




COMBINED FINANCIAL STATEMENTS
GROUPAMA
2018









LE GROUPE
Groupama
ASSUREURS CRÉATEURS DE CONFIANCE

REPORT OF THE BOARD OF DIRECTORS ON THE COMBINED FINANCIAL STATEMENTS OF GROUPAMA FISCAL YEAR 2018

1. ENVIRONMENT

MACROECONOMIC ENVIRONMENT

Global growth was generally maintained in 2018, albeit showing the first signs of slowing down towards the end of the year, including through surveys of business leaders' confidence in the future. Against this backdrop, there was also the emergence of certain political risks in Europe and the United States, and the jeopardising of free trade. Both these factors have depressed the business climate.

In the Eurozone, gross domestic product (GDP) growth is sound at 1.9% per annum. The employment market stayed on the right track with a decrease in unemployment over the year of almost 1 point to 8%. Underlying inflation (excluding the volatile components of food and energy) meanwhile stagnated at around 1%. In same way, growth experienced a gradual slowdown with the outlook for 2019 standing at 1.6%. In addition, the political context is tense, with in particular great uncertainty over the outcome of negotiations for the United Kingdom's exit from the European Union (EU).
As anticipated in 2017, the European Central Bank (ECB) ended its asset buyback programme in December, and will subsequently restrict itself to reinvesting bond income for an as-yet indeterminate period. Given this fragile growth environment, the ECB has however announced a very slow return to a more normal monetary policy with the main strand being an initial increase in the key rate during the second half of 2019.

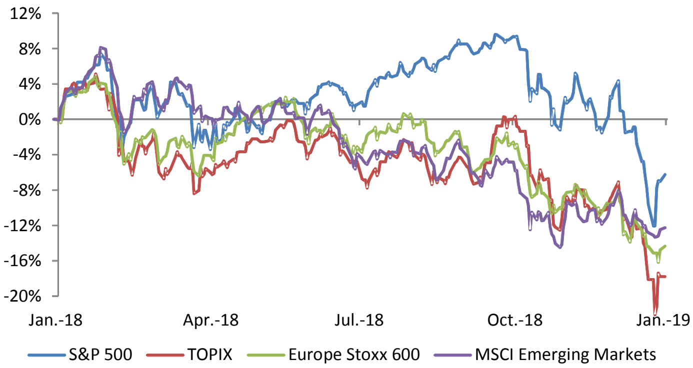
Emerging countries are still the main driver for global growth, but are vulnerable to any return to volatility in financial markets and the rise in protectionism. China is managing the gradual slowdown in its growth at around 6.5% by using monetary and budget recovery measures. The impact of the trade war with the United States is not yet clearly reflected in export figures. Conversely, a deterioration is seen in the business outlook as reported by confidence surveys of executives in the manufacturing industry.
Over the year, emerging countries with the most fragile fundamentals suffered from the increasing aversion to risk. For example, Turkey underwent a squeeze in monetary conditions through the depreciation of its currency and higher interest rates. Conversely, Eastern European countries where the fundamentals are healthy ultimately suffered but little from this upsurge in volatility and reported solid GDP growth rates this year.

FINANCIAL MARKETS IN 2018

High-risk assets were severely affected by fears of a trade war, increasing uncertainty about global growth, and lower liquidity on financial markets which brought about a substantial rise in volatility.

Equity market developments

Until September, equity markets were supported by favourable economic circumstances, strong growth in corporate profits especially in the United States, and climbing oil prices. In this high-value environment, corporate communications in third quarter publications led to a normalisation of medium-term earnings growth prospects, particularly in sectors at the heart of international value chains such as the automotive sector which are affected by the rise in protectionism.

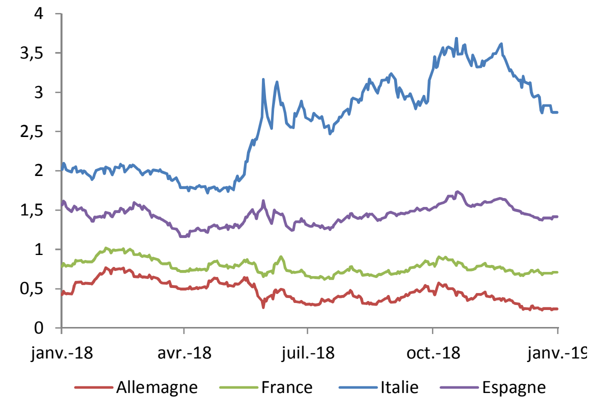


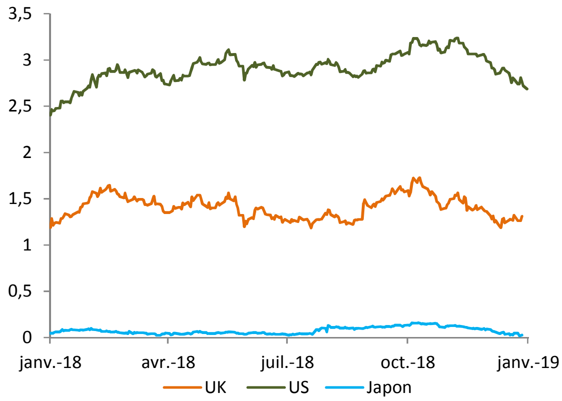
Performance excluding dividends in local currencies

In the fourth quarter, earnings per share expectations for 2019 and emerging fears of a downturn in the growth cycle pushed performance into the negative zone against a backdrop of very high volatility linked to American monetary tightening.

Interest rate market developments

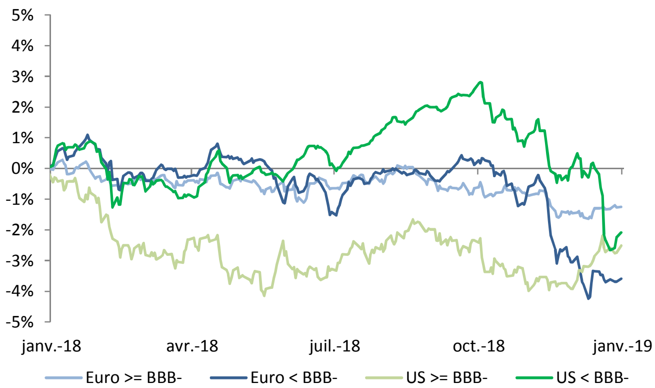
With the exception of Italy, European rates experienced slight contractions over the year, with low volatility. Consequently, 10-year French government bond rates ended the year at 0.71% down 7 basis points compared with year-end 2017.
In contrast, Italian rates diverged sharply when the coalition government was formed between the Five-Star Movement and the Northern League at the end of May, and the subsequent budget announcements. Rates tracked part of this divergence at the end of the year in response to the agreement between the Italian government and the European Commission and the 10-year rate ended at 2.74%.





Outside the Eurozone, the US 10-year rate reached a high of 3.2% before falling significantly at the end of the year because of increased risk aversion and anticipations of a slower monetary squeeze from the Fed than was expected. British rates meanwhile were subject to the uncertainty of the conditions surrounding the UK's exit from the European Union while the Bank of England started a gradual monetary squeeze.
In Japan, the continuation of non-standard monetary policies kept long-term rates at 0%.

Changes in the credit market



Bloomberg Barclays coupons reinvested index

In the Eurozone, credit spreads saw significant gaps, particularly marked on low-quality credit. These movements reflect a combination of three factors: the prospect of the end of corporate bond purchases by the ECB at the end of 2018, the return of risk aversion brought about by the Italian situation, and fears about global growth and deteriorating liquidity conditions.

2. SIGNIFICANT EVENTS OF FISCAL YEAR 2018

Financial soundness

Financial rating

On 29 October 2018, the Fitch Ratings agency confirmed the 'A-' Insurer Financial Strength (IFS) ratings of Groupama Assurances Mutuelles and its subsidiaries, and the outlook associated with these ratings as 'Positive'. The outlook had been upgraded from 'Stable' to 'Positive' by the agency on 19 April 2018.

Issue of subordinated debts

On 17 September 2018, Groupama placed 10-year subordinated bonds with institutional investors worth a total of €500 million, with an annual coupon of 3.375%. The new offer was very successful with institutional investors, being over-subscribed by a factor of almost three. The issue forms part of the active management of Groupama's capital by taking advantage of market opportunities.

Governance

On 7 June 2018, the Group finalised its remutualisation plan under France's "Sapin 2" law of 9 December 2016 on transparency, anti-corruption and modernisation of the economy.

The company Groupama SA, the Group's central unit, has been converted into Caisse Nationale de Réassurance Mutuelle Agricole, with mutual insurance company status, the usual trading name of which is Groupama Assurances Mutuelles. The conversion of Groupama SA into Groupama Assurances Mutuelles has no impact on the group's solvency nor on commitments undertaken with regard to holders of its debts.

This conversion simplifies the Group's organisation and makes it consistent overall, based on three levels of pooling with local, regional and nationwide mutuals. By unifying its values and organisation, Groupama Group is demonstrating its commitment to its mutual insurance background, which is being used in an ambitious business plan for its members and customers.

This new organisation will give the Group legal and financial resources better suited to development in either mutual insurance or in other profit-making areas.

Following the creation of Groupama Assurances Mutuelles, the Board of Directors confirmed its trust in the current leadership at its first meeting on 7 June 2018 by reappointing Jean-Yves Dagès, Chairman of the Board of Directors, and Thierry Martel, CEO of Groupama, to continue to perform their roles.

Business Activities

Portuguese subsidiaries

The framework agreement for the sale of the two Portuguese subsidiaries signed by Groupama SA in September 2017 with Benefits and Increases Unipessoal LDA was approved by the local regulatory authorities on 18 January 2108 and closing was on 2 February 2018.

Partnerships

On 9 February 2018, Groupama, the leading insurer in the agricultural sector, became one of the main partners in La Ferme Digitale (the digital farm), a group of start-ups aimed at promoting innovation and digital tech in agriculture. With this partnership, Groupama is continuing to support current and future farming, and this is a new milestone in its backing for the booming market in new technology put to use in agriculture.

In March 2018, Groupama Group joined forces with the fintech outfit Sapiendo-Retraite, a recognised expert in French pensions, to enhance its range of pension-related digital services.

In November 2018, Groupama and the French Small Towns Association (APVF - *Association des Petites Villes de France*) made their partnership official. Groupama has set itself the objective of supporting mayors and local councils at grassroots in day-to-day management, but also in times of crisis. Groupama has in particular built a website called "Territoires-Groupama.fr" so it can publish information and advice online, including in terms of prevention rather than cure.

At the end of December 2018, Orange and Groupama signed an agreement to form a joint venture called Protectline, operating in the field of remote surveillance of property. Orange owns 51% of the company and Groupama has a 49% stake. This partnership will enable Groupama to expand its existing activities in this business line, and Orange to become involved in this market in its own right, marking a new stage in its strategy as a multi-service operator.

Property

In October 2018, Groupama sold the iconic "Window" building in La Défense to Oxford Properties Group for €477 million.

On 13 December 2018, Groupama signed a framework agreement with Norwegian sovereign fund Norges Bank for the sale of 79 avenue des Champs-Elysées. Closing is expected before the end of 2019. The building is under Available-for-sale assets in the Group's financial statements.

These disposals crystallise the value creation brought about by active property management, enabling investments to be redeployed.

Socially-responsible investment strategy

Early in December 2018, Groupama Group confirmed its intention to support environmental and energy transition towards a less carbon-dependent model. Consequently, the Group no longer makes new investment in, and is gradually divesting from, any business where either the revenue or the energy generation mix is more than 30% coal-based. As regards fossil fuels, the Group has undertaken not to invest in any company where oil sands represent more than 15% of total reserves. In addition, the Group intends to make €1 billion in new investment over the next three years in the area of energy transition. Through these firm commitments, which go beyond regulatory obligations, Groupama reaffirms the timeless values that have formed its identity for more than 100 years, i.e. responsibility, solidarity and commitment, and is part of the process of enabling as many people as possible to build their lives with confidence.

POST YEAR-END EVENTS

None

3. ANALYSIS OF FINANCIAL STATEMENTS

3.1 SUMMARY OF ACTIVITY AND RESULTS

Premium income in millions of euros	31/12/2017	31/12/2017 pro forma	31/12/2017	Actual change	Like-for-like change
Property and casualty insurance - France	5,523	5,511	5,621	1.8%	2.0%
Groupama Gan Vie	3,595	3,595	3,919	9.0%	9.0%
Life and health insurance in France – excluding Groupama Gan Vie	1,949	1,960	2,016	3.5%	2.9%
Total Insurance - France	**11,066**	**11,066**	**11,556**	**4.4%**	**4.4%**
Property and casualty insurance - International	1,765	1,685	1,768	0.1%	4.9%
Life and health insurance - International	840	813	770	-8.4%	-5.3%
Total Insurance - International	**2,605**	**2,498**	**2,537**	**-2.6%**	**1.6%**
Banking and financial businesses	147	147	169	15.1%	15.1%
GROUPAMA Total	**13,819**	**13,711**	**14,263**	**3.2%**	**4.0%**
Total Insurance	**13,672**	**13,564**	**14,094**	**3.1%**	**3.9%**
Property and casualty insurance	7,288	7,196	7,388	1.4%	2.7%
Life and health insurance	6,384	6,368	6,705	5.0%	5.3%

2017 pro forma data:
It was necessary to restate some 31 December 2017 data to enable a comparison and analysis to be made of changes between the two periods.
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 figures at 31 December 2017 were converted based on the exchange rate at 31 December 2018.
In the rest of the document, figures are expressed on a like-for-like basis and with constant exchange rates. Figures at constant exchange rates correspond to the comparison between the actual data at 31 December 2018 and the actual data at 31 December 2017, converted at the average exchange rates on 31 December 2018.

At 31 December 2018, Groupama's combined premium income from Insurance was up 3.9% to €14.1 billion, on a like-for-like basis (up 3.1% in absolute figures) compared with 31 December 2017. When financial activities are included, the Group's combined premium income was up 4.0% on a like-for-like basis (3.2% was the actual change) to €14.3 billion.

In the **property and casualty insurance business**, Group growth was up 2.7%, of which 2.0% in France and 4.9% internationally. Business is supported by consumer and corporate insurance (up 3.2% or more than 60% of property and casualty insurance premiums) benefitting from the good performance of the private motor vehicle (+3.7%) and home insurance (+3.4%) areas both in France and internationally. Assistance business (up 19.1%) in France further boosted the change in income.

Life and health insurance premium income grew by +5.3% at 31 December 2028. Groupama Gan Vie, home to the savings/pensions business in France, saw premium income rise 9.0% over the period, including an increase of 11.3% in individual savings/pensions in unit-linked products. Other businesses in life and health insurance in France were also up, by 2.9%. This change was mainly attributable to growth in health insurance (individual and group plans, up 2.3%, and group personnel insurance (up 13.5%). International life and health insurance premium income meanwhile was down 5.3%, under the effect of the downturn recorded in individual savings/pensions plans (down 12.6%); however the good performance from group retirement plans (up 30.7%) and health insurance (up 24.6%) offset this decline somewhat.

Insurance premium income in France accounted for 81.0% of the Group's overall business over the period, while international insurance premium income amounted to 17.8% of total premium income. The group's other businesses (financial and banking businesses) represented 1.2% of the total income. Net banking income from these businesses amounted to €153 million at 31 December 2018.

Economic operating income in millions of euros	31/12/2017	31/12/2018	Change in value	Change as %
Property and casualty insurance - France	59	59	0	NA
Life and health insurance - France	221	252	31	13.8%
Total Insurance - France	**280**	**310**	**30**	**>100%**
Property and casualty insurance - International	43	13	(30)	(69.5%)
Life and health insurance - International	41	30	(11)	(26.7%)
Total Insurance - International	**84**	**43**	**(41)**	**(48.5%)**
Banking and financial businesses	32	34	3	9.2%
Holding company activities	(46)	(89)	(43)	93.6%
GROUPAMA Total	**349**	**298**	**(51)**	**(14.5%)**
Property and casualty insurance	102	72	(30)	NA
Life and health insurance	262	282	20	7.5%

The Group's **economic operating income** totalled €298 million at 31 December 2018 compared with €349 million at 31 December 2017.

Economic operating income from insurance was €354 million in 2018, down €10 million from 2017.

Economic operating income from **life and health insurance** was €282 million in 2018, versus €262m in 2017 (up €31m in France and down €11m internationally). In France, this increase was mainly the outcome of an improvement in underwriting margin with a net combined ratio from health and personal injury improving by -0.8 points to 96.2%.

Economic operating income from **property and casualty insurance** was €72 million in 2018, compared with €102m at 31 December 2017 (no change in France and down €30m internationally). Consequently, the non-life net combined ratio was 99.3% in 2018, as against 98.9% in 2017 (up 0.4 points). These changes can be attributed to:

- ✓ Attritional claims amounting to 59.9% (up 1.3 points);
- ✓ an increase in the proportion of serious claims (up 0.8 points) with a 1.2 point rise in France and a -1.4 point drop internationally;
- ✓ a decline in weather-related claims (down 2.3 points) after the impact of hurricanes Irma and Maria in the French West Indies in 2017. Owing to the type of claim (few very large weather-related claims), reinsurance protection was lower in 2018 than in 2017 hence a lower net reinsurance charge;
- ✓ the favourable effect on other underwriting reserves and changes to earlier provisions partly connected to the natural development of claims and partly to regulatory developments (French accounting standards authority (ANC), Gazette du Palais legal review) having an opposite, slightly positive, effect;
- ✓ favourable impact in other underwriting reserves including the accounting standards reform on actuarial reserves for annuities.

Banking and financial businesses contributed €34 million to the group's economic income in 2018. The Group's holding company business reported an economic operating loss of €89 million in 2018 compared with €46m loss in 2017.

The **Group's net income** totalled €450 million at 31 December 2018 compared with €292 million at 31 December 2017. Net income for 2018 included an increase in non-recurring financial margin (€78 million) mainly the result of higher capital gains generated from the sale of a building in La Défense.
Net income in 2018 also included:

- ✓ net loss of minus €2m from selling the Portuguese subsidiaries;
- ✓ tax expenses mainly from the gradual reduction in tax rates in France, being minus €21 million;
- ✓ other non-recurring expenses in connection with various projects at minus €10 million and the loss of equity method consolidation of Orange Bank at minus €59 million (compared with minus €35 million in 2017).

In millions of euros	31/12/2017	31/12/2018
Economic operating income in millions of euros	349	298
Net capital gains realised (1)	208	351
Allocation to reserves for long-term impairment (1)	(7)	(7)
Gains or losses on financial assets recognised at fair value (1)	40	(25)
Other expenses and income	(318)	(109)
Financing expenses	(57)	(57)
Net income from discontinued business activities	136	(2)
Goodwill impairment	(58)	0
Net income	**292**	**450**

(1) amounts net of profit sharing and corporate tax

3.2 ACTIVITY AND RESULTS - FRANCE

Premium income - France in millions of euros	31/12/17 pro forma			31/12/2017		
	L&H	P&C	Total	L&H	P&C	Total
Regional Mutuals	1,795	3,746	5,541	1,854	3,809	5,663
Groupama Assurances Mutuelles	11	119	130	12	132	144
Groupama Gan Vie	3,595		3,595	3,919		3,919
Gan Assurances	142	1,280	1,422	142	1,280	1,421
Amaline Assurances	3	66	69	3	71	74
Other entities (1)	8	300	308	5	329	335
Total	**5,555**	**5,511**	**11,066**	**5,936**	**5,621**	**11,556**

(1) including Assuvie

Insurance premium income for France at 31 December 2018 increased +4.4% compared with 31 December 2017, totalling €11,556 million.

Property and casualty insurance

Insurance premium income in millions of euros	P&C - France		
	31/12/2017 pro forma	31/12/2017	Change as %
Regional Mutuals	3,746	3,809	1.7%
Groupama Assurances Mutuelles	119	132	10.7%
Gan Assurances	1,280	1,280	0.0%
Amaline Assurances	66	71	7.3%
Other entities	300	329	9.9%
Total	**5,511**	**5,621**	**2.0%**

Premium income from **property and casualty insurance** (48.6% of French income) was up 2% to €5,621m at 31 December 2018. Consumer and business insurance was up 2.2% over the period to €3,357 million (some 60% of the premiums written in property and casualty insurance). The growth of the private motor vehicle (up 2.0% to €1,567 million) and home insurance (up 3.2% to €1,082m) segments explains this development. Insurance of businesses and local authorities (€872m and 16% of the portfolio) was meanwhile down 0.7%. Growth in the assistance business (up €27 million) also made a contribution to the increase in property and casualty insurance premium income.

Premium income of **regional mutuals** in property and casualty insurance (€3,809 million) grew 1.7% over the period. The private motor vehicle (up 2.3% to €1,085m) and home (up 2.4% to €776m) segments benefitted from price increases and growth in the portfolio (26,600 more vehicles and 46,000 more policies at m/e December 2018). The good performance posted by the business risks segment (up 3.9%) and vehicles fleets segment (up 1.7%) should also be noted.

Premium income at **Groupama Assurances Mutuelles** which is home to some nationwide business activities (including the insurance partnership with LBP Assurance) via reinsurance and the share in professional pools (Gareat, Assurpol, etc.) totalled €132 million at 31 December 2018, versus €119m in the previous period. This growth (of 10.7%) arose primarily from the increase in premium income generated with La Banque Postale (up €13 million), which is reinsured by Groupama Assurances Mutuelles via a quota share treaty.

Gan Assurances' premium income held steady at €1,280 million at 31 December 2018, with price increases offsetting the lower number of policies in the portfolio. The good performance from the home insurance (up 1.1%) and agricultural business (up 2.3%) segments offset the decline in the vehicle fleet segment (4.1% drop).

At 31 December 2018, premium income at **Amaline** from property and casualty insurance was up +7.3% to €71 million as a result of a larger policy portfolio (+13,700 more policies). The private motor vehicle segment benefitted from the development of the partnerships with Renault posting a 4.1% rise. Home insurance meanwhile was up 14.6%.

Groupama Assurance-Crédit et Caution posted premium income of €41 million at 31 December 2018, 3.0% up compared with the previous period.

Premium income at **Mutuaide Assistance** at 31 December 2018 was up 19.1% at €171 million. This change is mainly a result of growth in new business (including the contribution of new policies by brokers in the area of travel), the increase in business with a major partner and the rise in assistance agreements related to bank cards.

Premium income at **Société Française de Protection Juridique** climbed 0.9% to €117m at 31 December 2018 owing to the development of partnerships (including La Banque Postale).

Economic operating income in **property and casualty insurance** in France was unchanged at €59 million in 2018. The figures are as follows:

Property and casualty insurance in France - In millions of euros	31/12/2017		31/12/2018		2018/2017 change	
Gross earned premiums	5,478	100.0%	5,574	100.0%	96	1.8%
Underwriting expenses (policy servicing) - excluding claims management costs	(3,833)	(70.0%)	(3,585)	(64.3%)	248	6.5%
Reinsurance balance	55	1.0%	(292)	(5.2%)	(347)	<-100%
Underwriting margin net of reinsurance	**1,700**	**31.0%**	**1,697**	**30.4%**	**(3)**	**(0.2%)**
Net expenses from current underwriting operations	(1,687)	(30.8%)	(1,701)	(30.5%)	(14)	(0.8%)
Underwriting income net of reinsurance	**13**	**0.2%**	**(3)**	**(0.1%)**	**(16)**	**<-100%**
Recurring financial margin net of tax	97	1.8%	113	2.0%	16	16.4%
Other items	(51)	(0.9%)	(51)	(0.9%)		0.4%
Economic operating income	**59**	**1.1%**	**59**	**1.1%**		**(0.4%)**
Capital gains realised net of corporate income tax	73	1.3%	76	1.4%	3	4.0%
Allocations to reserves for permanent impairment net of corporate income tax		0.0%	(2)	0.0%	(2)	
Gains or losses on financial assets recognised at fair value net of corporate income tax	9	0.2%	(19)	(0.3%)	(28)	<-100%
Other operations net of corporate income tax	(41)	(0.8%)	(25)	(0.4%)	17	40.2%
Group net income	**100**	**1.8%**	**89**	**1.6%**	**(11)**	**(11.4%)**

In **France**, **net underwriting income** (gross premiums earned – gross underwriting expenses – net expenses from current underwriting operations and reinsurance balance) decreased by €16 million over the period. The deterioration in the net combined ratio of 0.3 points to 100.1% in 2018 was the cause of this change. Fiscal 2018 was marked by many serious claims (€505 million or 2.1 points up compared with 2017) while conversely the cost of weather events was lower than in 2017 (minus 4.3 points) albeit less well covered by reinsurance. The favourable change in prior year reversals partly offset these adverse developments. Consequently, the net loss ratio in property and casualty insurance (69.6% in 2018) deteriorated by +0.6 points. The operating cost ratio improved by -0.3 points to 30.5% in 2018.

The following key items should be noted as at 31 December 2018:

Net underwriting income of the **regional mutuals** portfolio decreased with a combined net property and casualty insurance ratio down by +4.2 points at 101.6%. Fiscal 2018 saw the cost of serious claims rise 2.6 points while conversely, the cost of weather-related claims improved significantly (minus 7 points) after hurricanes Irma and Maria in the Caribbean in 2017 which incurred large reinsurance expenses.

Net underwriting income at **Gan Assurances** from property and casualty was up €87m compared with 2017. The improvement in the net loss ratio (minus 7.1 points to 72.6%) hid a deterioration in the current loss experience brought about by substantial serious claims and weather-related payouts (up 3.3 points and 3.7 points respectively). Conversely, prior year reserves releases had a positive impact including bonuses in construction and vehicle third-party liability. The operating costs ratio was 0.4 points higher at 30% in 2018, owing in particular to increased commissions.

The net combined ratio at **Amaline** was 102.3% in 2018, as against 101.4% in 2017 (up +0.9 points), connected to the deterioration in the net loss ratio which was up +5.6 points to 70.7% in 2018. A serious claim and lower prior year reversals of reserves explain this change. The operating cost ratio improved by -4.7 points to 31.6% in 2018, reflecting control over overheads.

In **France**, the **recurring financial margin** (after tax) in the **property and casualty insurance business** amounted to €113 million in 2018, up 16.4% over the period.

In **France**, net income was €89 million in 2018 compared with €100 million in 2017. Non-recurring net financial margin declined by minus €27 million over the period.

Life and health insurance

Insurance premium income in millions of euros	L&H - France		
	31/12/2017 pro forma	31/12/2017	Change as %
Groupama Gan Vie	3,595	3,919	9.0%
Regional Mutuals	1,795	1,854	3.3%
Groupama Assurances Mutuelles	11	12	6.7%
Gan Assurances	142	142	(0.5%)
Amaline Assurances	3	3	(1.1%)
Other entities (1)	8	5	(36.3%)
Total	**5,555**	**5,936**	**6.8%**

(1) including Assuvie

Life and health insurance premium income (51.4% of premium income in France) rose +6.8% to €5,936 million. Group life premium income and capitalisation in France rose 7.9% in a market which was up 4% overall at the end of December 2018 (source: FFA). This change is mainly attributable to the increase in individual unit-linked savings/pensions products business (up 11.3%), the growth in euro-denominated products being just 1.0%. After including arbitrage operations (euros to unit-linked at minus €237 million), Fourgous transfers (€269 million) and unit-linked net inflows (€502 million), the rate of actuarial reserves in individual savings is now 25.3% (compared with 25.8% as at 31 December 2017). The good performance posted by the group retirement plan segment (up 64.3%) should also be noted.

Health and personal injury premium income at 31 December 2018 rose 6.0% compared with the previous period. This development is attributable to the increase in health (up 5.9%), which is broken down into a 1.3% rise in individual plans and 13.5% in group plans. The group personnel insurance segment meanwhile posted 13.5% growth.

Net inflows in France were negative at minus €891 million at 31 December 2018 compared with minus €1,200 million over the previous period.

The networks comprising **Groupama Gan Vie** reported premium income up 9.0% to €3,919m at 31 December 2018. By business line, the majority of Groupama Gan Vie's premium income was generated in individual insurance (55.9%), with written premiums up 3.0% compared with 31 December 2017 at €2,192 million. Individual savings plan income was up 6.6%, including +7.5% in UL products and 5.8% in euros. UL assets in individual savings now account for 25.3% of total assets, versus 25.8% at 31 December 2017. The slight drop was the result of market impacts of actuarial reserves recognised as market-to-market. Note that in addition to premium income, Groupama Gan Vie managed Fourgous transfers to multi-vehicle funds (not recognised in premium income) at €269 million (including €115 million in unit-linked investments). Group insurance (44.1% of business) rose +17.7% to €1,727 million. It was driven by growth in the group health (up 14.8%) and group retirement plans (up 64.3%) segments which benefitted in particular from the development of a number of single-premium plans at about €100 million of UL.

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

Premium income in millions of euros	2017 Actual	2018 Actual	2018-2017 Change
Regional mutuals	1,024	1,176	14.9%
General agents	868	808	-6.9%
Brokerage	992	1,189	19.8%
Gan Patrimoine	234	276	17.8%
Gan Prévoyance	475	469	(1.2%)
Réunima	2	1	(42.4%)
Total	**3,595**	**3,919**	**9.0%**
Individuals	2,127	2,192	3.0%
of which unit-linked savings/pensions	*680*	*757*	*11.3%*
of which savings/pensions in euros	*1,050*	*1,064*	*1.3%*
Groups	1,467	1,727	17.7%
Total	**3,595**	**3,919**	**9.0%**

Premium income for the **regional mutuals network** was €1,176 million at 31 December 2018, up 14.9% compared with the previous period. In individual insurance products, business totalled €1,063 million (up 8.9%), as result of rising premium income from individual savings/pensions plans (up 9.6% of which 8.5% in UL). Group insurance premium income totalled €113 million at 31 December 2018, compared with €47 million in the previous period, primarily under the effect of recognising non-recurring premiums from group retirement plans (of which €30m in UL products).

The **Gan Assurances network** posted premium income of €808 million at 31 December 2018, down 6.9% compared with 31 December 2017. Written premiums in individual insurance decreased 13.1% as a result of the decline in individual savings/pensions (down 12.8%). Group insurance business, meanwhile, posted a 0.5% decrease, mainly from the decline in protection insurance (down 2.6%) and health (down 1.1%), mitigated to an extent by growth in inward reinsurance (up 41.3% under the effect of increased new business).

The **brokerage network** recorded €1,189 million of premium income at 31 December 2018, up 19.8% compared with 31 December 2017, a result of growth in the group health (up 21.9%) and group retirement plans (up 58.9%) segments, benefitting in particular from one major contract signed for €70m.

Premium income for the **Gan Patrimoine** network was 17.8% up, totalling €276 million at 31 December 2018, driven by growth in the individual savings/pensions segment (up 19.8%).

The **Gan Prévoyance** sales network contributed €469 million to Group premium income at 31 December 2018, a drop of 1.2 % from the previous year. Individual savings/pensions plan income was up 0.7% (with a 9.2% decline in euros and 35.7% increase in UL products), with growth in the retirement segment (up 5.4%) mitigating the decline in the savings segment (down 14.2%). This development was however offset by the downturn seen in protection insurance (down 4.4%).

In **life and health insurance**, premium income for regional mutuals at €1,854 million was up 3.3% compared with 31 December 2017. Individual life and health insurance climbed 2.3%. The individual health segment returned to growth after several years of decline, against a backdrop of the national agreement on group health cover (up 1.6% to €1,116 million) driven by a larger portfolio in terms of numbers (8,000 more policies at 31 December 2018) and price increases. The individual protection insurance segment was also up (5.5% to €322 million). Group life and health insurance posted an 8.1% increase, a result of a good performance in the health insurance (up 10.3% to €170 million) and protection insurance (up 13.5% to €146 million) segments.

Life and health insurance premium income at **Gan Assurances** was little changed at €142 million at 31 December 2018. The drop recorded in individual health (down 0.8% under the effect of fewer policies in the portfolio, minus 5,400 policies at 31 December) was mitigated by growth in the individual protection insurance segment (up 3.3%).

Caisses Fraternelles posted revenues of €2 million at 31 December 2018.

The discontinued business at the **Assuvie** subsidiary continued to decline (down 24.7%) compared with 31 December 2017. Its premium income (consisting only of periodic premiums in run off) totalled €3 million at 31 December 2018.

In **life and health insurance**, economic operating income in France was €252 million in 2018 compared with €222m in 2017.

Life and health insurance in France - in millions of euros	31/12/2017		31/12/2018		2018-2017 change	
Gross earned premiums	5,594	100.0%	5,981	100.0%	387	6.9%
Underwriting expenses (policy servicing) - excluding claims management costs	(4,301)	(76.9%)	(4,555)	(76.2%)	(255)	(5.9%)
Reinsurance balance	(19)	(0.3%)	(23)	(0.4%)	(5)	(25.5%)
Underwriting margin net of reinsurance	**1,275**	**22.8%**	**1,402**	**23.4%**	**127**	**10.0%**
Net expenses from current underwriting operations	(1,132)	(20.2%)	(1,187)	(19.8%)	(55)	(4.8%)
Underwriting income net of reinsurance	**143**	**2.5%**	**215**	**3.6%**	**73**	**51.0%**
Recurring financial margin net of profit sharing and tax	143	2.5%	100	1.7%	(42)	(29.6%)
Other items	(63)	(1.1%)	(64)	(1.1%)		(0.7%)
Economic operating income	**222**	**4.0%**	**252**	**4.2%**	**30**	**13.6%**
Capital gains realised net of corporate income tax and profit sharing	54	1.0%	176	2.9%	122	>100%
Allocations to reserves for long-term impairment net of corporate income tax and profit sharing	(7)	(0.1%)	(2)	0.0%	5	72.2%
Gains or losses on financial assets recognised at fair value net of corporate income tax and profit sharing	11	0.2%	(11)	(0.2%)	(22)	<-100%
Other operations net of corporate income tax	(155)	(2.8%)	(33)	(0.6%)	122	78.6%
Net income excluding restructuring	**125**	**2.2%**	**382**	**6.4%**	**257**	**>100%**
Net income from discontinued business activities	17	0.3%		0.0%	(17)	NA
Group net income	**141**	**2.5%**	**382**	**6.4%**	**241**	**>100%**

Underwriting income net of reinsurance improved by €73 million in 2018.

At **Groupama Gan Vie**, net underwriting income was up €54 million over the period, connected to the increase in the underwriting margin net of reinsurance, mainly in group insurance.

In **individual insurance**, the underwriting margin excluding charges increased €16m from the effect of the mark-ups on premiums (+€8 million) mainly in health and protection insurance, mark-ups on UL assets (+€5 million) and mark-ups on L441 plan management (+ €6 million).

In **group insurance**, margin excluding charges rose significantly by €83 million before tax from the effect of rising mark-ups on premiums (+€23 million) linked to the increase in health and protection insurance premium income and inward reinsurance. Profit margin was also boosted by non-recurring elements (prior year bonuses).

Net underwriting income at the **regional mutuals** increased by €9 million over the period with a combined net ratio standing at 93.3%, an improvement of 0.3 points.

Net underwriting income from life and health insurance at the **Groupama Assurances Mutuelles** entity was up slightly over the period.

Recurring financial margin (net of profit sharing and taxes) was €100 million, a drop of €42 million over the period, owing in particular to an increase in the profit sharing percentage.

The **net income excluding discontinued operations** in **France** from life and health insurance totalled €382 million at 31 December 2018 compared with €125 million at 31 December 2017. Non-recurring financial margin rose €106 million over the period, mainly owing to higher capital gains including those generated from the sale of a building in La Défense. Non-recurring items in 2018 totalled minus €33 million. Note that a feature of fiscal 2017 was non-recurring items netting as a minus €155m charge which included firstly €133m in provisions for statutory increases in annuities in the wake of legislative changes, and secondly an additional corporation tax liability.

After the net income of sold businesses is taken into account, **net income** from life and health insurance in France was €382 million in 2018 compared with €141m in 2017.

3.3 ACTIVITY AND RESULTS - INTERNATIONAL

International premium income in millions of euros	31/12/17 pro forma			31/12/2017		
	L&H	P&C	Total	L&H	P&C	Total
Italy	493	1,013	1,506	440	1,041	1,481
Greece	53	79	132	52	86	139
Turkey	55	189	244	59	206	265
Hungary	184	156	339	188	167	355
Romania	14	184	198	15	201	216
Bulgaria	6	9	15	7	11	18
Gan Outre-Mer	8	55	63	9	55	64
Total	**813**	**1,685**	**2,498**	**770**	**1,768**	**2,537**

The Group's **international** combined **premium income** was €2,537 million at 31 December 2018, up 1.6% compared with 31 December 2017.

Property and casualty insurance premium income totalled €1,768 million at 31 December 2018, an increase of 4.9% over the previous period. The growth of the private motor vehicle segment (up 6.3%), particularly in Italy, Romania and Turkey, in conjunction with that in the professional and local authority property damage segment (up 3.8%), explained this change.

Life and health insurance premium income fell by 5.3% to €770 million, with different sub-segments moving in different directions. Individual life and health insurance was down 7.9%, affected by the downturn recorded in individual savings/pensions plans (down 12.6%), notably in Italy. Group life and health insurance, meanwhile, posted an 12.2% increase to €116 million, driven by good performance in group retirement plans (up 30.7%) and group health insurance (up 24.6%), mainly in Italy.

Economic operating income from international insurance activities was €43 million in 2018, down €41 million relative to 2017.

Net income from **property and casualty insurance** deteriorated by €30 million with a combined net ratio at 103.2%, up 2.6 points compared with 2017. The net loss ratio was up 1.9 points to 71.1% in 2018. This change obscures the fact results vary between countries. Net underwriting income was lower in Italy, in particular in the vehicle third party liability segment, while it improved in Hungary, pushed up in particular by pricing adjustments and some respite from serious and weather-related claims. The operating costs ratio was up 0.7 points to 32.1%.

Net income from **life and health insurance** was down €11 million at 31 December 2018, from the effects in particular of higher loss experience in the group protection business in Italy.

Economic operating income in millions of euros	31/12/2017	31/12/2018
Italy	37	(26)
Greece	9	10
Turkey	7	10
Hungary	11	26
Romania	10	9
Bulgaria	1	1
Gan Outre-Mer	2	9
Equity-method entities	**7**	**5**
Tunisia (Star)	1	1
China (Avic)	6	4
Total	**84**	**43**

Net income from international insurance amounted to €22 million at 31 December 2018 compared with €91 million at 31 December 2017.

The breakdown of net income, by entity, is as follows:

Net income in millions of euros (1)	31/12/2017	31/12/2018
Italy	35	(43)
Greece	11	10
Turkey	8	16
Hungary	15	23
Romania	10	2
Bulgaria	1	1
Gan Outre-Mer	2	9
Equity-method entities	**7**	**5**
Tunisia (Star)	1	1
China (Groupama Avic)	6	4
Sold entities	**3**	**0**
Great Britain	4	0
Portugal	(2)	0
Total	**91**	**22**

(1) excluding income from the Holding business.

Italy

Premium income for the Italian subsidiary **Groupama Assicurazioni** fell by 1.7% to €1,481 million at 31 December 2018. Different segments fared differently.

Property and casualty insurance premium income rose by 2.8% to €1,041 million. Portfolio expansion explained the growth in private motor vehicle insurance (up 3.8%, with the portfolio accounting for 70% of written premiums in property and casualty insurance) and in home insurance (up 4.6%).

Life and health insurance was down 10.8% compared with the previous year, totalling €440 million. Individual savings/pensions declined 18.2%. Individual euro-denominated savings dropped 23.7% from the combined effect of the end of an agreement with a major partner and the subsidiary's strategy of limiting euro inflows in accordance with Group strategy. Unit-linked individual savings meanwhile dropped 9.7% as the banking network stopped generating new business. Decent performances from group retirement plans (up +47.7%) and group health insurance (up +68.3%) did however mitigate these developments

Economic operating income was a loss of €26 million at 31 December 2018 compared to a profit of 37 million at 31 December 2017.

The combined ratio in **property and casualty insurance** amounted to 106.4% at 31 December 2018, up 6.7 points compared with 31 December 2017. The gross loss experience deteriorated by +9.7 points to 76.6% at 31 December 2018, owing to increased prior year provisions in vehicle insurance and a rise in attritional loss experience as a result of the increased average cost and the termination of a number of leasing partnerships at the end of 2018. The operating costs ratio increased by +0.6 points to 30.5%.

In **life and health insurance**, the net underwriting income shrank mainly because of adverse changes to the loss experience in group protection insurance and in health.

The **recurring financial margin** (net of profit sharing) decreased from the effect of lower rates of return.

The **net income** was a loss of €43 million at 31 December 2018 compared with a €35 million profit at 31 December 2017. This loss included a portfolio impairment of minus €11m after tax and non-recurring financial margin. The latter was down owing to a reduced volume of capital gains from disposals, and an adverse effect from changes in the fair value of financial instruments.

Turkey

Premium income for the Turkish subsidiaries **Groupama Sigorta** and **Groupama Emeklilik** increased by 8.6% to €265 million at 31 December 2018.

Property and casualty insurance premium income rose by 9.1% to €206 million. Private motor vehicle insurance climbed 13% mainly thanks to pool business. Agricultural risks (including Tarsim) meanwhile recorded a 4.5% increase, mainly from the TKK farming cooperative network which made a full contribution in 2018 but is due to close down in 2019.

Revenue in **life and health insurance**, at €59 million, posted a 7.1% increase, mainly from the effect of growth in the individual health segment (up 16.2% owing to price increases brought about by inflation). The downturn in the group protection segment (down 4.8%) was the outcome of the termination of the distribution agreement with TKK agricultural cooperative. It was offset by increased business in individual savings/pensions brought about by the launch of a new product.

Economic operating income for the Turkish subsidiaries Groupama Sigorta and Groupama Emeklilik totalled €10 million at 31 December 2018 compared to €7 million at 31 December 2017.

The combined ratio of the **property and casualty insurance** business rose by 0.8 points to 112.2% at 31 December 2018, with the loss experience up 2.2 points to 53.1%. The change can be attributed in particular to higher average cost of vehicle damage claims, driven by inflation and unfavourable exchange rates (making replacement parts more expensive). The operating cost ratio worsened by +0.2 points to 21.8% under the effect of the decline in earned premiums.

Life and health insurance net underwriting income was reduced as a result of increased provisions in the protection insurance segment (borrower credit).

The **recurring financial margin** benefitted from higher rates of return.

The Turkish subsidiaries' **net income** totalled €16 million at 31 December 2018 compared with €8 million at 31 December 2017. This net income figure included the capital gain from selling the pension fund business for net proceeds of €5 million.

Greece

Groupama Phoenix premium income rose 5.3% over the previous period, reaching €139m at 31 December 2018. Different segments fared differently.

The **property and casualty insurance** business was up 9.4% at €86 million. The private motor vehicle segment (some 70% of property and casualty insurance premiums) reported 12.7% growth brought about by a larger portfolio by number of policies and new agreements with brokers.

Life and health insurance premium income fell by 0.9% to €52 million. The growth recorded by the group retirement segment (up 16.5%, related to the development in major contracts) was offset by the decline in individual savings/pensions business (down 53.7% from the effect of lower unit-linked premium income) which was still affected by capital controls in force in Greece.

Economic operating income stood at €10 million at 31 December 2018, as against €9 million at 31 December 2017.

The combined ratio in **property and casualty insurance** amounted to 86.0%, up 0.7 points compared with 31 December 2017. These changes can be attributed to a rise in the loss experience in vehicle third-party liability, while the fire insurance segment saw a reduction in the frequency of serious claims. The operating cost ratio decreased by -0.5 points to 45.7% at 31 December 2018, reflecting the subsidiary's overhead cost-cutting exercise.

The net underwriting income in **life and health insurance** was slightly down, in particular in the life business (individual protection insurance).

Recurring financial margin net of profit sharing and taxes was slightly higher.

Net income showed a €10 million profit at 31 December 2018, as against €11 million at 31 December 2017. This net income figure includes the impact of the lower tax rate (charge of minus €2m on tax receivable) and a €2m capital gain from a property sale.

Hungary

The premium income of the **Groupama Biztosito** subsidiary in Hungary increased 4.7% to reach €355 million at 31 December 2018.

Written premiums in **property and casualty insurance** at 31 December 2018 were up +7.4% at €167 million. Portfolio growth (particularly through the broker network) and price hikes explain the growth in the private motor vehicle segment (up 15.9%). The corporate property damage business posted 15.5% growth, helped by a new product launch and price increases. Fleet insurance meanwhile was up 11.2%. The decline seen in agricultural segments (down 23.0% after some pruning of the portfolio) did however put a dampener on these good figures.

In **life and health insurance**, premium income was 2.4% up, reaching €188 million, driven by growth in the individual protection insurance segment (up 10.8%). Savings/pension business meanwhile was up just 0.9%. Of the subsidiary's live/savings premium income, 87.8% was in unit-linked products.

The **economic operating income** totalled €26m at 31 December 2018, up from €11m in 2017.

The combined ratio of the **property and casualty insurance** business declined by 6.5 points to 97.3% at 31 December 2018. Gross loss experience declined (minus 9.4 points to 45.8% at year-end 2018) owing to loss experience being exceptional overall (attritional, serious claims and weather-related). The operating cost ratio dropped 0.3 points to 47.7% in 2018, confirming the subsidiary's control over its costs.

Life and health insurance net underwriting income was little changed at €8 million at 31 December 2018.

Recurring financial margin net of profit sharing and taxes was higher.

The Hungarian subsidiary's **net income** amounted to €23 million at 31 December 2018 compared with €15 million at 31 December 2017. Non-recurring financial margin decreased as a result of the adverse effect of the changes in the fair value of investments recognised on the P&L.

Romania

Premium income of the Romania subsidiary **Groupama Asigurari** rose 8.7% to €216 million at 31 December 2018.

> **Property and casualty insurance** premium income climbed 8.9% to €201 million. The private motor vehicle segment (more than 70% of property and casualty insurance premiums) reported 10.8% growth, broken down into 7.8% for the damage component and 16.5% in third-party liability, brought about by higher prices combined with a larger portfolio.
>
> **Life and health insurance** premium income (€15 million) was up 6.8% over the period, driven by the growth seen in group health (up 13.6%), itself the result of portfolio development.

The Romanian subsidiary's **economic operating income** stood at €9 million at 31 December 2018, as against €10 million income at 31 December 2017.

> The combined ratio in **property and casualty insurance** improved slightly (by +0.9 points) to 96.7%. Current loss experience deteriorated because of i) the rising average cost of claims adversely affecting the motor vehicle segment, and ii) the impact of weather-related claims on agricultural risks. The operating costs ratio was up 0.2 points to 32.5%, following an increase in commissions.
>
> The net underwriting income from **life and health insurance** declined slightly with net income from the life business down.

The rise in **recurring financial margin** (€2m) followed favourable market developments.

Net income showed a €2 million profit at 31 December 2018, as against €10 million at 31 December 2017.

Bulgaria

In **Bulgaria**, the premium income of the Groupama Zastrahovane and Groupama Jivotozastrahovane subsidiaries climbed 19.8% to €18 million at 31 December 2018. Life and health insurance grew by 9.7% to €7 million. In property and casualty insurance, premium income was 27.0% up, to €11 million, driven by growth in the private motor vehicle segment (up 44.9%) benefitting from a larger number of policies in the portfolio.

The contribution from Bulgarian subsidiaries to the Group's **net income** held steady at €1m at 31 December 2018.

Gan Outre-Mer

Premium income for the **Gan Outre-Mer** overseas arm rose 0.9% to €64 million at 31 December 2018. The property and casualty insurance business was unchanged at €55 million, growth in home insurance (up 6.9%) being offset by the decline in corporate property damage (down 11.1% with in particular a high level of voluntary policy terminations). Premium income in life and health insurance (mainly individual health policies) continued to develop. It was up 6.8% to €9 million.

Gan Outre-Mer's **economic operating income** totalled €9 million in 2018 as against €2 million in 2017. Net underwriting income in property and casualty insurance increased by €10 million with a combined net ratio of 77.6%, an improvement of -18.7 points. It should be remembered that fiscal 2017 was affected by a major fire and various adverse weather events. The operating cost ratio was down 0.1 points to 28.3% in 2018.

Gan Outre-Mer's **net income** totalled €9 million in 2018, compared with €2 million in 2017.

Tunisia

Equity consolidation of the Tunisian subsidiary Star gave net income of €1 million in 2018.

China

The contribution from the Chinese subsidiary was a €4m profit at 31 December 2018, as against €6m the previous year.

3.4 FINANCIAL AND BANKING BUSINESSES

In millions of euros	31/12/2017	31/12/2018	2018-2017 change	
Net banking income, net of cost of risk and long-term financial instruments	143	153	10	6.9%
Other operating income and expenses and non-underwriting current income and expenses	(97)	(101)	(4)	(4.0%)
Other items	(15)	(18)	(3)	(21.3%)
Economic operating income	**32**	**34**	**3**	**8.8%**
Other operations net of corporate income tax	(35)	(59)	(24)	(68.9%)
Group net income	**(3)**	**(24)**	**(21)**	**<-100%**

The **economic operating income** from financial and banking business activities totalled €34 million in 2018, versus €32 million in 2017. These figures include the net income of Groupama Asset Management and Groupama Épargne Salariale (employee savings arm) where net banking income was up 7.2% and 2.7% respectively over the period. The economic operating income of Groupama Immobilier, the Group's investment property management subsidiary, was stable over the period.

The **net income** from financial and banking business activities was in fact a loss of €24 million in 2018, including the equity consolidation of Orange Bank among other transactions after tax.

3.5 GROUPAMA ASSURANCES MUTUELLES AND HOLDING COMPANIES

In millions of euros	31/12/2017	31/12/2018	2018-2017 change	
Other operating income and expenses and non-underwriting current income and expenses	(117)	(119)	(1)	(1.1%)
Recurring financial income (after corporate income tax)	9	(12)	(22)	<-100%
Other items	62	41	(20)	(32.7%)
Economic operating income	**(46)**	**(89)**	**(43)**	**(93.1%)**
Capital gains realised net of corporate income tax	68	93	25	36.6%
Allocations to reserves for permanent impairment net of corporate income tax		(2)	(2)	
Gains or losses on financial assets recognised at fair value net of corporate income tax	15	12	(3)	(22.7%)
Financing expenses	(57)	(57)		(0.1%)
Other operations net of corporate income tax	(75)	29	104	>100%
Net income excluding discontinued operations	**(96)**	**(16)**	**80**	**83.4%**
Net income from discontinued business activities	108	(2)	(111)	<-100%
Group net income	**12**	**(18)**	**(30)**	**<-100%**

Groupama Assurances Mutuelles is the ultimate parent company of the Group and the central governance body. It plays the role of holding company, directly or indirectly owning all the Group's French and international subsidiaries. In respect of this role, Groupama Assurances Mutuelle directs the operating activities of the group and is the focal point for internal and external financing. The net financial income is broken down using a standardised basis for underwriting business. The expenses allocated to this business correspond to the share of costs and expenses of senior management, functional departments and shared, non-underwriting expenses.

Economic operating income from holding companies was minus €89 million in 2018, down €43 million from 2017, mainly the result of a downturn in the recurring financial margin.

Holding companies' **net income excluding discontinued activities** improved by €80 million, totalling minus €16 million 2018. Non-recurring financial margin was higher as a result of realising substantial capital gains. Other transactions after tax generated income of €29 million whereas they were a €75 million expense in 2017 because of reserves for contingent liabilities threats and non-recurring tax impacts.

Holding companies' **net income** was a loss of minus €18 million at 31 December 2018 compared with a €12 million profit in 2017. Net income from discontinued operations (a €2m loss) equated to the loss from selling the Portuguese subsidiaries, whereas in 2017, the earnings of €108m arose from its share of the proceedings from selling the Icade shares allotted to the holding company's business.

The Group's net income was broken down as follows:

Net income in millions of euros	31/12/2017	31/12/2018
Total Insurance - France	241	471
Total Insurance - International	91	22
Banking and financial businesses	(3)	(24)
Holding company activities	57	(18)
Goodwill impairment	(58)	
Other	(36)	
Total net income - GROUPAMA	**292**	**450**

3.6 COMBINED BALANCE SHEET

At 31 December 2018, Groupama's combined balance sheet totalled €96.8 billion compared with €99.0 billion in 2017, a drop of 2.1%.

Goodwill

Goodwill was unchanged at €1.9 billion at 31 December 2018.

Other intangible assets

Other intangible assets totalling €309 million at 31 December 2018 (versus €294 million in 2017) were composed primarily of amortisable portfolio securities (€78 million) and computer software. The decrease in this item [sic] is particularly related to amortisation for the period.

Investments (including unit-linked investments)

Insurance investments amounted to €85.2 billion in 2018 compared with €87.2 billion in 2017, a decrease of 2.3%.

The group's unrealised capital gains (including property) decreased by €2.4 billion to €8.0 billion (compared with €10.4 billion at the previous year-end), mainly because of the decrease in unrealised capital gains on bonds.

By asset allocation, unrealised capital gains are broken down into €5.2 billion on bonds, €0.6 billion on equities and €2.2 billion on property.

Unrealised capital gains on financial assets (excluding property) totalled €5.8 billion, with €1.3 billion attributable to shareholders (after profit sharing and taxes) versus +€1.8 billion at 31 December 2017. These amounts are recorded in the financial statements in the revaluation reserve. Unrealised capital gains on property, Group share (net of tax, profit share deferred) totalled €0.76 billion, as against €0.85 billion at 31 December 2017. The Group has elected to recognise investment and operating property according to the depreciated cost method; therefore, unrealised property gains are not recorded in the accounts.

The equity share of total investments by market value was 5.8% at 31 December 2018, versus 6.3% at 31 December 2017, taking an economic view.

Group's equity

Group's equity at 31 December 2018 held steady relative to the previous period, totalling €8.9 billion.

This change can be summarised as follows:

(In millions of euros)

Group's equity at 2018 opening	**8,912**
Change in revaluation reserve: fair value of AFS assets	(2,005)
Change in revaluation reserve: shadow accounting	1,269
Change in revaluation reserve: deferred tax	240
Mutual certificates (MC)	104
Foreign exchange adjustment	(38)
Other	(48)
Net income	**450**
Group's equity as of 31 December 2018	**8,884**

The roll out of mutual certificates across regional mutuals continued in 2018 with €104 million of subscriptions.

Subordinated liabilities, financing and other debts

Total subordinated liabilities and external debt totalled €1.6 billion at 31 December 2018 versus €1.2 billion at 31 December 2017. The increase came from subordinated liabilities.

At 31 December 2018, subordinated liabilities were in fact up €497 million compared with 31 December 2017, totalling €1,633 million, a result of the issuing of subordinated shares in September 2018.

The Group's external debts (excluding subordinated debts) amounted to €6 million at 31 December 2018 compared with €17 million at year-end 2017.

Underwriting reserves

Gross underwriting reserves (including deferred profit sharing) totalled €76.8 billion at 31 December 2018, compared with €78.8 billion at 31 December 2017.

Reserves for contingencies and charges

Reserves for contingencies and charges totalled €598 million in 2018, compared with €692 million in 2017, and were primarily made up of pension commitments under IAS 19.

4. DEBT RATIO

The debt ratio (now calculated using the method adopted by our rating agency) was 28.4% at year-end 2018, versus 25.9% at 31 December 2017.

5. RISK MANAGEMENT AND THE RELIABILITY OF FINANCIAL INFORMATION.

Risk management is dealt with under part 3 of the registration document.

Reliability of financial data

The Group Financial Control Department within the Group Finance Department is responsible for preparing the financial statements and the notes to the shareholders, sponsoring authorities and tax authorities.

Groupama Assurances Mutuelles company financial statements

The company financial statements are prepared with an ongoing objective of identifying all funds flows in detail, assigning a value to them and recognising them in accordance with the regulations in force.

The types of internal control procedure implemented to that end are listed below:

- security procedures and internal checks: every area Manager guarantees the appropriateness of the work load for the skills of his or her staff and ensures their compatibility while at the same time ensuring the separation of duties among employees;

- integrated control and control tests: this refers to all operations guaranteeing the reliability and existence of an audit trail when data are charged to the accounting, tax and regulatory information system, notably:
  - the functions and applications used to perform reliability tests and tests to check on the accuracy and consistency of accounting transactions;
  - other non-computerised actions and tests, mainly focusing on consistency checks carried out by random sampling on large-volume transactions, with very low unit amounts (e.g. balancing of policyholder balances, tax statements);

- hierarchical control: aimed at distributing information and allowing the cross-checking required for the reliability of the parent company financial statements. This is done through several routine management and inventory procedures:
  - within routine management:
    - ⇨ separation of the functions of expenditure commitment and payment:
      expenditure of a technical, general or financial nature is in principle ordered by persons outside the Group Financial Control Department who are authorised up to a certain ceiling based on the type of expense; payment of these expenses is initiated by the Group Financial Control Department only after a signature different from that of the authorising officer;

    - ⇨ monitoring of banking authorities:
      delegation of signature authority for banking transactions, granted to some employees, is subject to administrative monitoring and regular updating; these functions have been the responsibility, since 1 July 2014, of the Group Legal Department, in close liaison with the Group Financial Control Department;

  - within inventory management and preparation of the financial statements:
    - ⇨ regular review meetings between the Group Financial Control Department and the other departments designed to provide an overview of all funds flows for the year and anticipate their integration into the financial statements;

    - ⇨ measurement of the consistency between the company financial statements and the provisional statements in conjunction with the various teams in the Group Financial Control Department;

    - ⇨ building up a set of supporting documentation for the year's financial statements under the supervision of the reviewer's direct line manager, then the department head;

    - ⇨ review of individual company and Group tax income/expense with the Group Tax Department;

    - ⇨ internal meetings within the Group Finance Department to deal with different operational and functional views and thus to ensure the validity of the Groupama Assurances Mutuelles' auxiliary and company financial statements;

    - ⇨ approval of the financial statements by Senior Management.

By virtue of its position as Group parent company, Groupama Assurances Mutuelles handles the accounting for a number of subsidiaries through its Shared Service Centre (operating SCIs, GIE Groupama Support and Services, holding companies and other subsidiaries); it also handles investment accounting for the French subsidiaries.

The Group Financial Control Department prepares the financial component of the financial statements (securities and real estate, plant and equipment) for the profit centres, using an auxiliary accounting system. For those entities in particular, it works with the Group Tax Department to calculate the financial taxable income/expense (securities and real estate) and drafts the statutory financial statements to be sent to the ACPR.

The systems and procedures used to keep investment auxiliary accounts (back-office securities and accounting system) and the accounting systems of entities without their own accounting department comply with the same internal control criteria as those described previously for the Groupama Assurances Mutuelles company financial statements (see above). With regard to the investment accounting system, it should be noted that standardised controls, which are subject to written procedures, can be used to guarantee the reliability of the information regarding investments.

Consolidated and combined financial statements

The internal control procedures used to establish the reliability of consolidated financial data for Groupama Assurances Mutuelles' shareholders are based on five basic principles: checking the adequacy of skills (internal check), integrated control, parallel control tests, hierarchical control and Group standards.

(a) *Security of internal audit procedures*

They are applied for the departments preparing the consolidated and combined financial statements in the same way as described in the section on company financial statements (see above).

(b) *Integrated controls*

The Group's system for developing condensed financial data has been implemented across all entities. It is based on a single, live database of consolidated information. All the entities supply this database with data through secure links. It contains a large number of controls designed to guarantee the quality of financial data:

- the first level of verification entails checking the standardisation of the data (all Group data is formatted following a single standard);
- the second level involves a series of automatic checks built into the entities' individual data collection phase. These checks mainly relate to the overall accuracy and consistency of the items entered. Depending on the types of control, the data input may either be blocked automatically (which can only be cancelled if the exact data is input), or else the control returns an error, which must be corrected. An audit trail of these controls is maintained centrally. The software allows a fairly high level of automatic control through the development of interfaces with the upstream systems;
- additional controls are carried out centrally. These mainly involve the necessary consistency of data between different entities in the Group (e.g. for internal reciprocal transactions) and central transactions (conversion of foreign subsidiaries, consolidation entries, etc.).

The system has an audit trail that can run any cross-checks that might be desired, to identify and monitor any data item and trace the source of any elementary data, from the individual company to the consolidated level. This configuration is tested regularly (particularly by republishing old scenarios).

(c) *Control tests*

A set of verification and control tests has been put into place to ensure that transactions are executed reliably whether computerised or otherwise. In addition to the computerised processes, these tests have two main objectives:

- to check the original data (with respect to accuracy and application of the standards); this check is mainly consistency checks, estimates, individual company risk analysis (or the management report) for each entity, and a management questionnaire designed to ensure that the most sensitive accounting standards and methods are properly applied by the Group;
- to verify the central processing: accuracy checks are carried out to guarantee that central consolidation transactions are correctly processed (sharing of group's equity, dilutions/accretions, etc.).

The control tests are documented in a review manual.

(d) *Hierarchical checks*

Hierarchical checks ensure that the principal items affecting the truthfulness and accuracy of financial data, as well as the asset position and the profit/loss (individual company and consolidated) disclosed to the shareholders, are captured in the data presented. This check involves the use of several procedures:

- checking for consistency with forecasts and with any information used to cross-check the data appearing in the financial statements;
- meetings to approve the financial statements with the employees producing the financial data (with a review of any problem areas encountered during the approval process);
- approval meetings with the statutory auditors of the consolidated financial statements;
- Senior Management meetings to review the consolidated financial statements;
- Audit and Risk Committee meetings to review the consolidated financial statements.

All of these tasks are aimed at enhancing the quality of the financial data, particularly the consolidated financial statements as well as the management report to the Board of Directors.

(e) *The Group standard*

The accounting standard used for the consolidated financial statements is IFRS. They are distributed at group level, and instructions for using them are given in a consolidation manual containing reminders of each line item in the balance sheet and the income statement:

- IFRS reference text and a summary of the standard;
- the area of application and possible options selected by the Group wherever the IFRS allow the possibility of applying options;
- methods of application.

The consolidation manual is available online. It can be accessed by all the entities in the Group (French and English versions). It is updated regularly based on any changes in the IFRS.

This consolidation manual also includes instructions (French and English versions) issued to all Group entities at every year-end. The instructions emphasise the specific items applicable to each approval process. These instructions are sent to the statutory auditors for information.

Theoretical and practical training is provided regularly to all those involved in the Group so that the requirements introduced by the IFRS are properly understood and incorporated into the financial statements.

Supervision of intra-group accounting transactions

Transactions between subsidiaries and Groupama Assurances Mutuelles (internal loans, subsidiary restructures, capital increases, dividend payouts, etc.) are subject to approval by Groupama Assurance Mutuelles senior management, to technical and operational checks by the Group Financial Control Department, and checks on their recognition in the accounts by the Group Financial Control Department. Checks on these operations are carried out by auditing the consolidated financial statements, i.e. by reconciling intra-group transactions, monitoring any changes in group's equity, and reviewing the transactions recorded for consistency with legal documentation.

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 of 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 out policy 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 negotiated transactions are secured by a “collateralisation” system with Groupama Assurances Mutuelles’ top-tier bank counterparties.

Foreign exchange risk

Ownership of international equities entails foreign exchange (e.g. dollar or yen) risk, which can be hedged through forward sales. These forward sales are terminated as the underlyings are disposed of or are renewed to hedge the residual underlyings. Hedging of currency risk on the Hungarian forint has been actively managed since 2015.

Currency-denominated bonds (e.g. dollar, sterling, Swiss franc) are hedged using currency swaps against the euro.

As with interest rate risk, all negotiated transactions are secured by a system of “collateralisation” with leading bank counterparties selected by Groupama Assurances Mutuelles.

Equity risk

The Group continued to actively manage its equity risk in 2018, reflected in particular by continuing the policy of hedging protected equity funds, but more opportunistically.
This last strategy uses derivatives housed in mutual funds for hedging.

Credit risk

In a strategy of tactical management for credit asset classes, the Groupama AM management can be exposed to 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

A strategy intended to expose the Group to 10-year swap rates was set up in 2017 as a test. It should enable the Group to take some duration without exposure to spread risk (sovereign or credit).
Such operations make use of vehicle paying Euribor and a long-term financial instrument swapping this remuneration against 10-year swap rates.

All negotiated transactions are secured by a "collateralisation" system with the top-tier bank counterparties selected by the Group.

7. OUTLOOK

In an unstable macroeconomic environment (trade tension between the United States and China, the uncertain outcome of Brexit, etc.), Groupama has implemented a risk management mechanism to enable it to cope with adverse situations. Its financial resources and flexibility are appropriate.

Groupama has confidence in its ability to continue on its path of profitable growth which has returned mutual insurance to a core strategy position. By changing the group's ultimate parent from a limited liability company to a mutual insurance company, Groupama does have the strategic flexibility to succeed. The Vision project, which aims to pool the Group's strengths into a process that is fully focused on implementing the strategy, is a further response to this objective.

Focused on serving members and customers to be in a position to offer innovative products and top-quality service, Groupama's aim is consequently to become a centre of mutual insurance consolidation in France and live its mission statement every day: "enabling as many people as possible to build their lives with confidence".

8. REVIEW OF GROUPAMA'S 2018 EXTRA-FINANCIAL PERFORMANCE

Employment, social and environmental data published in the financial statements[1] cover all the various units within the scope of the combined financial statements, i.e. the regional mutuals, subsidiaries and national business units. This approach provides a significant and comprehensive assessment of Groupama Group's progress in CSR (corporate social responsibility) in terms of understanding CSR risks and issues, and the steps taken and the results obtained. The information is presented in a special section of the 2018 Groupama Assurances Mutuelles registration document.

[1] Review produced voluntarily, based on the "extra-financial performance statement" document template in the government order on filing non-financial information, and the relevant implementation decree, from July and August 2017 respectively.

COMBINED FINANCIAL STATEMENTS

- - - -

GROUPAMA
31 DECEMBER 2018
IFRS

SUMMARY

4. NOTES TO THE FINANCIAL STATEMENTS 62

OTHER INFORMATION 142

FINANCIAL STATEMENTS

GROUPAMA
COMBINED BALANCE SHEET (in millions of euros)

ASSETS		31/12/2018	31/12/2017
Goodwill	Note 2	1,908	1,915
Other intangible assets	Note 4	309	294
Intangible assets		**2,217**	**2,208**
Investment property excluding unit-linked items	Note 5	1,172	1,406
Unit-linked investment property	Note 8	110	118
Operating property	Note 6	795	812
Financial investments excluding unit-linked items	Note 7	74,091	75,537
Unit-linked financial investments	Note 8	8,935	9,212
Derivatives and separate embedded derivatives	Note 9	114	113
Insurance business investments		**85,217**	**87,199**
Funds used in banking sector activities and investments of other business activities	Note 10	**112**	**101**
Investments in related companies and joint ventures	Note 11	**485**	**493**
Share of outward reinsurers and retrocessionaires in liabilities relating to insurance and financial contracts	Note 12	**1,154**	**1,359**
Other property, plant and equipment	Note 13	256	236
Deferred acquisition costs	Note 14	256	219
Deferred profit-sharing assets			
Deferred tax assets	Note 15	39	36
Receivables arising from insurance and inward reinsurance operations	Note 16	2,614	2,368
Receivables from outward reinsurance operations	Note 17	167	180
Current tax receivables and other tax receivables	Note 18	293	255
Other receivables	Note 19	2,669	2,834
Other assets		**6,294**	**6,128**
Assets held for sale and discontinued business activities	Note 3	**150**	**447**
Cash and cash equivalents	Note 20	**1,204**	**1,022**
TOTAL		**96,833**	**98,957**

The notes on pages 38 to 172 are an integral part of the combined financial statements.

GROUPAMA
COMBINED BALANCE SHEET (in millions of euros)

EQUITY & LIABILITIES		31/12/2018	31/12/2017
Equity or equivalent funds		572	468
Revaluation reserves		1,285	1,780
Perpetual subordinated debts categorised as group's equity		1,099	1,099
Other reserves		6,016	5,773
Foreign exchange adjustments		(538)	(500)
Combined income		450	292
Group's equity (Group share)		**8,884**	**8,912**
Non-controlling interests		14	13
Total group's equity	Note 21	**8,897**	**8,926**
Reserves for contingencies and charges	Note 22	**598**	**692**
Financing debts	Note 24	**1,639**	**1,153**
Technical liabilities relating to insurance policies	Note 25	**60,380**	**60,077**
Technical liabilities relating to financial contracts	Note 26	**12,643**	**13,753**
Deferred profit-sharing liabilities	Note 28	**3,804**	**5,014**
Resources from banking sector activities	Note 10	**7**	**10**
Deferred tax liabilities	Note 15	73	204
Debts to unit holders of consolidated mutual funds		113	239
Operating debts to banking sector companies	Note 20	94	98
Debts arising from insurance or inward reinsurance operations	Note 29	903	839
Debts arising from outward reinsurance operations	Note 30	313	362
Current taxes payable and other tax liabilities	Note 31	164	177
Derivative instrument liabilities	Note 9	601	659
Other debts	Note 32	6,603	6,396
Other liabilities		**8,865**	**8,975**
Liabilities of business activities due to be sold or discontinued	Note 3		**357**
TOTAL		**96,833**	**98,957**

The notes on pages 38 to 172 are an integral part of the combined financial statements.

GROUPAMA
COMBINED INCOME STATEMENT (in millions of euros)

INCOME STATEMENT		31/12/2018	31/12/2017
Written premiums	Note 33	14,094	13,672
Change in unearned premiums		(102)	(63)
Earned premiums		**13,992**	**13,609**
Net banking income, net of cost of risk		**153**	**143**
Investment income		2,278	2,306
Investment expenses		(712)	(771)
Capital gains or losses from divestment of investments net of impairment and depreciation write-backs		508	488
Change in fair value of financial instruments recorded at fair value through income		(818)	673
Change in impairment on investments		(9)	(9)
Investment income net of expenses	Note 34	**1,248**	**2,688**
Total income from ordinary business activities		**15,392**	**16,439**
Insurance policy servicing expenses	Note 35	(10,815)	(12,452)
Income on outward reinsurance	Note 36	114	450
Expenses on outward reinsurance	Note 36	(510)	(528)
Net outward reinsurance income and expenses		**(11,211)**	**(12,529)**
Banking operating expenses		(104)	(99)
Policy acquisition costs	Note 38	(1,937)	(1,879)
Administrative costs	Note 39	(486)	(474)
Other current operating income and expenses	Note 40	(854)	(876)
Total other current income and expenses		**(14,592)**	**(15,858)**
CURRENT OPERATING INCOME		**800**	**581**
Total other non-current operating income and expenses	Note 41	(15)	(186)
OPERATING INCOME		**785**	**396**
Financing expenses	Note 42	(85)	(89)
Share in income of related companies	Note 11	(56)	(30)
Corporate income tax	Note 43	(174)	(123)
NET INCOME FROM CONTINUING BUSINESS ACTIVITIES		**471**	**154**
Net income from activities either discontinued or due to be discontinued	Note 3	(20)	136
OVERALL NET INCOME		**450**	**290**
of which, non-controlling interests			(2)
OF WHICH, NET INCOME (GROUP SHARE)		**450**	**292**

The notes on pages 38 to 172 are an integral part of the combined financial statements.

GROUPAMA
STATEMENT OF NET INCOME AND GAINS (LOSSES) RECOGNISED DIRECTLY IN GROUP'S EQUITY
(in millions of euros)

In millions of euros	31/12/2018			31/12/2017		
	Group share	Non-controlling interests	Total	Group share	Non-controlling interests	Total
Net income for fiscal year	**450**		**450**	**292**	**(2)**	**290**
Gains and losses recognised directly in group's equity						
Items recyclable to income						
Change in foreign exchange adjustments	(38)		(38)	(46)		(46)
Change in gross unrealised capital gains and losses on available-for-sale assets	(2,005)	(10)	(2,015)	(667)	(3)	(670)
Revaluation of hedging derivatives				20		20
Change in shadow accounting	1,269	6	1,275	740	4	744
Change in deferred taxes	240	1	241	48		48
Other changes	(7)		(7)	(24)		(24)
Items not recyclable to income						
Restatement of net actuarial debt from pension commitments (defined-benefit schemes)	23		23	30		30
Change in deferred taxes	(8)		(8)	(10)		(10)
Other changes						
Total gains (losses) recognised directly in group's equity	**(526)**	**(2)**	**(528)**	**90**	**1**	**91**
Net income and gains (losses) recognised in group's equity	**(76)**	**(2)**	**(78)**	**382**	**(1)**	**381**

The statement of net income and gains (losses) recognised directly in group's equity, an integral part of the financial statements, includes, in addition to the net income for the year, the change in the provision for gross unrealised capital gains (losses) on assets available for sale, minus deferred profit-sharing and deferred taxes, the change in the provision for unrealised foreign exchange adjustments, and the actuarial gains (losses) on post-employment benefits.

The notes on pages 38 to 172 are an integral part of the combined financial statements.

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

In millions of euros	Equity or equivalent funds	Net income	Subordinated debts	Consolidated reserves	Revaluation reserves	Foreign exchange adjustment	Group's equity (Group share)	Non-controlling interests	Total group's equity
Group's 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**
Group's equity as at 31.12.2017	**468**	**292**	**1,099**	**5,773**	**1,780**	**(500)**	**8,912**	**13**	**8,926**
Allocation of 2017 income (loss)		(292)		292					
Dividends (1)				(57)			(57)		(57)
Change in capital	104						104		104
Business combinations								2	2
Other									
Impact of transactions with members	**104**	**(292)**		**235**			**48**	**2**	**50**
Foreign exchange adjustments						(38)	(38)		(38)
Available-for-sale assets					(2,005)		(2,005)	(10)	(2,015)
Shadow accounting					1,269		1,269	6	1,275
Deferred taxes				(8)	240		232	1	233
Actuarial gains (losses) of post-employment benefits				23			23		23
Other				(7)			(7)		(7)
Net income for fiscal year		450					450		450
Total income (expenses) recognised over the period		**450**		**8**	**(496)**	**(38)**	**(76)**	**(2)**	**(78)**
Total changes over the period	**104**	**158**		**243**	**(496)**	**(38)**	**(28)**	**0**	**(28)**
Group's equity as at 31.12.2018	**572**	**450**	**1,099**	**6,016**	**1,285**	**(538)**	**8,884**	**14**	**8,897**

(1) These being dividends that impact the change in group's equity (Group share), they are treated as compensation for subordinated instruments classified as equity according to IFRS rules.

The notes on pages 38 to 172 are an integral part of the combined financial statements.

GROUPAMA
CASH FLOW STATEMENT **(in millions of euros)**

CASH FLOW STATEMENT	
Cash and cash equivalents	1,022
Receivables on credit institutions from financial business activities	19
Operating debts to banking sector companies	(98)
Cash and cash equivalents at 1 January 2018	**942**
Cash and cash equivalents	1,204
Receivables on credit institutions from financial business activities	23
Operating debts to banking sector companies	(94)
Cash and cash equivalents at 31 December 2018	**1,133**

Receivables on credit institutions from financial business activities are presented in note 10.

The notes on pages 38 to 172 are an integral part of the combined financial statements.

The cash flow statement is presented following the indirect method in accordance with the presentation recommended by the French accounting standards authority (ANC) in Recommendation no. 2013-R-05 of 7 November 2013.

CASH FLOW STATEMENT	31/12/2018	31/12/2017
Operating income before taxes	785	396
Capital gains (losses) on the sale of investments	(488)	(332)
Net allocations to amortisation and depreciation	217	213
Change in deferred acquisition costs	(43)	41
Change in impairment		(154)
Net allocations to technical liabilities relating to insurance policies and financial contracts	(435)	1,017
Net allocations to other reserves	(76)	4
Change in fair value of financial instruments and investments recognised at fair value through income (excluding cash and cash equivalents)	818	(673)
Other non-cash items included in operating income	50	55
Correction of elements included in the operating income other than cash flows and reclassification of investment and financing flows	**43**	**171**
Change in operating receivables and payables	13	67
Change in banking operating receivables and payables	(9)	(7)
Change in repo and reverse-repo securities	85	81
Cash flows from other assets and liabilities	(9)	(12)
Net tax paid	(116)	(143)
Net cash flows from operating activities	**792**	**554**
Acquisitions/divestments of subsidiaries and joint ventures, net of cash acquired/sold	53	753
Stakes in related companies acquired/divested	(58)	(64)
Cash flows due to changes in scope of consolidation	**(6)**	**689**
Net acquisitions of financial investments (including unit-linked investments) and derivatives	(1,272)	(1,345)
Net acquisitions of investment property	432	128
Net acquisitions and/or issues of investments and derivatives relating to other activities		
Other non-cash items	78	(30)
Cash flows from acquisitions and issues of investments	**(763)**	**(1,246)**
Net acquisitions of property, plant and equipment, intangible fixed assets and operating property	(279)	(252)
Cash flows from acquisitions and disposals of property, plant and equipment and intangible fixed assets	**(279)**	**(252)**
Net cash flows from investment activities	**(1,047)**	**(809)**
Membership fees		
Issue of capital instruments	105	246
Redemption of capital instruments(2)		(414)
Transactions involving own shares		
Dividends paid (1)	(57)	(55)
Cash flows from transactions with shareholders and members	**48**	**(223)**
Cash allocated to financing liabilities (2)	488	389
Interest paid on financial debt	(85)	(89)
Cash flows from group financing	**403**	**300**
Net cash flows from financing activities	**451**	**77**

Cash and cash equivalents at 1 January	**942**	**1,028**
Net cash flows from operating activities	792	554
Net cash flows from investment activities	(1,047)	(809)
Net cash flows from financing activities	451	77
Cash flows from sold or discontinued assets and liabilities		98
Effect of foreign exchange changes on cash	(5)	(5)
Cash and cash equivalents at 31 December	**1,133**	**942**

(1) They equate in particular to payment for subordinated securities classified in equity under IFRS.
(2) Transactions relating to financing activities are described in notes 21.2 and 24.1.

The notes on pages 38 to 172 are an integral part of the combined financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. SIGNIFICANT EVENTS AND EVENTS AFTER YEAR-END

SIGNIFICANT EVENTS OF FISCAL YEAR 2018

Financial soundness

Financial rating

On 29 October 2018, the Fitch Ratings agency confirmed the ‘A-’ Insurer Financial Strength (IFS) ratings of Groupama Assurances Mutuelles and its subsidiaries, and the outlook associated with these ratings as 'Positive'. The outlook had been upgraded from ‘Stable’ to ‘Positive’ by the agency on 19 April 2018.

Issue of subordinated debts

On 17 September 2018, Groupama placed 10-year subordinated bonds with institutional investors worth a total of €500 million, with an annual coupon of 3.375%. The new offer was very successful with institutional investors, being over-subscribed by a factor of almost three. The issue forms part of the active management of Groupama’s capital by taking advantage of market opportunities.

Governance

On 7 June 2018, the Group finalised its remutualisation plan under France’s “Sapin 2” law of 9 December 2016 on transparency, anti-corruption and modernisation of the economy.

The company Groupama SA, the Group’s central unit, has been converted into Caisse Nationale de Réassurance Mutuelle Agricole, with mutual insurance company status, the usual trading name of which is Groupama Assurances Mutuelles. The conversion of Groupama SA into Groupama Assurances Mutuelles has no impact on the group’s solvency nor on commitments undertaken with regard to holders of its debts.

This conversion simplifies the Group’s organisation and makes it consistent overall, based on three levels of pooling with local, regional and nationwide mutuals. By unifying its values and organisation, Groupama Group is demonstrating its commitment to its mutual insurance background, which is being used in an ambitious business plan for its members and customers.

This new organisation will give the Group legal and financial resources better suited to development in either mutual insurance or in other profit-making areas.

Following the creation of Groupama Assurances Mutuelles, the Board of Directors confirmed its trust in the current leadership at its first meeting on 7 June 2018 by reappointing Jean-Yves Dagès, Chairman of the Board of Directors, and Thierry Martel, CEO of Groupama, to continue to perform their roles.

Business Activities

Portuguese subsidiaries

The framework agreement for the sale of the two Portuguese subsidiaries signed by Groupama SA in September 2017 with Benefits and Increases Unipessoal LDA was approved by the local regulatory authorities on 18 January 2108 and closing was on 2 February 2018.

Partnerships

On 9 February 2018, Groupama, the leading insurer in the agricultural sector, became one of the main partners in La Ferme Digitale (the digital farm), a group of start-ups aimed at promoting innovation and digital tech in agriculture. With this partnership, Groupama is continuing to support current and future farming, and this is a new milestone in its backing for the booming market in new technology put to use in agriculture.

In March 2018, Groupama Group joined forces with the fintech outfit Sapiendo-Retraite, a recognised expert in French pensions, to enhance its range of pension-related digital services.

In November 2018, Groupama and the French Small Towns Association (APVF - *Association des Petites Villes de France*) made their partnership official. Groupama has set itself the objective of supporting mayors and local councils at grassroots in day-to-day management, but also in times of crisis. Groupama has in particular built a website called “Territoires-Groupama.fr” so it can publish information and advice online, including in terms of prevention rather than cure.

At the end of December 2018, Orange and Groupama signed an agreement to form a joint venture called Protectline, operating in the field of remote surveillance of property. Orange owns 51% of the company and Groupama has a 49% stake. This partnership will enable Groupama to expand its existing activities in this business line, and Orange to become involved in this market in its own right, marking a new stage in its strategy as a multi-service operator.

Property

In October 2018, Groupama sold the iconic “Window” building in La Défense to Oxford Properties Group for €477 million.

On 17 December 2018, Groupama signed a framework agreement with Norwegian sovereign fund Norges Bank for the sale of 79 avenue des Champs-Elysées. Closing is expected before the end of 2019. The building is under Available-for-sale assets in the Group’s financial statements.

These disposals crystallise the value creation brought about by active property management, enabling investments to be redeployed.

Socially-responsible investment strategy

Early in December 2018, Groupama Group confirmed its intention to support environmental and energy transition towards a less carbon-dependent model. Consequently, the Group no longer makes new investment in, and is gradually divesting from, any business where either the revenue or the energy generation mix is more than 30% coal-based. As regards fossil fuels, the Group has undertaken not to invest in any company where oil sands represent more than 15% of total reserves. In addition, the Group intends to make €1 billion in new investment over the next three years in the area of energy transition. Through these firm commitments, which go beyond regulatory obligations, Groupama reaffirms the timeless values that have formed its identity for more than 100 years, i.e. responsibility, solidarity and commitment, and is part of the process of enabling as many people as possible to build their lives with confidence.

POST YEAR-END EVENTS

None

2. COMBINATION PRINCIPLES, METHODS AND SCOPE

2.1. EXPLANATORY NOTE

Groupama Assurances Mutuelles is an agricultural mutual reinsurance company with national competence, a special-form mutual insurance company, wholly owned by the regional mutuals (regional mutuals, agricultural mutual reinsurance and specialist mutuals) forming Groupama's mutual arm. Groupama Assurances Mutuelles is domiciled in France. Its registered offices are at 8-10, rue d'Astorg, 75008, Paris, France.

The main roles of Groupama Assurances Mutuelles, the central unit of the Groupama network, the regional mutuals' sole reinsurer, and ultimate parent company of Groupama Group are as follows:

- to ensure the cohesion and proper operation of 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 Groupama Group's operational strategy in conjunction with the regional mutuals and in line with the strategies defined by the mutual strategy committee;
- to reinsure the regional mutuals;
- to direct all subsidiaries;
- to establish the external reinsurance programme for the entire Group;
- take all necessary measures to ensure the solvency and meeting of commitments of each of the organisations within the network and of the entire Group;
- to prepare the consolidated and combined financial statements.

The consolidated financial statements of Groupama Assurances Mutuelles incorporate the reinsurance ceded by the regional mutuals as well as the subsidiaries' business activities.

The combined financial statements relate to the Groupama Group and include all local mutuals, regional mutuals, Groupama Assurances Mutuelles and its subsidiaries.

The company's activities are governed by the provisions of the French Commercial Code and the French Insurance Code, and is subject to the supervision of the French Prudential Control Authority (ACPR).

The various entities of the Group are connected:

- within the Groupama Assurances Mutuelles unit, 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 requirements and obligations defined by the Groupama Assurances Mutuelles environment, particularly in terms of control;
- in the Mutual Insurance Division:
  - by an internal reinsurance treaty that binds the regional mutuals to Groupama Assurances Mutuelles;
  - by a security and accountability mechanism between all the regional mutuals and Groupama Assurances Mutuelles.

2.2. GENERAL PRESENTATION OF THE COMBINED FINANCIAL STATEMENTS

The combined financial statements as at 31 December 2018 were approved by the Board of Directors, which met on 14 March 2019.

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 2018, as adopted by the European Union, the main aspects of Groupama's application being described below.

The standards and interpretations with mandatory application for fiscal years beginning on or after 1 January 2018 have been applied in preparing the Group's financial statements as at 31 December 2018. They have had no significant effect on the Group's financial statements as at 31 December 2018. The relevant standards and interpretations are as follows:

- IFRS 15: Revenue recognition
- Amendments to IFRS 2: Classification and valuation of share-based payments
- Amendments to IAS 40: Transfers of investment property
- IFRIC 22: Foreign currency transactions and advance consideration

The Group has opted to defer application of IFRS 9 on financial instruments pursuant to the amendment to IFRS 4 “Applying IFRS 9, Financial Instruments with IFRS 4, Insurance Contracts” which in particular enables groups where the main business is insurance to defer application of IFRS 9 to no later than annual periods starting 1 January 2021. The Group does meet the eligibility criteria defined in the amendments to defer application of IFRS 9 with a business model predominantly issuing insurance contracts, and meeting the 90% percentage threshold of total consolidated insurance-related liabilities relative to all consolidated liabilities recognised in the accounts at 31 December 2015. The total consolidated insurance-related liabilities figure equates to the book value of liabilities from insurance contracts falling within the scope of IFRS 4 plus the book value of insurance-related liabilities but not from insurance contracts falling within the scope of IFRS 4. These insurance-related liabilities not from insurance contracts falling within the scope of IFRS 4, with a book value of €4,700 million at 31 December 2015, are mainly debt instruments admitted as collateral for regulatory capital requirements and derivatives used to mitigate the risks incurred by insurance policies and the assets backing them.

IFRS 9 implementation arrangements and the potential impact on the Group’s consolidated reports are currently being studied.

The Group has opted for temporary exemption from the rule on consistency of accounting policies ordinarily required by the IAS 28 standard, and as stipulated under paragraph 20 O (b) of the amendment to IFRS 4 “Applying IFRS 9, Financial Instruments with IFRS 4, Insurance Contracts”. This amendment allows insurance groups that have elected to defer application of IFRS 9, and that consolidate their related companies using the equity method to preserve the financial statements prepared by such related companies for the purposes of producing their consolidated financial statements.

IFRS 16 on leasing, adopted by the European Union in October 2017 with an application date of 1 January 2019, has not been 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 by the IASB in May 2017 and intended to replace the current IFRS 4, has not yet been adopted by the European Union. Work is currently in progress on identifying the issues with implementation of this standard. This work is being carried out in conjunction with the IFRS 9 impact analysis and includes the IASB’s provisional decision from November 2018 to defer the entry into force of both IFRS 17 and IFRS 9 by one year to 1 January 2022.

Decisions taken by the Group are based particularly on the January 2007 summary of the work undertaken by the CNC working groups on the specifics of implementing IFRS by insurance providers.

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 policies in the absence of a standard or an interpretation that is specifically applicable) owing to the characteristics of Groupama’s Mutual Insurance Division as described above.

The Group adopted IFRS for the first time when preparing the 2005 financial statements.

All figures on the combined balance sheet, combined income statement, statement of profit or loss and gains and losses recognised directly in group’s equity, the statement of changes in group’s equity, cash flow statements and notes to the accounts are stated in millions of euros unless otherwise stated. These figures are rounded. This might generate rounding differences.

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 notes to the accounts.

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 underwriting reserves (note 3.12);
- estimation of certain fair values on unlisted assets or real estate assets (notes 3.2.1 and 3.2.2);
- estimation of certain fair values of illiquid listed assets (notes 3.2.1);
- recognition of profit-sharing assets (note 3.12.2.b) and deferred tax assets (note 3.13);
- calculation of reserves for contingencies and charges and particularly valuation of employee benefits (note 3.10).

2.3. CONSOLIDATION PRINCIPLES

2.3.1. Combination and consolidation scope and methods

A company is included in the combination scope once its inclusion, or that of the sub-group 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, where this combination does not result from 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 group's 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 associates 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 can be demonstrated otherwise. 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, with the share of group's 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 List of entities included in combination scope and changes

The list of the entities included within the combination scope of the Group's financial statements and changes to that scope are described in note 47 to the financial statements.

2.3.3. Uniformity of accounting principles

Groupama Assurances Mutuelles' combined financial statements are presented consistently for the entity formed by the companies included within the combination scope, taking into account the characteristics inherent in consolidation and the financial reporting objectives required for consolidated accounts (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 into 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 capital and reserves, excluding income, which are 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 net income, profits and losses as well as capital gains and losses are 100% eliminated then divided between the interests of the combining company and the non-controlling interests in the company having generated the net income. When eliminating losses, the Group ensures that the value of the disposed asset is not permanently changed. 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).

Consequently, 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 securities of consolidated companies and the Group's share in restated group's 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 the share of any intangible assets identified in the acquisition accounting according to revised IFRS 3 (fair value of assets and liabilities acquired). The price paid includes the best possible estimate of the price add-ons (earn-outs, payment deferrals, etc.).

The residual balance therefore corresponds to the valuation of the share of income expected on future production. This expected performance, which is reflected in the value of future production, results from the combination of intangible items that are not directly measurable. Such assets are assessed based on multiples or forecast future income that served as the valuation base for the price paid on acquisition and are used to establish the value of goodwill stated above.

For combinations prior to 1 January 2010, adjustments of future earn-outs are accounted for as an adjustment cost, and in income for combinations made starting from 1 January 2010.

For business combinations completed on or after 1 January 2010, the costs directly attributable to the acquisition are recorded in expenses as and when they are incurred.

For each acquisition, a decision is made whether to value 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 group's 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 surplus is immediately recognised in income.

When taking over an entity, a sale option may be granted to holders of non-controlling equity stakes. The option to sell means the Group is obliged to buy securities held by the minority shareholders at a specified strike price on a future date (or period of time) if the holder exercises that right. This obligation is reflected in the financial statements as a liability valued at the strike price of this discounted right.

The counterpart of this liability, equal to the price of the option (value of the share), is recognised in goodwill for options granted before 1 January 2010 or as a reduction of non-controlling interests and/or group's equity for 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 the values of insurance and investment contract portfolios, customer relationships and network values and brands, determined during business combinations, as well as software acquired and developed.

Amortisable intangible insurance assets (specifically including values of insurance and investment contract portfolios, the value of customer relations and the value of 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 derivatives;

    ▪ group of financial assets and/or liabilities that are managed and the income of which is valued at fair value.

- Assets held to maturity include fixed-term investments that the Company expressly intends, and is able, to hold until maturity. The Group does not use this category, with the exception of certain perfectly backed portfolios that meet the criteria defined above.

- The loans and receivables category includes assets with a defined payment or a payment that can be defined, which are not listed for trading on an active market.

- Available-for-sale assets (stated at fair value via group's 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 equates 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 a certain level of 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 classifying the financial instrument into 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 (a premium) or as income (a 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.

Assets available for sale are valued at their fair value, and unrealised capital gains or losses are recorded in a separate item of group's equity.

Investments representing unit-linked policies are valued at fair value through income, as an option.

➢ **Reserves for impairment**

At each period end date, the Group looks for objective evidence 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 assets

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 2018, there is objective evidence of impairment in the following cases:

- a financial investment already covered by a reserve at the previous published period end; or
- a 50% discount is observed as at the period end date; or
- a financial investment has been in a continuous unrealised loss position with respect to its book value over the 36 months prior to the period end date.

For securities considered strategic securities held by the Group for the long term, as shown by Group representation in 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 recognised in the income statement.

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 abnormal circumstances to be dealt with (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 group's 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 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 securities carried by mutual funds. The method used for mutual funds is the weighted average cost method.

Gains and losses from divestment 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 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 was recorded at the time of initial recognition, minus cumulative amortisation and corrected for any reserves for impairment. Acquisition cost of the property is the outcome either of outright acquisition, or 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 period end date of its financial statements, the Group determines whether there is evidence of potential loss of value on property recorded at depreciated 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 the income statement 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 recorded 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, 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 associates and joint ventures are consolidated using the equity method. At the time of acquisition, the investment is recorded at the acquisition cost and its net book value is subsequently raised or reduced to take into account particularly the income or losses as well as the change in fair value of financial assets in proportion to the investor's stake.

3.5 NON-CURRENT 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 recognised in the income statement. 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 activities 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 activities.

3.6 PROPERTY, PLANT AND EQUIPMENT

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

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

The depreciation methods reflect the method of economic consumption.

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

3.7 OPERATING RECEIVABLES AND PAYABLES, OTHER ASSETS AND OTHER LIABILITIES

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

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

Moreover, 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 GROUP'S 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 capital gains/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 supersubordinated instruments or perpetual subordinated bonds whose features allow recognition in group's equity. Remuneration from these securities is treated like a dividend on group's 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 notes 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 benefits**

- **Pension commitments**

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

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

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

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

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

3.11 Financing debts

Financing debts include subordinated liabilities, financing debts represented by securities, and financing debts owed 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 group's 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 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 debts are is subsequently valued at amortised cost using the effective interest rate method.

- **Derecognition**

Financing debts are 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 (or contract) 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.

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

- **Insurance policy servicing expenses**

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

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

- **Technical liabilities relating 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 relating 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 accounts;
- the reserve for conditional profit-sharing, which relates to the difference in liabilities between the individual company and the consolidated accounts, the payment of which depends on a management decision or the occurrence of an event.

In the particular case of restatement in the consolidated accounts 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 ensure the value of insurance liabilities, deferred acquisition costs and the intangible assets related to insurance policies, reflect the effects of including 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 realisable. 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 stipulated in the contracts. 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 accounts. These amounts may not under any circumstances be greater than the present value of future income from the policies.

These costs are amortised over the average life of the policies based on the rate of emergence of future margins for each generation of policies; future margins are determined using economic assumptions (profit-sharing rate, future rate of return on assets and lapse rate). Since these acquisition costs are capitalised, the actuarial reserves appearing on the balance sheet are presented as non-zillmerised.

Every year the expected present value of future margins by homogeneous product family is compared with the total of the deferred acquisition costs net of amortisation already recognised in the past. If this value is lower, an extraordinary impairment charge is recognised on the income statement.

c. Liabilities adequacy test

An adequacy test is performed at each balance sheet date for liabilities under IFRS 4 intended to ensure that insurance liabilities are sufficient with regard to current estimates of future cash flows generated by insurance policies. Future cash flows resulting from policies take into account their related cover and options. If necessary, and for the purposes of this test, the insurance liabilities are reduced by the deferred acquisition costs and the values of business in force recorded at the time of business combinations or transfers of the related policies.

In case of inadequacy, the potential losses are recognised in full through income.

This test is performed at each balance sheet date and for each consolidated entity.

d. Unit-linked policies under IFRS 4

Unit-linked policies under IFRS 4 are either insurance policies containing a significant insurance risk, such as a death risk, or financial contracts with discretionary profit sharing, for which the financial risk is assumed by the policyholder.

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

e. Embedded derivatives in insurance policies and financial contracts with discretionary profit sharing

Embedded derivatives are components of insurance policies that meet the definition of a derivative product.

If the same contract contains a financial component and an insurance component, the financial component is valued separately at fair value when it is not closely tied to the host contract or when the accounting standards do not require recognising all of the rights and obligations associated with the deposit component, in application of the provisions of IFRS 4.
In other cases, the entire contract is treated as an insurance policy.

3.12.3. Financial contracts under IAS 39

Liabilities related to financial contracts without discretionary profit sharing must be recognised on the basis of the principle of deposit accounting. Thus the premiums collected and the benefits are booked on the balance sheet. Management charges and expenses for the contracts are recorded in income. Unearned income is deferred over the estimated life of the contract.

This category primarily includes unit-linked policies and indexed policies that do not meet the definition of insurance policies and financial contracts with discretionary profit sharing. Commitments under these policies are valued at the unit-linked fair value in inventory.

The additional costs directly related to management of the investments of a contract are booked as assets if they can be identified separately and reliably valued, and if it is probable that they will be recovered. This asset, equating to the contractual right acquired by the Group over income resulting from management of investments, is depreciated over the duration of this management and symmetrically with recognition of the corresponding income.

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 accounts as restatements and eliminations of inter-company income or losses, differences will appear in the future between the tax income and the accounting income of the Company, or between the tax value and the book value of an asset or liability, for example when transactions performed during a fiscal year are taxable only in the following fiscal year. These differences are classified as timing differences.

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

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

Deferred tax assets and liabilities are computed on the basis of tax rates (and tax regulations), which have been adopted as at the balance sheet date.

Deferred tax assets and liabilities are not discounted to present value.

3.14 SEGMENT REPORTING

A business segment is a component of an entity whose operating profits are regularly examined by the Group's principal operational decision-makers in order to assess the segment's performance and decide on the resources to allocate to it.

The Group is organised into three operational segments: insurance in France, international insurance, and banking and financial businesses. The banking and financial activity segment, which is also the subject of specific notes (notes 10.1, 10.2, and 33.2), has been grouped with the insurance segment in France in order to create an overall operational segment entitled 'France'.

The various activities of each segment are as follows:

- **Life and health insurance.** The life and health insurance business covers the traditional life insurance business as well as personal injury (largely health risks, disability and long-term care);
- **Property and casualty insurance.** Property and casualty insurance covers, by default, all the Group's other insurance businesses.
- **Banking and finance business.** The banking and finance business relates to distribution of banking products, including fund management activities, real estate management, private equity and employee savings;
- **Holding company activity.** This mainly comprises income and expenses arising from managing the Group, and holding the shares of the companies included within the Groupama Assurances Mutuelles 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

In millions of euros	31/12/2018			31/12/2017		
	In France	International	Total	In France	International	Total
Intangible assets	922	1,295	2,217	890	1,318	2,208
Insurance business investments	78,379	6,838	85,217	80,123	7,076	87,199
Funds used in banking sector activities and investments of other business activities	112		112	101		101
Investments in related companies and joint ventures	347	138	485	350	143	493
Share of outward reinsurers and retrocessionaires in liabilities relating to insurance and financial contracts	1,054	101	1,154	1,248	112	1,359
Other assets	5,461	833	6,294	5,344	783	6,128
Assets held for sale and discontinued business activities	150		150		447	447
Cash and cash equivalents	1,074	130	1,204	824	198	1,022
Consolidated total assets	**87,499**	**9,335**	**96,833**	**88,880**	**10,077**	**98,957**
Reserves for contingencies and charges	525	73	598	613	80	692
Financing debts	1,639		1,639	1,153		1,153
Technical liabilities relating to insurance policies	55,744	4,636	60,380	55,324	4,754	60,077
Technical liabilities relating to financial contracts	10,751	1,892	12,643	11,916	1,837	13,753
Deferred profit-sharing liabilities	3,746	57	3,804	4,891	123	5,014
Resources from banking sector activities	7		7	10		10
Other liabilities	8,625	239	8,865	8,685	290	8,975
Liabilities of business activities due to be sold or discontinued					357	357
Total consolidated liabilities excluding group's equity	**81,038**	**6,898**	**87,936**	**82,591**	**7,440**	**90,031**

NOTE 1.2 – SEGMENT REPORTING BY BUSINESS

In millions of euros	31/12/2018									
	In France					International				Total
	Property and casualty insurance	Life and health insurance	Banking and finance business.	Holding company	Total	Property and casualty insurance	Life and health insurance	Holding company	Total	
Earned premiums	**5,623**	**5,989**			**11,613**	**1,620**	**759**		**2,379**	**13,992**
Net banking income, net of cost of risk			**153**		**153**					**153**
Investment income	247	1,832		(24)	2,055	100	121	3	223	2,278
Investment expenses	(79)	(583)		3	(659)	(35)	(18)		(53)	(712)
Capital gains or losses from divestment of investments net of impairment and depreciation write-backs	99	282		107	488	2	18		20	508
Change in fair value of financial instruments recorded at fair value through income	(29)	(751)		17	(763)	(2)	(54)		(55)	(818)
Change in impairment on investments	(3)	(2)		(3)	(8)				(1)	(9)
Total income from ordinary business activities	**5,858**	**6,767**	**153**	**100**	**12,879**	**1,685**	**825**	**3**	**2,514**	**15,392**
Insurance policy servicing expenses	(3,890)	(5,172)			(9,062)	(1,117)	(636)		(1,753)	(10,815)
Income on outward reinsurance	2	70			72	39	3		42	114
Expenses on outward reinsurance	(296)	(92)			(388)	(118)	(4)		(121)	(510)
Banking operating expenses			(104)		(104)					(104)
Policy acquisition costs	(933)	(561)			(1,494)	(339)	(104)		(443)	(1,937)
Administrative costs	(226)	(129)			(356)	(89)	(41)		(130)	(486)
Other current operating income and expenses	(327)	(338)	4	(119)	(781)	(63)	(9)	(1)	(73)	(854)
CURRENT OPERATING INCOME	**188**	**544**	**53**	**(19)**	**765**	**(2)**	**35**	**2**	**34**	**800**
Other operating income and expenses	(10)	(2)		22	10	(26)	2		(24)	(15)
OPERATING INCOME	**177**	**541**	**52**	**4**	**775**	**(28)**	**37**	**2**	**10**	**785**
Financing expenses				(85)	(85)					(85)
Share in income of related companies	(1)		(59)		(60)	5			5	(56)
Corporate income tax	(79)	(158)	(18)	81	(174)	5	(5)		0	(174)
NET INCOME FROM CONTINUING BUSINESS ACTIVITIES	**97**	**383**	**(24)**	**0**	**456**	**(18)**	**31**	**2**	**15**	**471**
Net income from activities either discontinued or due to be discontinued				(20)	(20)					(20)
TOTAL NET INCOME	**97**	**383**	**(24)**	**(20)**	**435**	**(18)**	**31**	**2**	**15**	**450**
of which, non-controlling interests										
OF WHICH, NET INCOME (GROUP SHARE)	**97**	**382**	**(24)**	**(20)**	**435**	**(18)**	**31**	**2**	**15**	**450**

In millions of euros	31/12/2017									
	In France					International				Total
	Property and casualty insurance	Life and health insurance	Banking and finance business.	Holding company	Total	Property and casualty insurance	Life and health insurance	Holding company	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 activities either discontinued or due to be discontinued		17		108	125	11			12	136
OVERALL 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**

Note 2 – Goodwill

Note 2.1 – Goodwill

In millions of euros	31/12/2018				31/12/2017
	Gross value	Impairment	Foreign exchange adjustment	Net value	Net value
Opening value	**2,909**	**(697)**	**(297)**	**1,915**	**1,985**
Newly consolidated entities					
Eliminations from the scope of consolidation					**0**
in France					(3)
Central and Eastern European countries			(7)	(7)	(3)
Turkey					(65)
Other changes during the fiscal year			**(7)**	**(7)**	**(71)**
Closing value	**2,909**	**(697)**	**(304)**	**1,908**	**1,915**

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 banking/insurance agreements.

Changes during the fiscal year:

The only changes that affected goodwill on the balance sheet were exchange-rate differences.

Impairment test:

Goodwill is tested for impairment at least once a year. This test is carried out at the level of the cash-generating unit.

As for those insurance entities acquired during the fiscal year where no index on loss in value exists, no impairment test is carried out. Nevertheless, an internal audit is conducted on a simplified basis so as to link in to the purchase price.

Each cash-generating unit provides its underwriting income forecasts calculated based on an estimated increase in premium income and a target combined ratio for the plan period. These assumptions are adapted on the basis of past experience and external constraints imposed by the local market (competition, regulation, market shares, etc.). Financial assumptions (discount rate and yield rate) are fixed by the Group and used to determine the financial income forecasts and discounted cash flows.

The benchmark value in use applied to justify impairment tests corresponds to the current value of future cash flows to be generated by this cash-generating unit.

As a general rule, the flows used correspond to:

- An explicit period based on the Group's operational strategic planning in the early years. This is subject to an iterative discussion process between local management and the Group;
- Beyond the explicit horizon, the cash flow column is completed by a terminal value. This terminal value is based on long-term growth assumptions applied to an updated projection of normative cash flows.
- The solvency margin built into business plans is valued following the prudential rules set by the Solvency II directive for subsidiaries in countries subject to this regulation.

In mature countries, the explicit life insurance period is generally 10 years, and 6 years for non-life insurance. It can be extended for longer (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 discounting 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.

Discounting rates have overall been held at their levels for the previous fiscal year, with identical target rates (8% for the Greek subsidiary, 10% for the Romanian subsidiary and 9% for the Hungarian and Bulgarian subsidiaries).

The growth rate used 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 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 had no impact on the impairment tests.

Sensitivity tests have been carried out on the value in use applied, with the following change assumptions:

- a rise of 100 basis points in the discount rate; and
- a drop of 50 basis points in the long-term growth rate.

For CGU goodwill in Central and Eastern European countries, a combined increase of 100 basis points in the discount rate and yield rate would lead to a hedging surplus of €187 million (whereas a 100 basis points drop would result in a hedging surplus of €333 million). On this same CGU, the sensitivity test on the long-term growth rate would result in a hedging surplus of €217 million if it fell by 50 basis points (the surplus would be €282 million with an increase of 50 basis points).

For the CGU goodwill of the Greek subsidiary, Groupama Phoenix, an increase of 100 basis points in the discount rate would lead to a breakeven test (while a decrease in the discount rate by 100 basis points would result in a surplus of €62 million). The sensitivity test on a drop in the long-term growth rate of 50 basis points would result in a hedging surplus of €20 million (the surplus would be €33 million with an increase of 50 basis points).

For the CGU 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 €56 million while a decrease of 100 basis points would result in a surplus of €213 million. The test on a decrease in the long-term growth rate of 50 basis points would result in a surplus of €29 million whereas an increase of 50 basis points would give a surplus of €88 million.

The simultaneous occurrence of all adverse or favourable scenarios would have an impact nearly identical to the aggregate of the individual impacts.

NOTE 2.2 – GOODWILL – DETAILS BY CASH-GENERATING UNIT

In millions of euros	31/12/2018			
	Gross value	Impairment	Foreign exchange adjustment	Net value
Central and Eastern European countries	1,031	(502)	(189)	340
Italy	781			781
Turkey	262	(147)	(115)	0
Greece	131	(48)		83
Total International	**2,205**	**(697)**	**(304)**	**1,204**
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)**	**(304)**	**1,908**

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**

It is reiterated that in fiscal years 2009 to 2017, the Group impaired goodwill by €697 million for the following cash-generating units:

- Eastern and Central European countries for a total of €502 million, including: €113 million in 2009 corresponding to start-up risk in emerging Eastern European countries 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;
- Turkey: €88 million in 2016 and €58 million in 2017.

NOTE 3 – DISCONTINUED BUSINESS ACTIVITIES OR THOSE DUE TO BE SOLD OR DISCONTINUED

NOTE 3.1 – NET INCOME FOR DISCONTINUED BUSINESS ACTIVITIES

The net loss of minus €20m equates to the outcome of the disposal of Portuguese subsidiaries Groupama Seguros de Vida and Groupama Seguros, before a reversal of an €18m provision for contingent liabilities.

NOTE 3.2 – BUSINESS ACTIVITIES DUE TO BE SOLD OR DISCONTINUED

On 17 December 2018, the Group signed a framework agreement with Norwegian sovereign fund Norges Bank for the sale of 79 avenue des Champs-Elysées. Groupama therefore reclassified this assets as “intended for sale” for €150 million.

NOTE 4 – OTHER INTANGIBLE ASSETS

In millions of euros	31/12/2018			31/12/2017		
	Intangible assets related to insurance business	Other intangible assets	Total	Intangible assets related to insurance business	Other intangible assets	Total
Opening gross value	**476**	**1,809**	**2,285**	**490**	**1,729**	**2,220**
Increase	1	150	152		132	132
Decrease	(2)	(50)	(51)	(1)	(36)	(37)
Foreign exchange adjustments	(16)	(3)	(20)	(13)	(2)	(15)
Change in consolidation scope					(15)	(15)
Closing gross value	**459**	**1,906**	**2,365**	**476**	**1,809**	**2,285**
Opening cumulative amortisation	**(251)**	**(1,608)**	**(1,859)**	**(247)**	**(1,535)**	**(1,782)**
Increase	(16)	(86)	(102)	(16)	(94)	(110)
Decrease		17	17	1	5	6
Foreign exchange adjustments	13	3	16	11	1	12
Change in consolidation scope					15	15
Reclassifications						
Closing cumulative amortisation	**(253)**	**(1,675)**	**(1,928)**	**(251)**	**(1,608)**	**(1,859)**
Opening cumulative long-term impairment	**(131)**	**(1)**	**(132)**	**(134)**	**(1)**	**(135)**
Long-term impairment recognised						
Long-term impairment write-backs	1		1			
Foreign exchange adjustments	3		3	3		3
Change in consolidation scope						
Reclassifications						
Closing cumulative long-term impairment	**(128)**	**(1)**	**(129)**	**(131)**	**(1)**	**(132)**
Opening net value	**94**	**200**	**294**	**109**	**194**	**303**
Closing net value	**78**	**231**	**309**	**94**	**200**	**294**

The Group's intangible assets are split into two categories:
- intangible assets related to insurance business
- other intangible assets.

Intangible assets related to insurance business
Intangible assets related to insurance business primarily correspond to portfolio values, values of the distribution networks, values of customer relationships and brands. Only the portfolio value in Italy is subject to depreciation.

Other intangible assets
Other intangible assets consist primarily of software acquired and developed internally.

NOTE 4.1 - OTHER INTANGIBLE ASSETS – BY OPERATING SEGMENT

In millions of euros	31/12/2018						31/12/2017	
	Intangible assets related to insurance business		Other intangible assets		Total		Total	
	In France	International	In France	International	In France	International	In France	International
Closing gross value	**24**	**435**	**1,736**	**170**	**1,759**	**605**	**1,675**	**610**
Closing cumulative amortisation		(253)	(1,532)	(143)	(1,532)	(395)	(1,479)	(380)
Closing cumulative long-term impairment	(8)	(119)		(1)	(8)	(120)	(9)	(123)
Amortisation and reserves	**(8)**	**(372)**	**(1,532)**	**(143)**	**(1,540)**	**(516)**	**(1,488)**	**(503)**
Net book value	**15**	**63**	**204**	**27**	**219**	**90**	**187**	**107**

NOTE 5 – INVESTMENT PROPERTY, EXCLUDING UNIT-LINKED INVESTMENTS

In millions of euros	31/12/2018			31/12/2017		
	Property	SCI units	Total	Property	SCI units	Total
Opening gross value	**1,500**	**194**	**1,694**	**1,403**	**204**	**1,607**
Acquisitions	50	9	58	83	10	92
Change in consolidation scope				(4)		(4)
Subsequent expenditure						
Assets capitalised in the year	171		171	175		175
Transfer from/to unit-linked property						
Transfer from/to operating property				30		30
Foreign exchange adjustments						
Outward reinsurance	(326)	(8)	(334)	(187)	(19)	(206)
Other	(152)		(152)			
Closing gross value	**1,242**	**195**	**1,436**	**1,500**	**194**	**1,694**
Opening cumulative amortisation	**(260)**		**(260)**	**(265)**		**(265)**
Increase	(24)		(24)	(26)		(26)
Change in consolidation scope				4		4
Transfer from/to unit-linked property						
Transfer from/to operating property				(11)		(11)
Decrease	38		38	37		37
Other						
Closing cumulative amortisation	**(246)**		**(246)**	**(260)**		**(260)**
Opening cumulative long-term impairment	**(21)**	**(6)**	**(27)**	**(22)**	**(7)**	**(29)**
Long-term impairment recognised				(1)		(1)
Change in consolidation scope						
Transfer from/to operating property						
Long-term impairment write-backs	10		10	2	1	3
Closing cumulative long-term impairment	**(12)**	**(6)**	**(18)**	**(21)**	**(6)**	**(27)**
Opening net value	**1,218**	**188**	**1,406**	**1,116**	**197**	**1,313**
Closing net value	**983**	**189**	**1,172**	**1,218**	**188**	**1,406**
Closing fair value of investment property	**2,617**	**349**	**2,966**	**3,247**	**332**	**3,579**
Unrealised capital gains (losses)	**1,634**	**160**	**1,793**	**2,029**	**144**	**2,173**

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 6), amounted to €757 million at 31 December 2018 (net of profit sharing and tax), compared with €848 million at 31 December 2017.

In accordance with IFRS 5, the Paris building was reclassified as "intended for sale" at €150m.

The overhaul underway in various Paris buildings explains the change in assets capitalised for the year.

Property disposals over the fiscal year included the sale of vacant lots in the Group's residential property holdings and property sales in the Paris region.

As per the fair value hierarchy established in IFRS 13, the fair value of investment property is ranked as Level 2 for €2,393 million, and Level 3 for €573 million. The Level 2 investment property comprises mainly property located in Paris, or the Greater Paris region, the fair value of which is based on observable data.

NOTE 5.1 – INVESTMENT PROPERTY – BY OPERATING SEGMENT

In millions of euros	31/12/2018						31/12/2017					
	Property			SCI units			Property			SCI units		
	In France	Inter-national	Total	In France	Inter-national	Total	In France	Inter-national	Total	In France	Inter-national	Total
Gross value	1,226	15	1,242	195		195	1,468	31	1,500	194		194
Cumulative amortisation & impairment	(243)	(4)	(246)				(256)	(5)	(260)			
Long-term impairment	(10)	(2)	(12)	(6)		(6)	(13)	(9)	(21)	(6)		(6)
Closing net value	**974**	**10**	**983**	**189**		**189**	**1,200**	**18**	**1,218**	**188**		**188**
Closing fair value of investment property	**2,592**	**25**	**2,617**	**349**		**349**	**3,214**	**33**	**3,247**	**332**		**332**
Unrealised capital gains (losses)	**1,619**	**15**	**1,634**	**160**		**160**	**2,014**	**15**	**2,029**	**144**		**144**

NOTE 6 – OPERATING PROPERTY

In millions of euros	31/12/2018			31/12/2017		
	Property	SCI units	Total	Property	SCI units	Total
Opening gross value	**1,218**	**69**	**1,287**	**1,227**	**71**	**1,299**
Acquisitions	25	2	27	24	5	29
Change in consolidation scope						
Assets capitalised in the year	14		14	7		7
Transfer from/to investment property				(30)		(30)
Foreign exchange adjustments	(1)		(1)	(1)		(1)
Outward reinsurance	(12)	(7)	(19)	(10)	(7)	(17)
Other						
Closing gross value	**1,244**	**64**	**1,308**	**1,218**	**69**	**1,287**
Opening cumulative amortisation	**(388)**		**(388)**	**(378)**		**(378)**
Increase	(35)		(35)	(30)		(30)
Change in consolidation scope						
Transfer from/to investment property				11		11
Decrease	10		10	8		8
Other						
Closing cumulative amortisation	**(413)**		**(413)**	**(388)**		**(388)**
Opening cumulative long-term impairment	**(86)**		**(87)**	**(70)**		**(70)**
Long-term impairment recognised	(13)		(13)	(17)		(17)
Change in consolidation scope						
Transfer from/to investment property						
Long-term impairment write-backs						
Closing cumulative long-term impairment	**(99)**		**(100)**	**(86)**		**(87)**
Opening net value	**743**	**69**	**812**	**780**	**71**	**851**
Closing net value	**731**	**64**	**795**	**743**	**69**	**812**
Closing fair value of operating property	**1,079**	**109**	**1,188**	**1,053**	**122**	**1,175**
Unrealised capital gains (losses)	**348**	**46**	**393**	**310**	**53**	**363**

Additional impairment provisions, mainly affecting property owned by Groupama Gan Vie.

NOTE 6.1 – OPERATING PROPERTY – BY OPERATING SEGMENT

In millions of euros	31/12/2018						31/12/2017					
	Property			SCI units			Property			SCI units		
	In France	Inter-national	Total	In France	Inter-national	Total	In France	Inter-national	Total	In France	Inter-national	Total
Gross value	1,135	109	1,244	64		64	1,108	110	1,218	69		69
Cumulative amortisation & impairment	(398)	(15)	(413)				(375)	(14)	(388)			
Long-term impairment	(95)	(5)	(99)				(82)	(5)	(86)			
Closing net value	**642**	**89**	**731**	**64**		**64**	**652**	**91**	**743**	**69**		**69**
Closing fair value of operating property	**990**	**89**	**1,079**	**109**		**109**	**965**	**89**	**1,053**	**122**		**122**
Unrealised capital gains (losses)	**348**	**0**	**348**	**46**		**46**	**313**	**(3)**	**310**	**53**		**53**

NOTE 7 – FINANCIAL INVESTMENTS EXCLUDING UNIT-LINKED ITEMS

In millions of euros	31.12.2018	31.12.2017
	Net value	Net value
Assets valued at fair value	72,530	74,020
Assets valued at amortised cost	1,561	1,518
Total financial investments excluding unit-linked items	**74,091**	**75,537**

The bond security repurchase agreement activity was €4,527 million versus €4,538 million at 31 December 2017. The cash from these repurchase agreements is invested in specific funds held directly.

NOTE 7.1 – INVESTMENTS VALUED AT FAIR VALUE BY OPERATING SEGMENT

In millions of euros	31/12/2018								
	Net amortised cost			Fair value (a)			Gross unrealised capital gains (losses)		
	In France	International	Total	In France	International	Total	In France	International	Total
Available-for-sale assets									
Equities and other variable-income investments	2,883	286	3,169	3,489	302	3,791	607	15	622
Bonds and other fixed-income investments	45,443	4,734	50,178	50,470	4,931	55,400	5,027	196	5,223
Other investments									
Total available-for-sale assets	**48,326**	**5,021**	**53,347**	**53,959**	**5,232**	**59,191**	**5,633**	**211**	**5,844**
Trading assets									
Equities and other variable-income investments classified as “trading”	36		36	36		36			
Equities and other variable-income investments classified as “held for trading”	472	1	473	472	1	473			
Bonds and other fixed-income investments classified as “trading”	18		18	18		18			
Bonds and other fixed-income investments classified as “held for trading”	4,521	186	4,707	4,521	186	4,707			
Cash mutual funds classified as “trading”	5,482	13	5,495	5,482	13	5,495			
Cash mutual funds classified as “held for trading”	2,565	44	2,609	2,565	44	2,609			
Other investments classified as “trading”									
Other investments classified as “held for trading”									
Total trading assets	**13,094**	**245**	**13,339**	**13,094**	**245**	**13,339**			
Total investments valued at fair value	**61,420**	**5,266**	**66,686**	**67,053**	**5,477**	**72,530**	**5,633**	**211**	**5,844**

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

In millions of euros	31/12/2017								
	Net amortised cost			Fair value (a)			Gross unrealised capital gains (losses)		
	In France	International	Total	In France	International	Total	In France	Inter-national	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.

NOTE 7.2 – INVESTMENTS VALUED AT FAIR VALUE BY TYPE

In millions of euros	31/12/2018								
	Net amortised cost			Fair value (a)			Gross unrealised capital gains (losses)		
	In France	International	Total	In France	International	Total	In France	International	Total
Equities and other variable-income investments									
Available-for-sale assets	2,883	286	3,169	3,489	302	3,791	607	15	622
Assets classified as “trading”	36		36	36		36			
Assets classified as “held for trading”	472	1	473	472	1	473			
Total equities and other variable-income investments	**3,390**	**288**	**3,678**	**3,997**	**303**	**4,300**	**607**	**15**	**622**
Bonds and other fixed-income investments									
Available-for-sale assets	45,443	4,734	50,178	50,470	4,931	55,400	5,027	196	5,223
Assets classified as “trading”	18		18	18		18			
Assets classified as “held for trading”	4,521	186	4,707	4,521	186	4,707			
Bonds and other fixed-income investments	**49,983**	**4,921**	**54,903**	**55,009**	**5,117**	**60,126**	**5,027**	**196**	**5,223**
Cash mutual funds									
Assets classified as “trading”	5,482	13	5,495	5,482	13	5,495			
Assets classified as “held for trading”	2,565	44	2,609	2,565	44	2,609			
Total cash mutual funds	**8,047**	**57**	**8,104**	**8,047**	**57**	**8,104**			
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	**61,420**	**5,266**	**66,686**	**67,053**	**5,477**	**72,530**	**5,633**	**211**	**5,844**

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

In millions of euros	31/12/2017

	Net amortised cost			Fair value (a)			Gross unrealised capital gains (losses)		
	In France	International	Total	In France	International	Total	In 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			
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.

NOTE 7.3 – INVESTMENTS VALUED AT AMORTISED COST IN NET VALUE

In millions of euros	31/12/2018			31/12/2017		
	In France	International	Total	In France	International	Total
Loans	93	57	150	103	59	162
Deposits	1,105	237	1,342	928	252	1,181
Other	69		69	176		176
Total financial investment valued at amortised cost	**1,266**	**294**	**1,561**	**1,207**	**311**	**1,518**

NOTE 7.4 – RESERVES FOR IMPAIRMENT OF INVESTMENTS

In millions of euros	31/12/2018			31/12/2017		
	Gross	Provisions	Net	Gross	Provisions	Net
Available-for-sale assets						
Equities and other variable-income investments	3,467	(297)	3,169	3,354	(305)	3,049
Bonds and other fixed-income investments	50,190	(12)	50,178	49,046	(7)	49,039
Other investments						
Total available-for-sale assets	**53,656**	**(310)**	**53,347**	**52,400**	**(312)**	**52,089**
Financial investments valued at amortised cost	1,562	(2)	1,561	1,520	(2)	1,518
Financial investments valued at amortised cost	**1,562**	**(2)**	**1,561**	**1,520**	**(2)**	**1,518**

Total long-term impairment reserves for investments valued at fair value were €310 million, compared with €312 million at 31 December 2017.

As regards equities, €121 million was booked to provisions against 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 7.5 – FINANCIAL INVESTMENTS – BY CURRENCY

In millions of euros	31/12/2018				
	Euro	Dollar	Pound	Other	Total
Available-for-sale assets					
Equities and other variable-income investments	2,855	363	6	568	3,791
Bonds and other fixed-income investments	54,653	31	227	489	55,400
Other investments					
Total available-for-sale assets	**57,508**	**394**	**233**	**1,056**	**59,191**
Trading assets					
Equities and other variable-income investments classified as “trading”	36				36
Equities and other variable-income investments classified as “held for trading”	473				473
Bonds and other fixed-income investments classified as “trading”	18				18
Bonds and other fixed-income investments classified as “held for trading”	4,701			6	4,707
Cash mutual funds classified as “trading”	5,480	16			5,495
Cash mutual funds classified as “held for trading”	2,609				2,609
Other investments classified as “trading”					
Other investments classified as “held for trading”					
Total trading assets	**13,317**	**16**		**6**	**13,339**
Loans and receivables					
Loans	147			3	150
Deposits	1,113	1		228	1,342
Other investments	59	10			69
Total loans and receivables	**1,318**	**11**		**232**	**1,561**
Total financial investments (net of derivatives and unit-linked items)	**72,144**	**420**	**233**	**1,294**	**74,091**

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

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 in place for foreign exchange risk (forward currency sales or currency swaps).

NOTE 7.6 – BREAKDOWN OF LISTED INVESTMENTS

In millions of euros	31/12/2018	31/12/2017
Equities	1,569	1,746
Shares in fixed-income mutual funds	7,339	7,642
Shares in other mutual funds	2,354	2,705
Cash mutual funds	8,104	8,175
Bonds and other fixed-income securities	52,634	53,276
Total listed investments	**72,001**	**73,545**

At 31 December 2018, total long-term impairment reserves for unlisted investments valued at fair value were €236 million, compared with €241 million at 31 December 2017.

NOTE 7.7 – BREAKDOWN OF UNLISTED INVESTMENTS

In millions of euros	31/12/2018	31/12/2017
Equities at fair value	377	314
Bonds and other fixed-income securities at fair value	152	160
Other investments at fair value		
Loans at amortised cost	150	162
Other investments at amortised cost	1,410	1,356
Total unlisted investments	**2,090**	**1,992**

At 31 December 2018, total long-term reserves for unlisted investments valued at fair value were €74 million, compared with €71 million at 31 December 2017.

NOTE 7.8 – 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 7.8.1 - BOND PORTFOLIO – BY RATE

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

In millions of euros	31/12/2018			31/12/2017		
	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
Listed bonds						
Available-for-sale	49,944	1,593	51,537	50,928	1,410	52,338
Classified as "trading"						
Classified as "held for trading"	985	112	1,097	816	123	938
Total listed bonds	**50,929**	**1,706**	**52,634**	**51,743**	**1,533**	**53,276**
Unlisted bonds						
Available-for-sale	100	24	124	106	25	131
Classified as "trading"						
Classified as "held for trading"	5	23	29	6	24	29
Total unlisted bonds	**105**	**47**	**152**	**111**	**49**	**160**
Total bond portfolio	**51,034**	**1,753**	**52,787**	**51,854**	**1,582**	**53,436**

NOTE 7.8.2 – 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	31/12/2018				31/12/2017			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Listed bonds								
Available-for-sale	2,469	15,347	33,722	51,537	2,548	13,243	36,548	52,338
Classified as "trading"								
Classified as "held for trading"	45	486	566	1,097	91	445	403	938
Total listed bonds	**2,513**	**15,833**	**34,288**	**52,634**	**2,639**	**13,687**	**36,951**	**53,276**
Unlisted bonds								
Available-for-sale	4	15	105	124	8	12	111	131
Classified as "trading"								
Classified as "held for trading"	1	28		29	1	28		29
Total unlisted bonds	**5**	**43**	**105**	**152**	**9**	**39**	**111**	**160**
Total bond portfolio	**2,518**	**15,876**	**34,393**	**52,787**	**2,648**	**13,727**	**37,062**	**53,436**

The distribution of the bond portfolio thus shows that the types of investments favoured by the Group are primarily long-term bonds (over 5 years) with fixed rates.

NOTE 7.8.3 – BOND PORTFOLIO – BY RATING

In millions of euros	31/12/2018						
	AAA	AA	A	BBB	<BBB	No rating	Total
Listed bonds							
Available-for-sale	2,906	24,447	10,394	13,223	178	389	51,537
Classified as "trading"							
Classified as "held for trading"	50	60	953	30		5	1,097
Total listed bonds	**2,957**	**24,507**	**11,346**	**13,253**	**178**	**394**	**52,634**
Unlisted bonds							
Available-for-sale	1	7	10	96		9	124
Classified as "trading"							
Classified as "held for trading"			23			5	29
Total unlisted bonds	**1**	**7**	**33**	**96**		**15**	**152**
Total bond portfolio	**2,958**	**24,514**	**11,379**	**13,350**	**178**	**409**	**52,787**

In millions of euros	31/12/2017						
	AAA	AA	A	BBB	<BBB	No rating	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**

NOTE 7.8.4 – BOND PORTFOLIO – BY TYPE OF ISSUER

In millions of euros	31/12/2018	31/12/2017
Bonds issued by EU Member States	32,086	32,860
Bonds issued by States outside the EU	218	182
Bonds from public and semi-public sectors	3,376	3,562
Corporate bonds	16,950	16,770
Other bonds (including bond funds)	157	61
Total bond portfolio	**52,787**	**53,436**

NOTE 7.9 – DEBT SECURITIES OF PERIPHERAL COUNTRIES OF THE EUROZONE

NOTE 7.9.1 - SOVEREIGN DEBT SECURITIES OF PERIPHERAL COUNTRIES OF THE EUROZONE

In millions of euros	31/12/2018					
	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	2,193		2,193	2,842	649	78
Greece						
Ireland	10		10	11	1	
Italy	7,148		7,148	8,084	936	146
Portugal	13		13	14		
Total	**9,365**		**9,365**	**10,951**	**1,586**	**225**

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**

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 €225 million (net of taxes and profit sharing).

All sovereign debt securities of peripheral Eurozone countries are classed as Level 1 according to IFRS 13 on fair-value valuation; these securities are listed on an active market, and their prices can be easily and regularly obtained.

The Group has mainly withdrawn from its exposure to Portuguese sovereign debt.

In addition, the exposure level on Hungary is approximately €294 million, held solely by the Hungarian subsidiary.

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

In millions of euros	31/12/2018				
	< 3 years	from 3 to 7 years	from 7 to 10 years	> 10 years	Total
Spain	14	351	140	2,337	2,842
Greece					
Ireland	10	2			11
Italy	1,091	1,570	1,659	3,765	8,084
Portugal	4	9			14
Total	**1,119**	**1,932**	**1,798**	**6,101**	**10,951**

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	31/12/2018					
	Spain	Greece	Ireland	Italy	Portugal	Total
Opening sovereign debt securities	**2,834**		**19**	**8,318**	**284**	**11,455**
Change in unrealised capital gains/losses	1		(1)	(549)	6	(542)
Change in consolidation scope						
Acquisitions	5			195		199
Divestments/Redemptions	(10)		(7)	(206)	(287)	(509)
Foreign exchange adjustments						
Closing sovereign debt securities	**2,829**		**11**	**7,758**	**5**	**10,603**

To date, the consolidated mutual funds hold €348 million in sovereign debt securities of peripheral Eurozone countries, including €326 million in Italian sovereign debt.

NOTE 7.9.2 – NON-SOVEREIGN DEBT SECURITIES OF PERIPHERAL COUNTRIES OF THE EUROZONE

In millions of euros	31/12/2018					
	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	541		541	604	63	8
Greece						
Ireland	14		14	14	0	
Italy	425		425	432	7	1
Portugal	32		32	32	0	
Total	**1,012**		**1,012**	**1,082**	**70**	**9**

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**

The balance sheet value of the Group's investments in bonds issued by companies, banks, local authorities and semi-public bodies located in peripheral countries of the Eurozone (mainly Spain and Italy) was €1,082 million at 31 December 2018. These securities present an unrealised capital gain net of taxes and profit sharing of €9 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.

NOTE 7.10 - FAIR VALUE HIERARCHY

Pursuant to IFRS 13 on valuation at fair value, 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.

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	31/12/2018				31/12/2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Available-for-sale assets								
Equities and other variable-income investments	3,260	111	419	3,791	3,585	97	348	4,030
Bonds and other fixed-income investments	53,527	601	1,272	55,400	54,142	722	1,053	55,918
Other investments								
Total available-for-sale assets	**56,787**	**713**	**1,691**	**59,191**	**57,728**	**819**	**1,401**	**59,948**
Trading assets								
Equities and other variable-income investments classified as “trading” or “held for trading”	175		334	509	367		369	736
Bonds and other fixed-income investments classified as “trading” or “held for trading”	3,611	602	512	4,726	4,233	438	490	5,161
Cash mutual funds classified as “trading” or “held for trading”	8,082	22		8,104	8,131	44		8,175
Other investments								
Total trading assets	**11,868**	**624**	**846**	**13,339**	**12,730**	**482**	**859**	**14,072**
Sub-total financial investments at fair value (excluding unit-linked items)	**68,656**	**1,337**	**2,537**	**72,530**	**70,458**	**1,302**	**2,260**	**74,020**
Investments in unit-linked policies	6,135	2,607	303	9,045	5,681	3,361	287	9,329
Derivative assets and liabilities		(487)		(487)		(546)		(546)
Total financial assets and liabilities valued at fair value	**74,791**	**3,457**	**2,840**	**81,088**	**76,139**	**4,117**	**2,547**	**82,803**

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

Derivative instruments posted to assets totalled €114 million and derivative instruments posted to liabilities on the balance sheet totalled €601 million as at 31 December 2018. 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 remuneration 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 €148 million at 31 December 2018, compared with €163 million at 31 December 2017.

In millions of euros	31/12/2018								
	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	**348**	**1,053**		**369**	**490**			**287**	
Change in unrealised capital gains/losses recognised in:									
- net income		(4)		(28)	(26)			2	
- gains and losses recognised directly in group's equity	20	(40)							
Transfer to level 3	45	188							
Transfer out of level 3	(14)				(5)				
Reclassification to loans and receivables									
Change in consolidation scope									
Acquisitions	27	133		44	115			69	
Divestments/Redemptions	(5)	(57)		(52)	(61)			(48)	
Foreign exchange adjustments	(3)							(7)	
Level 3 closing amount	**419**	**1,272**		**334**	**512**			**303**	

NOTE 7.11 – INFORMATION REQUIRED BY THE IFRS 4 AMENDMENT WHERE TEMPORARILY EXEMPT FROM APPLYING IFRS 9

The breakdown of the Group's financial investments between i) SPPI (Solely Payment of Principal and Interest) financial assets not held for trading and where neither management nor assessment of performance is based on the fair value, and ii) other assets is as follows:

In millions of euros	31/12/2018			31/12/2017			Variation		
	SPPI* financial assets not held for trading where neither management nor assessment of performance is based on the fair value	Other assets	Total	SPPI* financial assets not held for trading where neither management nor assessment of performance is based on the fair value	Other assets	Total	SPPI* financial assets not held for trading where neither management nor assessment of performance is based on the fair value	Other assets	Total
Equities and other variable-income investments		4,300	4,300		4,766	4,766		(466)	(466)
Bonds and other fixed-income investments	50,465	9,661	60,126	51,401	9,678	61,078	(936)	(17)	(952)
Cash mutual funds		8,104	8,104		8,176	8,176		(72)	(72)
Other investments									
Total financial investments valued at fair value	**50,465**	**22,065**	**72,530**	**51,401**	**22,620**	**74,020**	**(936)**	**(555)**	**(1,490)**
Loans, deposits, other investments at amortised cost	1,414	146	1,561	1,304	214	1,518	110	(68)	43
Total of financial investments excluding unit-linked items	**51,880**	**22,211**	**74,091**	**52,705**	**22,833**	**75,537**	**(825)**	**(621)**	**(1,447)**
Unit-linked financial investments		8,935	8,935		9,212	9,212		(276)	(276)

* SPPI (Solely Payment of Principal and Interest) assets are securities the terms of which give rise to cash flows, on specified dates, equating only to repayment of the principal and the payment of interest on the outstanding principal sum still owed.

The table below breaks down by rating those SPPI investments not held for trading where neither management nor assessment of performance is based on the fair value.

In millions of euros	31/12/2018						
	AAA	AA	A	BBB	<BBB	No rating	Total
Financial assets at book value determined according to IAS 39	2,712	24,164	10,403	13,089	384	1,127	51,880
SPPI* financial assets not held for trading where neither management nor assessment of performance is based on the fair value	2,712	24,164	10,403	13,089	384	1,127	51,880

* SPPI (Solely Payment of Principal and Interest) investments are securities the terms of which give rise to cash flows, on specified dates, equating only to repayment of the principal and the payment of interest on the outstanding principal sum still owed.

NOTE 8 - INVESTMENTS REPRESENTING COMMITMENTS IN UNIT-LINKED INVESTMENTS

In millions of euros	31/12/2018			31/12/2017		
	In France	International	Total	In France	International	Total
Variable-income securities and related securities		3	3		4	4
Bonds	2,551	397	2,948	3,027	505	3,532
Equity mutual fund units	5,220	171	5,391	4,990	168	5,158
Bond and other mutual fund units	197	251	448	173	273	446
Other investments		145	145		71	71
Subtotal of unit-linked financial investments	**7,968**	**968**	**8,935**	**8,190**	**1,022**	**9,212**
Unit-linked investment property	110		110	118		118
Subtotal of unit-linked investment property	**110**		**110**	**118**		**118**
Total	**8,077**	**968**	**9,045**	**8,308**	**1,022**	**9,329**

The unit-linked investments are solely connected to the Life and Health Insurance business.

NOTE 9 – ASSET AND LIABILITY DERIVATIVE INSTRUMENTS AND SEPARATE EMBEDDED DERIVATIVES

In millions of euros	31/12/2018					
	In France		International		Total	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Swaps	114	(598)			114	(598)
Options						
Foreign currency futures		(3)				(3)
Other						
Total	**114**	**(601)**			**114**	**(601)**

In millions of euros	31/12/2017					
	In 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)**

The Group makes use of various derivatives:

- variable-rate indexed swaps, to protect the bond portfolio against an increase in rates.
- fixed-rate swaps, to cover the variable-rate indexed underlying assets
- 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.
- bond security spread risk hedging.

This last hedge is specifically recorded in respect of accounting hedges at fair value under IAS39.

The other derivatives are not recorded as hedging transactions in the sense of IAS 39. As per the principles described in note 3.3 to the 31 December 2018 financial statements, they are recognised at fair value on the balance sheet as counterpart to the income statement.

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 10 – USES AND SOURCES OF FUNDS FOR BANKING SECTOR ACTIVITIES

NOTE 10.1 – USES OF FUNDS FOR BANKING SECTOR ACTIVITIES

In millions of euros	31/12/2018			31/12/2017		
	Gross value	Provisions	Net value	Gross value	Provisions	Net value
Petty cash, central banks and postal accounts						
Financial assets at fair value through income	86		86	79		79
Hedging derivatives						
Available-for-sale financial assets	2		2	3		3
Loans and receivables on credit institutions	23		23	19		19
Loans and receivables on customers						
Revaluation difference of interest rate hedged portfolios						
Held-to-maturity financial assets						
Investment property						
Total	**112**		**112**	**101**		**101**

NOTE 10.2 – SOURCES FROM BANKING SECTOR ACTIVITIES

In millions of euros	31/12/2018	31/12/2017
Central banks, postal accounts		
Financial liabilities at fair value through income		
Hedging derivatives		
Debts to credit institutions		
Debts to customers	7	10
Debts represented by securities		
Revaluation difference of interest rate hedged portfolios		
Total	**7**	**10**

NOTE 11 – INVESTMENTS IN RELATED COMPANIES AND JOINT VENTURES

The group holds a number of stakes in the following insurance companies:

- Banque Postale Assurances 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 a 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 finance company, 65% owned by Orange and 35% by Groupama Group, is the holding company that owns Orange Bank, a 100%-mobile online bank.

The key figures for these various companies are provided in the table below.

In millions of euros	31/12/2018		31/12/2017	
	Equivalent value	Share of income	Equivalent value	Share of income
Banque Postale Assurances IARD	114	(1)	107	(2)
Orange Bank	234	(59)	243	(35)
STAR	61	1	68	1
Groupama - AVIC Property Insurance Co.	77	4	75	6
Compagnie Financière d'Orange Bank				
Total	**485**	**(56)**	**493**	**(30)**

An analysis is conducted to determine whether it is necessary to recognise an additional loss of value relative to the Group's stake in related companies.

In the case of Orange Bank, the model used to determine the realisable value to which the book value is compared, which includes €118m in intangibles, is a DCF (discounted cash flow) value, for which the assumed discount rate and long-term growth rate show the following degrees of sensitivity:

- the sensitivity to an increase of 50 basis points in the discount rate is €160m of the realisable value;
- the sensitivity to a drop of 50 basis points in the growth rate is €60m of the realisable value.

At 31 December 2018, no value loss index has been noted on any of the five equity stakes in related companies and joint ventures.

NOTE 11.1 – SIGNIFICANT DATA PURSUANT TO IFRS 12

In millions of euros	2018				
	Premium income	Net income	Underwriting reserves	Total assets	Group's equity
Banque Postale Assurances IARD (1)	358	(2)	517	802	134
STAR (2)	114	3	206	327	96
Groupama - AVIC Property Insurance Co. (1)	301	4	174	389	138
Orange Bank (1)		(170)		5,295	325
Compagnie Financière d'Orange Bank (1)		(1)		529	524

(1) Actual data (2) Estimated data for turnover and net income / Actual data December 2017 for balance sheet

In millions of euros	2017				
	Premium income	Net income	Underwriting reserves	Total assets	Group's equity
Banque Postale Assurances 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 turnover and net income / Actual data December 2016 for balance sheet

The Group has opted for temporary exemption from the rule on consistency of accounting policies ordinarily required by the IAS 28 standard, and as stipulated under paragraph 20 O (b) of the amendment to IFRS 4 "Applying IFRS 9, Financial Instruments with IFRS 4, Insurance Contracts". This amendment allows insurance groups that have elected to defer application of IFRS 9, and that consolidate their related companies using the equity method to preserve the financial statements prepared by such related companies for the purposes of producing their consolidated financial statements. This option concerns the financial statements used in application of the equity method on Orange Bank related companies (which has applied IFRS 9 from 1 January 2018) and La Banque Postale Assurances IARD (which has applied IFRS 9 overlaid by the IFRS 4 amendment).

NOTE 12 – SHARE OF OUTWARD REINSURERS AND RETROCESSIONAIRES IN LIABILITIES RELATED TO INSURANCE POLICIES AND FINANCIAL CONTRACTS

In millions of euros	31/12/2018			31/12/2017		
	In France	International	Total	In France	International	Total
Share of reinsurers in non-life insurance reserves						
Reserves for unearned premiums	11	16	26	11	19	30
Outstanding claims reserves	628	80	708	807	87	894
Other underwriting reserves	354	1	355	354	1	355
Total	**993**	**96**	**1,089**	**1,172**	**107**	**1,279**
Share of reinsurers in life insurance reserves						
Life insurance reserves	23	2	26	25	2	27
Outstanding claims reserves	23	3	25	40	3	43
Profit-sharing reserves	15		15	11		11
Other underwriting reserves						
Total	**61**	**5**	**65**	**75**	**5**	**80**
Share of reinsurers in financial contract reserves						
Total	**1,054**	**101**	**1,154**	**1,248**	**112**	**1,359**

NOTE 12.1 – CHANGE IN THE SHARE OF OUTWARD REINSURERS AND RETROCESSIONAIRES IN NON-LIFE CLAIMS RESERVES BY OPERATING SEGMENT

In millions of euros	31/12/2018			31/12/2017		
	In France	International	Total	In France	International	Total
Share of reinsurers in opening reserves for claims	**807**	**87**	**894**	**630**	**120**	**750**
Portfolio transfers and changes in scope of consolidation				(9)	(1)	(10)
Share of reinsurers in total claims expense	52	24	75	358	10	368
Share of reinsurers in total payments	(231)	(25)	(256)	(172)	(38)	(210)
Foreign exchange variation		(5)	(5)		(5)	(5)
Share of reinsurers in closing reserves for claims	**628**	**80**	**708**	**807**	**87**	**894**

NOTE 13 – OTHER PROPERTY, PLANT AND EQUIPMENT

NOTE 13.1 – CHANGE IN OTHER PROPERTY, PLANT AND EQUIPMENT

In millions of euros	31/12/2018			31/12/2017		
	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	**743**	**55**	**798**	**721**	**54**	**775**
Acquisitions	71	8	79	83	1	84
Change in consolidation scope				(3)		(3)
Assets capitalised in the year	4		4	3		3
Foreign exchange adjustments	(3)		(3)	(2)		(2)
Outward reinsurance	(74)		(74)	(59)		(59)
Closing gross value	**741**	**62**	**803**	**743**	**55**	**798**
Opening cumulative amortisation	**(560)**		**(560)**	**(556)**		**(556)**
Increase	(56)		(56)	(47)		(47)
Change in consolidation scope				3		3
Foreign exchange adjustments	2		2	1		1
Decrease	68		68	39		39
Closing cumulative amortisation	**(546)**		**(546)**	**(560)**		**(560)**
Opening cumulative long-term impairment	**(2)**		**(2)**	**(2)**		**(2)**
Long-term impairment recognised						
Change in consolidation scope						
Foreign exchange adjustments						
Long-term impairment write-backs	1		1			
Closing cumulative long-term impairment	**(1)**		**(1)**	**(2)**		**(2)**
Opening net value	**182**	**55**	**236**	**163**	**54**	**217**
Closing net value	**194**	**62**	**256**	**182**	**55**	**236**
Closing fair value of other property, plant and equipment	**194**	**138**	**333**	**181**	**135**	**316**
Unrealised capital gains (losses)	**0**	**76**	**76**	**(1)**	**80**	**80**

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

NOTE 13.2 – OTHER PROPERTY, PLANT AND EQUIPMENT – BY OPERATING SEGMENT

In millions of euros	31/12/2018						31/12/2017					
	Other property, plant and equipment			Other long-term operating assets			Other property, plant and equipment			Other long-term operating assets		
	In France	Inter-national	Total	In France	Inter-national	Total	In France	Inter-national	Total	In France	Inter-national	Total
Gross value	638	103	741	62		62	639	104	743	55		55
Cumulative amortisation & impairment	(461)	(84)	(546)				(474)	(85)	(560)			
Long-term impairment	(1)		(1)				(2)		(2)			
Closing net value	**175**	**19**	**194**	**62**		**62**	**163**	**19**	**182**	**55**		**55**
Closing fair value of other property, plant and equipment	**175**	**19**	**194**	**138**		**138**	**162**	**19**	**181**	**135**		**135**
Unrealised capital gains (losses)	**0**	**0**	**0**	**76**		**76**	**(1)**	**0**	**(1)**	**80**		**80**

NOTE 14 – DEFERRED ACQUISITION COSTS

In millions of euros	31/12/2018			31/12/2017		
	Gross	Deferred profit-sharing	Net	Gross	Deferred profit-sharing	Net
Non-life insurance policies	168		168	125		125
Life insurance policies and financial contracts with discretionary profit sharing	22		22	24		24
In France	**190**		**190**	**149**		**149**
Non-life insurance policies	49		49	49		49
Life insurance policies and financial contracts with discretionary profit sharing	20	(3)	17	23	(3)	21
International	**69**	**(3)**	**66**	**72**	**(3)**	**70**
Total deferred acquisition costs	**259**	**(3)**	**256**	**222**	**(3)**	**219**

NOTE 15 – DEFERRED TAXES

NOTE 15.1 - DEFERRED TAX ASSETS – BY OPERATING SEGMENT

In millions of euros	31/12/2018			31/12/2017
	In France	International	Total	Total
Deferred tax assets	22	17	39	36
Total	**22**	**17**	**39**	**36**

NOTE 15.2 – DEFERRED TAX LIABILITIES – BY OPERATING SEGMENT

In millions of euros	31/12/2018			31/12/2017
	In France	International	Total	Total
Deferred tax liabilities	71	2	73	204
Total	**71**	**2**	**73**	**204**

NOTE 15.3 – ANALYSIS OF THE MAJOR COMPONENTS OF DEFERRED TAXES

In millions of euros	31/12/2018	31/12/2017
Deferred taxes resulting from timing differences		
Restatements on AFS & Trading financial instruments (net of deferred profit sharing)	(357)	(631)
Life acquisition costs and overall management expenses reserve	(36)	(52)
Consolidation restatements on technical reserves	(154)	(158)
Other differences on consolidation restatements	112	146
Deferred non-life acquisition costs	(54)	(56)
Tax differences on technical reserves and other contingent liabilities	376	392
Tax-deferred capital gains	(5)	(6)
Valuation difference on mutual funds	64	148
Foreign exchange hedge	7	8
Other temporary tax differences	(17)	37
Subtotal of deferred taxes resulting from timing differences	**(64)**	**(173)**
Deferred taxes from stocks of ordinary losses	**30**	**4**
Deferred taxes recorded on the balance sheet	**(34)**	**(168)**
of which, assets	39	36
of which, liabilities	(73)	(204)

Deferred tax assets from ordinary losses amounted to €30 million at 31 June 2018, compared with €4 million at 31 December 2017, an increase of €26 million.

Unrecognised deferred net tax assets amounted to €10 million at 31 December 2018, compared with €21 million at 31 December 2017.

Within France, deferred taxation has been determined including the gradual reduction in corporation tax rates to 25.82% by 2022.

NOTE 16 – RECEIVABLES FROM INSURANCE OR INWARD REINSURANCE TRANSACTIONS

NOTE 16.1 – RECEIVABLES FROM INSURANCE OR INWARD REINSURANCE – BY OPERATING SEGMENT

In millions of euros	31/12/2018							31/12/2017
	In France			International			Total	Total
	Gross value	Provisions	Net value	Gross value	Provisions	Net value		
Earned unwritten premiums	944		944	20		20	964	755
Policyholders, intermediaries, and other third parties	1,015	(22)	993	394	(59)	335	1,328	1,212
Current accounts – co-insurers and other third parties	106	(4)	103	62	(37)	24	127	86
Current accounts for ceding and retroceding companies and other receivables from reinsurance transactions	189		189	6		6	195	316
Total	**2,255**	**(26)**	**2,229**	**482**	**(97)**	**386**	**2,614**	**2,368**

NOTE 16.2 – RECEIVABLES FROM INSURANCE OR INWARD REINSURANCE – BY MATURITY

In millions of euros	31/12/2018				31/12/2017			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Earned unwritten premiums	969	(4)		964	760	(5)		755
Policyholders, intermediaries, and other third parties	1,271	52	5	1,328	1,136	76		1,212
Current accounts – co-insurers and other third parties	120	7		127	86			86
Current accounts for ceding and retroceding companies and other receivables from reinsurance transactions	183	9	4	195	267	46	3	316
Total	**2,542**	**64**	**9**	**2,614**	**2,248**	**117**	**3**	**2,368**

NOTE 17 - RECEIVABLES FROM OUTWARD REINSURANCE TRANSACTIONS

In millions of euros	31/12/2018			31/12/2017
	Gross value	Provisions	Net value	Net value
Outward reinsurer and retrocessionnaire current accounts	35	(6)	29	73
Other receivables from reinsurance transactions	139	(1)	138	107
Total	**174**	**(7)**	**167**	**180**

NOTE 17.1 - RECEIVABLES FROM OUTWARD REINSURANCE TRANSACTIONS – BY MATURITY

In millions of euros	31/12/2018				31/12/2017			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Outward reinsurer and retrocessionnaire current accounts	29			29	36	37		73
Other receivables from reinsurance transactions	138			138	107			107
Total	**167**			**167**	**143**	**37**		**180**

NOTE 18 – CURRENT TAX RECEIVABLES AND OTHER TAX RECEIVABLES

NOTE 18.1 – CURRENT TAX RECEIVABLES AND OTHER TAX RECEIVABLES – BY MATURITY

In millions of euros	31/12/2018				31/12/2017			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Tax claims	104			104	80			80
Other receivables from state and local authorities	189			189	174			174
Total	**293**			**293**	**255**			**255**

NOTE 18.2 – CURRENT TAX CLAIMS AND OTHER TAX RECEIVABLES – BY OPERATING SEGMENT

In millions of euros	31/12/2018			31/12/2017		
	In France	International	Total	In France	International	Total
Tax claims	80	24	104	51	29	80
Other receivables from state and local authorities	99	90	189	105	69	174
Total	**178**	**115**	**293**	**156**	**99**	**255**

NOTE 19 – OTHER RECEIVABLES

In millions of euros	31/12/2018			31.12.2017
	Gross value	Provisions	Total	Total
Accrued interest not yet due	668		668	712
Due from employees	10		10	9
Social welfare bodies	13		13	8
Other debtors	1,679	(29)	1,650	1,816
Other receivables	328		328	288
Total	**2,698**	**(29)**	**2,669**	**2,834**

NOTE 19.1 – OTHER RECEIVABLES – BY MATURITY

In millions of euros	31/12/2018				31/12/2017			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Accrued interest not yet due	668			668	712			712
Due from employees	10			10	9			9
Social welfare bodies	13			13	8			8
Other debtors	1,595	30	26	1,650	1,704	91	21	1,816
Other receivables	328			328	288			288
Total	**2,613**	**30**	**26**	**2,669**	**2,722**	**91**	**21**	**2,834**

NOTE 19.2 – OTHER RECEIVABLES – BY OPERATING SEGMENT

In millions of euros	31/12/2018			31/12/2017		
	In France	International	Total	In France	International	Total
Accrued interest not yet due	603	64	668	650	63	712
Due from employees	9	1	10	8	1	9
Social welfare bodies	13		13	8		8
Other debtors	1,615	35	1,650	1,774	43	1,816
Other receivables	275	53	328	251	36	288
Total	**2,515**	**154**	**2,669**	**2,691**	**143**	**2,834**

NOTE 20 – CASH AND CASH EQUIVALENTS

NOTE 20.1 – CASH AND CASH EQUIVALENTS APPLIED TO BALANCE SHEET ASSETS

In millions of euros	31.12.2018	31.12.2017
in France	1,074	824
International	130	198
Total	**1,204**	**1,022**

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

NOTE 20.2 – CASH APPLIED TO BALANCE SHEET LIABILITIES

In millions of euros	31/12/2018				31/12/2017			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Operating debts to banking sector companies	94			94	98			98
Total	**94**			**94**	**98**			**98**

In millions of euros	31/12/2018			
	Currency		Rates	
	Eurozone	Non-Eurozone	Fixed rate	Variable rate
Operating debts to banking sector companies	94		94	
Total	**94**		**94**	

NOTE 21 – GROUP'S EQUITY, MINORITY INTERESTS

NOTE 21.1 – SHARE CAPITAL LIMITS FOR INSURANCE COMPANIES

Insurance business operations are governed by regulatory constraints that define minimum share capital or start-up funds 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 agricultural insurance or reinsurance funds must have start-up funds at least equal to €240,000 or €400,000 depending on the segments operated. French public limited companies must have share capital of at least €480,000 or €800,000 depending on the business segment.

Furthermore, to ensure the financial soundness of insurance businesses and protect policyholders, since 1 January 2016 insurance providers in France have been subject to the prudential rules known as "Solvency II", introduced by the European directive 2009/138/EC of 25 November 2009. It obliges insurance firms to permanently meet the minimum capital requirements (Article L.352-5 of the French Insurance Code) and solvency capital requirements (Article L.352-1 of the French Insurance Code) calculated in accordance with the provisions of delegated regulation no. 2015/35. This obligation also exists abroad, following similar mechanisms. This entire mechanism is reinforced at the consolidated financial statements level by a Group regulatory capital requirement by taking into account, where applicable, the banking business conducted by the insurance group.

NOTE 21.2 – IMPACTS OF TRANSACTIONS WITH MEMBERS

- **Changes in the Group's group's equity during fiscal year 2018**

Article 52 of France's law of 9 December 2016 on transparency, anti-corruption and modernisation of the economy required Groupama's central unit, Groupama SA, to convert itself from a limited liability company into a mutual agricultural reinsurance company.

On 7 June 2018, Groupama SA was converted into Caisse Nationale de Réassurance Mutuelle Agricole, with mutual insurance company status, the usual trading name of which is Groupama Assurances Mutuelles. This conversion had no impact on the combined group's equity.

During fiscal year 2018, regional mutuals issued mutual certificates to their members and customers for €104 million.

- **Accounting treatment of subordinated bonds classified as equity instruments**

Loans categorised under group's equity are perpetual subordinated bonds detailed as follows:

Issued by	Nominal in €m	Issue date	Next issuer repayment option	Coupon	Coupon rate	Step-up clause
Groupama Assurances Mutuelles	1,100	28/05/2014	28/05/2024	Fixed	6.375%	yes

This loan presents the following particular features:
- unlimited term;
- the ability to defer or cancel any interest payment to holders in a discretionary manner;
- an interest "step-up" clause triggered in the tenth year of the loan.

Taking into account the terms, and pursuant to IAS 32 sections 16 and 17, the loan is considered an equity instrument and not a financial liability. It is therefore recognised under group's equity. Interest costs net of tax are charged directly against group's equity in accordance with IAS 32 section 35 (rather than as an expense in the income statement).

NOTE 21.3 – RESERVES RELATED TO CHANGES IN FAIR VALUE RECORDED IN GROUP'S EQUITY

The reconciliation between unrealised capital gains losses on available-for-sale investment assets and the corresponding reserve in group's equity may be broken down as follows:

In millions of euros	31/12/2018	31/12/2017
Gross unrealised capital gains (losses) on available-for-sale assets	5,844	7,859
Shadow accounting	(4,212)	(5,487)
Cash flow hedge and other changes	(40)	(40)
Deferred taxes	(304)	(545)
Share of non-controlling interests	(3)	(6)
Revaluation reserve - Group share	**1,285**	**1,780**

The deferred tax amount shown in the table above equates to the application of i) a short-term and long-term tax rate on the unrealised gains on financial instruments classified as "available-for-sale assets"; and ii) a short-term tax rate on deferred profit sharing ("shadow accounting"). Under the new rules for long-term capital gains (losses) applicable from 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 3.84%).

The "Cash flow hedge and other changes" item of minus €40m comprises minus €22m in cash-flow hedge revaluation reserves and minus €18m in net investment hedge revaluation reserves. These reserves are the effective portion of the hedging implemented by the Group in the past and since unwound. They will be recycled into the income statement on disposal of the items hedged, in accordance with the provisions of IAS 39.

NOTE 22 – CONTINGENT LIABILITIES

In millions of euros	31/12/2018						
	In France			International			Total
	Provisions for pensions and similar obligations	Other contingent liabilities(1)	Total	Provisions for pensions and similar obligations	Other contingent liabilities(1)	Total	
Opening balance	**397**	**215**	**613**	**33**	**46**	**80**	**692**
Changes in the consolidation scope, changes in accounting policies, and transfers							
Allocations for the period	129	54	183	4	12	16	200
Write-backs for the period	(148)	(123)	(271)	(7)	(14)	(21)	(292)
Foreign exchange variation				(1)		(1)	(1)
Closing balance	**379**	**146**	**525**	**30**	**44**	**73**	**598**

(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	31/12/2017						
	In France			International			Total
	Provisions for pensions and similar obligations	Other contingent liabilities(1)	Total	Provisions for pensions and similar obligations	Other contingent liabilities(1)	Total	
Opening balance	**441**	**171**	**612**	**35**	**48**	**83**	**695**
Changes in the consolidation scope, changes in accounting policies, and transfers							
Allocations for the period	145	124	268	4	14	18	286
Write-backs for the period	(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.

NOTE 23 - INFORMATION PERTAINING TO PERSONNEL BENEFITS – DEFINED-BENEFIT PLANS

NOTE 23.1 - PRINCIPAL ACTUARIAL ASSUMPTIONS

In millions of euros	31/12/2018				31/12/2017			
	In France	United Kingdom	Other	Total	In France	United Kingdom	Other	Total
Actuarial debt	384	351	34	768	403	387	38	827
Fair value of hedging assets	24	336		360	32	365		397
Net actuarial debt	**360**	**15**	**34**	**408**	**371**	**22**	**38**	**431**
Principal actuarial assumptions								
Financial assumptions								
Discount rate	1.60%	2.90%	NS		1.40%	2.50%	NS	
Yield expected from plan assets	1.60%	2.90%	NS		1.40%	2.50%	NS	
Expected salary/pension increase	1.86%	3.20%	NS		1.85%	3.20%	NS	
Staff turnover								
- 18 to 34 years	4.60%	NA	NS		4.15%	NA	NS	
- 35 to 44 years	2.11%	NA	NS		2.12%	NA	NS	
- 45 to 54 years	1.10%	NA	NS		0.91%	NA	NS	
- 55 and older	0.01%	NA	NS		0.00%	NA	NS	

Note that in the United Kingdom, the Groupama Insurance Company Limited (GICL) pension fund was transferred to Groupama Assurances Mutuelles following divestment 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 2018 to assess actuarial commitments is the interest rate on high-quality corporate bonds.

Note 23.2 – Reserve for pensions

Note 23.2.1 – Reserve for pensions – Change in the actuarial value of the debt

In millions of euros	31/12/2018			31/12/2017		
	Post-employment benefits	Other long-term benefits	Total	Post-employment benefits	Other long-term benefits	Total
Opening actuarial debt	**740**	**87**	**827**	**758**	**88**	**846**
Cost of past services	15	7	23	16	7	23
Interest payable	13	1	14	14	1	14
Revaluations of actuarial debt						
Actuarial differences resulting from changes in demographic assumptions	(5)		(5)	(9)	(1)	(10)
Actuarial differences resulting from changes in financial assumptions	(30)	(3)	(33)	9		8
Experience-related adjustments	(10)	(5)	(15)	(9)	(4)	(14)
Benefits paid directly by the employer	(13)	(4)	(17)	(13)	(5)	(17)
Benefits paid by hedging assets	(20)		(20)	(18)		(18)
Cost of past services and profit/loss on liquidation				(1)	1	0
Change in consolidation scope				(1)		(1)
Changes in exchange rates	(5)		(5)	(14)		(14)
Other		1	1	9		9
Closing actuarial debt	**685**	**83**	**768**	**740**	**87**	**827**

Note 23.2.2 – Reserve for pensions – Change in the fair value of hedging assets

In millions of euros	31/12/2018			31/12/2017		
	Post-employment benefits	Other long-term benefits	Total	Post-employment benefits	Other long-term benefits	Total
Opening fair value of hedging assets	**397**		**397**	**370**		**370**
Interest income	9		9	10		10
Revaluations of hedging assets						
Portion of yield on hedging assets in excess of the discount rate	(23)		(23)	21		21
Change in effect of asset cap						
Benefits paid	(20)		(20)	(19)		(19)
Employer contributions	6		6	29		29
Employee contributions						
Change in consolidation scope				(1)		(1)
Changes in exchange rates	(3)		(3)	(13)		(13)
Other	(6)		(6)	2		2
Closing fair value of hedging assets	**360**		**360**	**397**		**397**

NOTE 23.3 – POST-EMPLOYMENT BENEFIT EXPENSE RECOGNISED ON THE STATEMENT OF NET INCOME AND GAINS AND LOSSES RECOGNISED DIRECTLY IN GROUP'S EQUITY

In millions of euros	31/12/2018	31/12/2017
Cost of services:		
Cost of past services	(15)	(16)
Cost of past services and profit/loss on liquidation		1
Net interest on net actuarial debt	(4)	(4)
Other		
Component of the expense recognised in the income statement	**(19)**	**(19)**
Revaluation of net actuarial debt:		
Portion of return on hedging assets not recognised in the income statement	(23)	21
Actuarial differences resulting from changes in demographic assumptions	5	9
Actuarial differences resulting from changes in financial assumptions	30	(9)
Experience-related adjustments	10	9
Change in effect of asset cap		
Component of the expense recognised through profit/losses posted directly as group's equity	**23**	**30**

NOTE 23.4 – INFORMATION PERTAINING TO EMPLOYEE BENEFITS – DISTRIBUTION OF HEDGING ASSETS

In millions of euros	31/12/2018	31/12/2017
Equities	209	251
Bonds	76	61
Other	75	85
Closing fair value of hedging assets	**360**	**397**

NOTE 23.5 – SENSITIVITY ANALYSIS

The sensitivity to an increase of 50 basis points in the discount rate is -6.2% on the total gross actuarial debt for France, and -8.2% for the United Kingdom.

Sensitivity to employment commitments in relation to sickness cover: at 31 December 2018, actuarial debt for health insurance plans totalled €11 million. The sensitivity of this debt to an increase of 50 basis points in the discount rate is -5.0%.

NOTE 24 – FINANCING DEBTS

NOTE 24.1 – FINANCING DEBTS – BY MATURITY

In millions of euros	31/12/2018				31/12/2017			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Subordinated debt of insurance companies			1,633	1,633			1,136	1,136
Financing debt represented by securities								
Financing debt with banking-sector companies	2	5		6	7	10		17
Total	**2**	**5**	**1,633**	**1,639**	**7**	**10**	**1,136**	**1,153**

On 24 September 2018, Groupama Assurances Mutuelles issued a 10-year bond for a nominal €500 million at a fixed rate de 3.375%.

Following this transaction, redeemable subordinated securities classified as "financing liabilities" detailed as follows:

Issued by	Nominal in €m	Issue date	Maturity (if dated)	Next issuer repayment option	Coupon	Coupon rate	Step-up clause
Groupama Assurances Mutuelles	500	27/10/2009	27/10/2039	27/10/2019	Fixed	7.88%	yes
Groupama Assurances Mutuelles	650	23/01/2017	23/01/2027		Fixed	6.00%	no
Groupama Assurances Mutuelles	500	24/09/2018	24/09/2028		Fixed	3.38%	no

At 31 December 2018:

- the 2009 issue stood at 105.5%, compared with 113.7% at 31 December 2017;
- the 2017 issue stood at 111.2%, compared with 126.3% at 31 December 2017;
- the 2018 issue stood at 92.3%.

In view of the specific terms and conditions of each issue pursuant to IAS 32 sections 16 and 17, these bonds are considered financial liabilities rather than equity instruments. They are therefore recognised under financing debts. Interest costs net of tax are recognised in the income statement.

The "financing debts to companies in the banking sector" item is €6 million. It has dropped €11m of which €4m equated to payments made to minority Groupama Assurances Mutuelles shareholders as a result of its conversion.

NOTE 24.2 – FINANCING DEBTS – BY CURRENCY AND RATE

In millions of euros	31/12/2018			
	Currency		Rates	
	Eurozone	Non-Eurozone	Fixed rate	Variable rate
Subordinated debt of insurance companies	1,633		1,633	
Financing debt represented by securities				
Financing debt with banking-sector companies	6		6	
Total	**1,639**		**1,639**	

NOTE 25 – TECHNICAL LIABILITIES RELATING TO INSURANCE POLICIES

NOTE 25.1 – LIABILITIES RELATING TO INSURANCE POLICIES – BY OPERATING SEGMENT

In millions of euros	31/12/2018			31/12/2017		
	In France	International	Total	In France	International	Total
Gross technical reserves for reinsurance						
Life insurance reserves	31,787	759	32,546	31,723	800	32,523
Outstanding claims reserves	622	67	690	629	68	697
Reserves for profit-sharing	552	3	555	240	4	244
Other underwriting reserves	3	18	21	2	21	24
Total Life insurance	**32,965**	**847**	**33,812**	**32,594**	**893**	**33,487**
Reserves for unearned premiums	1,125	676	1,802	1,087	650	1,737
Outstanding claims reserves	9,607	2,079	11,686	9,342	2,135	11,477
Other underwriting reserves	3,567	35	3,602	3,592	36	3,628
Total Non-life insurance	**14,299**	**2,790**	**17,090**	**14,022**	**2,821**	**16,842**
Life insurance reserves for unit-linked policies	8,480	999	9,479	8,708	1,040	9,748
Total	**55,744**	**4,636**	**60,380**	**55,324**	**4,754**	**60,077**

The adequacy tests carried out on liabilities as at 31 December 2018 were found to be satisfactory and did not result in the recognition of any additional technical expense.

- **Evaluation of reserves for unknown and late claims (IBNR)**

Total reserves for non-life claims payable totalled €11,686 million at 31 December 2018. This provision is based on an actuarial approach, defined in accordance with a group methodology. By means of valuations of final costs based on payment triangles or costs (by risk segment), it permits a determination of the sufficient and adequate amount of reserves for claims payable. This valuation incorporates the valuation of late claims into its approach.

- **Long-term care**

Total reserves relating to long-term care risk were €766 million at 31 December 2018 (of which €533 million is the reserve for increasing risks). Actuarial reserves for annuities and reserves for claims payable, covering claims in progress, have been determined on the basis of experience data on the long-term care portfolio - rate of continued long-term care – and a technical rate of 0.62% (75% weighted average). Actuarial reserves for increasing risks, covering future claims (likely current value of the insurer's and policyholders' commitments), have been determined on the basis of experience data on the long-term care portfolio - rate of beneficiary deaths, differentiated impact per product and continued long-term care – and a technical rate of 0.90% intended to reflect the current financial environment. The regional mutual conducts an annual test on the adequacy of long-term care reserves which includes anticipated pricing revisions.

Note 25.2 – Liabilities relating to insurance policies by business

Note 25.2.1 – Liabilities relating to insurance policies by business – France

In millions of euros	31/12/2018			31/12/2017		
	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross technical reserves for reinsurance						
Life insurance reserves	31,787		31,787	31,723		31,723
Outstanding claims reserves	622		622	629		629
Reserves for profit-sharing	552		552	240		240
Other underwriting reserves	3		3	2		2
Total Life insurance	**32,965**		**32,965**	**32,594**		**32,594**
Reserves for unearned premiums	152	973	1,125	138	949	1,087
Outstanding claims reserves	1,095	8,512	9,607	1,012	8,330	9,342
Other underwriting reserves	2,797	769	3,567	2,816	776	3,592
Total Non-life insurance	**4,045**	**10,255**	**14,299**	**3,966**	**10,055**	**14,022**
Life insurance reserves for unit-linked policies	8,480		8,480	8,708		8,708
Total	**45,489**	**10,255**	**55,744**	**45,269**	**10,055**	**55,324**

A more detailed approach was used in contract allocation, a transfer from the profit-sharing reserve was effected between technical liabilities relating to insurance policies to technical liabilities related to financial contracts.

NOTE 25.2.2 – LIABILITIES RELATING TO INSURANCE POLICIES BY BUSINESS – INTERNATIONAL

In millions of euros	31/12/2018			31/12/2017		
	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross technical reserves for reinsurance						
Life insurance reserves	759		759	800		800
Outstanding claims reserves	67		67	68		68
Reserves for profit-sharing	3		3	4		4
Other underwriting reserves	18		18	21		21
Total Life insurance	**847**		**847**	**893**		**893**
Reserves for unearned premiums	60	616	676	67	583	650
Outstanding claims reserves	89	1,990	2,079	78	2,057	2,135
Other underwriting reserves	9	26	35	12	24	36
Total Non-life insurance	**158**	**2,632**	**2,790**	**156**	**2,664**	**2,821**
Life insurance reserves for unit-linked policies	999		999	1,040		1,040
Total	**2,004**	**2,632**	**4,636**	**2,089**	**2,664**	**4,754**

NOTE 25.3 - BREAKDOWN OF TECHNICAL INSURANCE CONTRACT RESERVES BY MAIN CATEGORY

In millions of euros	31.12.2018			31.12.2017		
	Gross life insurance reserves	Gross outstanding claims reserves	Total	Gross life insurance reserves	Gross outstanding claims reserves	Total
Single-premium policies						
Capitalisation	12	12	24	19	12	31
Individual insurance	12,252	97	12,349	11,862	106	11,968
Group policies	170	5	175	177	4	181
Other	135		135			
Total provisions for single-premium policies	**12,570**	**114**	**12,683**	**12,058**	**122**	**12,180**
Periodic premium policies						
Capitalisation	146	3	149	112	3	115
Individual insurance	6,395	228	6,623	6,603	262	6,865
Group policies	7,994	317	8,310	8,176	276	8,452
Other	2,652	2	2,654	2,814	3	2,817
Total reserves for periodic premium contracts	**17,186**	**550**	**17,737**	**17,704**	**544**	**18,248**
Inward reinsurance	**2,790**	**26**	**2,816**	**2,761**	**31**	**2,792**
Total	**32,546**	**690**	**33,236**	**32,523**	**697**	**33,220**

In millions of euros	31.12.2018			31.12.2017		
	Reserves for unearned premiums	Outstanding claims reserves	Total	Reserves for unearned premiums	Outstanding claims reserves	Total
Non-life insurance						
Motor	808	4,955	5,763	761	4,851	5,611
Bodily injury	223	1,471	1,693	220	1,383	1,602
Property damage	477	2,335	2,811	470	2,198	2,667
General third party liability	52	517	569	54	511	565
Marine, aviation, transport	8	87	94	8	170	178
Other risks	219	1,838	2,056	209	1,897	2,106
Inward reinsurance	**15**	**485**	**500**	**15**	**469**	**484**
Total Non-Life Insurance reserves	**1,802**	**11,686**	**13,488**	**1,737**	**11,477**	**13,214**

NOTE 25.4 – CHANGE IN RESERVES FOR NON-LIFE CLAIMS PAYABLE

In millions of euros	31.12.2018			31.12.2017		
	In France	International	Total	In France	International	Total
Opening reserves for non-life claims	**9,342**	**2,135**	**11,477**	**8,609**	**2,294**	**10,903**
Portfolio transfers					**(10)**	**(10)**
Claims expense for the current year	6,686	1,260	7,946	6,608	1,236	7,845
Claims expense for previous years	(180)	(34)	(214)	71	(96)	(25)
Total claims expense	**6,506**	**1,226**	**7,732**	**6,679**	**1,140**	**7,820**
Claims payments for the current year	(3,256)	(586)	(3,842)	(3,097)	(580)	(3,677)
Claims payments for prior years	(2,985)	(628)	(3,614)	(2,848)	(650)	(3,498)
Total payments	**(6,241)**	**(1,214)**	**(7,455)**	**(5,945)**	**(1,230)**	**(7,175)**
Foreign exchange variation		**(68)**	**(67)**	**(2)**	**(59)**	**(61)**
Closing reserves for non-life claims	**9,607**	**2,079**	**11,686**	**9,342**	**2,135**	**11,477**

NOTE 25.5 – IMPACT OF GROSS CLAIMS

In millions of euros	2014	2015	2016	2017	2018
Estimate of the claims expense					
End N	7,107	6,991	7,693	7,796	7,938
End N+1	7,082	6,914	7,572	7,950	
End N+2	7,014	6,995	7,484		
End N+3	7,010	6,839			
End N+4	6,928				
Claims expense	**6,928**	**6,839**	**7,484**	**7,950**	**7,938**
Cumulative claims payments	**6,102**	**6,100**	**6,301**	**6,065**	**3,836**
Outstanding claims reserves	**826**	**739**	**1,182**	**1,885**	**4,102**
Earned premiums	**9,689**	**9,809**	**10,031**	**10,322**	**10,401**
Loss ratio	**71.5%**	**69.7%**	**74.6%**	**77.0%**	**76.3%**

The statement of claim trends shows changes in estimates of the gross claims expense per year of occurrence covering the years 2014 to 2018, i.e. changes in the initial estimates and discounted expense as at the balance sheet date.

The reserve per year of occurrence is calculated as the difference between the estimated claim expense (revalued as at the balance sheet date) and the cumulative payments made.

NOTE 25.6 - IMPACT OF THE DISCOUNT IN ACTUARIAL RESERVES FOR NON-LIFE ANNUITIES BY OPERATING SEGMENT

GROSS VALUE

In millions of euros	31.12.2018			31.12.2017		
	In France	International	Total	In France	International	Total
Closing non-life annuity actuarial reserves (net of recoveries)	**2,619**	**21**	**2,640**	**2,647**	**23**	**2,670**
Closing non-life annuity actuarial reserves (net of recoveries) before change in discount rate	2,660	21	2,681	2,659	23	2,682
Closing non-life annuity actuarial reserves (net of recoveries) excluding technical interest	2,800	21	2,821	2,786	23	2,809
Technical interest	(140)		(140)	(127)		(127)
Impact of change in discount rate	(41)		(41)	(12)		(12)

PROPORTION CEDED

In millions of euros	31.12.2018			31.12.2017		
	In France	International	Total	In France	International	Total
Share of reinsurers in non-life annuity actuarial reserves carried forward (net of recoveries)	**313**		**313**	**315**	**(1)**	**314**
Share of reinsurers in non-life annuity actuarial reserves carried forward (net of recoveries) before change in discount rate	315		315	315	(1)	315
Share of reinsurers in non-life annuity actuarial reserves carried forward (net of recoveries) excluding technical interest	323		323	323	(1)	322
Technical interest	(8)		(8)	(8)		(8)
Impact of change in discount rate	(1)		(1)	(1)		(1)

NOTE 26 – TECHNICAL LIABILITIES RELATING TO FINANCIAL CONTRACTS

In millions of euros	31.12.2018	31.12.2017
Reserves on financial contracts with discretionary profit sharing		
Life technical reserves	12,108	12,855
Reserves for unit-linked contracts	59	73
Outstanding claims reserves	104	107
Reserves for profit-sharing	223	553
Other underwriting reserves		1
Total	**12,495**	**13,588**
Reserves for financial contracts without discretionary profit-sharing		
Life technical reserve		
Reserves for unit-linked contracts	148	163
Outstanding claims reserves	1	1
Reserves for profit-sharing		
Other underwriting reserves		
Total	**148**	**165**
Total	**12,643**	**13,753**

NOTE 26.1 – LIABILITIES RELATED TO FINANCIAL CONTRACTS (EXCLUDING UNIT-LINKED ITEMS) - BY OPERATING SEGMENT

In millions of euros	31.12.2018			31.12.2017		
	In France	International	Total	In France	International	Total
Reserves on financial contracts - Life	10,238	1,870	12,108	11,040	1,814	12,855
Outstanding claims reserves	91	14	105	94	14	108
Profit-sharing reserves	223		223	553		553
Other underwriting reserves				1		1
Total	**10,553**	**1,884**	**12,436**	**11,689**	**1,828**	**13,517**

A more detailed approach was used in contract allocation, a transfer from the profit-sharing reserve was effected between technical liabilities relating to insurance policies to technical liabilities related to financial contracts.

NOTE 26.2 - BREAKDOWN OF LIABILITIES RELATED TO FINANCIAL CONTRACTS – BY MAJOR CATEGORY

In millions of euros	31.12.2018			31.12.2017		
	Reserves on financial contracts - Life	Gross outstanding claims reserves	Total	Reserves on financial contracts - Life	Gross outstanding claims reserves	Total
Single-premium policies						
Capitalisation	451	4	455	452	4	456
Individual insurance	11,083	82	11,165	11,864	84	11,948
Group policies	85		85	73		73
Other						
Total provisions for single-premium policies	**11,619**	**86**	**11,705**	**12,388**	**88**	**12,477**
Periodic premium policies						
Capitalisation	46	7	54	55	7	62
Individual insurance	276	12	287	281	13	294
Group policies	163		163	127		127
Other	3		3	3		3
Total reserves for periodic premium contracts	**488**	**19**	**508**	**466**	**20**	**486**
Inward reinsurance						
Total Life Insurance reserves	**12,108**	**105**	**12,213**	**12,855**	**108**	**12,963**

NOTE 27 – CHANGE IN ACTUARIAL RESERVES FOR LIFE INSURANCE POLICIES AND FINANCIAL CONTRACTS - BY OPERATING SEGMENT

In millions of euros	31.12.2018			31.12.2017		
	In France	International	Total	In France	International	Total
Opening actuarial reserves	**42,763**	**2,614**	**45,377**	**43,520**	**2,917**	**46,437**
Premiums for the year	1,749	260	2,009	1,730	307	2,037
Interest credited	242	30	271	225	35	260
Profit-sharing	739	23	762	684	23	707
Terms	(346)	(97)	(443)	(359)	(136)	(494)
Redemptions	(1,299)	(155)	(1,454)	(1,448)	(154)	(1,602)
Annuity arrears	(591)	(1)	(593)	(550)	(1)	(551)
Death benefits	(967)	(29)	(996)	(1,005)	(22)	(1,027)
Other movements including transfers	(264)	(14)	(279)	(36)	(355)	(390)
Closing actuarial reserves	**42,026**	**2,630**	**44,657**	**42,763**	**2,614**	**45,377**

NOTE 28 – DEFERRED PROFIT SHARING LIABILITIES

In millions of euros	31.12.2018			31.12.2017		
	In France	International	Total	In France	International	Total
Reserve for deferred profit sharing of insurance policies	3,746	10	3,757	4,891	17	4,909
Reserves for deferred profit-sharing of financial contracts		47	47		106	106
Total	**3,746**	**57**	**3,804**	**4,891**	**123**	**5,014**

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 at 31 December 2018 fall within a range between 74.52% and 88.03%, with 83.50% for Groupama Gan Vie.

NOTE 29 – LIABILITIES FROM INSURANCE OR INWARD REINSURANCE OPERATIONS

In millions of euros	31.12.2018				31.12.2017			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Policyholders, intermediaries, and other third parties	717	2		719	673	3		677
Co-insurers	97			97	49	55		104
Current accounts – ceding and retroceding companies	87			87	55	3		58
Total	**901**	**2**		**903**	**777**	**61**		**839**

NOTE 30 – LIABILITIES FROM OUTWARD REINSURANCE ACTIVITIES

In millions of euros	31.12.2018				31.12.2017			
	< 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)	268	12		280	315	5		320
Other liabilities from reinsurance activities	32	1		33	39	3		42
Total	**300**	**13**		**313**	**354**	**8**		**362**

(1) Including deposits received from reinsurers

NOTE 31 – CURRENT TAXES PAYABLE AND OTHER TAX LIABILITIES

In millions of euros	31.12.2018				31.12.2017			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Tax liabilities payable	6			6	16			16
Other liabilities with state and local authorities	157	1		158	161			161
Total	**163**	**1**		**164**	**177**			**177**

Tax liabilities payable totalled €6 million at 31 December 2018 in respect of foreign companies.

Other tax liabilities in respect of international subsidiaries totalled €34 million at 31 December 2018.

NOTE 32 – OTHER DEBTS

NOTE 32.1 – OTHER DEBTS – BY OPERATING SEGMENT

In millions of euros	31.12.2018			31.12.2017		
	In France	International	Total	In France	International	Total
Due to employees	341	7	347	321	7	327
Social welfare bodies	234	5	239	240	6	246
Other loans, deposits, and guarantees received	4,703	4	4,707	4,619	5	4,623
Other creditors	1,003	40	1,043	862	50	911
Other debts	240	27	267	263	24	287
Total	**6,520**	**83**	**6,603**	**6,304**	**92**	**6,396**

Note that the "Other loans, deposits, and guarantees received" item includes €4,600 million of in repo securities.

NOTE 32.2 – OTHER DEBT – BY MATURITY

In millions of euros	31.12.2018				31.12.2017			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Due to employees	323	7	17	347	309	4	15	327
Social welfare bodies	235	2	1	239	245	1		246
Other loans, deposits, and guarantees received	4,658	12	37	4,707	4,575	12	36	4,623
Other creditors	301	742		1,043	891	20		911
Other debts	267			267	287			287
Total	**5,784**	**763**	**55**	**6,603**	**6,308**	**37**	**51**	**6,396**

NOTE 32.3 - OTHER DEBT – BY CURRENCY AND RATE

In millions of euros	31.12.2018			
	Currency		Rates	
	Eurozone	Non-Eurozone	Fixed rate	Variable rate
Due to employees	345	2	347	
Social welfare bodies	239		239	
Other loans, deposits, and guarantees received	4,707		4,630	77
Other creditors	1,035	8	1,043	
Other debts	267		267	
Total	**6,593**	**10**	**6,525**	**77**

NOTE 33 – ANALYSIS OF PREMIUM INCOME

NOTE 33.1 – ANALYSIS OF INSURANCE PREMIUM INCOME BY MAJOR CATEGORY

In millions of euros	31.12.2018			31.12.2017		
	In France	International	Total	In France	International	Total
Individual retirement savings	1,826	458	2,284	1,739	529	2,268
Individual protection insurance	638	128	766	615	124	739
Individual health	1,273	59	1,332	1,258	63	1,321
Other	131		131	149		149
Individual life and health insurance	**3,868**	**645**	**4,513**	**3,760**	**717**	**4,477**
Group retirement savings	321	39	359	195	30	225
Group protection scheme	578	51	628	545	63	609
Group health	863	26	890	761	22	783
Other	315		315	291		291
Group life and health insurance	**2,076**	**116**	**2,192**	**1,792**	**115**	**1,907**
Life and health insurance	**5,944**	**761**	**6,705**	**5,552**	**832**	**6,384**
Motor	1,594	1,073	2,667	1,563	1,073	2,637
Other vehicles	91		91	95		95
Home	1,091	199	1,290	1,057	193	1,250
Personal and professional property damage	462	14	477	455	15	469
Construction	162		162	158		158
Private and professional	**3,400**	**1,286**	**4,686**	**3,327**	**1,281**	**4,608**
Fleets	449	53	501	449	20	469
Professional and local authority property damage	435	187	622	442	187	629
Businesses and local authorities	**884**	**240**	**1,123**	**891**	**207**	**1,098**
Agricultural risks	476	121	597	476	152	628
Climate risks	228		228	226		226
Tractors and farming equipment	289		289	282		282
Agricultural business lines	**992**	**121**	**1,114**	**985**	**152**	**1,137**
Other business lines	399	65	465	375	71	446
Property and casualty insurance	**5,676**	**1,712**	**7,388**	**5,578**	**1,710**	**7,288**
Total	**11,620**	**2,473**	**14,094**	**11,130**	**2,542**	**13,672**

NOTE 33.2 – ANALYSIS OF BANKING ITEMS CONTRIBUTING TO PREMIUM INCOME

In millions of euros	31.12.2018	31.12.2017
Interest and related income		
Commissions (income)	166	143
Gains on financial instruments at fair value through income		
Gains on available-for-sale financial assets	1	1
Income from other activities	2	3
Total	**169**	**147**

Income from financial business activities shown in the combined financial statements corresponds to banking income before taking refinancing costs into account.

NOTE 33.3 - ANALYSIS OF PREMIUM INCOME – BY BUSINESS

In millions of euros	31.12.2018					31.12.2017				
	Life and health insurance	Property and casualty insurance	Financial businesses	Total	Share %	Life and health insurance	Property and casualty insurance	Financial businesses	Total	Share %
in France	5,944	5,676	169	11,789	83%	5,552	5,578	147	11,277	82%
Southern Europe	551	1,334		1,885	13%	622	1,353		1,975	14%
CEEC	210	379		589	4%	210	357		567	4%
Total	**6,705**	**7,388**	**169**	**14,263**	**100%**	**6,384**	**7,288**	**147**	**13,819**	**100%**

The geographic areas are broken down as follows:

- France;
- Southern Europe: Italy, Greece and Turkey
- Central and Eastern European Countries (CEEC): Bulgaria, Hungary and Romania.

NOTE 34 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES

NOTE 34.1 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES – BY OPERATING SEGMENT

In millions of euros	31.12.2018			31.12.2017		
	In France	International	Total	In France	International	Total
Interest on deposits and financial investments income	1,781	211	1,992	1,804	220	2,024
Gains on foreign exchange transactions	48	10	57	45	10	56
Income from differences on redemption prices as yet not received (premium/discount)	111	3	114	104	3	107
Property income	115		115	119		119
Other investment income						
Investment income	**2,055**	**223**	**2,278**	**2,073**	**233**	**2,306**
Interest received from reinsurers	(1)		(1)	(3)		(4)
Losses on foreign exchange transactions	(31)	(8)	(39)	(56)	(8)	(64)
Amortisation of differences on redemption prices (premium/discount)	(230)	(29)	(258)	(252)	(32)	(284)
Impairment and reserves on property	(64)	(1)	(66)	(67)	(4)	(71)
Management expenses	(333)	(15)	(347)	(336)	(12)	(348)
Investment expenses	**(659)**	**(53)**	**(712)**	**(714)**	**(56)**	**(771)**
Held for trading	(55)	13	(42)	(10)		(10)
Available-for-sale	194	6	199	246	20	266
Held to maturity						
Other	350	1	351	231	1	232
Capital gains (losses) from sales of investments, net of impairment reversals and write-backs	**488**	**20**	**508**	**467**	**21**	**488**
Held for trading	(118)	(33)	(151)	6	15	21
Derivatives	63		62	129		129
Adjustments on unit-linked policies	(708)	(22)	(730)	507	16	523
Change in fair value of financial instruments recognised at fair value through profit or loss	**(763)**	**(55)**	**(818)**	**642**	**31**	**673**
Available-for-sale	(9)	(1)	(10)	(13)		(13)
Held to maturity						
Receivables and loans	1		1	4		4
Change in impairment on financial instruments	**(8)**	**(1)**	**(9)**	**(9)**		**(9)**
Total	**1,113**	**135**	**1,248**	**2,459**	**228**	**2,688**

NOTE 34.2 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES (INCOME BREAKDOWN BY TYPE OF ASSET)

In millions of euros	31.12.2018					31.12.2017				
	Income and expenses	Proceeds from divestment (*)	Fair value measure ment	Change in reserves	Total	Income and expenses	Proceeds from divestment (*)	Fair value measure ment	Change in reserves	Total
Property	60	351		(10)	401	63	232		(15)	280
Equities	57	62		(5)	114	60	151		(13)	199
Bonds	1,434	68	(51)	(5)	1,446	1,475	28	20		1,522
Equity mutual funds	145	66	(62)		149	108	72	1		180
Mutual funds: Cash from repurchase agreements		(15)	(2)		(17)		(15)	(1)		(16)
Other cash mutual funds		(9)	(3)		(12)		(7)	(1)		(8)
Bond mutual funds	54	(22)	(50)		(19)	63	21	33		117
Derivatives			62		62			129		129
Other investment income	215	7	18	1	241	197	5	(30)	4	175
Investment income	**1,964**	**508**	**(88)**	**(19)**	**2,366**	**1,966**	**488**	**150**	**(24)**	**2,580**
Internal and external management costs	(337)				(337)	(332)				(332)
Other investment expenses	(52)				(52)	(83)				(83)
Investment expenses	**(388)**				**(388)**	**(416)**				**(416)**
Financial income net of expenses	**1,576**	**508**	**(88)**	**(19)**	**1,977**	**1,550**	**488**	**150**	**(24)**	**2,164**
Capital gains on securities representing unit-linked policies			344		344			644		644
Capital losses on securities representing unit-linked policies			(1,074)		(1,074)			(121)		(121)
Adjustments on unit-linked policies			**(730)**		**(730)**			**523**		**523**
Total	**1,576**	**508**	**(818)**	**(19)**	**1,248**	**1,550**	**488**	**673**	**(24)**	**2,688**

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

NOTE 34.2.1 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES (INCOME BREAKDOWN BY TYPE OF ASSET) – FRANCE

In millions of euros	31.12.2018					31.12.2017				
	Income and expenses	Proceeds from divestment (*)	Fair value measure-ment	Change in reserves	Total	Income and expenses	Proceeds from divestment (*)	Fair value measure-ment	Change in reserves	Total
Property	61	350		(10)	400	65	231		(12)	284
Equities	56	60		(4)	111	60	150		(13)	196
Bonds	1,266	65	(50)	(5)	1,276	1,297	15	20		1,332
Equity mutual funds	138	49	(39)		148	101	68	(21)		148
Mutual funds: Cash from repurchase agreements		(15)	(2)		(17)		(15)	(1)		(16)
Other cash mutual funds		(9)	(3)		(12)		(7)	(1)		(7)
Bond mutual funds	49	(17)	(48)		(17)	58	21	33		112
Derivatives			63		63			129		129
Other investment income	200	6	25	1	232	186	3	(23)	4	170
Investment income	**1,771**	**488**	**(55)**	**(18)**	**2,186**	**1,766**	**467**	**135**	**(21)**	**2,348**
Internal and external management costs	(329)				(329)	(324)				(324)
Other investment expenses	(36)				(36)	(71)				(71)
Investment expenses	**(365)**				**(365)**	**(395)**				**(395)**
Financial income net of expenses	**1,406**	**488**	**(55)**	**(18)**	**1,821**	**1,371**	**467**	**135**	**(21)**	**1,952**
Capital gains on securities representing unit-linked policies			337		337			618		618
Capital losses on securities representing unit-linked policies			(1,045)		(1,045)			(111)		(111)
Adjustments on unit-linked policies			**(708)**		**(708)**			**507**		**507**
Total	**1,406**	**488**	**(763)**	**(18)**	**1,113**	**1,371**	**467**	**642**	**(21)**	**2,459**

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

NOTE 34.2.2 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES (INCOME BREAKDOWN BY TYPE OF ASSET) – INTERNATIONAL

In millions of euros	31.12.2018					31.12.2017				
	Income and expenses	Proceeds from divestment (*)	Fair value measure-ment	Change in reserves	Total	Income and expenses	Proceeds from divestment (*)	Fair value measure-ment	Change in reserves	Total
Property	(2)	1			0	(2)	1		(2)	(3)
Equities	1	2	(1)		3	1	2			3
Bonds	168	3	(1)		170	178	13			191
Equity mutual funds	6	18	(23)		1	7	3	22		32
Mutual funds: Cash from repurchase agreements										
Other cash mutual funds		(1)			(1)					(1)
Bond mutual funds	5	(5)	(2)		(2)	5				5
Derivatives										
Other investment income	15	2	(7)		9	10	2	(7)		6
Investment income	**193**	**20**	**(33)**		**180**	**199**	**21**	**15**	**(2)**	**232**
Internal and external management costs	(8)				(8)	(8)				(8)
Other investment expenses	(15)				(15)	(12)				(12)
Investment expenses	**(23)**				**(23)**	**(20)**				**(20)**
Financial income net of expenses	**170**	**20**	**(33)**		**157**	**179**	**21**	**15**	**(2)**	**212**
Capital gains on securities representing unit-linked policies			7		7			26		26
Capital losses on securities representing unit-linked policies			(29)		(29)			(10)		(10)
Adjustments on unit-linked policies			**(22)**		**(22)**			**16**		**16**
Total	**170**	**20**	**(55)**		**135**	**179**	**21**	**31**	**(2)**	**228**

(*) 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	31.12.2018			31.12.2017		
	In France	International	Total	In France	International	Total
Claims						
Paid to policyholders	(9,746)	(1,751)	(11,497)	(9,543)	(1,852)	(11,396)
Change in technical reserves						
Outstanding claims reserves	(283)		(283)	(692)	157	(535)
Actuarial reserves	1,952	24	1,976	1,840	34	1,874
Unit-linked reserves	137	33	169	(896)	(62)	(957)
Profit-sharing	(1,156)	(52)	(1,209)	(1,304)	(90)	(1,394)
Other underwriting reserves	34	(6)	28	(43)	(2)	(44)
Total	**(9,062)**	**(1,753)**	**(10,815)**	**(10,637)**	**(1,814)**	**(12,452)**

NOTE 35.2 – INSURANCE POLICY SERVICING EXPENSES BY BUSINESS

NOTE 35.2.1 – INSURANCE POLICY SERVICING EXPENSES BY BUSINESS – FRANCE

In millions of euros	31.12.2018			31.12.2017		
	Property and casualty insurance	Life and health insurance	Total	Property and casualty insurance	Life and health insurance	Total
Claims						
Paid to policyholders	(3,725)	(6,021)	(9,746)	(3,537)	(6,006)	(9,543)
Change in technical reserves						
Outstanding claims reserves	(180)	(103)	(283)	(603)	(89)	(692)
Actuarial reserves		1,952	1,952		1,840	1,840
Unit-linked reserves		137	137		(896)	(896)
Profit-sharing	(1)	(1,155)	(1,156)		(1,304)	(1,304)
Other underwriting reserves	16	18	34	(9)	(34)	(43)
Total	**(3,890)**	**(5,172)**	**(9,062)**	**(4,150)**	**(6,487)**	**(10,637)**

NOTE 35.2.2 – INSURANCE POLICY SERVICING EXPENSES BY BUSINESS – INTERNATIONAL

In millions of euros	31.12.2018			31.12.2017		
	Property and casualty insurance	Life and health insurance	Total	Property and casualty insurance	Life and health insurance	Total
Claims						
Paid to policyholders	(1,136)	(614)	(1,751)	(1,238)	(615)	(1,852)
Change in technical reserves						
Outstanding claims reserves	22	(22)	0	174	(17)	157
Actuarial reserves		24	24		34	34
Unit-linked reserves		33	33		(62)	(62)
Profit-sharing		(52)	(52)		(90)	(90)
Other underwriting reserves	(3)	(3)	(6)	3	(5)	(2)
Total	**(1,117)**	**(636)**	**(1,753)**	**(1,060)**	**(754)**	**(1,814)**

NOTE 36 – OUTWARD REINSURANCE INCOME (EXPENSES)

NOTE 36.1 – OUTWARD REINSURANCE INCOME (EXPENSES) – BY OPERATING SEGMENT

In millions of euros	31.12.2018						
	In France			International			Total
	Property and casualty insurance	Life and health insurance	Total	Property and casualty insurance	Life and health insurance	Total	
Acquisition and administrative costs	13	6	19	18		19	38
Claims charges	(17)	62	46	20	3	24	69
Change in technical reserves	5	(3)	2				2
Profit-sharing		5	5				4
Change in the equalisation reserve							
Income from outward reinsurance	**2**	**70**	**72**	**39**	**3**	**42**	**114**
Outward premiums	(298)	(92)	(390)	(117)	(4)	(121)	(511)
Change in unearned premiums	2		2	(1)		(1)	1
Expenses on outward reinsurance	**(296)**	**(92)**	**(388)**	**(118)**	**(4)**	**(121)**	**(510)**
Total	**(294)**	**(23)**	**(317)**	**(79)**	**0**	**(79)**	**(396)**

In millions of euros	31.12.2017						
	In France			International			Total
	Property and casualty insurance	Life and health insurance	Total	Property and casualty insurance	Life and health insurance	Total	
Acquisition and administrative costs	36	7	43	25		25	68
Claims charges	414	61	475	2	3	5	480
Change in technical reserves	(106)	8	(98)				(98)
Profit-sharing							
Change in the equalisation reserve							
Income from outward reinsurance	**344**	**76**	**420**	**27**	**3**	**30**	**450**
Outward premiums	(288)	(94)	(383)	(144)	(4)	(148)	(531)
Change in unearned premiums				3		3	3
Expenses on outward reinsurance	**(288)**	**(94)**	**(382)**	**(142)**	**(3)**	**(145)**	**(528)**
Total	**56**	**(18)**	**37**	**(115)**	**0**	**(115)**	**(77)**

NOTE 37 – OPERATING EXPENSES

NOTE 37.1 – OPERATING EXPENSES – BY OPERATING SEGMENT

In millions of euros	31.12.2018			31.12.2017		
	In France	International	Total	In France	International	Total
External expenses	(784)	(85)	(869)	(754)	(86)	(841)
Taxes other than income taxes	(238)	(26)	(264)	(237)	(24)	(260)
Personnel expenses	(1,646)	(146)	(1,793)	(1,621)	(150)	(1,771)
Commissions	(682)	(403)	(1,085)	(645)	(398)	(1,043)
Allocations to depreciation and provisions (net of write-backs)	(108)	(25)	(133)	(94)	(27)	(120)
Other expenses	(87)	(36)	(123)	(102)	(47)	(149)
Total operating expenses by nature	**(3,545)**	**(721)**	**(4,266)**	**(3,454)**	**(731)**	**(4,185)**

The company receives the tax credit for competitiveness and employment, calculated at 6% in accordance with Article 244, subsection c of the French General tax Code. For fiscal 2018, this credit totalled €28million.

The tax credit was used to fund:
- improvements to Group businesses' competitiveness through investment in lead generation, improving customer satisfaction and better technical analysis and management procedures;
- IT development and processes entailing use of new technologies;
- staff training;
- actions related to sustainability.

NOTE 37.2 – OPERATING EXPENSES BY BUSINESS SECTOR

In millions of euros	31.12.2018			31.12.2017		
	Insurance	Financial businesses	Total	Insurance	Financial businesses	Total
External expenses	(827)	(41)	(869)	(800)	(41)	(841)
Taxes other than income taxes	(258)	(6)	(264)	(254)	(6)	(260)
Personnel expenses	(1,732)	(60)	(1,793)	(1,712)	(60)	(1,771)
Commissions	(1,085)		(1,085)	(1,043)		(1,043)
Allocations to depreciation and provisions (net of write-backs)	(129)	(4)	(133)	(117)	(3)	(120)
Other expenses	(111)	(13)	(123)	(138)	(11)	(149)
Total operating expenses by nature	**(4,142)**	**(124)**	**(4,266)**	**(4,065)**	**(120)**	**(4,185)**

Note 37.3 – Breakdown of employee expenses

In millions of euros	31.12.2018	31.12.2017
Salaries	(1,020)	(1,002)
Social security expenses	(439)	(442)
Post-employment benefits		
Defined contribution plans	(107)	(106)
Defined benefit plans	(12)	(11)
Anniversary days and employee awards	(3)	(5)
Other personnel benefits	(212)	(206)
Annual salary expenses	**(1,793)**	**(1,771)**

At 31 December 2018, the gross annual remuneration (including benefits in kind) paid to members of the Groupama Assurances Mutuelles Senior Management was €7.1 million. As regards the pension plan, the total commitment at 31 December 2018 amounted to €17.2 million.

NOTE 38 – POLICY ACQUISITION COSTS

NOTE 38.1 - POLICY ACQUISITION COSTS – BY OPERATING SEGMENT

In millions of euros	31.12.2018			31.12.2017		
	In France	International	Total	In France	International	Total
Commissions	(393)	(351)	(744)	(366)	(345)	(711)
Change in deferred acquisition costs	3	3	6	(2)	(2)	(4)
Other expenses	(1,104)	(96)	(1,200)	(1,075)	(89)	(1,164)
Total	**(1,494)**	**(443)**	**(1,937)**	**(1,442)**	**(437)**	**(1,879)**

NOTE 38.2 – POLICY ACQUISITION COSTS BY BUSINESS

NOTE 38.2.1 – POLICY ACQUISITION COSTS BY BUSINESS – FRANCE

In millions of euros	31.12.2018			31.12.2017		
	Property and casualty insurance	Life and health insurance	Total	Property and casualty insurance	Life and health insurance	Total
Commissions	(318)	(75)	(393)	(303)	(63)	(366)
Change in deferred acquisition costs	4	(1)	3	4	(6)	(2)
Other expenses	(619)	(485)	(1,104)	(610)	(465)	(1,075)
Total	**(933)**	**(561)**	**(1,494)**	**(909)**	**(534)**	**(1,442)**

NOTE 38.2.2 – POLICY ACQUISITION COSTS BY BUSINESS – INTERNATIONAL

In millions of euros	31.12.2018			31.12.2017		
	Property and casualty insurance	Life and health insurance	Total	Property and casualty insurance	Life and health insurance	Total
Commissions	(271)	(80)	(351)	(262)	(84)	(345)
Change in deferred acquisition costs	4	(1)	3	(1)	(1)	(2)
Other expenses	(72)	(23)	(96)	(65)	(24)	(89)
Total	**(339)**	**(104)**	**(443)**	**(328)**	**(109)**	**(437)**

NOTE 39 – ADMINISTRATIVE COSTS

NOTE 39.1 - ADMINISTRATIVE COSTS – BY OPERATING SEGMENT

In millions of euros	31.12.2018			31.12.2017		
	In France	International	Total	In France	International	Total
Commissions	(78)	(18)	(96)	(67)	(24)	(92)
Other expenses	(278)	(112)	(390)	(263)	(120)	(383)
Total	(356)	(130)	(486)	(330)	(144)	(474)

NOTE 39.2 – ADMINISTRATIVE COSTS BY BUSINESS

NOTE 39.2.1 – ADMINISTRATIVE COSTS BY BUSINESS – FRANCE

In millions of euros	31.12.2018			31.12.2017		
	Property and casualty insurance	Life and health insurance	Total	Property and casualty insurance	Life and health insurance	Total
Commissions	(45)	(33)	(78)	(45)	(22)	(67)
Other expenses	(181)	(97)	(278)	(172)	(90)	(263)
Total	**(226)**	**(129)**	**(356)**	**(218)**	**(112)**	**(330)**

NOTE 39.2.2 – ADMINISTRATIVE COSTS BY BUSINESS – INTERNATIONAL

In millions of euros	31.12.2018			31.12.2017		
	Property and casualty insurance	Life and health insurance	Total	Property and casualty insurance	Life and health insurance	Total
Commissions	(12)	(6)	(18)	(16)	(8)	(24)
Other expenses	(77)	(35)	(112)	(80)	(40)	(120)
Total	**(89)**	**(41)**	**(130)**	**(97)**	**(47)**	**(144)**

NOTE 40 – OTHER INCOME AND EXPENSES FROM CURRENT OPERATIONS

In millions of euros	31.12.2018			31.12.2017		
	In France	International	Total	In France	International	Total
Commissions and other operating expenses, Life	(338)	(9)	(347)	(321)	(11)	(331)
Employee profit sharing, Life	(1)		(1)	(3)		(3)
Other operating income, Life	3	7	10	3	8	11
Transfer of operating expenses and capitalised production, Life	14		14	16		16
Total income and expenses from current operations, Life	**(322)**	**(2)**	**(325)**	**(305)**	**(3)**	**(307)**
commissions and other operating expenses, Non-life	(382)	(73)	(454)	(399)	(73)	(472)
Employee profit sharing, Non-life	(1)		(1)	(2)		(2)
Other operating income, Non-life	69	3	72	65	3	67
Transfer of operating expenses and capitalised production, Non-life	38		38	28		28
Total income and expenses from current operations, Non-life	**(276)**	**(70)**	**(346)**	**(309)**	**(70)**	**(379)**
Other non-operating expenses	(243)	(17)	(260)	(253)	(22)	(274)
Other non-operating income	61	16	77	64	20	85
Total income and expenses from current operations, Non-operating	**(182)**	**(1)**	**(184)**	**(188)**	**(1)**	**(190)**
Total income and expenses from current operations, Banking						
Total	**(781)**	**(73)**	**(854)**	**(802)**	**(74)**	**(876)**

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

In millions of euros	31.12.2018			31.12.2017		
	In France	International	Total	In France	International	Total
Income from non-current operations	123	12	135	66		66
Expenses from non-current operations	(114)	(36)	(150)	(173)	(21)	(194)
Allocation to the reserve for goodwill					(58)	(58)
Other						
Total	**10**	**(24)**	**(15)**	**(107)**	**(79)**	**(186)**

This item comprises:

- Amortisation of securities in portfolio totalling €16 million at 31 December 2018;
- IT project costs of €18 million at 31 December 2018.

NOTE 42 – FINANCING EXPENSES

In millions of euros	31.12.2018	31.12.2017
Redeemable subordinated securities	(85)	(88)
Perpetual subordinated bonds		
Other financing expenses	(1)	(1)
Total	**(85)**	**(89)**

NOTE 43 – BREAKDOWN OF TAX EXPENSES

NOTE 43.1 – BREAKDOWN OF TAX EXPENSES BY OPERATING SEGMENT

In millions of euros	31.12.2018			31.12.2017		
	In France	International	Total	In France	International	Total
Current taxes	(75)	(7)	(82)	(110)	(16)	(126)
Deferred taxes	(99)	7	(92)	10	(7)	3
Total	**(174)**	**0**	**(174)**	**(100)**	**(23)**	**(123)**

The Group underwent a tax inspection in 2010. Reserves were set aside for all accepted assessments in 2010. In 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 grounds for the tax adjustments are highly questionable and has prepared technical arguments for a litigation process.

NOTE 43.2 – RECONCILIATION BETWEEN TOTAL ACCOUNTING TAX EXPENSE AND THEORETICAL TAX EXPENSE CALCULATIONS

In millions of euros	31.12.2018	31.12.2017
Theoretical tax expense	**(222)**	**(95)**
Impact of expenses or income defined as non-deductible or non-taxable	61	(108)
Impact of differences in tax rate	(11)	79
Tax credit and various charges		1
Charges of prior deficits		
Losses for the fiscal year not capitalised		
Deferred tax assets not accounted for		
Other differences	(2)	
Effective tax expense	**(174)**	**(123)**

Total income tax (deferred tax plus corporate tax) was €174 million at 31 December 2018, compared with €123 million at 31 December 2017.

The variance between the two years is mainly attributable to the change in “non-deductible or non-taxable expenses and income” and the change in “impact of exchange rate differences”.

The reconciliation with the theoretical statutory tax is as follows:

In millions of euros	31.12.2018		31.12.2017	
	Consolidated income (losses) before tax	Theoretical tax rate	Consolidated income (losses) before tax	Theoretical tax rate
in France	609	current taxes: 34.43% deferred taxes: 32.02%	350	34.43%
Bulgaria	1	10.00%	1	10.00%
China	4	25.00%	6	25.00%
Greece	15	28.00%	13	29.00%
Hungary	25	9.00%	17	9.00%
Italy	(54)	30.82%	52	30.82%
Portugal			(2)	22.50%
Romania	2	16.00%	10	16.00%
United Kingdom		19.00%	13	19.25%
Tunisia	1	30.00%	1	30.00%
Turkey	21	22.00%	(47)	20.00%
Total	**624**		**413**	

The theoretical tax rate applicable in France remains 34.43% on current taxes and becomes 32.02% on deferred taxes. It is emphasised that within France, deferred taxation has been determined including the gradual reduction in corporation tax rates to 25.82% by 2022.

Theoretical tax rates remained unchanged over the period.

OTHER INFORMATION

NOTE 44 – EMPLOYEES OF CONSOLIDATED COMPANIES

In number of people	31.12.2018			31.12.2017
	Insurance	Financial businesses	Total	Total
in France	23,922	287	24,209	24,089
Italy	791		791	796
Hungary	1,684		1,684	1,855
Greece	284		284	302
Romania	1,527		1,527	1,548
Other EU	200		200	194
Outside EU	431		431	490
Total employees of consolidated companies	**28,839**	**287**	**29,126**	**29,274**

Headcount is rising in France, mainly in subsidiaries, while it is declining internationally.

NOTE 45 – COMMITMENTS GIVEN AND RECEIVED

In millions of euros	31.12.2018	31.12.2017
Endorsements, securities, and guarantees received	34	86
Other commitments received	871	850
Total commitments received, excluding reinsurance	**904**	**936**
Reinsurance commitments received	**542**	**477**
Endorsements, bonds, and guarantees given	315	302
Other commitments related to stock, assets or income	788	488
Other commitments given	1,809	1,021
Total commitments given excluding reinsurance	**2,912**	**1,812**
Reinsurance commitments given	**3,607**	**3,762**
Securities belonging to mutuals		
Other securities held on behalf of third parties		

Endorsements, securities, and guarantees received totalled €34 million.

Other commitments received excluding reinsurance at €871 million are mainly the following items:

- The €750 million line of credit established with HSBC in December 2014 and not used as at 31 December 2018.
- Securities received as collateral under the collateralisation mechanism put in place to guarantee unrealised gains or losses on derivatives are also recorded as off-balance-sheet commitments, reflected in the financial statements as €77m of commitments received in respect of bonds.

Endorsements, securities and guarantees given totalled €315 million, consisting largely of the following transactions:

- General guarantees granted in respect of the Groupama Banque shares contributed to Compagnie Financière d'Orange Bank worth €75m;
- Guarantee given under the sale of Groupama Seguros for €81m.
- Guarantee given under the sale of Carole Nash worth €95m.
- Guarantee for €11 million given as part of the sale of Groupama Seguros de Vida Portugal.

Other commitments on securities, assets or income consist of subscriptions to venture capital funds ("FCPR"). The remaining €788 million equates to the difference between the investment commitment of the subscribers and the total of calls for funds actually received.

Other commitments given amounted to €1,809 million. They mostly consist of the following elements:

- Securities given as collateral under the collateralisation mechanism put in place to guarantee unrealised gains or losses on derivatives are also recorded as off-balance-sheet commitments, reflected in the financial statements as €577m of commitments given in respect of hedging unrealised gains or losses on financial futures instruments;

- Provisional sales agreements of €659m mainly at the Groupama Gan Vie subsidiary;

- Commitments worth €376m on property leases (on rent as yet unpaid up to the end of the lease to landlords external to the group);

- Commitments given on ordering property building works worth €66m, mainly at Groupama Gan Vie and subsidiary SCI Gan Foncier;

- As part of the launch of mutual certificates, general meetings at regional mutuals passed motions to permit the issue of €682m. At 31 December 2018, €125 million of this authority was as yet unissued by regional mutuals. Furthermore, it is advisable to note the maximum amount of mutual certificates able to be bought is set at 10% of the total mutual certificates.

Unvalued commitments

Groupama Holding Filiales et Participations, in its capacity as main shareholder, undertakes to give Cofintex 6 the financial support necessary for the normal continuation of its business, in accordance with the notion of continuity of operations. The commitment runs until 28 May 2019.

Trigger clauses:

Groupama Assurances Mutuelles:

In conjunction with issues of subordinated instruments (redeemable subordinated securities and perpetual subordinated bonds), Groupama Assurances Mutuelles has trigger clauses on coupon payments:

- Groupama Assurances Mutuelles is entitled to defer payment of interest on the October 2009 redeemable subordinated securities of €500 million should the Group solvency margin (SCR/MCR) fall below 100%;

- Groupama Assurances Mutuelles is prohibited from paying interest in the event of a regulatory shortfall on the October 2017 redeemable subordinated securities of €650 million should the Group solvency margin (SCR/MCR) fall below 100%;

- Groupama Assurances Mutuelles is prohibited from paying interest in the event of a regulatory shortfall on the October 2018 redeemable subordinated securities of €500 million should the Group solvency margin (SCR/MCR) fall below 100%.

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, foreign exchange and property. 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 process within the Group, complete the system. All these policies are approved by the Groupama Assurances Mutuelles 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.
Group entities formalise their risk management policy and various risk policies in line with the Group's policies and on the basis of their risk profile, organisation and operating country. The service (or resource), distribution, and financial subsidiaries implement a risk management system in accordance with the rules applicable to their activities, consistent with the framework established by the Group.

Implementation of a consistent risk management system within the Group is ensured by:

- definition of standards and a structuring framework for analysis and control of risks;
- support to the entities in 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 mechanism has also used the ORSA (Own Risk and Solvency Assessment) process, shown by the production of an annual report. In fact, this exercise, aimed at evaluating risks and solvency, is conducted for every Group entity and at the consolidated level, each report being ratified by the Board of the entity concerned and communicated to the regulator.

Risks are identified according to the Group classifications defined by risk area – operational, life insurance, non-life insurance, and financial – common to all Group entities and incorporating the Solvency II risk classification. Each major (Group and entity) risk is assigned a risk "owner" responsible for monitoring and controlling the risk consistent with the standards defined by the Group. Risk owners set up risk control plans implemented within the Group's entities.

At Group level, risks related to insurance business lines are in particular monitored by the Groupama Assurances Mutuelles and Groupama Gan Vie Business Departments specialising in the area 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 Assurances Mutuelles business departments, support departments or subsidiaries, specialising in the area in question.

Operationally, the internal control system of the entities and Groupama Supports & Services joint venture is organised around three complementary systems:

- risk management and permanent control/compliance of each entity;
- internal or operational auditing of each entity;
- the Group Risk Management and Permanent Control/Compliance Department as well as the Group General Audit Department, reporting to Groupama Assurances Mutuelles Senior Management, which direct and coordinate the Auditing and Risk & Control functions within the Group.

Several bodies are responsible for Group-level risk monitoring governance:

- The Group Risk Committee: composed of the members of the Group Executive Committee and the manager of the key Risk Management function; its role is to approve the risk management policy, particularly by setting the limits of risks and approving the measures used to manage risks, and to supervise the management of major Group risks.
- 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 depending on the areas concerned of the representatives from the Groupama Assurances Mutuelles Business and Support departments (Group Actuarial department, Group Financial Control department, Investments, etc.), France Subsidiaries/International Subsidiaries department, and Asset Management subsidiaries;
- The Capital Management Committee: composed of the Deputy CEO; the Chief Financial Officer; the Director of Risk Management, Control and Compliance; the Reinsurance Director, the Investment Directors; the Finance Director, the Solvency II Director and a representative of the international department in charge of monitoring international subsidiaries.

Similar mechanisms are in place at the entity level.

In addition, a committee for the implementation and sharing objectives, decisions and best practice between Group entities has been put in place. This Audit, Risk & Control operational implementation committee (called "Comop ARC") is run by the Risk Management, Control and Compliance department and the Group General Audit department. Its members are 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 its Senior 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, Control and Compliance Department supports the regional mutuals in monitoring and implementing group standards.

All of the Risk Management and Permanent Control/Compliance Managers from regional mutuals are also part of this plan and meet regularly at information exchange and best practices forums (workgroups, theme-based workshops and training), run by the Group Risk Management, Control and Compliance Department; work relating to the implementation of Pillar 2 of Solvency II is also handled there.

Regional mutuals are reinsured under an exclusive reinsurance agreement between them and Groupama Assurances Mutuelles (general reinsurance regulations). The general reinsurance regulations of the regional mutuals are one of the main risk management mechanisms. The principles and rules of reinsurance are set out in the reinsurance policies of the Group and entities.

For risks related to the distribution of banking products and life insurance, the regional mutuals apply the risk management procedures defined by Orange Bank and Groupama Gan Vie, in conjunction with the Risk Management, Control and Compliance Department.

1.2 Groupama Assurances Mutuelles and its subsidiaries

Subsidiary risk is monitored in three ways:

- inter-company monitoring by the Groupama Assurances Mutuelles business, functional and support departments specialising in the area in question, as indicated above;
- On-going monitoring by departments in 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 Senior Management for the life insurance subsidiary and the distribution subsidiaries Gan Patrimoine and Gan Prévoyance;
    - International Subsidiaries Department for foreign subsidiaries;
- monitoring by each subsidiary or Groupama Assurances Mutuelles joint venture as part of the responsibility of its officers and in accordance with Group standards. Following the example of the regional mutuals, the Risk Management, Control and Compliance Department supports Groupama Assurances Mutuelles and its subsidiaries in monitoring and implementing the internal control and risk management procedure. As regards Groupama Gan Vie more particularly, the regulatory and environment management committee address all of its compliance issues.

All of the Risk and internal control managers from French and international subsidiaries are part of the plan and meet regularly at information exchange and best practices forums (workgroups, theme-based workshops and training), run by the Group Risk Management, Control and Compliance Department.

The Groupama Assurances Mutuelles Board of Directors, with the assistance of the Audit and Risk 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, risk monitoring, and reviews of internal audit work.

Lastly, the Board of Directors, particularly through the Groupama Assurances Mutuelles Audit and Risk Committee, is included in the Group's various tasks for the application of the Solvency II directive, including work relating to ORSA particularly with the validation of stress scenario assumptions and the examination of the ORSA report for ratification by the board of directors.

1.3 Group

The Group General Audit Department conducts several types of audit, including an overall economic and financial audit of the main Group entities every three years, this being in addition to operational audits conducted within entities, audit assignments on Groupama Assurances Mutuelles processes and on Group cross-functional processes, and lastly audit assignments conducted on behalf of some entities under the mutualisation of the key Audit function at Groupama Assurances Mutuelles. The audit schedule of the Group General Audit Department is confirmed by the Senior Management of Groupama Assurances Mutuelles and approved by the Groupama Assurances Mutuelles Audit and Risk Committee and the Board of Directors of Groupama Assurances Mutuelles. Every audit assignment involves a review of the risk and internal control system for the activity or entity audited; a report is prepared on the assignment presenting the observations, conclusions and recommendations to the Groupama Assurances Mutuelles Senior Management. A regular summary is presented to the Audit and Risk Committee. A quarterly report on the progress of the recommendations is given to the Groupama Assurances Mutuelles Board of Directors and its Audit and Risk Committee.

The Group Risk Management and Permanent Control/Compliance functions are responsible for ensuring that all Group entities comply with Senior Management's requirements in terms of the internal control and risk management system, as well as those of Solvency II, Pillar 2.

As regards risk management, the Group Risk Department works more specifically in areas related to financial and insurance risks, and risks connected to the Group's solvency; the Operational Risk and Permanent Control Department works more particularly in areas related to the management of operational risks, and the key role in Groupama Assurances Mutuelles' compliance, i.e. the Group Compliance Manager, works in fields connected to the non-compliance and image-related risks. Within this framework, these departments, according to their area of responsibility:

- assist administrative and Senior Management bodies in defining:
  - risk strategy;
  - the core components of the risk management system;
- are responsible for implementing and coordinating 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 cases of major risks threatening the Group's solvency;
- lead the risk committees;
- head working parties 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;
- definition of the process for setting the Group's risk tolerance (risk limits);
- monitoring the Group's major insurance and financial risks;
- assessment and rating of insurance and financial risks, including sensitivity analyses and stress tests;
- implementing the ORSA process (Own Risk and Solvency Assessment: internal assessment by the company of its risks and its solvency situation);
- supporting Group entities in adapting the risk management system.

The Group Operational Risk Management and Permanent Control Department is tasked with:

- 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 base 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 at the Groupama Assurances Mutuelles entity;
- defining the business continuity policy (BCP) and overseeing the system within the entities;
- ensuring data quality, in terms of governance and control plan;
- supervising internal ratification of the internal model;
- supporting the Group's entities in adapting their operational risk management, permanent control and compliance systems (management, coordination, facilitation, information, and training);
- reporting on the status of the Group's Internal Control system, for the purposes of communication to governance bodies and the appropriate supervisory authorities by the Group's Director of Risk Management, Control and Compliance.

The key role in verifying Groupama Assurances Mutuelles' compliance, i.e. the Group Compliance Manager, is more specifically tasked with:

- preparing the Group Compliance Policy. The Compliance Manager is involved in drafting the Group remuneration policy, governance policy, and product surveillance policy, in conjunction with the relevant Groupama Assurances Mutuelles departments.
- coordinating the compliance function generally and the various compliance managers by acting, where necessary, as a conduit for legal, regulatory and jurisprudential intelligence prepared by the Group Legal Department;
- regularly checking that local policies, and implementations, comply with Group policies and procedures. (Group Legal Department ensures compliance with French laws and regulations);
- identifying, assessing, supervising and monitoring exposure to businesses' non-compliance risks (risk map, dashboards, risk sheets, etc.);
- assisting business departments in drafting the level 1 control plans to strengthen management of non-compliance risk; drawing up the level 2 control plans;
- implementing and supervising, in conjunction with all Group businesses, the prevention, identification and management of conflicts of interest;
- helping in drawing up replies to supervisory authorities, with the Group Legal Department and relevant departments and entities;
- reporting to governance bodies at Group and entity level on management of non-compliance risk.

Each Group entity has Risk Management, Control and Compliance functions.

Defining the information systems security policy and its implementation by entities fall under the remit of Groupama Support and Services (G2S) which reports to the Group Operational Risk Management and Permanent Control Department.

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 entails business reviews of subsidiaries conducted by the Senior Management of Groupama Assurances Mutuelles with business reviews at least twice per annum. 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, combined banking & insurance operations, 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 Assurances Mutuelles ensure that the product line is in keeping with Group strategy. Life and non-life insurance products are designed by the business units of Groupama Assurances Mutuelles and Groupama Gan Vie on behalf of the Group's companies. Product design is the result of market and profitability research performed with actuarial systems to control margins in conjunction with the Group actuarial department and the Investment department where appropriate. Product launches or changes occur following a standard process incorporating the approval of the deliverables for customers and salespeople by the Group's Legal, Risk, and Compliance Departments, and are then adapted by division (regional mutuals, subsidiaries in France, International subsidiaries). Throughout the product governance procedure, metrics are built in to take target customers' interests and characteristics into account.

The main steps of this process are ratified in the committees stipulated (Operating Committees, Insurance Risk Committee, Group Executive Committee).

In 2017, the product design process was comprehensively reviewed as part of the work done to apply the Insurance Distribution Directive which came into force in 2018. In fact, a product governance policy was produced and approved 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 Assurances Mutuelles 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.

Delegations of authority for underwriting and claims are defined in all of the Group's companies. Risks are accepted or refused at every level of delegation, based on underwriting guidelines that include the Group's underwriting and commercial policies. Underwriting in particular is secured through a cross managerial control procedure and through integrated controls performed implicitly by the IT system.

Claims management procedures are defined on a standard basis throughout the Group, and are regularly updated in procedural specifications governing the management of bodily injury and property damage claims. Moreover, the integration of processing within the IT systems of the entities ensures that management actions are performed. Claims management includes a review of claims files starting at an average commitment threshold.

The Group's insurance business is explicitly or implicitly monitored using analytic procedures, such as regular analysis of the results of each entity and monitoring underwriting statistics and claims rates by entity. The most significant and most complex risks are individually monitored by the specialist business lines and the entities concerned. In addition, these specialist business lines 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 by teams dedicated to this task, both before and after the fact, 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 incapacity & invalidity annuities are defined within the insurance divisions in guidelines that are harmonised for all Group entities. Reserves are evaluated by claims managers within the operational entities and, if necessary, are supplemented by reserves for losses that have occurred but have not yet been submitted.

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 French Insurance Code. The Code determines a maximum level by reference to the average rate for government borrowings, 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 25.1 to the annual accounts.

- **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	31.12.2018			31.12.2017
	In France	International	Total	Total
Commitments guaranteed at fixed rate	35,984	2,699	38,682	39,362
Commitments guaranteed at variable rate	8,015	21	8,037	8,082
Unit-linked and other products without rate commitment	9,323	938	10,261	10,587
Total	**53,322**	**3,658**	**56,980**	**58,031**

The proportion of guaranteed-rate commitments continued to decrease slowly. The share of unit-linked and other products without rate commitment decreased, representing 18% of total commitments (compared with 18.2% at the end of 2017).

2.2.4 Reinsurance

Reinsurance is organised on two levels. Internal reinsurance operated by Groupama Assurances Mutuelles for all Group entities is designed to optimise retentions for each entity. 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 Assurances Mutuelles on behalf of the entire Group. Moreover, selection rules defined in the Reinsurance Securities Committee, which is composed particularly of the External Outward Reinsurance Department of Groupama Assurances Mutuelles and the Group Risk Department, which are based on ratings from ratings agencies, are designed to manager reinsurers’ risk of default.

The list of reinsurers is reviewed in its entirety at least twice a year. During the year, continual monitoring is performed to adapt reinsurers’ internal ratings to any changes that might occur 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 insurance policies having 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, local authorities 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 range of life insurance products, aimed at consumers individually as individual policies and at business in the form of group policies.

The main individual insurance policies in euros offered to our customers 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 a point value.

The Group also sells multi-vehicle policies with a euro-denominated investments component and one or more in components in account units.

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 disasters, such as floods, drought, landslides, storms, earthquake, riots, fire, explosions, or acts of terrorism. For example, the storm suffered in France in December 1999 resulted in major damage and a significant increase in compensation claims by Groupama customers. 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 upper 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 case law (liability – compensation for bodily injury, etc.).

2.3.1.2 Specific features of certain life insurance policies and financial contracts

- **Discretionary profit-sharing clause**

Certain life insurance, savings and retirement products offered by the Group contain a discretionary profit-sharing clause. This profit sharing must at least meet regulatory and/or contractual constraints. Commercial considerations may lead to an increase in such profit-sharing. This increase, the amount of which is left to the insurer's discretion, allows policyholders to participate in financial management results and the underwriting results of the insurance company.

- **Early redemption options**

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 for unit-linked contracts**

Most unit-linked policies sold by Groupama do not generally provide for contractual performance. Under these conditions, the policyholder alone directly assumes responsibility for the investment risk. Certain policies may provide for a minimum redemption guarantee in case of the death of the policyholder.

2.3.1.3 Mortality and longevity risk

In life insurance, the payment of benefits depends on the death or the survival of the policy holder. It is the occurrence of one or the other of these events that gives the right to payment of a benefit. The probability that these events will occur is estimated through experiential or regulatory statistical tables. In most cases, reserves are calculated using the regulatory tables based on statistics of population change. These tables are regularly revised to take demographic changes into account. The income or equity is potentially exposed to risk if demographic change deviates from experience with regard to these reserving tables.

The amount of actuarial reserves for annuities is as follows:

In millions of euros	31.12.2018			31.12.2017
	In France	International	Total	Total
Actuarial reserves for life annuities	10,108	13	10,121	10,031
Actuarial reserves for non-life annuities	2,619	21	2,640	2,670
Total	**12,726**	**34**	**12,761**	**12,701**

The share of actuarial reserves for life annuities continued to be largely predominant at the end of 2018 (79.3% 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 risk aggregation:

- the risk of underwriting aggregation in which insurance policies are underwritten by one or more of the Group's entities for the same risk,
- the risk of claim aggregation in which insurance policies are underwritten by one or more entities of the Group on different risks, which may each generate claims resulting from the same loss event, or the same initial cause.

2.4.1 Identification

Such 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, local authorities);
- prior 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;
- inventories 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 requirements analysis consists of an initial study on the basis of the benchmarked 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 Assurances Mutuelles 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 (shares);
- foreign exchange risk;
- credit risk;
- property risk.

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 might have to face a rush of redemptions for these policies, which would lead to the sale of a portion of the bond portfolio under unfavourable market conditions.

The consequences of changes in interest rates would also impact SCR/MCR hedging.

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 remuneration requirements for the policyholder.
These simulations allow the Group to develop strategies designed to reduce the impact of contingencies on the financial markets on both the results and on the balance sheets.

➢ **Interactions with redemption risk**

Redemption behaviours are sensitive to changes in interest rates: an increase in the rates can lead to an increase in the policyholders' expectation of revaluation and, if this expectation cannot be met, the sanction of early redemptions. In addition to the loss of income and an increase in payouts, the risk will be losses related to the disposal of assets at a loss (which could be the case for fixed-rate bonds) in cash of insufficient cash.

The objective of Asset/Liability Management is to optimise the policyholder's satisfaction and the insurer's risk using strategies that take into account the various reserves available (including cash) and bond management strategies coupled with hedging products.

➢ **Interest rate risk related to the existence of guaranteed rate**

The constraints of guaranteed minimum interest rates constitute a risk for the insurer if rates fall, as the yield on the assets may be insufficient in terms of these constraints. These risks are handled at the regulatory level through specific risks.

➢ **Rate hedges**

- Risk of rate increase

The purpose of the hedges that are implemented is to partially hedge the portfolios against the risk of interest rate increases. This is made possible by converting fixed-rate bonds into variable-rate bonds ("payer swaps"). The strategy consists of transforming a fixed-rate bond into a variable rate, either on a security already 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 negotiated 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 2018 with a comparative period. This analysis applies to year-end balance-sheet postings that show accounting sensitivity to interest rate risk (underwriting non-life and life liabilities, bond investments, financial debt in the form of bonds). It is different to analyses applying to embedded-value prospective data.

The impacts on group's 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 technical liabilities, risk mapping allows the sensitivity of portfolios showing interest rate changes to be analysed, i.e., portfolios of current annuities and temporary payments (individual life and health insurance, and third-party liability insurance premiums). With the exception of increasing annuities and risk reserves for long-term care risk, as non-life insurance underwriting reserves are not discounted on the consolidated accounts, these amounts are therefore not sensitive to changes in interest rates.

At 31 December 2018, the amount of the discount in the actuarial reserves for non-life annuities, before reinsurance, was €140 million. The amount of the discount in the reserve for increasing risks on long-term care, before reinsurance, was in the order of €119 million.

The result of the sensitivity to interest rates analyses shows that the Group is not particularly sensitive with regard to non-life commitments as a whole. The impact of a change of +/-100 basis points, calculated net of tax, is shown in the following table:

In millions of euros	31.12.2018		31.12.2017	
	Interest rate		Interest rate	
	+ 1%	- 1%	+ 1%	- 1%
Impact on income (net of taxes)	78	(76)	63	(77)
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	31.12.2018		31.12.2017	
	Interest rate		Interest rate	
	+ 1%	- 1%	+ 1%	- 1%
Impact on income (net of taxes)	20	(27)	22	(25)
Equity impact (excluding income)				

3.1.3.2 Sensitivity of financial investments analysis

The following table shows the impacts on net income and on the revaluation reserve (posted under group's equity) of a sensitivity analysis carried out in the event of a rise or fall in interest rates of 100 basis points (+/-1%).

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.

In fiscal 2018, the profit-sharing rate used for entities holding life insurance commitments was in a range of 65.36% to 88.03%.

In millions of euros	31.12.2018		31.12.2017	
	Interest rate risk		Interest rate risk	
	+ 1%	- 1%	+ 1%	- 1%
Impact on the revaluation reserve	**(666)**	**729**	**(696)**	**767**
Equities				
Equity mutual funds				
Bonds	(633)	694	(656)	724
Fixed-income mutual funds	(33)	35	(40)	43
Derivative instruments and embedded derivatives				
Impact on net income	**(21)**	**23**	**35**	**(33)**
Equities				
Equity mutual funds				
Bonds	(2)	2	(7)	8
Fixed-income mutual funds	(39)	41	(19)	20
Derivative instruments and embedded derivatives	20	(20)	61	(61)

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

Subordinated loans posted to liabilities on the Group income statement may be posted to debt or group's equity under IFRS.

In fiscal 2014, the Group issued perpetual bonds consisting of perpetual subordinated instruments. The features of this bond issue meet the criteria to allow it to be considered an equity instrument (see Note 21 "Group's equity"). Consequently, a sensitivity analysis is not required.

The principal features of the financial debt instruments analysed are described in Note 24 – Financing Debts.

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 (shares)

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);
- Commercial risk brought about by the reserving risk insofar as policyholder compensation could be impacted by the aforementioned reserving.

The proportion of equity instruments out of total financial investments (including operating properties) was 5.8% by market value, not including exposure to options. 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 UCITS (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

The Group manages its hedging and exposure tactically, on the basis of market levels, with little change in exposure over 2018. The Group also continued its diversification policy by divesting from unlisted shares.

The Group manages equities under certain internal constraints under two separate approaches:

- 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 by each insurance entity and at the Group level. Any exceeding of limits is handled by the appropriate Risk Committees according to whether it occurred in an entity or at Group level.

3.2.3 Sensitivity of financial investments to equity risk analysis

The table below shows the impacts on net income and the revaluation reserve (classified under group's equity) of a sensitivity analysis carried out in the event of a 10% rise or fall in stock market prices and indices.

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.

In fiscal 2018, the profit-sharing rate used for entities holding life insurance commitments was in a range of 65.36% to 88.03%.

In millions of euros	31.12.2018		31.12.2017	
	Equity risk		Equity risk	
	+10%	-10%	+10%	-10%
Impact on the revaluation reserve	**134**	**(134)**	**135**	**(135)**
Equities	49	(49)	51	(51)
Equity mutual funds	84	(84)	84	(84)
Bonds				
Fixed-income mutual funds				
Derivative instruments and embedded derivatives				
Impact on net income	**20**	**(20)**	**29**	**(29)**
Equities				
Equity mutual funds	20	(20)	29	(29)
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, portfolios are mainly exposed to exchange risk involving the euro against the dollar, Hungarian forint, Romanian leu, Bulgarian lev, 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 functional currency other than the euro. At this point, this means the pound sterling, Turkish pound, Hungarian forint, Romanian leu, Bulgarian lev, the yuan, and the Tunisian dinar. These impacts are posted in group's equity, under foreign exchange adjustment.

3.3.2 Managing foreign exchange risk

Exchange rate risk is 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 group's equity) of a sensitivity analysis carried out in the event of a 10% rise or fall in all currencies against the euro.

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.

In fiscal 2018, the profit-sharing rate used for entities holding life insurance commitments was in a range of 65.36% to 88.03%.

In millions of euros	31.12.2018		31.12.2017	
	Foreign exchange risk		Foreign exchange risk	
	+10%	-10%	+10%	-10%
Impact on the revaluation reserve	**36**	**(36)**	**35**	**(35)**
Equities	13	(13)	12	(12)
Equity mutual funds	1	(1)	1	(1)
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 breakdown of the Group bond portfolio by rating and by issuer quality is presented in Notes 7.8.3 and 7.8.4 to the annual financial statements.

The Group manages credit risk under certain 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 by each insurance entity and at the Group level. Any exceeding of limits is handled by the appropriate Risk Committees according to whether it occurred in an entity or at Group level.

➢ **Spread hedges**

- Spread widening risk

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 to offset the gain on the value of the bond hedged for the variation of its spread.

This hedge is specifically recorded in respect of accounting hedges at fair value under IAS39.

All negotiated transactions are secured by a “collateralisation” system with the Group’s top-tier banking counterparties.

A strategy intended to expose the Group to 10-year swap rates is also being tested. It should enable the Group to take some duration without exposure to spread risk (sovereign or credit). Such operations make use of vehicle paying Euribor and a long-term financial instrument swapping this remuneration against 10-year swap rates.

- **Bond risk in peripheral countries of the Eurozone**

The Group’s gross exposure to sovereign debt of peripheral countries of the Eurozone (Greece, Italy, Ireland, Spain, Portugal) totalled €10,951 million at 31 December 2018, representing 18% of the fixed-income portfolio.

- **Managing counterparty risk**

Internal procedures stipulate that any negotiated contract is systematically covered by guarantee agreements 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 Property risk

3.5.1 Type of and exposure to property risk

Exposure to property markets allows companies to capture the yield on these markets (investment properties) and use the premises of operational purposes (operating properties) but also exposes them to two major types of risk:

- Investment risk brought about by property restructuring operations;
- Accounting reserving risk if the realisable value (sale price net of disposal fees or utility value) is less than the net book value;
- Commercial risk brought about by the reserving risk insofar as policyholder compensation could be impacted by the aforementioned reserving.

The proportion of property assets out of total financial investments (including operating properties) was 2.44% by market value. Properties can be held directly or within OPCI (collective property investment schemes) or SCI (property holding companies). Property assets can be split into:

- investment properties, accounting for 1.50% of all financial investments;
- operating properties, accounting for 0.93% of all financial investments.

3.5.2 Group risk management

Group manages property assets under certain internal constraints, with a limit set on the maximum permitted exposure to property risk. These limits are set for each insurance entity and at Group level. Any exceeding of limits is handled by the appropriate Risk Committees according to whether it occurred in an entity or at Group level.

Within these constraints and concerning investment risk more particularly, the property commitments committee decides the overall property budget and on any planned acquisition, restructuring or property enhancement work that exceeds these set amounts.

3.6 Summary of sensitivity to market risks analyses

The following table shows all the sensitivity to market risks analyses for fiscal years 2018 and 2017, split between group's equity and income, excluding profit sharing and taxes.

In millions of euros	31.12.2018				31.12.2017			
	Increase in sensitivity criteria		Decrease in sensitivity criteria		Increase in sensitivity criteria		Decrease in sensitivity criteria	
	Group's equity	Net income	Group's equity	Net income	Group's equity	Net income	Group's equity	Net income
Interest rate risk	**(666)**	**77**	**729**	**(80)**	**(696)**	**120**	**767**	**(135)**
Technical liabilities		98		(103)		85		(102)
Financial investments	(666)	(21)	729	23	(696)	35	767	(33)
Financing debts								
Equity risk	**134**	**20**	**(134)**	**(20)**	**135**	**29**	**(135)**	**(29)**
Financial investments	134	20	(134)	(20)	135	29	(135)	(29)
Foreign exchange risk	**36**		**(36)**		**35**		**(35)**	
Financial investments	36		(36)		35		(35)	

The sensitivity criteria applied were the following:

- Increase or decrease of 100 basis points, for interest rate risk;
- Increase or decrease of 10% in the stock market indices, for equity risk; and
- Increase or decrease 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 2018, the liquidity risk was greatly reduced by the size of unrealised capital gains present in the portfolio.

4.3 Financial investment portfolio by maturity

The profile of the annual maturities of bond portfolios is given in Note 7.8.2 to the annual financial statements.

4.4 Liabilities relating to insurance policies and liabilities relating to financial contracts by maturity

The profile of annual maturities of technical liabilities relating to insurance policies is as follows:

In millions of euros	31.12.2018				31.12.2017			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Non-life underwriting reserves	6,883	4,189	6,017	17,090	6,744	3,814	6,284	16,842
Life underwriting reserves - insurance policies excluding unit-linked items	1,073	5,785	26,954	33,812	1,146	6,272	26,070	33,487
Technical liabilities relating to financial contracts with discretionary profit sharing excluding unit-linked items	364	2,874	9,198	12,436	377	3,115	10,024	13,515
Technical liabilities relating to financial contracts without discretionary profit sharing excluding unit-linked items			1	1			1	1
Reserve for deferred profit-sharing liability	3,756	4	44	3,804	4,954	6	54	5,014
Total technical insurance liabilities and liabilities for financial contracts	**12,076**	**12,852**	**42,214**	**67,141**	**13,220**	**13,207**	**42,433**	**68,861**

Most technical liabilities relating 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-related liabilities.

4.5 Financing debts by maturity

The principal features of financing debts, and the breakdown by maturity, are provided in Note 24 – Financing Debts, in this document.

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.

The list of reinsurers is reviewed in its entirety at least twice a year. During the year, continual monitoring is performed to adapt reinsurers' internal ratings to any changes that might occur 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.

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

In millions of euros	31.12.2018						
	AAA	AA	A	BBB	< BBB	Not rated	Total
Share of reinsurers in non-life insurance reserves		908	75		6	100	1,089
Share of reinsurers in life insurance reserves		12	17			36	65
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		42	5			120	167
Total		**962**	**97**		**6**	**257**	**1,322**

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**

The total share of unrated reinsurers equates in the main to outward reinsurance to professional reinsurance pools, especially ASSURPOL, ASSURATOME, GAREAT and Réunion Aérienne, which are not subject to any rating.

6. OPERATIONAL, 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 determining of internal management rules and operational procedures describing how Groupama's activities must be conducted. They are specific to each business line and each key process. Operational risks are identified and associated permanent controls are formalised across the Group, at every stage of business line and functional processes, based on benchmarked Group processes and the Group classification of operational risks. The operational risk control system is based on three levels of control with responsibility and control plans appropriate for each level:
  - permanent operational controls - self-checking and permanent management control;
  - permanent controls operated by the Permanent Control/Compliance Function of each entity;
  - periodic controls undertaken by internal audit of each entity.

- the definition and assessment of major Group operational risks and adaptation into major entity-level risks, which, as with insurance and financial risks, function on the basis of a network of risk owners with management and coordination of the entire system by the Group's Operational Risk and Permanent Control and Compliance departments;

- ensuring the security of information systems in the face of major IT systems failure risk and cyber risks.

- the Group's business continuity policy; this policy serves as a baseline for crisis management systems and Business Continuity Plans (BCP) currently 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:
  - a BCP for human resources management;
  - a BCP for buildings;
  - a BCP for information systems.

- the information systems security policy and any related sub-policies;

- personal safety and property protection.

Moreover, an insurance programme is in place, designed to provide liability protection and the protection of the asset base of regional mutuals, Groupama Assurances Mutuelles and its subsidiaries. The policies covering the most significant risks are split among internal insurers and external insurers. The principal coverage is the following:

- employee insurance;
- civil liability of corporate officers;
- professional civil liability;
- operating civil liability;
- property damage insurance (property, offices, equipment, car fleets, etc.).
- cyber risk.

6.2 Legal and regulatory risk

Legal and regulatory risks are managed as part of the Group compliance mechanism, which is defined in the Group compliance policy ratified by the Group's governance bodies. The mechanism in place, headed by the key compliance role at Groupama Assurances Mutuelles, the Group Compliance Manager, 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, policies and procedures.

The permanent control procedures designed to ensure the conformity of all Groupama Assurances Mutuelles' operations are based on the main mechanisms described below.

6.2.1 Compliance with company law and the French Commercial Code

The Group Legal Department, under the supervision of the Company Secretary, manages Groupama Assurances Mutuelles' legal affairs and those of its subsidiaries, and provides legal advice as needed to all the French legal entities of Groupama Assurances Mutuelles. As such, it ensures the legal compliance of its operations and its Directors and senior executives. Internal checks on the effective implementation of administrative legal procedures are based on ongoing monitoring of each individual entity.

6.2.2 Application of insurance law and regulations governing the insurance business

The Group Legal Department, under the supervision of the Company Secretary of Groupama Assurances Mutuelles provides, particularly on behalf of the business divisions of Groupama Assurances Mutuelles, the French insurance subsidiaries, as well as the regional mutuals:

- monitoring and analysis of legislation and case law and other standards (FFA (French Insurance Federation) professional standards, ACPR (French Prudential Supervisory and Resolution Authority) recommendations, opinions issued by the French government's "defender of rights" and the CCLRF (Banque de France's advisory committee on financial legislation and regulation)) having an impact on the insurance business (marketing, consumer protection, communication, advertising, the development, subscription, execution and termination of insurance products, etc.);
- the necessary anticipation and support to implement new regulations for insurance;
- information (notes, circulars, working parties, dissemination of a quarterly bulletin of legal information related to customer protection);
- ratification of new insurance policies developed by the Business Departments and other Group insurance subsidiaries, well as changes made to existing policies;
- development and approval 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);
- dealings with administrative authorities for inspections, and support during these inspections and any resulting consequences on the insurance business.
- building and running of training and awareness raising sessions on the regulations applicable to the insurance business, intended for a variety of audiences (distribution networks, managers, etc.).

6.2.3 Other areas

Specific procedures have been set up to meet special requirements:

- To prevent insider dealing, the policies and procedures governing the Groupama Assurances Mutuelles Board of Directors contains a detailed reiteration of the statutory and regulatory provisions on the various restrictions on persons privy to privileged information about listed companies and financial instruments traded on regulated markets. Groupama Assurances Mutuelles staff in charge of investing in financial instruments traded on regulated markets and those working in mergers-acquisitions sign a non-disclosure agreement reiterating these same statutory and regulatory provisions. Groupama Assurances Mutuelles staff required to work on strategic transactions involving a listed company sign an NDA for each such transaction;
- The Legal Department manages regulatory compliance and Group coordination as regards anti-money laundering and combating the financing of terrorism. Entities implement applicable regulatory provisions and professional guidance in those of their procedures relevant to this field. The key points of the procedure include categorisation of the risks of money laundering and the financing of terrorism, collecting information on customers and the sources of their funds on the basis of the size of the risk, an automated detection system for people on asset-freeze lists and politically-exposed persons, a CRM profiling system for life/savings business activities, and a permanent and periodic control mechanism to check procedures are followed properly. An anti-money laundering and combating the financing of terrorism organisational chart defines the roles and responsibilities of the various participants and stakeholders at Group level and at each operational entity concerned, describes the mechanism in place with respect to informing and training employees, determines the methods and conditions for exchanging information required for due diligence, and specifies the procedure to be followed for control and risk monitoring. The Legal Department, in conjunction with a network of managers in anti-money laundering and combating the financing of terrorism in insurance subsidiaries in France and internationally, asset managers and the regional mutuals, ensure the Group is meeting its obligations in this respect (monitoring regulatory changes, including those arising from the transposition of the fourth AML directive, guidelines and legal precedents from the ACPR supervisory authority, harmonisation and consistency of procedures, key performance indicators, IT project supervision, training packages);
- As regards application of data protection legislation and the General Protection Regulation (GDPR), the compliance system makes use of Data Protection Officers (DPO) in the Group's French entities, registered with the French data protection authority (CNIL), and of a network of internal assistant DPOs, with one such per entity and nine for Groupama Assurances Mutuelles in areas implementing data processing. This network changes in line with the Group's organisational changes;
- As regards the protection of medical data, Group recommendations are disseminated by the Groupama Assurances Mutuelles 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 medical advisers and the Group Data Protection Representative (the "CIL"), and the Claims unit of the Group Insurance and Services Department;
- As regards the protection of customers, the key compliance role at Groupama Assurances Mutuelles manages or helps with operational implementation of several issues, including:
    - ACPR instruction 2015-I-22 of 2 October 2015 on the questionnaire about commercial practices and protection of customers;
    - the ACPR's various recommendations particularly on handling complaints and KYC with respect to the duty to advise in life insurance, including for remote selling;
    - monitoring of the major Group risk of "failure to advise";
    - application of the Insurance Distribution Directive, which also includes the prevention and management of conflicts of interest, remuneration of distribution networks, and professionalism and CPD;
    - the ongoing enhancement of the permanent control system;
    - implementation and monitoring of sales support systems improvement action plans.
- As regards combating corruption and trading in influence (or influence peddling) (as per France's Sapin II law) and due diligence of parent companies and instructing parties (law no. 2017-399 of 27 March 2017), the Compliance Manager at Groupama Assurances Mutuelles leads various operational implementation projects rolled out in the entities during 2018. Compliance work continues in 2019.

6.3 Tax risks

The role of the Group's Tax Department is to provide information and monitor regulations for all the entities of the Group. It is also regularly questioned about specific technical points and is involved in preparing the end-of-year financial statements. In this capacity, it ensures that the tax consolidation rules are applied (Article 223 A et seq. of the General Tax Code) for the Group and, working with the Group accounting department, prepares the report on the tax position of the consolidated companies. It also helps to implement documentation and archiving procedures in terms of computerised accounting records, as required under tax law, particularly as part of dedicated "CFCI" (Computerised Accounting Tax Audit) committees for each French entity. Lastly, it coordinates, in a steering committee, the implementation and monitoring of regulations on the automated exchange of tax data, in particular resulting from the American FATCA (Foreign Account Tax Compliance Act) regulations or the transposition of the European DAC (Directive for Administrative Cooperation).

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

The main changes in the consolidation scope were the following:

Newly consolidated entities

The entities 150 Champs Elysées So Luxury Hotel and Groupama Gan Paris So Prime joined the consolidation scope.

Merger, change in registered name and legal form

On 7 June 2018, Groupama SA was converted into Caisse Nationale de Réassurance Mutuelle Agricole, with mutual insurance company status, the usual trading name of which is Groupama Assurances Mutuelles. Prior to this conversion, Groupama Holding and Groupama Holding 2 were absorbed by Groupama SA.

Disposals and exits from consolidation scope

The companies Groupama Seguros Portugal and Groupama Seguros de Vida Portugal left the consolidation scope following their sale on 2 January 2018.

Three mutual funds were removed from the consolidation scope.

	Sector of business activity	Registered office location	31.12.2018			31.12.2017		
			% control	% interest	Method	% control	% interest	Method
GROUPAMA Méditerranée	Insurance	in France	-	-	A	-	-	A
GROUPAMA Centre Manche	Insurance	in France	-	-	A	-	-	A
GROUPAMA Grand Est	Insurance	in France	-	-	A	-	-	A
GROUPAMA OC	Insurance	in France	-	-	A	-	-	A
MISSO	Insurance	in France	-	-	A	-	-	A
GROUPAMA Loire Bretagne	Insurance	in France	-	-	A	-	-	A
GROUPAMA Paris Val-de-Loire	Insurance	in France	-	-	A	-	-	A
GROUPAMA Nord-Est	Insurance	in France	-	-	A	-	-	A
CAISSE des producteurs de tabac	Insurance	in France	-	-	A	-	-	A
GROUPAMA Rhône-Alpes-Auvergne	Insurance	in France	-	-	A	-	-	A
GROUPAMA Centre Atlantique	Insurance	in France	-	-	A	-	-	A
GROUPAMA Antilles-Guyane	Insurance	in France	-	-	A	-	-	A
GROUPAMA Océan Indien et Pacifique	Insurance	in France	-	-	A	-	-	A
CLAMA Méditerranée	Insurance	in France	-	-	A	-	-	A
CLAMA Centre Manche	Insurance	in France	-	-	A	-	-	A
CLAMA Grand Est	Insurance	in France	-	-	A	-	-	A
CLAMA OC	Insurance	in France	-	-	A	-	-	A
CLAMA Loire Bretagne	Insurance	in France	-	-	A	-	-	A
CLAMA Paris Val-de-Loire	Insurance	in France	-	-	A	-	-	A
CLAMA Nord-Est	Insurance	in France	-	-	A	-	-	A
CLAMA Rhône-Alpes-Auvergne	Insurance	in France	-	-	A	-	-	A
CLAMA Centre Atlantique	Insurance	in France	-	-	A	-	-	A
CLAMA Antilles-Guyane	Insurance	in France	-	-	A	-	-	A
CLAMA Océan Indien et Pacifique	Insurance	in France	-	-	A	-	-	A
GIE GROUPAMA Supports et Services	JV	in France	100.00	100.00	FI	100.00	99.97	FI
GROUPAMA CAMPUS	Property	in France	100.00	100.00	FI	100.00	99.97	FI
GROUPAMA ASSURANCES MUTUELLES	Holding co / Reinsurance	in France	100.00	100.00	FI	99.97	99.97	FI
GROUPAMA HOLDING	Holding co	in France				100.00	100.00	FI
GROUPAMA HOLDING 2	Holding co	in France				100.00	100.00	FI
GROUPAMA HOLDING FILIALES ET PARTICIPATIONS	Holding co	in France	100.00	100.00	FI	100.00	99.97	FI
COFINTEX 2	Holding co	in France	100.00	100.00	FI	100.00	99.97	FI
COFINTEX 17	Holding co	in France	100.00	100.00	FI	100.00	99.97	FI
COMPAGNIE FINANCIERE D'ORANGE BANK	Holding co	in France	35.00	35.00	EM	35.00	34.99	EM
GROUPAMA GAN VIE	Insurance	in France	100.00	100.00	FI	100.00	99.97	FI
GAN PATRIMOINE	Insurance	in France	100.00	100.00	FI	100.00	99.97	FI
CAISSE FRATERNELLE D'EPARGNE	Insurance	in France	99.99	99.99	FI	99.99	99.96	FI
CAISSE FRATERNELLE VIE	Insurance	in France	99.99	99.99	FI	99.99	99.96	FI
ASSUVIE	Insurance	in France	50.00	50.00	FI	50.00	49.99	FI
GAN PREVOYANCE	Insurance	in France	100.00	100.00	FI	100.00	99.97	FI
GROUPAMA ASSURANCE CREDIT ET CAUTION	Insurance	in France	100.00	100.00	FI	100.00	99.97	FI
MUTUAIDE ASSISTANCE	Assistance	in France	100.00	100.00	FI	100.00	99.97	FI
GAN ASSURANCES	Insurance	in France	100.00	100.00	FI	100.00	99.97	FI
GAN OUTRE MER	Insurance	in France	100.00	100.00	FI	100.00	99.97	FI
SOCIETE FRANCAISE DE PROTECTION JURIDIQUE	Insurance	in France	100.00	100.00	FI	100.00	99.97	FI
LA BANQUE POSTALE ASSURANCES IARD	Insurance	in France	35.00	35.00	EM	35.00	33.99	EM
AMALINE INSURANCES	Insurance	in France	100.00	100.00	FI	100.00	99.97	FI
GROUPAMA SEGUROS de Vida Portugal	Insurance	Portugal				100.00	99.97	FI
GROUPAMA SIGORTA	Insurance	Turkey	99.52	99.52	FI	99.52	99.49	FI
GROUPAMA SIGORTA EMEKLILIK	Insurance	Turkey	100.00	99.79	FI	100.00	99.76	FI
GROUPAMA Investment BOSPHORUS	Holding company	Turkey	100.00	100.00	FI	100.00	99.97	FI
STAR	Insurance	Tunisia	35.00	35.00	EM	35.00	34.99	EM
GROUPAMA ZASTRAHOVANE NON LIFE	Insurance	Bulgaria	100.00	100.00	FI	100.00	99.97	FI
GROUPAMA JIVOTOZASTRAHOVANE LIFE	Insurance	Bulgaria	100.00	100.00	FI	100.00	99.97	FI
GROUPAMA BIZTOSITO	Insurance	Hungary	100.00	100.00	FI	100.00	99.97	FI
GROUPAMA PHOENIX Hellenic Asphalistike	Insurance	Greece	100.00	100.00	FI	100.00	99.97	FI
GROUPAMA AVIC PROPERTY INSURANCES CO	Insurance	China	50.00	50.00	EM	50.00	49.99	EM

A: Aggregation FI: Full integration EM: Equity method

	Sector of business activity	Registered office location	31.12.2018			31.12.2017		
			% control	% interest	Method	% control	% interest	Method
GUK BROKING SERVICES	Holding company	United Kingdom	100.00	100.00	FI	100.00	99.97	FI
GROUPAMA ASSICURAZIONI	Insurance	Italy	100.00	100.00	FI	100.00	99.97	FI
GROUPAMA SEGUROS Portugal	Insurance	Portugal				100.00	99.97	FI
GROUPAMA ASIGURARI	Insurance	Romania	100.00	100.00	FI	100.00	99.97	FI
GROUPAMA ASSET MANAGEMENT	Asset management	in France	100.00	100.00	FI	100.00	99.97	FI
ORANGE BANK	Banking	in France	35.00	35.00	EM	35.00	34.99	EM
GROUPAMA EPARGNE SALARIALE	Asset management	in France	100.00	100.00	FI	100.00	99.97	FI
GROUPAMA IMMOBILIER	Asset management	in France	100.00	100.00	FI	100.00	99.97	FI
COMPAGNIE FONCIERE PARISIENNE	Property	in France	100.00	100.00	FI	100.00	99.97	FI
SCI WINDOW LA DEFENSE	Property	in France	100.00	100.00	FI	100.00	99.97	FI
GAN FONCIER II	Property	in France	100.00	100.00	FI	100.00	99.97	FI
IXELLOR	Property	in France	100.00	100.00	FI	100.00	99.97	FI
79 CHAMPS ELYSÉES	Property	in France	100.00	100.00	FI	100.00	99.98	FI
SOCIETE FORESTIERE GROUPAMA	Property	in France	100.00	100.00	FI	100.00	99.98	FI
FORDEV	Property	in France	100.00	100.00	FI	100.00	99.98	FI
GROUPAMA GAN PARIS LA DEFENSE OFFICE	OPCI - real-estate collective investment scheme	in France	100.00	100.00	FI	100.00	99.97	FI
GROUPAMA GAN RETAIL FRANCE	OPCI	in France	100.00	100.00	FI	100.00	99.97	FI
THE LINK PARIS LA DEFENSE	Property	in France	100.00	100.00	FI	100.00	99.97	FI
SCI GAN FONCIER	Property	in France	100.00	98.89	FI	100.00	98.87	FI
VICTOR HUGO VILLIERS	Property	in France	100.00	98.89	FI	100.00	98.87	FI
1 BIS FOCH	Property	in France	100.00	98.89	FI	100.00	98.87	FI
16 MESSINE	Property	in France	100.00	98.89	FI	100.00	98.87	FI
9 MALESHERBES	Property	in France	100.00	98.89	FI	100.00	98.87	FI
97 VICTOR HUGO	Property	in France	100.00	98.89	FI	100.00	98.87	FI
44 THEATRE	Property	in France	100.00	98.89	FI	100.00	98.87	FI
150 CHAMPS ELYSEES SO LUXURY HOTEL	Property	in France	100.00	100.00	FI			
GROUPAMA GAN PARIS SO PRIME	Property	in France	100.00	100.00	FI			
SCI UNI ANGES	Property	in France	100.00	100.00	FI	100.00	99.97	FI
261 RASPAIL	Property	in France	100.00	100.00	FI	100.00	99.97	FI
GAN INVESTISSEMENT FONCIER	Property	in France	100.00	100.00	FI	100.00	99.97	FI
3 ROSSINI (SCI)	Property	in France	100.00	100.00	FI	100.00	99.97	FI
150 RENNES (SCI)	Property	in France	100.00	100.00	FI	100.00	99.97	FI
99 MALESHERBES (SCI)	Property	in France	100.00	100.00	FI	100.00	99.97	FI
SCA CHATEAU D'AGASSAC	Property	in France	100.00	100.00	FI	100.00	99.97	FI
102 MALESHERBES (SCI)	Property	in France	100.00	100.00	FI	100.00	99.97	FI
LES FRERES LUMIERE	Property	in France	100.00	100.00	FI	100.00	99.97	FI
CAP DE FOUSTE (SCI)	Property	in France	100.00	100.00	FI	100.00	99.98	FI
CHAMALIERES EUROPE (SCI)	Property	in France	100.00	100.00	FI	100.00	99.97	FI
12 VICTOIRE (SCI)	Property	in France	100.00	100.00	FI	100.00	99.97	FI
DOMAINE DE FARES	Property	in France	50.00	50.00	EM	50.00	49.99	EM
38 LE PELETIER (SCI)	Property	in France	100.00	100.00	FI	100.00	99.97	FI
SCIMA GFA	Property	in France	100.00	100.00	FI	100.00	99.97	FI
LABORIE MARCENAT	Property	in France	74.10	74.10	EM	74.10	74.08	EM
SCI CHATEAU D'AGASSAC	Property	in France	100.00	100.00	FI	100.00	100.00	FI
SA SIRAM	Property	in France	90.07	90.07	FI	90.07	90.07	FI
GROUPAMA PIPACT	Property	in France	100.00	100.00	FI	100.00	99.99	FI
ASTORG STRUCTURÉ GAD D	Mutual fund	in France	99.99	99.99	FI	99.99	99.97	FI
ASTORG CTT D	Mutual fund	in France	100.00	100.00	FI	100.00	99.97	FI
ASTORG EURO SPREAD D	Mutual fund	in France	100.00	100.00	FI	100.00	99.97	FI

A: Aggregation FI: Full integration EM: Equity method

	Sector of business activity	Registered office location	31.12.2018			31.12.2017		
			% control	% interest	Method	% control	% interest	Method
WASHINGTON EURO NOURRI 14 FCP	Mutual fund	in France	100.00	100.00	FI	100.00	99.97	FI
WASHINGTON EURO NOURRI 15 FCP	Mutual fund	in France	98.33	98.33	FI	100.00	99.97	FI
GROUPAMA CONVERTIBLES ID D	Mutual fund	in France	97.98	95.80	FI	99.66	96.92	FI
GROUPAMA ENTREPRISES IC C	Mutual fund	in France	29.93	29.93	EM	20,39	20,29	EM
GROUPAMA CREDIT EURO IC C	Mutual fund	in France	95.97	95.97	FI	93.25	93.23	FI
GROUPAMA CREDIT EURO ID D	Mutual fund	in France	99.99	99.99	FI	59.08	59.07	FI
WASHINGTON EURO NOURRI 16 FCP	Mutual fund	in France	100.00	100.00	FI	100.00	99.97	FI
WASHINGTON EURO NOURRI 17 FCP	Mutual fund	in France	100.00	100.00	FI	100.00	99.97	FI
WASHINGTON EURO NOURRI 18 FCP	Mutual fund	in France	87.50	87.50	FI	100.00	99.97	FI
GROUPAMA OBLIGATION MONDE I C	Mutual fund	in France	94.48	91.56	FI	94.39	91.45	FI
WASHINGTON EURO NOURRI 19 FCP	Mutual fund	in France	100.00	100.00	FI	100.00	99.97	FI
WASHINGTON EURO NOURRI 20 FCP	Mutual fund	in France	100.00	100.00	FI	100.00	99.97	FI
WASHINGTON EURO NOURRI 21 FCP	Mutual fund	in France	100.00	100.00	FI	100.00	99.97	FI
WASHINGTON EURO NOURRI 22 FCP	Mutual fund	in France				99.88	99.85	FI
WASHINGTON EURO NOURRI 23 FCP	Mutual fund	in France	100.00	100.00	FI	100.00	99.97	FI
WASHINGTON EURO NOURRI 24 FCP	Mutual fund	in France				100.00	99.97	FI
ASTORG STRUCTURÉ LIFE D	Mutual fund	in France	100.00	100.00	FI	100.00	99.97	FI
GROUPAMA EONIA IC C	Mutual fund	in France	49.95	49.95	EM	34.34	34.33	EM
ASTORG PENSION D	Mutual fund	in France	100.00	100.00	FI	100.00	99.97	FI
ASTORG CASH MT D	Mutual fund	in France	99.48	99.14	FI	99.51	99.37	FI
GROUPAMA CREDIT EURO GD D	Mutual fund	in France				44.09	44.08	EM
GROUPAMA CREDIT EURO LT G D	Mutual fund	in France	100.00	100.00	FI	100.00	99.97	FI
ASTORG THESSALONIQUE 1 D	Mutual fund	in France	100.00	100.00	FI	100.00	99.97	FI
ASTORG THESSALONIQUE 2 D	Mutual fund	in France	100.00	100.00	FI	100.00	99.97	FI
ASTORG THESSALONIQUE 3 D	Mutual fund	in France	100.00	100.00	FI	100.00	99.47	FI
ASTORG THESSALONIQUE 4 D	Mutual fund	in France	100.00	100.00	FI	100.00	99.97	FI
ASTORG THESSALONIQUE 5 D	Mutual fund	in France	100.00	100.00	FI	100.00	99.75	FI
ASTORG MONETAIRE D	Mutual fund	in France	99.76	99.76	FI	94.53	94.50	FI
GROUPAMA CASH EQUIVALENT G D	Mutual fund	in France	50.75	50.75	FI	53.71	53.71	FI
ASTORG REPO INVEST D	Mutual fund	in France	100.00	100.00	FI	100.00	99.97	FI
GROUPAMA TRESORERIE P C	Mutual fund	in France	36.74	36.74	EM	47.71	47.70	EM
ASTORG OBLIGATIONS CT G D	Mutual fund	in France	97.08	93.88	FI	97.41	94.84	FI
ASTORG OBLIGATIONS CT GA D	Mutual fund	in France	100.00	100.00	FI	100.00	99.97	FI
G FUND - EUROPEAN CONVERTIBLE BONDS GD D	Mutual fund	in France	100.00	100.00	FI	100.00	99.98	FI

A: Aggregation FI: Full integration EM: Equity method

Certain real estate entities are consolidated using the equity method under a “simplified” process. This consists of reclassifying on the balance sheet the value of the units and the financing current account in “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 2018

(Year ended 31 December 2018)

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

Mazars
Tour Exaltis
61, rue Henri Régnault
92400 Courbevoie

Dear Members,

Opinion

In compliance with the assignment entrusted to us by your general meeting, we performed an audit of the combined financial statements of Caisse Nationale de Réassurance Mutuelle Agricole Groupama for the fiscal year ended 31 December 2018, 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 the 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 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 2018 to the issue date of our report. In particular, we did not provide any services prohibited by article 5, paragraph 1, of regulation (EU) no. 537/2014 or by the professional code of ethics for statutory auditors.

Justification of the assessments - Key points of the audit

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French commercial code relating to the justification of our assessments, we bring to your attention the key points of the audit relating to the risks of material misstatement that, in our professional judgement, were the most significant for the audit of the 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.

<table>
<tr><th colspan="2">Assessment of outstanding claims reserve – Non-life insurance policies
(Please refer to notes 3.12.2 and 25.1 of the notes to the combined financial statements)</th></tr>
<tr><th>Identified risk</th><th>Implemented procedures</th></tr>
<tr><td>Reserves for claims, appearing on the balance sheet at 31 December 2018 for €11,686 million in the combined accounts, 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 judgement in selecting the assumptions to be applied, the calculation methods to be used, and the related management cost estimates.

Given the relative weight of these provisions in the balance sheet, the importance of the judgement exercised by management and the variety and complexity of the actuarial methods used, we considered the valuation of these provisions as a key point of the audit.</td><td>In order to assess the reasonableness of the estimate of the amount of the outstanding claims reserve, we implemented the following procedures, using our actuaries:

• Review the design and test the effectiveness of the key controls related to claims management and the determination of these provisions,

• Assess the relevance of the calculation methods used to estimate the reserves,

• Assess the appropriateness of the actuarial assumptions used to calculate reserves (depth of history taken into account, number of years of stabilisation),

• Assess the reliability of the statements produced by your company, tracing the historical data, and reconcile them with the data used to estimate the reserves with the accounting records,

• Analyse the settlement of the reserve of the previous fiscal year with the actual expenses of claims (settlement surplus/deficit),

• In a number of segments, carry out an independent counter-valuation or a joint review of the assumptions used to calculate the reserves and assess their reasonableness.</td></tr>
</table>

<table>
<tr><th colspan="2">Valuation of unlisted instruments (classification in level 3 in IFRS)
(Please refer to Notes 3.2.1 and 7.10 to the combined financial statements)</th></tr>
<tr><th>Identified risk</th><th>Implemented procedures</th></tr>
<tr><td>As part of its activity has an insurance group, Groupama holds financial instruments not listed on an active market classified as Level 3 in the fair value hierarchy according to IFRS 13.

These financial instruments represent €2,840 million on the assets side of the Group's combined balance sheet at 31 December 2018.

These instruments are measured at fair value on the basis of internal valuation models where the parameters are not observable or cannot be corroborated by market data.

The resulting valuations may be subject to additional value adjustments to take account of certain market, liquidity, or counterparty risks.

The techniques used by management to value these instruments include a significant amount of judgement in the choice of methodologies, assumptions, and data used.

Due to the material nature of the outstanding amounts and the significant share of assessment on the part of Management in determining the market value, we believe that the valuation of financial instruments classified as Level 3 under IFRS 13 is a key point of the audit.</td><td>In order to assess the reasonableness of the estimation of the applied values of unlisted investments, our audit approach was based on information provided to us by your company and included the following work:

• Compare the applied value with the net asset value of the management company, the latest transactions observed in the market for the examined security, or a comparable where possible,

• Reconcile the realisable amounts with the valuations communicated by external platforms like Bloomberg or counterparties (banking institutions),

• Where the security was valued on the basis of an internal model:

o Analyse the relevance of the assumptions and parameters used,

o Review the construction of the model and inputs (data) used for the valuation,

o Perform an independent counter-valuation by sampling, using our own models.</td></tr>
</table>

Evaluation of the reserve for increasing risks (Long-term care) (Please refer to Notes 3.12.2 and 25.1 to the combined financial statements)	
Identified risk	**Implemented procedures**
A reserve for increasing risks is established for insurance operations on risks of loss of autonomy to cover the temporary differences existing between the period of application of the cover and its financing by insurance premiums. This provision is made prospectively, comparing the future commitments of the insurer and those of the policyholder. The regulations do not specify all the parameters to be used (in particular, biometric laws and discount rates) for the calculation of this reserve. At 31 December 2018, the reserve for increasing risks was €533 million gross of reinsurance in the combined accounts. 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 observations 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: • Examine the design of the actuarial model to verify that it does not contain any anomalies that could distort the amount of the reserve calculated through, in particular, the assessment of the reserve calculation environment; • Prepare our own estimation independently; • Assess the consistency of the key assumptions used to determine the reserve, which includes: o The principles and methodology of the discount rate and the analysis of the sensitivity of the reserve for increasing risks in the context of low rates; o The relevance of the methodology for calculating biometric laws and their adequacy for the portfolio.

Verification of the Group information given in the management report

In accordance with the professional standards applicable in France, we also conducted the specific verifications required by the applicable laws and regulations of 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 Caisse Nationale de Réassurance Mutuelle Agricole Groupama by the general meeting of 25 June 1999 for PricewaterhouseCoopers Audit and 12 September 2000 for Mazars.

At 31 December 2018, PricewaterhouseCoopers Audit was in the 20th year of its mission without interruption, and Mazars was in its 19th 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.

Audit and Risk Management Committee

We submit to the Audit and Risk Management Committee a report outlining 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, 25 March 2019

The Statutory Auditors

PricewaterhouseCoopers Audit	Mazars	
Christine Billy	Pascal Parant	Nicolas Dusson