Groupama

PRESS RELEASE

Paris, 15 March 2012

## 2011 financial year

## Net results impacted by exceptional financial depreciation
## Sharp rise in operating income
## New strategy centred on 'Business Line Performance'

Thierry Martel, CEO Groupama SA, stated that: "Our 2011 results can be characterised by huge capital losses on our assets in an adverse market environment yet operational results which are extremely encouraging and positive. We have decided to adopt a new strategy centred on 'Business Line Performance' in markets where we are already strong while at the same time reduce our financial risk exposures. We continue to reaffirm to our 16 million policyholders and clients as well as to our 39 000 employees that they are at the heart of our mutualist model which remains modern, vibrant and innovative."

Commenting 2011, Christian Collin, Deputy CEO Groupama SA, declared: "Certainly our 2011 results have been strongly affected by our exceptional losses in our financial investments especially our exposure to Greek debt and the financial markets slump and the impact on our equity investments. Nevertheless we have demonstrated that our business model remains solid. Commercial success has ensured higher market share and our life insurance business – Groupama Gan Vie, finished the year with net positive inflows and a strong movement toward unit linked savings products. On top of this we have a much improved combined ratio of 97.4%."

<u>**Groupama combined scope**</u>
**Sound premium income performance**: €17.2 billion, -1.3% on a like-for-like basis
- **Strong growth in P&C insurance:** €9.1 billion, + 4.3%
- **Positive net inflows** in life & health insurance

**Strong growth in economic operating income** at €309 million
Combined ratio: 97.4%
**Net results impacted by depreciations for Greek debt and stock market crisis:** €-1,762 million

<u>**Groupama SA consolidated scope**</u>
**Premium income**: €14.2 billion, -2.6% on a like-for-like basis
**Economic operating income**: €254 million, +117%
**Combined ratio**: 96.5%
**Net results:** €-1,812 million

Paris, 15 March 2012 – The meeting of the board of directors of Groupama S.A. held on 15 March 2012 and chaired by Jean-Luc Baucherel approved the combined financial statements of the group and consolidated accounts for Groupama S.A. for the 2011 financial year.

*The group's combined financial statements include all group operations (business of the Regional Mutuals and of subsidiaries consolidated in Groupama S.A.). The consolidated accounts for Groupama S.A. include operations for all subsidiaries as well as internal reinsurance (i.e., approx. 40% of premium income generated by the Regional Mutuals ceded to Groupama S.A.).*
*The analysis below concerns the combined scope.*

- **Very sound business development in property and casualty insurance**

The group consolidated its strong presence with regard to customers and members, who remained loyal to the company.

Groupama recorded in property and casualty insurance in France an increase in the number of policies in its portfolios, in particular in motor insurance (+ 110,000 policies), home insurance (+ 73,000 policies) and health insurance (+32,000 policies). In life and health insurance in France, net inflows were positive in 2011.

At 31 December 2011, Groupama combined premium income amounted to €17.2 billion. In property and casualty insurance (+4.3%) the group posted a sound level of business growth and often out-performed the market. In life & health insurance, the decline in premium income (-7.1%) can be attributed primarily to the contraction of the savings division, in line with the rest of the market.

| Income in € millions | 31/12/2011 | Like-for-like comparison (%) |
|---|---|---|
| Property & casualty | 9 097 | +4,3% |
| Life & health insurance | 7 874 | -7.1% |
| Financial & banking operations | 269 | -2.8% |
| **GROUP TOTAL** | **17 239** | **-1.3%** |

France

Insurance premium income amounted to €12,678 million at 31 December 2011, a contraction of -1.8% compared to 31 December 2010.

Property & casualty premium income at €5,903 million posted growth of +5.3%, out-performing the market by 1.3 points (+4%, source: FFSA, end of December 2011). Individual and small business insurance rose by +5.7%. Sustained portfolio growth and significant pricing increases in motor insurance (+6.1%) and home insurance (+6.4%) were the main factors behind this trend. Insurance premium income from commercial and local authority business also rose (+3.1%) thanks to the effect of the growth in vehicle fleets (+4.7%) and in liability insurance for commercial and local authority business (+2.1%).

The group performed particularly well with Amaguiz, which expansion continued at a high pace at over 150,000 policies in its portfolio at the end of 2011. The partnership with La Banque Postale started very fast, with over 200,000 policies in its portfolio in less than one year.

In life & health insurance, premium income at €6,776 million at 31 December 2011 fell by -7.3% as a result of contracting life and savings business, in line with the French market. In contrast, premium income from health and bodily injury insurance rose by +6.1%.

- Trends in life and savings premium income were in line with market trends. Premiums fell by 14.0% at the end of December 2011 (source: FFSA). In spite of the difficult market situation, the group succeeded in redirecting premium inflows to unit-linked products (which require less extensive capital usage). Individual savings / pension products now account for 12.1% of net new business compared to 4.7% in 2010. The group significantly out-performed the market, which recorded a 9% drop in income from unit-linked products at the end of December 2011 (source: FFSA).
- The 6.1% increase in health and bodily injury insurance premium income was driven primarily by the health segment, which achieved a +7.0% increase thanks to a combination of pricing measures and portfolio growth. It should be emphasised that the market as a whole achieved +1% growth (source: FFSA).

International

Premium income from international business amounted to €4,292 million in 2011, up by +0.2% compared to 2010.

Property and casualty business posted premium income of €3,194 million at 31 December 2011, a +2,4% increase over the previous year. The motor segment, which accounts for 62.8% of premiums in property and casualty, drove the increase with +1.1% growth. Sound performance from agricultural insurance (+29.0%) and household insurance (+4.7%) made a larger contribution to this trend.

Life and health insurance premium income fell by -5.8% to €1,099 million in line with the contraction in individual life insurance (-7.1%). The health segment posted sound performance of +7.6%.

Summary table of premium income by country in 2011 and trends compared to 2010

| *Income in € millions* | 31/12/2011 | Like-for-like comparison (%) |
|---|---|---|
| Italy | 1 565 | +4.0% |
| Spain | 943 | -1.4% |
| United Kingdom | 525 | -3.2% |
| Turkey | 383 | +19.9% |
| Hungary | 328 | -1.8% |
| Greece | 190 | -2.3% |
| Romania | 170 | -10.7% |
| Gan overseas | 102 | +0.2% |
| Portugal | 70 | -43.8% |
| Others | 18 | +12.5% |
| **International insurance** | **4 292** | **+0.2%** |

## **Sharp rise in operating income**

The group's economic operating income rose sharply to +€309 million in 2011, compared to +€39 million in 2010. The net combined ratio amounted to 97.4% in 2011, compared to 104.9% in 2010.

France

The economic operating income from insurance business amounted to +€225 million in 2011, an increase of +€177 million compared to 2010.

The economic operating income from property & casualty insurance rose by +€296 million to +€198 million in 2011. The net combined ratio amounted to 97.6% in 2011, compared to 107.2% in 2010. Net claims experience improved by -9.7 points to 67.7% in 2011 (of which 3.7 points from Xynthia in 2010) while the expense ratio remained unchanged at 29.9% in 2011.

The economic operating income from life and health insurance amounted to +€27 million in 2011 compared to +€146 million in 2010. Higher technical results relating to the improvement in the margin from health / bodily injury insurance (a net combined ratio down by -2.0 points to 100.9% in 2011) were more than offset by the significant drop in recurring financial margins net of profit-sharing and taxes (-€143 million).

International

The economic operating income from insurance business amounted to +€156 million in 2011, a 20.7% increase over 2010.

The economic operating income from property and casualty business rose by +86.7% to +€157 million with a combined net ratio of 96.9% in 2011, down by -3.8 points compared to 2010. This trend was the result of a 3.8-point improvement in net claims experience compared to the previous year owing to the effect of the drop in current claims experience in most subsidiaries.

Operating results in life and health insurance fell by -€46 million compared to 2010 as a result of the downturn in business margins from health / bodily injury business in 2011. Recurring financial margins were unchanged in 2011.

Banking and financial activity

Banking and financial activity contributed +€11 million to the group's economic operating results in 2011, compared to +€17 million in 2010.

Holding company business

The group's holding company business posted economic operating results of -€83 million in 2011 compared to -€154 million in 2010.

## **Net results impacted by exceptional financial depreciations**

The group's net result of -€1,762 million at the end of 2011 was severely impacted by the Greek sovereign debt situation as well as the downturn on financial markets in the second half of 2011.

Exceptional depreciations and losses on assets booked in 2011 amounted to a total of -€3.0 billion after taxes and profit-sharing, of which -€1.55 billion in Greek sovereign debt vehicles and -€1.5 billion from realised capital losses and depreciation on strategic equity investments. Exposure to Greek sovereign debt is now depreciated by 73% from its face value.

The net result includes other non-recurring items, including:

- Goodwill impairment of €90 million from Romanian and Greek subsidiaries
- Non-recurring profit of €578 million arising from the Groupama contribution of its stake in SILIC capital into a holding company controlled by the Caisse des Dépôts as part of the strategic operation between SILIC and ICADE.

All of these non-recurring operations are extensively borne out by group capital.

## ▪ Solvency margin covered

Thanks to actions implemented at the end of the year the group covered its solvency margin at 31 December 2011 with a ratio of 107%:

- By including the share transfers of SILIC
- Through the subscription by the Caisse des Dépôts of €300 million in Gan Eurocourtage preference shares on 14 March 2012.

### ▸ Shareholder equity

At 31 December 2011 combined shareholder equity in Groupama amounted to €5.3 billion after booking the loss recorded in the financial year compared to €7.0 billion at 31 December 2010.

### ▸ Financial structure

Insurance investments in the balance sheet amounted to €73.0 billion in 2011, compared to €80.8 billion in 2010, a drop of -9.7%. Among the main features of the second half of 2011 were the financial market collapse and the sovereign debt crisis in southern Euro countries.

Unrealised capital losses on financial and real estate assets amounted to -€1.0 billion at 31 December 2011. At 1 March 2012 these assets had already generated an unrealised capital gain of €1.9 billion.

Liquidity levels did not suffer and are even exceptionally high at €7.1 billion.

The debt to equity ratio excluding the revaluation reserve (and including subordinated liabilities and minority interests) for Groupama amounted to 29.1% compared to 30.6% in 2010 (including Silic debts).

## ▪ Outlook for 2012

By adopting a performance-driven strategy rather than a size-driven strategy, the Group will not only strengthen its financial manoeuvrability but also continue to lean on the mutualist values that have made it successful.

Our strategy is founded on three key pillars:

- The strengthening of both the technical and operating performance of the Group with a combined ratio of 98% in non life business and a strict expenses control at all levels. This will be accompanied by a rigorous plan to make cost savings of €400 million by 2014.
- The adjustment of our core business activities by preserving drivers of future performance and growth.

- The reduction by 30-40% of our equity exposure through disposals and further coverage of fluctuation risks in financial markets. This strategy will also be accompanied by divestments in property assets.

Strong and more effective governance and risk management procedures will ensure the achievement of this strategy.

***

**Press contact**:

Christophe Humann - + 33 (0)1 44 56 32 66
christophe.humann@groupama.com

**Analyst and investor contact:**

Yvette Baudron – +33 (0)1 44 56 72 53
yvette.baudron@groupama.com

* * *

*Financial information from Groupama on the financial statements at 31/12/2011 contains:*
- *This release and the results presentation posted on line at groupama.com*
- *The Groupama SA registration document to be filed with the AMF on 19 April 2012 and posted on line at groupama.com on 20 April*
- *The financial statements for the Groupama combined resultss at 31/12/2011, which will be posted on the groupama.com site on 20 April 2012.*

## Appendix 1: Groupama key data – combined accounts

### A/ Premium income

| In € millions | 2010 | | 2011 | 2011/2010 | |
|---|---|---|---|---|---|
| | Actual premium income | Pro forma* premium income | Actual premium income | Change on a like-for-like consolidation and exchange rate basis % | Change on a constant consolidation and exchange rate basis % |
| **> FRANCE** | **13 008** | **12 912** | **12 678** | **-2.5%** | **-1.8%** |
| Life and health insurance | 7 392 | 7 297 | 6 768 | -8.4% | -7.3% |
| Property and casualty insurance | 5 607 | 5 607 | 5 903 | 5.3% | 5.3% |
| Discontinued activities | 9 | 9 | 8 | -3.2% | -3.2% |
| **> INTERNATIONAL & Overseas** | **4 349** | **4 283** | **4 292** | **-1.3%** | **0.2%** |
| Life and health insurance | 1 181 | 1 167 | 1 099 | -7.0% | -5.8% |
| Property and casualty | 3 168 | 3 117 | 3 194 | 0.8% | 2.4% |
| **TOTAL INSURANCE** | **17 356** | **17 195** | **16 971** | **-2.2%** | **-1.3%** |
| **FINANCIAL AND BANKING OPERATIONS** | 277 | 277 | 269 | -2.8% | -2.8% |
| **TOTAL** | **17 633** | **17 472** | **17 239** | **-2.2%** | **-1.3%** |

* comparable basis

### B/ Economic operating income*

| In € millions | 2010 | 2011 | 2011/2010 change |
|---|---|---|---|
| Life and health insurance | 191 | 26 | -86% |
| Property and casualty | 114 | 355 | 241 |
| Financial and banking operations | 17 | 11 | -35% |
| Holding companies | -154 | -83 | 46% |
| **Economic operating income*** | **39** | **309** | **270** |

* Economic operating income: corresponds to net profit restated for realized capital gains and losses, net increases or reversals of provisions for permanent impairment and unrealized capital gains and losses on financial assets recognized at fair value (all these items are net of profit-sharing and net of tax). Also adjusted are non-recurring items net of tax, impairment of value of business in force and impairment of goodwill (net of tax).

### C/ Net income

| In € millions | 2010 | 2011 | 2011/2010 change |
|---|---|---|---|
| **Economic operating income*** | **39** | **309** | **270** |
| Net realized capital gains | 265 | 651 | 386 |
| Net provisions for permanent impairment | -111 | -2 667 | -2 556 |
| Gains and losses on financial assets and derivatives booked at fair value | -5 | -50 | -45 |
| Goodwill and intangible assets and other non-recurring operations | 209 | -5 | -214 |
| **Net income** | **398** | **-1 762** | **-2 160** |

**Contribution of operations to consolidated net income**

| *In € millions* | 2010 | 2011 | Net impact Greek debt stock 2011 |
|---|---|---|---|
| Insurance and service – France | 595 | -1 575 | -1 276 |
| International insurance | 95 | -137 | -258 |
| Financial and banking operations | 12 | 7 | -3 |
| Groupama SA and holding companies | -231 | 36 | -18 |
| Others | -74 | -93 | 0 |
| **Net result** | **398** | **-1 762** | **-1 555** |

## D/ Balance sheet

| *In € millions* | 2010 | 2011 |
|---|---|---|
| Shareholder equity group share | 7 041 | 5 264 |
| Gross unrealised capital gains | 1 304 | -961 |
| Subordinated debt | 1 245 | 1 245 |
| Balance sheet total | 100 029 | 95 872 |

## E/ Principal ratios

| | 2010 | 2011 |
|---|---|---|
| ROE (net income excluding fair value effect / average shareholder equity and excluding revaluation reserves) | 6.0% | n.a. |
| Property insurance combined ratio | 104.9% | *97.4%* |
| Debt ratio | 30.6% * | 29.1% |
| Solvency margin (Solvency I) | 130% | 107%** |

* including Silic property company
** after factoring in the contribution of SILIC stock and the issue of Gan Eurocourtage preferential stock

## Appendix 2: Groupama S.A. key data – consolidated financial statements

### A/ Premium income

| In € millions | 2010 | | 2011 | 2011/2010 | |
|---|---|---|---|---|---|
| | Actual premium income | Pro forma* premium income | Actual premium income | Change on a like-for-like consolidation and exchange rate basis | Change on a constant consolidation and exchange rate basis |
| | | | | % | % |
| **> FRANCE** | **10 032** | **10 005** | **9 622** | **-4.1%** | **-3.8%** |
| Life and health insurance | 6 292 | 6 264 | 5 694 | -9.5% | -9.1% |
| Property and casualty insurance | 3 731 | 3 731 | 3 919 | 5.0% | 5.0% |
| Discontinued operations | 9 | 9 | 8 | -3.2% | -3.2% |
| **> INTERNATIONAL & Overseas** | **4 349** | **4 283** | **4 292** | **-1.3%** | **0.2%** |
| Life and health insurance | 1 181 | 1 166 | 1 099 | -7.0% | -5.8% |
| Property and casualty insurance | 3 168 | 3 117 | 3 194 | 0.8% | 2.4% |
| **INSURANCE TOTAL** | **14 380** | **14 288** | **13 915** | **-3.2%** | **-2.6%** |
| **FINANCIAL AND BANKING OPERATIONS** | 278 | 278 | 271 | -2.5% | -2.5% |
| **TOTAL** | **14 659** | **14 566** | **14 186** | **-3.2%** | **-2.6%** |

* like-for-like basis

### B/ Economic operating income*

| In € millions | 2010 | 2011 | 2011/2010 change |
|---|---|---|---|
| Life and health insurance | 174 | -14 | -188 |
| Property and casualty insurance | 151 | 338 | 187 |
| Financial and banking operations | 17 | 11 | -6 |
| Holding companies | -150 | -81 | 69 |
| **Economic operating income*** | **117** | **254** | **117%** |

** Economic operating income: corresponds to net profit restated for realized capital gains and losses, net increases or reversals of provisions for permanent impairment and unrealized capital gains and losses on financial assets recognized at fair value (all these items are net of profit-sharing and net of tax). Also adjusted are non-recurring items net of tax, impairment of value of business in force and impairment of goodwill (net of tax).

### C/ Net income

| In € millions | 2010 | 2011 | 2011/2010 change |
|---|---|---|---|
| **Economic operating income*** | **117** | **254** | **137** |
| Net realised gains | 220 | 596 | 376 |
| Net provisions for permanent impairment | - 109 | -2 613 | -2 504 |
| Gains and losses on financial assets and derivatives booked at fair value | - 18 | -42 | -24 |
| Goodwill and intangible assets and other non-recurring operations | 178 | -7 | -185 |
| **Net income** | **387** | **-1 812** | **-2 199** |

**Contribution from operations to net consolidated income**

| *In € millions* | 2010 | 2011 | Net impact Greek debt stock 2011 |
|---|---|---|---|
| Insurance and services – France | 579 | -1 633 | -1 259 |
| International insurance | 95 | -137 | -258 |
| Financial and banking operations | 12 | 7 | -3 |
| Groupama SA and holding companies | -227 | 44 | -18 |
| Others | -74 | -93 | 0 |
| **Net income** | **387** | **-1 812** | **-1 538** |

### D/ Balance sheet

| *In € millions* | 2010 | 2011 |
|---|---|---|
| Shareholder equity group share | 4 268 | 2 933 |
| Gross unrealised gains | 701 | -1 375 |
| Subordinate debt | 1 245 | 1 245 |
| Balance sheet total | 93 065 | 89 388 |

### E/ Principal ratios

| | 2010 | 2011 |
|---|---|---|
| ROE (net income excluding fair value effect / average shareholder equity and excluding revaluation reserves) | 9.7% | NA |
| Property insurance combined ratio | 103.2% | *96.5%* |
| Debt ratio | 41.7% | 41.3% |

** after factoring in contribution of SILIC stock and issue of Gan Eurocourtage preferential stock