



Annual Report

2018



MUTUAL COMMITMENT

This is a free translation into English of the French report which is provided solely for the convenience of English speaking readers.

CONTENTS

Discover Covéa **2**

1 *Presentation of Covéa* **7**

- 1.1 History 8
- 1.2 Profile and organisation 9
- 1.3 Activities and distribution networks 10
- 1.4 Strategy 12
- 1.5 Corporate Social Responsibility (CSR) policy 13

2 *Governance of Covéa* **15**

- 2.1 Board of Directors 17
- 2.2 Board of Directors' committees 18
- 2.3 General management 19
- 2.4 Remuneration policy 19
- 2.5 Risk management and internal control 22

3 *Board of Directors' management report to the General Meeting* **27**

- 3.1 Market environment 28
- 3.2 Significant events 30
- 3.3 Results and financial position 31
- 3.4 Subsequent events 37
- 3.5 Outlook 37

4 *Financial statements* **39**

- 4.1 Combined financial statements 40
- 4.2 Statutory Auditors' report on the combined financial statements 76

ANNUAL REPORT

2018

Covéa

**French leader in property
and casualty insurance, and one of the leading
insurance groups in Europe**

3 COMPLEMENTARY BRANDS



A mutual insurance company with salaried salesforce that provides general insurance to individuals and professionals.



A mutual insurance company operating with tied agents and brokers, multi-specialist insurance for individuals, self-employed professionals, corporates, associations and local authorities.



A mutual insurance company with salaried salesforce for individuals, and leading provider to Public Service agents.

OUR SPECIALIST AND AFFILIATED MUTUAL COMPANIES



Asset management, reinsurance, affinity insurance, legal protection and assistance.

Non-life, health and protection insurance.

In figures

at 31 December 2018

Resources

23,000 employees including
21,000 in France

2,552 sales points



Insurance in France

11.5 million members and customers

10.7 million insured vehicles

8 million insured homes

3 million beneficiaries
of health policies



Corporate Social Responsibility Indicators

Diversity

65.6%
Women

34.4%
Men



52.8%
Managers are women

Training

58.8%
Rate of access
to training



4.27 %
Rate of employment of people with a disability

Environmental data



Carbon footprint:
CO₂ emissions related to energy
consumption

Operating property
9,973 t CO₂ eq*
i.e. **15.3 kg CO₂ eq/m²****

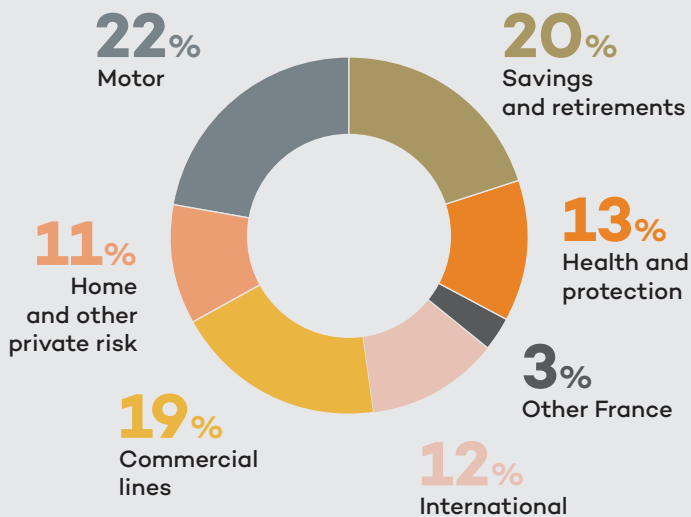
Investment property
7,345 t CO₂ eq*
i.e. **10.5 kg CO₂ eq/m²****

*Tonnes of CO₂ equivalent - ** Kilograms of CO₂ equivalent

Covéa

at 31 December 2018

A BROAD, *diverse* ACTIVITY



€16.9 BILLION
earned
PREMIUMS

IN FRANCE

€14.9 billion
EARNED PREMIUMS

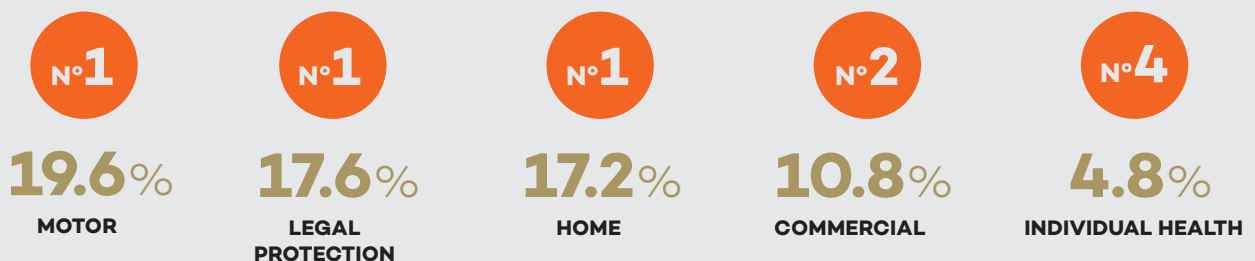
INTERNATIONALLY

€2 billion
EARNED PREMIUMS

IN 5 COUNTRIES:
ITALY, UNITED KINGDOM,
UNITED STATES,
LUXEMBOURG, IRELAND

Leading POSITIONS in France

(by market share)



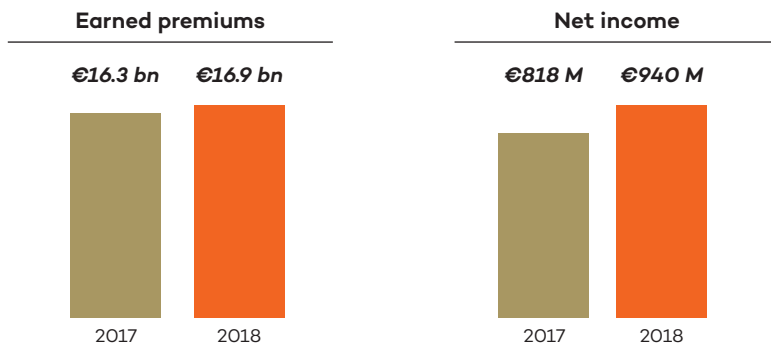
“In 2018, our performance in terms of business, results and solvency was very solid. This performance confirms the relevance of our strategic priorities: combining operational efficiency, customer service excellence and profitable growth.”



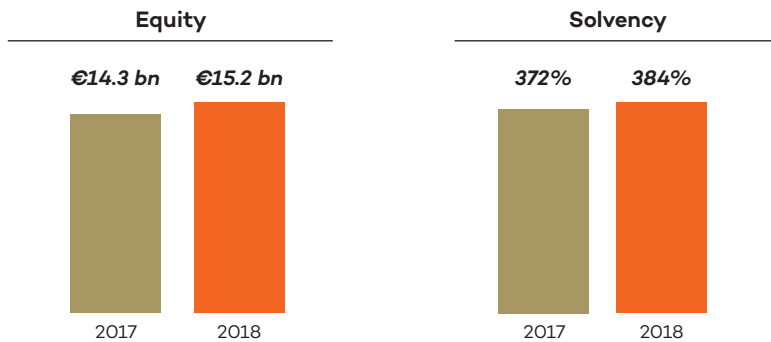
THIERRY DEREZ

Chairman and Chief Executive Officer

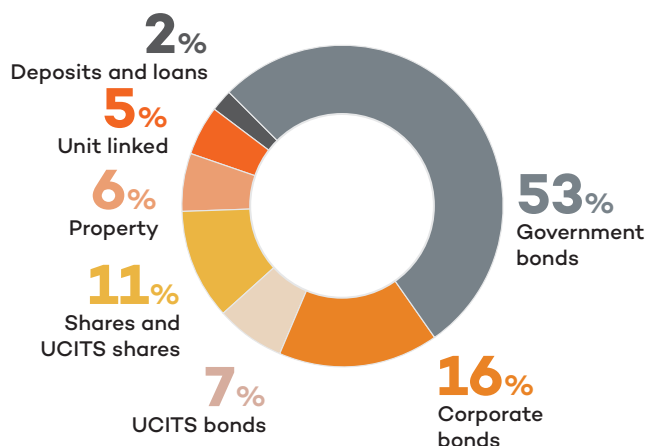
Profitable DEVELOPMENT



A very solid BALANCE SHEET



€104.5 BILLION in assets managed



FINANCIAL SOLIDITY RECOGNISED BY THE *rating agencies*

S&P Global Ratings*

A+
Stable

A.M. Best**
A (Excellent)
Stable

A CONSTANT IMPROVEMENT RATINGS



S&P Global Ratings

* Entities rated: Covéa Coopérations, MMA, IARD SA, MMA VIE, MAAF VIE, GMF VIE, Covea Insurance, Covéa Life

** Entities rated: Covéa Coopérations

Presentation of Covéa

1.1	History	8
1.2	Profile and organisation	9
1.3	Activities and distribution networks	10
1.3.1	In France	10
1.3.2	International	11
1.4	Strategy	12
1.5	Corporate Social Responsibility (CSR) policy	13

1.1 History

Covéa, a group built over two centuries:

The first mutual groups: during the 19th century and the first half of the 20th century, the mutual companies shaped the French insurance landscape. From this period, Covéa inherited three strong brands widely recognised by customers, and a sound culture of client-centricity, prudence and long-term horizon.

Development: the second half of the 20th century was marked by the expansion of mutual companies all over France. They also developed internationally, founding or developing subsidiaries and partnerships.

Union: in 2003 then in 2005, the old mutual companies decided to join forces. First at the institutional level, by introducing a support network and a common strategy, through the creation of Covéa SGAM. Then at an operational level, with the pooling of their operational capacities, and financially with the creation of the Covéa Coopérations. Last, unifying the employment status of all its employees in France, through the common status (*statut commun*) agreements.

1819-1950: birth of strong mutuals deeply rooted in the French insurance landscape

- 1819: creation of Assurances Mutuelles de France.
- 1828: creation of Mutuelles du Mans Assurances.
- 1934: creation of the Garantie Mutuelle des Fonctionnaires.
- 1950: creation of MAAF Assurances.

1958-2001: start of international diversification

- 1958: MMA creates Norman Insurance, which will become Covéa Insurance, in the United Kingdom.
- 1981: GMF buys shares in CSE, the first step towards a 100% holding, in the USA.
- 2001: MAAF and MMA become shareholders in Caser in Spain.

2003-2005: creation of Covéa SGAM

- 2003: MAAF Assurances and MMA decide to create a Group of Insurance Mutuals (SGAM), a new type of structure in French law.
- 2005: AZUR-GMF joins Covéa. Four families of insurance mutuals now make up SGAM Covéa, which becomes a leader in property and casualty insurance.

2011: continuation of development in France and abroad

- APGIS joins Covéa SGAM, a protection institution, enabling the pooling of resources in the area of research, development, distribution and management of group health insurance.
- Acquisition of 81% of Bipiemme Vita and of Bipiemme Assicurazioni in Italy.
- In the United Kingdom, acquisition of Provident, whose activities will be transferred to Covéa Insurance.

2012: creation of Covéa Coopérations

Creation of Covéa Coopérations in order to simplify the legal structure of the Group. Covéa Coopérations, which is jointly held by the four families of mutual insurance companies which make up SGAM Covéa, directly or indirectly holds the vast majority of the Group's operational activities.

2013: SMI accession

SMI, an inter-professional mutual company, joins the Group and strengthens our positions in group health insurance.

2015: increased diversification

- Transformation of Covéa Coopérations into a reinsurance company in order to develop inward reinsurance activity.
- Acquisition of Sterling Insurance Group in the United Kingdom and incorporation of non-life activities into Covéa Insurance.

2017: a common employment status for a single company

In June 2017, agreement with the employee representatives providing a common employment status for the Group's 21,000 employees in France. This innovative status increases flexibility, capacity for innovation and efficiency for 11.5 million members and customers.

2018: continuation of rationalisation

- DAS Assurances Mutuelles, DAS SA and Assistance Protection Juridique (APJ), the legal protection companies of the Covéa group, gathered their activities under the name Covéa Protection Juridique.
- Sale of Swinton Group, the non-life insurance brokerage business, in order to focus the Group's activity in the United Kingdom on insurance.

1.2 Profile and organisation

The Covéa mutual insurance group aims to promote the sustainability and development of affiliated companies and their subsidiaries.

The Covéa group's ultimate holding company is a group of insurance mutuals (SGAM – Société de Groupe d'Assurance Mutuelle). It exercises dominant influence, coordinating the decisions (including financial ones) of its affiliates, and it has control powers. It concludes and manages strong and lasting financial relationships with its affiliate companies.

Nine mutual insurance entities, divided into four families, are affiliated to Covéa SGAM:

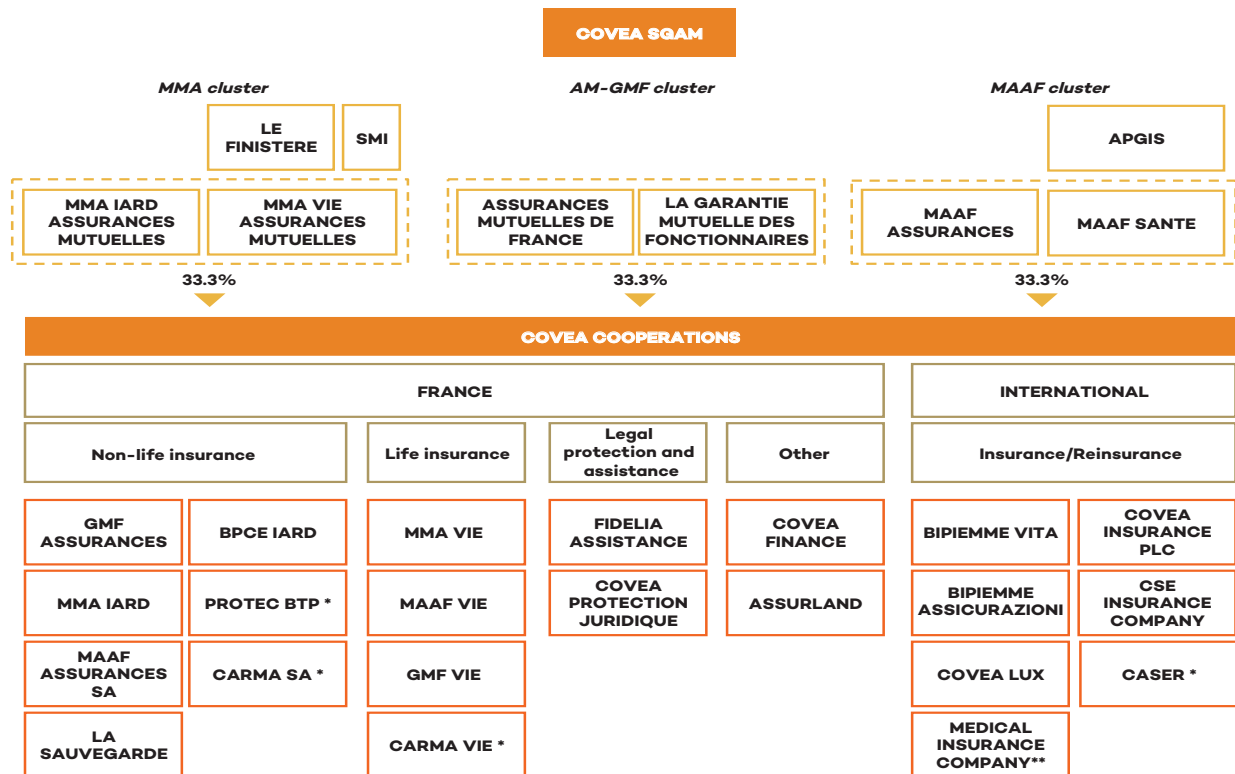
- **MMA family:** MMA IARD Assurances Mutuelles, MMA Vie Assurances Mutuelles, Le Finistère Assurance, SMI;

- **MAAF family:** MAAF Assurances, MAAF Santé, APGIS;
- **AM family:** Assurances Mutuelles de France;
- **GMF family:** La Garantie Mutuelle des Fonctionnaires.

Certain companies affiliated to the Covéa SGAM are shareholders of Covéa Coopérations, a French reinsurance company that in turn directly or indirectly owns all or part of the capital of the Group's operational companies.

Covéa Coopérations is thus the hub between the SGAM's affiliated companies and the Group's operational companies.

SIMPLIFIED COVÉA GROUP ORGANISATIONAL CHART AT 31 DECEMBER 2018



* Accounted for using equity method
 ** Owned by MMA IARD Assurances Mutuelles

1.3 Activities and distribution networks

1.3.1 In France

1.3.1.1 Business activity

Insurance activities

In France, Covéa is mainly supported by three strong brands:

- **MMA**, a mutual insurance company with a network of tied agents and brokers, operates in individuals, self-employed professionals, corporates, associations and local authorities markets;
- **MAAF**, a mutual insurance company with salaried salesforce that provides comprehensive solutions to individuals and professionals;
- **GMF**, a mutual insurance company with salaried salesforce for individuals, and the leading provider to Public Service agents.

The Group is also active through APGIS and SMI, Covéa SGAM-affiliated companies operating in the health and protection market.

Through MMA, MAAF, GMF, APGIS and SMI, the Group offers a comprehensive range of products to best meet all the needs of its customers and members and offer them the best possible insurance experience.

In property and casualty insurance, the Group offers various products for retail customers, self-employed professionals, companies, non-profits and local authorities. In the personal lines market, its comprehensive range features mainly motor insurance, home insurance, assistance and legal protection products. In the self-employed professionals and corporate, the Group meets the needs of self-employed professionals, microbusinesses, SMEs and mid-sized businesses with a complete range covering solutions for general liability, property, fleets, buildings and farming.

In health and protection, the Group markets a full range of products providing cover for retail customers and self-employed professionals as well as employees of companies of all sizes, in both complementary health insurance and personal insurance. The Group offers, as part of individual and group contracts, a vast range including cover for care expenses with the appropriate services and income protection in the event of not being able to work, illness or death. In the protection market, the Group also offers temporary individual death insurance policies, borrower insurance products, whole life and funeral policies as well as policies covering everyday accidents.

In the **saving** market, the Group markets life insurance and capitalisation solutions including a wide range of carefully selected unit-linked funds providing alternatives to euro-denominated investments. Its

retirement offer focuses on products “Madelin” and retirement savings plans (*Plans d'Épargne Retraite Populaire* – PERP).

Reinsurance

The Group carries out an international inward reinsurance activity, operating mainly through the property and casualty, motor third-party liability and personal accident segments. The insured risks are located in over 30 countries on four continents. Since 2016, the Group has been developing a health and protection inward reinsurance business. This activity corresponds to traditional health and protection risks, mainly in group insurance.

Asset management

Covéa Finance is the Covéa group's asset management company. With more than €95 billion of assets under management, it is the tenth largest investment management company in France. At 31 December 2018, it was managing 48 funds and had almost €15 billion in managed equities.

Covéa Immobilier pools the three brands' resources and know-how in the field of property asset management, for both investment and operating properties. At 31 December 2018, Covéa's investment property portfolio amounted to €5.4 billion. It consists of 214 buildings in the Paris region and is made up of 66% retail and office properties and 34% residential properties.

1.3.1.2 Distribution networks

The Group distributes its products through various networks mainly employees, tied agents and brokers. The Group's strategy in the area of distribution is to have networks which complement each other, in order to meet the needs of its customers and members.

The main intermediaries' networks

Tied agents, heads of independent companies, act as intermediaries of MMA, marketing all its products. Tied agents' expertise, combined with geographic proximity, enables them to market the whole range of MMA's products, and also to offer quality of service and the long-term relationship expected by customers. With 1,635 sales points in France, the MMA network has a sales force of almost 5,000 agents and employees, based all over France.

MMA relies on a network of brokers mainly on the commercial lines.

The main employee networks

Within the Covéa Group, MAAF and GMF have a distribution network of salaried employees. Employees from each of these brands distribute the products marketed.

The MAAF network has over 3,000 employees dedicated to the relationship with its members and customers, 559 sales points and 9 telephone call centres. GMF is supported by a distribution network of over 2,300 employees, 354 sales points and 11 call centres.

The partnerships

In 1996 the Group concluded a partnership with Banques Populaires which gave rise to the creation of BPCE IARD, a company which is today 50% held by the Covéa group and 50% by the BPCE group. Motor insurance, multi-risk home insurance, legal protection and multi-risk insurance for self-employed professionals sold by BPCE IARD are distributed by the networks of Banques Populaires, Caisses d'Épargne and Foncia.

The Group also develops affinity partnerships, notably through Covéa Affinity, mainly in the motor sector.

1.3.2 International

Internationally, the Group is present in six countries, essentially the United Kingdom and Italy.

United Kingdom

Covéa Insurance offers non-life and casualty insurance for individuals and companies. In February 2015, Covéa strengthened its UK operations through the acquisition of the Sterling group, which specialises in mid-to-high-end home insurance and protection. The non-life activities of the Sterling group were incorporated into Covéa Insurance at the end of 2015. As part of its multi-channel distribution strategy, Covéa Insurance distributes its products through various distribution channels, notably brokers, direct sales networks and affinity partners.

Italy

The Group is active in Italy through its subsidiaries Bipiemme Vita and Bipiemme Assicurazioni, whose products are distributed by the Banco BPM banking group.

Bipiemme Vita operates in the individual life insurance market, offering mainly euro-denominated and unit-linked savings products. Bipiemme Assicurazioni offers property and casualty cover for individuals and sells motor, home and borrower insurance products.

United States

Civil Service Employees (CSE) Insurance Company markets non-life and casualty insurance for individuals and corporates. In the retail segment, CSE Insurance Company operates in the motor and home insurance

markets. It operates mainly in California, but also in Utah, Nevada and Arizona, and distributes its products through a network of non-exclusive agents and, in Utah, a partnership with a broker.

Luxembourg

Covéa Lux, a Luxembourg-registered reinsurance company, offers the Group retention capacity management solutions and, where applicable, additional reinsurance capacities to complement reinsurance programmes. It mainly reinsures the insurance companies in Covéa group's combination scope.

Ireland

Historically, Medical Insurance Company operated in the medical malpractice insurance market, mainly in France. The company stopped underwriting new risks in November 2015.

Spain

Covéa has a 20% stake in the Caser group, which operates in the life and non-life insurance markets for individuals and companies.

French subsidiaries

In addition, Covéa's french subsidiaries cover risks abroad, notably in the field of inward reinsurance and affinity offers under the freedom to provide services regime. Moreover, MMA supports its business client active abroad.

1.4 Strategy

A firm footing

Covéa's strategy is based on its mutual values and its long term economic model guided by a moderate and targeted appetite for risk, aiming to maintain a high level of solvency in order to be able to withstand extreme scenarios at any time. This is why the Group aims to consolidate its financial solidity, which is based on long-term financial management with sustainable performance, and one of the highest levels of solvency on the market.

A momentum

Against a backdrop of accelerated transformation of the competitive and regulatory economic environment, these three pillars are the base enabling the Group to launch a new business cycle, accelerate the transformation of its operational model and increase its profitability, so as to create more value to be shared between members, customers, employees and the company.

The strategic and operational guidelines of the new Cové@venir 2021 strategic plan will be deployed in four priority areas:

Focusing on higher-value segments and markets

On personal lines, the Group is pursuing its profitable development objectives, targeting value-creating products and markets for its members and customers such as personal protection schemes, legal protection or health. In addition, the Group is strengthening its support to professionals.

The Group maintains its growth momentum on commercials, group insurance, and affinity partnerships markets. Reinsurance and international activities help to diversify the Group's development.

Alongside the institutional pillar represented by the SGAM and the financial pillar represented by Covéa Coopérations, the social pillar, which became a reality in June 2017 with the signing of common employment agreements for the Group's 21,000 French employees, constitutes the third pillar of the single enterprise.

Continuing excellence in the customer experience

The Group continues to invest for the excellence of the services and protections provided to members and customers. The aim is to promote the human dimension and offer customers a distinctive service through reinventing the customer experience.

Covéa is anticipating and designing the digital models of tomorrow, investing in knowledge of its members and customers in order to offer them the products and services they need.

Strengthening operational efficiency

Alongside placing the customer relationship at the heart of its strategy, the Group is constantly improving its operational competitiveness and its efficiency. Adapting information systems, simplifying processes and offers are the main ways of realising this ambition.

Capitalising on proud and committed teams

Covéa leverages on the support and commitment of all its employees, and accompanies them towards tomorrow's businesses. The Group values collective and individual performance in the creation of value and adapts its management model, stressing the importance of cooperation, recognised as a key skill.

A deployment

The Group's brands, through the relationship with members and customers, deploy the Group's strategy in their markets in particular by offering an excellent customer experience:

MAAF, for individuals and professionals

As it has done over the last few years, MAAF continues to conquer the professionals market and is developing its digital transformation in order to strengthen its positions on the personal lines. MAAF's new positioning is based on well defined foundations: "customer preference".

MMA, the Group's provider of general insurance

MMA has become a leading insurer on the French markets on commercial lines, and in the so-called affinity markets, and continues that growth whilst

contributing to Covéa's leadership on personal lines. Growth on commercial lines is based on the engagement of the tied agents and brokerage networks.

GMF, the leading insurance provider for Public Service Agents

GMF aims to reinforce the obviousness as an affinity brand for public service agents. GMF has consolidated its development model, based on a high loyalty rate, sound risk management and excellent value for money.

1.5 Corporate Social Responsibility (CSR) policy

Covéa's activities respect social and environmental criteria. Its commitments, formally made in its Corporate Social Responsibility policy cover three

areas: governance, management of human resources and its insurance activities.

Governance

Covéa has drawn up an ethical management charter. In this regard, the Group:

- designed a mechanism to fight corruption at all levels of its activity and supported its employees by making a code of conduct available to them;
- put in place a responsible purchasing policy with social and environmental criteria for the selection of its suppliers and subcontractors in order to encourage positive impacts in these areas;

- ensured the protection of employees' and customers' data, and in particular guarding against cyber attacks.

The Group's responsibility to the regions in which it has a strong presence has led it to:

- conclude numerous regional partnerships in order to promote local structures and initiatives and new technologies (Le Mans Tech and Niort Tech, for example);
- support local charities through the Foundations of its brands (MAAF, MMA and GMF) and by organising solidarity days in the main areas where it operates.

Human Resources

In 2018 Covéa, which attaches great importance to the quality of employer-employee dialogue, signed important agreements with employee representatives on disability, gender equality and home office.

In order to ensure that its employees can develop their skills and maintain their employability throughout their careers, the Group draws up appropriate training plans, which it adjusts every year to support new business lines.

The Group also contributes to the health and safety of its employees with an occupational risks policy focusing on two main areas: “physical risks” and “psychological and social risks”. The risk prevention plan, aimed at all employees, takes the form of awareness raising, information programmes, support,

acknowledging specific situations and improving the working environment.

The Covéa diversity policy is based on equal opportunity and access to employment and continued employment. In 2018, Covéa prepared an awareness raising e-learning programme, dedicated to diversity and prevention of discrimination for all employees.

The Disability Initiative and the brands’ Foundations are behind several initiatives, aimed at internal and external stakeholders, to encourage the employment of disabled people.

The gender equality agreement includes objectives in the areas of promotion, external recruitment, training and remuneration.

The conduct of its business

Covéa incorporates social and environmental issues into its entire insurance product life cycle. In particular, Covéa’s CSR policy puts the customer and their needs at the centre of new product development, and monitors the quality of the entire customer experience, until claims management. Regarding the environmental perspective, for example, Covéa uses non-polluting techniques to repair damage (paint, panel beating, re-usable parts etc.).

Covéa is also developing a prevention activity:

- technical inspections limit the risks of pollution, remote assistance supports elderly people, and access to the services provided by the Santéclair platform facilitates the prevention of health problems;
- in addition, the AAC coaching application helps the children of customers to acquire driving skills, and road safety initiatives aim to make both customers and prospects drive more responsibly.

Covéa aims to reduce the carbon emissions from the management of its operating and investment

properties. The Group systematically endeavours to respect environmental labels in its construction or renovation work. In 2018 for example, Covéa obtained the “BREEAM In-Use Good” certification for its operating building in Chartres and the “BREEAM In-Use Good and Very Good” certifications for the Séquana investment property.

More generally, the Group’s environmental and social commitment in its investment activity, has since 2016 been described in an ESG (environment, social, governance) policy report, available online at covea.eu.

Finally, Covéa is particularly committed to research programmes which aim to improve the knowledge and prevention of risks and their consequences. In this regard, the Group finances:

- university chairs: BiomecAM “Innovation and Disability”, as well as Prevent’horizon;
- or a programme at the Edmond J. Safra Medical Centre in Grenoble, in partnership with Clinatéc.

Communicating best practice

The monitoring of Covéa’s CSR policy is subject to a specific governance coordinated around the CSR committee. Two dedicated networks disseminate this policy to all employees, enabling them to implement it within the company and its external stakeholders.

In 2018 Covéa chose to make a voluntary declaration about its non-financial performance, posted on covea.eu, clearly setting out the various policies and actions which the Group has implemented to face with social and environmental challenges and risks.

Governance of Covéa

2.1	Board of Directors	17
2.2	Board of Directors' committees	18
2.2.1	The Audit and Risks Committee	18
2.2.2	Remuneration Committee	18
2.3	General management	19
2.4	Remuneration policy	19
2.4.1	Remuneration of directors and members of Committees	19
2.4.2	Remuneration of General Management	20
2.5	Management of risks and internal control	22
2.5.1	Risk management system	22
2.5.2	Periodic control: internal audit	23
2.5.3	Compliance and internal control system	24
2.5.4	Actuarial function	25

The Covéa Group is a mutual insurance group, made up of affiliate companies in four families, MAAF, MMA, AM and GMF, grouping 6 mutual insurance companies (*sociétés d'assurance mutuelle*), 2 mutuels (*mutuelles 45*) and a protection institution (*institution de prévoyance*).

Covéa does not have a shareholder, and corporate control is enforced by members of affiliate companies whose elected representatives make up their General Meetings. The affiliate companies in particular have the authority to appoint the members of their Boards of Directors.

SGAM Covéa, parent company of the group, is managed by a Board of Directors, the Chairman of which is also Chief Executive Officer.

The Board of Directors of SGAM Covéa is made up of directors from amongst the companies, which are all represented at its General Meeting. Together they represent the customers.

The system of governance implemented within the Group is consistent with its business model and activities and contributes to the implementation of its strategy.

The Group's operational organisation, based in particular on its Executive Committee, is an essential component of its governance system. With a cross-divisional focus, it deploys a full range of capabilities and technical resources dedicated to the Group's and its companies' activities, and the control thereof, and includes centralised support functions to serve all its companies.

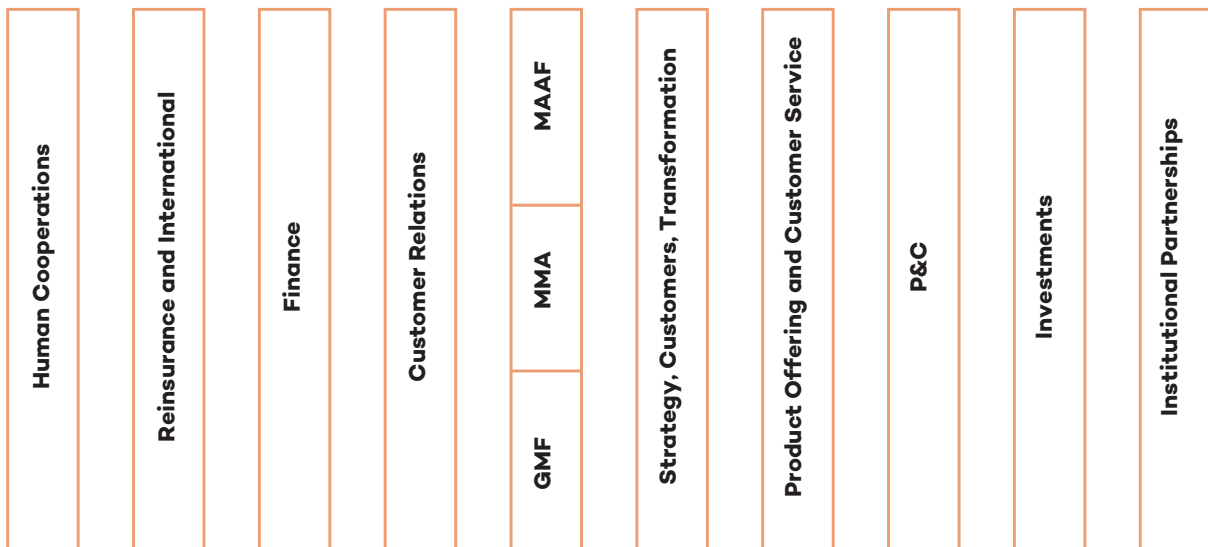
Covéa Board of Directors

Audit and Risks Committee

Remuneration Committee

Covéa Chairman and Chief Executive Officer

Executive Committee



As of December 2018.

2.1 Board of Directors

Covéa SGAM (hereafter Covéa) is managed by a Board of Directors consisting of 28 members as of 31 December 2018:

- Thierry Derez, Chairman;
- Jean-Claude Seys, Vice-Chairman and deputy board member;
- Jean-Michel Banlier, director;
- Monique Berger, director;
- Eric Lagarde, director;
- Christophe Crepin, director;
- Diane Hamen, director;
- Rémy Verges, director;
- Assurances Mutuelles de France represented by Jean-Marie Meckler, director;
- APGIS represented by Gilbert Lebrument, director;
- Covéa Protection Juridique represented by Hélène Béjui-Hugues, director;
- Fidélia Assistance represented by Xavier Dejaille, director;
- Fidélia Services represented by Jean-Pierre Gualazzi, director;
- MAAF Vie represented by Michèle Beyt, director;
- La Garantie Mutuelle des Fonctionnaires represented by Hubert Ivanoff, director;
- GMF Assurances represented by Hélène Martini, director;
- GMF Vie represented by Christiane Maurech, director;
- MAAF Assurances represented by Michel Castagné, director;
- MAAF Assurances SA represented by Bernard Barbottin, director;
- MAAF Santé represented by Charles Zanoni, director;
- MMA IARD Assurances Mutuelles represented by Michel Coursat, director;
- MMA IARD represented by Anne-José Fulgéras, director;
- MMA Vie Assurances Mutuelles represented by Christophe Guettier, director;
- MMA Vie represented by Mario Colaiacovo, director;
- Prony Habitations represented by Christian Delahaigue, director;
- La Sauvegarde represented by Jean Fleury, director;
- SMI represented by Philippe Bailly, director;
- Téléassurances represented by Marie-France Orti, director.

The directors' terms of office are specifically monitored with respect to regulatory obligations regarding the number of corporate offices held concurrently. Directors' terms of office last for six years.

The Board of Directors determines strategic guidelines and oversees their implementation. Subject to the powers expressly granted to General Meetings and within the limits of the corporate purpose, it reviews all issues concerning the proper functioning of the company and deals with all matters concerning it in its deliberations.

The Board of Directors thus decides on the Group's strategy. It reviews its management guidelines – including for financial management – its results and any regulatory changes subject to its approval. The Board exercises effective control over the Group's affiliated companies and, more generally, Group companies. It ensures compliance in particular with the rights and obligations resulting from affiliation agreements and articles of association.

The Board of Directors meets as often as the company's interests require. In 2018, it met 9 times, with an attendance rate of 91.26%.

2.2 Board of Directors' committees

2.2.1 The Audit and Risks Committee

The Audit and Risks Committee, under the responsibility of Covéa's Board of Directors, covers all insurance and reinsurance companies controlled by the Group.

At 31 December 2018, Covéa's Audit and Risks Committee comprised 9 members:

- Jean Fleury, permanent representative of La Sauvegarde, Chairman;
- Bernard Barbottin, permanent representative of MAAF Assurances SA, member;
- Michèle Beyt, permanent representative of MAAF Vie, member;
- Michel Coursat, permanent representative of MMA IARD Assurances Mutuelles, member;
- Christian Delahaigue, permanent representative of Prony Habitations, member;
- Anne-José Fulgeras, permanent representative of MMA IARD, member;
- Hubert Ivanoff, permanent representative of La Garantie Mutuelle des Fonctionnaires, member;
- Marie-France Orti, permanent representative of Téléassurances, member;

- Jean-Jacques Vouhé, member.

The Audit and Risks Committee is in particular responsible for monitoring:

- the financial information reporting process. In addition, at the closing of the accounts, it examines the statutory and consolidated financial statements;
- the statutory audit of the annual financial statements by the Statutory Auditors;
- the independence of the Statutory Auditors;
- the effectiveness of the internal control system;
- the risk management policies, procedures and systems, including the effectiveness thereof;
- the work of the key functions.

In addition, the Audit and Risks Committee approves services other than the certification of accounts which are provided by the Statutory Auditors.

The Audit and Risks Committee's Chairman regularly reports to Covéa's Board of Directors on the work it carries out.

In 2018, the Audit and Risks Committee met 9 times with an attendance rate of 93.83%.

2.2.2 Remuneration Committee

The Remuneration Committee, under the responsibility of Covéa's Board of Directors, covers all companies controlled by the Group.

At 31 December 2018, Covéa's Remuneration Committee comprised 3 members:

- Jean Fleury, permanent representative of La Sauvegarde, Chairman;
- Hélène Bejui-Hugues, permanent representative of Covéa Protection Juridique, member;
- Christian Delahaigue, permanent representative of Prony Habitations, member.

The Remuneration Committee is in particular responsible for:

- examining, on the basis of the company's risk profile, the grant conditions and the criteria associated with the remuneration (fixed, variable, and any additional components) of non-executive corporate officers,

executive corporate officers, corporate officers considered as senior management, and executive managers, including those carrying out a key function;

- overall monitoring of changes in remuneration;
- reviewing the compliance of companies' human resources policies with the principles laid down in the Covéa Group's remuneration policy.

The Remuneration Committee can issue all proposals, as appropriate, to Covéa's Board of Directors, General Management or the General Management Department in charge of Human Resources.

Once a year, the Committee's Chairman reports to Covéa's Board of Directors on any decisions, discussions, assessments or initiatives that the Committee has undertaken as part of its duties.

In 2018, the Remuneration Committee met six times with an attendance rate of 100%.

2.3 General management

Thierry Derez, Chairman and Chief Executive Officer, is assisted by two Deputy Managing Directors, Maud Petit and Amaury de Hauteclouque, appointed on 14 February 2018, replacing Christian Baudon.

The Chairman and Chief Executive Officer and the Deputy Managing Directors are vested with the broadest powers to act in all circumstances on behalf of the Group. They exercise these powers within the limits of its corporate purpose and subject to the authority that the law expressly grants to the General Meeting and to the Board of Directors. They represent the Group in its dealings with third parties. They have the power to delegate their authority.

The Executive Committee, placed under the authority of the Chairman and Chief Executive Officer, Thierry Derez, constitutes the Group's central operational body. It brings together the two Deputy Managing Directors and the directors of the main insurance companies and Group cross-divisional support functions.

The Executive Committee suggests and implements guidelines needed for the Group's development, its effective operational performance and the management of its risks.

This body has a comprehensive view of business matters and settles all issues related to the Group's companies, which pool certain resources, tools and know-how within the framework of common policies. This committee meets twice a month and as often as necessary for the interests of the Group and its companies.

Members of the Executive Committee are, in addition, assisted by Project Leaders who report to the Chairman and Chief Executive Officer.

At 31 December 2018, the Executive Committee was made up of 13 members (including the Chairman and Chief Executive Officer). At that date, there were 2 Project Leaders.

2.4 Remuneration policy

The remuneration policy, which applies to the Covéa Group, its affiliated companies and entities over which it exercises a dominant influence, governs the determination of the components of compensation and/or remuneration for all corporate officers, executive officers and employees.

It is part of a global objective to promote sound, prudent and effective risk management that does not encourage risk-taking beyond the company's tolerance limits. It also aims to attract, motivate and retain the talents the Group needs.

It thus lays down general principles and associated criteria and defines a process for setting up, monitoring and controlling the system.

The remuneration policy and its appendix, which serve as a code of practice for the Remuneration Committee, have been approved by Covéa's Board of Directors.

Work started in 2017 by the Remuneration Committee led in 2018 to an overhaul of the remuneration structure of corporate officers. The purpose of this development was to make the level of compensation and remuneration received consistent with the practices of other players, following external studies of comparable groups, led by the Progress Partners consultancy in particular.

2.4.1 Remuneration of directors and members of Committees

Covéa may award attendance fees to the directors and committee members as part of an overall amount set by the General Meeting.

The amount paid takes account of the regular attendance of Board of Directors members and any participation in specialised committees such as the

Audit and Risks Committee and the Remuneration Committee.

At 31 December 2018, the Board of Directors has 28 members, the Audit and Risks Committee has 9 members, and the Covéa Remuneration Committee has 3 members.

Directors and committee members receive:

- a fixed amount corresponding to an annual sum paid as compensation for preparation time;
- a variable amount corresponding to a sum paid for every session in which the director participates, in order to encourage attendance.

In 2018, the amounts allocated by Covéa were as follows:

- for participation in the Board of Directors' meeting: a fixed annual amount of €4,000 and €2,000 per session (excluding the deputy board member);
- for participation in the Audit and Risks Committee: a fixed annual amount of €5,000 (increased to €10,000 for the chairman) and €2,500 per session;
- for participation in the Remuneration Committee: a fixed annual amount of €4,000 and €2,000 per session;

- for the Covéa deputy board member⁽¹⁾: fixed compensation of €60,000 excluding tax and excluding charges paid at the end of the year, which cannot be aggregated with attendance fees.

Directors who are also employees of a group entity do not receive compensation.

For the 2018 financial year, the overall amount of compensation paid to members of the Covéa Board of Directors for their duties in all Group entities (including affiliated and controlled entities) was €1,118,642 (including €826,000 for their Covéa mandates).

Directors and Committee members do not benefit from pension plans, shares or options for their mandates.

2.4.2 Remuneration of General Management

2.4.2.1 Chairman and Chief Executive Officer

Total gross remuneration of the Chairman and Chief Executive Officer of the Group for 2018 was €1,599,786.

It is set by the Board of Directors on the proposal of the Remuneration Committee.

Following the overhaul of the remuneration structure of the Chairman and Chief Executive Officer, the remuneration is supported, from 1 September 2018, by the various entities at which he acts as Chairman: Covéa, MMA IARD Assurances Mutuelles, MMA VIE Assurances Mutuelles, MAAF Assurances, La Garantie Mutuelle des Fonctionnaires et Assurances Mutuelles de France.

The Chairman and Chief Executive Officer does not benefit from a shares or stock option plan.

2.4.2.2 Other Corporate Officers

The two Deputy Managing Directors receive fixed compensation for their duties at Covéa⁽²⁾. The gross individual amount received for this in 2018 was €66,869.

The compensation is set by the Board of Directors.

They also have an employment contract for their other functions within the Group, separate from their functions as corporate officer.

2.4.2.3 Salaried members of General Management

The overall gross remuneration of all members of the General Management⁽³⁾ (not including the Chairman and Chief Executive Officer) under their employment contracts in 2018 is €6,491,726. The average workforce is 15 people.

In addition, depending on their original entities, they either benefit from employee share ownership and profit sharing agreements under the common articles of association, or from the Covéa group profit sharing scheme⁽⁴⁾.

Members of the General Management (other than the Chairman and Chief Executive Officer) may exercise functions within the Group which exceed the strict scope of the entity of which they are directors or employees. Re-invoicing occurs between the companies, where applicable, in accordance with Article 261 B of the French General Tax Code.

(1) Technical and administrative assistance and a company car are made available so they can carry out their assignments.

(2) Maud Petit also received an indemnity of €14,583 for two terms of office as a director of foreign subsidiaries of the Group exercised in 2018. They ended in September 2018.

(3) Fixed amount plus individual variable.

(4) Capped at 0.5 times the Social Security Annual Cap.

2.4.2.4 Peripheral components of remuneration

Supplementary pension schemes

Members of the General Management (apart from the Chairman and Chief Executive Officer) benefit from a supplementary pension scheme depending on the entity which employs them⁽¹⁾. Three regimes applicable to directors co-exist within the Group:

- a plan taken out by the entities MMA IARD Assurances Mutuelles, MMA VIE Assurances Mutuelles, MMA IARD, MMA VIE or DAS (hereafter MMA);
- a plan taken out by Covéa;
- a plan taken out by MAAF Assurances.

From 1 January 2019 onwards, following a proposal by the Remuneration Committee approved by the Board of Directors, the Chairman and Chief Executive Officer has benefited from the additional pension scheme applicable to directors of Covéa.

For defined benefits schemes:

- the beneficiary must have exercised its pension rights and liquidated all of its compulsory pension schemes;
- the pension supplement makes it possible to reach, minus all of the obligatory pension components, including compulsory contribution schemes:
 - for beneficiaries under MAAF Assurances, 55% of the reference amount, a rate increased by 1% per year after 60 years of age, up to 60%;
 - for beneficiaries under Covéa, 55% of the reference amount, increased by 1% per year after 62 years of age, up to 58%, bearing in mind that from April 2019, following a proposal of the Remuneration Committee approved by the Board of Directors, benefits paid to those under the Covéa SGAM contract are capped at an amount 8 times the

annual Social Security cap, and this cap cannot be below 30% of the reference amount;

- for beneficiaries under MMA, the additional amount is 1% of the reference amount per year of service, with the provisos that:
 - the additional amount may not exceed 15% of the reference amount,
 - the overall aggregate amount of all income received (also including income from obligatory pension components and obligatory contribution schemes) may not exceed 60% of the reference amount;
- the reference amount corresponds:
 - for employees under Covéa and MMA, to the average gross annual salary of the last 36 months, excluding benefits in kind,
 - for employees under MAAF Assurances, the average gross remuneration of the five best years of the last 10, excluding non-recurring items.

Other benefits

Each member of the General Management Department has a company car, with the exception of the Chairman and Chief Executive Officer who has access to a company car which can be used for professional purposes.

They benefit from the same Health and Personal Protection schemes as all Group employees⁽²⁾.

Accommodation may be provided when their main residence is outside the Paris region.

They do not benefit from any contractual severance compensation, or payment in the form of shares or stock options.

(1) At the end of 2018, the General Management includes one member in the MMA scheme and 12 members in the Covéa scheme.

(2) Directors are also offered an annual health check.

2.5 Risk management and internal control

2.5.1 Risk management system

The purpose of Covéa's risk management system is to detect, analyse, measure, manage, monitor and continuously report, on a forward-looking basis, all the risks to which the Group is subject.

The overall implementation of the risk management system is the responsibility of the Risks Department, which reports directly to the Chairman and Chief Executive Officer of the Covéa Group. It has direct and permanent access to general management and the Board of Directors of the Company.

The risk management system:

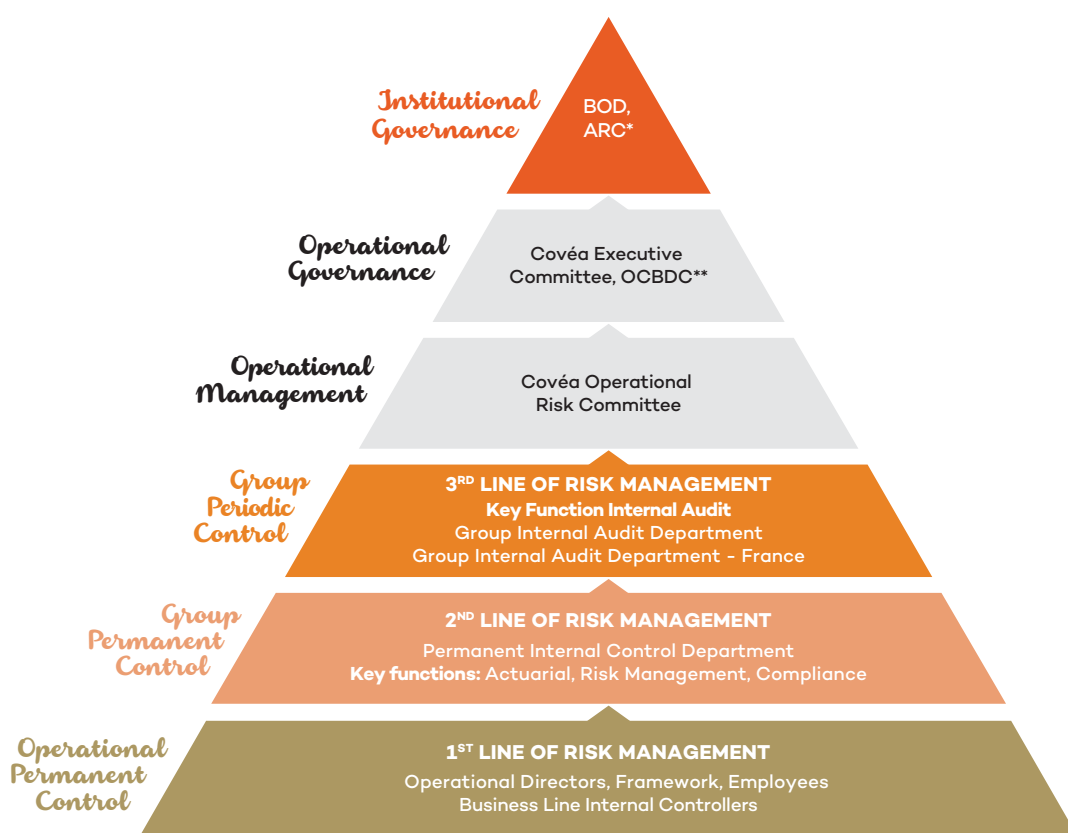
- covers all risks fully quantified, partially quantified or not specifically quantified in the solvency capital requirement under Solvency II, risk mitigation techniques as well as the risks associated with the valuation method of the prudential balance sheet;
- maps risks by company and for the Group, using a methodology, a set of processes and a glossary of common risks harmonised at the Group level;
- relies on the so-called ORSA⁽¹⁾ processes for the internal assessment of risks and solvency. In this context, the risk management system produces reports for governance bodies on the risks of each company, including the annual ORSA Report in particular;

- is governed by a general risk management policy and risk management policies detailed by area (underwriting, provisioning, reinsurance, investment, ALM, etc.). The Board of Directors approves these policies annually.

The risk management system must also ensure that Covéa has the relevant mix of strategies and that the Group's risk appetite is appropriate. It carries out a critical review of the companies' business plans. It must ensure that the business plans produced comply with the Group's overall risk appetite limits and that the risks inherent in these business plans are controllable. The risk management system thus helps to safeguard decision making. For that purpose, it draws on the detailed risk management policies that link the strategy and responsibilities of the business divisions, and checks that the operational limits defined for each area are consistent with the overall appetite defined in the Group's strategy. Studies designed to adjust the risk level and limits are carried out ensuring that the risks taken do not affect the Group's and its entities' long-term future or pose a risk to their policyholders.

The governance of Covéa's risk management system is part of the company's overall control system.

(1) ORSA: Own Risk and Solvency Assessment.- Internal risk and solvency assessment.



* Board of Directors, Audit and Risks Committee.

** Operational Coordination and Brands Development Committee.

The risk management function regularly reports on its work to the General Management, the Risks and Audit Committee and the Board of Directors. It prepares, at least every year, a report which presents the results of analyses deriving from the ORSA process are presented. This report is presented and subject to the approval of the Group's governance bodies.

The Covéa Operational Risk Committee is the decision-making body that has authority over

operational issues relating to ORSA exercises, risk mapping at Group and Covéa business level, internal control work (control plans, results of key controls, review of key incidents, rating of companies' risks, follow-up of action plans, alerts, etc.) and the activities of the Compliance Department. It is also a vehicle for sharing work carried out by the Internal Audit Department.

2.5.2 Periodic control: internal audit

The internal audit function aims to assist the Board of Directors and the General Management with the protection of assets, reputation and the viability of the company. It provides independent and objective advice regarding the appropriateness of governance systems, internal control and current risk management, in terms of their design, relevance and effectiveness, by carrying out a periodic assessment. It issues recommendations

on how to remedy any failings detected and monitors the implementation of such remedies.

The internal audit function contributes to improving risk management and organisational performance. The scope of the internal audit function notably covers the review of:

- the attainment of strategic objectives and the viability of the business model;

- the technical, economic and financial situation;
- the compliance with laws and regulations;
- the effectiveness of resources and organisations;
- the operational management and the effectiveness of associated internal control procedures;
- the risk management (including strategic, emerging and reputational risks) as well as the relevance and performance of the associated risk management system;
- the mechanisms for combating internal and external fraud;
- the strategic sub-contracting and its monitoring mechanism;
- the reliability of financial information, and generally, the quality of management data.

The internal audit function, implemented by the teams of the Covéa group internal audit department, comes under the direct authority of the Chairman and Chief Executive Officer of the Covéa group and reports, functionally, to the Covéa Audit and Risks Committee.

It has direct and permanent access to the executive officers and the Board of Directors of the company.

Reports are regularly produced and sent to members of the Covéa group Executive Committee, which include:

- a quarterly dashboard of internal audit activity which traces the progress of the audit plan and the implementation of the recommendations;
- the annual report of the Covéa Group Internal Audit function notably presenting the results of the audits, the monitoring of the recommendations' implementation, and the monitoring of compliance with the internal audit policy as measured through various performance indicators.

An independent external assessment of the function is regularly carried out in connection with the certification issued by IFACI Certification. The last certification was renewed in 2018. It constitutes a permanent commitment to quality for stakeholders regarding the services provided and the operation of internal audit activities.

2.5.3 Compliance and internal control system

The compliance system

The compliance system is under the responsibility of the Covéa Compliance Director who regularly reports on the department's activities to the Covéa Audit and Risks Committee.

The compliance verification function is responsible for:

- advising the governance bodies on legislative, regulatory, and administrative arrangements relating to insurance and reinsurance activities;
- assessing the possible impact on the company's operations of any change in the legal environment;
- identifying and assessing the risk of non-compliance.

To carry out these tasks, the compliance system relies on a watchdog system that anticipates and analyses regulatory changes, measures the impact of these changes on the Group's activities and ensures their operational implementation.

The compliance department and the permanent internal control department jointly prepare an annual compliance control plan consisting of in-depth thematic checks and annual permanent controls.

Internal control system

The internal control system's purpose is to identify, assess and manage operational risks. It contributes to the management of activities, the effectiveness of operations and the efficient use of resources.

It is placed under the responsibility of Covéa Permanent Internal Control department, attached to the Risk department, and uses the COSO⁽¹⁾ system of reference.

The objectives of the internal control system are to ensure:

- compliance with the laws and regulations to which the company is subject;
- application of the instructions and guidelines set by General Management;
- the proper functioning of the company's internal processes, in particular those contributing to safeguarding its assets (whether tangible or intangible – such as know-how or reputation);
- the reliability of financial information, in particular through the separation of duties, identification of the source of information, compliance with accounting principles, etc.

The internal control system has an organisational structure that guarantees its independence and enables it to effectively fulfil its roles.

Regular reporting on internal control is carried out for operational managers, general managers and governance bodies according to a communication plan defined on an annual basis.

(1) COSO is the acronym of Committee of Sponsoring Organizations of the Treadway Commission, a body that establishes a standard definition of internal control and creates a framework for evaluating its effectiveness.

2.5.4 Actuarial function

The actuarial function, under the responsibility of the Covéa Prudential Actuarial Services department, ensures the appropriate actuarial nature of methodologies, models and underlying hypotheses in the calculation of technical reserves. It also assesses the quality of the data used to establish prudential reserves, and reviews the underwriting and reinsurance policies. The work performed by the actuarial function helps to strengthen the risk management system, by improving the knowledge and management of the risks underlying the activity.

To carry out its tasks, the actuarial function relies on the company's overall control system. The results and recommendations of the permanent internal control system and of the internal audit function, in connection

with the assessment of the quality of the reserve-setting processes, data, underwriting and reinsurance thus enable the actuarial function to identify thematic priorities to be thoroughly investigated during the year. The coordination of key functions, notably through the Risk Management Committee, also makes it possible to guide the work of the actuarial function on the basis of shared knowledge of the material issues and risks identified.

The actuarial function prepares an annual report in which it presents its conclusions on the assessment of the technical reserves and provides an opinion on the underwriting and reinsurance policies. This annual report is sent to Covéa's Executive Committee and Board of Directors.

Board of Directors' management report to the General Meeting

3.1	Market environment	28
3.1.1	Financial and property markets	28
3.1.2	Insurance markets in France	29
3.2	Significant events	30
3.3	Results and financial position	31
3.3.1	Group activities and results	31
3.3.2	Activities and results in France	32
3.3.3	International activities and results	35
3.3.4	Combined balance sheet	36
3.3.5	Other information	36
3.4	Subsequent events	37
3.5	Outlook	37

3.1 Market environment

3.1.1 Financial and property markets

The world GDP maintained a 3,6% growth rate in 2018, according to IMF estimates. The year started on a positive note following the acceleration of industrial production and trade throughout 2017. However, the trade war started by the USA, firstly in relation to China, its impact on investor confidence and their investment decisions, the rise in political tensions worldwide and fears regarding the end of low rates all slowed activity.

In Europe, the economic upturn slowed with growth of 1.8%, against 2.4% in 2017. This reduction was mainly caused by the slowdown in growth of exports and the rise in the price of energy.

In parallel with these economic difficulties, the Central European Bank continued to reduce its asset purchase programme with a view to stopping it completely at the end of the year whilst maintaining an accommodating monetary policy, with official interest rates remaining unchanged.

In this difficult environment France registered growth of 1.5% in 2018, against 2.3% in 2017. Weak external demand and domestic consumption strongly impacted manufacturing production and investment in the majority of sectors, provoking a significant slowdown in growth, particularly during the first half of the year.

In the United Kingdom, growth slowed down in 2018, to 1.4%, against 1.7% in 2017. Weather events in the first half of the year slowed the country's activity, which also suffered from the uncertainties surrounding Brexit. Forecasts for medium-term growth remain unchanged.

In the USA, growth was 2.9% against 2.2% in 2017. The country is still benefiting from favourable financial conditions and continued amplification of its pro-cyclical budgetary expansion. The official interest rate is now close to 2.5%, with the Fed having gradually tightened its monetary policy with 4 increases of 25 basis points. However, the growth forecast for 2019 was revised downwards following the implementation of tariffs.

China grew 6.6% in 2018 against 6.9% in 2017. The fall in growth continues against the backdrop of the country's already high debt, which makes support measures more difficult to implement. The position of

certain emerging countries (Brazil, Russia) is improving, but the sharp fall of oil prices at the end of the year has endangered the rebound of producer-countries. In addition, continuing geo-political hot-spots (Middle East, Iran, Venezuela) are an additional obstacle to the development of international trade.

Bond markets

At the start of the year, the announcements of the European Central Bank and the very positive growth momentum of the end of 2017 had led to a slight rise in long rates, with the French 10 year rate returning to 1%. However, the trend has been reversed by the continuing deterioration in the economic and political environment and the high stock market volatility at the end of the year. Consequently, the French yield curve (TEC) was almost unchanged at the end of the year.

With regard to Italian rates, tension was very high from May onwards with the formation of a new government. The 10 year rate shot up to 3.80% in October, and then fell to 2.75% at the end of the year, registering an increase of 70 basis points over the year. This lack of confidence was apparent with all transalpine debt with a two year rate registering a similar re-adjustment.

In the USA, guided by the Fed's policy, rates continued to rise with a peak in October for the 10 year rate (3.25%) and in November for the two year rate (3%). At the end of the year, the correction of the US stock market and the chairman of the Federal Reserve using rhetoric more suggestive of a "wait and see" attitude pushed rates down. Over the year, US yields increased by 60 and 30 basis points for two and 10 year rates respectively.

Despite the continuing presence of support factors (solid balance sheets, low default rates and ECB purchases), the abundance of issues, pressures on Italian issuers and fears regarding the motor and financial sectors led to the under-performance of euro-denominated corporate bonds. The average risk premium thus increased by 96 basis points over the year and stands at 172 basis points over the German rate.

(1) The 2018 growth percentages mentioned in this paragraph are taken from IMF projections.

Equity markets

In 2018, global equity markets were extremely volatile and registered a very strong correction in the last quarter. Although the results of the large groups were solid, uncertainties weighing on the global economy in relation to the Chinese-American trade war overall pushed stock market indices lower. Closing at 4,731 points, the CAC 40 fell 11% over the year, whilst the US indices shed 6% at the end of 2018.

Exchange rates

After weakness at the start of the year, the dollar rose continuously from spring time, supported simultaneously by the strength of US growth and by the tone of the Fed. Finally, the EUR/USD exchange rate closed at 1.147, a fall of 4.5% over the year. The EUR/GBP exchange rate remained stable in the region of 0.88 and the yen rose 7% against the euro.

Property markets

2018 saw a clear acceleration in the French tertiary investment property market (offices, shops, industrial) with over 30 billion euros invested, whilst the last peak was 27 billion in 2007. This performance is linked in particular to the return of foreign investors. Investments were concentrated on mature markets, mainly the inner city area of Paris. Property investment yields

on the best office assets remained stable compared with 2017 at 3%.

After several years of growth, demand on the Île-de-France office rental market was 2.5 million m², down 5% compared with 2017. Despite this subdued demand, office supply continues to contract. The vacancy rate in Île-de-France was 5.1% at the end of 2018 against 6.5% in 2017 and fell to under 2% in the Paris Centre West sector. In this context, rents in central districts registered slight growth but remained supported by significant commercial incentives around 22%.

The volume of sales of existing housing stock in Paris fell by 3% compared with 2017 due to the lack of supply and the high prices of the properties. Despite this slowdown, the average price per m² in the capital increased by 6.2% to €9,500/m². Paris rent controls, in effect since 1 August 2015, were partially removed at the end of 2017 and rents in Paris are growing at a slower rate than prices.

Covéa's financial management

In a difficult market environment, the yield from investments was 3.1% reflecting the quality of the Group's asset management. The Group's unrealised capital gains remained at a high level, at €10.6 billion at the end of 2018.

3.1.2 Insurance markets in France⁽¹⁾

Life insurance and annuities⁽²⁾

In 2018, premiums rose 4% to €140.1 billion, due to a rise of both group policies (+6%) and individual policies (+4%).

Gross inflows on unit-linked policies grew 2%, to 39.5 billion, 28% of premiums at the end of 2018. After a fall of 11% at the end of 2017, premiums collected on euro-denominated vehicles rose 5%.

Life insurance net inflows were €22.4 billion, against €8.3 billion in 2017. This was fed by net inflows of investments from unit-linked policies of €21.1 billion.

Total life insurance policy outstandings rose by 1% to €1,700 billion.

Savings and retirement

Against the backdrop of historically low bond rates, the Group continues its cautious premiums inflows policy on euro-denominated contracts. Gross inflows in France amounted to €3.4 billion, down 4.1% compared with 2017. Unit-linked gross inflows accounted for 17.6% of total gross inflows in 2018.

Interest rates paid to policyholders

The performance recorded by the Group's assets made it possible to maintain yields on the main policies of 2.1% for GMF Vie, 1.85% for MAAF Vie and between 1.51% and 2.01% for MMA Vie.

(1) Source: FFA.

(2) Life insurance, death and capitalisation policies.

Health and protection

Premiums from personal accident insurance rose 5.6% in 2018 to €23.8 billion. This growth, stronger than in 2017, was driven by the 74% rise in medical expenses premiums. Premiums from other categories rose 3.7%, more moderately than in 2017, due to lower growth on group policies.

Claims increased by 6.4% in 2018, twice as fast as in the previous year, and is due to the net acceleration in claims on group policies.

Covéa on the health and protection market

With 2.2 billion euros of earned premiums, up 6.6%, the Group continues its development on the health and protection markets. Group insurance registered strong growth at the end of 2018 with earned premiums up 15%.

Property and casualty insurance

The property and casualty insurance market grew by 2.9% in 2018, more vigorously than in 2017. As with previous years, both the multi-risk home insurance (+2.8%) and the motor insurance market (+2.9%) grew, the latter benefiting from strong new vehicle registrations.

In the motor sector, whilst claim frequencies are overall down, the claims environment has deteriorated under the effect of the rise in average costs. In comprehensive home insurance, claims deteriorated mainly due to several weather events in 2018.

Premiums on commercial lines rose 2.9%. Claims sharply deteriorated in relation to 2017.

Covéa on the property and casualty insurance market

- Covéa is France's leading **motor** insurer with a market share of 19.6%⁽¹⁾, with €3.8 billion of earned premiums in the personal lines in the year ended 31 December 2018, up 1.9%.
- With a market share of 17.2%⁽²⁾ in comprehensive **home insurance**, Covéa is the leader in France. Earned premiums increased by 2.9% to €1.9 billion at end-2018.
- With earned premiums of €3.1 billion, up 8.5%, Covéa is the 2nd French insurer⁽¹⁾ on the commercial lines.
- The Covéa group is also ranked 1st in the legal protection market with a market share of 17.6%⁽¹⁾.

3.2 Significant events

Creation of Covéa Protection Juridique

DAS Assurances Mutuelles, DAS SA and Assistance Protection Juridique (APJ), the legal protection companies of the Covéa group, joined their activities under the name Covéa Protection Juridique. DAS Assurances Mutuelles sold its portfolio of contracts to DAS SA, and then was absorbed by MMA IARD Assurances Mutuelles through a merger. Assistance Protection Juridique was then absorbed by DAS SA, giving birth to Covéa Protection Juridique.

Leader in the personal and commercial lines, this company is now the only legal protection insurer of the Covéa group. It enables Covéa to optimise its organisation and continue its legal and financial simplification, in order to build an "augmented legal protection" model, combining insurance and services, enabling better performing customer service.

(1) Source: FFA.

(2) Source: Argus de l'Assurance.

Disposal of Swinton

At the end of 2018, Covéa sold its brokerage activity in non-life personal lines in the United Kingdom. The Ardonagh group was chosen as acquirer due to its experience in the brokerage sector. Swinton will thus benefit from the support it needs to conclude its transformation and future development.

The disposal of Swinton will enable Covéa to concentrate its activity in the United Kingdom on its insurance business, in line with the Group's strategy. Through its Covéa Insurance subsidiary, which is in a strong development phase, Covéa remains an important member of the panel of Swinton insurers and will continue to distribute insurance policies through this network. The United Kingdom is still a strategic market for Covéa.

Financial ratings

On 8 August 2018, A.M. Best confirmed the financial strength rating of A (Excellent) and the long-term issuer credit rating of a+ of Covéa Coopérations. The outlook of these ratings is stable.

On 19 February 2019, S&P Global Ratings confirmed the financial strength and issuer credit ratings of A+, awarded to the rated entities of the Covéa group.

The outlook of these ratings is stable.

3.3 Results and financial position

3.3.1 Group activities and results

Net income (Group share) was €940 million against €818 million in 2017, a rise of 15%.

<i>In Euro millions</i>	2018	2017
Earned premiums	16,925	16,304
Economic current operating income from insurance activities	1,416	1,500
Of which non-life insurance	1,055	1,112
Of which life insurance	361	388
Economic current operating income from other activities	55	26
Income from investments accounted for using the equity method	21	17
Income tax	-529	-658
Other	-23	-67
NET INCOME (GROUP SHARE)	940	818

On a comparable basis⁽¹⁾, earned premiums registered growth of 3.6% to reach €16.9 billion at the end of 2018, with activities in France and abroad contributing to this growth:

<i>In Euro millions</i>	2018	2017
Property and casualty insurance	9,291	8,943
Life, health and protection insurance	5,629	5,623
TOTAL INSURANCE – FRANCE	14,920	14,566
TOTAL INSURANCE – INTERNATIONAL	2,006	1,738
TOTAL INSURANCE ACTIVITIES	16,925	16,304

(1) In all of part 3.3, comments on earned premiums use comparable data following the reclassification of technical income relating to the move to monthly payments (€33 million in 2017).

- **In France**, the Group is continuing its development in property and casualty insurance with earned premiums up 3.6%, mainly supported by growth in commercial lines. In life, health and protection insurance, the Group registered growth of 6.6% on the health and protection market, whilst maintaining its cautious premiums inflows policy on on euro-denominated contracts in the context of persistent low rates.
- **Internationally**, earned premiums amounted to €2 billion, up 15.4%, representing 12% of Group premiums. All the subsidiaries contributed to this growth, notably in Italy and the United Kingdom, the Group's main international businesses.
- **Economic current operating income from insurance activities** were €1.4 billion. The combined ratio remains properly handled at 98.5% despite a rise in the cost of weather events, in France and abroad. In a difficult market environment, financial performance remained at a high level with a return on investments of 3.1%, stable compared with 2017.
- **The economic current operating income of other activities** includes an income of €27 million following the disposal of the Swinton brokerage company in December 2018.
- **The income tax** is down compared with 2017, a financial year which was impacted by the exceptional tax contribution of 30%.

3.3.2 Activities and results in France

Business activity

Group earned premiums

In Euro millions	2018	2017
Motor	3,757	3,670
Home and other private risks	1,900	1,836
Commercial	3,130	2,885
Legal protection and assistance	283	280
Reinsurance	149	171
Other	73	100
TOTAL PROPERTY AND CASUALTY INSURANCE	9,291	8,943
Health and protection	2,245	2,095
Savings and retirements	3,384	3,528
TOTAL – LIFE, HEALTH AND PROTECTION INSURANCE	5,629	5,623
TOTAL INSURANCE ACTIVITIES	14,920	14,566

In property and casualty insurance, the Group's main segments of activity contributed to the growth of earned premiums:

- on the **personal lines**, the Group continued to grow with earned premiums of €5.5 billion, up 2.2%. The motor segment posted growth of 1.9%, while home and other private risks rose 2.9%;
- the Group confirmed its business momentum on **commercial lines**. The 8.5% growth in premiums was driven by the main segments, and particularly by the affinity markets which grew 21%;
- supported by Covéa Protection Juridique since 1 January 2018, **legal protection** insurance represents €239 million in earned premiums, up 0.5%;
- restated for the exceptional effect in 2017 of the initial estimation of the accounts not received from ceding parties, earned premiums for **reinsurance** activity rose 2.1%. The 8.3% growth in premiums, linked in particular to the growth of the portfolio, was mitigated by the cancellation of an agreement, which was entirely transferred.

In life, health and protection insurance, earned premiums were €5.6 billion, stable compared with 2017:

- on the **health and protection** market, premiums grew 6.6%, mainly driven by steady growth of premiums in group insurance of 15%. The Group is also continuing to develop individual policies, on both the health and protection markets, which posted growth of 2% and 5% respectively;

- **in savings and retirement**, in a continuing environment of low rates, the Group continues its cautious policy on euro-denominated contracts with gross inflows down 4.4% to €2.8 billion. With

unfavourable market conditions, gross inflows from unit-linked contracts slightly declined, although its share remained stable at 17.6%.

Earned premiums* of the main non-life and mixed entities in France

In Euro millions	2018	2017
GMF Assurances	1,716	1,668
MMA IARD	4,805	4,475
MAAF Assurances SA	2,571	2,521
MAAF Santé	425	428
Fidélia Assistance	442	423
Covéa Protection Juridique	259	264
APGIS	510	485
SMI	175	168

* Company financial statements.

Earned premiums of **GMF Assurances** grew 2.9%. In motor and home insurance, premiums grew 2.4%, under the combined effect of tariff changes and the increased number of risks insured. In health, the sales momentum of GMF Assurances continued with earned premiums up 13.8%.

MMA IARD continues its development on commercial lines with premiums up 11.1%, with the main segments, particularly the affinity markets, contributing to this growth. On the health and protection market, MMA IARD also registered steady growth in earned premiums of 10.8%, mainly driven by group insurance.

The earned premiums of **MAAF Assurances SA** grew 2.0% at 31 December 2018. This growth came from the motor and home insurance markets which grew 1.7% and 4.2% respectively.

The 0.7% fall in earned premiums of **MAAF Santé** was notably a result of the cancellation of a group health contract.

Fidélia Assistance's earned premiums posted growth of 4.5% at end-2018. This growth was driven by the rise in premiums accepted from Covéa group brands.

The earned premiums of **Covéa Protection Juridique** fell 1.8%, a consequence of the withdrawal of the company from the financial loss insurance market. In legal protection, premiums rose 0.5%, driven in particular by met production growth.

The earned premiums of **APGIS**, up 5.2%, include a portfolio entry in the pharmaceutical industry. Restated for this effect, premiums rose 2.0% mainly due to new businesses over the financial year.

SMI posted earned premium growth of 4.5%, driven by new business production.

Premiums* of the main French life insurance entities

In Euro millions	2018	2017
MAAF VIE	855	882
GMF VIE	1,351	1,414
MMA VIE	1,359	1,458

* Company financial statements.

MAAF Vie continued to diversify its product mix towards unit-linked contracts, which now represent 16.2% of total savings and retirement gross inflows, and towards protection, which revenues increased 7.3% at the end of 2018. Gross inflows from euro-denominated contracts remains under control and fell by 5% at the end of 2018.

GMF Vie's activity saw a fall in premiums of 4.5% at the end of 2018, mainly linked to changes in gross inflows from euro-denominated savings products and group retirement products. The share of unit-linked contracts in savings and retirement total gross inflows was 5.4%, stable compared with 2017. GMF Vie is continuing to develop in the protection market with premiums up 2.8%, with all products contributing to this growth.

In savings and retirement, **MMA Vie's** premiums fell 7.6%, mainly on euro-denominated contracts. The share of unit-linked policies in savings and retirement total gross inflows was 30%, compared with 29% at the end

of 2017. MMA Vie recorded sustained growth of 21.8% in protection premiums, on both group and individual policies.

Revenue* from other activities in France

In Euro millions	2018	2017
COVÉA FINANCE	92	84
ASSURLAND	7	10
Other	4	5
TOTAL	103	99

* Contribution of companies to revenue from other activities.

Covéa Finance, the asset management company of the Group's French insurance entities, is the main contributor to French other activities revenue. It generated revenue of €92 million outside the Group, up 9.3% compared with 2017, in line with the increase in assets under management.

Net income

Net income (Group share) from the Group's activities in France was €899 million in 2018, compared with €828 million in 2017, an increase of 9%.

Results from insurance activities

In Euro millions	2018	2017
Earned premiums	14,920	14,566
Economic current operating income from insurance activities	1,381	1,461
Of which non-life insurance	1,064	1,116
Of which life insurance	317	345
Income from investments accounted for using the equity method	3	3
Income tax	-503	-623
Non-recurring items	-3	-32
NET INCOME (GROUP SHARE)	878	810

Operating income was €1,381 million:

- **in non-life insurance**, the combined ratio increased by 1.2 points to 98%, due to the rise in serious claims expenses in commercial lines, the cost of weather events and an increase in amounts invested in strategic IT projects. In a difficult market environment, the Group's financial management delivered financial income of €946 million, up 5% compared with 2017;
- **in life assurance**, operating profit was €317 million, down by €28 million, in line with the fall in the financial margin. In 2018, the Group maintained rates to policyholders, of between 1.51% and 2.1% on the main contracts, and continued to strengthen the provision for profit sharing. The provision for profit

sharing now represents 6.1% of outstandings at the end of 2018.

Investments accounted for using the equity method, essentially Carma and Protec BTP, contributed €3 million to net income.

The tax income fell by €120 million compared with 2017, a financial year impacted by non-recurring fiscal expenses, in particular the exceptional tax contribution of 30%.

Net income (Group share) from insurance activities in France totalled €878 million, compared with €810 million a year previously, an increase of 8%.

Results from other activities

<i>In Euro millions</i>	2018	2017
Covéa Finance	18	16
Assurland	1	2
Other	2	-
NET INCOME (GROUP SHARE)	21	18

Net income (Group share) of other activities was €21 million compared with €18 million at the end of 2017, and is mainly the result of the contribution of Covéa Finance which rose by €2 million, impacted

by the fall in the tax expense compared with 2017, a financial year impacted by the exceptional tax contribution.

3.3.3 International activities and results

Business activity

Insurance activities

Group earned premiums grew 15.4% and amounted to €2,006 million at the end of 2018. Italy and the United Kingdom, the Group's two main international businesses, accounted for 48% and 43% of total premiums, respectively.

<i>In Euro millions</i>	2018	2017
United Kingdom	863	782
Italy	961	792
Other countries	182	164
TOTAL INSURANCE ACTIVITIES	2,006	1,738

The Group is active **in Italy** through its subsidiaries Bipiemme Vita and Bipiemme Assicurazioni, whose products are distributed by Banco BPM. In life insurance, after two years impacted by the commercial restructuring operations of the partner bank, the Bipiemme Vita's premiums grew 22%, driven by inflows from euro-denominated contracts. In non-life

insurance, Bipiemme Assicurazioni's earned premiums progressed 4.5% to €30 million.

In the United Kingdom, Covéa Insurance continued its development with earned premiums up 10.3%. This sustained growth stems from the motor and commercial lines markets which rose 17% and 9.8% respectively.

Other activities

Swinton, the brokerage company in the United Kingdom, was sold by the Group as of 31 December 2018 following the agreement of the Financial Conduct Authority. The company contributed €106 million to Group income.

Net income

Insurance activities

The following table shows the contribution of insurance activities to net income (Group share):

<i>In Euro millions</i>	2018	2017
United Kingdom	10	14
Italy	17	21
Other countries	-10	-11
TOTAL INSURANCE ACTIVITIES	17	23

In the United Kingdom, the contribution of Covéa Insurance fell by €4 million compared with 2017. This change was the result of the increase in the combined ratio of 1.5 points, due to the rise in the cost of weather events and increased claims on the motor market.

In Italy, the contribution of Bipiemme Vita and Bipiemme Assicurazioni was €17 million. Excluding the effect of consolidation adjustments, in particular the amortisation of goodwill and valuation differences, the income of Italian subsidiaries was stable at €29 million.

Activity in other countries firstly comprises CSE, the Group's subsidiary **in the USA**, which was impacted,

for the second consecutive year, by exceptional claims due to the wildfires in California, and secondly the stake in the Caser group, **in Spain**, accounted for using the equity method. Its income benefited from non-recurring revenue linked to indemnity payment for the cancelation of a distribution agreement (without this, the contribution would have been stable in comparison with 2017). Finally, Medical Insurance company, the Group's subsidiary in **Ireland**, whose activity has been in run off since November 2015, recorded additional provisions.

Other activities

The contribution of **other activities**, of €24 million, includes income linked to Swinton of €27 million, after accounting for costs linked to the disposal and the entity's contribution to net income. Re-stated for this effect, the contribution of other activities was zero at the end of 2018. Harwanne, which contributed €13 million in 2017, was also sold at the start of 2018.

3.3.4 Combined balance sheet

- **Group equity:** the Group's combined equity (including net income for the year) was €15.2 billion against €14.3 billion in 2017.
- **Debt:** subordinated debts were €188 million and represented 1.2% of Group equity at 31 December 2018.
- **Technical reserves:** in 2018 these totalled €88 billion against €86.6 billion in 2017.

In Euro millions	2018	2017
Non-life technical reserves	26,022	25,504
Life technical reserves	62,011	61,117
Total technical reserves	88,033	86,621

- **Investments:** the net book value of investments (property, securities, and investments accounted for using the equity method) stood at €94.4 billion against €93.9 billion in 2017.
- **Unrealised capital gains:** unrealised capital gains at 31 December 2018 amounted to €10.6 billion against €13.6 billion for 2017.

In Euro millions	2018	2017
Property	2,600	2,434
Equities & equity UCITS	2,142	4,013
Bonds & bond UCITS	5,879	7,110
Other	5	10
Total unrealised gains	10,626	13,567

3.3.5 Other information

As a combining entity within the framework defined by Article 173-6 of the French Ecological and Energy Transition Act, Covéa produces an independent report

on how environmental, social and governance criteria are taken into account in its investments, which will be available on its website.

3.4 Subsequent events

Following the decision of the Board of Directors' meeting of 23 August 2018, Covéa Coopérations sent a proposal on 24 August 2018 to the Chairman of Scor to begin exploratory talks around a friendly merger through a public takeover bid. This proposal detailed the mutual interest of this industrial project, its financial conditions, and gave the assurance that Covéa intended to maintain Scor's autonomy. The implementation of the proposed transaction notably depended on the recommendation of the Scor Board of Directors. The latter met on 30 August 2018, and declined to start talks with the Covéa group. The Covéa group acknowledged this decision by withdrawing its offer on 4 September 2018, whilst repeating its interest in a friendly merger.

Following the reactions caused by this proposal, the Chairman of Covéa resigned from the Scor Board of

Directors on 13 November 2018 and the Covéa group indicated on 29 January 2019 that a merger with Scor was no longer a strategic option.

Straight afterwards, Scor then issued a press release announcing that it would take civil and criminal legal action against the Covéa group (Covéa, Covéa Coopérations and their Chairman). In a meeting on 30 January 2019, the Boards of Directors of Covéa and Covéa Coopérations took note of this press release, rejected its unfounded accusations, and indicated that Covéa would assert all its rights in the courts.

At the closing date of the 2018 financial statements, given the progress of these procedures and the fact that the Covéa group contests all of the allegations made against it by Scor, no charges have been recorded in the financial statements under this dispute.

3.5 Outlook

The Group intends to concentrate on the deployment of the main strategic and operational axes defined in its new Cové@venir 2021 plan. Based on the Group's mutual insurance commitment, the plan aspires to create more value for customers, members, employees and the Group. Achieving the strategic targets will notably be based on Group's financial solidity, reflected by its high solvency ratio, which enables it to implement a long term business model.

In France, Covéa intends to maintain its leadership in the property and casualty market, maintaining its market share in motor and home insurance. Beyond, the

Group intends to further develop the health, protection, legal protection and commercial lines. Consistent with previous years, growth in savings and retirement will be adapted to developments in financial markets.

These developments will be supported and driven by maintaining a high quality of service for our customers and members.

Internationally, Covéa intends to continue its diversified development within a framework of technical and financial discipline.

Financial statements

4.1	Combined financial statements and notes	40
4.1.1	Combined balance sheet	40
4.1.2	Commitments received and given	41
4.1.3	Combined income statement, all activities	41
4.1.4	Notes to the combined financial statements	42
4.2	Statutory auditors' report on the combined financial statements	76

4.1 Combined financial statements

4.1.1 Combined balance sheet

Assets (in Euro thousands)	Notes	Gross amount	Amortisation and impairment	Net amount 2018	Net amount 2017
Goodwill	Note 8	692,671	-638,711	53,960	75,182
Intangible assets	Note 9	472,654	-195,082	277,572	265,143
Values of purchased insurance business		149,092	-99,116	49,976	50,138
Other		323,562	-95,966	227,596	215,005
Insurance undertakings' investments	Note 10.1	89,447,710	-1,072,930	88,374,780	87,751,898
Land and buildings		4,098,383	-596,062	3,502,321	3,027,599
Investments in subsidiaries and affiliates		916,924	-167,736	749,188	684,426
Other investments		84,432,403	-309,132	84,123,271	84,039,873
Investments representing unit-linked policies	Note 10.4	5,582,117		5,582,117	5,622,029
Other undertakings' investments	Note 10.5	177,477	-55,808	121,669	214,751
Investments accounted for using the equity method	Note 10.6	274,873		274,873	280,265
Outward reinsurers' share of technical reserves	Note 18	2,486,005		2,486,005	2,213,553
Receivables arising from insurance or reinsurance transactions	Note 11	3,908,781	-118,983	3,789,798	3,543,437
Receivables from banking sector companies	Note 12	3,572,986		3,572,986	1,989,267
Other receivables	Note 13	1,338,544	-28,582	1,309,962	1,199,398
Other assets	Note 14	448,946	-270,730	178,216	226,210
Accruals – assets	Note 15	2,775,217		2,775,217	2,856,179
Deferred acquisition costs		966,398		966,398	908,264
Deferred tax assets		789,189		789,189	921,496
Other		1,019,630		1,019,630	1,026,419
TOTAL ASSETS		111,177,981	-2,380,826	108,797,155	106,237,312

Liabilities (in Euro thousands)	Notes	2018	2017
Group equity	Note 16.1	15,196,458	14,253,193
Share capital or equivalent		1,124,386	1,120,794
Additional paid-in capital		6,358	6,358
Reserves		13,125,985	12,308,259
Net income		939,729	817,782
Minority interests	Note 16.2	82,672	75,938
Subordinated debts	Note 17	187,572	180,762
Gross technical reserves	Note 18	82,397,902	80,976,902
Life technical reserves		56,375,641	55,473,066
Non-life technical reserves		26,022,261	25,503,836
Technical reserves of unit-linked policies	Note 18	5,635,226	5,643,654
Provisions for risks and charges	Note 19	679,808	554,945
Liabilities arising from insurance or reinsurance transactions	Note 20	1,174,470	1,167,495
Debts to banking sector companies	Note 21	448,365	360,647
Other liabilities	Note 22	1,703,564	1,796,268
Accruals – liabilities	Note 23	1,291,118	1,227,508
TOTAL LIABILITIES		108,797,155	106,237,312

4.1.2 Commitments received and given

<i>In Euro thousands</i>	2018	2017
Commitments received		
Insurance companies	340,601	362,734
Other companies	855	
Commitments given		
Insurance companies	752,118	734,799
Other companies	108	60,793
Pledged securities received from reinsurers	1,455,655	1,244,096
Derivative instruments		

4.1.3 Combined income statement, all activities

<i>In Euro thousands</i>	Notes	Non-life insurance business	Life insurance business	Other activities	2018	2017
Written premiums		12,432,072	4,578,971		17,011,043	16,473,824
Change in unearned premiums		-85,573			-85,573	-168,950
Earned premiums	Note 28.5	12,346,499	4,578,971		16,925,470	16,304,874
Revenue or income from other activities				209,780	209,780	228,024
Other operating income		26,814	55,129	4,882	86,825	114,601
Net financial income	Note 26	961,777	1,326,353	85,034	2,373,164	3,072,676
Total current operating profits		13,335,090	5,960,453	299,696	19,595,239	19,720,175
Claims expenses		-8,780,252	-5,218,809		-13,999,061	-14,241,214
Net result from outward reinsurance		-180,112	-3,194		-183,306	-230,053
Expenses on other activities				-289,904	-289,904	-325,280
Management expenses		-3,264,562	-387,479		-3,652,041	-3,397,716
Total current operating expenses		-12,224,926	-5,609,482	-289,904	-18,124,312	-18,194,263
CURRENT OPERATING INCOME	NOTE 28	1,110,164	350,971	9,792	1,470,927	1,525,912
Inter-segment transfers		-54,769	9,621	45,148		
Economic current operating income		1,055,395	360,592	54,940	1,470,927	1,525,912
Other net income					12,468	-8,839
Non-recurring items	Note 27				-1,107	-17,469
Income tax	Note 24				-529,657	-658,482
NET INCOME OF CONSOLIDATED UNDERTAKINGS					952,631	841,122
Group's share in net income from discontinued operations						
Group's share in net income from investments accounted for using the equity method					21,184	16,908
Goodwill amortisation					-20,217	-26,547
COMBINED NET INCOME					953,598	831,483
Minority interests					-13,869	-13,701
NET INCOME (GROUP SHARE)					939,729	817,782

4.1.4 Notes to the combined financial statements

Contents of the notes to the financial statements

1 – Significant events of the year	43	Note 15	Accruals – Assets	61	
2 – Subsequent events	43	Note 16	Group equity	62	
3 – Notes on accounting principles	44	Note 17	Subordinated debts	63	
Note 1	Accounting standards	44	Note 18	Technical reserves	63
Note 2	Combination methods	44	Note 19	Provisions for risks and charges and contingent liabilities	64
Note 3	Valuation methods and rules	46	Note 20	Liabilities arising from insurance or reinsurance transactions	65
Note 4	Preferential methods	51	Note 21	Debts to banking sector companies	65
Note 5	Adjustments relating to the main differences between French and foreign regulations	51	Note 22	Other liabilities	66
Note 6	Elimination of intra-group transactions	51	Note 23	Accruals – liabilities	66
Note 7	Combination scope	51	Note 24	Income tax	66
4 – Notes to the balance sheet	54	Note 25	Commitments received and given	68	
Note 8	Goodwill	54	5 – Notes to the income statement and segment information	69	
Note 9	Intangible assets	54	Note 26	Life and non-life net financial income	69
Note 10	Investments	55	Note 27	Non-recurring items	69
Note 11	Receivables arising from insurance or reinsurance transactions	59	Note 28	Segment information	70
Note 12	Receivables from banking sector companies	59	Note 29	Staff costs and headcount	74
Note 13	Other receivables	60	Note 30	Remuneration of corporate officers	75
Note 14	Other assets and assets of economic interest groups	61	Note 31	Statutory auditors' fees	75

1 – Significant events of the year

Creation of Covéa Protection Juridique

During the 2018 financial year, the Covéa group merged its legal protection insurance activities which up until then were carried out by three entities: Assistance Protection Juridique, DAS Assurances Mutuelles and DAS SA.

DAS Assurances Mutuelles sold its portfolio of contracts to DAS SA, and then was then absorbed by MMA IARD Assurances Mutuelles in a merger operation at net book value.

Covéa Coopérations contributed its stake in Assistance Protection Juridique to DAS SA at net book value. Assistance Protection Juridique was then absorbed by DAS SA in a simplified merger operation, giving birth to Covéa Protection Juridique, henceforth the only company in the Group carrying out the legal protection activity.

Since this restructuring was internal to the Covéa group, the intra-group results relating to these operations are eliminated at the level of the combined financial statements.

Disposal of the Swinton group

On 27 September 2018, MMA Holdings signed an agreement with the Ardonagh group to sell the Swinton group. The competent British authority, the Financial Conduct Authority, gave its agreement on 21 December 2018, lifting any condition precedent. The sale therefore took effect on 31 December 2018, for £145.7 million, or €164.7 million, which reflects the value of the business adjusted for the restatements set out in the agreement, for which the amounts are yet to be finalised and will be dependent on the definitive financial position of the Swinton group on 31 December 2018. On this basis, the Covéa group registered an income of €27 million in its combined financial statements at 31 December 2018.

Weather events

As with previous years, the 2018 financial year registered several weather events including summer storms, floods in the French department of Aude and storm Eléonor.

The overall cost of weather events was €323 million in Covéa group's financial statements after taking into account reinsurance recoveries.

2 – Subsequent events

Covéa Coopérations, Covéa SGAM and their chairman were the target of legal action taken by Scor, namely a direct summons (criminal action) and a civil summons to appear before the Paris commercial court.

These procedures follow the events described in the "Subsequent events" part of the Management Report.

At the closing of the 2018 financial statements, given the progress of these procedures and the fact that the Covéa group contests all of the allegations made against it by Scor, no charges have been recorded in the financial statements under this dispute.

3 – Notes on accounting principles

Note 1 Accounting standards

The combined financial statements of the Covéa group are drawn up in accordance with CRC Regulation No. 2000-05 of 7 December 2000 of the French accounting standards authority relating to the rules for the consolidation and combination of undertakings governed by the French insurance code, including subsequent changes made thereto by other accounting regulations (CRC or ANC).

Subject to the specific provisions provided for in the above-mentioned consolidation and combination rules:

- the financial statements of the Covéa group's French insurance undertakings are prepared in accordance

with the rules laid down in ANC Regulation No. 2015-11 of 26 November 2015 relating to insurance undertakings' annual financial statements, as amended by ANC Regulation No. 2016-12 of 12 December 2016;

- the financial statements of the Covéa group's other French companies are prepared in accordance with the rules laid down in ANC Regulation No. 2014-03 relating to the French general chart of accounts.

Note 2 Combination methods

2.1 Combination and consolidation methods

Combination by aggregation applies to mutual entities and protection institutions.

Exclusively controlled companies are consolidated using the full consolidation method. Exclusive control results from the direct or indirect holding of the majority of the voting rights at shareholders' meetings.

Companies for which there is a shareholder agreement giving joint control to a limited number of shareholders are consolidated proportionally.

Companies over which the Group exercises significant influence are accounted for using the equity method, significant influence being taken to exist for shareholdings of at least 20%, provided that these companies do not meet the criteria defined above.

2.2 Goodwill and intangible assets (policy portfolios)

2.2.1 Goodwill

Goodwill on initial consolidation is recognised when a company enters the combination scope. It represents the difference between the cost of acquisition of the securities and the parent company's share of interests in the equity of the company in question.

This difference is recognised as a valuation adjustment if it relates to identifiable tangible and intangible items.

Any unallocated balance is recognised as goodwill.

In accordance with the provisions of ANC Regulation No. 2015-09 of 23 November 2015 applicable to financial years beginning on or after 1 January 2016, goodwill with a limited useful life is amortised on a straight-line basis over the period during which it will provide the Group with economic benefits or, if it cannot be reliably determined, over a ten-year period. Conversely, goodwill with an unlimited useful life is not amortised.

Goodwill on a company with unfavourable indicators is tested for impairment on the basis of its business outlook. If its discounted value is lower than its consolidated net value, an impairment loss is recognised and the amortisation schedule modified accordingly. Goodwill with an unlimited useful life is tested for impairment every financial year, whether or not there is evidence of impairment.

With regard to goodwill recognised on the opening combined balance sheet of the 2016 financial year, the Group opted to use the first-time application measures provided for in ANC Regulation No. 2015-09 of 23 November 2015 by continuing the existing amortisation schedule to the end.

Badwill generally corresponds to either a potential capital gain resulting from a bargain purchase or an insufficient profitability of the acquired company. It is recognised in the income statement over a period that reflects the assumptions used and the objectives set at the time of acquisition.

2.2.2 Intangible assets

2.2.2.1 Values of purchased non-life insurance business

Non-life insurance business values arise from various contributions and acquisitions of P&C activities. They correspond to portfolio values representing identifiable intangible assets recognised at acquisition cost.

Given the absence of a legal or contractual limit on the acquiring companies' use of these insurance portfolios, their absorption into these companies' other portfolios and these companies' ability and intention to continue developing them, they are considered to have an unlimited useful life, in accordance with the provisions of ANC Regulation No. 2015-06.

They are tested for impairment when there is evidence of impairment, in other words if significant events impact the portfolios. If the gross carrying amount is greater than the forecast economic value over ten years, an impairment loss is recorded for the difference between these two values.

2.2.2.2 Non-life insurance portfolio

Prior to the implementation of the consolidation standards provided for in CRC Regulation No. 2000-05, valuation adjustments had been made to the commercial value of the non-life insurance portfolios. This value is reviewed annually.

In accordance with the exemption provided for in Section V of CRC Regulation No. 2000-05, as the Group opted not to restate previous transactions, these valuation adjustments on non-life portfolios are recognised as intangible assets.

2.2.2.3 Values of purchased life insurance business

Life insurance business values result from the acquisition of life insurance activities.

Recognised at acquisition cost, they include:

- on the one hand, the values of business in force: because they relate to existing business and have a limited useful life, they are amortised as profits emerge over the lifetime of the portfolios;
- on the other hand, the values of new business: in the absence of a foreseeable time limit on the consumption of the expected economic benefits, they are considered to have an unlimited useful life, in accordance with the provisions of ANC Regulation No. 2015-06; accordingly they are not amortised but tested for impairment if there is any evidence of loss of value. If the gross carrying amount is greater than the forecast economic value over ten years, an impairment loss is recorded for the difference between these two values.

2.3 Translation methods

The financial statements of non-euro-zone foreign subsidiaries are translated into euros using the closing rate method, with assets, liabilities and commitments received and given translated at the exchange rate on the closing date of the financial year, and income and expenses translated at the average exchange rate for the period.

No company is located in a high-inflation country.

The share of translation differences attributable to the Group is recognised in equity, without specific identification, and the share attributable to third parties in minority interests.

2.4 Closing date

All combined and consolidated entities prepare their financial statements as at 31 December.

Note 3 Valuation methods and rules

Pursuant to the exemption provided for in Section V of Regulation No. 2000-05, acquisitions and disposals of securities prior to 1 January 2001 were not restated for their value in use.

3.1 Investments

3.1.1 Property assets

Land, buildings and shares of unlisted property companies are classified under "Land and buildings" and recorded at their acquisition cost or cost price.

Transaction costs are recognised as an expense for the year.

In accordance with the legislation in force on 1 January 2005 relating to the component-based approach (restated in ANC Regulation No. 2014-03), the Covéa group breaks down the overall cost price of buildings (excluding land) into four components: shell, wind- and water-tight facilities, technical installations, and fixtures and fittings.

Amortisation periods vary depending on the type of building and the components; they correspond to the technical lifespan of components rather than their actual period of use, and do not take into account residual value.

Impairment

Property assets are tested for impairment based on market value or value in use.

With regard to investment property, the realisable value is based on the market value when the property is intended to be sold in the short term. It is generally that resulting from experts' mandatory appraisal. For assets intended to be retained, the realisable value corresponds to the value in use determined on the basis of the expected future economic benefits.

The value in use of long-term operating property is generally equal to its carrying amount, except when the asset is intended to be sold in the short term.

3.1.2 Equity holdings

Equity holdings are recorded at acquisition cost. Impairment may be recognised if the historical cost is higher than the realisable value.

3.1.3 Equities and units of UCITS – Variable income securities

Equities are recorded at their acquisition cost, based on the purchase price and excluding transaction costs.

Their realisable value is calculated in accordance with Article R.343-11 of the French insurance code, in other words:

- for listed securities, using their last price on the closing date;
- for unlisted securities, based on their value in use for the Group.

Units of UCITS are recognised at their last published redemption price.

Impairment

For securities governed by Article R.343-10 of the French insurance code (variable income securities, etc.), a provision for long-term impairment is recognised, line by line, if their value in use or market value shows a significant discount relative to their cost price.

The methods used to calculate the long-term impairment provision are set out in Articles 123-6 et seq. of ANC Regulation No. 2015-11.

Unrealised capital losses are presumed to be long-term in the following cases:

- where there was already a provision for impairment of this investment line at the end of the previous financial year;
- where, in the case of non-property investments, the investment has been constantly in a significant unrealised capital loss situation relative to its book value for a period of six consecutive months prior to the closing of the financial statements;
- where there is objective evidence that the company will be unable to recover all or part of the historical value of the investment in the foreseeable future.

Depending on the level of market volatility observed, the criterion for significant capital loss can be generally defined, for French equities, as 20% of the book value if the markets are experiencing low volatility, rising to 30% in volatile market situations.

Given the market volatility observed during the year ended, the criterion for long-term impairment used at the closing date was 20%.

In addition to this assumption of impairment, all securities showing a significant unrealised capital loss were subject to a specific review. In cases where impairment was considered intrinsic to the security as opposed to stemming from the general fall in financial markets or the relevant economic sector, a provision was recorded based on the realisable value.

In determining the realisable value of an investment, the company's intention and ability to hold the investment for a given period is taken into account. A provision is made for securities based on:

- their market value at 31 December;
- a recoverable amount at the end of their intended holding period.

The impairment provision is equal to the difference between the cost price and the realisable value defined above.

3.1.4 Fixed income securities

Bonds are recognised at their acquisition cost excluding accrued interest. The difference between the acquisition cost and the redemption value is recognised in the income statement over the remaining term of the securities based on an actuarial or straight-line calculation depending on the undertaking. This difference is recorded in the balance sheet under the investment heading. The realisable value of these securities corresponds to their last quoted price or, if not, to their market value.

In accordance with Article R.343-9 of the French insurance code and Articles 123-1 *et seq.* of ANC Regulation No. 2015-11, a provision for impairment is recognised if the debtor is unable to meet its commitments (interest payment and principal repayment).

In accordance with the provisions of Article 123-7 of ANC Regulation No. 2015-11, the Group applies the following provisioning methods for depreciable securities governed by Article R.343-10 of the French insurance code:

- if the company has the ability and intention to hold the investment until its maturity, only the corresponding proven counterparty default risk is provisioned, no impairment being set aside for an unrealised capital loss linked to a rise in risk-free rates;
- if the company does not have the ability or intention to hold the security until its maturity, the provision is calculated by analysing all the risks identified over the intended holding period.

In accordance with Article R.343-9 of the French insurance code and Article 121-9 of ANC Regulation No. 2015-11, the option for recognition under the terms of Article R.343-10 of the French insurance code is applied to bonds convertible into shares with a negative yield to maturity on acquisition.

3.1.5 Investments representing unit-linked policies

Investments representing unit-linked policies are recognised in the balance sheet at market value.

3.1.6 Other investments

Loans and other receivables are subject to specific impairment if counterparty default risk materialises.

3.2 Derivative instruments

The Covéa group does not use hedging strategies based on derivative instruments.

3.3 Receivables

Receivables are recognised at their nominal value.

Impairment is recognised when their recoverable amount is less than their net book value.

Receivables arising from insurance transactions mainly comprise debit balances on policyholders' accounts and earned premiums not written.

3.4 Foreign currency receivables and debts

Foreign currency receivables and debts are translated into euros based on the closing exchange rates.

In accordance with the regulations in force for insurance companies, translation differences relating to long-term investments are recognised in the balance sheet and translation differences relating to operating items in the income statement.

In 2018, all differences were recognised in the income statement.

3.5 Other assets

Other assets consist mainly of operating property, plant and equipment.

They are recorded under balance sheet assets at acquisition cost and are amortised annually over durations ranging from four to 15 years.

3.6 Accruals – Assets and liabilities

Asset and liability accruals consist mainly of deferred tax assets, accrued interest and rents not yet due, deferred acquisition costs, other deferred expenses, prepaid expenses and technical reinsurance valuations.

Deferred acquisition costs

Non-life deferred acquisition costs

In non-life insurance, the portion of acquisition costs not attributable to the financial year is recognised as an asset in the balance sheet and amortised on a basis consistent with that used to defer unearned premiums.

Covéa's French entities apply the provisions of Article 151-1 of ANC Regulation No. 2015-11, taking into account the termination probabilities resulting from the French Hamon Act to determine the period of allocation of acquisition costs.

Life deferred acquisition costs

In life insurance, the deferrable acquisition costs of all life insurance policies (excluding term life insurance) corresponding to the operating costs and fees incurred to produce new policies and associated directly with a given generation of policies are carried forward on

the basis of the pattern of recognition of future profit margins, and within the limits of these margins.

These future margins are calculated by grouping products with similar characteristics.

They take into account product management costs and the related financial margin.

Loadings for acquisition costs are recorded as income to be deferred over several years and recognised in profit or loss at the same rate.

The recognition of these deferred acquisition costs and loadings gives rise to the recognition of deferred taxes.

3.7 Capitalisation reserve

Article 19 of French decree No. 2015-513 of 7 May 2015 rescinded the capitalisation reserve mechanism for French non-life insurance companies.

That reserve, which is now specific to French life insurance companies, is classified in the Group's combined equity. Movements on the capitalisation reserve are reversed through profit or loss in the consolidated financial statements. In the event of a high probability of a capital loss on the sale of securities that are subject to this reserve, these restatements result in the recognition of deferred policyholder participation net of related deferred tax.

3.8 Technical reserves

Reserves are calculated gross of reinsurance, with the share payable by the reinsurers shown as an asset.

For foreign companies, the local rules applicable to the calculation of technical reserves are applied (use of the risk tables and discount rates that are recognised locally as appropriate).

Unearned premium reserves (non-life)

Unearned premium reserves record, for all outstanding policies, the share of written premiums that relates to the period between the closing date and the next premium payment date or otherwise the policy maturity date.

Claims reserves (non-life)

In accordance with Article R.343-74° of the French insurance code, claims reserves represent the estimated value of expenses in principal and fees, both internal and external, required to settle all incurred claims that are not yet paid, including those that might be paid in the form of annuities. They are estimated conservatively enough to cover costs incurred in connection with adverse developments or scenarios. They reflect an estimated ultimate cost of settling insurance claims and include case-by-case reserves for reported claims, reserves for incurred but not reported claims, reserves for recoveries to be collected and reserves for claims handling costs.

Reported claims cases are valued at estimated actual cost including both principal and ancillary amounts. For certain types of risks, cases are opened on a fixed cost

basis. The valuations are revised periodically in the light of any relevant new information obtained.

An ultimate value is estimated for reserves for incurred but not reported claims and for changes in reported claims using statistical methods such as claims development triangles.

Reserves for recoveries to be collected are estimated by reference to historical collection rates.

As regards construction risks, the reserve constituted is equal to, as a minimum, the sum of the total cost of outstanding incurred claims whether reported or not and the estimated cost of future claims expected to occur by the end of the ten-year limitation period.

A claims handling costs reserve is calculated to cover future expenses associated with outstanding claims. This reserve takes into account the Group's internal costs.

Other technical reserves (non-life)

Mathematical annuity reserves (French entities – paragraph 1 of Article R.343-7 of the French insurance code)

In accordance with Article 143-2 of ANC Regulation No. 2015-11, the table used to calculate mathematical reserves for annuities arising from policies covering risks referred to in paragraph 3 of Article L.310-1 of the French insurance code is the regulatory mortality table TD 88-90, and the discount rate is capped at 60% of the *Taux Moyen des Emprunts d'État* (TME) (average rate on French government bonds) over the last 24 months, *i.e.* 0.49% for the year ended 31 December 2018.

For accidents that occurred on or after 1 January 2013, upward revisions of annuities allocated to victims are exclusively payable by the insurers. This transfer of expenses from the insurance guarantee fund (*Fonds de Garantie des Assurances Obligatoires de dommages – FGAO*) to insurers entails the need to set aside reserves in the financial statements for future revaluations. The inflation rate used in the financial statements at 31 December 2018 is 2.25%, in accordance with the provisions of Article 143-2 of ANC Regulation No. 2015-11.

In accordance with Article 143-12 of ANC Regulation No. 2015-11, the tables used to calculate mathematical annuity reserves arising from policies covering risks referred to in paragraph 2 of Article L.310-1 of the French insurance code are the regulatory incapacity and disability tables, and the discount rate is capped at 75% of the *Taux Moyen des Emprunts d'État* (TME) (average rate on French government bonds) over the last 24 months, *i.e.* 0.62% for the year ended 31 December 2018.

Unexpired risk reserve

The calculation is carried out using a statistical method, globally for each insurance category. It represents future losses, that is to say the portion of claims, inclusive of management costs, that exceeds the fraction of the premium carried forward over the

next financial year and subsequent financial years, plus financial income on premiums received.

Equalisation reserves

Equalisation reserves, intended to deal with fluctuations in the loss ratio relating to risks such as natural events, atomic risks and pollution risks and extended to terrorist risks since 2001, were recorded in the individual financial statements of companies. They are eliminated in consolidated financial statements if not intended to offset future risks and events characterised by a low frequency and high unit cost.

Life insurance reserves

Mathematical reserves are calculated in accordance with the French and foreign regulations in force and represent the difference between the present value of the commitments made by insurers and policyholders, respectively.

For French life insurance companies, mathematical reserves are non-Zillmerized, where appropriate, in consolidated financial statements. Correspondingly, deferred acquisition costs and associated reserves for deferred acquisition costs are eliminated on consolidation (see also Note 3.6 on the recognition of deferred acquisition costs in the consolidated financial statements).

The Covéa group opted not to apply the preferential method provided for in the applicable regulations, under which life insurance reserves must be determined using discount rates no higher than the conservatively calculated expected rates of return on assets backing policyholder liabilities.

The difference between the technical reserves calculated using the two methods is not material.

Unit-linked policies

Mathematical reserves for unit-linked policies are valued with reference to the underlying assets. Gains and losses resulting from the remeasurement of these assets are recognised in the income statement in order to eliminate the impact of the change in the technical reserves.

Life annuities

Mathematical reserves for life annuities are calculated based on the mortality tables established by the French decree of 1 August 2006 (tables TGH 05 and TGF 05 for annuities taken out between 1 January 2007 and 20 December 2012; and table TGF 05 for life annuities taken out since 20 December 2012).

Policyholder participation reserves

They correspond to profit sharing allocated to policyholders but not included in the mathematical reserves.

They comply with the minimum allocation provided for by the French insurance code (90% of the technical profits and 85% of the financial profits to be distributed within eight years), as well as with the contractual clauses and the discretionary features set by boards of directors.

In the cases provided for by the regulations, this reserve may be supplemented by deferred profit sharing calculated on consolidation adjustments.

Reserves for management costs (life insurance)

This reserve makes provision for future management expenses not covered by the loadings on premiums or the financial margin, in application of the calculation methods specified in Article 142-6 of ANC Regulation No. 2015-11. It is calculated by grouping policies with similar characteristics.

Reserve for financial contingencies (life insurance)

If, at the closing date, the actual rate of return on assets reduced by one-fifth is less than the quotient obtained by dividing the total amount of the guaranteed interests on policies by the average amount of the mathematical reserves, an addition is made to the reserve for financial contingencies pursuant to Article 142-8 of ANC Regulation No. 2015-11.

Reserves for liquidity risk (life and non-life insurance)

Intended to cover commitments in the event of unrealised capital losses on the assets referred to in Article R.343-10 of the French insurance code, the liquidity risk reserve is calculated in accordance with the provisions of Article R.343-5 of the French insurance code.

This reserve is, if appropriate, recognised in the individual company financial statements, but is eliminated on consolidation.

3.9 Provisions for risks and charges and contingent liabilities

Provisions for risks and charges are determined by each combined and consolidated entity. These provisions are intended to cover clearly identifiable risks and charges that past or ongoing events make likely to occur (see Note 19).

Provisions for risks and charges include deferred tax liabilities, provisions for litigation, badwill, long-term employee benefit liabilities and other provisions for risks and charges.

Provisions for long-term employee benefits

Post-employment benefits

The Group applies the preferential method and recognises provisions for all post-employment commitments in accordance with the provisions of method 1 of ANC recommendation No. 2013-02 of 7 November 2013 and of CNCC (association of French auditors) opinion EC 2018-17.

Actuarial gains and losses are recognised immediately in profit or loss.

Past service costs arising from the revaluation of commitments at 31 December 2017 following the introduction of the common employment agreements are subject to mandatory amortisation over the average remaining period until retirement. The portion

of past service costs not yet amortised is recognised under off-balance sheet commitments.

Provisions recognised in liabilities correspond to the actuarial valuation of commitments, less past service costs not yet recognised, and less, where applicable, the value of non-Group life insurance policies taken out as cover for retirement benefits.

The actuarial valuation of post-employment benefits covered by common agreements is based on the following main assumptions:

- discount rate: iBoxx € Corporates AA 10+ rate;
- mortality tables: INSEE 2012-2014 tables;
- future progression rate of salaries (including long-term inflation): between 2% and 2.50%.

Contributions to pension time savings accounts, are owed by the employer:

- in the event of early announcement of retirement, depending on the length of notice;
- in the event of liquidation of pension time savings accounts for early total cessation of activity, depending on the stock of days saved.

Other long-term benefits

Long-term commitments giving rise to the payment of benefits during the working life of employees, such as long-service awards and long-service leave, are not treated as post-employment commitments. They are covered by the specific provisions of section 7 of CNC recommendation No. 2003-R-01 of 1 April 2003, referred to by ANC recommendation No. 2013-02, which requires the immediate recognition in profit or loss of actuarial gains and losses and past service costs.

Provisions for liabilities correspond to the actuarial valuation of commitments.

Contingent liabilities

Contingent liabilities correspond to an obligation that is neither probable nor certain on the date of preparation of the financial statements, or a probable obligation for which no outflow of resources is likely. Contingent liabilities, which are not provisioned, are described in the notes to the financial statements (see Note 19).

3.10 Deferred tax

Income taxes include all taxes on income, whether due or deferred. A temporary difference, which gives rise to a deferred tax, appears when the carrying amount of an asset or liability is different from its tax value.

Deferred tax assets and liabilities are recognised separately in the combined balance sheet under "Accruals – assets" and "Provisions for risks and charges", respectively.

Deferred taxes are calculated using the balance sheet approach based on the temporary differences between carrying amounts and tax values of assets and liabilities, and referring to the tax rules and rates in force at the end of the reporting period and applicable when the temporary differences will reverse. The main temporary differences correspond to:

- differences between the accounting result and the taxable result, in particular on the realisable values of UCITS and certain technical reserves for non-life insurance companies;
- differences between the consolidated carrying amount and the tax value of assets and liabilities;
- carryforward of tax losses;
- capital gains subject to deferred taxation;
- consolidation adjustments.

In the event of a net tax liability position, deferred taxes are systematically recorded. In contrast, in the event of a net tax asset position, deferred tax is recognised only when the company expects to generate sufficient taxable profits against which the deductions represented by deferred tax assets can be offset.

As from 1 January 2008, Covéa SGAM opted for the tax group regime provided for in the second paragraph of Article 233 A of the French general tax code.

3.11 Segment accounts: net investment income

The breakdown of combined net investment management income between the technical and the non-technical income for each company is made in proportion to the consolidated technical reserves and the contribution to consolidated equity before elimination of securities, except where there are segregated assets for which the associated financial income is allocated to equity.

Note 4 Preferential methods

As stated in CRC Regulation No. 2000-05, certain methods are considered preferential in the combined financial statements.

The Covéa group opted to apply these methods to:

- the cost of post-employment benefits (see Note 3.9);

- assets for which the Group has a finance lease agreement, which, if applicable, are treated as fixed assets financed by credit.

Regarding life insurance reserves, non-application of the preferential method has no significant impact (see Note 3.8).

Note 5 Adjustments relating to the main differences between French and foreign regulations

The financial statements of subsidiaries located abroad are restated to make them compliant with French regulations:

- as regards the UK, Irish and Italian subsidiaries, local regulations require the measurement of investments at market value through profit or loss.

In accordance with French accounting rules, these investments were restated at historical cost and the changes recognised by the subsidiary, net of deferred taxes, were eliminated on consolidation. In addition,

a long-term impairment was calculated on these shares in accordance with French regulations and the Group's rules set out in Note 3.1.3;

- as regards the Spanish subsidiary, which is accounted for using the equity method in the combined financial statements, its local presentation standards differ from French standards, in particular for the valuation and impairment of financial assets. Its financial statements are therefore restated before integration in the Covéa group's financial statements.

Note 6 Elimination of intra-group transactions

The following intra-group transactions are eliminated:

- current accounts used in particular to recognise shared use of goods and services;
- dividends paid by subsidiaries to parent companies or by the subsidiaries between themselves;
- intra-group lending transactions;
- intra-group reinsurance transactions;
- capital gains and losses on intra-group disposals (the assets sold are thus maintained at their historical value);
- provisions for impairment of consolidated equity holdings (with no impact on deferred taxes).

Note 7 Combination scope

The Covéa group presents combined financial statements in accordance with the regulations providing that, when insurance undertakings constitute a group whose cohesion does not result from capital ties, one of them must prepare and publish combined financial statements.

The combining agreement appoints Covéa SGAM as the combining undertaking. At 31 December 2018, it links the following companies: Covéa SGAM, APGIS, Assurances Mutuelles de France, La Garantie Mutuelle

des Fonctionnaires, Le Finistère, MAAF Assurances, MAAF Santé, MMA IARD Assurances Mutuelles, MMA Vie Assurances Mutuelles and Mutuelle Interprofessionnelle SMI.

These entities have strong relationships in many areas, such as:

- common management;
- shared operational services;

- joint subsidiaries;
- co-insurance or reinsurance agreements.

The following undertakings are consolidated:

- companies that one or more parties to the combination agreement control exclusively or jointly;
- companies in which one or more parties to the combination agreement have a significant influence, which is presumed to exist based on direct or indirect ownership of more than 20% of the voting rights;
- “special purpose” entities created specifically to manage a transaction or group of similar transactions on an undertaking’s behalf. These entities must be included in the combination scope if one or more of the Group’s entities control them and are shareholders or associates thereof.

The following are not included in the combination scope:

- investments considered immaterial at Group level, materiality being assessed in light of the Group’s equity, income and revenue;
- companies in which the Group has a shareholding equal to or greater than 20% but that are being liquidated and are not material;
- undertakings for collective investment in transferable securities, as they are held for the purpose of covering insurance technical commitments and are therefore excluded pursuant to CRC Regulation No. 2000-05;
- property investment companies (Sociétés Civiles Immobilières – SCI) whose income for the financial year is included in their holders’ accounts at the closing date of the same financial year;
- companies that are held temporarily or in which the Group is not entitled to participate in financial and operational policies;
- economic interest groups (Groupements d’Intérêt Économique – GIE).

The tangible and intangible assets of the economic interest groups formed by Group companies to pool and operate their IT resources (GIE MMA SI, GIE Europex, GIE GFMI and GIE AGSI) or manage claims (GIE Europac, GIE Européenne de Règlement and GIE Covéa AIS) or procurement (GIE Covéa Agora) are excluded from the combined balance sheet, but their net income are yet included as they are fully re-invoiced to Group’s undertakings.

These exclusions do not affect the true and fair view given by the combined financial statements.

Main changes in the Covéa group’s combination scope in 2018

Scope exits

The following structures have been deconsolidated following their sale during the financial year:

- the Swinton group;
- Harwanne;
- Effi Invest.

Other changes

Several mergers of entities took place in 2018, with retroactive effect to 1 January 2018.

- Assistance Protection Juridique and DAS SA merged to create Covéa Protection Juridique;
- DAS Assurances Mutuelles was absorbed by MMA IARD Assurances Mutuelles;
- Lybernet was absorbed by Carma.

The following table shows, for each entity in the 2018 scope, its activity, the consolidation method, the country where its head office is located and the segment of activity in which it is included (see segment information – Note 28).

Name	Activity	Head office location	Consolidation method	Activity segment	Control %	Interest %
Covéa SGAM	Mutual holding company	France	Cmb	Other		
Assurances Mutuelles de France	Non-life insurance	France	C	Non-life		
Le Finistère	Non-life insurance	France	C	Non-life		
La Garantie Mutuelle des Fonctionnaires	Non-life insurance	France	C	Non-life		
MAAF Assurances	Non-life insurance	France	C	Non-life		
MAAF Santé	Complementary health insurance	France	C	Life/non-life		
MMA IARD Assurances Mutuelles	Non-life insurance	France	C	Non-life		
MMA Vie Assurances Mutuelles	Life insurance	France	C	Life		
APGIS	Group health insurance and personal protection	France	C	Life/non-life		
SMI	Personal protection	France	C	Life/non-life		
Covéa Coopérations	Holding and reinsurance activities	France	F	Life/non-life	100.00	100.00
Covéa PJ	Legal protection insurance – Unpaid rent – Financial losses	France	F	Non-life	100.00	100.00
Fidélia Assistance	Assistance	France	F	Non-life	99.99	99.99
GMF Assurances	Non-life insurance	France	F	Non-life	100.00	100.00
La Sauvegarde	Non-life insurance	France	F	Non-life	99.99	99.99
MAAF Assurances SA	Non-life insurance	France	F	Non-life	100.00	100.00
MMA IARD SA	Non-life insurance	France	F	Non-life	100.00	100.00
BPCE IARD	Non-life bancassurance	France	F	Non-life	49.98	49.98
CSE Insurance company	Non-life insurance	United States	F	Non-life	100.00	100.00
Covéa Insurance plc	Non-life insurance	United Kingdom	F	Non-life	100.00	100.00
Bipiemme Assicurazioni	Non-life insurance	Italy	F	Non-life	100.00	81.00
GMF Vie	Life insurance	France	F	Life	100.00	100.00
MMA Vie SA	Life insurance	France	F	Life	100.00	100.00
MAAF Vie	Life insurance	France	F	Life	100.00	100.00
Bipiemme Vita SpA	Life insurance	Italy	F	Life/non-life	81.00	81.00
Covéa Lux	Reinsurance	Luxembourg	F	Life/non-life	100.00	100.00
Medical Insurance Company	Non-life insurance	Ireland	F	Non-life	99.90	99.90
Covéa Finance	Third party asset management	France	F	Other	100.00	100.00
Midepp	Holding company	France	F	Other	100.00	100.00
Prifinance	Defeasance company	France	F ⁽¹⁾	Other	62.00	62.00
Assurland	Online insurance price comparison	France	F	Other	100.00	100.00
GMF Financial	Holding company	United States	F	Other	100.00	100.00
MMA Holdings UK plc	Holding company	United Kingdom	F	Other	100.00	100.00
SA Immobilière des MMA	Property company	France	F	Life	100.00	100.00
SCI Flèche Mizola	Property company	France	F	Life	100.00	100.00
SCI Boissy Royale	Property company	France	F	Non-life	100.00	100.00
SCI Sécurité Pierre	Property company	France	F	Non-life	100.00	100.00
Carma Vie	Partnership with Carrefour – Credit insurance	France	EM		49.99	49.99
Carma	Partnership with Carrefour – Personal property & casualty insurance	France	EM		49.99	49.99
CASER	Life and non-life insurance	Spain	EM ⁽¹⁾		20.00	20.00
Protec BTP	Non-life insurance	France	EM		35.00	35.00

Cmb = Combining entity; C = Combined entity; F = Full consolidation; EM = Equity method.

(1) Consolidated on the basis of their consolidated financial statements.

4 – Notes to the balance sheet items

Note 8 Goodwill

<i>In Euro thousands</i>	2018	2017
Gross values	692,671	913,703
Amortisation and impairment	-638,711	-838,521
NET VALUES	53,960	75,182

Net values break down as follows:

<i>In Euro thousands</i>	2018	2017
Swinton Holdings and its subsidiaries		5,374
MMA IARD SA	5,442	8,162
GMF Financial Services Corp.	3,683	4,297
Covéa Insurance	4,972	5,827
Bipiemme Vita SpA	39,863	51,522
TOTAL	53,960	75,182

Note 9 Intangible assets

<i>In Euro thousands</i>	2018			2017
	Gross	Amortisation and impairment	Net	Net
Values of purchased insurance business	149,092	-99,116	49,976	50,138
Other intangible assets	323,562	-95,966	227,596	215,005
Compensation paid for agencies and share of agents' licensing fees financed by the Group	192,828	-5,102	187,726	174,893
Software	83,265	-71,221	12,044	19,189
Leasehold rights	12,852	-1,416	11,436	12,810
Other	34,617	-18,227	16,390	8,113
TOTAL	472,654	-195,082	277,572	265,143

Note 10 Investments

10.1 Summary statement of insurance undertakings' investments

In Euro thousands	2018				
	Gross values	Amortisation and impairment Adjustments	Net value	Realisable value	Unrealised capital gain/ loss
Investment property	4,098,383	-596,062	3,502,321	6,069,851	2,567,530
Equities and other variable income securities	5,215,187	-169,243	5,045,944	6,429,885	1,383,941
Units of equity UCITS	4,186,416	-37,920	4,148,496	4,903,982	755,486
Bonds and other fixed income securities	67,200,089	-262,884	66,937,205	72,426,059	5,488,854
Units of bond UCITS	7,065,520		7,065,520	7,453,534	388,014
Other investments	1,682,115	-6,821	1,675,294	1,679,897	4,603
TOTAL	89,447,710	-1,072,930	88,374,780	98,963,208	10,588,428
Total listed investments	83,100,120	-271,320	82,828,800	90,711,399	7,882,599
Total unlisted investments	6,347,590	-801,610	5,545,980	8,251,809	2,705,829
Share of non-life insurance investments	30,776,210	-766,329	30,009,881	34,224,395	4,214,514
Share of life insurance investments	58,671,500	-306,601	58,364,899	64,738,813	6,373,914

In Euro thousands	2017				
	Gross values	Amortisation and impairment Adjustments	Net value	Realisable value	Unrealised capital gain/ loss
Investment property	3,672,489	-644,890	3,027,599	5,427,773	2,400,174
Equities and other variable income securities	5,073,565	-182,255	4,891,310	7,224,177	2,332,867
Units of equity UCITS	4,176,384	-36,358	4,140,026	5,797,014	1,656,988
Bonds and other fixed income securities	68,278,961	-289,904	67,989,057	74,666,844	6,677,787
Units of bond UCITS	5,930,852		5,930,852	6,360,980	430,128
Other investments	1,774,294	-1,240	1,773,054	1,783,525	10,471
TOTAL	88,906,545	-1,154,647	87,751,898	101,260,313	13,508,415
Total listed investments	82,963,737	-305,266	82,658,471	93,654,385	10,995,914
Total unlisted investments	5,942,808	-849,381	5,093,427	7,605,928	2,512,501
Share of non-life insurance investments	30,575,693	-758,592	29,817,101	34,996,444	5,179,343
Share of life insurance investments	58,330,852	-396,055	57,934,797	66,263,869	8,329,072

N.B.: for policies with a profit-sharing clause, the realisation of capital gains generates rights for the beneficiaries.

10.2 Investments in subsidiaries and affiliates

In Euro thousands	2018				
	Gross values	Amortisation and impairment Adjustments	Net value	Realisable value	Unrealised capital gain/ loss
Insurance undertakings' investments	916,924	-167,736	749,188	1,005,571	256,383
Equities and other variable income securities	744,628	-167,736	576,892	829,256	252,364
Other investments	172,296		172,296	176,315	4,019
Other undertakings' investments	54,872	-36,218	18,654	20,270	1,616
Equities and other variable income securities	54,768	-36,218	18,550	20,166	1,616
Other investments	104		104	104	
TOTAL	971,796	-203,954	767,842	1,025,841	257,999

10.3 Equity holdings

The information below covers equity holdings for which the Group's investment exceeds €1 million.

10.3.1 Equity holdings in property companies

Securities recorded under "Land and buildings" on the asset side of the balance sheet.

Company	Head office location	Percentage held by Group	Group investments		Equity ⁽²⁾	Net income (loss) at 100% ⁽²⁾	Realisable value ⁽¹⁾	in Euro thousands Revenue ⁽²⁾
			Gross	Impairment				
SCI Immobilière Générale Française	France	100.00%	166,310		54,303	15,394	276,426	9,482
SAS SPI	France	87.67%	159,950		176,977	3,236	302,909	13,134
SCI Marble Haussmann	France	100.00%	147,931		3,658	1,825	455,714	242
SCI 6 Avenue Kléber	France	100.00%	35,000		31,828	-3,172	201,261	1,908
SCI Prony Bureaux	France	100.00%	143,857		142,090	3,149	349,620	11,312
SCI Séquana Rive Gauche	France	100.00%	108,743		94,292	4,292	174,559	11,085
SC Breteuil Ségur	France	100.00%	66,800		28,055	-1,945	164,049	
SCI Califimmo	France	100.00%	114,911	34	121,717	3,761	151,358	6,586
SCI Silverseine	France	100.00%	34,044		16,058	6,058	106,462	10,031
SAS Prony Habitation	France	100.00%	83,962		88,968	1,572	173,398	6,778
SCI Le Tropic	France	100.00%	12,000		15,894	3,894	91,290	6,753
SCI MGF République	France	100.00%	29,564		-189	-196	90,284	
SARL MDM Kellermann	France	100.00%	13,070		11,864	441	98,442	
SCI Foncière Opéra Gaillon	France	100.00%	61,248	-11,442	41,248	-954	69,367	652
SCI Dalle 1	France	100.00%	44,656		31,894	-3,060	89,618	924
SCI Dalle 2	France	50.00%	53,650		73,306	4,771	106,962	10,311
SCI Londres Athènes	France	100.00%	33,989		39,903	5,034	85,558	
SCI MGF Immobilier	France	100.00%	26,225		12,769	583	26,386	1,070
SCI Espace Performance	France	100.00%	23,581		23,302	891	24,177	1,157
SCI Cital Wacken	France	100.00%	17,809	-2,621	13,015	1,819	15,188	3,361
SARL Boulogne Ailes MDM	France	100.00%	8,897		8,920	478	17,075	1,141
SCI Placements DAS	France	100.00%	8,661		8,659	-3	11,440	193
SARL Lyon MDM	France	100.00%	8,067		7,904	498	18,823	1,116
SCI 36 Bd St Marcel	France	100.00%	6,582		780	779	13,658	972
SCI MDM Vie	France	100.00%	5,641		6,296	655	11,559	925
SCI Maison des quatre	France	100.00%	2,964		2,257	-304	5,155	291
SARL Le Mans 37 Chanzy	France	100.00%	4,334	-372	3,953	8	3,962	
SCI Groupe MMA	France	100.00%	3,681		-849	-645	4,285	4,060
SA Chauray Valeur	France	100.00%	2,020		1,982	59	4,851	362
SCPI Foncia Pierre Rendement	France	4.25%	1,021		286,355	17,124	1,021	25,276
TOTAL			1,429,168	-14,401				

(1) Group share.

(2) Equity, net income and revenue for the 2017 financial year.

10.3.2 Other equity holdings

Securities recorded under “Investments in subsidiaries and affiliates” on the asset side of the balance sheet.

Company	Head office location	Group share percentage	Group investments		Equity ⁽²⁾	Net income (loss) at 100% ⁽²⁾	Realisable value ⁽¹⁾	in Euro thousands Revenue ⁽²⁾
			Gross	Impairment				
Covivio	France	7.05%	328,819		6,363,307	914,112	492,246	738,991
GMF Recouvrement	France	100.00%	136,008	-72,994	62,868	183	63,014	303
Lagune International	Luxembourg	25.25%	58,278				58,278	
3602214 Canada Inc.	Canada	29.77%	26,082		78,838	-7,017	37,459	
La Capitale Participations Inc.	Canada	20.00%	23,642		259,625	29,960	61,379	
AME Life Lux	Luxembourg	100.00%	19,910	-3,549	20,097	162	16,110	51,387
IENA Investissements Participations	France	100.00%	7,863	-71	7,867	-123	7,792	
MMA Participations	France	100.00%	7,814		12,844	6,602	9,286	
Covéa Next	France	100.00%	6,023		923	36	20,833	
Eurazur ⁽³⁾	Luxembourg	100.00%	5,916	-3,483	3,750		2,433	
CESVI France	France	90.00%	5,501		6,488	13	5,839	2,788
AZ Plus	France	100.00%	5,268	-16	4,605	-3	4,603	
La Capitale Assurances Général	Canada	20.00%	4,303	-202	280,238	29,960	4,102	435,981
Gespré Europe	France	80.00%	3,808	-815	4,888	265	2,995	3,349
Covéa Solutions Prévention	France	100.00%	3,482	-2,754	824	-216	727	705
MMA Gestion	France	100.00%	3,095		3,480	266	5,624	10,571
SC Holding	France	50.00%	2,908		10,517	869	4,780	
OCG	France	100.00%	2,005	-114	1,891	-62	1,891	1,396
RL Finance	France	18.36%	1,453		9,600	352	1,763	
CAT SA	France	100.00%	1,417	5	4,371	1,879	7,400	12,264
Darva	France	22.57%	1,042		17,130	1,132	4,514	25,402
Fidélia Services	France	100.00%	1,011		1,177	23	1,175	715
Other			88,979	-83,742				
TOTAL			744,628	-167,736				

(1) Group share.

(2) Equity, net income and revenue for the 2017 financial year.

(3) Company in liquidation with withdrawal of licence in 2011 – Equity 2011.

10.4 Investments representing unit-linked policies

Investments representing unit-linked policies are recognised in the balance sheet at market value.

In Euro thousands	2018	2017
Investment property	61,416	66,039
Equities and other variable income securities		
Units of bond UCITS	954,249	940,965
Units of other UCITS	4,446,498	4,487,834
Bonds and other fixed income securities	119,954	127,191
TOTAL	5,582,117	5,622,029

10.5 Other undertakings' investments

In Euro thousands	2018				
	Gross values	Amortisation and impairment	Net value	Realisable value	Unrealised capital gain/loss
Investment property	28,439	-13,793	14,646	47,622	32,976
Equities and other variable income securities	62,957	-36,439	26,518	29,251	2,733
Units of equity UCITS					
Bonds and other fixed income securities	77,560	-621	76,939	78,673	1,734
Units of bond UCITS					
Other investments	8,521	-4,955	3,566	3,566	
TOTAL	177,477	-55,808	121,669	159,112	37,443

In Euro thousands	2017				
	Gross values	Amortisation and impairment	Net value	Realisable value	Unrealised capital gain/loss
Investment property	36,218	-13,817	22,401	56,537	34,136
Equities and other variable income securities	109,316	-38,725	70,591	93,499	22,908
Units of equity UCITS					
Bonds and other fixed income securities	68,736	-749	67,987	69,765	1,778
Units of bond UCITS					
Other investments	58,711	-4,939	53,772	53,772	
TOTAL	272,981	-58,230	214,751	273,573	58,822

10.6 Investments accounted for using the equity method

In Euro thousands	Share capital	Equity	Including 2018 net income at 100%	Consolidated balance sheet value	
				2018 ⁽¹⁾	2017 ⁽¹⁾
Non-life insurance companies					
Carma	23,270	68,935	5,474	55,265	45,878
Lybernet					6,620
Protec BTP	28,140	52,337	1,389	18,318	18,343
Life insurance companies					
Carma Vie	6,100	9,544	340	4,771	4,632
Mixed (life and non-life) insurance companies					
Caser ⁽²⁾	647,724	983,931	88,943	196,519	185,031
Non-insurance companies					
Effi Invest ⁽²⁾					19,761
TOTAL	705,234	1,114,747	96,146	274,873	280,265

(1) "Investments accounted for using the equity method" line on balance sheet assets.

(2) Group presenting consolidated financial statements.

Note 11 Receivables arising from insurance or reinsurance transactions

11.1 Breakdown by type

In Euro thousands	2018			2017
	Gross	Impairment	Net	
Earned premiums not written	327,641		327,641	232,026
Other receivables arising from direct insurance	3,342,920	-112,934	3,229,986	3,124,672
Receivables arising from reinsurance transactions	238,220	-6,049	232,171	186,739
TOTAL	3,908,781	-118,983	3,789,798	3,543,437

11.2 Breakdown by activity

In Euro thousands	2018			2017
	Life	Non-life	Total	
Earned premiums not written	7,033	320,608	327,641	232,026
Other receivables arising from direct insurance	37,914	3,192,072	3,229,986	3,124,672
Receivables arising from reinsurance transactions	987	231,184	232,171	186,739
TOTAL	45,934	3,743,864	3,789,798	3,543,437

11.3 Breakdown by maturity

In Euro thousands	2018			Total
	1 year	1 to 5 years	More than 5 years	
Earned premiums not written	327,641			327,641
Other receivables arising from direct insurance	3,206,792	23,111	83	3,229,986
Receivables arising from reinsurance transactions	232,158	13		232,171
TOTAL	3,766,591	23,124	83	3,789,798

Note 12 Receivables from banking sector companies

12.1 Breakdown by type

In Euro thousands	2018			2017
	Gross	Impairment	Net	
Current accounts and cash	3,572,986		3,572,986	1,989,267
TOTAL	3,572,986		3,572,986	1,989,267

12.2 Breakdown by activity

In Euro thousands	2018			Total	2017
	Non-Life	Life	Other		
Current accounts and cash	2,112,567	1,243,215	217,204	3,572,986	1,989,267
TOTAL	2,112,567	1,243,215	217,204	3,572,986	1,989,267

12.3 Breakdown by maturity

In Euro thousands	2018			Total	2017
	1 year	1 to 5 years	More than 5 years		
Current accounts and cash	3,572,986			3,572,986	1,989,267
TOTAL	3,572,986			3,572,986	1,989,267

Note 13 Other receivables

13.1 Breakdown by type

In Euro thousands	2018			2017
	Gross	Impairment	Net	
Staff and related accounts	9,062		9,062	5,446
State and social security organisations	418,951		418,951	317,291
Other receivables	910,531	-28,582	881,949	876,661
TOTAL	1,338,544	-28,582	1,309,962	1,199,398

N.B.: other receivables include uncalled subscribed capital.

13.2 Breakdown by activity

In Euro thousands	2018			Total
	Non-Life	Life	Other	
Staff and related accounts	8,424	638		9,062
State and social security organisations	119,391	193,188	106,372	418,951
Other receivables	696,942	167,173	17,834	881,949
TOTAL	824,757	360,999	124,206	1,309,962

13.3 Breakdown by maturity

In Euro thousands	2018			Total
	1 year	1 to 5 years	More than 5 years	
Staff and related accounts	8,867	195		9,062
State and social security organisations	417,032	1,919		418,951
Other receivables	853,749	21,151	7,049	881,949
TOTAL	1,279,648	23,265	7,049	1,309,962

Note 14 Other assets and assets of economic interest groups

14.1 Breakdown by type

In Euro thousands	2018			2017
	Gross	Impairment	Net	
Deposits and guarantees	6,238		6,238	7,449
Inventory				
Other tangible assets	442,708	-270,730	171,978	218,761
TOTAL	448,946	-270,730	178,216	226,210

14.2 Breakdown by activity of other assets

In Euro thousands	2018			Total
	Non-Life	Life	Other	
Deposits and guarantees	5,539	699		6,238
Inventory				
Other tangible assets	163,198	5,573	3,207	171,978
TOTAL	168,737	6,272	3,207	178,216

14.3 Assets of economic interest groups MMA SI, Europex, Europac, Européenne de Règlement, Covéa AIS, Covéa Agora, GFMI and AGSI

In Euro thousands	2018			2017
	Gross	Amortisations	Net	
FIXED ASSETS				
Intangible assets				
Software and development expenses	727,569	-557,204	170,365	151,870
Tangible assets				
IT hardware and other equipment	294,440	-176,245	118,195	124,218

Note 15 Accruals – Assets

In Euro thousands	2018				2017
	Non-Life	Life	Other	Total	
Deferred tax assets	762,330	24,498	2,361	789,189	921,496
Accrued interests and rents not yet due	196,154	575,308		771,462	797,992
Deferred acquisition costs	584,417	381,981		966,398	908,264
Other deferred expenses	921			921	1,030
Prepaid expenses	7,828	325	2,150	10,303	24,003
Technical reinsurance valuations – assets	67,659			67,659	46,182
Other accruals – Assets	163,107	6,178		169,285	157,212
TOTAL	1,782,416	988,290	4,511	2,775,217	2,856,179

Note 16 Group equity

16.1 Changes in equity

<i>In Euro thousands</i>	Initial fund	Additional paid-in capital	Consolidated reserves	Net income	Total equity
EQUITY AT 31 DECEMBER 2016	1,117,352	6,358	11,511,203	824,735	13,459,648
Appropriation of 2016 net income			824,735	-824,735	
Net income for the year 2017				817,782	817,782
Additional equity	3,942				3,942
Translation difference			-27,870		-27,870
Change in scope	-500				-500
Other			191		191
TOTAL CHANGES	3,442		797,056	-6,953	793,545
EQUITY AT 31 DECEMBER 2017	1,120,794	6,358	12,308,259	817,782	14,253,193
Appropriation of 2017 net income			817,782	-817,782	
Net income for the year 2018				939,729	939,729
Additional equity	3,592				3,592
Translation difference			-1,727		-1,727
Change in scope					
Other			1,671		1,671
TOTAL CHANGES	3,592		817,726	121,947	943,265
EQUITY AT 31 DECEMBER 2018	1,124,386	6,358	13,125,985	939,729	15,196,458

Equity at 31 December 2018 including €1,124,386 thousand corresponding on the one hand to initial funds of mutual entities and on the other hand to SGAM Covéa's share capital which amounts to €20,590 thousand.

16.2 Non-controlling interests

<i>In Euro thousands</i>	Consolidated reserves	Net income	Total equity
POSITION AT 31 DECEMBER 2016	54,796	11,834	66,630
Appropriation of 2016 net income	11,834	-11,834	
Net income for the year 2017		13,701	13,701
Translation difference			
Distribution	-4,390		-4,390
Change in scope			
Other	-3		-3
TOTAL CHANGES	7,441	1,867	9,308
POSITION AT 31.12.2017	62,237	13,701	75,938
Appropriation of 2017 net income	13,701	-13,701	
Net income for the year 2018		13,869	13,869
Translation difference			
Distribution	-6,563		-6,563
Change in scope	-569		-569
Other	-3		-3
TOTAL CHANGES	6,566	168	6,734
POSITION AT 31.12.2018	68,803	13,869	82,672

Note 17 Subordinated debts

In Euro thousands	Maturity			2018	2017
	Less than 1 year	1 to 5 years	More than 5 years		
Insurance undertaking					
Subordinated liabilities			153,522	153,522	146,712
Redeemable subordinated liabilities		26,050	8,000	34,050	34,050
TOTAL		26,050	161,522	187,572	180,762

Note 18 Technical reserves

18.1 Technical reserves by type

In Euro thousands	2018			2017
	Non-life	Life	Total	
Gross technical reserves				
Unearned premium reserves	3,027,001		3,027,001	2,941,097
Life insurance reserves		52,864,926	52,864,926	52,401,630
Claims reserves	19,546,257	490,068	20,036,325	19,532,246
Policyholder participation reserves	92,600	2,909,344	3,001,944	2,656,598
Equalisation reserves	924,208	92,782	1,016,990	981,755
Mathematical annuity reserves	2,216,804		2,216,804	2,211,127
Technical reserves of unit-linked policies		5,635,226	5,635,226	5,643,654
Other technical reserves	215,391	18,521	233,912	252,449
TOTAL	26,022,261	62,010,867	88,033,128	86,620,556
Outward reinsurers' share of technical reserves				
Unearned premium reserves	23,620		23,620	22,623
Life insurance reserves		219,851	219,851	145,242
Claims reserves	1,753,552	22,471	1,776,023	1,672,753
Policyholder participation reserves	397		397	692
Equalisation reserves	2,000	80,667	82,667	4
Other technical reserves	382,351	1,096	383,447	372,239
TOTAL	2,161,920	324,085	2,486,005	2,213,553
NET TECHNICAL RESERVES			85,547,123	84,407,003

18.2 Breakdown of the policyholder participation reserves (net of reinsurance – excluding unit-linked policies)

In Euro thousands	2018	2017
Reserve payable	2,837,560	2,491,967
Unconditional deferred reserve		
Conditional deferred reserve	163,987	163,939
TOTAL	3,001,547	2,655,906

Note 19 Provisions for risks and charges and contingent liabilities

In Euro thousands	2017 closing date	Change in scope	Translation difference	Allocations	Reversals	Reclassification	2018 closing date
Deferred tax liabilities	25,855	-181		19,273		-2,752	42,195
Provisions for long-term employee benefits ⁽¹⁾	292,153		-29	111,810		20,580	424,514
Provisions on receivables	16,819	-5,570	-33	11,684	-21,273		1,627
Provisions for tax audits	153,258			12,751	-25,491	89	140,607
Provisions for commitments on subsidiaries and disposal of companies	7,490			5,020	-2,644		9,866
Badwill							
Other provisions	59,370	-3,722	-89	15,316	-9,786	-90	60,999
TOTAL	554,945	-9,473	-151	175,854	-59,194	17,827	679,808

(1) Provisions for long-term employee benefits:

The provisions reflect the amount of long-term employee benefits not covered by a non-Group life insurance contract, minus past service costs not yet recognised, and presented off the balance sheet. These commitments cover retirements benefits, contributions to pension time savings accounts, other retirement benefits, long-service awards and long-service leave.

Contingent liabilities

Since May 2000, MMA Vie Assurances Mutuelles, as a former director of the bank Le Crédit Martiniquais (currently called Financière du Forum) between March 1990 and December 1994, had been involved in proceedings initiated by the Fonds de Garantie des Dépôts et de Résolution (FGDR) against former legal and *de facto* chief officers, statutory auditors and all directors of Crédit Martiniquais.

The aim of these proceedings was to obtain reimbursement from all the parties concerned for an amount estimated at €178.5 million, corresponding to the difference between payments made by FGDR to redress the bank's situation and the funds it had been able to recover.

On 9 January 2019, the Court of Cassation ruled in favour of the defendants, definitively closing this procedure, freeing MMA Vie Assurances Mutuelles of any legal action. No provision for this had been entered in the financial statements, given the level of uncertainty in the case for MMA Vie Assurances Mutuelles.

In parallel, on 27 April 2018, a new legal action to cover liabilities was filed with the commercial court by FIDES, liquidator of Financière du Forum, in which MMA Vie Assurances Mutuelles is involved with other parties.

This procedure aims to obtain the payment by MMA Vie Assurances Mutuelles of a maximum of €100 million.

However, at 31 December 2018, there are no objective grounds for booking a provision under this dispute.

Note 20 Liabilities arising from insurance or reinsurance transactions

20.1 Breakdown by activity

In Euro thousands	2018			2017
	Non-Life	Life	Total	
Liabilities arising from direct insurance transactions	782,310	69,542	851,852	875,106
Liabilities arising from reinsurance transactions	226,286	7,393	233,679	219,840
Liabilities for cash deposits received from reinsurers	86,730	2,209	88,939	72,549
TOTAL	1,095,326	79,144	1,174,470	1,167,495

20.2 Breakdown by maturity

In Euro thousands	2018			Total
	1 year	1 to 5 years	More than 5 years	
Liabilities arising from direct insurance transactions	848,614	3,227	11	851,852
Liabilities arising from reinsurance transactions	233,679			233,679
Liabilities for cash deposits received from reinsurers	88,939			88,939
TOTAL	1,171,232	3,227	11	1,174,470

Note 21 Debts to banking sector companies

21.1 Breakdown by activity

In Euro thousands	2018			Total	2017
	Non-Life	Life	Other		
Amounts owed to credit institutions	285,272	162,591	502	448,365	360,647
TOTAL	285,272	162,591	502	448,365	360,647

21.2 Breakdown by maturity

In Euro thousands	2018			Total
	1 year	1 to 5 years	More than 5 years	
Amounts owed to credit institutions	441,691	4,028	2,646	448,365
TOTAL	441,691	4,028	2,646	448,365

Note 22 Other liabilities

22.1 Breakdown by activity

In Euro thousands	2018				2017
	Non-Life	Life	Other	Total	
Other borrowings, deposits and sureties received	89,943	4,244	41,033	135,220	143,508
Staff and related accounts	275,194	19,478	10,639	305,311	331,861
State and social security organisations	317,459	81,923	4,811	404,193	440,600
Other liabilities	203,717	390,455	264,668	858,840	880,299
TOTAL	886,313	496,100	321,151	1,703,564	1,796,268

22.2 Breakdown by maturity

In Euro thousands	2018			Total
	1 year	1 to 5 years	More than 5 years	
Other borrowings, deposits and sureties received	70,703	58,572	5,945	135,220
Staff and related accounts	305,311			305,311
State and social security organisations	404,193			404,193
Other liabilities	853,246	4,112	1,482	858,840
TOTAL	1,633,453	62,684	7,427	1,703,564

Note 23 Accruals – liabilities

In Euro thousands	2018				2017
	Non-Life	Life	Other	Total	
Deferred income	62	141,705		141,767	150,291
Other accruals – liabilities	1,110,290	15,671	-779	1,125,182	1,053,883
Prepaid income	24,148	74	-53	24,169	23,334
TOTAL	1,134,500	157,450	-832	1,291,118	1,227,508

Note 24 Income tax

24.1 Breakdown of income tax

In Euro thousands	2018				2017
	Non-Life	Life	Other	Total	
Current tax	-281,072	-95,218	-8,366	-384,656	-702,377
Deferred tax	-124,103	-19,841	-1,057	-145,001	43,895
TOTAL	-405,175	-115,059	-9,423	-529,657	-658,482

24.2 Deferred tax

<i>In Euro thousands</i>	2018	2017
Deferred tax resulting from temporary differences	-752,429	-916,015
Deferred tax resulting from consolidation adjustments	5,435	20,374
TOTAL DEFERRED TAX RECOGNISED IN THE BALANCE SHEET	-746,994	-895,641
Of which:		
assets (accruals – Assets)	-789,189	-921,496
liabilities (provisions for risks and charges)	42,195	25,855

Deferred tax assets are shown as negative amounts

24.3 Analysis of tax charge

<i>In Euro thousands</i>	2018	2017
Consolidated net income	953,598	831,483
Goodwill amortisation	-20,217	-26,547
Group's share in net income from investments accounted for using the equity method	21,184	16,908
Income tax	-529,657	-658,482
Income before tax	1,482,288	1,499,604
Theoretical current tax rate	34.43%	44.43%
THEORETICAL TAX EXPENSE	-510,352	-666,274
Impact of tax rate differences	-31,325	-78,469
Impact of permanent differences	12,285	131,825
Impact of adjustments and other items	-265	-45,564
(including impact of tax audits on income tax)	-4,859	-85,578
GROUP TAX EXPENSE	-529,657	-658,482
EFFECTIVE TAX RATE	35.73%	43.91%

The effect of tax rate differences on the theoretical tax expense corresponds to the difference between the tax calculated at the level of each entity using the locally applicable standard rate and the tax calculated

using the rate in force in France. The effective tax rate due in France for the 2018 financial year was 34.43%, including the social contribution on earnings.

Note 25 Commitments received and given

Commitments received and given by insurance undertakings

<i>In Euro thousands</i>	2018	2017
Commitments received	340,601	362,734
Commitments given	752,118	734,799
Guarantees, sureties and securities given	276,052	250,598
Long-term employee benefits	165,172	176,290
Commitments on securities, assets or revenues	58,426	78,898
Other commitments	252,468	229,013
Pledged securities received from reinsurers	1,455,655	1,244,096
Derivative instruments		
Securities conferred by reinsured organisations with joint guarantee or with substitution		
Securities belonging to personal protection institutions		
Other securities held on behalf of third parties		

Commitments in respect of retirement benefits and employer's contributions to pension time savings accounts of entities that signed the common employment agreements, including non-consolidated

economic interest groups, are either covered by assets or give rise to the recognition of provisions for risks and charges and/or off-balance sheet commitments at 31 December 2018, as follows:

<i>In Euro thousands</i>	Retirements benefits		Employer's contributions to pension time savings accounts		Total	
	2018	2017	2018	2017	2018	2017
Commitments	288,866	276,800	124,902	118,614	413,768	395,414
Non-Group plan assets (insurance policies)	1,922	2,064			1,922	2,064
Provisions for risks and charges	229,545	214,224	18,528	3,399	248,073	217,623
Off-balance sheet						
Commitments given*	57,557	61,075	107,615	115,215	165,172	176,290
Commitments received**	158	563			158	563

* Past service costs not recognised in the balance sheet.

Past service costs arising from the common employment status are amortised on a straight-line basis from 1 January 2018 for the remaining period until retirement (an average of 18 years for entities having signed the common employment agreements).

** Past service costs not recognised in the balance sheet, already financed by non Group plan assets (insurance policy).

5 – Notes to the income statement and segment information

Note 26 Life and non-life net financial income

In Euro thousands	2018			2017
	Non-life insurance business	Life insurance business	Total	
Income from investment	644,955	1,550,533	2,195,488	2,233,295
Other investment income	49,988	80,439	130,427	120,500
Internal and external investment management costs and interest	-81,441	-92,398	-173,839	-110,207
Other investment expenses	-141,165	-196,289	-337,454	-348,337
NET INCOME FROM INVESTMENTS	472,337	1,342,285	1,814,622	1,895,251
Capital gains realised on investments	651,995	733,909	1,385,904	1,202,658
Capital losses realised on investments	-162,555	-298,543	-461,098	-334,032
CAPITAL GAINS AND LOSSES ON INVESTMENTS	489,440	435,366	924,806	868,626
Adjustments on unit-linked policies (capital gains)		47,143	47,143	268,079
Adjustments on unit-linked policies (capital losses)		-498,441	-498,441	-27,960
ADJUSTMENTS ON UNIT-LINKED POLICIES		-451,298	-451,298	240,119
NET FINANCIAL INCOME	961,777	1,326,353	2,288,130	3,003,996
Of which total investment income	1,346,938	2,412,023	3,758,961	3,824,532
Of which total investment expenses	-385,161	-1,085,670	-1,470,831	-820,536

Note 27 Non-recurring items

In 2018, the main components of non-recurring income and expense were as follows:

In Euro thousands	2018
Tax and social security (Urssaf) litigation	-5,911
Miscellaneous	4,804
NON-RECURRING ITEMS	-1,107

Note 28 Segment information

28.1 Non-life insurance technical income statement

In Euro thousands	2018 ⁽¹⁾					2017
	Gross transactions	Outward reinsurance	Net transactions	Inter-segment transfers	Transactions net of inter-segment transfers	
Earned premiums	12,346,499	-936,219	11,410,280		11,410,280	10,882,800
Premiums	12,432,072	-938,190	11,493,882		11,493,882	11,050,011
Change in unearned premiums	-85,573	1,971	-83,602		-83,602	-167,211
Net financial income	675,783		675,783	10,350	686,133	629,113
Net financial income allocated to technical income	675,783		675,783	10,350	686,133	629,113
Other technical income	26,814		26,814		26,814	61,658
Claims expenses	-8,808,946	663,923	-8,145,023		-8,145,023	-7,646,664
Claims and related expenses paid	-8,356,117	582,631	-7,773,486		-7,773,486	-7,277,507
Change in claims reserves	-452,829	81,292	-371,537		-371,537	-369,157
Change in other technical reserves	17,577	-1,116	16,461		16,461	14,099
Profit sharing	-36,331	-294	-36,625		-36,625	-48,025
Acquisition and administrative costs	-2,741,750	94,220	-2,647,530	21,828	-2,625,702	-2,498,345
Acquisition costs	-1,612,954		-1,612,954	1,888	-1,611,066	-1,542,901
Administrative costs	-1,128,796		-1,128,796	19,940	-1,108,856	-1,063,352
Commissions received from reinsurers		94,220	94,220		94,220	107,908
Other technical charges	-491,529		-491,529	13,991	-477,538	-355,853
Change in equalisation reserves	47,449	-626	46,823		46,823	-70,757
NON-LIFE TECHNICAL INCOME	1,035,566	-180,112	855,454	46,169	901,623	968,026
Employee profit sharing			-67,103		-67,103	-71,582
Net financial income allocated to non-technical income			267,044	8,600	275,644	280,936
CURRENT OPERATING INCOME			1,055,395	54,769	1,110,164	1,177,380
Inter-segment transfers				-54,769	-54,769	-65,300
ECONOMIC CURRENT OPERATING INCOME			1,055,395		1,055,395	1,112,080

(1) Integration of other technical income relating to increases for fractionated payments in earned premiums.

28.2 Life insurance technical income statement

In Euro thousands	2018					2017
	Gross transactions	Outward reinsurance	Net transactions	Inter-segment transfers	Transactions net of inter-segment transfers	
Premiums	4,578,971	-57,147	4,521,824		4,521,824	4,458,846
Investment income	2,365,797		2,365,797	-917	2,364,880	2,329,111
Adjustments on unit-linked policies (capital gains)	47,143		47,143		47,143	268,079
Other technical income	74,457		74,457	-19,328	55,129	47,320
Claims expenses	-4,522,760	54,586	-4,468,174	5	-4,468,169	-4,476,000
Claims and related expenses paid	-4,483,640	52,358	-4,431,282	5	-4,431,277	-4,342,711
Change in claims reserves	-39,120	2,228	-36,892		-36,892	-133,289
Change in technical reserves	660,243	-2,472	657,771		657,771	-34,541
Change in life insurance reserves	650,629	-2,477	648,152		648,152	997,294
Change in unit-linked policy reserves	8,086		8,086		8,086	-1,021,047
Change in other technical reserves	1,528	5	1,533		1,533	-10,788
Profit sharing	-1,356,296		-1,356,296		-1,356,296	-1,357,573
Acquisition and administrative costs	-298,396	1,838	-296,558		-296,558	-284,215
Acquisition costs	-176,871		-176,871		-176,871	-169,933
Administrative costs	-121,525		-121,525		-121,525	-117,796
Commissions received from reinsurers		1,838	1,838		1,838	3,514
Other technical charges	-86,842		-86,842	2,166	-84,676	-72,180
Investment expenses	-595,682		-595,682	8,453	-587,229	-475,283
Adjustments on unit-linked policies (capital losses)	-498,441		-498,441		-498,441	-279,600
Net investment income transferred to non-technical income	-112,733		-112,733	287	-112,446	-106,867
LIFE TECHNICAL INCOME	255,461	-3,195	252,266	-9,334	242,932	268,737
Employee profit sharing			-4,407		-4,407	-4,118
Net investment income allocated to non-technical income			112,733	-287	112,446	106,866
CURRENT OPERATING INCOME			360,592	-9,621	350,971	371,485
Elimination of inter-segment transactions				9,621	9,621	16,691
ECONOMIC CURRENT OPERATING INCOME			360,592		360,592	388,176

28.3 Income from other activities

In Euro thousands	2018			2017
	Net	Inter-segment transfers	Transactions net of inter-segment transfers	
Revenue	277,557	-67,777	209,780	228,024
Other operating income	5,614	-732	4,882	5,623
Operating expenses	-312,201	22,297	-289,904	-325,280
OPERATING INCOME	-29,030	-46,212	-75,242	-91,633
Net financial income	83,970	1,064	85,034	68,680
CURRENT OPERATING INCOME	54,940	-45,148	9,792	-22,953
Elimination of inter-segment transactions		45,148	45,148	48,609
ECONOMIC CURRENT OPERATING INCOME	54,940		54,940	25,656

28.4 Technical reserves by category

28.4.1 Gross life technical reserves by category

In Euro thousands	Direct business							
	Capitalisation policies – Single premiums/Renewal payments	Capitalisation policies – Regular premiums	Personal protection	Individual life insurance Single premiums/Renewal payments	Individual life insurance – Regular premiums	Group protection	Group life insurance	
Claims reserves – Life	4,300		19,154	373,440	24,262	26,143	3,490	
Life insurance reserves	1,102,760		29,337	49,183,589	1,773,427	207,046	380,965	
Equalisation reserves – Life				149		81,427	11,203	
Technical reserves in unit-linked life policies								
Policyholder participation reserve	3,697		1,352	2,889,920	15,286	821	-3,834	
Change in other technical reserves – Life	45		5,692	4,935	829		658	
TOTAL	1,110,802		55,535	52,452,033	1,813,804	315,437	392,482	

28.4.2 Gross non-life technical reserves by category

In Euro thousands	Direct business								
	Accident		Motor		Property and casualty		Natural disasters	General liability	
	Personal policies	Group policies	Liability	Damage	Personal	Commercial			
Unearned premium reserves – Non-life	210,611	49,173	334,243	824,003	573,744	213,366	59,735	26,100	
Claims reserves – Non-life	445,246	215,429	7,774,050	1,286,654	1,555,000	1,733,539	522,558	1,516,223	
Equalisation reserves – Non-life		72,902		44,568	230,618	43,579	29,264	49	
Profit sharing		6,351		32,650		9,151			
Other technical reserves – Non-life	92,053	421,669	1,667,840	7,493	66,180	50,301	26,202	79,840	
TOTAL	747,910	765,524	9,776,133	2,195,368	2,425,542	2,049,936	637,759	1,622,212	

	Direct business							Inward reinsurance	Total
	Unit-linked policies Single premiums/ Renewal payments	Unit-linked policies – Regular premiums	Retirement savings plans PERP	Accident – personal policies	Accident – group policies	Financial losses	Total direct business		
	578	264	282	9,382	84		461,379	28,689	490,068
	576		181,110	823			52,859,633	5,293	52,864,926
			3				92,782		92,782
	5,313,622	272,024	49,580				5,635,226		5,635,226
	-34	-28	2,127				2,909,307	37	2,909,344
			385	4,211			16,755	1,766	18,521
	5,314,742	272,260	233,487	14,416	84		61,975,082	35,785	62,010,867

	Direct business								Inward reinsurance	Total	
	Legal protection	Assistance	Miscellaneous financial losses	Transport	Construction		Surety	Free provision of services			Total direct business
					Damage	Civil liability					
	82,909	74,398	44,528	12,173		23,689		450,228	2,978,899	48,102	3,027,001
	173,938	23,013	47,982	68,449	580,695	2,955,901	9,470	67,569	18,975,716	570,541	19,546,257
									420,980	503,228	924,208
	7,760	2,408	19,152					14,330	91,801	799	92,600
			26	3,082		63		1,198	2,415,947	16,248	2,432,195
	264,607	99,819	111,688	83,704	580,695	2,979,653	9,470	533,325	24,883,343	1,138,918	26,022,261

28.5 Breakdown of premium income

BY GEOGRAPHICAL AREA

Earned premiums (in Euro millions)	France	International	Of which Italy	Of which United Kingdom	Of which others	Total
2017	14,566	1,738	792	782	164	16,304
2018	14,919	2,006	961	863	182	16,925

BY CATEGORY

(in Euro millions)													
Life													
Direct business													
Earned premiums	Capitalisation policy		Individual insurance			Group insurance		Unit-linked policies		Retirement savings plans PERP	Total	Inward reinsurance	Overall total
	Single pre-miums/ Re-newal pay-ments	Regular pre-miums	Protec-tion	Life insurance – Single pre-miums/ Renewal payments	Life in-surance – Regular pre-miums	Protec-tion	Life insurance	Single pre-miums/ Renewal pay-ments	Reg-ular pre-miums				
2017	131		129	2,922	122	58	52	1,042	15	38	4,509	10	4,519
2018	103		133	3,296	120	67	21	774	13	22	4,549	30	4,579
% 2018 OVERALL TOTAL	2.25		2.90	71.98	2.62	1.45	0.46	16.91	0.29	0.48		0.66	100.00

(in Euro millions)													
Non-life/life													
Direct business													
Earned premiums	Personal accident		Motor		Property and casualty		General liability	Transport	Construction	Other	Total	Inward reinsurance	Overall total
	Indivi-dual	Group	Liabi-ility	Damage	Perso-nal	Commer-cial							
2017	1,211	710	1,363	3,287	1,922	1,121	296	53	416	1,101	11,480	305	11,785
2018	1,176	685	1,400	3,457	1,976	1,210	313	57	454	1,175	11,903	443	12,346
% 2018 OVERALL TOTAL	9.52	5.55	11.34	28.00	16.01	9.80	2.54	0.46	3.68	9.51		3.59	100.00

Note 29 Staff costs and headcount

	2018	2017
Staff costs (In Euro thousands)	1,403,046	1,388,448
Headcount	16,926	19,395
Employees	8,780	11,041
Managers	8,146	8,354

This headcount includes staff from combined and fully consolidated companies. The reduction in workforce registered over the year is explained by the withdrawal of the Swinton group from the scope of consolidation. However, with the disposal taking effect on 31 December 2018, personnel expenses include those of the Swinton group up to this date for €62 million.

The headcount of non-consolidated entities dedicated to management activities, whose workforces are not included in the above data, is 6,102.

This headcount concerns:

- the MAAF economic interest groups: 3,464 employees;
- Téléassurances and MMA Gestion: 884 employees;
- Covéa Insurance Services Limited, to which the employees of MMA Holdings and Covéa Insurance were transferred on 1 January 2016: 1,754 employees.

Note 30 Remuneration of corporate officers

Remuneration allocated to members of boards of directors and management bodies for their corporate mandates in the combining entity, affiliated entities and consolidated subsidiaries represent a gross total of €2,867 thousand in 2018.

Note 31 Statutory auditors' fees

The following table shows, for each Group statutory auditor, the amount of fees recorded in the consolidated income statement for the year, distinguishing between fees for the statutory audit of financial statements and for other services.

In Euro thousands	2018				Total
	PwC*		Mazars*		
	Statutory auditors	Network	Statutory auditors	Network	
STATUTORY AUDIT OF FINANCIAL STATEMENTS					
Covéa SGAM	209		209		418
Fully or proportionally consolidated subsidiaries	2,213	1,147	900		4,260
SUB-TOTAL	2,422	1,147	1,109		4,678
OTHER SERVICES					
Covéa SGAM	50		65		115
Fully or proportionally consolidated subsidiaries	271	877	95	7	1,250
SUB-TOTAL	321	877	160	7	1,365
TOTAL	2,743	2,024	1,269	7	6,043

* Statutory auditors of the combined financial statements of Covéa.

Other services provided to the Covéa SGAM, its subsidiaries and its affiliates by the Group's statutory auditors are as follows:

- consultations in connection with the financial statements and financial information;
- other services required from statutory auditors by law;
- other services required from statutory auditors by French or foreign supervisory authorities operating in the fields of insurance, competition or tax;
- attestations;
- services relating to social and environmental information;
- Solvency 2 review;
- regulatory compliance review;
- review and recommendations on methods and processes of closing accounts;
- preparation of tax returns outside France;
- agreed upon procedures.

4.2 Statutory auditors' report on the combined financial statements

For the year ended 31 December 2018

At the General Meeting
COVÉA SGAM
 86-90, rue Saint-Lazare
 75009 PARIS

Opinion

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying combined financial statements of Covéa SGAM for the year ended 31 December 2018.

In our opinion, the combined financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

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

Basis for our opinion

Audit framework

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

Our responsibilities under those standards are further described in the Statutory auditors' responsibilities for the audit of the combined financial statements section of this report.

Independence

We have carried out our audit respecting the rules governing us on independence, for the period from 1 January 2018 to the date of the issue of our report, and notably we have not provided services prohibited by Article 5, paragraph 1, of EU regulation No. 537/2014 or by the code of ethics of statutory auditors.

Justification of assessments – Key points of the audit

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French commercial code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the key points of the audit regarding risks of material misstatement which, in our professional judgement, were of most significance in our audit of the combined financial statements of the period, and the responses we have provided to these risks.

These assessments were addressed in the context of our audit of the combined financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the combined financial statements.

Key point no. 1 of the audit: incurred claims reserves valuation

Risk identified

Non-life insurance companies must, according to the French insurance code and accounting rules, estimate incurred claims reserves, including both principal and ancillary amounts and including management expenses, for all claims occurred but not paid, whether declared or not at the reporting date.

Incurred claims reserves are on the Group balance sheet at 31 December 2018 for €19,546 million. They are one of the most significant items in liabilities and their estimate involves a certain number of assumptions. They therefore constitute a key point of the audit.

Different methodologies may be used to evaluate these provisions, with the main methods specified in the Note 3.8 of the combined financial statements:

- the valuation of known claims is carried out case by case at actual cost or average cost;
- these reserves are completed in order to estimate the ultimate cost of all claims, known or not, using statistical and actuarial methods requiring a high level of judgement, making it possible to cover adverse liquidation scenarios;
- in the construction sector, future claims are valued using the methods set out in the texts, applying coefficients defined by regulation to known claims or premiums.

This judgement is more important in long-tail sectors (motor third-party liability, general third-party liability and construction). The estimate of incurred claims reserves therefore includes a significant judgement factor and has required particular attention at the level of audit procedures implemented.

Our audit approach

In order to assess the reasonableness and sufficiency of the estimate of claim reserves, and their compliance with regulations, our audit approach has been based on the information which has been communicated to us and has included the following work jointly carried out with our actuarial experts:

- making ourselves aware of management control mechanisms for claims and testing the design and effectiveness or the key controls identified;
- assessing the relevance of statistical and actuarial methods and the appropriate nature of the actuarial assumptions made by the Group, and that the assumptions comply with those prescribed by regulation;
- checking the reliability of statements produced by your Group in terms of the integrity of data produced and used to estimate claims reserves, and testing the source data;
- assessing the consideration of significant events and claims management methods likely to affect the projection of losses for the year;
- carrying out an independent estimation of claims reserves on a selection of segments and in particular long-tail sectors;
- analysing the liquidation of provisions entered at the preceding closing date in terms of the charges made in order to check whether this tallies with estimates previously made by the Group;
- assessing the permanence of methods for generating sufficient the sufficiency of accounted incurred claims reserves;
- finally, we have also checked the appropriate nature of the financial information in the notes to the combined financial statements.

Audit key point no. 2: estimate of life insurance reserves

Risk identified

Life technical reserves amounted to €58,500 million at 31 December 2018 of which €52,865 million on policies in euros and €5,635 million on unit-linked policies.

These provisions, mainly made up of mathematical provisions, represent the difference between the current values of commitments accepted by the insurer and those of the insured parties. The estimation methods and the assumptions used to determine the mathematical provisions are specified in the Note 3.8 of the combined financial statements.

The mathematical provisions made on the basis of payments net of withdrawals made by insured parties and revaluations paid by the insurer (policies in euros) or variations in underlying values (unit-linked policies) must, if applicable, be completed by additional provisions in order to cover the other commitments of the insurer.

The calculation of these additional provisions occurs within a regulatory framework but still requires the use of actuarial assumptions and judgement on the part of management (see the Note 3.8 of the combined financial statements).

Since the mathematical provisions are one of the most significant items of the balance sheet at 31 December 2018 and considering the role of judgement in the estimation of the additional reserves, we have considered this item to be a key point of the audit.

Our audit approach

In order to assess the sufficiency of the estimate of life insurance reserves, we have carried out the following work jointly with our actuarial experts:

- update of our knowledge and test control mechanism procedure around subscriptions and claims;
- control of management data transfers in accounting;
- assessment of the permanence of methods and respect of applicable regulation;
- verification of rolling of mathematical reserves and analysis of sources of margin (charging, financial margin);
- appreciation of the methodology and assumptions made for estimate of additional reserves covering Group commitments;
- recalculation of mathematical reserves of annuities relative to some products;
- control of respect for regulation in calculation of additional reserves.

Audit key point no. 3: valuation of insurance companies' non-listed financial and property investments and of securities accounted for by the equity method

Risk identified

The net book values on the asset side of your balance sheet of insurance companies' non-listed financial and property investments and of securities accounted for by the equity method are €5,546 million and €275 million respectively at 31 December 2018.

According to insurance sector accounting regulations, these assets or securities must be valued at each closing date in order to check the absence of loss value which could lead to an impairment.

These assets are difficult to value as: their market value is not easily identifiable or there may be no market value. Their valuation therefore requires professional judgement for the assumptions used.

The Note 3.1 of the combined financial statements specifies the valuation methods for investment assets and notably the methods and assumptions used for the various kinds of non-listed assets.

The weight of these non-listed assets or securities in the Group's balance sheet and the high degree of judgement needed for their valuation have led us to consider this as a key point of the audit.

Our audit approach

In order to appreciate the reasonable nature of the valuations made for the various kinds of non-listed assets, and any resulting impairments, we have notably performed the following procedures:

- evaluation and testing of the design and effectiveness of key controls on valuation methods;
- assessment of methodologies chosen to value non-listed assets;
- assessment of relevance of assumptions used for these valuations in relation to market practices;
- comparison with the external valuations available, particularly for property assets (properties and shares in property companies);
- counter-valuations made using our own models;
- analysis of the consistency of changes in valuation in relation to the previous close and in relation to the overall economic environment;
- checking the calculation of any necessary impairments.

Specific checks

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by law and regulations of information related to the Group given in the Board

of Directors' management report on the combined financial statements.

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

Appointment of statutory auditors

We were appointed statutory auditors of the company Covéa SGAM by your General Meeting of 18 June 2003 for PricewaterhouseCoopers Audit and Mazars.

At 31 December 2018, PricewaterhouseCoopers Audit and Mazars were in the 16th uninterrupted year, of their assignment.

Responsibilities of management and those charged with governance for the combined financial statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the liquidation of the Group or the cessation of operations are expected.

It is the responsibility of the Audit and Risks Committee to monitor the process of producing financial information and to monitor the effectiveness of internal control and risk management systems, and also, where applicable, of audit systems, in relation to the procedures for drawing up and processing accounting and financial information.

The combined financial statements were adopted by the Board of Directors.

Statutory auditors' responsibilities for the audit of the combined financial statements

Audit objective and procedure

Our role is to issue a report on the combined financial statements. Our objective is to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and

are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As specified by Article L.823-10-1 of the French commercial code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Group or the quality of management of the affairs of the Group.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgement throughout the audit.

And furthermore:

- identifies and assesses the risks of material misstatement of the combined financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the combined financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Group to cease to continue as a going concern. If the statutory auditor

concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the combined financial statements or that are the subject of the uncertainty or, if such disclosures are not provided or inadequate, to certify with reservations or to refuse to certify;

- evaluates the overall presentation of the combined financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- concerning the financial information of people or entities included in the scope of consolidation, it collects audit evidence considered to be sufficient and appropriate to provide an opinion on the combined financial statements. It is responsible for the management, supervision and implementation of the audit of the combined financial statements and of the opinion expressed on these financial statements.

Report to the Audit and Risks Committee

We submit to the Audit and Risks Committee a report which notably presents the scope of audit work and the programme implemented, and the conclusions resulting from our work. We also bring to its attention, where applicable, the significant weaknesses in internal control that we have identified in relation to the procedures for drawing up and processing accounting and financial information.

Amongst the elements communicated in the report to the Audit and Risks Committee are the risks of material misstatement which we judge to have been the most significant for the audit of the combined financial statements for the year and which consequently constitute the key points of the audit, which we describe in this report.

We also provide the Audit and Risks Committee with the declaration referred to by Article 6 of EU regulation no. 537-2014 confirming our independence, in the sense of the applicable rules in France as stated by Articles L.822-10 to L.822-14 of the French commercial code and in the code of ethics of statutory auditors. Where pertinent, we maintain dialogue with the Audit and Risks Committee in relation to our independence and the safeguards applied.

Neuilly-sur-Seine and Courbevoie, 25 April 2019

The statutory auditors

PricewaterhouseCoopers Audit

Gérard Courrèges

MAZARS

Nicolas Dusson



MUTUAL GROUP INSURANCE COMPANY

governed by the French insurance Code
RCS Paris 450 527 916
86-90, rue Saint-Lazare - 75009 Paris

www.covea.eu

@groupecovea on    