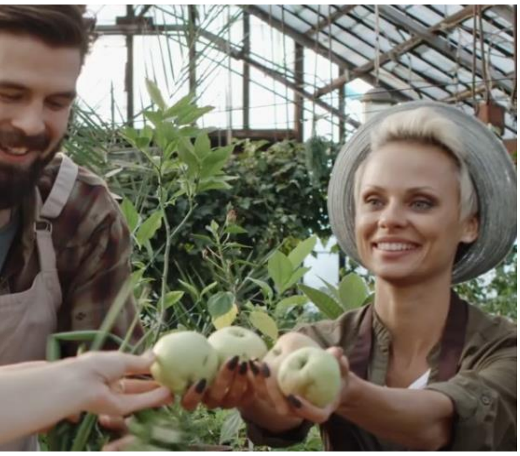
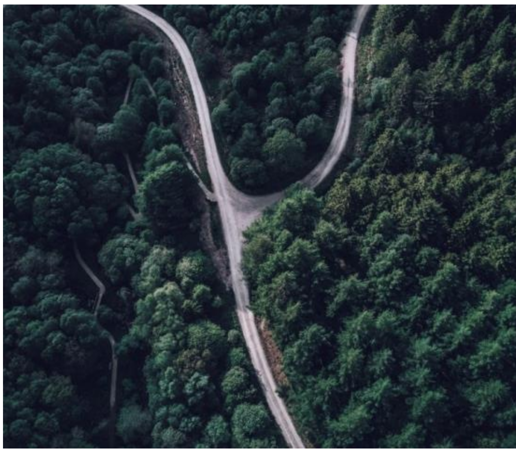





COMBINED FINANCIAL STATEMENTS UNDER IFRS

GROUPAMA

31 DECEMBER 2020

LE GROUPE
Groupama

REPORT OF THE BOARD OF DIRECTORS
ON THE COMBINED FINANCIAL STATEMENTS OF GROUPAMA
FISCAL YEAR 2020

1. ENVIRONMENT

MACROECONOMIC ENVIRONMENT

In 2020, the COVID-19 pandemic and the health measures adopted to control it caused a contraction of economic activity not seen since the post-war years. Governments and central banks adopted unprecedented fiscal and monetary measures to protect and support economies. This resulted in the synchronous launch of unconventional monetary measures and large-scale stimulus packages. In addition, the economic climate continued to provide strong support for the recovery, as evidenced by the rebound in manufacturing activity in the second half of the year after the easing of health restrictions.

Eurozone activity experienced an expected GDP contraction to -7.8% in 2020 followed by a rebound of +4.2% in 2021. The divergence between European economies is significant, in connection with a contrasting evolution of the pandemic and different health policies: Germany's GDP is expected to shrink to -6%, while Spain and France forecasts decreases of -12% and -9% respectively.
The manufacturing sector's situation improved with an industrial production index that returned to its level seen a year ago. However, it appears that the services sector has been harder hit by the lockdown measures as suggested by purchasing managers' indices (PMI). The consensus of economists' forecasts is that pre-crisis GDP will return only in 2022.
As in the United States, political and economic decision-makers have been proactive. The European Union made progress towards greater integration by adopting a €750 billion economic recovery plan funded by common debt raised by the European Commission. This measure was in addition to very significant national plans, made possible by the easing of government deficit constraints and monetary financing from the central bank. The ECB put in place a new, more flexible asset purchase programme, raised to €1,850 billion, which will continue at least until March 2022.

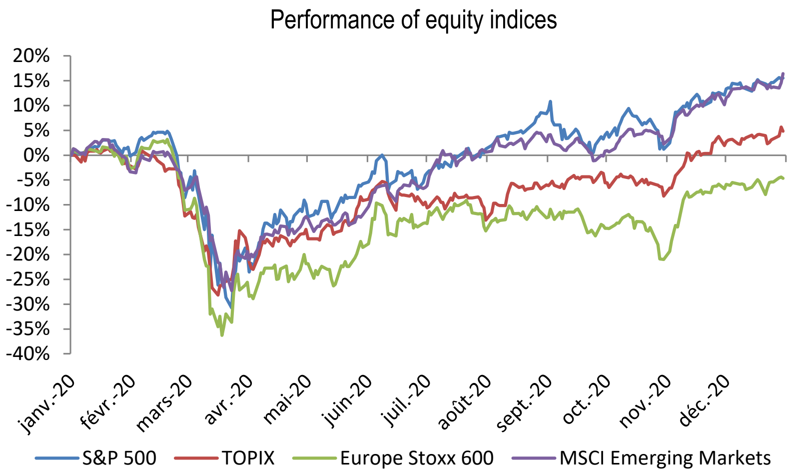
There were sharp contrasts among emerging countries. The Chinese economy, the first affected by the pandemic, has already wiped out the contraction of its activity and saw +2% growth in 2020. Emerging Europe is expected to contract moderately by -4%.

FINANCIAL MARKETS IN 2020

The health crisis caused a brutal drop in financial markets in March. The massive and rapid actions of central banks contributed to a rebound in risky assets starting in April and a long-term return of government bond and swap rates to negative territory.

Equity market developments

In March, the response of equity indices to the pandemic and lockdown measures was particularly rough. Volatility reached levels comparable with those seen during the 2008 financial crisis.
The action of central banks and the prospect of a recovery plan redirected markets upwards. At the same time, there was strong sector-based rotation from losing sectors (transport, leisure, land, and banks) to winning sectors (technologies, pharmaceutical industry, and infrastructure in particular). In geographical terms, the equity market recovery contrasted with the United States and China, which performed better thanks to their technology sectors. Conversely, the performance of European indices was lower due to the predominance of sectors affected by the crisis and a slower economic recovery.

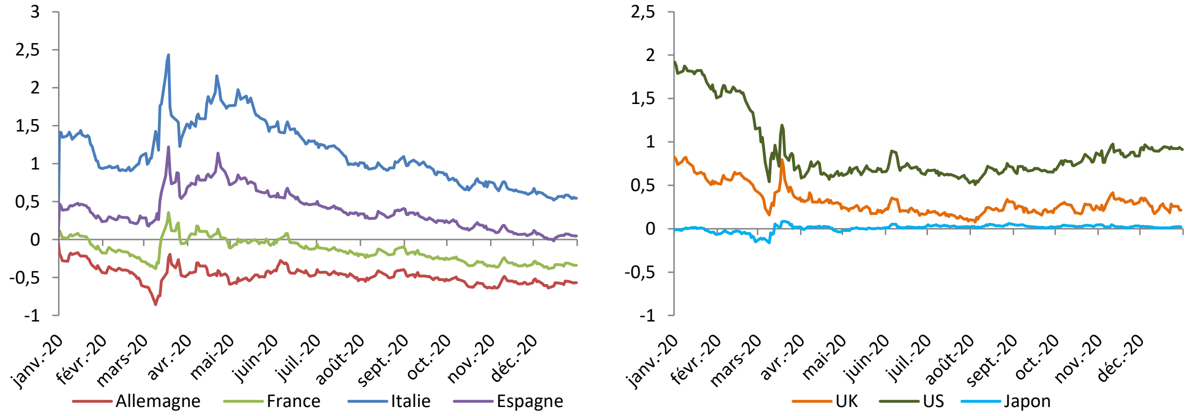


Dernier point : 30 Décembre 2019, performances hors dividendes en devises locales

Changes on interest rate markets

The action of central banks and the prospect of long-term monetary policies caused a significant drop in interest rates in all developed economies. The volatility of spreads in peripheral eurozone countries was contained thanks to the ECB's action. Core country rates stabilised at levels significantly lower than at the beginning of the year: around -0.3% on the 10-year OAT.

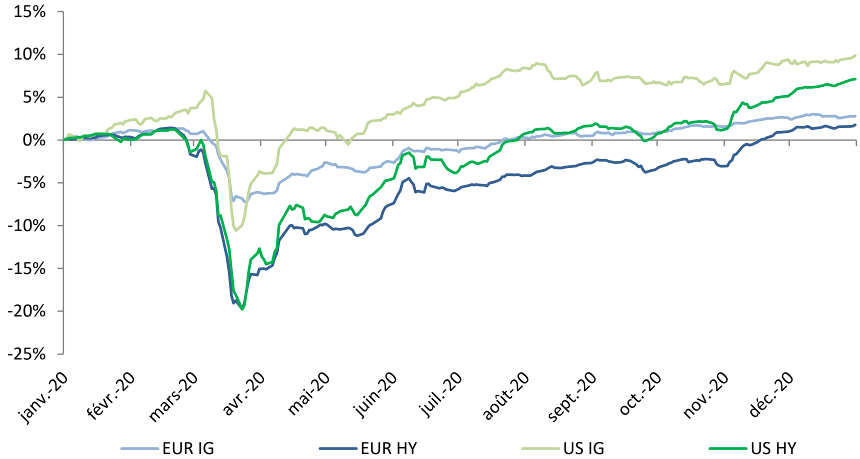
Sovereign 10-year yields, %



Changes on lending markets

Together with risky assets, credit indices fell sharply in March. They then recovered strongly starting in April because of the central bank's purchases of securities from non-financial issuers and the support measures by governments to reduce default risk expectations. Nevertheless, spread tightening was more significant on good-quality credit.

Performance of credit indices



Bloomberg Barclays coupons reinvested indices

2. SIGNIFICANT EVENTS OF FISCAL YEAR 2020

COVID

The COVID pandemic began to wreak havoc on 2020 in March with major impacts on the economy, individuals and entities, and markets.

In France, from the beginning of the crisis, insurers took measures totalling €2.6 billion to support the individuals and companies most affected by the crisis. This solidarity commitment includes €400 million for the solidarity fund set up by the French central government for VSEs and SMEs in crisis, €400 million in “collective” measures applied by FFA member insurers, as well as more than €1.8 billion in individual measures (extensions of protection at no charge, premium cancellations, funding for free health services, direct financial aid to companies in hardship, etc.). In addition to these actions, €2 billion in investments were made to support the recovery of French SMEs and midcaps, including €800 million in the health sector and €200 million for tourism (source: FFA news release of 17 December 2020).

The Group-level impact of COVID has not been exactly the same in France (where the portfolio is highly diversified) as internationally, where business (mainly non-life) in most countries is relatively focused on motor insurance. In addition, the international situation is not comparable between certain countries heavily affected by the pandemic, such as Italy, or other less-affected countries, such as (Eastern European countries, Turkey, and China).

In France, COVID has especially affected the group’s non-life businesses, given the measures taken to support its customers and members, such as premium reduction and contribution to government spending through the health tax. The claims incurred directly caused by the health crisis on certain segments managed to be contained (in particular on operating losses). Positive effects brought about by COVID on other segments, such as motor insurance (due to reductions of frequency during the lockdown), were evaluated statistically.

Internationally, the pandemic has had different effects in different countries, with declining premium income in most countries, stemming from the various measures granted to customers, but with positive effects on the loss experience, given the business relatively concentrated in motor insurance, which benefited from a lower frequency of claims as a result of the lockdown measures that took place in most countries.

The group has benefited from a diversification effect associated with its geographical presence as well as its various businesses, which have demonstrated an overall resilience to this crisis.

However, the crisis is far from over. In 2021, and probably in 2022, the Group will still have to cope with the consequences of the health crisis, first by supporting the affected customers and then by facing the market conditions that are likely to tighten. In particular, the Group will implement the measures announced for 2021 to support hotel operators, café owners, and restaurant owners as well as businesses and professionals in the tourism, culture, entertainment, and sport sectors with up to 250 employees:

- freezing of premiums on professional multi-risk insurance policies;
- establishment of free assistance cover for heads of companies and employees personally affected by COVID;
- recourse to the insurance ombudsman extended to companies for any dispute relating to a professional insurance policy.

Financial soundness

Financial rating

On 19 March 2020, Fitch Ratings revised Groupama’s rating outlook to ‘Stable’ and maintained its ‘A’ rating, to take into account both the significant uncertainty created by the global coronavirus pandemic, which led to high levels of volatility in financial markets, and ‘Negative’ on the French life insurance sector.

On 19 May 2020, then on 29 September 2020, the agency confirmed Groupama’s “A” rating and “Stable” outlook. The Fitch rating reflects Groupama’s ability to maintain strong capitalisation and leverage as well as its highly robust business profile in the French insurance sector.

Business activities

Partnerships

On 19 December 2019, La Banque Postale and the Groupama group announced the signing of a memorandum of understanding for La Banque Postale to acquire Groupama's 35% stake in La Banque Postale IARD. On 7 April 2020, the sale was finalised for €211 million. The proceeds from the sale were recorded in non-current operating income in the Group's financial statements in 2020.

On 8 September 2020, Elitis Insurance partnered with Groupama to launch Agriprotect, a comprehensive insurance policy for Walloon farmers. Already present in nine countries in Europe as well as in China, Groupama is playing its full role as a European player in the protection of farmers by becoming a partner of Elitis Insurance and contributes to better security of Walloon agriculture.

Acquisition

On 18 December 2020, the Groupama Group announced the signing of an agreement concerning the acquisition by its Hungarian subsidiary Groupama Biztosito of the Croatian insurance company OTP Osiguranje, owned by OTP Banka d.d.

Property

On 11 June 2020, Groupama announced the launch with Vinci of the construction of The Link, Total's future headquarters in Paris La Défense. The planning and work are expected to take five years. At the end of this period, Total will take delivery of the property and will be a tenant of The Link for a renewable term of 12 years.

Socially responsible investment strategy

At the end of June 2020, the Group published its ESG/Climate report entitled 'Responsible investing: key to risk management and confidence'. The management of both insurance or financial risks currently requires incorporating unpredictable environmental and societal impacts. The management of Groupama's property and financial assets increasingly focuses on measuring and optimising environmental, social, and corporate governance risks and opportunities of organisations and their impact on the Group's assets.

On 9 December 2020, the Groupama Group committed to a definitive phase-out of thermal coal in its investment portfolios by 2030 at the latest for corporate issuers in European Union and OECD countries and by 2040 for the rest of the world.

On 15 December 2020, by partnering with the AlphaOmega Foundation, the Groupama Group made its first social-impact investment through the philanthropy venture.

Inclement weather

The year 2020 was marked by a substantial weather loss experience. Significant droughts took place in the summer, and some usually spared areas were affected, particularly in northern and northeastern France.
In October, Storm Alex, which struck Brittany before causing deadly floods in Alpes-Maritimes, left significant material damage across the territory, with around a hundred houses damaged or even completely destroyed and bridges and roads washed away, particularly in the Vésubie, Tinée, and Roya valleys.

POST YEAR-END EVENTS

On 8 January 2021, the Groupama Group concluded the acquisition of the legaltech company Juritravail from MyBestPro. With this acquisition, this Group is expanding its offering of legal services for individuals, professionals, and businesses.

3. ANALYSIS OF FINANCIAL STATEMENTS

The COVID pandemic began to wreak havoc on 2020 in March with major impacts on the economy, individuals and entities, and markets.

Since the beginning of the crisis, Groupama's 24,000 employees have remained constant in their commitment to supporting policyholders and members on a daily basis thanks to the effectiveness of teleworking and paperless exchanges, significantly bolstered and widely implemented since the beginning of the first lockdown and with the commitment of its 33,500 mutual insurance elected representatives.

For the insurance sector, the consequences of this crisis have also be significant. The group has therefore supported its customers and members, especially by granting premium reductions and payment facilities. It also contributed to the collective effort by contributing to the VSE/SME solidarity fund set up by the central government and to government expenditure for the management of the COVID pandemic.

3.1 SUMMARY OF ACTIVITY AND RESULTS

Premium income in millions of euros	31/12/19	31/12/19 pro forma	31/12/20	Actual change	Like-for-like change
Property and casualty insurance - France	5,755	5,652	5,692	-1.1%	0.7%
Groupama Gan Vie	4,004	4,004	4,164	4.0%	4.0%
Life and health insurance in France – excluding Groupama Gan Vie	2,097	2,097	2,155	2.7%	2.7%
Total Insurance - France	**11,857**	**11,753**	**12,011**	**1.3%**	**2.2%**
Property and casualty insurance - International	1,623	1,573	1,540	-5.1%	-2.1%
Life and health insurance - International	734	712	705	-4.0%	-1.0%
Total Insurance - International	**2,357**	**2,285**	**2,245**	**-4.7%**	**-1.7%**
Financial businesses	168	168	189	12.7%	12.7%
GROUPAMA Total	**14,381**	**14,206**	**14,445**	**0.4%**	**1.7%**
Total Insurance	**14,213**	**14,039**	**14,256**	**0.3%**	**1.6%**
Property and casualty insurance	7,377	7,225	7,233	-2.0%	0.1%
Life and health insurance	6,836	6,814	7,024	2.7%	3.1%

2019 pro forma data:
The restatement of certain data from 31 December 2019 was necessary to allow changes between the two periods to be compared and analysed.

- Groupama Assurances Mutuelles: pro forma figures were used to take into account the end of the quota share treaty with La Banque Postale (impact: -€103 million in property and casualty insurance).

For those entities that do not use the euro as their functional currency (Turkey, Romania and Hungary), the exchange rate effects are neutralised in the pro forma data; the actual data at 31 December 2019 were converted based on the exchange rate at 31 December 2020.
In the rest of the document, figures are expressed on a like-for-like basis and with constant exchange rates. The data with constant exchange rates correspond to the comparison between the actual data at 31 December 2020 and the actual data at 31 December 2019, converted at the average exchange rates at 31 December 2020.

At 31 December 2020, Groupama's combined premium income from insurance increased 1.6% to €14.3 billion on a like-for-like basis (+0.3% in actual data) compared with 31 December 2019. Including the financial businesses, the group's combined premium income was up 1.7% on a like-for-like basis (+0.4% in actual change) at €14.4 billion.

In **property and casualty insurance,** the Group's premium income was stable, combining 0.7% growth in France and a 2.1% decrease internationally. The business is supported by insurance for businesses and local authorities (+4.0%), which benefits from the growth of the fleet segment (+3.9%) and the business and local authorities casualty (+4.0%) segment. Insurance for individuals and professionals was down 0.9% due to the decline in international business (-4.3%), which saw moderate growth in France (+0.3%) in the context of COVID. In France, growth in the automotive and home insurance segments was 1.2% and 1.5% respectively, while the professional risks sector, the focus of most of the customer support pricing measures in the context of the crisis, fell 6.2%.

Life and health insurance premium income grew by 3.1% at 31 December 2020. Groupama Gan Vie, home to the savings/pensions business in France, enjoyed 4.0% growth in premium income over the period, explained particularly by the success of a new retirement product. Other life and health insurance business activities in France increased 2.7%. The main reason for this increase was the growth of municipal staff insurance (+12.6%), while the health (individual and group) segment remaining stable over the period. International life and health insurance premium income was down 1.0% due to the decline in individual savings/pensions (-3.4%), although the good performance of the group retirement segment (+11.9%) dampened this trend.

Insurance premium income in France represented 83.2% of the Group's overall business over the period, whereas international insurance premium income amounted to 15.5% of total premium income. The group's other businesses (financial businesses) represented 1.3% of total premium income. Net banking income from these businesses amounted to €162 million at 31 December 2020.

Economic operating income in millions of euros	31/12/2019	31/12/2020	Change in value	Change %
Property and casualty insurance - France	223	134	-89	-39.9%
Life and health insurance - France	339	191	-148	-43.7%
Total Insurance - France	**562**	**325**	**-236**	**-42.2%**
Property and casualty insurance - International	-110	8	118	>100%
Life and health insurance - International	14	15	1	7.1%
Total Insurance - International	**-96**	**23**	**119**	**>100%**
Financial businesses	38	43	5	13.2%
Holding company activities	-90	-86	5	4.4%
GROUPAMA Total	**413**	**306**	**-107**	**-25.9%**
Property and casualty insurance	113	142	29	25.7%
Life and health insurance	353	206	-146	-41.6%

The Group's **economic operating income** totalled €306 million at 31 December 2020 compared with €413 million at 31 December 2019.

Economic operating income from insurance was €348 million in 2020, down €117 million from 2019.

Economic operating income in **life and health insurance** stood at €206 million in 2020 versus €353 million in 2019. This decrease can be attributed primarily to business in France, which dropped €148 million over the period. Groupama Gan Vie's operating income from group insurance was heavily impacted by the health crisis. However, economic operating income from life and health insurance at the international subsidiaries was virtually stable over the period.

In **property and casualty insurance**, economic operating income amounted to €142 million compared with €113 million at 31 December 2019 (-€89 million in France and +€118 million internationally). The net non-life combined ratio was thus 98.7% in 2020 versus 97.0% in 2019 (+1.7 points). The loss experience was also marked by the health situation related to COVID: The following should be noted:

- In France, the decrease in attritional loss experience of -1.7 points was offset by an increase in the cost of serious claims, which accounts for a significant part of the adverse changes, in particular in risks related to insurance for cancellations and operating losses for administrative closures. Internationally, attritional loss experience decreased by 8.9 points, particularly in connection with the health situation, which has reduced the claims burden of the segments (especially motor insurance) in which the group operates. Also noteworthy is the unfavourable impact of other items and changes in prior years (+4.1 points) in a context of prudence associated with the uncertainty of the COVID crisis as well as the decrease in external reinsurance expense (-1.4 points) due to the increase in the claims incurred ceded to reinsurers.
- The increase in operating expenses (+0.3 points), due in particular to the weight of premium reduction measures granted to support policyholders in the context of the health crisis.

Banking and financial businesses contributed +€43 million to the Group's economic income in 2020. The group's holding business posted an economic operating loss of -€86 million in 2020, compared with -€90 million in 2019.

The Group's net income totalled +€177 million at 31 December 2020, compared with +€345 million at 31 December 2019. The non-recurring financial margin decreased by €160 million. It includes -gains of €118 million in 2020 compared with €354 million in 2019 (a fiscal year that included the sale of a property in Paris located on the Champs-Elysées).

The 2020 income also includes:

- ✓ the result of the modification of the Insurance partnership with LBP for +€82 million;
- ✓ the contribution to the VSE/SME COVID fund and various grants for -€31 million;
- ✓ the impact of the reduction in the tax rate representing -€19 million;
- ✓ Orange Bank's equity-method result of -€50 million;
- ✓ various non-recurring expenses amounting to -€56 million;
- ✓ impairment of goodwill of the Italian subsidiary totalling -€126 million.

In millions of euros	**31/12/2019**	**31/12/2020**
Economic operating income	**413**	**306**
Net capital gains realised (1)	354	118
Allocation to reserves for long-term impairment (1)	-71	-32
Gains or losses on financial assets recognised at fair value (1)	9	45
Other expenses and income	-110	-85
Financing expenses	-63	-49
Net income from discontinued business activities	-4	0
Goodwill impairment	-183	-125
Net income	**345**	**177**

(1) amounts net of profit sharing and corporate tax

3.2 ACTIVITY AND RESULTS - FRANCE

Premium income - France *in millions of euros*	31/12/19 pro forma			31/12/20		
	L&H	P&C	Total	L&H	P&C	Total
Regional Mutuals	1,935	3,992	5,928	1,999	4,051	6,050
Groupama Assurances Mutuelles	12	25	37	10	27	37
Groupama Gan Vie	4,004		4,004	4,164		4,164
Gan Assurances	145	1,266	1,410	140	1,250	1,390
Other entities (1)	6	368	374	5	364	369
Total	**6,102**	**5,652**	**11,753**	**6,319**	**5,692**	**12,011**

(1) including Assuvie

Insurance premium income in France at 31 December 2020 increased by +2.2% compared with 31 December 2019 and totalled 12,011 million.

Property and casualty insurance

Insurance premium income *in millions of euros*	P&C - France		
	31/12/19 pro forma	31/12/20	Change %
Regional Mutuals	3,992	4,051	1.5%
Groupama Assurances Mutuelles	25	27	7.6%
Gan Assurances	1,266	1,250	-1.2%
Other entities	368	364	-1.2%
Total	**5,652**	**5,692**	**0.7%**

Property and casualty insurance premium income (47.4% of premium income in France) increased 0.7% to €5,692 million at 31 December 2020. Insurance for individuals and professionals was increased moderately over the period (+0.3%) at €3,323 million (nearly 60% of written premiums in property and casualty insurance). The growth in the passenger vehicle insurance segment (+1.2% at €1,582 million) and the home insurance segment (+1.5% at €1,049 million) offset the decline in the professional risks segment (-6.2% at €425 million), marked by premium reduction measures amidst the COVID crisis. Insurance for businesses and local authorities (€936 million and 16% of the portfolio) was up +4.5%, driven by the good performance of the fleet segment (+4.4% at €477 million) and the business and local authorities casualty segment (+4.6% to €459 million).

Premium income of **regional mutuals** in property and casualty insurance (€4,051 million) grew 1.5% over the period. The passenger vehicle segment (+1.8% to €1,186 million) segments benefited from price increases and portfolio development in terms of number (+32,000 vehicles the end of December 2020). The home insurance business grew +2.1% to €841 million, mainly due to price increases, as the portfolio remained virtually stable over the period. The good performance in the fleets insurance (+5.3% to €341 million) and business and local authority damage insurance (+3.6% to €339 million) segments was also noteworthy.

Premium income at **Groupama Assurances Mutuelles**, which is home to some nationwide business activities via reinsurance and the share in professional pools (Gareat, Assurpol, etc.) totalled €27 million at 31 December 2020 versus €25 million in the previous period (LBP restated pro forma premium income).

Premium income for **Gan Assurances** decreased 1.2% to €1,250 million at 31 December 2020 and held up well against the health crisis overall. The passenger vehicle segment fell 0.6%. The professional risks segment, where most of the development actions are concentrated, faced a slightly more difficult situation due to the health crisis and was down -6.9%. The good performance in business and local authority damage insurance (+7.7%) significantly mitigated these movements.

Groupama Assurance-Crédit et Caution posted premium income of €46 million at 31 December 2020, up 0.8% from the previous period. However, the segment's good performance was offset by the decline in the credit segment.

Mutuaide Assistance's premium income at 31 December 2020 was down 4.4% at €190 million due to the health crisis and its impact on travel contracts in particular.

Société Française de Protection Juridique's premium income grew by 3.3% to €128 million as of 31 December 2020.

Economic operating income in **property and casualty insurance** in France totalled €134 million in 2020 compared with €223 million at 31 December 2019. The figures are as follows:

Property and casualty insurance - France *In millions of euros*	**31/12/2019**		**31/12/2020**		**2020-2019 change**	
Gross earned premiums	5,726	100.0%	5,672	100.0%	-54	-0.9%
Underwriting expenses (policy servicing) - excluding claims management costs	-3,568	-62.3%	-3,830	-67.5%	-263	-7.4%
Reinsurance balance	-154	-2.7%	25	0.4%	180	>100%
Underwriting margin net of reinsurance	**2,004**	**35.0%**	**1,867**	**32.9%**	**-137**	**-6.8%**
Net expenses from current underwriting operations	-1,718	-30.0%	-1,721	-30.3%	-2	-0.1%
Underwriting income net of reinsurance	**285**	**5.0%**	**146**	**2.6%**	**-139**	**-48.8%**
Recurring financial margin net of tax	82	1.4%	75	1.3%	-8	-9.2%
Other items	-145	-2.5%	-87	-1.5%	58	40.1%
Economic operating income	**223**	**3.9%**	**134**	**2.4%**	**-89**	**-39.9%**
Capital gains realised net of corporate income tax	70	1.2%	39	0.7%	-31	-44.7%
Allocations to reserves for long-term impairment net of corporate income tax	-3	-0.1%	-6	-0.1%	-3	<-100%
Gains or losses on financial assets recognised at fair value net of corporate income tax	10	0.2%	9	0.2%	-1	-11.5%
Other operations net of corporate income tax	-91	-1.6%	-64	-1.1%	27	29.3%
Income excluding restructuring	**208**	**3.6%**	**110**	**1.9%**	**-98**	**-47.0%**
Net income from discontinued business activities	-3	-0.1%		0.0%	3	NA
Group net income	**205**	**3.6%**	**110**	**1.9%**	**-95**	**-46.2%**

In **France**, **net underwriting income** (gross premiums earned – gross underwriting expenses – net expenses from current underwriting operations and reinsurance balance) decreased by €139 million over the period. The deterioration in the net combined ratio of 2.4 points to 97.4% in 2020 was the cause of this change. The loss experience for the 2020 fiscal year was affected by two opposite effects: an improved attritional loss experience, especially in the motor segment, and a decline in serious claims. Serious claims were marked by exceptional events related to operating losses for administrative closures, cancellations of events, and credit and assistance risks due to the health situation. The net loss ratio decreased by 2.1 points to 67.1% in 2020.

The following key items should be noted at 31 December 2020:

Net underwriting income of the **regional mutuals** portfolio decreased with a combined net property and casualty insurance ratio up by almost 1.3 points at 99.9% in connection with the significant increase in serious claims, while weather-related claims were down.

Underwriting income for **Gan Assurances** in property and casualty insurance was down €5 million from 2019. The gross loss experience deteriorated by 5.3 points. The current loss experience decreased by 2.6 points, combining a decrease in attritional loss experience of 6.1

points, an increase in serious claims of 3.2 points (mainly in motor and agricultural), and, to a lesser extent, an increase in weather claims of 0.4 points. Taking these factors into account, reinsurance played a positive role, reducing the net loss ratio to 64.6% in 2020 (-1 point compared with 2019). It should be noted that the changes on claims, which were slightly lower than last year, take into account a level of caution given the circumstances of 2020. The operating cost ratio was up by +1.3 points at 32.9% in 2020, particularly due to the decrease in earned premiums.

In **France**, the **recurring financial margin** (after tax) of the **property and casualty insurance** business amounted to €75 million in 2020, down nearly 10% over the period.

The change in **other items** was mainly attributable to the change in tax expenses charged on net underwriting income.

In **France**, **net income** was €110 million in 2020 compared with €205 million in 2019. The non-recurring financial margin decreased by €35 million over the period under the effect of lower realised gains. Other transactions net of taxes amounted to -€64 million mainly in connection with the decrease in the deferred tax rate and the contribution to the COVID fund (-€18 million).

Life and health insurance

	L&H France		
Insurance premium income in millions of euros	**31/12/19 pro forma**	**31/12/20**	**Change %**
Groupama Gan Vie	4,004	4,164	4.0%
Regional Mutuals	1,935	1,999	3.3%
Groupama Assurances Mutuelles	12	10	-13.4%
Gan Assurances	145	140	-3.4%
Other entities (1)	6	5	-4.9%
Total	**6,102**	**6,319**	**3.6%**

(1) *including Assuvie*

Life and health insurance premium income (52.6% of premium income in France) increased 3.6% to €6,319 million. Group premium income for life insurance and capitalisation in France increased 7.2% in a market down 20% at the end of December 2020 (source: FFA). This change is mainly attributable to the growth in the individual savings/pensions business (+12.7%), thanks in particular to the major commercial success of Perin policies (individual savings/pensions plans). After including arbitrage operations (euros to unit-linked at -€497 million), Fourgous transfers (€99 million), and unit-linked net inflows (€661 million), the rate of actuarial reserves in unit-linked individual savings is now 28.8% (compared with 28.1% at 31 December 2019).

Health and personal injury premium income at 31 December 2020 was up 0.8% from the previous period due to the good performance of municipal staff insurance (+12.6%). The stability of the health insurance business combines a 1.3% increase in individual health insurance and a 1.5% decrease in group health insurance.

The Group's net inflows in France were negative at -€865 million at 31 December 2020 compared with -€977 million during the previous period.

Premium income of the networks constituting **Groupama Gan Vie** rose 4.0% to €4,164 million as of 31 December 2020. By business line, the majority of Groupama Gan Vie's premium income was generated in individual insurance (57.4%), with written premiums up 10.0% compared with 31 December 2019 at €2,391 million. The individual savings/pensions segment was up 12.7%, consisting of a 7.8% decrease in individual savings in connection with the health crisis and a 75.4% increase in individual retirement due to the launch of the Perin product and its very significant commercial performance. The ongoing UL development strategy resulted in a 39.4% increase in premium income in individual UL savings/pensions and a 3.3% decrease in premium income in euros for this segment. UL assets in individual savings now represent 28.8% of the total assets. Also note that Groupama Gan Vie had €99 million in Fourgous transfers to multi-component funds (including €85 million invested in UL). Group insurance (42.6% of business) suffered the consequences of the health crisis and fell 3.2% to €1,773 million, mainly due to the decrease in protection insurance (-10.6%) and health insurance (-3.9%).

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

In millions of euros	**31-Dec-19 Actual**	**31-Dec-20 Actual**	**2020-2019 Change**
Regional mutuals	1,137	1,109	-2.4%
General agents	777	899	15.6%
Brokerage	1,345	1,327	-1.3%
Gan Patrimoine	294	369	25.5%
Gan Prévoyance	450	459	2.0%
Réunima	1	1	2.6%
Total	**4,004**	**4,164**	**4.0%**
Individuals	2,172	2,391	10.0%
of which unit-linked savings/pensions	*672*	*937*	*39.4%*
of which savings/pensions (in euros)	*1,119*	*1,082*	*-3.3%*
Groups	1,832	1,773	-3.2%
Total	**4,004**	**4,164**	**4.0%**

Premium income for the **regional mutuals network** was €1,109 million at 31 December 2020, down by 2.4% compared with the previous period. In individual insurance, business totalled €1,048 million (-2.5%) and suffered from the decrease in premium income in individual savings/pensions (-3.1%, including +41.8% on UL vehicles and -28.2% in euros). However, this change masks a 69.4% increase in individual retirement premiums resulting from the success of Perin products, while the individual savings business declined by 8.5%. The group insurance premium income remained stable at €61 million as of 31 December 2020.

The **Gan Assurances network** posted premium income of €899 million at 31 December 2020, up 15.6% compared with the previous period, driven by individual insurance. Written premiums in individual insurance (+45.9%) benefited from the growth in individual savings/pensions (+72.8% including +58.5% on UL vehicles). The good performance of the individual retirement business, with premium income tripling over the period due to the success of Perin products, was offset by the decline in individual savings (-19.4%). The group insurance business was down 9.5% at 31 December 2020 in connection with the decline in the protection insurance segment (-16.4%).

The brokerage network recorded premium income of €1,327 million at 31 December 2020, down 1.3% compared with 31 December 2019, mainly under the effect of the decline in group protection insurance (-9.5%) and group health insurance (-4.1%). However, these changes were mitigated by the growth in group inward reinsurance (+25.6%).

Premium income for the **Gan Patrimoine** network was up 25.5%, totalling €369 million at 31 December 2020, driven by growth in the individual savings/pensions segment (+26.3%), particularly on UL vehicles (+31.0%).

The **Gan Prévoyance** sales network contributed €459 million to group premium income at 31 December 2020, a +2.0% decrease compared with the previous period. The individual savings/pensions business (+4.5%) was driven by the growth in individual retirement (+10.0% related to Perin products), breaking down in a 38.3% increase in UL and a 10.3% decrease in euros. Meanwhile, individual protection insurance was down (-3.7%).

In life and health insurance, premium income for **regional mutuals** at €1,999 million was up 3.3% compared with 31 December 2019. Individual life and health insurance increased 1.6% with growth in the health insurance segment (+1.8% at €1,167 million). Group life and health insurance posted a 10.2% increase, a result of good performance in local authority personnel insurance (+12.6% at €183 million) and group health insurance (+7.2% at €201 million).

Gan Assurances life and health insurance premium income declined 3.4% to €140 million as of 31 December 2020 in connection with the decline in the individual health insurance business (-3.3%).

The **Caisses Fraternelles** generated €3 million in premium income at 31 December 2020 compared with €2 million over the previous period.

The discontinued business of the subsidiary **Assuvie** decreased -26.7% compared with 31 December 2019. Its premium income (consisting only of periodic premiums in run off) amounted to €3 million at 31 December 2020.

In **life and health insurance**, economic operating income in France was €191 million in 2020 compared with €339 million in 2019.

Life and health insurance - France *In millions of euros*	**31/12/2019**		**31/12/2020**		**2020-2019 change**	
Gross earned premiums	6,133	100.0%	6,361	100.0%	228	3.7%
Underwriting expenses (policy servicing) - excluding claims management costs	-4,589	-74.8%	-5,071	-79.7%	-481	-10.5%
Reinsurance balance	-14	-0.2%	-27	-0.4%	-13	-95.2%
Underwriting margin net of reinsurance	**1,529**	**24.9%**	**1,263**	**19.9%**	**-267**	**-17.4%**
Net expenses from current underwriting operations	-1,221	-19.9%	-1,250	-19.7%	-29	-2.4%
Underwriting income net of reinsurance	**308**	**5.0%**	**12**	**0.2%**	**-296**	**-95.9%**
Recurring financial margin net of profit sharing and tax	146	2.4%	197	3.1%	51	34.8%
Other items	-116	-1.9%	-19	-0.3%	97	83.7%
Economic operating income	**339**	**5.5%**	**191**	**3.0%**	**-148**	**-43.6%**
Capital gains realised net of corporate income tax and profit sharing	264	4.3%	93	1.5%	-171	-64.8%
Allocations to reserves for long-term impairment net of corporate income tax and profit sharing	-67	-1.1%	-11	-0.2%	55	83.1%
Gains or losses on financial assets recognised at fair value net of corporate income tax and profit sharing	-3	0.0%	20	0.3%	23	>100%
Other operations net of corporate income tax		0.0%	-49	-0.8%	-49	<-100%
Group net income	**534**	**8.7%**	**244**	**3.8%**	**-290**	**-54.3%**

Underwriting income net of reinsurance decreased by -€296 million at 31 December 2020 mainly due to the health crisis.

Groupama Gan Vie's net underwriting income declined by -€168 million over the period in line with the decrease in the net underwriting margin (-€146 million) and the increase in operating expenses by €21 million. This decrease is explained by the deterioration of the current margin during the health crisis and by the increase in the prudential provision expense taking into account the financial environment.

In **group insurance**, the current underwriting margin fell sharply. The protection and health insurance segments were heavily impacted by the health crisis with premium income down and benefits up (work stoppage and death). In **individual insurance**, the current underwriting margin was almost stable.

Operating expenses increased in part due to increased commissions related to successful commercial operations.

Net underwriting income at the **regional mutuals** decreased by more than €90 million over the period with a combined net ratio of 94.1% (+4.9% compared with 31 December 2019).

The net underwriting income from life and health insurance of **Groupama Assurances Mutuelles**, highly correlated with the divestitures of the regional mutuals, was down €47 million over the period.

Recurring financial margin (net of profit sharing and taxes) grew by €51 million over the period. The decrease in financial income was more than offset by a lower net profit-sharing expense at Groupama Gan Vie.

In **France**, **net income** from life and health insurance amounted to €244 million at 31 December 2020 compared with €534 million at 31 December 2019. The non-recurring financial margin decreased by €93 million over the period, mainly due to lower realised capital gains. Other transactions net of taxes amounted to -€49 million mainly in connection with the decrease in the deferred tax rate and the contribution to the COVID fund.

3.3 ACTIVITY AND RESULTS - INTERNATIONAL

International premium income *in millions of euros*	31/12/19 pro forma			31/12/20		
	L&H	P&C	Total	L&H	P&C	Total
Italy	417	916	1,334	389	858	1,247
Greece	61	90	151	65	83	148
Turkey	30	119	149	34	142	176
Hungary	168	174	342	173	192	364
Romania	17	208	225	22	198	220
Bulgaria	9	11	19	13	11	24
Gan Outre-Mer	9	56	65	9	57	66
Total	**712**	**1,573**	**2,285**	**705**	**1,540**	**2,245**

The Group's **international** combined **premium income** was €2,245 million at 31 December 2020, down 1.7% from 31 December 2019.

Property and casualty insurance premium income was €1,540 million as of 31 December 2020, down 2.1% compared with the previous period due to the decline in the passenger vehicle insurance segment (-5.6%, or nearly 60% of written premiums in property and casualty insurance). This decrease is attributable to most countries, mainly Italy (with COVID combined with competitive pressure), which continued to implement its underwriting recovery programme begun last year. In this particular context, Hungary and Turkey managed to post an increase in passenger vehicle premiums. The good performance of agricultural business (+16.3%) and business and local authorities (+2.1%) is noteworthy.

Life and health insurance premium income decreased 1.0% to €705 million. Individual life and health insurance decreased 1.8% due to the decline in individual savings/pensions (-3.4%, or nearly 65% of life and health insurance written premiums), mainly in Italy. Group life and health insurance was up +5.0% at €91 million in connection with the growth in the group retirement segment (+11.9%), especially in Italy and Greece.

Economic operating income from insurance within the International scope represented a profit of €24 million at 31 December 2020 compared with a loss of -€96 million at 31 December 2019.

Economic operating income from the **property and casualty insurance** business amounted to €8 million at 31 December 2020 compared with -€110 million at 31 December 2019. The combined ratio was down 10.6 points at 101.5%. The impact of the health crisis and the lockdown policies decreased the frequency of claims in all the subsidiaries, which offset the decrease in new business, mainly in the motor insurance segment. It is worth noting that the Italian subsidiary's recovery plan continued and contributed to the improvement of this result. The operating cost ratio worsened by 1.2 points to 35.3% under the effect of the decline in earned premiums.

Economic operating income from **life and health insurance** remained stable at +€15 million in 2020. Non-life personal insurance improved with a combined ratio down 7.2 points at 93.0% due to the decrease in the frequency of claims associated with the lockdown periods (mainly in individual health). Conversely, life insurance underwriting income decreased due in particular to the decrease in new business, net inflows, and redemptions.

Economic operating income *€ million*	**31/12/2019**	**31/12/2020**	**Change**
Italy	-121	-6	115
Greece	7	6	-2
Turkey	4	6	2
Hungary	20	26	6
Romania	-14	-6	8
Bulgaria	-1	1	2
Gan Outre-Mer	9	7	-2
Equity-method entities	**-1**	**-10**	-9
Tunisia (Star)	3	2	-1
China (Avic)	-4	-11	-8
Total	**-96**	**24**	**120**

The **net income** from international insurance totalled -€10 million at 31 December 2020 compared with -€98 million at 31 December 2019.

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

Net income *in millions of euros (1)*	**31/12/2019**	**31/12/2020**
Italy	-136	-26
Greece	8	7
Turkey	10	5
Hungary	23	24
Romania	-13	2
Bulgaria	0	1
Gan Outre-Mer	10	7
Equity-method entities	**-1**	**-10**
Tunisia (Star)	3	2
China (Groupama Avic)	-4	-11
Total	**-98**	**10**

(1) excluding income from the Holding business.

Italy

Premium income for the Italian subsidiary **Groupama Assicurazioni** fell 6.5% to €1,247 million at 31 December 2020.

Property and casualty insurance premium income decreased 6.4% to €858 million. The passenger vehicle insurance segment (nearly 70% of property and casualty insurance premiums) fell 8.3%. Competitive pressure in the context of COVID combined with the roll-out of the subsidiary's recovery plan explains the portfolio's decline in number and new business.

Life and health insurance business (€389 million) decreased 6.8% compared with the previous period. Individual savings/pensions premium income decreased 5.9%. More specifically, individual UL savings fell 5.4% (mainly on the network of agents), while the decline in individual savings in euros (-6.7%) followed the market trend. Group life and health insurance premium income was down 17.3%, with the good performance in the retirement segment (+15.1%) unable to offset the decline in the health segment (-44.4%).

Economic operating income amounted to -€6 million compared with -€121 million at 31 December 2019.

The combined ratio in **property and casualty insurance** was 103.6%, a decrease of 15.8 points compared with the previous fiscal year. This change is explained by the combination of several factors that favourably affected the current loss experience (down 14 points at 63.3%) on almost all segments and particularly on the motor segment: decrease in the frequency of claims during the lockdown periods and less impact of changes in provisions on prior fiscal years (28% decrease in underwriting losses compared with 2019, a year in which the provisioning was adjusted). In motor insurance, the current loss experience was thus down 19 points at 60%. The continuation of structural reforms also contributed to improving underwriting profitability. The operating cost ratio increased by 1.8 points to 33.2% due to the decline in earned premiums.

In **life and health insurance**, the underwriting income improved significantly mainly due to the decrease in the loss experience during the lockdown periods. In life insurance, the underwriting margin improved in individual protection insurance (2019 was marked by significant serious claims) as well as in individual savings. In non-life insurance, the individual insurance and health insurance segments improved as a result of the decrease in loss experience.

The **recurring financial margin** (net of profit sharing) decreased due to the decrease in rates.

Net income totalled -€26 million compared with -€136 million at 31 December 2019. This result includes the non-recurring financial margin (realised gains, allocation to provisions for impairment, and change in fair value of financial instruments), which includes, in particular, the impairment of investment assets.

Turkey

Premium income for the Turkish subsidiaries **Groupama Sigorta** and **Groupama Emeklilik** increased 18.0% to €176 million at 31 December 2020.

In a country that continues to be affected by significant inflation of 14.6%, **property and casualty insurance** premium income (€142 million) increased 19.5%. Passenger vehicle insurance (+15.9%) benefited from marketing campaigns that were good for both the damage segment (+16.2%) and the liability segment (+15.2%). The good performance posted by the business protection segment (+25.6%) should also be noted.

The **life and health insurance** business (€34 million) increased 12.1%, mainly due to the growth of the health insurance segment (individual and group: +12.5%). In the individual savings/pensions sector (+3.2%), marketing campaigns made it possible to offset the effects of the pandemic.

Economic operating income for the Turkish subsidiaries Groupama Sigorta and Groupama Hayat was €6 million (€4 million at 31 December 2019).

The combined ratio of **property and casualty insurance** was 112.9% compared with 117.3% at 31 December 2019, a decrease of 4.4 points. Current claims improved by 11.3 points to 77.5% in connection with the decrease in the frequency of motor claims during the lockdown period. However, this improvement was mitigated by deficits on prior fiscal years associated with serious claims for business damages in particular. The gross loss experience was 75.9%, down 6.2 points. The reinsurance ratio was up by +2.9 points. The operating costs ratio decreased by 1 points to 29.1%.

The **life and health insurance** underwriting result increased. Against this backdrop, non-life personal insurance benefited from the decrease in the frequency of individual health claims during the lockdown period. However, life and health insurance recorded losses related to the liquidation of run-off portfolios (following the termination of distribution agreements with TKK Bank in 2018) and an unfavourable foreign exchange effect on contracts in dollars.

The **recurring financial margin** (net of profit sharing and tax) was down due to lower rates of return (Turkish key rates fell sharply in early 2020 before returning to slightly higher levels in the second half of the year).

The **net income** of the Turkish subsidiaries totalled +€5 million at 31 December 2020 compared with +€10 million at 31 December 2019. This result includes non-recurring financial income, which was down sharply from the previous period.

Greece

Groupama Phoenix's premium income decreased 1.7% compared with the previous period to €148 million at 31 December 2020. Different segments fared differently.

> **Property and casualty insurance** business fell 7.4% to €83 million in a context marked by strong competitive pressure, during health crisis, particularly in the passenger vehicle segment (nearly 70% of property and casualty insurance premiums), which fell 10.6% in line with the portfolio's decline in number (the subsidiary did not engage in the pricing war to maintain its margins).
>
> **Life and health insurance** premium income was up 6.7% at €65 million, driven by the good performance of individual health (+10.9% due to the development of the portfolio), group retirement (+9.5% due to the development of large policies), and group health (+27.8%). Individual UL savings/pensions premiums were down -20.5%, affected by the economic consequences of the health crisis.

Economic operating income represented a profit of €6 million at 31 December 2020 versus €7 million at 31 December 2019.

> The combined ratio in **property and casualty insurance** was 86.3%, a decrease of 2.4 points from the previous period. The lockdown period due to the health crisis had a favourable impact on the current loss experience, particularly in the motor insurance segment, with a significant decrease in the frequency of claims, which offset the decrease in liquidation surpluses. The operating cost ratio increased by 1.6 points to 45.0% due to the decline in earned premiums.
>
> **Life and health insurance** underwriting income was down compared with the previous period due in particular to the less favourable discount rate in life insurance.

The **recurring financial margin** (net of profit sharing and tax) shows lower income.

Net income totalled €7 million, down €1 million from 2019.

Hungary

Premium income of the subsidiary **Groupama Biztosito** in Hungary increased 6.5% to €364 million at 31 December 2020.

> Written premiums in **property and casualty insurance** were up 10.1% at €192 million at 31 December 2020. The development of the portfolio (particularly thanks to the network of brokers) and the effect of the growth in the average premium explain the growth of the passenger vehicle segment (+9.5%). The business property damage insurance segment posted growth of 16.9%, mainly due to the launch of a new product and the development of new business. Premium income of the fleet insurance segment was 19.6%.
>
> In **life and health insurance**, premium income was up 2.7%, reaching €173 million, driven by growth in individual protection (+5.3%) and individual savings/pensions (+2.1%). The contraction in unit-linked premiums was offset by growth in traditional savings. However, the subsidiary's life/savings premium income continued to consist of 83.1% UL policies.

Economic operating income amounted to €26 million at 31 December 2020 compared with €20 million in 2019.

> The net combined ratio for **property and casualty insurance** decreased by 1.5 points to 95.4% at 31 December 2020. This improvement was due to higher premium income in motor insurance and a lower frequency of claims during the lockdown period. In addition, weather conditions were generally favourable. The subsidiary also continued its portfolio selection policy. The operating cost ratio decreased by 2.1 points to 48.4% under the effect of the increase in earned premiums.
>
> The underwriting result in **life and health insurance** was up slightly. The health crisis favoured traditional savings products in life insurance, compensating for losses in non-life insurance (in particular, individual protection claims due to unemployment).

The **recurring financial margin** (net of profit sharing and tax) was higher.

The Hungarian subsidiary's **net income** appeared to be relatively stable at €24 million. This result incorporates the non-recurring financial margin, which decreased as a result of unrealised gains on market-value investments through profit or loss.

Romania

Premium income of the Romanian subsidiary **Groupama Asigurari** declined by 2.4% to €220 million at 31 December 2020. Different segments fared differently.

> The **property and casualty insurance** business (€198 million) decreased -4.8%. The passenger vehicle segment (more than 60% of premiums in property and liability insurance) decreased 10.8%, breaking down into -0.6% on the damages segment and -37.4% in liability. In this segment, the volume of business was deliberately limited in a market context where a few players engaged in a very aggressive pricing war. The good performance of the business damage insurance (+9.3%) and agricultural business line (+18.5%) segments mitigated these changes.
>
> **Life and health insurance** premium income (€22 million) increased 27.5% over the period, driven by growth in group health (+25.5%), particularly due to new policies and significant policy renewals. The growth in the individual protection segment (+31.8%) should also be noted.

The Romanian subsidiary's **economic operating income** represents a loss of €6 million at 31 December 2020 compared with a loss of €14 million at 31 December 2019.

> The net combined ratio in **property and casualty insurance** decreased 4.8 points to 102.9% at 31 December 2020. This change resulted both from the decrease in the frequency of motor claims segment during the lockdown period and from the return to structural profitability of motor damage following the recovery measures put in place. On the other hand, severe weather (exceptional drought and hail) negatively affected the agricultural business and home insurance segments. The operating cost ratio increased by 1.8 points (to 33.7%) due to the decrease in earned premiums and inflation.
>
> **Life and health insurance underwriting income** was down due to a poor loss experience on life insurance policies in the group and individual segments.

The **recurring financial margin** (net of profit sharing and tax) was down due to an unfavourable foreign exchange effect compared with last year.

Net income totalled €2 million compared with a loss of -€13 million at 31 December 2019. This result includes a profit of €7 million with respect to the writeback of a reserve established in 2018 and no longer needed.

Bulgaria

In **Bulgaria**, the premium income of the subsidiaries Groupama Zastrahovane and Groupama Jivotozastrahovane climbed 25.6% to €24 million at 31 December 2020. Life and health insurance totalled €13 million, up +49.6% due to the takeover of Express Life. Property and casualty insurance (€11 million) was up +5.6%. The growth in the business damage segment (+57.6% from the development of new business) and the financial losses segment (+49.4%) offset the decline in passenger vehicles (-16.5%).

The contribution of the Bulgarian subsidiaries to the Group's **net income** was +€0.9 million at 31 December 2020 compared with -€0.4 million over the previous period.

Gan Outre-Mer

Gan Outre-Mer's premium income rose +1.6% to €66 million as of 31 December 2020. The property and casualty insurance business amounted to €57 million (+2.2%) and benefited from growth in the passenger vehicle (+2.9%) and home insurance (+2.0%) segments. Life and health insurance premium income (mainly individual health) remained stable at €9 million.

Gan Outre-Mer's **economic operating income** totalled +€7 million at 31 December 2020 compared with €9 million in 2019. Net underwriting income in property and casualty insurance decreased by -€3 million with a net combined ratio that worsened by 6.6 points to 79.4%. The operating cost rate was down -0.6 points at 27.2% in 2020.

Gan Outre-Mer's **net income** totalled €7 million in 2020 compared with €10 million in 2019.

Tunisia

The equity-method income of the Tunisian subsidiary Star was +€2 million as of 31 December 2020.

China

The Chinese subsidiary's contribution represented a loss of -€11 million at 31 December 2020 compared with -€4 million at 31 December 2019. The subsidiary was struck by a series of exceptionally severe weather conditions (drought, typhoon, etc.).

3.4 FINANCIAL BUSINESSES

In millions of euros	31/12/2019	31/12/2020	2020-2019 change	
Net banking income, net of cost of risk and long-term financial instruments	152	162	10	6.4%
Other operating income and expenses and non-underwriting current income and expenses	-99	-101	-3	-3.0%
Other items	-16	-18	-2	-11.8%
Economic operating income	**38**	**43**	**5**	**13.1%**
Other operations net of corporate income tax	-63	-50	13	19.9%
Income excluding restructuring	**-25**	**-8**	**17**	**69.6%**
Goodwill impairment	-81		81	NA
GROUP NET INCOME	**-106**	**-8**	**99**	**92.8%**

The **economic operating income** of financial and banking businesses totalled +€43 million in 2020 versus +€38 million in 2019. These figures include Groupama Asset Management's earnings, which totalled €39 million at 31 December 2020 compared with €32 million at 31 December 2019. The economic operating income of the other entities (Groupama Immobilier, Groupama Epargne Salariale, and Groupama Gan Reim) represented +€4 million in income in 2020.

Net income from financial and banking businesses totalled -€8 million at 31 December 2020 compared with -€106 million over the previous period. This figure takes into account Orange Bank's loss of -€50 million. As a reminder, net income at 31 December 2019 included in other transactions net of taxes not only Orange Bank's equity-method income for -€63 million but also the impairment of Orange Bank securities for -€81 million.

3.5 GROUPAMA ASSURANCES MUTUELLES AND HOLDING COMPANIES

In millions of euros	31/12/2019	31/12/2020	2020-2019 change	
Other operating income and expenses and non-underwriting current income and expenses	-147	-149	-1	-0.7%
Recurring financial income (after corporate income tax)	3	10	7	>100%
Other items	54	53	-1	-1.0%
Economic operating income	**-90**	**-86**	**5**	**5.4%**
Capital gains realised net of corporate income tax	9	-15	-23	<-100%
Allocations to reserves for long-term impairment net of corporate income tax		-8	-8	<-100%
Gains or losses on financial assets recognised at fair value net of corporate income tax	-2	16	19	>100%
Financing expenses	-63	-49	14	22.0%
Other operations net of corporate income tax	60	87	27	44.5%
GROUP NET INCOME	**-88**	**-55**	**33**	**37.7%**

Groupama Assurances Mutuelles is the head entity of the group and is the central body. It acts as a holding company by holding (directly or indirectly) all of 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 financial result is broken down on a standardised basis for the underwriting business. The expenses allocated to that business correspond to the share of costs and expenses of general management, functional departments, and shared non-underwriting expenses.

The **economic operating income** of holding companies increased slightly to -€86 million in 2020. This change was mainly related to the improved recurring financial margin, while the other items were almost stable.

The **net income** of holding companies was a loss of -€55 million at 31 December 2020 compared with a loss of -€88 million at 31 December 2019.
This result was impacted by the decrease in the non-recurring financial margin related in particular to the repayment of the Zen bond and the unwinding of the associated swap as well as the decrease in financing expenses of €14 million. Other transactions net of taxes generated +€87 million in income mainly related to the decrease in the deferred tax rate in France and various allowances compared with only +€60 million in 2019.

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

Net income *€ million*	**31/12/2019**	**31/12/2020**
Total Insurance - France	743	355
Total Insurance - International	-98	10
Banking and financial businesses	-25	-8
Holding company activities	-88	-107
Goodwill impairment	-183	-125
Other	-3	52
Total net income - GROUPAMA	**345**	**177**

Goodwill impairment was mainly related to an impairment expense on the Italian subsidiary's goodwill.

3.6 COMBINED BALANCE SHEET

At 31 December 2020, Groupama's combined balance sheet totalled €104.7 billion compared with €102.9 billion in 2019, an increase of 1.8%.

Goodwill

Goodwill amounted to €1.7 billion as of 31 December 2020 compared with €1.8 billion in 2019, following the impairment of goodwill of the Italian subsidiary.

Other intangible assets

Other intangible assets totalling €366 million at 31 December 2020 (versus €328 million in 2019) are composed primarily of amortisable portfolio securities (€46 million) and computer software. The change in this item is related to software activations and amortisation for the period.

Investments (including unit-linked investments)

Insurance investments totalled €92.4 billion in 2020 compared with €91.1 billion in 2019, an increase of 1.4%.

The group's unrealised gains (including property) increased by €0.9 billion to €11.8 billion (compared with €10.9 billion at the previous close), mainly because of the increase in unrealised gains on bonds.

By asset allocation, unrealised gains are broken down into +€8.5 billion on bonds, +€1.1 billion on equities, and +€2.2 billion on property.

Unrealised gains on financial assets (excluding property) totalled €9.6 billion, with €2.7 billion attributable to shareholders (after profit sharing and tax) versus €2.3 billion at 31 December 2019. These amounts are recorded in the financial statements in the revaluation reserve. Unrealised property gains attributable to the group (net of tax and deferred profit sharing) totalled +€0.90 billion compared with +€0.83 billion at 31 December 2019. The group elected to account for investment and operating property according to the amortised cost method; therefore, unrealised property gains were not recorded in the accounts.

The equity share of total investments in terms of market value was 7.1% at 31 December 2020 versus 7.3% at 31 December 2019 according to an economic view.

Group's equity

Groupama's Group's equity at 31 December 2019 was +4.6% higher than the previous period, totalling €10.7 billion.

This change can be summarised as follows:

(In millions of euros)

Group's equity at 2020 opening	**10,238**
Change in revaluation reserve: fair value of AFS assets	900
Change in revaluation reserve: shadow accounting	-391
Change in revaluation reserve: deferred tax	-130
Mutual certificates	31
Foreign exchange adjustment	-58
Other	-63
Profit/Loss	**177**
Group's equity at 31/12/2020	**10,704**

The roll-out of mutual certificates across all regional mutuals continued in 2020 with €31 million in subscriptions.

Subordinated liabilities, financing and other debts

Subordinated liabilities and external debt remained stable at €1.6 billion at 31 December 2020.

Subordinated debts amounted to €1,632 million in 2020 versus €1,630 million at the end of 2019.

Underwriting reserves

Gross underwriting reserves (including deferred profit sharing) totalled €80.9 billion at 31 December 2020, compared with €79.9 billion at 31 December 2019.

Reserves for contingencies and charges

Reserves for contingent liabilities totalled €639 million in 2020, compared with €593 million in 2019, and were primarily made up of pension commitments under IAS 19.

4. DEBT

The debt ratio (using the method adopted by our rating agency) was 26.9% at year-end 2020 versus 27.2% at 31 December 2019.

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, supervisory 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 workload for the skills of his or her staff and ensures their compatibility while at the same time ensuring the separation of duties among employees;

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

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

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

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

    - ⇨ measurement of the consistency between the parent company statements and the estimated statements in collaboration with the various teams of the Group Financial Control Department;

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

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

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

    - ⇨ approval of the financial statements by the Executive Management.

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 & Services, holding companies, and other subsidiaries) as well as 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 tools and procedures used to keep investment auxiliary accounts (back-office securities and accounting tool) and the accounting systems of the entities without the means to have their own Accounting Departments comply with the same internal control criteria as those described previously for the Groupama Assurances Mutuelles parent company statements (see above). With regard to the investment accounting system, it should be noted that standardised controls, which are subject to written procedures, can be used to guarantee the reliability of the information regarding investments.

<u>Consolidated and combined financial statements</u>

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

(a) *<u>Security and Internal Checking Procedures</u>*

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

(b) *<u>Integrated Control</u>*

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

- the first level of verification entails checking the standardisation of the data (all the Group's data is presented in a format that follows a single standard);

- at a second level, a series of automatic checks is built into the entities' individual data-gathering phase. These checks mainly relate to the overall accuracy and consistency of the items entered. Depending on the types of control, the data input may either be blocked automatically (which can only be cancelled if the exact data is input), or else the control returns an error, which must be corrected. An audit trail of these controls is maintained centrally. The software allows a fairly high level of automatic control through the development of interfaces with the upstream systems;

- at the central level, additional controls are carried out. These mainly involve the necessary consistency of the data between the different entities in the Group (e.g. for internal reciprocal transactions) and central transactions (conversion of foreign subsidiaries, consolidation entries, etc.).

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

(c) *<u>Control Tests</u>*

A set of verification and control tests has been put into place to ensure that transactions are executed reliably whether they are electronic or not. In addition to the electronic processes, these tests have two main objectives:

- checking the origin of the data (from the standpoint of accuracy and application of the standards); this check is based mainly on consistency checks with the estimates, with the parent company analytical notes (or the management report) of each entity, and on a management questionnaire designed to ensure that the Group's most sensitive accounting standards and methods are properly applied;

- verification of central processing: accuracy checks are carried out to guarantee that central consolidation transactions are correctly processed (sharing of shareholders' equity, dilutions/accretions, etc.).

The control tests are documented in a review manual.

(d) *<u>Hierarchical Control</u>*

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

- checking for consistency with the estimates and with any item used to cross-check the data appearing in the financial statements;

- meetings to approve the financial statements with the employees producing the financial data (with a review of any problem subjects encountered during the approval process);
- approval meetings with the statutory auditors of the consolidated financial statements;
- meetings with the General Management Committee to review the consolidated financial statements;
- meetings of the Audit and Risk Management Committee to review the consolidated financial statements.

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

(e) *The Group Standard*

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

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

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

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

Training in both methodology and operations is given regularly to all the players involved in the Group so that the requirements introduced by the IFRS are properly understood and incorporated into the financial statements.

Supervision of intra-group accounting transactions

Transactions among subsidiaries and Groupama Assurances Mutuelles (internal loans, subsidiary restructurings, capital increases, dividend payouts, etc.) are subject to decisions validated by the Groupama Assurances Mutuelles Executive Management, and to technical and operational controls by the Group Financial Controlling Department. Controls on these operations are carried out by auditing the consolidated financial statements, i.e. by reconciling intra-group transactions, monitoring any changes in 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 in transforming a fixed-rate bond into a variable-rate bond, either on a security held or on new investments. They are intended to permit asset disposals in the event of an increase in interest rates by limiting realisations of capital losses, either to pay benefits or to invest at higher rate levels.

Hedging programmes were gradually implemented on behalf of the life insurance companies as from 2005. In accordance with the approval of the Boards of Directors, the swap programme was supplemented in 2012 and partially extended to the Non-Life portion with a tactical management objective.

All over-the-counter transactions are secured by a "collateralisation" system with the Groupama Assurances Mutuelles top-tier banking counterparties.

Foreign exchange risk

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

The holding of bonds issued in foreign currencies (dollar, sterling, Swiss franc) is hedged via currency swaps against the euro.

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

Equity risk

In 2020, the Group's equity risk continued to be actively managed, which led to, in particular, the continuation of the hedging policy on protected equity funds, but in a more opportunistic manner.
This last strategy uses derivatives housed in mutual funds.

Credit risk

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

Spread risk

A 10-year swap rate exposure strategy was introduced in 2017 in the form of a test. It aims to allow the group to take duration without exposure to spread risk (sovereign or credit).
This operation is carried out using a vehicle paying the Euribor and an FFI exchanging this compensation for the 10-year swap rate.

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

7. OUTLOOK

In a context that continues to be marked by the COVID health crisis and numerous macroeconomic uncertainties, Groupama is able to cope in the event of an adverse situation. Its financial resources and flexibility are suitable.

Groupama is confident in its ability to continue its profitable growth trajectory, which has made it possible to focus its strategy on the strength of mutual insurance. All of Groupama's forces (elected representatives and employees) are now constructing their action and investments to be able to offer its members and customers innovative products and a quality service in keeping with its purpose. "We are here to allow as many people as possible build their lives confidently."

Groupama's ambition is to become a centre for consolidation of mutual insurance in France.

8. REVIEW OF GROUPAMA'S 2020 EXTRA-FINANCIAL PERFORMANCE

The social, societal, and environmental information published in this "declaration"[1] covers all entities within the scope of the combined financial statements, namely the regional mutuals, subsidiaries, and national entities. 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 2020 Groupama Assurances Mutuelles universal registration document.

[1] "*Declaration of Extra-financial Performance*" (DEFP), voluntarily prepared by Groupama according to the order on the publication of non-financial information and its implementing decree in July and August 2017 respectively.

COMBINED FINANCIAL STATEMENTS

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GROUPAMA
31 December 2020
IFRS

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FINANCIAL STATEMENTS

GROUPAMA
COMBINED BALANCE SHEET (in millions of euros)

ASSETS		31.12.2020	31.12.2019
Goodwill	Note 2	1,654	1,798
Other intangible assets	Note 3	366	328
Intangible assets		**2,020**	**2,126**
Investment property excluding unit-linked items	Note 4	1,415	1,239
Unit-linked investment property	Note 7	108	105
Operating property	Note 5	1,117	1,054
Financial investments excluding unit-linked items	Note 6	78,429	78,170
Unit-linked financial investments	Note 7	11,286	10,392
Derivatives and separate embedded derivatives	Note 8	49	138
Insurance business investments		**92,403**	**91,098**
Funds used in banking sector businesses and investments of other business activities	Note 9	**134**	**121**
Investments in related companies and joint ventures	Note 10	**254**	**299**
Share of outward reinsurers and retrocessionaires in liabilities relating to insurance policies and financial contracts	Note 11	**1,418**	**1,217**
Other property, plant, and equipment	Note 12	283	277
Deferred acquisition costs	Note 13	263	262
Deferred profit-sharing assets			
Deferred tax assets	Note 14	32	64
Receivables arising from insurance and inward reinsurance operations	Note 15	2,724	2,744
Receivables from outward reinsurance operations	Note 16	248	176
Current tax receivables and other tax receivables	Note 18	324	243
Other receivables	Note 19	3,344	2,785
Other assets		**7,218**	**6,551**
Assets held for sale and discontinued business activities			**115**
Cash and cash equivalents	Note 20	**1,254**	**1,333**
TOTAL		**104,702**	**102,861**

The notes on pages 40 to 174 are an integral part of the combined financial statements.

GROUPAMA
COMBINED BALANCE SHEET (in millions of euros)

EQUITY & LIABILITIES		31.12.2020	31.12.2019
Equity or equivalent funds		664	633
Revaluation reserves	Note 21	2,651	2,272
Perpetual subordinated debts categorised as Group's equity		1,099	1,099
Other reserves		6,675	6,395
Foreign exchange adjustments		(562)	(504)
Combined income		177	345
Group's equity (Group share)		**10,704**	**10,238**
Non-controlling interests		13	14
Total Groups's equity		**10,717**	**10,252**
Reserves for contingencies and charges	Note 22	**639**	**593**
Financing liabilities	Note 24	**1,635**	**1,634**
Underwriting liabilities relating to insurance policies	Note 25	**63,345**	**62,325**
Underwriting liabilities relating to financial contracts	Note 26	**11,592**	**12,120**
Deferred profit-sharing liabilities	Note 28	**6,002**	**5,494**
Resources from banking sector activities	Note 9	**12**	**14**
Deferred tax liabilities	Note 14	633	398
Debts to unit holders of consolidated mutual funds		94	1,159
Operating debts to banking sector companies	Note 20	178	120
Debts arising from insurance or inward reinsurance operations	Note 29	1,169	951
Debts arising from outward reinsurance operations	Note 30	364	320
Current taxes payable and other tax liabilities	Note 31	149	180
Derivative liabilities	Note 8	568	636
IFRS 16 lease liabilities	Note 32	273	272
Other debt	Note 33	7,331	6,391
Other liabilities		**10,760**	**10,428**
Liabilities of business activities due to be sold or discontinued			
TOTAL		**104,702**	**102,861**

The notes on pages 40 to 174 are an integral part of the combined financial statements.

GROUPAMA
COMBINED INCOME STATEMENT (in millions of euros)

INCOME STATEMENT		31.12.2020	31.12.2019
Written premiums	Note 34	14,256	14,240
Change in unearned premiums		(17)	(55)
Earned premiums		**14,239**	**14,185**
Net banking income, net of cost of risk		**162**	**153**
Investment income		2,039	2,218
Investment expenses		(657)	(699)
Capital gains or losses from divestments net of impairment and depreciation write-backs		306	703
Change in fair value of financial instruments recorded at fair value through income		424	1,471
Change in impairment on investments		(63)	(9)
Investment income net of expenses	Note 35	**2,049**	**3,684**
Total income from ordinary business activities		**16,451**	**18,022**
Insurance policy servicing expenses	Note 36	(12,352)	(13,238)
Income on outward reinsurance	Note 37	490	318
Expenses on outward reinsurance	Note 37	(513)	(491)
Net outward reinsurance income and expenses		**(12,376)**	**(13,410)**
Banking operating expenses		(107)	(104)
Policy acquisition costs	Note 39	(1,964)	(2,013)
Administrative costs	Note 40	(505)	(585)
Other current operating income and expenses	Note 41	(873)	(836)
Total other current income and expenses		**(15,825)**	**(16,948)**
CURRENT OPERATING INCOME		**626**	**1,074**
Total other non-current operating income and expenses	Note 42	(146)	(258)
OPERATING INCOME		**480**	**816**
Financing expenses	Note 43	(77)	(100)
Share in income of related companies	Note 10	(60)	(64)
Corporate income tax	Note 44	(165)	(303)
NET INCOME FROM CONTINUING OPERATIONS		**178**	**349**
Net income from activities either discontinued or due to be discontinued			(4)
OVERALL NET INCOME		**178**	**346**
of which, non-controlling interests		1	1
OF WHICH, NET INCOME (GROUP SHARE)		**177**	**345**

The notes on pages 40 to 174 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)

NET INCOME AND GAINS AND LOSSES RECOGNISED IN GROUP'S EQUITY	31.12.2020			31.12.2019		
	Group share	Non-controlling interests	Total	Group share	Non-controlling interests	Total
Net income for fiscal year	**177**	**1**	**178**	**345**	**1**	**346**
Gains and losses recognised directly in Group's equity						
Items recyclable to income						
Change in foreign exchange adjustments	(58)		(58)	33		33
Change in gross unrealised capital gains and losses on available-for-sale assets	900	3	903	2,808	7	2,815
Revaluation of hedging derivatives						
Change in shadow accounting	(391)	(5)	(396)	(1,517)	(6)	(1,524)
Change in deferred taxes	(130)	1	(129)	(304)		(304)
Other changes	1		1	(6)		(6)
Items not recyclable to income						
Restatement of net actuarial debt from pension commitments (defined-benefit schemes)	(4)		(4)	(7)		(7)
Change in deferred taxes	1		1	2		2
Other changes						
Total gains (losses) recognised directly in Group's equity	**319**	**(1)**	**318**	**1,010**	**1**	**1,011**
Net income and gains (losses) recognised in Group's equity	**496**	**(1)**	**496**	**1,355**	**1**	**1,356**

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 40 to 174 are an integral part of the combined financial statements.

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

STATEMENT OF CHANGES IN GROUP'S EQUITY	Equity or equivalent funds	Profit/loss	Subordinated debts	Consolidated reserves	Revaluation reserves	Foreign exchange adjustment	Group's equity	Non-controlling interests	Total Group's equity
Group's equity at 31/12/2018	**572**	**450**	**1,099**	**6,016**	**1,285**	**(538)**	**8,884**	**14**	**8,897**
Allocation of 2018 income (loss)		(450)		450					
Dividends [1]				(61)			(61)	(1)	(62)
Change in capital	60						60		60
Business combinations									
Other									
Impact of transactions with members	**60**	**(450)**		**389**				**(1)**	**(1)**
Foreign exchange adjustments						33	33		33
Available-for-sale assets					2,808		2,808	7	2,815
Shadow accounting					(1,517)		(1,517)	(6)	(1,524)
Deferred taxes				2	(304)		(302)		(302)
Actuarial gains (losses) of post-employment benefits				(7)			(7)		(7)
Other				(6)			(6)		(6)
Net income for fiscal year		345					345	1	346
Total income (expenses) recognised over the period		**345**		**(11)**	**987**	**33**	**1,355**	**1**	**1,356**
Total changes over the period	**60**	**(105)**		**378**	**987**	**33**	**1,354**		**1,355**
Group's equity at 31/12/2019	**633**	**345**	**1,099**	**6,395**	**2,272**	**(504)**	**10,238**	**14**	**10,252**
Allocation of 2019 income (loss)		(345)		345					
Dividends [1]				(62)			(62)		(62)
Change in capital	31						31		31
Business combinations									
Other									
Impact of transactions with members	**31**	**(345)**		**283**			**(30)**		**(30)**
Foreign exchange adjustments						(58)	(58)		(58)
Available-for-sale assets					900		900	3	903
Shadow accounting					(391)		(391)	(5)	(396)
Deferred taxes				1	(130)		(129)	1	(128)
Actuarial gains (losses) of post-employment benefits				(4)			(4)		(4)
Other				1			1		1
Net income for fiscal year		177					177	1	178
Total income (expenses) recognised over the period		**177**		**(3)**	**379**	**(58)**	**496**	**(1)**	**496**
Total changes over the period	**31**	**(167)**		**281**	**379**	**(58)**	**466**	**(1)**	**465**
Group's equity at 31/12/2020	**664**	**177**	**1,099**	**6,675**	**2,651**	**(562)**	**10,704**	**13**	**10,717**

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

The notes on pages 40 to 174 are an integral part of the combined financial statements.

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

CASH FLOW STATEMENT	
Cash and cash equivalents	1,333
Receivables on credit institutions from financial business activities	24
Operating debts to banking sector companies	(120)
Cash and cash equivalents at 1 January 2020	**1,237**
Cash and cash equivalents	1,254
Receivables on credit institutions from financial business activities	21
Operating debts to banking sector companies	(178)
Cash and cash equivalents at 31 December 2020	**1,097**

Receivables on credit institutions from financial business activities are presented in note 9.

The notes on pages 40 to 174 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	31.12.2020	31.12.2019
Operating income before taxes	428	816
Gains (losses) on divestments	(298)	(630)
Net allocations to amortisation and depreciation	245	243
Change in deferred acquisition costs	(4)	(11)
Change in impairment	186	27
Net allocations to underwriting liabilities relating to insurance policies and financial contracts	584	1,614
Net allocations to other reserves	27	(15)
Change in fair value of financial instruments and investments recognised at fair value through income (excluding cash and cash equivalents)	(424)	(1,471)
Other non-cash items included in operating income	27	125
Correction of elements included in the operating income other than cash flows and reclassification of investment and financing flows	344	(119)
Change in operating receivables and payables	266	(41)
Change in banking operating receivables and payables	(17)	(3)
Change in repo and reverse-repo securities	530	(378)
Cash flows from other assets and liabilities	(246)	(75)
Net tax paid	(102)	(223)
Net cash flows from operating activities	**1,202**	**(21)**
Acquisitions/divestments of subsidiaries and joint ventures, net of cash acquired/disposed	162	0
Stakes in related companies acquired/divested	(15)	(66)
Cash flows from changes in scope	146	(66)
Net acquisitions of financial investments (including unit-linked investments) and derivatives	(973)	(144)
Net acquisitions of investment property	(15)	596
Net acquisitions and/or issues of investments and derivatives relating to other activities		
Other non-cash items	(5)	199
Cash flows from acquisitions and issues of investments	(992)	651
Net acquisitions of property, plant, and equipment, intangible fixed assets, and operating property	(382)	(618)
Cash flows from acquisitions and disposals of property, plant, and equipment and intangible fixed assets	(382)	(618)
Net cash flows from investment activities	**(1,228)**	**(33)**
Membership fees		
Issue of capital instruments	30	60
Redemption of equity instruments (2)		
Transactions involving own shares		
Dividends paid (1)	(62)	(62)
Cash flows from transactions with members	(31)	(2)
Cash allocated to financing liabilities (2)	(2)	(7)
Interest paid on financial debt and lease liabilities	(77)	(100)
Cash generated by IFRS 16 lease liabilities	3	273
Cash flows from group financing	(75)	166
Net cash flows from financing activities	**(107)**	**164**
Cash and cash equivalents at 1 January	**1,237**	**1,133**
Net cash flows from operating activities	1,202	(21)
Net cash flows from investment activities	(1,228)	(33)
Net cash flows from financing activities	(107)	164
Cash flows from sold or discontinued assets and liabilities		(4)
Effect of foreign exchange changes on cash	(7)	(2)
Cash and cash equivalents at 31 December	**1,097**	**1,237**

(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 40 to 174 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 2020

COVID

The COVID pandemic began to wreak havoc on 2020 in March with major impacts on the economy, individuals and entities, and markets. For the insurance sector, the consequences of this crisis were also significant, increasing the level of judgement required to assess certain balance sheet items.

The Group-level impact of COVID has not been exactly the same in France (where the portfolio is highly diversified) as internationally, where business (mainly non-life) in most countries is relatively focused on motor insurance. In addition, the international situation is not comparable between certain countries heavily affected by the pandemic, such as Italy, or other less-affected countries, such as (Eastern European countries, Turkey, and China).

In France, in reaction to the economic effects of this pandemic, the Group supported its customers and members through several actions:

a. premium-reduction measures, in particular for agricultural professions (two-month premium reduction on tractors), craftsmen, retailers, and service professionals (ACPS), and health professionals for €109 million overall;

b. reduction of group insurance premiums relating to partial unemployment measures for €12 million;

c. contribution to government expenditure related to the management of the COVID pandemic for €91 million. This contribution corresponding to 2.6% of the health premiums for 2020 and 1.3% of the estimated health premiums for 2021 is requested from supplemental health organisations in return for the lower expenditure on the health segment that these organisations observed during the health crisis. It is booked in the outstanding claims reserve in accordance with the AMF accounting standards regulation of 22 December 2020;

d. €27 million contribution to the solidarity fund set up by the central government to support VSE/SMEs (booked in non-current expenses in accordance with the ANC recommendation);

e. civic measures for €4 million (grants to associations, medical institutions, etc.).

The particular context also led the Group to strengthen the judgement elements for the assessment of a number of commitments:

- Regarding the valuation of technical reserves, the COVID health crisis and the lockdown period changed the occurrence and the usual development rate of claims, making the estimation of technical reserves more difficult this year. In addition to the effects on the current claim ratio (reduced frequency in some segments such as motor or health during the lockdown period or cumulative loss experience on others), there are operational effects related to the lockdowns that disrupted the day-to-day management of claims. Methods based on the analysis of past rates may lead to an underestimation or overestimation of technical reserves. The parameters of the models were thus adapted, and alternative methods that are less sensitive to the paces of occurrence or settlement of claims were used in addition in order to value the claims reserves.

- In terms of unpaid premiums, the health crisis led to particular vigilance on unpaid premiums (especially in group insurance). These unpaid premiums were recognised as a decrease in earned premiums not written and totalled €47 million. In order to anticipate possible premium collection problems in the coming months, possibly leading to losses in the longer term if receivables cannot be collected, the parameters used to establish bad debt reserves were assessed on the basis of the collection observations during 2019 and adjusted by an estimate of the default deviations expected in the context of the crisis, with a more specific analysis for key accounts. This work led to the discovery of a slightly greater amount of unpaid payments than observed in previous years but without any significant deviation at this stage.

- On certain risks highly exposed to COVID (insurance for operating losses, event cancellation), the Group-level impact amounts to €105 million (net of reinsurance). In general, and more specifically on these risks, the Group also conducted a very careful review of its contractual clauses and implemented a policy of scrupulous compliance with its commitments.

It should also be noted that financial investments were not significantly affected by the crisis and that the methods for establishing reserves for these assets remained unchanged.

In summary, it is worth pointing out that the Group's fundamentals are very resilient under these adverse health circumstances. This is reflected in particular in the Group's solvency level, which continues to be good. The going-concern assumption underlying the preparation of its financial statements therefore remains perfectly relevant.

Financial soundness

Financial rating

On 19 March 2020, Fitch Ratings revised Groupama's rating outlook to 'Stable' and maintained its 'A' rating, to take into account both the significant uncertainty created by the global coronavirus pandemic, which led to high levels of volatility in financial markets, and 'Negative' on the French life insurance sector.

On 19 May 2020, then on 29 September 2020, the agency confirmed Groupama's "A" rating and "Stable" outlook. The Fitch rating reflects Groupama's ability to maintain strong capitalisation and leverage as well as its highly robust business profile in the French insurance sector.

Business activities

Partnerships

On 19 December 2019, La Banque Postale and the Groupama group announced the signing of a memorandum of understanding for La Banque Postale to acquire Groupama's 35% stake in La Banque Postale IARD. On 7 April 2020, the sale was finalised for €211 million. The proceeds from the sale were recorded in non-current operating income in the Group's financial statements in 2020.

Acquisition

On 18 December 2020, the Groupama Group announced the signing of an agreement concerning the acquisition by its Hungarian subsidiary Groupama Biztosito of the Croatian insurance company OTP Osiguranje, owned by OTP Banka d.d.

Property

On 11 June 2020, Groupama announced the launch with Vinci of the construction of The Link, Total's future headquarters in Paris La Défense. The planning and work are expected to take five years. At the end of this period, Total will take delivery of the property and will be a tenant of The Link for a renewable term of 12 years.

Socially responsible investment strategy

At the end of June 2020, the Group published its ESG/Climate report entitled "Responsible investing: key to risk management and confidence." The management of both insurance or financial risks currently requires incorporating unpredictable environmental and societal impacts. The management of Groupama's property and financial assets increasingly focuses on measuring and optimising environmental, social, and corporate governance risks and opportunities of organisations and their impact on the Group's assets.

On 9 December 2020, the Groupama Group committed to a definitive phase-out of thermal coal in its investment portfolios by 2030 at the latest for corporate issuers in European Union and OECD countries and by 2040 for the rest of the world.

On 15 December 2020, by partnering with the AlphaOmega Foundation, the Groupama Group made its first social-impact investment through the philanthropy venture.

Inclement weather

The year 2020 was marked by a substantial weather loss experience. Significant droughts took place in the summer, and some usually spared areas were affected, particularly in northern and northeastern France.

In October, Storm Alex, which struck Brittany before causing deadly floods in Alpes-Maritimes, left significant material damage across the territory, with around a hundred houses damaged or even completely destroyed and bridges and roads washed away, particularly in the Vésubie, Tinée, and Roya valleys.

POST YEAR-END EVENTS

On 8 January 2021, the Groupama Group concluded the acquisition of the legaltech company Juritravail from MyBestPro. With this acquisition, this Group is expanding its offering of legal services for individuals, professionals, and businesses.

2. PRINCIPLES, METHODS, AND SCOPE OF COMBINATION

2.1. EXPLANATORY NOTE

Groupama Assurances Mutuelles is a nationwide agricultural mutual reinsurance company, a special form of mutual insurance company, wholly owned by the Caisses Régionales d'Assurances et de Réassurances Mutuelles Agricoles and the Caisses Spécialisées ("regional mutuals") forming Groupama's mutual insurance division. Groupama Assurances Mutuelles is domiciled in France. Its headquarters are located at 8-10, rue d'Astorg, 75008, Paris, France.

The primary functions 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 the operational strategy of the Groupama Group in collaboration with the regional mutuals and in line with the strategies defined by the Mutual Insurance Advisory Board;
- to reinsure the regional mutuals;
- to direct all subsidiaries;
- to establish the external reinsurance programme for the entire Group;
- to 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, 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 are 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 the 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 2020 were approved by the Board of Directors, which met on 11 March 2021.

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 2020, 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 2020 have been applied in preparing the Group's financial statements at 31 December 2020. They have had no significant effect on the Group's financial statements as at 31 December 2020. The standards in question are the following:

- Amendments to IAS 1 and IAS 8: Clarification of the definition of "material";
- Amendments to IFRS 9, IAS 39, and IFRS 7: Interest rate benchmark reform;
- Amendment to IFRS 3: Definition of a business;
- Amendment to IFRS16: COVID-19-Related Rent Concessions.

The Group also took into account the clarifications provided by the IFRS Interpretation Committee (IFRIC-IC) in its November 2019 decision when determining the duration of leases subject to tacit renewal. This application had no material impact on the Group's financial statements at 31 December 2020.

The Group has opted to defer the application of IFRS 9 “Financial Instruments” and its amendment “Prepayment Features with Negative Compensation” in accordance with the amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts” and “Extension of the temporary exemption from applying IFRS 9”, which allows groups whose main business is insurance to postpone the application of IFRS 9 at the latest until the annual periods beginning on or after 1 January 2023. The Group meets the eligibility criteria defined in the amendment to defer the application of IFRS 9.

The rules for application of IFRS 9 and its potential impact on the Group’s consolidated financial statements are currently under review.

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 amendments to IFRS 4 “Applying IFRS 9, Financial Instruments with IFRS 4, Insurance Contracts” and “Extension of the Temporary Exemption from Applying IFRS 9”. These amendments allow 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 17 on insurance policies, published by the IASB in May 2017 and intended to replace the current IFRS 4, and its amendment published in June 2020 have not yet been adopted by the European Union. Work to identify problems in implementing this standard and its impact on the combined financial statements is currently in progress. This work is being carried out in conjunction with the IFRS 9 impact analysis and takes into account the postponement of the effective date of IFRS 17 and IFRS 9 to 1 January 2023.

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 (paragraphs 3.12.2.b) and deferred taxes (paragraph 3.14) in assets;
- 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 measured at fair value and disclosed separately as a special liability item in the balance sheet. Underlying financial assets appear in the Group's insurance activity investments. Equity-consolidated mutual funds are recognised at fair value and included in "Financial investments excluding unit-linked items" in the balance sheet.

➢ **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 shareholders' equity and net income among the interests of the consolidating company and the interests of the holders of minority interests.

➢ **Related companies and joint ventures**

Investments in 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 shareholders' equity converted at year end, including the net income for the fiscal year in accordance with consolidation rules.

- **Deconsolidation**

When an entity is in run-off mode (no longer taking new business) and the main aggregates of the balance sheet or the income statement are not significant compared with those of the group, this entity is deconsolidated.

The securities of such entity are then posted on the basis of their equivalent value, under securities held for sale at the time of deconsolidation. Subsequent changes in values are recorded in accordance with the methodology defined for this type of securities.

2.3.2 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 49 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 shareholders' equity as at the acquisition date. When not assigned to identifiable items on the balance sheet, goodwill is recorded on the balance sheet in a special asset item as an intangible asset.

Residual goodwill results from the price paid above the Group's share in the fair value of the identifiable assets and liabilities of the acquired company as at the acquisition date, revalued for 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 shareholders' equity.

Goodwill is allocated to the cash-generating units (CGU) of the acquiring company and/or the acquired company which are expected to take advantage of the business combination. A CGU is defined as the smallest group of assets that produces cash flows independently of other assets or groups of assets. With management units, management tools, geographic regions or major business lines, a CGU is created by combining entities of the same level.

Goodwill resulting from the acquisition of a foreign entity outside the Eurozone is recorded in the local currency of the acquired entity and translated to euros at the closing rate. Subsequent foreign exchange fluctuations are posted to foreign exchange translation reserves.

For entities acquired during the fiscal year, the Group has twelve months from the acquisition date to assign a final value to the acquired assets and liabilities.

In a business combination achieved in stages, the previously acquired stake in control is revalued at fair value and the resulting adjustment recorded through income.

Residual goodwill is not amortised but is subject to an impairment test at least once a year on the same date. The Group reviews the goodwill's book value in case of an unfavourable event occurring between two annual tests. Impairment is recorded when the recoverable amount of the cash generating unit to which the goodwill is allocated is less than its net book value. Recoverable value is defined as fair value less cost of sales, or value in use, whichever is higher.

Fair value, less sales costs, is computed as follows, in accordance with the recommendations of IAS 36 (§25 to 27):

- the sales price shown in a final sales agreement;
- the market value less selling costs if there is an active market;
- otherwise, the best possible information, with reference to comparable transactions.

Value in use corresponds to the current expected value of future cash flows to be generated by the cash generation unit.

Goodwill, recorded at the initial business combination, the value of which is not material or requires disproportionate valuation work in relation to its value, is immediately expensed in the year.
An impairment of goodwill recognised during a previous fiscal year may not be subsequently written back.

If the acquirer's interest in the net fair value of the identifiable assets, liabilities and reserves exceeds the acquisition cost of the company's shares, the identification and valuation of the assets, liabilities and reserves and the valuation of the cost of the combination is reassessed. If, after this revaluation, the share acquired remains greater than the acquisition cost, this 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 shareholders' 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 derivative products,
    - group of financial assets and/or liabilities that are managed and the income of which is valued at fair value.
- Assets held to maturity include fixed-term investments that the Company expressly intends, and is able, to hold until maturity. The Group does not use this category, with the exception of certain perfectly backed portfolios that meet the criteria defined above.
- The category of loans and receivables includes assets with a defined payment or a payment that can be defined, which are not listed for trading on an active market.
- Available-for-sale assets (stated at fair value via 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 relying on 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 2020, 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 haircut between 20% and 40% over the last six months based on the level of 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 instrument. 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 watertight 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 income is 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. Where there is 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 major, separate line of business or 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 solely 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

3.6.1. Operating property

The Group has chosen to value directly-owned 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.

Assets related to the right to use leased operating property are initially recognised at cost, comprising the initial amount of the lease liability, any prepayments made to the lessor net of any benefits received from the lessor, the initial direct costs incurred by the lessee in contracting the lease agreement and the estimated costs of dismantling or restoring the leased property.

User rights are amortised using the straight-line method over the term of the lease agreement.

The lease term equates to the non-cancellable period of each lease plus the periods covered by renewal options where it is reasonably certain these will be exercised, and termination options that the lessee is reasonably certain not to exercise. The estimation of this lease term takes into account the useful life of the significant improvements made and inseparable from the leased property.

The Group has chosen to apply the optional treatment stipulated in IFRS 16 for rental agreements of less than 12 months' duration and contracts involving low-value assets, recognising the rent for these under expenses in the income statement.

3.6.2. Other property, plant, and equipment

Directly-owned 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.

The recognition and valuation method for user rights on other property, plant and equipment owned by the lessee under a lease is identical to the method described for user rights on investment property.

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 paragraphs 3.7 and 3.11).

3.10 Provisions for contingent liabilities

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 debt

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

In the absence of a specific IFRIC interpretation, commitments to purchase non-controlling interests are recorded in financing debt at current fair value (strike price of the option). The cross-entry of these debts is recognised either in goodwill for put options granted before 1 January 2010 or as a reduction in 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 liabilities are subsequently valued at amortised cost using the effective interest rate method.

➢ **Derecognition**

Financing liabilities 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**

Underwriting liabilities relating to non-life insurance policies are generally not discounted with the exception of liabilities relating to long-term care risk as well as those relating to current annuities or annuities in the course of establishing incapacity and disability risks.

❖ **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 technical 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 financial statements, the payment of which depends on a management decision or the occurrence of an event.

In the particular case of restatement in the consolidated financial statements of the capitalisation reserve, a reserve for deferred profit-sharing is determined when the asset/liability management assumptions demonstrate a probable permanent write-back of the total capitalisation reserve. The Group recognised no deferred profit-sharing on the restatement of the capitalisation reserve.

  - **Application of shadow accounting**

For participatory contracts, the Group has decided to apply shadow accounting, which is intended to 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 and is determined either using the actual profit-sharing rates observed over the last three years or using a prospective sharing rate based on three-year business plans in the event of significant expected changes.

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 as assets in the consolidated financial statements. These amounts may not under any circumstances be greater than the present value of future income from the policies.

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

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

c. Liabilities adequacy test

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

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

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

d. Unit-linked policies under IFRS 4

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

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

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

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

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

3.12.3. Financial contracts under IAS 39

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

This category primarily includes unit-linked policies and indexed policies that do not meet the definition of insurance policies and financial contracts with discretionary profit sharing. Commitments under these policies are valued at the unit-linked fair value in inventory.
The additional costs directly related to management of the investments of a contract are booked as assets if they can be identified separately and reliably valued, and if it is probable that they will be recovered. This asset, 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 IFRS 16 RENT LIABILITIES

On the contract's effective date, the debt representing the obligation to pay rent is recognised at an amount equal to the discounted value of the rent over the term of the lease contract.

The amounts included in respect of rents in evaluating this initial liability are:

- fixed rent;
- variable rent, if based on a rate or index, using the rate or index value on the contract's effective date;
- payments to be made by the lessee under a residual value guarantee;
- termination or non-renewal penalties, and;
- the cost of exercising a purchase option if it is reasonably certain to be exercised.

Rents are discounted at the interest rate implicit in the lease if such is easily determined, otherwise at the lessee's marginal borrowing rate.

Rental debts are subsequently valued at amortised cost using the effective interest rate method. They are re-assessed in the following situations:

- change to the lease period;
- change to the view that the exercising of a purchase option is, or is not, reasonably certain;
- fresh estimation of residual value guarantees;
- revision to rates or indices on which rents are based when a rent adjustment takes place.

3.14 TAXES

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

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

This is particularly the case when, because of completed transactions that are posted in either the individual company statements or only in the consolidated financial statements as restatements and eliminations of inter-company income or losses, differences will appear in 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 at the balance sheet date.

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

3.15 SEGMENT REPORTING

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

The Group is organised into three operational segments: insurance in France, international insurance, and banking and financial businesses. The banking and financial activity segment, which is also the subject of specific notes (Notes 9.1, 9.2, and 34.2), 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 business: 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.

3.16 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	31.12.2020			31.12.2019		
	France	International	Total	France	International	Total
Intangible assets	1,003	1,017	2,020	953	1,174	2,126
Insurance business investments	84,907	7,496	92,403	83,712	7,387	91,098
Funds used in banking sector businesses and investments of other business activities	134		134	121		121
Investments in related companies and joint ventures	110	144	254	155	144	299
Share of outward reinsurers and retrocessionaires in liabilities relating to insurance policies and financial contracts	1,327	91	1,418	1,106	111	1,217
Other assets	6,631	586	7,218	5,812	739	6,551
Assets held for sale and discontinued business activities				115		115
Cash and cash equivalents	1,160	94	1,254	1,204	129	1,333
Combined total assets	**95,273**	**9,429**	**104,702**	**93,178**	**9,684**	**102,861**
Reserves for contingencies and charges	556	83	639	513	81	593
Financing liabilities	1,635		1,635	1,634		1,634
Underwriting liabilities relating to insurance policies	58,782	4,563	63,345	57,562	4,763	62,325
Underwriting liabilities relating to financial contracts	9,580	2,011	11,592	10,167	1,953	12,120
Deferred profit-sharing liabilities	5,856	145	6,002	5,369	126	5,494
Resources from banking sector activities	12		12	14		14
Other liabilities	10,481	279	10,760	10,158	271	10,428
Liabilities of business activities due to be sold or discontinued						
Total combined liabilities excluding Group's equity	**86,904**	**7,081**	**93,985**	**85,416**	**7,193**	**92,609**

NOTE 1.2 – SEGMENT REPORTING BY BUSINESS

In millions of euros	31.12.2020									
	France					International				Total
	Property and casualty insurance	Life and health insurance	Banking and finance business	Holding company business	Total	Property and casualty insurance	Life and health insurance	Holding company business	Total	
Earned premiums	**5,722**	**6,365**			**12,086**	**1,457**	**696**		**2,153**	**14,239**
Net banking income, net of cost of risk			**162**		**162**					**162**
Investment income	211	1,621		(16)	1,816	105	115	3	223	2,039
Investment expenses	(105)	(514)		27	(592)	(44)	(20)		(64)	(657)
Capital gains or losses from divestments net of impairment and depreciation write-backs	51	267		(19)	299	(1)	7		7	306
Change in fair value of financial instruments recorded at fair value through income	12	389		23	424	(1)	2		1	424
Change in impairment on investments	(9)	(34)		(11)	(54)	(8)	(1)		(9)	(63)
Total income from ordinary business activities	**5,882**	**8,094**	**162**	**4**	**14,141**	**1,509**	**798**	**3**	**2,309**	**16,451**
Insurance policy servicing expenses	(4,147)	(6,591)			(10,739)	(984)	(629)		(1,614)	(12,352)
Income on outward reinsurance	364	91			455	32	2		34	490
Expenses on outward reinsurance	(339)	(118)			(458)	(52)	(3)		(56)	(513)
Banking operating expenses			(107)		(107)					(107)
Policy acquisition costs	(929)	(619)			(1,548)	(320)	(95)		(416)	(1,964)
Administrative costs	(217)	(164)			(382)	(86)	(37)		(123)	(505)
Other current operating income and expenses	(333)	(274)	4	(148)	(751)	(102)	(19)	(1)	(122)	(873)
CURRENT OPERATING INCOME	**279**	**418**	**59**	**(144)**	**612**	**(4)**	**16**	**1**	**13**	**626**
Other operating income and expenses	(66)	(29)		71	(23)	(102)	(21)		(123)	(146)
OPERATING INCOME	**213**	**389**	**60**	**(73)**	**590**	**(106)**	**(5)**	**1**	**(110)**	**480**
Financing expenses	(5)	(1)		(69)	(75)	(1)			(2)	(77)
Share in income of related companies			(50)		(50)	(10)			(10)	(60)
Corporate income tax	(90)	(144)	(17)	86	(166)	1			1	(165)
NET INCOME FROM CONTINUING OPERATIONS	**118**	**244**	**(8)**	**(56)**	**299**	**(116)**	**(6)**	**1**	**(121)**	**178**
Net income from activities either discontinued or due to be discontinued										
TOTAL NET INCOME	**118**	**244**	**(8)**	**(56)**	**299**	**(116)**	**(6)**	**1**	**(121)**	**178**
of which, non-controlling interests		1			1					1
OF WHICH, NET INCOME (GROUP SHARE)	**118**	**244**	**(8)**	**(56)**	**298**	**(116)**	**(6)**	**1**	**(121)**	**177**

In millions of euros	31.12.2019									
	France					International				
	Property and casualty insurance	Life and health insurance	Banking and finance business	Holding company business	Total	Property and casualty insurance	Life and health insurance	Holding company business	Total	Total
Earned premiums	**5,775**	**6,142**			**11,917**	**1,548**	**720**		**2,268**	**14,185**
Net banking income, net of cost of risk			**153**		**153**					**153**
Investment income	227	1,759		5	1,991	108	115	4	227	2,218
Investment expenses	(105)	(536)		(3)	(644)	(36)	(19)		(55)	(699)
Capital gains or losses from divestments net of impairment and depreciation write-backs	103	572		13	687	10	6		16	703
Change in fair value of financial instruments recorded at fair value through income	14	1,388		(3)	1,399		72		72	1,471
Change in impairment on investments	(5)	(2)			(7)	(1)	(1)		(2)	(9)
Total income from ordinary business activities	**6,011**	**9,323**	**153**	**10**	**15,496**	**1,629**	**893**	**4**	**2,526**	**18,022**
Insurance policy servicing expenses	(3,879)	(7,375)			(11,254)	(1,262)	(722)		(1,984)	(13,238)
Income on outward reinsurance	167	100			267	48	2		51	318
Expenses on outward reinsurance	(323)	(115)			(438)	(50)	(3)		(53)	(491)
Banking operating expenses			(104)		(104)					(104)
Policy acquisition costs	(945)	(640)			(1,585)	(327)	(100)		(428)	(2,013)
Administrative costs	(225)	(226)			(451)	(93)	(41)		(134)	(585)
Other current operating income and expenses	(323)	(274)	5	(147)	(738)	(88)	(8)	(1)	(98)	(836)
CURRENT OPERATING INCOME	**483**	**793**	**54**	**(137)**	**1,193**	**(143)**	**21**	**3**	**(120)**	**1,074**
Other operating income and expenses	(56)	2	(81)		(135)	(101)	(22)		(123)	(258)
OPERATING INCOME	**427**	**795**	**(27)**	**(138)**	**1,058**	**(244)**	**(1)**	**3**	**(242)**	**816**
Financing expenses	(5)			(93)	(98)	(1)			(1)	(100)
Share in income of related companies			(63)		(63)	(1)			(1)	(64)
Corporate income tax	(204)	(260)	(16)	141	(340)	37	1		37	(303)
NET INCOME FROM CONTINUING OPERATIONS	**218**	**535**	**(106)**	**(90)**	**557**	**(209)**	**(1)**	**2**	**(208)**	**349**
Net income from activities either discontinued or due to be discontinued	(3)				(4)					(4)
OVERALL NET INCOME	**215**	**535**	**(106)**	**(90)**	**553**	**(209)**	**(1)**	**2**	**(208)**	**346**
of which, non-controlling interests		1			1					1
OF WHICH, NET INCOME (GROUP SHARE)	**215**	**534**	**(106)**	**(90)**	**553**	**(209)**	**(1)**	**2**	**(208)**	**345**

NOTE 2 – GOODWILL

NOTE 2.1 – GOODWILL

In millions of euros	31.12.2020				31.12.2019
	Gross value	Impairment	Foreign exchange adjustment	Net value	Net value
Opening value	**2,909**	**(799)**	**(312)**	**1,798**	**1,908**
Additions to the scope					
Removals from the scope					
France					
Central and Eastern European countries			(18)	(18)	(8)
Italy		(126)		(126)	(102)
Other changes during the fiscal year		**(126)**	**(18)**	**(144)**	**(110)**
Closing value	**2,909**	**(925)**	**(330)**	**1,654**	**1,798**

The grouping within a single cash-generating unit for all countries of Central and Eastern Europe is explained in particular by centralised management bancassurance agreements.

Changes during the fiscal year:

The only changes that affected goodwill in the balance sheet were the impairment loss on the cash-generating unit (CGU) in Italy and exchange rate differences.

<u>Impairment on the cash-generating unit (CGU) in Italy:</u>

The Group applied an impairment of €126 million on the goodwill of the cash-generating unit relating to the Italian subsidiary. This impairment loss is part of a prudential approach to the country's economic environment, which leads to anticipation of a deterioration of the motor insurance market. Against the backdrop of the COVID 19 health crisis, this already highly competitive market is experiencing strong tensions on the level of premiums that could weigh on the technical profitability of the sector. Since the 2019 fiscal year, the Italian subsidiary has undergone profound restructuring (portfolio monitoring, risk selection, restructuring of claims management, etc.), which must maintain its profitability.

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 forecasts of underwriting and financial income (rate of return). Technical assumptions are determined based on estimated growth in premium income and a combined ratio target 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.). The financial assumptions relating to discount rates are set by the Group and are used to determine discounted cash flows.

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

As a general rule, the flows used correspond to:
- An explicit period based on the Group's operational strategic planning in the early years. This is subject to a discussion process between local management and the Group.
- Beyond the explicit horizon, the cash flow column is completed by a terminal value. This terminal value is based on long-term growth assumptions applied to an updated projection of normative cash flows.
- The solvency margin built into business plans is valued following the prudential rules set by the Solvency 2 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 discount rate is 7.5%.

For emerging countries, the yield curve used takes into account a higher explicit risk premium and then incorporates future changes in the country's macroeconomic situation and the expected higher level of maturity in these economies. This is particularly the case for European Union countries that 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 and Bulgarian subsidiaries, 10% for the Romanian subsidiary and 9% for the Hungarian subsidiary).

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 €57 million (whereas a drop of 100 basis points would result in a hedging surplus of €162 million). On this same CGU, the sensitivity test on the long-term growth rate would result in a hedging surplus of €80 million if it fell by 50 basis points (the surplus would be €123 million with an increase of 50 basis points).

For the goodwill of the CGU of the Greek subsidiary, Groupama Phoenix, an increase of 100 basis points in the discount rate would lead to an insufficiency of €5 million (while a lowering of the discount rate by 100 basis points would result in a surplus of €46 million). The sensitivity test on a drop in the long-term growth rate of 50 basis points would result in a hedging surplus of €11 million (the surplus would be €21 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 surplus of €51 million, while a decrease of 100 basis points would result in a surplus of €374 million. The test on a decrease in the long-term growth rate of 50 basis points would result in a surplus of €142 million, whereas an increase of 50 basis points would give a surplus of €239 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	31.12.2020			
	Gross value	Impairment	Foreign exchange adjustment	Net value
Central and Eastern European countries	1,031	(502)	(215)	314
Italy	781	(228)		553
Turkey	262	(147)	(116)	
Greece	131	(48)		83
Total International	**2,206**	**(925)**	**(330)**	**950**
Groupama Gan Vie	470			470
Gan Assurances	196			196
Financial businesses, property and other insurance companies	38			38
Total France and Overseas	**703**			**703**
Closing value	**2,909**	**(925)**	**(330)**	**1,654**

In millions of euros	31.12.2019			
	Gross value	Impairment	Foreign exchange adjustment	Net value
Central and Eastern European countries	1,031	(502)	(196)	332
Italy	781	(102)		679
Turkey	262	(147)	(116)	0
Greece	131	(48)		83
Total International	**2,206**	**(799)**	**(312)**	**1,095**
Groupama Gan Vie	470			470
Gan Assurances	196			196
Financial businesses, property and other insurance companies	38			38
Total France and Overseas	**703**			**703**
Closing value	**2,909**	**(799)**	**(312)**	**1,798**

Recall that in fiscal years 2009 to 2019, the Group devalued goodwill by €799 million for the following cash-generating units:

- Countries of Eastern and Central Europe for a total of €502 million, including: €113 million in 2009 corresponding to start-up risk in 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;
- Italy: €102 million in 2019.

During the 2020 fiscal year, Groupama impaired all of the residual goodwill of the Italy CGU for 126 million euros.

NOTE 3 – OTHER INTANGIBLE ASSETS

In millions of euros	31.12.2020			31.12.2019		
	Intangible assets related to insurance business	Other intangible assets	Total	Intangible assets related to insurance business	Other intangible assets	Total
Opening gross value	**453**	**1,993**	**2,446**	**459**	**1,906**	**2,365**
Increase		152	152		174	174
Decrease		(11)	(11)		(84)	(85)
Foreign exchange adjustments	(15)	(9)	(24)	(6)	(3)	(8)
Change in scope of consolidation					1	1
Closing gross value	**438**	**2,126**	**2,564**	**453**	**1,993**	**2,446**
Opening cumulative amortisation	**(264)**	**(1,727)**	**(1,991)**	**(253)**	**(1,675)**	**(1,928)**
Increase	(15)	(86)	(102)	(16)	(87)	(103)
Decrease		1	1		33	33
Foreign exchange adjustments	13	6	19	5	2	7
Change in scope of consolidation						
Closing cumulative amortisation	**(266)**	**(1,805)**	**(2,072)**	**(264)**	**(1,727)**	**(1,991)**
Opening cumulative long-term impairment	**(128)**		**(128)**	**(128)**	**(1)**	**(129)**
Long-term impairment recognised	(1)		(1)			
Long-term impairment write-backs					1	1
Foreign exchange adjustments	2		2	1		1
Change in scope of consolidation						
Closing cumulative long-term impairment	**(126)**		**(126)**	**(128)**	**0**	**(128)**
Opening net value	**62**	**266**	**328**	**78**	**231**	**309**
Closing net value	**46**	**320**	**366**	**62**	**266**	**328**

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 equate to values in force, values of the distribution networks, values of customer relationships and brands. Only the portfolio value in Italy is subject to amortisation.

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

NOTE 3.1 - OTHER INTANGIBLE ASSETS – BY OPERATING SEGMENT

In millions of euros	31.12.2020						31.12.2019	
	Intangible assets related to insurance business		Other intangible assets		Total		Total	
	France	Inter-national	France	Inter-national	France	Inter-national	France	Inter-national
Closing gross value	**24**	**414**	**1,919**	**207**	**1,942**	**622**	**1,825**	**621**
Closing cumulative amortisation		(266)	(1,633)	(172)	(1,633)	(439)	(1,567)	(424)
Closing cumulative long-term impairment	(9)	(117)			(9)	(117)	(9)	(119)
Amortisation and reserves	**(9)**	**(383)**	**(1,633)**	**(172)**	**(1,642)**	**(555)**	**(1,576)**	**(543)**
Net book value	**14**	**31**	**285**	**35**	**300**	**66**	**249**	**79**

NOTE 4 – INVESTMENT PROPERTY, EXCLUDING UNIT-LINKED INVESTMENTS

In millions of euros	31.12.2020			31.12.2019		
	Property	SCI units	Total	Property	SCI units	Total
Opening gross value	**1,309**	**203**	**1,512**	**1,242**	**195**	**1,436**
Acquisitions	246	13	259	66	21	87
Change in scope of consolidation						
Subsequent expenditure						
Assets capitalised in the year	32		32	64		64
Transfer from/to unit-linked property						
Transfer from/to operating property	10		10	1		1
Foreign exchange adjustments						
Asset sales	(110)	(3)	(113)	(64)	(12)	(76)
Other						
Closing gross value	**1,486**	**212**	**1,699**	**1,309**	**203**	**1,512**
Opening cumulative amortisation	**(254)**		**(254)**	**(246)**		**(246)**
Increase	(24)		(24)	(28)		(28)
Changes in scope						
Transfer from/to unit-linked property						
Transfer from/to operating property	(5)		(5)			
Decrease	18		18	21		21
Other						
Closing cumulative amortisation	**(265)**		**(265)**	**(254)**		**(254)**
Opening cumulative long-term impairment	**(12)**	**(7)**	**(19)**	**(12)**	**(6)**	**(18)**
Long-term impairment recognised					(2)	(2)
Changes in scope						
Transfer from/to operating property						
Long-term impairment write-backs			1	1		1
Closing cumulative long-term impairment	**(11)**	**(7)**	**(19)**	**(12)**	**(7)**	**(19)**
Opening net value	**1,043**	**195**	**1,239**	**983**	**189**	**1,172**
Closing net value	**1,210**	**205**	**1,415**	**1,043**	**195**	**1,239**
Closing fair value of investment property	**2,845**	**394**	**3,239**	**2,746**	**375**	**3,122**
Unrealised capital gains (losses)	**1,635**	**189**	**1,824**	**1,703**	**180**	**1,883**

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 operating property (see Note 5), amounted to €903 million at 31 December 2020 (net of profit sharing and tax), compared with €829 million at 31 December 2019.

The main acquisitions during the fiscal year took place in Paris (mainly shops) but also elsewhere in France (logistics centres and office buildings).
Sales of property during the fiscal year mainly include the sale of a property in Paris and sales by vacant lots of the Group's residential assets.

The fair value of investment property cannot generally be determined by reference to quotes in an active market. As a result, investment property cannot be classified as level 1 according to the fair value hierarchy established in IFRS 13. Nevertheless, most profit assets undergo an annual appraisal by an independent property appraiser. Appraisals by independent property appraisers mainly on the basis of observable data are classified in level 2. The fair value of investment property classified as level 2 is €2,624 million compared with €615 million in level 3. The level 2 investment property comprises mainly property located in Paris or the Greater Paris region.

NOTE 4.1 – INVESTMENT PROPERTY – BY OPERATING SEGMENT

In millions of euros	31.12.2020						31.12.2019					
	Property			SCI units			Property			SCI units		
	France	Inter-national	Total	France	Inter-national	Total	France	Inter-national	Total	France	Inter-national	Total
Gross value	1,473	14	1,486	212		212	1,295	14	1,309	203		203
Cumulative amortisation & impairment	(262)	(3)	(265)				(251)	(3)	(254)			
Long-term impairment	(9)	(2)	(11)	(7)		(7)	(10)	(2)	(12)	(7)		(7)
Closing net value	**1,202**	**9**	**1,210**	**205**		**205**	**1,035**	**9**	**1,043**	**195**		**195**
Closing fair value of investment property	**2,826**	**19**	**2,845**	**394**		**394**	**2,724**	**23**	**2,746**	**375**		**375**
Unrealised capital gains (losses)	**1,624**	**10**	**1,635**	**189**		**189**	**1,689**	**14**	**1,703**	**180**		**180**

NOTE 5 – OPERATING PROPERTY

In millions of euros	31.12.2020				31.12.2019			
	Property	Right of use	SCI units	Total	Property	Right of use	SCI units	Total
Opening gross value	**1,204**	**307**	**61**	**1,572**	**1,244**		**64**	**1,308**
Acquisitions	23	43	3	68	18	307	1	327
Change in scope of consolidation								
Assets capitalised in the year	91			91	30			30
Transfer from/to investment property	(10)			(10)	(2)			(2)
Foreign exchange adjustments	(1)	(2)		(3)	(1)			(1)
Asset sales	(9)		(2)	(11)	(85)		(4)	(90)
Other	(1)			(1)				
Closing gross value	**1,297**	**347**	**62**	**1,706**	**1,204**	**307**	**61**	**1,572**
Opening cumulative amortisation	**(405)**	**(39)**		**(445)**	**(413)**			**(413)**
Increase	(25)	(43)		(68)	(25)	(39)		(64)
Changes in scope								
Transfer from/to investment property	5			5				
Decrease	6			6	32			32
Other				1				
Closing cumulative amortisation	**(418)**	**(82)**		**(501)**	**(405)**	**(39)**		**(445)**
Opening cumulative long-term impairment	**(73)**			**(73)**	**(99)**			**(100)**
Long-term impairment recognised	(16)			(16)				
Changes in scope								
Transfer from/to investment property								
Long-term impairment write-backs				1	26			27
Closing cumulative long-term impairment	**(88)**			**(88)**	**(73)**			**(73)**
Opening net value	**725**	**268**	**61**	**1,054**	**731**		**64**	**795**
Closing net value	**790**	**265**	**62**	**1,117**	**725**	**268**	**61**	**1,054**
Closing fair value of operating property	**1,142**	**265**	**112**	**1,519**	**1,075**	**268**	**110**	**1,452**
Unrealised capital gains (losses)	**351**	**0**	**50**	**401**	**349**	**0**	**49**	**398**

A property in Paris owned by Groupama Gan Vie and the headquarters of the Italian subsidiary was subject to impairment during the fiscal year.
It should be noted that the Group has applied IFRS 16 since 1 January 2019: leases are now recognised as an asset as well as a liability for the rent payment obligation.

NOTE 5.1 – OPERATING PROPERTY – BY OPERATING SEGMENT

In millions of euros	31.12.2020								
	Property			Right of use			SCI units		
	France	International	Total	France	International	Total	France	International	Total
Gross value	1,192	105	1,297	316	31	347	62		62
Cumulative amortisation & impairment	(401)	(18)	(418)	(74)	(9)	(82)			
Long-term impairment	(77)	(11)	(88)						
Closing net value	**714**	**76**	**790**	**242**	**23**	**265**	**62**		**62**
Closing fair value of operating property	**1,060**	**82**	**1,142**	**242**	**23**	**265**	**112**		**112**
Unrealised capital gains (losses)	**345**	**6**	**351**	**0**	**0**	**0**	**50**		**50**

In millions of euros	31.12.2019								
	Property			Right of use			SCI units		
	France	International	Total	France	International	Total	France	International	Total
Gross value	1,098	106	1,204	278	29	307	61		61
Cumulative amortisation & impairment	(389)	(16)	(405)	(35)	(4)	(39)			
Long-term impairment	(69)	(4)	(73)						
Closing net value	**640**	**86**	**725**	**243**	**24**	**268**	**61**		**61**
Closing fair value of operating property	**990**	**85**	**1,075**	**243**	**24**	**268**	**110**		**110**
Unrealised capital gains (losses)	**350**	**(1)**	**349**	**0**	**0**	**0**	**49**		**49**

NOTE 6 – FINANCIAL INVESTMENTS EXCLUDING UNIT-LINKED ITEMS

In millions of euros	31.12.2020	31.12.2019
	Net value	Net value
Assets valued at fair value	76,866	76,416
Assets valued at amortised cost	1,563	1,754
Total financial investments excluding unit-linked items	**78,429**	**78,170**

Bond repurchase agreements generated €4,500 million versus €4,152 million at 31 December 2019. The cash from these repurchase agreements is invested in specific funds held directly.

NOTE 6.1 – INVESTMENTS VALUED AT FAIR VALUE BY OPERATING SEGMENT

In millions of euros	31.12.2020								
	Net amortised cost			Fair value (a)			Gross unrealised capital gains (losses)		
	France	Inter-national	Total	France	Inter-national	Total	France	Inter-national	Total
Available-for-sale assets									
Equities and other variable-income investments	3,143	268	3,411	4,207	319	4,526	1,064	51	1,115
Bonds and other fixed-income investments	47,435	4,829	52,264	55,396	5,317	60,712	7,961	487	8,448
Other investments									
Total available-for-sale assets	**50,578**	**5,097**	**55,675**	**59,603**	**5,635**	**65,238**	**9,025**	**538**	**9,563**
Trading assets									
Equities and other variable-income investments classified as “trading”	3		4	3		4			
Equities and other variable-income investments classified as “held for trading”	613	10	622	613	10	622			
Bonds and other fixed-income investments classified as “trading”	5		6	5		6			
Bonds and other fixed-income investments classified as “held for trading”	3,393	103	3,496	3,393	103	3,496			
Cash mutual funds classified as “trading”	4,717	29	4,745	4,717	29	4,745			
Cash mutual funds classified as “held for trading”	2,356	399	2,755	2,356	399	2,755			
Other investments classified as “trading”									
Other investments classified as “held for trading”									
Total trading assets	**11,087**	**541**	**11,628**	**11,087**	**541**	**11,628**			
Total investments valued at fair value	**61,665**	**5,638**	**67,303**	**70,690**	**6,176**	**76,866**	**9,025**	**538**	**9,563**

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

In millions of euros	31.12.2019								
	Net amortised cost			Fair value (a)			Gross unrealised capital gains (losses)		
	France	Inter-national	Total	France	Inter-national	Total	France	Inter-national	Total
Available-for-sale assets									
Equities and other variable-income investments	2,817	280	**3,098**	3,978	334	**4,313**	**1,161**	**54**	**1,215**
Bonds and other fixed-income investments	46,484	4,895	**51,379**	53,520	5,304	**58,824**	**7,036**	**409**	**7,445**
Other investments									
Total available-for-sale assets	**49,301**	**5,176**	**54,477**	**57,498**	**5,638**	**63,136**	**8,197**	**463**	**8,660**
Trading assets									
Equities and other variable-income investments classified as “trading”	5	1	**6**	5	1	**6**			
Equities and other variable-income investments classified as “held for trading”	480	3	**482**	480	3	**482**			
Bonds and other fixed-income investments classified as “trading”	24		**24**	24		**24**			
Bonds and other fixed-income investments classified as “held for trading”	4,125	111	**4,237**	4,125	111	**4,237**			
Cash mutual funds classified as “trading”	5,996	20	**6,015**	5,996	20	**6,015**			
Cash mutual funds classified as “held for trading”	2,328	188	**2,516**	2,328	188	**2,516**			
Other investments classified as “trading”									
Other investments classified as “held for trading”									
Total trading assets	**12,958**	**322**	**13,280**	**12,958**	**322**	**13,280**			
Total investments valued at fair value	**62,259**	**5,498**	**67,757**	**70,456**	**5,961**	**76,416**	**8,197**	**463**	**8,660**

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

NOTE 6.2 – INVESTMENTS VALUED AT FAIR VALUE BY TYPE

In millions of euros	31.12.2020								
	Net amortised cost			Fair value (a)			Gross unrealised capital gains (losses)		
	France	Inter-national	Total	France	Inter-national	Total	France	Inter-national	Total
Equities and other variable-income investments									
Available-for-sale assets	3,143	268	3,411	4,207	319	4,526	1,064	51	1,115
Assets classified as “trading”	3		4	3		4			
Assets classified as “held for trading”	613	10	622	613	10	622			
Total equities and other variable-income investments	**3,759**	**278**	**4,037**	**4,823**	**329**	**5,152**	**1,064**	**51**	**1,115**
Bonds and other fixed-income investments									
Available-for-sale assets	47,435	4,829	52,264	55,396	5,317	60,712	7,961	487	8,448
Assets classified as “trading”	5		6	5		6			
Assets classified as “held for trading”	3,393	103	3,496	3,393	103	3,496			
Total bonds and other fixed-income investments	**50,833**	**4,933**	**55,766**	**58,794**	**5,420**	**64,214**	**7,961**	**487**	**8,448**
Cash mutual funds									
Assets classified as “trading”	4,717	29	4,745	4,717	29	4,745			
Assets classified as “held for trading”	2,356	399	2,755	2,356	399	2,755			
Total cash mutual funds	**7,072**	**428**	**7,500**	**7,072**	**428**	**7,500**			
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	**61,665**	**5,638**	**67,303**	**70,690**	**6,176**	**76,866**	**9,025**	**538**	**9,563**

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

In millions of euros	31.12.2019								
	Net amortised cost			Fair value (a)			Gross unrealised capital gains (losses)		
	France	Inter-national	Total	France	Inter-national	Total	France	Inter-national	Total
Equities and other variable-income investments									
Available-for-sale assets	2,817	280	3,098	3,978	334	4,313	1,161	54	1,215
Assets classified as “trading”	5	1	6	5	1	6			
Assets classified as “held for trading”	480	3	482	480	3	482			
Total equities and other variable-income investments	**3,302**	**283**	**3,585**	**4,463**	**337**	**4,801**	**1,161**	**54**	**1,215**
Bonds and other fixed-income investments									
Available-for-sale assets	46,484	4,895	51,379	53,520	5,304	58,824	7,036	409	7,445
Assets classified as “trading”	24		24	24		24			
Assets classified as “held for trading”	4,125	111	4,237	4,125	111	4,237			
Total bonds and other fixed-income investments	**50,632**	**5,007**	**55,640**	**57,668**	**5,416**	**63,084**	**7,036**	**409**	**7,445**
Cash mutual funds									
Assets classified as “trading”	5,996	20	6,015	5,996	20	6,015			
Assets classified as “held for trading”	2,328	188	2,516	2,328	188	2,516			
Total cash mutual funds	**8,324**	**208**	**8,531**	**8,324**	**208**	**8,531**			
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	**62,259**	**5,498**	**67,757**	**70,456**	**5,961**	**76,416**	**8,197**	**463**	**8,660**

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

NOTE 6.3 – INVESTMENTS VALUED AT AMORTISED COST IN NET VALUE

In millions of euros	31.12.2020			31.12.2019		
	France	International	Total	France	International	Total
Loans	81	53	135	87	55	142
Deposits	1,219	162	1,381	1,344	209	1,553
Other	47		47	59		59
Total financial investment valued at amortised cost	**1,347**	**216**	**1,563**	**1,490**	**264**	**1,754**

NOTE 6.4 – RESERVES FOR IMPAIRMENT OF INVESTMENTS

In millions of euros	31.12.2020			31.12.2019		
	Gross	Reserves	Net	Gross	Reserves	Net
Available-for-sale assets						
Equities and other variable-income investments	3,710	(299)	3,411	3,350	(253)	3,098
Bonds and other fixed-income investments	52,288	(24)	52,264	51,395	(16)	51,379
Other investments						
Total available-for-sale assets	**55,998**	**(323)**	**55,675**	**54,746**	**(269)**	**54,477**
Financial investments valued at amortised cost	1,564	(1)	1,563	1,755	(1)	1,754
Financial investments valued at amortised cost	**1,564**	**(1)**	**1,563**	**1,755**	**(1)**	**1,754**

Total reserves for long-term impairment on investments measured at fair value were €323 million, compared with €269 million at 31 December 2019.

Regarding equities, a reserve of €120 million was established for strategic securities, unchanged compared with 31 December 2019.

The amount of reserves for long-term impairment on investments valued at amortised cost was unchanged at €1 million.

Reserves were determined in accordance with the rules set out in paragraph 3.2.1 of the accounting principles.

NOTE 6.5 – FINANCIAL INVESTMENTS – BY CURRENCY

In millions of euros	31.12.2020				
	Euro	Dollar	Pound	Other	Total
Available-for-sale assets					
Equities and other variable-income investments	3,445	477	9	595	4,526
Bonds and other fixed-income investments	59,870	33	186	623	60,712
Other investments					
Total available-for-sale assets	**63,315**	**510**	**195**	**1,219**	**65,238**
Trading assets					
Equities and other variable-income investments classified as “trading”	4				4
Equities and other variable-income investments classified as “held for trading”	610	12			622
Bonds and other fixed-income investments classified as “trading”	6				6
Bonds and other fixed-income investments classified as “held for trading”	3,491			5	3,496
Cash mutual funds classified as “trading”	4,711	35			4,745
Cash mutual funds classified as “held for trading”	2,755				2,755
Other investments classified as “trading”					
Other investments classified as “held for trading”					
Total trading assets	**11,576**	**47**		**5**	**11,628**
Loans and receivables					
Loans	133			1	135
Deposits	1,229			152	1,381
Other investments	38	9			47
Total loans and receivables	**1,400**	**10**		**153**	**1,563**
Total financial investments (net of derivatives and unit-linked items)	**76,291**	**567**	**195**	**1,377**	**78,429**

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

In millions of euros	31.12.2019				
	Euro	Dollar	Pound	Other	Total
Available-for-sale assets					
Equities and other variable-income investments	3,153	403	7	750	4,313
Bonds and other fixed-income investments	57,991	34	199	601	58,824
Other investments					
Total available-for-sale assets	**61,143**	**437**	**206**	**1,351**	**63,136**
Trading assets					
Equities and other variable-income investments classified as “trading”	6				6
Equities and other variable-income investments classified as “held for trading”	482				482
Bonds and other fixed-income investments classified as “trading”	24				24
Bonds and other fixed-income investments classified as “held for trading”	4,230			6	4,237
Cash mutual funds classified as “trading”	5,993	23			6,015
Cash mutual funds classified as “held for trading”	2,516				2,516
Other investments classified as “trading”					
Other investments classified as “held for trading”					
Total trading assets	**13,251**	**23**		**6**	**13,280**
Loans and receivables					
Loans	102			40	142
Deposits	1,341			213	1,553
Other investments	48	10			59
Total loans and receivables	**1,491**	**10**		**253**	**1,754**
Total financial investments (net of derivatives and unit-linked items)	**75,885**	**470**	**206**	**1,610**	**78,170**

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

NOTE 6.6 – BREAKDOWN OF LISTED INVESTMENTS

In millions of euros	31.12.2020	31.12.2019
Equities	1,597	1,626
Shares in fixed-income mutual funds	6,722	7,258
Shares in other mutual funds	2,922	2,756
Cash mutual funds	7,500	8,531
Bonds and other fixed-income securities	57,327	55,693
Total listed investments	**76,068**	**75,863**

At 31 December 2020, total long-term reserves for listed investments valued at fair value were €224 million, compared with €193 million at 31 December 2019.

NOTE 6.7 – BREAKDOWN OF UNLISTED INVESTMENTS

In millions of euros	31.12.2020	31.12.2019
Equities at fair value	633	419
Bonds and other fixed-income securities at fair value	165	134
Other investments at fair value		
Loans at amortised cost	135	142
Other investments at amortised cost	1,428	1,612
Total unlisted investments	**2,361**	**2,307**

At 31 December 2020, total long-term reserves for unlisted investments valued at fair value were €98 million, compared with €76 million at 31 December 2019.

NOTE 6.8 – 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 6.8.1 - 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	31.12.2020			31.12.2019		
	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
Listed bonds						
Available-for-sale	55,086	1,242	56,329	53,119	1,607	54,726
Classified as "trading"						
Classified as "held for trading"	759	240	998	749	217	966
Total listed bonds	**55,845**	**1,482**	**57,327**	**53,868**	**1,824**	**55,693**
Unlisted bonds						
Available-for-sale	144	5	149	112	5	117
Classified as "trading"						
Classified as "held for trading"	5	11	16	5	12	17
Total unlisted bonds	**149**	**16**	**165**	**118**	**16**	**134**
Total bond portfolio	**55,994**	**1,499**	**57,492**	**53,986**	**1,841**	**55,826**

NOTE 6.8.2 – 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	31.12.2020				31.12.2019			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Listed bonds								
Available-for-sale	3,867	17,959	34,503	56,329	2,895	16,485	35,346	54,726
Classified as "trading"								
Classified as "held for trading"	224	347	427	998	44	495	428	966
Total listed bonds	**4,091**	**18,305**	**34,930**	**57,327**	**2,938**	**16,980**	**35,774**	**55,693**
Unlisted bonds								
Available-for-sale	40	2	107	149	9	2	105	117
Classified as "trading"								
Classified as "held for trading"	2	14		16	2	15		17
Total unlisted bonds	**42**	**17**	**107**	**165**	**11**	**17**	**105**	**134**
Total bond portfolio	**4,133**	**18,322**	**35,038**	**57,492**	**2,950**	**16,997**	**35,880**	**55,826**

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

NOTE 6.8.3 – BOND PORTFOLIO – BY RATING

In millions of euros	31.12.2020						
	AAA	AA	A	BBB	<BBB	Not rated	Total
Listed bonds							
Available-for-sale	2,808	26,390	11,881	14,596	365	289	56,329
Classified as "trading"							
Classified as "held for trading"	54	52	862	26	2	2	998
Total listed bonds	**2,862**	**26,442**	**12,743**	**14,622**	**367**	**291**	**57,327**
Unlisted bonds							
Available-for-sale	1		37	102		10	149
Classified as "trading"							
Classified as "held for trading"			11	5			16
Total unlisted bonds	**1**		**48**	**106**		**10**	**165**
Total bond portfolio	**2,863**	**26,442**	**12,791**	**14,729**	**367**	**301**	**57,492**

In millions of euros	31.12.2019						
	AAA	AA	A	BBB	<BBB	Not rated	Total
Listed bonds							
Available-for-sale	2,950	25,175	11,534	14,475	191	400	54,726
Classified as "trading"							
Classified as "held for trading"	54	52	817	30	1	13	966
Total listed bonds	**3,004**	**25,227**	**12,351**	**14,505**	**192**	**413**	**55,693**
Unlisted bonds							
Available-for-sale	1		5	99		12	117
Classified as "trading"							
Classified as "held for trading"						17	17
Total unlisted bonds	**1**		**5**	**99**		**29**	**134**
Total bond portfolio	**3,005**	**25,227**	**12,356**	**14,603**	**192**	**443**	**55,826**

NOTE 6.8.4 – BOND PORTFOLIO – BY TYPE OF ISSUER

In millions of euros	31.12.2020	31.12.2019
Bonds issued by EU Member States	34,627	33,507
Bonds issued by States outside the EU	317	340
Bonds from public and semi-public sectors	2,933	3,345
Corporate bonds	19,274	18,470
Other bonds (including bond funds)	341	164
Total bond portfolio	**57,492**	**55,826**

NOTE 6.9 – HIERARCHY OF FAIR VALUE

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 values 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 based in particular 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	31.12.2020				31.12.2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Available-for-sale assets								
Equities and other variable-income investments	3,820	129	577	4,526	3,767	110	436	4,313
Bonds and other fixed-income investments	58,310	933	1,469	60,712	56,848	792	1,184	58,824
Other investments								
Total available-for-sale assets	**62,129**	**1,063**	**2,046**	**65,238**	**60,615**	**902**	**1,620**	**63,136**
Trading assets								
Equities and other variable-income investments classified as “trading” or “held for trading”	127		499	626	128		360	488
Bonds and other fixed-income investments classified as “trading” or “held for trading”	2,550	426	526	3,502	3,338	493	430	4,261
Cash mutual funds classified as “trading” or “held for trading”	7,500			7,500	8,473	58		8,531
Other investments								
Total trading assets	**10,177**	**426**	**1,025**	**11,628**	**11,939**	**551**	**790**	**13,280**
Sub-total of financial investments at fair value (excluding unit-linked items)	**72,306**	**1,488**	**3,071**	**76,866**	**72,554**	**1,453**	**2,410**	**76,416**
Investments in unit-linked policies	9,045	2,173	176	11,393	7,548	2,722	228	10,497
Derivative assets and liabilities		(520)		(520)		(499)		(499)
Total financial assets and liabilities valued at fair value	**81,351**	**3,142**	**3,247**	**87,740**	**80,102**	**3,676**	**2,638**	**86,415**

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

Derivative instruments posted to assets totalled €49 million, and derivative instruments posted to liabilities on the balance sheet totalled €568 million at 31 December 2020.
The level 2 and level 3 financial investments (excluding unit-linked) comprise:

- for equities, mainly units of private equity funds, unlisted equities, units of unlisted loan funds, and units of infrastructure funds;

- for bonds, mainly in bonds and structured products not listed on an active market, the compensation of which is indexed to indices, baskets of equities, or rates;

- for derivatives, mainly fixed-rate payer or receiver swaps against rate, inflation, or currency indexation.

Private equity, infrastructure, or loan fund units are valued based on the latest net asset values communicated by the manager (and subject to an audit at least annually), adjusted for known flows between the date of this valuation and the close.

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 and structured products, a liquidity test is conducted on a regular basis. In the event of a presumption of illiquidity, a valuation search is performed on other platforms (FININFO, BLOOMBERG, REUTERS, and UBS DELTA). If the data are not consistent or not available on a platform, a valuation of the counterparties is used. If these counterparty valuations are not available, a valuation based on a model using observable (level 2) or extrapolated (level 3) data is used. If two consistent valuations are available, the security is then classified as level 2. Where only one valuation is available, the security is classified as level 3.

Derivatives are valued on the basis of models using observable market data. The obtained valuations are compared at each close with the valuations of counterparties in order to assess potential differences. This difference at 31 December 2020 was negligible.

The fair value hierarchy of investment property assets is included in Note 4.

Note that financial investments and investment properties classified as level 3 represent 4.2% of total assets (including 1.1% at fair value through profit or loss).

As of 31 December 2020, transfers from level 1 to level 2 totalled €10 million, and no transfers from level 2 to level 1 were noted.

Beyond the financial assets and liabilities described in the table, the Group recorded fair-value financial contracts without discretionary profit sharing in its underwriting liabilities. They totalled €167 million at 31 December 2020, compared with €165 million at 31 December 2019.

In millions of euros	31.12.2020								
	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	**436**	**1,184**		**360**	**430**			**228**	
Change in unrealised capital gains/losses recognised in:									
- net income	(11)	1		(59)	120			(72)	
- gains and losses recognised directly in Group's equity	(12)	228							
Transfer to level 3		35			2			95	
Transfer out of level 3		(207)			(96)				
Reclassification to loans and receivables									
Change in scope of consolidation									
Acquisitions	204	310		210	90				
Divestments/Redemptions	(37)	(81)		(12)	(20)			(67)	
Foreign exchange adjustments	(2)				(1)			(8)	
Level 3 closing amount	**577**	**1,469**		**499**	**526**			**176**	

NOTE 6.10 – INFORMATION REQUIRED BY THE AMENDMENT TO IFRS 4 IN THE EVENT OF A TEMPORARY EXEMPTION FROM THE APPLICATION OF 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	31.12.2020			31.12.2019			Change		
	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		5,152	5,152		4,801	4,801		351	351
Bonds and other fixed-income investments	54,593	9,621	64,214	53,454	9,630	63,084	1,139	(10)	1,130
Cash mutual funds		7,500	7,500		8,531	8,531		(1,031)	(1,031)
Other investments									
Total financial investments valued at fair value	**54,593**	**22,273**	**76,866**	**53,454**	**22,962**	**76,416**	**1,139**	**(690)**	**450**
Loans, deposits, other investments at amortised cost	1,443	120	1,563	1,624	130	1,754	(181)	(10)	(191)
Total of financial investments excluding unit-linked items	**56,036**	**22,393**	**78,429**	**55,078**	**23,093**	**78,170**	**959**	**(700)**	**258**
Unit-linked financial investments		11,286	11,286		10,392	10,392		894	894

* 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	31.12.2020						
	AAA	AA	A	BBB	<BBB	Not rated	Total
Financial assets at book value determined according to IAS 39	2,695	25,650	11,457	14,564	473	1,198	56,036
SPPI* financial assets not held for trading where neither management nor assessment of performance is based on the fair value	2,695	25,650	11,457	14,564	473	1,198	56,036

* 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 7 - INVESTMENTS REPRESENTING COMMITMENTS IN UNIT-LINKED INVESTMENTS

In millions of euros	31.12.2020			31.12.2019		
	France	International	Total	France	International	Total
Variable-income securities and related securities		2	2		3	3
Bonds	2,142	186	2,328	2,672	262	2,934
Equity mutual fund units	7,614	260	7,874	6,327	198	6,525
Bond and other UCITS units	533	502	1,034	350	485	835
Other investments		48	48		96	96
Subtotal of unit-linked financial investments	**10,289**	**997**	**11,286**	**9,349**	**1,043**	**10,392**
Unit-linked investment property	108		108	105		105
Subtotal of unit-linked investment property	**108**		**108**	**105**		**105**
Total	**10,396**	**997**	**11,393**	**9,454**	**1,043**	**10,497**

NOTE 8 – DERIVATIVE ASSETS AND LIABILITIES AND SEPARATE EMBEDDED DERIVATIVES

In millions of euros	31.12.2020					
	France		International		Total	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Swaps	40	(568)			40	(568)
Options						
Foreign currency futures	9				9	
Other						
Total	**49**	**(568)**			**49**	**(568)**

In millions of euros	31.12.2019					
	France		International		Total	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Swaps	136	(636)			136	(636)
Options						
Foreign currency futures	1				1	
Other						
Total	**138**	**(636)**			**138**	**(636)**

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 hedge variable-rate indexed underlyings;
- currency or inflation-indexed swaps. The economic aim of this strategy is to invest in fixed-rate euro bonds;
- currency risk hedging;
- synthetic exposure to the credit risk of private issuers through option strategies;
- equity risk hedges through purchases of index call options.

These 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 2020 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 derivatives thanks to the collateralisation system put in place by the Group.

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

NOTE 9.1 – USES OF FUNDS FOR BANKING SECTOR ACTIVITIES

In millions of euros	31.12.2020			31.12.2019		
	Gross value	Reserves	Net value	Gross value	Reserves	Net value
Petty cash, central banks and postal accounts						
Financial assets at fair value through income	109		109	96		96
Hedging derivatives						
Available-for-sale financial assets	3		2	3		2
Loans and receivables on credit institutions	23		23	24		24
Loans and receivables on customers						
Revaluation difference of interest rate hedged portfolios						
Held-to-maturity financial assets						
Investment property						
Total	**135**		**134**	**122**		**121**

NOTE 9.2 – SOURCES FROM BANKING SECTOR ACTIVITIES

In millions of euros	31.12.2020	31.12.2019
Central banks, postal accounts		
Financial liabilities at fair value through income		
Hedging derivatives		
Debts to credit institutions		
Debts to customers	12	14
Debts represented by securities		
Revaluation difference of interest rate hedged portfolios		
Total	**12**	**14**

NOTE 10 – INVESTMENTS IN RELATED COMPANIES AND JOINT VENTURES

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

- STAR in Tunisia, a leader in the Tunisian insurance market, jointly owned with the Tunisian government;
- Groupama AVIC Property Insurance Co is the result of the joint venture between Groupama and the AVIC group. This company sells non-life insurance products in the People's Republic of China.

Compagnie Financière d'Orange Bank, 75.86%-held by Orange and 24.14%-held by the Groupama group, is the holding company that holds Orange Bank, a 100% mobile online bank.

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

In millions of euros	31.12.2020		31.12.2019	
	Equivalent value	Share of income	Equivalent value	Share of income
Orange Bank	110	(50)	155	(63)
STAR	82	2	69	3
GROUPAMA - AVIC Property Insurance Co.	62	(11)	75	(4)
Compagnie Financière d'Orange Bank				
Total	**254**	**(60)**	**299**	**(64)**

NOTE 10.1 – SIGNIFICANT DATA PURSUANT TO IFRS 12

In millions of euros	2020				
	Premium income	Net income	Underwriting reserves	Total assets	Shareholders' equity
STAR (2)	112	3	243	388	113
Groupama - AVIC Property Insurance Co. (2)	300	(17)	152	389	123
Orange Bank (1)		(178)		4,327	351
Compagnie Financière d'Orange Bank (1)		(210)		421	411

(1) Actual data
(2) Actual 2019 data on technical reserves, total assets, and Group's equity / Estimated 2020 data for premium income and the result

In millions of euros	2019				
	Premium income	Net income	Underwriting reserves	Total assets	Shareholders' equity
Banque Postale Assurances IARD (3)					
STAR (2)	114	5	221	348	111
Groupama - AVIC Property Insurance Co. (1)	287	2	149	356	143
Orange Bank (1)		(177)		4,775	332
Compagnie Financière d'Orange Bank (1)		(287)		432	424

(1) Actual data (2) Estimated data for income and earnings / Actual data at December 2018 for the balance sheet
(3) As per IFRS 5, La Banque Postale Assurances IARD is classed as a business due to be discontinued.

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 related companies of Orange Bank (which has applied IFRS 9 since 1 January 2018).

NOTE 11 – SHARE OF OUTWARD REINSURERS AND RETROCESSIONAIRES IN LIABILITIES RELATED TO INSURANCE POLICIES AND FINANCIAL CONTRACTS

In millions of euros	31.12.2020			31.12.2019		
	France	International	Total	France	International	Total
Share of reinsurers in non-life insurance reserves						
Reserves for unearned premiums	10	18	28	10	21	31
Outstanding claims reserves	895	69	964	682	85	767
Other technical reserves	350	1	351	351	1	352
Total	**1,255**	**88**	**1,343**	**1,043**	**107**	**1,150**
Share of reinsurers in life insurance reserves						
Life insurance reserves	33	2	34	28	2	30
Outstanding claims reserves	23	2	25	18	2	21
Reserves for profit sharing	16		16	16		16
Other technical reserves						
Total	**72**	**4**	**76**	**63**	**4**	**67**
Share of reinsurers in financial contract reserves						
Total	**1,327**	**91**	**1,418**	**1,106**	**111**	**1,217**

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

In millions of euros	31.12.2020			31.12.2019		
	France	International	Total	France	International	Total
Share of reinsurers in opening reserves for claims	**682**	**85**	**767**	**628**	**80**	**708**
Portfolio transfers and changes in scope of consolidation						
Share of reinsurers in total claims expense	400	38	438	219	46	265
Share of reinsurers in total payments	(186)	(48)	(234)	(165)	(39)	(204)
Foreign exchange variation		(7)	(7)		(2)	(2)
Share of reinsurers in closing reserves for claims	**895**	**69**	**964**	**682**	**85**	**767**

NOTE 12 – OTHER PROPERTY, PLANT AND EQUIPMENT

NOTE 12.1 – CHANGE IN OTHER PROPERTY, PLANT AND EQUIPMENT

In millions of euros	31.12.2020				31.12.2019			
	Other property, plant, and equipment	Other long-term operating assets	Right of use	Total	Other property, plant, and equipment	Other long-term operating assets	Right of use	Total
Opening gross value	**784**	**62**	**2**	**848**	**741**	**62**		**803**
Acquisitions	56	8	3	66	75	2	2	78
Change in scope of consolidation					1			1
Assets capitalised in the year	3			3	(1)			(1)
Foreign exchange adjustments	(3)			(3)	(1)			(1)
Asset sales	(32)	(2)	(2)	(36)	(30)	(1)		(31)
Closing gross value	**807**	**68**	**3**	**878**	**784**	**62**	**2**	**848**
Opening cumulative amortisation	**(570)**		**(1)**	**(570)**	**(546)**			**(546)**
Increase	(50)		(1)	(51)	(48)		(1)	(49)
Changes in scope								
Foreign exchange adjustments	2			2	1			1
Decrease	26		1	26	24			24
Closing cumulative amortisation	**(593)**		**(1)**	**(594)**	**(570)**		**(1)**	**(570)**
Opening cumulative long-term impairment	**(1)**			**(1)**	**(1)**			**(1)**
Long-term impairment recognised								
Change in scope of consolidation								
Foreign exchange adjustments								
Long-term impairment write-backs								
Closing cumulative long-term impairment	**(1)**			**(1)**	**(1)**			**(1)**
Opening net value	**213**	**62**	**2**	**277**	**194**	**62**		**256**
Closing net value	**214**	**68**	**2**	**283**	**213**	**62**	**2**	**277**
Closing fair value of other property, plant and equipment	**215**	**144**	**2**	**360**	**212**	**132**	**2**	**346**
Unrealised capital gains (losses)	**1**	**76**	**0**	**77**	**(1)**	**70**	**0**	**69**

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

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

In millions of euros	31.12.2020								
	Other property, plant, and equipment			Other long-term operating assets			Right of use		
	France	International	Total	France	International	Total	France	International	Total
Gross value	704	104	807	68		68	2	1	3
Cumulative amortisation & impairment	(504)	(88)	(593)				(1)		(1)
Long-term impairment	(1)		(1)						
Closing net value	**198**	**16**	**214**	**68**		**68**	**1**	**0**	**2**
Closing fair value of investment property	**200**	**16**	**215**	**144**		**144**	**1**		**2**
Unrealised capital gains (losses)	**1**		**1**	**76**		**76**	**0**	**0**	**0**

In millions of euros	31.12.2019								
	Other property, plant, and equipment			Other long-term operating assets			Right of use		
	France	International	Total	France	International	Total	France	International	Total
Gross value	682	102	784	62		62	2		2
Cumulative amortisation & impairment	(483)	(87)	(570)						(1)
Long-term impairment	(1)		(1)						
Closing net value	**198**	**15**	**213**	**62**		**62**	**1**		**2**
Closing fair value of investment property	**197**	**15**	**212**	**132**		**132**	**1**		**2**
Unrealised capital gains (losses)	**(1)**	**0**	**(1)**	**70**		**70**	**0**		**0**

NOTE 13 – DEFERRED ACQUISITION COSTS

In millions of euros	31.12.2020			31.12.2019		
	Gross	Deferred profit-sharing	Net	Gross	Deferred profit-sharing	Net
Non-life insurance policies	180		180	176		176
Life insurance policies and financial contracts with discretionary profit sharing	20		20	21		21
France	**200**		**200**	**197**		**197**
Non-life insurance policies	49		49	51		51
Life insurance policies and financial contracts with discretionary profit sharing	16	(2)	13	16	(2)	14
International	**65**	**(2)**	**62**	**67**	**(2)**	**65**
Total deferred acquisition costs	**265**	**(2)**	**263**	**265**	**(2)**	**262**

NOTE 14 – DEFERRED TAXES

NOTE 14.1 – DEFERRED TAX ASSETS - BY OPERATING SEGMENT

In millions of euros	31.12.2020			31.12.2019
	France	International	Total	Total
Deferred tax assets	20	12	32	64
Total	**20**	**12**	**32**	**64**

NOTE 14.2 – DEFERRED TAX LIABILITIES – BY OPERATING SEGMENT

In millions of euros	31.12.2020			31.12.2019
	France	International	Total	Total
Deferred tax liabilities	632	1	633	398
Total	**632**	**1**	**633**	**398**

NOTE 14.3 – ANALYSIS OF THE MAJOR COMPONENTS OF DEFERRED TAXES

In millions of euros	31.12.2020	31.12.2019
Deferred taxes resulting from timing differences		
Restatements on AFS & Trading financial instruments (net of deferred profit sharing)	(835)	(718)
Life acquisition costs and overall management expenses reserve	(27)	(39)
Consolidation restatements on technical reserves	(307)	(233)
Other differences on consolidation restatements	53	41
Deferred non-life acquisition costs	(51)	(57)
Tax differences on technical reserves and other contingent liabilities	293	409
Tax-deferred capital gains	(5)	(4)
Valuation difference on mutual funds	123	135
Foreign exchange hedge	7	6
Other temporary tax differences	49	78
Subtotal of deferred taxes resulting from timing differences	**(700)**	**(382)**
Deferred taxes from stocks of ordinary losses	**99**	**49**
Deferred taxes recorded on the balance sheet	**(602)**	**(334)**
of which, assets	32	64
of which, liabilities	(633)	(398)

Deferred tax assets from ordinary losses amounted to €99 million at 31 December 2020, compared with €49 million at 31 December 2019, an increase of €50 million.

Unrecognised deferred taxes on net assets amounted to €12 million at 31 December 2020, compared with €15 million at 31 December 2019.

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

NOTE 15 – RECEIVABLES FROM INSURANCE OR INWARD REINSURANCE TRANSACTIONS

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

In millions of euros	31.12.2020							31.12.2019
	France			International			Total	Total
	Gross value	Reserves	Net value	Gross value	Reserves	Net value		
Earned unwritten premiums	1,057		1,057	14		14	1,072	1,103
Policyholders, intermediaries, and other third parties	1,114	(24)	1,090	288	(25)	264	1,354	1,352
Current accounts – co-insurers and other third parties	90	(10)	80	42	(26)	16	96	97
Current accounts for ceding and retroceding companies and other receivables from inward reinsurance operations	196		196	7		7	203	193
Total	**2,457**	**(34)**	**2,423**	**352**	**(51)**	**301**	**2,724**	**2,744**

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

In millions of euros	31.12.2020				31.12.2019			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Earned unwritten premiums	1,072			1,072	1,105	(2)		1,103
Policyholders, intermediaries, and other third parties	1,306	45	2	1,354	1,298	48	6	1,352
Current accounts – co-insurers and other third parties	93	3		96	95	2		97
Current accounts for ceding and retroceding companies and other receivables from inward reinsurance operations	145	53	4	203	132	57	4	193
Total	**2,616**	**102**	**7**	**2,724**	**2,630**	**105**	**10**	**2,744**

NOTE 16 - RECEIVABLES FROM OUTWARD REINSURANCE TRANSACTIONS

In millions of euros	31.12.2020			31.12.2019
	Gross value	Reserves	Net value	Net value
Outward reinsurer and retrocessionaire current accounts	58	(1)	56	59
Other receivables from reinsurance transactions	192		191	117
Total	**249**	**(2)**	**248**	**176**

NOTE 16.1 – RECEIVABLES FROM OUTWARD REINSURANCE TRANSACTIONS – BY MATURITY

In millions of euros	31.12.2020				31.12.2019			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Outward reinsurer and retrocessionaire current accounts	53	3		56	57	2		59
Other receivables from reinsurance transactions	191			191	117			117
Total	**244**	**3**		**248**	**174**	**2**		**176**

NOTE 17 – RISK OF REINSURER INSOLVENCY

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

This list is reviewed in its entirety at least twice a year. During the year, continual monitoring is performed to adapt the internal ratings on reinsurers to any changes that might affect them and 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	31.12.2020						
	AAA	AA	A	BBB	< BBB	Not rated	Total
Share of reinsurers in non-life insurance reserves		1,062	175		5	100	1,343
Share of reinsurers in life insurance reserves		12	16			47	76
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		173	24			51	248
Total	**1**	**1,248**	**215**		**5**	**197**	**1,666**

In millions of euros	31.12.2019						
	AAA	AA	A	BBB	< BBB	Not rated	Total
Share of reinsurers in non-life insurance reserves		915	137		7	92	1,150
Share of reinsurers in life insurance reserves		11	13			43	67
Share of reinsurers in reserves for financial contracts with discretionary profit sharing							
Share of reinsurers in reserves for financial contracts without discretionary profit sharing							
Receivables from outward reinsurance operations		55	35			86	176
Total		**981**	**185**		**7**	**220**	**1,393**

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.

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	31.12.2020				31.12.2019			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Tax claims	99			99	37			37
Other receivables from state and local authorities	225			225	206			206
Total	**324**			**324**	**243**			**243**

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

In millions of euros	31.12.2020			31.12.2019		
	France	International	Total	France	International	Total
Tax claims	64	35	99	10	27	37
Other receivables from state and local authorities	98	127	225	81	124	206
Total	**163**	**161**	**324**	**92**	**151**	**243**

NOTE 19 – OTHER RECEIVABLES

In millions of euros	31.12.2020			31.12.2019
	Gross value	Reserves	Total	Total
Accrued interest not yet due	629		629	641
Due from employees	9		9	10
Social welfare bodies	11		11	13
Other debtors	2,066	(41)	2,024	1,718
Other receivables	671		671	403
Total	**3,386**	**(41)**	**3,344**	**2,785**

NOTE 19.1 – OTHER RECEIVABLES – BY MATURITY

In millions of euros	31.12.2020				31.12.2019			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Accrued interest not yet due	629			629	641			641
Due from employees	9			9	10			10
Social welfare bodies	11			11	13			13
Other debtors	1,964	29	32	2,024	1,656	29	34	1,718
Other receivables	671			671	403			403
Total	**3,284**	**29**	**32**	**3,344**	**2,723**	**29**	**34**	**2,785**

NOTE 19.2 – OTHER RECEIVABLES – BY OPERATING SEGMENT

In millions of euros	31.12.2020			31.12.2019		
	France	International	Total	France	International	Total
Accrued interest not yet due	575	54	629	579	62	641
Due from employees	9	1	9	9	1	10
Social welfare bodies	11		11	11	2	13
Other debtors	1,964	60	2,024	1,681	38	1,718
Other receivables	647	24	671	361	42	403
Total	**3,205**	**139**	**3,344**	**2,641**	**145**	**2,785**

NOTE 20 – CASH AND CASH EQUIVALENTS

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

In millions of euros	31.12.2020	31.12.2019
France	1,160	1,204
International	94	129
Total	**1,254**	**1,333**

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

NOTE 20.2 – CASH RECOGNISED AS A LIABILITY IN THE BALANCE SHEET

In millions of euros	31.12.2020				31.12.2019			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Operating debts to banking sector companies	177	1		178	120			120
Total	**177**	**1**		**178**	**120**			**120**

In millions of euros	31.12.2020			
	Currencies		Rate	
	Eurozone	Non-eurozone	Fixed rate	Variable rate
Operating debts to banking sector companies	178		178	
Total	**178**		**178**	

NOTE 21 – SHAREHOLDERS' 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 regulation 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 "Solvency 2" prudential rules introduced by European directive 2009/138/EC of 25 November 2009. It requires insurance companies to continuously meet the minimum capital requirements (Article L352-5 of the French insurance code) and solvency capital requirements (Article L352-1 of the French insurance code) calculated in accordance with the provisions of delegated regulation 2015/35. This obligation also exists abroad, following similar mechanisms. This entire mechanism is reinforced at the level of the consolidated financial statements by a Group regulatory capital requirement, taking into account, where applicable, the banking businesses engaged in by the insurance group.

NOTE 21.2 – IMPACTS OF TRANSACTIONS WITH MEMBERS

- **Changes in the Group's shareholders' equity during fiscal year 2020**

During fiscal year 2020, regional mutuals issued mutual certificates to their members and customers for €31 million.

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

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

Issued by	Nominal in millions of euros	Issue date	Next issuer repayment option	Coupon	Coupon rate	Step-up clause
Groupama Assurances Mutuelles	1,100	25/05/2014	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 unitholders in a discretionary manner;
- an interest "step-up" clause that kicks in following the tenth year of the bond.

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 shareholders' equity. Interest costs net of tax are charged directly against shareholders' 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	31.12.2020	31.12.2019
Gross unrealised capital gains/losses on available-for-sale assets	9,563	8,660
Shadow accounting	(6,132)	(5,736)
Cash flow hedge and other changes	(40)	(40)
Deferred taxes	(737)	(608)
Share of non-controlling interests	(3)	(4)
Revaluation reserve – Group share	**2,651**	**2,272**

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 capital 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, unrealised capital gains on "strategic" equity interests are exempt from the calculation of deferred tax up to a maximum percentage of costs and expenses (i.e. an effective rate of 3.41%).

"Cash flow hedge and other changes" totalling -€40 million includes -€22 million in cash-flow hedge revaluation reserves and -€18 million 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	31.12.2020						
	France			International			Total
	Reserves for pensions and similar obligations	Other contingent liabilities (1)	Total	Reserves for pensions and similar obligations	Other contingent liabilities (1)	Total	
Opening balance	**399**	**114**	**513**	**31**	**50**	**81**	**593**
Changes in the consolidation scope, changes in accounting policies, and transfers					(1)	(1)	(1)
Allocations for the period	93	74	166	4	20	24	190
Write-backs for the period	(71)	(52)	(123)	(4)	(15)	(19)	(142)
Foreign exchange variation					(1)	(1)	(1)
Closing balance	**420**	**136**	**556**	**31**	**52**	**83**	**639**

(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	31.12.2019						
	France			International			Total
	Reserves for pensions and similar obligations	Other contingent liabilities (1)	Total	Reserves for pensions and similar obligations	Other contingent liabilities (1)	Total	
Opening balance	**379**	**146**	**525**	**30**	**44**	**73**	**598**
Changes in the consolidation scope, changes in accounting policies, and transfers					1	1	1
Allocations for the period	143	60	203	4	19	23	227
Write-backs for the period	(124)	(92)	(216)	(3)	(14)	(17)	(232)
Foreign exchange variation						(1)	(1)
Closing balance	**399**	**114**	**513**	**31**	**50**	**81**	**593**

(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	31.12.2020				31.12.2019			
	France	United Kingdom	Other	Total	France	United Kingdom	Other	Total
Actuarial debt	439	380	31	850	419	384	31	833
Fair value of hedging assets	19	380		400	20	384		404
Net actuarial debt	**420**	**0**	**31**	**451**	**399**	**0**	**31**	**429**
Principal actuarial assumptions								
Financial assumptions								
Discount rate	0.50%	1.60%	NS		0.70%	2.00%	NS	
Yield expected from plan assets	0.50%	1.60%	NS		0.70%	2.00%	NS	
Expected salary/pension increase	1.84%	2.70%	NS		1.85%	2.60%	NS	
Staff turnover								
- 18 to 34 years	5.02%	NA	NS		4.79%	NA	NS	
- 35 to 44 years	2.58%	NA	NS		2.24%	NA	NS	
- 45 to 54 years	1.06%	NA	NS		0.91%	NA	NS	
- 55 and older	0.00%	NA	NS		0.01%	NA	NS	

Note that in the United Kingdom, the Groupama Insurance Company Limited (GICL) pension fund was transferred to Groupama Assurances Mutuelles following the sale of the subsidiary in 2012.

Only staff turnover rates for France are material in the context of the consolidated financial statements.

The discount rate used at 31 December 2020 to value 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	31.12.2020			31.12.2019		
	Post-employment benefits	Other long-term benefits	Total	Post-employment benefits	Other long-term benefits	Total
Opening actuarial debt	**747**	**86**	**833**	**685**	**83**	**768**
Cost of past services	17	7	24	18	7	25
Interest payable	9		9	14	1	15
Revaluations of actuarial debt						
Actuarial differences resulting from changes in demographic assumptions	1	(1)	(1)	(6)		(7)
Actuarial differences resulting from changes in financial assumptions	32	2	34	54	5	60
Experience-related adjustments	(8)	(4)	(12)	(10)	(5)	(15)
Benefits paid directly by the employer	(11)	(4)	(15)	(10)	(5)	(15)
Benefits paid by hedging assets	(17)		(17)	(19)		(19)
Cost of past services and profit/loss on liquidation		6	6			
Change in scope of consolidation						
Change in exchange rates	(21)		(21)	18		18
Other	8	2	10	3		3
Closing actuarial debt	**756**	**94**	**850**	**747**	**86**	**833**

NOTE 23.2.2 – RESERVE FOR PENSIONS – CHANGE IN THE FAIR VALUE OF HEDGING ASSETS

In millions of euros	31.12.2020			31.12.2019		
	Post-employment benefits	Other long-term benefits	Total	Post-employment benefits	Other long-term benefits	Total
Opening fair value of hedging assets	**404**		**404**	**360**		**360**
Interest income	7		7	10		10
Revaluations of hedging assets						
Portion of yield on hedging assets in excess of the discount rate	20		20	32		32
Change in effect of asset cap						
Benefits paid	(17)		(17)	(22)		(22)
Employer contributions	6		6	6		6
Employee contributions						
Change in scope of consolidation						
Change in exchange rates	(21)		(21)	17		17
Other				1		1
Closing fair value of hedging assets	**400**		**400**	**404**		**404**

NOTE 23.3 – POST-EMPLOYMENT BENEFITS RECOGNISED THROUGH THE INCOME STATEMENT AND PROFITS/LOSSES RECOGNISED DIRECTLY THROUGH GROUP'S EQUITY

In millions of euros	31.12.2020	31.12.2019
Cost of services:		
Cost of past services	(17)	(18)
Cost of past services and profit/loss on liquidation		
Net interest on net actuarial debt	(2)	(4)
Other		
Component of the expense recognised in the income statement	**(19)**	**(22)**
Revaluation of net actuarial debt:		
Portion of return on hedging assets not recognised in the income statement	20	32
Actuarial differences resulting from changes in demographic assumptions	(1)	6
Actuarial differences resulting from changes in financial assumptions	(32)	(54)
Experience-related adjustments	8	10
Change in effect of asset cap		
Component of the expense recognised through profit/losses posted directly under Group's equity	**(4)**	**(6)**

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

In millions of euros	31.12.2020	31.12.2019
Equities	78	60
Bonds		
Other	321	344
Fair value of hedging assets	**400**	**404**

NOTE 23.5 – SENSITIVITY ANALYSIS

The sensitivity to an increase of 50 basis points in the discount rate is -6.3% on the total gross actuarial debt for France, and -7.6% for the United Kingdom.

Sensitivity to social commitments in relation to illness cover: at 31 December 2020, actuarial debt for illness cover amounted to €11 million. The sensitivity of this debt to an increase of 50 basis points in the discount rate is -5.1%.

Note 24 – Financing debts

Note 24.1 – Financing debt – by maturity

In millions of euros	31.12.2020				31.12.2019			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Subordinated debt of insurance companies			1,632	1,632			1,630	1,630
Financing debt represented by securities								
Financing debt with banking-sector companies	3			3	2	3		5
Total	**3**		**1,632**	**1,635**	**2**	**3**	**1,630**	**1,634**

The redeemable subordinated bonds classified as "financing liabilities" are as follows:

Issued by	Nominal in millions of euros	Issue date	Maturity (if dated)	Coupon	Coupon rate	Step-up clause
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
Groupama Assurances Mutuelles	500	16/09/2019	16/09/2029	Fixed	2.13%	no

At 31 December 2020, the quotation:

- for the 2017 issue was 125.0%, compared with 127.2% at 31 December 2019;
- for the 2018 issue was 112.5%, compared with 110.5% at 31 December 2019;
- for the 2019 issue was 104.2%, compared with 100.5% at 31 December 2019.

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 expenses are recognised under financing expenses in the income statement.

"Financing liabilities to banking sector companies" amounted to €3 million. It was down by €2 million.

Note 24.2 – Financing debt – by currency and rate

In millions of euros	31.12.2020			
	Currencies		Rate	
	Eurozone	Non-eurozone	Fixed rate	Variable rate
Subordinated debt of insurance companies	1,632		1,632	
Financing debt represented by securities				
Financing debt with banking-sector companies	3		3	
Total	**1,635**		**1,635**	

NOTE 25 – TECHNICAL LIABILITIES RELATING TO INSURANCE POLICIES

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

In millions of euros	31.12.2020			31.12.2019		
	France	International	Total	France	International	Total
Gross technical reinsurance reserves						
Life insurance reserves	31,812	692	32,504	31,925	737	32,662
Outstanding claims reserves	739	64	803	647	50	696
Reserves for profit sharing	662	2	665	649	2	651
Other technical reserves	24	10	34	9	10	19
Total Life insurance	**33,237**	**769**	**34,005**	**33,229**	**798**	**34,028**
Reserves for unearned premiums	1,198	590	1,788	1,166	639	1,806
Outstanding claims reserves	10,501	2,117	12,618	9,891	2,202	12,093
Other technical reserves	3,506	42	3,548	3,413	42	3,455
Total Non-life insurance	**15,205**	**2,749**	**17,953**	**14,471**	**2,883**	**17,354**
Life insurance reserves for unit-linked policies	10,341	1,045	11,386	9,862	1,082	10,943
Total	**58,782**	**4,563**	**63,345**	**57,562**	**4,763**	**62,325**

The adequacy tests carried out on liabilities as at 31 December 2020 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)**

The non-life outstanding claims reserve totalled €12,618 million at 31 December 2020. These reserves are valued using an actuarial approach, defined in accordance with a Group methodology. By means of valuations of final costs based on payment or cost triangles (depending on the risk segment), this method determines the sufficient amount of outstanding claims reserve. This valuation includes the valuation of delinquent claims and expected recoveries in its approach.

- **Long-term care**

The total amount of reserves relating to long-term care risk stood at €753 million at 31 December 2020. This figure was determined based on reserves valued using an economic approach (best estimate) at a discount rate of 1.20% including a prudence factor for long-term care and home-care insurance portfolios. The best estimate reserve is valued using the same forward-looking model as that used to justify the adequacy of employee welfare reserves. The biometric and economic assumption other than the discount rate are also the same.

- **Valuation of non-life actuarial annuity reserves**

Non-life technical reserves relatives to annuities in service or capital comprising annuities are discounted in accordance with the stipulations of relevant provisions. Relying on the provisions of IFRS 4, which themselves are based, for these items, on the provisions of CRC (French accounting standards committee) regulation 2000-05, the Group uses a discount rate equating to a prudently estimated rate of return on assets when discounting reserves for non-life annuities (annuities in service and deferred annuities).

NOTE 25.2 – UNDERWRITING LIABILITIES RELATED TO INSURANCE POLICIES BY BUSINESS

NOTE 25.2.1 – LIABILITIES RELATING TO INSURANCE POLICIES BY BUSINESS – FRANCE

In millions of euros	31.12.2020			31.12.2019		
	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross technical reinsurance reserves						
Life insurance reserves	31,812		31,812	31,925		31,925
Outstanding claims reserves	739		739	647		647
Reserves for profit sharing	662		662	649		649
Other technical reserves	24		24	9		9
Total Life insurance	**33,237**		**33,237**	**33,229**		**33,229**
Reserves for unearned premiums	181	1,017	1,198	169	997	1,166
Outstanding claims reserves	1,246	9,255	10,501	1,156	8,735	9,891
Other technical reserves	2,890	616	3,506	2,782	631	3,413
Total Non-life insurance	**4,316**	**10,888**	**15,205**	**4,107**	**10,364**	**14,471**
Life insurance reserves for unit-linked policies	10,341		10,341	9,862		9,862
Total	**47,894**	**10,888**	**58,782**	**47,198**	**10,364**	**57,562**

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

In millions of euros	31.12.2020			31.12.2019		
	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross technical reinsurance reserves						
Life insurance reserves	692		692	737		737
Outstanding claims reserves	64		64	50		50
Reserves for profit sharing	2		2	2		2
Other technical reserves	10		10	10		10
Total Life insurance	**769**		**769**	**798**		**798**
Reserves for unearned premiums	53	537	590	59	580	639
Outstanding claims reserves	89	2,027	2,117	102	2,100	2,202
Other technical reserves	12	30	42	11	30	42
Total Non-life insurance	**154**	**2,594**	**2,749**	**172**	**2,711**	**2,883**
Life insurance reserves for unit-linked policies	1,045		1,045	1,082		1,082
Total	**1,968**	**2,594**	**4,563**	**2,052**	**2,711**	**4,763**

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

In millions of euros	31.12.2020			31.12.2019		
	Gross life insurance reserves	Gross outstanding claims reserves	Total	Gross life insurance reserves	Gross outstanding claims reserves	Total
Single-premium policies						
Capitalisation	8	10	18	10	11	21
Individual insurance	13,021	121	13,142	12,779	91	12,870
Group policies	164	3	167	168	3	171
Other				138		138
Total reserves for single-premium policies	**13,192**	**134**	**13,326**	**13,096**	**105**	**13,201**
Periodic premium policies						
Capitalisation	86	2	88	139	2	141
Individual insurance	5,911	240	6,151	6,095	218	6,313
Group policies	7,725	383	8,109	7,882	334	8,216
Other	2,862	2	2,864	2,656	3	2,659
Total reserves for periodic premium policies	**16,584**	**627**	**17,211**	**16,772**	**557**	**17,330**
Inward reinsurance	**2,728**	**41**	**2,769**	**2,793**	**34**	**2,827**
Total	**32,504**	**803**	**33,307**	**32,662**	**696**	**33,358**

In millions of euros	31.12.2020			31.12.2019		
	Reserves for unearned premiums	Outstanding claims reserves	Total	Reserves for unearned premiums	Outstanding claims reserves	Total
Non-life insurance						
Motor	761	5,089	5,849	782	5,043	5,825
Bodily injury	240	1,669	1,909	236	1,465	1,701
Property damage	495	2,675	3,170	491	2,550	3,041
General third party liability	51	501	552	52	511	563
Marine, aviation, transport	9	65	74	8	77	85
Other risks	212	2,042	2,254	218	1,936	2,154
Inward reinsurance	**21**	**577**	**598**	**19**	**511**	**531**
Total non-life reserves	**1,788**	**12,618**	**14,406**	**1,806**	**12,093**	**13,899**

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

In millions of euros	31.12.2020			31.12.2019		
	France	International	Total	France	International	Total
Opening reserves for non-life claims	**9,891**	**2,202**	**12,093**	**9,607**	**2,079**	**11,686**
Portfolio transfers					**1**	**1**
Claims expense for the current year	6,850	1,031	7,881	6,855	1,316	8,170
Claims expense for prior years	105	72	177	(337)	68	(268)
Total claims expense	**6,955**	**1,104**	**8,059**	**6,518**	**1,384**	**7,902**
Claims payments for the current year	(3,126)	(502)	(3,628)	(3,266)	(599)	(3,864)
Claims payments for prior years	(3,219)	(618)	(3,837)	(2,969)	(636)	(3,605)
Total payments	**(6,345)**	**(1,120)**	**(7,464)**	**(6,235)**	**(1,235)**	**(7,470)**
Foreign exchange variation		**(69)**	**(70)**		**(26)**	**(26)**
Closing reserves for non-life claims	**10,501**	**2,117**	**12,618**	**9,891**	**2,202**	**12,093**

NOTE 25.5 – IMPACT OF GROSS CLAIMS

In millions of euros	2016	2017	2018	2019	2020
Estimate of the claims expense					
End N	7,583	7,693	7,802	8,108	7,867
End N+1	7,466	7,845	7,813	8,222	
End N+2	7,384	7,710	7,830		
End N+3	7,281	7,692			
End N+4	7,162				
Claims expense	**7,162**	**7,692**	**7,830**	**8,222**	**7,867**
Cumulative claims payments	**6,496**	**6,686**	**6,472**	**6,311**	**3,617**
Outstanding claims reserves	**666**	**1,007**	**1,358**	**1,910**	**4,250**
Earned premiums	**9,837**	**10,120**	**10,474**	**10,833**	**10,699**
Loss ratio	**72.8%**	**76.0%**	**74.8%**	**75.9%**	**73.5%**

The statement of claim trends shows changes in estimates of the gross claims expense per year of occurrence covering the years 2016 to 2020, 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	31.12.2020			31.12.2019		
	France	International	Total	France	International	Total
Closing non-life annuity actuarial reserves (net of recoveries)	**2,633**	**18**	**2,651**	**2,490**	**20**	**2,511**
Closing non-life annuity actuarial reserves (net of recoveries) before change in discount rate	2,633	18	2,650	2,629	20	2,650
Closing non-life annuity actuarial reserves (net of recoveries) excluding technical interest	2,956	18	2,974	2,786	20	2,806
Technical interest	(323)		(323)	(156)		(156)
Impact of change in discount rate				(139)		(139)

Proportion ceded

In millions of euros	31.12.2020			31.12.2019		
	France	International	Total	France	International	Total
Share of reinsurers in non-life annuity actuarial reserves carried forward (net of recoveries)	**283**		**283**	**317**	**(1)**	**317**
Share of reinsurers in non-life annuity actuarial reserves carried forward (net of recoveries) before change in discount rate	283		283	326	(1)	325
Share of reinsurers in non-life annuity actuarial reserves carried forward (net of recoveries) excluding technical interest	304		304	336	(1)	336
Technical interest	(21)		(21)	(11)		(11)
Impact of change in discount rate				(8)		(8)

NOTE 26 – TECHNICAL LIABILITIES RELATING TO FINANCIAL CONTRACTS

In millions of euros	31.12.2020	31.12.2019
Reserves on financial contracts with discretionary profit sharing		
Life technical reserves	11,014	11,546
Reserves for unit-linked contracts	62	64
Outstanding claims reserves	118	104
Reserves for profit sharing	231	239
Other technical reserves		
Total	**11,424**	**11,954**
Reserves on financial contracts without discretionary profit sharing		
Life technical reserve		
Reserves for unit-linked contracts	167	165
Outstanding claims reserves	1	1
Reserves for profit sharing		
Other technical reserves		
Total	**168**	**166**
Total	**11,592**	**12,120**

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

In millions of euros	31.12.2020			31.12.2019		
	France	International	Total	France	International	Total
Life financial contract reserves	9,026	1,987	11,014	9,614	1,932	11,546
Outstanding claims reserves	103	16	118	92	12	105
Profit-sharing reserves	231		231	239		239
Other technical reserves						
Total	**9,359**	**2,003**	**11,363**	**9,946**	**1,945**	**11,890**

The conversion without forfeiting tax benefits of euro single-vehicle financial policies into multi-vehicle insurance policies is carried out by transferring the amounts of actuarial reserves. This conversion had no impact on the recognition of premium income. The amounts involved in this “Fourgous” conversion totalled €99 million at 31 December 2020.

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

In millions of euros	31.12.2020			31.12.2019		
	Life financial contract reserves	Gross outstanding claims reserves	Total	Life financial contract reserves	Gross outstanding claims reserves	Total
Single-premium policies						
Capitalisation	470	1	471	464	2	465
Individual insurance	9,910	94	10,004	10,471	81	10,553
Group policies	107		107	94		94
Other						
Total reserves for single-premium policies	**10,487**	**95**	**10,582**	**11,029**	**83**	**11,112**
Periodic premium policies						
Capitalisation	39	10	48	45	9	54
Individual insurance	262	13	275	271	12	283
Group policies	223	1	223	198		198
Other	3		3	3		3
Total reserves for periodic premium policies	**527**	**23**	**550**	**517**	**22**	**539**
Inward reinsurance						
Total Life Insurance reserves	**11,014**	**118**	**11,132**	**11,546**	**105**	**11,651**

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

In millions of euros	31.12.2020			31.12.2019		
	France	International	Total	France	International	Total
Opening actuarial reserves	**41,539**	**2,669**	**44,208**	**42,026**	**2,630**	**44,657**
Premiums for the year	1,787	255	2,042	1,832	265	2,097
Interest credited	234	24	258	239	28	267
Profit sharing	564	20	583	598	21	618
Terms	(323)	(105)	(427)	(342)	(76)	(418)
Redemptions	(1,303)	(141)	(1,443)	(1,179)	(167)	(1,347)
Annuity arrears	(630)	(1)	(631)	(628)	(1)	(629)
Death benefits	(1,006)	(31)	(1,037)	(1,029)	(26)	(1,055)
Other movements including transfers	(24)	(11)	(35)	23	(4)	19
Closing actuarial reserves	**40,838**	**2,680**	**43,518**	**41,539**	**2,669**	**44,208**

NOTE 28 – DEFERRED PROFIT-SHARING LIABILITIES

In millions of euros	31.12.2020			31.12.2019		
	France	International	Total	France	International	Total
Reserve for deferred profit sharing of insurance policies	5,856	9	5,865	5,369	11	5,380
Reserve for deferred profit sharing of financial contracts		137	137		115	115
Total	**5,856**	**145**	**6,002**	**5,369**	**126**	**5,494**

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 Groupama Gan Vie, the deferred profit-sharing rate is determined using a prospective sharing rate method based on three-year business plans.

The rates used in France at 31 December 2020 fall within a range of 73.61% to 85.64%, with 76.02% for Groupama Gan Vie.

NOTE 29 – LIABILITIES FROM INSURANCE OR INWARD REINSURANCE OPERATIONS

In millions of euros	31.12.2020				31.12.2019			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Policyholders, intermediaries, and other third parties	991			991	806	1		808
Co-insurers	56			56	56			57
Current accounts for ceding and retroceding companies and other liabilities from reinsurance transactions	122			122	83	4		87
Total	**1,169**			**1,169**	**946**	**5**		**951**

NOTE 30 – LIABILITIES FROM OUTWARD REINSURANCE ACTIVITIES

In millions of euros	31.12.2020				31.12.2019			
	< 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)	261	2	2	265	211	59		270
Other liabilities from reinsurance activities	99			99	50			50
Total	**360**	**2**	**2**	**364**	**261**	**59**		**320**

(1) Including deposits received from reinsurers

NOTE 31 – CURRENT TAXES PAYABLE AND OTHER TAX LIABILITIES

In millions of euros	31.12.2020				31.12.2019			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Corporate income tax	5			5	23			23
Other liabilities with state and local authorities	143	1		144	155	1		156
Total	**148**	**1**		**149**	**179**	**1**		**180**

Tax liabilities payable totalled €2 million at 31 December 2020 in respect of foreign companies.

Other tax liabilities in respect of international subsidiaries totalled €32 million at 31 December 2020.

NOTE 32 – IFRS 16 RENT LIABILITIES

NOTE 32.1 – IFRS 16 LEASE LIABILITIES – BY OPERATING SEGMENT

In millions of euros	31.12.2020			31.12.2019		
	France	International	Total	France	International	Total
IFRS 16 lease liabilities	248	25	273	246	26	272
Total	**248**	**25**	**273**	**246**	**26**	**272**

NOTE 32.2 – IFRS 16 RENT LIABILITIES – BY MATURITY

In millions of euros	31.12.2020				31.12.2019			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
IFRS 16 lease liabilities	44	137	93	273	45	124	103	272
Total	**44**	**137**	**93**	**273**	**45**	**124**	**103**	**272**

NOTE 32.3 – IFRS 16 RENT LIABILITIES – BY CURRENCY AND RATE

In millions of euros	31.12.2020			
	Currencies		Rate	
	Eurozone	Non-eurozone	Fixed rate	Variable rate
IFRS 16 lease liabilities	269	4	273	
Total	**269**	**4**	**273**	

It should be noted that the Group has applied IFRS 16 since 1 January 2019: leases are now recognised as an asset, and the rent payment obligation is recognised as a liability.

Under assets, user rights on operational properties are shown under note 5 – Operational property. User rights on other property, plant and equipment under note 12 – Other property, plant and equipment. Notes 5 and 12 reuse opening stocks, changes during the fiscal year affecting the gross value, amortisation & depreciation and the net book value and closing stocks.

In the income statement, financial expenses on rent liabilities are shown on a separate line under note 43 – Financing expenses.

Rent relating short-term leases and low-value goods are shown under note 38 – Operating expenses, in the “External expenses” line.

It should be noted that the Group recognised no expenses over the fiscal year relating to variable rents not included in the rental obligations valuation.

Likewise, no profit or loss resulting from lease disposal transactions was recorded.

The cash flow statement includes cash flows relating to leases.

Off-balance sheet commitment (note 46)

Property contracts excluded from the scope of IFRS 16, being short-term (mainly contracts with tacit renewal at the time the standard came to be applied on 1 January 2019) are shown at 31 December 2020 as off-balance sheet commitments for the amount of rent still to be paid during the notice year.

It should be noted that contracts whose leases have become tacit since 1 January 2019 are subject to events implicitly prolonging the leases in accordance with IFRIC's position and thus remain within the scope of IFRS 16.

Note 33 – Other debts

Note 33.1 – Other debts – by operating segment

In millions of euros	31.12.2020			31.12.2019		
	France	International	Total	France	International	Total
Due to employees	343	8	351	341	10	350
Social welfare bodies	242	4	246	251	5	255
Other loans, deposits, and guarantees received	4,856	3	4,859	4,323	4	4,327
Other creditors	1,568	56	1,624	1,173	50	1,223
Other debt	229	22	251	213	23	236
Total	**7,239**	**93**	**7,331**	**6,301**	**90**	**6,391**

Note that the "Other loans, deposits, and guarantees received" item includes €4,752 million in repo securities.

Note 33.2 – Other debt – by maturity

In millions of euros	31.12.2020				31.12.2019			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Due to employees	324	8	19	351	325	8	18	350
Social welfare bodies	242	2	2	246	252	2	1	255
Other loans, deposits, and guarantees received	4,809	13	37	4,859	4,278	12	37	4,327
Other creditors	1,624			1,624	1,073	150		1,223
Other debt	251			251	236			236
Total	**7,251**	**24**	**57**	**7,331**	**6,163**	**172**	**56**	**6,391**

Note 33.3 - Other debt – by currency and rate

In millions of euros	31.12.2020			
	Currencies		Rate	
	Eurozone	Non Eurozone	Fixed rate	Variable rate
Due to employees	348	3	351	
Social welfare bodies	246		246	
Other loans, deposits, and guarantees received	4,859		4,836	22
Other creditors	1,596	28	1,624	
Other debt	251		251	
Total	**7,300**	**31**	**7,308**	**22**

Note 34 – Analysis of premium income

Note 34.1 – Analysis of insurance premium income by major category

In millions of euros	31.12.2020			31.12.2019		
	France	International	Total	France	International	Total
Individual retirement savings	2,025	415	2,440	1,797	442	2,239
Individual protection insurance	649	127	777	646	131	778
Individual health	1,322	62	1,384	1,306	64	1,369
Other	132		132	141		141
Individual life and health insurance	**4,128**	**605**	**4,733**	**3,890**	**637**	**4,527**
Group retirement savings	203	41	244	207	37	244
Group protection scheme	601	20	621	667	20	687
Group health	959	29	989	974	31	1,005
Other	436		437	373		373
Group life and health insurance	**2,200**	**91**	**2,291**	**2,221**	**88**	**2,309**
Life and health insurance	**6,328**	**696**	**7,024**	**6,111**	**725**	**6,836**
Motor	1,611	895	2,506	1,636	979	2,616
Other vehicles	89		89	89		89
Home insurance	1,059	205	1,264	1,128	206	1,334
Personal and professional property damage	432	13	445	460	14	474
Construction	179		179	173		173
Private and professional	**3,369**	**1,113**	**4,482**	**3,487**	**1,199**	**4,686**
Fleets	484	50	534	464	52	516
Business and local authorities casualty	464	195	659	443	197	641
Businesses and local authorities	**948**	**245**	**1,193**	**908**	**249**	**1,157**
Agricultural risks	481	56	537	478	52	529
Climate risks	241		241	229		229
Tractors and farming equipment	280		280	295		295
Agricultural business lines	**1,002**	**56**	**1,058**	**1,002**	**52**	**1,054**
Other business lines	431	69	500	441	66	508
Property and casualty insurance	**5,749**	**1,483**	**7,233**	**5,837**	**1,567**	**7,404**
Total	**12,077**	**2,179**	**14,256**	**11,948**	**2,291**	**14,240**

Note 34.2 – Analysis of banking items contributing to premium income

In millions of euros	31.12.2020	31.12.2019
Interest and related income		
Commissions (income)	187	166
Gains on financial instruments at fair value through income		1
Gains on available-for-sale financial assets	1	1
Income from other business activities		
Total	**189**	**168**

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

Note 34.3 - Analysis of premium income – by business

In millions of euros	31.12.2020					31.12.2019				
	Life and health insurance	Property and casualty insurance	Financial businesses	Total	Share %	Life and health insurance	Property and casualty insurance	Financial businesses	Total	Share %
France	6,328	5,749	189	12,266	85%	6,111	5,837	168	12,116	84%
Southern Europe	488	1,083		1,571	11%	517	1,156		1,673	12%
CEEC	208	401		608	4%	208	410		618	4%
Total	**7,024**	**7,233**	**189**	**14,445**	**100%**	**6,836**	**7,404**	**168**	**14,407**	**100%**

The geographic areas are broken down as follows:

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

NOTE 35 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES

NOTE 35.1 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES – BY OPERATING SEGMENT

In millions of euros	31.12.2020			31.12.2019		
	France	International	Total	France	International	Total
Interest on deposits and financial investments income	1,587	204	1,791	1,719	212	1,931
Gains on foreign exchange transactions	5	16	20	40	11	51
Income from differences on redemption prices as yet not received (premium/discount)	119	3	122	111	3	115
Income from property	105		106	121		121
Other investment income						
Income from investments	**1,816**	**223**	**2,039**	**1,991**	**227**	**2,218**
Interest on deposits received from reinsurers	(2)		(2)			
Losses on foreign exchange transactions	(60)	(10)	(70)	(41)	(8)	(48)
Amortisation of differences in redemption prices (premium-discount)	(212)	(24)	(236)	(213)	(25)	(238)
Depreciation and reserves on property	(91)	(13)	(104)	(84)	(6)	(90)
Management expenses	(227)	(18)	(244)	(307)	(15)	(322)
Investment expenses	**(592)**	**(64)**	**(657)**	**(644)**	**(55)**	**(699)**
Held for trading	(46)	6	(40)	(31)	2	(29)
Available-for-sale	162	1	162	161	13	174
Held to maturity						
Other	183	1	184	558	1	558
Capital gains (losses) from sales of investments, net of impairment reversals and write-backs	**299**	**7**	**306**	**687**	**16**	**703**
Held for trading	62	2	64	1	26	27
Derivatives	81		81	(25)		(25)
Adjustments on unit-linked policies	281	(2)	279	1,424	46	1,470
Change in fair value of financial instruments recorded at fair value by income	**424**	**1**	**424**	**1,399**	**72**	**1,471**
Available-for-sale	(53)	(9)	(62)	(7)	(2)	(9)
Held to maturity						
Receivables and loans	(1)		(1)			
Change in impairment losses on financial instruments	**(54)**	**(9)**	**(63)**	**(7)**	**(2)**	**(9)**
Total	**1,893**	**157**	**2,049**	**3,426**	**258**	**3,684**

NOTE 35.2 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES (INCOME BREAKDOWN BY TYPE OF ASSET)

In millions of euros	31.12.2020					31.12.2019				
	Income and expenses	Proceeds of disposal (*)	Change in fair value	Change in reserves	Total	Income and expenses	Proceeds of disposal (*)	Change in fair value	Change in reserves	Total
Property	10	184		(8)	185	30	558		1	590
Equities	30	80	(3)	(51)	56	99	53		(2)	150
Bonds	1,329	(5)	(17)	(9)	1,298	1,361	47	24	(5)	1,428
Equity mutual funds	113	54	(4)		162	155	82	(14)	(2)	221
Mutual funds: Cash from repurchase agreements		(16)			(16)		(13)	(3)		(16)
Other cash mutual funds	1	(7)			(7)		(7)	(1)		(8)
Bond mutual funds	61	6	69	(1)	136	51	(33)	69	(1)	85
Derivatives			81		81			(25)		(25)
Other investment income	163	11	20	(1)	192	193	15	(48)		160
Investment income	**1,708**	**306**	**145**	**(71)**	**2,087**	**1,889**	**703**	**2**	**(8)**	**2,585**
Internal and external management expenses and expenses on financial instruments	(242)				(242)	(315)				(315)
Other investment expenses	(75)				(75)	(56)				(56)
Investment expenses	**(317)**				**(317)**	**(371)**				**(371)**
Financial income net of expenses	**1,391**	**306**	**145**	**(71)**	**1,770**	**1,518**	**703**	**2**	**(8)**	**2,214**
Capital gains on securities representing unit-linked policies			1,769		1,769			1,562		1,562
Capital losses on securities representing unit-linked policies			(1,489)		(1,489)			(92)		(92)
Adjustments on unit-linked policies			**279**		**279**			**1,470**		**1,470**
Total	**1,391**	**306**	**424**	**(71)**	**2,049**	**1,518**	**703**	**1,471**	**(8)**	**3,684**

(*) net of write-backs of impairment and amortisation

NOTE 35.2.1 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES (INCOME BREAKDOWN BY TYPE OF ASSET) – FRANCE

In millions of euros	31.12.2020					31.12.2019				
	Income and expenses	Proceeds of disposal (*)	Change in fair value	Change in reserves	Total	Income and expenses	Proceeds of disposal (*)	Change in fair value	Change in reserves	Total
Property	22	183		(8)	197	36	558		1	595
Equities	30	80	(3)	(43)	64	98	52		(2)	148
Bonds	1,176	(1)	(15)	(9)	1,150	1,198	48	24	(5)	1,264
Equity mutual funds	98	43	(15)		126	140	77	(40)		177
Mutual funds: Cash from repurchase agreements		(16)			(16)		(13)	(3)		(16)
Other cash mutual funds		(7)			(7)		(7)	(1)		(7)
Bond mutual funds	56	6	69		131	47	(33)	68	(1)	81
Derivatives			81		81			(25)		(25)
Other investment income	139	11	27	(1)	175	176	5	(48)		133
Investment income	**1,521**	**299**	**143**	**(63)**	**1,900**	**1,694**	**687**	**(24)**	**(6)**	**2,350**
Internal and external management expenses and expenses on financial instruments	(233)				(233)	(307)				(307)
Other investment expenses	(56)				(56)	(41)				(41)
Investment expenses	**(289)**				**(289)**	**(348)**				**(348)**
Financial income net of expenses	**1,232**	**299**	**143**	**(63)**	**1,612**	**1,346**	**687**	**(24)**	**(6)**	**2,003**
Capital gains on securities representing unit-linked policies			1,731		1,731			1,500		1,500
Capital losses on securities representing unit-linked policies			(1,450)		(1,450)			(76)		(76)
Adjustments on unit-linked policies			**281**		**281**			**1,424**		**1,424**
Total	**1,232**	**299**	**424**	**(63)**	**1,893**	**1,346**	**687**	**1,399**	**(6)**	**3,426**

(*) net of write-backs of impairment and amortisation

NOTE 35.2.2 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES (INCOME BREAKDOWN BY TYPE OF ASSET) – INTERNATIONAL

In millions of euros	31.12.2020					31.12.2019				
	Income and expenses	Proceeds of disposal (*)	Change in fair value	Change in reserves	Total	Income and expenses	Proceeds of disposal (*)	Change in fair value	Change in reserves	Total
Property	(12)	1			(12)	(6)	1			(5)
Equities	1			(9)	(8)	1	1			2
Bonds	153	(5)	(1)		148	163				163
Equity mutual funds	14	11	11		37	15	5	26	(1)	44
Mutual funds: Cash from repurchase agreements										
Other cash mutual funds	1		(1)							(1)
Bond mutual funds	5				5	4			(1)	3
Derivatives										
Other investment income	24		(7)		17	18	10	(1)		27
Investment income	**186**	**7**	**2**	**(9)**	**186**	**195**	**16**	**26**	**(2)**	**235**
Internal and external management expenses and expenses on financial instruments	(10)				(10)	(8)				(8)
Other investment expenses	(19)				(19)	(15)				(15)
Investment expenses	**(28)**				**(28)**	**(23)**				**(23)**
Financial income net of expenses	**158**	**7**	**2**	**(9)**	**158**	**172**	**16**	**26**	**(2)**	**212**
Capital gains on securities representing unit-linked policies			38		38			62		62
Capital losses on securities representing unit-linked policies			(39)		(39)			(16)		(16)
Adjustments on unit-linked policies			**(2)**		**(2)**			**46**		**46**
Total	**158**	**7**	**1**	**(9)**	**157**	**172**	**16**	**72**	**(2)**	**258**

(*) net of write-backs of impairment and amortisation

NOTE 36 – INSURANCE POLICY SERVICING EXPENSES

NOTE 36.1 – INSURANCE POLICY SERVICING EXPENSES – BY OPERATING SEGMENT

In millions of euros	31.12.2020			31.12.2019		
	France	International	Total	France	International	Total
Claims						
Paid to policyholders	(9,937)	(1,595)	(11,532)	(9,730)	(1,746)	(11,476)
Change in technical reserves						
Outstanding claims reserves	(773)	21	(751)	(452)	(97)	(549)
Actuarial reserves	2,000	46	2,046	1,860	46	1,906
Unit-linked reserves	(894)	(1)	(896)	(1,819)	(91)	(1,910)
Profit sharing	(1,031)	(77)	(1,108)	(1,270)	(94)	(1,364)
Other technical reserves	(103)	(8)	(111)	157	(1)	156
Total	**(10,739)**	**(1,614)**	**(12,352)**	**(11,254)**	**(1,984)**	**(13,238)**

NOTE 36.2 – INSURANCE POLICY SERVICING EXPENSES BY BUSINESS

NOTE 36.2.1 – INSURANCE POLICY SERVICING EXPENSES BY BUSINESS – FRANCE

In millions of euros	31.12.2020			31.12.2019		
	Property and casualty insurance	Life and health insurance	Total	Property and casualty insurance	Life and health insurance	Total
Claims						
Paid to policyholders	(3,776)	(6,161)	(9,937)	(3,591)	(6,139)	(9,730)
Change in technical reserves						
Outstanding claims reserves	(363)	(410)	(773)	(391)	(60)	(452)
Actuarial reserves		2,000	2,000		1,860	1,860
Unit-linked reserves		(894)	(894)		(1,819)	(1,819)
Profit sharing	(5)	(1,026)	(1,031)	4	(1,273)	(1,270)
Other technical reserves	(4)	(99)	(103)	100	57	157
Total	**(4,147)**	**(6,591)**	**(10,739)**	**(3,879)**	**(7,375)**	**(11,254)**

NOTE 36.2.2 – INSURANCE POLICY SERVICING EXPENSES BY BUSINESS – INTERNATIONAL

In millions of euros	31.12.2020			31.12.2019		
	Property and casualty insurance	Life and health insurance	Total	Property and casualty insurance	Life and health insurance	Total
Claims						
Paid to policyholders	(1,013)	(581)	(1,595)	(1,145)	(602)	(1,746)
Change in technical reserves						
Outstanding claims reserves	34	(13)	21	(107)	10	(97)
Actuarial reserves		46	46		46	46
Unit-linked reserves		(1)	(1)		(91)	(91)
Profit sharing		(77)	(77)		(94)	(94)
Other technical reserves	(5)	(3)	(8)	(10)	10	(1)
Total	**(984)**	**(629)**	**(1,614)**	**(1,262)**	**(722)**	**(1,984)**

NOTE 37 – OUTWARD REINSURANCE INCOME (EXPENSES)

NOTE 37.1 – OUTWARD REINSURANCE INCOME (EXPENSES) – BY OPERATING SEGMENT

In millions of euros	31.12.2020						
	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	30	17	48	8		8	56
Claims charges	340	65	405	25	2	26	431
Change in technical reserves	(6)	10	4				4
Profit sharing		(1)	(1)				(1)
Change in the equalisation reserve							
Income from outward reinsurance	**364**	**91**	**455**	**32**	**2**	**34**	**490**
Outward premiums	(339)	(118)	(457)	(53)	(3)	(56)	(513)
Change in unearned premiums							
Expenses on outward reinsurance	**(339)**	**(118)**	**(458)**	**(52)**	**(3)**	**(56)**	**(513)**
Total	**25**	**(27)**	**(2)**	**(20)**	**(1)**	**(21)**	**(24)**

In millions of euros	31.12.2019						
	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	27	18	45	6		7	51
Claims charges	155	64	219	41	3	44	263
Change in technical reserves	(15)	9	(5)				(6)
Profit sharing		9	9				9
Change in the equalisation reserve							
Income from outward reinsurance	**167**	**100**	**267**	**48**	**2**	**51**	**318**
Outward premiums	(321)	(116)	(437)	(56)	(3)	(59)	(496)
Change in unearned premiums	(2)	2	0	6		6	5
Expenses on outward reinsurance	**(323)**	**(115)**	**(438)**	**(50)**	**(3)**	**(53)**	**(491)**
Total	**(156)**	**(14)**	**(170)**	**(1)**	**(1)**	**(2)**	**(172)**

Note 38 – Operating expenses

Note 38.1 – Operating expenses – by operating segment

In millions of euros	31.12.2020			31.12.2019		
	France	International	Total	France	International	Total
External expenses	(739)	(95)	(833)	(755)	(87)	(842)
Taxes other than income taxes	(235)	(39)	(274)	(232)	(35)	(268)
Personnel expenses	(1,660)	(148)	(1,808)	(1,624)	(151)	(1,774)
Commissions	(785)	(369)	(1,154)	(859)	(385)	(1,244)
Allocations to depreciation and provisions (net of write-backs)	(155)	(44)	(200)	(134)	(29)	(163)
Other expenses	(46)	(50)	(96)	(109)	(48)	(157)
Total operating expenses by nature	**(3,620)**	**(745)**	**(4,365)**	**(3,712)**	**(736)**	**(4,448)**

Note 38.2 – Operating expenses by business sector

In millions of euros	31.12.2020			31.12.2019		
	Insurance	Financial businesses	Total	Insurance	Financial businesses	Total
External expenses	(794)	(39)	(833)	(799)	(43)	(842)
Taxes other than income taxes	(267)	(7)	(274)	(261)	(6)	(268)
Personnel expenses	(1,742)	(66)	(1,808)	(1,711)	(63)	(1,774)
Commissions	(1,154)		(1,154)	(1,244)		(1,244)
Allocations to depreciation and provisions (net of write-backs)	(196)	(4)	(200)	(160)	(3)	(163)
Other expenses	(85)	(12)	(96)	(147)	(10)	(157)
Total operating expenses by nature	**(4,238)**	**(127)**	**(4,365)**	**(4,323)**	**(125)**	**(4,448)**

Note 38.3 – Breakdown of employee expenses

In millions of euros	31.12.2020	31.12.2019
Salaries	(1,045)	(1,028)
Social security expenses	(427)	(411)
Post-employment benefits		
Defined contribution plans	(112)	(110)
Defined benefit plans	(9)	(9)
Anniversary days and employee awards	(4)	(4)
Other personnel benefits	(211)	(212)
Annual salary expenses	**(1,808)**	**(1,774)**

At 31 December 2020, the gross annual compensation (including benefits in kind) paid to members of the Groupama Assurances Mutuelles Management Committee was €7.8 million. As regards the pension plan, the total commitment at 31 December 2020 amounted to €31.1 million.

NOTE 39 – POLICY ACQUISITION COSTS

NOTE 39.1 – POLICY ACQUISITION COSTS - BY OPERATING SEGMENT

In millions of euros	31.12.2020			31.12.2019		
	France	International	Total	France	International	Total
Commissions	(431)	(325)	(756)	(466)	(332)	(798)
Change in deferred acquisition costs	4	3	6	10	1	11
Other expenses	(1,121)	(94)	(1,214)	(1,129)	(96)	(1,226)
Total	**(1,548)**	**(416)**	**(1,964)**	**(1,585)**	**(428)**	**(2,013)**

NOTE 39.2 – POLICY ACQUISITION COSTS BY BUSINESS

NOTE 39.2.1 – POLICY ACQUISITION COSTS BY BUSINESS – FRANCE

In millions of euros	31.12.2020			31.12.2019		
	Property and casualty insurance	Life and health insurance	Total	Property and casualty insurance	Life and health insurance	Total
Commissions	(324)	(106)	(431)	(336)	(130)	(466)
Change in deferred acquisition costs	3	1	4	8	2	10
Other expenses	(608)	(513)	(1,121)	(617)	(512)	(1,129)
Total	**(929)**	**(619)**	**(1,548)**	**(945)**	**(640)**	**(1,585)**

NOTE 39.2.2 – POLICY ACQUISITION COSTS BY BUSINESS – INTERNATIONAL

In millions of euros	31.12.2020			31.12.2019		
	Property and casualty insurance	Life and health insurance	Total	Property and casualty insurance	Life and health insurance	Total
Commissions	(250)	(75)	(325)	(256)	(77)	(332)
Change in deferred acquisition costs	3	(1)	3	3	(2)	1
Other expenses	(73)	(20)	(94)	(74)	(22)	(96)
Total	**(320)**	**(95)**	**(416)**	**(327)**	**(100)**	**(428)**

NOTE 40 – ADMINISTRATIVE COSTS

NOTE 40.1 – ADMINISTRATIVE COSTS - BY OPERATING SEGMENT

In millions of euros	31.12.2020			31.12.2019		
	France	International	Total	France	International	Total
Commissions	(73)	(13)	(86)	(123)	(17)	(141)
Other expenses	(309)	(110)	(419)	(328)	(116)	(444)
Total	**(382)**	**(123)**	**(505)**	**(451)**	**(134)**	**(585)**

NOTE 40.2 – ADMINISTRATIVE COSTS BY BUSINESS

NOTE 40.2.1 – ADMINISTRATIVE COSTS BY BUSINESS – FRANCE

In millions of euros	31.12.2020			31.12.2019		
	Property and casualty insurance	Life and health insurance	Total	Property and casualty insurance	Life and health insurance	Total
Commissions	(45)	(28)	(73)	(44)	(80)	(123)
Other expenses	(172)	(137)	(309)	(181)	(147)	(328)
Total	**(217)**	**(164)**	**(382)**	**(225)**	**(226)**	**(451)**

NOTE 40.2.2 – ADMINISTRATIVE COSTS BY BUSINESS – INTERNATIONAL

In millions of euros	31.12.2020			31.12.2019		
	Property and casualty insurance	Life and health insurance	Total	Property and casualty insurance	Life and health insurance	Total
Commissions	(9)	(5)	(13)	(12)	(5)	(17)
Other expenses	(77)	(33)	(110)	(81)	(35)	(116)
Total	**(86)**	**(37)**	**(123)**	**(93)**	**(41)**	**(134)**

NOTE 41 – OTHER INCOME AND EXPENSES FROM CURRENT OPERATIONS

In millions of euros	31.12.2020			31.12.2019		
	France	International	Total	France	International	Total
Commissions and other operating expenses, Life	(344)	(11)	(356)	(329)	(9)	(339)
Employee profit sharing, Life	(2)		(2)	(1)		(1)
Other operating income, Life	3	7	10	4	7	11
Transfer of operating expenses and capitalised production, Life	21		21	17		17
Total income and expenses from current operations, Life	**(321)**	**(4)**	**(326)**	**(309)**	**(3)**	**(312)**
Commissions and other underwriting expenses, Non-life	(347)	(93)	(441)	(327)	(89)	(416)
Employee profit sharing, Non-life	(1)		(1)	(13)		(13)
Other operating income, Non-life	58	4	63	64	3	68
Transfer of operating expenses and capitalised production, Non-life	52		52	45		45
Total income and expenses from current operations, Non-life	**(238)**	**(89)**	**(327)**	**(231)**	**(85)**	**(317)**
Other non-underwriting expenses	(257)	(51)	(308)	(295)	(28)	(323)
Other non-underwriting income	65	22	87	97	19	115
Total income and expenses from current operations, Non-operating	**(191)**	**(29)**	**(220)**	**(198)**	**(10)**	**(208)**
Total other income and expenses from current operations, Banking						
Total	**(751)**	**(122)**	**(873)**	**(738)**	**(98)**	**(836)**

NOTE 42 – OTHER INCOME AND EXPENSES FROM NON-CURRENT OPERATIONS

In millions of euros	31.12.2020			31.12.2019		
	France	International	Total	France	International	Total
Income from non-current operations	149	19	168	68	2	70
Expenses from non-current operations	(172)	(17)	(190)	(204)	(23)	(226)
Allocation to the reserve for goodwill		(125)	(125)		(102)	(102)
Total	**(23)**	**(123)**	**(146)**	**(135)**	**(123)**	**(258)**

This item includes, in particular, a reserve of €126 million for impairment of the goodwill of the Italian subsidiary.

NOTE 43 – FINANCING EXPENSES

In millions of euros	31.12.2020	31.12.2019
Redeemable subordinated bonds	(69)	(93)
Financing expenses on lease liabilities	(7)	(6)
Other financing expenses		
Total	**(77)**	**(100)**

The decrease in expenses on redeemable subordinated bonds follows the redemption in October 2019 of redeemable subordinated bonds issued in 2009 for a nominal amount of €500 million at a fixed rate of 7.88% and the issue in September 2019 of 10-year subordinated bonds for a nominal amount of €500 million at a fixed rate of 2.125%.

NOTE 44 – BREAKDOWN OF TAX EXPENSES

NOTE 44.1 – BREAKDOWN OF TAX EXPENSES BY OPERATING SEGMENT

In millions of euros	31.12.2020			31.12.2019		
	France	International	Total	France	International	Total
Current taxes	(16)	(5)	(22)	(301)	(7)	(307)
Deferred taxes	(149)	6	(143)	(39)	43	4
Total	**(166)**	**1**	**(165)**	**(340)**	**37**	**(303)**

The Group underwent a tax inspection in 2010 and 2019. Reserves were set aside and settled for all accepted assessments in 2010. By contrast, assessments relating largely to the level of technical reserves for property and casualty, which was deemed excessive by the tax authorities, as well as the risk of dependence, were not subject to reserves. The Group continues to consider that the grounds for the tax adjustments are highly questionable and has prepared technical arguments for a litigation process.

NOTE 44.2 – RECONCILIATION BETWEEN TOTAL ACCOUNTING TAX EXPENSE AND THEORETICAL TAX EXPENSE CALCULATIONS

In millions of euros	31.12.2020	31.12.2019
Theoretical tax expense	**(97)**	**(209)**
Impact of expenses or income defined as non-deductible or non-taxable	24	135
Impact of differences in tax rate	(92)	(229)
Tax credit and various charges	2	2
Charges of prior deficits		
Losses for the fiscal year not capitalised		
Deferred tax assets not accounted for		
Other differences	(2)	(2)
Effective tax expense	**(165)**	**(303)**

The reconciliation with the theoretical statutory tax is as follows:

In millions of euros	31.12.2020		31.12.2019	
	Consolidated income (losses) before tax	Theoretical tax rate	Consolidated income (losses) before tax	Theoretical tax rate
France	464	Current taxes: 32.02% deferred tax: 28.41%	893	Current taxes: 34.43% deferred tax: 32.02%
Bulgaria	2	10.00%		10.00%
China	(11)	25.00%	(4)	25.00%
Greece	9	24.00%	11	24.00%
Hungary	26	9.00%	26	9.00%
Italy	(158)	30.82%	(282)	30.82%
Romania	2	16.00%	(13)	16.00%
Tunisia	2	30.00%	3	30.00%
Turkey	7	22.00%	15	22.00%
Total	**343**		**649**	

The theoretical tax rate applicable in France remains 32.02% on current taxes and becomes 28.41% on deferred taxes. It is emphasised that within France, deferred taxation has been determined including the reduction in corporation tax rates to 25.82% by 2022.

Theoretical tax rates remained unchanged over the period.

OTHER INFORMATION

NOTE 45 – EMPLOYEES OF CONSOLIDATED COMPANIES

In number of people	31.12.2020			31.12.2019
	Insurance	Financial businesses	Total	Total
France	24,310	296	24,606	24,352
Italy	787		787	787
Hungary	942		942	1,193
Greece	289		289	286
Romania	1,379		1,379	1,467
Other EU	228		228	227
Outside EU	405		405	394
Total employees of consolidated companies	**28,340**	**296**	**28,636**	**28,706**

Headcount was down internationally (mainly in Hungary and Romania), while it was slightly up in France.

NOTE 46 – COMMITMENTS GIVEN AND RECEIVED

In millions of euros	31.12.2020	31.12.2019
Endorsements, securities, and guarantees received	20	24
Other commitments received	583	282
Total commitments received, excluding reinsurance	**603**	**307**
Reinsurance commitments received	**577**	**562**
Endorsements, securities and guarantees given	4,558	1,052
Other commitments related to stock, assets or income	1,321	779
Other commitments given	1,964	926
Total commitments given excluding reinsurance	**7,844**	**2,757**
Reinsurance commitments given	**476**	**4,178**
Securities belonging to protection institutions		
Other securities held on behalf of third parties		

Other commitments received excluding reinsurance amounted to €583 million at 31 December 2020 and consisted mainly of securities received as collateral under the collateralisation mechanism set up to guarantee unrealised capital gains or losses on derivatives. They are booked as off-balance sheet commitments, resulting in commitments received in respect of bond loans in the accounts of €557 million.

Endorsements, securities and guarantees given totalled €4,558 million, consisting largely of the following transactions:

- €22 million guarantee given in connection with the sale of Carole Nash;
- €11 million guarantee given in connection with the sale of Groupama Seguros de Vida Portugal;
- Pledged securities worth €4,447 million for life insurance policies.

Other commitments on securities, assets or income consist of subscriptions to venture capital funds (“FCPR”). The remaining €1,321 million corresponds to the difference between the investment commitment of the subscribers and the total of calls for funds actually received.

Other commitments given amounted to €1,964 million. They mostly consist of the following elements:

- Securities given as collateral under the collateralisation mechanism put in place to guarantee unrealised capital gains or losses on derivatives are also recorded as off-balance-sheet commitments, reflected in the financial statements as €549 million of commitments given in respect of hedging unrealised capital gains or losses on financial futures instruments;
- Provisional sales agreements of €21 million, mainly at the subsidiary SCI Gan Foncier;
- Commitments of €451 million relating to bond loans mainly in the subsidiary Groupama Gan Vie;
- Commitments given for property work orders for €824 million;
- As part of the launch of mutual certificates, the general meetings of the regional mutuals voted to authorise a €651 million issue. At 31 December 2020, €15 million of the authorised issue remained to be issued by the 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.

Commitments given in respect of reinsurance totalled €476 million and mainly comprised securities given as pledges under reinsurance treaties.

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.

Trigger clauses:

Groupama Assurances Mutuelles:

Groupama Assurances Mutuelles benefits from “trigger” clauses on the payment of interest on its three redeemable subordinated instrument (TSR) debt issues. It must therefore postpone the payment of interest in the event of a regulatory shortfall, particularly when the coverage ratios of MCR (minimum capital requirements) and SCR (solvency capital requirements) are less than 100%. Deferred interest will be interest arrears.

NOTE 47 – 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

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 from 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.

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.

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 2 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 Group Finance Department is responsible for managing 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 the Groupama Supports et Services JV is organised around three complementary systems:

- risk management and permanent control/compliance of each entity;
- internal or operational auditing of every 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, 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 consisting of the Deputy CEO, the Chief Financial Officer, the Director of Risk Management, Control, and Compliance, the Investment Director, the Finance Director, the Solvency 2 Director, and the 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 of objectives, decisions, and best practices between the Group's entities has been set up. This Audit, Risk, Control, and Compliance operational implementation committee (Comop ARCC) is run by the Risk Management, Control, and Compliance department and the Group General Audit department, with Group Legal Department involvement. It brings together the regional mutuals, the French insurance subsidiaries, and Groupama Supports & Services (G2S).

1.1 Regional mutuals

As autonomous legal entities, 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 2 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, and Groupama Support & 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 international subsidiaries
- Monitoring by each subsidiary or the Groupama Assurances Mutuelles G2S 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 addresses 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 2 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 audits, including a general economic and financial audit of the Group's entities, generally on a three-year basis and at the latest every five years, in addition to the operational audits conducted within the entities. For large entities, these audits may be conducted more frequently and cover smaller scopes. The Group General Audit Department also conducts on Groupama Assurances Mutuelles processes and on the Group's cross-functional processes, in which several entities may be involved, with the support of the entities' internal auditing departments. Lastly, the Group General Audit Department conducts audits on behalf of some entities as part of the pooling of the Audit key function with Groupama Assurances Mutuelles. The audit schedule of the Group General Audit Department is defined by the Executive Management of Groupama Assurances Mutuelles and validated by the Groupama Assurances Mutuelles Audit and Risk Management Committee and the Board of Directors of Groupama Assurances Mutuelles. Every mission involves a review of the risk and internal control system for the activity or entity audited, and a mission report is prepared presenting the observations, findings, and recommendations to the Executive Management of the audited entities. A regular summary of the missions is provided to the Senior Management of Groupama Assurances Mutuelles, the Audit and Risk Management Committee, and the Group Executive Committee for cross-functional audits. 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 the Group's entities comply with Executive Management's requirements in terms of the internal control and risk management system, as well as those of Solvency 2, 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 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 the implementation and coordination of the risk management system, consisting particularly of the risk management policies and the processes for identifying, measuring, managing, and reporting the risks inherent in the Group's activities;
- monitor and analyse the Group's general risk profile;
- report on exposures to risk and alert the administration and Executive Management bodies in 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;
- defining the process for setting the Group's risk tolerance (risk limits);
- monitoring the Group's major insurance and financial risks;
- assessing and rating 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);
- the implementation of the PRP (Preventive Recovery Plan);
- supporting Group entities in adapting the risk management system.

The Group Operational Risk Management and Permanent Control Department is responsible for:

- developing the Group's internal control, operational risk management, and compliance policies;
- developing the Group's standards and reference sources (mapping of processes, operational risks, permanent control plans, reference 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, MAITRIS, managing in particular the collection of permanent control results, the incident database and the assessment of operational risks;
- establishing internal control at the Groupama Assurances Mutuelles entity;
- defining the business continuity policy (BCP) and implementing then overseeing the system within the entities;
- overseeing data quality control systems;
- validating 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:

- producing 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 the compliance of Group policies, standards and procedures, and effective implementation of same;
- 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 corresponding 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 of the Group's entities. Reserves are valued by claims managers within the operational entities and, if necessary, are supplemented by reserves for losses that have occurred but have not yet been reported.

The calculation of technical reserves in 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 (the "TME"), 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 standards for calculating reserves as well as the principles of measuring and controlling related reserve risks are specified in the Group underwriting and reserving policies.

The breakdown of technical reserves for life and non-life insurance policies is presented in Note 25.1 to the annual financial statements.

- **Breakdown of actuarial reserves according to the criteria of commitments at fixed rate, variable rate, or absence of rate commitments**

The breakdown of actuarial reserves based on fixed-rate, variable-rate (i.e. tied to a market rate) or no rate commitments was as follows:

In millions of euros	31.12.2020			31.12.2019
	France	International	Total	Total
Commitments guaranteed at fixed rate	34,831	2,743	37,574	38,244
Commitments guaranteed at variable rate	8,041	18	8,059	7,916
Unit-linked and other products without rate commitment	11,161	990	12,151	11,730
Total	**54,033**	**3,751**	**57,784**	**57,891**

The proportion of guaranteed-rate commitments continued to decrease slowly. The share of unit-linked and other products without rate commitment increased, representing 21.0% of total commitments (compared with 20.3% at the end of 2019).

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 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 the internal ratings on reinsurers to any changes that might affect them and 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 clients are savings policies, term life policies, mixed insurance policies, deferred annuity policies with mandatory withdrawal in annuities, and deferred capital contracts with return of premiums.

The group policies offered by the Group are essentially defined contribution pension plans and pension contracts by collective capitalisation in points with a point value.

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

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, gives policyholders a share of the profits generated by insurance company’s financial management and net underwriting income.

➢ **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 of unit-linked policies**

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

2.3.1.3 Mortality and longevity risk

In life insurance, the payment of benefits is conditional on the death or the survival of the policyholder. It is the occurrence of one or other of these events that gives the right to payment of a benefit. The probability that these events will occur is estimated through experiential or regulatory statistical tables. In most cases, reserves are calculated using the regulatory tables based on statistics of population change. These tables are regularly revised to take demographic changes into account. Income or Group's 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	31.12.2020			31.12.2019
	France	International	Total	Total
Actuarial reserves for life annuities	10,419	14	10,433	10,363
Actuarial reserves for non-life annuities	2,633	18	2,651	2,511
Total	**13,052**	**32**	**13,084**	**12,873**

The share of actuarial reserves for life annuities continued to be largely predominant at the end of 2020 (79.7% 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 overlap:

- the risk of underwriting overlap whereby insurance policies are underwritten by one or more of the Group's entities for the same risk;
- the risk of claim overlap whereby 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:

- 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;
- risk on property assets.

3.1 Interest rate risk

3.1.1 Type of and exposure to interest rate risk

During a period of interest rate volatility, the Group's financial margins might be affected. Specifically, a drop in interest rates would have a negative effect on the profitability of 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 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 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 rates**

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

3.1.3 Sensitivity to interest rate risk analysis

Pursuant to IFRS 7, an analysis of accounting sensitivity was carried out at 31 December 2020 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 Technical insurance liabilities sensitivity 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 2020, the amount of the discount in the actuarial reserves for non-life annuities, before reinsurance, was €323 million. The amount of the discount in the reserve for increasing risks on long-term care, before reinsurance, was approximately €97 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	31.12.2020		31.12.2019	
	Interest rate		Interest rate	
	+ 1%	- 1%	+ 1%	-1%
Impact on income (net of taxes)	100	(134)	97	(126)
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	31.12.2020		31.12.2019	
	Interest rate		Interest rate	
	+ 1%	- 1%	+ 1%	-1%
Impact on income (net of taxes)	21	(25)	21	(28)
Equity impact (excluding income)				

3.1.3.2 Financial investments sensitivity 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%).

The impacts are shown after taking the following factors into consideration:

- the rate of profit sharing of the entity holding the securities;
- the current tax rate.

In fiscal 2020, the profit-sharing rate used for entities holding life insurance commitments was in a range of 62.57% to 86.04%.

In millions of euros	31.12.2020		31.12.2019	
	Interest Rate Risk		Interest Rate Risk	
	+1%	-1%	+1%	-1%
Impact on the revaluation reserve	**(1,085)**	**1,230**	**(887)**	**988**
Equities				
Equity mutual funds				
Bonds	(1,020)	1,161	(844)	943
Fixed-income mutual funds	(65)	69	(43)	45
Derivative instruments and embedded derivatives				
Impact on net income	**1**	**0**	**1**	**(1)**
Equities				
Equity mutual funds				
Bonds	(6)	6	(5)	5
Fixed-income mutual funds	(15)	16	(14)	14
Derivative instruments and embedded derivatives	22	(22)	20	(20)

We note that the change in fair value of the derivatives and embedded derivatives, which primarily correspond to trading derivatives mainly pass through the income statement.

3.1.3.3 Financing liabilities 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 Debt.

The Group's subordinated debt is recognised at historical cost. In this respect, this balance sheet item is therefore not sensitive to potential changes in interest rates.

3.2 Risk of variation in the price of equity instruments (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 7.1% by market value, not including exposure to options. Most equity instruments are classified as "available-for-sale assets". Equity instruments include:

- equities in French and foreign companies listed for trading on regulated markets. Exposure can also be produced in index form and possibly in the form of structured products whose performance is partially indexed to an equity index. They may be held directly or within mutual funds (FCP and SICAV);
- equities in French and foreign companies that are not listed. They may be held directly or in the form of a venture capital fund ("FCPR").

3.2.2 Group risk management

The Group tactically manages its hedges and exposure according to market levels with a few one-off opportunities taken in March 2020 without significantly changing the Group's exposure. The Group also continued its diversification policy by divesting from unlisted shares.

The Group manages equities as part of internal constraints under two distinct logics:

- a primary limit fixing the maximum permissible exposure to equity risk;
- a set of secondary limits with the objective of limiting the equity portfolio's concentration by sector, issuer, or major type as well as illiquid equity categories.

These limits are observed 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.

The impacts are shown after taking the following factors into consideration:

- the rate of profit sharing of the entity holding the securities;
- the current tax rate.

In fiscal 2020, the profit-sharing rate used for entities holding life insurance commitments was in a range of 62.57% to 86.04%.

In millions of euros	31.12.2020		31.12.2019	
	Equities risk		Equities risk	
	+10%	-10%	+10%	-10%
Impact on the revaluation reserve	**184**	**(184)**	**159**	**(159)**
Equities	77	(77)	62	(62)
Equity mutual funds	107	(107)	97	(97)
Bonds				
Fixed-income mutual funds				
Derivative instruments and embedded derivatives				
Impact on net income	**26**	**(26)**	**18**	**(18)**
Equities	4	(4)		
Equity mutual funds	22	(22)	18	(18)
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, expose it to the net accounting position of entities with a functional currency other than the euro. At this point, this means the 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

Foreign exchange risk is hedged mainly through currency swaps and forward contracts. 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 Exchange rate sensitivity analysis

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.

The impacts are shown after taking the following factors into consideration:

- the rate of profit sharing of the entity holding the securities;
- the current tax rate.

In fiscal 2020, the profit-sharing rate used for entities holding life insurance commitments was in a range of 62.57% to 86.04%.

In millions of euros	31.12.2020		31.12.2019	
	Foreign exchange risk		Foreign exchange risk	
	+10%	-10%	+10%	-10%
Impact on the revaluation reserve	**53**	**(53)**	**50**	**(50)**
Equities	20	(20)	19	(19)
Equity mutual funds	1	(1)	1	(1)
Bonds	32	(32)	30	(30)
Fixed-income mutual funds				
Derivative instruments and embedded derivatives				
Impact on net income	**2**	**(2)**		
Equities				
Equity mutual funds	1	(1)		
Cash mutual funds	1	(1)		
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 6.8.3 and 6.8.4 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. However, given market conditions, this hedge was not renewed in 2020.

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

- **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 for 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 2.86% by market value. Properties can be held directly or within OPCI (collective property investment schemes) or SCI (property holding companies) or leased when eligible under IFRS 16. Property assets can be split into:

- investment properties, accounting for 1.65% of all financial investments;
- operating properties, accounting for 1.21% of all financial investments.

3.5.2 Group risk management

The 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 market risks sensitivity analyses

The following table shows all the sensitivity analyses for market risks for fiscal years 2020 and 2019, split between Group's equity and income, excluding profit sharing and taxes.

In millions of euros	31.12.2020				31.12.2019			
	Increase in sensitivity criteria		Decrease in sensitivity criteria		Increase in sensitivity criteria		Decrease in sensitivity criteria	
	Group's equity	Profit/loss	Group's equity	Profit/loss	Group's equity	Profit/loss	Group's equity	Profit/loss
Interest rate risk	**(1,085)**	**122**	**1,230**	**(159)**	**(887)**	**119**	**988**	**(155)**
Underwriting liabilities		121		(159)		118		(154)
Financial investments	(1,085)	1	1,230		(887)	1	988	(1)
Financing liabilities								
Equities risk	**184**	**26**	**(184)**	**(26)**	**159**	**18**	**(159)**	**(18)**
Financial investments	184	26	(184)	(26)	159	18	(159)	(18)
Foreign exchange risk	**53**	**2**	**(53)**	**(2)**	**50**		**(50)**	
Financial investments	53	2	(53)	(2)	50		(50)	

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;
- Increase or decrease of 10% in all currencies against the euro for foreign exchange 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 2020, 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 6.8.2 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 the liabilities related to insurance policies is the following:

In millions of euros	31.12.2020				31.12.2019			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Non-life underwriting reserves	7,360	4,474	6,119	17,953	6,979	4,198	6,177	17,354
Life underwriting reserves - insurance policies excluding unit-linked items	2,406	5,994	25,605	34,005	1,100	5,830	27,098	34,028
Technical liabilities relating to financial contracts with discretionary profit sharing excluding unit-linked items	797	2,626	7,940	11,362	378	2,801	8,710	11,890
Technical liabilities relating to financial contracts without discretionary profit sharing excluding unit-linked items				1			1	1
Reserve for deferred profit-sharing liability	5,825		177	6,002	5,438	5	51	5,494
Total technical insurance liabilities and liabilities for financial contracts	**16,388**	**13,094**	**39,841**	**69,322**	**13,894**	**12,835**	**42,038**	**68,767**

Most underwriting 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 insurance underwriting liabilities.

4.5 Financing liabilities by maturity

The principal features of financial debt, as well as its breakdown by maturity, are provided in Note 24 herein – Financial Debt.

5. Operational, legal, regulatory, and tax risks

5.1 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).

Groupama's operational risk management system is based on:

- determining 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 to 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 the internal audit team 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" risks and "cyber risks";

- the Group's business continuity policy; this policy serves as a baseline for crisis management systems and Business Continuity Plans (BCP) documented within the entities. The process is based on a 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;
- general third-party liability;
- property damage insurance (property, offices, equipment, car fleets, etc.);
- cyber risks and fraud.

5.2 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 system put in place is based on two departments with separate scopes of involvement: Group Compliance and Group Legal.

A first level in support of operational teams and directors, under the responsibility of the Group Legal Department, is responsible for:

- monitoring and compliance with all regulations (public or private standards) whatever the regulatory area with the exception of labour law and corporate taxation;
- legal securing of the Group's businesses (products, distribution, communication, and consumer protection), projects, and operations; and
- advising and contributing to the optimisation of projects.

A second level, intended to provide independent insight to the Group's directors and decision-makers, under the responsibility of the Group's Compliance Department, is responsible for:

- establishing and validating the compliance system;
- verifying conformity; and
- assessing non-compliance risk. It covers the scope of customer protection, the fight against money laundering and the financing of terrorism, ethics and professional conduct, and conflicts of interest.

The aim of this system is to ensure that all Group practices comply with legal provisions, administrative regulations and requirements, and professional standards, as well as the Group's internal rules, charters, and procedures.

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

5.2.1 Compliance and legal securing by the Group Legal Department

The compliance and legal securing carried out by the Group Legal Department covers the following tasks and are implemented directly or by the legal function within the Group:

- Provide regulatory monitoring for the Group at both national and European levels, assess the possible legal impact of regulatory developments (on the Group's strategy, activities, development, innovation, and assets), and contribute to the Public Affairs Department's lobbying actions;
- Ensure that the Group's businesses and operations comply with regulatory developments (including information and contribution to the training of employees, Group directors, and networks);
- Secure and control the legal risks of the Group's businesses, service offerings, and products (design, subscription, management) and support the operational teams in the examination and the legal and tax securing of (i) their insurance products and other services, (ii) distribution and marketing of products, and (iii) communication;
- Secure and control the legal risks relating to the Group's contractual commitments (excluding insurance), relations with its service providers and partners, and outsourcing in particular;
- Secure and control the legal risks relating to intellectual property rights (portfolio of trademarks, designs/models, copyrights, and image rights);
- Manage the Group's compliance and secure the Group's data protection processes, projects, and businesses, as the Data Protection Department is attached to the Group's Legal Department;
- Ensure the legal securing of governance (mandates, delegations of authority, and decision-making and examination processes), the monitoring of the Group's entities, and the review of regulatory reports;
- Secure and optimise, from a legal perspective, partnership and alliance operations, restructuring operations, acquisitions, affiliations, financing, investments, and asset management;
- Control and manage the legal risks relating to litigation and pre-litigation cases (service providers, third parties, etc.) and our businesses, especially insurance (customer complaints, distribution networks, partners, etc.).

5.2.2 Closer look at two specific compliance mechanisms under the Legal Department's responsibility:

a. Application of insurance law and regulations governing the insurance business, distribution of products and services, and communication

The Group Legal Department, under the supervision of the General Secretary of Groupama Assurances Mutuelles provides, particularly on behalf of the business divisions of Groupama Assurances Mutuelles and insurance organisations (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.).

b. Group data protection system:

As regards application of data protection legislation and the General Data 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 based on the Group's organisational modifications.

5.2.3 Closer look at mechanisms under Compliance's responsibility

Specific mechanisms have been set up to meet special requirements:

- To prevent insider dealing, the policies and procedures governing the Groupama Assurances Mutuelles Board of Directors contain 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 (AML/CFT). 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 policy 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 Group Compliance Department, in conjunction with a network of managers in AML/CFT in insurance subsidiaries in France and internationally, asset managers and the regional mutuals, ensure the Group is meeting its obligations in this respect;

- 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 Officer (DPO), 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 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;
    - various ACPR recommendations;
    - monitoring of the major Group risk of “failure to advise”;
    - application of the Insurance Distribution Directive, which also includes product governance, 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) the key function of Compliance Manager at Groupama Assurances Mutuelles leads various operational implementation projects.

5.3 Tax risks

Changes to the tax laws of countries where Groupama operates may have adverse consequences either on some Group products and reduce their attractiveness, especially those that currently receive favourable tax treatment, or on the Group's tax expense.

Examples of such changes include the taxation of life insurance policies or annuities contracts, changes in the tax status of some insurance or asset management products and tax incentives or disincentives to investing in some asset classes or product categories.

The role of the Group Tax Department is to provide information, monitor regulations, and advise and assist in the event of tax audits and disputes for all of the Group's entities and with regard to the "corporate taxation" component. It is regularly approached 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 French 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.

In addition, the Group Tax Department 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 and the transposition of the European DAC (Directive for Administrative Cooperation). Lastly, as regards transfer pricing, it performs an annual update of the Master File meeting the new French requirements under the OECD standards and sends its English version to all international subsidiaries.

The Group's tax situation in France is also marked by the tax partnership between Groupama and DGFIP, since the signing of an agreement on 26 June 2019 with the SPE (Service Partenaire des Entreprises), which constituted a major step in the evolution of the Group's tax management and is now an essential component of its tax policy.

With regard to tax news in France, note the continued downtrend of the corporate tax rate, with the confirmation of the target of 25% in 2022, the entry into force of the VAT group regime on 1 January 2023, which is intended to replace the current system of groupings of resources deplored at the Community level, and the reduction of the CVAE rate by half.

Nevertheless, these factors favourable for corporate taxation should be qualified in view of the implementation of an exceptional "COVID-19" contribution from health insurers equal to 2.6% in 2020 and 1.3% in 2021 of the amount of premiums. This new taxation targeted at insurers illustrates the risk of the Tax Legislation adopting measures unfavourable to insurers in the management of the budgetary consequences of the current health and economic crisis.

Groupama generally remains vigilant on the future interpretations or developments of the tax systems in the countries in which it operates that could lead to an increase in tax expenditures, generate compliance costs, or adversely affect the Group's activity, cash position, and net income.

NOTE 48 - FEES TO STATUTORY AUDITORS

(in thousands of euros excluding VAT)	2020							2019						
	PWC		Mazars		Other		Total	PWC		Mazars		Other		Total
1. Statutory audit assignments														
1.1. Statutory auditing, certification, review of individual and consolidated financial statements	*2,873*	*51.1%*	*2,265*	*40.3%*	*487*	*8.7%*	*5,624*	*2,822*	*49.8%*	*2,316*	*40.9%*	*526*	*9.3%*	*5,664*
Groupama Assurances Mutuelles	530	50.0%	530	50.0%	0	0.0%	1,061	527	50.0%	527	50.0%	0	0.0%	1,053
Regional mutuals	693	42.0%	564	34.2%	394	23.8%	1,651	633	41.0%	488	31.6%	424	27.4%	1,544
French subsidiaries	1,194	54.9%	902	41.5%	79	3.6%	2,174	1,186	55.0%	891	41.4%	78	3.6%	2,155
International subsidiaries	455	61.7%	268	36.3%	15	2.0%	738	477	52.3%	410	44.9%	25	2.8%	911
1.2. Other due diligence measures and services directly related to the statutory auditing assignment								*21*	*67.6%*	*10*	*32.4%*	*0*	*0.0%*	*31*
Groupama Assurances Mutuelles								10	*50.0%*	10	*50.0%*	0	*0.0%*	20
Regional mutuals														
Other subsidiaries								11	*100.0%*	0	*0.0%*	0	*0.0%*	11
Subtotal Statutory audits	*2,873*	*51.1%*	*2,265*	*40.3%*	*487*	*8.7%*	*5,624*	*2,842*	*49.9%*	*2,326*	*40.8%*	*526*	*9.2%*	*5,694*
2. Services other than audit of financial statements that the entity's statutory auditors are required to provide	**498**	**83.4%**	**95**	**15.9%**	**4**	**0.7%**	**597**	**630**	**83.5%**	**113**	**15.0%**	**11**	**1.5%**	**755**
3. Services other than audit of financial statements that other service providers can provide	**376**	**58.0%**	**272**	**42.0%**	**0**	**0.0%**	**648**	**247**	**33.5%**	**490**	**66.5%**	**0**	**0.0%**	**736**
Combined financial statements - Total	*3,747*	*54.5%*	*2,631*	*38.3%*	*491*	*7.1%*	*6,869*	*3,719*	*51.8%*	*2,929*	*40.8%*	*538*	*7.5%*	*7,186*

NOTE 49 – LIST OF ENTITIES IN THE SCOPE OF CONSOLIDATION AND MAJOR CHANGES TO THE SCOPE OF CONSOLIDATION

The main changes to the scope of combination are as follows:

Additions to the scope

- Groupama Private Equity Invest and Groupama Infrastructure Invest are included in the scope.
- 5 mutual funds are included in the scope.

Mergers and takeovers

- Groupama Jivotozastrahovane Life took over Express Life in 2020.

Removals from the scope

- La Banque Postale Assurances IARD was removed from the scope following the sale of our stake in La Banque Postale.
- The property company Chamalières Europe (SCI) was removed from the scope.
- Eight mutual funds were removed from the scope.

Change in consolidation method

- The Groupama Monétaire IC C mutual fund is consolidated according to the equity method (fully consolidated in 2019).

Registered name	Business sector	Location of headquarters	31.12.2020			31.12.2019		
			% control	% interest	Method	% control	% interest	Method
GROUPAMA Méditerranée	Insurance	France	-	-	A	-	-	A
GROUPAMA Centre Manche	Insurance	France	-	-	A	-	-	A
GROUPAMA Grand Est	Insurance	France	-	-	A	-	-	A
GROUPAMA OC	Insurance	France	-	-	A	-	-	A
MISSO	Insurance	France	-	-	A	-	-	A
GROUPAMA Loire Bretagne	Insurance	France	-	-	A	-	-	A
GROUPAMA Paris Val-de-Loire	Insurance	France	-	-	A	-	-	A
GROUPAMA Nord-Est	Insurance	France	-	-	A	-	-	A
CAISSE des producteurs de tabac	Insurance	France	-	-	A	-	-	A
GROUPAMA Rhône-Alpes-Auvergne	Insurance	France	-	-	A	-	-	A
GROUPAMA Centre Atlantique	Insurance	France	-	-	A	-	-	A
GROUPAMA Antilles-Guyane	Insurance	France	-	-	A	-	-	A
GROUPAMA Océan Indien et Pacifique	Insurance	France	-	-	A	-	-	A
CLAMA Méditerranée	Insurance	France	-	-	A	-	-	A
CLAMA Centre Manche	Insurance	France	-	-	A	-	-	A
CLAMA Grand Est	Insurance	France	-	-	A	-	-	A
CLAMA OC	Insurance	France	-	-	A	-	-	A
CLAMA Loire Bretagne	Insurance	France	-	-	A	-	-	A
CLAMA Paris Val-de-Loire	Insurance	France	-	-	A	-	-	A
CLAMA Nord-Est	Insurance	France	-	-	A	-	-	A
CLAMA Rhône-Alpes-Auvergne	Insurance	France	-	-	A	-	-	A
CLAMA Centre Atlantique	Insurance	France	-	-	A	-	-	A
CLAMA Antilles-Guyane	Insurance	France	-	-	A	-	-	A
CLAMA Océan Indien et Pacifique	Insurance	France	-	-	A	-	-	A
GIE GROUPAMA Supports et Services	JV	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA CAMPUS	Property	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA ASSURANCES MUTUELLES	Holding company/Reinsurance	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA HOLDING FILIALES ET PARTICIPATIONS	Holding company business	France	100.00	100.00	FC	100.00	100.00	FC
COFINTEX 2	Holding company business	France	100.00	100.00	FC	100.00	100.00	FC
COFINTEX 17	Holding company business	France	100.00	100.00	FC	100.00	100.00	FC
COMPAGNIE FINANCIERE D'ORANGE BANK	Holding company business	France	24.14	24.14	EM	35.00	35.00	EM
GROUPAMA GAN VIE	Insurance	France	100.00	100.00	FC	100.00	100.00	FC
GAN PATRIMOINE	Insurance	France	100.00	100.00	FC	100.00	100.00	FC
CAISSE FRATERNELLE D'EPARGNE	Insurance	France	99.99	99.99	FC	99.99	99.99	FC
CAISSE FRATERNELLE VIE	Insurance	France	99.99	99.99	FC	99.99	99.99	FC
ASSUVIE	Insurance	France	50.00	50.00	FC	50.00	50.00	FC
GAN PREVOYANCE	Insurance	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA ASSURANCE CREDIT ET CAUTION	Insurance	France	100.00	100.00	FC	100.00	100.00	FC
MUTUAIDE ASSISTANCE	Assistance	France	100.00	100.00	FC	100.00	100.00	FC
GAN ASSURANCES	Insurance	France	100.00	100.00	FC	100.00	100.00	FC
GAN OUTRE MER	Insurance	France	100.00	100.00	FC	100.00	100.00	FC
SOCIETE FRANCAISE DE PROTECTION JURIDIQUE	Insurance	France	100.00	100.00	FC	100.00	100.00	FC
LA BANQUE POSTALE ASSURANCES IARD	Insurance	France				35.00	35.00	EM
AMALINE ASSURANCES	Brokerage	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA SIGORTA	Insurance	Turkey	99.52	99.52	FC	99.52	99.52	FC
GROUPAMA HAYAT	Insurance	Turkey	100.00	100.00	FC	100.00	99.79	FC
GROUPAMA Investment BOSPHORUS	Holding company business	Turkey	100.00	100.00	FC	100.00	100.00	FC
STAR	Insurance	Tunisia	35.00	35.00	EM	35.00	35.00	EM
GROUPAMA ZASTRAHOVANE NON LIFE	Insurance	Bulgaria	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA JIVOTOZASTRAHOVANE LIFE	Insurance	Bulgaria	100.00	100.00	FC	100.00	100.00	FC
EXPRESS LIFE	Insurance	Bulgaria				100.00	100.00	FC
GROUPAMA BIZTOSITO	Insurance	Hungary	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA PHOENIX Hellenic Asphalistike	Insurance	Greece	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA AVIC PROPERTY INSURANCES CO	Insurance	China	50.00	50.00	EM	50.00	50.00	EM

A: Aggregation FC: Full consolidation EM: Equity method

Registered name	Business sector	Location of headquarters	31.12.2020			31.12.2019		
			% control	% interest	Method	% control	% interest	Method
GROUPAMA ASSICURAZIONI	Insurance	Italy	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA ASIGURARI	Insurance	Romania	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA ASSET MANAGEMENT	Asset management	France	100.00	100.00	FC	100.00	100.00	FC
ORANGE BANK	Banking	France	24.14	24.14	EM	35.00	35.00	EM
GROUPAMA EPARGNE SALARIALE	Asset management	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA IMMOBILIER	Asset management	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA GAN REIM	Asset management	France	100.00	100.00	FC	100.00	100.00	FC
COMPAGNIE FONCIERE PARISIENNE	Property	France	100.00	100.00	FC	100.00	100.00	FC
GAN FONCIER II	Property	France	100.00	100.00	FC	100.00	100.00	FC
IXELLOR	Property	France	100.00	100.00	FC	100.00	100.00	FC
79 CHAMPS ELYSÉES	Property	France	100.00	100.00	FC	100.00	100.00	FC
SOCIETE FORESTIERE GROUPAMA	Property	France	100.00	100.00	FC	100.00	100.00	FC
FORDEV	Property	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA GAN RETAIL FRANCE	OPPCI (professional property investor)	France	100.00	100.00	FC	100.00	100.00	FC
THE LINK PARIS LA DEFENSE	Property	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA GAN LOGISTICS	OPPCI (professional property investor)	France	100.00	100.00	FC	100.00	100.00	FC
SCI GAN FONCIER	Property	France	100.00	98.87	FC	100.00	98.89	FC
VICTOR HUGO VILLIERS	Property	France	100.00	98.87	FC	100.00	98.89	FC
1 BIS FOCH	Property	France	100.00	98.87	FC	100.00	98.89	FC
16 MESSINE	Property	France	100.00	98.87	FC	100.00	98.89	FC
9 MALESHERBES	Property	France	100.00	98.87	FC	100.00	98.89	FC
97 VICTOR HUGO	Property	France	100.00	98.87	FC	100.00	98.89	FC
44 THEATRE	Property	France	100.00	98.87	FC	100.00	98.89	FC
150 CHAMPS ELYSEES SO LUXURY HOTEL	Property	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA GAN PARIS SO PRIME	Property	France	100.00	100.00	FC	100.00	100.00	FC
SCI UNI ANGES	Property	France	100.00	100.00	FC	100.00	100.00	FC
261 RASPAIL	Property	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA ENERGIES RENOUVELABLES	Other	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA PRIVATE EQUITY INVEST	Other	France	100.00	99.46	FC			
GROUPAMA INFRASTRUCTURE INVEST	Other	France	100.00	100.00	FC			
GAN INVESTISSEMENT FONCIER	Property	France	100.00	100.00	FC	100.00	100.00	FC
3 ROSSINI (SCI)	Property	France	100.00	100.00	FC	100.00	100.00	FC
150 RENNES (SCI)	Property	France	100.00	100.00	FC	100.00	100.00	FC
99 MALESHERBES (SCI)	Property	France	100.00	100.00	FC	100.00	100.00	FC
SCA CHATEAU D'AGASSAC	Property	France	100.00	100.00	FC	100.00	100.00	FC
102 MALESHERBES (SCI)	Property	France	100.00	100.00	FC	100.00	100.00	FC
LES FRERES LUMIERE	Property	France	100.00	100.00	FC	100.00	100.00	FC
CAP DE FOUSTE (SCI)	Property	France	100.00	100.00	FC	100.00	100.00	FC
CHAMALIERES EUROPE (SCI)	Property	France				100.00	100.00	FC
12 VICTOIRE (SCI)	Property	France	100.00	100.00	FC	100.00	100.00	FC
DOMAINE DE FARES	Property	France	46.88	46.88	EM	50.00	50.00	EM
38 LE PELETIER (SCI)	Property	France	100.00	100.00	FC	100.00	100.00	FC
SCIMA GFA	Property	France	100.00	100.00	FC	100.00	100.00	FC
LABORIE MARCENAT	Property	France	74.19	74.19	EM	74.10	74.10	EM
SCI CHATEAU D'AGASSAC	Property	France	100.00	100.00	FC	100.00	100.00	FC
SA SIRAM	Property	France	99.66	99.66	FC	90.07	90.07	FC
GROUPAMA PIPACT	Property	France	100.00	100.00	FC	100.00	100.00	FC
ASTORG STRUCTURÉ GAD D	Mutual fund	France	99.99	99.99	FC	99.99	99.99	FC
ASTORG CTT D	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
ASTORG EURO SPREAD D	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC

A: Aggregation FC: Full consolidation EM: Equity method

Registered name	Business sector	Location of headquarters	31.12.2020			31.12.2019		
			% control	% interest	Method	% control	% interest	Method
WASHINGTON EURO NOURRI 14 FCP	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
WASHINGTON EURO NOURRI 15 FCP	Mutual fund	France				98.33	98.33	FC
GROUPAMA CONVERTIBLES ID D	Mutual fund	France	89.04	87.06	FC	92.71	90.66	FC
GROUPAMA ENTREPRISES IC C	Mutual fund	France	25.74	25.55	EM	35.60	35.60	EM
GROUPAMA CREDIT EURO - IC	Mutual fund	France	88.36	88.36				
GROUPAMA CREDIT EURO ID D	Mutual fund	France	99.99	99.99	FC	99.97	99.97	FC
WASHINGTON EURO NOURRI 16 FCP	Mutual fund	France				100.00	100.00	FC
WASHINGTON EURO NOURRI 17 FCP	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
WASHINGTON EURO NOURRI 18 FCP	Mutual fund	France				87.50	87.50	FC
GROUPAMA OBLIGATION MONDE G C	Mutual fund	France	94.61	91.69	FC	94.57	91.65	FC
WASHINGTON EURO NOURRI 19 FCP	Mutual fund	France				100.00	100.00	FC
WASHINGTON EURO NOURRI 20 FCP	Mutual fund	France				100.00	100.00	FC
WASHINGTON EURO NOURRI 21 FCP	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
WASHINGTON EURO NOURRI 23 FCP	Mutual fund	France				100.00	100.00	FC
ASTORG STRUCTURÉ LIFE D	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA MONETAIRE IC C	Mutual fund	France	33.70	33.62	EM	56.52	56.52	FC
ASTORG PENSION D	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
ASTORG CASH MT D	Mutual fund	France	99.58	99.58	FC	98.05	97.66	FC
GROUPAMA ETAT EURO - O	Mutual fund	France	28.13	28.13	EM			
GROUPAMA CREDIT EURO LT G D	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
ASTORG THESSALONIQUE 1 D	Mutual fund	France				100.00	100.00	FC
ASTORG THESSALONIQUE 2 D	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
ASTORG THESSALONIQUE 3 D	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
ASTORG THESSALONIQUE 4 D	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
ASTORG THESSALONIQUE 5 D	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
ASTORG STRUCTURÉ	Mutual fund	France	100.00	100.00	FC			
ASTORG TUNNEL SP	Mutual fund	France	100.00	100.00	FC			
ASTORG MONETAIRE D	Mutual fund	France	100.00	100.00	FC	73.73	73.73	FC
GROUPAMA ULTRA SHORT TERM BOND G D	Mutual fund	France				58.44	58.44	FC
ASTORG REPO INVEST D	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
ASTORG OBLIGATIONS CT G D	Mutual fund	France	90.44	87.06	FC	99.91	96.06	FC
ASTORG OBLIGATIONS CT GA D	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
ALLOCATION INVEST EQUITY CORE	Mutual fund	France	100.00	100.00	FC			
G FUND - EUROPEAN CONVERTIBLE BONDS GD D	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC

A: Aggregation FC: Full consolidation EM: Equity method

Certain property entities are consolidated using the equity method under a "simplified" process. This consists of reclassifying on the balance sheet the value of the units and the financing current account in "property investments" and reclassifying in the income statement the dividends or share in the results of the companies in "income from property".

STATUTORY AUDITORS' REPORT
ON THE COMBINED FINANCIAL STATEMENTS OF GROUPAMA
FISCAL YEAR 2020

PricewaterhouseCoopers Audit

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

MAZARS
Tour Exaltis
61, rue Henri Regnault
92400 Courbevoie

Rapport des commissaires aux comptes sur les comptes combinés

(Fiscal year ended 31 December 2020)

Dear Members,
CAISSE NATIONALE DE REASSURANCE MUTUELLE AGRICOLE GROUPAMA
8-10 rue d'Astorg
75008 PARIS

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 REASSURANCE MUTUELLE AGRICOLE GROUPAMA for the fiscal year ended 31 December 2020, 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 information we collected and on which we founded our opinion was sufficient and appropriate.

Our responsibilities according to these standards are described in the section “Responsibilities of the statutory auditors relating to the audit of the combined annual financial statements” of this report.

Independence

We conducted our audit in accordance with the rules of independence provided for in the French commercial code and in the professional code of ethics for statutory auditors over the period from1 January 2020 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.

Justification of our assessments - Key points of the audit

The global crisis due to the COVID-19 pandemic has created special conditions for the preparation and audit of the accounts for this fiscal year. This crisis and the exceptional measures taken in connection with this health emergency have multiple consequences for companies, particularly on their activity and financing, as well as increased uncertainty about their future prospects. Some of these measures, such as travel restrictions and teleworking, have also had an impact on the internal organisation of companies and the way audits are conducted.

It is in this complex and evolving context that, 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.

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)	
Identified risk	**Implemented procedures**
Reserves for claims, appearing on the balance sheet at 31 December 2020 for €12,618 million in the combined financial statements, 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.	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.

Valuation of unlisted instruments (classification in level 3 in IFRS) (Please refer to Notes 3.2.1 and 6.9 to the combined financial statements)	
Identified risk	**Implemented procedures**
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 €3,247 million on the assets side of the Group's combined balance sheet at 31 December 2020. 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.	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, a comparable where possible, or valuations communicated by counterparties, • Where the security was valued on the basis of an internal model: ○ Analyse of the relevance of the assumptions and parameters used, ○ Critical review of the construction of the model and inputs (data) used for the valuation, ○ An independent counter-valuation by sampling, using our own models.

Specific verifications

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.

Other verifications or information required by laws and regulations

Appointment of the statutory auditors

We were appointed statutory auditors of CAISSE NATIONALE DE REASSURANCE MUTUELLE AGRICOLE GROUPAMA by your General Meeting of 25 June 1999 for PricewaterhouseCoopers Audit and of 12 September 2020 for Mazars.

As of «cloture», PricewaterhouseCoopers Audit was in the 22nd consecutive year of its mission, and Mazars was in its 21st 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 considered to be the most significant 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, 2 April 2021

The statutory auditors

PricewaterhouseCoopers Audit | MAZARS

Christine Billy | Nicolas Dusson | Jean-Claude Pauly