REGISTRATION DOCUMENT 2016
GROUPAMA SA

including the annual financial report

CONTENTS

2016

GROUPAMA SA

REGISTRATION DOCUMENT

INCLUDING THE ANNUAL FINANCIAL REPORT

This Registration Document was filed with the AMF on 27 April 2017, in compliance with Article 212-13 of its General Rules. It may be used in support of a financial transaction if it is supplemented by a transaction memorandum approved by the AMF. This document was prepared by the issuer ans is biding on the signatories.

This Registration Document includes all aspects of the Annual Report mentioned under Section I of Article L.451-1-2 of the French Monetary and Finance Code as well as Article 222-3 of the General Rules of the AMF. A table of concordance for the documents mentioned in Article 222-3 of the General Rules of the AMF and the corresponding sections of this Registration Document is provided on page 388.

Copies of this Registration Document are available free of charge from Groupama, 8-10 rue d'Astorg, 75008 Paris, Tel: +33 (0) 1 44 56 77 77, as well as on the Groupama website (www.groupama.com).

This is a free translation into English of the French Registration Document filed with the Autorité des Marchés Financiers (AMF) and which is provided solely for the convenience of English readers.

1

OVERVIEW OF THE GROUP

1.1 HISTORY OF THE COMPANY

The creation of Groupama is a story that goes back more than one hundred years. The starting point was the Act of 4 July 1900, which allowed the birth, then the subsequent organisation of the agricultural mutual insurance movement in France.

The Agricultural Mutual Insurance Companies (Assurances Mutuelles Agricoles) were created to protect and serve the farmers who at that time represented 80% of the nation's wealth. In the 20th century, they became the leading European agricultural insurer (*source: internal*).

The Agricultural Mutual Insurance Companies very quickly realised the need to re-invent themselves and open themselves up to other insurance markets and, more recently, to the banking business, in order to continue their vocation of serving the interests of agriculture and passing on the tradition of mutual insurance.

In 1963, the Agricultural Mutual Insurance Companies opened up their business to the entire non-life insurance segment.

In 1972, they started a life insurance business.

The name "Groupama" was created in 1986, bringing together all the entities of an insurance group that had adapted to the new economic conditions and the globalisation of the financial markets.

In 1995, policyholders who were not part of the agricultural world – at the time covered by SAMDA, a subsidiary of Groupama created in 1963 to insure "non-agricultural" customers – became full members of their mutual.

In 1998, on conclusion of a privatisation procedure involving major international groups, Groupama acquired Gan, a group whose business activities complemented those of Groupama. The acquisition resulted in the creation of one of the leading French multi-line insurers.

In 2001, seeking to extend its services to include banking products, the Group joined forces with Société Générale, the leading French retail banking institution, with a view to creating a multi-channel bank for Groupama's customers (Groupama Banque). Groupama plans to become a global player in financial insurance-banking.

Also in 2001, the Board of Directors of the Central Mutual approved a structure consolidating the regional mutuals.

A number of mergers and acquisitions were initiated during 2002 in France (acquisition of CGU Courtage, which was merged with and into Gan Eurocourtage) and internationally (acquisition of Plus Ultra Generales in Spain).

In 2003, the regional mutuals rolled out a banking offering to Groupama's members. The Group also obtained a non-life insurance licence for China.

In addition, the Group's national entities were restructured to be better adapted to its growth strategy. The Fédération Nationale Groupama was created, and Groupama SA became the exclusive reinsurer of the regional mutuals following the dissolution of the Central Mutual, the Caisse Centrale des Assurances Mutuelles Agricoles.

In 2006, Groupama acquired the Spanish subsidiaries of a French group, the Turkish insurance group Basak, sixth-largest insurer in Turkey (*source: Foreign Economic Relations Division, 2006 data*) as well as UK broker Carole Nash.

In 2007, the Group's international development intensified with the purchase of the Nuova Tirrena insurance company, which held some 2% of the Italian non-life insurance market, strengthening the Group's subsidiary in Italy. In the United Kingdom, the Group acquired two new brokers (Bollington Group and Lark Group).

In 2007 and 2008, Groupama made strong advances in Central and Eastern Europe by acquiring the Greek insurer Phoenix Metrolife and Romanian insurance companies BT Asigurari and Asiban, and by strengthening its positions in Turkey, through the purchase of insurance companies Güven Sigorta and Güven Hayat. Groupama also entered into a strategic partnership with OTP Bank, the leading independent bank in Central Europe, resulting in distribution agreements in nine countries and the acquisition of OTP's insurance operations (OTP Garancia), the leading company in Hungary, as well as its insurance subsidiaries in Bulgaria, Romania and Slovakia.

Groupama also acquired a 35% stake in STAR, the leading company in the Tunisian insurance market.

With a view to gaining an urban customer base and new distribution channels in France, in mid-2008 Groupama launched "Amaguiz.com", a new brand intended for web sales only.

In 2009, Groupama signed a partnership agreement with La Banque Postale for the distribution of non-life products *via* a joint venture using La Banque Postale's networks.

The creation of Groupama Gan Vie, through the merger/takeover of Groupama Vie and Gan Eurocourtage Vie by Gan Assurances Vie and the transfer of the portfolios of Gan Patrimoine and Gan Prévoyance, enabled the consolidation of the Group's activities into a single company in France.

The Group's French banking businesses have also been pooled through the merger of Groupama Banque and Banque Finama.

At international level, the Group merged its Italian, Hungarian, Romanian and Turkish subsidiaries in order to strengthen its positions on all those markets.

In 2010, the Group implemented a large number of partnerships in various areas.

In the Bank-insurance market, the partnership agreement signed with La Banque Postale in 2009 resulted in the creation of a joint enterprise, La Banque Postale Assurances IARD, which is 65%-held by La Banque Postale and 35% by Groupama. At the end of 2010, this company launched its non-life insurance products (motor, home, legal protection) *via* remote-selling channels (internet and telephone), then progressively through La Banque Postale's network of offices beginning in 2011.

In December 2010, Groupama and the Chinese group AVIC (Aviation Industry Corporation of China) signed an agreement on the creation of a joint venture to expand activities in the non-life insurance segment in the People's Republic of China. Already active in Sichuan province since 2003, Groupama intends to accelerate its development on a market, the rapid expansion of which should make it a major growth centre for the Group.

Major events of 2011 included the eurozone debt crisis, particularly in Greece, and the significant deterioration of the financial markets, which affected Groupama's financial position.

Against this background, the Group implemented measures in 2012 to strengthen its solvency margin while reducing the sensitivity of its balance sheet to financial market fluctuations. Groupama thus adjusted its business scope by selling Gan Eurocourtage's property and casualty business, Gan Eurocourtage's maritime business in France, the Spanish subsidiary, and the non-life insurance subsidiary in the United Kingdom.

In 2013, the Group finalised the adjustment of its scope with the disposal of 100% of the capital of Groupama Private Equity in January and the disposal of its 51% stake in the British brokerage firm Bollington in March. In April, Groupama reinforced its partnership with the Chinese Group AVIC to support the strong growth of Groupama AVIC Insurance on the agricultural insurance market and in the rural sector in China.

In addition, the law of 26 July 2013 on the separation and regulation of banking activities established Groupama SA as the central body of the network of agricultural insurance and reinsurance companies and mutuals (hereinafter the Groupama network).

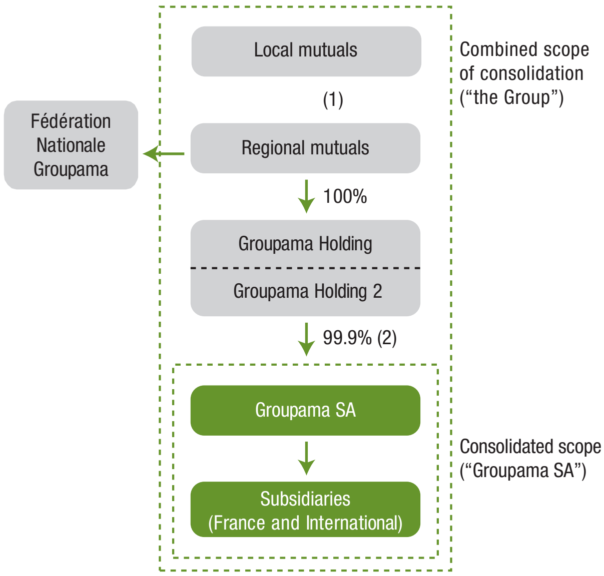
The General Meeting of 11 June 2014 modified Groupama SA's by-laws to include in its corporate purpose its role as central body.

In December 2015, Groupama was the first mutual insurer to launch the mutual insurance certificates authorised by the Social and Solidarity Economy law of July 2014. The regional mutuals thus acquired the necessary financial resources to invest in the territories and develop a new long-term, quality relationship with their members based on trust. As of the end of 2016, all the regional mutuals have issued mutual certificates.

In April 2016, Orange and Groupama signed an agreement to develop an unprecedented 100% mobile banking offering. In October 2016, the French and European regulatory and prudential authorities authorised Orange's acquisition of 65% of the 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 in the Orange distribution network. The offering will also be distributed in the Groupama group's networks starting in the second half of 2017.

In December 2016, the "Sapin 2" law on transparency, the fight against corruption, and modernisation of the economy was published, putting in place the legislative framework required for the transformation of Groupama group's central body into a mutual insurance company (SAM) with an implementation period of 18 months.

1.2 ORGANISATION OF THE GROUP AND GROUPAMA SA



(1) Since regional and local mutuals are mutual insurance companies, companies without share capital, there is no capital relationship between them. Local mutuals are members of a regional mutual from which they get reinsurance.

(2) 92.01% held by Groupama Holding and 7.96% held by Groupama Holding 2 at 31 December 2016.

1.2.1 GENERAL ORGANISATION

The Group has a governance method that empowers everyone involved within the organisation. Members elect their representatives at local level (38,000 elected), and they in turn elect their representatives at regional and national levels. The Board members, who are all policyholders of the mutual insurance company, control all the Boards of Directors of the entities within the mutual insurance Group. They select the Managers, who handle operating activities. The elected representatives thus participate in all of the Group's decision-making bodies, whether local (3,100) or regional mutuals (9 regional mutuals in Metropolitan France, 2 overseas mutuals and 2 specialist mutuals) or national bodies, through the federations and the Boards of Directors of Groupama SA and its subsidiaries.

There are therefore two scopes within Groupama:

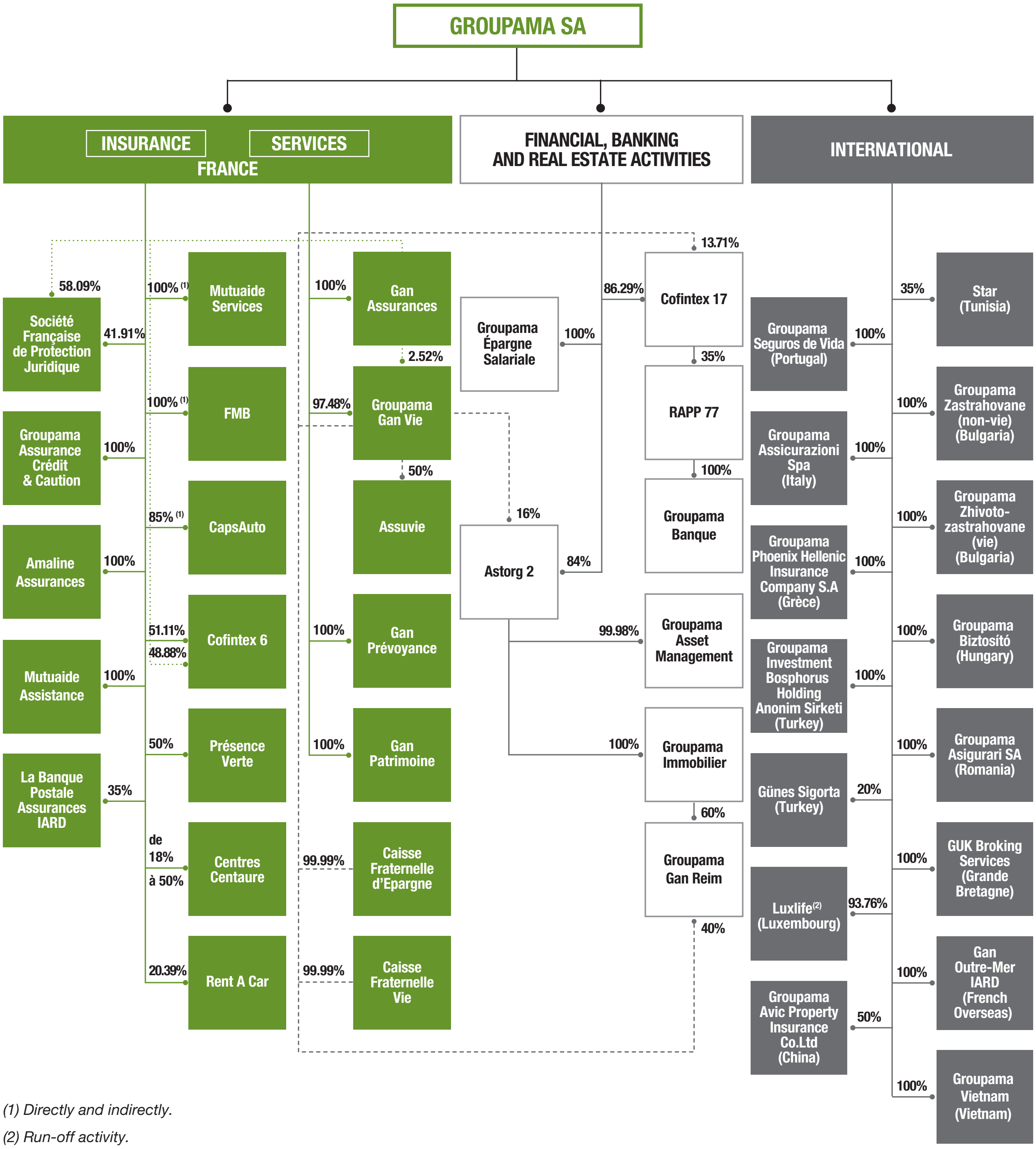
- the combined scope, which includes all the entities of the Group and all of the activities of the regional mutuals;
- the consolidated scope, in which Groupama SA is the parent holding company. In addition to the activities of the subsidiaries, its business lines include approximately 35% of the activity of the regional mutuals, which is captured by the Internal Reinsurance mechanism.

Since 2003, Groupama has had three central structures:

- the Fédération Nationale, comprised of the Groupama regional mutuals. Its duties are to define the overall strategies of the mutual insurance group and check their application, act as an agricultural trade organisation at national level, and promote mutual-insurance principles within the Group;
- Groupama SA, which directs the operating activities of the Group and its subsidiaries, is the reinsurer for the regional mutuals and has become the central body of the Groupama network since the law of 26 July 2013 on the separation and regulation of banking activities;
- Groupama Holding: the function of this intermediate entity is to ensure the financial control of Groupama SA by the regional mutuals, by combining all their equity interests.

The entities share the same Chairman and the same Executive Management to ensure greater consistency.

1.2.2 GROUPAMA SA



(1) Directly and indirectly.

(2) Run-off activity.

Groupama SA, a French *société anonyme* (public limited company), is 99.97%-owned by the Caisses Régionales d'Assurances et de Réassurances Mutuelles Agricoles and the specialist mutuals ("regional mutuals") through Groupama Holding and Groupama Holding 2. The remaining portion of its share capital (0.03%) is owned by former or current agents and employees of Groupama SA.

As at 31 December 2016, the breakdown of share capital and voting rights (including double voting rights) is as follows:

- 92.01% of the capital and 91.54% of the voting rights held by Groupama Holding;
- 7.96% of the capital and 8.42% of the voting rights held by Groupama Holding 2;
- 0.03% of the capital and voting rights held by 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 central body of the Groupama network, the sole reinsurer for the regional mutuals and the holding company for the subsidiaries of the Groupama group. Its main missions are as follows:

- to ensure the cohesion and proper operation of the organisations within the Groupama network;
- to exercise administrative, technical and financial control over the structure and management of the organisations within the Groupama network;
- 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 manage all the subsidiaries;
- to establish the external reinsurance programme for the entire Group;
- to manage the direct insurance business;
- to prepare the consolidated and combined financial statements.

The Company is governed with respect to its activities by the provisions of the French Commercial Code and the French Insurance Code, and is subject to the supervision of the French Prudential Control Authority (ACPR).

1.2.3 TIES BETWEEN THE VARIOUS ENTITIES OF THE GROUP

Entities within the Groupama SA division are bound by capital ties. The subsidiaries included in this division are consolidated in the financial statements. Moreover, in exchange for a certain amount of operational autonomy, each of the subsidiaries is subject to the requirements and obligations defined by the environment of Groupama SA, particularly in terms of control.

In the Mutual Insurance Division, they are governed:

- 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"). This agreement is described in more detail in Note 44, Related Parties, of the consolidated financial statements and is the subject of a special report from the statutory auditors on regulated agreements and commitments (see section 3.9).

1.3 KEY FIGURES

1.3.1 GROUPAMA SA CONSOLIDATED SCOPE

The following table shows financial disclosures and ratios from the Groupama SA consolidated financial statements for the fiscal years ending 31 December 2014, 2015 and 2016. In accordance with EC Regulation no. 1606/2002 of 19 July 2002 on the application of international financial reporting standards, the Groupama SA consolidated financial statements have been prepared in accordance with the IFRS as adopted by the European Union.

1

(in millions of euros)	2016	2015	2014
Premium income (1)	**10,140**	**10,292**	**10,203**
of which France Insurance	7,357	7,239	7,133
of which International Insurance	2,647	2,770	2,788
of which Financial and Banking Activities	136	282	282
Non-life combined ratio (2)	**103.6%**	**102.5%**	**102.0%**
Economic operating income (3)	**(32)**	**(27)**	**(60)**
Net income (Group share)	**79**	**133**	**15**
Financial structure and soundness			
Shareholders' equity (Group share)	5,613	4,811	4,883
Total balance sheet	90,484	99,345	98,777
Debt ratio (4)	14.3%	16.4%	17.9%

(1) Insurance premiums written and income from financial businesses.

(2) See glossary in this registration document (page 387).

(3) Economic operating income equals net income adjusted for realised capital gains and losses, increases and write-backs to long-term impairment provisions and unrealised capital gains and losses on financial assets recognised at fair value (all such items are net of profit sharing and tax). Also adjusted are non-recurring items net of tax, impairment of value of business in force and impairment of goodwill (net of tax).

(4) Debt excluding cash of holdings, as a share of book value of capital excluding re-evaluation reserve (including subordinated liabilities and minority interests).

1.3.2 GROUPAMA COMBINED SCOPE

The following table shows financial disclosures and ratios from the Group's combined financial statements. The combined financial statements were prepared in accordance with the IFRS as adopted by the European Union. It provides a view of the entire scope of consolidation of the mutuals, including the Groupama SA capital ownership scope of consolidation.

(in millions of euros)	2016	2015	2014
Premium Income [(1)]	**13,576**	**13,745**	**13,634**
of which France Insurance	10,796	10,695	10,567
of which International Insurance	2,647	2,770	2,788
of which Financial and Banking Activities	133	280	279
Non-life combined ratio [(2)]	**100.3%**	**99.2%**	**99.0%**
Economic operating income [(3)]	**153**	**163**	**129**
Net income (Group share)	**322**	**368**	**257**
Financial structure and soundness			
Shareholders' equity (Group share)	8,752	8,219	8,062
Total balance sheet	98,085	107,295	106,439
Debt ratio [(4)]	9.7%	10.2%	11.6%
Solvency I margin [(5)]	**N/A**	**255%**	**253%**
Solvency II margin [(6)]	**289%**	**263%**	**N/A**
Rating			
Fitch Ratings	BBB+	BBB+	BBB

(1) Insurance premiums issued and income from financial businesses.
(2) See glossary in this registration document (page 387).
(3) Economic operating income equals net income adjusted for realised capital gains and losses, increases and write-backs to long-term impairment provisions and unrealised capital gains and losses on financial assets recognised at fair value (all such items are net of profit sharing and tax). Also adjusted are non-recurring items net of tax, impairment of value of business in force and impairment of goodwill (net of tax).
(4) Debt excluding cash of holdings, as a share of book value of capital excluding re-evaluation reserve (including subordinated liabilities and minority interests).
(5) 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.
(6) Provisional data. Solvency margin calculation reference source starting 1 January 2016.Ratio calculated at the Group level, in accordance with the regulatory provisions.

On 17 May 2016, Fitch Ratings confirmed the insurer financial strength rating of Groupama SA and its subsidiaries at "BBB+" with a "stable" outlook.

1.3.3 CONSOLIDATED SCOPE/COMBINED SCOPE DATA RECONCILIATION

Premium income

(in millions of euros)	2016	2015
Consolidated premium income	**10,139**	**10,291**
Premium income of regional mutuals	5,432	5,421
Internal operations:		
Groupama SA	(1,988)	(1,964)
Groupama Gan Vie	(4)	(1)
Groupama Asset Management	(3)	(2)
Combined premium income	**13,576**	**13,745**

Net income

(in millions of euros)	2016	2015
Consolidated net income	**79**	**133**
Net income of regional mutuals	244	243
Net income of Groupama SA	0	(2)
Net income of Gan Outre-Mer	0	(5)
Net income of holding companies	(1)	(1)
Combined net income	**322**	**368**

1.4 STRATEGY

In an environment of profound change, the Group has defined its strategic programme for 2014-2018.

This programme, built on Groupama's key strengths, is based on four strategic workstreams for the Group: highly satisfied customers, profitable development, a culture of efficiency and highly motivated employees.

Each of the Group's entities has developed the strategic programme at its own level on the basis of a roll-out pack. Their employees were involved in the development of the workstreams of this programme in their Operational Strategic Plans (OSP).

AN ENVIRONMENT UNDERGOING PROFOUND CHANGE

In a context of significant change, Groupama is facing external constraints that it has to take on board and transform into opportunities as part of the Group's strategic programme:

- a difficult economic environment, with interest rates at very low levels over the long term and a systemic crisis affecting demand for insurance and putting pressure on the economic model adopted by insurers, particularly in the life insurance segment;
- very stiff competition;
- numerous regulatory and fiscal changes (Hamon law, ANI, Solvency II, etc.);
- significant technological advancements, with digital technology playing an increasingly significant role, and access to large quantities of information. Insurers need to be able to process information, and big data and advanced analytics represent considerable opportunities in keeping with our ethics.

A GROUP WITH SOLID STRENGTHS

The Group has a number of key strengths and differentiating factors that allow it to cope with this challenging environment:

- a dense and dynamic institutional network;
- a presence across all distribution channels with one of the most extensive networks in France and a website recognised as one of the most complete;
- a market-leading position on the P&C and health and individual protection markets;

- very strong complementary brands, enabling it to address all types of client base;
- an extensive range of insurance and banking products and services, enabling it to cover all of our customers' needs;
- an international network.

Groupama has built its strategic programme around these key strengths.

A STRATEGIC PROGRAMME BASED ON FOUR WORKSTREAMS

The strategic plan has been defined in line with Groupama's core identity: an independent, non-specialist, international Group with strong agricultural roots in the mutual insurance segment.

It is structured around four strategic priorities:

Highly satisfied customers

Customer satisfaction is at the heart of the Group's concerns – it is both a mutualist requirement and an economic approach. Satisfied customers are more loyal and more able to recommend Groupama. The strategic plan to increase customer satisfaction continues to be rolled out. It is based on three pillars: employee behaviours, fluidity of processes, and management of the quality delivered and perceived by customers.

Indicators from our customers' Net Recommendation Index and the number of customers with only one policy provide a view on the successful implementation of these customer-focused actions.

Profitable growth

Improving technical control across all business lines is a key strategic priority based on two themes:

- increasing market share for business activities with high added value, in particular:
  - individual protection,
  - professional risks, capitalising on strengths such as the Gan brand image and Groupama's institutional network,
  - savings/pensions;
- control in underwriting quality risks;
- control in claims management, supported by the deployment of the claims management improvement action plan.

A culture of efficiency

Efficiency will allow the Group's operating costs to be controlled, while offering good service quality for customers.

The efficiency workstream breaks down into two major action areas:

- commercial efficiency by optimising distribution networks;
- operational efficiency to simplify and digitise operating processes while improving the necessary controls.

The search for efficiency also lies in the improvement of processes, generating greater agility and better management of major projects.

Committed employees

In order to ensure that the strategic plan's implementation is a collective success, the mobilisation and engagement of all employees are essential:

- increased development and adaptation of employee skills are reinforced to promote professionalism and mobility as well as personal fulfilment;
- supervision and management are strengthened in their actions to better highlight and channel team energies;
- employees are included in the improved economic performance to better orient it for the benefit of customers;
- continued discussions about the development of the business lines and the skills needed makes it possible to identify the potential talent of tomorrow;
- lastly, developing the quality of life at work is essential, particularly through high-quality social dialogue.

The level of pride in belonging to the Group makes it possible to assess and reinforce the general commitment rate among employees.

1.5 HUMAN RESOURCES

1.5.1 SOCIAL POLICY

With a view to implementing its strategy, improving its performance, and therefore satisfying its customers, Groupama invests in its people and has developed a human resources policy based on social responsibility and the commitment of its 32,649 employees.

As at 31 December 2016, Groupama SA and its subsidiaries employed 14,266 staff (8,694 in France/Overseas Departments and Territories and 5,572 abroad).

Under the structure of the Group, the Group Human Resources Department manages and coordinates corporate policies and programmes and is at the head of the HR functional reporting line in accordance with the established distribution of responsibilities between the Group HRD and company-level HRD. Each company in the Groupama SA scope of consolidation manages its human resources and its social policy as locally as possible, in line with the policy principles and the overall strategy defined by the Group.

In 2016, the consolidated companies hired 1,570 employees under permanent contracts (excluding 3 transfers and 63 secondments), including 574 in France, to strengthen their sales networks and customer relations platforms and to reinvigorate their teams of Managers and experts: 27% of the new staff are under 26 years of age, 10% are 50 and over and 14% of new hires resulted from the conversion of fixed-term contracts into permanent contracts.

In 2016, the Group organised its sixth Groupama Gan Jobmeetings and the first "Ensure Your Future" work/study meetings, which allowed roughly 450 pre-selected candidates to meet with the HR teams of the businesses as well as operational staff and coaches. Groupama also expanded its presence as an employer on jobboards and social networks. The website groupama-gan-recrute.com, a new more interactive version of which was placed online in October 2016, logged 830,000 visits (Web and mobile sites) and 105,000 applications in one year.

At the same time, the consolidated companies recorded 1,798 departures of employees on permanent contract (excluding 61 secondments), including 633 in France; these break down as follows: 2.5% voluntary departure plans, 34% resigned, 25% were laid off, 17% retired, 10% contractual terminations, 10% left during their probation period and 1.5% died in service. Outside France, 1,165 employees under permanent contracts left: 49% terminated their contract, 40% resigned, 8% were laid off, 2.4% retired and 0.6% died in service.

The consolidated companies continued the actions begun in 2012 to cut their operating costs and their workforces, particularly by no longer replacing certain employees who leave the Company and by favouring internal promotion paths and continuous improvement of skills.

Out of more than 5,000 internal applicants in France, more than 2,000 involved mobility, which was the driving force behind the performance of the employees and the Group companies in 2016. The Mouvy intranet site, the internal online recruitment site open to all Group employees in France, recorded 4,053 applications in 2016. Since 2010, all inter-company transfers and secondments within the Group have been governed by a Group agreement. A unanimously signed addendum was added in June 2014, reinforcing the mechanisms in place: improved support, better publication of job postings on Mouvy, reduced time frames for transfers, etc.

The investment in training for consolidated companies in France in 2016 amounted to 2.7% of payroll. The development of business and managerial skills involved three out of four employees, in all occupational categories. E-learning programmes on Solvency II, the Hamon law and psychosocial risks were provided to a large number of staff. In addition, acculturation sessions, SPOC, and reverse mentoring actions accelerated the adaptation of practices and skills to digitisation.

In April 2016, the companies of the UES offered an individual electronic safe to all their employees and started issuing paperless pay slips. As of the end of 2016, 98% of employees have activated their safe, 63.5% have chosen to receive a paperless pay slip and 34.5% have opted to keep a paper version. 2016 was also marked by the deployment of the LMS (learning management system) platform in eight companies to gradually pool the educational capital and the training processes of entities in France.

The operation of the Group, which is made up of smaller-sized companies, is built around a management model based on symmetry of attention, an approach aiming to favour the engagement and well-being at work of employees so that they invest themselves in the continuous improvement of the satisfaction of their internal and external customers.

In France, the consolidated companies continued with the roll-out of programmes dedicated to Managers, their objective being to expand Managers' vision of the Group, its environment and its changes, particularly through the pursuit of a balance between performance and quality of life at work. Within this framework, some of them, especially impacted by developments (regulation, organisation, digitisation, etc.), received personalised coaching.

In order to identify and build the loyalty of the talent that is necessary for the Group and its companies, the "Groupama Talents" application is gradually being rolled out to all categories of staff. Groupama SA and 18 subsidiaries of the consolidated scope have deployed it with 9,000 employees. Staff reviews have been conducted in each company.

Furthermore, 63 future Managers, selected by the Technical Careers Committee, participated in the "Directors Leadership" programme to prepare them for holding strategic positions. At the same time, the "Women's Leadership" programme, for women of the Executive Meeting, was repeated in 2016: it alternates sharing of experiences, conferences, and workshops to strengthen the legitimacy of female participants for executive positions. In addition, the "Mentoring by Groupama" initiative brought together 25 female executives and 25 young women showing potential in an internal women's network, a place for mutual assistance, exchange and training.

In France, the consolidated companies are principally regulated by the Collective Insurance Companies Agreement (covering 88% of employees), with the other companies regulated by agreements covering their own business lines (banking, support, etc.). Contractual provisions are supplemented by inter-company or company agreements, especially with regard to the organisation and duration of work as well as pension and protection insurance schemes.

At Group level, social dialogue is managed in France within the Group Committee and the Social Dialogue Commission, a negotiating body, and at European level within the European Works Council.

With respect to the collective wages policy, profit-sharing measures are in place in all Group companies in France. To this end, more than €16,568,374 (9,211 beneficiaries) and €3,331,156 (1,501 beneficiaries) respectively were paid out in 2016.

The Group's identity is built on its values of proximity, commitment, performance and solidarity. It is committed as an insurer, as an agricultural trade association and as a responsible employer. As such, the diversity and equal opportunity agreement was amended in 2015 with the following objective:

- harmonise practices for integrating employees with disabilities and keeping them employed;
- establish support measures for employees helping family members;
- promote work/life balance and taking more account of the family situation of employees, particularly single-parent families;
- promote gender equality at work.

Groupama has also taken operational initiatives, developing its presence in "diversity" recruitment fairs, supporting the integration of disabled persons and actively participating in the European Disability Employment Week.

In 2016, 17 employees (permanent or fixed-term contracts) with disabilities were recruited in the consolidated companies in France. In 10 years, nearly 1,000 disabled employees have been recruited (permanent and fixed-term contracts, training contracts or as temporary workers) by the French companies in the framework of this long-term commitment.

Groupama has also broadened the scope of its work on the subject of professional gender equality. In France in 2016, in the consolidated companies, 70% of staff promoted to managerial positions were women, bringing the ratio of women Managers to 47%.

In addition, the companies were attentive in 2016 to the application of the Group agreement on quality of life at work – for the development of actions to prevent, handle and eliminate or, failing that, reduce potential psychosocial risks – and the amendment in 2014 that reinforced the following areas:

- consolidate and reinforce the role of the Group "Committee for Quality of Life at Work";
- establish collective prevention measures, such as Training Managers on quality of life at work and the prevention of psychosocial risks; encouraging work/life balance; promoting the implementation of forums for discussion among employees;
- integration of the prevention of psychosocial risks within the Group companies: appointment of an HR coordinator for PSR and quality of life at work in each company; development of a diagnostic and an action plan for PSR situations to which employees have been exposed; implementation of a crisis management procedure; support for staff during times of significant transformation.

The implementation of the job security law of 14 June 2013 was done as part of a concerted approach at Group level, particularly relating to the implementation of economic and social databases (BDES) and consultation of the works councils on strategic directions and priorities. Since June 2014, the companies (with more than 300 employees) have made available to their staff representative bodies a database developed from a harmonised model and communicated their strategic priorities for the 2014-2018 period as part of the works council information/consultation process.

The fifth Groupama opinion survey took place in April 2016, in collaboration with research company Ipsos. Nearly 20,000 of the Group's staff (70%) responded to the survey.

The results confirm the vision of a solid Group and the commitment of its employees (73%), +2 points compared with 2014. This testifies to their involvement in their everyday work, their desire to satisfy customers as much as possible and their great loyalty to the Group. Although they are confident in the future of their company, they express the need for better identification of medium-term and long-term strategies.

The 2016 opinion poll also shows wide disparities between the Group's entities. Some are struggling with large-scale changes that require a great deal of support and currently weigh on the optimism of their employees, while others, both in France and abroad, are achieving remarkably high scores.

Moreover, in 2016, for the fourth year, the Group HRD carried out social information production projects in the consolidated companies, relating to the obligations of transparency and non-financial reporting covered in the Grenelle law, which, after audit and verification by the statutory auditors, obtained the certificate of participation and an attestation of sincerity.

Groupama thus offers all its employees a social and human plan over the long term, consistent with its values and within the framework now established by the Code of Ethics.

1.5.2 GROUP CONSOLIDATED WORKFORCE (FRANCE AND INTERNATIONAL)

The consolidated scope includes approximately thirty companies for a total workforce, as at the end of 2016, of 14,266 employees.

The table below (2016 and 2015 fiscal years) corresponds to Note 45 to the consolidated financial statements for the 2016 fiscal year, as audited by the statutory auditors.

	2016			2015	2014
Number of employees	**Insurance**	**France**	**Total**	**Total**	**Total**
France	8,398	296	8,694	9,345	9,434
United Kingdom	21		21	359	299
Italy	816		816	830	839
Hungary	2,079		2,079	2,183	2,292
Greece	309		309	319	319
Romania	1,547		1,547	1,548	1,641
Other EU	272		272	276	265
Outside EU	528		528	542	585
TOTAL	**13,970**	**296**	**14,266**	**15,402**	**15,674**

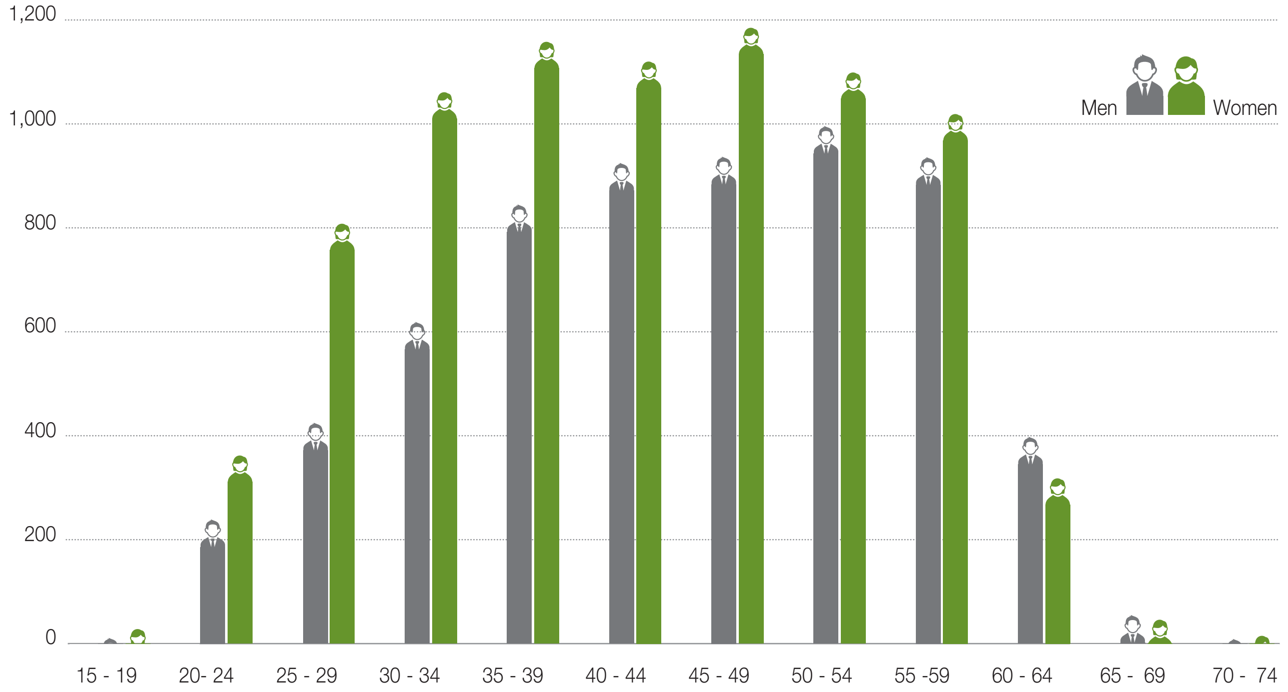
The decrease in workforce is mainly related to the change in Groupama Banque's consolidation method in France and the reclassification of Carole Nash in the United Kingdom to business activities held for sale, for 604 and 338 respectively at 31 December 2015.

Number of employees	2016	2015	2014
Groupama SA	1,234	1,268	1,272
Registered offices and after-sales services of subsidiaries with a customer/network relationship (1)	1,544	1,552	1,597
Sales forces of subsidiaries with customer/network relationship (1)	1,238	1,350	1,517
France insurance/bank and services subsidiaries (2)	2,768	3,228	3,021
of which Groupama Banque	0	604	592
Financial and real estate subsidiaries (3)	419	423	442
Support companies (Groupama Support & Services)	1,491	1,524	1,585
Subtotal France	**8,694**	**9,345**	**9,434**
International	**5,572**	**6,057**	**6,240**
TOTAL	**14,266**	**15,402**	**15,674**

(1) Gan Assurances, Gan Patrimoine, Gan Prévoyance, Gan Outre-Mer IARD.
(2) Groupama Gan Vie, Groupama Banque, Groupama Épargne Salariale, Groupama Assurance-Crédit & Caution, Amaline, Société Française de Protection Juridique, Mutuaide.
(3) Groupama Asset Management, Groupama Immobilier, real estate activities.

Breakdown by gender		Breakdown by contract type		Breakdown by status type	
Men	Women	Permanent contract	Fixed-term (incl. work/study)	NC	C
44%	56%	94%	6% (2%)	62%	38%

The age pyramid is distributed as follows:



1.5.3 INVESTMENTS AND STOCK OPTIONS

Groupama SA awarded no stock subscription or purchase options to officers or employees in the fiscal year 2016. As of the date of filing of this registration document, there were no stock subscription or purchase options able to be exercised.

Each company Board member holds at least one company share, in accordance with Article 12 of the by-laws.

1.5.4 COMMITMENTS TO PERSONNEL

1.5.4.1 Pension schemes

The Group's companies have different retirement schemes. These 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.

Group entities most frequently use the services of Groupama Gan Vie, the Group's life insurance company. Reserves are then recognised in the Group financial statements to cover this commitment. Sums received are invested in appropriate investments.

1.5.4.2 Other long term benefits

The Group also recognises reserves in its financial statements for other long-term benefits to Group employees, *i.e.*:

- retirement benefits;
- seniority bonuses;
- anniversary days;
- time-saving accounts.

1.6 GROUPAMA CORPORATE SOCIAL RESPONSIBILITY POLICY (CSR)

The principal Corporate Social Responsibility indicators are presented in the report of the Board of Directors appearing in section 5.1.12 of this registration document.

Groupama, ever driven by its values – proximity, commitment, performance and solidarity – in the pursuit of serving people and customer satisfaction, has throughout its history striven to respond to social issues – economic, social and environmental expectations. Rooted in the territories, the Groupama group is attentive to its environment and has a long-term vision for its actions.

We believe the CSR approach is a key factor in our employees' commitment and motivation, in innovation, operational efficiency and the reinforcement of the quality of our relationship with external and internal audiences, thus building confidence.

The Group has adopted a new CSR plan for 2016-2018. Its objective is to mobilise the entire group around CSR with high added value to serve the Group's strategic issues. The plan was constructed through a collaborative approach, involving the coordinators and departments of the companies, with the ambition of further anchoring CSR into the Group's everyday activities.

The CSR strategy is based on four commitment priorities:

› Implementing extensive responsibility as an employer

For a number of years, beyond the high-quality social status (social protection, employee savings, etc.), Groupama has made many commitments as a responsible employer in line with the social issues of CSR, such as professional equality, non-discrimination and promotion of diversity, employment of workers with disabilities and quality of life at work, while at the same time increasing employees' commitment levels. This momentum continues at the Group level and within the companies, strengthening the employability and adaptability of employees. The biannual Group Opinion Survey assesses changes in the level of employee engagement (73% in 2016, up 2 points compared with 2014).

› Acting as a responsible, long-term partner of our customers and members

As a pioneering group with strong brands, Groupama develops insurance and financial products and services that respond to society's major issues, such as mobility, support for entrepreneurship, incentives for responsible behaviour, management of sustainable social protection (retirement, health), problems related to the ageing of the population (assistance, long-term care) and asset management incorporating environmental, social and governance criteria (ESG). Today, Groupama is committed to going further in the integration of societal factors into the design of its offerings by using innovation.

In addition to "CSR" offerings, the goal is to continue to develop a responsible relationship based on long-term advice, transparency and a complete prevention policy – safety of property and people, healthcare, prevention of weather risks, etc. – and deployed as local actions, meeting our customers where they are, whether they are individuals, professionals (including in agriculture), companies or local authorities.

› Strengthening our contribution to the development of the regions and the progress of community organisations and associations

Proximity is at the heart of Groupama's operations, through its decentralised organisation and its businesses firmly established in the regions. They enable an ongoing dialogue between elected representatives, members and customers, employees and stakeholders. Beyond the local prevention actions, the Group's companies are fully committed, particularly through partnerships, to support for the development of economic initiative in the territories and to very many solidarity actions.

For more than 15 years, Groupama has contributed, in conjunction the Groupama Health Foundation, to the fight against rare diseases (research support, information about rare diseases and support for patients). This is one of Groupama's three public health priorities, along with the fight against cancer and Alzheimer's disease. Since its creation, the Foundation has supported 32 researchers, 600 projects and 160 associations. We wish to highlight our support for research – including medico-social research – and further mobilise our elected representatives and employees around this commitment.

› Acting in favour of the environment

We have initiated actions to further reduce our environment footprint. We thus wish to continue our efforts and decrease our CO_2 emissions in line with the energy transition law (2015) through energy efficiency, investment policy, developing our forest assets and economic use of resources (energy and paper consumption, travel, etc.).

Groupama is fully aware of its responsibility in terms of indirect impacts and, as such, has developed actions over several years supporting the eco-responsibility of its customers and suppliers, *via* its innovative insurance and financial offerings (behavioural pricing, renewable energies insurance, SRI products, etc.), its prevention and awareness actions and its procurement contracts.

2

THE GROUP'S BUSINESS LINES

2.1 GROUPAMA, A MULTI-LINE AND MULTI-CHANNEL INSURER

Groupama, a mutual insurance group, is an independent general insurer, founded at the end of the 19th century by farmers. The expertise developed by the Group throughout its history has been extended to the benefit of all socio-economic players: individuals, professionals, companies and local authorities. Today, Groupama is a major player on the insurance market in France (8th-largest French multi-line insurer, *source: L'Argus de l'Assurance*), in property and casualty insurance and life and health insurance, as well as financial businesses.

As at the end of 2016, Groupama benefits from dense, complementary distribution networks covering the entire French territory: 7,800 sales representatives employed by Groupama's regional mutuals, 940 multi-line agents and 200 representatives at Gan Assurances, 600 partner brokers at Gan Eurocourtage, 300 Gan Patrimoine agents and 600 in-house advisors at Gan Prévoyance.

Groupama also has a presence in direct sales channels following the 2008 launch of Amaguiz.com, a brand exclusively dedicated to direct insurance sales *via* the Internet.

On the domestic market, the Group is supported by the following three brands: Groupama, Gan and Amaguiz, each offering their own specific line of products and services.

Internationally, the Group is present in 11 countries, mainly in Europe and with growth areas in Asia.

2.1.1 STRUCTURE OF CONSOLIDATED PREMIUM INCOME

At the end of 2016, Groupama SA reported total consolidated premium income of €10,140 million, including €10,004 million in insurance premiums and €136 million originating from asset management and other financial businesses.

Approximately 74% of Groupama SA's insurance business is realised in France, amounting to €7.4 billion as at 31 December 2016.

The table below presents the breakdown of premium income by business line in France and abroad.

(in millions of euros)	31.12.2016	31.12.2015	31.12.2014	Change 2016/2015 (1)
Property and casualty insurance – France	3,267	3,218	3,157	+1.3%
Life and health insurance – France	4,090	4,022	3,976	+1.7%
Subtotal France	**7,357**	**7,239**	**7,133**	**+1.5%**
Property and casualty insurance – International	1,767	1,787	1,835	+0.8%
Life and health insurance – International	880	983	953	-9.7%
Subtotal International	**2,647**	**2,770**	**2,788**	**-2.9%**
Banking and financial activities	136	282	282	+5.6%
TOTAL GROUPAMA SA	**10,140**	**10,292**	**10,203**	**+1.4%**

(1) At constant scope of consolidation, exchange rate and accounting methods.

Details of the premium income by business segment are presented in "Note 33 – Analysis of insurance premium income by major categories" in section 6 – Financial Statements of this registration document.

2.1.2 FRENCH NETWORKS

The table below presents the breakdown of consolidated premium income by distribution network in France.

(in millions of euros)	31.12.2016	31.12.2015	31.12.2014
Groupama SA	2,132	2,123	2,076
Groupama Gan Vie	3,490	3,399	3,358
Gan Assurances	1,395	1,414	1,413
Amaline Assurances	58	57	59
Other specialist Group companies (1)	281	247	227
Subtotal Insurance – France	**7,356**	**7,239**	**7,133**
Banking and financial activities (2)	136	282	282

(1) Groupama Assurance-Crédit & Caution, Mutuaide Assistance, Société Française de Protection Juridique, Caisse Fraternelle Épargne et Caisse Fraternelle Vie, AssuVie.

(2) Following the agreement signed with Orange in April 2016, Groupama Banque is consolidated in the financial statements at 31 December 2016 according to the equity method.

2

2.1.2.1. Groupama network

The Groupama network includes local and regional mutuals.

The local mutuals are the basis of Groupama's mutualist organisation, allowing true proximity to be established with policyholders. Policyholders automatically become members of a local mutual, which gives them the right to participate in the General Meeting, be listened to, elect their representatives to the Board of Directors and be candidates for the Board.

Local mutuals are reinsured with regional mutuals according to a specific reinsurance mechanism by which the regional mutual takes the place of the local mutuals within its district in fulfilling their insurance commitments towards members.

The regional mutuals are insurance companies that, under the control of a central body Groupama SA with which they are reinsured, are responsible for their management, pricing and product policy and, as part of the Group's strategy, their sales policy.

At the end of 2016, the Groupama network had 9 regional mutuals in metropolitan France, 2 overseas mutuals and 2 specialist mutuals.

2.1.2.2. Gan networks

Gan Assurances is the fourth-largest network of multi-line agents in France (*source: L'Argus de l'Assurance – April 2015*) with a network of 940 multi-line agents and 200 representatives.

The Gan Eurocourtage network offers social protection solutions for business leaders and their employees, working in close collaboration with 600 broker partners.

Gan Prévoyance has a network of 600 sales representatives.

Gan Patrimoine offers its products through a network of 300 agents.

2.1.2.3. Direct sales channels

"Amaguiz.com" is the brand dedicated to innovation in the Group. As at the end of 2016, with more than 200,000 policies in its portfolio, Amaguiz.com is one of the leading players in France in direct insurance sales to individuals (motor, home and health insurance, Everyday Accident, dogs/cats and loan insurance – *source: Eurofil, April 2013*).

In 2016, Amaguiz established several partnerships with start-ups and thus offers ever-more innovative solutions and services.

2.1.2.4. Partnerships

Groupama signed a partnership agreement with La Banque Postale in 2009 resulting in the creation of a joint venture, La Banque Postale Assurances IARD, 65% of which is held by La Banque Postale. This company began distributing non-life insurance products at the end of 2010 *via* distance-selling channels (Internet and telephone) and *via* La Banque Postale's network of offices. The commercial arrangement has clearly yielded results, with the portfolio amounting to more than 1.5 million policies at the end of 2016.

Since 2015, DIAC, the Renault Group's financing and services subsidiary, and Amaguiz have teamed up to offer motor insurance to buyers of a new or used car purchased within the Renault and Dacia networks. DIAC and Amaguiz have constructed a special offering for customers of the Renault and Dacia brands: a simple, comprehensive, competitive offering for used vehicles. The Renault and Dacia brands have offered this new motor insurance solution through DIAC.

2.1.3 INTERNATIONAL NETWORKS

Groupama offers a wide range of non-life and life insurance products abroad, in 11 countries, mainly in Europe. Products on these markets are offered *via* various distribution networks, particularly exclusive agents, salespeople, brokers, banking networks and partnerships.

In the mid-2000s, the Group began to establish banking partnerships, sometimes exclusive, a particular example being the exclusive agreement with OTP Bank covering several countries in Central and Eastern Europe; these partnerships have enabled the Group to develop in new markets supported by established players. In addition to bancassurance partnerships, the international subsidiaries have developed exclusive and non-exclusive distribution agreements with partners such as leasing companies, automobile distribution networks, or farming cooperatives, such as in Turkey, where the Group signed an exclusive agreement with the farming cooperative TKK in 2008. During the first half of 2013, Groupama Assicurazioni signed a number of bancassurance agreements with independent regional banking establishments of medium size located in located in north-central Italy.

At the end of 2010, Groupama and the AVIC group (Aviation Industry Corporation of China) signed an agreement on the creation of a joint venture to expand activities in the non-life insurance segment in the People's Republic of China. The joint venture Groupama AVIC has established sales and service networks for individuals and companies in the provinces where it holds licences. In November 2012, it obtained the qualification to provide complete coverage in non-life insurance on the Chinese market. In 2013, Groupama and the AVIC Group signed a second partnership agreement in the field of insurance to support the strong growth of Groupama AVIC Insurance on the agricultural market and the rural sector in China. In 2016, Groupama AVIC Insurance is present in six provinces in the People's Republic of China.

2.2 INSURANCE IN FRANCE

2.2.1 ECONOMIC ENVIRONMENT AND MARKET TRENDS

In 2016, French insurance premium income was virtually stable (+0.4%) at €210 billion. This general market trend reflects the 1.5% increase in activity in property and casualty insurance and the stability of life and health insurance, which represented nearly 75% of premium income in 2016 (*source: FFA – 9 March 2017*).

Life and health insurance premium income was stable at €156 billion. After four consecutive years of growth, life insurance was down 0.6% at €135 billion at the end of 2016. The share of unit-linked policies in the contributions remained identical to 2015 (20%). Benefits and redemptions on life insurance policies increased 5% as at the end of 2016. Net life insurance inflows (payments greater than withdrawals), totalling €16.8 billion, were thus down 29% from 2015. Life insurance assets continued to grow, amounting to €1,632 billion in 2016. In health insurance, premium income grew 4.6% to €22 billion, with similar growth in healthcare and protection insurance.

Premium income in property and casualty insurance increased 1.5% to €53 billion. Changes in the volume of insurable items and strong competition weighed on premium growth. The individual insurance sector continues to drive the market upward, with an increase in multi-risk home insurance of 2.5% and motor insurance of 1.8%. The loss experience in 2016 was up significantly, particularly because of the exceptional weather loss experience. The cost of insured damage due to natural events is estimated at €2.3 billion. This weather loss experience was accompanied by an increase in average vehicle costs and a resurgence of burglaries.

2.2.2 COMPETITION AND POSITIONING

On the mature insurance market in France, many insurance companies offer products comparable to Groupama's products, sometimes through the same marketing techniques. The Group is in competition with insurance companies, mutuals and bancassurance companies and may face competition on the savings market from Asset Managers, independent asset management advisors and other financial institutions.

The difference lies primarily in the following criteria:

- the size, power and quality of the distribution networks, particularly in advisory services;
- the range of products offered, their quality and the capacity for innovation;
- prices;
- service quality;
- financial management performance;
- brand reputation and awareness;
- attractiveness of products to customers.

Groupama SA generated €7.4 billion in insurance premium income in France during 2016. The table below shows the change in Groupama's ranking in France, eighth-largest French multi-line insurer in 2016:

French ranking (1)	2016	2015
Insurance	8	8
P&C	3	3
L&H	12	12

(1) Source: L'Argus de l'Assurance – December 2016 and December 2015.

2.2.3 PROPERTY AND CASUALTY INSURANCE

Groupama SA generated €3.3 billion in premium income in property and casualty insurance in France (44% of premium income generated in France) as at 31 December 2016.

2.2.3.1 Motor

Groupama is ranked fourth on the French market in terms of number of policies (*source: L'Argus de l'Assurance, October 2016)* and insures more than 3,800,000 passenger vehicles (excluding fleets) as at the end of 2016.

The Group offers a complete, innovative range of products and services at competitive prices responding to the major trends in consumption and including an original value-added service offering with the CapsAuto network of repairers as well as a unique prevention offering *via* the Centaure Centres, for policyholders and their children, also available to all drivers.

In 2016, the Group launched a priority project to better integrate the innovations of the motor sector into its offerings. Behavioural insurance, connected car, (semi) autonomous vehicle and management of connected objects (telematics unit, for example) are all topics where Groupama has established a position to offer its customers solutions in line with their needs and the changes in the motor insurance sector. In December 2016, Renault Assurance (resulting from the partnership between DIAC and Amaguiz) received 1st prize in the L'Argus de L'Assurance awards in the "best innovation in connected objects" category.

At the end of 2016, to strengthen our positioning as a leading motor insurer, field surveys on car sharing and carpooling were conducted with customers or prospects to launch a motor insurance offering in the very short term taking these new modes of use and consumption of automobiles into account.

2.2.3.2 Multi-risk home

Groupama is ranked second on the French market in terms of number of policies (*source: L'Argus de l'Assurance, October 2016*), insuring nearly 3.5 millions homes [(1)] as at 31 December 2016.

The premium income growth in 2016 is explained particularly by the gradual improvement of overall competitive pricing on the individual insurance market. the Group also continues to benefit from its development in new fields: improvement of the urban network, development of the offering at Amaguiz.com, and rollout of the distribution partnership with La Banque Postale.

Since May 2016, the Group has deployed a new optimised multi-risk home product, which extends the range of Groupama's offerings with more choices in the forms of cover according to customer expectations. This introduction on the market is marked by the improvement of the offered covers and the ability for sales representatives to meet policyholders' needs in a highly personalised manner.

2.2.3.3 Services

(a) Assistance, remote surveillance, remote alarms

Offered by Mutuaide Assistance, which has operations in all assistance businesses (car breakdown assistance, medical repatriation, travel insurance, home care), this business places the Group in sixth position on this market in France (*source: L'Argus de l'Assurance, June 2016*).

Groupama has recognised expertise on the business lines of remote surveillance of property and remote assistance of individuals through the subsidiaries Cofintex 6, TéléSécurité Loire Bretagne, Sécurité Ouest Services, Spara and Présence Verte. In August 2016, Groupama and Crédit Mutuel Arké launched a common monitoring platform dedicated to remote assistance for individuals and remote surveillance of property as well as an R&D centre intended to enrich the home and health offerings of each of the two groups.

More than 50,000 customers trust the Group for the security of their private or professional property, and the Group has more than 115,000 subscribers for individual protection, thanks to innovative, simple, accessible plans.

(b) Legal Protection

Groupama is the second-largest player in France (*source: FFA, 2015*) in the legal protection market, with insurance cover managed by the regional mutuals on the one hand and Société Française de Protection Juridique on the other. With this cover, Groupama provides support to policyholders, whether individual or professional, who face situations of conflict by helping them assert their claims and assuming the corresponding expenses. The operating performance of Société Française de Protection Juridique is based on the satisfaction of its customers, controlled by its quality assurance system certified ISO 9001 since 1998.

In 2016, the Group implemented innovations in terms of offerings and services, particularly by launching VIProtect, the first protection offering intended for asset management customers, in October. This fully tailored, high-end offering allows policyholders to protect themselves against all conflicts in their everyday life, protect their family and assets, protect themselves against digital risks and benefit from brand new services. 2016 was also the year

(1) Number of policies insured directly or indirectly (through the reinsurance agreement).

of the launch of two innovative covers: digital memorial and digital identity theft.

(c) Credit insurance

Groupama Assurance-Crédit & Caution is the Group specialist in matters of credit insurance and surety. Its products are marketed by the regional mutuals, Gan Assurances agents and specialist brokers. Its premium income amounted to €38 million as at 31 December 2016.

2.2.3.4 Agricultural insurance

The Group, a leading player in agricultural insurance in France, supports farmers as they face constant changes in this market and works with them to construct the responses to their needs in terms of insurance, securing of their working tools and sustainability of their business.

In 2016, farmers were faced with a difficult economic environment and exceptional weather phenomena. Excess water combined with a lack of sunshine on large crops had a tremendous impact on the countryside and resulted in very significant yield losses. Faced with this situation, Groupama mobilised itself through quick, efficient payments of weather claims and cash advances to help farmers better cope.

For Groupama, 2016 was characterised by two major advances in weather insurance. In close collaboration with livestock farmers, the Group established an insurance solution for their fodder requirements in case of weather events, the "Prairies" insurance, an extension of the base policy. It used satellite images to develop an index to measure differences in grassland production compared with a historical reference. In autumn, the Group launched the "Objectif Stabilité" policy, which responds to the environment of price volatility. This policy allows farmers to protect the revenue from their crops starting from the seeding in case of weather events and/or price decreases.

Other innovative initiatives for the agricultural world were carried out by the Group, such as the partnership with "Airinov" to protect the new equipment (drones, robots, etc.) that has become everyday working tools for farmers. the Group also supports farmers in the new methods of using equipment, such as rental, trade or pooling of equipment between farmers. Groupama is thus the insurer of the WeFarmUp platform.

The Group also renewed its traditional partnerships with FNCUMA, Méthaniseurs de France (AAMF) and Entrepreneurs du Territoire.

2.2.3.5 Professional insurance

This category includes micro-enterprises, very small businesses and heads of independent companies with very diverse profiles (craftsmen, retailers, self-employed professionals and service providers). The Group, the number 2 player on this market (*source: CSA Research, PEPITES – April 2016*), has updated its comprehensive range of offerings and has diagnostic tools that enable risk analysis and advisory services that meet customers' needs as closely as possible.

2.2.3.6 Construction

In an increasingly challenging economic environment, Groupama SA generated €87 million in premium income as at 31 December 2016, driven primarily by multi-risk policies (Non-Life, Civil Liability and Ten-Year Civil Liability) and distributed through the employee and agent networks.

2.2.3.7 Insurance for local authorities

As the leading insurer of local authorities and community associations, Groupama offers insurance policies and services that are designed for the long term and develops innovative solutions for its customers.

For local authorities, the Group provides prevention and advisory services adapted to the risks faced in today's environment: road safety, crisis management, prevention of climate-related risks, etc. In the area of climate-related risk prevention, the rollout of the Groupama – Prédict service continued in 2016 – this service sends out highly localised alerts on the Internet and by SMS in the event of a weather event or natural disaster, based on customised information provided up front. The Group has also rolled out its Apple and Android apps that inform elected members of the local authorities of the risks and how best to control them and is gradually developing its service providing theft and vandalism prevention in public areas.

2.2.3.8 Commercial insurance

In an economic environment that remains gloomy, where insurance capacity tends to be shrinking, the Group has maintained its level of involvement with businesses. In addition to the agri-food sector, where Groupama remains the leading insurer, it is increasing its presence in the SMEs/SMIs segment; these small companies benefit from a very comprehensive offering including "foundation" coverage packages for property and casualty insurance, credit insurance, group insurance, employee savings and legal protection, as well as retirement savings and unemployment protection for business leaders.

2.2.4 LIFE AND HEALTH INSURANCE

Groupama SA generated premium income of €4.1 billion in life and health insurance (56% of premium income generated in France) as at 31 December 2016.

2.2.4.1 Individual health insurance

With a portfolio of 1.1 million policies as at 31 December 2016, the Group has confirmed its market-leading position in the individual health insurance segment (*source: L'Argus de l'Assurance, June 2016*).

In 2016, the Group put in place a system allowing all policyholders to benefit from third-party payers in accordance with the regulatory provisions. The Group's health offerings thus maintain their responsible nature. Note that although all fields of healthcare covered by social security are affected by the third-party payer obligation, healthcare professionals can choose not to apply it for the additional share of reimbursements. Groupama's easy-to-use system promotes access to care for all.

Partnerships with health care professionals were strengthened over entire territory *via* Sévéane, a resource-pooling EIG established with Pro BTP. As of 1 January 2016, the optician network was updated. It now has 3,500 professionals, allowing policyholders to enjoy below-market prices and therefore a decrease in their out-of-pocket costs for an equivalent level of quality. The same is true with hearing aid specialists (1,400 throughout France) and Sévéane dental surgeons (4,600).

Lastly, the Ministry of Agriculture, Agri-Food, and Forestry chose to list Groupama as an approved health and protection insurer for its employees and those of various operators working closely with agriculture, such as the National Office of Forests (ONF).

2.2.4.2. Individual retirement savings

As at 31 December 2016, Groupama SA generated €1.7 billion in premium income in individual savings/pensions, with a share of unit-linked products in individual savings of 43.7%, outperforming the market.

In 2016, the Group updated its structured funds (Defineo, Ananke, Porphyre, etc.), temporary unit-linked policies, offering attractive performance potential along with various levels of capital protection and established an expanded range of sustainable funds (Horizon, OPCI, BGF Global Allocation, etc.). The group also incorporated a new innovative time-horizon management method into the set of life insurance savings multi-component policies to help customers build up savings in keeping with their life plans.

Since early 2016, the life insurance and collective insurance subsidiary of the Group, Groupama Gan Vie, has undertaken a massive commercial project, iPrev, to optimise and facilitate interactions with customers by equipping all Gan Prévoyance advisers with a digital tablet to replace their entire physical workstation.

2.2.4.3. Protection insurance

On the individual protection insurance market, Groupama continues to be the leading player in an increasingly competitive market.

On the personal accident insurance market, Groupama is the second-largest insurer (*source: AFA, March 2016*) and has nearly 700,000 policies in its portfolio, up 6.9% compared with 2015.

In April 2016, Groupama launched a new long-term care offering "Groupama Autonomie", allowing policyholders recognised as dependent to receive a pension of up to 2,000 euros per month, plus the ability to equip their home appropriately. It also focuses on assistance that may be given to caretakers of dependent persons.

2.2.4.4. Group insurance

The Group generated €1.5 billion in group insurance premium income as at the end of 2016, a very good year in terms of sales across all branches.

In the wake of 2015, a year of the spread of supplementary health insurance and the gradual disappearance of designation clauses in branch agreements, more than 55,000 health deals were brought in across all distribution networks with both small and large companies. The development of protection insurance was boosted by the lapse of numerous branch agreements and a new solution with modular covers and simplified subscription. In retirement, the year was marked by the optimisation of the offering for customers and partners. In addition, in keeping with the Group's objectives, unit-linked investments saw very strong growth, with new business in periodic-premium policies in particular being 90% invested in unit-linked policies on a time-horizon financial management strategy.

The opportunistic strategy for marketing collective agreement offerings in health and protection insurance continued to yield results. With nearly 30 dedicated solutions, the Group is now a leader on this market segment. Furthermore, efforts to bring existing solutions up to the responsible standards continued.

The existing tools and services underwent intensified digitisation, wherever possible, to simplify the user experience, such as the online sign-up process for all policies and the remote unit-linked retirement contribution reporting system.

The quality of the Group's support for its partners and customers was again highly praised. Brokerage ranked it first in the collective insurance opinion poll following a benchmark study conducted by an outside body with nearly 350 brokerage firms with a focus on the market's principal insurers.

2.2.4.5. Employee savings

Groupama Épargne Salariale is the Group subsidiary dedicated to employee savings. Its products are distributed mainly by the regional mutuals, Gan Assurances, Gan Eurocourtage and Gan Prévoyance. Groupama Asset Management's employee savings under management reached €1.9 billion at the end of 2016, including €1.2 billion entrusted to Groupama Épargne Salariale by its customers. In 2016, more than 900 new customers signed up from French companies, making the Group one of the market's most dynamic players with more than 13,500 companies in its portfolio.

2016 was marked by the launch of an offering incorporating new developments related to the "Macron" law, such as the Groupama PME-ETI fund, and associating an Inter-Company Employee Savings Plan (PEI) and an Inter-Company Collective Retirement Savings Plan (PERCOI) with a voluntary participation system intended for very small companies and SMEs.

This new offering received the "Excellence" label by Dossiers de l'Épargne. This label is awarded by experts to the best policies on the employee savings market.

2.3. INTERNATIONAL INSURANCE

Groupama SA generated €2.7 billion in insurance premium income internationally during 2016. Premiums written reached €1.8 billion (67% of total premiums) in property and casualty insurance and €0.9 billion (33% of total premiums) in life and health insurance.

The Group is present in 11 countries, mainly in Europe and with growth areas in Asia. The table below presents Groupama's rankings in the major countries where the Group is present:

Ranking	2016		2015	
	Non-life	Life	Non-life	Life
Italy [(1)]	7	24	7	25
Turkey [(2)]	8	12	6	13
Hungary [(3)]	4	3	4	3
Romania [(4)]	5	11	3	11
Greece [(5)]	10	9	11	9

(1) Source: IVASS.
(2) Source: TSB/ Insurance Association of Turkey.
(3) Source: MABISZ.
(4) Source: ASF (formerly CSA).
(5) Source: HAIC – Hellenic Association of Insurance Companies.

The table below presents the geographical breakdown of consolidated premium income abroad.

Premium income *(in millions of euros)*	31.12.2016	31.12.2015	31.12.2014	Change 2016/2015 [(2)]
International insurance	**2,647**	**2,770**	**2,788**	**-2.9%**
Italy	1,456	1,600	1,596	-9.0%
Turkey	388	411	406	+4.6%
Greece	135	138	146	-2.4%
Portugal	69	61	58	+12.7%
CEEC [(1)]	535	497	482	+8.5%
Other countries	64	64	99	+0.1%

(1) Central and Eastern European countries (Hungary, Romania, Bulgaria, Slovakia as from 2012).
(2) At constant scope of consolidation, exchange rate and accounting methods.

2.3.1 ITALY

The Italian market was down 1.5% in non-life insurance as at 30 June 2016, and down 8.9% in life insurance as at 31 December 2016.

Groupama Assicurazioni generated €1,456 million in premium income as at 31 December 2016, principally *via* a network of general agents across the entire territory and *via* the banking channel, as a result of partnerships entered into with regional banks in northern Italy in 2013.

In a highly competitive environment, premium income in property and casualty insurance reached €968 million as at 31 December 2016, including nearly 75% from motor insurance. In life and health insurance, premium income reached €488 million as at 31 December 2016. The Company has undertaken a strategy to control inflows in euros and is favouring development of its life insurance business in unit-linked policies.

2.3.2 TURKEY

The development of insurance on the Turkish market remains steady with an increase of 30.0% in non-life insurance and 34.0% in life insurance as at 31 December 2016.

Groupama Sigorta and Groupama Emeklilik generated premium income of €388 million as at 31 December 2016 *via* a highly diversified distribution network of more than 2,300 agents, partnerships, brokers and banking partners throughout the territory. As at 31 December 2016, property and casualty insurance represented €304 million in premium income, and life and health insurance €84 million.

2.3.3 GREECE

The Greek market was mixed with a 6.4% decrease in non-life insurance and a 13.4% increase in life insurance as at 30 November 2016.

The €135 million in premium income as at 31 December 2016 was generated mainly by brokers and exclusive branches.

Premium income in property and casualty insurance, in a highly competitive market suffering the effects of the economic crisis, amounted to €81 million and represented 60% of the business. In life and health insurance, Groupama Phoenix generated premium income of €54 million.

2.3.4 PORTUGAL

The Portuguese market was up 5.9% in non-life insurance, while in life insurance the market was down 22.7% as at 31 December 2016.

Groupama Seguros is ranked 18th on the non-life insurance market and 14th on the life insurance market in Portugal (*source: APS, 2016*).

In Portugal, Groupama Seguros offers multi-line insurance products distributed by networks of agents and brokers. As at 31 December 2016, its premium income amounted to €69 million.

Premium income in life and health insurance stood at €58 million, representing 85% of the business, while premium income in property and casualty amounted to €11 million.

2.3.5 CENTRAL AND EASTERN EUROPEAN COUNTRIES (CEEC)

Groupama's premium income for countries in Central and Eastern Europe amounted to €535 million at 31 December 2016. The Group holds leading positions in Hungary and Romania.

2.3.5.1 Hungary

The Hungarian market was up 9.5% in non-life insurance and up 1.4% in life insurance as at 30 September 2016.

Groupama Biztosito generated premium income of €316 million as at 31 December 2016 *via* a highly diversified distribution network of agencies, banking partnerships, brokers and online subscription sites. At 31 December 2016, life and health insurance represented €170 million and property and casualty insurance €146 million.

2.3.5.2 Romania

The Romanian market was up 2.3% in life insurance and 13.8% in non-life insurance as at 30 September 2016.

Groupama Asigurari generated premium income of €208 million at 31 December 2016, driven in equal amounts by bancassurance, brokers, independent agents and the direct network. Property and casualty insurance represented the bulk of business with premium income of €195 million.

2.3.5.3 Bulgaria

At the end of 2016, premium income from the Bulgarian subsidiaries Groupama Zastrahovane and Groupama Jivotozastrahovane amounted to €11 million, including €6 million in property and casualty insurance.

2.3.6 OVERSEAS TERRITORIES

Gan Outre-Mer remains one of the major insurance players both in the Antilles (Guadeloupe, Martinique) and in the Pacific (New Caledonia, French Polynesia, Wallis and Futuna), with premium income of €64 million as at 31 December 2016, including €56 million from property and casualty insurance.

2.3.7 CHINA

In China, the Groupama AVIC joint venture continued to develop during 2016 and is now ranked seconds among foreign non-life insurers on the Chinese market. The premium income generated in the six provinces amounted to €255 million [(1)] as at 31 December 2016.

(1) Entity accounted for under the equity method in the consolidated financial statements of Groupama SA.

2.4 FINANCIAL AND BANKING BUSINESSES

2.4.1 GROUPAMA ASSET MANAGEMENT

Groupama Asset Management, a subsidiary dedicated to asset management, is ranked 9th among French asset management companies (AFG ranking – December 2015). Groupama Asset Management posted revenue of €128 million as at 31 December 2016. Assets under management amounted to €96.8 billion, including 25% on behalf of external customers.

The robustness of subscription flows and the good performance delivered by management reinforce the direction given to the development strategy in recent years, between diversification of customer targets and geographical diversification through the internationalisation of the management offering.

Internationally, the strengthening of Groupama Asset Management's business resulted in an inflow of €1.8 billion from outside customers at the end of 2016.

The management quality and the performance of its funds were recognised again in 2016. Groupama Asset Management was awarded during the "Grands prix de la Gestion", with Groupama Avenir Euro received 1st prize in the European equities category for its performance over three years. "Les Globes de la gestion" awarded the silver globe of management in the convertible bonds category to Groupama Fund European Convertible Bonds for its performance over five years. Lipper Fund Award presented the award for best fund in the Equity Eurozone Small and Mid Caps category to Groupama Avenir Euro NC in France, Suisse and Europe for its performance over three and five years.

With regard to SRI, in line with the Group's policy and values, Groupama Asset Management incorporates ESG (environmental, social and governance) criteria into all of its financial analyses and investment decisions. Its two funds, Euro Capital Durable and Groupama Euro Crédit ISR, obtained the SRI certification in 2016.

2.4.2 GROUPAMA IMMOBILIER

The core activities of Groupama Immobilier are the valuation of properties under management, the administrative and financial management of leases and providing advice to companies of the Group and third parties.

Groupama Immobilier manages property assets held by Groupama SA and its French subsidiaries representing a total value of €3.6 billion as at 31 December 2016. These assets include commercial real estate (73%) and residential real estate (23%), mainly in Paris and its immediate suburbs, as well as forests (4%).

Groupama Immobilier has ISO 9001 certification (version 2008) for investment, management and valuation of property assets: acquisitions, major projects, marketing, leasing and technical management and sales.

In 2016, the real estate investment management company Groupama Gan REIM, a subsidiary of Groupama Immobilier (60%) and Groupama Gan Vie (40%), developed and launched new real estate investment vehicles (OPIC and SCPI), available as part of a Groupama life insurance policy or capitalisation contract.

2.4.3 GROUPAMA BANQUE

Groupama Banque offers a range of banking products and services to individuals, professionals, farmers, cooperatives and companies of the Group.

The quality of its customer service and its offerings is recognised. Groupama Banque was named "Best Customer Service of 2017" in the Bank category by Viséo Customer Insights. The bank's products and services were recognised once again in 2016 with six "Excellence" labels awarded by Dossiers de l'Épargne.

In April 2016, Orange and Groupama signed an agreement to develop an unprecedented 100% mobile banking offering. In October 2016, the French and European regulatory and prudential authorities authorised Orange's acquisition of 65% of the 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 in the Orange distribution network. The offering will also be distributed in the Groupama group's networks starting in the second half of 2017. Innovative and specifically adapted to mobile usage, this offering will cover current accounts, savings, credit and payments once it is launched.

3

CORPORATE GOVERNANCE AND INTERNAL CONTROL

3.1 MEMBERSHIP OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

3.1.1 BOARD OF DIRECTORS AS AT 31 DECEMBER 2016

Chairman:

- Jean-Yves Dagès

Vice-Chairman:

- Jean-Louis Pivard

Directors:

Representing the Controlling shareholder:

- Michel Baylet
- Daniel Collay
- Amaury Cornut Chauvinc
- Marie-Ange Dubost
- Michel L'Hostis
- Laurent Poupart
- François Schmitt

Independent members:

- Caroline Grégoire Sainte Marie
- Bruno Rostain
- Isabelle Bordry[(1)]

Employee representatives:

- Thierry Chaudon
- Liouba Ryjenkova

Works Council representative:

- Catherine Guibert

Secretary of the Board:

- Cécile Daubignard

(1) During the meeting of 19 May 2016, the Board of Directors appointed Isabelle Bordry to replace Odile Roujol. Her appointment was ratified by the General Meeting of 7 June 2016.

3.1.2 OFFICES HELD BY THE DIRECTORS

As far as the Company is aware, the other offices held by the Directors during the past five years are those listed below:

Jean-Yves Dagès

Date of birth: 21 July 1958

BUSINESS ADDRESS

GROUPAMA D'OC
14, RUE VIDAILHAN
BP 93105
31131 BALMA CEDEX

Main role in the Company

Jean-Yves Dagès has been Chairman of the Board of Directors since 14 December 2012 and a Director since 3 August 2011. His terms were renewed respectively during the Board of Directors meeting and the General Meeting of 18 June 2015 and will expire following the Annual General Meeting in 2021.

He was a member of the Audit and Risk Management Committee from 3 August 2011 to 14 December 2012.

Main position outside the Company

- Farmer

Professional experience/Management expertise

- Chairman of Fédération Nationale Groupama
- Chairman of Groupama d'Oc
- Vice-Chairman of Misso

Current offices held

Served within the Group in France

Groupama Holding	Chairman of the Board of Directors	Since 14 December 2012
	Director	Since 21 September 2011
Groupama Holding 2	Chairman of the Board of Directors	Since 14 December 2012
	Director	Since 21 September 2011

Offices held between 2012 and 2016 no longer held by Mr Dagès

Served within the Group in France

Centaure Midi-Pyrénées	Permanent representative of Groupama d'Oc, Director (end of term 13 June 2012)
Gan Assurances	Chairman of the Board of Directors (end of term 13 February 2013)
Groupama Holding	Vice-Chairman of the Board of Directors (end of term 14 December 2012)
Groupama Holding 2	Vice-Chairman of the Board of Directors (end of term 14 December 2012)
Groupama Immobilier	Director (end of term 29 January 2013)
Groupama SA	Vice-Chairman of the Board of Directors (end of term 14 December 2012)

Jean-Louis Pivard

Date of birth: 27 May 1958

BUSINESS ADDRESS

GROUPAMA RHÔNE-ALPES AUVERGNE
50, RUE DE SAINT CYR
69251 LYON CEDEX 9

Main role in the Company

Jean-Louis Pivard has been Vice-Chairman of the Board of Directors since 14 December 2012 and a Director since 25 April 2012. His terms were renewed respectively during the Board of Directors meeting and the General Meeting of 18 June 2015 and will expire following the Annual General Meeting in 2021.

After serving as a member of the Agreements Committee from 30 May to 14 December 2012, he has been a member of the Audit and Risk Management Committee since 14 December 2012.

Main position outside the Company

- Farmer

Professional experience/Management expertise

- Vice-Chairman and Treasurer of Fédération Nationale Groupama
- Chairman of Groupama Rhône-Alpes Auvergne

Current offices held

Served within the Group in France

Gan Assurances	Chairman of the Board of Directors	Since 13 February 2013
	Director	Since 7 March 2007
Groupama Holding	Director	Since 18 April 2012
Groupama Holding 2	Director	Since 18 April 2012
SCI Château de Cap de Fouste	Director	Since 25 November 2015
SCI Domaine de Nalys	Director	Since 8 March 2013

Served outside the Group in France

Compagnie Financière d'Orange Bank	Director	Since 4 October 2016

Offices held from 2012 to 2016 no longer held by Mr Pivard

Served within the Group in France

Gan Patrimoine	Chairman of the Board of Directors (end of term 13 February 2013)
Groupama Gan Vie	Director (end of term 14 December 2012)
Groupama Immobilier	Director (end of term 29 January 2013)
SCI Château de Cap de Fouste	Member of the Supervisory Board (end of term 25 November 2015)

Michel Baylet

Date of birth: 29 September 1954

BUSINESS ADDRESS

GROUPAMA CENTRE-ATLANTIQUE
2, AVENUE DE LIMOGES
BP 8527
79044 NIORT CEDEX 9

Main role in the Company

Michel Baylet has been a Director since 29 June 2006. His term was renewed during the General Meetings of 27 May 2009 and 18 June 2015 and will expire following the Annual General Meeting in 2021.

After serving as a member of the Audit and Risk Management Committee from 30 May 2007 to 14 December 2012, he has been a member of the Compensation and Appointments Committee since 14 December 2012.

Main position outside the Company

- Farmer

Professional experience/Management expertise

- Vice-Chairman of Fédération Nationale Groupama
- Chairman of Groupama Centre-Atlantique

Current offices held

Served within the Group in France

Centaure Midi-Pyrénées	Director	Since 14 June 2007
Gan Prévoyance	Chairman of the Board of Directors	Since 11 July 2006
Groupama Holding	Director	Since 29 June 2006
Groupama Holding 2	Director	Since 29 June 2006
SCA Château d'Agassac	Chairman of the Management Board	Since 28 January 2008
SCI Château de Cap de Fouste	Director	Since 25 November 2015
SCI Domaine de Nalys	Director	Since 24 January 2008

Offices held from 2012 to 2016 no longer held by Mr Baylet

Served within the Group in France

Gan Patrimoine	Director (end of term 13 February 2013)
Groupama Holding	Vice-Chairman of the Board of Directors (end of term 23 May 2012)
Groupama Holding 2	Vice-Chairman of the Board of Directors (end of term 23 May 2012)
SCI Château de Cap de Fouste	Member of the Supervisory Board (end of term 25 November 2015)

Isabelle Bordry

Date of birth: 9 January 1970

BUSINESS ADDRESS

RETENCY
152, BOULEVARD HAUSSMANN
75008 PARIS, FRANCE

Main role in the Company

Isabelle Bordry has been an Independent Director since 19 May 2016. Her term will expire following the Annual General Meeting in 2020.

She has been a member of the Agreements Committee since 1 August 2013 and became its Chairman on 20 October 2016.

Main roles outside the Company

- Co-founder of Retency – Head of Strategic Development
- Member of the Board of Directors of Fonds pour l'Innovation Numérique de la Presse (FINP)
- Member of the Board of Directors of Établissement public de la Réunion des musées Nationaux et du Grand Palais des Champs Élysées

Professional experience/Management expertise

Since 2014: Retency SAS

2007 to 2013: Business angel

- 2012 to 2013: My Fab
- 2008: Co-founder of Terrafemina
- 2007: Co-founder of WebMediaGroup

1997 to 2005: Yahoo!

- 2004 to 2005: Head of Operations – Yahoo! Europe
- 2001 to 2003: Chief Executive Officer – Yahoo! France
- 1997 to 2001: Head of Sales and Marketing

1993 to 1997: Hachette Filipacchi Group

- 1996 to 1997: Grolier Interdeco – Advertising department of the Hachette group
  Marketing of the first media sites accessible on the Internet
- 1994 to 1996: Head of the Promotion Department of Parents and Cousteau Junior magazines
- 1993 to 1996: Marketing and Promotion Department – Télé 7 Jours

Current offices held

Served outside the Group in France

ABCD XYZ	Manager	Since 12 January 2006
Netgem *	Director	Since 6 March 2008
Retency SAS	Member of the Supervisory Board	Since July 2015

Offices held from 2012 to 2016 no longer held by Ms Bordry

Served outside the Group in France

Femmes Associés SAS	Director (end of term 19 December 2013)
MonUsine	Chief Executive Officer (end of term 8 January 2014)
WebMediaGroup SAS	Chairman (end of term 6 September 2013)

* *Listed company.*

Daniel Collay

Date of birth: 17 January 1961

BUSINESS ADDRESS

GROUPAMA PARIS VAL DE LOIRE
161, AVENUE PAUL VAILLANT COUTURIER
94250 GENTILLY

Main role in the Company

Daniel Collay has been a Director since 30 May 2012. His term was renewed during the General Meeting of 18 June 2015 and will expire following the Annual General Meeting in 2021.

He has been a member of the Agreements Committee since 14 December 2012 and became its Chairman on 18 September 2013 until 13 February 2014.

Main position outside the Company

- Farmer

Professional experience/Management expertise

- Vice-Chairman of Fédération Nationale Groupama
- Chairman of Groupama Paris Val de Loire

Current offices held

Served within the Group in France

Amaline Assurances	Chairman of the Board of Directors	Since 29 October 2014
Groupama Holding	Director	Since 23 May 2012
Groupama Holding 2	Director	Since 23 May 2012
SCA Château d'Agassac	Member of the Management Board	Since 8 February 2013
SCI Agrisud	Manager	Since 2 July 2004
SCI Château de Cap de Fouste	Director	Since 25 November 2015
SCI Domaine de Nalys	Director	Since 8 March 2013

Offices held from 2012 to 2016 no longer held by Mr Collay

Served within the Group in France

Gan Prévoyance	Director (end of term 1 January 2013)
Groupama Gan Vie	Director (end of term 14 December 2012)
Mutuaide Assistance	Chairman of the Board of Directors (end of term 6 July 2016)
SCI Château de Cap de Fouste	Member of the Supervisory Board (end of term 25 November 2015)

Amaury Cornut-Chauvinc

Date of birth: 17 January 1953

BUSINESS ADDRESS

GROUPAMA MÉDITERRANÉE
MAISON DE L'AGRICULTURE
BÂTIMENT 2
PLACE CHAPTAL
34261 MONTPELLIER CEDEX 2

Main role in the Company

Amaury Cornut-Chauvinc has been a Director since 30 May 2007. His term was renewed during the General Meetings of 27 May 2009 and 18 June 2015 and will expire following the Annual General Meeting in 2021.

He has been a member of the Audit and Risk Management Committee since 30 June 2008.

Main position outside the Company

- Farmer

Professional experience/Management expertise

- Vice-Chairman and Secretary of Fédération Nationale Groupama
- Chairman of Groupama Méditerranée

Current offices held

Served within the Group in France

Groupama Gan Vie	Chairman of the Board of Directors	Since 17 December 2009
Groupama Holding	Director	Since 17 October 2007
Groupama Holding 2	Director	Since 17 October 2007
SCA Château d'Agassac	Representative of Groupama SA, member of the Management Board	Since 8 February 2013
SCI Château de Cap de Fouste	Chairman of the Board of Directors	Since 25 November 2015
SCI Domaine de Nalys	Chairman of the Board of Directors	Since 6 December 2011
	Director	Since 1 June 1999

Served outside the Group in France

Paysan du Midi	Chairman of the Board of Directors	Since 15 March 2015
	Director	Since 6 June 2007

Offices held from 2012 to 2016 no longer held by Mr Cornut-Chauvinc

Served within the Group in France

SCA Château d'Agassac	Member of the Management Board (end of term 8 February 2013)
SCI Château de Cap de Fouste	Chairman of the Supervisory Board (end of term 25 November 2015)

Marie-Ange Dubost

Date of birth: 6 August 1955

BUSINESS ADDRESS

GROUPAMA CENTRE-MANCHE
35, QUAI DE JUILLET
BP 169
14010 CAEN CEDEX 1

Main role in the Company

Marie-Ange Dubost has been a Director since 31 July 2014. Her term was renewed during the General Meeting of 18 June 2015 and will expire following the Annual General Meeting in 2021.

She has been a member of the Audit and Risk Management Committee since 31 July 2014.

Main position outside the Company

- Farmer

Professional experience/Management expertise

- Vice-Chairman of Fédération Nationale Groupama
- Chairman of Groupama Centre-Manche

Current offices held

Served within the Group in France

Groupama Holding	› Director	Since 17 September 2014
Groupama Holding 2	› Director	Since 17 September 2014
SCA Château d'Agassac	› Member of the Management Board	Since 15 September 2014

Served within the Group abroad

Groupama Assicurazioni Spa	› Chairman of the Board of Directors	Since 15 June 2015

Offices held from 2012 to 2016 no longer held by Ms Dubost

Served within the Group in France

Gan Eurocourtage	› Director (end of term 31 December 2012)
Groupama Assurance-Crédit	› Chairman of the Board of Directors (end of term 5 May 2015)
Groupama Gan Vie	› Director (end of term 14 December 2012)

Served within the Group abroad

Groupama Assicurazioni Spa	› Director (end of term 1 October 2014)

3

Caroline Grégoire Sainte Marie

Date of birth: 27 October 1957

Main role in the Company

Caroline Grégoire Sainte Marie has been an Independent Director since 25 May 2011. Her term will expire following the Annual General Meeting in 2017.

She has been a member of the Compensation and Appointments Committee since 22 June 2011 and became its Chairman on 24 October 2011. She has also been a member of the Audit and Risk Management Committee since 25 May 2011.

Main position outside the Company

- Corporate director and member of the Advisory Committee of Safran Corporate Ventures

Professional experience/Management expertise

Since 2011: corporate director

2009 to 2011: Chairman of Frans Bonhomme (SAS)

2007 to 2009: Chief Executive Officer of Tarmac, France and Belgium

1997 to 2007: Lafarge

- 2004 to 2007: Chief Executive Officer of Lafarge Ciment Germany, Head of Mergers-Acquisitions of the Cement Branch
- 1997 to 2004: Financial and Legal Officer of the Specialist Metals Sector

1994 to 1997: Financial Officer at Albert Roussel Pharma, Germany

1983 to 1997: Various positions in the Management and Finance Control Department at Hoechst Pharma

Current offices held

Served outside the Group abroad

FLSmidth * (Denmark)	Director	Since 30 March 2012
Wieneberger AG * (Austria)	Member of the Supervisory Board	Since 22 May 2015
Calyos (Belgium)	Director	Since 28 July 2014

Terms held from 2012 to 2016 no longer held by Ms Grégoire Sainte Marie

Served outside the Group in France

Eramet *	Director (end of term 27 May 2016)
Safran *	Non-voting Director (end of term 21 April 2015)

* *Listed company.*

Michel L'Hostis

Date of birth: 25 September 1955

BUSINESS ADDRESS

GROUPAMA LOIRE BRETAGNE
23, BOULEVARD DE SOLFÉRINO
CS 51209
35012 RENNES CEDEX

Main role in the Company

Michel L'Hostis has been a director since 17 January 2013. His term was renewed during the General Meeting of 18 June 2015 and will expire following the Annual General Meeting in 2021.

He has been a member of the Agreements Committee since 17 January 2013 and served as its Chairman from 8 March to 20 October 2016.

Main position outside the Company

- Farmer

Professional experience/Management expertise

- Vice-Chairman of Fédération Nationale Groupama
- Chairman of Groupama Loire Bretagne

Current offices held

Served within the Group in France

Groupama Holding	› Director	Since 20 February 2013
Groupama Holding 2	› Director	Since 20 February 2013
Mutuaide Assistance	› Chairman of the Board of Directors	Since 6 July 2016

Offices held from 2012 to 2016 no longer held by Mr L'Hostis

Served within the Group in France

Gan Eurocourtage	› Director (end of term 31 December 2012)
Gan Patrimoine	› Chairman of the Board of Directors (end of term 20 May 2015)
Groupama Banque	› Chairman of the Board of Directors (end of term 4 October 2016)
Groupama Gan Vie	› Director (end of term 15 February 2013)

Laurent Poupart

Date of birth: 20 February 1964

BUSINESS ADDRESS

GROUPAMA NORD-EST
2, RUE LÉON PATOUX
CS 90010
51686 REIMS CEDEX 2

Main role in the Company

Laurent Poupart has been a Director since 27 May 2015. His term was renewed during the General Meeting of 18 June 2015 and will expire following the Annual General Meeting in 2021.

He has been a member of the Compensation and Appointments Committee since 27 May 2015.

Main position outside the Company

- Farmer

Professional experience/Management expertise

- Vice-Chairman of Fédération Nationale Groupama
- Chairman of Groupama Nord-Est

Current offices held

Served within the Group in France

Groupama Assurance-Crédit & Caution	Chairman of the Board of Directors	Since 5 May 2015
Groupama Holding	Director	Since 27 May 2015
Groupama Holding 2	Director	Since 27 May 2015

Served outside the Group in France

Opale Agri Distribution	Manager	Since 17 August 2012
SCEA Poupart Regnaut	Manager	Since 21 July 2005

Offices held from 2012 to 2016 no longer held by Mr Poupart

Served within the Group in France

Groupama Assurance-Crédit	Permanent representative of Groupama Nord-Est, Director (end of term 27 April 2015)

Served outside the Group in France

SAS Opale Artois	Chairman (end of term 23 February 2016)
SAS Société Participative Agriadom (SoParAgri)	Chief Executive Officer (end of term 29 June 2015)

Bruno Rostain

Date of birth: 18 April 1956

BUSINESS ADDRESS

BLACKFIN CAPITAL PARTNERS
127, AVENUE DES CHAMPS-ÉLYSÉES
75008 PARIS, FRANCE

Main role in the Company

Bruno Rostain has been an Independent Director since 2 August 2012. His term will expire following the Annual General Meeting in 2017.

He has been Chairman of the Audit and Risk Management Committee since 2 August 2012.

Main position outside the Company

- Chief Executive Officer of Blackfin Capital Partners

Professional experience/Management expertise

Since 2009: Chief Executive Officer of Blackfin Capital Partners

1991 to 2008: Aviva

- 2003 to 2008: Chairman of the Executive Board of Aviva France – Chairman of SEV and Aviva Direct – Chairman of Aviva Assurances and Aviva Vie
- 1999 to 2003: Deputy General Manager, then Chief Executive Officer of Aviva Vie (Commercial Union, Abeille and Norwich Union, which became Aviva in 2002)
- 1998 to 1999: On assignment at Commercial Union Life of America, USA
- 1995 to 1998: Chief Executive Officer at Commercial Union Assurances
- 1992 to 1995: Director of the Brokerage Enterprise Division at Abeilles Assurances
- 1991 to 1992: Director of the Office of the Chairman and CEO, Victoire Group

1989 to 1991: Ministry of Foreign Trade – Technical Adviser to the cabinet of Jean-Marie Rausch

1987 to 1989: Ministry of Agriculture – Representative to the Directorate Generate of Food

1985 to 1987: Regional Directorate of Industry and Research of Lorraine – Division head in charge of energy and mines

Current offices held

Served outside the Group in France

AnimSur SAS	Chairman	Since 9 April 2014
Blackfin Capital Partners	Chief Executive Officer	Since 19 March 2009
Chiarezza SAS	Chairman	Since 25 January 2012
Groupe Santiane Holding SAS	Member of the Supervisory Committee	Since 9 September 2015
LSA Holding SAS	Chairman of the Supervisory Board	Since 10 June 2015
Société Financière du Porte Monnaie Electronique Interbancaires (SFPMEI)	Director	Since 6 December 2010

Offices held from 2012 to 2016 no longer held by Mr Rostain

Served outside the Group in France

Compamut	Chairman (end of term 24 January 2014)
Finanzen France SAS	Chairman (end of term 31 March 2015)
Hestis SAS	Chairman (end of term 7 February 2014)
HSBC Assurances Vie	Director (end of term 18 May 2015)
KBO SAS	Chairman (end of term 25 February 2014)
Mister Assur SAS	Chairman (end of term 24 January 2014)
Owliance	Director (end of term 31 October 2012)

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François Schmitt

Date of birth: 6 March 1963

BUSINESS ADDRESS

GROUPAMA GRAND EST
101, ROUTE DE HAUSBERGEN
BP 30014 – SCHILTIGHEIM
67012 STRASBOURG CEDEX 1

Main role in the Company

François Schmitt has been a Director since 30 June 2008. His term was renewed during the General Meetings of 27 May 2009 and 18 June 2015 and will expire following the Annual General Meeting in 2021.

After serving as a member of the Agreements Committee from 30 June 2008 to 26 August 2009, he has been a member of the Compensation and Appointments Committee since 26 August 2009.

Main position outside the Company

- Farmer

Professional experience/Management expertise

- Deputy Chairman of Fédération Nationale Groupama
- Chairman of Groupama Grand Est

Current offices held

Served within the Group in France

Gan Patrimoine	Chairman of the Board of Directors	Since 20 May 2015
Groupama Holding	Director	Since 27 August 2008
Groupama Holding 2	Director	Since 27 August 2008
SCI Château de Cap de Fouste	Director	Since 25 November 2015
SCI Domaine de Nalys	Director	Since 10 December 2008

Offices held from 2012 to 2016 no longer held by Mr Schmitt

Served within the Group in France

Mutuaide Assistance	Chairman of the Board of Directors (end of term 14 February 2013)
SCI Château de Cap de Fouste	Member of the Supervisory Board (end of term 25 November 2015)

Served within the Group abroad

Groupama Assicurazioni Spa	Chairman of the Board of Directors (end of term 15 June 2015)

Served outside the Group in France

SICLAÉ	Member of the Supervisory Board (end of term 31 December 2012)

Thierry Chaudon

Date of birth: 26 April 1966

BUSINESS ADDRESS

GROUPAMA SA
5-7, RUE DU CENTRE
93199 NOISY-LE-GRAND

Main role in the Company

Thierry Chaudon has been a Director representing the employees of Groupama SA since 4 July 2016. His term will expire following the Annual General Meeting in 2020.

Main position outside the Company

- None

Professional experience/Management expertise

- External Reinsurance Department

Current offices held

- None

Offices held from 2012 to 2016 no longer held by Mr Chaudon

- None

Liouba Ryjenkova

Date of birth: 10 August 1957

BUSINESS ADDRESS

GROUPAMA SA
IMMEUBLE LE DIAMANT
14-16, RUE DE LA RÉPUBLIQUE
92800 PUTEAUX

Main role in the Company

Liouba Ryjenkova has been a Director representing the employees of Groupama SA since 4 July 2016. Her term will expire following the Annual General Meeting in 2020.

Main position outside the Company

- None

Professional experience/Management expertise

- Manager in the payroll shared services centre within the Group Human Resources Department

Current offices held

- None

Offices held from 2012 to 2016 no longer held by Ms Ryjenkova

- None

3.1.3 EXECUTIVE MANAGEMENT

The Company is managed by a CEO by resolution of the Company's Board meeting held on 18 December 2003 to separate the roles of the Chairman and the CEO.

The Chief Executive Officer, Thierry Martel, is vested with the broadest powers to act on behalf of the Company under any and all circumstances. He exercises his authority within the limit of the corporate purpose and subject to the authority expressly granted to General Meetings and the Board of Directors and within the limits set by the bylaws and the Board of Directors (see section 3.2.1.4).

Thierry Martel is assisted by two Deputy Chief Executive Officers: Fabrice Heyriès, in charge of Human Resources, Finance, Legal Affairs, Auditing, and Risks, and Christian Cochennec, in charge of France Damage and IT activities, since 4 July and 1 October 2015 respectively.

As far as the Company is aware, the other terms of office held by the Chief Executive Officer are those listed below:

Thierry Martel

Date of birth: 25 October 1963

BUSINESS ADDRESS

GROUPAMA SA
8-10, RUE D'ASTORG
75008 PARIS, FRANCE

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Main role in the Company

Thierry Martel was appointed Chief Executive Officer of Groupama SA on 24 October 2011. His term was renewed during the Board meeting of 18 June 2015 and will expire following the Annual General Meeting in 2021.

Roles outside the Company

- Chief Executive Officer of Fédération Nationale Groupama
- Vice-Chairman of Association des Assureurs Mutualistes (AAM)
- Member of the Executive Committee of Fédération Française d'Assurance (FFA)

Professional experience/Management expertise

- January 2010 to November 2011: Chief Executive Officer of Assurance & Banque France
- September 2008 to December 2010: Chief Executive Officer of Assurance France in charge of insurance and services to individuals, businesses and local communities and the Gan Assurances profit centre
- November 2006 to September 2008: General Manager of Individual Insurance and Services, in charge of the private, farming and professional markets
- March 2005 to October 2006: General Manager of Personal Insurance at Groupama SA
- November 2003 to February 2005: Auditing Manager overseeing Group Actuarial Affairs at Groupama SA
- April 1999 to October 2003: Head of Insurance at Groupama Grand Est
- September 1995 to March 1999: Head of Resources at Groupama Grand Est
- December 1990 to August 1995: Groupama Assurance Internationale: Head of the Logistics and Organisation Department in charge of legal and technical due diligence in M&A transactions
- April 1988 to December 1990: Insurance commissioner/auditor in the Insurance Department of the Ministry of Economy and Finance
- September 1987 to April 1988: temporary transfer to serve as Finance Inspector at the Office of the Inspector General of Finance

Graduated from the École Polytechnique in July 1985.

Graduated from the Institut d'Études Politiques de Paris in July 1987 (Economics/Finance Division – majoring in finance and tax affairs).

Certified member of the Institut des Actuaires Français.

Current offices held		
Served within the Group in France		
Groupama Holding	❯ Non-director Chief Executive Officer	Since 26 October 2011
Groupama Holding 2	❯ Non-director Chief Executive Officer	Since 14 December 2012
Served outside the Group in France		
La Banque Postale Assurances IARD	❯ Vice-Chairman of the Board of Directors	Since 8 December 2011
	❯ Director	Since 10 December 2009
Compagnie Financière d'Orange Bank	❯ Vice-Chairman of the Board of Directors	Since 4 October 2016
Fonds Stratégique de Participations	❯ Permanent representative of Groupama SA, director	Since 21 September 2015

Offices held from 2012 to 2016 no longer held by Mr Martel	
Served within the Group in France	
Amaline Assurances	❯ Chairman of the Board of Directors (end of term 21 March 2012)
Gan Patrimoine	❯ Non-director Chief Executive Officer (end of term 9 January 2012)
Groupama Banque	❯ Vice-Chairman of the Board of Directors (end of term 9 February 2012)
Groupama Gan Vie	❯ Non-director Chief Executive Officer (from 26 September to 28 November 2012)
Groupama Holding 2	❯ Non-director Chief Executive Officer (from 26 October 2011 to 19 September 2012)
SGPS	❯ Manager (end of term 12 June 2013)
Served outside the Group in France	
Société Générale *	❯ Director (end of term 30 August 2013)

* *Listed company.*

3.1.4 STEERING COMMITTEE

The Steering Committee assists Groupama SA's Executive Management in carrying out its duties in managing the Company. It develops, proposes and implements the strategy of Groupama SA in accordance with the Group's general guidelines set by Fédération Nationale Groupama. It runs the French and international subsidiaries.

As the entity that prepares and approves the operating decisions that are the responsibility of Groupama SA, it sets the major priorities for the work of the various departments of Groupama SA and monitors the implementation of these decisions.

The committee is made up of 12 members and brings together representatives of Groupama SA's major departments to meet with the Chief Executive Officer and the Deputy Chief Executive Officer on a bi-monthly basis in 2016.

3.1.5 GROUP EXECUTIVE COMMITTEE

The Group Executive Committee participates in the preparation and operational monitoring of the Group's strategy. It implements strategy in the Group and ensures the operational coordination of all the entities' business lines.

The Group Executive Committee is made up of the Chief Executive Officers of the regional mutuals and the Senior Managers of Groupama SA. It is chaired by the Company's Chief Executive Officer. It meets twice a month and may meet more often if the situation requires.

There are specialised Operating Committees (COMOP) – business lines, development, operational processes, information technology, finance, human resources and communication – whose members include the appropriate executives from the Group's entities. They contribute to the preparation of project files for the Group Executive Committee and propose steps to be taken on the operational level in accordance with the strategic guidelines.

3.1.6 RELATIONS WITHIN THE MANAGEMENT BODIES

As far as the Company is aware, there are no family ties among the members of the Company's Board of Directors or among the members of the Executive Management.

As far as the Company is aware, during the past five years: (i) no member of the Company's Board of Directors has been sentenced for fraud (ii) no member of the Board of Directors has been involved in any bankruptcy or placed in receivership or liquidation, and (iii) no official public charges and/or sanctions have been issued against such persons by statutory or regulatory authorities (including by designated professional agencies).

Furthermore, as far as the Company is aware, no Director has been prevented by any court of law from acting as a member of an administrative, management or supervisory body of any issuer or from participating in the management or the conduct of the business of any issuer in the past five years.

There is no arrangement or agreement entered into with the principal shareholders, nor with customers or suppliers under which any member of the Board of Directors or of the Company's Executive Management would have been selected.

There are no restrictions accepted by the members of the Board of Directors concerning the sale of any interests owned by them in the equity of the Company.

3.1.7 CONFLICTS OF INTEREST IN THE MANAGEMENT BODIES

In order to review the occurrence of any conflicts of interest between the duties of the people referred to in point 3.1 and their respective private and/or professional interests, an Agreements Committee has been established, the role and operation of which are described in 3.2.2.3.

Note that the Internal Regulations, in their Article 4.2.4, reiterate the Directors' duties of loyalty and the rules for prevention of conflicts of interest.

To date, the committee has not identified any conflicts of interest.

3.1.8 LACK OF SERVICE AGREEMENTS

As at the date of filing of this registration document, there were no service agreements binding the members of the Company's administrative and management bodies or any of its subsidiaries.

Sections 3.2., 3.3. and 3.4. below are the Chairman's report, drafted pursuant to Article L. 22537 of the Commercial Code. This report, which was approved by the Groupama SA Board of Directors in its meeting of 16 March 2017, is based on the information compiled under the authority of the Groupama SA Executive Management. It describes the corporate governance of Groupama SA, the rules adopted to calculate the compensation and other benefits granted to the corporate officers, the internal control system in effect in the Company at the end of 2016 and the Group's internal control system established by Groupama SA as a consolidating entity (subsidiaries) and a combining entity (subsidiaries and regional mutuals).

3.2 DISCLOSURES ON CORPORATE GOVERNANCE

3.2.1 BOARD OF DIRECTORS

3.2.1.1 Membership

The Company is administered by a Board of Directors made up of 14 members, including:

- 12 Directors appointed by the General Meeting:
  - 9 Directors who are Chairmen of Groupama metropolitan regional mutuals, representing the Controlling shareholder,
  - 3 Independent Directors as defined by the AFEP-MEDEF task force and in the Internal Regulations of the Board of Directors(see appendix 4 of section 7.1.3.4);
- 2 Directors elected by employees.

During fiscal year 2016, the composition of the Board of Directors was modified as a result of the appointment of Isabelle Bordry, replacing Odile Roujol, on 19 May 2016. The ratification of her appointment occurred during the Combined General Meeting on 7 June 2016.

In addition, the terms of two Directors elected by the employees expired in the first half of 2016. Thierry Chaudon and Liouba Ryjenkova were elected Directors representing the employees, replacing Brigitte Homo and Maria Frigara respectively, and took office on 4 July 2016.

The average age of the Directors is 57.

The proportion of female Directors is 25%, excluding the female Director elected by the employees (28.5% including her) at 31 December 2016. The Board of Directors, during its meeting of 18 May 2017, plans to submit to the General Meeting of shareholders the appointment of three additional female Directors, thus increasing the proportion of female Directors to 40% (41.17% including the female Director elected by the employees).

The General Meeting did not use the authority provided for in Article 18 of the bylaws to appoint non-voting Directors.

3.2.1.2 Duration and Expiry of Terms of Office

The duration of the terms of office of the Directors appointed by the General Meeting is six years. These terms of office will expire during the 2021 Annual General Meeting for Directors representing the majority shareholder, and, with respect to the Independent Directors, during the 2017 Annual General Meeting for Caroline Grégoire Sainte Marie and Bruno Rostain and during the 2020 Annual General Meeting for Isabelle Bordry.

The terms of office of the two Directors elected by the Company's employees, for a period of four years, will expire following the Annual General Meeting in 2020.

3.2.1.3 Responsibilities of the Board of Directors

The Board of Directors sets the guidelines for the Company's business, ensures they are implemented and oversees the functions performed by the management. Subject to the powers expressly assigned to the General Meetings and up to the limit of the corporate purpose, it deals with any issues involving the smooth running of the Company and settles matters affecting the Company by means of its deliberations. In addition, it performs any audits or controls it deems necessary.

In accordance with its corporate governance practices relating to mutual insurance, the Board of Directors has elected to separate the duties of Chairman from those of Chief Executive Officer. Executive duties are therefore entrusted to a CEO who is not a Board member.

3.2.1.4 Responsibilities of the Chairman of the Board of Directors

The Chairman of the Board of Directors will organise and lead the work of the Board of Directors, on which he reports to the General Meeting. He will ensure the proper functioning of the corporate bodies and, in particular, will ensure that the Directors are capable of fulfilling their duties.

3.2.1.5 Authority Reserved for the Board of Directors

Under the bylaws of the Company, some operations must be subject to prior approval by the Board:

- amendments to and the annual implementation of the reinsurance agreement with the regional mutuals and the agreement governing security and solidarity plans;
- any issues of securities, irrespective of the type, that may result in a change in the share capital;
- any significant operations that may affect the Group's strategy and its business scope;
- use, by a vote by secret ballot, of the solidarity fund pursuant to the agreement on security and solidarity plans (an overview of this agreement appears in Note 44, entitled "Related parties of the consolidated financial statements");
- termination of the agreement on security and solidarity plans at the initiative of Groupama SA.

The decision to terminate the reinsurance agreement at the initiative of Groupama SA must be made by a two-thirds majority of the members present or represented.

Certain operations are also subject to approval by the Board of Directors if they exceed a unit amount set by the Board of Directors.

Since 15 December 2011, the unit amount of operations beyond which the Chief Executive Officer and/or the Deputy Chief Executive Officer must obtain prior authorisation from the Board of Directors is as follows:

- above €100 million per security and in total consolidated holdings of Groupama SA, excluding buy/sell transactions: purchase (including by way of capital increase) any shares;
- above €100 million: dispose of any entities or company securities;
- above €20 million: purchase any entities or company securities endowing it with at least a blocking minority by any means (purchase, contribution, exchange, etc.);
- above €50 million: take out any loans, excluding cash operations conducted with companies that have equity ties to Groupama SA, either directly or indirectly;
- above €25 million: buy, sell or exchange any insurance investment or operating real estate assets (properties and shares or shares in real estate companies);
- above €10 million: grant any pledges on corporate property.

In addition, at its 15 December 2011 meeting, Groupama SA's Board of Directors resolved not to set an authorisation threshold on the disposal of shares; however, it has been stipulated in this instance that for transactions in excess of €400 million, the Executive Management undertakes to solicit the consent of the Chairman and two members of the Audit and Risk Management Committee.

3.2.1.6 Code of Corporate Governance

Although Groupama SA is an unlisted company, it applies the Code of Corporate Governance in force in France resulting from the AFEP-MEDEF recommendations. However, it does not apply some of its recommendations mainly because of the closed structure of its capital. Groupama SA's capital is now nearly 100% directly or indirectly held by the Groupama agricultural insurance and mutual reinsurance regional mutuals, and the Company has abandoned its planned public offering of capital. The main exemptions from the recommendations from the Code of Corporate Governance in force are as follows:

- the duration of the term of office of Directors appointed by the General Meeting of the shareholders is not 4 years but 6; given the current situation, Groupama considers the maximum term provided for by law to be most appropriate for the structure of its capital;
- the number of Independent Directors represents only 25% of the total number of Directors making up the Board of Directors(excluding Directors elected by the employees) and not one-third, which is the percentage recommended for companies having a Controlling shareholder. However, the Company believes that this number, as things stand now, is appropriate given the Company's decision not to publicly offer its capital and sufficient in relation to the technical skills and the outside perspective that they provide as part of the work of the Board of Directors, and also given that it allows each of the Independent Directors to be Chairman of one of the three committees of the Board of Directors. Nevertheless, in anticipation of Groupama SA's plan to transform its legal form from a public limited company to a national agricultural mutual reinsurance fund, pursuant to the law of 9 December 2016 on transparency, the fight against corruption, and modernisation of the economy, the Board of Directors plans to submit a resolution to the General Meeting of shareholders to appoint an additional Independent Director, thus increasing this proportion to 26.6%;
- the proportion of independent members within the Audit and Risk Management Committee is 40% compared with the recommended two-thirds at least; this membership is meant to be more in line with the structure of the shareholding controlled almost completely by the Groupama regional mutuals; note that the Chairman of the Committee is an Independent Director and that he has proven financial and insurance expertise;
- the Compensation and Appointments Committee does not have a majority of Independent Directors; the current membership of the committee reflects the presence of the Controlling shareholder. This committee was also chaired by an Independent Director. Moreover, the Company did not wish to include a Director representing the employees on the Compensation and Appointments Committee, believing that this body is not the most appropriate for employee expression, which is strongly developed elsewhere within the Group.

Lastly, the employment contract of Thierry Martel, Chief Executive Officer, was suspended due to his 21 years of service within the Company as an employee before his appointment.

3.2.1.7 Work of the Board in 2016

The Board of Directors met ten times during fiscal year 2016, including the Board of Directors seminar, which was held in November.

The attendance rate of the members of the Board of Directors was 99% (compared with 92% in 2015), *i.e.*, a high rate of mobilisation of the Directors. The Group General Secretary carried out the duties of Secretary of the Board.

In 2016, the Board deliberated mainly on the following issues:

- the individual, consolidated, and combined annual financial statements and the consolidated and combined semi-annual financial statements as well as the various reports and documents required by the regulations and particularly those required within the Solvency II prudential framework (SCR and MCR coverage ratios, group and Groupama SA ORSA reports, actuarial function reports);
- modification of the General Reinsurance Regulations between Groupama SA and the regional mutuals;
- the reinsurance policy for 2017;
- the provisional audit plan for 2017;
- management of the Group's capital;
- partnership projects;
- development of written policies;
- portfolio sales;
- governance with:
  - the outside assessment of the functioning of the Board of Directors,
  - the appointment of a new Director,
  - the compensation of Managers and corporate officers,
  - data in connection with the implementation of the Solvency II prudential standard;
- the financing of major programmes for 2017;
- the report on gender equality.

Lastly, the Board of Directors acknowledged the work of the Board's three committees and reviewed certain matters for information purposes:

- the performance indicators for the Group's businesses and particularly the key management indicators;
- the implementation of the Group's strategy;
- the combined results forecasts for 2016, the 2017 budget, and the forecasts for 2018 to 2019;
- the half-yearly review of the balance sheet and the guidelines for the asset management policy;
- with respect to risk management: mainly the Group's major risks;
- the situation of Gan Assurances;
- an update on mutual insurance certificates issued by the regional mutuals;
- updates on the subsidiaries or partnership agreements;
- a progress report on the digital transformation programme;
- the review of and guidelines for the human resources policy;
- the 2016-2018 CSR strategy;
- the financial environment and regulatory changes.

During fiscal year 2016, two training sessions were organised for the Board members: the first on Asset/Liability Management in life and non-life insurance and the second on the issues of reinsurance under Solvency II and the formation of Solvency II results.

On the proposal of the Compensation and Appointments Committee, a Board seminar was devoted to management of the Group's capital and the strategic review of portfolios abroad.

The 2016 financial statements were closed on 16 March 2017 by the Board of Directors, which also prepared the draft management report to which this report is appended and the text of draft resolutions to be presented to the General Shareholders' Meeting on 28 June 2017. The 2016 financial statements were submitted in advance to the Audit and Risk Management Committee, which reviewed them on 15 March 2017.

3.2.1.8 Internal Regulations of the Board of Directors

The Board of Directors adopted a set of Internal Regulations designed to specify its operating methods, to supplement the Company's legal, regulatory and statutory provisions and to spell out the rights and obligations of the Board members.

These regulations have been updated several times and include provisions on the prevention of conflicts of interest in investments in unlisted companies doing business with the Group and an appendix 4 on the independence criteria for Directors as set out in the recommendations in the AFEP-MEDEF Code of Corporate Governance.

In 2013, the Internal Regulations were amended to take into account the consequences of establishing Groupama SA as the central body of the network of agricultural insurance and reinsurance companies and mutuals (Articles L. 322-27-1 and L. 322-27-2 of the Insurance Code), by distinguishing the decisions of the Board of Directors from those relating to the conduct of the business and remaining the responsibility of the Executive Management, and to incorporate the changes in governance having occurred within the Group and adapt them to the revised AFEP-MEDEF Corporate Governance Code.

These regulations are included in full in chapter 7, section 7.1.3.

3.2.2 COMMITTEES OF THE BOARD OF DIRECTORS

Pursuant to Article 14 of the bylaws, the Board may rule on the establishment of committees called to deliberate on issues submitted by the Board or its Chairman for review. As such, under the Internal Regulations of the Board of Directors of Groupama SA, the Board shall be assisted by technical committees in the performance of its responsibilities.

The committees of the Board of Directors have no power themselves, and their responsibilities neither reduce nor limit the powers of the Board. They are responsible for providing clarification to the Board of Directors in certain areas. It is up to the committees to report the findings of their work to the Board of Directors in the form of minutes, proposals, information or recommendations.

In accordance with Article R. 225-29, paragraph 2, of the French Commercial Code, the Board of Directors decided to create within itself an Audit and Risk Management Committee, a Compensation and Appointments Committee and an Agreements Committee. The Board of Directors is responsible for ensuring the proper operation of the committees.

The provisions relating to the organisation and operation of each of these committees are attached to the Internal Regulations (chapter 7, section 7.1.3).

3.2.2.1 Audit and Risk Management Committee

(a) Membership

In 2016, the Audit and Risk Management Committee was made up of five members appointed by the Board of Directors, including:

- 3 Directors representing the controlling shareholder: Marie-Ange Dubost, Chairman of the Groupama Centre Manche regional mutual, Amaury Cornut-Chauvinc, Chairman of the Groupama Méditerranée regional mutual, and Jean-Louis Pivard, Chairman of the Groupama Rhône-Alpes Auvergne regional mutual;
- 2 Independent Directors: Caroline Grégoire Sainte Marie and Bruno Rostain.

The Audit and Risk Management Committee is chaired by an Independent Director, Bruno Rostain.

It should be noted that the Executive Management of Groupama SA does not participate in the work of the Audit and Risk Management Committee except by special invitation and that it is represented by the Group Chief Financial Officer, the Group General Audit and Risk Manager, as well as by the General Secretary, who is also the secretary of the committee, accompanied by the Legal Director. Depending on the topics, the Head of Accounting, the Head of Investments, and the Head of General Audit also participate in the committee.

(b) Responsibilities

The main responsibilities of the Audit and Accounts Committee, which are included in the Internal Regulations of the Board of Directors of Groupama SA, are listed below:

- reviewing the draft combined/consolidated/parent company semi-annual and annual financial statements as well as the references and scope of consolidation;
- ensuring that the procedures for internal data collection and control guarantee the quality and reliability of the Company's financial statements;
- reviewing the performance of the statutory auditors' responsibilities and the amount of fees paid to them and ensuring compliance with the rules guaranteeing their independence;
- reviewing the financial investment policy and Assets/Liabilities management;
- reviewing the forecasts in advance and monitoring their achievement;
- reviewing external growth projects and disposals;
- overseeing the risk management and internal control policy, procedures and systems;
- reviewing the regulatory reports (ORSA, RSR, SFCR, actuarial function report);
- reviewing the Group's main risks and its solvency situation;
- reviewing the projected audit plan and the monitoring of the implementation of the audit recommendations.

(c) Activity in 2016

In 2016, the Audit and Risk Management Committee met six times: 14 March, 18 May, 11 July, 29 August, 19 October and 7 December. The attendance rate was 100% compared with 95% in 2015.

In 2016, the work of the Audit and Risk Management Committee was focused on the following main topics:

Monitoring the Group's financial position and implementation of the strategic programme

- over the course of two meetings, the committee reviewed the asset management policy looking back to 2016 as well as forward to fiscal year 2017; this enabled it in particular to monitor the implementation of the Group's investment policy in an environment of low interest rates, as well as to look at reinvestment flows and their impact on asset structures;
- the committee reviewed Groupama's 2016 projected combined results for 2016, the 2017 budget, and the Group's operational strategy planning for 2018-2020.

Legal monitoring of annual and semi-annual financial statements

- the Audit and Risk Management Committee reviewed the 2015 annual and 2016 semi-annual combined, consolidated and parent company financial statements before they were presented to the Board of Directors and submitted to the Board its opinion on the financial statements as well as the call price of the Groupama SA share. In doing so, it gave the Board its opinion on the management report, the solvency report and the investment policy, as well as on the Chairman's report on internal control and the reinsurance report for 2015;

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- it also devoted two meetings during the year specifically to a review of the principles, rules and options adopted for the closure of the annual and semi-annual financial statements;
- it gave its opinion on draft press releases relating to the annual and semi-annual financial statements and was consulted on the draft registration document for 2015, which was filed with the French Financial Markets Authority (AMF) on 28 April 2016 under number D. 14-0426.

Monitoring of risks and solvency

- the committee reviewed the Group's major risks at 31 December 2015 and 30 June 2016 as well as the risks specific to its asset management and property management activities;
- it reviewed the execution of the audit plan of the 3rd four-month period of 2015, the 1st quarter of 2016 and the 2nd four-month period of 2016 as well as the implementation of the audit recommendations and the draft 2017 audit plan;
- it reviewed the reports on major litigation under way within the Group, anti-money laundering and terrorism financing;
- it reviewed the 2016 reinsurance policy as well as the prospects for renewal of the external reinsurance programme for 2017;
- it reviewed Groupama SA's off-balance sheet commitments;
- the committee devoted four meetings to subjects falling within the new Solvency II prudential framework during which the following were presented to it, depending on the case, for an opinion or for information:
  - the opening balance sheet prepared within the Solvency II prudential framework and the Group's estimated SCR and MCR coverage ratios for the first quarter of 2016; the stress test assumptions adopted for the work in preparing the ORSA reports and the Group and Groupama SA ORSA reports that were sent to the ACPR,
  - the solo and group regular narrative reports on the opening balance sheet,
  - an update on the establishment of the data quality action plan,
  - a request for approval of a major change to the non-life partial internal model relating to the modelling of storms,
  - the actuarial function report,
  - the revision of certain written policies subject to the approval of the Board of Directors,
  - an adjustment of the asset risk limits.

Follow-up of statutory auditors' responsibilities

- the committee reviewed the budget for statutory auditor's fees with respect to fiscal year 2016;
- the statutory auditors presented their strategic audit plan to the Audit and Risk Management Committee, describing their responsibilities, the areas needing particular attention and their audit approach in response to the identified risks as well as the European audit reform;
- within the framework of the audit reform, the committee examined the guidelines on the mandates of the statutory auditors, outside their presence;
- the committee approved a mission for the statutory auditors other than certification of accounts (SACC) not calling their independence into question;
- it is further noted that at every meeting, the committee heard the statutory auditors without the management being present.

Follow-up on certain financial transactions or projects

- the committee examined a strategic partnership plan;
- it examined a plan to refinance Groupama SA's subordinated debts;
- it was informed about the renewal of the annual authorisation for the Company to issue bonds, the authorisation to use forward financial instruments to hedge the portfolio against equity, real estate and currency risks and the renewal of the annual authorisation given to the Executive Management regarding endorsements, securities and guarantees;
- an update was presented to the committee on two subsidiaries – one French and the other international – and presented it with a benchmark for life and non-life insurance companies in France.

Finally, the committee also defined its programme of work for fiscal year 2017.

3.2.2.2 Compensation and Appointments Committee

(a) Membership

The Compensation and Appointments Committee is made up of 4 members, including:

- 3 Directors representing the Controlling shareholder: Michel Baylet, Chairman of the Groupama Centre-Atlantique regional mutual, Laurent Poupart, Chairman of the Groupama Nord-Est regional mutual, and François Schmitt, Chairman of the Groupama Grand Est regional mutual;
- 1 Independent Director: Caroline Grégoire Sainte Marie, Chairman of the Committee.

The Chairman of Groupama SA and the Executive Management do not attend meetings of the committee. The General Secretary of Groupama SA, who performs the duties of secretary of the committee, provides ongoing assistance in the committee's work.

(b) Responsibilities

The responsibilities of the Compensation and Appointments Committee, which are included in the Internal Regulations of the Board of Directors, are listed below:

- putting forward to the Board of Directors any questions relating to the personal status of the corporate officers, specifically compensation, retirement and any allocation of options for the subscription or purchase of Company shares, as well as provisions for the departure of members of the Company's management bodies;

- putting forward any proposals regarding the compensation of corporate officers and the allocation and distribution of Directors' fees;
- assessing the conditions, amount and distribution of any options for the subscription or purchase of shares;
- defining the rules for setting the variable portion of the compensation of corporate officers and ensuring the consistency of these rules with the annual assessment of the performance of the executive officers and with the Group's medium-term strategies;
- evaluating all compensation and benefits received by Directors, as applicable, from other companies of the Group, including retirement benefits and benefits of any kind;
- establishing a procedure to select future Independent Directors and conducting its own assessments of potential candidates before any approach is made with regard to the latter;
- verifying, on an annual basis, the individual status of each Director with regard to the classification of Independent Director, and communicating the conclusions of its review to the Board of Directors;
- conducting, on an annual basis, a review of the Board of Directors' operating methods and communicating the conclusions of these reviews to the Board of Directors.

(c) Activity in 2016

During fiscal year 2016, the Compensation and Appointments Committee meet on five occasions: 7 March, 4 May, 11 May, 20 October and 7 December. Each time, the committee presented a report on its activities to the Board of Directors. The attendance rate was 100%.

In 2016, the work of the committee focused on the following main topics:

Status and compensation of corporate officers

- the committee proposed a review of the variable compensation for 2015 for the Chief Executive Officer and examined the result of the second year of the multi-year performance plan;
- it reviewed the draft registration document and the 2015 management report of Groupama SA relating to the compensation of Managers and corporate officers and to corporate governance as well as the 2015 compensation components to be submitted to the General Meeting with respect to "Say on Pay";
- it presented the variable compensation system for fiscal year 2016;
- it made an initial proposal regarding the quantitative and qualitative objectives for variable compensation of the Chief Executive Officer for fiscal year 2017 and examined the establishment of a new multi-year performance plan for 2017-2019;
- it reviewed the provisions of the law for growth, activity and equal economic opportunities concerning retirement commitments made to executive officers.

Verification of independence

- the committee verified the independent status of the Independent Directors on the Board of Directors with regard to the criteria set out in the AFEP-MEDEF Corporate Governance Code, included in the Company's Internal Regulations.

Selection of an Independent Director

- the committee heard candidates for the selection of a third Independent Director.

Training of Directors

- the committee proposed a training programme for 2016 and put forward an initial proposal for subject areas likely to be adopted for 2017.

Operating methods of the Board of Directors and committees and changes in governance

- the committee reviewed the results of the assessment of the operating method of the Board and the committees for the fiscal year 2015;
- it reviewed the draft questionnaire on the assessment of the work of the Board and the committees for fiscal year 2016;
- it reviewed the application of the AFEP-MEDEF recommendations on corporate governance and Directors' compensation on the reading of benchmarks on a set of French and European companies;
- it examined the update of the "Fit & Proper" written policy of the Group and Groupama SA with modifications made to the appointment of effective executives and details on the organisation of duties.

Career management for senior executives and Executive Management succession plan

- the committee examined the measures put in place by Groupama SA to manage its talent and improve mobility within the Group. It was also attentive to the increase in the proportion of women holding leadership positions;
- it reviewed the work performed for the development of an Executive Management succession plan.

Finally, the committee also defined its programme of work for fiscal year 2017.

3.2.2.3 Agreements Committee

(a) Membership

In 2016, the Agreements Committee was made up of 3 members, including:

- 2 Directors representing the controlling shareholder: Daniel Collay, Chairman of Groupama Paris Val de Loire regional mutual, and Michel L'Hostis, Chairman of the Groupama Loire Bretagne regional mutual;
- 1 Independent Director: Isabelle Bordry, appointed by Groupama SA's Board of Directors on 19 May 2016 to replace Odile Roujol.

Michel L'Hostis chaired the Agreements Committee from 8 March to 20 October 2016, and Isabelle Bordry, Independent Director, has chaired it since then.

The General Secretary serves as Secretary of the committee and, along with the Head of Legal, participates as a permanent member of the committee.

(b) Responsibilities

The responsibilities of the Agreements Committee, which are included in the Internal Regulations of the Groupama SA Board of Directors, are listed below:

- preventing any potential conflict of interest between the regional mutuals and Groupama SA and its subsidiaries, which is likely to result from their business relationships. As such, the committee will analyse all agreements entered into between the regional mutuals and Groupama SA and its subsidiaries, and any addendum to these agreements, according to defined significance thresholds:
  - to ensure their legal security,
  - and specifically, to ensure that the conditions of compensation or distribution of the risks between the entities of the Mutual Insurance Division and the entities of the division made up of Groupama SA and its subsidiaries are consistent with the corporate interests of Groupama SA;
- analysing the regulated agreements;
- analysing the conditions for application of the reinsurance agreement between Groupama SA and the regional mutuals.

(c) Activity in 2016

During fiscal year 2016, the Agreements Committee met three times: 8 February, 20 October and 7 December. On each occasion, it presented a report on its activities to the Board of Directors. The attendance rate was 100%, as in 2015.

In the framework of the business relations between Groupama SA and the regional mutuals, the Agreements Committee has primarily been consulted or informed about:

- the modification of the General Reinsurance Regulations in force concerning the reinsurance of the weather segments and the changes relating mainly to the development of new offerings;
- the business relationships existing between the regional mutuals and the subsidiaries in the following areas: group insurance distribution, insurance for municipal staff and IT and logistics services. The review of the agreements underlying these business relations revealed no potential conflict of interest;
- Groupama SA's financial support on the Group's major national programmes as part of the development of the banking activity and the programme for issuing mutual insurance certificates by the regional mutuals;
- the part of the draft Groupama SA 2015 registration document specifically concerning transactions with related parties and setting out the organisational and operating structure for economic relations between Groupama SA and its subsidiaries and the regional mutuals, specifically the justification for a mechanism to provide the regional mutuals with financial support in implementing Groupama SA's major national programmes.

The committee also examined the statement of agreements entered into by the Directors, which revealed that none were cited in the statutory auditors' special report, as well as the summary list of regulated agreements to be included in this report. In this context, and to allow the Company to comply with the scheme applicable to regulated agreements, the committee re-examined the agreements previously entered into that continued to have effect during fiscal year 2016 and proposed their renewal to the Board of Directors.

Finally, the committee also defined its programme of work for fiscal year 2017.

3.2.2.4 Membership of the committees

Since 20 October 2016, the membership of the committees of the Board of Directors was as follows:

Committee	Members
Audit and Risk Management Committee	■ Bruno Rostain, Chairman ■ Amaury Cornut-Chauvinc ■ Marie-Ange Dubost ■ Caroline Grégoire Sainte Marie ■ Jean-Louis Pivard
Compensation and Appointments Committee	■ Caroline Grégoire Sainte Marie, Chairman ■ Michel Baylet ■ Laurent Poupart ■ François Schmitt
Agreements Committee	■ Isabelle Bordry, Chairman * ■ Daniel Collay ■ Michel L'Hostis

* *Isabelle Bordry was appointed Chairman of the Agreements Committee during its meeting of 20 October 2016, replacing Michel L'Hostis, who served as interim Chairman following Odile Roujol's resignation effective 31 January 2016.*

3.2.3 ASSESSMENT OF THE BOARD OF DIRECTORS

Every year since 2005, Groupama SA has assessed the operations of its Board of Directors and committees and, in this framework, contracts for an external assessment to be carried out every three years, in accordance with the recommendations of the AFEP-MEDEF Code.

After the external assessment, performed in 2015, the 2016 assessment was carried out internally on the basis of a questionnaire that was validated by the Compensation and Appointments Committee.

The results of this assessment were discussed in the Compensation and Appointments Committee meeting of 7 March 2017 and in the meeting of the Board of Directors on 16 March 2017.

All of the Directors who responded felt that the operation of the Board of Directors met their expectations and that it has steadily improved in recent years. In addition, it is considered to be in compliance with the Company's corporate governance rules.

The nature and quality of the relations between the Board of Directors and the Executive Management are highlighted, and the Directors feel that the Board of Directors is sufficiently independent from the Executive Management, while sharing the same vision of the strategy and risks.

In general, the operation of the Board of Directors is considered satisfactory. Furthermore, the documents provided to the Directors are considered to be of good quality and improving. All of the Directors observed that the Board of Directors works in a spirit of cooperation, collegiality and efficiency and that the discussions continued to make progress.

The points requiring attention raised by the Directors led to the definition of areas for improvement proposed to the Board of Directors for 2017 particularly aimed at strengthening the review of certain topics and defining new training priorities.

3.2.4 VERIFICATION OF THE SITUATION OF OUTSIDE DIRECTORS WITH REGARD TO THE CRITERIA OF INDEPENDENCE ADOPTED BY THE COMPANY, RESULTING FROM THE AFEP-MEDEF CORPORATE GOVERNANCE CODE AND APPENDED TO THE INTERNAL REGULATIONS

Criteria	Isabelle Bordry	Caroline Grégoire Sainte Marie	Bruno Rostain
■ They are not an employee or corporate officer of the Company, or are not an employee or Director of the parent company or a company it is consolidating and have not been at any time over the past five years;	X	X	X
■ They have not been paid by the Company, in any form whatsoever, with the exception of Directors' attendance fees, compensation of over one hundred thousand euros (€100,000) within the past five years;	X	X	X
■ They are not a corporate officer of a company in which the Company holds, directly or indirectly, the position of Director or in which an employee designated as such or a corporate officer of the Company (currently or within the past five years) holds the position of Director;	X	X	X
■ They are not a significant customer, supplier, investment banker or financing banker of the Company or its Group, or for which the Company or its Group represents a significant portion of business activity;	X	X	X
■ They have no close family ties to a corporate officer;	X	X	X
■ They have not been the auditor of the Company over the previous five years;	X	X	X
■ They have not been a Director of the Company for over twelve years.	X	X	X

3.3 COMPENSATION PAID TO AND EQUITY INTERESTS OWNED BY DIRECTORS

In accordance with the recommendations of the Corporate Governance Code for listed companies revised in November 2016, calculation of the compensation due to executive officers is the responsibility of the Board of Directors and is based on the proposals of the Compensation and Appointments Committee.

Items contributing to the compensation of each executive officer are reported in accordance with the standardised presentation format recommended by the Corporate Governance Code.

3.3.1 COMPENSATION AND BENEFITS PAID TO THE CORPORATE OFFICERS OF GROUPAMA SA

3.3.1.1 Compensation paid to the members of the Board of Directors

The system of Directors' fees established by the Board of Directors as part of the overall allowance authorised by the General Meeting involves the payment of Directors' fees to all Groupama SA Directors, except for the Chairman of the Board, who receives compensation for his duties, and the Directors elected by the employees. Thus, during the fiscal year, 9 Directors representing the majority shareholder and 3 Independent Directors received Directors' fees.

Directors' fees received by each Director for participating in the work of the Board of Directors and as compensation for their general responsibilities comprise a fixed portion and a variable portion, paid in accordance with their attendance. Participation in the work of the Board's committees also gives rise to payment of fixed and variable Directors' fees.

These Directors' fees are paid quarterly.

For fiscal year 2016, as part of the global package maintained at €980,000, the distribution between fixed and variable amounts is as follows:

- for participation on the Board of Directors: €22,050 for the annual fixed portion and €2,745 per session for the variable portion paid based on attendance;
- for participation in the Board's specialised committees: €4,590 for the annual fixed portion per committee and €2,745 per meeting for the variable portion paid based on attendance.

A 50% reduction is applied to Directors' fees paid for additional exceptional meetings of the Board of Directors or the specialised committees attended remotely, *i.e.* €1,372.50 per meeting, keeping in mind that no compensation is provided in the event of remote participation in meetings of the Board of Directors and the committees scheduled in advance on the annual calendar.

Under these circumstances, and given the attendance of the Directors in 2016, the variable portion of the Directors' fees paid by Groupama SA tied to the attendance record outweighs the fixed portion.

Moreover, in 2016 certain Groupama SA Directors received attendance fees as members of the Board of Directors of the holding company, Groupama Holding, the breakdown of which is summarised in the following table.

Directors' fees *(Figures in euros)*

(Gross amounts before deduction of taxes and social contributions *)

	Directors' fees paid in 2016			Directors' fees paid in 2015		
Board members	**By Groupama SA**	**By Groupama Holding**	**Total**	**By Groupama SA**	**By Groupama Holding**	**Total**
Michel Baylet	65,070	44,280	109,350	63,698	44,280	107,978
Annie Bocquet (until 27 May 2015)			-	32,535	11,070	43,605
Isabelle Bordry (2) (appointed 27 May 2016)	24,825	-	24,825	-	-	-
Thierry Chaudon (1) (since 4 July 2016)	-	-	-	-	-	-
Daniel Collay	65,070	44,280	109,350	60,953	44,280	105,233
Amaury Cornut-Chauvinc	70,560	44,280	114,840	71,933	44,280	116,213
Marie-Ange Dubost	70,560	44,280	114,840	71,933	44,280	116,213
Maria Frigara (1) (until 7 June 2016)	-	-	-	-	-	-
Caroline Grégoire Sainte Marie (2)	87,503	-	87,503	91,620	-	91,620
Brigitte Homo (1) (until 7 June 2016)	-	-	-	-	-	-
Michel L'Hostis	63,698	44,280	107,978	63,698	44,280	107,978
Jean-Louis Pivard	71,933	44,280	116,213	74,678	44,280	118,958
Laurent Poupart (appointed 27 May 2015)	67,815	44,280	112,095	22,688	30,435	53,123
Bruno Rostain (2)	73,305	-	73,305	76,050	-	76,050
Odile Roujol (2) (until 31 January 2016)	17,640	-	17,640	56,835	-	56,835
Liouba Ryjenkova (1) (since 4 July 2016)	-	-	-	-	-	-
François Schmitt	66,443	62,280	128,723	58,208	62,280	120,488
Groupama regional mutuals (3)		398,520	398,520	-	395,775	395,775
TOTAL	**744,422**	**770,760**	**1,515,182**	**744,829**	**765,240**	**1,510,069**

* *Gross Amounts before 21% tax levy and 15.5% social security contributions.*
(1) *Directors employed for a period of four years; they do not receive compensation for their term of office.*
(2) *Independent Directors appointed by the General Meeting for a period of six years.*
(3) *Directors' fees for Directors who are Chief Executive Officers of regional entities are paid directly to their respective regional mutuals.*

3.3.2 COMPENSATION AND BENEFITS PAID TO EXECUTIVE OFFICERS

3.3.2.1 Compensation

(a) Chairman

The compensation package due to the Chairman of Groupama SA is set by the Groupama SA Board of Directors on the recommendation of the Compensation and Appointments Committee. It comprises:

- gross annual compensation paid monthly over twelve months;
- rights to replacement income at the time of his departure representing 13.6% of his gross annual compensation, a plan identical to that of his predecessors. It is a defined-contribution retirement scheme (Article 83 of the French General Tax Code). The Company is responsible for a social security expense of 20% on contributions.

The gross annual amount of the pension at 31 December 2016 is estimated at 4,559 euros.

Since 2012, at which time it was reduced by 10% at the request of the incumbent Chairman, the compensation package has remained unchanged.

Summary of compensation and allocated options and shares *(Figures in euros)*

Jean-Yves Dagès (Chairman of the Board of Directors)	Fiscal year 2016	Fiscal year 2015
Compensation due for the fiscal year *(detailed in the following table)*	294,450	294,451
Valuation of options allocated during the fiscal year	Not applicable	Not applicable
Valuation of bonus shares allocated during the fiscal year	Not applicable	Not applicable
Valuation of other long-term compensation plans	Not applicable	Not applicable
TOTAL	**294,450**	**294,451**

Summary of compensation *(Figures in euros)*

	Fiscal year 2016		Fiscal year 2015	
JeanYves Dagès (Chairman of the Board of Directors)	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	259,200	259,200	259,200	259,200
Variable compensation	Not applicable	Not applicable	Not applicable	Not applicable
Extraordinary compensation	Not applicable	Not applicable	Not applicable	Not applicable
Director's fees	Not applicable	Not applicable	Not applicable	Not applicable
Benefits in kind (1)	35,250	35,250	35,251	35,251
TOTAL	**294,450**	**294,450**	**294,451**	**294,451**

(1) The 2016 amount corresponds to the retirement contribution (35,250 euros) just like in 2015.

(b) Chief Executive Officer

The Chief Executive Officer receives fixed annual compensation in twelve equal instalments and variable compensation paid at the beginning of the following year.

Note that the 2016 variable compensation for the Chief Executive Officer is calculated in relation to a target figure (100% of the fixed compensation) from quantitative criteria (60%) based on the achievement of key performance indicators (share of unit-linked assets as a percentage of total assets under management, Group non-life insurance combined ratio, economic operating income), and three qualitative criteria (40%) related to strategy, leadership and steering of the Group. The quantitative criteria, qualitative criteria and amounts are set by the Groupama SA Board of Directors on the recommendation of the Compensation and Appointments Committee.

With effect from 2014, a multi-year performance plan over three years has been implemented for the period 2014-2016.

This involves a multi-year variable compensation package of a maximum amount equal to 75% of the fixed compensation received by each of the corporate officers, determined on the basis of predefined quantitative targets.

Each year, if the targets are met, one third of the compensation package will be reserved; this share will only be paid out at the end of the three-year period if performance, reviewed each year, is achieved.

The compensation is paid in full when all the targets have been achieved for each of the three years. It is also paid in full when the targets are achieved at the end of the three-year period without having necessarily achieved the targets in previous years since the period-end targets are achieved.

Note that the compensation for the first year can be cancelled in the second year if the performance of this second year is deemed insufficient; the same will be true for the third year. Each target is assessed independently of the others. In addition, there was no provision for payment of compensation in proportion to the rate of achievement of the targets.

In order to be paid the reserved amount, there is a presence condition by virtue of which the officer must still be effective in the function at the end of the three-year period.

The criteria used to measure achievement of the objectives set for each year are the net recommendation index of individual customers (INR) and the reduction of general expenses. The INR measures the difference between the number of customers who would recommend Groupama and those who would not recommend it on the scope of regional mutuals and Gan Assurances.

Summary of compensation and allocated options and shares *(Figures in euros)*

Thierry Martel (CEO)	Fiscal year 2016	Fiscal year 2015
Compensation due for the fiscal year *(detailed in the following table)*	1,095,419	1,167,170
Valuation of options allocated during the fiscal year	Not applicable	Not applicable
Valuation of bonus shares allocated during the fiscal year	Not applicable	Not applicable
Valuation of other long-term compensation plans	223,275	Not applicable
TOTAL	**1,318,694**	**1,167,170**

3

Summary of compensation *(Figures in euros)*

	Fiscal year 2016		Fiscal year 2015	
Thierry Martel (CEO)	**Amounts due**	**Amounts paid**	**Amounts due**	**Amounts paid**
Fixed compensation	660,000	660,000	632,245	632,245
Variable compensation	389,304	491,381	491,381	494,913
Extraordinary compensation	Not applicable	Not applicable	Not applicable	Not applicable
Director's fees	Not applicable	Not applicable	Not applicable	Not applicable
Benefits in kind [(1)]	46,115	46,115	43,544	43,544
TOTAL	**1,095,419**	**1,197,496**	**1,167,170**	**1,170,702**

(1) Protection, healthcare, social insurance cover for company senior executives and Managers and vehicle benefits.

3.3.2.2 Stock subscription or purchase options awarded during the year to corporate officers

Not applicable, as Groupama SA has never allocated stock subscription or purchase options.

3.3.2.3 Stock subscription or purchase options exercised during the year by corporate officers

Not applicable.

3.3.2.4 Bonus shares allocated during the year to executive officers

Not applicable, as Groupama SA has never issued a bonus share plan.

3.3.2.5 Restricted stock vesting during the year for executive officers

Not applicable.

3.3.2.6 History of stock subscription or purchase option awards

Not applicable.

3.3.2.7 History of allocations of bonus shares

Not applicable.

3.3.2.8 Summary of multi-year variable compensation of each executive officer

Name and function of the executive officer	Fiscal year 2016	Fiscal year 2015	Fiscal year 2014
Jean-Yves Dagès Chairman of the Board of Directors	Not applicable	Not applicable	Not applicable
Thierry Martel Chief Executive Officer	No payment during the fiscal year	No payment during the fiscal year	No payment during the fiscal year

3.3.2.9 Summary of the status of the executive officers

	Employment Contract		Supplementary pension scheme		Compensation or benefits due or likely to be due as a result of termination or change of functions		Compensation relating to non-competition clause	
Executive Officers	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Jean-Yves Dagès Chairman of the Board of Directors Start date of term of office: 14 December 2012 End date of term of office: 2021		X	X			X		X
Thierry Martel Chief Executive Officer Start date of term of office: 24 October 2011 End date of term of office: 2021	X [(1)]		X			X		X

(1) Employment contract suspended because of the Chief Executive Officer's service as an employee before his appointment for 21 years.

3.3.3 MEMBERS OF THE EXECUTIVE MANAGEMENT

3.3.3.1 Compensation

The other members of the Executive Management receive fixed compensation and variable compensation, the latter based on the achievement of predefined objectives.

Note that the Steering Committee had 11 members at the end of 2016, not including the Chief Executive Officer, whose compensation package is indicated in section 3.3.2.1 (b).

	Year 2016	Year 2015
(figures in euros)	Gross amount paid during the year	Gross amount paid during the year
Members of the Steering Committee	4,497,420	4,132,178
Average number of members during the year	11	11

(1) The amount indicated for the members of the Executive Management includes fixed compensation, variable compensation and various benefits (healthcare cover and, for some members, company car, housing).

3.3.3.2 Pension commitments made for the members of the Executive Management

A defined-benefits scheme (Article 39 of the General Tax Code) was established by agreement on 26 June 2001 for the members of the Steering Committee; this agreement was amended by agreement on 22 March 2004, then by agreement on 5 December 2005.

The benefits under this agreement were extended to the corporate officers who are members of the Executive Management, after authorisation by the Board of Directors on 14 December 2005 and approval in the General Meeting as part of the regulated agreements on 29 June 2006.

The members of the Steering Committee may qualify for this system provided they meet the conditions precedent under the agreement.

Rights are calculated by reference to previous years in the Group in a management position and/or in a position in the Executive Management of Groupama SA.

The resulting income may be neither less than 10% of the benchmark salary defined in the agreement nor more than 30% of the average gross annual compensation for the past 36 months. The basic, additional or supplementary schemes must not exceed 50% of the gross annual compensation of the beneficiary.

The management of the scheme is outsourced.

The estimated annual pension amount at 31 December 2016 is 230,198 euros for the Chief Executive Officer.

The Company is responsible for a contribution of 32% on pensions paid.

The total liability as at 31 December 2016 was €20,783,804 for members of the Executive Management at that time.

3.3.4 ELEMENTS OF THE COMPENSATION DUE OR ALLOCATED FOR FISCAL YEAR 2016 TO EACH EXECUTIVE OFFICER OF THE COMPANY, SUBJECT TO VOTE BY THE SHAREHOLDERS

In accordance with the recommendations of the AFEP-MEDEF Code revised in November 2015 (Article 24.3), a Code to which the Company refers in application of Article L. 225-37 of the Commercial Code, the following elements of the compensation due or allocated to each executive officer of the Company for the fiscal year now ended must be submitted for approval by the shareholders:

- the fixed portion;
- the annual variable portion and, where appropriate, the multi-year variable portion with the objectives used to determine this variable portion;
- extraordinary compensation;
- stock options, restricted stock and any other long-term compensation elements;
- compensation relating to assumption or termination of functions;
- the supplementary pension scheme;
- benefits of any kind.

It is proposed that the General Meeting of 28 June 2017 (see Resolutions 8 and 9 in section 7.3.2) vote on the elements of the compensation due or allocated to each executive officer of the Company for fiscal year 2016, namely:

- Jean-Yves Dagès, Chairman of the Board of Directors;
- Thierry Martel, Chief Executive Officer.

3.3.4.1 Elements of the compensation due or allocated for fiscal year 2016 to Jean-Yves Dagès, Chairman of the Board of Directors, subject to vote by the shareholders

It is proposed that the General Meeting of 28 June 2017 (8th Resolution) vote on the following elements of the compensation due or allocated to Jean-Yves Dagès, Chairman of the Board of Directors, for the fiscal year now ended.

Compensation elements due or awarded during the fiscal year now ended	Amounts or book value subject to vote	Comments
Fixed compensation	259,200	Annual gross compensation approved by the meeting of the Board of Directors held on 14 December 2012.
Annual variable compensation	Not applicable	Jean-Yves Dagès receives no annual variable compensation.
Stock options, restricted stock and any other long-term compensation elements	Not applicable	Jean-Yves Dagès has no stock options, restricted stock or any other long-term compensation elements.
Director's fee	Not applicable	Jean-Yves Dagès does not receive Director's fees.
Value of benefits of any kind	Not applicable	Jean-Yves Dagès no longer has a housing benefit since 1 January 2015.

Elements of the compensation due or allocated for the fiscal year now ended that are or were the subject of a vote by the General Meeting under the procedure for regulated agreements and commitments	Amounts subject to vote	Comments
Severance pay	Not applicable	
Non-competition compensation	Not applicable	
Supplementary pension scheme	35,250	Defined-benefits pension scheme (also applicable to his predecessors) authorised by the Board of Directors on 14 December 2012 and confirmed on 19 February 2014. The amount indicated corresponds to the contributions (13.6% of gross compensation) paid by the Company in the previous year.

3.3.4.2 Elements of the compensation due or allocated for fiscal year 2016 to Thierry Martel, Chief Executive Officer, subject to vote by the shareholders

It is also proposed that the General Meeting of 28 June 2017 (9th Resolution) vote on the following elements of the compensation due or allocated to Thierry Martel, Chief Executive Officer, for fiscal year 2016.

Compensation elements due or awarded during the fiscal year now ended	**Amounts or book value subject to vote** *(in euros)*	**Comments**
Fixed compensation	660,000	Annual gross compensation approved by the meeting of the Board of Directors held on 30 July 2015 from 18 June 2015.
Annual variable compensation	389,304	Given the quantitative and qualitative criteria approved by the Board and the achievements recorded as at 31 December 2016, the amount of the variable portion was determined at the meeting of the Board of Directors held on 16 March 2017 based on recommendations from the Compensation and Appointments Committee on the basis of the following quantitative criteria (share of unit-linked assets as a percentage of total assets under management, the Group's combined ratio for non-life insurance, economic operating income) and qualitative criteria linked to the Company's strategy and governance.
Multi-year variable compensation	223,275 decision of Board of Directors on 16 March 2017 (no payment in 2016)	With effect from 2014, a multi-year performance plan has been established for the period 2014-2016, the maximum amount of which is equal to 75% of the fixed compensation element. This compensation is subject to performance conditions determined on the basis of predefined quantitative objectives. Each year, if the targets are met, one third of the compensation package will be reserved; this share will only be paid out at the end of the three-year period if performance, reviewed each year, is achieved. In order to obtain the reserved amount, there is a condition by virtue of which the officer must still be effective in the function at the end of the three-year period. The criteria used to measure achievement of the objectives set for each year are the net recommendation index of individual clients and reduction in overhead expenses. The amount opposite will be paid in 2017.
Stock options, restricted stock and any other long-term compensation elements	Not applicable	Like all the executive officers of the Company, Thierry Martel has no stock options, restricted stock or any other long-term compensation elements.
Director's fee	Not applicable	Thierry Martel does not receive Director's fees.
Value of benefits of any kind	46,115	Company car benefit in kind, protection and healthcare and social insurance cover for company senior executives and Managers.

Elements of the compensation due or allocated for the fiscal year now ended that are or were the subject of a vote by the General Meeting under the procedure for regulated agreements and commitments	**Amounts subject to a vote** *(in euros)*	**Comments**
Severance pay	Not applicable	
Non-competition compensation	Not applicable	
Supplementary pension scheme	No payment	Thierry Martel qualifies for the defined-benefits scheme for members of the Steering Committee. Note that the principle of the extension of this scheme to the corporate officers who are members of the Executive Management was approved in the General Meeting of 29 June 2006, and that this extension was applied to Thierry Martel as approved at the meeting of the Board of Directors of 15 December 2011 and confirmed on 19 February 2014. ■ Eligibility for this scheme is subject to several conditions precedent, including the final completion of the career, the liquidation of all pension plans and the condition of being or having been a member of the Executive Management for a minimum of at least five years. ■ The escalation of the rights is 2% per year of the average gross annual salary of the last 36 months (fixed portion + benefits in kind). ■ According to the terms of the contract, the annuity paid for this contract may not exceed 30% of the average gross annual compensation for the last 36 months (fixed and variable elements, benefits in kind), keeping in mind that all basic, complementary and supplementary schemes must not exceed 50% of the beneficiary's gross annual compensation defined above.

3.3.5 REPORT OF THE BOARD OF DIRECTORS ON THE COMPENSATION POLICY FOR EXECUTIVE OFFICERS

Pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code, shareholders must vote on the principles and criteria for determination, distribution and allocation of fixed, variable and extraordinary components of the total compensation and benefits of any kind attributable to each executive officer of the Company for fiscal year 2017. These components are detailed in this report.

It is proposed to submit to the General Meeting of 28 June 2017 the principles and criteria for determination applicable to each executive officer of the Company, namely:

- Jean-Yves Dagès, Chairman of the Board of Directors (10th Resolution);
- Thierry Martel, Chief Executive Officer (11th Resolution).

The payment of the variable and extraordinary compensation elements is conditional on the approval of the compensation elements of the persons concerned by the Ordinary General Meeting.

3.3.5.1 Jean-Yves Dagès, Chairman of the Board of Directors

Compensation elements for fiscal year 2017	Principles and criteria for determination, distribution and allocation
Fixed compensation	Annual gross compensation of 259,200 euros approved by the meeting of the Board of Directors held on 14 December 2012.
Annual variable compensation	Jean-Yves Dagès receives no annual variable compensation.
Stock options, restricted stock and any other long-term compensation elements	Jean-Yves Dagès has no stock options, restricted stock or any other long-term compensation elements.
Director’s fee	Jean-Yves Dagès does not receive Director’s fees.
Benefits of any kind	Jean-Yves Dagès no longer has a housing benefit since 1 January 2015.

Elements of the compensation that are or were the subject of a vote by the General Meeting under the procedure for regulated agreements and commitments	Principles and criteria for determination, distribution and allocation
Severance pay	Not applicable
Non-competition compensation	Not applicable
Supplementary pension scheme	Defined-benefits pension scheme (also applicable to his predecessors) authorised by the Board of Directors on 14 December 2012 and confirmed on 19 February 2014. The amount corresponds to the contribution of 13.6% of the gross compensation paid by the Company during the year.

3.3.5.2 Thierry Martel, Chief Executive Officer

Compensation elements for fiscal year 2017	Principles and criteria for determination, distribution and allocation
Fixed compensation	Annual gross compensation approved by the meeting of the Board of Directors held on 30 July 2015: 660,000 euros starting 18 June 2015
Annual variable compensation	The variable portion is based on quantitative and qualitative criteria approved by the Board of Directors held on 16 March 2017, on recommendations from the Compensation and Appointments Committee: ■ Quantitative criteria: change in premium income in France in health and protection, Group's combined ratio for non-life insurance, economic operating income; ■ Qualitative criteria linked to the Group's strategy.
Multi-year variable compensation	A new multi-year performance plan has been established for the period 2017-2019, the maximum amount of which is equal to 75% of the fixed compensation element. This compensation is subject to performance conditions determined on the basis of predefined quantitative objectives. Each year, if the targets are met, one third of the compensation package will be reserved; this share will only be paid out at the end of the three-year period if performance, reviewed each year, is achieved. In order to obtain the reserved amount, there is a condition by virtue of which the officer must still be effective in the function at the end of the three-year period. The criteria used to measure achievement of the objectives set for each year are the spread of refinancing rate and the Group's digital strategy.
Stock options, restricted stock and any other long-term compensation elements	Like all the executive officers of the Company, Thierry Martel has no stock options, restricted stock or any other long-term compensation elements.
Director's fee	Thierry Martel does not receive Director's fees.
Benefits of any kind	Company car benefit in kind, protection and healthcare and social insurance cover for company senior executives and Managers.

Elements of the compensation that are or were the subject of a vote by the General Meeting under the procedure for regulated agreements and commitments	Principles and criteria for determination, distribution and allocation
Severance pay	Not applicable
Non-competition compensation	Not applicable
Supplementary pension scheme	Thierry Martel qualifies for the defined-benefits scheme for members of the Steering Committee. Note that the principle of the extension of this scheme to the corporate officers who are members of the Executive Management was approved in the General Meeting of 29 June 2006, and that this extension was applied to Thierry Martel as approved at the meeting of the Board of Directors of 15 December 2011 and confirmed on 19 February 2014. ■ Eligibility for this scheme is subject to several conditions precedent, including the final completion of the career, the liquidation of all pension plans and the condition of being or having been a member of the Executive Management for a minimum of at least five years. ■ The escalation of the rights is 2% per year of the average gross annual salary of the last 36 months (fixed portion + benefits in kind). ■ According to the terms of the contract, the annuity paid for this contract may not exceed 30% of the average gross annual compensation for the last 36 months (fixed and variable elements, benefits in kind), keeping in mind that all basic, complementary and supplementary schemes must not exceed 50% of the beneficiary's gross annual compensation defined above.

Board of Directors

3.4 REPORT ON INTERNAL CONTROL

This report on internal control as well as section 3.2, on the operating methods of the administrative and management bodies and section 3.3, on the compensation of corporate officers correspond to the application of Article L. 225-37 of the Commercial Code. The Groupama internal control structure, as with any control structure, cannot be considered an absolute guarantee for attaining the Company's objectives: rather, it constitutes reasonable assurance of the security of its transactions and control of its income.

In accordance with Articles L. 345-2 and R. 345-1-1 of the Insurance Code, the Groupama group prepares and releases combined financial statements consisting of all the statements of the regional and local mutuals as well as the consolidated financial statements of the Groupama SA division. In accordance with Article R. 345-1-2 of the Insurance Code, the combining entity of Groupama is Groupama SA.

The scope of the combined financial statements includes the regional mutuals, the local mutuals, Groupama Holding, Groupama Holding 2, Groupama SA and all the subsidiaries in the scope of consolidation with which it has capital ties. A breakdown of the scope of consolidation is included in the notes to the combined financial statements.

This report describes the internal control system at the Group level, both on the scope of the consolidated financial statements and of the combined financial statements.

In this context, it is important to consider the Group's general organisation: there is a distinction between the two major divisions: the regional mutuals (Caisses Régionales d'Assurances Mutuelles Agricoles), and Groupama SA, which is the holding company for the other entities in the Group ("subsidiaries").

The various entities of the Group are connected:

- within the Groupama SA division, equity holding relationships. The main 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 environment of Groupama SA, particularly in terms of internal control;
- in the Mutual Insurance Division:
  - by an Internal Reinsurance contractual mechanism between the regional mutuals and Groupama SA and defined by an insurance agreement with terms updated annually,
  - 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").

As a consolidating entity, Groupama SA is also the lead Company in the tax integration implemented between it, the subsidiaries owned in the proportion of 95% or more and, since 1 January 2008, the regional mutuals (see application for review of the corporate Group regime under Article 53 of the Corrective Finance law for 2007 dated 25 December 2007).

In addition, a framework agreement setting the general principles applicable to the business relationships between the regional mutuals and Groupama SA and its subsidiaries came into force on 1 January 2006.

3.4.1 CONTROL ENVIRONMENT

3.4.1.1 Strategy

Groupama SA is the parent company of the Groupama Subsidiaries Division, which is consolidated under it; it is also the parent company of the Groupama regional mutuals. As such, it is in charge of defining and coordinating the implementation of the Group's strategy in the companies:

- the Group's medium-term and long-term strategic focuses are determined by the managing bodies;
- they are implemented in the short or medium term in accordance with a Group Operational Strategy Planning ("OSP") process.

The OSP involves the development of provisional corporate income statements, IFRS financial statements and analytical results by business line for each entity. It is broken down into operational action plans pertaining to annual performance targets and thus constitutes the path for the period of the plan and the Group elements of reference for managing the entities.

The strategic plan is defined for a period of three years: the work carried out in 2015 resulted in the definition of the OSP for 2017-2019.

On the France scope, the national consolidation of objectives is approved by the Group's executive bodies.

Internationally, each subsidiary develops its OSP just like the Group's other entities, submitted to the International Subsidiaries Department and the Group's Executive Management for validation.

3.4.1.2 Human Resources (HR)

The responsibilities of the Group HRD cover three main areas:

- corporate activities: implementation of Group policies, coordination of HR networks, support and advice for companies and dialogue between workforce and management with the European Works Council, the Group committee, and the UDSG[(1)], in a Group structure in which each company (around forty) has a Human Resources Department in charge of HR management and employee relations under the authority of a Chief Executive Officer.

  In order to promote the establishment of corporate policies and the implementation of control and compliance systems, the Group HRD is supported by an HR Operational Committee

(1) *Groupama Social Development Unit. The UDSG is an association governed by the French law of 1901 grouping together all companies within the agricultural mutual insurance scope. Groupama SA is part of the UDSG, as are the regional mutuals, for example. Legally, UDSG negotiations are conducted at inter-company level and may not replace company-level negotiations. The UDSG sets a community-level contractual framework and is a driving force behind certain non-mandatory topics, such as integration of disabled workers.*

made up of the HRDs of the Group's French companies (Groupama SA, subsidiaries and regional mutuals).

The Group HRD is also in charge of employee relations within the UES[1], with the aim of managing all information/consultation processes relating to the projects and activities of its member companies (Groupama SA, Groupama Gan Vie, Gan Patrimoine, Gan Prévoyance, Groupama Supports et Services, Gan Assurances);

- activities related to the HRD of the "company" Groupama SA involving internal checks to ensure that labour laws and regulations are properly enforced: compliance with legal and contractual obligations related to corporate dialogue, human resources development (diversity and non-discrimination, etc.), and to employment contracts, vocational training, occupational health, production and transmission of statistics, legal reports, etc.;
- "Shared service centre" activities for all payroll operations and the administration of personnel for 8 companies of the Group including Groupama SA.

In addition, the Group HRD is responsible for managing and rolling out Group programmes or tools, in particular:

- the recruitment site common to all group companies in France;
- the annual performance interview tool;
- collective programmes intended to increase operational efficiency and performance management of Groupama SA and Group employees;
- preparation of the work of the Technical Careers Committee;
- implementation of the 2016 Group Opinion Survey in all companies in France and abroad;
- collective programmes intended to increase operational efficiency and performance management of Groupama SA and Group employees.

The Group HRD also carries out social projects in the consolidated companies, relating to the obligations of transparency and non-financial reporting covered in the Grenelle II law (publication in the management report of information relating to social impacts – organisation of work, labour relations, diversity, etc.). Note that after audit and verification by the statutory auditors, Groupama successfully obtained for 2015 (like the previous year) a certificate of participation as well as an attestation of sincerity.

3.4.1.3 Monitoring of subsidiaries

Every subsidiary is subject to ongoing monitoring by the departments 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.

This specific monitoring is supplemented at Group level by cross-functional management of all of the entities, particularly in the following areas:

(a) Activity monitoring and financial reporting

On behalf of the Group, the various Group Analysis and Management Control departments (within the Group Financial Control Department) implement procedures for activity monitoring (performance indicators) and financial reporting for all regional mutuals, French subsidiaries, international subsidiaries and Groupama SA. The aim is transparency of results and an understanding of trends in these areas for the Groupama SA Executive Management and the entities.

This approach is based on a process of management planning that is common to all entities. It is implemented and coordinated by the Group Financial Control Department and is based on core Group standards for developing forecasts, approved by the Executive Management and updated regularly.

At each of these phases, standardised reports by legal entity are prepared by the companies concerned. They are collected through the Group's consolidation and reporting application.

Before the close of each fiscal year, the Group Financial Control Department carries out additional monitoring and compiles an analysis of provisioning levels for each company in relation to the Group's standards for provisioning. This analysis gives rise to a report intended for the executive management.

In addition to this monitoring process, business reviews are conducted twice a year for group subsidiaries in France and abroad with the Executive Management of Groupama SA.

The April/May business reviews thus focus on the previous year's results, the analysis of the current year's results and forecasts, and the review of the Company's medium-term strategy.

These reviews ensure, in particular, that the Company's strategic guidelines conform to the Group framework.

The year-end business reviews are intended to analyse the year-end closing conditions, understand changes and developments in the financial statements and year-end figures, and present the outline of the major objectives for the upcoming year.

These business reviews include a specific "risk" section, presenting, by entity, the level of deployment of the internal control system and the main activities under way in the area of risk management.

(1) Economic and Social Unit. The UES is a social structure that includes, to date: Groupama SA, Groupama Support et Services, Gan Assurances, Groupama Gan Vie, Gan Patrimoine and Gan Prévoyance. It is at the UES level that certain mandatory negotiations, such as Annual Wage Negotiations, for example take place.

(b) Asset/Liability Management and investment strategy

Groupama SA, as the central body, is responsible for defining the Group investment strategy, which specifies the various orientations relating to the allocation of assets of French and international subsidiaries.

Groupama SA is in charge of the operational deployment of this group strategy by subsidiary and possibly by administrative district (for French subsidiaries).

The investment strategy of the regional mutuals is consistent with the investment strategy defined by the Group.

The structuring framework of the management measures related to Asset/Liability Management and investment operations (general organisation and risk management measures) is formalised as part of the policy of the Group and Groupama SA for Asset/Liability Management and investment risk, approved by Groupama SA's Board of Directors on 27 May 2015.

The major steps of the process of analysing assets/liabilities and defining the investment strategy

The Group Investment Department, within the Group Financial Department, is in charge of defining the Group investment strategy and relies on, where appropriate, the expertise of the various group entities or Groupama SA departments:

- Groupama Asset Management, Groupama Immobilier and outside Managers for market analyses;
- the Financial and Actuarial Departments of the various entities for information about the liabilities of each entity.

The major steps of the Group process for analysing assets/liabilities and defining the investment strategy specified below are adapted to the level of each entity on the basis of their objectives and their own governance.

The investment strategy is thus based on asset/liability analyses performed according to the issues of each company or portfolio and on expert analyses, taking into account the margins of prudence in view of the ALM conclusions.

These analyses make it possible to determine:

- the major arbitrage transactions to be considered in the portfolios;
- the investment guidelines by major asset class;
- the coverage requirements;
- the recommendations on the liability policies of the entities (underwriting policy in particular).

The formalisation and validation of the investment strategy

On the basis of this work, the Group Investment Department then formalises the Group investment strategy defining the following elements:

- the strategic allocation at the Group level and on the main portfolios (stock);
- cash flow projections and areas of allocation on these flows;
- changes in strategies by asset class;
- policies specific to derivatives;
- investments on new asset classes;
- the risk budgets (budget of capital losses, coverage budget, IFRS result budget, capitalisation reserve allowance and writeback policy).

The Group Investment Department verifies that this strategy complies with the Group risk limits. After this compliance verification is performed, the Group investment strategy is validated by:

- the Group Executive Management Committee;
- the Group Audit and Risk Management Committee;
- the Groupama SA Board of Directors.

After the Group investment strategy is validated, the Investment Department deploys this strategy operationally at the level of:

- each French subsidiary;
- each international subsidiary;
- certain contractual or regulatory administrative districts (for French subsidiaries).

In the Groupama SA subsidiaries, the investment strategies are validated during financial committee or Asset Allocation Committee meetings, depending on their organisation.

In the regional mutuals, investment strategies are validated during their financial committee meeting, in keeping with the Group's investment strategy.

3.4.2 INTERNAL CONTROL

3.4.2.1 Internal control principles and objectives

Internal control is a mechanism that the Group implements to guarantee:

- the application of instructions and guidelines set by Executive Management or the Management Board;
- compliance with the laws and regulations, local rules and codes of conduct relating to the businesses carried out by the Group;
- the proper functioning of the internal processes and rules of each company, particularly those contributing to the safeguarding of the Group's assets;
- the reliability of financial data;
- the control of risks of any nature to which each company is exposed;

and, in general, contribute to the control of its activities, the effectiveness of its operations and the efficient use of its resources.

Beyond compliance with the regulatory obligations, the implementation of an internal control system constitutes a strategic issue for Groupama essential to the preservation of its interests, the interests of its customers, partners, members and shareholders, and the interests of its staff or even its existence in case of a major event.

In this context, the general principles, objectives and organisation of internal control of the Group and Groupama SA were defined in a policy approved by the Board of Directors of Groupama SA in 2015. For the Group's entities, this policy constitutes the common reference to be respected in the deployment of their internal control processes.

As auditing is part of the internal control procedure, a Group and Groupama SA audit policy supplements the provisions of the internal control policy with its own operating rules and scope of operation. Risk management policies as well as a compliance policy, defining the overall framework for implementation and operation of the compliance system within the Group, complete the general internal control system.

In accordance with the requirements of Solvency II, a gap analysis was conducted in 2016 on each of the written policies to verify whether they should be updated.

In 2016, the Group continued its process of implementing Pillar 2 of Solvency II around four projects addressing the essential features of Pillar 2: organisation and governance, risk policy and risk management process, process and risk mapping and permanent control plan as well as change management.

The deliverables of these projects were have been implemented in all Group entities, with support in terms of methodology and operational monitoring of the roll-out being provided by the Group Permanent Control/Compliance Departments (in collaboration with the International Subsidiaries Department).

The overall internal control system was also enriched as part of additional projects particularly pertaining to improving the quality of the data used to supply the three pillars of Solvency II (see 3.4.4.3 below), an asset risk limit system was updated (see 3.4.4.2 below), the implementation within the French entities of the community operational risk management tool, OROp, is nearly complete and the implementation of the Group business continuity policy is in progress within the Group's entities (see 3.4.4.13 below).

With regard to risk management, the work, which continued in 2016, particularly in the framework of the first ORSA regulatory exercise and the adaptation of the asset risk limit system, enabled the Group entities to better understand their exposure to risk and their risk profiles, and to structure and develop their own assessments and measure the short-term and medium-term impacts on their solvency.

This approach is part of a global continuous improvement process.

Lastly, the Group ethics procedure, laid down in Groupama's ethics charter, defines the Group's business ethics commitments and principles and sets out rules of conduct for its employees.

3.4.2.2 Organisation of Internal Control

(a) At group level

Principles of organisation

The Risk Management and Permanent Control/Compliance Departments as well as the Group General Audit Department report to the Groupama SA Deputy Chief Executive Officer, under the responsibility of the Group Audit, Risk and Control Manager (DARCG).

The Group Audit, Risk and Control Manager reports periodically to the Groupama SA Board of Directors, Audit and Risk Management Committee on the Group's position and any work in progress in terms of internal control, risk management and auditing engagements.

In accordance with the regulatory requirements regarding key functions, the risk management and permanent control/compliance functions have been separated within the Group Audit, Risk and Control Department.

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 and is also responsible for validating the partial internal model.

Within this framework, these departments, according to their area of responsibility:

- assist the administration and Executive Management bodies in defining the risk strategy and 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 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.

GROUP RISK MANAGEMENT DEPARTMENT

At year-end 2016, the Group Risk Management Department had a seven-person dedicated team. Its missions are especially:

- developing the Group risk management policy and the coordination of risk policies by area together with the risk owners concerned;
- defining the process for setting the Group's risk tolerance;

- development of the asset risk limit system and supervision of the system within the entities;
- implementing the ORSA process (Own Risk and Solvency Assessment: internal assessment by the Company of its risks and its solvency situation) and developing the related policy;
- monitoring the major group insurance and financial risks (RMG);
- assessing and rating insurance and financial risks, including sensitivity analyses and stress tests;
- contributing to prudential reports: EIOPA requests, IAIS requests (systematic risks), etc.;
- supporting the Group's entities in adapting the insurance and financial risk management system.

In 2016, the major tasks undertaken by the teams in the Group Risk Department focused on:

- continuing the Risk Tolerance project with the adjustment of the limit system for the regional mutuals and the international subsidiaries particularly aiming to better integrate the solvency constraints of the entities;
- continuing the deployment of the Regulatory Capital-Adjusted Profitability (RCAP) project with the integration of the Italian subsidiary's non-life insurance activity into the process;
- carrying out the first regulatory Own Risk and Solvency Assessment (ORSA), with the submission of a report to the local control authorities for the Groupama group and each of the Group's insurance entities in France and abroad.

  They were produced based on the assumptions used as at 31 December 2015, taking into account the contra-cyclical measurement (Volatility Adjustment) and the application of the transitional measurement of underwriting provisions of Groupama Gan Vie following the approval given in December 2015 by the ACPR for its use as from 1 January 2016. Likewise, at the Group and Groupama SA level, the assessments also integrate the internal model approach for non-life and non-SLT health underwriting risks in accordance with the approval given by the ACPR's board with a view to its use starting in 2016 in the regulatory solvency calculation.

  The ORSA reports were prepared by each Risk Manager in close collaboration with the Pillar 1 Manager for each entity, in accordance with the specific features of its risk profile and solvency situation.

  The ORSA reports were produced based on common principles of assessment methodology and in line with a generic report proposed by the Group Risk Department, which serves as the basis for preparation of the entities' final report.

  Both at Group level and at the entity level in France and abroad, the ORSA process and the ORSA report were presented regularly throughout 2016 and as work has progressed, with approvals sought at each stage from the Steering Committees of Groupama SA and the entities. These successive updates made it possible to validate the approach, assumptions and results of this first regulatory exercise.

  At the same time, the Boards of Directors of the Group's insurance companies were involved – directly or through the Audit and Risk Management Committee upstream of the ORSA work (particularly through the validation of calculation assumptions and the choice of scenarios adopted) – and examined the results then approved their company's report before transmission to the local control authorities in accordance with the regulations.
- revision of the ORSA policy;
- assessment of the major insurance and financial risks particularly as part of the ORSA assessment work and internal assessment campaigns coordinated by the Group Risk Department, with an enrichment of assessment scenarios whether on insurance risks or financial risks and especially credit risk.

GROUP PERMANENT CONTROL/COMPLIANCE DEPARTMENT

At the end of 2016, the Group Permanent Control/Compliance Department had a dedicated team of 11 staff. Its missions are especially:

- developing the Group's policies on internal control, operational and compliance risk management and business continuity (BCP);
- developing the Group's standards and reference sources (mapping of processes, operational risks and permanent control plans, and supervision of 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 collection of incidents and the assessment of operational risks;
- establishing the internal control of the Groupama SA entity;
- supervision of the system within the entities;
- defining and establishing the compliance policy;
- ensuring data quality, in terms of governance and control plan;
- responsibility for internal approval 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.

In 2016, the major tasks undertaken by the teams in the Group Permanent Control/Compliance Department focused on:

- support and monitoring for the roll-out of the Group Pillar 2 deliverables in the Group entities;
- assessment of operational risks particularly on the basis of the Group nomenclature and the Group assessment methodology;

- actual implementation of the community operational risk management tool, OROp, in nearly all of the companies of the France scope of the Group;
- coordination of the Group's compliance initiatives particularly in connection with the strengthening of regulatory requirements regarding customer protection and the fight against money laundering and terrorist financing;
- updating the document reference system;
- management of the network of risk and internal control officers and the organisation of meetings to discuss experiences through regular workgroups and establishment of an ARC (Audit, Risk and Control) COMOP (operational implementation committee) grouping together the ARC Managers of the main companies of the Group's France scope.

In addition to these actions to strengthen the risk and control system, the Group Risk Management and Permanent Control/Compliance Departments worked together on:

- coordinating the Group risk governance system, particularly *via* the Group Risk Management Committees, by risk category (insurance, financial and operational) (see below);
- strengthening the Group risk culture particularly with:
  - the continuation of *ad hoc* actions in the Group's various entities, relating to Solvency II, its impacts, preparation of the Group for its application and the essential nature of internal control and risk management,
  - the holding of regular workshops on specific themes detailed below,
  - regular updates to a document portal dedicated to Risk and Control, which is intended to share the Group references and standards;
- the annual internal control survey. The purpose of this self-assessment questionnaire is to ascertain the status of the risk control and internal control systems and their level of deployment (at both entity level and Group level) and uniformly measure the progress of the Group's entities. This status assessment gives rise to the development and monitoring of improvement action plans.

Lastly, in addition to the Risk Management and Permanent Control/Compliance Departments, a Research division, reporting directly to the Group Audit, Risk and Control Manager, completes the system; its primary responsibilities include conducting general studies on the subject of risk management and control, monitoring the emergence of new risks and tracking CRO Forum (Chief Risk Officers – European Forum) files.

GROUP GENERAL AUDIT DEPARTMENT

The objectives and the principles for operation and involvement of the Group's General Audit Department and the internal audit function as well as the relationship between the various control levels (permanent control, internal audit in the Group entities and General Audit Department) are formalised in the internal audit policy of the Group and Groupama SA developed in 2015.

The Group General Audit Department operates across the entire Group with a staff of twelve auditors. The Group General Audit Department's 2016 audit plan was approved by the Groupama SA's Board of Directors in 2015. It is built around a three-year audit approach for each company of the Group and also incorporates audits of the Group's cross-functional processes.

The general audits of entities conducted in 2016 by the Group General Audit Department focused on four regional mutuals, two French insurance subsidiaries, two service subsidiaries and two international subsidiaries. The audits made it possible to measure the progress made and the deviations from best practices in the implementation of the Group's strategy in all areas by the audited entities:

- the reduction of financial risks within the framework of the asset risk limits defined with regard to financial investments;
- the technical balances in non-life insurance measured by business line indicators, serious, weather-related and attritional claims ratios, as well as the regulatory capital-adjusted profitability (RCAP);
- the reorientation of life and health insurance towards unit-linked savings vehicles and group health insurance;
- the improvement of customer service and commercial efficiency through the deployment of digital and multi-channel technologies;
- the deployment of Pillar 2 of Solvency II.

The audit investigations resulted in specific recommendations on the examined processes.

Cross-functional audits focused on customer notification and advice systems during the distribution of individual life insurance policies and financial products, then on the control of construction risk management and compensation processes. The objective of these audits was to verify compliance with the procedures in place and to identify the best practices of the Group's entities to reduce risks related to consumer protection (failure to advise) and those relating to construction risk insurance. Following these audits, recommendations are made to the central body to reinforce or adjust the system of standards and control of the Groupama SA Business Departments concerned, and the identified good practices are intended to be adapted to be deployed widely in the entities, which are responsible for implementing the recommendations made by the Group General Audit Department.

The audit conclusions are reported *via* a table of evaluation of risks to which the Company is exposed on its key processes. These conclusions are shared with the Steering Committees of the companies concerned and the Group Executive Committee for the cross-functional audits. They are then presented to the Audit and Risk Management Committee of Groupama SA.

At the end of 2016, the Group's audit team had more than 80 auditors across Groupama SA, the regional mutual and the Group's subsidiaries in France and abroad.

The working methods and the definition of the responsibilities of the key internal audit functions of the entities were formalised in dedicated policies approved in 2015 by the Boards Of Directors of most of the Group's entities, consistent with the principles of the Internal Audit policy of the Group and Groupama SA.

The subsidiary is managed principally *via* agreements and a working group (WG).

The Audit workgroup, consisting of the audit Managers of the regional mutuals and the France subsidiaries, met three times in 2016, addressing the following main themes: deployment of Pillar 2 in the Group, feedback from the Internal Audit Managers on missions conducted, monitoring and organisation of the 2016 cross-functional audits, as well as the detailed reporting of their conclusions, the expected developments of a more integrated tool for monitoring all internal audit recommendations to the entities and Group and the methods for developing and monitoring audit plans in conjunction with the risk-mapping work.

Risk Committees

The bodies dedicated to risk management enabling Groupama SA's Executive Management to carry out regular monitoring of the main risks incurred at Group level are the Group Risk Management Committee and the specialist Group committees for the various risk categories (Financial Risks, Insurance Risks and Operational Risks) and the Capital Management Committee.

GROUP RISK MANAGEMENT COMMITTEE (CRG)

Its membership is the same as that of the Groupama SA Steering Committee.

Its tasks are to approve the risk management policy and the policies by risk area, particularly by setting the limits of major risks and determining the methods to be used to manage risks, to review and monitor the management of major Group risks and to examine the work of the Group Insurance, Financial and Operational Risk Committees.

During 2016, this committee met twice to approve the work prepared by the specialist risk committees (see CRFG, CRAG and CROG above) with, in addition to the monitoring of the major Group risk control actions, particular attention on:

- adaptation of the limit system on the France and international scopes;
- impacts of an environment of low rates on the Group's results and solvency, including the analysis of the results of the stress tests required by EIOPA for life insurance entities;
- future IAIS regulatory requirements;
- capital allocation work;
- the progress and validation of the work carried out on the Own Risk and Solvency Assessment (ORSA) and the results achieved;
- update on the roll-out of permanent controls in Group entities and Groupama SA and, more generally, on the implementation of Pillar 2 of Solvency II, particularly with respect to the major themes covered in the annual internal control questionnaire;
- implementation of the Data Quality action plan, developed as part of the application for approval of the non-life internal model;
- the review and evolution of Group Major Risks as well as an analysis of potential risks, particularly geopolitical and regulatory.

GROUP COMMITTEES FOR SPECIFIC CATEGORIES OF RISK

These specialist committees cover all risks with a systematic focus on major Group risks. They ensure continuity of action from the Group Risk Management Committee to which they report up to the working groups and committees in charge of activities incurring risks. The specialist committees are chaired by a member of the Steering Committee. The Risk Management Department and/or the Group Permanent Control/Compliance Department provide coordination and secretarial support to these committees.

The mission of these committees is generally to:

- monitor the deployment of policies and strategies by risk area;
- monitor the exposure to risks and the management of these risks;
- coordinate the actions of the departments and entities involved in the treatment of risks;
- issue an opinion on the measures aiming to limit risks proposed by the Group Risk Department and/or the Group Permanent Control/Compliance Department or the proprietary Risk Departments and propose additional measures to reduce risks;
- check the proper application of risk limits by the entities;
- report on risks to the Group Risk Committee.

GROUP FINANCIAL RISK COMMITTEE (CRFG)

The Group Financial Risk Committee is made up of the Deputy Chief Executive Officer (Chairman), the Managers of the Group Financial and Investment departments, the head of the Audit, Risks and Internal Control Department, the head of Risk Management and representatives of the French Subsidiaries/International Subsidiaries Departments and banking and Asset Management subsidiaries. It is responsible for proposing to the Group Risk Management Committee the policy and rules governing the acceptance and retention of financial risks. In this context, it:

- identifies and evaluates financial risks;
- proposes asset risk limits at Group level and entity level as well as hedging principles;
- monitors the proper application of these limits by the Group's entities and proposing action plans;
- validates any dispensations and/or the establishment of action plans;
- reviews the models and methodologies for assessment of financial risks (*e.g.* Asset/Liability Management, valuation, etc.) and the limits of these models;
- defines stress test scenarios for financial risks, evaluates their consequences and proposes a modus operandi in case of occurrence of a financial crisis;
- alerts the Group's Executive Management where appropriate.

The committee met three times during 2016. The main topics covered were:

- examination of Group Major Financial Risks (RMG);
- changes in the risk limit system particularly aiming to better integrate the solvency constraints of the entities;
- operational monitoring of the system for risk limits on financial assets in the Group entities and the review of overruns and any dispensations;
- the ORSA approach (assumptions, stress tests);
- updates and/or information on economic conditions and particularly the interest of reducing the greatest financial risks.

GROUP INSURANCE RISK COMMITTEE (CRAG)

The Group Insurance Risk Committee is made up of the head of the Insurance, Banking and Services Department (Chairman), the heads of the Insurance and Agricultural Business Departments, OSP Management and Coordination, Reinsurance, the Group Actuarial Department the Group head of Audit, Risk and Control, the head of Risk Management and representatives of the International Subsidiaries Departments and Groupama Gan Vie. It is responsible for proposing the policy and rules governing the acceptance and retention of insurance risks to the Group Risk Management Committee. In this context, it:

- identifies and evaluates insurance risks;
- examines the commitment levels at the Group level and the main guidelines;
- defines stress test scenarios on insurance risks, evaluates their consequences and proposes a modus operandi in case of occurrence;
- monitors governance and the performance of the internal model for insurance risks (*e.g.* decision for major change of the model);
- checks the proper application of the process for development and compliance of new products (life and non-life) with the Group risk management policy;
- alerts the Group's Executive Management where appropriate.

The committee met three times during 2016 (February, June, October). The main topics covered were:

- examination of Group Major Insurance Risks (RMG);
- the ORSA approach (assumptions, stress tests, etc.);
- examination of the work relating to the non-life insurance internal model with an initial review of the major developments since the approval notified by the ACPR's board for use of this model;
- review and major insurance risk control plans with particular attention on agricultural risks in the light of the weather events observed in 2016;
- the capital allocation work (RCAP (Regulatory Capital-Adjusted Profitability) and its impacts on target premiums/claims ratios and the OSP initiative);
- strategies for the 2017 external reinsurance programme;
- monitoring of new products and the preparatory work for development of a new product policy that must be incorporated into the new Insurance Distribution Directive (IDD);
- changes in civil liability covers;
- updates on the supplying data to the new national risk database (BRN) relating to the Business and Local Authority segment, Long-Term Care risk, the level of Group retention by risk, the main exposures in damage in France and abroad and the implementation of the sanction clause plan.

GROUP OPERATIONAL RISK COMMITTEE (CROG)

This committee is made up of the Managers of the Groupama SA departments who "own" the major operational risks identified (see 3.4.4.13 below) and is chaired by the Group Head of Audit, Risk and Control. Its responsibilities are the following:

- defining the operational risk management policy (including compliance and reputation) and ensuring that it is properly implemented in the entities;
- defining and checking the budgets and operational risk limits consistent with the Group risk tolerance;
- monitoring all Group operational risks, particularly major Group operational risks;
- defining the policy for hedging against operational risks (operating risk insurance, BCP, etc.);
- alerting the Group's Executive Management where appropriate.

The committee met three times during 2016. The main topics covered were:

- review and plans for control of major Group operational and non-compliance risks;
- assessment of the test of the IT disaster recovery plan that G2S performs for the Group's entities;
- monitoring of the deployment of the common operational risk management tool, OROp;
- regulatory developments relating to customer protection, the Insurance Distribution Directive (IDD), the fourth directive against money laundering and terrorism financing, the European general data protection regulation (GDPR), the PRIIPs regulation and their impacts for the Group;
- implementation of the permanent control plan and monitoring of the Business Continuity Plans within Groupama SA.

CAPITAL MANAGEMENT COMMITTEE

The main objectives of this committee are:

- validation of the capital management policy;
- monitoring of the implementation of the capital management plan;
- monitoring of the Group's solvency risk;
- validation of the internal assessment of risks and the solvency of all group entities at the Group level.

The role of this committee regarding financing and solvency is detailed in points 3.4.4.1 and 3.4.4.12.

Cross-functional committees

In addition to the specific Risk Committees (CRG, specialised committees by category of risk and capital Management Committee), the head of the Audit, Risks and Internal Control Department chairs two cross-functional committees, allowing him to coordinate two important areas involved in the control of the Group's risks: the partial internal model and data quality.

INTERNAL MODEL GROUP COMMITTEE (CGMI)

The Internal Model Group Committee (CGMI), led by the Group Actuarial Department (in charge of modelling) and by the Permanent Control and Compliance Department (in charge of independent validation of the model), is a body for decision-making and discussions between the various departments involved in or concerned by the internal model. As such, it takes an active role in the process of validating and changing the internal model. Its responsibilities are defined and detailed in the internal model policy. It reports to the Group Insurance Risk Committee, which has a role of consultation and guidance in such matters. It reports to the Group Risk Committee, the final decision-maker with regard to major changes to the model, before approval by the Board of Directors.

GROUP DATA QUALITY COMMITTEE (CGQD)

The Group Data Quality Committee, coordinated by the Group Management Control function, defines the Group data quality policy, verifies its operational implementation and manages projects necessary to improve data quality. Under the internal model, the CGQD ensures that the data quality (completeness, accuracy, relevance) is sufficient both for entry of the model into calibration and after calibration. It is supported by a network of Data Managers and data owners (by entity and for each Group department concerned), who are in charge of controls applied to the collection process. The CGQD prepares a Group report and reports directly to the Group Risk Management Committee (see above).

(b) Within the entities

The specific risk control and internal control system of the entities is organised around two complementary systems:

- risk management and internal control of each entity;
- internal or operational auditing of every entity.

The first two systems are adapted to each entity based on its organisation, activities and resources and the local regulations abroad, under the authority of its Executive Management.

Regarding governance, the French entities subject to the Solvency II regulation thus notified the ACPR of their effective executives and parties responsible for key functions. Similarly, just like the Group model, the entities regularly hold specialised Risk Committee Meetings. All Group policies were reviewed in accordance with Solvency II. Three of these Group policies were updated and validated in Groupama SA's Board of Directors in 2016 for deployment by the Group's companies.

The entities identify and assess their major risks and share them with the Risk and Permanent Control/Compliance Departments as part of the annual major risk assessment survey. The implemented system of limits on financial assets, on the basis of the Group system, is operational in all of the entities.

The integration of permanent control plans is in progress within the OROp common tool according to the Group methodology, with an objective, for the France scope, of finalisation of the operational implementation in the first half of 2017. This tool also enables collection of incidents, assessment of operational risks and management of action plans.

Updates on the progress of all Pillar 2 implementation projects are shared during meetings of the ARC Comop bringing together the regional mutuals and the main subsidiaries of the France scope of the Group (see point 3.4.2.2 *(a)* below) and is the subject of regular reporting to the Group Executive Committee/Steering Committee.

The system of deployment within the Group is supplemented with:

- regular workshops on specific themes (ORSA, risk assessment methods, asset risk limits, risk scenario development, level 2 permanent control, compliance, etc.);
- Steering Committee Meetings with each entity (2 to 3 per year);
- and bilateral meetings on specific subjects such as:
  - investment risks (asset limits and exceeding of limits) with the proprietary Financial Risk Departments (group and entities) and the risk and control departments (group and entity),
  - the assessment of risks as part of the annual survey for collection of major insurance, financial and operational risks.

In 2016, the Group's entities covered by the requirements of Solvency II both in France and abroad developed and submitted their first ORSA report validated by the Board of Directors to their local control authorities in the second half of 2016, in accordance with the regulation.

(c) Within Groupama SA

Implementing the internal control system at the level of the functional and operational activities of Groupama SA is the responsibility of the different officers in charge of these activities under the authority of the Steering Committee. The area of responsibility of each of these Managers is determined by the delegations of authority approved. The implementation of the internal control system of the corporate entity Groupama SA is handled by a specific function attached to the Group Permanent Control/Compliance Department.

(d) Groupama working groups (WG) and workshops

These working groups are inter-company entities in the Groupama SA Mutual Division. Their role is to communicate, discuss and coordinate, and in certain cases they are involved in underwriting decisions. Those working groups that play a significant role in terms of internal control are the following:

Group Compliance WG

The Group Compliance Department regularly organises (at least biannually) working groups according to the current concerns and the guidance given by the ACPR. During fiscal year 2016, the following themes were addressed during these meetings:

- the ACPR Questionnaire on commercial practices and customer protection;

- the Insurance Distribution Directive (IDD) and the Packaged Retail And Insurance-Based Investment Products (PRIIPs) directive;
- the marketing of mutual insurance certificates.

Steering and Management Control WG

This working group meets on a quarterly basis. Its purpose is to coordinate, together with the regional mutuals, the work falling within the scope of management control. In particular, it is in charge of monitoring and analysing the actual and projected results of the regional mutuals, harmonising overhead expenses, converging underwriting reserves, designing management tools for forecasts and developing Group performance indicators.

The subject areas for review submitted to the regional mutuals are examined in sub-working groups in which representatives of the regional mutuals participate. The two main sub-groups work on underwriting reserves and general expenses.

SUB-GROUP ON UNDERWRITING RESERVES

It aims to monitor and analyse the level of technical reserves of the regional mutuals. The Group Management Control Department prepares recommendations about reserves, particularly methods, tools and standards. In particular, the sub-working group's main mission in recent years was to steer and coordinate the convergence of technical reserves toward the Group standards.

SUB-WORKING GROUP ON OVERHEAD EXPENSES

The purpose of this group is to harmonise practices in the area of allocation of overhead expenses and establish standards for assessment and recognition for accounting and analysis purposes. In addition, the sub-group is in charge of monitoring the overhead expense reduction plans of the regional mutuals based on the objectives set by the Group and the operational strategy plan (OSP).

Accounting, Taxes, Consolidation WG

This group meets on a quarterly basis and is responsible for proposing the implementation of the Group's accounting, regulatory, tax and consolidation principles to the representatives of the Accounting and Tax Departments of the entities in the Group.

Regional Mutuals Reinsurance WG

This WG meets on a quarterly basis and is composed of representatives of Groupama SA and the regional mutuals. Its purpose is to validate changes in the reinsurance terms before submission for approval by the regional mutuals at a meeting of the Chief Executive Officers of the regional mutuals and the Chief Executive Officer of Groupama SA; modifications to the General Reinsurance Regulation are then submitted for approval to the Board of Directors of Groupama SA. The terms for annual application are approved by the Steering Committee of Groupama SA and by the Group Executive Committee.

International Subsidiaries Reinsurance WG

Once a year, the WG brings together the reinsurance specialists of each international subsidiary around the DCER with the objective of addressing key topics of the moment (methods of calculating Cat SCRs, retention limits, conflagration calculation) and establishing the arrangements for data quality and data reporting.

3.4.3 COMPLIANCE

3.4.3.1 Group Compliance Policy

In 2015, Groupama SA's Board of Directors approved the Group Compliance Policy aiming to ensure the Group's compliance with all legislative or regulatory texts as well as the standards enacted by the supervisory authorities and the professional practices to which the Group is subject as part of its various activities.

This policy presents the organisation that the Group has put in place to achieve this objective and the organising framework of the system for managing non-compliance risks, *i.e.*:

- the arrangements put in place within the Group in keeping with its strategy and its risk appetite;
- the roles and responsibilities of key players at the Group and company levels.

The Group Compliance policy applies to all companies of the Groupama group both in France and abroad, respecting the rules of proportionality as provided for in Directive 2009/138/EC, regardless of whether they are subject to Solvency 2 or to any equivalent legislation/regulation. In 2016, each of them:

- appointed a person in charge of the key function of "Compliance Verification", whose name was reported to the ACPR;
- drafted its own Compliance policy on the basis of the Group Compliance policy by adapting it in keeping with the principle of proportionality;
- implemented the drafted Compliance policy.

Non-compliance risk is a cross-group operational risk, and the non-compliance risk control system is one of the essential components of internal control organised within the Group.

Compliance essentially covers the themes pertaining to the Group's core business, *i.e.*, non-life insurance, life insurance, banking, asset management, and real estate governed particularly by the Insurance, Monetary and Financial, Consumer, and Commercial Codes, the General Regulation of the AMF, as well as the regulations from the supervisory authorities to which these activities are subject. In this context, the main themes and risks covered are as follows:

- the protection of customers;
- the fight against money laundering and terrorist financing;
- ethics and professional conduct / management of conflicts of interest;
- professional secrecy;
- protection of personal data, including medical data;
- internal fraud.

The Group Compliance Department supports, advises and verifies the formalisation and implementation of the rules enacted by Groupama SA's functional and Business Departments:

- The Group Legal Department for regulatory and legal watch aspects (compliance with the provisions of the Insurance, Commercial and Consumer Codes, tax regulations on insurance products, etc.) and Group internal standards, particularly for the monitoring of delegations of powers, anti-money laundering regulations and compliance with the provisions of the Data Protection Act. It serves as a cross-functional advisor in the implementation of projects within its fields, actively participates in the professional bodies and communicates the profession's position within the Group. Lastly, by its training actions, it contributes to spreading the legal culture within the Group and raising awareness of compliance with the applicable regulations among the operational functions;
- The Group Financial Department in the framework of compliance with the provisions of the Insurance Code, the AMF's rules and the Monetary and Financial Code;
- The Group Insurance and Services Department for the approval of new products, or significant transformations of new products, to issue the expected opinions, and procedures;
- The Group Human Resources Department particularly with regard to the compensation policy;
- The Group Tax Department in the framework of deployment of the regulations relating to the Automatic Exchange of Information (AEOI) in its US component "FATCA" (Foreign Account Tax Compliance Act), its European component "DAC" (Directive for Administrative Cooperation) and its OECD component "CRS" (Common Reporting Standard);
- The External Communication Department, for the protection of the Groupama group's image and reputation;
- The International Department, for the systematic establishment of the Compliance Verification Function in each international subsidiary, in correspondence with the local laws and regulations.

Each department is owner of the non-compliance risk of its field.

In 2016, a review of the Group Compliance Policy was performed, confirming that there were no changes needed.

3.4.3.2 Compliance of business activities with laws and regulations

(a) Application of corporate law and the French Commercial Code

The Group Legal Department, within the General Secretariat, manages Groupama SA's legal affairs and those of its subsidiaries operating in France and provides legal advice as needed to all the French entities of Groupama SA. Within this framework, it ensures the legal security of its operations and its Directors and executives.

(b) Delegation of authority

The current procedure for delegation of authority established within Groupama SA in collaboration with the Group Compliance Department is as follows:

- it is based on the management reporting line;
- it relies on a network of coordinators for delegation of authority appointed in each of the main French subsidiaries and divisions of Groupama SA;
- requests for delegation of authority are issued by the sectors concerned, according to their requirements, and are established according to a list compiled and controlled by the Legal Department. They fall into three separate categories: delegations of authorities as such, delegations of signatory powers including banking accreditations (see 3.4.5.1 below), and powers of attorney. Only the delegation of authority entails the transfer of responsibilities, particularly with respect to criminal law.

Lastly, each Group company is required to ensure that a consistent system for delegation of authority has been established, in keeping with its organisational model and based on the procedures implemented by the Legal Department of Groupama SA.

The Legal Department of Groupama SA, in its capacity as custodian of the chain of delegations, ensures the overall consistency and updating of the system for delegations of authority.

(c) Application of corporate regulations

The objective of the active dialogue between management and labour conducted in 2016 with the Staff Representative Bodies (notifications, consultations) and with the union organisations (negotiations) was to continue the adaptation of agreements to the economic and financial context requiring the pursuit of a cost control policy while preserving the quality of the social status of the employees.

The agreement on lifelong professional training entered into at the Group level in 2016 supplements the contractual framework negotiated at the professional segment level (banking/insurance/assistance) and provides the Group with a framework agreement laying the foundations for a training policy.

For the companies, it involves contributing to a better guarantee of job security and professional paths for employees, without undermining the competitiveness of the companies, which are facing major changes in their activities and business lines, particularly in the digital transformation era.

As such, beyond consideration of the legal or contractual developments that have already occurred, the objectives set for this negotiation consisted in:

- laying the foundations for a training policy at the Group level in France;
- preparing for changes in the professions and working methods, in connection with the work of the career observatories;
- improving the readability of tools available to the companies and their employees;
- seeking optimisation of training systems by and for the Group's companies;

- securing the professional paths, by involving employees in their professional training and development;
- strengthening the means of communication on the training systems and actions.

In terms of optimisation of the bodies, the plan to create a "European Group Committee" body, launched in 2015, continued with the objective of eliminating the Group Committee and European Works Council in its current configuration. The objectives are to simplify the current operations and make the dialogue between management and labour more effective at the Group level (France and Europe).

At the inter-company level covering the agricultural mutual insurance scope:

- the amendment of 29 April 2016 altered the Groupama National Agreement (ANG) relating to the status of personnel of 10 September 1999;
- a new disability action plan was established for 2016-2018 for those with disabilities as well as family caregivers within companies of the Groupama Social Development Unit (UDSG).

The recent legislation on work, modernisation of the dialogue between management and labour and the securing of professional paths of 8 August 2016 ("El Khomri" law) following the laws for growth and activity of 6 August 2015 ("Macron" law) and relating to the dialogue between management and labour and employment of 17 August 2015 ("Rebsamen" law) is the opportunity for the Group and its companies to examine:

- the flexibility that can be introduced in terms of employee savings;
- the possible simplifications regarding collective working relations such as the grouping of staff representative bodies, the recurring obligations to consult the works council, the organisation of mandatory negotiations around three major themes, the timetable and definition of the notification/consultation processes and collective negotiations.

In addition to the measures established to ensure guaranteed compliance with labour laws and regulations by the Group and its companies, the Group Human Resources Department (DRGH) continued actions in 2016 aiming to:

- guarantee the reliability and effectiveness of payroll and staff administration operations by means of a service contract with the Administration and Payroll Shared Services Centre with:
  - permanent control of payroll and social security declarations, using specialist software hosted in part by a supplier to ensure security of the employee database,
  - tracking and monthly reporting on all operations (administration, working hours and discussion platforms with employees) in the shared OROP tool, to enable permanent control;
- as part of the development of Business Continuity Plans (BCP), the Group HRD raised awareness among BCP Managers and the HR teams of the Group's entities and trained them on the social measures for supporting employees in case of a crisis, to be considered for the implementation of Personnel Management Plans (PMP), which are an integral part of BCPs;
- continue the support for Group companies in the establishing the Economic and Social Database (BDES), which contains new sources of economic and social information arising from the law on secure employment of 14 June 2013;
- provide the companies, thanks to this database, with all the data needed for them to inform and consult with the works councils on their strategic plans, which were defined as part of the roll-out of the Group Strategic Plan for 2014-2018;
- reinforce the Group "Quality of Life at Work (QVT)" agreement, entered into in February 2011 and supplemented by an amendment dated 10 October 2014, thanks to the work performed by the Committee for Quality of Life at Work.

It defines a common framework for the Group companies to improve the quality of life at work and, in this regard, in addition to the actions and measures already implemented within the Group companies, prevent, treat, eliminate and, otherwise, reduce any problems related to psychosocial risks (stress, harassment and violence in the workplace, internal or external nuisance, etc.).

(d) Application of the Continuous Professional Development regulation

Meeting the legal obligations relating to Continuing Professional Development binding Corporate Training Organisations

Groupama University, within the Group HRD, has taken over the management of Groupama SA's Corporate Training Organisation, which was established in 1999 by employees of Groupama SA as part of its training activity for Group regionals mutuals and subsidiaries.

As such, Groupama University must ensure compliance with existing laws and regulations and the continued validity of its declaration with respect to its training activity. In this regard, its obligations include, in particular:

- realisation of the annual training statement and financial statement for the training organisation;
- automated publication of training certificates for each participant;
- establishment of framework agreements as well as service provider contracts between Groupama SA and the other Group companies;
- actions to inform and advise Groupama SA training coordinators to ensure compliance with existing laws and regulations on continuing professional development.

As part of the reform of professional development (law of 5 March 2014) and the impacts of the "Macron" law and the "Rebsamen" law, Groupama University supports their roll-out within the various Group entities.

In addition, Groupama University is establishing an LMS (Learning Management System) tool dedicated to training. The objective of this platform is to have a single common solution for overall management, steering and coordination of training for the Group's entities in France.

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The LMS tool will also promote the sharing of instructional capital within the Group and between the companies and make practices and business line processes more uniform.

(e) Application of insurance law and regulations governing the insurance business

The Legal Department within the General Secretariat of Groupama SA provides the following functions, on behalf of the Business Departments of Groupama SA, the French insurance subsidiaries and the regional mutual:

- monitoring and analysis of legislation and case law and other standards (FFA professional standards, ACPR recommendations) having an impact on the insurance business (marketing, communication, advertising, development, underwriting, execution and termination of insurance products, etc.);
- necessary anticipation and support for the implementation of new regulations relating to this business, particularly ACPR recommendations on handling complaints, social networks, distance selling of a life insurance policy, the new definition applicable to objective categories of employees for group insurance, the continued implementation of the ANI system with the spread of healthcare cover to employees at 1 January 2016 and the portability of covers and the changes in case law applicable to the recommendation clauses in the branch agreements, the changes in responsible policies (individual and group health, the law on the social and solidarity economy with its provisions applicable to mutual insurance certificates, the Eckert law on unclaimed insurance policies with intensified searches for deceased policyholders and beneficiaries, relationships to be put in place with the Caisse des Dépôts et Consignations, the calculation of post-mortem interest and the creation of the FICOVIE file, as well as the IDD and PRIIPs community texts with a short-term impact on the marketing of non-life and life insurance, etc.), and the Sapin 2 law (prudential measures and measures relating to life insurance);
- information (notes, circulars, working groups, distribution 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, approval and participation in negotiations of distribution and partnership agreements in connection with insurance and other services;
- legal and tax advice (product taxation and advice for asset management arrangements), particularly in connection with the creation of new products or distribution modes;
- relations with the administrative supervisory authorities (ACPR (the French banking regulator), Orias, DGCCRF (the French General Directorate for Fair Trading, Consumer Affairs and Fraud Control), competition authority, defenders) and support in the framework of these controls and their potential consequences for the insurance business.

It steers or contributes to the working groups with legal themes and, in certain cases, their creation.

It also organises and coordinates training for French insurance entities of the Group and their distribution networks and particularly the network of brokers who market Groupama Gan Vie's Group insurance (training on non-life insurance, Group insurance and individual life insurance)

Note that it is also involved in providing legal support to the Group's service subsidiaries.

Lastly, it participates in the work of the FFSA (Distribution Committee, Legal, Health, Group, Life Committees, FFA WG, etc.) and prepares reports for the departments concerned, ensuring the communication of the position of the business in connection with, for example, the implementation of new regulations.

(f) Compliance with customer protection rules

In accordance with Instruction no. 2015-I-22 of 2 October 2015, relating to the questionnaire on commercial practices and customer protection for fiscal year 2015, the questionnaire was sent to the ACPR by the Group's subject entities no later than 30 September 2016 after validation by their respective effective executives.

In 2016, the work carried out by the Group Compliance Department (see 3.4.2.2 *(d)* above), reported in workshops or WGs and in *ad hoc* meetings of the governance bodies, essentially focused on themes directly related to customer protection (permanent control system for commercial networks, support in the deployment of the Insurance Distribution Directive, etc.).

As an extension of the on-site check performed by the ACPR within Groupama Gan Vie pertaining to unclaimed policies, Groupama Gan Vie and the Group have ensured the continued integration of the ACPR's requests into the *ad hoc* action plan and its rigorous monitoring.

(g) Application of tax regulations

The Group Tax Department is in charge of monitoring, securing and optimising the tax situation of the Group and its entities with regard to commercial taxes (corporate tax, CVAE, VAT, etc.).

Tax Consolidation System

The Group Tax Department within the Group Finance Department ensures that the tax consolidation rules are applied (Article 223A *et seq.* of the General Tax Code) for the Group formed for tax consolidation purposes by Groupama SA, as parent company, the regional mutuals, the holdings, Groupama Holding and Groupama Holding 2, and its subsidiaries owned for more than 95%.

This includes calculating the scope, reviewing the calculation of the provisions for the corporate income tax of the parent company and its main consolidated subsidiaries and the regional mutuals, and supervising remote reporting procedures.

Procedures for documentation and electronic archiving in the area of electronic accounting

In conjunction with the Group's various entities, the Group Tax Department helps to define and monitor the implementation of documentation and archiving procedures with respect to electronic accounts, as required under tax law, particularly as part of dedicated "CFCI" (Electronic Accounting Tax Audit) Committees for each French entity.

Automatic exchange of tax information (FATCA/CRS/DAC)

In line with the FATCA (Foreign Account Tax Compliance Act) regulation, the OECD with the "Common Reporting Standard" (CRS) and the European Union with the revision of the DAC (Directive for Administrative Cooperation, a sort of "European FATCA") respectively adopted plans relating to the automatic exchange of tax information.

These plans have applied since 1 January 2016 with initial reporting expected in France for 31 July 2017.

In France, the implementation of these plans was particularly incorporated into the framework of the amending Finance law for 2015 and the order of 5 October 2015 authorising the DGFIP (general directorate of public finance) to establish an automated treatment for automatic exchange of information for tax purposes called "EAI". In addition, the decree of 5 December 2016 specified the rules and procedures concerning this automatic exchange of information relating to financial accounts.

The establishment of these plans within the Group is monitored by the FATCA/EAI Steering Committee led by the Group Tax Department.

In 2016, the Group's FFIs (Foreign Financial Institutions) met their reporting obligations relating to the FATCA regulations, with the exception of certain subsidiaries abroad because of the delay taken by the local tax authorities (Greece, Portugal, and Turkey). In this context, this lack of reporting has no impact on the Group's compliance.

Following the identification of their customers who are "US Persons" (*i.e.*, policies obtained before 30 June 2014) in their stocks as well as in their policies entered into since 1 July 2014, the Group's FFIs have the obligation to report information about these customers and their policies to their specific tax authority.

With regard to other non-residents of a member State of the European Union or a State having adopted the CRS, the Group's FFIs will have the obligation to report information about these customers and their policies to their specific tax authority for the first time in 2017.

(h) Financial Ethics

To prevent insider trading, the Internal Regulations of Groupama SA's Board of Directors contain a detailed reminder of the legal and regulatory provisions relating to restrictions on persons holding insider information about listed companies and financial instruments admitted for trading on a regulated market. Groupama SA's employees in charge of investments in financial instruments admitted for trading on a regulated market and those in charge of mergers and acquisitions sign a confidentiality commitment reminding them of these legal and regulatory provisions. Groupama SA's employees called on to work on a strategic transaction involving a listed company sign such a commitment for each transaction.

(i) Anti-money laundering and combating the financing of terrorism

The Group General Secretariat (Group Legal Department) handles the regulatory steering and Group policy coordination with respect to anti-money laundering and terrorism financing measures, working with the Permanent Control/Compliance Department, the International Subsidiaries Department, and a network of officers responsible for the prevention of money laundering and terrorist financing in the regional mutuals and the insurance subsidiaries (in France and internationally) and the subsidiaries of the banking and financial division.

An anti-money laundering and terrorism financing (AML/TF) 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.

In this context, the Group Legal Department:

- monitors and analyses changes in regulatory and professional provisions in the matter and provides support and assistance to the relevant Group entities in developing their plans;
- promotes the harmonisation and consistency of procedures, the dissemination of good practices and inter-professional exchanges, and ensures the coordination of the network of Group anti-money laundering officers in the form of periodic meetings, regular communications and a newsletter;
- presents half-yearly performance indicators to the Executive Management and prepares an annual report for the Board of Directors of Groupama SA on the actions carried out within the Group;
- manages various IT projects, carried out with the support of the Project Management department of the Group Insurance and Service Department, to provide the Group companies concerned with systems to automate the vigilance required by law.

  The following are thus operational within the companies concerned: a tool to detect sensitive individuals in the customer database (Vigiliste), a single database of reports of suspicion (VigiDS), as well as a customer relationship profiling tool using a risk-based approach (Vigiprofil), permitting the detection of anomalies for the banking businesses and the life insurance/savings activities:

  2016 saw the continued work to upgrade and improve the functions of the tools;
- manages the implementation and updating of training kits dedicated to anti-money laundering and terrorism financing;

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- leads working groups and committees dedicated to operational monitoring with representatives of the relevant departments of Groupama SA, Groupama Gan Vie, the regional mutuals and the France subsidiaries.

The entities concerned ensure ongoing, regular control of implementation of their internal procedures relating to AML/CFT and take the required corrective measures in the event of any anomalies.

With regard to regulatory and professional developments, the following actions were taken in 2016 within the Group on the following topics:

- Groupama Gan Vie's implementation of an action plan updated during the year, defined particularly with regard to the ACPR's requirements (guidelines and sector-based application principles, decisions of the Sanctions Committee, joint guidelines of the Directorate General of the Treasury and the ACPR regarding asset freezing);
- the monitoring of AML/TF systems put in place within the international subsidiaries;
- the Directive of 20 May 2015 and the analysis of the impact of the transposition order of 1 December 2016.

The work to consider these impacts in the Group's system will continue during 2017.

(j) Protection of medical data

The implementation of the Group's recommendations is the responsibility of the various entities concerned, in partnership with the corresponding medical advisers,

Training on confidentiality of medical data is provided by the Individual Insurance Department (in charge of the Health and Individual Protection business lines) and the Claims and Cost Control Departments (Bodily Injury and Protection). An e-learning training kit for the Group's sales teams has also been made available to the regional mutuals and Group companies in France.

Regarding the "Insurance compliance pack" published in November 2014 and the Code of Conduct appended to the AERAS agreement, the Group CIL team communicated on various occasions to the network of Data Protection Correspondents (CRIL) of the Group's companies or representatives directly impacted by these provisions (particularly concerning protection of health data as regards the fight against fraud by distribution of a specific guide in June 2015) so that the companies can ensure compliance with the new standards defined by the CNIL.

(k) Application of the legal provisions of the Data Protection Act

This Group CIL performs its duties for the benefit of Groupama SA and 42 group entities (regional mutuals and subsidiaries in France and overseas) versus 43 entities in 2015 due to the change in majority shareholding of Groupama Banque, which led to the end of the Groupama CIL's mission for this company.

The CIL relies on a network of internal correspondents (CRILs) responsible for relaying its action in their entity or department and with whom it regularly communicates. This network can change, depending on modifications to the Group's organisational structure. The CIL calls a meeting of this network twice a year.

The CIL sent its 9th annual report for fiscal year 2015 to Groupama SA's Executive Management and the Chief Executive Officers of the regional mutuals and subsidiaries. The report has been submitted to the CNIL.

The primary initiatives undertaken by the CIL in 2016 were:

- the development of a grid of "CNIL" rules to be followed for managing requests for permanent controls and distribution to the network of permanent control Managers in the entities;
- the distribution of a summary sheet on the points requiring attention concerning the treatments implemented for the management of the social and cultural activities of the works councils;
- Privacy by design (consideration of personal data protection requirements starting from the design of a process);
- the analysis of compliance of group projects and advice for compliance with the regulatory obligations;
- continued promotion of the e-learning tool on the protection of personal data intended for all group employees *via* the Groupama University platform;
- the coordination of training and/or awareness actions on personal data protection (training of new correspondents and alternates appointed in 2016).

The CIL also conducted four compliance audits that were the subject of action plans followed jointly by the CRILs concerned and the CIL.

The permanent control system for data protection compliance, established by the CIL in 2013 and intended for the network of CRILs, was implemented in 2015 by the CRILs, in collaboration with their internal controllers and heads of security. This system, which complies with the methodology adopted by the Group with respect to risk mapping and control plans, aims to carry out regular controls in this area. The summary reports of the controls performed were sent to the CIL by the CRILs simultaneously with their annual activity report. A summary was prepared by the CIL, presented to the network of CRILs, distributed to the Corporate Secretariat and the Head of the Audit, Risk and Control Department of Groupama SA as well as the Head of each company.

The European general regulations on the protection of individuals with regard to the processing of personal data was adopted in May 2016 and will be applicable starting on 25 May 2018. The Steering Committee appointed the Corporate Privacy Officer, whose missions are to establish steering and coordination of governance of personal data at the Group level.

3.4.4 RISK MANAGEMENT

3.4.4.1 Risk policy

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 the Group in terms of risk identification, measurement and management methods and in organisational terms. It is based on the risk management strategy, defined in line with the Group's overall strategy and making it possible to maintain a balanced risk profile based particularly on the diversification of its risks between the insurance business lines, the type of customers and the geographical regions and on a portfolio of businesses consisting of risks on which the Group has skills and solid experience.

The Group and Groupama SA risk management policy was approved by Groupama SA's Board of Directors on 30 July 2015. This general risk management policy is supplemented by dedicated policies covering all risks to which the Group is exposed:

- insurance risks with the underwriting and reserves policy and the reinsurance policy;
- financial risks with the asset/liability and investment risk management policy and the capital management policy;
- operational risks with the operational risk policy, the compliance policy, the subcontracting policy and the business continuity policy.

A balanced risk profile is maintained thanks to cautious underwriting, reserve and investment practices, the use of techniques to mitigate insurance, financial and operational risks and a system of asset risk limits detailed in the dedicated risk policies.

In addition to the various risk policies mentioned below, the Group has also, in compliance with the Solvency II regulatory requirements, formalised policies on internal control, internal audit, compensation, reporting to the supervisor and public dissemination of information as well as an internal model policy as part of the use of the partial internal model for the calculation of the Group and Groupama SA SCR at 1 January 2016.

The Group and Groupama SA risk management policy and the policies described above were approved by Groupama SA's Board of Directors during its meetings on 27 May, 18 June or 30 July 2015.

On the basis of these policies, the policies on compensation, reporting to the supervisor and public dissemination of information were the subject of an update that was examined and approved by Groupama SA's Board of Directors on 27 October 2016. The other risk policies mentioned above will be revised in 2017.

The system presented in the risk management policy and the Group's dedicated policies constitutes a risk management framework deployed within each insurance entity of the Group, according to its risk profile and organisation. The same is true for the service (or resource), distribution and financial subsidiaries, which also implement a risk management system in accordance with the rules applicable to their activities and consistent with the framework established by the Group.

The Group's entities thus also formalise their risk management policy and the various risk policies, consistent with the Group policies.

3.4.4.2 Risk tolerance

The asset limit risk tolerance framework was defined in late 2012.

It distinguishes primary and secondary investment categories:

- primary categories present a systemic risk and relate to the major asset classes (equities, property, private bonds, government bonds and cash);
- secondary categories are intended primarily to limit concentrations (countries, currencies, sectors, asset types, issuers, securities, etc.) and control liquidity. They focus on characteristics attached to the security or the issuer and are subdivisions within primary categories. They are expressed either in the form of a maximum for the risk assets or in the form of a minimum (liquidity or less risky assets in relative terms).

This system is managed within Risk Committees (Group Financial Risk Committee and Group Risk Committee). At these meetings, all exposures (based on primary and secondary limits) per division (Group, French subsidiaries, regional mutuals and international subsidiaries) were presented along with any potential overruns and associated action plans.

In non-life insurance, the risk tolerance approach is based on target profitability indicators incorporating the Solvency II capital requirements of the business lines. These indicators are calculated and analysed as part of operational strategy planning (OSP).

These indicators are:

- regulatory capital-adjusted profitability (RCAP), which compares the underwriting result with the capital requirement by year or over the period of the plan;
- the measurement of deviations from the target (difference between the target RCAP, defined according to the combined ratio targets, and the performance of the business lines);
- a simplified solvency indicator (SSI) to measure the contribution of a business line to the growth of the Group's solvency margin.

The implementation of these indicators, done today on the France scope of the non-life insurance businesses lines in the internal model (namely, the regional mutuals, Gan Assurances) is being deployed on the Italian subsidiary (Groupama Assicurazioni) with the objective of being extended to the other main subsidiaries abroad.

The RCAP is used as part of the three-year procedure for reviewing France Non-Life target ratios by business line. The target portfolio at three years is evaluated in volume (premiums) and margins (combined ratios, financial income allocated to the business lines) to meet a France Non-Life target combined ratio at 98% with a minimum limit on the target RCAP by business line (risk-free rate).

3.4.4.3 Data Quality

To satisfy the Solvency II requirements that aim to guarantee and demonstrate that all data used to populate the three pillars of Solvency II are of high quality, the Group launched a plan in 2011 to improve data quality in an effort to strengthen and formalise its current programme. This programme is jointly managed by the project team working on the partial internal model, from the Group's Actuarial Department, the Group Risk Management and Permanent Control/Compliance Departments, Groupama Supports & Services, the International Subsidiaries Department and the Group Financial Control Department (Solvency II data quality team), which coordinates the work.

The priority identified for the operational implementation of the Solvency II data quality policy was given to the scope of the non-life partial internal model (see 3.4.4.6 below), *i.e.*, the non-life liability data (premiums, provisions, disaster) within the scope of business contributed by the regional mutuals and Gan Assurances as well as data from the CAT Risk Geolocation Data Production and Valuation project.

The Group's data quality initiative is based on a data quality policy that translates into:

- data quality principles;
- data quality governance and organisation;
- development of dictionaries of non-life, life and asset data;
- implementation of the data quality policy involving a set of tools and methods to assess quality as defined by Solvency II, and to regularly measure and track improvements within the Group.

Data quality principles applicable to all Group companies, all risk categories and all types of data, both internal and external, were therefore formalised in the Group Solvency II Data Quality policy, which was communicated to all French entities starting in late 2011. These key principles are intended to define the criteria for understanding data quality in terms of completeness, relevance, accuracy, traceability and auditability.

The data quality governance and organisation approved by the Group's executive bodies are based on:

- the Group Data Quality policy;
- a Group Data Quality Committee (CGQG) that reports directly to the Group Risk Management Committee. In 2016, the CGQD held several meetings taking into account the development and monitoring of the data quality action plan implemented following the ACPR's on-site audit report (late 2014/early 2015);
- a Group data quality coordination team, made up of representatives of the Group Actuarial, Investment, and Permanent Control/Compliance Departments, Groupama Supports & Services, the International Subsidiaries Department and the Group Financial Control Department (DPRG), which organises and coordinates the team;
- regular holding of working groups of the Data Managers of the various entities and functional areas;
- and a network of data quality coordinators operating within the Group's entities and departments of Groupama SA and working on the Solvency II project on the partial internal model, the standard form and the Pillar 2 and 3 data, including the Data Manager and the data owners.

The operational implementation of the data quality initiative on the priority scope of the non-life internal model has been completed: data dictionary, data collection procedural documentation, analysis of existing controls, profiling of data files populating the partial internal model, diagnostic of the existing situation and development of action plans. The main areas for improvement concern the automation of data collection, archiving under the CFCI standard (Electronic Accounting Tax Audit), the roll-out of Group controls (standardisation of the requirement) and adjustment of the first tolerance thresholds.

An initial complementary action plan was implemented in 2013 following the two reports of the ACPR concerning data quality and submitted on 31 December 2012 on conclusion of its involvement in the pre-application of the Non-Life Internal Model. Groupama has committed to provide the ACPR, on an annual basis, with information to measure data quality at the end of each annual collection campaign as well as a progress report on the main action plans in progress (for 2014, this information was sent during September 2014).

A second action plan for 2016-2017 (on 10 projects) was sent to the ACPR by Groupama in early June 2015 following its 2014-2015 audit report (final report in October 2015). On 15 December 2015, the ACPR confirmed in its follow-up letter that the elements of this action plan responded to its observations, particularly with regard to the automation of data population processes, the reinforcement of data quality controls and the management of authorisations. The ACPR carried out an audit in June/July 2016 and sent the draft audit report on 2 December 2016 with a positive conclusion on the progress of the action plan and leading to the lifting of two conditions precedent to the use of the non-life internal model relating to data quality.

Expansion of the data quality approach to the international entities was initiated in 2012. The roll-out project is monitored by the teams of the International Subsidiaries Department jointly with the Group Financial Control Department.

3.4.4.4 Global monitoring system

As indicated in point 3.4.4.1, the principles of the risk management system are set out in the risk management policy and detailed in the written policies relating to the different areas (financial, insurance, operational, etc.).

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.

The identification and monitoring of major risks is conducted at entity level and at Group level. At Group level, a major risk is defined as one whose occurrence would have an unfavourable impact of more than €100 million on the Group's net position or that would have a significant impact on the Group's reputation or image. Each major risk is assigned a risk "owner" responsible for monitoring and controlling the risk in accordance with the standards defined by the Group. At the Group level, the risk owners are business or functional departments of Groupama SA or Group entities where applicable and depending on the nature of the risk. The risk owners establish risk control plans, which are implemented within the Group's entities.

The risk assessment is carried out according to the risks on the basis of several approaches, allowing each to develop different areas of analysis:

- the Pillar 1 calculations measure the loss corresponding to the occurrence of risks with a probability of 1/200 years;
- the scenarios relating to Major Risks provide assessments corresponding to the probabilities on the order of 1/10 years.

These assessments, which also incorporate analyses on the basis of expert evaluations, contribute to the internal assessment of risks and solvency (ORSA) to measure the impact of risks on the overall solvency requirement.

The consistency of the analyses is ensured by the consideration of the same assumptions and shock scenarios under ORSA in the framework of the assessment of Group Major Risks.

Groupama SA, as the central body, supports the entities in the deployment of this risk assessment framework. It defines the assessment methodology and risk scenarios of the entities to ensure consistency of the risk analysis at the Group level. The entire system is led by the Group's Risk and Permanent Control/Compliance Departments.

Internal surveys for the assessment of major risks (Group and entities) are organised each year by the Group's Risk and Permanent Control/Compliance Departments with all Group entities. These exercises contribute to the development of the expertise of the network of risk owners and key Risk Management functions of the Group's entities and also make it possible to assess the risk profile in detail as well as the risk mitigation measures put in place within the entities. This work is also used in the framework of the ORSA.

Committees specialising in specific risk categories (Insurance, Financial and Operational) are responsible for steering the Group's risk management programme, which, at Executive Management level, is handled by the Group Risk Management Committee (see 3.4.2.2). The steering of the system is deployed according to the same model in the entities.

The risk tracking programmes are explained in detail by area below (see 3.4.4.5 *et seq.* below).

3.4.4.5 Risk Management related to the Insurance Business Departments

(a) General organisation

The Group Insurance and Services Department includes an Insurance Division with Market/Business Departments (Individuals, Professionals, Companies and Local Authorities, Agriculture) that handle property and individual insurance, an Agricultural Department, Technical Departments (Research, Pricing and Planning, Group Claims and Services (excluding Construction) and cross-functional departments (Marketing/Distribution and Customer Department, Digital Transformation Department, Project Management Department, and Steering, Operational Strategy Planning and Coordination Department), which support the development of the Business Lines.

The principles for managing underwriting and reserve risks for all entities in France and abroad and the risks related to insurance businesses are mainly defined by the Group Insurance and Services Department of Groupama SA. These principles were formalised in the Group Underwriting and Reserves policy approved by Groupama SA's Board of Directors on 18 June 2015.

In this framework, the Group Insurance and Services Department (DASG) of Groupama SA assumes on behalf of the French entities:

- a role of guiding the definition of the risk management policy for the business line in question, *via* limits of cover, exclusions and definition of priority segments;
- a role of issuing alerts on risks in their areas of expertise including on emerging risks;
- coordination of the design of products and guarantee and pricing structures;
- monitoring of products (relevance of the guarantees and pricing, balance between the competitiveness of the offering and the level of results) and proposal of necessary modifications;
- definition of rules for underwriting, prevention, portfolio surveillance and compensation of claims;
- monitoring legislative or regulatory trends, in consultation with the Group Legal Department within the General Secretariat;
- supporting the training of staff in the entities affected by risk (salespeople, underwriters, policy Managers, experts, claims Managers);
- managing portfolio profiles, results and forecasts (and comparison with market trends).

The Reinsurance Department, also within the DASG, is responsible for implementing all Group internal and external reinsurance operations. Its missions are specified in the Group reinsurance policy. Its role and the role of the Business Departments regarding management of reinsurance are specified in 3.4.4.9.

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Based on their specific characteristics, the Insurance Business Departments also play a particular role in terms of underwriting risk control, through a joint underwriting activity (double risk analysis in order to increase the security of the decisions on the biggest commitments made by the various entities) or the provision of tools enabling the application of underwriting rules (for example, scoring tools) as well as co-management of claims (see 3.4.4.7 "Claims Management" below).

With regard to regional mutuals, Groupama SA's technical involvement in the co-underwriting of certain risks is specified in the General Reinsurance Regulations.

Since 2015, the practices of co-underwriting with Gan Assurances have been aligned with those of the regional mutuals, and these new rules of operation are recorded in a reciprocal commitments agreement (CER).

For the international subsidiaries, the International Subsidiaries Departments ensures the communication of and compliance with the Group's instructions to the international subsidiaries regarding the underwriting and risk management policy. Each subsidiary defines its risk and underwriting policy according to the characteristics specific to its market and based on the strategic development plan approved by the International Subsidiaries Department, taking into account the overall risk limits and the Group underwriting and reserves policy. Based on the regulations in force, these policies may be submitted to the local supervisory authorities for information or even approval.

Any request for exemption coming from the international subsidiaries with respect to the delegations initially granted under the risk and underwriting policies is examined and must be approved in advance by the International Subsidiaries Department in collaboration with the relevant Group Business Departments and the Group Risk Department.

In addition, the Fire and Engineering cases exceeding more than three times the subsidiary's automatic capacity or more than 100 million euros must be the subject of a three-party committee agreement (committee that reviews and accepts or rejects requests for non-standard underwriting) consisting of the Head of the Group Audit, Risk and Control Department, the Head of the DCER and the Head of the International Subsidiaries Department.

To strengthen the knowledge and control of "business damage" risks underwritten by the international subsidiaries, a co-underwriting system, similar to the one put in place for the regional mutuals and Gas Assurances, has been put in place with the Companies and Local Authorities Insurance Department (CTAS). Depending on the size of the subsidiaries, the threshold for triggering the co-underwriting process is fixed at 10 million euros (Bulgaria, Portugal and Gan Outre-Mer) or 25 million euros.

A similar approach was initiated within the Professionals and Local Authorities Insurance Department (DAPC) in 2016 for deployment in 2017 on the risks of worksite polices underwriting by the international subsidiaries (Turkey, Italy, Bulgaria, Greece, Romania, Hungary).

Lastly, quarterly checks are in place, in particular for the monitoring of major industrial, engineering, general liability and transport risks, with common reporting to the DCER, the DAEC and the International Subsidiaries Department.

(b) Design of new products

A standard process for creation of any new product at Group level or any change to an existing product that alters its economic balance is in place. It is applied across several scopes:

- property and casualty products of the regional mutuals;
- property and casualty products of the French subsidiaries (Gan Assurances and Amaline);
- products of Groupama Gan Vie;
- property and casualty products of the international subsidiaries;
- life products of the international subsidiaries.

It provides for several steps, each approved in a specific committee (Operational Committees, Steering Committee, Group Executive Committee):

- the project framework, which incorporates the preliminary studies (feasibility study, customer segmentation, main product characteristics, etc.) and the product's economic model (pricing structure, profitability study, risk analysis, definition and consideration of reinsurance, performance of any stress tests) with, in the framework of life insurance products or products similar to life insurance, the prior validation by the Investment Department of the financial conditions and by the Group Actuarial Department of the profitability studies;
- the detailed design including the roll-out schedule;
- production of deliverables intended for customers and sales staff with the formal approval of the Group Legal Department and the Compliance and Risk Management Department;
- IT developments;
- the production of underwriting and management guides (in particular, with the co-underwriting rules);
- the commercial launch case.

Any new product also undergoes a review at the end of the launch period.

The Group Insurance Risk Committee ensures compliance with the process.

(c) Underwriting management

Underwriting risk is defined as the risk that the premiums will not cover the year's claims and provisions. In addition, it must take into account future claims beyond the annual horizon used to measure the solvency requirement.

The management of underwriting is established in keeping with the objectives of the Group underwriting policy, which aims to ensure the Group's asset protection and the achievement of profitability targets by reducing the risks of deviation from the Group's target combined ratio.

The underwriting rules are defined in compliance with the reinsurance treaties setting out the risks covered and excluded and the limits of cover by risk subject. The underwriting conditions, which include the definition of the limits of covers, the exclusions and the co-underwriting terms, are clearly defined in each product design or significant product change and regularly reviewed during the life of the product.

The entities call on the Business Departments as well as the Groupama SA Reinsurance Department in the event of exceptions (new risks, risks exceeding the limits, etc.) unless there are specific provisions applicable to the international entities specified in the reinsurance policy (facultative business of the international subsidiaries).

As a multi-line insurance group, Groupama seeks to be involved in all insurance business sectors and associated services. Management of the underwriting risk is based on three pillars:

- clear definition of the risks to be underwritten and the excluded risks by Business Line/Market;
- mechanisms in place at Group and entity level for application of the underwriting and pricing policies;
- a prevention policy.

Underwriting policy by Business Line/Market

In Non-Life Insurance, the underwriting policy is adapted to each market and to the business lines that pertain to it.

THE INDIVIDUAL INSURANCE MARKET

The policies offered are mainly motor insurance, “multi-risk home”, and third-party liability.

These risks are high-frequency mass risks, which are little affected by issues of individual costs of claims and therefore underwriting limits. Conversely, they are affected by problems of accumulation, particularly because of natural events.

THE AGRICULTURAL INSURANCE MARKET

The policies offered cover:

- climatic multi-risk for crops: the principal crops are insurable either under climatic multi-risk or hailstorm cover;
- fodder risk for livestock farmers (Prairies insurance);
- risk of mortality and damage to livestock resulting from an accident or illness (excluding illnesses known to be contagious);
- Tractors and Agricultural Equipment (TMA) risk, which is open to all farmers or agricultural work companies and to foresters and landscapers;
- property damage/third-party liability risk (professional third-party liability, product liability, etc.) and financial protection for the activities of agricultural professionals.

THE PROFESSIONAL INSURANCE MARKET

The policies offered cover several types of risk:

- in the construction sector, builders’ and contractors’ site risks and comprehensive building site risks as well as liability risks (traditional for a professional activity and compulsory as part of ten-year civil liability) for construction professionals;
- risks related to any professional activity through Professional Multi-Risk (MRP) for tradesmen (ACPS – artisans, shopkeepers and service providers);
- for automotive professionals (garage insurance), risks related to any professional activity excluding private risks;
- for Non-Resident Owners (PNO), risks related to properties rented out by a non-resident owner and risks related to buildings subject to the co-ownership scheme.

ON THE BUSINESSES AND LOCAL AUTHORITIES MARKET[1]

The policies offered cover businesses and local authorities for:

- property damage and consecutive financial losses;
- civil liability: general, product, environment and corporate officers;
- motor fleets.

In addition to insurance guarantees, services can also be offered (prevention services in particular).

For business risks, Groupama’s long-established target audience is the French agri-food sector.

For local authorities, Groupama’s positioning has historically always been related to the rural sector, and, as a result, the portfolio is still primarily made up of small communes. In addition, Groupama also has a large presence in the community associations sector.

In life insurance, the Group offers individual savings and pensions policies, individual death protection policies, group retirement policies and death protection policies underwritten as a group.

In the framework of its underwriting policy, the Group excludes certain products (for example certain “exotic” investment vehicles in savings and retirement contracts) or restricts the cover of certain guarantees, taking into account the level of risk they would incur.

In life insurance, the risk of insufficient advice is limited through a certification system for the networks, which matches the range of offers and the skills of the salesperson who may offer them with training courses and Sales Assistance Tools facilitating the discovery of customer needs and the investor profile, and checks whether certain policies are best suited to certain types of customers (for example, maximum age for certain offerings).

In individual non-life insurance, the Group offers individual “extended healthcare” policies, individual protection policies covering risks of incapacity, disability, long-term care and everyday accident (GAV policies), group “extended healthcare” policies taken out by companies for their employees, group protection policies taken out by companies for their employees and covering them in case of work stoppage (risks of incapacity and disability) and protection policies for officials of local authorities (APC).

(1) The Local Authorities market also includes the Associations market.

Health insurance comes in addition to a basic plan. Since the implementation of group extended healthcare policies in 2002, selection rules on subscription no longer apply. Thus, group offerings no longer require the completion of a medical questionnaire. In addition, the coverage offered by the policies is lifetime cover since the passing of the Evin law; this means that there is no monitoring of individual risks on the portfolio.

For Protection risks, individual and group, medical formalities are carried out during subscription or affiliation, particularly based on the requested level of cover, the age of the policyholder or the size of the insured group. These medical formalities facilitate selection of insurance risks on entry as well as medical checking on payment of benefits. They therefore contribute to maintaining the balance of the policies.

Furthermore, Protection insurance policies present exclusions for certain hazardous sports or professions; certain combinations of options, which generate adverse selection, are also prohibited.

With regard to Long-Term Care, similar underwriting rules are applied, and a specific system of reinsurance has been put in place.

In Group Insurance, like Insurance for Municipal Personnel, the underwriting process is adapted to the type of offering and managed by the tools available to the entities; for tailored offerings (intended for businesses of medium or large size meeting precise specifications), the pricing is carried out by teams of expert underwriters.

Group business that is significant and/or outside the targets must be co-underwritten with Groupama SA.

Beyond a specific threshold (1,000 employees for the regional mutuals and Gan Assurances), joint underwriting is applied. As a result, indexing decisions are then taken jointly by the entity and the Business Department and Groupama Gan Vie.

Mechanisms for application of underwriting and pricing policies within the Group

At their level, the regional mutuals and the subsidiaries specify their underwriting policy in coordination with and in the framework of the principles defined by the Business Departments. They implement the systems necessary for compliance with this policy in the selection and pricing of risks.

With regard to the regional mutuals, as indicated above, the General Reinsurance Regulations (RGR) supplemented by product guides drafted by the Business Departments define the risks covered and prohibited, the limits and guarantees and the terms for acceptance and subscription and management of claims.

As part of this, the Group's entities are responsible for underwriting, production and management of claims. All risks are managed through regularly controlled operational processes; their formalisation and any incidents must be identified in the common risk management tool OROP, which is being rolled out with a view to making the necessary improvements (see 3.4.4.13 "Management of operational risks" below).

The entities call on the Business Departments as well as the Reinsurance Department in the event of exceptions (new risks, risks exceeding the limits, etc.). The Business Departments monitor these exceptions and establish the necessary modifications (changes in cover, adjustment of underwriting balances, etc.).

Prevention policy

More than fifty years ago, Groupama was a pioneer in the field of risk prevention.

In the area of road safety, the network of Centaure Centres has 12 centres throughout France, offering driver training.

The Group is particularly active with respect to agriculture risks, the agri-food sector, in which it is a market leader, being its long-established core business. In this regard, the Agricultural Department:

- produces guides and manuals for the prevention of various risks (based on technical studies);
- establishes and coordinates discussion and consultation forums with those responsible for prevention within the entities.

The Group is also active in the field of risk prevention for businesses (audit of risks before subscription and imposition/ recommendation of prevention measures), local authorities (prevention of work accidents, weather risks) and communities (health and safety at work).

Like in 2015, the accredited training programme for prevention inspectors, put in place in 2014, allowed around 200 employees of the regional mutuals to be trained in 2016.

For natural disasters, Groupama-Predict allows communities insured by Groupama and Gan Assurances have access to all the means for prevention and information necessary to cope with risks of flooding, storms, marine submersion or heavy snowfall.

In health insurance, many benefits are offered to policyholders, some of which are not covered by the basic plan. A website, www.vivonsprevention.com, has been set up. The regional mutuals regularly organise events coordinated by experts on health topics.

3.4.4.6 The risk management responsibilities of the Group Actuarial Department

The risk management mechanism of each of the Insurance Business Departments (see 3.4.4.5 above) is supplemented by the system established by the Group Actuarial Department in the framework of the implementation of the partial non-life internal model, for which the ACPR authorised the use starting in 2016 for calculating the Group's solvency capital requirement on a consolidated and Groupama SA basis.

This partial internal model, the first use of which dates back to 2011, addresses the non-life underwriting risks (premium risk, reserve risk and disaster risk) and policies contributed in France, by the regional mutuals and Gan Assurances. Modelling is based on historic claims and premiums data and data relating to exposures, and consists in calibrating loss experience statistical distributions across all non-life branches, making it possible to determine the corresponding equity requirements.

For Groupama SA, this model reflects the underwriting risks of a reinsurer better than the standard model. For the Group, this model also better illustrates the effects of diversification between companies.

In addition to its use for the calculation of the solvency capital requirement, the model is also used for:

- studies to update the General Reinsurance Regulations (RGR);
- external reinsurance structure simulations;
- allocation of economic capital by business line.

The work related to the partial internal model is reviewed and validated regularly (monthly meetings) within the Internal Model Group Committee (CGMI), chaired by the Audit, Risks and Internal Control Department. The CGMI reports to the Group Insurance Risk Committee (see 3.4.2.2 above).

3.4.4.7 Claims management

The management principles and rules are defined in the Group underwriting and reserves policy. They are presented by insurance business line in the explanations below.

In addition to the areas of involvement in risk control presented in point 3.4.4.5 *(b)* "Design of new products" and *(c)* "Underwriting management", the Groupama SA Insurance and Services Department is responsible, on behalf of the French entities, for defining the claims settlement policy and plays a particular role in terms of risk control, through a joint claims management activity.

(a) In non-life insurance

Claims management policy

The Group claims management policy focuses on two key drivers: quality management geared towards seeking solutions for the customer and the implementation of levers to control the cost of claims.

It is based around several guiding principles, in particular:

- setting, monitoring and ensuring the consistency of the claims targets of the Group entities;
- providing global monitoring tools to identify changes in the various claim resource costs and establish corrective actions;
- providing common claims management applications to improve productivity and reduce the number of tasks with low added value;
- relying on a network of reliable service providers common to the entities;
- monitoring the management of major claims and ensuring control of reserves (joint management);
- processing claims files in an escalation procedure (management level and/or conciliation and/or arbitration) and certain types of files that have a "community of insurers" impact (for example, seriously damaged vehicle (VGE), auto fire/property damage, pool, etc.).

The operational roll-out of the Claims policy is managed by each entity and coordinated and steered by the Claims and Services Department, the Professionals Department for Construction, and the Agricultural Market Department for Large Crops.

It involves the property and casualty branch and the corresponding tangible and physical claims. The scope covered includes France (regional mutuals, Gan Assurance, Amaline, etc.) and the international subsidiaries for certain risks.

Principle of joint claims management in France and abroad

Joint management (also called co-management) with the Groupama regional mutuals, included in the General Reinsurance Regulations, has been extended since October 2001 to Gan Assurances claims files and concerns claims that exceed a pre-defined threshold.

Joint management aims to secure the Group's claims expense. It makes it possible to identify the most costly or complex claims, monitor their developments, support the analyses of liability and estimated damages for the entities and satisfy the control requirements of external reinsurers and Groupama SA in its role as internal reinsurer.

International claims in excess of 10 million euros undergo a co-management procedure with Groupama SA's Group Claims and Services Department.

(b) Health and Protection insurance

Like in the other insurance business lines, the Group non-life insurance claims management policy aims to reconcile the quality of the service rendered to the customer and the control of claims expenses.

The management of claims is the responsibility of each entity except in case of a management delegation.

The management of claims for Insurance for Municipal Personnel (APC) is entrusted to a specialised Manager (CIGAC, a wholly owned subsidiary of Groupama SA), which, depending on the cases, can offer a return-to-work assistance service provided by an outside service provider.

The anti-fraud measure coordinated by Groupama SA within the Group Claims and Services Department is operational in death/disability protection.

(c) In life insurance

The Group's claims management policy is also structured around quality management geared towards the customer's needs and establishing levers to control the cost of claims.

The management of claims is the responsibility of each entity, except in case of a management delegation, and is done on the basis of Group policies and rules.

In the case of Groupama Gan Vie, management is organised by division: Individual and Group.

The Individual department is in charge of managing individual policies marketed by the Gan Assurances, Gan Prévoyance and Gan Patrimoine networks. In the Groupama regional mutuals, the underwriting and management of policies are delegated to specialised management units within the life Insurance Divisions of these regional mutuals.

The Group department manages group policies unless delegations are granted, particularly to brokers.

Management delegation mandates formalise the reciprocal relations and obligations between Groupama Gan Vie and each delegate. In the Groupama regional mutuals, the underwriting and management of policies are also delegated to specialised management units.

3.4.4.8 Underwriting reserves

The principles and rules for reserves aiming to maintain a level of prudence in the calculation of reserves are described in the Group underwriting and reserves policy approved by Groupama SA's Board of Directors on 18 June 2015. In this framework, the principles, rules and procedures adopted are defined with regard to file/file reserves and valuation of accounting reserves.

In Non-Life Insurance, in 2006, the Group Actuarial Department (DAG) defined the framework for an annual actuarial report aimed at presenting for each of the Group's non-life insurance companies the terms for calculating claims reserves and analysing the results with specific reference to an assessment of the mathematical life expectancy for claims expenses and the corresponding reserves for risks and uncertainties. Therefore, the DAG receives and verifies actuarial reports from the companies each year.

Since 2014, a Management Committee for underwriting reserves has been in place at Groupama SA. It consists of representatives of the Financial Department (Group Financial Control Department, Group Actuarial Department) and the DASG (Reinsurance Department, Business Departments) of Groupama SA. This committee, coordinated by the Finance Department, meets every quarter. It is responsible for managing work carried out within the Groupama SA working groups and sub-groups relating to provisioning (with the regional mutuals, three times per year), proposing best practice and defining guidelines for the provisioning of jointly managed cases.

Within the Group Financial Department, the Group Financial Control Department (DPRG) participates in the review of actuarial studies of French and international non-life insurance entities. In particular, it handles the steering of results in keeping with the reserves standards defined by the Group Actuarial Department.

In close cooperation with the DASG, the DPRG establishes, for the scope of regional mutuals, the standards for forecasting serious and weather-related loss experiences and changes in the claims reserves (surplus/deficit), which are part of the technical balances to be respected.

In Life and Health Insurance, different methods and certifications are used:

- in individual life and health insurance, an independent actuary approves a table on inability to work in case of illness and a table on inability to work in case of an accident;
- in insurance for local authority personnel (APC), an independent actuary establishes a reserves method taking into account the specificity of the APC risk;
- in group insurance, the Business Departments of Groupama SA and Groupama Gan Vie define, on behalf of the entities concerned, depending on the specifics of the products, the reserves methods (calculation method, file closure method) in accordance with the professional rules and the Insurance Code (rate, tables). They handle their dissemination and aim to ensure their implementation within the Group.

In Life Insurance, the prudential underwriting reserves are calculated in compliance with the local regulatory requirements.

In this framework, the underwriting reserves of pension contracts containing longevity risk are calculated according to the local regulatory tables. This risk undergoes special monitored by Groupama Gan Vie, an entity that mostly handles policies concerned on the France scope.

In addition, the monitoring system for guaranteed-rate policies is part of the general monitoring system for interest rate risks, which covers the risk of increasing or decreasing interest rates. The risk is managed by the Group Finance Department for entities in France and abroad, and for the Group as a whole.

For the life insurance entities and the Group Finance Department, asset/liability studies are conducted to:

- assess their capacity to deliver competitive rates, evaluate the risk of redemptions in the event of interest rate increases and comply with the interest rate guarantees in the event of decreasing rates;
- calibrate adapted asset strategies.

These operations are presented and validated by the management of the companies concerned at quarterly meetings of the asset/liability and Asset Allocation Committees. They are supplemented by Solvency II risk measurement.

The other underwriting reserves (reserve for increasing risk, reserve for unexpired risk, reserve for claims not yet made, etc.) are calculated in accordance with the local regulations in force.

3.4.4.9 Reinsurance management

The Group reinsurance policy, which describes the principles and rules defined by the Group in terms of reinsurance, was approved by Groupama SA's Board of Directors on 18 June 2015. In this regard, the policy specifies the key principles of the process for reinsurance (Internal Reinsurance of the regional mutuals by Groupama SA and outward reinsurance of Groupama SA and its subsidiaries) and control of reinsurance risks in relation to the Group's objectives in this area:

- protection of the equity and solvency of the Group and its companies;
- reduction of the volatility associated with the Group's insurance risk profile, in order to keep within the limits of its risk tolerance;

- quantification and limitation of the impact of extreme events in the Group's financial statements by transferring part of the associated potential loss experience *via* the structuring and placement of reinsurance programmes;
- limitation of the counterparty risk with regard to reinsurers.

It also describes the governance of the system, the roles and responsibilities of the stakeholders, as well as the mechanisms for monitoring, reporting and internal control.

The developments below detail the internal control principles and methods for management of internal and outward reinsurance.

(a) Internal Reinsurance Management

Monitoring the Internal Reinsurance of the regional mutuals

Groupama SA is the reinsurer of Groupama's regional mutuals. The framework and the operating terms of Internal Reinsurance are defined in the reinsurance agreement.

The proper application of Internal Reinsurance is managed within the DASG by:

- the Reinsurance Department for policy accounting issues and investments in options;
- the Insurance Business Departments for joint underwriting procedures and joint claims management.

These procedures are formalised in section II of the reinsurance agreement entitled "General Reinsurance Regulations", the terms of which are reviewed every year, particularly the reinsurance thresholds.

With respect to the joint underwriting activities and joint claims management, the risk management and internal control procedures are presented in sections 3.4.4.5 and 3.4.4.7 respectively.

The principal control procedures put in place by the Reinsurance Department are presented below.

INTEGRATED CONTROL

Outward reinsurance operations by the regional mutuals are calculated by a specific software application (IRIS), into which data are input or sent by file transfer by the regional mutuals. Its operation is described in a detailed document. The configuration of the annual reinsurance parameters (presented in the Groupama document "Reinsurance Terms", which is updated annually), accessible in the application, is checked by the relevant Managers from the regional mutuals.

Reinsured excess claims are first validated by the regional mutuals and by the Claims and Services Department of the Group Insurance and Services Department (see 3.4.4.7 above) on the basis of a "Notice of Claims" application that interfaces with the Internal Reinsurance application.

Non-life annuities are managed by a dedicated application that interfaces with the Internal Reinsurance (IRIS) application.

Registration and policy accounting for the facultative business of the regional mutuals are handled using a dedicated application (SAFARI) into which data is entered by the Internal Reinsurance Department, and verified and approved by the regional mutuals; its functionality is described in a detailed guide, and the tool interfaces with the application used by the regional mutuals for calculating outward reinsurance operations (IRIS).

CONTROL TESTS

Within the Internal Reinsurance Department, the Studies and Pricing Department of the Internal Reinsurance Department checks the accuracy of the calculation rules written by the Reinsurance Accounting Department in the specialised computer application.

The reinsurance sector of every regional mutual also monitors the accuracy of the settings for calculating reinsurance, as input by the Reinsurance Accounting Division of the Internal Reinsurance Department of Groupama SA in the specialist software application.

The results of Internal Reinsurance transactions by every regional mutual are monitored:

- by the regional mutual concerned, before the statements are signed approving the contributions and claims;
- by the Analysis and Management Control division of the regional mutuals within the Group Financial Control Department, by comparing them with the forecasts of the regional mutual and with the Groupama SA budget;
- by the Corporate Accounting sector of the Group Financial Control Department in the framework of the registration of transactions on the books of Groupama SA.

In addition to the procedures, the policy accounts prepared by the Internal Reinsurance Department are also presented to the statutory auditors, who conduct tests on the parameters set by the IRIS application and on calculation models of their choosing.

Monitoring the Internal Reinsurance of the subsidiaries

With respect to Groupama SA's inward reinsurance for its subsidiaries, as for all Group inward reinsurance, the External Outward Reinsurance Department (DCER, see 3.4.4.9 *(b)* above) registers the accounts of the ceding insurers as they are received.

Moreover, for the subsidiaries whose outward reinsurance accounting records are managed by the DCER, the checks made by the DCER help to achieve perfect consistency between the outward business of the subsidiary and the inward business portion of Groupama SA.

The subsidiaries that manage their own accounting for reinsurance ceded send to the DCER the data needed to make estimates in the nearer term. This task also supports the preparation of reconciliation statements for the consolidation.

(b) Managing the outward reinsurance operations

Principles and organisation governing the Group's external reinsurance

These principles are updated every year by the Groupama SA Executive Management on the recommendation of the Reinsurance Department, which, since 1 January 2015, reports to the Group Insurance and Services Department. Holding levels and hedge ceilings of Groupama SA and those of the Group are calculated with the assistance of reinsurance brokers based on the exposure of the portfolios in technical terms (insurance commitments) and in financial terms (amount of shareholders' equity).

The operational implementation of the general outward reinsurance policy and the guidelines adopted for every renewal follow the terms and conditions set forth in the charter "Definition of the responsibilities of the External Outward Reinsurance Division". The job of determining the annual reinsurance scheme for Groupama SA and for all the Groupama SA insurance subsidiaries is managed by the External Outward Reinsurance Department (DCER) within the Reinsurance Department. This is done in coordination with the relevant Managers of Groupama SA or of each subsidiary, based on the data related to the current insurance portfolios. Every year, therefore, the DCER holds at least one meeting to determine the main features of the reinsurance scheme for the following year. For the reinsurance scheme covering the portfolio of the regional mutuals, the decisions bring together the Groupama SA Head of Reinsurance and the Manager for Internal Reinsurance.

Supervisory Procedures

As a general rule, the DCER, at Group level for wholly owned subsidiaries, is responsible for ensuring that the standards and procedures in terms of outward reinsurance for compulsory treaties are applied properly and monitors facultative reinsurance on a declarative basis. In 2009, the checks were reinforced through the implementation of new rules on underwriting limits in direct insurance and fronting activities.

The DCER is responsible for reinsurance accounting for Groupama SA and all French subsidiaries. In this regard, it verifies the claims of reinsurance policyholders and the premium bases as well as any specific information required by the reinsurers.

The DCER implements the following procedures, depending on the risks involved:

- for its own management transactions, on an integrated control: based on the specialist SIGRE reinsurance software, which contains surveillance and alert modules;
- to control the risk of storms in France, some disaster damage modelling/simulations were created using expert software by the reinsurance brokers or by specialist agencies (such as RMS). On behalf of Groupama SA, these agencies are also conducting studies into disaster risks (earthquake, flood, etc.) for the subsidiaries exposed (Italy, Portugal, Hungary, Turkey, Greece, Romania, Bulgaria, etc.).

  To better identify the Group's commitments, extensive work was performed in recent years on all storm risks of the Group in order to arrive at a uniform assessment of the risks in all of the Group's entities; this assessment was shared with the business and operational departments.

  The reliability of the process for evaluating commitments was thus strengthened through the audit and control of the databases as well as a standardised approach to valuing the amounts insured using source data. A methodology is thus rolled out, based on shared principles and still taking into consideration regional specificities *via* the use of additional parameters.

  These improved valuations were also used in the framework of the Group reinsurance program, to define, as precisely as possible, the modelling of a 200-year claim with the RMS modelling tool;
- to control the risk of fire in France, geolocation and research work on the maximum geographical concentration of risks is carried out with the support of reinsurance brokers. They also carry out disaster scenarios with which indications of likelihood of occurrence are associated;
- to control the management risk from entities that remain the owners of the data provided to external reinsurance, a level-2 control is implemented either by the DCER or by an authorised third party:
  - for insurance companies in France, whose reinsurance accounting is handled by the DCER, audits of reinsurance policyholder claims, the premium bases and specific data required by reinsurers,
  - for companies whose accounting is not handled by the DCER, audit of the consistency of the data necessary for establishment of reinsurance treaties, their investment and their monitoring: statistical and technical data, verification of compliance with Group procedures, in terms of best practices in outward reinsurance and the proper application of the security rules by complying with the list of reinsurers accepted by the Group Reinsurance Security Committee.

Reporting procedures

The DCER departments submit internal reports on a weekly (investments in progress), monthly (highlights) and quarterly (accounting review at the end of every quarter) basis to the department head. The department head then presents an annual renewal report to the Executive Management of Groupama SA that can be updated at any time, as well as pre and post external renewal interim balance sheets. The Executive Management of Groupama SA has to approve the levels of protection and general policy guidelines for external outward reinsurance to be adjusted every year; this information is presented to the Boards of Directors of the French insurance companies in accordance with the regulations in force.

Reinsurance report

The Groupama SA reinsurance report is prepared every year by the DCER, and then presented to the Board of Directors and sent to the ACPR. This report presents the Group's policy relating to outward reinsurance and the terms for implementing it (including the general procedures) as well as the report on renewal of the Groupama SA reinsurance scheme for the current year.

3.4.4.10 Management of financial risks

The Group Finance Department (DFG) is responsible for managing the assets and long-term financing of Groupama SA and its subsidiaries.

The regional mutuals are autonomous in the management of their assets in compliance with the risk limits defined by the Group.

(a) Management of financing and owned interests

The Investment Department ("DI"), which is part of the Group Finance Department, is responsible for the following:

- monitoring the debt management of Groupama SA and its subsidiaries;
- ongoing financial monitoring of subsidiaries and owned interests of the Group;
- calculating the value of the entities recorded on the annual balance sheet of Groupama SA, by preparing an annual valuation report. The value of Groupama SA and its subsidiaries and strategic holdings is calculated every year in order to:
  - perform IFRS impairment tests on any existing goodwill in collaboration with the Group Accounting Department,
  - update the liquidation rate of the intra-group securities in the investment reports of the shareholding entities and the regional mutuals, as these values are used for internal stock and bond reclassification transactions and also to meet regulatory requirements,
  - fulfil the requirements of the French Financial Markets Authority (AMF) in relation to the liquidity commitment of the Groupama SA stock in "Employee Shareholding" and "Agent Shareholding" corporate mutual funds (FCPE).

  The operating subsidiaries were valued based on the following:

  - for the life insurance companies: by calculating the values of existing and new business of each entity in accordance with the standards and methods defined by the Group Actuarial Department, under its supervision,
  - for the non-life insurance companies and other operating companies: by discounting the dividends expected from future periods as shown in the entities' Business Plans.

  The valuation work is audited by an independent consulting firm every five years.

The department manages merger/acquisition projects on behalf of the Group.

The Investment Department is also responsible for managing the financing of the entities by seeking the optimality of the proposed financing solutions. The department is thus responsible for coordinating the capital Management Committee, whose duties are as follows:

- establishing the capital management plan at the Group level:
  - validating the key indicators on this aspect: target solvency ratio, Fitch rating and return on capital,
  - assessing and steering the return on capital within the Group,
  - organising and validating the capital management methods:
    - managing targets and monitoring mutual insurance certificate outstandings,
    - managing targets and managing subordinated debts,
  - reviewing and implementing optimisation strategies (conversion in branch, reinsurance, regulatory arbitrage);
- proposing the intra-group capital management strategy and the capital plans of the entities that will be submitted to the bodies concerned for validation:
  - review of the capitalisation plans of the entities,
  - policy and monitoring of the distribution of dividends,
  - recapitalisation plan,
  - monitoring of the guarantee agreement (entered into between the regional mutuals and Groupama SA);
- informing the governance bodies of the implementation of the capital management plan.

  At any time, it may refer matters to these bodies if it finds a significant deviance (likely to threaten the Group's solvency).

The Groupama SA Steering Committee and the Group Executive Committee validate the Group's capital management plan and monitor its implementation.

(b) Monitoring of investments

Methods used to measure, evaluate and control investments

For the management of long-term assets, the Group Finance Department has assigned:

- the financial management of listed securities (equities and fixed-income products) to Groupama Asset Management (GAM);
- the management of investment property to Groupama Immobilier.

Within the Group Finance Department, the Investment Department is responsible for monitoring these duties (see below). It is also responsible for monitoring the Company's cash position, investment management and the filing of reports to the Steering Committee.

The monitoring of Groupama Asset Management's activities is formalised in the note specifying the GAM-Groupama SA relations and detailing the reports expected from the service provider in terms of content, frequency and communication time frames as well as the monitoring bodies and the roles and responsibilities of the stakeholders in this monitoring.

Three monitoring committee meetings are held each quarter, as well as an operations committee meeting, whose objectives are specified below.

MACRO FINANCIAL COMMITTEE

The following topics are addressed within this committee:

- semi-annual development of market scenarios in 2 or 3 years for "mandate" purposes and in 1 year for "UCITS" purposes, with potential quarterly adjustments;
- specific market analysis or analysis on asset classes;
- market opportunity presentation;
- recommendations in terms of asset classes;
- major structural theme and potential cross-functional theme impacting the allocation and management choices.

The Mandate and UCITS Management Department, the research Managers and the CEO of Groupama Asset Management as well as the Group Financial Department participate in these committees.

MANAGEMENT COMMITTEE

The following topics are addressed within this committee:

- presentation of changes in the strategic allocation and guidelines of the governance bodies impacting the management of assets;
- presentation and discussion of Groupama Asset Management's tactical margins;
- presentation of the management choice on the mandates in relation to the tactical allocation margins and the most structuring movements on the portfolios;
- key management choices relating to mandate mutual funds and units of account;
- live monitoring of the performance of the portfolio, relying on a specific methodology and the mutual funds.

The mandate Managers and the mutual fund Managers of Groupama Asset Management as well as the representatives of the Group Investment Department participate in this committee.

SECURITIES RISK COMMITTEE

The following topics are addressed within these committee meetings:

- escalation and analysis of alerts and emerging risks on issuers and counterparties, as well as on the liquidity of assets: observation of the liquidity of the markets on the asset classes and on dedicated mutual funds and on units of account;
- review of credit analyses on an issuer, a type of instrument, a sector or a country;
- monitoring of compliance with primary and secondary limits;
- monitoring of counterparty risk: verification of the establishment of collateral on exposures on derivatives and its main characteristics;
- monitoring of operational risks: escalations of management incidents.

The Groupama Asset Management mandate Managers, the Groupama Asset Management risk Managers, the credit analysis representatives, the Group Risk Department and the Group Investment Department participate in these committee meetings.

In addition, the Group Investment Department is invited to the Position and Market Committee and the Research Committee of Groupama Asset Management.

OPERATIONS COMMITTEE

The objective of the Operations Committee is to handle relationship with Groupama Asset Management's back office, particularly on data sent by it.

It brings together the Investment Department and the Managers of the back office of Groupama Asset Management.

For the monitoring of real estate assets, a monthly operations committee meeting brings together the representatives of Groupama Immobilier and the representatives of the Group Investment Department.

The monitoring of investments made and the validation of investment proposals are done during this committee meeting, the agenda of which systematically addresses the following two points:

- follow-up on arbitrage transactions decided by the principals;
- the rental and risk monitoring reports.

The following topics are analysed by the Group Investment Department:

- reports on the economic climate, management and performance reports, updates on the estimated budget and projects under way (divestments, investments or work in progress). The committee develops a proposal for validation by the body concerned (depending on the commitment delegations, the Executive Management, Board of Directors of the entity), acquisitions or divestments exceeding its authorisation thresholds;
- budget results;
- the main business indicators, including the vacancy rates and their changes;
- the main vacant spaces and their financial impacts;
- prospectively, the main lease expiries over the current year and the next two years;
- the leases that may be terminated at any time (after notice);
- a presentation of the result of real estate assessments (bi-annual/annual).

REAL ESTATE COMMITMENT COMMITTEE

A Real Estate Commitment Committee (CEI) decides on the real estate budget overall and on the files selected by Groupama Immobilier for acquisitions and divestments as well as valuation work exceeding the authorisation thresholds defined in the mandates. Below these thresholds, depending on the amounts, the files are arbitrated, either by the investment committees or by Groupama Immobilier and the Group Financial Department.

Monitoring of transactions on forward financial instruments (FFI)

The use of derivatives or collateralisation mechanisms, held either directly on the balance sheet or through management funds, allows the following risks in particular to be hedged:

- interest rate and inflation risk (*via* interest rate swaps and inflation swaps);
- credit, counterparty or spread risk (*via* CDS – Credit Default Swaps – or collateralisation mechanisms);
- equity market risk (*via* options, swaps or structured products);
- currency risk (*via* currency swaps).

These instruments must not be used to circumvent the framework of the limits or generate leverage for speculative purposes.

Assessing the performance and margins of the financial intermediaries used

Every year, the Asset Managers assigned to manage the securities submit a report to the Group Investment Department assessing the performance and the margins of the financial intermediaries used.

(c) Internal control of investment management

Organisation of responsibilities among the parties involved in the investment management process

The investment management process is based on a strict separation of tasks among the entities involved: the Investment Department, the Group Financial Control Department, the Asset Managers and custodians/depositaries:

- the Investment Department is in charge of asset/liability and asset allocation modelling, managing relations with service providers, monitoring the recording of investment income/loss and preparing asset reports;
- the Asset Managers are responsible for building up portfolios and selecting securities up to the strict limits imposed by the mandates, executing transactions, placing transaction orders and preparing detailed reports for the Group Investment Department;
- the custodian/depository is responsible for settlement/delivery, the custody of securities and sending transaction orders to the Group Financial Control Department;
- the Group Financial Control Department is responsible for inputting and validating accounting transactions, carrying out various reconciliations and publishing the financial statements.

Managing powers to authorised officers

The list of persons authorised to pass orders on financial accounts is kept up-to-date by the Group's General Secretariat, at the recommendation of the Group Accounting Department under the authority of the Group Chief Financial Officer.

The same applies to the list of individuals authorised to issue put or call transactions, on approval by the Investment Department and the Chief Financial Officer.

Control of mandated Asset Managers and managing investments

CONTROL OF MANDATED ASSET MANAGERS

Management authority is formalised by mandates signed by the Group Chief Financial Officer.

These agreements are proof of the financial management delegation given by the entities to the management companies. They are designed to meet the desired conditions of each entity, in accordance with the regulations in force.

They specify the following:

- the management objectives, transactions authorised and limits;
- the management structure and the information about the principal;
- the obligations and responsibilities of each of the parties;
- technical constraints:
  - the liquidity ratios of the fixed income and equity instruments, arrived at by defining holding limits based on the capital and/or the float, and constructing and managing the portfolios' "liquidation" curves,
  - the internal risk dispersion ratios of the fixed income and equity instruments,
  - the benchmark in terms of risks, duration, rates and currencies;
- the terms for compensating the agent and the depositary;
- management procedures: committees (role and meetings held), financial reports to the principal;
- other practical conditions (duration of mandate, terms for termination, etc.).

The Investment Department monitors the management companies to ensure the portfolios' ongoing compliance with the regulations applicable to assets representing insurance commitments.

With respect to internal control of asset management transactions:

- companies managing securities portfolios are subject to oversight by the AMF and have their own internal control systems that include, in particular, monitoring nominal amounts of transactions and all cash flows, confirming transactions with all counterparties, complying with the "Chinese wall" separating the front and back offices, and the cross-functional nature of the middle office and back office organisation, the security of IT systems and the protection of access codes, and surveillance of atypical behaviour. They have also established their own control systems for monitoring the proper application of the mandates;
- the principal depositary of the entities in the Group, Orange Bank, as well as the depositaries outside the Group, are subject to oversight by the French financial markets authority (AMF) and the French prudential control and resolution authority (ACPR). In particular, Orange Bank has its own internal control system and verifies the powers of authorising officers.

FINANCIAL MANAGEMENT PROCEDURES

As part of its management planning, Groupama SA has introduced management systems, including in particular:

- calculating income statements and estimated balance sheet items based on technical and financial assumptions corresponding to a central scenario;
- monitoring capital gains and losses in the securities portfolios and verifying the need to book provisions for contingent payment risks;
- setting monthly performance indicators on the status of the assets and tracking them for achievement or estimated achievement;
- regularly updating estimated cash flow.

The Investment Department is responsible for internal and regulatory reporting procedures:

- reports on financial policy to the Boards of Directors of Groupama SA and every mandated asset management company;
- contribution to the annual solvency reports of Groupama SA and every mandated asset management company;
- contribution to Solvency II QRTs on investments;

- quarterly reporting on the asset structure and the limits and derogation process (exposure, indicators and summary of exceeded limits in progress or resolved).

PERMANENT CONTROL OF INVESTMENT MANAGEMENT

This control is done in the framework of the Asset Allocation Committee to ensure the monitoring and validation of asset allocation and financial result formation decisions (capital gains programmes, etc.).

These committees bring together:

- as a representative of Groupama SA: the Group Chief Financial Officer, the Head of Investments, the Investment Manager, and the representative of Assets/Liabilities;
- the Chief Executive Officer and the *ad hoc* Managers of the subsidiary concerned.

The International Department is present at these committee meetings when an International subsidiary is concerned.

3.4.4.11 Risk management related to loans, guarantees and off-balance sheet transactions

Groupama SA, in its capacity as a parent holding company, ensures the clearing and monitoring of financing and guarantee transactions, both internally and outside the Group. The Group Finance Department, working with the Group Legal Department within the General Secretariat, is responsible for this monitoring, and a report is prepared for the ACPR on the adjusted solvency file.

3.4.4.12 Managing solvency and profitability

The principles of monitoring solvency and profitability are defined in the framework of the Group capital management policy validated by Groupama SA's Board of Directors.

In the Solvency II environment, solvency risk is monitored on a quarterly basis through the calculation of the Group and entity solvency ratio.

Each year, the Investment Department assesses the sensitivity of these ratios to several market environments.

From the operational strategy planning work, the Solvency II coverage ratios of the Group and the entities are projected over three years according to several scenarios (central and stress tests) and analysed as part of the ORSA.

The results and the target contributions of the entities to the Group ROE are monitored as part of the system presented in point 3.4.1.3 *(a)*. *Ad hoc* analyses are carried out at least annually to compare the actual and projected results in the framework of the OSP with target contributions to the Group ROE.

The monitoring of profitability and management of the return on required capital is incorporated into the budgetary approach and the strategic control of the entities (see 3.4.1.1. below). The aim is to control the profitability of business lines and their volatility after reinsurance during the operational strategy planning period. Specific indicators integrating the Solvency II capital requirement are calculated, analysed and monitored on the scopes of the Non-Life Insurance business lines in the Partial Internal Model, as detailed in point 3.4.4.2.

In the Solvency I environment, the Group Financial Control Department, within the Group Finance Department (DFG), calculates the adjusted solvency for the Group every year as required by regulations. This calculation is reviewed for consistency by the statutory auditors, and the DFG prepares the Groupama SA solvency report.

In addition, the Investment Department tracks the solvency of Groupama SA and its subsidiaries as well as their hedging for regulated commitments:

- verification of solvency margins based on elements submitted by the subsidiaries;
- verification of hedging for regulated commitments (sufficiency and quality of admissible items);
- verification and decision concerning the terms for allocation of the annual earnings of the subsidiaries.

The Investment Department also closely monitors the following:

- Groupama SA's balance between the supply and use of funds;
- changes in the holding activity of Groupama SA;
- changes in the combined solvency margin between two accounting periods.

Lastly, the Investment Department tracks any distortion of Groupama's combined regulatory solvency margin and assesses its sensitivity as well as that of the capital surplus according to the models used by the rating agencies.

3.4.4.13 Operational risk management

(a) General organisation

With regard to the management of operational risks, the operational risk management policy of the Group and Groupama SA was approved by Groupama SA's Board of Directors in 2015. This policy defines the reference framework, which sets out the principles and rules for managing potential and proven risks that affect the Group.

The Group Permanent Control and Compliance Department manages and oversees the operational risk management system for the entire Group.

The Group has opted for a process-based approach to manage the operational risks to which it is exposed. This approach can be used to identify and assess, for each business, the risks that threaten them and the control systems that are implemented.

The principle is based on formalising the processes of each business, determining the operational risks likely to affect these processes and identifying the control and management elements of the corresponding risks, by referring to the Group process standards and the Group nomenclature of operational risks made available to the businesses.

In this framework, ten Major Operating Risks were identified at the Group level, and they are monitored at both the Company level and the Group level. The system for monitoring major operational risks works as it does for 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. In particular, it relies on an analysis by scenario (an intermediate scenario and an extreme scenario defined at the Group level) determined for each major risk and on which each company of the Group is to decide by assessing the operational risk to which it is exposed in the framework of that scenario. The Group risk owners establish operational risk control plans, which are implemented within the Group's companies.

The Group major operational risk monitoring system is managed by the Group Operational Risk Committee (see 3.4.2.2 *(a)* above).

With regard to permanent control, the Group's actions were extended in 2016 with the continued roll-out of the initiative within all Group entities, for both level 1 and level 2 permanent control (see 3.4.2.2 *(a)* above), and the holding of *ad hoc* workshops on the topic.

Employees of the Group Permanent Control/Compliance Department (in collaboration with the International Subsidiaries Department for the subsidiaries concerned) maintained their support for each entity throughout the year, to assist them with implementing this project.

In terms of Business Continuity Management, the business continuity policy of the Group and Groupama SA, which serves as the guiding principle for the implementation of Business Continuity Plans (BCP) of all group entities, was updated and approved by Groupama SA's Board of Directors on 27 May 2015.

The different features required to manage the three instances of major unavailability (personnel, buildings and IT systems including telephone) are identified and documented within the entities. This involves the Crisis Management Plan (CMP), Communications Plan (COMP), Personnel Management Plan (PMP), Business Line Continuity Plan (BLCP), User Recovery Plan (URP), IT Contingency Plan (ITCP), Return-to-Work Plan (RWP) and Operational Readiness Maintenance (ORM).

In addition, methodological contributions were made thanks to the formalisation of normative practical sheets aimed at providing a very concrete description of the elements needed to trigger and implement a BCP in particular on the BLCP, the URP, the ITCP, etc., as well as the content of the Crisis Management Plan, the testing workflow or the alert procedure in the event of a disaster. Lastly, IT back-up and user back-up drills were also carried out for a majority of Group entities.

On the International scope, an assessment of the maturity of certain Business Continuity Plans was conducted in 2016 by the International Subsidiaries Department in collaboration with G2S to better manage them.

Lastly, the roll-out of the common operational risk management tool to the Group entities continued during 2016. The tool will provide a cross-functional view of risks at Group level and meet the requirements for security and traceability of permanent controls.

(b) Methods of marketing the Company's products

The controls carried out in this area are performed in the form of internal checks by each of the Group's insurance companies.

The operational deployment of the ACPR recommendation and the AMF position of 8 January 2013 on Know Your Customer continued in 2016 through upgraded versions of the Group's sales tool ISICLIC (mainly the regional mutuals scope) to enhance the compliance of the systems for "collection of KYC information as part of the duty to advise in life insurance". A corresponding Group training module continues to be deployed in 2016 in the Group's entities. Other sales tools are under consideration for the other Group distribution networks.

At the same time, the Group updated the system of assessment of salespersons of the regional mutuals as part of their certification.

Groupama SA does not have a directly owned sales force and only distributes insurance policies directly on a very infrequent basis.

(c) Control of logistical resources and IT systems

Description of the internal organisation

The logistical resources and IT systems are managed by the GIE Groupama Supports & Services (G2S). In addition to Groupama SA, Groupama Supports & Services manages the purchasing functions, IT systems and logistical resources for all of its members, including the regional mutuals, most of the Groupama SA French subsidiaries and certain international subsidiaries. All the systems described below apply to all customers of the GIE.

The CEO and Managers comprise the Groupama Supports & Services Steering Committee.

The Management Committee is now based on an organisation model constructed as follows:

- a Management Committee for each Business Department of the GIE;
- orientation committees by business lines (information systems, logistics and procurement);
- an IT coordination committee;
- an audit function reporting to the Executive Management;
- a risk management function reporting to the Executive Management.

Risk management, which covers the functions of security, internal control, compliance, risk management and operational risk insurance, is handled within Groupama Supports & Services by the Urban Planning, Digital Transformation, Steering and Risk Department.

The Risk and Control Division is responsible for ensuring the quality of the control environment in compliance with the requirements defined by the Group, with the Executive Management responsible for monitoring the effectiveness of permanent controls and the establishment of risk management systems across all Company departments. It is also in charge of implementing and maintaining the GIE's Business Continuity Plans in an operational condition.

The Security, Emergency Services and Compliance Division is in charge of drafting security, emergency service and compliance policies as well as their proper application, both on the information system aspects and with regard to security of persons and premises. As such, this division also deals with:

- the security of the information systems and actively contributes to the fight against intrusions and hacker attacks;
- the security of operating properties and their regulatory compliance;
- the User Recovery Plan;
- satisfaction of social and environmental responsibility requirements (single document, carbon assessments, etc.);
- management of identities and access (management of projects relating to authorisations and deployment of corresponding control means);
- governance of IT security at the Group scale.

The progress of all improvement/corrective action plans regarding logistics and IT is regularly monitored in the G2S Management Committee.

Risk control activities are reviewed three times a year by the G2S Risk Committee in the presence of the Chief Executive Officer and members of the Management Committee. The monitoring of G2S Major Entity Risks (RME) also falls to this committee.

Every year, a specific Groupama Supports & Services internal control report is produced and presented to the Board of Directors of the GIE.

IT and Logistics Governance

The strategy, organisation and budgets for IT and logistics, operational relations between Groupama Supports & Services and its customers, as well as the quality of IT services, are managed by various governance bodies:

OPERATIONAL IT COMMITTEE (COMOP)

This committee, which meets on a quarterly basis, includes the heads of IT from the G2S customer entities (Groupama SA, regional mutuals, France subsidiaries). In particular, it deals with questions on the reliability and security of the IT systems.

LOGISTICS WG

This committee is composed of logistics managers from the customer entities and the G2S Logistics Department. It manages and seeks synergies in the logistics segment. It meets four times a year.

BUSINESS AREA COMMITTEES

There are 4 Business Area Committees: Insurance and Distribution, Group Life Insurance, IAEC (fire and accidents of businesses and local authorities) and Reinsurance and Taxation Accounting Management.

They are made up of representatives from the management of the regional mutuals, Groupama SA Managers from the Business Departments, Managers of the French subsidiaries, Customer Relationship Managers and G2S representatives for the above four business areas.

For the sake of efficiency, a merger of the IAEC and Collective Life Insurance Committees was carried out in 2016 to present all accomplishments by G2S and Groupama Gan Vie to the regional mutuals in a single body.

For each business line, these committees:

- ensure the validity and relevance of the statement of needs;
- validate the proper execution of IT projects in line with the business priorities;
- rule on requests for IT upgrades;
- propose budget guidelines for the businesses.

CUSTOMER RELATIONS COMMITTEE (COMMITTEE WITH THE MEMBER COMPANIES OF THE GIE)

This committee represents the interface between each customer and G2S. It addresses both the IT scope and the logistics scope for each customer:

- monitoring the progress of projects;
- ruling on customer upgrade requests;
- examination of common files monitored in the Area Committees;
- managing the budget.

It meets every month or every quarter, depending on the customers.

It is made up of customers (including Groupama SA), the Customer Relationship Manager and representatives from the relevant G2S departments.

KEYS COMMITTEE

The Keys Committee, in charge of the procedures for invoicing customers for G2S IT, Logistics and Purchasing services continued its work in 2016 on a quarterly basis. Six files were examined and validated.

The G2S Internal Control Environment

In accordance with the mission of the “Risks & Internal Control” division, the internal control arrangements put in place at the GIE level are based on a control environment integrated into the routine operation of activities for each business line. It is maintained in compliance with the requirements defined by the Group and by Solvency II.

It is composed of a reference source of the Company’s processes for the three business lines of the GIE and its support functions. A coordination system managed by internal control is in place with dedicated process Managers. The objective is to determine the optimisation areas and actions and to ensure a level of control based on control evidence and a record of such evidence in the Group tool OROp.

The level 1 permanent controls, all overseen by the G2S internal control, are in place in OROp for the core business processes. For cross-disciplinary processes, the definition projects will be completed gradually until the end of 2017.

In 2016, G2S modernised its own reference source of “Business Control System” processes. It is accessible to all employees and provides all the information relating to G2S processes:

- the mapping of processes;
- the description of processes and their activities (procedures);
- the definition of permanent controls and the results permitting escalation in OROp;
- the indicators of results;
- the G2S policies: instructions and guidelines defined by the executive management and validated by the Board of Directors.

The G2S Business Continuity Plan (BCP)

In 2016, a campaign to update the reference documents of the business lines BIA[1] and PCM[2] was carried out by all G2S departments.

The corpus of documents of the G2S BCP is being finalised. All cross-functional components of the BCP CMP[3], URP[4], ITCP[5], ORM[6] are defined.

2016 was also devoted to the development of a new Intranet-like BCP tool: IRM (Involvement in Risks Management).

It covers all information on which business continuity relies:

- management of all data of the BIAs;
- management of BCP directories;
- centralised storage and access to the Business Continuity Plans.

Thanks to its ergonomics, this tool will facilitate the regular updating by the departments and will allow everyone involved in the BCP to consult all the measures relating to G2S business continuity at any time.

The organisation of several operational drills ensured the effective implementation of the emergency plans described in this BCP.

In 2016, emergency drills were also conducted for the other group entities as well as ITCP drills carried out by Groupama SA.

Control and Security of IT systems

The RSSI, head of Group IT security, defines the Group security policy for the IT systems (PGSSI) and manages the roll-out of the security approach within the Group. The RSSI also acts as RSSIE (Enterprise) on behalf of Groupama SA.

Moreover, since the end of 2013, the RSSIG function has been responsible for managing the mechanisms for control of major Group risks relating to the IT systems.

These major Group risks are reviewed every half-year by the Urban Planning, Digital Transformation, Steering and Results Department (DUTP of G2S); this review results in a report that assesses the relevance of the business control mechanisms in place and monitors plans for improvements to risk control. These risks are regularly reviewed by the Group Operational Risks Committee and on an annual basis by the Group Risk Management Committee.

The main actions taken during 2016 were:

- extension of the G2S control responsibilities to all Group entities in collaboration with the heads of security, appointed within the entities of the France and International scope;
- the finalisation of the reinforcement and expansion of the surveillance service to new areas (24-hour service);
- continuation of the training plan for developers to cover new threats, so that they can acquire the knowledge and skills they need to develop web applications that are not vulnerable;
- construction of a set of standards for reaction to events, to face up to the increasing complexity of attacks and vulnerabilities.

At the end of the first half of 2015, G2S constructed a new security master plan, the objective of which is to define the future guiding principles for 2016-2019. Its operational deployment began in 2016.

Control and Security of Logistical Resources

The control and monitoring of premises, facilities and equipment involves the management of the life cycle of equipment and buildings to the satisfaction of GIE customers at the same time as complying with the legislation in force.

Compliance of buildings is regularly audited. All anomalies are listed in a progress plan, which is monitored every month at a meeting of the Security and Logistics Working Group.

G2S has a sheet for each building managed by G2S and occupied by Groupama SA personnel; this sheet shows the regulatory controls. Each quarter, these sheets are checked by the teams of the G2S Security, Emergency Services and Compliance division. The results and reports will be saved in the OROp tool in 2016.

Incident management

For its IT and Logistics business line activities, G2S has a system for reporting incidents based on a tool that centralises all incidents and allows their resolution to be tracked through workflows involving the various skills groups of G2S.

Major incidents impacting the availability of IT and logistics services are also recorded since 2015 in the common tool for operational risk management, OROp.

Significant incidents can give rise to specific audits and recommendations aimed in particular at establishing the actions to be taken to anticipate the occurrence of an incident of this type and to improve the triggering and the procedures for managing a major incident crisis.

(1) BIA: Business Impact Analysis.
(2) BLCP: Business Line Continuity Plan.
(3) CMP: Crisis Management Plan.
(4) URP: User Recovery Plan.
(5) ITCP: IT Contingency Plan.
(6) ORM: Operational Readiness Maintenance.

Other Controls and Security Procedures

Regular controls and risk management procedures are also applied with respect to a number of activities, particularly:

- the procurement process;
- the IT system;
- the implementation of projects;
- continuity of operations;
- the management of incidents and the Help Desk;
- the availability of production services;
- the security of production transactions.

Control and Management of Major Inter-company Risks

CONTROL OF EXPENDITURE AUTHORISATION

The control of expenditure authorisation is handled through the IT system built on SAP software. Purchasing requests, orders and accounts payable are handled through internal GIE validation workflow, while payments themselves are made by Groupama SA's Accounting Department.

Recently completed work improved the security of the expense authorisation process and harmonised the processes of the IT and logistics channels.

COVERAGE FOR OPERATIONAL RISKS

In 2016, two priority projects were completed:

- the establishment of a Cyber-Risk cover for the entire Groupama group in France and Italy. The emergence of these new risks has highlighted the need to round out the Group's insurance programmes and strengthen the amounts of guarantees using Cyber cover;
- the technical and economic optimisation of covers in renewal at 1 January 2017 for covers for Professional liability, General liability excluding operation, Fraud, liability corporate officers of regional mutuals, liability of corporate officers of Groupama SA was carried out during the second half of the year.

(d) Control of general expenses, trade payables and outsourced activities

Control of the management of general expenses by Groupama SA and its subsidiaries

Expenses by the subsidiaries are incurred in the context of monitoring those subsidiaries as described in 3.4.1.3.

The general expenses of Groupama SA's departments, including those billed back by the Groupama Supports & Services (G2S) resources unit for logistical and IT expenditures, are provided for in the annual budgets deliberated by the Executive Management.

The expenses, as well as the budgets, of the Groupama SA departments are consolidated with those of the main Life, Non-Life and financial subsidiaries both in France and abroad and are subject to regular monitoring implemented and coordinated by the Group Analysis and Management Control Department of Non-Life entities in France and Groupama SA within the Group Financial Control Department, in particular *via* key indicators, general expense reports and financial reports.

More specifically, with respect to the monitoring and control of the expenses incurred by the departments of Groupama SA, the following should also be noted:

- a three-year budget forecast is prepared by the departments every year;
- an automated work flow defined in accordance with precise internal control rules has been applied to the order/purchasing process: this system makes it possible to separate the tasks among the requester, the approval body and the payer, and to automate budgetary control and to account for expenses automatically as soon as a commitment is made.

Regarding the management of expense reports, controls carried out by the Group accounting and analysis and management control departments of the Non-Life entities in France and Groupama SA supplement the automatic controls performed by the SAP tool, the use of which is decentralised among the Groupama SA departments.

Internal Control of the Groupama SA Purchasing Process

After approval by the Steering Committee and the support expressed by its Works Committee, Groupama SA appended a purchasing ethics charter to its Internal Regulations on 29 March 2006.

As indicated below, an order/purchase management system has been used since 2006 for practically all Groupama SA purchases, excluding assignment expenses, which are entered directly in the SAP accounting system.

This system is used:

- to monitor all suppliers;
- to account for costs as soon as the commitment is made, using an integrated SAP feature;
- to secure the distribution of tasks between the principals, the approving bodies and the Accounting Department;
- to automate budget control and the cost distribution process;
- to help reduce the amount of time it takes to prepare financial statements and to improve the quality of the financial forecasts;
- to secure supplier payments as related to actual deliveries in keeping with orders;
- to clear all invoices with the cost monitoring unit within the Group Accounting Department.

The periodic monitoring of supplier risks is reflected by the implementation of specific actions:

- establishing specific Supplier Relationship Management reviews;
- dedicated progress plans for key suppliers;
- posting of supplier contracts online.

Control of Outsourced Activities

The control of subcontracted activities is integrated into the overall system of internal control of the Group presented in the Group Internal Control Policy, the detailed guidelines of which are contained in the Group Subcontracting Policy.

The Subcontracting policy of the Group and Groupama SA, validated by Groupama SA Directors in 2015, specifies the rules and procedures for application with regard to the establishment, management, monitoring and control of subcontracted services by taking into account the issue specific to each service, whether the subcontracting is done within the Group or outside the Group.

Intra-group subcontracting meets the same conditions but takes account of the extent of control exercised on these internal service providers *via* the Group governance system and the risk management measures in place.

The policy presents for important or critical service providers the obligations to be respected by the service provider with regard to internal control and reporting on this system.

It also presents the level 1 and 2 permanent control system to be implemented by the Group's delegating companies to ensure respect for the provisions of the subcontracting policy and the security of subcontracting activities.

The policy also provides for the implementation of a level 3 control system handled by the internal audit teams of the delegating companies or the Group General Audit Department for intra-group subcontracted activities.

3.4.5 RELIABILITY OF FINANCIAL DATA

The Group Financial Control Department within the Group Finance Department is responsible for preparing the financial statements and the notes to the shareholders, sponsoring authorities and tax authorities.

3.4.5.1 Parent Company Financial Statements

The parent company statements are prepared with an ongoing objective of identifying all funds flows in detail, assigning a value to them and accounting for them in accordance with the regulations in force.

The types of internal control procedure implemented to that end are listed below:

- security procedures and internal checks: every area manager guarantees that the work load is appropriate for the skills of their staff and ensures the compatibility and distribution of functions among their employees;
- integrated control and control tests: this refers to all operations guaranteeing the reliability and existence of an audit trail when data are charged to the accounting, tax and regulatory information system, in particular:
  - the functions and applications used to perform reliability tests and tests to check on the accuracy and consistency of accounting transactions,
  - other non-electronic actions and tests, mainly focusing on consistency checks carried out by random sampling on large-volume transactions, with very low unit amounts (*e.g.*, balancing of policyholder balances, tax statements);
- hierarchical control: the objective of this is to distribute information and enable the cross-checking required to ensure the reliability of the parent company financial statements. This is done through several current management procedures and in inventory:
  - within current management:
    - separation of the functions of commitment and payment of expenses:

      expenditure of a technical, general or financial nature is in principle ordered by persons outside the Group Financial Control Department who are authorised up to a certain ceiling based on the type of expense; payment of these expenses is initiated by the Group Financial Control Department only after a signature different from that of the authorising officer;
    - monitoring of banking authorities:

      delegation of signature authority for banking transactions, granted to some employees, is subject to administrative monitoring and regular updating; these functions have been the responsibility, since 1 July 2014, of the Group Legal Department, in close liaison with the Group Financial Control Department,
  - within inventory management and preparation of the financial statements:
    - regular review meetings between the Group Financial Control Department and the other departments designed to provide an overview of all the flows for the year and anticipate their integration into the financial statements,
    - measurement of the consistency between the parent company statements and the estimated statements in collaboration with the various teams of the Group Financial Control Department,
    - building up a set of supporting documentation for the year's financial statements under the supervision of the reviewer's direct superior, then the department head;
    - review of parent company and Group tax income/expense with the Group Tax Department,
    - internal meetings within the Group Finance Department to deal with different operational and functional views and thus to ensure the validity of the Groupama SA auxiliary and parent company financial statements,
    - approval of the financial statements by the Executive Management.

In the framework of its position as parent company of the Group, Groupama SA handles the accounting for a number of subsidiaries through its Service Sharing Centre (operating SCIs, GIE Groupama Support and Services, holding companies and other subsidiaries); it also handles investment accounting for the French profit centres.

The Group Financial Control Department prepares the financial portion of the financial statements (securities and real estate, plant and equipment) for the profit centres, using an auxiliary accounting system. For those entities in particular, it works with the Group Tax

Department to calculate the financial tax income/expense (securities and real estate, plant and equipment) and drafts the statutory financial statements to be sent to the ACPR.

The tools and procedures used to keep investment auxiliary accounts (back-office securities and accounting tool) and the accounting systems of the entities without the means to have their own Accounting Departments comply with the same internal control criteria as those described previously for the Groupama SA parent company statements (see above). With regard to the investment accounting system, it should be noted that standardised controls, which are subject to written procedures, can be used to guarantee the reliability of the information regarding investments.

3.4.5.2 Consolidated financial statements and combined financial statements

The internal control procedures used to establish the reliability of the consolidated financial data for the shareholders of Groupama SA are based on six basic principles: checking the adequacy of skills (internal check), integrated control, parallel control tests, hierarchical control, Group benchmarking and the procedure for estimating results.

(a) Security and Internal Checking Procedures

They are applied for the departments preparing the consolidated and combined financial statements in the same way as described in the section on the parent company financial statements (see above).

(b) Integrated Control

The Group's system for developing condensed financial data has been implemented throughout the entities. It is based on a single consolidated data production base. All the entities supply this database with data through secure links. It contains a large number of controls designed to guarantee the quality of the financial data:

- the first level of verification entails checking the standardisation of the data (all the Group's data is presented in a format that follows a single standard);
- the second level involves a series of automatic checks built into the entities' individual data collection phase. These checks mainly relate to the overall accuracy and consistency of the items entered. Depending on the types of control, the data input may either be blocked automatically (which can only be cancelled if the exact data is input), or else the control returns an error, which must be corrected. An audit trail of these controls is maintained centrally. The software allows a fairly high level of automatic control through the development of interfaces with the upstream systems;
- at the central level, additional controls are carried out. These mainly involve the necessary consistency of the data between the different entities in the Group (*e.g.* for internal reciprocal transactions) and central transactions (conversion of foreign subsidiaries, consolidation entries, etc.).

The system has an audit trail that can run any cross-checks that might be desired, to identify and monitor any data item and trace the source of any elementary data, from the parent company to the consolidated level. This set of parameters is tested regularly (particularly by republishing old scenarios).

(c) Control Tests

A set of verification and control tests has been put into place to ensure that transactions are executed reliably whether they are electronic or not. In addition to the electronic processes, these tests have two main objectives:

- to check the source of the data (with respect to accuracy and application of the standards); this control is based mainly on consistency checks, estimates, parent company analytical notes (or the management report) of each entity, and on a management questionnaire designed to ensure that the Group's most sensitive accounting standards and methods are properly applied;
- to verify the central processing: accuracy checks are carried out to guarantee that central consolidation transactions are correctly processed (sharing of shareholders' equity, dilutions/accretions, etc.).

The control tests are documented in a review manual.

(d) Hierarchical Control

Hierarchical control seeks to ensure that the principal items affecting the truthfulness and accuracy of the financial data, as well as the asset position and the profit/loss (parent company and consolidated) disclosed to the shareholders, are captured in the data presented. This control involves the use of several procedures:

- checking for consistency with the estimates and with any item used to cross-check the data appearing in the financial statements;
- meetings to approve the financial statements with the employees producing the financial data (with a review of any problem areas encountered during the approval process);
- approval meetings with the statutory auditors of the consolidated financial statements;
- meetings with the Steering Committee to review the consolidated financial statements;
- meetings with the Audit and Risk Management Committee to review the consolidated financial statements.

All of these tasks are aimed at enhancing the quality of the financial data, particularly the consolidated financial statements as well as the management report to the Board of Directors.

(e) Group benchmarking

The accounting standards for the consolidated financial statements are the IFRS. They are distributed at group level, and instructions for using them are given in a consolidation manual containing reminders of each line item in the balance sheet and the income statement:

- IFRS reference text and a summary of the standard;

- the area of application and possible options selected by the Group wherever the IFRS allow the possibility of applying options;
- methods of application.

The consolidation manual is available online. It can be accessed by all the entities in the Group (French and English versions). It is updated regularly based on any changes in the IFRS.

This consolidation manual also includes instructions (French and English versions) issued at every closing to all Group entities. The instructions emphasise the specific items applicable to each approval process. These instructions are sent to the statutory auditors for information.

Training in both methodology and operations is provided regularly to all involved parties in the Group so that the requirements introduced by the IFRS are properly understood and incorporated into the financial statements.

3.4.5.3 Supervision of intra-group accounting transactions

Transactions between the subsidiaries and Groupama SA (internal loans, subsidiary restructures, capital increases, dividend payouts, etc.) are subject to approval by the Groupama SA Executive Management, and to technical and operational control by the Group Financial Control Department. Controls on these operations are carried out by auditing the consolidated financial statements, *i.e.* by reconciling intra-group transactions, monitoring any changes in shareholders' equity, and reviewing the transactions recorded for consistency with legal documentation.

3.4.5.4 Regulatory reporting under Solvency II

In accordance with the Solvency II directive, the Group Financial Control Department also continued its work in 2016 to prepare for the future Solvency II regulatory reporting:

- with the contributing departments of Groupama SA: continued analysis of quantitative appendices and changes to these; discussions and work on the narrative report of the preparatory phase and on the industrialisation of reporting processes in the framework of Process Review Groups (GEP) established in 2014;
- with the Group entities: continued organisation of workshops to present the various quantitative appendices, their changes and the planned processes, etc.;
- with the implementation and deployment across all group entities of the Group reporting tool for Solvency II – Pillar 3, allowing the Solvency II quantitative statements to be put in the XBRL format required by the EIOPA.

The Group Financial Control Department also developed two written policies in 2015 for the Group and Groupama SA: “Reporting to the supervisor” and “Public distribution”. These written policies were approved by Groupama SA's Board of Directors in 2015 and served as the basis for their deployment in the entities subject to Solvency II. These policies were updated in 2016.

The work of analysing and industrialising the annual and quarterly quantitative statements continued in 2016.

3.4.6 OUTLOOK FOR GROUPAMA'S INTERNAL CONTROL

In 2017, the Group will continue to reinforce its risk and control system in compliance with the regulatory requirements of the Solvency II directive, particularly with:

- the finalisation of the roll-out of level 1 and 2 permanent control plans and the common tool for operational risk management within the Group's entities;
- the formalisation of regulatory reports, ORSA (Own Risk and Solvency Assessment), RSR (regular supervisory Report) and SFCR (Solvency and Financial Conditions Report), by all group entities including the international entities subject to Solvency II;
- further work on optimising the capital allocation by business line and on risk tolerance;
- continuation of the preparation work related to the Insurance Distribution Directive (IDD), the PRIIPs regulations, the fourth anti-money laundering and financing of terrorism directive, the European general regulation on protection of personal data (RGPD), as well as the law on transparency, the fight against corruption and modernisation of the economy (Sapin 2 law);
- continuous improvement of the risk control system (permanent controls, BCP, etc.).

3.5 REPORT BY THE STATUTORY AUDITORS ON THE CHAIRMAN'S REPORT

This is a free translation into English of the statutory auditors' report on the chairman's report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Statutory auditors' report prepared pursuant to Article L. 225-235 of the French Commercial Code, and dealing with the report of the Chairman of the Board of Directors.

(Fiscal year ended 31 December 2016)

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

Mazars
Tour Exaltis
61, rue Henri Régnault
92400 Courbevoie

To the Shareholders,

In our capacity as statutory auditors of Groupama SA and pursuant to the provisions of Article L. 225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of your company in accordance with the provisions of Article L. 225-37 of the French Commercial Code for the financial year ended 31 December 2016.

It is the responsibility of the Chairman to prepare and submit for the Board of Directors' approval a report on the internal control and risk management procedures in place within the Company and to provide any other information as required under Article L. 225-37 of the French Commercial Code pertaining in particular to corporate governance.

It is our responsibility:

- to report to you on information set out in the Chairman's report concerning the internal control procedures and risk management related to the preparation and treatment of the accounting and financial information;
- to certify that the report covers the other information required under Article L. 225-37 of the French Commercial Code, it being understood that it is not our responsibility to verify the accuracy of such information.

We have conducted our audit in accordance with the professional standards applicable in France.

Information concerning internal control and risk management procedures relating to the preparation and treatment of accounting and financial information

Under professional standards we are obliged to apply procedures designed to assess the accuracy of information on the internal control and risk management procedures relating to the preparation and treatment of accounting and financial information in the Chairman's report.

This consists of the following:

- reviewing the internal control and risk management procedures relative to the preparation and treatment of the accounting and financial information presented in the Chairman's report as well as any existing documentation;
- reviewing the work based on which such information was prepared and any existing documentation;
- determining whether any material internal control deficiencies we may have found in our audit in relation to the preparation and treatment of the accounting and financial information have been properly disclosed in the Chairman's report.

Based on this audit, we have no comments to make on the information given concerning the Company's internal control and risk management procedures related to the preparation and treatment of the accounting and financial information contained in the report by the Chairman of the Board of Directors, prepared pursuant to the provisions of Article L. 225-37 of the Commercial Code.

Other information

We hereby certify that the report of the Chairman of the Board of Directors contains the other information required under Article L. 225-37 of the French Commercial Code.

Neuilly-sur-Seine and Courbevoie, 28 March 2017

The Statutory Auditors

PricewaterhouseCoopers Audit

Christine Billy

Mazars

Antoine Esquieu

Nicolas Dusson

3.6 FEES OF THE STATUTORY AUDITORS

In 2016, like in 2015, the statutory auditors also performed a number of tasks that are directly related to the statutory auditing service but do not directly fall under the scope of legal audit tasks. The scope of these tasks and their implementation procedure fall within the charter governing the role and duties of statutory auditors within the Group.

These tasks represented an overall budget of €214.2 thousand in 2016 compared with €205.7 thodsand in 2015.

In France, they represented a cost of €100.2 thousand compared with €92.7 thousand in 2015. The cost related primarily to due diligence related to the review of societal and environmental information.

Internationally, services amounting to €114.0 thousand essentially concerned additional work provided for by local legislations (*e.g.* life insurance administrative districts in Italy, etc.).

Auditors who are not members of the Group's joint auditors' group generally work as coauditors for some subsidiaries of the Group, particularly in real estate.

Summary of statutory auditors' fees

(in thousands of euros excl. taxes)	Year 2016						
	Pricewaterhouse Coopers Audit		Mazars		Other		Total
1. Legal audits							
1.1. Statutory auditing, certification, examination of individual and consolidated accounts	**2,461.9**	**58.9%**	**1,524.4**	**36.5%**	**192.4**	**4.6%**	**4,178.7**
Groupama SA	577.9	53.1%	511.0	46.9%	0.0	0.0%	1,088.9
French subsidiaries	1,074.1	52.9%	831.9	41.0%	123.5	6.1%	2,029.5
International subsidiaries	809.9	76.4%	181.5	17.1%	68.9	6.5%	1,060.3
1.2. Other due diligence tasks and services directly related to statutory auditing	**105.1**	**49.1%**	**59.9**	**28.0%**	**49.2**	**22.9%**	**214.2**
Groupama SA	49.4	70.7%	20.5	29.3%	0.0	0.0%	69.9
Other subsidiaries	55.7	38.6%	39.4	27.3%	49.2	34.1%	144.3
Subtotal consolidated accounts	**2,567.0**	**58.4%**	**1,584.4**	**36.1%**	**241.6**	**5.5%**	**4,393.0**
2. Other services rendered by the networks to fully consolidated subsidiaries	**56.5**	**72.1%**	**21.9**	**27.9%**	**0.0**	**0.0%**	**78.4**
TOTAL CONSOLIDATED ACCOUNTS	**2,623.5**	**58.7%**	**1,606.2**	**35.9%**	**241.6**	**5.4%**	**4,471.3**

Summary of statutory auditors' fees

	Year 2015						
(in thousands of euros excl. taxes)	Pricewaterhouse Coopers Audit		Mazars		Other		Total
1. Legal audits							
1.1. Statutory auditing, certification, examination of individual and consolidated accounts	**2,496.3**	**55.3%**	**1,704.0**	**37.7%**	**317.5**	**7.0%**	**4,517.8**
Groupama SA	575.1	53.1%	508.5	46.9%	0.0	0.0%	1,083.6
French subsidiaries	1,211.7	52.3%	979.3	42.3%	123.8	5.4%	2,314.8
International subsidiaries	709.5	63.4%	216.2	19.3%	193.7	17.3%	1,119.4
1.2. Other due diligence tasks and services directly related to statutory auditing	**22.1**	**10.7%**	**72.3**	**35.2%**	**111.3**	**54.1%**	**205.7**
Groupama SA	20.4	25.3%	60.3	74.7%	0.0	0.0%	80.7
Other subsidiaries	1.7	1.4%	12.0	9.6%	111.3	89.0%	125.0
Subtotal consolidated accounts	**2,518.4**	**53.3%**	**1,776.3**	**37.6%**	**428.8**	**9.1%**	**4,723.5**
2. Other services rendered by the networks to fully consolidated subsidiaries	**328.1**	**92.9%**	**10.3**	**2.9%**	**14.9**	**4.2%**	**353.3**
TOTAL CONSOLIDATED ACCOUNTS	**2,846.5**	**56.1%**	**1,786.6**	**35.2%**	**443.7**	**8.7%**	**5,076.8**

3.7 RELATED-PARTY TRANSACTIONS

Related-party transactions are presented in Note 44 on related-party transactions in the notes to the consolidated financial statements for fiscal year 2016, audited by the statutory auditors.

3.8 MAJOR CONTRACTS

Over the past two years, other than during the normal course of business, Groupama SA and its subsidiaries have not entered into any major agreements with third parties that would confer a major obligation or commitment on the entire Group consisting of Groupama SA and its subsidiaries.

On the other hand, major agreements bind Groupama SA, its subsidiaries and the regional Groupama mutuals in the context of their business relations. These agreements are described in section 2 of Note 44 of the consolidated financial statements.

3.9 STATUTORY AUDITOR'S SPECIAL REPORT ON RELATED-PARTY AGREEMENTS AND COMMITMENTS

This is a free translation into English of the statutory auditors' special report on related-party agreements and commitments issued in French, and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

(Fiscal year ended 31 December 2016)

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

Mazars
Tour Exaltis
61, rue Henri Régnault
92400 Courbevoie

To the Shareholders,

In our capacity as statutory auditors of the annual financial statements of your company, we hereby present our report on the related-party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the principal terms, conditions, as well as the rationale for the company of the agreements and commitments that have been disclosed to us or that we may have identified as part of our mission, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of Article R. 225-31 of the French Commercial Code (Code de commerce) and Article R. 322-7 of the French Insurance Code (Code des assurances), it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable it is also our responsibility to provide shareholders with the information required by Article R. 225-31 of the French Commercial Code and Article 322-7 of the French Insurance Code in relation to the implementation during the year of agreements and commitments already approved by the General Meeting.

We performed the procedures that we deemed necessary in accordance with the professional standards applicable in France to such engagements. These procedures consisted in verifying that the information provided to us is consistent with the underlying documents.

(a) Agreements and conventions to be submitted for the approval of the General Meeting

Agreements and commitments authorised during the year

In accordance with Article L. 225-40 of the French Commercial Code and Article R. 322-7 of the French Insurance Code, we were informed of the following agreements and commitments authorised by the Board of Directors.

FINANCING OF MAJOR PROGRAMMES

For the financing of the major 2017 programmes, the Board of Directors on 15 December 2016 authorized the subsidies to regional mutual of a maximum of €4.65 million, net of corporate income tax, to support the development of the banking activity and of €11.5 million, net of corporate income tax,to pay part of the costs of the mutual certificates launch. Each of these subsidies was successively authorised by the Board of Directors, the Chairman of the mutual concerned did not take part in the vote.

These changes were motivated by the prospect of entry into force of Solvency 2 on January 1st, 2016 and in order to ensure the equity fongibility within the group under the concept as a prudential group.

Directors concerned: Mr Baylet, Mr Collay, Mr Cornut-Chauvinc, Mr Dagès, Ms Dubost, Mr L'Hostis, Mr Pivard, Mr Poupart, Mr Schmitt.

AGREEMENT FOR A SECURITY AND SOLIDARITY SYSTEM

The Board of Directors on 16 March 2016 decided, in accordance with the provisions of Article L. 225-38 of the French Commercial Code, to continue the Agreement for a security and solidarity system. This decision was successively authorised by the regional mutuals, the Chairman of the mutual concerned did not take part in the vote.

These changes were motivated by the prospect of entry into force of Solvency 2 on January 1st, 2016 and in order to ensure the equity fongibility of shareholders' equity within the group under the concept as a prudential group.

Directors concerned: Mr Baylet, Mr Collay, Mr Cornut-Chauvinc, Mr Dagès, Ms Dubost, Mr L'Hostis, Mr Pivard, Mr Poupart, Mr Schmitt.

(b) Agreements and commitments already approved by the General Meeting

Agreements and commitments approved in previous years that remained in force during the past fiscal year

In accordance with Article R. 225-30 of the French Commercial Code and Article R. 322-7 of the French Insurance Code, we were informed that the following agreements and commitments, approved by the General Meeting in previous years, remained in force during the during the past fiscal year.

FINANCING OF MAJOR GROUP PROGRAMMES

Concerning the grants authorised by the Board of Directors on 17 December 2015 for the financing of the major programmes for 2016, the subsidy actually allocated to the regional mutuals was of €3.473 million euros, net of corporate income tax, to support the development of the banking activity (Groupama Banque), and the subsidy allocated to Groupama Rhône-Alpes Auvergne was of €0.024 million for the launch of the mutual certificates.

Directors concerned: Mr Baylet, Mr Collay, Mr Cornut-Chauvinc, Mr Dagès, Ms Dubost, Mr L'Hostis, Mr Pivard, Mr Poupart, Mr Schmitt.

AGREEMENT FOR A SECURITY AND SOLIDARITY SYSTEM

The purpose of this agreement, which was approved by the General Meeting on 18 December 2003, amended by a rider in December 2004, December 2013 and July 2015, is to guarantee the security of management and the economic and financial equilibrium of all regional mutuals and Groupama SA and to organise solidarity among those entities. The agreement provides for procedures geared around five measures:

- Groupama SA issues any relevant instructions useful for the purposes of the Group,
- Groupama SA conducts a three-year audit of all regional mutuals and spot audits if losses are recorded by a regional mutual,
- solidarity fund mechanism between Groupama SA and the regional mutuals to allow Groupama SA or the regional mutuals to meet at any time, from 1rst January 2016, their coverage ratio or to cover a potential shortfall in their coverage ratio,
- appointment of the Chief Executive Officers of the regional mutuals,
- agreement for combination of accounts, designating Groupama SA as combining entity.

Directors concerned: Mr Baylet, Mr Collay, Mr Cornut-Chauvinc, Mr Dagès, Ms Dubost, Mr L'Hostis, Mr Pivard, Mr Poupart, Mr Schmitt.

CONTRACTS OF PENSION SCHEME ATTRIBUTED TO THE CHAIRMAN OF THE BOARD OF DIRECTORS AND CONTRACTS OF PROTECTION AND PENSION SCHEME ATTRIBUTED TO THE CHIEF EXECUTIVE OFFICER

The Board of Directors, on 16 March 2016, confirmed, in accordance with Article L. 225-38 of the French Commercial Code, to continue the contract of pension scheme attributed to the Chairman and the contracts of protection and pension scheme attributed to the Chief Executive Officer, the Chairman did not take part in the vote for his own contract.

Persons concerned: Mr Dagès and Mr Martel

Neuilly-sur-Seine and Courbevoie, 28 March 2017

The Statutory Auditors

PricewaterhouseCoopers Audit	Mazars	
Christine Billy	Antoine Esquieu	Nicolas Dusson

4

RISK FACTORS

4.1 RISK FACTORS

Groupama draws attention to the risks described below. These risks could materially affect the Company's activities, consolidated net income, financial position, solvency margin and its ability to achieve estimated results.

However, the description of risks is not exhaustive. Additional risks and uncertainties not currently known or deemed to be minor could, in the future, prove to be major and materially affect Groupama.

The risks described below are inherent to the nature of the Group's activities and to the economic, competitive and regulatory environment in which Groupama operates.

Given the multiple possibilities and uncertainties relating to these risks, the impact of the identified risks cannot always be accurately quantified. However, in order to prevent, detect and manage risks on an ongoing basis, Groupama has implemented numerous risk management processes, procedures and controls. As with any control and monitoring system, this should not however be considered an absolute guarantee. Rather, it offers reasonable assurance that operations are secure and results are managed.

The organisation of the risk management system is described in detail in section 4.2 of this reference document and section 3.2 of the internal control report. In addition, if the risks described in this section 4.1 result in a quantifiable financial impact or a material contingent liability, these are reflected in the Group's combined and consolidated financial statements, in accordance with applicable IFRS accounting standards.

The risks presented below are categorised based on their origin. They reflect the current view of the governing bodies as to the potential impact of each risk for the Groupama group.

4.1.1 RISK FACTORS RELATING TO THE INSURANCE BUSINESS

4.1.1.1 Cyclical nature of the non-life branch

The cycles associated with the non-life insurance business are of varying length. They may involve unpredictable catastrophic events or be impacted by general economic conditions and may result in alternating periods of intense rate competition and, conversely, rate increases.

These situations, which may result in lower premium income over the course of certain cycles, may lead to volatility and a worsening of the Group's net income and financial position.

4.1.1.2 Natural and human disasters

The increasing number of climate events, on a global level, as well another risks, such as acts of terrorism, explosions, the appearance and development of pandemics such as the H5N1 and H1N1 viruses and the impact of global warming may have major consequences, not only in terms of their immediate damage and impact, but also in respect of insurers' current and future activities and income.

The potential increase in compensation and claims, the emergence of new kinds of liability, growing uncertainty as to the volume and level of maximum losses may, for example, have a material impact on Groupama's business activities, consolidated net income and liquidity.

Through the diversification of its portfolio, the individual selection of risks accepted, the limitation of its exposure to risks (specifically in respect of natural disasters), the management of overlapping risks and reliance on reinsurance with, for example in storms, a level of coverage against the occurrence of a bicentenary event and a retention equivalent to a 10-year return period, Groupama significantly reduces the negative impacts of its exposure. In 2016, a year in which the weather loss experience was exceptional and close to a 200-year high according to the models, the covers paid off.

However, despite the careful attention paid to the monitoring of these risks and the risk control systems put into place, Groupama, because of its historical customer base and the abundance of local climate events, might still experience major losses in the future on such risks, which would have a material negative impact on its financial position and net income.

4.1.1.3 Inadequacy of reserves to address losses in the non-life segments

The principles and rules for life and non-life underwriting reserves are presented in §3.4.5.8 "Underwriting reserves" in the internal control report and 3.12 "Technical operations" of the consolidated financial statements; their breakdown is detailed in Note 25 to the consolidated financial statements.

In accordance with the sector's practices and current accounting and regulatory requirements, Groupama establishes reserves both for claims and claims expenses relating to the non-life segments that it insures.

However, reserves do not represent an exact calculation of the corresponding liability but, instead, estimates of the claims amount, on a given date, using actuarial projection techniques. These reserve estimates are projections of the likely cost of ultimately settling and administering claims, based on our assessment of facts and circumstances known at that time, an analysis of historical settlement patterns, estimates of trends in claims' severity and frequency, legal theories of liability and other factors. However, claims reserves are subject to change due to the number of variables that affect the ultimate cost of claims. These factors may be varied, such as the intrinsic change in claims, regulatory changes, judicial trends, gaps inherent in the time lag between the occurrence of the insured event, notification of the claim and final settlement of expenses incurred in resolving claims.

These items cannot always be known, particularly on a prospective basis. Actual losses may thus differ materially from the original gross reserves established. Consequently, the reserves may need to be increased or reduced, with an impact on net income.

Groupama continually reviews the adequacy of its established claims reserves with regard to its commitments. While the reserves currently established are sufficient and comply with the Group's prudent reserve policy, there can be no assurance that ultimate losses will not materially exceed the claims reserves established and will not have a material adverse effect on net income.

4.1.1.4 Uncertainties and changes in the forward-looking assumptions used to calculate the life insurance reserves and deferred acquisitions costs (DAC)

The establishment of insurance reserves, including the minimum guarantees found in certain group savings and pension products, the adequacy test performed on the life insurance policy reserves, the recoverability test on the deferred profit-sharing assets and the establishment of DAC rely, by their very nature, on uncertain information based on forward-looking assumptions about changes in factors that may (i) be of economic, demographic, social, legislative, regulatory or financial origin, (ii) relate to policyholder behaviour (surrender, lapses, persistency, etc.) or (iii) be specific to life insurance, such as mortality, morbidity and longevity.

Use of these many assumptions involving a high degree of estimation on the part of the Group's governing bodies, as well as changes in those assumptions or changes in the financial markets, may influence reserve levels, underwriting expenses and calculation of Groupama's DAC and could have an adverse impact on Groupama's net income, financial position and assessment of its valuation.

4.1.1.5 Requests for compensation that do not conform to the assumptions used to establish prices and to calculate underwriting reserves for life, savings and pension products

The profitability of the life, savings, and pension products depends heavily on the extent to which actual claims match the assumptions used to determine prices for products, insurance policy servicing expenses, and underwriting reserves.

If the benefits actually paid to policyholders were less favourable than those estimated based on the initial underlying assumptions, or if events or trends led us to modify those underlying assumptions, the Group would have to increase its commitments, which could reduce its net income.

As noted at §4.1.1.4 above, establishing savings/pension insurance reserves, with or without specific guarantees such as minimum guarantees, naturally relies on uncertain information and judgements, both internal and external, and there are no guarantees that the reality of the products will not differ – positively or negatively – from these estimates.

4.1.1.6 Default of a reinsurer or increased reinsurance costs

While the purpose of reinsurance agreements is to transfer a portion of losses and related expenses to other insurers, they do not eliminate the requirement for Groupama, the direct insurer, to settle claims. In this regard, the Group is thus subject to the solvency risk of its reinsurers at the time that sums due are recovered from them (see §4.2.5 – Risk of reinsurer insolvency factors for the breakdown of the insurance reserves and recoverables by Groupama by reinsurer rating).

Although Groupama makes certain that its reinsurers are diversified and solvent, based on selection rules that are reviewed and updated regularly as part of the work of the Security and Reinsurance Committee, and although the financial crisis has not led any of the Group's reinsurers to default, they may find themselves unable to meet their financial obligations. This inability could adversely affect the net income.

Furthermore, the availability, amount and cost of reinsurance depend on overall current economic conditions and may vary considerably. In the future, the Group may be unable to obtain reinsurance at commercially reasonable prices, thus increasing its risk of loss due to lower levels of reinsurance, or its income statement could be adversely affected by the increased cost of reinsurance for its already-reinsured activities.

4.1.2 RISK FACTORS RELATING TO THE FINANCIAL MARKETS, THE FINANCIAL STRENGTH RATING, THE VALUATION OF ASSETS AND OTHER RELATED ASPECTS

4.1.2.1 The difficult and persistent conditions of the economy

Just like the market's other players, Groupama has been impacted in the past few fiscal years by the financial crisis and its repercussions, which have strongly affected the real economy at the global level. In Europe and especially in the eurozone, the low level of consumer and business confidence and the high unemployment rate have resulted in a level of growth at best weak in all countries where Groupama is active, especially in Europe and Turkey.

2016 was marked by several economic and geopolitical events:

- the economic situation of emerging countries with declining economic growth, despite a rate of growth (4.2%) higher than in developed countries (1.6%) according to data published by the IMF in October 2016;
- the environment of low rates in the eurozone and the fragile situation of Italian banks and its impact on the Italian economy;
- the continuation of the Syrian crisis and its consequences on Europe;
- the UK's vote in favour of "Brexit" and the rise of populist voices likely to have impacts on the European economy;
- the increase in the number of terrorist attacks in Europe, Africa, and the Middle East;
- the election of a new president in the United States, which could create additional uncertainties for Europe and the world overall.

These uncertainties are reflected in the increased volatility of the financial markets in an environment of greater risk-taking because of low yields.

In addition, a technical factor like the decline in the market's liquidity poses a risk to the extent that it would prove insufficient to absorb sudden changes in market sentiments and, consequently, amplify price changes and therefore volatility.

The low rates of return on financial investments and the dependence of the Group's businesses on consumer behaviour and confidence have negatively affected the Group's revenues and net income.

4.1.2.2 Financing terms

Although the low level of rates is favourable for issuers, the overall decrease in ongoing risks among credit institutions has brought about more restrictive terms for granting loans. At the same time, the succession of unfavourable events for investors in subordinated debt (illiquidity, trading conditions, "bail-in") implies more difficult issue conditions.

Groupama needs liquidity specifically to pay its operating expenses, claims settlements, contract redemptions and its financial expenses.

The Group's primary sources of liquidity are generated by the insurance business, including insurance premiums, annuity products, reserve funds, asset management commissions, cash flow generated by its investment assets as well as by cash and other balance sheet equivalents. These sources of liquidity are supplemented by subordinated debts (TSS, TSDI, and TSR) and credit facilities (see Notes 21 – Total shareholders' equity and 24 – Financing debts of the consolidated financial statements).

In 2016, an additional source of financing was put in place with the issue of mutual insurance certificates by the regional mutuals.

If current resources were unable to meet the Group's needs, Groupama would have to identify alternative financing methods that depend on factors that are both external (including market conditions, credit availability and volume of trade) and internal to the Group (financial rating, borrowing costs, and perceptions of the short-term and long-term financial outlook).

Although Groupama has put proactive management of capital in place, by carrying out exchanges on its financial debts and actively managing its credit line, the Group may nevertheless still not be able to meet its liquidity needs or obtain financing under favourable terms in the event of significant stress on liquidity. Insufficient liquidity and/or prolonged restricted access to financing could materially affect the Group's business, net income and financial position.

4.1.2.3 The worsening of the solvency margins of Groupama SA's subsidiaries because of unfavourable conditions in capital markets and changes in the interpretation of regulations

Groupama's entities involved in the insurance business are subject to the regulatory capital requirements of various local regulators. These capital requirements imposed on insurance companies generally depend on the design of the products, underwriting volumes, assets invested, commitments, reserves and changes in the capital markets, specifically with regard to interest rates and financial markets, subject to specific provisions applicable in certain countries. These regulatory requirements may be tightened – even significantly – during periods of volatility and downturn in the financial markets and/or when interest rates fall.

The Group's solvency margin is particularly sensitive to conditions on the capital markets (equities, property, credit, and interest rates). Prolonged unfavourable conditions on the capital markets could adversely impact the Group's solvency margin further.

The Group monitors its solvency margin and its insurance disintermediation equity on an on-going basis to ensure compliance with current regulations and to ensure that Groupama SA and its subsidiaries are operating in an appropriate competitive environment.

Insurance regulators have broad discretion to interpret, apply, and implement applicable rules with respect to solvency and regulatory capital requirements. If regulatory capital requirements are not met, regulators may impose more conservative calculation methods or any other similar measures to significantly strengthen core equity requirements or restrict companies' activities.

In this framework and pursuant the financial solidarity plan existing between the regional mutuals and Groupama SA ("solidarity agreement", see §1.2.3 – Relationships among the various entities of the Group in this registration document), a contribution in the form of a subsidy, participating shares, or a loan could be put in place if their equity and/or results did not allow them to meet their commitments and obligations for the long term.

Similarly, at the subsidiary level, the Group – and especially Groupama SA – could grant financing resources allowing subsidiaries to improve their solvency margin, particularly through modifications in the dividend policy, capital increases, or intra-Group subordinated loans. In 2016, the Group carried out subordinated loans and capital increases for eight French and international subsidiaries.

These various measures could also have a significant impact on the state of liquidity, consolidated net income, and financial position of Groupama SA and the Group.

Finally, when rating agencies assess Groupama SA's financial strength and credit quality, they take into account the Group's solvency margin and the regulatory capital position of its insurance subsidiaries. If the ratings agencies find that the capital adequacy of Groupama SA and its subsidiaries is insufficient in respect of the agencies' criteria, the financial strength and credit rating assessment can be downgraded.

Although Groupama has set up systems to ensure sufficient solvency for itself and its subsidiaries, unfavourable capital market conditions, the evolving interpretation of regulations, and the rating agencies' criteria could adversely affect its activities, liquidity position, credit rating, consolidated net income, and financial position.

4.1.2.4 Downgrading of ratings regarding ability to pay claims and our financial strength

Ratings of ability to pay claims and financial strength remain important although disputed factors in establishing the insurance companies' competitive position vis-à-vis each other. Rating agencies may revise them at any time. In 2016, Groupama SA's financial strength rating of BBB+ was confirmed by the financial rating agency Fitch Ratings.

A downgrade could have an adverse impact on the Group, such as (i) harming its competitive position, (ii) negatively affecting its ability to underwrite new insurance policies, (iii) increasing the surrender or termination rates of existing insurance policies, (iv) increasing the cost of reinsurance, (v) negatively affecting its ability to obtain financing and/or increasing the cost of financing, (vi) triggering the need for additional guarantees under certain agreements, (vii) harming its relationships with creditors or trading counterparties and/or (viii) adversely affecting public confidence in a material way. Any of the above could have an adverse effect on the activities, liquidity position, consolidated net income, revenue and financial position of Groupama SA.

4.1.2.5 Losses due to defaults by financial institutions and third parties, impairment of investment assets and unrealised losses

Third parties that owe Groupama money, securities or other assets may not perform their obligations. These parties may be issuers whose securities the Group holds in its investment portfolios, public or private borrowers under mortgages and other loans extended, Groupama reinsurers, customers, trading counterparties, hedge counterparties, other third parties including intermediaries and brokers, commercial banks, hedge funds and other investment funds, clearing agents, market exchanges, clearing houses and other financial institutions (see Breakdown of the bond portfolio by rating and nature of issuers - Note 6.10.3 – Bond portfolio - by rating and Note 6.10.4 – Bond portfolio - by nature of bond issuers to the consolidated financial statements).

Third-party default may also concern third parties with which Groupama has entered into service agreements as part of the outsourcing of activities and may expose the Group to operating, financial and reputation risks.

Similarly, default, and even the fear of default, on the part of major third parties external to Groupama may also disrupt the markets, increase their volatility, generate a chain of defaults or even lead to widespread illiquidity, which would affect the Group or could affect its partners.

The causes of default by third parties may include: bankruptcy, lack of liquidity, downturns in the economy or real estate market, worsening of the financial markets or operational failures.

The year 2011, marked by the complete loss of market liquidity of Greek securities and the Greek government's solvency crisis, thus led Groupama, like most players in banking and insurance, to decide in early 2012 in favour of the contribution of its securities to the securities swap scheme proposed by the IIF and the Greek government and to dispose of all remaining Greek debt in 2012.

Although in recent years the Group has continued its operations to reduce risk on equities and the most exposed debts, exposure to Italian and Spanish sovereign debt remains significant (see Note 6.11 – Debt securities of peripheral countries of the eurozone to the consolidated financial statements).

Considering the increase in the cost of sovereign debt in the most vulnerable countries (cost of financing in real terms exceeding the rate of growth) and the intrinsic volatility of equity markets, Groupama may need to recognise impairment losses on the value of its invested assets. Groupama cannot, under any circumstances, guarantee that such losses or impairments of the accounting value of these assets would not sharply and adversely affect its net income and financial position.

4.1.2.6 Impairment of goodwill, acceleration of the amortisation of Deferred Acquisition Costs (DAC) and Value of Business in Force and/or the derecognition of deferred tax assets and deferred profit sharing

Changes in business and market conditions may affect the amount of goodwill carried on Groupama's balance sheet, the pattern and pace of DAC and VIF amortisation and the valuation of deferred tax assets. The value of certain of the Group's acquisitions, particularly in the areas most affected by the recent economic and financial crisis, depends directly on the position of the financial markets and level of operating performance. Impairment of goodwill had thus been recorded in certain Eastern European countries and Greece as at 31 December 2012. The impairment tests conducted as at 31 December 2015 did not result in the recognition of additional impairment.

In the future, the downturn in operating performance of the Group's acquisitions or in market conditions, such as a continued environment of low rates, could result in an impairment of goodwill, accelerate the DAC and VIF or lead to the derecognition of deferred tax assets. These items could adversely and materially affect the Group's net income and financial position.

Further information on the assumptions and results of the impairment tests is presented in Note 2 "Goodwill" to the consolidated financial statements.

4.1.2.7 Fluctuations in interest rates and credit spreads

Periods of declining interest rates could have the following major effects on the Group:

- lower investment earnings because of the reinvestment of revenues or repayment of assets (scheduled or early as a result of lower rates) at levels below its portfolio's rate of return;
- reduced spread between interest rates credited to policyholders and the return on the investment portfolio;
- a modification of rate guarantees included in life insurance and annuity policies, given the difference in performance of investment portfolios;
- additional reserves for ordinary annuities affecting income and for retirement benefits affecting equity.

Conversely, periods of rising interest rates could have the following major effects on the Group:

- increased surrenders of life insurance policies and fixed annuity contracts as policyholders choose to trade off their investments in favour of higher-yield savings products;
- loss of competitiveness, which could lead to a loss of market share for non-redeemable life insurance liabilities;
- the possible realisation of capital losses to meet commitments by liquidating fixed-term investments when the prices of these assets are unfavourable in order to obtain liquidity. The adverse effect of these capital losses on the return on assets would increase the spread between the rate of return paid to policyholders and the market rate of return.

Although the Group has taken measures to limit and control the adverse effects of fluctuations in interest rates through Asset/Liability Management (see the presentation of Asset/Liability Management and the investment strategy in point (b), Asset/Liability Management and investment strategy of §3.4.1.3 – Monitoring of entities) that seeks to calibrate the duration of assets to that of liabilities and reduce the volatility of the differential between the actual yield of the asset and the rate expected and *via* the use of hedging instruments, Groupama could be significantly impacted in terms of its growth, level of assets, expenses, losses or financial revenues, which could then materially impact its net income and financial position (see Analysis of interest rate risk sensitivity in insurance and on financial investments in §4.2.3.1 – Interest rate risk).

Similarly, a widening of credit spreads could reduce the value of fixed-income securities held by the Group and increase net revenue from the purchase of new, fixed-income securities. Conversely, a tightening of credit spreads would increase the value of fixed-income securities held and would reduce net revenue from the Group's purchase of new fixed-income securities.

In order to strengthen its market risk control, Groupama rolled out a mechanism to limit risks in its assets across all its entities starting in 2014.

Although the credit risk objective is to limit the concentration of issues according to several criteria (country, issuer, ratings, subordinated issues), the current volatility of interest rates and credit spreads, individually or in conjunction with other factors, such as lack of pricing transparency, market illiquidity, falling equity prices and the strengthening or weakening of foreign currencies against the euro, could have a material adverse effect on the Group's net income and financial position and Groupama's cash flow through realised losses, impairments and changes in unrealised loss positions.

4.1.2.8 Fluctuations in exchange rates

Groupama publishes its consolidated and combined financial statements in euros. Nevertheless, Groupama is exposed to foreign exchange risk:

- firstly, through its operations and international development in regions outside the eurozone. In effect, although the Group does business primarily in eurozone countries, about 20% of its premium income at 31 December 2015 (27% on the consolidated scope) was derived from the business of its international subsidiaries (see Note 33 – Analysis of premium income to the consolidated financial statements), and about 7% was denominated in currencies other than the euro (9% on the consolidated scope), including the Turkish lira, Romanian leu, Hungarian forint, British pound, and Chinese yuan. For example, the Turkish lira lost approximately 16% of its value against the euro between 30 December 2015 and 30 December 2016. Groupama's shareholders' equity is therefore subject to fluctuations in exchange rates through the unrealised foreign exchange adjustment;
- secondly, through investment assets held by its subsidiaries in the eurozone, such as mutual funds or securities denominated in foreign currencies or euro-denominated mutual funds or securities tied to a foreign currency – mainly the US dollar, the Hungarian forint and the pound sterling. Changes in the value of these currencies against the euro have an impact on the Group's net income and financial position.

Although Groupama seeks to control its exposure to currency fluctuations *via* hedging, movements in exchange rates may have a significant impact on its net income, solvency margin and financial position. Similarly, the currency hedges that Groupama uses to manage foreign exchange risk may significantly affect its profits and the amounts available for the distribution of dividends by the subsidiaries, insofar as the unrealised foreign exchange gains or losses on these derivative instruments are recognised in Groupama's income statement (see Analysis of exchange rate sensitivity presented in §4.2.3.3 – Foreign exchange risk).

4.1.2.9 Inflation rate fluctuations

Inflation is an on-going risk that weighs on the markets on which Groupama operates.

In 2016, prices in the eurozone remained stable on average. However, the energy component, particularly the increase in barrel prices, fuelled a slight resurgence in the inflation rate.

Similarly, the ECB's monetary policy includes prospects of a return to moderate inflation in the medium term.

In addition, social and political uncertainties as well as the volatility of prices of commodities and currencies are signs of tensions in certain countries where Groupama is active.

An increase in inflation rates or the failure to accurately anticipate higher inflation could have multiple impacts on the Group, mainly through the following consequences:

- an increase in the market interest rate that could reduce the levels of unrealised capital gains on some fixed-income securities, reduce the attractiveness of some of the Group's life insurance and savings products, especially those with a fixed interest rate, and increase the cost of financing the Group's future borrowing;
- impairment of equity securities and sluggish performance by equity markets in general. Such a weakening of the equity markets could lead to lower levels of unrealised capital gains on securities held by the Group, reduce the performance and future sales of unit-linked products with underlying securities, and affect the competitiveness and the results of the Group's asset management company;
- a deterioration in non-life insurance businesses over long periods, such as construction and third party liabilities ("long-tail risks"), including in particular an underestimation of reserves at the time the latter are created and an increase in the amounts ultimately paid to settle claims;
- a systematic under-pricing of products.

These factors, which are a direct result of an increase in the inflation rate, are likely to have a negative impact on Groupama's business, net income, solvency margin and financial position.

Conversely, the persistence of zero inflation or disinflation and, in the extreme case, deflation is an obstacle to economic development and therefore insurance businesses (no growth in insurance capacity) and increases the repayment constraints for the most indebted issuers and therefore the probability of default for the most vulnerable issuers, which would affect the net income if it occurs.

4.1.3 GROUPAMA'S INTERNAL RISK FACTORS

4.1.3.1 The dependency of Groupama SA, the holding company, on its subsidiaries for covering its expenses and payment of dividends

Although Groupama SA operates its own reinsurance business *via* the contractual mechanism of Internal Reinsurance, which binds the regional mutuals to Groupama SA, most of the Group's insurance and financial service operations are run by the direct and indirect subsidiaries of the Group holding company, Groupama SA. A significant share of Groupama SA's financial resources consists of dividends paid by these subsidiaries and funds that may be raised by issuing subordinated debt or bonds, or through bank borrowings.

Groupama SA expects that dividends received from its subsidiaries and other sources of funding will continue to cover the expenses it faces as a separate holding company of the Group, including interest payments on current financing arrangements (see dividends received by Groupama SA presented in Note 27 – Information about subsidiaries and equity interests to the annual financial statements).

Legal and regulatory restrictions may also limit the ability of Groupama SA to transfer funds freely either to or from all of its subsidiaries. Some insurance subsidiaries may also be subject to regulatory restrictions in respect of the amount of dividends and debt repayments that can be paid to Groupama SA and other entities of the Group.

In view of the above points, Groupama SA could receive a reduced (or no) dividend from some of its subsidiaries, or be required to provide significant funding to some of them through loans or capital injections, which could significantly impact its cash situation and its ability to distribute dividends.

4.1.3.2 Assessments by the Group and its senior management

(a) In the valuation of certain investments

For some of the Group's financial assets for which there is no active trading market or where observable values are reduced or unrepresentative, fair value is measured by valuation techniques using methodologies and models incorporating assumptions or assessments that involve a significant amount of judgement (see §3.2.1 – Accounting principles and methods used in the valuation of financial assets in the notes to the consolidated financial statements).

Groupama cannot guarantee that the estimated fair values based on such valuation techniques represent the price at which a security may ultimately be sold or for which it could be sold at any specific point in time. The resulting differences in value as well as changing credit and equity market conditions could have a significant negative impact on the net income and financial position of the Group.

(b) In the determination of reserves and impairment

The determination of the amount of reserves and impairment varies depending on the type of investment and is based on periodic assessment and estimates of known risks inherent to each asset class. These assessments and estimates are revised when conditions change or as new information becomes available. The Group's senior management, based on this information and according to the principles and objective methodologies detailed in the consolidated and combined financial statements (see §3 – Accounting principles and valuation methods used in the notes to the consolidated financial statements), analyses, evaluates, and uses its best judgement to assess the causes of a decline in the estimated fair value of securities and the prospects for short-term recovery, as well as the appropriate amount of the resulting reserves for impairment.

Groupama cannot guarantee that its senior management has correctly estimated the amount of impairment and reserves recorded in the financial statements or that the impairment or additional reserves will not have a negative impact on the net income and financial position of the Group.

4.1.3.3 A decline in the growth of the Group's insurance, asset management and banking business lines

The development projections could come to a halt, or be lower than forecast, mainly as a result of difficult conditions in the financial and capital markets and changes in economic conditions in the sectors or countries in which Groupama does business. The development of the Group's life insurance, savings and pension products could also be negatively affected by changes in existing regulations, such as tax legislation.

The Group's inability to capitalise on its innovative products, partnerships or new distribution methods, to deploy them within the Group and develop them according to its objectives may adversely impact the growth of Groupama's business activity.

4.1.3.4 The diversity of the countries where Groupama operates

Groupama markets its products and services in Europe, Turkey, Africa and Asia through legal structures and various distribution channels such as majority- and minority-owned subsidiaries, partnerships, joint ventures, independent brokers, etc.

The diversity of the Group's international presence exposes it to different and sometimes rapidly changing economic, financial, regulatory, commercial, social and political environments, which may affect the demand for its products and services, the value of the investment portfolio or the solvency of its local commercial partners. In 2015, the subsidiary in Turkey suffered a significant replenishment of reserves in the motor liability segment, which had to cope with the financial consequences as an insurer in 2016 of terrorist attacks in the country starting in August 2015 and throughout 2016.

The successful implementation of the Group's overall strategy could be affected by the environment of certain countries where Groupama operates and could have an adverse impact on its net income and financial position.

4.1.3.5 The inadequacy of hedging programmes for certain products

Groupama uses derivatives instruments, including equity and treasury futures contracts, to hedge certain risks arising from guarantees given to policyholders.

However, in some cases, Groupama may not be able to use or chooses not to use these hedging techniques, the purpose of which is to limit the economic impact of adverse market trends, particularly in the capital and fixed-income markets, due to a lack of liquidity, the insufficient size of the relevant derivatives markets, or an overly high hedging cost.

Moreover, numerical estimates and the assessments of Groupama's senior management in implementing these hedging programmes, such as those for mortality, surrender rates, election rates, interest rates, volatility and correlation among the markets, could be significantly different to initial expectations and assumptions, which may significantly impact its net income and financial position.

Similarly, measures taken by Groupama to optimise the products covered by this type of guarantee, improve their profitability and avoid future hedging losses cannot constitute a guarantee and could significantly impact Groupama's business, competitive position, net income, and financial position.

4.1.3.6 Existence of contingent liabilities relating to discontinued, sold or liquidated operations and charges relating to other off-balance-sheet commitments

Groupama may occasionally retain insurance and reinsurance obligations and other contingent liabilities relating to the sale or liquidation of various activities or be required to provide guarantees and enter into other off-balance sheet transactions. The Group's reserves for such obligations and liabilities may be inadequate, which could require it to recognise additional charges that could significantly impact its net income.

For more information, refer to Note 46 – "Commitments received and given" to the consolidated financial statements.

4.1.3.7 Operational failures or inadequacies

The causes of operational failure or inadequacy inherent in the Group's business may be human, organisational, material, natural or environmental in nature and result from events or factors that are internal or external to the Group. The operational risk that this poses may manifest itself in various ways, including: failures or malfunctions of Groupama's information systems; business interruption of its vendors or of the financial intermediaries with which the Group works; error, fraud or misconduct by staff, policyholders or intermediaries; breach of internal or external regulations; or hacking or pirating of information systems; etc.

Groupama takes extra care to ensure the maintenance, efficiency and modernisation of its information systems in order to integrate and respond to changes in technological, industrial and regulatory standards and customer preferences.

In the event of a breach or failure in quality, Groupama might be unable to obtain the information it needs to run its business or meet its customers' expectations, which could expose it to litigation or claims or increase its litigation and regulatory risks.

Although the Group strives to manage all of these operational risks as effectively as possible in order to reduce their potential impact (see §3.4.5.13 – Monitoring of operational risks of the internal control report), these risks could lead to financial loss, loss of liquidity, business disruption, regulatory sanctions, or damage to Groupama's reputation.

4.1.4 RISK FACTORS RELATING TO THE DYNAMIC REGULATORY AND COMPETITIVE ENVIRONMENT

4.1.4.1 Heightened competition

Groupama operates in a market challenged by various players (insurance companies, mutual funds, protection institutions, commercial and investment banks, investment funds, asset management funds, private equity funds, etc.), which may be subject to different regulations, have multiple distribution channels and offer alternative products or more competitive rates than those of the Group.

Under this competitive pressure, Groupama may need to adjust its pricing on some of these products and services, which could adversely impact its ability to maintain or improve profitability and negatively impact its net income and financial position.

4.1.4.2 Regulatory changes and reform at the local, European and international level

The Group's business is subject to detailed and comprehensive regulation and supervision in the countries where it operates in respect of shareholders' net equity and reserve levels, solvency standards, distribution practices, concentrations and type of investments, rules for consumer protection and customer knowledge, and the rates of revaluation of life insurance products.

This regulation and supervision have been strengthened in the context of the financial crisis, both in Europe and internationally. A set of measures to reform the European System of Financial Supervision (ESFS) has been put into place, especially since late 2010. As a result, organisations such as the European Systemic Risk Board (ESRB) and the European Insurance and Occupational Pensions Authority (EIOPA) may issue guidelines and recommendations that could affect the Group. There are also recommendations and proposals issued or issuable by the Financial Stability Board (FSB) that may impact the regulation of financial groups in terms of capital, solvency, corporate governance, and executive compensation.

More specifically, the implementation of the 2009 European Directive on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), amended in 2014 by Directive 2014/51/EU (Omnibus 2), which entered into force on 1 January 2016, aims to establish a solvency scheme better suited for the risks incurred by insurers and to construct a system common to all European Union members.

The approach is based on three pillars: Pillar 1 on quantitative equity requirements and rules for measuring assets and liabilities and capital requirements, Pillar 2 on requirements for governance and management of risks incurred by insurers particularly with the requirement for insurers to conduct an Own Risk and Solvency Assessment ("ORSA") and communicate the results to the supervisor as part of prudential supervision, and Pillar 3 on reporting and transparency requirements.

Groupama was able to take account of the impacts of the changes in the prudential requirements under Solvency II through the various preparatory exercises requested by local supervisors (ACPR for France) particularly with the presentation of a selection of future Solvency II prudential statements, the preparation of an Own Risk and Solvency Assessment (ORSA) in 2014 and 2015. In 2016, the first ORSA reports of all of the Group's entities were made available to the ACPR.

In 2015, the Group also obtained the ACPR's approval to use the transitional measure on underwriting reserves for the life insurance subsidiary Groupama Gan Vie (the additional cost brought about by switching from the calculation of underwriting reserves according to Solvency I standards to Solvency II standards is spread out over 16 years) and a partial internal model on non-life underwriting risk at the Group level.

These new regulatory capital and solvency requirements heavily impact the Group in terms of governance, internal organisation, and risk management and capital management.

Ongoing compliance with the regulatory requirements and any commitments made to supervisors could have significant consequences on the Group, such as the deterioration of net income or its financial position as well as an increase in the required regulatory capital.

In addition, in February 2016, the EU's Insurance Distribution Directive entered into force with application in French law scheduled for 23 February 2018. This Directive presents considerable progress in the area of marketing of insurance products to consumers: better pre-contract information, definition of governance rules for products within the Company, management of conflicts of interest, and training of salespeople.

Changes in regulations that aim to strengthen the protection of policyholders and confer broad powers of regulation on the regulatory authorities could also affect its ability to sell the products that it offers.

The rapidly changing regulatory environment and the firmness shown by the regulatory authorities in the interpretation and application of current regulations require that Groupama be especially vigilant in respect of compliance.

Despite the measures implemented to comply with existing regulations, Groupama could, through its activities as an insurer, Asset Manager, banker, securities issuer, investor, employer, and taxpayer, be subject to regulatory investigations, sometimes accompanied by civil actions.

Systems to fight money laundering and the financing of terrorism are thus the subject of particular attention and controls by the legislative and regulatory authorities, with sanctions for non-compliance. Given the complexity and the stricter requirements on this topic (revision of the joint guidelines of the ACPR and Tracfin on the Tracfin reporting requirements, entry into force in June 2015 of Directive IV, to be transposed into national law within two years, etc.), both the risks and the costs of compliance are increasing.

Similarly, with regard to distribution, the entry into force of the Insurance Distribution Directive (IDD – to be transposed into each Member State's law no later than 23 February 2018) with broad requirements covering the duty to advise, management of conflicts of interest, supervision and governance of products, disclosure and transparency or the Regulation on key information documents for packaged retail and insurance-based investment products (PRIIPs) could also increase the costs of operational compliance of the Group's entities.

Lastly, the Group's actions now possible in France in certain areas of involvement (consumption and health in terms of compensation for bodily injuries) could increase the risks and litigation costs of the Group's entities.

This strengthening of regulatory requirements, the potential impact of which is difficult to estimate, could significantly affect the business, reputation, net income and financial position of the Group.

4.1.4.3 Changes to tax legislation and regulations at the local, European or international level

Changes to the tax laws of countries where Groupama operates may have adverse consequences either on some Group products and reduce their attractiveness, especially those that currently receive favourable tax treatment, or on the Group's tax expense.

Examples of such changes include the taxation of life insurance policies or annuities contracts, changes in the tax status of some insurance or asset management products and tax incentives or disincentives to investing in some asset classes or product categories.

In France and abroad fiscal pressure has stabilised and 2015 ended without any new significant tax measures. This positive finding can be illustrated in France by the reduction of the corporate tax, finally confirmed, from 38.10% to 34.43% starting in 2016 or the gradual phasing out of the corporate social solidarity contribution (C3S).

However, in non-life insurance, note the new two-phase increase in the rate of the tax on legal protection guarantees, which will increase to 13.4% on 1 January 2017 after an increase to 12.5% on 1 January 2016.

At the Community level, the draft "anti-BEPS" (Base Erosion and Profits Shifting) directive, which includes various measures to fight tax evasion (including the general limitation of interest deductions) is being watched closely; however, in the draft's current version, it is not expected to have any significant impact for the Group.

Moreover, Groupama remains vigilant on the future interpretations or developments of the tax systems in the countries in which it operates that could lead to an increase in tax expenditures, generate compliance costs, or adversely affect the Group's activity, cash position, and net income.

4.1.4.4 Potential changes to International Financial Reporting Standards

Groupama's consolidated and combined financial statements were prepared in accordance with the International Financial Reporting Standards and IFRIC interpretations in final form and came into force on 31 December 2015, as adopted by the European Union. Projects to change the standards are underway at the IASB (the international accounting regulator); some of these projects could have a significant impact on the financial statements of insurance groups and other financial institutions.

The proposed changes would concern the recognition of the Group's assets and liabilities as well the income and expenses in the income statement. Their implementation could take place at the earliest on 1 January 2018 for IFRS 9 on financial instruments to replace IAS 39 (according to the IFRS 9 endorsement date for insurers at the European Union level) or 1 January 2021 for IFRS 4 (phase 2) on insurance contract accounting.

4.1.4.5 Diversity of legal systems in the countries where the Group operates

In recent years, Groupama has expanded internationally into countries where judicial and dispute resolution systems may have a different level of maturity to those of France or the countries of northern and southern Europe. As such, Groupama could find it difficult to take legal action or to enforce judgements in its favour. In such cases, the possible legal ramifications could adversely impact the Group's activities and net income.

4.2 QUANTITATIVE AND QUALITATIVE APPENDICES RELATED TO MARKET RISKS AND RISK FACTORS

This section corresponds to Note 47 to the consolidated financial statements for fiscal year 2016, audited by the statutory auditors.

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.

4.2.1 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 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.

The work carried out in 2015 and 2016 particularly with respect to the ORSA reports and the operational implementation of the asset risk limits significantly strengthened the overall risk management system of 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 GIE 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;
- and the Capital Management Committee, which particularly monitors the Group's solvency risk.

Similar systems are in place at the entity level.

4.2.1.1 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 relating 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 insurance 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.

4.2.1.2 Groupama SA 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 they are 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 Group's various tasks for the application of the Solvency II Directive, including work relating to ORSA particularly with the validation of stress scenario assumptions and the examination of the ORSA report for validation by the Board of Directors.

4.2.1.3 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 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 ongoing 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.

4.2.2 INSURANCE RISKS

4.2.2.1 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.

4.2.2.2 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.

(a) 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).

(b) 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.

(c) 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 establishing reserves for 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 TME). 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 financial statements.

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:

	31.12.2016			31.12.2015
(in millions of euros)	France	International	Total	Total
Commitments guaranteed at fixed rate	37,499	2,997	40,496	41,280
Commitments guaranteed at variable rate	7,668	23	7,691	7,727
Unit-linked and other products without rate commitment	8,819	914	9,733	8,739
TOTAL	**53,986**	**3,934**	**57,920**	**57,746**

The weight of guaranteed-rate commitments is decreasing slowly. The share of unit-linked and other products without rate commitment increased, representing 16.8% of total commitments (compared with 15.1% at the end of 2015).

(d) 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.

4.2.2.3 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

(a) 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.

(b) 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.).

(c) 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 policy holders 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.

(d) Mortality and longevity risks

In life insurance, the payment of benefits depends on the death or the survival of the policyholder. It is the occurrence of one or 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:

	31.12.2016			31.12.2015
(in millions of euros)	France	International	Total	Total
Actuarial reserves for life annuities	9,691	13	9,704	9,828
Actuarial reserves for non-life annuities	2,272	23	2,295	2,134
TOTAL	**11,963**	**36**	**11,999**	**11,962**

The share of actuarial reserves for life annuities continued to be largely predominant at the end of 2016 (> 80% of annuity commitments).

4.2.2.4 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.

(a) Identification

Overlapping risks can be identified at the time of underwriting or during ongoing 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.

(b) 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.

4.2.3 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.

4.2.3.1 Interest rate risk

(a) 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.

(b) 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 risks.

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 hedges

SPREAD WIDENING RISK

In addition, a hedging strategy was tested during a pilot operation intended to protect the value of a bond against the risk of widening of its spread. The strategy involved fixing the bond's spread to one year using a dedicated FFI. At the end of the hedge (one year renewable), a finalising balancing payment, to be paid or received, compensates the loss or returns the gain on the value of the bond hedged for the variation of its spread.

This hedge was the subject of specific documentation for accounting hedges at fair value under IAS39.

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

(c) 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.

Sensitivity of technical insurance 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.

At 31 December 2016, the amount of the discount in the actuarial reserves for non-life annuities, before reinsurance, was €210 million. The amount of the discount in the reserve for increasing risks on long-term care, gross of reinsurance, was approximately €63 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:

	31.12.2016		31.12.2015	
	Interest rate		Interest rate	
(in millions of euros)	+1%	-1%	+1%	-1%
Impact on income (net of taxes)	48	(66)	68	(57)
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 1.5% 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:

	31.12.2016		31.12.2015	
	Interest rate		Interest rate	
(in millions of euros)	+1%	-1%	+1%	-1%
Impact on income (net of taxes)	76		98	(51)
Equity impact (excluding income)				

No impacts were found in case of a decline of 100 basis points considering the application of minimum discount rates.

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%.

	31.12.2016		31.12.2015	
	Interest rate risk		Interest rate risk	
(in millions of euros)	+1%	-1%	+1%	-1%
Impact on the revaluation reserve	**(491)**	**542**	**(497)**	**549**
Equities				
Equity mutual funds				
Bonds	(486)	537	(490)	542
Fixed-income mutual funds	(5)	5	(7)	7
Derivative instruments and embedded derivatives				
Impact on net income	**26**	**(25)**	**8**	**(8)**
Equities				
Equity mutual funds				
Bonds	(3)	4	(3)	3
Fixed-income mutual funds	(8)	8	(12)	12
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.

Financial 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.

4.2.3.2 Risk of variation in the price of equity instruments (stocks)

(a) 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 4.2% 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").

(b) 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 more than €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.

(c) 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%.

	31.12.2016		31.12.2015	
	Equities risk		Equities risk	
(in millions of euros)	+10%	-10%	+10%	-10%
Impact on the revaluation reserve	**53**	**(53)**	**50**	**(50)**
Equities	34	(34)	32	(32)
Equity mutual funds	19	(19)	18	(18)
Bonds				
Fixed-income mutual funds				
Derivative instruments and embedded derivatives				
Impact on net income	**33**	**(33)**	**20**	**(20)**
Equities				
Equity mutual funds	33	(33)	20	(20)
Bonds				
Fixed-income mutual funds				
Derivative instruments and embedded derivatives				

4.2.3.3 Foreign exchange risk

(a) 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 different functional currency from 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.

(b) Managing foreign exchange risk

Exchange rate risk is currently 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.

(c) 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%.

	31.12.2016		31.12.2015	
	Foreign exchange risk		Foreign exchange risk	
(in millions of euros)	+10%	-10%	+10%	-10%
Impact on the revaluation reserve	**37**	**(37)**	**35**	**(35)**
Equities	13	(13)	11	(11)
Equity mutual funds	2	(2)	1	(1)
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.

4.2.3.4 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.

(a) Risk on bonds of the GIIPS countries

The Group's gross exposure to sovereign debt of the GIIPS countries (Greece, Italy, Ireland, Spain, Portugal) amounted to €12,211 million at 31 December 2016, representing 21% of the interest-bearing product portfolio.

(b) 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.

4.2.3.5 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.

	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	
(in millions of euros)	Shareholders' equity	Income (Loss)	Shareholders' equity	Income (Loss)	Shareholders' equity	Income (Loss)	Shareholders' equity	Income (Loss)
Interest rate risk	**(491)**	**150**	**542**	**(91)**	**(497)**	**174**	**549**	**(116)**
Underwriting liabilities		124		(66)		166		(108)
Financial investments	(491)	26	542	(25)	(497)	8	549	(8)
Financing debt								
Equities risk	**53**	**33**	**(53)**	**(33)**	**50**	**20**	**(50)**	**(20)**
Financial investments	53	33	(53)	(33)	50	20	(50)	(20)
Foreign exchange risk	**37**		**(37)**		**35**		**(35)**	
Financial investments	37		(37)		35		(35)	

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 equity risk; and
- up or down fluctuation of 10% in all currencies against the euro, for exchange rate risk.

4.2.4 LIQUIDITY RISK

4.2.4.1 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:

- technical cash flow projections in a central scenario;
- sensitivity scenarios on technical assumptions (production, claims ratio).

4.2.4.2 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.

4.2.4.3 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.

4.2.4.4 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:

	31.12.2016				31.12.2015			
(in millions of euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Non-life underwriting reserves	4,238	3,380	4,689	12,307	4,299	3,369	4,134	11,802
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	756	3,164	10,544	14,464	1,642	4,096	10,255	15,993
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	**11,480**	**13,011**	**41,469**	**65,961**	**13,649**	**14,232**	**38,170**	**66,051**

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.

4.2.4.5 Financing debt by maturity

The principal features of financial debt, as well as its breakdown by maturity, are provided in Note 24 herein – Financial Debt.

4.2.5 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).

	31.12.2016						
(in millions of euros)	AAA	AA	A	BBB	< BBB	Not rated	Total
Share of reinsurers in non-life insurance reserves		804	119	4		468	1,394
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		167	222
TOTAL		**865**	**143**	**10**		**666**	**1,683**

	31.12.2015						
(in millions of euros)	**AAA**	**AA**	**A**	**BBB**	**< BBB**	**Not rated**	**Total**
Share of reinsurers in non-life insurance reserves		708	59	87	4	473	1,332
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		47	2			238	287
TOTAL		**7,726**	**62**	**89**	**4**	**748**	**8,628**

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.

A share of €274 million (€282 million for fiscal year 2015) is also represented by the Groupama SA retrocession to the regional mutuals under the internal reinsurance agreement. The breakdown is as follows:

- €259 million in share of reinsurers in non-life insurance reserves;
- €15 million in receivables from outward reinsurance operations.

4.2.6 OPERATING, LEGAL, REGULATORY, AND TAX RISKS

4.2.6.1 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 providing 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, vehicle fleets, etc.).

4.2.6.2 Legal and regulatory risks

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.

(a) Application of corporate law and the 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 ongoing monitoring systems on an individual entity basis.

(b) 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 (FFA 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.

(c) 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 the transposition into French law of the 4th European Directive, definitions of action plans in line with sanctions from the ACPR, harmonisation and consistency of procedures, performance indicators, steering of IT projects, and training kits);
- 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 can change, depending on modifications to the Group's organisational structure;
- 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, Banking, and Services Department;

- regarding the protection of customers, the key function of Groupama SA's Compliance Verification manages or contributes to the operational implementation of several themes, including:
  - ACPR instruction 2015-I-22 of 2 October 2015 on the questionnaire on commercial practices and protection of customers,
  - the ACPR's various recommendations particularly on handling complaints and knowledge of customers with respect to the duty to advise in life insurance, including for remote selling,
  - monitoring of the major risk for the Group of "failure to advise",
  - the planned deployment of the Insurance Distribution Directive,
  - the recurring enrichment of the permanent control system.

4.2.6.3 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 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").

5

EARNINGS AND FINANCIAL POSITION

5.1 MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

5.1.1 ENVIRONMENT

5.1.1.1 Macroeconomic environment

Over 2016, the global economy maintained a growth rate near 3%, with a rebalancing in favour of emerging economies. This is mainly explained by the rebound in commodities and emerging currencies, OPEC's change in strategy, and the establishment of production quotas.

In addition to this improvement in economic conditions, political events had a major impact on economic and monetary policies:

- the UK's referendum on 24 June 2016, voting in favour of leaving the European Union;
- Donald Trump's election as president of the United States on 9 November 2016.

In the United States, the economy's growth was less vigorous in 2016 than in 2015, with a pace in line with its potential: around 1.5%. Household consumption and the job market's solid performance remained the main drivers of this growth. However, growth in domestic demand in 2016 was less than half of the 2015 figure (1.5% versus 3.2%) due to more modest corporate and residential investments than expected. Three factors explain this situation: the moderate return of inflation, monetary tightening, and a stronger dollar with a negative effect on exports. Donald Trump's election generated expectations of stronger inflation growth for 2017 due to the policy of increased public spending advocated by the new presidential team. Against this backdrop, the Federal Reserve gradually changed its position. After playing for time with regard to its monetary tightening policy over the first part of the year, it raised its key rate in December (+25bp) and gave an outlook of faster recovery in the face of expectations of rising inflation.

Despite the numerous sources of political uncertainties in 2016, the European economy grew more quickly in 2016 than in 2015, also at a rate near its potential with 1.6% growth on average over the year. Although the resurgence of inflation remains tentative (increasing from 0.3% to 1% during the year), growth was driven by the acceleration of business activity (industrial and services) and the euro's failure to rise (favouring export competitiveness of eurozone companies). In addition, the ECB's successive announcements maintained an environment of low rates favourable to credit.

However, the year was marked by a resurgence of risk of political instability within the European Union:

- the establishment of a coalition in Spain was long and a factor of uncertainty;
- the “no” vote on Italy's constitutional referendum led to Mr Renzi's resignation with potential consequences on the elections expected in 2017, in a country where the difficulties of the banking sector, impacted by bad debts, weigh on the entire economy;
- elections are to take place in 2017 in three major countries (France, Germany, and the Netherlands) against a backdrop of significantly greater populism and Euroscepticism;
- the situation in Greece continues to be very fragile, and discussions with its creditors are expected for 2017.

This difficult environment pushed the ECB to pursue a very accommodative policy with the extension of asset purchases to credit rated higher than BBB and further rate decreases. Nevertheless, this policy was reversed at the end of the year: although it announced an extension of asset purchases beyond March 2017 (until December 2017) and an expansion of the eligible securities, it suggested a beginning of monetary tightening with a reduction of purchases after this date (from 80 to €60 billion).

In the United Kingdom, despite the strong uncertainties surrounding its exit from the European Union (with regard to the methods, the timetable, and the content of the new agreements), the economy showed great resilience. Only the currency suffered a substantial decline (on the order of 20%). To limit the referendum's impact, the Central Bank of England increased its asset purchase programme and cut its rates again.

In emerging markets, 2016 was favourable to commodity-exporting countries, which saw their foreign exchange reserves stop falling with the recovery of commodity prices, making it possible to put an end to the very high inflation and implement more accommodative monetary policies. Although this situation is particularly true for Russia, the situation remains fragile in Brazil despite signs of improvement. On average, across all emerging countries, the current account balance and the net capital flows became positive again.

China managed to stabilise its growth thanks to the implementation of a new stimulus plan. However, its consequences are a further increase in the already high debt levels of companies, lower profitability, and weaker bank balance sheets.

Japan's economy slowed down in 2016 compared with 2015, adversely affected by sluggish domestic demand, the lack of an upturn in investments, and a yen that grew stronger (up until Donald Trump's election), weighing on exports. Under these circumstances, the Central Bank of Japan further intensified its accommodative monetary policy, and the government announced an additional recovery plan through taxation, representing nearly 5 points of GDP in total.

5.1.1.2 Financial markets in 2016

After a highly volatile start of the year with downward pressure on risky assets, the markets rose overall in 2016. They were little affected by political events due to the influence of the policies of the central banks.

(a) Equity markets developments

After a very negative beginning of the year, favourable only for quality stocks, because of expectations of declining growth and uncertainty about monetary policies, the first signs of stabilisation, particularly in China, and on barrel prices triggered a moderate rebound on equity markets. Although the results of the UK referendum led to only a very temporary decline on equity markets, it created a climate of political risk aversion in Europe, which explains the fluctuation of equities within a narrow range up until Donald Trump's election in early November. This election led to a major sector-based rotation especially favouring the construction and financial sectors, which will benefit the most from growth and rising inflation.

All in all, European and Japanese equities were virtually stable over 2016 (-1.2% on the DJEuroStoxx 600 and -1.9% on the Topix), while US and emerging equities had significantly positive performance (+9.5% on the S&P and +8.6% on the MSCI Emerging).

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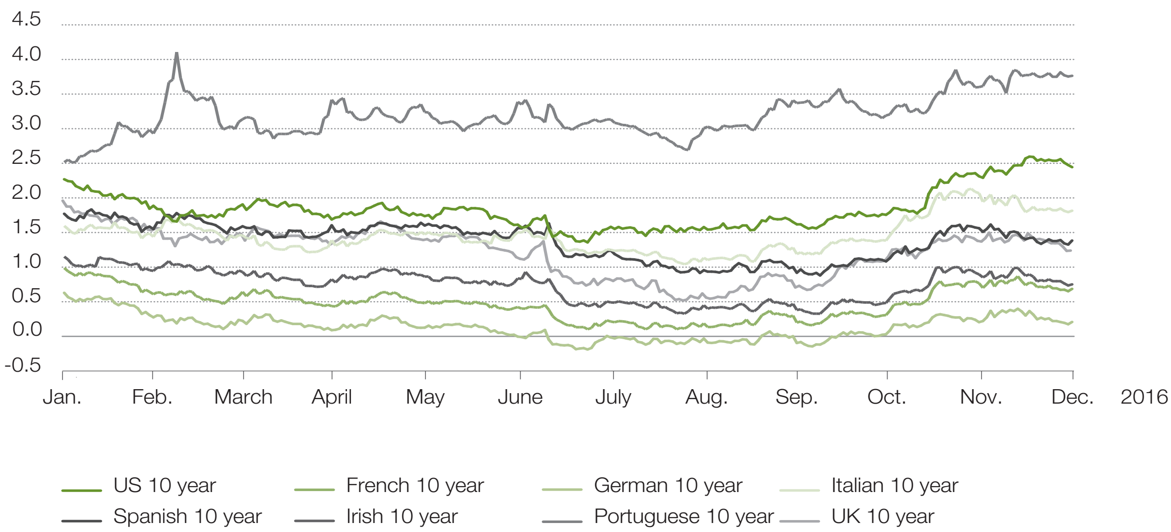
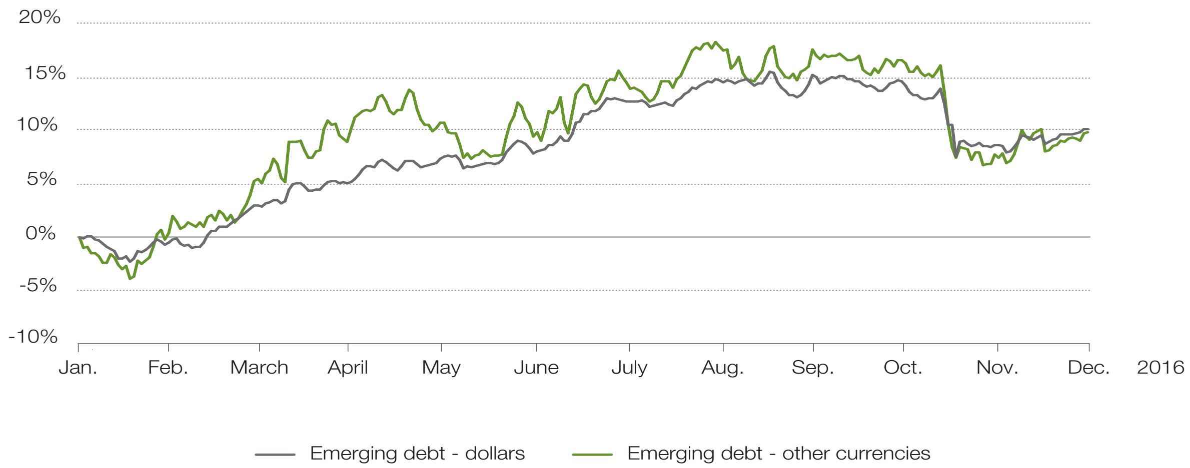
(b) Interest rate market developments



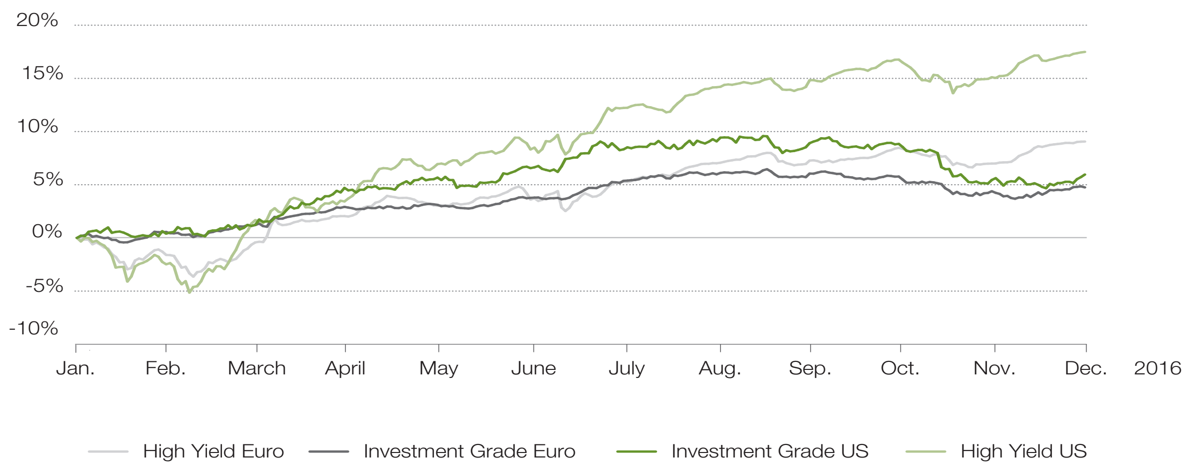
The sovereign bond market clearly experienced two trends during 2016:

- during the first three quarters, a long downward trend in long-term yields explained by the decisions of the ECB and the Bank of Japan in a period of stress on the credit market as well as the announcement of Brexit. Between January and September, core yields fell by around 80bp, Italian yields by 40bp, and Spanish yields by 90bp. However, Portuguese yields increased 90bp, due to fears of a rating change to BB, taking the debt out of the scope of assets eligible for purchases by the ECB;
- during the last quarter, despite uncertainty about the Italian referendum and the US elections, sovereign long-term yields rose following the increase in inflation expectations (OPEC's decision). This trend was confirmed at the end of the year by the election of Donald Trump, whose policy is expected to be inflationary and growth-generating. With the exception of Portuguese yields, which ended the year nearly 130bp above the end-2015 level, the other countries ended 2016 between 20bp and 40bp lower than the end of 2015.



The rebalancing of growth in favour of emerging countries as well as the recovery of commodity prices and OPEC's agreement were very positive for emerging debt, which saw uninterrupted growth up until Donald Trump's election. Because of the future president's protectionist programme, this election resulted in a sharp rise in emerging-market yields and a decrease in their currencies. Since then, emerging-market debt has recovered gradually, but it is hampered by the Fed's gradual raising of rates. Emerging-market debt ended the year up by approximately 10%.

(c) Credit market developments



Despite the downturn at the beginning of the year with default rates up sharply in the US, the multiple elections, and the difficulties on the Italian banking sector, credit spreads tightened starting in February following the announcements of the central banks. This tightening movement was intensified by the expansion of credit asset purchases by the ECB. It also had contagion effects on debt not eligible for ECB purchases (financial and high yield in particular). This movement continued up to the end of the year despite the record issue volumes in the very advantageous context of low rates and spreads. Donald Trump's election was a source of volatility but did not reverse the trend.

Overall in 2016, significantly positive performance levels were observed across all the entire credit asset class on both sides of the Atlantic, with outperformance by the US market: +6.0% and +17.5% YTD respectively in the United States on investment-grade and high-yield credit and +4.7% and +9.1% YTD in the eurozone (on investment grade and high yield).

5.1.2 SIGNIFICANT EVENTS OF FISCAL YEAR 2016

5.1.2.1 Governance

(a) Proposed remutualisation of Groupama's central body

Following the promulgation of the "Sapin 2" law on transparency, the fight against corruption, and modernisation of the economy on 10 December 2016, the legislative framework required for the transformation of Groupama group's central body into a mutual insurance company (SAM) is now in place with an implementation period of 18 months.

Groupama SA will become the Caisse Nationale de Réassurance Mutuelle Agricole Groupama (Groupama National Agricultural Reinsurance Mutual), retaining all the responsibilities associated with its role as the central body of Groupama group.

With this transformation, Groupama reaffirms its mutual insurance identity rooted in the regions and brings its organisation and its values in line to better serve its members and its customers.

The objective of the planned transformation of Groupama's central body is to simplify the structure of the Group at the same time as maintaining the financial flexibility necessary for the implementation of the strategy. This project will not change the solvency of the Group or that of the central body and will have no impact on commitments undertaken with regard to holders of its debts.

(b) Chairman of Fédération Nationale Groupama

Jean-Yves Dagès was re-elected Chairman of the Fédération Nationale Groupama during the meeting of Fédération Nationale Groupama 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 this date.

5.1.2.2 Financial strength

(a) 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.

(b) 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 planned remutualisation of Groupama's central body did not affect the rating of Groupama and its subsidiaries.

5.1.2.3 Financial investments

(a) 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 continue and develop this partnership in the years to come.

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

(b) Simplification of the structure of their holdings in Icade by 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 governance, the Group maintains its significant influence over Icade.

(c) Carole Nash

On 5 August, Groupama signed a protocol of sale for its subsidiary Carole Nash. Accordingly, Carole Nash is presented in held-for-sale assets.

(d) Günes Sigorta

Günes Sigorta has now left the scope of consolidation given the decrease in holding following the capital increase in which the Group wished to participate.

5.1.2.4 Business activities

(a) Partnership with Orange

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

The Orange Bank product will be available in France in the first half of 2017 in the Orange distribution network. The product will also be distributed in the Groupama group's networks starting in the second half of 2017. Innovative and specifically adapted to mobile usage, this product will cover current accounts, savings, credit and payments once it is launched.

(b) Inclement weather

2016 was marked by an extraordinary weather loss experience, particularly with the floods and storms in the Greater Paris region and the central and north-eastern regions of France from 26 May to 7 June, with a cost of €1.2 billion for the entire market. The agricultural market was impacted by excess water associated with a lack of sunshine in the spring and episodes of frost, hail, and drought. Groupama mobilised with regard to both claims and the contribution of new solutions. In total, for the combined group, the cost of weather events, net of taxes and reinsurance, was €286 million.

5.1.3 POST-BALANCE SHEET EVENTS

Debt refinancing

In early January 2017, Groupama launched an offer to exchange all of its deeply subordinated instruments issued in 2007 and a portion of its redeemable subordinated instruments issued in 2009 for new subordinated instruments with a maturity of 10 years.

On 23 January 2017, Groupama issued and placed subordinated instruments with a maturity of 10 years with institutional investors for a total of €650 million with an annual coupon of 6.00%. The operation was widely successful with institutional investors holding the two instruments, since the transformation rate reached 65% on the deeply subordinated instruments issued in 2007 and the 33% ceiling set by the Group on subordinated instruments issued in 2009.

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

These subordinated bonds are rated BB+ by the rating agency Fitch, just like other Groupama SA's 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 amount of its financial expenses and to strengthen the Group's financial flexibility.

5.1.4 ANALYSIS OF FINANCIAL STATEMENTS

5.1.4.1 Introductory summary: reminder of the combined group's business data

Premium income *(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, Société Française de Protection Juridique changed the method of recording certain underwriting reserves with an impact on premium income. The impact on written premiums at 31 December 2015 was +€8 million. Pro forma premium income at 31 December 2015 also included the restatement of Groupama Banque's premium income, which is now accounted for using the equity method, an impact of €154 million on premium income 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 are neutralised in the pro forma data; the actual data at 31 December 2015 were converted based on the exchange rate at 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.

At 31 December 2016, Groupama's combined Insurance premium income was stable (+0.1%) at €13.4 billion on a like-for-like basis (-0.2% in actual data) compared with 31 December 2015. Including financial businesses, the Group's combined premium income 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 premium income increased +0.7%, including +0.6% in France and +0.8% internationally. Business was supported by the growth of the agricultural business segment (+2.6%) and business lines such as assistance (+14.1%) and legal protection (+13.2%) in France. Individual and professional insurance (63% of business in property and casualty insurance) remained stable over the period, masking a moderate rise in France (+0.3%) and a decline internationally (-0.6%). The growth in home insurance (+1.3%), both in France (+1.2%) and internationally (+2.2%), was mitigated by the decline in the passenger vehicles (-0.5%, including -0.2% in France and -1.1% internationally).

Life and health insurance premium income decreased -0.6% at 31 December 2016. Groupama Gan Vie, which supports the savings/pension business in France, confirmed the downturn in its overall activity observed at the end of 2015 and saw its premium income increase +2.6% over the period. Other life and health insurance businesses in France decreased 1.5%. This change is explained mainly by the decline in the individual health segment of -5.7% (borne mainly by the regional mutuals), while group health (borne by Groupama Gas Vie for the most part) increased +26.0%. These changes were mainly related to the entry into force at 1 January 2016 of the ANI regime for which the Group's teams were strongly mobilised. International life and health insurance premium income decreased -9.7%, mainly under the effect of the decline in individual savings/pensions (-18.8%), particularly in Italy.

Insurance premium income in France represented 79.5% of the Group's overall business over the period, whereas international insurance premium income amounted to 19.5% of total premium income. The Group's other business activities (financial and banking) represented 1% of total premium income. Net banking income from these businesses amounted to €136 million 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 economic operating income totalled €153 million at 31 December 2016 versus €163 million in the previous period.

Economic operating income from insurance amounted to +€223 million in 2016 (-17.4% over the period).

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). This growth in France resulted mainly from the net combined ratio in health and other bodily injury, which improved by -2.7% points in 2016.

In property and casualty insurance, economic operating income amounted to +€25 million compared with +€118 million at 31 December 2015. This change masks an improvement in international results (+€54 million compared with 2015, which, as a reminder, had significant replenishments of reserves in Turkey resulting from the highly penalising regulatory environment for insurers), while business in France posted a decline in net income (-€147 million compared with 2015) with a 2016 marked by very significant weather claims (particularly on the crops segment) as well as very substantial serious claims (particularly in motor liability).

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 loss experience amounting to 59.2% (+0.5 points compared with last year);
- a deterioration of the serious claims expense (+2 points) as well as the deterioration relating to weather claims (+2.8 points) partially offset by an improvement of the reinsurance balance (-1.7 points);
- conversely, a favourable impact of changes over prior fiscal years (-2.3 points of combined ratio).

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

The Group's net income totalled +€322 million at 31 December 2016 compared with +€368 million at 31 December 2015. The non-recurring financial margin amounted to €215 million in 2016 (-€66 million compared with 2015) under the effect of lower realised capital gains, a decrease in allocations to reserves for long-term impairment, and an unfavourable effect of the change in fair value of assets recognised at fair value through income. Non-recurring items weighed on net income for the period in the amount of -€23 million. In addition to the result from discontinued businesses (+€66 million related mainly to the sale of Cegid), the Group also included an impairment on goodwill in Turkey of -€88 million in its 2016 financial statements.

	31.12.2015	31.12.2016
Economic operating income	**163**	**153**
Net realised capital gains [(1)]	269	234
Allocation to reserves for long-term impairment[(1)]	(26)	(15)
Gains or losses on financial assets recognised at fair value[(1)]	38	(4)
Other expenses and income	(75)	(23)
Net income from discontinued businesses	0	66
Goodwill impairment	0	(88)
Net income	**368**	**322**

(1) Amounts net of profit sharing and corporate tax.

5.1.4.2 Summary of Groupama SA's business and income

Premium income *(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	3,218	3,226	3,267	1.5%	1.3%
Groupama Gan Vie	3,399	3,399	3,490	2.7%	2.7%
Life and health insurance in France – excluding Groupama Gan Vie	623	623	600	-3.7%	-3.7%
Total Insurance France	**7,239**	**7,247**	**7,356**	**1.6%**	**1.5%**
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	282	128	136	-52.0%	5.6%
Total Groupama	**10,292**	**10,103**	**10,140**	**-1.5%**	**0.4%**
Total Insurance	**10,009**	**9,974**	**10,004**	**-0.1%**	**0.3%**
Property and casualty insurance	5,004	4,979	5,034	0.6%	1.1%
Life and health insurance	5,005	4,996	4,970	-0.7%	-0.5%

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, Société Française de Protection Juridique changed the method of recording certain underwriting reserves with an impact on premium income. The impact on written premiums at 31 December 2015 was +€8 million.

Pro forma premium income at 31 December 2015 also included the restatement of Groupama Banque's premium income, which is now accounted for using the equity method, an impact of €154 million on premium income 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 are neutralised in the pro forma data; the actual data at 31 December 2015 were converted based on the exchange rate at 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.

At 31 December 2016, Groupama's consolidated Insurance premium income stood at €10.0 billion, an increase of 0.3% on a like-for-like basis (-0.1% in actual data) compared with 31 December 2015. Including financial businesses, the Group's consolidated premium income was up +0.4% on a like-for-like basis (-1.5% in actual change) at €10.1 billion.

The Group's property and casualty insurance premium income increased +1.1%, including +1.3% in France and +0.8% internationally. Business was supported by the growth of the agricultural business segment (4.3%) and business lines such as assistance (+14.1%) and legal protection (+13.2%) in France. Individual and professional insurance (64.6% of business in property and casualty insurance) remained stable over the period, masking an increase in France (+0.7%) and a decline internationally (-0.6%). The growth in home insurance (+1.4%), both in France (+1.1%) and internationally (+2.2%), was offset by the decline in the passenger vehicle segment (-0.5%), particularly internationally (-1.1%), with the segment's premium income remaining stable in France.

Life and health insurance premium income decreased -0.5% at 31 December 2016. Groupama Gan Vie, which supports the savings/pension business in France, confirmed the downturn in its overall activity observed at the end of 2015 and saw its premium income increase 2.7% over the period. Other life and health insurance businesses in France decreased 3.7%. This change is explained mainly by the decline in the individual health segment of -7.8% (borne mainly by the regional mutuals), while group health (borne by Groupama Gas Vie in large part) increased +26.6%. These changes were mainly related to the entry into force at 1 January 2016 of the ANI regime for which the Group's teams were strongly mobilised. International life and health insurance premium income decreased -9.7%, mainly under the effect of the decline in individual savings/pensions (-18.8%), particularly in Italy.

Insurance premium income in France represented 72.6% of the Group's overall business over the period, whereas international insurance premium income amounted to 26.1% of total premium income. The Group's other business activities (financial and banking) represented 1.3% of total premium income. Net banking income from these businesses amounted to €136 million 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	41	(95)	(136)	<-100%
Life and health insurance France	41	82	41	100%
Total Insurance France	**82**	**(14)**	**(96)**	**<-100%**
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	(116)	(96)	20	17%
Total Groupama	**(27)**	**(32)**	**(5)**	**-19%**
Property and casualty insurance	7	(74)	(81)	<-100%
Life and health insurance	73	110	37	51%

The Group's economic operating income totalled -€32 million at 31 December 2016 versus -€27 million in the previous period.

Economic operating income from insurance amounted to +€36 million in 2016.

Economic operating income from life and health insurance totalled +€110 million in 2016 versus +€73 million in 2015, up +€37 million (+€41 million in France and -€3 million internationally). This growth in France resulted mainly from the net combined ratio in health and other bodily injury, which improved by -5.4% points in 2016.

In property and casualty insurance, economic operating income amounted to a loss of €74 million compared with +€7 million at 31 December 2015. This change masks an improvement in international results (+€54 million compared with 2015, which, as a reminder, had significant replenishments of reserves in Turkey resulting from the highly penalising regulatory context for insurers), while business in France posted a decline in net income (-€136 million compared with 2015) because of a 2016 marked by very significant weather claims (particularly on the crops segment) as well as serious claims a little more unfavourable than the average observed over the long period (particularly in motor liability), while 2015 was impacted substantially less than the average.

Banking and financial businesses contributed +€27 million to the Group's economic income in 2016. The Group's holding activity posted an economic operating loss of -€96 million in 2016, compared with a loss of -€116 million in 2015.

The Group's net income totalled +€79 million at 31 December 2016 compared with +€133 million at 31 December 2015. The non-recurring financial margin amounted to €158 million in 2016 (-€66 million compared with 2015) under the effect of lower realised capital gains, a decrease in allocations to reserves for long-term impairment, and an unfavourable effect of the change in fair value of assets recognised at fair value through income. Non-recurring items weighed on net income for the period in the amount of -€24 million.

In addition to the result from discontinued businesses (+€66 million related mainly to the sale of Cegid), the Group also included an impairment on goodwill in Turkey of -€88 million in its 2016 financial statements.

	31.12.2015	31.12.2016
Economic operating income	(27)	(32)
Net realised capital gains [1]	214	179
Allocation to reserves for long-term impairment[1]	(24)	(14)
Gains or losses on financial assets recognised at fair value[1]	34	(7)
Other expenses and income	(65)	(24)
Net income from discontinued businesses	0	66
Goodwill impairment	0	(88)
NET INCOME	**133**	**79**

(1) Amounts net of profit sharing and corporate tax.

5.1.4.3 Business and results in France

	31.12.2015 *pro forma*			31.12.2016		
Premium income – France *(in millions of euros)*	**L&H**	**P&C**	**Total**	**L&H**	**P&C**	**Total**
Groupama SA	460	1,663	2,123	454	1,678	2,132
Groupama Gan Vie	3,399		3,399	3,490		3,490
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	**4,021**	**3,226**	**7,247**	**4,090**	**3,267**	**7,356**

(1) Including Assu-Vie.

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Insurance premium income for France at 31 December 2016 increased by +1.5% compared with 31 December 2015 and totalled €7,356 million.

(a) Property and casualty insurance

	France P&C		
Insurance premium income *(in millions of euros)*	**31.12.2015** ***pro forma***	**31.12.2016**	**Change %**
Groupama SA	1,663	1,678	0.9%
Gan Assurances	1,266	1,260	-0.4%
Amaline Assurances	52	55	6.1%
Other entities	246	274	11.6%
TOTAL	**3,226**	**3,267**	**1.3%**

Property and casualty insurance premium income (44.4% of premium income in France) increased +1.3% to €3,267 million at 31 December 2016. Insurance for individuals and professionals increased +0.7% over the period to €1,933 million (nearly 60% of written premiums in property and casualty insurance). The growth in home insurance (+1.1% to €596 million) and professional risks (+2.9% to €326 million) should be noted, while the passenger vehicle business remained stable. Insurance for businesses and local authorities increased +0.9%, driven by the good performance of the fleets segment (+1.7%). The development of the legal protection segment (+€8 million mainly because of external partnerships) as well as the increase in the assistance business (+€15 million) also contributed to the increase in property and casualty insurance premium income.

Groupama SA's property and casualty insurance premium income totalled €1,678 million at 31 December 2016, an increase of +0.9%, driven mainly by insurance for individuals and professionals (+1.7%), which particularly benefited from the growth of the passenger vehicle (+1.4%) and professional risks (+7.2%) segments. The growth in insurance for businesses and local authorities was also noteworthy (+4.1%). However, the decline in the financial losses segment (-18.0%, mainly losses of rents and social insurance cover for company executives activities) mitigated these good performance levels.

Gan Assurances's premium income decreased -0.4%. It amounted to €1,260 million at 31 December 2016. The portfolio's decrease in number explains the decline in insurance for businesses and local authorities (-2.1%) and the passenger vehicle segment (-1.6% under the effect of portfolio surveillance actions). The good performance levels of the agricultural business (+9.1%) and professional risks (+1.7%) segments did not make up for these developments.

At 31 December 2016, Amaline's property and casualty insurance premium income grew +6.1% to €55 million under the combined effect of the portfolio's growth in number (+20,000 policies) and the increase in the average premium. The passenger vehicle segment benefited from the development of the partnership with Renault and posted an increase of +4.6%. The home insurance segment was up +10.3%.

Groupama Assurance-Crédit et Caution generated premium income of €38 million at 31 December 2016, stable compared with the previous period.

Premium income for Mutuaide Assistance at 31 December 2016 was up +14.1% at €121 million. This change particularly stems from the business generated on various large policies, the contribution of new policies by brokers, and the renewal of the Crédit Agricole group bank cards contract (growth in number and price revision).

Société Française de Protection Juridique's premium income grew +13.2% at 31 December 2016 to €115 million, due to the steady development of partnerships (particularly with La Banque Postale).

Economic operating income in property and casualty insurance in France was a loss of €95 million in 2016 compared with +€41 million in 2015. It is presented as follows:

Property and casualty insurance in France *(in millions of euros)*	**31.12.2015**		**31.12.2016**		**2016-2015 change**	
Gross earned premiums	3,254	100.0%	3,293	100.0%	38	1.2%
Underwriting expenses (policy servicing) - excluding claims management costs	(2,077)	-63.8%	(2,543)	-77.2%	(466)	-22.4%
Reinsurance balance	(212)	-6.5%	6	0.2%	218	>100%
Underwriting margin net of reinsurance	**966**	**29.7%**	**756**	**23.0%**	**(210)**	**-21.7%**
Net expenses from current underwriting operations	(958)	-29.4%	(955)	-29.0%	3	0.3%
Underwriting income net of reinsurance	**8**	**0.2%**	**(199)**	**-6.0%**	**(207)**	**<-100%**
Recurring financial margin net of tax	65	2.0%	56	1.7%	(8)	-12.8%
Other items	(32)	-1.0%	48	1.5%	79	>100%
Economic operating income	**41**	**1.3%**	**(95)**	**-2.9%**	**(136)**	**<-100%**
Capital gains realised net of corporate income tax	23	0.7%	35	1.1%	12	52.2%
Allocations to reserves for long-term impairment net of corporate tax	(2)	-0.1%		0.0%	2	NA
Gains or losses on financial assets recognised at fair value net of corporate tax	6	0.2%		0.0%	(6)	NA
Other operations net of corporate income tax	(8)	-0.2%	(13)	-0.4%	(5)	-67.5%
GROUP NET INCOME	**60**	**1.8%**	**(73)**	**-2.2%**	**(133)**	**<-100%**

In France, net underwriting income (gross premiums earned – gross underwriting expenses – net expenses from current underwriting operations and reinsurance balance) decreased by -€207 million over the period. Fiscal year 2016 was characterised by weather events (floods, weather events on crops), which, combined with an increase in serious claims, resulted in an increase in the net loss ratio of +6.7 points to 77.0% in 2016. The operating expense ratio was down -0.4 points at 29.0% in 2016.

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

- Groupama SA, the Group's internal reinsurer, bears a large share of the adverse change in the weather and serious loss experience. Its net underwriting income was down €83 million compared with 31 December 2015 with a sharp increase in the current loss experience (+27.6 points at 85.2% in 2016). Conversely, the liquidation surplus on prior fiscal years changed favourably compared with 2015;
- Underwriting income for Gan Assurances in property and casualty insurance was down -€115 million compared with 2015. This change is explained by the increase in the current loss experience (+1.2 points to 72.7%), negatively affected in motor and home insurance by the increase in average costs and despite a decrease in frequency. Underwriting income was also affected by adverse changes on prior years in motor liability (particularly under the effect of the environment of low rates, which accounted for -€35.5 million and a claim of nearly €20 million) as well as on the construction market (€44 million). Over the current fiscal year, the current serious claims expense decreased (-1 point). Operating expenses remained controlled with a ratio decreasing -0.5 points to 29.7% in 2016;
- Amaline's net combined ratio amounted to 124.0% in 2016 under the effect of the increase in the current loss experience impacted in 2016 by a serious motor claim ceded to reinsurance and the commercial relaunch as part of the partnership with an auto maker (effect of promotional events on new business) and an increase in the expense rate as part of this partnership. In home insurance, the loss experience improved in 2016 (-1.6 points to 81.9%) due to a decrease in the weather claim expense.

Property and casualty insurance in France was impacted in 2016 by the effect of a decline in rates, representing a net tax expense of -€91 million, which remained at a significant level compared with the -€93 million expense in 2015.

In France, the recurring financial margin (after tax) of the property and casualty insurance business amounted to €56 million in 2016, down -12.8% over the period.

The other items particularly include other non-technical income and expenses, tax on recurring income, income from equity-method companies, and minority interests. The favourable change in this item resulted from the inclusion of tax income relating to the underwriting loss for the period.

In France, net income amounted to -€73 million in 2016 versus +€60 million in 2015. The non-recurring financial margin gained +€8 million over the period. Exceptional items represented an expense of -€13 million.

(b) Life and health insurance

	L&H France		
Insurance premium income *(in millions of euros)*	**31.12.2015**	**31.12.2016**	**Change %**
Groupama Gan Vie	3,399	3,490	2.7%
Groupama SA	460	454	-1.3%
Gan Assurances	148	135	-9.1%
Amaline Assurances	5	4	-33.8%
Other entities (1)	9	7	-22.2%
TOTAL	**4,021**	**4,090**	**1.7%**

(1) Including Assu-Vie.

Life and health insurance premium income (55.6% of premium income in France) increased +1.7% to €4,090 million. Group premium income for life and capitalisation in France fell -2.0% in a market that posted a decrease of -1% at the end of December 2016 (source: FFSA). This change is mainly attributable to the decline in the individual savings/pensions business in euros (-11.1%), while unit-linked premium income increased +11.7%. After taking into account arbitrage operations (euros for unit-linked for €57 million) on Fourgous transfers (€233 million) and unit-linked net inflows (€383 million), the rate of actuarial reserves in individual unit-linked savings is now 23.5% (compared with 20.7% at 31 December 2015), which puts the Group above the market average.

Premium income in health and bodily injury at 31 December 2016 was up 7.8% compared with 31 December 2015. This change is due in particular to the increase in health (+10.7%), which breaks down into a decrease of -7.8% in individual health and an increase of +26.6% in group health thanks to very good performance by the networks following the entry into force of the ANI on 1 January 2016 (Groupama Gan Vie outperformed the market on this segment).

The Group's net inflows were negative at -€1,178 million at 31 December 2016 compared with -€1,213 million over the previous period. This change stemmed essentially from the unit-linked inflow in individual insurance, which totalled +€383 million compared with +€352 million at 31 December 2015, while the outflow of funds in euros continued.

The networks comprising Groupama Gan Vie posted a +2.7% increase in premium income at 31 December 2016, totalling €3,490 million. By business line, Groupama Gan Vie's premium income was mostly generated in individual insurance (60.1%), with premiums written 3.6% lower compared with 31 December 2015 at €2,097 million. Individual savings business fell -4.4%, breaking down into a decrease in savings in euros (-12.5%) and an increase of +8.5% 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% at the end of December 2015. Note that in addition to premium income, Groupama Gan Vie managed Fourgous transfers (not recognised in premium income) for €417 million (including €233 million in unit-linked investments) as well as arbitrages of euro funds from multi-component to unit-linked amounting to €57 million. Group insurance (39.9% of business) increased +13.9% to €1,393 million in connection with the growth of the health segment (+24.8%). The networks placed a major focus on developing group health with the upcoming implementation of the ANI. The number of ANI policies in Groupama Gan Vie's portfolio was thus more than 55,000 at the end of December 2016.

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

(in millions of euros)	31.12.2015	31.12.2016	2016-2015 change
Regional mutuals	1044	999	-4.3%
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	**3,399**	**3,490**	**2.7%**
Individuals	2176	2097	-3.6%
of which savings/pensions *(in euros)*	1203	1070	-11.0%
of which unit-linked savings/pensions	553	618	11.7%
Groups	1223	1393	13.9%
TOTAL	**3,399**	**3,490**	**2.7%**

Premium income of the network of regional mutuals amounted to €999 million at 31 December 2016, down -4.3% compared with the previous period. Individual insurance activity totalled €959 million (-4.7%) related to the decrease in individual savings/pensions premium income (-5.0%), while the segment's unit-linked premium income increased +12.1% over the period. Also note that Fourgous transfers amounted to €349 million at 31 December 2016 including €195 million invested in UL. Group insurance premium income totalled €40 million at 31 December 2016 compared with €37 million over the previous period.

The Gan Assurances network posted premium income of €893 million at 31 December 2016, up +2.9% compared with 31 December 2015. Written premiums in individual insurance increased +1.0% under the effect of the increase in the inward reinsurance segment (+9.5%). The individual savings/pensions activity remained stable over the period. This network benefited from Fourgous transfers of €14 million at 31 December 2016, including €4 million invested in UL. Group insurance business 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 premium income 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. The good performance posted by the Group protection segment (+12.0%) should also be noted.

Premium income for the Gan Patrimoine network was down -4.7% and totalled €195 million at 31 December 2016, under the effect of the decline in the individual savings segment (-4.6%). Fourgous transfers amounted to €54 million at the end of 2016, including €34 million invested in UL. Arbitrage of euro funds for UL amounted to €53 million at 31 December 2016.

Gan Prévoyance's commercial network contributed €488 million to the Group's premium income at 31 December 2016 and saw a decrease of -5.0% in its business under the effect of the decrease in savings premiums (-18.4%) and individual health (-19.0%), affected by the development of ANI group policies. The individual retirement business increased +2.0% over the period, driven by the growth of UL premium income (+75%).

Groupama SA's life and health insurance premium income totalled €454 million at 31 December 2016, compared with €460 million over the previous period.

Premium income in life and health insurance (individual health) of Gan Assurances amounted to €135 million at 31 December 2016. It decreased -9.1% over the period under the effect of a decrease in the number of policies in the portfolio (-16,700 policies) related to the ANI. Group policies with respect to the ANI are not underwritten by Gan Assurances but by Groupama Gan Vie.

The Caisses Fraternelles generated €3 million at 31 December 2016, a 33.3% decrease compared with the previous period.

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

In life and health insurance, economic operating income in France was €82 million in 2016 compared with €41 million in 2015.

Life and health insurance in France *(in millions of euros)*	**31.12.2015**		**31.12.2016**		**2016-2015 change**	
Gross earned premiums	4,025	100.0%	4,094	100.0%	69	1.7%
Underwriting expenses (policy servicing) - excluding claims management costs	(3,292)	-81.8%	(3,369)	-82.3%	(78)	-2.4%
Reinsurance balance	(19)	-0.5%	10	0.3%	29	>100%
Underwriting margin net of reinsurance	**714**	**17.7%**	**735**	**17.9%**	**21**	**2.9%**
Net expenses from current underwriting operations	(854)	-21.2%	(848)	-20.7%	6	0.7%
Underwriting income net of reinsurance	**(140)**	**-3.5%**	**(113)**	**-2.8%**	**27**	**19.3%**
Recurring financial margin net of profit sharing and tax	149	3.7%	174	4.3%	26	17.2%
Other items	32	0.8%	21	0.5%	(12)	-35.9%
Economic operating income	**41**	**1.0%**	**82**	**2.0%**	**41**	**>100%**
Capital gains realised net of corporate income tax and profit sharing	93	2.3%	116	2.8%	23	24.3%
Allocations to reserves for long-term impairment net of corporate income tax and profit sharing	(24)	-0.6%	(12)	-0.3%	12	48.9%
Gains or losses on financial assets recognised at fair value net of corporate income tax and profit sharing	9	0.2%	1	0.0%	(8)	-85.1%
Other operations net of corporate income tax	(5)	-0.1%	(5)	-0.1%		-2.1%
Income excluding restructuring	**115**	**2.9%**	**183**	**4.5%**	**67**	**58.3%**
Net income from discontinued businesses		0.0%	49	1.2%	49	
GROUP NET INCOME [1]	**115**	**2.9%**	**232**	**5.7%**	**116**	**>100%**

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

Underwriting income net of reinsurance improved by +€27 million in 2016.

On Groupama Gan Vie, the recurring net underwriting income was stable compared with last year.

In individual insurance, the current underwriting margin decreased -€9 million despite the increase in mark-ups on unit-linked outstandings (+€6 million). This increase was absorbed by the decrease in mark-ups on premiums (-€7 million) because of the change in premium income in euros and lower protection insurance underwriting income at €7 million.

In group insurance, the current underwriting margin increased €8 million under the effect of the increase in mark-ups on premiums (+€27 million) mainly in health in connection with the business activity's development as part of the establishment of the ANI and in protection insurance (multi-product subscription actions). It should also be noted that the claims ratio, which held up well in group health (in a context of strong development with the ANI), was a little more unfavourable in the death protection insurance of brokerage businesses than last year. Non-recurring net underwriting income was down compared with last year due to extraordinary underwriting gains in 2015 that did not exist in 2016.

The individual life and health insurance net underwriting income of the entity Groupama SA increased by €48 million over the period with a loss ratio down -9.3 points to 67.4% in 2016, due in particular to more favourable results on prior fiscal years and the absence of non-recurring expenses.

Recurring financial margin (net of profit sharing and taxes) increased €26 million over the period.

In France, net income from life and health insurance, excluding discontinued activities, amounted to +€183 million at 31 December 2016 compared with +€115 million at 31 December 2015. The non-recurring financial margin increased €27 million over the period, mainly due to realised capital gains (related in particular to operations to reduce Italian and Spanish bond debt).

After taking into account the net income from discontinued business activities corresponding to the sale of Cegid, net income from life and health insurance in France totalled €232 million in 2016.

5.1.4.4 International business and net income

International premium income *(in millions of euros)*	31.12.2015 *pro forma*			31.12.2016		
	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 premium income was €2,647 million at 31 December 2016, down -2.9% compared with 31 December 2015.

Property and casualty insurance premium income totalled €1,767 million at 31 December 2016, a 0.8% increase compared with the previous period. Growth in the agricultural business segment (+15.1%), particularly in Turkey, was mitigated by the downturn in the passenger vehicle segment (-1.1%), which represented 62% of premiums in property and casualty insurance, under the effect of difficult macroeconomic or market conditions in certain countries (Italy, Greece, and Turkey).

Life and health insurance premium income fell -9.7% to €880 million. The individual life and health insurance segment saw a decline of -13.3% under the effect of the decrease in savings/pensions (-18.8%), mainly in Italy and Greece (the decrease in insurance in euros was not offset by the growth in UL). Group life and health insurance was up +12.2%, supported by the growth in the Group retirement segment (+27.4%).

Economic operating income from insurance on the International scope increased €51 million in 2016 mainly due to the improvement of underwriting income in property and casualty insurance.

The property and casualty net combined ratio of international subsidiaries amounted to 103.0%, down 3.3 points compared with the 2015 *pro forma* net combined ratio (restated for discontinued businesses). The gross loss experience rate improved by 2.2 points to 66.3%, under the effect of the recovery of the motor liability segment in Turkey (after significant replenishments of reserves in 2015 resulting from the highly penalising local regulatory context for insurers), while Italian and Greek subsidiaries suffered from a tense competitive environment that weighed on premiums and their underwriting profitability. The operating expense ratio was up 0.5 points at 30.9% despite the good control of direct general expenses in terms of absolute value.

Life and health insurance underwriting income yielded a profit of €1.2 million in 2016, down €5 million over the period. The improvement in life insurance underwriting income was adversely affected by the increase in the net combined ratio in 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**

International insurance net income amounted to €68 million at 31 December 2016 compared with €8 million 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	**15**	**5**
Equity-method entities	**11**	**8**
Tunisia (Star)	9	3
Turkey (Günes)	(12)	0
China (Groupama AVIC)	2	5
TOTAL	**8**	**68**

(1) Excluding income from the holding business.

(a) Italy

Premium income for the Italian subsidiary Groupama Assicurazioni fell -9.0% to €1,456 million at 31 December 2016.

Property and casualty insurance premium income decreased by -2.7% to €968 million. In a market that remains highly competitive, the passenger vehicle business (more than 70% of written premiums in property and casualty insurance) was down -5.0%. Like other players on the market, the subsidiary suffered a decrease in the average premium but saw its portfolio grow (+0.7% compared with December 2015). The increase in new business resulted particularly from the success of sales campaigns. The growth of the home insurance (+5.0%) and business protection (+9.7%) segments, which benefited from development of the portfolio in terms of number and an increase in the average premium, partially offset this change and illustrates the success of the subsidiary's diversification strategy.

The life and health insurance business (€488 million) decreased -19.3%, related to the decline in individual savings/pensions (-24.5%). In accordance with the Group's strategies, the subsidiary changed its business mix to favour multi-component products. Individual UL savings premium income thus increased +55% to €61 million, mainly thanks to the agent network, while the individual savings business in euros (nearly 70% of life insurance written premiums) fell -34.3%.

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

The combined ratio in property and casualty insurance amounted to 103.3%, up 1.9 points. The current loss experience increased +5.2 points to 78.5% due mainly to the increase in serious and weather claims. A series of earthquakes struck Italy in 2016, representing an estimated gross expense of nearly €50 million and 4.5 points of ratio (as a reminder, the 2015 loss experience had been affected by a weather event representing 1.0 point of ratio). These events had a positive impact on the reinsurance balance but weighed on the subsidiary's combined ratio due to the net retention of renewal premiums of €13.1 million. The attritional current loss experience increased +0.6 points to 60.0%, mainly under the effect in motor insurance of the increase in frequencies that could also be observed on the entire market. The operating expense rate worsened by 1.3 points to 29.3% under the effect of the decrease in written premiums and the increase in the average commission rate (portfolio mix effect).

In life and health insurance, underwriting income was down due to a deficit particularly in individual protection insurance.

The contribution was +€16.7 million compared with a profit of €35.6 at 31 December 2015. The non-recurring financial margin benefited from the favourable impact of the change in investment assets at fair value. This contribution also includes the amortisation of portfolio securities (-€11 million after taxes).

(b) Turkey

Premium income for the Turkish subsidiaries Groupama Sigorta and Groupama Emeklilik increased +4.6% to €388 million at 31 December 2016.

Property and casualty insurance premium income (€304 million) increased +2.5%. This change is very mixed by segment. Agricultural risks (including Tarsim) increased +20.2% mainly through the agriculture cooperative network TKK. The business protection segment decreased -12.4% under the effect of a more selective underwriting policy. Passenger vehicles posted a decline of -3.9% with a decrease of -19.8% in liability insurance (the effect of price increases implemented as part of the recovery of underwriting income did not fully make up for the portfolio loss in a market characterised by a jurisprudential and regulatory context that encourages a high degree of underwriting prudence in motor liability insurance) and an increase of +2.8% on damage covers.

The life and health insurance business (€84 million) increased +12.9%, mainly under the effect of the growth of individual health (+11.5% due to the good performance of the branches) and group protection (+14.8% particularly thanks to the agriculture cooperative network TKK).

Economic operating income for the Turkish subsidiaries Groupama Sigorta and Groupama Emeklilik was a loss of -€4 million compared with a loss of -€90 million at 31 December 2015.

The combined ratio of the property and casualty insurance business was down 22.5 points at 113.5%, thanks to the price adjustment in the motor liability segment, which had been the subject of significant additional replenishments of reserves in 2015 in a regulatory and jurisprudential context that was highly detrimental for insurance companies. The loss experience ratio decreased significantly (-24.0 points to 57.7%) with a decline in the current loss experience excluding pools (-6.4 points to 80%) despite a higher serious claims expense (+6.1 points, most of which stemmed 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 expense ratio decreased -1.6 points to 21.8%, pulled down by the decrease in the average commission rate.

Life and health insurance underwriting income increased with a combined ratio of 99.7%, down 5.2 points, thanks to the good performance of the individual health segment. Life insurance increased +€1 million.

The recurring financial margin remained stable compared with the previous fiscal year.

The net result for the Turkish subsidiaries was a loss of €2 million compared with a loss of €99 million in 2015.

(c) Greece

The premium income of Groupama Phoenix, which operates in a market that continues to be affected by the country's macroeconomic context, decreased -2.4% in 2016 compared with the previous period to €135 million.

The property and casualty insurance business was down -4.1% at €81 million. The passenger vehicle segment posted a decrease of -2.8% (-5.4% in liability and stable in damage) in a highly competitive environment. However, the development of the portfolio in terms of number in the segment should be noted (+11% compared with December 2015). The business protection segment decreased -6.8%, mainly on the banking network.

Life and health insurance premium income remained stable at €54 million, related to the downturn in the individual savings/pensions segment (-86.5%) under the effect of the capital control imposed on the banking system, which did not allow for unit-linked campaigns. However, this change was offset by the payment of an exceptional premium in group retirement, allowing the segment to see growth of more than 100%.

Groupama Phoenix's economic operating income represented a profit of €7 million, stable compared with 2015.

The combined ratio in property and casualty insurance amounted to 85.3%, up 2.9 points. The gross loss experience worsened by 1.7 points to 30.8% due to competitive pressure on pricing and the increase in frequency and average cost of claims, particularly in motor liability, despite the good profitability of the motor liability segment. Despite the decline in operating costs in volume, the ratio increased by 0.5 points to 45.1% under the effect of the decrease in earned premiums.

Life and health insurance underwriting income improved thanks to the good performance of individual protection in life insurance.

The recurring financial margin net of profit sharing was down under the effect of the decrease in yield rates.

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

(d) Hungary

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

Written premiums in property and casualty insurance were up +4.7% at €146 million 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 fleets segment increased +16.3% under the effect of significant price increases. This growth resulted from a rigorous, prudent underwriting policy.

In life and health insurance, premium income amounted to €170 million, an increase of +4.2%, under the effect of the growth in premiums in individual savings/pensions (+3.5% thanks to the successful launch of a new product in the first half of 2016). The subsidiary's Life/Savings premium now consists of 87.6% unit-linked policies.

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

The net combined ratio in property and casualty insurance decreased -2.8 points to 101.8% at 31 December 2016. The loss experience rate improved by 3.0 points to 48.5% under the combined effect of a more favourable loss experience in home insurance, considering the stronger portfolio monitoring and price increases in fleets. The operating expense ratio decreased slightly to 49.8% under the effect of the increase in earned premiums.

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

The recurring financial margin decreased slightly to €14 million.

The Hungarian subsidiary's net income amounted to +€13 million compared with net income of +€15 million in 2015.

(e) Romania

Premium income of the Romania subsidiary Groupama Asigurari rose by +15.9% to €208 million at 31 December 2016.

The property and casualty insurance activity (€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% on the damages segment and +62.2% in liability. This business benefited from price adjustments but also benefited from favourable market conditions as a result of a desire by the supervisory authorities to clean up the market (bankruptcy and/or recovery plan for major competitors of the market).

Life and health insurance premium income (€12 million) decreased -10.9% over the period, with growth in individual health (+52.3% under the effect of the renewal of major policies) neutralised by a decline in individual protection (-32.1%) under the effect of the discontinued production of these products by certain banking partners. However, the subsidiary decided to develop its own life insurance product marketing network.

Groupama Asigurari's economic operating income amounted to €6 million in 2015, stable compared with 2015.

The net combined ratio of property and casualty insurance improved by 1.5 points to 97.4% at 31 December 2016. The loss experience rate decreased -2.8 points to 59.1% thanks to good performance in the motor insurance segment (price increases, decrease in frequency of claims), which largely offset the atypical weather loss experience (torrential rain and hail) in home insurance. The operating expense ratio remained controlled with a decrease of 1.1 points to 34.5%.

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

The recurring financial margin was down under the effect of decreased bond yield rates.

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

(f) Bulgaria

In Bulgaria, premium income of the subsidiaries Groupama Zastrahovane and Groupama Jivotozastrahovane remained stable at €11 million at 31 December 2016. However, the changes were mixed by segment. Life and health insurance increased +9.1% to €5 million thanks in particular to the development of group protection insurance (+11.1%). The property and casualty insurance (€6 million) was down -7.7% over the period under the effect of the downturn in the passenger vehicle segment (-26.9%, in particular on the broker network).

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

(g) Portugal

Premium income of the subsidiaries in Portugal was up +12.7% at €69 million at 31 December 2016. In life and health insurance, written premiums increased +11.6% to €58 million, driven by the growth in individual savings/pensions (+16.3%) and group retirement (+13.6%, thanks in particular to the good performance of brokers). The development of the portfolio and price increases allowed the Group health segment to post +13.1% growth. Property and casualty insurance premium income (€10 million 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 coming from brokers as part of a policy of rebalancing the subsidiary's businesses.

Net income of the Portuguese subsidiaries was at break-even compared with €2.8 million in 2015 following the realisation of capital gains on real estate sales.

(h) Gan Outre-Mer

Premium income for Gan Outre-Mer remained stable at €64 million at 31 December 2016. However, the changes were mixed by segment. Property and casualty insurance business decreased -2.0% to €56 million in a very competitive environment. Terminations were notably the source of the decline in passenger vehicle (-2.6%), fleets (-5.6%), and business protection (-12.5%). Life and health insurance (individual health) premium income continued its development. It was up +18.6% at €8 million.

Gan Outre-Mer's economic operating income totalled €6 million in 2016 compared with €10 million in 2015. Net underwriting income in property and casualty insurance was down nearly €8 million with a higher net combined ratio at 84.5%, particularly due to the increased expense of serious claims and a smaller amount of reserve releases for prior fiscal years.

Gan Outre-Mer's net income totalled €5 million in 2016 compared with €15 million in 2015.

(i) Great Britain

Groupama UK (which exclusively carries the insurance brokerage businesses) contributed €8 million to income at 31 December 2016 compared with €9 million at 31 December 2015. Note that Carole Nash was the subject of a protocol of sale and that the 2016 income appears in businesses held for sale.

(j) 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 at 31 December 2015. This change stemmed from a worse current loss experience in 2016, whereas fiscal year 2015 had benefited from a significant capital gain on the sale of securities.

(k) China

The Chinese subsidiary's contribution represented a profit of +€5 million compared with +€2 million for the previous year, thanks to the improvement of underwriting income, particularly in agriculture, the previous year having been severely impacted by exceptional weather events (drought).

5.1.4.5 Financial and banking businesses

Premium income *(in millions of euros)*	**31.12.2015 *pro forma***	**31.12.2016**
Asset management	124	131
Employee savings	5	5
TOTAL	**128**	**136**

NBI *(in millions of euros)*	**31.12.2015 *pro forma***	**31.12.2016**
Asset management	118	126
Employee savings	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)	-97.7%
Economic operating income	**9**	**27**	**18**	**>100%**
Gains or losses on financial assets recognised at fair value net of corporate tax	2		(2)	NA
Other operations net of corporate income tax		(27)	(27)	
GROUP NET INCOME	**11**	**0**	**(11)**	**NA**

(a) Groupama Banque

As a reminder, Groupama Banque's 2015 result was included in the items of the income statement due to its full consolidation. As part of the partnership with Orange, it is now accounted for according to the equity method. The 2016 contributory result of the banking business was a loss of -€27 million, which appears in other operations net of corporate tax.

(b) Asset management

Groupama Asset Management's premium income increased +5.8% to €131 million at 31 December 2016, particularly under the effect of the increase in external outstandings and their effect on management commissions. The entity's net banking income followed the same trend and increased +6.4% to €126 million.

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

(c) Groupama Épargne Salariale

Groupama Épargne Salariale's premium income and net banking income remained stable compared with the previous period and totalled €5 million and €10 million respectively at 31 December 2016. The increase in sales commissions, related to the increase in inflows, was offset by the reduction in account maintenance fees following the departure of customers.

Net income was €0.6 million in 2016.

(d) Groupama Immobilier

The economic operating income of Groupama Immobilier, the Group's real estate asset management subsidiary, totalled +€1.9 million in 2016, stable compared with in 2015.

5.1.4.6 Groupama SA and holding companies

(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)	7	17	>100%
Other items	2	2		9.1%
Economic operating income	**(116)**	**(96)**	**20**	**17.2%**
Capital gains realised net of corporate income tax	71	11	(60)	-84.8%
Allocations to reserves for long-term impairment net of corporate tax		(2)	(2)	
Gains or losses on financial assets recognised at fair value net of corporate tax	19	(12)	(31)	<-100%
Other operations net of corporate income tax	(24)	30	54	>100%
Income excluding restructuring	**(50)**	**(70)**	**(20)**	**-39.2%**
Net income from discontinued businesses		10	10	
GROUP NET INCOME	**(50)**	**(60)**	**(10)**	**-20.0%**

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 function, Groupama SA directs the Group's operating activities. It is the focal point for internal and external financing. The financial result is broken down on a standardised basis for the underwriting business. The expenses allocated to that business correspond to the share of costs and expenses of general management, functional departments, and shared non-underwriting expenses.

The holding economic operating income totalled -€96 million in 2016, an increase of €20 million compared with 2015 because of the +€17 million increase in recurring financial income.

The result excluding the result of discontinued business of holding companies was a loss of -€70 million compared with a loss of -€50 million in 2015. The non-recurring financial margin was down -€91 million due to lower realised capital gains and the less favourable change in fair value. Conversely, other operations net of corporate tax generated +€30 million in income related primarily to non-recurring tax gains.

The net income of holding companies was a loss of -€60 million in 2016 compared with -€50 million in 2015. This result incorporates €10 million in income related to divested or deconsolidated businesses (Cegid, Günes, and Groupama Banque).

In 2016, the Group also included an impairment of -€88 million in its financial statements on goodwill in Turkey.

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	169	159
Total Insurance - International	8	68
Banking and financial businesses	11	0
Holding activities	(49)	(28)
Impairment of goodwill	0	(88)
Other	(7)	(32)
TOTAL GROUPAMA SA NET INCOME	**133**	**79**

5.1.4.7 Consolidated balance sheet

At 31 December 2016, Groupama's balance sheet totalled €90.5 billion compared with €99.3 billion in 2015, a decrease of -8.9%.

(a) Goodwill

Goodwill amounted to €2.0 billion at 31 December 2016 compared with €2.2 billion at 31 December 2015. This change is explained mainly by impairment in Turkey as well as the Carole Nash sale project.

(b) Other intangible assets

Other intangible assets totalling €232 million at 31 December 2016 (versus €239 million in 2015) are composed primarily of amortisable portfolio securities (€94 million) and computer software. The decrease in this item is particularly related to amortisation for the period.

(c) Investments (including unit-linked investments)

Insurance investments totalled €80.0 billion in 2016 compared with €77.5 billion in 2015, an increase of +3.2%.

The Group's unrealised capital gains (including property) increased +€0.8 billion to +€9.9 billion (compared with +€9.1 billion at the previous close), mainly because of the increase in unrealised capital gains on bonds (in an environment of low rates).

By asset allocation, unrealised capital gains are broken down into +€7.2 billion on bonds, +€0.6 billion on equities, and +2.1 billion on property.

Unrealised capital gains on financial assets (excluding property) totalled +€7.8 billion, with +€1.2 billion as the Group's share (after profit sharing and taxes) versus +€1.0 billion at 31 December 2015. These amounts are recorded in the financial statements in the revaluation reserve. The Group's share of unrealised property gains (net of tax and deferred profit sharing) amounted to +€0.6 billion at 31 December 2016 (compared with +€0.4 billion over the previous period). The Group elected to account for investment and operating property according to the amortised cost method; therefore, unrealised property gains were not recorded in the accounts.

The equity share of total investments at market value was 4.8% (including 1.5% hedged) at 31 December 2016 versus 5.5% (including 1.9% hedged) at 31 December 2015 according to an economic view. This decrease is part of the derisking policy conducted by the Group.

(d) Shareholders' equity

At 31 December 2016, Groupama's combined shareholders' equity amounted to €5.6 billion compared with €4.8 billion at 31 December 2015.

This change can be summarised as follows:

(in millions of euros)

SHAREHOLDERS' EQUITY AT 2016 OPENING	**4,811**
Change in capital	700
Change in revaluation reserve: fair value of AFS assets	541
Change in revaluation reserve: shadow accounting	(392)
Change in revaluation reserve: deferred tax	7
Partial redemption of the deeply subordinated instrument	(2)
Foreign exchange adjustment	(29)
Other	(102)
Income (Loss)	79
SHAREHOLDERS' EQUITY AT 31 DECEMBER 2016	**5,613**
of which perpetual deeply subordinated bonds (TSS)	413
of which perpetual floating-rate notes (TSDI)	1,100

5

(e) Subordinated liabilities, financing, and other debts

Subordinated liabilities and external debt totalled €0.75 billion at 31 December 2016, stable compared with the previous period.

At 31 December 2016, subordinated debt totalled €750 million and remained stable compared with the previous period.

The Group has no more external debt (excluding subordinated debt) since the end of 2015.

(f) Underwriting reserves

Gross underwriting reserves (including deferred profit sharing) totalled €75.1 billion compared with €74.1 billion at 31 December 2015.

(g) Reserves for contingencies and charges

Reserves for contingencies and charges totalled €455 million in 2016, compared with €427 million in 2015, and were primarily made up of pension commitments under IAS 19.

5.1.5 DEBT

Groupama's debt-to-equity ratio, excluding revaluation reserves (including subordinated liabilities and minority interests) stood at 14.3% in 2016 compared with 16.4% in 2015.

5.1.6 RISK CONTROL

Risk management is addressed in the internal control report.

5.1.7 FINANCIAL FUTURES POLICY

5.1.7.1 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.

5.1.7.2 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 currency 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.

5.1.7.3 Equity risk

In 2016, the Group's equity risk continued to be actively managed, which resulted in, among other things, the continuation of the hedging policy on protected equity funds. This last strategy uses derivatives housed within mutual funds.

5.1.7.4 Credit risk

In a tactical management strategy of the credit asset class, the Groupama Asset 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.

5.1.7.5 Spread risk

The Group is sensitive to the widening of spreads, particularly for sovereigns. In addition, a hedging strategy was tested during a pilot operation intended to protect the value of a bond against the risk of widening of its spread. The strategy involved fixing the bond's spread to one year using a dedicated FFI. At the end of the hedge (one year renewable), a finalising balancing payment, to be paid or received, compensates for the loss or returns the gain on the value of the bond hedged for the variation of its spread.

5.1.8 ANALYSIS OF THE ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR

5.1.8.1 Income (Loss)

Total premium income reached €2,249.0 million, an increase of 1.0% (+€22.8 million) compared with 2015 (€2,226.2 million). It comes primarily from:

- inward reinsurance from the regional mutuals (€1,988.4 million), up €24.1 million, or +1.2%;
- contributions ceded by the Group's subsidiaries (€118.8 million), up €13.9 million compared with 2015 (€104.9 million); and
- the premium income relating to other operations (direct business, professional pools, partnerships, etc.), which decreased -9.7% (-€15.3 million, including -€6.8 million concerning ANIPS), reaching +€141.8 million.

Earned premiums totalled €2,241.9 million, up 1.0% compared with 2015 (+€21.7 million).

Claims expenses (excluding claims management fees), annuities, and other underwriting reserves (net of conservation of mutuals exempt from approval) totalled -€1,837.5 million, an increase of €417.7 million. This unfavourable change came mainly, on the portfolio of regional mutuals, from the very significant increase of €397.5 million in serious loss experience (€243.1 million versus €91.3 million in 2015, which was an especially mild fiscal year) and weather loss experience (€426.9 million versus €181.2 million in 2015), mainly from the crops segment.

The balance of reinsurance and retrocessions was a net expense of -€1.6 million, down €235.0 million compared with 2015 primarily due to the major loss experience in crops.

After taking into account the commissions paid to ceding entities for €390.5 million, the net underwriting margin before general expenses was income of +€33.5 million, down -€140.4 million compared with 2015.

Groupama SA's total operating expenses were -€224.6 million, compared with -€227.3 million in 2015, a slight decrease of €2.7 million (-1.2%).

Financial income was negative at -€232.5 million, compared with +€82.5 million in 2015.

Extraordinary income amounted to -€39.9 million in 2016 versus -€42.4 million in 2015, particularly with expenses related to a pension commitments for -€18.2 million.

The "Taxes" item represents income of +€126.2 million, which includes tax savings realised by the Group from the tax consolidation, retained by Groupama SA in its capacity as head of the tax group.

The net income for the fiscal year was thus a loss of -€358.5 million, compared with income of +€70.0 million in 2015.

5.1.8.2 Balance sheet

The Groupama SA 2016 balance sheet total increased to €12,412 million, up €612 million compared with 2015.

Shareholders' equity reached €2,677.4 million at 31 December 2016, compared with €2,350.1 million at 31 December 2015. The favourable change in shareholders' equity is explained by the €700 million capital increase, mitigated by the loss for the fiscal year of €358.5 million.

Gross underwriting reserves reached €4,904.2 million, up €307.4 million compared with the end of 2015 (€4,596.8 million).

Underwriting reserves ceded and retroceded totalled €1,054.4 million, up +€75.8 million from 2015.

Subordinated liabilities amounted to €2,263.8 million (versus €2,265.9 million at the end of 2015). Groupama SA carried out a €2.2 million partial redemption of the 2007 deeply subordinated bond (TSS).

The main item on the assets side of Groupama SA's balance sheet consists of investments, the net book value of which is €10,542.5 million, whereas in realisable value, Groupama SA's investments (including FFI) amounted to €13,299 million.

5.1.8.3 Income for the year and proposed allocation

We recommend that you allocate the year's loss of €358,447,095.09 to retained earnings, which would thus reduce the credit amount of retained earnings to €18,457,201.19.

To meet the provisions of Article 243 *bis* of the French General Tax Code, distributions for the past three fiscal years were as follows:

Fiscal years	Total dividends distributed	Total dividends distributed eligible for reduction	Total dividends distributed not eligible for reduction
2015	€14,261,596.16	€4,918.13	€14,256,678.03
2014	None	None	None
2013	None	None	None

5.1.9 INFORMATION REGARDING THE CAPITAL

5.1.9.1 Share ownership

In compliance with Article L. 233-13 of the French Commercial Code, and taking into account the information received pursuant to Articles L. 233-7 and L. 233-12 of said Code, we cite below the identity of the individuals and/or legal entities directly or indirectly holding, at the close of the last fiscal year, more than one-twentieth, one-tenth, three-twentieths, one-fifth, one-quarter, one-third, one-half, two-thirds, or nineteen-twentieths of the Company's share capital or voting rights at the general meetings:

- Groupama Holding 92.01% of share capital and 91.54% of voting rights;
- Groupama Holding 2 7.96% of share capital and 8.42% of voting rights.

5.1.9.2 Employee shareholders

Pursuant to the provisions of Article L. 225-102 of the French Commercial Code, we note that the employees, former employees, and officers of the Company held 0.03% of the share capital and voting rights of Groupama SA at 31 December 2016.

5.1.10 INFORMATION REGARDING COMPANY OFFICERS

5.1.10.1 Directors' compensation

In accordance with the provisions of Article L 225-102-1 of the French Commercial Code, we report below the gross total compensation and benefits of any kind paid to each Director during the fiscal year, both by the Company and by the companies controlled by the Company in the sense of Article L. 233-16 of the French Commercial Code. During the year, payments were as follows:

- Mr Jean-Yves Dagès: gross annual compensation (including benefits in kind) paid by the Company to him in his capacity as Chairman of the Board of Directors: €294,450 (gross annual compensation of €259,200, retirement benefit of €35,250);
- Mr Michel Baylet: Directors' fees paid by the Company: €65,070 and directors' fees paid by Groupama Holding: €44,280;
- Ms Isabelle Bordry, Director since 19 May 2016: Directors' fees paid by the Company: €24,825;
- Mr Daniel Collay: Directors' fees paid by the Company: €65,070 and Directors' fees paid by Groupama Holding: €44,280;
- Mr Amaury Cornut-Chauvinc: Directors' fees paid by the Company: €70,560 and Directors' fees paid by Groupama Holding: €44,280;
- Ms Marie-Ange Dubost: Directors' fees paid by the Company: €70,560 and Directors' fees paid by Groupama Holding: €44,280;
- Ms Caroline Grégoire Sainte Marie: Directors' fees paid by the Company: €87,503;
- Mr Michel L'Hostis: Directors' fees paid by the Company: €63,698 and Directors' fees paid by Groupama Holding: €44,280;
- Mr Jean-Louis Pivard: Directors' fees paid by the Company: €71,933 and Directors' fees paid by Groupama Holding: €44,280;
- Mr Laurent Poupart: Directors' fees paid by the Company: €67,815 and Directors' fees paid by Groupama Holding: €44,280;
- Mr Bruno Rostain: Directors' fees paid by the Company: €73,305;
- Ms Odile Roujol, Director until 31 January 2016: Directors' fees paid by the Company: €17,640;
- Mr François Schmitt: Directors' fees paid by the Company: €66,443 and Directors' fees paid by Groupama Holding: €62,280;
- Mr Thierry Martel: gross annual compensation (including benefits in kind) received for his duties as Chief Executive Officer within the Group: €1,197,496 (gross annual compensation €660,000, variable compensation €491,381, medical care, protection savings, and unemployment insurance for entrepreneurs and company owners: €46,115) and retirement contract awarded to members of the Groupama SA Steering Committee.

The information referred to in Articles L 225-102-1-3rd paragraph and D 225-104-1 of the French Commercial Code appears in §3.3.

Lastly, the cumulative gross annual compensation (including benefits in kind) for members of the Groupama SA Steering Committee totalled: €4,497,420, not including the Chief Executive Officer, whose amount is indicated above. The total commitment for retirement contracts at 31 December 2016 was €20,783,804 for members of the Steering Committee.

5.1.10.2 Terms of office and duties performed by Directors

A list of the duties and functions carried out during the year in all companies by the Chairman of the Board of Directors, the Directors, and the Chief Executive Officer appears in §3.1.2 and 3.1.3.

5.1.10.3 Renewal of two Board members' terms of office

We propose that you renew the term of office of the two Independent Directors, for a period of six years, *i.e.*, until the General Meeting convened in 2023 to approve the financial statements for the fiscal year that will end on 31 December 2022.

5.1.10.4 Expiry of the terms of office of the principal and alternate statutory auditors

Note that the terms of office of PricewaterhouseCoopers Audit and Mr Yves Nicolas, respectively principal statutory auditor and alternate statutory auditor, will expire at the end of this General Meeting. We propose that you renew the term of the principal statutory auditor for six fiscal years and that you not renew the term of the alternate statutory auditor, as now permitted by amended Article L. 823-1 of the French Commercial Code.

5.1.10.5 Advisory opinion on remuneration for the Company's Directors and officers

In accordance with the recommendations of the AFEP-MEDEF Code revised in November 2016 (Article 26.2), a Code to which the Company refers in application of Article L. 225-37 of the French Commercial Code, the following elements of the compensation due or allocated to each Executive Officer of the Company for the fiscal year now ended must be submitted for approval by the shareholders:

- the fixed portion;
- the annual variable portion with the performance criteria used to determine its amount;
- extraordinary compensation;
- stock option, performance shares, as well as multi-year variable compensation plans with performance criteria used to determine these elements of compensation;
- compensation relating to assumption or termination of functions;
- the supplementary pension scheme;
- benefits of any kind.

It is proposed that the General Meeting of 28 June 2017 (see 8th and 9th Resolutions in section 7.3.2) vote on the elements of the compensation due or allocated to each Executive Director of the Company for the fiscal year 2016, namely:

- Jean-Yves Dagès, Chairman of the Board of Directors;
- Thierry Martel, Chief Executive Officer.

The components of the compensation due or allocated to each of these Directors and officers for fiscal year 2016 are contained in §3.3.4.1 and 3.3.4.2.

5.1.10.6 Approval of the compensation policy for executive officers

Pursuant to Article L. 225-37-2 of the French Commercial Code, the General Meeting of shareholders must approve the principles and criteria for determination, distribution, and allocation of fixed, variable, and extraordinary components of the total compensation and benefits of any kind attributable to the Chairman of the Board of Directors and the Chief Executive Officer for their duties. These components are detailed in the report attached to the management report of the Board of Directors.

It is proposed to the General Meeting of 28 June 2017 (see 10th and 11th Resolutions) to approve these principles and criteria.

5.1.11 FINANCIAL AUTHORISATIONS

Attached to this report, pursuant to Article L. 225-100, §7 of the French Commercial Code, is a summary table of the delegation of competence and authority granted by the General Meeting of shareholders to the Board of Directors to increase the share capital pursuant to Articles L. 225-129-1 and L. 225-129-2 of said Code.

It is proposed that you renew certain financial authorisations previously granted by the General Meetings of 18 June 2015 and 7 June 2016, which will expire during fiscal year 2017 and are intended to allow the Company's Board of Directors to have the necessary financial flexibility.

For some of these authorisations, the reports of the Company's statutory auditors will be presented to you in accordance with current legal and regulatory provisions.

The following would thus be renewed:

- the authorisations for issue without preferential subscription rights reserved for Groupama Holding, Groupama Holding 2, and certain categories of people (12th, 13th, and 14th Resolutions);
- the capital increase to compensate contributions in kind (15th Resolution);
- the capital increase by capitalisation of premiums, reserves, profits, etc. (16th Resolution);
- as well as the issue reserved for members of the Group savings plan (17th Resolution).

Three resolutions concerning issues without preferential subscription rights: the one proposed to be renewed has a duration of 18 months, while the other four have a duration of 26 months. The previously adopted ceilings have been maintained, particularly the overall ceiling set at €1.1 billion in nominal value.

Within this context, we propose that you grant the following authority to the Board of Directors:

- in order to increase the share capital by issuing shares and/or securities giving access to the Company's capital reserved for Groupama Holding (12th Resolution) and/or Groupama Holding 2 (13th Resolution) and/or certain categories of people belonging to the Groupama group (14th Resolution), namely: (i) elected representatives of the local and/or regional mutuals; (ii) employees and Managers or company officers provided for in Article L. 3332-2 of the French Labour Code, businesses linked to the Company as defined in Articles L. 3344-1 and L. 3344-2 of that Code, who or which are not beneficiaries of the issues effected pursuant to the 17th Resolution proposed to this General Meeting, and/or; (iii) persons and/or the employees and Managers or company officers of companies not referred to above but who meet the criteria referred to in the first paragraph of Article L. 3344-1 referred to above and/or; (iv) mutual funds or other employee shareholding bodies holding investments in the Company's securities, whose share owners or shareholders are composed of the persons referred to in (ii) and (iii) of this paragraph and/or the beneficiaries of the 17th Resolution proposed to this General Meeting.

  These delegations of authority would be granted for a period of 18 months from the day of the meeting, up to a maximum par value of €1.1 billion; they would replace the delegations of authority granted by the General Meeting of 7 June 2016.

5

The issue price of the directly issued shares shall at least equal shareholders' equity per share, as stated in the most recently approved balance sheet at the issue date, and the issue price of the equity securities shall be such that the sum received immediately by the Company, plus any sum likely to be received subsequently by it, shall, for each share issued as a consequence of the issuance of those equity securities, be at least equal to the minimum subscription price defined for the directly issued shares;

- in order to increase the share capital, by issuing shares and/or securities, without preferential share rights in compensation of contributions in kind (15th Resolution) pertaining to equity securities or securities giving access to the capital. This delegation of authority will be awarded for a period of 26 months after this date, up to a maximum of 10% of the Company's capital; it will replace the delegation of authority granted by the General Meeting of 18 June 2015;
- in order to increase the share capital by capitalisation of profits, premiums or reserves (16th Resolution), in the form of either elevation of the nominal value of the shares or free allocation of shares or the joint use of these two processes. The authorisation would be given for a maximum par value of €400 million, with this authorisation being the only one not subject to the global ceiling. This delegation of authority will be granted for a period of 26 months after this date, and will replace the one granted by the General Meeting of 18 June 2015;
- in order to increase the share capital, by issuing shares and/or equity securities in the Company reserved for members of savings plans (17th Resolution), eliminating their preferential share rights. This resolution will be reserved to employees of Groupama SA, its French and foreign subsidiaries, and regional mutuals that are members of a savings plan. The delegation of authority will be granted for a period of 26 months from the day of the meeting, up to a maximum par value of €150 million; it will replace the delegation of authority awarded by the General Meeting of 7 June 2016.

By nature, this waiver involves the waiver by shareholders of their preferential share right in favour of the beneficiaries in question. The share subscription price would be determined in accordance with Article L. 3332-20 of the French Labour Code and will be equal to at least 80% of the Reference Price (as defined hereunder) or, if the period of unavailability stipulated by the plan in accordance with Articles L. 3332-25 and L. 3332-26 of the Labour Code is more than or equal to 10 years, to at least 70% of the Reference Price. The Reference Price is defined as the price determined in accordance with the objective methods used to value shares, taking into account, according to a weighting appropriate for each case, the net accounting position, profitability and business outlook of the Company in accordance with the provisions of Article L. 3332-20 of the French Labour Code.

5.1.12 SOCIAL AND ENVIRONMENTAL INFORMATION

The information published in this report pertains only to the consolidated entities in the financial reporting. It therefore does not reflect all of the CSR (Corporate Social Responsibility) actions carried out by the entire group, particularly concerning the regional mutuals. The elements of the Group's CSR strategy are presented more fully in Groupama's annual report.

5.1.12.1 Groupama, a mutual insurance group built around values and objectives in line with CSR

Through its complementary brands, the Groupama group forges its identity on values – local service, commitment, performance and solidarity – placing human beings and their expectations at the heart of its actions allowing it to build trust over time. Integrating the issues of sustainable development into its business activities and its relations with its stakeholders is part of its daily commitment to responsible business.

This commitment is fully reflected in its insurance business – protection of the lives and property, consulting, prevention, etc. – but also beyond its core business, by supporting initiatives coming from civil society, by participating in the reduction of economic and social vulnerabilities and by contributing to the emergence of solutions related to issues such as the lengthening of human life, care networks, the study of climate change, road safety, etc. The Group and its companies are part of a long-term vision.

CSR fully contributes to the performance of our group at the service of customer satisfaction, by reinforcing the commitment of our employees, by stimulating innovation and drivers of growth (responsible products and services, new markets, etc.), by reducing costs (logistics optimisation, recycling, reduction of consumables, etc.) and by strengthening the image and quality of the relationship with external and internal audiences, particularly in the regions. CSR thus makes a group-wide contribution to risk control in the major areas of activity (commercial, HR management, communication, etc.).

A CSR Department, created in 2008, and today attached to the Group HRD for more cross-functionality, promotes and coordinates the CSR policy within the Group. It reports on the progress of the CSR strategy to the Group Ethics Committee. In particular, it leads a network of 50 correspondents from all the Group's entities (regional mutuals and Fédération Nationale, Groupama SA, French and international subsidiaries, and the IT and logistics EIG Groupama Supports & Services), which participate in the development of action plans and exchange on their best practices.

Developed in 2008 and amended in 2014 to take account of developments, an ethics charter summarising the commitments and values of the Groupama group as well as the resulting rules of conduct for employees has been disseminated throughout the entire Group.

The new Groupama brand communication cycle, which started in September 2016, focused on showcasing a more global brand identity. The brand now incorporates all the aspects that characterise it: products and services but all business line aspects, identity, the employer aspect, and social and societal responsibility. This new approach, which therefore emphasises the Group's mutualist identity, values, and commitments, is particularly in line with Groupama's CSR.

After the promulgation of the "Sapin 2" law, Groupama announced in 2016 the transformation of its central body into a mutual insurance company (SAM). With this transformation, Groupama reaffirms its mutual insurance identity rooted in the regions and simplifies the Group structure by bringing its organisation and its values in line to better serve its members and its customers.

5.1.12.2 A cross-functional, ambitious CSR strategy

CSR management reflects the integration of sustainable development into the business strategy. 2016 was the first year of the Group's second three-year CSR action plan (2016-2018), a master plan that defines the areas of progress for the Group's companies.

Building on its first CSR strategy (2013-2015), the Group has taken on a new action plan for 2016-2018. The objective of this new strategy is to mobilise the entire group around CSR with high added value to serve the Group's strategic issues. The new plan was constructed thanks to a collaborative approach, involving the coordinators and departments of the companies, with the objective of further anchoring CSR into the Groupama group's everyday activities.

At the Group level, the Ethics Committee oversees the CSR strategy and guides to the objectives to be achieved. In 2016, the meeting of 15 March was devoted to the presentation of the review of 2015 actions, and the meeting of 16 November allowed the priority guidelines for the end of 2016 and 2017 to be validated.

The following information is presented according the areas of the Group's CSR strategy:

- continue to be a responsible employer, developing the diversity, employability, and quality of life at work of its employees;
- act as a responsible, long-term partner for our members and customers, through advising, prevention, and adapted solutions, particularly to reduce vulnerabilities;
- contribute to the development of the regions and the progress of community organisations and associations;
- act in favour of the environment, by reducing the direct and indirect ecological footprint.

(a) Implement extensive responsibility as an employer

Backed by its strong values, the Groupama group conducts social policies and many significant actions on the various HR components of CSR. Since 2013, it has paired its commitment as a responsible employer with quantified three-year objectives, which were updated for 2016 to 2018 (on the Group scope only), in the areas of gender parity, employment of workers with disabilities, work/study training, and quality of life at work.

To best anticipate the impacts and opportunities created by digital in the field of human resources, the Group supports the HR functions in understanding these issues and the means that could be deployed. For example, in 2016, the HR Digital Day brought together all of the Group's HR teams around this topic, inviting them to mobilise on the issues of digital through testimonials and presentations of innovative projects and solutions.

Employment

The total headcount of the consolidated scope[1] at 31 December 2016 was 14,614 employees (-140 compared with 31 December 2015). The 2016 data show 2,588 new hires (+52 compared with 2015, all contract types combined – excluding summer contracts), including 1,570 permanent contracts, and 1,798 permanent contract departures (including 246 redundancies and 16 remaining departures as part of voluntary redundancy plans).

The breakdown of employees by gender, age, and geographic area is as follows:

- 56.2% women and 43.8% men;
- 12.8% of employees are aged under 30, 53.7% are between 30 and 49, and 33.5% are aged 50 or over;
- 59.5% of the consolidated scope's workforce works in France and overseas and 40.5% in international locations.

(1) The consolidated scope includes all subsidiaries of the Group, in France and abroad, listed in the appendix page 193. It does not include the regional mutuals.

Although there was a further increase in recruitments, the total workforce remained down in 2016 because of the continued implementation of programmes aimed at improving operational performance.

	2015	2016	2016 scope *(%)*
Total headcount	**14,754**	**14,614**	**100**
Breakdown by gender	56.2% women 43.8% men	56.2% women 43.8% men	
Distribution by age:			100
■ under 30	12.3%	12.8%	
■ 30 to 49 years	54.4%	53.7%	
■ 50 and older	33.3%	33.5%	
Distribution by geographical area:			100
■ France and Overseas	58.9%	59.5%	
■ International	41.1%	40.5%	
New hires (all contract types combined excluding summer contracts)	2,536	2,588	100
■ of which permanent contracts	1,547	1,570	
Departures (permanent contracts)	2,026	1,798	100
■ of which redundancies	387	246	
■ of which departures under voluntary redundancy plans	66	16	

The average annual remuneration in France was €49,105 in 2016, with the following distinction:

❯ €31,132 for non-executives;

❯ €58,633 for executives.

	2015	2016	2016 scope *(%)*
Average annual remuneration *(in euros)*	48,580	49,105	France
■ non-executives	31,218	31,362	
■ executives	58,424	58,633	

Organisation of work

The theoretical work time in the Group's companies in France is between 32 hours and 42 minutes and 40 hours per week, without any change compared with 2015. Across the entire consolidated scope, the absenteeism rate was 6.80% in 2016 (55% of days of absences on the France scope), including 58% related to illness (-2 points compared with 2015) and 31% related to maternity/paternity (+3 points compared with 2015).

	2015	2016	2016 scope *(%)*
Theoretical working time	**Between 32h42 and 40h**	**Between 32h42 and 40h**	**France**
Absenteeism rate	6.60%	6.80%	100
■ of which in France	6.10%	6.10%	
Absences related to illness	60%	58%	100
Absences related to maternity/paternity	28%	31%	

In terms of organisation of work, the Group strives to develop a working environment in "project management mode". For example, the creation of the "agile hub" has permitted experimentation with such an environment thanks to a virtual platform. GIE Groupama Supports et Services makes available to the project teams workspaces adapted to new uses and particularly the use of the "agile" method, which requires, among other things, the implementation of an "integrated platform" grouping together the business line, project ownership, and project management teams.

Employee relations

In addition to the employee representative bodies within the entities making up the Group, the Groupama social dialogue is organised at the top level through bodies that cover various scopes: European, Group in France, UDSG, and UES.

- The European Works Council (EWC) receives information in order to exchange views and engage in dialogue about transnational issues. The EWC met twice in 2016. It covers a European scope representing 30,237 employees at 31 December 2016 (-180 compared with 31 December 2015), including 14,086 employees of the consolidated scope (-126 compared with 31 December 2015).

  In 2016, the EWC Board, made up of seven employee representatives among the members of the EWC, met four times.

- The Group Committee (CG), a body for dialogue and thought, receives information about the activity, financial position, employment trends, and forecasts and economic prospects of the Group for the coming year. It covers a scope in France representing 24,845 employees at 31 December 2016 (-57 compared with 31 December 2015), including 8,694 employees of the consolidated scope (-3 compared with 31 December 2015).

  In 2016, this body met four times on the following major themes: group news and projects, presentation of the 2015 financial statements, and marketing of mutual insurance certificates.

- The Group Social Dialogue Commission (CDSG), an offshoot of the Group Committee, is a body for negotiation at the Group level. Agreements negotiated and signed within this body are intended to be applied to all companies and employees of the Group in France. The CDSG's work led to the signing of an amendment on 24 June 2015 intended to align practices among the Group's companies with regard to integrating employees with disabilities and keeping them employed, establish support measures for employees helping family members, promote work/life balance by further taking into account the family situation of employees (particularly single-parent families), and promote professional equality.

- The Group Quality of Life at Work Committee (CQVT), created by the Group agreement relating to quality of life at work, a place for discussion and recommendations, continued the dialogue on quality of life at work and the actions undertaken within the Group and its companies in France.

- Groupama Social Development Unit (UDSG)

  The UDSG is an association governed by the French law of 1901 that groups together all companies of the agricultural mutual insurance scope (Groupama SA, regional mutuals, Groupama Supports & Services, etc.), *i.e.*, 18,368 employees at 31 December 2016 (-120 compared with 31 December 2015), including 2,815 employees of the consolidated scope (-62 compared with 31 December 2015).

- Economic and Social Unit (UES)

  This unit covers Groupama SA, Gan Assurances, Groupama Gan Vie, Gan Prévoyance, Gan Patrimoine and Groupama Supports & Services and represents 7,040 employees at 31 December 2016 (-105 employees compared with 31 December 2015).

- The UES Central Works Council (CWC) exercises economic powers relating to the general operation of the Company and exceeding the limits of the powers of establishment heads. It is informed and/or consulted periodically on projects affecting economic or legal organisation or economic and financial projects concerning the UES.

  In 2016, it examined the following points:

  - information/consultation about the proposed partnership with Orange in digital banking;
  - information/consultation about the proposed transfer of the ISICLIC project ownership from Groupama SA to Groupama Gan Vie;
  - information about the electronic pay slip project and the upgrading of the payment e-contact tool;
  - information about the ANI;
  - information/consultation about the apprenticeship tax;
  - information about the IDéoGan project;
  - update on the Group and presentation of the Group's annual financial statements for 2015;
  - information/consultation about the draft amendment to the articles of association of Mutuelle Interentreprises du Gan;
  - review of 2015 UES consolidated labour assessment;
  - information about the redeployment of the Morangis site's business activities;
  - information about the project to modernise the management of business travel;
  - Information about consultations of the works councils on the use of the tax credit for competitiveness and employment (CICE);
  - information/consultation about the proposed new location of sites in the Greater Paris region.

The UES also includes a Central Trade Union Delegation: a body for collective negotiation at the UES level, within which the framework agreement was entered into in 2016 for the organisation of regulated, responsible, and relationship-based social dialogue, which implements the Rebsamen and El Khomri laws in the UES to secure and streamline the social dialogue.

- Assessment of Group agreements

  74 collective agreements were entered into in 2016 involving all companies of the consolidated scope (including 60 in French companies). The topics of these agreements concern:

  - For the UDSG:
    - the change in Groupama's contractual status (amendment of 29 April 2016 revising the Groupama National Agreement relating to the status of personnel of 10 September 1999).

      2016 thus saw the culmination of the project to change the status of Groupama's personnel dated 10 September 1999 for modernisation and legal securing.

      The negotiation also led to the streamlining of the work and resources allocated to the trade union organisations to organise the national social dialogue.

      Similarly, the status of employees was strengthened and improved.

- Disabilities (amended of 4 July 2016 defining the 2016-2018 action plan)

  The 2016-2018 three-year disability action plan, which adapts the UDSG agreement of 10 February 2010 relating to the integration and continued employment of persons with disabilities within Groupama, repeats the actions of the previous plan but makes improvements and adaptations based on the Group agreement and the measures negotiated by the UES in 2015.

- For the Group:

  Entry into an agreement relating to lifelong professional training within the Groupama group dated 21 June 2016. The purpose of the agreement is to provide a legal framework of reference to businesses while giving them the necessary flexibility to adapt the "training response" to the existing or emerging needs within their entities with regard to adaptation and development of skills.

Topics of collective agreements entered into at the Group (or inter-company) level and in the various group entities in 2016 (in France and abroad)

Social dialogue/employee representation	Agreements on social dialogue Election of employee representatives to the Board of Directors Extension of participation in GAG negotiations WHSC
Remuneration and benefits	Profit sharing Compensation Compulsory annual wage negotiation Employee savings/Equity saving plan
Working conditions	Working time Organisation and duration of work Employment contract Work rules Working hours Rest periods
Diversity/Equal opportunities	Gender equality Generation contracts

Health and safety

A group agreement relating to Quality of Life at Work applicable to all companies and employees of the Group in France was signed on 28 February 2011 and supplemented by the signing of an amendment on 10 October 2014. It defines a common framework for the Group companies to improve the quality of life at work and, in this regard, in addition to the actions and measures already implemented within the Group companies, prevent, treat, eliminate and, otherwise, reduce any problems related to psychosocial risks. These particularly include stress, harassment, and violence in the workplace as well as internal or external nuisances and particularly public nuisances.

The Group provisions cover the following areas:

- at the Group level and as part of an annual assessment, consolidate indicators that enable the detection of possible problems at work;
- establish prevention actions in order to train Directors, Managers and all employees on psychosocial risks; raise awareness about improving workplace well-being, conduct actions for prevention and support for employees in case of public incivility or aggression, encouraging work/life balance, and promoting the implementation of forums for discussion among employees;
- offer mechanisms for Internal Regulation including a psychological counselling centre open to all employees and a mechanism to seek a jointed solution for any event likely to affect the physical and/or mental health of an employee;
- take into account the prevention of psychosocial risks within the Group's companies:
  - designate a "psychosocial risks and quality of life at work" HR contact within the companies whom the employees may call on if they believe that they have identified a situation that generates psychosocial risks,
  - prepare a diagnostic analysis and a plan of actions concerning the psychosocial risks to which employees are exposed,
  - develop a "crisis management" procedure,
  - support employees during significant changes;
- create a Group Committee for Quality of Life at Work: this Joint Committee, a place for discussion and recommendations, examines the "quality of life at work" component of structuring projects presented to the Group Committee. It is informed of the implementation, deployment and monitoring of these major projects, any impacts on working conditions and implemented HR support.

In 2016, the Quality of Life at Work (QVT) Commission met three times and produced a list of recommendations on the proper use of ICTs. This list was the first result of the joint work and identified, among all of its recommendations, five main focuses:

- establishing guides for good practices in messaging and SMS;
- right to co-responsible disconnection;
- workstation ergonomics;
- training in the use of ICTs;
- information on the consequences in the use of professional tools.

For example, companies of the Group put e-mail usage charters in place in 2016 with many tips for employees. The goal is to reconcile the search for efficiency and good quality of the professional relationship.

In 2016, 30 of the Group's companies in France thus carried out a diagnostic analysis of psychosocial risks with an authorised outside organisation or internally. Twenty-seven of them initiated an action plan, and others are in progress, *i.e.*, 90% of the Group's companies in France.

In addition, an e-learning module entitled "Tous QVT" was created with the goal of reaching 100% of employees in 2018.

In 2016, 140 workplace and commuting accidents resulting in a work stoppage were identified at the consolidated scope level, including 120 in France. The frequency rate of these accidents in France was 8.3, and the severity rate was 0.25.

	2015	2016	2016 scope *(%)*
Workplace accidents resulting in work stoppage	127	140	100
■ of which in France	99	120	
Frequency rate	6.9	8.3	France
Severity rate	0.24	0.25	France

Training

The training policy is implemented within each group company in order to take into account its specific circumstances (company project, activities, business lines, age pyramid, etc.). Based on this finding, Groupama University provides the companies with a community training catalogue, produced based on the needs expressed by the companies, particularly through the network of Training Managers, who meet two to three times per year.

The training offering is moving increasingly towards a service-oriented approach. In March 2016, Groupama University selected 55 MOOCs of interest for the business line careers and digital to offer them to employees.

On the consolidated scope:

- 398,585 hours of training were provided (406,998 hours in 2015);
- 34 hours of training were provided on average per trained employee (33 hours in 2015).

GROUP AGREEMENT ON PROFESSIONAL TRAINING

Signed on 21 June 2016, this agreement highlights:

- the importance of the players in professional training;
- the need to promote information and professional guidance, thanks to communication about training programmes and the Group's business lines;
- the development of professional integration and reintegration measures;
- areas to enhance the professionalism of employees and the associated tools.

Equality of treatment

The Group Ethics Committee, made up of two Chief Executive Officers of regional mutuals, the Chief Executive Officer, two Deputy Chief Executive Officers, and the General Secretary of Groupama SA, meets twice a year, including once on the topic of the Group's annual CSR performance review and social aspects. In 2016, it met on this topic on 15 March and 16 November.

As a socially responsible employer, the Groupama group and its companies write up their actions to promote diversity and prevention against discrimination consistent with the CSR priority areas.

The Groupama group's commitment against discrimination and for diversity is particularly reflected by:

- its accession to the United Nations Global Compact. Effective since 7 February 2007, it commits the entire group to respect the ten principles of the Compact. Each year, the Groupama group publishes its "Communication on Progress" on the website of the United Nations Global Compact and presents the Group's actions in France and the renewal of its commitments;
- its accession to the diversity charter. Entered into on 26 June 2007, it commits the entire group in France to establish a policy favouring diversity;
- its accession to the parenthood charter dated 14 December 2010. It confirms the Group's commitments in France regarding professional gender equality. It promotes a better quality of life at work based on a rich social framework as well as the professional development of employees who are parents.

The Groupama group also continues its partnership with the Agefiph, signed on 18 November 2010, for the purpose of promoting professional inclusion and maintaining the employment of people with disabilities within the Group's companies in France. This partnership particularly allows job offers from the Group's companies appearing at www.groupama-gan-recrute.com to be posted on the Agefiph website.

GROUP AGREEMENT ON DIVERSITY AND EQUAL OPPORTUNITIES

The Groupama group's commitment has been formalised since 24 October 2008 by the Group agreement relating to diversity and equal opportunities signed with the trade union organisations for an indefinite period. It seeks to ensure equal treatment among employees of the Group's companies in France, to prevent any form of discrimination in development and access to employment throughout the professional life and to promote equal opportunities.

The Group's diversity policy is relayed by a Group Diversity correspondent and in each company in France by a Diversity correspondent:

- responsible for implementing the Group's diversity policy within his or her company;
- acting as the employee contact for his or her company on topics related to diversity;
- serving as the point of contact for the Group diversity correspondent;
- serving as the relay with the staff representative bodies, the Expanded Diversity Committee and on action plans developed on this subject.

This agreement was supplemented in 2011 and 2015 by amendments covering the following areas:

- professional gender equality;
- maintaining the employment of senior workers;
- equal family rights;
- equal parental rights;
- reconciliation of family life/work life;
- informing and communicating to Managers and employees.

In particular, the amendment of 24 June 2015 aims to:

- harmonise practices among the Group's companies for integrating employees with disabilities and keeping them employed;
- establish support measures for employees helping families;
- promote work/life balance by further taking into account the family situation of employees, particularly single-parent families.

A group-level Diversity correspondent appointed by the Group HRD implements the Group's policy regarding discrimination, promotion of diversity and equal treatment by ensuring that these topics are communicated and relayed internally by the diversity correspondents of the companies.

The Diversity Correspondent has the following responsibilities:

- assist companies in the implementation of actions;
- ensure the proper appropriation and application of the Group's policy by the HR teams of the various companies and communicate the good practices of the Group's entities;
- promote the development of actions to raise awareness among all employees;
- act as mediator between company Managers and the employees concerned; any dispute involving discriminatory statements, actions or attitudes may be brought before the diversity correspondent;
- present to the Group Committee an assessment relating to the implementation of the agreement within the entities, experiments conducted, as well as good practices identified in the various companies of the Group.

In 2016, the Diversity correspondents met in order to share their best practices. The Annual Meeting addressed the following points:

- legal news on diversity;
- update on the Group about diversity (disabilities, work/study, professional gender equality, etc.);
- organisation of the 2016 European Disability Employment Week.

The diversity issue has been incorporated into all management training. There is also training for "supporting a personal with disabilities".

The companies have also developed training actions complementing these actions or adapted to their specific needs.

CAREGIVER ASSISTANCE PROGRAMME

Because being a caregiver to a family members has an impact on professional life, the Groupama group has put measures in place to help its employees reconcile their professional and family life. The amendment of 24 June 2015, which provides for support measures for employees who are caregivers, was supplemented in 2016 with an information guide and a global counselling programme (CELA). The Group also supports National Caregiver Day.

MEASURES TAKEN TO PROMOTE GENDER EQUALITY

With 54.2% women on permanent contracts within the consolidated scope in France at 31 December 2016 (+0.2% points compared with 2015) and 58% abroad, the Groupama group considers gender equality to be a true asset for the Group. Pursuant to the aforementioned group agreement of 24 October 2008, the Group reaffirms its ambition to achieve a balanced representation of women and men.

In order to achieve this goal, the companies have established a number of actions succeeding in the following positive developments:

- at 31 December 2016, women represented within the consolidated scope:
  - 48.2% of executives in France (47.8% in 2015) and 42.7% of international executives,
  - 62.9% of non-executives in France (62.8% in 2015) and 61.3% of international non-executives,
  - 25.6% of management executives in France (26% in 2015) and 24.1% of international management executives;
- at 31 December 2016, within the consolidated scope, they represented:
  - 35.7% of the staff of the "commercial" business lines in France (34.7% in 2015) and 63.6% abroad,
  - 58.4% of the staff within other families in France (58.7% in 2015) and 53.1% abroad.

	2015	2016	2016 scope *(%)*
Proportion of women by status:			
executives	47.8% in France	48.2% in France	100
	43.3% international	42.7% international	
non-executives	62.8% in France	62.9% in France	
	61.3% international	61.3% international	
management executives	26% in France	25.6% in France	
	27.3% international	24.1% international	
Proportion of women by business line family:			
"commercial"	34.7% in France	35.7% in France	100
	63.0% international	63.6% international	
other families	58.7% in France	58.4% in France	
	53.9% international	53.1% international	

In 2016, Groupama launched a pilot women's mentoring programme. The objective: better individual and collective performance, thanks to an approach favouring transversality and collaboration. The engagement and influence shown by this community of women are a veritable force to enable our group to succeed in its transformation and meet the challenges facing it. Created in June 2016 by the Group HRD, the "Mentoring by Groupama" program brings together 50 women: 25 volunteer mentors – *from Groupama SA, Gan Assurances, Groupama Gan Vie, Groupama Asset Management et Groupama Protection Juridique* – including members of the "Leadership au féminin" programme – and 25 mentees selected by the Human Resources Department for their professional qualities and their motivation.

MEASURES TAKEN TO PROMOTE EMPLOYMENT AND INCLUDE PERSONS WITH DISABILITIES

In order to realise its commitments on inclusion and retention of employment of employees with disabilities, the Group:

- regularly communicates about disabilities internally with all employees through items posted online on the Kiosque (articles, interviews, brochures, films, etc.) and externally (through guides, directories, press articles, participation in conferences, exhibitions and forums, intended for professionals or the general public);
- annually renews its partnership with ADAPT, the association behind the week for employment of persons with disabilities (SEPH), in which the Group has participated for several years;
- continues its partnership with the AGEFIPH for the purpose of promoting professional inclusion of people with disabilities within the companies.

In 2016, the Group (consolidated scope for France) reached an average employment rate of 5.19% (versus 4.33% in 2015).

Out of the entire workforce of the consolidated scope at 31 December 2016, 432 employees (+23 compared with 2015) had disabilities, including 305 in France (+22 compared with 2015).

	2015	2016	2016 scope *(%)*
Number of employees with disabilities	409	432	100
of which in France	283	305	

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RETENTION OF EMPLOYMENT OF SENIOR WORKERS

In 2016, the Group's companies continued their commitments with regard to keeping seniors employed by taking the following actions:

- anticipate professional developments in relation to the management of ages by maintaining an equivalent number of seniors: designation of liaisons/mentors among senior employees;
- organise intergenerational cooperation: establishment of *reverse mentoring* in 2016 in some companies of the Group;
- develop skills and qualifications of seniors: training, second part of career interview;
- set up end-of-career strategies and transition between working and retirement: retirement preparation training.

The purpose of these commitments is to motivate employees throughout their professional life, be clear on the Company's key skills, and improve their working conditions.

In a context of longer working lives, the Groupama group encourages motivation in the second part of its employees' careers and promotes a non-discriminatory age management policy.

The consolidated scope accounts for 33.5% of senior workers age 50 or more within its staff at 31 December 2016 (+0.2 point compared with 2015) including:

- 55.9% are non-Managers (-1 point compared with 2015);
- 40.9% are Managers (+0.9 points compared with 2015);
- 3.2% are senior Managers/Directors (+0.1 points compared with 2015).

Among this same population:

- 31.3% are employed in a sales business line (-0.1 points compared with 2015);
- 68.7% work in an activity in other business lines (+0.1 points compared with 2015).

	2015	2016	2016 scope *(%)*
Proportion of seniors by status:			
■ non-executives	56.9%	55.9%	100
■ executives	40.0%	40.9%	
■ management executives	3.1%	3.2%	
Proportion of seniors by business line family:			
■ "commercial"	31.4%	31.3%	100
■ other families	68.6%	68.7%	

MEASURES TO PROMOTE RECRUITMENT AND PROFESSIONAL CAREERS OF YOUNG PEOPLE

The Group and its companies contribute to economic activity by supporting employment in the regions. To do this, the Groupama group organised a tour of "jobmeetings" throughout France for the sixth consecutive year. This recruitment event is the opportunity for candidates to meet operations staff, learn about the diversity of professions and brands, and the available job offers. The Group was also rewarded for its jobmeetings this year at the *Grand prix de la créativité RH* for establishing an innovative concept in 2016: allowing candidates to introduce themselves by video.

For young people, the Group launched the first edition of "Assure ton future" in April 2016. During this month, five recruitment fairs (Paris, Rennes, Bordeaux, Lyon, and Strasbourg) took place in France to meet with future work/study participants and trainees. This event provided an opportunity for these students to experience exceptional moments during which recruiters, operations staff, and work/study participants currently on post were in attendance to speak with them.

Promotion of and compliance with the terms of the ILO fundamental conventions

The Groupama group reiterates its commitment to respect the stipulations of the International Labour Organisation (ILO) fundamental conventions in its ethics charter, deployed in all of its companies and brought to the knowledge of all of its employees. The ethics charter also recalls that the Group fully adheres to the recommendations or commitments made by the Universal Declaration of Human Rights and the European Convention of Human Rights, the guiding principles of the OECD, and the ten principles of the Global Compact.

Group ethics charter

The Groupama group's ethics charter was presented in 2008 to the Steering Committee, the Group Executive Committee, and the Board of Directors of Groupama SA, the parent holding company of the Group. It was appended to the Internal Regulations of the Group's companies in accordance with the procedures for informing and consulting the employee representative bodies (Group Committee and European Works Council, WHSC, Works Council, labour inspectors, registries of labour tribunals, and posting). Lastly, it was distributed in 2009-2010 to all employees (electronically and posted on the Group's intranet) as well as to the multi-line agents of Gan Assurances, the representatives of Gan Patrimoine, and the secretaries/representatives of the regional mutuals.

The main objective of the ethics charter is to unite and mobilise employees around its values of proximity, commitment, performance, and solidarity. It defines the Group's commitments in terms of ethics, such as:

- acting in respect of the confidence given to us by our members and customers;
- promoting the development of individual and collective talents of employees;
- affirming our mission as a socially responsible, community-oriented player.

These commitments are set forth in rules of conduct to be adopted by employees. In particular, they are required to show proof of integrity and loyalty in carrying out their duties, both inside and outside their company when they represent it, and are prohibited from any act of active or passive corruption. The ethics charter also defines the responsibilities of the Ethics Committee, made up of the Group's senior executives, which meets twice per year (in 2016, on 15 March and 16 November). The ethics charter was revised and presented to the Ethics Committee in 2014 in order to take into account changes in the Group and its environment since 2008. In this text, the parts addressing the following were reinforced in particular:

- the values;
- the duty to advise and the protection of data;
- the fight against corruption and fraud;
- the freedom of expression of employees subject to the preservation of the Group's neutrality, including on social networks;
- the transformation of the role of the Committee, which may rule on any CSR-related subject as well as on ethics.

The new version of the charter was communicated to all group employees in early 2016 following an internal process of validations, information, and consultations that took place in 2015.

Group Opinion Poll

The Group Opinion Poll (BOG) is an action organised every two years, in collaboration with research company Ipsos. The 4th edition of the Groupama group Opinion Poll (combined scope including the regional mutuals) took place in spring 2016. The Group Opinion Poll consists in collecting the opinion of group employees on permanent contracts *via* an electronic questionnaire guaranteeing anonymity and complete confidentiality of responses. In 2016, 70% of them responded to the survey.

Here are the results of the 5th edition:

- the level of engagement of the Group's employees is 73%, up 2 points compared with 2014;
- the quality of life at work, with a score of 6.5/10 at the Group level, remains at a good level, up 0.1 points compared with 2014.

  On the basis of the analysis of the 2014 results, the HR teams of the Group and the companies highlighted areas for community actions. Progress has been made, as evidenced by some figures:
- well-being at work increased in 2016, on topics such as the content of the work (+3 points) and the atmosphere within teams (+2 points). In addition, more than 80% of employees indicated that they were "comfortable with the new technologies in their company" (new question);
- progress was made on accountability and initiative. The Manager is overwhelmingly perceived as trustworthy (86%);
- in terms of professional development, the perceptions improved slightly compared with those observed during previous editions. The employees are moderately satisfied with the training opportunities offered – at the same level as the France benchmark – but they increasingly feel that their direct supervisor promotes the development of their skills (+4 points).

For this 5th edition, new questions about employee perception of Groupama as a responsible business were added. The results should allow areas for improvement on certain topics to be identified. In general, the view of the Group's CSR policy is positive, particularly on responsibility towards customers (74%) and towards civil society (71%). In addition, 74% of employees of Groupama SA and the French subsidiaries believe that their company respects diversity, and even 77% in the international subsidiaries.

(b) Acting as a responsible, long-term partner of our customers and members

Rooted in modernity and movement, the Groupama group develops offers that respond to society's major issues: mobility, entrepreneurship, pension, health, assistance, long-term care, and adaptation to weather changes. Incorporating strong social and environmental added value into the Group's products and services is a challenge for the future. Today, it is committed to going further in taking environmental, social and societal factors into account in constructing insurance offerings, its prevention actions and asset management as well as by adopting responsible behaviour in its relations with its various stakeholders.

5

Insurance and service offers responding to social and societal issues

ACCESSIBILITY

In order to better meet customer needs and to enable all customers to insure themselves depending on their capacities while continuing to benefit from sufficient coverage, the Group has developed forms for modest and limited budgets in its offers; they are available in its three major distribution networks. In 2013, the "Essentials", new forms of the individual supplemental health insurance product, were created. They provide for reimbursements only for health expenditures considered essential by the policyholders, particularly in situations of setbacks. In group health, as part of the National Interprofessional Agreement (ANI), the Group was one of the first insurers, as early as 2013, to promote through its Gan and Groupama networks, accessibility and protection for all employees by equipping the companies with policies adapted to the characteristics of the professional segments. On the "ANI" policy market, Groupama was a leader in 2016, with 55,000 new sales. At the website pro.ganassurances.fr, leaders of very small enterprises and SMEs can quickly sign up for health insurance for their employees.

Lastly, within the "Assureurs Complémentaires Solidaires" grouping, Groupama has committed to the distribution of the offering for low-income policyholders, newly certified by the public authorities, to enable them to continue to benefit from the scheme that entitles them to a premium reduction on their policy: supplemental health purchase assistance (ACS).

In the same vein, in motor insurance, there are also "Mini" or "Essential" offers and offers for those who do little driving. Since 2015, Groupama has expanded its range of basic offerings with a variation on multi-risk home policies. Groupama's multi-risk home policy was completely overhauled in 2016, particularly with a simplification of contract documents for better accessibility/clarity of customer information.

In order to support socio-economic developments, the Group has adapted its Everyday Accident insurance: accessible to blended families, adapted coverage for individuals over age 70 and students abroad. Since 2014, there has been a specific option to protect professionals (tradesmen, shopkeepers, and service providers) within Private Everyday Accident.

SUSTAINABLE SOCIAL PROTECTION

In health, the Group is fully committed to complying with the conditions of the "responsible policies" that limit the consumption of unnecessary care or care from health professionals who charge excessive fees. All policies are now "responsible policies", and the same is true for group health policies (as part of the "ANI" offer).

Health policies offer generalised third-party payment and access to large care networks throughout France (Sévéane), particularly in optical, dental, and hearing aid care. Groupama guides policyholders to healthcare professionals who offer quality equipment at the best price. In 2016, Sévéane was improved and now offers a preferential rates on optical products (up to -40% on eyeglasses) and renewed proximity with opticians: the network now has 3,500.

Note the extensive support services provided by the Group: at-home assistance including "young mum", housekeeper, hotline upon release from the hospital, etc. The *Bienmangerpourmieuxvivre* website, in which Groupama is a partner, continued to grow in 2016 with an area reserved for Groupama and Gan policyholders with additional services.

An insurance dedicated to seniors was launched in 2015 with coverage better meeting their needs, such as increased reimbursements on hearing aids. Specific prevention cover is incorporated into the product, particularly in dental and podology/podiatry, and handles treatments not reimbursed by the compulsory schemes.

A hotline for seniors has already been available for a long time – and will continue to be developed through the "connected home" – and is a response to the issues directly related to the ageing of the population, such as risks of dependence and home support.

A new long-term care offering was launched in 2016, an area where Groupama is a pioneer and historical leader. In particular, it will provide policyholders recognised as dependent with a pension of up to €2,000 per month, plus the ability to equip their home appropriately. It includes a wide range of extensive services in case of long-term care for policyholders, but also to support a person in a caregiver situation.

In group protection, an area with very low penetration with very small enterprises and SMEs, the Group is continuing to develop its modular offerings (like Galya at Gan Eurocourtage in 2016). These offerings including employee support and assistance services. With regard to social protection of agricultural assets, Groupama is continuing its partnership with the social protection group Agrica and the MSA and, in 2016, renewed the "company mutual" agreement with the FNCUMA, which concerns 5,000 employees. Two other framework agreements were established in 2016: with FNSEA and JA. Twenty thousand farmers who employ labour signed up as part of the agricultural offering partnership. Note that Groupama is currently the only insurance company that covers supplementary social protection of body of public services: agents of the French national office of forests (ONF).

In order to meet this challenge of ageing and the growing imbalance of the pay-as-you-go system in France - hence increased requirements in terms of performance and security on the part of savers – the Group completely renovated its retirement offer, Gan in 2013 and Groupama in 2014-2015 (secure, protected, diversified UL, and time-horizon management). In 2016, Groupama continued its strategy of diversification in UL, which allows customers to combine performance potential and protection of capital. A retirement guide was also produced in 2016, and the Tips chapter at groupama.fr was expanded on this topic. Note that the Group also contributes to the Certivia fund, intended to promote life annuities in France.

MOBILITY

With the emergence of connected cars, Groupama offers innovative solutions with multiple benefits, both for the customer and for the environment. Road Coach by Amaguiz, launched in January 2016, allows drivers to pay less for their insurance according to their driving style. Thanks to an onboard telematics system, policyholders are encouraged to drive responsibly on a daily basis and adopt good reflexes to reduce their fuel consumption and CO_2 emissions. This solution allows drivers to receive up to 36% of their insurance premium back in the form of electronic gift certificates. A similar behaviour-based solution (MyAngel) had already been launched by the Group subsidiary in Italy as well as in Turkey (Kaskopilot).

In addition, since December 2016, Amaguiz has joined Eiver, the first mobile driving assistance app that rewards good drivers (awarded Miles entitle them to gifts). Together, the two players seek to encourage responsible driving behaviour: flexible, risk-free driving for better control of drivers' auto budgets.

THE PROTECTION OF ALL AGRICULTURAL SECTORS IN THE FACE OF THE MULTIPLICITY OF RISKS

The response to the needs of agricultural players is historically at the heart of Groupama's business (number 1 agricultural insurer, 65% market share). 2016 was a very eventful year. Groupama was one of the original designers (2005, then reformatted as a "base policy" in 2015) of the "multi-risk weather" (MRC) offering, which showed all its importance this year when losses on crops were especially significant. Groupama took strong action to mobilise itself alongside farmers following the spring's inclement weather (floods, record rainfall, lack of sunshine, diseases, etc.), thanks in particular to its elected representatives and the 450 Groupama adjusters specialising in the assessment of crop damage.

At the beginning of the year, the base policy was supplemented by the launch of the "Prairies" offering, an insurance policy covering grasslands in the face of weather events.

In October 2016, Groupama launched an innovative product highly anticipated by the profession, "Objectif Stabilité", "turnover" insurance launched on a trial basis to allow farmers to protect yields and prices. More generally, the Group, an agricultural trade association and expert in agricultural risk management, is an integral part of the preparation work for the 2020 PAC, to work with farmers to create the tools necessary for their protection.

Agriculture is also increasingly a technological, high-precision business, and Groupama supports this evolution, as illustrated by the Airinov partnership (drone insurance), studies on robot insurance, the Smart Agri project (overall management of risks of an operation), and the Ferme 112 partnership (Groupama, *via* its regional mutual Groupama Nord-Est, is participating in the research platform on the farm of tomorrow).

THE SUSTAINABILITY OF ECONOMIC PLAYERS AND THE NEEDS OF COMMUNITIES

The Group continues its role as contributor to the protection of entrepreneurs (unemployment insurance for Corporate Directors, insurance for business creators, new protection solutions for professionals, etc.) and the sustainability of their business and generated revenue. Groupama ranks among the players offering the most solutions, covering all needs and positions, with global advising, proximity, and the possibility of immediate insurance.

In the context of emerging risks, 2016 saw the launch of a solution providing protection against cyber-risks (Gan Assurances, July 2016) and the publication of a "white paper" guide in partnership, which shows the under-protection of very small enterprises and SMEs against cyber-attacks.

As the number 1 insurer of local authorities in France, Groupama is a major player in territoriality and also covers the whole spectrum of their needs (insurance of elected representatives, municipal personnel, facilities, etc.).

PROXIMITY AND SERVICE

As a responsible insurer, beyond the offer, strictly speaking, the Group is very attentive to the quality of the advice and the close relationship, a source of mutual trust with members and customers. In case of inclement weather in particular – hail, violent rain, and floods especially in June 2016 in the central region of France – the Group's teams mobilise on the ground. Beyond the collection of claims from affected members and customers, the objective of the teams is to demonstrate their empathy and to detect situations of distress and, where applicable, relocation issues. During the 2016 floods, the regional mutual Groupama Paris Val de Loire put in place measures to address temporary relocation needs in partnership with Mutuaide and with the support of the Directors of the local mutuals. In Italy, following the earthquake in summer 2016, an exceptional plan was launched by the Groupama Assicurazioni teams for its customers.

The accelerated compensation and the support for individuals was a major concern; the platforms developed by the Group (Sévéane, CapsAuto, FMB) are available to customer for faster service at the best cost. The same is true for the MyAngel app (auto) in Italy (an adjuster on site within 30 minutes following an accident, information on the nearest repair shops, compensation provided in only a few days). A comprehensive approach to support victims of bodily injuries is in place and led by Groupama SA's Bodily Injury Division.

GROWTH OF THE SHARING ECONOMY AND DIGITAL

The Group is actively involved in the growth of this economic and societal evolution. For example, Groupama insures equipment leased on the agricultural platform WeFarmUp (more than 1,000 machines shared). It is involved in providing insurance for lenders on crowdfunding platforms (Pretup, Finsquare) and participates in the risk analysis of projects presented on the Lendix platform (Gan Assurances partnership). In Bulgaria, the Group's subsidiary has been the insurance of CarAmigo, a site for car rentals between individuals, since July 2016.

In addition, Groupama is one of the two member insurers of the FinTech Forum (a body established in 2016 for monitoring, dialogue, and proposals teaming up innovative companies, public authorities, and supervisory authorities, making it possible to better assess the issues associated with the development of innovations in terms of opportunities and possible risks) and participates in Labchain, the number 1 European consortium on the potential of Blockchain.

Prevention

For 60 years, the Groupama group's prevention policy has been reflected in a concrete commitment in areas pertaining to economic, social, and environmental responsibility: protection of people and property as well as the sustainability of businesses and the preservation of the environment. Driven by the strong convictions of the Mutualist Directors and the employees, it favours anticipation and long-term actions to serve our members and clients.

For companies of the Groupama group, applying a large-scale prevention policy means encouraging the emergence of responsible attitudes towards the risks of today and tomorrow while being economically efficient. The Group's teams carry out various prevention actions, from technical prevention (business risk inspections, electrical or alarm installation advice, etc.) to institutional prevention with the general public, customers or non-customers (road safety awareness for schoolchildren, prevention of accidents in the home, conferences on health topics, etc.).

Prevention has taken shape over time through multiple individual or collective, innovative or original actions seeking to reinforce the safety of individuals and property on all of their private and professional risks. The deployment of prevention actions conforms to a Group-specific strategy, a source of expertise and legitimacy: integration of dedicated resources (teams of prevention inspectors, Centaure centres, etc.), partnerships of excellence (Predict, Météo France, police force, motorway companies, etc.), and local actions thanks to exceptional coverage of the territory.

The Group is developing – and will increasingly develop – prevention services in connection with the growth of connected objects (particularly through auto, home, health, with young people, seniors, professionals including farmers, businesses, etc.).

During 2016, 17,349 customers or non-customers were made aware or trained on prevention by the Groupama group's teams (excluding Centaure centres).

Our prevention actions group together five major areas: health, road safety, home risks, agricultural prevention and industrial risks and local authorities. The website vivons-prevention.com, dedicated to all prevention actions, has been online since 2011. It is supplemented by content on social networks. This year, the Group demonstrated its innovation by continuing its growth in digital with many new projects, such as, for example, #CestAprevoir, the first real-time communication campaign of the insurance sector. Groupama uses its Twitter account to relay prevention advice by anticipating the topics of interest of tomorrow.

HEALTH INSURANCE

In health insurance, the Groupama group takes action in a culture of prevention – by covering many acts of prevention, reimbursed by the compulsory scheme or not – and is actively engaged in informing and mobilising policyholders.

The supplemental health offer takes this approach to prevention into account, with, in particular, reimbursement for vaccines not reimbursed by social security, a free annual oral and dental check-up, coverage for fluoride treatments for children, smoking cessation, antimalarial medicines when travelling, etc. Specific prevention cover for policyholders age 55 and older is incorporated into the product, particularly in dental and podiatry, and provides cover for treatments not reimbursed by the compulsory schemes.

Groupama's prevention advice to customers and non-customers is presented both during health conferences (on topics such as nutrition, sleep, elimination of risk factors like tobacco and alcohol, self-medication, etc.) and through groupama.fr in the form of guides and health profiles on various topics.

The website www.bienmangerpourmieuxvivre.fr provides tips for better eating. Sections are dedicated to the elderly, children, pregnant women, and athletes. Groupama and Gan support this website published by "Saveurs et vie", a specialist in providing custom at-home meals and nutritional care. Practical (the seasonal basket, for example) and fun sections are exclusively reserved for the Group's policyholders.

ROAD SAFETY

Groupama's road safety policy, developed for several decades, has been extended to all audiences and ages. From younger children starting school to seniors, the Group's companies have put in place a whole range of actions.

The twelve Centaure centres are an important relay for Groupama's prevention actions as regards its members as well as businesses and the general public. Spread out all over France, they offer road safety courses, including an eco-driving module.

In 2013, the Road Safety Department, Groupama, and the Centaure association renewed the road safety charter, which offers quality post-driving permit training to drivers for safer, more responsible driving. In line with this three-party charter, and to reach as many people as possible, Groupama and Centaur launched the "Centaur 360°" mobile app in 2016. This innovative, instructional digital tool, intended for the general public, relies on virtual reality to inform and immerse smartphone users in the universe of prevention and better driving.

Driver training at the Centaure centres	2015	2016	2016 scope *(%)*
Number of people trained in prevention and eco-driving at the Centaure centres	39,189	40,296	France

Moreover, in connection with the development of connected objects, Groupama On Board is a test of behaviour-based motor insurance launched in several companies of the Group incorporating a strong prevention aspect oriented towards young people. It collects and analyses information about the driving behaviour of beginning drivers to raise their awareness with customised prevention tools and reduce their premiums for good driving. On the strength of its success and winner of Groupama's 2016 "Creators of Success" award, Groupama On Board will continue its development in 2017. Also in 2016 was the launch of Santino in the Group's subsidiary in Italy, an app that blocks calls and text messages while users are driving.

Other prevention measures promoting road safety are carried out in the Group's entities. Examples included road safety prevention workshops, distributions of yellow vests, training for seniors as part of the *Il n'y a pas d'âge pour bien conduire* ("You're never too old to be a good driver") programme, and other actions.

HOME SAFETY

Risks in the home are responsible for more than 19,000 deaths each year in France. Groupama's initiatives aim to encourage preventive and assistance behaviours. Many actions are carried out locally, like information meetings on "everyday accidents", fire hazards and the use of fire extinguishers and defibrillators, or awareness-raising events like "House full of dangers" or "Tourisk family". Groupama also publishes thematic sheets on the everyday risks, such as securing private pools and playgrounds or deciphering danger icons. Our initiatives are implemented *via* local partnerships with players as diverse as Générations Mouvement, the French Red Cross, *Familles Rurales*, *Foyers Ruraux*, etc.

At groupama.fr, all the pages on prevention advice regarding home safety were updated, and prevention approaches were put in place in order to support the legislative developments (particularly for smoke detectors).

Box Habitat, a solution launched in 2015, continued its development this year by offering a mobile app. This complete system allows users to monitor their homes themselves to prevent risks of fire, intrusion, power outage, etc. and offers home protection connected 24/7 to a smartphone, PC, or tablet.

With Présence Verte (in which Groupama SA is a 50% shareholder), the Group offers at-home remote assistance solutions. Testing of the "connected watch" was launched in late 2015 for a general launch in early 2017.

In 2016, the know-how of Crédit Mutuel Arkea and Groupama was pooled in the field of remote assistance for individuals and remote surveillance of property. This partnership brought about the launch of a joint monitoring platform as well as an R&D centre.

AGRICULTURAL PREVENTION

The agricultural prevention sector, with very comprehensive actions involving multiple innovations, has benefited from the historic commitment of the Groupama group, which celebrated "60 years of prevention" in 2015.

One example is the *Dix de Conduite Rurale* ("Rural Driving 10") campaign, initiated by Groupama in agricultural colleges in 1972 in partnership with the National Police, CLAAS and Total, which is now a benchmark in training on the risks of driving farm vehicle in the rural sector. The *Dix de Conduite Jeune* ("Young Driving 10") campaign is intended for students ages 14 to 16 in general education and agricultural schools; its educational goal is to prevent the real dangers of the road in order to better anticipate and control them.

Agriculture	2015	2016	2016 scope (%)
Number of missions carried out by preventionists[(1)]	n/a	175	97.01
Number of outside individuals who benefited from awareness-raising actions, information or training in prevention or safety	12,909	16,727	89.16

(1) The 2016 data are not comparable with the 2015 data for the indicator "number of missions carried out by preventionists" because the indicator was modified. The indicator is no longer based on a number of days of missions but on a number of missions.

A three-year agricultural prevention group plan for 2016-2018 began its implementation around three focuses: assessing, acting, and promoting. In particular, it seeks to strengthen the overall effectiveness of our actions and to promote further experimentation efforts like fodder probe testing and safety actions. A guide for methanisation project sponsors was published in November 2016 on the question of "How do we incorporate safety?".

Also note that Groupama offers specific prevention tips for young farmers starting up.

BUSINESSES AND LOCAL AUTHORITIES

Groupama supports an approach to prevention of professional, environmental, etc. risks with industrials and local communities in order to understand their vulnerabilities and decrease them using a "customised" approach.

In partnership with Predict Services, a subsidiary of Météo France, the Groupama Predict offer initially intended for local authorities includes assistance in the preparation of a Local Response Plan and a real-time monitoring and information system on flood risks. Today, the plan is in place in 18,000 municipalities, under the Groupama (17,000) and Gan (1,000) brands – the Group is the number 1 insurer of France's municipalities – and provides warnings not only for floods but also risks of storms, coastal flooding, or heavy snowfall. The information provided by Groupama Predict is personalised and issued in real time by Internet or SMS. In addition, a Groupama-Predict app has been developed; it delivers messages regarding key information in order to anticipate and manage a hazard event: severe weather reminders, hydrometeorological assessments, protection instructions, etc. The Predict alert system was extended to other customers of the Group (individuals, professionals, companies, businesses, associations, etc.) in 2016 with the launch of the *Groupama, ma prévention météo* app and will be developed across all mutuals in 2017.

The 20th exhibition for French mayors (*Salon des Maires*) in May 2016 was the opportunity for Groupama to reaffirm its commitment to local authorities and the associative network by presenting the developments of its Activeille Communes offerings, a service providing effective protection for local authorities against theft, intrusion, and vandalism, as well as Groupama Predict.

Businesses and Local Authorities	2015	2016	2016 scope *(%)*
Number of missions carried out by preventionists*	n/a	1,143	97.01
Number of outside individuals who benefited from awareness-raising actions, information or training in prevention or safety	637	549	89.16

* *The 2016 data are not comparable with the 2015 data for the indicator "number of missions carried out by preventionists" because the indicator was modified. The indicator is no longer based on a number of days of missions but on a number of missions.*

There was an overall decrease in the number of outside people who benefited from awareness, information, or training actions. This is explained by the sharp decrease (-58.54%) in the figure reported by Groupama SA, which represented almost one-third of the total in 2015. This figure varies greatly because the actions are *ad hoc* and done at the request of the regional mutuals with "cooperative" customers and departmental fire and rescue services.

Also note that, with regard to prevention for local authorities, Centaure training, information meetings on professional risks, as well as access to the Mayor Info Guide (50 sheets on all risks) are offered.

PREVENTION AMONG EMPLOYEES OF THE GROUP'S COMPANIES

Awareness, information and training actions on prevention or safety are also offered to employees of the Group. Awareness actions were carried out with 1,838 people on various topics in 2016: stress management, cyber security, road safety, workstation ergonomics, and eco-driving (particularly thanks to the Centaure centres). This represents an increase of 20%, thanks in particular to the improvement of the accounting of these actions (new data available, as well as correction of certain data from 2015), as well as an increased effort of certain entities to raise awareness among their employees.

Responsible asset management

During the first half of 2017, for the first time, the Groupama group will produce a reporting relating to Article 173 of the French energy transition law, presenting how the Group incorporates Environmental, Social/Societal, and Governance criteria across all asset classes into the choice of its investments and its contribution to the financing of the energy transition.

For more than 10 years, the Groupama group, a financial player in the economy's long-term development, has been involved in promoting Socially Responsible Investing (SRI), particularly through its third-party asset management subsidiary, Groupama Asset Management. Its expertise in analysis and research, its management products and its mobilisation within many French and international environments make it one of the market's recognised leaders in this field.

In addition to rolling out this specific SRI strategy, Groupama Asset Management has established a global objective of ensuring the widespread integration of Environmental, Social and Governance (ESG) issues(1) into all analyses of its investments. Groupama Asset Management believes that by promoting the integration of ESG issues into the macroeconomic and microeconomic analysis of its investments, it potentially optimises not only the management of risks but also the sources of added value and long-term value creation of investment portfolios through its policy of Responsible Investment (RI).

The Group's total investments incorporating ESG criteria (including the specific segment of Socially Responsible Investment – SRI) reached €23.7 billion at 30 December 2016, or 24% of total assets under management (14.7% excluding outside customers). Assets under management, including RI, were higher over the 2016-2015 period.

	2015*	Of which external customers	2016*	Of which external customers
SRI and RI assets under management at 31.12 *(in billions of euros)*	20.725	6.577	23.7	9
Share of SRI and RI in total assets under management *(%)*	23%	7.2%	24%	9.3%

The scope taken into account for SRI and RI assets under management is as follows:

- universe of European assets (credit equities and bonds);
- medium/long-term assets excluding monetary assets;
- assets of open or dedicated mutual funds;
- SRI and RI assets under management held directly or indirectly through other mutual funds.

It applies to all managed assets for the Group, including international, as well as assets of outside customers (management entrusted directly by institutional investors, companies, and distributors) and those held by UCIs (undertakings for collective investment) of Groupama Asset Management.

(1) The policy of integrating ESG criteria into the financial management of the Group's assets is gradually applied to the universe of European medium/ long-term assets (credit bonds and equities). At first, this integration was implemented for the management of Euro/Europe equities only within open or dedicated mutual funds managed by Groupama Asset Management, held by the Groupama group's entities and/or disseminated to outside customers. Starting in 2010, this integration was gradually extended to the management of credit bonds (companies) and European sovereign debts (States). The scope of assets integrating an ESG approach (RI assets) thus involves all securities and directly or indirectly held money market funds.

In December 2016, the Euro Capital Durable (eurozone equities) SICAV and the Groupama Crédit Euro ISR (eurozone bonds) fund, a Groupama Asset Management fund, were awarded the new SRI label supported by the public authorities following an AFNOR audit (this local label succeeds the Novethic label).

Groupama Épargne Salariale, as a Business Line Department of the Group, is also positioned in a CSR approach, for its offering of products for employees of the Groupama group and employees of 13,000 customer companies. Groupama Épargne Salariale offers SRI funds, accredited by the French Inter-union Employee Savings Committee (CIES), with assets under management increasing by more than 7%, allowing symbolic level of €1 billion to be exceeded. In addition, an ongoing campaign to raise awareness on the adoption of e-statements by savers will reduce Groupama Épargne Salariale's carbon footprint.

In 2016, Groupama Épargne Salariale launched a new offering for very small enterprises and SMEs incorporating the advantages of the Macron law and continued the development of Solutions Épargne Salariale, the reference site in employee savings for very small enterprises and SMEs (www.solutions-epargnesalariale.fr is the first website in France dedicated entirely to employee savings).

The Group continued its major programme for the financing of the real economy, with nearly €1.3 billion in investments at the end of 2016 (particularly through investment capital and loan funds, aimed at financing SMEs and intermediate-sized firms (ETI), mostly in France, as well as transportation, energy/environment, and telecom infrastructures, and commercial real estate projects that create jobs). As a reminder, in 2015, Groupama had purchased €50 million in green bonds.

(c) Contribute to the development of the regions and the progress of community organisations and associations

€44.8 million was paid to local authorities for the territorial economic contribution (CET) in 2015[1].

€8.6 billion in benefits were paid in 2016[2] to our policyholders to allow them to preserve their economic activity and their family life.

The Group's decentralised structure favours strong territorial anchoring and contributes to the development of the regions. For employment, the Groupama group and its companies regularly organise Jobmeetings throughout France (over three months in 2016). After the issuance of first mutual insurance certificates in 2015 by a regional mutual, similar operations followed in 2016 for the other eight metropolitan mutuals. In particular, they strengthen the investment capacity of the mutuals in the regions. Mutual insurance certificates totalled €189.8 million overall at 31 December 2016.

Almost all of the Group's companies engage in local actions/societal partnerships. Companies favour certain themes. Examples include Gan Assurances (entrepreneurship), Groupama Asset Management (actions to support the disabled), Groupama Assicurazioni in Italy (solidarity, culture, environment), Groupama Sigorta and Emeklilik in Turkey (cinema), and Groupama Asigurari in Romania (cinema, prevention, support for the Romanian Olympic committee).

More generally, and in addition to the actions for prevention mentioned in (a), the Group's companies are present on three major commitment themes associated with our anchoring and local relationships:

- contribution to economic development and initiative in the territories;
- commitments around "living together";
- the fight against rare diseases.

Economic development and initiative in the territories

Beyond a purely merchant or insurance-based approach, the Group's entities develop partnerships in the field to facilitate, encourage, embrace the initiative and promote employment, and contribute to local economic development.

This is possible and effective thanks to the Groupama group's local anchoring, with interaction between players in the field, thus providing detailed knowledge of the needs:

- in agriculture – with full support in the field, thanks to the numerous local initiatives of mutualist elected representatives, for the entire business cycle of farmers: sponsorship and support for installation, training and information, management of setbacks, participation in social progress initiatives (particularly related to health), promotion of agricultural trades (including partnerships with agricultural schools), etc. These actions are taken particularly in partnership with the Chambers of Agriculture (where Groupama is represented), professional associations and federations related to the sectors, the departmental JA [young farmers] organisations and the FDSEA. Groupama's departmental federations are represented within departmental land authorities (DDTs) as well as land-planning and rural-development companies (Safer);
- in the field of VSE-SMEs – with assistance for entrepreneurs and support for regional employment, under the leadership of the Group's companies and their commercial networks: as part of partnerships at the regional level with chartered accountants, CCIs, territorial CGPMEs, chambers of trades, CAPEB networks; partnerships with the structures or networks that help those who want to start or take over a business (Initiative France and "local initiatives platforms", Réseau Entreprendre, etc.);
- around solidarity projects and the local economy initiative, such as:
  - promoting local trade through digital technologies with the creation in 2013 of a first local network putting individuals into contact with local members/entrepreneurs (Granvillage),
  - supporting, in various ways, crowdfunding platforms (GwenneG, Lendopolis, etc.) permitting the financing of various projects, creating partnerships with schools to promote the business world, and/or supporting young people in their efforts to gain employment, or assisting employment or integration organisations,

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(1) This amount corresponds to the CET paid by the tax consolidation group, established by Groupama SA and including subsidiaries held at more than 95% as well as the regional mutuals. The figure for fiscal year 2016 will be known in May 2017.

(2) Consolidated scope (France and international), excluding claims management costs.

- in 2015, Groupama signed the "Entreprises & Quartiers" charter for priority neighbourhoods, deployed in 2016 by Groupama Centre-Manche for the Seine-Maritime department. Groupama SA also continued its partnership with Proxité, which offers individual sponsorships to secondary and high school students in the priority neighbourhoods (8 sponsor employees);

› around innovative entrepreneurs and start-ups – new partnerships are being developed using an approach of cross-collaboration and incubation by exchanges of skills, such as support for innovative SSE projects (for example, GwenneG, Réseau les Cigales, Fondation Emergences, Petites Cantines and Marmite Urbaine, Mécénat Lyon StartUp, Rosalie Life partnership, etc.), partnerships with start-up incubators to provide opportunities to work in an ecosystem to detect innovations (for example, Amaguiz, in 1 year, 12 partnerships with start-ups, June 2016), the use of unoccupied premises – by developing them for start-ups or solidarity actions (in the Paris region and in the West in particular). Groupama contributes to the economy of tomorrow in the territories by investing in funds (investment capital) like Partech (for start-ups of the Paris-Saclay university centre), clusters of excellence (such as Multiplast in Brittany through sailing sponsorship for Groupama Team France), or in Italy with the Think4South partnership.

The Groupama group and its companies award prizes, such as the "Most Daring Entrepreneur" competition (Gan Assurances, in connection with the Entrepreneur Exhibition in Paris, February 2016) and the 2nd edition of "Groupama Inspiring Confidence", which recognised six initiatives and actions to promote the creation of confidence within French society on 22 June 2016. Following a call for applications carried out at the national level and in the territories, 15 initiatives providing innovative and creative solutions to the evolutions and major issues of our society were chosen. Among the winners were the Rosalie Life website, the first social network for active seniors, and WeFarmUp, a platform allowing farmers to pool and thus optimise the use of their equipment by renting it out.

Commitments around "Living together"

The companies of the Groupama group provide operational and financial support to numerous local associations (sports, cultural, general interest, and other associations) around three main themes:

HEALTH AND DISABILITIES

Health (excluding rare diseases): the entities have made significant commitments in the fight against cancer, particularly through walks or running races (like *La Parisienne*) and participation in various sporting challenges, combining health and sport or nature. Other commitments have been made around the theme of health: support for AIDS patients or hospitalised children, promotion of blood donation, support in psychomotricity research, etc. The Romanian subsidiary Groupama Asigurari has thus committed €26,980 to various health initiatives, and Gan Assurances provides €15,000 in support to research on psychomotricity and civilisation diseases.

Disabilities: establishment by the companies of actions to support people with disabilities, beyond the employment of disabled staff, programmes to keep them employed, and the use of adapted enterprise sectors (ESAT); various forms of partnerships: support for associations training dogs for the blind, Handisport, Special Olympics France (a grant, through participation in inter-company relay races, programmes to enable people who live with a mental disability to flourish through sport), Handicap International, purchase of equipment for people with disabilities, support for professional integration, tickets for shows, etc.

Note that the companies of the UDSG scope (including Groupama SA) have set a goal for increasing purchases with sheltered- employment organisations (ESAT/EA) by 10% between 2016 and 2018.

CULTURAL PATRONAGE

A few priority themes:

› commitments around the "local culture": partnerships for events to showcase local or rural products and traditions; other more traditional commitments: music, heritage (support for museum exhibitions, local restorations, etc.);

› cinema, a group-wide commitment: particularly through the Gan Foundation for Cinema, which has supported the 7th art for more than 25 years. In 2016, the Gan Foundation continued its actions in support of young artists and help with distribution, with a budget of €560,000. In addition, through a group commitment since 2010, the Foundation is a *Grand Mécène* (major sponsor) of the Cinémathèque française, with €120,000 in support allocated this year.

  A partner of the Cannes International Critics' Week, the Foundation awarded the Gan Foundation Award to *Une semaine et un jour* by Asaph Polonsky on 19 May 2016.

  In addition, the Gan Foundation presented awards to three winners in 2016 (Benedikt Erlingsson for *A woman at war*, Karim Moussaoui for *En attendant les hirondelles*, and David Perrault for *L'état sauvage*) and its "Special Prize" to Lorenzo Mattotti for *La fameuse invasion des ours en Sicile*.

  In addition, local actions have been taken in France, and commitments have been made abroad: Groupama Seguros in Portugal contributes €1,650 to the French cinema festival, and the Romanian subsidiary Groupama Asigurari gives its support to various events around cinema, such as the International Animation Film Festival or "Les Films de Cannes" in Bucharest (€22,380 in donations in total).

SOLIDARITY

Humanitarianism and solidarity: the solidarity actions are very diffuse and multi-faceted, with support given to many organisations on general-interest or humanitarian projects (collection for Christmas, employee book drive, support for civilian victims of disasters, family or charitable organisations, etc.); actions related to international development, particularly for Africa: for example, as part of the Aïcha des Gazelles rally, Gan Assurances supported missions to aid children by contributing €5,000 in 2016 to the charity *Cœur de Gazelles*. A historic action of the Mutual Insurance Division: For 20 years, *Solidarité Madagascar*, in partnership with *Générations Mouvement* in particular; 34 projects are under way in 2016 (in health, education and agriculture). Groupama Phoenix (Greece) supported the charity SOS Children Village with €25,000 in 2016.

In 2016, Groupama Immobilier, which invests on the theme of the solidarity service-sector policy, started an action in favour of job seekers. Vacant offices totalling 200 m^2 of space were made available to the association Solid'Office for one year to create a pop-up co-working centre for job seekers.

"Favourites" operations are initiatives that team up elected representatives, employees and members.

	2015	2016	2016 scope *(%)*
Amounts allocated for philanthropy excluding rare diseases *(in euros)*	2,080,462[(1)]	2,228,152	100%

(1) Corrected 2015 data (amount recalculated with the donations for the Paris National Opera and the National Theatre of Chaillot).

The increase in allocated amounts is explained by the inclusion of the Gan Foundation for Cinema's payroll in the indicator this year.

Regarding relations maintained with learning institutions, many partnerships are forged between our regional mutuals or subsidiaries and the institutions in their region or pool of employment: instructional actions or conferences, sponsorship, acceptance of trainees and interns, simulation of interviews and participation in juries, presence in employment forums and support for teaching chairs.

Since 2015, Groupama has been a partner of the École Nationale de Voile et des Sports Nautiques (national school of sailing and water sports) in order to actively participate in the training of young talents for top-level multihull hydrofoil sailing.

Fight against rare diseases with the Groupama Health Foundation

The Group's commitment in the fight against rare diseases through the Groupama Health Foundation perfectly illustrates its mutualist values of solidarity, proximity, and trust.

The Foundation acts to promote medical diagnosis, encourage research on rare diseases, and improve the daily life of patients. Nearly 160 associations, approximately 600 projects, and 32 researchers have been supported since 2000.

Being committed to the fight against rare diseases when this cause was not yet truly taken into account by the public authorities and having maintained this commitment is a great demonstration of our ability to maintain long-term partnerships.

A STRONG COMMITMENT SINCE 2000

Three million people in France and 25 million people throughout Europe are affected by rare diseases: "rare" because each of these 7000 pathologies affects fewer than 30,000 individuals. However, in France overall, they affect 1 person out of every 20. Since 2000, Groupama has been committed to this public interest issue, which is perfectly consistent with its mission as a responsible insurer and mutual insurer.

The Groupama Health Foundation supports the fight against rare diseases, which today rank among public health priorities along with cancer and Alzheimer's disease. The goal of the 2016-2018 action plan is to make the Foundation a major illustration of mutual insurance while positioning it as a benchmark private player in the field of rare diseases.

To achieve this result, strategic focuses were defined, around proximity/solidarity and research/innovation.

REINFORCING THE MOBILISATION OF EMPLOYEES AND ELECTED REPRESENTATIVES IN THE FIGHT AGAINST RARE DISEASES

"Ambassador" employees were trained in 2016 in the Paris region in several entities of the Group; the programme will become widespread in 2017.

Also with the goal of developing employee engagement, in October 2016, during the *Semaine de la Fondation* ("Week of the Foundation") ("Let's mobilise for rare diseases"), employees were called on to choose two crowdfunding campaign projects that they wished to see the Foundation support. They were then given a starter donation of €2,500.

The *Balades solidaires* ("Solidarity Walks") are another vector for mobilisation of elected representatives. Since 2013, annual "Balades solidaires" ("Solidarity Walks") have been held throughout France on the first Sunday in June (for the most part). All the regional mutuals, Groupama SA, and the Group's entities in the Greater Paris region participate in the event. In 2016, the fourth edition of the "Balades solidaires", organised by the federations of elected representatives and the Groupama Health Foundation, brought together nearly than 20,000 walkers and raised almost €240,000. Steadily growing results since the first edition.

As a good example of the use of donations, in December 2016, a cheque for €32,000 from Groupama Centre-Atlantique's Balades Solidaires was presented to a young researcher from INSERM (French institution of health and medical research) in Bordeaux for research in the field of paediatric cancers.

INCREASING EFFORTS TO AID MEDICAL AND MEDICO-SOCIAL RESEARCH

The Foundation wishes to strengthen its support for research through several actions. The *Bourse de l'Espoir* (Hope Grant) has now been now replaced by the Prix de *Recherche Maladies Rares* (Rare Disease Research Award). The objective of this award is to support a dynamic team, led by an experienced researcher who has opened up an ambitious pathway in rare diseases, to make true advances in this field. This €500,000 prize will be awarded in February 2017 for five years.

In addition, the partnership signed in 2015 with the Necker Hospital to optimise the life paths of children suffering from rare diseases continues.

The Groupama Foundation also teamed up with the regional mutuals in their partnership approaches with university hospital centres or universities. In 2016, the €20,000 Social Innovation Prize was awarded to the Strasbourg University Foundation for its plan to create a benchmark space dedicated to Patient Therapeutic Education (PTE). The goal of this annual prize is to support innovative actions marking a significant advance and changing the destiny of people with rare diseases and their families.

INTENSIFYING ACTIONS TO PROVIDE INFORMATION ON RARE DISEASES TO REDUCE "DOCTOR-HOPPING" IN AN EFFORT TO FIND A DIAGNOSIS

Since its creation, the Foundation has been a partner of Orphanet, a unit of INSERM and a reference portal on rare diseases and orphan drugs, and Alliance Maladies Rares, a collective of more than 200 associations, both of which lead actions to provide information and raise awareness about rare diseases.

In addition, since 2015, the Foundation has organised training on crowdfunding for associations, in partnership with HelloAsso.

Actions taken at the Group level	2015	2016
Number of supported patient associations	66	80
Number of encouraged projects	84	84
Number of sponsored researchers	3	2
Amount allocated for the fight against rare diseases by Groupama SA	€386,225	€386,225

The Foundation also benefits from support from the regional mutuals (not included in the consolidated scope), allowing it to reinforce its commitment to the fight against rare diseases.

In addition, the Group's companies mobilise in support of other "rare disease" institutions or associations. The Group's commitment (on the consolidated scope) in the fight against rare diseases totalled €438,292 in 2016.

(d) Acting for the environment

Aware of its responsibility in terms of indirect impacts, the Groupama group has developed incentives with regard to the environment with its customers and suppliers for several years, through its insurance offerings, its prevention and awareness actions, its SRI products, and its purchase contracts. Furthermore, we are convinced that we can also improve our direct impacts particularly by reducing our CO_2 emissions, our paper consumption, etc. We are therefore continuing our efforts to achieve the goals that we have set in this area.

General environmental policy

By virtue of our insurance business, the Groupama group's direct impacts on the environment are limited: our businesses do not constitute threats to biodiversity, water or soil use. However, we have developed a policy to reduce our consumption (paper, water, energy) and our CO_2 emissions, managed at the Group level by the CSR, Employer Branding and Internal Communication Department, in collaboration with Groupama Supports & Services (G2S). In addition to these in-house commitments and informing employees, the Groupama group is aware of the role it can play in raising awareness about the protection of the environment, among its various stakeholders and particularly among its customers (see section on "Climate change, offers with environmental and prevention aspects").

With regard to insurance, the prevention of environmental risks is thus fully integrated into the process for analysing and underwriting risks of professionals (including in agriculture), companies, and local authorities in order to help avoid or reduce the consequences of impacts of claims. For example, in the agricultural multi-risk offer, a score (on the prevention of risks of environmental harm and fire) has been put in place to recognise the efforts made in these areas and permits a reduction/discount of the insurance premium (such as the presence of a retention basin on hydrocarbon tanks or firefighting equipment, for the risk of heat pollution).

With regard to property assets, in anticipation of the 2015 Energy Transition Act, Groupama Immobilier (a subsidiary of Groupama SA that manages for its principals an asset base valued at €3.7 billion) signed the charter for energy efficiency of commercial buildings in 2014.

Groupama Immobilier also initiated two actions:

- development of a green works charter with 15 points of awareness (in particular, regulation, energy saving, environment, materials, worksites, etc.), systematically integrated into initiatives exceeding a certain amount;
- establishment of an energy mapping of commercial buildings consuming the most energy;
- establishment of a programme for metering energy and consolidating energy data on an SaaS basis for 51 of its buildings to develop energy-saving strategies.

The green works charter has a dual objective to:

- raise awareness among service providers listed with Groupama Immobilier on the importance of the impact of works on the environment;
- implement an environmental policy in keeping with the Grenelle 1 and 2 law.

Implementation is addressed within the framework of renovation worksites by all AMO HQE or BREEAM service providers, Project Manager, technical studies firms, companies, etc.

As much as possible, HQE (High Environmental Quality) and BREEAM initiatives always sought for acquisitions and/or new construction or restructuring as well as "operating" HQE or BREEAM for all properties in the portfolio.

In corporate real estate, all new signed leases are "green", *i.e.*, each Party commits to an action programme regarding consumption (energy and water). Within this framework, energy diagnostics and periodic meetings, called "Green Committees", have begun to be initiated with tenants. In addition, in 2015, Groupama Immobilier developed new tools and approaches to disseminate and share responsible attitudes (green booklet, welcome booklet, etc.).

Groupama Sigorta and Emeklilik (Turkey) also adopt this approach. In Turkey, Groupama is the first insurance company with the "Guarantee of Origin" green energy certificate, a European instrument of traceability of electricity, for its own consumption. The subsidiary occupies a building certified LEED Gold (Leadership in Energy and Environmental Design) issued by the US Green Building Council.

In addition, our Datacenter IT centres in Bourges and Mordelles monitor the good practices of the Green Grid, and a majority of our companies have carried out their BEGES (greenhouse gas emissions assessments).

Regarding protection of the environment, our employees are regularly informed of environmental issues, particularly through the Sustainable Development Week (now celebrated across Europe), the existence of a manual of environmentally friendly actions in the office, and the distribution of an Eco Pass Responsible Events charter allowing internal communicators to organise their events with the greatest respect for the environment. One-off actions supplement these recommendations, such as campaigns to raise awareness of eco-driving or the establishment of car-pooling in certain entities.

Circular economy

POLLUTION AND WASTE MANAGEMENT

The Groupama group's service business activities do not directly generate waste or pollution other than office waste. However, we wish to make progress in the recycling of such waste, particularly through selective sorting, already effective in several entities of the Group. For example, in 2016, the entities Groupama Asset Management and Groupama Immobilier put in place new sorting systems for their employees (sorting by voluntary contribution or sorting at the source, recycling of office paper, ink cartridges, batteries, lightbulbs, etc.).

FIGHT AGAINST FOOD WASTE

The Group's entities do not handle food services for employees themselves (subcontracted company catering or restaurant vouchers). However, the Group's companies put in place actions in the fight against food waste, such as a poster campaign within the Company restaurant, events to raise awareness on the topic during European Sustainable Development Week.

SUSTAINABLE USE OF RESOURCES

Paper consumption

Total paper consumption (office paper, marketing and technical documents and mass publishing) amounted to 1,612.46 tonnes, *i.e.*, 118.17 kg per full-time equivalent (FTE). In total and per FTE, it therefore decreased approximately 8.5% compared with 2015.

In 2016, office paper consumption amounted to 500.57 tonnes, 80.8% of which was certified. It therefore decreased by 3.6% in relation to 2015 per FTE.

For marketing and technical materials, consumption reached 787.82 tonnes in 2016. There was a decrease in the use of marketing and technical documents of 16.2% per FTE.

The sharp decrease in the use of marketing and technical materials is explained in particular by the establishment of "print on demand" by the EIG G2S to better manage printed quantities as well as the decrease in paper weight for certain Gan Assurances printed materials.

The consumption of mass publishing reached 324.06 tonnes in 2016. It increased 4.6% per FTE. This is the lowest area of total consumption in terms of volume (20%).

In order to reduce overall paper consumption, a project to streamline printers and copiers is underway for the member companies (excluding regional mutuals) of G2S, and the Group is continuing its work to promote electronic exchanges with its customers (customer areas clients on the Web, collection/sending of emails, electronic document management – the EDM programme, initiated in 2009, was finalised in 2016) in order to sustainably reduce physical sending of documents and the corresponding carbon emissions. A "zero inventory" system has been established for certain documents: only the quantities ordered by the entities are printed.

Details of the different types of paper consumption

	2015	2016	2016 scope *(%)*
Consumption of office paper *(tonnes)*	547.12	500.57	100
Consumption of office paper per person (kg/FTE)	*36.46*	*35.13*	
Consumption of marketing and technical documents *(tonnes)*	979.43	787.82	99.09
Consumption of marketing and technical documents per person (kg/FTE)	*66.61*	*55.80*	
Consumption of mass publishing *(tonnes)*	323.58	324.06	83.51
Consumption of mass publishing per person (kg/FTE)	*26.04*	*27.24*	

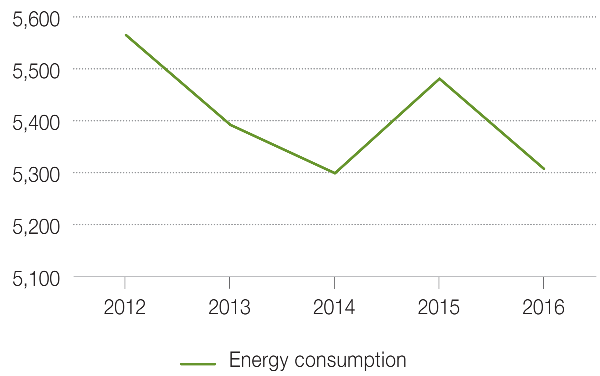
Water consumption

The Groupama group's business activities do not require water outside of the everyday consumption of its office buildings. In this context, "water prevention" campaigns intended to reduce consumption are regularly conducted with the entities' employees. In 2016, the Group consumed 111,784.44 m m^3 of water, or 11.29 m^3 per FTE (-11.7% compared with 2015).

Energy consumption

In 2016, the Group's energy consumption (electricity, gas, fuel oil, heat and chilled water) amounted to 65,703,145 kWh, or 5,323.91 kWh per FTE. Total energy consumption per FTE decreased 2.9%, reflecting the Group's desire to control the consumption of resources.

CHANGE IN OVERALL ENERGY CONSUMPTION SINCE 2012 (KWH/FTE)



For several years, the Groupama group has implemented many measures to reduce its consumption levels, including establishing free cooling in the Mordelles Datacenter, decreasing the temperature set points in offices and systematically turning off office lights outside of hours of occupation for most of the buildings managed by G2S.

In addition, by virtue of its insurance businesses, the Group is not affected by the issue of soil use.

Use of renewable energies: see methodological note.

Details of the different consumptions

	2015	2016	2016 scope *(%)*
Water consumption *(m^3)*	128,499.64	111,784.44	69.48
Water consumption per person (m^3/FTE)	*12.79*	*11.29*	
Total energy consumption *(kWh)*	**70,604,641.08**	**65,703,145.99**	
Total energy consumption per person *(kWh/FTE)*	**5,481.52**	**5,323.91**	
Electricity consumption *(kWh)*	50,661,925.36	46,159,917.50	84.78
Electricity consumption per person (kWh/FTE)	*4,018.47*	*3,821.71*	
Gas consumption *(kWh)*	11,442,271.72	11,047,663.25	85.69
Gas consumption per person (kWh/FTE)	*895.00*	*904.96*	
Fuel oil consumption *(kWh)*	162,962	5210	99.84
Fuel oil consumption per person (kWh/FTE)	*10.89*	*0.37*	
Heat consumption *(kWh)*	4,631,169.00	4,255,136.24	99.84
Heat consumption per person (kWh/FTE)	*309.48*	*299.14*	
Chilled water consumption *(kWh)*	3,706,313	4,235,219	99.84
Chilled water consumption per person (kWh/FTE)	*247.68*	*297.74*	

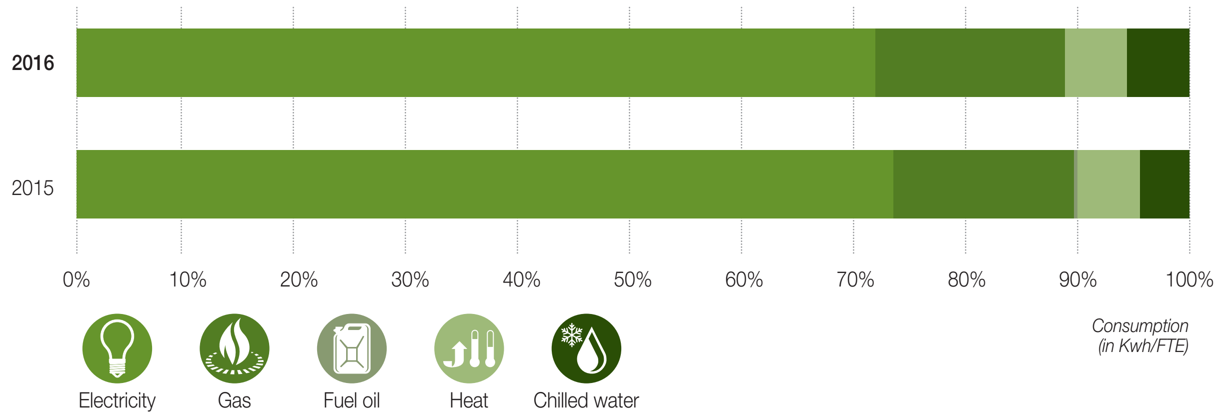
Fuel oil consumption per FTE decreased 96.6% between 2015 and 2016. This sharp decline is explained by the closure of a Gan Assurances building in April 2015, which represented the largest share of consumption, and confirms the Group's desire to get rid of this fuel, with personnel travelling to buildings using other sources of energy.

The change in the energy resource at some sites may be a factor to explain the slight increase in gas consumption per FTE (+1.1%).

The Group's chilled water consumption increased because of the increase concerning two buildings in particular, which saw their consumption increase because of higher temperatures in 2016 than the previous year[1] (+20%).

The numerous measures implemented by the Groupama group to reduce its electricity consumption resulted in a decline per FTE of 4.9% in this energy consumption between 2015 and 2016.

CHANGE AND COMPOSITION OF ENERGY CONSUMPTION



Climate change

As part of its CSR strategy, the Groupama group wishes to reduce its CO_2 emissions through its organisation and by encouraging the eco-responsible behaviours of its stakeholders through innovative initiatives.

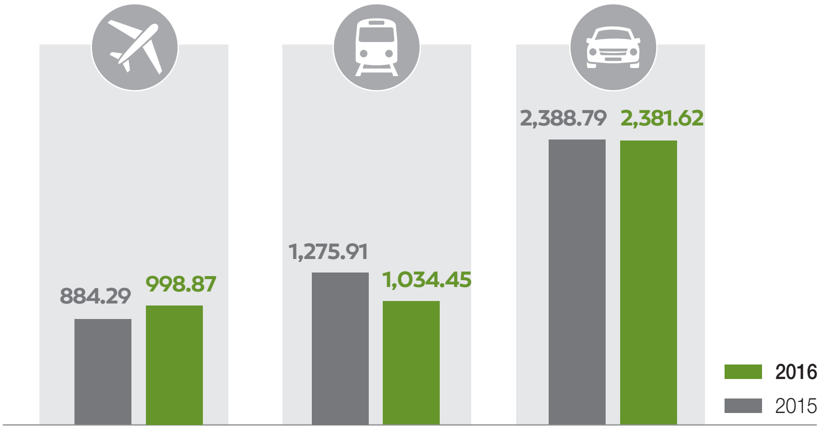
In its organisation, the levers considered to achieve this end pertain to energy consumption, business travel (including the fleet purchasing policy), and paper consumption. The Group's CSR team steers this objective and is responsible for encouraging community actions, particularly through the sharing of best practices and together with the Logistics working group.

Detail of the various types of business travel

	2015	2016	2016 scope *(%)*
Business travel by plane *(km)*	13,169,244.13	14,108,717.7	99.14
Business travel by plane per FTE (km/FTE)	*884.29*	*998.87*	
Business travel by train *(km)*	19,147,348.31	14,738,268	100
Business travel by train per FTE (km/FTE)	*1,275.91*	*1,034.45*	
Business travel by car *(km)*	35,745,161	33,931,906	100
Business travel by car per FTE (km/FTE)	*2,388.79*	*2,381.62*	
Total business travel by train, plane and car	68,061,753.4	62,778,891.7	
Total business travel by train, plane and car per FTE	**4,548.99**	**4,414.94**	

(1) UDD (unified degree days) increased 10% from 2015 to 2016

CHANGE IN BUSINESS TRAVEL IN KM/FTE BETWEEN 2015 AND 2016



The Group (consolidated scope) saw a 2.95% decrease in the number of kilometres travelled per FTE during business travel between 2015 and 2016.

For reasons of security, costs, and reducing its environmental footprint, the Groupama group regularly encourages its employees to travel less when possible, raises their awareness on the use of video conferencing to reduce travel. With this in mind, the Group saw a significant reduction this year of 18.92% in business travel by train per FTE (explained especially by a significant decrease at two entities, Gan Assurances and Groupama Supports et Services, alone representing 40% of such travel) as well as a slight decrease (0.3%) of travel by car per FTE.

However, there was a 12.96% increase in air travel per FTE, which goes hand in hand with the increase in the number of commercial trips of certain entities.

With regard to fleets, they are renewed every two years and therefore contain the models with the least fuel consumption and lower amount of emissions. A few electric vehicles were introduced on an experimental basis into the fleets of certain companies of the Group (G2S, Mutuaide, etc.). The introduction of petrol models and the use of on-board telematics are under consideration.

In 2016, CO_2 emissions totalled the equivalent of 16.446 tonnes of CO_2, or the equivalent of 1.254 tonnes of CO_2 per FTE (details according to the three scopes of the GHG Protocol in the tables below).

CO_2 emissions for the 2016 reporting period according to the three scopes defined by the GHG Protocol and according to the operational control consolidation method

Direct emissions – Scope 1 *(TeqCO₂)*	**2015**	**2016**	**2016 scope** *(%)*
Direct CO_2 emissions related to gas boilers	2,116.82	2,038.26	85.69
Direct CO_2 emissions related to gas boilers per FTE	*0.1656*	*0.1670*	
Direct CO_2 emissions related to fuel oil boilers	43.35	1.42	99.84
Direct CO_2 emissions related to fuel oil boilers per FTE	*0.0029*	*0.0001*	
Direct CO_2 emissions related to business travel in owned land vehicles	1,097.14	1,027.99	100
Direct CO_2 emissions related to business travel in owned land vehicles per FTE	*0.0756*	*0.0722*	
Total indirect GHG_01 emissions	**3,257.31**	**3,067.67**	
Total indirect GHG_01 emissions per FTE	**0.2441**	**0.2392**	

Indirect emissions – Scope 2 *(TeqCO₂)*	**2015**	**2016**	**2016 scope** *(%)*
Direct CO_2 emissions related to electricity consumption	6,787.30	5,914.88	84.78
Direct CO_2 emissions related to electricity consumption per FTE	*0.5384*	*0.4897*	
Direct CO_2 emissions related to heat consumption	1034.14	950.17	99.84
Direct CO_2 emissions related to heat consumption per FTE	*0.0691*	*0.0668*	
Direct CO_2 emissions related to chilled water consumption	123.42	141.03	99.84
Direct CO_2 emissions related to chilled water consumption per FTE	*0.0082*	*0.0099*	
Total indirect GHG_02 emissions	**7,944.86**	**7,006.08**	
Total indirect GHG_02 emissions per FTE	**0.6157**	**0.5664**	

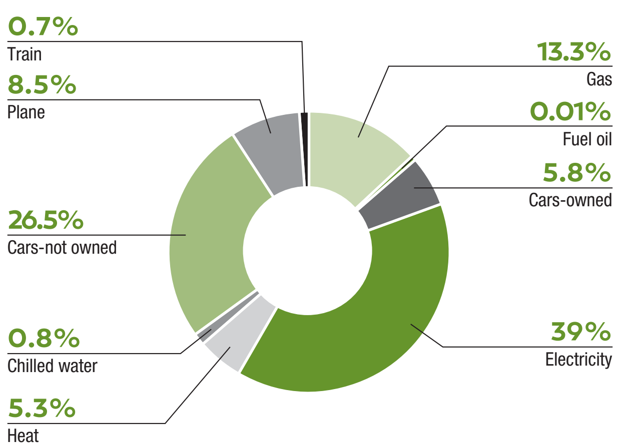
Other emissions – Scope 3 *(TeqCO₂)*	**2015**	**2016**	**2016 scope** *(%)*
Direct CO_2 emissions related to business travel in non-owned land vehicles	4,847.44	4,740.43	100
Direct CO_2 emissions related to business travel in non-owned land vehicles per FTE	*0.3239*	*0.3327*	
Direct CO_2 emissions related to business air travel	1,409.11	1,509.63	99.14
Direct CO_2 emissions related to business air travel per FTE	*0.0946*	*0.1069*	
Direct CO_2 emissions related to business train travel	135.41	121.96	100
Direct CO_2 emissions related to business train travel per FTE	*0.0090*	*0.0086*	
Total indirect GHG_03 emissions	**6,391.96**	**6,372.02**	
Total indirect GHG_03 emissions per FTE	**0.4275**	**0.4482**	

Total CO_2 emissions per FTE decreased 2.59% between 2015 and 2016.

CO_2 emissions per FTE decreased 1.97% on the scope of our direct emissions and 8.01% on the scope of our indirect emissions, due in particular to the 9.04% decrease emissions related to electricity consumption.

The slight increase of 4.84% in our CO_2 emissions per FTE of scope 3 is explained by the 13% increase in emissions associated with business travel by plane, which is due to the many commercial trips identified this year.

SOURCE OF CO2 EMISSIONS PER FTE IN 2016



CLIMATE CHANGE AND SOLUTIONS

While there are currently no methods to evaluate emissions caused by insurance products and services, it is interesting to note for this fiscal year a whole series of adapted, innovative insurance solutions offered by the Group that contribute to the fight against climate change or are intended to mitigate its consequences for its customers and members.

"Eco-responsible" products and services

By encouraging new behaviours or favouring certain equipment, the offerings of Groupama's companies contribute to the preservation of the environment and the climate:

- in motor insurance, products with behaviour-based pricing, which encourage a safer driving and lead to decreased fuel consumption, continue to develop with the expansion throughout the Group of the "Pay how you drive" principle through insurance and the Groupama on Board app (intended for young drivers). In addition, in 2016, the subsidiary Amaguiz added to its Road Coach solution (unit installed in the vehicle) through a partnership with WeNow, which allows to policyholders to offset their CO_2 emissions if they wish.

  Amaguiz has also developed, as part of the Renault Assurances partnership, specific insurance and a mobile app for Renault policyholders for the new ZOE electric car ("Renault assurances connectées"). Renault policyholders can download the free app and receive personalised tips on their driving, allowing them to save up to the equivalent of 36% of the annual premium.

"Renault assurances connectées" received the Argus 2016 award in the category of innovation in connected objects;

- Centaure eco-driving training: the twelve Centaure centres are an important relay for Groupama's prevention actions as regards its members as well as businesses and the general public. They offer eco-driving module among their range of post-permit training;
- the policy of repairing – instead of replacing – damaged automobile parts allowed 35% of bumpers and shields to be repaired in 2016. This policy reduces our CO_2 emissions and waste production;
- in multi-risk home, offerings include cover for home equipment that produces renewable energies as well as, since 2009, a "green" new equipment replacement plan for appliances requiring replacement;
- for professionals, including agriculture professional, Groupama offers cover for activities producing renewable energy and bioenergies such as methanisation.

Better prevention and compensation in the face of climate change

- the multi-risk weather insurance on crops allows farmers to protect their crops.

  This cover, jointly constructed by Groupama with farmers, has already undergone 10 years of experimentation of this type of protection. Since 2015, the Group has marketed a new form of this offer – which the Group helped to define at the national level – in the form of a base policy against setbacks and options, with the objective of offering to a maximum number of farmers the possibility of covering their operational expenses at a limited financial cost. To expand the cover to all productions, a policy for grasslands ("Prairies") was introduced in 2016;
- In 2016, Groupama partnered with Airinov, a leader in agricultural drones, to support the development of drones, in the protection of risk and the deployment of new services to farmers. The services developed by Airinov will allow Groupama to optimise the performance and quality of insurance benefits, such as close monitoring of the situation of crops, damage suffered, and the effective identification of areas impacted by a weather event;
- prevention and early warning services by Predict, a subsidiary of Meteo France, are now available to all Group customers. The mobile app Groupama-Predict allows customers to receive messages about key information to anticipate and manage a risky meteorological phenomenon.

The concept of ecological harm was introduced in the French Criminal Code in 2016. Groupama will thus prepare its customers and members, including farmers, for this new form of liability.

Protection of biodiversity

The Group is one of the leading private owners of forests and the leading insurer of forests in France. These forest assets, consisting of more than 20,000 hectares, represent one of France's largest "green belts".

In the last 15 years, 10 million trees have been replanted, or approximately 700,000 plants per year, corresponding to a reforestation of nearly 5,000 hectares. More than three-quarters of the reforestation involves areas affected by the Lothar and Martin storms of 1999 – which have been replanted in full – and those affected by the Klaus storm of 2009 – which have been partially replanted with a finalisation date scheduled for 2017.

All forests managed by Groupama Immobilier (29 forest areas) are PEFC-certified (certification guaranteeing sustainable management of wood resources in forests). This certification defines strict rules for operating projects and work within the framework of sustainable forest management. In particular, these rules aim to exploit forests while respecting the soil, water, fauna, and flora.

The Groupama group is a pioneer in assessing forest carbon storage. In 2015, a study conducted on behalf of Société Forestière Groupama by EcoAct and IF Consultants and with the assistance of Demetz-Costaz made it possible to demonstrate for the first time that the forests of Société Forestière Groupama (SFG) played a role in carbon sinks. They contributed to the reduction of France's net CO_2 emissions (see data below). These carbon amounts have stored in SFG's forests or have been avoided through the use of wood products from its forests. This study is now updated annually.

Updated data for 2016:

SFG forest carbon stock: 10 million t of CO_2 on 20,181 ha

Annual increase in CO_2 stored (balance between planting and cutting + biomass storage): 335,710 t of CO_2

CO_2 emissions avoided: 69,774 t of CO_2 avoided by the use of sold wood

To be compared with:

381 teqCO_2 produced by logging sites

16 KteqCO_2 emitted by the Group in 2016 (consolidated scope)

More broadly, our policies contribute directly to the protection of biodiversity with the reduction of paper consumption and CO_2 emissions.

(e) Relations with stakeholders

Subcontractors and suppliers

The Groupama group has very limited recourse to subcontracting. Project management, project ownership and Interim purchases represent less than 15% of the Group's total purchases called General Expenses[(1)].

In application of the 10 principles of the charter of the Global Compact and the diversity charter, CSR commitments have been integrated into the Group's purchasing policy, including a purchasing ethics charter, which has been incorporated into the Internal Regulations of Groupama SA. It discusses three aspects in particular: consideration of methods of manufacture of materials, the behaviour of suppliers in respect of these methods of manufacture, and the supplier's compliance with the labour law and the rules of the ILO.

The Groupama group has signed the inter-company charter, which particularly favours long-term relationships with SMEs, incorporation of CSR criteria in the choice of suppliers and consideration of the territorial responsibility of a large group.

A guide to eco-responsible purchasing, produced by the Group Purchasing Department, was distributed to all group buyers in order to help them take social and environmental criteria into account in their calls for tenders and purchases: identification of issues and areas for improvement, information about the offering and assessment of present purchases.

In addition, in our calls for tenders, we ask our suppliers, as part of the supplier CSR charter, deployed in 2016, or specific contractual clauses, to declare whether they respect the principles of the ILO, the Universal Declaration of Human Rights and the charter of the Global Compact (working conditions, respect for the environment, ethics), and we encourage them to adopt eco-responsible behaviour (product design, staff training, routing, waste management). A "CSR" clause is inserted into the contracts.

Purchases made by the Group relate mainly to four areas:

- IT and telecommunications;
- intellectual services (strategy consulting, HR consulting, training, marketing, travel, etc.);
- general resources (management of the building overall: construction, service for occupants, etc.);
- insurance purchases.

Other stakeholders

MEMBERS AND CUSTOMERS

On the one hand, membership, the decentralised operating base of the Groupama group's Mutual Insurance Division, allows our 4 million French members to take part in each level of the elective system: Local Mutual, Regional Mutual, Departmental Federation, or National Federation. Thus, 300,000 members participate each year in the General Meetings of our some 3,300 local mutuals, which gives them decision-making power within the mutual company. On the other hand, the four Gan specialised networks have strong territorial anchoring in France, and the Group also has local networks abroad. In addition, Groupama is particularly attentive to its customers, thanks to continuously conducted satisfaction measurements – on claims managements, requests, complaints, etc. – with its private customers, as well as regular detailed satisfaction surveys conducted annually, on a very large number of individuals from all of its customer types. The improvement of customer satisfaction (ASC) is a priority issue for employees. As part of the ASC, Groupama takes into account the expectations of its customers with a personalised follow-up and regular contacts. Over the 2014-2016 period of the ASC programme, there was an increase in the NRI (net recommendation index) of +7 points.

PROFESSIONAL ORGANISATIONS

Regarding dialogue with professional organisations, the Group participates in the CSR working groups of many federations or institutes, in particular: Fédération Française de l'Assurance (FFA, the result the FFSA-GEMA merger in 2016), MEDEF, AFEP, Club Finance de l'Orse. Our subsidiary, Groupama Asset Management, has been a member of UNEP-Fi since 2002 (Asset Management Working Group), is Chair of the Sustainable Finance and Responsible Investment Forum of AFG (French Asset Management Association) and the AFG's Responsible Investment Committee, is General Secretary of the FIR (Responsible Investment Forum), has participated in the FIR/PRI Prize for European Research in "Finance and Sustainable Development" for several years, and is an executive member of EUROSIF.

SCHOOLS

For several years, the Groupama group has maintained partnerships with various actuarial schools and is one of the four founding members of the Risk Foundation, which seeks to encourage and coordinate teaching and research projects in all areas of risk (financial risks, industrial risks, environmental risks, wealth risks or individual health in particular) in close relationship with partner institutions: *Polytechnique*, *Centre d'Études Actuarielles*, *Université Paris-Dauphine*, ENSAE. Groupama is also developing a research partnership with *Institut Supérieur d'Agriculture de Beauvais* on agricultural risks and has entered into a partnership with CNAM to optimise the contribution of our companies to the development of the territories.

(f) Fair practices

Compliance

The Groupama group has a group Compliance policy, validated by the Board of Directors of Groupama SA, in order to ensure that its practices are consistent with all laws and regulations as well as the standards enacted by the supervisory authorities and professional practices.

Its presents the organisation implemented to achieve this objective and the organising framework of the system for managing risks of non-compliance, *i.e.*:

- the arrangements put in place in agreement with the Group's strategy and in keeping with its risk appetite;
- the roles and responsibilities of key players at the Group and company levels.

(1) This percentage reflects project management, project ownership and Interim purchases, including all taxes, carried out in 2016 in relation to the Group's total purchases, including all taxes (excluding international subsidiaries).

The Group Compliance policy applies to all companies of the Groupama group both in France and abroad, respecting the rules of proportionality (nature of activities and associated risk policy, size, workforce, etc.) as provided for in Directive 2009/138/EC, regardless of whether they are subject to Solvency II or to any equivalent legislation/regulation.

The "Compliance Verification" function is independent of operational activities and reports to a member of the Steering Committee who does not carry out any operational function within the entity to which he or she belongs. The function meets the criteria of skills and good character and is the subject of a notification to the ACPR.

The function is subject to a whistleblowing duty and reports on these activities to the governance bodies of the Group and the Group's companies as well as to the supervisory authorities.

Given that the risk of non-compliance is a cross-group operational risk, the non-compliance risk control system is one of the essential components of internal control organised within the Groupama group.

Compliance essentially covers the themes pertaining to the Group's core business, *i.e.*, non-life insurance, life insurance, asset management, and real estate governed particularly by the insurance, monetary and financial, consumer, and commercial codes, the General Regulation of the AMF, as well as the regulations from the supervisory authorities to which these activities are subject. More specifically, it covers:

- the protection of customers;
- the fight against money laundering and terrorist financing;
- ethics and professional conduct as well as management of conflicts of interest;
- professional secrecy;
- the particular case of medical data;
- internal fraud.

Since 2013, a compliance plan has been in the process of deployment by the Group CIL team. It incorporates the provisions of the new sectoral reference source, adopted in 2014 by the French data protection authority (CNIL) and the representative organisations of the insurance profession.

Protection of personal data

In 2007, the Groupama group decided to designate a CIL for the Group whose duties are defined by law, consisting particularly of establishing and maintaining the list of data processing in force within the Group's companies, advising, training, ensuring compliance with the relevant regulations (*a priori*, *a posteriori*), whistleblowing, and managing the rights of individuals. This function maintains relations with the CNIL.

The Group's CIL team fulfils this role and performs these duties for all companies of the Group. The function of Pooled Group CIL is independent by law and reports to the General Secretary, a member of the Steering Committee. The function meets the legal and regulatory requirements governing the conditions for designation of a CIL and has been the subject of a notification to the CNIL. This function is subject to a whistleblowing duty and must report on activities by preparing an "annual activity review" presented to the data controller and held available for the CNIL.

In view of the entry into force of the General Data Protection Regulation in 2018, the Group appointed a "Corporate Privacy Officer" on 28 November 2016.

The importance of this appointment lies essentially in the establishment of control and coordination of "Personal Data" governance at the Group level, by capitalising on the foundation of governance of personal data implemented in France by the CIL (DPO France), thus allowing risks to be reduced.

With regard to personal data, compliance control is one of the duties carried out by the Group CIL and his or her teams. The compliance of personal data processing cover not only the above topics pertaining to the Group's core business (non-life insurance, life insurance, asset management, real estate, etc.) but also all other topics as long as personal data are concerned (e.g., human resources, video surveillance devices, service activities, etc.).

Following the publication of a new sectoral reference source, adopted in 2014 by the French data protection authority (CNIL) and the representative organisations of the insurance profession, the CIL has notably undertaken various compliance actions within the companies subject to these provisions. This new reference source or "compliance pack" is a true tool for steering compliance and regulating the use of personal data in the everyday activity of insurers.

In addition to the field covered by this new reference source, the CIL has an ongoing duty to ensure the compliance of all data processing implemented within the Group's companies, regardless of the purpose.

Actions against money laundering and terrorist financing and CIL (Data Protection Correspondent)

As part of this, a network of Managers of anti-money laundering and financing of terrorism (AML/FT) in the entire group has been established. This is coordinated by the Group Legal Department and involves regular meetings and newsletters, monthly reporting and semi-annual updates for the Group's General Management and an annual report to the Board of Directors of Groupama SA on actions taken within the Group.

This structure was enhanced in 2013 by the establishment of a central committee for guidance and monitoring of the fight against money laundering and terrorist financing (AML/TF) within the Group. This committee is responsible for monitoring and coordinating the actions carried out by the various functions and entities involved in this area. An AML/TF organisational chart has been distributed to the Group's companies.

The key points of the system include risk mapping, incorporating an evaluation of risks of money laundering and financing of terrorism based on products, operations, customers and modes of distribution; the collection of information about customers and the source of funds depending on the significance of the risks; a tool for automated detection of individuals appearing on lists of terrorists and persons considered to be politically exposed as well as a secure database of suspicion reports; the establishment of a customer relationship profiling tool for banking and life/savings business activities; a system for checking proper application of procedures as well as e-learning training tools on the principles of anti-money laundering and financing of terrorism.

2016, which was particularly marked by the strengthening of the regulatory framework in the fight against terrorism, was devoted at the Group level to the continuation of actions undertaken to further improve the effectiveness of AML/TF measures as well as to the monitoring of the transpositions into French law of the "Fourth Anti-Money Laundering Directive" and the analysis of the impacts of the transposition order of 1 December 2016.

Other

The Groupama group adheres to the Universal Declaration of Human Rights of 1948 and the European Convention on Human Rights and the principles of the International Labour Organisation (ILO) and the guidelines of the OECD for multinational companies.

5.1.12.3 Table of concordance and methodological note

In accordance with the provisions of Article L. 225-102-1 of the commercial code, Groupama SA presents in its management report the actions and directions taken by the Company to take into account the social and environmental consequences of its activity and to fulfil its societal commitments regarding sustainable development. The correspondence with the disclosures required by the regulations (mentioned in Article R. 225-105-1 of the commercial code) is presented below.

(a) Social information

Employment:	
Total staff and the breakdown of employees by gender, age and geographic area	§5.1.12.2 (a)
Hires and redundancies	§5.1.12.2 (a)
Remuneration and its changes	§5.1.12.2 (a)
Organisation of work:	
Organisation of working time	§5.1.12.2 (a)
Absenteeism	§5.1.12.2 (a)
Employee relations:	
Organisation of the social dialogue; in particular, the procedures for informing and consulting the staff and negotiating with the staff	§5.1.12.2 (a)
Assessment of collective agreements	§5.1.12.2 (a)
Health and safety:	
Workplace health and safety conditions	§5.1.12.2 (a)
Assessment of agreements signed with union organisations or staff representatives regarding workplace health and safety	§5.1.12.2 (a)
Workplace accidents, particularly their frequency and severity, as well as occupational illnesses	§5.1.12.2 (a)
Training:	
Training policies implemented	§5.1.12.2 (a)
Total number of training hours	§5.1.12.2 (a)
Diversity and equal opportunity/equal treatment	
Policy implemented and measures taken to promote gender equality	§5.1.12.2 (a)
Policy implemented and measures taken to promote employment and inclusion of persons with disabilities	§5.1.12.2 (a)
Policy implemented and measures taken to fight discrimination	§5.1.12.2 (a)
Promotion of and compliance with the terms of the ILO fundamental conventions related to:	
Respect for the freedom of association and the right to collective bargaining	§5.1.12.2 (a)
Elimination of discrimination in employment and professions	§5.1.12.2 (a)
Elimination of forced or compulsory labour	§5.1.12.2 (a)
Effective abolition of child labour	§5.1.12.2 (a)

(b) Environmental information

General environmental policy:	
The Company's organisation to take into account environmental issues and, where appropriate, the approaches for evaluation or certification in environmental matters	§5.1.12.2 (d)
Actions taken to train and inform employees about protection of the environment	§5.1.12.2 (d)
Resources devoted to the prevention of environmental risks and pollution	§5.1.12.2 (d)
Amount of reserves and coverage for environmental risks, provided that this information is not likely to cause serious harm to the Company in a current dispute	§5.1.12.3 (d)
Pollution	
Measures to prevent, reduce or repair of releases into the air, water and soil seriously affecting the environment	§5.1.12.3 (d)
Consideration of noise and any other form of pollution specific to an activity	§5.1.12.3 (d)
Circular economy	
Pollution and waste management	§5.1.12.2 (d)
■ measures for prevention, recycling, reuse, and other forms of recovery and elimination of waste;	
■ actions to fight food waste	
Sustainable use of resources	§5.1.12.2 (d)
■ water consumption and water supply based on local constraints;	
■ consumption of raw materials and measures taken to improve efficiency in their use;	
■ energy consumption, measures taken to improve energy efficiency and use of renewable energies	
Use of soil	§5.1.12.2 (d)
Climate change:	
The significant areas of greenhouse gases emissions generated by the Company's business, particularly through the use of the goods and services that it produces	§5.1.12.2 (d)
Adapting to the impact of climate change	§5.1.12.2 (d)
Protection of biodiversity:	
Measures taken to develop biodiversity	

(c) Societal information

Territorial, economic, and social impact of the Company's business:	
Jobs and regional development	§5.1.12.2 (c)
Surrounding and local authorities	§5.1.12.2 (c)
Relations with persons or organisations concerned by the Company's activities:	
Conditions for dialogue with these persons or organisations	§5.1.12.2 (c) §5.1.12.2 (e)
Partnerships and corporate sponsorship	§5.1.12.2 (c)
Subcontractors and suppliers:	
Incorporation of CSR criteria into the Company's purchasing policy	§5.1.12.2 (e)
Importance of outsourcing and incorporation of CSR criteria into relations with suppliers and subcontractors	§5.1.12.2 (e)
Fair practices:	
Actions taken to prevent corruption	§5.1.12.2 (f)
Measures taken for consumer health and safety	§5.1.12.2 (b)
Other human rights initiatives:	
Human rights initiatives	§5.1.12.2 (f)

(d) Methodology note

This note is intended to provide a reminder of Groupama's CSR reporting methodology and to clarify certain points about the scope taken into account and the calculations made on certain indicators.

Data collection

COLLECTION PROCESS

The information published in the management report of the registration document of Groupama SA is collected thanks to the contributions of the Group's network of reporting correspondents.

Most of the environmental and societal data are reported by the entities concerned through SCOOP, a solution offered by Enablon and fully dedicated to the CSR reporting within the Group. The list of employees to the reporting is updated each year before the beginning of the reporting campaign, and training on the use of SCOOP and the reporting process in general is offered by the CSR, Employer Branding and Internal Communication Department to employees where appropriate.

Certain environmental and societal data, by virtue of their specificity (when they relate to only one entity of the Group for example) or for practical reasons (difficulty of access to the tool, compliance with deadlines), are collected directly by the CSR, Employer Branding and Internal Communication Department from the correspondents or departments concerned.

Process of collection of social data

The management report (consolidated scope) and the registration document (consolidated scope) are produced from several data sources, depending on whether it involves:

- a French or international company;
- consolidated or non-consolidated indicators;
- indicators concerning data or populations, managed or not in the Company's information systems;
- indicators that could be produced from data reported each month in a Group infocentre called SIPGRH, only for certain French companies.

Set up in 2003, the *Système d'Information et de Pilotage Groupe de Ressources Humaines* (SIPGRH or Human Resources Group Steering and Information System) is the only HR database at the Group level. This infocentre is supplied with data on a monthly basis and contains 99.6% of the individual data of the Group's employees in France and 94% of the Group's individual data, including the international subsidiaries. With regard to the France scope, the SIPGRH is supplied every month with individual data of around 97% of Group employees from the personnel administration systems of the French companies and every quarter for other French companies.

Given that the transmission and control of these indicators by a third-party organisation are new obligations, the CSR data collection process changes each year to take account of recommendations made by the statutory auditors, improve the quality of the transmitted indicators and increase the reliability of the published data.

In December 2015, a new tool called the datahub was implemented to securely collect individual information for small French structures and international subsidiaries. Each quarter they submit their file of data, which are formatted and verified in real time (when uploaded to the datahub), to comply with the existing management rules in SIPGRH. Once all verifications have been completed, the companies use the connection to send the file to the Group HR Department, which transfers it to ADP after validation for loading into SIPGRH along with the other monthly files.

The data from all companies are now available in a single environment, SIPGRH, and the Group HR Department can use a single tool to work with reliable, standardised data for the entire Group (or almost, as Asia is not involved).

It should be noted that around only twenty individual pieces of data are taken into account for these companies: these are mainly contractual data particularly for monitoring staff and movements.

However, certain data or populations (disability, agents/general agents, temporary workers, etc.) are not systematically present in the infocentre. In such cases, the corresponding indicators are requested from the companies using an Excel model sent by e-mail at the end of the year. The same is true for consolidated indicators, such as the number of work/commuting accidents and indicators relating to training.

Only one Excel model is now forwarded to the various contributors for the indicators corresponding to:

- number of agents and general agents by gender and workplace (outside or inside the Paris region);
- movements of incoming and outgoing agents and general agents during the year;
- number of temporary worker days and amount paid to temporary labour companies;
- DADS gross payroll;
- volume of employers' contributions;
- duration of the theoretical workweek and number of overtime hours;
- number of employees working on an atypical schedule;
- number of agreements signed during the year and the topic of these agreements;
- number of days of absence by reason (only for companies that send the data through the datahub);
- the number of employees with disabilities at 31 December as well as the ID numbers of the employees concerned and their level of qualification;
- the number of employees with disabilities recruited for permanent or fixed-term contracts as well as the ID numbers of the employees concerned and their level of qualification;
- number of promotions (only for companies that send the data through the datahub);
- number of occupational illnesses reported during the year;
- number of work/commute accidents with and without work stoppage.

With regard to the indicators relating to professional training and for companies within the management scope of the community training tool CAPEDIA, they are determined centrally by the University sector. For other French companies and for international companies, they are integrated into the Excel models. There are three of such indicators:

- employees trained by gender and by category;
- hours of training by gender and by category;
- costs of the training.

These arrangements reduce the burden for the companies and the Group HRD, reduce lead times, and especially increase the reliability of the information given that the processing is centralised.

Environmental and social data collection process

The CSR data collection process is improved each year, particularly by reinforcing the degree of precision required from employees upstream (specify the method of estimation or extrapolation used if such is the case, sending of attachments – invoices, meter readings, information received by service providers or suppliers in particular – supporting the reported results) and by refining the criteria for whether values are taken into account during the consolidation downstream (see paragraph "Data Consolidation and Publication"), which improves the reliability of the published data.

On the other hand, improvements have been made on the basis of recommendations prepared by the statutory auditors:

- prevention: a working group made up of different reporting contributors made it possible to change the formulation and the definition of the indicators on external prevention missions to simplify the reporting of data by the entities;
- sponsorship: the definition of sponsorship, excluding rare diseases, was clarified in order to refine the scope of the indicator.

REFERENCE SOURCE AND DEFINITIONS OF INDICATORS

The indicators collected and published in the CSR section of the management report were developed in accordance with Article R. 225-105-1 of the commercial code and consistent with the guidelines of Groupama's CSR strategy.

A Group Reporting Reference Source in force since fiscal year 2010 is updated each year. It clarifies the rules for collection, explains the operation of the software, and specifies the scope taken into account.

The list of collected environmental indicators and the methods for calculating these indicators are defined in a glossary of definitions updated each year. The methods for calculating CO_2 emissions are also defined in this document and carried out subsequently by the CSR, Employer Branding, and Internal Communication Department. The emission factors used come from the Ademe carbon database and are updated each year.

The collection of societal indicators is also based on a glossary of definitions updated for each reporting period and made available to employees before each new reporting campaign.

REPORTING PERIOD

The reporting period was determined in order to be able to meet the deadlines for verification and publication of the disclosures required by Article R. 225-105-1 of the French Commercial Code.

As such, since 2012, the societal and environmental indicators have been collected by rolling year, from 1 November N-1 to 31 October N, *i.e.*, from 1 November 2015 to 31 October 2016 in the present case. When it is impossible to obtain a data in advance for this period, an extrapolation by proportion or an estimate (according to the methods defined by the Reporting Reference Source or consistent with the values of previous years) may be performed, and the method used is specified by the employees.

Note that two of the societal and environmental indicators are collected by calendar year: the indicator on the Centaure Centres and data on responsible investment.

As regards social information, it is collected over a calendar year, *i.e.*, from 1 January 2016 to 31 December 2016 in this case. Information related to absenteeism is reported on a rolling-year basis from December 2015 to November 2016.

Reporting Scope

The 27 entities that are part of the reporting scope published in the CSR section of the management report are those integrated and consolidated in the Financial Reporting of Groupama SA's registration document (see list in the appendix).

- The published environmental and societal information relate to 25 entities detailed in the appendix (or 99.2% of FTEs at 31 October 2016). For the two entities where the information was not collected (GAN IA Hong Kong and other property subsidiaries), it was decided not to include them in the consolidation of the information. These same rules have been applied in the calculation of CO_2 emissions.
- The social information pertains to the 27 entities on the list in the appendix.

POLICY OF EXCLUSION FROM THE CONSOLIDATED SCOPE:

Companies accounted for under the equity method in the accounting results are not taken into account in terms of social and environmental indicators, and Groupama Avic Property Insurances Company, the Groupama group's subsidiary in China, was removed from the non-financial reporting scope in 2013 for a better balance between the consolidated financial and non-financial scope.

The distinction between consolidated scope and combined scope (including all group subsidiaries in France and abroad as well as the regional mutuals) during the environmental and societal data consolidation phase was made by the CSR, Employer Branding and Internal Communication Department on the basis of reports generated by the SCOOP tool. The SCOOP tool makes it possible to collect data for the combined scope, which are then published in the annual report.

In 2016, the entity GOM Antilles was removed the consolidated scope, because the GOM Antilles figures are now included in Groupama Antilles Guyane's accounts. Similarly, it was decided to exclude the entity Groupama Banque, which became Orange Bank in 2016 and thus left the consolidated scope.

Consolidation and publication of data

CONSOLIDATION PROCESS

All environmental and societal data reported by the employees are consolidated by the CSR, Employer Branding, and Internal Communication Department. The consolidation is preceded by a validation for each indicator and for each entity through the following checks:

- when the zero value is entered for an indicator, the CSR, Employer Branding and Internal Communication Department asks the employees concerned to specify whether this is due to the fact that the indicator is not applicable to their entity (in this case, the entity is included in the consolidation of this indicator) or because the information is not available (in which case, the entity is excluded from the consolidation of this indicator);
- comparison of N and N-1 data: when an entity reports a value fluctuating by +/-20% compared with the figure reported in 2013/2014, the employee concerned is alerted by the CSR, Employer Branding and Internal Communication Department, and the figure is confirmed only if the difference can be justified, with the help of supporting documents if necessary;
- other consistency tests: in the event that there is no information about an indicator's significant difference in relation to 2015, the indicator's ratio per FTE for the entity concerned is compared with the average ratio per FTE for the same indicator, and the weight of this entity in the consolidated scope for this indicator is considered – if the entity represents an significant share of the scope or if its ratio per FTE for the indicator concerned seems abnormal, validation of the unsupported data is not possible.

Concerning the quality of social data, checks are made by the SIPGRH Project Owner of the HRD group each month at the time of the loadings. Functional tests are also carried out to ensure the consistency of the results relating to staff and staff movements (headcounts for month N = headcounts for N-1 – departures for the month + entries for the month).

In addition, comparisons are made over time between the work carried out by the companies and the work of the Group Human Resources Department (DRHG) on the basis of the social reports, particularly that group together a number of significant indicators.

And, at the time of completion of the work specific to CSR, the data for year N are compared with those for year N-1 by the Studies sector of the Group HRD.

After consolidation of an indicator, the final total value and the ratio per FTE are compared with those of the 2015 reporting.

SCOPE COVERED

The coverage of the collection scope of each environmental and societal indicator is the ratio of the number of FTEs of entities having provided information validated by the CSR, Employer Branding and Internal Communication Department for this indicator to the total number of FTEs of the consolidated scope. The FTEs are provided by the Group HRD at 31 October 2016 when this information is available.

Note that the Centaure Centre driving training figures (§5.1.12.2 b) pertains to the Group's entire France scope and may therefore include actions carried out by the regional mutuals (Groupama Loire Bretagne in particular).

PROPERTIES MANAGED BY THE EIG G2S

The following rule was applied for consideration of the consumption of buildings formerly managed by the EIG G2S and recently released:

- buildings vacated before the beginning of the reporting period (1 November 2015 -31 October 2016) or occupied for 0 to 6 months during the 2016 reporting period were removed from the consolidation tables;
- buildings that were occupied for 6 or more months during the 2016 reporting period appear in the consolidation tables; the date on which they were released is mentioned, and their consumption levels are taken into account in the consolidation of the indicators.

PROPERTIES NOT MANAGED BY THE EIG G2S

Decrease in FTEs for Groupama SA and Groupama Gan Vie:

- All FTEs of consolidated scope are taken into account in consumption figures (G2S is in charge of 25 buildings housing 15 group companies) with the exception of 5 FTEs for Groupama SA and 17.86 FTEs for Groupama Gan Vie, which correspond to employees located in buildings not managed by G2S, for which we were unable to obtain consumption details. We therefore decided to subtract these missing FTEs from the Company's total FTEs for the energy consumption indicators (heat, electricity, water, chilled water, fuel oil, gas).

CORRECTION OF THE SCOPE FOR GROUPAMA ASSICURAZIONI (ITALY)

For Groupama Assicurazioni's "water consumption" indicator, the 2015 value corresponded only to a single site, and the subsidiary's FTEs corresponded to the FTEs of the site (Rome head office). Starting in 2016, the value now includes all of the subsidiary's sites, and the FTEs are those of the subsidiary. In order to be able to compare with the 2015 data, the data for last year were adjusted to include the consumption of the entire subsidiary (and not only the Rome head office).

CHANGE IN ACCOUNTING METHOD FOR GAN ASSURANCES ON THE PREVENTION INDICATOR

For agricultural risks, only the missions identified by the department concerned of the head office are taken into account. These are therefore prevention missions steered at the central level of Gan Assurances to meeting prevention objectives (in 2016, these were policies covering cold chambers). The prevention of agricultural risks is done not by a dedicated team like for industrial risks, but by the Agricultural Specialist Inspectors (eight in number). This activity is incorporated on a daily basis into their activity, independently of prevention campaigns managed by the head office: in previous years, their prevention activity during customer acquisition, monitoring of risks in the portfolio, etc. was taken into account. This is no longer the case in 2016, hence the observed drop, which does not, however, accurately reflect the change in the prevention activity between the two fiscal years.

CHANGE IN INDICATOR FOR PREVENTION MISSIONS

The 2016 data are not comparable with the 2015 data for the indicator "number of missions carried out by preventionists" because the indicator was modified. The indicator is no longer based on a number of days of missions but on a number of missions, for easier accounting for missions by the companies.

CLARIFICATIONS ON GRENELLE 2 INFORMATION

Because of its service businesses, with environmental impacts limited and reduced to low-pollution consumption (paper, electricity, etc.), the Groupama group has no financial provision for environmental risk. In addition, the activity does not generate noise, and water is not consumed in water stress areas.

Moreover, certain Grenelle 2 information is excluded from the reporting because it is deemed immaterial for the entity:

- concerning “measures to prevent, reduce or repair of releases into the air, water and soil seriously affecting the environment”: this information is not a key point of our CSR strategy because of our service business;
- concerning “water supply based on local constraints”: the Group’s entities are connected to the public network;
- concerning “measures taken to improve energy efficiency and use of renewable energies”: the Group’s entities are connected to the national power network and thus benefit from the renewable part of the network.

DETAILS ON THE CALCULATION OF CO2 EMISSIONS

CO_2 emissions are published according to the three scopes defined by the GHG Protocol and according to the operational control consolidation method, as detailed below:

- scope 1, direct emissions related to consumption of gas and fuel oil and business travel in land vehicles owned by the Group’s entities;
- scope 2, indirect emissions related to consumption of electricity, heat and chilled water;
- scope 3, other indirect emissions related to business travel by air, train and land vehicles not owned by the entities (leased vehicles, reimbursement of mileage costs).

The emission factors were updated for the 2016 report using the ADEME carbon base. The factors take into account emissions related to combustion and not upstream of production. A few clarifications for certain emission factors:

- for electricity, the emission factors used for entities present in the overseas departments and territories were calculated as follows using the ADEME base: for GOM Antilles, the average between the emission factors of Guadeloupe and Martinique/for GOM Pacifique, the average between the emission factors of New Caledonia, Tahiti and French Polynesia excluding Tahiti;
- for consumption of steam and chilled water, the CSR, Employer Branding and Internal Communication Department used an average of the various factors provided by ADEME for the cities in which Groupama is located;
- for travel by plane, the CSR, Employer Branding and Internal Communication Department used the emission factor of a trip of average capacity and average distance (100 to 180 seats and 2,000 to 3,000 km);
- for travel by train in France, the emission factor used by the CSR, Employer Branding and Internal Communication Department was the average of the large train line in France, which takes upstream emissions into account, given that it was not possible to differentiate for the other countries.

DETAILS ON THE CALCULATION OF THE RATES CONTAINED IN THE SOCIAL DATA

- absenteeism rate in France = number of working days of absence/(average monthly number of employees on permanent and fixed-term contracts * (number of business days paid under a contract, *i.e.*, 262 working days)). The formula was updated this year to increase the accuracy of the indicator;
- accident frequency rates = number of workplace and commuting accidents with work stoppage * 1,000,000/annual theoretical hours worked;
- accident severity rates = (working) days lost for workplace and commuting accidents with work stoppage * 1.000/annual theoretical hours worked.

For these last two indicators, the annual theoretical hours worked by business = theoretical weekly duration * 47 weeks * workforce on permanent contracts & fixed-term contracts at 31 December 2016.

RESTATED 2015 DATA

For certain indicators, the 2015 figures were recalculated and modified in this report taking into account the changes in calculation method or scope in order to make the 2016 data comparable with the 2015 data. This rule applies to the following indicators and entities:

- 2015 social data:
  - all indicators (exclusion of Groupama Banque and GOM Antilles, which are no longer part of the scope in 2016),
  - absenteeism rate. The method for calculating the indicator was modified;
- 2015 environmental data:
  - water (Nantes building, 5 buildings modified by G2S, exclusion of Groupama Garancia Biztosito and Gan Foresight),
  - electricity (Bourges and Balma building, exclusion of Groupama Garancia Biztosito),
  - chilled water (Groupama Zastrahovane Non Life),
  - gas (exclusion of Groupama Garancia Biztosito),
  - marketing and technical materials (Groupama Emeklilik),
  - air km (Groupama Immobilier),
  - car km (exclusion of Air+ data of G2S, because short-term rentals are excluded from the scope of the indicator);
- 2015 societal data:
  - prevention missions (addition of Rural Driving 10 and Young Driving 10 missions),
  - internal prevention (Gan Patrimoine, Gan Prévoyance, Groupama Asigurari),
  - sponsorship excluding rare diseases (Groupama SA).
- Criteria for definition of funds:
  - assets under management of funds and mandates classified as SRI: They are consistent with the specific SRI management process, which is based on the application of an extra-financial analysis methodology common to equities and credit according to a best-in-class approach; the securities of the available universe are analysed by our teams and classified into five quintiles (the holding of securities belonging to the bottom quintile is prohibited). The funds concerned are

particularly specialised funds and collective employee shareholding plans (FCPE) certified by the CIES (French Inter-union Employee Savings Committee),

- assets under management of funds and mandates classified as RI: in this category, we classify funds or mandates that, without be managed according to a best-in-class approach, are subject to ESG/RI charters,
- the outstanding amount of the entire monetary range that practices the *a priori* exclusion of certain financial transmitters (related to tax havens) and, at the same time, promotes certain types of establishments based on a mutual operation or co-operative (Co-operative Banks).

Appendix – List of entities taken into account in the non-financial reporting consolidation scope

Entity (Country)	Information provided for this entity
AMALINE ASSURANCES (France)	Social, environmental and societal
CAROLE NASH (United Kingdom)	Social, environmental and societal
GAN ASSURANCES (France)	Social, environmental and societal
GAN PATRIMOINE (France)	Social, environmental and societal
GAN PRÉVOYANCE (France)	Social, environmental and societal
GROUPAMA GAN VIE (France)	Social, environmental and societal
GAN IA HONG KONG	Social
GAN OUTRE-MER ANTILLES (France)	Social, environmental and societal
GAN OUTRE-MER PACIFIQUE (France)	Social, environmental and societal
GROUPAMA ASIGURARI (Romania)	Social, environmental and societal
GROUPAMA ASSET MANAGEMENT (France)	Social, environmental and societal
GROUPAMA ASSICURAZIONI (Italy)	Social, environmental and societal
GROUPAMA ASSURANCE-CRÉDIT (France)	Social, environmental and societal
GROUPAMA EMEKLILIK (Turkey)	Social, environmental and societal
GROUPAMA ÉPARGNE SALARIALE (France)	Social, environmental and societal
GROUPAMA GARANCIA BIZTOSITO (Hungary/Slovakia)	Social, environmental and societal
GROUPAMA IMMOBILIER (France)	Social, environmental and societal
OTHER PROPERTY SUBSIDIARIES (France)	Social
GROUPAMA PHOENIX (Greece)	Social, environmental and societal
GROUPAMA PROTECTION JURIDIQUE (France)	Social, environmental and societal
GROUPAMA SA (France)	Social, environmental and societal
GROUPAMA SEGUROS (1) (Portugal)	Social, environmental and societal
GROUPAMA SIGORTA (Turkey)	Social, environmental and societal
GIE GROUPAMA SUPPORTS ET SERVICES (France)	Social, environmental and societal
GROUPAMA ZASTRAHOVANE NON LIFE(2) (Bulgaria)	Social, environmental and societal
MASTERCOVER (United Kingdom)	Social, environmental and societal
MUTUAIDE ASSISTANCE (France)	Social, environmental and societal

(1) Jointly reported with Groupama Seguros De Vida's data.
(2) Jointly reported with Groupama JivotoZastrahovane Life's data.

5

5.1.13 OUTLOOK

2016 showed Groupama's resilience in an environment marked by very significant weather events (floods and weather effects on crops in France), events like earthquakes in Italy, and a bad year on serious claims in France, particularly in motor liability. The financial environment of low interest rates continued to weigh on the results 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 ongoing 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.

Board of Directors

5.2 REPORT OF THE INDEPENDENT THIRD PARTY ON SOCIAL, ENVIRONMENTAL, AND SOCIETAL INFORMATION

Report of one of the statutory auditors, designated as an independent third-party organisation, on the consolidated social, environmental and societal information contained in the management report.

(Year ended 31 December 2016)

PricewaterhouseCoopers Audit

63, rue de Villiers

92208 Neuilly-sur-Seine Cedex

Dear Shareholders,

In our capacity as statutory auditor of Groupama SA, a designated independent third party, accredited by COFRAC under number 3-1060(1), we hereby present our report on the consolidated social, environmental and societal information relating to the fiscal year ended 31 December 2016, presented in the management report (hereinafter the “CSR Information”), pursuant to the provisions of Article L. 225-102-1 of the French Commercial Code.

RESPONSIBILITY OF THE COMPANY

It is the responsibility of the Board of Directors to prepare a management report containing the CSR information provided for in Article R. 225-105-1 of the French Commercial Code in accordance with the procedures used by the Company (hereinafter the “Reference Source”), a summary of which is contained in the management report in the “Methodological Note” and available on request at the Company’s headquarters.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulations, the professional ethical code as well as the provisions of Article L. 822-11-3 of the French Commercial Code. In addition, we have put in place a system of quality control that includes policies and documented procedures designed to ensure compliance with the ethical rules and the applicable laws and regulations.

RESPONSIBILITY OF THE STATUTORY AUDITOR

It is our responsibility, on the basis of our work, to:

- certify that the required CSR Information is presented in the management report or, if omitted, explained pursuant to the third paragraph of Article R. 225-105 of the French Commercial Code (Certification of presence of CSR information);
- express a conclusion of moderate assurance on the fact that the CSR Information, taken as a whole, is presented fairly in all their significant aspects in accordance with the Reference Source (reasoned opinion on the fairness of the CSR Information).

Our work mobilised the skills of six people between November 2016 and March 2017 for approximately 17 weeks. We called on our CSR experts to assist us in performing our work.

We performed the work described below in accordance with the order of 13 May 2013 defining how the independent third party performs its mission as well as with the professional standards applicable in France to such engagements and, with regard to the reasoned opinion on fairness, ISAE 3000(2).

(1) Its scope is available at www.cofrac.fr.

(2) ISAE 3000 – Insurance engagements other than audits or reviews of historical financial information.

(a) Certificate of presence of CSR Information

Nature and scope of work

On the basis of interviews with the heads of the departments concerned, we reviewed the statement of sustainable development guidelines, according to the social and environmental consequences related to the Company's business and its societal commitments and, where appropriate, the resulting actions or programmes.

We compared the CSR information presented in the management report with the list provided for by Article R. 225-105-1 of the French Commercial Code.

In case of the absence of certain consolidated information, we verified that explanations were provided in accordance with the provisions of Article R. 225-105 §3 of the French Commercial Code.

We verified that the CSR Information covered the consolidated scope, namely the Company as well as its subsidiaries within the meaning of Article L. 233-1 and the companies that it controls within the meaning of Article L. 233-3 of the French Commercial Code with the limits specified in the methodological note presented in the "Reporting scope" paragraph of the CSR report.

Conclusion

On the basis of this work, we certify the presence of the required CSR Information in the management report.

(b) Reasoned opinion on the fairness of the CSR Information

Nature and scope of work

We conducted around 15 interviews with around 20 individuals responsible for the preparation of CSR Information within the departments in charge of information collection processes and, where appropriate, those responsible for internal control and risk management procedures in order to:

- assess the appropriateness of the Reference Source considering its relevance, completeness, reliability, neutrality and understandable nature, taking into consideration, where appropriate, the best practices of the sector;
- verify the establishment of a collection, compilation, treatment and control process aims at comprehensiveness and consistency of CSR Information and review the internal control and risk management procedures relating to the preparation of CSR Information.

We determined the nature and extent of our tests and checks on the basis of the nature and significance of the CSR information in terms of the characteristics of the Company, the social and environmental issues of its business activities, its sustainable development guidelines and best industry practices.

For the CSR Information that we considered most important[(1)]:

- at the level of the consolidating entity, we consulted the documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), we implemented the analytical procedures on the quantitative information, and verified, on the basis of sampling, the calculations as well as the consolidation of data, and we verified their consistency with the other information contained in the management report;
- at the level of a representative sample of entities that we selected[(2)] on the basis of their business, their contribution to the consolidated, their location and a risk analysis, we conducted interviews to verify the correct application of the procedures and implemented detailed tests on the basis of sampling, consisting in verifying the calculations made and reconciling the data of the supporting documents. The sample thus selected represents on average 30% of the workforce considered as a characteristic magnitude of the social component and between 26% and 32% of environmental data considered as characteristic magnitudes of the environmental component.

(1) The quantitative and qualitative information concerned is presented in the appendix to the report.

(2) The selected entities are the following: Groupama Asigurari, Groupama SA, and Groupama Gan Vie.

For other consolidated CSR information, we assessed its coherence in relation to our knowledge of the Company.

Lastly, we assessed the relevance of the explanations relating, where applicable, to the total or partial absence of certain information.

We believe that the sampling methods and sample sizes that we have used in exercising our professional judgement allow us to express a conclusion of moderate assurance; a higher level of assurance would have required more extensive verifications. Because of the use of sampling techniques as well as other limitations inherent in the operation of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR information cannot be totally eliminated.

Conclusion

On the basis of this work, we found no significant anomalies likely call into question the fact that the CSR Information, taken as a whole, is presented fairly in accordance with the Reference Source.

Neuilly-sur-Seine, 17 March 2017

One of the statutory auditors

PricewaterhouseCoopers Audit

Christine Billy	Pascal Baranger
Partner	Director within the Sustainable Development Departmen

5.3 DIVIDEND DISTRIBUTION POLICY

5.3.1 DIVIDENDS PAID OVER THE PAST THREE FISCAL YEARS

Fiscal years	Total dividends distributed	Total dividends distributed eligible for reduction	Total dividends distributed not eligible for reduction
2015	€14,261,596.16	€4,918.13	€14,256,678.03
2014	None	None	None
2013	None	None	None

5.3.2 DISTRIBUTION POLICY

Groupama SA pays dividends in euros.

The future dividend distribution policy will depend on, among other things, the earnings generated and the financial position of Groupama SA and its subsidiaries.

The dividend proposal is submitted to the General Meeting after the allocation of the earnings is proposed by the Board of Directors.

Groupama SA determines its dividend distribution policy on the basis of its consolidated current income minus subsidies paid to regional mutuals.

In previous years, before 2012, Groupama SA distributed a dividend of approximately 20% of this income. Although Management intends to maintain this distribution policy over the long term, the dividend proposed by the Board of Directors for a particular year depends on various factors (including the Company's performance, market conditions and the overall economic environment) that are likely, in certain years, to affect this target distribution amount. When considering the dividend to be paid for a given year, Management seeks to reconcile (i) the prudent management of capital, (ii) the reinvestment of past earnings to support the development of businesses and (iii) the attractiveness of the dividend for the shareholders.

Note that 99.97% of the dividend is paid to the controlling shareholder of Groupama SA and 0.03% is paid to the minority shareholders.

For fiscal year 2016, a proposal will be made to the General Meeting of 28 June 2017 to not pay any dividend.

	Fiscal year 2016	Fiscal year 2015	Fiscal year 2014
Overall dividend	€0	€14.3 million	€0
Dividend per share	€0	€0.035	€0
Consolidated net income	€79 million	€133 million	€135 million
Distribution rate	Not applicable	10.75%	Not applicable

5.3.3 STATUTE OF LIMITATIONS

Dividends not claimed within five years are subject to the statute of limitations. They then revert to the Public Treasury, pursuant to Article L. 1126-1 of the French General Public Property Code.

5.4 CASH AND GROUP FINANCING

5.4.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents totalled €621 million at 31 December 2016, down €269 million compared with 31 December 2015.

The distribution of cash flows for fiscal year 2016 among the various business lines is as follows:

- Operational business cash flows: €374 million;
- Investment, financial, and other business cash flows: -€643 million;
- **Total: -€269 million.**

5.4.2 ISSUER'S FINANCING STRUCTURE

Groupama SA debt totalled €0.75 billion at year-end 2016.

The amount of subordinated liabilities at 31 December 2016 was €0.75 billion and was stable compared with 31 December 2015.

Groupama SA's debt-to-equity ratio, excluding revaluation reserves (including subordinated liabilities and minority interests) stood at 14.3% at the end of 2016, compared with 16.4% at 31 December 2015.

	31.12.2016				31.12.2015			
(in millions of euros)	<1 year	1-5 years	>5 years	Total	<1 year	1-5 years	>5 years	Total
Subordinated debt			750	750			750	750
Financing debt represented by securities								
Financing debt with banking-sector companies								
TOTAL FINANCING DEBT			**750**	**750**			**750**	**750**

The "Subordinated debt" line comprises the issue of a bond loan as follows:

It is a fixed-interest loan in the form of subordinated redeemable securities (TSR) issued on 27 October 2009 by Groupama SA for a par value of €750 million.

This 30-year bond has a fixed annual rate of 7.875% for the first 10 years. After that date, the rate applied will be the three-month Euribor plus a margin of 5.36%.

It includes a "10-year call" that allows the issuer to redeem the bond early as from the tenth year.

At 31 December 2016, this issue was quoted at 107.1% compared with 107.4% at 31 December 2015.

In view of the terms and conditions specific to this issue and pursuant to IAS 32 §16 and 17, this bond is considered a financial liability rather than an equity instrument. It is therefore recognised under financing debt. Interest costs net of tax are recognised in the income statement.

In addition, under IFRS, two subordinated instruments constitute equity instruments and thus do not appear in the tables above.

Groupama SA issued a perpetual deeply subordinated bond (TSS) in October 2007 for €1,000 million. They were issued at a fixed rate of 6.298% for the first 10 years, and then at a variable rate equal to the 3-month Euribor rate plus a margin of 2.60%. This bond includes a "10-year call" that allows the issuer to redeem the bond early as from the tenth year.

On 31 December 2016, the balance of this loan amounted to €413.8 million, after the repayment of €550.6 million in May 2014 during a debt refinancing and after cancellation of securities for €35.6 million following redemptions on the market in 2014, 2015, and 2016.

At 31 December 2016, these deeply subordinated bonds (TSS) were trading at 96.3%, compared with 101.3% at 31 December 2015.

On 28 May 2014, Groupama SA also issued, by means of an exchange transaction, a new perpetual floating-rate note ("TSDI") for a total nominal amount of €1.1 billion.

They were issued at a fixed rate of 6.375% for the first 10 years, and then at a variable rate equal to the 3-month Euribor rate plus a margin of 5.77%. This bond includes a "10-year call" that allows the issuer to redeem the bond early as from the tenth year.

At 31 December 2016, this perpetual floating-rate note (TSDI) was trading at 94.1%, compared with 96.8% at 31 December 2015.

5.4.3 EMPLOYMENT AND CASH

Interest expenses paid by the Group in 2016 amounted to €60 million (€63 million in 2015).

5.5 PROPERTY, PLANT AND EQUIPMENT

The registered office of Groupama SA is located at 8-10, rue d'Astorg, 75008 Paris.

As an insurance group, Groupama holds significant real estate assets, managed primarily by Groupama Immobilier, for a total value of €3.6 billion. These assets are located primarily in Paris and the Greater Paris region.

Investment property and operating activities property are described in the Note 4 and Note 5 of the consolidated financial statements in this registration document.

5.6 ADMINISTRATIVE, JUDICIAL, OR ARBITRATION PROCEEDINGS

Over the past twelve months, the Company has not been subject to any governmental, judicial, or arbitration proceedings, including any pending or threatened proceedings known to the Company, which might have had, or has had over the last 12 months, significant effects on its financial situation or profitability, or that of the Group.

6

FINANCIAL STATEMENTS

Pursuant to Article 28 of Commission Regulation (EC) 809/2004 of 29 April 2004, the following information has been incorporated into this registration document by reference:

- *Groupama SA's consolidated financial statements for the fiscal year ended 31 December 2015 and the corresponding statutory auditors' report, which can be found on pages 200-309 and 310-311 respectively of registration document D16-0426 filed with the AMF on 28 April 2016;*
- *Groupama SA's consolidated financial statements for the fiscal year ended 31 December 2014 and the corresponding statutory auditors' report, which can be found on pages 188–297 and 298-299 respectively of registration document D15-0395 filed with the AMF on 23 April 2015.*

6.1 CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

6.1.1 CONSOLIDATED BALANCE SHEET

Assets

(in millions of euros)		31.12.2016	31.12.2015
Goodwill	Note 2	1,975	2,167
Other intangible assets	Note 3	232	239
Intangible assets		**2,207**	**2,407**
Investment property excluding unit-linked items	Note 4	1,068	975
Unit-linked investment property	Note 7	110	105
Operating property	Note 5	418	545
Financial investments excluding unit-linked items	Note 6	70,389	68,783
Unit-linked financial investments	Note 7	7,986	6,972
Derivative instruments and separate embedded derivatives	Note 8	68	140
Insurance business investments		**80,040**	**77,519**
Funds used in banking sector activities and investments of other business 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 and financial contracts	**Note 11**	**1,461**	**8,341**
Other property, plant and equipment	Note 12	152	153
Deferred acquisition costs	Note 13	186	195
Deferred profit-sharing assets	Note 14		
Deferred tax assets	Note 15	23	224
Receivables arising from insurance and inward reinsurance operations	Note 16	1,763	1,911
Receivables arising from outward reinsurance operations	Note 17	222	287
Current tax receivables and other tax receivables	Note 18	273	277
Other receivables	Note 19	2,263	1,929
Other assets		**4,882**	**4,974**
Assets held for sale and discontinued business activities	**Note 2**	**94**	
Cash and cash equivalents	**Note 20**	**609**	**848**
TOTAL		**90,484**	**99,345**

Liabilities

(in millions of euros)		31.12.2016	31.12.2015
Capital		2,088	1,687
Revaluation reserves		1,180	1,024
Other reserves		2,720	2,392
Foreign exchange adjustments		(454)	(425)
Consolidated income		79	133
Shareholders' equity (Group share)		**5,613**	**4,811**
Non-controlling interests		57	50
Total shareholders' equity	**Note 21**	**5,670**	**4,861**
Reserves for contingencies and charges	**Note 22**	**455**	**427**
Financing debt	**Note 24**	**750**	**750**
Technical liabilities relating to insurance policies	**Note 25**	**54,859**	**53,042**
Technical liabilities relating to financial contracts	**Note 26**	**14,696**	**16,120**
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	157	337
Debts to holders of units of consolidated mutual funds	Note 28	457	249
Operating debts to banking sector companies	Note 20	11	118
Debts arising from insurance or inward reinsurance operations	Note 29	678	766
Debts arising from outward reinsurance operations	Note 30	352	7,349
Current taxes payable and other tax liabilities	Note 31	134	149
Derivative instrument liabilities	Note 8	750	799
Other debts	Note 32	5,982	5,492
Other liabilities		**8,521**	**15,258**
Liabilities of business activities to be sold or discontinued	**Note 2**	**7**	
TOTAL		**90,484**	**99,345**

6.1.2 CONSOLIDATED INCOME STATEMENT

Income statement

(in millions of euros)		31.12.2016	31.12.2015
Written premiums	Note 33	10,004	10,009
Change in unearned premiums		(38)	7
Earned premiums		**9,966**	**10,016**
Net banking income, net of cost of risk		**136**	**195**
Investment income		2,236	2,339
Investment expenses		(830)	(765)
Capital gains or losses from disposal of investments net of impairment and depreciation write-backs		492	580
Change in fair value of financial instruments recorded at fair value through income		325	342
Change in impairment on investments		(40)	(1)
Investment income net of expenses	**Note 34**	**2,182**	**2,496**
Total income from ordinary business activities		**12,284**	**12,707**
Policy-servicing expenses	Note 35	(9,479)	(9,558)
Income from outward reinsurance	Note 36	540	668
Expenses on outward reinsurance	Note 36	(647)	(1,012)
Net outward reinsurance income and expenses		**(9,585)**	**(9,903)**
Banking operating expenses		(100)	(179)
Policy acquisition costs	Note 38	(1,215)	(1,216)
Administration expenses	Note 39	(577)	(552)
Other current operating income and expenses	Note 40	(554)	(593)
Total other current income and expenses		**(12,030)**	**(12,442)**
Current operating income		**253**	**265**
Other non-current operating income and expenses	Note 41	(164)	(85)
Operating income		**89**	**180**
Financing expenses	Note 42	(60)	(63)
Share in income of related companies	Note 10	3	(42)
Corporate income tax	Note 43	6	57
Net income from continuing business activities		**38**	**132**
Net income from discontinued or held-for-sale activities	Note 2	43	
OVERALL NET INCOME		**81**	**132**
of which non-controlling interests		1	(1)
OF WHICH NET INCOME (GROUP SHARE)		**79**	**133**

6.1.3 STATEMENT OF NET INCOME AND GAINS (LOSSES) RECOGNISED DIRECTLY IN SHAREHOLDERS' EQUITY

	31.12.2016			31.12.2015		
(in millions of euros)	Group share	Non-controlling interests	Total	Group share	Non-controlling interests	Total
Net income for fiscal year	**79**	**1**	**81**	**133**	**(1)**	**132**
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	541	3	544	(567)	(2)	(569)
Revaluation of hedging derivatives						
Change in shadow accounting	(392)	(2)	(394)	466	2	468
Change in deferred taxes	7	(1)	6	(25)		(25)
Other changes	(7)	2	(5)	6	1	7
Items not recyclable to income						
Restatement of net actuarial debt from pension commitments (defined-benefit schemes)	(27)		(27)	14		14
Change in deferred taxes	9		9	(4)		(4)
Other changes						
Total gains (losses) recognised directly in shareholders' equity	**102**	**2**	**104**	**(129)**	**1**	**(128)**
NET INCOME AND GAINS (LOSSES) RECOGNISED IN SHAREHOLDERS' EQUITY	**181**	**3**	**184**	**4**		**4**

The statement of net income and gains (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 unrealised capital gains (losses) on available-for-sale assets, net of deferred profit-sharing and deferred taxes, as well as the change in the reserve for foreign exchange adjustments and the actuarial gains (losses) on post-employment benefits.

6.1.4 CHANGE IN SHAREHOLDERS' EQUITY

(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	**1,687**	**15**	**1,529**	**908**	**1,150**	**(406)**	**4,883**	**52**	**4,935**
Allocation of 2014 income (loss)		(15)		15					
Dividends [1]				(63)			(63)	(2)	(65)
Change in capital									
Business combinations									
Other			(13)				(13)		(13)
Impact of transactions with shareholders		**(15)**	**(13)**	**(48)**			**(76)**	**(2)**	**(78)**
Foreign exchange adjustments						(19)	(19)		(19)
Available-for-sale assets					(567)		(567)	(2)	(569)
Shadow accounting					466		466	2	468
Deferred taxes				(4)	(25)		(29)		(29)
Actuarial gains (losses) of post-employment benefits				14			14		14
Other				6			6	1	7
Net income for fiscal year		133					133	(1)	132
Total income and expenses recognised over the period		**133**		**16**	**(126)**	**(19)**	**4**	**0**	**4**
Total changes over the period		**118**	**(13)**	**(32)**	**(126)**	**(19)**	**(72)**	**(2)**	**(74)**
SHAREHOLDERS' EQUITY AT 31.12.2015	**1,687**	**133**	**1,516**	**876**	**1,024**	**(425)**	**4,811**	**50**	**4,861**
Allocation of 2015 income (loss)		(133)		133					
Dividends [1]				(77)			(77)	(5)	(82)
Change in capital	401			299			700	7	707
Business combinations								2	2
Other			(2)				(2)		(2)
Impact of transactions with shareholders	**401**	**(133)**	**(2)**	**355**			**621**	**4**	**625**
Foreign exchange adjustments						(29)	(29)		(29)
Available-for-sale assets					541		541	3	544
Shadow accounting					(392)		(392)	(2)	(394)
Deferred taxes				9	7		16	(1)	15
Actuarial gains (losses) of post-employment benefits				(27)			(27)		(27)
Other				(7)			(7)	2	(5)
Net income for fiscal year		79					79	1	81
Total income and expenses recognised over the period		**79**		**(25)**	**156**	**(29)**	**181**	**3**	**184**
Total changes over the period	**401**	**(54)**	**(2)**	**330**	**156**	**(29)**	**802**	**7**	**809**
SHAREHOLDERS' EQUITY AT 31.12.2016	**2,088**	**79**	**1,514**	**1,206**	**1,180**	**(454)**	**5,613**	**57**	**5,670**

(1) These being dividends that impact the change in shareholders' equity (group share), they are treated as compensation for subordinated instruments classified as equity under IFRS.

The "Other" item particularly consists of consolidated reserves of UCITS and relution/dilution effects.

6.1.5 CASH FLOW STATEMENT

(in millions of euros)	31.12.2016	31.12.2015
Operating income before taxes	89	180
Capital gains (losses) on the sale of investments	(454)	191
Net allocations to amortisation and depreciation	140	151
Change in deferred acquisition costs	4	16
Change in impairment	149	(750)
Net allocations to reserves for technical liabilities related to insurance policies and financial contracts	7,470	792
Net allocations to other reserves	26	18
Change in fair value of financial instruments and investments recognised at fair value through income (excluding cash and cash equivalents)	(325)	(342)
Other non-cash items included in operating income	33	36
Correction of items included in operating income other than monetary flows and reclassification of financial and investment flows	**7,043**	**112**
Change in operating receivables and payables	(7,138)	(83)
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	90	(21)
Net tax paid	(40)	(41)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**374**	**85**
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	(1,210)	(262)
Net acquisitions of investment property	53	84
Net acquisitions and/or issues of investments and derivatives relating to other activities		
Other non-cash items	(53)	(2)
Cash flows from acquisitions and issues of investments	**(1,210)**	**(180)**
Net acquisitions of property, plant and equipment, intangible assets and operating property	(140)	(81)
Cash flows from acquisitions and disposals of property, plant and equipment and intangible assets	**(140)**	**(81)**
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	**(1,191)**	**(245)**
Membership fees		
Issue of capital instruments	707	
Redemption of capital instruments	(2)	(13)
Transactions involving own shares		
Dividends paid [(1)]	(81)	(65)
Cash flows from transactions with shareholders and members	**624**	**(78)**
Cash allocated to financial debt		(71)
Interest paid on financial debt	(61)	(63)
Cash flows from group financing	**(61)**	**(134)**
Financing cash flows from activities to be sold or discontinued		
NET CASH FLOWS FROM FINANCING ACTIVITIES	**564**	**(212)**
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**890**	**1,279**
Net cash flows from operating activities	374	85
Net cash flows from investment activities	(1,191)	(245)
Net cash flows from financing activities	564	(212)
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	**621**	**890**

(1) They correspond in particular to payment for subordinated securities classified in equity under IFRS.

Cash flow statement	31.12.2016
Cash and cash equivalents	848
Cash, central bank, postal bank and accounts receivable from banking businesses	160
Operating debts to banking sector companies	(118)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**890**
Cash and cash equivalents	609
Cash, central bank, postal bank and accounts receivable from banking businesses	22
Operating debts to banking sector companies	(11)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**621**

6.1.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY

6

1 SIGNIFICANT EVENTS AND POST-BALANCE SHEET EVENTS

1.1 Significant events of fiscal year 2016

1.1.1 Governance

(a) Proposed remutualisation of Groupama's central body

Following the enactment of the "Sapin 2" law on transparency, the fight against corruption, and modernisation of the economy on 10 December 2016, the legislative framework required for the transformation of Groupama group's central body into a mutual insurance company (SAM) is now in place with an implementation period of 18 months.

Groupama SA will become the Caisse Nationale de Réassurance Mutuelle Agricole Groupama (Groupama National Agricultural Reinsurance Mutual), retaining all the responsibilities associated with its role as the central body of Groupama group.

With this transformation, Groupama reaffirms its mutual insurance identity rooted in the regions and brings its organisation and its values in line to better serve its members and its customers.

The objective of the planned transformation of Groupama's central body is to simplify the structure of the Group at the same time as maintaining the financial flexibility necessary for the implementation of the strategy. This project will not change the solvency of the Group or that of the central body and will have no impact on commitments undertaken with regard to holders of its debts.

(b) Chairman of Fédération Nationale Groupama

Jean-Yves Dagès was re-elected Chairman of Fédération Nationale Groupama during the meeting of Fédération Nationale Groupama 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 this date.

1.1.2 Financial strength

(a) 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.

(b) 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 planned remutualisation of Groupama's central body did not affect the rating of Groupama and its subsidiaries.

1.1.3 Financial investments

(a) 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 continue and develop this partnership in the years to come.

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

(b) Simplification of the structure of their holdings in Icade by 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 governance, the Group maintains its significant influence over Icade.

(c) Carole Nash

On 5 August, Groupama signed a protocol of sale for its subsidiary Carole Nash. Accordingly, Carole Nash is presented in held-for-sale assets.

(d) Günes Sigorta

Günes Sigorta has now left the scope of consolidation given the decrease in holding following the capital increase in which the Group wished to participate.

1.1.4 Business activities

(a) Partnership with Orange

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

The Orange Bank product will be available in France in the first half of 2017 in the Orange distribution network. The product will also be distributed in the Groupama group's networks starting in the second half of 2017. Innovative and specifically adapted to mobile usage, this product will cover current accounts, savings, credit and payments once it is launched.

(b) Weather-related events

2016 was marked by an extraordinary weather loss experience, particularly with the floods and storms in the Greater Paris region and the central and north-eastern regions of France from 26 May to 7 June, with a cost of €1.2 billion for the entire market. The agricultural market was impacted by excess water associated with a lack of sunshine in the spring and episodes of frost, hail, and drought. Groupama mobilised with regard to both claims and the contribution of new solutions. In total, for the combined group, the cost of weather events, net of taxes and reinsurance, was €286 million.

1.2 Post-balance sheet events

1.2.1 Debt refinancing

In early January 2017, Groupama launched an exchange offer for all of its senior subordinated instruments issued in 2007 and a portion of its redeemable subordinated instruments issued in 2009 for new subordinated instruments with a maturity of 10 years.

On 23 January 2017, Groupama issued and placed subordinated instruments with a maturity of 10 years with institutional investors for a total of €650 million with an annual coupon of 6.00%. The operation was widely successful with institutional investors holding the two instruments, since the transformation rate reached 65% on the senior subordinated instruments issued in 2007 and the 33% acceptance cap set by the Group on subordinated instruments issued in 2009.

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

These subordinated bonds are rated BB+ by the rating agency Fitch, just like other Groupama SA's 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 amount of its financial expenses and to strengthen the Group's financial flexibility.

2 CONSOLIDATION PRINCIPLES, METHODS AND SCOPE

2.1 Explanatory note

Groupama SA is a French *société anonyme* 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 as 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 umbrella funds – FCPE).

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 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 manage all the 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 financial statements of Groupama SA incorporate the reinsurance ceded by the regional mutuals as well as the activity 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 business 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 (ACPR).

The various entities of the Group are connected:

- 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 consolidated financial statements

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

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

All standards and interpretations that are mandatory for fiscal years starting on or after 1 January 2016 were applied when producing the Group's financial statements as 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 an interest in a joint operation;
- amendments to IAS 16 and IAS 41: Bearer plants;
- amendment to IAS 1 "Disclosure initiative": Presentation of financial statements;
- amendments to IFRS 10, IFRS 12 and IAS 28: Investment entities: Exemption from preparation of consolidated financial statements;
- annual standards improvement process, 2010-2012 cycle;
- annual standards improvement process, 2012-2014 cycle.

IFRS 9 on financial instruments, adopted in November 2016 by the European Union, with an application date of 1 January 2018, was not 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, allows groups whose predominant business activity is insurance to defer the application of IFRS 9 until 2021. The Group meets the eligibility criteria defined in the amendment to defer the application of IFRS 9 and chose to defer the application of IFRS 9 to 2021.

The Group also did not opt for the early application of IFRS 15 on revenue recognition, adopted in October 2016 by the European Union, with an application date of 1 January 2018. Its application is deemed not to have a significant impact on the Group's consolidated financial statements.

IFRS 16 on leases, published in January 2016, with an application date of 1 January 2019, has not yet been adopted by the European Union. The analysis of its potential impact on the Group's consolidated 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 scope of consolidation are consolidated within the scope in accordance with the provisions of IFRS 10, IFRS 11, and IAS 28.

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);
- estimation of certain fair values on unlisted assets or real estate assets (Notes 3.2.1 and 3.2.2);
- estimation of certain fair values of illiquid listed assets (Note 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 Scope and methods of consolidation

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

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.

(a) Consolidating company

A consolidating company is one that exclusively or jointly controls other companies, regardless of their form, or that has a considerable influence over other companies.

(b) Controlled entities

Controlled entities are fully consolidated. These entities are consolidated once they are controlled. An entity is controlled when the consolidating 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 consolidating company loses control of this entity.

Full integration comprises:

- integrating in the consolidating company's financial statements 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.

(c) 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 consolidating 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 consolidating 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 consolidating 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.

(d) 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 consolidation

Changes in the scope of consolidation are described in Note 48 to the financial statements.

2.3.3 Uniformity of accounting principles

Groupama SA's consolidated financial statements are presented consistently across the entity formed by the companies included within the scope of consolidation, taking into account the characteristics inherent in consolidation and the financial reporting objectives required for consolidated financial statements (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 consolidated by Groupama SA

All transactions within the Group are eliminated.

When these transactions affect consolidated 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 consolidating 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. Eliminating the impacts of internal transactions involving assets brings them down to their original value when they entered the consolidated balance sheet (consolidated historical cost).

Inter-company transactions involving the following must be therefore 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 premium income of group policies;
- reserves for the write-down of equity interests funded by the Company holding the securities and, if applicable, 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 a price paid above the Group's share in the fair value of the identifiable assets and liabilities of the acquired company as 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 as and 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.

(a) 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;

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- 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.

(b) 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 assets available-for-sale category, 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.

(c) 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.

(d) Fair value measurement 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.

(e) 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.

(f) 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 §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 as 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.

(g) 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.

(a) 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).

(b) 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 property is determined on the basis of the five-year independent appraisal conducted by an expert approved by domestic regulators (in France, the *Autorité de Contrôle Prudentiel et de Résolution*). During each five-year period, the real estate is subject to an annual appraisal certified by the expert.

(c) 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;
- during each five-year period, the real estate is subject to an annual appraisal certified by the expert.

(d) 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.

(e) Derecognition

Gains or losses from the divestment 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 Tangible assets

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

3.9.1 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 financial assets available-for-sale 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 investment assets available-for-sale;
- the cumulative impact of the deferred tax gain or loss generated by the transactions described above.

3.9.2 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 senior subordinated instruments (TSS) or perpetual subordinated bonds (TSDI) whose features allow recognition in shareholders' equity. Compensation for these instruments is treated like a dividend drawn from shareholders' equity.

3.9.3 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.

3.9.4 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.

3.10.1 Personnel benefits

(a) Pension commitments

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 Financing 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.

3.11.1 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.

3.11.2 Valuation rules

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

3.11.3 Derecognition

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

3.12 Underwriting operations

3.12.1 Classification and method of recognition

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

- insurance policies 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.

(a) 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 §3.12.2.c).

(b) 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 or 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 §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.

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 *prorata* 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.

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 parent company financial statements and the consolidated financial statements;
- the reserve for conditional profit-sharing, which relates to the difference in liabilities between the individual company and the consolidated financial statements, the payment of which depends on a management decision or the occurrence of an event.

In the particular case of restatement in the consolidated financial statements 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 financial statements. 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

(a) 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 §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.

(b) 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 financial statements 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 bodily injury (largely health risks, disability and long-term care).

Property and casualty insurance

Property and casualty insurance covers, by default, all of 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 according to their purpose, by applying allocation keys defined based on 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 underwriting expenses;
- non-underwriting 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

	31.12.2016			31.12.2015		
(in millions of euros)	France	International	Total	France	International	Total
Intangible assets	801	1,406	2,207	794	1,612	2,407
Insurance business investments	72,535	7,506	80,040	70,380	7,138	77,519
Funds used in banking sector activities and investments of other business 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 and financial contracts	1,315	145	1,461	8,168	173	8,341
Other assets	4,054	827	4,882	4,133	842	4,974
Assets held for sale and discontinued business activities		94	94			
Cash and cash equivalents	504	106	609	672	176	848
CONSOLIDATED TOTAL ASSETS	**80,238**	**10,246**	**90,484**	**89,214**	**10,130**	**99,345**
Reserves for contingencies and charges	372	83	455	344	84	427
Financing debt	750		750	750		750
Technical liabilities relating to insurance policies	49,919	4,940	54,859	47,897	5,146	53,042
Technical liabilities relating to financial contracts	12,623	2,073	14,696	14,386	1,734	16,120
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	8,235	286	8,521	14,940	317	15,258
Liabilities of business activities to be sold or discontinued		7	7			
TOTAL CONSOLIDATED LIABILITIES EXCLUDING SHAREHOLDERS' EQUITY	**77,272**	**7,542**	**84,814**	**87,028**	**7,456**	**94,484**

Note 1.1.2 - Segment reporting by operating segment – Income statement

	31.12.2016			31.12.2015		
(in millions of euros)	France	International	Total	France	International	Total
Earned premiums	7,445	2,521	9,966	7,339	2,677	10,016
Net banking income, net of cost of risk	136		136	195		195
Investment income	1,992	244	2,236	2,079	261	2,339
Investment expenses	(779)	(51)	(830)	(712)	(53)	(765)
Capital gains or losses from disposal of investments net of impairment and depreciation write-backs	466	26	492	538	42	580
Change in fair value of financial instruments recorded at fair value through income	307	18	325	334	9	342
Change in impairment on investments	(39)	(1)	(40)	(1)		(1)
Total income from ordinary business activities	**9,527**	**2,757**	**12,284**	**9,771**	**2,936**	**12,707**
Policy-servicing expenses	(7,566)	(1,912)	(9,479)	(7,413)	(2,146)	(9,558)
Income from outward reinsurance	496	44	540	616	52	668
Expenses on outward reinsurance	(481)	(166)	(647)	(849)	(163)	(1,012)
Banking operating expenses	(100)		(100)	(179)		(179)
Policy acquisition costs	(800)	(414)	(1,215)	(795)	(421)	(1,216)
Administration expenses	(409)	(169)	(577)	(388)	(164)	(552)
Other current operating income and expenses	(496)	(57)	(554)	(540)	(53)	(593)
CURRENT OPERATING INCOME	**171**	**82**	**253**	**223**	**41**	**265**
Other operating income and expenses	(56)	(108)	(164)	(61)	(24)	(85)
OPERATING INCOME	**116**	**(26)**	**89**	**162**	**18**	**180**
Financing expenses	(60)	(1)	(60)	(63)		(63)
Share in income of related companies	(5)	8	3	(41)	(1)	(42)
Corporate income tax	21	(15)	6	97	(40)	57
NET INCOME FROM CONTINUING BUSINESS ACTIVITIES	**72**	**(34)**	**38**	**155**	**(23)**	**132**
Net income from discontinued or held-for-sale activities	36	7	43			
OVERALL NET INCOME	**107**	**(26)**	**81**	**155**	**(23)**	**132**
of which non-controlling interests	2		1		(1)	(1)
OF WHICH NET INCOME (GROUP SHARE)	**106**	**(26)**	**79**	**155**	**(22)**	**133**

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	1,955	20		1,975	2,147	20		2,167
Other intangible assets	224	9		232	234	5		239
Insurance business investments	82,999	4	(2,963)	80,040	80,021	6	(2,508)	77,519
Funds used in banking sector activities and investments of other business 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 and financial contracts	1,762		(302)	1,461	8,527		(186)	8,341
Other assets	5,356	46	(520)	4,882	5,172	211	(409)	4,974
Assets held for sale and discontinued business activities	94			94				
Cash and cash equivalents	602	7		609	848	5	(5)	848
CONSOLIDATED TOTAL ASSETS	**93,848**	**421**	**(3,785)**	**90,484**	**97,943**	**4,550**	**(3,148)**	**99,345**
Reserves for contingencies and charges	451	4		455	406	21		427
Financing debt	3,132		(2,382)	750	2,635	27	(1,913)	750
Technical liabilities relating to insurance policies	55,167		(308)	54,859	53,237		(195)	53,042
Technical liabilities relating to financial contracts	14,696			14,696	16,120			16,120
Deferred profit-sharing liabilities	5,517			5,517	4,980			4,980
Resources from banking sector activities		8		8		3,939	(33)	3,906
Other liabilities	9,546	71	(1,095)	8,521	16,083	182	(1,007)	15,258
Liabilities of business activities to be sold or discontinued	7			7				
TOTAL CONSOLIDATED LIABILITIES EXCLUDING SHAREHOLDERS' EQUITY	**88,516**	**83**	**(3,785)**	**84,814**	**93,462**	**4,169**	**(3,148)**	**94,484**

Note 1.2.2 - Segment reporting by business – Income statement

	31.12.2016									
	France					International				Total
(in millions of euros)	Property and casualty insurance	Life and health insurance	Banking	Holding	Total	Property and casualty insurance	Life and health insurance	Holding	Total	
Earned premiums	3,344	4,101			7,445	1,655	866		2,521	9,966
Net banking income, net of cost of risk			136		136					136
Investment income	130	1,860		1	1,992	108	132	3	244	2,236
Investment expenses	(42)	(732)		(6)	(779)	(36)	(15)		(51)	(830)
Capital gains or losses from disposal of investments net of impairment and depreciation write-backs	53	396		16	466	19	7		26	492
Change in fair value of financial instruments recorded at fair value through income	1	325		(19)	307	4	14		18	325
Change in impairment on investments		(36)		(2)	(39)	(1)			(1)	(40)
TOTAL INCOME FROM ORDINARY BUSINESS ACTIVITIES	**3,486**	**5,914**	**136**	**(9)**	**9,527**	**1,750**	**1,004**	**3**	**2,757**	**12,284**
Policy-servicing expenses	(2,695)	(4,872)			(7,566)	(1,115)	(797)		(1,912)	(9,479)
Income from outward reinsurance	428	68			496	39	5		44	540
Expenses on outward reinsurance	(423)	(58)			(481)	(159)	(7)		(166)	(647)
Banking operating expenses			(100)		(100)					(100)
Policy acquisition costs	(472)	(329)			(800)	(312)	(102)		(414)	(1,215)
Administration expenses	(276)	(133)			(409)	(113)	(55)		(169)	(577)
Other current operating income and expenses	(111)	(287)	3	(101)	(496)	(48)	(6)	(2)	(57)	(554)
CURRENT OPERATING INCOME	**(61)**	**304**	**39**	**(111)**	**171**	**41**	**41**	**1**	**82**	**253**
Other operating income and expenses	(26)	(8)		(22)	(56)	(62)	(45)	(1)	(108)	(164)
OPERATING INCOME	**(87)**	**296**	**39**	**(132)**	**116**	**(21)**	**(4)**	**(1)**	**(26)**	**89**
Financing expenses				(59)	(60)			(1)	(1)	(60)
Share in income of related companies	(4)	2	(4)		(5)	8		1	8	3
Corporate income tax	25	(115)	(12)	124	21	(12)	(3)		(15)	6
NET INCOME FROM CONTINUING BUSINESS ACTIVITIES	**(67)**	**183**	**23**	**(68)**	**72**	**(25)**	**(7)**	**(1)**	**(34)**	**38**
Net income from discontinued or held-for-sale activities		49		(14)	36	7			7	43
TOTAL NET INCOME	**(67)**	**233**	**23**	**(82)**	**107**	**(18)**	**(7)**	**(1)**	**(26)**	**81**
of which non-controlling interests		1			2					1
OF WHICH NET INCOME (GROUP SHARE)	**(67)**	**232**	**23**	**(82)**	**106**	**(18)**	**(7)**	**(1)**	**(26)**	**79**

	31.12.2015									
	France					International				Total
(in millions of euros)	Property and casualty insurance	Life and health insurance	Banking	Holding	Total	Property and casualty insurance	Life and health insurance	Holding	Total	
Earned premiums	3,308	4,031			7,339	1,703	973		2,677	10,016
Net banking income, net of cost of risk			195		195					195
Investment income	143	1,946		(9)	2,079	120	138	3	261	2,339
Investment expenses	(41)	(662)		(10)	(712)	(36)	(15)	(2)	(53)	(765)
Capital gains or losses from disposal of investments net of impairment and depreciation write-backs	38	422		77	538	31	11		42	580
Change in fair value of financial instruments recorded at fair value through income	8	296		29	334	(2)	11		9	342
Change in impairment on investments		(1)			(1)					(1)
TOTAL INCOME FROM ORDINARY BUSINESS ACTIVITIES	**3,456**	**6,033**	**195**	**87**	**9,771**	**1,815**	**1,119**	**1**	**2,936**	**12,707**
Policy-servicing expenses	(2,221)	(5,192)			(7,413)	(1,242)	(903)		(2,146)	(9,558)
Income from outward reinsurance	217	398			616	47	5		52	668
Expenses on outward reinsurance	(431)	(418)			(849)	(156)	(7)		(163)	(1,012)
Banking operating expenses			(179)		(179)					(179)
Policy acquisition costs	(462)	(333)			(795)	(319)	(102)		(421)	(1,216)
Administration expenses	(263)	(125)			(388)	(108)	(56)		(164)	(552)
Other current operating income and expenses	(125)	(311)	2	(106)	(540)	(43)	(7)	(3)	(53)	(593)
CURRENT OPERATING INCOME	**171**	**53**	**18**	**(19)**	**223**	**(6)**	**49**	**(1)**	**41**	**265**
Other operating income and expenses	(33)	(6)		(22)	(61)	(18)	(4)	(2)	(24)	(85)
OPERATING INCOME	**137**	**47**	**18**	**(41)**	**162**	**(25)**	**46**	**(3)**	**18**	**180**
Financing expenses		(1)		(61)	(63)					(63)
Share in income of related companies	(4)	(37)			(41)	(2)			(2)	(42)
Corporate income tax	(57)	106	(7)	55	97	(28)	(11)	(1)	(40)	57
NET INCOME FROM CONTINUING BUSINESS ACTIVITIES	**76**	**115**	**11**	**(47)**	**155**	**(55)**	**35**	**(4)**	**(23)**	**132**
Net income from discontinued or held-for-sale activities										
OVERALL NET INCOME	**76**	**115**	**11**	**(47)**	**155**	**(55)**	**35**	**(4)**	**(23)**	**132**
of which non-controlling interests		1				(1)			(1)	(1)
OF WHICH NET INCOME (GROUP SHARE)	**76**	**114**	**11**	**(47)**	**155**	**(54)**	**35**	**(4)**	**(22)**	**133**

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NOTE 2 GOODWILL, RESULT FROM DISCONTINUED ACTIVITIES AND ACTIVITIES TO BE SOLD OR DISCONTINUED

	31.12.2016				31.12.2015
(in millions of euros)	Gross value	Impairment	Foreign exchange adjustment	Net value	Net value
OPENING VALUE	**3,042**	**(580)**	**(295)**	**2,167**	**2,184**
Newly consolidated entities					
Eliminations from the scope of consolidation					
France	(3)			(3)	
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	**(104)**	**(88)**	**0**	**(192)**	**(19)**
CLOSING VALUE	**2,938**	**(668)**	**(295)**	**1,975**	**2,167**

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

SALE OF BUSINESS ACTIVITY

On 5 August 2016, Groupama signed an agreement to sell its subsidiary Carole Nash. This transaction is subject particularly to obtaining the local regulatory authorisations and is expected to be finalised during the first half of 2017. This subsidiary's consolidated accounts at 31 December 2016 were recorded according to IFRS 5, resulting in a decrease in "Goodwill" of €89 million.

IMPAIRMENT ON THE CASH-GENERATING UNIT (CGU) IN TURKEY

The Group applied an impairment of the goodwill of the cash-generating unit formed from the Turkish subsidiaries for €88 million.

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 premium income 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 the business plans is now valued according to the prudential rules established by the Solvency II Directive for subsidiaries whose country is subject to this regulation.

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.

To take account of the lasting decrease in long-term rates, the discount rate used in the main countries of Western and Southern Europe, excluding Greece, was revised downwards by 50 basis points 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 yield is 10% for the first three years, then converging in the medium term towards 9%.

For Turkey, the yield curve averages 16% over the first eight years, converging towards 12%. The decrease in flows from the business plans of the Turkish subsidiaries, which led to the impairment of part of the goodwill at 31 December 2016, is explained by the early termination of the exclusive sales contract with TKK Bank following its buyout of an insurance company and by the increase in discount rates due to the country's political and economic environment.

With regard to Greece, the average rate applied over the first three years is 16% before gradually converging 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 CGU 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).

On this same CGU, 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 a favourable change of 50 basis points).

For the goodwill of the CGU of the Greek subsidiary, Groupama Phoenix, an increase of 100 basis points in the discount rate would lead to an insufficiency 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 and yield rates would lead to an insufficiency of €79 million (and a decrease of 100 basis points in the discount and yield rates would result in an insufficiency 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 – Broken down by cash-generating unit

	31.12.2016			
(in millions of euros)	Gross value	Impairment	Foreign exchange adjustment	Net value
Countries of Central and Eastern Europe	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 and other insurance companies	30			30
Total France and Overseas	**696**			**696**
CLOSING VALUE	**2,938**	**(668)**	**(295)**	**1,975**

	31.12.2015			
(in millions of euros)	Gross value	Impairment	Foreign exchange adjustment	Net value
Countries of Central and Eastern Europe	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 and other insurance companies	34			34
Total France and Overseas	**699**			**699**
CLOSING VALUE	**3,042**	**(580)**	**(295)**	**2,167**

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 the OTP Bank group 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 indicated, the Group impaired the goodwill of the Turkish subsidiaries at 31 December 2016 for €88 million.

Note 2.2 - Income from discontinued 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**

The net income of €73 million is broken down into +€3 million in income generated over the period from 1 January to 30 June 2016, the date on which the Group lost effective control of the entity and €70 million in 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)**

The net loss of -€50 million is broken down into -€24 million in income generated over the period from 1 January to 30 September 2016, the date on which the Group lost effective control of the entity and -€26 million in loss from the sale.

ACTIVITY OF 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)**

The net income of €13 million is broken down into -€17 million in loss generated over the period from 1 January to 30 September 2016, the date on which the Group lost its significant influence over the entity and €30 million in income from the sale.

Note 2.3 - Business activities to be sold or discontinued

ACTIVITY 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 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 Intangible assets related to insurance business	31.12.2016 Other intangible assets	31.12.2016 Total	31.12.2015 Intangible assets related to insurance business	31.12.2015 Other intangible assets	31.12.2015 Total
Opening gross value	**500**	**1,167**	**1,667**	**508**	**1,122**	**1,630**
Increase		101	101		77	77
Decrease		(72)	(73)		(27)	(27)
Foreign exchange adjustments	(13)		(13)	(9)	(1)	(10)
Change in scope of consolidation	(19)	(37)	(56)		(4)	(4)
Closing gross value	**466**	**1,158**	**1,625**	**500**	**1,167**	**1,667**
Opening cumulative amortisation	**(261)**	**(1,038)**	**(1,299)**	**(252)**	**(978)**	**(1,229)**
Increase	(16)	(62)	(77)	(16)	(64)	(80)
Decrease		44	44			
Foreign exchange adjustments	11		11	7		7
Change in scope of consolidation	19	37	56		3	3
Closing cumulative amortisation	**(247)**	**(1,019)**	**(1,266)**	**(261)**	**(1,038)**	**(1,299)**
Opening cumulative long-term impairment	**(128)**	**(1)**	**(128)**	**(130)**		**(130)**
Long-term impairment recognised						
Long-term impairment write-backs						
Foreign exchange adjustments	2		2	2		2
Change in scope of consolidation						
Closing cumulative long-term impairment	**(126)**	**(1)**	**(126)**	**(128)**	**(1)**	**(128)**
OPENING NET VALUE	**111**	**128**	**239**	**126**	**144**	**270**
CLOSING NET VALUE	**94**	**138**	**232**	**111**	**128**	**239**

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 Carole Nash's assets in "assets held for sale and discontinued activities".

Other intangible assets

Other intangible assets consist primarily of software acquired and developed internally. The decreases recognised during the fiscal year are mainly related to the scrapping of software in Italy.

The changes in scope are related to Groupama Banque's exit from the scope of fully consolidated entities. Groupama Banque, 35% held, is now consolidated by the equity method.

Note 3.1 - Other intangible assets – by operating segment

	31.12.2016						31.12.2015	
	Intangible assets related to insurance business		Other intangible assets		Total		Total	
(in millions of euros)	France	International	France	International	France	International	France	International
Closing gross value	**1**	**466**	**999**	**159**	**1,000**	**625**	**988**	**678**
Closing cumulative amortisation		(247)	(894)	(125)	(894)	(372)	(892)	(407)
Closing cumulative long-term impairment	(1)	(125)		(1)	(1)	(126)	(1)	(128)
Amortisation and reserves	**(1)**	**(372)**	**(894)**	**(126)**	**(895)**	**(497)**	**(893)**	**(535)**
NET BOOK VALUE	**0**	**94**	**105**	**33**	**105**	**127**	**95**	**144**

NOTE 4 INVESTMENT PROPERTY EXCLUDING UNIT-LINKED INVESTMENTS

	31.12.2016			31.12.2015		
(in millions of euros)	Property	SCI units	Total	Property	SCI units	Total
Opening gross value	**1,119**	**58**	**1,177**	**1,233**	**87**	**1,320**
Acquisitions	30	1	31	40	3	43
Change in scope of consolidation						
Subsequent expenditure						
Assets capitalised in the year	79		79	64		64
Transfer from/to unit-linked property						
Transfer from/to operating property	88		88	4		4
Foreign exchange adjustments						
Outward reinsurance	(91)	(3)	(94)	(222)	(32)	(254)
Other						
Closing gross value	**1,225**	**56**	**1,281**	**1,119**	**58**	**1,177**
Opening cumulative amortisation	**(194)**		**(194)**	**(265)**		**(265)**
Increase	(19)		(19)	(20)		(20)
Change in scope of consolidation						
Transfer from/to unit-linked property						
Transfer from/to operating property	(11)		(11)	(1)		(1)
Decrease	31		31	92		92
Other						
Closing cumulative amortisation	**(193)**		**(193)**	**(194)**		**(194)**
Opening cumulative long-term impairment	**(8)**	**(1)**	**(9)**	**(10)**		**(10)**
Long-term impairment recognised					(1)	(1)
Change in scope of consolidation						
Transfer from/to operating property	(14)		(14)			
Long-term impairment write-backs	2	1	3	2		2
Closing cumulative long-term impairment	**(20)**	**0**	**(20)**	**(8)**	**(1)**	**(9)**
Opening net value	**917**	**57**	**975**	**958**	**87**	**1,045**
Closing net value	**1,012**	**56**	**1,068**	**917**	**57**	**975**
Closing fair value of investment property	**2,764**	**135**	**2,899**	**2,439**	**143**	**2,582**
UNREALISED CAPITAL GAINS	**1,752**	**78**	**1,830**	**1,522**	**86**	**1,608**

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 gains accruing to the Group, including property operating activities (see Note 5), amounted to €551 million at 31 December 2016 (net of profit sharing and tax), compared with €453 million at 31 December 2015.

A property located in Montreuil owned by Groupama Gan Vie and occupied by Groupama Banque was reclassified into investment property following the agreement signed between Groupama and Orange.

Sales of property during the fiscal year mainly include sales of vacant lots of the Group's residential assets as well as the sale of property 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 million and Level 3 for €74 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

	31.12.2016						31.12.2015					
	Property			SCI units			Property			SCI units		
(in millions of euros)	France	International	Total	France	International	Total	France	International	Total	France	International	Total
Gross value	**1,189**	**35**	**1,225**	**56**		**56**	**1,084**	**36**	**1,119**	**58**		**58**
Cumulative depreciation	(184)	(9)	(193)				(185)	(9)	(194)			
Long-term impairment	(11)	(9)	(20)					(8)	(8)	(1)		(1)
Closing net value	**994**	**18**	**1,012**	**56**		**56**	**899**	**18**	**917**	**57**		**57**
Closing fair value of investment property	**2,731**	**33**	**2,764**	**135**		**135**	**2,403**	**37**	**2,439**	**143**		**143**
UNREALISED CAPITAL GAINS	**1,737**	**15**	**1,752**	**78**		**78**	**1,504**	**18**	**1,522**	**86**		**86**

Note 4.2 - Investment property by business

Note 4.2.1 - Investment property by business – France

	31.12.2016					
	Property			SCI units		
(in millions of euros)	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty	Total
Gross value	**950**	**240**	**1,189**	**35**	**22**	**56**
Cumulative depreciation	(151)	(33)	(184)			
Long-term impairment	(11)		(11)			
Closing net value	**788**	**207**	**994**	**35**	**22**	**56**
Closing fair value of investment property	**2,153**	**578**	**2,731**	**77**	**58**	**135**
UNREALISED CAPITAL GAINS	**1,366**	**371**	**1,737**	**42**	**36**	**78**

	31.12.2015					
	Property			SCI units		
(in millions of euros)	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty	Total
Gross value	**857**	**227**	**1,084**	**37**	**22**	**58**
Cumulative depreciation	(153)	(32)	(185)			
Long-term impairment				(1)		(1)
Closing net value	**704**	**195**	**899**	**36**	**22**	**57**
Closing fair value of investment property	**1,924**	**478**	**2,403**	**79**	**64**	**143**
UNREALISED CAPITAL GAINS	**1,220**	**283**	**1,504**	**43**	**43**	**86**

Note 4.2.2 - Investment property by business – International

	31.12.2016					
(in millions of euros)	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross value	**23**	**12**	**35**			
Cumulative depreciation	(7)	(2)	(9)			
Long-term impairment	(5)	(3)	(9)			
Closing net value	**11**	**7**	**18**			
Closing fair value of investment property	**18**	**14**	**33**			
UNREALISED CAPITAL GAINS	**8**	**7**	**15**			

	31.12.2015					
	Property			SCI units		
(in millions of euros)	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross value	**22**	**13**	**36**			
Cumulative depreciation	(7)	(2)	(9)			
Long-term impairment	(5)	(3)	(8)			
Closing net value	**11**	**8**	**18**			
Closing fair value of investment property	**20**	**17**	**37**			
UNREALISED CAPITAL GAINS	**9**	**9**	**18**			

NOTE 5 OPERATING PROPERTY

(in millions of euros)	31.12.2016 Property	31.12.2016 SCI units	31.12.2016 Total	31.12.2015 Property	31.12.2015 SCI units	31.12.2015 Total
Opening gross value	**669**	**10**	**679**	**731**	**11**	**742**
Acquisitions	1		1			
Change in scope of consolidation						
Assets capitalised in the year	2		2	2		2
Transfer from/to investment property	(88)		(88)	(4)		(4)
Foreign exchange adjustments				(1)		(1)
Disposals	(3)		(3)	(59)	(1)	(60)
Other						
Closing gross value	**581**	**10**	**591**	**669**	**10**	**679**
Opening cumulative amortisation	**(107)**		**(107)**	**(108)**		**(108)**
Increase	(12)		(12)	(19)		(19)
Change in scope of consolidation						
Transfer from/to investment property	11		11	1		1
Decrease	4		4	19		19
Other						
Closing cumulative amortisation	**(104)**		**(104)**	**(107)**		**(107)**
Opening cumulative long-term impairment	**(28)**		**(28)**	**(14)**		**(14)**
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	**(69)**		**(69)**	**(28)**		**(28)**
Opening net value	**534**	**10**	**545**	**609**	**11**	**620**
Closing net value	**408**	**10**	**418**	**534**	**10**	**545**
Closing fair value of operating property	**622**	**19**	**641**	**738**	**17**	**755**
UNREALISED CAPITAL GAINS	**213**	**9**	**222**	**204**	**7**	**211**

A property located in Montreuil owned by Groupama Gan Vie and occupied by Groupama Banque was reclassified into investment property following the agreement signed between Groupama and Orange.

At 31 December 2016, five operating properties owned by Groupama Gan Vie were the subject of an additional appropriation to provisions for impairment.

Note 5.1 - Operating property – by operating segment

	31.12.2016						31.12.2015					
	Property			SCI units			Property			SCI units		
(in millions of euros)	France	International	Total	France	International	Total	France	International	Total	France	International	Total
Gross value	**471**	**110**	**581**	**10**		**10**	**559**	**110**	**669**	**10**		**10**
Cumulative depreciation	(92)	(12)	(104)				(96)	(10)	(107)			
Long-term impairment	(67)	(2)	(69)				(28)		(28)			
Closing net value	**313**	**95**	**408**	**10**		**10**	**435**	**99**	**535**	**10**		**10**
Closing fair value of operating property	**531**	**91**	**622**	**19**		**19**	**646**	**93**	**739**	**17**		**17**
UNREALISED CAPITAL GAINS OR LOSSES	**218**	**(4)**	**213**	**9**		**9**	**210**	**(6)**	**204**	**7**		**7**

Note 5.2 - Operating property by business

Note 5.2.1 - Operating property by business – France

	31.12.2016					
	Property			SCI units		
(in millions of euros)	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross value	**418**	**53**	**471**	**6**	**5**	**10**
Cumulative depreciation	(82)	(10)	(92)			
Long-term impairment	(67)		(67)			
Closing net value	**269**	**44**	**313**	**6**	**5**	**10**
Closing fair value of operating property	**327**	**204**	**531**	**10**	**9**	**19**
UNREALISED CAPITAL GAINS	**57**	**161**	**218**	**4**	**5**	**9**

	31.12.2015					
	Property			SCI units		
(in millions of euros)	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross value	**507**	**52**	**559**	**6**	**5**	**10**
Cumulative depreciation	(87)	(9)	(96)			
Long-term impairment	(28)		(28)			
Closing net value	**392**	**43**	**435**	**6**	**5**	**10**
Closing fair value of operating property	**457**	**189**	**646**	**9**	**8**	**17**
UNREALISED CAPITAL GAINS	**65**	**145**	**210**	**3**	**4**	**7**

Note 5.2.2 - Operating property by business – International

	31.12.2016					
	Property			SCI units		
(in millions of euros)	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross value	**50**	**59**	**110**			
Cumulative 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)**			

	31.12.2015					
	Property			SCI units		
(in millions of euros)	Life and health insurance	Property and casualty insurance	Total	Life and health insurance	Property and casualty insurance	Total
Gross value	**50**	**60**	**110**			
Cumulative 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)

	31.12.2016	31.12.2015
(in millions of euros)	Net value	Net value
Assets valued at fair value	69,305	67,383
Assets valued at amortised cost	1,084	1,400
TOTAL FINANCIAL INVESTMENTS EXCLUDING UNIT-LINKED ITEMS	**70,389**	**68,783**

Total financial investments (excluding real estate, unit-linked items, and derivatives) at 31 December 2016 were €70,389 million, marking an increase of €1,606 million versus 31 December 2015.

The bond security repurchase agreement activity was €4,430 million versus €4,101 million 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

	31.12.2016								
	Net amortised cost			Fair value [1]			Gross unrealised capital gains (losses)		
(in millions of euros)	France	International	Total	France	International	Total	France	International	Total
Available-for-sale assets									
Equities and other variable-return investments	1,610	310	1,920	2,161	338	2,499	551	28	579
Bonds and other fixed-return investments	42,084	4,415	46,498	48,909	4,852	53,761	6,825	437	7,262
Other investments	1		1	1		1			
Total available-for-sale assets	**43,695**	**4,725**	**48,420**	**51,071**	**5,189**	**56,261**	**7,376**	**465**	**7,841**
Trading assets									
Equities and other variable-return investments classified as "trading"	25		25	25		25			
Equities and other variable-return investments classified as "held for trading"	444	460	904	444	460	904			
Bonds and other fixed-return investments classified as "trading"	89		89	89		89			
Bonds and other fixed-return investments classified as "held for trading"	3,474	31	3,505	3,474	31	3,505			
Cash mutual funds classified as "trading"	4,920	100	5,020	4,920	100	5,020			
Cash mutual funds classified as "held for trading"	3,206	295	3,501	3,206	295	3,501			
Other investments classified as "trading"									
Other investments classified as "held for trading"									
Total trading assets	**12,158**	**886**	**13,044**	**12,158**	**886**	**13,044**			
TOTAL INVESTMENTS VALUED AT FAIR VALUE	**55,853**	**5,611**	**61,464**	**63,229**	**6,076**	**69,305**	**7,376**	**465**	**7,841**

(1) 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 as trading assets were €7,841 million and €361 million, respectively, compared with €7,283 million and €325 million as at 31 December 2015.

	31.12.2015								
	Net amortised cost			Fair value [1]			Gross unrealised capital gains (losses)		
(in millions of euros)	France	Inter-national	Total	France	Inter-national	Total	France	Inter-national	Total
Available-for-sale assets									
Equities and other variable-return investments	2,222	266	2,488	2,589	281	2,870	367	15	382
Bonds and other fixed-return investments	42,826	4,634	47,460	49,239	5,122	54,361	6,413	488	6,901
Other investments	1		1	1		1			
Total available-for-sale assets	**45,049**	**4,900**	**49,949**	**51,829**	**5,403**	**57,232**	**6,780**	**503**	**7,283**
Trading assets									
Equities and other variable-return investments classified as “trading”									
Equities and other variable-return investments classified as “held for trading”	543	194	737	543	194	737			
Bonds and other fixed-return investments classified as “trading”	87		87	87		87			
Bonds and other fixed-return investments classified as “held for trading”	2,267	31	2,298	2,267	31	2,298			
Cash mutual funds classified as “trading”	4,730	86	4,816	4,730	86	4,816			
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	**9,775**	**376**	**10,151**	**9,775**	**376**	**10,151**			
TOTAL INVESTMENTS VALUED AT FAIR VALUE	**54,824**	**5,276**	**60,100**	**61,604**	**5,779**	**67,383**	**6,780**	**503**	**7,283**

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

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Note 6.2 - Investments valued at fair value by business

Note 6.2.1 - Investments valued at fair value – by business- France

	31.12.2016								
	Net amortised cost			Fair value [1]			Gross unrealised capital gains (losses)		
(in millions of euros)	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-return investments	1,484	126	1,610	1,937	225	2,161	453	99	552
Bonds and other fixed-return investments	39,542	2,542	42,084	46,204	2,705	48,909	6,662	163	6,825
Other investments		1	1		1	1			
Total available-for-sale assets	**41,026**	**2,668**	**43,695**	**48,141**	**2,930**	**51,071**	**7,115**	**262**	**7,376**
Trading assets									
Equities and other variable-return investments classified as "trading"		25	25		25	25			
Equities and other variable-return investments classified as "held for trading"	361	83	444	361	83	444			
Bonds and other fixed-return investments classified as "trading"	89		89	89		89			
Bonds and other fixed-return investments classified as "held for trading"	2,384	1,090	3,474	2,384	1,090	3,474			
Cash mutual funds classified as "trading"	4,327	593	4,920	4,327	593	4,920			
Cash mutual funds classified as "held for trading"	3,062	144	3,206	3,062	144	3,206			
Other investments classified as "trading"									
Other investments classified as "held for trading"									
Total trading assets	**10,223**	**1,935**	**12,158**	**10,223**	**1,935**	**12,158**			
TOTAL INVESTMENTS VALUED AT FAIR VALUE	**51,249**	**4,603**	**55,852**	**58,364**	**4,865**	**63,229**	**7,115**	**262**	**7,376**

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

	31.12.2015								
	Net amortised cost			**Fair value (1)**			**Gross unrealised capital gains (losses)**		
(in millions of euros)	**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-return investments	2,114	108	2,222	2,388	201	2,589	274	93	367
Bonds and other fixed-return investments	40,260	2,566	42,826	46,488	2,751	49,239	6,228	185	6,413
Other investments		1	1		1	1			
Total available-for-sale assets	**42,374**	**2,675**	**45,049**	**48,876**	**2,953**	**51,829**	**6,502**	**278**	**6,780**
Trading assets									
Equities and other variable-return investments classified as “trading”									
Equities and other variable-return investments classified as “held for trading”	452	91	543	452	91	543			
Bonds and other fixed-return investments classified as “trading”	87		87	87		87			
Bonds and other fixed-return investments classified as “held for trading”	1,861	406	2,267	1,861	406	2,267			
Cash mutual funds classified as “trading”	3,883	847	4,730	3,883	847	4,730			
Cash mutual funds classified as “held for trading”	2,057	91	2,148	2,057	91	2,148			
Other investments classified as “trading”									
Other investments classified as “held for trading”									
Total trading assets	**8,340**	**1,435**	**9,775**	**8,340**	**1,435**	**9,775**			
TOTAL INVESTMENTS VALUED AT FAIR VALUE	**50,714**	**4,110**	**54,824**	**57,216**	**4,388**	**61,604**	**6,502**	**278**	**6,780**

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

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Note 6.2.2 - Investments valued at fair value – by business- International

	31.12.2016								
	Net amortised cost			Fair value [1]			Gross unrealised capital gains (losses)		
(in millions of euros)	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-return investments	187	123	310	202	136	338	15	13	28
Bonds and other fixed-return 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-return investments classified as “trading”									
Equities and other variable-return investments classified as “held for trading”	271	190	460	271	190	460			
Bonds and other fixed-return investments classified as “trading”									
Bonds and other fixed-return 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**

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

	31.12.2015								
	Net amortised cost			Fair value (1)			Gross unrealised capital gains (losses)		
(in millions of euros)	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-return investments	160	106	266	170	111	281	10	5	15
Bonds and other fixed-return 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-return investments classified as “trading”									
Equities and other variable-return investments classified as “held for trading”	106	88	194	106	88	194			
Bonds and other fixed-return investments classified as “trading”									
Bonds and other fixed-return 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**

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

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Note 6.3 - Investments valued at fair value by type

	31.12.2016								
	Net amortised cost			Fair value (1)			Gross unrealised capital gains (losses)		
(in millions of euros)	France	International	Total	France	International	Total	France	International	Total
Equities and other variable-return investments									
Available-for-sale assets	1,610	310	1,920	2,161	338	2,499	551	28	579
Assets classified as "trading"	25		25	25		25			
Assets classified as "held for trading"	444	460	904	444	460	904			
Total equities and other variable-return investments	**2,079**	**770**	**2,849**	**2,630**	**798**	**3,428**	**551**	**28**	**579**
Bonds and other fixed-return investments									
Available-for-sale assets	42,084	4,415	46,498	48,909	4,852	53,761	6,825	437	7,262
Assets classified as "trading"	89		89	89		89			
Assets classified as "held for trading"	3,474	31	3,505	3,474	31	3,505			
Total bonds and other fixed-return investments	**45,647**	**4,446**	**50,093**	**52,472**	**4,883**	**57,355**	**6,825**	**437**	**7,262**
Cash mutual funds									
Assets classified as "trading"	4,920	100	5,020	4,920	100	5,020			
Assets classified as "held for trading"	3,206	295	3,501	3,206	295	3,501			
Total cash mutual funds	**8,126**	**395**	**8,521**	**8,126**	**395**	**8,521**			
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	**55,853**	**5,611**	**61,464**	**63,229**	**6,076**	**69,305**	**7,376**	**465**	**7,841**

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

	31.12.2015								
	Net amortised cost			Fair value [1]			Gross unrealised capital gains (losses)		
(in millions of euros)	France	Inter-national	Total	France	Inter-national	Total	France	Inter-national	Total
Equities and other variable-return investments									
Available-for-sale assets	2,222	266	2,488	2,589	281	2,870	367	15	382
Assets classified as "trading"									
Assets classified as "held for trading"	543	194	737	543	194	737			
Total equities and other variable-return investments	**2,765**	**460**	**3,225**	**3,132**	**475**	**3,607**	**367**	**15**	**382**
Bonds and other fixed-return investments									
Available-for-sale assets	42,826	4,634	47,460	49,239	5,122	54,361	6,413	488	6,901
Assets classified as "trading"	87		87	87		87			
Assets classified as "held for trading"	2,267	31	2,298	2,267	31	2,298			
Total bonds and other fixed-return investments	**45,180**	**4,665**	**49,845**	**51,593**	**5,153**	**56,746**	**6,413**	**488**	**6,901**
Cash mutual funds									
Assets classified as "trading"	4,730	86	4,816	4,730	86	4,816			
Assets classified as "held for trading"	2,148	65	2,213	2,148	65	2,213			
Total cash mutual funds	**6,878**	**151**	**7,029**	**6,878**	**151**	**7,029**			
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	**54,824**	**5,276**	**60,100**	**61,604**	**5,779**	**67,383**	**6,780**	**503**	**7,283**

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

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Note 6.4 - Investments valued at amortised cost in net value

	31.12.2016			31.12.2015		
(in millions of euros)	France	International	Total	France	International	Total
Loans	84	59	143	86	65	151
Deposits	531	282	813	853	277	1,130
Other	128		128	119		119
TOTAL ASSETS VALUED AT AMORTISED COST	**743**	**341**	**1,084**	**1,058**	**342**	**1,400**

Note 6.5 - Reserves for impairment of investments

	31.12.2016			31.12.2015		
(in millions of euros)	Gross	Reserves	Net	Gross	Reserves	Net
Available-for-sale assets						
Equities and other variable-return investments	2,316	(395)	1,920	2,880	(392)	2,488
Bonds and other fixed-return investments	46,502	(4)	46,498	47,464	(4)	47,460
Other investments	1		1	1		1
TOTAL AVAILABLE-FOR-SALE ASSETS	**48,819**	**(399)**	**48,420**	**50,345**	**(396)**	**49,949**
Financial investments valued at amortised cost	1,086	(2)	1,084	1,403	(3)	1,400
FINANCIAL INVESTMENTS VALUED AT AMORTISED COST	**1,086**	**(2)**	**1,084**	**1,403**	**(3)**	**1,400**

Total reserves for long-term impairment on investments measured at fair value were €399 million, compared with €396 million at 31 December 2015.

In total, the reserves for impairment on available-for-sale financial assets represent 0.82% 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 €3 million at 31 December 2015.

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

Note 6.6 - Financial investments – by currency

	31.12.2016					
(in millions of euros)	Euro	Dollar	Pound	Yen	Other	Total
Available-for-sale assets						
Equities and other variable-return investments	1,550	252	7		690	2,499
Bonds and other fixed-return investments	52,966	34	246	5	508	53,761
Other investments	1					1
Total available-for-sale assets	**54,518**	**287**	**253**	**5**	**1,198**	**56,261**
Trading assets						
Equities and other variable-return investments classified as "trading"	25					25
Equities and other variable-return investments classified as "held for trading"	905					904
Bonds and other fixed-return investments classified as "trading"	89					89
Bonds and other fixed-return investments classified as "held for trading"	3,499				6	3,505
Cash mutual funds classified as "trading"	5,014	4		2		5,020
Cash mutual funds classified as "held for trading"	3,501					3,501
Other investments classified as "trading"						
Other investments classified as "held for trading"						
Total trading assets	**13,032**	**4**		**2**	**6**	**13,044**
Loans and receivables						
Loans	142				1	143
Deposits	552	5			256	813
Other investments	120	6	1			128
Total loans and receivables	**814**	**11**	**1**		**257**	**1,084**
TOTAL FINANCIAL INVESTMENTS (NET OF DERIVATIVES AND UNIT-LINKED ITEMS)	**68,365**	**302**	**254**	**7**	**1,461**	**70,389**

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

	31.12.2015					
(in millions of euros)	**Euro**	**Dollar**	**Pound**	**Yen**	**Other**	**Total**
Available-for-sale assets						
Equities and other variable-return investments	1,830	506	63		471	2,870
Bonds and other fixed-return investments	53,544	43	285		488	54,361
Other investments	1					1
Total available-for-sale assets	**55,375**	**549**	**348**		**959**	**57,232**
Trading assets						
Equities and other variable-return investments classified as "trading"						
Equities and other variable-return investments classified as "held for trading"	737					737
Bonds and other fixed-return investments classified as "trading"	87					87
Bonds and other fixed-return investments classified as "held for trading"	2,292				6	2,298
Cash mutual funds classified as "trading"	4,780	33	3			4,816
Cash mutual funds classified as "held for trading"	2,212					2,213
Other investments classified as "trading"						
Other investments classified as "held for trading"						
Total trading assets	**10,109**	**33**	**3**		**6**	**10,151**
Loans and receivables						
Loans	150				1	151
Deposits	867	6			257	1,130
Other investments	112	6	1			119
Total loans and receivables	**1,129**	**11**	**1**		**258**	**1,400**
TOTAL FINANCIAL INVESTMENTS (NET OF DERIVATIVES AND UNIT-LINKED ITEMS)	**66,614**	**594**	**352**		**1,223**	**68,783**

The above figures do not include the hedging for foreign exchange risk put 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	1,524	1,711
Shares in fixed-return mutual funds	4,945	3,237
Shares in other mutual funds	1,696	1,691
Cash mutual funds	8,521	7,028
Bonds and other fixed-return securities	52,239	53,338
TOTAL LISTED INVESTMENTS	**68,924**	**67,005**

The above table meets the requirements of IFRS 12 on non-consolidated mutual funds. As at 31 December 2016, the fair value of these assets totalled €15,162 million compared with €11,956 million as at 31 December 2015.

As at 31 December 2016, long-term provisions on listed investments valued at fair value totalled €361 million, compared with €340 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	209	205
Bonds and other fixed-return securities at fair value	170	171
Other investments at fair value	1	1
Loans at amortised cost	143	151
Other investments at amortised cost	941	1,249
TOTAL UNLISTED INVESTMENTS	**1,465**	**1,777**

As at 31 December 2016, long-term provisions on listed investments valued at fair value totalled €38 million, compared with €56 million as at 31 December 2015.

Note 6.9 - Significant investments in non-consolidated companies

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

(1) Data of the previous fiscal year.

As recalled in point 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 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 exerted.

Note 6.10 - Breakdown of the bond portfolio

The presentations below pertain to only 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 - Bond portfolio – by rate

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

	31.12.2016			31.12.2015		
(in millions of euros)	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
Listed bonds						
Available-for-sale	50,418	1,202	51,621	51,669	1,201	52,870
Classified as "trading"						
Classified as "held for trading"	559	59	618	417	51	468
Total listed bonds	**50,977**	**1,261**	**52,239**	**52,086**	**1,252**	**53,338**
Unlisted bonds						
Available-for-sale	104	38	142	104	39	143
Classified as "trading"						
Classified as "held for trading"	5	23	28	5	23	28
Total unlisted bonds	**109**	**61**	**170**	**109**	**61**	**171**
TOTAL BOND PORTFOLIO	**51,087**	**1,323**	**52,409**	**52,195**	**1,314**	**53,509**

Note 6.10.2 - Bond portfolio – by maturity

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

	31.12.2016				31.12.2015			
(in millions of euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Listed bonds								
Available-for-sale	2,483	10,284	38,854	51,621	2,275	11,125	39,470	52,870
Classified as "trading"								
Classified as "held for trading"	1	176	441	618	25	6	437	468
Total listed bonds	**2,483**	**10,460**	**39,295**	**52,239**	**2,300**	**11,131**	**39,907**	**53,338**
Unlisted bonds								
Available-for-sale	20	10	113	142	3	23	117	143
Classified as "trading"								
Classified as "held for trading"	1	27	1	28	1	14	13	28
Total unlisted bonds	**21**	**36**	**114**	**170**	**4**	**37**	**130**	**171**
TOTAL BOND PORTFOLIO	**2,504**	**10,496**	**39,409**	**52,409**	**2,304**	**11,168**	**40,037**	**53,509**

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.

	31.12.2016						
(in millions of euros)	AAA	AA	A	BBB	< BBB	Not rated	Total
Listed bonds							
Available-for-sale	2,635	23,702	6,039	18,153	587	504	51,621
Classified as "trading"							
Classified as "held for trading"	144	11	299	163			618
Total listed bonds	**2,779**	**23,712**	**6,339**	**18,317**	**587**	**504**	**52,239**
Unlisted bonds							
Available-for-sale		20	10	112			142
Classified as "trading"							
Classified as "held for trading"			23			5	28
Total unlisted bonds		**20**	**33**	**112**		**5**	**170**
TOTAL BOND PORTFOLIO	**2,779**	**23,733**	**6,372**	**18,429**	**587**	**509**	**52,409**

	31.12.2015						
(in millions of euros)	**AAA**	**AA**	**A**	**BBB**	**< BBB**	**Not rated**	**Total**
Listed bonds							
Available-for-sale	2,755	23,330	6,723	18,301	606	1,155	52,870
Classified as "trading"							
Classified as "held for trading"	31	6	83	66		282	468
Total listed bonds	**2,786**	**23,336**	**6,806**	**18,367**	**606**	**1,437**	**53,338**
Unlisted bonds							
Available-for-sale		20	10	112		1	143
Classified as "trading"							
Classified as "held for trading"			17			11	28
Total unlisted bonds		**20**	**27**	**112**		**12**	**171**
TOTAL BOND PORTFOLIO	**2,786**	**23,356**	**6,833**	**18,479**	**606**	**1,449**	**53,509**

Note 6.10.4 - Bond portfolio – by type of issuer

(in millions of euros)	**31.12.2016**	**31.12.2015**
Bonds issued by EU Member States	33,416	33,892
Bonds issued by States outside the EU	190	280
Bonds from public and semi-public sectors	3,591	3,686
Corporate bonds	15,199	15,634
Other bonds (including bond funds)	14	16
TOTAL BOND PORTFOLIO	**52,409**	**53,509**

Note 6.11 - Debt securities of peripheral countries of the eurozone

Note 6.11.1 - Sovereign debt securities of peripheral countries of the eurozone

	31.12.2016					
(in millions of euros)	**Gross discounted cost price**	**Reserves for impairment**	**Net discounted cost price**	**Fair value**	**Gross unrealised capital gains (losses)**	**Unrealised capital gains (losses) net of taxes and profit sharing**
Spain	2,323		2,323	3,044	721	66
Greece						
Ireland	18		18	20	2	0
Italy	7,147		7,147	8,861	1,714	226
Portugal	274		274	286	13	1
TOTAL	**9,761**		**9,761**	**12,211**	**2,450**	**294**

	31.12.2015					
(in millions of euros)	**Gross discounted cost price**	**Reserves for impairment**	**Net discounted cost price**	**Fair value**	**Gross unrealised capital gains (losses)**	**Unrealised capital gains (losses) net of taxes and profit sharing**
Spain	2,553		2,553	3,213	660	55
Greece						
Ireland	22		22	25	3	1
Italy	7,512		7,512	9,524	2,012	257
Portugal	258		258	298	40	3
TOTAL	**10,345**		**10,345**	**13,060**	**2,715**	**316**

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 €294 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 on Hungary is approximately €277 million, mainly held by the Hungarian subsidiary.

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

	31.12.2016				
(in millions of euros)	**< 3 years**	**3 to 7 years**	**7 to 10 years**	**> 10 years**	**Total**
Spain	163	14	365	2,502	3,044
Greece					
Ireland	7	10		2	20
Italy	437	1,085	1,694	5,645	8,861
Portugal	14	7	122	143	286
TOTAL	**621**	**1,116**	**2,181**	**8,293**	**12,211**

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

	31.12.2016					
(in millions of euros)	Spain	Greece	Ireland	Italy	Portugal	Total
Opening sovereign debt securities	**3,194**		**20**	**9,177**	**298**	**12,690**
Change in unrealised capital gains/losses	149			(176)	(27)	(54)
Change in scope of consolidation						
Acquisitions	28			95	14	137
Divestments/Redemptions	(345)		(2)	(579)	(2)	(928)
Foreign exchange adjustments						
CLOSING SOVEREIGN DEBT SECURITIES	**3,026**		**18**	**8,517**	**283**	**11,844**

To date, the consolidated mutual funds hold €367 million in sovereign debt securities of peripheral eurozone countries, including €344 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

	31.12.2016					
(in millions of euros)	Gross discounted cost price	Reserves for impairment	Net discounted cost price	Fair value	Gross unrealised capital gains (losses)	Unrealised capital gains (losses) net of taxes and profit sharing
Spain	548		548	635	87	9
Greece						
Ireland	14		14	15	0	0
Italy	612		612	651	38	8
Portugal	35		35	36	1	0
TOTAL	**1,209**		**1,209**	**1,336**	**127**	**17**

	31.12.2015					
(in millions of euros)	Gross discounted cost price	Reserves for impairment	Net discounted cost price	Fair value	Gross unrealised capital gains (losses)	Unrealised capital gains (losses) net of taxes and profit sharing
Spain	572		572	654	82	8
Greece						
Ireland	14		14	14	0	
Italy	660		660	711	51	9
Portugal	20		20	20	0	
TOTAL	**1,266**		**1,266**	**1,399**	**133**	**17**

The balance sheet value of the Group's investments in bonds issued by companies, banks, local authorities, and para-governmental organisations located in peripheral countries of the eurozone (mainly Spain and Italy) was €1,336 million at 31 December 2016. These securities present an unrealised capital gain net of taxes and profit sharing of €17 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 - Fair value hierarchy

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.

	31.12.2016				31.12.2015			
(in millions of euros)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale assets								
Equities and other variable-return investments	2,286	47	165	2,499	2,534	58	278	2,870
Bonds and other fixed-return investments	52,113	721	926	53,760	53,172	629	559	54,361
Other investments			1	1			1	1
Total available-for-sale assets	**54,399**	**769**	**1,093**	**56,261**	**55,706**	**687**	**838**	**57,232**
Trading assets								
Equities and other variable-return investments classified as “trading” or “held for trading”	531		398	929	255	12	470	737
Bonds and other fixed-return investments classified as “trading” or “held for trading”	3,002	256	336	3,594	1,987	77	321	2,385
Cash mutual funds classified as “trading” or “held for trading”	8,521			8,521	7,028			7,029
Other investments								
Total trading assets	**12,054**	**256**	**734**	**13,044**	**9,270**	**90**	**791**	**10,151**
SUB-TOTAL OF FINANCIAL INVESTMENTS (EXCLUDING UNIT-LINKED ITEMS)	**66,453**	**1,024**	**1,827**	**69,305**	**64,976**	**777**	**1,629**	**67,383**
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	**70,542**	**3,541**	**2,637**	**76,719**	**69,844**	**523**	**3,432**	**73,800**

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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 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. Unlisted equities are valued using several methods, such as discounted cash flow 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 equities, 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 at 31 December 2016, compared with €65 million at 31 December 2015.

	31.12.2016								
	Available-for-sale assets			Trading assets					
(in millions of euros)	Equities	Bonds	Other investments	Equities	Bonds	Cash mutual funds	Other investments	Investments in unit-linked policies	Derivative assets and liabilities
Level 3 opening amount	**278**	**559**	**1**	**470**	**321**			**1,803**	
Change in unrealised capital gains/losses recognised in:									
■ income				(144)	53			(190)	
■ gains and losses recognised directly in shareholders' equity	(105)	62							
Transfer to level 3	2	444		28	69			456	
Transfer outside of level 3	(10)	(268)			(144)			(1,228)	
Reclassification to loans and receivables									
Change in scope of consolidation									
Acquisitions	3	139		46	66			8	
Divestments/Redemptions		(8)		(2)	(30)			(46)	
Foreign exchange adjustments	(2)							6	
LEVEL 3 CLOSING AMOUNT	**165**	**926**	**1**	**398**	**336**			**809**	

NOTE 7 INVESTMENTS REPRESENTING COMMITMENTS IN UNIT-LINKED INVESTMENTS

	31.12.2016			31.12.2015		
(in millions of euros)	France	International	Total	France	International	Total
Variable-return 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

	31.12.2016					
	France		International		Total	
(in millions of euros)	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)**

	31.12.2015					
	France		International		Total	
(in millions of euros)	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)**

At 31 December 2016, the following derivative instruments were available to 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;
- hedging for risk of widening bond spreads.

This last hedge was the subject of specific documentation for accounting hedges at fair value under IAS39.

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 undergo, on a daily basis, valuation and collateralisation covering the risk associated with the market value of initiated hedges.

NOTE 9 USES AND SOURCES OF FUNDS FOR BANKING SECTOR OPERATIONS

Note 9.1 - Uses of funds for banking sector activities

	31.12.2016			31.12.2015		
(in millions of euros)	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 - Sources of funds for 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 businesses is explained by the removal of Groupama Banque's assets and liabilities following the change in consolidation method. It is now consolidated by the equity method.

NOTE 10 INVESTMENTS IN RELATED COMPANIES AND JOINT VENTURES

	31.12.2016		31.12.2015	
(in millions of euros)	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

	2016				
(in millions of euros)	Premium income	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 d'Orange Bank(1)				270	270
ICADE(1)	1,493	58		10,037	3,435

	2015				
(in millions of euros)	Premium income	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(4)	1,440	(177)		11,014	2,577

(1) Actual data.
(2) Estimated data.
(3) Actual data for premium income and estimated for other items.
(4) Actual data (at the level of the HOLDCO tier) 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 now left the scope of consolidation given the decrease in holding following the capital increase in which the Group wished to participate;
- 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 Extraordinary General 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. The data on Icade at 31 December 2016, following the merger, are positioned at the Icade level, whereas at 31 December 2015, they were at the higher level (including Holdco). Icade is one of the leading office property and business park companies in the Greater Paris region, the leading healthcare property company in France, and a major partner of French large metropolises in property development.

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

Since the end of the last quarter of 2016, Orange became majority shareholder of Groupama Banque. The Group, *via* Compagnie Financière d'Orange Bank, now holds only 35% of Groupama Banque, which is now consolidated according to the equity method.

Orange Bank's financial holding company is within Group's scope and is called 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

	31.12.2016			31.12.2015		
(in millions of euros)	France	International	Total	France	International	Total
Shares of reinsurers in non-life insurance reserves						
Reserves for unearned premiums	11	19	30	11	24	34
Outstanding claims reserves	890	120	1,010	827	141	968
Other underwriting reserves	353	1	354	328	2	330
Total	**1,254**	**140**	**1,394**	**1,165**	**167**	**1,332**
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	**1,315**	**145**	**1,461**	**8,168**	**173**	**8,341**

The decrease in France of the reinsurers' share of life insurance reserves compared with the previous year can be explained by the non-renewal of a 3-year quota-share reinsurance agreement entered into in 2013.

Note 11.1 - Change in the share of outward reinsurers and retrocessionaires in claims reserves for non-life claims split by operating segment

	31.12.2016			31.12.2015		
(in millions of euros)	France	International	Total	France	International	Total
SHARE OF REINSURERS IN OPENING RESERVES FOR CLAIMS	**827**	**141**	**968**	**909**	**171**	**1,081**
Portfolio transfers and changes in scope of consolidation		1	1	(7)		(7)
Share of reinsurers in total claims expense	406	24	430	189	41	230
Share of reinsurers in total payments	(343)	(43)	(386)	(265)	(68)	(333)
Foreign exchange variation		(4)	(4)		(3)	(3)
SHARE OF REINSURERS IN CLOSING RESERVES FOR CLAIMS	**890**	**120**	**1,010**	**827**	**141**	**968**

NOTE 12 OTHER PROPERTY PLANT AND EQUIPMENT

Note 12.1 - Change in other property, plant and equipment

	31.12.2016			31.12.2015		
(in millions of euros)	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	382	56	439	412	48	460
Acquisitions	35	1	36	26	9	35
Change in scope of consolidation	(11)		(11)	(2)		(2)
Assets capitalised in the year						
Foreign exchange adjustments	(2)		(2)	(1)		(1)
Disposals	(26)	(1)	(27)	(53)	(1)	(54)
Closing gross value	**379**	**56**	**435**	**382**	**56**	**439**
Opening cumulative amortisation	**(284)**		**(284)**	**(306)**		**(306)**
Increase	(30)		(30)	(30)		(30)
Change in scope of consolidation	9		9	1		1
Foreign exchange adjustments	2		2			
Decrease	21		21	51		51
Closing cumulative amortisation	**(282)**		**(282)**	**(284)**		**(284)**
Opening cumulative long-term impairment	**(1)**		**(1)**	**(1)**	**(1)**	**(2)**
Long-term impairment recognised						
Change in scope of consolidation						
Foreign exchange adjustments						
Long-term impairment write-backs						
Closing cumulative long-term impairment	**(1)**		**(1)**	**(1)**	**0**	**(1)**
Opening net value	**97**	**56**	**153**	**105**	**47**	**152**
Closing net value	**96**	**56**	**152**	**97**	**56**	**153**
Closing fair value of other property, plant and equipment	**96**	**103**	**199**	**97**	**98**	**194**
UNREALISED CAPITAL GAINS	**0**	**47**	**47**	**0**	**42**	**41**

Unrealised capital gains on long-term operating 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

	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		
(in millions of euros)	France	International	Total	France	International	Total	France	International	Total	France	International	Total
Gross value	**274**	**105**	**379**	**56**		**56**	**270**	**112**	**382**	**56**		**56**
Cumulative depreciation	(195)	(87)	(282)				(192)	(91)	(284)			
Long-term impairment	(1)		(1)				(1)		(1)			
Closing net value	**77**	**19**	**96**	**56**		**56**	**77**	**20**	**97**	**56**		**56**
Closing fair value of investment property	**77**	**19**	**96**	**103**		**103**	**77**	**20**	**97**	**98**		**98**
UNREALISED CAPITAL GAINS	**0**	**0**	**0**	**47**		**47**	**0**	**0**	**0**	**42**		**42**

NOTE 13 DEFERRED ACQUISITION COSTS

	31.12.2016			31.12.2015		
(in millions of euros)	Gross	Deferred profit-sharing	Net	Gross	Deferred profit-sharing	Net
Non-life insurance policies	78		78	75		75
Life insurance policies and financial contracts with discretionary profit sharing	30		30	40	(2)	39
France	**108**		**108**	**115**	**(2)**	**113**
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	**189**	**(3)**	**186**	**199**	**(4)**	**195**

NOTE 14 DEFERRED PROFIT SHARING

Note 14.1 - Deferred profit sharing liabilities

(in millions of euros)	31.12.2016 France	31.12.2016 International	31.12.2016 Total	31.12.2015 France	31.12.2015 International	31.12.2015 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 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 France	31.12.2016 International	31.12.2016 Total	31.12.2015 Total
Deferred tax assets	7	16	23	224
TOTAL	**7**	**16**	**23**	**224**

Note 15.2 - Deferred tax liabilities – by operating segment

(in millions of euros)	31.12.2016 France	31.12.2016 International	31.12.2016 Total	31.12.2015 Total
Deferred tax liabilities	125	32	157	337
TOTAL	**125**	**32**	**157**	**337**

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)	(361)	(363)
Life insurance acquisition costs and overall management expenses reserve	(50)	(48)
Consolidation restatements on underwriting reserves	(162)	(173)
Other differences on consolidation restatements	173	135
Deferred non-life insurance acquisition costs	(27)	(25)
Tax differences on underwriting reserves and other contingent liabilities	350	414
Tax-deferred capital gains	(2)	
Valuation difference on mutual funds	11	11
Foreign exchange hedge	8	6
Other temporary tax differences	(39)	(22)
Subtotal of deferred taxes resulting from timing differences	**(99)**	**(65)**
Deferred taxes on ordinary losses	**(35)**	**(47)**
Deferred taxes recorded on the balance sheet	**(134)**	**(113)**
of which, assets	23	224
of which, liabilities	(157)	(337)

Unrecognised deferred taxes on net assets amounted to €12 million at 31 December 2016, compared with €115 million at 31 December 2015.

On the France scope, the deferred taxes were determined using a corporate rate of 34.43%, independent of the progressive decline in the corporate tax rate provided for by 2020 by the finance law of 2017. Estimates were made, and the impact is not significant.

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NOTE 16 RECEIVABLES FROM INSURANCE OR INWARD REINSURANCE TRANSACTIONS

Note 16.1 - Receivables from insurance or inward reinsurance transactions – by operating segment

	31.12.2016							31.12.2015
	France			International				
(in millions of euros)	Gross value	Reserves	Net value	Gross value	Reserves	Net value	Total	Total
Earned premiums not written	630		630	18		18	648	541
Policyholders, intermediaries, and other third parties	414	(24)	389	393	(68)	325	715	1,040
Current accounts – co-insurers and other third parties	59	(1)	58	56	(33)	24	82	86
Current accounts – ceding and retroceding companies	313		313	6		6	319	244
TOTAL	**1,416**	**(26)**	**1,391**	**473**	**(101)**	**372**	**1,763**	**1,911**

Note 16.2 - Receivables from insurance or inward reinsurance transactions – by maturity

	31.12.2016				31.12.2015			
(in millions of euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Earned premiums not written	648			648	541			541
Policyholders, intermediaries, and other third parties	597	117		715	933	107		1,040
Current accounts – co-insurers and other third parties	82			82	75	11		86
Current accounts – ceding and retroceding companies	270	49		319	195	49		244
TOTAL	**1,596**	**167**		**1,763**	**1,744**	**167**		**1,911**

NOTE 17 RECEIVABLES FROM OUTWARD REINSURANCE TRANSACTIONS

	31.12.2016			31.12.2015
(in millions of euros)	Gross value	Reserves	Net value	Net value
Outward reinsurer and retrocessionaire current accounts	55	(6)	49	55
Other receivables from reinsurance transactions	174	(1)	173	232
TOTAL	**230**	**(7)**	**222**	**287**

Note 17.1 - Receivables from outward reinsurance transactions – by maturity

	31.12.2016				31.12.2015			
(in millions of euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Outward reinsurer and retrocessionaire current accounts	39	11		49	32	24		55
Other receivables from reinsurance transactions	173			173	232			232
TOTAL	**211**	**11**		**222**	**263**	**24**		**287**

NOTE 18 CURRENT TAX RECEIVABLES AND OTHER TAX RECEIVABLES

Note 18.1 - Current tax receivables and other tax receivables – by maturity

	31.12.2016				31.12.2015			
(in millions of euros)	< 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	273			273	277			277

"Current tax receivables and other tax receivables" amounted to €273 million as at 31 December 2016 compared with €277 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 €81 million at 31 December 2015.

Other current tax receivables totalled €195 million as at 31 December 2016, including €66 million for international subsidiaries, versus €196 million as at 31 December 2015.

Note 18.2 - Current tax receivables and other tax receivables – by operating segment

	31.12.2016			31.12.2015		
(in millions of euros)	France	International	Total	France	International	Total
Current tax receivables and other tax receivables	175	98	273	171	106	277

NOTE 19 OTHER RECEIVABLES

	31.12.2016			31.12.2015
(in millions of euros)	Gross value	Reserves	Total	Total
Accrued interest not yet due	703		703	758
Due from employees	6		6	7
Social agencies	9		9	10
Sundry amounts receivable	1,449	(107)	1,342	955
Other receivables	203		203	198
TOTAL	**2,370**	**(107)**	**2,263**	**1,929**

Note 19.1 - Other receivables- by maturity

	31.12.2016				31.12.2015			
(in millions of euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Accrued interest not yet due	703			703	758			758
Due from employees	6			6	7			7
Social agencies	9			9	10			10
Sundry amounts receivable	1,267	74	1	1,342	918	25	12	955
Other receivables	203			203	198			198
TOTAL	**2,187**	**74**	**1**	**2,263**	**1,891**	**25**	**12**	**1,929**

Note 19.2 - Other receivables – by operating segment

	31.12.2016			31.12.2015		
(in millions of euros)	France	International	Total	France	International	Total
Accrued interest not yet due	630	73	703	675	83	758
Due from employees	4	1	6	6	1	7
Social agencies	9		9	9		10
Sundry amounts receivable	1,301	41	1,342	910	45	955
Other receivables	178	25	203	170	29	198
TOTAL	**2,123**	**140**	**2,263**	**1,770**	**158**	**1,929**

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	504	672
International	106	176
TOTAL	**609**	**848**

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

	31.12.2016				31.12.2015			
(in millions of euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Operating debts to banking sector companies	11			11	118			118
TOTAL	**11**			**11**	**118**			**118**

	31.12.2016			
	Currencies		Rates	
(in millions of euros)	Eurozone	Non-eurozone	Fixed rate	Variable rate
Operating debts to banking sector companies	11		11	
TOTAL	**11**		**11**	

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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 Article R. 322-5 of the French Insurance Code, French public limited companies under the supervision of government authorities must have share capital of at least €480,000 or €800,000 depending on the insurance activity exercised.

In addition, in order to ensure the financial stability of the insurance companies and protect the policyholders, the insurance companies are subject in France, since 1 January 2016, to the "Solvency II" prudential regime introduced by European Directive 2009/138/EC of 25 November 2009. It requires insurance companies to continuously comply with the capital requirements relating to the minimum capital requirement (Article L. 352-5 of the French Insurance Code) and the solvency capital requirement (Article L. 352-1 of the French Insurance Code) calculated in accordance with the provisions of delegated Regulation no 2015/35. This obligation also exists abroad, according to similar mechanisms. This entire mechanism is reinforced at the level of the consolidated financial statements by a Group regulatory capital requirement, taking into account, where applicable, the banking businesses engaged in by the insurance group.

Note 21.2 - Impact of transactions with shareholders

CHANGES IN THE GROUP'S SHAREHOLDERS' EQUITY DURING FISCAL YEAR 2016

During fiscal year 2016, Groupama SA carried out a capital increase with a share premium for a total of €700 million, broken down into €401 million in capital increase and €299 million in share premiums. It also made a partial redemption of its perpetual deeply 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:

- subordinated perpetual bond, issued in May 2014, at the fixed interest rate of 6.375% for a par value of €1,100 million, and;
- a deeply subordinated bond, issued in 2007, at the fixed interest rate of 6.298% for a remaining par value of €414 million.

These bonds have particular characteristics, such as:

- unlimited term;
- the ability to defer or cancel any interest payment to unitholders 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	7,827	7,283
of which, unrealised gross capital gains (losses) on AFS assets allocated to life and health insurance	7,385	6,809
of which, unrealised gross capital gains (losses) on AFS assets allocated to property and casualty insurance	442	474
Shadow accounting	(6,231)	(5,837)
Cash flow hedge and other changes	(60)	(60)
Deferred taxes	(351)	(357)
Share of non-controlling interests	(5)	(4)
REVALUATION RESERVE – GROUP SHARE	**1,180**	**1,024**

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 as 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

	31.12.2016						
	France			International			Total
(in millions of euros)	Reserves for pensions and similar obligations	Other contingent liabilities [1]	Total	Reserves for pensions and similar obligations	Other contingent liabilities [1]	Total	
OPENING BALANCE	**226**	**118**	**344**	**37**	**47**	**84**	**427**
Changes in scope of consolidation, changes in accounting methods, and transfers	(4)	(12)	(16)				(16)
Increases for the year	83	73	156	4	15	19	176
Write-backs for the year	(54)	(58)	(112)	(5)	(14)	(19)	(131)
Foreign exchange variation				(1)	(1)	(1)	(1)
CLOSING BALANCE	**251**	**121**	**372**	**35**	**48**	**83**	**455**

(1) Details are not provided for this line item because this information could seriously prejudice the Group in view of ongoing litigation proceedings.

	31.12.2015						
	France			International			Total
(in millions of euros)	Reserves for pensions and similar obligations	Other contingent liabilities [1]	Total	Reserves for pensions and similar obligations	Other contingent liabilities [1]	Total	
OPENING BALANCE	**237**	**93**	**330**	**40**	**51**	**91**	**421**
Changes in scope of consolidation, changes in accounting methods, and transfers				(2)		(2)	(2)
Increases for the year	39	53	92	3	10	13	105
Write-backs for the year	(50)	(28)	(78)	(4)	(14)	(18)	(96)
Foreign exchange variation							
CLOSING BALANCE	**226**	**118**	**344**	**37**	**47**	**84**	**427**

(1) Details are not provided for this line item because this information could seriously prejudice the Group in view of ongoing litigation proceedings.

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

Note 23.1 - Closing pensions reserve

	31.12.2016			31.12.2015		
(in millions of euros)	Post-employment benefits	Other long-term benefits	Total	Post-employment benefits	Other long-term benefits	Total
Actuarial debt	611	42	654	593	43	635
Fair value of hedging assets	370		370	373		373
NET ACTUARIAL DEBT	**241**	**42**	**284**	**220**	**43**	**263**

Note 23.1.1 - Pensions reserve – change in actuarial value of the debt

	31.12.2016			31.12.2015		
(in millions of euros)	Post-employment benefits	Other long-term benefits	Total	Post-employment benefits	Other long-term benefits	Total
OPENING ACTUARIAL DEBT	**593**	**43**	**636**	**598**	**38**	**636**
Cost of past services	9	3	12	5	3	8
Interest expense	14		15	16		17
Revaluations of actuarial debt						
Actuarial differences resulting from changes in demographic assumptions	(5)		(4)	1		1
Actuarial differences resulting from changes in financial assumptions	87	1	88	(16)		(16)
Experience-related adjustments	(4)	(1)	(4)	(12)	(2)	(14)
Benefits paid directly by the employer	(7)	(2)	(9)	(5)	(1)	(7)
Benefits paid by hedging assets	(23)		(23)	(16)		(16)
Cost of past services and profit/loss on liquidation					1	1
Change in scope of consolidation	(2)	(2)	(4)			
Change in exchange rates	(55)		(55)	21		21
Other	3		3		4	4
CLOSING ACTUARIAL DEBT	**611**	**42**	**654**	**593**	**43**	**635**

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

	31.12.2016			31.12.2015		
(in millions of euros)	Post-employment benefits	Other long-term benefits	Total	Post-employment benefits	Other long-term benefits	Total
OPENING FAIR VALUE OF HEDGING ASSETS	**373**		**373**	**358**		**358**
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**	**373**		**373**

Note 23.2 - Change in post-employment benefits recognised through net income and profits/losses recognised directly through shareholders' equity

(in millions of euros)	31.12.2016	31.12.2015
Cost of services:		
Cost of past services	(9)	(5)
Cost of past services and profit/loss on liquidation		
Net interest on net actuarial debt	(3)	(3)
Other		
COMPONENT OF THE EXPENSE RECOGNISED IN THE INCOME STATEMENT	**(12)**	**(8)**
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	(1)
Actuarial differences resulting from changes in financial assumptions	(87)	16
Experience-related adjustments	4	12
Change in effect of asset cap		
COMPONENT OF THE EXPENSE RECOGNISED THROUGH PROFIT/LOSSES POSTED DIRECTLY AS SHAREHOLDERS' EQUITY	**(27)**	**14**

Note 23.3 - Information pertaining to personnel 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

	31.12.2016				31.12.2015			
(in millions of euros)	France	United Kingdom	Other	Total	France	United Kingdom	Other	Total
Actuarial debt	219	395	40	654	213	380	42	635
Fair value of hedging assets	8	361	1	370	12	359	1	372
Net actuarial debt	**211**	**34**	**39**	**284**	**201**	**21**	**41**	**263**
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	1.89%	3.20%	NS		1.87%	3.00%	NS	
Staff turnover								
■ 18 to 34 years	5.35%	NA	NS		3.60%	NA	NS	
■ 35 to 44 years	3.40%	NA	NS		2.42%	NA	NS	
■ 45 to 54 years	1.80%	NA	NS		1.21%	NA	NS	
■ 55 and older	0.00%	NA	NS		3.07%	NA	NS	

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

Only staff turnover in respect of France is material in the context of the consolidated financial statements.

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 -6.1% on the gross actuarial debt total for France, and -8.3% for the United Kingdom.

Sensitivity to social commitments in relation to illness cover: as at 31 December 2016, actuarial debt for illness cover 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 increase in medical costs would not have a material impact on the Group’s consolidated financial statements.

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								
TOTAL			**750**	**750**			**750**	**750**

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				
TOTAL	**750**		**750**	

The "subordinated debt" item corresponds to a bond issue in the form of subordinated redeemable securities (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 solvency margin 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.

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NOTE 25 TECHNICAL LIABILITIES RELATED TO INSURANCE POLICIES

Note 25.1 - Technical liabilities related to insurance policies – by operating segment

	31.12.2016			31.12.2015		
(in millions of euros)	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	688	660	1,348	669	663	1,332
Outstanding claims reserves	5,796	2,294	8,090	5,490	2,305	7,795
Other underwriting reserves	2,822	47	2,869	2,620	55	2,674
Total Non-life insurance	**9,307**	**3,000**	**12,307**	**8,779**	**3,023**	**11,802**
Life insurance reserves for unit-linked policies	**7,896**	**985**	**8,882**	**7,105**	**866**	**7,971**
TOTAL	**49,919**	**4,940**	**54,859**	**47,897**	**5,146**	**53,042**

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 underwriting 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

	31.12.2016			31.12.2015		
(in millions of euros)	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	35	653	688	36	633	669
Outstanding claims reserves	690	5,106	5,796	696	4,795	5,490
Other underwriting reserves	1,875	948	2,822	1,797	822	2,620
Total Non-life insurance	**2,600**	**6,707**	**9,307**	**2,529**	**6,250**	**8,779**
Life insurance reserves for unit-linked policies	**7,896**		**7,896**	**7,105**		**7,105**
TOTAL GROSS UNDERWRITING RESERVES RELATING TO INSURANCE POLICIES	**43,212**	**6,707**	**49,919**	**41,646**	**6,250**	**47,897**

Note 25.2.2 - Technical liabilities related to insurance policies – by business – International

(in millions of euros)	31.12.2016 Life and health insurance	31.12.2016 Property and casualty insurance	31.12.2016 Total	31.12.2015 Life and health insurance	31.12.2015 Property and casualty insurance	31.12.2015 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 underwriting reserves for insurance policies – by main categories

(in millions of euros)	31.12.2016 Gross life insurance reserves	31.12.2016 Gross outstanding claims reserves	31.12.2016 Total	31.12.2015 Gross life insurance reserves	31.12.2015 Gross outstanding claims reserves	31.12.2015 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 policies	**11,878**	**118**	**11,996**	**13,842**	**273**	**14,115**
Periodic-premium policies						
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 policies	**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 “Other” in single-premium policies to “Other” under periodic-premium policies.

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	31.12.2016			31.12.2015		
(in millions of euros)	Reserves for unearned premiums	Outstanding claims reserves	Total	Reserves for unearned premiums	Outstanding claims reserves	Total
Non-life insurance						
Motor insurance	536	2,308	2,844	562	2,364	2,925
Bodily injury	87	544	631	88	478	567
Property damage	314	719	1,033	282	607	889
General third-party liability	52	489	541	50	480	529
Marine, aviation, transport	8	183	191	8	202	210
Other risks	162	752	913	172	726	898
Inward reinsurance	**190**	**3,095**	**3,285**	**171**	**2,939**	**3,110**
TOTAL NON-LIFE INSURANCE RESERVES	**1,348**	**8,090**	**9,438**	**1,332**	**7,795**	**9,128**

Note 25.4 - Change in reserves for non-life claims payable

	31.12.2016			31.12.2015		
(in millions of euros)	France	International	Total	France	International	Total
OPENING RESERVES FOR NON-LIFE CLAIMS	**5,490**	**2,305**	**7,795**	**5,409**	**2,285**	**7,693**
Portfolio transfers				**(66)**		**(66)**
Claims expense for current fiscal year	3,834	1,293	5,128	3,239	1,257	4,496
Claims expense for previous fiscal years	(14)	(25)	(39)	140	74	214
Total claims expense	**3,820**	**1,268**	**5,088**	**3,379**	**1,331**	**4,710**
Claims payments for current fiscal year	(1,814)	(591)	(2,405)	(1,479)	(616)	(2,095)
Claims payments for previous fiscal years	(1,700)	(642)	(2,342)	(1,755)	(662)	(2,417)
Total payments	**(3,514)**	**(1,233)**	**(4,747)**	**(3,234)**	**(1,278)**	**(4,511)**
Foreign exchange variation		**(47)**	**(48)**	**2**	**(33)**	**(31)**
CLOSING RESERVES FOR NON-LIFE CLAIMS	**5,796**	**2,294**	**8,090**	**5,490**	**2,305**	**7,795**

Note 25.5 - Impact of gross claims

(in millions of euros)	2012	2013	2014	2015	2016
Estimate of the claims expense					
End N	4,783	4,777	4,582	4,469	5,106
End N+1	4,877	4,815	4,585	4,432	
End N+2	4,869	4,762	4,564		
End N+3	4,860	4,637			
End N+4	4,788				
Claims expense	**4,788**	**4,637**	**4,564**	**4,432**	**5,106**
Cumulative claims payments	**4,274**	**4,118**	**3,666**	**3,355**	**2,389**
Outstanding claims reserves	**514**	**520**	**898**	**1,076**	**2,717**
Earned premiums	**6,675**	**6,495**	**6,392**	**6,529**	**6,746**
CLAIMS RATIO	**71.7%**	**71.4%**	**71.4%**	**67.9%**	**75.7%**

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 France	31.12.2016 International	31.12.2016 Total	31.12.2015 France	31.12.2015 International	31.12.2015 Total
Closing non-life annuity actuarial reserves (net of recoveries)	**2,272**	**23**	**2,295**	**2,111**	**23**	**2,134**
Closing non-life annuity actuarial reserves (net of recoveries) before change in discount rate	2,172	23	2,196	2,000	23	2,023
Closing non-life annuity actuarial reserves (net of recoveries) excluding underwriting interest	2,382	23	2,405	2,314	23	2,337
Underwriting interest	(210)		(210)	(314)		(314)
Impact of change in discount rate	100		100	111		111

Proportion ceded

(in millions of euros)	31.12.2016 France	31.12.2016 International	31.12.2016 Total	31.12.2015 France	31.12.2015 International	31.12.2015 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 underwriting interest	261		260	229		229
Underwriting 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	14,326	15,910
Reserves on unit-linked policies	84	56
Outstanding claims reserves	122	65
Profit-sharing reserves	16	16
Other underwriting reserves	1	1
Total	**14,548**	**16,049**
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	**14,696**	**16,120**

Note 26.1 - Liabilities related to financial contracts (excluding unit-linked items) – by operating segment

	31.12.2016			31.12.2015		
(in millions of euros)	France	International	Total	France	International	Total
Reserves on financial contracts – Life	12,276	2,050	14,326	14,249	1,668	15,917
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	**12,402**	**2,064**	**14,466**	**14,310**	**1,690**	**15,999**

Note 26.2 - Breakdown of liabilities related to financial contracts – by major category

(in millions of euros)	31.12.2016 Reserves on financial contracts – Life	31.12.2016 Gross outstanding claims reserves	31.12.2016 Total	31.12.2015 Reserves on financial contracts – Life	31.12.2015 Gross outstanding claims reserves	31.12.2015 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 policies	**13,272**	**88**	**13,359**	**15,082**	**26**	**15,109**
Periodic-premium policies						
Capitalisation	268	7	275	105	2	108
Individual insurance	359	13	372	379	36	414
Group policies	424	16	440	347	1	348
Other	3		3	3		3
Total reserves for periodic-premium policies	**1,054**	**36**	**1,090**	**834**	**39**	**873**
Inward reinsurance						
TOTAL NON-LIFE INSURANCE RESERVES	**14,326**	**124**	**14,450**	**15,917**	**66**	**15,982**

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

(in millions of euros)	31.12.2016 France	31.12.2016 International	31.12.2016 Total	31.12.2015 France	31.12.2015 International	31.12.2015 Total
OPENING ACTUARIAL RESERVES	**44,701**	**2,818**	**47,520**	**45,949**	**2,680**	**48,629**
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	(563)	(7)	(570)	(726)	(7)	(733)
CLOSING ACTUARIAL RESERVES	**43,597**	**2,917**	**46,514**	**44,701**	**2,818**	**47,520**

Other changes are due largely to the arbitrage of euro contracts for unit-linked contracts.

NOTE 28 DEBTS TO UNIT HOLDERS OF CONSOLIDATED MUTUAL FUNDS

	31.12.2016			31.12.2015		
(in millions of euros)	Insurance	Banking	Total	Insurance	Banking	Total
Debts to holders of units of consolidated mutual funds	457		457	249		249
TOTAL	**457**		**457**	**249**		**249**

NOTE 29 DEBTS ARISING FROM INSURANCE OR INWARD REINSURANCE TRANSACTIONS

	31.12.2016				31.12.2015			
(in millions of euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Policyholders, intermediaries, and other third parties	513	3		515	583	2		585
Co-insurers	43	17		60	66	1		67
Current accounts – ceding and retroceding companies	100	3		103	84	30		114
TOTAL	**655**	**23**		**678**	**733**	**34**		**766**

NOTE 30 DEBTS ARISING FROM OUTWARD REINSURANCE TRANSACTIONS

	31.12.2016				31.12.2015			
(in millions of euros)	< 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)	294	12		305	7,224	16		7,240
Other liabilities from reinsurance activities	44	3		47	106	3		109
TOTAL	**338**	**14**		**352**	**7,330**	**19**		**7,349**

(1) Including cash deposits received from reinsurers.

The change in the line item “Outward reinsurer and retrocessionaire current accounts” compared with the previous year results from the end of a 3-year quota-share reinsurance agreement issued in 2013.

NOTE 31 CURRENT TAXES PAYABLE AND OTHER TAX LIABILITIES

	31.12.2016				31.12.2015			
(in millions of euros)	< 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	133			134	149			149
TOTAL	**133**			**134**	**149**			**149**

"Current taxes payable and other tax liabilities" amounted to €134 million as at 31 December 2016 compared with €149 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 €103 million as at 31 December 2016, including €36 million for foreign subsidiaries.

NOTE 32 OTHER DEBT

Note 32.1 - Other debt – by operating segment

	31.12.2016			31.12.2015		
(in millions of euros)	France	International	Total	France	International	Total
Due to employees	154	6	160	158	8	165
Social agencies	128	7	136	113	7	120
Other loans, deposits, and guarantees received	4,561	5	4,566	4,226	5	4,231
Other creditors	815	40	855	615	53	668
Other debts	238	28	266	273	34	307
TOTAL	**5,895**	**87**	**5,982**	**5,384**	**107**	**5,492**

Note that €4,434 million in debts on securities delivered under repurchase agreements appears in "Other loans, deposits, and guarantees received".

Note 32.2 - Other debt – by maturity

	31.12.2016				31.12.2015			
(in millions of euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Due to employees	146		14	160	151		14	165
Social agencies	136			136	120			120
Other loans, deposits, and guarantees received	4,518	12	36	4,566	4,184	12	36	4,231
Other creditors	854			855	668			668
Other debts	266			266	307			307
TOTAL	**5,919**	**12**	**51**	**5,982**	**5,430**	**12**	**50**	**5,492**

Note 32.3 - Other debt – by currency and rate

	31.12.2016			
	Currencies		Rates	
(in millions of euros)	Eurozone	Non eurozone	Fixed rate	Variable rate
Due to employees	159	2	160	
Social agencies	136		136	
Other loans, deposits, and guarantees received	4,566		4,555	11
Other creditors	841	14	855	
Other debts	266		266	
TOTAL	**5,966**	**16**	**5,971**	**11**

NOTE 33 ANALYSIS OF PREMIUM INCOME

Note 33.1 - Analysis of insurance premium income – by major category

	31.12.2016			31.12.2015		
(in millions of euros)	France	International	Total	France	International	Total
Individual savings and pensions	1,695	523	2,218	1,764	645	2,409
Individual protection insurance	410	118	528	418	117	535
Individual health insurance	398	74	472	430	70	500
Other	114		114	107		107
Individual life and health insurance	**2,616**	**715**	**3,332**	**2,719**	**832**	**3,551**
Group savings and pensions	162	57	219	156	45	201
Group protection scheme	516	74	590	499	72	571
Group health insurance	628	26	654	496	27	523
Other	175		175	158		158
Group life and health insurance	**1,481**	**157**	**1,638**	**1,309**	**145**	**1,454**
LIFE AND HEALTH INSURANCE	**4,097**	**872**	**4,970**	**4,028**	**977**	**5,005**
Motor insurance	903	1,075	1,978	903	1,102	2,005
Other vehicles	49		49	49		49
Home insurance	604	187	791	597	183	781
Personal and professional property and casualty	333	14	347	324	15	339
Construction	88		88	89		89
Private and professional	**1,977**	**1,276**	**3,253**	**1,963**	**1,301**	**3,264**
Fleets	252	18	270	248	15	263
Business and municipal property	253	190	443	253	189	442
Businesses and local authorities	**505**	**208**	**713**	**501**	**204**	**705**
Agricultural risks	236	155	391	234	146	380
Climate risks	162		162	160		160
Tractors and agricultural equipment	114		114	111		111
Agricultural business lines	**512**	**155**	**667**	**505**	**146**	**651**
Other business lines	329	72	401	305	79	384
Property and casualty insurance	**3,323**	**1,711**	**5,034**	**3,274**	**1,730**	**5,004**
TOTAL INSURANCE	**7,420**	**2,583**	**10,004**	**7,302**	**2,707**	**10,009**

Note 33.2 - Analysis of premium income – by business

	31.12.2016					31.12.2015				
(in millions of euros)	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	4,097	3,323	136	7,556	75%	4,028	3,275	282	7,585	74%
Southern Europe	685	1,364		2,049	20%	794	1,416		2,210	21%
CEEC	188	347		535	5%	183	313		497	5%
TOTAL	**4,970**	**5,034**	**136**	**10,139**	**100%**	**5,005**	**5,004**	**282**	**10,291**	**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 premium income

	31.12.2016			31.12.2015		
(in millions of euros)	Groupama Banque	Other companies	Total	Groupama Banque	Other companies	Total
Interest and related income				48		48
Commissions (income)		129	129	59	126	185
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		**136**	**136**	**154**	**128**	**282**

Banking premium income shown in the consolidated financial statements corresponds to banking income before taking into account refinancing costs.

Groupama Banque is now consolidated according to the equity method.

NOTE 34 INVESTMENT INCOME NET OF MANAGEMENT EXPENSES

Note 34.1 - Investment income net of management expenses by operating segment

	31.12.2016			31.12.2015		
(in millions of euros)	France	International	Total	France	International	Total
Interest on deposits and financial investments income	1,729	230	1,958	1,733	242	1,975
Gains on foreign exchange transactions	47	11	58	97	15	112
Income from differences in redemption prices to be collected (premium/discount)	98	3	101	118	3	120
Property income	119		119	131	1	132
Other investment income						
Investment revenues	**1,992**	**244**	**2,236**	**2,079**	**261**	**2,339**
Interest received from reinsurers	(5)		(5)			(1)
Losses on foreign exchange transactions	(75)	(10)	(85)	(61)	(11)	(72)
Amortisation of differences in redemption prices (premium/discount)	(266)	(27)	(293)	(269)	(26)	(294)
Depreciation and reserves on property	(96)	(5)	(101)	(59)	(3)	(62)
Management expenses	(337)	(9)	(346)	(323)	(12)	(335)
Investment expenses	**(779)**	**(51)**	**(830)**	**(712)**	**(52)**	**(765)**
Held for trading	(35)	1	(35)	(59)	3	(56)
Available-for-sale	380	25	404	561	33	594
Held to maturity						
Other	121	1	122	35	7	42
Capital gains (losses) from sales of investments, net of impairment reversals and write-backs	**466**	**26**	**492**	**538**	**42**	**580**
Held for trading	7	11	18	43	(2)	40
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	**307**	**18**	**325**	**334**	**9**	**342**
Available-for-sale	(38)	(1)	(40)	(1)		(1)
Held to maturity						
Receivables and loans						
Change in impairments on financial instruments	**(39)**	**(1)**	**(40)**	**(1)**		**(1)**
TOTAL	**1,947**	**236**	**2,182**	**2,237**	**259**	**2,496**

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Note 34.2 - Investment income net of management expenses by business

Note 34.2.1 - Investment income net of management expenses by business – France

	31.12.2016				31.12.2015			
(in millions of euros)	P&C	L&H	Holding	Total	P&C	L&H	Holding	Total
Interest on deposits and financial investments income	118	1,632	(21)	1,729	126	1,640	(33)	1,733
Gains on foreign exchange transactions	4	32	11	47	6	79	12	97
Income from differences in redemption prices to be collected (premium/discount)	1	97		98	2	115		118
Property income	8	100	11	119	9	111	11	131
Other investment income								
Investment revenues	**130**	**1,860**	**1**	**1,992**	**143**	**1,946**	**(9)**	**2,079**
Interest received from reinsurers		(3)	(2)	(5)				
Losses on foreign exchange transactions	(5)	(68)	(2)	(75)	(3)	(55)	(3)	(61)
Amortisation of differences in redemption prices (premium/discount)	(15)	(241)	(11)	(266)	(13)	(242)	(13)	(269)
Depreciation and reserves on property	(1)	(91)	(3)	(96)	(1)	(52)	(6)	(59)
Management expenses	(21)	(329)	13	(337)	(23)	(313)	13	(323)
Investment expenses	**(42)**	**(732)**	**(6)**	**(779)**	**(41)**	**(662)**	**(10)**	**(712)**
Held for trading		(31)	(4)	(35)		(55)	(4)	(59)
Available-for-sale	46	328	6	380	36	450	75	561
Held to maturity								
Other	8	99	14	121	2	27	6	35
Capital gains (losses) from sales of investments, net of impairment reversals and write-backs	**53**	**396**	**16**	**466**	**38**	**422**	**77**	**538**
Held for trading	1	25	(19)	7	7	44	(9)	43
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	**1**	**325**	**(19)**	**307**	**8**	**296**	**29**	**334**
Available-for-sale	(1)	(36)	(2)	(38)		(1)		(1)
Held to maturity								
Receivables and loans	1	(1)						
Change in impairments on financial instruments	**0**	**(36)**	**(2)**	**(39)**		**(1)**		**(1)**
TOTAL INVESTMENT INCOME NET OF MANAGEMENT EXPENSES	**143**	**1,813**	**(9)**	**1,947**	**148**	**2,002**	**87**	**2,237**

Note 34.2.2 - Investment income net of management expenses by business – International

	31.12.2016				31.12.2015			
(in millions of euros)	P&C	L&H	Holding	Total	P&C	L&H	Holding	Total
Interest on deposits and financial investment income	98	129	3	230	105	134	3	242
Gains on foreign exchange transactions	10	1		11	13	1		15
Income from differences in redemption prices to be collected (premium/discount)	1	2		3	1	2		3
Property income					1			1
Other investment income								
Investment revenues	**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 on property	(4)			(5)	(3)			(3)
Management expenses	(6)	(3)		(9)	(6)	(5)	(2)	(12)
Investment expenses	**(36)**	**(15)**		**(51)**	**(36)**	**(15)**	**(2)**	**(53)**
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 impairments on financial instruments	**(1)**			**(1)**				
TOTAL INVESTMENT INCOME NET OF MANAGEMENT EXPENSES	**94**	**138**	**3**	**236**	**112**	**146**	**1**	**259**

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Note 34.3 - Investment income net of management expenses (income breakdown by type of asset)

	31.12.2016					31.12.2015				
(in millions of euros)	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	71	122		(53)	140	97	42		(28)	111
Equities	51	79		(27)	103	42	460	2	(1)	503
Bonds	1,439	285	21		1,746	1,515	34	(9)		1,540
Equity mutual funds	80	6	1	(15)	72	33	16	78	10	137
Mutual funds: Cash from repurchase agreements		(10)	(1)		(11)		(2)			(2)
Other cash mutual funds		(1)	(1)		(2)		2			2
Fixed-return mutual funds	63	15	14	3	95	79	16	(7)	(9)	79
Derivatives			7		7			123		123
Other investment income	190	(4)	(18)		168	244	11	(23)		232
Investment income	**1,895**	**492**	**25**	**(93)**	**2,319**	**2,010**	**579**	**164**	**(28)**	**2,725**
Internal and external management expenses and other financial expenses	(327)				(327)	(315)				(315)
Other investment expenses	(109)				(109)	(93)				(93)
Investment expenses	**(436)**				**(436)**	**(408)**				**(408)**
Financial income, net of expenses	**1,458**	**492**	**25**	**(93)**	**1,882**	**1,602**	**579**	**164**	**(28)**	**2,317**
Capital gains on securities representing unit-linked policies			527		527			629		629
Capital losses on securities representing unit-linked policies			(227)		(227)			(450)		(450)
TOTAL INVESTMENT INCOME NET OF MANAGEMENT EXPENSES	**1,458**	**492**	**325**	**(93)**	**2,182**	**1,602**	**579**	**343**	**(28)**	**2,496**

* *Net of write-back of impairment and amortisation.*

Investment income net of investment expenses increased by €314 million compared with 31 December 2015. This change is explained mainly by:

- the reduction in income and expenses of €144 million, including €92 million on bonds and bond mutual funds, €26 million on property, €82 million on other income, and an increase of €56 million on other equities and equity mutual funds;
- the net decrease in realised capital gains net of impairment write-backs for €87 million, including a decrease of €391 million on equities and equity mutual funds, €26 million on miscellaneous investments, and an increase of €250 million on bonds and bond mutual funds and €80 million on property.

Note 34.3.1 - Investment income net of management expenses (income breakdown by type of asset) – France

	31.12.2016					31.12.2015				
(in millions of euros)	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	73	121		(50)	144	99	35		(27)	107
Equities	50	77		(27)	100	41	456	1	(1)	497
Bonds	1,250	265	23		1,538	1,316	11	(10)		1,317
Equity mutual funds	79	5	(9)	(11)	65	32	14	82		128
Mutual funds: Cash from repurchase agreements		(10)	(1)		(11)		(2)			(2)
Other cash mutual funds		(1)			(1)		2			2
Bond mutual funds	51	15	13		79	66	14	(7)		73
Derivatives			7		7			123		123
Other investment income	177	(7)	(19)		150	224	7	(22)		209
Investment income	**1,680**	**466**	**14**	**(89)**	**2,071**	**1,778**	**537**	**167**	**(28)**	**2,454**
Internal and external management expenses and other financial expenses	(319)				(319)	(306)				(306)
Other investment expenses	(98)				(98)	(78)				(78)
Investment expenses	**(417)**		**0**		**(417)**	**(384)**				**(384)**
Financial income, net of expenses	**1,263**	**466**	**14**	**(89)**	**1,654**	**1,394**	**537**	**167**	**(28)**	**2,070**
Capital gains on securities representing unit-linked policies			510		510			608		608
Capital losses on securities representing unit-linked policies			(217)		(217)			(441)		(441)
TOTAL INVESTMENT INCOME NET OF MANAGEMENT EXPENSES	**1,263**	**466**	**307**	**(89)**	**1,947**	**1,394**	**537**	**334**	**(28)**	**2,237**

* *Net of write-back of impairment and amortisation.*

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Note 34.3.2 - Investment income net of management expenses (income breakdown by type of asset) – International

	31.12.2016					31.12.2015				
(in millions of euros)	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 expenses 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

	31.12.2016			31.12.2015		
(in millions of euros)	France	International	Total	France	International	Total
Claims						
Paid to policyholders	(7,108)	(1,767)	(8,874)	(6,883)	(1,906)	(8,789)
Change in underwriting reserves						
Outstanding claims reserves	(370)	38	(332)	(165)	(28)	(193)
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	(183)	(3)	(186)	(156)	(15)	(171)
TOTAL INSURANCE POLICY SERVICING EXPENSES	**(7,566)**	**(1,912)**	**(9,479)**	**(7,413)**	**(2,146)**	**(9,558)**

Note 35.2 - Insurance policy servicing expenses – by business

Note 35.2.1 - Insurance policy servicing expenses by business – France

	31.12.2016			31.12.2015		
(in millions of euros)	P&C	L&H	Total	P&C	L&H	Total
Claims						
Paid to policyholders	(2,227)	(4,881)	(7,108)	(2,010)	(4,873)	(6,883)
Change in underwriting reserves						
Outstanding claims reserves	(345)	(25)	(370)	(133)	(33)	(166)
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	(123)	(60)	(183)	(77)	(78)	(156)
TOTAL	**(2,695)**	**(4,872)**	**(7,566)**	**(2,221)**	**(5,192)**	**(7,413)**

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Note 35.2.2 - Insurance policy servicing expenses by business – International

	31.12.2016			31.12.2015		
(in millions of euros)	P&C	L&H	Total	P&C	L&H	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 AND EXPENSES

Note 36.1 - Outward reinsurance income and expenses by operating segment

	31.12.2016			31.12.2015		
(in millions of euros)	France	International	Total	France	International	Total
Acquisition and administrative costs	66	26	92	210	28	238
Claims expenses	7,254	17	7,271	686	21	707
Change in underwriting reserves	(6,807)	(1)	(6,808)	(32)	2	(31)
Profit sharing	(16)	2	(15)	(247)	2	(246)
Change in equalisation reserve						
Income from outward reinsurance	**496**	**44**	**540**	**616**	**52**	**668**
Outward premiums	(481)	(165)	(645)	(849)	(157)	(1,006)
Change in unearned premiums		(1)	(2)		(6)	(6)
Expenses on outward reinsurance	**(481)**	**(166)**	**(647)**	**(849)**	**(163)**	**(1,012)**
TOTAL	**16**	**(122)**	**(107)**	**(233)**	**(111)**	**(344)**

The change in “Claims expenses” and “Change in underwriting reserves” in France compared with the previous year results from the non-renewal of a three-year quota-share reinsurance agreement issued in 2013.

Note 36.2 - Outward reinsurance income and expenses by business

Note 36.2.1 - Outward reinsurance income and expenses by business – France

	31.12.2016			31.12.2015		
(in millions of euros)	**P&C**	**L&H**	**Total**	**P&C**	**L&H**	**Total**
Acquisition and administrative costs	44	22	66	30	180	210
Claims expenses	366	6,888	7,254	164	522	686
Change in other underwriting reserves	18	(6,825)	(6,807)	23	(56)	(32)
Profit sharing		(16)	(16)		(247)	(247)
Change in equalisation reserve						
Income on outward reinsurance	**428**	**68**	**496**	**217**	**398**	**616**
Outward premiums	(423)	(58)	(481)	(431)	(418)	(849)
Change in unearned premiums						
Expenses on outward reinsurance	**(423)**	**(58)**	**(481)**	**(431)**	**(418)**	**(849)**
TOTAL	**5**	**10**	**16**	**(214)**	**(19)**	**(233)**

Note 36.2.2 - Outward reinsurance income and expenses by business – International

	31.12.2016			31.12.2015		
(in millions of euros)	**P&C**	**L&H**	**Total**	**P&C**	**L&H**	**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 equalisation reserve						
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	**International**	**Total**	**France**	**International**	**Total**
External expenses	(405)	(89)	(495)	(431)	(93)	(525)
Taxes	(110)	(25)	(135)	(112)	(23)	(136)
Personnel expenses	(679)	(153)	(832)	(736)	(171)	(906)
Commissions	(1,037)	(397)	(1,434)	(1,029)	(398)	(1,428)
Allocations to amortisation, depreciation, and reserves (net of write-backs)	(88)	(25)	(113)	(84)	(23)	(107)
Other expenses	(18)	(44)	(62)	(31)	(56)	(86)
TOTAL OPERATING EXPENSES BY NATURE	**(2,337)**	**(734)**	**(3,071)**	**(2,424)**	**(764)**	**(3,188)**

The Company receives the tax credit for competitiveness and employment (CICE) calculated in accordance with Article 244 *quater* C of the French General Tax Code at 6%. For fiscal year 2016, the CICE amounted to €7 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 sector of activity

(in millions of euros)	31.12.2016			31.12.2015		
	Insurance	**Banking**	**Total**	**Insurance**	**Banking**	**Total**
External expenses	(451)	(44)	(495)	(470)	(55)	(525)
Taxes	(129)	(6)	(135)	(129)	(7)	(136)
Personnel expenses	(773)	(59)	(832)	(800)	(107)	(906)
Commissions	(1,434)		(1,434)	(1,428)		(1,428)
Allocations to amortisation, depreciation, and reserves (net of write-backs)	(109)	(4)	(113)	(103)	(5)	(107)
Other expenses	(53)	(9)	(62)	(65)	(22)	(86)
TOTAL OPERATING EXPENSES BY NATURE	**(2,949)**	**(122)**	**(3,071)**	**(2,994)**	**(195)**	**(3,188)**

Note 37.3 - Breakdown of personnel expenses

(in millions of euros)	31.12.2016	31.12.2015
Salaries	(513)	(544)
Social security expenses	(195)	(208)
Post-employment benefits		
Defined contribution plans	(47)	(51)
Defined benefit plans	(6)	(7)
Anniversary days and employee awards	(3)	(5)
Other personnel benefits	(68)	(91)
ANNUAL SALARY EXPENSES	**(832)**	**(906)**

At 31 December 2016, the gross annual remuneration (including benefits in kind) paid to members of the Groupama SA Steering Committee was €5.7 million. As regards the pension plan, the total commitment at 31 December 2016 amounted to €20.8 million.

NOTE 38 POLICY ACQUISITION COSTS

Note 38.1 - Policy acquisition costs by operating segment

	31.12.2016			31.12.2015		
(in millions of euros)	France	International	Total	France	International	Total
Commissions	(583)	(322)	(906)	(566)	(324)	(889)
Change in deferred acquisition costs	(7)	2	(5)	(14)		(13)
Other expenses	(210)	(94)	(304)	(215)	(98)	(313)
TOTAL	**(800)**	**(414)**	**(1,215)**	**(795)**	**(421)**	**(1,216)**

Note 38.2 - Policy acquisition costs by business

Note 38.2.1 - Policy acquisition costs by business – France

	31.12.2016			31.12.2015		
(in millions of euros)	P&C	L&H	Total	P&C	L&H	Total
Commissions	(402)	(181)	(583)	(391)	(174)	(566)
Change in deferred acquisition costs	4	(11)	(7)		(14)	(14)
Other expenses	(73)	(137)	(210)	(71)	(145)	(215)
TOTAL	**(472)**	**(329)**	**(800)**	**(462)**	**(333)**	**(795)**

Note 38.2.2 - Policy acquisition costs by business – International

	31.12.2016			31.12.2015		
(in millions of euros)	P&C	L&H	Total	P&C	L&H	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

	31.12.2016			31.12.2015		
(in millions of euros)	France	International	Total	France	International	Total
Commissions	(241)	(46)	(286)	(236)	(41)	(277)
Other expenses	(168)	(123)	(291)	(152)	(123)	(275)
TOTAL	**(409)**	**(169)**	**(577)**	**(388)**	**(164)**	**(552)**

Note 39.2 - Administrative costs by business

Note 39.2.1 - Administrative costs by business – France

	31.12.2016			31.12.2015		
(in millions of euros)	P&C	L&H	Total	P&C	L&H	Total
Commissions	(171)	(70)	(241)	(168)	(68)	(236)
Other expenses	(105)	(63)	(168)	(95)	(57)	(152)
TOTAL	**(276)**	**(133)**	**(409)**	**(263)**	**(125)**	**(388)**

Note 39.2.2 - Administrative costs by business – International

	31.12.2016			31.12.2015		
(in millions of euros)	P&C	L&H	Total	P&C	L&H	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

	31.12.2016			31.12.2015		
(in millions of euros)	France	International	Total	France	International	Total
Commissions and other operating expenses, Life	(193)	(10)	(203)	(235)	(11)	(245)
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	**(180)**	**(2)**	**(181)**	**(209)**	**(2)**	**(211)**
Commissions and other underwriting expenses, Non-life	(343)	(69)	(412)	(346)	(92)	(439)
Employee profit sharing, Non-life	(1)		(1)	(1)		(1)
Other underwriting income, Non-life	129	8	137	122	43	165
Transfer of operating expenses and capitalised production, Non-life	19		19	17		17
Total income and expenses from current operations, Non-life	**(195)**	**(61)**	**(256)**	**(208)**	**(50)**	**(258)**
Other non-underwriting expenses	(179)	(18)	(196)	(163)	(21)	(185)
Other non-underwriting income	58	23	81	40	20	61
Total income and expenses from current operations, Non-underwriting	**(121)**	**5**	**(116)**	**(123)**	**(1)**	**(124)**
Total income and expenses from current operations, Banking						
TOTAL	**(496)**	**(57)**	**(554)**	**(540)**	**(53)**	**(593)**

NOTE 41 OTHER INCOME AND EXPENSES FROM NON-CURRENT OPERATIONS

	31.12.2016			31.12.2015		
(in millions of euros)	France	International	Total	France	International	Total
Income from non-current operations	26	1	27	19		19
Expenses from non-current operations	(82)	(21)	(102)	(79)	(24)	(103)
Allocation to the reserve for goodwill		(88)	(88)			
TOTAL	**(56)**	**(108)**	**(164)**	**(61)**	**(24)**	**(85)**

The balance of other net income and expenses from non-current operations amounted to a loss of €164 million as at 31 December 2016 compared with a loss of €85 million at 31 December 2015.

The main items comprising this total include:

- impairment of goodwill of the Turkish subsidiaries for €88 million;
- amortisation of securities in portfolio totalling €16 million as at 31 December 2016, identical to 31 December 2015;
- an IT project representing an expense of €21 million at 31 December 2016 compared with an expense of €7 million at 31 December 2015.

NOTE 42 FINANCING EXPENSES

(in millions of euros)	31.12.2016	31.12.2015
Interest expenses on loans and debts	(60)	(63)
Interest income and expenses – Other		
TOTAL FINANCING EXPENSES	**(60)**	**(63)**

NOTE 43 BREAKDOWN OF TAX EXPENSES

Note 43.1 - Breakdown of tax expenses – by operating segment

	31.12.2016			31.12.2015		
(in millions of euros)	France	International	Total	France	International	Total
Current taxes	(8)	(18)	(26)	10	(27)	(17)
Deferred taxes	29	4	33	87	(13)	74
TOTAL	**21**	**(15)**	**6**	**97**	**(40)**	**57**

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	**(11)**	**(26)**
Impact of expenses or income defined as non-deductible or non-taxable	90	(39)
Impact of differences in tax rate	(73)	122
Tax credit and various charges		1
Charges of prior deficits		
Losses for the fiscal year not capitalised		
Deferred tax assets not accounted for		(1)
Other differences		
EFFECTIVE TAX EXPENSE	**6**	**57**

Overall, corporate income tax corresponded to an income (deferred tax and social tax) of €6 million at 31 December 2016, versus an income of €57 million 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 of €69 million as at 31 December 2016 versus an expense of €72 million as at 31 December 2015 is explained by:

- the elimination of the 10.70% extraordinary contribution for €7 million;
- a €2 million increase in long-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 on equity securities.

The reconciliation with the theoretical statutory tax is as follows:

	31.12.2016		31.12.2015	
(in millions of euros)	Consolidated income before taxes	Theoretical tax rate	Consolidated income before taxes	Theoretical tax rate
France	86	34.43%	59	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	**75**		**75**	

The theoretical tax rate applicable in France remains at 34.43%.

NOTE 44 RELATED PARTIES

1- General presentation

Groupama SA and its subsidiaries, which make up the Equity Management Division of the Groupama group, maintain close, long-lasting economic relationships with their controlling shareholders, the Groupama regional mutuals, which make up the Groupama group's Mutual Insurance Division. These relationships focus mainly on the reinsurance of the regional mutuals by Groupama SA, and, to a lesser degree, on business relationships amongst the subsidiaries of Groupama SA and the regional mutuals in the areas of insurance, banking and services.

Premium income earned by Groupama SA and its consolidated subsidiaries through the network of regional mutuals comes mainly from Groupama SA and Groupama Gan Vie. Considering just these two entities, the contribution of the network of regional mutuals to consolidated premium income totalled €2,959 million, or 30% of total consolidated premium income for 2016.

The resulting economic inter-dependence led the Group's two major divisions to enter into agreements to protect the security of the entity as a whole.

1.1 - Reinsurance

Pursuant to the legal provisions, the regional mutuals are required to obtain reinsurance exclusively from Groupama SA.

This requirement is laid down in the bylaws of the regional mutuals. This reinsurance exclusivity engenders financial solidarity over time, resulting in a transfer of a substantial proportion of the non-life insurance business from the regional mutuals to Groupama SA.

The reinsurance relationship is based on the principle of "fate sharing" between the regional mutuals as ceding companies and their reinsurer Groupama SA. The principle aims to ensure that over the long term, there are neither winners nor losers between ceding companies and their reinsurer.

Implementing this principle means a major use of quota-share reinsurance and the reinsurer's participation in the direct insurance management decisions that determine the financial return for the whole.

Thus, Groupama SA either helps to draft the technical terms and conditions for direct insurance, particularly regarding rates, or else it drafts those conditions itself depending on the nature of the risks being reinsured.

In addition, Groupama SA may participate in the handling of any claims file and jointly manages any claim with an estimated cost that exceeds certain thresholds.

Also under the reinsurance agreement, a number of mechanisms for quickly rectifying any imbalances exist.

The fate sharing introduced between the regional mutuals and Groupama SA also contributes to certain specific expenses in expanding insurance portfolios (project financing, experimentation, joint ventures, etc.) once those projects become part of the Group's strategy and have the potential to be replicated throughout the regional mutuals, as quota-share reinsurance gives Groupama SA the means to contribute to the future results of the portfolios thus expanded.

This reinsurance relationship is designed to continue over the long term, and the duration of the reinsurance agreement between Groupama SA and the regional mutuals is equal to that of Groupama SA itself, which, unless extended, will expire in 2086. Any modifications to the agreement must be made *via* a consensus-based decision-making process, whereby final approval lies with the Groupama SA Board of Directors, after receiving the recommendation of the Agreements Committee.

This reinsurance relationship has led to a powerful community of interests between the regional mutuals and Groupama SA. On the one hand, the regional mutuals have a vital interest in preserving the economic and financial balance of their exclusive reinsurer. On the other hand, Groupama SA has a major interest not only in the economic and financial balance of the mutuals, but also in their growth, in which it participates in proportion to the non-life insurance business transferred.

The reinsurance agreement is described in more detail at §2.1.

1.2 - Business relationships between the subsidiaries of Groupama SA and the regional mutuals in the areas of insurance, banking and services

Groupama SA and the regional mutuals enjoy business relationships through various subsidiaries of Groupama SA. The role of these subsidiaries is either to offer products or services designed for members and customers in the areas of insurance, banking or services, or to provide financial resources to the entities of the Group.

These business relationships are governed by a principle of preference for the Group up to and including exclusivity, which is based on the interest of the regional mutuals in meeting their needs for products or services and in achieving a return on the investments made in the subsidiaries through Groupama SA.

The preferential nature of these relationships is laid out in an agreement approved by the Groupama SA Board of Directors in its meeting of 14 December 2005.

Under that agreement, the respective commitments of Groupama SA and the regional mutuals are:

- Groupama SA shall ensure that the subsidiaries offer products or services meeting the needs of the market (*i.e.*, products or services designed for members or customers) or to the needs of the entities of the Group (*i.e.*, the financial services designed for the Group entities) and that are competitive compared with the products offered by competing companies in terms of price and quality of service;
- the regional mutuals agree to the following:
  - concerning the subsidiaries offering products or services designed for members and customers:
    - not to distribute, under any circumstances, competing third party products or services,
    - to distribute the products or services of the life insurance, retail banking and employee savings subsidiaries,
    - to distribute the services of the non-life insurance subsidiaries or those of the insurance-related services subsidiaries if they themselves do not offer those services and decide to outsource them;
  - concerning subsidiaries offering financial services designed for the Group entities:
    - to give preference to those subsidiaries in terms of equal price and quality of service.

The creation and growth of subsidiaries offering insurance services or related services and banking services to members and customers of the Group is in response to the need for the regional mutuals, whose main business is limited by law to non-life insurance, to have a full range of financial services to offer while sharing amongst themselves through Groupama SA the investment required to create and run a profitable subsidiary.

Such is the case for the life insurance products of Groupama Gan Vie, the retail banking services offered by Groupama Banque (until 4 October 2016), and the services offered by Groupama Épargne Salariale and a certain number of service subsidiaries (Mutuaide, CapsAuto, FMB, etc.).

It is in the interests of Groupama SA to make these investments, for three reasons:

- owing to their intrinsic return going forward;
- owing to the community of interests between it and the regional mutuals because of reinsurance, Groupama SA either benefits or suffers from any progress or setback in the position of the regional mutuals in the non-life insurance market. It is therefore in its direct interest for the regional mutuals to have a competitive offering in other sectors of the market (life insurance, financial services, etc.) so it can be on an equal footing with the other general insurance companies active in the market or with bancassurance companies;
- the investments made in those subsidiaries enable the subsidiaries of Groupama SA distributing the Gan brand to have a services offering as well; such is the case of retail banking, employee savings, insurance-related services, etc.

1.3 - Security systems

(a) The Groupama brand

The Groupama brand is solely owned by Groupama SA, which grants user licences to its regional mutuals and subsidiaries. Groupama can therefore guarantee the brand is properly managed and provide protection for one of the Group's critical assets.

(b) Agreement for a security and solidarity system

On 17 December 2003, Groupama SA and the regional mutuals signed an agreement, amended by various additional clauses, for a security and solidarity system, aimed at guaranteeing the security and the financial equilibrium of all the regional mutuals and Groupama SA and to arrange for solidarity.

By virtue of its new role as central body of the network of agricultural mutual insurance and reinsurance companies or mutuals, Groupama SA has the legal responsibility of ensuring the cohesion and smooth running of the network. It has administrative, technical and financial control over the organisation and management of the organisations within the network. It determines its strategic policies, issues any relevant instructions to this effect and oversees their successful implementation. It also takes any requisite measures to guarantee the solvency of not only each organisation within the network but of the Group as a whole, and to ensure they comply with all their respective obligations.

The agreement has been adapted to reflect these new circumstances. It is fundamentally a three-part agreement:

INSTRUCTIONS FROM THE CENTRAL BODY

The agreement defines the scope and system for issuing instructions, these being one of the methods available to the central body for performing its role.

AUDITS

The agreement allows Groupama SA to conduct audits to verify the current and future economic and financial balances of each regional mutual, compliance with regulatory requirements and with the reinsurance agreement. It may also, in certain conditions, conduct an audit following a loss or non-compliance with an instruction.

SOLIDARITY FUND

The regional mutuals and Groupama SA participate in a solidarity fund in order to assist the regional mutuals in the event their shareholders' equity and their results no longer guarantee they will be able to face their commitments and obligations over time.

As regards the regional mutuals this fund is fed, in proportion to the insurance contributions retained by them; in the form of an annual provision into the reserves until the total provisions by each regional mutual reach 3% of the contributions retained.

Groupama SA does not have such a reserve but has made a commitment to provide assistance to the solidarity fund, calculated according to the same method as the allocations paid by the mutuals.

It will provide this funding support if two conditions are met:

- the regional mutual has suffered a loss which if repeated three times would make it unable to meet its legally required solvency margin;
- the regional mutual agrees to implement a recovery plan whose contents are approved by Groupama SA.

The funding assistance decision is taken by the Groupama SA Board of Directors.

NEW AGREEMENT IN FORCE FROM 1 JANUARY 2016

As part of the entry into force on 1 January 2016 of Solvency II and the Group prudential notion ensuring the fungibility of equity within the Group, the agreement was adjusted by replacing the solidarity fund with a new solidary mechanism better meeting the constraints set by Solvency II.

The new mechanism thus institutes a monthly guarantee between Groupama SA and the regional mutuals aiming to allow Groupama SA or the regional mutuals to respect at all times, as from 1 January 2016, their coverage ratio and to cover any insufficiency of cover.

In addition, the previous agreement could be terminated at any time with three months' notice. This provision was eliminated because it did not meet the objectives of lasting links between Groupama SA and the regional mutuals through this agreement. Accordingly, the agreement was adjusted to provide for a term of ten (10) years automatically renewable in periods of five (5) years, unless terminated six (6) months before the expiry date.

(c) The Agreements Committee

The Agreements Committee, the Research Committee of the Groupama SA Board of Directors, is chaired by an Independent Director.

Its main role is to prevent any potential conflict of interest between the regional mutuals or between Groupama SA and its subsidiaries, which is likely to result from their business relationships.

In particular, this committee is responsible for reviewing any amendments to the reinsurance agreement and the agreements entered into between Groupama SA, its subsidiaries and the regional mutuals, ensuring that said agreements are legally sound and that they are in the corporate interest of Groupama SA (conditions for remunerating and distributing the risks arising from said agreements).

2 - Agreements between Groupama SA and its subsidiaries and the regional mutuals

2.1 - The reinsurance agreement

The need for reinsurance has been behind the ties forged among the Groupama Mutuals since they were founded more than a century ago. The geographical district covered by the mutuals, which at the time was limited to one or two French departments, led them to seek compensation for the risks taken at the national level in order to expand, following the example of the growth achieved by the large rival insurance companies. Thus as time went on, an Internal Reinsurance system grew up amongst the Regional Insurance Mutuals and a Central Mutual, whose reinsurance role is now assumed by Groupama SA.

The reinsurance of the regional mutuals by Groupama SA is intended, through an internal pooling of risks, to give each mutual, within its district, underwriting capabilities equivalent to those enjoyed by a single company covering the entire territory. It also limits the use of outside reinsurance to what would be needed by such a company.

In order to achieve this objective, the regional mutuals are reinsured within a common framework set by general regulations and not by individual reinsurance agreements. This agreement, which was designed a long time ago, is based on a certain number of founding principles that have outlasted the adjustments made to it over time.

(a) Permanent principles and amendments to the reinsurance agreement

The permanent principles are:

- exclusive reinsurance obligation with Groupama SA;
- the reinsurance conditions defined by the general regulations are developed within cooperative bodies composed of Groupama SA and all the mutuals and they are valid for all the regional mutuals;
- fate sharing among the mutuals and their internal reinsurer: all risks without exception are subject to outward reinsurance particularly as quota-share outward reinsurance, which enables Groupama SA to participate in the business growth of the mutuals, including in those divisions where reinsurance is not technically indispensable (health insurance, for example); in consideration, Groupama SA automatically provides the mutuals with reinsurance when they embark on new, less well-known ventures (multi-risk crop insurance, long-term care insurance, etc.) by calculating the insurance terms and conditions regardless;
- retrocession to the regional mutuals by Groupama SA of a portion of the general profit/loss from its inward reinsurance business, which reduces the need for reinsurance outside the Group and involves all the mutuals in balancing the outward reinsurance business with Groupama SA.

Any amendment to the structural parameters of the reinsurance agreement and its schedules (rate of quota share, commission rates and loading rate by risk, thresholds and floors for excess claims beyond their annual monetary indexation and additional retentions) must be made in the form of a written rider and approved by the Groupama SA regional mutuals *via* the following procedure:

- proposals for amendments are drafted in a reinsurance working group made up of representatives of Groupama SA and the regional mutuals;
- subject to the approval of the Chief Executive Officer of Groupama SA, they are subject to the agreement of the Chief Executive Officers of the regional mutuals;
- lastly, they are presented by the Groupama SA Chief Executive Officer for approval by Groupama SA's Board of Directors' meeting voting on proposed amendments by simple majority after seeking the opinion of the Agreements Committee.

The amendments made to the reinsurance agreement over the past two decades were prompted by one of two factors:

- either by changes in the structure of the mutuals (successive combinations, opening up the membership and takeover of the non-agricultural risk portfolio previously managed by the Samda subsidiary) that changed their size and therefore their holding capacity;
- or because of experiencing the results of some risk categories (major weather-related events, imbalance in industrial risks, etc.) requiring greater empowerment of the mutuals in terms of underwriting control and the costs of claims by increasing their holdings in those areas.

After examination and approval of the draft by the Steering Committee, Groupama SA Executive Management's proposal to amend the general regulations on reinsurance for regional mutuals effective 1 January 2014 so that it can support the major goal of recovery of the Group's operational profitability was accepted by the Board of Directors of Groupama SA on 12 December 2013.

The amendment not only seeks to clarify the economic challenges facing Internal Reinsurance and to bring its structures into line with market practice, with the aim of facilitating their uptake by operational managers, but also, and primarily, to increase the level of involvement of the regional mutuals in the quality of their underwriting results.

As indicated previously, the reinsurance agreement encompasses all the risks underwritten by the regional mutuals. It is designed to take into account both the overall balance between them and their specific characteristics in terms of cover needs. To that end, all the risks are subject to classification, which makes it possible to differentiate amongst the reinsurance solutions offered while ensuring inter-company consistency.

(b) Classification of reinsured risks

Risks are classified into two groups of reinsurance segments, depending on the nature of their need for protection, which is based on their degree of volatility. Classification of risks is carried out in two groups of reinsurance segments:

SEGMENTS OF GROUP 1

The first group consists of the following segments:

- Automobile/Personal Liability – Miscellaneous Liability;
- Professional liability;
- Fire insurance;
- Life insurance;
- Health insurance.

Given their characteristics, the segments of the first group are subject to relatively similar reinsurance terms as well as the allocation to each regional mutual of a share in profits calculated on all profits yielded by it in proportion for these segments.

THE OTHER SEGMENTS

These are risks that, given their significant specificities, are covered by highly varied types of reinsurance, mainly:

- Storms;
- Crops;
- Natural Disasters;
- Construction;
- Long-Term Care;
- Forests;
- Attacks (as defined by the French GAREAT pool).

The price of reinsurance of each regional mutual may take into account the quality of the yielded profits, in a manner adapted to the characteristics of each segment, by applying common rules.

Regardless of the considered risks, Groupama SA's stake in claims with respect to the various forms of reinsurance provided for by the general regulations (quota share, excess claims, or excess annual loss) falls within the limit of the scope of covered risks and exclusions and within the limit of its share in the maximum coverage amounts per insurance object, as set each year by Groupama SA particularly on the basis of its own external reinsurance conditions.

As indicated above, all the risks are covered by quota-share reinsurance, the rate of which varies according to the risks.

Such outward reinsurance operates on transactions net of non-proportional protection for segments that covered by it, with the exception of the "natural disasters" segment.

Groupama SA's stake in claims falls within the previously indicated limits but has no "aggregate" limitation, except in forest insurance, where the protections apply on an annual accumulation of claims equal to no more than 15% of the insured capital declared to Groupama SA.

For the storm segment, in order to permit the balance of quota-share transactions (taking into account the cost of the excess protection and the commission paid), the quota-share outward premiums basis is normalised. This normalisation is done on the basis of a national percentage applied to total fire + storm premiums (= base of the excess). This national percentage is adjusted according to the weight of the history of storm claims net of excess of each mutual compared with its weight in the national fire + storm premium income.

The storm reinsurance scheme changes as from 1 January 2017 with an alignment of the conditions of quota-share outward reinsurance of this segment with those of the quota-share reinsurance of the fire segment. This change makes the mechanism for normalisation of quota-share outward premiums described above irrelevant.

In "natural disasters", the "premium transfer basis" calculated to take account of the rate of deduction of the fund for prevention of major natural hazards is 88%.

The "origin" businesses of the regional mutual before quota-share transfer are covered by excess claim or excess annual loss protections for the segments concerned.

In addition, the regional mutual is covered for excess annual losses, across both the storm and crop segments, protecting the accumulation of claims kept below the non-proportional protection threshold of each segment.

As from 1 January 2017 and in line with the changes indicated above concerning the storm segment, the reinsurance in excess of annual loss of the retention of the mutuals in the climate segments was changed: extension of its scope to natural disasters, new definition of the intervention threshold, and call for a specific premium. The retrocession rate is also reduced.

For the coverage of claims by these various non-proportional protections, the rules already described apply in the same way: application of limitations relating to the field of covered risks, exclusions, maximum amounts of commitments by risk object defined and specified annually by Groupama SA.

When the regional mutual wishes to issue a guarantee outside of the scope of the covered risks, or for an amount that exceeds the limits laid down by the general regulations, it ask Groupama SA for optional reinsurance coverage, which is acquired only after express approval and on the basis of the conditions set in this framework.

The non-proportional reinsurance thresholds are established for all the regional mutuals (depending on the two classifications by mutual and by segment) according to the collective decision-making procedure mentioned in §1.1, on the basis of studies and simulations examined by the "reinsurance" working group aiming to verify the sensitivity of the holdings of the mutuals at their level, taking into account the effects in terms of cost.

With regard to excess claims, except in cases of more substantial modification, the thresholds are indexed on an annual basis according to price indices specific to the risks involved.

For the operation of reinsurance for excess claims, the regional mutual may generally establish by segment a single event of all the claims entitled to compensation, regardless of the number of policies or guarantees involved, resulting from the same cause of loss and occurring during a continuous period.

(c) Retrocession

Outward reinsurance by the mutuals with a central reinsurer does not deplete the capacities for pooling and retention within the Group. Given their level of equity, the mutuals have the capacity to bear a portion of the risk offset nationally, and protected by outside reinsurance. They become in turn the reinsurer of Groupama SA.

This allows the total results of the highest risks of reinsurance risks accepted to be shared between Groupama SA and the mutuals, and lowers the thresholds for assigning risks to third party reinsurers.

It is for that purpose that Groupama SA conveys back to the mutuals part of the profit/loss from its total inward reinsurance, net of the effect of outside coverage, in the only reinsurance risks or forms showing volatility justifying this use of additional mutual insurance.

Groupama SA's quota-share inward reinsurance business is thus not affected by retrocession, with the exception of the natural disasters and crops segments.

A significant percentage of the inward reinsurance business is retroceded.

Transactions that are the subject of a retrocession are divided amongst the regional mutuals in proportion to the gross premiums.

Aside from its effect on internal mutual insurance, retrocession raises the awareness of and directly involves the mutuals community in the balances of their different outward reinsurance operations with Groupama SA, and as such constitutes an additional regulatory factor.

(d) Amounts involved in fiscal year 2016

It should be noted that non-life premiums earned, policy servicing expenses, acquisition costs and administrative expenses include inward reinsurance, with respect to Groupama SA, from the regional mutuals under the internal reinsurance agreement.

The amounts accepted for these different transactions break down as follows:

(in millions of euros)	31.12.2016	31.12.2015
Non-life earned premiums	1,980	1,962
Policy-servicing expenses	(1,569)	(1,193)
Acquisition costs	(156)	(152)
Administration expenses	(156)	(152)

As at 31 December 2016, the overall retrocession result was +€29 million.

(in millions of euros)	31.12.2016	31.12.2015
Expenses on inward retrocession	(98)	(110)
Income on inward retrocession	+127	89

IN SUMMARY

This entire presentation can be summed up as follows:

- the reinsurance agreement is a coherent and balanced whole that must be assessed in terms of its intended purpose and overall effects and not by isolating any one of its components from this context; in any event, this attempt at placing the agreement in perspective is not opposed to a segmented, technical approach to risks and to the reinsurance terms associated with them (see above);
- the Internal Reinsurance terms currently applicable are the result of adjustments made over time to make this system fully effective in terms of its economic purpose of offsetting and controlling risks;
- the ongoing pursuit of this purpose has resulted in involving Groupama SA in the insurance business of the Groupama regional mutuals in a balanced and controlled way.

The premium income from reinsurance earned by Groupama SA with the regional mutuals amounted to a total of €1,980 million in 2016.

2.2 - Groupama Gan Vie

Relations between Groupama Gan Vie and the regional mutuals are governed by an identical bilateral agreement for each of the regional mutuals.

The purpose of this agreement is the distribution and management by the regional mutuals of individual life and group insurance policies from Groupama Gan Vie.

With regard to distribution, Groupama Gan Vie sets the marketing, subscription and pricing rules for the products as well as the contract documents and the communications media. The regional mutuals are responsible for sales relationships with customers.

At the management level, the regional mutuals must provide all administrative functions, including medical management, within certain limits including amounts, and in accordance with the conditions defined by Groupama Gan Vie.

The regional mutuals are required to comply with a number of ethical rules, particularly governing the treatment of health cases and the prevention of money laundering.

Groupama Gan Vie is authorised to conduct on-site audits of documents and conditions under which the marketing and management functions are exercised.

In personal life insurance, the distribution and management of the regional mutuals are remunerated on the basis of three factors: for all products, a mark-up on premiums and, for certain products, a fee on the outstanding amount (savings and pension products), and a fee based on the regional policy income (protection products) designed to involve the regional mutual in the quality of its management.

Groupama Gan Vie posted premium income under this agreement in individual life insurance of €951.1 million in 2016. The fees earned by the regional mutuals amounted to €108.4 million.

In group insurance, the regional mutuals' distribution and management are remunerated on the basis of several factors: mark-up on premiums, mark-up on outstanding amounts for certain products, fees based on regional net profit on all death risks and fees on development agreements.

Groupama Gan Vie posted premium income under this group insurance agreement of €28.9 million in 2016. The fees earned by the regional mutuals amounted to €5.2 million.

2.3 - Groupama Banque

The relationships between Groupama Banque and the regional mutuals have been governed since the bank was founded in late 2002/early 2003 by identical bilateral agreements that break down into two components:

(a) A general marketing and management agreement

The general agreement lays down the respective roles of the bank and the regional mutual. It is licensed by Groupama Banque to market its offer under a temporary banking license defining a limited number of banking operations that the mutual is permitted to perform. The operations concerned are preparation or support for banking transactions, given that Groupama Banque is the sole party authorised to carry out banking operations in the strict sense.

The regional mutuals underwrite a certain number of commitments aimed at achieving the banking business growth plan in a controlled manner: mobilising the necessary workforce and seeing to it that they are trained, applying the quality charter, deploying an internal control system as well as a system to fight money laundering, etc.

This agreement, which has an initial life of five years, may be renewed by 1-year terms.

(a) An annual marketing and management agreement

This agreement supplements the general agreement on the points needing periodic updating: annual production targets of the regional mutual, compensation, quality objectives, etc.

The regional mutuals are compensated from the net banking income generated by the products held by customers less the payment processing costs and a percentage of the distribution costs related to the bank's remote sales centre.

The net banking income earned by Groupama Banque under its agreements amounted to €56.7 million in 2016. The fees earned by the regional mutuals amounted to €14.8 million.

The sale of 65% of Groupama Banque's capital to Orange on 4 October 2016 had no effect in 2016 on the conditions of the relations between Groupama Banque and the regional mutuals.

2.4 - Groupama Supports and Services (G2S)

The purpose of Groupama Supports & Services is to facilitate the economic activities of its members, improve or increase the results of these activities by sharing and optimising IT, logistics and purchasing activities.

To this effect, the role of G2S is to:

- undertake any preliminary studies and perform, at the request of its members, all the IT work necessary for the exercise of their business;
- ensure the operation and maintenance of IT systems on behalf of its members;
- lease and manage buildings occupied by at least one member;
- provide its members with all general services;
- assist its members with their purchasing strategy and relationships with group suppliers.

Most services provided by this inter-company venture are exempt from VAT, except for services corresponding to the supply of goods.

The members of the G2S venture, which are not charged VAT, are mainly the regional mutuals, Groupama SA, its French insurance subsidiaries, Groupama Banque and other GIEs of the Group. Non-member clients, which are charged VAT, are mainly group financial management companies and international subsidiaries and, where appropriate, entities outside the Group affiliated through partnership agreements with Groupama.

IT services provided by G2S to group entities are invoiced based on the following principles:

- G2S, as a non-profit inter-company venture, invoices all of its costs, whether they are its own operating costs, costs that are charged by other group entities or costs of technical resources acquired on behalf of third parties;
- all costs are spread over a defined list of services (operating services, project services) that cover all areas of operation of the inter-company venture. Invoiced amounts are determined based on the following conditions:
  - charged directly when possible,
  - otherwise, according to allocation keys that can be modified each fiscal year if necessary, the principle of which is determined by G2S for each cost category based on significant criteria.

Special governance was put into place to ensure the relevance and stability of these invoicing keys. These are reviewed regularly by two different advisory bodies, depending on the nature of the services.

Operating services are reviewed by the "Keys Committee" which brings together IT Managers from member companies of the inter-company venture and the various services of the venture in charge of developing and implementing invoicing keys.

For projects, invoicing keys are reviewed by "Business Domain Committees".

Any proposed amendment issued by one of these committees is subject to approval by the Board of Directors of the inter-company venture. Furthermore, a review of the invoicing keys is carried out with the management controllers of G2S for validation of the distribution of the final invoice, and with the Tax Department to ensure compliance with the VAT regulations.

The auditors also ensure the expenses of the venture undergo correct analytical allocation for billing.

Based on the provision above, €285.5 million excluding taxes were billed as at 31 December 2016, €89.3 million of which to the regional mutuals.

2.5 - Other agreements

The amount of premium income generated by the other agreements entered into between the subsidiaries of Groupama SA and the regional mutuals in the areas of assistance, legal protection, employee savings and asset management proved immaterial for Groupama SA.

3- Financing of large programmes

Groupama SA participates in the financing of major community programmes by paying subsidies to the regional mutuals designed as incentives for them to implement an overall policy in the general interest.

This system results from the Group's decentralised structure and from the role played in it by Groupama SA, which manages the Group and reinsures the regional mutuals.

3.1- Operational structure of a decentralised organisation

In a so-called decentralised organisation, the central body arises from the regional level; its role is to embody the collective will and steer the resulting policies, but from a legal standpoint, it does not have the power to impose those policies at regional level. Financing is one lever used to facilitate the implementation of the Group policies.

Moreover, the programmes stemming from these policies usually generate high costs in the beginning with regard to the financial coverage of the regional mutual, with no immediate counterparty, and involve a business risk making the return on investment random. At the level of a regional mutual, implementing such programmes using its own resources seems contrary to its interests, at least in the short term.

Pooling the financing by Groupama SA makes it possible to remove this obstacle and to re-establish within the combination consisting of the regional mutuals the national dimension that would exist were this combination not legally divided into regional mutuals.

3.2 - Interest of the central reinsurer in expanding the business lines of the regional mutuals

As indicated above (see section 1.1), the reinsurance relationship between Groupama SA and the regional mutuals creates a powerful community of interests amongst them. Groupama SA itself has a major interest not only in the economic and financial balance of the mutuals but also in their growth, in which it participates in proportion to the non-life insurance business transferred. Hence it is directly in the interests of Groupama SA to participate in some expenses incurred in expanding the regional mutuals.

3.3 - A rational, efficient system

To qualify for financing by Groupama SA, a programme must meet several conditions:

- it must be part of the strategy defined by the Group;
- it must represent for most of the regional mutuals a financial expense that acts as a disincentive that would prevent them from financing the programme alone;
- it must have the potential to be replicated in all the regional mutuals.

The financing is discontinued once it ceases to be necessary.

This system has demonstrated its effectiveness in the past few years. Two major programmes have already achieved significant results:

- from 1999 to 2007, CCAMA then Groupama SA financed a new individual supplemental health insurance product, which allowed the regional mutuals to have an innovative product and stand out from the competition. It should be noted that when this business line broke even financially in 2007, Groupama SA's financial monitoring came to an end;
- designed and implemented with financing from CCAMA in the early nineties, the SIGMA non-life management system was gradually deployed in the regional mutuals with the financial support of CCAMA, then of Groupama SA. Today this system is deployed in all the regional mutuals, which keeps maintenance costs down and makes it easier to consider having common insurance products at the national level. Then, as part of the convergence research undertaken over many years, the community computer expenses programme involved 100% financing for exceptional projects and accounts closing, and 50% payment of the cost of the regional mutuals' merging-migrating and the cost of streamlining and developing community management tools (IAS-IFRS, archives, etc.).

In 2016, no IT programme was eligible for financing by Groupama SA.

Another programme has been under way since 2004: support for the deployment of the retail banking business in the regional mutuals. This business requires a major effort on the part of the regional mutuals, especially in terms of sales force training and management. The subsidies related to achieving sales objectives are designed to end when the retail banking business reaches its financial breakeven point. For the fiscal year 2016, the amount of financial support devoted to deploying the banking business came to a total of €3.5 million, net of corporate tax.

Moreover, from 2007 to 2013, Groupama SA helped fund the effort to support and promote more widely the Groupama brand name spearheaded by the regional mutuals through sponsoring of high-profile athletic teams in football, rugby and basketball. This contribution ended with the 2013-2014 season.

Lastly, for the first time in 2015, Groupama SA covered the costs resulting from the issue of mutual certificates for the regional mutuals. In 2016, Groupama SA paid a subsidy of €0.02 million for mutual certificates issued in 2015 by a regional mutual.

Funding of major national programmes is subject to review by the Agreements Committee before being authorised by the Groupama SA Board of Directors.

NOTE 45 EMPLOYEES OF CONSOLIDATED COMPANIES

This note is presented in §1.5.2 of this registration document.

NOTE 46 COMMITMENTS GIVEN AND RECEIVED

Note 46.1 - Commitments given and received – banking business

(in millions of euros)	31.12.2016	31.12.2015
Financing commitments received		
Guarantee commitments received		629
Commitments on securities to be received		
Total commitments received on banking business		**629**
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**

Off-balance-sheet commitments of the banking business received and given no longer appear in the table of commitments received and given because the entity Groupama Banque is now consolidated according to the equity method since Orange became majority shareholder.

Note 46.2 - Commitments given and received – insurance and reinsurance businesses

(in millions of euros)	31.12.2016	31.12.2015
Endorsements, securities and guarantees received	73	81
Other commitments received	856	858
Total commitments received, excluding reinsurance	**928**	**939**
Reinsurance commitments received	**511**	**475**
Endorsements, securities and guarantees given	194	329
Other commitments on securities, assets or income	469	453
Other commitments given	933	826
Total commitments given excluding reinsurance	**1,596**	**1,608**
Reinsurance commitments given	**3,924**	**4,475**
Securities belonging to protection insurance institutions		
Other securities held on behalf of third parties		

Endorsements, securities and guarantees received totalled €73 million.

Other commitments received excluding reinsurance for €856 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 at 31 December 2016;
- securities received as collateral under the collateralisation mechanism put in place to guarantee the unrealised gains or losses on derivatives are also recorded in off-balance-sheet commitments. This is reflected in the accounts by €25 million in commitments received for bond loans;
- promises of sales of buildings by lot of the subsidiary Groupama Gan Vie for €60 million.

Endorsements, securities and guarantees given totalled €194 million, consisting largely of the following major transactions:

- general guarantees given as part of the contribution of Groupama Banque securities to 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 remaining €469 million corresponds 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 €933 million. They mostly consist of the following elements:

- 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. This is reflected in the accounts by €720 million in commitments given for hedging of unrealised capital gains or losses on financial futures;
- €91 million in promises of sales mainly for the subsidiary Groupama Gan Vie;
- commitments given on property work orders for €111 million mainly for the subsidiary SCI Window La Défense.

Unvalued commitments

Trigger clauses:

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 coverage of the Group's solvency margin requirement fall below 100%.

The trigger is valued as of the closing date prior to the anniversary date (ex-dividend date).

NOTE 47 RISK FACTORS AND SENSITIVITY ANALYSES

This note is presented in section 4.2 of the registration document.

NOTE 48 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 are within the scope of consolidation at 31 December 2016:

- Astorg 2;
- Cofintex 17;
- Compagnie financière d'Orange Bank;
- OPCI GGRF.

The entity Compagnie financière d'Orange Bank became Groupama Banque.

Four mutual funds entered the scope of consolidation.

Name changes

The following entities changed their name:

- 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/takeover of Holdco SIIC by the subsidiary Icade, approved by a vote during the Combined General Meeting of 23 May 2016;
- deconsolidation of Günes Sigorta as from 1 October 2016;
- takeover of the real estate company SASU Rennes Vaugirard by Groupama Gan Vie in 4th quarter 2016;
- sale of Cegid on 8 July 2016;
- takeover of René Boulanger.

Four mutual funds were removed from the scope of consolidation.

Change in consolidation method

As part of the agreement signed between Groupama and Orange aiming to develop a 100% mobile banking product, Orange became majority shareholder of Groupama Banque in early October 2016. Groupama still holds 35% of Groupama Banque. The entity is therefore consolidated at 31 December 2016 according to the equity method.

	Business sector	Location of head office	31.12.2016			31.12.2015		
			% control	% interest	Method	% control	% interest	Method
GROUPAMA SA	Holding	France	100.00	100.00	Parent company	100.00	100.00	Parent company
GIE GROUPAMA Supports et Services	EIG	France	99.99	99.99	FC	99.99	99.99	FC
ASTORG 2	Holding	France	100.00	100.00	FC			
COFINTEX 17	Holding	France	100.00	100.00	FC			
COMPAGNIE FINANCIERE D'ORANGE BANK	Holding	France	35.00	35.00	EM			
GROUPAMA GAN VIE	Insurance	France	100.00	100.00	FC	100.00	100.00	FC
GAN PATRIMOINE	Insurance	France	100.00	100.00	FC	100.00	100.00	FC
CAISSE FRATERNELLE D'ÉPARGNE	Insurance	France	99.99	99.99	FC	100.00	100.00	FC
CAISSE FRATERNELLE VIE	Insurance	France	99.99	99.99	FC	99.99	99.99	FC
ASSU-VIE	Insurance	France	50.00	50.00	FC	50.00	50.00	FC
GAN PREVOYANCE	Insurance	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA ASSURANCE CREDIT ET CAUTION	Insurance	France	100.00	100.00	FC	100.00	100.00	FC
MUTUAIDE ASSISTANCE	Assistance	France	100.00	100.00	FC	100.00	100.00	FC
GAN ASSURANCES	Insurance	France	100.00	100.00	FC	100.00	100.00	FC

	Business sector	Location of head office	31.12.2016 % control	% interest	Method	31.12.2015 % control	% interest	Method
GAN OUTRE MER	Insurance	France	100.00	100.00	FC	100.00	100.00	FC
SOCIÉTÉ FRANCAISE DE PROTECTION JURIDIQUE	Insurance	France	100.00	100.00	FC	100.00	100.00	FC
LA BANQUE POSTALE IARD	Insurance	France	35.00	35.00	EM	35.00	35.00	EM
AMALINE ASSURANCES	Insurance	France	100.00	100.00	FC	100.00	100.00	FC
CEGID	Insurance	France				26.89	26.89	EM
GROUPAMA SEGUROS de Vida Portugal	Insurance	Portugal	100.00	100.00	FC	100.00	100.00	FC
GÜNES SIGORTA	Insurance	Turkey				36.00	36.00	EM
GROUPAMA SIGORTA	Insurance	Turkey	99.52	99.52	FC	98.99	98.99	FC
GROUPAMA SIGORTA EMEKLILIK	Insurance	Turkey	100.00	99.79	FC	100.00	99.56	FC
GROUPAMA Investment BOSPHORUS	Holding	Turkey	100.00	100.00	FC	100.00	100.00	FC
STAR	Insurance	Tunisia	35.00	35.00	EM	35.00	35.00	EM
GROUPAMA ZASTRAHOVANE NON LIFE	Insurance	Bulgaria	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA JIVOTOZASTRAHOVANE LIFE	Insurance	Bulgaria	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA BIZTOSITO	Insurance	Hungary	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA PHOENIX Hellenic Asphalistike	Insurance	Greece	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA AVIC PROPERTY INSURANCES CO	Insurance	China	50.00	50.00	EM	50.00	50.00	EM
GUK BROKING SERVICES	Holding	United Kingdom	100.00	100.00	FC	100.00	100.00	FC
CAROLE NASH	Brokerage	United Kingdom	91.40	91.40	FC	90.00	90.00	FC
BOLLINGTON LIMITED	Brokerage	United Kingdom	49.00	49.00	EM	49.00	49.00	EM
MASTERCOVER Insurance Services Limited	Brokerage	United Kingdom	100.00	100.00	FC	100.00	100.00	FC
COMPUCAR LIMITED	Brokerage	United Kingdom	49.00	49.00	EM	49.00	49.00	EM
GROUPAMA ASSICURAZIONI	Insurance	Italy	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA SEGUROS PORTUGAL	Insurance	Portugal	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA ASIGURARI	Insurance	Romania	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA ASSET MANAGEMENT	Asset management	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA BANQUE	Banking	France	35.00	35.00	EM	100.00	100.00	FC
GROUPAMA ÉPARGNE SALARIALE	Asset management	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA IMMOBILIER	Asset management	France	100.00	100.00	FC	100.00	100.00	FC
HOLDCO	Property	France				24.93	24.93	EM
ICADE	Property	France	13.00	12.95	EM	24.93	12.95	EM
COMPAGNIE FONCIÈRE PARISIENNE	Property	France	95.39	95.39	FC	95.32	95.32	FC
SCI WINDOW LA DÉFENSE	Property	France	100.00	95.39	FC	100.00	95.32	FC
GAN FONCIER II	Property	France	100.00	100.00	FC	100.00	100.00	FC
IXELLOR	Property	France	100.00	100.00	FC	100.00	100.00	FC
79 CHAMPS ELYSÉES	Property	France	91.21	91.21	FC	91.21	91.21	FC
RENNES VAUGIRARD	Property	France				100.00	100.00	FC
SOCIÉTÉ FORESTIÈRE GROUPAMA	Property	France	87.67	87.67	FC	87.67	87.67	FC

	Business sector	Location of head office	31.12.2016 % control	31.12.2016 % interest	31.12.2016 Method	31.12.2015 % control	31.12.2015 % interest	31.12.2015 Method
FORDEV	Property	France	87.67	87.67	FC			
GROUPAMA GAN PARIS LA DÉFENSE OFFICE	OPCI	France	100.00	95.39	FC	100.00	95.32	FC
GGRF	OPCI	France	100.00	99.44	FC			
SCI GAN FONCIER	Property	France	100.00	98.89	FC	100.00	98.92	FC
VICTOR HUGO VILLIERS	Property	France	100.00	98.89	FC	100.00	98.92	FC
1 BIS FOCH	Property	France	100.00	98.89	FC	100.00	98.92	FC
16 MESSINE	Property	France	100.00	98.89	FC	100.00	98.92	FC
40 RENÉ BOULANGER	Property	France				100.00	98.92	FC
9 MALESHERBES	Property	France	100.00	98.89	FC	100.00	98.92	FC
97 VICTOR HUGO	Property	France	100.00	98.89	FC	100.00	98.92	FC
44 THÉÂTRE	Property	France	100.00	98.89	FC	100.00	98.92	FC
SCI UNI ANGES	Property	France	100.00	100.00	FC	100.00	100.00	FC
261 RASPAIL	Property	France	100.00	95.39	FC	100.00	95.32	FC
GAN INVESTISSEMENT FONCIER	Property	France	100.00	100.00	FC	100.00	100.00	FC
3 ROSSINI (SCI)	Property	France	100.00	100.00	FC	100.00	100.00	FC
150 RENNES (SCI)	Property	France	100.00	100.00	FC	100.00	100.00	FC
99 MALESHERBES (SCI)	Property	France	100.00	100.00	FC	100.00	100.00	FC
SCA CHATEAU D'AGASSAC	Property	France	25.00	25.00	EM	25.00	25.00	EM
102 MALESHERBES (SCI)	Property	France	100.00	100.00	FC	100.00	100.00	FC
LES FRERES LUMIERE	Property	France	100.00	100.00	FC	100.00	100.00	FC
CAP DE FOUSTE (SCI)	Property	France	61.31	61.31	EM	61.31	61.31	EM
PARIS FALGUIERE (SCI)	Property	France	100.00	100.00	FC	100.00	100.00	FC
CHAMALIERES EUROPE (SCI)	Property	France	100.00	100.00	FC	100.00	100.00	FC
12 VICTOIRE (SCI)	Property	France	100.00	100.00	FC	100.00	100.00	FC
DOMAINE DE FARES	Property	France	31.25	31.25	EM	31.25	31.25	EM
38 LE PELETIER (SCI)	Property	France	100.00	100.00	FC	100.00	100.00	FC
SCIMA GFA	Property	France	44.00	44.00	EM	44.00	44.00	EM
LABORIE MARCENAT	Property	France	64.52	64.52	EM	64.52	64.52	EM
DOMAINE DE NALYS	Property	France	69.57	69.57	EM	69.57	69.57	EM
GROUPAMA PIPACT	Property	France	31.91	31.91	EM	31.91	31.91	EM
ASTORG STRUCTUR GAD D	Mutual fund	France	99.99	99.99	FC	99.99	99.99	FC
GROUPAMA TRESORERIE IC C	Mutual fund	France	26.18	28.18	EM			
ASTORG CTT D	Mutual fund	France	99.68	99.68	FC	100.00	100.00	FC
GROUPAMA AAEXA D	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
ASTORG EURO SPREAD D	Mutual fund	France	99.73	99.73	FC	99.73	99.73	FC
WASHINGTON EURO NOURRI 14 FCP	Mutual fund	France	100.00	100.00	FC	99.74	99.74	FC
WASHINGTON EURO NOURRI 15 FCP	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
GROUPAMA CONVERTIBLES ID D	Mutual fund	France	89.36	89.36	FC	86.39	86.39	FC
GROUPAMA ENTREPRISES IC C	Mutual fund	France	30.54	30.54	EM	22.79	22.79	EM
GROUPAMA CREDIT EURO IC C	Mutual fund	France	55.66	55.66	FC	70.01	70.01	FC
GROUPAMA CREDIT EURO ID D	Mutual fund	France	59.08	59.08	FC	59.08	59.08	FC
WASHINGTON EURO NOURRI 16 FCP	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
WASHINGTON EURO NOURRI 17 FCP	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
WASHINGTON EURO NOURRI 18 FCP	Mutual fund	France	100.00	100.00	FC	99.88	99.88	FC
GROUPAMA OBLIGATION MONDE I C	Mutual fund	France	94.35	94.35	FC	86.81	86.81	FC
WASHINGTON EURO NOURRI 19 FCP	Mutual fund	France	100.00	100.00	FC	99.64	99.64	FC

	Business sector	Location of head office	31.12.2016 % control	31.12.2016 % interest	31.12.2016 Method	31.12.2015 % control	31.12.2015 % interest	31.12.2015 Method
WASHINGTON EURO NOURRI 20 FCP	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
WASHINGTON EURO NOURRI 21 FCP	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
WASHINGTON EURO NOURRI 22 FCP	Mutual fund	France	99.88	99.88	FC	99.88	99.88	FC
WASHINGTON EURO NOURRI 23 FCP	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
WASHINGTON EURO NOURRI 24 FCP	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
ASTORG STRUCTUR LIFE D	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
ASTORG TAUX VARIABLE D	Mutual fund	France				100.00	100.00	FC
PROFIL GAGNANT C	Mutual fund	France				21.28	21.28	EM
GROUPAMA EONIA IC C	Mutual fund	France	44.07	44.07	EM	23.68	23.68	EM
GROUPAMA FP DETTE EMERGENTE G D	Mutual fund	France				91.02	91.02	FC
ASTORG PENSIOND	Mutual fund	France	99.68	99.68	FC	100.00	100.00	FC
ASTORG CASH MT D	Mutual fund	France	87.92	87.92	FC	99.32	99.32	FC
ASTORG CASH G D	Mutual fund	France	81.14	81.14	FC			
GROUPAMA CREDIT EURO GD D	Mutual fund	France	44.09	44.09	EM	44.37	44.37	EM
GROUPAMA CREDIT EURO LT G D	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
ASTORG THESSALONIQUE 1 D	Mutual fund	France	100.00	100.00	FC	99.32	99.32	FC
ASTORG THESSALONIQUE 2 D	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
ASTORG THESSALONIQUE 3 D	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
ASTORG THESSALONIQUE 4 D	Mutual fund	France	100.00	100.00	FC	99.78	99.78	FC
ASTORG THESSALONIQUE 5 D	Mutual fund	France	100.00	100.00	FC	99.56	99.56	FC
ASTORG MONETAIRE C	Mutual fund	France	92.62	92.62	FC	98.12	98.12	FC
ASTORG DIV MONDE D	Mutual fund	France				100.00	100.00	FC
GROUPAMA CASH EQUIVALENT G D	Mutual fund	France	70.80	70.80	FC	100.00	100.00	FC
ASTORG REPO INVEST D	Mutual fund	France	100.00	100.00	FC	100.00	100.00	FC
ASTORG OBLIGATIONS CT G D	Mutual fund	France	69.53	69.53	FC			
ASTORG OBLIGATIONS CT GA D	Mutual fund	France	100.00	100.00	FC			
G FUND – EUROPEAN CONVERTIBLE BONDS GD D	Mutual fund	France	89.63	89.63	FC	94.50	94.50	FC

FC:Full integration
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 the line item “property investments” and reclassifying in the income statement the dividends or share in the results of the companies on the “Income from property” line item.

6.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

(Year ended 31 December 2016)

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

Mazars
Tour Exaltis
61, rue Henri Régnault
92400 Courbevoie

Dear Shareholders,

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 consolidated financial statements of Groupama SA;
- the justification of our assessments;
- the specific verifications required by law.

These consolidated 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 CONSOLIDATED 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 consolidated 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 consolidated 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.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities, the financial position, and the result of the overall entity constituted by the persons and entities within the scope of consolidation, in accordance with International Financial Reporting Standards as adopted by the European Union.

II – JUSTIFICATION OF OUR 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 consolidated financial statements have been estimated on statistical and actuarial bases, in particular underwriting reserves, deferred profit sharing, deferred acquisition costs, and portfolio securities. 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 to the consolidated 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 consolidated 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 financial statements contained appropriate disclosures;
- financial assets and derivative instruments 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 consolidated 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 consolidated 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 consolidated financial statements.

Neuilly-sur-Seine and Courbevoie, 20 March 2017

The statutory auditors

PricewaterhouseCoopers Audit	Mazars	
Christine Billy	Antoine Esquieu	Nicolas Dusson

6.3 ANNUAL FINANCIAL STATEMENTS AND NOTES

6.3.1 BALANCE SHEET

Assets

(in millions of euros)	Note	31.12.2016	31.12.2015
Intangible assets	**Note 4**	**12,382**	**11,996**
Investments		**10,542,479**	**10,006,032**
Land and buildings	Note 5.1	490,286	443,750
Investments in related companies and companies with equity-linked interest	Note 5.2	7,953,468	7,464,265
Other investments	Note 5.3	2,098,725	2,098,017
Receivables for cash deposits with ceding companies			
Share of outward reinsurers and retrocessionaires in underwriting reserves	**Note 6**	**1,054,401**	**978,581**
Reserves for unearned premiums		5,136	9,617
Reserves for claims (Non-life)		842,097	769,341
Reserves for profit sharing and rebates (Non-life)		364	333
Equalisation reserves		3,730	3,889
Other underwriting reserves (Non-life)		203,074	195,401
Receivables	**Note 7**	**655,159**	**661,676**
Receivables relating to direct insurance operations		24,490	44,439
Receivables relating to reinsurance transactions		458,781	463,867
Other receivables		171,888	153,370
Other assets		**87,413**	**76,843**
Tangible operating assets		11,231	1,271
Bank current accounts and cash		76,182	75,572
Accruals – Assets	**Note 8**	**59,943**	**65,230**
Unrealised foreign exchange adjustments			
TOTAL ASSETS		**12,411,777**	**11,800,358**

Equity & Liabilities

(in millions of euros)	Note	31.12.2016	31.12.2015
Shareholders' equity	**Note 9**	**2,677,432**	**2,350,140**
Share capital		2,088,305	1,686,569
Additional paid-in capital		401,747	103,482
Other reserves		168,923	168,923
Retained earnings		376,904	321,193
Net income for fiscal year		(358,447)	69,973
Subordinated debt	**Note 10**	**2,263,800**	**2,265,950**
Gross underwriting reserves	**Note 11**	**4,904,173**	**4,596,820**
Reserves for unearned premiums		199,852	197,455
Reserves for claims (Non-life)		3,460,885	3,249,482
Reserves for profit sharing and rebates (Non-life)		751	809
Equalisation reserves		166,798	154,630
Other underwriting reserves (Non-life)		1,075,887	994,444
Reserves (other than underwriting)	**Note 12**	**162,698**	**149,310**
Payables for cash deposits received from outward reinsurers and retrocessionaires representing technical commitments		**199,492**	**191,592**
Other liabilities	**Note 13**	**2,181,213**	**2,225,863**
Debts arising from direct insurance operations		24,377	13,912
Debts relating to reinsurance transactions		206,092	239,051
Bonds (including convertible bonds)		984,494	993,496
Debt to credit institutions		1	28
Other debts		966,249	979,376
Accruals – Liabilities	**Note 14**	**22,969**	**20,683**
Unrealised foreign exchange adjustments		**0**	**0**
TOTAL EQUITY & LIABILITIES		**12,411,777**	**11,800,358**

6.3.2 OPERATING INCOME STATEMENT

(in thousands of euros)	Gross transactions	Outward reinsurance and retrocessions	Net transactions 2016	Net transactions 2015
Earned premiums	**2,282,013**	**493,129**	**1,788,884**	**1,741,710**
Premiums	2,284,904	488,649	1,796,255	1,747,751
Change in unearned premiums	(2,891)	4,480	(7,371)	(6,041)
Income from allocated investments	**(131,699)**		**(131,699)**	**50,277**
Other underwriting income	**4,608**		**4,608**	**1,413**
Claims expenses	**(1,747,842)**	**(392,545)**	**(1,355,297)**	**(1,186,583)**
Benefits and expenses paid	(1,517,917)	(318,880)	(1,199,037)	(1,060,471)
Expenses for claims reserves	(229,925)	(73,665)	(156,260)	(126,112)
Expenses for other underwriting reserves	**(90,551)**	**(16,869)**	**(73,682)**	**(32,083)**
Profit sharing	**(401)**		**(401)**	**(571)**
Acquisition and administrative costs	**(440,786)**	**(49,015)**	**(391,771)**	**(405,901)**
Acquisition costs	(229,971)		(229,971)	(246,616)
Administration expenses	(210,815)		(210,815)	(198,050)
Commissions received from reinsurers		(49,015)	49,015	38,765
Other underwriting expenses	**(153,210)**		**(153,210)**	**(165,845)**
Change in equalisation reserve	**(12,167)**	**160**	**(12,327)**	**(6,261)**
OPERATING PROFIT FROM NON-LIFE INSURANCE	**(290,035)**	**34,860**	**(324,895)**	**(3,844)**

6.3.3 NON-OPERATING INCOME STATEMENT

(in thousands of euros)	Note	Net transactions 2016	Net transactions 2015
Operating profit from Non-life insurance		**(324,895)**	**(3,844)**
Investment income	**Note 18**	**439,563**	**625,582**
Investment revenues		200,286	358,646
Other investment income		152,536	251,611
Profits on the sale of investments		86,741	15,325
Investment expenses	**Note 18**	**(672,060)**	**(543,101)**
Internal and external investment management costs		(197,558)	(228,002)
Other investment expenses		(434,617)	(207,870)
Losses on the sale of investments		(39,885)	(107,229)
Transferred investment proceeds		**131,699**	**(50,277)**
Other non-underwriting income and expenses	**Note 19**	**(19,015)**	**(1,181)**
Extraordinary result	**Note 20**	**(39,904)**	**(38,669)**
Extraordinary income			
Extraordinary expenses			
Employee profit sharing			
Corporate income tax	**Note 21**	**126,165**	**81,463**
NET INCOME FOR FISCAL YEAR		**(358,447)**	**69,973**

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6.3.4 RESULTS OF THE PAST FIVE FISCAL YEARS

(in euros)		2012	2013	2014	2015	2016
I. Ending financial position						
a)	Share capital	1,686,569,399	1,686,569,399	1,686,569,399	1,686,569,399	2,088,305,152
b)	Number of existing shares	329,086,712	329,086,712	329,086,712	329,086,712	407,474,176
c)	Number of bonds convertible into shares					
II. Transactions and net income for fiscal year						
a)	Premiums for the fiscal year	2,388,816,836	2,341,013,114	2,218,987,818	2,274,443,639	2,282,012,505
b)	Income before tax, amortisation and reserves	(446,472,056)	(272,638,112)	(381,456,631)	(50,408,566)	(200,306,096)
c)	Corporate income tax	(129,241,672)	(108,086,910)	(184,088,138)	(81,462,741)	(126,165,109)
d)	Employee profit sharing due for the year					
e)	Income after tax, profit-sharing, amortisation and reserves	(696,605,564)	(338,263,557)	(38,744,754)	69,972,545	(358,447,095)
f)	Distributed income				14,261,596	
III. Earnings per share						
a)	Income after tax and employee profit-sharing but before amortisation and reserves	(0.96)	(0.50)	(0.60)	0.09	(0.18)
b)	Income after tax and employee profit sharing, amortisation and reserves	(2.12)	(1.03)	(0.12)	0.21	(0.88)
c)	Dividend allotted per share				0.04	
IV. Personnel						
a)	Number of employees	1,573	1,375	1,272	1,268	1,257
b)	Amount of payroll costs	134,392,499	106,259,853	99,555,815	104,206,004	96,343,404
c)	Amounts paid in employee benefits	66,599,606	52,534,274	53,856,163	55,028,695	51,441,424

The amount of the payroll and sums paid for employee benefits corresponds to the gross expense in the accounts of the de facto grouping before billing back to each of its members.

6.3.5 NOTES TO THE ANNUAL FINANCIAL STATEMENTS

SUMMARY

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1 SIGNIFICANT EVENTS OF THE YEAR

1.1 Governance

Proposed remutualisation of Groupama's central body

Following the enactment of the "Sapin 2" law on transparency, the fight against corruption, and modernisation of the economy on 10 December 2016, the legislative framework required for the transformation of Groupama group's central body into a mutual insurance company (SAM) is now in place with an implementation period of 18 months.

Groupama SA will become the Caisse Nationale de Réassurance Mutuelle Agricole Groupama (Groupama National Agricultural Reinsurance Mutual), retaining all the responsibilities associated with its role as the central body of Groupama group.

With this transformation, Groupama reaffirms its mutual insurance identity rooted in the regions and brings its organisation and its values in line to better serve its members and its customers.

The objective of the planned transformation of Groupama's central body is to simplify the structure of the Group at the same time as maintaining the financial flexibility necessary for the implementation of the strategy. This project will not change the solvency of the Group or that of the central body and will have no impact on commitments undertaken with regard to holders of its debts.

1.2 Financial strength

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.

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 planned remutualisation of Groupama's central body did not affect the rating of Groupama and its subsidiaries.

1.3 Financial investments

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 continue and develop this partnership in the years to come.

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

1.4 Business activities

Partnership with Orange

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

The Orange Bank product will be available in France in the first half of 2017 in the Orange distribution network. The product will also be distributed in the Groupama group's networks starting in the second half of 2017. Innovative and specifically adapted to mobile usage, this product will cover current accounts, savings, credit and payments once it is launched.

2 POST-BALANCE SHEET EVENTS

2.1 Debt refinancing

In early January 2017, Groupama launched an exchange offer for all of its senior subordinated instruments issued in 2007 and a portion of its redeemable subordinated instruments issued in 2009 for new subordinated instruments with a maturity of 10 years.

On 23 January 2017, Groupama issued and placed subordinated instruments with a maturity of 10 years with institutional investors for a total of €650 million with an annual coupon of 6.00%. The operation was widely successful with institutional investors holding the two instruments, since the transformation rate reached 65% on the senior subordinated instruments issued in 2007 and the 33% acceptance cap set by the Group on subordinated instruments issued in 2009.

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

These subordinated bonds are rated BB+ by the rating agency Fitch, just like other Groupama SA's 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 amount of its financial expenses and to strengthen the Group's financial flexibility.

3 ACCOUNTING PRINCIPLES, RULES AND METHODS

Groupama SA's corporate financial statements are prepared and presented in accordance with the provisions of the French Insurance Code and ANC regulation 2015-11 of 26 November 2015 on annual financial statements of insurance undertakings.

3.1 Underwriting operations

Groupama SA is engaged mainly in the following non-life insurance operations:

- business underwritten directly and that conducted within coinsurance and reinsurance groups;
- the reinsurance of each of the regional mutuals under the reinsurance agreement entered into with each of them;
- the reinsurance of other entities of the Group in France and internationally.

Since the Antilles Guyane regional mutual is not licensed to conduct insurance operations, Groupama SA directly replaces this mutual to cover these operations. Under this principle, the corresponding figures reported in the financial statements contain the information reported as "direct business" after deducting "custody of the regional mutual".

3.1.1 - Premiums

Premiums comprise:

- premiums written during the fiscal year, net of cancellations;
- variation in premiums still to be written;
- variation in premiums to be cancelled.

These premiums are corrected for variation in unearned premiums and constitute the amount of earned premiums.

3.1.2 - Reserve for unearned premiums

The reserve for unearned premiums for all policies in force at the fiscal year-end shows the share of premiums written and premiums yet to be written relating to the risk coverage in effect for the year or years following the reporting year.

3.1.3 - Acquisition and administrative costs

These expenses mainly consist of:

- commissions paid by Groupama SA to the regional mutuals. These are determined pursuant to the provisions stipulated in the reinsurance agreement with the regional mutuals and are calculated based on the earned premiums that Groupama SA accepts from the regional mutuals;
- commissions assessed on direct business and other inward reinsurance business.

3.1.4 - Deferred acquisition costs

A portion of the overhead expenses of Groupama SA allocated for the acquisition of contracts and commissions on direct and accepted business is posted to assets on the balance sheet. This is the share of acquisition expenses pertaining to unearned premiums.

3.1.5 - Claims

The claims expense for the year consists mainly of:

- benefits and expenses paid for in connection with direct business or accepted under reinsurance agreements and corresponding to the claims paid net of remedies to be received for the year plus periodic annuity payments. They also include claims-related expenses. These claims also include periodic payments of annuities managed directly by Groupama SA, as well as management costs from the distribution of overhead expenses;
- the reserves for claims in direct business and inward reinsurance business represent the estimate, net of claims receivable, of the cost of all unpaid claims at the end of the year, both declared and undeclared. These reserves include charges for management fees determined on the basis of actual expense rates observed by Groupama SA;
- The estimated value of reserves for claims is based on an actuarial approach, defined in accordance with a group methodology. By means of valuations of final costs based on payment triangles or costs (by risk segment), it permits a determination of the sufficient and adequate amount of reserves for claims payable (in accordance with Article 143-10 of ANC regulation 2015-11). This valuation incorporates the valuation of delinquent claims into its approach.

In construction risk, the reserve for claims yet to be made comprising direct claims and claims from the regional mutuals is two-pronged. One component is set aside for ten-year coverage for general liability and the other is for ten-year coverage for property damages. This reserve is determined in accordance with the provisions of Articles 143-14 and 143-15 of ANC regulation 2015-11.

Outstanding claims reserves for payments made for traffic accidents occurring as from 1 January 2013 include the annual adjustment provided for in the order of 27 December 2013 with an inflation rate of 2.25%.

3.1.6 - Equalisation reserve

An equalisation reserve can be established to cover extraordinary expenses relating to the risks set out in Article R. 343-7.6° of the French Insurance Code. Groupama SA computes this reserve based on the share of risks it insures or reinsures or that is obtained through its share of the results owing to its shareholding in certain professional pools.

3.1.7 - Commitment reserve

A commitment reserve is recognised for losses of rents for estimated losses until the extinction of this risk. The risk corresponds to the difference between the estimations of premiums, claims and commissions.

3.1.8 - Other underwriting reserves

A reserve for unexpired risks is allocated when the estimated amount of claims (including management costs) that could be reported after the year-end on policies written up before that date exceeds the reserve for unearned premiums.

The reserve for increasing risks is the difference between the current values of the commitments taken respectively by the insurer and by the policyholders for insurance operations covering health and disability risks. This reserve concerns the reserves formed in dependency insurance as well as those on direct business managed by Groupama SA.

The actuarial reserves for annuities are based on the discounted values of annuities and annuity ancillaries still owed at the inventory date. This item includes the reserves set aside against direct business and supplementary reserves on inward reinsurance business.

The actuarial reserves for annuities, as determined by the regional mutuals and accepted by Groupama SA, represent the actual value of their commitments relating to annuities plus their ancillary expenses. The tables applied to assess these reserves are computed with a financial discount and are based on demographic trends.

In life and health insurance, the actuarial reserves for temporary and permanent disability annuities are determined according to Article 143-2 of ANC regulation 2015-11. For disability annuities in progress, the reserves are determined by applying the maintenance and disability tables in Articles 600-2 and 600-4 of the annex to ANC regulation 2015-11.

Regarding actuarial reserves for non-life annuity income, the business also incorporates the population's lengthening life expectancy. Consequently, actuarial reserves for additional non-life annuity income are posted at the balance-sheet close in order to calculate the principal to be paid to victims of bodily injury. These are now based on the TH/TF 2000-2002 mortality tables.

Pursuant to Article R. 343-5 of the French Insurance Code, a reserve for liquidity risk is allocated when investments subject to Article R. 343-10, with the exception of amortisable securities that the Company is able and intends to hold until maturity, are found to be in a situation of overall net unrealised capital loss. This reserve is intended to deal with insufficient liquidity of investments, especially when there is a change in the pace at which claims are paid. Subject to compliance with the provisions of the French Insurance Code, which allow for an extended schedule for establishing this reserve, contributions to this reserve are spread out over three years.

3.1.9 - Inward reinsurance transactions

Inward reinsurance transactions are recognised according to the terms of Groupama SA's reinsurance agreement with its regional mutuals, reinsurance agreements entered into mainly with the Group's other entities and under the professional pools.

3.1.10 - Outward reinsurance and retrocessions

Outward reinsurance, mainly to reinsurers outside the Group, on accepted risks or direct insurance is accounted for under the terms of the various treaties. It may be supplemented by estimates if the current accounts with those reinsurers are incomplete at the end of the fiscal year. The securities taken as collateral by the reinsurers (outward reinsurers or retrocessionaires) are recorded in the statement of commitments received and given.

Pursuant to the reinsurance agreement, Groupama SA makes retrocessions with regional mutuals on various risks accepted or direct insurance; those transactions are recorded pursuant to the reinsurance agreement signed between Groupama SA and the regional mutuals.

3.2 Investments

3.2.1 - Entry costs and valuation at year-end

(a) Land and buildings, shares in real-estate investment companies (SCIs)

Buildings and shares in unlisted SCIs are recorded at their purchase or cost price.

In accordance with Article 213-8 of the ANC regulation 2014-03 on the French national accounting system, acquisition expenses (transfer taxes, professional fees and registration costs, etc.) are incorporated into the acquisition cost of the shell component of the asset to which they refer.

Pursuant to Article 214-9 of ANC regulation 2014-03 on the French national accounting system, real properties are recorded by component.

The four components used by Groupama SA are the following:

- bare structure or shell;
- wind- and water-tight facilities;
- technical facilities;
- fixtures, finishings.

The lifespan and rate of amortisation of each component depend on the period of foreseeable use of the component and the nature of the real-estate property. Because the residual value of the bare structure component cannot be measured in a sufficiently reliable fashion, it is therefore not determined, and that component is amortised based on the acquisition cost.

The following table shows the amortisation periods and the percentages used by type of real-estate property:

	Residences and offices before 1945		Residences and offices after 1945		Shops		Offices or residential high-rises	
Components	**Period**	**Percentage**	**Period**	**Percentage**	**Period**	**Percentage**	**Period**	**Percentage**
Building shell	**120 yrs**	**65%**	**80 yrs**	**65%**	**50 yrs**	**50%**	**70 yrs**	**40%**
Frame, beams, columns, floors, walls								
Wind- and water-tight facilities	**35 yrs**	**10%**	**30 yrs**	**10%**	**30 yrs**	**10%**	**30 yrs**	**20%**
Roof deck								
Facades								
Covering								
External woodwork								
Technical facilities	**25 yrs**	**15%**	**25 yrs**	**15%**	**20 yrs**	**25%**	**25 yrs**	**25%**
Lifts								
Heating/Air conditioning								
Networks (electrical, plumbing, etc.)								
Fixtures, finishings	**15 yrs**	**10%**	**15 yrs**	**10%**	**15 yrs**	**15%**	**15 yrs**	**15%**
Int. improvements								

The redemption value of buildings and shares in unlisted SCIs is determined in accordance with the French Insurance Code based on appraisals made every five years and reviewed annually.

(b) Fixed-return securities

Bonds and other fixed income securities are recorded at their purchase price net of accrued interest at the time of purchase. The difference between the purchase price and the redemption value is reported on the income statement using actuarial methods over the remaining term until their redemption date. An amortisation of the premium or discount is recorded up to the time of transfer in the year the fixed income marketable securities are sold.

Accrued interest is recognised on the balance sheet under asset accruals.

Inflation-linked change in the redemption value of bonds that are indexed on the general price levels is posted to income.

The redemption value recorded at the close is the most recent quoted price at the inventory date. For unlisted securities, it is the market value resulting from the price that would be obtained under normal market conditions and depending on their utility to the Company.

(c) Equities and other variable-return securities

Equities and other variable-return securities are recorded at their purchase price excluding accrued interest. Pursuant to the notice from the Emergency Committee of the CNC dated 15 June 2007, Groupama SA chose the accounting option allowing it to incorporate acquisition costs into the cost price of equity interests and to recognise, in its accounting, accelerated amortisation over 5 years.

The realisable value recorded at year-end is:

- for listed securities, the last price listed on the day of the inventory;
- for unlisted securities, the market value corresponding to the price that would be obtained for them under normal market conditions and based on their utility for the Company;
- for shares of variable-capital investment companies and shares of mutual funds, the last purchase price published on the day of the inventory.

(d) Loans

Loans granted to companies belonging to the Group and to other entities are valued according to their contracts.

3.2.2 - Reserves

(a) Amortisable securities under Article R. 343-9 of the French Insurance Code

Any unrealised capital losses resulting from comparing the book value, including the differences between the redemption prices (premium, discount), with the redemption value, do not normally carry a reserve for diminution in value. Nevertheless, a reserve for impairment is allocated when there is reason to believe that the debtor will not be able to honour his commitments, either to pay interest or to repay the principal.

(b) Investment properties, variable-return securities, loans

REAL-ESTATE INVESTMENTS

When the net carrying amount of buildings, equity shares, or shares in unlisted companies exceeds the realisation value of the aforesaid investments, a reserve for long-term impairment may be allocated. This impairment is applied on investment properties after a materiality threshold has been taken into account. It is also applied to operating properties provided that their value in use is more than 15% less than the net book value.

LISTED SECURITIES (EXCEPT EQUITY INTERESTS)

For investments covered by Article R. 343-10 of the French Insurance Code, a line-by-line reserve for impairment may only be allocated when there is reason to deem that the impairment is long-term in nature.

The long-term impairment of an investment line can be presumed in the following cases:

- there was a long-term reserve on this investment line in the previous published statement;
- the listed investment has consistently shown a significant unrecognised loss from its book value over a period of six consecutive months prior to closing;
- there are objective indicators of long-term impairment.

In accordance with Article 123-7 of ANC regulation 2015-11, long-term impairments of amortisable securities covered by Article R. 343-10 of the French Insurance Code that the Company can and intends to hold until maturity are analysed in terms of credit risk only. A reserve for long-term impairment is established in the event of a proven credit risk, when there is reason to believe that the counterparty will not be able to honour his commitments, either to pay interest or to repay the principal.

In the event of long-term impairment of a security covered by Article R. 343-10 of the French Insurance Code, the amount of the impairment is the difference between historical cost price and recoverable amount.

The recoverable amount is determined based on a multi-criteria approach that depends on the nature of the assets and the holding strategy.

For amortisable securities covered by Article R. 343-10 of the French Insurance Code that the Company does not have the intention or ability to hold until maturity, long-term impairments are established by analysing all of the risks identified on this investment based on the considered holding horizon.

EQUITY SECURITIES

The valuation of equity securities is based on multi-criteria methods chosen according to each particular situation (nature of assets, holding horizon, etc.).

A reserve for impairment is established when the value in use at the inventory date obtained through the valuation methods described above is less than the entry cost of those securities.

LOANS

When the estimate of the recoverable value of a loan at inventory date is below its gross amount plus any accrued and unpaid interest at the end of the period, a reserve for impairment is allocated for the difference.

3.2.3 - Investment income and expenses

Financial income includes the revenue from investments received during the fiscal year (rent, dividends, coupon payments, interest on loans and current accounts).

Other investment income includes the pro-rata share in the discount on the bond redemption differences and reversals of reserves for loss in value of investments.

Other investment expenses include the percentage of appreciation on the differences in redemption of bonds, and the depreciation allowance and reserves for investments, and the percentage of overhead expenses corresponding to investment-management activities.

The capital gains or losses on marketable securities are determined by applying the first-in first-out method (FIFO), and they are recorded in the income statement.

For these same securities, a reversal is made during the year they are sold for the accumulated amortisation of the premium or discount recorded up to the date of sale.

In non-life insurance, investment income and expenses are recorded on the non-operating income statement.

A portion of financial income reverting to underwriting reserves is transferred to the non-life operating income statement on a bas is prorated to the underwriting reserves and equity.

3.2.4 - Forward futures

(a) Forward currency hedging contracts

Forward currency sale hedging contracts implemented by Groupama SA are aimed at protecting against the foreign exchange risk component present in certain assets. The currency gain or loss occurring when the hedge is unwound is recorded on a net basis with the capital gain or loss at the time the underlying asset is sold. Conversely, the currency gains or losses relating to renewal of the hedges are recorded in an accrual account.

Unrealised capital gains and losses on forward currency sale contracts are hedged using securities received or given, respectively, in guarantee as part of a collateralisation agreement.

In the event of a break in the strategy, the overall income generated on the long-term financial instrument, including the balance of unamortised expenses and income as well as the income from divestment of the long-term financial instrument, is recognised on the income statement.

Moreover, as part of anticipated foreign currency investments, Groupama SA may implement hedges through purchases of foreign currencies. In this case, the foreign exchange gain or loss at the time the investment is unwound is incorporated into the acquisition cost of the securities acquired.

3.3 Other transactions

3.3.1 - Intangible assets

Intangible assets mainly consist of:

- software under development;
- acquired software depreciated over a period of 1 to 4 years by the straight-line method;
- developed software depreciated over a period of 3 or 4 years by the straight-line method.

The software carries a reserve, if necessary, to recognise an additional impairment deemed to be irreversible at the year end.

3.3.2 - Management fees and commissions

Management fees incurred by Groupama SA are recorded according to their nature within the de facto Groupama SA group; expenses pertaining to other members of the de facto group are billed back to them. They are then classified for the presentation of the financial statements according to their purpose, by applying allocation keys. These keys are determined analytically and reviewed annually according to Groupama SA's internal structure and organisation.

The management costs are classified under one of the following five categories:

- claims settlement costs, which specifically include claims services expenses and claims dispute expenses;
- acquisition expenses, which factor in a part of the commissions of the regional mutuals, commissions paid for direct business and other inward reinsurance, advertising, and marketing expenses;
- administrative costs, which include a portion of the commissions of the regional mutuals and management expenses for direct business and inward reinsurance;
- investment expenses, which specifically include investment management services, including fees, commissions and brokerage commissions paid;
- other operating expenses, which include expenses that cannot be assigned directly or by applying a cost to one of the other categories.

Expenses arising from activities with no operating connection with the insurance business are reported as other non-operating expenses.

3.3.3 - Foreign currency transactions

In accordance with Article 243-1 of ANC regulation 2015-11, operational foreign currency position accounts, converted at the inventory price and the equivalent in euros, are offset against foreign exchange income.

For structural transactions, the foreign exchange difference is posted to the balance sheet in unrealised foreign exchange adjustment accounts.

3.3.4 - Receivables

Receivables are recorded at their face redemption value (historical cost).

They specifically include:

- for direct insurance operations:
  - premiums yet to be written for policyholders,
  - premiums yet to be cancelled for policyholders,
  - premiums yet to be collected from policyholders,
  - loans or advances from co-insurers;
- for inward reinsurance operations:
  - Groupama SA's share in the premiums yet to be written, and in the premiums to be cancelled by the ceding entities (notably the regional mutuals), net of reinsurance,

- loans or advances with the ceding entities,
- receivables due relating to transactions accepted from the ceding entities;

❯ for outward transactions:

- loans or advances to outward reinsurers,
- income owed relating to transactions ceded to outward reinsurers;

❯ for the other receivables:

- tax combination loans or advances to daughter companies,
- receivables from government bodies and social security agencies,
- loans or advances to various other entities,
- other income due.

When the inventory value at the fiscal year end is below the book value, a reserve for impairment is established.

3.3.5 - Tangible operating assets

The tangible operating assets account mainly includes:

❯ fixtures and improvements of premises;

❯ transport equipment;

❯ office equipment;

❯ furniture;

❯ computer hardware;

❯ other tangible assets.

These assets are depreciated using either the straight-line method or the accelerated method over their estimated useful life, which ranges from 2 to 10 years depending on the type of asset.

3.3.6 - Accruals – Assets

The accruals accounts on the asset side are mainly composed of:

❯ interest accrued and income receivable;

❯ differences on bond-redemption prices;

❯ acquisition costs carried forward to future years.

3.3.7 - Reserves (other than underwriting)

Reserves (other than underwriting) are established in accordance with ANC regulation 2014-03 on the French national accounting system. This item also includes regulated reserves, especially accelerated amortisation.

Pension commitments are recorded in accordance with the preferential method in ANC recommendation 2013-02 of 7 November 2013.

3.3.8 - Corporate income tax

Groupama SA is the parent company of a tax consolidation group comprising 51 tax-consolidated entities.

Tax expenses are borne by the consolidated company, just as they are when there is no tax consolidation.

The tax savings realised by the Group relating to losses are reported at the Groupama SA parent company level. They are treated as an immediate gain for the year and not as a simple cash saving.

The tax savings realised by the Group not relating to losses are also reported at the Groupama SA parent company level and recorded as a reduction from the tax expense.

These two items are recorded in the financial statements pursuant to the provisions of notice 2005-G dated 12 October 2005 of the Emergency Committee of the *Conseil National de la Comptabilité*.

3.3.9 - Payables

Payables mainly consist of:

❯ for direct insurance operations:

- policyholders' credit accounts,
- commissions on premiums earned but not written,
- advances or loans from co-insurers;

❯ for inward reinsurance operations:

- advances or loans with the ceding offices,
- payables owed for inward transactions from these ceding entities;

❯ for outward transactions:

- advances or loans with outward reinsurers,
- payables owed for inward transactions from these outward reinsurers;

❯ for the other payables:

- advances or loans of a financial and operational nature with various other entities,
- bank overdrafts,
- taxes and social security owed.

3.3.10 - Accruals – Liabilities

Accrual accounts on the liabilities side correspond mainly to the amortisation of differences on bond redemption prices.

3.4 Change in accounting method

No change in accounting method was noted during this fiscal year.

4 NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 INTANGIBLE ASSETS

Statement of movements during the fiscal year

(in thousands of euros)	Amount as at 31.12.2015	Transfers inclusions/removals	Inclusions/ contributions to amortisation	Removals/ write-backs of amortisation	Amount as at 31.12.2016
Gross values	171,855		9,598	3,098	178,355
Amortisation	159,859		6,137	23	165,973
TOTAL NET AMOUNTS	**11,996**		**3,461**	**3,075**	**12,382**

NOTE 5 INVESTMENTS

Note 5.1 Land and buildings

Statement of movements during the fiscal year

(in thousands of euros)	Amount as at 31.12.2015	Transfers inclusions/ removals	Inclusions during the year	Removals during the year	Amount as at 31.12.2016
Gross values					
Fixed assets	134,706		352		135,058
Shares of real-estate companies	315,133		47,764	76	362,821
Total gross amounts	**449,839**		**48,116**	**76**	**497,879**
Depreciation/Provisions					
Fixed assets	6,047		1,505		7,552
Shares of real-estate companies	41				41
Total depreciation	**6,088**		**1,505**		**7,593**
TOTAL NET AMOUNTS	**443,751**		**46,611**	**76**	**490,286**

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Note 5.2 Investments in affiliated companies and equity-linked companies

Summary table

(in thousands of euros)	Amount as at 31.12.2015	Transfers inclusions/ removals	Inclusions during the year	Removals during the year	Amount as at 31.12.2016
Gross values					
Equities and similar instruments					
Affiliated companies	8,009,521	177,817	448,335	346,172	8,289,501
Equity-linked companies	365,073	(177,814)	178,110	29,394	335,975
Loans and receivables					
Affiliated companies	761,825		498,000	11,376	1,248,449
Equity-linked companies					
Cash deposits with ceding entities	47,333		448	3,366	44,415
Total gross amounts	**9,183,752**	**3**	**1,124,893**	**390,308**	**9,918,340**
Reserves					
Equities and similar instruments					
Affiliated companies	1,660,991		401,143	156,765	1,905,369
Equity-linked companies	58,496		3,421	2,414	59,503
Loans and receivables					
Affiliated companies					
Equity-linked companies					
Cash deposits with ceding entities					
Total reserves	**1,719,487**		**404,564**	**159,179**	**1,964,872**
TOTAL NET VALUE	**7,464,265**	**3**	**720,329**	**231,129**	**7,953,468**

Equities and similar instruments

The main movements recorded on equities during the fiscal yearprimarily concern the exit of Groupama Banque securities for a total of €318 million, the entry of Cofintex 17 (which indirectly carries the Group's remaining stake in Groupama Banque) and Astorg 2 (which carries Groupama Asset Management and Groupama Immobilier) for €177 million and €222 million respectively, and the acquisition of 100% of the Groupama Épargne Salariale securities purchased from Groupama Banque for €15.8 million.

In addition, Groupama SA subscribed to the capital increases of Groupama Bosphorus for €86.8 million, Gan Assurances for €70 million, Groupama Seguros Vida for €31.6 million, Amaline for €15.7 million, and OTP Garanzia Bulgaria for €3.6 million.

The allocations for long-term impairment pertain in particular to Groupama Bosphorus for €150.1 million and Groupama UK Broking Services for €42.1 million.

The write-backs of reserves mainly pertain to Groupama Assigurari for €83.9 million and Rampart for €27.8 million.

Loans

The main movements on loans and advances granted by Groupama SA pertain to a loan granted to Groupama Gan Vie for €400 million and Groupama Assucurazioni for €88 million.

Note 5.3 Other investments

This item includes investments other than those mentioned in 5.1 and 5.2, specifically other equities, bonds and mutual fund units.

Statement of movements during the fiscal year

(in thousands of euros)	Amount as at 31.12.2015	Transfers inclusions/ removals	Inclusions during the year	Removals during the year	Amount as at 31.12.2016
Gross values					
Fixed-return bonds and mutual funds	1,121,937		1,344,137	795,741	1,670,333
Variable-return equities and mutual funds	55,308			9,568	45,740
Cash mutual funds	734,252		1,595,137	2,091,681	237,708
Other	194,988		62,632	104,208	153,412
Total gross amounts	**2,106,485**		**3,001,906**	**3,001,198**	**2,107,193**
Reserves					
Fixed-return bonds and mutual funds	6,580				6,580
Variable-return equities and mutual funds	1,888				1,888
Total reserves	**8,468**				**8,468**
TOTAL NET AMOUNTS	**2,098,017**		**3,001,906**	**3,001,198**	**2,098,725**

Inclusions and removals during the year mainly corresponded to transactions involving money-market funds.

As noted in §3.2.2 of Note 3 on accounting principles, long-term impairment is assumed for listed, variable-return securities, particularly:

- if there was a long-term reserve for an investment line in the previous published statement;
- if the investment has consistently shown a significant unrecognised loss from its book value over a period of six consecutive months prior to closing;
- there are objective indicators of long-term impairment.

For fiscal year 2016, a significant unrecognised loss from its book value is assumed if over a period of six months the security is consistently discounted at 20% off its cost price.

Sovereign debt instruments of peripheral countries of the eurozone

Investments in bonds issued by peripheral countries of the eurozone (Spain, Greece, Ireland, Italy, and Portugal) concern only Italy:

	31.12.2016			31.12.2015		
(in thousands of euros)	Gross cost price	Sale Value	Gross unrealised capital gains/losses	Gross cost price	Sale Value	Gross unrealised capital gains/losses
Italy	13,510	16,046	2,537	14,348	17,205	2,857

Non-sovereign debt instruments in peripheral countries of the eurozone

The balance sheet value of the entity's direct investments in bonds issued by companies, banks, local authorities and para-governmental organisations located in peripheral countries of the eurozone (Spain and Italy) was €10.7 million as at 31 December 2016. These securities present a gross unrealised capital gain of €2.2 million.

Note 5.4 Summary of investments

31 December 2016 *(in thousands of euros)*		Gross value	Net value	Realisable value
1.	**Real estate investments**			
a)	**Land and buildings**	**497,447**	**489,854**	**728,418**
i.	Undeveloped land	0	0	0
ii.	Shares of unlisted property companies	36,494	36,494	65,251
iii.	Developed properties excluding operating properties	205	112	1,140
iv.	Units and shares of unlisted real estate companies excluding operating properties	321,056	321,016	409,472
v.	Operating properties (developed properties and shares of unlisted real estate companies)	139,692	132,232	252,555
b)	**Land and buildings in progress**	432	432	432
i.	Land allocated to a building in progress	0	0	0
ii.	Properties under development	0	0	0
iii.	Units and shares of unlisted real estate companies (properties under development)	0	0	0
iv.	Fixed assets subject to property rights (loans for use)	0	0	0
v.	Operating property under development	432	432	432
TOTAL REAL ESTATE INVESTMENTS		**497,879**	**490,286**	**728,850**
2.	**Equities, units and other variable-return securities**			
a)	**Equities, units and other variable-return securities in non-equity-linked entities or affiliates**	**1,304,312**	**1,302,424**	**1,361,405**
i.	Listed equities and securities	6,804	5,877	4,422
ii.	Mutual fund shares and units holding exclusively fixed-return securities	1,020,867	1,020,867	1,052,454
iii.	Shares and units of other mutuals funds	275,009	275,009	303,858
iv.	Unlisted shares and securities	1,632	671	671
b)	**Equities, units and other variable-return securities in affiliates**	**8,289,502**	**6,384,133**	**8,671,742**
i.	Listed equities and securities	0	0	0
ii.	Unlisted shares and securities	8,289,502	6,384,133	8,671,742
c)	**Equities, units, and other variable-return securities in equity-linked entities**	**335,974**	**276,471**	**313,859**
i.	Listed equities and securities	167,815	117,305	141,354
ii.	Unlisted shares and securities	168,159	159,166	172,505
TOTAL EQUITIES, UNITS, AND OTHER VARIABLE-RETURN SECURITIES		**9,929,788**	**7,963,028**	**10,347,006**

31 December 2016 *(in thousands of euros)*	Gross value	Net value	Realisable value
3. Other investment securities			
a) Other investment securities excluding investments in equity-linked entities or affiliates	***802,881***	***777,217***	***811,058***
i. Bonds, negotiable debt securities, and fixed-return securities	***649,467***	***623,802***	***657,643***
■ Listed bonds:	***649,467***	***623,802***	***657,643***
Bonds and other securities issued or guaranteed by an OECD member State	224,342	219,301	238,912
Bond and similar securities issued by securitisation special-purpose vehicles	0	0	0
Bonds, shares of mutual debt funds, and participating shares traded on a recognised market other than those referred to above	425,125	404,501	418,731
ii. Loans	2,773	2,774	2,775
■ Loans obtained or guaranteed by an OECD member State			
■ Mortgage loans			
■ Other loans	2,773	2,774	2,775
Secured loans	2,773	2,774	2,775
Unsecured loans			
■ Advances on policies	0	0	0
iii. Deposits with credit institutions	0	0	0
iv. Other investments	***150,641***	***150,641***	***150,640***
■ Deposits and guarantees	125,220	125,220	125,220
■ Receivables representing lent securities	0	0	0
■ Security deposits related to financial futures in cash	0	0	0
■ Securities provided as collateral with transfer of ownership for transactions on financial futures	25,171	25,171	25,170
■ Other	250	250	250
b) Other investment securities in affiliates	**1,292,864**	**1,292,864**	**1,292,863**
i. Bonds, negotiable debt securities, and fixed-return securities			
ii. Loans	1,248,449	1,248,449	1,248,449
iii. Deposits with credit institutions	0	0	0
iv. Other investments	0	0	0
v. Receivables for cash deposited with ceding companies	44,415	44,415	44,414
vi. Receivable for the deposit component of a reinsurance contract	0	0	0
c) Other investment securities in equity-linked entities	**0**	**0**	**0**
i. Bonds, negotiable debt securities, and fixed-return securities	0	0	0
ii. Loans	0	0	0
iii. Deposits with credit institutions	0	0	0
iv. Other investments	0	0	0
v. Receivables for cash deposited with ceding companies	0	0	0
Total other investment securities	**2,095,745**	**2,070,081**	**2,103,921**
TOTAL INVESTMENTS [(1)]	**12,523,412**	**10,523,395**	**13,179,777**

(1) Including premium / discount

NOTE 6 SHARE OF OUTWARD REINSURERS AND RETROCESSIONAIRES IN UNDERWRITING RESERVES

	31.12.2016				31.12.2015			
(in thousands of euros)	Outward reinsurance on direct business*	Retro on inward of RM	Other Retrocessions	Total	Outward reinsurance on direct business	Retro on inward of RM	Other Retrocessions	Total
Reserves for unearned premiums	5,132	5		5,136	9,657	(40)		9,617
Reserves for claims	196,543	334,383	311,171	842,097	259,006	250,258	260,077	769,341
Profit-sharing reserves	364			364	333			333
Equalisation reserves	1,513		2,216	3,730	1,592		2,297	3,889
Other underwriting reserves	10,047	193,027		203,074	20,606	174,679	116	195,401
TOTAL	**213,598**	**527,416**	**313,387**	**1,054,401**	**291,194**	**424,898**	**262,490**	**978,581**

* *Including underwriting reserves related to policies written by the Antilles-Guyane regional mutual exempt from licensing.*

NOTE 7 RECEIVABLES

	31.12.2016				31.12.2015			
	Maturity:				Maturity:			
(in thousands of euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Receivables								
Receivables relating to direct insurance operations:	**21,343**	**3,147**		**24,490**	**33,234**	**11,205**		**44,439**
Earned unwritten premiums	1,018			1,018	(2,140)			(2,140)
Other receivables relating to direct insurance transactions:	20,325	3,147		23,472	35,374	11,205		46,579
Policyholders	1,689	3,147		4,836	4,057	11,205		15,262
Insurance intermediaries	165			165	1,296			1,296
Co-insurers	18,471			18,471	30,021			30,021
Receivables relating to reinsurance transactions:	**403,194**	**55,587**		**458,781**	**393,485**	**70,382**		**463,867**
Reinsurers	162,782	6,256		169,038	77,281	21,644		98,925
Ceding entities	240,412	49,331		289,743	316,204	48,738		364,942
Other receivables:	**171,888**			**171,888**	**129,539**	**23,831**		**153,370**
Personnel	612			612	836			836
Government, Social Security, and local authorities	52,059			52,059	54,323			54,323
Other debtors	119,217			119,217	74,380	23,831		98,211
TOTAL RECEIVABLES	**596,425**	**58,734**		**655,159**	**556,258**	**105,418**		**661,676**

NOTE 8 ACCRUALS – ASSETS

(in thousands of euros)	31.12.2016	31.12.2015
Accrued interest not yet due	32,480	22,640
Deferred acquisition costs	3,431	5,252
Reimbursement price differences receivable		
Other accruals	24,032	37,338
TOTAL ASSET ACCRUALS	**59,943**	**65,230**

NOTE 9 SHAREHOLDERS' EQUITY

Capital structure

407,474,176 shares with a par value of €5.125.

Statement of movements in reserves and changes in shareholders' equity

		Allocation of 2015 income				
(in thousands of euros)	31.12.2015	Income (Loss)	Dividends	Other mvts for the year	Income (Loss) for the year	31.12.2016
Shareholders' equity						
Share capital	**1,686,569**			**401,736**		**2,088,305**
Share premiums	62,530			298,264		360,794
Merger premiums	38,805					38,805
Contribution premiums	2,147					2,147
Subtotal: Additional paid-in capital	**103,482**			**298,264**		**401,746**
Capitalisation reserve	121,547			(121,547)		
Other reserves	47,376			121,547		168,923
Subtotal: Other reserves	**168,923**					**168,923**
Retained earnings	**321,194**	**69,973**	**(14,262)**			**376,905**
Net income for fiscal year	**69,973**	**(69,973)**			**(358,447)**	**(358,447)**
TOTAL	**2,350,141**		**(14,262)**	**700,000**	**(358,447)**	**2,677,432**

In accordance with Article 19 of the decree of 7 May 2015 on the elimination of the capitalisation reserve, the closing amount of the capitalisation reserve on the balance sheet at 31 December 2015 was transferred to "Other reserves".

NOTE 10 SUBORDINATED DEBTS

"Subordinated debts" totalling €2,263.8 million are broken down as follows:

- senior subordinated perpetual bonds issued by Groupama SA on 22 October 2007 for €413.8 million. A €2.15 million redemption took place in 2016;
- a euro perpetual subordinated debt acquired in 2014 by Groupama SA at a fixed rate of 6.375% with maturity of the call in May 2024 for €1,100 million;
- a bond issued on 16 October 2009 in the form of 30-year subordinated redeemable bonds (TSR) subscribed by Société Générale for an amount of €750 million at a fixed rate of 7.875% revisable in October 2019.

The above bonds are subordinated to repayments, and they have no fixed date in the contract. No other special conditions are mentioned in the contract if the borrower is unable to repay early.

NOTE 11 UNDERWRITING RESERVES OF NON-LIFE INSURANCE

Note 11.1 - Details of gross underwriting reserves

	31.12.2016				31.12.2015			
(in thousands of euros)	Direct business (1)	Inward reinsurance from regional mutuals	Other inward reinsurance	Total	Direct business (1)	Inward reinsurance from regional mutuals	Other inward reinsurance	Total
Reserves for unearned premiums	10,464	175,103	14,286	199,852	11,253	170,456	15,746	197,455
Reserves for claims:	313,891	2,519,224	627,770	3,460,885	328,846	2,376,909	543,727	3,249,482
Profit-sharing reserves	751	0	0	751	809			809
Equalisation reserves:	123,026	39,337	4,435	166,799	122,957	27,076	4,597	154,630
Other underwriting reserves:	121,786	946,883	7,218	1,075,887	135,131	858,954	359	994,444
TOTAL	**569,917**	**3,680,547**	**653,709**	**4,904,173**	**598,996**	**3,433,395**	**564,429**	**4,596,820**

(1) Including underwriting reserves related to contracts written by the Antilles-Guyane regional mutual exempt from licensing.

Equalisation reserves

Pursuant to Article R. 343-7.6 of the French Insurance Code, an insurance company may establish equalisation reserves to cover extraordinary expenses relating to operations to guarantee risks due to natural factors, nuclear risk, risks of civil liability due to pollution, space risks, as well as risks relating to attacks, terrorism and air transport. These reserves are funded voluntarily. Groupama SA recognised an allocation to equalisation reserves for €32.6 million at 31 December 2016.

"Equalisation reserves" also includes stability funds on group insurance policies.

Note 11.2 - Change over the past five years in claims regulations applied since its inception, and reserves for claims pending settlement

Change in premiums earned and claims

The data presented below correspond to changes in the following portfolios:

- inward reinsurance from regional mutuals;
- direct business;
- other inward reinsurance.

	Fiscal years					
(in thousands of euros)	**2011 and earlier**	**2012**	**2013**	**2014**	**2015**	**2016**
Estimate of the claims expense:						
at end of N	18,223,432	1,658,854	1,671,937	1,550,777	1,329,591	1,872,609
at end of N+1	18,734,295	1,587,176	1,635,618	1,548,840	1,270,869	
at end of N+2	18,666,409	1,572,279	1,597,145	1,521,798		
at end of N+3	18,664,025	1,557,812	1,554,166			
at end of N+4	18,749,704	1,547,973				
at end of N+5	18,739,373					
Claims expense (a)	**18,739,373**	**1,547,973**	**1,554,166**	**1,521,798**	**1,270,869**	**1,872,609**
Cumulative claims payments (b)	**17,562,907**	**1,350,205**	**1,395,789**	**1,081,984**	**940,372**	**784,483**
Outstanding claims reserves (a)-(b)=(c) ***(net of the retained share of the CDA)***	**1,176,466**	**197,769**	**158,377**	**439,814**	**330,497**	**1,088,126**
Earned premiums	**21,807,911**	**2,301,376**	**2,269,614**	**2,156,285**	**2,184,105**	**2,208,389**
CLAIMS RATIO	**85.93%**	**67.26%**	**68.48%**	**70.57%**	**58.19%**	**84.80%**

Note 11.3 - Change in opening claims reserves

Liquidation of claims reserves gross of reinsurance

(in thousands of euros)	2016	2015
Opening claims reserves net of expected recoveries	3,120,566	3,076,684
Payments made during the year for previous years net of recoveries	(663,819)	(694,810)
Year-end net claims reserves net of expected recoveries	(2,317,648)	(2,373,120)
SURPLUS/DEFICIT	**139,099**	**8,754**

The opening surplus posted in 2016 on claims reserves totalled €139 million. It principally consists of a surplus on risks accepted on the portfolio of the regional mutuals for €159.8 million, partially offset by a deficit of -€18 million on inward reinsurance of subsidiaries in France and a deficit of -€2.6 million on direct business.

NOTE 12 PROVISIONS (OTHER THAN UNDERWRITING)

(in thousands of euros)	Total reserves as at 31.12.2015	Increase in reserves during the fiscal year	Write-backs for the fiscal year	Total reserves as at 31.12.2016
Regulatory reserves	39,525		812	38,713
Reserves for pensions and similar obligations	60,947	14,390		75,337
Tax reserves				
Other reserves for contingencies	48,838	462	652	48,648
Other reserves for charges				
TOTAL	**149,310**	**14,852**	**1,464**	**162,698**

The “Reserves (other than underwriting)” item included in liabilities of the balance sheet as at 31 December 2016 for €162.7 million particularly includes reserves for pension and commitments, which includes a reserve related to pension commitments for employees and former employees of absorbed subsidiaries (SMDA), and a reserve for the pension fund closed since 1997 of Groupama Insurances in the UK taken over by Groupama SA following the divestment of the subsidiary Groupama Insurances.

However, a significant portion of the IFC commitments pertaining to Groupama SA employees is outsourced to Groupama Gan Vie, which does not generate any recognition of reserve for pension or off-balance sheet commitment.

NOTE 13 DEBTS

	31.12.2016				31.12.2015			
	Maturity:				Maturity:			
(in thousands of euros)	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Other debts								
Debts arising from direct insurance operations:	**7,363**	**17,014**		**24,377**	**13,000**	**912**		**13,912**
Policyholders	99			99	(160)	278		118
Insurance intermediaries	34			34	1,863			1,863
Co-insurers	7,230	17,014		24,244	11,297	634		11,931
Debts relating to reinsurance transactions:	**198,740**	**7,352**		**206,092**	**194,709**	**44,342**		**239,051**
Reinsurers	106,911	4,338		111,249	125,069	13,919		138,988
Ceding entities	91,829	3,014		94,843	69,640	30,423		100,063
Bonds (including convertible bonds)	**444,546**	**410,428**	**129,520**	**984,494**		**863,303**	**130,193**	**993,496**
Debt to credit institutions	**1**			**1**	**28**			**28**
Other liabilities:	**966,249**			**966,249**	**979,376**			**979,376**
Other loans, deposits and guarantees received	682,704			682,704	693,566			693,566
Personnel, Social Security organisations and local authorities	38,088			38,088	39,791			39,791
Government, Social Security	52,575			52,575	56,314			56,314
Other creditors	192,882			192,882	189,705			189,705
TOTAL	**1,616,899**	**434,794**	**129,520**	**2,181,213**	**1,187,113**	**908,557**	**130,193**	**2,225,863**

Pursuant to the provisions of D. 441-4 of the French Commercial Code, note that all debt to outside suppliers has a maturity of less than six months.

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NOTE 14 ACCRUALS – LIABILITIES

(in thousands of euros)	31.12.2016	31.12.2015
Deferred amortisation on reimbursement price	20,250	17,806
Other accruals	2,719	2,876
TOTAL ACCRUED LIABILITIES	**22,969**	**20,682**

NOTE 15 ASSETS AND LIABILITIES RELATED TO AFFILIATED COMPANIES AND EQUITY-LINKED COMPANIES

Cash and receivables

	31.12.2016				31.12.2015			
(in thousands of euros)	Affiliated companies	Equity-linked companies	Other	Total	Affiliated companies	Equity-linked companies	Other	Total
A) Assets								
Intangible assets	**11,459**		**923**	**12,382**	**9,089**		**2,907**	**11,996**
Investments								
Property	357,447	61	132,777	490,285	315,031	61	128,658	443,750
Shares & other variable-return securities	6,384,133	276,472	1,302,424	7,963,029	6,348,532	306,576	1,107,548	7,762,656
Bonds Neg.debt sec. & other fixed-ret. sec.			642,887	642,887	11,175		795,482	806,657
Loans	1,248,450			1,248,450	752,042			752,042
Deposits with other credit institutions								
Other investments	102,536		50,876	153,412	84,509		100,491	185,000
Receivable cash at ceding entities	10,819		33,596	44,415	55,927			55,927
Reinsurer share of underwriting reserves								
Unearned premiums (non-life)	5,062		75	5,137	(40)		9,657	9,617
Claims reserves (non-life)	351,626		490,470	842,096	519,083		250,258	769,341
Share of earnings and dividends (non-life)	364			364	333			333
Equalisation reserves	3,730			3,730	3,889			3,889
Other underwr. reserves. (non-life)	10,143		192,931	203,074	20,722		174,679	195,401
Receivables from direct insurance transactions								
Of which policyholders			5,854	5,854			13,123	13,123
Of which insurance intermediaries			165	165			1,296	1,296
Of which other third parties			18,471	18,471			30,021	30,021
Receivables from reinsurance operations	**150,174**		**308,608**	**458,782**	**170,245**		**293,622**	**463,867**
Personnel	**(12)**		**624**	**612**			**836**	**836**
Government, Social Security and local authorities			**52,058**	**52,058**			**54,323**	**54,323**
Sundry amounts receivable	**78,663**		**40,555**	**119,218**	**44,676**		**53,534**	**98,210**
Tangible operating assets			**11,231**	**11,231**			**1,271**	**1,271**
Bank current accounts and cash	**43,490**		**32,692**	**76,182**	**45,330**		**30,242**	**75,572**
Interest & lease payments written and not due							**22,640**	**22,640**
Deferred acquisition costs	**636**		**2,795**	**3,431**			**5,252**	**5,252**
Other accruals – assets	**23,210**		**33,302**	**56,512**	**10,077**		**27,261**	**37,338**
Unrealised foreign exchange adjustments								
TOTAL	**8,781,930**	**276,533**	**3,353,314**	**12,411,777**	**8,390,620**	**306,637**	**3,103,101**	**11,800,358**

Liabilities and commitments

(in thousands of euros)	31.12.2016 Affiliated companies	Equity-linked companies	Other	Total	31.12.2015 Affiliated companies	Equity-linked companies	Other	Total
B) Liabilities								
Shareholders' equity	**2,677,432**			**2,677,432**	**2,348,545**		**1,596**	**2,350,141**
Share capital	2,088,305			2,088,305	1,685,388		1,181	1,686,569
Other shareholders' equity	589,127			589,127	663,157		415	663,572
Subordinated debt			**2,263,800**	**2,263,800**			**2,265,950**	**2,265,950**
Gross underwriting reserves								
Unearned premiums (non-life)	198,719		1,133	199,852	186,202		11,253	197,455
Claims reserves (non-life)	3,007,571		453,314	3,460,885	2,920,636		328,846	3,249,482
Share of earnings and dividends (non-life)			751	751			810	810
Equalisation reserves			166,798	166,798	31,673		122,957	154,630
Other underwr. reserves (non-life)	974,274		101,613	1,075,887	859,313		135,131	994,444
Reserves for contingencies and charges	**68,362**	**4,170**	**90,167**	**162,699**	**58,871**	**4,982**	**85,457**	**149,310**
Debts for cession. cash			**199,492**	**199,492**			**191,592**	**191,592**
Debts from direct insurance transactions								
Owed to policyholders			98	98			117	117
Owed to insurance intermediaries			34	34			1,862	1,862
Owed to other third parties			24,245	24,245			11,931	11,931
Debts from reinsurance transactions	**84,146**		**121,946**	**206,092**	**44,341**		**194,710**	**239,051**
Bond debt	**984,494**			**984,494**	**993,496**			**993,496**
Debts to credit institutions	**1**			**1**	**1**		**27**	**28**
Other debts								
Other loans, deposits and guarantees received	**600,326**		**82,378**	**682,704**	**612,522**		**81,044**	**693,566**
Personnel			**38,088**	**38,088**			**39,791**	**39,791**
Government, Social Security and local authorities			**52,574**	**52,574**			**56,314**	**56,314**
Other creditors	**135,007**	**183**	**57,692**	**192,882**	**136,899**		**52,806**	**189,705**
Accruals – liabilities			**22,969**	**22,969**			**20,683**	**20,683**
Unrealised foreign exchange adjustments								
TOTAL	**8,730,332**	**4,353**	**3,677,092**	**12,411,777**	**8,192,499**	**4,982**	**3,602,877**	**11,800,358**

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NOTE 16 COMMITMENTS RECEIVED AND GIVEN

(in thousands of euros)	**31.12.2016**	**31.12.2015**
1. Commitments received	**906,291**	**905,518**
from related companies	152,772	152,000
from equity-linked companies	3,519	3,518
from other companies	750,000	750,000
2. Commitments given:		
2a. Endorsements, bonds, and guarantees given	152,789	281,072
to related companies	772	
to equity-linked companies	374	431
to other companies	151,643	280,641
2b. Securities and assets acquired with commitment to resell		
to related companies		
to equity-linked companies		
to other companies		
2c. Other commitments on securities, assets or income	26,401	49,100
to related companies	7,669	25,825
to equity-linked companies		
to other companies	18,732	23,275
2d. Other commitments given	42,913	76,206
to related companies	42,851	76,206
to equity-linked companies		
to other companies	62	
3. Mutual commitments		
3a. Securities received as collateral from outward reinsurers and retrocessionaires	309,925	225,254
from related companies	40,571	42,609
from equity-linked companies		
from other companies	269,354	182,645
3b. Other reciprocal commitments	428,352	31,991
from related companies	272,216	
from equity-linked companies	114,463	
from other companies	41,673	31,991
5. Outstanding financial futures		
5a. Breakdown of outstanding financial futures by strategy category:	528,638	520,326
Investment or divestment strategies		
Yield strategies	528,638	520,326
Other transactions		
5b. Breakdown of outstanding financial futures by market category:	528,638	520,326
Transactions on an OTC market	528,638	520,326
Transactions on regulated or equivalent markets		

(in thousands of euros)	**31.12.2016**	**31.12.2015**
5c. Breakdown of outstanding financial futures by type of market risk and instruments, in particular:	528,638	520,326
Interest rate risk		
Foreign exchange risk	19,698	
Equity risk	508,940	520,326
5d. Breakdown of outstanding financial futures by instrument type, in particular:	528,638	520,326
Swaps	528,638	520,326
Interest rate guarantee agreements		
Futures		
Options		
5e. Breakdown of outstanding financial futures by residual durations of strategies according to the tranches:	528,638	520,326
0-1 year	19,698	
1-5 years	385,378	393,518
5+ years	123,562	126,808
TOTAL COMMITMENTS RECEIVED	**1,744,854**	**1,651,098**
TOTAL COMMITMENTS GIVEN	**1,179,093**	**958,695**

Commitments received

The €906.3 million in commitments received correspond mainly to:

- the contractual commitment given on 8 December 2004 in connection with the opening of a credit line of €750 million, maturing in February 2019;
- a commitment related to the contribution of Holdco securities to Groupama Gan Vie for €152 million;
- various other commitments received for €4.3 million concerning affiliated companies or equity-linked companies.

Commitments given

The €650.4 million of commitments given by Groupama SA correspond mainly to:

- commitments on unlisted funds of €18.7 million;
- a total of €80.9 million of guarantees on liabilities granted along with the sale of Groupama Seguros;
- a loan agreement to GUK Brokerage Services for €41 million;
- an amendment to the cash advance agreement for €31.5 million between Groupama SA and Groupama Investissements for €7.7 million;
- securities pledged to the Group's companies for €430.2 million as part of Groupama SA's reinsurer business activities;
- general guarantees given as part of the contribution of Groupama Banque securities to Compagnie Financière d'Orange Bank.

The commitments received for reinsurance totalling €309.9 million include securities received as collateral from outward reinsurers and retrocessionaires and securities provided by entities reserved for joint and several guarantees.

Securities received as collateral from outward reinsurers and retrocessionaires

The amount corresponds to securities received as collateral from outward reinsurers for €224.1 million.

Sureties provided by reinsured entities with joint and several guarantee

The amount corresponds to securities received from the Antilles Guyane regional mutual, of which Groupama is the substitute reinsurer, with respect to the representation of its underwriting reserves of €85.8 million held in custody.

Long-term financial instruments outstanding

The €528.6 million in Groupama SA's long-term financial instruments outstanding corresponds to:

- the establishment of swaps to hedge the entire issue of the Zen structured bond for €508.9 million;
- the hedge for OTP Banque securities for €19.7 million.

Other unquantified and unlimited commitments received and given

Before or during the year, Groupama SA also granted or obtained unquantified or unlimited commitments involving notably:

- the guarantee given to Société d'Assurances de Consolidation des Retraites de l'Assurance (SACRA) for contractual obligations made by Groupama Asset Management to SACRA starting in June 2014;
- the letters of intent written by Groupama SA to the Comité des Établissements de Crédit et des Entreprises d'Investissement (CECEI) as part of the creation of Groupama Épargne Salariale and Groupama Banque;
- Groupama SA's assumption of the guarantee given by Groupama Reassurance to Sorema NA (now General Security National Insurance Company) regarding the payment of all obligations stemming from two retrocession contracts underwritten by Rampart (Le Mans Re and MMA portfolios); these commitments are counter-guaranteed by the buyer of Rampart;
- the unconditional guarantees granted by Groupama SA to Gan Assurances, which require it to supply if applicable the financial means necessary to satisfy the payment of claims relating to insurance policies signed by said companies; these guarantees were designed to improve the debt ratings of these companies and terminated during fiscal year 2012, but rights and obligations under these guarantees remain. Groupama SA is also responsible for commitments of this type given previously by the CCAMA to group entities (some of which have been divested) that have since been cancelled but for which certain rights and obligations still exist;
- the usual specific and technical guarantees (run off) upon the divestment of The Gan Company of Canada Ltd. to CGU group Canada Ltd;
- the specific usual guarantees during the sale of Gan Eurocourtage's brokerage portfolio to Allianz;
- the fundamental guarantees (authorisations, ownership of equities, position of the bank, absence of subsidiaries and equity interests) related to the contribution of Groupama Banque securities to Compagnie Financière d'Orange Bank.

NOTE 17 OPERATING INCOME STATEMENT BY SOURCE

	31.12.2016			31.12.2015		
(in thousands of euros)	Direct Business (1)	Inward reinsurance	Total	Direct Business[1]	Inward reinsurance	Total
Earned premiums	106,431	2,175,581	2,282,013	112,202	2,162,241	2,274,444
Claims expense	74,654	1,673,188	1,747,842	86,439	1,299,922	1,386,361
Expenses for other underwriting reserves	4,238	(94,788)	(90,550)	(565)	(61,261)	(61,826)
Change in equalisation reserve	(67)	(12,101)	(12,167)	1,374	(7,887)	(6,513)
Profit sharing	(401)	0	(401)	(571)	0	(571)
A – Underwriting result	**35,547**	**395,504**	**431,051**	**26,002**	**793,171**	**819,173**
Acquisition costs	2,528	227,443	229,971	2,350	244,267	246,616
Administration expenses	10	210,804	210,814	141	197,910	198,050
Other underwriting expenses and income	(3,783)	152,385	148,602	(789)	165,221	164,432
B – Net acquisition and management expenses	**(1,244)**	**590,632**	**589,388**	**1,701**	**607,398**	**609,098**
C – Allocated investment income		**(131,699)**	**(131,699)**	**1,109**	**49,168**	**50,277**
D – Reinsurance result	**20,006**	**14,853**	**34,859**	**18,230**	**245,966**	**264,196**
UNDERWRITING INCOME/(LOSS) (A+B+C+D)	**16,785**	**(341,680)**	**(324,895)**	**7,180**	**(11,024)**	**(3,844)**

(1) Including mutual exempt from licensing (Antilles Guyane).

NOTE 18 INVESTMENT INCOME AND EXPENSES

Type of income *(in thousands of euros)*	31.12.2016 Affiliated companies	Equity-linked companies	Other sources	Total	31.12.2015 Affiliated companies	Equity-linked companies	Other sources	Total
Investment income								
Investment revenues	167,003	6,535	26,748	200,286	326,926	4,814	26,906	358,646
Income from equity interests	142,430	6,535		148,965	325,879	4,814	719	331,412
Income from real estate investments	24,479		348	24,827	942		20	962
Income from other investments	94		26,400	26,494	105		26,167	26,272
Other financial income								
Other investment income	159,540	2,539	(9,543)	152,536	75,875	100,216	75,520	251,611
Profits on the sale of investments	51,152	17,336	18,253	86,741	178	13	15,134	15,325
Total investment income	**377,695**	**26,410**	**35,458**	**439,563**	**402,979**	**105,043**	**117,560**	**625,582**
Investment expenses								
Internal and external investment management	19,549	6,614	171,395	197,558	56,435		171,567	228,002
costs and financial expenses								
Other investment expenses	401,330	3,746	29,541	434,617	165,324	10,456	32,091	207,871
Losses on the sale of investments	23,662	164	16,059	39,885	60	58,881	48,288	107,229
Total investment expenses	**444,541**	**10,524**	**216,995**	**672,060**	**221,819**	**69,337**	**251,946**	**543,102**
NET INVESTMENT INCOME	**(66,846)**	**15,886**	**(181,537)**	**(232,497)**	**181,160**	**35,706**	**(134,386)**	**82,480**

The decrease in “Income from equity interests” comes from a decrease in dividend distributions in 2016 from subsidiaries.

The “Other investment expenses” and “Other investment income” items include allocations net of write-backs to reserves for long-term impairment for €245.9 million as at 31 December 2016 versus a net write-back of €43.6 million in 2015.

NOTE 19 OTHER NON-UNDERWRITING INCOME AND EXPENSES

Other non-underwriting expenses of -€19 million mainly consist of general expenses broken down by purpose.

NOTE 20 EXTRAORDINARY INCOME AND EXPENSES

The 2016 extraordinary result presents an expense of -€39.9 million, primarily made up of subsidies granted to Group entities to fund major programmes for -€18.8 million as well as an expense of -€18.1 million related to pension commitments.

NOTE 21 CORPORATE INCOME TAX

Tax charge

(in thousands of euros)	31.12.2016	31.12.2015
Group tax payable	(69,501)	(72,488)
Reserves linked to tax consolidation gains in year N	182,417	148,495
Other	13,249	5,456
TOTAL TAX (INCOME)	**126,165**	**81,463**

Specific nature and make-up of the “Corporate income tax” line

As at 31 December 2016, the “Corporate income tax” line includes a net tax credit of €126.2 million that breaks down as follows:

› tax consolidation income	€229.2 million
› tax consolidation expenses	-€33.5 million
› Group corporate tax expense	-€69.5 million

The “Corporate income tax” item consists of taxable income posted to individual tax income for the year from consolidated subsidiaries totalling €182.4 million.

Since the consolidated groups posted a gain of €193.6 million after allocation of losses, a short-term tax charge of €66.6 million was recorded for fiscal year 2016 as well as a LT tax charge of €2.9 million corresponding to transactions at a rate of 15%.

Tax loss carry-forwards

At 31 December 2016, the consolidated group had no short-term carry-forwards.

Groupama SA tax audit

Groupama SA underwent a tax audit in 2010. Reserves have not been recognised for some of the adjustments considered to be excessive by the tax authorities for underwriting reserves for property and casualty as well as long-term care risk. The Group considers that the reasons for adjustments are highly questionable and has prepared technical arguments for a litigation process. The sums demanded in 2013 have been recorded in tax debts with an offset to income receivable from the government. This account was reduced for the carry-back then the corporate tax abatement over fiscal year 2009.

NOTE 22 BREAKDOWN OF EMPLOYEE EXPENSES

(in thousands of euros)	31.12.2016	31.12.2015
Salaries	63,720	69,602
Social Security charges	29,282	31,131
Other	4,274	5,142
TOTAL	**97,276**	**105,875**

These figures correspond to the de facto Groupama SA grouping after allocation to each of its constituents. In 2016, the average rate of expenses of the Group kept by Groupama SA was 72.80%.

The Company receives the tax credit for competitiveness and employment (CICE) calculated in accordance with Article 244 *quater* C of the French General Tax Code at 6%. For fiscal year 2016, the CICE amounted to €0.4 million.

The use of this tax credit particularly permitted the financing of:

- actions to improve the competitiveness of the Company 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.

NOTE 23 WORKFORCE

Personnel

(total number)	31.12.2016	31.12.2015
Senior management	150	144
Executives	933	940
Non-managerial staff	174	184
TOTAL PERSONNEL	**1,257**	**1,268**

NOTE 24 DIRECTORS' COMPENSATION

2016 compensation paid to the Groupama SA administrative and executive bodies was respectively €294.5 thousand and €5,695 thousand. All compensation and benefits paid to Managers are detailed in section 3.3 of this registration document.

NOTE 25 PROPOSED ALLOCATION OF INCOME

It has been decided to allocate the loss for the fiscal year, totalling -€358,447 thousand, to the "retained earnings" balance of €376,904 thousand, which will thus move that account to a credit amount of €18,457 thousand.

NOTE 26 SUBSIDIARIES AND EQUITY INTERESTS

Information about subsidiaries and equity interests (in thousands of euros)

Detailed information about equity interests with gross amount greater than 1% of the capital of the Company's capital, subject to publication	Proportion of Capital held as at 31.12.2016	Book value of securities held as at 31.12.2016		Premium income of the last fiscal year	Income (Loss) of the last fiscal year
		gross	net		
Subsidiaries (more than 50% owned)					
Insurance companies					
GAN ASSURANCES	100.00%	741,462	602,370	1,407,415	(121,758)
GROUPAMA GAN VIE	97.48%	2,631,668	2,631,668	3,490,081	212,539
AMALINE ASSURANCES	100.00%	197,637	9,899	58,286	(12,460)
GROUPAMA GARANCIA BIZTOSITO	100.00%	598,433	393,578	314,464	13,209
GROUPAMA ASIGURARI SA	100.00%	596,796	299,461	205,390	7,914
GROUPAMA ASSICURAZIONI	100.00%	1,425,276	1,425,276	1,456,524	40,019
GROUPAMA SEGUROS DE VIDA	100.00%	92,140	56,223	100,209	1,660
GAN OUTRE MER	100.00%	31,636	31,636	63,993	5,943
GROUPAMA PHOENIX	100.00%	272,640	176,273	134,932	6,911
GROUPAMA ZHIVOTZASTRAHOVANE (Bulgaria V)	100.00%	76,996	10,749	4,962	316
GROUPAMA AVIC PROPERTY INSURANCE	50.00%	63,526	28,625	255,000	2,763
Other companies					
GAN PREVOYANCE	100.00%	49,758	0	0	396
GUK BROKING SERVICES LIMITED	100.00%	529,574	88,592	0	6,358
GROUPAMA BOSPHORUS INVESTISSEMENT	100.00%	439,055	130,378	0	4,131
ASTORG 2	84.00%	222,656	222,656	0	(96)
COFINTEX 17	86.29%	177,817	177,817	0	(30)
Stakes held between 10 & 50%					
COMPAGNIE FONCIÈRE PARISIENNE	32.75%	312,422	312,422	25,180	90,463
Société Tunisienne d'Assurances et de Réassurances	35.00%	77,569	64,888	138,000	7,833
LA BANQUE POSTALE ASSURANCES IARD	35.00%	119,328	115,621	301,000	(11,145)
GUNES SIGORTA	20.00%	37,898	33,695	NC	NC
SOCIÉTÉ FORESTIÈRE GROUPAMA	43.82%	36,069	36,069	4,366	2,097

NOTE 27 INFORMATION ABOUT SUBSIDIARIES AND EQUITY INTERESTS

Overall information on all subsidiaries and equity interests *(in thousands of euros)*	**Book value of securities held**		**Total loans and advances granted**	**Total guarantees and surety given**	**Total dividends collected[1]**
	Gross	**Net**			
Subsidiaries					
French	4,125,456	3,724,310	1,159,204	34,502	5,547
Foreign	4,151,978	2,650,711	110,000	44,311	37,253
Equity interests					
French	499,142	493,614	957	114,463	27,606
Foreign	115,930	98,806	0	0	3,094

(1) Including SCI results.

NOTE 28 CONSOLIDATION

Groupama SA prepares:

- consolidated financial statements incorporating all of its subsidiaries;
- combined financial statements incorporating the regional mutuals with which a combination agreement has been signed.

The consolidated and combined financial statements are prepared in accordance with International Financial Reporting Standards and applicable interpretations as approved by the European Union.

6.4 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' report on the annual financial statements issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

(Year ended 31 December 2016)

PricewaterhouseCoopers Audit 63, rue de Villiers 92208 Neuilly-sur-Seine Cedex	Mazars Tour Exaltis 61, rue Henri Régnault 92400 Courbevoie

Dear Shareholders,

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 annual financial statements of Groupama SA;
- the justification of our assessments;
- the specific verifications and information required by law.

These annual 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 ANNUAL 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 annual 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 annual 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.

In our opinion, the financial statements give a true and fair view of the assets and liabilities, the financial position of the Company at 31 December 2016 and the results of its operations for the year then ended in accordance with French accounting principles.

II – JUSTIFICATION OF OUR 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:

- Note 3.1 sets out the accounting rules and methods for determining certain technical items specific to insurance and reinsurance, in the assets and liabilities of your company's financial statements, estimated on statistical and actuarial bases, particularly underwriting reserves.

  In particular, we examined the calculation methods and assessed the reasonableness of the assumptions applied, specifically with regard to Groupama SA's regulatory environment and its experience;
- Notes 3.2.2 and 5.2 set out the accounting rules and methods for valuation of reserves for impairment on the securities portfolio.

We verified that the valuation of the reserves applying to assets subject to Article R. 343-10 of the Insurance Code was consistent with Groupama SA's intent to hold these instruments, and we examined, as needed, the data, assumptions applied, and documentation prepared within that framework.

We examined the analyses performed by the Company of any risks attached to assets subject to Article R. 343-9 of the French Insurance Code.

Concerning equity shareholdings, we examined the disclosures made by management on the activity and anticipated future prospects, as well as the criteria and assumptions applied to determine their profitability and the resulting reserves.

We also verified the appropriateness of the disclosures made in the attached notes related to financial instruments, specifically Note 5.

These assessments were made as part of our audit of the annual 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 VERIFICATIONS AND INFORMATION

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French law.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code relating to compensation and benefits received by corporate officers and any other commitments made in their favour, we have verified their consistency with the annual financial statements, or with the underlying information used to prepare these annual financial statements and, where applicable, with the information obtained by your company from companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

We have no matters to report as to the fair presentation and the consistency with the annual financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Neuilly-sur-Seine and Courbevoie, 20 March 2017

The statutory auditors

PricewaterhouseCoopers Audit	Mazars	
Christine Billy	Antoine Esquieu	Nicolas Dusson

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LEGAL INFORMATION

7.1 COMPANY INFORMATION

7.1.1 IDENTIFICATION

The Company was founded on 11 December 1987 for a period of 99 years, *i.e.*, until 11 December 2086.

It is registered with the Paris Trade and Companies Register under number 343 115 135.

7.1.2 CURRENT STATUTORY PROVISIONS

Note that the Company's bylaws do not provide for stricter conditions than the law for the modification of shareholder rights, which can therefore only take place under legal conditions.

7.1.2.1 Form (Article 1)

The Company, which under French law is a *société anonyme*, is governed by current and future legislative and regulatory provisions and by these bylaws.

7.1.2.2 Purpose (Article 2)

The Company's corporate purpose is as follows:

- activities involving insurance and co-insurance against risks of any kind, excluding life insurance and capitalisation;
- reinsurance of regional or *départemental* agricultural insurance and reinsurance companies and mutuals, in accordance with the provisions of the Insurance Code;
- the substitution of agricultural insurance and reinsurance companies and mutuals exempt from administrative approval, for the establishment of guarantees provided for by insurance regulation and the execution of insurance commitments assumed by such companies or mutuals, pursuant to Article R. 322-132 of the Insurance Code;
- the reinsurance of all insurance or reinsurance companies, of any corporate form, having their registered office in France or abroad;
- engaging in any activities involving cession, retrocession or compensation of the risks it insures or reinsures;
- being the central body of the network of agricultural insurance and reinsurance companies (hereinafter "mutuals") within the meaning of Article L. 322-27-1 of the Insurance Code. In this capacity, it is particularly responsible for:
  - ensuring the cohesion and proper operation of the network,
  - ensuring the application of the legislative and regulatory provisions relating to the network's organisations,
  - exercising administrative, technical and financial control over the organisation and management of the network's organisations,
  - setting the network's strategic guidelines, issuing any appropriate instructions in this regard and ensuring their actual implementation,
  - also taking all necessary measures to ensure solvency and compliance with the commitments of each of the network's organisations and of the entire Group;
- facilitating and promoting the business and development of the mutuals and the entire Group;
- holding interests in France and abroad, specifically in insurance, reinsurance, banking, financial services and related activities;
- and, more generally, any financial, commercial, manufacturing, civil, real-estate or property-related transactions that might relate directly or indirectly to its corporate purpose and any similar or related purposes.

7.1.2.3 Name (Article 3)

The Company's name is the following: Groupama SA.

7.1.2.4 Registered office (Article 4)

Its registered office is located at 8-10, rue d'Astorg -75008, Paris.

It may be relocated to any other place within the same *département* or to a neighbouring *département* by decision of the Board of Directors, provided such decision is approved by the next Ordinary General Meeting.

7.1.2.5 Duration (Article 5)

The Company's duration is 99 years as of the date of its registration with the Trade and Companies Register, except in the case of early dissolution or renewal.

7.1.2.6 Contributions (Article 6)

Contributions to the Company may be made in cash or in kind.

a) Upon the Company's founding, shareholders contributed, in cash, a total of two hundred fifty thousand (250,000) francs, corresponding to the par value of the 2,500 shares of one hundred (100) francs each, which were completely subscribed and paid in upon subscription.

b) On 23 November 1990, the Extraordinary General Meeting resolved to increase the par value of the Company's shares to 1,000 francs.

The same meeting resolved to increase the Company's share capital from two hundred and fifty thousand (250,000) francs to three billion, five hundred and forty-seven million (3,547,000,000) francs.

c) On 14 December 1993, the Extraordinary General Meeting resolved to increase the Company's capital to four billion, five hundred and sixty-five million (4,565,000,000) francs.

d) By authorisation of the Extraordinary General Meeting of 14 February 1995, the Board of Directors, at its meeting on 14 February 1995, resolved to increase the Company's share capital from four billion, five hundred and sixty-five million (4,565,000,000) francs to five billion, two hundred and forty-five million, three hundred thousand (5,245,300,000) francs, through the issue of six hundred and eighty thousand, three hundred (680,300) cash shares.

e) The Extraordinary General Meeting of 28 June 1996 resolved to increase the Company's share capital from five billion, two hundred and forty-five million, three hundred thousand (5,245,300,000) francs to five billion, three hundred and twenty-seven million, six hundred and four thousand (5,327,604,000) francs, through the issue of eighty-two thousand, three hundred and four (82,304) shares issued at the price of 1,215 francs, *i.e.*, with an issue premium of 215 francs per share.

f) By authorisation of the Extraordinary General Meeting of 16 April 1998 and a decision of the Board of Directors of 9 July 1998, the Company's capital was increased from five billion, three hundred and twenty-seven million, six hundred and four thousand (5,327,604,000) francs, to sixteen billion, five hundred and eighty-five million, six hundred and sixteen thousand (16,585,616,000) francs, through the issue of eleven million, two hundred and fifty-eight thousand and twelve (11,258,012) cash shares.

g) The Extraordinary General Meeting of 24 July 2000 resolved to reduce its capital by 8,624,520,320 francs by reducing the par value of each share from 1,000 francs to 480 francs.

h) The Extraordinary General Meeting of 12 September 2000 resolved to divide the par value of the shares by three, thus reducing the par value of each share from 480 francs to 160 francs.

i) At an Extraordinary General Meeting held on 29 June 2001, it was resolved to convert the Company's share capital to euros by converting the par value of the shares in accordance with the official conversion rate. It was resolved to round the par value of each share up from €24.3918427579 to €24.5. Consequently, the Company's share capital was increased by €5,381,563.46 from €1,213,661,212.54 to €1,219,042,776.

j) With the merger-absorption of Groupama Finance, pursuant to Article L. 236-11 of the French Commercial Code dated 28 June 2002, the assets of that Company were transferred. The net value transferred, €119,155,061, was not subject to compensation.

k) The Extraordinary General Meeting of 28 June 2002 resolved to increase the share capital by a total of €12,699,060.50, from €1,219,042,776 to €1,231,741,836.50, following the merger-absorption of Groupama Réassurance.

l) On 28 June 2002, the share capital was increased by a total of €8,035,485.50, from €1,231,741,836.50 to €1,239,777,322 following the merger-absorption of Gan SA.

m) With the merger-absorption of Groupama Assurances et Services, pursuant to Article L. 236-11 of the French Commercial Code dated 25 June 2003, the Company's assets were transferred. The net value transferred, €278,092,450, was not subject to compensation.

n) The Extraordinary General Meeting of 18 December 2003 successively resolved to:

- reduce the share capital by €1,239,271,290.44, from €1,239,777,322 to €506,031.56, by reducing the par value of the shares from €24.50 to €0.01, to clear a portion of the losses carried forward;
- increase the share capital by €72,755.36, from €506,031.56 to €578,786.92, by creating 7,275,536 shares of €0.01 each, following the transfer by the CCAMA of all items relating to the operation of its activity involving reinsurance of the regional mutuals and administration of the Group's Equity Management Division; the proceeds of the transfer and the correlating capital increase were confirmed by the Board of Directors, which met on the same day after the EGM;
- increase the share capital by €1,185,934,399.08, from €578,786.92 to €1,186,513,186, by increasing the par value of the shares by €20.49 to a total of €20.50, through the incorporation of a total of €297,429,134.92 to be withdrawn from the "Other reserves" account, and a total of €888,505,264.16 from the "Issue, merger, and transfer premiums" account.

o) With the merger-absorption of Groupama International, pursuant to Article L. 236-11 of the French Commercial Code, the assets of that company were transferred. The net value transferred, €1,200,002,263.81, was not subject to compensation.

p) By authorisation of the Extraordinary General Meeting of 25 May 2011 and a decision of the Board of Directors dated 25 November 2011, the Company's capital was increased from €1,186,513,186 to €1,686,569,399 with the issue of 97,571,944 cash shares.

q) By authorisation of the Extraordinary General Meeting of 18 June 2015 and a decision of the Board of Directors dated 26 January 2016, the Company's capital was increased from €1,686,569,399 to €2,088,305,152 with the issue of 78,387,464 cash shares.

7.1.2.7 Share capital (Article 7)

The share capital is set at a total of €2,088,305,152. It is divided into 407,474,176 shares of €5.125 each, fully paid up and all of the same category.

7.1.2.8 Change in the share capital (Article 8)

The share capital may be increased, reduced, or amortised in accordance with current laws and regulations.

7.1.2.9 Form of the shares (Article 9)

The shares are registered.

Share ownership corresponds to their registration in the name of the holder or holders in the accounts maintained for this purpose by the Company under the conditions and in accordance with the methods prescribed by law.

At the shareholders' request, a registration certification will be issued thereto by the Company.

7.1.2.10 Transfer of shares – Approval clause (Article 10)

Shares may only be transferred to third parties and Groupama SA by account-to-account transfer.

The sale of Groupama SA shares to a third party in any way whatsoever is subject to approval by the Board of Directors ruling by a two-thirds majority of members present or represented.

In the event of a sale to a third party, the request for approval, indicating the buyer's corporate name or identity, the number of shares envisaged in the sale and the price offered, is to be submitted to the Company by registered letter with return receipt.

Approval is in the form either of a notification, or the absence of response within three months after the request.

In the event that Groupama SA fails to approve the proposed buyer within three months after the notification of refusal, the Board of Directors is required to acquire the shares either from a shareholder, or from a third party, or, with the consent of the seller, from Groupama SA within the framework of a capital reduction in accordance with Article 8.

Failing an agreement between the parties, the price of the shares is set under the conditions stipulated in Article 1843-4 of the Civil Code. For purposes of the appraisal report, either party may abandon the transaction provided that it informs the other party thereof within fifteen days of the filing of the report from the designated appraiser. Abandonment by the seller shall be construed as abandonment of the planned sale by operation of law.

If the purchase is not completed at the expiry of the three-month period after the notification of refusal, approval of the buyer is considered as given, unless the seller has abandoned its plan to sell. However, this period may be extended by legal decision at the request of Groupama SA.

In the event of an acquisition and with a view to settling the transfer of ownership of the shares in favour of the buyer or buyers, the seller will be asked by the Board of Directors to sign the corresponding transfer order within the period that has been set.

In the event that a third party is approved, the sale may occur under the specific pricing conditions indicated in the request for approval and no later than within three months after the date the approval was obtained. Failing that, this approval shall be null and void.

Transfers of shares for the purpose of allowing a director to carry out their appointment are not covered by these provisions.

7.1.2.11 Rights and obligations corresponding to the shares (Article 11)

In addition to voting rights, each share allows entitlement to a share in the profits and in the proceeds of liquidation of the corporate assets, in proportion to the number of existing shares.

Whenever it is necessary to own several shares to exercise any right whatsoever, individual shares or those in a number lower than that required will give no right to their owners against the Company, as in this case the shareholders will be required to assume personal responsibility for consolidating the necessary number of shares.

7.1.2.12 Board of Directors (Article 12)

(a) Membership of the Board of Directors

The Company is administered by a Board of Directors made up of two categories of director:

- Directors appointed by the Ordinary General Meeting of Shareholders.

  They are a minimum of nine (9) and a maximum of eighteen (18).

  The directors are appointed by the Ordinary General Meeting of Shareholders for a term of office of six (6) years.

  Any director appointed to replace another will only exercise their duties during the remaining term of office of their predecessor;
- Directors elected by Company employees.

  The status and methods of election of these directors are set by Articles L. 225-27 to L. 22534 of the French Commercial Code, as well as by these bylaws.

  They are two (2) in number, including one management representative.

  Under no circumstances can their number exceed one third of the number of directors appointed by the General Meeting.

  They are appointed for four (4) years.

Regardless of their method of appointment, the duties of a director will end at the end of the Ordinary General Meeting approving the corporate financial statements for the financial year just ended, held in the year when their term of office expires.

Any outgoing member may be re-elected. The age limit for exercising the duties of director is set at the seventieth (70th) birthday, with a member of the Board of Directors to be deemed as officially resigning upon completion of the Ordinary General Meeting in the year of his sixty-ninth birthday.

Each director must own at least one (1) share for the entire duration of his term of office.

(b) Conditions for the election of employee directors

For each vacant seat on the Board, the method of ballot counting is as provided for in the legal provisions.

The elections may take place over the Internet.

In all cases or for any reason whatsoever, should the number of seats of elected directors actually filled fall below two before the normal expiry of these directors' term of office, the vacant seats will remain vacant until such expiry date and until then, the Board of Directors will continue to meet and carry out valid business.

Elections are held every four (4) years, such that a second round may be held no later than fifteen days before normal expiry of the term of office of the outgoing directors.

The date of the 1st ballot round must be posted at least six weeks before. The list of voters must be posted at least five weeks before the date of the 1st round.

The deadlines for other electoral operations, for each ballot round, are as follows:

- candidates are to file at least five weeks before the balloting date;
- the lists of candidates are to be posted at least two weeks before the balloting date;
- the documents needed for voting by mail, where applicable, are to be posted at least two weeks before the balloting date.

Candidates or lists of candidates may be nominated either by one or more representative union organisations, or by one-twentieth of the voters or, if their number is greater than two thousand, by one hundred voters.

The balloting will be carried out on the same dates on all of the Company's sites at the workplace and during business hours.

The voting office consists of three voter members, chaired by the eldest of them. They are responsible for the successful outcome of the voting activities.

Ballots will be counted in the voting office immediately after the close of balloting; the minutes will be prepared upon completion of the counting.

The reports are immediately transferred to the registered offices of the Company, where an office will be established to consolidate the results with a view to preparing the summary report and announcing the results.

Directors elected by company employees will assume office during the meeting of the Board of Directors held after the Ordinary General Meeting approving the financial statements for the financial year just ended.

The conditions for balloting not defined by Articles L. 225-27 to L. 225-34 of the French Commercial Code, or by these bylaws, are set by Executive Management after consultation with the representative union organisations.

7.1.2.13 Organisation and deliberations of the Board (Article 13)

(a) Chairman of the Board of Directors

The Board of Directors will elect a Board from among its individual members, set his compensation and set his term of office, which may not exceed that of his term as director.

If the acting Chairman attains the maximum age of 70 set for their term of office as director, their duties will terminate upon completion of the Ordinary General Meeting held in the year of their sixty-ninth birthday.

The Chairman will organise and lead the work of the Board of Directors, on which they report to the General Meeting. They will ensure the successful functioning of the corporate bodies and specifically ensure that the Directors are capable of fulfilling their duties.

(b) Vice-Chairman

The Board of Directors may appoint from among its members a Vice-Chairman, whose duties, in the event of the Chairman's impediment, consist of convening and chairing Board meetings, as well as chairing the General Meeting.

(c) Meeting of the Board

The Board of Directors will meet as often as the Company's interest so requires, whenever convened by the Chairman, at the corporate registered offices or any other location indicated by the notice to meet.

In the event of the Chairman's impediment, the Board of Directors may be summoned either by the ViceChairman, or by at least one third of its members or, if a director, by the Company Chief Executive Officer.

Directors may be convened by letter or by any other means. In any event, the Board may at all times carry out valid business if all members are present or represented.

(d) Deliberations of the Board of Directors

Meetings of the Board are chaired by the Chairman of the Board of Directors or by the Vice-Chairman, and failing this, by a director appointed for this purpose at the start of the meeting.

Each director may give one of their colleagues power of attorney to represent them, but each director may only represent one of their colleagues and each power of attorney may only be given for a specific Board meeting. The presence of at least half the members of the Board is, in all cases, necessary for the Board to deliberate lawfully.

The Chief Executive Officer will attend Board meetings.

A representative of the works council will attend Board meetings under the conditions set by current law.

At the initiative of the Chairman of the Board of Directors, the statutory auditors or other parties outside the Company with specific competence relating to items on the agenda may attend all or part of a Board meeting.

Resolutions will be passed by a majority vote of members present or represented. In the event of a tie, the Chairman of the meeting shall have the casting vote.

The duties of Board Secretary will be performed by a member of the Board appointed by the Chairman.

Under the conditions set by law, the internal regulation may provide that meetings may be held by videoconferencing or by any telecommunications method. In accordance with the legal and regulatory provisions and within the limits so stipulated, directors who participate in Board meetings by video-conferencing or any method of telecommunication are deemed as present for purposes of calculating quorum and majority.

The Chairman of the Board of Directors or, in their absence, the party convening the meeting, will inform the individuals invited of the media to be used for the meeting.

Minutes shall be kept and copies or extracts issued and certified in accordance with the law.

7.1.2.14 Authority of the Board of Directors (Article 14)

The Board of Directors sets the Company's business strategy and oversees its implementation. Subject to the powers expressly assigned to the General Meeting and up to the limit of the corporate purpose, it deals with any issues involving the smooth running of the Company and settles the matters concerning it through its deliberations.

The following decisions are subject to the prior approval of the Board of Directors:

- amendments and the annual implementation of the reinsurance agreement with the regional or *départementales* mutuals and the agreement on security and solidarity plans;
- any issues of securities, irrespective of the type, that may result in a change in the share capital;
- any significant operations that may affect the Group's strategy and its business scope;
- the methods for implementing the solidarity plan pursuant to the agreement on security and solidarity plans;
- termination of the agreement on security and solidarity plans at the initiative of Groupama SA.

In addition, the decision to terminate the reinsurance agreement at the initiative of Groupama SA must be taken by a two-thirds majority of the members present or represented.

The following operations are also subject to approval by the Board of Directors if any of the categories below exceeds a unit amount set by the Board of Directors:

- taking or disposing of any interests in any companies created or to be created, subscribing to any issues of equities, stocks or bonds, excluding the insurance investment business and cash operations;
- acquiring or disposing of any properties, excluding the insurance investment business;
- granting pledges on corporate property;
- taking out any loans, excluding cash operations carried out with companies that have capital ties to the Company, either directly or indirectly.

The Board may resolve to create committees responsible for investigating or reviewing issues that it or its Chairman submits, upon notification, for their review.

The Board of Directors is authorised to prepare an internal regulation intended to set the operating rules for the corporate bodies that are not covered by the bylaws.

7.1.2.15 Compensation paid to the members of the Board of Directors (Article 15)

Board members may receive compensation in the form of directors' fees, the total amount of which, as set by the General Meeting, is distributed by the Board among the beneficiaries in such proportions as it deems appropriate.

Extraordinary compensation may be allocated to Board members by the Board of Directors, in the cases and under the conditions set by law.

7.1.2.16 Executive Management of the Company (Article 16)

The Company's Executive Management is assumed by either the Chairman of the Board of Directors, or another individual appointed by the Board of Directors and bearing the title of Chief Executive Officer.

The choice between these two methods of undertaking Executive Management is to be made by the Board of Directors under the conditions of Article 13 of the bylaws.

Shareholders and third parties are to be informed of this choice pursuant to current provisions.

The Chief Executive Officer is vested with the broadest powers to act on behalf of the Company under any and all circumstances. This person will exercise this authority within the scope of the corporate purpose and subject to such constraints as the law expressly attributes to Shareholder Meetings and the Board of Directors. This person will represent the Company with respect to third parties.

The Board of Directors sets the duration of the duties of the Chief Executive Officer, which may not exceed either that of the division between the duties of Chairman and Chief Executive Officer, or that of their term of office as director. The Board will also set the compensation of the Chief Executive Officer.

Upon the recommendation of the Chief Executive Officer, the Board of Directors can appoint an individual to assist the Chief Executive Officer with the title of Deputy Chief Executive Officer. That person's authority will be set by the Board of Directors in agreement with the Chief Executive Officer.

The Board of Directors shall also set their compensation.

No one aged 65 or older may be appointed Chief Executive Officer or Deputy Chief Executive Officer. If the Chief Executive Officer or Deputy Chief Executive Officer reaches the age of 65, their duties will terminate upon completion of the next Ordinary General Meeting approving the financial statements for the financial year just ended.

7.1.2.17 Agreements (Article 17)

The provisions of Articles L. 225-38 to L. 225-43 of the French Commercial Code apply to agreements entered into directly or *via* an intermediary, between the Company and its Chief Executive Officer, one of its Delegated Executive Officers, one of its directors, one of its shareholders holding a fraction of voting rights greater than the threshold set by current regulation or, in the case of a company shareholder, its controlling company under the terms of Article L. 233-3 of the French Commercial Code.

7.1.2.18 Non-voting Board members (Article 18)

At the proposal of the Board of Directors, the Ordinary General Meeting may appoint non-voting Directors, who may not exceed six in number.

In the event of a vacancy of one or more non-voting Director positions due to death or resignation, the Board of Directors may accept provisional nominations, subject to approval by the next Ordinary General Meeting.

Non-voting Board members, who are chosen from among or outside the body of shareholders by virtue of their competence, will form an association.

They are appointed for a period of six years to end upon completion of the meeting approving the financial statements for the financial year just ended and held within the year during which their terms of office expire.

The Ordinary General Meeting may, under all circumstances, revoke one or more non-voting Board members and undertake to replace them, even if such revocation does not appear on the agenda.

Non-voting Directors are to be invited to meetings of the Board of Directors and shall take part in the deliberations in an advisory capacity. However their absence shall not prevent the meeting from deliberating lawfully.

7.1.2.19 Statutory auditors (Article 19)

Control is exercised by one or more acting statutory auditors appointed and exercising their duties in accordance with the law.

7.1.2.20 General Meetings (Article 20)

General Meetings are convened and shall deliberate under the conditions set by law.

Meetings are held at the corporate registered offices or at any other location defined in the notice convening the meeting.

Any shareholder may attend General Meetings in person or by proxy upon proof of identity and ownership of his or her shares in the form of registration in his or her name on the books of the Company, as of the second business day preceding the General Meeting, at midnight Paris time.

Shareholders may be represented only by their spouse or the partner with whom he or she has entered into a civil partnership agreement or by another shareholder.

Corporate shareholders may participate in the meetings through their legal representatives or any other party appointed for that purpose by the latter.

Shareholders may participate in the General Meetings by videoconference or any method of telecommunication authorised by current provisions, under the conditions set therein and when the summons so provides.

Meetings are to be chaired by the Chairman of the Board of Directors or, in their absence, the Vice-Chairman or a Director appointed for this purpose by the Chairman of the Board of Directors.

The duties of teller are to be fulfilled by the two members of the meeting present and accepting who have the largest number of votes.

The meeting officers will appoint the secretary, who may be chosen from outside the shareholders.

An attendance sheet will be prepared under the conditions provided for by law.

In all General Meetings, the voting right attached to shares containing a right of usufruct is to be exercised by the usufruct holder.

Copies or extracts of the meeting minutes are to be certified as valid by the Chairman of the Board of Directors, a Vice-Chairman, or the meeting secretary.

7.1.2.21 Deliberation of the meetings (Article 21)

Ordinary and Extraordinary General Meetings, ruling under the conditions of quorum and majority stipulated by the provisions respectively governing them, will exercise the powers attributed to them by law.

A voting right double that conferred on shares by the law, with regard to the proportion of share capital they represent, is to be allocated to all fully paid shares, for which nominative registration will be justified after at least two years in the name of the same shareholder either of French nationality, or originating from a Member State of the European Union.

7.1.2.22 Financial year (Article 22)

The financial year will have a duration of twelve months. It will begin on 1 January and end on 31 December of each year.

7.1.2.23 Allocation of profit or loss (Article 23)

The financial statement summarising revenue and expenses for the year will show, by difference, the profit or loss for the year, after deducting amortisations and provisions.

Distributable earnings are set in accordance with the law.

The General Meeting may withdraw any amounts it deems appropriate from these earnings, to be allocated to any accounts containing reserves, funds carried forward, or funds for distribution.

7.1.2.24 Methods of paying dividends – Interim dividends (Article 24)

The General Meeting is authorised to grant each shareholder, for all or part of the dividend distributed or interim dividends, an option between payment of the dividend or interim dividends in cash or in shares, subject to the legal conditions.

A request for payment of the dividend in shares or interim dividends must be made in accordance with the conditions set by law.

The methods of paying dividends in cash or in shares are set by the General Meeting or, failing this, by the Board of Directors.

The Board of Directors may approve the distribution of an interim dividend, under the conditions set by law.

7.1.2.25 Dissolution – Liquidation (Article 25)

Except in the case of an extension approved by the Extraordinary General Meeting, the Company shall be dissolved on expiry of the term set by the bylaws. Dissolution may also occur at any time by decision of the Extraordinary General Meeting.

The meeting governs the method of liquidation and appoints one or more receivers and defines their authority. The receivers shall exercise their duties in accordance with the law.

Except in the case of a merger, split, or consolidation of all shares, the Company's expiry or dissolution, for any reason whatsoever, will result in its liquidation.

7.1.2.26 Disputes (Article 26)

Any disputes that might occur between the Company and shareholders, or between the shareholders themselves regarding corporate affairs, during the lifetime of the Company or upon its liquidation, will be subject to the jurisdiction of the competent courts.

7.1.3 INTERNAL REGULATIONS OF THE BOARD OF DIRECTORS

The purpose of the Internal Regulations is to define or supplement certain regulatory and statutory provisions concerning the functioning of the Board of Directors and the Executive Management and to define the rights and obligations of the directors. Each director, by accepting their term of office, agrees to abide by these Internal Regulations. In the case of any corporate directors, these regulations apply to the legal entity as well as individually to its individual representative.

On 12 December 2013, the Company's Board of Directors updated the Internal Regulations in order to detail the rights and obligations of the central body and to incorporate adaptations regarding governance.

7.1.3.1 Operation of the Board of Directors

(a) Purpose of the Board of Directors

The Board of Directors, in accordance with the law, sets the guidelines for Groupama SA's business, ensures they are implemented and oversees the job performed by the management. Subject to the powers expressly assigned to the General Meetings and up to the limit of the corporate purpose, it deals with any issues involving the smooth running of the Company and settles matters concerning it through its deliberations. In addition, it performs any audits or controls it deems timely.

Within the framework of the powers conferred on the central body referred to in Article L. 322-27-1 of the Insurance Code, the Company's Board of Directors is responsible for the following in particular:

- ensuring and taking any necessary measures to achieve the cohesion and proper operation of the network of agricultural insurance and reinsurance companies or mutuals referred to in Article L. 322-27-2 of the Insurance Code (hereinafter "network");
- setting the strategic guidelines for the network;
- ruling on the dismissal of any Chief Executive Officer as well as the collective dismissal of members of the Board of Directors of an organisation within the network in the cases provided for in Article L. 322-27-2 of the Insurance Code. Under these circumstances, the Board of Directors provisionally appoints the individuals responsible for assuming their duties until the election of new Board members.

The Board is assisted by technical committees in performing its tasks.

(b) Committees of the Board of Directors

The Board of Directors' committees have no power themselves and their responsibilities neither reduce nor limit the powers of the Board. They are responsible for enlightening the Board of Directors in certain areas. In accordance with Article R. 225-29 of the French Commercial Code, the Board of Directors decided to create within itself an Audit and Risk Management Committee, a Compensation and Appointments Committee and an Agreements Committee. Details of the duties, membership and functioning of each of these committees are attached to this regulation (Appendices 1 to 3). The Board of Directors is responsible for ensuring the proper operation of the committees. The Board of Directors may also create *ad hoc* committees charged with studying specific issues as they arise.

(c) Membership of the Board of Directors

The Board of Directors must consist of Directors with the skills, experience, independence of mind and a willingness to become involved in the Company's business. These Directors are appointed to serve the interests of the Company.

The Board's membership must ensure impartiality in its deliberations. In addition to Directors representing the controlling shareholder and Directors elected by corporate employees, the Board will consist of at least three (3) external Directors who do not have any direct or indirect relationship with the Company and/or companies of the Group to which the Company belongs (Independent Directors).

Status of Independent Director

A Director is considered independent when they maintain no relationship of any kind whatsoever with the Company, its Group or its management, which might compromise the exercise of their freedom of judgement.

The classification of Independent Director must be discussed by the Compensation and Appointments Committee and reviewed each year by the Board of Directors prior to the publication of the annual report. The Board of Directors shall inform the shareholders of the findings of this assessment at the General Meeting called to nominate the Company Directors or to approve appointments made by nominations by the Board of Directors.

Moreover, the Board must also annually verify the individual status of each Director with regard to the status of Independent Director, and report its findings in the annual report.

It is assisted in this by the Compensation and Appointments Committee.

(d) Non-voting Board members

Pursuant to Article 18 of the Company bylaws, the General Meeting of Shareholders may appoint one or more non-voting Company Directors, up to a maximum of six.

All obligations of the Directors under the terms of this article shall apply to the non-voting Directors, in particular when the obligations result from provisions applicable only to Directors (whether these provisions derive from the law, from decrees or from regulations, specifically those of the French Financial Markets Authority (AMF – Autorité des Marchés Financiers).

(e) Notice convening meetings – holding of Board of Directors' meetings

The Board of Directors will meet at least four times per year when convened by its Chairman or by any party to whom they delegates this task. If the Board has not met for more than two (2) months, at least one third of the Board members may request the Chairman to convene a meeting for a specific agenda. Notices convening meetings shall be made by letter, telegram, telex, fax or e-mail, or verbally and may be sent by the General Secretary. The Chief Executive Officer may also request that the Chairman convene the Board for a specific agenda.

A draft schedule of meetings is to be prepared no later than December, for the following year.

Directors may ask the Chairman to invite the Company's principal administrative officers to meetings of the Board of Directors or committee meetings to question them on any issues relating to the exercise of their duties. The Board is to vote on the basis of a majority of members present and represented, on the attendance and hearing of these officers. Minutes of the Board of Directors or committee meetings will summarise the discussions that took place.

(f) Provisions specific to the holding of Board meetings by videoconference or any telecommunications method

Directors who participate in Board meetings by videoconference or any other method of telecommunication, in accordance with the legal and regulatory provisions and within the established limits, are deemed to be present for purposes of calculating a quorum and majority.

These methods must have technical characteristics that guarantee effective participation in the Board meeting and must allow the continuous broadcast of its deliberations.

However, participation in Board meetings by videoconference is not possible for ruling on the following decisions:

- appointment, compensation and dismissal of the Chairman, Chief Executive Officer and Deputy Chief Executive Officer;
- preparation of the annual financial statements and management report;
- preparation of the consolidated and combined financial statements and management reports.

(g) Secretarial duties of the Board of Directors

The secretarial duties of the Board of Directors are to be fulfilled by the General Secretary of Groupama SA.

(h) Attendance record and minutes

In accordance with the law and current regulations, an attendance record is to be maintained, which is to be signed by the Directors participating in the Board meetings, indicating the names of the Directors deemed present under the terms of Article L. 225-37 of the French Commercial Code.

The minutes will report the discussions as fully as possible.

Copies or extracts of the minutes of the discussions are to be certified as valid by the Chairman, the Chief Executive Officer, the Deputy Chief Executive Officer, the Director temporarily assigned to the duties of meeting Chairman, the Secretary of the Board, or a legal representative authorised for this purpose.

(i) Evaluation of the Board of Directors

In a report attached to the management report, the Chairman will describe the conditions for preparing and organising the Board's tasks, internal control procedures and the limits of its powers, if applicable.

To allow for preparation of this report, at least once per year, during one of its meetings, the Board of Directors will dedicate a point on its agenda to a discussion of its operation.

The Compensation and Appointments Committee is responsible for ensuring the proper application of the recommendations resulting from the assessment of the Board of Directors and its committees and for submitting regular reports to the Board.

7.1.3.2 Rights and obligations of Directors

(a) Submission of the bylaws and internal regulation

Before accepting their duties, all Directors must be familiar with the laws and regulations relating to their duties. A copy of the Company bylaws and of this internal regulation will be submitted to them upon entering into office. The Board will provide for updating of the Internal Regulations to take into consideration any legal and regulatory changes as well as any changes to local practice.

(b) Training

If necessary, Directors and members of specialist committees may receive additional training on the specific nature of the Company and its subsidiaries, the Group's operating methods, its core activities and its business lines.

(c) Participation in Board and committee meetings

A Director must dedicate the necessary time and effort to his duties. They must undertake faithfully to attend meetings of the Board and committees of which they are a member and actively participate in their respective work.

If they feel that any decision of the Board of Directors is likely to harm the Company, a Director must undertake to clearly express their opposition and to use every means possible to convince the Board of the relevance of their position.

(d) Loyalty and conflicts of interest

The Director has an obligation of loyalty to the Company. They must not under any circumstances act in their own interest against that of the Company.

Directors undertake not to seek or accept from the Company or the Group, directly or indirectly, benefits likely to be considered as compromising their independence of analysis, judgement and action. They must also reject any direct or indirect pressure, which might be applied on them and which might originate from other Directors, specific groups of shareholders, creditors, suppliers and any third party in general.

To this end, prior to signing, they undertake to submit to the Board of Directors, as well as to the Agreements Committee, in accordance with the procedure described in Appendix 3, any agreements corresponding to Article L. 225-38 of the French Commercial Code.

Moreover, it is forbidden for Directors to:

- acquire a stake or responsibility in any unlisted Company in which the Company or the Group, directly or indirectly holds a share, in any capacity other than as a group representative;
- acquire a stake or responsibility in any unlisted Company that has a contractual relationship with the Company or the companies of the Group.

They are to ensure that their participation on the Board is not the source of any conflict of interest for them or the Company, both personally and by reason of the professional interests they represents. In the event of a specific conflict of interest relating to a specific dossier, the Director in question will report it in full and in advance to the Board of Directors; they will be required to abstain from participating in Board discussions and decision-making on this point (in that event they are excluded from calculation of the quorum and of the vote).

In the event of any question, Directors may consult the General Secretary, who will guide them on the application of these principles.

They may also consult a person outside the Group, who will function under the terms of a mandate granted by the General Secretary and whose name, address and telephone number shall be sent to the Directors by the General Secretary.

(e) Rights and obligations of Directors with regard to information

The Company Chairman, Chief Executive Officer or Deputy Chief Executive Officer must send each Director any documents and information necessary for fulfilment of the Board's duties, *i.e.*, making decisions for which it is competent and control of the administration exercised by management.

Preparation for Board meetings

The Chairman, Chief Executive Officer or Deputy Chief Executive Officer will seek to communicate to the Directors no later than three days prior to any meeting, except in the case of an emergency or extraordinary circumstances, a work dossier including all necessary documents and information, to allow the Directors to participate in Board discussions in a knowledgeable manner and to make a useful contribution to discussion points on the agenda.

In the absence of information or in the event that the information communicated is deemed to be incomplete, the Directors will request that the Chairman, Chief Executive Officer or Deputy Chief Executive Officer provide information they believe to be essential to their participation in the Board of Directors meetings.

Ongoing information

Outside of Board meetings, the Chairman, Chief Executive Officer or Deputy Chief Executive Officer is required to communicate to Directors, insofar as they are aware thereof, information and documents needed to perform their duties, as long as they are not hindered by business secrecy, as Directors have an obligation of confidentiality.

Requests for documents and information from Directors are to be sent to the General Secretary, who will forward them to the Chief Executive Officer and the Deputy Chief Executive Officer. The list of documents requested by Directors is to be included as an item on the agenda of the next meeting of the Board of Directors; this list is to be included in the minutes of such meeting.

For reasons of confidentiality, the Chairman, Chief Executive Officer or Deputy Chief Executive Officer may deem it preferable to make the requested documents available to Directors at the Company's registered offices.

If he believes the information request exceeds the responsibilities of the Director or is likely to raise a problem of conflict of interest, the Chairman, Chief Executive Officer or Deputy Chief Executive Officer, after having so informed the Director in question, may consult the Chairman of the Audit and Risks Committee for his advice, prior to any response.

(f) Personal shares

It is preferred for each Director to hold the equivalent at least one (1) share.

(g) The accumulation of terms of office

Candidates for the offices of Director are required to inform the Board of Directors of positions of Director, Chairman, Chairman of the Board of Directors, Chief Executive Officer, member of the Supervisory Board and Management Board, Chairman of the Management Board and sole Chief Executive Officer, which they may hold in other companies with registered corporate secretaries in France, to allow the Board of Directors, assisted by the Compensation and Nominations Committee, to verify that the candidates, if elected, meet the accumulation conditions provided for by French law.

Directors are required to inform the Board of their appointment as Director, Chairman, Chairman of the Board of Directors, Chief Executive Officer, member of the Supervisory Board and Management Board, Chairman of the Management Board and sole Chief Executive Officer in companies with corporate registered offices in France within five days of their nomination.

Within one month after the close of the financial year just ended, Directors are also required to communicate the list of positions they have occupied during the said financial year just ended with a view to preparing the management report.

(h) Duty of secrecy: confidential information

Directors, as well as any party called upon to attend all or part of the meetings of the Board of Directors and committees, are subject to an obligation of discretion as to the progress and content of the discussions. Specifically, Directors must maintain secrecy with regard to information corresponding to the definition of financial information, or other information likely to be of interest to third parties and specifically Company or Group competitors, or confidential information and data. They undertake not to use for personal purposes, and not to disclose outside the obligations of their position, any confidential information.

(i) Prevention of risk of insider trading

This paragraph contains the rules of professional ethics intended to prevent the risk of insider trading, with regard to financial transactions made by Directors, which involve listed companies or the securities of listed companies, whenever Directors, in the exercise of their functions, hold or have access to insider information involving those companies or securities.

Legal and regulatory framework

The applicable legal and regulatory framework comes from the Monetary and Financial Code and the General Regulations of the AMF (Autorité des Marchés Financiers).

The mechanisms in place are for the most part based on the principle that all insider information concerning a company or a traded security, which is not known to the public and which may significantly influence the trading price of that security, must be kept strictly confidential and may not be used or communicated to place orders, directly or indirectly, on the stock market, on either one's own behalf or on behalf of others.

Failure to comply with the rules in this matter is punishable by law (prison term or fine).

The General Regulations of the AMF contain similar prohibitions, violation of which will expose the offender to financial penalties that shall not exceed €1.5 million or ten times the amount of any profits that may be made.

Significant changes to laws and regulations shall be made known to the Directors by a note from the General Secretary.

Definitions

WHO MAY BE CONSIDERED AN "INSIDER"?

Any person who, as part of their functions, has access to insider information regarding the outlook or position of a listed company or the securities of a listed company.

WHICH SECURITIES ARE AFFECTED?

Any financial instrument traded on a regulated market: shares or other rights that grant or may grant access, directly or indirectly, to share capital or voting rights, debt securities, mutual fund shares or units, or forward financial instruments.

WHAT IS "INSIDER INFORMATION"?

Specific information that has not been made public, which involves, directly or indirectly, one or more issuers of financial instruments (hereinafter called "listed companies") or one or more financial instruments (hereinafter called "securities") and which, if it were made public, would be likely to have considerable influence on the prices of those securities or the prices of the securities tied to them.

Information is considered to be specific if it mentions a set of circumstances or an event that has happened or is likely to happen, when it is possible to conclude from the information the effect that those circumstances or that event could have on the prices of the securities in question.

This information, were it to be made public, could have considerable influence on the prices of the securities in question and could be used by a reasonable investor as one of the foundations of their investment decision (buy, sell or hold).

WHAT INFORMATION OR EVENTS MAY BE CONSIDERED AS CONSTITUTING INSIDER INFORMATION?

This includes, among other things:

- earnings (or estimated earnings) and changes thereto that are higher or lower than announced forecasts;
- mergers, acquisitions, public offerings, joint ventures, disposals or changes in assets, investment stakes, major partnerships;
- major new products or changes involving customers or suppliers (such as the acquisition or loss of a customer or a major contract);
- major litigation, investigations or proceedings conducted by the audit authorities;
- a one-time event linked to the business, which may have a significant effect on earnings;
- events affecting the securities of the issuer (failure to repay debt, early redemption, buyback programmes, division of par value or shares, modifications of dividends, changes to the rights of holders of securities, public or private sales of additional shares).

This list is not exhaustive; other information may be considered as privileged depending on the circumstances.

WHEN MAY INFORMATION BE CONSIDERED AS NOT PUBLIC?

Information is not public when it has not been disclosed through, for example:

- an official press release, news service or mass-circulation daily newspaper;
- an official document filed with a control authority (such as the registration document filed with the AMF);
- the Internet;
- documents sent to shareholders (annual report or information prospectus).

Applicable rules

It is likely that Company Directors will receive insider information about listed companies, *e.g.*, when a partnership, merger/ acquisition or investment stake is being examined.

Listed companies in which the Group holds a strategic investment are especially affected.

CONFIDENTIALITY

It is the duty of any Director having access, as part of their functions, to insider information relating to a listed company or the securities of a listed company to keep this information confidential.

They are forbidden to disclose this information outside the normal framework of their functions or for reasons other than those related to why the information was disclosed to them.

In the event that the Director in question should need to divulge this information to another person in the Group or a third party for the purpose of exercising their functions, they undertake to do so only after they have informed this person or third party that the information is confidential and that they are required to comply with the rules applicable to persons who have insider information.

TRADING OF SECURITIES

For as long as the insider information is not made public, the Director having such information as part of his functions for a listed company or listed security is forbidden to:

- use the insider information that they have, to acquire or dispose of, or attempt to acquire or dispose of, on either their own behalf or on behalf of others, directly or indirectly, the securities tied to that information or any securities to which those securities are tied;
- recommend to another person that they acquire or dispose of, or have another person acquire or dispose of, the securities tied to that information or securities to which those securities are tied, based on the insider information.

(j) Compensation

The compensation of Directors is to be set by the Board at the proposal of the Compensation and Appointments Committee. The rules for the distribution of Directors' attendance fees are defined in the report from the Chairman to the Board of Directors, attached to the management report.

When a Director participates by phone in a regularly scheduled meeting of the Board of Directors or one of its committees, they receive no Directors' fees. However, if they participate by telephone in an exceptional meeting of the Board of Directors or a committee not scheduled in advance or that was called as an emergency, they receive a Directors' fee at the reduced rate set by the Board of Directors.

7.1.3.3 Executive Management

Within the framework of the powers conferred to the central body, the Executive Management is responsible for taking any necessary measures for the cohesion and proper operation of the network and thus, in particular, must:

- represent the organisations within the network with the French banking regulator (ACPR);
- ensure the application of the legislative and regulatory provisions specific to the organisations within the network;
- organise audit and control duties within the network;
- ensure that retrocessions of organisations that it reinsures are sufficient to guarantee their solvency and compliance with their commitments, report to the Board of Directors and propose any necessary measures;
- issue, under the conditions set out in the agreement on security and solidarity plans entered into between the Company and the organisations within the network, any useful instructions for engaging in the business of the organisations within the network and ensure their effective implementation;
- implement the organisation of the internal control programme as well as the risk management policy;
- approve the appointment of the Chief Executive Officers of the organisations within the network, under the conditions set out in the agreement on security and solidarity plans.

7.1.3.4 Appendices to the Internal Regulations of the Board of Directors

Appendix 1

Audit and Risk Management Committee

PURPOSE OF THE COMMITTEE

The purpose of the Audit and Risk Management Committee is the following:

- to analyse the mid-year and annual financial statements distributed by the Company upon preparation of the accounts, and provide greater detail on certain items prior to their presentation to the Board of Directors;
- to ensure the relevance and permanence of the accounting principles and methods applied;
- to study changes and adaptations to the accounting principles and rules;
- to verify the accounting treatment of any significant action carried out by the Company;
- to examine the scope of consolidation of the consolidated companies and, as applicable, the reasons for which certain companies are not included therein;
- to examine significant off-balance sheet commitments;
- to review the financial investment policy and assets/liabilities management;
- to examine forecasts in advance and monitor their realisation by identifying the major gaps;
- to monitor the statutory audit by the statutory auditors of the annual financial statements and the consolidated and combined financial statements;
- to ensure that the internal data collection and control procedures guarantee the quality and reliability of the Company's financial statements;
- to monitor the process of preparation of the financial information; to check, before publication, all accounting and financial information documents issued by the Company;
- to manage the procedure for selecting the statutory auditors, review their activity schedule and their recommendations, prepare a notice on the total fees requested for performing the legal audit assignments, and monitor the independence of the statutory auditors. To this end, the committee may ask to be notified of the fees paid by the Company and its Group to the statutory auditors and their respective networks;
- to receive the reports of the statutory auditors;
- to receive reports upon request, on any subjects falling within its competence, from the Group's financial and accounting management;
- to monitor the effectiveness of the systems of internal control and risk management systems, and to assess their consistency, particularly with regard to ethics compliance; to assess the internal auditing work and the annual report on internal control;
- to monitor the risk management policies, procedures and systems and, within this context, to review in particular the risk governance scheme, the Group risks policy, internal control policies, adverse scenarios, the Group's major risks, the Business Continuity Plan and the report on anti-money laundering activities and combating the financing of terrorism;
- to review external growth transactions, by verifying firstly that the proposed transaction is in keeping with the strategy defined by the Group and secondly, the profitability of the project and its impact on the overall financial balance of the Group as well as disposal operations;
- and, in general, to prepare the work of the Board of Directors, support its decision-making and inform or even alert it when necessary.

MEMBERSHIP

The Audit and Risk Management Committee consists of a minimum of three (3) and a maximum of six (6) members appointed by the Board of Directors, chosen from among the Directors and non-voting Directors. At least one (1) of the committee members must be independent and chosen from among the Directors external to the Company if the committee has three members; the number of independent members must be at least two (2) if the committee has five (5) or more members. The committee cannot include the Chairman of the Board of Directors among its members. If the committee has three (3) members, at least one (1) committee member must by training and experience have a good understanding of financial statements and the accounting principles used by the Company, the ability to evaluate the general application of these principles, experience in the preparation, audit, analysis and evaluation of financial statements of a complexity comparable to those of the Company, good understanding of internal control procedures and the committee's functions, and, if possible, training or experience in insurance.

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The committee is chaired by an Independent Director. However, the committee may reserve the right to appoint, as a transitional measure, a Chairman chosen from among the Directors representing the controlling shareholder.

The terms of office of committee members coincides with their terms as Director or non-voting member. The committee appoints its Chairman. The Groupama SA General Secretary serves as Committee secretary.

OPERATION

Internal organisation of the committee

The Audit and Risk Management Committee meets as often as deemed necessary and at least twice a year prior to the examination of the annual and mid-year financial statements by the Board of Directors. Members are convened by the Committee Chairman or two of its members. The Chairman of the Board of Directors, Chief Executive Officer or Deputy Chief Executive Officer may also request that the Chairman convenes the Audit and Risk Management Committee on a specific point.

Meetings of the committee are considered valid when at least half its members are in attendance. A committee member cannot be represented.

Minutes of the meeting will be prepared, recording the agenda and the discussions held between committee members. The Committee Chairman or a member of the committee appointed for this purpose will report the committee's opinions and recommendations to the Board of Directors for the purposes of its deliberations.

The committee is required to prepare an activity report on the financial year just ended, which it will submit to the Board of Directors within three (3) months after the close of the said financial year.

Exceptional cases

Depending upon the agenda, the Committee Chairman:

- may convene any person of the Group likely to offer the committee relevant and useful clarifications for a proper understanding of an issue;
- must exclude from its discussions non-independent members of the committee for the assessment of points likely to pose ethical problems or conflicts of interest.

Working methods

Members of the Audit and Risk Management Committee will benefit, as of their nomination, from information on the Company's accounting, financial, and operational details.

The time frames for examination of the accounts by the Audit and Risk Management Committee must be sufficient (at least two days prior to the assessment by the Board of Directors). For the purposes of its examination of the accounts, the committee will receive a memorandum from the statutory auditors highlighting the essential points not only of the results, but also of the accounting options applied, as well as a note from the Chief Financial Officer describing the exposure to risks and the Company's significant off-balance sheet commitments.

Appendix 2

Compensation and Appointments Committee

PURPOSE OF THE COMMITTEE

The purpose of the Compensation and Appointments Committee is the following:

- to propose to the Board of Directors any questions relating to the personal status of the corporate secretaries, specifically compensation, retirement and any allocation of options for the subscription or purchase of Company shares, as well as provisions for the departure of members of the Company's management bodies;
- to put forward any proposals regarding the compensation of corporate secretaries and the allocation and distribution of Directors' attendance fees;
- to assess the conditions, amount, and distribution of any options for the subscription or purchase of shares;
- to define the rules for setting the variable portion of the compensation of corporate secretaries and ensure the consistency of these rules with the annual assessment of the performance of the corporate secretaries and with the Group's medium-term strategies;
- to evaluate all compensation and benefits received by Directors, as applicable, from other companies of the Group, including retirement benefits and benefits of any kind;
- to organise a procedure to select future Independent Directors and to perform its own research on potential candidates before any measure has been taken with regard to the latter;
- to verify annually the individual status of each Director with regard to the status of Independent Director and communicate the conclusions of its examination to the Board of Directors;
- to perform annually tasks involving the assessment of the Board of Directors' methods of working and to communicate the conclusions of these tasks to the Board of Directors.

MEMBERSHIP

The Compensation and Nominations Committee consists of a minimum of three (3) and a maximum of five (5) members appointed by the Board of Directors and chosen from among the Directors and non-voting Directors. At least one (1) of the committee members must be chosen from among the Company's Independent Directors.

The terms of office of committee members coincides with their terms as Director or non-voting member. The committee appoints its Chairman. The Groupama SA General Secretary serves as Committee secretary.

The committee is chaired by an Independent Director. However, the committee may reserve the right to appoint, as a transitional measure, a Chairman chosen from among the Directors representing the controlling shareholder.

OPERATION

Internal organisation of the committee

The Compensation and Appointments Committee will meet as often as is deemed necessary and at least once a year prior to approval of the agenda of the annual General Meeting, to examine the draft resolutions to be submitted thereto concerning the positions of members of the Board of Directors and, as applicable, of non-voting Directors, and prior to the assessment by the Board of Directors of the compensation of the Chairman, Chief Executive Officer and Deputy Chief Executive Officer. Members are convened by the Committee Chairman or two of its members. The Chairman of the Board of Directors, Chief Executive Officer, or Deputy Chief Executive Officer may also request that the Committee Chairman convenes the Compensation and Appointments Committee on a specific point.

Meetings of the committee are considered valid when at least half its members are in attendance. A committee member cannot be represented.

Minutes will be prepared of the meeting, noting the agenda and the discussions held between committee members. The Committee Chairman or a member of the committee appointed for this purpose will report the committee's opinions and recommendations to the Board of Directors for the purposes of its deliberations.

The committee is required to prepare an activity report on the financial year just ended, which it will submit to the Board of Directors within three (3) months after the close of the said financial year.

Exceptional cases

Depending upon the agenda, the Committee Chairman may convene any person of the Group capable of offering the committee relevant and useful clarification as to the proper understanding of an issue.

Appendix 3

Agreements Committee

PURPOSE OF THE COMMITTEE

The Agreements Committee has the following purpose:

- to prevent any potential conflict of interest between the regional mutuals and Groupama SA and its subsidiaries, which is likely to result from their business relationships. In this context, the committee carries out ongoing checks, based on defined significance thresholds, to ensure the agreements are legally sound and ensure that the corporate interests of Groupama SA are complied with;
- to analyse any agreement signed under the conditions mentioned in Article L. 225-38 of the Commercial Code, including those signed between the Company and any of its non-voting Directors or with the company that controls one of its shareholders (having a proportion of voting rights above 10%) as defined in Article L. 233-3 of the Commercial Code.

  In this context, the committee must submit a report to the Board of Directors for each of these agreements, specifically regarding its purpose, its amount and its principal conditions, and draw its conclusions in particular as to the applicable procedure (prior authorisation or communication by the Chairman to members of the Board of Directors and the statutory auditors, provided that it involves agreements corresponding to current operations entered into under normal conditions under the terms of Article L. 225-39 of the Commercial Code).

The committee will also report to the Board of Directors on the status of these agreements;

- to analyse any and all agreements between the regional mutuals and Groupama SA and its subsidiaries and, more specifically, to ensure that the terms of compensation and distribution of risk among the entities of the two divisions – mutual insurance and equity management – are in compliance with market practice;
- to analyse the conditions for application of the reinsurance agreement between Groupama SA and the regional mutuals.

MEMBERSHIP

The Agreements Committee consists of a minimum of three (3) and a maximum of five (5) members appointed by the Board of Directors, chosen from among the Directors and non-voting Directors. At least one (1) of the committee members must be independent and chosen from among the Directors external to the Company, on the understanding that independence is determined in accordance with the criteria listed by the AFEP-MEDEF task force. The committee cannot include the Chairman among its members.

The terms of office of committee members coincides with their terms as Director or non-voting member. The committee appoints its Chairman from among the Independent Directors. The Groupama SA General Secretary serves as Committee secretary.

OPERATION

Internal organisation of the committee

The Agreements Committee will meet as often as it deems necessary and at least once a year to assess the reinsurance agreement. Members are convened by the Committee Chairman or two of its members. The Chairman, Chief Executive Officer or Deputy Chief Executive Officer may also request that the Chairman convenes the Agreements Committee on a specific point.

Meetings of the committee are considered valid when at least half its members are in attendance. A committee member cannot be represented.

Minutes of the meeting will be prepared, recording the agenda and the discussions held between committee members. The Committee Chairman or a member of the committee appointed for this purpose will report the committee's opinions and recommendations to the Board of Directors for the purposes of its deliberations.

The committee is required to prepare an activity report on the financial year just ended, which it will submit to the Board of Directors within three (3) months after the close of the said financial year.

Exceptional cases

Depending upon the agenda, the Committee Chairman may convene any person of the Group capable of offering the committee relevant and useful clarification as to the proper understanding of an issue.

Working methods

The time frames for the assessment of agreements by the Agreements Committee must be sufficient (at least two days prior to the assessment by the Board of Directors of an agreement).

Appendix 4

Criteria for independence

The criteria that the Compensation and Appointments Committee and the Board of Directors must examine in order to classify someone as an Independent Director and prevent the risk of conflict of interest between the Director and the Executive Management, the Company or its Group are as follows:

- they are not an employee or corporate officer of the Company, or are not an employee or Director of the parent company or a company it is consolidating and have not been at any time over the past five years;
- they have not been paid by the Company, in any form whatsoever, with the exception of Directors' attendance fees, compensation of over one hundred thousand euros (€100,000) within the past five years;
- they are not a Corporate Secretary of a company in which the Company holds, directly or indirectly, the position of Director or in which an employee designated as such or a Corporate Secretary of the Company (currently or within the past five years) holds the position of Director;
- they are not a significant customer, supplier, investment banker or financing banker of the Company or its Group, or for which the Company or its Group represents a significant portion of business activity;
- they have no close family ties to a corporate officer;
- they have not been the auditor of the Company over the previous five years;
- they have not been a Director of the Company for over twelve years.

With regard to Directors representing significant shareholders of the Company or its parent company, they may be considered independent as long as they do not participate in the Company's control.

Beyond this threshold of 10% of the capital or voting rights, the Board, on the recommendation of the Compensation and Appointments Committee, should routinely inquire into their status as independent by taking into consideration the composition of the Company's share capital and the existence of a potential conflict of interest.

The Board of Directors may consider a Director, although meeting the above criteria, not to be independent on the basis of their particular situation or that of the Company, given its share ownership structure or for any other reason. Conversely, the Board of Directors may consider a Director not meeting the above criteria to be independent.

7.2 INFORMATION CONCERNING SHARE CAPITAL AND PRINCIPAL SHAREHOLDERS

7.2.1 SHARE CAPITAL

Information relating to the Company's capital appearing in 7.2.1.1 and 7.2.1.3 results from, or is the consequence of, financial authorisations granted by the Combined General Meeting. Information of which the renewal is proposed to the Combined General Meeting on 28 June 2017 is that, which might allow the Board of Directors to carry out issues with the removal of preferential subscription rights reserved for certain current shareholders and certain categories of person, as well as Group employees.

7.2.1.1 Total share capital at 31 December 2016

- Total capital issued: €2,088,305,152, represented by shares all of the same category.
- Number of shares issued and fully paid up: 407,474,176.
- Par value of the shares: €5,125.
- Authorised share capital not issued: maximum nominal amount of €1.1 billion as detailed below.

Status of delegations of authority to the Board of Directors adopted by the Combined General Meetings of 18 June 2015 and 7 June 2016.

Securities	Resolutions	Duration of the authorisation	Expiry	Maximum nominal amount of capital increase
Issue with preferential subscription right (capital increase, all securities combined)	9th Resolution GM of 7 June 2016	26 months	August 2018	€1.1 billion to be charged against the total amount of capital increases authorised by the General Meeting, *i.e.* €1.1 billion
Issue without preferential subscription right of shares or securities giving access to the capital in order to compensate contributions in kind	21th Resolution GM of 18 June 2015	26 months	August 2017	10% of the share capital
Capital increase by capitalisation of premiums, reserves, profits, etc.	22th Resolution GM of 18 June 2015	26 months	August 2017	€400 million
Issue without preferential subscription right of shares or securities giving access to the capital in order to compensate contributions in kind	10th, 11th and 12th Resolutions GM of 7 June 2016	18 months	December 2017	€1.1 billion to be charged against the total amount of capital increases authorised by the General Meeting, *i.e.* €1.1 billion Delegation used in the amount of €401.7 million, reserved for Groupama Holding (€387.1 million) and Groupama Holding 2 (€14.6 million), accompanied by a total issue premium of €298.3 million
Capital increase reserved for employees who are members of an employee savings plan	13th Resolution GM of 7 June 2016	26 months	August 2018	€150 million
Free allocation of existing bonus shares or those to be issued to some or all of the Group's employees	24th Resolution GM of 18 June 2015	26 months	August 2017	10% of the share capital as at the date of the Board's decision

At its meeting on 26 January 2016, the Board of Directors used the delegation of authority granted by the General Meeting of 18 June 2015 in its Eighteenth and Nineteenth Resolutions. It thus decided to increase the share capital by 401,735,753 euros by creating and issuing 78,387,464 shares with a nominal value of 5.125 euros, increasing the share capital from 1,686,569,399 euros to 2,088,305,152 euros.

A proposal will be made to the General Meeting of 28 June 2017 to renew the authorisation to carry out the following operations:

- the issue of shares and/or equity securities with preservation of the preferential subscription right in favour of Groupama Holding, in the Twelfth Resolution, which cancels and replaces the one previously issued by the General Meeting of 7 June 2016 in the Tenth Resolution;
- the issue of shares and/or equity securities, with preservation of the preferential subscription right in favour of Groupama Holding 2, in the Thirteenth Resolution, which cancels and replaces the one previously issued by the General Meeting of 7 June 2016 in the Eleventh Resolution;
- the issue of shares and/or equity securities, with preservation of the preferential subscription right in favour of categories of people, in the Fourteenth Resolution, which supersedes and replaces the one previously issued by the General Meeting of 7 June 2016 in the Twentieth Resolution;
- the capital increase eliminating the preferential share subscription right in order to compensate for contributions in kind regarding equity securities or securities giving access to the capital, in the Fifteenth Resolution, which cancels and replaces the one previously issued by the General Meeting of 18 June 2015 in the Twenty-First Resolution;
- the increase of capital by capitalisation of issue premiums, reserves, profits or other, in the Sixteenth Resolution, which cancels and replaces the one previously issued by the General Meeting of 18 June 2015 in the Twenty-Second Resolution;
- the issue of shares or equity securities reserved for members of savings plan, in the Seventeenth Resolution, which cancels and replaces the one previously issued by the General Meeting of 7 June 2016 in the Thirteenth Resolution;

7.2.1.2 Non-equity instruments

As of the date of the recording of this registration document, the Company had no non-equity instruments.

7.2.1.3 Shares held by the Company or its subsidiaries

As of this date, the Company holds none of its own shares. Similarly, none of its subsidiaries holds shares in the Company.

The authorisation of a buyback programme will not be proposed to the General Meeting of 28 June 2017.

7.2.1.4 Other equity interests

As at the registration date of this document, the Company had no other equity interests.

7.2.1.5 History of the share capital over the past three years

	Situation at 31.12.2016			Situation at 31.12.2015			Situation at 31.12.2014		
Shareholders	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
Groupama Holding	374,904,900	92.01%	91.54%	299,351,290	90.96%	90.96%	299,346,273	90.96%	90.96%
Groupama Holding 2	32,435,200	7.96%	8.42%	29,587,992	8.99%	8.99%	29,587,992	8.99%	8.99%
Others [(1)]	134,076	0.03%	0.04%	147,430	0.05%	0.05%	152,447	0.05%	0.05%
TOTAL	**407,474,176**	**100.00%**	**100.00%**	**329,086,712**	**100.00%**	**100.00%**	**329,086,712**	**100.00%**	**100.00%**

(1) Employees, former employees and exclusive officers and Directors.

During the last three years, the share capital was increased only once, in 2016. The details of this increase are provided in the table below.

Date of completion	Operation	Number of shares issued	Par value of the shares	Nominal amount of the capital increase	Contribution or merger issue premium	Cumulative capital	Cumulative number of shares
25.02.2016	Capital increase eliminating the preferential share subscription right held by Groupama Holding and Groupama Holding 2	78,387,464	€5.125	€401,735,753	€298,264,300.52	€2,088,305,152	407,474,176

7.2.1.6 Employee holdings of Groupama SA shares

As at the 1998 year-end, in connection with Groupama's acquisition of Gan SA, employees, former employees and exclusive officers of Gan SA and its subsidiaries subscribed to an offer for the purchase of reserved Gan SA shares.

In order to mitigate the lack of liquidity of Gan SA shares as they were not traded, Groupama SA committed to guaranteeing the liquidity of the shares. As such, Groupama SA undertook to acquire at any time, with the exception of the months corresponding to account suspension periods, such shares as the shareholders wished to sell. The liquidity commitment was assumed by CCAMA following the merger between Groupama SA and Gan SA in June 2002, then by Groupama Holding following the simplification of the Group's national structures at the end of 2003.

The purchase price of the Groupama SA shares was calculated based on the change in the Groupama SA consolidated net assets twice a year:

- on the first day of the month after the month in which the Groupama SA annual consolidated financial statements were prepared;
- on the first day of the month after the month in which the Groupama SA consolidated mid-year financial statements were audited.

Moreover, by virtue of the laws relating to employee savings and the COB instruction of 17 June 2003 introducing new rules for the valuation of unlisted companies applicable to employee mutual savings funds, the value of the Groupama SA shares is also assessed once a year based on net assets adjusted in accordance with the most recent balance sheet. The assessment method has been validated by an independent expert.

The purchase price of the Groupama SA share applicable to each period is the higher of the value resulting from application of the liquidity commitment and the value resulting from application of the adjusted net asset method.

Pursuant to Article 52 of the law relating to transparency, the fight against corruption and the modernisation of the economy, known as the Sapin 2 law, issued on 10 December 2016, the conversion of Groupama SA into a mutual insurance company must be completed no later than 10 June 2018 and will result in the cancellation of the Groupama SA shares on the day of its conversion and the end of the liquidity commitment.

In accordance with the provisions of this article, shares held by current employees, former employees and officers, shareholders of Groupama SA, will be cancelled and redeemed by the Company within two months from the entry of its conversion in the trade and companies register.

As at 31 December 2016, employees, former employees and exclusive officers of Groupama SA held 0.03% of the Groupama SA share capital.

7.2.2 PRINCIPAL SHAREHOLDERS

The following table shows the number of shares, the percentage of capital, and the percentage of corresponding voting rights held by the Company's principal shareholders as at 31 December 2016.

A double voting right is to be allocated to all fully paid shares, for which nominative registration is justified after at least two years in the name of the same shareholder either of French nationality, or originating from a Member State of the European Union.

80.76% of the Company's share capital has double voting rights as at 31 December 2016.

Shareholders	Number of shares	% of capital	Number of voting rights	% of voting rights
Groupama Holding [(1)]	374,904,900	92.01%	674,251,173	91.54%
Groupama Holding 2 [(1)]	32,435,200	7.96%	62,023,192	8.42%
Others [(2)]	134,076	0.03%	268,136	0.04%
TOTAL	**407,474,176**	**100.00%**	**736,542,501**	**100.00%**

(1) Groupama Holding and Groupama Holding 2 are the holding companies of Groupama SA, the shareholders of which are the Regional Insurance Mutuals and the Agricultural Reinsurance Mutuals.

(2) As at 31 December 2016, employees, former employees, and exclusive officers held 134,020 shares, i.e., 0.03% of the Company's capital. Moreover, on the same date, Directors as a whole held 56 shares, i.e., four company shares each.

Through Groupama Holding and Groupama Holding 2, which they wholly own, the regional mutuals own the absolute majority of the capital and voting rights of Groupama SA. Note that Groupama Holding and Groupama Holding 2 are not Directors of Groupama SA.

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7.3 GENERAL MEETING OF 28 JUNE 2017

7.3.1 AGENDA

Items within the scope of responsibilities of the Ordinary General Meeting

- Management report from the Board of Directors on the 2016 financial year and report from the Chairman on internal control procedures.
- General reports from the statutory auditors on the performance of their audit engagement during the 2016 financial year and special report from the statutory auditors on the report from the Chairman pursuant to section 6, Article L. 225-37 of the French Commercial Code.
- Approval of the individual and consolidated financial statements for the 2016 financial year.
- Allocation of profit or loss.
- Special report from the statutory auditors on the transactions mentioned in Article L. 225-38 of the Commercial Code.
- Renewal of nine Board members' terms of office.
- Expiry of the terms of office of the principal and alternate statutory auditors.
- Opinion on the components of the remuneration due or allocated for the 2016 financial year to Mr JeanYves Dagès, Chairman of the Board of Directors.
- Opinion on the components of the compensation due or allocated for the 2016 financial year to Mr Thierry Martel, Chief Executive Officer.
- Approval of the compensation policy applicable to Mr Jean-Yves Dagès, Chairman of the Board of Directors.
- Approval of the remuneration policy applicable to Mr Thierry Martel, Chief Executive Officer.

Items within the scope of responsibilities of the Extraordinary General Meeting

- Delegation of authority to the Board of Directors to increase share capital by issuing company shares and/or equity interests reserved for Groupama Holding, eliminating its preferential share subscription right.
- Delegation of authority to the Board of Directors to increase share capital by issuing company shares and/or equity interests reserved for Groupama Holding 2, eliminating its preferential share subscription.
- Delegation of authority to the Board of Directors to increase share capital by issuing company shares and/or equity interests reserved for categories of person, eliminating their preferential share subscription right.
- Issue of shares or equity securities in payment for in-kind contributions involving shares or equity securities.
- Delegation of authority to the Board of Directors to increase share capital through the capitalisation of premiums, reserves, profits, etc.
- Delegation of authority to the Board of Directors to increase share capital by issuing company shares and/or equity interests reserved for members of savings plans, eliminating their preferential share subscription right.
- Powers of attorney for registration procedures.

7.3.2 RESOLUTIONS

Items within the scope of responsibilities of the Ordinary General Meeting

First Resolution

(Approval of the parent company financial statements)

The General Meeting, ruling under the conditions of a quorum and majority required for Ordinary General Meetings, having taken note of the reports of the Board of Directors and the statutory auditors for the financial year ending 31 December 2016, approves the financial statements for this financial year as presented, *i.e.*, the balance sheet, income statement and notes, as well as the transactions posted to these statements and summarised in these reports, yielding a loss of €358,447,095.09.

Second Resolution

(Approval of the consolidated financial statements)

The General Meeting, ruling under the conditions of a quorum and majority required for Ordinary General Meetings, having taken note of the reports of the Board of Directors and the statutory auditors on the consolidated financial statements for the financial year ending 31 December 2016, approves these financial statements as presented, yielding a net profit (Group share) of €79.482 million.

Third Resolution

(Allocation of profit or loss)

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, after having taken note of the report of the Board of Directors, has resolved to allocate the loss for the year, totalling €358,447,095.09, to the credit side of the "Retained Earnings" account of €376,904,296.28, which thus bring that account to a credit amount of €18,457,201.19.

Pursuant to Article 243 *bis* of the French General Tax Code, dividends distributed within the framework of this resolution are eligible, for natural persons, for the 40% reduction provided for in Article 158(3)(2) of the General Tax Code.

To meet the provisions of Article 243 *bis* of the French General Tax Code, distributions for the past three financial years were as follows:

Financial years	Total dividends distributed	Total dividends distributed eligible for reduction	Total dividends distributed not eligible for reduction
2015	€14,261,596.16	€4,918.13	€14,256,678.03
2014	None	None	None
2013	None	None	None

Fourth Resolution

(Regulated agreements referred to in Article L. 225-38 of the French Commercial Code)

The General Meeting, ruling under the conditions of a quorum and majority required for Ordinary General Meetings, having taken note of the special report of the statutory auditors as provided for in paragraph 3 of Article L. 225-40 of the Commercial Code and Article R. 322-7 of the Insurance Code on agreements referred to in Article L. 225-38 of the Commercial Code, acknowledges the conclusions of this report and approves the agreements described therein.

Fifth Resolution

Renewal of a Director’s term of office

The General Meeting, ruling under the conditions of a quorum and majority required for Ordinary General Meetings, hereby resolves to renew the term of office of Caroline Grégoire Sainte Marie as Director for a period of six years, *i.e.*, until the General Meeting convened in 2023 to approve the financial statements for the financial year ending 31 December 2022.

Sixth Resolution

(Renewal of a Director’s term of office)

The General Meeting, ruling under the conditions of a quorum and majority required for Ordinary General Meetings, hereby resolves to renew the term of office of Bruno Rostain as Director for a period of six years, *i.e.*, until the General Meeting convened in 2023 to approve the financial statements for the financial year ending 31 December 2022.

Seventh Resolution

(Expiry of the terms of office of the principal and alternate statutory auditors)

The General Meeting, ruling under the conditions of a quorum and majority required for Ordinary General Meetings, resolves to:

- renew the appointment, which is expiring during this General Meeting, of PricewaterhouseCoopers Audit as principal statutory auditor for a period of six financial years, *i.e.*, until the General Meeting convened in 2023 to approve the financial statements for the financial year ending 31 December 2022;
- not renew the appointment of Yves Nicolas, alternate statutory auditor.

Eighth Resolution

(Opinion on the components of the remuneration due or allocated for the 2016 financial year to Mr Jean-Yves Dagès, Chairman of the Board of Directors)

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, issues a favourable opinion on the components of the remuneration due or allocated with respect to the 2016 financial year to Jean-Yves Dagès, Chairman of the Board of Directors, as they appear in the 2016 registration document in section 3.3.4.1.

Ninth Resolution

(Opinion on the components of the remuneration due or allocated for the 2016 financial year to Mr Thierry Martel, Chief Executive Officer)

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, issues a favourable opinion on the components of the remuneration due or allocated with respect to the 2016 financial year to Thierry Martel, Chief Executive Officer, as they appear in the 2016 registration document in section 3.3.4.2.

Tenth Resolution

(Approval of the compensation policy applicable to Mr Jean-Yves Dagès, Chairman of the Board of Directors)

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, pursuant to Article L. 225-37-2 of the French Commercial Code, approves the principles and criteria for determining, distributing and allocating the fixed, variable and exceptional components of the total remuneration and benefits of any kind attributable to Jean-Yves Dagès, for his appointment as Chairman of Board of Directors, as detailed in the report attached to the report mentioned in Articles L. 225-100 and L. 225-102 of the French Commercial Code, presented in paragraph 3.3.5.1. of the 2016 registration document.

Eleventh Resolution

(Approval of the remuneration policy applicable to Thierry Martel, Chief Executive Officer)

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary General Meetings, pursuant to Article L. 225-37-2 of the French Commercial Code, approves the principles and criteria for determining, distributing and allocating the fixed, variable and exceptional components of the total remuneration and benefits of any kind attributable to Thierry Martel, for his appointment as Chief Executive Officer, as detailed in the report attached to the report mentioned in Articles L. 225-100 and L. 225-102 of the French Commercial Code, presented in paragraph 3.3.5.2. of the 2016 registration document.

Items within the scope of responsibilities of the Extraordinary General Meeting

Twelfth Resolution

(Assignment of authority to increase share capital by issuing company shares and/or securities giving assess to the capital or giving a right to the allocation of debt securities of the Company reserved for Groupama Holding, eliminating its preferential share subscription right)

The General Meeting, ruling under the required quorum and majority conditions for Extraordinary General Meetings, having taken note of the report by the Board of Directors and the special auditors' report, and in accordance with the provisions of Articles L. 225-129 *et seq.* of the Commercial Code, specifically Article L. 225-129-2 and L. 225-138 of said Code:

1. delegates to the Board of Directors, with the option of sub-delegation under the conditions provided for by the law, the authority to determine the capital increase, on one or more occasions, in the proportions and at the times it deems appropriate, by issuing (i) company shares, (ii) shares giving access to other existing or future shares or giving the right to allocation of debt securities of the Company and/or (iii) securities giving access to shares to be issued by the Company, on the understanding that the subscription of shares and other securities may be either in cash or offset against receivables;
2. resolves to eliminate the preferential subscription rights of the shareholders for shares or other securities that may be issued pursuant to this resolution and to reserve the right to subscribe to these security issues for Groupama Holding, a *société anonyme* with share capital of €3,145,361,688, whose registered office is located at 8-10 rue d'Astorg, 75008 Paris and which is entered in the Paris Trade and Companies Register under number 428 734 818;
3. this decision automatically means that the Company's shareholders waive their preferential subscription rights to Company shares to be issued to which such securities could give entitlement on behalf of holders of issued equity securities based on this resolution;
4. resolves that the maximum par value of the capital increases likely to be carried out immediately or in the future under this authority is set at €1.1 billion; it is specified that this amount will be applied against the amount of the overall limit provided for in paragraph 2 of the Ninth Resolution of the Combined General Meeting of 7 June 2016 or, where appropriate, against the amount of the limit provided for in resolutions of the same nature that may follow the said resolution while this authority is valid; where appropriate, the nominal amount of shares to be issued in case of financial operations will be added to this limit to safeguard the rights of holders of equity securities;
5. resolves that:
   - the issue price of the directly issued shares shall at least equal the portion of shareholders' equity per share, as stated in the most recently approved balance sheet as at the issue date,
   - the issue price of the securities giving access to company shares to be issued shall be such that the sum received immediately by the Company, plus any sum likely to be received subsequently by it, shall, for each share issued as a consequence of the issue of those equity securities, be at least equal to the minimum subscription price defined in the previous paragraph;
6. resolves that the Board of Directors, with the option of sub-delegation under the conditions set forth by law, shall have all powers to implement this authority and in particular:
   - to decide on the capital increase and determine the securities to be issued,
   - to decide on the amount of the capital increase, the issue price as well as the amount of the premium, which may, if applicable, be requested upon issue,
   - to determine the method of release in full of the shares or equity securities immediately or in the future,
   - to set, as the case may be, the terms for exercising any rights attached to the shares or securities to be issued and, specifically, to set the date, even retroactively, from which the new shares will bear interest; to determine the terms for exercising any rights to conversion, exchange or redemption, including by tendering assets in the Company such as securities already issued by the Company; as well as any other terms and conditions for carrying out the capital increase,
   - to determine the dates and terms of the capital increase, the type and characteristics of the securities to be issued and, in addition, to decide in the case of bonds or other debt securities, whether or not they will be subordinated, to set the interest rate thereof (including fixed or variable rate, zero coupon or indexed) and stipulate any mandatory or optional cases of suspension or non-payment of interest; to stipulate the duration (fixed or open-ended), the possibility of reducing or increasing the par value of the shares and other terms of issue (including the granting of guarantees or pledges) and value write-downs (including redemption by tendering assets of the Company);
   - as applicable, such securities may entail the option for the Company of issuing debt securities (which may or may not be incorporated) in payment for interest, the payment of which would have been suspended by the Company, and to modify the terms set out above during the life of the securities concerned, in accordance with the applicable formalities,

- to provide for the option of potentially suspending the exercise of the rights attached to such securities, pursuant to existing laws and regulations,
- on its sole initiative to charge capital increase costs on the amount of the premiums associated with them,
- to determine and make any and all adjustments aimed at taking into account the effect of transactions on the Company's share capital, particularly if there are changes in the par value of the share, a capital increase by capitalisation of reserves, an allocation of bonus shares, share splits or reverse splits, a distribution of reserves or any other assets, a write down of share capital or any other transaction involving shareholders' equity, and, as the case may be, to set the terms for preserving the rights of the holders of equity securities,
- to register every capital increase carried out and amend the bylaws accordingly,
- in general, to enter into any and all agreements specifically aimed at the successful execution of the issues planned, to take any and all measures and carry out any and all formalities required for issuing and accounting for the securities issued under this authority and to exercise the rights attached thereto;

7. sets at eighteen months with effect from the date of this meeting, the period of validity of this authority and with immediate effect and for the unused portion, terminates the authority granted by the Combined General Meeting of 7 June 2016, in its Tenth Resolution.

Thirteenth Resolution

(Assignment of authority to increase share capital by issuing shares and/or securities giving access or giving a right to the allocation of debt securities of the Company, reserved for Groupama Holding 2, eliminating its preferential share subscription right)

The General Meeting, ruling under the required quorum and majority conditions for Extraordinary General Meetings, having taken note of the report by the Board of Directors and the special auditors' report, and in accordance with the provisions of Articles L. 225-129 *et seq.* of the Commercial Code, specifically Article L. 225-129-2 and L. 225-138 of said Code:

1. delegates to the Board of Directors, with the option of sub-delegation under the conditions provided for by the law, the authority to determine the capital increase, on one or more occasions, in the proportions and at the times it deems appropriate, by issuing (i) company shares, (ii) shares giving access to other existing or future shares or giving the right to allocation of debt securities of the Company and/or (iii) securities giving access to shares to be issued by the Company, on the understanding that the subscription of shares and other securities may be either in cash or offset against receivables;
2. resolves to cancel the preferential subscription rights of the shareholders to shares or securities that may be issued pursuant to this resolution and to reserve the right to subscribe to these issues for Groupama Holding 2, a limited company with share capital of €286,056,342, whose registered office is located at 8-10 rue d'Astorg, 75008 Paris and which is entered in the Paris Trade and Companies Register under number 411 955 404;
3. this decision automatically means that the Company's shareholders waive their preferential subscription rights to Company shares to be issued to which such securities could give entitlement on behalf of holders of issued equity securities based on this resolution;
4. resolves that the maximum par value of the capital increases likely to be carried out immediately or in the future under this authority is set at €1.1 billion; it is specified that this amount will be applied against the amount of the overall limit provided for in paragraph 2 of the Ninth Resolution of the Combined General Meeting of 7 June 2016 or, where appropriate, against the amount of the limit provided for in resolutions of the same nature that may follow the said resolution while this authority is valid; where appropriate, the nominal amount of shares to be issued in case of financial operations will be added to this limit to safeguard the rights of holders of equity securities;
5. resolves that:
   - the issue price of the directly issued shares shall at least equal the portion of shareholders' equity per share, as stated in the most recently approved balance sheet as at the issue date,
   - the issue price of the securities giving access to company shares to be issued shall be such that the sum received immediately by the Company, plus any sum likely to be received subsequently by it, shall, for each share issued as a consequence of the issue of those equity securities, be at least equal to the minimum subscription price defined in the previous paragraph;
6. resolves that the Board of Directors, with the option of sub-delegation under the conditions set forth by law, shall have all powers to implement this delegation of authority and in particular:
   - to decide on the capital increase and determine the securities to be issued,
   - to decide on the amount of the capital increase, the issue price as well as the amount of the premium, which may, if applicable, be requested upon issue,
   - to determine the method of release in full of the shares or equity securities immediately or in the future,

- to set, as the case may be, the terms for exercising any rights attached to the shares or equity securities to be issued and, specifically, to set the date, even retroactively, from which the new shares will bear interest; to determine the terms for exercising any rights to conversion, exchange or redemption, including by tendering assets in the Company such as securities already issued by the Company; as well as any other terms and conditions for carrying out the capital increase,
- to determine the dates and terms of the capital increase, the type and characteristics of the securities to be issued and, in addition, to decide in the case of bonds or other debt securities, whether or not they will be subordinated, to set the interest rate thereof (including fixed or variable rate, zero coupon or indexed) and stipulate any mandatory or optional cases of suspension or non-payment of interest; to stipulate the duration (fixed or open-ended), the possibility of reducing or increasing the par value of the shares and other terms of issue (including the granting of guarantees or pledges) and value write-downs (including redemption by tendering assets of the Company); as applicable, such securities may entail the option for the Company of issuing debt securities (which may or may not be incorporated) in payment for interest, the payment of which would have been suspended by the Company, and to modify the terms set out above during the life of the securities concerned, in accordance with the applicable formalities,
- to provide for the option of potentially suspending the exercise of the rights attached to such securities, pursuant to existing laws and regulations,
- on its sole initiative to charge capital increase costs on the amount of the premiums associated with them,
- to determine and make any and all adjustments aimed at taking into account the effect of transactions on the Company's share capital, particularly if there are changes in the par value of the share, a capital increase by capitalisation of reserves, an allocation of bonus shares, share splits or reverse splits, a distribution of reserves or any other assets, a write down of share capital or any other transaction involving shareholders' equity, and, as the case may be, to set the terms for preserving the rights of the holders of equity securities,
- to register every capital increase carried out and amend the bylaws accordingly,
- in general, to enter into any and all agreements specifically aimed at the successful execution of the issues planned, to take any and all measures and carry out any and all formalities required for issuing and accounting for the securities issued under this authority and to exercise the rights attached thereto;

7. sets at eighteen months with effect from the date of this meeting, the period of validity of this authority and with immediate effect and for the unused portion, terminates the authority granted by the Combined General Meeting of 7 June 2016, in its Eleventh Resolution.

Fourteenth Resolution

(Assignment of authority to increase share capital by issuing company shares and/or securities giving assess to the capital or giving a right to the allocation of debt securities of the Company reserved for categories of persons, eliminating their preferential share subscription right)

The General Meeting, ruling under the required quorum and majority conditions for Extraordinary General Meetings, having taken note of the report by the Board of Directors and the special auditors' report, and in accordance with the provisions of Articles L. 225-129 *et seq.* of the Commercial Code, specifically Article L. 225-129-2 and L. 225-138 of said Code:

1. delegates to the Board of Directors, with the option of sub-delegation under the conditions provided for by the law, the authority to determine the capital increase, on one or more occasions, in the proportions and at the times it deems appropriate, by issuing (i) company shares, (ii) shares giving access to other existing or future shares or giving the right to allocation of debt securities of the Company and/or (iii) securities giving access to shares to be issued by the Company, on the understanding that the subscription of shares and other securities may be either in cash or offset against receivables;
2. consequently resolves to cancel the preferential subscription rights of the shareholders for shares or other securities that may be issued pursuant to this resolution and to reserve the right to subscribe to these security issues for the following categories of persons: (i) the elected representatives and agents of the local and/or regional mutuals of Groupama; (ii) the employees and Managers or company officers referred to in Article L. 3332-2 of the French Labour Code, businesses linked to the Company within the meaning of Article L. 3344-1 of that Code, who or which are not beneficiaries of the issues effected in application of the Seventeenth Resolution below and/or; (iii) the persons and/or the employees and Managers or company officers of companies not referred to above but who meet the criteria referred to in the first paragraph of Article L. 3344-1 referred to above and/or; (iv) UCITS or other employee shareholding bodies holding investments in the Company's securities, whose share owners or shareholders consist of the persons referred to in (ii) and (iii) of this paragraph and/or the beneficiaries of the Seventeenth Resolution below;
3. this decision automatically means that the Company's shareholders waive their preferential subscription rights to Company shares to be issued to which such securities could give entitlement on behalf of holders of issued equity securities based on this resolution;
4. resolves that the maximum par value of the capital increases likely to be carried out immediately or in the future under this authority is set at €1.1 billion; it is specified that this amount will be applied against the amount of the overall limit provided for in paragraph 2 of the Ninth Resolution of the Combined General Meeting of 7 June 2016 or, where appropriate, against the amount of the limit provided for in resolutions of the same nature that may follow the said resolution while this authority is valid; where appropriate, the nominal amount of shares to be issued in case of financial operations will be added to this limit to safeguard the rights of holders of equity securities;

5. resolves that:
   - the issue price of the directly issued shares shall at least equal the portion of shareholders' equity per share, as stated in the most recently approved balance sheet as at the issue date,
   - the issue price of the securities giving access to company shares to be issued shall be such that the sum received immediately by the Company, plus any sum likely to be received subsequently by it, shall, for each share issued as a consequence of the issue of those equity securities, be at least equal to the minimum subscription price defined in the previous paragraph,
   - for issues to beneficiaries mentioned under (ii) and (iv) of 2 above, the issue price for new shares or equity securities will be based on the terms specified under 3 of the Seventeenth Resolution below or identical to the price at which securities of the same type will be issued pursuant to the Seventeenth Resolution;
6. resolves that the Board of Directors, with the option of sub-delegation under the conditions set forth by law, shall have all powers to implement this delegation of authority and in particular:
   - to decide on the capital increase and determine the securities to be issued,
   - to prepare the exact list of the beneficiaries within the categories of person cited in paragraph 2 above, for whom shareholders' preferential subscription rights were eliminated,
   - to decide on the amount of the capital increase, the issue price as well as the amount of the premium, which may, if applicable, be requested upon issue,
   - to determine the method of release in full of the shares or equity securities immediately or in the future,
   - to set, as the case may be, the terms for exercising any rights attached to the shares or securities to be issued and, specifically, to set the date, even retroactively, from which the new shares will bear interest; to determine the terms for exercising any rights to conversion, exchange or redemption, including by tendering assets in the Company such as securities already issued by the Company; as well as any other terms and conditions for carrying out the capital increase,
   - to determine the dates and terms of the capital increase, the type and characteristics of the securities to be issued and, in addition, to decide in the case of bonds or other debt securities, whether or not they will be subordinated (and, if so, their rank, in accordance with the provisions of Article L. 228-97 of the Commercial Code), to set the interest rate thereof (including fixed or variable rate, zero coupon or indexed) and stipulate any mandatory or optional cases of suspension or non-payment of interest; to stipulate the duration (fixed or open-ended), the possibility of reducing or increasing the par value of the shares and other terms of issue (including the granting of guarantees or pledges) and value write-downs (including redemption by tendering assets of the Company); as applicable, such securities may entail the option for the Company of issuing debt securities (which may or may not be incorporated) in payment for interest, the payment of which would have been suspended by the Company, and to modify the terms set forth above during the life of the securities concerned, in accordance with the applicable formalities,
   - to provide for the option of potentially suspending the exercise of the rights attached to such securities, pursuant to existing laws and regulations,
   - on its sole initiative to charge capital increase costs on the amount of the premiums associated with them,
   - to determine and make any and all adjustments aimed at taking into account the effect of transactions on the Company's share capital, particularly if there are changes in the par value of the share, a capital increase by capitalisation of reserves, an allocation of bonus shares, share splits or reverse splits, a distribution of reserves or any other assets, a write down of share capital or any other transaction involving shareholders' equity, and, as the case may be, to set the terms for preserving the rights of the holders of equity securities;
   - to register every capital increase carried out and amend the bylaws accordingly,
   - in general, to enter into any and all agreements specifically aimed at the successful execution of the issues planned, to take any and all measures and carry out any and all formalities required for issuing and accounting for the securities issued under this authority and to exercise the rights attached thereto;
7. sets at eighteen months with effect from the date of this meeting, the period of validity of this authority and with immediate effect and for the unused portion, terminates the authority granted by the Combined General Meeting of 7 June 2016, in its Twelfth Resolution.

Fifteenth Resolution

(Issue of shares or securities giving access to capital or giving a right to allocation of debt securities of the Company in payment for in-kind contributions involving equity securities or securities giving access to capital)

The General Meeting, ruling under the required quorum and majority conditions for Extraordinary General Meetings, having taken note of the report by the Board of Directors and the special auditors' report, and in accordance with the provisions of Articles L. 225-129 *et seq.* of the Commercial Code, specifically Article L. 225-147(6) of the said Code, grants all powers to the Board of Directors to carry out an issue of (i) shares, (ii) shares giving access to other existing or future shares or giving a right to allocation of debt securities of the Company and/or (iii) securities giving access to shares to be issued by the Company, within the limit of 10% of the share capital at the time of the issue, in payment for in-kind contributions to the Company consisting of equity securities or securities giving access to the capital, where the provisions of Article L. 225-148 of the French Commercial Code are not applicable, with the understanding that the maximum par nominal amount of capital increases likely to be carried out immediately or eventually under this resolution will be applied against the amount of the overall limit provided for in paragraph 2 of the Ninth Resolution of the Combined General Meeting of 7 June 2016 or, where appropriate, against the amount of the limit provided for in resolutions of the same nature that may follow the said resolution while this authority is valid.

If it uses this authority, the Board of Directors will make a decision based on a report from one or more contribution auditors ("commissaires aux apports"), referred to in Article L. 225-147 of the French Commercial Code.

The General Meeting resolves that the Board of Directors shall have all powers to implement this authority, particularly to approve the valuation and confirmation of the asset contributions and to post all costs and dues on the issue premiums and amend the bylaws accordingly.

The authority granted to the Board of Directors is valid for a twenty-six month period with effect from this meeting. The General Meeting, with immediate effect and in respect of the unused portion, terminates the authority granted by the Combined General Meeting of 18 June 2015, in its Twenty-First Resolution.

Sixteenth Resolution

(Delegation of authority to increase the share capital by capitalisation of issue premiums, reserves, profits or other funds)

The General Meeting, ruling under the required quorum and majority conditions for Ordinary General Meetings, having taken note of the report by the Board of Directors, and in accordance with the provisions of Article L. 225-130 of the Commercial Code:

1. hereby delegates to the Board of Directors, with the option of sub-delegation under the conditions provided for by the law, the authority to approve a capital increase, on one or more occasions, in the proportion and at the times it deems appropriate, by capitalisation of issue premiums, reserves, profits or other funds that can be capitalised in accordance with existing laws and regulations, in the form of allocation of bonus shares or by raising the par value of any outstanding shares or by using both of these methods. The maximum par value of the capital increases likely to be carried out hereto may not exceed €400 million;
2. in the event this authority is used by the Board of Directors, (the meeting) hereby gives the Board full authority, with the option of sub-delegation, under the terms provided for by the law, to implement this authorisation for the following purposes:
   - to set the amount and the nature of the sums to be capitalised; to set the number of new shares to be issued and/or the amount by which the par value of the existing shares comprising the share capital will be increased; to set the date, even retroactively, from when the new shares will bear interest or the date on which the increase in par value comes into effect,
   - to make the following decisions if bonus shares are allocated:
     - that fractional shares will not be traded and that the corresponding shares will be sold; the sums from the sale shall be allocated to the owners of the rights under the conditions provided for by existing laws and regulations,
     - that the portion of the shares to be allocated in proportion to existing shares that are entitled to double voting rights will enjoy that right when issued,
     - to make any and all adjustments aimed at taking into account the effect of transactions on the Company's share capital, in particular if there are changes in the par value of the share, a capital increase by capitalisation of reserves, an allocation of bonus shares, share splits or reverse splits, a distribution of reserves or any other assets, a write down to share capital or any other transaction involving shareholders' equity, and, as the case may be, to set the terms for preserving the rights of the holders of equity securities,
     - to charge to one or more available reserve items the amount of the costs associated with the corresponding capital increase,
     - to register every capital increase carried out and to amend the bylaws accordingly,
     - in general, to enter into any and all agreements, take any and all measures and carry out any and all formalities necessary to issue and account for the securities issued under this authority and to exercise any rights attached thereto;
3. This authority is granted for a period of twenty-six months with effect from this meeting. The General Meeting, with immediate effect and in respect of the unused portion, terminates the authority granted by the Combined General Meeting of 18 June 2015, in its Twenty-Second Resolution.

Seventeenth Resolution

(Delegation of authority to increase the share capital, by issuing shares and/ or equity securities in the Company reserved for members of savings plans, eliminating their preferential share rights)

The General Meeting, ruling under the required quorum and majority conditions for Extraordinary General Meetings, having taken note of the report by the Board of Directors and the special auditors' report and, in accordance with the provisions of Articles L. 225-129-6 and L. 225-138-1 of the Commercial Code and Articles L. 3332-1 *et seq.* of the Labour Code:

1. hereby delegates to the Board of Directors, with the option of sub-delegation under the conditions provided for by the law, the authority to approve the capital increase, on one or more occasions, of a maximum par value of €150 million, by issuing company shares or equity securities, reserved for members of one or more savings plans (or another plan for members, for which Article L. 3332-18 of the Labour Code would allow a reserved capital increase under equivalent terms) introduced within Groupama SA or the Groupama group comprising the Company and French and foreign companies included in the Company's accounting consolidation or combination in accordance with Articles L. 3344-1 and L. 3344-2 of the Labour Code;

2. sets at twenty-six months, with effect from this meeting, the period of validity of this authority and with immediate effect and for the unused portion, terminates the authority granted by the Combined General Meeting of 7 June 2016, in its Thirteenth Resolution;
3. resolves that the subscription price of the shares or the equity securities shall be set under the conditions stipulated in Article L. 3332-20 of the French Labour Code and shall be equal to at least 80% of the Reference Price (as this expression is defined below) or at least 70% of the Reference Price when the lock-in period provided for by the plan under Article L. 3332-25 and L. 3332-26 of the French Labour Code equals or exceeds ten years; however, the General Meeting expressly authorises the Board of Directors, if it deems appropriate, to reduce or eliminate the above-mentioned discounts up to the legal and regulatory limits in order to take into account, inter alia, the legal, accounting, tax and corporate systems applicable locally; for the purposes of this paragraph, the Reference Price refers to the price set in accordance with the objective methods applied for the valuation of shares, taking into consideration, in accordance with an appropriate weighting in each case of the net assets, profitability and the firm's business prospects, pursuant to the provisions of Article L. 3332-20 of the French Labour Code;
4. authorises the Board of Directors to award future or previously issued shares or equity securities free of charge to the aforementioned recipients, in addition to the shares or equity securities to be subscribed for in cash, in order to make up for all or part of the discount on the Reference Price and/or employer's contribution, provided that the benefit resulting from this allocation does not exceed the legal or regulatory limits, pursuant to Article L. 3332-21 of the Labour Code;
5. resolves to eliminate the preferential subscription right of the shareholders to the securities subject to this authorisation in favour of the aforementioned recipients; the said shareholders also waiving any right to any bonus shares or equity securities which might be allocated free of charge under this resolution;
6. resolves that the Board of Directors shall have full powers, with the option of sub-delegation under the conditions set forth by law, to implement this authority, with the option of sub-delegation, as stipulated by law, up to the limits and under the conditions specified above, in particular for the purpose of:
   - preparing, as stipulated by law, a list of companies of which employees, early retirees and retirees may subscribe to the shares or equity securities thus issued and qualify, if appropriate, for bonus shares or equity securities,
   - deciding that applications for shares may be made directly or through company mutual funds (FCPE) or other vehicles or entities allowed under the applicable laws and regulations,
   - setting the terms, particularly as regards seniority, to be met by the recipients of the capital increases,
   - determining the subscription opening and closing dates,
   - setting the amounts of the issues to be carried out under this authority and determining the issue prices, dates, deadlines, subscription terms and conditions and terms for payment in full, delivery and effective legal date of the securities (even if retroactive), as well as the other terms and conditions for the issues,
   - if bonus shares or equity securities are awarded, setting the number of shares or equity securities to be issued and the number to be allocated to each recipient, and determining the dates, deadlines, and terms and conditions for awarding such shares or equity securities up to the limit allowed under existing laws and regulations and, in particular, choosing either to replace in full or in part the allocation of such shares or equity securities for the discounts off the Reference Price referred to above, or to charge the exchange value of such shares or equity securities to the total amount of the employer's contribution, or to combine these two options,
   - registering the capital increases carried out in the amount of the shares to be subscribed, after any reduction in the event of over-subscription,
   - charging any costs of the capital increases to the amount of the premiums associated with them,
   - entering into any and all agreements, carrying out, either directly or indirectly by an agent, any and all operations, including any formalities subsequent to the capital increases and amending the bylaws accordingly, and
   - in general, entering into any and all agreements aimed at the successful execution of the issues planned; taking any and all measures and carrying out any and all formalities required for issuing and accounting for the securities issued under this authority and exercising the rights attached thereto or subsequent to any capital increases completed.

Eighteenth Resolution

(Powers for formalities)

The General Meeting, ruling under the required quorum and majority conditions for Ordinary General Meetings, grants full powers to the bearer of a copy or an extract of these minutes in order to carry out any formalities necessary.

7.4 PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT, FINANCIAL DISCLOSURES AND FOR AUDITING THE FINANCIAL STATEMENTS

7.4.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Thierry Martel, Chief Executive Officer of Groupama SA.

7.4.2 DECLARATION BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

I hereby declare, after taking every reasonable measure for this purpose, that the information contained in this registration document is, to my knowledge, a true reflection of the facts and does not contain any omissions liable to alter the scope thereof.

I hereby declare that, to my knowledge, the financial statements were prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, the financial position and the earnings of the Company and of all the companies included in its scope of consolidation, and the information disclosed in the management report presented under section 5.1 presents a true and fair view of the business trends affecting the Company and of the results and financial position of the Company and of all the companies included in its scope of consolidation as well as a description of the principal Risks and uncertainties they face.

I have received from the statutory auditors, PricewaterhouseCoopers Audit and Mazars, an end-of-engagement letter in which they indicate that they have audited the information on the Company's financial position and the financial statements given in this registration document, except for prudential information concerning solvency that they did not review, and read the whole of the registration document.

The consolidated financial statements for the financial year ending 31 December 2016 have been certified by a report from the statutory auditors, appearing in section 6.2 of this registration document.

Paris, 27 April 2017

Chief Executive Officer

Thierry Martel

7.4.3 PERSON RESPONSIBLE FOR THE FINANCIAL DISCLOSURE

- Fabrice Heyriès

  Deputy Managing Director

  Telephone: 01.44.56.28.54

  Address: 8-10, rue d'Astorg -75008 Paris (registered office).

7.4.4 PERSONS RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

7.4.4.1 Principal statutory auditors

Entered on the Roll of statutory auditors in Versailles

- PricewaterhouseCoopers Audit

  Represented by Christine Billy

  Crystal Park

  63, rue de Villiers

  92208 Neuilly-sur-Seine

Whose first term of office began on 18 December 2003. The current term of office has a duration of six financial years, which will expire at the end of the General Meeting convened to approve the financial statements for the year ending 31 December 2016.

- Mazars

  Represented by Antoine Esquieu and Nicolas Dusson

  Tour Exaltis

  61, rue Henri Régnault

  92400 Courbevoie

Whose first term of office began on 12 September 2000. The current term of office has a duration of six financial years, which will expire at the end of the General Meeting convened to approve the financial statements for the year ending 31 December 2017.

7.4.4.2 Alternate statutory auditors

Entered on the Roll of statutory auditors in Versailles

- Yves Nicolas

  Crystal Park

  63, rue de Villiers

  92208 Neuilly-sur-Seine

Whose first term of office began on 25 May 2011 for a duration of six financial years, which will expire at the end of the General Meeting convened to approve the financial statements for the year ending 31 December 2016.

- Michel Barbet-Massin

  Tour Exaltis

  61, rue Henri Régnault

  92400 Courbevoie

Whose first term of office began on 12 September 2000. The current term of office has a duration of six financial years, which will expire at the end of the General Meeting convened to approve the financial statements for the year ending 31 December 2017.

7.5 DOCUMENTS AVAILABLE TO THE PUBLIC

All the statements by the Company and the annual reports, including in particular the historical financial information on the Company, are available on the Company's website at the following address: www.groupama.com, "Investor" – under "Financial Publications", and a copy can be obtained at the Company's registered office at 8-10 rue d'Astorg – 75008 Paris.

The bylaws of the Company as well as the minutes of General Meetings, auditors' reports and parent company and consolidated accounts can be reviewed at the Company's registered office: 8-10, rue d'Astorg – 75008 Paris, in the Legal Department.

GLOSSARY

Actuarial reserves

Sums which the insurer must record as liabilities on its balance sheet, corresponding to its commitments to policyholders.

On a like-for-like basis

On a like-for-like basis means that the information related to the period of the relevant fiscal year are adjusted using the exchange rate applicable for the same period of the previous fiscal year (constant exchange rate), eliminating the income from acquisitions, disposals and changes in scope of consolidation (constant scope) and cancelling changes in accounting methods (constant methodology) in one of the two periods compared.

Combined ratio

The combined ratio of Groupama SA is the ratio:

- of the total claims expense net of reinsurance and operating costs;
- to the premiums earned net of reinsurance.

Duration

The duration of a bond corresponds to the average duration of the funds generated by it weighted by their current values. On this order of magnitude, the value of the bond can be understood in terms of its sensitivity to conversions in the yield curve by extension, any flow sequence can be calculated, particularly those related to insurance liabilities based on projections of such flows.

Economic operating profit

Groupama SA's economic operating profit corresponds to the net profit, including any capital gains or losses on the share going to the shareholder, variations in fair value and one-time activities, net of corporate income tax.

Group insurance

A category of insurance allowing a legal entity called an underwriter to underwrite a policy with an insurance company for the purpose of having a group of persons join who are united by similar ties.

Guaranteed rates policy

Policy under which the insurer promises under contract to pay interest on the capital built up at a certain rate.

Individual insurance

A category of life and health insurance under which an individual can take out an insurance policy (death, life) with an insurance company.

Life and health insurance

Policies covering a personal risk. These policies include life and death insurance but also all risks affecting the physical integrity of the person due to accident or illness (disability, long-term care, healthcare reimbursement costs, etc.).

Long-term care policy

Policy designed to cover the risk of the loss of independence by the elderly.

Multi-vehicle policy

Insurance policy whose redemption value or the service paid by the insurer is denominated in euros and unit-linked assets The policyholder (or member) generally has a choice of currency in which he wishes to invest his premiums (in euros or in unit-linked assets) and may, depending on the possibilities provided under the policy, request that the initial choice be changed (arbitrage).

Policy in euros

Policy under which the redemption value or the service paid by the insurer are denominated in euros.

Profit-sharing

In life insurance and capitalisation, insurance companies include their policy-holders in their earnings by redistributing them.

Run-off

Discontinued operations for which the premium income consists exclusively of periodic premiums associated with old subscriptions.

Statutory solvency margin

Minimum risk coverage related to the insurance business required by oversight agencies to protect the interests of policy-holders.

Unit-linked policy

Insurance policy for which the redemption value and the service paid by the insurer are expressed not in euros but in another unit of value, generally in the number of shares or mutual fund units. Thus the exchange value in euros of the insurer's commitment depends on changes in the securities comprising the mutual fund on the financial markets.

CONCORDANCE TABLE WITH THE HEADINGS REQUIRED BY EU REGULATION NO 809/2004

The concordance table below refers to the principal items required by EU Regulation no 809/2004 (Schedule 1) pursuant to the "Prospectus" directive.

CONCORDANCE TABLE WITH THE DISCLOSURES REQUIRED IN THE ANNUAL FINANCIAL REPORT

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LE GROUPE
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