Consolidated Financial Statements

For the year ended December 31, 2016

EULER HERMES
Business insured. Success ensured.

A company of Allianz

Pursuant to Article 28-1 section 5 of (EC) Regulation 809/2004 of the European Commission of April 29, 2004, the Group's consolidated financial statements for the year ending December 31, 2016 (established in accordance with IFRS including comparative data for fiscal 2015 under the same standards) and for the year ending December 31, 2015 (established in accordance with IFRS including comparative data for fiscal 2014 under the same standards) and the related report of the Statutory Auditors are included by reference in this Registration Document. They appear on pages 143 to 216 of the Registration Document of the Company for financial year 2015, as registered by the AMF on April 15, 2016 under no. D. 16-0343 and on pages 131 to 210 of the Registration Document of the Company for financial year 2014, as registered by the AMF on March 27, 2015 under no. D. 15-0213.

Consolidated statement of financial position

(in € thousands)	Notes	December 31, 2016	December 31, 2015
Goodwill	3	108 320	114 852
Other intangible assets	4	126 092	118 728
Intangible assets		**234 412**	**233 580**
Investment property	5	76 678	78 974
Financial investments	6	3 792 116	4 018 454
Derivatives		12 358	15 469
Investments		**3 881 152**	**4 112 897**
Investments accounted for at the equity method	**7**	**202 019**	**193 292**
Share of assignees and reinsurers in the technical reserves and financial liabilities	**19**	**598 982**	**662 811**
Operating property and other property, plant and equipment	5-8	43 161	45 124
Acquisition costs capitalised		85 325	76 131
Deferred tax assets	9	32 131	10 564
Inwards insurance and reinsurance receivables	10	636 821	605 041
Outwards reinsurance receivables	10	58 110	21 793
Corporation tax receivables		75 046	20 414
Other receivables	11	208 458	232 318
Asset classifed as Held for sale	12	-	37 247
Other assets		**1 139 052**	**1 048 632**
Cash	13	450 281	345 414
TOTAL ASSETS		**6 505 898**	**6 596 626**
Capital stock		13 645	14 510
Additional paid-in capital		272 307	465 007
Reserves		1 957 663	1 856 619
Net income, group share		286 952	302 476
Revaluation reserve		87 359	65 772
Foreign exchange translation		4 470	11 037
Shareholders' equity, Group share		**2 622 396**	**2 715 421**
Non controlling interests	15	50 616	61 807
Total shareholders' equity		**2 673 012**	**2 777 228**
Provisions for risks and charges	**16**	**437 140**	**365 032**
Bank borrowings	18	252 219	252 242
Other borrowings		2 031	-
Borrowings		**254 250**	**252 242**
Non-life technical reserves	19	2 355 816	2 387 556
Liabilities related to contracts		**2 355 816**	**2 387 556**
Deferred tax liabilities	9	182 014	154 571
Inwards insurance and reinsurance liabilities	20	217 961	219 156
Outwards reinsurance liabilities	20	39 773	107 810
Corporation tax payables		12 033	18 395
Other payables	21	333 899	299 650
Liabilities classifed as Held for sale	12	-	14 986
Other liabilities		**785 680**	**814 568**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**6 505 898**	**6 596 626**

Consolidated income statement

(in € thousands excepted for the earnings per share)

	Notes	December 2016	December 2015
Premiums written		2 326 251	2 372 473
Premiums refunded		(126 416)	(132 305)
Change in unearned premiums		(29 606)	(34 724)
Earned premiums		**2 170 229**	**2 205 444**
Service revenues		399 677	432 931
Turnover	22	**2 569 906**	**2 638 375**
Investment income		71 444	80 613
Investment management charges		(11 805)	(11 456)
Net gain (loss) on sales of investments less impairment and depreciation writebacks		21 608	35 447
Change in fair value of investments recognised at fair value through profit or loss		(2 914)	(3 892)
Change in investment impairment provisions		(414)	(48)
Net change in foreign currency		(2 593)	15 679
Net investment income	23	**75 326**	**116 343**
Insurance services expenses		**(1 088 111)**	**(1 147 540)**
Outwards reinsurance income		522 022	555 939
Outwards reinsurance expenses		(639 208)	(656 407)
Net outwards reinsurance income or expenses	22	**(117 186)**	**(100 468)**
Contract acquisition expenses		**(475 145)**	**(478 040)**
Administration expenses		**(227 571)**	**(219 261)**
Other ordinary operating income	25	**18 305**	**18 601**
Other ordinary operating expenses	25	**(378 686)**	**(410 226)**
CURRENT OPERATING INCOME	22	**376 838**	**417 784**
Other non ordinary operating expenses	26	(38 548)	(4 887)
Other non ordinary operating income	26	35 049	4 461
OPERATING INCOME		**373 339**	**417 358**
Financing expenses		(6 191)	(8 352)
Share of Income from companies accounted for at the equity method	7	15 343	18 703
Corporation tax	27	(94 842)	(123 537)
CONSOLIDATED NET INCOME		**287 649**	**304 172**
o/w			
NET INCOME, GROUP SHARE		**286 952**	**302 476**
Non controlling interests		697	1 696
Earnings per share (in euros)	28	**6,70**	**6,85**
Diluted earnings per share (in euros)	28	**6,70**	**6,85**
Earnings per share of continuing activities (in euros)		**6,70**	**6,85**
Diluted earnings per share of continuing acitivies (in euros)		**6,70**	**6,85**

Consolidated statement of other comprehensive income

(in € thousands)	December 31, 2016	December 31, 2015
NET INCOME, GROUP SHARE	**286,952**	**302,476**
Net income, Non controlling interests	697	1,695
Actuarial gains and losses on defined benefit plans net of tax	(31,319)	16,512
Other comprehensive income - Items that may never be reclassified to profit and loss	**(31,319)**	**16,512**
Available-for-sale investments - reclassification to net income	(13,702)	(31,963)
Tax impact	7,079	7,066
Available-for-sale investments - changes arising during the period	40,999	(19,236)
Tax impact	(8,572)	5,641
Foreign currency translation adjustments	(10,768)	29,030
Other comprehensive income - Items that may be reclassified to profit and loss in future periods	**15,036**	**(9,462)**
Other comprehensive income - non controlling interests share net of tax	11	59
Total comprehensive income	**271,377**	**311,280**
Total comprehensive income, Group share	270,669	309,526
Total comprehensive income, Non controlling interests	708	1,754

Consolidated statement of cash flows

(in € thousands)	Notes	December 31, 2016	December 31, 2015
Net income, Group share		**286 952**	**302 476**
Corporation tax		94 842	123 537
Financing expense		6 191	8 352
Minority interests		697	1 696
(Income) loss of companies accounted for at the equity method	**7**	(15 343)	(18 703)
Operating income before tax		**373 339**	**417 358**
Allocation to and writebacks of depreciation, amortization and reserves		85 031	54 458
Change in technical reserves		10 128	71 075
Change in deferred acquisition costs		(11 720)	(4 528)
Change in fair value of financial instruments recognised at fair value through the income statement (excluding cash and cash equivalents)		2 291	(2 295)
Realised capital (gains)/losses net of writebacks		(56 788)	(35 758)
Unrealised foreign exchange (gain) loss in company accounts		6 719	6 012
Interest revenues received accrued		8 252	3 744
Adjustment for elements included in operating income that do not correspond to cash flows and reclassification of financing and investment flows		**43 913**	**92 708**
Dividends received from companies accounted for at the equity method	**7**	9 284	21 774
Change in liabilities and receivables relating to insurance and reinsurance transactions		(92 663)	(41 304)
Change in operating receivables and liabilities		34 448	(22 869)
Change in other assets and liabilities		(5 938)	(1 528)
Corporation tax		(139 501)	(147 825)
Cash flow related to operating activities		**(194 370)**	**(191 752)**
CASH FLOW FROM OPERATING ACTIVITIES		**222 882**	**318 314**
Acquisitions of subsidiaries and joint ventures, net of acquired cash		-	-
Disposals of subsidiaries and joint ventures, net of ceded cash		34 385	-
Acquisitions of equity interests in companies accounted for at the equity method	**7**	(3 570)	-
Disposals of equity method investments		10 712	-
Merger		-	-
Cash flow linked to changes in the consolidation scope		**41 527**	**-**
Disposals of AFS securities		945 389	929 673
Matured HTM securities		-	63
Disposals of investment properties		-	18
Disposals of securities held for trading		4 725	12 129
Cash flow linked to disposals and redemptions of investments		**950 114**	**941 883**
Acquisitions of AFS securities		(866 250)	(1 140 366)
Acquisitions of HTM securities		-	-
Acquisitions of investment and operating properties	**5**	(435)	(6 021)
Acquisitions of trading securities		(4 222)	(6 489)
Cash flow linked to acquisitions of investments		**(870 907)**	**(1 152 876)**
Disposals of other investments and intangible assets (1)		2 804 241	2 667 923
Acquisitions of other investments and intangible assets (1)		(2 677 352)	(2 607 873)
Cash flow linked to acquisitions and disposals of other investments and intangible assets		**126 889**	**60 050**
Disposal of Assets classified as Held for Sale		1 609	60 517
Acquisition of Assets classified as Held for Sale		-	(2 027)
Cash flow linked to acquisitions and disposals of Assets classified as Held for Sale		**1 609**	**58 490**
CASH FLOW FROM INVESTING ACTIVITIES		**249 232**	**(92 453)**

(1) These amounts are mainly composed of short-term cash operations.

Notes to the consolidated financial statements

(in € thousands)	Notes	December 31, 2016	December 31, 2015
Increases and decreases in capital		(193 565)	-
Increases in capital		-	-
Decreases in capital		*(193 565)*	-
Transactions between shareholders		292	-
Change in treasury stock		26 312	19 920
Dividends paid		(198 627)	(196 637)
Cash flow linked to transactions with the shareholders		**(365 588)**	**(176 717)**
Changes in loans and subordinated securities		4 229	(29 989)
Issue		*22 864*	*110 010*
Repayment		*(18 635)*	*(139 999)*
Interest paid		(6 194)	(9 636)
Cash flow from Group financing		**(1 965)**	**(39 625)**
CASH FLOW FROM FINANCING ACTIVITIES		**(367 553)**	**(216 342)**
Impact of foreign exchange differences on cash and cash equivalents		317	3 597
Reclassification		(15)	(326)
OTHER NET CHANGES IN CASH		**302**	**3 271**
Change in cash flows		**104 863**	**12 790**
Change in cash and cash equivalents		**104 863**	**12 790**
Cash and cash equivalents at begining of period	**13**	**345 414**	**332 624**
Cash and cash equivalents at end of period	**13**	**450 277**	**345 414**

During 2016, the cash position increased by €104,863 thousand.

- Cash flow from operating activities decreased by €95.4 million in 2016 from €318.3 million at the end of December 2015 to €222.9 million at the end of December 2016. This was mainly due to a lower operating income before tax and to a less favorable ratio of net claims paid versus claims reserved compared to last year. Cash outflows related to operating activities are almost stable from €191.8 million at the end of 2015 to 194.4 million at the end of 2016.

- Investment activities contributed to cash inflows for €249.2 million at the end of December 2016 against cash outflows for €92.5 million at the end of December 2015, mainly due to decreasing new investments net from disposals in AFS securities for -€79.1 million in 2016 against €210.7 million in 2015, due also to the inflows from the disposals of associated companies for €41.5 million of which Bürgel Group for €34.4 million and Graydon Holding NV for €10.7 million less the new investment in CPPIC for €3.6 million and to higher net disposals of other investments and intangible assets for €126.9 million in 2016 against €60.1 million in 2015.

- Cash outflows from the financing activities increased from €216.3 million at the end of 2015 to €367.6 million at the end of 2016, mainly due to the decrease in share capital of Euler Hermes Group following the shares buyback which occurred in May 2016.

Consolidated statement of changes in equity

For the year 2016

(in € thousands)	Capital Stock	Additional paid-in-capital	Consolidation reserve and Retained earnings	Revaluation reserve	Translation reserve	Treasury shares	Shareholders' equity, group share	Non controlling interests	Total shareholders' equity
Opening Shareholders' equity	**14,510**	**465,007**	**2,216,689**	**65,772**	**11,037**	**(57,594)**	**2,715,421**	**61,807**	**2,777,228**
Available-for-sale assets (AFS)	-	-	-	-	-	-	-	-	-
Measurement gain / (loss) taken to shareholders' equity	-	-	-	32,427	-	-	**32,427**	-	**32,427**
Impact of transferring realised gains and losses to income statement	-	-	-	(6,623)	-	-	**(6,623)**	-	**(6,623)**
Actuarial gain / (loss) on defined benefit plans	-	-	(31,319)	-	-	-	**(31,319)**	(4)	**(31,323)**
Impact of translation differences	-	-	-	(4,201)	(6,567)	-	**(10,768)**	15	**(10,753)**
Components of other comprehensive income net of tax	**-**	**-**	**(31,319)**	**21,603**	**(6,567)**	**-**	**(16,283)**	**11**	**(16,272)**
Net income for the year	**-**	**-**	**286,952**	**-**	**-**	**-**	**286,952**	**697**	**287,649**
Comprehensive income of the period	**-**	**-**	**255,633**	**21,603**	**(6,567)**	**-**	**270,669**	**708**	**271,377**
Capital movements	(865)	(192,700)	-	-	-	26,163	**(167,402)**	14	**(167,388)**
Dividend distributions	-	-	(196,640)	-	-	-	**(196,640)**	(1,987)	**(198,627)**
Cancellation of gains/losses on treasury shares	-	-	-	-	-	149	**149**	-	**149**
Transaction between shareholders	-	-	70	-	-	-	**70**	(9,926)	**(9,856)**
Other movements	-	-	145	(16)	-	-	**129**	-	**129**
Closing Shareholders' equity	**13,645**	**272,307**	**2,275,897**	**87,359**	**4,470**	**(31,282)**	**2,622,396**	**50,616**	**2,673,012**

As at December 31, 2016, the share capital of Euler Hermes Group consists of 42,641,635 fully paid-up shares, down 2,700,542 as compared to the share capital as at December 31, 2015. This decrease is related to the cancellation of shares in May 2016 following the shares buyback from Allianz Vie for €167,068 thousand. As at December 31, 2016, Euler Hermes Group holds 625,945 treasury shares.

In accordance with IAS 39, available-for-sale (AFS) investments were revaluated at market value with the resulting gain or loss being taken directly to the revaluation reserve with no impact on the consolidated income statement. During the period, the increase in the revaluation reserve totalled €21,587 thousand net of taxes.

The decrease in translation reserves by €6,567 thousand during the exercise relates mainly to the pound sterling for €17,957 thousand, the US dollar for €-8,065 thousand, the Hong Kong dollar for €-2,899 thousand and the Brazilian real for -1,970 thousand.

The non-controlling interests are down by €11,191 thousand. This is mainly due to the sale of the Bürgel group.

For the year 2015

(in € thousands)	Capital Stock	Additional paid-in-capital	Consolidation reserve and Retained earnings	Revaluation reserve	Translation reserve	Treasury shares	Shareholders' equity, group share	Non controlling interests	Total shareholders' equity
Opening Shareholders' equity	**14,510**	**465,007**	**2,092,254**	**99,242**	**(12,973)**	**(77,515)**	**2,580,525**	**62,142**	**2,642,667**
Available-for-sale assets (AFS)									
Measurement gain / (loss) taken to shareholders' equity	-	-	-	(13,595)	-	-	**(13,595)**	-	**(13,595)**
Impact of transferring realised gains and losses to income statement	-	-	-	(24,897)	-	-	**(24,897)**	-	**(24,897)**
Actuarial gain / (loss) on defined-benefit plans	-	-	16,512	-	-	-	**16,512**	(16)	**16,496**
Impact of translation differences	-	-	-	5,021	24,009	-	**29,030**	75	**29,105**
Components of other comprehensive income net of tax	**-**	**-**	**16,512**	**(33,471)**	**24,009**	**-**	**7,050**	**59**	**7,109**
Net income for the year	**-**	**-**	**302,476**	**-**	**-**	**-**	**302,476**	**1,695**	**304,171**
Comprehensive income of the period	**-**	**-**	**318,988**	**(33,471)**	**24,009**	**-**	**309,526**	**1,754**	**311,280**
Capital movements	-	-	-	-	-	19,461	**19,461**	-	**19,461**
Dividend distributions	-	-	(194,547)	-	-	-	**(194,547)**	(2,089)	**(196,636)**
Cancellation of gains/losses on treasury shares	-	-	-	-	-	459	**459**	-	**459**
Other movements	-	-	(6)	1	1	1	**(3)**	-	**(3)**
Closing Shareholders' equity	**14,510**	**465,007**	**2,216,689**	**65,772**	**11,037**	**(57,594)**	**2,715,421**	**61,807**	**2,777,228**

Notes to the consolidated financial statements

Note 1 Significant events

Changes in the share capital and in share ownership

On May 18, 2016, Euler Hermes repurchased 2,200,000 shares from Allianz Vie representing 4.9% of the share capital of the Company, at a price of €75.94 per share.
On May 23, 2016, the company cancelled 2,200,000 shares repurchased from Allianz Vie on 18 May 2016, together with 500,542 treasury shares it already held. i.e. a total of 2,700,542 shares representing approximatively 6.33% of the shares of the Company post cancellation.
Following the sale of Allianz Vie's shares and the cancellation by the Company of 2,700,542 shares, the Allianz Group's shareholding was reduced from 67.8% to 63% of the Euler Hermes share capital and voting rights.

As at December 31, 2016, the Allianz group owned 26,864,230 shares out of a total of 42,641,635 shares, corresponding to 63% of the share capital of Euler Hermes Group. Consequently, Euler Hermes Group is integrated into the Allianz consolidation scope.

As at December 31, 2016, Euler Hermes Group's share capital was composed of 42,641,635 shares, including 625,945 shares held in treasury stock.

Disposal of Bürgel group

The disposal of 100% of the Bürgel group was closed on February 26, 2016. This followed the signature of an agreement on December 18, 2015 between Euler Hermes AG and EOS the sellers, and CRIF, a global company headquartered in Bologna, Italy, providing credit information services, credit and software solutions.

The proceeds of the sales net of cash ceded are €34.4 million for Euler Hermes, and the realized gain after tax is €22.4 million. The realized gain has been accounted for in other non-ordinary operating income.

Creation of a joint-venture with CPPIC

In February 2016, Euler Hermes Hong Kong Services Limited signed an agreement with China Pacific Property Insurance Company (CPPIC) to set up a trade credit insurance joint venture in China: CPPIC Euler Hermes Insurance Sales Co., Ltd.

CPPIC owns 51% of the shares of the joint-venture; Euler Hermes Hong Kong Services Limited owns 49%. The joint-venture went operational in August.

Productivity plans

Productivity plans have been announced in Germany, France and Corporate entities, and a cumulated restructuring cost of €38.0 million has been booked at the end of December 2016 including a provision for restructuring allowance and consulting fees. The restructuring cost has been mainly booked in Germany and France, and to a lesser extent in corporate entities.

In Germany, as part of the project "Inspire 2020", Euler Hermes Deutschland launched some productivity measures such as a voluntary leaver program (VLP) on April 6, 2016.

In France, an early retirement voluntary program agreement was signed on June 28, 2016 between the entities of UES France and the trade unions. Under this agreement, employees meeting some eligibility requirements can, on a voluntary basis, be fully exempted of activity for a period of maximum 42 months before the legal age of retirement and receive a replacement allowance paid by the employer.

Cession of the Graydon Holding N.V. participations

The disposal of Euler Hermes AG's participation Graydon Holding N.V. (i.e. 27.5% of Graydon Holding N.V. capital) was closed on September, 15th 2016. This followed the signature of an agreement on July 29th, 2016 between Euler Hermes AG and Atradius Credit Insurance N.V.

The €10.7 million realized gain from disposal has been accounted for in other non-ordinary operating income.

Notes to the consolidated financial statement

Euler Hermes to collaborate with Moody's to provide tailored rating services to European SMEs

On September 28th, 2016, Euler Hermes announced a collaboration with Moody's Investors Service for new, tailored credit rating services that Euler Hermes Rating will provide to small and medium enterprises (SMEs) and mid-caps. The rating services are expected to launch in 2017, offering coverage of German companies and will be rolled out in additional European countries.
As part of the collaboration, Moody's Corporation has acquired a 4.99% stake in Euler Hermes Rating GmbH, previously a 100% subsidiary of Euler Hermes AG.

Launch of "Cover One" product for medium-term contracts in northern region

After its successful launch in France in 2013, EH Cover One was launched in Northern Europe. This product protects against breach of contract (insolvency of the debtor, import or export license suspension, insurrection, confiscatory-type or fund transfer cancellation decision by a government, etc.) or unpaid invoices by both public- and private-sector buyers, particularly for capital goods and services transactions, both domestic and export. It applies to sale contracts with a term of up to 36 months.

Launch of an innovative insurance offer plugged-in on URICA's online supply chain platform

On September 19th, 2016, Euler Hermes and Urica, a market leading fintech network, signed a partnership agreement offering French companies a new online financing solution. Based on the sale of invoices through a secure platform, URICA empowers businesses to pay and be paid on the terms they want, releasing cash into the supply chain with zero debt and zero risk. This is a first step towards innovative digital solutions.

Note 2 IFRS accounting and valuation rules

Euler Hermes Group is a company domiciled in France. The headquarters of Euler Hermes Group are located 1, Place des Saisons 92048 Paris – La Défense Cedex. The consolidated financial statements as at December 31, 2016 include Euler Hermes Group and its subsidiaries (the whole designated as "the Group" and each subsidiary individually as "the entity of the Group") and the quota-share of the Group in its associated companies or joint ventures.

Euler Hermes Group is registered in RCS with the reference number 552 040 594.

The financial statements of the Group as at December 31, 2016 were approved by the Group Management Board of February 8, 2017 and presented to the Supervisory Board of February 9, 2017. They will be submitted for validation to the Shareholders' Meeting of May 24, 2017.

2.1. General Principles

In accordance with European regulation no. 1606/2002 of July 19, 2002, the consolidated financial statements published as at December 31, 2016 were prepared in accordance with IFRS as adopted by the European Union. International accounting standards comprise IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards), together with their interpretative texts.

The standards and interpretations applied stem essentially from:

- IAS/IFRS and their interpretative texts whose application is mandatory at December 31, 2016 as adopted by the European Union;
- Guidance provided in CNC recommendation no. 2013-R05 relating to the format of financial statements prepared by insurance firms under international accounting guidelines.

The financial statements are presented in euros, the functional currency, rounded to the nearest thousand. They have been prepared on a historical cost basis except for asset and liability items relating to insurance policies, which are measured in accordance with the methods already applied by the Group and for financial instruments measured at fair value (financial instruments at fair value through the consolidated income statement and available-for sale financial instruments). Non-current assets and groups of assets held with a view to being sold are measured at the lower of carrying amount and fair value less selling costs.

2.2. Changes in the accounting framework applicable to the Group in 2016

Standards, amendments and interpretations for which application is mandatory from January 1st, 2016 :

No new standard, amendment or interpretation with significant impact on the financial statements of the Group, is mandatory for the Group from January 1st, 2016.

Early application of standards

The Group has not early adopted standards and interpretations that are not yet mandatorily effective as of January 1st, 2016.

2.3. Consolidation scope

Due to the closing of the disposal of the Bürgel group on February 26, 2016, the companies Bürgel Wirtschaftsinformationen GmbH & Co. KG and Bürgel Wirtschaftsinformationen Verwaltungs-GmbH were deconsolidated retroactively from January 1, 2016.

The disposal of Euler Hermes AG's participation Graydon Holding N.V. (i.e. 27.5% of Graydon Holding N.V. capital) was closed on September, 15th 2016. This followed the signature of an agreement on July 29th, 2016 between Euler Hermes AG and Atradius Credit Insurance N.V.; Graydon Holding N.V was previously equity-accounted was deconsolidated on September 30th, 2016.

On September 28th, 2016, Euler Hermes announced a collaboration with Moody's Investors Service for new, tailored credit rating services that Euler Hermes Rating will provide to small and medium enterprises (SMEs) and mid-caps.
As part of the collaboration, Moody's Corporation has acquired a 4.99% stake in Euler Hermes Rating GmbH, previously a 100% subsidiary of Euler Hermes AG. Euler Hermes Rating GmbH is now held at 95.01% by Euler Hermes AG.

2.4. List of consolidated companies

French companies	Consolidation Method	December 31, 2016 % control	December 31, 2016 % interest	December 31, 2015 % control	December 31, 2015 % interest
Euler Hermes Group SA [(1)] 1, place des Saisons - 92048 Paris-La-Défense Cédex N°Siren : 552 040 594	Held by Allianz SA: 63%	Parent company		Parent company	
Bilan Services SNC 25, boulevard des Bouvets - 92000 Nanterre N°Siren : 333 192 631	Full	50.00	50.00	50.00	50.00
Euler Hermes Asset Management SA 1, place des Saisons - 92048 Paris-La-Défense Cédex N°Siren : 422 728 956	Full	100.00	100.00	100.00	100.00
Euler Hermes Services SAS 1, place des Saisons - 92048 Paris-La-Défense Cédex N°Siren : 414 960 377	Full	100.00	100.00	100.00	100.00
Euler Hermes Crédit France 1, place des Saisons - 92048 Paris-La-Défense Cédex N°Siren : 388 236 853	Full	100.00	100.00	100.00	100.00
Euler Hermes Recouvrement France 1, place des Saisons - 92048 Paris-La-Défense Cédex N°Siren : 388 238 026	Full	100.00	100.00	100.00	100.00
Euler Hermes World Agency 1, place des Saisons - 92048 Paris-La-Défense Cédex N°Siren : 487 550 907	Full	100.00	100.00	100.00	100.00
Gie Euler Hermes SFAC Services 1, place des Saisons - 92048 Paris-La-Défense Cédex N°Siren : 393 302 708	Full	100.00	100.00	100.00	100.00
Financière Callisto 1, place des Saisons - 92048 Paris-La-Défense Cédex N°Siren : 503 326 514	Full	100.00	100.00	100.00	100.00
Euler Hermes Real Estate 87 rue Richelieu 75002 Paris N°Siren : 488 480 567	Full	60.00	60.00	60.00	60.00
Financière Aldebaran 1, place des Saisons - 92048 Paris-La-Défense Cédex N°Siren : 493 467 609	Full	100.00	100.00	100.00	100.00

(1) Proportion held is based on a total of 42 641 635 shares (before restatement of treasury shares).

Full: *Full Integration* ; **Proportional:** *Proportional Integration* ; **Equity:** Equity Method Accounting; **NC:** *Not consolidated*
NB: Percentages of control and interest are determined on the last day of the financial period.

Foreign companies	Country	Consolidation Method	December 31, 2016 % control	December 31, 2016 % interest	December 31, 2015 % control	December 31, 2015 % interest
Euler Hermes Australia Pty Ltd Level 9, Forecourt Building, 2 Market Street Sydney NSW 2000	Australia	Full	100.00	100.00	100.00	100.00
Acredia Versicherung AG Himmelpfortgasse 29 - 1010 Vienne	Austria	Equity	49.00	49.00	49.00	49.00
OeKB EH Beteiligungs- u. Manag Strauchgasse 1-3 - 1011 - Vienne	Austria	Equity	49.00	49.00	49.00	49.00
Euler Hermes SA (NV) Avenue des Arts, Kunstlaan 56 - 1000 Brussels - RC Bruxelles : 45 8033	Belgium	Full	100.00	100.00	100.00	100.00
Euler Hermes Services Belgium SA (NV) Avenue des Arts, Kunstlaan 56 - 1000 Brussels - RC Bruxelles : 45 8033	Belgium	Full	100.00	100.00	100.00	100.00
Euler Hermes Patrimonia 56, avenue des Arts, A - 1000 Bruxelles	Belgium	Full	100.00	100.00	100.00	100.00
Euler Hermes South Express SA Avenue du Port 86C, Box 204 - B - 1000 Bruxelles	Belgium	Full	100.00	100.00	100.00	100.00
Graydon Belgium (NV) Uibreidingstraat 84 Bus 1 - 2500 Berchem	Belgium	Disposed (2)			27.50	27.50
Euler Hermes Seguros de Crédito SA Av. Paulista, 2.421, 3º and. - Jardim Paulista - São Paulo-SP CEP 01311-300	Brasil	Full	100.00	100.00	100.00	100.00
Euler Hermes Serviços de Gestão de Riscos Ltda Av. Paulista, 2.421, 3º and. - Jardim Paulista - São Paulo-SP CEP 01311-300	Brasil	Full	100.00	100.00	100.00	100.00
Euler Hermes Services Bulgaria EOOD 82 Patriarch Evtimii Blvd. - 1463 Sofia	Bulgaria	Full	100.00	100.00	100.00	100.00
Euler Hermes Canada Services 1155, René-Lévesque Blvd West, suite 2810 - Montreal H3B 3Z7	Canada	Full	100.00	100.00	100.00	100.00
Euler Hermes information Consulting (Shanghai) Co., Ltd Unit 2103, Taiping Finance Tower, 488 Middle Yincheng Road, Pudong New Area, Shanghai, 200120, PRC	China	Full	100.00	100.00	100.00	100.00
CPPIC Euler Hermes Insurance Sales Co., Ltd Taiping Finance Tower, No. 488 Middle Yincheng, Shanghai, 200120, PRC	China	Equity (3)	50.00	49.00		
Euler Hermes Service, Česká republika, s.r.o. Molakova 576/11, 186 00 Prague 8	Czech Republic	Full	100.00	100.00	100.00	100.00
Bürgel Wirtschaftsinformationen GmbH & Co. KG Gasstr.18 - D-22761 Hambourg	Germany	Disposed (4)			50.10	50.10
Bürgel Wirtschaftsinformationen Verwaltungs-GmbH Gasstr.18 - D-22761 Hambourg	Germany	Disposed (4)			50.40	50.40
Euler Hermes Rating Deutschland GmbH Friedensallee 254 - D-22763 Hambourg	Germany	Full	100.00	95,01 (5)	100.00	100.00
Euler Hermes Collections GmbH Zeppelin Str. 48 - DE-14471 - Potsdam	Germany	Full	100.00	100.00	100.00	100.00
Euler Hermes Aktiengesellschaft Friedensallee 254 D-22763 - Hambourg	Germany	Full	100.00	100.00	100.00	100.00
Euler Hermes Hellas Credit Insurance SA 16 Laodikias Street - 1-3 Nymfeou Street - 115 28 Athens	Greece	Full	100.00	100.00	100.00	100.00
Euler Hermes Emporiki Services Ltd 16 Laodikias Street - 1-3 Nymfeou Street - 115 28 Athens	Greece	Full	100.00	100.00	100.00	100.00
Euler Hermes Hong Kong Services Limited Suites 403-11, 4/F, Cityplaza 4 - 12 Taikoo Wen Road - Taikoo Shing, Hong Kong	Hong Kong	Full	100.00	100.00	100.00	100.00
Euler Hermes Magyar Követeléskezelő Kft. Kiscelli u.104 - 1037 Budapest	Hungary	Full	100.00	100.00	100.00	100.00
Euler Hermes Services India Private Limited 4th Floor, Voltas House - 23, J N Heredia Marg - Ballard Estate - Mumbai 400 001	India	Full	100.00	100.00	100.00	100.00
Euler Hermes Service Ireland Ltd Allianz House, Elmpark, Merrion Road, Dublin 4	Ireland	Full	100.00	100.00	100.00	100.00
Pimco Funds Ireland Styne House - Upper Hatch Street - Dublin 2	Ireland	Full	100.00	100.00	100.00	100.00
Israël Credit Insurance Company Ltd (ICIC) 2, Shenkar Street - 68010 Israël - Tel Aviv	Israel	Equity	50.00	50.00	50.00	50.00
Euler Hermes Services Italia SRL Via Raffaello Matarazzo,19 - 00139 Rome	Italy	Full	100.00	100.00	100.00	100.00
Euler Hermes Japan Services Ltd New Otani Garden Court 10F, 4-1 Kioi-cho, Chiyoda-ku - Tokyo 102-0094	Japan	Full	100.00	100.00	100.00	100.00
Euler Hermes Korea Non-life Broker Company Limited 51 JongRo-gu, JongRo - Seoul	Korea	Full	100.00	100.00	100.00	100.00
Euler Hermes Ré 19, rue de Bitbourg - L-2015 Luxembourg	Luxembourg	Full	100.00	100.00	100.00	100.00
Euler Hermes Luxembourg Holding SARL 37, rue d'Anvers - L.1130 Luxembourg	Luxembourg	Full	100.00	100.00	100.00	100.00
Euler Hermes Acmar 37, boulevard Abdellatif Ben Kaddour - 20050 Casablanca	Morocco	Full	55.00	55.00	55.00	55.00
Euler Hermes Acmar Services 37, boulevard Abdellatif Ben Kaddour - 20050 Casablanca	Morocco	Full	55.00	55.00	55.00	55.00

(2) Deconsolidation as at September 30th, 2016 of Graydon Group following disposal of the shares of Graydon Holding N.V.

(3) Set up of a Joint Venture in February 2016

(4) Disposal on February 26th, 2016 of Bürgel Group with retroactive deconsolidation as at January 1st 2016

(5) Capital increase subscribed by Moody's Corporation for 4.99% stake

Full: *Full Integration* ; **Proportional:** *Proportional Integration* ; **Equity:** Equity Method Accounting; **NC:** *Not consolidated*

NB: Percentages of control and interest are determined on the last day of the financial period.

Notes to the consolidated financial statements

Foreign companies	Country	Consolidation Method	December 31, 2016 % control	December 31, 2016 % interest	December 31, 2015 % control	December 31, 2015 % interest
Euler Hermes Services BV Pettelaarpark 20 - Postbus 70571 - NL-5216 PD's-Hertogenbosch	Netherlands	Full	100.00	100.00	100.00	100.00
Graydon Creditfink BV Hullenbergweg 260 - 1101 B.V. Amsterdam	Netherlands	Disposed (2)			27.50	27.50
Graydon Holding NV Hullenbergweg 260 - 1101 B.V. Amsterdam	Netherlands	Disposed (2)			27.50	27.50
Graydon Nederland BV Hullenbergweg 260 - 1101 B.V. Amsterdam	Netherlands	Disposed (2)			27.50	27.50
Kisys Krediet Informatie Systemen BV Hullenbergweg 270 - 1101 B.V. Amsterdam	Netherlands	Disposed (2)			27.50	27.50
MarkSelect BV Diemerhof 26 - Postbus 22969 - 1100 DL Amsterdam	Netherlands	Disposed (2)			27.50	27.50
Euler Hermes New Zealand Limited Level 1, Lumley Center, 152 Fanshawe Street, Auckland 1010	New Zealand	Full	100.00	100.00	100.00	100.00
Euler Hermes Collections Sp. z o.o. ul. Al. Jerozolimskie 98, 00-807 Warsaw	Poland	Full	100.00	100.00	100.00	100.00
Towarzystwo Ubezpieczen Euler Hermes SA ul. Al. Jerozolimskie 98, 00-807 Warsaw	Poland	Full	100.00	100.00	100.00	100.00
Euler Hermes, Mierzejewska-Kancelaria Prawna Sp.k ul. Al. Jerozolimskie 98, 00-807 Warsaw	Poland	Full	99.98	99.98	99.98	99.98
Euler Hermes Services Sp. z.o.o. ul. Al. Jerozolimskie 98, 00-807 Warsaw	Poland	Full	100.00	100.00	100.00	100.00
Biuro Informacji Gospodarczej Euler Hermes Spółka Akcyjna ul. Al. Jerozolimskie 98, 00-807 Warsaw	Poland	Full (6)	100.00	100.00		
Companhia de Seguro de Creditos S.A. (COSEC) Avenida de Republica, n°58 - 1069-057 Lisboa	Portugal	Equity	50.00	50.00	50.00	50.00
Euler Hermes Services Romania SRL 6 Petru Maior street, Sector 1 - Bucarest 011264	Romania	Full	100.00	100.00	100.00	100.00
Ooo Euler Hermes Credit Management ul. Krymskij Val3, 2, Office 210 - 119049 Moscou	Russia	Full	100.00	100.00	100.00	100.00
LLC "IC" Euler Hermes RU 8 Office C08, 4-th Dobryninskiy per.8 - 119049 Moscou	Russia	Full	100.00	100.00	100.00	100.00
Euler Hermes Singapore Services Pte Ltd. 12 Marina View - # 14-01 Asia Square Tower 2 - Singapore 018961	Singapore	Full	100.00	100.00	100.00	100.00
Euler Hermes Services Slovensko, s.r.o Plynarenska 7/A, 82109 Bratislava	Slovakia	Full	100.00	100.00	100.00	100.00
Euler Hermes Services South Africa LTD The Firs, 2nd Floor, 32A Cradock Avenue, Rosebank, 2196	South Africa	Full	100.00	100.00	100.00	100.00
Solunion Compañía Internacional de Seguros y Reaseguros SA Avenida General Peron, 40 - 28020 Madrid	Spain	Equity	50.00	50.00	50.00	50.00
Euler Hermes Service AB Klara Norra Kyrkogata 29 - SE 101 34 Stockholm	Sweden	Full	100.00	100.00	100.00	100.00
Euler Hermes Services Schweiz AG Richtiplatz 1 - Postfach CH-8304 Wallisellen	Switzerland	Full	99.50	99.50	99.50	99.50
Euler Hermes Reinsurance AG Richtiplatz 1 - Postfach CH-8304 Wallisellen	Switzerland	Full	100.00	100.00	100.00	100.00
Euler Hermes Taïwan Services 15F, NO.170, Tun Hwa N.RD. - 10548 Taipai	Taiwan	Full	100.00	100.00	100.00	100.00
Euler Hermes Services Tunisia 6, rue Ibn Hazm, Cité Jardins, Le Belvédère - 1002 Tunis	Tunisia	Full	100.00	100.00	100.00	100.00
Euler Hermes Risk Yönetimi Büyükdere caddesi Maya Akar Center, B Blok Kat:7 34394 Esentepe, Istanbul	Turkey	Full	100.00	100.00	100.00	100.00
Euler Hermes Sigorta Anonim Sirketi Büyükdere caddesi Maya Akar Center B Blok Kat:7 34394 Esentepe, Istanbul	Turkey	Full	100.00	100.00	100.00	100.00
Euler Hermes Services GCC Limited Dubai International Financial Centre - Dubai	United Arab Emirates	Full	100.00	100.00	100.00	100.00
Euler Hermes Services UK Ltd 01 , Canada Square - London E14 5DX	United Kingdom	Full	100.00	100.00	100.00	100.00
Graydon U.K. Limited Hyde House, Edgware road - Colindale - Londres NW9 6LW	United Kingdom	Disposed (2)			27.50	27.50
Euler Hermes North America Insurance company 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100.00	100.00	100.00	100.00
Euler Hermes Services North America, LLC 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100.00	100.00	100.00	100.00
Euler Hermes Collection North America Company 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100.00	100.00	100.00	100.00
Euler Hermes North America Holding Inc 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100.00	100.00	100.00	100.00

(2) Deconsolidation as at September 30th, 2016 of Graydon Group following disposal of the shares of Graydon Holding N.V.
(6) Foundation on October 5th, 2016 and first entry on December 1st 2016 of a Polish Credit Insurance information company

Full: *Full Integration* ; **Proportional:** *Proportional Integration* ; **Equity:** Equity Method Accounting; **NC:** *Not consolidated*
NB: Percentages of control and interest are determined on the last day of the financial period.

According to the German Commercial Code (section 264-b), some companies are exempted from preparing single financial statements as they are included in the consolidated financial statements of the Group.

2.5. Consolidation principles and methods

Business combinations

Business combinations are accounted for using the acquisition method. This method requires identifying the acquirer, determining the acquisition date which is the date on which control is transferred to the Group, recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the investee; and recognising and measuring goodwill or a gain from a bargain purchase. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recorded amount of any non-controlling interests in the acquires; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquires; less
- the net recorded amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recorded immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recorded in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not measured again and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recorded in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquired's employees (acquired's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquired's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions of non-controlling interests

Dilution and accretion transactions in entities controlled by the Group are recognized as transactions in equity, as they are transactions performed by the owners of the company acting in this capacity.
Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the subsidiary’s net assets.

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date at which control starts until the date at which control ceases.

Currently the Group has holdings of less than 20% in certain mutual funds which are not consolidated. Controlling of more than 50% in other mutual funds is consolidated using the full consolidation method. This concerns the following mutual funds:

- Euler Hermes Real Estate;
- Euler Hermes Patrimonia;
- PIMCO Funds Ireland;
- Euler Hermes South Express SA.

The Group owns 100% of these mutual funds, except Euler Hermes Real Estate, 60%-owned.

Loss of control

At the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recorded in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date when control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Investments in associates and jointly controlled entities (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method. Under the equity method, on initial recognition the investment in an associate or a joint venture is recorded at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control begins until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment (including any long-term interests that part form thereof) is reduced to zero, and the recognition of further losses is discontinued except if the Group has an obligation to participate in losses or has made payments on behalf of the investee.

Holdings in such companies are accounted for using the equity method. These companies are:

- OeKB EH Beteiligungs- und Managment AG;
- Companhia de Seguro de Creditos SA (COSEC);
- Israel Credit Insurance Company Ltd (ICIC);
- Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA.
- CPPIC Euler Hermes Insurance Sales Co., Ltd.

Jointly controlled operations

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operation. The consolidated financial statements include the assets that the Group controls, the liabilities that it incurs in the course of pursuing the joint operation and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

At the end of December 2016, Euler Hermes Group no longer holds any jointly controlled operation.

2.6. Eliminations on consolidation

Income and expenses arising from intra-group transactions are eliminated during the preparation of the consolidated financial statements. Income and expenses arising from transactions with joint ventures are eliminated to the extent of the Group’s share in the company concerned.

2.7. Financial year and year-end dates

The financial year for all consolidated companies is a 12-months period ending on December 31.

2.8. Use of estimates

The production of the consolidated financial statements of the Group is based on estimates for a part of assets and liabilities items. The management is called upon to review these estimates in the event of changes that may alter the basis on which they have been established or due to the consideration of new information or accrued experience.

The estimates concerning technical provisions are also detailed in the section 4 “Major risk factors and their management within the Group”.

The table below summarizes the assessment methods of estimates for the main aggregates of the balance sheet:

	Estimate	Communicated Information
Note 3	Impairment of goodwill	An impairment of goodwill is recognised when the higher of the Cash Generating Unit's value in use (present value of future cash flows) and fair value less any selling costs is less than its carrying amount (share of net assets and goodwill). The fair value of the Cash Generating Unit's is based on assumptions of capital costs, growth rate to infinity and loss ratio & standard retention rates used in the calculation of the final values.
Note 5	Fair value of real estate held for investments & for use	The fair value of buildings is estimated based on market prices, adjusted, where applicable, to take into account the nature, location or other specific features of the building concerned.
Note 16	Provisions for risks and charges	Provisions for risks and charges are measured in accordance with IAS 37 and are reviewed and ajusted at each balance sheet date to reflect the best estimate at this date.
Note 17	Employee benefits	The related commitments are measured in accordance with IAS 19 Revised and are reviewed yearly by independent actuaries. The commitment is recognized in the balance sheet using the projected unit credit method, based on the group actuarial assumptions.
Note 19	Earned but not recorded premiums reserves	This reserve is established based on the estimate of the amount of premiums expected on the period less the amount of premiums recorded on the period.
Note 19	Provisions for salvages & recoveries	This reserve represents the estimate of potential recoveries on settled claims by a statistical calculation based on the evolution of salvages & recoveries by year of attachment on previous exercises. They take into consideration a provision for administration charges determined in accordance with actual observed expenses.
Note 19	Bonus & profit commission reserve	This reserve is intended to cover the future cost corresponding to premium rebates to be granted to policyholders under the terms of policies giving policyholders a share in their technical positive results.
Note 19	Reserves for claims payable	This reserve corresponds to a statistical estimate of the cost of all outstanding claims, that is to say claims reported but not yet settled.
Note 19	IBNR reserve	IBNR reserves are established to recognize the estimated cost of losses that have occurred but where the Group has not yet been notified. The Group relies on its past experience, adjusted for current trends and any other relevant factors to estimate IBNR reserves. IBNR are estimates based on actuarial and statistical projections of the expected cost of ultimate settlement and administration of claims. The analyses are based on facts and circumstances known at the time, predictions of future events, and other economic factors.
Note 31	Stock option plans	The fair value of the liabilities resulting from the Allianz and Euler Hermes Group SAR (Stock Appreciation Rights) and RSU (Restricted Stocks Units) plans is reassessed at each balance sheet date based on the Allianz share price and Euler Hermes Group share price, until expiry of the obligation. The fair value from SAR and RSU is calculated using the Cox-Ross-Rubinstein binomial valuation model.

2.9. Translation

Translation of transactions denominated in a foreign currency

In accordance with IAS 21, transactions denominated in foreign currencies (currencies other than the operating currency) are translated into the currency used by the Group for operating at the transaction rate; the subsidiaries use average rates (average of monthly closing rates) which are considered as the closest rate at the transaction date in the absence of significant fluctuations.

For each closing, the entity must translate balance sheet items denominated in a foreign currency into its operating currency by means of the following procedures:

- monetary items (notably bond investments, receivables and liabilities and technical insurance reserves) are translated at the closing exchange rate and any resulting gains and losses are recorded in the net income for the year;
- non-monetary items that are measured at historical cost (notably property investments) are translated at the exchange rate prevailing on the transaction date; and
- non-monetary items that are measured at fair value (notably equity investments) are translated at the exchange rate prevailing on the fair-value valuation date.

Translation of the financial statements of foreign companies

The financial statements of foreign subsidiaries are prepared in their operating currency. For each closing, the consolidated income statement and the balance sheet of each entity are translated into euros to facilitate the presentation of the consolidated financial statements, using the following procedure:

- the assets and liabilities of each balance sheet presented are translated at the closing rate;
- the income and expense of each consolidated income statement (including comparatives) are translated at the exchange rates prevailing on the individual transaction dates (in practice, an average exchange rate is used, which is equal to the average of the monthly closing rates for the period, except on the case of significant fluctuations in the exchange rate).

The Group's share of any foreign exchange translation arising from shareholders' equity is recorded within shareholders' equity under "Foreign exchange translation", while the portion relating to third parties is recorded under "Non-controlling interests".

The main exchange rates applied on consolidation for currencies outside the euro zone were as follows:

in € vs currency	December 31, 2016		December 31, 2015	
	closing	average	closing	average
British pound	0,8536	0,8196	0,7371	0,7262
US dollar	1,0548	1,1068	1,0863	1,1096
Swedish krona	9,5822	9,4688	9,1583	9,3563
Brazilian real	3,4329	3,8576	4,2976	3,7022
Hong Kong dollar	8,1780	8,5911	8,4189	8,6029
Swiss franc	1,0720	1,0899	1,0874	1,0680
Polish zloty	4,4028	4,3634	4,2896	4,1836

2.10. Segment data

A segment of activity is a distinct component of a business that is engaged in the supply of products or services exposed to risks and profitability that differ from those of other sectors of activity. A geographical sector is a distinct component of a business engaged in the supply of products or services in a given economic environment which are exposed to risks and profitability that differ from those of other geographical sectors. In accordance with IFRS 8 – segment data, the sectors raised hereafter to present the segment data were identified on the basis of the internal reporting and correspond to the geographical sectors followed by the management.

2.11. Goodwill and other intangible assets

Goodwill

For business combinations made prior to March 31, 1998, goodwill is recognised on the basis of the presumed cost, which corresponds to the carrying amount calculated by reference to the accounting rules used prior to the date of transition to IFRS.
For business combinations made with effect from March 31, 1998 goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see § Business combinations of the note 2.5. Consolidation principles and methods.
The values of the identifiable assets and liabilities acquired may be adjusted within a period of 12 months beginning on the acquisition date.

Goodwill is recorded at acquisition cost less any accumulated impairment write-down.
In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

With effect from January 1st 2004, goodwill is no longer amortized in accordance with IFRS 3, but instead is subject to impairment testing, at least once a year or whenever an indication of loss in value occurs (*see § 2.12. "Impairment"*).

For the purposes of impairment testing, goodwill is allocated to Cash Generating Units or to groups of Cash Generating Units (*see the impairment test procedure in § 2.12. "Impairment"*).
For each closing, the carrying amount of the Cash Generating Unit (or groups of Cash Generating Units) to which the goodwill relates is compared with its recoverable value, which represents the highest value between the fair value of the Cash Generating Unit less any selling costs and its value in use. The value in use is defined as the present value of future cash flows of the concerned subsidiary as identified in the business plans including the terminal value. Details of the method used to calculate the value in use are presented in Note 3 "Goodwill".

Other intangible assets

An intangible asset is a non-monetary asset that has no physical substance and which has to be identifiable as a separate asset, owned and controlled and held to provide future economic benefits.

An asset complies to the criterion of identification in the definition of intangible assets when it meets one of the following two conditions: it is separable (i.e. it can be sold, transferred, conceded, rented out or exchanged), or it arises from contractual or legal rights, regardless of whether or not these rights are separable.

Other intangible assets acquired by the Group are recorded at cost less any accumulated amortization and write-downs.

Subsequent expenditure relating to recognised intangible assets is capitalised only to the extent that it contributes to increasing, and not simply maintaining, the future economic benefits represented by the intangible asset to which it relates. All other expenditure is recorded as an expense in the consolidated income statement when incurred.

Intangible assets with a defined useful life are amortized on a straight-line basis over their estimated useful lives. The amortization charge is recorded in the consolidated income statement.

The Group records under this heading software that is developed in-house or acquired externally and contract portfolios registered in application of IFRS 4.

Software developed in-house or acquired externally are amortized over 5 years.

Costs relating to the development phase are capitalised provided that the entity can demonstrate the following: the technical feasibility of the project, its intention to complete and use the intangible asset, its capacity to use it, how the intangible asset will generate future economic benefits, the availability of resources to complete the development and its capacity to reliably measure the costs associated with the intangible asset.

2.12. Impairment

Goodwill

In accordance with IFRS 3, goodwill is not amortized but is subject to impairment tests which are performed on a systematic annual basis and as soon as there is any indication of loss in value. Impairment tests are performed for each Cash Generating Unit (CGU) or group of CGUs to which goodwill is related. The CGUs correspond to some of the main subsidiaries or branches of areas presented in the segment analysis. An impairment loss of goodwill is recognised when the highest of the Cash Generating Unit's value in use (present value of future cash flows) and fair value less any selling costs is less than its carrying amount (net asset including goodwill)

The main assumptions used to determine the value in use are as follows: indefinite renewal of policies, perpetual growth rate for 1% depending on the CGU concerned, and a cost of capital between 3.80% and 5.88% depending on the CGU. With effect from 2006, the cost of capital rate used is determined by geographic region. The model is based on the projected 3-year budget prepared by management with a final year based on normalised management ratios (combined ratios and target retention rates).

Furthermore, since the Group has organized its reinsurance activities with the settlement of a Group reinsurance region, the scope of the Cash Generating Units has been extended to include internal reinsurance activities contracted by the CGU with this Group reinsurance region, as well as the share of related shareholders' equity.

The calculation parameters adopted as at December 31, 2016 are detailed per CGU in the Note 3 “Goodwill”.

The impairment loss recorded in the consolidated income statement is allocated in priority to the goodwill related to the Cash Generating Unit, and is then allocated, for the outstanding part, on a pro rata basis to the other assets of the Cash Generating Unit. Goodwill impairment loss is never written back.

Other intangible assets

All other intangible assets are subject to an impairment test if there is any indication of loss in value. Any impairment loss recognised for an asset other than goodwill is written back if the estimate of the recoverable value has increased since the recognition of the last impairment loss. However, the write back cannot be such that the carrying amount of the asset exceeds the carrying amount that would have been determined, net of amortization, if impairment had not been recognised.

2.13. Property assets

Distinction between investment property and operating property

An investment property is a property asset (land or building) owned by the Group for the purpose of generating rental income or capital appreciation, as opposed to being for the purpose of use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business. Investment property is recorded in the balance sheet under “Investments.

The Group’s operating property is included within property plant and equipment.

Recognition and measurement

The Group recognises property (held for investment or operating purposes) in accordance with the cost method. This means that each property asset must be recorded at an amount equal to the cost on the acquisition date (purchase price, including non-recoverable taxes and other expenses directly attributable to the acquisition such as transfer taxes and legal fees) plus any subsequent expenditure that can be capitalised under IAS 16 and less any accumulated depreciation calculated in accordance with IAS 16 and any impairment relating to the application of IAS 36.

The Group has identified four categories of property assets that apply to both investment property and operating property:

- housing;
- warehouses and commercial premises;
- offices;
- high-rise buildings.

The depreciable balance sheet amount corresponds to the acquisition cost (including expenditure that can be capitalised) less any residual value, where applicable, and any impairment. When the historical acquisition cost determined in this manner exceeds the residual value, a depreciation charge is recorded. The residual value corresponds to the amount that the business would currently obtain by selling an asset that has already reached the age and condition of an asset at the end of its useful life, net of any costs relating to its disposal.

For each category of property assets, and in addition to land, the Group has identified six significant components, each of which has a different useful life and must therefore be subject to a depreciation schedule according to their respective useful lives. The table below shows, for each category of property assets, the general allocation rules for each component and the depreciation period and the residual value, where applicable. Acquisition expenses of properties are allocated to the components and depreciated over the same period.

	Housing	**Warehouses and commercial premises**	**Offices**	**High-rise buildings**
Component	**Depr. period**	**Depr. period**	**Depr. period**	**Depr. period**
Load-bearing structures and walls	100 years	30 years	100 years	70 years
Non-load-bearing windows and facades, roofs and terraces, internal constructions	40 years	30 years	40 years	40 years
A/C engineering, plumbing and networks, electrical engineering	25 years	20 years	25 years	25 years
Centralised technical management, fire safety and other safety features	25 years	20 years	25 years	25 years
Lifting gear	25 years	20 years	25 years	25 years
Major maintenance work	10 years	10 years	10 years	10 years

Properties are valued periodically by independent experts. The fair value of buildings is estimated based on market prices adjusted, where applicable to take into account the nature, location or other specific features of the building concerned. The fair value is presented in the Note 5 Investment and operating property.

Impairment

- Investment property

A provision for depreciation of investment property is recorded to reduce the value of the property to the higher of the value in use and the expert valuation decreased from costs of the sale. This provision may be written back through the consolidated income statement in the event of an increase in value.

- Property for own use

When a property's expert valuation is less than its carrying amount, the value in use of the Cash Generating Unit (CGU) to which the property belongs must be determined. A provision for depreciation is recorded in order to reduce the value of the operating property to the higher of the value in use and the expert valuation decreased from costs of the sale. In the event of an increase in value, this depreciation may be written back through the consolidated income statement.

2.14. Other property, plant and equipment

Other property plant and equipment are recorded at cost less accumulated depreciation and impairment write-downs.

The depreciation methods and useful lives are generally as follows:

- IT equipment straight-line 3 years
- Furniture/fittings straight-line 10 years
- Motor vehicles straight-line 5 years

2.15. Financial instruments

Financial investments

In accordance with IFRS, financial investments are analysed between the following categories: financial instruments at fair value through the consolidated income statement, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. The classification is determined on initial recognition of the instrument according to its nature and/or the Group's ownership intention.

The Group's financial investments are mainly classified as available-for-sale investments. The Group has not elected for the option enabling it to value its financial investments at fair value through profit and loss.

Available-for-sale assets (AFS)

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or which are not classified within the other three categories of financial instruments as defined below:

- Initial recognition

Available-for-sale assets are recorded at fair value plus any transaction costs directly related to the acquisition (referred to hereafter as the purchase price). The difference between the purchase price and the redemption value of fixed-income securities is recorded in the consolidated income statement on an actuarial basis over the remaining term of the securities using the effective interest rate method.

- Measurement

On the balance sheet date, available-for-sale assets are measured at their fair value. The difference between the fair value of the securities and their book value (including the actuarial amortization) is recorded as "available-for-sale assets", with a corresponding entry in the revaluation reserve, without any impact on the consolidated income statement.

- Impairment

When objective evidence exists of impairment of an available-for-sale asset, the accumulated loss recorded directly in shareholders' equity is removed from shareholders' equity and recorded in the consolidated income statement.

The criteria deemed to indicate impairment of available-for-sale shareholders' equity instruments are as follows (Not cumulative criterion):

- at the closing date significant impairment is presumed when the fair value of an available-for-sale equity instrument is more than 20% below the average acquisition cost of the securities;
- lasting impairment is presumed when the fair value is less than the acquisition cost for more than 9 months.

The amount of the accumulated loss removed from shareholders' equity and recorded in the consolidated income statement is equal to the difference between the acquisition cost (net of any capital repayment and any write-downs) and the current fair value, less any impairment of this financial asset previously recorded in the consolidated income statement.

Any relevant decrease in the fair value of a stock already impaired is complementarily accounted through the consolidated income statement.

Impairment recorded on a shareholders' equity instrument is never written back to the consolidated income statement prior to de-recognition of the instrument.

For debt instruments, impairment is accounted through net income only in case of a recorded risk of the issuer's default.

- Disposal

In the event of disposal, the amounts recorded in the revaluation reserve are recorded in the consolidated income statement.

Held-to-maturity assets (HTM)

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables, which the Group has the clear intention and the capacity to hold until their maturity.

- Initial recognition

On initial recognition, held-to-maturity assets are recorded at fair value plus any transaction costs directly related to the acquisition.

- Measurement

On the balance sheet date, held-to-maturity investments are measured at their amortized cost using the effective interest rate method. Premiums and discounts are included in the amortized cost calculation and are recorded in the consolidated income statement on an actuarial basis over the term of the financial asset.

Assets held for trading purposes

A financial asset is classified as held for trading purposes if it is:

- acquired or held mainly with a view to being sold or redeemed in the short term; or
- part of a portfolio of identified financial instruments that are managed as a whole and for which there is evidence of a recent pattern of short-term profit taking; or
- a derivative instrument (except for a derivative that is a designated and effective hedging instrument).

- Initial recognition

Assets held for trading purposes are recorded at fair value on the acquisition date.

- Measurement

Assets held for trading purposes are measured at fair value. Any change in the fair value of securities held for trading purposes during the period is recorded in the consolidated income statement for the period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not listed on an active market, except for instruments classified at fair value through the consolidated income statement or as available for sale.

- Recognition and measurement

Loans are recorded at fair value plus any directly attributable transaction costs. On the balance sheet date, they are measured at amortized cost using the effective interest rate method. Financial income for the period is recorded by applying the effective interest rate to the amortized cost of the transaction.

- Impairment

When objective evidence of impairment exists (e.g. deterioration in the financial situation of the issuers), the amount of the loss is equal to the difference between the asset's carrying amount and the estimated future cash flows' value, discounted at the original effective interest rate of the financial asset.

Derivatives

A derivative is a financial instrument, or another agreement falling within the scope of application of IAS 39, which has the following three features: (a) its value varies according to an interest rate, a financial instrument price, a specific commodity price, an exchange rate, a price, rate or credit index, a credit rating or another underlying fluctuations; (b) it does not require any net initial investment or any net initial investment which is less than what would be required for other types of contracts that can be expected to react similarly to changes in market conditions; and (c) it is settled in the future.

All derivatives are classified at fair value through the consolidated income statement except when it concerns a designated and effective hedging instrument. In the latter case, the instrument is still measured at fair value but the recognition of the gain or loss follows the procedures applicable to the hedging relationship to which it relates.

Derivatives eligible for fair value hedge accounting (i.e. those used to hedge changes in the fair value of an asset or liability) are recorded as follows:

- the hedging instrument is recorded at fair value and any changes are recorded through the consolidated income statement;
- the carrying amount of the hedged item is adjusted for any gain or loss on the hedged item attributable to the risk hedged, the change being recorded through the consolidated income statement;
- the hedged item is remeasured at market value in respect of the component relating to the risk hedged.

Derivatives eligible for future cash flow hedge accounting are recorded at fair value, with the portion of the change in fair value of the hedging instrument that is considered to constitute an effective hedge being recorded through shareholders' equity. The ineffective portion of the hedge is recorded immediately through the consolidated income statement.

Derivatives that are not eligible for hedge accounting are recorded as free-standing derivatives in the category of assets held for trading purposes. The fair value of free-standing derivatives is therefore recorded in the balance sheet in assets or liabilities, with any changes in the fair value being recorded through the consolidated income statement.

Within the Group, derivatives correspond mainly to hedging instruments linked to the stock option plans included in the Allianz group Equity Incentive (*see note 31 "Stock option plans"*).

2.16. Assets classified as held for sale

Assets are classified as "held for sale" when they are available for immediate sale in their present condition, their sale is highly probable, the management is committed to a plan to sell the asset and an active program to locate a buyer and complete the plan has been initiated. In accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", assets or group of assets held for sale are presented separately on the face of the statement of financial position, at the lower of their carrying amount and fair value less costs to sell.

This item includes:

- non-current assets held for sale;
- groups of assets held for sale;
- the total of current and non-current assets related to a business or geographical segment (i.e. to a discontinued operation) itself held for sale.

2.17. Insurance and reinsurance receivables and liabilities

These headings essentially comprise receivables and liabilities arising on insurance and reinsurance transactions, earned premiums not yet written and premium cancellations, net of reinsurance.

2.18. Acquisition costs capitalised

Acquisition costs capitalised relate to insurance policies. They mainly comprise brokerage commissions and expenses incurred by the sales and marketing departments. The capitalised amount is calculated using the same method as for the provision for unearned premiums. As the period covered by contracts is mainly one year at most, these acquisition costs are deferred to the following year. The movement in acquisition costs capitalised is included in acquisition expense reported in the consolidated income statement.

2.19. Current and deferred tax

Tax expense includes current and deferred tax. Current tax and deferred tax are recorded in profit or loss except when it relates to a business combination, or items recorded directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recorded in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recorded for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that does neither affect accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that they will likely not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets are recorded in the balance sheet as soon as their utilization is considered as probable by the Group.

2.20. Other receivables and operating liabilities

Other receivables and other operating liabilities essentially comprise tax-related receivables and liabilities (other than corporation tax), amounts due to employees, amounts due to suppliers, and receivables and liabilities due from/to the Allianz group.

2.21. Cash and cash equivalents

Cash consists of cash in hand and demand deposits. Bank overdrafts repayable on demand are considered as cash equivalents when they form an integral part of the Group's cash management procedures.

2.22. Provisions for risks and charges

<u>Provisions</u>

Provisions for risks and charges essentially comprise provisions for retirement commitments (*see § 2.23 Employee benefits*). Other provisions are measured using the rules set out in IAS 37, which imply the existence of a present obligation arising from a past event, the probability that an outflow of resources representing economic benefits will be necessary to settle the obligation and a reliable estimate of the obligation amount. They are discounted in the event that the impact proves to be significant.

<u>Contingent liabilities and contingent assets</u>

A contingent liability is a possible obligation arising from past events and whose existence will be confirmed only by the occurrence or otherwise of one or more uncertain future events, that are not under the full control of the business, or a present obligation arising from past events but which is not recognised, either because an outflow of resources is unlikely or because the amount of the obligation cannot be measured with sufficient reliability.
A contingent asset is a possible asset arising from past events and whose existence will be confirmed only by the occurrence or otherwise of one or more uncertain future events that are not under the full control of the business.
Group companies may be concerned by disputes inherent in the exercise of their normal business.

2.23. Employee benefits

The Group contributes, in accordance with the laws and practices of each country, to the constitution of retirement benefits for its employees. The benefits offered to Group staff derive either from defined-contribution plans or from defined-benefit plans.

- Defined-contribution plans involve payments to bodies that release the Group from any future commitments in respect of employees. As such, only the contributions paid or payable in respect of the period are included in the Group's financial statements. Such plans are in place in France, the United States, the United Kingdom and Scandinavia.
- In the case of defined-benefit plans, an amount of benefits is paid to the employee upon retirement, this amount generally being determined by one or more factors such as age, number of years' service and salary. Such plans are in place in the following countries: France, Germany, Belgium, the Netherlands, Italy, Scandinavia and the United Kingdom.

The related commitments are measured in accordance with IAS 19 Revised. The commitment is recorded in the balance sheet using the projected unit credit method, based on the Group actuarial assumptions, which are reviewed each year. This method involves assigning an additional unit of rights to benefits for each period of service, with each of these units being measured separately to calculate the final commitment.

The Group has put in place specific assets to cover certain plans. In this case, the commitment is reduced by the amount of the fair value of these assets.

Re-measurement results of the net defined-benefit assets/liabilities due to changes in assumptions and to experience adjustments are recognised in other comprehensive income without subsequent reclassification.

Past service cost denotes the change in the present value of the commitment in respect of defined-benefits for services rendered during prior years, arising as a result of the introduction of, or the change to, or the reduction of a post-employment benefit plan. For benefit rights that have already been earned, the corresponding amount must be expensed immediately. For benefit rights that are not yet earned, the charge or income is spread on a straight-line basis over the average remaining length of service to be completed for the rights to be earned.

The Group also accrues commitments relating to other long-term benefits (long-service awards, etc.) granted to employees. The provision corresponds to the present value of the commitment and is calculated annually by the Group.

2.24. Share-based payments transactions

The grant-date fair value of share-based payment awards granted to employees is recorded as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recorded as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, so that the amount ultimately recorded as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Allianz and the Group have put in place stock option plans for the benefit of executives of the Group. When exercising their rights, these executives receive a cash amount corresponding to the difference between the market value and the subscription price (Stock Appreciation Rights plans – SAR), or shareholders' equity instruments (this action is possible under Restricted Stock Units plans – RSU).

The fair value of options granted is calculated using the Cox-Ross-Rubinstein valuation model.

2.25. Insurance and reinsurance contracts

Contracts considered as insurance or reinsurance contracts under French accounting standards are analysed in accordance with IFRS between the following categories of contracts:

- insurance and reinsurance contracts falling within the scope of IFRS 4;
- investment contracts with discretionary participation falling within the scope of IFRS 4;
- investment contracts without discretionary participation falling within the scope of IAS 39.

Following a detailed review of its insurance and reinsurance contracts, it was evident that the Group only has contracts in the first category, which covers insurance and reinsurance contracts falling within the scope of IFRS 4. This review also highlighted the absence of any embedded derivatives. In the same way, the Group did not identify service contracts falling within the standard IAS 18.

Definition of insurance contracts

Insurance contracts are contracts under which the insurer accepts significant insurance risk. Insurance risk is a risk, other than a financial risk, that is transferred by the policyholder to the policy issuer (a financial risk is the risk of a future variation of one or several of the following components: specified interest rate, price of financial instrument, price of a good, exchange rate, price or rate index, credit rating or credit index or other flexible component (if it concerns a non-financial component, the component must not be specific to one of the part of the contract). Credit insurance contract are included in IFRS 4 (section B18 (g)).

Measurement of insurance contracts

Other than in the case of the specific exceptions defined in the standard, IFRS 4 permits the continued use of previous accounting principles for the recognition of insurance and reinsurance contracts. Thus, the Group continued to apply the standards defined by CRC 2000-05 related to the consolidation and combination rules from companies regulated by the Insurance Regulations taking into account the following points, which are covered by specific provisions introduced by IFRS 4:

- removal of provisions for equalisation;
- performance of a test for the adequacy of liabilities;
- impairment testing of reinsurance assets;
- identification and separation of embedded derivatives.

For all other aspects, the methods already applied by the Group, in accordance with CRC Regulation no. 2000-05, were retained for the measurement of insurance contracts.

- Analysis by function of expenses relating to contracts

Expenses relating to insurance contracts are initially recorded according to their nature and then analysed by function in the consolidated income statement headings by means of analysis keys based on objective business criteria. Claims settlement expenses are included in contract service charges. Contract acquisition expenses and administration expenses are included in the consolidated income statement.

- Premiums

Premiums correspond to premiums written excluding taxes, before reinsurance and net of cancellations. They are recognised on the date on which the guarantee takes effect and include an estimate of premiums still to be written and an estimate of premiums that will be cancelled after the balance sheet date.

Premiums recorded in turnover stem from the guarantees given to policyholders to cover their trade receivables that arise during the same period as that for which the premium is paid. Given settlement delays, the lag between the triggering event, i.e. bankruptcy of the debtor, and notification of the claim, there is also a lag between recording the premiums and the related claims. This lag is taken into account through the recognition of provisions for claims incurred but not reported (IBNR).

- Provisions for unearned premiums

A provision for unearned premiums, gross of commissions and expenses, is established contract by contract , on a straight-line basis, as a function of the time left to run between the balance sheet date and the premium due date.

- Claims

Claims comprise the following items:

- claims settled during the period relating to the current period or to prior periods, net of received recoveries;
- claims settlement expense, notably settlement service expense and commissions allocated to claims handling.

- Reserves for claims payable

These technical reserves are designed to cover probable losses relating to:

- claims reported but not yet settled at the balance sheet date;
- claims occurring during the period but reported after the balance sheet date and, in respect of trade receivables existing at the balance sheet date and covered by a policy on such date, claims that will occur and will be reported during subsequent periods. These so-called “unknown” or “incurred but not reported” claims are estimated using statistical models that are based in particular on the level of claims observed during prior years and on the analysis of the development of the recent level of claims.

Claims reserves are increased by a provision for administration charges.

Additional information on the measurement of claims reserves is provided in section 4 “Major risk factors and their management within the Group”.

- Estimated recoveries

Recoveries are the result of actions taken by the Group against defaulting debtors in order to fully or partially recover claims paid to policyholders. Estimated recoveries are a prudent estimate of potential recoveries on settled claims and are recognised as a reduction in the amount of the reserves for claims payable. They take into consideration a provision for administration charges determined in accordance with actual observed expenses.

- Other technical reserves

A provision for current risks is established by risk category in addition to the provision for unearned premiums when claims are likely to arise after the balance sheet date and relating to contracts underwritten before that date and the related acquisition costs and administration charges are not covered by the provision for unearned premiums.

- Test for the adequacy of liabilities

For each closing, insurance contract liabilities net of related assets (acquisition costs capitalised and portfolio securities) are subject to a test for the adequacy of liabilities. The methods previously applied by the Group and retained under IFRS 4 (including notably the measurement of claims reserves on the basis of the non-discounted ultimate cost and the methods for establishing the provision for current risks) constitute a satisfactory test for the adequacy of liabilities given the minimum requirements specified by IFRS 4.

Reinsurance contracts

- Acceptances

Insurance acceptances (inwards reinsurance) are recognised on a case-by-case basis based on the actual or estimated results for the year. Technical reserves correspond to the amounts advised by the assignors.

- Assignments

Assigned reinsurance contracts (outwards reinsurance) are recognised in accordance with the terms of the various treaties. The share of assignees in the technical reserves is measured in the same way as for technical reserves gross of reinsurance appearing in liabilities.

Cash deposits received from reinsurers are recognised in liabilities arising from assigned reinsurance transactions. Receivables due from reinsurers are subject to impairment write-downs if the ceded company will not receive the entire amount due at the end of the contract.

2.26. Borrowings

Borrowings are contractual obligations that require the Group to transfer cash or a financial asset to another entity, or to exchange with another entity a financial asset on potentially unfavourable terms.

The measurement and recognition of borrowings are defined by IAS 39. With the exception of derivatives (*see § 2.15. Financial instruments – Derivatives*), borrowings and other financial liabilities are recorded originally at fair value less any related transaction costs, and are subsequently measured at amortized cost calculated using the effective interest rate.

Borrowings include, within the meaning of IAS 39, borrowings, other financing and bank overdrafts, derivatives and amounts due to suppliers and social security liabilities included in "operating liabilities".

2.27. Income from ordinary activities

Income from ordinary activities can comprise items measured and recorded in accordance with IFRS 4, IAS 18 or IAS 39. This aggregate has a broader meaning than turnover as it also incorporates investment income.
Turnover comprises earned premiums and commissions and other operating revenues.

Premiums

Credit insurance premiums included in turnover correspond to written premiums excluding taxes, less premiums cancelled during the period and an estimate of written premiums that will be cancelled after the balance sheet date. They are increased by an estimate of the portion of premiums to be written that are earned during the period and adjusted by the movement in provisions for unearned premiums, which corresponds to the share of written premiums covering the period after the balance sheet date. Premium refunds granted to policyholders are presented on a separate line as a deduction from turnover.

Service revenues comprise enquiry and monitoring charges invoiced in respect of risk management and prevention on behalf of policyholders, and fees for the collection of disputed receivables. They also include income relating to the export guarantee activity managed on behalf of the German State and other technical income.

Investment income

Investment income is recorded in accordance with IAS 39, IAS 17 or IAS 18 depending on its type.

- Investment income net of management expense

This income is mainly composed of the following categories:

- net income from property;
- net income from securities;
- other financial income (bank credit interest, income from other investments);
- foreign exchange gains and losses;
- investment management charges.

- Capital gains and losses on disposals of investments

Capital gains and losses on disposals of securities or property are recorded in the consolidated income statement. Shares exchanged under a public share exchange offer result in the recognition of a capital gain on exchange.

- Change in fair value of investments recognised at fair value through the consolidated income statement

Differences in fair value recorded for the current period less any differences from the previous period are recognised. These essentially concern the remeasurement of derivatives.

- Change in investment impairment charges

The impairment charges notably concern write-downs of investments and write-backs following a disposal, and charges for the depreciation and impairment of investment property.

2.28. Insurance services expenses

Insurance services expenses include the net cost of claims, i.e. claims settled during the period less recoveries received, the movement in claims reserves net of projected recoveries, expenses incurred or to be incurred for the management of claims payments and collections.
The recognition principles applied to these items are those set out in IFRS 4 and are described in § 2.25. Insurance and reinsurance contracts – Measurement of insurance contracts.

2.29. Net outwards reinsurance income or expense

This heading comprises the share of assignments and retrocessions of earned premiums, claims paid, changes in claims reserves, bonuses and commissions received from reinsurers.
The recognition principles applied to these items are those set out in IFRS 4 and are described in § 2.25. Insurance and reinsurance contracts – Reinsurance contracts.

2.30. Administration expense and Contract acquisition expenses

Administration expenses mainly comprise salary costs and costs relating to the IT systems affected to the administration of the contracts.

Contract acquisition expenses comprise primarily wage costs related to acquisition of contracts, brokerage commissions, fees for opening files, spending on commercial networks.

2.31. Other ordinary operating income and expense

Other ordinary operating income and expense correspond mainly to the Group's service revenue and expense.

2.32. Other operating income and expense

These revenue and expense items arise from a major event that occurred during the accounting period and was such that it would have distorted the interpretation of the Group's performance. Therefore, they consist of very few items that are unusual in nature, occur infrequently, and are for significant amounts.

2.33. Financing expense

The recognition principles applied to this item are those set out in IAS 39.
Financing expense consists of expenses relating to the following items:

- long-term financial liabilities: capital borrowings from the general public, e.g. in the form of bonds, or from banks or financial institutions (medium or long-term loans, leases, etc.);
- short-term financial liabilities of the same type as above including issues of short-term negotiable debt securities to investors;
- fair-value hedging instruments recorded in the balance sheet and relating to liabilities representing the gross borrowings described above;
- accrued interest on balance sheet items representing gross borrowings.

2.34. Earnings per share

Earnings per share are calculated by dividing the Group share of the net income or loss by the weighted average number of ordinary shares in issue during the year less treasury shares. An ordinary share is a shareholders' equity instrument that is subordinated to all other categories of shareholders' equity instruments.

Dilution implies a reduction in the earnings per share as a result of the assumption that convertible instruments are converted, equity options and subscription warrants are exercised, and ordinary shares are issued if certain specific conditions are met.

Note 3 Goodwill

In accordance with IFRS 3, goodwill is not amortized but is subject to impairment tests which are performed on a systematic annual basis and as soon as there is any indication of loss in value.

(in € thousand)	December 31, 2016						December 31, 2015
	Italy	United Kingdom	United States	Benelux countries	Other	Total	Total
Opening balance							
Gross value	6,229	67,460	39,030	9,459	6,784	128,963	121,625
Impairment losses	(409)	(9,744)	(3,958)	-	-	(14,111)	(13,236)
Carrying amount	**5,820**	**57,716**	**35,072**	**9,459**	**6,784**	**114,852**	**108,389**
Change during the year							
Opening carrying amount	5,820	57,716	35,072	9,459	6,784	114,852	108,389
Changes in gross value	-	-	-	-	-	-	-
Outgoing entities & Held for sale transfer	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-
Changes in foreign currency translation adjustments	-	(7,741)	1,049	-	160	(6,532)	6,463
Impairment losses	-	-	-	-	-	-	-
Closing carrying amount	**5,820**	**49,975**	**36,121**	**9,459**	**6,944**	**108,320**	**114,852**
Closing Balance							
Gross value	6,229	58,441	40,198	9,459	6,944	121,271	128,963
Impairment losses	(409)	(8,466)	(4,077)	-	-	(12,952)	(14,111)
Carrying amount	**5,820**	**49,975**	**36,121**	**9,459**	**6,944**	**108,320**	**114,852**

At year-end 2016, changes in goodwill are mainly due to the depreciation of British pound and the appreciation of US dollar against euro.

At year-end 2015, changes in goodwill are mainly due to the appreciation of US dollar and British pound against euro.

<u>Method of impairment tests</u>

In accordance with IAS 36, the Group performs impairment tests of the goodwill by comparing the value in use of the cash generated units (CGU) including goodwill and the carrying value (contribution of Group consolidated net asset including goodwill).

The value in use is the actual value of future cash flows as presented in the business plan of the concerned entity including the terminal value.

The main assumptions for the calculation of the value in use are the perpetuity growth rate, which is defined by CGU, and the cost of capital, which is defined by geographical area. The model is built on a 3-year forecast prepared by the CGU and validated by Group management, plus a final year built on targeted combined ratio and retention rate. Moreover, with the creation of a Group reinsurance region, the scope of the CGU has been extended to include internal reinsurance activities occurring between the CGU and the Group reinsurance region, and consequently to include also a part of the Group reinsurance region's contribution to Group consolidated net asset.

The parameters used to calculate the CGU's valuations are presented in the table below.

Results of impairment tests

	Italy	United Kingdom	United States	Belgium	Netherlands
Cost of capital (net of tax)	5,26%	4,68%	5,88%	3,97%	3,80%
of which, risk-free rate	*1,82%*	*1,24%*	*2,44%*	*0,53%*	*0,36%*
of which, risk premium (bêta = 0.688)	*3,44%*	*3,44%*	*3,44%*	*3,44%*	*3,44%*
Effective tax rate	48,0%	20,0%	35,0%	34,0%	25,0%
Normalised return on financial portfolio	0,08%	0,08%	2,04%	0,08%	0,08%
Gross combined ratio	84,0%	85,0%	79,0%	88,0%	81,0%
Target retention rate	30,9%	26,6%	28,6%	24,0%	32,1%
Perpetual growth	1,0%	1,0%	1,0%	1,0%	1,0%
Value in use (in € million)	**561,2**	**510,8**	**754,1**	**192,4**	**210,1**
Contribution to group consolidated net asset (in € million)	**251,6**	**193,8**	**390,1**	**55,8**	**50,3**
Surplus (or deficit)	**309,6**	**317,0**	**364,0**	**136,6**	**159,8**

Sensitivity of impairment tests

Sensitivity analyses were performed on the impairment tests, assuming deviation in some calculation parameters:

- Sensitivity on long-term growth: the impairment tests were performed with same methodology but assuming a -0.5 point decrease in perpetual growth rate. For all CGUs, the result of this sensitivity test led to a value in use still higher than the carrying value. These valuations support the fact that no complementary goodwill impairment is recognised.
- Sensitivity on cost of capital: the impairment tests were performed with same methodology but assuming a +0.5 point increase in the cost of capital. For all CGUs, the result of this sensitivity test led to a value in use still higher than the carrying value. These valuations support the fact that no complementary goodwill impairment is recognised.
- Sensitivity on gross combined ratio: the impairment tests were performed with the same methodology but assuming a +3 points increase in the target gross combined ratio, of which +2 points on gross loss ratio and +1 point on gross cost ratio. The result of this sensitivity test led to a value in use still higher than the carrying value for all CGUs. These valuations support the fact that no complementary goodwill impairment is recognised.

Break-even parameters

The following table presents for each CGU the change in each of the key parameters taken individually, where the estimated value in use breaks even with its contribution to Group consolidated net asset.

	Italy	United Kingdom	United States	Belgium	Netherlands
Perpetual growth	-5,8%	-7,0%	-5,3%	-9,2%	-11,7%
Cost of capital	11,0%	11,3%	11,1%	12,2%	13,8%
Gross combined ratio	114,5%	114,9%	103,9%	125,7%	103,8%

Note 4 Other intangible assets and contracts portfolio

(in € thousands)	December 31, 2015				December 31, 2014			
	Contract porfolio	IT development and software	Other intangible assets	Total	Contract porfolio	IT development and software	Other intangible assets	Total
Opening balance								
Gross value	2 703	309 340	26 783	338 826	3 133	293 835	33 459	330 427
Amortization	(2 703)	(194 272)	(23 123)	(220 098)	(2 716)	(193 555)	(21 654)	(217 925)
Impairment	-	-	-	-	-	-	-	-
Carrying amount	**-**	**115 068**	**3 660**	**118 728**	**417**	**100 280**	**11 805**	**112 502**
Change during the year								
Opening carrying amount	**-**	**115 068**	**3 660**	**118 728**	**417**	**100 280**	**11 805**	**112 502**
Acquisitions	-	32 643	(10)	32 633	-	35 681	417	36 098
Changes in consolidation scope	-	26	(1)	25	-	-	-	-
Disposals	-	(319)	-	(319)	(430)	(210)	(270)	(910)
Reclassifications	-	671	(211)	460	-	(5 661)	(7 195)	(12 856)
Foreign exchange differences	-	(2 372)	(452)	(2 824)	11	1 153	164	1 328
Net amortization	-	(16 888)	(235)	(17 123)	2	(16 175)	(1 261)	(17 434)
Net provisions for impairment	-	(5 529)	-	(5 529)	-	-	-	-
Other changes	-	41	-	41	-	-	-	-
Closing carrying amount	**-**	**123 341**	**2 751**	**126 092**	**-**	**115 068**	**3 660**	**118 728**
Closing balance								
Gross value	2 703	331 363	16 904	350 970	2 703	309 340	26 783	338 826
Amortization	(2 703)	(208 022)	(14 153)	(224 878)	(2 703)	(194 272)	(23 123)	(220 098)
Impairment	-	-	-	-	-	-	-	-
Carrying amount	**-**	**123 341**	**2 751**	**126 092**	**-**	**115 068**	**3 660**	**118 728**

In 2016, as in 2015, the increase in IT development and software results mainly from the capitalization of internally developed Group applications and purchased software for internal projects.

The main Group applications developments are:

- In 2015: Galileo (Commercial), Bonding (Commercial), the migration project of the Euler Hermes network to the Allianz one;
- In 2016: Galileo, Eolis (development linked to the « EH 3.0 and Digitalization » project), Bonding and the migration project of the Euler Hermes network to the Allianz one.

Depreciation both in 2015 and in 2016 is mainly related to internally developed software Galileo (Commercial) and FIT+1 (Accounting).

The Convergence software was impaired in 2016 for €5.5 million.

The €-12.9 million reclassification in 2015 was due to the reclassification as Held for sale of the other intangible assets and IT development and software of Bürgel group following the share sale agreement signed in 2016.

Note 5 Investment and operating property

(in € thousand)	December 31, 2016		December 31, 2015	
	Investment property	Operating property	Investment property	Operating property
Balance at opening period				
Gross value	103,271	27,367	97,015	27,230
Depreciation	(24,297)	(17,827)	(21,646)	(17,651)
Impairment losses	-	-	-	-
Carrying amount	**78,974**	**9,540**	**75,369**	**9,579**
Change during the year				
Opening carrying amount	78,974	9,540	75,369	9,579
Acquisitions	391	44	5,885	136
Change in consolidation scope	-	-	-	-
Disposals	-	-	-	(18)
Reclassifications	-	-	371	-
Changes in foreign currency translation adjustements	-	4	-	10
Net depreciation	(2,688)	(157)	(2,651)	(167)
Net provisions for impairment	-	-	-	-
Other changes	1	-	-	-
Closing carrying amount	**76,678**	**9,431**	**78,974**	**9,540**
Balance at the end of the period				
Gross value	103,665	27,420	103,271	27,367
Depreciation	(26,987)	(17,989)	(24,297)	(17,827)
Impairment losses	-	-	-	-
Carrying amount	**76,678**	**9,431**	**78,974**	**9,540**
Fair value	**274,878**	**22,782**	**240,070**	**24,609**

Amounts recorded in the income statement

Investment property	December 31, 2016	Dec 31, 2015
Rental revenues from investment property	6,672	4,296
Direct operating expenses relating to property	(2)	-

The acquisitions of investment property consist of renovations costs of the former headquarter owned by Euler Hermes Real Estate. In 2016, these costs amounted to €0.4 million compared to €5.9 million in 2015.

In 2016, as in 2015, the building located rue Euler has been amortized for an amount of €1.7 million.

Note 6 Financial investments

Classification by accounting method

For an instrument that is listed on an active market, the fair value is the bid price on the valuation date for an asset held or a liability to be issued and the offer price for an asset intended to be purchased or a liability intended to be held. If such prices are not available, the fair value is estimated based on the most recent transaction price.

If there is not any active market for a given financial instrument, the Group estimates the fair value by using a valuation technique. Valuation techniques include the use of recent transactions under normal competitive conditions between informed and consenting parties, where available, reference to the current fair value of another instrument that is identical in substance, the analysis of discounted cash flows and option valuation models.

Classification by investment category

(in € thousands)	December 31, 2016						December 31, 2015					
	Historical value	Revaluation reserve	Net carrying amount	Fair value	Listed	Non listed	Historical value	Revaluation reserve	Net carrying amount	Fair value	Listed	Non listed
Held-to-maturity assets												
Bonds	191	-	191	191	-	191	191	-	191	191	-	191
Total Held-to-maturity assets	**191**	**-**	**191**	**191**	**-**	**191**	**191**	**-**	**191**	**191**	**-**	**191**
Available-for-sale assets												
Equities	247,590	39,934	287,524	287,524	3,120,141	68,872	248,182	22,304	270,486	270,486	3,199,712	63,382
Bonds	2,826,177	75,312	2,901,489	2,901,489			2,924,054	68,554	2,992,608	2,992,608		
Total Available-for-sale assets	**3,073,767**	**115,246**	**3,189,013**	**3,189,013**	**3,120,141**	**68,872**	**3,172,236**	**90,858**	**3,263,094**	**3,263,094**	**3,199,712**	**63,382**
Loans, deposits and other financial investments	602,912	-	602,912	609,789	-	-	755,169	-	755,169	769,364	-	-
Total Loans, deposits and other financial investments	**602,912**	**-**	**602,912**	**609,789**	**-**	**-**	**755,169**	**-**	**755,169**	**769,364**	**-**	**-**
Total Financial investments (excluding investments in consolidated enterprise)	**3,676,870**	**115,246**	**3,792,116**	**3,798,993**	**3,120,141**	**69,063**	**3,927,596**	**90,858**	**4,018,454**	**4,032,649**	**3,199,712**	**63,573**

(in € thousands)	December 31, 2014					
	Historical value	Revaluation reserve	Net carrying amount	Fair value	Listed	Non listed
Held-to-maturity assets						
Bonds	191	-	191	191	191	-
Total Held-to-maturity assets	**191**	**-**	**191**	**191**	**191**	**-**
Available-for-sale assets						
Equities	220,224	25,320	245,544	245,544	2,973,382	87,827
Bonds	2,708,754	106,911	2,815,665	2,815,665		
Total Available-for-sale assets	**2,928,978**	**132,231**	**3,061,209**	**3,061,209**	**2,973,382**	**87,827**
Loans, deposits and other financial investments	833,226	-	833,226	854,230	-	-
Total Loans, deposits and other financial investments	**833,226**	**-**	**833,226**	**854,230**	**-**	**-**
Total Financial investments (excluding investments in consolic	**3,762,395**	**132,231**	**3,894,626**	**3,915,630**	**2,973,573**	**87,827**

Concerning the non-listed investments, the Group estimates the fair value by using a valuation technique. Valuation techniques include the use of recent transactions under normal competitive conditions between informed and consenting parties, where available, reference to the current fair value of another instrument that is identical in substance, the analysis of discounted cash flows and option valuation models. The non-listed investments are mainly German mortgage bonds.

There was no significant impact of impairment on the Group portfolio as at December 31, 2016. The Group does not hold any financial assets such as “dynamic treasury mutual funds” or “subprime investments”.

Notes to the consolidated financial statements

Fair value hierarchy

- Available-for-sale assets

The level 1 is mainly composed of listed bonds and stocks on an active market.

The level 3 is mainly composed of participation in listed and non-listed real estate funds, non-consolidated shares and Moroccan non-listed government bonds.

(in € thousands)	June 30, 2016		
	Level 1	**Level 2**	**Level 3**
Available-for-sale assets	**3,118,319**	**-**	**70,694**

(in € thousands)	December 31, 2015		
	Level 1	**Level 2**	**Level 3**
Available-for-sale assets	**3,217,155**	**-**	**45,939**

(in € thousands)	December 31, 2014		
	Level 1	**Level 2**	**Level 3**
Available-for-sale assets	**3,012,930**	**-**	**48,279**

- Other financial investments

The HTM bonds, loans and other investments are valued at amortized cost. Their hierarchical ranking is mainly level 3 except for the non-listed German mortgage bonds classified in level 2 for €260 million.

Classification by geographical zone

2016

Net carrying amount (in € thousands)	France	Other countries	Group
Held-to-maturity assets			
Bonds	191	-	191
Total Held-to-maturity assets	**191**	**-**	**191**
Available-for-sale assets			
Equities	62,327	225,197	287,524
Bonds	228,859	2,672,630	2,901,489
Total Available-for-sale assets	**291,186**	**2,897,827**	**3,189,013**
Loans, deposits and other financial inve	81,602	521,310	602,912
Total Loans, deposits and other financ	**81,602**	**521,310**	**602,912**
Total Financial investments	**372,979**	**3,419,137**	**3,792,116**

2015

Net carrying amount (in € thousands)	France	Other countries	Group
Held-to-maturity assets			
Bonds	191	-	191
Total Held-to-maturity assets	**191**	**-**	**191**
Available-for-sale assets			
Equities	64,430	206,056	270,486
Bonds	400,668	2,591,940	2,992,608
Total Available-for-sale assets	**465,098**	**2,797,996**	**3,263,094**
Loans, deposits and other financial inve	135,485	619,684	755,169
Total Loans, deposits and other financ	**135,485**	**619,684**	**755,169**
Total Financial investments	**600,774**	**3,417,680**	**4,018,454**

2014

Net carrying amount (in € thousands)	France	Other countries	Group
Held-to-maturity assets			
Bonds	191	-	191
Total Held-to-maturity assets	**191**	**-**	**191**
Available-for-sale assets			
Equities	96,763	148,781	245,544
Bonds	501,769	2,313,896	2,815,665
Total Available-for-sale assets	**598,532**	**2,462,677**	**3,061,209**
Loans, deposits and other financial inve	109,599	723,627	833,226
Total Loans, deposits and other financ	**109,599**	**723,627**	**833,226**
Total Financial investments	**708,322**	**3,186,304**	**3,894,626**

Movements in the periods

(in € thousands)	December 31, 2016				December 31, 2015
	Held-to-maturity investments	**Available-for-sale investments**	**Loans, deposits and other financial investments**	**Total**	**Total**
Opening carrying amount	**191**	**3,263,094**	**755,169**	**4,018,454**	**3,894,626**
Increase in gross value	-	866,250	2,644,731	**3,510,981**	**3,712,143**
Decrease in gross value	-	(926,583)	(2,801,120)	**(3,727,703)**	**(3,561,309)**
Revaluation	-	28,607	-	**28,607**	**(47,399)**
Impairment	-	(414)	-	**(414)**	**(53)**
Changes in foreign currency translation adjustements	-	(21,492)	4,129	**(17,363)**	**54,811**
Reclassifications	-	756	-	**756**	**(10,167)**
Other changes	-	(21,205)	3	**(21,202)**	**(24,198)**
Closing carrying amount	**191**	**3,189,013**	**602,912**	**3,792,116**	**4,018,454**

In 2016, the other changes in available-for-sale investments are mainly explained by the amortization of premiums and discounts of bonds. The changes in foreign currency translations are mainly due to the depreciation of British pound against euro.

(in € thousands)	December 31, 2015				December 31, 2014
	Held-to-maturity investments	**Available-for-sale investments**	**Loans, deposits and other financial investments**	**Total**	**Total**
Opening carrying amount	**191**	**3,061,209**	**833,226**	**3,894,626**	**3,675,876**
Increase in gross value	-	1,140,366	2,571,777	**3,712,143**	**3,912,264**
Decrease in gross value	-	(895,086)	(2,666,223)	**(3,561,309)**	**(3,770,416)**
Change in consolidation scope	-	-	-	**-**	**5,264**
Revaluation	-	(47,399)	-	**(47,399)**	**43,667**
Impairment	-	(53)	-	**(53)**	**(2,984)**
Changes in foreign currency translation adjustements	-	39,320	15,491	**54,811**	**54,236**
Reclassifications	-	(10,167)	-	**(10,167)**	**-**
Other changes	-	(25,096)	898	**(24,198)**	**(23,281)**
Closing carrying amount	**191**	**3,263,094**	**755,169**	**4,018,454**	**3,894,626**

In 2015, the reclassifications of available-for-sale investments are related to the transfer to held-for-sale of the assets of the Bürgel group. The other changes in available-for-sale investments are mainly explained by the amortization of premiums and discounts of bonds. The changes in foreign currency translations are mainly due to the appreciation of the British pound and US dollar against euro.

Exposure of the Group to European sovereign debt

- The Group does not have exposure to the sovereign debts in the following countries anymore: Greece, Ireland, Hungary and Turkey.

- The Group (without joint-ventures) has a limited exposure to the Spanish sovereign debt:

Country	Maturity	Acquisition value	Market value	Difference
(in € thousands)				
Spain	2017	4,597	4,757	160
Spain	2018	23,814	24,800	986
Spain	2019	21,406	22,737	1,331
Spain	2020	19,421	20,840	1,419
Total		**69,238**	**73,134**	**3,896**

All investments mentioned above are recorded at fair value in assets available for sale (AFS).

- Portugal

The Portuguese joint-venture COSEC, accounted for at the equity method within the Group, has the following exposure to the sovereign debt of peripheral European countries:

Country	Maturity	Acquisition value	Market value	Difference
(in € thousands)				
Spain	2018	2,859	2,922	63
Spain	2019	2,418	2,519	101
Spain	2024	2,507	2,746	239
Italy	2018	965	990	25
Italy	2020	1,585	1,575	-10
Italy	2022	1,053	1,032	-21
Italy	2023	1,277	1,233	-44
Italy	2024	2,478	2,655	177
Portugal	2018	3,086	3,190	104
Portugal	2019	3,356	3,301	-55
Portugal	2020	3,398	3,348	-50
Portugal	2021	4,925	4,864	-61
Total		**29,907**	**30,375**	**468**

- Spain

The Spanish joint-venture Solunion, accounted for at the equity method within the Group, has the following exposure to local government debt:

Country	Maturity	Acquisition value	Market value	Difference
(in € thousands)				
Spain	2017	3,562	3,577	15
Spain	2018	2,966	3,133	167
Spain	2019	1,074	1,125	51
Spain	2020	1,151	1,147	-4
Spain	2024	2,912	3,060	148
Spain	2026	1,017	993	-24
Total		**12,682**	**13,035**	**353**

Note 7 Investments accounted for at equity method

The companies accounted for at equity method are the following ones:

Associated entities	Country	% of capital held
OeKB Beteiligungs- und Management A.G.	Austria	49.00%
Companhia de Seguro de Creditos SA (COSEC)	Portugal	50.00%
Israel Credit Insurance Company Ltd	Israel	50.00%
Solunion Seguros de Crédito, Compañia Internacional de Seguros y Reaseguros SA	Spain	50.00%
CPPIC Euler Hermes Insurance Sales Co., Ltd	China	49.00%

Information on equity-accounted investments

(in € thousands)	December 31, 2016			
Company	**Assets [1]**	**Shareholders' equity [2]**	**Turnover [3]**	**Net income**
Credit insurance companies	724,008	376,228	303,275	30,853
	724,008	**376,228**	**303,275**	**30,853**

(1) Assets based on IFRS statements as at September 30, 2016, except for Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA for which the assets are based on IFRS statements as at December 31, 2016.

(2) Equity is determined on the basis of IFRS statements as at September 30, 2016, except for Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA for which equity is determined on the basis of IFRS statements as at December 31, 2016.

(3) The turnover corresponds to the turnover in the IFRS statements as at September 30, 2016 plus ¼ of 2015 total turnover, except for Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA for which turnover is as at December 31, 2016.

(in € thousands)	December 31, 2015			
Company	**Assets [4]**	**Shareholders' equity [5]**	**Turnover [6]**	**Net income**
Credit insurance companies	833,994	342,181	285,154	47,220
Other companies	44,036	3,069	52,838	(3,069)
	878,030	**345,250**	**337,992**	**44,151**

(4) Assets based on IFRS statements as at September 30, 2015, except for Solunion Seguros de Crédito, Compañia Internacional de Seguros y Reaseguros SA for which the assets are based on IFRS statements as at December 31, 2015.

(5) Equity is determined on the basis of IFRS statements as at September 30, 2015, except for Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA for which equity is determined on the basis of IFRS statements as at December 31, 2015.

(6) The turnover corresponds to the turnover in the IFRS statements as at September 30, 2015 plus ¼ of 2014 total turnover, except for Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA for which turnover is as at December 31, 2015.

Movements during the period

(in € thousands)	December 31, 2016	December 31, 2015
Opening carrying amount	**193,292**	**199,428**
Increases	3,570	-
Share of income for the period	15,343	22,649
Dividends paid	(9,284)	(21,774)
Impairment	-	(3,946)
Foreign exchange differences	423	734
Other changes	(1,325)	(3,799)
Closing carrying amount	**202,019**	**193,292**

Dividends paid correspond to dividends from OeKB EH Beteiligungs – u. Management A.G. for €5.7 million and from Compania de Seguro de Creditos S.A. for €3.6 million.

The other changes are mainly due to the change of the revaluation reserves of the investments accounted for at the equity method.

The at-equity investments in Graydon Holding N.V. which had been fully impaired for €3.9 million in 2015, has been sold in September 2016. The €10.7 million realized gain from disposal has been accounted for in other non ordinary operating income.

Contribution to shareholders' equity (without 2016 income)

(in € thousands)	December 31, 2016	December 31, 2015
Credit insurance companies	186,676	169,799
Other companies	-	844
Share of shareholders' equity	**186,676**	**170,643**

Contribution to income

(in € thousands)	December 31, 2016	December 31, 2015
Credit insurance companies	15,343	23,493
Other companies	-	(844)
Share of total income	**15,343**	**22,649**

Note 8 Operating property and other property and equipment

(in € thousands)	December 31, 2016			December 31, 2015		
	Operating property	**Other property and equipment**	**Total**	**Operating property**	**Other property and equipment**	**Total**
Opening balance						
Gross value	27,367	159,620	186,987	27,230	171,014	198,244
Depreciation	(17,827)	(123,737)	(141,564)	(17,651)	(131,692)	(149,343)
Impairment	-	(299)	(299)	-	(299)	(299)
Carrying amount	**9,540**	**35,584**	**45,124**	**9,579**	**39,023**	**48,602**
Change during the year						
Carrying amount at opening period	**9,540**	**35,584**	**45,124**	**9,579**	**39,023**	**48,602**
Acquisitions	44	15,711	15,755	136	15,687	15,823
Disposals	-	(8,006)	(8,006)	(18)	(7,126)	(7,144)
Reclassifications	-	(171)	(171)	-	(1,914)	(1,914)
Foreign exchange differences	4	84	88	10	573	583
Net depreciation	(157)	(9,055)	(9,212)	(167)	(10,656)	(10,823)
Net provisions for impairment	-	(400)	(400)	-	-	-
Other changes	-	(15)	(15)	-	(3)	(3)
Carrying amount at closing period	**9,431**	**33,731**	**43,161**	**9,540**	**35,584**	**45,124**
Balance at closing period						
Gross value	27,420	159,426	186,846	27,367	159,620	186,987
Depreciation	(17,989)	(124,996)	(142,985)	(17,827)	(123,737)	(141,564)
Impairment	-	(699)	(699)	-	(299)	(299)
Carrying amount	**9,431**	**33,731**	**43,162**	**9,540**	**35,584**	**45,124**

In 2015 and 2016, the acquisitions and disposals in Other Property and Equipment are mainly due to the renewal of computers, furniture and office equipment.

The reclassification in 2015 for €-1,914 thousands was mainly due for €-1,450 thousand to the recognition of operating properties into assets held for sale concerning Bürgel Wirtschaftsinformationen Verwaltungs GmbH and Bürgel Wirtschaftsinformationen GmbH & Co. KG.

Note 9 Deferred tax

Breakdown by type of tax

(in € thousands)	December 31, 2016	December 31, 2015
Deferred tax assets	286,293	280,920
Deferred tax liabilities	(436,176)	(424,927)
Net deferred tax	**(149,883)**	**(144,007)**
Tax losses	3,425	4,404
Deferred tax assets linked to revaluation of AFS investments	6,307	9,038
Deferred tax assets - provisions for retirement commitments	187,331	176,999
Deferred tax assets - technical reserves	17,136	13,866
Other deferred tax assets	72,094	76,613
Total deferred tax assets	**286,293**	**280,920**
Deferred tax liabilities linked to revaluation of AFS investments	(26,258)	(25,512)
Deferred tax liabilities - provisions for retirement commitments	(143,143)	(140,276)
Deferred tax liabilities - technical reserves	(219,324)	(208,443)
Other deferred tax liabilities	(47,451)	(50,696)
Total deferred tax liabilities	**(436,176)**	**(424,927)**
Net deferred tax	**(149,883)**	**(144,007)**
After offsetting deferred tax assets and liabilities at tax entity level		
Deferred tax assets	32,131	10,564
Deferred tax liabilities	(182,014)	(154,571)
Net deferred tax	**(149,883)**	**(144,007)**

The decrease in activated tax losses mainly concerns Euler Hermes Collections GmbH for €0.9 million.

The activated tax losses are mainly due to Euler Hermes Re (Luxemburg) for €1.9 million and Euler Hermes SA (NV) for €1.4 million.

Movements in deferred tax by geographical region

(in € thousands)	December 31, 2015	Change through income statement	Change relating to revaluation of AFS inv.	Foreign exchange difference	Other movements	December 31, 2016
France	(22,859)	6,264	2,837	-	17	(13,741)
Germany, Austria, Switzerland	(98,290)	(7,951)	2,781	(28)	783	(102,705)
Northern Europe	(6,442)	(13)	2,347	296	331	(3,481)
Mediterranean countries, Middle East & Africa	8,262	(999)	47	(192)	283	7,401
Asia & Pacific countries	396	16	-	11	1	424
America	3,038	(2,014)	(223)	19	(133)	687
Reinsurance	(36,447)	(3,330)	(1,817)	-	(0)	(41,594)
Group Services / Holdings	8,335	(4,215)	470	-	(1,464)	3,126
Net deferred tax	**(144,007)**	**(12,242)**	**6,442**	**106**	**(182)**	**(149,883)**

Change in standard tax rate

	December 31, 2016	December 31, 2015
Group rate	24.80%	28.88%
France	34.43%	34.43%
Germany	31.00%	31.00%
Italy	27.50%	27.50%
United Kingdom	20.00%	21.50%
United States	35.00%	35.00%
Netherlands	25.00%	25.00%
Belgium	33.99%	33.99%
Switzerland	17.50%	17.50%
Poland	19.00%	19.00%

The Group tax rate corresponds to the effective tax rate, which is determined on the basis of the effective income tax expenses on income before income taxes.
The reconciliation between the tax rate of the parent company Euler Hermes Group and the effective tax rate in 2016 is provided in Note 27.

Note 10 Insurance and reinsurance receivables

Breakdown by type

(in € thousands)	December 31, 2016			December 31, 2015
	Gross	Provisions	Net	Net
Receivables from policyholders and agents	324,796	(17,383)	307,413	282,743
Earned premiums not yet written	279,369	-	279,369	263,372
Receivables from guaranteed debtors	8,127	-	8,127	19,608
Receivables from reinsurance transactions	100,093	(71)	100,022	61,111
Total credit insurance receivables	**712,385**	**(17,454)**	**694,931**	**626,834**

Receivables from guaranteed debtors are mainly receivables recorded by Euler Hermes SA (NV) in respect of the retail credit activity (which is in run-off of business since 2011), of which €11.5 million have been recovered during 2016.

Breakdown by maturity

(in € thousands)	December 31, 2016				
	< 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Gross receivables	527,565	10,486	-	-	538,051
Reinsurers' share	140,764	7,989	-	-	148,753
Net receivables from guaranteed debtors	8,127	-	-	-	8,127
Total credit insurance receivables	**676,456**	**18,475**	**-**	**-**	**694,931**

Provisions for bad debts from policyholders and agents

(in € thousands)	December 31, 2016	December 31, 2015
Balance at opening period	(20,359)	(21,462)
Change in consolidation scope	-	-
Provision	(898)	(3,493)
Write back	3,928	4,661
Foreign exchange translation	16	(27)
Other changes	(70)	(38)
Balance at closing period	**(17,383)**	**(20,359)**

Note 11 Other receivables

Breakdown by type

(in € thousands)	December 31, 2016			December 31, 2015
	Gross	Provision	Net	Net
Current account	11,580	-	11,580	27,945
Other taxes receivables	63,591	-	63,591	56,534
Other receivables	123,010	(5,422)	117,588	136,948
of which, accrued interest not due	33,735	-	33,735	42,657
Deferred charges	14,104	-	14,104	8,452
Other adjustment accounts	1,317	-	1,317	1,341
Other assets	278	-	278	1,098
Total other receivables	**213,880**	**(5,422)**	**208,458**	**232,318**

Breakdown by maturity

(in € thousands)	< 3months	3 months to 1 year	1 to 5 years	> 5 years	Total
Total other receivables	**199,391**	**8,561**	**506**	**0**	**208,458**

Note 12 Assets and liabilities held for sale

(in € thousands)	December 31, 2016	December 31, 2015
Assets classifed as Held for sale	-	37,247
Liabilities classifed as Held for sale	-	(14,986)

In 2015, the assets and liabilities held for sale were related to Bürgel Group following the signature of the Share Purchase Agreement on December 18, 2015. The closing of the disposal of the Bürgel group took place on February 26, 2016, the companies Bürgel Wirtschaftsinformationen GmbH & Co. KG and Bürgel Wirtschaftsinformationen Verwaltungs-GmbH were deconsolidated retroactively from January 1, 2016.

Note 13 Cash and cash equivalents

(in € thousand)	December 31, 2016	December 31, 2015
Cash in bank and at hand	377,566	289,433
Cash pooling	72,715	55,981
Total cash	**450,281**	**345,414**
Total cash in balance sheet	**450,281**	**345,414**
Cash equivalents reflected in the cash flow statement	-	-
Cash pooling creditor with Allianz	(4)	-
Total cash and cash equivalents	**450,277**	**345,414**

Note 14 Revaluation reserve

(in € thousands)	Investments	Tax	Foreign exchange difference	Associated companies	Other	Revaluation reserve except minority interests	Minority interests	Revaluation reserve
Opening balance	**80 515**	**(22 043)**	**8 285**	**(2 785)**	**1 800**	**65 772**	**(1)**	**65 771**
Change in fair market value of asset held for sale transfered through profits & losses (Gross amount) - Group	(13 702)	7 079	-	-	-	**(6 623)**	-	**(6 623)**
Change in fair market value of asset held for sale booked through equity (Gross amount) - Group	42 324	(8 572)	(4 201)	-	(16)	**29 535**	-	**29 535**
Change in fair market value of asset held for sale booked through equity (Gross amount) - Investments accounted for at the equity method	-	-	-	(1 325)	-	**(1 325)**	-	**(1 325)**
Other movements	-	-	-	-	-	-	-	-
Closing balance	**109 137**	**(23 536)**	**4 084**	**(4 110)**	**1 784**	**87 359**	**(1)**	**87 358**

Note 15 Non-controlling interests

Movements during the year

(in € thousands)	December 31, 2016	December 31, 2015
Non-controlling interests at start of period	**61,807**	**62,142**
Non-controlling interests' share of net income	**697**	**1,695**
Components of other comprehensive income	**11**	**59**
Revaluation reserve for financial investments available for sale	-	-
Actuarial gain / (loss) on defined benefit plans	(4)	(16)
Foreign currency translation differences	15	75
Other movements	**(11,899)**	**(2,089)**
Dividends paid to minority shareholders	(1,987)	(2,089)
Capital increases and other movements	(9,912)	-
Non-controlling interests at end of period	**50,616**	**61,807**

The dividends paid to minority shareholders are mainly due to Euler Hermes Morocco. The capital increases/decreases and other movements are explained by the deconsolidation du Bürgel Group following its disposal that has been closed on February 26, 2016.

Breakdown by country

(in € thousands)	December 31, 2016	December 31, 2015
Euler Hermes in France	46,071	46,411
Euler Hermes in Germany	76	10,007
Euler Hermes in Switzerland	13	9
Euler Hermes in Morocco	4,099	5,245
Euler Hermes in Tunisia	356	134
Non controlling interests	**50,616**	**61,807**

Note 16 Provisions for risks and charges

(in € thousands)	December 31, 2015	Allowance	Write back (used)	Write back (not used)	Reclassification	Other changes	December 31, 2016
Retirement scheme (see Note 17 Employee Benefits for more détails)	**213 193**	**25 348**	**(27 638)**	**(954)**	**-**	**39 543**	**249 492**
Defined-benefit retirement plans	213 193	25 348	(27 638)	(954)	-	39 543	249 492
Other provisions for risks and charges	**151 839**	**67 860**	**(27 738)**	**(3 279)**	**360**	**(1 394)**	**187 648**
Provision for tax litigation in Germany	267	-	-	-	-	2	269
Provision for tax uncertainties	48 814	9 871	(566)	-	-	(90)	58 029
Provisions for employee benefits	87 836	19 402	(21 297)	(974)	-	5 095	90 062
Provision for restructuring	4 532	32 858	(1 973)	-	-	(6 273)	29 144
Provisions for sundry disputes	10 390	5 729	(3 902)	(2 305)	360	(128)	10 144
Total Provisions for risks and charges	**365 032**	**93 208**	**(55 376)**	**(4 233)**	**360**	**38 149**	**437 140**

The other changes concerning the defined-benefit retirement plans for €39.5 million mainly consist in changes in assumptions and experience adjustments and are recognised in other comprehensive income according to IAS 19 Revised.

Note 17 Employee benefits

In accordance with the regulatory environment and collective agreements, the Group has established defined-contribution and defined-benefit pension plans (company or multi-employer) in favour of employees.

Defined-contribution plans

Defined-contribution plans are funded through independent pension funds or similar organizations. Contributions fixed in advance (e.g. based on salary) are paid to these institutions and the beneficiary's right to benefits exists against the pension fund. The employer has no obligation beyond payment of the contributions.

During the year ended December 31, 2016, the Group recognized expenses for defined-contribution plans of €10.8 million (2015: €11.0 million). Additionally, the Group paid contributions for state pension schemes of €28.5 million in 2016 (2015: €29.2 million).

Defined-benefit plans

General description of the plans:

- Retirement indemnities (France): the rights in respect of retirement indemnities are defined by the insurance companies' collective agreement. This plan is financed partly by a policy taken out with an insurance company.

- PSAD (France): this is a supplementary retirement benefit plan that was closed in 1978 and covers executives of Euler Hermes France. Contributions are paid by Euler Hermes France to beneficiaries or their surviving spouse (reversion) until their death. The plan is managed by BCAC, which informs Euler Hermes France quarterly of the contributions to be paid.

- Cardif (France): this is a supplementary retirement benefit plan that was closed in 2006 and covers members of the Group Management Board and/or corporate officers of Euler Hermes Group and Euler Hermes France. The contributions are paid by Cardif to the beneficiaries or their surviving spouse (reversion) until their death.

- Euler Hermes SA (NV) (Italy branch): TFR (*Trattamento di Fine Rapporto*) is a pension plan established by Italian legislation that is similar to a defined-benefit pension plan. It is valued in accordance with IAS 19 by an independent actuary.
  The following items were taken into account when measuring the commitment at the year-end:
  - the retirement age was taken as 62 years for women and 66 years for men;
  - the probability of leaving the Italy branch within the next five years for employees under 42 years of age has been determined based on historical data;
  - the average life expectancy has been determined based on current statistics;
  - the probability of an early request for TFR has also been calculated using historical data available within the company.

  Euler Hermes SA (NV) (Italy branch) has no dedicated hedging instrument that covers the actuarial liability.

- Euler Hermes SA (NV) (UK branch): the UK branch operates a defined-benefit pension plan that covers all employees who had joined the company by December 31, 2001. Under this plan, employees will be granted a pension on retirement, based on a fraction of their final salary and based on their length of service within the company while the plan was open to future accrual. The plan closed to future accrual with effect from December 31, 2012, at which point the link to future salary increases was removed. The company funds these rights through a dedicated fund. The retirement rights are revalued annually based on the constraints set by law, which provides for the mandatory application of different revaluation rates according to the vesting date of the rights. The 2012 closure of the plan has resulted in a curtailment gain of £6.2 million.

- AVK/APV: Euler Hermes Deutschland, branch of Euler Hermes SA (NV), Euler Hermes AG and Euler Hermes Rating Deutschland GmbH have implemented a defined-benefit pension plans for all their employees. The beneficiaries will receive an annuity upon retirement at 65 years old at the latest. These plans are financed in part by external companies, namely Pensionskasse AVK and Unterstützungskasse APV and by contractual trust arrangement namely Methusalem Trust e.V. Employees who leave the company prior to the date provided for may benefit from an annuity of a lower amount than the one initially provided for.

  Within the Allianz defined-benefit plan in which the Group is involved in Germany, the assumptions for determining the DBO have been updated. The plan has been split into 2 items: on one hand the engagement to pay a fixed annuity to employees, engagement covered by an insurance contract and on the other hand the engagement to pay a compensation for the inflation.

As a result, the analysis leads to the conclusion that the engagement to pay the fixed annuity was already fully covered in the absence of profit participation and could be evaluated at the fair value of plan asset. The second part is still valued according to the projected unit credit method as required by IAS 19.

- Euler Hermes SA (NV) (Belgium branch) has implemented a plan that covers the payment to employees of Euler Hermes Credit Insurance Belgium and Euler Hermes Services Belgium SA of a fixed capital amount (equal to a multiple of their salary at 60 years old). It also provides coverage in the event of death – a multiple of salary based on family composition – or invalidity of the employee. The plan was closed in 2012.
  In 2016, the Belgium Group insurance main and complementary DC plans have been accounted as DB plan due to minimum return defined by the Belgian law.

- Euler Hermes SA (NV) (Netherlands branch) implemented a defined-benefit pension plan for its employees that is managed by Delta Lloyd. The plan was closed at the end of 2012.
  A defined-benefit plan was signed in February 2009 with Aegon and covers 6 employees. The plan is renewed every 5 years.

- Scandinavia:
  Euler Hermes SA (NV) (Sweden branch): a multi-employer plan that is managed by the life insurance company SPP. Employees begin to accrue pension at 28 years old. Employees can receive a pension as from 65 years old. Employees are then guaranteed about 65% of their final salaries,
  Euler Hermes SA (NV) (Norway branch): a multi-employer plan that is managed by the life insurance company Vital. Employees begin to accrue pension from the first day of employment. Employees can receive a pension as from 67 years old. Employees are then guaranteed 65% of their final salaries.

Sensitivity of actuarial assumptions

As far as the Germany scope is concerned (79% of Group net commitments for the defined-benefit retirement plans), an increase of the discount rate by 50 bps would decrease the defined-benefit obligation by €45 million. A decrease of 50 bps would lead to an increase of €52 million. An increase or a decrease of the salary by 25 bps would have no material effect on the defined-benefit obligation.

Notes to the consolidated financial statement

Pensions DBP

December 31, 2016 (in € thousands)	France & Greece			Italy	United-Kingdom	Germany	Belgium	Netherlands	Scandinavia		Total
	Retirement indemnities	PSAD	Cardif						FTP	VITAL	
Actuarial obligation - total - Opening	**(9,875)**	**(2,994)**	**(3,660)**	**(8,043)**	**(234,674)**	**(609,720)**	**(23,845)**	**(19,469)**	**(5,902)**	**(1,309)**	**(919,493)**
Current period service cost	(629)	-	-	(694)	-	(13,057)	(613)	(1,201)	(82)	(105)	(16,382)
Interest on obligation	(193)	(57)	(72)	(61)	(7,943)	(13,569)	(455)	(436)	(222)	(32)	(23,040)
Employee contributions	-	-	-	-	-	(3,561)	(64)	(294)	-	-	(3,919)
Plan amendment	-	-	-	-	-	-	-	-	-	-	-
Acquisitions/disposals of subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Plan curtailments	-	-	-	-	-	-	-	-	-	94	94
Plan settlements	-	-	-	-	-	-	-	-	-	-	-
Actuarial gains (losses) due to a change in assumptions	(1,686)	(223)	(514)	(121)	(56,763)	(21,138)	(1,751)	(4,975)	(1,291)	70	(88,392)
Actuarial gains (losses) due to a change in experience	452	(99)	42	41	2,957	(627)	585	244	(478)	-	3,116
Benefits paid	513	325	166	216	6,854	14,856	1,778	(164)	137	14	24,695
Currency translation difference	-	-	-	-	32,085	-	-	-	453	(242)	32,296
Other	-	-	-	(61)	-	(963)	(1,173)	-	(215)	(61)	(2,473)
Removal of the discretionary clause	-	-	-	-	-	-	-	-	-	-	-
Actuarial obligation - Total - Closing	**(11,418)**	**(3,048)**	**(4,038)**	**(8,724)**	**(257,484)**	**(647,781)**	**(25,538)**	**(26,295)**	**(7,600)**	**(1,571)**	**(993,496)**
Fair value of plan assets - Total - Opening	**6,369**	**-**	**2,942**	**-**	**238,383**	**422,639**	**18,340**	**15,186**	**5,454**	**694**	**710,006**
Interest income on plan assets	122	-	57	-	8,148	9,521	344	352	204	16	18,763
Actuarial gains (losses) due to a change in experience	55	-	57	-	23,476	16,516	217	5,650	100	(25)	46,046
Employee contributions	-	-	-	-	-	3,561	64	294	-	-	3,919
Employer contributions	951	-	-	-	4,158	8,013	764	780	454	101	15,221
Acquisitions /disposals of subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Plan curtailments	-	-	-	-	-	-	-	-	-	(51)	(51)
Plan settlements	-	-	-	-	-	-	-	-	-	-	-
Benefits paid	(513)	-	(166)	-	(6,854)	(9,603)	(1,778)	164	(137)	-	(18,887)
Currency translation difference	-	-	-	-	(32,765)	-	-	-	(353)	153	(32,965)
Other	-	-	-	-	-	545	1,195	-	214	-	1,954
Fair value of plan assets - Total - Closing	**6,984**	**-**	**2,890**	**-**	**234,545**	**451,191**	**19,146**	**22,426**	**5,936**	**887**	**744,004**
Net commitments <0	**(4,434)**	**(3,048)**	**(1,148)**	**(8,724)**	**(22,938)**	**(196,590)**	**(6,392)**	**(3,869)**	**(1,664)**	**(684)**	**(249,492)**
Net commitments >0	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Actuarial Gain / Loss - Cumulative amount in Other Comprehensive Income											
- Actuarial Gain / Loss - Gross - Opening value	(1,722)	364	(331)	(593)	(58,375)	(139,472)	(3,084)	(2,556)	(335)	273	(205,831)
- Actuarial Gain / Loss - Gross - Movement	(1,179)	(322)	(415)	(80)	(30,330)	(5,249)	(949)	919	(1,668)	45	(39,228)
Actuarial Gain / Loss - Gross - Closing Value	**(2,901)**	**42**	**(746)**	**(673)**	**(88,706)**	**(144,721)**	**(4,033)**	**(1,637)**	**(2,003)**	**318**	**(245,060)**
- Actuarial Gain / Loss - Tax effect - Closing value	839	163	256	184	18,611	44,649	1,824	411	673	-	67,610
Actuarial Gain / Loss - Net of tax - Closing value	**(2,062)**	**205**	**(490)**	**(489)**	**(70,095)**	**(100,072)**	**(2,209)**	**(1,226)**	**(1,330)**	**318**	**(177,450)**
Expenses for the period	**(700)**	**(57)**	**(15)**	**(755)**	**205**	**(17,105)**	**(724)**	**(1,285)**	**(100)**	**(122)**	**(20,658)**
Current period service cost	(629)	-	-	(694)	-	(13,057)	(613)	(1,201)	(82)	(105)	(16,381)
Finance cost (effect of undiscounting)	(193)	(57)	(72)	(61)	(7,943)	(13,569)	(455)	(436)	(222)	(32)	(23,040)
Interest income on plan assets	122	-	57	-	8,148	9,521	344	352	204	16	18,763
Profit/loss on curtailment/settlement	-	-	-	-	-	-	-	-	-	(0)	(0)
Asset ceiling limitation	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Actuarial assumptions [(1)]											
Discounting rates used	0.90%	0.90%	0.90%	1.50%	2.75%	1.80%	1.40%	1.30%	2.75%	2.10%	
Inflation rate used	1.80%	1.80%	1.80%	1.50%	2.35%	1.50%	-		2.00%	2.10%	
Expected rate of salary increase	2.00%	2.00%	2.00%	1.5%/0.50% [(4)]	-	2.10%	2.50%	2.00%	3.00%	2.25%	
Expected rate of increase of medical costs	-	-	-	-	-	-	-	-	-	-	
Rate of increase of benefit used by plan	1.80%	1.80%	1.80%	-	3.20%	-	-		-	-	
Plan retirement age	60	60	60	62 and 66 [(3)]	65	63	60	67	65	67	
Plan residual service period	-	-	-	-	-	15	11	16	-	-	
Other significant actuarial assumption used	-	-	-	-	-	-	-	-	-	-	
Structure of plan assets [(2)]											
Equities	-	-	-	-	46.10%	9.30%	-	-	5.00%	6.70%	
Bonds	-	-	100.00%	-	23.60%	55.40%	-	-	87.00%	43.90%	
Real estate	100.00%	-	-	-	7.80%	3.30%	-	-	8.00%	7.40%	
Other instruments	-	-	-	-	22.50%	32.00%	100.00%	100.00%	-	42.00%	

[(1)] Actuarial assumptions: Germany and Belgium correspond to the actuarial assumptions of the more signifcant company.
[(2)] Structure of hedging assets by entity. Germany and Netherlands correspond to the statistic of the more significant company.
[(3)] The retirement age has been taken as 62 years for women and 66 years for men
[(4)] 1.50% for the executives and 0.50% for the non-executives

December 31, 2015 (in € thousands)	France & Greece			Italy	United-Kingdom	Germany	Belgium	Netherlands	Scandinavia		Total
	Retirement indemnities	PSAD	Cardif						FTP	VITAL	
Actuarial obligation - total - Opening	**(9,662)**	**(3,363)**	**(4,047)**	**(7,556)**	**(225,347)**	**(609,047)**	**(25,071)**	**(18,674)**	**(6,453)**	**(1,889)**	**(911,110)**
Current period service cost	(669)	-	-	(564)	-	(13,209)	(689)	(1,461)	(116)	(135)	(16,843)
Interest on obligation	(145)	(49)	(59)	(61)	(8,597)	(12,194)	(364)	(364)	(197)	(46)	(22,076)
Employee contributions	-	-	-	1	-	(3,144)	(65)	(285)	-	-	(3,493)
Plan amendment	-	-	-	-	-	-	-	-	-	-	-
Acquisitions/disposals of subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Plan curtailments	-	-	-	-	-	-	-	-	-	-	-
Plan settlements	-	-	-	-	-	-	-	-	-	-	-
Actuarial gains (losses) due to a change in assumptions	638	(24)	230	45	5,086	20,193	1,124	(1,181)	817	82	27,010
Actuarial gains (losses) due to a change in experience	(369)	107	50	-	-	(8,221)	(226)	1,121	284	216	(7,038)
Benefits paid	332	335	166	92	6,146	14,286	1,446	52	172	14	23,041
Currency translation difference	-	-	-	-	(11,962)	-	-	-	(332)	200	(12,094)
Other	-	-	-	-	-	1,616	-	1,323	(77)	250	3,112
Removal of the discretionary clause	-	-	-	-	-	-	-	-	-	-	-
Actuarial obligation - Total - Closing	**(9,875)**	**(2,994)**	**(3,660)**	**(8,043)**	**(234,674)**	**(609,720)**	**(23,845)**	**(19,469)**	**(5,902)**	**(1,309)**	**(919,493)**
Fair value of plan assets - Total - Opening	**5,561**	**-**	**3,203**	**-**	**217,071**	**412,273**	**18,400**	**15,633**	**5,087**	**1,168**	**678,396**
Interest income on plan assets	80	-	44	-	8,278	8,330	270	299	161	24	17,486
Actuarial gains (losses) due to a change in experience	56	-	(201)	-	1,140	2,052	375	(247)	40	(190)	3,025
Employee contributions	-	-	-	-	-	3,144	65	285	-	-	3,494
Employer contributions	921	-	-	-	6,706	6,014	676	591	-	101	15,009
Acquisitions /disposals of subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Plan curtailments	-	-	-	-	-	-	-	-	-	-	-
Plan settlements	-	-	-	-	-	-	-	-	-	-	-
Benefits paid	(249)	-	(166)	-	(6,146)	(9,132)	(1,446)	(52)	65	-	(17,126)
Currency translation difference	-	-	-	-	11,334	-	-	-	257	(125)	11,466
Other	-	-	62	-	-	(42)	-	(1,323)	(156)	(285)	(1,744)
Fair value of plan assets - Total - Closing	**6,369**	**-**	**2,942**	**-**	**238,383**	**422,639**	**18,340**	**15,186**	**5,454**	**694**	**710,006**
Net commitments <0	**(3,506)**	**(2,994)**	**(718)**	**(8,043)**	**-**	**(187,081)**	**(5,505)**	**(4,283)**	**(448)**	**(615)**	**(213,193)**
Net commitments >0	**-**	**-**	**-**	**-**	**3,708**	**-**	**-**	**-**	**-**	**-**	**3,708**
Actuarial Gain / Loss - Cumulative amount in Other Comprehensive Income											
- Actuarial Gain / Loss - Gross - Opening value	(2,047)	281	(409)	(638)	(64,602)	(153,496)	(4,357)	(2,239)	(1,476)	166	(228,817)
- Actuarial Gain / Loss - Gross - Movement	325	83	78	45	6,226	14,024	1,273	(317)	1,141	107	22,986
Actuarial Gain / Loss - Gross - Closing Value	**(1,722)**	**364**	**(331)**	**(593)**	**(58,376)**	**(139,472)**	**(3,084)**	**(2,556)**	**(335)**	**273**	**(205,831)**
- Actuarial Gain / Loss - Tax effect - Closing value	352	51	114	164	13,370	43,310	801	733	874	(68)	59,701
Actuarial Gain / Loss - Net of tax - Closing value	**(1,370)**	**415**	**(217)**	**(429)**	**(45,006)**	**(96,162)**	**(2,283)**	**(1,823)**	**539**	**205**	**(146,131)**
Expenses for the period	**(734)**	**(49)**	**(15)**	**(625)**	**(318)**	**(17,073)**	**(783)**	**(1,526)**	**(152)**	**(158)**	**(21,433)**
Current period service cost	(669)	-	-	(564)	-	(13,209)	(689)	(1,461)	(116)	(135)	(16,843)
Finance cost (effect of undiscounting)	(145)	(49)	(59)	(61)	(8,597)	(12,194)	(364)	(364)	(197)	(46)	(22,076)
Interest income on plan assets	80	-	44	-	8,279	8,330	270	299	161	24	17,486
Profit/loss on curtailment/settlement	-	-	-	-	-	-	-	-	-	-	-
Asset ceiling limitation	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Actuarial assumptions											
Discounting rates used	2.00%	2.00%	2.00%	2.00%	3.80%	2.25%	2.00%	2.25%	3.80%	2.50%	
Inflation rate used	1.80%	1.80%	1.80%	2.00%	3.30%	1.70%	-	0.25%	2.00%	2.25%	
Expected rate of salary increase	1.80%	1.80%	1.80%	0.50%	-	2.10%	2.70%	2.50%	3.00%	2.50%	
Expected rate of increase of medical costs	-	-	-	-	-	-	-	-	-	-	
Rate of increase of benefit used by plan	1.80%	1.80%	1.80%	-	-	-	-	0.25%	-	-	
Plan retirement age	60 or 63	60 or 63	60 or 63	62 and 66 (3)	65	63	60	67	65	65	
Plan residual service period	-	-	-	-	24,5	15	-	17	-	17	
Other significant actuarial assumption used (1)	-	60%	-	-	-	-	-	-	-	-	
Structure of plan assets (2)											
Equities	-	-	-	-	43.70%	9.00%	-	-	8.00%	6.10%	
Bonds	-	-	100.00%	-	24.00%	87.50%	-	-	86.00%	47.50%	
Real estate	100.00%	-	-	-	8.50%	3.10%	-	-	6.00%	14.70%	
Other instruments	-	-	-	-	23.80%	0.40%	100.00%	100.00%	-	31.70%	

(1) the 60% on the PSAD plan corresponds to the reversion rate
(2) Structure of hedging assets by entity. Germany and Netherlands correspond to the statistic of the more significant company.
(3) The retirement age has been taken as 62 years for women and 66 years for men

Estimation of future benefit payments

The table below presents the estimated future benefit payments that will be met mainly to the benefit of the employee of the German entities, by the pension funds or by the Group:

(in thousands of euros)	Pension Benefits
2016	14,856
2017	14,881
2018	15,782
2019	16,610
2020	17,094
2021	18,136
2022-2026	97,734

Note 18 Borrowings

Breakdown by type

(in € thousands)	December 31, 2016	December 31, 2015
Subordinated debt	**-**	**-**
Term loans and other term borrowings	252,181	252,184
Bank overdraft	38	58
Borrowings from banking sector businesses	**252,219**	**252,242**
Other borrowings	**2,031**	**-**
Total borrowings	**254,250**	**252,242**

Bank borrowings mainly correspond to the following items:

- 2015 loan of €110 million from BNP Paribas with redemption in June 18, 2020, with fixed annual interest rate of 0.97% (negotiated in June, 2015);
- 2010 loan of €110 million from HSBC with redemption on June 18, 2020, with fixed annual interest rate of 0.97% (previously €125 million loan and 1.885% fixed annual interest rate, renegotiated in June, 2015);
- Credit line of €32 million from AAREAL Bank with redemption on October 22, 2023, with variable annual interest rate Euribor 3M plus 1.55% margin. As at December 2016, this line has been totality drawn down (to €32 million);
- Accrued interest for €0.2 million.

Some borrowings are subject to step-up clauses providing for an increase in the annual interest rate in the event of an external rating downgrade by *Standard & Poor's* or any other equivalent rating agency considered in the loan agreements.

The other borrowings are a loan granted by Moody's to Euler Hermes Rating in relation to the collaboration signed in September 2016 to provide tailored rating services to European SMEs.

Breakdown by maturity

(in € thousands)	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total borrowings	**218**	**-**	**222 032**	**32 000**	**254 250**

Breakdown by maturity for interests to be paid

(in € millions)	2016	2017
Borrowing 2015 of €110 million maturity 06/18/2020, annual fixed rate to 0.97%	1.07	1.07
Borrowing 2010 of €110 million maturity 06/18/2020, annual fixed rate to 0.97%	1.07	1.07
Total future interest expenses with others than Allianz group	**2.13**	**2.13**

(1) The annual interest on loans amounts to €2.13 million.

(in € millions)	2016	2017 à 2023 (1)	2024
Borrowing 2013 of €32 million maturity 22/10/2023, Euribor 3M + 1.55% (2)	0.40	2.77	0.40
Total future interest expenses with others than Allianz group	**0.40**	**2.77**	**0.40**

(1) This interest is accumulated over 7 years; the annual interest on loans amounts to €0.45 million.
(2) The line of credit of € 32 million maturity October 2023 has been totally drawn down.

Note 19 Technical reserves

(in € thousand)	December 31, 2015	Allowance net of writebacks	Foreign exchange differences	Changes in consolidation scope	Other changes	December 31, 2016
Reserve for unearned premiums	447,107	29,625	(9,585)	-	(2,383)	464,764
Reserve for claims net of forecasts of recoveries	1,773,829	(21,317)	(12,989)	(27)	(1,197)	1,738,299
Reserve for no-claims bonuses and rebates	166,620	(11,802)	(1,280)	(11)	(773)	152,753
Gross technical reserves	**2,387,556**	**(3,494)**	**(23,854)**	**(38)**	**(4,353)**	**2,355,816**
Reserve for unearned premiums	75,379	(12,047)	(1,357)	(66)	(36,726)	25,183
Reserve for claims net of forecasts of recoveries	552,180	(1,857)	(6,840)	25	(1,332)	542,175
Reserve for no-claims bonuses and rebates	35,252	(2,765)	(347)	-	(516)	31,624
Reinsurers' share of technical reserves	**662,811**	**(16,669)**	**(8,544)**	**(41)**	**(38,574)**	**598,982**
Net technical reserves	**1,724,745**	**13,175**	**(15,310)**	**3**	**34,221**	**1,756,834**

Claims reserves

(in € thousand)	December 31, 2016			December 31, 2015		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Claims reserves gross of recoveries	**1,970,789**	**(624,369)**	**1,346,420**	**2,056,108**	**(643,732)**	**1,412,376**
Current period	1,014,364	(271,582)	742,782	1,182,754	(354,679)	828,075
Prior periods	956,425	(352,787)	603,638	873,354	(289,053)	584,301
Recoveries to be received	**(232,490)**	**82,194**	**(150,296)**	**(282,279)**	**91,552**	**(190,727)**
Current period	(66,337)	14,188	(52,149)	(110,008)	23,916	(86,092)
Prior periods	(166,153)	68,006	(98,147)	(172,271)	67,636	(104,635)
Claims reserves	**1,738,299**	**(542,175)**	**1,196,124**	**1,773,829**	**(552,180)**	**1,221,649**

Breakdown by type of reserve

(in thousand)	December 31, 2016			December 31, 2015		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Reserves for unearned premiums	**464,764**	**(25,183)**	**439,581**	**447,107**	**(75,379)**	**371,728**
Claims reserves	**1,738,299**	**(542,175)**	**1,196,124**	**1,773,829**	**(552,180)**	**1,221,649**
of which, reserves for known claims	1,293,168	(431,679)	861,489	1,239,977	(388,536)	851,441
of which, reserves for late claims	604,309	(182,562)	421,747	729,144	(244,024)	485,120
of which, reserves for claims handling expenses	73,364	(10,128)	63,236	87,229	(11,173)	76,056
of which, other technical reserves	(52)	-	(52)	(242)	1	(241)
of which, recoveries to be received	(232,490)	82,194	(150,296)	(282,279)	91,552	(190,727)
No-claims bonuses and rebates	**152,753**	**(31,624)**	**121,129**	**166,620**	**(35,252)**	**131,368**
Technical reserves	**2,355,816**	**(598,982)**	**1,756,834**	**2,387,556**	**(662,811)**	**1,724,745**

Note 20 Insurance and reinsurance liabilities

Breakdown by type and by maturity

(in € thousands)	December 31, 2016	December 31, 2015
Policyholders' guarantee deposits and miscellaneous	102,455	102,700
Liabilities due to policyholders and agents	115,506	116,456
Liabilities arising from inward insurance and reinsurance transactions	**217,961**	**219,156**
Liabilities due to reinsurers and assignors	32,507	100,244
Deposits received from reinsurers	7,266	7,566
Outwards reinsurance liabilities	**39,773**	**107,810**
Total insurance and reinsurance liabilities	**257,734**	**326,966**

(in € thousands)	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total insurance and reinsurance liabilities	**250,150**	**2,781**	**4,803**	**-**	**257,734**

Note 21 Other liabilities

Breakdown by type and by maturity

(in € thousands)	December 31, 2016	December 31, 2015
Tax and social liabilities	157,343	153,346
Other operating liabilities	148,341	120,611
Deferred income	27,977	25,630
Other accrued expenses	-	0
Other liabilities	238	63
Total other liabilities	**333,899**	**299,650**

(in € thousands)	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total other liabilities	**331,585**	**1,962**	**328**	**24**	**333,899**

Note 22 Breakdown of operating income

(in € thousands)	December 31, 2016			December 31, 2015		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Premiums and commissions	2,326,251	(652,458)	1,673,793	2,372,473	(698,551)	1,673,922
Premiums refunded	(126,416)	29,160	(97,256)	(132,305)	29,839	(102,466)
Gross premiums written - credit insurance	2,199,835	(623,298)	1,576,537	2,240,168	(668,712)	1,571,456
Change in unearned premiums	(29,606)	(15,909)	(45,515)	(34,724)	12,306	(22,418)
Earned premiums	**2,170,229**	**(639,207)**	**1,531,022**	**2,205,444**	**(656,406)**	**1,549,038**
Service revenues	399,677	-	399,677	432,931	-	432,931
Turnover	**2,569,906**	**(639,207)**	**1,930,699**	**2,638,375**	**(656,406)**	**1,981,969**
Net investment income	**75,326**	**-**	**75,326**	**116,343**	**-**	**116,343**
Claims paid	(992,306)	286,975	(705,331)	(907,645)	235,864	(671,781)
Claims reserves expenses	8,113	(876)	7,237	(142,458)	83,404	(59,054)
Claims handling expenses	(103,918)	2,174	(101,744)	(97,437)	2,574	(94,863)
Insurance services expenses	**(1,088,111)**	**288,273**	**(799,838)**	**(1,147,540)**	**321,842**	**(825,698)**
Brokerage commissions	(218,906)	-	(218,906)	(222,721)	-	(222,721)
Other acquisition costs	(265,263)	-	(265,263)	(263,880)	-	(263,880)
Change in acquisition costs capitalised	9,024	-	9,024	8,561	-	8,561
Contract acquisition expenses	**(475,145)**	**-**	**(475,145)**	**(478,040)**	**-**	**(478,040)**
Impairment of portfolio securities and similar	**-**	**-**	**-**	**-**	**-**	**-**
Administration expenses	**(227,571)**	**-**	**(227,571)**	**(219,261)**	**-**	**(219,261)**
Commissions received from reinsurers	**-**	**233,748**	**233,748**	**-**	**234,096**	**234,096**
Other ordinary operating income and expenses	**(360,381)**	**-**	**(360,381)**	**(391,625)**	**-**	**(391,625)**
Current operating income	**494,024**	**(117,186)**	**376,838**	**518,252**	**(100,468)**	**417,784**

Notes to the consolidated financial statement

Cost of claims

(in € thousands)	December 31, 2016			December 31, 2015		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Cost of claims for the current period	**1,296,315**	**(322,066)**	**974,249**	**1,497,999**	**(419,767)**	**1,078,232**
of which, claims paid	230,931	(54,269)	176,662	257,162	(62,530)	194,632
of which, claims reserves	980,651	(265,541)	715,110	1,146,530	(353,352)	793,178
of which, claims handling expenses	84,733	(2,256)	82,477	94,307	(3,885)	90,422
Recoveries for the current period	**(72,722)**	**15,388**	**(57,334)**	**(120,035)**	**26,965**	**(93,070)**
Recoveries received	(6,873)	1,188	(5,685)	(10,240)	3,072	(7,168)
Change in reserves for recoveries	(65,849)	14,200	(51,649)	(109,795)	23,893	(85,902)
Cost of claims from prior periods	**(117,722)**	**(14,146)**	**(131,868)**	**(224,847)**	**65,810**	**(159,037)**
of which, claims paid	900,731	(289,788)	610,943	787,335	(213,547)	573,788
of which, claims reserves	(1,037,638)	275,561	(762,077)	(1,015,312)	278,046	(737,266)
of which, claims handling expenses	19,185	81	19,266	3,130	1,311	4,441
Recoveries from prior periods	**(17,760)**	**32,549**	**14,789**	**(5,577)**	**5,150**	**(427)**
Recoveries received	(132,483)	55,894	(76,589)	(126,612)	37,141	(89,471)
Change in reserves for recoveries	114,723	(23,345)	91,378	121,035	(31,991)	89,044
Cost of claims	**1,088,111**	**(288,275)**	**799,836**	**1,147,540**	**(321,842)**	**825,698**

Note 23 Net financial income

(in € thousands)	December 31, 2016	2015
Revenues from investment property	**6,672**	**4,296**
Revenues from equity & debt securities	**49,536**	**59,800**
Available for sale assets through equity	49,536	59,800
Trading assets	-	-
Held to maturity	-	-
Revenues from loans, deposits and other financial investments	**14,815**	**16,309**
Other financial income	**421**	**208**
Investment income	**71,444**	**80,613**
Depreciation of investment property	(2,686)	(2,651)
Investment management expenses	(8,965)	(8,595)
Interest paid to reinsurers	(154)	(210)
Other financial expenses	-	-
Investment expenses	**(11,805)**	**(11,456)**
Profits (losses) on sales of property	**-**	**-**
Net profits (losses) on sales of securities	**21,608**	**35,447**
Available for sale assets through equity	18,806	34,658
Trading assets	-	-
Held to maturity	-	-
On sales of loans to banks and customers	2,802	789
Profits (losses) on sales of participating interests	**-**	**-**
Net gain (loss) on sales of investments less impairment and depreciation write backs	**21,608**	**35,447**
Change in fair value of derivatives	(2,914)	(3,892)
Change in fair value of trading assets	-	-
Change in fair value of investments recognised at fair value through the income statement	**(2,914)**	**(3,892)**
Reserve for impairment of investments	(414)	(48)
Change in impairment of investments	**(414)**	**(48)**
Net change in foreign currency	**(2,593)**	**15,679**
Net financial income (excluding financing expense)	**75,326**	**116,343**

In 2016, the net change in foreign currency is mainly due to the depreciation of the pound sterling against the euro. In 2015, it was due to the appreciation of the pound sterling and the US dollar against the euro.

Note 24 Operating leases

The note below presents the rents from the simple rent agreements for which the entities are committed on the future exercises.

(in € thousands) December 31, 2016	United Kingdom	United States	Northern Europe [1]	Germany	France	Asia	Others
Less than 1 year	2,294	3,362	2,716	1,371	15,849	3,153	1,461
1 to 5 years	6,140	9,475	7,018	1,404	49,915	6,378	4,485
More than 5 years	430	2,837	0	18	61,085	0	379
Total	**8,864**	**15,675**	**9,734**	**2,793**	**126,849**	**9,531**	**6,324**

[1] Includes the Netherlands, Scandinavia and Belgium.

The Group has a rental contract for its First Tower headquarter in La Défense. The rental contract has been renewed for a duration of 10.5 years from July 1st 2016, for an annual amount of € 9.815 thousand net of rent reduction.

Note 25 Other ordinary operating revenues and expenses

(in € thousands)	December 31, 2016	December 31, 2015
Other ordinary operating income	**18,305**	**18,601**
Other ordinary operating expenses	(371,338)	(402,859)
Employee profit sharing and bonuses	(7,348)	(7,367)
Other ordinary operating expenses	**(378,686)**	**(410,226)**
Other ordinary operating income and expenses	**(360,381)**	**(391,625)**

The other ordinary operating expenses mainly concern expenses related to services activities.
The employee profit sharing is stable between 2015 and 2016.

Note 26 Other operating revenues and expenses

(in € thousands)	December 31, 2016	December 31, 2015
Other non-ordinary operating income	35,049	4,461
Other non-ordinary operating expenses	(38,548)	(4,887)
Other non-ordinary operating income and expenses	**(3,499)**	**(426)**

In 2016, the other non-ordinary operating income mainly consists of the €24.3 million realized gain on the disposal of the Bürgel group and the €10.7 million realized gain on the disposal of Graydon. The other non-ordinary operating expenses are mainly related to restructuring costs for a total of €38 million (see Note 1 Significant events).

In 2015, the other non-ordinary operating income and expenses mainly consist of restructuring expenses for €0.6 million.

Note 27 Corporation tax

Breakdown of tax charge between current income tax and deferred income tax

The tax charge is split as follows:

(in € thousands)	December 31, 2016	December 31, 2015
Current income tax		
France	11,378	20,805
Other countries	71,222	89,534
Subtotal	**82,600**	**110,339**
Deferred income tax		
France	(2,049)	9,830
Other countries	14,291	3,368
Subtotal	**12,242**	**13,198**
Total Corporation tax as reported in the income statement	**94,842**	**123,537**

The current income tax expense of Euler Hermes Group includes a 2016 one-off €9.8 million positive effect relating to the claim on the non-taxable portions of dividend income received from European subsidiaries owned at 95% or more. In addition, miscellaneous adjustments on prior year taxes generate a 3.9 M€ decrease in current income tax in 2016.

Tax proof

The reconciliation between the 34.43% theoretical tax expense (pre-tax profit multiplied by the applicable tax rate in France for the period concerned) and the effective 24.80% tax expense is as follows:

(in € thousands)	December 31, 2016	December 31, 2015
Consolidated income before taxes	**382,491**	**427,709**
Theoretical tax rate	34.43%	34.43%
Tax at theoretical tax rate	**-131,692**	**-147,260**
Contribution of companies booked at equity	**5,050**	**7,990**
Impact of differences between group and local tax rates	**40,844**	**32,591**
Local specific taxes	**-5,568**	**-9,845**
Net tax on other items non taxable or non deductible	**3,081**	**-1,497**
Tax group boni	**892**	**1,507**
Dividends	**-11,129**	**-10,100**
Corrections and adjustements on prior years periods	**13,798**	**6,386**
Deferred tax assets unrecognized and provisions for tax uncertainties	**-9,886**	**-2,022**
Other permanent differences	**-232**	**-1,288**
Tax at effective tax rate	**-94,842**	**-123,537**
Effective tax rate	**24.80%**	**28.88%**

The main variances are due to:

- the differences in tax rates due to the presence of the Group in countries which have a different theoretical tax rates;
- the share of the non-deductible costs and charges for the dividends received outside the French Tax Group as well as the additional contribution of 3 % on dividends paid by Euler Hermes Group;
- permanent differences (mainly taxation without basis and unrecognized tax losses);
- reduced rates;
- specific tax positions (mainly adjustments on prior year periods of tax losses).

Note 28 Earnings per share and dividend per share

Earnings per share

	December 31, 2016	December 31, 2015
Distributable net income (in € thousands)	286,952	302,476
Weighted average number of ordinary shares before dilution	42,842,180	44,167,391
Earnings per share (in €)	**6.70**	**6.85**
Distributable net income (in € thousands)	286,952	302,476
Weighted average number of ordinary shares after dilution	42,842,180	44,167,391
Diluted earnings per share (in €)	**6.70**	**6.85**

The dilution impact takes into account the exercise of options.
The average number of shares resulting from dilution is nil both in 2016 and 2015.
The net income, Group Share, is used as the basis for this calculation.

Dividend per share

The Management will propose to the Shareholder's Meeting of May 24, 2017 the payment of a dividend of €4.68 per share on the 2016 result.

Note 29 Segment data

Segment assets are operating assets that can be directly attributed or reasonably allocated to a given segment. Segment liabilities are liabilities arising from operations that can be directly attributed or reasonably allocated to a given segment.

Segment profit and loss comprises income and expense resulting from operating activities that are directly attributable to a given segment and the relevant portion of income and expense that can reasonably be assigned to the segment, notably income and expense relating to sales to external customers and income and expense relating to transactions with other segments of the same company.

For the Group the primary segment is the geographical segment as it corresponds to the information presented to the Group's management bodies.

A pro forma analysis for 2015 segment data has been performed to take into account the 2016 disposal of the Bürgel group and the relocation, effective from January 1st, 2016, of collection services entities from the Group Services segment to their geographical origin segments.

Profit & loss by segment – year-end December 2016

(in € thousands)	Twelve months ended December 31, 2016									
	Germany, Austria, Switzerland	**France**	**Northern Europe**	**Mediterranean Countries, Middle East & Africa**	**Americas**	**Asia Pacific**	**Group reinsurance**	**Group services**	**Inter-segment eliminations**	**Group**
Premiums written	625 937	355 942	478 345	285 727	291 432	117 115	1 652 591	-	(1 480 838)	2 326 251
Premiums refunded	(62 152)	(29 102)	(25 079)	1 270	(5 521)	(2 224)	(89 104)	-	85 496	(126 416)
Change in unearned premiums	(2 917)	(5 733)	(18 062)	(6 928)	2 189	1 981	(8 136)	-	8 000	(29 606)
Earned premiums - non-Group	**560 868**	**321 107**	**435 204**	**280 069**	**288 100**	**116 872**	**1 555 351**	**-**	**(1 387 342)**	**2 170 229**
Services revenues - non-Group	145 573	82 674	93 245	69 860	47 194	31 138	-	92 628	(162 635)	399 677
Turnover - intra-sectoral	**706 441**	**403 781**	**528 449**	**349 929**	**335 294**	**148 010**	**1 555 351**	**92 628**	**(1 549 977)**	**2 569 906**
Investment income	20 740	24 909	6 352	7 280	7 191	(1 205)	16 863	802 289	(809 093)	75 326
Of which, dividends	*(1 179)*	*(4 705)*	*(601)*	-	-	-	-	*(801 152)*	*807 637*	-
Total ordinary income	**727 181**	**428 690**	**534 801**	**357 209**	**342 485**	**146 805**	**1 572 214**	**894 917**	**(2 359 070)**	**2 645 232**
Insurance services expenses	(214 818)	(161 115)	(184 587)	(189 608)	(117 638)	(117 481)	(759 018)	2 943	653 211	(1 088 111)
Outwards reinsurance income	257 694	175 238	220 811	192 215	155 105	120 364	517 863	-	(1 117 268)	522 022
Outwards reinsurance expenses	(369 841)	(223 299)	(317 609)	(206 929)	(208 564)	(86 893)	(613 413)	-	1 387 340	(639 208)
Other income and expenses	(281 810)	(161 747)	(225 005)	(138 922)	(132 228)	(82 201)	(534 444)	(132 350)	625 610	(1 063 097)
Total other income and expenses	**(608 775)**	**(370 923)**	**(506 390)**	**(343 244)**	**(303 325)**	**(166 211)**	**(1 389 012)**	**(129 407)**	**1 548 893**	**(2 268 394)**
CURRENT OPERATING INCOME	**118 406**	**57 767**	**28 411**	**13 965**	**39 160**	**(19 406)**	**183 202**	**765 510**	**(810 177)**	**376 838**
Other non ordinary operating expenses and income	11 629	(6 191)	(1 651)	-	(559)	-	-	(4 665)	(2 062)	(3 499)
OPERATING INCOME	**130 035**	**51 576**	**26 760**	**13 965**	**38 601**	**(19 406)**	**183 202**	**760 845**	**(812 239)**	**373 339**
Financing expenses	(90)	(3 073)	(416)	(33)	(15)	-	(510)	(3 512)	1 458	(6 191)
Share of Income from companies accounted by the equ	4 884	7 444	-	-	-	(740)	-	3 755	-	15 343
Corporation tax	(34 771)	(17 044)	(8 687)	(4 814)	(14 498)	(873)	(21 860)	7 714	(9)	(94 842)
CONSOLIDATED NET INCOME	**100 058**	**38 903**	**17 657**	**9 118**	**24 088**	**(21 019)**	**160 832**	**768 802**	**(810 790)**	**287 649**
NET INCOME, GROUP SHARE	**100 058**	**38 947**	**17 640**	**8 394**	**24 088**	**(21 019)**	**160 832**	**768 802**	**(810 790)**	**286 952**
Non controlling interests	-	(44)	17	724	-	-	-	-	-	697

Notes to the consolidated financial statements

Profit & loss by segment – year-end December 2015 – Pro forma

(in € thousands) Twelve months ended December 31, 2015 - Pro Forma

	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries, Middle East & Africa	Americas	Asia Pacific	Group reinsurance	Group services	Inter-segment eliminations	Group
Premiums written	634 178	352 710	508 532	290 410	293 130	120 910	1 671 500	-	(1 498 897)	2 372 473
Premiums refunded	(59 341)	(32 401)	(29 401)	544	(5 417)	(2 357)	(91 399)	-	87 467	(132 305)
Change in unearned premiums	(2 567)	(3 779)	(6 552)	(12 932)	1 892	(4 667)	(21 836)	-	15 717	(34 724)
Earned premiums - non-Group	**572 270**	**316 530**	**472 579**	**278 022**	**289 605**	**113 886**	**1 558 265**	**-**	**(1 395 713)**	**2 205 444**
Services revenues - non-Group	148 054	75 251	96 148	68 975	47 191	29 417	-	93 227	(164 413)	393 850
Turnover - intra-sectoral	**720 324**	**391 781**	**568 727**	**346 997**	**336 796**	**143 303**	**1 558 265**	**93 227**	**(1 560 126)**	**2 599 294**
Investment income	28 624	25 078	19 886	3 903	8 712	(295)	36 599	228 786	(233 918)	117 375
Of which, dividends	*(1 236)*	-	-	-	-	-	-	*(229 361)*	*230 597*	-
Total ordinary income	**748 948**	**416 859**	**588 613**	**350 900**	**345 508**	**143 008**	**1 594 864**	**322 013**	**(1 794 044)**	**2 716 669**
Insurance services expenses	(153 854)	(135 438)	(241 874)	(203 482)	(189 277)	(114 428)	(827 435)	(273)	718 521	(1 147 540)
Outwards reinsurance income	230 379	170 781	282 541	194 057	210 469	113 488	549 527	-	(1 195 303)	555 939
Outwards reinsurance expenses	(377 478)	(217 047)	(335 502)	(200 195)	(209 721)	(84 532)	(627 645)	-	1 395 713	(656 407)
Other income and expenses	(285 895)	(151 457)	(230 302)	(136 341)	(127 715)	(79 019)	(541 306)	(131 563)	631 520	(1 052 078)
Total other income and expenses	**(586 848)**	**(333 161)**	**(525 137)**	**(345 961)**	**(316 244)**	**(164 491)**	**(1 446 859)**	**(131 836)**	**1 550 451**	**(2 300 086)**
CURRENT OPERATING INCOME	**162 100**	**83 698**	**63 476**	**4 939**	**29 264**	**(21 483)**	**148 005**	**190 177**	**(243 593)**	**416 583**
Other non ordinary operating expenses and income	(1 336)	-	152	-	522	-	-	1 481	(1 245)	(426)
OPERATING INCOME	**160 764**	**83 698**	**63 628**	**4 939**	**29 786**	**(21 483)**	**148 005**	**191 658**	**(244 838)**	**416 157**
Financing expenses	(158)	(3 448)	(471)	(210)	(80)	-	(761)	(6 307)	3 320	(8 115)
Share of Income from companies accounted by the equ	954	14 632	-	-	-	-	-	3 118	-	18 704
Corporation tax	(51 331)	(31 930)	(14 867)	(5 162)	(11 893)	(1 317)	(11 756)	5 452	(201)	(123 005)
CONSOLIDATED NET INCOME	**110 229**	**62 952**	**48 290**	**(433)**	**17 813**	**(22 800)**	**135 488**	**193 921**	**(241 719)**	**303 741**
	-	-	-	-	-	-	-	-	-	-
NET INCOME, GROUP SHARE	**110 218**	**63 701**	**48 268**	**(1 721)**	**17 813**	**(22 800)**	**135 488**	**193 921**	**(241 719)**	**303 169**
Non controlling interests	11	(749)	22	1 288	-	-	-	-	-	572

Profit & loss by segment – year-end December 2015

(in € thousands) Twelve months ended December 31, 2015

	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries, Middle East & Africa	Americas	Asia Pacific	Group reinsurance	Group services	Inter-segment eliminations	Group
Premiums written	634 178	352 710	508 532	290 410	293 130	120 910	1 671 500	-	(1 498 897)	2 372 473
Premiums refunded	(59 341)	(32 401)	(29 401)	544	(5 417)	(2 357)	(91 399)	-	87 467	(132 305)
Change in unearned premiums	(2 567)	(3 779)	(6 552)	(12 932)	1 892	(4 667)	(21 836)	-	15 717	(34 724)
Earned premiums - non-Group	**572 270**	**316 530**	**472 579**	**278 022**	**289 605**	**113 886**	**1 558 265**	**-**	**(1 395 713)**	**2 205 444**
Services revenues - non-Group	179 669	75 251	84 949	66 173	36 905	29 417	-	140 708	(180 141)	432 931
Turnover - intra-sectoral	**751 939**	**391 781**	**557 528**	**344 195**	**326 510**	**143 303**	**1 558 265**	**140 708**	**(1 575 854)**	**2 638 375**
Investment income	27 581	25 078	19 833	3 902	8 748	(295)	36 599	228 521	(233 624)	116 343
Of which, dividends	*(1 237)*	-	-	-	-	-	-	*(229 361)*	*230 598*	-
Total ordinary income	**779 520**	**416 859**	**577 361**	**348 097**	**335 258**	**143 008**	**1 594 864**	**369 229**	**(1 809 478)**	**2 754 718**
Insurance services expenses	(153 186)	(135 438)	(240 194)	(203 149)	(189 277)	(114 428)	(827 435)	(2 954)	718 521	(1 147 540)
Outwards reinsurance income	230 379	170 781	282 541	194 057	210 469	113 488	549 527	-	(1 195 303)	555 939
Outwards reinsurance expenses	(377 478)	(217 047)	(335 502)	(200 195)	(209 721)	(84 532)	(627 645)	-	1 395 713	(656 407)
Other income and expenses	(316 969)	(151 457)	(226 608)	(134 875)	(120 776)	(79 019)	(541 306)	(174 840)	656 924	(1 088 926)
Total other income and expenses	**(617 254)**	**(333 161)**	**(519 763)**	**(344 162)**	**(309 305)**	**(164 491)**	**(1 446 859)**	**(177 794)**	**1 575 855**	**(2 336 934)**
CURRENT OPERATING INCOME	**162 266**	**83 698**	**57 598**	**3 935**	**25 953**	**(21 483)**	**148 005**	**191 435**	**(233 623)**	**417 784**
Other non ordinary operating expenses and income	(1 336)	-	153	-	-	-	-	2 002	(1 245)	(426)
OPERATING INCOME	**160 930**	**83 698**	**57 751**	**3 935**	**25 953**	**(21 483)**	**148 005**	**193 437**	**(234 868)**	**417 358**
Financing expenses	(278)	(3 448)	(192)	(210)	(40)	-	(761)	(6 450)	3 027	(8 352)
Share of Income from companies accounted by the equ	954	14 632	-	-	-	-	-	3 118	(1)	18 703
Corporation tax	(50 569)	(31 930)	(13 751)	(4 772)	(10 538)	(1 317)	(11 756)	1 297	(201)	(123 537)
CONSOLIDATED NET INCOME	**111 037**	**62 952**	**43 808**	**(1 047)**	**15 375**	**(22 800)**	**135 488**	**191 402**	**(232 043)**	**304 172**
	-	-	-	-	-	-	-	-	-	-
NET INCOME, GROUP SHARE	**109 902**	**63 701**	**43 808**	**(2 335)**	**15 375**	**(22 800)**	**135 488**	**191 380**	**(232 043)**	**302 476**
Non controlling interests	1 135	(749)	-	1 288	-	-	-	22	-	1 696

Depreciation, amortization and provisions by segment

Notes to the consolidated financial statements

(in € thousands)	Twelve months ended December 31, 2016									
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries, Middle East & Africa	Americas	Asia Pacific	Group reinsurance	Group services	Inter-segment eliminations	Group
Provisions for loans and receivables	(663)	(2 593)	(1 450)	(47)	(80)	(79)	(690)	(412)	-	**(6 014)**

(in € thousands)	Twelve months ended December 31, 2015 - Pro Forma									
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries, Middle East & Africa	Americas	Asia Pacific	Group reinsurance	Group services	Inter-segment eliminations	Group
Provisions for loans and receivables	(376)	(2 044)	(1 309)	(20)	(248)	35	(509)	(2 121)	-	**(6 592)**

(in € thousands)	Twelve months ended December 31, 2015									
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries, Middle East & Africa	Americas	Asia Pacific	Group reinsurance	Group services	Inter-segment eliminations	Group
Provisions for loans and receivables	(376)	(2 044)	(1 298)	(20)	(248)	35	(509)	(2 132)	-	**(6 592)**

Balance sheet by segment – year-end December 2016

(in € thousands)	December 31, 2016									
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries, Middle East & Africa	Americas	Asia Pacific	Group reinsurance	Group services	Inter-segment eliminations	Group
Goodwill	-	-	62 756	5 936	36 121	3 507	-	-	-	108 320
Other intangible assets	47 966	29 954	20 811	16 288	495	3 029	84	12 379	(4 914)	126 092
Investments - insurance businesses	438 329	416 634	1 059 289	43 295	277 475	128 717	1 488 789	156 656	(128 032)	3 881 152
Investments accounted for by the equity method	68 485	63 400	-	-	-	2 974	-	67 160	-	202 019
Share of assignees and reinsurers in the technical reserves and financial liabilities	273 660	120 390	245 340	259 501	127 646	131 554	447 426	110	(1 006 645)	598 982
Insurance and reinsurance receivables	64 893	80 082	161 909	72 521	119 171	72 850	297 017	(47)	(173 465)	694 931
Other assets	959 504	583 978	252 723	278 553	90 353	50 106	129 370	181 668	(1 631 853)	894 402
Total assets	**1 852 837**	**1 294 438**	**1 802 828**	**676 094**	**651 261**	**392 737**	**2 362 686**	**417 926**	**(2 944 909)**	**6 505 898**
	-	-	-	-	-	-	-	-	-	-
Technical reserves	527 959	252 266	517 707	413 710	295 961	207 737	1 207 036	48	(1 066 608)	2 355 816
Liabilities related to inward insurance and reinsurance t	24 431	53 432	55 964	35 817	9 015	17 484	102 279	2 362	(82 823)	217 961
Liabilities related to outward reinsurance transactions	17 017	17 871	11 960	19 046	70 915	19 351	6 731	43	(123 161)	39 773
Other liabilities	446 501	190 148	1 676 248	60 966	58 088	30 369	52 500	369 021	(1 664 505)	1 219 336
Total liabilities	**1 015 908**	**513 717**	**2 261 879**	**529 539**	**433 979**	**274 941**	**1 368 546**	**371 474**	**(2 937 097)**	**3 832 886**

Balance sheet by segment – year-end December 2015 – Pro forma

(in € thousands)	December 31, 2015 - Pro Forma									
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries, Middle East & Africa	Americas	Asia Pacific	Group reinsurance	Group services	Inter-segment eliminations	Group
Goodwill	-	-	70 499	5 936	35 071	3 347	-	-	-	114 853
Other intangible assets	46 175	25 427	30 887	14 884	1 821	2 762	160	10 072	(13 460)	118 728
Investments - insurance businesses	846 458	780 826	923 015	57 233	251 832	101 583	1 454 282	68 753	(371 108)	4 112 874
Investments accounted for by the equity method	69 027	59 708	-	-	-	-	-	64 557	-	193 292
Share of assignees and reinsurers in the technical reserves and financial liabilities	269 206	131 769	317 215	238 863	127 100	126 069	491 436	110	(1 038 957)	662 811
Insurance and reinsurance receivables	74 294	72 742	171 533	95 850	107 212	62 713	279 052	(47)	(236 515)	626 834
Other assets	488 683	203 908	190 298	248 071	79 800	50 570	80 204	157 937	(766 980)	732 491
Total assets	**1 793 843**	**1 274 380**	**1 703 447**	**660 837**	**602 836**	**347 044**	**2 305 134**	**301 382**	**(2 427 020)**	**6 561 883**
Technical reserves	514 519	239 476	562 092	390 731	298 263	205 805	1 219 545	48	(1 042 925)	2 387 554
Liabilities related to inward insurance and reinsurance t	21 463	69 518	49 014	39 427	10 429	16 035	85 196	1 546	(73 472)	219 156
Liabilities related to outward reinsurance transactions	57 263	21 906	36 634	27 333	36 817	14 132	84 939	43	(171 258)	107 809
Other liabilities	433 997	193 810	708 650	61 393	52 448	58 233	44 829	655 172	(1 118 372)	1 090 160
Total liabilities	**1 027 242**	**524 710**	**1 356 390**	**518 884**	**397 957**	**294 205**	**1 434 509**	**656 809**	**(2 406 027)**	**3 804 679**

Notes to the consolidated financial statements

Balance sheet by segment – year-end December 2015 – Published

(in € thousands)	December 31, 2015									
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries, Middle East & Africa	Americas	Asia Pacific	Group reinsurance	Group services	Inter-segment eliminations	Group
Goodwill	-	-	70 499	5 936	31 119	3 347	-	3 951	-	114 852
Other intangible assets	44 923	25 427	30 673	14 232	1 809	2 762	160	2 571	(3 829)	118 728
Investments - insurance businesses	846 458	780 826	917 850	57 233	255 054	101 583	1 454 282	55 289	(355 678)	4 112 897
Investments accounted for by the equity method	69 027	59 708	-	-	-	-	-	64 557	-	193 292
Share of assignees and reinsurers in the technical reserves and financial liabilities	269 206	131 769	317 215	238 863	127 100	126 069	491 436	110	(1 038 957)	662 811
Insurance and reinsurance receivables	74 294	72 742	171 533	95 850	107 212	62 713	279 052	(47)	(236 515)	626 834
Other assets	515 685	203 908	170 671	245 657	72 394	50 240	80 203	187 190	(758 736)	767 212
Total assets	**1 819 593**	**1 274 380**	**1 678 441**	**657 771**	**594 688**	**346 714**	**2 305 133**	**313 621**	**(2 393 715)**	**6 596 626**
Technical reserves	514 519	239 476	562 092	390 731	298 263	205 805	1 219 545	48	(1 042 923)	2 387 556
Liabilities related to inward insurance and reinsurance t	21 463	69 518	49 014	39 427	10 429	16 035	85 196	1 546	(73 472)	219 156
Liabilities related to outward reinsurance transactions	57 263	21 906	36 634	27 333	36 817	14 132	84 939	43	(171 257)	107 810
Other liabilities	439 446	193 809	694 104	57 271	50 429	62 792	44 830	661 687	(1 099 492)	1 104 876
Total liabilities	**1 032 691**	**524 709**	**1 341 844**	**514 762**	**395 938**	**298 764**	**1 434 510**	**663 324**	**(2 387 144)**	**3 819 398**

Note 30 Related parties

Euler Hermes Group is mainly owned by Allianz France SA, which in turn is 100%-owned by the Allianz group.
The breakdown of the Euler Hermes Group shareholding is as follows:

	Number of shares	%
Allianz France SA	26,864,230	63.00%
Allianz Vie	-	0.00%
Treasury shares	625,945	1.47%
Sub-total	**27,490,175**	**64.47%**
Public (bearer securities)	15,151,460	35.53%
Total	**42,641,635**	**100.00%**

Transactions

(in € thousands)	December 31, 2016			December 31, 2015		
	Allianz SE & other Allianz companies	Allianz France SA	Related companies and joint ventures	Allianz SE & other Allianz companies	Allianz France SA	Related companies and joint ventures
Operating revenues	**50,500**	**-**	**138,168**	**54,500**	**-**	**135,949**
Insurance services expenses	**(49,678)**	**-**	**(61,243)**	**(73,630)**	**-**	**(73,962)**
Net outward reinsurance income or expenses	**(58,892)**	**-**	**58,284**	**(28,109)**	**-**	**(1,307)**
Financing expenses	**(9)**	**-**	**-**	**(6)**	**-**	**-**
Other net income/(expenses)	**(24,977)**	**-**	**(45,436)**	**(21,627)**	**-**	**(51,368)**
thereof contract acquisition expenses	*(17,658)*	-	*(46,615)*	*(18,466)*	-	*(43,341)*
thereof other service expenses	*(7,495)*	-	*(9,548)*	*(7,363)*	-	*(8,054)*
thereof change in fair value of investments recognised at fair value through profit or loss	*(133)*	-	-	*3,854*	-	-
thereof realized gains from disposal of at equity entity (1)	-	-	*10,712*	-	-	-
thereof net investment income	*309*	-	*15*	*348*	-	*27*

Receivables and liabilities

(in € thousands)	December 31, 2016			December 31, 2015		
	Allianz SE & other Allianz companies	Allianz France SA	Related companies and joint ventures	Allianz SE & other Allianz companies	Allianz France SA	Related companies and joint ventures
Current accounts (accrued interests included)	**72,558**	**-**	**-**	**55,853**	**-**	**-**
Net operating receivables	**6,748**	**153**	**2,017**	**6,400**	**153**	**2,155**
Borrowings (accrued interests included)	**-**	**-**	**-**	**-**	**-**	**-**
Operating liabilities	**(17,162)**	**(441)**	**(511)**	**(131)**	**(448)**	**669**

The current account with Allianz SE corresponds to part of the Group's cash position, which is centralised by Allianz SE under a cash pooling arrangement.

Remuneration of senior executives

Board of Management members and Supervisory Board members represent key personnel to the Group.

The following table summarizes amounts due by the Group in respect of compensation and other benefits granted to the members of the Board of Management.

Group Board of Management members

(in € thousands)	December 31, 2016	December 31, 2015
Salaries and other short term benefits for the year	6,434	5,718
Capital gain from SAR/RSU exercise	-	-
Benefits in kind	394	515
Other indemnities	119	690
Total	**6,947**	**6,923**
Share-based attribution (number)	15,340	22,478
- Euler Hermes options & Euler Hermes Group LTI	*9,742*	*13,605*
- AEI (ex RSU)	*5,598*	*8,873*

Details related to the stock-options plans are mentioned in Note 31.

No Board of Management member is eligible for a defined-benefit supplementary pension plan (top hat scheme or *retraite chapeau*).

In addition to being eligible for the AGIRC-ARRCO supplementary pension plan, Frédéric Bizière, Dirk Oevermann, Clarisse Kopff and Paul Overeem are eligible for a supplementary defined-contribution pension plan managed by AG2R/ARIAL Assurances.
Paul Overeem and Dirk Oevermann are respectively eligible for a 401(k) pension plan in the United States and a defined-contribution plan in Germany.

Wilfried Verstraete and Gerd-Uwe Baden are eligible for the Allianz group supplementary defined-contribution retirement plan for senior executives.

The Chapter 2, Paragraph 2.3 of the Registration Document contains detailed disclosures on the various compensation and benefits paid to key management personnel of the Group.

The following table summarizes attendance fees paid by the Group to members of the Supervisory Board being part of Allianz France and/or the Allianz group.

Supervisory Board members being part of Allianz France and/or the Allianz Group

(in € thousands)	2016	2015
Attendance fees owed by Euler Hermes Group (1)	85	232

(1) In 2016, the total amount of the attendance fees paid to the Supervisory Board members being part of Allianz France and/or the Allianz Group for 2016 was €85,000 and are those paid to Clement Booth and Jacques Richier; the other members waived the attendance fee payment.

Note 31 Stock option plans

Euler Hermes Group stock option plans

Characteristics of the stock option plans

Euler Hermes Group uses the Cox-Ross-Rubinstein model to measure the personnel expense related to options granted.
The assumptions used were as follows:

	Purchase plan
	June 2008
Fair value of options allocated	6.83
Characteristics	
Date of EGM (Extraordinary General Meeting)	22/05/2006
Period of validity of options	8 years
Rights vesting period	2 years
Assumptions	
Risk-free interest rate	4.72%
Expected volatiliy (1)	33%
Rate of return on shares	10.51%

(1) Expected volatility is calculated using historical market prices

Sundry restrictions

- Mixed plans adopted by the EGM of May 22, 2006
  The beneficiaries of the scheme are all the employees and corporate officers of Euler Hermes Group and of more than 50%-owned subsidiaries, with permanent or fixed-term employment contracts and at least six months length of service on the options allocation date. The options may be freely exercised after a period of four years from the date of the offer, other than as provided for by Article 91 *ter* of Appendix II to the French General Tax Code (loss of employment , retirement, incapacity or death), depending on the country.

Information on plans currently in effect

As at December 31, 2016, no Euler Hermes Group stock option plan is in effect anymore, as the subscription period for the last existing plan (2008 plan) ended in June 2016. The 2008 plan grants resulted from the Group Board of Management of June 20, 2008 approving the request from the Supervisory Board of June 15, 2008 related to the granting of a purchase plan authorised by the Combined Shareholder's Meeting of May 22, 2006. The exercise price was 55.67 euros per share.

Transactions under the share option plans since January 1st, 2016 may be summarised as follows:

	Year ended December 31, 2016				
	Average exercise price (€)	Number of options	Average price of Euler Hermes Group share on exercise dates (€)	Average residual term (years)	Exercise price range of options still outstanding at end of period (€)
Start of period	**55.67**	**8,306**			
Allocation	-	-			
Exercise	55.67	5,156	72.03		
Cancellation	55.67	3,150			
End of period	**-**	**0**		**-**	**55.67**

	Year ended December 31, 2015				
	Average exercise price (€)	Number of options	Average price of Euler Hermes Group share on exercise dates (€)	Average residual term (years)	Exercise price range of options still outstanding at end of period (€)
Start of period	**55.67**	**34,906**			
Allocation	-	-			
Exercise	55.67	25,700	91.39		
Cancellation	55.67	900			
End of period	**55.67**	**8,306**		**0.47**	**55.67**

Allianz group Equity Incentive plans

The schemes set in place under the *Allianz group Equity Incentives* plan concern executives of Allianz and its subsidiaries worldwide. Starting in 1999, Allianz issued Stock Appreciation Rights (SAR) whose remuneration is entirely and directly a function of Allianz's share price performance. From 2003, Allianz issued Restricted Stock Units (RSU) with a vesting period of four or five years. The remuneration is granted by each entity concerned in accordance with the conditions set by Allianz. The reference price of SAR and RSU for the remuneration of the beneficiaries is the average trading price of Allianz shares over the ten trading days immediately preceding Allianz's Annual Shareholders' Meeting.

Characteristics of the SAR and RSU plans

	SAR plans		
	12-Mar-09	**11-Mar-10**	**Total**
Fair value at 31 December 2016 (in €)	**0,00**	**69,64**	
(in € thousands)			
Total commitment	**-**	**807**	**807**
Opening commitment	**207**	**1 192**	**1 399**
Charge recognised during the period	-	-128	**-128**
Exercise of SAR	-207	-257	**-464**
Closing commitment	**-**	**807**	**807**

	RSU plans					
	8-Mar-12	**7-Mar-13**	**13-Mar-14**	**12-Mar-15**	**4-Mar-16**	**Total**
Fair value at 31 December 2016 (in €)	**-**	**157,00**	**149,55**	**141,81**	**133,68**	
(in € thousands)						
Total commitment	**-**	**3 988**	**2 710**	**2 425**	**2 255**	**11 378**
Opening commitment	**4 972**	**2 991**	**1 417**	**837**	**-**	**10 217**
Charge recognised during the period	-579	1 071	685	575	847	**2 599**
Exercise of RSU	-4 393	-213	-36	-38	-	**-4 680**
Closing commitment	**-**	**3 849**	**2 066**	**1 374**	**847**	**8 136**

- SAR

After a vesting period of two years (except for the March 2010 plan, 4 years), the SAR can be exercised at any time between the second anniversary date and the seventh anniversary date under the following conditions:

- if the Allianz share price exceeds the reference price by at least 20% on the exercise date;
- if during the contractual period, the Allianz share price outperformed the Dow Jones index at least once for a period of five consecutive days.

If these conditions are met, the Allianz group companies must pay in cash the difference between the reference price and the Allianz share price on the exercise date.

- RSU

On the exercise date, after a five-year or four-year vesting period, Allianz can choose to remunerate the RSU in cash or to allocate Allianz shares or other securities granting access to the capital. If it opts for cash remuneration, payment will be made based on the average price of the Allianz share over the ten trading days prior to the end of the vesting period.

Impact on the consolidated financial statements as at December 31, 2016

The fair value of the liabilities resulting from the SAR and RSU plans is reassessed at each balance sheet date based on the Allianz share price, until expiry of the obligation, and is calculated using the Cox-Ross-Rubinstein binomial valuation model. The charge is recognised as the rights are vested, and is thus spread over two years for the SAR (except for March 2010 plan, 4 years) and five years or four years for the RSU. As at December 31, 2016, the liability relating to the SAR and RSU still to be exercised amounted to €8,943 thousand.

Information on plans currently in effect:

	Year ended December 31, 2016												
	SAR							RSU					
Allocation date	Rights vesting period (years)	Reference price (€)	SAR at the opening	SAR granted	SAR cancelled	SAR exercised	SAR transfered	Rights vesting period (years)	RSU at the opening	RSU granted	RSU cancelled	RSU exercised	RSU transfered
3/12/09	4	51.95	2,657	-	-	- 2,657	-						
3/11/10	4	87.36	15,641	-	-	- 4,059	-						
3/8/12								4	31,622		-	31,622	-
3/7/13								4	25,201		-	1,401	1,602
3/13/14								4	16,955		-	274	1,443
3/12/15								4	16,047		-	289	1,343
3/4/16								4		16,100			772

Euler Hermes Group Long-Term Incentive plans

Five Euler Hermes Group Long-Term Incentive (LTI) plans are in effect as at December 31, 2016: the plans implemented if March 2012, March 2013, March 2014, March 2015 and March 2016. The beneficiaries of the scheme are employees and members of the Board of Management of Euler Hermes Group (under Allianz grade 20 to 16). The Euler Hermes Long-Term Incentive is a variable, long-term equity based plan providing an opportunity for executives and key employees to benefit from the Group's success over the long-term.

The general rules of granting, capping (200% share price growth) and paying out are identical to *Allianz group Equity Incentive Plan* rules.

Characteristics of the Euler Hermes Group RSU plans

	Euler Hermes Group RSU plans					
	March 2012	**March 2013**	**March 2014**	**March 2015**	**March 2016**	**Total**
Fair value at December 31, 2016 (in euros per share)		**84,48**	**84,48**	**84,48**	**84,48**	
(in € thousand)						
Total commitment (excluding social contributions)	**-**	**4 361**	**2 876**	**3 743**	**4 194**	**15 175**
Opening commitment	**5 478**	**3 568**	**1 732**	**1 501**	**-**	**12 279**
Charge recognised during the period	(425)	662	512	671	1 636	3 055
Exercise of options	(5 053)	-	-	-	-	(5 053)
Closing commitment	**-**	**4 230**	**2 244**	**2 172**	**1 636**	**10 281**

The Euler Hermes Group LTI is granted in the form of RSU (Restricted Stock Units) of Euler Hermes Group with a four-year vesting period at the allocation date.

Euler Hermes Group RSU are allocated on the basis of a common Grant Price. This is calculated as the arithmetic average of the Euronext trading closing prices of the Euler Hermes Group stock over the ten trading days following the Euler Hermes Group financial press conference prior to and including the allocation date.

The number of Euler Hermes Group RSU granted to the participants equals the LTI allocation value divided by the fair value at allocation of a single Euler Hermes Group RSU.

The Euler Hermes Group RSU plans in effect as at December 31, 2016 were granted as of March 1, 2012 (first plan), March 1, 2013 (second plan), March 1, 2014 (third plan), March 1, 2015 (fourth plan) and March 1, 2016 (fifth plan).

After the Vesting Date of the Euler Hermes Group RSU (March 2016 for the first Euler Hermes Group RSU, 2017 for the second plan, 2018 for the third plan, 2019 for the fourth plan and 2020 for the fifth plan), each participant will receive from the Company for each EH RSU, as elected by the Company, either

- one Euler Hermes Group share ("Share Settlement"); or
- a cash payment based on of average market value of the Euler Hermes Group share on the Vesting Date ("Cash Settlement").

In both cases, the payout is calculated on the share price at the end of the vesting period.

Information on plans currently in effect:

	Year ended December 31, 2016					
	EH RSU					
Allocation date	Rights vesting period (in years)	RSU at the opening	RSU granted	RSU cancelled	RSU exercised	RSU transfered
March 2012	4	68,258		-	- 68,258	
March 2013	4	55,429		- 3,810		
March 2014	4	35,719		- 1,670		
March 2015	4	46,025		- 1,714		
March 2016	4	-	49,645	-		

The attribution to the Group Management Board is as follows:

- RSU Allianz 5,598;
- RSU Euler Hermes Group 9,742.

The RSU fair value impact amounting to €417 thousand was reallocated to financial expenses.

Note 32 Other information

Group employees (contracted headcount)

The breakdown of Group employees is as follows:

	December 31, 2016	December 31, 2015 proforma	December 31, 2015
Germany & Switzerland	1,649	1,723	2,107
France	807	833	833
Northern Europe	1,617	1,655	1,399
Mediterranean Countries & Africa	586	586	541
America	497	493	462
Asia Pacific	336	339	339
Reinsurance entities	20	19	19
Service Group	387	371	766
Total Group	**5,899**	**6,019**	**6,466**

A pro forma analysis for 2015 data has been performed to take into account the 2016 disposal of the Bürgel group and the relocation, effective from January 1st, 2016, of collection services entities from the Service Group to their geographical segments.

The staff numbers shown correspond to the contracted headcount. Employees of equity associates are not included.

Staff expenses

(in € thousands)	2016	2015 at constant exchange rate and constant scope	2015
Staff expenses	(535,289)	(527,284)	(555,038)
Employee profit-sharing and bonuses	(7,348)	(7,367)	(7,367)
Total staff expenses	(542,637)	(534,651)	(562,405)

Staff costs totalled €542.6 million for the year ended December 31, 2016 against €534.7 million in 2015 at constant exchange rate and constant scope. The increase in staff cost in 2016 is mainly due to the conventional salary increase, and the staff increase in growing areas and new products.

Remuneration due to members of the Group Board of Management for the year 2016 came to €6,947 thousand (2015: €6,923 thousand).

Note 33 Commitments given and received

(in € thousands)	December 31, 2016	December 31, 2015
Commitments received	**8,932**	**9,200**
Deposits, sureties and other guarantees	8,932	9,200
Commitments given	**35,710**	**29,136**
Deposits, sureties and other guarantees	35,710	29,136
- Commitments todifferent investment funds	19,068	18,139
- Commitments related to offices and car lease contracts	3,858	4,312
- Commitment guarantee to Allianz China General Insurance Co Ltd.	3,411	-
- Independent garantee CACIB	3,284	3,125
- Commitments to InvestionsBank Landes Brandeburg	1,857	1,857
- Others	4,232	1,703

The Group is committed to investing directly or through co-investments in mutual funds. The commitment totals €19,068 thousand at end December 2016 against €18,139 thousand at end December 2015.

A commitment amounting to €3,284 thousand has been given since 2012 in the form of autonomous first demand guarantee in favor of the CACIB Company as a security deposit for rental of *First* Tower in La Défense.

A €3,411 thousand guarantee has been issued in 2016 to Allianz China General Insurance Co Ltd in order to meet the new insurance regulation in China that requires the local insurer (ie. Allianz China) to obtain a bank guarantee from the reinsurer (Euler Hermes Group) to meet its risks or capital requirements.

A commitment has been given by the Group to Cardif to guarantee additional cash contribution to the defined-benefit pension funds due to index revaluation.

Within the framework agreement relating to the Spanish joint-venture Solunion, the Group and MAPFRE have a mutual liability guarantee commitment.

Letter of comfort Export Credit Guarantee business

Euler Hermes Germany (and PwC) manages the official export credit guarantee scheme on behalf and for account of the German Federal Government. With effect from January 1st, 2014 this business went from Euler Hermes Deutschland AG (now Euler Hermes Deutschland, branch of Euler Hermes SA (NV)) to Euler Hermes AG (the former Euler Hermes Forderungsmanagement AG). Due to this switch Euler Hermes Deutschland signed a binding letter of comfort to the German Federal Ministry for Economic Affairs and Energy. Euler Hermes Deutschland assures that Euler Hermes AG will be capable to fulfill its duties towards the federal government resulting from the business until January 1st, 2014 for 5 years.

Note 34 Auditors' fees

(in € thousands)	KPMG Audit FS II				EXCO Paris Ace			
	Amount		%		Amount		%	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Audit								
o Statutory audit and report on company and consolidated financial statements								
-Issuer	369	369	10%	10%	192	190	43%	42%
-Fully-consolidated subsidiaries	3,056	2,863	79%	76%	240	240	53%	53%
o Other services directly related to appointment as statutory auditor								
-Issuer	157	165	4%	4%	17	22	4%	5%
-Fully-consolidated subsidiaries	240	326	6%	9%		3		
Sub total	**3,822**	**3,723**	**99%**	**99%**	**449**	**455**	**100%**	**100%**
Other services provided to fully-consolidated subsidiaries								
o Legal, tax and social		27		1%				
o IT								
o Strategy								
o Human resources								
o Other	41		1%					
Sub total	**41**	**27**	**1%**	**1%**				
TOTAL	**3,864**	**3,750**	**100%**	**100%**	**449**	**455**	**100%**	**100%**

Note 35 Subsequent events

No subsequent events occurred since December 31, 2016 closing which would impact the assumptions of the annual closing.

Note 36 Risk Management

The paragraphs from the Risk Management 4.2 to 4.2.5 are part of the Group financial statements. They are included in the section 4 “Major risk factors and their management within the Group” of this Registration Document.