

# LETTER TO SHAREHOLDERS

April 2018



**Jean-Yves DAGÈS**  
*Chairman of the Board  
of Groupama SA*



**Thierry MARTEL**  
*Chief Executive Officer  
of Groupama SA*

To the Shareholders,

The Group's activity in 2017 results in an increase of +2.9% of premium income at €13.8 billion. This growth, in property and casualty insurance as well as life and health insurance, translates continued growth in France (+2.6%) and return to strong organic growth in foreign markets (+4.1%).

The economic operating income is growing both in France and internationally, to reach €349 million, an increase of +€156 million. This performance reflects notably an improvement in the non-life combined ratio of 98.9%, despite a high weather-related loss experience and active transformation of the life insurance portfolio with a share of unit-linked outstandings in individual savings of 25.8%.

Net income amounted to €292 million, affected by exceptional charges of €187 million due to regulatory changes in France (tax

surcharges and statutory enhancements) and marked by strong increase in the international subsidiaries' contribution (+35%).

The Group's solvency ratio is 315%, up +26 points since 31 December 2016. Without transitional measure on technical reserves solvency ratio is 174%.

Shareholders' equity amounted to €8.9 billion and included a mutual certificates outstandings issued by the regional mutuals of €436 million at 31 December 2017, including €246 million collected in 2017.

In conclusion, the Group saw profitable growth momentum in its property and casualty insurance as well as in its life and health insurance, and recorded a major increase in its operating income as well as its solvency. It is therefore with a solid foundation that Groupama SA will soon become a national

mutual agricultural reinsurance fund, under the name Groupama Assurances Mutuelles.

At the occasion of the publication of the accounts, President Dagès said that Groupama had a satisfactory 2017 in terms of both development and profitability. As the company continues its internal work to remutualise its governing body, which is planned for the end of the first half of 2018, Groupama has continuously shown its capacity to develop and support innovative and transformational projects that serve all its members and customers, particularly alongside farmers.

Yours faithfully,

**Thierry Martel**

## INCREASED ACTIVITY IN ALL BUSINESS LINES

**At 31 December 2017, Groupama's combined premium income stood at €13.8 billion, +2.9% increase from 31 December 2016.**

Activity is up in both property and casualty insurance (+2.9%), in which the Group achieved premium income of €7.3 billion at 31 December 2017, and life and health insurance (+2.9%), for which premium income stood at €6.4 billion.

Insurance premium income in France at 31 December 2017 amounted to €11.1 billion, up +2.6% compared with 31 December 2016.

Property and casualty insurance, premium income totalled €5,523 million at 31 December 2017, up +2.5%. Insurance for individuals and professionals increased by +2.1% over the period to €3,284 million, driven by the growth of home insurance (+2.2% to €1,048 million), professional risks (+2.6% to €447 million) and motor insurance (+1.8% to €1,536 million). The Group is pursuing its commercial growth in its main markets and recorded in its motor portfolio (+26,500 policies) and home portfolio (+16,000 policies). The growth in agricultural business (+0.7%), in legal protection business (+7.8%) and in assistance activity (+19.1%) also contributed to the increase in property and casualty insurance income.

In life and health insurance, premium income amounted to €5,543 million, up +2.7% compared with 31 December 2016. This increase

is mainly due to the growth in group insurance (+6.2%), supported by the development of retirement insurance (+20.1%) and health insurance (+2.9%). Individual retirement savings premium income rose by +2.6%, driven by the growth in unit-linked policies (+10.1%), in a market down by -2% (source: FFA).

Unit-linked outstandings represented 25.8% of individual savings at 31 December 2017, versus 23.5% at 31 December 2016.

There is a strong international organic growth in 2017 (+4.1%), with premium income of €2.6 billion at 31 December 2017.

Property and casualty insurance, premium income totalled €1,765 million, a +4.0% increase compared with the previous period. This change reflects the strong growth in the agricultural business (+15.5%), particularly in Turkey, and the good performance of home insurance (+4.6%) and motor insurance (+2.9%), with an increase of 110,000 motor policies over the year, mainly in Italy and Hungary.

In life and health insurance, premium income increased by +4.1% to €840 million, driven in particular by health insurance (+6.8%) and protection insurance (+8.7%). In individual retirement savings, premium income increased by +3.2%, driven by the strong growth in unit-linked policies (+24.8%), particularly in Hungary and Italy.

The financial activities of the Group's generated a premium income up +10.8% to €147 million, including €141 million from Groupama Asset Management and €6 million from Groupama Épargne Salariale. Groupama Asset Management's outstandings totalled €99.8 billion at 31 December 2017, up +€3 billion compared with 31 December 2016. The growth was driven by the development of external customers, and especially international customers.

## STRONG GROWTH IN OPERATING INCOME TO €349 MILLION

**The Group's economic operating income increased to €349 million at 31 December 2017, up +80% compared with 31 December 2016.**

Economic operating income from insurance totalled €364 million at 31 December 2017, significantly up over the period (+€141 million) in all business segments both in France (+€107 million) and internationally (+€34 million).

In property and casualty insurance, economic operating income amounted to €102 million at 31 December 2017, up sharply (+€76 million) compared with 2016. The non-life net combined ratio improved by 1.4 point, to 98.9% at 31 December 2017. This change is explained by a reduction in large claims in France and internationally, the stability of the attritional loss experience and a high level of weather-related claims, whose effects were nevertheless offset by the effectiveness of the Group's reinsurance protections. The Group provided assistance to its policyholders after cyclones Irma and Maria in the French West Indies, whose gross impact on the accounts was €330 million, and €38 million after reinsurance.

In life and health insurance, economic operating income amounted to €262 million at 31 December 2017, up +€64 million compared with 31 December 2016. This increase resulted from an improved underwriting margin in the life insurance business and the recurring financial margin.

The transition from economic operating income to net income incorporates non-recurring items, particularly exceptional charges of €187 million linked to regulatory changes in France (tax surcharge, scheduled decrease of the tax rate and statutory surcharges\*) as well as impairment of goodwill in Turkey.

The Group's overall net income totalled €292 million at 31 December 2017, compared with €322 million at 31 December 2016.

## A SOLID BALANCE SHEET

**The Group's shareholders' equity totalled €8.9 billion at 31 December 2017, up +€160 million compared with 31 December 2016, mainly due to the contribution of net income and the issue of mutual insurance certificates, partially offset by the repayment of the deeply subordinated instruments issued in 2007.**

At 31 December 2017, total subordinated debt recognised in shareholders' equity and not recognised in shareholders' equity remained stable at €2.2 billion. The Group has issued new subordinated notes, with a maturity of 10 years, following the exchange offer relating to all deeply subordinated notes issued in 2007 and part of the redeemable subordinated notes issued in 2009.

Insurance investments totalled €87.2 billion at 31 December 2017, compared with €86.2 billion at 31 December 2016. Unrealised capital gains reached €10.4 billion at 31 December 2017, including €6.9 billion from the bond portfolio, €1.0 billion from the equity portfolio, and €2.5 billion from real estate assets.

The strength of the Group was confirmed by Fitch Rating. On 3 May 2017, the agency upgraded the insurer financial strength ratings of Groupama SA and its subsidiaries to "A-" from "BBB+". The outlook associated with these ratings is stable.

At 31 December 2017, the solvency ratio was 315%, up +26 points from 31 December 2016. Groupama calculates its solvency ratio at the Group level, incorporating the transitional measure on technical reserves in accordance with the regulatory provisions. Without the transitional measure, the solvency ratio was 174%.

\* Impact of the State's withdrawal from the funding of legal increases in life annuities (law of 30 December 2017) for €133 million.

# COMBINED RESULTS OF GROUPAMA

Financial year 2017

# CONSOLIDATED RESULTS OF GROUPAMA SA

Financial year 2017

## PREMIUM INCOME

	2016		2017	2017/2016
	Reported premium income	Pro forma premium income <sup>(1)</sup>	Reported premium income	Change <sup>(2)</sup> %
<i>in millions of euros</i>				
<b>&gt; FRANCE</b>	<b>7,356</b>	<b>7,349</b>	<b>7,548</b>	<b>+2.7%</b>
Life and health insurance	4,090	4,090	4,200	+2.7%
Property and casualty insurance	3,267	3,259	3,349	+2.8%
<b>INTERNATIONAL AND FRANCE OVERSEAS</b>	<b>2,647</b>	<b>2,504</b>	<b>2,605</b>	<b>+4.1%</b>
Life and health insurance	880	807	840	+4.1%
Property and casualty insurance	1,767	1,697	1,765	+4.0%
<b>TOTAL INSURANCE</b>	<b>10,004</b>	<b>9,852</b>	<b>10,154</b>	<b>+3.1%</b>
<b>FINANCIAL BUSINESS</b>	<b>136</b>	<b>136</b>	<b>150</b>	<b>+10.7%</b>
<b>TOTAL</b>	<b>10,140</b>	<b>9,988</b>	<b>10,304</b>	<b>+3.2%</b>

(1) Based on comparable data.

(2) Change on a like-for-like exchange rate and consolidation basis.

## NET INCOME

<i>in millions of euros</i>	2016	2017	2017/2016 change
<b>Economic operating income*</b>	<b>8</b>	<b>196</b>	<b>+188</b>
Net realised capital gains	179	135	-44
Net income from discontinued business activities	66	136	+70
Long term impairment losses on financial instruments	-14	-8	+6
Gains and losses on financial assets and derivatives recognised at fair value	-7	29	+36
Financing expenses	-40	-57	-17
Goodwill impairment	-88	-58	+30
Amortisation of intangible assets and other transactions	-24	-286	-262
<b>NET INCOME</b>	<b>79</b>	<b>87</b>	<b>+8</b>

\* Equals net income adjusted for realised capital gains and losses, long-term impairment provision allocations and write-backs, and unrealised capital gains and losses on financial assets recognised at fair value (all such items are net of profit sharing and corporate income tax). Also adjusted are non-recurring items net of corporate income tax, impairment of value of business in force, and impairment of goodwill (net of corporate income tax) and external financing expenses.

## BALANCE SHEET

<i>in millions of euros</i>	2016	2017
Shareholders' equity, Group share*	5,613	5,257
Subordinated debts	2,263	2,235
– classified in shareholder's equity	1,513	1,099
– classified in financing debts	750	1,136
Gross unrealised capital gains	9,895	9,285
<b>TOTAL BALANCE SHEET</b>	<b>90,484</b>	<b>90,645</b>

\* Including perpetual subordinated debt recognised as equity instruments.

## THE GROUPAMA SA SHARE

### SHARE BUYBACK PRICE: €34.32, UP +1.84%

The value of the share resulting from the application of the revalued net asset method at 31 December 2017, which amounted to €8.77, was less than the share buyback price resulting from the application of the liquidity commitment, namely €34.32, increased by +1.84% compared to the previous price, it is the latter price which apply from 1<sup>st</sup> April 2018.

It is therefore this price of €34.32 that will be proposed to you for the reimbursement of your shares which will be cancelled on 7 June 2018, due to the transformation of Groupama SA into a national mutual agricultural reinsurance fund. This transformation will end the liquidity commitment. This refund will be made in June.

### DETERMINATION OF SHARE BUYBACK PRICE (CALCULATED ON THE CHANGE IN THE CONSOLIDATED NET ASSETS OF GROUPAMA SA, IN ACCORDANCE WITH THE LIQUIDITY UNDERTAKING)

		Amounts
<b>Share buyback price applicable as from 1<sup>st</sup> September 2017</b>	<b>(A)</b>	<b>€33.70</b>
Consolidated net assets of Groupama SA at 30 June 2017 under the IFRS referential		€5,316,866K
→ Deduction of the net goodwill on acquisition of Groupama SA shares at 30 June 2017 under IFRS standards		-€770,962K
Consolidated net assets of Groupama SA at 30 June 2017 under IFRS standards, adjusted for the goodwill on acquisition of Groupama SA shares	<b>(B)</b>	<b>€4,545,904K</b>
Consolidated net assets of Groupama SA at 31 December 2017 under the IFRS referential		€5,257,445K
→ Deduction of the net goodwill on acquisition of Groupama SA shares at 31 December 2017 under IFRS standards		-€770,962K
→ Reimbursement of the super subordinated loan		€142,850K
Consolidated net assets of Groupama SA at 31 December 2017 under IFRS standards, adjusted for the goodwill on acquisition of Groupama SA shares and the reimbursement of the super subordinated loan	<b>(C)</b>	<b>€4,629,333K</b>
<b>Share buyback price applicable as from 1<sup>st</sup> April 2018</b>	<b>(A) x (C) / (B)</b>	<b>€34.32</b>

## CONTACTS

For any questions relating to the management of your shares, please contact:

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Groupama SA — A company governed by the French Insurance Code —  
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