve. At 31 December 2017, the reserve for increasing risks amounts to €264 million gross of reinsurance. We considered this topic as a key point of the audit due to the sensitivity of the calculation of the reserve for increasing risks to the choice of the following key assumptions that require a significant degree of judgement from management: ❯ discount rate; ❯ biometric laws developed based on observation and analyses based on portfolio data.	We conducted a critical review of the procedures for implementing the methodology for determining the reserve for increasing risks and implemented, in particular, the following audit procedures, with the help of our internal actuaries: ❯ Examine the design of the actuarial model to assess the risk that the amount of the calculated provision is distorted by assessing the internal control environment and by recalculating the provision independently, on the basis of a sample; ❯ Assess the consistency of the key assumptions used to determine the provision, which includes: ■ The principles and methodology for determining the discount rate, ■ The relevance of the methodology for determining biometric laws and their adequacy for the portfolio.

Verification of the Group information given in the management report

As required by law and in accordance with the professional standards applicable in France, we have also verified the Group information, presented in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

IV – INFORMATION RESULTING FROM OTHER LEGAL AND REGULATORY REQUIREMENTS

Designation of the statutory auditors

We were appointed statutory auditors of Groupama SA by the General Meeting of 25 June 1999 for PricewaterhouseCoopers Audit and 12 September 2000 for Mazars.

At 31 December 2017, PricewaterhouseCoopers Audit was in the 19th year of its mission without interruption, and Mazars was in its 18th year.

V – RESPONSIBILITIES OF MANAGEMENT AND MEMBERS OF THE CORPORATE GOVERNANCE BODY CONCERNING THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for preparing consolidated financial statements presenting a true and fair view in accordance with IFRS as adopted in the European Union and implementing the internal controls that it deems necessary for the preparation of consolidated financial statements free of any material misstatements, whether they due to fraud or error.

In connection with the preparation of the consolidated financial statements, Management is responsible for assessing the company's ability to continue its operations; providing information on matters relating to the continued operations, where this is relevant; and for preparing financial statements based on a going concern basis, unless Management intends to wind up the Company or discontinue operations.

The Audit and Risk Management Committee is responsible for following the process of preparing financial information and for monitoring the effectiveness of internal control and risk management systems, as well as, where applicable, internal auditing, as regards the procedures relating to the preparation and processing of accounting and financial information.

These consolidated financial statements have been approved by the Board of Directors.

VI – RESPONSIBILITIES OF THE STATUTORY AUDITORS RELATING TO THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Audit objective and approach

It is our responsibility to prepare a report on the consolidated financial statements. Our goal is to obtain reasonable assurance that the consolidated financial statements taken as a whole do not contain any material misstatements. Reasonable assurance is a high level of assurance but is not a guarantee that an audit performed in accordance with the professional auditing standards will always detect any material misstatement. Misstatements may arise as a result of fraud or error and must be regarded as being material if it can reasonably be expected that they, individually or in the aggregate, will affect the financial decisions made by users of the financial statements on the basis of the financial statements.

As specified by Article L. 823-10-1 of the French Commercial Code, our role of certifying the financial statements is not to guarantee the viability or the quality of the management of your Company.

As part of an audit performed in accordance with the professional auditing standards applicable in France, the statutory auditor uses professional judgement throughout this audit.

In addition:

- the statutory auditor identifies and assesses the risks that the consolidated financial statements contain material misstatements, whether due to fraud or error, and defines and implements audit procedures for such risks and collects evidence considered sufficient and appropriate to serve as the basis of its opinion. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting a material misstatement due to error, as fraud may involve conspiracy, forgery, deliberate omission, misrepresentation, or non-observance of internal controls;
- the statutory auditor obtains an understanding of the internal controls of relevance to the audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the internal controls;
- the statutory auditor assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as the information concerning them provided in the consolidated financial statements;
- the statutory auditor assesses whether the accounting convention of going concern applied by the management is appropriate, according to the collective information, whether there is any material uncertainty related to events or circumstances likely to call into question the Company's ability to continue its operation. This assessment is based on the evidence collected up to the date of its report. However, subsequent circumstances or events could jeopardise the continuity of operations. If the statutory auditor concludes that there is significant uncertainty, it draws the attention of readers of its report to the information provided in the consolidated financial statements about this uncertainty or, if this information is not provided or is not relevant, it formulates a qualified certification or a refusal to certify;
- the statutory auditor assesses the overall presentation of the consolidated financial statements and whether they reflect the underlying transactions and events so as to give a true and fair view;
- concerning the financial information of the persons or entities included in the scope of consolidation, it collects information that it deems sufficient and appropriate to express an opinion on the consolidated financial statements. It is responsible for the management, supervision, and execution of the audit of the consolidated financial statements as well as the opinion expressed on these financial statements.

1
2
3
4
5
6
7

Report to the audit committee

We submit a report to the Audit and Risk Management Committee, which outlines the scope of the audit work and the work programme implemented, as well as the conclusions of our work. Where appropriate, we also inform it of significant weaknesses of internal control that we identified with respect to the procedures relating to the preparation and processing of accounting and financial information.

Among the items disclosed in the report to the Audit and Risk Management Committee are the risks of material misstatement that we consider to have been the most important for the audit of the consolidated financial statements for the year and that therefore constitute the key points of the audit, which it is our responsibility to describe in this report.

We also provide the Audit and Risk Management Committee with the declaration provided for in Article 6 of Regulation (EU) no. 537-2014 confirming our independence, within the meaning of the rules applicable in France as laid down in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the Code of ethics of the profession of statutory auditor. Where appropriate, we discuss with the Audit and Risk Management Committee any risks to our independence and the safeguarding measures applied.

Neuilly-sur-Seine and Courbevoie, 19 March 2018

The statutory auditors

PricewaterhouseCoopers Audit	Mazars	
Christine Billy	Pascal Parant	Nicolas Dusson

◄ CONTENTS ►

6.3 ANNUAL FINANCIAL STATEMENTS AND NOTES

6.3.1 BALANCE SHEET

Assets

(in thousands of euros)		31.12.2017	31.12.2016
Intangible assets	**Note 4**	**11,358**	**12,382**
Investments:		**11,702,479**	**10,542,479**
Land and buildings	Note 5.1	489,432	490,286
Investments in related companies and companies with equity-linked interest	Note 5.2	9,236,625	7,953,468
Other investments	Note 5.3	1,976,422	2,098,725
Receivables for cash deposits with ceding companies			
Share of outward reinsurers and retrocessionaires in technical reserves:	**Note 6**	**1,263,526**	**1,054,401**
Reserves for unearned premiums		5,683	5,136
Reserves for claims (Non-Life)		1,053,793	842,097
Reserves for profit sharing and rebates (Non-Life)			364
Equalisation reserve		4,361	3,730
Other technical reserves (Non-Life)		199,689	203,074
Receivables:	**Note 7**	**644,351**	**655,159**
Receivables relating to direct insurance operations		16,497	24,490
Receivables relating to reinsurance transactions		463,322	458,781
Other receivables		164,532	171,888
Other assets:		**73,555**	**87,413**
Tangible operating assets		12,979	11,231
Cash and equivalents		60,576	76,182
Accruals – Assets	**Note 8**	**133,836**	**59,943**
Unrealised foreign exchange adjustments			
TOTAL ASSETS		**13,829,105**	**12,411,777**

◄ CONTENTS ►

Liabilities

(in thousands of euros)		31.12.2017	31.12.2016
shareholders' equity:	**Note 9**	**3,196,295**	**2,677,432**
Share capital		2,088,305	2,088,305
Additional paid-in capital		401,747	401,747
Other reserves		168,923	168,923
Retained earnings		18,457	376,904
Net income for fiscal year		518,863	(358,447)
Subordinated debt	**Note 10**	**2,236,138**	**2,263,800**
Gross technical reserves:	**Note 11**	**6,124,399**	**4,904,173**
Reserves for unearned premiums		331,614	199,852
Reserves for claims (Non-Life)		4,427,311	3,460,885
Reserves for profit sharing and rebates (Non-Life)		266	751
Equalisation reserve		197,725	166,798
Other technical reserves (Non-Life)		1,167,483	1,075,887
Reserves (other than underwriting)	**Note 12**	**103,452**	**162,698**
Payables for cash deposits received from outward reinsurers and retrocessionaires representing technical commitments		**247,748**	**199,492**
Other liabilities:	**Note 13**	**1,909,071**	**2,181,213**
Debts arising from direct insurance operations		61,356	24,377
Debts relating to reinsurance transactions		258,914	206,092
Bonds (including convertible bonds)		567,134	984,494
Debt to credit institutions		0	1
Other debts		1,021,667	966,249
Accruals – Liabilities	**Note 14**	**12,002**	**22,969**
Unrealised foreign exchange adjustments		**0**	**0**
TOTAL LIABILITIES		**13,829,105**	**12,411,777**

CONTENTS

6.3.2 OPERATING INCOME STATEMENT

(in thousands of euros)	Gross transactions	Outward reinsurance and retrocessions	Net transactions 2017	Net transactions 2016
Earned premiums	**2,707,976**	**501,882**	**2,206,094**	**1,788,884**
Written premiums	2,840,133	502,429	2,337,704	1,796,255
Change in unearned premiums	(132,157)	(547)	(131,610)	(7,371)
Income from allocated investments	**271,020**		**271,020**	**(131,699)**
Other underwriting income	**7**		**7**	**4,608**
Claims charges	**(1,963,705)**	**(471,606)**	**(1,492,099)**	**(1,355,297)**
Benefits and expenses paid	(993,732)	(258,977)	(734,755)	(1,199,037)
Charges from reserves for claims	(969,973)	(212,629)	(757,344)	(156,260)
Charges from other technical reserves	**(91,108)**	**3,385**	**(94,493)**	**(73,682)**
Profit sharing	**0**	**364**	**(364)**	**(401)**
Acquisition and administrative costs	**(527,707)**	**(50,398)**	**(477,309)**	**(391,771)**
Acquisition costs	(318,458)		(318,458)	(229,971)
Administrative costs	(209,249)		(209,249)	(210,815)
Commissions received from reinsurers		(50,398)	50,398	49,015
Other underwriting expenses	**(152,292)**		**(152,292)**	**(153,210)**
Change in the equalisation reserve	**(30,931)**	**(631)**	**(30,300)**	**(12,327)**
UNDERWRITING INCOME FROM NON-LIFE INSURANCE	**213,260**	**(17,004)**	**230,264**	**(324,895)**

6.3.3 NON-OPERATING INCOME STATEMENT

(in thousands of euros)		2017 net transactions	2016 net transactions
Underwriting income from Non-Life insurance		**230,264**	**(324,895)**
Investment income	Note 18	**891,327**	**439,563**
Investment income		519,867	200,286
Other investment income		257,322	152,536
Profits on the sale of investments		114,138	86,741
Investment expenses	Note 18	**(413,953)**	**(672,060)**
Internal and external investment management costs		(200,643)	(197,558)
Other investment expenses		(68,216)	(434,617)
Losses on the sale of investments		(145,094)	(39,885)
Transferred investment proceeds		**(271,020)**	**131,699**
Other non-technical income and expenses	Note 19	**(16,267)**	**(19,015)**
Other non-underwriting income		169	0
Other non-underwriting expenses		(16,436)	(19,015)
Extraordinary result	Note 20	**(8,829)**	**(39,904)**
Extraordinary income		92,076	5,888
Extraordinary expenses		(100,905)	(45,792)
Employee profit-sharing		**0**	**0**
Income tax	Note 21	**107,341**	**126,165**
NET INCOME FOR FISCAL YEAR		**518,863**	**(358,447)**

◄ CONTENTS ►

6.3.4 COMMITMENTS RECEIVED AND GIVEN

(In thousands of euros)	31.12.2017	31.12.2016
1. Commitments received	**753,905**	**906,291**
from related companies	386	152,772
from equity-linked companies	3,519	3,519
from other companies	750,000	750,000
2. Commitments given:		
2a. Endorsements, securities and guarantees received, credit given	259,368	152,789
to related companies	386	772
to equity-linked companies	315	374
to other companies	258,667	151,643
2b. Stock and assets acquired through sale commitment		
to related companies		
to equity-linked companies		
to other companies		
2c. Other commitments on securities, assets, or income	**25,260**	**26,401**
to related companies	7,669	7,669
to equity-linked companies		
to other companies	17,591	18,732
2d. Drawing rights given to a guarantee fund		
to related companies		
to equity-linked companies		
to other companies		
2e. Other commitments given	40,503	42,913
to related companies	40,214	42,851
to equity-linked companies		
to other companies	289	62
3. Mutual commitments		
3a. Securities received as collateral from outward reinsurers and retrocessionaires	370,374	309,925
from related companies	33,685	40,571
from equity-linked companies		
from other companies	336,689	269,354
3b. Securities received from companies that have traded in substitution		
3c. Other mutual commitments	233,437	428,352
from related companies	54,076	272,216
from equity-linked companies	113,333	114,463
from other companies	66,028	41,673
4. Other securities held on behalf of third parties		
5. Outstanding financial futures		
5a. Breakdown of outstanding financial futures by strategy category:	494,440	528,638
Investment or disinvestment strategies		
Yield strategies	494,440	528,638
Other transactions		
5b. Breakdown of outstanding financial futures by market category:	494,440	528,638
Transactions on an OTC market	494,440	528,638
Transactions on regulated or equivalent markets		

CONTENTS

(In thousands of euros)	31.12.2017	31.12.2016
5c. Breakdown of outstanding financial futures by type of market risk and instruments, in particular:	494,440	528,638
Interest rate risk		
Foreign exchange risk		19,698
Equity risk	494,440	508,940
5d. Breakdown of outstanding financial futures by instrument type, in particular:	494,440	528,638
Swaps	494,440	528,638
Interest rate guarantee agreements		
Futures		
Options		
5e. Breakdown of outstanding financial futures by residual duration of strategiesn according to the ranges:	494,440	528,638
0-1 year		19,698
1-5 years	494,440	385,378
5+ years		123,562

6.3.5 RESULTS OF THE PAST FIVE FISCAL YEARS

(In euros)	2013	2014	2015	2016	2017
I. Ending financial position					
a) Share capital	1,686,569,399	1,686,569,399	1,686,569,399	2,088,305,152	2,088,305,152
b) Number of existing shares	329,086,712	329,086,712	329,086,712	407,474,176	407,474,176
c) Number of bonds convertible into shares					
II. Transactions and net income for fiscal year					
a) Premiums for the fiscal year	2,341,013,114	2,218,987,818	2,274,443,639	2,282,012,505	2,707,975,302
b) Income before tax, amortisation and provisions	(272,638,112)	(381,456,631)	(50,408,566)	(200,306,096)	284,751,941
c) Corporate income tax	(108,086,910)	(184,088,138)	(81,462,741)	(126,165,109)	(107,341,116)
d) Employee profit-sharing due for fiscal year					
e) Income after tax, profit-sharing profit-sharing, amortisation and provisions	(338,263,557)	(38,744,754)	69,972,545	(358,447,095)	518,862,511
f) Distributed income			14,261,596		13,854,122
III. Income per share					
a) Income after tax and employee profit-sharing but before amortisation and reserves	(0.50)	(0.60)	0.09	(0.18)	0.96
b) Income after tax and employee profit-sharing, amortisation and reserves	(1.03)	(0.12)	0.21	(0.88)	1.27
c) Dividend allotted per share			0.04		0.03
IV. Personnel					
a) Number of employees	1,375	1,272	1,268	1,257	1,265
b) Amount of payroll costs	106,259,853	99,555,815	104,206,004	96,343,404	104,061,241
c) Amounts paid in employee benefits	52,534,274	53,856,163	55,028,695	51,441,424	54,708,706

The amount of the payroll and sums paid for employee benefits corresponds to the gross expense in the accounts of the de facto grouping before billing back to each of its members.

1 2 3 4 5 6 7

◄ CONTENTS ►

6.3.6 NOTES TO THE ANNUAL FINANCIAL STATEMENTS

SUMMARY

CONTENTS

1 SIGNIFICANT EVENTS OF THE YEAR

1.1 Conversion of Groupama SA

Following the promulgation of Article 52 of law 2016-1691 of 9 December 2016, Groupama SA began its conversion from the Group's governing body into a national agricultural mutual reinsurance fund, which is a special form of mutual insurance company (SAM).

Transfer of direct business portfolio:

On 29 June 2017, Groupama SA and Gan Assurances entered into an agreement consisting of a partial asset contribution agreement whereby Groupama SA contributed to Gan Assurances its direct insurance business including its portfolio of non-life insurance policies. The contribution was done at the book value on the balance sheet as of 31 December 2016. The impacts of the transaction are mentioned in 5.2. As part of this portfolio transfer, a quota share agreement was signed between Groupama SA and Gan Assurances on 8 December 2017, effective 1 January, and it applies to direct business arising from this transfer.

Contribution of Groupama SA to Groupama Holding Filiales et Participations:

With a view to streamlining and separating the reinsurance and subsidiary and investment holding businesses, Groupama SA contributed all of its securities of French insurance companies and service subsidiaries and nearly all of its securities of international subsidiaries to Groupama Holding Filiales et Participations (GHFP) in 2017. The securities transferred to GHFP are contributed as of 30 September 2017 without retroactivity to the NBV if the holding percentage is greater than 50% and the actual value if the holding is lower. The impacts of the transaction are mentioned in 5.2.

1.2 Reinsurance treaties with Gan Assurances

The implementation of new reinsurance treaties with Gan Assurances impacted premiums by €510 million and the claims charge by €278 million.

1.3 Refinancing of hybrid debts

On 23 January 2017, Groupama SA completed an exchange operation on two of its subordinated debts (perpetual subordinated bond issued in 2007 and subordinated redeemable bond issued in 2009) against a new issue of subordinated debt in euros maturing in 2027. The transformation rate reached 65% on the deeply subordinated instruments issued in 2007 and the 33% ceiling set by the Group on subordinated instruments issued in 2009. This exchange operation was supplemented by an issue of the same instrument to new investors.

1.4 Sale of Domaine de Nalys

On 19 July 2017, Groupama SA sold 119,586 shares of the SCI du domaine de Nalys to Financière Guigal, generating a capital gain of €33.6 million. Groupama SA retains 5% of the units.

1.5 Sale of OTP Bank securities

The OTP Bank securities were sold on 23 March 2017, generating a capital loss of €19.8 million in the first quarter of 2017, offset by a €37.8 million reserve write-back, *i.e.*, corporate net income of €18 million.

1.6 Gan Assurances loan

Gan Assurances obtained a loan from Groupama SA of €120 million for a period of 10 years made available on 18 December 2017.

1.7 Weather related events

The climate events Irma and Maria generated a recovery of claims of +€292 million.

1.8 Amendment to the tax consolidation agreement

In December 2017, Groupama SA signed an amendment to the tax consolidation agreement with each insurance company member of the Group. According to this amendment, each insurance company member of the Group pays the tax due on its income according to the rate applicable to the Group head company, calculated at the normal rate and plus additional contributions. Thus, each member company of the Group pays exceptional contributions to the corporate tax at the overall rate of 30%, on its taxable income at the normal rate, and at the reduced rate for fiscal year 2017, regardless of the amount of its revenue.

◄ CONTENTS ►

2 POST-BALANCE SHEET EVENTS

None.

3 ACCOUNTING PRINCIPLES, RULES AND METHODS

Groupama SA's corporate financial statements are prepared and presented in accordance with the general accounting principles provided for in Articles L. 123-12 to L. 123-22 of the French Commercial Code and the provisions of the French Insurance Code and the regulations of the ANC (French accounting standards authority) no. 2015-11 of 26 November 2015 relating to the annual financial statements of insurance undertakings.

3.1 Underwriting operations

Groupama SA is engaged mainly in the following reinsurance operations:

- the reinsurance of each of the regional mutuals under the reinsurance agreement entered into with each of them;
- the reinsurance of other entities of the Group in France and internationally.

Groupama SA also carries out non-life insurance operations in co-insurance and co-reinsurance groupings.

Since the Antilles Guyane regional mutual is not licensed to conduct insurance operations, Groupama SA directly replaces this mutual to cover these operations. Under this principle, the corresponding figures reported in the financial statements contain the information reported as "direct business" after deducting "custody of the regional mutual".

3.1.1 - Premiums

Premiums for the year relate to direct business and mainly to inward insurance. They include:

- premiums for the fiscal year, net of cancellations;
- variation in premiums still to be written;
- variation in premiums to be cancelled.

These premiums are corrected for variation in unearned premiums and constitute the amount of earned premiums.

3.1.2 - Reserve for unearned premiums

The reserve for unearned premiums for all policies in force at the fiscal year-end shows the share of premiums written and premiums yet to be written relating to the risk coverage in effect for the year or years following the reporting year. It is calculated pro rata temporis.

3.1.3 - Costs relating to the insurance business

Costs relating to the insurance business are recorded according to their nature. They are classified for the presentation of the financial statements according to the purposes of the claims management costs, acquisition costs, administration cost, investment costs, and other technical costs.

Acquisition and administration costs mainly include:

- commissions paid by Groupama SA to the regional mutuals. These are determined pursuant to the provisions stipulated in the reinsurance agreement with the regional mutuals and are calculated based on the earned premiums that Groupama SA accepts from the regional mutuals;
- commissions assessed on direct business and other inward reinsurance business.

3.1.4 - Deferred acquisition costs

A portion of the overhead expenses of Groupama SA allocated for the acquisition of contracts and commissions on direct and accepted business is posted to assets on the balance sheet. This is the share of acquisition expenses pertaining to unearned premiums.

CONTENTS

3.1.5 - Claims

The claims expense for the year consists mainly of:

- services and expenses paid for in connection with direct business or that accepted under reinsurance treaties which equate the claims paid net of remedies to be received for the year plus periodic annuity payments. They also include claims-related expenses. These claims also include periodic payments of annuities managed directly by Groupama SA, as well as management costs from the distribution of overhead expenses;
- the reserves for claims in direct business and inward reinsurance business represent the estimate, net of projected claims receivable, of the cost of all unpaid claims at the end of the year, both declared and undeclared. These reserves also include charges for management fees determined on the basis of actual expense rates observed by Groupama SA.

The estimated value of reserves for claims is based on an actuarial approach, defined in accordance with a group methodology. By means of valuations of final costs based on payment triangles or costs (by risk segment), it permits a determination of the sufficient and adequate amount of outstanding claims reserve (in accordance with Article R. 143-10 of ANC Regulation no 2015-11). This valuation incorporates the valuation of delinquent claims into its approach. The amounts of these provisions are indicated in Note 11.

In construction risk, the reserve for claims yet to be made comprises direct claims and claims from the regional mutuals is two-pronged. One component is set aside for ten-year coverage for general liability and the other is for ten-year coverage for property damages. This reserve is determined in accordance with the provisions of articles 143-14 and 143-15 of ANC Regulation no 2015-11.

Outstanding claims reserves for payments made for traffic accidents occurring as from 1 January 2013 include the annual adjustment provided for in the order of 27 December 2013 with an inflation rate of 2.25%.

The technical reserves for incapacity and invalidity benefits are calculated in accordance with Article 143-12 of ANC Regulation no 2015-11. The discount rate used is 75% of the average TME of the last 24 months.

3.1.6 - Equalisation reserve

Pursuant to Article R. 343-7.6° of the French Insurance Code, an insurance company may establish so-called equalisation reserves to cover extraordinary expenses relating to operations to guarantee risks due to natural factors, nuclear risk, risks of civil liability due to pollution, space risks, as well as risks relating to attacks, terrorism and air transport. These reserves are funded voluntarily. Groupama SA computes this reserve based on the share of risks it insures or reinsures or that is obtained through its share of the results owing to its shareholding in certain professional pools. The amounts of these provisions are indicated in Note 11.

3.1.7 - Other underwriting reserves

A reserve for unexpired risks is allocated when the estimated amount of claims (including management costs) that could be reported after the year end on policies written up before that date exceeds the reserve for unearned premiums.

The reserve for increasing risks defined in Article R. 343-7 of the French Insurance Code is the difference between the current values of the commitments taken respectively by the insurer and by the policyholders for insurance operations covering health and disability risks. This reserve concerns the reserves formed in long-term care insurance as well as those on business accepted. The amount of this provision is indicated in Note 11.

The actuarial reserves for annuities are based on the discounted values of annuities and annuity ancillaries still owed at the inventory date. This item includes the reserves set aside against direct business and supplementary reserves on inward reinsurance business.

The actuarial reserves for annuities, as determined by the regional mutuals and accepted by Groupama SA, represent the actual value of their commitments relating to annuities plus their ancillary expenses. The tables applied to assess these reserves are computed with a financial discount and are based on demographic trends.

In life and health insurance, the actuarial reserves for temporary and permanent disability annuities are determined according to Article 143-2 of ANC regulation 2015-11. The discount rate used is 60% of the average TME of the last 24 months. For disability annuities in progress, the reserves are determined by applying the maintenance and disability tables in articles 600-2 and 600-4 of the annex to ANC regulation 2015-11.

Regarding actuarial reserves for non-life annuity income, the business also incorporates the population's lengthening life expectancy. Consequently, actuarial reserves for additional non-life annuity income are posted at the balance-sheet close in order to calculate the principal to be paid to victims of bodily injury. These are now based on the TH/TF 2000-2002 mortality tables.

Pursuant to Article R. 343-5 of the French Insurance Code, a reserve for liquidity risk is allocated when investments subject to Article R. 343-10, with the exception of amortisable securities that the Company is able and intends to hold until maturity, are found to be in a situation of overall net unrealised capital loss. This reserve is intended to deal with insufficient liquidity of investments, especially when there is a change in the pace at which claims are paid. Subject to compliance with the provisions of the French Insurance Code, which allow for an extended schedule for establishing this reserve, contributions to this reserve are spread out over three years.

3.1.8 - Inward reinsurance transactions

Inward reinsurance transactions are recognised according to the terms of Groupama SA's reinsurance agreement with its regional mutuals, reinsurance treaties entered into mainly with the Group's other entities and under the professional pools.

3.1.9 - Outward reinsurance and retrocessions

Outward reinsurance, mainly to reinsurers outside the Group, on accepted risks or direct insurance is accounted for under the terms of the various treaties. They may be supplemented by estimates if the current accounts with those reinsurers are incomplete at the end of the fiscal year. The securities taken as collateral by the reinsurers (outward reinsurers or retrocessionaires) are recorded in the statement of commitments received and given.

Pursuant to the reinsurance agreement, Groupama SA makes retrocessions with regional mutuals on various risks accepted or direct insurance; those transactions are recorded pursuant to the reinsurance agreement signed between Groupama SA and the regional mutuals.

3.2 Investments

3.2.1 - Entry costs and valuation at year-end

(a) Land and buildings, shares in real-estate investment companies (SCIs)

Buildings and shares in unlisted SCIs are recorded at their purchase or cost price.

In accordance with Article 213-8 of the ANC regulation 2014-03 on the French national accounting system, acquisition expenses (transfer taxes, professional fees and registration costs, etc.) are incorporated into the acquisition cost of the shell component of the asset to which they refer.

Pursuant to Article 214-9 of ANC regulation 2014-03 on the French national accounting system, real properties are recorded by component.

The four components used by Groupama SA are the following:

- bare structure or shell;
- wind- and water-tight facilities;
- technical facilities;
- fixtures, finishings.

The lifespan and rate of amortisation of each component depend on the period of foreseeable use of the component and the nature of the real-estate property. Because the residual value of the bare structure component cannot be measured in a sufficiently reliable fashion, it is therefore not determined, and that component is amortised based on the acquisition cost.

The following table shows the amortisation periods and the percentages used by type of real-estate property:

	Residences and offices before 1945		Residences and offices after 1945		Shops		Offices or residential high-rises	
Components	**Period**	**Percentage**	**Period**	**Percentage**	**Period**	**Percentage**	**Period**	**Percentage**
Building shell	120 years	65%	80 years	65%	50 years	50%	70 years	40%
Frame, beams, columns, floors, walls								
Wind- and water-tight facilities	35 years	10%	30 years	10%	30 years	10%	30 years	20%
Roof-terrace								
Facades								
Covering								
External woodwork								
Technical facilities	25 years	15%	25 years	15%	20 years	25%	25 years	25%
Lifts								
Heating/Air conditioning,								
Networks (electrical, plumbing, etc.)								
Fixtures, finishings	15 years	10%	15 years	10%	15 years	15%	15 years	15%
Int. improvements								

The realisable value of SCI or real estate shares is equal to GSA's quota share of the revalued net assets of the said company.

The valuation is determined based on the following:

- the shareholders' equity of the property or real estate company as of 31 December;
- the capital gain or loss on fixed assets. Fixed assets are valued on the basis of five-year appraisals reviewed annually and carried out by independent appraisers.

At each closing, the valuation portion of the share (or units) is compared with the NBV of that share (or unit). A reserve for impairment is recorded where appropriate.

(b) Fixed-income securities

Bonds and other fixed-income securities under Articles R. 343-9 and R. 343-10 of the French Insurance Code are recorded at their purchase price, net of accrued interest at the time of purchase. The difference between the purchase price and the redemption value is reported on the income statement over the remaining term until the repayment date, using actuarial methods in most cases.

An amortisation of the premium or discount is recorded up to the time of transfer in the year the fixed income marketable securities are sold.

Accrued interest is recognised on the balance sheet under asset accruals.

Inflation-linked change in the redemption value of bonds that are indexed on the general price levels is posted to income.

The redemption value recorded at the close is the most recent quoted price at the inventory date. For unlisted securities, it is the market value resulting from the price that would be obtained under normal market conditions and depending on their utility to the Company.

(c) Equities and other variable-income securities (including equity securities)

Shares and other variable-income securities under Article R. 343-10 of the French Insurance Code are recorded at their purchase price excluding accrued interest.

Pursuant to the notice from the Emergency Committee of the CNC dated 15 June 2007, Groupama SA chose the accounting option allowing it to incorporate acquisition costs into the cost price of equity interests and to recognise, in its accounting, accelerated amortisation over 5 years.

The realisable value recorded at year end is:

- for listed securities, as a general rule, the last price listed on the day of the inventory;
- for unlisted securities, the market value corresponding to the price that would be obtained for them under normal market conditions and based on their utility for the Company;
- for shares of variable-capital investment companies and shares of mutual funds, the last purchase price published on the day of the inventory.

(d) Loans

Loans granted to companies belonging to the Group and to other entities are valued according to their contracts.

3.2.2 - Reserves

(a) Amortisable securities under Article R. 343-9 of the Insurance Code

Any unrealised capital losses resulting from comparing the book value, including the differences between the redemption prices (premium, discount), with the redemption value, do not necessarily carry a reserve for diminution in value. Nevertheless, a reserve for impairment is allocated when there is reason to believe that the debtor will not be able to honour his commitments, either to pay interest or to repay the principal.

(b) Real estate investments, variable-income or fixed-income securities falling under Article R. 343-10 of the French Insurance Code, loans

REAL-ESTATE INVESTMENTS

When the net carrying amount of buildings, equity shares, or shares in unlisted property or real estate companies exceeds the realisable value of these investments, a reserve for long-term impairment may be allocated. This impairment is applied on investment properties after a materiality threshold has been taken into account. It is also applied to operating properties provided that their value in use is more than 15% less than the net book value.

LISTED SECURITIES (EXCEPT EQUITY INTERESTS)

For those investments covered by Article R. 343-10 of the French Insurance Code, a line-by-line reserve for impairment may only be allocated when there is reason to deem that the impairment is long-term.

In accordance with Article 123-7 of ANC regulation 2015-11, long-term impairments of amortisable securities covered by Article R. 343-10 of the French Insurance Code that the Company can and intends to hold until maturity are analysed in terms of credit risk only. A reserve for long-term impairment is established in the event of a proven credit risk, when there is reason to believe that the counterparty will not be able to honour his commitments, either to pay interest or to repay the principal.

For amortisable securities covered by Article R. 343-10 of the French Insurance Code that the Company does not have the intention or ability to hold until maturity, long-term impairments are established by analysing all of the risks identified on this investment based on the considered holding horizon.

The long-term impairment of an investment line can be presumed in the following cases:

- there was a long-term reserve on this investment line in the previous published statement;
- the listed investment has consistently shown a significant unrecognised loss from its book value over a period of six consecutive months prior to closing;
- there are objective indicators of long-term impairment.

The recoverable amount is determined based on a multi-criteria approach that depends on the nature of the assets and the holding strategy.

◄ CONTENTS ►

In the event of long-term impairment of a security covered by Article R. 343-10 of the French Insurance Code, the amount of the impairment is the difference between historical cost price and recoverable amount.

EQUITY SECURITIES

The valuation of equity securities is based on multi-criteria methods chosen according to each particular situation (nature of assets, holding horizon, etc.).

The net book value of the equity securities of Groupama Holding Filiales and Investments (GHFP) amounts to €6,293 million. The valuation method applied to these securities is based on the intrinsic valuation of the securities of subsidiaries and participations that make up GHFP's assets.

Each entity that undergoes a valuation provides its underwriting income forecasts calculated based on an estimated increase in premium income and a change in combined ratio for the plan period. These assumptions are adapted on the basis of the objectives of each entity, past experience, and external constraints imposed by the local market (competition, regulation, market shares, etc.). Forecasts of financial income and discounted free cash flow are determined on the basis of financial assumptions (notably discount rate and rate of return).

As a general rule, the applied available future cash flows correspond:

- during an explicit period corresponding to the first years, the cash flow column is based in particular on the first three years of the Group's strategic operational planning. This is subject to a discussion process between local management and the Group;
- beyond the explicit horizon, the cash flow column is completed by a terminal value. This terminal value is based on long-term growth assumptions applied to an updated projection of normative cash flows;
- the solvency margin integrated into the business plans is valued according to the prudential rules established by the Solvency 2 directive for subsidiaries whose country is subject to this regulation. For the other entities, the solvency margin is assessed according to the applicable local regulations.

A reserve for impairment is established when the value in use at the inventory date obtained through the valuation methods described above is less than the entry cost of those securities.

LOANS

When the estimate of the recoverable value of a loan at inventory date is below its gross amount plus any accrued and unpaid interest at the end of the period, a reserve for impairment is allocated for the difference.

3.2.3 - Investment income and expenses

Financial income includes the revenue from investments received during the fiscal year (rent, dividends, coupon payments, interest on loans and current accounts).

Other investment income includes the pro-rata share in the discount on the bond redemption differences and reversals of reserves for loss in value of investments.

Other investment expenses include the percentage of appreciation on the differences in redemption of bonds, and the depreciation allowance and reserves for investments, and the percentage of overhead expenses corresponding to investment-management activities.

The capital gains or losses on marketable securities are determined by applying the first-in first-out method (FIFO), and they are recorded in the income statement.

For these same securities, a reversal is made during the year they are sold for the cumulative amortisation & impairment of the premium or discount recorded up to the date of sale.

In non-life insurance, investment income and expenses are recorded on the non-operating income statement.

A portion of financial income reverting to technical reserves is transferred to the non-life technical income statement on a basis prorated to the technical reserves and equity.

3.2.4 - Forward sale financial instruments

Forward sale financial instruments are recorded in accordance with the accounting rules of CRC regulation 2002-09. The financial Instruments held by Groupama SA as at 31 December 2017 are total return swaps used in performance strategies. Expenses and income related to total return swaps are spread on a straight-line basis over the expected duration of the strategy. Details are provided in Note 16.

3.3 Other transactions

3.3.1 - Intangible assets

Intangible assets mainly consist of:

- IT development expenses amortised over a period of 3 to 5 years by the straight-line method;
- acquired software amortised over a period of 1 to 4 years by the straight-line method;
- developed software amortised over a period of 3 or 4 years by the straight-line method.

The software carries a reserve, if necessary, to recognise an additional impairment deemed to be irreversible at the year end.

3.3.2 - Management fees and commissions

Management fees incurred by Groupama SA are recorded according to their nature within the de facto Groupama SA group; expenses pertaining to other members of the de facto group are billed back to them. They are then classified for the presentation of the financial statements according to their purpose, by applying allocation keys. These keys are determined analytically and reviewed annually according to Groupama SA's internal structure and organisation.

CONTENTS

The management costs are classified under one of the following five categories:

- claims settlement costs, which specifically include claims services expenses and claims dispute expenses;
- acquisition expenses, which factor in a part of the commissions of the regional mutuals, commissions paid for direct business and other inward reinsurance, advertising, and marketing expenses;
- administrative costs, which include a portion of the commissions of the regional mutuals and management expenses for direct business and inward reinsurance;
- investment expenses, which specifically include investment management services, including fees, commissions and brokerage commissions paid;
- other operating expenses, which include expenses that cannot be assigned directly or by applying a cost to one of the other categories.

Expenses arising from activities with no operating connection with the insurance business are reported as other non-operating expenses.

3.3.3 - Foreign currency transactions

In accordance with Article 243-1 of ANC regulation 2015-11, operational foreign currency position accounts, converted at the inventory price and the equivalent in euros, are offset against foreign exchange income.

For structural transactions, the foreign exchange difference is posted to the balance sheet in unrealised foreign exchange adjustment accounts.

3.3.4 - Receivables

Receivables are recorded at their face redemption value (historical cost).

They specifically include:

- for direct insurance operations (these concern non-life insurance operations in co-insurance and co-reinsurance groupings and the operations of the regional mutual of Antilles Guyane not having administrative authorisation to carry out insurance operations):
  - premiums yet to be written for policyholders,
  - premiums yet to be cancelled for policyholders,
  - premiums yet to be collected from policyholders,
  - loans or advances from co-insurers;
- for inward reinsurance operations:
  - Groupama SA's share in the premiums yet to be written, and in the premiums to be cancelled by the ceding entities (notably the regional mutuals), net of reinsurance,
  - loans or advances with the ceding entities,
  - receivables due relating to transactions accepted from the ceding entities;
- for outward transactions:
  - loans or advances to outward reinsurers,
  - income owed relating to transactions ceded to outward reinsurers;
- for the other receivables:
  - tax combination loans or advances to daughter companies,
  - receivables from government bodies and social security agencies,
  - loans or advances to various other entities,
  - other income due.

In the event of a probable loss, an impairment is recognised for the estimated amount that cannot be recovered.

3.3.5 - Tangible operating assets

The tangible operating assets account mainly includes:

- fixtures and improvements of premises;
- transportation equipment;
- office equipment;
- furniture;
- computer hardware;
- other tangible assets.

These assets are amortised using either the straight-line method or the accelerated method over the estimated useful lives, which ranges from 2 to 10 years depending on the type of asset.

3.3.6 - Accruals – Assets

The accruals accounts on the asset side are mainly composed of:

- interest accrued and income receivable;
- differences on bond-redemption prices;
- acquisition costs carried forward to future years;
- accruals related to FFIs.

3.3.7 - Reserves (other than underwriting)

Reserves (other than underwriting) are set up in accordance with the provisions of ANC regulation 2014-03 on the French national accounting system and concern risks and charges that are clearly specified when they are applicable but whose due date or amount cannot be fixed precisely.

This item also includes regulated provisions consisting mainly of accelerated amortisation on acquisition costs of equity securities.

Reserves for retirement commitments and similar obligations are measured and recognised in accordance with ANC recommendation 2013-02, the applied method being the method based on revised IAS 19 published in June 2011 with the immediate recognition of actuarial gains and losses on the income statement.

CONTENTS

3.3.8 - Corporate income tax

Groupama SA is the parent company of a tax combination group comprising 53 tax-combined entities. As such and in accordance with the provisions of Article 223 B of the French General Tax Code, Groupama SA is solely liable for the tax due by the consolidated group.

In addition, each member of the tax consolidation group (including Groupama SA as a member of the group) determines its taxable income as if it were not part of the consolidated group, *i.e.*, it determines its taxable income after deducting its own pre-consolidation losses (equivalent to statement no. 2058-A-Bis-SD). On this basis, each member entity calculates an amount of corporate tax at the rate applicable to the head company of the tax consolidation group, *i.e.*, calculated at the normal rate and increased by additional contributions (rate of 44.43%), whatever the actual amount of tax owed by the group. This amount of corporate tax is paid to Groupama SA *via* tax consolidation current accounts. Thus, each member company of the Group pays exceptional contributions to the corporate tax at the overall rate of 30% (corresponding to revenue greater than €3 billion), on its taxable income, regardless of the amount of its revenue.

The tax savings realised by the Group relating to losses are reported at the Groupama SA parent company level. They are treated as an immediate gain for the year and not as a simple cash saving.

The savings achieved by the consolidated group, not related to losses, are also retained by the parent company, with the exception of the tax savings achieved on the neutralisation of intra-group dividends between Groupama SA and the regional mutuals.

These two items are recorded in the financial statements pursuant to the provisions of notice 2005-G dated 12 October 2005 of the Emergency Committee of the Conseil National de la Comptabilité.

3.3.9 - Debts

Payables mainly consist of:

- for direct insurance operations (these concern non-life insurance operations in co-insurance and co-reinsurance groupings and the operations of the regional mutual of Antilles Guyane not having administrative authorisation to carry out insurance operations):
  - policyholders’ credit accounts,
  - commissions on premiums earned but not written,
  - advances or loans from co-insurers;
- for inward reinsurance operations:
  - advances or loans with the ceding offices,
  - payables owed for inward transactions from these ceding entities;
- for outward transactions:
  - advances or loans with outward reinsurers,
  - payables owed for inward transactions from these outward reinsurers;
- for the other payables:
  - advances or loans of a financial and operational nature with various other entities,
  - bank overdrafts,
  - taxes and social security owed.

3.3.10 -Accruals – Liabilities

Accrual accounts on the liabilities side correspond mainly to the amortisation of differences on bond redemption prices.

3.4 Change in accounting method

No change in accounting method was noted during this fiscal year.

CONTENTS

NOTE 4 INTANGIBLE ASSETS

Statement of movements during the year

(In thousands of euros)	31.12.2016	Transfers inclusions/removals	Inclusions/ contributions to amortisation	Removals/ write-backs of 31.12.2016	31.12.2017
Gross values [1]	178,355		6,491	69,613	115,234
Amortisation	165,973		6,592	68,690	103,876
TOTAL NET AMOUNTS	**12,382**		**(101)**	**923**	**11,358**

(1) Composed primarily of IT development costs.

The elimination of €70 million corresponds to the goodwill (2011 merger loss with Gan Eurocourtage), which was released with the transfer of the direct insurance portfolio to Gan Assurances.

NOTE 5 INVESTMENTS

Note 5.1 - Land and buildings

Statement of movements during the year

(In thousands of euros)	Amount as at 31.12.2016	Transfers inclusions/ removals	Inclusions during fiscal year	Removals during fiscal year	Amount as at 31.12.2017
Gross values					
Fixed assets	135,058		615		135,673
Shares of real-estate companies	362,821		3,024	2,983	362,862
Total gross amounts	**497,879**		**3,639**	**2,983**	**498,535**
Amortisation/Impairment					
Fixed assets	7,552		1,505		9,057
Shares of real-estate companies	41		4		45
Total amortisation	**7,593**		**1,509**		**9,102**
TOTAL NET AMOUNTS	**490,286**		**2,130**	**2,983**	**489,433**

Note 5.2 - Investments in affiliated companies and in companies with which there is an equity tie

Summary table

(In thousands of euros)	Amount as at 31.12.2016	GHFP transfer Removals 31.12.2017	Transfers inclusions/ removals	Inclusions during fiscal year	Removals during fiscal year	Amount as at 31.12.2017
Gross values						
Equities and similar instruments						
Affiliated companies	8,289,502	7,899,567	5,472	6,539,014	32	6,934,389
Companies with which there is an equity tie	335,975	268,300	(5,472)	29,505	90,247	1,461
Loans and receivables						
Affiliated companies	1,248,449			140,000	10,000	1,378,449
Companies with which there is an equity tie						
Cash deposits with ceding entities	44,415			956,264	2,183	998,496
Total gross amounts	**9,918,341**	**8,167,867**		**7,664,783**	**102,462**	**9,312,795**
Reserves						
Equities and similar instruments						
Affiliated companies	1,905,369	1,839,575	1,083	28,325	19,032	76,170
Companies with which there is an equity tie	59,503		(1,083)	17,283	75,703	
Loans and receivables						
Affiliated companies						
Companies with which there is an equity tie						
Cash deposits with ceding entities						
Total reserves	**1,964,872**	**1,839,575**		**45,608**	**94,735**	**76,170**
TOTAL NET AMOUNTS	**7,953,469**	**6,328,292**		**7,619,175**	**7,727**	**9,236,625**

EQUITIES AND SIMILAR INSTRUMENTS

The main movements recorded on the shares during the fiscal year relate mainly to the contribution to Groupama Holding Filiales et Participations of all the securities of subsidiaries and equity interests in France and abroad for €7,899 million. This contribution was compensated through two capital increases of GHFP for a total of €6,293 million. The other movements concern the purchase of securities of Société Française de protection Juridique for €94.1 million, and the disposal of OTP Banque securities for €90.2 million.

In addition, Groupama SA subscribed to the capital increases of Gan Assurances for €81 million, Groupama Assicurazioni for €31.7 million, Banque Postale for €29.5 million, Cofintex 17 for €25.8 million, Société Française de protection Juridique for €6.3 million, and Groupama Campus for €5.3 million.

The allowances for long-term impairment recognised on the insurance subsidiaries concern in particular Gan Bosphorus for €15.3 million, Gunes Sigorta for €17.3 million, Groupama Assigurari for €3.7 million, Groupama UK Broking Services for €2.8 million, and Groupama Campus for €1.8 million.

Provision write-backs mainly pertain to OTP Banque for €37.8 million, Gunes Sigorta for €21.5 million, Groupama Chine for €12 million, STAR for €12.6 million, Groupama Epargnes Salariale for €4.7 million, and Groupama Vietnam for €2.2 million.

LOANS

The main movements on loans and advances granted by Groupama SA concern a loan granted to Gan Assurances for €120 million and Groupama Assicurazioni for €14 million, as well as a repayment by Groupama Assigurari for €10 million.

CONTENTS

Note 5.3 - Other investments

These are investments other than those mentioned in 5.1 and 5.2, specifically other shares, bonds and mutual fund units.

Statement of movements during the year

(In thousands of euros)	Amount as at 31.12.2016	Transfers inclusions/ removals	Inclusions during fiscal year	Removals during fiscal year	Amount as at 31.12.2017
Gross values					
Fixed-income bonds and mutual funds	1,670,333		514,488	813,257	1,371,564
Variable-income equities and mutual funds	45,737			11,698	34,039
Cash mutual funds	237,708		2,566,364	2,471,435	332,637
Other	153,414		95,534	8,356	240,592
Total gross amounts	**2,107,191**		**3,176,386**	**3,304,746**	**1,978,832**
Reserves					
Fixed-income bonds and mutual funds	6,580			6,580	
Variable-income equities and mutual funds	1,888		522		2,410
Total reserves	**8,468**		**522**	**6,580**	**2,410**
TOTAL NET AMOUNTS	**2,098,723**		**3,175,864**	**3,298,166**	**1,976,422**

Inclusions and removals during the year mainly corresponded to transactions involving money-market funds.

As noted in Paragraph 3.2.2 of Note 3 on accounting principles, long-term impairment is assumed for listed, variable-return securities, particularly:

- if there was a long-term provision for an investment line in the previous published statement;
- if the investment has consistently shown a significant unrecognised loss from its book value over a period of six consecutive months prior to closing;
- there are objective indicators of long-term impairment.

For fiscal year 2017, a significant unrecognised loss from its book value is assumed if over a period of six months the security is consistently discounted at 20% off its cost price.

SOVEREIGN DEBT INSTRUMENTS OF PERIPHERAL COUNTRIES OF THE EUROZONE

Investments in bonds issued by peripheral countries of the eurozone (Spain, Greece, Ireland, Italy, and Portugal) concern only Italy:

	31.12.2017			31.12.2016		
(in thousands of euros)	Gross cost price	Sale Value	Gross unrealised capital gains/losses	Gross cost price	Sale Value	Gross unrealised capital gains/losses
ITALY	12,789	14,988	2,199	13,510	16,046	2,537

NON-SOVEREIGN DEBT INSTRUMENTS IN PERIPHERAL COUNTRIES OF THE EUROZONE

The balance sheet value of the entity's direct investments in bonds issued by companies, banks, local authorities and para-governmental organisations located in peripheral countries of the eurozone (Spain and Italy) was €10.7 million as at 31 December 2017. These securities present a gross unrealised capital gain of €1.8 million.

1 2 3 4 5 6 7

Note 5.4 - Summary table of investments

31 December 2017 *(in €K)*		Line F0501	Gross value N	Net value N	Sale Value
1.	**Property investments**				
a)	**Land and buildings**		**497,487**	**488,385**	**736,522**
i.	Undeveloped land	R0060	0	0	0
ii.	Shares of unlisted property companies	R0070	39,395	39,396	71,272
iii.	Developed properties excluding operating properties	R0080	205	111	1,190
iv.	Units and shares of unlisted real estate companies excluding operating properties	R0090	318,195	318,150	413,547
v.	Operating properties (developed properties and shares of unlisted real estate companies)	R0100	139,692	130,728	250,513
b)	**Land and buildings in progress**		**1,047**	**1,047**	**1,047**
i.	Land allocated to a building in progress	R0120	0	0	0
ii.	Properties under development	R0130	0	0	0
iii.	Units and shares of unlisted real estate companies (properties under development)	R0140	0	0	0
iv.	Fixed assets subject to property rights (loans for use)	R0150	0	0	0
v.	Operating property under development	R0160	1,047	1,047	1,047
TOTAL PROPERTY INVESTMENTS			**498,534**	**489,432**	**737,569**
2.	**Equities, units and other variable-return securities**				
a)	**Equities, units and other variable-return securities in non-equity-linked entities or affiliates**			**1,345,858**	**1,373,774**
i.	Listed equities and securities	R0210	6,804	5,877	5,882
ii.	Mutual fund shares and units holding exclusively fixed-income securities	R0190	981,592	981,592	984,069
iii.	Shares and units of other mutuals funds	R0200	358,241	357,718	383,152
iv.	Unlisted shares and securities	R0220	1,632	671	671
b)	**Equities, units and other variable-return securities in affiliates**		**6,934,389**	**6,858,219**	**10,376,064**
i.	Listed equities and securities	R0240	0	0	0
ii.	Unlisted shares and securities	R0250	6,934,389	6,858,219	10,376,064
c)	**Equities, units, and other variable-return securities in equity-linked entities**		**1,461**	**1,461**	**8,063**
i.	Listed equities and securities	R0270	0	0	0
ii.	Unlisted shares and securities	R0280	1,461	1,461	8,063
TOTAL EQUITIES, UNITS, AND OTHER VARIABLE-RETURN SECURITIES			**8,284,119**	**8,205,538**	**11,757,901**

CONTENTS

31 December 2017 *(in €K)*	Line F0501	Gross value N	Net value N	Sale Value
3. Other investment securities				
a) Other investment securities excluding investments in equity-linked entities or affiliates		**630,563**	**628,152**	**654,812**
i. Bonds, negotiable debt securities, and fixed-income securities		389,972	387,561	414,221
■ Listed bonds:		389,972	387,561	414,221
Bonds and other securities issued or guaranteed by an OECD member State	R0330	188,669	187,654	203,671
Bond and similar securities issued by securitisation special-purpose vehicles	R0340	0	0	0
Bonds, shares of mutual debt funds, and participating shares traded on a recognised market other than those referred to above	R0350	201,303	199,907	210,550
■ Unlisted bonds		0	0	0
■ Negotiable debt securities and treasury bills		0	0	0
■ Other	R0440	0		
ii. Loans		2,621	2,621	2,621
■ Loans obtained or guaranteed by an OECD member State	R0460	0		
■ Mortgage loans	R0470	0		
■ Other loans		2,621	2,621	2,621
Secured loans	R0490	2,621	2,621	2,621
Unsecured loans	R0500	0	0	0
■ Advances on policies	R0510	0	0	0
iii. Deposits with credit institutions	R0520	0	0	0
iv. Other investments		237,970	237,970	237,970
■ Deposits and guarantees	R0540	160,803	160,803	160,803
■ Receivables representing lent securities	R0550	0	0	0
■ Security deposits related to financial futures in cash	R0560	0	0	0
■ Securities provided as collateral with transfer of ownership for transactions on financial futures	R0570	77,167	77,167	77,167
■ Other	R0580	0	0	0
v. Receivables for cash deposited with ceding companies	R0590	0	0	0
vi. Receivable for the deposit component of a reinsurance contract		0		
b) Investments representing underwriting reserves related to unit-linked contracts		**0**	**0**	**0**
Real-estate investments	R0980	0	0	0
Variable-return securities other than mutual funds	R0990	0	0	0
Bonds, negotiable debt securities, and other fixed-income securities	R1000	0	0	0
Units of mutual funds holding only fixed-income securities	R1010	0	0	0
Shares in other mutual funds	R1020	0	0	0
c) Other investment securities in affiliates		**2,376,945**	**2,376,945**	**2,376,945**
i. Bonds, negotiable debt securities, and fixed-income securities		0		
■ Listed bonds and similar securities		0		
■ Unlisted bonds		0		
■ Negotiable debt instruments		0		
■ Other	R0720	0		
ii. Loans	R0730	1,378,449	1,378,449	1,378,449
iii. Deposits with credit institutions	R0740	0	0	0
iv. Other investments	R0750	0	0	0
v. Receivables for cash deposited with ceding companies	R0760	998,496	998,496	998,496
vi. Receivable for the deposit component of a reinsurance contract	R0770	0	0	0

◄ CONTENTS ►

31 December 2017 *(in €K)*	Line F0501	Gross value N	Net value N	Sale Value
d) Other investment securities in equity-linked entities		0	0	0
i. Bonds, negotiable debt securities, and fixed-income securities		0	0	0
■ Listed bonds and similar securities		0		
■ Unlisted bonds		0		
■ Negotiable debt instruments		0		
■ Other	R0900	0		
ii. Loans	R0910	0	0	0
iii. Deposits with credit institutions	R0920	0	0	0
iv. Other investments	R0930	0	0	0
v. Receivables for cash deposited with ceding companies	R0940	0	0	0
Total other investment securities		**3,007,508**	**3,005,097**	**3,031,757**
TOTAL INVESTMENTS (1)		**11,790,161**	**11,700,067**	**15,527,227**

(1) Including premium/discount.

NOTE 6 SHARE OF OUTWARD REINSURANCE AND RETROCESSIONAIRES IN TECHNICAL RESERVES

	31.12.2017				31.12.2016			
(In thousands of euros)	Pools and CDA*	Retro on inward from RMs	Other Retrocessions	Total	Outward reinsurance on direct business	Retro on inward from RMs	Other Retrocessions	Total
Reserves for unearned premiums	5,579	104		5,683	5,132	5		5,136
Reserves for claims:	198,895	530,654	324,244	1,053,793	196,543	334,383	311,171	842,097
Reserves for profit-sharing					364			364
Equalisation reserves:	1,468		2,892	4,361	1,513		2,216	3,730
Other technical reserves:	7,213	192,476		199,689	10,047	193,027		203,074
TOTAL	**213,155**	**723,235**	**327,136**	**1,263,526**	**213,598**	**527,416**	**313,387**	**1,054,401**

* *Including technical reserves related to contracts written by the Antilles-Guyane regional mutual exempt from licensing (CDA).*

◄ CONTENTS ►

NOTE 7 RECEIVABLES

	31.12.2017				31.12.2016			
	Maturity:				Maturity:			
(In thousands of euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Receivables net of impairments								
Receivables relating to direct insurance operations:	**13,349**	**3,148**		**16,497**	**21,343**	**3,147**		**24,490**
Earned premiums not written	1,924			1,924	1,018			1,018
Other receivables relating to								
direct insurance transactions:	11,425	3,148		14,573	20,325	3,147		23,472
Policyholders	1,467	3,148		4,615	1,689	3,147		4,836
Insurance intermediaries	67			67	165			165
Co-insurers	9,891			9,891	18,471			18,471
Receivables relating to reinsurance transactions:	**375,831**	**87,490**		**463,321**	**403,194**	**55,587**		**458,781**
Reinsurers	58,785	41,896		100,681	162,782	6,256		169,038
Ceding entities	317,046	45,594		362,640	240,412	49,331		289,743
Other receivables:	**164,532**			**164,532**	**171,888**			**171,888**
Personnel	293			293	612			612
Government, Social Security,	57,877			57,877	52,059			52,059
and local authorities								
Other debtors	106,362			106,362	119,217			119,217
TOTAL RECEIVABLES	**553,712**	**90,638**		**644,350**	**596,425**	**58,734**		**655,159**

Impairments on receivables amounted to €8.7 million at 31 December 2017 and concern receivables from reinsurance transactions for €4.7 million and other receivables for €4.0 million euros.

NOTE 8 ACCRUALS – ASSETS

(In thousands of euros)	31.12.2017	31.12.2016
Accrued interest not yet due	25,855	32,480
Deferred acquisition costs	3,313	3,431
Reimbursement price differences receivable		
Other accruals	104,668	24,032
TOTAL ASSET ACCRUALS	**133,836**	**59,943**

1
2
3
4
5
6
7

NOTE 9 SHAREHOLDERS' EQUITY

Capital structure

407,474,176 shares with a par value of €5.125.

Statement of movements in reserves and changes in shareholders' equity

		Allocation of 2016 income				
(in thousands of euros)	31.12.2016	Income (Loss)	Dividends	Other mvts for fiscal year	Income (Loss) for fiscal year	31.12.2017
shareholders' equity						
Share capital	**2,088,305**					**2,088,305**
Issue premiums	360,794					360,794
Merger premiums	38,805					38,805
Contribution premiums	2,147					2,147
Subtotal: Additional paid-in capital	**401,746**					**401,746**
Capitalisation reserve						
Other reserves	168,923					168,923
Subtotal: Other reserves	**168,923**					**168,923**
Retained earnings	**376,905**	**(358,447)**				**18,458**
Net income for fiscal year	**(358,447)**	**358,447**			**518,863**	**518,863**
TOTAL	**2,677,432**				**518,863**	**3,196,295**

NOTE 10 SUBORDINATED DEBT

The movements during fiscal year 2017 concern:

- the par exchange in January 2017 of a portion of the deeply perpetual subordinated instruments (TSS) issued in 2007 against a repayable subordinated note (TSR) in 2027 for €271 million;
- the call in October 2017 of the balance of the perpetual subordinated bond for €143 million;
- the exchange in January 2017 of a portion of the TSR issued in 2009 and representing a nominal value of €250 million against a new issue of TSR in euros repayable in 2027. For this exchange, the difference between the nominal amount of the new debt and the nominal amount of the exchanged debt is amortised over the duration of the new issue;
- issue of the same TSR instrument to new investors for a nominal amount of €117 million.

Following these transactions, the "Subordinated liabilities" item, which stood at €2,236.1 million at 31 December 2017, is detailed as follows:

- perpetual subordinated debt in euros issued in May 2014 at a fixed rate of 6.375% until the first call date for a nominal amount of €1,100 million, with the possibility for Groupama SA to apply an early redemption from May 2024;
- TSR issued in October 2009 at a fixed rate of 7.875%, revisable in October 2019, with a term of thirty years and a nominal value of €500 million at 31 December 2017;
- TSR issued in January 2017 for a nominal value of €650 million at a fixed rate of 6% over a period of ten years. The nominal difference remaining to be amortised at 31 December 2017 is €13.9 million.

◄ CONTENTS ►

NOTE 11 TECHNICAL RESERVES OF NON-LIFE INSURANCE

Note 11.1 - Breakdown of gross technical reserves

	31.12.2017				31.12.2016			
(In thousands of euros)	Pool et CDA [(1)]	Inward reinsurance from regional mutuals	Other inward reinsurance	Total	Direct business [(1)]	Inward reinsurance from regional mutuals	Other inward reinsurance	Total
Reserves for unearned premiums	10,166	180,101	141,347	331,614	10,464	175,103	14,286	199,852
Reserves for claims	582,581	2,559,198	1,285,533	4,427,311	313,891	2,519,224	627,770	3,460,885
Reserves for profit-sharing	0		266	266	751	0	0	751
Equalisation reserves	2,946	69,903	124,876	197,725	123,026	39,337	4,435	166,799
Other technical reserves	96,428	948,997	122,058	1,167,483	121,786	946,883	7,218	1,075,887
TOTAL	**692,120**	**3,758,199**	**1,674,080**	**6,124,400**	**569,917**	**3,680,547**	**653,709**	**4,904,173**

(1) Including technical reserves related to contracts written by the Antilles-Guyane regional mutual exempt from licensing.

MEASUREMENT OF RESERVES FOR CLAIMS INCURRED BUT NOT REPORTED (IBNR)

Outstanding claims reserves totalled €4,427 million at 31 December 2017. These reserves are valued on the basis of an actuarial approach, defined in accordance with a group methodology. By means of valuations of final costs based on payment triangles or costs (by risk segment), this method permits a determination of the sufficient amount of outstanding claims reserves (in accordance with Article R. 143-10 of ANC Regulation no 2015-11). This valuation incorporates the valuation of claims incurred but not reported and projected recoveries into its approach.

LONG-TERM CARE

The total amount of reserves relating to long-term care risk stood at €372.6 million at 31 December 2017 (including €268.2 million for the reserve for increasing risks). The actuarial reserves for annuities in service and outstanding claims reserve, covering outstanding claims, were determined based on experience data from the long-term care portfolio – law on long-term care – and a technical rate of 0.53% (75% TME). Reserves for increasing risks, covering future claims (likely present value of the commitments of the insurer and the insured) were determined on the basis of experience data from the long-term care portfolio – law on death of able-bodied people, laws on impact differentiated by product, and law on long-term care – and a technical rate of 0.90%, aiming to reflect the current financial environment. A sufficiency test of the long-term care reserves, including any anticipations of tariff revisions is conducted each year.

EQUALISATION RESERVES

Groupama SA recognised an allocation to equalisation reserves for €25.1 million at 31 December 2017.

“Equalisation reserves” also includes stability funds on group insurance policies for a total of €117.5 million at 31 December 2017 versus €119.7 million in 2016.

1 2 3 4 5 6 7

◄ CONTENTS ►

Note 11.2 - Change over the past five years in claims regulations applied since its inception and reserves for claims pending settlement

CHANGE IN ACCRUED PREMIUMS AND CLAIMS

The data presented below correspond to changes in the following portfolios:

- inward reinsurance from regional mutuals;
- direct business;
- other inward reinsurance.

	Fiscal years					
(In thousands of euros)	**2012 and earlier**	**2013**	**2014**	**2015**	**2016**	**2017**
Estimate of the claims expense:						
at end of N	20,393,150	1,671,937	1,550,777	1,329,591	1,872,609	1,927,798
at end of N+1	20,253,585	1,635,618	1,548,840	1,270,869	1,746,946	
at end of N+2	20,236,304	1,597,145	1,521,798	1,375,629		
at end of N+3	20,307,515	1,554,166	1,539,965			
at end of N+4	20,287,346	1,548,732				
at end of N+5	20,287,338					
Claims expense (a)	**20,287,338**	**1,548,732**	**1,539,965**	**1,375,629**	**1,746,946**	**1,927,798**
Cumulative claims payments (b)	**19,084,332**	**1,418,030**	**1,119,022**	**1,137,198**	**772,678**	**552,680**
Outstanding claims reserves (a)-(b)=(c) ***(net of the retained share of the CDA)***	**1,203,006**	**130,702**	**420,944**	**238,431**	**974,268**	**1,375,118**
Earned premiums	**24,145,241**	**2,272,496**	**2,158,900**	**2,182,795**	**2,195,234**	**2,640,506**
CLAIMS RATIO	**84.02%**	**68.15%**	**71.33%**	**63.02%**	**79.58%**	**73.01%**

Note 11.3 - Change in opening claims reserves

Liquidation of claims reserves gross of reinsurance

in thousands of euros	**2017**	**2016**
Opening claims reserves net of expected recoveries	3,364,014	3,120,566
Payments made during the year for previous years net of expected recoveries	(368,329)	(663,819)
Closing claims reserves net of expected recoveries	(2,953,221)	(2,317,648)
SURPLUS/DEFICIT	**42,465**	**139,099**

The opening surplus posted in 2017 on claims reserves totalled €42.5 million. It is mainly composed of a surplus on the risks accepted on the regional mutuals' portfolio for an amount of €57.6 million, partially offset by a loss of €15.1 million on other inward reinsurance.

NOTE 12 RESERVES (OTHER THAN UNDERWRITING)

(In thousands of euros)	Total reserves as at 31.12.2016	Increase in reserves during the fiscal year	Write-backs for the year	Total reserves as at 31.12.2017
Regulatory reserves	38,713		38,612	101
Reserves for pensions and similar obligations	75,337		24,747	50,590
Tax reserves				
Other contingent liabilities reserves	48,648	4,113		52,761
Other reserves for charges				
TOTAL	**162,698**	**4,113**	**63,359**	**103,452**

The "reserve (other than underwriting)" item included in liabilities of the balance sheet as at 31 December 2017 for €103.4 million particularly includes reserves for pension and similar commitments, which includes a reserve related to pension commitments for employees and former employees of absorbed subsidiaries (SMDA), and a reserve for the pension fund closed since 1997 of Groupama Insurances in the UK taken over by Groupama SA following the disposal of the subsidiary Groupama Insurances.

However, a significant part of the end-of-career benefit commitments for Groupama SA employees is outsourced mainly to Groupama Gan Vie. Non-covered retirement obligations are provisioned in a reserve for retirement commitments.

NOTE 13 LIABILITIES

	31.12.2017				31.12.2016			
	Maturity				Maturity			
(In thousands of euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Other debts								
Debts arising from direct insurance operations:	**6,259**	**55,097**		**61,356**	**7,363**	**17,014**		**24,377**
Policyholders	88			88	99			99
Insurance intermediaries	60			60	34			34
Co-insurers	6,111	55,097		61,208	7,230	17,014		24,244
Debts relating to reinsurance transactions:	**252,785**	**6,129**		**258,914**	**198,740**	**7,352**		**206,092**
Reinsurers	159,847	3,171		163,018	106,911	4,338		111,249
Ceding entities	92,938	2,958		95,896	91,829	3,014		94,843
Bonds (including convertible bonds)	**72,695**	**374,378**	**120,062**	**567,135**	**444,546**	**410,428**	**129,520**	**984,494**
Debt to credit institutions					**1**			**1**
Other liabilities:	**1,021,667**			**1,021,667**	**966,249**			**966,249**
Other loans, deposits and guarantees received	740,183			740,183	682,704			682,704
Personnel, Social Security organisations	39,047			39,047	38,088			38,088
and local authorities								
Government, Social Security	37,821			37,821	52,575			52,575
Other creditors	204,616			204,616	192,882			192,882
TOTAL	**1,353,406**	**435,604**	**120,062**	**1,909,072**	**1,616,899**	**434,794**	**129,520**	**2,181,213**

◄ CONTENTS ►

NOTE 14 ACCRUALS – LIABILITIES

(In thousands of euros)	31.12.2017	31.12.2016
Deferred amortisation on reimbursement price	5,202	20,250
Other accruals	6,800	2,719
TOTAL ACCRUED LIABILITIES	**12,002**	**22,969**

NOTE 15 ASSETS AND LIABILITIES RELATED TO AFFILIATED COMPANIES AND EQUITY-LINKED COMPANIES

Cash and receivables

	31.12.2017				31.12.2016			
(In thousands of euros)	Affiliated companies	Equity companies	Other	Total	Affiliated companies	Equity companies	Other	Total
A) Assets								
Intangible assets	10,435		923	11,358	11,459		923	12,382
Investments								
Property	362,755	61	126,616	489,432	357,447	61	132,777	490,285
Shares & other variable-income securities	6,858,219	1,461	1,345,859	8,205,539	6,384,133	276,472	1,302,424	7,963,029
Bonds & other fixed income securities			389,972	389,972			642,887	642,887
Loans	1,378,449		2,621	1,381,070	1,248,450			1,248,450
Deposits with other credit institutions								
Other investments			237,970	237,970	102,536		50,876	153,412
Receivable cash at ceding entities	957,948		40,548	998,496	10,819		33,596	44,415
Investments in unit-linked policies								
Reinsurer share of technical reserves								
Unearned premiums (non-life)	5,683			5,683	5,062		75	5,137
Prov. Claims reserves (non-life)	376,708		677,084	1,053,792	351,626		490,470	842,096
Share of earnings and dividends (non-life)					364			364
Equalisation reserves	4,361			4,361	3,730			3,730
Other underwr. reserves. (non-life)	7,295		192,395	199,690	10,143		192,931	203,074
Share of agencies exempt from approval								
Receivables from direct insurance transactions								
Of which policyholders	1,221		5,317	6,538			5,854	5,854
Of which insurance intermediaries			67	67			165	165
Of which other third parties			9,892	9,892			18,471	18,471
Receivables from reinsurance operations	186,505	291	276,526	463,322	150,174		308,608	458,782
Personnel			293	293	(12)		624	612
Government, Social Security			57,878	57,878			52,058	52,058
and local authorities								
Miscellaneous debtors	75,818	203	30,340	106,361	78,663		40,555	119,218
Tangible operating assets			12,979	12,979			11,231	11,231
Cash and equivalents		28,745	31,831	60,576	43,490		32,692	76,182
Interest & lease payments written and not due			25,855	25,855				
Deferred acquisition costs			3,313	3,313	636		2,795	3,431
Other accruals – assets	21,521		83,147	104,668	23,210		33,302	56,512
Unrealised foreign exchange adjustments								
TOTAL	**10,246,918**	**30,761**	**3,551,426**	**13,829,105**	**8,781,930**	**276,533**	**3,353,314**	**12,411,777**

Liabilities and commitments

(In thousands of euros)	31.12.2017				31.12.2016			
	Affiliated companies	Equity companies	Other	Total	Affiliated companies	Equity companies	Other	Total
B) Liabilities								
Shareholders' equity	**3,196,295**			**3,196,295**	**2,677,432**			**2,677,432**
Share capital	2,088,305			2,088,305	2,088,305			2,088,305
Other shareholders' equity	1,107,990			1,107,990	589,127			589,127
Subordinated debt			**2,236,138**	**2,236,138**			**2,263,800**	**2,263,800**
Gross technical reserves								
Unearned premiums (non-life)	327,457		4,157	331,614	198,719		1,133	199,852
Claims reserves (non-life)	3,915,241		512,070	4,427,311	3,007,571		453,314	3,460,885
Share of earnings and dividends (non-life)	266			266			751	751
Equalisation reserves	188,995		8,731	197,726			166,798	166,798
Other techn. reserves (non-life)	1,156,458		11,025	1,167,483	974,274		101,613	1,075,887
Contingent liabilities	**101**		**103,351**	**103,452**	**68,362**	**4,170**	**90,167**	**162,699**
Debts for cession. cash			**247,748**	**247,748**			**199,492**	**199,492**
Debts from direct insurance transactions								
Owed to policyholders			88	88			98	98
Owed to insurance intermediaries			60	60			34	34
Owed to other third parties			61,208	61,208			24,245	24,245
Debts from reinsurance transactions	**131,466**	**2**	**127,446**	**258,914**	**84,146**		**121,946**	**206,092**
Bond debt	**567,134**			**567,134**	**984,494**			**984,494**
Debts to credit establishments					**1**			**1**
Other debts								
Other loans, deposits and guarantees received	**577,264**		**162,919**	**740,183**	**600,326**		**82,378**	**682,704**
Personnel			**39,047**	**39,047**			**38,088**	**38,088**
Government, Social Security and local authorities			**37,821**	**37,821**			**52,574**	**52,574**
Other creditors	**165,200**	**2,974**	**36,441**	**204,615**	**135,007**	**183**	**57,692**	**192,882**
Accruals – liabilities			**12,002**	**12,002**			**22,969**	**22,969**
Unrealised foreign exchange adjustments								
TOTAL	**10,225,877**	**2,976**	**3,600,252**	**13,829,105**	**8,730,332**	**4,353**	**3,677,092**	**12,411,777**

NOTE 16 COMMITMENTS RECEIVED AND GIVEN

Commitments received

The €753.9 million of commitments received correspond mainly to:

- a contractual commitment given on 8 December 2004 in connection with the opening of a credit line of €750 million, maturing in February 2019;
- various other commitments received for €3.9 million concerning affiliated companies or equity-linked companies.

Commitments given

The €558.6 million of commitments given by Groupama SA correspond mainly to:

- commitments on unlisted funds of €17.6 million;
- a total of €80.9 million of guarantees on liabilities granted along with the sale of Groupama Seguros;
- a loan agreement to GUK Brokerage Services for €39.2 million;
- an amendment to the cash advance agreement for €31.5 million between Groupama SA and Groupama Investissements for €7.7 million;
- securities pledged to Group companies for €208 million;
- securities pledged to Allianz for €26.4 million;
- guarantees granted as part of the sale of 45% of Cesvi France to Covéa Coopérations for €0.5 million;
- various other commitments given for €1.9 million, including €0.7 million concerning affiliated companies or equity-linked companies;
- guarantees granted as part of the contribution of Groupama Banque securities to Compagnie Financière d'Orange Bank for €75 million;
- guarantees granted as part of the sale of 95% of the securities of SCI Domaine de Nalys to Financière Guigal for €2.5 million;
- guarantees granted in connection with the sale of 94% of Carole Nash shares held by GUK Booking Services to Atlanta Investment Holding A & 2 for €95.5 million;
- guarantees granted in connection with the sale of Mastercover held by GUK Booking Services to Nevada Investment Topco and Nevada Investment Holdings 7 for €3.4 million;
- guarantees granted in connection with the sale of Mastercover held by GUK Booking Services to Nevada Investment Topco and Nevada Investment Holdings 7 for €3.4 million.

The commitments received for reinsurance totalling €370.4 million include securities received as collateral from outward reinsurers and retrocessionaires and securities provided by entities reserved for joint and several guarantees.

Securities received as collateral from outward reinsurers and retrocessionaires

The amount corresponds to securities received under pledge from outward reinsurers for €272.1 million.

Sureties given by reinsured entities with joint and several guarantee

The amount corresponds to securities received from the Antilles Guyane regional mutual, of which Groupama is the substitute reinsurer, with respect to the representation of its technical reserves of €98.3 million held in custody.

Long-term financial instruments outstanding

The €494.4 million in Groupama SA's long-term financial instruments outstanding corresponds to:

- the establishment of swaps to hedge the entire issue of the Zen structured bond for €494.4 million.

Other unquantified and unlimited commitments received and given

Before or during the year, Groupama SA also granted or obtained unquantified or unlimited commitments involving notably:

- the guarantee given to Société d'Assurances de Consolidation des Retraites de l'Assurance (SACRA) for contractual obligations made by Groupama Asset Management to SACRA starting in June 2014;
- the letters of intent written by Groupama SA to the Comité des Établissements de Crédit et des Entreprises d'Investissement (CECEI) as part of the creation of Groupama Épargne Salariale and Groupama Banque;
- Groupama SA's assumption of the guarantee given by Groupama Reassurance to Sorema NA (now General Security National Insurance Company) regarding the payment of all obligations stemming from two retrocession contracts underwritten by Rampart (Le Mans Re and MMA portfolios);
- the unconditional guarantees granted by Groupama SA to Gan Assurances, which require it to supply if applicable the financial means necessary to satisfy the payment of claims relating to insurance policies signed by said companies; these guarantees were designed to improve the debt ratings of these companies and terminated during fiscal year 2012, but rights and obligations under these guarantees remain. Groupama SA is also responsible for commitments of this type given previously by the CCAMA to group entities (some of which have been divested) that have since been cancelled but for which certain rights and obligations still exist;
- the usual specific and technical guarantees (run off) upon the disposal of The Gan Company of Canada Ltd. to CGU group Canada Ltd.;
- the specific usual guarantees during the sale of Gan Eurocourtage's brokerage portfolio to Allianz;

CONTENTS

- the fundamental guarantees (authorisations, ownership of equities, position of the bank, absence of subsidiaries and equity interests) related to the contribution of Groupama Banque securities to Compagnie Financière d'Orange Bank;
- the specific guarantees (professional liability not covered by the insurance taken out, management of sums on behalf of insurers and policyholders) related to the sale of 94% of Carole Nash's debts held by GUK Booking Services (subsidiary of Groupama SA) to Atlanta Investment Holding A & 2;
- the specific guarantees (professional liability not covered by the insurance taken out, management of sums on behalf of insurers and insured) and fundamental guarantees (authorisations, ownership of securities, absence of bankruptcy) related to the sale of Mastercover held by GUK Booking Services Nevada Investments Topco and Nevada Investment Holdings 7;
- Groupama SA, a minority shareholder in an insurance entity in partnership with a credit institution, has undertaken to support the solvency of this holding for the amount of its quota share in the capital, in the event not realised to date that this holding would no longer cover its regulatory solvency needs. This commitment runs until 20 March 2018.

NOTE 17 OPERATING INCOME STATEMENT BY SOURCE

	31.12.2017				31.12.2016		
(In thousands of euros)	Pools and CDA[(1)]	Portfolio transfers	Inward reinsurance	Total	Direct Business[(1)]	Inward reinsurance	Total
Earned premiums	76,165	(30,837)	2,662,647	2,707,975	106,431	2,175,581	2,282,013
Claims expense	334,297	172,639	1,456,768	1,963,705	74,654	1,673,188	1,747,842
Charges from other technical reserves	(10,005)	36,118	(117,221)	(91,108)	4,238	(94,788)	(90,550)
Change in the equalisation reserve	184	119,893	(151,008)	(30,931)	-67	(12,101)	(12,167)
Profit sharing	0		0	0	-401	0	(401)
A - Underwriting result	**(267,953)**	**(47,465)**	**937,650**	**622,232**	**35,547**	**395,504**	**431,051**
Acquisition costs	502		317,956	318,458	2,528	227,443	229,971
Administrative costs	0		209,249	209,249	10	210,804	210,814
Other technical costs and income	(947)		153,232	152,285	(3,783)	152,385	148,602
B - Net acquisition and management expenses	**(445)**		**680,437**	**679,992**	**(1,244)**	**590,632**	**589,388**
C - Allocated investment income	**0**		**271,020**	**271,020**		**(131,699)**	**(131,699)**
D - Reinsurance result	**9,495**	**311**	**(26,810)**	**(17,004)**	**20,006**	**14,853**	**34,859**
UNDERWRITING INCOME/(LOSS) (A+B+C+D)	**(277,003)**	**(47,776)**	**555,042**	**230,264**	**16,785**	**(341,680)**	**(324,895)**

(1) Mainly the mutual exempt from licensing (Antilles Guyane) whose activities are mainly in categories 22 to 25.

NOTE 18 INVESTMENT INCOME AND EXPENSES

Type of income *(In thousands of euros)*	31.12.2017 Affiliated companies	Equity linked companies	Other origins	Total	31.12.2016 Affiliated companies	Equity linked companies	Other origins	Total
Investment income								
Investment income	498,609	2,372	18,886	519,867	167,003	6,535	26,748	200,286
Investment income	476,872	2,372		479,244	142,430	6,535		148,965
Income from real estate investments	21,596		23	21,619	24,479		21	24,500
Income from other investments	141		18,764	18,905	94		26,400	26,494
Other financial income								
Other investment income	131,337	75,784	50,201	257,322	159,540	2,539	-9,543	152,536
Profits on the sale of investments	38,514	10,010	65,614	114,138	51,152	17,336	18,253	86,741
Total investment income	**668,460**	**88,166**	**134,701**	**891,327**	**377,695**	**26,410**	**35,458**	**439,563**
Investment expenses								
Internal and external investment management costs and financial expenses	18,639	514	181,490	200,643	19,549	6,614	171,395	197,558
Other investment expenses	28,418	17,283	22,515	68,216	401,330	3,746	29,541	434,617
Losses on the sale of investments		65,557	79,537	145,094	23,662	164	16,059	39,885
Total investment expenses	**47,057**	**83,354**	**283,542**	**413,953**	**444,541**	**10,524**	**216,995**	**672,060**
NET INVESTMENT INCOME	**621,403**	**4,812**	**-148,841**	**477,374**	**-66,846**	**15,886**	**-181,537**	**-232,497**

The increase in “Investment income” comes from an increase in dividend distributions in 2017 from subsidiaries.

The items “Other investment expenses” and “Other investment income” include the net write-backs of provisions for long-term impairment of €55.4 million at 31 December 2017 compared with a net allocation of €245.9 million in 2016, as well as the repayment by Groupama Gan Vie of the compensation related to the capital gain realised in the context of the sale of the Icade security for €108.4 million.

CONTENTS

NOTE 19 OTHER NON-TECHNICAL INCOME AND EXPENSES

Other non-underwriting expenses of -€16.4 million mainly consist of general expenses broken down by budget control.

NOTE 20 EXTRAORDINARY INCOME AND EXPENSES

The extraordinary result in 2017 is an expense of -€8.8 million and mainly consists of grants paid for the financing of major programmes for the Group's entities for -€35.3 million, offset by a write-back of amortisations of acquisition costs for €38.6 million following the transfer of the securities of the subsidiaries and participations to Groupama Holding Filiales and Participations. In addition, following the end of the sailing sponsorship, an exceptional expense of -€9.8 million euros was recorded.

NOTE 21 INCOME TAX

Tax charge

(In thousands of euros)	31.12.2017	31.12.2016
Corporate income tax payable	(114,186)	(69,501)
Reserves linked to fiscal consolidation gains in year N	210,441	182,417
Other	11,086	13,249
TOTAL INCOME TAX	**107,341**	**126,165**

Specific nature and make-up of the "Corporate income tax" line

As at 31 December 2017, the "income tax" line includes a net tax credit of €107.3 million that breaks down as follows:

- tax consolidation income — €252.0 million
- tax consolidation expenses — -€30.5 million
- Group corporate tax expense — -€114.2 million

The "income tax" *item* consists of taxable income posted to individual tax income for the year from consolidated subsidiaries totalling €210.4 million.

The tax consolidation group generated a taxable income of €195.2 million subject to corporate tax at the standard rate of tax and a taxable profit of €194.1 million subject to corporate tax at the reduced rate of 0%, 15%, and 19%. As a result, the corporate income tax expense of the tax consolidation group amounted to a total of €114.2 million, or €65 million in corporate tax at the standard rate, €20.6 million for corporate tax at the reduced rate of 19%, €2.8 million for the 3.3% social contribution, and €25.7 million for the exceptional contribution and the additional contribution to the corporate tax at the overall rate of 30%.

Tax loss carry-forwards

At 31 December 2017, the consolidated group no longer had short-term carry-forwards.

Groupama SA tax audit

Groupama SA underwent a tax audit in 2010. Reserves have not been recognised for some of the adjustments considered to be excessive by the tax authorities for technical reserves for property and casualty as well as long-term care risk. Groupama SA essentially believes that the reasons behind the adjustments are highly questionable, and it thus has a technical case to make in litigation. The sums demanded in 2013 have been recorded in tax debts with an offset to income receivable from the government. This account was reduced for the carry-back then the corporate tax abatement over fiscal year 2009.

NOTE 22 BREAKDOWN OF EMPLOYEE EXPENSES

(In thousands of euros)	31.12.2017	31.12.2016
Salaries	69,721	63,720
Social Security charges	32,652	29,282
Other	1,997	4,274
TOTAL	**104,370**	**97,276**

These figures correspond to the *de facto* Groupama SA grouping after allocation to each of its constituents. In 2017, the average rate of expenses of the group kept by Groupama SA is 72.20%.

The Company receives the tax credit for competitiveness and employment (CICE) calculated in accordance with Article 244 quater C of the French General Tax Code at 7%. For fiscal year 2017, the CICE amounted to €1.3 million.

The use of this tax credit particularly permitted the financing of:

- actions to improve the competitiveness of the Company through investments relating to business prospecting, improvement of customer satisfaction, and reinforcement of technical analysis and management procedures;
- IT and process developments related to the use of new technologies;
- employee training.

NOTE 23 WORKFORCE

Personnel

(Total number)	31.12.2017	31.12.2016
Senior management	157	150
Executives	934	933
Non-managerial staff	174	174
TOTAL PERSONNEL	**1,265**	**1,257**

NOTE 24 DIRECTORS' COMPENSATION

2017 compensation paid to the Groupama SA administrative and executive bodies was respectively €294.5 thousand and €6,002 thousand. All compensation and benefits paid to Managers are detailed in section 3.4 of this registration document.

CONTENTS

NOTE 25 SUBSIDIARIES AND EQUITY INTERESTS

Information about subsidiaries and equity interests (in thousands of euros)

Detailed information about equity interests with gross amount greater than 1% of the capital of the Company's capital subject to publication:	Proportion of Capital held as at 31.12.2017	Book value of securities held as at 31.12.2017		Premium income of the last fiscal year	Income (Loss) of the last fiscal year
		Gross	Net		
Subsidiaries (more than 50% owned)					
Insurance companies:					
GROUPAMA SEGUROS DE VIDA	100.00%	92,140	55,000	47,557	620
GROUPAMA AVIC PROPERTY INSURANCE	50.00%	63,526	40,628	280,000	6,029
Other companies:					
GROUPAMA HOLDING FILIALES ET PARTICIPATIONS	100.00%	6,293,806	6,293,806	0	148,516
COFINTEX 17	87.46%	203,617	203,617	0	-26
COFINTEX 2	84.00%	222,656	222,656	0	25,891
Stakes held between 10 & 50%					
SOCIÉTÉ FORESTIÈRE GROUPAMA	43.82%	36,069	36,069	4,144	1,630
COMPAGNIE FONCIÈRE PARISIENNE	32.75%	312,422	312,422	24,944	52,815

NOTE 26 INFORMATION CONCERNING SUBSIDIARIES AND EQUITY INTERESTS

Overall information on all subsidiaries and equity interests *(in thousands of euros)*	Book value of securities held		Total loans and advances granted	Total guarantees and surety given	Total dividends collected(1)
	Gross	Net			
Subsidiaries:					
French	6,755,972	6,754,448	10,131	290	114,546
Foreign	174,859	105,135	0	1,204	0
Equity interests:					
French	359,609	356,957	3,682	0	21,152
Foreign	463	168	0	0	0

(1) Including SCI results

NOTE 27 CONSOLIDATION

Groupama SA prepares:

- consolidated financial statements incorporating all of its subsidiaries;
- combined financial statements incorporating the regional mutuals with which a combination agreement has been signed.

The consolidated and combined financial statements are prepared in accordance with International Financial Reporting Standards and applicable interpretations as approved by the European Union.

6.4 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

(Year ended 31 December 2017)

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

Mazars
Tour Exaltis
61, rue Henri Régnault
92400 Courbevoie

Dear Shareholders,

OPINION

In compliance with the assignment entrusted to us by your General Meeting, we performed an audit of the annual financial statements of Groupama for the fiscal year ended 31 December 2017, as attached to this report.

We certify that, in accordance with French accounting rules and principles, the annual financial statements are truthful and in order and present a fair picture of the operating profits and losses for the past fiscal year as well as the Company's financial situation and assets at the end of said fiscal year.

The above opinion is consistent with the content of our report to the Audit and Risk Management Committee.

BASIS OF THE OPINION

Audit reference standard

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities according to these standards are described in the section "Responsibilities of the statutory auditors relating to the audit of the annual financial statements" of this report.

Independence

We conducted our audit in accordance with the rules of independence applicable to us, over the period from 1 January 2017 to the issue date of our report. In particular, we did not provide any services prohibited by Article 5, paragraph 1, of regulation (EU) no. 537/2014 or by the professional Code of ethics for statutory auditors.

JUSTIFICATION OF THE ASSESSMENTS – KEY POINTS OF THE AUDIT

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the key points of the audit relating to the risks of material misstatement that, in our professional judgement, were the most significant for the audit of the annual financial statements for the fiscal year, as well as our responses to these risks.

These assessments contributed to the audit of the annual financial statements, taken as a whole, and to the formation of our opinion expressed above. We do not express an opinion on items in these annual financial statements viewed in isolation.

CONTENTS

Valuation of equity securities (Please refer to notes 3.2.2 and 5.2 to the annual financial statements)

Identified risk	Implemented procedures
Equity securities, shown on the balance sheet at 31 December 2017 for €9,237 million, represent one of the largest items of assets. They are initially recognised at their historical cost of acquisition, including costs, minus a provision for long-term impairment where appropriate. The valuation of equity securities is based on multi-criteria methods chosen according to each particular situation (nature of assets, holding horizon, etc.). The techniques used by management to value these securities thus include a significant amount of judgement in the choice of methodologies, assumptions, and data used. Due to the materiality of the equity securities and the sensitivity to management's choice of methodologies and calculation parameters, we considered the proper valuation of equity securities as a key audit point.	In order to assess the reasonableness of the valuation estimate of the equity securities held by Groupama SA, our work consisted in particular in: ❯ Analysing the assumptions and methods underlying the valuation of the subsidiaries, in particular: ▪ compare the growth rates to infinity used in the valuation models to the average growth rates observed in the countries in which Groupama operates for similar activities, ▪ assess the reasonableness and coherence of the business plans based on historical evidence, our knowledge of the entities, the market in which they are positioned, and macroeconomic factors that may affect these forecasts, ▪ assess the discount rates compared with the customary rates used on the market based on a sample of listed European insurers considered comparable with the Company in terms of activity, size, and geographical area, ▪ assess, with the help of our teams of actuaries, the method for calculating the capital cost in accordance with the European Solvency 2 standard used for valuing equity securities.

Assessment of outstanding claims reserve (Please refer to notes 3.1.5 and 11.1 to the annual financial statements)

Identified risk	Implemented procedures
Reserves for claims, appearing on the balance sheet at 31 December 2017 for €4,427 million, represent one of the greatest liabilities. They correspond to unpaid benefits, both in principal and incidentals (management fees), and also include an estimate of the benefits payable, unknown or late. The estimate of technical reserves is valued on the basis of an actuarial approach, using ultimate cost valuations based on payment triangles or expenses (depending on the risk segments). This valuation also incorporates the valuation of delinquent claims. It requires the exercise of management's judgement in selecting the actuarial models to be used, the calculation assumptions to be used, and the related management cost estimates. Given the relative weight of these provisions in the balance sheet, the importance of management's judgement and the variety and complexity of the actuarial methods used, we considered the valuation of these provisions as a key point of the audit.	In order to assess the reasonableness of the estimate of the amount of the outstanding claims reserve, we implemented the following procedures, using our actuaries: ❯ review the design and test the effectiveness of the key controls related to claims management and the determination of these provisions; ❯ assess the relevance of the methods used to estimate the provisions; ❯ assess the appropriateness of the relative actuarial assumptions used for the calculation of provisions,Reconcile the data used as a basis for estimating provisions with accounting; ❯ conduct a review of the outcome of the previous year's accounting estimates; ❯ independently assess from the Company's data these provisions in certain business segments and assess their reasonableness.

Evaluation of the reserve for increasing risks (Long-term care) (Please refer to notes 3.1.7 and 11.1 to the annual financial statements)

Identified risk	Implemented procedures
For insurance operations on risks of loss of autonomy, a reserve for increasing risks is established to cover the temporary differences existing between the period of application of the cover and its financing by insurance premiums. This provision is made prospectively, comparing the future commitments of the insurer and those of the policyholder. The regulations do not specify all the parameters to be used for the calculation of this reserve. At 31 December 2017, the reserve for increasing risks amounts to €268.2 million gross of reinsurance. We considered this topic as a key point of the audit due to the sensitivity of the calculation of the reserve for increasing risks to the choice of the key assumptions that require a significant degree of judgement from management: › discount rate; biometric laws developed based on observation and analyses based on portfolio data.	We conducted a critical review of the procedures for implementing the methodology for determining the reserve for increasing risks and implemented, in particular, the following audit procedures, with the help of our actuaries: › examine the design of the actuarial model to verify that it does not contain any anomalies that could distort the amount of the provision calculated through, in particular, the assessment of the internal control environment and the re-run of the calculation independently, on the basis of a sample; › assess the consistency of the key assumptions used to determine the provision, which includes: ▪ The principles and methodology for determining the discount rate, ▪ The relevance of the methodology for determining biometric laws and their adequacy for the portfolio.

VERIFICATION OF THE MANAGEMENT REPORT AND OTHER DOCUMENTS PROVIDED TO SHAREHOLDERS

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French law.

Information given in the management report and other documents sent to shareholders on the financial position and the annual financial statements

We have no matters to report as to the fair presentation and the consistency with the annual financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Report on corporate governance

We certify that the report of the Board of Directors on corporate governance contains the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code relating to compensation and benefits received by corporate officers and any other commitments made in their favour, we have verified their consistency with the annual financial statements, or with the underlying information used to prepare these annual financial statements and, where applicable, with the information obtained by your company from companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of shareholders and holders of voting rights has been properly disclosed in the management report.

INFORMATION RESULTING FROM OTHER LEGAL AND REGULATORY REQUIREMENTS

Designation of the statutory auditors

We were appointed statutory auditors of Groupama SA by the General Meeting of 25 June 1999 for PricewaterhouseCoopers Audit and 12 September 2000 for Mazars.

At 31 December 2017, PricewaterhouseCoopers Audit was in the 19th year of its mission without interruption, and Mazars was in its 18th year.

RESPONSIBILITIES OF MANAGEMENT AND MEMBERS OF THE CORPORATE GOVERNANCE BODY CONCERNING THE ANNUAL FINANCIAL STATEMENTS

Management is responsible for preparing annual financial statements presenting a true and fair view in accordance with French accounting rules and principles and implementing the internal controls that it deems necessary for the preparation of annual financial statements free of any material misstatements, whether they due to fraud or error.

In connection with the preparation of the annual financial statements, Management is responsible for assessing the Company's ability to continue its operations; providing information on matters relating to the continued operations, where this is relevant; and for preparing financial statements based on a going concern basis, unless Management intends to wind up the Company or discontinue operations.

The Audit and Risk Management Committee is responsible for following the process of preparing financial information and for monitoring the effectiveness of internal control and risk management systems, as well as, where applicable, internal auditing, as regards the procedures relating to the preparation and processing of accounting and financial information.

These annual financial statements have been approved by the Board of Directors.

RESPONSIBILITIES OF THE STATUTORY AUDITORS RELATING TO THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Audit objective and approach

It is our responsibility to prepare a report on the annual financial statements. Our goal is to obtain reasonable assurance that the annual financial statements taken as a whole do not contain any material misstatements. Reasonable assurance is a high level of assurance but is not a guarantee that an audit performed in accordance with the professional auditing standards will always detect any material misstatement. Misstatements may arise as a result of fraud or error and must be regarded as being material if it can reasonably be expected that they, individually or in the aggregate, will affect the financial decisions made by users of the financial statements on the basis of the financial statements.

As specified by Article L. 823-10-1 of the French Commercial Code, our role of certifying the financial statements is not to guarantee the viability or the quality of the management of your company.

As part of an audit performed in accordance with the professional auditing standards applicable in France, the statutory auditor uses professional judgement throughout this audit. In addition:

- the statutory auditor identifies and assesses the risks that the annual financial statements contain material misstatements, whether due to fraud or error, and defines and implements audit procedures for such risks and collects evidence considered sufficient and appropriate to serve as the basis of its opinion. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting a material misstatement due to error, as fraud may involve conspiracy, forgery, deliberate omission, misrepresentation, or non-observance of internal controls;
- the statutory auditor obtains an understanding of the internal controls of relevance to the audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the internal controls;
- the statutory auditor assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as the information concerning them provided in the annual financial statements;

- the statutory auditor assesses whether the accounting convention of going concern applied by the management is appropriate, according to the collective information, whether there is any material uncertainty related to events or circumstances likely to call into question the Company's ability to continue its operation. This assessment is based on the evidence collected up to the date of its report. However, subsequent circumstances or events could jeopardise the continuity of operations. If the statutory auditor concludes that there is significant uncertainty, it draws the attention of readers of its report to the information provided in the annual financial statements about this uncertainty or, if this information is not provided or is not relevant, it formulates a qualified certification or a refusal to certify;
- the statutory auditor assesses the overall presentation of the annual financial statements and whether they reflect the underlying transactions and events so as to give a true and fair view.

Audit and Risk Management Committee

We submit a report to the Audit and Risk Management Committee, which outlines the scope of the audit work and the work programme implemented, as well as the conclusions of our work. Where appropriate, we also inform it of significant weaknesses of internal control that we identified with respect to the procedures relating to the preparation and processing of accounting and financial information.

Among the items disclosed in the report to the Audit and Risk Management Committee are the risks of material misstatement that we consider to have been the most important for the audit of the annual financial statements for the year and that therefore constitute the key points of the audit, which it is our responsibility to describe in this report.

We also provide the Audit and Risk Management Committee with the declaration provided for in Article 6 of Regulation (EU) no. 537-2014 confirming our independence, within the meaning of the rules applicable in France as laid down in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the Code of ethics of the profession of statutory auditor. Where appropriate, we discuss with the Audit and Risk Management Committee any risks to our independence and the safeguarding measures applied.

Neuilly-sur-Seine and Courbevoie, 19 March 2018

The statutory auditors

PricewaterhouseCoopers Audit	Mazars	
Christine Billy	Pascal Parant	Nicolas Dusson

7

LEGAL INFORMATION

7.1 COMPANY INFORMATION

7.1.1 IDENTIFICATION

The Company was founded on 11 December 1987 for a period of 99 years, *i.e.*, until 11 December 2086.

It is registered with the Paris Trade and Companies Register under number 343 115 135.

7.1.2 CURRENT STATUTORY PROVISIONS

Note that the Company's articles of association do not provide for stricter conditions than the law for the modification of shareholder rights, which can therefore only take place under legal conditions.

In addition, a proposal will be presented to the Combined General Meeting of 7 June 2018 to convert the company into a national agricultural reinsurance mutual and therefore adopt new articles of association, the text of which will be appended to the resolutions.

7.1.2.1 Form (Article 1)

The Company, which under French law is a *société anonyme*, is governed by current and future legislative and regulatory provisions and by these articles of association.

7.1.2.2 Purpose (Article 2)

The Company's corporate purpose is as follows:

- activities involving insurance and co-insurance against risks of any kind, excluding life insurance and capitalisation;
- reinsurance of regional or départemental agricultural insurance and reinsurance companies and mutuals, in accordance with the provisions of the Insurance Code;
- the substitution of agricultural insurance and reinsurance companies and mutuals exempt from administrative approval, for the establishment of guarantees provided for by insurance regulation and the execution of insurance commitments assumed by such companies or mutuals, pursuant to Article R. 322-132 of the Insurance Code;
- the reinsurance of all insurance or reinsurance companies, of any corporate form, having their headquarters in France or abroad;
- engaging in any activities involving cession, retrocession or compensation of the risks it insures or reinsures;
- being the central body of the network of agricultural insurance and reinsurance companies (hereinafter "mutuals") within the meaning of Article L. 322-27-1 of the Insurance Code. In this capacity, it is particularly responsible for:
  - ensuring the cohesion and proper operation of the network,
  - ensuring the application of the legislative and regulatory provisions relating to the organisations within the network,
  - exercising administrative, technical and financial control over the organisation and management of the organisations within the network,
  - setting the strategic guidelines for the network, issuing any appropriate instructions in this regard and ensuring their actual implementation,
  - also taking all necessary measures to ensure solvency and compliance with the commitments of each of the organisations within the network and of the entire Group;
- facilitating and promoting the business and development of the mutuals and the entire Group,
- holding interests in France and abroad, specifically in insurance, reinsurance, banking, financial services and related activities.

And, more generally, any financial, commercial, manufacturing, civil, real-estate or property-related transactions that might relate directly or indirectly to its corporate purpose and any similar or related purposes.

7.1.2.3 Name (Article 3)

The Company's name is the following: Groupama SA.

7.1.2.4 Headquarters (Article 4)

Its headquarters are located at 8-10, rue d'Astorg - 75008, Paris.

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

7.1.2.5 Duration (Article 5)

The Company's duration is 99 years as of the date of its registration with the Trade and Companies Register, except in the case of early dissolution or renewal.

7.1.2.6 Contributions (Article 6)

Contributions to the Company may be made in cash or in kind.

a) Upon the Company's founding, shareholders contributed, in cash, a total of two hundred and fifty thousand (250,000) francs, corresponding to the par value of the 2,500 shares of one hundred (100) francs each, which were fully subscribed and paid on subscription.

b) On 23 November 1990, the Extraordinary General Meeting resolved to increase the par value of the Company's shares to 1,000 francs.

The same meeting resolved to increase the Company's share capital from two hundred and fifty thousand (250,000) francs to three billion, five hundred and forty-seven million (3,547,000,000) francs.

c) On 14 December 1993, the Extraordinary General Meeting resolved to increase the Company's capital to four billion, five hundred and sixty-five million (4,565,000,000) francs.

d) By authorisation of the Extraordinary General Meeting of 14 February 1995, the Board of Directors, at its meeting on 14 February 1995, resolved to increase the Company's share capital from four billion, five hundred and sixty-five million (4,565,000,000) francs to five billion, two hundred and forty-five million, three hundred thousand (5,245,300,000) francs, through the issue of six hundred and eighty thousand, three hundred (680,300) cash shares.

e) The Extraordinary General Meeting of 28 June 1996 resolved to increase the Company's share capital from five billion, two hundred and forty-five million, three hundred thousand (5,245,300,000) francs to five billion, three hundred and twenty-seven million, six hundred and four thousand (5,327,604,000) francs, through the issue of eighty-two thousand, three hundred and four (82,304) shares issued at the price of 1,215 francs, *i.e.*, with an issue premium of 215 francs per share.

f) By authorisation of the Extraordinary General Meeting of 16 April 1998 and a decision of the Board of Directors of 9 July 1998, the Company's capital was increased from five billion, three hundred and twenty-seven million, six hundred and four thousand (5,327,604,000) francs, to sixteen billion, five hundred and eighty-five million, six hundred and sixteen thousand (16,585,616,000) francs, through the issue of eleven million, two hundred and fifty-eight thousand and twelve (11,258,012) cash shares.

g) The Extraordinary General Meeting of 24 July 2000 resolved to reduce its capital by 8,624,520,320 francs by reducing the par value of each share from 1,000 francs to 480 francs.

h) The Extraordinary General Meeting of 12 September 2000 resolved to divide the par value of the shares by three, thus reducing the par value of each share from 480 francs to 160 francs.

i) With the General Meeting deliberating on an extraordinary basis on 29 June 2001, it was resolved to convert the Company's share capital to euros by converting the par value of the shares in accordance with the official conversion rate. It was resolved to round the par value of each share up from €24.3918427579 to €24.5. Consequently, the Company's share capital was increased by €5,381,563.46 from €1,213,661,212.54 to €1,219,042,776.

j) With the merger-absorption of Groupama Finance, pursuant to Article L. 236-11 of the French Commercial Code dated 28 June 2002, the assets of that Company were transferred. The net value transferred, €119,155,061, was not subject to compensation.

k) The Extraordinary General Meeting of 28 June 2002 resolved to increase the share capital by a total of €12,699,060.50, from €1,219,042,776 to €1,231,741,836.50, following the merger-absorption of Groupama Réassurance.

l) On 28 June 2002, the share capital was increased by a total of €8,035,485.50, from €1,231,741,836.50 to €1,239,777,322 following the merger-absorption of Gan SA.

m) With the merger-absorption of Groupama Assurances et Services, pursuant to Article L. 236-11 of the French Commercial Code dated 25 June 2003, the Company's assets were transferred. The net value transferred, €278,092,450, was not subject to compensation.

n) The Extraordinary General Meeting of 18 December 2003 successively resolved to:

- reduce the share capital by €1,239,271,290.44, from €1,239,777,322 to €506,031.56, by reducing the par value of the shares from €24.50 to €0.01, to clear a portion of the losses carried forward;
- increase the share capital by €72,755.36, from €506,031.56 to €578,786.92, by creating 7,275,536 shares of €0.01 each, following the transfer by the CCAMA of all items relating to the operation of its business involving reinsurance of the regional mutuals and administration of the Group's Equity Management Division; the proceeds of the transfer and the correlating capital increase were confirmed by the Board of Directors, which met on the same day after the EGM;
- increase the share capital by €1,185,934,399.08, from €578,786.92 to €1,186,513,186, by increasing the par value of the shares by €20.49 to a total of €20.50, through the incorporation of a total of €297,429,134.92 to be withdrawn from the "Other reserves" account, and a total of €888,505,264.16 from the "Issue, merger, and transfer premiums" account.

o) With the merger-absorption of Groupama International, pursuant to Article L. 236-11 of the French Commercial Code, the assets of that company were transferred. The net value transferred, €1,200,002,263.81, was not subject to compensation.

p) By authorisation of the Extraordinary General Meeting of 25 May 2011 and a decision of the Board of Directors dated 25 November 2011, the Company's capital was increased from €1,186,513,186 to €1,686,569,399 with the issue of 97,571,944 cash shares.

q) By authorisation of the Extraordinary General Meeting of 18 June 2015 and a decision of the Board of Directors dated 26 January 2016, the Company's capital was increased from €1,686,569,399 to €2,088,305,152 with the issue of 78,387,464 cash shares.

7.1.2.7 Share capital (Article 7)

The share capital is set at a total of €2,088,305,152. It is divided among 407,474,176 shares of €5.F125 each, fully paid-in and all of the same category.

7.1.2.8 Change in the share capital (Article 8)

The share capital may be increased, reduced, or amortised in accordance with current laws and regulations.

7.1.2.9 Form of the shares (Article 9)

The shares are registered.

Share ownership corresponds to their registration in the name of the holder or holders in the accounts maintained for this purpose by the Company under the conditions and in accordance with the methods prescribed by law.

At the shareholders' request, a registration certification will be issued thereto by the Company.

7.1.2.10 Transfer of shares – Approval clause (Article 10)

Shares may only be transferred to third parties and Groupama SA by account-to-account transfer.

The sale of Groupama SA shares to a third party in any way whatsoever is subject to approval by the Board of Directors ruling by a two-thirds majority of members present or represented.

In the event of a sale to a third party, the request for approval, indicating the buyer's corporate name or identity, the number of shares envisaged in the sale and the price offered, is to be submitted to the Company by registered letter with return receipt.

Approval is in the form either of a notification, or the absence of response within three months after the request.

In the event that Groupama SA fails to approve the proposed buyer within three months after the notification of refusal, the Board of Directors is required to acquire the shares either from a shareholder, or from a third party, or, with the consent of the seller, from Groupama SA within the framework of a capital reduction in accordance with Article 8.

Failing an agreement between the parties, the price of the shares is set under the conditions stipulated in Article 1843-4 of the Civil Code. For purposes of the appraisal report, either party may abandon the transaction provided that it informs the other party thereof within fifteen days of the filing of the report from the designated appraiser. Abandonment by the seller shall be construed as abandonment of the planned sale by operation of law.

If the purchase is not completed at the expiry of the three-month period after the notification of refusal, approval of the buyer is considered as given, unless the seller has abandoned its plan to sell. However, this period may be extended by legal decision at the request of Groupama SA.

In the event of an acquisition and with a view to settling the transfer of ownership of the shares in favour of the buyer or buyers, the seller will be asked by the Board of Directors to sign the corresponding transfer order within the period that has been set.

In the event that a third party is approved, the sale may occur under the specific pricing conditions indicated in the request for approval and no later than within three months after the date the approval was obtained. Failing that, this approval shall be null and void.

Transfers of shares for the purpose of allowing a Director to carry out their appointment are not covered by these provisions.

7.1.2.11 Rights and obligations corresponding to the shares (Article 11)

In addition to voting rights, each share allows entitlement to a share in the profits and in the proceeds of liquidation of the corporate assets, in proportion to the number of existing shares.

Whenever it is necessary to own several shares to exercise any right whatsoever, individual shares or those in a number lower than that required will give no right to their owners against the Company, as in this case the shareholders will be required to assume personal responsibility for consolidating the necessary number of shares.

7.1.2.12 Board of Directors (Article 12)

(a) Membership of the Board of Directors

The Company is administered by a Board of Directors made up of two categories of Director:

- Directors appointed by the Ordinary General Meeting of shareholders.

  They are a minimum of nine (9) and a maximum of eighteen (18).

  The Directors are appointed by the Ordinary General Meeting for a term of office of six (6) years.

  If a Director is appointed to replace another, they will only exercise their duties during the remaining term of office of their predecessor;
- Directors elected by Company employees.

  The status and methods of election of these Directors are set by Articles L. 225-27 to L. 225-34 of the French Commercial Code, as well as by these articles of association.

  They are two (2) in number, including one management representative.

  Under no circumstances can their number exceed one third of the number of Directors appointed by the General Meeting.

  They are appointed for four (4) years.

Regardless of their method of appointment, the duties of a Director will end at the end of the Ordinary General Meeting approving the corporate financial statements for the fiscal year just ended, held in the year when their term of office expires.

Any outgoing member may be re-elected. The age limit for exercising the duties of Director is set at the seventieth (70th) birthday, with a member of the Board of Directors to be deemed as officially resigning upon completion of the Ordinary General Meeting in the year of his sixty-ninth birthday.

Each Director must own at least one (1) share for the entire duration of his term of office.

(b) Conditions for the election of employee Directors

For each vacant seat on the Board, the method of ballot counting is as provided for in the legal provisions.

The elections may take place over the Internet.

In all cases or for any reason whatsoever, should the number of seats of elected Directors actually filled fall below two before the normal expiry of these Directors' term of office, the vacant seats will remain vacant until such expiry date and until then, the Board of Directors will continue to meet and carry out valid business.

Elections are held every four (4) years, such that a second round may be held no later than fifteen days before normal expiry of the term of office of the outgoing Directors.

The date of the 1st ballot round must be posted at least six weeks before. The list of voters must be posted at least five weeks before the date of the 1st round.

The deadlines for other electoral operations, for each ballot round, are as follows:

- candidates are to file at least four weeks before the balloting date;
- the lists of candidates are to be posted at least two weeks before the balloting date;
- the documents needed for voting by mail, where applicable, are to be posted at least two weeks before the balloting date.

Candidates or lists of candidates may be nominated either by one or more representative trade unions, or by one-twentieth of the voters or, if their number is greater than two thousand, by one hundred voters.

The balloting will be carried out on the same dates on all of the company's sites at the workplace and during business hours.

Each voting office consists of three voter members, chaired by the eldest of them. They are responsible for the successful outcome of the voting activities.

Ballots will be counted in the voting office immediately after the close of balloting; the report will be prepared upon completion of the counting.

The reports are immediately transferred to the headquarters of the Company, where an office will be established to consolidate the results with a view to preparing the summary report and announcing the results.

Directors elected by company employees will assume office during the meeting of the Board of Directors held after the Ordinary General Meeting approving the financial statements for the fiscal year just ended.

The conditions for balloting not defined by Articles L. 225-27 to L. 225-34 of the French Commercial Code, or by these articles of association, are set by Executive Management after consultation with the representative trade unions.

7.1.2.13 Organisation and deliberations of the Board (Article 13)

(a) Chairman of the Board of Directors

The Board of Directors will elect a Chairman from among its individual members and will set the Chairman's compensation and term of office, which may not exceed that of their term as Director.

If the acting Chairman attains the maximum age of 70 set for their term of office as Director, their duties will terminate upon completion of the Ordinary General Meeting held in the year of their sixty-ninth birthday.

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

(b) Vice-Chairman

The Board of Directors may appoint from among its members a Vice-Chairman, whose duties, in the event of the Chairman's impediment, consist of convening and chairing Board meetings, as well as chairing the General Meeting.

(c) Meetings of the Board of Directors

The Board of Directors will meet as often as the Company's interest so requires, whenever convened by the Chairman, at the corporate headquarters or any other location indicated by the notice to meet.

In the event of the Chairman's impediment, the Board of Directors may be summoned either by the Vice-Chairman, or by at least one third of its members or, if a Director, by the Company Chief Executive Officer.

Directors may be convened by letter or by any other means. In any event, the Board may at all times carry out its business lawfully if all members are present or represented.

(d) Deliberations of the Board of Directors

Meetings of the Board are chaired by the Chairman of the Board of Directors or by the Vice-Chairman, and failing this, by a Director appointed for this purpose at the start of the meeting.

Each Director may give one of their colleagues power of attorney to represent them, but each Director may only represent one of their colleagues and each power of attorney may only be given for a specific Board meeting. The presence of at least half the members of the Board is, in all cases, necessary for the Board to deliberate lawfully.

The Chief Executive Officer will attend Board meetings.

A representative of the works council will attend Board meetings under the conditions set by current law.

At the initiative of the Chairman of the Board of Directors, the statutory auditors or other parties outside the Company with specific competence relating to items on the agenda may attend all or part of a Board meeting.

Resolutions will be passed by a majority vote of members present or represented. In the event of a tie, the Chairman of the meeting shall have the casting vote.

The duties of Board Secretary will be performed by a member of the Board appointed by the Chairman.

Under the conditions provided for by law, the internal bylaws may provide that meetings may be held by video-conferencing or by any method of telecommunication. In accordance with the legal and regulatory provisions and within the limits so stipulated, Directors who participate in Board meetings by video-conferencing or any method of telecommunication are deemed as present for purposes of calculating *quorum* and majority.

The Chairman of the Board of Directors or, in their absence, the party convening the meeting, will inform the individuals invited of the media to be used for the meeting.

Minutes shall be kept, and copies or extracts shall be issued and certified in accordance with the law.

7.1.2.14 Authority of the Board of Directors (Article 14)

The Board of Directors sets the Company's business strategy and oversees its implementation. Subject to the powers expressly assigned to the General Meeting and up to the limit of the corporate purpose, it deals with any issues involving the smooth running of the Company and settles the matters concerning it through its deliberations.

The following decisions are subject to the prior approval of the Board of Directors:

- amendments and the annual implementation of the reinsurance agreement with the regional or départemental mutuals and the agreement on security and solidarity plans;
- any issues of securities, irrespective of the type, that may result in a change in the share capital;
- any significant operations that may affect the Group's strategy and its business scope;
- the methods for implementing the solidarity plan pursuant to the agreement on security and solidarity plans;
- termination of the agreement on security and solidarity plans at the initiative of Groupama SA.

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

The following operations are also subject to approval by the Board of Directors if any of the categories below exceeds a unit amount set by the Board of Directors:

- taking or disposing of any interests in any companies created or to be created, subscribing to any issues of equities, stocks or bonds, excluding the insurance investment business and cash operations;
- acquiring or disposing of any properties, excluding the insurance investment business;
- granting pledges on corporate property;
- taking out any loans, excluding cash operations carried out with companies that have capital ties to the Company, either directly or indirectly.

The Board may resolve to create committees responsible for investigating or reviewing issues that it or its Chairman submit, upon notification, for their review.

The Board of Directors is authorised to prepare internal bylaws intended to set the rules of functioning for the corporate bodies that are not covered by the articles of association.

7.1.2.15 Compensation paid to the members of the Board of Directors (Article 15)

Board members may receive compensation in the form of Directors' fees, the total amount of which, as set by the General Meeting, is distributed by the Board among the beneficiaries in such proportions as it deems appropriate.

Extraordinary compensation may be allocated to Directors by the Board of Directors, in the cases and under the conditions set by law.

7.1.2.16 Executive Management of the Company (Article 16)

The Company's Executive Management is assumed by either the Chairman of the Board of Directors, or another individual appointed by the Board of Directors and bearing the title of Chief Executive Officer.

The choice between these two methods of undertaking Executive Management is to be made by the Board of Directors under the conditions of Article 13 of the articles of association.

Shareholders and third parties are to be informed of this choice pursuant to current provisions.

The Chief Executive Officer is vested with the broadest powers to act on behalf of the Company under any and all circumstances. They will exercise this authority within the scope of the corporate purpose and subject to such constraints as the law expressly attributes to shareholder Meetings and the Board of Directors. They will represent the Company with respect to third parties.

The Board of Directors sets the duration of the duties of the Chief Executive Officer, which may not exceed either that of the division between the duties of Chairman and Chief Executive Officer, or that of their term of office as Director. The Board will also set the compensation of the Chief Executive Officer.

Upon the recommendation of the Chief Executive Officer, the Board of Directors can appoint an individual to assist the Chief Executive Officer, with the title of Deputy Chief Executive Officer. Their authority will be set by the Board of Directors in agreement with the Chief Executive Officer.

The Board of Directors shall also set their compensation.

No one aged 65 or older may be appointed Chief Executive Officer or Deputy Chief Executive Officer. If the Chief Executive Officer or Deputy Chief Executive Officer reaches the age of 65, their duties will terminate upon completion of the next Ordinary General Meeting approving the financial statements for the fiscal year just ended.

7.1.2.17 Agreements (Article 17)

The provisions of Articles L. 225-38 to L. 225-43 of the French Commercial Code apply to agreements entered into directly or *via* an intermediary, between the Company and its Chief Executive Officer, one of its Delegated Executive Officers, one of its Directors, one of its shareholders holding a fraction of voting rights greater than the threshold set by current regulation or, in the case of a company shareholder, its controlling company under the terms of Article L. 233-3 of the French Commercial Code.

7.1.2.18 Non-voting Board members (Article 18)

At the proposal of the Board of Directors, the Ordinary General Meeting may appoint non-voting Directors, who may not exceed six in number.

In the event of a vacancy of one or more non-voting Director positions due to death or resignation, the Board of Directors may accept provisional nominations, subject to approval by the next Ordinary General Meeting.

Non-voting Board members, who are chosen from among or outside the body of shareholders by virtue of their competence, will form an association.

They are appointed for a period of six years to end upon completion of the meeting approving the financial statements for the fiscal year just ended and held within the year during which their terms of office expire.

The Ordinary General Meeting may, under all circumstances, revoke one or more non-voting Board members and undertake to replace them, even if such revocation does not appear on the agenda.

Non-voting Directors are to be invited to meetings of the Board of Directors and shall take part in the deliberations in an advisory capacity. However, their absence shall not prevent the meeting from deliberating lawfully.

7.1.2.19 Statutory auditors (Article 19)

Control is exercised by one or more acting statutory auditors appointed and exercising their duties in accordance with the law.

7.1.2.20 General Meetings (Article 20)

General Meetings are convened and shall deliberate under the conditions set by law.

Meetings are held at the corporate headquarters or at any other location defined in the notice convening the meeting.

Any shareholder may attend General Meetings in person or by proxy upon proof of identity and ownership of his shares in the form of registration in his name on the books of the Company, as of the second business day preceding the General Meeting, at midnight Paris time.

shareholders may be represented only by their spouse or the partner with whom he or she has entered into a civil partnership agreement or by another shareholder.

Corporate shareholders may participate in the meetings through their legal representatives or any other party appointed for that purpose by the latter.

shareholders may participate in the General Meetings by video conference or any method of telecommunication authorised by current provisions, under the conditions set therein and when the summons so provides.

Meetings are to be chaired by the Chairman of the Board of Directors or, in their absence, the Vice-Chairman or a Director appointed for this purpose by the Chairman of the Board of Directors.

The duties of teller are to be fulfilled by the two members of the meeting present and accepting who have the largest number of votes.

The meeting officers will appoint the secretary, who may be chosen from outside the shareholders.

An attendance sheet will be prepared under the conditions provided for by law.

In all General Meetings, the voting right attached to shares containing a right of usufruct is to be exercised by the usufruct holder.

Copies or extracts of the meeting minutes are to be certified as valid by the Chairman of the Board of Directors, a Vice-Chairman, or the meeting secretary.

7.1.2.21 Deliberation of the meetings (Article 21)

Ordinary and Extraordinary General Meetings, ruling under the conditions of *quorum* and majority stipulated by the provisions respectively governing them, will exercise the powers attributed to them by law.

A voting right double that conferred on shares by the law, with regard to the proportion of share capital they represent, is to be allocated to all fully paid-up shares, for which nominative registration will be justified after at least two years in the name of the same shareholder either of French nationality or originating from a Member State of the European Union.

7.1.2.22 Fiscal Year (Article 22)

The fiscal year will have a duration of twelve months. It will begin on 1st January and end on 31 December of each year.

7.1.2.23 Allocation of profit or loss (Article 23)

The financial statement summarising revenue and expenses for the year will show, by difference, the profit or loss for the year, after deducting amortisations and provisions.

Distributable earnings are set in accordance with the law.

The General Meeting may withdraw any amounts it deems appropriate from these earnings, to be allocated to any accounts containing reserves, funds carried forward, or funds for distribution.

7.1.2.24 Methods of paying dividends - Interim dividends (Article 24)

The General Meeting is authorised to grant each shareholder, for all or part of the dividend distributed or interim dividends, an option between payment of the dividend or interim dividends in cash or in shares, subject to the legal conditions.

A request for payment of the dividend in shares or interim dividends must be made in accordance with the conditions set by law.

The methods of paying dividends in cash or in shares are set by the General Meeting or, failing this, by the Board of Directors.

The Board of Directors may approve the distribution of an interim dividend, under the conditions set by law.

7.1.2.25 Dissolution - Liquidation (Article 25)

Except in the case of an extension approved by the Extraordinary General Meeting, the Company shall be dissolved on expiry of the term set by the articles of association. Dissolution may also occur at any time by decision of the Extraordinary General Meeting.

The Meeting governs the method of liquidation and appoints one or more receivers and defines their authority. The receivers shall exercise their duties in accordance with the law.

Except in the case of a merger, split, or consolidation of all shares, the Company's expiry or dissolution, for any reason whatsoever, will result in its liquidation.

7.1.2.26 Disputes (Article 26)

Any disputes that might occur between the Company and shareholders, or between the shareholders themselves regarding corporate affairs, during the lifetime of the Company or upon its liquidation, will be subject to the jurisdiction of the competent courts.

7.1.3 INTERNAL BYLAWS OF THE BOARD OF DIRECTORS

The purpose of the internal bylaws is to define or supplement certain regulatory and statutory provisions concerning the functioning of the Board of Directors and the Executive Management and to define the rights and obligations of the Directors. Each Director, by accepting their term of office, agrees to abide by these internal bylaws. In the case of any corporate Directors, these regulations apply to the legal entity as well as individually to its individual representative.

On 12 December 2013, the Company's Board of Directors updated the internal bylaws in order to detail the rights and obligations of the central body and to incorporate adaptations regarding governance.

They will be modified as a result of the company's conversion.

7.1.3.1 Operation of the Board of Directors

(a) Purpose of the Board of Directors

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

Within the framework of the powers conferred on the central body referred to in Article L. 322-27-1 of the Insurance Code, the Company's Board of Directors is responsible for the following in particular:

- ensuring and taking any necessary measures to achieve the cohesion and proper operation of the network of agricultural insurance and reinsurance companies or mutuals referred to in Article L. 322-27-2 of the Insurance Code (hereinafter "network");
- setting the strategic guidelines for the network;
- ruling on the dismissal of any Chief Executive Officer as well as the collective dismissal of members of the Board of Directors of an organisation within the network in the cases provided for in Article L. 322-27-2 of the Insurance Code. Under these circumstances, the Board of Directors provisionally appoints the individuals responsible for assuming their duties until the election of new Board members.

The Board is assisted by technical committees in performing its tasks.

(b) Committees of the Board of Directors

The Board of Directors' committees have no power themselves and their responsibilities neither reduce nor limit the powers of the Board. They are responsible for enlightening the Board of Directors in certain areas. In accordance with Article R. 225-29 of the French Commercial Code, the Board of Directors decided to create within itself an Audit and Risk Management Committee, a Compensation and Appointments Committee and an Agreements Committee. Details of the duties, membership and functioning of each of these committees are attached to this regulation (Appendices 1 to 3). The Board of Directors is responsible for ensuring the proper operation of the committees. The Board of Directors may also create *ad hoc* committees charged with studying specific issues as they arise.

(c) Membership of the Board of Directors

The Board of Directors must consist of Directors with the skills, experience, independence of mind and a willingness to become involved in the Company's business. These Directors are appointed to serve the interests of the Company.

The Board's membership must ensure impartiality in its deliberations. In addition to Directors representing the controlling shareholder and Directors elected by corporate employees, the Board will consist of at least three (3) external Directors who do not have any direct or indirect relationship with the Company and/or companies of the Group to which the Company belongs (Independent Directors).

Status of Independent Director

A Director is considered independent when they maintain no relationship of any kind whatsoever with the Company, its Group or its management, which might compromise the exercise of their freedom of judgement.

The classification of independent Director must be discussed by the Compensation and Appointments Committee and reviewed each year by the Board of Directors prior to the publication of the annual report. The Board of Directors shall inform the shareholders of the findings of this assessment at the General Meeting called to nominate the Company Directors or to approve appointments made by nominations by the Board of Directors.

Moreover, the Board must also annually verify the individual status of each Director with regard to the status of independent Director and report its findings in the annual report.

It is assisted in this by the Compensation and Appointments Committee.

(d) Non-voting Board Members

Pursuant to Article 18 of the Company's articles of association, the General Meeting of shareholders may appoint one or more non-voting Company Directors, up to a maximum of six.

All obligations of the Directors under the terms of this Article shall apply to the non-voting Directors, in particular when the obligations result from provisions applicable only to Directors (whether these provisions derive from the law, from decrees or from regulations, specifically those of the French Financial Markets Authority (AMF - Autorité des Marchés Financiers).

(e) Notice convening meetings – holding of Board of Directors' meetings

The Board of Directors will meet at least four times per year when convened by its Chairman or by any party to whom the Chairman delegates this task. If the Board has not met for more than two (2) months, at least one third of the Board members may request the Chairman to convene a meeting for a specific agenda. Notices convening meetings shall be made by letter, telegram, telex, fax or e-mail, or verbally and may be sent by the General Secretary. The Chief Executive Officer may also request that the Chairman convene the Board for a specific agenda.

A draft schedule of meetings is to be prepared no later than December, for the following year.

Directors may ask the Chairman to invite the Company's principal administrative officers to meetings of the Board of Directors or committee meetings to question them on any issues relating to the exercise of their duties. The Board is to vote on the basis of a majority of members present and represented, on the attendance and hearing of these officers. Minutes of the Board of Directors or committee meetings will summarise the discussions that took place.

(f) Provisions specific to the holding of Board meetings by video conference or any method of telecommunication

Directors who participate in Board meetings by video conference or any other method of telecommunication, in accordance with the legal and regulatory provisions and within the established limits, are deemed to be present for purposes of calculating a *quorum* and majority.

These methods must have technical characteristics that guarantee effective participation in the Board meeting and must allow the continuous broadcast of its deliberations.

However, participation in Board meetings by video conference is not possible for ruling on the following decisions:

- appointment, compensation and dismissal of the Chairman, Chief Executive Officer and Deputy Chief Executive Officer;
- preparation of the annual financial statements and management report;
- preparation of the consolidated and combined financial statements and management reports.

(g) Secretarial duties of the Board of Directors

The secretarial duties of the Board of Directors are to be fulfilled by the General Secretary of Groupama SA.

(h) Attendance record and minutes

In accordance with the law and current regulations, an attendance record is to be maintained, which is to be signed by the Directors participating in the Board meetings, indicating the names of the Directors deemed present under the terms of Article L. 225-37 of the French Commercial Code.

The minutes will report the discussions as fully as possible.

1
2
3
4
5
6
7

Copies or extracts of the minutes of the discussions are to be certified as valid by the Chairman, the Chief Executive Officer, the Deputy Chief Executive Officer, the Director temporarily assigned to the duties of meeting Chairman, the Secretary of the Board, or a legal representative authorised for this purpose.

(i) Assessment of the Board of Directors

In a report attached to the management report, the Chairman will describe the conditions for preparing and organising the Board's tasks, internal control procedures and the limits of its powers, if applicable.

To allow for preparation of this report, at least once per year, during one of its meetings, the Board of Directors will dedicate a point on its agenda to a discussion of its operation.

The Compensation and Appointments Committee is responsible for ensuring the proper application of the recommendations resulting from the assessment of the Board of Directors and its committees and for submitting regular reports to the Board.

7.1.3.2 Rights and obligations of Directors

(a) Submission of the articles of association and internal bylaws

Before accepting their duties, all Directors must be familiar with the laws and regulations relating to their duties. A copy of the Company's articles of association and of these internal bylaws will be submitted to them upon entering into office. The Board will provide for updating of the internal bylaws to take into consideration any legal and regulatory changes as well as any changes to local practice.

(b) Training

If necessary, Directors and members of specialist committees may receive additional training on the specific nature of the Company and its subsidiaries, the Group's operating methods, its core activities and its business lines.

(c) Participation in Board and committee meetings

A Director must dedicate the necessary time and effort to their duties. They must undertake faithfully to attend meetings of the Board and committees of which they are a member and actively participate in their respective work.

If they feel that any decision of the Board of Directors is likely to harm the Company, a Director must undertake to clearly express their opposition and to use every means possible to convince the Board of the relevance of their position.

(d) Loyalty and conflicts of interest

The Director has an obligation of loyalty to the Company. They must not under any circumstances act in their own interest against that of the Company.

Directors undertake not to seek or accept from the Company or the Group, directly or indirectly, benefits likely to be considered as compromising their independence of analysis, judgement and action. They must also reject any direct or indirect pressure, which might be applied on them and which might originate from other Directors, specific groups of shareholders, creditors, suppliers and any third party in general.

To this end, prior to signing, they undertake to submit to the Board of Directors, as well as to the Agreements Committee, in accordance with the procedure described in Appendix 3, any agreements corresponding to Article L. 225-38 of the French Commercial Code.

Moreover, it is forbidden for Directors to:

- acquire a stake or responsibility in any unlisted Company in which the Company or the Group, directly or indirectly holds a share, in any capacity other than as a group representative;
- acquire a stake or responsibility in any unlisted Company that has a contractual relationship with the Company or the companies of the Group.

They are to ensure that their participation on the Board is not the source of any conflict of interest for them or the Company, both personally and by reason of the professional interests they represent. In the event of a specific conflict of interest relating to a specific dossier, the Director in question will report it in full and in advance to the Board of Directors; they will be required to abstain from participating in Board discussions and decision-making on this point (in that event they are excluded from calculation of the *quorum* and of the vote).

In the event of any question, Directors may consult the General Secretary, who will guide them on the application of these principles.

They may also consult a person outside the Group, who will function under the terms of a mandate granted by the General Secretary and whose name, address and telephone number shall be sent to the Directors by the General Secretary.

(e) Rights and obligations of Directors with regard to information

The Company Chairman, Chief Executive Officer or Deputy Chief Executive Officer must send each Director any documents and information necessary for fulfilment of the Board's duties, *i.e.*, making decisions for which it is competent and control of the administration exercised by management.

Preparation for Board meetings

The Chairman, Chief Executive Officer or Deputy Chief Executive Officer will seek to communicate to the Directors no later than three days prior to any meeting, except in the case of an emergency or extraordinary circumstances, a work file including all necessary documents and information, to allow the Directors to participate in Board discussions in a knowledgeable manner and to make a useful contribution to discussion points on the agenda.

In the absence of information or in the event that the information communicated is deemed to be incomplete, the Directors will request that the Chairman, Chief Executive Officer or Deputy Chief Executive Officer provide information they believe to be essential to their participation in the Board of Directors meetings.

Ongoing information

Outside of Board meetings, the Chairman, Chief Executive Officer or Deputy Chief Executive Officer is required to communicate to Directors, insofar as they are aware thereof, information and documents needed to perform their duties, as long as they are not hindered by business secrecy, as Directors have an obligation of confidentiality.

Requests for documents and information from Directors are to be sent to the General Secretary, who will forward them to the Chief Executive Officer and the Deputy Chief Executive Officer. The list of documents requested by Directors is to be included as an *item* on the agenda of the next meeting of the Board of Directors; this list is to be included in the minutes of such meeting.

For reasons of confidentiality, the Chairman, Chief Executive Officer or Deputy Chief Executive Officer may deem it preferable to make the requested documents available to Directors at the Company's headquarters.

If they believe the information request exceeds the responsibilities of the Director or is likely to raise a situation of conflict of interest, the Chairman, Chief Executive Officer or Deputy Chief Executive Officer, after having so informed the Director in question, may consult the Chairman of the Audit and Risk Management Committee for their advice, prior to any response.

(f) Personal shares

It is desirable that each Director hold at least one (1) share.

(g) Accumulation of terms of office

Candidates for the offices of Director are required to inform the Board of Directors of any positions of Director, Chairman, Chairman of the Board of Directors, Chief Executive Officer, member of the Supervisory Board and Management Board, Chairman of the Management Board or sole Chief Executive Officer, which they may hold in other companies with registered corporate secretaries in France, to allow the Board of Directors, assisted by the Compensation and Appointments Committee, to verify that the candidates, if elected, meet the accumulation conditions provided for by French law.

Directors are required to inform the Board of their appointment as Director, Chairman, Chairman of the Board of Directors, Chief Executive Officer, member of the Supervisory Board and Management Board, Chairman of the Management Board and sole Chief Executive Officer in companies with corporate headquarters in France within five days of their nomination.

Within one month after the close of the fiscal year just elapsed, Directors are also required to communicate the list of positions they have occupied during the year just elapsed with a view to preparing the management report.

(h) Duty of secrecy: confidential information

Directors, as well as any party called upon to attend all or part of the meetings of the Board of Directors and committees, are subject to an obligation of discretion as to the progress and content of the discussions. Specifically, Directors must maintain secrecy with regard to information corresponding to the definition of financial information, or other information likely to be of interest to third parties and specifically Company or Group competitors, or confidential information and data. They undertake not to use for personal purposes, and not to disclose outside the obligations of their position, any confidential information.

(i) Prevention of the risk of insider trading

This paragraph contains the rules of professional ethics intended to prevent the risk of insider trading, with regard to financial transactions made by Directors, which involve listed companies or the securities of listed companies, whenever Directors, in the exercise of their functions, hold or have access to inside information involving those companies or securities.

Legal and regulatory framework

The applicable legal and regulatory framework comes from the Monetary and Financial Code and the General Regulations of the AMF (Autorité des Marchés Financiers).

The mechanisms in place are for the most part based on the principle that all inside information concerning a company or a traded security, which is not known to the public and which may significantly influence the trading price of that security, must be kept strictly confidential and may not be used or communicated to place orders, directly or indirectly, on the stock market, on either one's own behalf or on behalf of others.

Failure to comply with the rules in this matter is punishable by law (prison term or fine).

The General Regulations of the AMF contain similar prohibitions, violation of which will expose the offender to financial penalties that shall not exceed €1.5 million or ten times the amount of any profits that may be made.

Significant changes to laws and regulations shall be made known to the Directors by a note from the General Secretary.

Definitions

WHO MAY BE CONSIDERED AN "INSIDER"?

Any person who, as part of their functions, has access to inside information regarding the outlook or position of a listed company or the securities of a listed company.

WHICH SECURITIES ARE AFFECTED?

Any financial instrument traded on a regulated market: shares or other rights that grant or may grant access, directly or indirectly, to share capital or voting rights, debt securities, mutual fund shares or units, or forward financial instruments.

WHAT IS "INSIDE INFORMATION"?

Specific information that has not been made public, which involves, directly or indirectly, one or more issuers of financial instruments (hereinafter called "listed companies") or one or more financial instruments (hereinafter called "securities") and which, if it were made public, would be likely to have considerable influence on the prices of those securities or the prices of the securities tied to them.

Information is considered to be specific if it mentions a set of circumstances or an event that has happened or is likely to happen, when it is possible to conclude from the information the effect that those circumstances or that event could have on the prices of the securities in question.

This information, were it to be made public, could have considerable influence on the prices of the securities in question and could be used by a reasonable investor as one of the foundations of their investment decision (buy, sell or hold).

WHAT INFORMATION OR EVENTS MAY BE CONSIDERED AS CONSTITUTING INSIDE INFORMATION?

This includes, among other things:

- earnings (or estimated earnings), and changes thereto that are higher or lower than announced forecasts;
- mergers, acquisitions, public offerings, joint ventures, disposals or changes in assets, acquisitions of interest, major partnerships;
- major new products or changes involving customers or suppliers (such as the acquisition or loss of a customer or a major contract);
- major litigation, investigations or proceedings conducted by the audit authorities;
- a one-time event linked to the business, which may have a significant effect on earnings;
- events affecting the securities of the issuer (failure to repay debt, early redemption, buyback programmes, division of par value or shares, modifications of dividends, changes to the rights of holders of securities, public or private sales of additional shares).

This list is not exhaustive; other information may be considered as privileged depending on the circumstances.

WHEN MAY INFORMATION BE CONSIDERED AS NOT PUBLIC?

Information is not public when it has not been disclosed through, for example:

- an official press release, news service or mass-circulation daily newspaper;
- an official document filed with a control authority (such as the registration document filed with the AMF);
- the Internet;
- documents sent to shareholders (annual report or information prospectus).

Applicable rules

It is likely that Company Directors will receive inside information about listed companies, *e.g.*, when a partnership, merger/acquisition or investment stake is being examined.

Listed companies in which the Group holds a strategic investment are especially affected.

CONFIDENTIALITY

It is the duty of any Director having access, as part of their functions, to inside information relating to a listed company or the securities of a listed company to keep this information confidential.

They are forbidden to disclose this information outside the normal framework of their functions or for reasons other than those related to why the information was disclosed to them.

In the event that the Director in question should need to divulge this information to another person in the Group or a third party for the purpose of exercising their functions, they undertake to do so only after they have informed this person or third party that the information is confidential and that they are required to comply with the rules applicable to persons who have inside information.

TRADING OF SECURITIES

For as long as the inside information is not made public, the Director having such information as part of his functions for a listed company or listed security is forbidden to:

- use the inside information that they have, to acquire or dispose of, or attempt to acquire or dispose of, on either their own behalf or on behalf of others, directly or indirectly, the securities tied to that information or any securities to which those securities are tied;
- recommend to another person that they acquire or dispose of, or have another person acquire or dispose of, the securities tied to that information or securities to which those securities are tied, based on the inside information.

(j) Compensation

The compensation of Directors is to be set by the Board at the proposal of the Compensation and Appointments Committee. The rules for the distribution of Directors' attendance fees are defined in the report from the Chairman to the Board of Directors, attached to the management report.

When a Director participates by phone in a regularly scheduled meeting of the Board of Directors or one of its committees, they receive no Directors' fees. However, if they participate by telephone in an exceptional meeting of the Board of Directors or a committee not scheduled in advance or that was called as an emergency, they receive a Directors' fee at the reduced rate set by the Board of Directors.

7.1.3.3 Executive Management

Within the framework of the powers conferred to the central body, the Executive Management is responsible for taking any necessary measures for the cohesion and proper operation of the network and thus, in particular, must:

- represent the organisations within the network with the French banking regulator (ACPR);
- ensure the application of the legislative and regulatory provisions specific to the organisations within the network;
- organise audit and control duties within the network;
- ensure that retrocessions of organisations that it reinsures are sufficient to guarantee their solvency and compliance with their commitments, report to the Board of Directors and propose any necessary measures;
- issue, under the conditions set out in the agreement on security and solidarity plans entered into between the Company and the organisations within the network, any useful instructions for engaging in the business of the organisations within the network and ensure their effective implementation;
- implement the organisation of the internal control programme as well as the risk management policy;
- approve the appointment of the Chief Executive Officers of the organisations within the network, under the conditions set out in the agreement on security and solidarity plans.

7.1.3.4 Appendices to the internal bylaws of the Board of Directors

Appendix 1

Audit and Risk Management Committee

PURPOSE OF THE COMMITTEE

The purpose of the Audit and Risk Management Committee is as follows:

- to analyse the mid-year and annual financial statements distributed by the Company upon preparation of the accounts, and provide greater detail on certain items prior to their presentation to the Board of Directors;
- to ensure the relevance and permanence of the accounting principles and methods applied;
- to study changes and adaptations to the accounting principles and rules;
- to verify the accounting treatment of any significant action carried out by the Company;
- to examine the scope of consolidation of the consolidated companies and, as applicable, the reasons for which certain companies are not included therein;
- to examine significant off-balance sheet commitments;
- to review the financial investment policy and assets/liabilities management;
- to examine forecasts in advance and monitor their realisation by identifying the major gaps;
- to monitor the statutory audit by the statutory auditors of the annual financial statements and the consolidated and combined financial statements;
- to ensure that the internal data collection and control procedures guarantee the quality and reliability of the Company's accounts;
- to monitor the process of preparation of the financial information; to check, before publication, all accounting and financial information documents issued by the Company;
- to manage the procedure for selecting the statutory auditors, review their activity schedule and their recommendations, prepare a notice on the total fees requested for performing the legal audit assignments, and monitor the independence of the statutory auditors. To this end, the committee may ask to be notified of the fees paid by the Company and its Group to the statutory auditors and their respective networks;
- to receive the reports of the statutory auditors;
- to receive reports upon request, on any subjects falling within its competence, from the Group's financial and accounting management;
- to monitor the effectiveness of the systems of internal control and risk management systems, and to assess their consistency, particularly with regard to ethics compliance; to assess the internal auditing work and the annual report on internal control;
- to monitor the risk management policies, procedures and systems and, within this context, to review in particular the risk governance scheme, the Group risks policy, internal control policies, adverse scenarios, the Group's major risks, the Business Continuity Plan and the report on anti-money laundering activities and combating the financing of terrorism;
- to review external growth transactions, by verifying firstly that the proposed transaction is in keeping with the strategy defined by the Group and secondly, the profitability of the project and its impact on the overall financial balance of the Group as well as disposal operations;
- and, in general, to prepare the work of the Board of Directors, support its decision-making and inform or even alert it when necessary.

MEMBERSHIP

The Audit and Risk Management Committee consists of a minimum of three (3) and a maximum of six (6) members appointed by the Board of Directors, chosen from among the Directors and non-voting Directors. At least one (1) of the committee members must be independent and chosen from among the Directors external to the Company if the committee has three members; the number of independent members must be at least two (2) if the committee has five (5) or more members. The committee cannot include the Chairman of the Board of Directors among its members. If the committee has three (3) members, at least one (1) committee member must by training and experience have a good understanding of financial statements and the accounting principles used by the Company, the ability to evaluate the general application of these principles, experience in the preparation, audit, analysis and evaluation of financial statements of a complexity comparable to those of the Company, good understanding of internal control procedures and the committee's functions, and, if possible, training or experience in insurance.

The committee is chaired by an independent Director. However, the committee may reserve the right to appoint, as a transitional measure, a Chairman chosen from among the Directors representing the controlling shareholder.

The terms of office of committee members coincide with their terms as Director or non-voting member. The committee appoints its own Chairman. The Groupama SA General Secretary serves as Committee secretary.

OPERATION

Internal organisation of the committee

The Audit and Risk Management Committee meets as often as deemed necessary and at least twice a year prior to the examination of the annual and mid-year financial statements by the Board of Directors. Members are convened by the Committee Chairman or two of its members. The Chairman of the Board of Directors, Chief Executive Officer or Deputy Chief Executive Officer may also request that the Chairman convenes the Audit and Risk Management Committee on a specific point.

Meetings of the committee are considered valid when at least half its members are in attendance. A committee member cannot be represented.

Minutes of the meeting will be prepared, recording the agenda and the discussions held between committee members. The Committee Chairman or a member of the committee appointed for this purpose will report the committee's opinions and recommendations to the Board of Directors for the purposes of its deliberations.

The committee is required to prepare an activity report on the fiscal year just ended, which it will submit to the Board of Directors within three (3) months after the close of the said fiscal year.

Exceptional cases

Depending upon the agenda, the Committee Chairman:

- may convene any person of the Group likely to offer the committee relevant and useful clarifications for a proper understanding of an issue;
- must exclude from its discussions non-independent members of the committee for the assessment of points likely to pose ethical problems or conflicts of interest.

Methods of working

Members of the Audit and Risk Management Committee will benefit, as of their nomination, from information on the Company's accounting, financial, and operational details.

The time frames for examination of the accounts by the Audit and Risk Management Committee must be sufficient (at least two days prior to the assessment by the Board of Directors). For the purposes of its examination of the accounts, the committee will receive a memorandum from the statutory auditors highlighting the essential points not only of the results, but also of the accounting options applied, as well as a note from the Chief Financial Officer describing the exposure to risks and the Company's significant off-balance sheet commitments.

Appendix 2

Compensation and Appointments Committee

PURPOSE OF THE COMMITTEE

The purpose of the Compensation and Appointments Committee is as follows:

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

MEMBERSHIP

The Compensation and Appointments Committee consists of a minimum of three (3) and a maximum of five (5) members appointed by the Board of Directors and chosen from among the Directors and non-voting Directors. At least one (1) of the committee members must be chosen from among the Company's Independent Directors.

The terms of office of committee members coincide with their terms as Director or non-voting member. The committee appoints its own Chairman. The Groupama SA General Secretary serves as Committee secretary.

The committee is chaired by an independent Director. However, the committee may reserve the right to appoint, as a transitional measure, a Chairman chosen from among the Directors representing the controlling shareholder.

OPERATION

Internal organisation of the committee

The Compensation and Appointments Committee will meet as often as is deemed necessary and at least once a year prior to approval of the agenda of the annual General Meeting, to examine the draft resolutions to be submitted thereto concerning the positions of members of the Board of Directors and, as applicable, of non-voting Directors, and prior to the assessment by the Board of Directors of the compensation of the Chairman, Chief Executive Officer and Deputy Chief Executive Officer. Members are convened by the Committee Chairman or two of its members. The Chairman of the Board of Directors, Chief Executive Officer, or Deputy Chief Executive Officer may also request that the Committee Chairman convenes the Compensation and Appointments Committee on a specific point.

Meetings of the committee are considered valid when at least half its members are in attendance. A committee member cannot be represented.

Minutes will be prepared of the meeting, noting the agenda and the discussions held between committee members. The Committee Chairman or a member of the committee appointed for this purpose will report the committee's opinions and recommendations to the Board of Directors for the purposes of its deliberations.

The committee is required to prepare an activity report on the fiscal year just ended, which it will submit to the Board of Directors within three (3) months after the close of the said fiscal year.

Exceptional cases

Depending upon the agenda, the Committee Chairman may convene any person of the Group capable of offering the committee relevant and useful clarification as to the proper understanding of an issue.

Appendix 3

Agreements Committee

PURPOSE OF THE COMMITTEE

The purpose of the Agreements Committee is as follows:

- to prevent any potential conflict of interest between the regional mutuals and Groupama SA and its subsidiaries, which is likely to result from their business relationships. In this context, the committee continuously checks, based on defined significance thresholds, to ensure the agreements are legally sound and ensure that the corporate interests of Groupama SA are respected;
- to analyse any agreement signed under the conditions mentioned in Article L. 225-38 of the French Commercial Code, including those signed between the Company and one of its non-voting Directors or with the company that controls one of its shareholders (having a proportion of voting rights above 10%) as defined in Article L. 233-3 of the French Commercial Code.

  In this context, the committee must submit a report to the Board of Directors for each of these agreements, specifically regarding its purpose, its amount and its principal conditions, and draw its conclusions in particular as to the applicable procedure (prior authorisation or communication by the Chairman to members of the Board of Directors and the statutory auditors, provided that it involves agreements corresponding to current operations entered into under normal conditions under the terms of Article L. 225-39 of the Commercial Code).

  The committee will also report to the Board of Directors on the status of these agreements;
- to analyse any and all agreements between the regional mutuals and Groupama SA and its subsidiaries and, more specifically, to ensure that the terms of compensation and distribution of risk among the entities of the two divisions – mutual insurance and equity management – are in compliance with market practice;
- to analyse the conditions for application of the reinsurance agreement between Groupama SA and the regional mutuals.

MEMBERSHIP

The Agreements Committee consists of a minimum of three (3) and a maximum of five (5) members appointed by the Board of Directors, chosen from among the Directors and non-voting Directors. At least one (1) of the committee members must be independent and chosen from among the Directors external to the company, on the understanding that independence is determined in accordance with the criteria listed by the AFEP-MEDEF task force. The committee cannot include the Chairman among its members.

The terms of office of committee members coincide with their terms as Director or non-voting member. The committee appoints its Chairman from among the Independent Directors. The Groupama SA General Secretary serves as Committee secretary.

OPERATION

Internal organisation of the committee

The Agreements Committee will meet as often as it deems necessary and at least once a year to assess the reinsurance agreement. Members are convened by the Committee Chairman or two of its members. The Chairman, Chief Executive Officer or Deputy Chief Executive Officer may also request that the Chairman convenes the Agreements Committee on a specific point.

Meetings of the committee are considered valid when at least half its members are in attendance. A committee member cannot be represented.

Minutes of the meeting will be prepared, recording the agenda and the discussions held between committee members. The Committee Chairman or a member of the committee appointed for this purpose will report the committee's opinions and recommendations to the Board of Directors for the purposes of its deliberations.

The committee is required to prepare an activity report on the fiscal year just ended, which it will submit to the Board of Directors within three (3) months after the close of the said fiscal year.

Exceptional cases

Depending upon the agenda, the Committee Chairman may convene any person of the Group capable of offering the committee relevant and useful clarification as to the proper understanding of an issue.

Methods of working

The time frames for the assessment of agreements by the Agreements Committee must be sufficient (at least two days prior to the assessment by the Board of Directors of an agreement).

Appendix 4

Criteria for independence

The criteria that the Compensation and Appointments Committee and the Board of Directors must examine in order to classify someone as an independent Director and prevent the risk of conflict of interest between the Director and the Executive Management, the Company or its Group, are as follows:

- they are not an employee or corporate officer of the Company, or are not an employee or Director of the parent company or a company it is consolidating and have not been at any time over the past five years;
- they have not been paid by the Company, in any form whatsoever, with the exception of Directors' attendance fees, compensation of over one hundred thousand euros (€100,000) within the past five years;
- they are not a Corporate Secretary of a company in which the Company holds, directly or indirectly, the position of Director or in which an employee designated as such or a Corporate Secretary of the Company (currently or within the past five years) holds the position of Director;
- they are not a significant customer, supplier, investment banker or financing banker of the Company or its Group, or for which the Company or its Group represents a significant portion of business activity;
- they have no close family ties to a Corporate Secretary;
- they have not been the auditor of the Company over the previous five years;
- they have not been a Director of the Company for over twelve years.

With regard to Directors representing significant shareholders of the Company or its parent company, they may be considered independent as long as they do not participate in the Company's control.

Beyond this threshold of 10% of the capital or voting rights, the Board, on the recommendation of the Compensation and Appointments Committee, should routinely inquire into their status as independent by taking into consideration the composition of the Company's share capital and the existence of a potential conflict of interest.

The Board of Directors may consider a Director, although meeting the above criteria, not to be independent on the basis of their particular situation or that of the Company, given its share ownership structure or for any other reason. Conversely, the Board of Directors may consider a Director not meeting the above criteria to be independent.

7.2 INFORMATION CONCERNING SHARE CAPITAL AND PRINCIPAL SHAREHOLDERS

7.2.1 SHARE CAPITAL

7.2.1.1 Total share capital at 31 December 2017

- Total share capital issued: €2,088,305,152, represented by shares of all the same category
- Number of shares issued and fully paid: 407,474,176
- Par value of the shares: €5.125
- Authorised share capital not issued: maximum nominal amount of €1.1 billion

  The status of delegations of authority to the Board of Directors adopted by the Combined General Meetings of 7 June 2016 and 28 June 2017 is detailed in section 3.2 of this registration document.

7.2.1.2 Non-equity instruments

As of the date of the recording of this registration document, the Company had no non-equity instruments.

7.2.1.3 Shares held by the Company or its subsidiaries

As of this date, the Company holds none of its own shares. Similarly, none of its subsidiaries holds shares in the Company.

The authorisation of a buyback programme will not be proposed to the General Meeting of 7 June 2018.

7.2.1.4 Other equity instruments

As of the recording date of this registration document, the Company had no other equity instruments.

7.2.1.5 History of the share capital over the past three years

	Situation at 31.12.2017			Situation at 31.12.2016			Situation at 31.12.2015		
shareholders	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
Groupama Holding	374,932,672	92.01%	91.55%	374,904,900	92.01%	91.54%	299,351,290	90.96%	90.96%
Groupama Holding 2	32,435,200	7.96%	8.42%	32,435,200	7.96%	8.42%	29,587,992	8.99%	8.99%
Others (1)	106,304	0.03%	0.03%	134,076	0.03%	0.04%	147,430	0.05%	0.05%
TOTAL	**407,474,176**	**100.00%**	**100.00%**	**407,474,176**	**100.00%**	**100.00%**	**329,086,712**	**100.00%**	**100.00%**

(1) Employees, former employees and exclusive officers and Directors

During the last three years, the share capital was increased only once: in 2016. The details of this increase are provided in the table below.

Date of completion	Operation	Number of shares issued	Par value of the shares	Nominal amount of the capital increase	Contribution or merger issue premium	Cumulative capital	Cumulative number of shares
25.02.2016	Capital increase eliminating the preferential share subscription right held by Groupama Holding and Groupama Holding 2	78,387,464	€5.125	€401,735,753	€298,264,300.52	€2,088,305,152	407,474,176

7.2.1.6 Employee holdings of Groupama SA shares

As at the end of 1998, in connection with Groupama's acquisition of Gan SA, employees, former employees and exclusive officers of Gan SA and its subsidiaries subscribed to an offer for the purchase of reserved Gan SA shares.

In order to mitigate the lack of liquidity of Gan SA shares as they were not traded, Groupama SA committed to guaranteeing the liquidity of the shares. As such, Groupama SA undertook to acquire at any time, with the exception of the months corresponding to account suspension periods, such shares as the shareholders wished to sell. The liquidity commitment was assumed by CCAMA following the merger between Groupama SA and Gan SA in June 2002, then by Groupama Holding following the simplification of the Group's national structures at the end of 2003.

The purchase price of the Groupama SA shares was calculated based on the change in the Groupama SA consolidated net assets twice a year:

- on the first day of the month after the month in which the Groupama SA annual consolidated financial statements were prepared;
- on the first day of the month after the month in which the Groupama SA consolidated mid-year financial statements were audited.

Moreover, by virtue of the laws relating to employee savings and the COB instruction of 17 June 2003 introducing new rules for the valuation of unlisted companies applicable to employee mutual savings funds, the value of the Groupama SA shares is also assessed once a year based on net assets adjusted in accordance with the most recent balance sheet. The assessment method has been validated by an independent expert.

The purchase price of the Groupama SA share applicable to each period is the higher of the value resulting from application of the liquidity commitment and the value resulting from application of the adjusted net asset method.

Pursuant to Article 52 of the law relating to transparency, the fight against corruption and the modernisation of the economy, known as the Sapin 2 law, issued on 10 December 2016, the conversion of Groupama SA into a national agricultural reinsurance mutual, a special form of mutual insurance companies (SAM), will be completed on 7 June 2018 and will result in the cancellation of the Groupama SA shares on the day of its conversion and the end of the liquidity commitment.

In accordance with the provisions of this Article, shares held by current employees, former employees and officers, shareholders of Groupama SA, will be cancelled and redeemed by the company within two months from the entry of its conversion in the trade and companies register.

As at 31 December 2017, employees, former employees and exclusive officers of Groupama SA held 0.03% of the Groupama SA share capital.

◄ CONTENTS ►

7.2.2 PRINCIPAL SHAREHOLDERS

The following table shows the number of shares, the percentage of capital, and the percentage of corresponding voting rights held by the Company's principal shareholders as at 31 December 2017.

A double voting right is to be allocated to all fully paid shares, for which nominative registration is justified after at least two years in the name of the same shareholder either of French nationality or originating from a Member State of the European Union.

80.75% of the Company's share capital has double voting rights as at 31 December 2017.

shareholders	Number of shares	% of capital	Number ofvoting rights	% of voting rights
Groupama Holding (1)	374,932,672	92.01%	674,283,962	91.55%
Groupama Holding 2 (1)	32,435,200	7.96%	62,023,192	8.42%
Others(2)	106,304	0.03%	212,584	0.03%
TOTAL	**407,474,176**	**100.00%**	**736,519,738**	**100.00%**

(1) Groupama Holding and Groupama Holding 2 are the holding companies of Groupama SA, the shareholders of which are the Regional Insurance Mutuals and the Agricultural Reinsurance Mutuals.
(2) As at 31 December 2017, employees, former employees, and exclusive officers held 106,236 shares, i.e., 0.03% of the Company's capital. Moreover, on the same date, Directors as a whole held 68 shares, i.e., four company shares each.

Through Groupama Holding and Groupama Holding 2, which they wholly own, the regional mutuals own the absolute majority of the capital and voting rights of Groupama SA. Note that Groupama Holding and Groupama Holding 2 are not Directors of Groupama SA.

7.3 PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT, FINANCIAL DISCLOSURES AND FOR AUDITING THE FINANCIAL STATEMENTS

7.3.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Thierry Martel, Chief Executive Officer of Groupama SA.

7.3.2 DECLARATION BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

I hereby declare, after taking every reasonable measure for this purpose, that the information contained in this registration document is, to my knowledge, a true reflection of the facts and does not contain any omissions liable to alter the scope thereof.

I hereby declare that, to my knowledge, the financial statements were prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, the financial position and the earnings of the Company and of all the companies included in its scope of consolidation, and the information disclosed in the management report presented under section 5.1 presents a true and fair view of the business trends affecting the Company and of the results and financial position of the Company and of all the companies included in its scope of consolidation as well as a description of the principal Risks and uncertainties they face.

I have received from the statutory auditors, PricewaterhouseCoopers Audit and Mazars, an end-of-engagement letter in which they indicate that they have audited the information on the Company's financial position and the financial statements given in this registration document. with the exception of prudential information relating to solvency, which they did not review, and read the whole of the registration document.

Paris, 26 April 2018

Chief Executive Officer

Thierry Martel

◄ CONTENTS ►

7.3.3 PERSON RESPONSIBLE FOR THE FINANCIAL DISCLOSURE

- Mr Fabrice Heyriès

  Deputy Managing Director
  Telephone: 01.44.56.28.54
  Address: 8-10, rue d'Astorg - 75008 Paris (headquarters).

7.3.4 PERSONS RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

7.3.4.1 Principal statutory auditors

Entered on the Roll of statutory auditors in Versailles

- PricewaterhouseCoopers Audit

  Represented by Christine Billy
  Crystal Park
  63, rue de Villiers
  92208 Neuilly sur Seine
- Mazars

  Represented by Nicolas Dusson and Pascal Parant
  Tour Exaltis
  61, rue Henri Régnault
  92400 Courbevoie
  Its renewal will be proposed to the General Meeting of 7 June 2018 (5th resolution).

7.3.4.2 Alternate Statutory Auditor

Entered on the Roll of statutory auditors in Versailles

- Michel Barbet-Massin

  Tour Exaltis
  61, rue Henri Régnault
  92400 Courbevoie
  Its non-renewal will be proposed to the General Meeting of 7 June 2018 (5th resolution).

7.4 DOCUMENTS AVAILABLE TO THE PUBLIC

All the statements by the Company and the annual reports, including in particular the historical financial information on the Company, are available on the Company's website at the following address: www.Groupama.com, "Investor" – under "Financial publications > Financial press releases", and a copy can be obtained at the Company's headquarters at 8-10 rue d'Astorg - 75008 Paris.

The Company's articles of association as well as the minutes of General Meetings, statutory auditors' reports and parent company and consolidated financial statements can be reviewed at the the Company's headquarters: 8-10, rue d'Astorg – 75008 Paris, in the Legal Department.

◄ CONTENTS ►

GLOSSARY

Actuarial reserves

Sums which the insurer must record as liabilities on its balance sheet, corresponding to its commitments to policyholders.

On a like-for-like basis

On a like-for-like basis means that the information related to the period of the relevant fiscal year are adjusted using the exchange rate applicable for the same period of the previous fiscal year (constant exchange rate), eliminating the income from acquisitions, disposals and changes in scope of consolidation (constant scope) and cancelling changes in accounting methods (constant methodology) in one of the two periods compared.

Combined ratio

The combined ratio of Groupama SA is the ratio:

- of the total claims expense net of reinsurance and operating costs;
- to the premiums earned net of reinsurance.

Duration

The duration of a bond corresponds to the average duration of the funds generated by it weighted by their current values. On this order of magnitude, the value of the bond can be understood in terms of its sensitivity to conversions in the yield curve by extension, any flow sequence can be calculated, particularly those related to insurance liabilities based on projections of such flows.

Economic operating profit

Groupama SA's economic operating profit corresponds to the net profit, including any capital gains or losses on the share going to the shareholder, variations in fair value and one-time activities, net of corporate income tax.

Group insurance

A category of insurance allowing a legal entity called an underwriter to underwrite a policy with an insurance company for the purpose of having a group of persons join who are united by similar ties.

Guaranteed rates policy

Policy under which the insurer promises under contract to pay interest on the capital built up at a certain rate.

Individual insurance

A category of life and health insurance under which an individual can take out an insurance policy (death, life) with an insurance company.

Life and health insurance

Policies covering a personal risk. These policies include life and death insurance but also all risks affecting the physical integrity of the person due to accident or illness (disability, long-term care, healthcare reimbursement costs, etc.).

Long-term care policy

Policy designed to cover the risk of the loss of independence by the elderly.

Multi-vehicle policy

Insurance policy whose redemption value or the service paid by the insurer is denominated in euros and unit-linked assets The policyholder (or member) generally has a choice of currency in which he wishes to invest his premiums (in euros or in unit-linked assets) and may, depending on the possibilities provided under the policy, request that the initial choice be changed (arbitrage).

Policy in euros

Policy under which the redemption value or the service paid by the insurer are denominated in euros.

Profit-sharing

In life insurance and capitalisation, insurance companies include their policy-holders in their earnings by redistributing them.

Run-off

Discontinued operations for which the premium income consists exclusively of periodic premiums associated with old subscriptions.

Statutory solvency margin

Minimum risk coverage related to the insurance business required by oversight agencies to protect the interests of policy-holders.

Unit-linked policy

Insurance policy for which the redemption value and the service paid by the insurer are expressed not in euros but in another unit of value, generally in the number of shares or mutual fund units. Thus the exchange value in euros of the insurer's commitment depends on changes in the securities comprising the mutual fund on the financial markets.

↻ ◀ CONTENTS ▶

CONCORDANCE TABLE WITH THE HEADINGS REQUIRED BY EU REGULATION NO 809/2004

The concordance table below refers to the principal items required by EU Regulation no 809/2004 (Schedule 1) pursuant to the "Prospectus" directive.

Items in Schedule 1 of EU Regulation 809/2004		Page of the registration document
1.	**Persons responsible**	354 to 355
2.	**Auditors**	355
3.	**Selected financial information**	
3.1	Historical financial information	9 to 11
3.2	Interim financial information	Non applicable
4.	**Risk factors**	79 to 104
5.	**Information about the issuer**	
5.1	History and development of the Company	4 to 5 and 338
5.2	Investments	109, 188 and 305 to 306
6.	**Business overview**	
6.1	Principal activities	19 to 28, 80 to 81, 110 to 126 and 265 to 266
6.2	Principal markets	19 to 28, 110 to 126 and 265 to 266
6.3	Exceptional factors that had an impact on the information provided under 6.1 and 6.2	Non applicable
6.4	Any dependence on patents, licenses, industrial, commercial or financial contracts	Non applicable
6.5	The basis for any statement made by the issuer regarding its competitive position	19 to 28
7.	**Organisational structure**	
7.1	Brief description of the Group and the issuer's position within the Group	5 to 8
7.2	List of major subsidiaries	7 and 290 to 293
8.	**Property, plant and equipment**	
8.1	Material existing or planned property, plant and equipment	177 and 215 to 220
8.2	Environmental issue that can affect the use of property, plant and equipment	Non applicable
9.	**Review of financial position and results**	
9.1	Financial position	110 to 126 and 176 to 177
9.2	Operating income	110 to 126
10.	**Cash and capital**	
10.1	Information on the capital of the issuer	125, 131, 176 to 177 and 184
10.2	Source and amount of cash flows	126, 176 to 177 and 185 to 186
10.3	Borrowing terms and financing structure	126, 176 to 177 and 254 to 255
10.4	Information concerning any restrictions on the use of the capital that have influenced or that may influence noticeably transactions by the issuer	Non applicable
10.5	Sources of funding expected to honour commitments	176 to 177 and 254 to 255
11.	**Research and development, patents and licenses**	Non applicable
12.	**Information on trends**	69, 109 and 171
13.	**Earnings forecasts or estimates**	Non applicable
14.	**Administrative, management, and supervisory bodies and general management**	
14.1	Information concerning the members of the administrative and management bodies	30 to 58 and 344 to 352
14.2	Conflicts of interest in the administrative, management and supervisory bodies and the general management	57
15.	**Compensation and benefits**	
15.1	Amount of compensation and in-kind benefits paid	59 to 68 and 330
15.2	Total amount of the sums funded or recorded for the payment of pensions, retirement or other benefits	64

Items in Schedule 1 of EU Regulation 809/2004		Page of the registration document
16.	Operating methods of the administrative and management bodies	
16.1	Expiration dates of current terms of office	30 to 47 and 56
16.2	Service contracts between the members of the managing bodies to the issuer or to any of its subsidiaries	58
16.3	Information on the operating methods of the corporate governance bodies	48 to 55 and 344
16.4	Compliance with the corporate governance system in force	48 to 49
17.	Employees	
17.1	Number of employees	13 to 16
17.2	Profit sharing and stock options	16 and 354
17.3	Agreement for employee profit-sharing in the equity of the issuer	353
18.	Principal shareholders	131 and 354
19.	Related party transactions	8, 76 to 78 and 281 to 288
20.	Financial information on the assets, the financial position and the results of the issuer	
20.1	Historical financial information	180 to 193
20.2	*Pro forma* financial information	Non applicable
20.3	Parent company financial statements	299 to 331
20.4	Audits of the annual historical financial information	294 to 298 and 332 to 336
20.5	Date of the latest financial information	180
20.6	Interim financial and other information	Non applicable
20.7	Dividend distribution policy	175
20.8	Legal and arbitration proceedings	177
20.9	Significant changes in the Group's financial or commercial position	109
21.	Additional information	
21.1	Share capital	340 to 352
21.1.1	Total share capital	352
21.1.2	Debt instruments	352
21.1.3	Shares held by the Company or its subsidiaries	352
21.1.4	Other equity instruments	352
21.1.5	Information on the conditions governing any right of acquisition and/or any obligation attached to the subscribed capital	Non applicable
21.1.6	Information on the share capital of any group member Company subject to an option	Non applicable
21.1.7	History of the share capital over the past three years	353
21.1.8	Employee holdings of Groupama SA shares	353
21.2	Articles of association and bylaws	338 to 344 and 353
21.2.1	Corporate purpose	338
21.2.2	General Management of the Company	342 to 343
21.2.3	Rights, privilege, restriction attached to shares	343 to 344
21.2.4	Modification of the capital and voting rights attached to shares	Non applicable
21.2.5	General Meeting	343
21.2.6	Provisions that might have an effect of delaying, deferring or preventing a control commitment of the issuer	Non applicable
21.2.7	Share form and transfer – Approval clause	340
21.2.8	Conditions governing changes to capital, when the conditions are more stringent than the legal provisions	Non applicable
22.	Major policies	76 and 283 to 288
23.	Information from third parties, appraisal reports and interest reports	Non applicable
24.	Documents available to the public	355
25.	Information on equity interests	290 to 293 and 331

CONCORDANCE TABLE WITH THE DISCLOSURES REQUIRED IN THE ANNUAL FINANCIAL REPORT

Designed & published by LABRADOR +33 (0)1 53 06 30 80

Groupama
GROUP

INSURING TOMORROW WITH CONFIDENCE

8-10, rue d’Astorg - 75383 Paris Cedex 08
343 115 135 RCS Paris
www.groupama.com