SOLVENCY AND FINANCIAL CONDITION REPORT AT 31 DECEMBER 2020 GROUPAMA GROUP

EXECUTIVE SUMMARY

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- **Business**

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

At 31 December 2020, combined Group premium income had grown +1.7% to €14.4 billion (83.2% in France, 15.5% international and 1.3% from the financial businesses). Premium income was €12.0 billion for insurance in France (up +2.2%), and €2.2 billion for international insurance (down -1.7%).

The Group's economic operating income amounted to €306 million in 2020.

- **Governance**

Groupama Assurances Mutuelles is administered by a Board of Directors, which determines the orientations of the company's business, ensures their implementation and controls the management of it. It is assisted by committees in carrying out its duties. These are the Audit and Risk Committee, the Remuneration and Appointments Committee and the Strategy Committee.

Groupama Assurances Mutuelles is managed by a General Manager. The General Manager is assisted by five Deputy General Managers.

For fiscal year 2020, there were no significant changes to the Group's governance and risk management system.

- **Risk profile**

Considering the diverse nature of its businesses, the Group has a balanced risk profile that is spread out across non-life, life and health underwriting risks, respectively representing 22%, 15% and 10% of the solvency capital requirement (SCR) excluding diversification effects.

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

The most significant risk is that of the financial market, which accounts for 44% of the SCR excluding diversification effects.

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

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

Applicable from 1 January 2020, Delegated Regulation (EU) 2019/981 amends Regulation 2015/35 supplementing the Solvency 2 Directive. In particular, the revision of Article 207 specifies the calculation of the recoverability of notional deferred taxes. In line with the new regulation, the methodology for calculating future taxable income has been adapted.

The health crisis linked to COVID 19 and the lockdown period have modified the occurrence and the usual rate of development of claims, making the exercise of estimating technical reserves more delicate this year. In addition to the effects on the current claims experience (lower frequency in certain branches, such as motor or health, during the lockdown period or the accumulation of claims in other branches), there are operational effects linked to the lockdown which disrupt the current management of claims. Methods that are based on the analysis of past experience can lead to under or overestimation of technical provisions. Therefore, the parameters of the models have been adapted and alternative methods that are less sensitive to the timing of occurrence or settlement of claims have been used additionally to assess the claims reserves.

- **Capital management**

As in previous years, the Group has ensured fair distribution of capital among the Group's entities.

The programme involving the issue of mutual certificates by the regional mutuals has strengthened the Group's shareholders' equity and financial soundness. During fiscal year 2020, regional mutuals issued mutual certificates to their members and customers for €31 million, bringing the total amount of mutual certificates issued as of 31 December 2020 to €632 million.

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

The Group's statutory SCR and MCR coverage ratios stood at 244% and 357% respectively on 31 December 2020, versus 301% and 397% on 31 December 2019. Excluding the effects of the transitional measure on underwriting reserves carried out by one of the Group's subsidiaries, the Group's SCR and MCR coverage ratios were 152% and 240% respectively on 31 December 2020.