COMBINED FINANCIAL STATEMENTS GROUPAMA 2019

LE GROUPE Groupama

ASSUREURS CRÉATEURS DE CONFIANCE

REPORT OF THE BOARD OF DIRECTORS
ON THE COMBINED FINANCIAL STATEMENTS OF GROUPAMA
FISCAL YEAR 2019

1. ENVIRONMENT

MACROECONOMIC ENVIRONMENT

The decline in advanced economic environment indicators seen since the end of 2018 is leading to lower medium-term growth and inflation expectations in developed economies. The downward trend in forecasts has fuelled the highly accommodating approach from central banks resulting in a sharp decrease in interest rates in both the eurozone and the United States. Developed economies are now growing only moderately, with a rising risk of recession in the medium term.

In the eurozone, annualised quarterly growth remains below 1%. European industry is also being penalised by the slowdown in world trade and recession in the automotive sector. In contrast, household spending is holding up, supported by improvements in the job market and unemployment down to 7.5% of the active population in the eurozone.
Inflation remains well below the 2% objective, and underlying inflation (excluding volatile components of food and energy) stagnated at around 1% per annum. The market's inflation expectations declined substantially over the year.
The slowdown in growth and the inflation situation drove the European Central Bank to abandon its plans for a gradual monetary squeeze. It even reverted to an expansionist policy, announcing a third programme of TLTRO (targeted long-term refinancing operations), a 10-point decrease in deposit rates to minus 0.5%, and restarting its asset purchase programme (QE) at €20bn per month for an indefinite period. It is too early to assess the changes that the appointment of Christine Lagarde as head of the institution might bring. However, at this stage the market is not anticipating any major downturn in the accommodating policy.

In the United States, the manufacturing sector slowed substantially throughout the year and the ISM index stood at a record low in November. The trade war in China reduced visibility in many manufacturing sectors. GDP growth also levelled off, but remained at a more sustained level than in Europe, dropping from +3% per annum in the first quarter to +2% in the third. Inflation was within the Federal Reserve's objectives, while the job market remained vibrant with an unemployment rate below 4% of the active population.
It is therefore mainly on the basis of an anticipated decline in growth that the American central bank (the Fed) has changed the direction of its monetary policy. Although the governors' advice anticipated increases in benchmark rates at the start of the year, a consensus emerged from the end of the first quarter that "pre-emptive" action was needed in view of the risks of a slowdown. During the summer, the first decision was to reduce benchmark rates and start a new bond buying cycle. In the second half-year, the Fed Funds' effective rate therefore dropped by 85 basis points to 1.55% whereas the bank's balance sheet rose a further $350 billion, an increase of 10%.

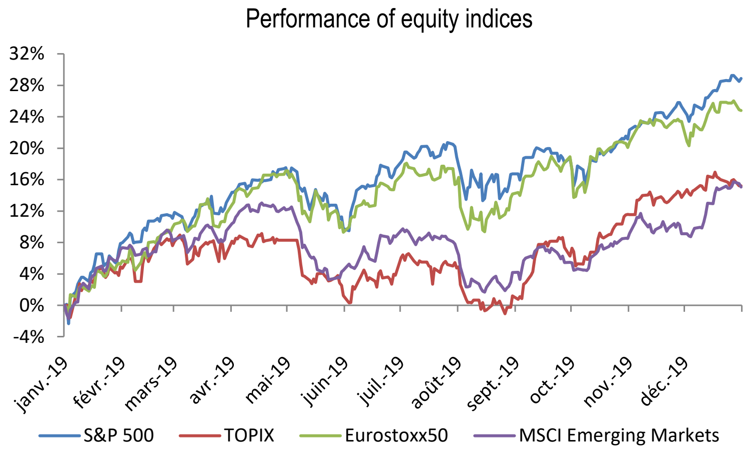
While emerging countries continued to grow, they were affected by the drop in world trade, particularly in Asia. The impact of the trade war between China and America was reflected in the advanced indictors for the manufacturing sector in all emerging economies. SMI indexes dropped to their lowest levels since 2009. China however succeeded in managing the gradual slowdown in its growth through monetary and fiscal stimulus measures. Nonetheless, the Fed's monetary policy U-turn was good news for emerging countries where lending rates in local currencies and dollars dropped substantially.

FINANCIAL MARKETS IN 2019

The prospect of long-term accommodating monetary policies mean long-term rates decreased yet further. The pursuit of returns underpins risk appetite and all asset classes consequently saw a sharp increase in value.

Changes in equity markets

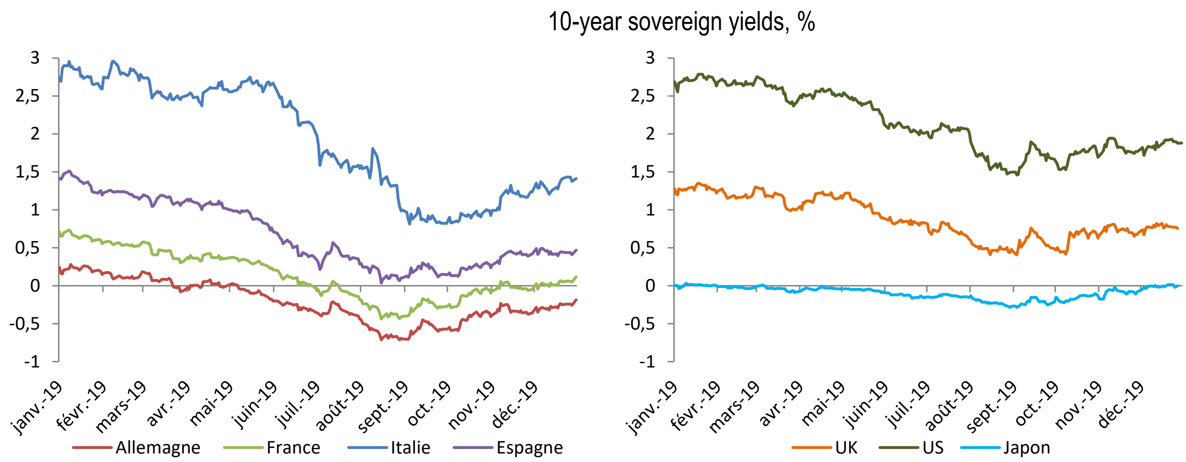
The first half-year featured a recovery in equity markets after steep falls late in 2018. The trigger for the recovery was the US Federal Reserve's announcement of an early halt to its balance sheet reduction measures, and businesses reporting financial results that were better than anticipated.
Next, indexes were buoyed by increasingly accommodating announcements from central banks. This increase nonetheless occurred against a backdrop of lower company profit forecasts for the next 12 months. Valuation multiples therefore climbed above their long-term average.
After the summer, the favourable outcome of the China-America trade dispute and the election of Boris Johnson to complete Brexit boosted risk appetites.



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

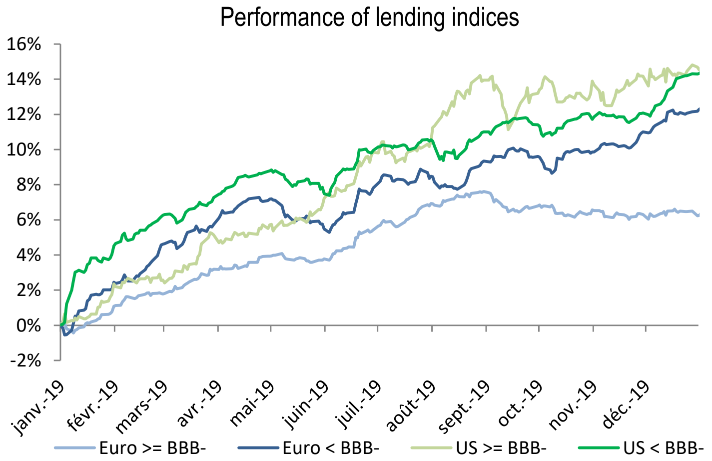
Changes on interest rate markets

In the eurozone, rates hit historic lows at the end of the summer, following announcements by the ECB concerning buying bonds and lower benchmark rates. The pursuit of returns helped flatten the long end of the yield curve (>10 years). The 10-year OAT rate was accordingly close to 0% at year-end after a low point of -0.43% at the end of August. The Italian spread, meanwhile, tightened significantly as a result of the end of the coalition between Five Star and the League Party, a reduction in tension with the European Union, and the pursuit of bond yields against a backdrop of very low rates.
American rates dropped substantially over the year with a movement across the whole sovereign yield curve simultaneously of around 90 basis points in the wake of the Fed's announcements. 10-year T-notes found their point of equilibrium in December, at levels just below 2%.
The end of year did however see a slight upturn across all rates, in particular in view of the improved likelihood of a trade agreement between China and the United States, and more positive macro-economic news from the eurozone.



Changes on lending markets

In the eurozone, premiums on investment grade credit held steady and the performance of indices is mainly connected to the lower rates. High yield bonds benefited a great deal from the returning appetite for risk with risk premiums substantially down. This decline was however proportionally less than the decline observed during the preceding announcements of quantitative easing because of less favourable lending conditions (increased corporate leverage, less available cash, lower margins).



Bloomberg Barclays coupons reinvested indices

2. SIGNIFICANT EVENTS OF FISCAL YEAR 2019

Financial Strength

Financial rating

On 20 June 2019, Fitch Ratings raised the Insurer Financial Strength (IFS) ratings of Groupama Assurances Mutuelles and its subsidiaries to "A" and maintained the outlook associated with these ratings at "Positive".

Subordinated instruments

On 16 September 2019, Groupama issued subordinated instruments with a maturity of 10 years worth €500 million in total, with an annual coupon of 2.125%. The new instrument was a great success with among institutional investors with an order book oversubscribed nearly three times. This operation is part of the active management of Groupama's capital by taking advantage of market opportunities.

On 27 June 2019, Groupama operated the early redemption of its convertible subordinated bonds issued in 2009 for €500 million at the first redemption date, in accordance with article 5 of the bonds' terms and conditions.

Business activities

Partnerships

At the start of January 2019, Orange and Groupama signed an agreement to create a joint venture called Protectline operating in the remote property surveillance sector. This partnership will enable Groupama to strengthen its existing business in this sector and Orange to become a player in this market in its own right, taking a new step in its multi-service operator strategy.

At the end of January 2019, Groupama partnered with MiiMOSA, the first crowdfunding platform dedicated to agriculture and food, to offer a financing solution to its agricultural members.

At the beginning of April 2019, the Groupama Group entered into a partnership with WINCHApps to offer a fully digital individualised social review to its corporate savings and pensions customers.

On 5 November 2019, Groupama Group joined forces with Paylead to enable member customers to save effortlessly for their retirement. Groupama Group confirmed its policy of pension product innovation by signing a partnership with Paylead, a specialist in banking data.

On 17 December 2019, Groupama Group and Milleis Banque announced the signing of a partnership around asset management customers. The agreement aims to offer Groupama's asset management customers access to the private banking services offered by Milleis Banque, a independent asset manager operating in France. The partnership with Milleis Banque supplements the services already offered to customers and members in France by providing access to an extended range of services, diversified in terms of risk profiles.

On 19 December 2019, France's Banque Postale and Groupama Group announced the signature of a framework agreement on the acquisition by the former of the 35% stake held by the latter in Banque Postale IARD (non-life business) and the extension of their cooperation in the fields of legal protection and assistance.

Amaline

Amaline's insurance portfolio has been transferred to the regional mutuals, the residual structure becoming an insurance broker. The entity is intended to develop partnership business.

Property

On 3 October 2019, Groupama Group announced the sale by its subsidiary Groupama Immobilier of 79 avenue des Champs Elysées to the Norwegian sovereign fund Norges Bank Investment Management for €613 million. This transaction is symbolic of the work on generating value from the Group's property assets and its property strategy.

Socially-responsible investment strategy

As a mutual insurer and responsible investor, climate change lies at the heart of Groupama Group's commitments.

At the end of April 2019, the Groupama Group and Natixis innovated with a unit-linked product committed to the energy transition. As part of a proactive approach to combating global warming, Natixis and Groupama Gan Vie, a Groupama Group subsidiary, have joined forces to launch the first green debt instrument, 100% committed to energy transition.

On 19 September 2019, Groupama Group, Crédit Agricole Assurances and Banque des Territoires announced the signature of agreement under the terms of which Banque des Territoires and Groupama take a holding in Predica Energies Durables (PED), a Crédit Agricole subsidiary investing solely in renewable energy generation alongside Engie, the leader in solar and wind power in France.

Acquisition

On 31 October 2019 Groupama Group announced the acquisition, through its Bulgarian subsidiary Groupama Zhivotozastrahovane, of the life insurance firm Express Life Insurance from DSK Bank EAD & Expressbank AD, subsidiaries of OTP Bank Plc. The process of integrating Express Life Insurance should be completed during 2020. With this deal, Groupama is expected to double its market share in Bulgaria and reach third place in the loan insurance segment and fifth in personal accidents insurance.

POST YEAR-END EVENTS

None

3. ANALYSIS OF FINANCIAL STATEMENTS

3.1 SUMMARY OF ACTIVITY AND RESULTS

Premium income in millions of euros	31/12/18	31/12/18 pro forma	31/12/19	Actual change	Like-for-like change
Property and casualty insurance - France	5,621	5,621	5,755	2.4%	2.4%
Groupama Gan Vie	3,919	3,919	4,004	2.2%	2.2%
Life and health insurance in France - excluding Groupama Gan Vie	2,016	2,016	2,097	4.0%	4.0%
Total Insurance - France	**11,556**	**11,556**	**11,857**	**2.6%**	**2.6%**
Property and casualty insurance - International	1,768	1,675	1,623	-8.2%	-3.2%
Life and health insurance - International	770	737	734	-4.7%	-0.4%
Total Insurance - International	**2,537**	**2,413**	**2,357**	**-7.1%**	**-2.3%**
Banking and financial businesses	169	169	168	-1.0%	-1.0%
Total - GROUPAMA	**14,263**	**14,138**	**14,381**	**0.8%**	**1.7%**
Total Insurance	**14,094**	**13,969**	**14,213**	**0.8%**	**1.7%**
Property and casualty insurance	7,388	7,296	7,377	-0.1%	1.1%
Life and health insurance	6,705	6,673	6,836	1.9%	2.4%

2018 pro forma figures:

The restatement of certain figures from 31 December 2018 was necessary to permit comparison and analysis of changes between the two periods.

- In France, Amaline's 2018 revenue figure was pro forma to take into account the portfolio transfers to the regional mutuals (impact: €3 million in life and health insurance and €71 million in property and casualty insurance).
- In Turkey, pro forma figures were used so as to include the halting of a major partnership (impact: minus €23m in life and health insurance and minus €64m in property and casualty insurance).

For those entities that do not use the euro as their functional currency (Turkey, Romania and Hungary), exchange rate effects are neutralised in the pro forma data; the actual figures at 31 December 2018 were converted using 31 December 2019 exchange rate.

In the rest of the document, figures are expressed on a like-for-like basis and with constant exchange rates. Figures at constant exchange rates equate to the comparison between the actual figures at 31 December 2019 and the actual figures at 31 December 2018, converted at the average exchange rates on 31 December 2019.

At 31 December 2019, Groupama's combined premium income from Insurance was up 1.7% to €14.2 billion, on a like-for-like basis (up 0.8% in absolute figures) compared with 31 December 2018. When financial businesses are included, the Group's combined premium income was up 1.7% on a like-for-like basis (0.8% was the actual change) to €14.4 billion.

In the **property and casualty insurance business**, Group growth was up 1.1%, including a 2.4% rise in France and a 3.2% drop internationally. Revenue is supported by business and local authority insurance (+3.3%), owing in particular to the growth of fleet insurance (+3.0%) and the business and local authority P&C segments (+3.5%). The good performance posted by the agricultural business lines (up 1.3%) should also be noted. Growth in the assistance business (up 16.3%) in France reinforced this trend. Consumer and business insurance saw a 0.3% drop, smoothing out growth of 2.9% in home insurance against a decrease of minus 2.1% in private motor vehicles.

Life and health insurance premium income grew by 2.4% at 31 December 2019. Groupama Gan Vie, home to the savings/pensions business in France, saw premium income rise 2.2% over the period. Other businesses in life and health insurance in France were also up, by 4.0%. This change was mainly attributable to growth in health insurance (individual and group plans, up 3.4%), and group personnel insurance (up 10.8%). International life and health insurance premium income meanwhile was down -0.4%, under the effect of the downturn recorded in individual savings/pensions plans (down -2.9%); however the good performance from health insurance (individual and group plans up by +13.7%) offset this decline somewhat.

Insurance premium income in France accounted for 82.4% of the Group's overall business over the period, while international insurance premium income amounted to 16.4% of total premium income. The group's other businesses (financial businesses) represented 1.2% of the total revenue. Net banking income from these businesses amounted to €152 million at 31 December 2019.

Economic operating income in millions of euros	31/12/2018	31/12/2019	Change in value	Change as %
Property and casualty insurance - France	59	223	164	>100%
Life and health insurance - France	252	339	87	34.5%
Total Insurance - France	**310**	**561**	**251**	**81.0%**
Property and casualty insurance - International	13	-110	-123	<-100%
Life and health insurance - International	30	14	-16	-53.3%
Total Insurance - International	**43**	**-96**	**-139**	**<-100%**
Banking and financial businesses	34	38	4	11.8%
Holding company activities	-89	-90	-1	-1.2%
Total - GROUPAMA	**298**	**413**	**115**	**38.6%**
Property and casualty insurance	72	113	41	56.9%
Life and health insurance	282	353	71	25.2%

The Group's economic operating income totalled €413 million at 31 December 2019 compared with €298 million at 31 December 2018.

Economic operating income from insurance was €466 million in 2019, up €112 million from 2018.

The financial statements were prepared against a financial backdrop that continued to feature low interest rates. Against this backdrop, which increasingly distorts the difference between the economic cost of insurance liabilities and the actual returns from the assets that are the counterpart to those liabilities, there is consequently an excess of prudence in valuing liabilities; the Group has therefore decided, in its combined financial statements, with effect from 1 January 2019, to apply a prudently estimated rate of return on assets to discount all provisions for non-life annuities (deferred or running). This measure collaterally serves to reinforce the provisions on International business and weather-dependent segments.

Economic operating income from **life and health insurance** was €353 million in 2019, versus €282m in 2018 (up €87m in France and down €16m internationally). In France, this increase was mainly the outcome of an improvement in underwriting margin with a net combined ratio from health and personal injury improving by -3.1 points to 93.1%.

Economic operating income from **property and casualty insurance** was €113 million, compared with €72m at 31 December 2018 (up €164m in France and down €123m internationally). Consequently, the non-life net combined ratio was 97.0% in 2019, as against 99.3% in 2018 (down -2.3 points). This change was the result of a change in estimating techniques in IFRS accounting, equating to enlarging the discount on the provision for non-life annuities on the basis of a prudently estimated rate of return on assets. In addition, the main other movements were:

- ✓ attritional loss experience totalled 59.9% (-0.9 points) with an improvement in France (-1.2 points to 60.3%) and a deterioration in international subsidiaries (+0.4 points to 57.8%);
- ✓ a reduction in the proportion of serious claims (-0.6 points) with -0.5 points in France and -0.1 points internationally;
- ✓ a rise in weather-related claims costs (up 1.1 points) both in France, with 2019 affected in terms of crop harvests, storms and natural disasters, and internationally;

Banking and financial businesses contributed €38 million to the Group's economic income in 2019. The Group's holding company business reported an economic operating loss of €90 million in 2019 compared with an €89m loss in 2018.

The **Group's net income** totalled €345 million at 31 December 2019 compared with €450 million at 31 December 2018. Non-recurring net financial margin declined by minus €27 million over the period. It includes a capital gain of €354 million from the disposal of a Paris property, whereas 2018 saw the sale of a building in La Défense, ultimately resulting in an equivalent level of capital gains.

Net income in 2019 also included:

- ✓ other non-recurring expenses in connection with various projects at minus €36 million and the loss from equity method consolidation of Orange Bank at minus €63 million (compared with minus €59 million in 2018);
- ✓ impairment of goodwill on the Italian subsidiary (minus €102 million) and Orange Bank (minus €81 million);
- ✓ net loss from discontinued operations of minus €4 million equating to La Banque Postale's losses.

	31/12/2018	31/12/2019
Economic operating income	**298**	**413**
Net capital gains realised (1)	351	354
Allocation to reserves for long-term impairment (1)	-7	-71
Gains or losses on financial assets recognised at fair value (1)	-25	9
Other expenses and income	-109	-110
Financing expenses	-57	-63
Net income from discontinued business activities	-2	-4
Goodwill impairment	0	-183
Net income	**450**	**345**

(1) amounts net of profit sharing and corporate tax

3.2 ACTIVITY AND RESULTS - FRANCE

	31/12/18 pro forma			31/12/19		
Premium income - France in millions of euros	**L&H**	**P&C**	**Total**	**L&H**	**P&C**	**Total**
Regional Mutuals	1,857	3,880	5,737	1,935	3,992	5,928
Groupama Assurances Mutuelles	12	132	144	12	128	140
Groupama Gan Vie	3,919		3,919	4,004		4,004
Gan Assurances	142	1,280	1,421	145	1,266	1,410
Other entities (1)	5	329	335	6	368	374
Total	**5,936**	**5,621**	**11,556**	**6,102**	**5,755**	**11,857**

(1) including Assuvie

Insurance premium income for France at 31 December 2019 increased by +2.6% compared with 31 December 2018, totalling €11,857 million.

Property and casualty insurance

	P&C – France		
Insurance premium income in millions of euros	**31/12/18 pro forma**	**31/12/19**	**Change as %**
Regional Mutuals	3,880	3,992	2.9%
Groupama Assurances Mutuelles	132	128	-2.8%
Gan Assurances	1,280	1,266	-1.1%
Other entities	329	368	11.9%
Total	**5,621**	**5,755**	**2.4%**

Premium income from property and casualty insurance (48.5% of French income) was up 2.4% to €5,755 million at 31 December 2019. Consumer and business insurance was up 1.8% over the period to €3,416 million (some 60% of the premiums written in property and casualty insurance). The growth of the private motor vehicle (up 1.5% to €1,591 million) and home insurance (up 2.6% to €1,110m) segments explains this development. Insurance of businesses and local authorities (€896 million and 16% of the portfolio) meanwhile rose by 2.7%, mainly driven by the good performance of the fleet segment (up 3.6% to €457 million). The development of the assistance business (+28 million) also contributed to the increase in premium income from property and casualty insurance.

Premium income of regional mutuals in property and casualty insurance (€3,992 million) grew 2.9% over the period. The private motor vehicle (up 2.9% to €1,166m) and home insurance (up 3.1% to €823m) segments benefitted from price increases and growth in the portfolio (28,600 more vehicles and 38,200 more policies at m/e December 2019). The good performance posted by the vehicles fleets segment (up +5.2%) and agricultural segment (up +1.2%) should also be noted.

Premium income at **Groupama Assurances Mutuelles** which is home to some nationwide business activities (including the insurance partnership with LBP Assurance) via reinsurance and the share in professional pools (Gareat, Assurpol, etc.) totalled €128 million at 31 December 2019, versus €132m in the previous period. This change (minus 2.8%) arose mainly from the decrease in premium income generated with La Banque Postale Assurances IARD (down -€4 million), resulting from the disposal rate of the quota share treaty.

Premium income for **Gan Assurances** fell by 1.1% to €1,266 million at 31 December 2019. This decline was the result of the gradual reorientation of the Gan Assurances portfolio (expansion in the professional insurance market, a more selective approach to certain risks (non-resident owners, construction, etc.).

Groupama Assurance-Crédit et Caution posted premium income of €45 million at 31 December 2019, up 10.6% up compared with the previous period, with greater new business a major contributing factor.

Premium income at **Mutuaide Assistance** at 31 December 2019 was up 16.3% to €199 million. This change was mainly a result of growth in new business (including the contribution of new policies by brokers in the area of travel) and an increase in business with a major partner.

Premium income generated by **Société Française de Protection Juridique** climbed 6.0% to €124m at 31 December 2019 owing to the development of partnerships.

Economic operating income in **property and casualty insurance** in France totalled €223 million in 2019 compared with €59 million at 31 December 2018. The figures are as follows:

Property and casualty insurance in France - In millions of euros	31/12/2018		31/12/2019		2019-2018 change	
Gross earned premiums	5,574	100.0%	5,726	100.0%	152	2.7%
Underwriting expenses (policy servicing) - excluding claims management costs	-3,585	-64.3%	-3,568	-62.3%	17	0.5%
Reinsurance balance	-292	-5.2%	-154	-2.7%	137	47.1%
Underwriting margin net of reinsurance	**1,697**	**30.4%**	**2,004**	**35.0%**	**307**	**18.1%**
Net expenses from current underwriting operations	-1,701	-30.5%	-1,718	-30.0%	-18	-1.1%
Underwriting income net of reinsurance	**-3**	**-0.1%**	**285**	**5.0%**	**289**	**>100%**
Recurring financial margin net of tax	113	2.0%	82	1.4%	-30	-27.0%
Other items	-51	-0.9%	-145	-2.5%	-94	<-100%
Economic operating income	**59**	**1.1%**	**223**	**3.9%**	**164**	**>100%**
Capital gains realised net of corporate income tax	76	1.4%	70	1.2%	-6	-8.3%
Allocations to reserves for permanent impairment net of corporate income tax	-2	0.0%	-3	-0.1%	-1	-33.5%
Gains or losses on financial assets recognised at fair value net of corporate income tax	-19	-0.3%	10	0.2%	29	>100%
Other operations net of corporate income tax	-25	-0.4%	-91	-1.6%	-66	<-100%
Net income excluding restructuring	**89**	**1.6%**	**208**	**3.6%**	**120**	**>100%**
Net income from discontinued business activities		0.0%	-3	-0.1%	-3	
Group net income	**89**	**1.6%**	**205**	**3.6%**	**117**	**>100%**

In **France**, **net underwriting income** (gross premiums earned – gross underwriting expenses – net expenses from current underwriting operations and reinsurance balance) was up €289 million over the period. The improvement in the net combined ratio of +5 points to 95.0% in 2019 was the cause of this change (of which slightly more than half was the result of wider use of prudently estimated rates to discount annuity provisions). The year 2019 did feature a reduced impact from serious claims (in particular vehicle third-party liability) whereas in contrast the cost of weather-related claims (drought, agricultural and non-agricultural risks, storms and natural disasters) was up (+€93 million or up 1.6 points over 2018). The net loss ratio decreased by -4.5 points to 65% in 2019.

The following key items should be noted at 31 December 2019:

Net underwriting income of the **regional mutuals** portfolio improved with a combined net property and casualty insurance ratio down by almost -3 points at 98.6%, despite the significant change in weather-related claims (up 2.4 points) for crop harvests, storms and natural disasters.

Net underwriting income at **Gan Assurances** from property and casualty was up €70m compared with 2018. The improvement in the net loss experience (down 7 points to 65.6%) reflected a improvement in current loss experience brought about by fewer serious claims and weather-related payouts (down 1.4 points and 1.0 points respectively) and favourable liquidation of prior year reversals particularly in construction. The operating cost ratio increased by 1.5 points to 31.5% in 2019 (staff costs in surveillance and management functions, IT costs connected to the business transformation project).

In **France**, the **recurring financial margin** (after tax) in the **property and casualty insurance** business totalled €82 million in 2019, down 27% 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 €205 million in 2019 compared with €89 million in 2018. The non-recurring financial margin increased by €22 million over the period, driven by improvements in changes in the fair value of assets categorised as held for trading and trading. Other operations net of corporate income tax totalled minus €91 million and included sundry non-recurring costs at minus €34 million and a tax expense resulting from deactivating a deficit of minus €57 million.

Life and health insurance

	Personal Insurance France		
Insurance premium income in millions of euros	**31/12/18 pro forma**	**31/12/19**	**Change as %**
Groupama Gan Vie	3,919	4,004	2.2%
Regional Mutuals	1,857	1,935	4.2%
Groupama Assurances Mutuelles	12	12	0.9%
Gan Assurances	142	145	2.1%
Other entities (1)	5	6	5.1%
Total	**5,936**	**6,102**	**2.8%**

(1) *including Assuvie*

Life and health insurance premium income (51.5% of premium income in France) rose 2.8% to €6,102 million. Group premium income for life and capitalisation in France fell by 3.5% in a market that was up +4% at the end of December 2019 (source: FFA). This change was mainly attributable to the decrease in individual unit-linked savings/pensions products business (down 11.1%), the growth in euro-denominated products being 5.2%. This situation (very marked at the start of the year, then less so as the year progressed) was the result firstly of customers adopting a wait-and-see stance in the context of regulatory changes affecting the savings/pensions market and, secondly, the general financial environment (low interest rate and the hiatus on equity markets at the end of 2018). After including arbitrage operations (euros to unit-linked at minus €479 million), Fourgous transfers (€141 million) and unit-linked net inflows (€400 million), the rate of actuarial reserves in individual savings is now 28.1% (compared with 25.3% as at 31 December 2018), in accordance with the strategy direction taken since the start of the decade to strengthen actuarial reserves in unit-linked products.

Health and personal injury premium income at 31 December 2019 rose 8.1% compared with the previous period. This development was attributable to the increase in health (up 6.7%), which breaks down into a 2.5% rise in individual plans and a 12.8% increase in group plans. The group personnel insurance segment meanwhile posted +10.8% growth.

The Group's net inflows in France were negative at minus €977 million at 31 December 2019 compared with minus €891 million during the previous period.

The networks comprising **Groupama Gan Vie** reported premium income up +2.2% to €4,004m at 31 December 2019. By business line, the majority of Groupama Gan Vie's premium income was generated in individual insurance (54.3%), with written premiums down -0.9% compared with 31 December 2018 at €2.172 billion. Business for individual savings fell -1.6% overall, breaking down into a decrease of -16.2% in unit-linked savings and a 10.8% increase in euro-denominated revenue. This change was a result firstly of the adverse financial environment at the end of 2018 which led to a slowdown in the volume of unit-linked business at the start of 2019, and secondly the regulatory environment (the Pacte law and pension reforms). Despite this, UL assets in individual savings now account for 28.1% of total assets, versus 25.3% at 31 December 2018. Note that in addition to premium income, Groupama Gan Vie managed Fourgous transfers to multi-vehicle funds (not recognised in premium income) at €141 million (including €81 million in unit-linked investments). Group insurance (45.7% of business) meanwhile rose 6.1% to €1,832 million. It was driven by growth in the group health (up +14.8%) and group retirement plans (up +13.8%) segments. The group retirement segment reported a decrease of -35.6%. It will be recalled that in 2018 it benefitted from receipts from a number of single-premium plans.

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

in millions of euros	31-Dec-18 Actual	31-Dec-19 Actual	2019-2018 Change
Regional mutuals	1,176	1,137	-3.3%
General agents	808	777	-3.8%
Brokerage	1,189	1,345	13.1%
Gan Patrimoine	276	294	6.5%
Gan Prévoyance	469	450	-4.0%
Réunima	1	1	-3.6%
Total	**3,919**	**4,004**	**2.2%**
Individuals	2,192	2,172	-0.9%
of which unit-linked savings/pensions	*757*	*672*	*-11.1%*
of which savings/pensions in euros	*1,064*	*1,119*	*5.2%*
Groups	1,727	1,832	6.1%
Total	**3,919**	**4,004**	**2.2%**

Premium income for the **regional mutuals network** was €1,137 million at 31 December 2019, down by 3.3% compared with the previous period. In individual insurance products, business totalled €1,076 million (up +1.2%), as result of rising premium income from individual savings/pensions plans (up +0.8%). Group insurance premium income totalled €61 million at 31 December 2019, compared with €113 million over the previous period. It is reiterated that 2018 saw a number of non-recurring premium receipts in group retirement plans.

The **Gan Assurances network** posted premium income of €777 million at 31 December 2019, down 3.8% compared with 31 December 2018. Individual insurance written premiums decreased by -8.1% as a result of the decline in individual savings/pensions (-15.2%). Group insurance business held steady at €425 million at 31 December 2019.

The **brokerage network** recorded €1,345 million in revenue at 31 December 2019, up 13.1% compared with 31 December 2018. Growth in protection insurance (up 18.8%), healthcare (up 19.7%) and inward reinsurance (up 30.5%) compensated for the downturn in group retirement (down 34.9%) resulting from receipts from single-premium plans being lower than in 2018.

Premium income for the Gan Patrimoine network was up 6.5%, totalling €294 million at 31 December 2019, driven by growth in the individual savings/pensions segment (itself up 7.1%).

The Gan Prévoyance sales network contributed €450 million to Group premium income at 31 December 2019, a drop of 4.0% from the previous year. Activity in individual savings/pensions declined 4.2% (including -5.1% in euros and -2.1% in UL).

In life and health insurance, premium income from the **regional mutuals** (€1,935 million) increased +4.2% compared with 31 December 2018. Individual life and health insurance climbed +2.5%. The individual health segment returned to growth after several years of decline. It was up 2.6% to €1,147 million, driven by a larger portfolio in terms of numbers (9,000 more policies at 31 December 2019) and price increases. The individual protection insurance segment was also up (by 3.2% to €333 million). Group life and health insurance posted an 11.9% increase, a result of good performance in the health insurance (10.2% up, to €187 million) and protection insurance (up 10.8% to €162 million) segments.

Life and health insurance premium income at **Gan Assurances** was up by 2.1% to €145 million at 31 December 2019, driven by a good performance from the individual health segment (up 2.6%).

Caisses Fraternelles posted revenues of €2 million at 31 December 2019.

In **life and health insurance**, economic operating income in France was €339 million in 2019 compared with €252 million in 2018.

Life and health insurance in France - ***In millions of euros***	**31/12/2018**		**31/12/2019**		**2019-2018 change**	
Gross earned premiums	5,981	100.0%	6,133	100.0%	152	2.5%
Underwriting expenses (policy servicing) - excluding claims management costs	-4,555	-76.2%	-4,589	-74.8%	-34	-0.8%
Reinsurance balance	-23	-0.4%	-14	-0.2%	9	39.9%
Underwriting margin net of reinsurance	**1,402**	**23.4%**	**1,529**	**24.9%**	**127**	**9.1%**
Net expenses from current underwriting operations	-1,187	-19.8%	-1,221	-19.9%	-34	-2.9%
Underwriting income net of reinsurance	**215**	**3.6%**	**308**	**5.0%**	**93**	**43.1%**
Recurring financial margin net of profit sharing and tax	100	1.7%	146	2.4%	46	45.9%
Other items	-64	-1.1%	-116	-1.9%	-52	-81.0%
Economic operating income	**252**	**4.2%**	**339**	**5.5%**	**87**	**34.6%**
Capital gains realised net of corporate income tax and profit sharing	176	2.9%	264	4.3%	88	49.9%
Allocations to reserves for long-term impairment net of corporate income tax and profit sharing	-2	0.0%	-67	-1.1%	-65	<-100%
Gains or losses on financial assets recognised at fair value net of corporate income tax and profit sharing	-11	-0.2%	-3	0.0%	8	75.4%
Other operations net of corporate income tax	-33	-0.6%		0.0%	33	>100%
Group net income	**382**	**6.4%**	**534**	**8.7%**	**152**	**39.9%**

Underwriting income net of reinsurance improved by €93 million in 2019.

At **Groupama Gan Vie**, net underwriting income was down by €6 million over the period, a result firstly of the higher underwriting margin net of reinsurance (up €12m), and secondly the €19m increase in operating expenses.

For **individual insurance**, the current underwriting margin decreased by minus €17 million, attributable to management changes in L441 pension plans and lower net income in savings, heath and protection insurance.

In **group insurance**, the current underwriting margin was €13 million higher as a result of increases in mark-ups on premiums in health and protection insurance and rising bonuses. The year did however feature a few loss-making policies, measured by underwriting margin, the largest of which was cancelled at the start of 2020.

Operating expenses were up with firstly an increase in commissions because of increased business and secondly the inclusion of costs connected to major projects.

Net underwriting income at the **regional mutuals** increased by more than €80 million over the period with a combined net ratio standing at 89.2%, an improvement of 4 points. This change is partly attributable to the improved current loss experience in health and personal accident insurance.

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

Recurring financial margin (net of profit sharing and taxes) grew by €46 million over the period.

In **France**, **net income** from life and health insurance totalled €534 million at 31 December 2019 compared with €382 million at 31 December 2018. Non-recurring financial margin rose €31 million over the period, mainly owing to higher capital gains including those generated from the sale of a building in Paris, partly offset by higher impairment of mutual funds following a change in holding strategy. It is reiterated that non-recurring items in 2018 totalled minus €33 million, mainly explained by lower corporation tax rates.

3.3 ACTIVITY AND RESULTS - INTERNATIONAL

	31/12/18 pro forma			31/12/19		
International premium income in millions of euros	**L&H**	**P&C**	**Total**	**L&H**	**P&C**	**Total**
Italy	440	1,041	1,481	417	916	1,334
Greece	52	86	139	61	90	151
Turkey	30	121	151	38	150	188
Hungary	184	164	348	181	188	370
Romania	15	197	212	18	212	229
Bulgaria	7	11	18	9	11	19
Gan Outre-Mer	9	55	64	9	56	65
Total	**737**	**1,675**	**2,413**	**734**	**1,623**	**2,357**

The Group's **international** combined **premium income** was €2357 million at 31 December 2019, a 2.3% decrease compared with 31 December 2018.

Property and casualty insurance premium income totalled €1,623 million at 31 December 2019, a drop of minus 3.2% from the previous period, caused by the decline in the private motor vehicle segment (down 7.4%, more than 60% of premiums written in property and casualty insurance). This decline is attributable solely to Italy. Decent figures from the business property damage (up 7.2%) and home insurance (up 4.4%) segments mitigated the decrease somewhat.

Life and health insurance premium income fell by 0.4% to €734 million. The individual life and health insurance segment remained virtually stable over the period, with good performances from the protection insurance (up 3.5%) and health (up 11.4%) segments offsetting the downturn seen in individual savings/pensions (down 2.9%). Group life and health insurance meanwhile was down minus 2.2% to €88 million, with growth in the group health segment (up 19.3%) failing to compensate for the decline in the pension (down 4.6%) and protection insurance (down 20.5%) segments.

Economic operating income for insurance business within the International scope emerged as a loss of €96 million at 31 December 2019 compared to a profit of €43 million at 31 December 2018.

The economic operating income for **property and casualty insurance** was a loss of €110 million at 31 December 2019 compared with a €13 million loss at 31 December 2018. The combined ratio was up by 8.7 points to 112.1%. This change came mainly from the Italian subsidiary which had recognised significant deficits in the motor vehicle segment over previous years, and decided to increase underwriting reserves as a result. In Romania, in a difficult market, the subsidiary's loss experience worsened, mainly as a consequence of a higher cost of claims. Internationally, the operating cost ratio worsened by 1.1 points to 34.1% at 31 December 2019, affected by the decline in earned premiums. This ratio is however affected by the change in the treatment of insurance premium tax (IPT) in Hungary. Corrected for this impact, the ratio would have climbed 0.5 points, mainly from a scissors effect in Italy.

Economic operating income in the **life and health insurance** business was €+14 million in 2019, clearly down (minus €16 million), mainly as life product distribution agreements in Turkey came to an end, and after a rise in the attritional loss experience in non-life insurance at the Italian subsidiary.

Economic operating income in millions of euros	31/12/2018	31/12/2019
Italy	-26	-121
Greece	10	7
Turkey	10	4
Hungary	26	20
Romania	9	-14
Bulgaria	1	-1
Gan Outre-Mer	9	9
Equity-method entities	**5**	**-1**
Tunisia (Star)	1	3
China (Avic)	4	-4
Total	**43**	**-96**

The net loss from international insurance totalled minus €98 million at 31 December 2019 compared with a net income of €22 million at 31 December 2018.

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

Net income in millions of euros (1)	31/12/2018	31/12/2019
Italy	-43	-136
Greece	10	8
Turkey	16	10
Hungary	23	23
Romania	2	-13
Bulgaria	1	0
Gan Outre-Mer	9	10
Equity-method entities	**5**	**-1**
Tunisia (Star)	1	3
China (Groupama Avic)	4	-4
Sold entities	**0**	**0**
Great Britain	0	0
Total	**22**	**-98**

(1) excluding income from the Holding company business

Italy

Premium income for the Italian subsidiary **Groupama Assicurazioni** fell by 9.9% to €1,334 million at 31 December 2019.

> **Property and casualty insurance** revenue dropped 12.0% to €916 million. The drastic steps taken to turn around the subsidiary's motor vehicle segment (closures of loss-making branch offices, termination of loss-making contracts, strong subscription severity) resulting in a decrease in the portfolio in terms of numbers which explained the downturn in private motor vehicle insurance (down 16.8%, more than 65% of premiums written in property and casualty insurance).
>
> **Life and health insurance** was down minus 5.0% compared with the previous year, totalling €417 million. Individual savings/pension business decreased -3.9%. Unit-linked individual savings dropped by 20.8% as a result of less new business. Euro-denominated individual savings rose 3.2% thanks to steps taken by the banking and insurance sales channel. Group life and health insurance premium income was also down (by -17.8%) as a result of the decline in the group retirement segment (down 21.9%) and in protection insurance (down 31.2% after a major agreement came to an end).

Economic operating income emerged as a loss of minus €121 million at 31 December 2019 compared to a loss of minus €26 million at 31 December 2018.

> The combined ratio in **property and casualty insurance** amounted to 119.5% at 31 December 2019, up 13.1 points compared with the previous fiscal year. The gross claims ratio increased by 13.4 points to 89.9% at 31 December 2019. This deterioration came mainly from the motor vehicle segment which had recognised significant deficits over previous years, and decided to increase underwriting reserves as a result. The operating cost level was up 0.9 points compared with the previous year to 31.4%, because of the decline in earned premiums.

In **life and health insurance**, net underwriting income was down mainly as a result of increased attritional loss experience and lower health and protection insurance premiums.

Recurring financial margin (net of profit sharing) was 10.3% higher.

Net income emerged as a loss of minus €136 million at 31 December 2019 compared to a loss of minus €43 million at 31 December 2018.

Turkey

Premium income for the Turkish subsidiaries **Groupama Sigorta** and **Groupama Hayat** increased by 24.5% to €188 million at 31 December 2019.

Property and casualty insurance premium income rose by 24.0% to €150 million. Private motor vehicle insurance was up 31.0%, benefitting from both a larger portfolio and an increase in the average premium.

Revenue in **life and health insurance**, at €38 million, posted a 26.4% increase, mainly from the effect of growth in the individual health segment (up 23.8% owing to portfolio expansion). Individual savings/pension business benefitted from successful sales campaigns.

Economic operating income for the Turkish subsidiaries Groupama Sigorta and Groupama Hayat totalled €4 million at 31 December 2019 down by more than half of the 31 December 2018 figure after a sales agreement with the TKK chain of banks came to end.

The combined ratio of the **property and casualty insurance** business declined by minus 2.7 points from 120.0% to 117.3% at 31 December 2019. The 31 December 2018 ratio figure is pro forma, restated for underwriting items relating to the sales agreement with the TKK chain of banks that ended on 31 December 2018. The loss experience rate increased by 0.6 points to 82.1% owing to serious claims in the business insurance segment, partly offset by lower releases of prior year reserves in the home insurance segment. The reinsurance balance changed favourably in the wake of a review of the hedging mechanism aimed to make reinsurance more efficient. The operating costs ratio was up 3.5 points to 30.1% as a result of various project developments (including IT projects).

Net underwriting income in **life and health insurance** was down at 31 December 2019 as a result of losing the life insurance business after exiting the TKK bank distribution chain at the end of 2018 and deterioration in the loss experience in individual health and non-life insurance.

Recurring financial margin (net of profit sharing) held steady.

The Turkish subsidiaries' **net income** totalled €10 million at 31 December 2019 compared with €16 million at 31 December 2018. It should be recalled this figure included the capital gain from the sale of the pension fund business for €5 million net.

Greece

Groupama Phoenix premium income rose by 8.7% over the previous period, reaching €151 million at 31 December 2019.

The **property and casualty insurance** business was up 4.2% at €90 million. The private motor vehicle segment (some 70% of property and casualty insurance premiums) reported 3.6% growth brought about by charging higher premiums.

Life and health insurance premium income grew by 16.2% to €61 million. The successful launch of a new UL product explains the leap in individual savings/pensions business (more than 100%). The good performance posted by the group retirement plan segment (up 13.9%, a result of the expansion in major contracts) should also be noted.

Economic operating income stood at €7 million at 31 December 2019, as against €10 million at 31 December 2018.

The combined ratio in **property and casualty insurance** amounted to 88.7%, up 2.7 points compared with the previous period, mainly a result of lower prior year liquidation surpluses. This change was mainly driven by the private motor vehicle segment where the gross loss experience (increase in serious claims) and liquidation of underwriting reserves unrolled unfavourable. The operating cost ratio decreased by 2.4 points to 43.4% at reflecting the subsidiary's overhead cost-cutting exercise.

Life and health insurance net underwriting income was lower than the previous year as a result of less favourable liquidation of prior year life insurance (individual protection insurance).

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

Net income showed a €8 million profit at 31 December 2019, as against €10 million at 31 December 2018.

Hungary

The premium income of the **Groupama Biztosito** subsidiary in Hungary increased by 6.1% to reach €370 million at 31 December 2019. Different segments fared differently.

> Written premiums in **property and casualty insurance** at 31 December 2019 climbed 14.8% to €188 million. Portfolio growth (particularly through the broker network) and price hikes explain the substantial growth in the private motor vehicle segment (up 28.5%). The business property damage segment meanwhile posted 17.4% growth, helped by a new product launch and growth in new business. Premium income in the fleet insurance segment rose by 19.8%.
>
> **Life and health insurance** premium income fell by 1.6% to €181 million. Growth in the individual protection insurance segment (up 18.2%) failed to offset the downturn in individual savings/pensions business (down 5.4% because of the decrease in the number of unit-linked policies) which declined after government bonds were issued. Of the subsidiary's live/savings premium income, 86.0% was in unit-linked products.

The **economic operating income** totalled €20 million at 31 December 2019, versus €26 million at 31 December 2018.

> The combined ratio of the **property and casualty insurance** business declined slightly (by minus 0.4% points to 96.9% at 31 December 2019). This change was the outcome of highly favourable loss experience offsetting the rise in overheads. Loss experience (down 1.5 point to 44.3%) benefitted from both weather-related claims and portfolio housekeeping measures. The operating cost ratio increased by 2.8 points to 50.5% as a result of the application with effect from 1 January 2019 of insurance premium tax (IPT) in the personal motor vehicle third-party liability segment. Adjusted for this tax, the cost ratio would have been 45.4%.
>
> The net underwriting income in **life and health insurance** was up as a result of the expansion in individual savings.

Recurring financial margin (net of profit sharing and taxes) declined after an increase in the profit sharing percentage.

The Hungarian subsidiary's **net income** was little changed at €23 million at 31 December 2019.

Romania

Premium income of the Romania subsidiary **Groupama Asigurari** rose by 8.4% to €229 million at 31 December 2019.

> **Property and casualty insurance** premium income climbed 7.5% to €212 million. The private motor vehicle segment (some 70% of property and casualty insurance premiums) reported 3.3% growth, broken down into 16.3% for the damage component (helped by brokers' performances) and minus 20% in third-party liability (connected to the new premiums charged). The good performance posted by the business property damage (up 22.3%) and agricultural (up 52.9%) segments should also be noted.
>
> **Life and health insurance** premium income (€18 million) was 19.8% up over the period, driven by the growth seen in group health (up +35.2%), itself the result of portfolio development.

Economic operating income at the Romanian subsidiary emerged as a loss of €14 million at 31 December 2019 compared to a profit of €9 million at 31 December 2018.

> The net combined ratio in **property and casualty insurance** improved by 11 points to 107.7% as at 31 December 2019. Loss experience climbed 15.9 points to 75.4% as a result of the higher cost of claims arising from bad weather which affected the agriculture segment and particularly third-party liability in motor vehicles. This division saw substantial increases to underwriting reserves in the wake of adverse changes in average costs. The operating expenses ratio amounted to 32%, down 0.5 points compared with 2018.
>
> Net underwriting income in **life and health insurance** fell after the loss of a life insurance contract, despite a decent performance from non-life insurance.

Recurring financial margin (net of profit sharing and taxes) increased under the effect of better reinvestment levels than in 2018.

Net income emerged as a loss of €13 million at 31 December 2019 compared to a profit of €2 million at 31 December 2018.

Bulgaria

In **Bulgaria**, the premium income of the Groupama Zastrahovane and Groupama Jivotozastrahovane and Express Life subsidiaries rose by 9.4% to €19 million at 31 December 2019. Life and health insurance grew by 29.4% to €9 million, excluding the scope effects of Express Life's joining. Property and casualty insurance (€11 million) saw a decrease of minus 3.0%, affected by a drop in the private motor vehicle insurance segment (down 13.8%).

The contribution from Bulgarian subsidiaries to the Group's **net income** dropped to minus €0.4m at 31 December 2019, a result of the non-recurring expenses arising from the Express Life acquisition.

Gan Outre-Mer

Premium income for the **Gan Outre-Mer** overseas arm rose by 1.9% to €65 million at 31 December 2019. The property and casualty insurance business stood at €56 million, benefitting from growth in home insurance (up 3.4%) and private motor vehicles (up 1.7%). Premium income in life and health insurance (mainly individual health policies) continued to develop. It was up 5.3% to €9 million.

Gan Outre-Mer's **economic operating income** held steady at €9 million in 2019. Net underwriting income in property and casualty insurance increased by €3 million with a combined net ratio of 72.8%, an improvement of -4.7 points. The operating cost rate was down -0.5 points at 27.8% in 2019.

Gan Outre-Mer's **net income** totalled €10 million in 2019, compared with €9 million in 2018.

Tunisia

Equity consolidation of the Tunisian subsidiary Star gave net income of €3 million at 31 December 2019.

China

The contribution from the Chinese subsidiary was a €4 million loss at 31 December 2019, as against a €4m profit the previous year. An outbreak of swine fever hit the subsidiary's agricultural segment in 2019.

3.4 FINANCIAL AND BANKING BUSINESSES

In millions of euros	31/12/2018	31/12/2019	2019-2018 change	
Net banking income, net of cost of risk and long-term financial instruments	153	152		-0.3%
other operating income and expenses and non-underwriting current income and expenses	-101	-99	2	2.0%
Other items	-18	-16	2	11.2%
Economic operating income	**34**	**38**	**4**	**10.4%**
Other operations net of corporate income tax	-59	-63	-4	-7.4%
Net income excluding restructuring	**-24**	**-25**	**-1**	**-3.2%**
Goodwill impairment		-81	-81	
GROUP NET INCOME	**-24**	**-106**	**-82**	**<-100%**

The **economic operating income** from financial and banking business activities totalled €38 million in 2019, versus €34 million in 2018. These figures include Groupama Asset Management's net income, which held steady over the period at €32 million. Economic operating income for other entities (Groupama Immobilier, Groupama Epargne Salariale and Groupama Gan Reim) totalled €6 million in 2019.

The **net income** from financial and banking business activities was in fact a loss of €106 million at 31 December 2019, including the equity consolidation of Orange Bank among other transactions after tax at minus €63m and impairment of equity holdings at minus €81m.

3.5 GROUPAMA ASSURANCES MUTUELLES AND HOLDING COMPANIES

In millions of euros	31/12/2018	31/12/2019	2019-2018 change	
other operating income and expenses and non-underwriting current income and expenses	-119	-147	-29	-24.4%
Recurring financial income (after corporate income tax)	-12	3	16	>100%
Other items	41	54	12	29.6%
Economic operating income	**-89**	**-90**	**-1**	**-1.2%**
Capital gains realised net of corporate income tax	93	9	-84	-90.8%
Allocations to reserves for permanent impairment net of corporate income tax	-2		2	84.9%
Gains or losses on financial assets recognised at fair value net of corporate income tax	12	-2	-14	<-100%
Financing expenses	-57	-63	-6	-10.1%
Other operations net of corporate income tax	29	60	31	>100%
Net income excluding discontinued operations	**-16**	**-88**	**-72**	**<-100%**
Net income from discontinued business activities	-2		2	83.4%
GROUP NET INCOME	**-18**	**-88**	**-70**	**<-100%**

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

The **economic operating income** of the holding companies was little changed at minus €90 million in 2019. This figure conceals an increase in the fees connected to various investment projects and regulatory charges, offsetting the improvement in recurring financial margin and **other items** equating to taxes on recurring net income, where receipts were up by €12 million.

Holding companies' **net income** was a loss of minus €88 million at 31 December 2019 compared with a loss of minus €18 million in 2018. This figure was affected by a lower non-recurring financial margin as a result of smaller capital gains from property. Other transactions after tax generated income of €31 million mainly from non-recurring tax impacts in France. It is reiterated that the net income (loss) from discontinued operations (a loss of minus €2 million in 2018) equated to the net income from disposing of subsidiaries in Portugal.

The group's net income breaks down as follows:

Net income in millions of euros	31/12/2018	31/12/2019
Total Insurance - France	471	743
Total Insurance - International	22	-98
Banking and financial businesses	-24	-25
Holding company activities	-18	-88
Impairment of goodwill	0	-183
Others	0	-3
Total net income - GROUPAMA	**450**	**345**

Goodwill impairment arose firstly from a €102 million impairment charge on goodwill for the Italian subsidiary, and secondly from a €81 million impairment on the equivalence value of Groupama's equity stake in Orange Bank.

3.6 COMBINED BALANCE SHEET

At 31 December 2019, Groupama's combined balance sheet totalled €102.9 billion compared with €96.8 billion in 2018, an increase of 6.2%.

GOODWILL

Goodwill totalled €1.8 billion at 31 December 2019, compared with €1.9 billion in 2018, following the impairment of goodwill on the Italian subsidiary.

OTHER INTANGIBLE ASSETS

Other intangible assets totalling €328 million at 31 December 2019 (versus €309 million in 2018) were composed primarily of amortisable portfolio securities (€62 million) and computer software. The change in this item was particularly related to the inclusion of certain software and amortisation for the period.

Investments (including unit-linked investments)

Insurance investments totalled €91.1 billion in 2019 compared with €85.2 billion in 2018, up 6.9%.

The group's unrealised capital gains (including property) increased by €2.9 billion to €10.9 billion (compared with €8.0 billion at the previous year-end), mainly because of the increase in unrealised capital gains on bonds.

By asset allocation, unrealised capital gains break down into €7.4 billion on bonds, €1.2 billion on equities and €2.3 billion on property.

Unrealised capital gains on financial assets (excluding property) totalled €8.7 billion, with €2.3 billion attributable to the group (after profit sharing and taxes) versus €1.3 billion at 31 December 2018. These amounts are recorded in the financial statements in the revaluation reserve. Unrealised capital gains on property, Group share (net of tax, profit share deferred) totalled €0.83 billion, as against €0.76 billion at 31 December 2018. The Group has elected to recognise investment and operating property according to the depreciated cost method; therefore, unrealised property gains are not recorded in the accounts.

The equity share of total investments by market value was 6.6% at 31 December 2019, versus 5.8% at 31 December 2018, taking an economic view.

Shareholders' equity

Groupama's combined shareholders' equity at 31 December 2019 was 15.2% higher than the previous period, totalling €10.2 billion.

This change can be summarised as follows:

(In millions of euros)

Shareholders' equity at 2019 opening	**8,884**
Change in revaluation reserve: fair value of AFS assets	2,808
Change in revaluation reserve: shadow accounting	-1,517
Change in revaluation reserve: deferred tax	-304
Mutual certificates	60
Foreign exchange adjustment	33
Others	-71
Net income	**345**
Shareholders' equity as of 31 December 2019	**10,238**

The roll out of mutual certificates across all regional mutuals continued in 2019 with €60 million in subscriptions.

Subordinated liabilities, financing and other debts

Total subordinated and external debt held steady at €1.6 billion at 31 December 2019.

Subordinated debt amounted to €1,630 million in 2019, versus €1,633 million at year-end 2018. Groupama Assurances Mutuelles renewed a subordinated debt at a substantially lower rate during the period.

The Group's external debts (excluding subordinated debts) amounted to €5 million at 31 December 2019 compared with €6 million at year-end 2018.

Underwriting reserves

Gross underwriting reserves (including deferred profit sharing) totalled €79.9 billion at 31 December 2019, compared with €76.8 billion at 31 December 2018.

Provisions for contingent liabilities

Provisions for contingent liabilities totalled €593 million in 2019, compared with €598 million in 2018, and were primarily made up of pension commitments under IAS 19.

4. DEBT

The debt ratio (now calculated using the method adopted by our rating agency) was 27.2% at year-end 2019, versus 28.4% at 31 December 2018.

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

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

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

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

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

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

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

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

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

    - ⇨ approval of the financial statements by Senior Management.

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

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

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

Consolidated financial statements and combined financial statements

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

(a) *Security of internal audit procedures*

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

(b) *Integrated controls*

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

- the first level of verification entails checking the standardisation of the data (all Group data is formatted following a single standard);

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

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

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

(c) *Control Tests*

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

- to check the original data (with respect to accuracy and application of the standards); this check is mainly consistency checks, estimates, individual company risk analysis (or the management report) for each entity, and a management questionnaire designed to ensure that the most sensitive accounting standards and methods are properly applied by the Group;

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

The control tests are documented in a review manual.

(d) *Hierarchical checks*

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

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

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

(e) *The Group standard*

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

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

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

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

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

Supervision of intra-group accounting transactions

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

6. FINANCIAL FUTURES POLICY

Interest rate risk

The purpose of the hedges that are implemented is to partially hedge the portfolios against the risk of interest rate increases.

This is made possible by converting fixed-rate bonds into variable-rate bonds ("payer swaps"). The strategy consists of transforming a fixed-rate bond into a variable-rate bond, either on a security held or on new investments. They are intended to permit asset disposals in the event of an increase in interest rates by limiting realisations of capital losses, either to pay out policy benefits or to invest at higher rate levels.

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

All negotiated transactions are secured by a "collateralisation" system with Groupama Assurances Mutuelles' top-tier bank counterparties.

Foreign exchange risk

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

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

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

Equity risk

The Group continued to actively manage its equity risk in 2019, reflected in particular by continuing the policy of hedging protected equity funds, but more opportunistically.
This last strategy uses derivatives housed in mutual funds for hedging.

Credit risk

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

Spread risk

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

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

7. OUTLOOK

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

Groupama has confidence in its ability to continue on its path of profitable growth which has made the strength of mutual insurance central to its strategy. All of Groupama's effort (elected representatives and employees) is now directed and spent on being able to offer members and customers innovative products and high-quality service, in keeping with the Group's mission statement. "Enabling as many people as possible to build their lives with confidence".

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

8. REVIEW OF GROUPAMA'S 2019 EXTRA-FINANCIAL PERFORMANCE

Employment, social and environmental data published in the financial statements[1] cover all the various units within the scope of the combined financial statements, i.e. the regional mutuals, subsidiaries and national business units. This approach provides a significant and comprehensive assessment of Groupama Group's progress in CSR (corporate social responsibility) in terms of understanding CSR risks and issues, and the steps taken and the results obtained. The information is presented in a special section of the 2019 Groupama Assurances Mutuelles universal registration document.

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

COMBINED FINANCIAL STATEMENTS

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GROUPAMA
31 DECEMBER 2019
IFRS

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FINANCIAL STATEMENTS

GROUPAMA
COMBINED BALANCE SHEET **(in millions of euros)**

ASSETS		31.12.2019	31.12.2018
Goodwill	Note 2	1,798	1,908
Other intangible assets	Note 4	328	309
Intangible assets		**2,126**	**2,217**
Investment property excluding unit-linked items	Note 5	1,239	1,172
Unit-linked investment property	Note 8	105	110
Operating property	Note 6	1,054	795
Financial investments excluding unit-linked items	Note 7	78,170	74,091
Unit-linked financial investments	Note 8	10,392	8,935
Derivatives and separate embedded derivatives	Note 9	138	114
Insurance business investments		**91,098**	**85,217**
Funds used in banking sector business and investments of other business activities	Note 10	**121**	**112**
Investments in related companies and joint ventures	Note 11	**299**	**485**
Share of outward reinsurers and retrocessionaires in liabilities relating to insurance and financial contracts	Note 12	**1,217**	**1,154**
Other property, plant and equipment	Note 13	277	256
Deferred acquisition costs	Note 14	262	256
Deferred profit-sharing assets			
Deferred tax assets	Note 15	64	39
Receivables arising from insurance and inward reinsurance operations	Note 16	2,744	2,614
Receivables from outward reinsurance operations	Note 17	176	167
Current tax receivables and other tax receivables	Note 19	243	293
Other receivables	Note 20	2,785	2,669
Other assets		**6,551**	**6,294**
Assets held for sale and discontinued business activities	Note 3	**115**	**150**
Cash and cash equivalents	Note 21	**1,333**	**1,204**
TOTAL		**102,861**	**96,833**

The notes on pages 41 to 175 are an integral part of the combined financial statements.

GROUPAMA
COMBINED BALANCE SHEET **(in millions of euros)**

EQUITY & LIABILITIES		31.12.2019	31.12.2018
Equity or equivalent funds		633	572
Revaluation reserves		2,272	1,285
Perpetual subordinated debts categorised as shareholders' equity		1,099	1,099
Other reserves		6,395	6,016
Foreign exchange adjustment		(504)	(538)
Combined income		345	450
Shareholders' equity (Group share)		**10,238**	**8,884**
Non-controlling interests		14	14
Total shareholders' equity	Note 22	**10,252**	**8,897**
Provisions for contingent liabilities	Note 23	**593**	**598**
Financing liabilities	Note 25	**1,634**	**1,639**
Technical liabilities relating to insurance policies	Note 26	**62,325**	**60,380**
Technical liabilities relating to financial contracts	Note 27	**12,120**	**12,643**
Deferred profit-sharing liabilities	Note 29	**5,494**	**3,804**
Resources from banking sector businesses	Note 10	**14**	**7**
Deferred tax liabilities	Note 15	398	73
Debts to unit holders of consolidated mutual funds		1,159	113
Operating debts to banking sector companies	Note 21	120	94
Debts arising from insurance or inward reinsurance operations	Note 30	951	903
Debts arising from outward reinsurance operations	Note 31	320	313
Current taxes payable and other tax liabilities	Note 32	180	164
Derivative instrument liabilities	Note 9	636	601
IFRS 16 rent liabilities	Note 33	272	
Other debts	Note 34	6,391	6,603
Other liabilities		**10,428**	**8,865**
Liabilities of business activities due to be sold or discontinued	Note 3		
TOTAL		**102,861**	**96,833**

The notes on pages 41 to 175 are an integral part of the combined financial statements.

GROUPAMA
COMBINED INCOME STATEMENT (in millions of euros)

INCOME STATEMENT		31.12.2019	31.12.2018
Written premiums	Note 35	14,240	14,094
Change in unearned premiums		(55)	(102)
Earned premiums		**14,185**	**13,992**
Net banking income, net of cost of risk		**153**	**153**
Investment income		2,218	2,278
Investment expenses		(699)	(712)
Capital gains or losses from divestments net of impairment and depreciation write-backs		703	508
Change in fair value of financial instruments recorded at fair value through income		1,471	(818)
Change in impairment on investments		(9)	(9)
Investment income net of expenses	Note 36	**3,684**	**1,248**
Total income from ordinary business activities		**18,022**	**15,392**
Insurance policy servicing expenses	Note 37	(13,238)	(10,815)
Income on outward reinsurance	Note 38	318	114
Expenses on outward reinsurance	Note 38	(491)	(510)
Net outward reinsurance income and expenses		**(13,410)**	**(11,211)**
Banking operating expenses		(104)	(104)
Policy acquisition costs	Note 40	(2,013)	(1,937)
Administrative costs	Note 41	(585)	(486)
Other current operating income and expenses	Note 42	(836)	(854)
Total other current income and expenses		**(16,948)**	**(14,592)**
CURRENT OPERATING INCOME		**1,074**	**800**
Other non-current operating income and expenses	Note 43	(258)	(15)
OPERATING INCOME		**816**	**785**
Financing expenses	Note 44	(100)	(85)
Share in income of related companies	Note 11	(64)	(56)
Corporate income tax	Note 45	(303)	(174)
NET INCOME FROM CONTINUING OPERATIONS		**349**	**471**
Net income from operations either discontinued or due to be discontinued	Note 3	(4)	(20)
OVERALL NET INCOME		**346**	**450**
of which, non-controlling interests		1	
OF WHICH, NET INCOME (GROUP SHARE)		**345**	**450**

The notes on pages 41 to 175 are an integral part of the combined financial statements.

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

NET INCOME AND GAINS AND LOSSES RECOGNISED IN SHAREHOLDERS' EQUITY	31.12.2019			31.12.2018		
	Group share	Non-controlling interests	Total	Group share	Non-controlling interests	Total
Net income for fiscal year	**345**	**1**	**346**	**450**		**450**
Gains and losses recognised directly in shareholders' equity						
Items recyclable to income						
Change in foreign exchange adjustments	33		33	(38)		(38)
Change in gross unrealised capital gains and losses on available-for-sale assets	2,808	7	2,815	(2,005)	(10)	(2,015)
Revaluation of hedging derivatives						
Change in shadow accounting	(1,517)	(6)	(1,524)	1,269	6	1,275
Change in deferred taxes	(304)		(304)	240	1	241
Other changes	(6)		(6)	(7)		(7)
Items not recyclable to income						
Restatement of net actuarial debt from pension commitments (defined-benefit schemes)	(7)		(7)	23		23
Change in deferred taxes	2		2	(8)		(8)
Other changes						
Total gains (losses) recognised directly in shareholders' equity	**1,010**	**1**	**1,011**	**(526)**	**(2)**	**(528)**
Net income and gains (losses) recognised in shareholders' equity	**1,355**	**1**	**1,356**	**(76)**	**(2)**	**(78)**

The statement of net income and gains (losses) recognised directly in shareholders' equity, an integral part of the financial statements, includes, in addition to the net income for the year, the change in the 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 41 to 175 are an integral part of the combined financial statements.

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Equity or equivalent funds	Net income	Subordinated instruments	Consolidated reserves	Revaluation reserves	Foreign exchange adjustment	Shareholders' equity - Group share	Non-controlling interests	Total shareholders' equity
Shareholders' equity as at 31/12/2017	**468**	**292**	**1,099**	**5,773**	**1,780**	**(500)**	**8,912**	**13**	**8,926**
Allocation of 2017 income (loss)		(292)		292					
Dividends [1]				(57)			(57)		(57)
Change in capital	104						104		104
Business combinations								2	2
Others									
Impact of transactions with shareholders	**104**	**(292)**		**235**			**48**	**2**	**50**
Foreign exchange adjustments						(38)	(38)		(38)
Available-for-sale assets					(2,005)		(2,005)	(10)	(2,015)
Shadow accounting					1,269		1,269	6	1,275
Deferred taxes				(8)	240		232	1	233
Actuarial gains (losses) of post-employment benefits				23			23		23
Others				(7)			(7)		(7)
Net income for fiscal year		450					450		450
Total income (expenses) recognised over the period		**450**		**8**	**(496)**	**(38)**	**(76)**	**(2)**	**(78)**
Total changes over the period	**104**	**158**		**243**	**(496)**	**(38)**	**(28)**	**0**	**(28)**
Shareholders' equity as 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									
Others									
Impact of transactions with shareholders	**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)
Others				(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**
Shareholders' equity as at 31/12/2019	**633**	**345**	**1,099**	**6,395**	**2,272**	**(504)**	**10,238**	**14**	**10,252**

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

The notes on pages 12 to 146 are an integral part of the combined financial statements.

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

CASH FLOW STATEMENT	
Cash and cash equivalents	1,204
Receivables on credit institutions from financial business activities	23
Operating debts to banking sector companies	(94)
Cash and cash equivalents at 1 January 2019	**1,133**
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 31 December 2019	**1,237**

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

The notes on pages 41 to 175 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	31.12.2019	31.12.2018
Operating income before taxes	816	785
Capital gains/losses on divestments	(630)	(488)
Net allocations to amortisation and depreciation	243	217
Change in deferred acquisition costs	(11)	(43)
Change in impairment	27	
Net allocations to technical liabilities relating to insurance policies and financial contracts	1,614	(435)
Net allocations to other reserves	(15)	(76)
Change in fair value of financial instruments and investments recognised at fair value through income (excluding cash and cash equivalents)	(1,471)	818
Other non-cash items included in operating income	125	50
Correction of elements included in the operating income other than cash flows and reclassification of investment and financing flows	(119)	43
Change in operating receivables and payables	(41)	13
Change in banking operating receivables and payables	(3)	(9)
Change in repo and reverse-repo securities	(378)	85
Cash flows from other assets and liabilities	(75)	(9)
Net tax paid	(223)	(116)
Net cash flows from operating activities	**(21)**	**792**
Acquisitions/divestments of subsidiaries and joint ventures, net of cash acquired/disposed	0	53
Stakes in related companies acquired/divested	(66)	(58)
Cash flows due to changes in scope of consolidation	(66)	(6)
Net acquisitions of financial investments (including unit-linked investments) and derivatives	(144)	(1,272)
Net acquisitions of investment property	596	432
Net acquisitions and/or issues of investments and derivatives relating to other activities		
Other non-cash items	199	78
Cash flows from acquisitions and issues of investments	651	(763)
Net acquisitions of property, plant and equipment, intangible fixed assets and operating property	(618)	(279)
Cash flows from acquisitions and disposals of property, plant and equipment and intangible fixed assets	(618)	(279)
Net cash flows from investment activities	**(33)**	**(1,047)**
Membership fees		
Issue of capital instruments	60	105
Redemption of equity instruments [(2)]		
Transactions involving own shares		
Dividends paid [(1)]	(62)	(57)
Cash flows from transactions with shareholders and members	(2)	48
Cash allocated to financing liabilities [(2)]	(7)	488
Interest paid on financial debt	(100)	(85)
Cash generated by IFRS 16 rent liabilities	273	
Cash flows from group financing	166	403
Net cash flows from financing activities	**164**	**451**
Cash and cash equivalents at 1 January	**1,133**	**942**
Net cash flows from operating activities	(21)	792
Net cash flows from investment activities	(33)	(1,047)
Net cash flows from financing activities	164	451
Cash flows from sold or discontinued assets and liabilities	(4)	
Effect of foreign exchange changes on cash	(2)	(5)
Cash and cash equivalents at 31 December	**1,237**	**1,133**

(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 22.2 and 25.1.

The notes on pages 41 to 175 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 2019

Financial Strength

Financial rating

On 20 June 2019, Fitch Ratings raised the Insurer Financial Strength (IFS) ratings of Groupama Assurances Mutuelles and its subsidiaries to "A" and maintained the outlook associated with these ratings at "Positive".

Subordinated instruments

On 16 September 2019, Groupama issued subordinated instruments with a maturity of 10 years worth €500 million in total, with an annual coupon of 2.125%. The new instrument was a great success with among institutional investors with an order book oversubscribed nearly three times. This operation is part of the active management of Groupama's capital by taking advantage of market opportunities.

On 27 June 2019, Groupama operated the early redemption of its convertible subordinated bonds issued in 2009 for €500 million at the first redemption date, in accordance with article 5 of the bonds' terms and conditions.

Business activities

Partnerships

At the start of January 2019, Orange and Groupama signed an agreement to create a joint venture called Protectline operating in the remote property surveillance sector. This partnership will enable Groupama to strengthen its existing business in this sector and Orange to become a player in this market in its own right, taking a new step in its multi-service operator strategy.

At the end of January 2019, Groupama partnered with MiiMOSA, the first crowdfunding platform dedicated to agriculture and food, to offer a financing solution to its agricultural members.

At the beginning of April 2019, the Groupama Group entered into a partnership with WINCHApps to offer a fully digital individualised social review to its corporate savings and pensions customers.

On 5 November 2019, Groupama Group joined forces with Paylead to enable member customers to save effortlessly for their retirement. Groupama Group confirmed its policy of pension product innovation by signing a partnership with Paylead, a specialist in banking data.

On 17 December 2019, Groupama Group and Milleis Banque announced the signing of a partnership around asset management customers. The agreement aims to offer Groupama's asset management customers access to the private banking services offered by Milleis Banque, a independent asset manager operating in France. The partnership with Milleis Banque supplements the services already offered to customers and members in France by providing access to an extended range of services, diversified in terms of risk profiles.

On 19 December 2019, France's Banque Postale and Groupama Group announced the signature of a framework agreement on the acquisition by the former of the 35% stake held by the latter in Banque Postale IARD (non-life business) and the extension of their cooperation in the fields of legal protection and assistance.

Property

On 3 October 2019, Groupama Group announced the sale by its subsidiary Groupama Immobilier of 79 avenue des Champs Elysées to the Norwegian sovereign fund Norges Bank Investment Management for €613 million. The capital gain from this disposal was €445 million before tax and profit-sharing.

Socially-responsible investment strategy

As a mutual insurer and responsible investor, climate change lies at the heart of Groupama Group's commitments.

At the end of April 2019, the Groupama Group and Natixis innovated with a unit-linked product committed to the energy transition. As part of a proactive approach to combating global warming, Natixis and Groupama Gan Vie, a subsidiary of the Groupama Group, have partnered to launch the first green debt instrument, 100% committed to energy transition.

On 19 September 2019, Groupama Group, Crédit Agricole Assurances and Banque des Territoires announced the signature of agreement under the terms of which Banque des Territoires and Groupama take a holding in Predica Energies Durables (PED), a Crédit Agricole subsidiary investing solely in renewable energy generation alongside Engie, the leader in solar and wind power in France.

Acquisition

On 31 October 2019 Groupama Group announced the acquisition, through its Bulgarian subsidiary Groupama Zhivotozastrahovane, of the life insurance firm Express Life Insurance from DSK Bank EAD & Expressbank AD, subsidiaries of OTP Bank Plc. The process of integrating Express Life Insurance should be completed during 2020. With this deal, Groupama is expected to double its market share in Bulgaria and reach third place in the loan insurance segment and fifth in personal accidents insurance.

POST YEAR-END EVENTS

None

2. COMBINATION PRINCIPLES, METHODS AND SCOPE

2.1. EXPLANATORY NOTE

Groupama Assurances Mutuelles is an agricultural mutual reinsurance company with national competence, a special-form mutual insurance company, wholly owned by the regional mutuals (regional mutuals, agricultural mutual reinsurance and specialist mutuals) forming Groupama's mutual arm. Groupama Assurances Mutuelles is domiciled in France. Its registered office is 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 at 31 December 2019 were approved by the Board of Directors, which met on 12 March 2020.

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 2019, 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 2019 have been applied in preparing the Group's financial statements at 31 December 2019. They have had no significant effect on the Group's financial statements for 31 December 2019 for the following standards and interpretations:

- Amendment to IAS 28: Long-term interests in associates and joint ventures;

- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement;

- IFRIC 23: Uncertain tax positions.

The mandatory application of IFRS 16 "Leases" since 1 January 2019 modifies the accounting treatment of leases entered into by the Group as a tenant. All leases must now be recorded in the balance sheet, with the recognition of an asset representing the right to use the leased asset during the term of the contract and a liability for the rent payment obligation. In the income statement, an amortisation expense for the right to use the asset and a financial expense relating to interest on rent liabilities partially replace the operating expense previously recorded for rent.

In accordance with the exemptions provided for in IFRS 16, the Group has chosen to apply the optional treatment stipulated in the standard 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.

The Group has chosen not to present the rights of use relating to leases on a separate line of the balance sheet but to aggregate them in the fixed-asset lines corresponding to the underlying assets: "Operating property" and "Other plant, property and equipment". IFRS 16 rent liabilities are presented on a separate line in the balance sheet: "IFRS 16 rental liabilities".

The Group chose to apply the simplified retrospective approach under IFRS 16 on the date of first application, 1 January 2019, without restatement of comparative periods using the following simplification measures provided for in the standard on transition:

- use of a discount rate unique to a portfolio of contracts with relatively similar characteristics;

- exclusion of contracts with a residual duration of less than 12 months;

- non-consideration of initial direct costs.

The discount rates applied at the transition date are based on the Group's marginal borrowing rate plus a spread to take into account the economic environments specific to each lessee country.

Owing to the use of the simplified retrospective method, the application of IFRS 16 has no impact on the Group's opening shareholders' equity figure at 1 January 2019. In terms of the impact of the standard on the presentation of the balance sheet, the amounts of the rental liability and the right of use recognised at 1 January 2019 both total €273 million.

The difference between the amount of rental liability recognised on 1 January 2019 and the amount of commitments arising from operating leases presented under IAS 17 at 31 December 2018 equates to the discounting of these commitments and to the fact that the commitments identified at 31 December 2018 of €376 million equate to all property lease commitments, including those for which a simplification measure was applied at the transition.

The Group has opted to defer application of IFRS 9 on financial instruments and its amendment "Prepayment features with negative compensation" pursuant to the amendment to IFRS 4 "Applying
IFRS 9, Financial Instruments with IFRS 4, Insurance Contracts" which in particular enables groups where the main business is insurance to defer application of IFRS 9 to no later than annual periods starting 1 January 2021. The Group 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 combined 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 amendment to IFRS 4 "Applying IFRS 9, Financial Instruments with
IFRS 4, Insurance Contracts". This amendment allows insurance groups that have elected to defer application of IFRS 9, and that consolidate their related companies using the equity method to preserve the financial statements prepared by such related companies for the purposes of producing their consolidated financial statements.

IFRS 17 on insurance contracts, published by the IASB in May 2017 and intended to replace the current IFRS 4, has not yet been adopted by the European Union. Work 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 includes the IASB's provisional decision from November 2018, confirmed by the IASB's Exposure Draft on amendments to IFRS 17 in June 2019, to defer the entry into force of both IFRS 17 and IFRS 9 by one year to 1 January 2022.

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

Subsidiaries, joint ventures, and related companies of the combination scope are consolidated within the scope in accordance with the provisions of IFRS 10, IFRS 11, and IAS 28.

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

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

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

All figures on the combined balance sheet, combined income statement, statement of profit or loss and gains and losses recognised directly in shareholders' equity, the statement of changes in shareholders' 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 (note 3.2.1);
- recognition of profit-sharing assets (note 3.12.2.b) and deferred tax assets (note 3.14);
- calculation of reserves for contingencies and charges and particularly valuation of employee benefits (note 3.10).

2.3. Consolidation principles

2.3.1. Combination and consolidation scope and methods

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

In accordance with the provisions of IAS 10 and IAS 28, mutual funds and property investment companies are consolidated either through full consolidation or through the equity method. Control is examined for each mutual fund on a case-by-case basis. Non-controlling interests pertaining to mutual funds subject to full consolidation are disclosed separately as a special financial liability item in the IFRS balance sheet. Underlying financial assets appear in the Group's insurance activity investments.

- **Combining company**

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

- **Aggregated companies**

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

- **Controlled entities**

Controlled entities are fully consolidated. These entities are consolidated once they are controlled. An entity is controlled when the combining company holds power over this entity, is exposed or is entitled to variable returns because of its ties with this entity, and when it has the ability to exercise its power over this entity in order to have an influence on the amount of returns that it obtains.

An entity ceases to be fully consolidated once the combining company loses control of this entity.

Full consolidation involves:

- integrating in the consolidating company's accounts the items in the financial statements of the consolidated entities, after any restatements;
- eliminating transactions and accounts between the fully consolidated company and the other consolidated companies;
- distributing shareholders' equity and net income among the interests of the consolidating company and the interests of the holders of minority interests.

- **Related companies and joint ventures**

Investments in related companies in which the Group has a significant influence and investments in joint ventures are accounted for under the equity method.

When the combining company holds, directly or indirectly, 20% or more of the voting rights in an entity, it is assumed to exert significant control, unless it 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 50 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 equates 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 is the best possible estimate of the price supplements (earn-outs, payment deferrals, etc.).

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

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

For business combinations completed on or after 1 January 2010, the costs directly attributable to the acquisition are recorded in expenses 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 derivatives;
    - group of financial assets and/or liabilities that are managed and the income of which is valued at fair value.
- Assets held to maturity include fixed-term investments that the Company expressly intends, and is able, to hold until maturity. The Group does not use this category, with the exception of certain perfectly backed portfolios that meet the criteria defined above;
- The loans and receivables category includes assets with a defined payment or a payment that can be defined, which are not listed for trading on an active market.
- Available-for-sale assets (stated at fair value via shareholders' equity) include by default all other fixed-term financial investments, equities, loans and receivables that are not included in the other categories.

➢ Reclassifications

A financial asset may, under exceptional circumstances, be reclassified outside the category of investments held for trading.

A financial asset classified as available-for-sale may be reclassified outside the category of assets available-for-sale, into:

- the category of investments held to maturity when the intent or capacity of the Company changes or when the entity no longer has a reliable assessment of fair value;
- the category of loans and receivables when the financial asset meets the definition of loans and receivables on the date of the reclassification and when the entity has the intent and the capacity to hold the financial asset for the foreseeable future or until its maturity.

A financial asset classified in the category of investments held to maturity may be reclassified exceptionally as available-for-sale if the entity's intent or capacity has changed.

➢ Initial recognition

The Group recognises its financial assets when it becomes party to the contractual provisions of these assets.

Purchases and sales of financial investments are recorded on the transaction date.

Financial assets are initially recorded at fair value plus, for assets not valued at fair value through income, the transaction costs directly chargeable to the acquisition. However, when immaterial the transaction costs are not included in the acquisition cost of the financial assets.

Repurchase transactions are maintained as assets on the balance sheet.

➢ Fair value valuation methods

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

The fair value of a financial instrument 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 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.

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 shareholders' 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 2019, there is objective evidence of impairment in the following cases:

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

For securities considered strategic securities held by the Group for the long term, as shown by Group representation in their governance bodies or significant, lasting contractual relations or a significant stake in the capital (in absolute or relative value), without significant influence being exercised, this reference period is 48 months.

Where such objective evidence of impairment is observed then the impairment amount corresponding to the difference between the acquisition cost and the fair value for that fiscal year, less any loss in value previously recognised through income, is automatically recognised in the income statement.

These criteria may undergo changes over time, by applying good judgement, in order to take account of changes in the environment in which they were postulated. This should allow abnormal circumstances to be dealt with (such as a sharp and abnormal drop in net asset values on the balance sheet date).

In addition, in all other cases in which these thresholds are not reached, the Group identifies securities in its portfolio constantly presenting a significant unrealised capital loss over the last six months based on the volatility of the financial markets. For the thus separated securities the Group then carries out a review, based on its judgement, security by security, and decides whether to post an impairment through income or not.

In the event that the financial management of a line of securities is done in a comprehensive manner at the Group level, even when these securities are held by several entities, the determination of whether objective evidence of impairment exists can be done based on the Group's cost price.

The impairment recorded on a shareholders' equity instrument will only be reversed to income when the asset in question is sold.

Investments valued at amortised cost

For investments valued at amortised cost, the amount of the reserve is equal to the difference between the net book value of the assets and the discounted value of the future cash flows expected, determined on the basis of the original effective interest rate of the financial instrument, and corrected for any reserves. The amount of the loss is included in the net income or loss for the fiscal year. The reserve may be written back through income.

- **Derecognition**

Financial assets are derecognised when 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, 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),
- walls and roofs (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 if 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 related companies and joint ventures are consolidated using the equity method. At the time of acquisition, the investment is recorded at the acquisition cost and its net book value is subsequently raised or reduced to take into account particularly the income or losses as well as the change in fair value of financial assets in proportion to the investor's stake.

3.5 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED ACTIVITIES

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

Non-current assets (or a group intended to be sold) classified as held for sale are valued at the lower value between the net book value and the fair value minus transfer costs. 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 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 Shareholders' equity

- **Revaluation reserves**

The revaluation reserve contains the differences resulting from the revaluation at fair value of balance sheet items, particularly:

- the effects of the revaluation of derivatives assigned to cash flow hedges and net investments in currencies pursuant to IAS 21;
- the effects of the revaluation of financial assets available for sale in accordance with the provisions of IAS 39. These are unrealised 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;
- Impact of changes in accounting methods;
- Equity instruments akin to deeply subordinated instruments or perpetual subordinated bonds the features of which permit recognition under shareholders' equity. Remuneration from these securities is treated like a dividend on shareholders' equity.

- **Foreign exchange adjustment**

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 shareholders' equity for put options contracted subsequent to this date.

- **Initial recognition**

Financing debt is recognised when the Group becomes party to the contractual provisions of this debt. The amount of the 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**

  - **Reserves for unearned premiums**

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

  - **Reserves for unexpired risks**

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

  - **Outstanding claims reserves**

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

For construction risks, in addition to the outstanding claims reserves (declared or not yet declared), separate claims reserves that have not yet appeared are also funded for the ten-year civil liability coverage and the ten-year coverage against structural damage.

Reserves are assessed on the basis of the type of specific risks covered, particularly agricultural and climate risks and risks that are highly seasonal in nature.

  - **Other underwriting reserves**

Actuarial reserves for annuities

The actuarial reserves for annuities represent the present value of the Company's payables for annuities and annuity expenses.

Reserve for increasing risks

This reserve is set aside for periodic premium health and disability insurance policies, for which the risk grows with the age of the policyholders.

- **Deferred acquisition costs**

In non-life insurance, acquisition costs related to unearned premiums are deferred and recorded in assets on the balance sheet.

b. Life insurance policies and financial contracts with discretionary profit sharing

➢ **Premiums**

Written premiums represent the gross premiums, before reinsurance and tax, net of cancellations, reductions, rebates, of the change in premiums still to be written and of the change in premiums to be cancelled.

➢ **Insurance policy servicing expenses**

Servicing expenses for life insurance policies and financial contracts with discretionary profit sharing means:

- all insured benefits once they have been paid to the beneficiary;
- interest and profit sharing that may be included in those insured benefits,
- 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 using a prospective sharing rate method based on the three-year business plan.

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 provided for by them. This approach is carried out according to the grid of departmental categories.

- **Deferred acquisition costs**

Variable costs directly attributable to the acquisition of life insurance policies are recorded as assets in the consolidated accounts. These amounts may not under any circumstances be greater than the present value of future income from the policies.

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

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

c. Liabilities adequacy test

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

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

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

d. Unit-linked policies under IFRS 4

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

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

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

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

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

3.12.3. Financial contracts under IAS 39

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

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

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

3.12.4. Reinsurance operations

- **Inward reinsurance**

Inward reinsurance is booked treaty by treaty without difference on the basis of an assessment of the business accepted. These operations are classified according to the same rules as those described for insurance policies or financial contracts in paragraph 3.12.1. In the absence of sufficient information from the outward reinsurer, estimates are made.

An asset deposit is recorded for the amount of the counterparty given to the ceding and retroceding companies.

Securities used as hedges are recorded in the statement of commitments given and received.

- **Outward reinsurance**

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

3.13 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 accounts 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 business segment, which also forms the subject of specific notes (Notes 10.1, 10.2, and 35.2), 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, property 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	31.12.2019			31.12.2018		
	France	International	Total	France	International	Total
Intangible assets	953	1,174	2,126	922	1,295	2,217
Insurance business investments	83,712	7,387	91,098	78,379	6,838	85,217
Funds used in banking sector business and investments of other business activities	121		121	112		112
Investments in related companies and joint ventures	155	144	299	347	138	485
Share of outward reinsurers and retrocessionaires in liabilities relating to insurance and financial contracts	1,106	111	1,217	1,054	101	1,154
Other assets	5,812	739	6,551	5,461	833	6,294
Assets held for sale and discontinued business activities	115		115	150		150
Cash and cash equivalents	1,204	129	1,333	1,074	130	1,204
Combined total assets	**93,178**	**9,684**	**102,861**	**87,499**	**9,335**	**96,833**
Provisions for contingent liabilities	513	81	593	525	73	598
Financing liabilities	1,634		1,634	1,639		1,639
Technical liabilities relating to insurance policies	57,562	4,763	62,325	55,744	4,636	60,380
Technical liabilities relating to financial contracts	10,167	1,953	12,120	10,751	1,892	12,643
Deferred profit-sharing liabilities	5,369	126	5,494	3,746	57	3,804
Resources from banking sector businesses	14		14	7		7
Other liabilities	10,158	271	10,428	8,625	239	8,865
Liabilities of business activities due to be sold or discontinued						
Total combined liabilities excluding shareholders' equity	**85,416**	**7,193**	**92,609**	**81,038**	**6,898**	**87,936**

Note 1.2 – Segment reporting by business

In millions of euros	31.12.2019									
	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	**5,775**	**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 operations either discontinued or due to be discontinued	(3)				(4)					(4)
TOTAL 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**

In millions of euros	31.12.2018									
	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	**5,623**	**5,989**			**11,613**	**1,620**	**759**		**2,379**	**13,992**
Net banking income, net of cost of risk			**153**		**153**					**153**
Investment income	247	1,832		(24)	2,055	100	121	3	223	2,278
Investment expenses	(79)	(583)		3	(659)	(35)	(18)		(53)	(712)
Capital gains or losses from divestments net of impairment and depreciation write-backs	99	282		107	488	2	18		20	508
Change in fair value of financial instruments recorded at fair value through income	(29)	(751)		17	(763)	(2)	(54)		(55)	(818)
Change in impairment on investments	(3)	(2)		(3)	(8)				(1)	(9)
Total income from ordinary business activities	**5,858**	**6,767**	**153**	**100**	**12,879**	**1,685**	**825**	**3**	**2,514**	**15,392**
Insurance policy servicing expenses	(3,890)	(5,172)			(9,062)	(1,117)	(636)		(1,753)	(10,815)
Income on outward reinsurance	2	70			72	39	3		42	114
Expenses on outward reinsurance	(296)	(92)			(388)	(118)	(4)		(121)	(510)
Banking operating expenses			(104)		(104)					(104)
Policy acquisition costs	(933)	(561)			(1,494)	(339)	(104)		(443)	(1,937)
Administrative costs	(226)	(129)			(356)	(89)	(41)		(130)	(486)
Other current operating income and expenses	(327)	(338)	4	(119)	(781)	(63)	(9)	(1)	(73)	(854)
CURRENT OPERATING INCOME	**188**	**544**	**53**	**(19)**	**765**	**(2)**	**35**	**2**	**34**	**800**
Other operating income and expenses	(10)	(2)		22	10	(26)	2		(24)	(15)
OPERATING INCOME	**177**	**541**	**52**	**4**	**775**	**(28)**	**37**	**2**	**10**	**785**
Financing expenses				(85)	(85)					(85)
Share in income of related companies	(1)		(59)		(60)	5			5	(56)
Corporate income tax	(79)	(158)	(18)	81	(174)	5	(5)		0	(174)
NET INCOME FROM CONTINUING OPERATIONS	**97**	**383**	**(24)**	**0**	**456**	**(18)**	**31**	**2**	**15**	**471**
Net income from operations either discontinued or due to be discontinued				(20)	(20)					(20)
OVERALL NET INCOME	**97**	**383**	**(24)**	**(20)**	**435**	**(18)**	**31**	**2**	**15**	**450**
of which, non-controlling interests										
OF WHICH, NET INCOME (GROUP SHARE)	**97**	**382**	**(24)**	**(20)**	**435**	**(18)**	**31**	**2**	**15**	**450**

NOTE 2 – GOODWILL

NOTE 2.1 – GOODWILL

In millions of euros	31.12.2019				31.12.2018
	Gross value	Impairment	Foreign exchange adjustment	Net value	Net value
Opening value	**2,909**	**(697)**	**(304)**	**1,908**	**1,915**
Newly consolidated entities					
Eliminations from the scope of consolidation					
France					
Central and Eastern European countries			(8)	(8)	(7)
Italy		(102)		(102)	
Other changes during the fiscal year		**(102)**	**(8)**	**(110)**	**(7)**
Closing value	**2,909**	**(799)**	**(312)**	**1,798**	**1,908**

The grouping within a single cash-generating unit for all countries of Central and Eastern Europe is explained by common tools and a common platform as well as centralised management banking/insurance agreements.

Changes during the fiscal year:

Impairment on the cash-generating unit (CGU) in Italy:

The Group applied an impairment of €102 million on the goodwill of the cash-generating unit formed from the Italian subsidiary. This impairment was brought about by the highly competitive market environment and the decision to supervise the motor vehicle portfolio more closely. The subsidiary should gradually return to profitability through this and other technical measures.

Impairment test:

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

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

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

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

As a general rule, the flows used correspond to:

- An explicit period based on the Group's operational strategic planning in the early years. This is subject to a discussion process between local management and the Group.
- Beyond the explicit horizon, the cash flow column is completed by a terminal value. This terminal value is based on long-term growth assumptions applied to an updated projection of normative cash flows.
- The solvency margin 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 discounting rate is 7.5%.

For emerging countries, the yield curve used takes into account a higher explicit risk premium and then incorporates future changes in the country's macroeconomic situation and the expected higher level of maturity in these economies. This is particularly the case for 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 €133 million (whereas a 100 basis points drop would result in a hedging surplus of €273 million). On this same CGU, the sensitivity test on the long-term growth rate would result in a hedging surplus of €161 million if it fell by 50 basis points (the surplus would be €221 million with an increase of 50 basis points).

For the goodwill of the CGU of the Greek subsidiary, Groupama Phoenix, an increase of 100 basis points in the discount rate would lead to a hedging surplus of €28 million (while a lowering of the discount rate by 100 basis points would result in a surplus of €54 million). The sensitivity test on a drop in the long-term growth rate of 50 basis points would result in a hedging surplus of €33 million (the surplus would be €49 million with an increase of 50 basis points).

For the CGU of the French subsidiary, Gan Assurances, the sensitivity test on an increase of 100 basis points in the discount rate would lead to a shortfall of €79 million while a decrease of 100 basis points would result in a surplus of €260 million. The test on a decrease in the long-term growth rate of 50 basis points would result in a surplus of €24 million whereas an increase of 50 basis points would give a surplus of €120 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	31.12.2019			
	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**

In millions of euros	31.12.2018			
	Gross value	Impairment	Foreign exchange adjustment	Net value
Central and Eastern European countries	1,031	(502)	(189)	340
Italy	781			781
Turkey	262	(147)	(115)	0
Greece	131	(48)		83
Total International	**2,205**	**(697)**	**(304)**	**1,204**
Groupama Gan Vie	470			470
Gan Assurances	196			196
Financial businesses, property and other insurance companies	38			38
Total France and Overseas	**704**			**704**
Closing value	**2,909**	**(697)**	**(304)**	**1,908**

It is reiterated that in fiscal years 2009 to 2017, the Group impaired goodwill by €697 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.

During the 2019 fiscal year, Groupama impaired all of the residual goodwill of the Italy CGU for €102 million.

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

NOTE 3.1 – NET INCOME FOR DISCONTINUED BUSINESS ACTIVITIES

During the first half of 2019, Groupama completed the winding up of its UK subsidiary Groupama UK, a former holding company of brokerage firms sold in 2017. The income from this liquidation appears in the Group's income for a negligible amount.

NOTE 3.2 – BUSINESS ACTIVITIES DUE TO BE SOLD OR DISCONTINUED

France's Banque Postale and Groupama Group have signed a non-binding framework agreement on the acquisition by the former of the 35% stake held by the latter in Banque Postale IARD (non-life business) and the extension of their cooperation in the fields of legal protection and assistance.

The deal has to be ratified by staff representative bodies before final agreements can be signed. It is expected that the deal will be completed in the first half of 2020, provided the necessary permission is obtained from the relevant regulatory authorities.

La Banque Postale Assurances IARD's net income for 2019 totalled €3 million, the share of the net position totalled €115 million.

NOTE 4 – OTHER INTANGIBLE ASSETS

In millions of euros	31.12.2019			31.12.2018		
	Intangible assets related to insurance business	Other intangible assets	Total	Intangible assets related to insurance business	Other intangible assets	Total
Opening gross value	**459**	**1,906**	**2,365**	**476**	**1,809**	**2,285**
Increase		174	174	1	150	152
Decrease		(84)	(85)	(2)	(50)	(51)
Foreign exchange adjustment	(6)	(3)	(8)	(16)	(3)	(20)
Changes in consolidation scope		1	1			
Closing gross value	**453**	**1,993**	**2,446**	**459**	**1,906**	**2,365**
Opening cumulative amortisation	**(253)**	**(1,675)**	**(1,928)**	**(251)**	**(1,608)**	**(1,859)**
Increase	(16)	(87)	(103)	(16)	(86)	(102)
Decrease		33	33		17	17
Foreign exchange adjustment	5	2	7	13	3	16
Changes in consolidation scope						
Closing cumulative amortisation & impairment	**(264)**	**(1,727)**	**(1,991)**	**(253)**	**(1,675)**	**(1,928)**
Opening cumulative long-term impairment	**(128)**	**(1)**	**(129)**	**(131)**	**(1)**	**(132)**
Long-term impairment recognised						
Long-term impairment write-backs		1	1	1		1
Foreign exchange adjustment	1		1	3		3
Changes in consolidation scope						
Closing cumulative long-term impairment	**(128)**	**0**	**(128)**	**(128)**	**(1)**	**(129)**
Opening net value	**78**	**231**	**309**	**94**	**200**	**294**
Closing net value	**62**	**266**	**328**	**78**	**231**	**309**

The Group's intangible assets can be split into two groups:

- intangible assets related to insurance business;
- other intangible assets.

<u>Intangible assets related to insurance business</u>
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.

<u>Other intangible assets</u>
Other intangible assets consist primarily of software acquired and developed internally.

NOTE 4.1 - OTHER INTANGIBLE ASSETS – BY OPERATING SEGMENT

In millions of euros	31.12.2019						31.12.2018	
	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**	**429**	**1,801**	**192**	**1,825**	**621**	**1,759**	**605**
Closing cumulative amortisation & impairment		(264)	(1,567)	(160)	(1,567)	(424)	(1,532)	(395)
Closing cumulative long-term impairment	(9)	(119)			(9)	(119)	(8)	(120)
Amortisation and reserves	**(9)**	**(382)**	**(1,567)**	**(160)**	**(1,576)**	**(543)**	**(1,540)**	**(516)**
Net book value	**15**	**47**	**234**	**32**	**249**	**79**	**219**	**90**

NOTE 5 – Investment property, excluding unit-linked investments

In millions of euros	31.12.2019			31.12.2018		
	Property	SCI units	Total	Property	SCI units	Total
Opening gross value	**1,242**	**195**	**1,436**	**1,500**	**194**	**1,694**
Acquisitions	66	21	87	50	9	58
Changes in consolidation scope						
Subsequent expenditure						
Assets capitalised in the year	64		64	171		171
Transfer from/to unit-linked property						
Transfer from/to operating property	1		1			
Foreign exchange adjustment						
Outward reinsurance	(64)	(12)	(76)	(326)	(8)	(334)
Others				(152)		(152)
Closing gross value	**1,309**	**203**	**1,512**	**1,242**	**195**	**1,436**
Opening cumulative amortisation	**(246)**		**(246)**	**(260)**		**(260)**
Increase	(28)		(28)	(24)		(24)
Changes in consolidation scope						
Transfer from/to unit-linked property						
Transfer from/to operating property						
Decrease	21		21	38		38
Others						
Closing cumulative amortisation & impairment	**(254)**		**(254)**	**(246)**		**(246)**
Opening cumulative long-term impairment	**(12)**	**(6)**	**(18)**	**(21)**	**(6)**	**(27)**
Long-term impairment recognised		(2)	(2)			
Changes in consolidation scope						
Transfer from/to operating property						
Long-term impairment write-backs	1		1	10		10
Closing cumulative long-term impairment	**(12)**	**(7)**	**(19)**	**(12)**	**(6)**	**(18)**
Opening net value	**983**	**189**	**1,172**	**1,218**	**188**	**1,406**
Closing net value	**1,043**	**195**	**1,239**	**983**	**189**	**1,172**
Closing fair value of investment property	**2,746**	**375**	**3,122**	**2,617**	**349**	**2,966**
Unrealised capital gains (losses)	**1,703**	**180**	**1,883**	**1,634**	**160**	**1,793**

The realisation of unrealised capital gains on property representing life insurance commitments would give rise to rights in favour of policy beneficiaries as well as taxation.

Unrealised gains accruing to the Group, including property operating activities (see note 6), amounted to €829 million at 31 December 2019 (net of profit sharing and tax), compared with €757 million at 31 December 2018.

Sales of property during the fiscal year mainly include sales by vacant lots of the Group's residential assets.
As per the fair value hierarchy established in IFRS 13, the fair value of investment property is ranked as Level 2 for €2,514 million and Level 3 for €608 million. The Level 2 investment property comprises mainly property located in Paris, or the Greater Paris region, the fair value of which is based on observable data.

NOTE 5.1 – INVESTMENT PROPERTY – BY OPERATING SEGMENT

In millions of euros	31.12.2019						31.12.2018					
	Property			SCI units			Property			SCI units		
	France	Inter-national	Total	France	Inter-national	Total	France	Inter-national	Total	France	Inter-national	Total
Gross value	1,295	14	1,309	203		203	1,226	15	1,242	195		195
Cumulative amortisation & impairment	(251)	(3)	(254)				(243)	(4)	(246)			
Long-term impairment	(10)	(2)	(12)	(7)		(7)	(10)	(2)	(12)	(6)		(6)
Closing net value	**1,035**	**9**	**1,043**	**195**		**195**	**974**	**10**	**983**	**189**		**189**
Closing fair value of investment property	**2,724**	**23**	**2,746**	**375**		**375**	**2,592**	**25**	**2,617**	**349**		**349**
Unrealised capital gains (losses)	**1,689**	**14**	**1,703**	**180**		**180**	**1,619**	**15**	**1,634**	**160**		**160**

NOTE 6 – OPERATING PROPERTY

In millions of euros	31.12.2019				31.12.2018		
	Property	Right of use	SCI units	Total	Property	SCI units	Total
Opening gross value	**1,244**		**64**	**1,308**	**1,218**	**69**	**1,287**
Acquisitions	18	307	1	327	25	2	27
Changes in consolidation scope							
Assets capitalised in the year	30			30	14		14
Transfer from/to investment property	(2)			(2)			
Foreign exchange adjustment	(1)			(1)	(1)		(1)
Outward reinsurance	(85)		(4)	(90)	(12)	(7)	(19)
Others							
Closing gross value	**1,204**	**307**	**61**	**1,572**	**1,244**	**64**	**1,308**
Opening cumulative amortisation	**(413)**			**(413)**	**(388)**		**(388)**
Increase	(25)	(39)		(64)	(35)		(35)
Changes in consolidation scope							
Transfer from/to investment property							
Decrease	32			32	10		10
Others							
Closing cumulative amortisation & impairment	**(405)**	**(39)**		**(445)**	**(413)**		**(413)**
Opening cumulative long-term impairment	**(99)**			**(100)**	**(86)**		**(87)**
Long-term impairment recognised					(13)		(13)
Changes in consolidation scope							
Transfer from/to investment property							
Long-term impairment write-backs	26			27			
Closing cumulative long-term impairment	**(73)**			**(73)**	**(99)**		**(100)**
Opening net value	**731**		**64**	**795**	**743**	**69**	**812**
Closing net value	**725**	**268**	**61**	**1,054**	**731**	**64**	**795**
Closing fair value of operating property	**1,075**	**268**	**110**	**1,452**	**1,079**	**109**	**1,188**
Unrealised capital gains (losses)	**349**	**0**	**49**	**398**	**348**	**46**	**393**

Divestments and reserve reversals for the fiscal year are mainly related to the sale of a Paris suburb property by Groupama Gan Vie.

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 6.1 – OPERATING PROPERTY – BY OPERATING SEGMENT

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**

In millions of euros	31.12.2018								
	Property			Right of use			SCI units		
	France	International	Total	France	International	Total	France	International	Total
Gross value	1,135	109	1,244				64		64
Cumulative amortisation & impairment	(398)	(15)	(413)						
Long-term impairment	(95)	(5)	(99)						
Closing net value	**642**	**89**	**731**				**64**		**64**
Closing fair value of operating property	**990**	**89**	**1,079**				**109**		**109**
Unrealised capital gains (losses)	**348**	**0**	**348**				**46**		**46**

NOTE 7 – FINANCIAL INVESTMENTS EXCLUDING UNIT-LINKED ITEMS

In millions of euros	31.12.2019	31.12.2018
	Net value	Net value
Assets valued at fair value	76,416	72,530
Assets valued at amortised cost	1,754	1,561
Total financial investments excluding unit-linked items	**78,170**	**74,091**

The bond security repurchase agreement business generated €4,152 million versus €4,527 million at 31 December 2018. The cash from these repurchase agreements is invested in specific funds held directly.

NOTE 7.1 – INVESTMENTS VALUED AT FAIR VALUE BY OPERATING SEGMENT

In millions of euros	31.12.2019								
	Net amortised cost			Fair value (a)			Gross unrealised capital gains (losses)		
	France	International	Total	France	International	Total	France	International	Total
Available-for-sale assets									
Equities and other variable-income investments	2,817	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.

In millions of euros	31.12.2018								
	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	2,883	286	3,169	3,489	302	3,791	607	15	622
Bonds and other fixed-income investments	45,443	4,734	50,178	50,470	4,931	55,400	5,027	196	5,223
Other investments									
Total available-for-sale assets	**48,326**	**5,021**	**53,347**	**53,959**	**5,232**	**59,191**	**5,633**	**211**	**5,844**
Trading assets									
Equities and other variable-income investments classified as “trading”	36		36	36		36			
Equities and other variable-income investments classified as “held for trading”	472	1	473	472	1	473			
Bonds and other fixed-income investments classified as “trading”	18		18	18		18			
Bonds and other fixed-income investments classified as “held for trading”	4,521	186	4,707	4,521	186	4,707			
Cash mutual funds classified as “trading”	5,482	13	5,495	5,482	13	5,495			
Cash mutual funds classified as “held for trading”	2,565	44	2,609	2,565	44	2,609			
Other investments classified as “trading”									
Other investments classified as “held for trading”									
Total trading assets	**13,094**	**245**	**13,339**	**13,094**	**245**	**13,339**			
Total investments valued at fair value	**61,420**	**5,266**	**66,686**	**67,053**	**5,477**	**72,530**	**5,633**	**211**	**5,844**

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

NOTE 7.2 – INVESTMENTS VALUED AT FAIR VALUE BY TYPE

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.

In millions of euros	31.12.2018								
	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	2,883	286	3,169	3,489	302	3,791	607	15	622
Assets classified as "trading"	36		36	36		36			
Assets classified as "held for trading"	472	1	473	472	1	473			
Total equities and other variable-income investments	**3,390**	**288**	**3,678**	**3,997**	**303**	**4,300**	**607**	**15**	**622**
Bonds and other fixed-income investments									
Available-for-sale assets	45,443	4,734	50,178	50,470	4,931	55,400	5,027	196	5,223
Assets classified as "trading"	18		18	18		18			
Assets classified as "held for trading"	4,521	186	4,707	4,521	186	4,707			
Total bonds and other fixed-income investments	**49,983**	**4,921**	**54,903**	**55,009**	**5,117**	**60,126**	**5,027**	**196**	**5,223**
Cash mutual funds									
Assets classified as "trading"	5,482	13	5,495	5,482	13	5,495			
Assets classified as "held for trading"	2,565	44	2,609	2,565	44	2,609			
Total cash mutual funds	**8,047**	**57**	**8,104**	**8,047**	**57**	**8,104**			
Other investments									
Available-for-sale assets									
Assets classified as "trading"									
Assets classified as "held for trading"									
Total other investments									
Total investments valued at fair value	**61,420**	**5,266**	**66,686**	**67,053**	**5,477**	**72,530**	**5,633**	**211**	**5,844**

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

NOTE 7.3 – INVESTMENTS VALUED AT AMORTISED COST IN NET VALUE

In millions of euros	31.12.2019			31.12.2018		
	France	International	Total	France	International	Total
Loans	87	55	142	93	57	150
Deposits	1,344	209	1,553	1,105	237	1,342
Others	59		59	69		69
Total financial investment valued at amortised cost	**1,490**	**264**	**1,754**	**1,266**	**294**	**1,561**

NOTE 7.4 – RESERVES FOR IMPAIRMENT OF INVESTMENTS

In millions of euros	31.12.2019			31.12.2018		
	Gross	Reserves	Net	Gross	Reserves	Net
Available-for-sale assets						
Equities and other variable-income investments	3,350	(253)	3,098	3,467	(297)	3,169
Bonds and other fixed-income investments	51,395	(16)	51,379	50,190	(12)	50,178
Other investments						
Total available-for-sale assets	**54,746**	**(269)**	**54,477**	**53,656**	**(310)**	**53,347**
Financial investments valued at amortised cost	1,755	(1)	1,754	1,562	(2)	1,561
Financial investments valued at amortised cost	**1,755**	**(1)**	**1,754**	**1,562**	**(2)**	**1,561**

Total reserves for long-term impairment on investments measured at fair value were €269 million, compared with €310 million at 31 December 2018.

Regarding equities, a reserve of €120 million was established for strategic securities.

The amount of reserves for long-term impairment on investments valued at amortised cost is €1 million compared with €2 million at 31 December 2018.

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

NOTE 7.5 – FINANCIAL INVESTMENTS – BY CURRENCY

In millions of euros	31.12.2019				
	Euro	Dollar	Pound	Others	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).

In millions of euros	31.12.2018				
	Euro	Dollar	Pound	Others	Total
Available-for-sale assets					
Equities and other variable-income investments	2,855	363	6	568	3,791
Bonds and other fixed-income investments	54,653	31	227	489	55,400
Other investments					
Total available-for-sale assets	**57,508**	**394**	**233**	**1,056**	**59,191**
Trading assets					
Equities and other variable-income investments classified as “trading”	36				36
Equities and other variable-income investments classified as “held for trading”	473				473
Bonds and other fixed-income investments classified as “trading”	18				18
Bonds and other fixed-income investments classified as “held for trading”	4,701			6	4,707
Cash mutual funds classified as “trading”	5,480	16			5,495
Cash mutual funds classified as “held for trading”	2,609				2,609
Other investments classified as “trading”					
Other investments classified as “held for trading”					
Total trading assets	**13,317**	**16**		**6**	**13,339**
Loans and receivables					
Loans	147			3	150
Deposits	1,113	1		228	1,342
Other investments	59	10			69
Total loans and receivables	**1,318**	**11**		**232**	**1,561**
Total financial investments (net of derivatives and unit-linked items)	**72,144**	**420**	**233**	**1,294**	**74,091**

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

NOTE 7.6 – BREAKDOWN OF LISTED INVESTMENTS

In millions of euros	31.12.2019	31.12.2018
Equities	1,626	1,569
Shares in fixed-income mutual funds	7,258	7,339
Shares in other mutual funds	2,756	2,354
Cash mutual funds	8,531	8,104
Bonds and other fixed-income securities	55,693	52,634
Total listed investments	**75,863**	**72,001**

At 31 December 2019, total long-term reserves for listed investments valued at fair value were €193 million, compared with €236 million at 31 December 2018.

NOTE 7.7 – BREAKDOWN OF UNLISTED INVESTMENTS

In millions of euros	31.12.2019	31.12.2018
Equities at fair value	419	377
Bonds and other fixed-income securities at fair value	134	152
Other investments at fair value		
Loans at amortised cost	142	150
Other investments at amortised cost	1,612	1,410
Total unlisted investments	**2,307**	**2,090**

At 31 December 2019, total long-term reserves for unlisted investments valued at fair value were €76 million, compared with €74 million at 31 December 2018.

NOTE 7.8 – BREAKDOWN OF THE BOND PORTFOLIO

The presentations below pertain to only bond investments held directly or through consolidated mutual funds and do not take into account other investments with similar features (bond mutual funds, rate mutual funds, bond funds, etc.).

NOTE 7.8.1 - BOND PORTFOLIO – BY RATE

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

In millions of euros	31.12.2019			31.12.2018		
	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
Listed bonds						
Available-for-sale	53,119	1,607	54,726	49,944	1,593	51,537
Classified as "trading"						
Classified as "held for trading"	749	217	966	985	112	1,097
Total listed bonds	**53,868**	**1,824**	**55,693**	**50,929**	**1,706**	**52,634**
Unlisted bonds						
Available-for-sale	112	5	117	100	24	124
Classified as "trading"						
Classified as "held for trading"	5	12	17	5	23	29
Total unlisted bonds	**118**	**16**	**134**	**105**	**47**	**152**
Total bond portfolio	**53,986**	**1,841**	**55,826**	**51,034**	**1,753**	**52,787**

NOTE 7.8.2 – BOND PORTFOLIO – BY MATURITY

The profile of the annual maturities of the bond portfolios, including consolidated mutual funds, is as follows:

In millions of euros	31.12.2019				31.12.2018			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Listed bonds								
Available-for-sale	2,895	16,485	35,346	54,726	2,469	15,347	33,722	51,537
Classified as "trading"								
Classified as "held for trading"	44	495	428	966	45	486	566	1,097
Total listed bonds	**2,938**	**16,980**	**35,774**	**55,693**	**2,513**	**15,833**	**34,288**	**52,634**
Unlisted bonds								
Available-for-sale	9	2	105	117	4	15	105	124
Classified as "trading"								
Classified as "held for trading"	2	15		17	1	28		29
Total unlisted bonds	**11**	**17**	**105**	**134**	**5**	**43**	**105**	**152**
Total bond portfolio	**2,950**	**16,997**	**35,880**	**55,826**	**2,518**	**15,876**	**34,393**	**52,787**

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

NOTE 7.8.3 – BOND PORTFOLIO – BY RATING

In millions of euros	31.12.2019						
	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**

In millions of euros	31.12.2018						
	AAA	AA	A	BBB	<BBB	Not rated	Total
Listed bonds							
Available-for-sale	2,906	24,447	10,394	13,223	178	389	51,537
Classified as "trading"							
Classified as "held for trading"	50	60	953	30		5	1,097
Total listed bonds	**2,957**	**24,507**	**11,346**	**13,253**	**178**	**394**	**52,634**
Unlisted bonds							
Available-for-sale	1	7	10	96		9	124
Classified as "trading"							
Classified as "held for trading"			23			5	29
Total unlisted bonds	**1**	**7**	**33**	**96**		**15**	**152**
Total bond portfolio	**2,958**	**24,514**	**11,379**	**13,350**	**178**	**409**	**52,787**

NOTE 7.8.4 – BOND PORTFOLIO – BY TYPE OF ISSUER

In millions of euros	31.12.2019	31.12.2018
Bonds issued by EU Member States	33,507	32,086
Bonds issued by States outside the EU	340	218
Bonds from public and semi-public sectors	3,345	3,376
Corporate bonds	18,470	16,950
Other bonds (including bond funds)	164	157
Total bond portfolio	**55,826**	**52,787**

NOTE 7.9 – 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 value determined on the basis of a valuation model using data directly observable on an active market or data that can be determined from prices observed,
- level 3 corresponds to the fair value determined on the basis of a valuation model using data not observable on a market.

A financial instrument is considered to be listed on an active market if prices are easily and regularly available from a stock exchange, broker, trader, business sector, or price valuation service and if these prices represent real transactions properly carried out on the market under conditions of normal competition.

Determination of whether a market is active is particularly based on indicators such as the significant decrease in the volume of transactions and the level of activity on the market, high dispersion of prices available over time and between the various market participants, or the fact that prices no longer correspond to sufficiently recent transactions.

In millions of euros	31.12.2019				31.12.2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Available-for-sale assets								
Equities and other variable-income investments	3,767	110	436	4,313	3,260	111	419	3,791
Bonds and other fixed-income investments	56,848	792	1,184	58,824	53,527	601	1,272	55,400
Other investments								
Total available-for-sale assets	**60,615**	**902**	**1,620**	**63,136**	**56,787**	**713**	**1,691**	**59,191**
Trading assets								
Equities and other variable-income investments classified as “trading” or “held for trading”	128		360	488	175		334	509
Bonds and other fixed-income investments classified as “trading” or “held for trading”	3,338	493	430	4,261	3,611	602	512	4,726
Cash mutual funds classified as “trading” or “held for trading”	8,473	58		8,531	8,082	22		8,104
Other investments								
Total trading assets	**11,939**	**551**	**790**	**13,280**	**11,868**	**624**	**846**	**13,339**
Sub-total financial investments at fair value (excluding unit-linked items)	**72,554**	**1,453**	**2,410**	**76,416**	**68,656**	**1,337**	**2,537**	**72,530**
Investments in unit-linked policies	7,548	2,722	228	10,497	6,135	2,607	303	9,045
Derivative assets and liabilities		(499)		(499)		(487)		(487)
Total financial assets and liabilities valued at fair value	**80,102**	**3,676**	**2,638**	**86,415**	**74,791**	**3,457**	**2,840**	**81,088**

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

Derivative instruments posted to assets totalled €138 million, and derivative instruments posted to liabilities on the balance sheet totalled

€636 million at 31 December 2019. These instruments are classified in level 2.

The Level 3 investments comprise:

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

Beyond the financial assets and liabilities described in the table, the Group recorded fair-value financial contracts without discretionary profit-sharing in its technical liabilities. This amount totalled €165 million at 31 December 2019, compared with €148 million at 31 December 2018.

In millions of euros	31.12.2019								
	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	**419**	**1,272**		**334**	**512**			**303**	
Change in unrealised capital gains/losses recognised in:									
- net income	(2)	(2)		(55)	(28)			9	
- gains and losses recognised directly in shareholders' equity	(27)	(186)							
Transfer to level 3	9	1							
Transfer outside of level 3		(23)			(11)				
Reclassification to loans and receivables									
Changes in consolidation scope									
Acquisitions	56	238		108	26			3	
Divestments/Redemptions	(19)	(116)		(27)	(68)			(83)	
Foreign exchange adjustment	(1)							(4)	
Level 3 closing amount	**436**	**1,184**		**360**	**430**			**228**	

NOTE 7.10 – INFORMATION REQUIRED BY THE IFRS 4 AMENDMENT WHERE TEMPORARILY EXEMPT FROM APPLYING IFRS 9

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

In millions of euros	31.12.2019			31.12.2018			Variation		
	SPPI* financial assets not held for trading where neither management nor assessment of performance is based on the fair value	Other assets	Total	SPPI* financial assets not held for trading where neither management nor assessment of performance is based on the fair value	Other assets	Total	SPPI* financial assets not held for trading where neither management nor assessment of performance is based on the fair value	Other assets	Total
Equities and other variable-income investments		4,801	4,801		4,300	4,300		501	501
Bonds and other fixed-income investments	53,454	9,630	63,084	50,465	9,661	60,126	2,989	(31)	2,958
Cash mutual funds		8,531	8,531		8,104	8,104		427	427
Other investments									
Total financial investments valued at fair value	**53,454**	**22,962**	**76,416**	**50,465**	**22,065**	**72,530**	**2,989**	**897**	**3,886**
Loans, deposits, other investments at amortised cost	1,624	130	1,754	1,414	146	1,561	209	(16)	193
Total of financial investments excluding unit-linked items	**55,078**	**23,093**	**78,170**	**51,880**	**22,211**	**74,091**	**3,198**	**881**	**4,080**
Unit-linked financial investments		10,392	10,392		8,935	8,935		1,457	1,457

* 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	31.12.2019						
	AAA	AA	A	BBB	<BBB	Not rated	Total
Financial assets at book value determined according to IAS 39	2,844	24,911	11,194	14,102	351	1,676	55,078
SPPI* financial assets not held for trading where neither management nor assessment of performance is based on the fair value	2,844	24,911	11,194	14,102	351	1,675	55,078

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

NOTE 8 - INVESTMENTS REPRESENTING COMMITMENTS IN UNIT-LINKED INVESTMENTS

In millions of euros	31.12.2019			31.12.2018		
	France	International	Total	France	International	Total
Variable-income securities and related securities		3	3		3	3
Bonds	2,672	262	2,934	2,551	397	2,948
Equity mutual fund units	6,327	198	6,525	5,220	171	5,391
Bond and other UCITS units	350	485	835	197	251	448
Other investments		96	96		145	145
Subtotal of unit-linked financial investments	**9,349**	**1,043**	**10,392**	**7,968**	**968**	**8,935**
Unit-linked investment property	105		105	110		110
Subtotal of unit-linked investment property	**105**		**105**	**110**		**110**
Total	**9454**	**1,043**	**10,497**	**8,077**	**968**	**9,045**

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

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

In millions of euros	31.12.2019					
	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	
Others						
Total	**138**	**(636)**			**138**	**(636)**

In millions of euros	31.12.2018					
	France		International		Total	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Swaps	114	(598)			114	(598)
Options						
Foreign currency futures		(3)				(3)
Others						
Total	**114**	**(601)**			**114**	**(601)**

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 2019 financial statements, they are recognised at fair value on the balance sheet as counterpart to the income statement.

The counterparty credit risk was taken into account when determining the fair value of the financial instruments, as per IFRS 13, but this had no significant impact on the fair value of the derivative instruments thanks to the “collateralisation” system put in place by the Group.

NOTE 10 – USES AND SOURCES OF FUNDS FOR BANKING SECTOR ACTIVITIES

NOTE 10.1 – USES OF FUNDS FOR BANKING SECTOR ACTIVITIES

In millions of euros	31.12.2019			31.12.2018		
	Gross value	Reserves	Net value	Gross value	Reserves	Net value
Petty cash, central banks and postal accounts						
Financial assets at fair value through income	96		96	86		86
Hedging derivatives						
Available-for-sale financial assets	3		2	2		2
Loans and receivables on credit institutions	24		24	23		23
Loans and receivables on customers						
Revaluation difference of interest rate hedged portfolios						
Held-to-maturity financial assets						
Investment property						
Total	**122**		**121**	**112**		**112**

NOTE 10.2 – SOURCES FROM BANKING SECTOR ACTIVITIES

In millions of euros	31.12.2019	31.12.2018
Central banks, postal accounts		
Financial liabilities at fair value through income		
Hedging derivatives		
Debts to credit institutions		
Debts to customers	14	7
Debts represented by securities		
Revaluation difference of interest rate hedged portfolios		
Total	**14**	**7**

NOTE 11 – 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.

France's Banque Postale and Groupama Group have signed a non-binding framework agreement on the acquisition by the former of the 35% stake held by the latter. As per IFRS 5, La Banque Postale Assurances IARD is classed as a business due to be discontinued.

Compagnie Financière d'Orange Bank, 65%-held by Orange and 35%-held by the Groupama group, is the holding company that holds Orange Bank, a 100% mobile online bank.

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

In millions of euros	31.12.2019		31.12.2018	
	Equivalent value	Share of income	Equivalent value	Share of income
Banque Postale Assurances IARD			114	(1)
Orange Bank	155	(63)	234	(59)
STAR	69	3	61	1
GROUPAMA - AVIC Property Insurance Co.	75	(4)	77	4
Compagnie Financière d'Orange Bank				
Total	**299**	**(64)**	**485**	**(56)**

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

This analysis showed a shortfall of €81 million for the Orange Bank subsidiary, for which a share impairment provision was recognised in the 31 December 2019 financial statements.

NOTE 11.1 – SIGNIFICANT DATA PURSUANT TO IFRS 12

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.

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

[1] Actual data [2] Estimated data for income and earnings / Actual data at December 2017 for the balance sheet

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

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

In millions of euros	31.12.2019			31.12.2018		
	France	International	Total	France	International	Total
Share of reinsurers in non-life insurance reserves						
Reserves for unearned premiums	10	21	31	11	16	26
Outstanding claims reserves	682	85	767	628	80	708
Other underwriting reserves	351	1	352	354	1	355
Total	**1,043**	**107**	**1,150**	**993**	**96**	**1,089**
Share of reinsurers in life insurance reserves						
Life insurance reserves	28	2	30	23	2	26
Outstanding claims reserves	18	2	21	23	3	25
Reserves for profit-sharing	16		16	15		15
Other underwriting reserves						
Total	**63**	**4**	**67**	**61**	**5**	**65**
Share of reinsurers in financial contract reserves						
Total	**1,106**	**111**	**1,217**	**1,054**	**101**	**1,154**

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

In millions of euros	31.12.2019			31.12.2018		
	France	International	Total	France	International	Total
Share of reinsurers in opening reserves for claims	**628**	**80**	**708**	**807**	**87**	**894**
Portfolio transfers and changes in scope of consolidation						
Share of reinsurers in total claims expense	219	46	265	52	24	75
Share of reinsurers in total payments	(165)	(39)	(204)	(231)	(25)	(256)
Foreign exchange variation		(2)	(2)		(5)	(5)
Share of reinsurers in closing reserves for claims	**682**	**85**	**767**	**628**	**80**	**708**

NOTE 13 – OTHER PROPERTY, PLANT AND EQUIPMENT

NOTE 13.1 – CHANGE IN OTHER PROPERTY, PLANT AND EQUIPMENT

In millions of euros	31.12.2019				31.12.2018		
	Other property, plant and equipment	Other long-term operating assets	Right of use	Total	Other property, plant and equipment	Other long-term operating assets	Total
Opening gross value	**741**	**62**		**803**	**743**	**55**	**798**
Acquisitions	75	2	2	78	71	8	79
Changes in consolidation scope	1			1			
Assets capitalised in the year	(1)			(1)	4		4
Foreign exchange adjustment	(1)			(1)	(3)		(3)
Outward reinsurance	(30)	(1)		(31)	(74)		(74)
Closing gross value	**784**	**62**	**2**	**848**	**741**	**62**	**803**
Opening cumulative amortisation	**(546)**			**(546)**	**(560)**		**(560)**
Increase	(48)		(1)	(49)	(56)		(56)
Changes in consolidation scope							
Foreign exchange adjustment	1			1	2		2
Decrease	24			24	68		68
Closing cumulative amortisation & impairment	**(570)**		**(1)**	**(570)**	**(546)**		**(546)**
Opening cumulative long-term impairment	**(1)**			**(1)**	**(2)**		**(2)**
Long-term impairment recognised							
Changes in consolidation scope							
Foreign exchange adjustment							
Long-term impairment write-backs					1		1
Closing cumulative long-term impairment	**(1)**			**(1)**	**(1)**		**(1)**
Opening net value	**194**	**62**		**256**	**182**	**55**	**236**
Closing net value	**213**	**62**	**2**	**277**	**194**	**62**	**256**
Closing fair value of other property, plant and equipment	**212**	**132**	**2**	**346**	**194**	**138**	**333**
Unrealised capital gains (losses)	**(1)**	**70**	**0**	**69**	**0**	**76**	**76**

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

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

In millions of euros	31.12.2019								
	Other property, plant and equipment			Other long-term operating assets			User rights		
	France	Inter-national	Total	France	Inter-national	Total	France	Inter-national	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**

In millions of euros	31.12.2018								
	Other property, plant and equipment			Other long-term operating assets			User rights		
	France	Inter-national	Total	France	Inter-national	Total	France	Inter-national	Total
Gross value	638	103	741	62		62			
Cumulative amortisation & impairment	(461)	(84)	(546)						
Long-term impairment	(1)		(1)						
Closing net value	**175**	**19**	**194**	**62**		**62**			
Closing fair value of investment property	**175**	**19**	**194**	**138**		**138**			
Unrealised capital gains (losses)	**0**	**0**	**0**	**76**		**76**			

NOTE 14 – DEFERRED ACQUISITION COSTS

In millions of euros	31.12.2019			31.12.2018		
	Gross	Deferred profit-sharing	Net	Gross	Deferred profit-sharing	Net
Non-life insurance policies	176		176	168		168
Life insurance policies and financial contracts with discretionary profit sharing	21		21	22		22
France	**197**		**197**	**190**		**190**
Non-life insurance policies	51		51	49		49
Life insurance policies and financial contracts with discretionary profit sharing	16	(2)	14	20	(3)	17
International	**67**	**(2)**	**65**	**69**	**(3)**	**66**
Total deferred acquisition costs	**265**	**(2)**	**262**	**259**	**(3)**	**256**

NOTE 15 – DEFERRED TAXES

NOTE 15.1 – DEFERRED TAX ASSETS - BY OPERATING SEGMENT

In millions of euros	31.12.2019			31.12.2018
	France	International	Total	Total
Deferred tax assets	46	18	64	39
Total	**46**	**18**	**64**	**39**

NOTE 15.2 – DEFERRED TAX LIABILITIES – BY OPERATING SEGMENT

In millions of euros	31.12.2019			31.12.2018
	France	International	Total	Total
Deferred tax liabilities	395	3	398	73
Total	**395**	**3**	**398**	**73**

NOTE 15.3 – ANALYSIS OF THE MAJOR COMPONENTS OF DEFERRED TAXES

In millions of euros	31.12.2019	31.12.2018
Deferred taxes resulting from timing differences		
Restatements on AFS & Trading financial instruments (net of deferred profit sharing)	(718)	(357)
Life acquisition costs and overall management expenses reserve	(39)	(36)
Consolidation restatements on technical reserves	(233)	(154)
Other differences on consolidation restatements	41	112
Deferred non-life acquisition costs	(57)	(54)
Tax differences on technical reserves and other contingent liabilities	409	376
Tax-deferred capital gains	(4)	(5)
Valuation difference on mutual funds	135	64
Foreign exchange hedge	6	7
Other temporary tax differences	78	(17)
Subtotal of deferred taxes resulting from timing differences	**(382)**	**(64)**
Deferred taxes from stocks of ordinary losses	**49**	**30**
Deferred taxes recorded on the balance sheet	**(334)**	**(34)**
of which, assets	64	39
of which, liabilities	(398)	(73)

Deferred tax assets from ordinary losses amounted to €49 million at 31 December 2019, compared with €30 million at 31 December 2018, an increase of €19 million.

Unrecognised deferred taxes on net assets amounted to €15 million at 31 December 2019, compared with €10 million at 31 December 2018.

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

NOTE 16 – RECEIVABLES FROM INSURANCE OR INWARD REINSURANCE TRANSACTIONS

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

In millions of euros	31.12.2019							31.12.2018
	France			International			Total	Total
	Gross value	Reserves	Net value	Gross value	Reserves	Net value		
Earned unwritten premiums	1,086		1,086	17		17	1,103	964
Policyholders, intermediaries, and other third parties	1,078	(21)	1,057	342	(47)	295	1,352	1,328
Current accounts – co-insurers and other third parties	85	(6)	79	50	(32)	18	97	127
Current accounts for ceding and retroceding companies and other receivables from inward reinsurance operations	192		192	1		1	193	195
Total	**2,441**	**(27)**	**2,414**	**410**	**(79)**	**330**	**2,744**	**2,614**

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

In millions of euros	31.12.2019				31.12.2018			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Earned unwritten premiums	1,105	(2)		1,103	969	(4)		964
Policyholders, intermediaries, and other third parties	1,298	48	6	1,352	1,271	52	5	1,328
Current accounts – co-insurers and other third parties	95	2		97	120	7		127
Current accounts for ceding and retroceding companies and other receivables from inward reinsurance operations	132	57	4	193	183	9	4	195
Total	**2,630**	**105**	**10**	**2,744**	**2,542**	**64**	**9**	**2,614**

NOTE 17 – RECEIVABLES FROM OUTWARD REINSURANCE TRANSACTIONS

In millions of euros	31.12.2019			31.12.2018
	Gross value	Reserves	Net value	Net value
Outward reinsurer and retrocessionaire current accounts	60	(1)	59	29
Other receivables from reinsurance transactions	118	(1)	117	138
Total	**179**	**(3)**	**176**	**167**

NOTE 17.1 – RECEIVABLES FROM OUTWARD REINSURANCE TRANSACTIONS – BY MATURITY

In millions of euros	31.12.2019				31.12.2018			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Outward reinsurer and retrocessionaire current accounts	57	2		59	29			29
Other receivables from reinsurance transactions	117			117	138			138
Total	**174**	**2**		**176**	**167**			**167**

NOTE 18 – 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	31.12.2019						
	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**

In millions of euros	31.12.2018						
	AAA	AA	A	BBB	< BBB	Not rated	Total
Share of reinsurers in non-life insurance reserves		908	75		6	100	1,089
Share of reinsurers in life insurance reserves		12	17			36	65
Share of reinsurers in reserves for financial contracts with discretionary profit sharing							
Share of reinsurers in reserves for financial contracts without discretionary profit sharing							
Receivables from outward reinsurance operations		42	5			120	167
Total		**962**	**97**		**6**	**257**	**1,322**

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 19 – CURRENT TAX RECEIVABLES AND OTHER TAX RECEIVABLES

NOTE 19.1 – CURRENT TAX RECEIVABLES AND OTHER TAX RECEIVABLES – BY MATURITY

In millions of euros	31.12.2019				31.12.2018			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Tax claims	37			37	104			104
Other receivables from state and local authorities	206			206	189			189
Total	**243**			**243**	**293**			**293**

NOTE 19.2 – CURRENT TAX RECEIVABLES AND OTHER TAX RECEIVABLES – BY OPERATING SEGMENT

In millions of euros	31.12.2019			31.12.2018		
	France	International	Total	France	International	Total
Tax claims	10	27	37	80	24	104
Other receivables from state and local authorities	81	124	206	99	90	189
Total	**92**	**151**	**243**	**178**	**115**	**293**

NOTE 20 – OTHER RECEIVABLES

In millions of euros	31.12.2019			31.12.2018
	Gross value	Reserves	Total	Total
Accrued interest not yet due	641		641	668
Due from employees	10		10	10
Social welfare bodies	13		13	13
Other debtors	1,754	(36)	1,718	1,650
Other receivables	403		403	328
Total	**2,821**	**(36)**	**2,785**	**2,669**

NOTE 20.1 – OTHER RECEIVABLES – BY MATURITY

In millions of euros	31.12.2019				31.12.2018			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Accrued interest not yet due	641			641	668			668
Due from employees	10			10	10			10
Social welfare bodies	13			13	13			13
Other debtors	1,656	29	34	1,718	1,595	30	26	1,650
Other receivables	403			403	328			328
Total	**2,723**	**29**	**34**	**2,785**	**2,613**	**30**	**26**	**2,669**

NOTE 20.2 – OTHER RECEIVABLES – BY OPERATING SEGMENT

In millions of euros	31.12.2019			31.12.2018		
	France	International	Total	France	International	Total
Accrued interest not yet due	579	62	641	603	64	668
Due from employees	9	1	10	9	1	10
Social welfare bodies	11	2	13	13		13
Other debtors	1,681	38	1,718	1,615	35	1,650
Other receivables	361	42	403	275	53	328
Total	**2,641**	**145**	**2,785**	**2,515**	**154**	**2,669**

NOTE 21 – CASH AND CASH EQUIVALENTS

NOTE 21.1 – CASH AND CASH EQUIVALENTS RECOGNISED AS BALANCE SHEET ASSETS

In millions of euros	31.12.2019	31.12.2018
France	1,204	1,074
International	129	130
Total	**1,333**	**1,204**

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

NOTE 21.2 – CASH RECOGNISED AS A BALANCE SHEET LIABILITY

In millions of euros	31.12.2019				31.12.2018			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Operating debts to banking sector companies	120			120	94			94
Total	**120**			**120**	**94**			**94**

In millions of euros	31.12.2019			
	Currencies		Rate	
	Eurozone	Non-eurozone	Fixed rate	Variable rate
Operating debts to banking sector companies	120		120	
Total	**120**		**120**	

NOTE 22 – SHAREHOLDERS' EQUITY, MINORITY INTERESTS

NOTE 22.1 – SHARE CAPITAL LIMITS FOR INSURANCE COMPANIES

Insurance business operations are governed by regulatory constraints that define minimum share capital or initial capital in particular. In France, in accordance with the European directive and by virtue of articles R322-5 and R322-44 of the French insurance code, French companies subject to State 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 prudential rules known as "Solvency 2", introduced by the European directive 2009/138/EC of 25 November 2009. It obliges insurance companies to continuously comply with requirements relating to the minimum capital requirement (Article L352-5 of the French insurance code) and the solvency capital requirement (Article L352-1 of the French insurance code) calculated in accordance with the provisions of delegated regulation no. 2015/35. This obligation also exists abroad, 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 22.2 – IMPACTS OF TRANSACTIONS WITH MEMBERS

- **Changes in the Group's shareholders' equity during fiscal year 2019**

During fiscal year 2019, regional mutuals issued mutual certificates to their members and customers for €60 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	28/05/2014	28/05/2024	Fixed	6.375%	yes

This loan presents the following particular features:
- unlimited term;
- the ability to defer or cancel any interest payment to 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 22.3 – RESERVES RELATED TO CHANGES IN FAIR VALUE RECORDED IN SHAREHOLDERS' EQUITY

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

In millions of euros	31.12.2019	31.12.2018
Gross unrealised capital gains/losses on available-for-sale assets	8,660	5,844
Shadow accounting	(5,736)	(4,212)
Cash flow hedge and other changes	(40)	(40)
Deferred taxes	(608)	(304)
Share of non-controlling interests	(4)	(3)
Revaluation reserve – Group share	**2,272**	**1,285**

The deferred tax amount shown in the table above equates to the application of i) a short-term and long-term tax rate on the unrealised gains on financial instruments classified as "available-for-sale assets"; and ii) a short-term tax rate on deferred profit sharing ("shadow accounting"). Under the new rules for long-term capital gains (losses) applicable from 1 January 2006, 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 3.84%).

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

NOTE 23 – CONTINGENT LIABILITIES

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 scope of consolidation and changes in accounting methods					1	1	1
Allocations for the period	143	60	203	4	19	23	227
Write-backs for the year	(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.

In millions of euros	31.12.2018						
	France			International			Total
	Reserves for pensions and similar obligations	Other contingent liabilities (1)	Total	Reserves for pensions and similar obligations	Other contingent liabilities (1)	Total	
Opening balance	**397**	**215**	**613**	**33**	**46**	**80**	**692**
Changes in the scope of consolidation and changes in accounting methods							
Allocations for the period	129	54	183	4	12	16	200
Write-backs for the year	(148)	(123)	(271)	(7)	(14)	(21)	(292)
Foreign exchange variation				(1)		(1)	(1)
Closing balance	**379**	**146**	**525**	**30**	**44**	**73**	**598**

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

At 31 December 2019, other contingent liabilities included €1 million of badwill (negative goodwill) on the Bulgarian subsidiary Express Life, a newcomer to the Group. The Group is required by the regulations to evaluate and permanently allocate this badwill within one year of the date of acquisition.

NOTE 24 – INFORMATION PERTAINING TO PERSONNEL BENEFITS – DEFINED-BENEFIT PLANS

NOTE 24.1 – PRINCIPAL ACTUARIAL ASSUMPTIONS

In millions of euros	31.12.2019				31.12.2018			
	France	United Kingdom	Others	Total	France	United Kingdom	Others	Total
Actuarial debt	419	384	31	833	384	351	34	768
Fair value of hedging assets	20	384		404	24	336		360
Net actuarial debt	**399**	**0**	**31**	**429**	**360**	**15**	**34**	**408**
Principal actuarial assumptions								
Financial assumptions								
Discount rate	0.70%	2.00%	NS		1.60%	2.90%	NS	
Yield expected from plan assets	0.70%	2.00%	NS		1.60%	2.90%	NS	
Expected salary/pension increase	1.85%	2.60%	NS		1.86%	3.20%	NS	
Staff turnover								
- 18 to 34 years	4.79%	NA	NS		4.60%	NA	NS	
- 35 to 44 years	2.24%	NA	NS		2.11%	NA	NS	
- 45 to 54 years	0.91%	NA	NS		1.10%	NA	NS	
- 55 and older	0.01%	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 divestment of the subsidiary in 2012.

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

The discount rate used at 31 December 2019 to value actuarial commitments is the interest rate on high-quality corporate bonds.

NOTE 24.2 – RESERVE FOR PENSIONS

NOTE 24.2.1 – RESERVE FOR PENSIONS – CHANGE IN THE ACTUARIAL VALUE OF THE DEBT

In millions of euros	31.12.2019			31.12.2018		
	Post-employment benefits	Other long-term benefits	Total	Post-employment benefits	Other long-term benefits	Total
Opening actuarial debt	**685**	**83**	**768**	**740**	**87**	**827**
Cost of past services	18	7	25	15	7	23
Interest payable	14	1	15	13	1	14
Revaluations of actuarial debt						
Actuarial differences arising from changes in demographic assumptions	(6)		(7)	(5)		(5)
Actuarial differences resulting from changes in financial assumptions	54	5	60	(30)	(3)	(33)
Experience-related adjustments	(10)	(5)	(15)	(10)	(5)	(15)
Benefits paid directly by the employer	(10)	(5)	(15)	(13)	(4)	(17)
Benefits paid by hedging assets	(19)		(19)	(20)		(20)
Cost of past services and profit/loss on liquidation						
Changes in consolidation scope						
Change in exchange rates	18		18	(5)		(5)
Others	3		3		1	1
Closing actuarial debt	**747**	**86**	**833**	**685**	**83**	**768**

NOTE 24.2.2 – RESERVE FOR PENSIONS – CHANGE IN THE FAIR VALUE OF HEDGING ASSETS

In millions of euros	31.12.2019			31.12.2018		
	Post-employment benefits	Other long-term benefits	Total	Post-employment benefits	Other long-term benefits	Total
Opening fair value of hedging assets	**360**		**360**	**397**		**397**
Interest income	10		10	9		9
Revaluations of hedging assets						
Portion of yield on hedging assets in excess of the discount rate	32		32	(23)		(23)
Change in effect of asset cap						
Benefits paid	(22)		(22)	(20)		(20)
Employer contributions	6		6	6		6
Employee contributions						
Changes in consolidation scope						
Change in exchange rates	17		17	(3)		(3)
Others	1		1	(6)		(6)
Closing fair value of hedging assets	**404**		**404**	**360**		**360**

NOTE 24.3 – POST-EMPLOYMENT BENEFITS RECOGNISED THROUGH THE INCOME STATEMENT AND PROFITS/LOSSES RECOGNISED DIRECTLY THROUGH SHAREHOLDERS' EQUITY

In millions of euros	31.12.2019	31.12.2018
Cost of services:		
Cost of past services	(18)	(15)
Cost of past services and profit/loss on liquidation		
Net interest on net actuarial debt	(4)	(4)
Others		
Component of the expense recognised on the income statement	**(22)**	**(19)**
Revaluation of net actuarial debt:		
Portion of return on hedging assets not recognised in the income statement	32	(23)
Actuarial differences arising from changes in demographic assumptions	6	5
Actuarial differences resulting from changes in financial assumptions	(54)	30
Experience-related adjustments	10	10
Change in effect of asset cap		
Component of the expense recognised through profit/losses posted directly under shareholders' equity	**(6)**	**23**

NOTE 24.4 – INFORMATION PERTAINING TO EMPLOYEE BENEFITS – DISTRIBUTION OF HEDGING ASSETS

In millions of euros	31.12.2019	31.12.2018
Equities	60	209
Bonds		76
Others	344	75
Closing fair value of assets	**404**	**360**

NOTE 24.5 – SENSITIVITY ANALYSIS

The sensitivity to an increase of 50 basis points in the discount rate is -6.4% on the total gross actuarial debt for France, and -7.5% for the United Kingdom.

Sensitivity to social commitments in relation to illness cover: at 31 December 2019, 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 -5.0%.

NOTE 25 – FINANCING LIABILITIES

NOTE 25.1 – FINANCING LIABILITIES – BY MATURITY

In millions of euros	31.12.2019				31.12.2018			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Subordinated debt of insurance companies			1,630	1,630			1,633	1,633
Financing debt represented by securities								
Financing debt with banking-sector companies	2	3		5	2	5		6
Total	**2**	**3**	**1,630**	**1,634**	**2**	**5**	**1,633**	**1,639**

On 16 September 2019, Groupama Assurances Mutuelles issued a 10-year redeemable subordinated bond for a nominal €500 million at a fixed rate de 2.125%.

On 27 September 2019, Groupama Assurances Mutuelles redeemed a redeemable bond for a nominal €500 million at a fixed rate de 7.88%.

Following this operation, the redeemable subordinated debts classified as "financing liabilities" break down 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 2019, the rating:

- for the 2017 issue stood at 127.2%, compared with 111.2% at 31 December 2018;
- for the 2018 issue stood at 110.5%, compared with 92.3% at 31 December 2018;
- for the 2019 issue was 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 liabilities. Interest costs net of tax are recognised in the income statement.

"Financing liabilities to banking sector companies" amounted to €5 million. It was down by €1 million.

NOTE 25.2 – FINANCING LIABILITIES – BY CURRENCY AND RATE

In millions of euros	31.12.2019			
	Currencies		Rate	
	Eurozone	Non-eurozone	Fixed rate	Variable rate
Subordinated debt of insurance companies	1,630		1,630	
Financing debt represented by securities				
Financing debt with banking-sector companies	5		5	
Total	**1,634**		**1,634**	

NOTE 26 – LIABILITIES RELATED TO INSURANCE POLICIES

NOTE 26.1 – LIABILITIES RELATED TO INSURANCE POLICIES – BY OPERATING SEGMENT

In millions of euros	31.12.2019			31.12.2018		
	France	International	Total	France	International	Total
Gross technical reinsurance reserves						
Life insurance reserves	31,925	737	32,662	31,787	759	32,546
Outstanding claims reserves	647	50	696	622	67	690
Reserves for profit-sharing	649	2	651	552	3	555
Other underwriting reserves	9	10	19	3	18	21
Total Life insurance	**33,229**	**798**	**34,028**	**32,965**	**847**	**33,812**
Reserves for unearned premiums	1,166	639	1,806	1,125	676	1,802
Outstanding claims reserves	9,891	2,202	12,093	9,607	2,079	11,686
Other underwriting reserves	3,413	42	3,455	3,567	35	3,602
Total Non-life insurance	**14,471**	**2,883**	**17,354**	**14,299**	**2,790**	**17,090**
Life insurance reserves for unit-linked policies	9,862	1,082	10,943	8,480	999	9,479
Total	**57,562**	**4,763**	**62,325**	**55,744**	**4,636**	**60,380**

The adequacy tests carried out on liabilities as at 31 December 2019 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 outstanding claims reserve totalled €12,093 million at 31 December 2019. 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 €729 million at 31 December 2019. 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.

- Evaluation of non-life technical reserves

Non-life technical reserves relatives to annuities in service or capital comprising annuities are discounted in accordance with the stipulations of relevant provisions. Until 31 December 2018, a significant portion of these annuities was discounted using 60% or 75% (depending on the segment concerned) of the average TME rate in France over the last 24 months.

Against a backdrop of low rates, this benchmark results in excessive prudence being built in to the Group's financial statements. Relying on the provisions of IFRS 4 accounting standards which themselves are based, for these items, on the provisions of CRC (French accounting standards committee) regulation 2000-05, the Group decided to expand the use of 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).

The effect of these measures is a gross positive impact of €254 million. Growth in non-life claim reserves between 2018 and 2019 is mainly a result of strengthening the prudence level used for certain reserves in France and Internationally.

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NOTE 26.2 – LIABILITIES RELATED TO INSURANCE POLICIES BY BUSINESS

NOTE 26.2.1 – TECHNICAL LIABILITIES RELATED TO INSURANCE POLICIES BY BUSINESS – FRANCE

In millions of euros	31.12.2019			31.12.2018		
	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	31,925		31,925	31,787		31,787
Outstanding claims reserves	647		647	622		622
Reserves for profit-sharing	649		649	552		552
Other underwriting reserves	9		9	3		3
Total Life insurance	**33,229**		**33,229**	**32,965**		**32,965**
Reserves for unearned premiums	169	997	1,166	152	973	1,125
Outstanding claims reserves	1,156	8,735	9,891	1,095	8,512	9,607
Other underwriting reserves	2,782	631	3,413	2,797	769	3,567
Total Non-life insurance	**4,107**	**10,364**	**14,471**	**4,045**	**10,255**	**14,299**
Life insurance reserves for unit-linked policies	9,862		9,862	8,480		8,480
Total	**47198**	**10,364**	**57,562**	**45,489**	**10,255**	**55,744**

NOTE 26.2.2 – LIABILITIES RELATED TO INSURANCE POLICIES BY BUSINESS – INTERNATIONAL

In millions of euros	31.12.2019			31.12.2018		
	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	737		737	759		759
Outstanding claims reserves	50		50	67		67
Reserves for profit-sharing	2		2	3		3
Other underwriting reserves	10		10	18		18
Total Life insurance	**798**		**798**	**847**		**847**
Reserves for unearned premiums	59	580	639	60	616	676
Outstanding claims reserves	102	2,100	2,202	89	1,990	2,079
Other underwriting reserves	11	30	42	9	26	35
Total Non-life insurance	**172**	**2,711**	**2,883**	**158**	**2,632**	**2,790**
Life insurance reserves for unit-linked policies	1,082		1,082	999		999
Total	**2052**	**2,711**	**4,763**	**2,004**	**2,632**	**4,636**

NOTE 26.3 – BREAKDOWN OF TECHNICAL RESERVES FOR INSURANCE POLICIES - BY MAIN CATEGORIES

In millions of euros	31.12.2019			31.12.2018		
	Gross life insurance reserves	Gross outstanding claims reserves	Total	Gross life insurance reserves	Gross outstanding claims reserves	Total
Single-premium policies						
Capitalisation	10	11	21	12	12	24
Individual insurance	12,779	91	12,870	12,252	97	12,349
Group policies	168	3	171	170	5	175
Others	138		138	135		135
Total reserves for single-premium policies	**13,096**	**105**	**13,201**	**12,570**	**114**	**12,683**
Periodic premium policies						
Capitalisation	139	2	141	146	3	149
Individual insurance	6,095	218	6,313	6,395	228	6,623
Group policies	7,882	334	8,216	7,994	317	8,310
Others	2,656	3	2,659	2,652	2	2,654
Total reserves for periodic premium policies	**16,772**	**557**	**17,330**	**17,186**	**550**	**17,737**
Inward reinsurance	**2,793**	**34**	**2,827**	**2,790**	**26**	**2,816**
Total	**32,662**	**696**	**33,358**	**32,546**	**690**	**33,236**

In millions of euros	31.12.2019			31.12.2018		
	Reserves for unearned premiums	Outstanding claims reserves	Total	Reserves for unearned premiums	Outstanding claims reserves	Total
Non-life insurance						
Motor	782	5,043	5,825	808	4,955	5,763
Bodily injury	236	1,465	1,701	223	1,471	1,693
Property damage	491	2,550	3,041	477	2,335	2,811
General third party liability	52	511	563	52	517	569
Marine, aviation, transport	8	77	85	8	87	94
Other risks	218	1,936	2,154	219	1,838	2,056
Inward reinsurance	**19**	**511**	**531**	**15**	**485**	**500**
Total non-life reserves	**1,806**	**12,093**	**13,899**	**1,802**	**11,686**	**13,488**

NOTE 26.4 – CHANGE IN RESERVES FOR NON-LIFE CLAIMS PAYABLE

In millions of euros	31.12.2019			31.12.2018		
	France	International	Total	France	International	Total
Opening reserves for non-life claims	**9,607**	**2,079**	**11,686**	**9,342**	**2,135**	**11,477**
Changes in consolidation scope		**1**	**1**			
Claims expense for the current year	6,855	1,316	8,170	6,686	1,260	7,946
Claims expense for prior years	(337)	68	(268)	(180)	(34)	(214)
Total claims expense	**6,518**	**1,384**	**7,902**	**6,506**	**1,226**	**7,732**
Claims payments for the current year	(3,266)	(599)	(3,864)	(3,256)	(586)	(3,842)
Claims payments for prior years	(2,969)	(636)	(3,605)	(2,985)	(628)	(3,614)
Total payments	**(6,235)**	**(1,235)**	**(7,470)**	**(6,241)**	**(1,214)**	**(7,455)**
Foreign exchange variation		**(26)**	**(26)**		**(68)**	**(67)**
Closing reserves for non-life claims	**9,891**	**2,202**	**12,093**	**9,607**	**2,079**	**11,686**

NOTE 26.5 – IMPACT OF GROSS CLAIMS

In millions of euros	2015	2016	2017	2018	2019
Estimate of the claims expense					
End N	6,934	7,614	7,726	7,838	8,161
End N+1	6,844	7,496	7,875	7,853	
End N+2	6,926	7,415	7,743		
End N+3	6,848	7,312			
End N+4	6,753				
Claims expense	**6,753**	**7,312**	**7,743**	**7,853**	**8,161**
Cumulative claims payments	**6,127**	**6,422**	**6,491**	**6,064**	**3,859**
Outstanding claims reserves	**627**	**890**	**1,251**	**1,789**	**4,302**
Earned premiums	**9,757**	**9,962**	**10,242**	**10,604**	**10,840**
S/P	**69.2%**	**73.4%**	**75.6%**	**74.1%**	**75.3%**

The statement of claim trends shows changes in estimates of the gross claims expense per year of occurrence covering the years 2015 to 2019, 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 26.6 - IMPACT OF THE DISCOUNT IN ACTUARIAL RESERVES FOR NON-LIFE ANNUITIES BY OPERATING SEGMENT

GROSS VALUE

In millions of euros	31.12.2019			31.12.2018		
	France	International	Total	France	International	Total
Closing non-life annuity actuarial reserves (net of recoveries)	**2,490**	**20**	**2,511**	**2,619**	**21**	**2,640**
Closing non-life annuity actuarial reserves (net of recoveries) before change in discount rate	2,629	20	2,650	2,660	21	2,681
Closing non-life annuity actuarial reserves (net of recoveries) excluding technical interest	2,786	20	2,806	2,800	21	2,821
Technical interest	(156)		(156)	(140)		(140)
Impact of change in discount rate	(139)		(139)	(41)		(41)

PROPORTION CEDED

In millions of euros	31.12.2019			31.12.2018		
	France	International	Total	France	International	Total
Share of reinsurers in non-life annuity actuarial reserves carried forward (net of recoveries)	**317**	**(1)**	**317**	**313**		**313**
Share of reinsurers in non-life annuity actuarial reserves carried forward (net of recoveries) before change in discount rate	326	(1)	325	315		315
Share of reinsurers in non-life annuity actuarial reserves carried forward (net of recoveries) excluding technical interest	336	(1)	336	323		323
Technical interest	(11)		(11)	(8)		(8)
Impact of change in discount rate	(8)		(8)	(1)		(1)

NOTE 27 – TECHNICAL LIABILITIES RELATING TO FINANCIAL CONTRACTS

In millions of euros	31.12.2019	31.12.2018
Reserves on financial contracts with discretionary profit sharing		
Life technical reserves	11,546	12,108
Reserves for unit-linked contracts	64	59
Outstanding claims reserves	104	104
Reserves for profit-sharing	239	223
Other underwriting reserves		
Total	**11,954**	**12,495**
Reserves on financial contracts without discretionary profit sharing		
Life technical reserve		
Reserves for unit-linked contracts	165	148
Outstanding claims reserves	1	1
Reserves for profit-sharing		
Other underwriting reserves		
Total	**166**	**148**
Total	**12,120**	**12,643**

NOTE 27.1 – LIABILITIES RELATED TO FINANCIAL CONTRACTS (EXCLUDING UNIT-LINKED) BY OPERATING SEGMENT

In millions of euros	31.12.2019			31.12.2018		
	France	International	Total	France	International	Total
Life financial contract reserves	9,614	1,932	11,546	10,238	1,870	12,108
Outstanding claims reserves	92	12	105	91	14	105
Profit-sharing reserves	239		239	223		223
Other underwriting reserves						
Total	**9,946**	**1,945**	**11,890**	**10,553**	**1,884**	**12,436**

The decrease in technical reserves on life financial contracts is mainly attributable by the transformation in single investment vehicle (euro-denominated) polices into multi-vehicle policies.

NOTE 27.2 – BREAKDOWN OF LIABILITIES RELATED TO FINANCIAL CONTRACTS – BY MAJOR CATEGORY

In millions of euros	31.12.2019			31.12.2018		
	Life financial contract reserves	Gross outstanding claims reserves	Total	Life financial contract reserves	Gross outstanding claims reserves	Total
Single-premium policies						
Capitalisation	464	2	465	451	4	455
Individual insurance	10,471	81	10,553	11,083	82	11,165
Group policies	94		94	85		85
Others						
Total reserves for single-premium policies	**11,029**	**83**	**11,112**	**11,619**	**86**	**11,705**
Periodic premium policies						
Capitalisation	45	9	54	46	7	54
Individual insurance	271	12	283	276	12	287
Group policies	198		198	163		163
Others	3		3	3		3
Total reserves for periodic premium policies	**517**	**22**	**539**	**488**	**19**	**508**
Inward reinsurance						
Total Life Insurance reserves	**11,546**	**105**	**11,651**	**12,108**	**105**	**12,213**

NOTE 28 – CHANGE IN ACTUARIAL RESERVES FOR LIFE INSURANCE POLICIES AND FINANCIAL CONTRACTS – BY OPERATING SEGMENT

In millions of euros	31.12.2019			31.12.2018		
	France	International	Total	France	International	Total
Opening actuarial reserves	**42,026**	**2,630**	**44,657**	**42,763**	**2,614**	**45,377**
Premiums for the year	1,832	265	2,097	1,749	260	2,009
Interest credited	239	28	267	242	30	271
Profit sharing	598	21	618	739	23	762
Policies at term	(342)	(76)	(418)	(346)	(97)	(443)
Redemptions	(1,179)	(167)	(1,347)	(1,299)	(155)	(1,454)
Annuity arrears	(628)	(1)	(629)	(591)	(1)	(593)
Death benefits	(1,029)	(26)	(1,055)	(967)	(29)	(996)
Other movements including transfers	23	(4)	19	(264)	(14)	(279)
Closing actuarial reserves	**41,539**	**2,669**	**44,208**	**42,026**	**2,630**	**44,657**

NOTE 29 – DEFERRED PROFIT-SHARING LIABILITIES

In millions of euros	31.12.2019			31.12.2018		
	France	International	Total	France	International	Total
Reserve for deferred profit sharing of insurance policies	5,369	11	5,380	3,746	10	3,757
Reserve for deferred profit sharing of financial contracts		115	115		47	47
Total	**5,369**	**126**	**5,494**	**3,746**	**57**	**3,804**

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 GG Vie, this profit sharing rate is determined using a prospective sharing rate method based on the three-year business plan. It is advisable to note that this new method gives a result very close to the figure using a method based on the three last years.

The rates used in France at 31 December 2019 fall within a range between 77.63% and 87.60%, with 78.59% for Groupama Gan Vie.

NOTE 30 – LIABILITIES FROM INSURANCE OR INWARD REINSURANCE OPERATIONS

In millions of euros	31.12.2019				31.12.2018			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Policyholders, intermediaries, and other third parties	806	1		808	717	2		719
Co-insurers	56			57	97			97
Current accounts for ceding and retroceding companies and other liabilities from reinsurance transactions	83	4		87	87			87
Total	**946**	**5**		**951**	**901**	**2**		**903**

NOTE 31 – LIABILITIES FROM OUTWARD REINSURANCE ACTIVITIES

In millions of euros	31.12.2019				31.12.2018			
	< 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)	211	59		270	268	12		280
Other liabilities from reinsurance activities	50			50	32	1		33
Total	**261**	**59**		**320**	**300**	**13**		**313**

(1) Including deposits received from reinsurers

NOTE 32 – CURRENT TAXES PAYABLE AND OTHER TAX LIABILITIES

In millions of euros	31.12.2019				31.12.2018			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Corporate income tax	23			23	6			6
Other liabilities with state and local authorities	155	1		156	157	1		158
Total	**179**	**1**		**180**	**163**	**1**		**164**

Tax liabilities payable totalled €7 million at 31 December 2019 in respect of foreign companies.

Other tax liabilities in respect of international subsidiaries totalled €33 million at 31 December 2019.

NOTE 33 – IFRS 16 RENT LIABILITIES

NOTE 33.1 – IFRS 16 RENT LIABILITIES – BY OPERATING SEGMENT

In millions of euros	31.12.2019		
	France	International	Total
IFRS 16 rent liabilities	246	26	272
Total	**246**	**26**	**272**

NOTE 33.2 – IFRS 16 RENT LIABILITIES – BY MATURITY

In millions of euros	31.12.2019			
	< 1 year	1 to 5 years	> 5 years	Total
IFRS 16 rent liabilities	45	124	103	272
Total	**45**	**124**	**103**	**272**

NOTE 33.3 – IFRS 16 RENT LIABILITIES – BY CURRENCY AND RATE

In millions of euros	31.12.2019			
	Currencies		Rate	
	Eurozone	Non-eurozone	Fixed rate	Variable rate
IFRS 16 rent liabilities	267	5	272	
Total	**267**	**5**	**272**	

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.

Under assets, user rights on operational properties are shown under note 6 – Operational property. User rights on other property, plant and equipment under note 13 – Other property, plant and equipment. Notes 6 and 13 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 44 – Financing expenses.

Rent relating short-term leases and low-value goods are shown under note 39 – Operating expenses, in the line "External expenses".

It is advisable to note that the Group recognised no charge over the fiscal year relative 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 47)
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 2019 as off-balance sheet commitments for the amount of rent still to be paid during the notice year.

NOTE 34 – OTHER DEBTS

NOTE 34.1 – OTHER DEBTS – BY OPERATING SEGMENT

In millions of euros	31.12.2019			31.12.2018		
	France	International	Total	France	International	Total
Due to employees	341	10	350	341	7	347
Social welfare bodies	251	5	255	234	5	239
Other loans, deposits, and guarantees received	4,323	4	4,327	4,703	4	4,707
Other creditors	1,173	50	1,223	1,003	40	1,043
Other debts	213	23	236	240	27	267
Total	**6,301**	**90**	**6,391**	**6,520**	**83**	**6,603**

Note that the "Other loans, deposits, and guarantees received" item includes €4,222 million of in repo securities.

NOTE 34.2 – OTHER DEBT – BY MATURITY

In millions of euros	31.12.2019				31.12.2018			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Due to employees	325	8	18	350	323	7	17	347
Social welfare bodies	252	2	1	255	235	2	1	239
Other loans, deposits, and guarantees received	4,278	12	37	4,327	4,658	12	37	4,707
Other creditors	1,073	150		1,223	301	742		1,043
Other debts	236			236	267			267
Total	**6,163**	**172**	**56**	**6,391**	**5,784**	**763**	**55**	**6,603**

NOTE 34.3 – OTHER DEBT – BY CURRENCY AND RATE

In millions of euros	31.12.2019			
	Currencies		Rate	
	Eurozone	Non-eurozone	Fixed rate	Variable rate
Due to employees	345	5	350	
Social welfare bodies	255		255	
Other loans, deposits, and guarantees received	4,298	29	4,209	118
Other creditors	1,200	23	1,223	
Other debts	236		236	
Total	**6,334**	**57**	**6,273**	**118**

NOTE 35 – ANALYSIS OF PREMIUM INCOME

NOTE 35.1 – ANALYSIS OF INSURANCE PREMIUM INCOME BY MAJOR CATEGORY

In millions of euros	31.12.2019			31.12.2018		
	France	International	Total	France	International	Total
Individual retirement savings	1,797	442	2,239	1,826	458	2,284
Individual protection insurance	646	131	778	638	128	766
Individual health	1,306	64	1,369	1,273	59	1,332
Others	141		141	131		131
Individual life and health insurance	**3,890**	**637**	**4,527**	**3,868**	**645**	**4,513**
Group retirement savings	207	37	244	321	39	359
Group protection scheme	667	20	687	578	51	628
Group health	974	31	1,005	863	26	890
Others	373		373	315		315
Group life and health insurance	**2,221**	**88**	**2,309**	**2,076**	**116**	**2,192**
Life and health insurance	**6,111**	**725**	**6,836**	**5,944**	**761**	**6,705**
Motor	1,636	979	2,616	1,594	1,073	2,667
Other vehicles	89		89	91		91
Home	1,128	206	1,334	1,091	199	1,290
Personal and professional casualty	460	14	474	462	14	477
Construction	173		173	162		162
Private and professional	**3,487**	**1,199**	**4,686**	**3,400**	**1,286**	**4,686**
Fleets	464	52	516	449	53	501
Business and local authorities casualty	443	197	641	435	187	622
Businesses and local authorities	**908**	**249**	**1,157**	**884**	**240**	**1,123**
Agricultural risks	478	52	529	476	121	597
Climate risks	229		229	228		228
Tractors and farming equipment	295		295	289		289
Agricultural business lines	**1,002**	**52**	**1,054**	**992**	**121**	**1,114**
Other business lines	441	66	508	399	65	465
Property and casualty insurance	**5,837**	**1,567**	**7,404**	**5,676**	**1,712**	**7,388**
Total	**11,948**	**2,291**	**14,240**	**11,620**	**2,473**	**14,094**

NOTE 35.2 – ANALYSIS OF BANKING ITEMS CONTRIBUTING TO PREMIUM INCOME

In millions of euros	31.12.2019	31.12.2018
Interest and related income		
Commissions (income)	166	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		2
Total	**168**	**169**

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

NOTE 35.3 - ANALYSIS OF PREMIUM INCOME – BY BUSINESS

In millions of euros	31.12.2019					31.12.2018				
	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	6,111	5,837	168	12,116	84%	5,944	5,676	169	11,789	83%
Southern Europe	517	1,156		1,673	12%	551	1,334		1,885	13%
CEEC	208	410		618	4%	210	379		589	4%
Total	**6,836**	**7,404**	**168**	**14,407**	**100%**	**6,705**	**7,388**	**169**	**14,263**	**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 36 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES

NOTE 36.1 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES – BY OPERATING SEGMENT

In millions of euros	31.12.2019			31.12.2018		
	France	International	Total	France	International	Total
Interest on deposits and financial investment income	1,719	212	1,931	1,781	211	1,992
Gains on foreign exchange transactions	40	11	51	48	10	57
Income from differences on redemption prices as yet not received (premium/discount)	111	3	115	111	3	114
Income from property	121		121	115		115
Other investment income						
Income from investments	**1,991**	**227**	**2,218**	**2,055**	**223**	**2,278**
Interest on deposits received from reinsurers				(1)		(1)
Losses on foreign exchange transactions	(41)	(8)	(48)	(31)	(8)	(39)
Amortisation of differences in redemption prices (premium-discount)	(213)	(25)	(238)	(230)	(29)	(258)
Depreciation and reserves on property	(84)	(6)	(90)	(64)	(1)	(66)
Management expenses	(307)	(15)	(322)	(333)	(15)	(347)
Investment expenses	**(644)**	**(55)**	**(699)**	**(659)**	**(53)**	**(712)**
Held for trading	(31)	2	(29)	(55)	13	(42)
Available-for-sale	161	13	174	194	6	199
Held to maturity						
Others	558	1	558	350	1	351
Capital gains (losses) from sales of investments, net of impairment reversals and write-backs	**687**	**16**	**703**	**488**	**20**	**508**
Held for trading	1	26	27	(118)	(33)	(151)
Derivatives	(25)		(25)	63		62
Adjustments on unit-linked policies	1,424	46	1,470	(708)	(22)	(730)
Change in fair value of financial instruments recorded at fair value by income	**1,399**	**72**	**1,471**	**(763)**	**(55)**	**(818)**
Available-for-sale	(7)	(2)	(9)	(9)	(1)	(10)
Held to maturity						
Receivables and loans				1		1
Change in impairment losses on financial instruments	**(7)**	**(2)**	**(9)**	**(8)**	**(1)**	**(9)**
Total	**3,426**	**258**	**3,684**	**1,113**	**135**	**1,248**

NOTE 36.2 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES (INCOME BREAKDOWN BY TYPE OF ASSET)

In millions of euros	31.12.2019					31.12.2018				
	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	30	558		1	590	60	351		(10)	401
Equities	99	53		(2)	150	57	62		(5)	114
Bonds	1,361	47	24	(5)	1,428	1,434	68	(51)	(5)	1,446
Equity mutual funds	155	82	(14)	(2)	221	145	66	(62)		149
Mutual funds: Cash from repurchase agreements		(13)	(3)		(16)		(15)	(2)		(17)
Other cash mutual funds		(7)	(1)		(8)		(9)	(3)		(12)
Bond mutual funds	51	(33)	69	(1)	85	54	(22)	(50)		(19)
Derivatives			(25)		(25)			62		62
Other investment income	193	15	(48)		160	215	7	18	1	241
Investment income	**1,889**	**703**	**2**	**(8)**	**2,585**	**1,964**	**508**	**(88)**	**(19)**	**2,366**
Internal and external management expenses and expenses on financial instruments	(315)				(315)	(337)				(337)
Other investment expenses	(56)				(56)	(52)				(52)
Investment expenses	**(371)**				**(371)**	**(388)**				**(388)**
Financial income net of expenses	**1,518**	**703**	**2**	**(8)**	**2,214**	**1,576**	**508**	**(88)**	**(19)**	**1,977**
Capital gains on securities representing unit-linked policies			1,562		1,562			344		344
Capital losses on securities representing unit-linked policies			(92)		(92)			(1,074)		(1,074)
Adjustments on unit-linked policies			**1,470**		**1,470**			**(730)**		**(730)**
Total	**1,518**	**703**	**1,471**	**(8)**	**3,684**	**1,576**	**508**	**(818)**	**(19)**	**1,248**

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

Income from disposal of property included a €445 million capital gain on the building at 79, Champs Elysées.

Note 36.2.1 – Investment income net of management expenses (income breakdown by type of asset) – France

In millions of euros	31.12.2019					31.12.2018				
	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	36	558		1	595	61	350		(10)	400
Equities	98	52		(2)	148	56	60		(4)	111
Bonds	1,198	48	24	(5)	1,264	1,266	65	(50)	(5)	1,276
Equity mutual funds	140	77	(40)		177	138	49	(39)		148
Mutual funds: Cash from repurchase agreements		(13)	(3)		(16)		(15)	(2)		(17)
Other cash mutual funds		(7)	(1)		(7)		(9)	(3)		(12)
Bond mutual funds	47	(33)	68	(1)	81	49	(17)	(48)		(17)
Derivatives			(25)		(25)			63		63
Other investment income	176	5	(48)		133	200	6	25	1	232
Investment income	**1,694**	**687**	**(24)**	**(6)**	**2,350**	**1,771**	**488**	**(55)**	**(18)**	**2,186**
Internal and external management expenses and expenses on financial instruments	(307)				(307)	(329)				(329)
Other investment expenses	(41)				(41)	(36)				(36)
Investment expenses	**(348)**				**(348)**	**(365)**				**(365)**
Financial income net of expenses	**1,346**	**687**	**(24)**	**(6)**	**2,003**	**1,406**	**488**	**(55)**	**(18)**	**1,821**
Capital gains on securities representing unit-linked policies			1,500		1,500			337		337
Capital losses on securities representing unit-linked policies			(76)		(76)			(1,045)		(1,045)
Adjustments on unit-linked policies			**1,424**		**1,424**			**(708)**		**(708)**
Total	**1,346**	**687**	**1,399**	**(6)**	**3,426**	**1,406**	**488**	**(763)**	**(18)**	**1,113**

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

NOTE 36.2.2 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES (INCOME BREAKDOWN BY TYPE OF ASSET) – INTERNATIONAL

In millions of euros	31.12.2019					31.12.2018				
	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	(6)	1			(5)	(2)	1			0
Equities	1	1			2	1	2	(1)		3
Bonds	163				163	168	3	(1)		170
Equity mutual funds	15	5	26	(1)	44	6	18	(23)		1
Mutual funds: Cash from repurchase agreements										
Other cash mutual funds					(1)		(1)			(1)
Bond mutual funds	4			(1)	3	5	(5)	(2)		(2)
Derivatives										
Other investment income	18	10	(1)		27	15	2	(7)		9
Investment income	**195**	**16**	**26**	**(2)**	**235**	**193**	**20**	**(33)**		**180**
Internal and external management expenses and expenses on financial instruments	(8)				(8)	(8)				(8)
Other investment expenses	(15)				(15)	(15)				(15)
Investment expenses	**(23)**				**(23)**	**(23)**				**(23)**
Financial income net of expenses	**172**	**16**	**26**	**(2)**	**212**	**170**	**20**	**(33)**		**157**
Capital gains on securities representing unit-linked policies			62		62			7		7
Capital losses on securities representing unit-linked policies			(16)		(16)			(29)		(29)
Adjustments on unit-linked policies			**46**		**46**			**(22)**		**(22)**
Total	**172**	**16**	**72**	**(2)**	**258**	**170**	**20**	**(55)**		**135**

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

NOTE 37 – INSURANCE POLICY SERVICING EXPENSES

NOTE 37.1 – INSURANCE POLICY SERVICING EXPENSES – BY OPERATING SEGMENT

In millions of euros	31.12.2019			31.12.2018		
	France	International	Total	France	International	Total
Claims						
Paid to policyholders	(9,730)	(1,746)	(11,476)	(9,746)	(1,751)	(11,497)
Change in technical reserves						
Outstanding claims reserves	(452)	(97)	(549)	(283)		(283)
Actuarial reserves	1,860	46	1,906	1,952	24	1,976
Unit-linked reserves	(1,819)	(91)	(1,910)	137	33	169
Profit sharing	(1,270)	(94)	(1,364)	(1,156)	(52)	(1,209)
Other underwriting reserves	157	(1)	156	34	(6)	28
Total	**(11,254)**	**(1,984)**	**(13,238)**	**(9,062)**	**(1,753)**	**(10,815)**

NOTE 37.2 – INSURANCE POLICY SERVICING EXPENSES BY BUSINESS

NOTE 37.2.1 – INSURANCE POLICY SERVICING EXPENSES BY BUSINESS – FRANCE

In millions of euros	31.12.2019			31.12.2018		
	Property and casualty insurance	Life and health insurance	Total	Property and casualty insurance	Life and health insurance	Total
Claims						
Paid to policyholders	(3,591)	(6,139)	(9,730)	(3,725)	(6,021)	(9,746)
Change in technical reserves						
Outstanding claims reserves	(391)	(60)	(452)	(180)	(103)	(283)
Actuarial reserves		1,860	1,860		1,952	1,952
Unit-linked reserves		(1,819)	(1,819)		137	137
Profit sharing	4	(1,273)	(1,270)	(1)	(1,155)	(1,156)
Other underwriting reserves	100	57	157	16	18	34
Total	**(3,879)**	**(7,375)**	**(11,254)**	**(3,890)**	**(5,172)**	**(9,062)**

NOTE 37.2.2 – INSURANCE POLICY SERVICING EXPENSES BY BUSINESS – INTERNATIONAL

In millions of euros	31.12.2019			31.12.2018		
	Property and casualty insurance	Life and health insurance	Total	Property and casualty insurance	Life and health insurance	Total
Claims						
Paid to policyholders	(1,145)	(602)	(1,746)	(1,136)	(614)	(1,751)
Change in technical reserves						
Outstanding claims reserves	(107)	10	(97)	22	(22)	0
Actuarial reserves		46	46		24	24
Unit-linked reserves		(91)	(91)		33	33
Profit sharing		(94)	(94)		(52)	(52)
Other underwriting reserves	(10)	10	(1)	(3)	(3)	(6)
Total	**(1,262)**	**(722)**	**(1,984)**	**(1,117)**	**(636)**	**(1,753)**

NOTE 38 – OUTWARD REINSURANCE INCOME (EXPENSES)

NOTE 38.1 – OUTWARD REINSURANCE INCOME (EXPENSES) – BY OPERATING SEGMENT

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)**

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

NOTE 39 – OPERATING EXPENSES

NOTE 39.1 – OPERATING EXPENSES – BY OPERATING SEGMENT

In millions of euros	31.12.2019			31.12.2018		
	France	International	Total	France	International	Total
External expenses	(755)	(87)	(842)	(784)	(85)	(869)
Taxes other than income taxes	(232)	(35)	(268)	(238)	(26)	(264)
Personnel expenses	(1,624)	(151)	(1,774)	(1,646)	(146)	(1,793)
Commissions	(859)	(385)	(1,244)	(682)	(403)	(1,085)
Allocations to depreciation and provisions (net of write-backs)	(134)	(29)	(163)	(108)	(25)	(133)
Other expenses	(109)	(48)	(157)	(87)	(36)	(123)
Total operating expenses by nature	**(3,712)**	**(736)**	**(4,448)**	**(3,545)**	**(721)**	**(4,266)**

NOTE 39.2 – OPERATING EXPENSES BY BUSINESS SECTOR

In millions of euros	31.12.2019			31.12.2018		
	Insurance	Financial businesses	Total	Insurance	Financial businesses	Total
External expenses	(799)	(43)	(842)	(827)	(41)	(869)
Taxes other than income taxes	(261)	(6)	(268)	(258)	(6)	(264)
Personnel expenses	(1,711)	(63)	(1,774)	(1,732)	(60)	(1,793)
Commissions	(1,244)		(1,244)	(1,085)		(1,085)
Allocations to depreciation and provisions (net of write-backs)	(160)	(3)	(163)	(129)	(4)	(133)
Other expenses	(147)	(10)	(157)	(111)	(13)	(123)
Total operating expenses by nature	**(4,323)**	**(125)**	**(4,448)**	**(4,142)**	**(124)**	**(4,266)**

NOTE 39.3 – BREAKDOWN OF EMPLOYEE EXPENSES

In millions of euros	31.12.2019	31.12.2018
Salaries	(1,028)	(1,020)
Social security expenses	(411)	(439)
Post-employment benefits		
Defined contribution plans	(110)	(107)
Defined benefit plans	(9)	(12)
Anniversary days and employee awards	(4)	(3)
Other personnel benefits	(212)	(212)
Annual salary expenses	**(1,774)**	**(1,793)**

At 31 December 2019, the gross annual remuneration (including benefits in kind) paid to members of the Groupama Assurances Mutuelles Senior Management was €7.0 million. As regards the pension plan, the total commitment at 31 December 2019 amounted to €22.4 million.

NOTE 40 – POLICY ACQUISITION COSTS

NOTE 40.1 – POLICY ACQUISITION COSTS – BY OPERATING SEGMENT

In millions of euros	31.12.2019			31.12.2018		
	France	International	Total	France	International	Total
Commissions	(466)	(332)	(798)	(393)	(351)	(744)
Change in deferred acquisition costs	10	1	11	3	3	6
Other expenses	(1,129)	(96)	(1,226)	(1,104)	(96)	(1,200)
Total	**(1,585)**	**(428)**	**(2,013)**	**(1,494)**	**(443)**	**(1,937)**

NOTE 40.2 – POLICY ACQUISITION COSTS BY BUSINESS

NOTE 40.2.1 – POLICY ACQUISITION COSTS BY BUSINESS – FRANCE

In millions of euros	31.12.2019			31.12.2018		
	Property and casualty insurance	Life and health insurance	Total	Property and casualty insurance	Life and health insurance	Total
Commissions	(336)	(130)	(466)	(318)	(75)	(393)
Change in deferred acquisition costs	8	2	10	4	(1)	3
Other expenses	(617)	(512)	(1,129)	(619)	(485)	(1,104)
Total	**(945)**	**(640)**	**(1,585)**	**(933)**	**(561)**	**(1,494)**

NOTE 40.2.2 – POLICY ACQUISITION COSTS BY BUSINESS – INTERNATIONAL

In millions of euros	31.12.2019			31.12.2018		
	Property and casualty insurance	Life and health insurance	Total	Property and casualty insurance	Life and health insurance	Total
Commissions	(256)	(77)	(332)	(271)	(80)	(351)
Change in deferred acquisition costs	3	(2)	1	4	(1)	3
Other expenses	(74)	(22)	(96)	(72)	(23)	(96)
Total	**(327)**	**(100)**	**(428)**	**(339)**	**(104)**	**(443)**

NOTE 41 – ADMINISTRATIVE COSTS

NOTE 41.1 – ADMINISTRATIVE COSTS – BY OPERATING SEGMENT

In millions of euros	31.12.2019			31.12.2018		
	France	International	Total	France	International	Total
Commissions	(123)	(17)	(141)	(78)	(18)	(96)
Other expenses	(328)	(116)	(444)	(278)	(112)	(390)
Total	**(451)**	**(134)**	**(585)**	**(356)**	**(130)**	**(486)**

NOTE 41.2 – ADMINISTRATIVE COSTS BY BUSINESS

NOTE 41.2.1 – ADMINISTRATIVE COSTS BY BUSINESS – FRANCE

In millions of euros	31.12.2019			31.12.2018		
	Property and casualty insurance	Life and health insurance	Total	Property and casualty insurance	Life and health insurance	Total
Commissions	(44)	(80)	(123)	(45)	(33)	(78)
Other expenses	(181)	(147)	(328)	(181)	(97)	(278)
Total	**(225)**	**(226)**	**(451)**	**(226)**	**(129)**	**(356)**

NOTE 41.2.2 – ADMINISTRATIVE COSTS BY BUSINESS – INTERNATIONAL

In millions of euros	31.12.2019			31.12.2018		
	Property and casualty insurance	Life and health insurance	Total	Property and casualty insurance	Life and health insurance	Total
Commissions	(12)	(5)	(17)	(12)	(6)	(18)
Other expenses	(81)	(35)	(116)	(77)	(35)	(112)
Total	**(93)**	**(41)**	**(134)**	**(89)**	**(41)**	**(130)**

NOTE 42 – OTHER INCOME AND EXPENSES FROM CURRENT OPERATIONS

In millions of euros	31.12.2019			31.12.2018		
	France	International	Total	France	International	Total
Commissions and other operating expenses, Life	(329)	(9)	(339)	(338)	(9)	(347)
Employee profit sharing, Life	(1)		(1)	(1)		(1)
Other operating income, Life	4	7	11	3	7	10
Transfer of operating expenses and capitalised production, Life	17		17	14		14
Total income and expenses from current operations, Life	**(309)**	**(3)**	**(312)**	**(322)**	**(2)**	**(325)**
Commissions and other underwriting expenses, Non-life	(327)	(89)	(416)	(382)	(73)	(454)
Employee profit sharing, Non-life	(13)		(13)	(1)		(1)
Other operating income, Non-life	64	3	68	69	3	72
Transfer of operating expenses and capitalised production, Non-life	45		45	38		38
Total income and expenses from current operations, Non-life	**(231)**	**(85)**	**(317)**	**(276)**	**(70)**	**(346)**
Other non-underwriting expenses	(295)	(28)	(323)	(243)	(17)	(260)
Other non-underwriting income	97	19	115	61	16	77
Total income and expenses from current operations, Non-underwriting	**(198)**	**(10)**	**(208)**	**(182)**	**(1)**	**(184)**
Total other income and expenses from current operations, Banking						
Total	**(738)**	**(98)**	**(836)**	**(781)**	**(73)**	**(854)**

NOTE 43 – OTHER INCOME AND EXPENSES FROM NON-CURRENT OPERATIONS

In millions of euros	31.12.2019			31.12.2018		
	France	International	Total	France	International	Total
Income from non-current operations	68	2	70	123	12	135
Expenses from non-current operations	(204)	(23)	(226)	(114)	(36)	(150)
Allocation to the reserve for goodwill		(102)	(102)			
Total	**(135)**	**(123)**	**(258)**	**10**	**(24)**	**(15)**

This item comprises:

- Amortisation of securities in portfolio totalling €16 million at 31 December 2019;
- An impairment of €102 million on the goodwill of the Italian subsidiary;
- An impairment of €81 million on the equity-consolidated shares of Orange Bank.

NOTE 44 – FINANCING EXPENSES

In millions of euros	31.12.2019	31.12.2018
Redeemable subordinated securities	(93)	(85)
Perpetual subordinated bonds		
Financing expenses on rent liabilities	(6)	
Other financing expenses		(1)
Total	**(100)**	**(85)**

The increase in financing expenses came from:

- €9 million of redeemable subordinated borrowing following the new €500 million redeemable subordinated security subscribed in Q4 2018.
- the first year of application of IFRS 16, being €6 million.

NOTE 45 – BREAKDOWN OF TAX EXPENSES

NOTE 45.1 – BREAKDOWN OF TAX EXPENSES BY OPERATING SEGMENT

In millions of euros	31.12.2019			31.12.2018		
	France	International	Total	France	International	Total
Current taxes	(301)	(7)	(307)	(75)	(7)	(82)
Deferred taxes	(39)	43	4	(99)	7	(92)
Total	**(340)**	**37**	**(303)**	**(174)**	**0**	**(174)**

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 45.2 – RECONCILIATION BETWEEN TOTAL ACCOUNTING TAX EXPENSE AND THEORETICAL TAX EXPENSE CALCULATIONS

In millions of euros	31.12.2019	31.12.2018
Theoretical tax expense	**(209)**	**(222)**
Impact of expenses or income defined as non-deductible or non-taxable	135	61
Impact of differences in tax rate	(229)	(11)
Tax credit and various charges	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	**(303)**	**(174)**

The reconciliation with the theoretical statutory tax is as follows:

In millions of euros	31.12.2019		31.12.2018	
	Consolidated income (losses) before tax	Theoretical tax rate	Consolidated income (losses) before tax	Theoretical tax rate
France	893	current taxes: 34.43% deferred tax: 32.02%	609	current taxes: 34.43% deferred tax: 32.02%
Bulgaria		10.00%	1	10.00%
China	(4)	25.00%	4	25.00%
Greece	11	24.00%	15	28.00%
Hungary	26	9.00%	25	9.00%
Italy	(282)	30.82%	(54)	30.82%
Romania	(13)	16.00%	2	16.00%
United Kingdom				19.00%
Tunisia	3	30.00%	1	30.00%
Turkey	15	22.00%	21	22.00%
Total	**649**		**624**	

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

Theoretical tax rates remained unchanged over the period.

OTHER INFORMATION

NOTE 46 – EMPLOYEES OF CONSOLIDATED COMPANIES

In number of people	31.12.2019			31.12.2018
	Insurance	Financial businesses	Total	Total
France	24,052	300	24,352	24,209
Italy	787		787	791
Hungary	1,193		1,193	1,684
Greece	286		286	284
Romania	1,467		1,467	1,527
Other EU	227		227	200
Outside EU	394		394	431
Total employees of consolidated companies	**28,406**	**300**	**28,706**	**29,126**

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

NOTE 47 – COMMITMENTS GIVEN AND RECEIVED

In millions of euros	31.12.2019	31.12.2018
Endorsements, securities, and guarantees received	24	34
Other commitments received	282	871
Total commitments received, excluding reinsurance	**307**	**904**
Reinsurance commitments received	**562**	**542**
Endorsements, securities and guarantees given	1,052	315
Other commitments related to stock, assets or income	779	788
Other commitments given	926	1,809
Total commitments given excluding reinsurance	**2,757**	**2,912**
Reinsurance commitments given	**4,178**	**3,607**
Securities belonging to protection institutions		
Other securities held on behalf of third parties		

Endorsements, securities, and guarantees received totalled €24 million.

Other commitments received excluding reinsurance were €589 million down following Groupama's decision not to renew the €750 million line de credit granted by HSBC bank.

This item, €282 million at 31 December 2019, mainly comprised the following:

- Securities received as collateral under the collateralisation mechanism put in place to guarantee unrealised gains or losses on derivatives are also recorded as off-balance-sheet commitments, reflected in the financial statements as €133 million of commitments received in respect of bonds.
- Provisional sales agreements of €119 million mainly at the Groupama Gan Vie subsidiary;

Endorsements, securities and guarantees given totalled €1,052 million, consisting largely of the following transactions:

- General guarantees given as part of the contribution of Groupama Banque securities to Compagnie Financière d'Orange Bank worth €75 million;
- Guarantee given under the sale of Groupama Seguros for €81 million.
- Guarantee given as part of the sale of Carole Nash for €23 million.
- Guarantee for €11 million given as part of the sale of Groupama Seguros de Vida Portugal.
- Pledged securities worth €803 million under life insurance policies.

Other commitments on securities, assets or income consist of subscriptions to venture capital funds ("FCPR"). The remaining €779 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 €926 million. They mostly consist of the following elements:

- Securities given as collateral under the collateralisation mechanism put in place to guarantee unrealised gains or losses on derivatives are also recorded as off-balance-sheet commitments, reflected in the financial statements as €623m of commitments given in respect of hedging unrealised gains or losses on financial futures instruments;

- Provisional sales agreements of €153m mainly at the Groupama Gan Vie subsidiary;

- Commitments worth €11 million on property leases (on rent as yet unpaid up to the end of the lease to landlords external to the Group);

- Commitments given on ordering property building works worth €33m, mainly at Groupama Gan Vie and subsidiary SCI Gan Foncier;

- As part of the launch of mutual certificates, the general meetings of the regional mutuals voted to authorise a €639 million issue. At 31 December 2019, €38 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 €4,178 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:

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

For three issues, Groupama Assurances Mutuelles is prohibited from paying interest in the event of a regulatory shortfall should the Group solvency margin (SCR/MCR) fall below 100%;

The trigger is valued as of the closing date prior to the anniversary date (ex-dividend date).

NOTE 48 – 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, particularly by setting the limits of risks and approving the measures used to manage risks, and to supervise the management of major Group risks;
- The risk committees by risk family (insurance, financial and operational) organised by the Group Risk Management and Permanent Control/Compliance departments and made up of major risk owners, and depending on the areas concerned of the representatives from the Groupama Assurances Mutuelles Business and Support departments (Group Actuarial department, Group Financial Control department, Investments, etc.), France Subsidiaries/International Subsidiaries department, and Asset Management subsidiaries;
- The Capital Management Committee: composed of the Deputy CEO; the Chief Financial Officer; the Director of Risk Management, Control and Compliance; the Reinsurance Director, the Investment Directors; the Finance Director, the Solvency 2 Director and a representative of the international department in charge of monitoring international subsidiaries.

Similar mechanisms are in place at entity level.

In addition, a committee for the implementation and sharing of objectives, decisions and best practice between Group entities has been put in place. This Audit, Risk, Control & Compliance operational implementation committee (called "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 main insurance subsidiaries in France, 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 rolling out 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 audit, including an overall economic and financial audit of the main Group entities every three years, this being in addition to operational audits conducted within entities, audit assignments on Groupama Assurances Mutuelles processes and on Group cross-functional processes, and lastly audit assignments conducted on behalf of some entities under the mutualisation of the key Audit function at Groupama Assurances Mutuelles. The audit schedule of the Group General Audit Department is confirmed by the Senior Management of Groupama Assurances Mutuelles and approved by the Groupama Assurances Mutuelles Audit and Risk Committee and the Board of Directors of Groupama Assurances Mutuelles. Every audit assignment involves a review of the risk and internal control system for the activity or entity audited; a report is prepared on the assignment presenting the observations, conclusions and recommendations to the Groupama Assurances Mutuelles Senior Management. A regular summary is presented to the Audit and Risk Committee. A quarterly report on the progress of the recommendations is given to the Groupama Assurances Mutuelles Board of Directors and its Audit and Risk Committee.

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

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

- developing the Group's internal control, operational risk management, and compliance policies;
- developing the Group's standards and reference sources (mapping of processes, operational risks, permanent control plans, reference base of permanent controls) and overseeing the system within the entities;
- monitoring and assessing operational risks (related to control of processes);
- acting as project owner of the EU tool for management of operating risks, 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;
- ensuring data quality, in terms of governance and control plan;
- supervising internal ratification of the internal model;
- supporting the Group's entities in adapting their operational risk management, permanent control and compliance systems (management, coordination, facilitation, information, and training);
- reporting on the status of the Group's Internal Control system, for the purposes of communication to governance bodies and the appropriate supervisory authorities by the Group's Director of Risk Management, Control and Compliance.

The key role in verifying Groupama Assurances Mutuelles' compliance, i.e. the Group Compliance Manager:

- 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 disability payments are defined within the insurance divisions in guidelines that are harmonised for all Group 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 underwriting 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 underwriting reserves for life and non-life insurance policies is presented in Note 26.1 to the annual financial statements.

➢ **Breakdown of actuarial reserves based on fixed-rate, variable-rate or no 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	31.12.2019			31.12.2018
	France	International	Total	Total
Commitments guaranteed at fixed rate	35,508	2,736	38,244	38,682
Commitments guaranteed at variable rate	7,896	20	7,916	8,037
Unit-linked and other products without rate commitment	10,708	1,022	11,730	10,261
Total	**54,112**	**3,779**	**57,891**	**56,980**

The proportion of guaranteed-rate commitments continued to decrease slowly. The share of unit-linked and other products without rate commitment increased, representing 20.3% of total commitments (compared with 18.0% at the end of 2018).

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 shareholders' equity is potentially exposed to risk if demographic change deviates from experience with regard to these reserving tables.

The amount of actuarial reserves for annuities is as follows:

In millions of euros	31.12.2019			31.12.2018
	France	International	Total	Total
Actuarial reserves for life annuities	10,349	14	10,363	10,121
Actuarial reserves for non-life annuities	2,490	20	2,511	2,640
Total	**12839**	**34**	**12,873**	**12,761**

The share of actuarial reserves for life annuities continued to be largely predominant at the end of 2019 (80.5% 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.).

Underwriting limits (maximum values insured per risk in property insurance or per person for life and health insurance) are used in the context of catastrophic scenarios and compared with losses that have already occurred. Once these amounts have been defined, they are increased by a safety margin. Moreover, specific monitoring is performed to track the adequacy of the coverage with the risks underwritten.

In the case of a natural event, a needs analysis consists of an initial study on the basis of the reference loss, which is re-evaluated on the basis of the change in the portfolio and the French Construction Federation (FFB) index. At the same time, simulation calculations of the exposure of the portfolios are performed using stochastic methods that result in the production of a curve showing the change in the potential maximum loss as a function of different scenarios. The results are cross-checked, analysed and discounted every year to allow the Group to opt for appropriate reinsurance solutions with a reduced margin of error.

3. Market risks

The general system for managing risks relating to asset/liability management and investment operations is specified in the Group asset/liability management and investment risk policy approved by the Groupama 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 negotiated transactions are secured by a “collateralisation” system with the Group’s top-tier banking counterparties.

3.1.3 Interest rate risk sensitivity analysis

Pursuant to IFRS 7, an analysis of accounting sensitivity was carried out at 31 December 2019 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 shareholders’ 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 2019, the amount of the discount in the actuarial reserves for non-life annuities, before reinsurance, was €156 million. The amount of the discount in the reserve for increasing risks on long-term care, before reinsurance, was of the order of €107 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	31.12.2019		31.12.2018	
	Interest rate		Interest rate	
	+ 1%	- 1%	+ 1%	-1%
Impact on income (net of taxes)	97	(126)	78	(76)
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	31.12.2019		31.12.2018	
	Interest rate		Interest rate	
	+ 1%	- 1%	+ 1%	-1%
Impact on income (net of taxes)	21	(28)	20	(27)
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 shareholders' 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 2019, the profit-sharing rate used for entities holding life insurance commitments was in a range of 63.98% to 87.60%.

In millions of euros	31.12.2019		31.12.2018	
	Interest Rate Risk		Interest Rate Risk	
	+1%	-1%	+1%	-1%
Impact on the revaluation reserve	**(887)**	**988**	**(666)**	**729**
Equities				
Equity mutual funds				
Bonds	(844)	943	(633)	694
Fixed-income mutual funds	(43)	45	(33)	35
Derivative instruments and embedded derivatives				
Impact on net income	**1**	**(1)**	**(21)**	**23**
Equities				
Equity mutual funds				
Bonds	(5)	5	(2)	2
Fixed-income mutual funds	(14)	14	(39)	41
Derivative instruments and embedded derivatives	20	(20)	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 shareholders' 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 22 "Shareholders' equity"). Consequently, a sensitivity analysis is not required.

The principal features of the financial debt instruments analysed are described in Note 25 – Financing liabilities.

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 companies to capture the yield on these markets but also exposes them to two major types of risk:

- 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 6.6% 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 manages its hedging and exposure tactically, on the basis of market levels, with little change in exposure over 2019. The Group also continued its diversification policy by divesting from unlisted shares.

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

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

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

3.2.3 Sensitivity of financial investments to equity risk analysis

The table below shows the impacts on net income and the revaluation reserve (classified under shareholders' 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 2019, the profit-sharing rate used for entities holding life insurance commitments was in a range of 63.98% to 87.60%.

In millions of euros	31.12.2019		31.12.2018	
	Equity risk		Equity risk	
	+10%	-10%	+10%	-10%
Impact on the revaluation reserve	**159**	**(159)**	**134**	**(134)**
Equities	62	(62)	49	(49)
Equity mutual funds	97	(97)	84	(84)
Bonds				
Fixed-income mutual funds				
Derivative instruments and embedded derivatives				
Impact on net income	**18**	**(18)**	**20**	**(20)**
Equities				
Equity mutual funds	18	(18)	20	(20)
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 shareholders' equity, under foreign exchange adjustment.

3.3.2 Managing foreign exchange risk

Exchange rate 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 shareholders' 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 2019, the profit-sharing rate used for entities holding life insurance commitments was in a range of 63.98% to 87.60%.

In millions of euros	31.12.2019		31.12.2018	
	Foreign exchange risk		Foreign exchange risk	
	+10%	-10%	+10%	-10%
Impact on the revaluation reserve	**50**	**(50)**	**36**	**(36)**
Equities	19	(19)	13	(13)
Equity mutual funds	1	(1)	1	(1)
Bonds	30	(30)	22	(22)
Fixed-income mutual funds				
Derivative instruments and embedded derivatives				
Impact on net income				
Equities				
Equity mutual funds				
Bonds				
Fixed-income mutual funds				
Derivative instruments and embedded derivatives				

Hedging effects are not taken into account when calculating sensitivity. Consequently, the numbers listed above represent maximum risk and the actual impact reported in the Group's financial statements is considerably lower.

3.4 Credit risk

The breakdown of the Group bond portfolio by rating and by issuer quality is presented in Notes 7.8.3 and 7.8.4 to the annual financial statements.

The Group manages credit risk under certain internal constraints. The main objective of these constraints is to limit the concentration of issues according to several criteria (country, issuer, ratings, subordinated issues).

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

➢ **Spread hedges**

- Spread widening risk

A hedging strategy was tested during a pilot operation intended to protect the value of a bond against the risk of widening of its spread. The strategy involved fixing the bond's spread to one year using a dedicated FFI. At the end of the hedge (one year renewable), a finalising balancing payment was paid to offset the gain on the value of the bond hedged for the variation of its spread.

This hedge is specifically recorded in respect of accounting hedges at fair value under IAS 39.

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

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

- **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 Risk on property assets

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 2.63% 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 1.48% of all financial investments;
- operating properties, accounting for 1.16% 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 2019 and 2018, split between shareholders' equity and income, excluding profit sharing and taxes.

In millions of euros	31.12.2019				31.12.2018			
	Increase in sensitivity criteria		Decrease in sensitivity criteria		Increase in sensitivity criteria		Decrease in sensitivity criteria	
	Shareholders' equity	Net income	Shareholders' equity	Net income	Shareholders' equity	Net income	Shareholders' equity	Net income
Interest rate risk	**(887)**	**119**	**988**	**(155)**	**(666)**	**77**	**729**	**(80)**
Underwriting liabilities		118		(154)		98		(103)
Financial investments	(887)	1	988	(1)	(666)	(21)	729	23
Financing liabilities								
Equity risk	**159**	**18**	**(159)**	**(18)**	**134**	**20**	**(134)**	**(20)**
Financial investments	159	18	(159)	(18)	134	20	(134)	(20)
Foreign exchange risk	**50**		**(50)**		**36**		**(36)**	
Financial investments	50		(50)		36		(36)	

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 exchange rate risk.

4. Liquidity risk

4.1 Nature of exposure to liquidity risk

The overall liquidity risk is analysed using the asset/liability approach, which defines the cash requirement to be held as an asset based on the liquidity requirements imposed by liabilities, using:

- ✓ Technical cash flow projections in a central scenario;
- ✓ Sensitivity scenarios on technical assumptions (production, claims ratio).

4.2 Risk management

Stress tests are regularly conducted on both assets and liabilities in order to ensure that in the event of a simultaneous increase in benefits payable and interest rates, the Group is able to meet its commitments in terms of both assets to dispose of and any realisations of capital losses.

At the end of 2019, the liquidity risk was greatly reduced by the size of unrealised capital gains present in the portfolio.

4.3 Financial investment portfolio by maturity

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

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

The profile of annual maturities of the liabilities related to insurance policies is the following:

In millions of euros	31.12.2019				31.12.2018			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Non-life underwriting reserves	6,979	4,198	6,177	17,354	6,883	4,189	6,017	17,090
Life underwriting reserves - insurance policies excluding unit-linked items	1,100	5,830	27,098	34,028	1,073	5,785	26,954	33,812
Underwriting liabilities relating to financial contracts with discretionary profit sharing excluding unit-linked items	378	2,801	8,710	11,890	364	2,874	9,198	12,436
Underwriting liabilities relating to financial contracts without discretionary profit sharing excluding unit-linked items			1	1			1	1
Reserve for deferred profit-sharing liability	5,438	5	51	5,494	3,756	4	44	3,804
Total underwriting insurance liabilities and liabilities for financial contracts	**13,894**	**12,835**	**42,038**	**68,767**	**12,076**	**12,852**	**42,214**	**67,141**

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 financing liabilities, and the breakdown by maturity, are provided in Note 25 – Financing liabilities, in this document.

5. Operating, 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 risk and cyber risks;
- the Group's business continuity policy; this policy serves as a baseline for crisis management systems and Business Continuity Plans (BCP) 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;
- operating civil liability;
- property damage insurance (property, offices, equipment, car fleets, etc.);
- cyber risks.

5.2 Legal and regulatory risks

Legal and regulatory risks are managed as part of the Group compliance mechanism, which is defined in the Group compliance policy ratified by the Group's governance bodies. The mechanism in place, headed by the key compliance role at Groupama Assurances Mutuelles, the Group Compliance Manager, aims to ensure that all Group practices comply with legal provisions, administrative regulations and requirements and professional standards, as well as the Group's internal rules, policies and procedures.

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

5.2.1 Compliance with Company law and the French Commercial Code

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

5.2.2 Application of insurance law and regulations governing the insurance business

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

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

5.2.3 Other areas

Specific procedures have been put in place 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 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 in line with the Group's organisational changes;

- As regards the protection of medical data, Group recommendations are disseminated by the Groupama Assurances Mutuelles business division concerned or entity concerned. It is the responsibility of the various Group entities (regional mutuals and subsidiaries) to implement these recommendations, in partnership with medical advisers and the Group Data Protection 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's Tax Department is to provide information and monitor regulations for all the entities of the Group. It is also regularly questioned about specific technical points and is involved in preparing the end-of-year financial statements. In this capacity, it ensures that the tax consolidation rules are applied (Article 223 A et seq. of the 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. Lastly, it coordinates, in a steering committee, the implementation and monitoring of regulations on the automated exchange of tax data, in particular resulting from the American FATCA (Foreign Account Tax Compliance Act) regulations and the transposition of the European DAC (Directive for Administrative Cooperation).

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.

Consequently, as regards transfer pricing, the Group Taxation Department overhauled the Master File 2019 and organised an internal fresh data collection exercise, in particular financial data required from 2019 in respect of 2018, such that the 2019 version of the Master File, in its new form and meeting new French requirements as part of OECD standards, was able to be finalised, and sent out, in English, to all international subsidiaries.

The Group's tax situation in France also featured a tax partnership between Groupama and the French tax authorities (in the form of the DGFiP) following the signing of an understanding on 26 June 2019 with the business partnership arm (SPE) which was a significant development in the Group's tax management arrangements.

In view of current tax events in France, we note the change, once again unfavourable towards large companies, in the direction of travel of corporation tax, without however challenging the 25% target for 2022, and the postponed implementation of a group VAT scheme, announced in the finance bill for 2021, intended to replace the current aggregate resources scheme criticised by the EU.

NOTE 49 - FEES TO STATUTORY AUDITORS

(in thousands of euros excluding VAT)	2019 PWC		2019 Mazars		2019 Others		2019 Total	2018 PWC		2018 Mazars		2018 Others		2018 Total
1. Statutory audit assignments														
1.1. Statutory auditing, certification, review of individual and consolidated financial statements	***2,822***	***49.8%***	***2,316***	***40.9%***	***526***	***9.3%***	***5,664***	***2,691***	***48.9%***	***2,327***	***42.3%***	***484***	***8.8%***	***5,502***
Groupama Assurances Mutuelles	527	50.0%	527	50.0%	0	0.0%	1,053	524	50.0%	524	50.0%	0	0.0%	1,048
Regional mutuals	633	41.0%	488	31.6%	424	27.4%	1,544	720	43.9%	572	34.9%	347	21.2%	1,639
French subsidiaries	1,186	55.0%	891	41.4%	78	3.6%	2,155	1,148	53.7%	869	40.6%	121	5.7%	2,138
International subsidiaries	477	52.3%	410	44.9%	25	2.8%	911	298	44.1%	363	53.6%	16	2.3%	677
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***	***867***	***69.2%***	***372***	***29.7%***	***14***	***1.1%***	***1,254***
Groupama Assurances Mutuelles	10	***50.0%***	10	***50.0%***	0	***0.0%***	20	416	***65.0%***	225	***35.0%***	0	***0.0%***	641
Regional mutuals								14	***26.5%***	37	***71.5%***	1	***2.0%***	51
Other subsidiaries	11	***100.0%***	0	***0.0%***	0	***0.0%***	11	437	***77.8%***	111	***19.8%***	13	***2.4%***	561
Sub-total Combined Financial Statements	***2,842***	***49.9%***	***2,326***	***40.8%***	***526***	***9.2%***	***5,694***	***3,558***	***52.7%***	***2,699***	***40.0%***	***498***	***7.4%***	***6,755***
2. Services other than audit of financial statements that the entity's statutory auditors are required to provide	**630**	**83.5%**	**113**	**15.0%**	**11**	**1.5%**	**755**							
3. Services other than audit of financial statements that other service providers can provide	**247**	**33.5%**	**490**	**66.5%**	**0**	**0.0%**	**736**							
4. Other assignments								9	100.0%	0	N/A	0	N/A	9
Combined financial statements - Total	***3,719***	***51.8%***	***2,929***	***40.8%***	***538***	***7.5%***	***7,186***	***3,567***	***52.7%***	***2,699***	***39.9%***	***498***	***7.4%***	***6,765***

NOTE 50 – LIST OF ENTITIES IN THE SCOPE OF CONSOLIDATION AND MAJOR CHANGES TO THE CONSOLIDATION SCOPE

The main changes to the consolidation scope are as follows:

Entry into scope:

- Express Life;
- Groupama Gan REIM;
- Groupama Energies Renouvelables;
- OPPCI Groupama Gan Logistics.

Mergers and takeovers:

- SCI Window La Défense was taken over by Groupama Gan Paris La Défense Office, which was then itself taken over by Compagnie Foncière Parisienne.

Change of registered name:

- Sigorta Emeklilik became Groupama Hayat;
- OPCVM Groupama Cash Equivalent G D became Groupama Ultra Short Term Bond G D;
- OPCVM Groupama Eonia IC C became Groupama Monétaire IC C.

Removals from the scope:

- GUK Broking Services was wound up;
- Two mutual funds were removed from the scope of consolidation.

Change in consolidation method:

- OPCVM Groupama Monétaire IC C is now fully consolidated (equity method in 2018).

Registered name	Business sector	Location of registered office	31.12.2019			31.12.2018		
			% 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	35.00	35.00	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	35.00	35.00	EM
AMALINE ASSURANCES	Insurance	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	99.79	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 registered office	31.12.2019			31.12.2018		
			% control	% interest	Method	% control	% interest	Method
GUK BROKING SERVICES	Holding company business	United Kingdom				100.00	100.00	FC
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	35.00	35.00	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			
COMPAGNIE FONCIERE PARISIENNE	Property	France	100.00	100.00	FC	100.00	100.00	FC
SCI WINDOW LA DEFENSE	Property	France				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 PARIS LA DEFENSE OFFICE	OPPCI (professional property investor)	France				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			
SCI GAN FONCIER	Property	France	100.00	98.89	FC	100.00	98.89	FC
VICTOR HUGO VILLIERS	Property	France	100.00	98.89	FC	100.00	98.89	FC
1 BIS FOCH	Property	France	100.00	98.89	FC	100.00	98.89	FC
16 MESSINE	Property	France	100.00	98.89	FC	100.00	98.89	FC
9 MALESHERBES	Property	France	100.00	98.89	FC	100.00	98.89	FC
97 VICTOR HUGO	Property	France	100.00	98.89	FC	100.00	98.89	FC
44 THEATRE	Property	France	100.00	98.89	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	FCPR (venture capital fund)	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	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	50.00	50.00	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	74.10	74.10	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	90.07	90.07	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 registered office	31.12.2019			31.12.2018		
			% 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	98.33	98.33	FC
GROUPAMA CONVERTIBLES ID D	Mutual fund	France	92.71	90.66	FC	97.98	95.80	FC
GROUPAMA ENTREPRISES IC C	Mutual fund	France	35.60	35.60	EM	29.93	29.93	EM
GROUPAMA CREDIT EURO IC C	Mutual fund	France				95.97	95.97	FC
GROUPAMA CREDIT EURO ID D	Mutual fund	France	99.97	99.97	FC	99.99	99.99	FC
WASHINGTON EURO NOURRI 16 FCP	Mutual fund	France	100.00	100.00	FC	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	87.50	87.50	FC
GROUPAMA OBLIGATION MONDE I C	Mutual fund	France	94.57	91.65	FC	94.48	91.56	FC
WASHINGTON EURO NOURRI 19 FCP	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
WASHINGTON EURO NOURRI 20 FCP	Mutual fund	France	100.00	100.00	FC	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	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	56.52	56.52	FC	49.95	49.95	EM
ASTORG PENSION D	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
ASTORG CASH MT D	Mutual fund	France	98.05	97.66	FC	99.48	99.14	FC
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	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 MONETAIRE D	Mutual fund	France	73.73	73.73	FC	99.76	99.76	FC
GROUPAMA ULTRA SHORT TERM BOND G D	Mutual fund	France	58.44	58.44	FC	50.75	50.75	FC
ASTORG REPO INVEST D	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA TRESORERIE P C	Mutual fund	France				36.74	36.74	EM
ASTORG OBLIGATIONS CT G D	Mutual fund	France	99.91	96.06	FC	97.08	93.88	FC
ASTORG OBLIGATIONS CT GA D	Mutual fund	France	100.00	100.00	FC	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 real estate entities are consolidated using the equity method under a “simplified” process. This consists of reclassifying on the balance sheet the value of the units and the financing current account in “property investments” and reclassifying in the income statement the dividends or share in the results of the companies in “income from property”.

STATUTORY AUDITORS' REPORT
ON THE COMBINED FINANCIAL STATEMENTS OF GROUPAMA
FISCAL YEAR 2019

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

MAZARS
Tour Exaltis
61, rue Henri Régnault
92400 Courbevoie

Statutory auditors' report on the combined financial statements

(Year ended 31 December 2019)

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

Opinion

In compliance with the assignment entrusted to us by your general meeting, we performed an audit of the combined financial statements of CAISSE NATIONALE DE REASSURANCE MUTUELLE AGRICOLE GROUPAMA for the fiscal year ended 31 December 2019, as attached to this report. These financial statements were approved by the Board of Directors on 12 March 2020 on the basis of the information available as of that date in an evolving context of the COVID-19 health crisis.

In our opinion, the combined financial statements give a true and fair view of the results of operations for the past fiscal year as well as the financial position and assets of the Group at the end of the fiscal year, in accordance with International Financial Reporting Standards as adopted by the European Union.

The above opinion is consistent with the content of our report to the Audit and Risk Management Committee.

Basis of the opinion

Audit reference standard

We conducted our audit in accordance with the professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Independence

We conducted our audit in accordance with the rules of independence applicable to us, over the period from 1 January 2019 to the issue date of our report. In particular, we did not provide any services prohibited by Article 5, paragraph 1, of Regulation (EU) No. 537/2014 or by the professional code of ethics for statutory auditors.

Observation

Without qualifying our opinion above, we draw your attention to Note 2.2 "General presentation of combined financial statements" to the combined financial statements, which sets out the impacts of the first-time application of IFRS 16 "Leases".

Justification of the assessments - Key points of the audit

Pursuant to the provisions of Articles L.823-9 and R.823-7 of the French commercial code relating to the justification of our assessments, we bring to your attention the key points of the audit relating to the risks of material misstatement that, in our professional judgment, were the most significant for the audit of the combined financial statements for the fiscal year, as well as our responses to these risks.

These assessments contributed to the audit of the combined financial statements, taken as a whole, approved under the conditions recalled above, and to the formation of our opinion expressed above. We do not express an opinion on items in these combined financial statements viewed in isolation.

<table>
<tr><th colspan="2">Assessment of outstanding claims reserve – Non-life insurance policies
(Please refer to notes 3.12.2 and 26.1 of the notes to the combined financial statements)</th></tr>
<tr><th>Identified risk</th><th>Implemented procedures</th></tr>
<tr><td>Reserves for claims, appearing on the balance sheet at 31 December 2019 for €12,093 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.</td><td>In order to assess the reasonableness of the estimate of the amount of the outstanding claims reserve, we implemented the following procedures, using our actuaries:

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

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

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

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

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

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

<table>
<tr><th colspan="2">Valuation of unlisted instruments (classification in level 3 in IFRS)
(Please refer to Notes 3.2.1 and 7.9 to the combined financial statements)</th></tr>
<tr><th>Identified risk</th><th>Implemented procedures</th></tr>
<tr><td>As part of its activity has an insurance group, Groupama holds financial instruments not listed on an active market classified as Level 3 in the fair value hierarchy according to IFRS 13.

These financial instruments represent €2,638 million on the assets side of the Group’s combined balance sheet at 31 December 2019.

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

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

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

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

• Compare the applied value with the net asset value of the management company, the latest transactions observed in the market for the examined security, 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,
  ○ Review of the construction of the model and inputs (data) used for the valuation,
  ○ An independent counter-valuation by sampling, using our own models.</td></tr>
</table>

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 approved on 12 March 2020. With regard to events occurring and items learned after the reporting date relating to the effects of the COVID-19 crisis, management informed us that they will be communicated to the general meeting convened to approve the financial statements.

We have no matters to report as to its fair presentation and its consistency with the combined financial statements.

Information resulting from other legal and regulatory requirements

Designation of the statutory auditors

We were appointed statutory auditors of CAISSE NATIONALE DE REASSURANCE MUTUELLE AGRICOLE GROUPAMA by the general meeting of 25 June 1999 for PricewaterhouseCoopers Audit and 12 September 2000 for Mazars.

At 31 December 2019, PricewaterhouseCoopers Audit was in the 21th year of its mission without interruption, and Mazars was in its 20th year.

Responsibilities of management and members of the corporate governance body concerning the combined financial statements

Management is responsible for preparing combined financial statements presenting a true and fair view in accordance with IFRS as adopted in the European Union and implementing the internal controls that it deems necessary for the preparation of combined financial statements free of any material misstatements, whether they due to fraud or error.

In connection with the preparation of the combined financial statements, Management is responsible for assessing the company's ability to continue its operations; providing information on matters relating to the continued operations, where this is relevant; and for preparing financial statements based on a going concern basis, unless Management intends to wind up the company or discontinue operations.

The Audit and Risk Management Committee is responsible for following the process of preparing financial information and for monitoring the effectiveness of internal control and risk management systems, as well as, where applicable, internal auditing, as regards the procedures relating to the preparation and processing of accounting and financial information.

These combined financial statements have been approved by the Board of Directors.

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

Audit objective and approach

It is our responsibility to prepare a report on the combined financial statements. Our goal is to obtain reasonable assurance that the combined financial statements taken as a whole do not contain any material misstatements. Reasonable assurance is a high level of assurance but is not a guarantee that an audit performed in accordance with the professional auditing standards will always detect any material misstatement. Misstatements may arise as a result of fraud or error and must be regarded as being material if it can reasonably be expected that they, individually or in the aggregate, will affect the financial decisions made by users of the financial statements on the basis of the financial statements.

As specified by Article L.823-10-1 of the French commercial code, our role of certifying the financial statements is not to guarantee the viability or the quality of the management of your company.

As part of an audit performed in accordance with the professional auditing standards applicable in France, the statutory auditor uses professional judgement throughout this audit.

In addition:

- the statutory auditor identifies and assesses the risks that the combined financial statements contain material misstatements, whether due to fraud or error, and defines and implements audit procedures for such risks and collects evidence considered sufficient and appropriate to serve as the basis of its opinion. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting a material misstatement due to error, as fraud may involve conspiracy, forgery, deliberate omission, misrepresentation, or non-observance of internal controls;

- the statutory auditor obtains an understanding of the internal controls of relevance to the audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the internal controls;

- the statutory auditor assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management, as well as the information concerning them provided in the combined financial statements;

- the statutory auditor assesses whether the accounting convention of going concern applied by the management is appropriate, according to the collective information, whether there is any material uncertainty related to events or circumstances likely to call into question the company's ability to continue its operation. This assessment is based on the evidence collected up to the date of its report. However, subsequent circumstances or events could jeopardise the continuity of operations. If the statutory auditor concludes that there is significant uncertainty, it draws the attention of readers of its report to the information provided in the combined financial statements about this uncertainty or, if this information is not provided or is not relevant, it formulates a qualified certification or a refusal to certify;

- the statutory auditor assesses the overall presentation of the combined financial statements and whether they reflect the underlying transactions and events so as to give a true and fair view;

- concerning the financial information of the persons or entities included in the scope of consolidation, it collects information that it deems sufficient and appropriate to express an opinion on the combined financial statements. It is responsible for the management, supervision, and execution of the audit of the combined financial statements as well as the opinion expressed on these financial statements.

Audit and Risk Management Committee

We submit to the Audit and Risk Management Committee a report outlining the scope of the audit work and the work programme implemented, as well as the conclusions of our work. Where appropriate, we also inform it of significant weaknesses of internal control that we identified with respect to the procedures relating to the preparation and processing of accounting and financial information.

Among the items disclosed in the report to the Audit and Risk Management Committee are the risks of material misstatement that we consider to have been the most important for the audit of the combined financial statements for the year and that therefore constitute the key points of the audit, which it is our responsibility to describe in this report.

We also provide the Audit and Risk Management Committee with the declaration provided for in Article 6 of Regulation (EU) no. 537-2014 confirming our independence, within the meaning of the rules applicable in France as laid down in particular by Articles L.822-10 to L.822-14 of the French commercial code and in the code of ethics of the profession of statutory auditor. Where appropriate, we discuss with the Audit and Risk Management Committee any risks to our independence and the safeguarding measures applied.

Neuilly-sur-Seine and Courbevoie, 27 March 2020

The Statutory Auditors

PricewaterhouseCoopers Audit	MAZARS	
Christine Billy	Pascal Parant	Nicolas Dusson