COMBINED FINANCIAL STATEMENTS GROUPAMA

2016

LE GROUPE Groupama

ASSUREURS CRÉATEURS DE CONFIANCE

REPORT OF THE BOARD OF DIRECTORS
ON THE COMBINED FINANCIAL STATEMENTS OF GROUPAMA
FISCAL YEAR 2016

1. ENVIRONMENT

MACROECONOMIC ENVIRONMENT

In 2016, the world economy kept up a pace of growth around 3%, with a rebalancing in favour of emerging economies. This is mainly explained by the rebound of commodity prices and currencies from emerging countries, the change of strategy for OPEC, and the establishment of quotas for oil production.
In addition to this improved economic situation, there were political events that strongly influenced economic and monetary policies:

- The British referendum that came out in favour of exiting the European Union on 24 June 2016,
- The election of Donald Trump as president of the United States on 9 November 2016.

In the United States, economic growth was less rapid in 2016 than in 2015, rising at a pace in line with its potential, around 1.5%. Household consumption and the strong job market remain the principal drivers of this growth. However, growth of domestic demand was two times lower in 2016 than in 2015 (1.5% versus 3.2%) due to business and individual investment that was more modest than expected. Three factors are behind this situation: the return of moderate inflation, the tightening of monetary policy, and the strengthening dollar that hurt exports. The election of Donald Trump led to expectations of increased growth and inflation for 2017 due to the policy of increased public spending put forth by the new White House team. In this context, the Federal Reserve progressively changed its posture. After stalling on tightening its monetary policy in the first part of the year, the Fed raised its key interest rate in December (+25 bp) and gave a forecast of raising interest rates faster due to expectations of higher inflation.

In spite of many sources of uncertainty in politics in 2016, the European economy grew faster in 2016 than in 2015, also at a pace close to its potential, with average growth of 1.6% for the year. Even while the recovery of inflation remained tepid (going from 0.3% to 1% over the year), growth was supported by increased activity in industry and services and the fact that the euro's value did not increase greatly (favouring competitiveness of Eurozone companies that export). In addition, successive announcements from the ECB kept interest rates low, favouring credit.
However, the year was marked by a resurgence of risk from political instability within the European Union:

- it took a long time to establish a governing coalition in Spain, which was a factor of uncertainty,
- the ‘no’ vote in the Italian constitutional referendum led to the resignation of Matteo Renzi and may lead to early elections in 2017, in a country where difficulties in the banking sector, hurt by questionable debts, have weighed on the entire economy,
- elections are to take place in three major countries in 2017 (France, Germany, the Netherlands) in a context where populism and Euroskepticism have grown significantly,
- Greece's situation still remains very fragile and discussions with its creditors are set for 2017.

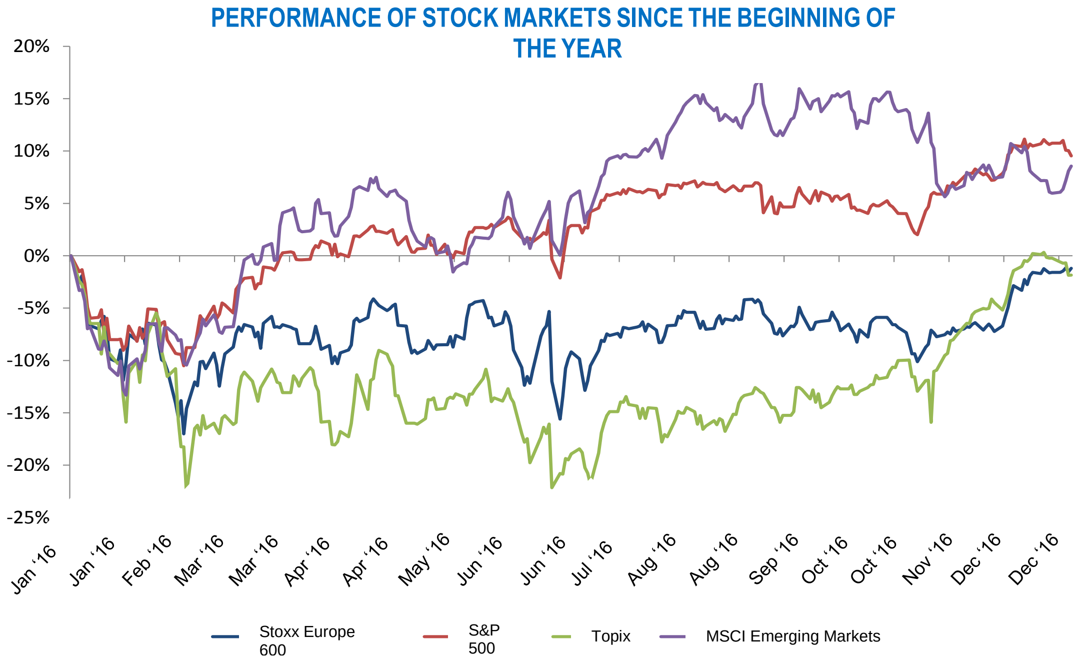
This difficult environment pushed the ECB to pursue a very accommodative policy by continuing to buy assets with credit ratings above BBB and new interest rate decreases. This policy nevertheless turned around at the end of the year: while the ECB announced that it would continue to buy up assets beyond March 2017 (through December 2017) and an extension of eligible securities, it suggested that it would begin to tighten monetary policy by reducing purchases after that date (from 80 billion to 60 billion euros).
In the United Kingdom, in spite of major uncertainty surrounding the country's exit from the European Union (in terms of how, when, and what new agreements will look like), the economy showed great resilience. Only the pound suffered significant depreciation (around 20%). In order to limit the impact of the referendum, the Bank of England increased its programme of buying up assets and again lowered its interest rates.

Among emerging countries, 2016 was a favourable year for commodity exporters, whose currency reserves stopped decreasing as commodity prices recovered, ending very high inflation and leading to more accommodative monetary policies. While this situation is particularly true for Russia, the Brazilian economy remains fragile in spite of signs of improvement. On average, across all emerging countries, current accounts and net capital flows became positive again.
China managed to stabilise its growth thanks to the implementation of a new stimulus plan. However, this plan is adding to already high corporate debt, is lowering profitability, and is hurting bank balance sheets.
The Japanese economy slowed down in 2016 compared to 2015, hurt by lacklustre domestic demand, a lack of recovery in investment, and a rising yen (until the election of Donald Trump) weighing down exports. In this context, the Bank of Japan again made its monetary policy more accommodative and the government announced an additional tax stimulus plan, representing in total around 5% of GDP.

FINANCIAL MARKETS IN 2016

After a very volatile start to the year that saw lower values for risky assets, markets grew overall in 2016. Political events did not have much effect on them due to the influence of central bank policies.

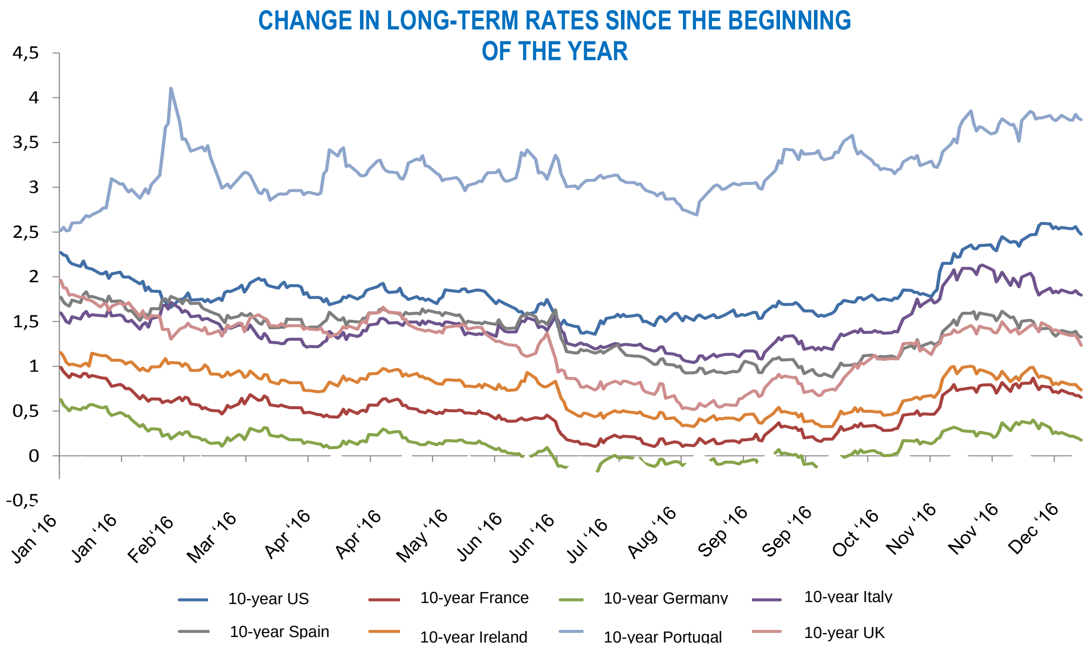
Changes in equity markets



After a very negative start to the year that only favoured high-quality securities due to expectations of weaker growth and uncertainty about how monetary policy would change, there was a moderate rebound for stock markets thanks to initial signs of stabilisation, particularly in China and for oil prices. While the British referendum only led to a very temporary drop in stock markets, it created a climate of aversion to political risk in Europe, which explains why share prices grew for a very short period until the election of Donald Trump at the beginning of November. This election led to a major shift in favour of the construction and financial sectors, which will benefit most from growth and higher inflation.

In all, over 2016, European and Japanese stocks were more or less stable (-1.2% for the DJ Euro STOXX 600 and -1.9% for the TOPIX) while American and emerging market stocks showed very strong performance (+9.5% for the S&P 500 and +8.6% for the MSCI Emerging Markets Index).

Changes in bond markets

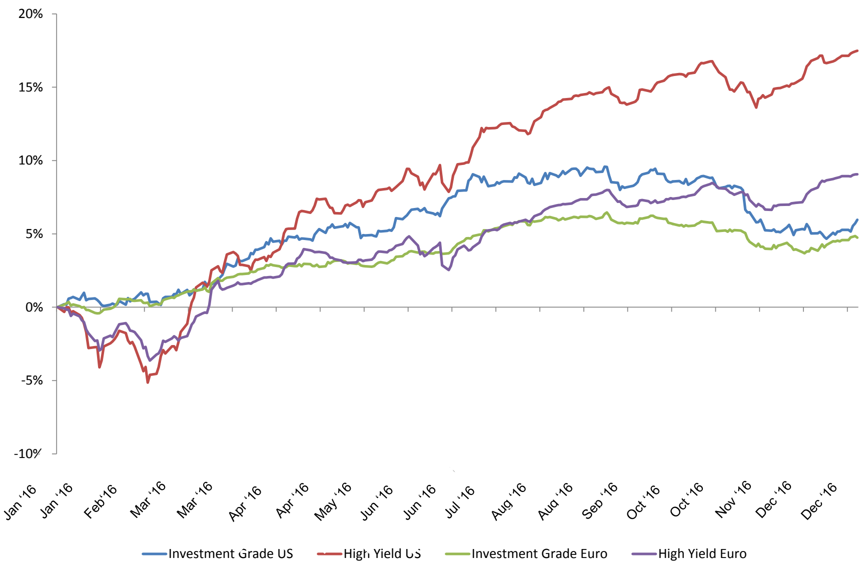


The sovereign bond market showed two clear trends in 2016:

- In the first three quarters, a long downward trend for long-term rates due to decisions from the ECB and the Bank of Japan during a period of stress on the credit market, then due to the vote in favour of Brexit. In all, between January and September, core yields fell by around 80 bp, Italian yields by 40 bp, and Spanish yields by 90 bp. Conversely, Portuguese rates went up 90 bp due to worries of the country being downgraded to a BB rating, removing Portuguese debt from the scope of assets eligible for purchase by the ECB.
- In the fourth quarter, in spite of uncertainty relating to the Italian referendum and the American elections, long-term sovereign yields rose following increased expectations for inflation (decision from OPEC). This trend was propelled onward at the very end of the year by the election of Donald Trump, whose policies are expected to lead to economic growth and inflation. With the exception of Portuguese yields, which finished the year nearly 130 bp above the 2015 end-of-year level, most countries ended 2016 between 20 and 40 bp lower than at the end of 2015.

The re-balancing of growth in favour of emerging countries, as well as the recovery of commodity prices and the OPEC agreement were very positive developments for emerging country debt, which saw consistent growth until the election of Donald Trump. Because of Mr Trump's protectionist agenda, this election caused a sharp increase in rates for emerging markets and decreased values of their currencies. Since then, emerging country debt has recovered bit by bit, but it is still held back by progressive interest rate increases by the Fed. In all, emerging country debt finished the year up by around 10%.

Changes in the credit market



In spite of the gloomier environment at the start of the year, with default rates up significantly in the United States, elections drawing closer in several countries, and difficulties in the Italian banking sector, credit spreads tightened starting in February following announcements from central banks. This tightening was pushed forward by the broadening of the ECB's programme for buying credit-based assets. It also had indirect effects on debts not eligible for the ECB programme (particularly financial and high-yield assets). This tightening continued through the end of the year in spite of record volumes of debt issued in the very favourable context of low rates and spreads. The election of Donald Trump was a source of volatility, but it did not reverse the trend.

In 2016 overall, performance was very positive for the credit asset class as a whole on both sides of the Atlantic, with the American market outperforming the Eurozone (+6.0% and +17.5% YTD respectively for American investment-grade and high-yield credit; +4.7% and +9.1% for their Eurozone counterparts).

2. SIGNIFICANT EVENTS OF FINANCIAL YEAR 2016

Governance

Proposed remutualisation of Groupama's central body

Following the enactment in France of the 'Sapin 2' Law on transparency, fighting corruption, and modernisation of the economy, published on 10 December 2016, the legal framework necessary for transforming the central body of Groupama Group into a mutual insurance company (SAM in French) is now in place, with an implementation timeline of 18 months.

Groupama SA will become the *Caisse Nationale de Réassurance Mutuelle Agricole Groupama*, maintaining all of the responsibilities associated with its role as the central body of Groupama Group.
With this change, Groupama is reaffirming its identity as a mutual insurer deeply rooted in the places where it operates. This change also brings the company's organisation in line with its values for serving its members and customers.

With the plan to transform the central body of Groupama, the goal is to simplify the Group's organisation while maintaining the financial flexibility needed for implementing the Group's strategy. This plan will not modify either the Group's solvency or the solvency of the central body, and it will not impact commitments made to creditors.

Chairmanship of the Fédération Nationale Groupama

Jean-Yves Dagès was re-elected Chairman of the Fédération Nationale Groupama during the meeting of the Fédération Nationale Groupama board held on 16 December 2016 in Paris. First elected Chairman of the Fédération Nationale Groupama on 14 December 2012, Jean-Yves Dagès has also been Chairman of Groupama SA and Groupama Holding Company since the same date.

Financial Position

Groupama SA's capital increase

At the end of February 2016, all of the regional mutuals simultaneously participated in a capital increase of Groupama Holding for €675 million and Groupama Holding 2 for €25 million.

Groupama Holding and Groupama Holding 2 fully subscribed to Groupama SA's capital increase for €700 million.

Issue of mutual certificates

Groupama is the first mutual insurer to launch the mutual certificates authorised by the French Social and Solidarity Economy Law of July 2014. All Groupama regional mutuals issued mutual certificates to their members and customers in 2016. As at 31 December 2016, the total amount of mutual certificates on the Groupama's balance sheet was €190 million, including €187 million from certificates issued in 2016.

Financial rating

On 17 May 2016, the rating agency Fitch confirmed its rating for Groupama SA and its subsidiaries at BBB+ with a stable outlook.

On 16 December 2016, Fitch Ratings indicated that the remutualisation plan for Groupama's central body would not affect the rating of Groupama and its subsidiaries.

Financial stakes

Sale of the stake in Cegid

On 18 April 2016, alongside ICMI, a holding company owned by Jean-Michel Aulas, founder and Chairman of Cegid Group ("Cegid"), Groupama announced that it entered into an agreement with the Silver Lake – AltaOne consortium to sell its stake in Cegid for €154.5 million. In agreement with the new shareholders, Groupama would like to continue and develop this partnership in the years to come.

After obtaining the approval from regulators, the Silver Lake – AltaOne consortium announced on 8 July 2016 that it had acquired the shares held by Groupama (Groupama SA and Groupama Gan Vie) and ICMI in Cegid Group, in accordance with the previously announced conditions.

Simplification of the structure of holdings in Icade by the Caisse des Dépôts and Groupama

On 23 May 2016, Icade's general meeting approved the merger/takeover of Holdco SIIC by Icade. At the end of this operation, Caisse des Dépôts and Groupama became direct shareholders of Icade, with Caisse des Dépôts holding approximately 39% of Icade's capital and Groupama holding approximately 13%.
Given its representation on the board and Groupama's weight in the company's governance, the Group is maintaining its significant influence over Icade.

Carole Nash

On 5 August, Groupama signed an agreement to sell its subsidiary Carole Nash. As a result, Carole Nash is presented in terms of assets for sale.

Günes Sigorta

Günes Sigorta has been removed from the scope of consolidation given the decrease in holdings following the capital increase that the Group chose not to participate in.

Activities

Partnership with Orange

In April 2016, Orange and Groupama signed an agreement to develop an unprecedented 100% mobile banking offering. In October 2016, French and European regulatory and prudential authorities authorised the purchase by Orange of 65% of the share capital of Groupama Banque, renamed Orange Bank on 16 January 2017.

The Orange Bank offering will be available in France in the first half of 2017 within the Orange distribution network. The offering will also be distributed within Groupama Group networks starting in the second half of 2017. This innovative offering, specially adapted for mobile devices, will be launched covering current and savings accounts, credit, and payments.

Weather-related events

The year 2016 was marked by harm caused by exceptional weather, particularly the floods and storms in the Ile de France region and the central and north-eastern regions of France from 26 May to 7 June, with an estimated cost of €1.2 billion for the entire market. The agricultural market was affected by excessive rainfall and a lack of sunshine in the spring, as well as episodes of frost, hail, and drought. Groupama got down to work sorting out claims and providing new solutions. In total for the Group, the cost of weather events, net of taxes and reinsurance, was €286 million.

POST-CLOSING EVENTS

Debt refinancing

At the start of January 2017, Groupama launched an exchange offer for all of its senior subordinated instruments issued in 2007 and a portion of its senior subordinated debt instruments issued in 2009 against new subordinated debt instruments with a 10-year maturity.
On 23 January 2017, Groupama thus issued subordinated debt securities with a 10-year maturity to institutional investors for a total of €650 million with an annual coupon of 6.00%. The exchange was a big success among institutional investors holding the two instruments, with the exchange reaching 65% for deeply subordinated instruments issued in 2007 and hitting the 33% acceptance cap set by the Group for the subordinated securities issued in 2009.
Institutional investors also showed great interest in the proposed new instrument: the additional bond denominated in euros attracted strong demand, with an order book subscribed nearly 10 times over.
These subordinated bonds are rated BB+ by the rating agency Fitch, just like other Groupama SA subordinated debts.

This operation contributes to the active management of Groupama's capital. It aims to extend the maturity of its debt profile without increasing the size of its debt and to strengthen the group's financial flexibility.

3. ANALYSIS OF FINANCIAL STATEMENTS

3.1 SUMMARY OF ACTIVITY AND RESULTS

Turnover in millions of euros	31/12/2015	31/12/2015 pro forma	31/12/2016	Actual change	Like-for-like change
Property and casualty insurance - France	5,354	5,362	5,396	0.8%	0.6%
Groupama Gan Vie	3,398	3,398	3,486	2.6%	2.6%
Life and health insurance in France – excluding Groupama Gan Vie	1,943	1,943	1,914	-1.5%	-1.5%
Total Insurance - France	**10,695**	**10,703**	**10,796**	**0.9%**	**0.9%**
Property and casualty insurance - International	1,787	1,753	1,767	-1.1%	0.8%
Life and health insurance - International	983	974	880	-10.5%	-9.7%
Total Insurance - International	**2,770**	**2,728**	**2,647**	**-4.4%**	**-2.9%**
Banking and financial businesses	280	126	133	-52.5%	5.7%
Total - GROUPAMA	**13,745**	**13,556**	**13,576**	**-1.2%**	**0.1%**
Total Insurance	**13,465**	**13,430**	**13,443**	**-0.2%**	**0.1%**
Property and casualty insurance	7,141	7,115	7,163	0.3%	0.7%
Life and health insurance	6,324	6,316	6,280	-0.7%	-0.6%

2015 pro forma data:
The restatement of certain data from 31 December 2015 was necessary in order to permit the comparison and analysis of changes between the two periods.
In France, the Société Française de Protection Juridique (French Legal Protection Society) made a modification of the accounting record of certain technical provisions with an effect on turnover. The impact on written premiums as at 31 December 2015 was +€8 million.
Pro forma turnover as at 31 December 2015 also includes the restatement of turnover for Groupama Banque, which is now accounted for using the equity method, with an impact of €154 million on turnover and €75 million on net banking income.
For those entities that do not use the euro as their functional currency (Turkey, Romania, and Hungary), the exchange rate effects have been neutralised in the pro forma data; the actual data as at 31 December 2015 were converted based on the exchange rates from 31 December 2016.
In the rest of the document, figures are expressed on a like-for-like basis and with constant exchange rates. The data with constant exchange rates correspond to the comparison between the actual data at 31 December 2016 and the actual data at 31 December 2015, converted at the average exchange rates at 31 December 2016.

As at 31 December 2016, Groupama's combined turnover from insurance stood at €13.4 billion, a stable level (+0.1%) on a like-for-like basis (-0.2% in actual data) compared with 31 December 2015. Taking into account financial businesses, the Group's combined turnover was stable (+0.1%) on a like-for-like basis (-1.2% in actual change) at €13.6 billion.

The Group's **property and casualty insurance** turnover increased +0.7%, including +0.6% in France and +0.8% internationally. Business was supported by growth in the agricultural segment (+2.6%) and by business lines such as assistance (+14.1%) and legal protection (+13.2%) in France. Insurance for individuals and businesses (63% of the property and casualty insurance business) remained stable over the financial year, overshadowing a moderate increase in France (+0.3%) and a decline internationally (-0.6%). Growth in the home insurance segment (+1.3%), both in France (+1.2%) and internationally (+2.2%), was offset by a decline in the passenger vehicle insurance segment (-0.5%, including -0.2% in France and -1.1% internationally).

Life and health insurance turnover fell by -0.6% as at 31 December 2016. Groupama Gan Vie, which is home to the savings and pensions business in France, continued the turn-around in its overall business that began at the end of 2015, with its turnover growing +2.6% over the financial year. Other life and health insurance business activities in France decreased -1.5%. This change is explained mainly by the decline recorded for the individual health insurance at -5.7% (mainly from the regional mutuals) while group health insurance (mostly from Groupama Gan Vie) grew +26.0%. These changes are mainly related to the entry into force of France's ANI system on 1 January 2016, for which the Group's teams worked hard to respond to. International life and health insurance turnover fell -9.7%, mainly due to the decline in individual savings and pensions (-18.8%), particularly in Italy.

Insurance turnover in France represented 79.5% of the Group's overall business over the financial year, whereas international insurance turnover amounted to 19.5% of total turnover. The Group's other business activities (financial and banking) represented 1% of total turnover. Net banking income from these businesses amounted to €136 million as at 31 December 2016.

Economic operating income in millions of euros	31/12/2015	31/12/2016	Change in value	Change %
Property and casualty insurance - France	151	4	-147	-97%
Life and health insurance - France	120	169	49	41%
Total Insurance - France	**271**	**173**	**-98**	**-36%**
Property and casualty insurance - International	-33	21	54	>100%
Life and health insurance - International	32	29	-3	-9%
Total Insurance - International	**-1**	**50**	**51**	**>100%**
Banking and financial businesses	9	27	18	>100%
Holding activities	-117	-96	21	18%
Total - GROUPAMA	**163**	**153**	**-10**	**-6%**
Property and casualty insurance	118	25	-93	-79%
Life and health insurance	152	198	46	30%

The Group's **net economic operating income** totalled €153 million as at 31 December 2016 compared with €163 million for the previous financial year.

Net economic operating income from insurance amounted to +€223 million in 2016 (-17.4% over the financial year).

Net economic operating income from **life and health insurance** totalled +€198 million in 2016 versus €152 million in 2015, up +€46 million (+€49 million in France and -€3 million internationally). The increase in France was mainly the result of an improved net combined ratio for health and other bodily injury insurance businesses, -2.7% in 2016.

In property and casualty insurance, net economic operating income amounted to +€25 million compared with +€118 million as at 31 December 2015. This change masks the fact that international net income improved (+€54 million versus 2015 which, as a reminder, saw significant additional costs in Turkey due to a local regulatory environment that strongly penalised insurers) while business in France posted a decline in net income (-€147 million compared to 2015), with 2016 being marked by very significant claims from weather events (particularly in the crop insurance segment) as well as a very high level of severe claims (particularly for motor third-party liability insurance).

The net non-life combined ratio was thus 100.3% in 2016 versus 99.2% in 2015 (+1.1 points). This change is due to the following:

- a slight increase in the attritional claims ratio, at 59.2% (+0.5 points compared to the previous financial year),
- a worsened level of serious claims (+2 points) as well as a worsened level of weather-related claims (+2.8 points), partially offset by improvement in the reinsurance balance (-1.7 points),
- conversely, a favourable impact from changes to previous financial years (-2.3 points to the combined ratio).

Banking and financial businesses contributed +€27 million to the Group's net economic income in 2016. The Group's holding activity posted net economic operating income of -€96 million in 2016, compared with a loss of €117 million in 2015.

The **Group's net income** totalled +€322 million as at 31 December 2016 compared with +€368 million as at 31 December 2015. The non-recurring financial margin stood at €215 million in 2016 (-€66 million compared with 2015) under the effects of decreased realisation of capital gains, a decrease in allocations to provisions for long-term impairment, and an unfavourable effect from the change in fair value of assets recognised at fair value through income. Non-recurring items weighed on net income for the financial year, amounting to -€23 million. Besides income from sold businesses (+€66 million, mainly from the sale of Cegid shares), the Group also saw in its 2016 statements a depreciation of goodwill in Turkey for -€88 million.

In millions of euros	31/12/2015	31/12/2016
Economic operating income	**163**	**153**
Net realised capital gains (1)	269	234
Long-term impairment losses on financial instruments (1)	-26	-15
Gains or losses on financial assets recognised at fair value (1)	38	-4
Other costs and income	-75	-23
Net income from disposal activities	0	66
Goodwill impairment	0	-88
Net income	**368**	**322**

(1) totals net of profit sharing and corporate taxes

3.2 ACTIVITY AND RESULTS - FRANCE

Turnover - France in millions of euros	31/12/2015 pro forma			31/12/2016		
	L&H	P&C	Total	L&H	P&C	Total
Regional Mutuals	1,756	3,665	5,421	1,752	3,680	5,432
Groupama SA	25	134	159	17	127	144
Groupama Gan Vie	3,398		3,398	3,486		3,486
Gan Assurances	148	1,266	1,414	135	1,260	1,395
Amaline Assurances	5	52	57	4	55	58
Other entities (1)	9	246	255	7	274	281
Total	**5,341**	**5,362**	**10,703**	**5,400**	**5,396**	**10,796**

(1) including Assuvie

Insurance turnover for France as at 31 December 2016 increased by +0.9% compared with 31 December 2015 and totalled €10.796 billion.

Property and casualty insurance

Insurance turnover in millions of euros	P&C - France		
	31/12/2015 pro forma	31/12/2016	Change %
Regional Mutuals	3,665	3,680	0.4%
Groupama SA	134	127	-5.0%
Gan Assurances	1,266	1,260	-0.4%
Amaline Assurances	52	55	6.1%
Other entities	246	274	11.6%
Total	**5,362**	**5,396**	**0.6%**

Property and casualty insurance turnover (50% of turnover in France) increased +0.6% to €5.396 billion as at 31 December 2016. Insurance for individuals and businesses increased +0.3% over the financial year to €3.217 billion (60% of written premiums for property and casualty insurance). Growth in home insurance (+1.2% to €1.026 billion) and business risk (+2.0% to €436 million) segments helped offset the slight downturn in the passenger vehicle insurance business (-0.2%) and the drop in construction insurance (-4.0%). Insurance for businesses and local authorities (€855 million and 16% of the portfolio) remained stable, with growth in the car fleet segment (+1.6%) being offset by a slight decrease for the business and local authority property insurance segment (-1.3%). Development of the legal protection segment (+€8 million mainly from external partnerships) as well as growth in the assistance business (+€15 million) also contributed to increased turnover for the property and casualty insurance business.

For property and casualty insurance (€3.68 billion), turnover from **regional mutuals** grew +0.4% over the financial year, driven by insurance of individuals and businesses (+0.6%). The passenger vehicle insurance segment saw a rise of +0.4% to €1.046 billion under the combined influence of increased prices and development of the portfolio (+15,000 vehicles at the end of December 2016). Growth in the home insurance (+1.1% to €749 million) and business risk (+2.5% to €187 million) segments was also noteworthy. This good performance was slightly offset by a drop in the business and local authority property insurance segment (-2.2%).

The turnover of **Groupama SA**, which includes certain national business activities (insurance partnership with LBP Assurance, group accident insurance policies, particularly unemployment insurance for company executives) and shares in business insurance pools (Gareat, Assurpol, etc.), amounted to €127 million as at 31 December 2016 versus €134 million in the previous financial year.

Turnover for **Gan Assurances** decreased -0.4%. It stood at €1.26 billion as at 31 December 2016. The decreased number for the portfolio is responsible for the fall registered for insurance for businesses and local authorities (-2.1%) and for the passenger vehicle insurance segment (-1.6% under the influence of monitoring actions taken for the portfolio). Positive performance for the agricultural (+9.1%) and business risk (+1.7%) segments did not make up for these changes.

As at 31 December 2016, turnover for Amaline from property and casualty insurance grew +6.1% to €55 million under the combined effects of growth in number for the portfolio (+20,000 policies) and the increase in average premiums. The passenger vehicle insurance segment benefited from the development of the partnership with Renault, posting an increase of +4.6%. The home insurance segment increased +10.3%.

Groupama Assurance Crédit et Caution posted turnover of €38 million as at 31 December 2016, stable compared to the previous financial year.

Turnover for **Mutuaide Assistance** as at 31 December 2016 was up +14.1% to €121 million. This change is particularly related to activities that occurred for various important contracts, the addition of new contracts from brokers, and the renewal of the bank card contract with Crédit Agricole Group (growth in number and pricing revision).

Turnover for the **Société Française de Protection Juridique** grew by +13.2% as at 31 December 2016 to €115 million thanks to the steady development of partnerships (particularly with La Banque Postale).

Net economic operating income for **property and casualty insurance** in France totalled €4 million in 2016 compared with €152 million in 2015. It is presented as follows:

Property and casualty insurance - France - In millions of euros	31/12/2015		31/12/2016		2016-2015 change	
Gross earned premiums	5,375	100.0%	5,408	100.0%	33	0.6%
Underwriting expenses (policy servicing) - excluding claims management costs	-3,399	-63.2%	-3,830	-70.8%	-431	-12.7%
Reinsurance balance	-189	-3.5%	-22	-0.4%	167	88.1%
Underwriting margin net of reinsurance	**1,787**	**33.3%**	**1,556**	**28.8%**	**-232**	**-13.0%**
Net expenses from current underwriting operations	-1,637	-30.4%	-1,647	-30.4%	-10	-0.6%
Underwriting income net of reinsurance	**151**	**2.8%**	**-91**	**-1.7%**	**-242**	**<-100%**
Recurring financial margin net of tax	111	2.1%	105	1.9%	-6	-5.6%
Other items	-109	-2.0%	-10	-0.2%	100	91.3%
Economic operating income	**152**	**2.8%**	**4**	**0.1%**	**-148**	**-97.4%**
Capital gains realised net of corporate income tax	61	1.1%	72	1.3%	11	17.7%
Long-term impairment losses net of corporate income tax	-2	0.0%	-1	0.0%	1	70.0%
Gains or losses on financial assets recognised at fair value net of corporate income tax	8	0.1%	2	0.0%	-6	-75.0%
Other operations net of corporate income tax	-12	-0.2%	-13	-0.2%	-1	-11.7%
Group net income	**207**	**3.9%**	**64**	**1.2%**	**-143**	**-69.2%**

In **France**, **net underwriting income** (gross premiums earned – gross underwriting expenses – net expenses from current underwriting operations and reinsurance balance) decreased by -€242 million over the financial year. This decrease was related to change in the P&C net combined ratio, which was at 101.7% in 2016 (+4.5 points over the financial year). Financial year 2016 was characterised by weather events (floods, weather affecting crops) which, combined with an increase in severe claims, resulted in a worsening of +4.5 points for the net loss ratio, which stood at 71.2% in 2016. The level of claims was affected by:

- a level of weather-related claims up by +5.3 points, representing an additional cost of €288 million compared to the previous financial year,
- a +3.6-point increase in the level of severe claims,
- an increase in prior year reserve releases which partially offset this change.

The environment of low rates also weighed on net underwriting income to the tune of €152 million in 2016 (compared with €165 million in 2015). The operating expense ratio remained stable at 30.4% in 2016.

The following key items should be noted as at 31 December 2016:

Net underwriting income from the **regional mutuals** portfolio was characterised by an increase of 0.7 points in the P&C combined ratio to 96.8%. This change was due to the increase in severe and weather-related claims, respectively contributing +4.9 points and +7.7 points. Conversely, prior year reserve releases improved +5.2 points, even while the environment of low rates weighed on underwriting income from the regional mutuals portfolio for €96 million in 2016 (compared with €118 million in 2015).

Underwriting income for **Gan Assurances** in property and casualty insurance was down -€115 million compared to 2015. This change was due to an increase in current claims (+1.2 points to 72.7%), with negative effects on vehicle and home insurance due to an increase in average costs, in spite of a decrease in frequency. Underwriting income was also affected by negative changes to prior years for motor third-party liability (particularly under the effects of interest rates that weighed down the situation by -€35.5 million and a claim for nearly €20 million euros), as well as by changes in the construction market (€44 million). For the current financial year, costs from serious claims are down (-1 point). Operating costs remain under control, with a ratio that went down -0.5 points to 29.7% in 2016.

The net combined ratio for **Amaline** was 124.0% in 2016, under the effects of increased current claims, affected in 2016 by a large claim in motor insurance ceded to reinsurance and by the recovery of sales as part of a partnership with a vehicle manufacturer (effect of promotions on new business) and an increase in the rate of fees as part of this partnership. In the home insurance segment, the level of claims improved in 2016 (-1.6 points to 81.9%) due to a decrease in costs from weather-related claims.

Property and casualty insurance in France was impacted in 2016 by the effect of a decline in interest rates, representing a cost net of taxes worth -€100 million, which remains at a significant level, even when compared to the cost of -€108 million in 2015.

In **France**, the **recurring financial margin** (after tax) in the **property and casualty insurance** business amounted to €105 million in 2016, down -5.6% over the financial year.

The **other items** particularly include the other non-underwriting income and expenses, tax on recurring income, the results for companies under the equity method and minority interests. This category has changed favourably, as it includes the tax refund related to the underwriting loss for the financial year.

In **France**, **net income** amounted to +€64 million in 2016 versus +€207 million in 2015. The non-recurring financial margin grew +€6 million over the financial year. Exceptional items represented an expense of -€13 million, a stable level over the financial year.

Life and health insurance

Insurance turnover in millions of euros	L&H France		
	31/12/2015	31/12/2016	Change %
Groupama Gan Vie	3,398	3,486	2.6%
Regional Mutuals	1,756	1,752	-0.2%
Groupama SA	25	17	-33.3%
Gan Assurances	148	135	-9.1%
Amaline Assurances	5	4	-33.8%
Other entities (1)	9	7	-22.2%
Total	**5,341**	**5,400**	**1.1%**

(1) *including Assuvie*

Life and health insurance turnover (50% of turnover in France) increased +1.1% to €5.4 billion. Group turnover for life insurance and capitalisation in France fell by -2.2% in a market that posted a drop of -1% as at the end of December 2016 (source: FFSA). This change is mainly attributable to the decline in the individual savings and pension business denominated in euros (-11.1%), while unit-linked turnover increased +11.7%. After taking into account arbitrage operations (euros for unit-linked worth €57 million), Fourgous transfers (€233 million), and unit-linked net inflows (€383 million), unit-linked outstandings now represent 23.5% of individual savings reserves (compared with 20.7% as at 31 December 2015), which puts the Group at a level above the average for the market.

Turnover for health and bodily injury as at 31 December 2016 was up +3.9% compared with 31 December 2015. This change was notably due to the increase for health insurance (+4.0%), which breaks down into a decrease of -5.7% for individual health insurance and an increase of +26.0% for group health insurance thanks to excellent performance by the networks following the entry into force on 1 January 2016 of the French ANI system (with Groupama Gan Vie outperforming the rest of the market in this segment).

The Group's net inflows in France were negative at -€1.178 billion as at 31 December 2016, compared with -€1.213 billion over the previous financial year. This change comes mostly from unit-linked inflows from individual insurance, which were at +€383 million, versus +€352 million as at 31 December 2015, while outflows of funds in euros continued.

The networks comprising **Groupama Gan Vie** posted a +2.6% increase in turnover as at 31 December 2016, totalling €3.486 billion. By business line, Groupama Gan Vie's turnover was mostly generated from individual insurance (60.2%), with premiums written -3.6% lower compared with 31 December 2015, down to €2.097 billion. Business for individual savings fell -4.4%, breaking down into a decrease in savings in euros (-12.5%) and a +8.5% increase in unit-linked savings. Unit-linked outstandings in individual savings thus continued to grow and now represent 23.5% of total outstandings, versus 20.7% as at the end of December 2015. Note that in addition to turnover, Groupama Gan Vie managed Fourgous transfers (not recognised in turnover) for €417 million (including €233 million in unit-linked investments) and arbitrages of euro funds of multi-component policies for unit-linked policies amounted to €57 million. Group insurance (39.8% of business) increased +13.7% to €1.389 billion in connection with growth of the health segment (+24.8%). Indeed, the networks placed a major focus on developing group health insurance as part of the French ANI system. The number of ANI policies for Groupama Gan Vie in the portfolio was more than 55,000 as at the end of December 2016.

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

in millions of euros	2015 actual 31 December	2016 actual 31 December	Change 2016 / 2015
Regional mutuals	1043	995	-4.6%
Gan Assurances	868	893	2.9%
Brokerage	765	913	19.4%
Gan Patrimoine	204	195	-4.7%
Gan Prévoyance	514	488	-5.0%
Réunima	4	2	-49.2%
Total	**3,398**	**3,486**	**2.6%**
Individuals	2176	2097	-3.6%
of which savings/pensions in €	*1203*	*1070*	*-11.0%*
of which unit-linked savings/pensions	*553*	*618*	*11.7%*
Groups	1222	1389	13.7%
Total	**3,398**	**3,486**	**2.6%**

Turnover from the **network of regional mutuals** amounted to €995 million as at 31 December 2016, down -4.6% compared with the previous year. For individual insurance, turnover was €959 million (-4.7%), resulting from a decrease in turnover from individual retirement savings (-5.0%) while unit-linked turnover for the segment saw an increase of +12.1% over the year. Also note that Fourgous transfers amounted to €349 million as at 31 December 2016, including €195 million invested in UL. Group insurance turnover totalled €37 million as at 31 December 2016, compared with €36 million over the previous year.

The Gan Assurances network posted turnover of €893 million as at 31 December 2016, up +2.9% compared with 31 December 2015. Written premiums for individual insurance grew +1.0% under the influence of the increase at the inward reinsurance segment (+9.5%). The individual retirement savings business remained stable over the year. This network benefited from Fourgous transfers of €14 million as at 31 December 2016, including €4 million invested in UL. Group insurance activity increased +5.0% under the effect of growth in the health segment (+15.7%), which benefited from new business because of the ANI.

The brokerage network generated €913 million in turnover as at 31 December 2016, an increase of +19.4% compared with 31 December 2015, in connection with the growth of the group health segment (+29.6%) because of the establishment of the ANI law. The good performance posted by the group protection segment (+12.0%) should also be noted.

Turnover for the **Gan Patrimoine** network was down -4.7%, at €195 million as at 31 December 2016, influenced by the decline recorded by the individual savings and pensions segment (-4.6%). Fourgous transfers amounted to €54 million as at December 2016, including €34 million invested in UL. Arbitrage of euro funds for UL amounted to €53 million as at 31 December 2016.

The **Gan Prévoyance** sales network made a €488 million contribution to Group turnover as at 31 December 2016 and posted a -5.0% decrease in business, under the influence of lower premiums for savings (-18.4%) and individual health (-19.0%), affected by growth in ANI group policies. The individual retirement business grew +2.0% over the year, driven by growth in UL turnover (+75%).

For life and health insurance, turnover from the **regional mutuals** (€1.752 billion) decreased -0.2% compared with 31 December 2015. Individual life and health insurance posted a decrease of -3.6% in connection with the decline in the individual health segment (-4.8% to €1.094 billion), which suffered from a decrease in the number of policies in its portfolio due to the rise in ANI policies. However, notably, change in individual health plans reached a turning point, with a portfolio that is growing in number again since the last few quarters. Group life and health insurance was up +21.6%, boosted by the growth in the local authority health insurance (+23.1%) and protection insurance (+12.7%) segments.

Groupama SA's life and health insurance turnover, which corresponds to certain national business activities, totalled €17 million as at 31 December 2016, compared with €25 million over the previous financial year.

Turnover for life and health insurance (individual health) from **Gan Assurances** amounted to €135 million as at 31 December 2016. It decreased -9.1% over the year under the effect of a decrease in the number of policies in the portfolio (-16,700 policies) related to the ANI law. Group policies under the ANI law are not underwritten by Gan Assurances; Groupama Gan Vie does this.

The **Caisses Fraternelles** generated €3 million in turnover as at 31 December 2016, a -33.3% decrease compared with the previous year.

The discontinued business of the subsidiary **Assuvie** continued to decline (-10.7%) compared with 31 December 2015. Its turnover (consisting only of periodic premiums in run off) amounted to €4 million as at 31 December 2016.

In **life and health insurance**, economic operating income in France was €169 million in 2016 compared with €120 million in 2015.

Life and health insurance - France In millions of euros	31/12/2015		31/12/2016		2016-2015 change	
Gross earned premiums	5,351	100.0%	5,418	100.0%	67	1.3%
Underwriting expenses (policy servicing) - excluding claims management costs	-4,246	-79.3%	-4,326	-79.8%	-81	-1.9%
Reinsurance balance	-24	-0.4%	10	0.2%	34	>100%
Underwriting margin net of reinsurance	**1,082**	**20.2%**	**1,102**	**20.3%**	**20**	**1.9%**
Net expenses from current underwriting operations	-1,117	-20.9%	-1,110	-20.5%	8	0.7%
Underwriting income net of reinsurance	**-35**	**-0.7%**	**-7**	**-0.1%**	**28**	**79.8%**
Recurring financial margin net of profit sharing and tax	170	3.2%	195	3.6%	25	15.0%
Other items	-14	-0.3%	-19	-0.4%	-5	-34.9%
Economic operating income	**120**	**2.2%**	**169**	**3.1%**	**49**	**40.5%**
Capital gains realised net of corporate income tax and profit sharing	110	2.1%	135	2.5%	25	23.0%
Long-term impairment losses net of corporate income tax and profit sharing	-24	-0.4%	-12	-0.2%	12	50.0%
Gains or losses on financial assets recognised at fair value net of corporate income tax and profit sharing	10	0.2%	2	0.0%	-8	-76.0%
Other operations net of corporate income tax	-6	-0.1%	-5	-0.1%	1	18.3%
Income excluding restructuring	**210**	**3.9%**	**290**	**5.3%**	**80**	**37.9%**
Net income from disposal activities			49	0.9%	49	
Group net income [(1)]	**210**	**3.9%**	**339**	**6.2%**	**129**	**61.2%**

(1) Including Cegid's equity-method income in 2015

Underwriting income net of reinsurance improved by +€28 million in 2016.

For **Groupama Gan Vie**, net recurring underwriting income was stable compared to the previous year.

For **individual insurance**, the current underwriting margin decreased -€9 million despite the increase in loadings on unit-linked outstandings (+€6 million). This increase was absorbed by the decrease in premiums loadings (-€7 million) because of the change in turnover in euros and a -€7 million decrease in underwriting income for the protection business.

For **group insurance**, the current underwriting margin grew +€8 million, influenced by increased loadings on premiums (+€27 million), mainly for health insurance in connection with development of this business as part of the implementation of the ANI law, and for the protection business (multi-component actions). Also note that while the loss ratio was at a good level for group health (within the context of strong development due to the ANI law), it was not quite as good for death protection from brokered businesses compared to the previous year. Net non-recurring underwriting income fell compared to the previous year due to exceptional underwriting gains in 2015 that did not occur in 2016.

Net underwriting income from the **regional mutuals** was stable for the year, with a net combined ratio at 94%. The gross claims ratio increased +1.2 points to 72.8%, notably influenced by worsened performance from the health and individual protection segments.

Net underwriting income for life and health insurance from **Groupama SA** was up slightly for the year, notably due to more favourable income in prior financial years and a lack of non-recurring charges.

The **recurring financial margin** (net of profit sharing and taxes) increased by €25 million over the year.

In **France**, **net income excluding discontinued business** from life and health insurance amounted to €290 million as at 31 December 2016 compared with €210 million as at 31 December 2015. The non-recurring financial margin grew €29 million over the year, mainly due to realised capital gains (particularly tied to reduction transactions for Italian and Spanish bonds).

After taking into account net income from discontinued business, corresponding to the sale of Cegid, **net income** from life and health insurance in France was at €339 million in 2016.

3.3 ACTIVITY AND RESULTS - INTERNATIONAL

	31/12/2015 pro forma			31/12/2016		
International turnover in millions of euros	**L&H**	**P&C**	**Total**	**L&H**	**P&C**	**Total**
Italy	605	995	1,600	488	968	1,456
Greece	54	85	138	54	81	135
Turkey	75	297	371	84	304	388
Countries of Central and Eastern Europe	182	311	493	188	347	535
of which Hungary	*164*	*139*	*303*	*170*	*146*	*316*
of which Romania	*14*	*166*	*179*	*12*	*195*	*208*
of which Bulgaria	*5*	*6*	*11*	*5*	*6*	*11*
Portugal	52	9	61	58	10	69
Gan Outre-Mer	7	57	64	8	56	64
Total	**974**	**1,753**	**2,728**	**880**	**1,767**	**2,647**

The Group's **international** combined **turnover** was €2.674 billion as at 31 December 2016, down -2.9% compared with 31 December 2015.

Property and casualty insurance turnover totalled €1.767 billion as at 31 December 2016, a +0.8% increase over the previous year. Growth in the agricultural segment (+15.1%), particularly in Turkey, as offset by the decline in the passenger vehicle insurance segment (-1.1%), which represented 62% of premiums for property and casualty insurance, affected by macroeconomic conditions and suffering markets in certain countries (e.g. Italy, Greece, and Turkey).

Life and health insurance turnover fell by -9.7% to €880 million. The individual life and health insurance segment saw a decline of -13.3%, affected by the drop in savings and pensions (-18.8%), mainly in Italy and Greece (the decrease of policies in euros having not been made up for by growth in UL). Group life and health insurance was up +12.2%, supported by growth in the group retirement segment (+27.4%).

Economic operating income for insurance within the international scope grew €51 million in 2016, mainly due to improved underwriting income from property and casualty insurance.

The **property and casualty insurance** net combined ratio of international subsidiaries stood at 103.0%, down 3.3 points compared with the 2015 pro forma net combined ratio (with discontinued business subtracted). The gross claims rate improved by 2.2 points to 66.3%, influenced by improvement in the motor-third party liability insurance segment in Turkey (after significant additional costs in 2015 resulting from the local regulatory environment that is very negative for insurers), while the Italian and Greek subsidiaries faced stiff competition which brought down their premiums and underwriting profitability. The operating expenses ratio was up by 0.5 points to 30.9%, in spite of the fact that general direct expenses were kept down in absolute value.

Underwriting income from **life and health insurance** resulted in a profit of €1.2 million in 2016, down €5 million from the previous year. Improvement in life insurance underwriting income was offset by an increase in the net combined ratio for health and bodily injury (+6 points to 97.5% in 2016).

Economic operating income in millions of euros	31/12/2015	31/12/2016	change
Italy	37	16	-21
Greece	8	7	0
Turkey	-90	-4	86
Portugal	-1	-1	0
Countries of Central and Eastern Europe	**15**	**18**	**3**
Hungary	*10*	*12*	2
Romania	*6*	*6*	0
Bulgaria	*-1*	*0*	1
Great Britain	9	1	-9
Gan Outre-Mer	10	6	-4
Equity-method entities	**11**	**8**	**-3**
Tunisia (Star)	9	3	-6
China (Avic)	2	5	2
Total	**-1**	**50**	**51**

Net income from international insurance amounted to €68 million as at 31 December 2016 compared with €4 million as at 31 December 2015.

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

Net income in millions of euros (1)	31/12/2015	31/12/2016
Italy	**36**	**17**
Greece	**14**	**13**
Turkey	**-99**	**-2**
Portugal	**3**	**0**
Central and Eastern European countries	**20**	**20**
of which Hungary	15	13
of which Romania	5	7
of which Bulgaria	-1	0
Great Britain	**9**	**8**
Gan Outre-Mer	**10**	**5**
Equity-method entities	**11**	**8**
Tunisia (Star)	9	3
China (Groupama Avic)	2	5
Total	**4**	**68**

(1) excluding income from the Holding business.

Italy

Turnover for the Italian subsidiary **Groupama Assicurazioni** fell by -9.0% to €1.456 billion as at 31 December 2016.

> **Property and casualty insurance** turnover decreased by -2.7% to €968 million. In this market that remains very competitive, the passenger vehicle insurance business (more than 70% of written premiums for property and casualty insurance) posted a decline of -5.0%. Like other players in the market, the Groupama's subsidiary saw a decrease in average premiums, but saw its portfolio grow (+0.7% compared to December 2015). The increase in new business resulted particularly from the success of sales campaigns. The Growth in the home insurance (+5.0%) and business protection (+9.7%) segments, which benefited from increased numbers of policies in their portfolios and increased average premiums, partially compensated for this change and demonstrated the success of the subsidiary's diversification strategy.
>
> The **life and health insurance** business (€488 million) saw a decrease of -19.3% related to a drop in individual savings and pension (-24.5%). In line with the Group's positioning, the subsidiary changed its business mix, favouring multi-component products. Individual unit-linked savings saw growth in turnover of +55% to €61 million, mainly thanks to the network of agents, while the individual savings business in euros (around 70% of written premiums for life insurance) contracted by -34.3%.

Groupama Assicurazioni's **economic operating income** totalled +€16 million in 2016, down -€21 million compared with 31 December 2015.

> The combined ratio for **property and casualty insurance** was at 103.3%, up 1.9 points. Current claims increased +5.2 points to 78.5%, mainly due to an increase in severe and weather-related claims. Indeed, a series of earthquakes hit Italy in 2016, representing overall a gross expense of around €50 million and 4.5 points of ratio (as a reminder, the level of claims in 2015 was affected by a weather event representing 1.0 points of ratio). These events had a positive impact on the reinsurance balance. However, they also had a negative effect on the combined ratio for the subsidiary due to the net retention of reinstatement premiums for €13.1 million. Attritional current claims increased +0.6 points to 60.0%, mainly affected by the increase in frequency for the motor insurance business, also seen across the entire market. The rate of operating expenses worsened by 1.3 points to 29.3%, influenced by a decrease in earned premiums and an increase in the average rate of commissions (effect of portfolio mix).
>
> For **life and health insurance**, underwriting income decreased due to a recorded deficit, particularly for individual protection.

The subsidiary's **contribution** amounted to +€16.7 million compared with a profit of €35.6 million as at 31 December 2015. The non-recurring financial margin benefited from the favourable effects of changes in the fair value of investment assets. This contribution also includes the depreciation of portfolio securities (-€11 million after taxes).

Turkey

Turnover from the Turkish subsidiaries **Groupama Sigorta** and **Groupama Emeklilik** increased by +4.6% to €388 million as at 31 December 2016.

> **Property and casualty insurance** turnover (€304 million) increased by +2.5%. This change varied greatly from segment to segment: The agricultural risks segment (including Tarsim) increased by +20.2%, mainly thanks to the agriculture cooperative network TKK. The business protection segment decreased -12.4% under the effect of a more selective underwriting policy. The passenger vehicle insurance segment posted a decline of -3.9%, with a -19.8% decrease for liability insurance (the effect of increased prices as part of corrective measures for underwriting income did not entirely compensate for the portfolio's loss in a market with a legal and regulatory environment that incites great caution in regards to underwriting motor third-party liability insurance) and a +2.8% increase for damage coverage.
>
> The **life and health insurance** business (€84 million) increased +12.9%, mainly under the effect of growth in the individual health segment (+11.5% thanks to the good performance of the agencies) and the group protection segment (+14.8% particularly thanks to the agricultural cooperative network TKK).

Economic operating income from the Turkish subsidiaries Groupama Sigorta and Groupama Emeklilik came to a loss of €4 million, compared to a loss of €90 million as at 31 December 2015.

The combined ratio for the **property and casualty insurance** business was down 22.5 points to 113.5% thanks to the pricing adjustment for the motor third-party liability insurance segment, which was subject to significant additional costs in 2015, in a regulatory and legal environment that is very negative for insurance companies. The claims ratio posted a significant decrease (-24.0 points to 57.7%), with a decrease in current claims excluding insurance pools (-6.4 points to 80.0%). This was in spite of an increase in significant claims (+6.1 points, mostly from claims related to terrorist activities that occurred in the south-east of the country). The reinsurance ratio worsened by 3.1 points to 34.0%. The operating expenses ratio decreased by -1.6 points to 21.8%, driven by the decrease in the average rate of commissions.

Underwriting income from **life and health insurance** grew, with a combined ratio of 99.7%, down 5.2% thanks to positive performance from the individual health segment. Life insurance grew by +€1 million.

The **recurring financial margin** remained stable compared to the previous financial year.

Net income from the Turkish subsidiaries was a loss of -€2 million, compared with a loss of -€99 million in 2015.

Greece

Turnover from **Groupama Phoenix**, which faced a market that is still being hurt by the country's macroeconomic situation, decreased in 2016 by -2.4% compared to the previous financial year, amounting to €135 million.

The **property and casualty insurance** business was down -4.1% to €81 million. The passenger vehicle insurance segment fell by -2.8% (-5.4% for liability insurance, with damage insurance remaining stable) in a very competitive environment. However, growth in the portfolio's number of policies for this segment was notable (+11% compared to December 2015). The damage insurance segment for businesses saw a decline (-6.8%), mainly from the bank network.

Life and health insurance turnover remained stable at €54 million, in connection with the downturn in the individual savings and pensions segment (-86.5%) under the effect of capital controls imposed on the banking system that do not allow for unit-linked campaigns to be conducted. However, this change was compensated for by the payment of an exceptional premium for group pension plans, leading the segment to record growth above 100%.

Economic operating income from Groupama Phoenix represented a profit of €7 million, a stable level compared to 2015.

The combined ratio for **property and casualty insurance** was at 85.3%, up 2.9 points. The gross claims rate worsened by 1.7 points to 30.8% due to pressure from competition, which weighed down prices, and the increase in frequency and the average cost of claims, particularly for motor third-party liability insurance, in spite of good profitability for the motor damage segment. Despite the decline in volume of operating expenses, the ratio increased by 0.5 points to 45.1% due to the decrease in earned premiums.

Underwriting income for **life and health insurance** improved thanks to the good performance of individual protection in life insurance.

The **recurring financial margin** net of profit sharing fell, affected by a decrease in yield rates.

Net income amounted to +€13 million compared with a profit of €14 million in 2015.

Hungary

Turnover for the subsidiary **Groupama Biztosito** in Hungary amounted to €316 million as at 31 December 2016, up +4.4% compared with 31 December 2015.

Property and casualty insurance premiums written were up +4.7% to €146 million as at 31 December 2016. The development of the portfolio and the increase in the average premium explain the growth of the passenger vehicle segment (+11.2%). The car fleet segment grew +16.3%, influenced by significant price increases. This growth results from a rigorous, prudent underwriting policy.

For **life and health insurance**, turnover amounted to €170 million, up +4.2% under the effect of the increase in premiums for individual savings/pensions (+3.5%, in connection with the successful launch of a new product in the first half of 2016). The subsidiary's life/savings turnover is now 87.6% composed of unit-linked policies.

Groupama Biztosito's **economic operating income** stood at €12 million in 2016 compared with €10 million in 2015.

The combined ratio for **property and casualty insurance** decreased by -2.8 points to 101.8% as at 31 December 2016. The claims rate improved by 3.0 points to 48.5%, influenced by both a more favourable level of claims for home insurance, with stronger monitoring of the portfolio, and pricing increases for car fleets. The operating cost ratio fell slightly to 49.8% under the effect of the increase in earned premiums.

Underwriting income for **life and health insurance** maintained its profitability thanks to the good performance of unit-linked life insurance in individual savings.

The recurring financial margin decreased slightly to €14 million.

Net income for the Hungarian subsidiary amounted to +€13 million compared with net income of +€15 million in 2015.

Romania

Turnover for the Romanian subsidiary **Groupama Asigurari** grew +15.9% to €208 million as at 31 December 2016.

The **property and casualty insurance** business (€195 million) increased +18.1%. The passenger vehicle segment (more than 70% of premiums in property and liability insurance) increased +25.4%, breaking down into +6.3% for the damage insurance segment and +62.2% for the liability segment. This business line benefited from price adjustments, as well as favourable market conditions following efforts by market regulation authorities to improve the market (bankruptcy and/or recovery plan for major competitors in the market).

Turnover from life and health insurance (€12 million) decreased -10.9% over the year, with growth in individual health insurance (+52.3% under the influence of renewals of major policies) being neutralised by a decline in individual protection (-32.1%), affected by the stopped production of these products by certain banking partners. The subsidiary nevertheless decided to develop its own sale network for life insurance products.

Economic operating income from Groupama Asigurari was €6 million, a stable level compared to 2015.

The combined ratio of **property and casualty insurance** improved by 1.5 points to 97.4% as at 31 December 2016. The loss ratio decreased 2.8 points to 59.1% thanks to positive performance for the motor insurance segment (pricing increases, lower frequency of claims) which largely compensated for the unusual level of weather-related claims (torrential rains and hail) for home insurance. The operating expense remained under control with a 1.1-point decrease to 34.5%.

Life and health insurance underwriting income was close to even at +€0.3 million.

The **recurring financial margin** fell, affected by a decrease in bond yields.

Net income resulted in a profit of +€7 million, compared with a profit of €5 million in 2015.

Bulgaria

In **Bulgaria**, turnover from the subsidiaries Groupama Zastrahovane and Groupama Jivotozastrahovane remained stable at €11 million as at 31 December 2016. However, changes varied from segment to segment. Life and health insurance increased +9.1% to €5 million thanks in particular to the development of group protection insurance (+11.1%). Property and casualty insurance (€6 million) saw a decrease of -7.7% over the year, affected by a drop in the passenger vehicle insurance segment (-26.9%, particularly for the brokerage network).

The contribution of the Bulgarian subsidiaries was even, versus -€0.6 million as at 31 December 2015.

Portugal

Turnover from the **subsidiaries in Portugal** was up +12.7% to €69 million as at 31 December 2016. For life and health insurance, written premiums increased +11.6% to €58 million, driven by growth in the individual savings and pensions segment (+16.3%) and the group pension segment (+13.6%, particularly thanks to good performance from brokers). Development of the portfolio and price increases led the group health segment to post growth of +13.1%. Turnover from property and casualty insurance (€10 million as at 31 December 2016) was up +19.1%, under the effect of growth in the passenger vehicle segment (+27.9%), which benefited from a large volume of new business from brokers as part of a policy of rebalancing of business for the subsidiary.

Net income of the Portuguese subsidiaries was even, versus €2.8 million in 2015 following the realisation of capital gains on real estate sales.

Gan Outre-Mer

Turnover for **Gan Outre-Mer** remained stable at €64 million as at 31 December 2016. However, changes varied from segment to segment. The property and casualty insurance business fell -2.0% to €56 million in a very competitive environment. Policy cancellation were particularly behind the decline recorded for the passenger vehicle (-2.6%), vehicle fleet (-5.6%), and damage insurance for businesses (-12.5%) segments. Turnover for life and health insurance (individual health) continued to grow. It was up +18.6% to €8 million.

Gan Outre-Mer's **economic operating income** totalled €6 million in 2016 compared with €10 million in 2015. Net underwriting income for property and casualty insurance was down nearly €8 million, with a higher net combined ratio at 84.5% due in particular to an increase in the amount of severe claims and less reserves releases from prior financial years.

Gan Outre-Mer's **net income** totalled €5 million in 2016, compared with €10 million in 2015.

Great Britain

Groupama UK (which exclusively handles insurance brokerage businesses) contributed €8 million to income as at 31 December 2016, compared with €9 million as at 31 December 2015. It should be noted that Carole Nash was the subject of a sale agreement and that the 2016 income appears among businesses to be sold.

Tunisia

The equity-method income of the **Tunisian subsidiary** STAR (number 1 insurance company on the Tunisian market) amounted to €3 million versus €9 million as at 31 December 2015. This change came from a worsened level of current claims in 2016 while financial year 2015 had benefited from significant capital gains from the sale of securities.

China

The contribution from the Chinese subsidiary was a profit of +€5 million versus +€2 million for the previous financial year, thanks to improved underwriting income, particularly from agriculture, the previous financial year being hurt significantly by exceptional climatic events (i.e. drought).

3.4 FINANCIAL AND BANKING BUSINESSES

Turnover in millions of euros	31/12/2015 pro forma	31/12/2016
Asset management	121	128
Employee savings scheme	5	5
Total	**126**	**133**

NBI in millions of euros	31/12/2015 pro forma	31/12/2016
Asset management	118	126
Employee savings scheme	10	10
Total	**128**	**136**

In millions of euros	31/12/2015	31/12/2016	2016-2015 change	
Net banking income, net of cost of risk and long-term financial instruments	200	136	-65	-32.2%
Cost of risk	-8		8	>100%
Other operating income and expenses and non-underwriting current income and expenses	-177	-97	80	45.3%
Other items	-6	-13	-6	<-100%
Economic operating income	**9**	**27**	**18**	**>100%**
Gains or losses on financial assets recognised at fair value net of corporate income tax	2		-2	NA
Other operations net of corporate income tax		-27	-27	
GROUP NET INCOME	**11**	**0**	**-11**	**NA**

Groupama Banque

As a reminder, 2015 income from Groupama Banque was included in all categories of the income statement due to its overall integration. As part of the partnership with Orange, it is now accounted for using the equity method. The 2016 income contribution from the banking business was a loss of -€27 million, which appears among other transactions net of corporate taxes.

Asset management

Groupama Asset Management's turnover increased +5.9% to €128 million as at 31 December 2016, particularly under the effect of growth in external outstandings and their effect on management fees. Net banking income for the entity followed the same trend and grew +6.4% to €126 million.

Groupama Asset Management's **economic operating income** amounted to +€24 million in 2016, up +5% compared to 2015.

Groupama Epargne Salariale

Turnover and net banking income from **Groupama Épargne Salariale** remained stable compared to the previous financial year, at €5 million and €10 million respectively as at 31 December 2016. The increase in commissions from sales, related to the increase in inflows, was offset by the decrease in account maintenance fees after a number of customers left.

Net income was €0.6 million in 2016.

Groupama Immobilier

Economic operating income from Groupama Immobilier, the group's real estate asset management subsidiary, totalled +€1.9 million in 2016, stable compared with 2015.

3.5 GROUPAMA SA AND HOLDINGS

In millions of euros	31/12/2015	31/12/2016	2016-2015 change	
Other operating income and expenses and non-underwriting current income and expenses	-109	-106	3	2.8%
Recurring financial income (after corporate tax)	-10	6	17	>100%
Other items	2	3	1	37.6%
Economic operating income	**-117**	**-96**	**21**	**17.6%**
Capital gains realised net of corporate income tax	71	11	-60	-84.8%
Long-term impairment losses net of corporate income tax		-2	-2	
Gains or losses on financial assets recognised at fair value net of corporate income tax	19	-12	-31	<-100%
Other operations net of corporate income tax	-24	30	54	>100%
Income excluding restructuring	**-51**	**-70**	**-19**	**-37.3%**
Net income from sold business activities		10	10	
GROUP NET INCOME	**-51**	**-60**	**-9**	**-18.4%**

Groupama SA is the parent company of the group. It acts as a holding company by holding (directly or indirectly) all of the group's French and international subsidiaries. In this capacity, Groupama SA manages the operations of the Group. It is the hub for internal and external financing. Financial income is broken down on a standardised basis for the underwriting business. The expenses allocated to that activity correspond to the share of costs and expenses of general management, functional departments and shared, non-underwriting expenses.

Economic operating income from holding companies totalled -€96 million in 2016, up €21 million compared with 2015 thanks to an increase in recurring financial income for +€17 million.

Income excluding income from discontinued business for the holding companies was a loss of -€70 million, compared with a loss of -€51 million in 2015. The non-recurring financial margin was down €93 million due to lower capital gains realised and less favourable change in the fair value of assets. Conversely, other operations net of corporate taxes generated +€30 million, mainly related to non-recurring fiscal gains.

The **net income** of holding companies was a loss of -€60 million in 2016, compared with -€51 million in 2015. This net income includes €10 million in revenues related to businesses that were sold or deconsolidated (Cegid, Günes, and Groupama Banque).

In 2016, the Group also included in its financial statements depreciation of goodwill in Turkey worth -€88 million.

The summary of the group's net income is broken down as follows:

Net income in millions of euros	31/12/2015	31/12/2016
Total Insurance - France	410	402
Total Insurance - International	4	68
Banking and financial businesses	11	0
Holding activities	-50	-28
Goodwill depreciation	0	-88
Other	-7	-32
Total net income - GROUPAMA	**368**	**322**

3.6 COMBINED BALANCE SHEET

As at 31 December 2016, Groupama's combined balance sheet totalled €98.1 billion, compared with €107.3 billion in 2015, a decrease of -8.6%.

GOODWILL

Goodwill amounted to €2.0 billion as at 31 December 2016, compared with €2.2 billion as at 31 December 2015. This change was mainly due to depreciation registered in Turkey, as well as due to the plan to sell Carole Nash.

OTHER INTANGIBLE ASSETS

Other intangible assets totalling €303 million as at 31 December 2016 (versus €314 million in 2015) are composed primarily of amortisable portfolio securities (€109 million) and computer software. The decrease in this item is particularly related to amortisation for the period.

Investments (including unit-linked investments)

Insurance investments totalled €86.2 billion in 2016 compared with €83.9 billion in 2015, up +2.8%.

The Group's unrealised capital gains (including from fixed assets) increased by +€0.8 billion to +€11.0 billion (compared with +€10.2 billion as at the closing of the previous financial year), mainly because of the increase in unrealised capital gains on bonds (given the environment of low rates).

By asset allocation, unrealised capital gains are broken down into +€7.7 billion on bonds, +€0.9 billion on equities, and +€2.4 billion on fixed assets.

Unrealised capital gains on financial assets (excluding fixed assets), which stood at +€8.5 billion, amounted to +€1.6 billion for the Group (after profit sharing and taxes), versus +€1.5 billion as at 31 December 2015. These amounts are recorded in the financial statements in the revaluation reserve. Unrealised fixed-asset gains attributable to the Group (net of tax and deferred profit sharing) amounted to +€0.8billion as at 31 December 2016 (compared with +€0.7 billion over the previous year). The Group elected to account for investment and operating fixed assets according to the amortised cost method; therefore, unrealised fixed-asset gains were not recorded in the accounts.

The equity share of total investments in market value was 5.9% (including 1.4% hedged) as at 31 December 2016 versus 6.7% (including 1.7% hedged) as at 31 December 2015 according to an economic view. This decrease is part of the derisking policy conducted by the group.

Shareholders' equity

As at 31 December 2016, Groupama's combined shareholders' equity amounted to €8.8 billion compared with €8.2 billion as at 31 December 2015.

This change can be summarised as follows:

(In millions of euros)

Shareholders' equity at 2016 opening	**8,219**
Change in revaluation reserve: fair value of AFS assets	529
Change in revaluation reserve: shadow accounting	-393
Change in revaluation reserve: deferred tax	11
Partial redemption of the deeply subordinated instrument	-2
Mutual insurance certificates	187
Foreign exchange adjustment	-29
Other	-92
Income (Loss)	**322**
Shareholders' equity as of 31 December 2016	**8,752**
of which perpetual super-subordinated bonds (TSS)	*413*
of which perpetual floating-rate notes (TSDI)	*1100*

The mutual certificate sales were launched for all regional mutuals throughout financial year 2016. They were a big success in 2016. Mutual certificates contributed €187 million to growth of equity as at 31 December 2016.

Subordinated liabilities, financing and other debts

Total subordinated and external debt was €0.8 billion as at 31 December 2016, stable compared with the previous period.

As at 31 December 2016, subordinated debt amounted to €750 million, remaining stable compared to the previous financial year.

The Group's external debt (excluding subordinated debt) amounted to €14 million as at 31 December 2016, versus €17 million at the end of 2015.

Underwriting reserves

Gross underwriting reserves (including deferred profit sharing) totalled €78.9 billion, compared with €77.9 billion as at 31 December 2015.

Reserves for contingencies and charges

Reserves for contingencies and charges totalled €695 million in 2016, compared with €642 million in 2015, and were primarily made up of pension commitments under IAS 19.

4. DEBTS

Groupama's debt-to-equity ratio, excluding revaluation reserves (including subordinated liabilities and minority interests) stood at 9.7 % in 2016, compared with 10.2 % in 2015.

5. RISK MANAGEMENT

Risk management is addressed in the internal control report.

6. FINANCIAL FUTURES POLICY

Interest rate risk

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

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

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

All over-the-counter transactions are secured by a "collateralisation" system with Groupama SA's top-tier banking counterparties.

Foreign exchange risk

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

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

Equity risk

Active management of Group equity risk continued in 2016. This active management included, among other things, pursuing a policy of hedging for protected equity funds. This strategy uses derivatives housed in tradeable-security mutual funds (OPCVMs).

Credit risk

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

Spread risk

The Group is sensitive to the widening of spreads, especially sovereign bond spreads. Additionally, a hedging strategy was tested during a pilot operation aiming to protect the value of a bond against the risk of widening of its spread. The strategy involved fixing the spread of the bond at one year by using a dedicated financial future. Upon maturity of the hedge (one year renewable), a final balancing payment, to be paid or received, compensates or returns the loss or gain on the value of the bond whose variation in spread was hedged.

7. OUTLOOK

Financial year 2016 showed the resilience of Groupama in an environment that was marked by very significant weather events (floods and weather impacts on crops in France), events such as earthquakes in Italy, and a bad situation for serious claims in France, particularly for automotive liability insurance. The financial environment of low interest rates continued to weigh down income to the tune of €133 million net of taxes in 2016, after an impact of €127 million net of taxes in 2015.

As part of its strategic guidelines, the group places its customers at the centre of its commitment while pursuing stronger underwriting and operational profitability. This objective will be particularly sought through a process of innovation in terms of the offer of products, tools, and processes, favoured especially by the deployment of new technologies. These technologies will serve an integrated cross-channel organisation for on-going access by customers.

Backed by its mutualist values and the commitment of its employees and elected representatives, Groupama is confident in its ability to achieve its goals.

COMBINED FINANCIAL STATEMENTS

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GROUPAMA
31 December 2016
IFRS

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FINANCIAL STATEMENTS

GROUPAMA
COMBINED BALANCE SHEET (in millions of euros)

ASSETS		31.12.2016	31.12.2015
Goodwill	Note 2	1,985	2,172
Other intangible assets	Note 3	303	314
Intangible assets		**2,289**	**2,487**
Investment property excluding unit-linked items	Note 4	1,313	1,216
Unit-linked investment property	Note 7	110	105
Operating property	Note 5	851	982
Financial investments excluding unit-linked items	Note 6	75,917	74,462
Unit-linked financial investments	Note 7	7,986	6,972
Derivative instruments and separate embedded derivatives	Note 8	68	140
Insurance business investments		**86,245**	**83,876**
Funds used in banking sector activities and investments of other activities	Note 9	**96**	**4,262**
Investments in related companies and joint ventures	Note 10	**1,096**	**994**
Share of outward reinsurers and retrocessionnaires in liabilities relating to insurance policies and financial contracts	Note 11	**1,201**	**8,090**
Other property, plant and equipment	Note 12	217	220
Deferred acquisition costs	Note 13	266	273
Deferred profit-sharing assets	Note 14		
Deferred tax assets	Note 15	23	276
Receivables arising from insurance and inward reinsurance operations	Note 16	2,244	2,427
Receivables arising from outward reinsurance operations	Note 17	207	261
Current tax receivables and other tax receivables	Note 18	276	282
Other receivables	Note 19	2,757	2,397
Other assets		**5,991**	**6,136**
Assets for sale and discontinued business activities	Note 2	**94**	
Cash and cash equivalents	Note 20	**1,074**	**1,451**
TOTAL		**98,085**	**107,295**

The notes on pages 42 to 192 are an integral part of the combined financial statements.

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

EQUITY & LIABILITIES		31.12.2016	31.12.2015
Capital		222	35
Revaluation reserves		1,640	1,493
Other reserves		7,022	6,748
Foreign exchange adjustments		(454)	(425)
Combined income		322	368
Shareholders' equity (Group share)		**8,752**	**8,219**
Non-controlling interests		18	13
Total shareholders' equity	Note 21	**8,770**	**8,232**
Reserves for contingencies and charges	Note 22	**695**	**642**
Financing debt	Note 24	**764**	**767**
Technical liabilities relating to insurance policies	Note 25	**58,750**	**56,919**
Technical liabilities relating to financial contracts	Note 26	**14,619**	**16,046**
Deferred profit-sharing liabilities	Note 14	**5,517**	**4,980**
Resources from banking sector activities	Note 9	**8**	**3,906**
Deferred tax liabilities	Note 15	227	439
Debts to holders of units of consolidated mutual funds	Note 28	355	184
Operating debts to banking sector companies	Note 20	69	172
Debts arising from insurance or inward reinsurance operations	Note 29	725	908
Debts arising from outward reinsurance operations	Note 30	352	7,314
Current taxes payable and other tax liabilities	Note 31	186	199
Derivative instrument liabilities	Note 8	750	799
Other debts	Note 32	6,291	5,791
Other liabilities		**8,955**	**15,805**
Liabilities of business activities to be sold or discontinued	Note 2	**7**	
TOTAL		**98,085**	**107,295**

The notes on pages 42 to 192 are an integral part of the combined financial statements.

GROUPAMA
COMBINED INCOME STATEMENT (in millions of euros)

COMBINED INCOME STATEMENTINCOME STATEMENT		31.12.2016	31.12.2015
Written premiums	Note 33	13,443	13,465
Change in unearned premiums		(38)	(2)
Earned premiums		**13,405**	**13,463**
Net banking income, net of cost of risk		**136**	**195**
Investment income		2,399	2,500
Investment expenses		(890)	(824)
Capital gains or losses from disposal of investments net of impairment and depreciation write-backs		575	663
Change in fair value of financial instruments recorded at fair value through income		329	348
Change in impairment on investments		(42)	(6)
Investment income net of expenses	Note 34	**2,373**	**2,681**
Total income from ordinary business activities		**15,914**	**16,339**
Insurance policy servicing expenses	Note 35	(11,928)	(12,040)
Income from outward reinsurance	Note 36	413	580
Expenses on outward reinsurance	Note 36	(548)	(906)
Net outward reinsurance income and expenses		**(12,063)**	**(12,366)**
Banking operating expenses		(100)	(179)
Policy acquisition costs	Note 38	(1,820)	(1,826)
Administration costs	Note 39	(525)	(501)
Other current operating income and expenses	Note 40	(794)	(828)
Total other current income and expenses		**(15,301)**	**(15,700)**
CURRENT OPERATING INCOME		**613**	**639**
Other non-current operating income and expenses	Note 41	(167)	(88)
OPERATING INCOME		**446**	**551**
Financing expenses	Note 42	(63)	(64)
Share in income of related companies	Note 10	3	(42)
Corporate income tax	Note 43	(106)	(77)
NET INCOME FROM CONTINUING BUSINESS ACTIVITIES		**279**	**368**
Net income from business activities discontinued or to be discontinued	Note 2	43	
OVERALL NET INCOME		**323**	**368**
of which non-controlling interests			
OF WHICH NET INCOME (GROUP SHARE)		**322**	**368**

The notes on pages 42 to 192 are an integral part of the combined financial statements.

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

In millions of euros	31.12.2016			31.12.2015		
	Group share	Non-controlling interests	Total	Group share	Non-controlling interests	Total
Net income for fiscal year	**322**		**323**	**368**		**368**
Gains and losses recognised directly in shareholders' equity						
Items recyclable to income						
Change in foreign exchange adjustments	(29)		(29)	(19)		(19)
Change in gross unrealised capital gains and losses on available-for-sale assets	529	2	531	(585)	(2)	(587)
Revaluation of hedging derivatives						
Change in shadow accounting	(393)	(1)	(394)	466	2	468
Change in deferred taxes	11		11	(18)		(18)
Other changes	(2)		(2)	10	(1)	9
Items not recyclable to income						
Restatement of net actuarial debt from pension commitments (defined-benefit schemes)	(41)		(41)	20		20
Change in deferred taxes	14		14	(6)		(6)
Other changes						
Total gains (losses) recognised directly in shareholders' equity	**89**	**1**	**90**	**(132)**	**(1)**	**(133)**
Net income and gains (losses) recognised in shareholders' equity	**411**	**1**	**412**	**236**	**(1)**	**235**

The statement of net income and gains and losses recognised directly in shareholders' equity – an integral part of the financial statements – includes, in addition to the net income for the year, the change in the reserve for gross unrealised capital gains and losses on available-for-sale assets, minus deferred profit sharing and deferred taxes, as well as the change in the reserve for foreign exchange adjustments and the actuarial gains and losses on post-employment benefits.

The notes on pages 42 to 192 are an integral part of the combined financial statements.

GROUPAMA
TABLE OF CHANGE IN SHAREHOLDERS' EQUITY (in millions of euros)

In millions of euros	Capital	Income (Loss)	Subordinated instruments	Consolidated reserves	Revaluation reserves	Foreign exchange adjustment	Shareholders' equity (Group share)	Share of non-controlling interests	Total shareholders' equity
Shareholders' equity at 31.12.2014	**32**	**257**	**1,528**	**5,021**	**1,630**	**(406)**	**8,062**	**17**	**8,079**
Allocation of 2014 income (loss)		(257)		257					
Dividends (1)				(63)			(63)	(1)	(64)
Change in capital	3						3		3
Business combinations				(6)			(6)	(2)	(8)
Other			(13)				(13)		(13)
Impact of transactions with members	**3**	**(257)**	**(13)**	**188**			**(79)**	**(3)**	**(82)**
Foreign exchange adjustments						(19)	(19)		(19)
Available-for-sale assets					(585)		(585)	(2)	(587)
Shadow accounting					466		466	2	468
Deferred taxes				(6)	(18)		(24)		(24)
Actuarial gains (losses) of post-employment benefits				20			20		20
Other				10			10	(1)	9
Net income for fiscal year		368					368		368
Total income (expenses) recognised over the period		**368**		**24**	**(137)**	**(19)**	**236**	**(1)**	**235**
Total changes over the period	**3**	**111**	**(13)**	**212**	**(137)**	**(19)**	**157**	**(4)**	**153**
Shareholders' equity at 31.12.2015	**35**	**368**	**1,515**	**5,233**	**1,493**	**(425)**	**8,219**	**13**	**8,232**
Allocation of 2015 income (loss)		(368)		368					
Dividends (1)				(63)			(63)	(1)	(64)
Change in capital	187						187	1	188
Business combinations								4	4
Other			(2)				(2)		(2)
Impact of transactions with members	**187**	**(368)**	**(2)**	**305**			**122**	**4**	**126**
Foreign exchange adjustments						(29)	(29)		(29)
Available-for-sale assets					529		529	2	531
Shadow accounting					(393)		(393)	(1)	(394)
Deferred taxes				14	11		25		25
Actuarial gains (losses) of post-employment benefits				(41)			(41)		(41)
Other				(2)			(2)		(2)
Net income for fiscal year		322					322		323
Total income (expenses) recognised over the period		**322**		**(29)**	**147**	**(29)**	**411**	**1**	**412**
Total changes over the period	**187**	**(45)**	**(2)**	**276**	**147**	**(29)**	**533**	**5**	**538**
Shareholders' equity at 31.12.2016	**222**	**322**	**1,513**	**5,509**	**1,640**	**(454)**	**8,752**	**18**	**8,770**

(1) These being dividends relating to change in shareholders' equity (Group share), they are particularly treated as compensation for subordinated instruments classified as equity according to the IFRS.

The 'Other' category is made up particularly of consolidated reserves from tradeable-security mutual funds (OPCVMs) and of effects of increased or decreased profit per share.

The notes on pages 42 to 192 are an integral part of the combined financial statements.

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

CASH FLOW STATEMENT	31.12.2016	31.12.2015
Operating income before taxes	446	551
Capital gains (losses) on the sale of investments	(530)	114
Net allocations to amortisation and depreciation	213	221
Change in deferred acquisition costs	2	11
Change in impairment	149	(753)
Net allocations to technical liabilities related to insurance policies and financial contracts	7,492	910
Net allocations to other reserves	40	24
Change in fair value of financial instruments and investments recognised at fair value through income (excluding cash and cash equivalents)	(329)	(348)
Other non-cash items included in operating income	40	65
Correction of items included in operating income other than monetary flows and reclassification of financial and investment flows	**7,077**	**244**
Change in operating receivables and payables	(7,195)	(108)
Change in banking operating receivables and payables	(5)	(66)
Change in repo and reverse-repo securities	335	4
Cash flows from other assets and liabilities	86	(16)
Net tax paid	(121)	(164)
Net cash flows from operating activities	**623**	**445**
Acquisitions/divestments of subsidiaries and joint ventures, net of cash acquired	148	
Stakes in related companies acquired/divested	11	16
Cash flows due to changes in scope of consolidation	**159**	**16**
Net acquisitions of financial investments (including unit-linked investments) and derivatives	(1,025)	(303)
Net acquisitions of investment property	50	113
Net acquisitions and/or issues of investments and derivatives relating to other activities		
Other non-cash items	(52)	(6)
Cash flows from acquisitions and issues of investments	**(1,027)**	**(196)**
Net acquisitions of property, plant and equipment, intangible assets and operating property	(207)	(165)
Cash flows from acquisitions and disposals of property, plant and equipment and intangible assets	**(207)**	**(165)**
Net cash flows from investment activities	**(1,075)**	**(345)**
Membership fees		
Issue of capital instruments	187	3
Redemption of capital instruments	(2)	(13)
Transactions involving own shares		
Dividends paid [1]	(63)	(64)
Cash flows from transactions with shareholders and members	**122**	**(74)**
Cash allocated to financial debt	(2)	(73)
Interest paid on financial debt	(63)	(64)
Cash flows from group financing	**(65)**	**(137)**
Net cash flows from financing activities	**57**	**(211)**

Cash and cash equivalents at 1 January	**1,439**	**1,567**
Net cash flows from operating activities	623	445
Net cash flows from investment activities	(1,075)	(345)
Net cash flows from financing activities	57	(211)
Cash flows from sold or discontinued assets and liabilities	(10)	
Effect of foreign exchange changes on cash	(6)	(17)
Cash and cash equivalents at 31 December	**1,028**	**1,439**

[1] They correspond particularly to payment for subordinated securities classified as equity according to the IFRS.

CASH FLOW STATEMENT	31.12.2016
Cash and cash equivalents	1,451
Cash, central bank, postal bank and accounts receivable from banking businesses	160
Operating debts to banking sector companies	(172)
Cash and cash equivalents at 1 January	**1,439**
Cash and cash equivalents	1,074
Cash, central bank, postal bank and accounts receivable from banking businesses	23
Operating debts to banking sector companies	(69)
Cash and cash equivalents at 31 December	**1,028**

The notes on pages 42 to 192 are an integral part of the combined financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. SIGNIFICANT EVENTS AND POST-BALANCE SHEET EVENTS

SIGNIFICANT EVENTS OF FISCAL YEAR 2016

Governance

Proposed remutualisation of Groupama's central body

Following the enactment in France of the 'Sapin 2' Law on transparency, fighting corruption, and modernisation of the economy, published on 10 December 2016, the legal framework necessary for transforming the central body of Groupama Group into a mutual insurance company (SAM in French) is now in place, with an implementation timeline of 18 months.

Groupama SA will become the *Caisse Nationale de Réassurance Mutuelle Agricole Groupama*, maintaining all of the responsibilities associated with its role as the central body of Groupama Group.
With this change, Groupama is reaffirming its identity as a mutual insurer deeply rooted in the places where it operates. This change also brings the company's organisation in line with its values for serving its members and customers.

With the plan to transform the central body of Groupama, the goal is to simplify the Group's organisation while maintaining the financial flexibility needed for implementing the Group's strategy. This plan will not modify either the Group's solvency or the solvency of the central body, and it will not impact commitments made to creditors.

Chairmanship of the Fédération Nationale Groupama

Jean-Yves Dagès was re-elected Chairman of the Fédération Nationale Groupama during the meeting of the Fédération Nationale Groupama board held on 16 December 2016 in Paris. First elected Chairman of the Fédération Nationale Groupama on 14 December 2012, Jean-Yves Dagès has also been Chairman of Groupama SA and Groupama Holding Company since the same date.

Financial Position

Groupama SA's capital increase

At the end of February 2016, all of the regional mutuals simultaneously participated in a capital increase of Groupama Holding for €675 million and Groupama Holding 2 for €25 million.

Groupama Holding and Groupama Holding 2 fully subscribed to Groupama SA's capital increase for €700 million.

Issue of mutual certificates

Groupama is the first mutual insurer to launch the mutual certificates authorised by the French Social and Solidarity Economy Law of July 2014. All Groupama regional mutuals issued mutual certificates to their members and customers in 2016. As at 31 December 2016, the total amount of mutual certificates on the Groupama's balance sheet was €190 million, including €187 million from certificates issued in 2016.

Financial rating

On 17 May 2016, the rating agency Fitch confirmed its rating for Groupama SA and its subsidiaries at BBB+ with a stable outlook.

On 16 December 2016, Fitch Ratings indicated that the remutualisation plan for Groupama's central body would not affect the rating of Groupama and its subsidiaries.

Financial stakes

Sale of the stake in Cegid

On 18 April 2016, alongside ICMI, a holding company owned by Jean-Michel Aulas, founder and Chairman of Cegid Group ("Cegid"), Groupama announced that it entered into an agreement with the Silver Lake – AltaOne consortium to sell its stake in Cegid for €154.5 million. In agreement with the new shareholders, Groupama would like to continue and develop this partnership in the years to come.

After obtaining the approval from of market competition regulators, the Silver Lake – AltaOne consortium announced on 8 July 2016 that it had acquired the shares held by Groupama (Groupama SA and Groupama Gan Vie) and ICMI in Cegid Group, in accordance with the previously announced conditions.

Simplification of the structure of holdings in Icade by the Caisse des Dépôts and Groupama

On 23 May 2016, Icade's general meeting approved the merger/takeover of Holdco SIIC by Icade. At the end of this operation, Caisse des Dépôts and Groupama became direct shareholders of Icade, with Caisse des Dépôts holding approximately 39% of Icade's capital and Groupama holding approximately 13%.
Given its representation on the board and Groupama's weight in the company's governance, the Group is maintaining its significant influence over Icade.

Carole Nash

On 5 August, Groupama signed an agreement to sell its subsidiary Carole Nash. As a result, Carole Nash is presented in terms of assets for sale.

Günes Sigorta

Günes Sigorta has been removed from the scope of consolidation given the decrease in holdings following the capital increase that the Group chose not to participate in.

Activities

Partnership with Orange

In April 2016, Orange and Groupama signed an agreement to develop an unprecedented 100% mobile banking offering. In October 2016, French and European regulatory and prudential authorities authorised the purchase by Orange of 65% of the share capital of Groupama Banque, renamed Orange Bank on 16 January 2017.

The Orange Bank offering will be available in France in the first half of 2017 within the Orange distribution network. The offering will also be distributed within Groupama Group networks starting in the second half of 2017. This innovative offering, specially adapted for mobile devices, will be launched covering current and savings accounts, credit, and payments.

Inclement weather

The year 2016 was marked by harm caused by exceptional weather, particularly the floods and storms in the Ile de France region and the central and north-eastern regions of France from 26 May to 7 June, with an estimated cost of €1.2 billion for the entire market. The agricultural market was affected by excessive rainfall and a lack of sunshine in the spring, as well as episodes of frost, hail, and drought. Groupama got down to work sorting out claims and providing new solutions. In total for the Group, the cost of weather events, net of taxes and reinsurance, was €286 million.

POST-CLOSING EVENTS

Debt refinancing

At the start of January 2017, Groupama launched a swap for all of its deeply subordinated instruments issued in 2007 and a portion of its redeemable subordinated debt instruments issued in 2009 against new subordinated debt instruments with a 10-year maturity.

On 23 January 2017, Groupama thus issued subordinated debt securities with a 10-year maturity to institutional investors for a total of €650 million with an annual coupon of 6.00%. The swap was a big success among institutional investors holding the two instruments, with the swap rate reaching 65% for deeply subordinated instruments issued in 2007 and hitting the 33% limit set by the Group for the subordinated securities issued in 2009.

Institutional investors also showed great interest in the proposed new instrument: the additional bond in euros was met with strong demand, with an order book subscribed nearly 10 times over.

These subordinated bonds are rated BB+ by the rating agency Fitch, just like other Groupama SA subordinated debts.

This operation contributes to the active management of Groupama's capital. It aims to extend the maturity of its debt profile without increasing the size of its debt and to strengthen the group's financial flexibility.

2. COMBINATION PRINCIPLES, METHODS AND SCOPE

2.1. EXPLANATORY NOTE

Groupama SA is a French *société anonyme* (public limited company) nearly wholly owned, directly or indirectly, by the Caisses Régionales d'Assurances et de Réassurances Mutuelles Agricoles and the Caisses Spécialisées ("Specialised Mutuals", regional mutuals), which form the Mutual Insurance Division of Groupama. Groupama SA is domiciled in France. Its registered offices are at 8-10, rue d'Astorg, 75008, Paris, France.

The breakdown of share capital at 31 December 2016 was as follows:

- 92.01% by Groupama Holding;
- 7.96% by Groupama Holding 2;
- 0.03% by the former and current agents and employees of Groupama SA (directly or through collective employee shareholding plans – FCPEs).

Both Groupama Holding and Groupama Holding 2, which are French *sociétés anonymes* (public limited companies), are wholly owned by the regional mutuals.

Groupama SA is a non-life insurance and reinsurance company, the sole reinsurer for the regional mutuals and the holding company for the equity management division of the Groupama Group. Its business activities are:

- to define and implement the operational strategy of the Groupama Group in collaboration with the regional mutuals and in line with the strategies defined by the Fédération Nationale Groupama;
- to reinsure the regional mutuals;
- to direct all subsidiaries;
- to establish the reinsurance programme for the entire Group;
- to manage direct insurance business;
- to prepare the consolidated and combined financial statements.

The consolidated accounts of Groupama SA incorporate the reinsurance ceded by the regional mutuals as well as the business of the subsidiaries.

The combined financial statements relate to the Groupama group and include all local mutuals, regional mutuals, Groupama SA and its subsidiaries.

For its activities, the company is governed by the French Commercial Code and the French Insurance Code and is supervised by the Prudential Control and Resolution Authority.

Relationships among the various entities of the Group are governed by the following:

- within the Groupama SA division, by capital ties. The subsidiaries included in this division are consolidated in the financial statements. Moreover, in exchange for a certain operational autonomy, each of the subsidiaries is subject to the requirements and obligations defined by the Groupama SA environment, particularly in terms of control;
- in the Mutual Insurance Division:
  - by an internal reinsurance agreement that binds the regional mutuals to Groupama SA.
  - by a security and joint liability agreement between all the regional mutuals and Groupama SA ("agreement defining the security and joint solidarity mechanisms of the Caisses de Réassurance Mutuelle Agricole that are members of Fédération Nationale Groupama").

2.2. GENERAL PRESENTATION OF THE COMBINED FINANCIAL STATEMENTS

The combined financial statements at 31 December 2016 were approved by the Board of Directors, which met on 16 March 2017.

For the purposes of preparing the combined financial statements, the financial statements of each combined entity are prepared consistently in accordance with the International Financial Reporting Standards and the interpretations applicable at 31 December 2016 as adopted by the European Union, the principal terms of which are applied by Groupama as described below.

The standards and interpretations with mandatory application for fiscal years opened on or after 1 January 2016 have been applied for the preparation of the Group's financial statements at 31 December 2016. They had no significant effect on the Group's financial statements at 31 December 2016. They are listed below:

- amendment to IAS 19: Employee contributions to defined benefit plans;
- amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation;
- amendments to IFRS 11: Acquisition of a share in a joint venture;
- amendments to IAS 16 and IAS 41: Bearer plants;
- amendment to IAS 1 "Disclosure initiative": Presentation of the financial statements;
- amendments to IFRS 10, IFRS 12, and IAS 28: Investment entities: Consolidated financial statements establishment exemption;
- 2010-2012 cycle of annual standards improvement process;
- 2012-2014 cycle of annual standards improvement process.

The IFRS 9 standard for financial instruments, adopted in November 2016 by the European Union, with an enforcement start date of 1 January 2018, has not been applied early. Work to identify problems in implementing this standard is in progress.

The amendment to IFRS 4, published in September 2016 and not yet adopted by the European Union, notably allows companies whose main business is insurance to defer application of the IFRS 9 standard until 2021. The Group meets the eligibility criteria set forth in the amendment for deferring application of the IFRS 9 standard and has chosen to defer application of IFRS 9 until 2021.

The Group has also not applied the IFRS 15 standard on recognition of revenues in advance. This standard was adopted in October 2016 by the European Union, with an enforcement start date of 1 January 2018. Its application is deemed not to have a significant impact on the Group's combined financial statements.

The IFRS 16 standard for rental agreements, published in January 2016 with an application start date of 1 January 2019, has not yet been adopted by the European Union. The analysis of its potential impact on the Group's combined financial statements is currently in progress.

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

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

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

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

The Group adopted IFRS for the first time for the preparation of the 2005 financial statements.

In the notes, all amounts are stated in millions of euros unless specified otherwise. These amounts are rounded. Rounding differences may exist.

In order to prepare the Group's financial statements in accordance with IFRS, Groupama's management must make assumptions and estimates that have an impact on the amount of assets, liabilities, income, and expenses as well as on the drafting of the related notes.

These estimates and assumptions are reviewed on a regular basis. They are based on past experience and other factors, including future events that can be reasonably expected to occur under the circumstances.

Final future results of operations for which estimates were necessary may prove to be different and may result in an adjustment to the financial statements.

The judgements made by management pursuant to the application of IFRS primarily concern:

- initial valuation and impairment tests performed on intangible assets, particularly goodwill (Notes 3.1.1 and 3.1.2),
- evaluation of underwriting reserves (Note 3.12),
- estimate of certain fair values on unlisted assets or real estate assets (Notes 3.2.1 and 3.2.2),
- estimate of certain fair values of illiquid listed assets (Notes 3.2.1),
- recognition of profit-sharing assets (Note 3.12.2.b) and deferred tax assets (Note 3.13),
- calculation of reserves for contingencies and charges and particularly valuation of employee benefits (Note 3.10).

2.3. CONSOLIDATION PRINCIPLES

2.3.1. Combination and consolidation scope and methods

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

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

- **Combining company**

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

- **Aggregated companies**

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

- **Controlled entities**

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

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

Full consolidation involves:

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

- **Related companies and joint ventures**

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

When the combining company holds, directly or indirectly, 20% or more of the voting rights in an entity, it is assumed to exert significant control, unless it is otherwise demonstrated. Conversely, when the combining company directly or indirectly owns less than 20% of the voting rights of the entity, it is assumed not to exert a significant influence, unless it can be demonstrated that such influence exists.

A joint venture is a partnership in which the parties who exercise joint control over the entity have rights to its net assets.

The combining company has joint control over a partnership when the decisions concerning the relevant activities of the partnership require the unanimous consent of the parties sharing control.

The equity method consists of replacing the carrying amount of the shares held by the Group, the share of shareholders' equity converted at year-end, including the net income for the fiscal year in accordance with consolidation rules.

- **Deconsolidation**

When an entity is in run-off mode (no longer taking new business) and the main aggregates of the balance sheet or the income statement are not significant compared with those of the group, this entity is deconsolidated.

The securities of such entity are then posted on the basis of their equivalent value, under securities held for sale at the time of deconsolidation. Subsequent changes in values are recorded in accordance with the methodology defined for this type of securities.

2.3.2 Changes in scope of combination

Changes in the scope of combination are described in Note 47 of the notes to the financial statements.

2.3.3. Uniformity of accounting principles

The Groupama SA combined financial statements are presented consistently for the entity formed by the companies included within the scope of combination, taking into account the characteristics inherent in consolidation and the financial reporting objectives required for consolidated accounts (predominance of substance over form, elimination of local tax accounting entries).

Restatements under the principles of consistency are made when they are material.

2.3.4. Conversion of financial statements of foreign companies

Balance sheet items are translated to euros (the functional and presentation currency of the Group's financial statements) at the official exchange rate on the balance sheet date, with the exception of shareholders' equity, excluding net income, which is translated at historic rates. The Group share of the resulting unrealised foreign exchange adjustment is recorded under "Unrealised foreign exchange adjustments", and the remaining balance is included in "Non-controlling interests".

Transactions on the income statements are translated at the average rate. The Group share of the difference between income translated at the average rate and income translated at the closing rate is recorded under "Unrealised foreign exchange adjustments", and the remaining balance is included in "Non-controlling interests".

2.3.5 Internal transactions between companies combined by Groupama

All transactions within the Group are eliminated.

When these transactions affect combined income, the elimination of profits and losses as well as capital gains and losses is done at 100% then divided between the interests of the combining company and the non-controlling interests in the company having generated the income. When eliminating losses, the Group ensures that the value of the disposed asset is not changed for the long term. The elimination of impacts of internal transactions involving assets brings them down to their value when they entered the combined balance sheet (consolidated historical cost).

Thus, inter-company transactions on the following must be eliminated:

- reciprocal receivables and payables as well as reciprocal income and expenses;
- notes receivable and notes payable are offset but, if the receivable is discounted, the credit facility granted to the Group is substituted for the note payable;
- transactions affecting commitments received and given;
- inward reinsurance, outward reinsurance and retrocessions;
- co-insurance and co-reinsurance operations and pooled management;
- broker and intermediation transactions;
- contractual sharing of turnover from group policies;
- allocations to reserves for the write-down of equity interests funded by the company holding the securities and, if applicable, allocations to reserves for contingencies and charges recognised because of losses suffered by exclusively controlled companies;
- transactions on forward financial instruments;
- capital gains and losses from internal transfer of insurance investments;
- intra-Group dividends.

3. ACCOUNTING PRINCIPLES AND VALUATION METHODS USED

3.1. INTANGIBLE ASSETS

3.1.1 Goodwill

Goodwill on first-time consolidation corresponds to the difference between the acquisition cost of the securities of consolidated companies and the Group's share in restated shareholders' equity at the acquisition date. When not assigned to identifiable items on the balance sheet, goodwill is recorded on the balance sheet in a special asset item as an intangible asset.

Residual goodwill results from the price paid above the Group's share in the fair value of the identifiable assets and liabilities of the acquired company at the acquisition date, revalued for any intangible assets identified in the acquisition accounting according to revised IFRS 3 (fair value of assets and liabilities acquired). The price paid is the best possible estimate of the price supplements (earn-outs, payment deferrals, etc.).

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

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

For business combinations completed on or after 1 January 2010, the costs directly attributable to the acquisition are recorded in expenses when they are incurred.

For each acquisition, a decision is made whether to value non-controlling interests at fair value or for their share of the identifiable net assets of the acquired company.

The subsequent acquisition of non-controlling interests does not result in the creation of additional goodwill.

Operations for the acquisition and disposal of non-controlling interests in a controlled company that have no impact on the control exercised over that company are recorded in the Group's shareholders' equity.

Goodwill is allocated to the cash-generating units (CGU) of the acquiring company and/or the acquired company that are expected to take advantage of the business combination. A CGU is defined as the smallest group of assets that produces cash flows independently of other assets or groups of assets. With management units, management tools, geographic regions or major business lines, a CGU is created by combining entities of the same level.

Goodwill resulting from the acquisition of a foreign entity outside the eurozone is recorded in the local currency of the acquired entity and translated to euros at the closing rate. Subsequent foreign exchange fluctuations are posted to foreign exchange translation reserves.

For entities acquired during the fiscal year, the Group has twelve months from the acquisition date to assign a final value to the acquired assets and liabilities.

In a business combination achieved in stages, the previously acquired stake in control is revalued at fair value, and the resulting adjustment is recorded through income.

Residual goodwill is not amortised, but is subject to an impairment test at least once a year on the same date. The Group reviews the goodwill's book value in case of an unfavourable event occurring between two annual tests. Impairment is recorded when the recoverable amount of the cash generating unit to which the goodwill is allocated is less than its net book value. Recoverable value is defined as fair value less cost of sales, or value in use, whichever is higher.

Fair value, less sales costs, is computed as follows, in accordance with the recommendations of IAS 36 (§25 to 27):

- the sales price shown in a final sales agreement;
- the market value less selling costs if there is an active market;
- otherwise, the best possible information, with reference to comparable transactions.

Value in use corresponds to the current expected value of future cash flows to be generated by the cash generation unit.

Goodwill, recorded at the initial business combination, the value of which is not material or requires disproportionate valuation work in relation to its value, is immediately expensed in the year.

An impairment of goodwill recognised during a previous fiscal year may not be subsequently written back.

If the acquirer's interest in the net fair value of the identifiable assets, liabilities and reserves exceeds the acquisition cost of the company's shares, the identification and valuation of the assets, liabilities and reserves and the valuation of the cost of the combination is reassessed. If, after this revaluation, the share acquired remains greater than the acquisition cost, this excess is immediately recognised in income.

If control of an entity is taken over, a sale option may be granted to holders of non-controlling interests. The option to sell results in the Group's obligation to buy the securities held by the minority holder at a specified strike price and at a future date (or period of time) if the minority holder exercises its right. This obligation is reflected in the financial statements by a debt valued at the strike price of this discounted right.

The offset of this debt, equal to the price of the option (value of the share), is recognised in goodwill for put options granted before 1 January 2010 or as a reduction of non-controlling interests and/or shareholders' equity for put options contracted subsequent to this date.

3.1.2 Other intangible assets

Intangible assets are identifiable assets, controlled by the entity because of past events and from which future economic benefits are expected for the entity.

They primarily include values in force and investment contracts, customer relations values and network values and brands, determined during business combinations, as well as software acquired and developed.

Amortisable intangible insurance assets (specifically including values in force and investment contracts, the value of customer relations and the value of the networks) are depreciated as margins are discharged over the lifetime of the policy portfolios. A recoverability test is performed each year, based on experience and anticipated changes in major assumptions, and may result in impairment.

Software acquired and developed has a finite lifetime and is generally amortised on a straight-line basis over that lifetime.

Other intangible assets that do not have a finite lifetime are not amortised but do routinely undergo an impairment.

Start-up costs are expensed rather than capitalised.

3.2 INSURANCE BUSINESS INVESTMENTS

Investments and any impairment thereon are valued in accordance with IFRS based on the asset class of the investments.

3.2.1. Financial assets

Equities, bonds, loans and receivables, derivatives and bank accounts are considered financial assets.

➢ Classification

Financial assets are classified in one of the following four categories:

- There are two types of assets at fair value through income:

  - ❖ Investments held for trading, which are investments for which the management intention is to generate income in the short term. If there have been short-term sales in the past, such assets may also be classified in this category,

  - ❖ Financial assets designated as optional (held for trading or fair value option), provided they comply with the following criteria:

    - asset/liability matching to avoid any accounting mismatch;

    - hybrid instruments including one or more embedded derivatives;

    - group of financial assets and/or liabilities that are managed and the income of which is valued at fair value.

- Assets held to maturity include fixed-term investments that the Company expressly intends, and is able, to hold until maturity. The Group does not use this category, with the exception of certain perfectly backed portfolios that meet the criteria defined above.

- The category of loans and receivables includes assets with a defined payment or a payment that can be defined, which are not listed for trading on an active market.

- Available-for-sale assets (stated at fair value via shareholders' equity) include by default all other fixed-term financial investments, equities, loans and receivables that are not included in the other categories.

➢ Reclassifications

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

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

- the category of investments held to maturity when the intent or capacity of the company changes or when the entity no longer has a reliable assessment of fair value;

- the category of loans and receivables when the financial asset meets the definition of loans and receivables on the date of the reclassification and when the entity has the intent and the capacity to hold the financial asset for the foreseeable future or until its maturity.

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

➢ Initial recognition

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

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

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

Repurchase transactions are maintained as assets on the balance sheet.

- **Fair value valuation methods**

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

The fair value of a financial instrument corresponds to its listed stock price on an active market. When the market for this financial instrument is not active, its fair value is measured by valuation techniques using observable market data when available or, when not available, by resorting to assumptions that imply some judgement.

Pursuant to the amendment to IFRS 7 issued by the IASB in March 2009 and IFRS 13, financial instruments (assets and liabilities) valued at fair value are classified according to a three-level hierarchy. These levels depend on whether a valuation model is used and the data sources used to populate the valuation models:

- level 1 corresponds to a price listed in an active market to which the entity may have access on the valuation date,
- level 2 corresponds to the fair value determined on the basis of a valuation model using data directly observable on an active market or data that can be determined from prices observed,
- level 3 corresponds to the fair value determined on the basis of a valuation model using data not observable on a market.

Valuation techniques include the use of recent transactions under conditions of normal competition between informed and consenting parties, if available, reference to the current fair value of another instrument identical in substance, analysis of discounted cash flows, and option valuation models.

- **Valuation rules**

The valuation rules and any impairment must be understood as depending on the classification of the financial instrument in one of the four categories given above.

Assets held for trading and those for which the option to include them in this category has been applied are recorded on the income statement at the closing fair value.

Financial assets held to maturity, unlisted equities for which the fair value cannot be valued reliably, and loans and receivables are recorded at amortised cost or historic cost. The amortised cost is the amount at which the asset was valued at the time of initial recognition, minus repayments of principal, plus or minus the cumulative amortisation of the differences between the initial amount and the amount at maturity (based on the effective interest rate) and corrected for any reserves for impairment.

The differences between the redemption value and the acquisition price are distributed actuarially as expenses (agio) or as income (discount) over the residual life of the securities. When several redemption dates are provided, the residual life is determined on the basis of the final redemption date.

Available-for-sale assets are valued at their fair value, and unrealised capital gains or losses are recorded in a separate line of shareholders' equity.

Investments representing unit-linked policies are valued at fair value through income, as an option.

- **Reserves for impairment**

At each closing date, the Group looks for the existence of objective presumptions of impairment in its investments.

Debt instruments classified as available-for-sale assets

For debt instruments classified as available-for-sale assets, a loss of value is recognised through income in the event of a proven counterparty risk.

Impairments recognised on debt instruments are written back through income in the event of reduction or disappearance of the counterparty risk.

Equity instruments classified as available-for-sale assets

For equity instruments classified as available-for-sale assets, the Group has taken into account the clarifications made by the IFRS interpretations committee (IFRIC) in its July 2009 update on the notion of significant or prolonged decrease in paragraph 61 of IAS 39.

At 31 December 2016, there is objective evidence of impairment in the following cases:

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

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

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

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

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

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

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

Investments valued at amortised cost

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

➢ **Derecognition**

Financial assets are derecognised when the contractual risks expire or the Group transfers the financial asset.

Gains or losses on the sale of financial investments are determined using the FIFO method, with the exception of securities carried by mutual funds. The method used for mutual funds is the weighted average cost method.

Gains and losses from divestment are recorded on the income statement on the date of realisation and represent the difference between the sale price and the net book value of the asset.

3.2.2. Investment property

The Group has chosen to recognise investment property using the cost method. It is valued using the component approach.

➢ Initial recognition

Land and buildings appear on the balance sheet at their acquisition cost. The value of the property includes significant transaction costs directly attributable to the transaction, except in the specific case of investment property representing unit-linked commitments that may be posted, by discretion, to income at fair value.

When a real estate asset includes a portion held to produce rental income and another part used for production or administrative purposes, the asset is treated as investment property only if the latter is immaterial.

At the time of the initial recognition, property is subdivided by components and recorded separately.

The impairment periods applied by the Group for each component depend on the nature of the property under consideration and are as follows:

- building shell (impairment period between 30 and 120 years),
- wind and water tight facilities (impairment period between 30 and 35 years),
- heavy equipment (impairment period between 20 and 25 years),
- secondary equipment, fixtures and fittings (impairment period between 10 and 15 years),
- maintenance (impairment period: 5 years).

➢ Valuation

The cost of the property is the amount at which the property has been recorded at the time of initial recognition, minus cumulative amortisation and corrected for any reserves for impairment. The acquisition cost of the property is dependent either on an outright acquisition, or on the acquisition of a company that owns the property. In the latter case, the cost of the property is equal to its fair value on the date of acquisition of the owner company.

Each component is identified by its duration and depreciation rate.

The residual value of the shell component cannot be valued with sufficient reliability, particularly given the uncertainties about the holding horizon; thus this component is amortised on the basis of the acquisition cost.

Rent payments are recorded using the straight-line method over the term of the lease agreement.

The realisable value of investment properties is determined on the basis of the five-year independent appraisal conducted by an expert approved by domestic regulators (The French Prudential Control and Resolution Authority). During each five-year period, the real estate is subject to an annual appraisal certified by the expert.

➢ Subsequent expenditure

Subsequent expenditure must be added to the book value of the property:

- if it is probable that these expenses will allow the asset to generate economic benefits,
- and these expenses can be reliably valued.

- **Reserves for impairment**

On each closing date of its financial statements, the Group determines whether there is evidence of potential loss of value on property recorded at amortised cost. If this is the case, the realisable value of the property is calculated as being the higher of two values: the sale price net of sale costs and the value in use. If the realisable value is less than the net book value, the Group recognises a loss of value in income for the difference between the two values, and the net book value is discounted to reflect only the realisable value.

When the value of the property increases at a later time, the reserve for impairment is written back through income.

- **Derecognition**

Gains or losses from the disposal of property investments are booked in the income statement on the date of realisation and represent the difference between the net sale price and the net book value of the asset.

3.3. DERIVATIVES

3.3.1. General information

A derivative is a financial instrument with the following three features:

- its value fluctuates on the basis of the change in a specific variable known as the "underlying asset",
- it requires a zero or low initial net investment compared with other instruments that react in the same way to market changes,
- it is settled at a future date.

All derivatives are recorded on the balance sheet at their fair value on the original date and during their subsequent revaluation. Changes in fair value are posted to income except for derivatives designated as cash flow hedges and net foreign investments.

3.3.2. Hedging derivatives

The use of hedge accounting is subject to obligations regarding documentation and periodic demonstration of the efficacy of the hedge.

Hedging derivatives are recorded at fair value with changes in the income statement, except for cash flow hedges and hedges of net foreign investments considered as effective, for which the changes in fair value are deferred into equity until the cash flows hedges are recognised in the income statement or when the foreign subsidiary is sold.

For a fair value hedge of an available-for-sale asset, the changes in fair value of the hedged item are recognised in income or loss so that they exactly offset the changes in the hedging derivative.

The ineffective portion of hedges is recognised in the income statement.

3.3.3. Embedded derivatives

Embedded derivatives are components of compound financial instruments that meet the definition of a derivative product.

They are separate from the host contract and recognised as derivatives when the following three conditions are met:

- the economic features and the risks of the embedded derivative are not closely linked to the economic features and risks of the host contract;
- a separate instrument containing the same conditions as the embedded derivative meets the definition of a derivative;
- the hybrid instrument is not valued at fair value with recognition of the changes in the fair value through the income statement.

When one of these conditions is not met, there is no separation.

3.4. INVESTMENTS IN RELATED COMPANIES AND JOINT VENTURES

Investments in associates and joint ventures are consolidated using the equity method. At the time of acquisition, the investment is recorded at the acquisition cost and its net book value is subsequently raised or reduced to take into account particularly the income or losses as well as the change in fair value of financial assets in proportion to the investor's stake.

3.5 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED ACTIVITIES

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

Non-current assets (or a group intended to be sold) classified as held for sale are valued at the lower value between the net book value and the fair value minus transfer costs. In case of an unrealised capital loss, impairment is recorded in income. In addition, non-current assets cease to be depreciated once they are reclassified as held-for-sale assets.

A discontinued activity is any component from which the entity is separated or that is classified as held for sale and is in one of the following situations:

- it constitutes a line of business or a major, separate geographical area; or
- it is part of a single, coordinated plan for divestment of a line of business or a major, separate geographical area; or
- it is a subsidiary acquired exclusively in order to be sold.

The following are presented on a particular line of the income statement:

- net income after taxes from discontinued activities until the transfer date;
- profit or loss after taxes resulting from the divestment and measurement at fair value less the costs of the sale of the assets and liabilities constituting the discontinued activities.

3.6 PROPERTY, PLANT AND EQUIPMENT

The Group has chosen to value operating property using the cost method. This property is presented on a line separate from Investment property as assets. The recognition and valuation method is identical to the method described for investment property.

Property, plant and equipment other than operating property are initially recorded at acquisition cost, which consists of the purchase price, customs duties, discounts and rebates, direct costs necessary for installation and payment discounts.

The depreciation methods reflect the method of economic consumption.

An impairment test is conducted once there is an indication of a loss of value. The loss of value is reversible and corresponds to the surplus between the book value over the realisable value, which is the higher of net fair value of withdrawal costs and the value in use.

3.7 Operating receivables and payables, other assets and other liabilities

Operating receivables and other assets are recorded at face value, taking into account any transaction costs.

Operating payables and other liabilities are recorded at the fair value of the consideration received in exchange at the origin of the contract, net of transaction costs.

Moreover, non-controlling interests in fully consolidated mutual funds are included in other liabilities. Under IAS 32, a financial instrument that gives the holder the right to return it to the issuer in exchange for cash is a financial liability. The change in this liability is recognised through the income statement.

3.8 Cash and cash equivalents

Cash corresponds to available cash.

Cash equivalents are short-term liquid investments, easily convertible into a known amount of cash and subject to an insignificant risk of changes in value.

3.9 Shareholders' equity

- **Revaluation reserves**

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

- the effects of the revaluation of derivatives assigned to cash flow hedges and net investments in currencies pursuant to IAS 21;
- the effects of the revaluation of available-for-sale financial assets in accordance with the provisions of IAS 39. These are unrealised gains and losses,
- the cumulative impact of the gain or loss from shadow accounting of available-for-sale financial assets,
- the cumulative impact of the deferred tax gain or loss generated by the transactions described above.

- **Other reserves**

Other reserves consist of the following items:

- Retained earnings,
- Group consolidation reserves,
- Other regulated reserves,
- The impact of changes in accounting methods,
- Equity instruments akin to deeply super-subordinated instruments (TSS) or perpetual subordinated bonds (TSDI) whose features allow recognition in shareholders' equity. Compensation for these securities is treated like a dividend on shareholders' equity.

- **Foreign exchange adjustments**

Foreign exchange adjustments result from the consolidation process owing to the translation of statutory financial statements of foreign subsidiaries prepared in a currency other than the euro.

- **Non-controlling interests**

Non-controlling interests represent the share in the net assets and net income of a fully consolidated Group company. This share represents the interests that are not held directly by the parent company or indirectly through subsidiaries (concerning non-controlling interests relating to consolidated mutual funds and the purchase of non-controlling interests, refer to paragraphs 3.7 and 3.11).

3.10 RESERVES FOR CONTINGENCIES AND CHARGES

Reserves for contingencies and charges are liabilities for which the due date or the amount is uncertain. A reserve must be recognised if the following three conditions are met:

- the Company has a current legal or implicit obligation that is the result of a past event,
- it is probable that an outflow of resources representing economic benefits will be necessary to discharge the obligation,
- it is possible to obtain a reliable estimate of the amount of the reserve.

When the impact of the time value of the money is substantial, the amount of the reserves is discounted to the present value of the expected expenditures, which the company believes necessary to discharge the obligation.

➢ **Personnel benefits**

- **Pension commitment**

The Group's companies have different retirement schemes. The schemes are generally financed by contributions paid to insurance companies or other funds, which are administered and valued on the basis of periodic actuarial calculations. The Group has defined-benefit schemes and defined-contribution schemes. A defined-contribution scheme is a retirement scheme under which the Group pays fixed contributions to an independent entity. In this case, the Group is not bound by any legal or implied obligation forcing it to top up the scheme in the event that the assets are not sufficient to pay, to all employees, the benefits due for services rendered during the current fiscal year and previous fiscal years. Pension schemes that are not defined contribution schemes are defined benefit schemes. This is the case, for example, for a scheme that defines the amount of the pension benefit that will be collected by an employee at retirement, which is generally a function of one or more factors, such as age, seniority and salary.

The liabilities recorded in the balance sheet for defined-benefit schemes and similar schemes correspond to the discounted value of the obligation linked to the defined-benefit schemes at closing, after deducting the closing fair value of the scheme assets.

The actuarial gains and losses resulting from experience-based adjustments and modifications in the actuarial assumptions are recognised directly in equity.

The costs of past services are immediately recognised in income, regardless of whether the rights are ultimately acquired in the event of a change of pension scheme.

With regard to defined-contribution schemes, the Group pays contributions to retirement insurance schemes and is not bound by any other payment commitment. The contributions are booked as expenses related to personnel benefits when they are due. The contributions paid in advance are recorded as assets to the extent that the advance payment results in a reduction of future payments or a cash reimbursement.

3.11 FINANCIAL DEBT

Financial debt includes subordinated liabilities, financial debt represented by securities, and financial debt to banking institutions.

In the absence of a specific IFRIC interpretation, commitments to purchase non-controlling interests are recorded in financial debt at current fair value (strike price of the option). The cross-entry of these debts is recognised either in goodwill for put options granted before 1 January 2010 or as a reduction in shareholders' equity for put options contracted subsequent to this date.

➢ **Initial recognition**

Financial debt is recognised when the Group becomes party to the contractual provisions of this debt. The amount of the financial debt is then equal to the fair value, adjusted if necessary for the transaction costs directly chargeable to the acquisition or issue of such debt.

➢ **Valuation rules**

Financial debt is subsequently valued at amortised cost using the effective interest rate method.

➢ **Derecognition**

Financial debt is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

3.12 TECHNICAL OPERATIONS

3.12.1. Classification and method of recognition

There are two categories of contract issued by the Group's insurance companies:

- insurance contracts and financial contracts with discretionary profit-sharing, which are governed by IFRS 4;
- financial contracts without discretionary profit sharing, which are governed by IAS 39.

➢ **Insurance policies**

An insurance policy is a contract according to which one party (the insurer) accepts a significant insurance risk of another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. An insurance risk is a risk, other than a financial risk, transferred from the policyholder to the issuer. This risk is significant when an insured event may require an insurer to pay significant additional benefits whatever the scenario, with the exception of scenarios that lack business significance.

The existing accounting practices for insurance policies subject to IFRS 4 continue to be maintained, with the exception of the equalisation reserves as defined by IFRS 4 which have been annulled, provided that the reserves thus established meet the solvency tests stipulated by international standards (see paragraph 3.12.2.c).

➢ **Financial contracts**

Contracts that do not meet the definition of insurance policy as described above are classified as financial contracts. Financial contracts are broken down into two categories: financial contracts with and without discretionary profit sharing.

A discretionary profit-sharing clause is defined as the contractual right held by a subscriber to receive an additional payment or another benefit, the amount or maturity of which is fully or partially at the discretion of the insurer and the valuation of which is based either on the performance of a set of contracts or a determined contract, either on the income or loss of the insurer, a fund, or any other entities having issued the contract or on realised and/or unrealised investment returns of a portfolio of specified assets held by the issuer.

The accounting methods for financial contracts with discretionary profit sharing are identical to the methods for insurance policies described above. Financial contracts without discretionary profit sharing are treated using the valuation procedures described in paragraph 3.12.3.

3.12.2 Insurance policies under IFRS 4

a. Non-life insurance policies

- **Premiums**

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

Premiums written and adjusted for the change in reserves for unearned premiums (which are defined below) constitute earned premiums.

- **Insurance policy servicing expenses**

Non-life insurance policy servicing expenses mainly include benefits and expenses paid and the change in reserves for claims and other underwriting reserves.

Benefits and expenses paid relate to the claims settled net of claims receivable collected for the fiscal year and the periodic payment of annuities. They also include the fees and commissions for the management of claims and payment for services.

- **Technical liabilities related to non-life insurance policies**

  - **Reserves for unearned premiums**

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

  - **Reserves for unexpired risks**

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

  - **Outstanding claims reserves**

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

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

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

  - **Other underwriting reserves**

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

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

- **Deferred acquisition costs**

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

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

➢ Premiums

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

➢ Insurance policy servicing expenses

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

- all claims once they have been paid to the beneficiary,
- technical interest and profit sharing that may be included in those claims,
- all costs incurred by the insurance company for the management and payment of claims.

They also include the profit sharing and the change in life insurance reserves and other underwriting reserves.

➢ Technical liabilities related to life insurance policies and financial contracts with discretionary profit sharing

❖ Actuarial reserves

Actuarial reserves represent the difference between the present values of the commitments made by the insurer and the policyholders respectively, taking into account the probability that these commitments will be realised. Actuarial reserves are recognised as liabilities on the balance sheet at their gross underwriting value, before reinsurance and deferred acquisition costs.

No reserve for financial contingencies is recorded when the actuarial reserves have been funded on the basis of discount rates at most equal to the forecast yield rates, prudently estimated, of the assets assigned to represent them.

❖ Profit-sharing reserve

The profit-sharing reserve consists of a reserve for profit-sharing payable and potentially as a reserve for deferred profit sharing.

The reserve for payable profit sharing includes the identifiable amounts, from regulatory or contractual obligations, intended for the policyholders or beneficiaries of contracts in the form of profit sharing and rebates, to the extent that these amounts have not been credited to the policyholder's account or included in "Life underwriting reserves".

The reserve for deferred profit sharing includes:

- the reserve for unconditional profit sharing, which is recognised when a difference is recorded between the bases for calculating future rights in the individual company accounts and the consolidated accounts;
- the reserve for conditional profit-sharing, which relates to the difference in liabilities between the individual company and the consolidated accounts, the payment of which depends on a management decision or the occurrence of an event.

In the particular case of restatement in the consolidated accounts of the capitalisation reserve, a reserve for deferred profit sharing is determined when the Asset/Liability Management assumptions demonstrate a probable permanent write-back of the total capitalisation reserve. The Group recognised no deferred profit sharing on the restatement of the capitalisation reserve.

❖ Application of shadow accounting

For participatory contracts, the Group has decided to apply shadow accounting, which is intended to pass on to the value of insurance liabilities, deferred acquisition costs and the intangible assets related to insurance policies, the effects of taking into account the unrealised gains and losses on financial assets valued at fair value. Deferred profit sharing is recognised through the revaluation reserve or the income statement, depending on whether these gains and losses have been recognised in the reserve or in the income statement.

Shadow accounting is applied on the basis of a profit-sharing rate that is estimated and applied to unrealised gains and losses. This rate is obtained by applying the regulatory and contractual conditions for calculating profit sharing observed in the past three years.

In case of an overall unrealised capital loss of the entity's asset portfolio, the Group records a deferred profit-sharing asset limited to the fraction of deferred profit sharing actually recoverable. A recoverability test based on the projected future performance of insurance portfolios is carried out. This test specifically includes unrealised capital gains on assets posted at amortised cost.

❖ Other underwriting reserves

Overall management expenses reserve

The management expenses reserve is established for all future contract management expenses not covered by mark-ups on premiums or by deductions on investment income provided for by them. This approach is carried out according to the grid of departmental categories.

➢ Deferred acquisition costs

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

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

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

c. Liabilities adequacy test

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

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

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

d. Unit-linked policies under IFRS 4

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

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

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

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

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

3.12.3. Financial contracts under IAS 39

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

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

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

3.12.4. Reinsurance operations

- **Inward reinsurance**

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

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

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

- **Outward reinsurance**

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

3.13 TAXES

Corporate income tax includes all current and deferred taxes. When a tax is payable or receivable and payment is not subject to the execution of future transactions, such tax is classified as current, even if the payment is spread over several fiscal years. It appears as an asset or liability on the balance sheet as applicable.

Operations carried out by the Group may have positive or negative tax consequences other than those taken into consideration for calculating the payable tax. The result is tax assets or liabilities classified as deferred.

This is particularly the case when, because of completed transactions that are posted in either the individual company statements or only in the consolidated accounts as restatements and eliminations of inter-company income or losses, differences will appear in the future between the tax income and the accounting income of the Company, or between the tax value and the book value of an asset or liability, for example when transactions performed during a fiscal year are taxable only in the following fiscal year. These differences are classified as timing differences.

All deferred tax liabilities must be recognised; however, deferred tax assets are only recognised if it is likely that taxable income (against which these deductible timing differences can be charged) will be available.

All deferred tax liabilities are recognised. Deferred tax assets are recognised when their recovery is considered as “more probable than improbable”, i.e., if it is likely that sufficient taxable income will be available in the future to offset the deductible timing differences. In general, a 3-year horizon is considered to be a reasonable period to assess whether the entity can recover the capitalised deferred tax. However, an impairment charge is booked against the deferred tax assets if their recoverability appears doubtful.

Deferred tax assets and liabilities are computed on the basis of tax rates (and tax regulations), which have been adopted at the balance sheet date.

Deferred tax assets and liabilities are not discounted to present value.

3.14 SEGMENT REPORTING

A business segment is a component of an entity whose operating profits are regularly examined by the Group’s principal operational decision-makers in order to assess the segment’s performance and decide on the resources to allocate to it.

The Group is organised into three operational segments: insurance in France, international insurance, and banking and financial businesses. The banking and financial activity segment, which is also the subject of specific notes (Notes 9.1, 9.2, and 33.3), has been grouped with the insurance segment in France in order to create an overall operational segment entitled France.

The various activities of each segment are as follows:

- **Life and health insurance.** The life and health insurance business covers the traditional life insurance business as well as personal injury (largely health risks, disability and long-term care);

- **Property and casualty insurance.** Property and casualty insurance covers, by default, all the Group's other insurance businesses.

- **Banking and finance business.** The banking and finance business relates to distribution of banking products, including fund management activities, real estate management, private equity and employee savings;

- **Holding company activity.** This mainly comprises income and expenses arising from managing the Group and holding the shares of the companies included in the Groupama SA scope of consolidation.

3.15 COSTS BY CATEGORY

Management fees and commissions related to insurance business are classified on the basis of their function by applying allocation keys defined as a function of the structure and organisation of each of the insurance entities.
Expenses are classified into the following six purposes:

- acquisition costs,
- administrative costs,
- claims settlement costs,
- investment expenses,
- other technical expenses,
- non-technical expenses.

4. NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SEGMENT REPORTING

NOTE 1.1 – SEGMENT REPORTING BY OPERATING SEGMENT

NOTE 1.1.1 – SEGMENT REPORTING BY OPERATING SEGMENT – BALANCE SHEET

In millions of euros	31.12.2016			31.12.2015		
	France	International	Total	France	International	Total
Intangible assets	883	1,406	2,289	875	1,612	2,487
Insurance business investments	78,740	7,506	86,245	76,738	7,138	83,876
Funds used in banking sector activities and investments of other activities	96		96	4,262		4,262
Investments in related companies and joint ventures	934	162	1,096	805	189	994
Share of outward reinsurers and retrocessionnaires in liabilities relating to insurance policies and financial contracts	1,056	145	1,201	7,917	173	8,090
Other assets	5,164	827	5,991	5,294	842	6,136
Assets for sale and discontinued business activities		94	94			
Cash and cash equivalents	968	106	1,074	1,274	176	1,451
Consolidated total assets	**87,839**	**10,246**	**98,085**	**97,165**	**10,130**	**107,295**
Reserves for contingencies and charges	612	83	695	558	84	642
Financing debt	764		764	767		767
Technical liabilities relating to insurance policies	53,810	4,940	58,750	51,773	5,146	56,919
Technical liabilities relating to financial contracts	12,546	2,073	14,619	14,312	1,734	16,046
Deferred profit-sharing liabilities	5,365	152	5,517	4,806	175	4,980
Resources from banking sector activities	8		8	3,906		3,906
Other liabilities	8,669	286	8,955	15,487	317	15,805
Liabilities of business activities to be sold or discontinued		7	7			
Total consolidated liabilities excluding shareholders' equity	**81,774**	**7,542**	**89,315**	**91,608**	**7,456**	**99,064**

NOTE 1.1.2 – SEGMENT REPORTING BY OPERATING SEGMENT – INCOME STATEMENT

In millions of euros	31.12.2016			31.12.2015		
	France	International	Total	France	International	Total
Earned premiums	10,884	2,521	13,405	10,786	2,677	13,463
Net banking income, net of cost of risk	136		136	195		195
Investment income	2,156	244	2,399	2,240	261	2,500
Investment expenses	(839)	(51)	(890)	(772)	(53)	(824)
Capital gains or losses from disposal of investments net of impairment and depreciation write-backs	549	26	575	621	42	663
Change in fair value of financial instruments recorded at fair value through income	311	18	329	339	9	348
Change in impairment on investments	(40)	(1)	(42)	(6)		(6)
Total income from ordinary business activities	**13,157**	**2,757**	**15,914**	**13,404**	**2,936**	**16,339**
Insurance policy servicing expenses	(10,016)	(1,912)	(11,928)	(9,894)	(2,146)	(12,040)
Income from outward reinsurance	370	44	413	528	52	580
Expenses on outward reinsurance	(383)	(166)	(548)	(743)	(163)	(906)
Banking operating expenses	(100)		(100)	(179)		(179)
Policy acquisition costs	(1,405)	(414)	(1,820)	(1,405)	(421)	(1,826)
Administration costs	(356)	(169)	(525)	(337)	(164)	(501)
Other current operating income and expenses	(737)	(57)	(794)	(775)	(53)	(828)
CURRENT OPERATING INCOME	**531**	**82**	**613**	**597**	**41**	**639**
Other operating income and expenses	(58)	(108)	(167)	(64)	(24)	(88)
OPERATING INCOME	**472**	**(26)**	**446**	**533**	**18**	**551**
Financing expenses	(62)	(1)	(63)	(64)		(64)
Share in income of related companies	(5)	8	3	(41)	(1)	(42)
Corporate income tax	(92)	(15)	(106)	(37)	(40)	(77)
NET INCOME FROM CONTINUING BUSINESS ACTIVITIES	**313**	**(34)**	**279**	**391**	**(23)**	**368**
Net income from business activities discontinued or to be discontinued	36	7	43			
OVERALL NET INCOME	**349**	**(26)**	**323**	**391**	**(23)**	**368**
of which non-controlling interests	1			1	(1)	
OF WHICH NET INCOME (GROUP SHARE)	**348**	**(26)**	**322**	**390**	**(22)**	**368**

NOTE 1.2 – SEGMENT REPORTING BY BUSINESS

NOTE 1.2.1 – SEGMENT REPORTING BY BUSINESS – BALANCE SHEET

In millions of euros	31.12.2016				31.12.2015			
	Insurance	Banking	Inter-segment eliminations	Total	Insurance	Banking	Inter-segment eliminations	Total
Goodwill	1,965	20		1,985	2,152	20		2,172
Other intangible assets	295	9		303	309	5		314
Insurance business investments	89,354	4	(3,113)	86,245	86,516	6	(2,646)	83,876
Funds used in banking sector activities and investments of other activities		96		96		4,303	(40)	4,262
Investments in related companies and joint ventures	856	240		1,096	994			994
Share of outward reinsurers and retrocessionnaires in liabilities relating to insurance policies and financial contracts	5,563		(4,361)	1,201	12,054		(3,965)	8,090
Other assets	7,068	46	(1,124)	5,991	6,796	211	(871)	6,136
Assets for sale and discontinued business activities	94			94				
Cash and cash equivalents	1,066	7		1,074	1,451	5	(5)	1,451
Consolidated total assets	**106,261**	**422**	**(8,598)**	**98,085**	**110,272**	**4,550**	**(7,527)**	**107,295**
Reserves for contingencies and charges	691	4		695	621	21		642
Financing debt	3,146		(2,382)	764	2,652	27	(1,912)	767
Technical liabilities relating to insurance policies	63,118		(4,368)	58,750	60,893		(3,974)	56,919
Technical liabilities relating to financial contracts	14,619			14,619	16,046			16,046
Deferred profit-sharing liabilities	5,517			5,517	4,980			4,980
Resources from banking sector activities		8		8		3,939	(34)	3,906
Other liabilities	10,732	71	(1,848)	8,955	17,230	182	(1,607)	15,805
Liabilities of business activities to be sold or discontinued	7			7				
Total consolidated liabilities excluding shareholders' equity	**97,830**	**83**	**(8,598)**	**89,315**	**102,422**	**4,169**	**(7,527)**	**99,064**

Note 1.2.2 – Segment reporting by business – Income statement

In millions of euros	31.12.2016									
	France					International				Total
	Property and casualty insurance	Life and health insurance	Banking	Holding	Total	Property and casualty insurance	Life and health insurance	Holding	Total	
Earned premiums	**5,459**	**5,425**			**10,884**	**1,655**	**866**		**2,521**	**13,405**
Net banking income, net of cost of risk			**136**		**136**					**136**
Investment income	244	1,910		1	2,156	108	132	3	244	2,399
Investment expenses	(82)	(750)		(7)	(839)	(36)	(15)		(51)	(890)
Capital gains or losses from disposal of investments net of impairment and depreciation write-backs	110	423		16	549	19	7		26	575
Change in fair value of financial instruments recorded at fair value through income	3	327		(19)	311	4	14		18	329
Change in impairment on investments	(1)	(37)		(2)	(40)	(1)			(1)	(42)
Total income from ordinary business activities	**5,733**	**7,299**	**136**	**(11)**	**13,157**	**1,750**	**1,004**	**3**	**2,757**	**15,914**
Insurance policy servicing expenses	(4,137)	(5,879)			(10,016)	(1,115)	(797)		(1,912)	(11,928)
Income from outward reinsurance	302	68			370	39	5		44	413
Expenses on outward reinsurance	(325)	(58)			(383)	(159)	(7)		(166)	(548)
Banking operating expenses			(100)		(100)					(100)
Policy acquisition costs	(880)	(526)			(1,405)	(312)	(102)		(414)	(1,820)
Administration costs	(242)	(114)			(356)	(113)	(55)		(169)	(525)
Other current operating income and expenses	(305)	(333)	3	(101)	(737)	(48)	(6)	(2)	(57)	(794)
CURRENT OPERATING INCOME	**145**	**458**	**39**	**(112)**	**531**	**41**	**41**	**1**	**82**	**613**
Other operating income and expenses	(28)	(8)		(22)	(58)	(62)	(45)	(1)	(108)	(167)
OPERATING INCOME	**116**	**450**	**39**	**(134)**	**472**	**(21)**	**(4)**	**(1)**	**(26)**	**446**
Financing expenses	(2)	(1)		(59)	(62)			(1)	(1)	(63)
Share in income of related companies	(4)	2	(4)		(5)	8		1	8	3
Corporate income tax	(41)	(162)	(12)	124	(92)	(12)	(3)		(15)	(106)
NET INCOME FROM CONTINUING BUSINESS ACTIVITIES	**69**	**289**	**23**	**(69)**	**313**	**(25)**	**(7)**	**(1)**	**(34)**	**279**
Net income from business activities discontinued or to be discontinued		49		(13)	36	7			7	43
TOTAL NET INCOME	**69**	**339**	**23**	**(83)**	**349**	**(18)**	**(7)**	**(1)**	**(26)**	**323**
of which non-controlling interests		1			1					
OF WHICH NET INCOME (GROUP SHARE)	**69**	**338**	**23**	**(82)**	**348**	**(18)**	**(7)**	**(1)**	**(26)**	**322**

In millions of euros	31.12.2015									
	France					International				Total
	Property and casualty insurance	Life and health insurance	Banking	Holding	Total	Property and casualty insurance	Life and health insurance	Holding	Total	
Earned premiums	**5,429**	**5,358**			**10,786**	**1,703**	**973**		**2,677**	**13,463**
Net banking income, net of cost of risk			**195**		**195**					**195**
Investment income	255	1,994		(9)	2,240	120	138	3	261	2,500
Investment expenses	(83)	(679)		(11)	(772)	(36)	(15)	(2)	(53)	(824)
Capital gains or losses from disposal of investments net of impairment and depreciation write-backs	96	447		77	621	31	11		42	663
Change in fair value of financial instruments recorded at fair value through income	12	298		29	339	(2)	11		9	348
Change in impairment on investments	(3)	(2)			(6)					(6)
Total income from ordinary business activities	**5,706**	**7,417**	**195**	**86**	**13,404**	**1,815**	**1,119**	**1**	**2,936**	**16,339**
Insurance policy servicing expenses	(3,698)	(6,196)			(9,894)	(1,242)	(903)		(2,146)	(12,040)
Income from outward reinsurance	145	383			528	47	5		52	580
Expenses on outward reinsurance	(336)	(407)			(743)	(156)	(7)		(163)	(906)
Banking operating expenses			(179)		(179)					(179)
Policy acquisition costs	(880)	(525)			(1,405)	(319)	(102)		(421)	(1,826)
Administration costs	(229)	(108)			(337)	(108)	(56)		(164)	(501)
Other current operating income and expenses	(309)	(362)	2	(106)	(775)	(43)	(7)	(3)	(53)	(828)
CURRENT OPERATING INCOME	**398**	**201**	**18**	**(20)**	**597**	**(6)**	**49**	**(1)**	**41**	**639**
Other operating income and expenses	(35)	(7)		(22)	(64)	(18)	(4)	(2)	(24)	(88)
OPERATING INCOME	**363**	**194**	**18**	**(42)**	**533**	**(25)**	**46**	**(3)**	**18**	**551**
Financing expenses	(1)	(1)		(61)	(64)					(64)
Share in income of related companies	(4)	(37)			(41)	(2)			(1)	(42)
Corporate income tax	(140)	54	(7)	55	(37)	(28)	(11)	(1)	(40)	(77)
NET INCOME FROM CONTINUING BUSINESS ACTIVITIES	**218**	**210**	**11**	**(48)**	**391**	**(55)**	**35**	**(4)**	**(23)**	**368**
Net income from business activities discontinued or to be discontinued										
OVERALL NET INCOME	**218**	**210**	**11**	**(48)**	**391**	**(55)**	**35**	**(4)**	**(23)**	**368**
of which non-controlling interests		1			1	(1)			(1)	
OF WHICH NET INCOME (GROUP SHARE)	**218**	**209**	**11**	**(48)**	**390**	**(54)**	**35**	**(4)**	**(22)**	**368**

In millions of euros	31.12.2016				31.12.2015
	Gross value	Impairment	Foreign exchange adjustment	Net value	Net value
Opening value	**3,047**	**(580)**	**(295)**	**2,172**	**2,192**
Newly consolidated entities					
Eliminations from the scope of consolidation					
France	2			2	(2)
Central and Eastern European countries			3	3	(5)
Turkey		(88)	(15)	(104)	(21)
United Kingdom	(101)		12	(89)	7
Other changes during the fiscal year	**(98)**	**(88)**	**0**	**(187)**	**(22)**
Closing value	**2,949**	**(668)**	**(295)**	**1,985**	**2,172**

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

Changes during the fiscal year:

The changes that affected goodwill on the balance sheet correspond to exchange-rate differences, as well as to the following changes:

Business activity sold:

On 5 August 2016, Groupama signed an agreement to sell its subsidiary Carole Nash. This transaction is subject, in particular, to obtaining local regulatory authorisations and is expected to be finalised in the first half of 2017. The consolidated financial statements for this subsidiary as at 31 December 2016 were completed according to the IFRS 5 standard, resulting in a €89 million decrease in the item 'Goodwill'.

Loss of value for the Turkish cash-generating unit (CGU):

The Group underwent depreciation of goodwill for the cash-generating unit formed by the Turkish subsidiaries, in the amount of €88 million.

Other changes:

- a positive variation resulting from the revaluation of the purchase price of Groupama SA securities as part of the liquidity commitment undertaken by Groupama Holding Company resulting from the privatisation of GAN SA.
- the transfer of a share of goodwill from Gan Outre Mer to Groupama Antilles-Guyane in the amount of €3 million. This follows the transfer of the 'Antilles' portfolio from Gan Outre Mer to Groupama Antilles-Guyane conducted at the end of 2015.

Impairment test:

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

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

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

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

As a general rule, the flows used correspond to:

- An explicit period based on the Group's operational strategic planning in the early years. This is subject to an iterative discussion process between local management and the Group.
- Beyond the explicit horizon, the cash flow column is completed by a terminal value. This terminal value is based on long-term growth assumptions applied to an updated projection of normative cash flows.
- The solvency margin integrated into business plans is now assessed according to regulations set by the Solvency II directive for subsidiaries in countries subject to this directive.

In mature countries, the explicit life insurance period is generally 10 years, and 6 years for non-life insurance. It may be extended over a longer period (10 years). In effect, this period is necessary for the market to attain a sufficient level of maturity for the normative cash flow to be representative of recurring long-term performance.

The discount rates are set based on risk-free rates for each country, plus a risk premium specific to the insurance business itself.

In order to take into account the lasting decrease in long-term rates, the discount rate used in the main countries of Western and Southern Europe, excluding Greece, was revised downward by 50 basis points, going from 8% to 7.5%.

For emerging countries, the yield curve used takes into account a higher explicit risk premium and then incorporates future changes in the country's macroeconomic situation and the expected higher level of maturity in these economies. This is particularly the case for the "new countries" of the European Union, which are assumed to have a strong possibility of joining the eurozone.

With regard to Hungary, the yield curve used corresponds to an average rate of 9.8% from 2017 to 2019, converging in the medium term towards 9%.

With regard to Romania, the average rate is 10% for the first three years, then it converges in the medium term towards 9%.

For Turkey, the yield curve averages 16% over the first eight years, then converges towards 12%. The decline in flows from the business plans of the Turkish subsidiaries, which led to the depreciation of a portion of goodwill as at 31 December 2016, is explained by 1.) the early termination of the exclusive sale contract with the bank TKK following TKK's acquisition of an insurance company and 2.) the increase in discount rates due to Turkey's political and economic situation.

With regard to Greece, the average rate is 16% for the first three years, then it converges gradually towards 8%.

The growth rate applied for valuation after the explicit period depends on market maturity. It is based on indicators resulting from strategic studies. The rates used for Western and Southern European mature markets are within the 1% to 3% bracket. In the emerging markets with a low insurance penetration level this rate may be up to 5%.

Ex-post comparative analyses of business plan data and actual data for the main income statement totals (combined ratio, underwriting income etc.) have been carried out and have not had any impact on the impairment tests.

Sensitivity tests have been carried out on the value in use applied, with the following change assumptions:

- rise of 100 basis points in the discount rate; and
- decline of 50 basis points in the long-term rate of growth.

For the goodwill of the cash-generating unit in countries of Central and Eastern Europe, a combined increase of 100 basis points in the discount rate and yield rate would lead to excess hedging of €103 million (while a lowering by 100 basis points would result in excess hedging of €278 million).
For this same cash-generating unit, the sensitivity test on the long-term growth rate would result in excess hedging of €138 million if it fell by 50 basis points (the excess would be €216 million with an increase of 50 basis points).

For the goodwill of the cash-generating unit of the Greek subsidiary, Groupama Phoenix, an increase of 100 basis points in the discount rate would lead to a shortfall of €22 million (while a lowering of the discount rate by 100 basis points would result in a surplus of €44 million). The sensitivity test on a decrease in the long-term growth rate of 50 basis points would result in a hedging insufficiency of €3 million (the surplus would be €14 million with a favourable change of 50 basis points).

With regard to the goodwill of the CGU of the Turkish subsidiaries, an increase of 100 basis points in the discount rate and yield rate would lead to a shortfall of €79 million (and a decrease of 100 basis points in the discount and yield rates would also result in a shortfall of €79 million). The sensitivity test on a decrease in the long-term growth rate of 50 basis points would result in a hedging insufficiency of €84 million (the insufficiency would be €75 million with a favourable change of 50 basis points).

The simultaneous occurrence of all adverse or favourable scenarios would have an impact nearly identical to the accumulation of impacts taken in isolation.

NOTE 2.1 – GOODWILL – DETAILS BY CASH-GENERATING UNIT

In millions of euros	31.12.2016			
	Gross value	Impairment	Foreign exchange adjustment	Net value
Central and Eastern European countries	1,031	(502)	(179)	350
Italy	781			781
Turkey	262	(88)	(109)	65
United Kingdom	37	(30)	(7)	0
Greece	131	(48)		83
Total International	**2,242**	**(668)**	**(295)**	**1,279**
Groupama Gan Vie	470			470
Gan Assurances	196			196
Financial businesses, property businesses, and other insurance companies	41			41
Total France and Overseas	**707**			**707**
Closing value	**2,949**	**(668)**	**(295)**	**1,985**

In millions of euros	31.12.2015			
	Gross value	Impairment	Foreign exchange adjustment	Net value
Central and Eastern European countries	1,031	(502)	(182)	346
Italy	781			781
Turkey	262		(94)	169
United Kingdom	138	(30)	(19)	89
Greece	131	(48)		83
Total International	**2,343**	**(580)**	**(295)**	**1,468**
Groupama Gan Vie	470			470
Gan Assurances	196			196
Financial businesses, property businesses, and other insurance companies	39			39
Total France and Overseas	**704**			**704**
Closing value	**3,047**	**(580)**	**(295)**	**2,172**

It should be recalled that in fiscal years 2009 to 2012, the Group devalued goodwill by €580 million for the following cash-generating units:

- Countries of Eastern and Central Europe for a total of €502 million, including: €113 million in 2009 corresponding to start-up risk in the emerging countries of Eastern Europe, where OTP Bank is active, €79 million in 2010, €51 million in 2011, and €260 million in 2012;
- Greece: €39 million in 2011 and €9 million in 2012;
- United Kingdom: €30 million on the brokerage firm Bollington in 2012.

As previously mentioned, the Group depreciated the value of goodwill for the Turkish subsidiaries in the amount of €88 million as at 31 December 2016.

NOTE 2.2 – INCOME FROM DISCONTINUED BUSINESS ACTIVITIES

Activity of Cegid

In millions of euros	31.12.2016	31.12.2015
Earned premiums		
Investment income net of management expenses		
Other current operating income and expenses		
Current operating income		
Other operating income and expenses	70	
Operating income	**70**	
Financing expenses		
Share in income of related companies	3	7
Corporate income tax		
Overall net income	**73**	**7**
of which minority interests		
of which net income (group share)	**73**	**7**

Net income of €73 million breaks down into +€3 million of income for the period from 1 January to 30 June 2016, the date on which the Group gave up effective control of the entity, and +€70 million of income from the sale.

Activity of Groupama Banque

In millions of euros	31.12.2016	31.12.2015
Earned premiums		
Net banking income, net of cost of risk	48	67
Investment income net of management expenses		
Other current operating income and expenses	(74)	(86)
Current operating income	**(26)**	**(19)**
Other operating income and expenses	(26)	
Operating income	**(52)**	**(19)**
Financing expenses		
Share in income of related companies		
Corporate income tax	2	5
Overall net income	**(50)**	**(14)**
of which minority interests		
of which net income (group share)	**(50)**	**(14)**

Net income of -€50 million breaks down into -€24 million of income for the period from 1 January to 30 September 2016, the date on which the Group gave up effective control of the entity, and -€26 million of income from the sale.

Business from Günes

In millions of euros	31.12.2016	31.12.2015
Earned premiums		
Investment income net of management expenses		
Other current operating income and expenses		
Current operating income		
Other operating income and expenses	30	
Operating income	**30**	
Financing expenses		
Share in income of related companies	(17)	(12)
Corporate income tax		
Overall net income	**13**	**(12)**
of which minority interests		
of which net income (group share)	**13**	**(12)**

Net income of €13 million breaks down into -€17 million of income for the period from 1 January to 30 September 2016, the date on which the Group gave up its significant influence over the entity, and €30 million of income from the sale.

NOTE 2.3 – BUSINESS ACTIVITIES TO BE SOLD OR DISCONTINUED

Business of Carole Nash

In millions of euros	31.12.2016	31.12.2015
Intangible assets	77	89
Insurance business investments		
Investments in related companies		
Share of outward reinsurers and retrocessionnaires in liabilities relating to insurance policies and financial contracts		
Other assets	6	6
Cash and cash equivalents	11	12
Assets held for sale and discontinued business activities	**94**	**107**
Shareholders' equity – Group share	86	100
Minority interests		
Total shareholders' equity from business activities	**86**	**100**
Reserves for contingencies and charges		
Financing debt		
Technical liabilities relating to insurance policies		
Technical liabilities relating to financial contracts		
Deferred profit-sharing liabilities		
Other liabilities	7	7
Shareholders' equity and liabilities of business activities to be sold or discontinued	**94**	**107**

In millions of euros	31.12.2016	31.12.2015
Earned premiums		
Investment income net of management expenses		
Other current operating income and expenses	9	10
Current operating income	**9**	**10**
Other operating income and expenses	(1)	(1)
Operating income	**9**	**9**
Financing expenses		
Share in income of related companies		
Corporate income tax	(2)	(2)
Overall net income	**7**	**7**
of which minority interests		
of which net income (group share)	**7**	**7**

NOTE 3 – Other intangible assets

In millions of euros	31.12.2016			31.12.2015		
	Intangible assets related to insurance business	Other intangible assets	Total	Intangible assets related to insurance business	Other intangible assets	Total
Opening gross value	**524**	**1,710**	**2,235**	**533**	**1,671**	**2,203**
Increase		129	129		128	128
Decrease	(1)	(73)	(75)		(87)	(87)
Foreign exchange adjustments	(14)		(13)	(9)	(1)	(10)
Change in scope of consolidation	(19)	(37)	(56)			
Closing gross value	**490**	**1,729**	**2,220**	**524**	**1,710**	**2,235**
Opening cumulative amortisation & depreciation	**(261)**	**(1,522)**	**(1,783)**	**(251)**	**(1,466)**	**(1,717)**
Increase	(16)	(93)	(109)	(16)	(93)	(109)
Decrease		44	44		40	40
Foreign exchange adjustments	11		11	7	1	8
Change in scope of consolidation	19	37	56			
Reclassifications					(4)	(4)
Closing cumulative amortisation & depreciation	**(247)**	**(1,535)**	**(1,782)**	**(261)**	**(1,522)**	**(1,783)**
Opening cumulative long-term impairment	**(136)**	**(1)**	**(137)**	**(138)**	**(4)**	**(142)**
Long-term impairment recognised				(1)		(1)
Long-term impairment write-backs				1		1
Foreign exchange adjustments	2		2	2		2
Change in scope of consolidation						
Reclassifications					4	4
Closing cumulative long-term impairment	**(134)**	**(1)**	**(135)**	**(136)**	**(1)**	**(137)**
Opening net value	**127**	**188**	**314**	**144**	**201**	**344**
Closing net value	**109**	**194**	**303**	**127**	**188**	**314**

The Group's intangible assets can be split into two groups:
- intangible assets related to insurance business
- other intangible assets.

Intangible assets related to insurance business

Intangible assets related to insurance business primarily correspond to values in force, values of the distribution networks, values of customer relationships and brands. Only the portfolio value in Italy is subject to amortisation.
The changes in scope are related to the reclassification of the assets of Carole Nash as 'assets to be sold and discontinued business'.

Other intangible assets

Other intangible assets consist primarily of software acquired and developed internally. Decreases that occurred during the financial year were mainly related to the disposal of software in Italy.
The changes in scope were related to the removal of Groupama Banque from the scope of entities consolidated with overall integration. Groupama Banque, which is 35% owned by Groupama, is now consolidated with the equity method.

NOTE 3.1 – OTHER INTANGIBLE ASSETS – BY OPERATING SEGMENT

In millions of euros	31.12.2016						31.12.2015	
	Intangible assets related to insurance business		Other intangible assets		Total		Total	
	France	Inter-national	France	Inter-national	France	Inter-national	France	Inter-national
Closing gross value	**24**	**466**	**1,570**	**159**	**1,595**	**625**	**1,556**	**678**
Closing cumulative amortisation & depreciation		(247)	(1,410)	(125)	(1,410)	(372)	(1,377)	(407)
Closing cumulative long-term impairment	(9)	(125)		(1)	(9)	(126)	(9)	(128)
Amortisation and reserves	**(9)**	**(372)**	**(1,410)**	**(126)**	**(1,419)**	**(497)**	**(1,386)**	**(535)**
Net book value	**15**	**94**	**160**	**33**	**176**	**127**	**170**	**144**

Note 4 – Investment property excluding unit-linked investments

In millions of euros	31.12.2016			31.12.2015		
	Property	SCI units	Total	Property	SCI units	Total
Opening gross value	**1,292**	**205**	**1,497**	**1,422**	**245**	**1,667**
Acquisitions	43	13	56	42	5	48
Change in scope of consolidation						
Subsequent expenditure						
Assets capitalised in the year	79		79	65		65
Transfer from/to unit-linked property						
Transfer from/to operating property	87		87	7		7
Foreign exchange adjustments						
Outward reinsurance	(99)	(14)	(113)	(244)	(43)	(287)
Other					(3)	(3)
Closing gross value	**1,403**	**204**	**1,607**	**1,292**	**205**	**1,497**
Opening cumulative amortisation & depreciation	**(265)**		**(265)**	**(343)**		**(343)**
Increase	(24)		(24)	(23)		(23)
Change in scope of consolidation						
Transfer from/to unit-linked property						
Transfer from/to operating property	(11)		(11)	(1)		(1)
Decrease	35		35	102		102
Other						
Closing cumulative amortisation & depreciation	**(265)**		**(265)**	**(265)**		**(265)**
Opening cumulative long-term impairment	**(10)**	**(7)**	**(18)**	**(12)**	**(5)**	**(18)**
Long-term impairment recognised	(1)	(1)	(2)		(2)	(2)
Change in scope of consolidation						
Transfer from/to operating property	(14)		(14)			
Long-term impairment write-backs	3	1	4	2		2
Closing cumulative long-term impairment	**(22)**	**(7)**	**(29)**	**(10)**	**(7)**	**(18)**
Opening net value	**1,017**	**198**	**1,216**	**1,067**	**240**	**1,307**
Closing net value	**1,116**	**197**	**1,313**	**1,017**	**198**	**1,216**
Closing fair value of investment properties	**2,998**	**349**	**3,347**	**2,655**	**355**	**3,010**
Unrealised capital gains	**1,882**	**152**	**2,034**	**1,638**	**157**	**1,795**

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

Unrealised capital gains accruing to the Group, including operating fixed assets (see Note 5), amounted to €785 million as at 31 December 2016 (net of profit sharing and tax), compared with €675 million as at 31 December 2015.

A property located in Montreuil, France, held by Groupama Gan Vie and occupied by Groupama Banque, was reclassified as an investment property following the agreement signed by Groupama and Orange.

Sales of properties during the financial year mainly include sales of vacant lots among the Group’s residential assets, as well as the sale of properties in Paris.

As per the fair-value hierarchy established in IFRS 13, the fair value of investment property is classified as Level 2 for €2.825 billion and Level 3 for €522 million. The Level 2 investment property comprises mainly property located in Paris, or the Greater Paris region, whose fair value is based on observable data.

NOTE 4.1 – INVESTMENT PROPERTY – BY OPERATING SEGMENT

In millions of euros	31.12.2016						31.12.2015					
	Property			SCI units			Property			SCI units		
	France	Inter-national	Total	France	Inter-national	Total	France	Inter-national	Total	France	Inter-national	Total
Gross value	1,368	35	1,403	204		204	1,257	36	1,292	205		205
Cumulative amortisation & depreciation	(256)	(9)	(265)				(256)	(9)	(265)			
Long-term impairment	(14)	(9)	(22)	(7)		(7)	(2)	(8)	(10)	(7)		(7)
Closing net value	**1,099**	**18**	**1,116**	**197**		**197**	**999**	**18**	**1,017**	**199**		**199**
Closing fair value of investment properties	**2,965**	**33**	**2,998**	**349**		**349**	**2,618**	**37**	**2,655**	**355**		**355**
Unrealised capital gains	**1,867**	**15**	**1,882**	**152**		**152**	**1,620**	**18**	**1,638**	**157**		**157**

NOTE 4.2 – INVESTMENT PROPERTY BY BUSINESS

NOTE 4.2.1 – INVESTMENT PROPERTY BY BUSINESS – FRANCE

In millions of euros	31.12.2016					
	Property			SCI units		
	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty	Total
Gross value	988	380	1,368	76	127	204
Cumulative amortisation & depreciation	(166)	(90)	(256)			
Long-term impairment	(12)	(2)	(14)	(2)	(5)	(7)
Closing net value	**810**	**288**	**1,099**	**75**	**122**	**197**
Closing fair value of investment properties	**2,201**	**764**	**2,965**	**139**	**210**	**349**
Unrealised capital gains	**1,391**	**476**	**1,867**	**64**	**88**	**152**

In millions of euros	31.12.2015					
	Property			SCI units		
	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty	Total
Gross value	894	363	1,257	78	127	205
Cumulative amortisation & depreciation	(168)	(88)	(256)			
Long-term impairment	(1)	(1)	(2)	(2)	(5)	(7)
Closing net value	**725**	**274**	**999**	**76**	**123**	**199**
Closing fair value of investment properties	**1,971**	**647**	**2,618**	**139**	**216**	**355**
Unrealised capital gains	**1,246**	**374**	**1,620**	**64**	**93**	**157**

NOTE 4.2.2 – INVESTMENT PROPERTY BY BUSINESS – INTERNATIONAL

In millions of euros	31.12.2016					
	Property			SCI units		
	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross value	23	12	35			
Cumulative amortisation & depreciation	(7)	(2)	(9)			
Long-term impairment	(5)	(3)	(9)			
Closing net value	**11**	**7**	**18**			
Closing fair value of investment properties	**18**	**14**	**33**			
Unrealised capital gains	**8**	**7**	**15**			

In millions of euros	31.12.2015					
	Property			SCI units		
	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross value	22	13	36			
Cumulative amortisation & depreciation	(7)	(2)	(9)			
Long-term impairment	(5)	(3)	(8)			
Closing net value	**11**	**8**	**18**			
Closing fair value of investment properties	**20**	**17**	**37**			
Unrealised capital gains	**9**	**9**	**18**			

NOTE 5 – OPERATING PROPERTY

In millions of euros	31.12.2016			31.12.2015		
	Property	SCI units	Total	Property	SCI units	Total
Opening gross value	**1,303**	**73**	**1,376**	**1,357**	**72**	**1,429**
Acquisitions	13	7	20	17	1	18
Change in scope of consolidation						
Assets capitalised in the year	8		8	9		9
Transfer from/to investment property	(87)		(87)	(7)		(7)
Foreign exchange adjustments				(1)		(1)
Outward reinsurance	(8)	(9)	(17)	(69)	(3)	(72)
Other				(3)	3	0
Closing gross value	**1,227**	**71**	**1,299**	**1,303**	**73**	**1,376**
Opening cumulative amortisation & depreciation	**(365)**		**(365)**	**(353)**		**(353)**
Increase	(31)		(31)	(37)		(37)
Change in scope of consolidation						
Transfer from/to investment property	11		11	1		1
Decrease	8		8	23		23
Other				1		1
Closing cumulative amortisation & depreciation	**(378)**		**(378)**	**(365)**		**(365)**
Opening cumulative long-term impairment	**(29)**		**(29)**	**(16)**		**(16)**
Long-term impairment recognised	(55)		(55)	(28)		(28)
Change in scope of consolidation						
Transfer from/to investment property	14		14			
Long-term impairment write-backs				14		14
Closing cumulative long-term impairment	**(70)**		**(70)**	**(29)**		**(29)**
Opening net value	**909**	**73**	**982**	**988**	**72**	**1,060**
Closing net value	**780**	**71**	**851**	**909**	**73**	**982**
Closing fair value of operating property	**1,107**	**121**	**1,227**	**1,224**	**121**	**1,345**
Unrealised capital gains	**327**	**49**	**377**	**315**	**48**	**363**

A property located in Montreuil, France, held by Groupama Gan Vie and occupied by Groupama Banque, was reclassified as an investment property following the agreement signed by Groupama and Orange.

As at 31 December 2016, five operating properties held by Groupama Gan Vie were the subject of additional allocations to reserves for depreciation.

NOTE 5.1 – OPERATING PROPERTY – BY OPERATING SEGMENT

In millions of euros	31.12.2016						31.12.2015					
	Property			SCI units			Property			SCI units		
	France	Inter-national	Total	France	Inter-national	Total	France	Inter-national	Total	France	Inter-national	Total
Gross value	1,118	110	1,227	71		71	1,193	110	1,303	73		73
Cumulative amortisation & depreciation	(366)	(12)	(378)				(355)	(10)	(365)			
Long-term impairment	(68)	(2)	(70)				(29)		(29)			
Closing net value	**684**	**95**	**780**	**71**		**71**	**810**	**99**	**909**	**73**		**73**
Closing fair value of operating property	**1,016**	**91**	**1,107**	**121**		**121**	**1,132**	**93**	**1,224**	**121**		**121**
Unrealised capital gains or losses	**332**	**(4)**	**327**	**49**		**49**	**322**	**(6)**	**315**	**48**		**48**

Note 5.2 – Operating property by business

Note 5.2.1 – Operating property by business – France

In millions of euros	31.12.2016					
	Property			SCI units		
	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross value	573	545	1,118	20	51	71
Cumulative amortisation & depreciation	(147)	(219)	(366)			
Long-term impairment	(67)	(1)	(68)			
Closing net value	**359**	**325**	**684**	**20**	**51**	**71**
Closing fair value of operating property	**445**	**571**	**1,016**	**37**	**84**	**121**
Unrealised capital gains	**86**	**246**	**332**	**17**	**33**	**49**

In millions of euros	31.12.2015					
	Property			SCI units		
	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross value	656	537	1,193	19	54	73
Cumulative amortisation & depreciation	(148)	(207)	(355)			
Long-term impairment	(28)	(1)	(29)			
Closing net value	**481**	**329**	**810**	**19**	**53**	**73**
Closing fair value of operating property	**567**	**564**	**1,132**	**34**	**87**	**121**
Unrealised capital gains	**87**	**235**	**322**	**15**	**33**	**48**

NOTE 5.2.2 – OPERATING PROPERTY BY BUSINESS – INTERNATIONAL

In millions of euros	31.12.2016					
	Property			SCI units		
	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross value	50	59	110			
Cumulative amortisation & depreciation	(5)	(7)	(12)			
Long-term impairment		(2)	(2)			
Closing net value	**45**	**50**	**95**			
Closing fair value of operating property	**43**	**48**	**91**			
Unrealised capital gains or losses	**(2)**	**(2)**	**(4)**			

In millions of euros	31.12.2015					
	Property			SCI units		
	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross value	50	60	110			
Cumulative amortisation & depreciation	(4)	(6)	(10)			
Long-term impairment						
Closing net value	**45**	**54**	**99**			
Closing fair value of operating property	**44**	**49**	**93**			
Unrealised capital gains or losses	**(2)**	**(5)**	**(6)**			

NOTE 6 – FINANCIAL INVESTMENTS EXCLUDING UNIT-LINKED ITEMS

In millions of euros	31.12.2016	31.12.2015
	Net value	Net value
Assets valued at fair value	74,432	72,708
Assets valued at amortised cost	1,485	1,754
Total financial investments excluding unit-linked items	**75,917**	**74,462**

Total financial investments (excluding real estate, unit-linked items, and derivatives) as at 31 December 2016 were €75.917 billion, marking an increase of €1.455 billion versus 31 December 2015.
The bond security repurchase agreement activity was €4.430 billion versus €4.101 billion as at 31 December 2015. The cash from these repurchase agreements is invested in specific funds held directly.

NOTE 6.1 – INVESTMENTS VALUED AT FAIR VALUE BY OPERATING SEGMENT

In millions of euros	31.12.2016								
	Net amortised cost			Fair value [a]			Gross unrealised capital gains (losses)		
	France	International	Total	France	International	Total	France	International	Total
Available-for-sale assets									
Equities and other variable-income investments	2,351	310	2,662	3,213	338	3,551	862	28	890
Bonds and other fixed-income investments	45,285	4,415	49,700	52,502	4,852	57,354	7,217	437	7,654
Other investments	1		1	1		1			
Total available-for-sale assets	**47,637**	**4,725**	**52,363**	**55,716**	**5,189**	**60,906**	**8,079**	**465**	**8,544**
Trading assets									
Equities and other variable-income investments classified as “trading”	41		41	41		41			
Equities and other variable-income investments classified as “held for trading”	535	460	995	535	460	995			
Bonds and other fixed-income investments classified as “trading”	89		89	89		89			
Bonds and other fixed-income investments classified as “held for trading”	3,763	31	3,793	3,763	31	3,793			
Cash mutual funds classified as “trading”	5,005	100	5,105	5,005	100	5,105			
Cash mutual funds classified as “held for trading”	3,207	295	3,503	3,207	295	3,503			
Other investments classified as “trading”									
Other investments classified as “held for trading”									
Total trading assets	**12,640**	**886**	**13,526**	**12,640**	**886**	**13,526**			
Total investments valued at fair value	**60,277**	**5,611**	**65,889**	**68,356**	**6,076**	**74,432**	**8,079**	**465**	**8,544**

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

As at 31 December 2016, capital gains that were unrealised but recognised for accounting purposes through equity (revaluation reserves) as available-for-sale investment assets and through income from trading assets were €8.544 billion and €401 million respectively, compared with €7.998 billion and €367 million as at 31 December 2015.

In millions of euros	31.12.2015								
	Net amortised cost			Fair value (a)			Gross unrealised capital gains (losses)		
	France	International	Total	France	International	Total	France	International	Total
Available-for-sale assets									
Equities and other variable-income investments	2,998	266	3,264	3,703	281	3,984	705	15	720
Bonds and other fixed-income investments	46,123	4,634	50,757	52,913	5,122	58,035	6,790	488	7,278
Other investments	41		41	41		41			
Total available-for-sale assets	**49,162**	**4,900**	**54,062**	**56,657**	**5,403**	**62,060**	**7,495**	**503**	**7,998**
Trading assets									
Equities and other variable-income investments classified as "trading"	25		25	25		25			
Equities and other variable-income investments classified as "held for trading"	634	194	828	634	194	828			
Bonds and other fixed-income investments classified as "trading"	87		87	87		87			
Bonds and other fixed-income investments classified as "held for trading"	2,483	31	2,514	2,483	31	2,514			
Cash mutual funds classified as "trading"	4,895	86	4,981	4,895	86	4,981			
Cash mutual funds classified as "held for trading"	2,148	65	2,213	2,148	65	2,213			
Other investments classified as "trading"									
Other investments classified as "held for trading"									
Total trading assets	**10,272**	**376**	**10,648**	**10,272**	**376**	**10,648**			
Total investments valued at fair value	**59,434**	**5,276**	**64,710**	**66,929**	**5,779**	**72,708**	**7,495**	**503**	**7,998**

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

NOTE 6.2 – INVESTMENTS VALUED AT FAIR VALUE BY BUSINESS

NOTE 6.2.1 – INVESTMENTS VALUED AT FAIR VALUE BY BUSINESS – FRANCE

In millions of euros	31.12.2016											
	Net amortised cost				Fair value (a)				Gross unrealised capital gains (losses)			
	Life and health insurance	Property and casualty	Holding	Total	Life and health insurance	Property and casualty	Holding	Total	Life and health insurance	Property and casualty	Holding	Total
Available-for-sale assets												
Equities and other variable-income investments	1,674	677		2,351	2,211	1,002		3,213	537	325		862
Bonds and other fixed-income investments	40,348	4,937		45,285	47,109	5,393		52,502	6,761	456		7,217
Other investments		1		1		1		1				
Total available-for-sale assets	**42,022**	**5,615**		**47,637**	**49,320**	**6,396**		**55,716**	**7,299**	**780**		**8,079**
Trading assets												
Equities and other variable-income investments classified as "trading"	4	37		41	4	37		41				
Equities and other variable-income investments classified as "held for trading"	389	146		535	389	146		535				
Bonds and other fixed-income investments classified as "trading"	89			89	89			89				
Bonds and other fixed-income investments classified as "held for trading"	2,453	1,310		3,763	2,453	1,310		3,763				
Cash mutual funds classified as "trading"	4,343	661	1	5,005	4,343	661	1	5,005				
Cash mutual funds classified as "held for trading"	3,062	145		3,207	3,062	145		3,207				
Other investments classified as "trading"												
Other investments classified as "held for trading"												
Total trading assets	**10,340**	**2,299**	**1**	**12,640**	**10,340**	**2,299**	**1**	**12,640**				
Total investments valued at fair value	**52,361**	**7,915**	**1**	**60,277**	**59,660**	**8,695**	**1**	**68,356**	**7,299**	**780**		**8,079**

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

In millions of euros	31.12.2015											
	Net amortised cost				Fair value (a)				Gross unrealised capital gains (losses)			
	Life and health insurance	Property and casualty	Hold ing	Total	Life and health insurance	Property and casualty	Hold ing	Total	Life and health insurance	Property and casualty	Holding	Total
Available-for-sale assets												
Equities and other variable-income investments	2,306	692		2,998	2,665	1,038		3,703	359	346		705
Bonds and other fixed-income investments	41,063	5,060		46,123	47,388	5,525		52,913	6,325	465		6,790
Other investments	10	31		41	10	31		41				
Total available-for-sale assets	**43,379**	**5,783**		**49,162**	**50,063**	**6,594**		**56,657**	**6,684**	**811**		**7,495**
Trading assets												
Equities and other variable-income investments classified as “trading”	6	19		25	6	19		25				
Equities and other variable-income investments classified as “held for trading”	476	158		634	476	158		634				
Bonds and other fixed-income investments classified as “trading”	87			87	87			87				
Bonds and other fixed-income investments classified as “held for trading”	1,909	574		2,483	1,909	574		2,483				
Cash mutual funds classified as “trading”	3,900	993	2	4,895	3,900	993	2	4,895				
Cash mutual funds classified as “held for trading”	2,055	93		2,148	2,055	93		2,148				
Other investments classified as “trading”												
Other investments classified as “held for trading”												
Total trading assets	**8,433**	**1,837**	**2**	**10,272**	**8,433**	**1,837**	**2**	**10,272**				
Total investments valued at fair value	**51,812**	**7,620**	**2**	**59,434**	**58,496**	**8,431**	**2**	**66,929**	**6,684**	**811**		**7,495**

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

NOTE 6.2.2 – INVESTMENTS VALUED AT FAIR VALUE BY BUSINESS – INTERNATIONAL

In millions of euros	31.12.2016								
	Net amortised cost			Fair value [a]			Gross unrealised capital gains (losses)		
	Life and health insurance	Property and casualty	Total	Life and health insurance	Property and casualty	Total	Life and health insurance	Property and casualty	Total
Available-for-sale assets									
Equities and other variable-income investments	187	123	310	202	136	338	15	13	28
Bonds and other fixed-income investments	2,537	1,877	4,415	2,792	2,060	4,852	255	183	437
Other investments									
Total available-for-sale assets	**2,724**	**2,001**	**4,725**	**2,994**	**2,196**	**5,189**	**270**	**195**	**465**
Trading assets									
Equities and other variable-income investments classified as “trading”									
Equities and other variable-income investments classified as “held for trading”	271	190	460	271	190	460			
Bonds and other fixed-income investments classified as “trading”									
Bonds and other fixed-income investments classified as “held for trading”	17	14	31	17	14	31			
Cash mutual funds classified as “trading”	73	27	100	73	27	100			
Cash mutual funds classified as “held for trading”	164	131	295	164	131	295			
Other investments classified as “trading”									
Other investments classified as “held for trading”									
Total trading assets	**524**	**362**	**886**	**524**	**362**	**886**			
Total investments valued at fair value	**3,248**	**2,363**	**5,611**	**3,518**	**2,558**	**6,076**	**270**	**195**	**465**

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

In millions of euros	31.12.2015								
	Net amortised cost			Fair value [a]			Gross unrealised capital gains (losses)		
	Life and health insurance	Property and casualty	Total	Life and health insurance	Property and casualty	Total	Life and health insurance	Property and casualty	Total
Available-for-sale assets									
Equities and other variable-income investments	160	106	266	170	111	281	10	5	15
Bonds and other fixed-income investments	2,613	2,021	4,634	2,910	2,212	5,122	297	191	488
Other investments									
Total available-for-sale assets	**2,773**	**2,127**	**4,900**	**3,080**	**2,323**	**5,403**	**307**	**196**	**503**
Trading assets									
Equities and other variable-income investments classified as “trading”									
Equities and other variable-income investments classified as “held for trading”	106	88	194	106	88	194			
Bonds and other fixed-income investments classified as “trading”									
Bonds and other fixed-income investments classified as “held for trading”	17	14	31	17	14	31			
Cash mutual funds classified as “trading”	53	33	86	53	33	86			
Cash mutual funds classified as “held for trading”	36	29	65	36	29	65			
Other investments classified as “trading”									
Other investments classified as “held for trading”									
Total trading assets	**212**	**164**	**376**	**212**	**164**	**376**			
Total investments valued at fair value	**2,985**	**2,291**	**5,276**	**3,292**	**2,487**	**5,779**	**307**	**196**	**503**

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

NOTE 6.3 – INVESTMENTS VALUED AT FAIR VALUE BY TYPE

In millions of euros	31.12.2016								
	Net amortised cost			Fair value [a]			Gross unrealised capital gains (losses)		
	France	International	Total	France	International	Total	France	International	Total
Equities and other variable-income investments									
Available-for-sale assets	2,351	310	2,662	3,213	338	3,551	862	28	890
Assets classified as "trading"	41		41	41		41			
Assets classified as "held for trading"	535	460	995	535	460	995			
Total equities and other variable-income investments	**2,928**	**770**	**3,698**	**3,789**	**798**	**4,587**	**862**	**28**	**890**
Bonds and other fixed-income investments									
Available-for-sale assets	45,285	4,415	49,700	52,502	4,852	57,354	7,217	437	7,654
Assets classified as "trading"	89		89	89		89			
Assets classified as "held for trading"	3,763	31	3,793	3,763	31	3,793			
Total bonds and other fixed-income investments	**49,136**	**4,446**	**53,582**	**56,354**	**4,883**	**61,237**	**7,217**	**437**	**7,654**
Cash mutual funds									
Assets classified as "trading"	5,005	100	5,105	5,005	100	5,105			
Assets classified as "held for trading"	3,207	295	3,503	3,207	295	3,503			
Total cash mutual funds	**8,212**	**395**	**8,607**	**8,212**	**395**	**8,607**			
Other investments									
Available-for-sale assets	1		1	1		1			
Assets classified as "trading"									
Assets classified as "held for trading"									
Total other investments	**1**		**1**	**1**		**1**			
Total investments valued at fair value	**60,277**	**5,611**	**65,889**	**68,356**	**6,076**	**74,432**	**8,079**	**465**	**8,544**

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

In millions of euros	31.12.2015								
	Net amortised cost			Fair value (a)			Gross unrealised capital gains (losses)		
	France	Inter-national	Total	France	Inter-national	Total	France	Inter-national	Total
Equities and other variable-income investments									
Available-for-sale assets	2,998	266	3,264	3,703	281	3,984	705	15	720
Assets classified as "trading"	25		25	25		25			
Assets classified as "held for trading"	634	194	828	634	194	828			
Total equities and other variable-income investments	**3,657**	**460**	**4,117**	**4,362**	**475**	**4,837**	**705**	**15**	**720**
Bonds and other fixed-income investments									
Available-for-sale assets	46,123	4,634	50,757	52,913	5,122	58,035	6,790	488	7,278
Assets classified as "trading"	87		87	87		87			
Assets classified as "held for trading"	2,483	31	2,514	2,483	31	2,514			
Total bonds and other fixed-income investments	**48,693**	**4,665**	**53,358**	**55,483**	**5,153**	**60,636**	**6,790**	**488**	**7,278**
Cash mutual funds									
Assets classified as "trading"	4,895	86	4,981	4,895	86	4,981			
Assets classified as "held for trading"	2,148	65	2,213	2,148	65	2,213			
Total cash mutual funds	**7,043**	**151**	**7,194**	**7,043**	**151**	**7,194**			
Other investments									
Available-for-sale assets	41		41	41		41			
Assets classified as "trading"									
Assets classified as "held for trading"									
Total other investments	**41**		**41**	**41**		**41**			
Total investments valued at fair value	**59,434**	**5,276**	**64,710**	**66,929**	**5,779**	**72,708**	**7,495**	**503**	**7,998**

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

NOTE 6.4 – INVESTMENTS VALUED AT AMORTISED COST IN NET VALUE

In millions of euros	31.12.2016			31.12.2015		
	France	International	Total	France	International	Total
Loans	111	59	170	112	65	177
Deposits	905	282	1,187	1,180	277	1,457
Other	129		129	120		120
Total assets valued at amortised cost	**1,144**	**341**	**1,485**	**1,412**	**342**	**1,754**

NOTE 6.5 – RESERVES FOR IMPAIRMENT OF INVESTMENTS

In millions of euros	31.12.2016			31.12.2015		
	Gross	Reserves	Net	Gross	Reserves	Net
Available-for-sale assets						
Equities and other variable-income investments	3,111	(449)	2,662	3,716	(452)	3,264
Bonds and other fixed-income investments	49,713	(14)	49,700	50,770	(13)	50,757
Other investments	1		1	41		41
Total available-for-sale assets	**52,826**	**(463)**	**52,363**	**54,527**	**(465)**	**54,062**
Financial investments valued at amortised cost	1,488	(2)	1,485	1,758	(4)	1,754
Financial investments valued at amortised cost	**1,488**	**(2)**	**1,485**	**1,758**	**(4)**	**1,754**

Total reserves for long-term impairment on investments measured at fair value were €463 million, compared with €465 million as at 31 December 2015.
In total, the impairment reserves for available-for-sale financial assets represent 0.88 % of their gross amortised cost.

Regarding equities, a reserve of €262 million was established for strategic securities.

The amount of reserves for long-term impairment on investments valued at amortised cost is €2 million compared with €4 million as at 31 December 2015.

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

NOTE 6.6 – FINANCIAL INVESTMENTS – BY CURRENCY

In millions of euros	31.12.2016					
	Euro	Dollar	Pound	Yen	Other	Total
Available-for-sale assets						
Equities and other variable-income investments	2,581	259	7		704	3,551
Bonds and other fixed-income investments	56,560	34	246	5	508	57,354
Other investments	1					1
Total available-for-sale assets	**59,142**	**294**	**253**	**5**	**1,212**	**60,906**
Trading assets						
Equities and other variable-income investments classified as “trading”	41					41
Equities and other variable-income investments classified as “held for trading”	995					995
Bonds and other fixed-income investments classified as “trading”	89					89
Bonds and other fixed-income investments classified as “held for trading”	3,787				6	3,793
Cash mutual funds classified as “trading”	5,099	4		2		5,105
Cash mutual funds classified as “held for trading”	3,503					3,503
Other investments classified as “trading”						
Other investments classified as “held for trading”						
Total trading assets	**13,514**	**4**		**2**	**6**	**13,526**
Loans and receivables						
Loans	169				1	170
Deposits	926	5			256	1,187
Other investments	121	6	1			129
Total loans and debts	**1,215**	**11**	**1**		**257**	**1,485**
Total financial investments (net of derivatives and unit-linked items)	**73,872**	**309**	**254**	**7**	**1,475**	**75,917**

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

In millions of euros	31.12.2015					
	Euro	Dollar	Pound	Yen	Other	Total
Available-for-sale assets						
Equities and other variable-income investments	2,908	523	65	1	486	3,984
Bonds and other fixed-income investments	57,218	43	285		488	58,035
Other investments	41					41
Total available-for-sale assets	**60,168**	**567**	**350**	**1**	**974**	**62,060**
Trading assets						
Equities and other variable-income investments classified as "trading"	25					25
Equities and other variable-income investments classified as "held for trading"	828					828
Bonds and other fixed-income investments classified as "trading"	87					87
Bonds and other fixed-income investments classified as "held for trading"	2,508				6	2,514
Cash mutual funds classified as "trading"	4,945	33	3			4,981
Cash mutual funds classified as "held for trading"	2,213					2,213
Other investments classified as "trading"						
Other investments classified as "held for trading"						
Total trading assets	**10,606**	**33**	**3**		**6**	**10,648**
Loans and receivables						
Loans	176				1	177
Deposits	1,194	6			257	1,457
Other investments	113	6	1			120
Total loans and debts	**1,483**	**11**	**1**		**258**	**1,754**
Total financial investments (net of derivatives and unit-linked items)	**72,257**	**611**	**354**	**1**	**1,238**	**74,462**

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

NOTE 6.7 – BREAKDOWN OF LISTED INVESTMENTS

In millions of euros	31.12.2016	31.12.2015
Equities	1,708	1,899
Shares in fixed-income mutual funds	6,329	4,616
Shares in other mutual funds	2,598	2,649
Cash mutual funds	8,607	7,194
Bonds and other fixed-income securities	54,734	55,847
Total listed investments	**73,977**	**72,206**

The above table meets the requirements of the IFRS 12 standard for non-consolidated mutual funds. As at 31 December 2016, the fair value of these assets totalled €17.534 billion compared with €14.459 billion as at 31 December 2015.

As at 31 December 2016, permanent reserves for listed investments valued at fair value totalled €393 million, compared with €378 million as at 31 December 2015.

NOTE 6.8 – BREAKDOWN OF UNLISTED INVESTMENTS

In millions of euros	31.12.2016	31.12.2015
Equities at fair value	281	289
Bonds and other fixed-income securities at fair value	173	172
Other investments at fair value	2	41
Loans at amortised cost	170	177
Other investments at amortised cost	1,316	1,577
Total unlisted investments	**1,941**	**2,256**

As at 31 December 2016, permanent reserves for non-listed investments valued at fair value totalled €70 million, compared with €88 million as at 31 December 2015.

NOTE 6.9 – SIGNIFICANT INVESTMENTS IN NON-CONSOLIDATED COMPANIES

In millions of euros	2016			
	Location of registered office	% interest	Shareholders' equity	Net income
OTP Bank [1]	Hungary	8.11	3,896	205

[1] data from the previous financial year

As recalled in 3.2.1 of the accounting principles, strategic securities are held by the Group for the long term. They are characterised by the Group's representation in their governance bodies or significant, lasting contractual relations or a significant stake in the share capital (in absolute or relative value), without significant influence being exerted.

NOTE 6.10 – BREAKDOWN OF THE BOND PORTFOLIO

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

NOTE 6.10.1 – BREAKDOWN OF THE BOND PORTFOLIO

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

In millions of euros	31.12.2016			31.12.2015		
	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
Listed bonds						
Available-for-sale	52,677	1,289	53,966	53,967	1,303	55,270
Classified as "trading"						
Classified as "held for trading"	608	160	768	442	135	577
Total listed bonds	**53,285**	**1,449**	**54,734**	**54,410**	**1,438**	**55,847**
Unlisted bonds						
Available-for-sale	106	38	144	106	39	144
Classified as "trading"						
Classified as "held for trading"	5	23	28	5	23	28
Total unlisted bonds	**111**	**61**	**173**	**111**	**61**	**172**
Total bond portfolio	**53,396**	**1,510**	**54,907**	**54,521**	**1,499**	**56,020**

NOTE 6.10.2 – BOND PORTFOLIO – BY MATURITY

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

In millions of euros	31.12.2016				31.12.2015			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Listed bonds								
Available-for-sale	2,744	11,348	39,873	53,966	2,490	12,197	40,583	55,270
Classified as "trading"								
Classified as "held for trading"	8	246	515	768	31	39	508	577
Total listed bonds	**2,752**	**11,594**	**40,388**	**54,734**	**2,521**	**12,236**	**41,091**	**55,847**
Unlisted bonds								
Available-for-sale	20	12	113	144	5	23	117	144
Classified as "trading"								
Classified as "held for trading"	1	27	1	28	1	14	13	28
Total unlisted bonds	**21**	**38**	**114**	**173**	**5**	**37**	**130**	**172**
Total bond portfolio	**2,773**	**11,632**	**40,502**	**54,907**	**2,526**	**12,273**	**41,221**	**56,020**

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

NOTE 6.10.3 – BOND PORTFOLIO – BY RATING

The rating indicated is an average of the ratings published at year-end 2016 by the three main agencies (S&P, Moody's and Fitch Ratings) for Group bonds.

In millions of euros	31.12.2016						
	AAA	AA	A	BBB	<BBB	Not rated	Total
Listed bonds							
Available-for-sale	2,721	24,277	6,818	18,839	614	697	53,966
Classified as "trading"							
Classified as "held for trading"	144	24	402	179	13	5	768
Total listed bonds	**2,865**	**24,301**	**7,220**	**19,018**	**627**	**702**	**54,734**
Unlisted bonds							
Available-for-sale		20	10	112		2	144
Classified as "trading"							
Classified as "held for trading"			23			5	28
Total unlisted bonds		**20**	**33**	**112**		**7**	**173**
Total bond portfolio	**2,865**	**24,322**	**7,253**	**19,130**	**627**	**709**	**54,907**

In millions of euros	31.12.2015						
	AAA	AA	A	BBB	<BBB	Not rated	Total
Listed bonds							
Available-for-sale	2,866	23,960	7,598	18,802	714	1,330	55,270
Classified as "trading"							
Classified as "held for trading"	32	20	149	67	15	294	577
Total listed bonds	**2,898**	**23,980**	**7,747**	**18,869**	**729**	**1,624**	**55,847**
Unlisted bonds							
Available-for-sale		20	10	112		2	144
Classified as "trading"							
Classified as "held for trading"			17			11	28
Total unlisted bonds		**20**	**27**	**112**		**13**	**172**
Total bond portfolio	**2,898**	**24,000**	**7,774**	**18,981**	**729**	**1,638**	**56,020**

NOTE 6.10.4 – BOND PORTFOLIO – BY TYPE OF BOND ISSUER

In millions of euros	31.12.2016	31.12.2015
Bonds issued by EU Member States	33,959	34,507
Bonds issued by States outside the EU	191	280
Bonds from public and semi-public sectors	3,789	3,887
Corporate bonds	16,897	17,259
Other bonds (including bond-based funds)	72	86
Total bond portfolio	**54,907**	**56,020**

NOTE 6.11 – DEBT SECURITIES OF PERIPHERAL COUNTRIES OF THE EUROZONE

NOTE 6.11.1 – SOVEREIGN DEBT SECURITIES OF PERIPHERAL COUNTRIES OF THE EUROZONE

In millions of euros	31.12.2016					
	Gross discounted cost price	Reserves for impairment	Net discounted cost price	Fair value	Gross unrealised capital gains or losses	Unrealised capital gains or losses net of taxes and profit-sharing
Spain	2,358		2,358	3,084	726	69
Greece						
Ireland	20		20	23	3	1
Italy	7,227		7,227	8,950	1,723	232
Portugal	274		274	287	13	1
Total	**9,879**		**9,879**	**12,343**	**2,464**	**304**

In millions of euros	31.12.2015					
	Gross discounted cost price	Reserves for impairment	Net discounted cost price	Fair value	Gross unrealised capital gains or losses	Unrealised capital gains or losses net of taxes and profit-sharing
Spain	2,591		2,591	3,255	664	58
Greece						
Ireland	24		24	28	4	1
Italy	7,597		7,597	9,619	2,022	264
Portugal	258		258	298	40	3
Total	**10,470**		**10,470**	**13,200**	**2,730**	**326**

Exposure to sovereign debt securities of peripheral eurozone countries included directly owned securities and look-through reporting, which is required on consolidated mutual funds. Unrealised capital gains on these securities totalled €304 million net of taxes and profit sharing.

All sovereign debt securities of peripheral eurozone countries are classed as Level 1 using the fair value hierarchy established by IFRS 7; these securities are listed on an active market, and their prices can be easily and regularly obtained.

Recall that the Group sold its entire exposure to Greek sovereign debt during the 2012 fiscal year.

In addition, the exposure level for Hungary is €278 million, mainly for the Hungarian subsidiary.

The sovereign debt securities of the peripheral eurozone countries have the following maturities:

In millions of euros	31.12.2016				
	< 3 years	3 to 7 years	7 to 10 years	> 10 years	Total
Spain	165	36	374	2,509	3,084
Greece					
Ireland	8	12		2	23
Italy	465	1,097	1,719	5,669	8,950
Portugal	14	7	122	143	287
Total	**653**	**1,152**	**2,215**	**8,323**	**12,343**

The table below shows the change in sovereign debt securities of peripheral countries of the eurozone at fair value held directly.

In millions of euros	31.12.2016					
	Spain	Greece	Ireland	Italy	Portugal	Total
Opening sovereign debt securities	**3,236**		**23**	**9,273**	**298**	**12,830**
Change in unrealised capital gains/losses	150			(178)	(27)	(56)
Change in scope of consolidation						
Acquisitions	28			98	14	140
Divestments/Redemptions	(348)		(2)	(587)	(2)	(939)
Foreign exchange adjustments						
Closing sovereign debt securities	**3,066**		**20**	**8,605**	**283**	**11,975**

To date, the consolidated mutual funds hold €368 million in sovereign debt securities from peripheral Eurozone countries, notably including €345 million in Italian sovereign debt and €18 million in Spanish sovereign debt.

NOTE 6.11.2 – NON-SOVEREIGN DEBT SECURITIES OF PERIPHERAL COUNTRIES OF THE EUROZONE

In millions of euros	31.12.2016					
	Gross discounted cost price	Reserves for impairment	Net discounted cost price	Fair value	Gross unrealised capital gains or losses	Unrealised capital gains or losses net of taxes and profit-sharing
Spain	593		593	684	90	11
Greece						
Ireland	21		21	22	1	1
Italy	700		700	745	44	12
Portugal	41		41	42	1	
Total	**1,356**		**1,356**	**1,493**	**137**	**24**

In millions of euros	31.12.2015					
	Gross discounted cost price	Reserves for impairment	Net discounted cost price	Fair value	Gross unrealised capital gains or losses	Unrealised capital gains or losses net of taxes and profit-sharing
Spain	620		620	706	86	10
Greece						
Ireland	21		21	22	1	1
Italy	742		742	799	57	13
Portugal	21		21	22	1	0
Total	**1,404**		**1,404**	**1,549**	**145**	**24**

The balance sheet value of the Group's investments in bonds issued by companies, banks, local authorities, and para-governmental organisations located in peripheral Eurozone countries (mainly Spain and Italy) was €1.493 billion as at 31 December 2016. These securities present unrealised capital gains net of taxes and profit sharing of €24 million.

Exposure to non-sovereign debt securities of peripheral eurozone countries included directly owned securities and look-through reporting which is required on consolidated mutual funds only.

NOTE 6.12 – HIERARCHY OF FAIR VALUE

Pursuant to the amendment to IFRS 7 issued by the IASB in March 2009, financial instrument (assets and liabilities) valued at fair value are classified according to a three-level hierarchy. These levels depend on whether a valuation model is used and the data sources used to populate the valuation models:

- level 1 corresponds to a price listed in an active market to which the entity may have access on the valuation date,
- level 2 corresponds to the fair value determined on the basis of a valuation model using data directly observable on an active market or data that can be determined from prices observed,
- level 3 corresponds to the fair value determined on the basis of a valuation model using data not observable on a market.

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

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

in millions of euros	31.12.2016				31.12.2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Available-for-sale assets								
Equities and other variable-income investments	3,246	72	233	3,551	3,533	94	357	3,984
Bonds and other fixed-income investments	55,587	777	990	57,354	56,785	682	568	58,035
Other investments			1	1	40		1	41
Total available-for-sale assets	**58,833**	**849**	**1,224**	**60,906**	**60,358**	**776**	**926**	**62,060**
Trading assets								
Equities and other variable-income investments classified as “trading” or “held for trading”	600		437	1,037	335	12	506	853
Bonds and other fixed-income investments classified as “trading” or “held for trading”	3,203	290	390	3,882	2,122	103	376	2,601
Cash mutual funds classified as “trading” or “held for trading”	8,572	35		8,607	7,170	24		7,194
Other investments								
Total trading assets	**12,374**	**325**	**826**	**13,526**	**9,627**	**139**	**882**	**10,648**
Sub-total of financial investments (excluding unit-linked items)	**71,207**	**1,175**	**2,050**	**74,432**	**69,985**	**915**	**1,808**	**72,708**
Investments in unit-linked policies	**4,089**	**3,198**	**809**	**8,096**	**4,868**	**405**	**1,803**	**7,076**
Derivative assets and liabilities		**(682)**		**(682)**		**(659)**		**(659)**
Total financial assets and liabilities valued at fair value	**75,295**	**3,691**	**2,859**	**81,846**	**74,853**	**661**	**3,611**	**79,125**

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

Derivative instruments posted to assets totalled €68 million, and derivative instruments posted to liabilities on the balance sheet totalled €750 million as at 31 December 2016. These instruments are mainly classified in level 2.

The Level 3 investments comprise:

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

Beyond the financial assets and liabilities described in the table, the Group recorded fair-value financial contracts without discretionary profit sharing in its technical liabilities. This amount totalled €146 million as at 31 December 2016, compared with €65 million as at 31 December 2015.

In millions of euros	31.12.2016								
	Available-for-sale assets			Trading assets				Investments in unit-linked policies	Derivative assets and liabilities
	Equities	Bonds	Other investments	Equities	Bonds	Cash mutual funds	Other investments		
Level 3 opening amount	**357**	**568**	**1**	**506**	**376**			**1,803**	
Change in unrealised capital gains/losses recognised in:									
- income				(145)	52			(190)	
- gains and losses recognised directly in shareholders' equity	(107)	64							
Transfer to level 3	5	475		28	69			456	
Transfer outside of level 3	(22)	(268)			(144)			(1,228)	
Reclassification to loans and receivables									
Change in scope of consolidation									
Acquisitions	7	160		71	66			8	
Divestments/Redemptions	(5)	(8)		(23)	(30)			(46)	
Foreign exchange adjustments	(2)							6	
Level 3 closing amount	**233**	**990**	**1**	**437**	**390**			**809**	

NOTE 7 - INVESTMENTS REPRESENTING COMMITMENTS IN UNIT-LINKED INVESTMENTS

In millions of euros	31.12.2016			31.12.2015		
	France	International	Total	France	International	Total
Variable-income securities and related securities		4	4		6	6
Bonds	2,806	604	3,409	2,003	612	2,615
Equity mutual fund units	4,054	113	4,167	3,927	84	4,011
Bond and other mutual fund units	151	214	365	142	124	266
Other investments		41	41		75	75
Subtotal of unit-linked financial investments	**7,011**	**975**	**7,986**	**6,072**	**900**	**6,972**
Unit-linked investment property	110		110	105		105
Subtotal of unit-linked investment property	**110**		**110**	**105**		**105**
Total	**7,121**	**975**	**8,096**	**6,176**	**900**	**7,076**

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

NOTE 8 – ASSET AND LIABILITY DERIVATIVE INSTRUMENTS AND SEPARATE EMBEDDED DERIVATIVES

In millions of euros	31.12.2016					
	France		International		Total	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Swaps	58	(738)			58	(738)
Options	5	(3)	1		6	(3)
Foreign currency futures	4	(9)			4	(9)
Other						
Total	**67**	**(750)**	**1**		**68**	**(750)**

In millions of euros	31.12.2015					
	France		International		Total	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Swaps	111	(780)			111	(780)
Options	29	(3)			29	(3)
Foreign currency futures		(16)				(16)
Other						
Total	**140**	**(799)**			**140**	**(799)**

As at 31 December 2016, the following derivative instruments were used by the Group:

- Swaps indexed to a variable rate for protection of the bond portfolio against an increase in rates.
- Currency or inflation-indexed swaps. The economic aim of this strategy is to invest in fixed-rate euro bonds;
- Currency risk hedging
- Synthetic exposure to the credit risk of private issuers through option strategies,
- Equity risk hedges through purchases of index call options.
- Spread-widening risk hedges for bond-based securities.

This last form of hedging was subject to specific documentation for fair-value accounting hedging in accordance with the IAS 39 standard.

Other derivatives are not recorded as hedging transactions in the sense of IAS 39. As per the principles described in Section 3.3, they are recognised at fair value on the balance sheet through income.

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

All derivatives are subject daily to valuation and collateralisation covering the risk associated with the market value of the initiated hedges.

NOTE 9 – USES AND SOURCES OF FUNDS FOR BANKING SECTOR ACTIVITIES

NOTE 9.1 – USES OF FUNDS FOR BANKING SECTOR ACTIVITIES

In millions of euros	31.12.2016			31.12.2015		
	Gross value	Reserves	Net value	Gross value	Reserves	Net value
Petty cash, central banks and postal accounts				49		49
Financial assets at fair value through income	71		71	380		380
Hedging derivatives				1		1
Available-for-sale financial assets	2		2	939		939
Loans and receivables on credit institutions	22		22	281		281
Loans and receivables on customers				2,049	(27)	2,022
Revaluation difference of interest rate hedged portfolios				2		2
Held-to-maturity financial assets				588		588
Investment property						
Total	**96**		**96**	**4,289**	**(27)**	**4,262**

NOTE 9.2 – RESOURCES FROM BANKING SECTOR ACTIVITIES

In millions of euros	31.12.2016	31.12.2015
Central banks, postal accounts		
Financial liabilities at fair value through income		20
Hedging derivatives		7
Debts to credit institutions		651
Debts to customers	8	3,142
Debts represented by securities		86
Revaluation difference of interest rate hedged portfolios		
Total	**8**	**3,906**

The change in the structure of uses and resources of banking activities is explained by the removal of Groupama Banque's assets and liabilities following the change in consolidation method. Groupama Banque is now consolidated using the equity method.

NOTE 10 – INVESTMENTS IN RELATED COMPANIES AND JOINT VENTURES

In millions of euros	31.12.2016		31.12.2015	
	Equivalent value	Share of income	Equivalent value	Share of income
Bollington	2	1	1	
Günes Sigorta			22	(12)
CEGID			79	7
La Banque Postale IARD	80	(4)	84	(4)
Groupama Banque	240	(4)		
STAR	87	3	94	9
GROUPAMA - AVIC Property Insurance Co.	73	5	71	2
ICADE	614	2	643	(44)
Total	**1,096**	**3**	**994**	**(42)**

NOTE 10.1 – SIGNIFICANT DATA PURSUANT TO IFRS 12

In millions of euros	2016				
	Turnover	Net income	Underwriting reserves	Total assets	Shareholders' equity
Bollington (2)	16	1		22	
La Banque Postale IARD (1)	301	(11)	384	586	35
STAR (2)	138	8	239	410	136
Groupama - AVIC Property Insurance Co. (1)	255	3	169	415	139
Groupama Banque (1)		(21)		4,860	317
Compagnie Financière Orange Bank (1)				270	270
ICADE (1)	1,493	58		10,037	3,435

(1) Actual data (2) Estimated data

In millions of euros	2015				
	Turnover	Net income	Underwriting reserves	Total assets	Shareholders' equity
Bollington (1)	17	1		18	
Günes Sigorta (2)	474	(38)	247	428	101
CEGID (3)	282	22		402	218
La Banque Postale IARD (1)	260	(13)	287	478	46
STAR (2)	143	33	263	446	150
Groupama - AVIC Property Insurance Co. (1)	235	2	85	420	142
HOLDCO (real estate company) (4)	1,440	(177)		11,014	2,577

(1) Actual data (2) Estimated data (3) Actual data for turnover and estimated data for other items
(4) Actual data (for HOLDCO) except for total assets

The group holds several stakes in the following insurance companies:

- La Banque Postale IARD in France in the form of a partnership;
- STAR in Tunisia, a leader in the insurance market in Tunisia, jointly owned with the Tunisian government;
- Günes Sigorta has been removed from the scope of consolidation given the decrease in holdings following the capital increase that the Group chose not to participate in;
- Groupama AVIC Property Insurance Co is the result of the joint venture between Groupama and the AVIC Group. This company sells non-life insurance products in the People's Republic of China.

In order to simplify and clarify the holding structure of the ICADE shares by Caisse des Dépôts and Groupama, the merger/takeover of HoldCo SIIC by ICADE was passed by a vote on 23 May 2016 in the Special General Shareholders' Meeting. Since this date, the HOLDCO shares have been replaced with ICADE shares. The book value of the ICADE shares was substituted for an identical amount in the company and consolidated books. The percentage of interest in ICADE's shareholders' equity before the merger was identical to the percentage of interest after the merger. The change in the equity value of the ICADE stake came mainly from the payment of dividends. Numerical data for ICADE as at 31 December 2016, following the merger, are solely for ICADE, while as at 31 December 2015 this data used the broader scope (including HOLDCO). ICADE is a leading office property and business park company in the Ile-de-France region, the leading healthcare property company in France, and a major property development partner for large cities in France.

Groupama sold its stake in Cegid for a total of €154.5 million on 8 July 2016.

Since the end of the fourth quarter of 2016, Orange has been a major shareholder in Groupama Banque. Through the Compagnie Financière d'Orange Bank, the Group now only owns 35% of Groupama Banque, which is now consolidated using the equity method.

The Orange Bank financial holding company now falls within the scope of the Group and is called the Compagnie Financière d'Orange Bank.

The main key figures of these different companies are provided in the above table.

NOTE 11 – SHARE OF OUTWARD REINSURERS AND RETROCESSIONAIRES IN LIABILITIES RELATED TO INSURANCE POLICIES AND FINANCIAL CONTRACTS

In millions of euros	31.12.2016			31.12.2015		
	France	International	Total	France	International	Total
Share of reinsurers in non-life insurance reserves						
Reserves for unearned premiums	11	19	30	11	24	34
Outstanding claims reserves	630	120	750	574	141	716
Other underwriting reserves	353	1	354	329	2	331
Total	**994**	**140**	**1,134**	**914**	**167**	**1,081**
Share of reinsurers in life insurance reserves						
Life insurance reserves	20	2	22	6,849	2	6,851
Outstanding claims reserves	31	3	34	137	4	141
Profit-sharing reserves	11		11	17		17
Other underwriting reserves						
Total	**62**	**6**	**67**	**7,003**	**6**	**7,008**
Share of reinsurers in financial contract reserves						
Total	**1,056**	**145**	**1,201**	**7,917**	**173**	**8,090**

The decrease in France of reinsurers' share of life insurance reserves compared to the previous year is due to the non-renewal of a quota-share reinsurance agreement signed in 2013 for a duration of 3 years.

NOTE 11.1 – CHANGE IN THE SHARE OF OUTWARD REINSURERS AND RETROCESSIONAIRES IN NON-LIFE CLAIMS RESERVES BY OPERATING SEGMENT

In millions of euros	31.12.2016			31.12.2015		
	France	International	Total	France	International	Total
Share of reinsurers in opening reserves for claims	**574**	**141**	**716**	**634**	**171**	**806**
Portfolio transfers and changes in scope of consolidation		1	1			
Share of reinsurers in total claims expense	289	24	314	113	41	155
Share of reinsurers in total payments	(233)	(43)	(276)	(174)	(68)	(242)
Foreign exchange variation		(4)	(4)		(3)	(3)
Share of reinsurers in closing reserves for claims	**630**	**120**	**750**	**574**	**141**	**716**

NOTE 12 – OTHER PROPERTY, PLANT AND EQUIPMENT

NOTE 12.1 – CHANGE IN OTHER PROPERTY, PLANT AND EQUIPMENT

In millions of euros	31.12.2016			31.12.2015		
	Other property, plant and equipment	Other long-term operating assets	Total	Other property, plant and equipment	Other long-term operating assets	Total
Opening gross value	**720**	**53**	**773**	**746**	**53**	**799**
Acquisitions	50	3	53	38	1	39
Change in scope of consolidation	(11)		(11)			
Assets capitalised in the year	2		2	3		3
Foreign exchange adjustments	(2)		(2)			
Outward reinsurance	(38)	(1)	(39)	(67)	(1)	(68)
Closing gross value	**721**	**54**	**775**	**720**	**53**	**773**
Opening cumulative amortisation & depreciation	**(550)**		**(550)**	**(563)**		**(563)**
Increase	(49)		(49)	(48)		(48)
Change in scope of consolidation	9		9			
Foreign exchange adjustments	2		2			
Decrease	32		32	61		61
Closing cumulative amortisation & depreciation	**(556)**		**(556)**	**(550)**		**(550)**
Opening cumulative long-term impairment	**(3)**		**(3)**	**(6)**	**(1)**	**(6)**
Long-term impairment recognised						
Change in scope of consolidation						
Foreign exchange adjustments						
Long-term impairment write-backs	1		1	3		3
Closing cumulative long-term impairment	**(2)**		**(2)**	**(3)**	**0**	**(3)**
Opening net value	**167**	**53**	**220**	**178**	**52**	**230**
Closing net value	**163**	**54**	**217**	**167**	**53**	**220**
Closing fair value of other tangible fixed assets	**163**	**121**	**284**	**167**	**116**	**283**
Unrealised capital gains	**0**	**67**	**67**	**0**	**63**	**63**

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

NOTE 12.2 – OTHER PROPERTY, PLANT AND EQUIPMENT – BY OPERATING SEGMENT

In millions of euros	31.12.2016						31.12.2015					
	Other property, plant and equipment			Other long-term operating assets			Other property, plant and equipment			Other long-term operating assets		
	France	Inter-national	Total	France	Inter-national	Total	France	Inter-national	Total	France	Inter-national	Total
Gross value	615	105	721	54		54	607	112	719	53		53
Cumulative amortisation & depreciation	(469)	(87)	(556)				(458)	(91)	(549)			
Long-term impairment	(2)		(2)				(3)		(3)			
Closing net value	**144**	**19**	**163**	**54**		**54**	**147**	**20**	**167**	**53**		**53**
Closing fair value of investment properties	**144**	**19**	**163**	**121**		**121**	**147**	**20**	**167**	**116**		**116**
Unrealised capital gains	**0**	**0**	**0**	**67**		**67**	**0**	**0**	**0**	**63**		**63**

NOTE 13 – DEFERRED ACQUISITION COSTS

In millions of euros	31.12.2016			31.12.2015		
	Gross	Deferred profit-sharing	Net	Gross	Deferred profit-sharing	Net
Non-life insurance policies	158		158	153		153
Life insurance policies and financial contracts with discretionary profit sharing	30		30	40	(2)	39
France	**188**		**188**	**193**	**(2)**	**192**
Non-life insurance policies	55		55	57		57
Life insurance policies and financial contracts with discretionary profit sharing	26	(3)	24	27	(2)	24
International	**81**	**(3)**	**78**	**84**	**(2)**	**81**
Total deferred acquisition costs	**269**	**(3)**	**266**	**277**	**(4)**	**273**

NOTE 14 – DEFERRED PROFIT SHARING

NOTE 14.1 – DEFERRED PROFIT SHARING LIABILITIES

In millions of euros	31.12.2016			31.12.2015		
	France	International	Total	France	International	Total
Reserve for deferred profit sharing of insurance policies	5,365	23	5,387	4,806	36	4,842
Reserves for deferred profit sharing of financial contracts		130	130		139	139
Total	**5,365**	**152**	**5,517**	**4,806**	**175**	**4,980**

The rate of deferred profit sharing is determined entity by entity (based on regulatory requirements). It is based on the real rate of sharing of investment income between policyholders and shareholders and corresponds to the average real rates over the past three years. This average prevents the inclusion of non-recurring, atypical factors in the calculation.
In the particular case of France, a prospective analysis of the profit-sharing rates was performed based on three-year business plans, which confirms the rate used in the financial statements.

The rates used in France as at 31 December 2016 fall within a bracket of between 75.55% and 87.28%, with 87.28% for Groupama Gan Vie.

NOTE 15 – DEFERRED TAXES

NOTE 15.1 – DEFERRED TAX ASSETS - BY OPERATING SEGMENT

In millions of euros	31.12.2016			31.12.2015
	France	International	Total	Total
Deferred tax assets	7	16	23	276
Total	**7**	**16**	**23**	**276**

NOTE 15.2 – DEFERRED TAX LIABILITIES – BY OPERATING SEGMENT

In millions of euros	31.12.2016			31.12.2015
	France	International	Total	Total
Deferred tax liabilities	195	32	227	439
Total	**195**	**32**	**227**	**439**

NOTE 15.3 – ANALYSIS OF THE MAJOR COMPONENTS OF DEFERRED TAXES

In millions of euros	31.12.2016	31.12.2015
Deferred taxes resulting from timing differences		
Restatements on AFS & Trading financial instruments (net of deferred profit sharing)	(608)	(614)
Life acquisition costs and overall management expenses reserve	(50)	(48)
Consolidation restatements on underwriting reserves	(209)	(207)
Other differences on consolidation restatements	180	147
Deferred non-life acquisition costs	(55)	(52)
Tax differences on underwriting reserves and other contingent liabilities	421	484
Tax-deferred capital gains	(5)	(3)
Valuation difference on mutual funds	138	139
Foreign exchange hedge	8	6
Other temporary tax differences	(37)	(20)
Subtotal of deferred taxes resulting from timing differences	**(217)**	**(168)**
Deferred taxes on ordinary losses	**13**	**5**
Deferred taxes recorded on the balance sheet	**(204)**	**(163)**
of which, assets	23	276
of which, liabilities	(227)	(439)

Deferred taxes on unrecognised net assets amounted to €12 million as at 31 December 2016, compared with €115 million as at 31 December 2015.

For France, deferred taxes were determined using a corporate tax rate of 34.43%, independent of the gradual decrease in the corporate tax rate set to be completed by 2020 according to the 2017 finances law. Estimates were made and the impact is not significant.

NOTE 16 – RECEIVABLES FROM INSURANCE OR INWARD REINSURANCE TRANSACTIONS

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

In millions of euros	31.12.2016							31.12.2015
	France			International			Total	Total
	Gross value	Reserves	Net value	Gross value	Reserves	Net value		
Earned premiums not written	714		714	18		18	732	602
Policyholders, intermediaries, and other third parties	803	(24)	778	393	(68)	325	1,103	1,481
Current accounts – co-insurers and other third parties	69	(1)	68	56	(33)	24	91	99
Current accounts – ceding and retroceding companies	312		312	6		6	318	246
Total	**1,897**	**(26)**	**1,872**	**473**	**(101)**	**372**	**2,244**	**2,427**

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

In millions of euros	31.12.2016				31.12.2015			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Earned premiums not written	737	(5)		732	607	(5)		602
Policyholders, intermediaries, and other third parties	973	130		1,103	1,347	133		1,481
Current accounts – co-insurers and other third parties	91			91	88	11		99
Current accounts – ceding and retroceding companies	265	49	3	318	186	57	2	246
Total	**2,066**	**175**	**3**	**2,244**	**2,228**	**196**	**2**	**2,427**

NOTE 17 - RECEIVABLES FROM OUTWARD REINSURANCE TRANSACTIONS

In millions of euros	31.12.2016			31.12.2015
	Gross value	Reserves	Net value	Net value
Outward reinsurer and retrocessionaire current accounts	54	(6)	48	57
Other receivables from reinsurance transactions	160	(1)	159	205
Total	**215**	**(7)**	**207**	**261**

NOTE 17.1 – RECEIVABLES FROM OUTWARD REINSURANCE TRANSACTIONS – BY MATURITY

In millions of euros	31.12.2016				31.12.2015			
	<1 year	1 to 5 years	> 5 years	Total	<1 year	1 to 5 years	> 5 years	Total
Outward reinsurer and retrocessionaire current accounts	38	11		48	27	30		57
Other receivables from reinsurance transactions	159			159	205			205
Total	**196**	**11**		**207**	**232**	**30**		**261**

NOTE 18 – CURRENT TAX RECEIVABLES AND OTHER TAX RECEIVABLES

NOTE 18.1 – CURRENT TAX RECEIVABLES AND OTHER TAX RECEIVABLES - BY MATURITY

In millions of euros	31.12.2016				31.12.2015			
	<1 year	1 to 5 years	> 5 years	Total	<1 year	1 to 5 years	> 5 years	Total
Current tax receivables and other tax receivables	276			276	282			282

"Current tax receivables and other tax receivables" amounted to €276 million as at 31 December 2016 compared with €282 million as at 31 December 2015. It includes corporate tax as well as other government and public authority receivables.

Current tax receivables totalled €78 million as at 31 December 2016, including €33 million for international subsidiaries, versus €82 million as at 31 December 2015.

Other current tax receivables totalled €198 million as at 31 December 2016, including €66 million for international subsidiaries, versus €200 million as at 31 December 2015.

NOTE 18.2 – CURRENT TAX RECEIVABLES AND OTHER TAX RECEIVABLES - BY OPERATING SEGMENT

In millions of euros	31.12.2016			31.12.2015		
	France	International	Total	France	International	Total
Current tax receivables and other tax receivables	178	98	276	176	106	282

NOTE 19 – OTHER RECEIVABLES

In millions of euros	31.12.2016			31.12.2015
	Gross value	Reserves	Total	Total
Accrued interest not yet due	752		752	809
Due from employees	8		8	9
Social agencies	15		15	18
Miscellaneous debtors	1,889	(117)	1,772	1,356
Other receivables	210		210	205
Total	**2,874**	**(117)**	**2,757**	**2,397**

NOTE 19.1 – OTHER RECEIVABLES – BY MATURITY

In millions of euros	31.12.2016				31.12.2015			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Accrued interest not yet due	752			752	809			809
Due from employees	7			8	9			9
Social agencies	15			15	18			18
Miscellaneous debtors	1,657	97	18	1,772	1,272	54	29	1,356
Other receivables	210			210	205			205
Total	**2,642**	**97**	**18**	**2,757**	**2,314**	**54**	**29**	**2,397**

NOTE 19.2 – OTHER RECEIVABLES – BY OPERATING SEGMENT

In millions of euros	31.12.2016			31.12.2015		
	France	International	Total	France	International	Total
Accrued interest not yet due	679	73	752	726	83	809
Due from employees	6	1	8	8	1	9
Social agencies	15		15	18		18
Miscellaneous debtors	1,731	41	1,772	1,311	45	1,356
Other receivables	186	25	210	176	29	205
Total	**2,617**	**140**	**2,757**	**2,239**	**158**	**2,397**

NOTE 20 – CASH AND CASH EQUIVALENTS

NOTE 20.1 – CASH AND CASH EQUIVALENTS APPLIED TO BALANCE SHEET ASSETS

In millions of euros	31.12.2016	31.12.2015
France	968	1,274
International	106	176
Total	**1,074**	**1,451**

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

NOTE 20.2 – CASH APPLIED TO BALANCE SHEET LIABILITIES

In millions of euros	31.12.2016				31.12.2015			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Operating debts to banking sector companies	69			69	172			172
Total	**69**			**69**	**172**			**172**

In millions of euros	31.12.2016			
	Currencies		Rates	
	Eurozone	Non-eurozone	Fixed rate	Variable rate
Operating debts to banking sector companies	69		69	
Total	**69**		**69**	

NOTE 21 – SHAREHOLDERS' EQUITY, MINORITY INTERESTS

NOTE 21.1 – SHARE CAPITAL LIMITS FOR INSURANCE COMPANIES

Insurance business operations are governed by regulatory constraints that define minimum share capital in particular. In France, in accordance with the European directive and by virtue of articles R322-5 and R322-44 of the French insurance code, French companies subject to State control and incorporated in the form of mutual insurance companies must have start-up funds at least equal to €240,000 or €400,000 depending on the segments operated. French public limited companies must have share capital of at least €480,000 or €800,000 depending on the segments operated.

Additionally, in order to ensure a solid financial position for insurance companies and to guarantee protection for insurance customers, in France, insurance companies are subject since 1 January 2016 to the Solvency II regulatory system, which was introduced by European directive 2009/138/EC of 25 November 2009. Solvency II requires insurance companies to always meet minimum capital requirements (Article L.352-5 of the Insurance Code) and solvency capital requirements (Article L.352-1 of the Insurance Code), calculated according to the provisions of Delegated Regulation #2015/35. This obligation also exists abroad, according to similar mechanisms. This entire mechanism is reinforced at the level of the consolidated accounts with a Group regulatory capital requirement, taking into account, where applicable, the banking activities engaged in by the insurance group.

NOTE 21.2 – IMPACTS OF TRANSACTIONS WITH MEMBERS

- **Changes in the Group's shareholders' equity during fiscal year 2016**

During financial year 2016, the regional mutuals issued mutual insurance certificates to their members and customers for €78 million, and Groupama SA made a partial redemption of its perpetual super-subordinated bond, issued in 2007, for €2 million.

- **Accounting treatment of subordinated bonds classified in equity instruments**

The bonds classified in shareholders' equity are detailed as follows:

- a subordinated perpetual bond, issued in May 2014, at the fixed interest rate of 6.375% for a nominal value of €1.1 billion, and;
- a super-subordinated bond, issued in 2007, at the fixed interest rate of 6.298% for a remaining nominal value of €414 million.

These bonds have particular characteristics, such as:

- unlimited term,
- the ability to defer or cancel any interest payment to unit holders in a discretionary manner;
- - an interest "step-up" clause that kicks in following the tenth year of the bond.

Taking into account their characteristics and in application of IAS 32 §16 and 17, these bonds are considered equity instruments and not financial liabilities. They are therefore recognised under shareholders' equity. Interest costs net of tax are charged directly against shareholders' equity in accordance with IAS 32 § 35 (rather than as an expense in the income statement).

NOTE 21.3 – RESERVES RELATED TO CHANGES IN FAIR VALUE RECORDED IN SHAREHOLDERS' EQUITY

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

In millions of euros	31.12.2016	31.12.2015
Gross unrealised capital gains (losses) on available-for-sale assets	8,530	7,998
of which, unrealised gross capital gains (losses) on AFS assets allocated to life and health insurance	7,569	6,991
of which, unrealised gross capital gains or losses on AFS assets allocated to property and casualty insurance	961	1,007
Shadow accounting	(6,231)	(5,837)
Cash flow hedge and other changes	(60)	(60)
Deferred taxes	(593)	(603)
Share of non-controlling interests	(5)	(4)
Revaluation reserve - Group share	**1,640**	**1,493**

The deferred tax amount shown in the table above corresponds to the application of a short-term and long-term tax rate on the unrealised gains on financial instruments classified as "available-for-sale assets" and a short-term tax rate on deferred profit sharing ("shadow accounting"). Under the new rules for long-term capital gains (losses) applicable at 1 January 2006, the unrealised capital gains on "strategic" equity interests are exempt for the calculation of the deferred tax up to a maximum percentage of costs and expenses (i.e., an effective rate of 4.13%).

"Cash flow hedge and other changes" for -€60 million includes a cash flow hedge revaluation reserve of -€42 million and a net investment hedge revaluation reserve of -€18 million. These reserves correspond to the effective share of hedging operations implemented by the Group in the past and since terminated. They will be recycled in income when the hedged items are sold in accordance with the provisions of IAS 39.

NOTE 22 – RESERVES FOR CONTINGENCIES AND CHARGES

millions of euros	31.12.2016						
	France			International			Total
	Reserves for pensions and similar obligations	Other contingent liabilities (1)	Total	Reserves for pensions and similar obligations	Other contingent liabilities (1)	Total	
Opening balance	**397**	**161**	**558**	**37**	**47**	**84**	**642**
Changes in scope of consolidation, changes in accounting methods, and transfers	(4)	(12)	(16)				(16)
Increases for the year	107	88	195	4	15	19	214
Write-backs for the year	(58)	(66)	(124)	(5)	(14)	(19)	(144)
Foreign exchange variation				(1)	(1)	(1)	(1)
Closing balance	**441**	**171**	**612**	**35**	**48**	**83**	**695**

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

In millions of euros	31.12.2015						
	France			International			Total
	Reserves for pensions and similar obligations	Other contingent liabilities (1)	Total	Reserves for pensions and similar obligations	Other contingent liabilities (1)	Total	
Opening balance	**409**	**131**	**540**	**40**	**51**	**91**	**631**
Changes in scope of consolidation, changes in accounting methods, and transfers				(2)		(2)	(2)
Increases for the year	46	66	112	3	10	13	125
Write-backs for the year	(58)	(36)	(94)	(4)	(14)	(18)	(112)
Foreign exchange variation							
Closing balance	**397**	**161**	**558**	**37**	**47**	**84**	**642**

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

NOTE 23 - INFORMATION PERTAINING TO PERSONNEL BENEFITS – DEFINED-BENEFIT PLANS

NOTE 23.1 – RESERVE FOR PENSIONS

In millions of euros	31.12.2016			31.12.2015		
	Post-employment benefits	Other long-term benefits	Total	Post-employment benefits	Other long-term benefits	Total
Actuarial debt	758	88	846	722	84	806
Fair value of hedging assets	370		370	372		372
Net actuarial debt	**388**	**88**	**476**	**350**	**84**	**434**

NOTE 23.1.1 – RESERVE FOR PENSIONS – CHANGE IN THE ACTUARIAL VALUE OF THE DEBT

In millions of euros	31.12.2016			31.12.2015		
	Post-employment benefits	Other long-term benefits	Total	Post-employment benefits	Other long-term benefits	Total
Opening actuarial debt	**722**	**84**	**806**	**728**	**80**	**808**
Cost of past services	16	6	22	12	6	18
Interest expense	17	1	18	18	1	19
Revaluations of actuarial debt						
Actuarial differences resulting from changes in demographic assumptions	(5)	1	(4)	3	1	4
Actuarial differences resulting from changes in financial assumptions	102	4	106	(20)	(1)	(21)
Experience-related adjustments	(5)	(2)	(7)	(15)	(3)	(18)
Benefits paid directly by the employer	(13)	(4)	(17)	(10)	(3)	(13)
Benefits paid by hedging assets	(22)		(22)	(16)		(16)
Cost of past services and profit/loss on liquidation		(1)	(1)		1	1
Change in scope of consolidation	(2)	(2)	(4)			
Change in exchange rates	(55)		(55)	23		23
Other	3		3	(2)	4	2
Closing actuarial debt	**758**	**88**	**846**	**722**	**84**	**806**

Note 23.1.2 – Reserve for pensions – Change in the fair value of hedging assets

In millions of euros	31.12.2016			31.12.2015		
	Post-employment benefits	Other long-term benefits	Total	Post-employment benefits	Other long-term benefits	Total
Opening fair value of hedging assets	**372**		**372**	**359**		**359**
Interest income	12		12	13		13
Revaluations of hedging assets						
Portion of yield on hedging assets in excess of the discount rate	52		52	(13)		(13)
Change in effect of asset cap						
Benefits paid	(23)		(23)	(16)		(16)
Employer contributions	8		8	9		9
Employee contributions						
Change in scope of consolidation						
Change in exchange rates	(51)		(51)	21		21
Other						
Closing fair value of hedging assets	**370**		**370**	**372**		**372**

Note 23.2 – Post-employment benefit expense recognised on the statement of net income and gains and losses recognised directly in shareholders' equity

In millions of euros	31.12.2016	31.12.2015
Cost of services:		
Cost of past services	(16)	(12)
Cost of past services and profit/loss on liquidation		
Net interest on net actuarial debt	(5)	(5)
Other		
Component of the expense recognised in the income statement	**(21)**	**(17)**
Revaluation of net actuarial debt:		
Portion of return on hedging assets not recognised in the income statement	52	(13)
Actuarial differences resulting from changes in demographic assumptions	5	(3)
Actuarial differences resulting from changes in financial assumptions	(102)	21
Experience-related adjustments	5	15
Change in effect of asset cap		
Component of the expense recognised through profit/losses posted directly as shareholders' equity	**(40)**	**20**

NOTE 23.3 – INFORMATION PERTAINING TO EMPLOYEE BENEFITS – DISTRIBUTION OF HEDGING ASSETS

In millions of euros	31.12.2016	31.12.2015
Equities	244	265
Bonds	69	68
Other	58	40
Fair value of hedging assets	**370**	**373**

NOTE 23.4 – PRINCIPAL ACTUARIAL ASSUMPTIONS

In millions of euros	31.12.2016				31.12.2015			
	France	United Kingdom	Other	Total	France	United Kingdom	Other	Total
Actuarial debt	411	395	40	846	384	380	42	806
Fair value of hedging assets	8	361	1	370	12	359	1	372
Net actuarial debt	**403**	**34**	**39**	**476**	**372**	**21**	**41**	**434**
Principal actuarial assumptions								
Financial assumptions								
Discount rate	1.20%	2.70%	NS		2.10%	3.80%	NS	
Yield expected from plan assets	1.20%	2.70%	NS		2.10%	3.80%	NS	
Expected salary/pension increase	1.86%	3.20%	NS		2.03%	3.00%	NS	
Turn-over								
- 18 to 34 years	4.03%	NA	NS		3.23%	NA	NS	
- 35 to 44 years	2.23%	NA	NS		2.00%	NA	NS	
- 45 to 54 years	0.91%	NA	NS		0.71%	NA	NS	
- 55 and older	0.00%	NA	NS		1.24%	NA	NS	

Note that in the United Kingdom, the Groupama Insurances Company Limited (GICL) pension fund was transferred to Groupama SA following the sale of the subsidiary in 2012.

Only staff turnover rates for France are material in nature.

As in 2015, the discount rate used at 31 December 2016 to assess actuarial commitments corresponds to the interest rate on high-quality corporate bonds.

The sensitivity to an increase of 50 basis points in this discount rate is -6.2% on the gross actuarial debt total for France, and -8.3% for the United Kingdom.

Sensitivity to social commitments in relation to health coverage plans: as at 31 December 2016, actuarial debt for health coverage plans amounted to €11 million. The sensitivity of this debt to an increase of 50 basis points in the discount rate is -5.3%.

A 0.5% change in the rate of increase for medical costs would not have a material impact on the Group’s consolidated accounts.

NOTE 24 – FINANCING DEBT

NOTE 24.1 – FINANCING DEBT – BY MATURITY

In millions of euros	31.12.2016				31.12.2015			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Subordinated debt			750	750			750	750
of which subordinated debt of insurance companies			750	750			750	750
of which subordinated debts of banking companies								
Financing debt represented by securities								
Financing debt with banking-sector companies	2	11	2	14	2	12	3	17
Total	**2**	**11**	**752**	**764**	**2**	**12**	**753**	**767**

At 31 December 2016, the group’s external debt remains identical to the level at 31 December 2015.

NOTE 24.2 – FINANCING DEBT – BY CURRENCY AND RATE

In millions of euros	31.12.2016			
	Currencies		Rates	
	Eurozone	Non-eurozone	Fixed rate	Variable rate
Subordinated debt	750		750	
Financing debt represented by securities				
Financing debt with banking-sector companies	14		14	
Total	**764**		**764**	

The “subordinated debt” item corresponds to the issue of a fixed interest loan in the form of deeply super-subordinated instruments (TSR) issued in October 2009 by Groupama SA for €750 million.

The key terms of this bond are as follows:

- the term of the bond is 30 years,
- an early redemption option available to Groupama SA that it may exercise as from the tenth year,
- a clause entitling Groupama SA to defer interest payments as follows, the deferred interest remaining is due to the holders of the securities.
- Groupama SA has the option of deferring interest payments if the Group’s required solvency capital hedge is below 100%.

At 31 December 2016, this issue was quoted at 107.2% compared with 107.4% at 31 December 2015.

In view of the specific terms and conditions of each issue pursuant to IAS 32 §16 and 17, these bonds are considered as financial liabilities rather than equity instruments. They are therefore recognised under financing debt. Interest costs net of tax are recognised in the income statement.

The item “Financing debts to banking sector companies” amounted to €14 million, corresponding mainly to miscellaneous loans.

NOTE 25 – TECHNICAL LIABILITIES RELATED TO INSURANCE POLICIES

NOTE 25.1 – TECHNICAL LIABILITIES RELATED TO INSURANCE POLICIES – BY OPERATING SEGMENT

In millions of euros	31.12.2016			31.12.2015		
	France	International	Total	France	International	Total
Gross underwriting reinsurance reserves						
Life insurance reserves	31,321	867	32,188	30,452	1,151	31,603
Outstanding claims reserves	632	56	688	689	74	762
Profit-sharing reserves	761	9	770	867	9	877
Other underwriting reserves	1	23	24	4	24	27
Total Life insurance	**32,715**	**955**	**33,670**	**32,012**	**1,257**	**33,269**
Reserves for unearned premiums	1,048	660	1,708	1,029	663	1,692
Outstanding claims reserves	8,609	2,294	10,903	8,309	2,305	10,614
Other underwriting reserves	3,541	47	3,588	3,318	55	3,373
Total Non-life insurance	**13,198**	**3,000**	**16,199**	**12,656**	**3,023**	**15,679**
Life insurance reserves for unit-linked policies	7,896	985	8,882	7,105	866	7,971
Total	**53,810**	**4,940**	**58,750**	**51,773**	**5,146**	**56,919**

The adequacy tests carried out on liabilities at 31 December 2016 were found to be satisfactory and did not result in the recognition of any additional technical expense.

NOTE 25.2 – TECHNICAL LIABILITIES RELATED TO INSURANCE POLICIES - BY BUSINESS

NOTE 25.2.1 – TECHNICAL LIABILITIES RELATED TO INSURANCE POLICIES BY BUSINESS – FRANCE

In millions of euros	31.12.2016			31.12.2015		
	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross underwriting reinsurance reserves						
Life insurance reserves	31,321		31,321	30,452		30,452
Outstanding claims reserves	632		632	689		689
Profit-sharing reserves	761		761	867		867
Other underwriting reserves	1		1	4		4
Total Life insurance	**32,715**		**32,715**	**32,012**		**32,012**
Reserves for unearned premiums	133	915	1,048	138	890	1,028
Outstanding claims reserves	982	7,628	8,609	939	7,370	8,309
Other underwriting reserves	2,773	768	3,541	2,648	670	3,318
Total Non-life insurance	**3,887**	**9,311**	**13,198**	**3,726**	**8,930**	**12,656**
Life insurance reserves for unit-linked policies	7,896		7,896	7,105		7,105
Total gross underwriting reserves relating to insurance policies	**44,499**	**9,311**	**53,810**	**42,843**	**8,930**	**51,773**

NOTE 25.2.2 – TECHNICAL LIABILITIES RELATED TO INSURANCE POLICIES BY BUSINESS – INTERNATIONAL

In millions of euros	31.12.2016			31.12.2015		
	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross underwriting reinsurance reserves						
Life insurance reserves	867		867	1,151		1,151
Outstanding claims reserves	56		56	74		74
Profit-sharing reserves	9		9	9		9
Other underwriting reserves	23		23	23		24
Total Life insurance	**955**		**955**	**1,257**		**1,257**
Reserves for unearned premiums	70	590	660	64	599	663
Outstanding claims reserves	79	2,215	2,294	73	2,232	2,305
Other underwriting reserves	14	33	47	15	40	55
Total Non-life insurance	**162**	**2,838**	**3,000**	**152**	**2,870**	**3,023**
Life insurance reserves for unit-linked policies	985		985	866		866
Total gross underwriting reserves relating to insurance policies	**2,102**	**2,838**	**4,940**	**2,275**	**2,870**	**5,146**

NOTE 25.3 – BREAKDOWN OF TECHNICAL RESERVES FOR INSURANCE POLICIES - BY MAIN CATEGORIES

In millions of euros	31.12.2016			31.12.2015		
	Gross life insurance reserves	Gross outstanding claims reserves	Total	Gross life insurance reserves	Gross outstanding claims reserves	Total
Single-premium policies						
Capitalisation	24	12	36	251	26	276
Individual insurance	11,662	101	11,763	11,008	243	11,250
Group policies	193	5	197	198	4	202
Other				2,386		2,386
Total reserves for single-premium contracts	**11,878**	**118**	**11,996**	**13,842**	**273**	**14,115**
Periodic-premium contracts						
Capitalisation	118	2	121	299	11	310
Individual insurance	6,808	244	7,051	6,843	175	7,017
Group policies	7,842	300	8,142	7,470	283	7,753
Other	2,909	1	2,910	565	1	567
Total reserves for periodic-premium contracts	**17,677**	**547**	**18,224**	**15,177**	**470**	**15,647**
Inward reinsurance	**2,632**	**23**	**2,656**	**2,584**	**20**	**2,604**
Total	**32,188**	**688**	**32,876**	**31,603**	**762**	**32,365**

Note that there was a reclassification from the ‘other’ item for single-premium policies to the ‘other’ item for periodic-premium policies.

In millions of euros	31.12.2016			31.12.2015		
	Reserves for unearned premiums	Outstanding claims reserves	Total	Reserves for unearned premiums	Outstanding claims reserves	Total
Non-life insurance						
Motor insurance	728	4,824	5,552	746	4,739	5,485
Bodily injury	212	1,345	1,558	217	1,262	1,479
Property damage	491	2,162	2,652	456	2,013	2,468
General third party liability	56	504	560	53	496	550
Marine, aviation, transport	9	186	195	8	204	213
Other risks	202	1,458	1,661	211	1,466	1,677
Inward reinsurance	**10**	**424**	**434**	**1**	**433**	**434**
Total non-life insurance reserves	**1,708**	**10,903**	**12,611**	**1,692**	**10,614**	**12,306**

NOTE 25.4 – CHANGE IN RESERVES FOR NON-LIFE CLAIMS PAYABLE

In millions of euros	31.12.2016			31.12.2015		
	France	International	Total	France	International	Total
Opening reserves for non-life claims	**8,309**	**2,305**	**10,614**	**8,130**	**2,285**	**10,415**
Portfolio transfers						
Claims expense for the current financial year	6,515	1,293	7,808	5,828	1,257	7,085
Claims expense for previous financial years	(251)	(25)	(275)	(9)	74	64
Total claims expense	**6,265**	**1,268**	**7,533**	**5,819**	**1,331**	**7,150**
Claims payments for the current financial year	(3,255)	(591)	(3,847)	(2,879)	(616)	(3,495)
Claims payments for previous financial years	(2,709)	(642)	(3,350)	(2,763)	(662)	(3,425)
Total payments	**(5,964)**	**(1,233)**	**(7,197)**	**(5,642)**	**(1,278)**	**(6,920)**
Foreign exchange variation		**(47)**	**(48)**	**2**	**(33)**	**(31)**
Closing reserves for non-life claims	**8,609**	**2,294**	**10,903**	**8,309**	**2,305**	**10,614**

NOTE 25.5 – IMPACT OF GROSS CLAIMS

In millions of euros	2012	2013	2014	2015	2016
Estimate of the claims expense					
End N	7,305	7,255	7,185	7,070	7,787
End N+1	7,366	7,309	7,168	6,961	
End N+2	7,328	7,094	7,098		
End N+3	7,282	6,962			
End N+4	7,195				
Claims expense	**7,195**	**6,962**	**7,098**	**6,961**	**7,787**
Cumulative claims payments	**6,529**	**6,256**	**5,895**	**5,458**	**3,830**
Outstanding claims reserves	**666**	**706**	**1,203**	**1,502**	**3,957**
Earned premiums	**9,812**	**9,714**	**9,791**	**9,977**	**10,179**
Claims ratio	**73.3%**	**71.7%**	**72.5%**	**69.8%**	**76.5%**

The statement of claim trends shows changes in estimates of the gross claims expense per year of occurrence covering the years 2012 to 2016, i.e., changes in the initial estimates and discounted expense as at the balance sheet date.

The reserve per year of occurrence is calculated as the difference between the estimated claim expense (revalued as at the balance sheet date) and the cumulative payments made.

NOTE 25.6 – IMPACT OF THE DISCOUNT IN ACTUARIAL RESERVES FOR NON-LIFE ANNUITIES BY OPERATING SEGMENT

GROSS VALUE

In millions of euros	31.12.2016			31.12.2015		
	France	International	Total	France	International	Total
Closing non-life annuity actuarial reserves (net of recoveries)	**2,605**	**23**	**2,628**	**2,440**	**23**	**2,463**
Closing non-life annuity actuarial reserves (net of recoveries) before change in discount rate	2,492	23	2,516	2,314	23	2,337
Closing non-life annuity actuarial reserves (net of recoveries) excluding technical interest	2,727	23	2,751	2,675	23	2,698
Technical interest	(235)		(235)	(361)		(361)
Impact of change in discount rate	113		113	126		126

PROPORTION CEDED

In millions of euros	31.12.2016			31.12.2015		
	France	International	Total	France	International	Total
Share of reinsurers in non-life annuity actuarial reserves carried forward (net of recoveries)	**253**		**253**	**215**		**215**
Share of reinsurers in non-life annuity actuarial reserves carried forward (net of recoveries) before change in discount rate	245		245	207		207
Share of reinsurers in non-life annuity actuarial reserves carried forward (net of recoveries) excluding technical interest	261		260	229		229
Technical interest	(15)		(15)	(22)		(22)
Impact of change in discount rate	8		8	8		8

NOTE 26 – TECHNICAL LIABILITIES RELATED TO FINANCIAL CONTRACTS

In millions of euros	31.12.2016	31.12.2015
Reserves on financial contracts with discretionary profit sharing		
Life underwriting reserves	14,249	15,836
Reserves on unit-linked policies	84	56
Outstanding claims reserves	122	65
Profit-sharing reserves	16	16
Other underwriting reserves	1	1
Total	**14,471**	**15,974**
Reserves for financial contracts without discretionary profit sharing		
Life underwriting reserve		6
Reserves on unit-linked policies	146	65
Outstanding claims reserves	2	
Profit-sharing reserves		
Other underwriting reserves		
Total	**148**	**71**
Total	**14,619**	**16,046**

NOTE 26.1 – LIABILITIES RELATED TO FINANCIAL CONTRACTS (EXCLUDING UNIT-LINKED ITEMS) - BY OPERATING SEGMENT

In millions of euros	31.12.2016			31.12.2015		
	France	International	Total	France	International	Total
Reserves on financial contracts - Life	12,199	2,050	14,249	14,174	1,668	15,842
Outstanding claims reserves	113	11	124	47	19	66
Profit-sharing reserves	13	3	16	13	3	16
Other underwriting reserves	1		1	1		1
Total	**12,325**	**2,064**	**14,389**	**14,235**	**1,690**	**15,925**

NOTE 26.2 – BREAKDOWN OF LIABILITIES RELATED TO FINANCIAL CONTRACTS - BY MAJOR CATEGORY

In millions of euros	31.12.2016			31.12.2015		
	Reserves on financial contracts - Life	Gross outstanding claims reserves	Total	Reserves on financial contracts - Life	Gross outstanding claims reserves	Total
Single-premium policies						
Capitalisation	470	8	478	256	10	267
Individual insurance	12,704	79	12,783	14,732	16	14,747
Group policies	98		98	95		95
Other						
Total reserves for single-premium contracts	**13,272**	**88**	**13,359**	**15,082**	**26**	**15,109**
Periodic-premium contracts						
Capitalisation	268	7	275	105	2	108
Individual insurance	359	13	372	379	36	414
Group policies	347	16	363	272	1	274
Other	3		3	3		3
Total reserves for periodic-premium contracts	**977**	**36**	**1,013**	**760**	**39**	**799**
Inward reinsurance						
Total Non-Life Insurance reserves	**14,249**	**124**	**14,373**	**15,842**	**66**	**15,908**

NOTE 27 – CHANGE IN ACTUARIAL RESERVES FOR LIFE INSURANCE POLICIES AND FINANCIAL CONTRACTS - BY OPERATING SEGMENT

In millions of euros	31.12.2016			31.12.2015		
	France	International	Total	France	International	Total
Opening actuarial reserves	**44,627**	**2,818**	**47,445**	**45,876**	**2,680**	**48,556**
Premiums for the year	1,713	421	2,134	1,797	500	2,296
Portfolio transfer/changes in scope of consolidation						
Interest credited	232	46	278	235	52	286
Profit-sharing	815	26	841	908	28	936
Policies at term	(347)	(126)	(474)	(335)	(215)	(550)
Redemptions	(1,433)	(241)	(1,674)	(1,618)	(198)	(1,816)
Annuity arrears	(531)	(3)	(533)	(537)	(3)	(540)
Death benefits	(991)	(17)	(1,009)	(971)	(18)	(989)
Other changes	(565)	(7)	(572)	(727)	(7)	(734)
Closing actuarial reserves	**43,520**	**2,917**	**46,437**	**44,627**	**2,818**	**47,445**

Other changes are due particularly to the arbitrage of contracts in euros for unit-linked contracts.

NOTE 28 – DEBTS TO UNIT HOLDERS OF CONSOLIDATED MUTUAL FUNDS

In millions of euros	31.12.2016			31.12.2015		
	Insurance	Banking	Total	Insurance	Banking	Total
Debts to holders of units of consolidated mutual funds	355		355	184		184
Total	**355**		**355**	**184**		**184**

NOTE 29 – LIABILITIES FROM INSURANCE OR INWARD REINSURANCE OPERATIONS

In millions of euros	31.12.2016				31.12.2015			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Policyholders, intermediaries, and other third parties	595	3		598	714	2		716
Co-insurers	47	17		64	72	1		73
Current accounts – ceding and retroceding companies	60	3		63	75	45		120
Total	**702**	**23**		**725**	**860**	**48**		**908**

NOTE 30 – LIABILITIES FROM OUTWARD REINSURANCE ACTIVITIES

In millions of euros	31.12.2016				31.12.2015			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Outward reinsurer and retrocessionaire current accounts (1)	293	12		305	7,221	16		7,237
Other liabilities from reinsurance activities	44	3		47	74	3		77
Total	**337**	**14**		**352**	**7,295**	**19**		**7,314**

(1) Including deposits received from reinsurers.

Change in the item 'Outward reinsurer and retrocessionaire current accounts' compared to the previous year resulted from the expiration of a quota-share reinsurance agreement issued in 2013 for a duration of 3 years.

NOTE 31 – CURRENT TAXES PAYABLE AND OTHER TAX LIABILITIES

In millions of euros	31.12.2016				31.12.2015			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Current taxes payable and other tax liabilities	186			186	199			199
Total	**186**			**186**	**199**			**199**

"Current taxes payable and other tax liabilities" amounted to €186 million as at 31 December 2016 compared with €199 million as at 31 December 2015. It includes corporate income taxes due in France and abroad as well as other government and public authority liabilities.

Current tax payables totalled €31 million as at 31 December 2016, versus €47 million as at 31 December 2015, broken down as follows:

- €21 million for companies within the tax consolidation scope;
- €10 million for foreign companies.

Other tax liabilities totalled €155 million as at 31 December 2016, including €36 million for international subsidiaries.

NOTE 32 – OTHER DEBTS

NOTE 32.1 – OTHER DEBTS – BY OPERATING SEGMENT

In millions of euros	31.12.2016			31.12.2015		
	France	International	Total	France	International	Total
Due to employees	306	6	313	306	8	313
Social agencies	243	7	250	226	7	233
Other loans, deposits, and guarantees received	4,534	5	4,539	4,219	5	4,225
Other creditors	883	40	923	667	53	720
Other debts	238	28	266	265	34	299
Total	**6,205**	**87**	**6,291**	**5,683**	**107**	**5,791**

Note that in the item 'Other borrowings and deposits received' there were €4.434 billion in debts from repos.

NOTE 32.2 – OTHER DEBT – BY MATURITY

In millions of euros	31.12.2016				31.12.2015			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Due to employees	294	1	18	313	295	1	17	313
Social agencies	249	1		250	232	1		233
Other loans, deposits, and guarantees received	4,490	13	36	4,539	4,176	12	36	4,225
Other creditors	922	1		923	718	1	1	720
Other debts	266			266	299			299
Total	**6,221**	**16**	**54**	**6,291**	**5,721**	**15**	**54**	**5,791**

NOTE 32.3 – OTHER DEBT - BY CURRENCY AND RATE

In millions of euros	31.12.2016			
	Currencies		Rates	
	Eurozone	Non-Eurozone	Fixed rate	Variable rate
Due to employees	311	2	313	
Social agencies	250		250	
Other loans, deposits, and guarantees received	4,539		4,528	11
Other creditors	909	14	923	
Other debts	266		266	
Total	**6,275**	**16**	**6,281**	**11**

NOTE 33 – ANALYSIS OF TURNOVER

NOTE 33.1 – ANALYSIS OF INSURANCE TURNOVER BY MAJOR CATEGORY

In millions of euros	31.12.2016			31.12.2015		
	France	Inter-national	Total	France	Inter-national	Total
Individual retirement savings	1,695	523	2,218	1,764	645	2,409
Individual protection insurance	612	118	731	615	117	732
Individual health insurance	1,261	74	1,335	1,336	70	1,406
Other	152		152	144		144
Individual life and health insurance	**3,720**	**715**	**4,435**	**3,860**	**832**	**4,692**
Group retirement savings	162	57	219	156	45	201
Group protection scheme	535	74	609	517	72	589
Group health insurance	739	26	765	587	27	614
Other	251		251	228		228
Group life and health insurance	**1,688**	**157**	**1,845**	**1,488**	**145**	**1,633**
Life and health insurance	**5,408**	**872**	**6,280**	**5,348**	**977**	**6,324**
Motor insurance	1,535	1,075	2,611	1,538	1,102	2,640
Other vehicles	97		97	99		99
Home insurance	1,034	187	1,222	1,022	183	1,205
Personal and professional property and casualty	443	14	457	435	15	450
Construction	151		151	156		156
Private and professional	**3,260**	**1,276**	**4,537**	**3,250**	**1,301**	**4,551**
Fleets	429	18	446	422	15	437
Business and local authority property	439	190	629	446	189	635
Businesses and local authorities	**868**	**208**	**1,075**	**868**	**204**	**1,072**
Agricultural risks	481	155	636	479	146	625
Climate risks	220		220	221		221
Tractors and agricultural equipment	277		277	270		270
Agricultural business segments	**977**	**155**	**1,132**	**970**	**146**	**1,116**
Other business segments	347	72	419	322	79	401
Property and casualty insurance	**5,452**	**1,711**	**7,163**	**5,410**	**1,730**	**7,141**
Total Insurance	**10,860**	**2,583**	**13,443**	**10,758**	**2,707**	**13,465**

NOTE 33.2 – ANALYSIS OF TURNOVER BY BUSINESS

In millions of euros	31.12.2016					31.12.2015				
	Life and health insurance	Property and casualty insurance	Financial businesses	Total	Share %	Life and health insurance	Property and casualty insurance	Financial businesses	Total	Share %
France	5,408	5,452	133	10,993	81%	5,348	5,411	280	11,038	80%
Southern Europe	685	1,364		2,049	15%	794	1,416		2,210	16%
CEEC	188	347		535	4%	183	313		497	4%
Total	**6,280**	**7,163**	**133**	**13,576**	**100%**	**6,324**	**7,141**	**280**	**13,745**	**100%**

The geographic areas are broken down as follows:
- France;
- Southern Europe: Portugal, Italy, Greece and Turkey;
- Central and Eastern European Countries (CEEC): Bulgaria, Hungary and Romania.

NOTE 33.3 – ANALYSIS OF BANKING ITEMS CONTRIBUTING TO TURNOVER

In millions of euros	31.12.2016			31.12.2015		
	Groupama Banque	Other companies	Total	Groupama Banque	Other companies	Total
Interest and related income				48		48
Commissions (income)		126	126	59	123	183
Gains on financial instruments at fair value through income				29		29
Gains on available-for-sale financial assets		1	1	17	1	18
Income from other business activities		5	5	1	1	2
Total		**133**	**133**	**154**	**126**	**280**

Banking turnover shown in the combined financial statements corresponds to banking income before taking into account refinancing costs. Groupama Banque is now consolidated using the equity method.

NOTE 34 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES

NOTE 34.1 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES – BY OPERATING SEGMENT

In millions of euros	31.12.2016			31.12.2015		
	France	Inter-national	Total	France	Inter-national	Total
Interest on deposits and financial investments income	1,863	230	2,093	1,867	242	2,109
Gains on foreign exchange transactions	47	11	58	97	15	112
Income from differences on redemption prices to be collected (premium-discount)	101	3	104	120	3	123
Property income	144		144	156	1	156
Other investment income						
Income from investments	**2,156**	**244**	**2,399**	**2,240**	**261**	**2,500**
Interest received from reinsurers	(5)		(5)			(1)
Losses on foreign exchange transactions	(76)	(10)	(86)	(62)	(11)	(72)
Amortisation of differences in redemption prices (premium-discount)	(276)	(27)	(303)	(279)	(26)	(305)
Depreciation and reserves for property	(119)	(5)	(123)	(81)	(3)	(84)
Management expenses	(364)	(9)	(372)	(350)	(12)	(362)
Investment expenses	**(839)**	**(51)**	**(890)**	**(772)**	**(52)**	**(824)**
Held for trading	(36)	1	(35)	(59)	3	(56)
Available-for-sale	459	25	484	634	33	667
Held to maturity						
Other	126	1	127	45	7	52
Capital gains or losses from sales of investments, net of impairment reversals and write-backs	**549**	**26**	**575**	**621**	**42**	**663**
Held for trading	11	11	22	49	(2)	46
Derivatives	7		7	123		123
Adjustments on unit-linked policies	293	7	300	168	12	179
Change in fair value of financial instruments recognised at fair value through income	**311**	**18**	**329**	**339**	**9**	**348**
Available-for-sale	(41)	(1)	(42)	(3)		(3)
Held to maturity						
Receivables and loans				(3)		(3)
Change in impairments on financial instruments	**(40)**	**(1)**	**(42)**	**(6)**		**(6)**
Total	**2,137**	**236**	**2,373**	**2,422**	**259**	**2,681**

NOTE 34.2 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES BY BUSINESS

NOTE 34.2.1 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES BY BUSINESS – FRANCE

In millions of euros	31.12.2016				31.12.2015			
	Property and casualty	Life and health	Holding	Total	Property and casualty	Life and health	Holding	Total
Interest on deposits and financial investments income	212	1,672	(21)	1,863	219	1,681	(33)	1,867
Gains on foreign exchange transactions	4	32	11	47	6	79	12	97
Income from differences on redemption prices to be collected (premium-discount)	3	98		101	4	116		120
Property income	25	108	11	144	26	119	11	156
Other investment income								
Income from investments	**244**	**1,910**	**1**	**2,156**	**255**	**1,994**	**(9)**	**2,240**
Interest received from reinsurers		(3)	(2)	(5)				
Losses on foreign exchange transactions	(5)	(68)	(2)	(76)	(3)	(55)	(3)	(62)
Amortisation of differences in redemption prices (premium-discount)	(22)	(243)	(11)	(276)	(21)	(245)	(13)	(279)
Depreciation and reserves for property	(17)	(98)	(3)	(119)	(17)	(58)	(6)	(81)
Management expenses	(38)	(337)	12	(364)	(42)	(320)	12	(350)
Investment expenses	**(82)**	**(750)**	**(7)**	**(839)**	**(83)**	**(679)**	**(11)**	**(772)**
Held for trading		(32)	(4)	(36)		(55)	(4)	(59)
Available-for-sale	99	355	6	459	87	472	75	634
Held to maturity								
Other	11	101	14	126	10	30	6	45
Capital gains (losses) from sales of investments, net of impairment reversals and write-backs	**110**	**423**	**16**	**549**	**96**	**447**	**77**	**621**
Held for trading	3	26	(19)	11	11	46	(9)	49
Derivatives		7		7	1	84	38	123
Adjustments on unit-linked policies		293		293		168		168
Change in fair value of financial instruments recognised at fair value through income	**3**	**327**	**(19)**	**311**	**12**	**298**	**29**	**339**
Available-for-sale	(2)	(36)	(2)	(41)	(1)	(1)		(3)
Held to maturity								
Receivables and loans	1				(2)	(1)		(3)
Change in impairments on financial instruments	**(1)**	**(37)**	**(2)**	**(40)**	**(3)**	**(2)**		**(6)**
Total investment income net of management expenses	**274**	**1,874**	**(11)**	**2,137**	**277**	**2,059**	**86**	**2,422**

NOTE 34.2.2 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES BY BUSINESS – INTERNATIONAL

In millions of euros	31.12.2016				31.12.2015			
	Property and casualty	Life and health	Holding	Total	Property and casualty	Life and health	Holding	Total
Interest on deposits and financial investments income	98	129	3	230	105	134	3	242
Gains on foreign exchange transactions	10	1		11	13	1		15
Income from differences on redemption prices to be collected (premium-discount)	1	2		3	1	2		3
Property income					1			1
Other investment income								
Income from investments	**108**	**132**	**3**	**244**	**120**	**138**	**3**	**261**
Interest received from reinsurers								
Losses on foreign exchange transactions	(9)	(1)		(10)	(10)	(1)		(11)
Amortisation of differences in redemption prices (premium-discount)	(17)	(11)		(27)	(17)	(9)		(26)
Depreciation and reserves for property	(4)			(5)	(3)			(3)
Management expenses	(6)	(3)		(9)	(6)	(5)	(2)	(12)
Investment expenses	**(36)**	**(15)**		**(51)**	**(36)**	**(15)**	**(2)**	**(52)**
Held for trading				1		3		3
Available-for-sale	18	6		25	27	6		33
Held to maturity								
Other				1	4	3		7
Capital gains (losses) from sales of investments, net of impairment reversals and write-backs	**19**	**7**		**26**	**31**	**11**		**42**
Held for trading	4	7		11	(2)			(2)
Derivatives								
Adjustments on unit-linked policies		7		7		12		12
Change in fair value of financial instruments recognised at fair value through income	**4**	**14**		**18**	**(2)**	**11**		**9**
Available-for-sale	(1)			(1)				
Held to maturity								
Receivables and loans								
Change in impairment losses on financial instruments	**(1)**			**(1)**				
Total investment income net of management expenses	**94**	**138**	**3**	**236**	**112**	**146**	**1**	**259**

NOTE 34.3 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES (INCOME BREAKDOWN BY TYPE OF ASSET)

In millions of euros	31.12.2016					31.12.2015				
	Income and expenses	Proceeds from divestment (*)	Change in fair value	Change in reserves	Total	Income and expenses	Proceeds from divestment (*)	Change in fair value	Change in reserves	Total
Property	74	127		(53)	148	100	52		(28)	124
Equities	65	94		(29)	131	50	466	2	(4)	514
Bonds	1,519	293	22	(1)	1,834	1,598	36	(12)		1,622
Equity mutual funds	95	41		(15)	121	40	71	84	10	205
Mutual funds: Cash from repurchase agreements		(10)	(1)		(11)		(2)			(2)
Other cash mutual funds		(1)	(1)		(2)	1	2			3
Fixed-income mutual funds	77	35	18	3	132	93	27	(4)	(9)	107
Derivatives			7		7			123		123
Other investment income	196	(4)	(18)		175	256	11	(24)	(2)	241
Investment income	**2,026**	**575**	**29**	**(95)**	**2,536**	**2,138**	**663**	**169**	**(33)**	**2,937**
Internal and external management expenses and other financial expenses	(351)				(351)	(340)				(340)
Other investment expenses	(113)				(113)	(96)				(96)
Investment expenses	**(463)**				**(463)**	**(436)**				**(436)**
Financial income, net of expenses	**1,563**	**575**	**29**	**(95)**	**2,073**	**1,702**	**663**	**169**	**(33)**	**2,501**
Capital gains on securities representing unit-linked policies			527		527			630		630
Capital losses on securities representing unit-linked policies			(227)		(227)			(450)		(450)
Total investment income net of management expenses	**1,563**	**575**	**329**	**(95)**	**2,373**	**1,702**	**663**	**349**	**(33)**	**2,681**

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

Investment income net of management expenses decreased by €308 million compared with 31 December 2015. This change is explained mainly by:

- The reduction in income and expenses of €139 million, including €95 million on bonds and bond-based mutual funds, €26 million on fixed assets, €87 million on other investment income and expenses, and an increase of €70 million for equities and equity-based mutual funds;
- The net decrease in realised capital gains net of impairment write-backs for €88 million, including a decrease of €402 million on equities and equity-based mutual funds, €26 million on miscellaneous investments, and an increase of €265 million on bonds and bond-based mutual funds and of €75 million on fixed assets.

NOTE 34.3.1 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES (INCOME BREAKDOWN BY TYPE OF ASSET) – FRANCE

In millions of euros	31.12.2016					31.12.2015				
	Income and expenses	Proceeds from divestment (*)	Change in fair value	Change in reserves	Total	Income and expenses	Proceeds from divestment (*)	Change in fair value	Change in reserves	Total
Property	76	126		(51)	152	102	45		(27)	120
Equities	64	92		(29)	128	49	462	1	(4)	508
Bonds	1,330	273	24		1,627	1,399	13	(13)		1,399
Equity mutual funds	94	41	(10)	(11)	113	39	69	88		196
Mutual funds: Cash from repurchase agreements		(10)	(1)		(11)		(2)			(2)
Other cash mutual funds		(1)	(1)		(1)	1	2			3
Bond mutual funds	65	35	17		116	80	25	(4)		101
Derivatives			7		7			123		123
Other investment income	183	(7)	(19)		157	236	7	(23)	(2)	218
Investment income	**1,812**	**549**	**18**	**(91)**	**2,288**	**1,906**	**621**	**172**	**(33)**	**2,666**
Internal and external management fees and other financial expenses	(342)				(342)	(331)				(331)
Other investment expenses	(102)				(102)	(81)				(81)
Investment expenses	**(444)**				**(444)**	**(412)**				**(412)**
Financial income, net of expenses	**1,368**	**549**	**18**	**(91)**	**1,844**	**1,494**	**621**	**172**	**(33)**	**2,254**
Capital gains on securities representing unit-linked policies			510		510			609		609
Capital losses on securities representing unit-linked policies			(217)		(217)			(441)		(441)
Total investment income net of management expenses	**1,368**	**549**	**311**	**(91)**	**2,137**	**1,494**	**621**	**340**	**(33)**	**2,422**

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

NOTE 34.3.2 – INVESTMENT INCOME NET OF MANAGEMENT EXPENSES (INCOME BREAKDOWN BY TYPE OF ASSET) – INTERNATIONAL

In millions of euros	31.12.2016					31.12.2015				
	Income and expenses	Proceeds from divestment (*)	Change in fair value	Change in reserves	Total	Income and expenses	Proceeds from divestment (*)	Change in fair value	Change in reserves	Total
Property	(2)	1		(3)	(4)	(2)	7		(1)	4
Equities	1	2	1		3	1	4	1		6
Bonds	189	20	(2)		207	199	23	1		223
Equity mutual funds	1	1	10	(4)	8	1	2	(4)	10	9
Mutual funds: Cash from repurchase agreements										
Other cash mutual funds										
Bond mutual funds	12		1	3	16	13	2		(9)	6
Derivatives										
Other investment income	13	3	1		18	20	4	(1)		23
Investment income	**214**	**26**	**11**	**(4)**	**248**	**232**	**42**	**(3)**	**(1)**	**271**
Internal and external management fees and other financial expenses	(9)				(9)	(9)				(9)
Other investment expenses	(11)				(11)	(15)				(15)
Investment expenses	**(19)**				**(19)**	**(24)**				**(24)**
Financial income, net of expenses	**195**	**26**	**11**	**(4)**	**229**	**208**	**42**	**(3)**	**(1)**	**247**
Capital gains on securities representing unit-linked policies			17		17			21		21
Capital losses on securities representing unit-linked policies			(10)		(10)			(9)		(9)
Total investment income net of management expenses	**195**	**26**	**18**	**(4)**	**236**	**208**	**42**	**9**	**(1)**	**259**

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

NOTE 35 – INSURANCE POLICY SERVICING EXPENSES

NOTE 35.1 – INSURANCE POLICY SERVICING EXPENSES – BY OPERATING SEGMENT

In millions of euros	31.12.2016			31.12.2015		
	France	International	Total	France	International	Total
Claims						
Paid to policyholders	(9,532)	(1,767)	(11,299)	(9,296)	(1,906)	(11,202)
Change in underwriting reserves						
Outstanding claims reserves	(376)	38	(338)	(212)	(28)	(240)
Actuarial reserves	1,844	(23)	1,821	1,898	(53)	1,845
Unit-linked reserves	(647)	(65)	(712)	(481)	(49)	(530)
Profit-sharing	(1,102)	(93)	(1,195)	(1,626)	(94)	(1,720)
Other underwriting reserves	(203)	(3)	(206)	(177)	(15)	(192)
Total	**(10,016)**	**(1,912)**	**(11,928)**	**(9,894)**	**(2,146)**	**(12,040)**

NOTE 35.2 – INSURANCE POLICY SERVICING EXPENSES BY BUSINESS

NOTE 35.2.1 – INSURANCE POLICY SERVICING EXPENSES BY BUSINESS – FRANCE

In millions of euros	31.12.2016			31.12.2015		
	Property and casualty	Life and health	Total	Property and casualty	Life and health	Total
Claims						
Paid to policyholders	(3,692)	(5,840)	(9,532)	(3,461)	(5,835)	(9,296)
Change in underwriting reserves						
Outstanding claims reserves	(324)	(52)	(376)	(151)	(62)	(212)
Actuarial reserves		1,844	1,844		1,898	1,898
Unit-linked reserves		(647)	(647)		(481)	(481)
Profit-sharing	1	(1,103)	(1,102)	(1)	(1,625)	(1,626)
Other underwriting reserves	(122)	(81)	(203)	(85)	(92)	(177)
Total	**(4,137)**	**(5,879)**	**(10,016)**	**(3,698)**	**(6,196)**	**(9,894)**

NOTE 35.2.2 – INSURANCE POLICY SERVICING EXPENSES BY BUSINESS – INTERNATIONAL

In millions of euros	31.12.2016			31.12.2015		
	Property and casualty	Life and health	Total	Property and casualty	Life and health	Total
Claims						
Paid to policyholders	(1,144)	(623)	(1,767)	(1,205)	(700)	(1,906)
Change in underwriting reserves						
Outstanding claims reserves	24	14	38	(27)	(1)	(28)
Actuarial reserves		(23)	(23)		(53)	(53)
Unit-linked reserves		(65)	(65)		(49)	(49)
Profit-sharing		(93)	(93)		(94)	(94)
Other underwriting reserves	4	(7)	(3)	(9)	(6)	(15)
Total	**(1,115)**	**(797)**	**(1,912)**	**(1,242)**	**(903)**	**(2,146)**

NOTE 36 – OUTWARD REINSURANCE INCOME (EXPENSES)

NOTE 36.1 – OUTWARD REINSURANCE INCOME (EXPENSES) – BY OPERATING SEGMENT

In millions of euros	31.12.2016			31.12.2015		
	France	Inter-national	Total	France	Inter-national	Total
Acquisition and administrative costs	55	26	81	197	28	225
Claims expenses	7,139	17	7,156	610	21	631
Change in underwriting reserves	(6,807)	(1)	(6,808)	(32)	2	(31)
Profit sharing	(16)	2	(15)	(247)	2	(246)
Change in reserve for equalisation						
Income from outward reinsurance	**370**	**44**	**413**	**528**	**52**	**580**
Outward premiums	(382)	(165)	(547)	(743)	(157)	(900)
Change in unearned premiums		(1)	(2)		(6)	(6)
Expenses on outward reinsurance	**(383)**	**(166)**	**(548)**	**(743)**	**(163)**	**(906)**
Total	**(13)**	**(122)**	**(135)**	**(215)**	**(111)**	**(326)**

Change in the items ‘Claims expenses’ and ‘Change in underwriting reserves’ in France compared to the previous year resulted from the non-renewal of a contract for share-based reinsurance issued in 2013 for a duration of 3 years.

NOTE 36.2 – OUTWARD REINSURANCE INCOME (EXPENSES) BY BUSINESS

NOTE 36.2.1 – OUTWARD REINSURANCE INCOME (EXPENSES) BY BUSINESS – FRANCE

In millions of euros	31.12.2016			31.12.2015		
	Property and casualty	Life and health	Total	Property and casualty	Life and health	Total
Acquisition and administrative costs	33	22	55	20	178	197
Claims expenses	251	6,888	7,139	102	509	610
Change in other underwriting reserves	18	(6,825)	(6,807)	23	(56)	(32)
Profit sharing		(16)	(16)		(247)	(247)
Change in reserve for equalisation						
Income on outward reinsurance	**302**	**68**	**370**	**145**	**383**	**528**
Outward premiums	(325)	(58)	(382)	(336)	(407)	(743)
Change in unearned premiums						
Expenses on outward reinsurance	**(325)**	**(58)**	**(383)**	**(336)**	**(407)**	**(743)**
Total	**(23)**	**10**	**(13)**	**(191)**	**(24)**	**(215)**

NOTE 36.2.2 – OUTWARD REINSURANCE INCOME (EXPENSES) BY BUSINESS – INTERNATIONAL

In millions of euros	31.12.2016			31.12.2015		
	Property and casualty	Life and health	Total	Property and casualty	Life and health	Total
Acquisition and administrative costs	25	1	26	27	1	28
Claims expenses	15	2	17	18	3	21
Change in other underwriting reserves	(1)		(1)	2		2
Profit sharing		2	2		2	2
Change in reserve for equalisation						
Income on outward reinsurance	**39**	**5**	**44**	**47**	**5**	**52**
Outward premiums	(158)	(7)	(165)	(150)	(7)	(157)
Change in unearned premiums	(1)		(1)	(6)		(6)
Expenses on outward reinsurance	**(159)**	**(7)**	**(166)**	**(156)**	**(7)**	**(163)**
Total	**(120)**	**(3)**	**(122)**	**(109)**	**(2)**	**(111)**

NOTE 37 – OPERATING EXPENSES

NOTE 37.1 – OPERATING EXPENSES – BY OPERATING SEGMENT

In millions of euros	31.12.2016			31.12.2015		
	France	Inter-national	Total	France	Inter-national	Total
External expenses	(677)	(89)	(766)	(709)	(93)	(802)
Taxes	(230)	(25)	(255)	(231)	(23)	(255)
Personnel expenses	(1,604)	(153)	(1,757)	(1,641)	(171)	(1,811)
Commissions	(630)	(397)	(1,026)	(637)	(398)	(1,035)
Allocations to amortisation, depreciation, and reserves (net of write-backs)	(140)	(25)	(165)	(132)	(23)	(156)
Other expenses	(79)	(44)	(123)	(94)	(56)	(149)
Total operating expenses by nature	**(3,360)**	**(734)**	**(4,094)**	**(3,443)**	**(764)**	**(4,208)**

The company receives the French tax credit for competitiveness and employment (CICE) calculated at 6% in accordance with Article 244 *quater* C of the French General Tax Code. For fiscal year 2016, the CICE amounted to €28 million.

The use of this tax credit particularly permitted the financing of:

- actions to improve the competitiveness of the Group's companies through investments relating to business prospecting, improvement of customer satisfaction, and reinforcement of technical analysis and management procedures;
- IT and process developments related to the use of new technologies;
- employee training;
- actions related to sustainable development.

NOTE 37.2 – OPERATING EXPENSES BY BUSINESS SECTOR

In millions of euros	31.12.2016			31.12.2015		
	Insurance	Banking	Total	Insurance	Banking	Total
External expenses	(722)	(44)	(766)	(748)	(55)	(802)
Taxes	(249)	(6)	(255)	(248)	(7)	(255)
Personnel expenses	(1,698)	(59)	(1,757)	(1,704)	(107)	(1,811)
Commissions	(1,026)		(1,026)	(1,035)		(1,035)
Allocations to amortisation, depreciation, and reserves (net of write-backs)	(162)	(4)	(165)	(151)	(5)	(156)
Other expenses	(114)	(9)	(123)	(127)	(22)	(149)
Total operating expenses by nature	**(3,971)**	**(122)**	**(4,094)**	**(4,013)**	**(195)**	**(4,208)**

NOTE 37.3 – BREAKDOWN OF EMPLOYEE EXPENSES

In millions of euros	31.12.2016	31.12.2015
Salaries	(1,004)	(1,027)
Social security expenses	(445)	(452)
Post-employment benefits		
Defined contribution plans	(107)	(109)
Defined benefit plans	(11)	(11)
Anniversary days and employee awards	(5)	(6)
Other personnel benefits	(185)	(205)
Annual salary expenses	**(1,757)**	**(1,811)**

As at 31 December 2016, the gross annual remuneration (including in-kind benefits) paid to members of the Groupama SA Steering Committee was €5.7 million. As regards the pension plan, the total commitment as at 31 December 2016 amounted to €20.8 million.

Note 38 – Policy acquisition costs

Note 38.1 – Policy acquisition costs - by operating segment

In millions of euros	31.12.2016			31.12.2015		
	France	Inter-national	Total	France	Inter-national	Total
Commissions	(359)	(322)	(681)	(349)	(324)	(672)
Change in deferred acquisition costs	(5)	2	(3)	(10)		(10)
Other expenses	(1,041)	(94)	(1,135)	(1,047)	(98)	(1,144)
Total	**(1,405)**	**(414)**	**(1,820)**	**(1,405)**	**(421)**	**(1,826)**

Note 38.2 – Policy acquisition costs by business

Note 38.2.1 – Policy acquisition costs by business – France

In millions of euros	31.12.2016			31.12.2015		
	Property and casualty	Life and health	Total	Property and casualty	Life and health	Total
Commissions	(290)	(69)	(359)	(285)	(64)	(349)
Change in deferred acquisition costs	6	(11)	(5)	3	(14)	(10)
Other expenses	(596)	(446)	(1,041)	(599)	(447)	(1,047)
Total	**(880)**	**(526)**	**(1,405)**	**(880)**	**(525)**	**(1,405)**

Note 38.2.2 – Policy acquisition costs by business – International

In millions of euros	31.12.2016			31.12.2015		
	Property and casualty	Life and health	Total	Property and casualty	Life and health	Total
Commissions	(246)	(76)	(322)	(248)	(75)	(324)
Change in deferred acquisition costs	2		2	(1)	1	0
Other expenses	(68)	(26)	(94)	(70)	(28)	(98)
Total	**(312)**	**(102)**	**(414)**	**(319)**	**(102)**	**(421)**

NOTE 39 – ADMINISTRATIVE COSTS

NOTE 39.1 – ADMINISTRATIVE COSTS - BY OPERATING SEGMENT

In millions of euros	31.12.2016			31.12.2015		
	France	Inter-national	Total	France	Inter-national	Total
Commissions	(69)	(46)	(114)	(68)	(41)	(109)
Other expenses	(287)	(123)	(410)	(269)	(123)	(392)
Total	(356)	(169)	(525)	(337)	(164)	(501)

NOTE 39.2 – ADMINISTRATIVE COSTS BY BUSINESS

NOTE 39.2.1 – ADMINISTRATIVE COSTS BY BUSINESS – FRANCE

In millions of euros	31.12.2016			31.12.2015		
	Property and casualty	Life and health	Total	Property and casualty	Life and health	Total
Commissions	(45)	(24)	(69)	(45)	(22)	(68)
Other expenses	(198)	(89)	(287)	(184)	(86)	(269)
Total	**(242)**	**(114)**	**(356)**	**(229)**	**(108)**	**(337)**

NOTE 39.2.2 – ADMINISTRATIVE COSTS BY BUSINESS – INTERNATIONAL

In millions of euros	31.12.2016			31.12.2015		
	Property and casualty	Life and health	Total	Property and casualty	Life and health	Total
Commissions	(32)	(14)	(46)	(28)	(14)	(41)
Other expenses	(81)	(41)	(123)	(80)	(42)	(123)
Total	**(113)**	**(55)**	**(169)**	**(108)**	**(56)**	**(164)**

NOTE 40 – OTHER INCOME AND EXPENSES FROM CURRENT OPERATIONS

In millions of euros	31.12.2016			31.12.2015		
	France	International	Total	France	International	Total
Commissions and other operating expenses, Life	(303)	(10)	(313)	(343)	(11)	(353)
Employee profit sharing, Life	(2)		(2)	(1)		(1)
Other operating income, Life	2	8	10	14	8	22
Transfer of operating expenses and capitalised production, Life	14		14	13		13
Total income and expenses from current operations, Life	**(290)**	**(2)**	**(292)**	**(317)**	**(2)**	**(319)**
Non-life commissions and other underwriting expenses	(377)	(69)	(445)	(361)	(92)	(454)
Employee profit sharing, Non-life	(3)		(3)	(3)		(3)
Other non-life underwriting income	60	8	68	49	43	92
Transfer of Non-life operating expenses and capitalised production	37		37	37		37
Total income and expenses from current operations, Non-life	**(283)**	**(61)**	**(344)**	**(279)**	**(50)**	**(329)**
Other non-underwriting expenses	(240)	(18)	(257)	(224)	(21)	(245)
Other non-underwriting income	75	23	98	45	20	65
Total income and expenses from current operations, Non-underwriting	**(164)**	**5**	**(159)**	**(179)**	**(1)**	**(180)**
Total income and expenses from current operations, Banking						
Total	**(737)**	**(57)**	**(794)**	**(775)**	**(53)**	**(828)**

NOTE 41 – OTHER INCOME AND EXPENSES FROM NON-CURRENT OPERATIONS

In millions of euros	31.12.2016			31.12.2015		
	France	Inter-national	Total	France	Inter-national	Total
Income from non-current operations	38	1	38	33		34
Expenses from non-current operations	(96)	(21)	(117)	(98)	(24)	(122)
Allocation to the reserve for goodwill		(88)	(88)			
Total	**(58)**	**(108)**	**(167)**	**(64)**	**(24)**	**(88)**

The balance of other net income and expenses from non-current operations amounted to a loss of €167 million as at 31 December 2016 compared with a loss of €88 million as at 31 December 2015.

The main items comprising this total include:

- Depreciation of goodwill of the Turkish subsidiaries for €88 million,
- Depreciation of portfolio securities totalling €16 million as at 31 December 2016, the same as at 31 December 2015.
- An IT project representing an expense of €21 million as at 31 December 2016, compared with an expense of €7 million as at 31 December 2015.

NOTE 42 – FINANCING EXPENSES

In millions of euros	31.12.2016	31.12.2015
Interest expenses on loans and debts	(63)	(64)
Interest income and expenses – Other		
Total financing expenses	**(63)**	**(64)**

NOTE 43 – BREAKDOWN OF TAX EXPENSES

NOTE 43.1 – BREAKDOWN OF TAX EXPENSES BY OPERATING SEGMENT

In millions of euros	31.12.2016			31.12.2015		
	France	Inter-national	Total	France	Inter-national	Total
Current taxes	(90)	(18)	(108)	(109)	(27)	(136)
Deferred taxes	(2)	4	2	72	(13)	58
Total	**(92)**	**(15)**	**(106)**	**(37)**	**(40)**	**(77)**

The Group underwent a tax audit in 2010. Reserves were set aside for all accepted assessments in 2010. By contrast, assessments relating largely to the level of underwriting reserves for property and casualty, which was deemed excessive by the tax authorities, as well as the risk of dependence, were not subject to reserves. The group continues to consider that the reasons for adjustments are highly questionable and has prepared underwriting arguments for a litigation process.

NOTE 43.2 – RECONCILIATION BETWEEN TOTAL ACCOUNTING TAX EXPENSE AND THEORETICAL TAX EXPENSE CALCULATIONS

In millions of euros	31.12.2016	31.12.2015
Theoretical tax expense	**(133)**	**(153)**
Impact of expenses or income defined as non-deductible or non-taxable	98	(46)
Impact of differences in tax rate	(73)	122
Tax credit and various charges	1	1
Charges of prior deficits		
Losses for the fiscal year not capitalised		
Deferred tax assets not accounted for		(1)
Other differences		
Effective tax expense	**(106)**	**(77)**

Overall, income tax corresponded to an expense (deferred tax and corporate tax) of €106 million as at 31 December 2016, versus an expense of €77 million as at 31 December 2015.

The variance between the two years is explained mainly by the change in “non-deductible or non-taxable expenses and income” as well as the change in “impact of rate differences”.

The decrease in the current tax expense due for the tax consolidation scope, which was €69 million as at 31 December 2016 versus an expense of €58 million as at 31 December 2015, is explained by:

- The elimination of the one-time 10% contribution for €7 million,
- A €2 million increase in short-term tax at 33.33% on current operations,
- A €2 million increase in long-term tax at 15% on operations relating to divestments and reserves for equity securities.

The reconciliation with the theoretical statutory tax is as follows:

In millions of euros	31.12.2016		31.12.2015	
	Consolidated income before tax	Theoretical tax rate	Consolidated income before tax	Theoretical tax rate
France	441	34.43%	429	34.43%
Bulgaria		10.00%	(1)	10.00%
China	5	25.00%	2	25.00%
Greece	11	29.00%	12	29.00%
Hungary	17	9.00%	18	19.00%
Italy	28	34.32%	58	34.32%
Portugal		22.50%	2	22.50%
Romania	7	16.00%	5	16.00%
United Kingdom	7	20.00%	9	20.25%
Tunisia	3	30.00%	9	30.00%
Turkey	(88)	20.00%	(98)	20.00%
Total	**429**		**446**	

The statutory tax rate that applies in France remains at 34.43%.

OTHER INFORMATION

NOTE 44 – EMPLOYEES OF CONSOLIDATED COMPANIES

In number of people	31.12.2016			31.12.2015
	Insurance	Banking	Total	Total
France	23,951	296	24,247	24,912
United Kingdom	21		21	359
Italy	816		816	830
Hungary	2,079		2,079	2,183
Greece	309		309	319
Romania	1,547		1,547	1,548
Other EU	272		272	276
Outside EU	528		528	542
Total employees of consolidated companies	**29,523**	**296**	**29,819**	**30,969**

The decrease in workforce was mainly connected to the change in consolidation method for Groupama Banque in France and the reclassification of Carole Nash in the United Kingdom as business activities for sale, representing 604 and 338 respectively as at 31 December 2015.

NOTE 45 – COMMITMENTS GIVEN AND RECEIVED

NOTE 45.1 – COMMITMENTS GIVEN AND RECEIVED – BANKING BUSINESS

In millions of euros	31.12.2016	31.12.2015
Financing commitments received		
Guarantee commitments received		626
Securities commitments receivable		
Total commitments received on banking business		**626**
Commitments received on currency transactions		
Other commitments received		
Total other commitments received on banking business		
Financing commitments given		570
Guarantee commitments given		17
Commitments on securities to be delivered		
Total commitments given on banking business		**587**
Commitments given on currency transactions		
Commitments given on financial instrument transactions		17
Total other commitments given on banking business		**17**
Other commitments given		1,446
Total other commitments given		**1,446**

Commitments received and given off balance sheet for banking activities no longer appear in the table of commitments received and given because the entity Groupama Banque is now consolidated using the equity method since Orange became the majority shareholder.

NOTE 45.2 – COMMITMENTS GIVEN AND RECEIVED – INSURANCE AND REINSURANCE BUSINESSES

In millions of euros	31.12.2016	31.12.2015
Endorsements, deposits, and guarantees received	73	81
Other commitments received	858	869
Total commitments received, excluding reinsurance	**930**	**950**
Commitments received for reinsurance	**511**	**449**
Endorsements, deposits, and guarantees given	201	333
Other commitments on securities, assets, or income	511	496
Other commitments given	1,191	907
Total commitments given excluding reinsurance	**1,903**	**1,736**
Reinsurance commitments given	**3,715**	**3,434**
Securities belonging to provident societies		
Other securities held on behalf of third parties		

Endorsements, deposits, and guarantees received totalled €73 million.

Other commitments received excluding reinsurance for €858 million are mainly made up of the following items:

- ✓ The line of credit established with HSBC in December 2014 for €750 million and not used as at 31 December 2016.
- ✓ Securities received as collateral under the collateralisation mechanism put in place to guarantee the unrealised capital gains or losses on derivatives are also recorded as off-balance-sheet commitments. Within the financial statements, this translates to €25 million in commitments received for bond-based lending.
- ✓ Promises of sales of property by lot from the subsidiary Groupama Gan Vie for €61 million.

Endorsements, deposits, and guarantees given totalled €201 million, consisting mainly of the following transactions:

- General guarantees given for the provision of securities from Groupama Banque to the Compagnie Financière d'Orange Bank,
- Guarantee given as part of the sale of Groupama Seguros for €81 million.

Other commitments on securities, assets, or income

Other commitments on securities, assets, or income consist of subscriptions to venture capital funds ("FCPR"). The sum of €511 million corresponds mainly to the difference between the investment commitment of the subscribers and the total of calls for funds actually received.

Other commitments given

Other commitments given amounted to €1.191 billion. They mostly consisted of the following items:

- ✓ Securities given as collateral under the collateralisation mechanism put in place to guarantee the unrealised gains or losses on derivatives are recorded in other off-balance-sheet commitments. In the financial statements, this translates to €720 million in commitments given for hedging unrealised capital gains/losses for financial futures.
- ✓ Sale commitments for €91 million, mainly from the subsidiary Groupama Gan Vie.
- ✓ For the launch of the mutual certificates, the general shareholders' meetings for the regional mutuals voted to authorise the issuance of €448 million in certificates. As at 31 December 2016, €259 million of the authorised amount remains to be issued by the regional mutuals.
- ✓ Commitments given for property work orders worth €111 million, mainly from the subsidiary SCI Window La Défense.

Unvalued commitments

Trigger clauses:

Groupama SA:

Furthermore, in conjunction with issues of subordinated instruments (“TSR” and “TSDI”), Groupama SA has trigger clauses:

Groupama SA is entitled to defer payment of interest on the October 2009 TSR of €750 million should the Group's required solvency capital hedge fall below 100%.

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

NOTE 46 – RISK FACTORS AND SENSITIVITY ANALYSES

As a multi-line insurer, Groupama is subject to various types of insurance risks with variable time horizons. The Group is also exposed to market risks because of its financial investment activities, particularly credit risks and the risks related to interest rates, equity markets and foreign exchange. Liquidity and reinsurer insolvency risks are also specifically monitored by the Group. In addition, the Group is subject to operational, regulatory, legal and tax risks as are all companies in other business sectors.

1. ORGANISATION OF RISK MANAGEMENT WITHIN THE GROUP

The general principles, the objectives, and the organisation of internal control are defined in the group's internal control policy. An internal audit policy, a component of internal control, supplements the provisions of the internal control policy and specifies its own operating rules and its areas of involvement. A general risk management policy and policies dedicated to covering all the risks to which the Group is exposed as well as a compliance policy, defining the overall framework for implementing and operating the compliance system within the Group, complete the system. All of these policies are approved by the Groupama SA Board of Directors.

The group risk management policy is the basis for risk management at both the group level and the entity level. It defines all the structuring principles of the risk management system within Groupama in terms of risk identification, measurement, and management methods and in organisational terms.
The Group's entities formalise their risk management policy and the various risk policies in line with the Group's policies and depending on their risk profile and their organisation. The service (or resource), distribution, and financial subsidiaries implement a risk management system in accordance with the rules applicable to their activities and consistent with the framework established by the Group.

The implementation of a consistent risk management system within the Group is ensured by:

- the definition of standards and a structuring framework for analysis and control of risks;
- support from the entities in the implementation of this risk management system;
- downstream checks of compliance with the Group standards and the effectiveness of the risk management system implemented within the entities.

Work done in 2015 and 2016, particularly for the ORSA reports and the operational implementation of the asset-risk limiting mechanism, helped significantly strengthen the overall risk-management system for the Group's entities.

Risks are identified according to the Group classifications defined by risk area – operational, life insurance, non-life insurance, and financial – common to all Group entities and incorporating the Solvency II risk classification. Each major risk (Group and entity) is assigned a risk "owner" responsible for monitoring and controlling the risk in accordance with the standards defined by the Group. The risk owners establish risk control plans, which are implemented within the Group's entities.

At the Group level, risks related to the insurance business lines are monitored especially by the Groupama SA and Groupama Gan Vie business departments specialising in the area in question; reinsurance risks are managed by the Reinsurance Department. The Finance Department is responsible for managing the risks related to assets and Asset/Liability Management. Operational risks are monitored by the Groupama SA business departments, support departments, or subsidiary of Groupama SA specialising in the area in question.

Operationally, the internal control system of the entities and G.I.E Groupama Supports & Services is organised around three complementary systems:

- risk management and permanent control/compliance of each entity;
- internal or operational auditing of each entity;
- Group risk management and permanent control/compliance as well as the Group general audit department, reporting to the Executive Management of Groupama SA, which direct and coordinate the Auditing and Risk & Control functions within the Group.

Several committees are responsible for risk governance at the Group level:

- the Group Risk Committee, whose membership is the same as that of the Groupama SA steering committee;
- the risk committees by risk family (insurance, financial and operational) organised by the Group Risk Management and Permanent Control/Compliance departments and made up of major risk owners and according to the affected areas of the representatives of the Groupama SA Business and Support departments (Group Actuarial department, Group Steering and Results department, Investments, etc.) France Subsidiaries/International Subsidiaries department, and Asset Management subsidiaries, etc.;
- and the capital management committee, which particularly monitors the Group's solvency risk.

Similar systems are in place at the entity level.

1.1 Regional mutuals

As autonomous legal entities, the regional mutuals implement their own internal control measures and manage their risks in compliance with the Group's standards. These systems are adapted to each regional mutual based on its organisation, its activities and its resources, under the authority of the Executive Management. Regarding organisation and governance, the roles and responsibilities of the administration and executive management bodies, key functions, and operational or support departments involved in risk management are specified in the risk policies. The Group Risk Management and Permanent Control/Compliance Departments support the regional mutuals in monitoring and rolling out Group standards.

All of the Risk Management and Permanent Control/Compliance Managers of the regional mutuals supplement the plan and meet regularly within the framework of information exchange and best practices platforms (workgroups, theme-based workshops and training), directed by the Group Risk Management and Permanent Control/Compliance Department; work related to the implementation of Pillar 2 of Solvency II is also handled there.

The regional mutuals are reinsured within the specific framework of an exclusive reinsurance agreement entered into between them and Groupama SA (general reinsurance regulations). The general reinsurance regulations of the regional mutuals are one of the primary risk control systems. The principles and rules of reinsurance are formalised in the reinsurance policies of the Group and entities.

For the risks related to the distribution of banking products and life insurance, the regional mutuals apply the risk management procedures defined by Groupama Banque and Groupama Gan Vie.

1.2 Groupama S.A. and its subsidiaries

Subsidiary risk is subject to triple monitoring:

- Inter-company monitoring by the Groupama SA business, functional or support departments specialising in the area in question, as indicated above
- On-going monitoring by the services of the division to which it is attached:
  - Group Finance Department for financial subsidiaries;
  - Group Insurance and Services Department for the Non-Life insurance subsidiaries, the French service subsidiaries, Groupama Banque, and Groupama Supports & Services;
  - Groupama Gan Vie's Executive Management for the life insurance subsidiary and the distribution subsidiaries Gan Patrimoine and Gan Prévoyance;
  - International Subsidiaries Department for foreign subsidiaries
- Monitoring by each subsidiary or Groupama SA inter-company venture as part of the responsibility of its officers and in accordance with Group standards. Following the example of the regional mutuals, the Group Risk Management and Permanent Control/Compliance Departments support Groupama SA and its subsidiaries in monitoring and rolling out the internal control and risk management procedure.

All of the Risk and Internal Control Managers of the French and international subsidiaries supplement the plan and meet regularly within the framework of information exchange and best practices platforms (workgroups, theme-based workshops and training), directed by the Group Risk Management and Internal Control Department.

The Groupama SA Board of Directors, with the assistance of the audit and risk management committee, nearly half of whose members are independent directors, is responsible for the validation and monitoring of the risk management strategy, its implementation and future directions, the validation of risk policies, the review of the consistency of internal control mechanisms, the monitoring of risks, and the review of the internal audit work and the annual report on internal control.

Lastly, the Board of Directors, particularly through the Groupama SA audit and risk management committee, is included in the various tasks to prepare the Group for the application of the Solvency II directive, including work relating to ORSA, particularly with the validation of stress-test assumptions and review of the ORSA report for validation by the Board of Directors.

1.3 Group

The Group General Audit Department conducts a general economic and financial audit of the main entities of the Group on a three-year basis, in addition to the operational audits conducted within the entities as well as the auditing of Groupama SA's processes and the Group's inter-company processes. The audit plan of the Group General Audit Department is confirmed by the Executive Management of Groupama SA and approved by the Audit and Risk Management Committee of Groupama SA and the board of directors of Groupama SA. Every mission involves a review of the risk and internal control system for the activity or entity audited; a report is prepared on the engagement presenting the observations, conclusions and recommendations to the Executive Management of Groupama SA. A regular summary is presented to the Audit and Risk Management Committee. A report on the progress of the recommendations is communicated on a quarterly basis to the Groupama SA Steering Committee as well as the Groupama SA Audit and Risk Management Committee.

The Group Risk Management and Permanent Control/Compliance functions are responsible for ensuring that all Group entities comply with the requirements of Executive Management in terms of the internal control and risk management system, as well as those of Solvency II, Pillar 2.

With regard to risk management, the Group Risk Department is especially involved in areas related to financial risks, insurance risks, and risks related to the Group's solvency. The Permanent Control and Compliance Department is especially involved in the scope relating to the management of compliance, operational, and image risks. Within this framework, these departments, according to their area of responsibility:

- assist the administrative and Executive Management bodies in defining:
    - the risk strategy;
    - the structuring principles of the risk management system;
- are responsible for the implementation and coordination of the risk management system, consisting particularly of the risk management policies and the processes for identifying, measuring, managing, and reporting the risks inherent in the Group's activities;
- monitor and analyse the Group's general risk profile;
- report on exposures to risk and alert the administration and Executive Management bodies in case of major risks threatening the Group's solvency;
- lead the risk committees;
- lead the working groups with the entities.

More specifically, the Group risk department, as regards the risk management function, is responsible for:

- developing the Group risk management policy and the coordinating policies relating to insurance and financial risks together with the risk owners concerned;
- defining the process for setting the Group's risk tolerance (risk limits);
- monitoring the major group insurance and financial risks (RMG);
- contributing to prudential reports: EIOPA requests, IAIS requests (systematic risks), etc.;
- assessing and rating insurance and financial risks, including sensitivity analyses and stress tests;
- implementing the ORSA process (Own Risk and Solvency Assessment: internal assessment by the company of its risks and its solvency situation);
- supporting the Group's entities in adapting the risk management system.

More specifically, the Group Permanent Control and Compliance Department, as regards the permanent control/compliance function, is responsible for:

- developing the Group's internal control, operational risk management, and compliance policies;
- developing the Group's standards and reference sources (mapping of processes, operational risks, permanent control plans, reference source of permanent controls) and overseeing the system within the entities;
- monitoring and assessing operational risks (related to control of processes);
- acting as project owner of the EU tool for management of operating risks, OROp, managing in particular the collection of permanent control results, the incident collection database and the assessment of operational risks;
- establishing the internal control of the Groupama SA entity;
- defining the business continuity policy (BCP) and overseeing the system within the entities;
- defining and establishing the compliance policy;
- ensuring data quality, in terms of governance and control plan;
- ensuring the internal validation of the internal model;
- supporting the Group's entities in adapting the operational risk management, permanent control and compliance systems (steering, coordination, facilitation, information, and training);
- reporting on the status of the Group's Internal Control system, for the purposes of communication to the governance bodies as well as the appropriate supervisory authorities by the Director of the Group's Audit, Risks, and Control Department.

Each Group entity has Risk Management and Permanent Control/Compliance functions.

In addition, the Group Management Control Department is responsible for the on-going monitoring of results and achievement of the Group's objectives based on a process of estimated management common to all entities.

This monitoring system also involves business reviews of subsidiaries conducted by the Executive Management of Groupama SA with biannual business reviews. These reviews include a specific "risk" section that presents, by entity, the level of deployment of the internal control system and the principal work in progress in terms of risk management.

2. Insurance risks

2.1 Prudential oversight

Pursuant to European Directives, Groupama is subject to regulations for covering the solvency margin, both at the corporate level for each of the insurance companies and at the level of the combined Group.

2.2 Objectives for managing risks resulting from insurance policies and methods to limit these risks

The Group's insurance business exposes it to risks primarily related to product design, underwriting, claims management, valuation of reserves, and reinsurance.

2.2.1 Product design

Most of Groupama's business lines are subject to strong and increasing competition from other insurance companies, bancassurance companies, and mutual insurance companies. This fierce competition places great pressure on the price of certain Groupama products and services and therefore on its profitability. The insurance divisions of Groupama SA ensure that the product line is adapted to the Group's strategy. Life and non-life insurance products are designed by the business units of Groupama SA and Groupama Gan Vie on behalf of the Group's companies. This design is the result of market and profitability studies performed with actuarial tools to control margins in collaboration with the actuarial department of the Group and the Investment department where appropriate. Product launches or changes are carried out on the basis of a standard process incorporating the validation of the deliverables for customers and salespeople by the Group's Legal, Risk, and Compliance Departments and are adapted by division (regional mutuals, subsidiaries in France, International subsidiaries).

The main steps of this process are validated in the determined committees (Operating Committees, Steering Committee, Group Executive Committee).

2.2.2 Underwriting and claims management

The underwriting risk management and claim management principles are formalised in the Group Underwriting and Reserving policy approved by the Groupama SA Board of Directors. In particular, it specifies the underwriting rules, limits of cover, and exclusions in accordance with the reassurance agreements by area of insurance.

Assignment of powers for underwriting and claims are defined in all of the Group's companies. Risks are accepted or refused at every level, based on underwriting guidelines that include the Group's underwriting and commercial policies. Underwriting in particular is secured through a cross Managerial control procedure and through integrated controls performed implicitly by the IT system.

Claims management procedures are defined on a standard basis throughout the Group, and are regularly updated in procedural specifications governing the management of bodily injury and property damage claims. Moreover, the integration of processing within the IT systems of the entities ensures that management actions are performed. Claims management includes a review of claims files starting at an average commitment threshold.

The Group's insurance business is explicitly or implicitly monitored using analytic procedures, such as regular analysis of the results of each entity and monitoring underwriting statistics and claims rates by entity. The most significant and most complex risks are individually monitored by the specialist divisions and the entities concerned. In addition, these specialist divisions also act to warn and advise the entities.

2.2.3 Valuation of reserves

In accordance with the practices of the insurance sector and with accounting and regulatory requirements, Groupama recognises underwriting reserves to cover claims and its property and life insurance business lines.

Determining underwriting reserves, however, remains an intrinsically uncertain process, relying on estimates.

The application of reserve rules is continually monitored, both before and after the fact, by teams dedicated to this task, in addition to the reviews that are conducted by the local supervisory authorities.

The rules for reserving claims and the funding tables for life and non-life disability payments are defined within the insurance divisions in guidelines that are harmonised for all Group entities. Reserves are evaluated by the claims managers within the operational entities and, if necessary, are supplemented by reserves for losses that have occurred but have not yet been declared.

The calculation of underwriting reserves in life insurance and certain underwriting reserves in non-life insurance is also based on the use of an interest rate known as the “underwriting interest rate”, the conditions of which are fixed in France by the Insurance Code. In France, the terms of this rate are set by the Insurance Code, which determines a maximum level by reference to the average rate for government borrowings (the T.M.E.), which is used to set rates for policies and calculate the insurer’s commitments to policyholders. The terms and conditions vary based on the type of policy and the duration of the commitments.

The reserving standards as well as the principles of measuring and controlling reserving risk are specified in the Group underwriting and reserving policies.

The breakdown of underwriting reserves and life and non-life insurance policies is presented in Note 25.3 to the annual accounts.

- **Breakdown of actuarial reserves according to the criteria of commitments at fixed rate, variable rate, or absence of rate commitments**

The breakdown of actuarial reserves based on fixed-rate, variable-rate (i.e., tied to a market rate) or no rate commitments was as follows:

In millions of euros	31.12.2016			31.12.2015
	France	International	Total	Total
Commitments guaranteed at fixed rate	37,422	2,997	40,419	41,206
Commitments guaranteed at variable rate	8,001	23	8,025	8,055
Unit-linked and other products without rate commitment	8,819	914	9,733	8,739
Total	**54,242**	**3,934**	**58,176**	**58,000**

The amount of commitments at guaranteed rates declined slightly. The share of unit-linked and other products without rate commitment increased, representing 16.7% of total commitments (versus 15.1% at the end of 2015).

2.2.4 Reinsurance

Reinsurance is organised on two levels. The Internal Reinsurance performed by Groupama SA for all Group entities is designed to optimise retentions for each entity. The external reinsurance defines the optimum reinsurance structure for the Group and the level of risk coverage on the bases of computer models. External reinsurance contracts are renegotiated and renewed each year by Groupama SA on behalf of the entire group. Moreover, selection rules defined in the securities in reinsurance committee, which is composed particularly of the External Outward Reinsurance Division of Groupama SA and the Group Risk Management Department, which are based on the ratings from ratings agencies, are designed to control the default risk of reinsurers.

The list of reinsurers is reviewed in its entirety at least twice a year. During the year, continual monitoring is performed to adapt the internal ratings of the reinsurers to changes that may occur to them that would modify their solvency assessment.

Approved reinsurers must have a rating compatible with the type of business reinsured, depending on whether they have a short or long accounting run-off.

The reinsurance principles and arrangements are described in the group reinsurance policy.

2.3 Terms and conditions of the insurance policies which have a material impact on the amount, maturities, and uncertainty of the insurer's future cash flows

2.3.1 General description

The Group offers a broad range of non-life insurance products designed for individuals, institutions and businesses. The motor, individual, professional and agricultural property damage policies offered by the Group are generally one-year contracts with tacit renewal, which include third-party liability coverage.

The Group offers a full line of life insurance products: this offer is packaged for individuals in the form of individual policies and for businesses in the form of group policies.

The main individual insurance policies in euros offered to our clients are savings policies, term life policies, mixed insurance policies, deferred annuity policies with mandatory withdrawal in annuities, and deferred capital contracts with return of premiums.

The group policies offered by the Group are essentially defined contribution pension plans and pension contracts by collective capitalisation in points with guaranteed point value.

The Group also sells multi-component policies with one investment component in euros and one or more components in units of account.

2.3.1.1 Specific features of certain non-life insurance policies

As with other insurers, the income and financial position of Groupama may be affected quite significantly by the unanticipated and random occurrence of natural or man-made events, such as floods, drought, landslides, storms, earthquake, riots, fire, explosions, or acts of terrorism. For example, the storm suffered by France in December 1999 resulted in major damage and a significant increase in compensation claims by Groupama clients. Climate changes that have occurred in recent years, specifically global warming, have contributed to increasing the unpredictable nature and frequency of climate events and natural events in regions where Groupama is active, particularly in Europe, and have created new uncertainty as to Groupama's future risk trends and exposure.

Groupama is implementing a reinsurance programme to limit the losses it is likely to suffer as a result of events or other events affecting its underwriting results. The reinsurance programmes implemented by Groupama transfer a portion of the losses and corresponding expenses to the reinsurers. These programmes are supplemented by the issuance of a "cat bond" on the high tranche of the force-of-nature protections. However, as an issuer of policies covered by reinsurance policies, Groupama remains committed to all its reinsured risks. Reinsurance policies therefore do not relieve Groupama of the obligation to settle claims. The Group remains subject to risks related to the credit situation of reinsurers and its ability to obtain the payments due from them. Moreover, the reinsurance offering, the amounts that may be covered, and the cost of coverage depend upon market conditions and are likely to vary significantly.

Other factors in risk growth may be mentioned:

- ageing of the population (health, long-term care),
- increased pollution,
- strengthened legal structure (liability – compensation for bodily injury, etc.).

2.3.1.2 Specific features of certain life insurance policies and financial contracts

➢ **Discretionary profit-sharing clause**

Certain life insurance, savings and retirement products offered by the Group contain a discretionary profit-sharing clause. This profit sharing must at least correspond to the regulatory and/or contractual constraints. Commercial considerations may lead to an increase in this profit sharing. This increase, the amount of which is left to the insurer's discretion, allows policyholders to participate in financial management results and the underwriting results of the insurance company.

➢ **Early redemption option**

Most of the savings and retirement products may be surrendered by the policyholders at a value defined by the policy before maturity. Large redemptions may have significant impact on the results or the solvency in certain unfavourable environments.

➢ **Specific features of unit-linked policies**

Most unit-linked policies sold by Groupama do not generally provide for contractual performance. Under these conditions, the policyholder alone directly assumes responsibility for the investment risk. Certain policies may provide for a minimum redemption guarantee in case of the death of the policyholder.

2.3.1.3 Mortality and longevity risk

In life insurance, the payment of benefits depends on the death or the survival of the policyholder. It is the occurrence of one or the other of these events that gives the right to payment of a benefit. The probability that these events will occur is estimated through experiential or regulatory statistical tables. In most cases, reserves are calculated using the regulatory tables based on statistics of population change. These tables are regularly revised to take demographic changes into account. The income or equity is potentially exposed to risk if demographic change deviates from experience with regard to these reserving tables.

The amount of actuarial reserves for annuities is as follows:

In millions of euros	31.12.2016			31.12.2015
	France	International	Total	Total
Actuarial reserves for life annuities	9,691	13	9,704	9,828
Actuarial reserves for non-life annuities	2,605	23	2,628	2,463
Total	**12,296**	**36**	**12,332**	**12,291**

The portion of actuarial reserves for life annuities remained largely dominant as at the end of 2016 (78.7% of annuity commitments).

2.4 Information on concentrations of insurance risk

The Group is potentially facing a concentration of risks that will accumulate.

There are two types of overlapping risks:

- the risk of underwriting overlaps in which the insurance policies are underwritten by one or more of the Group's entities for the same risk,
- the risk of claim overlaps in which the insurance policies are underwritten by one or more entities of the Group on different risks, which may be affected by claims resulting from the same loss event, or the same initial cause.

2.4.1 Identification

Overlapping risks can be identified at the time of underwriting or during on-going management of the portfolio.

A major role in the process of identifying overlaps during underwriting is assumed by the Group, through risk inspections, verification of the absence of overlapping co-insurance or inter-network insurance lines, identification of overlapping commitments by site.

In addition, the underwriting procedures for certain risk categories help to control overlapping risks at the time of underwriting. The procedures applicable to property damage underwriting include:

- the verification of overlapping geographical risks at the time of underwriting for major risks (agricultural risks, agri-business risks, industrial risks, municipalities);
- initial elimination during the underwriting process of cases of inter-network co-insurance overlapping risks. These directives are defined in internal procedural guidelines.

The procedures in force for managing overlapping portfolio risks cover:

- identification of the inter-network co-insurance overlapping risks;
- inventories of commitments by site for agri-business risks; in addition, high-risk business sectors for which the Group insures the property damage and/or third-party liability risks are specifically monitored by the relevant specialist Insurance Division;
- statements of commitments for risks of storms, hail, greenhouses, frost and commercial forestry, which are used to calculate the exposure of these portfolios to storm risk.

2.4.2 Protection

Protection consists of implementing reinsurance coverage, which will first be adapted to the total amount of the potential loss and, second, corresponds to the kind of risk covered. The loss may be human in origin (fire, explosion, accident involving people) or of natural origin (weather event, such as storm, hail, etc.).

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

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

3. MARKET RISKS

The general system for managing risks relating to asset/liability management and investment operations is specified in the Group asset/liability management and investment risk policy approved by the Groupama SA board of directors.

There are several categories of major market risks to which Groupama might be subject:

- interest rate risk;
- risk of variation in the price of equity instruments (stocks);
- foreign exchange risk;
- credit risk.

3.1 Interest rate risk

3.1.1 Type of and exposure to interest rate risk

During a period of interest rate volatility, the Group's financial margins might be affected. Specifically, a drop in interest rates would have a negative effect on the profitability of the investments. As such, during a period of low interest rates, the financial performance of the Group might be affected.

Conversely, in the event of an increase in rates, the Group may have to face a rush of redemptions for these policies, which would lead to the sale of a portion of the bond portfolio under unfavourable market conditions.

3.1.2 Group risk management

Several years ago, the Group implemented systematic studies on the exposure of the Group's subsidiaries to market risks.

➢ **Asset/liability management**

Asset/liability simulations permit an analysis of the behaviour of the liabilities in different interest-rate environments, particularly the ability to meet the remuneration requirements for the policyholder.
These simulations allow the Group to develop strategies designed to reduce the impact of contingencies on the financial markets on both the results and on the balance sheets.

➢ **Interactions with redemption risk**

Redemption behaviours are sensitive to changes in interest rates: an increase in the rates can lead to an increase in the policyholders' expectation of revaluation and, if this expectation cannot be met, the sanction of early redemptions. In addition to the loss of income and an increase in payouts, the risk will be losses related to the disposal of assets at a loss (which could be the case for fixed-rate bonds) in cash of insufficient cash.

The objective of Asset/Liabilities Management is to optimise the policyholder's satisfaction and the insurer's risk using strategies that take into account the various reserves available (including cash) and bond management strategies coupled with hedging products.

➢ **Interest rate risk related to the existence of guaranteed rate**

The constraints of guaranteed minimum interest rates constitute a risk for the insurer if rates fall, as the yield on the assets may be insufficient in terms of these constraints. These risks are handled at the regulatory level through specific reserves.

➢ **Rate hedges**

- Risk of rate increase

The purpose of the hedges that are implemented is to partially hedge the portfolios against the risk of interest rate increases. This is made possible by converting fixed-rate bonds into variable-rate bonds ("payer swaps"). The strategy consists of transforming a fixed-rate bond into a variable rate, either on a security held or new investments, and has the objective of limiting the capital loss recognised because of an increase in interest rates in case of partial liquidation of the bond portfolio for the payment of benefits. These strategies aim to limit the impact of potential redemptions.

Hedging programmes were gradually implemented on the Life portion starting in 2005 and were supplemented in 2012 and partially extended to the Non-Life portion with a tactical management objective. They do not meet the definition of hedge accounting according to IFRS.

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

➢ **Spread hedging**

- Risk from widening of spreads

A hedging strategy was tested during a pilot operation aiming to protect the value of a bond against the risk of widening of its spread. The strategy involved fixing the spread of the bond at one year by using a dedicated financial future. Upon maturity of the hedge (one year renewable), a final balancing payment, to be paid or received, compensates or returns the loss or gain on the value of the bond whose variation in spread was hedged.

This form of hedging was subject to specific documentation for fair-value accounting hedging in accordance with the IAS 39 standard.

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

3.1.3 Sensitivity to interest rate risk analysis

Pursuant to IFRS 7, an analysis of accounting sensitivity was carried out at 31 December 2016 with a comparative period. This analysis applies to year-end balance-sheet postings that show accounting sensitivity to interest rate risk (underwriting non-life and life liabilities, bond investments, financial debt in the form of bonds). It is not similar to analyses applying to embedded-value-type prospective data.

The impacts on shareholders' equity and income are shown net of profit sharing and corporate tax.

3.1.3.1 Sensitivity of insurance underwriting liabilities analysis

➢ **Non-life insurance**

Regarding non-life underwriting liabilities, risk mapping allows the sensitivity of portfolios showing interest rate changes to be analysed, i.e., portfolios of current annuities and temporary payments (individual life and health insurance, and third-party liability insurance premiums). With the exception of increasing annuities and risk reserves for long-term care risk, as non-life insurance underwriting reserves are not discounted on the consolidated financial statements, these amounts are therefore not sensitive to changes in interest rates.

As at 31 December 2016, the amount of the discount in the actuarial reserves for non-life annuities, before reinsurance, was €235 million. The amount of the discount in the reserve for increasing risks on long-term care, before reinsurance, was in the order of €126 million.

The result of the sensitivity to interest rates analyses shows that the Group is not particularly sensitive with regard to all its non-life commitments. The impact of a change of +/-100 basis points, calculated net of tax, is shown in the following table:

In millions of euros	31.12.2016		31.12.2015	
	Interest rate		Interest rate	
	+ 1%	- 1%	+ 1%	- 1%
Impact on income (net of taxes)	57	(79)	80	(68)
Equity impact (excluding income)				

➢ **Life insurance and financial contracts**

This analysis was limited to life commitments with accounts sensitive to changes in interest rates. In France, the restated rates used fall within a range of 1.50% to 3.50% for most of the actuarial reserves.

Moreover, with the exception of the floor guarantees, no sensitivity analysis was carried out on actuarial reserves for account unit policies, since the risk of change in the index is assumed by the policyholder rather than by the insurer.

The impact of sensitivity to changes in interest rates of +/-100 basis points on the Group's life commitments is shown net of taxes in the following table:

In millions of euros	31.12.2016		31.12.2015	
	Interest rate		Interest rate	
	+ 1%	- 1%	+ 1%	- 1%
Impact on income (net of taxes)	76		98	(51)
Equity impact (excluding income)				

There is no impact in the case of a 100 basis point decrease, given the application of minimum discount rates.

3.1.3.2 Sensitivity of financial investments analysis

The following table shows the impacts on income and on the revaluation reserve (posted under shareholders' equity) of a sensitivity analysis carried out in the event of a change up or down of 100 basis points (+/-1%) in interest rates.

The impacts are shown after taking the following factors into consideration:

- the rate of profit sharing of the entity holding the securities;
- the current tax rate.

The tests are conducted based on profit-sharing rates derived from historical observations.

In fiscal year 2016, the profit-sharing rate used for entities holding life insurance commitments corresponded to a range of 71.51% to 87.28%.

In millions of euros	31.12.2016		31.12.2015	
	Interest Rate Risk		Interest Rate Risk	
	+ 1%	- 1%	+ 1%	- 1%
Impact on the revaluation reserve	**(609)**	**672**	**(641)**	**708**
Equities				
Equity mutual funds				
Bonds	(588)	650	(597)	661
Fixed-income mutual funds	(21)	22	(44)	47
Derivative instruments and embedded derivatives				
Impact on net income	**19**	**(15)**	**2**	**(2)**
Equities				
Equity mutual funds				
Bonds	(7)	8	(6)	6
Fixed-income mutual funds	(11)	14	(15)	15
Derivative instruments and embedded derivatives	37	(37)	23	(23)

We note that the change in fair value of the derivatives and embedded derivatives, which primarily correspond to hedge derivatives, passes through the income statement.

3.1.3.3 Financing debt sensitivity analysis

Financing debt posted to liabilities on the Group income statement may be posted to debt or shareholders' equity under IFRS.

In fiscal year 2014, the Group issued perpetual bonds consisting of perpetual subordinated instruments (TSDI). The features of this issuance meet the criteria to allow the bond to be considered an equity instrument (see Note 21 – Shareholders' equity). Consequently, a sensitivity analysis is not required.

The principal features of the financial debt instruments analysed are described in Note 24 – Financing Debt.

The Group's subordinated debt is recognised at historical cost. In this respect, this balance sheet item is therefore not sensitive to potential changes in interest rates.

3.2 Risk of variation in the price of equity instruments (stocks)

3.2.1 Type of and exposure to equity risk

Exposure to equity markets allows the companies to capture the yield on these markets but also exposes them to two major types of risks:

- Accounting reserving risk (reserve for long-term impairment, reserve for contingent payment risks, reserves for financial contingencies);
- The commercial risk brought about by the reserving risk insofar as policyholder compensation could be impacted by the aforementioned reserving.

The weight of equity instruments out of total financial investments (including operating property) was 5.2% in market value, not including option exposures. Most equity instruments are classified in "available-for-sale assets". Equity instruments include:

- equities in French and foreign companies listed for trading on regulated markets. The exposure can also be done in index form and possibly in the form of structured products whose performance is partially indexed to an equity index. They may be held directly or within mutual funds (FCP and SICAV);
- equities in French and foreign companies that are not listed. They may be held directly or in the form of a venture capital fund ("FCPR").

3.2.2 Group risk management

In 2016, the Group's equity risk continued to be actively managed mainly through:

- the divestment of listed equity securities of Cegid for €155 million;
- the opportunistic divestment of protected equity mutual funds for €400 million;
- continuation of a hedging policy on protected equity funds;
- continuation of the management of geographical diversification.

The Group manages equities as part of internal constraints under two distinct logics:

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

These limits are observed at the level of each insurance entity and at the Group level. Any exceeding of the limits is handled according to whether it is part of an entity or the Group by the corresponding risk committees.

3.2.3 Sensitivity of financial investments to equity risk analysis

The following table shows the impacts on income and the revaluation reserve (classified under shareholders' equity) of a sensitivity analysis carried out in the event of an up or down change of 10% in stock market prices and indices.

The impacts are shown after taking the following factors into consideration:

- the rate of profit sharing of the entity holding the securities;
- the current tax rate.

The tests are conducted based on profit-sharing rates derived from historical observations.

In fiscal year 2016, the profit-sharing rate used for entities holding life insurance commitments corresponded to a range of 71.51% to 87.28%.

In millions of euros	31.12.2016		31.12.2015	
	Equities risk		Equities risk	
	+10%	-10%	+10%	-10%
Impact on the revaluation reserve	**122**	**(122)**	**123**	**(123)**
Equities	51	(51)	50	(50)
Equity mutual funds	71	(71)	73	(73)
Bonds				
Fixed-income mutual funds				
Derivative instruments and embedded derivatives				
Impact on net income	**40**	**(40)**	**27**	**(27)**
Equities				
Equity mutual funds	40	(40)	27	(27)
Bonds				
Fixed-income mutual funds				
Derivative instruments and embedded derivatives				

3.3 Foreign exchange risk

3.3.1 Exposure to foreign exchange risk

Exposure to foreign exchange risk for subsidiaries in the eurozone corresponds primarily to their assets, subject to exchange rate fluctuations of mutual funds or securities denominated in foreign currencies and mutual funds denominated in euros applying to foreign-currency securities. In practice, the portfolios are exposed primarily to foreign exchange risks corresponding to the euro rate against the dollar, the yen, the Hungarian forint, the Romanian leu, the pound sterling and the Turkish pound.

Investments made by Groupama, within the context of its international subsidiaries, exposes it to the net accounting position of entities with a functional currency other than the euro. To date, this includes the pound sterling, the Turkish pound, the Hungarian forint, the Romanian leu, the yuan, and the Tunisian dinar. These impacts are posted in shareholders' equity, under foreign exchange adjustment.

3.3.2 Managing foreign exchange risk

Foreign exchange risk is hedged mainly through currency swaps. The documentation is updated each time the financial statements are closed. These instruments do not correspond to the accounting notion of hedging as defined by IFRS.

3.3.3 Analysis of exchange rate sensitivity

The following table shows the impacts on income and the revaluation reserve (posted under shareholders' equity) of a sensitivity analysis carried out in the event of an up or down change of 10% in all currencies against the euro.

The impacts are shown after taking the following factors into consideration:

- the rate of profit sharing of the entity holding the securities;
- the current tax rate.

The tests are conducted based on profit-sharing rates derived from historical observations.

In fiscal year 2016, the profit-sharing rate used for entities holding life insurance commitments corresponded to a range of 71.51% to 87.28%.

In millions of euros	31.12.2016		31.12.2015	
	Foreign exchange risk		Foreign exchange risk	
	+10%	-10%	+10%	-10%
Impact on the revaluation reserve	**38**	**(38)**	**37**	**(37)**
Equities	14	(14)	12	(12)
Equity mutual funds	2	(2)	2	(2)
Bonds	22	(22)	23	(23)
Fixed-income mutual funds				
Derivative instruments and embedded derivatives				
Impact on net income				
Equities				
Equity mutual funds				
Bonds				
Fixed-income mutual funds				
Derivative instruments and embedded derivatives				

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

3.4 Credit risk

The breakdown of the Group bond portfolio by rating and by issuer quality is presented in Notes 6.10.3 and 6.10.4 of the annual financial statements.

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

These limits are observed at the level of each insurance entity and at the Group level. Any exceeding of the limits is handled according to whether it is part of an entity or the Group by the corresponding risk committees.

➢ **Risk on bonds of the GIIPS countries**

The Group's gross exposure to sovereign debt of the GIIPS countries (Greece, Italy, Ireland, Portugal, Spain) amounted to €12.343 billion as at 31 December 2016, representing 20% of the interest-bearing product portfolio.

➢ **Managing counterparty risk**

Internal procedures stipulate that any over-the-counter contract is systematically covered by guarantee contracts with the banking counterparties in question.

This systematic collateralisation of the hedging transactions significantly reduces the counterparty risk related to these over-the-counter transactions.

3.5 Summary of sensitivity to market risks analyses

The following table shows all the sensitivity to market risks analyses for fiscal years 2016 and 2015, broken down by shareholders' equity and income, excluding profit sharing and taxes.

In millions of euros	31.12.2016				31.12.2015			
	Up fluctuation in sensitivity criteria		Down fluctuation in sensitivity criteria		Up fluctuation in sensitivity criteria		Down fluctuation in sensitivity criteria	
	Shareholders' equity	Income (Loss)	Shareholders' equity	Income (Loss)	Shareholders' equity	Income (Loss)	Shareholders' equity	Income (Loss)
Interest rate risk	**(609)**	**152**	**672**	**(94)**	**(641)**	**180**	**708**	**(121)**
Underwriting liabilities		133		(79)		178		(119)
Financial investments	(609)	19	672	(15)	(641)	2	708	(2)
Financing debt								
Equities risk	**122**	**40**	**(122)**	**(40)**	**123**	**27**	**(123)**	**(27)**
Financial investments	122	40	(122)	(40)	123	27	(123)	(27)
Foreign exchange risk	**38**		**(38)**		**37**		**(37)**	
Financial investments	38		(38)		37		(37)	

As a reminder, the sensitivity criteria applied were the following:

- Up or down fluctuation of 100 basis points, for interest rate risk;
- Up or down fluctuation of 10% in the stock market indices, for stock risk; and
- Up or down fluctuation of 10% in all currencies against the euro, for exchange rate risk.

4. LIQUIDITY RISK

4.1 Nature of exposure to liquidity risk

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

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

4.2 Risk management

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

At the end of 2016, the liquidity risk was greatly reduced by the size of unrealised capital gains present in the portfolio.

4.3 Financial investment portfolio by maturity

The profile of the annual maturities of the bond portfolios is listed in Note 6.10.2 of the annual financial statements.

4.4 Underwriting liabilities related to insurance policies and liabilities related to financial contracts by maturity

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

In millions of euros	31.12.2016				31.12.2015			
	<1 year	1 to 5 years	> 5 years	Total	<1 year	1 to 5 years	> 5 years	Total
Non-life underwriting reserves	6,321	3,887	5,991	16,199	6,351	3,884	5,444	15,679
Life underwriting reserves - insurance policies excluding unit-linked items	1,030	6,461	26,179	33,670	2,781	6,762	23,726	33,269
Underwriting liabilities relating to financial contracts with discretionary profit sharing excluding unit-linked items	755	3,148	10,484	14,387	1,636	4,077	10,205	15,918
Underwriting liabilities relating to financial contracts without discretionary profit sharing excluding unit-linked items	3			3	6			6
Reserve for deferred profit-sharing liability	5,454	7	56	5,517	4,920	6	54	4,980
Total underwriting insurance liabilities and liabilities for financial contracts	**13,562**	**13,502**	**42,710**	**69,775**	**15,695**	**14,729**	**39,429**	**69,852**

Most technical liabilities corresponding to financial contracts with and without discretionary profit sharing may be redeemed at any time. The table above provides an economic overview of the liquidation of underwriting insurance liabilities.

4.5 Financing debt by maturity

The principal features of financing debt, as well as its breakdown by maturity, are provided in Note 24 herein – Financing Debt.

5. RISK OF REINSURER INSOLVENCY

Outward reinsurance consists of transferring to the reinsurer a portion of the risks accepted by the ceding company. They are regularly reviewed to monitor and limit the credit risk on third-party reinsurers. The reinsurance securities committee examines and approves the list of reinsurers accepted for all external outward reinsurance.

This list is reviewed in its entirety at least twice a year. During the year, continual monitoring is performed to adapt the internal ratings of the reinsurers to changes that may occur to them that would modify their solvency assessment. For any given reinsurance placement, any reinsurer approached for an outward reinsurance outside Groupama must first be on the list of the Group security committee.

Approved reinsurers must have a rating compatible with the type of business reinsured, depending on whether they have a short or long accounting run-off.

Transferred insurance underwriting reserves and recoverables are shown below, by rating, according to the three largest rating agencies (Standard & Poor's, Fitch Ratings, Moody's).

In millions of euros	31.12.2016						
	AAA	AA	A	BBB	< BBB	Not rated	Total
Share of reinsurers in non-life insurance reserves		804	119	4		208	1,135
Share of reinsurers in life insurance reserves		15	21	1		31	67
Share of reinsurers in reserves for financial contracts with discretionary profit sharing							
Share of reinsurers in reserves for financial contracts without discretionary profit sharing							
Receivables from outward reinsurance operations		46	4	5		153	207
Total		**865**	**143**	**10**		**392**	**1,409**

In millions of euros	31.12.2015						
	AAA	AA	A	BBB	< BBB	Not rated	Total
Share of reinsurers in non-life insurance reserves	3	708	59	87	4	219	1,081
Share of reinsurers in life insurance reserves		6,971	1	1		36	7,008
Share of reinsurers in reserves for financial contracts with discretionary profit sharing							
Share of reinsurers in reserves for financial contracts without discretionary profit sharing							
Receivables from outward reinsurance operations	2	47	2			211	261
Total	**5**	**7,726**	**62**	**89**	**4**	**466**	**8,351**

The total share of unrated reinsurers corresponds primarily to outward reinsurance to professional reinsurance pools, especially ASSURPOL, ASSURATOME, GAREAT, Réunion Aérienne and Réunion Spatiale , which are not subject to any rating.

6. OPERATING, LEGAL, REGULATORY AND TAX RISKS

6.1 Operational risks

Operational risks are managed in accordance with the principles and rules defined in the Group and Groupama SA operational risk management policy (see point 1).

The operational risk control system, broken down by all Group entities, using a process-based approach, is based on three levels of control with responsibility and control plans appropriate for each level:

- internal-check type permanent monitoring of the operational level and permanent management control;
- permanent controls operated by the Permanent Control/Compliance Function of each entity;
- periodic controls undertaken by internal audit of each entity.

The operational risk management system of Groupama is based on:

- the definition of internal management rules and operational procedures defining the manner in which the activities of Groupama SA must be conducted. They are appropriate to each business line and each key process. On the basis of group reference source of processes and Group classification of operational risks at every stage of the business line and functional processes, operational risks are identified, and associated permanent controls are formalised and standardised across the Group. These controls, being deployed in each entity, provide the basis for strengthening level 1 and level 2 controls;
- on the definition and assessment of Group major operational risks and adaptation as entity major risks, which function, as with insurance and financial risks, on the basis of a network of risk owners with management and coordination of the entire system by the Group's Risk and/or Permanent Control/Compliance departments;
- the Group business continuity policy; this policy serves as a reference for crisis management systems and Business Continuity Plans (BCP) being documented within the entities. The process is based on the BIA approach (Business Impact Analysis), which makes it possible to best calibrate the means necessary for the resumption of activity by identifying the critical business activities. Three BCPs have been identified:
  - an Unavailability of Human Resources BCP, which integrates the Pandemic BCP provides for business continuity in the event of a light pandemic (no modification of operations) or a severe pandemic (degraded operation);
  - an Unavailability of Real Estate BCP;
  - an Information Systems BCP which provides for business continuity despite a major incident affecting the IT system;

Moreover, an insurance programme is in place, designed to provide liability protection and the protection of the holdings of the regional mutuals, Groupama SA and its subsidiaries. The policies are distributed among internal insurers and external insurers for the most significant risks. The principal coverage is the following:

- employee insurance;
- third-party liability of corporate officers;
- professional third-party liability;
- operating third-party liability;
- property damage insurance (property, offices, equipment, car fleets, etc.).

6.2 Legal and regulatory risk

The legal and regulatory risks are managed as part of the Group system compliance, which is defined in the Group compliance policy validated by the governing bodies of the Group. The system in place, directed by the compliance charter, aims to ensure that all Group practices comply with legal provisions, administrative regulations and requirements and professional standards, as well as the Group's internal rules, charters and procedures.

The internal control procedures designed to ensure the conformity of all Groupama SA operations are based on the main mechanisms described below.

6.2.1 Compliance with Company law and the French Commercial Code

The Legal Department, under the supervision of the Corporate Secretary, manages Groupama SA's legal affairs and those of its subsidiaries and provides legal advice as needed to all the French legal entities of Groupama SA. Within this framework, it ensures the legal safety of its operations and its Directors and executives. Internal checks on the effective implementation of administrative legal procedures are based on on-going monitoring systems on an individual entity basis.

6.2.2 Application of insurance law and regulations governing the insurance business

The Legal Department within the Corporate Secretary of Groupama SA ensures, particularly on behalf of the business divisions of Groupama SA, the French insurance subsidiaries, as well as the regional mutuals:

- a function of monitoring and analysing legislation and case law and other standards (FFSA professional standards, ACPR recommendations) having an impact on the insurance business; (marketing, communication, advertising, development, subscription, execution and termination of insurance products, etc.);
- the necessary anticipation and support to implement new regulations for this activity;
- information (notes, circulars, working groups, dissemination of a quarterly bulletin of legal information in connection with customer protection);
- validation of new insurance policies developed by the Business Departments well as the modifications made to existing policies;
- development and validation of distribution and partnership agreements in connection with insurance and other services;
- legal and tax advice (taxation applicable to products and advice in the area of wealth management solutions);
- relations with the administrative authorities for control and support as part of these controls and any resulting consequences on the insurance business.

6.2.3 Other areas

Specific procedures have been set up to meet special requirements:

- ethical oversight designed to prevent insider trading. This responsibility is performed by a Group Ethics Officer with the assistance of a person outside the Group, who is responsible for the controls, and by an agent at Groupama SA;
- with regard to fighting money laundering and terrorist financing (AML/FT), the entities implement the legal obligations and professional recommendations in this area in their procedures. An AML/FT organisational chart defines the roles and responsibilities of the various participants and stakeholders at Group level and at the level of each operational entity concerned, describes the mechanism in place with respect to informing and training employees, determines the methods and conditions for exchanges of information required for the exercise of vigilance, and specifies the system to be applied for control and risk monitoring. The permanent control/compliance and risk management procedures are based on knowledge of the customer base, but also on a set of controls performed prior to the transaction, then after the transaction by analysing the information databases for past transactions. In addition, the Group Legal Department, working with a network of officers responsible for anti-money laundering and terrorist financing activities in the insurance, banking and asset management subsidiaries in France and internationally, and the regional mutuals, ensures the Group coordination and is responsible for monitoring Group compliance with anti-money laundering obligations (changes in regulatory provisions, including transposition into French law of the 4th European Directive, determining action plans for the extension of sanctions from the ACPR, harmonisation and consistency of procedures, performance indicators, steering of IT projects and training programmes);
- in application of the Data Protection Act, the compliance system makes use of the Group Data Protection Correspondent named by the French National Information Technology and Freedom Commission ("CNIL") and on the network of internal correspondents: one correspondent per entity and nine for Groupama SA in areas implementing sensitive processes. This network changes based on the Group's organisational modifications;
- with regard to the protection of medical data, Group recommendations are disseminated by the Groupama SA business division concerned or entity concerned. It is the responsibility of the various Group entities (regional mutuals and subsidiaries) to implement these recommendations, in partnership with the medical advisers and in collaboration with the Group compliance function, the Group Data Protection Correspondent ("CIL"), and the Claims Division of the Insurance and Services Department;
- in regards to customer protection, the Groupama SA's key function of compliance verification leads or contributes to the operational implementation of several themes, including:
  - ACPR Order n° 2015-I-22 of 2 October 2015 on the survey of commercial practices and customer protection;
  - the various recommendations from the ACPR regarding, in particular, the processing of claims, knowledge of customers as part of the life insurance advisory duty, including for distance selling;

- tracking of Group's major risk of ‘insufficient advice’;
- the plan for deployment of the Insurance Distribution Directive;
- periodic enhancement of the permanent control system.

6.3 Tax risks

The role of the Group’s Tax Department is to provide information and monitor regulations for all the entities of the Group. It is also regularly questioned about specific technical points and is involved in preparing the end-of-year financial statements. In this capacity, it ensures that the tax consolidation rules are applied (Article 223 A et seq. of the French General Tax Code) for the Group and, working with the Group accounting department, prepares the report on the tax position of the consolidated companies. It also helps to implement documentation and archiving procedures in terms of computerised accounting records, as required under tax law, particularly as part of dedicated “CFCI” (Computerised Accounting Tax Audit) committees for each French entity. Lastly, within a steering committee, it coordinates the establishment of automatic exchanges of tax information relating in particular to the US Foreign Account Tax Compliance Act (“FATCA”), the OECD’s CRS (Common Reporting Standard), and the revision of the European DAC (Directive for Administrative Cooperation, a sort of European "FATCA").

NOTE 47 – LIST OF ENTITIES IN THE SCOPE OF CONSOLIDATION AND MAJOR CHANGES TO THE SCOPE OF CONSOLIDATION

The main changes in the scope of consolidation are the following:

Newly consolidated entities

The following entities entered the scope of consolidation as at 31 December 2016:

- Astorg 2
- Cofintex 17
- Compagnie Financière d'Orange Bank
- OPCI GGRF

The entity Compagnie financière d'Orange Bank owns Groupama Banque.

Four mutual funds were added to the consolidation scope.

Name changes

The following entities changed their names:

- Groupama Protection Juridique became Société Française de Protection Juridique,
- SCI Défense Astorg became SCI Window La Défense,
- OPCI GB2 became Groupama Gan Paris La Défense Office,
- Groupama Assurance Crédit became Groupama Assurance Crédit et Caution.

Eliminations from the scope of consolidation

- Merger through absorption of the company HOLDCO SIIC by its subsidiary ICADE, approved by a vote during the combined general shareholders' meeting on 23 May 2016;
- Deconsolidation of the company Günes Sigorta starting 1 October 2016;
- Absorption of the real estate company SASU Rennes Vaugirard by GGVIE in the fourth quarter of 2016;
- Sale of the company Cegid on 8 July 2016;
- Absorption of the company René Boulanger.

Four mutual funds were removed from the consolidation scope.

Change in consolidation method

As part of the agreement signed between Groupama and Orange for developing a 100% mobile banking offering, Orange became the majority shareholder of Groupama Banque in early October 2016. Groupama has retained a 35% stake in Groupama Banque. Thus, as at 31 December 2016, Groupama Banque is consolidated using the equity method.

	Business sector	Location of registered office	31.12.2016			31.12.2015		
			% control	% interest	Method	% control	% interest	Method
GROUPAMA Méditerranée	Insurance	France	-	-	A	-	-	A
GROUPAMA Centre Manche	Insurance	France	-	-	A	-	-	A
GROUPAMA Grand Est	Insurance	France	-	-	A	-	-	A
GROUPAMA OC	Insurance	France	-	-	A	-	-	A
MISSO	Insurance	France	-	-	A	-	-	A
GROUPAMA Loire Bretagne	Insurance	France	-	-	A	-	-	A
GROUPAMA Paris Val-de-Loire	Insurance	France	-	-	A	-	-	A
GROUPAMA Nord-Est	Insurance	France	-	-	A	-	-	A
CAISSE des producteurs de tabac	Insurance	France	-	-	A	-	-	A
GROUPAMA Rhône-Alpes-Auvergne	Insurance	France	-	-	A	-	-	A
GROUPAMA Centre Atlantique	Insurance	France	-	-	A	-	-	A
GROUPAMA Antilles-Guyane	Insurance	France	-	-	A	-	-	A
GROUPAMA Océan Indien et Pacifique	Insurance	France	-	-	A	-	-	A
CLAMA Méditerranée	Insurance	France	-	-	A	-	-	A
CLAMA Centre Manche	Insurance	France	-	-	A	-	-	A
CLAMA Grand Est	Insurance	France	-	-	A	-	-	A
CLAMA OC	Insurance	France	-	-	A	-	-	A
CLAMA Loire Bretagne	Insurance	France	-	-	A	-	-	A
CLAMA Paris Val-de-Loire	Insurance	France	-	-	A	-	-	A
CLAMA Nord-Est	Insurance	France	-	-	A	-	-	A
CLAMA Rhône-Alpes-Auvergne	Insurance	France	-	-	A	-	-	A
CLAMA Centre Atlantique	Insurance	France	-	-	A	-	-	A
CLAMA Antilles-Guyane	Insurance	France	-	-	A	-	-	A
CLAMA Océan Indien et Pacifique	Insurance	France	-	-	A	-	-	A
GIE GROUPAMA Supports et Services	EIG	France	100.00	99.97	FC	100.00	99.95	FC
GROUPAMA S.A.	Holding	France	99.97	99.97	FC	99.96	99.96	FC
GROUPAMA HOLDING	Holding	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA HOLDING 2	Holding	France	100.00	100.00	FC	100.00	100.00	FC
ASTORG 2	Holding	France	100.00	99.97	FC			
COFINTEX 17	Holding	France	100.00	99.97	FC			
COMPAGNIE FINANCIERE D'ORANGE BANK	Holding	France	35.00	34.99	EM			
GROUPAMA GAN VIE	Insurance	France	100.00	99.97	FC	100.00	99.96	FC
GAN PATRIMOINE	Insurance	France	100.00	99.97	FC	100.00	99.96	FC
CAISSE FRATERNELLE D'EPARGNE	Insurance	France	99.99	99.96	FC	100.00	99.96	FC
CAISSE FRATERNELLE VIE	Insurance	France	99.99	99.96	FC	99.99	99.95	FC
ASSUVIE	Insurance	France	50.00	49.98	FC	50.00	49.98	FC
GAN PREVOYANCE	Insurance	France	100.00	99.97	FC	100.00	99.96	FC
GROUPAMA ASSURANCE CREDIT ET CAUTION	Insurance	France	100.00	99.97	FC	100.00	99.96	FC
MUTUAIDE ASSISTANCE	Assistance	France	100.00	99.97	FC	100.00	99.96	FC
GAN ASSURANCES	Insurance	France	100.00	99.97	FC	100.00	99.96	FC
GAN OUTRE MER	Insurance	France	100.00	99.97	FC	100.00	99.96	FC
SOCIETE FRANCAISE DE PROTECTION JURIDIQUE	Insurance	France	100.00	99.97	FC	100.00	99.95	FC
LA BANQUE POSTALE IARD	Insurance	France	35.00	34.99	EM	35.00	34.98	EM
AMALINE ASSURANCES	Insurance	France	100.00	99.97	FC	100.00	99.96	FC
CEGID	Insurance	France				26.89	26.88	EM
GROUPAMA SEGUROS de Vida Portugal	Insurance	Portugal	100.00	99.97	FC	100.00	99.96	FC
GÜNES SIGORTA	Insurance	Turkey				36.00	35.98	EM
GROUPAMA SIGORTA	Insurance	Turkey	99.52	99.48	FC	98.99	98.94	FC
GROUPAMA SIGORTA EMEKLILIK	Insurance	Turkey	100.00	99.76	FC	100.00	99.51	FC
GROUPAMA Investment BOSPHORUS	Holding	Turkey	100.00	99.97	FC	100.00	99.96	FC
STAR	Insurance	Tunisia	35.00	34.99	EM	35.00	34.98	EM
GROUPAMA ZASTRAHOVANE NON LIFE	Insurance	Bulgaria	100.00	99.97	FC	100.00	99.96	FC
GROUPAMA JIVOTOZASTRAHOVANE LIFE	Insurance	Bulgaria	100.00	99.97	FC	100.00	99.96	FC
GROUPAMA BIZTOSITO	Insurance	Hungary	100.00	99.97	FC	100.00	99.96	FC
GROUPAMA PHOENIX Hellenic Asphalistike	Insurance	Greece	100.00	99.97	FC	100.00	99.96	FC
GROUPAMA AVIC PROPERTY INSURANCES CO	Insurance	China	50.00	49.98	EM	50.00	49.98	EM
GUK BROKING SERVICES	Holding	United Kingdom	100.00	99.97	FC	100.00	99.96	FC
CAROLE NASH	Brokerage	United Kingdom	91.40	91.37	FC	90.00	89.96	FC
BOLLINGTON LIMITED	Brokerage	United Kingdom	49.00	48.98	EM	49.00	48.98	EM
MASTERCOVER Insurance Services Limited	Brokerage	United Kingdom	100.00	99.97	FC	100.00	99.96	FC

A: Aggregation FC: Full consolidation EM: Equity method

	Business sector	Location of registered office	31.12.2016			31.12.2015		
			% control	% interest	Method	% control	% interest	Method
COMPUCAR LIMITED	Brokerage	United Kingdom	49.00	48.98	EM	49.00	48.98	EM
GROUPAMA ASSICURAZIONI	Insurance	Italy	100.00	99.97	FC	100.00	99.96	FC
GROUPAMA SEGUROS Portugal	Insurance	Portugal	100.00	99.97	FC	100.00	99.96	FC
GROUPAMA ASIGURARI	Insurance	Romania	100.00	99.97	FC	100.00	99.96	FC
GROUPAMA ASSET MANAGEMENT	Asset management	France	100.00	99.97	FC	100.00	99.96	FC
GROUPAMA BANQUE	Banking	France	35.00	34.99	EM	100.00	99.96	FC
GROUPAMA EPARGNE SALARIALE	Asset management	France	100.00	99.97	FC	100.00	99.96	FC
GROUPAMA IMMOBILIER	Asset management	France	100.00	99.97	FC	100.00	99.95	FC
HOLDCO	Property	France				24.93	24.92	EM
ICADE	Property	France	13.00	12.94	EM	24.93	12.94	EM
COMPAGNIE FONCIERE PARISIENNE	Property	France	100.00	99.97	FC	99.97	99.93	FC
SCI WINDOW LA DEFENSE	Property	France	100.00	99.97	FC	100.00	99.93	FC
GAN FONCIER II	Property	France	100.00	99.97	FC	100.00	99.96	FC
IXELLOR	Property	France	100.00	99.97	FC	100.00	99.96	FC
79 CHAMPS ELYSÉES	Property	France	100.00	99.97	FC	100.00	99.96	FC
RENNES VAUGIRARD	Property	France				100.00	99.96	FC
SOCIETE FORESTIERE GROUPAMA	Property	France	100.00	99.97	FC	100.00	99.96	FC
FORDEV	Property	France	100.00	99.97	FC			
GROUPAMA GAN PARIS LA DEFENSE OFFICE	OPCI	France	100.00	99.97	FC	100.00	99.93	FC
GGRF	OPCI	France	100.00	99.97	FC			
SCI GAN FONCIER	Property	France	100.00	98.86	FC	100.00	98.87	FC
VICTOR HUGO VILLIERS	Property	France	100.00	98.86	FC	100.00	98.87	FC
1 BIS FOCH	Property	France	100.00	98.86	FC	100.00	98.87	FC
16 MESSINE	Property	France	100.00	98.86	FC	100.00	98.87	FC
40 RENE BOULANGER	Property	France				100.00	98.87	FC
9 MALESHERBES	Property	France	100.00	98.86	FC	100.00	98.87	FC
97 VICTOR HUGO	Property	France	100.00	98.86	FC	100.00	98.87	FC
44 THEATRE	Property	France	100.00	98.86	FC	100.00	98.87	FC
SCI UNI ANGES	Property	France	100.00	99.97	FC	100.00	99.96	FC
261 RASPAIL	Property	France	100.00	99.97	FC	100.00	99.93	FC
GAN INVESTISSEMENT FONCIER	Property	France	100.00	99.97	FC	100.00	99.96	FC
3 ROSSINI (SCI)	Property	France	100.00	99.97	FC	100.00	99.96	FC
150 RENNES (SCI)	Property	France	100.00	99.97	FC	100.00	99.96	FC
99 MALESHERBES (SCI)	Property	France	100.00	99.97	FC	100.00	99.96	FC
SCA CHATEAU D'AGASSAC	Property	France	100.00	99.99	FC	100.00	99.99	FC
102 MALESHERBES (SCI)	Property	France	100.00	99.97	FC	100.00	99.96	FC
LES FRERES LUMIERE	Property	France	100.00	99.97	FC	100.00	99.96	FC
CAP DE FOUSTE (SCI)	Property	France	100.00	99.98	FC	100.00	99.97	FC
PARIS FALGUIERE (SCI)	Property	France	100.00	99.97	FC	100.00	99.96	FC
CHAMALIERES EUROPE (SCI)	Property	France	100.00	99.97	FC	100.00	99.96	FC
12 VICTOIRE (SCI)	Property	France	100.00	99.97	FC	100.00	99.96	FC
DOMAINE DE FARES	Property	France	50.00	49.99	EM	50.00	49.99	EM
38 LE PELETIER (SCI)	Property	France	100.00	99.97	FC	100.00	99.96	FC
SCIMA GFA	Property	France	100.00	99.99	FC	100.00	99.98	FC
LABORIE MARCENAT	Property	France	74.10	74.08	EM	74.10	74.07	EM
DOMAINE DE NALYS	Property	France	100.00	99.98	FC	100.00	99.97	FC
SCI CHATEAU D'AGASSAC	Property	France	100.00	100.00	FC	100.00	100.00	FC
SA SIRAM	Property	France	90.07	90.07	FC	90.07	90.07	FC
GROUPAMA PIPACT	Property	France	100.00	99.99	FC	100.00	99.99	FC
ASTORG STRUCTUR GAD D	Mutual fund	France	99.99	99.96	FC	99.99	99.95	FC
GROUPAMA TRESORERIE IC C	Mutual fund	France	26.63	26.62	EM			
ASTORG CTT D	Mutual fund	France	99.68	99.65	FC	100.00	99.95	FC
GROUPAMA AAEXA D	Mutual fund	France	100.00	99.97	FC	100.00	99.96	FC
ASTORG EURO SPREAD D	Mutual fund	France	100.00	99.97	FC	100.00	99.96	FC

A: Aggregation FC: Full consolidation EM: Equity method

	Business sector	Location of registered office	31.12.2016			31.12.2015		
			% control	% interest	Method	% control	% interest	Method
WASHINGTON EURO NOURRI 14 FCP	Mutual fund	France	100.00	99.97	FC	99.74	99.70	FC
WASHINGTON EURO NOURRI 15 FCP	Mutual fund	France	100.00	99.97	FC	100.00	99.96	FC
GROUPAMA CONVERTIBLES ID D	Mutual fund	France	99.65	99.62	FC	99.67	99.63	FC
GROUPAMA ENTREPRISES IC C	Mutual fund	France	31.04	31.03	EM	24.53	24.52	EM
GROUPAMA CREDIT EURO IC C	Mutual fund	France	65.87	65.85	FC	82.86	82.83	FC
GROUPAMA CREDIT EURO ID D	Mutual fund	France	59.08	59.06	FC	59.08	59.06	FC
WASHINGTON EURO NOURRI 16 FCP	Mutual fund	France	100.00	99.97	FC	100.00	99.96	FC
WASHINGTON EURO NOURRI 17 FCP	Mutual fund	France	100.00	99.97	FC	100.00	99.96	FC
WASHINGTON EURO NOURRI 18 FCP	Mutual fund	France	100.00	99.97	FC	99.88	99.83	FC
GROUPAMA OBLIGATION MONDE I C	Mutual fund	France	94.35	94.32	FC	86.81	86.77	FC
WASHINGTON EURO NOURRI 19 FCP	Mutual fund	France	100.00	99.97	FC	99.64	99.60	FC
WASHINGTON EURO NOURRI 20 FCP	Mutual fund	France	100.00	99.97	FC	100.00	99.96	FC
WASHINGTON EURO NOURRI 21 FCP	Mutual fund	France	100.00	99.97	FC	100.00	99.96	FC
WASHINGTON EURO NOURRI 22 FCP	Mutual fund	France	99.88	99.84	FC	99.88	99.83	FC
WASHINGTON EURO NOURRI 23 FCP	Mutual fund	France	100.00	99.97	FC	100.00	99.96	FC
WASHINGTON EURO NOURRI 24 FCP	Mutual fund	France	100.00	99.97	FC	100.00	99.96	FC
ASTORG STRUCTUR LIFE D	Mutual fund	France	100.00	99.97	FC	100.00	99.96	FC
ASTORG TAUX VARIABLE D	Mutual fund	France				100.00	99.96	FC
PROFIL GAGNANT C	Mutual fund	France				21.28	21.27	EM
GROUPAMA EONIA IC C	Mutual fund	France	44.91	44.89	EM	27.15	27.14	EM
GROUPAMA FP DETTE EMERGENTE G D	Mutual fund	France				91.85	91.80	FC
ASTORG PENSION D	Mutual fund	France	99.68	99.65	FC	100.00	99.96	FC
ASTORG CASH MT D	Mutual fund	France	87.92	87.89	FC	99.32	99.27	FC
ASTORG CASH G D	Mutual fund	France	81.14	81.12	FC			
GROUPAMA CREDIT EURO GD D	Mutual fund	France	44.09	44.08	EM	44.37	44.35	EM
GROUPAMA CREDIT EURO LT G D	Mutual fund	France	100.00	99.97	FC	100.00	99.96	FC
ASTORG THESSALONIQUE 1 D	Mutual fund	France	100.00	99.97	FC	99.32	99.28	FC
ASTORG THESSALONIQUE 2 D	Mutual fund	France	100.00	99.97	FC	100.00	99.96	FC
ASTORG THESSALONIQUE 3 D	Mutual fund	France	100.00	99.97	FC	100.00	99.96	FC
ASTORG THESSALONIQUE 4 D	Mutual fund	France	100.00	99.97	FC	99.78	99.74	FC
ASTORG THESSALONIQUE 5 D	Mutual fund	France	100.00	99.97	FC	99.56	99.52	FC
ASTORG MONETAIRE C	Mutual fund	France	92.62	92.59	FC	98.29	98.25	FC
ASTORG DIV MONDE D	Mutual fund	France				100.00	99.96	FC
GROUPAMA CASH EQUIVALENT G D	Mutual fund	France	72.77	72.75	FC	100.00	99.96	FC
ASTORG REPO INVEST D	Mutual fund	France	100.00	99.97	FC	100.00	99.96	FC
ASTORG OBLIGATIONS CT G D	Mutual fund	France	94.04	94.02	FC			
ASTORG OBLIGATIONS CT GA D	Mutual fund	France	100.00	99.97	FC			
G FUND - EUROPEAN CONVERTIBLE BONDS GD D	Mutual fund	France	100.00	99.97	FC	100.00	99.96	FC

A: Aggregation FC: Full consolidation EM: Equity method

Certain real estate entities are consolidated using the equity method under a “simplified” process. This consists of reclassifying on the balance sheet the value of the units and the financing current account in “property investments” and reclassifying in the income statement the dividends or share in the results of the companies in “income from property”.

REPORT OF THE STATUTORY AUDITORS
ON THE COMBINED FINANCIAL STATEMENTS OF GROUPAMA
FISCAL YEAR 2016

PricewaterhouseCoopers Audit

63 rue de Villiers
92208 Neuilly-sur-Seine Cedex

MAZARS
Tour Exaltis
61, rue Henri Régnault
92400 Courbevoie

Report of the statutory auditors on the combined financial statements

Year ended 31 December 2016

To the shareholders,
GROUPAMA SA
8-10 rue d'Astorg
75008 Paris, France

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we hereby report to you, for the year ended 31 December 2016, on:

- the audit of the accompanying combined financial statements of Groupama SA;
- the justification of our assessments;
- the specific verifications required by law.

These combined financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I - Opinion on the combined financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques, or other methods of selection, to obtain audit evidence about the amounts and disclosures in the combined financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We certify that the combined financial statements for the financial year give a true and fair view of the assets and liabilities, the financial position, and income from the group of entities and persons included in the scope of consolidation, in accordance with International Financial Reporting Standards as adopted by the European Union.

II - Justification of assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- Certain technical items specific to insurance and reinsurance recorded under assets and liabilities in the Company's combined accounts have been estimated on statistical and actuarial bases, in particular technical reserves, deferred profit sharing, deferred acquisition costs and values in force. The methods used to determine these items are described in sections 3.12 and 3.1.2 of the accounting principles and methods, as well as in notes 25, 26, 14, 13, and 3 in the notes to the combined financial statements. We assessed the reasonableness of the assumptions used in the calculation models, based on the Group's experience, its regulatory and economic environment and the consistency of these assumptions taken as a whole.

- Goodwill is subject to recoverability tests carried out at each inventory date in accordance with the methods described in section 3.1.1 of the accounting principles and methods and in Note 2 to the combined financial statements. We examined the conditions for performing these impairment tests, as well as the cash flow projections, assumptions used and sensitivity tests, and we ensured that the notes to the consolidated accounts contained appropriate disclosures.

- Financial assets and derivatives are recognised and valued in accordance with the methods described in sections 3.2.1 and 3.3 of the accounting principles and methods and in Notes 6 and 8 of the Notes to the combined financial statements. We reviewed the consistency of the classification applied with the documentation prepared by the Group. We assessed the appropriateness of the methods used for depreciating equity instruments classified as available for sale assets, and verified their proper application.

These assessments were made as part of our audit of the combined financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific verification

As required by law and in accordance with the professional standards applicable in France, we have also verified the information presented in the Group's management report.

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

Neuilly-sur-Seine and Courbevoie, France, 20 March 2017

The Statutory Auditors

PricewaterhouseCoopers Audit	MAZARS
Christine Billy	Antoine Esquieu Nicolas Dusson