GROUPAMA GROUP

SOLVENCY AND FINANCIAL CONDITION REPORT AS AT 31 DECEMBER 2018

EXECUTIVE SUMMARY

SUMMARY

- **Groupama SA's transformation**

On 7 June 2018, pursuant to the Sapin 2 act of 9 December 2016, which sets the legal framework required to convert the central body of Groupama Group into a mutual insurer (SAM), Groupama SA became a national agricultural reinsurance mutual, a specific form of SAM. Its name is now Groupama Assurances Mutuelles.

This change simplifies the Group's organisation and makes it consistent overall, based on three levels of pooling with local, regional and national mutuals.

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 by reappointing Jean-Yves Dagès, Chairman of the Board of Directors, and Thierry Martel, CEO of Groupama, to continue to perform their roles.

From a legal standpoint, the regional mutuals are becoming members of Groupama Assurances Mutuelles, a national agricultural reinsurance mutual, and hold all voting rights for the General meeting. The Groupama SA shares held by the regional mutuals following the takeover of Groupama Holding and Groupama Holding 2 by Groupama SA have been converted into mutual certificates issued by Groupama Assurances Mutuelles.

This transformation has made it possible in particular to simplify the structure of the Group at the same time as maintaining the financial flexibility necessary for the implementation of the strategy. The new organisation does not change the solvency of the Group or that of the central body, and has no impact on commitments undertaken with regard to holders of its debts.

- **Business**

The Group is a major insurance player in France for property and casualty insurance as well as life and health insurance.

At 31 December 2018, combined Group premium income had grown +4.0% to €14.3 billion (81.0% in France, 17.8% international and 1.2% from the financial businesses). Premium income for insurance in France amounted to €11.6 billion, up +4.4%, and that of international insurance to €2.5 billion, up +1.6%.

The Group's economic operating income amounted to €298 million 2018. Net income benefits from the non-renewal of revaluation of annuities.

- **Governance**

In February 2018, accumulation of the Risk management and Compliance review key functions was stopped.

For fiscal year 2018, no significant change was made to the Group's risk management system.

- **Risk profile**

Considering the diverse nature of its businesses, the Group has a balanced risk profile that is spread out across non-life, life and health underwriting risks, respectively representing 22%, 11% and 10% of the basic solvency capital requirement (SCR) excluding diversification effects.

The Group implemented an insurance risk mitigation system comprising a number of principles and rules related to underwriting and reserves which were rolled out in the Group's entities, and an internal and external reinsurance system.

The most significant risk is that of the financial market. Which accounts for 48% of the basic SCR excluding diversification effects.

The Group implemented a market risk mitigation system that is operational within all of the Group's entities (regional mutuals, Groupama Assurances Mutuelles' French and international subsidiaries) with primary limits (major asset classes) and secondary limits (within each asset class) in an endeavour to control investments in risky assets and diversify holdings (issuers, sectors, countries).

- **Main changes to valuation methods for solvency purposes**

No significant change to the methods of valuation for solvency purposes was made during fiscal year 2018.

- **Capital management**

During fiscal year 2018, Groupama issued 10-year subordinated bonds for a total of €500 million, with an annual coupon of 3.375%.

The programme for issue of mutual certificates by the regional mutuals resulted in strengthening of the Group's shareholders' equity and financial soundness. During fiscal year 2018, regional mutuals issued mutual certificates to their members and customers for €104 million, taking the total of mutual certificates issued at 31 December 2018 to €540 million.

The Group uses a partial internal model to calculate its SCR. This model covers non-life and Health similar to Non Life underwriting risks.

The Group's statutory SCR and MCR coverage ratios stood at 297% and 392% respectively on 31 December 2018, versus 315% and 418% on 31 December 2017. Excluding the effects of the transitional measure on technical provisions carried out by one of the Group's subsidiaries, the Group's SCR and MCR coverage ratios were 168% and 246% respectively at 31 December 2018.