GROUPAMA COMBINED FINANCIAL STATEMENTS 2017

LE GROUPE Groupama

ASSUREURS CRÉATEURS DE CONFIANCE

REPORT OF THE BOARD OF DIRECTORS
ON THE COMBINED FINANCIAL STATEMENTS OF GROUPAMA
FISCAL YEAR 2017

1. ENVIRONMENT

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.

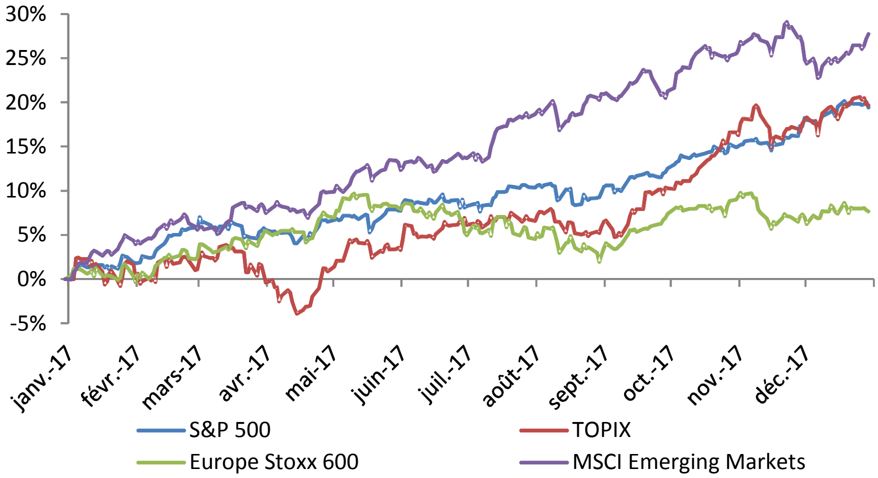
FINANCIAL MARKETS IN 2017

All risky asset classes ended the year with largely positive performance, supported by accelerating global growth in a still accommodative monetary environment.

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.

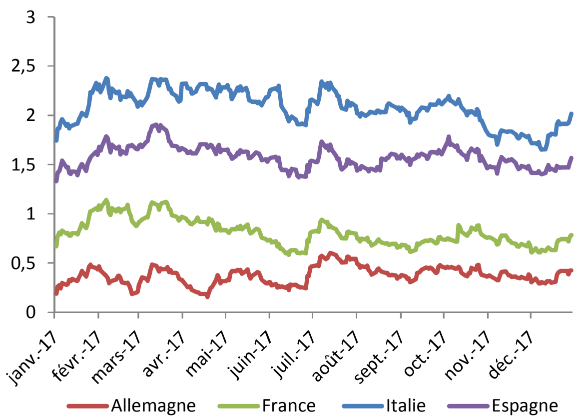
Performance of equity indices in local currencies excluding dividends

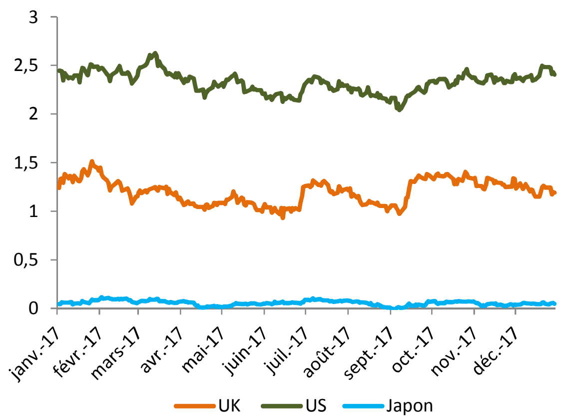


Changes on interest rate markets

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

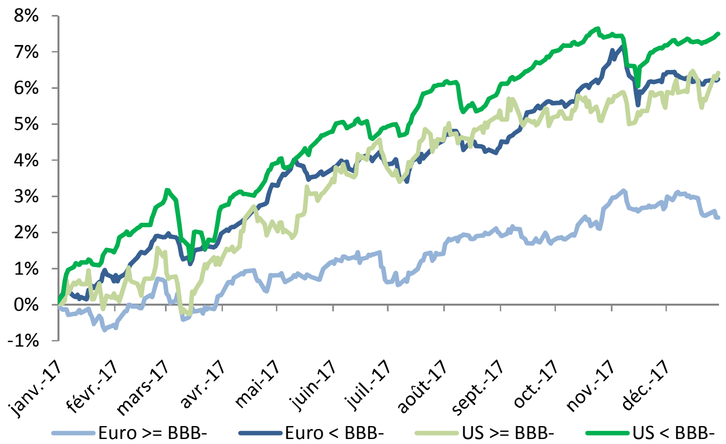




Changes on the credit market

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.

2. SIGNIFICANT EVENTS OF FISCAL YEAR 2017

Financial Strength

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.

Financial rating

On 3 May 2017, Fitch Ratings raised the insurer financial strength ratings of Groupama SA and its subsidiaries from 'BBB+' to 'A-'. The outlook associated with these ratings is Stable.

Redemption of 2007 deeply supersubordinated bonds

Groupama SA redeemed the balance of its indefinite-term deeply supersubordinated instruments issued in 2007 early (ISIN: FR0010533414) at the first redemption date, i.e., 22 October 2017, for €142.85 million.

Financial investments

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.

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.

Domaine de Nalys

On 19 July 2017, Groupama sold 95% of its stake in SCI du Domaine de Nalys for €52 million.

Businesses

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.

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.

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.

3. ANALYSIS OF FINANCIAL STATEMENTS

3.1 SUMMARY OF ACTIVITY AND RESULTS

Premium income in millions of euros	31/12/16	31/12/16 proforma	31/12/17	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 savings/pensions business in France, saw its premium income increase by +3.1% over the period, particularly with a rise of +10.1% in individual UL savings/pensions. 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 savings/pensions (+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.

Economic operating income in millions of euros	31/12/16	31/12/17	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 economic operating income 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.

In millions of euros	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

3.2 ACTIVITY AND RESULTS - FRANCE

	31/12/16 proforma			31/12/17		
Premium income - France in millions of euros	**L&H**	**P&C**	**Total**	**L&H**	**P&C**	**Total**
Regional mutuals	1,752	3,680	5,432	1,795	3,746	5,541
Groupama SA	17	99	116	11	119	130
Groupama Gan Vie	3,486		3,486	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	**5,400**	**5,388**	**10,788**	**5,543**	**5,523**	**11,066**

(1) including Assuvie

Insurance premium income for France as at 31 December 2017 increased by +2.6% compared with 31 December 2016 and totalled €11,066 million.

Property and casualty insurance

	P&C - France		
Insurance premium income in millions of euros	**31/12/16 proforma**	**31/12/17**	**Change %**
Regional mutuals	3,680	3,746	1.8%
Groupama SA	99	119	19.9%
Gan Assurances	1,288	1,292	0.3%
Amaline Assurances	55	66	20.9%
Other entities	266	300	12.5%
Total	**5,388**	**5,523**	**2.5%**

Property and casualty insurance premium income (49.9% of premium income in France) increased +2.5% to €5,523 million at 31 December 2017. Insurance for individuals and professionals increased +2.1% over the period to €3,284 million (nearly 60% of written premiums in property and casualty insurance). The growth in passenger vehicles (+1.8% to €1,536 million), home insurance (+2.2% to €1,048 million), and professional risks (+2.6% to €447 million) explains this change. Insurance to companies and local authorities (€879 million and 16% of the portfolio) rose by +2.8%, mainly driven by the good performance of the fleet segment (+4.9%). 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.

Premium income of **regional mutuals** in property and casualty insurance (€3,746 million) grew +1.8% over the period. The passenger vehicle (+1.3% to €1,060 million) and home insurance (+1.2% to €758 million) segments benefited from price increases and portfolio development (+28,000 vehicles and +14,500 policies at the end of December 2017). Business and local insurance also performed well, with a rise of +6.1% in the fleet segment (€303 million).

The premium income of **Groupama SA**, which supports certain national business activities (insurance partnership with LBP Assurance in particular) through reinsurance and the share in the professional pools (Gareat, Assurpol, etc.), amounted to €119 million as at 31 December 2017 versus €99 million over the previous period. This growth (+19.9%) arises essentially from the increase in premium income generated with La Banque Postale (+€17 million), which is reinsured by Groupama SA via a quota share treaty.

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 business and local authorities casualty (-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.

Premium income for **Mutuaide Assistance** 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).

Société Française de 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 €59 million in 2017 compared with €4 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	5,408	100.0%	5,478	100.0%	70	1.3%
Underwriting expenses (policy servicing) - excluding claims management costs	-3,830	-70.8%	-3,833	-70.0%	-3	-0.1%
Reinsurance balance	-22	-0.4%	55	1.0%	78	>100%
Underwriting margin net of reinsurance	**1,556**	**28.8%**	**1,700**	**31.0%**	**144**	**9.3%**
Net expenses from current underwriting operations	-1,647	-30.4%	-1,687	-30.8%	-40	-2.4%
Underwriting income net of reinsurance	**-91**	**-1.7%**	**13**	**0.2%**	**104**	**>100%**
Recurring financial margin net of tax	105	1.9%	97	1.8%	-8	-7.5%
Other items	-10	-0.2%	-51	-0.9%	-41	<-100%
Economic operating income	**4**	**0.1%**	**59**	**1.1%**	**55**	**>100%**
Capital gains realised net of corporate income tax	72	1.3%	73	1.3%	2	2.2%
Allocations to reserves for long-term impairment net of corporate income tax	-1	0.0%		0.0%	1	NA
Gains or losses on financial assets recognised at fair value net of corporate income tax	2	0.0%	9	0.2%	7	>100%
Other operations net of corporate income tax	-13	-0.2%	-41	-0.8%	-28	<-100%
Group net income	**64**	**1.2%**	**100**	**1.8%**	**36**	**56.6%**

In **France**, **net underwriting income** (gross premiums earned – gross underwriting expenses – net expenses from current underwriting operations and reinsurance balance) was up €104 million over the period. This stemmed from the improvement of 1.8 points in the P&C net combined ratio to 99.8% in 2017. Fiscal year 2017 was marked by a significant decrease in the cost of serious claims of €198 million (-3.7 points), 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 (+2.2 points), 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 loss ratio in property and casualty insurance (69% in 2017) thus improved by 2.2 points. The operating cost ratio increased by +0.4 points to 30.8% in 2017.

The following key items should be noted as at 31 December 2017:

The net underwriting income of the portfolio of the **regional mutuals** deteriorated with a combined ratio in property and casualty insurance that worsened by +0.6 points to 97.4%. The increase in the claims expense (+3.8 points) is explained by the increase in the climate-related loss experience (+3.4 points) and lower surpluses on previous years (+11.6 points) but includes a decrease in the serious claims loss experience (-4.5 points) and a decrease in the expense of other technical reserves (-4.8 points). The rise in interest rates is reflected in the 2017 financial statements by income of nearly €10 million compared with an expense of -€96 million in 2016.

Underwriting income for **Gan Assurances** in property and casualty insurance was up €59 million compared with 2016. The improvement in the net loss 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 loss experience 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 €10 million compared with an expense of -€100 million in 2016.

In **France**, the **recurring financial margin** (after tax) in the **property and casualty insurance business** amounted to €97 million in 2017, down -7.5% 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 €100 million in 2017 versus €64 million in 2016. The non-recurring financial margin increased by €10 million over the period. Extraordinary items represent an expense of -€41 million and include the corporate tax surcharge.

Life and health insurance

	L&H France		
Insurance premium income in millions of euros	**31/12/16**	**31/12/17**	**Change %**
Groupama Gan Vie	3,486	3,595	3.1%
Regional Mutuals	1,752	1,795	2.5%
Groupama SA	17	11	-32.8%
Gan Assurances	135	131	-2.9%
Amaline Assurances	4	3	-6.6%
Other entities [1]	7	8	21.2%
Total	**5,400**	**5,543**	**2.7%**

[1] *including Assuvie*

Life and health insurance premium income (50.1% of premium income in France) increased +2.7% to €5,543 million. Group premium income for life insurance and capitalisation in France increased +3.2% 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 (+0.9%), which breaks down into a decrease of -0.3% in individual health and an increase of +2.9% in group health thanks to the continued efforts involving the ANI. The good performance of the group protection (+2.0%) and insurance for municipal personnel (+12.4%) 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 +3.1% 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 written 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 +5.6% to €1,467 million in connection with the growth of the group retirement (+20.1%) and inward reinsurance (+18.8%) segments.

The breakdown of the Groupama Gan Vie entity's premium income by network is as follows:

€ million	2016 Actual	2017 Actual	Change 2017-2016
Regional mutuals	995	1,024	2.8%
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	**3,486**	**3,595**	**3.1%**
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	1,389	1,467	5.6%
Total	**3,486**	**3,595**	**3.1%**

Premium income of the **network of regional mutuals** amounted to €1,024 million as at 31 December 2017, up +2.8% compared with the previous period. Individual insurance business totalled €977 million (+1.9%) in connection with the rise in individual savings/pensions 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 €37million 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 written premiums decreased by -3.0% as a result of the decline in individual savings/pensions 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 savings/pensions 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%).

In life and health insurance, premium income from the **regional mutuals** (€1,795 million) increased +2.5% compared with 31 December 2016. Individual life and health insurance increased +1.0% in connection with the growth in the individual protection segment (+2.8% to €305 million). After several years in decline under the influence of the ANI, the individual health segment returned to growth (+0.4% to €1,098 million). Group life and health insurance was up +10.3%, boosted by the good performance in health (+9.3% to €154 million) and insurance for local authority personnel (+12.4% to €129 million).

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 €222 million in 2017 compared with €169 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	5,418	100.0%	5,594	100.0%	176	3.2%
Underwriting expenses (policy servicing) - excluding claims management costs	-4,326	-79.8%	-4,301	-76.9%	26	0.6%
Reinsurance balance	10	0.2%	-19	-0.3%	-29	<-100%
Underwriting margin net of reinsurance	**1,102**	**20.3%**	**1,275**	**22.8%**	**172**	**15.6%**
Net expenses from current underwriting operations	-1,110	-20.5%	-1,132	-20.2%	-23	-2.0%
Underwriting income net of reinsurance	**-7**	**-0.1%**	**143**	**2.5%**	**150**	**>100%**
Recurring financial margin net of profit sharing and tax	195	3.6%	143	2.5%	-53	-27.0%
Other items	-19	-0.4%	-63	-1.1%	-44	<-100%
Economic operating income	**169**	**3.1%**	**222**	**4.0%**	**53**	**31.2%**
Capital gains realised net of corporate income tax and profit sharing	135	2.5%	54	1.0%	-81	-59.9%
Allocations to reserves for long-term impairment net of corporate income tax and profit sharing	-12	-0.2%	-7	-0.1%	5	38.3%
Gains or losses on financial assets recognised at fair value net of corporate income tax and profit sharing	2	0.0%	11	0.2%	9	>100%
Other operations net of corporate income tax	-5	-0.1%	-155	-2.8%	-150	<-100%
Net profit excluding restructuring	**290**	**5.3%**	**125**	**2.2%**	**-165**	**-56.9%**
Net income from discontinued business activities	49	0.9%	17	0.3%	-32	-65.9%
Group net income	**339**	**6.2%**	**141**	**2.5%**	**-197**	**-58.2%**

Underwriting income net of reinsurance improved by +€150 million in 2017 (+€29 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 insurance 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 net underwriting income **of the regional mutuals** improved over the period with a net combined ratio of 93.6%. The net loss ratio decreased by -0.5 points to 74.6%, mainly due to an improvement in the individual health segment.

The individual life and health insurance net underwriting income of the entity **Groupama SA** was down significantly over the period due to 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 €26 million over the period.

In **France**, **income from life and health insurance, excluding discontinued businesses**, amounted to €125 million as at 31 December 2017 compared with €290 million as at 31 December 2016. The non-recurring financial margin decreased by €67 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 €155 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 €141 million in 2017.

3.3 ACTIVITY AND RESULTS - INTERNATIONAL

	31/12/16 proforma			31/12/17		
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/pensions (+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 loss 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 insurance in Italy and the improvement in life insurance of +€3 million (individual protection insurance in Greece.

Economic operating income in millions of euros	31/12/16	31/12/17
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
Bulgaria	0	1
Gan Outre-Mer	5	2
Equity-method entities	**8**	**7**
Tunisia (Star)	3	1
China (Groupama Avic)	5	6
Ceded entities	**7**	**3**
Great Britain	8	4
Portugal	0	-2
Total	**68**	**91**

(1) excluding income from the Holding business

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 written premium 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% of life premiums but more capital intensive) declined by -11.3%. However, the good performance of the protection insurance 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 loss experience benefited all the segments with significant reserves 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 reserves 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.

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.

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 savings/pensions (>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 claims 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.

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** written premiums 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.

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 motor insurance segment (70% of premiums in property and liability insurance) decreased -6.3%, breaking down into +10.2% on property 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 claim 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.

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 in motor insurance, 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%.

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".

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.

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.

Tunisia

The equity-method income of the Tunisian subsidiary Star was +€1 million in 2017.

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.

3.4 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.

3.5 GROUPAMA SA AND HOLDINGS

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)	6	9	3	48.7%
Other items	43	62	19	43.5%
Economic operating income	**-56**	**-46**	**10**	**17.9%**
Capital gains realised net of corporate income tax	11	68	57	>100%
Allocations to reserves for long-term impairment net of corporate income tax	-2		2	NA
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%
Net profit excluding restructuring	**-70**	**-96**	**-26**	**-37.4%**
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 ensures the operational management 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.

The **economic operating income** of holding company businesses amounted to -€46 million in 2017, up €10 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 €86 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	402	241
Total Insurance - International	68	91
Banking and financial businesses	0	-3
Holding activities	-28	57
Impairment of goodwill	-88	-58
Other	-32	-36
Total net income - GROUPAMA	**322**	**292**

3.6 COMBINED BALANCE SHEET

As at 31 December 2017, Groupama's combined balance sheet totalled €99.0 billion, compared with €98.1 billion in 2016, an increase of +0.9%.

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.

OTHER INTANGIBLE ASSETS

Other intangible assets totalling €294 million as at 31 December 2017 (versus €303 million in 2016) are composed primarily of amortisable portfolio securities (€94 million) and computer software. The decrease in this item is particularly related to amortisation for the period.

INVESTMENTS (INCLUDING UNIT-LINKED INVESTMENTS)

Insurance investments totalled €87.2 billion in 2017 compared with €86.2 billion in 2016, up +1.1%.

The group's unrealised capital gains (including property) decreased -€0.6 billion to +€10.4 billion (compared with +€11.0 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 +€6.9 billion on bonds, +€1.0 billion on equities and +€2.5 billion on property.

Unrealised capital gains on financial assets (excluding property) totalled +€7.9 billion, with +€1.8 billion attributable to the group (after profit sharing and taxes) versus +€1.6 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 +€0.8 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 6.3% (including 1.3% hedged) as at 31 December 2017 versus 5.9% (including 1.4% hedged) as at 31 December 2016 according to an economic view.

SHAREHOLDERS' EQUITY

At 31 December 2017, Groupama's combined shareholders' equity amounted to €8.9 billion compared with €8.8 billion as at 31 December 2016.

This change can be summarised as follows:

(In millions of euros)

Shareholders' equity at 2017 opening	**8,752**
Change in revaluation reserve: fair value of AFS assets	-648
Change in revaluation reserve: shadow accounting	740
Change in revaluation reserve: deferred tax	48
Partial redemption of the deeply subordinated instrument	-414
Mutual certificates	246
Foreign exchange adjustment	-46
Other	-58
Income (Loss)	**292**
Shareholders' equity at 31 December 2017	**8,912**

The deployment of mutual certificates across all the regional mutuals continued in 2017 with €246 million in subscriptions. The refinancing of deeply supersubordinated 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.

SUBORDINATED LIABILITIES, FINANCING AND OTHER DEBTS

Subordinated liabilities and external debt totalled €1.2 billion as at 31 December 2017 versus €0.8 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's external debt (excluding subordinated debt) totalled €17 million as at 31 December 2017 compared with €14 million at the end of 2016.

UNDERWRITING RESERVES

Gross underwriting reserves (including deferred profit sharing) totalled €78.8 billion as at 31 December 2017, compared with €78.9 billion as at 31 December 2016.

RESERVES FOR CONTINGENCIES AND CHARGES

Reserves for contingencies and charges totalled €692 million in 2017, compared with €695 million in 2016, and were primarily made up of pension commitments under IAS 19.

4. DEBT

The debt ratio (ratio now calculated according to the method chosen by our rating agency) was 25.9% at the end of 2017, compared with 27.5% as at 31 December 2016.

5. RISK MANAGEMENT

Risk management is addressed in the internal control report.

6. FINANCIAL FUTURES POLICY

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.

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.

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.

Credit risk

In a tactical management strategy of the credit asset class, the Groupama AM management can be exposed or hedge credit risk by using forward financial instruments like Credit Default Swaps. This type of operation only involves assets managed through mutual funds.

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 compensation 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.

7. 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.

COMBINED FINANCIAL STATEMENTS

GROUPAMA
31 December 2017
IFRS

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FINANCIAL STATEMENTS

GROUPAMA
COMBINED BALANCE SHEET (in millions of euros)

ASSETS		31.12.2017	31.12.2016
Goodwill	Note 2	1,915	1,985
Other intangible assets	Note 3	294	303
Intangible assets		**2,208**	**2,289**
Investment property excluding unit-linked items	Note 4	1,406	1,313
Unit-linked investment property	Note 7	118	110
Operating property	Note 5	812	851
Financial investments excluding unit-linked items	Note 6	75,537	75,917
Unit-linked financial investments	Note 7	9,212	7,986
Derivatives and separate embedded derivatives	Note 8	113	68
Insurance business investments		**87,199**	**86,245**
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	**1,359**	**1,201**
Other property, plant and equipment	Note 12	236	217
Deferred acquisition costs	Note 13	219	266
Deferred profit-sharing assets			
Deferred tax assets	Note 14	36	23
Receivables arising from insurance and inward reinsurance operations	Note 15	2,368	2,244
Receivables from outward reinsurance operations	Note 16	180	207
Current tax receivables and other tax receivables	Note 17	255	276
Other receivables	Note 18	2,834	2,757
Other assets		**6,128**	**5,991**
Held-for-sale assets and discontinued businesses	Note 2	**447**	**94**
Cash and cash equivalents	Note 19	**1,022**	**1,074**
TOTAL		**98,957**	**98,085**

The notes on pages 39 to 185 are an integral part of the combined financial statements.

GROUPAMA
COMBINED BALANCE SHEET (in millions of euros)

EQUITY & LIABILITIES		31.12.2017	31.12.2016
Capital		468	222
Revaluation reserves		1,780	1,640
Other reserves		6,872	7,022
Foreign exchange adjustments		(500)	(454)
Combined income		292	322
Shareholders' equity (Group share)		**8,912**	**8,752**
Non-controlling interests		13	18
Total shareholders' equity	Note 20	**8,926**	**8,770**
Reserves for contingencies and charges	Note 21	**692**	**695**
Financing debt	Note 23	**1,153**	**764**
Technical liabilities relating to insurance policies	Note 24	**60,077**	**58,750**
Technical liabilities relating to financial contracts	Note 25	**13,753**	**14,619**
Deferred profit-sharing liabilities	Note 27	**5,014**	**5,517**
Resources from banking sector activities	Note 9	**10**	**8**
Deferred tax liabilities	Note 14	204	227
Debts to unit holders of consolidated mutual funds	Note 28	239	355
Operating debts to banking sector companies	Note 19	98	69
Debts arising from insurance or inward reinsurance operations	Note 29	839	725
Debts arising from outward reinsurance operations	Note 30	362	352
Current taxes payable and other tax liabilities	Note 31	177	186
Derivative instrument liabilities	Note 8	659	750
Other debts	Note 32	6,396	6,291
Other liabilities		**8,975**	**8,955**
Liabilities of held-for-sale or discontinued businesses	Note 2	**357**	**7**
TOTAL		**98,957**	**98,085**

The notes on pages 39 to 185 are an integral part of the combined financial statements.

GROUPAMA
COMBINED INCOME STATEMENT (in millions of euros)

INCOME STATEMENT		31.12.2017	31.12.2016
Written premiums	Note 33	13,672	13,443
Change in unearned premiums		(63)	(38)
Earned premiums		**13,609**	**13,405**
Net banking income, net of cost of risk		**143**	**136**
Investment income		2,306	2,399
Investment expenses		(771)	(890)
Capital gains or losses from divestment of investments net of impairment and depreciation write-backs		488	575
Change in fair value of financial instruments recorded at fair value through income		673	329
Change in impairment on investments		(9)	(42)
Investment income net of expenses	Note 34	**2,688**	**2,373**
Total income from ordinary business activities		**16,439**	**15,914**
Insurance policy servicing expenses	Note 35	(12,452)	(11,928)
Income on outward reinsurance	Note 36	450	413
Expenses on outward reinsurance	Note 36	(528)	(548)
Net outward reinsurance income and expenses		**(12,529)**	**(12,063)**
Banking operating expenses		(99)	(100)
Policy acquisition costs	Note 38	(1,879)	(1,820)
Administrative costs	Note 39	(474)	(525)
Other current operating income and expenses	Note 40	(876)	(794)
Total other current income and expenses		**(15,858)**	**(15,301)**
CURRENT OPERATING INCOME		**581**	**613**
Other non-current operating income and expenses	Note 41	(186)	(167)
OPERATING INCOME		**396**	**446**
Financing expenses	Note 42	(89)	(63)
Share in income of related companies	Note 10	(30)	3
Corporate income tax	Note 43	(123)	(106)
NET INCOME FROM CONTINUING BUSINESS ACTIVITIES		**154**	**279**
Net income from discontinued or held-for-sale activities	Note 2	136	43
OVERALL NET INCOME		**290**	**323**
of which, non-controlling interests		(2)	
OF WHICH, NET INCOME (GROUP SHARE)		**292**	**322**

The notes on pages 39 to 185 are an integral part of the combined financial statements.

GROUPAMA
STATEMENT OF NET INCOME AND gains/losses RECOGNISED DIRECTLY IN SHAREHOLDERS' EQUITY
(in millions of euros)

In millions of euros	31.12.2017			31.12.2016		
	Group share	Non-controlling interests	Total	Group share	Non-controlling interests	Total
Net income for fiscal year	**292**	**(2)**	**290**	**322**		**323**
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	(667)	(3)	(670)	529	2	531
Revaluation of hedging derivatives	20		20			
Change in shadow accounting	740	4	744	(393)	(1)	(394)
Change in deferred taxes	48		48	11		11
Other changes	(24)		(24)	(2)		(2)
Items not recyclable to income						
Restatement of net actuarial debt from pension commitments (defined-benefit schemes)	30		30	(41)		(41)
Change in deferred taxes	(10)		(10)	14		14
Other changes						
Total gains/losses recognised directly in shareholders' equity	**90**	**1**	**91**	**89**	**1**	**90**
Net income and gains/losses recognised in shareholders' equity	**382**	**(1)**	**381**	**411**	**1**	**412**

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 gross unrealised capital gains/losses on available-for-sale assets, minus 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.

The notes on pages 39 to 185 are an integral part of the combined financial statements.

GROUPAMA
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (in millions of euros)

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 as at 31.12.2015	**35**	**368**	**1,515**	**5,233**	**1,493**	**(425)**	**8,219**	**13**	**8,232**
Allocation of 2015 income (loss)		(368)		368					
Dividends (1)				(63)			(63)	(1)	(64)
Change in capital	187						187	1	188
Business combinations								4	4
Other			(2)				(2)		(2)
Impact of transactions with members	**187**	**(368)**	**(2)**	**305**			**122**	**4**	**126**
Foreign exchange adjustments						(29)	(29)		(29)
Available-for-sale assets					529		529	2	531
Shadow accounting					(393)		(393)	(1)	(394)
Deferred taxes				14	11		25		25
Actuarial gains/losses of post-employment benefits				(41)			(41)		(41)
Other				(2)			(2)		(2)
Net income for fiscal year		322					322		323
Total income (expenses) recognised over the period		**322**		**(29)**	**147**	**(29)**	**411**	**1**	**412**
Total changes over the period	**187**	**(45)**	**(2)**	**276**	**147**	**(29)**	**533**	**5**	**538**
Shareholders' equity as at 31.12.2016	**222**	**322**	**1,513**	**5,509**	**1,640**	**(454)**	**8,752**	**18**	**8,770**
Allocation of 2016 income (loss)		(322)		322					
Dividends (1)				(54)			(54)	(1)	(55)
Change in capital	246						246		246
Business combinations								(3)	(3)
Other			(414)				(414)		(414)
Impact of transactions with members	**246**	**(322)**	**(414)**	**268**			**(222)**	**(3)**	**(225)**
Foreign exchange adjustments						(46)	(46)		(46)
Available-for-sale assets					(667)		(667)	(3)	(670)
Shadow accounting					740		740	4	744
Deferred taxes				(10)	48		38		38
Actuarial gains/losses of post-employment benefits				30			30		30
Other				(24)	20		(4)		(4)
Net income for fiscal year		292					292	(2)	290
Total income (expenses) recognised over the period		**292**		**(4)**	**140**	**(46)**	**382**	**(1)**	**381**
Total changes over the period	**246**	**(30)**	**(414)**	**264**	**140**	**(46)**	**160**	**(5)**	**156**
Shareholders' equity as at 31.12.2017	**468**	**292**	**1,099**	**5,773**	**1,780**	**(500)**	**8,912**	**13**	**8,926**

(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.

The notes on pages 39 to 185 are an integral part of the combined financial statements.

GROUPAMA
CASH FLOW STATEMENT (in millions of euros)

CASH FLOW STATEMENT	31.12.2017	31.12.2016
Operating income before taxes	396	446
Capital gains/losses on the sale of investments	(332)	(530)
Net allocations to amortisation and depreciation	213	213
Change in deferred acquisition costs	41	2
Change in impairment	(154)	149
Net allocations to technical liabilities related to insurance policies and financial contracts	1,017	7,492
Net allocations to other reserves	4	40
Change in fair value of financial instruments and investments recognised at fair value through income (excluding cash and cash equivalents)	(673)	(329)
Other non-cash items included in operating income	55	40
Correction of elements included in the operating income other than cash flows and reclassification of investment and financing flows	**171**	**7,077**
Change in operating receivables and payables	67	(7,195)
Change in banking operating receivables and payables	(7)	(5)
Change in repo and reverse-repo securities	81	335
Cash flows from other assets and liabilities	(12)	86
Net tax paid	(143)	(121)
Net cash flows from operating activities	**554**	**623**
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	(1,345)	(1,025)
Net acquisitions of investment property	128	50
Net acquisitions and/or issues of investments and derivatives relating to other activities		
Other non-cash items	(30)	(52)
Cash flows from acquisitions and issues of investments	**(1,246)**	**(1,027)**
Net acquisitions of property, plant and equipment, intangible fixed assets and operating property	(252)	(207)
Cash flows from acquisitions and disposals of property, plant and equipment and intangible fixed assets	**(252)**	**(207)**
Net cash flows from investment activities	**(809)**	**(1,075)**
Membership fees		
Issue of capital instruments	246	187
Redemption of equity instruments [(2)]	(414)	(2)
Transactions involving own shares		
Dividends paid [(1)]	(55)	(63)
Cash flows from transactions with shareholders and members	**(223)**	**122**
Cash allocated to financing debt [(2)]	389	(2)
Interest paid on financing debt	(89)	(63)
Cash flows from group financing	**300**	**(65)**
Net cash flows from financing activities	**77**	**57**

Cash and cash equivalents at 1 January	**1,028**	**1,439**
Net cash flows from operating activities	554	623
Net cash flows from investment activities	(809)	(1,075)
Net cash flows from financing activities	77	57
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	**942**	**1,028**

[(1)] They correspond in particular to compensation for subordinated securities classified in shareholders' equity under IFRS.
[(2)] Movements relating to financing activities are detailed in Notes 20.2 and 23.1.

CASH FLOW STATEMENT	31.12.2017
Cash and cash equivalents	1,074
Cash, central bank, postal bank and accounts receivable from banking businesses	23
Operating debts to banking sector companies	(69)
Cash and cash equivalents at 1 January	**1,028**
Cash and cash equivalents	1,022
Cash, central bank, postal bank and accounts receivable from banking businesses	19
Operating debts to banking sector companies	(98)
Cash and cash equivalents at 31 December	**942**

The notes on pages 39 to 185 are an integral part of the combined financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. SIGNIFICANT EVENTS AND POST-BALANCE SHEET EVENTS

SIGNIFICANT EVENTS OF FISCAL YEAR 2017

Debt refinancing

In early January 2017, Groupama launched an offer to exchange all of its deeply perpetual 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 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.

Financial Strength

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.

Call of 2007 deeply perpetual subordinated bonds

Groupama SA called its deeply perpetual subordinated instruments issued in 2007 (ISIN: FR0010533414) at the first call date, i.e., 22 October 2017, for 143 million euros.

Financial investments

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.

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.

Domaine de Nalys

On 19 July 2017, Groupama sold 95% of its stake in SCI du Domaine de Nalys for €52 million.

Businesses

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.

Governance

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).

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.

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 ("regional mutual"), 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 – FCPEs).

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).

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

- within the Groupama SA division, by capital ties. The subsidiaries included in this division are consolidated in the financial statements. Moreover, in exchange for a certain operational autonomy, each of the subsidiaries is subject to the requirements and obligations defined by the Groupama SA environment, particularly in terms of control;
- in the Mutual Insurance Division:
    - by an internal reinsurance treaty that binds the regional mutuals to Groupama SA;
    - by a security and joint liability agreement between all the regional mutuals and Groupama S.A. ("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 COMBINED FINANCIAL STATEMENTS

The combined 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 combined financial statements, the financial statements of each combined entity are prepared consistently 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 combined 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 combined 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 combination scope are consolidated within the scope in accordance with the provisions of IFRS 10, IFRS 11, and IAS 28.

However, no IFRS standard specifically deals with the methods for aggregating the financial statements of entities forming the Mutual Insurance Division (local mutuals and regional mutuals). The Group has therefore adopted the combination rules defined in section VI of Regulation no. 2000-05 of the Accounting Regulatory Committee related to the rules for consolidation and combination of companies governed by the French Insurance Code and provident institutions governed by the French Social Security Code or by the French Rural Code.

This choice was made in accordance with the judgement criteria of article 10 of IAS 8 (on the selection and application of accounting methods in the absence of a standard or an interpretation that is specifically applicable) because of the characteristics of Groupama's Mutual Insurance Division described above.

The Group adopted IFRS for the first time for the preparation of the 2005 financial statements.

All amounts on the combined balance sheet, the combined 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 assets (Notes 3.2.1 and 3.2.2),
- estimate of certain fair values of illiquid listed assets (Notes 3.2.1),
- recognition of profit-sharing assets (Note 3.12.2.b) and deferred tax assets (Note 3.13),
- calculation of reserves for contingencies and charges and particularly valuation of employee benefits (Note 3.10).

2.3. Consolidation principles

2.3.1. Combination and consolidation scope and methods

A company is included in the combination scope once its combination, or that of the sub-group, which it heads, on a stand-alone basis or with other combined businesses, is material in relation to the combined financial statements of all companies included in the scope of combination.
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 activity investments.

➢ **Combining company**

The combining company is responsible for preparing the combined financial statements. Its designation is the subject of a written agreement between all companies of the combination scope, the cohesion of which does not result in any capital tie.

➢ **Aggregated companies**

Companies related to each other through a combination tie are consolidated through aggregation of financial statements according to rules identical to those for full consolidation.

➢ **Controlled entities**

Controlled entities are fully consolidated. These entities are consolidated once they are controlled. An entity is controlled when the combining 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 combining company loses control of this entity.

Full consolidation involves:

- 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.

➢ **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 combining 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 combining 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 combining 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.

- **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 Changes in scope of combination

Changes in the scope of combination are described in Note 47 of the notes to the financial statements.

2.3.3. Uniformity of accounting principles

The Groupama SA combined financial statements are presented consistently for the entity formed by the companies included within the scope of combination, 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 combined by Groupama

All transactions within the Group are eliminated.

When these transactions affect combined 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 combining 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. The elimination of impacts of internal transactions involving assets brings them down to their value when they entered the combined balance sheet (consolidated historical cost).

Thus, inter-company transactions on the following must be eliminated:

- reciprocal receivables and payables as well as reciprocal income and expenses;
- notes receivable and notes payable are offset but, if the receivable is discounted, the credit facility granted to the Group is substituted for the note payable;
- transactions affecting commitments received and given;
- 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 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 fixed 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.

- **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 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 derivative products,

    - 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.

- **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 category of assets available-for-sale, 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.

- **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.

- **Fair value valuation methods**

The fair value of financial assets is the amount for which an asset could be exchanged between well-informed, consenting parties, acting under normal market conditions.

The fair value of a financial instrument corresponds to its listed stock price on an active market. When the market for this financial instrument is not active, its fair value is 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.

- **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 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.

- **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.

➢ **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.

- **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).

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

- **Subsequent expenditure**

Subsequent expenditure must be added to the book value of the property:

- if it is probable that these expenses will allow the asset to generate economic benefits,
- and these expenses can be reliably valued.

- **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.

- **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 RELATED COMPANIES AND JOINT VENTURES

Investments in related companies 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 ASSETS HELD FOR SALE AND DISCONTINUED ACTIVITIES

A non-current asset (or a group intended to be sold) is considered to be held for sale if its book value will be mainly recovered through a sale transaction rather than through continued use. In order for this to be the case, the asset (or the group intended to be sold) must be available for immediate sale in its current state, and its sale must be highly probable (within the next 12 months).

Non-current assets (or a group intended to be sold) classified as held for sale are valued at the lower value between the net book value and the fair value minus transfer costs. In case of an unrealised capital loss, impairment is recorded in 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 PROPERTY, PLANT AND EQUIPMENT

The Group has chosen to value operating property using the cost method. This property is presented on a line separate from Investment property as assets. The recognition and valuation method is identical to the method described for investment property.

Property, plant and equipment other than operating property are initially recorded at acquisition cost, which consists of the purchase price, customs duties, discounts and rebates, direct costs necessary for installation and payment discounts.

The depreciation methods reflect the method of economic consumption.

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

3.7 OPERATING RECEIVABLES AND PAYABLES, OTHER ASSETS AND OTHER LIABILITIES

Operating receivables and other assets are recorded at face value, taking into account any transaction costs.

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

Moreover, 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

- **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.

- **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.

- **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.

- **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.

➢ **Personnel benefit**

- **Pension commitment**

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

The liabilities recorded in the balance sheet for defined-benefit schemes and similar schemes correspond to the discounted value of the obligation linked to the defined-benefit schemes at closing, after deducting the closing fair value of the scheme assets.

The actuarial gains and losses resulting from experience-based adjustments and modifications in the actuarial assumptions are recognised directly in equity.

The costs of past services are immediately recognised in income, regardless of whether the rights are ultimately acquired in the event of a change of pension scheme.

With regard to defined-contribution schemes, the Group pays contributions to retirement insurance schemes and is not bound by any other payment commitment. The contributions are booked as expenses related to personnel benefits when they are due. The contributions paid in advance are recorded as assets to the extent that the advance payment results in a reduction of future payments or a cash reimbursement.

3.11 FINANCING DEBT

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

In the absence of a specific IFRIC interpretation, commitments to purchase non-controlling interests are recorded in financing debt at current fair value (strike price of the option). The cross-entry of these debts is recognised either in goodwill for put options granted before 1 January 2010 or as a reduction in shareholders' equity for put options contracted subsequent to this date.

➢ **Initial recognition**

Financing debt is recognised when the Group becomes party to the contractual provisions of this debt. The amount of the financing debt is then equal to the fair value, adjusted if necessary for the transaction costs directly chargeable to the acquisition or issue of such debt.

➢ **Valuation rules**

Financing debt is subsequently valued at amortised cost using the effective interest rate method.

➢ **Derecognition**

Financing debt is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

3.12 TECHNICAL OPERATIONS

3.12.1. Classification and method of recognition

There are two categories of contract issued by the Group’s insurance companies:

- insurance contracts and financial contracts with discretionary profit-sharing, which are governed by IFRS 4,
- financial contracts without discretionary profit sharing, which are governed by IAS 39.

➢ **Insurance 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).

➢ **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 and without discretionary profit sharing.

A discretionary profit-sharing clause is defined as the contractual right held by a subscriber to receive an additional payment or another benefit, the amount or 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.

Written premiums adjusted for the change in reserves for unearned premiums (which are defined below) constitute earned premiums.

- **Insurance policy servicing expenses**

Non-life insurance policy servicing expenses mainly include benefits and expenses paid and the change in reserves for claims and other technical reserves.

Benefits and expenses paid relate to the claims settled net of claims receivable collected for the fiscal year and the periodic payment of annuities. They also include the fees and commissions for the management of claims and payment for services.

- **Technical liabilities related to non-life insurance policies**

  - **Reserves for unearned premiums**

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

  - **Reserves for unexpired risks**

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

  - **Outstanding claims reserves**

The outstanding claims reserves represent the estimate, net of claims receivable, of the cost of all unpaid claims at the end of the fiscal year, both declared and undeclared. They include a charge for management fees that is determined on the basis of actual expense rates.

For construction risks, in addition to the outstanding claims reserves (declared or not yet declared), separate 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. The premiums collected and the benefits are thus 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 earnings resulting from the management of investments, is amortised over the duration of this management and symmetrically with recognition of the corresponding profit.

3.12.4. Reinsurance operations

- **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.

- **Outward reinsurance**

Outward reinsurance is recognised in accordance with the terms of the various treaties and according to the same rules as described in Note 3.12.1 on insurance policies and financial contracts. A liabilities deposit is recorded for the amount of the corresponding asset received from outward reinsurers and retrocessionaires.
Securities from reinsurers (outward reinsurers and retrocessionaires) remitted as collateral are recorded in the statement of commitments given and received.

3.13 TAXES

Corporate income tax includes all current and deferred taxes. When a tax is payable or receivable and payment is not subject to the execution of future transactions, such tax is classified as current, even if the payment is spread over several fiscal years. It appears as an asset or liability on the balance sheet as applicable.

Operations carried out by the Group may have positive or negative tax consequences other than those taken into consideration for calculating the payable tax. The result is tax assets or liabilities classified as deferred.

This is particularly the case when, because of completed transactions that are posted in either the individual company statements or only in the consolidated financial statements as restatements and eliminations of inter-company income or losses, differences will appear in the future between the tax income and the accounting income of the Company, or between the tax value and the book value of an asset or liability, for example when transactions performed during a fiscal year are taxable only in the following fiscal year. These differences are classified as timing differences.

All deferred tax liabilities must be recognised; however, deferred tax assets are only recognised if it is likely that taxable income (against which these deductible timing differences can be charged) will be available.

All deferred tax liabilities are recognised. Deferred tax assets are recognised when their recovery is considered as "more probable than improbable", i.e., if it is likely that sufficient taxable income will be available in the future to offset the deductible timing differences. In general, a 3-year horizon is considered to be a reasonable period to assess whether the entity can recover the capitalised deferred tax. However, an impairment charge is booked against the deferred tax assets if their recoverability appears doubtful.

Deferred tax assets and liabilities are valued 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 incomes 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, property 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 on the basis of their function by applying allocation keys defined as a function of 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.

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

In millions of euros	31.12.2017			31.12.2016		
	France	International	Total	France	International	Total
Intangible assets	890	1,318	2,208	883	1,406	2,289
Insurance business investments	80,123	7,076	87,199	78,740	7,506	86,245
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	1,248	112	1,359	1,056	145	1,201
Other assets	5,344	783	6,128	5,164	827	5,991
Held-for-sale assets and discontinued businesses		447	447		94	94
Cash and cash equivalents	824	198	1,022	968	106	1,074
Consolidated total assets	**88,880**	**10,077**	**98,957**	**87,839**	**10,246**	**98,085**
Reserves for contingencies and charges	613	80	692	612	83	695
Financing debt	1,153		1,153	764		764
Technical liabilities relating to insurance policies	55,324	4,754	60,077	53,810	4,940	58,750
Technical liabilities relating to financial contracts	11,916	1,837	13,753	12,546	2,073	14,619
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	8,685	290	8,975	8,669	286	8,955
Liabilities of held-for-sale or discontinued businesses		357	357		7	7
Total consolidated liabilities excluding shareholders' equity	**82,591**	**7,440**	**90,031**	**81,774**	**7,542**	**89,315**

NOTE 1.1.2 – SEGMENT REPORTING BY OPERATING SEGMENT – INCOME STATEMENT

In millions of euros	31.12.2017			31.12.2016		
	France	Inter-national	Total	France	Inter-national	Total
Earned premiums	11,128	2,480	13,609	10,884	2,521	13,405
Net banking income, net of cost of risk	143		143	136		136
Investment income	2,073	233	2,306	2,156	244	2,399
Investment expenses	(714)	(56)	(771)	(839)	(51)	(890)
Capital gains or losses from divestment of investments net of impairment and depreciation write-backs	467	21	488	549	26	575
Change in fair value of financial instruments recorded at fair value through income	642	31	673	311	18	329
Change in impairment on investments	(9)		(9)	(40)	(1)	(42)
Total income from ordinary business activities	**13,731**	**2,709**	**16,439**	**13,157**	**2,757**	**15,914**
Insurance policy servicing expenses	(10,637)	(1,814)	(12,452)	(10,016)	(1,912)	(11,928)
Income on outward reinsurance	420	30	450	370	44	413
Expenses on outward reinsurance	(382)	(145)	(528)	(383)	(166)	(548)
Banking operating expenses	(99)		(99)	(100)		(100)
Policy acquisition costs	(1,442)	(437)	(1,879)	(1,405)	(414)	(1,820)
Administrative costs	(330)	(144)	(474)	(356)	(169)	(525)
Other current operating income and expenses	(802)	(74)	(876)	(737)	(57)	(794)
CURRENT OPERATING INCOME	**457**	**124**	**581**	**531**	**82**	**613**
Other operating income and expenses	(107)	(79)	(186)	(58)	(108)	(167)
OPERATING INCOME	**351**	**45**	**396**	**472**	**(26)**	**446**
Financing expenses	(88)		(89)	(62)	(1)	(63)
Share in income of related companies	(37)	7	(30)	(5)	8	3
Corporate income tax	(100)	(23)	(123)	(92)	(15)	(106)
NET INCOME FROM CONTINUING BUSINESS ACTIVITIES	**125**	**29**	**154**	**313**	**(34)**	**279**
Net income from discontinued or held-for-sale activities	125	12	136	36	7	43
OVERALL NET INCOME	**250**	**41**	**290**	**349**	**(26)**	**323**
of which, non-controlling interests	(2)		(2)	1		
OF WHICH, NET INCOME (GROUP SHARE)	**252**	**41**	**292**	**348**	**(26)**	**322**

NOTE 1.2 – SEGMENT REPORTING BY BUSINESS

NOTE 1.2.1 – SEGMENT REPORTING BY BUSINESS – BALANCE SHEET

In millions of euros	31.12.2017				31.12.2016			
	Insurance	Banking	Inter-segment eliminations	Total	Insurance	Banking	Inter-segment eliminations	Total
Goodwill	1,894	20		1,915	1,965	20		1,985
Other intangible assets	282	11		294	295	9		303
Insurance business investments	90,898	4	(3,703)	87,199	89,354	4	(3,113)	86,245
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	6,968		(5,609)	1,359	5,563		(4,361)	1,201
Other assets	7,575	50	(1,497)	6,128	7,068	46	(1,124)	5,991
Held-for-sale assets and discontinued businesses	447			447	94			94
Cash and cash equivalents	1,014	7		1,022	1,066	7		1,074
Consolidated total assets	**109,328**	**437**	**(10,809)**	**98,957**	**106,261**	**422**	**(8,598)**	**98,085**
Reserves for contingencies and charges	688	5		692	691	4		695
Financing debt	3,228		(2,075)	1,153	3,146		(2,382)	764
Technical liabilities relating to insurance policies	65,697		(5,620)	60,077	63,118		(4,368)	58,750
Technical liabilities relating to financial contracts	13,753			13,753	14,619			14,619
Deferred profit-sharing liabilities	5,014			5,014	5,517			5,517
Resources from banking sector activities		10		10		8		8
Other liabilities	12,013	75	(3,114)	8,975	10,732	71	(1,848)	8,955
Liabilities of held-for-sale or discontinued businesses	357			357	7			7
Total consolidated liabilities excluding shareholders' equity	**100,750**	**90**	**(10,809)**	**90,031**	**97,830**	**83**	**(8,598)**	**89,315**

NOTE 1.2.2 – SEGMENT REPORTING BY BUSINESS – INCOME STATEMENT

In millions of euros	31.12.2017									
	France					International				Total
	Property and casualty insurance	Life and health insurance	Banking	Holding	Total	Property and casualty insurance	Life and health insurance	Holding	Total	
Earned premiums	**5,526**	**5,602**			**11,128**	**1,652**	**828**		**2,480**	**13,609**
Net banking income, net of cost of risk			**143**		**143**					**143**
Investment income	229	1,831		13	2,073	100	130	3	233	2,306
Investment expenses	(79)	(638)		2	(714)	(40)	(16)		(56)	(771)
Capital gains or losses from divestment of investments net of impairment and depreciation write-backs	108	291		68	467	14	7		21	488
Change in fair value of financial instruments recorded at fair value through income	14	605		23	642	4	27		31	673
Change in impairment on investments		(8)		(1)	(9)					(9)
Total income from ordinary business activities	**5,798**	**7,684**	**143**	**106**	**13,731**	**1,729**	**977**	**3**	**2,709**	**16,439**
Insurance policy servicing expenses	(4,150)	(6,487)			(10,637)	(1,060)	(754)		(1,814)	(12,452)
Income on outward reinsurance	344	76			420	27	3		30	450
Expenses on outward reinsurance	(288)	(94)			(382)	(142)	(3)		(145)	(528)
Banking operating expenses			(99)		(99)					(99)
Policy acquisition costs	(909)	(534)			(1,442)	(328)	(109)		(437)	(1,879)
Administrative costs	(218)	(112)			(330)	(97)	(47)		(144)	(474)
Other current operating income and expenses	(341)	(344)	4	(121)	(802)	(63)	(8)	(3)	(74)	(876)
CURRENT OPERATING INCOME	**236**	**188**	**48**	**(15)**	**457**	**66**	**58**	**0**	**124**	**581**
Other operating income and expenses	(40)	(8)	(1)	(57)	(106)	(61)	(18)		(79)	(186)
OPERATING INCOME	**196**	**180**	**46**	**(72)**	**351**	**5**	**41**	**0**	**45**	**396**
Financing expenses	(1)			(88)	(88)					(89)
Share in income of related companies	(2)		(35)		(37)	7			7	(30)
Corporate income tax	(92)	(55)	(15)	61	(100)	(11)	(11)		(23)	(123)
NET INCOME FROM CONTINUING BUSINESS ACTIVITIES	**102**	**125**	**(3)**	**(99)**	**125**	**0**	**29**	**0**	**29**	**154**
Net income from discontinued or held-for-sale activities		17		108	125	11			12	136
TOTAL NET INCOME	**102**	**142**	**(3)**	**9**	**250**	**11**	**30**	**0**	**41**	**290**
of which, non-controlling interests		1		(3)	(2)					(2)
OF WHICH, NET INCOME (GROUP SHARE)	**102**	**141**	**(3)**	**12**	**252**	**11**	**29**	**0**	**41**	**292**

In millions of euros	31.12.2016									
	France					International				Total
	Property and casualty insurance	Life and health insurance	Banking	Holding	Total	Property and casualty insurance	Life and health insurance	Holding	Total	
Earned premiums	**5,459**	**5,425**			**10,884**	**1,655**	**866**		**2,521**	**13,405**
Net banking income, net of cost of risk			**136**		**136**					**136**
Investment income	244	1,910		1	2,156	108	132	3	244	2,399
Investment expenses	(82)	(750)		(7)	(839)	(36)	(15)		(51)	(890)
Capital gains or losses from divestment of investments net of impairment and depreciation write-backs	110	423		16	549	19	7		26	575
Change in fair value of financial instruments recorded at fair value through income	3	327		(19)	311	4	14		18	329
Change in impairment on investments	(1)	(37)		(2)	(40)	(1)			(1)	(42)
Total income from ordinary business activities	**5,733**	**7,299**	**136**	**(11)**	**13,157**	**1,750**	**1,004**	**3**	**2,757**	**15,914**
Insurance policy servicing expenses	(4,137)	(5,879)			(10,016)	(1,115)	(797)		(1,912)	(11,928)
Income on outward reinsurance	302	68			370	39	5		44	413
Expenses on outward reinsurance	(325)	(58)			(383)	(159)	(7)		(166)	(548)
Banking operating expenses			(100)		(100)					(100)
Policy acquisition costs	(880)	(526)			(1,405)	(312)	(102)		(414)	(1,820)
Administrative costs	(242)	(114)			(356)	(113)	(55)		(169)	(525)
Other current operating income and expenses	(305)	(333)	3	(101)	(737)	(48)	(6)	(2)	(57)	(794)
CURRENT OPERATING INCOME	**145**	**458**	**39**	**(112)**	**531**	**41**	**41**	**1**	**82**	**613**
Other operating income and expenses	(28)	(8)		(22)	(58)	(62)	(45)	(1)	(108)	(167)
OPERATING INCOME	**116**	**450**	**39**	**(134)**	**472**	**(21)**	**(4)**	**(1)**	**(26)**	**446**
Financing expenses	(2)	(1)		(59)	(62)			(1)	(1)	(63)
Share in income of related companies	(4)	2	(4)		(5)	8		1	8	3
Corporate income tax	(41)	(162)	(12)	124	(92)	(12)	(3)		(15)	(106)
NET INCOME FROM CONTINUING BUSINESS ACTIVITIES	**69**	**289**	**23**	**(69)**	**313**	**(25)**	**(7)**	**(1)**	**(34)**	**279**
Net income from discontinued or held-for-sale activities		49		(13)	36	7			7	43
OVERALL NET INCOME	**69**	**339**	**23**	**(83)**	**349**	**(18)**	**(7)**	**(1)**	**(26)**	**323**
of which, non-controlling interests		1			1					
OF WHICH, NET INCOME (GROUP SHARE)	**69**	**338**	**23**	**(82)**	**348**	**(18)**	**(7)**	**(1)**	**(26)**	**322**

NOTE 2 – GOODWILL, RESULT FROM DISCONTINUED BUSINESSES AND ACTIVITIES TO BE SOLD OR DISCONTINUED

NOTE 2.1 – GOODWILL

In millions of euros	31.12.2017				31.12.2016
	Gross value	Impairment	Foreign exchange adjustment	Net value	Net value
Opening value	**2,949**	**(668)**	**(295)**	**1,985**	**2,172**
Newly consolidated entities					
Eliminations from the scope of consolidation	**(37)**	**30**	**7**	**0**	
France	(3)			(3)	2
Central and Eastern European countries			(3)	(3)	3
Turkey		(58)	(7)	(65)	(104)
United Kingdom					(89)
Other changes during the fiscal year	**(3)**	**(58)**	**(10)**	**(71)**	**(187)**
Closing value	**2,909**	**(697)**	**(297)**	**1,915**	**1,985**

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.

Other changes:

A negative change of €3 million resulted from the revaluation of the purchase price of Groupama SA shares as part of Groupama Holding's liquidity commitment resulting from the privatisation of GAN SA.

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 strategy 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.

NOTE 2.2 – GOODWILL – DETAILS BY CASH-GENERATING UNIT

In millions of euros	31.12.2017			
	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	38			38
Total France and Overseas	**704**			**704**
Closing value	**2,909**	**(697)**	**(297)**	**1,915**

In millions of euros	31.12.2016			
	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	41			41
Total France and Overseas	**707**			**707**
Closing value	**2,949**	**(668)**	**(295)**	**1,985**

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
Assets held for sale and discontinued business activities	**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
Assets held for sale and discontinued business activities	**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**

NOTE 3 – OTHER INTANGIBLE ASSETS

In millions of euros	31.12.2017			31.12.2016		
	Intangible assets related to insurance business	Other intangible assets	Total	Intangible assets related to insurance business	Other intangible assets	Total
Opening gross value	**490**	**1,729**	**2,220**	**524**	**1,710**	**2,235**
Increase		132	132		129	129
Decrease	(1)	(36)	(37)	(1)	(73)	(75)
Foreign exchange adjustments	(13)	(2)	(15)	(14)		(13)
Change in scope of consolidation		(15)	(15)	(19)	(37)	(56)
Closing gross value	**476**	**1,809**	**2,285**	**490**	**1,729**	**2,220**
Opening cumulative amortisation & impairment	**(247)**	**(1,535)**	**(1,782)**	**(261)**	**(1,522)**	**(1,783)**
Increase	(16)	(94)	(110)	(16)	(93)	(109)
Decrease	1	5	6		44	44
Foreign exchange adjustments	11	1	12	11		11
Change in scope of consolidation		15	15	19	37	56
Reclassifications						
Closing cumulative amortisation & impairment	**(251)**	**(1,608)**	**(1,859)**	**(247)**	**(1,535)**	**(1,782)**
Opening cumulative long-term impairment	**(134)**	**(1)**	**(135)**	**(136)**	**(1)**	**(137)**
Long-term impairment recognised						
Long-term impairment write-backs						
Foreign exchange adjustments	3		3	2		2
Change in scope of consolidation						
Reclassifications						
Closing cumulative long-term impairment	**(131)**	**(1)**	**(132)**	**(134)**	**(1)**	**(135)**
Opening net value	**109**	**194**	**303**	**127**	**188**	**314**
Closing net value	**94**	**200**	**294**	**109**	**194**	**303**

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 of 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".

NOTE 3.1 – OTHER INTANGIBLE ASSETS – BY OPERATING SEGMENT

In millions of euros	31.12.2017						31.12.2016	
	Intangible assets related to insurance business		Other intangible assets		Total		Total	
	France	International	France	International	France	International	France	International
Closing gross value	**24**	**451**	**1,651**	**159**	**1,675**	**610**	**1,595**	**625**
Closing cumulative amortisation & impairment		(251)	(1,479)	(129)	(1,479)	(380)	(1,410)	(372)
Closing cumulative long-term impairment	(9)	(122)		(1)	(9)	(123)	(9)	(126)
Amortisation and reserves	**(9)**	**(373)**	**(1,479)**	**(130)**	**(1,488)**	**(503)**	**(1,419)**	**(497)**
Net book value	**15**	**78**	**171**	**29**	**187**	**107**	**176**	**127**

NOTE 4 – INVESTMENT PROPERTY, EXCLUDING UNIT-LINKED INVESTMENTS

In millions of euros	31.12.2017			31.12.2016		
	Property	SCI units	Total	Property	SCI units	Total
Opening gross value	**1,403**	**204**	**1,607**	**1,292**	**205**	**1,497**
Acquisitions	83	10	92	43	13	56
Change in scope of consolidation	(4)		(4)			
Subsequent expenditure						
Assets capitalised in the year	175		175	79		79
Transfer from/to unit-linked property						
Transfer from/to operating property	30		30	87		87
Foreign exchange adjustments						
Outward reinsurance	(187)	(19)	(206)	(99)	(14)	(113)
Other						
Closing gross value	**1,500**	**194**	**1,694**	**1,403**	**204**	**1,607**
Opening cumulative amortisation & impairment	**(265)**		**(265)**	**(265)**		**(265)**
Increase	(26)		(26)	(24)		(24)
Change in scope of consolidation	4		4			
Transfer from/to unit-linked property						
Transfer from/to operating property	(11)		(11)	(11)		(11)
Decrease	37		37	35		35
Other						
Closing cumulative amortisation & impairment	**(260)**		**(260)**	**(265)**		**(265)**
Opening cumulative long-term impairment	**(22)**	**(7)**	**(29)**	**(10)**	**(7)**	**(18)**
Long-term impairment recognised	(1)		(1)	(1)	(1)	(2)
Change in scope of consolidation						
Transfer from/to operating property				(14)		(14)
Long-term impairment write-backs	2	1	3	3	1	4
Closing cumulative long-term impairment	**(21)**	**(6)**	**(27)**	**(22)**	**(7)**	**(29)**
Opening net value	**1,116**	**197**	**1,313**	**1,017**	**198**	**1,216**
Closing net value	**1,218**	**188**	**1,406**	**1,116**	**197**	**1,313**
Closing fair value of investment property	**3,247**	**332**	**3,579**	**2,998**	**349**	**3,347**
Unrealised capital gains/losses	**2,029**	**144**	**2,173**	**1,882**	**152**	**2,034**

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 €848 million as at 31 December 2017 (net of profit sharing and tax), compared with €785 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 €557 million. The Level 2 investment property comprises mainly property located in Paris, or the Greater Paris region, whose fair value is based on observable data.

NOTE 4.1 – INVESTMENT PROPERTY – BY OPERATING SEGMENT

In millions of euros	31.12.2017						31.12.2016					
	Property			SCI units			Property			SCI units		
	France	Inter-national	Total	France	Inter-national	Total	France	Inter-national	Total	France	Inter-national	Total
Gross value	1,468	31	1,500	194		194	1,368	35	1,403	204		204
Cumulative amortisation & impairment	(256)	(5)	(260)				(256)	(9)	(265)			
Long-term impairment	(13)	(9)	(21)	(6)		(6)	(14)	(9)	(22)	(7)		(7)
Closing net value	**1,200**	**18**	**1,218**	**188**		**188**	**1,099**	**18**	**1,116**	**197**		**197**
Closing fair value of investment property	**3,214**	**33**	**3,247**	**332**		**332**	**2,965**	**33**	**2,998**	**349**		**349**
Unrealised capital gains/losses	**2,014**	**15**	**2,029**	**144**		**144**	**1,867**	**15**	**1,882**	**152**		**152**

NOTE 4.2 – INVESTMENT PROPERTY BY BUSINESS

NOTE 4.2.1 – INVESTMENT PROPERTY BY BUSINESS – FRANCE

In millions of euros	31.12.2017					
	Property			SCI units		
	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty	Total
Gross value	1,033	435	1,468	72	123	194
Cumulative amortisation & impairment	(169)	(87)	(256)			
Long-term impairment	(11)	(2)	(13)	(1)	(5)	(6)
Closing net value	**854**	**346**	**1,200**	**71**	**118**	**188**
Closing fair value of investment property	**2,344**	**870**	**3,214**	**134**	**198**	**332**
Unrealised capital gains/losses	**1,490**	**524**	**2,014**	**64**	**80**	**144**

In millions of euros	31.12.2016					
	Property			SCI units		
	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty	Total
Gross value	988	380	1,368	76	127	204
Cumulative amortisation & impairment	(166)	(90)	(256)			
Long-term impairment	(12)	(2)	(14)	(2)	(5)	(7)
Closing net value	**810**	**288**	**1,099**	**75**	**122**	**197**
Closing fair value of investment property	**2,201**	**764**	**2,965**	**139**	**210**	**349**
Unrealised capital gains/losses	**1,391**	**476**	**1,867**	**64**	**88**	**152**

NOTE 4.2.2 – INVESTMENT PROPERTY BY BUSINESS – INTERNATIONAL

In millions of euros	31.12.2017					
	Property			SCI units		
	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**			

In millions of euros	31.12.2016					
	Property			SCI units		
	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**			

NOTE 5 – OPERATING PROPERTY

In millions of euros	31.12.2017			31.12.2016		
	Property	SCI units	Total	Property	SCI units	Total
Opening gross value	**1,227**	**71**	**1,299**	**1,303**	**73**	**1,376**
Acquisitions	24	5	29	13	7	20
Change in scope of consolidation						
Assets capitalised in the year	7		7	8		8
Transfer from/to investment property	(30)		(30)	(87)		(87)
Foreign exchange adjustments	(1)		(1)			
Outward reinsurance	(10)	(7)	(17)	(8)	(9)	(17)
Other						
Closing gross value	**1,218**	**69**	**1,287**	**1,227**	**71**	**1,299**
Opening cumulative amortisation & impairment	**(378)**		**(378)**	**(365)**		**(365)**
Increase	(30)		(30)	(31)		(31)
Change in scope of consolidation						
Transfer from/to investment property	11		11	11		11
Decrease	8		8	8		8
Other						
Closing cumulative amortisation & impairment	**(388)**		**(388)**	**(378)**		**(378)**
Opening cumulative long-term impairment	**(70)**		**(70)**	**(29)**		**(29)**
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	**(86)**		**(87)**	**(70)**		**(70)**
Opening net value	**780**	**71**	**851**	**909**	**73**	**982**
Closing net value	**743**	**69**	**812**	**780**	**71**	**851**
Closing fair value of operating property	**1,053**	**122**	**1,175**	**1,107**	**121**	**1,227**
Unrealised capital gains/losses	**310**	**53**	**363**	**327**	**49**	**377**

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.

NOTE 5.1 – OPERATING PROPERTY – BY OPERATING SEGMENT

In millions of euros	31.12.2017						31.12.2016					
	Property			SCI units			Property			SCI units		
	France	International	Total	France	International	Total	France	International	Total	France	International	Total
Gross value	1,108	110	1,218	69		69	1,118	110	1,227	71		71
Cumulative amortisation & impairment	(375)	(14)	(388)				(366)	(12)	(378)			
Long-term impairment	(82)	(5)	(86)				(68)	(2)	(70)			
Closing net value	**652**	**91**	**743**	**69**		**69**	**684**	**95**	**780**	**71**		**71**
Closing fair value of operating property	**965**	**89**	**1,053**	**122**		**122**	**1,016**	**91**	**1,107**	**121**		**121**
Unrealised capital gains/losses	**313**	**(3)**	**310**	**53**		**53**	**332**	**(4)**	**327**	**49**		**49**

NOTE 5.2 – OPERATING PROPERTY BY BUSINESS

NOTE 5.2.1 – OPERATING PROPERTY BY BUSINESS – FRANCE

In millions of euros	31.12.2017					
	Property			SCI units		
	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross value	548	560	1,108	19	50	69
Cumulative amortisation & impairment	(145)	(230)	(375)			
Long-term impairment	(81)	(1)	(82)			
Closing net value	**323**	**329**	**652**	**19**	**50**	**69**
Closing fair value of operating property	**383**	**581**	**965**	**36**	**86**	**122**
Unrealised capital gains/losses	**61**	**252**	**313**	**16**	**37**	**53**

In millions of euros	31.12.2016					
	Property			SCI units		
	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross value	573	545	1,118	20	51	71
Cumulative amortisation & impairment	(147)	(219)	(366)			
Long-term impairment	(67)	(1)	(68)			
Closing net value	**359**	**325**	**684**	**20**	**51**	**71**
Closing fair value of operating property	**445**	**571**	**1,016**	**37**	**84**	**121**
Unrealised capital gains/losses	**86**	**246**	**332**	**17**	**33**	**49**

NOTE 5.2.2 – OPERATING PROPERTY BY BUSINESS – INTERNATIONAL

In millions of euros	31.12.2017					
	Property			SCI units		
	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**			
Unrealised capital gains/losses	**(1)**	**(1)**	**(3)**			

In millions of euros	31.12.2016					
	Property			SCI units		
	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)**			

NOTE 6 – FINANCIAL INVESTMENTS EXCLUDING UNIT-LINKED ITEMS

In millions of euros	31.12.2017	31.12.2016
	Net value	Net value
Assets valued at fair value	74,020	74,432
Assets valued at amortised cost	1,518	1,485
Total financial investments excluding unit-linked items	**75,537**	**75,917**

Total financial investments (excluding property, unit-linked items, and derivatives) as at 31 December 2017 were €75,537 million, marking a decrease of €380 million versus 31 December 2016.
The bond security repurchase agreement activity was €4,538 million versus €4,330 million as 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

In millions of euros	31.12.2017								
	Net amortised cost			Fair value (a)			Gross unrealised capital gains/losses		
	France	International	Total	France	International	Total	France	International	Total
Available-for-sale assets									
Equities and other variable-income investments	2,729	320	3,049	3,706	324	4,030	977	4	981
Bonds and other fixed-income investments	44,787	4,252	49,039	51,261	4,656	55,918	6,475	404	6,878
Other investments									
Total available-for-sale assets	**47,516**	**4,572**	**52,089**	**54,967**	**4,981**	**59,948**	**7,451**	**408**	**7,859**
Trading assets									
Equities and other variable-income investments classified as “trading”	33		33	33		33			
Equities and other variable-income investments classified as “held for trading”	504	199	703	504	199	703			
Bonds and other fixed-income investments classified as “trading”	127	1	128	127	1	128			
Bonds and other fixed-income investments classified as “held for trading”	4,760	273	5,033	4,760	273	5,033			
Cash mutual funds classified as “trading”	5,572	40	5,612	5,572	40	5,612			
Cash mutual funds classified as “held for trading”	2,423	141	2,563	2,423	141	2,563			
Other investments classified as “trading”									
Other investments classified as “held for trading”									
Total trading assets	**13,418**	**653**	**14,072**	**13,418**	**653**	**14,072**			
Total investments valued at fair value	**60,935**	**5,225**	**66,161**	**68,386**	**5,634**	**74,020**	**7,451**	**408**	**7,859**

(a) 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 €7,859 million compared with €8,544 million as at 31 December 2016.

In millions of euros	31.12.2016								
	Net amortised cost			Fair value (a)			Gross unrealised capital gains/losses		
	France	International	Total	France	International	Total	France	International	Total
Available-for-sale assets									
Equities and other variable-income investments	2,351	310	2,662	3,213	338	3,551	862	28	890
Bonds and other fixed-income investments	45,285	4,415	49,700	52,502	4,852	57,354	7,217	437	7,654
Other investments	1		1	1		1			
Total available-for-sale assets	**47,637**	**4,725**	**52,363**	**55,716**	**5,189**	**60,906**	**8,079**	**465**	**8,544**
Trading assets									
Equities and other variable-income investments classified as "trading"	41		41	41		41			
Equities and other variable-income investments classified as "held for trading"	535	460	995	535	460	995			
Bonds and other fixed-income investments classified as "trading"	89		89	89		89			
Bonds and other fixed-income investments classified as "held for trading"	3,763	31	3,793	3,763	31	3,793			
Cash mutual funds classified as "trading"	5,005	100	5,105	5,005	100	5,105			
Cash mutual funds classified as "held for trading"	3,207	295	3,503	3,207	295	3,503			
Other investments classified as "trading"									
Other investments classified as "held for trading"									
Total trading assets	**12,640**	**886**	**13,526**	**12,640**	**886**	**13,526**			
Total investments valued at fair value	**60,277**	**5,611**	**65,889**	**68,356**	**6,076**	**74,432**	**8,079**	**465**	**8,544**

(a) For investments valued at fair value, the net value on the balance sheet corresponds to the fair value.

NOTE 6.2 – INVESTMENTS VALUED AT FAIR VALUE BY BUSINESS

NOTE 6.2.1 – INVESTMENTS VALUED AT FAIR VALUE BY BUSINESS – FRANCE

In millions of euros	31.12.2017											
	Net amortised cost				Fair value (a)				Gross unrealised capital gains/losses			
	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	2,014	675	39	2,729	2,623	961	122	3,706	608	287	83	977
Bonds and other fixed-income investments	39,760	5,027		44,787	45,824	5,437		51,261	6,064	409		6,475
Other investments												
Total available-for-sale assets	**41,774**	**5,702**	**39**	**47,516**	**48,447**	**6,398**	**122**	**54,967**	**6,672**	**696**	**83**	**7,451**
Trading assets												
Equities and other variable-income investments classified as "trading"	3	30		33	3	30		33				
Equities and other variable-income investments classified as "held for trading"	345	159		504	345	159		504				
Bonds and other fixed-income investments classified as "trading"	99	28		127	99	28		127				
Bonds and other fixed-income investments classified as "held for trading"	2,806	1,954		4,760	2,806	1,954		4,760				
Cash mutual funds classified as "trading"	4,735	837		5,572	4,735	837		5,572				
Cash mutual funds classified as "held for trading"	2,336	28	59	2,423	2,336	28	59	2,423				
Other investments classified as "trading"												
Other investments classified as "held for trading"												
Total trading assets	**10,324**	**3,036**	**59**	**13,418**	**10,324**	**3,036**	**59**	**13,418**				
Total investments valued at fair value	**52,098**	**8,738**	**99**	**60,935**	**58,771**	**9,434**	**181**	**68,386**	**6,672**	**696**	**83**	**7,451**

(a) For investments valued at fair value, the net value on the balance sheet corresponds to the fair value.

In millions of euros	31.12.2016											
	Net amortised cost				Fair value [a]				Gross unrealised capital gains/losses			
	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	1,674	677		2,351	2,211	1,002		3,213	537	325		862
Bonds and other fixed-income investments	40,348	4,937		45,285	47,109	5,393		52,502	6,761	456		7,217
Other investments		1		1		1		1				
Total available-for-sale assets	**42,022**	**5,615**		**47,637**	**49,320**	**6,396**		**55,716**	**7,299**	**780**		**8,079**
Trading assets												
Equities and other variable-income investments classified as “trading”	4	37		41	4	37		41				
Equities and other variable-income investments classified as “held for trading”	389	146		535	389	146		535				
Bonds and other fixed-income investments classified as “trading”	89			89	89			89				
Bonds and other fixed-income investments classified as “held for trading”	2,453	1,310		3,763	2,453	1,310		3,763				
Cash mutual funds classified as “trading”	4,343	661	1	5,005	4,343	661	1	5,005				
Cash mutual funds classified as “held for trading”	3,062	145		3,207	3,062	145		3,207				
Other investments classified as “trading”												
Other investments classified as “held for trading”												
Total trading assets	**10,340**	**2,299**	**1**	**12,640**	**10,340**	**2,299**	**1**	**12,640**				
Total investments valued at fair value	**52,361**	**7,915**	**1**	**60,277**	**59,660**	**8,695**	**1**	**68,356**	**7,299**	**780**		**8,079**

(a) For investments valued at fair value, the net value on the balance sheet corresponds to the fair value.

NOTE 6.2.2 – INVESTMENTS VALUED AT FAIR VALUE BY BUSINESS – INTERNATIONAL

In millions of euros	31.12.2017								
	Net amortised cost			Fair value [a]			Gross unrealised capital gains/losses		
	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**	**4,981**	**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**	**653**	**379**	**275**	**653**			
Total investments valued at fair value	**2,921**	**2,305**	**5,226**	**3,167**	**2,467**	**5,634**	**246**	**162**	**408**

(a) For investments valued at fair value, the net value on the balance sheet corresponds to the fair value.

In millions of euros	31.12.2016								
	Net amortised cost			Fair value [a]			Gross unrealised capital gains/losses		
	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**

(a) For investments valued at fair value, the net value on the balance sheet corresponds to the fair value.

NOTE 6.3 – INVESTMENTS VALUED AT FAIR VALUE BY TYPE

In millions of euros	31.12.2017								
	Net amortised cost			Fair value (a)			Gross unrealised capital gains/losses		
	France	International	Total	France	International	Total	France	International	Total
Equities and other variable-income investments									
Available-for-sale assets	2,729	320	3,049	3,706	324	4,030	977	4	981
Assets classified as “trading”	33		33	33		33			
Assets classified as “held for trading”	504	199	703	504	199	703			
Total equities and other variable-income investments	**3,266**	**519**	**3,785**	**4,243**	**523**	**4,766**	**977**	**4**	**981**
Bonds and other fixed-income investments									
Available-for-sale assets	44,787	4,252	49,039	51,261	4,656	55,918	6,475	404	6,878
Assets classified as “trading”	127	1	128	127	1	128			
Assets classified as “held for trading”	4,760	273	5,033	4,760	273	5,033			
Total bonds and other fixed-income investments	**49,674**	**4,526**	**54,200**	**56,148**	**4,930**	**61,078**	**6,475**	**404**	**6,878**
Cash mutual funds									
Assets classified as “trading”	5,572	40	5,612	5,572	40	5,612			
Assets classified as “held for trading”	2,423	141	2,563	2,423	141	2,563			
Total cash mutual funds	**7,995**	**181**	**8,176**	**7,995**	**181**	**8,176**			
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	**60,935**	**5,226**	**66,161**	**68,386**	**5,634**	**74,020**	**7,451**	**408**	**7,859**

(a) For investments valued at fair value, the net value on the balance sheet corresponds to the fair value.

In millions of euros	31.12.2016								
	Net amortised cost			Fair value [a]			Gross unrealised capital gains/losses		
	France	International	Total	France	International	Total	France	International	Total
Equities and other variable-income investments									
Available-for-sale assets	2,351	310	2,662	3,213	338	3,551	862	28	890
Assets classified as “trading”	41		41	41		41			
Assets classified as “held for trading”	535	460	995	535	460	995			
Total equities and other variable-income investments	**2,928**	**770**	**3,698**	**3,789**	**798**	**4,587**	**862**	**28**	**890**
Bonds and other fixed-income investments									
Available-for-sale assets	45,285	4,415	49,700	52,502	4,852	57,354	7,217	437	7,654
Assets classified as “trading”	89		89	89		89			
Assets classified as “held for trading”	3,763	31	3,793	3,763	31	3,793			
Total bonds and other fixed-income investments	**49,136**	**4,446**	**53,582**	**56,354**	**4,883**	**61,237**	**7,217**	**437**	**7,654**
Cash mutual funds									
Assets classified as “trading”	5,005	100	5,105	5,005	100	5,105			
Assets classified as “held for trading”	3,207	295	3,503	3,207	295	3,503			
Total cash mutual funds	**8,212**	**395**	**8,607**	**8,212**	**395**	**8,607**			
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	**60,277**	**5,611**	**65,889**	**68,356**	**6,076**	**74,432**	**8,079**	**465**	**8,544**

(a) For investments valued at fair value, the net value on the balance sheet corresponds to the fair value.

NOTE 6.4 – INVESTMENTS VALUED AT AMORTISED COST IN NET VALUE

In millions of euros	31.12.2017			31.12.2016		
	France	International	Total	France	International	Total
Loans	103	59	162	111	59	170
Deposits	928	252	1,181	905	282	1,187
Other	176		176	129		129
Total financial investments excluding unit-linked items	**1,207**	**311**	**1,518**	**1,144**	**341**	**1,485**

NOTE 6.5 – RESERVES FOR IMPAIRMENT OF INVESTMENTS

In millions of euros	31.12.2017			31.12.2016		
	Gross	Reserves	Net	Gross	Reserves	Net
Available-for-sale assets						
Equities and other variable-income investments	3,354	(305)	3,049	3,111	(449)	2,662
Bonds and other fixed-income investments	49,046	(7)	49,039	49,713	(14)	49,700
Other investments				1		1
Total available-for-sale assets	**52,400**	**(312)**	**52,089**	**52,826**	**(463)**	**52,363**
Financial investments valued at amortised cost	1,520	(2)	1,518	1,488	(2)	1,485
Financial investments valued at amortised cost	**1,520**	**(2)**	**1,518**	**1,488**	**(2)**	**1,485**

Total long-term impairment reserves for investments valued at fair value were €312 million, compared with €463 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

In millions of euros	31.12.2017				
	Euro	Dollar	Pound	Other	Total
Available-for-sale assets					
Equities and other variable-income investments	3,214	225	8	583	4,030
Bonds and other fixed-income investments	55,144	31	245	498	55,918
Other investments					
Total available-for-sale assets	**58,358**	**256**	**253**	**1,081**	**59,948**
Trading assets					
Equities and other variable-income investments classified as “trading”	33				33
Equities and other variable-income investments classified as “held for trading”	703				703
Bonds and other fixed-income investments classified as “trading”	128				128
Bonds and other fixed-income investments classified as “held for trading”	5,027			6	5,033
Cash mutual funds classified as “trading”	5,567	45			5,612
Cash mutual funds classified as “held for trading”	2,563				2,563
Other investments classified as “trading”					
Other investments classified as “held for trading”					
Total trading assets	**14,021**	**45**		**6**	**14,072**
Loans and receivables					
Loans	159			3	162
Deposits	928	3	21	229	1,181
Other investments	166	10			176
Total loans and receivables	**1,253**	**12**	**21**	**231**	**1,518**
Total financial investments (net of derivatives and unit-linked items)	**73,632**	**314**	**273**	**1,318**	**75,537**

The above figures do not include the hedging for foreign exchange risk established (forward currency sales or currency swaps).

In millions of euros	31.12.2016					
	Euro	Dollar	Pound	Yen	Other	Total
Available-for-sale assets						
Equities and other variable-income investments	2,581	259	7		704	3,551
Bonds and other fixed-income investments	56,560	34	246	5	508	57,354
Other investments	1					1
Total available-for-sale assets	**59,142**	**294**	**253**	**5**	**1,212**	**60,906**
Trading assets						
Equities and other variable-income investments classified as “trading”	41					41
Equities and other variable-income investments classified as “held for trading”	995					995
Bonds and other fixed-income investments classified as “trading”	89					89
Bonds and other fixed-income investments classified as “held for trading”	3,787				6	3,793
Cash mutual funds classified as “trading”	5,099	4		2		5,105
Cash mutual funds classified as “held for trading”	3,503					3,503
Other investments classified as “trading”						
Other investments classified as “held for trading”						
Total trading assets	**13,514**	**4**		**2**	**6**	**13,526**
Loans and receivables						
Loans	169				1	170
Deposits	926	5			256	1,187
Other investments	121	6	1			129
Total loans and receivables	**1,215**	**11**	**1**		**257**	**1,485**
Total financial investments (net of derivatives and unit-linked items)	**73,872**	**309**	**254**	**7**	**1,475**	**75,917**

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	1,746	1,708
Shares in fixed-income mutual funds	7,642	6,329
Shares in other mutual funds	2,705	2,598
Cash mutual funds	8,175	8,607
Bonds and other fixed-income securities	53,276	54,734
Total listed investments	**73,545**	**73,977**

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 totalled €18,522 million compared with €17,534 million as at 31 December 2016.

As at 31 December 2017, total long-term reserves for listed investments valued at fair value were €241 million, compared with €393 million as at 31 December 2016.

NOTE 6.8 – BREAKDOWN OF UNLISTED INVESTMENTS

In millions of euros	31.12.2017	31.12.2016
Equities at fair value	314	281
Bonds and other fixed-income securities at fair value	160	173
Other investments at fair value		2
Loans at amortised cost	162	170
Other investments at amortised cost	1,356	1,316
Total unlisted investments	**1,992**	**1,941**

As at 31 December 2017, total long-term reserves for listed investments valued at fair value were €71 million, compared with €70 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 – BREAKDOWN OF THE BOND PORTFOLIO

The table below shows the Group's exposure to interest rate risks at the close of each fiscal year.

In millions of euros	31.12.2017			31.12.2016		
	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
Listed bonds						
Available-for-sale	50,928	1,410	52,338	52,677	1,289	53,966
Classified as "trading"						
Classified as "held for trading"	816	123	938	608	160	768
Total listed bonds	**51,743**	**1,533**	**53,276**	**53,285**	**1,449**	**54,734**
Unlisted bonds						
Available-for-sale	106	25	131	106	38	144
Classified as "trading"						
Classified as "held for trading"	6	24	29	5	23	28
Total unlisted bonds	**111**	**49**	**160**	**111**	**61**	**173**
Total bond portfolio	**51,854**	**1,582**	**53,436**	**53,396**	**1,510**	**54,907**

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:

In millions of euros	31.12.2017				31.12.2016			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Listed bonds								
Available-for-sale	2,548	13,243	36,548	52,338	2,744	11,348	39,873	53,966
Classified as "trading"								
Classified as "held for trading"	91	445	403	938	8	246	515	768
Total listed bonds	**2,639**	**13,687**	**36,951**	**53,276**	**2,752**	**11,594**	**40,388**	**54,734**
Unlisted bonds								
Available-for-sale	8	12	111	131	20	12	113	144
Classified as "trading"								
Classified as "held for trading"	1	28		29	1	27	1	28
Total unlisted bonds	**9**	**39**	**111**	**160**	**21**	**38**	**114**	**173**
Total bond portfolio	**2,648**	**13,727**	**37,062**	**53,436**	**2,773**	**11,632**	**40,502**	**54,907**

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 compensation rates.

NOTE 6.9.3 – BOND PORTFOLIO – BY RATING

In millions of euros	31.12.2017						
	AAA	AA	A	BBB	<BBB	Not rated	Total
Listed bonds							
Available for sale*	2,427	23,895	7,776	17,502	193	545	52,338
Classified as “trading”							
Classified as “held for trading”	51	57	793	35		2	938
Total listed bonds	**2,478**	**23,952**	**8,569**	**17,537**	**193**	**547**	**53,276**
Unlisted bonds							
Available for sale*	2	7	10	103		8	131
Classified as “trading”							
Classified as “held for trading”			24			6	29
Total unlisted bonds	**2**	**7**	**34**	**103**		**14**	**160**
Total bond portfolio	**2,480**	**23,959**	**8,603**	**17,641**	**193**	**561**	**53,436**

In millions of euros	31.12.2016						
	AAA	AA	A	BBB	<BBB	Not rated	Total
Listed bonds							
Available for sale*	2,721	24,277	6,818	18,839	614	697	53,966
Classified as “trading”							
Classified as “held for trading”	144	24	402	179	13	5	768
Total listed bonds	**2,865**	**24,301**	**7,220**	**19,018**	**627**	**702**	**54,734**
Unlisted bonds							
Available for sale*		20	10	112		2	144
Classified as “trading”							
Classified as “held for trading”			23			5	28
Total unlisted bonds		**20**	**33**	**112**		**7**	**173**
Total bond portfolio	**2,865**	**24,322**	**7,253**	**19,130**	**627**	**709**	**54,907**

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	32,860	33,959
Bonds issued by States outside the EU	182	191
Bonds from public and semi-public sectors	3,562	3,789
Corporate bonds	16,770	16,897
Other bonds (including bond funds)	61	72
Total bond portfolio	**53,436**	**54,907**

NOTE 6.10 – DEBT SECURITIES OF PERIPHERAL COUNTRIES OF THE EUROZONE

NOTE 6.10.1 – SOVEREIGN DEBT SECURITIES OF PERIPHERAL COUNTRIES OF THE EUROZONE

In millions of euros	31.12.2017					
	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	2,186		2,186	2,841	655	76
Greece						
Ireland	18		18	20	2	1
Italy	7,121		7,121	8,641	1,519	233
Portugal	234		234	289	56	6
Total	**9,559**		**9,559**	**11,790**	**2,232**	**316**

In millions of euros	31.12.2016					
	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	2,358		2,358	3,084	726	69
Greece						
Ireland	20		20	23	3	1
Italy	7,227		7,227	8,950	1,723	232
Portugal	274		274	287	13	1
Total	**9,879**		**9,879**	**12,343**	**2,464**	**304**

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 totalled €316 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 €294 million, mainly held by the Hungarian subsidiary.

The sovereign debt securities of the peripheral eurozone countries have the following maturities:

In millions of euros	31.12.2017				
	< 3 years	3 to 7 years	7 to 10 years	> 10 years	Total
Spain	25	114	340	2,361	2,841
Greece					
Ireland	17	2		1	20
Italy	1,031	1,648	1,829	4,133	8,641
Portugal	4	122	4	160	289
Total	**1,076**	**1,887**	**2,173**	**6,655**	**11,790**

The table below shows the change in sovereign debt securities of peripheral countries of the eurozone at fair value held directly.

In millions of euros	31.12.2017					
	Spain	Greece	Ireland	Italy	Portugal	Total
Opening sovereign debt securities	**3,066**		**20**	**8,605**	**283**	**11,975**
Change in unrealised capital gains/losses	(60)		(1)	(177)	43	(195)
Change in scope of consolidation	(16)			(57)	(42)	(115)
Acquisitions	1			168		168
Divestments/Redemptions	(157)		(1)	(221)		(378)
Foreign exchange adjustments						
Closing sovereign debt securities	**2,834**		**19**	**8,318**	**284**	**11,455**

To date, the consolidated mutual funds hold €335 million in sovereign debt securities of peripheral eurozone countries, including in particular €323 million in Italian sovereign debt.

NOTE 6.10.2 – NON-SOVEREIGN DEBT SECURITIES OF PERIPHERAL COUNTRIES OF THE EUROZONE

In millions of euros	31.12.2017					
	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	588		588	670	82	12
Greece						
Ireland	16		16	16	1	
Italy	657		657	684	27	9
Portugal	35		35	36	1	
Total	**1,296**		**1,296**	**1,406**	**110**	**22**

In millions of euros	31.12.2016					
	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	593		593	684	90	11
Greece						
Ireland	21		21	22	1	1
Italy	700		700	745	44	12
Portugal	41		41	42	1	
Total	**1,356**		**1,356**	**1,493**	**137**	**24**

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 €1,406 million as at 31 December 2017. These securities present an unrealised capital gain net of taxes and profit sharing of €22 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 – HIERARCHY OF FAIR VALUE

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.

In millions of euros	31.12.2017				31.12.2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Available-for-sale assets								
Equities and other variable-income investments	3,585	97	348	4,030	3,246	72	233	3,551
Bonds and other fixed-income investments	54,142	722	1,053	55,918	55,587	777	990	57,354
Other investments							1	1
Total available-for-sale assets	**57,728**	**819**	**1,401**	**59,948**	**58,833**	**849**	**1,224**	**60,906**
Trading assets								
Equities and other variable-income investments classified as “trading” or “held for trading”	367		369	736	600		437	1,037
Bonds and other fixed-income investments classified as “trading” or “held for trading”	4,233	438	490	5,161	3,203	290	390	3,882
Cash mutual funds classified as “trading” or “held for trading”	8,131	44		8,175	8,572	35		8,607
Other investments								
Total trading assets	**12,730**	**482**	**859**	**14,072**	**12,374**	**325**	**826**	**13,526**
Subtotal of financial investments excluding unit-linked items measured at fair value	**70,458**	**1,302**	**2,260**	**74,020**	**71,207**	**1,175**	**2,050**	**74,432**
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	**76,139**	**4,117**	**2,547**	**82,803**	**75,295**	**3,691**	**2,859**	**81,846**

As these are investments in unit-linked policies, the risk is borne by policyholders.

Derivative instruments posted to assets totalled €113 million and derivative instruments posted to liabilities on the balance sheet totalled €659 million as at 31 December 2017. These instruments are classified in level 2.

The Level 3 investments comprise:

- for equities, these largely involve shares of private equity funds and unlisted equities. The private equity fund units are valued based on the latest net asset values. The valuation of unlisted equities is based on several methods, such as the discounted cash flow techniques or the restated net asset method.
- for bonds, securities valued based on a model using extrapolated data;
- for investments in unit-linked policies in level 3, structured products not listed on an active market, the compensation of which is indexed to indices, 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.

In millions of euros	31.12.2017								
	Available-for-sale assets			Trading assets				Investments in unit-linked policies	Derivative assets and liabilities
	Equities	Bonds	Other investments	Equities	Bonds	Cash mutual funds	Other investments		
Level 3 opening amount	**233**	**990**	**1**	**437**	**390**			**809**	
Change in unrealised capital gains/losses recognised in:									
- income				(38)	(61)			(309)	
- gains and losses recognised directly in shareholders' equity	29	(57)							
Transfer to level 3	26	36			61			80	
Transfer outside of level 3	(32)	(30)						(45)	
Reclassification to loans and receivables									
Change in scope of consolidation									
Acquisitions	105	131		41	261			7	
Divestments/Redemptions	(11)	(16)	(1)	(70)	(161)			(255)	
Foreign exchange adjustments	(2)								
Level 3 closing amount	**348**	**1,053**	**0**	**369**	**490**			**287**	

NOTE 7 - INVESTMENTS REPRESENTING COMMITMENTS IN UNIT-LINKED INVESTMENTS

In millions of euros	31.12.2017			31.12.2016		
	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 UCITS 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 (UL) investments are solely connected to the Life and Health Insurance business.

NOTE 8 – ASSET AND LIABILITY DERIVATIVE INSTRUMENTS AND SEPARATE EMBEDDED DERIVATIVES

In millions of euros	31.12.2017					
	France		International		Total	
	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)**

In millions of euros	31.12.2016					
	France		International		Total	
	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 hedging,
- 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 IAS39.

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 as 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.

NOTE 9 – USES AND SOURCES OF FUNDS FOR BANKING SECTOR ACTIVITIES

NOTE 9.1 – USES OF FUNDS FOR BANKING SECTOR ACTIVITIES

In millions of euros	31.12.2017			31.12.2016		
	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 – RESOURCES FROM 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

In millions of euros	31.12.2017		31.12.2016	
	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

In millions of euros	2017				
	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

In millions of euros	2016				
	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

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

In millions of euros	31.12.2017			31.12.2016		
	France	International	Total	France	International	Total
Share of reinsurers in non-life insurance reserves						
Reserves for unearned premiums	11	19	30	11	19	30
Outstanding claims reserves	807	87	894	630	120	750
Other underwriting reserves	354	1	355	353	1	354
Total	**1,172**	**107**	**1,279**	**994**	**140**	**1,134**
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	**1,248**	**112**	**1,359**	**1,056**	**145**	**1,201**

NOTE 11.1 – CHANGE IN THE SHARE OF OUTWARD REINSURERS AND RETROCESSIONAIRES IN CLAIMS RESERVES FOR NON-LIFE CLAIMS SPLIT BY OPERATING SEGMENT

In millions of euros	31.12.2017			31.12.2016		
	France	International	Total	France	International	Total
Share of reinsurers in opening reserves for claims	**630**	**120**	**750**	**574**	**141**	**716**
Portfolio transfers and changes in scope of consolidation	(9)	(1)	(10)		1	1
Share of reinsurers in total claims expense	358	10	368	289	24	314
Share of reinsurers in total payments	(172)	(38)	(210)	(233)	(43)	(276)
Foreign exchange variation		(5)	(5)		(4)	(4)
Share of reinsurers in closing reserves for claims	**807**	**87**	**894**	**630**	**120**	**750**

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	**721**	**54**	**775**	**720**	**53**	**773**
Acquisitions	83	1	84	50	3	53
Change in scope of consolidation	(3)		(3)	(11)		(11)
Assets capitalised in the year	3		3	2		2
Foreign exchange adjustments	(2)		(2)	(2)		(2)
Outward reinsurance	(59)		(59)	(38)	(1)	(39)
Closing gross value	**743**	**55**	**798**	**721**	**54**	**775**
Opening cumulative amortisation & impairment	**(556)**		**(556)**	**(550)**		**(550)**
Increase	(47)		(47)	(49)		(49)
Change in scope of consolidation	3		3	9		9
Foreign exchange adjustments	1		1	2		2
Decrease	39		39	32		32
Closing cumulative amortisation & impairment	**(560)**		**(560)**	**(556)**		**(556)**
Opening cumulative long-term impairment	**(2)**		**(2)**	**(3)**		**(3)**
Long-term impairment recognised						
Change in scope of consolidation						
Foreign exchange adjustments						
Long-term impairment write-backs				1		1
Closing cumulative long-term impairment	**(2)**		**(2)**	**(2)**		**(2)**
Opening net value	**163**	**54**	**217**	**167**	**53**	**220**
Closing net value	**182**	**55**	**236**	**163**	**54**	**217**
Closing fair value of other property, plant and equipment	**181**	**135**	**316**	**163**	**121**	**284**
Unrealised capital gains/losses	**(1)**	**80**	**80**	**0**	**67**	**67**

Unrealised capital gains on long-term operating assets primarily include biological assets booked in accordance with IAS 41. These are largely forests.

NOTE 12.2 – OTHER PROPERTY, PLANT AND EQUIPMENT – BY OPERATING SEGMENT

In millions of euros	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		
	France	Inter-national	Total	France	Inter-national	Total	France	Inter-national	Total	France	Inter-national	Total
Gross value	639	104	743	55		55	615	105	721	54		54
Cumulative amortisation & impairment	(474)	(85)	(560)				(469)	(87)	(556)			
Long-term impairment	(2)		(2)				(2)		(2)			
Closing net value	**163**	**19**	**182**	**55**		**55**	**144**	**19**	**163**	**54**		**54**
Closing fair value of investment property	**162**	**19**	**181**	**135**		**135**	**144**	**19**	**163**	**121**		**121**
Unrealised capital gains/losses	**(1)**	**0**	**(1)**	**80**		**80**	**0**	**0**	**0**	**67**		**67**

NOTE 13 – DEFERRED ACQUISITION COSTS

In millions of euros	31.12.2017			31.12.2016		
	Gross	Deferred profit-sharing	Net	Gross	Deferred profit-sharing	Net
Non-life insurance policies	125		125	158		158
Life insurance policies and financial contracts with discretionary profit sharing	24		24	30		30
France	**149**		**149**	**188**		**188**
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	**222**	**(3)**	**219**	**269**	**(3)**	**266**

NOTE 14 – DEFERRED TAXES

NOTE 14.1 – DEFERRED TAX ASSETS – BY OPERATING SEGMENT

In millions of euros	31.12.2017			31.12.2016
	France	International	Total	Total
Deferred tax assets	23	13	36	23
Total	**23**	**13**	**36**	**23**

NOTE 14.2 – DEFERRED TAX LIABILITIES – BY OPERATING SEGMENT

In millions of euros	31.12.2017			31.12.2016
	France	International	Total	Total
Deferred tax liabilities	172	32	204	227
Total	**172**	**32**	**204**	**227**

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)	(631)	(608)
Life acquisition costs and overall management expenses reserve	(52)	(50)
Consolidation restatements on technical reserves	(158)	(209)
Other differences on consolidation restatements	146	180
Deferred non-life acquisition costs	(56)	(55)
Tax differences on technical reserves and other contingent liabilities	392	421
Tax-deferred capital gains	(6)	(5)
Valuation difference on mutual funds	148	138
Foreign exchange hedge	8	8
Other temporary tax differences	37	(37)
Subtotal of deferred taxes resulting from timing differences	**(173)**	**(217)**
Deferred taxes from stocks of ordinary losses	**4**	**13**
Deferred taxes recorded on the balance sheet	**(168)**	**(204)**
of which, assets	36	23
of which, liabilities	(204)	(227)

Deferred tax assets from ordinary losses amounted to €4 million as at 31 December 2017, compared with €13 million as at 31 December 2016, a reduction of €9 million.

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.

NOTE 15 – RECEIVABLES FROM INSURANCE OR INWARD REINSURANCE TRANSACTIONS

NOTE 15.1 – RECEIVABLES FROM INSURANCE OR INWARD REINSURANCE – BY OPERATING SEGMENT

In millions of euros	31.12.2017							31.12.2016
	France			International			Total	Total
	Gross value	Reserves	Net value	Gross value	Reserves	Net value		
Earned unwritten premiums	732		732	22		22	755	732
Policyholders, intermediaries, and other third parties	882	(23)	860	421	(69)	352	1,212	1,103
Current accounts — co-insurers and other third parties	72	(2)	70	52	(37)	16	86	91
Current accounts — ceding and retroceding companies	308		308	8		8	316	318
Total	**1,994**	**(24)**	**1,970**	**504**	**(106)**	**398**	**2,368**	**2,244**

NOTE 15.2 – RECEIVABLES FROM INSURANCE OR INWARD REINSURANCE – BY MATURITY

In millions of euros	31.12.2017				31.12.2016			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Earned unwritten premiums	760	(5)		755	737	(5)		732
Policyholders, intermediaries, and other third parties	1,136	76		1,212	973	130		1,103
Current accounts — co-insurers and other third parties	86			86	91			91
Current accounts — ceding and retroceding companies	267	46	3	316	265	49	3	318
Total	**2,248**	**117**	**3**	**2,368**	**2,066**	**175**	**3**	**2,244**

NOTE 16 – RECEIVABLES FROM OUTWARD REINSURANCE TRANSACTIONS

In millions of euros	31.12.2017			31.12.2016
	Gross value	Reserves	Net value	Net value
Outward reinsurer and retrocessionaire current accounts	79	(6)	73	48
Other receivables from reinsurance transactions	108	(1)	107	159
Total	**187**	**(7)**	**180**	**207**

NOTE 16.1 – RECEIVABLES FROM OUTWARD REINSURANCE TRANSACTIONS – BY MATURITY

In millions of euros	31.12.2017				31.12.2016			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Outward reinsurer and retrocessionaire current accounts	36	37		73	38	11		48
Other receivables from reinsurance transactions	107			107	159			159
Total	**143**	**37**		**180**	**196**	**11**		**207**

NOTE 17 – CURRENT TAX RECEIVABLES AND OTHER TAX RECEIVABLES

NOTE 17.1 – CURRENT TAX RECEIVABLES AND OTHER TAX RECEIVABLES – BY MATURITY

In millions of euros	31.12.2017				31.12.2016			
	< 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	255			255	276			276

"Current tax receivables and other tax receivables" amounted to €255 million as at 31 December 2017 compared with €276 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 €174 million as at 31 December 2017, including €69 million for international subsidiaries, versus €198 million at 31 December 2016.

NOTE 17.2 – CURRENT TAX RECEIVABLES AND OTHER TAX RECEIVABLES – BY OPERATING SEGMENT

In millions of euros	31.12.2017			31.12.2016		
	France	International	Total	France	International	Total
Current tax receivables and other tax receivables	156	99	255	178	98	276

NOTE 18 – OTHER RECEIVABLES

In millions of euros	31.12.2017			31.12.2016
	Gross value	Reserves	Total	Total
Accrued interest not yet due	712		712	752
Due from employees	9		9	8
Social agencies	8		8	15
Other debtors	1,846	(29)	1,816	1,772
Other receivables	288		288	210
Total	**2,863**	**(29)**	**2,834**	**2,757**

NOTE 18.1 – OTHER RECEIVABLES – BY MATURITY

In millions of euros	31.12.2017				31.12.2016			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Accrued interest not yet due	712			712	752			752
Due from employees	9			9	7			8
Social agencies	8			8	15			15
Other debtors	1,704	91	21	1,816	1,657	97	18	1,772
Other receivables	288			288	210			210
Total	**2,722**	**91**	**21**	**2,834**	**2,642**	**97**	**18**	**2,757**

NOTE 18.2 – OTHER RECEIVABLES – BY OPERATING SEGMENT

In millions of euros	31.12.2017			31.12.2016		
	France	International	Total	France	International	Total
Accrued interest not yet due	650	63	712	679	73	752
Due from employees	8	1	9	6	1	8
Social agencies	8		8	15		15
Other debtors	1,774	43	1,816	1,731	41	1,772
Other receivables	251	36	288	186	25	210
Total	**2,691**	**143**	**2,834**	**2,617**	**140**	**2,757**

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	824	968
International	198	106
Total	**1,022**	**1,074**

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

In millions of euros	31.12.2017				31.12.2016			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Operating debts to banking sector companies	98			98	69			69
Total	**98**			**98**	**69**			**69**

In millions of euros	31.12.2017			
	Currencies		Rate	
	Eurozone	Non eurozone	Fixed rate	Variable rate
Operating debts to banking sector companies	98		98	
Total	**98**		**98**	

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 R322-5 and R322-44 of the French insurance code, French companies subject to State control and incorporated in the form of mutual insurance companies must have start-up funds at least equal to €240,000 or €400,000 depending on the branches operated. French public limited companies must have share capital of at least €480,000 or €800,000 depending on the branches 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 L352-5 of the French insurance code) and the solvency capital requirement (Article L352-1 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.

NOTE 20.2 – IMPACTS OF TRANSACTIONS WITH MEMBERS

- **Change in shareholders' equity during the 2017 fiscal year**

During the 2017 fiscal year, the regional mutuals issued mutual certificates to their members and clients for €246 million, and 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	7,859	8,530
of which, unrealised gross capital gains/losses on AFS assets allocated to life and health insurance	6,918	7,569
of which, unrealised gross capital gains/losses on AFS assets allocated to property and casualty insurance	858	961
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	(545)	(593)
Share of non-controlling interests	(6)	(5)
Revaluation reserve - Group share	**1,780**	**1,640**

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 – CONTINGENT LIABILITIES

In millions of euros	31.12.2017						
	France			International			Total
	Reserves for pensions and similar obligations	Other contingent liabilities (1)	Total	Reserves for pensions and similar obligations	Other contingent liabilities (1)	Total	
Opening balance	**441**	**171**	**612**	**35**	**48**	**83**	**695**
Changes in the scope of consolidation and changes in accounting methods							
Increases for the year	145	124	268	4	14	18	286
Write-backs for the year	(189)	(79)	(268)	(5)	(15)	(20)	(288)
Foreign exchange variation				(1)	(1)	(1)	(1)
Closing balance	**397**	**215**	**613**	**33**	**46**	**80**	**692**

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

In millions of euros	31.12.2016						
	France			International			Total
	Reserves for pensions and similar obligations	Other contingent liabilities (1)	Total	Reserves for pensions and similar obligations	Other contingent liabilities (1)	Total	
Opening balance	**397**	**161**	**558**	**37**	**47**	**84**	**642**
Changes in the scope of consolidation and changes in accounting methods	(4)	(12)	(16)				(16)
Increases for the year	107	88	195	4	15	19	214
Write-backs for the year	(58)	(66)	(124)	(5)	(14)	(19)	(144)
Foreign exchange variation				(1)	(1)	(1)	(1)
Closing balance	**441**	**171**	**612**	**35**	**48**	**83**	**695**

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

NOTE 22 – INFORMATION PERTAINING TO PERSONNEL BENEFITS – DEFINED-BENEFIT PLANS

NOTE 22.1 – RESERVE FOR PENSIONS

In millions of euros	31.12.2017			31.12.2016		
	Post-employment benefits	Other long-term benefits	Total	Post-employment benefits	Other long-term benefits	Total
Actuarial debt	740	87	827	758	88	846
Fair value of hedging assets	397		397	370		370
Net actuarial debt	**343**	**87**	**431**	**388**	**88**	**476**

NOTE 22.1.1 – RESERVE FOR PENSIONS – CHANGE IN THE ACTUARIAL VALUE OF THE DEBT

In millions of euros	31.12.2017			31.12.2016		
	Post-employment benefits	Other long-term benefits	Total	Post-employment benefits	Other long-term benefits	Total
Opening actuarial debt	**758**	**88**	**846**	**722**	**84**	**806**
Cost of past services	16	7	23	16	6	22
Interest payable	14	1	14	17	1	18
Revaluations of actuarial debt						
Actuarial differences arising from changes in demographic assumptions	(9)	(1)	(10)	(5)	1	(4)
Actuarial differences resulting from changes in financial assumptions	9		8	102	4	106
Experience-related adjustments	(9)	(4)	(14)	(5)	(2)	(7)
Benefits paid directly by the employer	(13)	(5)	(17)	(13)	(4)	(17)
Benefits paid by hedging assets	(18)		(18)	(22)		(22)
Cost of past services and profit/loss on liquidation	(1)	1	0		(1)	(1)
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	**740**	**87**	**827**	**758**	**88**	**846**

NOTE 22.1.2 – RESERVE FOR PENSIONS – CHANGE IN THE FAIR VALUE OF HEDGING ASSETS

In millions of euros	31.12.2017			31.12.2016		
	Post-employment benefits	Other long-term benefits	Total	Post-employment benefits	Other long-term benefits	Total
Opening fair value of hedging assets	**370**		**370**	**372**		**372**
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	(16)	(16)
Cost of past services and profit/loss on liquidation	1	
Net interest on net actuarial debt	(4)	(5)
Other		
Component of the expense recognised on the income statement	**(19)**	**(21)**
Revaluation of net actuarial debt:		
Portion of return on hedging assets not recognised in the income statement	21	52
Actuarial differences arising from changes in demographic assumptions	9	5
Actuarial differences resulting from changes in financial assumptions	(9)	(102)
Experience-related adjustments	9	5
Change in effect of asset cap		
Component of the expense recognised through profit/losses posted directly as shareholders' equity	**30**	**(40)**

NOTE 22.3 – INFORMATION PERTAINING TO EMPLOYEE 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

In millions of euros	31.12.2017				31.12.2016			
	France	United Kingdom	Other	Total	France	United Kingdom	Other	Total
Actuarial debt	403	387	38	827	411	395	40	846
Fair value of hedging assets	32	365		397	8	361	1	370
Net actuarial debt	**371**	**22**	**38**	**431**	**403**	**34**	**39**	**476**
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	1.85%	3.20%	NS		1.86%	3.20%	NS	
Staff turnover								
- 18 to 34 years	4.15%	NA	NS		4.03%	NA	NS	
- 35 to 44 years	2.12%	NA	NS		2.23%	NA	NS	
- 45 to 54 years	0.91%	NA	NS		0.91%	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 value 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 -6% 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 combined financial statements.

NOTE 23 – FINANCING DEBT

NOTE 23.1 – FINANCING DEBT – BY MATURITY

In millions of euros	31.12.2017				31.12.2016			
	< 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	7	10		17	2	11	2	14
Total	**7**	**10**	**1,136**	**1,153**	**2**	**11**	**752**	**764**

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% as 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.

The item “Financing debt to banking-sector companies” totalled €17 million and increased by €3 million compared with 31 December 2016 due to a new loan and the repayment of outstanding loans.

NOTE 23.2 – FINANCING DEBT – BY CURRENCY AND RATE

In millions of euros	31.12.2017			
	Currencies		Rate	
	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	17		17	
Total	**1,153**		**1,153**	

NOTE 24 – LIABILITIES RELATED TO INSURANCE POLICIES

NOTE 24.1 – LIABILITIES RELATED TO INSURANCE POLICIES – BY OPERATING SEGMENT

In millions of euros	31.12.2017			31.12.2016		
	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	1,087	650	1,737	1,048	660	1,708
Outstanding claims reserves	9,342	2,135	11,477	8,609	2,294	10,903
Other underwriting reserves	3,592	36	3,628	3,541	47	3,588
Total Non-life insurance	**14,022**	**2,821**	**16,842**	**13,198**	**3,000**	**16,199**
Life insurance reserves for unit-linked policies	8,708	1,040	9,748	7,896	985	8,882
Total	**55,324**	**4,754**	**60,077**	**53,810**	**4,940**	**58,750**

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 but not reported (IBNR)**

The outstanding claims reserve totalled €11,477 million as 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 €741 million at 31 December 2017 (including €525 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.

NOTE 24.2 – LIABILITIES RELATED TO INSURANCE POLICIES BY BUSINESS

NOTE 24.2.1 – LIABILITIES RELATED TO INSURANCE POLICIES BY BUSINESS – FRANCE

In millions of euros	31.12.2017			31.12.2016		
	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	138	949	1,087	133	915	1,048
Outstanding claims reserves	1,012	8,330	9,342	982	7,628	8,609
Other underwriting reserves	2,816	776	3,592	2,773	768	3,541
Total Non-life insurance	**3,966**	**10,055**	**14,022**	**3,887**	**9,311**	**13,198**
Life insurance reserves for unit-linked policies	8,708		8,708	7,896		7,896
Total	**45,269**	**10,055**	**55,324**	**44,499**	**9,311**	**53,810**

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 – LIABILITIES RELATED TO INSURANCE POLICIES BY BUSINESS – INTERNATIONAL

In millions of euros	31.12.2017			31.12.2016		
	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			31.12.2016		
	Gross life insurance reserves	Gross outstanding claims reserves	Total	Gross life insurance reserves	Gross outstanding claims reserves	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			31.12.2016		
	Reserves for unearned premiums	Outstanding claims reserves	Total	Reserves for unearned premiums	Outstanding claims reserves	Total
Non-life insurance						
Motor	761	4,851	5,611	728	4,824	5,552
Bodily injury	220	1,383	1,602	212	1,345	1,558
Property damage	470	2,198	2,667	491	2,162	2,652
General third party liability	54	511	565	56	504	560
Marine, aviation, transport	8	170	178	9	186	195
Other risks	209	1,897	2,106	202	1,458	1,661
Inward reinsurance	**15**	**469**	**484**	**10**	**424**	**434**
Total Non-Life Insurance reserves	**1,737**	**11,477**	**13,214**	**1,708**	**10,903**	**12,611**

NOTE 24.4 – CHANGE IN RESERVES FOR NON-LIFE CLAIMS PAYABLE

In millions of euros	31.12.2017			31.12.2016		
	France	International	Total	France	International	Total
Opening reserves for non-life claims	**8,609**	**2,294**	**10,903**	**8,309**	**2,305**	**10,614**
Portfolio transfers		**(10)**	**(10)**			
Claims expense for the current year	6,608	1,236	7,845	6,515	1,293	7,808
Claims expense for previous years	71	(96)	(25)	(251)	(25)	(275)
Total claims expense	**6,679**	**1,140**	**7,820**	**6,265**	**1,268**	**7,533**
Claims payments for the current year	(3,097)	(580)	(3,677)	(3,255)	(591)	(3,847)
Claims payments for previous years	(2,848)	(650)	(3,498)	(2,709)	(642)	(3,350)
Total payments	**(5,945)**	**(1,230)**	**(7,175)**	**(5,964)**	**(1,233)**	**(7,197)**
Foreign exchange variation	**(2)**	**(59)**	**(61)**		**(47)**	**(48)**
Closing reserves for non-life claims	**9,342**	**2,135**	**11,477**	**8,609**	**2,294**	**10,903**

NOTE 24.5 – IMPACT OF GROSS CLAIMS

In millions of euros	2013	2014	2015	2016	2017
Estimate Of the claims expense					
End N	7,216	7,140	7,023	7,755	7,829
End N+1	7,271	7,118	6,953	7,600	
End N+2	7,055	7,054	7,002		
End N+3	6,938	7,042			
End N+4	6,949				
Claims expense	**6,949**	**7,042**	**7,002**	**7,600**	**7,829**
Cumulative claims payments	**6,355**	**6,046**	**5,956**	**5,913**	**3,666**
Outstanding claims reserves	**594**	**996**	**1,046**	**1,687**	**4,163**
Earned premiums	**9,588**	**9,669**	**9,804**	**10,040**	**10,252**
Claims ratio	**72.5%**	**72.8%**	**71.4%**	**75.7%**	**76.4%**

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.

NOTE 24.6 – IMPACT OF THE DISCOUNT IN ACTUARIAL RESERVES FOR NON-LIFE ANNUITIES BY OPERATING SEGMENT

GROSS VALUE

In millions of euros	31.12.2017			31.12.2016		
	France	International	Total	France	International	Total
Closing non-life annuity actuarial reserves (net of recoveries)	**2,647**	**23**	**2,670**	**2,605**	**23**	**2,628**
Closing non-life annuity actuarial reserves (net of recoveries) before change in discount rate	2,659	23	2,682	2,492	23	2,516
Closing non-life annuity actuarial reserves (net of recoveries) excluding technical interest	2,786	23	2,809	2,727	23	2,751
Technical interest	(127)		(127)	(235)		(235)
Impact of change in discount rate	(12)		(12)	113		113

PROPORTION CEDED

In millions of euros	31.12.2017			31.12.2016		
	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 – 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	12,855	14,249
Reserves on unit-linked policies	73	84
Outstanding claims reserves	107	122
Reserves for profit-sharing	553	16
Other underwriting reserves	1	1
Total	**13,588**	**14,471**
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	**13,753**	**14,619**

NOTE 25.1 – LIABILITIES RELATED TO FINANCIAL CONTRACTS (EXCLUDING UNIT-LINKED) BY OPERATING SEGMENT

In millions of euros	31.12.2017			31.12.2016		
	France	International	Total	France	International	Total
Life financial contract reserves	11,040	1,814	12,855	12,199	2,050	14,249
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	**11,689**	**1,828**	**13,517**	**12,325**	**2,064**	**14,389**

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 25.2 – BREAKDOWN OF LIABILITIES RELATED TO FINANCIAL CONTRACTS - BY MAJOR CATEGORY

In millions of euros	31.12.2017			31.12.2016		
	Life financial contract reserves	Gross outstanding claims reserves	Total	Life financial contract reserves	Gross outstanding claims reserves	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	127		127	347	16	363
Other	3		3	3		3
Total reserves for periodic premium policies	**466**	**20**	**486**	**977**	**36**	**1,013**
Inward reinsurance						
Total Life Insurance reserves	**12,855**	**108**	**12,963**	**14,249**	**124**	**14,373**

NOTE 26 – CHANGE IN ACTUARIAL RESERVES FOR LIFE INSURANCE POLICIES AND FINANCIAL CONTRACTS – BY OPERATING SEGMENT

In millions of euros	31.12.2017			31.12.2016		
	France	International	Total	France	International	Total
Opening actuarial reserves	**43,520**	**2,917**	**46,437**	**44,627**	**2,818**	**47,445**
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	(36)	(355)	(390)	(565)	(7)	(572)
Closing actuarial reserves	**42,763**	**2,614**	**45,377**	**43,520**	**2,917**	**46,437**

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”.

NOTE 27 – DEFERRED PROFIT SHARING LIABILITIES

In millions of euros	31.12.2017			31.12.2016		
	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

In millions of euros	31.12.2017			31.12.2016		
	Insurance	Banking	Total	Insurance	Banking	Total
Debts to unit holders of consolidated mutual funds	239		239	355		355
Total	**239**		**239**	**355**		**355**

NOTE 29 – LIABILITIES FROM INSURANCE OR INWARD REINSURANCE OPERATIONS

In millions of euros	31.12.2017				31.12.2016			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Policyholders, intermediaries, and other third parties	673	3		677	595	3		598
Co-insurers	49	55		104	47	17		64
Current accounts — ceding and retroceding companies	55	3		58	60	3		63
Total	**777**	**61**		**839**	**702**	**23**		**725**

NOTE 30 – LIABILITIES FROM OUTWARD REINSURANCE ACTIVITIES

In millions of euros	31.12.2017				31.12.2016			
	< 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)	315	5		320	293	12		305
Other liabilities from reinsurance activities	39	3		42	44	3		47
Total	**354**	**8**		**362**	**337**	**14**		**352**

(1) Including deposits received from reinsurers

NOTE 31 – CURRENT TAXES PAYABLE AND OTHER TAX LIABILITIES

In millions of euros	31.12.2017				31.12.2016			
	< 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	177			177	186			186
Total	**177**			**177**	**186**			**186**

"Current taxes payable and other tax liabilities" amounted to €177 million as at 31 December 2017 compared with €186 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 €161 million as at 31 December 2017, including €34 million for international subsidiaries, versus €155 million as at 31 December 2016.

NOTE 32 – OTHER DEBTS

NOTE 32.1 – OTHER DEBTS – BY OPERATING SEGMENT

In millions of euros	31.12.2017			31.12.2016		
	France	International	Total	France	International	Total
Due to employees	321	7	327	306	6	313
Social agencies	240	6	246	243	7	250
Other loans, deposits, and guarantees received	4,619	5	4,623	4,534	5	4,539
Other creditors	862	50	911	883	40	923
Other debts	263	24	287	238	28	266
Total	**6,304**	**92**	**6,396**	**6,205**	**87**	**6,291**

Note that €4,515 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				31.12.2016			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Due to employees	309	4	15	327	294	1	18	313
Social agencies	245	1		246	249	1		250
Other loans, deposits, and guarantees received	4,575	12	36	4,623	4,490	13	36	4,539
Other creditors	891	20		911	922	1		923
Other debts	287			287	266			266
Total	**6,308**	**37**	**51**	**6,396**	**6,221**	**16**	**54**	**6,291**

NOTE 32.3 – OTHER DEBT – BY CURRENCY AND RATE

In millions of euros	31.12.2017			
	Currencies		Rate	
	Eurozone	Non-eurozone	Fixed rate	Variable rate
Due to employees	325	2	327	
Social agencies	246		246	
Other loans, deposits, and guarantees received	4,623		4,546	77
Other creditors	897	15	911	1
Other debts	287		287	
Total	**6,379**	**17**	**6,318**	**78**

NOTE 33 – ANALYSIS OF PREMIUM INCOME

NOTE 33.1 – ANALYSIS OF INSURANCE PREMIUM INCOME BY MAJOR CATEGORY

In millions of euros	31.12.2017			31.12.2016		
	France	Inter-national	Total	France	Inter-national	Total
Individual retirement savings	1,739	529	2,268	1,695	523	2,218
Individual protection insurance	615	124	739	612	118	731
Individual health	1,258	63	1,321	1,261	74	1,335
Other	149		149	152		152
Individual life and health insurance	**3,760**	**717**	**4,477**	**3,720**	**715**	**4,435**
Group retirement savings	195	30	225	162	57	219
Group protection scheme	545	63	609	535	74	609
Group health	761	22	783	739	26	765
Other	291		291	251		251
Group life and health insurance	**1,792**	**115**	**1,907**	**1,688**	**157**	**1,845**
Life and health insurance	**5,552**	**832**	**6,384**	**5,408**	**872**	**6,280**
Motor	1,563	1,073	2,637	1,535	1,075	2,611
Other vehicles	95		95	97		97
Home insurance	1,057	193	1,250	1,034	187	1,222
Personal and professional casualty	455	15	469	443	14	457
Construction	158		158	151		151
Private and professional	**3,327**	**1,281**	**4,608**	**3,260**	**1,276**	**4,537**
Fleets	449	20	469	429	18	446
Business and local authorities casualty	442	187	629	439	190	629
Businesses and local authorities	**891**	**207**	**1,098**	**868**	**208**	**1,075**
Agricultural risks	476	152	628	481	155	636
Climate risks	226		226	220		220
Tractors and farming equipment	282		282	277		277
Agricultural business lines	**985**	**152**	**1,137**	**977**	**155**	**1,132**
Other business lines	375	71	446	347	72	419
Property and casualty insurance	**5,578**	**1,710**	**7,288**	**5,452**	**1,711**	**7,163**
Total Insurance	**11,130**	**2,542**	**13,672**	**10,860**	**2,583**	**13,443**

NOTE 33.2 – ANALYSIS OF PREMIUM INCOME BY BUSINESS

In millions of euros	31.12.2017					31.12.2016				
	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	5,552	5,578	147	11,277	82%	5,408	5,452	133	10,993	81%
Southern Europe	622	1,353		1,975	14%	685	1,364		2,049	15%
CEEC	210	357		567	4%	188	347		535	4%
Total	**6,384**	**7,288**	**147**	**13,819**	**100%**	**6,280**	**7,163**	**133**	**13,576**	**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)	143	126
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	**147**	**133**

Banking premium income shown in the combined financial statements corresponds to banking income before taking into account refinancing costs.

Note 34 – Investment income net of management expenses

Note 34.1 – Investment income net of management expenses – by operating segment

In millions of euros	31.12.2017			31.12.2016		
	France	Inter-national	Total	France	Inter-national	Total
Interest on deposits and financial investments income	1,804	220	2,024	1,863	230	2,093
Gains on foreign exchange transactions	45	10	56	47	11	58
Income from differences on redemption prices to be received (premium-discount)	104	3	107	101	3	104
Income from property	119		119	144		144
Other investment income						
Income from investments	**2,073**	**233**	**2,306**	**2,156**	**244**	**2,399**
Interest received from reinsurers	(3)		(4)	(5)		(5)
Losses on foreign exchange transactions	(56)	(8)	(64)	(76)	(10)	(86)
Amortisation of differences on redemption prices (premium/discount)	(252)	(32)	(284)	(276)	(27)	(303)
Impairment and reserves on property	(67)	(4)	(71)	(119)	(5)	(123)
Management expenses	(336)	(12)	(348)	(364)	(9)	(372)
Investment expenses	**(714)**	**(56)**	**(771)**	**(839)**	**(51)**	**(890)**
Held for trading	(10)		(10)	(36)	1	(35)
Available-for-sale	246	20	266	459	25	484
Held to maturity						
Other	231	1	232	126	1	127
Capital gains/losses from sales of investments, net of impairment reversals and write-backs	**467**	**21**	**488**	**549**	**26**	**575**
Held for trading	6	15	21	11	11	22
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	**642**	**31**	**673**	**311**	**18**	**329**
Available-for-sale	(13)		(13)	(41)	(1)	(42)
Held to maturity						
Receivables and loans	4		4			
Change in impairment losses on financial instruments	**(9)**		**(9)**	**(40)**	**(1)**	**(42)**
Total	**2,459**	**228**	**2,688**	**2,137**	**236**	**2,373**

NOTE 34.2 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES BY BUSINESS

NOTE 34.2.1 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES BY BUSINESS – FRANCE

In millions of euros	31.12.2017				31.12.2016			
	P&C	L&H	Holding	Total	P&C	L&H	Holding	Total
Interest on deposits and financial investments income	198	1,638	(32)	1,804	212	1,672	(21)	1,863
Gains on foreign exchange transactions	2	9	34	45	4	32	11	47
Income from differences on redemption prices to be received (premium-discount)	3	101		104	3	98		101
Income from property	26	83	10	119	25	108	11	144
Other investment income								
Income from investments	**229**	**1,831**	**13**	**2,073**	**244**	**1,910**	**1**	**2,156**
Interest received from reinsurers			(3)	(3)		(3)	(2)	(5)
Losses on foreign exchange transactions	(4)	(29)	(23)	(56)	(5)	(68)	(2)	(76)
Amortisation of differences on redemption prices (premium/discount)	(18)	(230)	(4)	(252)	(22)	(243)	(11)	(276)
Impairment and reserves on property	(18)	(46)	(3)	(67)	(17)	(98)	(3)	(119)
Management expenses	(39)	(333)	37	(336)	(38)	(337)	12	(364)
Investment expenses	**(79)**	**(638)**	**2**	**(714)**	**(82)**	**(750)**	**(7)**	**(839)**
Held for trading	(3)	34	(40)	(10)		(32)	(4)	(36)
Available-for-sale	82	120	43	246	99	355	6	459
Held to maturity								
Other	30	136	65	231	11	101	14	126
Capital gains/losses from sales of investments, net of impairment reversals and write-backs	**108**	**291**	**68**	**467**	**110**	**423**	**16**	**549**
Held for trading	12	23	(29)	6	3	26	(19)	11
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	**14**	**605**	**23**	**642**	**3**	**327**	**(19)**	**311**
Available-for-sale	(1)	(10)	(1)	(13)	(2)	(36)	(2)	(41)
Held to maturity								
Receivables and loans	1	2	1	4	1			
Change in impairment losses on financial instruments	**0**	**(8)**	**(1)**	**(9)**	**(1)**	**(37)**	**(2)**	**(40)**
Total	**272**	**2,081**	**106**	**2,459**	**274**	**1,874**	**(11)**	**2,137**

Note 34.2.2 – Investment income net of management expenses by business – International

In millions of euros	31.12.2017				31.12.2016			
	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**

NOTE 34.3 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES (INCOME BREAKDOWN BY TYPE OF ASSET)

In millions of euros	31.12.2017					31.12.2016				
	Income and expenses	Proceeds of disposal (*)	Change in fair value	Change in reserves	Total	Income and expenses	Proceeds of disposal (*)	Change in fair value	Change in reserves	Total
Property	63	232		(15)	280	74	127		(53)	148
Equities	60	151		(13)	199	65	94		(29)	131
Bonds	1,475	28	20		1,522	1,519	293	22	(1)	1,834
Equity mutual funds	108	72	1		180	95	41		(15)	121
Mutual funds: Cash from repurchase agreements		(15)	(1)		(16)		(10)	(1)		(11)
Other cash mutual funds		(7)	(1)		(8)		(1)	(1)		(2)
Fixed-income mutual funds	63	21	33		117	77	35	18	3	132
Derivatives			129		129			7		7
Other investment income	197	5	(30)	4	175	196	(4)	(18)		175
Investment income	**1,966**	**488**	**150**	**(24)**	**2,580**	**2,026**	**575**	**29**	**(95)**	**2,536**
Internal and external management expenses and other investment expenses	(332)				(332)	(351)				(351)
Other investment expenses	(83)				(83)	(113)				(113)
Investment expenses	**(416)**				**(416)**	**(463)**				**(463)**
Investment income, net of expenses	**1,550**	**488**	**150**	**(24)**	**2,164**	**1,563**	**575**	**29**	**(95)**	**2,073**
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	**1,550**	**488**	**673**	**(24)**	**2,688**	**1,563**	**575**	**329**	**(95)**	**2,373**

(*) 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 (*)	Change in fair value	Change in reserves	Total	Income and expenses	Proceeds of disposal (*)	Change in fair value	Change in reserves	Total
Property	65	231		(12)	284	76	126		(51)	152
Equities	60	150		(13)	196	64	92		(29)	128
Bonds	1,297	15	20		1,332	1,330	273	24		1,627
Equity mutual funds	101	68	(21)		148	94	41	(10)	(11)	113
Mutual funds: Cash from repurchase agreements		(15)	(1)		(16)		(10)	(1)		(11)
Other cash mutual funds		(7)	(1)		(7)		(1)	(1)		(1)
Bond mutual funds	58	21	33		112	65	35	17		116
Derivatives			129		129			7		7
Other investment income	186	3	(23)	4	170	183	(7)	(19)		157
Investment income	**1,766**	**467**	**135**	**(21)**	**2,348**	**1,812**	**549**	**18**	**(91)**	**2,288**
Internal and external management expenses and other investment expenses	(324)				(324)	(342)				(342)
Other investment expenses	(71)				(71)	(102)				(102)
Investment expenses	**(395)**				**(395)**	**(444)**				**(444)**
Investment income, net of expenses	**1,371**	**467**	**135**	**(21)**	**1,952**	**1,368**	**549**	**18**	**(91)**	**1,844**
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	**1,371**	**467**	**642**	**(21)**	**2,459**	**1,368**	**549**	**311**	**(91)**	**2,137**

(*) Net of write-back of impairment and amortisation

NOTE 34.3.2 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES (INCOME BREAKDOWN BY TYPE OF ASSET) – INTERNATIONAL

In millions of euros	31.12.2017					31.12.2016				
	Income and expenses	Proceeds of disposal (*)	Change in fair value	Change in reserves	Total	Income and expenses	Proceeds of disposal (*)	Change in fair value	Change in reserves	Total
Property	(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 from repurchase agreements										
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**

(*) Net of write-back of impairment and amortisation

NOTE 35 – INSURANCE POLICY SERVICING EXPENSES

NOTE 35.1 – INSURANCE POLICY SERVICING EXPENSES – BY OPERATING SEGMENT

In millions of euros	31.12.2017			31.12.2016		
	France	International	Total	France	International	Total
Claims						
Paid to policyholders	(9,543)	(1,852)	(11,396)	(9,532)	(1,767)	(11,299)
Change in technical reserves						
Outstanding claims reserves	(692)	157	(535)	(376)	38	(338)
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	(43)	(2)	(44)	(203)	(3)	(206)
Total	**(10,637)**	**(1,814)**	**(12,452)**	**(10,016)**	**(1,912)**	**(11,928)**

NOTE 35.2 – INSURANCE POLICY SERVICING EXPENSES BY BUSINESS

NOTE 35.2.1 – INSURANCE POLICY SERVICING EXPENSES BY BUSINESS – FRANCE

In millions of euros	31.12.2017			31.12.2016		
	P&C	L&H	Total	P&C	L&H	Total
Claims						
Paid to policyholders	(3,537)	(6,006)	(9,543)	(3,692)	(5,840)	(9,532)
Change in technical reserves						
Outstanding claims reserves	(603)	(89)	(692)	(324)	(52)	(376)
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)	(34)	(43)	(122)	(81)	(203)
Total	**(4,150)**	**(6,487)**	**(10,637)**	**(4,137)**	**(5,879)**	**(10,016)**

NOTE 35.2.2 – INSURANCE POLICY SERVICING EXPENSES BY BUSINESS – INTERNATIONAL

In millions of euros	31.12.2017			31.12.2016		
	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

In millions of euros	31.12.2017			31.12.2016		
	France	International	Total	France	International	Total
Acquisition and administrative costs	43	25	68	55	26	81
Claims charges	475	5	480	7,139	17	7,156
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	**420**	**30**	**450**	**370**	**44**	**413**
Outward premiums	(383)	(148)	(531)	(382)	(165)	(547)
Change in unearned premiums		3	3		(1)	(2)
Expenses on outward reinsurance	**(382)**	**(145)**	**(528)**	**(383)**	**(166)**	**(548)**
Total	**37**	**(115)**	**(77)**	**(13)**	**(122)**	**(135)**

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

In millions of euros	31.12.2017			31.12.2016		
	P&C	L&H	Total	P&C	L&H	Total
Acquisition and administrative costs	36	7	43	33	22	55
Claims charges	414	61	475	251	6,888	7,139
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	**344**	**76**	**420**	**302**	**68**	**370**
Outward premiums	(288)	(94)	(383)	(325)	(58)	(382)
Change in unearned premiums						
Expenses on outward reinsurance	**(288)**	**(94)**	**(382)**	**(325)**	**(58)**	**(383)**
Total	**56**	**(18)**	**37**	**(23)**	**10**	**(13)**

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

In millions of euros	31.12.2017			31.12.2016		
	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

In millions of euros	31.12.2017			31.12.2016		
	France	Inter-national	Total	France	Inter-national	Total
External expenses	(754)	(86)	(841)	(677)	(89)	(766)
Taxes	(237)	(24)	(260)	(230)	(25)	(255)
Personnel expenses	(1,621)	(150)	(1,771)	(1,604)	(153)	(1,757)
Commissions	(645)	(398)	(1,043)	(630)	(397)	(1,026)
Amortisation and reserves (net of write-backs)	(94)	(27)	(120)	(140)	(25)	(165)
Other expenses	(102)	(47)	(149)	(79)	(44)	(123)
Total operating expenses by nature	**(3,454)**	**(731)**	**(4,185)**	**(3,360)**	**(734)**	**(4,094)**

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 €33 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 BUSINESS SECTOR

In millions of euros	31.12.2017			31.12.2016		
	Insurance	Banking	Total	Insurance	Banking	Total
External expenses	(800)	(41)	(841)	(722)	(44)	(766)
Taxes	(254)	(6)	(260)	(249)	(6)	(255)
Personnel expenses	(1,712)	(60)	(1,771)	(1,698)	(59)	(1,757)
Commissions	(1,043)		(1,043)	(1,026)		(1,026)
Amortisation and reserves (net of write-backs)	(117)	(3)	(120)	(162)	(4)	(165)
Other expenses	(138)	(11)	(149)	(114)	(9)	(123)
Total operating expenses by nature	**(4,065)**	**(120)**	**(4,185)**	**(3,971)**	**(122)**	**(4,094)**

Note 37.3 – Breakdown of employee expenses

In millions of euros	31.12.2017	31.12.2016
Salaries	(1,002)	(1,004)
Social security expenses	(442)	(445)
Post-employment benefits		
Defined contribution plans	(106)	(107)
Defined benefit plans	(11)	(11)
Anniversary days and employee awards	(5)	(5)
Other personnel benefits	(206)	(185)
Annual salary expenses	**(1,771)**	**(1,757)**

At 31 December 2017, the gross annual compensation (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

In millions of euros	31.12.2017			31.12.2016		
	France	International	Total	France	International	Total
Commissions	(366)	(345)	(711)	(359)	(322)	(681)
Change in deferred acquisition costs	(2)	(2)	(4)	(5)	2	(3)
Other expenses	(1,075)	(89)	(1,164)	(1,041)	(94)	(1,135)
Total	**(1,442)**	**(437)**	**(1,879)**	**(1,405)**	**(414)**	**(1,820)**

NOTE 38.2 – POLICY ACQUISITION COSTS BY BUSINESS

NOTE 38.2.1 – POLICY ACQUISITION COSTS BY BUSINESS – FRANCE

In millions of euros	31.12.2017			31.12.2016		
	P&C	L&H	Total	P&C	L&H	Total
Commissions	(303)	(63)	(366)	(290)	(69)	(359)
Change in deferred acquisition costs	4	(6)	(2)	6	(11)	(5)
Other expenses	(610)	(465)	(1,075)	(596)	(446)	(1,041)
Total	**(909)**	**(534)**	**(1,442)**	**(880)**	**(526)**	**(1,405)**

NOTE 38.2.2 – POLICY ACQUISITION COSTS BY BUSINESS – INTERNATIONAL

In millions of euros	31.12.2017			31.12.2016		
	P&C	L&H	Total	P&C	L&H	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			31.12.2016		
	France	International	Total	France	International	Total
Commissions	(67)	(24)	(92)	(69)	(46)	(114)
Other expenses	(263)	(120)	(383)	(287)	(123)	(410)
Total	(330)	(144)	(474)	(356)	(169)	(525)

NOTE 39.2 – ADMINISTRATIVE COSTS BY BUSINESS

NOTE 39.2.1 – ADMINISTRATIVE COSTS BY BUSINESS – FRANCE

In millions of euros	31.12.2017			31.12.2016		
	P&C	L&H	Total	P&C	L&H	Total
Commissions	(45)	(22)	(67)	(45)	(24)	(69)
Other expenses	(172)	(90)	(263)	(198)	(89)	(287)
Total	**(218)**	**(112)**	**(330)**	**(242)**	**(114)**	**(356)**

NOTE 39.2.2 – ADMINISTRATIVE COSTS BY BUSINESS – INTERNATIONAL

In millions of euros	31.12.2017			31.12.2016		
	P&C	L&H	Total	P&C	L&H	Total
Commissions	(16)	(8)	(24)	(32)	(14)	(46)
Other expenses	(80)	(40)	(120)	(81)	(41)	(123)
Total	**(97)**	**(47)**	**(144)**	**(113)**	**(55)**	**(169)**

NOTE 40 – OTHER INCOME AND EXPENSES FROM CURRENT OPERATIONS

In millions of euros	31.12.2017			31.12.2016		
	France	Inter-national	Total	France	Inter-national	Total
Commissions and other operating expenses, Life	(321)	(11)	(331)	(303)	(10)	(313)
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	**(305)**	**(3)**	**(307)**	**(290)**	**(2)**	**(292)**
Non-life commissions and other underwriting expenses	(399)	(73)	(472)	(377)	(69)	(445)
Employee profit sharing, Non-life	(2)		(2)	(3)		(3)
Other non-life underwriting income	65	3	67	60	8	68
Transfer of non-life operating expenses and capitalised production	28		28	37		37
Total income and expenses from current operations, Non-life	**(309)**	**(70)**	**(379)**	**(283)**	**(61)**	**(344)**
Other non-underwriting expenses	(253)	(22)	(274)	(240)	(18)	(257)
Other non-underwriting income	64	20	85	75	23	98
Total income and expenses from current operations, Non-underwriting	**(188)**	**(1)**	**(190)**	**(164)**	**5**	**(159)**
Total other income and expenses from current operations, Banking						
Total	**(802)**	**(74)**	**(876)**	**(737)**	**(57)**	**(794)**

NOTE 41 – OTHER INCOME AND EXPENSES FROM NON-CURRENT OPERATIONS

In millions of euros	31.12.2017			31.12.2016		
	France	Inter-national	Total	France	Inter-national	Total
Income from non-current operations	66		66	38	1	38
Expenses from non-current operations	(173)	(21)	(194)	(96)	(21)	(117)
Allocation to the reserve for goodwill		(58)	(58)		(88)	(88)
Total	**(107)**	**(79)**	**(186)**	**(58)**	**(108)**	**(167)**

The balance of other net income and expenses from non-current operations amounted to a loss of €186 million as at 31 December 2017 compared with a loss of €167 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	(89)	(63)
Interest income and expenses – Other		
Total	**(89)**	**(63)**

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

In millions of euros	31.12.2017			31.12.2016		
	France	International	Total	France	International	Total
Current taxes	(110)	(16)	(126)	(90)	(18)	(108)
Deferred taxes	10	(7)	3	(2)	4	2
Total	**(100)**	**(23)**	**(123)**	**(92)**	**(15)**	**(106)**

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	**(95)**	**(133)**
Impact of expenses or income defined as non-deductible or non-taxable	(108)	98
Impact of differences in tax rate	79	(73)
Tax credit and various charges	1	1
Charges of prior deficits		
Losses for the fiscal year not capitalised		
Deferred tax assets not accounted for		
Other differences		
Effective tax expense	**(123)**	**(106)**

Overall, income tax corresponded to an expense (deferred tax plus social tax) of €123 million at 31 December 2017, versus an expense of €106 million as 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”.

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 33.1 / 3% on current operations
- A €3 million decrease 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 30%

The reconciliation with the theoretical statutory tax is as follows:

In millions of euros	31.12.2017		31.12.2016	
	Consolidated income (losses) before tax	Theoretical tax rate	Consolidated income (losses) before tax	Theoretical tax rate
France	350	34.43%	441	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	**413**		**429**	

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.

OTHER INFORMATION

NOTE 44 – EMPLOYEES OF CONSOLIDATED COMPANIES

In number of people	31.12.2017			31.12.2016
	Insurance	Banking	Total	Total
France	23,806	283	24,089	24,247
United Kingdom				21
Italy	796		796	816
Hungary	1,855		1,855	2,079
Greece	302		302	309
Romania	1,548		1,548	1,547
Other EU	194		194	272
Outside EU	490		490	528
Total employees of consolidated companies	**28,991**	**283**	**29,274**	**29,819**

The decrease in headcount was due in particular to the reclassification of the Portuguese subsidiaries to held-for-sale businesses, accounting for 89 as at 31 December 2016.

NOTE 45 – COMMITMENTS GIVEN AND RECEIVED

NOTE 45.1 – COMMITMENTS GIVEN AND RECEIVED — INSURANCE AND ET REINSURANCE BUSINESSES

In millions of euros	31.12.2017	31.12.2016
Endorsements, securities, and guarantees received	86	73
Other commitments received	850	858
Total commitments received, excluding reinsurance	**936**	**930**
Reinsurance commitments received	**477**	**511**
Endorsements, securities and guarantees given	302	201
Other commitments related to stock, assets or income	488	511
Other commitments given	1,021	1,191
Total commitments given excluding reinsurance	**1,812**	**1,903**
Reinsurance commitments given	**3,762**	**3,715**
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 €850 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 €302 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

Other commitments on securities, assets, or income consist of subscriptions to venture capital funds ("FCPR"). The remaining €488 million corresponds to the difference between the investment commitment of the subscribers and the total of calls for funds actually received.

Other commitments given

Other commitments given amounted to €1,021 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.
- ✓ As part of the launch of mutual certificates, the general meetings of the regional mutuals voted to authorise a €588 million issue. At 31 December 2017, €153 million of the authorised issue remained to be issued by the regional mutuals.
- ✓ Commitments given on property 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:

Groupama SA:

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 46 – RISK FACTORS AND SENSITIVITY ANALYSES

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.

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 and 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 2 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 the EIG Groupama Supports & 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.), French Subsidiaries/International Subsidiaries department, and Asset Management subsidiaries;
- and the capital management committee, which particularly monitors the solvency risk of the Group and the entities.

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 the Group's 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).

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 2 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 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.

1.2 Groupama SA and its subsidiaries

Subsidiary risk is subject to triple monitoring:

- Inter-company monitoring by the Groupama SA business, functional or support departments specialising in the area in question, as indicated above
- On-going monitoring by the services of the division to which it is attached:
  - Group Finance Department for financial subsidiaries;
  - 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 directors 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 mechanisms, the monitoring of risks, and the review of the internal audit work.

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 2 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.

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 2, 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;
- establishment of internal control of the Groupama SA entity;
- defining the business continuity policy, 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.

2. INSURANCE RISKS

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.

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.

2.2.1 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 Department and are adapted by division (regional mutuals, French subsidiaries, International subsidiaries).

The main steps of this process are validated in the determined committees (Operating Committees, 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.

2.2.2 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 loss experience 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.

2.2.3 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.

- **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:

In millions of euros	31.12.2017			31.12.2016
	France	International	Total	Total
Commitments guaranteed at fixed rate	36,675	2,687	39,362	40,419
Commitments guaranteed at variable rate	8,058	23	8,082	8,025
Unit-linked and other products without rate commitment	9,612	976	10,587	9,733
Total	**54,345**	**3,686**	**58,031**	**58,176**

The weight of guaranteed-rate commitments continues its slow decline. The share of unit-linked and other products without rate commitment increased, representing 18.2% of total commitments (compared with 16.8% at the end of 2016 – excluding Portugal).

2.2.4 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.

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

2.3.1 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.

2.3.1.1 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.

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.).

2.3.1.2 Specific features of certain life insurance policies and financial contract

➢ **Discretionary profit-sharing clause**

Certain life insurance, savings and pension 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 compensation. 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.

2.3.1.3 Mortality and longevity risk

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 shareholders' 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:

In millions of euros	31.12.2017			31.12.2016
	France	International	Total	Total
Actuarial reserves for life annuities	10,017	14	10,031	9,704
Actuarial reserves for non-life annuities	2,647	23	2,670	2,628
Total	**12,664**	**37**	**12,701**	**12,332**

The share of actuarial reserves for life annuities continued to be largely predominant at the end of 2017 (79.0% of annuity commitments).

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.

2.4.1 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.

2.4.2 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.

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.

3.1 Interest rate risk

3.1.1 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.

3.1.2 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 compensation 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 reserves.

➢ **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.

All over-the-counter transactions are secured by a "collateralisation" system with the Group's top-tier banking counterparties.

3.1.3 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, financing 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.

3.1.3.1 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 accounts, 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 €127 million. The amount of the discount in the reserve for increasing risks on long-term care, before reinsurance, was in the order of €121 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:

In millions of euros	31.12.2017		31.12.2016	
	Interest rate		Interest rate	
	+ 1%	- 1%	+ 1%	- 1%
Impact on income (net of taxes)	63	(77)	57	(79)
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:

In millions of euros	31.12.2017		31.12.2016	
	Interest rate		Interest rate	
	+ 1%	- 1%	+ 1%	- 1%
Impact on income (net of taxes)	22	(25)	76	
Equity impact (excluding income)				

3.1.3.2 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%.

In millions of euros	31.12.2017		31.12.2016	
	Interest Rate Risk		Interest Rate Risk	
	+ 1%	- 1%	+ 1%	- 1%
Impact on the revaluation reserve	**(696)**	**767**	**(609)**	**672**
Equities				
Equity mutual funds				
Bonds	(656)	724	(588)	650
Fixed-income mutual funds	(40)	43	(21)	22
Derivative instruments and embedded derivatives				
Impact on net income	**35**	**(33)**	**19**	**(15)**
Equities				
Equity mutual funds				
Bonds	(7)	8	(7)	8
Fixed-income mutual funds	(19)	20	(11)	14
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.

3.1.3.3 Financing 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.

3.2 Risk of variation in the price of equity instruments (stocks)

3.2.1 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.

The weight of equity instruments out of total financial investments (including operating property) was 5.3% 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").

3.2.2 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.

3.2.3 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%.

In millions of euros	31.12.2017		31.12.2016	
	Equities risk		Equities risk	
	+10%	-10%	+10%	-10%
Impact on the revaluation reserve	**135**	**(135)**	**122**	**(122)**
Equities	51	(51)	51	(51)
Equity mutual funds	84	(84)	71	(71)
Bonds				
Fixed-income mutual funds				
Derivative instruments and embedded derivatives				
Impact on net income	**29**	**(29)**	**40**	**(40)**
Equities				
Equity mutual funds	29	(29)	40	(40)
Bonds				
Fixed-income mutual funds				
Derivative instruments and embedded derivatives				

3.3 Foreign exchange risk

3.3.1 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.

3.3.2 Managing foreign exchange risk

Foreign exchange 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.

3.3.3 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%.

In millions of euros	31.12.2017		31.12.2016	
	Foreign exchange risk		Foreign exchange risk	
	+10%	-10%	+10%	-10%
Impact on the revaluation reserve	**35**	**(35)**	**38**	**(38)**
Equities	12	(12)	14	(14)
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.

3.4 Credit risk

The Group's bond portfolio breakdown 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.

➢ **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 IAS39.

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 compensation for the 10-year swap rate.

- **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 €11,790 million at 31 December 2017, representing 19% of the interest-bearing product portfolio.

- **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.

3.5 Risk on property assets

3.5.1 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 2.68% in market value. They may be held directly or in OPCI or SCI form. Property assets can be split into:

- investment properties representing 1.75% of total financial investments,
- operating properties representing 0.93% of total financial investments.

3.5.2 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.

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.

In millions of euros	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	
	Shareholders' equity	Income (Loss)	Shareholders' equity	Income (Loss)	Shareholders' equity	Income (Loss)	Shareholders' equity	Income (Loss)
Interest rate risk	**(696)**	**120**	**767**	**(135)**	**(609)**	**152**	**672**	**(94)**
Underwriting liabilities		85		(102)		133		(79)
Financial investments	(696)	35	767	(33)	(609)	19	672	(15)
Financing debt								
Equities risk	**135**	**29**	**(135)**	**(29)**	**122**	**40**	**(122)**	**(40)**
Financial investments	135	29	(135)	(29)	122	40	(122)	(40)
Foreign exchange risk	**35**		**(35)**		**38**		**(38)**	
Financial investments	35		(35)		38		(38)	

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 stock risk; and
- Up or down fluctuation of 10% in all currencies against the euro, for exchange rate risk.

4. LIQUIDITY RISK

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 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.

4.3 Financial investment o by maturity

The profile of the annual maturities of the bond portfolios is listed in Note 6.9.2 of the annual financial statements.

4.4 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:

In millions of euros	31.12.2017				31.12.2016			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Non-life underwriting reserves	6,744	3,814	6,284	16,842	6,321	3,887	5,991	16,199
Life underwriting reserves - 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	377	3,115	10,024	13,515	755	3,148	10,484	14,387
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	**13,220**	**13,207**	**42,433**	**68,861**	**13,562**	**13,502**	**42,710**	**69,775**

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.

4.5 Financing debt by maturity

The principal features of financing debt, as well as its breakdown by maturity, are provided in Note 23 herein – Financing Debt.

5. RISK OF REINSURER INSOLVENCY

Outward reinsurance consists of transferring to the reinsurer a portion of the risks accepted by the ceding company. They are regularly reviewed to monitor and limit the credit risk on third-party reinsurers. The reinsurance securities committee examines and approves the list of reinsurers accepted for all external outward reinsurance.

This list is reviewed in its entirety at least twice a year. During the year, continual monitoring is performed to adapt the internal ratings of the reinsurers to changes that may occur to them that would modify their solvency assessment. For any given reinsurance placement, any reinsurer approached for an outward reinsurance outside Groupama must first be on the list of the Group Security Committee.

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

Transferred insurance technical reserves and recoverables are shown below, by rating, according to the three largest rating agencies (Standard & Poor's, Fitch Ratings, Moody's).

In millions of euros	31.12.2017						
	AAA	AA	A	BBB	< BBB	Not rated	Total
Share of reinsurers in non-life insurance reserves		978	110	6	1	184	1,279
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	123	180
Total		**1,048**	**142**	**7**	**1**	**341**	**1,539**

In millions of euros	31.12.2016						
	AAA	AA	A	BBB	< BBB	Not rated	Total
Share of reinsurers in non-life insurance reserves		804	119	4		208	1,135
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		153	207
Total		**865**	**143**	**10**		**392**	**1,409**

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.

6. OPERATING, LEGAL, REGULATORY, AND TAX RISKS

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".

- 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 goods and individuals.

Moreover, an insurance programme is in place, designed to provide liability protection and the protection of the assets 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, motor fleets, etc.);
- cyber risks.

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.

6.2.1 Compliance with Company law and the French 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.

6.2.2 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.

6.2.3 Other areas

Specific procedures have been put in place to meet special requirements:

- To prevent insider trading, the internal bylaws 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 changes based on the Group's organisational modifications;

- with regard to the protection of medical data, Group recommendations are disseminated by the Groupama SA business division concerned or entity concerned. It is the responsibility of the various Group 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.

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).

NOTE 47 – LIST OF ENTITIES IN THE SCOPE OF CONSOLIDATION AND MAJOR CHANGES TO THE SCOPE OF CONSOLIDATION

The main changes in the consolidation scope are as follows:

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, Matercover 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 95% stake in SCI du Domaine de Nalys,

- Three mutual funds were removed from the consolidation scope.

	Business sector	Location of head office	31.12.2017			31.12.2016		
			% control	% interest	Method	% control	% interest	Method
GROUPAMA Méditerranée	Insurance	France	-	-	A	-	-	A
GROUPAMA Centre Manche	Insurance	France	-	-	A	-	-	A
GROUPAMA Grand Est	Insurance	France	-	-	A	-	-	A
GROUPAMA OC	Insurance	France	-	-	A	-	-	A
MISSO	Insurance	France	-	-	A	-	-	A
GROUPAMA Loire Bretagne	Insurance	France	-	-	A	-	-	A
GROUPAMA Paris Val-de-Loire	Insurance	France	-	-	A	-	-	A
GROUPAMA Nord-Est	Insurance	France	-	-	A	-	-	A
CAISSE des producteurs de tabac	Insurance	France	-	-	A	-	-	A
GROUPAMA Rhône-Alpes-Auvergne	Insurance	France	-	-	A	-	-	A
GROUPAMA Centre Atlantique	Insurance	France	-	-	A	-	-	A
GROUPAMA Antilles-Guyane	Insurance	France	-	-	A	-	-	A
GROUPAMA Océan Indien et Pacifique	Insurance	France	-	-	A	-	-	A
CLAMA Méditerranée	Insurance	France	-	-	A	-	-	A
CLAMA Centre Manche	Insurance	France	-	-	A	-	-	A
CLAMA Grand Est	Insurance	France	-	-	A	-	-	A
CLAMA OC	Insurance	France	-	-	A	-	-	A
CLAMA Loire Bretagne	Insurance	France	-	-	A	-	-	A
CLAMA Paris Val-de-Loire	Insurance	France	-	-	A	-	-	A
CLAMA Nord-Est	Insurance	France	-	-	A	-	-	A
CLAMA Rhône-Alpes-Auvergne	Insurance	France	-	-	A	-	-	A
CLAMA Centre Atlantique	Insurance	France	-	-	A	-	-	A
CLAMA Antilles-Guyane	Insurance	France	-	-	A	-	-	A
CLAMA Océan Indien et Pacifique	Insurance	France	-	-	A	-	-	A
GIE GROUPAMA Supports et Services	EIG	France	100.00	99.97	FC	100.00	99.97	FC
GROUPAMA CAMPUS	EIG	France	100.00	99.97	FC			
GROUPAMA S.A.	Holding	France	99.97	99.97	FC	99.97	99.97	FC
GROUPAMA HOLDING	Holding	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA HOLDING 2	Holding	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA HOLDING FILIALES et PARTICIPATIONS	Holding	France	100.00	99.97	FC			
ASTORG 2	Holding	France	100.00	99.97	FC	100.00	99.97	FC
COFINTEX 17	Holding	France	100.00	99.97	FC	100.00	99.97	FC
COMPAGNIE FINANCIERE D'ORANGE BANK	Holding	France	35.00	34.99	EM	35.00	34.99	EM
GROUPAMA GAN VIE	Insurance	France	100.00	99.97	FC	100.00	99.97	FC
GAN PATRIMOINE	Insurance	France	100.00	99.97	FC	100.00	99.97	FC
CAISSE FRATERNELLE D'EPARGNE	Insurance	France	99.99	99.96	FC	99.99	99.96	FC
CAISSE FRATERNELLE VIE	Insurance	France	99.99	99.96	FC	99.99	99.96	FC
ASSUVIE	Insurance	France	50.00	49.99	FC	50.00	49.98	FC
GAN PREVOYANCE	Insurance	France	100.00	99.97	FC	100.00	99.97	FC
GROUPAMA ASSURANCE CREDIT ET CAUTION	Insurance	France	100.00	99.97	FC	100.00	99.97	FC
MUTUAIDE ASSISTANCE	Assistance	France	100.00	99.97	FC	100.00	99.97	FC
GAN ASSURANCES	Insurance	France	100.00	99.97	FC	100.00	99.97	FC
GAN OUTRE MER	Insurance	France	100.00	99.97	FC	100.00	99.97	FC
SOCIETE FRANCAISE DE PROTECTION JURIDIQUE	Insurance	France	100.00	99.97	FC	100.00	99.97	FC
LA BANQUE POSTALE IARD	Insurance	France	35.00	33.99	EM	35.00	34.99	EM
AMALINE ASSURANCES	Insurance	France	100.00	99.97	FC	100.00	99.97	FC
GROUPAMA SEGUROS de Vida Portugal	Insurance	Portugal	100.00	99.97	FC	100.00	99.97	FC
GROUPAMA SIGORTA	Insurance	Turkey	99.52	99.49	FC	99.52	99.48	FC
GROUPAMA SIGORTA EMEKLILIK	Insurance	Turkey	100.00	99.76	FC	100.00	99.76	FC
GROUPAMA Investment BOSPHORUS	Holding	Turkey	100.00	99.97	FC	100.00	99.97	FC
STAR	Insurance	Tunisia	35.00	34.99	EM	35.00	34.99	EM
GROUPAMA ZASTRAHOVANE NON LIFE	Insurance	Bulgaria	100.00	99.97	FC	100.00	99.97	FC
GROUPAMA JIVOTOZASTRAHOVANE LIFE	Insurance	Bulgaria	100.00	99.97	FC	100.00	99.97	FC
GROUPAMA BIZTOSITO	Insurance	Hungary	100.00	99.97	FC	100.00	99.97	FC
GROUPAMA PHOENIX Hellenic Asphalistike	Insurance	Greece	100.00	99.97	FC	100.00	99.97	FC
GROUPAMA AVIC PROPERTY INSURANCES CO	Insurance	China	50.00	49.99	EM	50.00	49.98	EM

A: Aggregation FC: Full consolidation EM: Equity method

	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
GUK BROKING SERVICES	Holding	United Kingdom	100.00	99.97	FC	100.00	99.97	FC
CAROLE NASH	Brokerage	United Kingdom				91.40	91.37	FC
BOLLINGTON LIMITED	Brokerage	United Kingdom				49.00	48.98	EM
MASTERCOVER Insurance Services Limited	Brokerage	United Kingdom				100.00	99.97	FC
COMPUCAR LIMITED	Brokerage	United Kingdom				49.00	48.98	EM
GROUPAMA ASSICURAZIONI	Insurance	Italy	100.00	99.97	FC	100.00	99.97	FC
GROUPAMA SEGUROS Portugal	Insurance	Portugal	100.00	99.97	FC	100.00	99.97	FC
GROUPAMA ASIGURARI	Insurance	Romania	100.00	99.97	FC	100.00	99.97	FC
GROUPAMA ASSET MANAGEMENT	Asset management	France	100.00	99.97	FC	100.00	99.97	FC
ORANGE BANK (formerly Groupama Banque)	Banking	France	35.00	34.99	EM	35.00	34.99	EM
GROUPAMA EPARGNE SALARIALE	Asset management	France	100.00	99.97	FC	100.00	99.97	FC
GROUPAMA IMMOBILIER	Asset management	France	100.00	99.97	FC	100.00	99.97	FC
ICADE	Property	France				13.00	12.94	EM
COMPAGNIE FONCIERE PARISIENNE	Property	France	100.00	99.97	FC	100.00	99.97	FC
SCI WINDOW LA DEFENSE	Property	France	100.00	99.97	FC	100.00	99.97	FC
GAN FONCIER II	Property	France	100.00	99.97	FC	100.00	99.97	FC
IXELLOR	Property	France	100.00	99.97	FC	100.00	99.97	FC
79 CHAMPS ELYSÉES	Property	France	100.00	99.98	FC	100.00	99.97	FC
SOCIETE FORESTIERE GROUPAMA	Property	France	100.00	99.98	FC	100.00	99.97	FC
FORDEV	Property	France	100.00	99.98	FC	100.00	99.97	FC
GROUPAMA GAN PARIS LA DEFENSE OFFICE	OPCI	France	100.00	99.97	FC	100.00	99.97	FC
GROUPAMA GAN RETAIL FRANCE	OPCI	France	100.00	99.97	FC	100.00	99.97	FC
THE LINK PARIS LA DEFENSE	Property	France	100.00	99.97	FC			
SCI GAN FONCIER	Property	France	100.00	98.87	FC	100.00	98.86	FC
VICTOR HUGO VILLIERS	Property	France	100.00	98.87	FC	100.00	98.86	FC
1 BIS FOCH	Property	France	100.00	98.87	FC	100.00	98.86	FC
16 MESSINE	Property	France	100.00	98.87	FC	100.00	98.86	FC
9 MALESHERBES	Property	France	100.00	98.87	FC	100.00	98.86	FC
97 VICTOR HUGO	Property	France	100.00	98.87	FC	100.00	98.86	FC
44 THEATRE	Property	France	100.00	98.87	FC	100.00	98.86	FC
SCI UNI ANGES	Property	France	100.00	99.97	FC	100.00	99.97	FC
261 RASPAIL	Property	France	100.00	99.97	FC	100.00	99.97	FC
GAN INVESTISSEMENT FONCIER	Property	France	100.00	99.97	FC	100.00	99.97	FC
3 ROSSINI (SCI)	Property	France	100.00	99.97	FC	100.00	99.97	FC
150 RENNES (SCI)	Property	France	100.00	99.97	FC	100.00	99.97	FC
99 MALESHERBES (SCI)	Property	France	100.00	99.97	FC	100.00	99.97	FC
SCA CHATEAU D'AGASSAC	Property	France	100.00	99.97	FC	100.00	99.99	FC
102 MALESHERBES (SCI)	Property	France	100.00	99.97	FC	100.00	99.97	FC
LES FRERES LUMIERE	Property	France	100.00	99.97	FC	100.00	99.97	FC
CAP DE FOUSTE (SCI)	Property	France	100.00	99.98	FC	100.00	99.98	FC
PARIS FALGUIERE (SCI)	Property	France				100.00	99.97	FC
CHAMALIERES EUROPE (SCI)	Property	France	100.00	99.97	FC	100.00	99.97	FC
12 VICTOIRE (SCI)	Property	France	100.00	99.97	FC	100.00	99.97	FC
DOMAINE DE FARES	Property	France	50.00	49.99	EM	50.00	49.99	EM
38 LE PELETIER (SCI)	Property	France	100.00	99.97	FC	100.00	99.97	FC
SCIMA GFA	Property	France	100.00	99.97	FC	100.00	99.99	FC
LABORIE MARCENAT	Property	France	74.10	74.08	EM	74.10	74.08	EM
DOMAINE DE NALYS	Property	France				100.00	99.98	FC
SCI CHATEAU D'AGASSAC	Property	France	100.00	100.00	FC	100.00	100.00	FC
SA SIRAM	Property	France	90.07	90.07	FC	90.07	90.07	FC
GROUPAMA PIPACT	Property	France	100.00	99.99	FC	100.00	99.99	FC
ASTORG STRUCTUR GAD D	Mutual fund	France	99.99	99.97	FC	99.99	99.96	FC
GROUPAMA TRESORERIE IC C	Mutual fund	France				26.63	26.62	EM
ASTORG CTT D	Mutual fund	France	100.00	99.97	FC	99.68	99.65	FC
GROUPAMA AAEXA D	Mutual fund	France				100.00	99.97	FC
ASTORG EURO SPREAD D	Mutual fund	France	100.00	99.97	FC	100.00	99.97	FC

A: Aggregation FC: Full consolidation EM: Equity method

	Business sector	Location of head office	31.12.2017			31.12.2016		
			% control	% interest	Method	% control	% interest	Method
WASHINGTON EURO NOURRI 14 FCP	Mutual fund	France	100.00	99.97	FC	100.00	99.97	FC
WASHINGTON EURO NOURRI 15 FCP	Mutual fund	France	100.00	99.97	FC	100.00	99.97	FC
GROUPAMA CONVERTIBLES ID D	Mutual fund	France	99.66	96.92	FC	99.65	99.62	FC
GROUPAMA ENTREPRISES IC C	Mutual fund	France	20.39	20.29	EM	31.04	31.03	EM
GROUPAMA CREDIT EURO IC C	Mutual fund	France	93.25	93.23	FC	65.87	65.85	FC
GROUPAMA CREDIT EURO ID D	Mutual fund	France	59.08	59.07	FC	59.08	59.06	FC
WASHINGTON EURO NOURRI 16 FCP	Mutual fund	France	100.00	99.97	FC	100.00	99.97	FC
WASHINGTON EURO NOURRI 17 FCP	Mutual fund	France	100.00	99.97	FC	100.00	99.97	FC
WASHINGTON EURO NOURRI 18 FCP	Mutual fund	France	100.00	99.97	FC	100.00	99.97	FC
GROUPAMA OBLIGATION MONDE I C	Mutual fund	France	94.39	91.45	FC	94.35	94.32	FC
WASHINGTON EURO NOURRI 19 FCP	Mutual fund	France	100.00	99.97	FC	100.00	99.97	FC
WASHINGTON EURO NOURRI 20 FCP	Mutual fund	France	100.00	99.97	FC	100.00	99.97	FC
WASHINGTON EURO NOURRI 21 FCP	Mutual fund	France	100.00	99.97	FC	100.00	99.97	FC
WASHINGTON EURO NOURRI 22 FCP	Mutual fund	France	99.88	99.85	FC	99.88	99.84	FC
WASHINGTON EURO NOURRI 23 FCP	Mutual fund	France	100.00	99.97	FC	100.00	99.97	FC
WASHINGTON EURO NOURRI 24 FCP	Mutual fund	France	100.00	99.97	FC	100.00	99.97	FC
ASTORG STRUCTUR LIFE D	Mutual fund	France	100.00	99.97	FC	100.00	99.97	FC
GROUPAMA EONIA IC C	Mutual fund	France	34.34	34.33	EM	44.91	44.89	EM
ASTORG PENSION D	Mutual fund	France	100.00	99.97	FC	99.68	99.65	FC
ASTORG CASH MT D	Mutual fund	France	99.51	99.37	FC	87.92	87.89	FC
ASTORG CASH G D	Mutual fund	France				81.14	81.12	FC
GROUPAMA CREDIT EURO GD D	Mutual fund	France	44.09	44.08	EM	44.09	44.08	EM
GROUPAMA CREDIT EURO LT G D	Mutual fund	France	100.00	99.97	FC	100.00	99.97	FC
ASTORG THESSALONIQUE 1 D	Mutual fund	France	100.00	99.97	FC	100.00	99.97	FC
ASTORG THESSALONIQUE 2 D	Mutual fund	France	100.00	99.97	FC	100.00	99.97	FC
ASTORG THESSALONIQUE 3 D	Mutual fund	France	100.00	99.47	FC	100.00	99.97	FC
ASTORG THESSALONIQUE 4 D	Mutual fund	France	100.00	99.97	FC	100.00	99.97	FC
ASTORG THESSALONIQUE 5 D	Mutual fund	France	100.00	99.75	FC	100.00	99.97	FC
ASTORG MONETAIRE C	Mutual fund	France	94.53	94.50	FC	92.62	92.59	FC
GROUPAMA CASH EQUIVALENT G D	Mutual fund	France	53.71	53.71	FC	72.77	72.75	FC
ASTORG REPO INVEST D	Mutual fund	France	100.00	99.97	FC	100.00	99.97	FC
GROUPAMA TRESORERIE P C	Mutual fund	France	47.71	47.70	EM			
ASTORG OBLIGATIONS CT G D	Mutual fund	France	97.41	94.84	FC	94.04	94.02	FC
ASTORG OBLIGATIONS CT GA D	Mutual fund	France	100.00	99.97	FC	100.00	99.97	FC
G FUND - EUROPEAN CONVERTIBLE BONDS GD D	Mutual fund	France	100.00	99.98	FC	100.00	99.97	FC

A: Aggregation FC: Full consolidation EM: Equity method

Certain property 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 “property investments” and reclassifying in the income statement the dividends or share in the results of the companies in “income from property”.

STATUTORY AUDITORS' REPORT
ON THE COMBINED FINANCIAL STATEMENTS OF GROUPAMA
FISCAL YEAR 2017

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

MAZARS
Tour Exaltis
61, rue Henri Régnault
92400 Courbevoie

Statutory auditors' report
on the combined financial statements

(Year ended 31 December 2017)

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

OPINION

In compliance with the assignment entrusted to us by your general meeting, we performed an audit of the combined financial statements of GROUPAMA SA for the fiscal year ended 31 December 2017, as attached to this report.

In our opinion, the combined 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.

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 combined 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 judgment, were the most significant for the audit of the combined financial statements for the fiscal year, as well as our responses to these risks.

These assessments contributed to the audit of the combined 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 combined 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 combined 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 €11,477 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 reserves 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 reserves 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 reserves, • Assess the relevance of the methods used to estimate the reserves, • Assess the appropriateness of the relative actuarial assumptions used for the calculation of reserves, • Reconcile the data used as a basis for estimating reserves with accounting, • Conduct a review of the outcome of the previous year's accounting estimates, • Independently assess from the Company's data these reserves in certain business segments and assess their reasonableness.

Valuation of unlisted instruments (classification in level 3 in IFRS) (Please refer to Notes 3.2.1 and 6.11 to the combined 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 €2,547 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: o Analyse the relevance of the assumptions and parameters used, o Perform a critical analysis of model construction and input data used for valuation, o 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 combined 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 reserve 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 €525 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 reserve independently, on the basis of a sample; • Assess the consistency of the key assumptions used to determine the reserve, which includes: o The principles and methodology for determining the discount rate; o 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 combined financial statements.

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 combined financial statements

Management is responsible for preparing combined 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 combined financial statements free of any material misstatements, whether they due to fraud or error.

In connection with the preparation of the combined 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 combined financial statements have been approved by the Board of Directors.

Responsibilities of the statutory auditors relating to the audit of the combined financial statements

Audit objective and approach

It is our responsibility to prepare a report on the combined financial statements. Our goal is to obtain reasonable assurance that the combined 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 combined 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 combined 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 combined 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 combined 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 combined financial statements. It is responsible for the management, supervision, and execution of the audit of the combined financial statements as well as the opinion expressed on these financial statements.

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 combined 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

Christine Billy

MAZARS

Pascal Parant

Nicolas Dusson