

Euler Hermes Group

Registration Document

2016

Risk Management | Credit Insurance
Debt Collection | Bonding



EULER HERMES
Our knowledge serving your success

A company of Allianz 

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Registration Document 2016

The Registration Document
can be consulted and
downloaded from the website
www.eulerhermes.com



This Registration Document was filed with the Autorité des Marchés Financiers (AMF) on April 20, 2017 pursuant to Article 212-13 of the AMF General Regulation. It may be used to support a financial transaction if completed by a transaction note approved by the AMF. This document was prepared by the issuer and is the responsibility of its signatories.

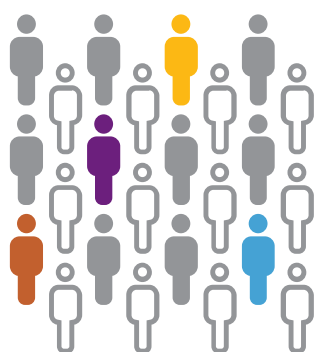
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EULER HERMES GROUP OVERVIEW

Profile

Supporting business growth for companies worldwide

Euler Hermes Group, the global leader in trade credit insurance and a recognized specialist in the areas of bonding, guarantees and collections, helps customers worldwide to trade wisely and develop their business safely. Its financial solidity, risk analysis and integrated global structure enable the Group to provide companies of all sizes with the domestic and export market knowledge and support they need to successfully manage their trade receivables in changing economic environments.



+5,800

Employees
95% of which hold
permanent contracts

12 YEARS

Average length of service

42 YEARS

Average age

52%

Number of women

48%

Number of men

€2,570 M

Turnover

79.8%

Net combined ratio

€287 M

Net income, Group share

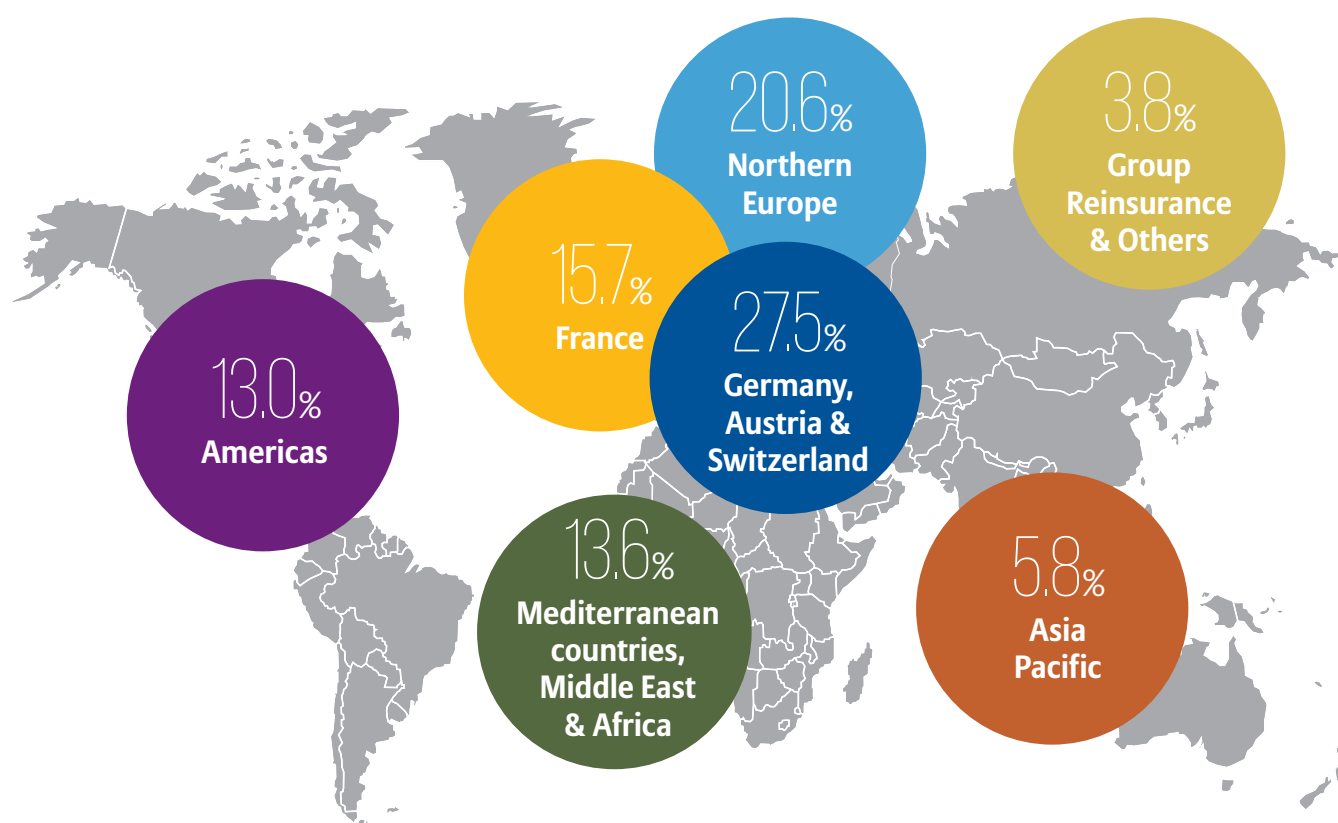
10.8%

Return on equity*

* Calculated on the basis of net income, Group share relative to average of shareholders equity (excluding minority interests) Group share between end-December 2015 and end-December 2016.

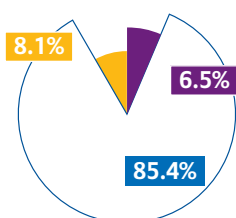
Key figures

Breakdown of turnover by region

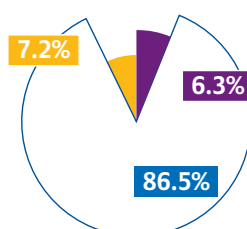


Breakdown of turnover by line of business

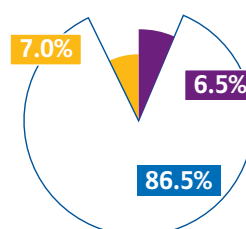
■ AT 31 DECEMBER 2016



■ AT 31 DECEMBER 2015*



■ AT 31 DECEMBER 2014*



- Credit insurance & debt collection
- Bonding & guarantees
- Other services

* For comparison purposes, 2015 and 2014 published data have been restated to take into account the sale of the Bürgel entities in Germany in 2016.

LETTER FROM THE CHAIRMAN OF THE BOARD OF MANAGEMENT



Wilfried Verstraete

Chairman of the Board of Management

A review of 2016 and an overview of the Company's 2017 strategic focus from the Chairman of the Euler Hermes Board of Management.

2016 review

At the beginning of 2016, we expected businesses would face a tough series of challenges. These included:

- low and volatile regional economic growth impacting company payment behavior;
- currency fluctuations;
- lingering low interest rates and inflation, and;
- business models disrupted by digitalization and structural innovations.

But by year-end one factor exceeded all expectations: geopolitical turbulence. A sustained series of surprises encompassed terrorism, electoral shocks, and dramatic challenges to established trade and social models. Market uncertainty was intensified in the face of growing negative public sentiment demanding change.

Within this context, Euler Hermes reduced its commercial appetite and tightened its risk underwriting. We also accelerated a transformation program to increase cost flexibility and reallocate resources to new products and technologies.

In 2016 we sustained our strong performance, delivering solid results and solvency:

- revenues of €2,570 million, stable at constant exchange rates and scope;
- €373 million in operating income; net income of €287 million;
- a net combined ratio of 79.8%;
- a solid solvency ratio of 166%;
- our average ROE for the past 5 years stands at 12.2%.

Standard & Poor's continued to rate Euler Hermes as AA- with stable outlook.

By year-end the client retention rate declined slightly from 2015 levels to 87%, reflecting reduced risk appetite in some countries.

We aimed to sustain our market leadership in 2016* through targeted geographic initiatives and by creating additional long-term growth opportunities in strategic partnerships and distribution channels.

* Euler Hermes Group estimates as of February 2017 based on 2015 market information available at that time (sub-section 1.2.5—Competitive positioning).



In 2016 we sustained our strong performance, delivering solid results and solvency.



Geographically, Western Europe experienced low claims, but struggled with topline growth due to downward rate pressure. France was an exception; growth was driven by new products and slightly higher insured volumes. Non-mature markets registered slowing growth and rising insolvencies & claims -- we realigned portfolio exposure to improve price/risk adequacy. APAC grew at just over 3% in contrast to earlier double digit rates; in Brazil, Gulf countries and Turkey, growth was flat.

Distribution and partnership results were a 2016 highlight.

- The cooperation with CPPIC marked a Euler Hermes milestone in the world's second largest economy: combined teams in Shanghai will serve a wider spectrum of Chinese entrepreneurs and businesses.
- The Moody's collaboration will create new, tailored credit rating services initially for the German *Mittelstand* and ultimately for other European small and medium enterprises (SME).
- Joining forces with fintech URICA generated a key digital strategy milestone, offering French companies single transaction credit insurance online.
- Our Solunion joint venture with MAPFRE remains on track, and in January 2017 began operations in the Dominican Republic, its ninth Latin American country.

Specialty lines – bonding, fraud and transaction cover – delivered good growth; bonding products are now offered in more than 20 countries. APAC, the UK, and the U.S. made noteworthy progress in product suite harmonization. The merged Claims and Collections teams continued to optimize client service and administrative synergies. The World Agency, serving multinational clients, improved both operational excellence and broker satisfaction.

2016 saw the launch of the three-year “Accelerate” initiative to propel Euler Hermes faster into digitalized financial services and strengthen customer centricity. Our roadmap for new online products and services includes both a deeper analysis of the customer journey as well as ongoing client and broker feedback, and we continue to focus on delivering operational excellence. As a result, companies and brokers benefit from services with a constantly improving user experience and performance.

Digital Agency teams – now established in France, the UK and the U.S. – are pioneering projects and prototypes with disruptive and digital start-ups and partners. Their focus: artificial intelligence, big data and platformization.

Solvency II requirements, and Euler Hermes' internal model, went live in 2016. We actively use it as a framework for risk and capital management decisions and reporting. Euler Hermes remains the only global credit insurer with its own internal model – a distinct competitive advantage.

We also strengthened our thought leadership position with a broader range of economic research publications.

2017 outlook: trade policies, digitalization, transformation

The wider global macroeconomic outlook remains uncertain... but in very new ways. Unexpected events will continue to dominate sociopolitical and business agendas. It's unclear what new leaders and administrations with mandates for change will actually do.

A range of swing factors could impact businesses and their performance:

- strength of trade barriers and protectionism;
- deflation linked to major U.S. and China infrastructure programs;
- Brexit negotiations;
- resilience of China and Europe;
- investor confidence and selectivity in emerging countries;
- the severity impact of bankruptcies among state-owned enterprises.

Global trade volume growth starts the year at the lowest levels since 2009; wide regional divergences will remain. Overall, global growth should increase +2.8%, remaining below +3% for the seventh consecutive year. The downward trend in global insolvencies is expected to come to an end.

To serve future client needs in this rapidly changing environment, we will continue our sound underwriting practices and economic research analyses. Significant investments in marketing and digitalization will accelerate transformations around new products and services that improve customers' experience, and protect profitability. We will invest in employees through training and project opportunities that build their digital skills, knowledge and innovation capabilities.

Our employees brought energy and commitment to serving clients in 2016, while accelerating the speed of our business transformation. On behalf of the Board I thank them for their dedication. In 2017, several of our businesses celebrate milestone anniversaries: Germany – 100 years, France and Italy – 90 years. These foundations confirm we have the skills and agility to continue to evolve our business, and earn our clients' loyalty.

Paris, February 9, 2017

Wilfried Verstraete
Chairman of the Board of Management

MESSAGE FROM THE CHAIRMAN OF THE SUPERVISORY BOARD



Axel G. Theis

Chairman of the Supervisory Board

Euler Hermes delivered solid revenues of €2,570 million in 2016, in an economic environment that remained challenging, compounded by a series of unexpected geopolitical events.

The customer renewal rate was 87%. The overall high renewal levels reconfirm that our products and services provide our clients with valuable financial underpinning in uncertain and volatile markets.

Based on the 2016 results, the Board will propose a stable dividend of 4.68 euros per share at the annual Shareholders' Meeting on May 24, 2017.

Board activities and appointments

The Supervisory Board advised and challenged a range of strategic initiatives proposed by the Euler Hermes Board of Management. In 2016, topics addressed included capital management, digitalization and innovation. New partnerships created with CPIC, Moody's and Unicredit were also a priority. I was pleased to personally participate in the official CPPIC-EH launch with our Chinese partners in Shanghai and maintain a close interest in the business results. Supervisory Board members were closely involved in the Euler Hermes share buyback that will benefit shareholders long-term. We also monitored implementation and compliance related to the Solvency II internal model in its first official year.

Further details of the Supervisory Board's activities are found in the 2.4 section of the 2016 Registration Document.

Following the May 2016 shareholders' meeting in Paris, Marita Kraemer and Ramon Fernandez were elected to the Supervisory Board. They respectively replace Clement B. Booth, member of the Supervisory Board since September 2009 who resigned at the end of the May 2016 shareholders meeting, and Jean-Hervé Lorenzi, member of the



Euler Hermes delivered solid revenues of €2,570 million in 2016, in an economic environment that remained challenging.



Supervisory Board since November 2004, whose mandate expired. I was honored to be elected by the Board as its new Chairman and extend my warm thanks to Clement B. Booth for his leadership during a turbulent period for the financial services industry. With the appointment of the fourth woman to the 10-member Euler Hermes Supervisory Board⁽¹⁾, we

also achieved our self-defined ambition for gender diversity. This milestone adds to the benefits of a broad professional, sector and international diversity that increasingly mirrors the scope of the markets we serve.

Outlook

The market outlook for 2017 remains uncertain. The global environment will continue to experience significant and often sudden or seismic economic, geopolitical, social and technological changes. We expect a bottoming out of prices and recovery in some sectors. In others, higher insolvency volumes or greater loss severity could generate second-level domino effects across supply chains or among fragile suppliers.

Global growth is not expected to accelerate markedly, remaining below +3% for several more years. Modest economic development is expected in parts of continental Europe and Asia, the UK and the U.S., while emerging markets face continuing turmoil, growth and debt challenges. At a global level, the contained return of inflation may provide limited relief to corporate revenues, but companies will face higher input costs, upward wage pressure and tighter financing conditions. They remain vulnerable to unpredictable macroeconomic and financial environments, and external shocks.

Economic and risk analyses remain core strengths of Euler Hermes – enabling scenario planning that benefits clients and shareholders. Paralleling this prudent and systematic approach is the Company's accelerating transformation as the financial services industry evolves radically through digitalization. Productivity initiatives are underway in France and Germany, with work councils' agreements. The Company will become more agile and evolve its business model to increase the use of digitalization for the benefit of the Company and clients.

To create new business opportunities, the Digital Agency will invest in people more than software, and in partnerships, prototype projects and specialized commercial or finance platforms.

Major marketing investments will focus on improving the customer journey, based on customer feedback & collaboration. Digitalization will often play a role in streamlining services, to offer them online and on demand. The specialties business – bonding, transaction cover, Excess of Loss (XoL) and fraud – remain key growth opportunities.

In less mature markets that experienced recent increases in loss ratios, reinforced employee training created a better understanding of the value of portfolio risk management and technical excellence – and a renewed focus on profitable growth.

In closing, on behalf of my Supervisory Board colleagues, I thank Euler Hermes employees and members of the Board of Management for their dedication and commitment in 2016 to our clients – whom I thank for the continued trust and confidence they place with us.

Paris, February 9, 2017

For the Supervisory Board

Axel G. Theis
Chairman

(1) Considering Elizabeth Corley's resignation following the Supervisory Board meeting of February 9, 2017 (see section 2.2.1 of this Registration Document for more details).

PRESENTATION OF THE GROUP

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1.1 History and development of the Group

With a history dating back over 100 years, the Group has grown both organically and through acquisitions. Today it ranks as the leading credit insurer worldwide, present in over 50 countries.

Today's Group grew out of Euler SFAC in France and Hermes Kreditversicherungs-AG in Germany.

Hermes Kreditversicherungs-AG (Hermes) was founded in 1917 by two members: Münchener Rückversicherungs-Gesellschaft and Globus Versicherungs-AG. In 1949, it began underwriting export credit transactions on behalf of the Federal Republic of Germany, in cooperation with Deutsche Revisions-und Treuhand AG. SFAC was founded in 1927 by several major insurance companies, including Assurances Générales (the predecessors of Assurances Générales de France-AGF) and Compagnie Suisse de Réassurance.

In the 1990s both SFAC and Hermes embarked on a program of international expansion, acquiring credit insurers and creating new subsidiaries.

In 1996 AGF became SFAC's majority shareholder. The same year, Allianz took control of Hermes.

In 1998 Allianz acquired a majority interest in AGF's capital. SFAC changed its name to Euler SFAC.

In 1999 Euler and Hermes signed a cooperation agreement with a view to coordinating their international expansion.

On April 27, 2000 Euler was listed on the *Premier Marché* of Euronext Paris.

In September 2001 Allianz group and AGF announced their intention to merge their respective credit insurance subsidiaries through the acquisition of Hermes by Euler.

In July 2002 the Euler group finalized the acquisition of Hermes.

In 2003 the Group and its subsidiaries adopted the name Euler Hermes (the "Group").

From 2004 the Group continued its international development.

In 2010 the Group launched the "Excellence" initiative and changed its governance to strengthen the Company's customer centricity and international integration.

In 2011 the legal restructuring project "Blue Europe" merged 12 separate units of the Group under the single Brussels-based insurance carrier Euler Hermes Europe SA. A memorandum of understanding was signed with MAPFRE to create a Spain and Latin America strategic alliance, combining the Group's credit risk underwriting expertise with MAPFRE distribution and sales strength.

2013 saw the official launch of the Solunion joint venture and the Group also increased its equity interest in the Israeli credit insurance specialist ICIC to 50%. A pioneering, innovative global distribution partnership in credit insurance was forged with HSBC.

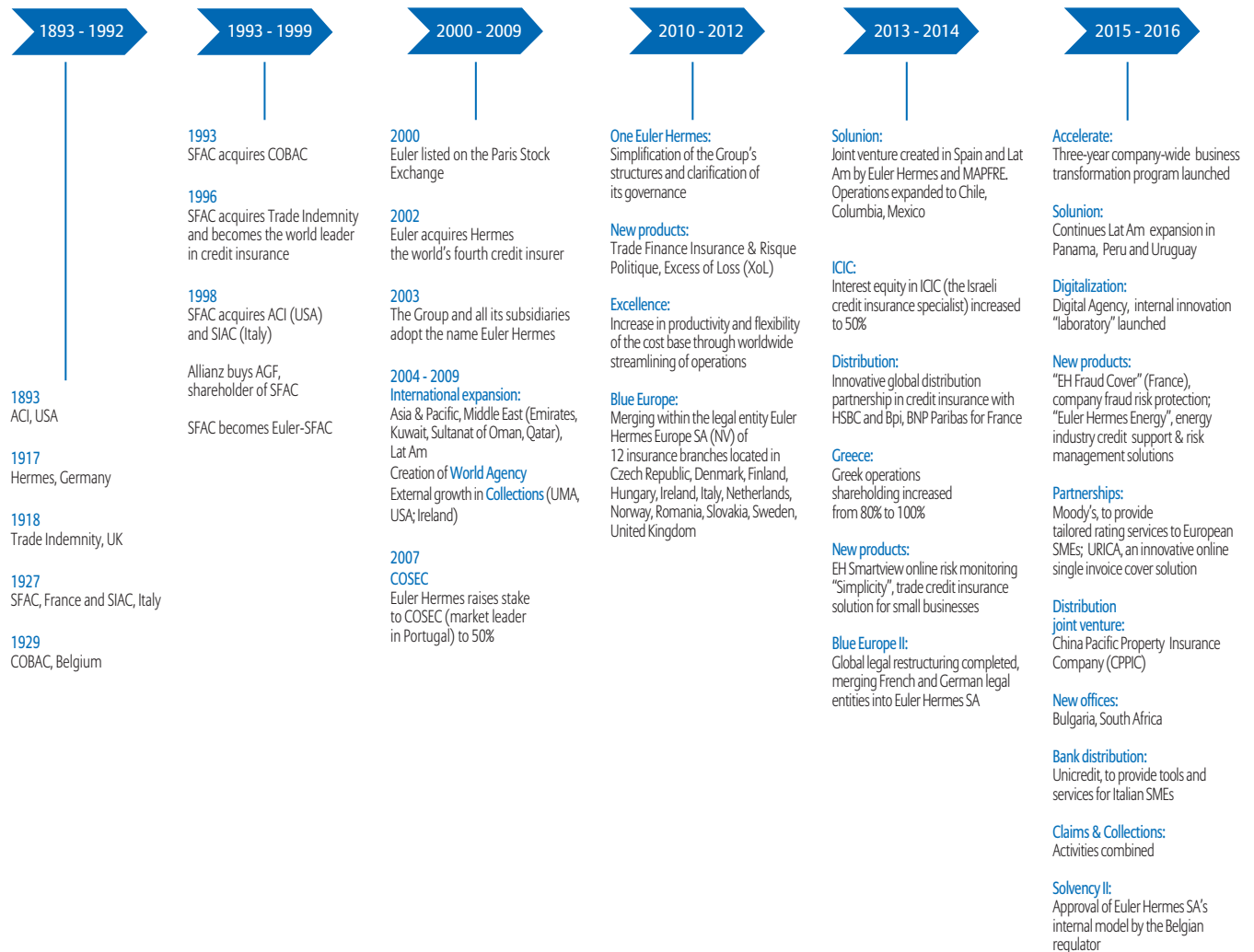
In 2014 the Group launched an innovative online solution for risk monitoring for its policyholders: EH Smartview. Partnerships were also established with Bpifrance for a new product guaranteeing short term financing and with BNP Paribas for its corporate clients in France. With local contracts in the U.S. and Malaysia, the HSBC partnership became fully operational in all target countries. The Solunion joint venture expanded into Chile, Columbia and Mexico as planned. In anticipation of Solvency II, the legal restructuring "Blue Europe II", i.e. the merger of Euler Hermes Deutschland and Euler Hermes France insurance companies into the Belgian company Euler Hermes SA (formerly Euler Hermes Europe SA) was successfully completed.

In 2015 the Group strengthened its Latin American presence through its joint venture Solunion with the scheduled launch of operations in Panama, Peru and Uruguay. New growth opportunities were created with the opening of offices in Bulgaria and South Africa. Five new bank distribution partnerships were created with Al Hilal Takaful (Abu Dhabi), Arkéa Banque Entreprises et Institutionnels (France), Allied Irish Banks (Ireland), Banco do Brazil (Brazil) and Unicredit (Italy). Customer service launches included: "EH Fraud Cover" in France, an insurance policy against company fraud risk and "Euler Hermes Energy" in the U.S., risk management solutions for the energy industry. To optimize efficiency and productivity, the Claims and Collections services were combined. The Euler Hermes Digital Agency was created, an in-house structure designed to take Euler Hermes' digital transformation to a new level.

The Company's internet network was completely redesigned to improve the customer journey and optimize social media connections.

2016 saw the launch of "Accelerate", a three-year company-wide business transformation program encompassing initiatives on customer centricity, digitalization, inclusive meritocracy and technical excellence to face the future challenges of a rapidly changing world. Euler Hermes created new partnerships with Moody's to provide tailored rating services to European SMEs, with Unicredit (Italy) to provide tools and services for Italian SMEs and with URICA for an innovative online insurance solution plugged into a funding platform. A distribution agency was launched with China Pacific Property Insurance Company (CPPIC) in China. The U.S. launched "Simplicity", a new trade credit insurance solution for small businesses. Once again the Group was recognized globally by industry awards.

Milestones in the Group's History



1.2 Overview of the Group's activities

1.2.1 Main activities

Credit insurance

Trade credit insurance is a financial tool that manages both commercial and political risks that are beyond a company's control. It provides businesses with protection against their customers' failure to pay trade debts which can arise because customers become insolvent or fail to pay within the agreed upon time frame.

Accounts receivable typically represent 30 to 40% of a company's assets however, if a company insures their key assets (equipment, inventories...), they do not always insure their accounts receivables. There is a greater chance that a company will experience a loss within its accounts receivable than any other asset.

Well managed companies want to be credit-insured for four main reasons:

- credit-insurance protects companies from catastrophic bad debt loss- one of the top reasons for business failure. A large loss can lead to a cash flow disruption and the lost profit is difficult to compensate;
- credit-insurance provides companies with sales expansion opportunities. Businesses can often approve higher credit limits to existing customers and safely extend credit to new and unknown accounts using credit-insurance. Companies can also use credit-insurance to make more strategic decisions when considering expanding sales into new and international markets;
- credit-insurance places a ceiling on bad debt losses, allowing companies to release a significant portion of their bad debt reserves- an action which can have an immediate, positive impact on earnings;
- credit insurers proprietary information acquisition costs are typically lower than those incurred by a business so it is a cost effective solution.

B2B businesses who sell on credit terms draw on a plethora of resources - such as capital, financial information collection and management, credit analysis and collections capability. Companies can advantageously share this information with other companies through the pooling system provided by a trade credit-insurance solution. The Group's mission is to provide companies with a capital base at the lowest price, together with global proprietary financial information that is produced in-house and not available on the market, as well as collection capacity, so that its customers can securely grow their businesses.

For short term credit-insurance business, the Group offers a range of products targeting different company segments, from micro SMEs who need a simple product which provides them with sufficient cover but requests very little maintenance (Simplicity), to large multinationals who

require tailor-made international solutions (World Program). To best serve their multinational client segment, the Group launched Euler Hermes World Agency in 2008. Dedicated solely to multinationals, this subsidiary provides a team of experts and a range of unique services to help companies optimize trade receivables management and secure payment. The Group's short term product range also includes products for SMEs and mid-market corporations.

In 2012, the Group further broadened its product range by introducing a new solution for companies that have experienced in-house credit management but seek to protect their business against catastrophic loss and exceptional credit risk events. This product, called Excess of Loss, provides solutions to cover portfolio receivables against such losses based on a suitable risk share and an assessment of companies' credit procedures.

Last but not least, in order to support clients on their most difficult risks which fall outside standard cover, the Group has created top up products (CAP, CAP+ and Power CAP).

The Group expanded its existing range of medium term insurance products by developing a new political risk and international trade insurance business (Trade Finance Insurance) under the name Transactional Cover, which was launched by Euler Hermes World Agency. It has now a worldwide geographical presence with four hubs located in Paris, London, New York and Singapore. Activities encompass exceptional situations, structured trade credit and political perils (including risks of confiscation).

The Group also developed partnerships and specific offers with large international banks and factoring companies in order to meet their specific needs, including capital relief.

The credit-insurance policies offered by the Group are built around three major services as follows:

Monitoring of credit risk

A supplier that grants credit to a customer (the "buyer") is exposed to credit risk associated with the possibility that the buyer will default on this debt.

The Group offers suppliers its expertise in managing the credit risk associated with business transactions. This expertise comes from the Group's teams across the world which evaluate the financial condition of buyers on a daily basis. Through its monitoring services, the Group

provides information to companies on the solvency of their customers, including notification when a customer's financial condition has deteriorated.

The Group tracks changes in corporate solvency in the world's largest economies. Euler Hermes has more than 1,100 credit analysts and risk underwriters and through its information collecting processes, the Group has access to 83 million companies in their proprietary database. This database is unique in both the depth and newness of content, thereby offering Euler Hermes clients the clearest visibility on their customers' credit risk.

Taking a multi-dimensional approach to risk underwriting, the Group also assesses countries' global economic indicators and political stability.

The Group receives more than 19,500 credit requests per day and almost 90% are processed in fewer than 48 hours.

Collection of unpaid receivables

The Group has been offering international debt collection services as part of its credit-insurance policies for decades. It handles 380,000 debt collection files in more than 130 countries. As a leader in the field of debt collection, the Group has its own specialist teams located throughout the world. This integrated network, together with the proprietary information produced by the Group credit analysts, stands unique in the market. It is of great value to clients with receivables collections in export markets, where they often encounter difficulties in dealing with unfamiliar languages and legal systems.

In 2009, the Group combined its worldwide collection operations under the name Euler Hermes Collections as part of an initiative to further develop its debt recovery business for existing insurance clients and also to extend the offering to new, uninsured corporate clients. As collection is a high-volume business, the aim of this initiative is to give all Group customers, whether or not they are trade credit-insurance policyholders, the opportunity to take advantage of its greater critical mass of this activity at a marginal cost. Euler Hermes Collections draws on an international network of debt-recovery companies and on a shared services center, located in Poland, which handles the main support functions.

At the end of 2014, the Board of Management decided to launch a study related to the merger of our Claims and Collections activities. Following an analysis, the decision was taken to proceed with the merger, coming into effect 1 January 2016. This is an important and strategic organizational change for these two functions, for the Group as a whole, and for customers and brokers as Euler Hermes will be able to offer them more coordinated service. The new Claims & Collections function has been integrated within the Risk Underwriting, Information & Grading, Claims & Collections and Reinsurance governance. The new structure is key to achieving the Group's ambition of increased customer centricity, by providing superior integrated Claims & Collections services, and improved profitability by further mitigating risks.

Indemnification for uncollected debts

If just one buyer fails to pay an invoice, this can have a significant impact on the supplier. In some countries, nearly one out of four companies that goes bankrupt does so because one of its customers is bankrupt. In fact, this is one of the main causes of company failure. To maintain a stable balance sheet, the supplier must generate additional sales very rapidly and use the profit from these sales to offset the loss from the bad debt. As an example, to offset an unpaid receivable of just 10,000 euros on its income statement, a supplier working on a 5% margin will have to generate 200,000 euros in extra sales, and in its haste, it may encounter additional problems with unpaid receivables.

Through indemnification of uncollected debts, the Group relieves the supplier from the pressure to generate additional sales very rapidly to offset the loss from unpaid receivables, allowing the supplier to focus on seeking sustainable new market opportunities. The financial strength of Euler Hermes, a member of the Allianz group, gives our suppliers the confidence that they will be indemnified.

Bonds and guarantees

Under bonding cover, the Group assumes liability for the beneficiary exposed to third parties for many types of security (e.g. for obligations as a contractor under construction and supply contracts). The bond or guarantee secures that the contractor will fulfil its obligations (or defects liability) under a contract.

The Group provides a wide variety of surety bonds and guarantees which support customers in a variety of industries for many types of obligations (e.g. contract performance bonds, custom bonds, infrastructure bonds, etc.).

The Group has developed its bonding portfolio consistently throughout the years; their strategic orientation has followed clients' needs and market demands in multiple regions of the world. The Group strengthened its product offering by the introduction of different types of payment related bonds and guarantees which support clients and complement traditional banking instruments. This offer is suitable for almost all sectors. Some prominent examples are coverage schemes for default risks in liability insurance programs which include significant self-retentions on policyholders' side. Investments in infrastructure projects request appropriate equity funding which might trigger the need of a guarantee to secure this commitment.

The Group's global presence is attractive to multinationals seeking bonding solutions. Euler Hermes is able to serve corporate clients with bonding solutions in a total of 31 countries through its Allianz network. In addition to traditional business channels, the Group works in collaboration with Allianz Global Corporate & Specialties (AGCS). Customers benefit from their combined technical and financial underwriting expertise, providing worldwide support especially in engineering or heavy manufacturing projects.

Multiple major corporate banks benefit from the Group's financial strength and ratings when it comes to risk sharing schemes. Capital relief solutions and internal governance demands have accelerated this business.

The aggregated amount of all facilities sums up to €39.9 billion.

Other services

Insurance against fraud

The Group's offer includes insurance against fraud (fidelity insurance for businesses, industry and financial institutions), which covers companies against financial losses resulting from criminal acts committed by their employees, temporary staff or external service providers, such as theft, embezzlement or fraud. It also covers companies against special risks such as losses due to disclosure of company secrets, contractual penalties or hacker losses due to intrusion into IT systems by third parties. Having underwriting units in Germany, Switzerland and France, the Euler Hermes Group can provide fidelity solutions throughout Europe and in Switzerland.

Reinsurance

The Group set up a reinsurance dedicated subsidiary (Euler Hermes Reinsurance AG – EH Re) at the end of 2005. Since 2008, every Group company or branch of activity cedes its business and risks exclusively to EH Re.

By centralizing the reinsurance activity into a dedicated company, the Group has been able to increase its capacity and retention, generating more profit over the years through optimizing the terms and conditions by showing one face to the international reinsurance market.

In general, the Group buys protection from the reinsurance market against the risk of sudden claims frequency and the risk of occurrence of significantly large claims. In particular, EH Re is an important tool to bundle all the local portfolios together to reduce volatility. This enables the Group to purchase more efficient coverage through reinsurance treaties, protecting both local and EH Re's business with additional capital relief. This allows the Group to optimize the capital it must allocate to its business depending on the nature of the risks, the available equity and the risks transferred to the reinsurers. Also, through EH Re, the Group is able to obtain from the market optimal coverage for very specific risks.

All internal treaties are fully harmonized with the external reinsurance treaties to ensure a complete coverage of all commercial and/or political risks in any country where the Group is doing business. Combined with the capacity EH Re delivers, this enables a quicker development of business across all regions at lower costs by sharing the centralized reinsurance expertise and capacity.

The Group also offers reinsurance capacity to certain subsidiaries in which it does not hold a majority interest, but which adhere to the Group underwriting policies and rules (Solunion in Spain and in Latin America, COSEC in Portugal, Acredia in Austria and ICIC in Israel). Last but not least, since 2014, EH Re reinsures the bonding business emanating from Allianz entities with a positive impact on business volume and further enhancing cooperation and business opportunities between both groups.

Turnover by activity

(in € million)	December 31, 2016			
	All lines of business	Credit Insurance & Debt Collection	Bonding & Guarantees	Other Services
Gross Earned Premiums	2,170.2	1,874.7	197.1	98.4
Service revenues	399.7	319.1	10.8	69.8
Turnover	2,569.9	2,193.8	207.9	168.2
% of Group Turnover	100.0%	85.4%	8.1%	6.5%

December 31, 2015*

(in € million)	All lines of business	Credit Insurance & Debt Collection	Bonding & Guarantees	Other Services
Gross Earned Premiums	2,205.4	1,932.2	179.3	93.9
Service revenues	393.8	315.4	8.5	69.9
Turnover	2,599.3	2,247.7	187.8	163.8
% of Group Turnover	100.0%	86.5%	7.2%	6.3%

* For comparison purposes, 2015 and 2014 published data have been restated to take into account the sale of the Bürgel entities in Germany in 2016.

December 31, 2014*

(in € million)	All lines of business	Credit Insurance & Debt Collection	Bonding & Guarantees	Other Services
Gross Earned Premiums	2,125.9	1,864.0	167.3	94.6
Service revenues	364.3	290.7	7.4	66.2
Turnover	2,490.3	2,154.7	174.7	160.8
% of Group Turnover	100.0%	86.5%	7.0%	6.5%

* For comparison purposes, 2015 and 2014 published data have been restated to take into account the sale of the Bürgel entities in Germany in 2016.

Turnover by geographic region

December 31, 2016

(in € million)	Group	Germany, Austria & Switzerland	France	Northern Europe	Mediterranean countries, Middle East & Africa	Americas	Asia Pacific	Group Reinsurance & Others
Gross Earned Premiums	2,170.2	560.9	321.1	435.2	280.0	288.1	116.9	168.0
Service revenues	399.7	145.5	82.7	93.2	69.9	47.2	31.1	(70.0)
Turnover	2,569.9	706.4	403.8	528.4	349.9	335.3	148.0	98.0
% of Group Turnover	100.0%	27.5%	15.7%	20.6%	13.6%	13.0%	5.8%	3.8%

December 31, 2015*

(in € million)	Group	Germany, Austria & Switzerland	France	Northern Europe	Mediterranean countries, Middle East & Africa	Americas	Asia Pacific	Group Reinsurance & Others
Gross Earned Premiums	2,205.4	572.3	316.5	472.5	278.0	289.6	113.9	162.6
Service revenues	393.8	148.1	75.3	96.1	68.9	47.2	29.4	(71.2)
Turnover	2,599.3	720.3	391.8	568.6	346.9	336.8	143.3	91.5
% of Group Turnover	100.0%	27.7%	15.1%	21.9%	13.3%	13.0%	5.5%	3.5%

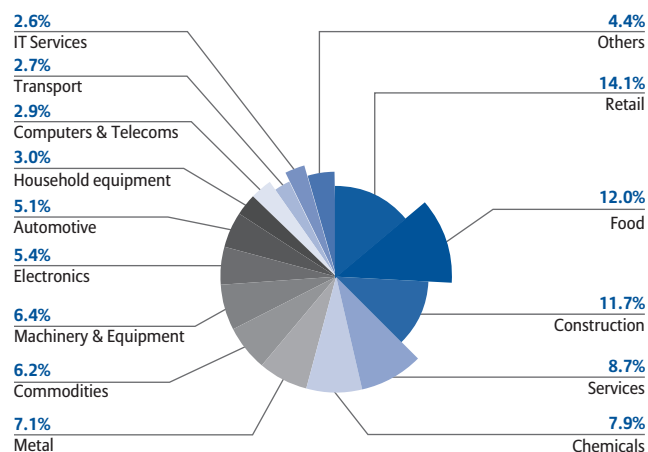
* For comparison purposes, 2015 and 2014 published data has been restated to take into account the following changes in scope: a) starting January 2016, Collection entities are included in the regions to foster business synergies; b) the Bürgel entities in Germany have been sold with retroactive impact to January 1, 2016.

December 31, 2014*

(in € million)	Group	Germany, Austria & Switzerland	France	Northern Europe	Mediterranean countries, Middle East & Africa	Americas	Asia Pacific	Group Reinsurance & Others
Gross Earned Premiums	2,125.9	584.2	327.8	468.4	263.5	238.3	85.3	158.4
Service revenues	364.3	146.6	71.2	94.1	61.7	34.6	23.0	(66.9)
Turnover	2,490.3	730.8	399.0	562.5	325.2	272.9	108.2	91.5
% of Group Turnover	100.0%	29.3%	16.0%	22.6%	13.1%	11.0%	4.3%	3.7%

* For comparison purposes, 2015 and 2014 published data has been restated to take into account the following changes in scope: a) starting January 2016, Collection entities are included in the regions to foster business synergies; b) the Bürgel entities in Germany have been sold with retroactive impact to January 1, 2016.

1.2.2 Exposure per sector in 2016



1.2.3 Real estate property

As of December 31, 2016, the total market value of the Group's real estate property was €297.7 million.

This total comprises:

- property belonging to the Group and used for the purposes of its operations: €22.8 million divided between:
 - Euler Hermes France: €3.3 million,
 - Euler Hermes Italy: €19.0 million,
 - Euler Hermes Morocco: €0.5 million;
- property belonging to the Group and used by third parties: €274.9 million mainly divided between:
 - the real estate fund (OPCI) Euler Hermes Real Estate: €230.9 million,
 - the company Euler Hermes South Express: €38.8 million.

1.2.4 Euler Hermes' strategy

Over the years, the Group has worked hard to develop and continuously improve a robust operating model. The One Euler Hermes program, launched in 2009, has clarified the governance of the Group to ensure decisions are made at the right level at any moment. The Excellence program has been run between 2010 and 2012 to increase productivity and make the cost base more flexible; it also enabled us to harmonise the operating model across the various regions of the Group. The legal restructuring of the Group ("Blue Europe") was completed in 2014; it further streamlined operations and also improved the capital fungibility inside the Group. The validation and the use of our Solvency II internal model have strengthened the business model as well, by giving a clear framework for risk and capital management decisions and reporting. Finally, the launch of our Digital Agency is another step in our continuous journey to adjust to the needs of the customers and the evolution of technology.

This robust operating model demonstrates its efficiency throughout the years, enabling the Group to navigate through good and bad economic environments, and delivering outstanding results. In addition to the main three pillars that we have been working on for these past years: profitable growth, underwriting excellence, and digital awareness; Euler Hermes has put specific focus on Customer centricity, productivity and people.

Profitable growth

Growing the business sometimes proves to be difficult for the market leader. Geographically, Euler Hermes has a strong footprint in Europe, materialised by a market leadership in many European countries. In order to decrease the dependency on these markets, the group has decided to invest outside of Europe.

North America, Asia and the Middle East markets are strong growth drivers and still have a large potential for future growth. The pace of Euler Hermes development in these areas has been slower in 2016, as a consequence of the risk action plans undertaken and the weaker market environment, but nevertheless progress has been booked. In Asia, China remains the most attractive market in terms of business potential, especially the newly opened export market. Euler Hermes is willing to tap that potential, by relying on strong distribution partnerships. In order to accelerate the process, Euler Hermes and China Pacific Property Insurance Company (CPPIC), the third largest Property & Casualty (P&C) insurer in China, have set up a distribution joint venture. In Latin America, our Solunion joint venture with MAPFRE remains on track, and continues to grow, with latest operations opening in the Dominican Republic.

The growth will also come from an extension of our product suite. We now offer transactional cover world-wide via specialized teams in Europe. Excess of loss (XoL) and non-cancellable products are distributed in all regions, via local teams. In parallel, we are expanding our bonding offer beyond the traditional German and Northern European markets: France is having a promising start, and other European countries follow. The bonding business is a relatively more volatile business than credit insurance, but it provides, besides a higher profitability over the cycle, more diversification benefits in the Solvency Capital Model. The strategy to increase the share of business in bonding accretive to the overall return on allocated capital.

Our goal is also to reach out to as many clients as possible. To achieve that, we are investing in new distribution channels. On the banking side, beyond our global distribution agreement with HSBC, we continue to develop various new partnerships. The agreement with Unicredit in Italy in particular has proven very successful. Besides banks, we also signed partnership agreements with various digital platforms, whereby Euler Hermes takes over the credit risk from the platform's participants. Some of these agreements, e.g. URICA in France are already extremely successful. This last type of partnership should become a significant growth engine in the years to come.

Underwriting excellence

Underwriting excellence is and remains a cornerstone of our strategy. Since the 2008-2009 global financial crisis that has put our underwriting skills to the test, Euler Hermes has defined a risk underwriting governance where decisions are made in the right place and at the right time. This goal has been reached by defining clear engagement rules and cascading uniform delegations of authorities.

Our investments are now directed to the underwriting tools. In the future, these will need to be more automated, and to integrate more data in the decision making process. Experiments are being conducted to improve the quality of our decision algorithms (and their ability to predict default), and also to integrate non-financial data in our underwriting process. It is still early to draw decisive conclusions from these initiatives, but they will be continued, in order to maintain the leadership of Euler Hermes in credit underwriting.

Digital awareness

The "digital revolution" is also a long term change the company intends to embrace. Digitalization brings a full new way for people and for companies to interact together, with new economic models emerging and being massively adopted at ever faster speed. Like the old one, this new world still relies on intercompany credit and we need to make sure that Euler Hermes' offers continue to adapt and stay the best in this new "digital world."

This reality demand that we rethink our approach while continuing to transform into a true customer service provider: more digitally adept, closer to our clients, faster and easier in our operational responses, and once again keeping the preferred credit insurance partner status.

Digitalization also enables faster, simpler, better and more efficient processes, enhances customer service and opens up new markets. Euler Hermes approach to digitalization opportunities is twofold. The first layer is aimed at revisiting the customer experience, and is evolutionary. This layer encompasses initiatives like digital documents, development of APIs, electronic processing of information flows, online quoting, online risk and claims monitoring... The second layer is disruptive and involves initiatives such as Big Data and AI, by focusing on: building plug and play partnerships, reinventing the trade credit value chain, and monetizing Euler Hermes assets.

The digitalization efforts are supported by our Digital Agency, an internal team that has been created in 2015, and is driving Euler Hermes through the digital world. By exploring disruptive opportunities and adopting a systematically frugal "test & learn" approach, the Digital Agency already identified several promising growth opportunities in 2016.

Customer centricity

All of these efforts have only one goal: constantly improve the quality of the services we offer to our customers. After the success of the EH 3.0 initiative, a three-year program that focused on creating value for clients by making Euler Hermes "easier to work with" and for us easier to work with each other, we continued its momentum through the launch of the Accelerate initiative in 2016. Accelerate is a three-year initiative focused on becoming more customer-centric in our mind-set and our processes. It is helping us to promptly identify improvement areas and deliver new solutions faster. Our goal is to give clients an extra reason to choose and recommend us that goes on top of the right cover for the right price.

Productivity

Cost competitiveness remains high on the agenda. In its permanent search for efficiency, the Group has decided to commit to productivity gains, to be partly achieved via staff reductions. Plans have been implemented in 2016 in Germany, France and the corporate entities. The plans are primarily based upon voluntary leave, partial and pre-retirements, and natural attrition, and will be executed from 2017 onwards.

In addition to these productivity initiatives, strong focus is put on cost saving measures in every country and in all domains. Savings in travel, consulting, and facilities have already been achieved in 2016. Processes optimization, namely via robotics, is one next step for 2017.

People

None of the above-mentioned priorities can be achieved without the staff. This is why the management is trying to change the work culture and develop what we call Inclusive Meritocracy. In short, it signifies a culture where both people and performance matter, and is:

- an environment where diversity of thought is respected, cultivated and valued;
- a culture where the best people and ideas are promoted;
- a system that rewards not just what we do, but also how we do it.

Return to shareholders

All of the above should enable Euler Hermes to deliver a superior return to its shareholders, even though its business is partially linked to global economic cycles, consisting of uneven alternating periods of growth and contraction in activity. The Group aims to auto-finance its development while maintaining a dividend pay-out ratio between 60% and 70%. This will be achieved by a close monitoring of our risks combined with an effective reinsurance structure.

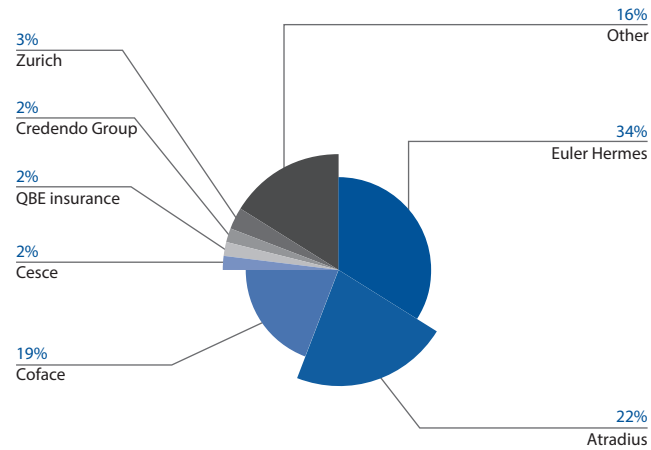
Euler Hermes' solvency is strong, based on Solvency II requirements. Our internal model, approved by the Group's regulators at the end of 2015, is now fully operational. Euler Hermes carefully analyzes the effect on allocated capital, standalone and after diversification benefits, of different strategic decisions in order to steer its development.

For Euler Hermes, financial strength is key, both for clients and shareholders. The Group remains determined to make the best use of available capital, allocating it effectively in order to continue to offer the high returns generated to date.

1.2.5 Competitive positioning

■ EULER HERMES MARKET SHARE IN 2015 (CREDIT INSURANCE PREMIUMS ONLY)

Source: Euler Hermes estimates as of February 2017 based on 2015 market information available as of that date. Information is for credit insurance only and excludes Export Credit Agencies.



Euler Hermes remains an undisputed leader with a market share of 34%.

1.2.6 International presence

Americas

Insurance companies

- 1 Brazil
- 2 Chile (*Solunion*)
- 3 Columbia (*Solunion*)
- 4 Mexico (*Solunion*)

EH North America and its insurance branch (owned by Euler Hermes Group)

- 5 USA (*insurance company*)
- 6 Canada (*insurance branch*)

Local partnership: fronting agreements

- 1 Argentina (*Solunion*)
- 2 Ecuador (*Solunion*)
- 3 Dominican Republic (*Solunion*)
- 4 Panama (*Solunion*)
- 5 Peru (*Solunion*)
- 6 Uruguay (*Solunion*)

Northern Europe, France and DACH

Insurance companies

- 7 Austria (*Acredia - 49%*)
- 8 Belgium (*head office*)
- 9 Poland
- 10 Russia

Insurance branches of EH SA

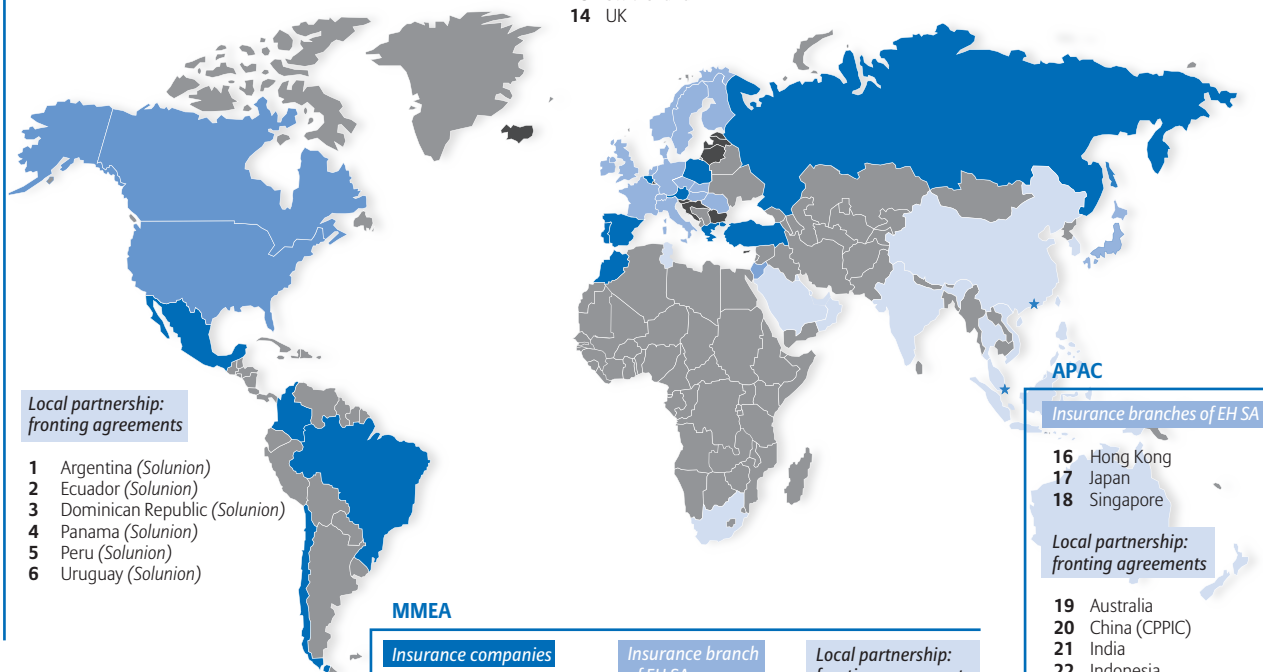
- 1 Czech Republic
- 2 Denmark
- 3 Finland
- 4 France
- 5 Germany
- 6 Hungary
- 7 Ireland
- 8 Netherlands
- 9 Norway
- 10 Romania
- 11 Slovakia
- 12 Sweden
- 13 Switzerland
- 14 UK

No legal entity: European Passport

- 1 Bulgaria
- 2 Croatia
- 3 Cyprus
- 4 Estonia
- 5 Iceland
- 6 Latvia
- 7 Liechtenstein
- 8 Lithuania
- 9 Luxembourg
- 10 Malta
- 11 Slovenia

Reinsurance companies

- 1 Luxembourg
- 2 Switzerland



MMEA

Insurance companies

- 11 Greece
- 12 Israel (*ICIC - 50%*)
- 13 Morocco (*ACMAR - 55%*)
- 14 Portugal (*COSEC - 50%*)
- 15 Spain (*Solunion - 50%*)
- 16 Turkey

Insurance branch of EH SA

- 15 Italy

Local partnership: fronting agreements

- 7 Angola
- 8 Bahrain
- 9 Egypt
- 10 Kuwait
- 11 Lebanon
- 12 Mozambique
- 13 Oman
- 14 Qatar
- 15 Saudi Arabia
- 16 South Africa
- 17 Tunisia
- 18 UAE

APAC

Insurance branches of EH SA

- 16 Hong Kong
- 17 Japan
- 18 Singapore

Local partnership: fronting agreements

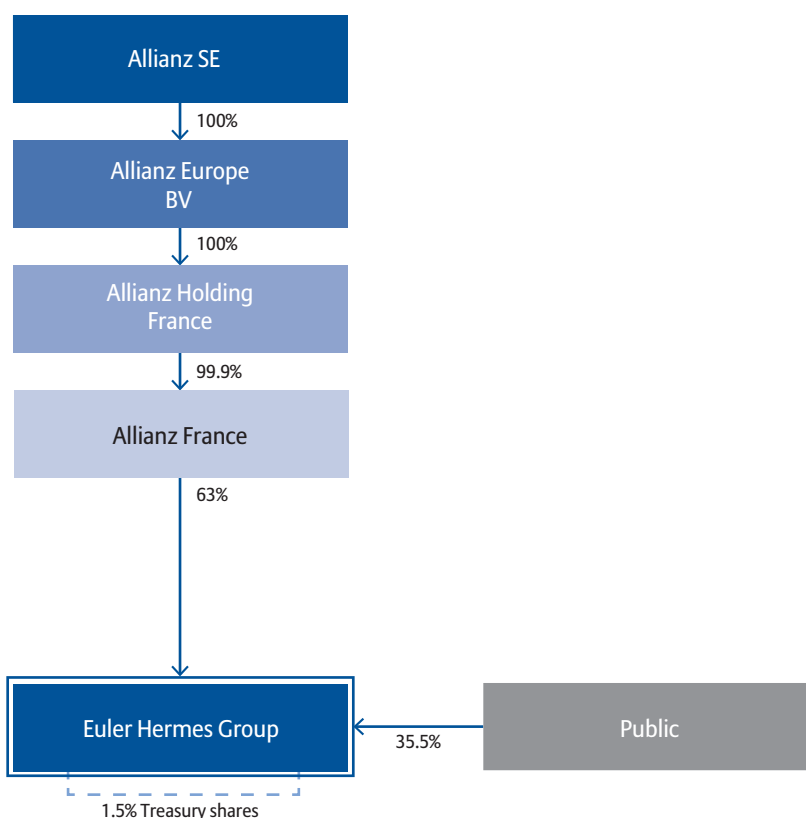
- 19 Australia
- 20 China (CPPIC)
- 21 India
- 22 Indonesia
- 23 Macau
- 24 Malaysia
- 25 New Zealand
- 26 Philippines
- 27 South Korea
- 28 Taiwan
- 29 Thailand
- 30 Vietnam

1.3 Shareholding structure as of December 31, 2016

As of December 31, 2016, the number of Euler Hermes Group shares held by Allianz France was at 26,864,230, representing a stake of 63% in Euler Hermes Group share capital and 64% of voting rights as at December 31, 2016.

The free float covered 35.5% of Euler Hermes Group share capital, and 36% of voting rights.

Euler Hermes Group held 625,945 treasury shares representing 1.5% of its share capital.



Shareholders	Number of shares composing the share capital and theoretical voting rights ⁽¹⁾	%	Real voting rights ⁽²⁾	%
Allianz France	26,864,230	63%	26,864,230	64%
Total Allianz Group ⁽³⁾	26,864,230	63%	26,864,230	64%
Treasury shares	625,945	1.5%	0	0.0%
Public	15,151,460	35.5%	15,151,460	36%
TOTAL	42,641,635	100%	42,015,690	100%

(1) Including own shares.

(2) Excluding own shares.

(3) Allianz Vie is no longer a shareholder of the Company since it sold its entire stake in Euler Hermes Group on May 2016 (for more information, please refer to section 3.3.1 of this Registration Document).

1.4 Summary of the Group's structure

1.4.1 Relationships between the parent company and its subsidiaries

Euler Hermes Group is the Group parent company (the "Company"). For a detailed presentation of the main flows between the Company and its subsidiaries, see sub-section 6.3 of this Registration Document.

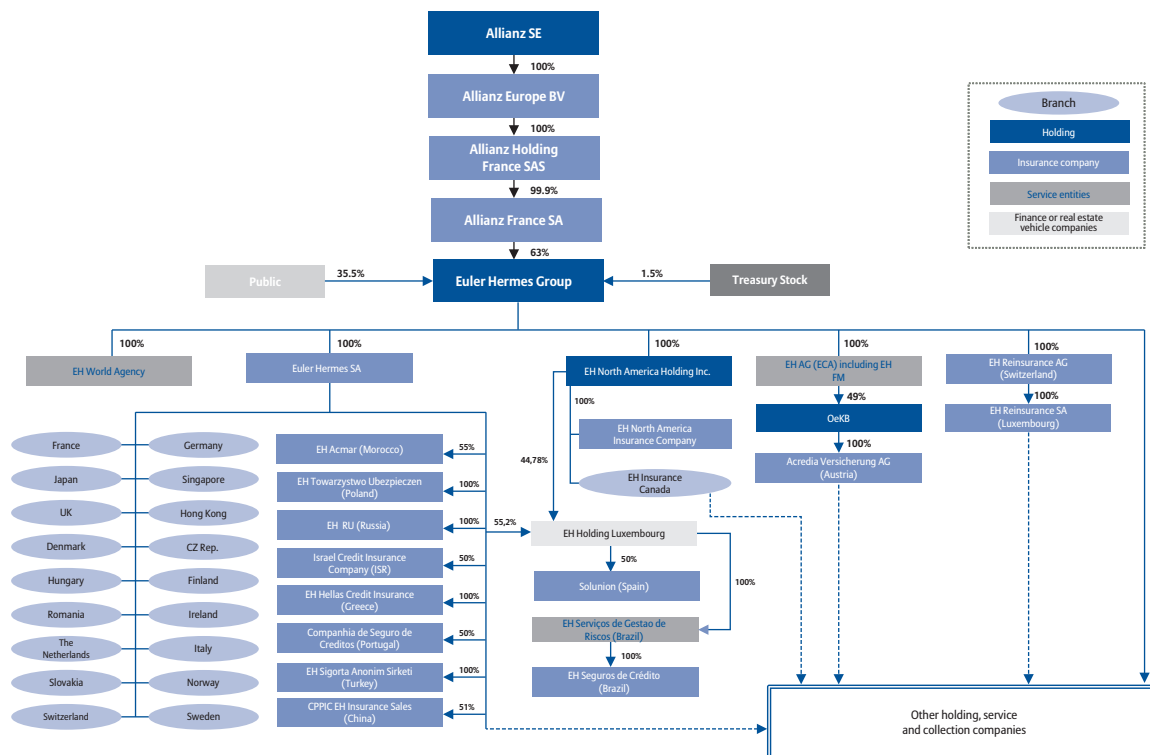
The Board of Management members also hold offices in the Group's main subsidiaries (sub-section 2.1.3 of this Registration Document).

The Group's economic organization is based on six geographic regions: Germany, Austria and Switzerland; France; Northern Europe; Mediterranean countries, Middle East and Africa; Americas and Asia Pacific.

Relations with other shareholders within the Moroccan subsidiary Euler Hermes Acmar (55% owned), the Austrian companies Acredia Versicherung AG, and OeKB EH Beteiligungs- u. Management AG (both 49% owned), Israël Credit Insurance Company Ltd (ICIC – 50% owned), the Portuguese company Companhia de Seguro de Credito SA (COSEC – 50% owned), and Solunion (50% owned), are governed by a shareholders' agreement.

1.4.2 Organizational chart

The organizational chart below shows the simplified organization of the main companies making up this Group as at the date of this Registration Document (for a detailed presentation of the consolidated subsidiaries as at December 31, 2016, see Note 2.4 of the notes of the consolidated financial statements). The Group is present throughout the world via insurance companies, service companies and/or branches.



1.5 Corporate responsibility

Pursuant to Article L. 225-102-1 of the French Commercial Code, this section sets out information relating to initiatives and strategies adopted by the Company to take account of the social and environmental consequences of its activities and meet its social commitment to sustainable development.

The Group wishes to be considered as a socially responsible employer and partner, and has been implementing sustainable development initiatives

for several years. The Group achieved an important milestone in 2013, consolidating the initiatives taken by its entities worldwide around a single Corporate Social Responsibility (CSR) policy. The policy was launched internally and published on the Group's intranet site in 2014. Since then, continuing efforts and initiatives have concentrated on the following four key areas of commitment:

HEALTH & WELL BEING



The Group encourages its employees and operating entities to support organizations and projects working in the areas of health, social development and the fight against poverty and hunger. Employees and the business also support global humanitarian crisis and emergency appeals.

FINANCIAL LITERACY



The Group works to promote the sharing of financial expertise by its employee volunteers through educational initiatives and projects that increase financial literacy among young people and social enterprises.

ENVIRONMENTAL PROTECTION



Reducing the Group's environmental footprint involves not only action to assess and reduce the environmental impacts of the Group's sites (energy, water and paper production, waste production, etc.), but also the progressive inclusion of environmental criteria into purchasing and real estate policies.

EQUALITY & DIVERSITY



Combating all forms of discrimination in hiring and promotion and encouraging the career development of women are key elements of the Group policies and its code of conduct. The Group has reached a female management level of 37% by 2016 and is steadily moving towards surpassing this grade again in 2017.

The subsidiaries have a high degree of autonomy in implementing these commitments, to take into account specific local situations. The process is monitored and coordinated by a network of correspondents within the Communications, Operations and Human Resources departments.

The Group promotes environmental activities throughout its entities through internal guidelines and processes based on green principles. The

Company encourages, for example, paper recycling actions as well as conversion to e-document formats.

The Group subscribes to the CO₂ Neutral Websites initiative, compensating the quantity of carbon generated by its websites.

In 2016, the Company organized a global "paper recycling and print reducing" event in which multiple countries participated.

1.5.1 Social responsibility

Employment

Workforce size and changes

The Group had a total of 5,899 employees as at December 31, 2016, 95% of whom hold permanent contracts. The total headcount decreased due to the German entities Bürgel no longer being part of Euler Hermes Group since 2016, whereas the proportion of employees on permanent contracts increased by 1%.

The workforce details below cover employees that have an employment contract with the subsidiaries at the closing date (i.e. as at December 31, 2016). For proportionately consolidated companies, the data corresponds to the Group's share as applied in the consolidated financial statements. The headcount of companies accounted for using the equity method is not taken into account.

Contracted Headcount	December 31, 2016	December 31, 2015
Germany and Switzerland	1,649 ⁽¹⁾	2,107
France	807	833
Northern Europe	1,617	1,399
Mediterranean Countries, Middle East & Africa	586	541
Americas	497	462
Asia-Pacific	336	339 ⁽¹⁾
Reinsurance entities	20	19
Collection and Group entities	387 ⁽²⁾	766
TOTAL GROUP	5,899	6,466

(1) Change of reporting scope: Bürgel is no longer part of the Euler Hermes Group.

(2) Since 2016, Collection units are reintegrated into the regions. 385 Collections staff were working for Euler Hermes Group in 2016.

The Group's active headcount was 5,619 as at December 31, 2016. Active headcount is used to calculate the age distribution of employees, gender, average age and average length of service.

■ BREAKDOWN OF ACTIVE WORKFORCE BY AGE AS AT DECEMBER 31, 2016

Age	Workforce
< 25 years old	199
25-29 years old	555
30-34 years old	826
35-39 years old	910
40-44 years old	841
45-49 years old	786
50-54 years old	759
55-59 years old	558
60-64 years old	170
≥ 65 years old	15

The average age of employees was 42 and their average tenure was 12 years.

■ BREAKDOWN OF ACTIVE WORKFORCE, RECRUITMENTS AND DEPARTURES ⁽¹⁾ BY GENDER

	Data as at December 31, 2016			Data as at December 31, 2015		
	Total	Female	Male	Total	Female	Male
Active headcount	5,619	2,894	2,725	6,178	3,210	2,968
Total external recruitments	521	292	229	879	459	420
Total external departures	(634)	(333)	(301)	(767)	(361)	(406)

Women made up 52% of the Group's active workforce and accounted for 56% of total external recruitments in 2016. Also, 79 trainees were employed with the Group in 2016.

No collective redundancies took place at Group level in 2016. The 80 dismissals, including 6 local redundancies, in 2016 were of an individual nature.

Compensation

Group payroll expenses and profit sharing for 2016 amounted to €407.02 million, excluding social security charges. Social security charges for 2016 totaled €125.01 million.

Compensation policies are determined for each individual country, based on the principles of internal fairness and external competitiveness as defined by the Group. Each local company regularly assesses how its compensation compares with market levels, based on data provided by specialist consultancies. Through these market analyses, the Group defines overall compensation policies appropriate to the Group's operational regions and business sector.

In 2016, the average increase in fixed compensation within the Group was 2.3%. On average, variable compensation makes up 14% of the total compensation of the Group staff worldwide.

Information relating to the compensation and other benefits paid to the Company's corporate officers (members of the Board of Management and Supervisory Board) are provided in section 2.3 of this Registration Document.

Work organization

In each country where the Group operates, the organization and duration of working time strictly adhere to local regulations and local agreements.

The proportion of the workforce working part-time is 11%.

In France, a first agreement on working from home was signed with staff representatives in 2013, allowing each employee of the headquarters who

holds a permanent contract (and with one year seniority in the position) to work at home one day per week. A second agreement was signed in 2015 to enlarge it for the decentralized employees. In November 2016, a third agreement was signed allowing employee to work two days at home per week or to have a quota of 4 more homeworking days per month. The Go Flexible-program implemented in 2015 in Germany has proven to be a great success with regards to acceptance as well as organizational and performance aspects. Similar initiatives connected to working from home recognition and flexible working hours have also been put in place in several countries in Northern Europe (Poland, Belgium, Netherlands and the United Kingdom). During school holidays, Euler Hermes Poland has created an onsite clubroom to support employees who have childcare responsibilities. In Finland a sick childcare service is available in which all staff can avail of a company provided child-care worker or take a 3 day paid leave in order to care for their own child. The UK offers a number of flexible working practices for employees, such as time off for dependents and flexi-time policy to help balance employees responsibilities at home and at work.

In Italy, company and unions signed an agreement on Smart Working (Pilot Program) in March 2016, involving 26 employees, 3 days per month valid until March 2017.

In Slovakia, Czech Republic, Romania, Hungary and Bulgaria, a sabbatical leave policy has been implemented while in Netherlands, they have submitted a request to the Work Council to approve the sabbatical policy for all staff as of 2017. The rest of the Northern Region countries have already a sabbatical policy in place.

In the USA and Canada, telecommuting one day per week was successfully piloted and then rolled out to most employees in 2016. For those employees who have jobs that would prevent them from working at home (mail room, receptionist, etc.), we have put in place a flexible working time program. Sabbaticals were also put in place in 2016. Sabbaticals are available for employees of 5 years or more tenure who wish to take an extended, unpaid leave of 1-3 months.

Regarding absenteeism, around 42,479 sick leave days were registered in 2016. The current absenteeism rate for sickness is 3.3%.

(1) Recruitments and departures do not take into account internal movements inside Allianz group.

Employee relations

The Group is committed to holding regular, constructive dialogue with staff representatives. Several collective agreements were concluded in 2016: fourteen in Germany, five in France, seven in Belgium, five in Italy, three in the Netherlands and one in Sweden. Finland, United Kingdom and Netherlands offices organize quarterly or monthly Employee Forums with representatives from the business.

The most common themes covered by these agreements are compensation policies and the organization of working time. In France an agreement on gradual preretirement was concluded in June 2016 which will allow 80 employees the opportunity to take an early retirement.

A European Works Council also exists at the Allianz group level, and it can enter into agreements on cross-company matters. These agreements may then be implemented within the European countries in which the Group operates, after the prior validation of local Work Councils.

In addition to this formal framework for consultation and collective bargaining, the Group also has direct contact with its staff, giving them regular opportunities to voice their opinions and expectations. Since 2010, the Group carries out an annual comprehensive survey in relation to its employees' opinions. This Allianz Engagement Survey covers a wide range of subjects, such as the Company's strategic direction, management quality and efficiency of working methods, the work atmosphere, the compensation system, training policy, combating discrimination and CSR policy. In 2016, 93% of the Group's employees took part in the survey, up from 90% in 2015. The 2016 results show a high personnel commitment rate at 68% (69% in 2015).

The Group is currently considering the best way to implement the recent regulatory provisions on the impact of collective agreements on economic performance and working conditions of employees and commits to communicate the most relevant impacts.

Health and safety

Euler Hermes has adopted many initiatives throughout various countries where the Group operates, aimed at improving employees' work-life balance, making workstations more ergonomic, promoting healthy nutrition and exercise, and generally creating awareness among employees of how Euler Hermes can aid them regarding the above.

The prevention of stress at work is one of the priorities of the Group's health and safety policy. An agreement with staff representatives in May 2011, through the Allianz group European Work Council, led to an extensive program to identify the main factors that cause stress for employees, followed by efforts to draw up improvement plans. In Germany, the health management program, which was launched in 2015, continued with several measures regarding leadership, stress and risk

assessment based on the 2015 psychosocial work related stress survey, supported by extensive health promotion activities. Employees in Germany, France, United Kingdom and the United States are also provided with free, anonymous assistance via telephone helplines (for financial problems, stress at work, etc.). In December 2015, Euler Hermes Greece, in cooperation with a specialized agent, used a tool designed by Greek psychologists, called the PRIWA (Psychosocial Risks & Impacts in the Workplace Assessment), to explore the roots of stress-related issues in the workplace. An analysis of the results has been conducted in the first quarter of 2016.

In Belgium, the psycho stress assessment for each department continued in 2016. An agreement to implement a medical check-up for certain categories of employees has been reached in order to anticipate cardiovascular discrepancies. In UK and Poland, employees and managers attended workshops and presentations on managing stress. Also, the UK management team recorded short films whereby they talked about stress with the view of breaking the stigma related to stress at the workplace.

Euler Hermes Group strives to create a healthier and happier workplace. Notably, themed events and specialized programs have been organized across numerous offices in order to raise awareness about health and wellness at work. A common theme is the "Health and Well-being Week", whereby free consultations with nutritionists, healthy cooking classes, seminars on stress management and other wellness topics are offered to the employees in various offices. In France, conferences and workshops were organized on the topics of nutrition and cardiovascular diseases, while benefits were made available to employees to help parents or a family member with their health issues such as discounted physiotherapy. Also, a charter will be signed in France to acknowledge the pathologies in the workplace. In the US and Italy, a range of Health and Wellness initiatives are in place including webinars (Creating Work Life Balance, Raising Healthy Families, Emotional Aspects of Financial Management), training on life saving techniques including using a defibrillator (staff volunteers), fresh fruit deliveries, biometric screening and flu shots. The US also has a 24 hour hotline for employees to call with health issues and a trained nurse will direct the employee to a physician, urgent care facility or hospital depending on the need. As financial health can be a big contributor to life satisfaction, the US ran three workshops and dozens of one-on-ones sessions with a financial advisor on investing and retirement. 76% of our employees are on track to meet their retirement goals at their current rate of savings.

Euler Hermes Group also encourages their employees to engage in sport-related activities. Offices in the US, UK and Poland took part in several initiatives comprising of weekly jogging training such as "Run with EH" and "Allianz Map my Run" including competitive races, for example the annual "Race for the Cure" in Italy. "Dragon Fest" is an event coordinated by the Group's office in Turkey where employees engage in friendly sporting challenges while in Saudi Arabia, an employee "Sports Day" with

competitive games are organized among Euler Hermes employees. Bicycle schemes, which offer employees a tax efficient way to purchase a bicycle, have been launched in both the UK and Belgium office.

In 2016, the lost-time accident frequency rate for Euler Hermes Group was 3.36 (number of accidents per million hours worked) compared to 2.99 in 2015 and the lost-time accident severity rate was 0.02 (number of days lost per thousand hours worked) compared to 0.02 in 2015. In 2016, two lost-time accidents were recorded in France and three in Italy.

No occupational diseases have been identified for the Group during 2016. Though it must be noted that, due to legal regulation in Germany, diagnoses are not transmitted to the employer thus information on occupational diseases are not available.

Learning and Development

The Group has built its reputation and position as a global leader on its professionalism and experience acquired over more than a century. It is essential to recruit the best talent and integrate them into a strong corporate culture to ensure consistency at the Group level and the same quality of service throughout the world. Continuous capability building is a key driver for high performance and for employee motivation and engagement.

All of the training courses available in the various entities of the Group worldwide are shared in our digital platform called "Euler Hermes Academy". The Academy provides innovative training programs to build and enhance employees' skills and capabilities at three levels:

- customized functional trainings in the areas of risk underwriting, claims, sales and customer service are heavily geared towards developing the professional expertise of staff;
- leadership training courses aim to provide managers with a common set of tools to optimize the performance of their teams through effective management skills;
- courses that build a common culture and foundational capabilities such as working in a matrix organization, having intercultural awareness and dealing with change.

In 2016, the EH Academy delivered 73,507 hours of Classroom trainings and over 9,672 hours of eLearning worldwide. Overall, 10,116 days of training⁽¹⁾ were provided within the Group.

In 2016, a total budget of €3.5 million was allocated to training activities.

Professional development and mobility

The Group has developed a fair, transparent and standardized methodology for assessing talent across regions and functions. The Board of Management and regional and local Chief Executive Officers are directly involved in ongoing talent reviews, in which they identify successors and other key talents, assess various future career options for high-performing and high-potential employees and formulate individualized development plans. Managers work with each of their employees on development plans taking into account business needs and the employee's individual interests and mobility choices.

With almost 5,900 employees in over 50 countries, mobility is a reality within the Group. Mobility provides employees with new insights and exposure to other talented people and inspires innovation and new business opportunities through best practice sharing. To give high performers appropriate experiences to help them ascend to more senior levels of management, the Group actively promotes career mobility across functions and organizations. In addition to developing high performers who are accomplished in a particular domain, attention is given to non-obvious candidates, i.e. high performers with strong leadership skills or a different set of skills and experiences that may be useful in a wider context. By creating a variety of opportunities for leaders to grow, the Group aims to broaden leadership competencies, encourage diversity of thought and prepare talent for the challenges of an agile and fast-moving world.

As business becomes increasingly global the mobility within the Group needs to become more and more diverse and focus on early career mobility. With a more tiered policy approach for mobility, the Group is better able to match suitable terms and conditions with different assignment situations and objectives. This increases the effectiveness of the Group's investment as well as overall fairness and equity for all assignees worldwide. In conjunction with these general principles, the specific terms and conditions for each individual assignment or transfer situation depend on the main objectives or drivers of the assignment or transfer, the planned duration and certain talent management criteria. Six different assignment types have been put in place and are actively applied since March 2014:

- Strategic Leadership Assignment;
- Long-Term Assignment;
- Short-Term Assignment;
- International Commuter Assignment;
- Internal Local Transfer; and
- Permanent Transfer.

⁽¹⁾ One training day is the equivalent of minimum 5 hours of training.

The Group looks for talented people in various areas, including risk underwriting, sales, controlling, human resources, organization, actuarial, marketing and IT. All positions open to international internal candidates are posted in every country where the Group operates, to maximize the opportunities available to employees throughout the Group. The Human Resources department has defined career paths where international exposure is required. Also, being part of the Allianz group gives greater possibilities for employees to take part in international assignments.

The Group's worldwide presence and career development culture provide interesting and creative job opportunities in the countries and professions in which the Group is active. Next to international transfers and career opportunities the renewal calendar provides in the framework of Inclusive Meritocracy to foster internal mobility among OEs and different functions by:

- coordinating of talent councils and pools with HR communities in different OEs within the same country or line of business;
- offering diverse opportunities: short term project work, shadowing or rotations to host colleagues or other OEs; and
- implementing the concepts developed and rolled out by Group HR in every OE.

Equal treatment

Combating discrimination in all its forms is one of the key priorities of the Group's human resources policy. This commitment is one of the themes of the Allianz group's code of conduct. It also forms part of the Group's anti-discrimination and anti-harassment policy adopted in 2011, which is distributed to all staff and sets out the fully confidential procedure for reporting any instance of discrimination within the Group. The policy was updated in 2014 and rolled out in all regions.

The aim is to ensure that the process of recruiting and promoting staff is based solely on the skills of employees. The policy involves a number of initiatives in the Group's various countries, including gender equality, employing and integrating disabled people and keeping senior people in work.

Gender equality

As at December 31, 2016, women occupied 37% of all management positions and 32% of senior executive positions. The proportion of female managers has been slowly rising for several years. This trend has been supported by initiatives to encourage women to take up managerial roles

and integrate them more easily into these roles. In Germany, Italy and at the Company, the "women's network" program is running, enabling women at all levels of the Company's hierarchy to communicate and support each other. These programs include mentoring, coaching, networking, panel discussions, lunch and learning sessions at which women can discuss issues and get feedback from other women in executive roles. In France, a professional equality committee with staff representatives analyses annually the male-female pay gap from survey taking into account various criteria's (pay, recruitment, mobility, training). These kinds of initiatives are being adopted more widely within the Group and will be stepped up in the next few years, in order to continually increase the number of women in executive positions.

Employing and integrating disabled people

The Group has adopted various initiatives in its main countries to increase the proportion of disabled people in its workforce.

In 2013 Euler Hermes Italy signed an agreement with the local government to hire 7 people throughout 2016 with disabilities, in conformity with the Disabled People Right to Work Act. These new recruits, with or without experience and mainly business or in law graduates, started on a path consisting of an internship and then onto a temporary contract until finally achieving a permanent contract. These employees are allocated to several departments such as Finance, MMCD or Risk according to business needs. Training and inclusion into the workplace are guaranteed by developed communication with senior staff and through a daily tutoring program that improves the insurance sector's competencies and soft skills required. HR hired the last two of these 7 employees in November according to the agreement. In Euler Hermes France, as from 2016, a new disability charter offers employees with disabilities the option of teleworking. An agreement with the work council on the donation of days off allows solidarity with employees with spouses or children with disabilities. In 2016, Euler Hermes in France⁽¹⁾ employed in average 4.2% of persons with disabilities and has negotiated from 2017 a better coverage of medical care for employees. Similar initiatives are taking place in Euler Hermes Germany in close collaboration with the severely handicapped persons' representative.

In the UK and Netherlands, there were no employees recruited in 2016 who identified themselves as disabled. However Euler Hermes UK and Netherlands promote an inclusive culture and the Flexible Working Policy was extended to all employees. A similar inclusive culture and Flexible Working Policy is also in place in the US, Canada and Brazil.

(1) Units in scope: Euler Hermes Crédit France, Euler Hermes Recouvrement France and Bilan Services.

Keeping older people in work

The employment of older people is an increasingly important topic in industrialized countries where populations are ageing. It is also an important part of anti-discrimination policies.

The Group is aware of this and has implemented specific initiatives targeting this population of employees, such as second-career interviews, tutoring systems to facilitate skills transfer, and the option of adjusting working time. Euler Hermes Belgium has developed a program to motivate those who are reaching their career's end and a mentoring program for positions of responsibility.

Euler Hermes UK and France offer a defined contribution pension scheme. In UK, it enables employees approaching retirement to take a phased approach to retirement without impacting their pension and the Company also continues to pay pension contributions for employees who continue to work past normal retirement age. The Flexible Working Policy was also extended to all employees, so employees nearing retirement

who wish to take a phased approach can make requests to change their working hours, time or location. The website of the Employee Assistance Programme provided by Euler Hermes UK provides advice for employees approaching retirement. In 2016 employees who retire are offered the opportunity to attend a retirement planning workshop (employees may take their pension and continue working).

Promoting and complying with the fundamental conventions of the International Labor Organization

The Allianz group code of conduct is provided to all employees of the Group. It requires unconditional compliance with the International Labor Organization's fundamental conventions, particularly through the reference of the 10 principles of the United Nations Global Compact.

1.5.2 Environmental responsibility

General environmental policy

Environmental protection is one pillar of the Group's CSR policy formalized in 2014 (to find out more about this policy, please see the introductory paragraph in section 1.5). The process of reducing the Group's environmental impact mainly involves taking action at local or Group level to cut energy, paper and water consumption, generalizing waste sorting and reducing CO₂ emissions in connection with business travel.

As a service company that exclusively occupies office premises, the Group has a very limited direct environmental impact. The Company has therefore made no provisions or guarantees to cover this risk, and no compensation was paid during the year as a result of any court rulings on environmental issues.

Group environmental reporting system

The Company structured and formalized its environment reporting system in 2013. In terms of organization, the process is based on regional contributors (most often in the Operations departments) reporting qualitative and quantitative environmental information to the Group's Real Estate department, in charge of environmental responsibility. This department is responsible for validating and compiling the information collected for publication in this Registration Document.

A reporting protocol has been drawn up and distributed to the contributors. The protocol sets out in detail the structure and processes

in place at the Company to measure and report the environmental information monitored by the Group. The schedule for qualitative and quantitative reports is sent in the second half of the year to allow the BUs to collect data in an organized manner.

A note on methodology in section 1.5.4 provides a more detailed description of the general organization of the reporting process, the rate of coverage of indicators and more information on the indicator definitions.

Environmental requirements for Group buildings

In terms of the environmental footprint, the impact of the offices occupied by the Group is a key challenge. Environmental principles (Green Building principles) are thus an integral part of the Corporate Workplace Standards, which have been in place since November 2012 and which set out the Group's real estate standards and internal processes for the selection and layout of working premises.

These principles include the guidelines to be applied:

- for the building selection phase: prefer certified buildings (LEED, BREEAM or national, HQE-type certification in France), using "physical" criteria, such as the orientation of the building, the state of the heating, ventilation and air conditioning systems, and the proximity of public transport;

- for the layout and space definition phase: focusing on layout criteria that aim to reduce resource consumption (water, energy) and optimize waste management. These criteria involve, for example, lighting and air conditioning zones that are controlled separately, the presence of movement sensors and waste sorting bins or automated water consumption control systems.

The application of the requirement described in the Corporate Workplace Standards is amply demonstrated by the Group's premises that have an environmental certification: the total surface area of these premises at end 2016 represented about 30% of the total surface area rented by the Group (and nearly 16% of the total occupied surface area). 99% of the new surface area rented in 2015 is environmentally certified (Bucharest and Warsaw). The new office in Budapest, opened during 2016, is well on its way in obtaining its BREEAM certification.

One of the main principles also requires the implementation of videoconferencing systems for all regional and national head offices of the Group as mandatory solution in order to reduce business travels for meeting abroad. In 2016 it has been estimated that 62% of the Group's employees could have easily access to a video conference system (62%, is the ratio of employees sitting in premises where a video conference system has been installed).

Raising employee awareness of environmental issues

To support the Group's environmental approach as it rolls out, a number of local/regional initiatives have been implemented to raise employee awareness of environmental subjects and their personal responsibility. Several awareness initiatives were already in place at regional and national level through a range of in-house communication media (posters, flyers, email and intranet) basically regarding waste recycle, company cars and day-to-day eco living but many others came out during 2016.

At global level the Group Eco Friendly week was launched and took place in the week of May 30 to June 3. 15 entities participated and recycled 1.32 tons of paper and "saved" 1.37 tons of paper due to the printing restriction policy during this week.

Some local examples of new actions for 2016:

- in Italy, a general CSR promotion program known as "Benessere" launched in 2014, continued to promote the different aspects of this topic (employee well-being, social activities, green building improvements, etc.) by various means (intranet, meetings, discussions, and so on);
- in the UK, the "environmental policy" is diffused and communicated to all employees, suppliers and sub-contractors. Main scopes of this policy are to assess and regularly re-assess the environmental effects of the organization's activities, informing employees in environmental issues, minimize the waste production. With regard to waste

management, regular reporting has been introduced, in collaboration with the owner, making it possible to measure the quantity and quality of waste produced and production trends. The following are systematically recycled at the Euler Hermes office in London: paper, cardboard, furniture, lights, ink cartridges and IT hardware. The unit is in the process of implementing agile working which will require working almost fully digitally and as a consequence during 2016 they have removed over 60 tons of old paperwork to recycling. In March 2016, Euler Hermes UK has participated in the Earth Hour event turning off all non-essential building lighting and small power;

- in France, through a shared commitment with the management of *Tour First* and its tenant EY, the following measures have been undertaken since January 2015: a waste recycling point has been set up at the base of the tower, reduction of our carbon footprint, job creation including the reintegration into the work environment, as well as the introduction of reporting regarding the volume generated by each sector. In addition, the paper waste collection has been systematically extended to all regional sites. The totality of paper waste is now recovered from these sites and then recycled by an integration company. The creation of the RSE Committee was facilitated by the DILE (Team in charge of office furniture, logistics and work environment), which gathers staff members from different departments in the Company, such as HR, communications and real estate, for quarterly meetings. The objective of this committee is to share, exchange and review actions both already implemented and to be implemented in the future. Since November 2015, the gradual installation of 100% renewable electricity is ongoing at *Tour First* and 4 other sites. In the continuity of the gradual application of the 100% renewal electricity contract launched in 2015 for the *Tour First* site, all the sites in France are now powered by green energy. Since September 2016, the transition of purchasing white A4 70gr paper (to supply the multifunction printing machines) instead of 75gr is now in place.

Pollution and waste management

The Group's activities do not generate significant air, water or ground emissions, and do not create any sound nuisance or other form of pollution.

The Group is committed to preventing and recycling the waste generated by its activity mainly through the following initiatives:

- waste sorting across most of the Group's subsidiaries for ordinary waste such as paper, cans, bottles and plastic (paper and glass / bottles are recycled in about 54% of the Group's premises). Individual bins have also been eliminated at several Group premises (Paris, Rome, Brussels and Zurich) to encourage sorting. Some countries have set up specific waste management policies: separation of printed paper into color and black & white in France, and incineration with energy recovery of non-recycled waste in the United Kingdom;

- management of electrical and electronic equipment, batteries, light bulbs and used ink cartridges takes place in most of the countries. This waste is entrusted to service providers, which are responsible for processing them (recycling or disposal). In some countries, the recycling of the old unused mobile phones is also in place, for example in Euler Hermes UAE.

The total waste produced in 2016 (coverage ratio: 77%) by Euler Hermes France, Germany, Greece, Hungary, Italy, the Netherlands, UK and Belgium is estimated at 627 tons, this is based solely on the Group's main buildings. Information about waste production is often hard to obtain in premises that are shared with other companies.

Sustainable use of resources

Water consumption

The Group's water consumption is connected to the use of premises for professional purposes: sanitary facilities, air conditioning, cooling systems for electronic equipment, cafeterias, car parks, and office cleaning. Group directives (Corporate Workplace Standards) governing premises selection recommend the presence of systems that control this consumption automatically.

The Group's water consumption stood at 60,143 m³ in 2016 (coverage ratio: 91%). Water is used in small amounts, for sanitary purposes.

Energy consumption

The Group's energy consumption relates mainly to lighting, air conditioning and heating in work premises, along with running electrical equipment.

The Group's reported energy consumption for 2016 is presented in the table below.

2016 ENERGY CONSUMPTION

	2016 coverage ratio	2016 value	2015 value	Unit
Electricity consumption	87%	15,503,558	16,188,510	KWh
Gas consumption	92%	14,506,317	13,801,351	KWh
Steam consumption	66%	420,676	946,463	KWh
Fuel consumption	99%	1,600	1,600	L

- Reducing energy consumption is a key priority in the Group's environmental strategy. One of the main aspects of this strategy is to prefer premises that have been environmentally certified (see the Corporate Workplace Standards mentioned above).
- The Group therefore occupies premises certified with labels guaranteeing a high level of energy efficiency in France (Lyon and Paris), Singapore, Zurich, Mexico City, Warsaw and Bucharest (16% of the total surface area occupied by the Group, showing continuous improvement over the previous year). In Zurich the Euler Hermes

Paper consumption

In 2016, reported office paper consumption (coverage ratio: 90%) amounted to 176 tons.

The Group has been interested in the subject of reducing paper consumption for several years.

For many years now, the Allianz group's printing policy has been applied by the Group, with the implementation of the following measures to regulate the Group's printing equipment by default: printing in black and white, two per page, on both sides, reducing ink density and automatic standby mode.

At several Group sites, the "follow me printing" system has been implemented to limit printing (Paris and Brussels); printed materials leave the printer only after validation using a badge on the same machine.

Several campaigns have taken place to raise employee awareness and reasonable use of office paper, as for example in the Netherlands where paper workflows are fully digitalized (invoices are received by email) and in the UK where for example digital licences for business newspapers have replaced the paper standard ones.

A digitalization project at Group level is currently underway and aims to analyse all communication flows in order to implement digital transfers internally and with clients.

premises have moved together with all the other Allianz entities in the Allianz Campus in Wallisellen, a brand new building labeled Minergie. In Warsaw also, in 2015, EH employees moved to Nimbus, a certified building designed with particular emphasis on environmental aspects (during the construction phase, 10% of materials used were recycled and 50% of waste from the construction site was recycled in turn).

- Given the nature of its business, the Group is not concerned by environmental issues arising from land use.

Climate change

The Group is aiming to reduce and challenge the emissions related to its activities linked to the operational and logistics aspects (buildings and employees related emissions).

While challenging the current consumptions and implementing guidelines and standards, the Group is in fact aiming to reduce the employees' carbon footprint.

As a service company that exclusively occupies office premises, the Group has a very limited direct environmental impact and for this reason is not directly concerned by climate change effects.

The CO₂ emissions arising from energy consumption and business travel by the Group's staff are set out in the table below. The breakdown of emissions by scope corresponds to the internationally recognized GhG Protocol.

GhG protocol scopes	Emissions factors	2016 emissions	2015 emissions	Unit
1	Direct emissions related to energy consumption (gas, fuel and heating oil)	2,707	2,557	Metric tons of CO ₂ equivalent
	Direct emissions related to the business vehicle fleet	3,009	2,428	Metric tons of CO ₂ equivalent
2	Indirect emissions related to consumption of electricity and steam	2,683	3,209	Metric tons of CO ₂ equivalent
3	Indirect emissions related to business travel (plane, train, car)	2,981	3,376	Metric tons of CO ₂ equivalent

Reducing the Group's carbon footprint requires efforts to reduce energy consumption at its premises as well as the impact occurred by business travel. Efforts to reduce energy consumption are set out above.

The main initiatives in place at the Group to reduce CO₂ emissions related to business travel are:

- the subsidiaries' business travel policies encourage travel by train and the use of videoconferencing (is not mentioned above 62% of the Group's employees work in premises equipped with video conference systems);
- some of the subsidiaries favor the use of vehicles with low CO₂ emissions per kilometre for their company car fleets. France and the UK have also set emissions thresholds for selecting company vehicles. Some fleets also include hybrid vehicles (the entire fleet in the UK and in the Netherlands, in France and Italy this principle is applied for new company cars, in Belgium a hybrid car has been introduced in the Company fleet), Euler Hermes Italy provides an electric vehicle for its employees, in Switzerland an e-bike has been purchased and is used by employees for customer visits in the surrounding area;

- the Group directives encourage subsidiaries to choose working premises that can be accessed by public transport;
- finally, in the U.S. and Canada, the Green Vehicle Rewards Program offers financial incentives to employees who invest in fuel-efficient cars, in order to reduce the environmental impact of the journey between home and work.

To go further in terms of environmental responsibility, some subsidiaries purchase electricity from renewable sources, as in Germany (100% of electricity used is hydraulic in origin) and the UK (wind power).

Biodiversity

The Group's activities do not have any material direct impact on biodiversity. At the Company level, efforts are made to promote biodiversity by favoring the purchase of paper from sustainably managed forests (for more details, see the "Sub-contractors and suppliers" section below).

Food Waste

In 2016, no action against the waste of food was put in place by Euler Hermes. Based on the service activities of Euler Hermes, this information is not relevant.

1.5.3 Responsibility towards society

Territorial, economic and social impact of activities

The Group seeks to promote economic development in the areas in which it operates by providing business customers with the insurance they need to grow their businesses.

The Group takes steps to ensure that local employees are promoted to positions of responsibility. The number of expatriate positions is intentionally restricted. Training programs are also available to help staff enhance their skills and maintain their long-term employability within the Group. In France, for example, each manager can benefit from an intensive training program of 11 days over a two year period with two

specific programs available, one for junior managers (new hired or internally promoted) and other one for senior managers (first program attendance). Since the launches, 56 managers have participated. Furthermore, to contribute to the employee wellbeing, employees trained to handle stress increased (38 employees in 2016) and to reduce our environmental impact, eco driving training sessions are now deployed for all corporate car holders (33 employees in 2016).

In the United Kingdom, initiatives such as the "My Finance Coach" programme which seeks to promote the insurance and financial expertise profession in general to children and students.

Partnerships with schools have also been set up in various countries, including Germany, where the Group has been collaborating for several years with the Hamburg School of Business Administration. Five new dual students started their three year trainee program in September 2016.

In addition there is a special day in Germany dedicated to girls and boys, offering them the chance to gain insight into working life. In 2016, 27 pupils participated at Euler Hermes.

The Group also has a large number of staff on apprenticeship contracts and long-term work placements.

Dialogue with civil society, partnerships and corporate sponsorship

At Group level, the Company provides employees and business units with a CSR policy (see section 1.5). The choice of actions, budget and initiation of dialogue with various stakeholders, including charities, are driven directly by the business units.

Financial support for charities and employees volunteering actions

Several charities received financial donations from the Group's entities in 2016. In line with the Group's CSR policy, the majority of these donations were made to charities working in the area of health and well-being. Support to local charities came also from increased employee volunteering actions.

The Group's entities in Belgium, Canada, Germany, Italy, the Netherlands, Poland, the Solunion joint venture and the United States supported projects improving living conditions of disadvantaged people and families. These included the collection and distribution of food, clothes and gifts, as well as financial support for construction projects. In Germany, a clay construction project by children under guidance of artists was supported, and regular visits by clowns to children in hospitals were sponsored. In Italy, internal fund raisers were organized among employees to help earthquake victims. The United States subsidiary once again matched staff donations for the Johns Hopkins pediatric medical center and the Maryland food bank. In the Netherlands, a three-year partnership (2016-2018) was signed with "Villa Pardoes" to offer free holidays to families with a seriously ill child. In the United Kingdom, the company matched employee donations to MacMillan Cancer Support.

Other initiatives enabled employees to become involved in charitable projects and volunteering actions. These included long-distance adoptions of 10 children in Italy, and the creation of partnerships with schools and dedicated programs in the area of financial literacy in Poland and the United States. Other examples include Turkey, where the local entity supported the "Baba Okul Gonder" project promoting education for girls. In France, for the fourth year, a concierge service coordinated by an organization helping disabled workers into employment was hosted at the Euler Hermes headquarters in Paris. Other internal initiatives promoting equality and diversity were also driven in Greece, South Africa and the United Kingdom.

Employees in Belgium, France, Italy, Poland, South Africa and the United Kingdom also took part in charity runs and sporting events during the year to collect funds for non-profit healthcare associations. In Belgium, for example, 50 employees joined a rafting competition to raise funds for a healthcare initiative. In Germany, the renowned cultural festival "Al Tonale" was sponsored.

2016 saw also a growing focus and proactive involvement by Euler Hermes Group and employees in environmental protection initiatives. As part of its Corporate Social Responsibility policy, Euler Hermes held its first global Eco-friendly Week, May 30th - June 3rd, 2016, coinciding with the European Sustainable Development Week. During one week, individuals and teams from nearly 15 countries - Belgium, Finland, France, Germany, Greece, the Netherlands, Norway, Poland, Sweden, Switzerland, Turkey, the Solunion joint venture, United Kingdom and the United States - as well as the Euler Hermes headquarters significantly reduced printing and organized office recycling actions.

In the UK, a long-term *Going paperless* initiative was launched internally to significantly reduce paper consumption throughout the year.

Additional green initiatives included new standards for company pool in Belgium to reduce CO₂ emissions and a Swiss volunteer program to clear underbrush from forests.

Sub-contractors and suppliers

The Group Procurement Standards are implemented in each subsidiary of the Group to develop best practices on the complete sourcing life cycle across the Group. They integrate in the value chain that the principles of code of conduct for business ethics, environment and compliance are the basis for everyday business. The contracts signed with these contractors also incorporate these principals.

The Group's use of sub-contractors mainly relates to IT services. Euler Hermes Group is in charge of the Group's information technology systems. Euler Hermes Group has no employees and relies entirely either on employees seconded by other Group subsidiaries or external consultants working as sub-contractors.

Contracts with suppliers include clauses that commit the suppliers to uphold any employment laws or environmental legislation in force in the countries in which they operate as well as to apply very strict principles on the prevention of corruption, supporting the Group's overall anti corruption policy.

In recent years, these basic aspects of the responsible procurement policy have been supplemented by the adoption of special procedures for certain types of purchases:

- the Group's standards include environmental principles for selecting the office premises occupied by the Group, with the main focus on buildings with environmental certification (LEED and HQE in France, etc.). The UK and German subsidiaries also supply themselves with electricity generated from renewable energy;
- some countries have established specific directives to reduce the carbon footprint of corporate vehicle fleets, mainly through the purchase of hybrid vehicles;
- the French entity has adopted the green letter tariff for its mail correspondence;
- since the Group operates in a service industry, paper is one of its largest categories of consumables. The production of paper creates significant environmental problems (such as CO2 emissions and damage to biodiversity) and so increasing numbers of subsidiaries are mainly buying recycled or FSC-certified paper.

Fair commercial practices and respecting human rights

Through its main shareholder, Allianz, the Group adheres to a code of conduct in respect of business ethics. This code incorporates the principles laid down in the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises. These values are implemented within the Group.

Specific restrictions are also applied within the Group in relation to arms trading. The following activities are therefore prohibited:

- conducting insurance or investment activities that contribute to the manufacture of biological or chemical weapons, anti-personnel mines, bombs or other fragmentation charges;
- taking part in transactions for the purpose of exporting arms to "high tension" countries (a list of these countries is provided by Allianz), except for export credit activity.

In addition, specific rules for commercial underwriting, which include risk assessment and a special hierarchical approval process, have also been established for activities regarded as sensitive in terms of impact on the environment, human health, animal welfare or human rights.

The Group's compliance policy is overseen by a dedicated team. This team's main areas of work and projects are presented on page 85 of this Registration Document.

Lastly, with regard to its activities based on credit insurance for businesses, the Group is not involved in specific actions to promote consumer health and safety.

1.5.4 Note on methodology

Social reporting

General organization

The Group bases its annual social reporting process on a protocol that is regularly updated and shared with the Allianz group.

The indicators collected by the information systems are grouped into the following categories: workforce, age, length of service, full-time equivalents, qualifications, turnover and health. The indicator definitions are standardized at Group level and distributed to the Human Resources departments of the various regions in which the Group is present.

The reporting process is overseen by a special team at Group level, in charge of controlling and consolidating all the data collected.

Scope and level of coverage

The scope of the social reporting process encompasses all the legal companies fully consolidated by the Group Financial division for the fiscal year in question.

The level of coverage of the social indicators presented in the CSR section is 100%.

Further information on the indicators

- The active workforce is used as a reference to calculate the breakdown of personnel by age, gender, average age and average length of service. Active workforce comprises all workforce actively working for the Company and thus not being absent for a longer period of time, e.g. because of parental leave, sabbatical or long term illness.
- Recruitments take all employees into account who receive a new contract of employment with the reporting unit during reporting period. The amount of leavers indicates all the cases where the employment relationship was terminated and the contract of employment ended. This includes leaving for an external company, intra-Group movement, voluntary and involuntary end of employment contract, employees who are recruited and left during the reporting period, regular and early retirement, invalidity and death. Dismissal is further specified as “firing” and redundancies are further specified as “lay-off”. Firing includes employees who left the Allianz group during the reporting period due to misconduct or failure of the employee. Lay-off includes the number of employees who left the Allianz group during the reporting period, due to corporate reorganization or social plans. This is mainly due to economic forces beyond the employer’s and employee’s control, especially in the face of recession. Expatriation is neither considered recruitment at the receiving unit nor a departure at the sending unit.
- The rate of absenteeism mentioned takes account of employee absence due to illness. Since 2015 cases of absences due to long-term illness are included in the absenteeism rate with the absenteeism rate being based on days to be worked as defined by local standards. Other reasons for absenteeism such as parental leave or sabbatical leave are not considered. Employees who have left the Company within the reporting period are also counted.
- The measuring unit used for training is “training days”. All training hours are taken into account and converted into training days using standard local working hours per day.

Environmental reporting

General organization

The Group’s environmental reporting process was structured during 2013, mainly reflecting the creation and distribution of a reporting protocol within the Group. It sets out within a single document the key reporting principles, consolidation rules, instructions for input and validation, and all the necessary technical information (e.g. a precise definition of indicators, information sources to use, rules for estimates and conversion factors).

Information is collected by means of an Excel data sheet for the six regions in which the Group is present. The regional contributors (most often in the Operations departments) report qualitative and quantitative environmental information falling within their range of responsibility to the Group’s Real Estate department twice a year (qualitative indicators collected in October and quantitative indicators collected in December/January). This department is responsible for verifying and compiling the information collected for publication in the Registration Document.

The selected indicators are used to measure the Group’s progresses in terms of environmental responsibility and challenge for new activities and improvements. The reporting tool used is compliant with the GRI (Global Reporting Initiative) guidelines.

The reporting period under review runs from January 1 to December 31, 2016.

Scope and level of coverage

The scope of the environmental reporting process includes all the buildings occupied during the year by the Group’s personnel worldwide (premises rented or owned by the Group). The list of sites used by the Group is updated twice a year by the Group Real Estate department, which also registers the surface area occupied by these sites and the number of people working on them (data collected through the Human Resources Controlling function).

For the 2016 reporting season, the quantitative data were collected from sites in all the different Group regions around the world.

The levels of coverage by surface area of the various environmental indicators are shown below. They represent the surface area of sites for which data are reported as a proportion of the total surface area of the sites occupied by the Group. Rates of consumption of gas and fuel for cooling or heating via the urban networks are shown as a ratio of the surface area of the sites concerned by this type of consumption. If this information is not known (e.g. information on whether a site consumes gas for heating is not provided), the site is regarded as concerned by the indicator by default. The level of coverage shown for these indicators is therefore a minimum.

Indicators	2016 Level of coverage/m ²	2016 Level of coverage/m ² per Region*	2015 Level of coverage/m ²
Electricity consumption	87%	Americas** (50%); APAC (30%); DACH (89%); France (98%); MMEA (87%); NE (93%)	87%
Gas consumption	92%	Americas (n/a); APAC (n/a); DACH (97%); France (76%); MMEA (99%); NE (90%)	77%
Urban heating consumption	96%	Americas (n/a); APAC (n/a); DACH (n/a); France (45%); MMEA (100%); NE (100%)	54%
District cooling consumption	66%	Americas (n/a); APAC (n/a); DACH (0%); France (n/a); MMEA (86%); NE (88%)	54%
Fuel consumption	99%	Americas (n/a); APAC (n/a); DACH (100%); France (100%); MMEA (100%); NE (0%)	78%
Water consumption	91%	Americas** (50%); APAC (15%); DACH (89%); France (78%); MMEA (87%); NE (54%)	78%
Paper consumption	90%	Americas (0%); APAC (30%); DACH (99%); France (97%); MMEA (99%); NE (94%)	89%
Business travel	88%	Americas (0%); APAC (30%); DACH (99%); France (96%); MMEA (99%); NE (73%)	87%
Waste generation	77%	Americas (0%); APAC (0%); DACH (89%); France (77%); MMEA (72%); NE (77%)	80%

(*) EH Regions: Americas, APAC (Asia-Pacific), DACH (Germany, Austria and Switzerland), France, MMEA (Mediterranean countries, Middle-East, Africa), NE (Northern Europe). "n/a" means that the indicator is not applicable.

(**) Estimated consumption.

Further information on the indicators

CO₂ emissions

CO₂ emissions were calculated using the following information sources:

Emissions factors	Information sources
Gas and fuel combustion, urban heating Business travel by car, train and airplane Travel by company car	"Bilan Carbone" Tool, version V7.1.06 (ADEME)
Power generation in the various countries in which the Group is present	IEA (International Energy Agency) – Excel table CO ₂ Highlights 2012

The CO₂ emissions shown in the reports correspond to the combustion phase of the various types of energy. Upstream emissions, which relate to the extraction, refining and transmission of the energy consumed, are not taken into account, and neither are online losses on power or heating networks.

The emissions factor related to the power consumption of the buildings of Euler Hermes Germany in Hamburg is zero, as these sites exclusively use power produced from renewable energy sources (hydraulic power).

1.5.5 Report by the independent third party, on the consolidated human resources, environmental and social information included in the management report

For the year ended December 31st 2016

To the Shareholders,

In our capacity as Statutory Auditor of Euler Hermes Group S.A., (hereinafter named the "Company"), appointed as independent third party and certified by COFRAC under number 3-1049⁽¹⁾, we hereby report to you on the consolidated human resources, environmental and social information for the year ended December 31st 2016, included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code.

Company's responsibility

The Board of Management is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the guidelines used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the company's head office.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of article L.822-11-3 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements and applicable legal and regulatory requirements.

Responsibility of the independent third party

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved five persons and was conducted between September 2016 and April 2017 during a three week period. We were assisted in our work by our CSR experts.

We performed our work in accordance with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with the professional guidance issued by the French Institute of statutory auditors (Compagnie nationale des commissaires aux comptes) relating to this engagement and with ISAE 3000⁽²⁾ concerning our conclusion on the fairness of CSR Information.

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code, within the limitations set out in the methodological note, presented in section 1.5.4 of the management report.

(1) "Whose scope is available at www.cofrac.fr".

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted four interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important⁽³⁾:

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities selected by us⁽⁴⁾ on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and to identify potential undisclosed data, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents 33% of headcount considered as material data of social issues and between 26% and 94% of environmental data considered as material data⁽⁵⁾ of environmental issues.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Paris La Défense, April 19, 2017

KPMG S.A.

Anne Garans
Partner
Sustainability services

Xavier Dupuy
Partner

(3) Human resources quantitative information : Contracted headcount broken down by age, gender and type of contract; Part-time headcount; Number of external recruitments; Total leavers; Total number of training days; Sick leaves.
Environmental quantitative information: Electricity consumption; Gas consumption; Fuel consumption; Paper consumption; Indirect emissions related to business travel.

Qualitative information: Occupational health and safety conditions, Measures implemented to promote gender equality; Organization of social dialogue including information procedures, consultation and negotiation with the employees; The organization of the company to integrate environmental issues and, if appropriate, the assessments and certification process regarding environmental issues; Actions of partnership and sponsorship.

(4) Euler Hermes United Kingdom & Ireland, Euler Hermes Deutschland.

(5) See the environmental indicators listed in footnote n°3.

CORPORATE GOVERNANCE

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The Company is a limited company (*société anonyme*) with a Board of Management and a Supervisory Board. The members of the Board of Management and the Supervisory Board are referred to collectively in this Registration Document by the term “Corporate Officers”.

On the date of publication of this Registration Document and to the Company's knowledge, there are:

- no family ties among the Company's Corporate Officers;
- no conflicts of interest between the private interests of each of the Corporate Officers and their duties with regard to the Company;
- no arrangement or agreement concluded with the principal shareholders or with clients, suppliers or others, as a result of which any of the Corporate Officers would have been appointed in such position;
- no restriction on the sale by Corporate Officers of their shareholdings in the Company's capital; and

- no service agreement binding the Corporate Officers to the Company or any of its subsidiaries that provides for benefits to be granted to them.

In addition, to the Company's knowledge on the date of this document, no Corporate Officers has been, in the last five years:

- convicted of fraudulent offences;
- associated with any bankruptcies, receiverships or liquidations;
- subject to any official public incrimination and/or sanctions by statutory or regulatory authorities;
- disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

For the purposes of their corporate office, the Corporate Officers are domiciled at the Company's registered office.

2.1 Board of Management

The Board of Management is the Company's collective decision-making body. The Board of Management exercises its powers collectively, but the duties and responsibilities regarding the management of the Company are allocated among its members, with the Supervisory Board's approval.

By decision of the Supervisory Board, a new Board of Management was appointed on February 17, 2016, for a four-year period from April 1, 2016 until March 31, 2020.

2.1.1 Composition of the Board of Management

As of the date of this Registration Document, the Board of Management is composed of six members who perform the following management duties:

- Wilfried Verstraete, Chairman of the Board of Management responsible for Internal Audit, Human Resources and Communications;
- Frédéric Bizière, member of the Board of Management responsible for Risks, Collections, Information and Indemnification, and Reinsurance;
- Clarisse Kopff, member of the Board of Management responsible for Finance;

- Paul Overeem, member of the Board of Management responsible for Commercial and Distribution;
- Michele Pignotti, member of the Board of Management responsible for Market Management;
- Ludovic Sénécaut, member of the Board of Management responsible for Operations and IT.

It shall be stated that the offices of Gerd-Uwe Baden and Dirk Oevermann ended on March 31, 2016.

2.1.2 Operation of the Board of Management

The Board of Management's operation is covered in detail in the Supervisory Board Chairman's report on corporate governance and on internal control and risk management procedures established by the Company appearing in section 2.4 of this Registration Document.

2.1.3 Offices of members of the Board of Management

The number of offices held by members of the Board of Management complies with applicable law and regulations and with the AFEP-MEDEF Corporate Governance Code limiting concurrent terms of office.

Board of Management as at the date of this Registration Document



Wilfried Verstraete
Chairman of the Board of Management

Birth date: 05/06/1958

Nationality: Belgian

Date of first appointment: 04/01/2009

Start date of current office: 04/01/2016

Current term expires: 03/31/2020

Wilfried Verstraete graduated in Economics from the University of Brussels (VUB), holds a Master's degree in financial management from VLEKHO (Belgian school of management) and is an alumnus of the International Executive Program at Insead.

From 1996 to 2004, Wilfried Verstraete worked at the France Telecom Group where he successively held the position of Chief Financial Officer with Mobistar in Belgium, Wanadoo in France and Orange in the UK. He served as Chairman of the Board of Management of Atradius from 2004 to 2006 before joining Allianz Global Corporate & Specialty as Chief Financial Officer and member of the Board of Management. Wilfried Verstraete was appointed Chairman of the Euler Hermes Group Board of Management on April 1, 2009.

OFFICES AND OTHER FUNCTIONS IN FRENCH AND INTERNATIONAL COMPANIES

Current offices	Start of first term	End of current term
Listed Companies – affiliated with the Group		
– Chairman of the Board of Management of Euler Hermes Group, <i>France</i>	2009	2020
Non listed companies – affiliated with the Group		
– Executive Director and Chairman of the Management Committee of Euler Hermes SA, <i>Belgium</i>	2012	2020
– Chairman of the Board of Non-voting Members of Euler Hermes World Agency, <i>France</i>	2011	2017
– Deputy Chairman of the Supervisory Board of Euler Hermes AG, <i>Germany</i>	2014	2019
– Chairman of the Board of Directors of Euler Hermes North America Insurance Company, <i>United States</i>	2010	Indetermined
– Chairman of the Board of Directors of Euler Hermes North America Holding Inc, <i>United States</i>	2010	Indetermined
Other legal entities		
N/A		



Frédéric Bizièrre
Member of the Board of Management

Birth date: 01/07/1967

Nationality: French

Date of first appointment: 10/01/2011

Start date of current office: 04/01/2016

Current term expires: 03/31/2020

Frédéric Bizièrre graduated from HEC (French school of management). He began his career in 1992 with KPMG Audit. In 1995, he moved to Banque Française du Commerce Extérieur (today known as Natixis). He joined the Group in 1998 as Head of the Accounting department at Euler Sfac (today known as Euler Hermes France). He was appointed Corporate Secretary in 2004 and joined the Euler Hermes Sfac Board of Management in 2005. Frédéric Bizièrre joined the Euler Hermes Group Board of Management on October 1, 2011.

OFFICES AND OTHER FUNCTIONS IN FRENCH AND INTERNATIONAL COMPANIES

Current offices	Start of first term	End of current term
Listed Companies – affiliated with the Group		
– Member of the Board of Management of Euler Hermes Group, <i>France</i>	2011	2020
Non listed companies – affiliated with the Group		
– Executive Director and Member of the Management Committee of Euler Hermes SA, <i>Belgium</i>	2012	2020
– Non-voting member of Euler Hermes World Agency, <i>France</i>	2012	2017
– Member of the Board of Directors of Euler Hermes North America Insurance Company, <i>United States</i>	2011	Indetermined
– Member of the Board of Directors of Euler Hermes North America Holding Inc, <i>United States</i>	2011	Indetermined
– Chairman of the Board of Directors of Euler Hermes Reinsurance AG, <i>Switzerland</i>	2012	2017
Other legal entities		
N/A		

**Clarisse Kopff****Member of the Board of Management****Birth date:** 01/23/1973**Nationality:** French**Date of first appointment:** 05/01/2014**Start date of current office:** 04/01/2016**Current term expires:** 03/31/2020

Clarisse Kopff graduated from ESCP Europe and holds a master's degree in International Financial Markets and Commodities Markets from Paris Dauphine University. She also holds a Kauffrau Diploma from Berlin. After working in the Origination department at Lehman Brothers in London and as an auditor at PricewaterhouseCoopers in Paris, she joined the Group in 2001 as a financial controller for Euler Hermes SFAC (France). Between 2007 and 2011, she held successive positions as Head of Controlling for French and Mediterranean activities, and Head of Group Controlling. In 2012, she was appointed Head of Group Accounting, Controlling and Investor Relations. Clarisse Kopff joined the Board of Management of Euler Hermes Group as Chief Financial Officer in April 2014.

OFFICES AND OTHER FUNCTIONS IN FRENCH AND INTERNATIONAL COMPANIES

Current offices	Start of first term	End of current term
Listed Companies – affiliated with the Group		
– Member of the Board of Management of Euler Hermes Group, <i>France</i>	2014	2020
Non listed companies – affiliated with the Group		
– Executive Director and Member of the Management Committee of Euler Hermes SA, <i>Belgium</i>	2014	2020
– Member of the Board of Directors of Euler Hermes North America Insurance Company, <i>United States</i>	2014	Indetermined
– Member of the Board of Directors of Euler Hermes North America Holding Inc, <i>United States</i>	2014	Indetermined
– Sole Manager of Euler Hermes Luxembourg Holding SARL, <i>Luxembourg</i>	2016	Indetermined
Other legal entities		
N/A		

**Paul Overeem****Member of the Board of Management****Birth date:** 07/11/1958**Nationality:** Dutch**Date of first appointment:** 01/01/2013**Start date of current office:** 04/01/2016**Current term expires:** 03/31/2020*

Paul Overeem holds a master's degree in trade law and international labor law from the University of Brabant and studied six relevant banking courses at the NIBE International Finance Academy. In 1989, he established Euler Hermes Kredietverzekering in the Netherlands, and served as its Chief Executive Officer. For 25 years, his international assignments have reflected increasing responsibility: US Executive Vice-President of finance and risk underwriting (1999), Deputy Chief Executive Officer of Euler Hermes International in London (2001), President and CEO of all Euler Hermes operations in the Americas (2002), and Regional CEO for Northern Europe (2010). Paul Overeem joined the Euler Hermes Group Board of Management in January 2013.

OFFICES AND OTHER FUNCTIONS IN FRENCH AND INTERNATIONAL COMPANIES

Current offices	Start of first term	End of current term
Listed Companies – affiliated with the Group		
– Member of the Board of Management of Euler Hermes Group, <i>France</i>	2013	2018
Non listed companies – affiliated with the Group		
– Member of the Management Committee of Euler Hermes SA, <i>Belgium</i>	2010	2020
– Non-voting member of Euler Hermes World Agency, <i>France</i>	2012	2017
– Member of the Board of Directors of Euler Hermes North America Insurance Company, <i>United States</i>	2013	Indetermined
– Member of the Board of Directors of Euler Hermes North America Holding Inc, <i>United States</i>	2013	Indetermined
Other legal entities		
N/A		

* Paul Overeem has already indicated that, for personal reasons, he does not wish to serve the full term of his mandate and will resign from his duties with effect from March 31, 2018.



Michele Pignotti
Member of the Board of Management

Birth date: 03/29/1964

Nationality: Italian

Date of first appointment: 04/01/2016

Start date of current office: 04/01/2016

Current term expires: 03/31/2020

Michele Pignotti holds an MBA from the CUOA management school in northeast Italy. He joined Euler Hermes in 2004 as Director of Marketing and Sales for Italy. Prior to 2004, he served as European marketing director for Sara Lee Branded Apparel and as Director of BtoB Marketing for Telecom Italia. He was appointed CEO of Euler Hermes Italy in 2008. In 2010 he became the Head of the MMEA region, which consists of South Africa, Greece, Israel, Italy, Morocco, Tunisia, Turkey and the six countries of the Gulf Coast. He is also a member of the Euler Hermes "Digital Sounding Board" and contributes to the digital strategy and the identification and assessment of new opportunities.

OFFICES AND OTHER FUNCTIONS IN FRENCH AND INTERNATIONAL COMPANIES

Current offices	Start of first term	End of current term
Listed Companies – affiliated with the Group		
– Member of the Board of Management of Euler Hermes Group, <i>France</i>	2016	2020
Non listed companies – affiliated with the Group		
– Member of the Management Committee of Euler Hermes SA, <i>Belgium</i>	2016	2020
– Member of the Board of Directors of Euler Hermes North America Insurance Company, <i>United States</i>	2016	Indetermined
– Member of the Board of Directors of Euler Hermes North America Holding Inc, <i>United States</i>	2016	Indetermined
– Member of the Board of Directors of BSSCH The Israeli Credit Insurance Company Ltd (ICIC), <i>Israel</i>	2011	Indetermined
– Chairman of the Board of Directors of Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA, <i>Spain</i>	2017	2020
Other legal entities		
N/A		



Ludovic Sénécaut
Member of the Board of Management

Birth date: 08/01/1970

Nationality: French

Date of first appointment: 04/01/2016

Start date of current office: 04/01/2016

Current term expires: 03/31/2020

Ludovic Sénécaut is a graduate of the École Polytechnique and the École Nationale des Ponts et Chaussées in Paris. He launched his career at Banque Indosuez and then he was the director of Energy and Telecommunications departments in the Treasury Department within the Ministry of Finance. He joined the Euler Hermes strategy team in 2003 and supervised the activities of Euler Hermes in several European countries until 2010, the date on which he was appointed regional director and Chairman of the Board of Management of Euler Hermes France. In 2013, he assumed the duties of Director of Euler Hermes for Northern Europe, which covers 15 different countries in Central and Northern Europe.

OFFICES AND OTHER FUNCTIONS IN FRENCH AND INTERNATIONAL COMPANIES

Current offices	Start of first term	End of current term
Listed Companies – affiliated with the Group		
– Member of the Board of Management of Euler Hermes Group, <i>France</i>	2016	2020
Non listed companies – affiliated with the Group		
– Member of the Management Committee of Euler Hermes SA, <i>Belgium</i>	2016	2020
– Member of the Board of Directors of Euler Hermes North America Insurance Company, <i>United States</i>	2016	Indetermined
– Member of the Board of Directors of Euler Hermes North America Holding Inc, <i>United States</i>	2016	Indetermined
Other legal entities		
N/A		

Members of Board of Management whose offices ended on March 31, 2016



Gerd-Uwe Baden

Member of the Board of Management

Birth date: 12/08/1955

Nationality: German

Date of first appointment: 05/25/2004

Start date of last office: 04/01/2012

Expiry of last term: 03/30/2016

Gerd-Uwe Baden graduated in Law and Management from Hamburg University, holds the second state examination in Law and a doctorate in Law. He began his career in 1985 as a management consultant with McKinsey & Company specializing in the insurance sector. In 1990, he was appointed to the Board of Management of Deutsche Versicherung, a subsidiary of the Allianz group, as the Head of the Organization and Administration department, before becoming Head of the Private Clients department. Gerd-Uwe Baden was appointed Chairman of the Board of Management of Allianz group Companies (Switzerland) in January 1998. He joined the Euler Hermes Group Board of Management on May 25, 2004. From October 2003 until December 2009, he was also Chairman of the Supervisory Board of Euler Hermes Kreditversicherungs-AG in Germany.

OFFICES AND OTHER FUNCTIONS IN FRENCH AND INTERNATIONAL COMPANIES

Current offices	Start of first term	End of term
– Chairman of the Supervisory Board of Euler Hermes AG, Germany	2014	2019
– Director of COSEC - Companhia de Seguro de Créditos, SA, Portugal	2014	2017
– Member of the Board of Management of ICIC - Israel Credit Insurance Company Ltd, Israel	2014	Indetermined
– Member of the Supervisory Board of OeKB EH Beteiligungs- und Management AG, Austria	2014	2019
– Member of the Supervisory Board of Acredia Versicherung AG, Austria	2014	2019

Other legal entities

N/A

Offices no longer held	End of term
Listed Companies – affiliated with the Group	March 31, 2016
– Member of the Board of Management of Euler Hermes Group, France	
Non listed companies – affiliated with the Group	
– Non-voting member of Euler Hermes World Agency, France	March 31, 2016
– Sole Manager of Euler Hermes Luxembourg Holding SARL, Luxembourg	March 31, 2016
– Member of the Board of Directors of Euler Hermes North America Insurance Company, United States	March 31, 2016
– Member of the Board of Directors of Euler Hermes North America Holding Inc, United States	March 31, 2016
– Chairman of the Board of Directors of Euler Hermes Reinsurance AG, Switzerland	March 31, 2016
– Chairman of the Board of Management of Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA, Spain	March 31, 2016

Other legal entities

N/A



Dirk Oevermann

Member of the Board of Management

Birth date: 08/31/1961

Nationality: German

Date of first appointment: 02/01/2010

Start date of last office: 04/01/2012

Expiry of last term: 03/31/2016

Dirk Oevermann holds a doctorate in business administration. After holding various management positions at well-known software companies in the financial services industry, he joined IDS Scheer in 2003 as the manager of the consulting unit for banking. In 2005, he was named managing director of IDS Scheer Germany, where he was responsible for consulting business in Germany. From 2006 to 2010 he served as member of the Executive Board of IDS Scheer AG, in charge of Europe, Middle East and Africa and he led the international consulting business. Dirk Oevermann joined the Euler Hermes Group Board of Management on February 1, 2010.

OFFICES AND OTHER FUNCTIONS IN FRENCH AND INTERNATIONAL COMPANIES

Offices no longer held	End of term
Listed Companies - affiliated with the Group	
– Member of the Board of Management of Euler Hermes Group, France	March 31, 2016
Non listed companies - affiliated with the Group	
– Executive Director and Member of the Management Committee of Euler Hermes SA, Belgium	March 31, 2016
– Member of the Board of Directors of Euler Hermes North America Insurance Company, United States	March 31, 2016
– Member of the Board of Directors of Euler Hermes North America Holding Inc, United States. Director	March 31, 2016
– Chairman of the Supervisory Board of Euler Hermes Collections Sp z o.o., Poland	March 31, 2016
– Member of the Supervisory Board of Euler Hermes Collections GmbH, Germany	March 31, 2016

Other legal entities

N/A

2.2 Supervisory Board

The Supervisory Board monitors the Company's management by the Board of Management on an ongoing basis and gives the Board of Management the prior authorizations required by law or by the Articles of Association.

2.2.1 Composition of the Supervisory Board

As of the date of this Registration Document, the Supervisory Board comprised 10 members:

- Axel Theis, Chairman;
- Brigitte Bovermann, Vice-Chairwoman;
- Ümit Boyner;
- Philippe Carli;
- Nicolas Dufourcq;
- Ramon Fernandez;
- Maria Garaña;
- Marita Kraemer;
- Thomas-Bernd Quaas; and
- Jacques Richier.

Elizabeth Corley, due to other professional constraints thus resulting in a lack of availability, resigned from her office as member of the Supervisory Board following the meeting of February 9, 2017. The Supervisory Board decided not to propose her replacement at the next shareholders' meeting to be held on May 24, 2017 and therefore to maintain the Board composition of 10 members.

For information on the independence or gender balance of members of the Supervisory Board, please see the Chairman of the Supervisory Board's report on corporate governance and on internal control and risk management procedures established by the Company, which can be found in section 2.4 of this Registration Document.

2.2.2 Operation of the Supervisory Board and its committees

The operation of the Supervisory Board and its committees is covered in detail in the Chairman of the Supervisory Board's report on corporate governance and on internal control and risk management procedures established by the Company, which can be found in section 2.4 of this Registration Document.

2.2.3 Offices of Supervisory Board members during fiscal 2016 and the past five financial years

The Supervisory Board members, as at 31 December 2016, do not hold more than four other directorships in listed corporations, including foreign corporations, not affiliated with the Group as in accordance with Article 18.4 of AFEP-MEDEF Code.

**Axel Theis**

Chairman of the Supervisory Board

Birth date: 01/13/1958**Nationality:** German**Date of first appointment:** 05/27/2015**Start date of current office:** 05/27/2015**Current term expires:** 2018 AGM

Axel Theis holds a PHD in law from Berlin university. He joined Allianz Versicherungs-AG and held various management positions in industrial lines business. In 2000, he was appointed as member of the Board of Management of Allianz Australia. From 2001 to 2006, Axel Theis became Member of the Board of Management of Allianz Versicherungs-AG, Munich, responsible for industrial lines and Allianz Global Risks Rückversicherungs-AG, during which in 2004, he was also appointed CEO of Allianz Global Risks Rückversicherungs-AG. In 2006, Axel Theis then became CEO of Allianz Global Corporate & Specialty. Since 2015, Axel Theis is a Member of the Board of Management of Allianz SE, responsible for global industrial insurance business, credit-insurance, reinsurance and the insurance business in Ireland and Great Britain while is additionally responsible for the Center of Competence "Global Property & Casualty" and the insurance business in Australia.

OFFICES AND OTHER FUNCTIONS IN FRENCH AND INTERNATIONAL COMPANIES

Current offices	Year term started
<i>Listed companies – affiliated with the Group</i>	
– Member of the Board of Management of Allianz SE, <i>Germany</i>	2015
<i>Listed companies – not affiliated with the Group</i>	
N/A	
<i>Non listed companies – affiliated with the Group</i>	
– Chairman of the Supervisory Board of Allianz Global & Specialty SE, <i>Germany</i>	2015
– Chairman of the Board of Directors of Allianz Insurance plc, <i>United Kingdom</i>	2015
– Chairman of the Board of Directors of Allianz UK Ltd., <i>United Kingdom</i>	2015
– Chairman of the Board of Directors of Allianz Holdings, Plc., <i>United Kingdom</i>	2015
– Member of the Board of Directors of Allianz Ireland plc, <i>Ireland</i>	2015
– Member of the Board of Directors of Allianz Irish Life Holdings Plc, <i>Ireland</i>	2015
– Member of the Board of Directors of Allianz Australia Ltd, <i>Australia</i>	2015
– Member of the Board of Directors of Allianz Australia Insurance Ltd., <i>Australia</i>	2015
– Member of the Board of Directors of CIC Allianz Insurance Ltd., <i>Australia</i>	2015
– Member of the Board of Directors of Allianz Australia Life Ltd., <i>Australia</i>	2015
<i>Non listed companies – not affiliated with the Group</i>	
N/A	
<i>Other legal entities</i>	
N/A	

OFFICES IN OTHER COMPANIES IN THE PREVIOUS FINANCIAL YEAR AND OVER THE PAST FIVE YEARS

No longer held	Year term expired
CEO of Allianz Global Corporate & Specialty SE, <i>Germany</i>	2014
Chairman of Allianz Global Risks US Insurance Company, <i>United States</i>	2014
Member of the Executive Board of Allianz Underwriters Insurance Company, <i>United States</i>	2014
Member of the Executive Board of AGCS Marine Insurance Company, <i>United States</i>	2014
Member of the Executive Board of Allianz Fire & Marine Insurance Japan Ltd., <i>Japan</i>	2014
Member of the Executive Board of SpaceCo SA, <i>France</i>	2014
Member of the non-executive Board of Allianz Insurance Plc., <i>United Kingdom</i>	2014
Member of the non-executive Board of Allianz Insurance Holdings Plc., <i>United Kingdom</i>	2014
Member of the non-executive Board of Allianz (UK) Limited, <i>United Kingdom</i>	2014
Member (non-executive) of the Board of Directors of Allianz (UK) Limited, <i>United Kingdom</i>	2014
Member of the Administrative Council of Allianz Risk Transfer AG, <i>Switzerland</i>	2014
Member of the Executive Board of Fireman's Fund Insurance Company Corp., <i>United States</i>	2015



Brigitte Bovermann
Vice-Chairwoman of the Supervisory Board

Birth date: 10/29/1956

Nationality: German

Date of first appointment: 05/21/2010

Start date of current office: 05/25/2016

Current term expires: 2019 AGM

Brigitte Bovermann graduated with a degree in economics and business administration, majoring in accounting and company valuation, from Ruhr University in Germany. She began her professional career as an academic. She joined the Allianz group in 1987. She has held various positions, including CEO in Poland and Head of the Planning, Reporting, Technics (IT) at Allianz Europe Division. Today she heads Allianz's Global Insurance Lines & Anglo Markets division a position she has held since January 2010.

OFFICES AND OTHER FUNCTIONS IN FRENCH AND INTERNATIONAL COMPANIES

Current offices	Year term started
Listed companies	
N/A	
Non listed companies – affiliated with the Group	
– Chairwoman of the Board of Directors, Member of the Nomination and Remuneration Committee and the Audit, Risk and Compliance Committee of Euler Hermes SA, <i>Belgium</i>	2014
– Alternate non-executive member of the Board of Allianz Australia Life Insurance Ltd, <i>Australia</i>	2006
– Alternate non-executive member of the Board of Allianz Australia Ltd, <i>Australia</i>	2006
– Alternate non-executive member of the Board of Allianz Australia Insurance Ltd, <i>Australia</i>	2006
– Alternate non-executive member of the Board of CIC Allianz Insurance Ltd, <i>Australia</i>	2006
– Member of the Board of AGR US Insurance Company / AMIC – AGCS Marine Insurance Company / Fireman's Fund Insurance Company, <i>United States</i>	2015
– Non-executive member of the Board of Allianz Irish Life Holdings Plc, <i>Ireland</i>	1999
– Non-executive member of the Board of Allianz Plc, <i>Ireland</i>	1999
– Non-executive member of the Board of Allianz Insurance Plc, <i>United Kingdom</i>	2006
– Non-executive member of the Board of Allianz Holdings Plc, <i>United Kingdom</i>	2006
– Non-executive member of the Board of Allianz (UK) Ltd, <i>United Kingdom</i>	2006
– Member of the Board of Allianz UK Pension Fund Trustees Ltd, <i>United Kingdom</i>	2009
– Chairwoman of the Board of AGF Holdings UK, <i>United Kingdom</i>	2013
– Chairwoman of the Board of AGF Insurance UK, <i>United Kingdom</i>	2013
Non listed companies – not affiliated with the Group	
N/A	
Other legal entities	
N/A	

OFFICES IN OTHER COMPANIES IN THE PREVIOUS FINANCIAL YEAR AND OVER THE PAST FIVE YEARS

No longer held	Year term expired
Chairwoman of the Board of Directors of AWC – Allianz Worldwide Care Ltd, <i>Ireland</i>	2013
Director of Allianz Worldwide Care Services Ltd, <i>Ireland</i>	2013
Member of the Board of Allianz México SA, <i>Mexico</i>	2012


Ümit Boyner
Independent Member of the Supervisory Board
Birth date: 09/28/1963

Nationality: Turkish

Date of first appointment: 10/23/2013

Start date of current office: 05/25/2016

Current term expires: 2019 AGM

Ümit Boyner holds a degree in Economics and Political Science from the University of Rochester (USA) and has also completed the Financial Management Program of Columbia University Graduate School of Business (USA). She began her career in credit analysis in banking, before moving to financial management. In 1994, she joined Boyner Holding as Vice-President in charge of finance and has served as Executive Board member since 2002. She chaired the Board of Directors of the TÜSIAD (Turkish Business and Industry Association) from 2010 to 2013, having led its EU Affairs Committee since 2005. In 2013, Ümit Boyner was appointed as International Advisory Board member of UniCredit SpA.

OFFICES AND OTHER FUNCTIONS IN FRENCH AND INTERNATIONAL COMPANIES
Current offices
Year term started
Listed companies

N/A

Non listed companies – affiliated with the Group

N/A

Non listed companies – not affiliated with the Group

– Member of the Board of Directors of Boyner Holding A.S, Turkey	2001
– Member of the Board of Directors of BYN Gayrimenkul Gelistirme A.S, Turkey	2013
– Member of the Board of Directors of Beymen Magazacilik A.S, Turkey	2013
– Member of the Board of Directors of Boyner Buyuk Magazacilik A.S, Turkey	2014
– Member of the Board of Directors of Altinyildiz Tekstil ve Konfeksiyon A.S, Turkey	2015
– Member of the Board of Directors of Anka Magazacilik A.S, Turkey	2015
– Member of the Board of Directors of Beymen Ic ve Dis Ticaret A.S, Turkey	2015
– Member of the Board of Directors of Boyner Perakende ve Tekstil Yatirimlari A.S, Turkey	2015
– Co-Chair of the Scientific Committee of L'Institut du Bosphore, France	2016
– Member of the International Advisory Board of CHUBB, United States	2017

Other legal entities

– Member of Presidents Council of TUSIAD (Turkish Business and Industry Association), Turkey	2013
– Member of the Advisory Board (Turkey Program) of TUSIAD-Brookings Institute, Turkey	2014
– Member of the High Advisory Board of TUSIAD, Turkey	2015

OFFICES IN OTHER COMPANIES IN THE PREVIOUS FINANCIAL YEAR AND OVER THE PAST FIVE YEARS
No longer held
Year term expired

Vice-President of the Executive Committee of Benetton Turkey	2012
Chairperson of the Board of Directors of TUSIAD, Turkey	2013
Member of the Advisory Board of Carnegie Endowment for Peace, Middle East Institute	2013
Member of the Executive Board of YKM Giyim ve Ihtiyac Maddeleri Tic. San. A.S, Turkey	2015
Member of the Scientific Committee of L'Institut du Bosphore, France	2015
Member of the High Advisory Board of TUSIAD, Turkey	2015
Member of the International Advisory Board of UniCredit Spa, Italy	2016

**Philippe Carli**

Independent Member of the Supervisory Board

Birth date: 04/02/1960**Nationality:** French**Date of first appointment:** 05/15/2009**Start date of current office:** 05/26/2015**Current term expires:** 2018 AGM

A graduate in engineering from the École Supérieure d'Electricité (Supélec), with a master degree in solid-state physics and a General Management Award at Duke Fuqua School (United States), he joined the Siemens group in 1986, where he has held several management positions in France and Germany, including Chairman of the French subsidiary Siemens France SAS from 2002 to 2010 and South West Europe Vice-President of the Energy sector from 2008 to 2010. In 2009 he was appointed a member of the Supervisory Board of Euler Hermes Group. He was Chief Executive Officer of Editions Amaury from 2010 to 2015. Philippe Carli has also been Chairman of the Board of Directors of the Coopérative de Distribution des Quotidiens, director at Mediakiosk and Presstalis. Today he is Chairman of the Fondation Supélec Director of CentraleSupélec School, and member of the Supervisory Board of the Franco-German Chamber of Commerce and Industry.

OFFICES AND OTHER FUNCTIONS IN FRENCH AND INTERNATIONAL COMPANIES**Current offices****Year term
started****Listed companies**

N/A

Non listed companies – affiliated with the Group

– Member of the Board of Directors and Member of Audit, Risk and Compliance Committee of Euler Hermes SA, <i>Belgium</i>	2016
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Non listed companies – not affiliated with the Group

– Member of the Advisory Board of Goetz Partners AG, <i>Germany</i>	2011
– Director of Laboratoires Cyclopharma SA, <i>France</i>	2014

Other legal entities

– Member of the Supervisory Board of French-German Chamber of Commerce and Industry, <i>France/Germany</i>	2003
– Member of the Board of Directors of CentraleSupélec Engineering School, <i>France</i>	2015
– Chairman of Supélec Fondation, <i>France</i>	2011

OFFICES IN OTHER COMPANIES IN THE PREVIOUS FINANCIAL YEAR AND OVER THE PAST FIVE YEARS**No longer held****Year term
expired**

Member of the Board of Directors of Éditions Ph. Amaury SA, <i>France</i>	2016
Chairman of the Board of Directors of Coopérative de Distribution des Quotidiens, <i>France</i>	2015
Director of Mediakiosk, <i>France</i>	2015
Director of Presstalis, <i>France</i>	2015



Nicolas Dufourcq

Independent Member of the Supervisory Board

Birth date: 07/18/1963

Nationality: French

Date of first appointment: 05/21/2010

Start date of current office: 05/26/2016

Current term expires: 2019 AGM

Graduate of the HEC (Hautes Etudes Commerciales) and the ENA (Ecole Nationale d'Administration), Nicolas Dufourcq began his career at the French Ministry of Finance and Economics before joining the Ministry of Health and Social Affairs in 1992. In 1994, he joined France Telecom, where he created the Multimedia division, before going on to chair Wanadoo, the firm's Internet and Yellow Pages subsidiary. After joining the Capgemini Group in 2003, he was made responsible for the Central and Southern Europe region, successfully leading their financial turnaround. In September 2004, he was appointed Chief Financial Officer of the Group and member of the Executive Committee. In 2005, he was named Deputy Chief Executive Officer in charge of finance, risk management, IT, delivery, purchases and LEAN program, in addition to the follow-up of the Group's major contracts, since January 2007. In February 2013, he was nominated Chief Executive Officer of Bpifrance (Banque Publique d'Investissement).

OFFICES AND OTHER FUNCTIONS IN FRENCH AND INTERNATIONAL COMPANIES

Current offices

Year term
started

Listed companies

N/A

Non listed companies – affiliated with the Group

N/A

Non listed companies – affiliated with the Group

– Chief Executive Officer of Bpifrance SA (Bpifrance holding), France	2013
– Chairman and Chief Executive Officer of Bpifrance Financement, France	2013
– Chairman and Chief Executive Officer of Bpifrance Participations, France	2013
– Chairman of Bpifrance Investissement, France	2013
– Member of the Supervisory Board of ST Microelectronics, The Netherlands	2015
– Chairman of Bpifrance Assurance Export, France	2015

Other legal entities

N/A

OFFICES IN OTHER COMPANIES IN THE PREVIOUS FINANCIAL YEAR AND OVER THE PAST FIVE YEARS

No longer held

Year term
expired

Chairman of Capgemini Reinsurance Company, Luxembourg	2012
Vice-Chairman of Capgemini Reinsurance International, Luxembourg	2012
Director of Prosodie SA, France	2012
Director of Capgemini Holding Inc, United States	2012
Director of Capgemini Energy GP LLC, United States	2012
Director of Capgemini Mexico, Mexico	2012
Director of CGS Holdings Ltd, United Kingdom	2012
Director of Capgemini UK plc, United Kingdom	2012
Director of Capgemini Deutschland Holding GmbH, Germany	2012
Director of Capgemini Italia Spa, Italy	2012
Director of Capgemini Asia Pacific Pte., Singapore	2012
Director of Capgemini Australia Pty Ltd, Australia	2012
Director of Sogeti Sverige AB, Sweden	2012
Director of Sogeti Sverige Mitt AB, Sweden	2012
Director of Sogeti Denmark A/S, Denmark	2012
Director of Sogeti Finland Oy, Finland	2012
Director of Sogeti Norge AS, Norway	2012
Director of Sogeti Nederland BV, Netherlands	2012
Director of Sogeti Belgium SA, Belgium	2012
Director of Sogeti Luxembourg SA, Luxembourg	2012
Director of Sogeti Deutschland GmbH, Germany	2012
Director of Sogeti Espana, Spain	2012
Director of Capgemini Financial Services USA, Inc, United States	2012
Director of Capgemini Financial Services Europe, Inc, United States	2012
Director of Capgemini Financial Services (Japan) Inc, Japan	2012
Director of Kanbay Limited (Bermuda), Bermuda	2012
Director of Kanbay (Asia) Ltd (Mauritius), Mauritius	2012
Director of Capgemini Hong Kong Ltd, Hong Kong	2012
Director of Capgemini Financial Services Australia Pty Ltd, Australia	2012
Director of CPM Braxis (Alternate to P. Hermelin), Brazil	2012
Director of Capgemini Singapore Pte. Ltd, Singapore	2012



Ramon Fernandez
Independent Member of the Supervisory Board

Birth date: 06/25/1967

Nationality: French

Date of first appointment: 05/26/2016

Start date of current office: 05/26/2016

Current term expires: 2019 AGM

Ramon Fernandez is a graduate of the Institute of Political Studies ("Sciences Po") in Paris and from the French Senior Civil Service School (ENA). From March 2009 to June 2014, he held the position of director-general of the Treasury in the French Ministry for the Economy and Finance. From June 2008 to March 2009, he was head of the Financial department at the Treasury, served as principal private secretary to the Minister for Labor, Labor Relations, Family and Solidarity, and was senior economic adviser to the presidency of the French Republic. He previously occupied several posts within the Treasury and the International Monetary Fund, and served as technical staff adviser to the French minister for the Economy, Finance and Industry. He is Chief Executive Officer Delegate in charge of Group Finance and strategy at Orange since September 2014.

OFFICES AND OTHER FUNCTIONS IN FRENCH AND INTERNATIONAL COMPANIES

Current offices	Year term started
Listed companies – affiliated with the Group	
N/A	
Listed companies – not affiliated with the Group	
– Member of the Supervisory Board of Orange Polska, <i>Poland</i>	2014
– Member of the Supervisory Board of Euronext, <i>France</i>	2015
Non listed companies – affiliated with the Group	
N/A	
Non listed companies – not affiliated with the Group	
– Chairman of the Board of Orange Bank, <i>France</i>	2016
– Chief Executive Officer Delegate of Orange, <i>France</i>	2015
– Member of the Supervisory Board of Iris Capital, <i>France</i>	2014
– Member of the Supervisory Board of Orange Maroc, <i>Morocco</i>	2015
– Member of the Supervisory Board of Orange Middle East, <i>France</i>	2016
– Member of the Supervisory Board of RAPP 77, <i>France</i>	2016
Other legal entities	
– Member of the steering committee of Orange Institut, <i>France</i>	2016

OFFICES IN OTHER COMPANIES IN THE PREVIOUS FINANCIAL YEAR AND OVER THE PAST FIVE YEARS

No longer held	Year term expired
Director-general of the Treasury in the French Ministry for the Economy and Finance, <i>France</i>	2014
Member of the Supervisory Board of Orange Espagne, <i>Spain</i>	2016
Member of the Supervisory Board of Caisse des Dépôts et Consignations, <i>France</i>	2014
Member of the Supervisory Board of Caisse Nationale de Prévoyance, <i>France</i>	2014
Member of the Executive Board of GDF SUEZ (Engie), <i>France</i>	2014
Member of the Supervisory Board of the Central Bank of West African States (BCEAO), <i>Senegal</i>	2014


Maria Garaña
Independent Member of the Supervisory Board
Birth date: 03/04/1968

Nationality: Spanish

Date of first appointment: 27/05/2015

Start date of current office: 27/05/2015

Current term expires: 2018 AGM

Maria Garaña Corces is the Vice-President of the Business Solution Division of Microsoft EMEA (Europe, Middle East and Africa) with responsibility for sales, marketing and operations of Microsoft Dynamics business in the region. She has a MBA from Harvard Business School, an International Trade Diploma by Berkeley University and a Bachelor degree in Law and Business Administration from San Pablo University in Madrid (Spain). Maria Garaña joined Microsoft in 2002 as Chief Operations Officer for Microsoft Mexico. After three years, she moved to Argentina, as Microsoft Regional VP for the South Cone (Argentina, Bolivia, Chile, Paraguay and Uruguay). In 2008 she was appointed CEO of Microsoft Spain. Before joining Microsoft, Maria Garaña worked for several companies in Europe, United States and México, including Zoom Media Group, Television Azteca Group, Merrill Lynch International, Andersen Consulting and Citibank. Maria Garaña is member of the Governing Board of the European Commission Agency EIT (Institute of Innovation and Technology). She is also member of the Advisory Board of Liberbank, Alantra and DIA group. Maria Garaña is part of the advisory council of Harvard Business School in Spain.

OFFICES AND OTHER FUNCTIONS IN FRENCH AND INTERNATIONAL COMPANIES
Current offices
Year term started
Listed companies – affiliated with the Group

N/A

Listed companies – not affiliated with the Group

– Independent Board member of Liberbank, <i>Spain</i>	2015
– Independent Board member of Alantra, <i>Spain</i>	2015
– Independent Board member of Grupo DIA, <i>Spain</i>	2017
– Vice-President Microsoft Business Solutions of Microsoft EMEA, <i>Spain</i>	2015

Non listed companies

N/A

Other legal entities

– Advisor of European Institute of Innovation and Technology EIT (European Commission), <i>Hungary</i>	2012
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OFFICES IN OTHER COMPANIES IN THE PREVIOUS FINANCIAL YEAR AND OVER THE PAST FIVE YEARS
No longer held
Year term expired

President & CEO of Microsoft Iberica, <i>Spain</i>	2015
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Marita Kraemer
Non-Independent Member of the Supervisory Board
Birth date: 02/01/1953

Nationality: German

Date of first appointment: 05/25/2016

Start date of current office: 05/25/2016

Current term expires: 2018 AGM

Marita Kraemer holds a Ph.D. in economics from the Freie Universität (FU) Berlin. She began her career with Dresdner Bank AG in various corporate banking positions. She then joined Dresdner Kleinwort Benson's investment banking activities in charge of global finance/corporate banking in southern Europe. She served as vice chairwoman of the German insurance association "Gesamtverband der Deutschen Versicherungswirtschaft e.V. (GDV)". Marita Kraemer has been a member of the board of Zurich Group Germany from 1999 to 2015. She was responsible for the credit-insurance business, and since 2006, has developed the Center of Excellence for Credit & Surety Europe. She is a member of the Supervisory Board and the chairwoman of the Risk committee of Unicredit Bank AG Germany, Munich.

OFFICES AND OTHER FUNCTIONS IN FRENCH AND INTERNATIONAL COMPANIES
Current offices
Year term started
Listed companies

N/A

Non listed companies – affiliated with the Group

– Member of Supervisory Board and the Chairwoman of the Audit and Risk Committee of Allianz France, <i>France</i>	2016
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Non listed companies – not affiliated with the Group

– Member of the Supervisory Board and the Chairwoman of the Risk Committee of Unicredit Bank AG Germany, <i>Germany</i>	2014
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Other legal entities

N/A

OFFICES IN OTHER COMPANIES IN THE PREVIOUS FINANCIAL YEAR AND OVER THE PAST FIVE YEARS
No longer held
Year term expired

Member of the Board of Zurich Group, <i>Germany</i>	2015
Member of the Supervisory Board and Chairwoman of the Audit and Risk Committee of DAB bank AG, <i>Germany</i>	2013



Thomas-Bernd Quaas
Independent Member of the Supervisory Board

Birth date: 02/23/1952

Nationality: German

Date of first appointment: 05/21/2010

Start date of current office: 25/05/2016

Current term expires: 2019 AGM

Thomas-Bernd Quaas is a graduate in corporate management from Wolfgang Goethe University in Frankfurt (Germany). After joining Beiersdorf AG in 1979, he held several commercial positions before becoming head of cosmetic sales in 1987, and then head of marketing in 1991. In 1992, Thomas-Bernd Quaas was promoted to Head of Consumer Products and joined the Executive Committee in 1999, in charge of the Medical division. In 2003, he was appointed Head of the supply chain division. Thomas-Bernd Quaas is currently a member of the Supervisory Board of FischerAppelt AG and Mxingvest AG and Member of the Board of Directors of Wagner International AG.

OFFICES AND OTHER FUNCTIONS IN FRENCH AND INTERNATIONAL COMPANIES

Current offices

Listed companies

N/A

Non listed companies – affiliated with the Group

N/A

Non listed companies – not affiliated with the Group

– Member of the Supervisory Board of FischerAppelt AG, Germany	2012
– Member of the Supervisory Board of Mxingvest AG, Germany	2014
– Member of the Board of Directors of Wagner International AG, Switzerland	2014

Other legal entities

N/A

Year term started

OFFICES IN OTHER COMPANIES IN THE PREVIOUS FINANCIAL YEAR AND OVER THE PAST FIVE YEARS

No longer held

Non listed companies – not affiliated with the Group

Member of the Advisory Board of La Prairie Group AG, Switzerland	2014
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Listed companies – not affiliated with the Group

Chairman of the Executive Board of Beiersdorf AG, Germany	2012
Member of the Supervisory Board of Beiersdorf AG, Germany	2014

Year term expired



Jacques Richier
Non-Independent Member of the Supervisory Board

Birth date: 02/12/1955

Nationality: French

Date of first appointment: 05/21/2010

Start date of current office: 25/05/2016

Current term expires: 2019 AGM

Jacques Richier holds a postgraduate degree in Physics of Materials from INSA (French National Institute of Applied Science). After a visiting research position in Biophysics at the Lawrence Berkeley National Laboratory, California (USA), he received an MBA from HEC (Paris) in 1984. He began his career in the oil industry (Coflexip), moving to the insurance business in 1985 when he joined AZUR, a mutual insurance company as IT and Organization Manager before being appointed CEO in 1997, becoming Chairman and CEO in 1998. In 2000, he joined Swiss Life France as CEO, and named Chairman as well in 2003. In 2008, Jacques Richier was offered the position of CEO of AGF and in 2010, named Chairman and CEO of Allianz France, AGF's new name. In 2014, he held the position of Chairman of Allianz Worldwide Partners, a company dedicated to B2B2C, stepping down in 2015 to become Chairman of the Supervisory Board. Jacques Richier was awarded the Légion d'Honneur in January 2017.

OFFICES AND OTHER FUNCTIONS IN FRENCH AND INTERNATIONAL COMPANIES

Current offices

Listed companies – affiliated with the Group

N/A

Listed companies – not affiliated with the Group

– Member of the Supervisory Board of Rothschild and Co. (ex. Paris Orléans SCA), France	2010
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Non listed companies – affiliated with the Group

– Chairman and Chief Executive Officer of Allianz France, France	2010
– Chairman and Chief Executive Officer of Allianz Vie, France	2008
– Chairman and Chief Executive Officer of Allianz IARD, France	2008
– Chairman of the Supervisory Board of Allianz Worldwide Partners SAS, France	2014
– Director of Georgia Health Group (GHG), Georgia	2015
– Chairman of Allianz Maroc, Morocco	2016
– Director of Allianz Africa, France	2016
– Director of Régie Ligne d'Azur, France	2016
– Representative of Allianz IARD, Director of IDI SCA, France	2016

Non listed companies – non affiliated with the Group

N/A

Other legal entities

– Chairman of Fédération française des sociétés anonymes d'assurance, France	2014
– Vice-Chairman of Fédération française de l'assurance, France	2016
– Representative of FFSAA, Director of La Médiation de l'assurance, France	2016

OFFICES IN OTHER COMPANIES IN THE PREVIOUS FINANCIAL YEAR AND OVER THE PAST FIVE YEARS

No longer held

Director of AWP Health & Life, France	2016
Chairman of the Board of Directors of AWP Health & Life, France	2015
Chairman of Allianz Worldwide Partners SAS, France	2015
Chairman of the Board of Directors of Allianz Worldwide Care Ltd, Ireland	2014
Member of the Supervisory Board of Allianz Global Corporate & Specialty SE, Germany	2014
Member of the Supervisory Board of Allianz Global Assistance SAS, France	2013
Member of the Supervisory Board of Oddo et Cie SCA, France	2012

Year term expired

Member of the Supervisory Board whose office ended on February 9, 2017

**Elizabeth Corley**

Non- Independent Member of the Supervisory Board

Birth date: 10/19/ 1956**Nationality:** British**Date of first appointment:** 05/21/2010**Start date of last office:** 05/26/2016**Resignation :** 02/09/2017

Elizabeth is non-executive vice chair of Allianz Global Investors, where she was Chief Executive Officer, initially for Europe and then globally, from 2005 to 2016. Formerly, she was at Merrill Lynch Investment Managers and Coopers & Lybrand. Elizabeth is a member of the ESMA stakeholder group and an advisory council member of TheCityUK. She is a non-Executive Director of the Financial Reporting Council, Pearson plc and BAE Systems plc. In May 2016, Elizabeth was elected to the Board of Governors of the CFA Institute and is a member of the CFA UK Society. In addition, she is a member FEAM's Management Committee, the CFA Future of Finance Council and a member of the Committee of 200. Elizabeth is a trustee of the British Museum, as well as a member of its Investment Sub-Committee, a fellow of the Royal Society of Arts and is also a published author of crime thrillers. In 2015, she was made an FSIP by the CFA UK Society and in 2016, she was awarded an honorary doctorate from the London Institute of Banking and Finance (formerly the ifs University College).

OFFICES AND OTHER FUNCTIONS IN FRENCH AND INTERNATIONAL COMPANIES

Current offices

Year term
started

Listed companies – affiliated with the Group

N/A

Listed companies – not affiliated with the Group

- Non-Executive Director and Chairman of the Remuneration Committee of Pearson Plc, *United Kingdom* 2014
- Non-Executive Director of BAE Systems plc, *United Kingdom* 2016

Non listed companies – affiliated with the Group

- Non-Executive Vice-Chair of Management of Allianz Global Investors GmbH, *Germany* 2014

Non listed companies – non affiliated with the Group

N/A

Other legal entities – not affiliated with the Group

- Member of the Advisory Board of The City UK, *United Kingdom* 2009
- Member of the City of London International Regulatory Strategy Group of The City of London, *United Kingdom* 2009
- Non-Executive Director of Financial Reporting Council (FRC), *United Kingdom* 2011
- Member of the Management Committee of Forum of European Asset Managers (FEAM), *Belgium* 2006
- Member of the Investment Sub-Committee of British Museum, *United Kingdom* 2013
- Trustee of the British Museum, *United Kingdom* 2016
- Director of the British Museum Friends, *United Kingdom* 2016
- Member of the Securities and Markets Stakeholder Group of the European Securities and Markets Authority (ESMA), *France* 2014
- Member of the Advisory Council of Future of Finance Council, *United States* 2013
- Member of the FICC Markets Standard Board, *United Kingdom* 2015
- Member of the Advisory Council of AQR Institute of Asset Management, *United Kingdom* 2015
- Member of the Board of Governors of the CFA Institute, *United States* 2016

OFFICES IN OTHER COMPANIES IN THE PREVIOUS FINANCIAL YEAR AND OVER THE PAST FIVE YEARS

No longer held

Year term
expired

- Member of the Board of Management of Allianz Asset Management AG, *Germany* 2015
- Member of the Supervisory Board of RiskLab GmbH, *Germany* 2015
- Chairwoman of the Board of Directors of Allianz Global Investors Kapitalanlagegesellschaft GmbH, *Germany* 2015
- Chairwoman of the Board of Management of Allianz Global Investors GmbH, *Germany* 2014
- Chairwoman of the Board of Directors of Allianz Global Investors Luxembourg SA, *Luxembourg* 2011
- Chairwoman of the Board of Directors of Allianz Global Investors France SA, *France* 2012
- Chairwoman of the Board of Directors of Allianz Global Investors Italia Sgr Spa, *Italy* 2012

Other legal entities

- Member of the Board of the Investment Association, *United Kingdom* 2016
- Chair of the FICC Markets Standards Board, *United Kingdom* 2016

Members of the Supervisory Board whose offices ended on May 25, 2016



Clement Booth
Chairman of the Supervisory Board

Birth date: 07/15/1954

Nationality: British

Date of first appointment: 09/18/2009

Start date of last office: 26/05/2015

Resigned: 05/25/2016

Clement Booth is a graduate of Witwatersrand University (South Africa). Between 1974 and 1986, he held various technical and managerial positions in the insurance sector in South Africa. In July 1986, he joined Munich Re Africa in which he was appointed Deputy CEO in 1990 and then CEO in 1993. In January 1999, he was appointed member of the Board of Management of Muinch Ré AG, in charge of engineering, aeronautics, alternative risk transfers and credit. In 2003, he left for London to take over the presidency of Aon Re International. From 2006 to 2014, he was a member of the Board of Management of Allianz group, in charge of activities in North America and in Anglo-Saxon countries, as well global activities (Allianz Global Corporate & Speciality) including reinsurance (Allianz Re).

OFFICES AND OTHER FUNCTIONS IN FRENCH AND INTERNATIONAL COMPANIES

Current offices

Year term
started

Listed companies – affiliated with the Group

N/A

Listed companies – not affiliated with the Group

– Member of the Supervisory Board of Munich RE, <i>Germany</i>	2016
– Independent Non-Executive Director of Sanlam, <i>South Africa</i>	2015

Non listed companies – affiliated with the Group

N/A

Non listed companies – not affiliated with the Group

– Non-Executive Chairman of the Board of Dual Insurance, <i>United Kingdom</i>	2015
– Non-Executive Director of Hyperion Insurance Group, <i>United Kingdom</i>	2015
– Member of the Board of Directors of Saracens Rugby Club, <i>United Kingdom</i>	2012

Other legal entities

N/A

OFFICES IN OTHER COMPANIES IN THE PREVIOUS FINANCIAL YEAR AND OVER THE PAST FIVE YEARS

No longer held

Year term
expired

Independent Non-Executive Director of Santam, <i>South Africa</i>	2016
Member of the Board of Management of Allianz SE, <i>Germany</i>	2014
Chairman of the Supervisory Board of Allianz Global Corporate & Specialty SE, <i>Germany</i>	2014
Member of the Board of Directors of Allianz Australia Ltd, <i>Australia</i>	2014
Member of the Board of Directors of Allianz Australia Insurance Ltd, <i>Australia</i>	2014
Member of the Board of Directors of CIC Allianz Insurance Ltd, <i>Australia</i>	2014
Member of the Board of Directors of Allianz Australia Life Insurance Ltd, <i>Australia</i>	2014
Member of the Board of Directors of AZ Irish Life Holding, <i>Ireland</i>	2015
Chairman of the Board of Directors of Allianz UK Ltd, <i>United Kingdom</i>	2014
Chairman of the Board of Directors of Allianz Holdings PLC, <i>United Kingdom</i>	2014
Chairman of the Board of Directors of Allianz Insurance Plc, <i>United Kingdom</i>	2014
Member of Association of British Insurers (ABI), <i>United Kingdom</i>	2014

**Jean-Hervé Lorenzi****Independent Member of the Supervisory Board****Birth date:** 07/24/1947**Nationality:** French**Date of first appointment:** 11/19/2004**Start date of last office:** 24/05/2013**Last term expired:** 25/05/2016

Jean-Hervé Lorenzi, Doctor of Economic Sciences, Professor in law and economics. After starting his career as an economics professor, Jean-Hervé Lorenzi started as a technical advisor to the executive management of Havas Group in 1980, then to the ministry of Cooperation and Development. He then held several technical advisor positions; advising Jean-Pierre Chevènement, ministry of research and industry and then ministry of national education; advisor to the office of de Dominique Strauss-Kahn then minister delegate of Industry and foreign trade and; Edith Cresson's office, Prime Minister. In 1988, he was appointed CEO of SARI group (office real estate) and CEO of CNIT of La Défense. From 1992 to 1993 he was appointed CEO of CEA-Industrie. From 1995 to 2000, he became Managing Director of brokerage group Gras Savoye. In 2000, Jean-Hervé Lorenzi joined the financial company Bank Edmond de Rothschild as member of the Board of Management.

OFFICES AND OTHER FUNCTIONS IN FRENCH AND INTERNATIONAL COMPANIES**Current offices****Year term started****Listed companies**

N/A

Non listed companies – affiliated with the Group

N/A

Non listed companies – not affiliated with the Group– Member of the Board of Management of Edmond de Rothschild, *France*

2015

Other legal entities

N/A

OFFICES IN OTHER COMPANIES IN THE PREVIOUS FINANCIAL YEAR AND OVER THE PAST FIVE YEARS**No longer held****Year term expired**Director of Crédit Foncier de France SA, *France*

2014

Other legal entities– Member of the Supervisory Board of Institut Louis Bachelier, *France*

2014

2.3 Compensation and benefits in kind received by corporate officers

2.3.1 Board of Management Remuneration Policy

In accordance with Article L. 225-82-2 of the French Commercial Code, the Board of Management shall establish a report detailing the principles and criteria of definition and allocation of the fixed, variable, exceptional components of the total remuneration as well as benefits in kind payable to the Board of Management and Supervisory Board members related to their offices. These principles and criteria as presented in this report will be subject to the approval of the Shareholders' Meeting to be held on May 24, 2017 under resolutions n°10 and n°11.

The payment of the variable and exceptional remuneration as presented in this report will be subject to the approval of the Shareholders' Meeting to be held in 2018 pursuant to Article L. 225-82-2 of the French Commercial Code.

Details of the total amount of the variable and fixed portions for 2016 for each member of the Board of Management are set out in section 2.3.2 of the 2016 Registration Document.

2.3.1.1 Principles of the Remuneration Policy of the members of the Board of Management for 2017

The principles governing the remuneration of the members of the Board of Management and amounts are determined by the Supervisory Board upon the recommendation of the Nomination and Remuneration Committee at the beginning of the year. This remuneration policy takes into account the principles of comprehensiveness, balance between the compensation components, comparability, consistency, understandability

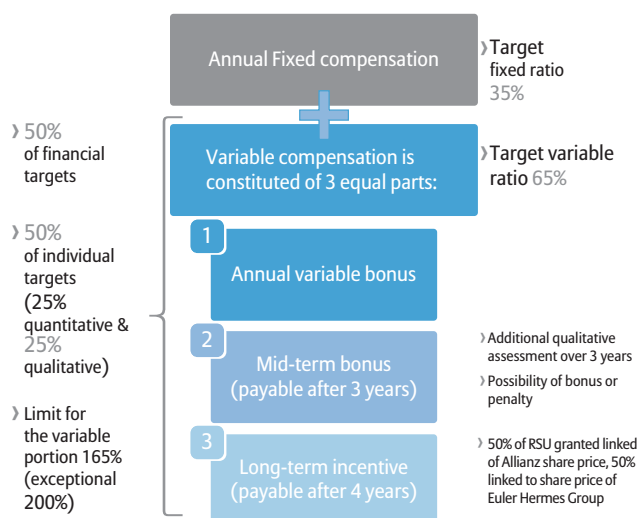
of the rules, proportionality, as recommended by the AFEF-MEDEF Code as amended in November 2016.

The Supervisory Board decided during its meeting of February 17, 2016, not to proceed to any remuneration increase for the Board of Management members for year 2017; with the exception of Michele Pignotti et Ludovic Sénécaut, pursuant to a progressive remuneration plan over two years applicable to any new member joining the Board of Management as from his/her appointment.

The remuneration structure of the members of the Board of Management is composed of two elements:

- *an annual fixed part*, representing a target of 35% of the total remuneration; and
- *a variable part*, representing a target of 65% of the total remuneration which, is divided into three equal components:

1. *an annual variable bonus*;
2. *mid-term bonus* ("MTB") (payable after three years)⁽¹⁾: members of the Board of Management are eligible for a mid-term bonus, a system that was established to increase the loyalty of its executives and to assess performance over three years. The MTB is subject to a sustainability assessment on pay-out based on performance indicators (Sustainable improvement / stabilization of Return of Equity (excl. URGL on bonds), Average operating profit growth, Compliance with economic capitalization guidance) and health indicators (True customer centricity, Digital by default, Technical excellence, Growth engines, Inclusive meritocracy).



(1) The Group's Heads of Region are also eligible to the MTB.

3. *long-term incentive* ("LTI") (payable after four years)⁽¹⁾: As part of a long-term bonus system for Executive managers, members of the Board of Management benefit from RSUs (Restricted Stock Units). RSUs awarded to members of the Board of Management are broken down into two parts: 50% of the RSUs are based on the Allianz share price trend and 50% on the Euler Hermes Group share price trend, with a vesting period of four years starting on the award date as compensation for performance with respect to year N-1.

Performance is assessed according to financial and individual targets weighed equally at 50%.

50% financial targets

Financial targets are assessed on the basis of three financial criteria for all members of the Board of Management: Group operating profit, Group net income, and Group turnover.

The measurement for financial results will be in the range of 0-200%.

50% individual targets

Individual targets are 25% quantitative and 25% qualitative targets specific to the duties and responsibilities of each Board of Management member.

Individual quantitative targets are personal priorities which are quantifiable and objectively measurable – WHAT targets (described below under section 2.3.1.2).

Individual qualitative targets are based on meritocracy principles consisting of the four following attributes and underlying behaviors – HOW targets:

- Customer and Market Excellence;
- Collaborative Leadership;
- Entrepreneurship;
- Trust.

At the end of the performance year, the Member of the Board of Management will be assessed by the Supervisory Board on his individual performance taking into consideration WHAT has been achieved (individual quantitative targets) and HOW it has been achieved (individual qualitative targets), against the following defined scale: far exceeds: 140-200%; exceeds: 115-135%; fully meets: 90-110%; partially meets: 55-85%; does not meet: 0-50%.

Multi-Rater on HOW targets

Behaviors and observations may be collected from other relevant colleagues via a so-called "multi rater" input, which results are an additional but optional mean available to the Supervisory Board to calibrate individual performance assessments of the Management Board members on their HOW targets.

Absence of payment in case of breach of Compliance / Risk / Financial Requirements

Any payout can be reduced partially or in full in the case of a breach of the code of conduct, risk limits, compliance requirements or comparable criteria deemed relevant.

⁽¹⁾ All Towers Watson Grade 16+ population of the Group are also eligible to the LTI.

Conditions for payment of the variable compensation when a Board member leaves the Company

The payment of variable compensation to a member of the Board of Management is subject to whether the member was considered as a bad leaver or a good leaver.

A Board member is a "bad leaver" if he/she leaves his/her function upon his/her own initiative or if the Company terminates his/her function for just cause. As a "bad leaver", the Board member will cease to be entitled to any annual or mid-term bonus, subject to applicable laws and regulations and any RSU already granted to the Board member will immediately lapse and no further RSU will be granted.

A Board member who is not a "bad leaver" is considered to be a "good leaver" (e.g. if the Board member leaves his/her function because of ill health or disability, death, regular or early retirement of the Board member, revocation of appointment, business transfer or any other reason, if the Company so decides in general or in any particular case). In this case, the Company will pay out to the Board member leaving as a "good leaver":

- any outstanding annual bonus on a prorated basis and based on actual target achievement;
- the mid-term bonus will be paid on a prorated basis following the end of the third financial year and after the regular sustainability assessment;
- in respect to any RSU granted to the Board member, the Company will make a pay-out in accordance with the RSU conditions.

2.3.1.2 Individual Targets of the Board of Management

Below the details of the financial and individual quantitative and qualitative targets set out for the Board of Management for 2017.

50% of Financial Targets

As part of a collective body, all members of the Board of Management share the same 50% of financial targets divided into:

- Turnover 10%;
- Operating Profit 20%;
- Net Income 20%.

50% of Individual Targets

In addition, each member of the Board of Management has individual targets divided into:

- 25% of quantitative targets (WHAT targets) related to his or her responsibilities within the Board, i.e.:
 - Wilfried Verstraete: growth engines, technical excellence, digitalization, inclusive meritocracy; improvement of Net Promoter Score;
 - Frédéric Bizière: data modelling; claims and collections; risk underwriting strategy; improvement of Net Promoter Score;

- Clarisse Kopff: cost management; portfolio management and digital transformation; capital management, Solvency II and internal model management; improvement of Net Promoter Score;
 - Paul Overeem: commercial strategy and distribution; commercial underwriting; regional developments; improvement of Net Promoter Score;
 - Michele Pignotti: True Customer Centricity; marketing digitalization; regional responsibility; improvement of Net Promoter Score;
 - Ludovic Sénécaut: implementation of IT strategy; Policy Administration; set up the new organization for Operations; improvement of Net Promoter Score.
- 25% of qualitative targets (HOW targets) based on the four meritocracy principles, i.e. (1) Customer and Market Excellence, (2) Collaborative Leadership, (3) Entrepreneurship, (4) Trust. These HOW targets can be assessed in consideration of the multi-rater inputs as described above.

2.3.1.3 Other components of the Board of Management Remuneration

As at the date of this Report, no members of the Board of Management:

- has an employment agreement with the Company;
- is covered by a non-compete clause;
- is eligible for a supplementary pension plan (top hat scheme or *retraite chapeau*) while they are eligible for a supplementary defined-contribution pension plan (for further details, please refer to section 2.3.2.11 (2) of the 2016 Registration Document).

As at the date of this Report, all members of the Board of Management were eligible for severance compensation upon termination of their office which terms and conditions are described below.

Severance compensation for members of the Board of Management

At the meeting of the Supervisory Board on February 17, 2016, on the occasion of the appointment of the Board of Management, all members of the Board of Management were granted, pursuant to Article L. 225-90-1 of the French Commercial Code, a commitment corresponding to the

severance compensation that may be due because of the termination of their duties, under the following terms: the severance package is due only in the event of a forced departure (i.e. in the event of dismissal for a reason other than serious misconduct, fault or gross negligence), and specifically related to a change in control or strategy, and is therefore excluded if the executive is not reappointed, leaves the Company at his/her own initiative, or changes duties within the Allianz group.

The payment of this compensation is subject to the achievement of the following performance criteria:

- 75% of annual targets as assessed over at least two of the last three years prior to termination. For officers who have been in office for less than three years, the calculation of the 75% target is based on the last year or the last two years if applicable;
- an average combined ratio of 95% or less for the three years preceding the termination.

If both of these conditions are met, the severance compensation is due in full. If only one of the above conditions is met, 50% of the indemnity is due.

The amount of any severance compensation is two years' compensation (fixed and variable) gross due for the last year ended prior to the date of termination of the corporate office.

Compliance with one or the two performance conditions shall be noted by the Supervisory Board prior to any payment.

It is, however, specified that, given Paul Overeem's desire to gradually cease his activities in the Group over the next two years, the commitment made to him shall be limited to two years from the renewal of his term on the Board of Management, i.e. until March 31, 2018.

The terms and conditions of the severance compensation as detailed above, were approved by the Shareholders' Meeting on May 25, 2016.

Benefits in kind received by members of the Board of Management

Members of the Board of Management have the use of a company car and certain members receive allowances for international mobility, special housing allowances, unemployment insurance for Executive managers (GSC) and worldwide insurance from Allianz Worldwide Care. Details of the benefits in kind received by members of the Board of Management are provided in section 2.3.2 of the 2016 Registration Document.

2.3.2 Compensation and benefits in kind received by members of the Board of Management

The following tables have been prepared in accordance with *Autorité des Marchés Financiers'* (AMF) recommendation No. 2009-16 applicable as from April 13, 2015. They outline the compensation and benefits in kind paid to members of the Board of Management during the fiscal year ended December 31, 2016.

The principles governing the compensation of members of the Board of Management for the fiscal year ended December 31, 2016 are set out in the Supervisory Board Chairman's report on corporate governance and on internal control and risk management procedures established by the Company, in section 2.4 of this Registration Document.

The elements of compensation due or granted for the financial year ended December 31, 2016 to the members of the Board of Management submitted to the opinion of the shareholders at the Meeting of May 24, 2017, are set out in the report of the Board of Management to the Shareholders' Meeting, in section 8.1 of this Registration Document.

2.3.2.1 Summary of compensation, SAR (Stock Appreciation Rights), RSU (Restricted Stock Units), options and shares allotted to each member of the Board of Management – Table 1 AMF nomenclature

Members of the Board of Management as at the date of this Registration Document

(in € thousands)	2016	2015
Wilfried Verstraete, Chairman of the Board of Management since April 1, 2009		
Compensation due in respect of the fiscal year (detailed in 2.3.2.2 below)	2,222.73	2,408.18
Value of multi-annual variable compensation granted during the fiscal year	n/a	n/a
Value of options granted during the fiscal year	n/a	n/a
Value of performance shares awarded during the fiscal year	n/a	n/a
TOTAL	2,222.73	2,408.18
Allianz SARs awarded ⁽¹⁾ due in respect of the fiscal year (number)	n/a	n/a
Allianz RSUs awarded due in respect of the fiscal year (number)	1,791.00	1,738.00
Euler Hermes Group RSUs awarded due in respect of the fiscal year (number)	3,529.00	3,025.00

(1) No SARs were awarded in 2015 and 2016.

(in € thousands)	2016	2015
Frédéric Bizièvre, member of the Board of Management since October 1, 2011		
Compensation due in respect of the fiscal year (detailed in 2.3.2.2 below)	973.39	772.92
Value of multi-annual variable compensation granted during the fiscal year	n/a	n/a
Value of options granted during the fiscal year	n/a	n/a
Value of performance shares awarded during the fiscal year	n/a	n/a
TOTAL	973.39	772.92
Allianz SARs awarded ⁽¹⁾ due in respect of the fiscal year (number)	n/a	n/a
Allianz RSUs awarded due in respect of the fiscal year (number)	792.00	709.00
Euler Hermes Group RSUs awarded due in respect of the fiscal year (number)	1,561.00	1,234.00

(1) No SARs were awarded in 2015 and 2016.

(in € thousands)	2016	2015
Clarisse Kopff, member of the Board of Management since May 1, 2014		
Compensation due in respect of the fiscal year (detailed in 2.3.2.2 below)	1,050.64	689.57
Value of multi-annual variable compensation granted during the fiscal year	n/a	n/a
Value of options granted during the fiscal year	n/a	n/a
Value of performance shares awarded during the fiscal year	n/a	n/a
TOTAL	1,050.64	689.57
Allianz SARs awarded ⁽¹⁾ due in respect of the fiscal year (number)	n/a	n/a
Allianz RSUs awarded due in respect of the fiscal year (number)	902.00	666.00
Euler Hermes Group RSUs awarded due in respect of the fiscal year (number)	1,777.00	1,159.00

(1) No SARs were awarded in 2015 and 2016.

Compensation and benefits in kind received by corporate officers

(in € thousands)	2016	2015
Paul Overeem, member of the Board of Management since January 1, 2013		
Compensation due in respect of the fiscal year (detailed in 2.3.2.2 below)	1,090.25	929.24
Value of multi-annual variable compensation granted during the fiscal year	n/a	n/a
Value of options granted during the fiscal year	n/a	n/a
Value of performance shares awarded during the fiscal year	n/a	n/a
TOTAL	1,090.25	929.24
Allianz SARs awarded ⁽¹⁾ due in respect of the fiscal year (number)	n/a	n/a
Allianz RSUs awarded due in respect of the fiscal year (number)	756.00	727.00
Euler Hermes Group RSUs awarded due in respect of the fiscal year (number)	1,489.00	1,265.00

(1) No SARs were awarded in 2015 and 2016.

(in € thousands)	2016	2015
Michele Pignotti, member of the Board of Management since April 1, 2016		
Compensation due in respect of the fiscal year (detailed in 2.3.2.2 below)	595.73	n/a
Value of multi-annual variable compensation granted during the fiscal year	n/a	n/a
Value of options granted during the fiscal year	n/a	n/a
Value of performance shares awarded during the fiscal year	n/a	n/a
TOTAL	595.73	N/A
Allianz SARs awarded ⁽¹⁾ due in respect of the fiscal year (number)	n/a	n/a
Allianz RSUs awarded due in respect of the fiscal year (number)	534.00	n/a
Euler Hermes Group RSUs awarded due in respect of the fiscal year (number)	1,052.00	n/a

(1) No SARs were awarded in 2015 and 2016.

(in € thousands)	2016	2015
Ludovic Sénécaut, member of the Board of Management since April 1, 2016		
Compensation due in respect of the fiscal year (detailed in 2.3.2.2 below)	569.78	n/a
Value of multi-annual variable compensation granted during the fiscal year	n/a	n/a
Value of options granted during the fiscal year	n/a	n/a
Value of performance shares awarded during the fiscal year	n/a	n/a
TOTAL	569.78	N/A
Allianz SARs awarded ⁽¹⁾ due in respect of the fiscal year (number)	n/a	n/a
Allianz RSUs awarded due in respect of the fiscal year (number)	550.00	n/a
Euler Hermes Group RSUs awarded due in respect of the fiscal year (number)	1,083.00	n/a

(1) No SARs were awarded in 2015 and 2016.

The members of the Board of Management as at December 31, 2016 were awarded RSUs. No SARs were awarded in 2016.

Members of the Board of Management whose offices ended on March 31, 2016

(in € thousands)	2016	2015
Gerd-Uwe Baden, member of the Board of Management until March 31, 2016		
Compensation due in respect of the fiscal year (detailed in 2.3.2.2 below)	297.74	1,169.04
Value of multi-annual variable compensation granted during the fiscal year	n/a	n/a
Value of options granted during the fiscal year	n/a	n/a
Value of performance shares awarded during the fiscal year	n/a	n/a
TOTAL	297.74	1,169.04
Allianz SARs awarded ⁽¹⁾ due in respect of the fiscal year (number)	n/a	n/a
Allianz RSUs awarded due in respect of the fiscal year (number)	200.00	902.00
Euler Hermes Group RSUs awarded due in respect of the fiscal year (number)	394.00	1,569.00

(1) No SARs were awarded in 2015 and 2016.

(in € thousands)	2016	2015
Dirk Oevermann, member of the Board of Management until March 31, 2016		
Compensation due in respect of the fiscal year (detailed in 2.3.2.2 below)	240.07	953.82
Value of multi-annual variable compensation granted during the fiscal year	n/a	n/a
Value of options granted during the fiscal year	n/a	n/a
Value of performance shares awarded during the fiscal year	n/a	n/a
TOTAL	240.07	953.82
Allianz SARs awarded ⁽¹⁾ due in respect of the fiscal year (number)	n/a	n/a
Allianz RSUs awarded due in respect of the fiscal year (number)	168.00	856.00
Euler Hermes Group RSUs awarded due in respect of the fiscal year (number)	330.00	1,490.00

(1) No SARs were awarded in 2015 and 2016.

■ SAR AND RSU AWARDS (NUMBER AVAILABLE (REMAINING) AS AT DECEMBER 31, 2016)

	SAR							
(in numbers)	2009	2010	2011	2012	2013	2014	2015	2016
Members of the Board of Management as at the date of this Registration Document								
Wilfried Verstraete since April 1, 2009	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Frédéric Bizière since October 1, 2011	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Clarisse Kopff since May 1, 2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Paul Overeem since January 1, 2013	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Michele Pignotti since April 1, 2016	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ludovic Sénécaut since April 1, 2016	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Members of the Board of Management whose offices ended on March 31, 2016								
Gerd-Uwe Baden	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dirk Oevermann	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
TOTAL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(in numbers)	RSU ⁽¹⁾							
	2013		2014		2015		2016	
	Allianz RSU	Euler Hermes Group RSU	Allianz RSU	Euler Hermes Group RSU	Allianz RSU	Euler Hermes Group RSU	Allianz RSU	Euler Hermes Group RSU
Members of the Board of Management as at the date of this Registration Document								
Wilfried Verstraete since April 1, 2009	1,996	2,665.5	3,668	8,736	1,738	3,025	1,791	3,529
Frédéric Bizièrre since October 1, 2011	893	1,192.5	715	1,096	709	1,234	792	1,561
Clarisse Kopff since May 1, 2014	n/a	n/a	467	716	666	1,159	902	1,777
Paul Overeem since January 1, 2013	884	1,181	592	907.5	727	1,265	756	1,489
Michele Pignotti since April 1, 2016	n/a	n/a	n/a	n/a	n/a	n/a	534	1,052
Ludovic Sénécaut since April 1, 2016	n/a	n/a	n/a	n/a	n/a	n/a	550	1,083
Members of the Board of Management whose offices ended on March 31, 2016								
Gerd-Uwe Baden	1,088	1,452.5	828	1,269.5	902	1,569	200	394
Dirk Oevermann	884	1,181	574	879.5	856	1,490	168	330
TOTAL	5,745	7,672.5	6,844	13,604.5	5,598	9,742	5,693	11,215

(1) The criteria for Euler Hermes Group RSU plans are set out in this Registration Document in Chapter 5 Note 31.

2.3.2.2 Summary of compensation paid to each member of the Board of Management – Table 2 AMF nomenclature

Members of the Board of Management as at the date of this Registration Document

(in € thousands)	2016		2015	
	Amount due in respect of 2016	Amount paid in 2016	Amount due in respect of 2015	Amount paid in 2015
Wilfried Verstraete, Chairman of the Board of Management since April 1, 2009				
Fixed compensation	577.75	577.75	577.75	577.75
Variable compensation (annual bonus) ⁽¹⁾	478.21	373.36	373.36	403.66
Mid-term variable compensation ⁽¹⁾	478.21	1,187.32 ⁽²⁾	373.36	n/a
Long-term variable compensation	478.21 ⁽³⁾	985.54 ⁽⁴⁾	373.36 ⁽³⁾	1,538.35 ⁽⁵⁾
Multi-annual variable compensation	n/a	n/a	n/a	n/a
Exceptional compensation	n/a	n/a	n/a	n/a
Attendance fees	n/a	n/a	n/a	n/a
Specific allowances	n/a	n/a	500.00 ⁽⁶⁾	n/a
Benefits in kind ⁽⁷⁾	210.35	210.60	210.35	210.35
TOTAL	2,222.73	3,334.57	2,408.18	2,730.11

(1) For details of the criteria applicable to the calculation of this compensation, please refer to section 8.1 of this Registration Document.

(2) Pay-out MTB Plan 2013-2015 due to the exercise of EH/MTB 2013 €410,300 EH/MTB 2014 €403,661 EH/MTB 2015 €373,362 (April 2016).

(3) This compensation may vary according to the performance of the Allianz and Euler Hermes Group shares and on fluctuations in their prices.

(4) This amount is due to the exercise of GEI/RSU AZ 2012 €499,300 (April 2016), EH/LTI 2012 €486,237 (April 2016).

(5) This amount is due to the exercise of GEI/RSU AZ 2010 €531,227.50 (April 2015), AEI/RSU AZ 2011 €434,489.30 (April 2015), GEI/SAR AZ 2008: €162,777.60 (February 2015) and to the exercise of EH/LTI 2011 €409,860.30 (April 2015).

(6) In relation to his establishment in France, the Supervisory Board agreed on July 30, 2014 to allocate to Wilfried Verstraete a one-off allowance of Restricted Stock Units (RSU) to compensate for his loss of his expatriation allowance from 2015.

(7) Benefits in kind include a company car, unemployment insurance for Executive managers (GSC), Allianz Health Insurance (AWC) and Allianz pension.

(in € thousands)	2016		2015	
	Amount due in respect of 2016	Amount paid in 2016	Amount due in respect of 2015	Amount paid in 2015
Frédéric Bizière, member of the Board of Management since October 1, 2011				
Fixed compensation	298.50	298.50	294.00	294.00
Variable compensation (annual bonus) ⁽¹⁾	211.60	152.38	152.38	176.15
Mid-term variable compensation ⁽¹⁾	211.60	512.13 ⁽²⁾	152.38	n/a
Long-term variable compensation	211.60 ⁽³⁾	214.81 ⁽⁴⁾	152.38 ⁽³⁾	260.02 ⁽⁵⁾
Multi-annual variable compensation	n/a	n/a	n/a	n/a
Exceptional compensation	n/a	n/a	n/a	n/a
Attendance fees	n/a	n/a	n/a	n/a
Specific allowances	n/a	n/a	n/a	n/a
Benefits in kind ⁽⁶⁾	40.09	40.08	21.78	21.78
TOTAL	973.39	1,217.90	772.92	751.95

(1) For details of the criteria applicable to the calculation of this compensation, please refer to section 8.1 of this Registration Document.

(2) Pay-out MTB Plan 2013 – 2015 due to exercise EH/MTB 2013 €183,600 EH/MTB 2014 €176,145 EH/MTB 2015 €152,384 (April 2016).

(3) This compensation may vary according to the performance of the Allianz and Euler Hermes Group shares and on fluctuations in their prices.

(4) This amount is due to the exercise of AEI/RSU AZ 2012 €108,795 (April 2016), EH/LTI 2012 €106,013 (April 2016).

(5) This amount is due to the exercise of GEI/ SAR AZ 2008: €31,479 (January 2015) and GEI/ SAR AZ 2010: €12,861 (January 2015) GEI/RSU AZ 2010 €47,990.60 (April 2015), AEI/RSU AZ 2011 €86,292.30 (April 2015) and to the exercise of EH/LTI 2011 €81,402.10 (April 2015).

(6) Benefits in kind include a company car, unemployment insurance for Executive managers (GSC), and supplementary pension plan (AG2R). The benefits in kind for 2015 did not include the supplementary pension plan (AG2R).

(in € thousands)	2016		2015	
	Amount due in respect of 2016	Amount paid in 2016	Amount due in respect of 2015	Amount paid in 2015
Clarisse Kopff, member of the Board of Management since May 1, 2014				
Fixed compensation	298.50	298.50 ⁽¹⁾	250.00	250.00
Variable compensation (annual bonus) ⁽²⁾	240.86	143.10	143.10	115.00 ⁽⁷⁾
Mid-term variable compensation ⁽²⁾	240.86	228.15 ⁽³⁾	143.10	n/a
Long-term variable compensation	240.86 ⁽⁴⁾	88.23 ⁽⁵⁾	143.10 ⁽⁴⁾	17.81 ⁽⁶⁾
Multi-annual variable compensation	n/a	n/a	n/a	n/a
Exceptional compensation	n/a	n/a	n/a	n/a
Attendance fees	n/a	n/a	n/a	n/a
Specific allowances	n/a	n/a	n/a	n/a
Benefits in kind ⁽⁷⁾	29.56	29.56	10.27	10.27
TOTAL	1,050.64	787.54	689.57	393.08

(1) Fixed compensation increase due to benchmark alignment.

(2) For details of the criteria applicable to the calculation of this compensation, please refer to section 8.1 of this Registration Document.

(3) Pay-out MTB plan 2013-2015 due to exercise EH/MTB 2014 €85,052 EH/MTB 2015 €143,097 (April 2016).

(4) This compensation may vary according to the performance of the Allianz and Euler Hermes Group shares and on fluctuations in their prices.

(5) This amount is due to the exercise of AEI/ RSU 2012 €44,676, EH/ LTI 2012 €43,557 (April 2016).

(6) This amount is due to the exercise of EH/LTI 2011 €17,809.70 (April 2015).

(7) Benefits in kind include unemployment insurance for Executive managers (GSC), company car and supplementary pension plan (AG2R). The benefits in kind for 2015 did not include the supplementary pension plan (AG2R).

Compensation and benefits in kind received by corporate officers

(in € thousands)	2016		2015	
	Amount due in respect of 2016	Amount paid in 2016	Amount due in respect of 2015	Amount paid in 2015
Paul Overeem, member of the Board of Management since January 1, 2013				
Fixed compensation	298.50	298.50	294.00	294.00
Variable compensation (annual bonus) ⁽¹⁾	201.85	156.09	156.09	145.78
Mid-term variable compensation ⁽¹⁾	201.85	483.67 ⁽²⁾	156.09	n/a
Long-term variable compensation	201.85 ⁽³⁾	314.22 ⁽⁴⁾	156.09 ⁽³⁾	338.72 ⁽⁵⁾
Multi-annual variable compensation	n/a	n/a	n/a	n/a
Exceptional compensation	n/a	n/a	n/a	n/a
Attendance fees	n/a	n/a	n/a	n/a
Specific allowances ⁽⁶⁾	71.40	71.40	77.06	77.06
Benefits in kind ⁽⁷⁾	114.80	114.80	89.91	89.91
TOTAL	1,090.25	1,438.68	929.24	945.47

(1) For details of the criteria applicable to the calculation of this compensation, please refer to section 8.1 of this Registration Document.

(2) Pay-out MTB Plan 2013 – 2015 due to exercise EH/MTB 2013 €181,800 EH/MTB 2014 €145,784 EH/MTB 2015 €156,094 (April 2016).

(3) This compensation may vary according to the performance of the Allianz and Euler Hermes Group shares and on fluctuations in their prices.

(4) This amount is due to the exercise of AEI/RSU AZ 2012: €143,957 (April 2016), EH/LTI 2012: €140,255 (April 2016), GEI 2009/SAR: 30,003 € (January 2016).

(5) This amount is due to the exercise of GEI/SAR AZ 2008: €20,598 (February 2015) GEI/RSU AZ 2010 €78,874.20 (April 2015), AEI/RSU AZ 2011 €123,080.10 (April 2015) and to the exercise of EH/LTI 2011 €116,166.70 (April 2015).

(6) Specific allowances for housing.

(7) Benefits in kind include unemployment insurance for Executive managers (GSC), Allianz Health Insurance (AWC) and supplementary pension plan (AG2R). The benefits in kind for 2015 did not include the supplementary pension plan (AG2R).

(in € thousands)	2016		2015	
	Amount due in respect of 2016 ⁽¹⁾	Amount paid in 2016	Amount due in respect of 2015	Amount paid in 2015
Michele Pignotti, member of the Board of Management since April 1, 2016				
Fixed compensation	195.00	195.00	n/a	n/a
Variable compensation (annual bonus) ⁽²⁾	116.65	n/a ⁽³⁾	n/a	n/a
Mid-term variable compensation ⁽²⁾	116.65	n/a ⁽⁴⁾	n/a	n/a
Long-term variable compensation	116.65 ⁽⁵⁾	n/a ⁽⁶⁾	n/a	n/a
Multi-annual variable compensation	n/a	n/a	n/a	n/a
Exceptional compensation	n/a	n/a	n/a	n/a
Attendance fees	n/a	n/a	n/a	n/a
Specific allowances ⁽⁷⁾	30.41	30.41	n/a	n/a
Benefits in kind ⁽⁸⁾	20.37	20.37	n/a	n/a
TOTAL	595.73	245.78	N/A	N/A

(1) Prorated for 9 months in 2016 (mandate as of Board of Management member from April 1, 2016).

(2) For details of the criteria applicable to the calculation of this compensation, please refer to section 8.1 of this Registration Document.

(3) No annual bonus was paid for the function as Board of Management member.

(4) No mid-term variable compensation was paid for the function of Board of Management member.

(5) This compensation may vary according to the performance of the Allianz and Euler Hermes Group shares and on fluctuations in their prices.

(6) No long-term variable compensation was paid for the function of Board of Management member.

(7) Specific allowances for housing and company car.

(8) Benefits in kind include unemployment insurance for Executive managers (GSC), Allianz Health Insurance (AWC), and supplementary pension plan (AG2R).

(in € thousands)	2016		2015	
	Amount due in respect of 2016 ⁽¹⁾	Amount paid in 2016	Amount due in respect of 2015	Amount paid in 2015
Ludovic Sénécaut, member of the Board of Management since April 1, 2016				
Fixed compensation	195.00	195.00	n/a	n/a
Variable compensation (annual bonus) ⁽²⁾	119.46	n/a ⁽³⁾	n/a	n/a
Mid-term variable compensation ⁽²⁾	119.46	n/a ⁽⁴⁾	n/a	n/a
Long-term variable compensation	119.46 ⁽⁵⁾	n/a ⁽⁶⁾	n/a	n/a
Multi-annual variable compensation	n/a	n/a	n/a	n/a
Exceptional compensation	n/a	n/a	n/a	n/a
Attendance fees	n/a	n/a	n/a	n/a
Specific allowances	n/a	n/a	n/a	n/a
Benefits in kind ⁽⁷⁾	16.40	16.40	n/a	n/a
TOTAL	569.78	211.40	N/A	N/A

(1) Prorated for 9 months in 2016 (mandate as of Board of Management member from April 1, 2016).

(2) For details of the criteria applicable to the calculation of this compensation, please refer to section 8.1 of this Registration Document.

(3) No annual bonus was paid for the function as Board of Management member.

(4) No mid-term variable compensation was paid for the function of Board of Management member.

(5) This compensation may vary according to the performance of the Allianz and Euler Hermes Group shares and on fluctuations in their prices.

(6) No long-term variable compensation was paid for the function of Board of Management member.

(7) Benefits in kind include unemployment insurance for Executive managers (GSC), and supplementary pension plan (AG2R).

Members of the Board of Management whose offices ended on March 31, 2016

(in € thousands)	2016		2015	
	Amount due in respect of 2016	Amount paid in 2016	Amount due in respect of 2015	Amount paid in 2015
Gerd-Uwe Baden, member of the Board of Management until March 31, 2016				
Fixed compensation	100.00 ⁽¹⁾	100.00 ⁽¹⁾	400.00	400.00
Variable compensation (annual bonus) ⁽²⁾	53.75	193.68	193.68	203.95
Mid-term variable compensation ⁽²⁾	53.75	621.23 ⁽³⁾	193.68	n/a
Long-term variable compensation	53.75 ⁽⁴⁾	530.98 ⁽⁵⁾	193.68 ⁽⁴⁾	826.41 ⁽⁶⁾
Multi-annual variable compensation	n/a	n/a	n/a	n/a
Exceptional compensation	n/a	n/a	n/a	n/a
Advance payment	n/a	n/a	n/a	n/a
Attendance fees	n/a	n/a	n/a	n/a
Specific allowances ⁽⁷⁾	n/a	n/a	42.00	42.00
Benefits in kind ⁽⁸⁾	36.49	36.49	146.00	146.00
TOTAL	297.64	1,482.38	1,169.04	1,618.36

(1) Fixed compensation for January, February and March 2016 (end of mandate on March 31, 2016).

(2) For details of the criteria applicable to the calculation of this compensation, please refer to section 8.1 of this Registration Document.

(3) Pay out MTB 2013 – 2015 due to exercise EH/MTB 2013: €223,600, EH/MTB 2014: €203,945, EH/MTB 2015: €193,688 (April 2016).

(4) This compensation may vary according to the performance of the Allianz and Euler Hermes Group shares and on fluctuations in their prices.

(5) This amount is due to the exercise of AEI/RSU 2012 €269,023 (April 2015), EH/LTI 2012 €261,960 (April 2015).

(6) This amount is due to the exercise of GEI/SAR AZ 2008: €51,420 (February 2015), GEI/RSU AZ 2010 €127,773.20 (April 2015), AEI/RSU AZ 2011 €262,813 (April 2015) and to the exercise of EH/LTI 2011 €248,005.80 (April 2015) and GEI/SAR AZ 2010: €136,403 (December 2015).

(7) Specific allowances for housing and international mobility.

(8) Benefits in kind include a company car, unemployment insurance for Executive managers (GSC), Allianz Health Insurance (AWC) and Allianz Pension.

Compensation and benefits in kind received by corporate officers

(in € thousands)	2016		2015	
	Amount due in respect of 2016	Amount paid in 2016	Amount due in respect of 2015	Amount paid in 2015
Dirk Oevermann, member of the Board of Management until March 31, 2016				
Fixed compensation	73.50 ⁽¹⁾	73.50 ⁽¹⁾	294.00	294.00
Variable compensation (annual bonus) ⁽²⁾	45.00	183.94	183.94	141.31
Mid-term variable compensation ⁽²⁾	45.00	507.04 ⁽³⁾	183.94	n/a
Long-term variable compensation	45.00 ⁽⁴⁾	344.58 ⁽⁵⁾	183.94 ⁽⁴⁾	383.98 ⁽⁶⁾
Multi-annual variable compensation	n/a	n/a	n/a	n/a
Exceptional compensation	n/a	n/a	n/a	n/a
Attendance fees	n/a	n/a	n/a	n/a
Specific allowances ⁽⁷⁾	17.85	17.85	71.00	71.00
Benefits in kind ⁽⁸⁾	13.72	13.72	37.00	37.00
TOTAL	240.07	1,140.63	953.82	927.29

(1) Fixed compensation for January, February and March 2016 (end of mandate on March 31, 2016).

(2) For details of the criteria applicable to the calculation of this compensation, please refer to section 8.1 of this Registration Document.

(3) Pay-out MTB Plan 2013-2015 due to exercise EH/MTB 2013:€181,800, EH/MTB:2014 €141,309, EH/MTB 2015:€183,936 (April 2016).

(4) This compensation may vary according to the performance of the Allianz and Euler Hermes Group shares and on fluctuations in their prices.

(5) This amount is due to the exercise of AEI/RSU AZ 2012 €174,569 (April 2016), EH/LTI 2012 €170,015 (April 2016).

(6) This amount is due to the exercise of GEI/RSU AZ 2010 €73,272.80 (April 2015), AEI/RSU AZ 2011 €159,867.80 (April 2015) and to the exercise of EH/LTI 2011 €150,836.20 (April 2015).

(7) Specific allowances for housing and contributions to pension of choice.

(8) Benefits in kind include a company car, unemployment insurance for Executive managers (GSC), Allianz Health Insurance (AWC), and pension. The benefits in kind for 2015 did not include the supplementary pension plan (AG2R).

2.3.2.3 Share purchase or subscription options granted during 2016 to each member of the Board of Management by the Company and by any Group company – Table 4 AMF nomenclature

The Company has not established a bonus share plan for members of the Board of Management as provided by Articles L. 225-197-1 *et seq.* of the French Commercial Code.

Stock options granted to members of the Board of Management	Plan No	Plan date	Type of option (purchase or subscription)	Value of options on the method used for the consolidated financial statements	Number of options granted during the year	Exercise price	Exercise period
Members of the Board of Management as at the date of this Registration Document							
Wilfried Verstraete							
Frédéric Bizière							
Clarisse Kopff							
Paul Overeem							
Michele Pignotti (since April 1, 2016)				n/a			
Ludovic Sénécaut (since April 1, 2016)							
Members of the Board of Management whose offices ended on March 31, 2016							
Gerd-Uwe Baden							
Dirk Oevermann							
TOTAL							

2.3.2.4 Stock options exercised during 2016 by each member of the Board of Management – Table 5 AMF nomenclature

Since the Group has neither renewed the share subscription/purchase options nor implemented a system of granting free shares, there are no rules requiring management beneficiaries to hold shares.

Member of the Board of Management	Plan No and date	Number of options exercised during the period	Exercise price
Members of the Board of Management as at the date of this Registration Document			
Wilfried Verstraete			
Frédéric Bizière			
Clarisse Kopff			
Paul Overeem			
Michele Pignotti (since April 1, 2016)		n/a	
Ludovic Sénécaut (since April 1, 2016)			
Members of the Board of Management whose offices ended on March 31, 2016			
Gerd-Uwe Baden			
Dirk Oevermann			
TOTAL			

2.3.2.5 Transactions involving the Company's shares carried out by the Corporate Officers in 2016

Full name	Title	Description of financial instrument	Date of transaction	Type of transaction	Amount of transaction (in €)
Members of the Board of Management as at the date of this Registration Document					
Wilfried Verstraete					
Frédéric Bizière					
Clarisse Kopff					
Paul Overeem					
Michele Pignotti (since April 1, 2016)					
Ludovic Sénécaut (since April 1, 2016)					
Members of the Board of Management whose offices ended on March 31, 2016					
Gerd-Uwe Baden					
Dirk Oevermann					

It shall be stated that no transaction was declared by the members of the Supervisory Board during 2016 financial year.

2.3.2.6 Performance shares allocated to each member of the Board of Management during the 2016 financial year – Table 6 AMF nomenclature

No performance shares were allocated to any members of the Board of Management in 2016.

Performance shares allocated by the Shareholders' Meeting during the financial year to each Board of Management member	Plan No and date	Number of shares allocated during the period	Valuation of the shares depending on the accounts consolidation method	Acquisition date	Availability date	Performance conditions
Members of the Board of Management as at the date of this Registration Document						
Wilfried Verstraete						
Frédéric Bizière						
Clarisse Kopff						
Paul Overeem						
Michele Pignotti (since April 1, 2016)			n/a			
Ludovic Sénécaut (since April 1, 2016)						
Members of the Board of Management whose offices ended on March 31, 2016						
Gerd-Uwe Baden						
Dirk Overmann						
TOTAL						

2.3.2.7 Performance shares vested to each member of the Board of Management during the 2016 financial year – Table 7 AMF nomenclature

The members of the Board of Management did not receive any performance shares vested during the 2016 financial year.

Performance shares allocated vested during the financial year to each Board of Management member	Plan No and date	Number of shares vested during the period	Acquisition conditions
Members of the Board of Management as at the date of this Registration Document			
Wilfried Verstraete			
Frédéric Bizière			
Clarisse Kopff			
Paul Overeem			
Michele Pignotti (since April 1, 2016)		n/a	
Ludovic Sénécaut (since April 1, 2016)			
Members of the Board of Management whose offices ended on March 31, 2016			
Gerd-Uwe Baden			
Dirk Overmann			
TOTAL			

2.3.2.8 History of share subscription or purchase option allocations – Table 8 AMF nomenclature

	2008 (closed)
Date of Shareholders' Meeting	05/22/2006
Date of Supervisory Board meeting	05/15/2008 ⁽⁸⁾
Date of Board of Management meeting	06/20/2008
Number of beneficiaries	92
Number of beneficiaries who have not yet exercised their options	n/a
<i>Of which, members of the Board of Management</i>	n/a
Total number of options allocated	130,000
<i>Of which, Board of Management members as at the date of this Registration Document</i>	10,511
Wilfried Verstraete ⁽¹⁾	n/a
Frédéric Bizière ⁽²⁾	2,011
Clarisse Kopff ⁽³⁾	n/a
Paul Overeem ⁽⁴⁾	1,500
Michele Pignotti ⁽⁵⁾	n/a
Ludovic Sénécaut ⁽⁶⁾	n/a
<i>Of which, members of the Board of Management whose offices ended on March 31, 2016</i>	
Gerd-Uwe Baden ⁽⁷⁾	7,000
Dirk Oevermann ⁽⁸⁾	n/a
Start date of exercise period	06/20/2008
Expiration date	06/19/2016
Exercise price (€)	55.67
Type of option	Purchase
Options to be exercised as at January 1, 2016	8,306
Options allocated in 2016	n/a
Options exercised in 2016	5,156
Options canceled in 2016	3,150
Options to be exercised as at December 31, 2016	0

(1) Chairman of the Board of Management since April 1, 2009.

(2) Member of the Board of Management since October 1, 2011 and formerly employed by Euler Hermes France then Euler Hermes Services.

(3) Member of the Board of Management since May 1, 2014 and formerly employed by Euler Hermes France then Euler Hermes Services.

(4) Member of the Board of Management since January 1, 2013 and formerly employed by Euler Hermes SA (the Netherlands).

(5) Member of the Board of Management since April 1, 2016 and formerly employed by Euler Hermes SA (Italy).

(6) Member of the Board of Management since April 1, 2016 and formerly employed by Euler Hermes France and then Euler Hermes SA (Belgium).

(7) Member of the Board of Management since May 25, 2004 and formerly employed by Euler Hermes Deutschland.

(8) Member of the Board of Management since February 1, 2010.

(9) The Supervisory Board decided during its meeting held on May 15, 2008 to fix to 10% the percentage of shares to be held as registered shares by each member of the Board of Management until the end of their functions as Board members.

No adjustment mechanism was applied to these share subscription and purchase plans in 2016.

2.3.2.9 Share subscription or purchase options granted to the top 10 non-corporate officer beneficiary employees and options exercised by them in 2016 – Table 9 AMF nomenclature

	Total number of options allocated/ shares subscribed or purchased	Weighted average price (in €)	Plans
Options granted during the year, to the ten Group employees allocated the largest number of options	n/a	n/a	n/a
Options held and exercised during the year, by the ten employees who purchased or subscribed the largest number of options	4,775	77.78	POA FR EULER HERMES 06/20/2008 EUR 55.67

2.3.2.10 History of performance shares allocations – Table 10 AMF nomenclature

	Plan No.	Plan No.	Plan No.	Plan No.	Plan No.
Date of Shareholders' Meeting					
Date of Supervisory Board meeting					
Date of Board of Management meeting					
Number of beneficiaries					
Number of performance shares allocated					
<i>Of which, members of the Board of Management</i>			n/a		
Date of performance shares allocation					
Term of vesting period					
Number of performance shares subscribed					
as at the date of this Registration Document					
Performance shares cancelled in 2016					
Remaining performance shares on Dec. 31, 2016					

2.3.2.11 Employment contract, supplemental pension plan, severance compensation, non-compete clause – Table 11 AMF nomenclature

Executive officers Start and end date of office	Employment contract		Supplemental pension plan				Compensation or benefits due or likely to be due following termination or position change		Compensation under non-compete clause	
			Defined-contribution pension plan		Defined-benefit pension plan		Yes	No	Yes	No
	Yes	No	Yes	No	Yes	No				
Members of the Board of Management as at the Date of this Registration Document										
Wilfried Verstraete Chairman of the Board of Management 04/01/2009-03/31/2020		•	•			•		•		•
Frédéric Bizière Board of Management member 10/01/2011-03/31/2020		•	•			•		•		•
Clarisse Kopff Board of Management member 05/01/2014-03/31/2020		•	•			•		•		•
Paul Overeem Board of Management member 01/01/2013-03/31/2018		•	•			•		•		•
Michele Pignotti Board of Management member 04/01/2016-03/31/2020		•	•			•		•		•
Ludovic Sénécaut Board of Management member 04/01/2016-03/31/2020		•	•			•		•		•
Members of the Board of Management whose offices ended on March 31, 2016										
Gerd-Uwe Baden member of the Board of Management 05/25/2004-03/31/2016		•	•			•		•		•
Dirk Oevermann Board of Management member 02/01/2010-03/31/2020		•	•			•		•		•

1 Employment contract

On the date of this Registration Document, no member of the Board of Management is bound by an employment contract with the Company, in compliance with to the AFEP-MEDEF recommendations that stipulate that the Chairman of the Board of Management must not combine his duties with an employment contract within the Group.

2 Supplementary pension plan for members of the Board of Management

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

In addition to being eligible for the AGIRC-ARRCO supplementary pension plan, Frédéric Bizière, Clarisse Kopff, Paul Overeem, Michele Pignotti and Ludovic Sénécaut are eligible for a supplementary defined-contribution pension plan managed by AG2R/ARIAL Assurances. In 2016, a charge of €18,535 each was booked for this plan for Frédéric Bizière, Paul Overeem, and Clarisse Kopff. The contribution for the plan of Dirk Oevermann represented €4,634 for the period between January and March 2016. For Michele Pignotti

and Ludovic Sénécaut a charge of €13,984 and €13,901 respectively have been booked for April to December 2016. For Paul Overeem an annual contribution of €29,400 has been made into a US deferred pension plan.

Wilfried Verstraete and Gerd-Uwe Baden are eligible for the Allianz group supplementary defined-contribution retirement plan for executives. In 2016 charges booked for this plan amounted to €199,127 (i.e. €169,681 for Wilfried Verstraete and €29,446 for Gerd-Uwe Baden). A refund of €71,586 has been received on the account of Gerd-Uwe Baden for contributions too much paid in the year 2015.

3 Severance compensation for members of the Board of Management

The terms and conditions of the severance compensation are presented under section 2.3.1.3 of the 2016 Registration Document.

4 Non-compete clause

As at the date of this Registration Document, no members of the Board of Management were subject to a non-compete clause.

2.3.3 Supervisory Board Remuneration Policy

Members of the Supervisory Board are paid annual attendance fees of an overall amount determined in advance by the Shareholders' Meeting. Pursuant to the decision of the Shareholders' Meeting of May 28, 2014, this amount has been set at 600,000 euros until a decision is made to the contrary.

In 2016, attendance were allocated following this remuneration policy:

Allocation of attendance fees in 2016 (in k€)	Chairman of the Supervisory Board	Each member ⁽¹⁾	Member of one or both Committees	Chairman of the Audit and Risk Committee ⁽²⁾	Chairman of the Nomination and Remuneration Committee ⁽²⁾
Total 600	110	35	(+)15	(+)15	(+)5
Deduction in the event of absence: (-)5 for each absence at Supervisory Board meeting (-)3 for each absence at Committee meeting					

(1) With the exception of the Chairman of the Supervisory Board, i.e. in total 10 members.

(2) Additional attendance fee decided by the Supervisory Board on February 17, 2016, following the recommendation of the Nomination and Remuneration Committee.

Payment of attendance fees to Supervisory Board members is made semi-annually in arrears.

Members of the Supervisory Board receive no other compensation from the Company.

In 2016, members of the Supervisory Board, holding offices at Allianz (outside France), waived their attendance fees.

Pursuant to the recommendations of the AFEP-MEDEF Code, the variable portion of the attendance fees (which depends on actual attendance of Supervisory Board and Committees meetings) constitutes the bulk of the total amount.

During its meeting on February 9, 2017, the Supervisory Board decided to maintain its remuneration policy as described above for 2017 financial year.

2.3.4 Compensation and benefits in kind received by Supervisory Board members

Attendance fees and other compensation paid to members of the Supervisory Board – Table 3 AMF nomenclature

(in € thousands)	2016	2015
Clement Booth (Chairman of the Supervisory Board until May 25, 2016)		
Attendance fees	55	105
Other compensation	n/a	n/a
Brigitte Bovermann		
Attendance fees ⁽¹⁾	50	44
Other compensation	n/a	n/a
Ümit Boyner		
Attendance fees	30	30
Other compensation	n/a	n/a
Philippe Carli		
Attendance fees	65	50
Other compensation	n/a	n/a
Elizabeth Corley ⁽²⁾		
Attendance fees ⁽¹⁾	25	30
Other compensation	n/a	n/a
Nicolas Dufourcq		
Attendance fees	25	20
Other compensation	n/a	n/a
Ramon Fernandez (since May 25, 2016)		
Attendance fees	17	n/a
Other compensation	n/a	n/a
María Garaña		
Attendance fees	35	17,5
Other compensation	n/a	n/a
Marita Kraemer (since May 25, 2016)		
Attendance fees	17,5	n/a
Other compensation	n/a	n/a
Jean-Hervé Lorenzi (until May 25, 2016)		
Attendance fees	25	42
Other compensation	n/a	n/a
Thomas-Bernd Quaas		
Attendance fees	55	50
Other compensation	n/a	n/a
Jacques Richier		
Attendance fees	30	35
Other compensation	n/a	n/a
Axel Theis (Chairman of the Supervisory Board since May 25, 2016)		
Attendance fees ⁽¹⁾	72,5	17,5
Other compensation	n/a	n/a
TOTAL DUE	502	491
TOTAL PAID	354,5	491⁽³⁾

(1) Waived in 2016.

(2) Resignation following the Supervisory Board meeting of February 9, 2017 (see section 2.2.1 of this Registration Document for more details).

(3) Total including attendance fees paid to Robert Hudry & Yves Mansion, members of the Supervisory Board until May 27, 2015 and representing a total amount of 50,000 euros.

Compensation and benefits of any kind received by corporate officers of Allianz France and Allianz SE, which control Euler Hermes Group

In accordance with Article L. 225-102-1, paragraph 2 of the French Commercial Code, total compensation and benefits of any kind received in 2016 by the corporate officers of Allianz France and Allianz SE, the companies that control Euler Hermes Group, amounted to the following:

Brigitte Bovermann	(in € thousands)
Fixed annual gross compensation 2016	267
Gross variable compensation (annual bonus), paid in 2016 for performance in 2015	210
Long term variable compensation paid in 2016 (RSU) ⁽¹⁾	254
MTB 2015 including ASPP 2013-2015	n/a
MTB 2013 and 2014	n/a
Benefits in kind (car, insurance, housing)	11.19
TOTAL	742.19
RSU GEI 2012 (number)	1,842

(1) GEI 2012 RSU (amount: €254,000).

Elizabeth Corley⁽¹⁾	(in € thousands)
Fixed annual gross compensation 2016	297 ⁽²⁾
Gross variable compensation (annual bonus), paid in 2016 for performance in 2015	1,963
Long term variable compensation paid in 2016 (RSU/SAR, LTIPA) ⁽³⁾	1,132.2
Benefits in kind (car, insurance, housing)	n/a
TOTAL	3,392.2
RSU GEI 2012 (number)	1,407

(1) Resignation from her function as member of Euler Hermes Group's Supervisory Board following the Supervisory Board meeting of February 9, 2017 (see section 2.2.1 of this Registration Document for more details).

(2) 2 months full-time, 10 months with 40% part-time.

(3) LTIPA 2013-2015 (amount: €563,507), GEI 2012 RSU (amount: €194,011), DIF (amount: €374,175).

Jacques Richier	(in € thousands)
Fixed annual gross compensation 2016	700
Gross variable compensation (annual bonus + MTB), paid in 2016 for performance in 2015	2,126.67
Long term variable compensation paid in 2016 (RSU/SAR) ⁽¹⁾	936.41
Benefits in kind (car, insurance, housing)	0
TOTAL	3,763.07
AEI/RSU 2012 (number)	6,791

(1) GEI 2012 RSU (amount €936,409).

Axel Theis	(in € thousands)
Fixed annual gross compensation 2016	750
Gross variable compensation (annual bonus), paid in 2016 for performance in 2015	955
Long term variable compensation paid in 2016 (RSU/SAR, LTIPA) ⁽¹⁾	1,039
MTB 2015 including ASPP 2015 ⁽²⁾	955
MTB 2013 and 2014 ⁽³⁾	1,106
Benefits in kind (car, insurance, housing)	27
TOTAL	4,832
RSU GEI 2012 (number)	7,535

(1) GEI 2012 RSU (amount: €1,039,000).

(2) MTB 2015 (amount: €955,000).

(3) MTB 2014 (amount: €553,000), MTB 2013 (amount: €553,000).

2.4 Report of the Chairman of the Supervisory Board to the Shareholders' Meeting on corporate governance and the internal control and risk management procedures established by the Company

Chairman's report pursuant to Article L. 225-68 of the French Commercial Code

February 9, 2017

To the Shareholders:

Pursuant to Article L. 225-68 of the French Commercial Code, the Chairman of the Euler Hermes Group Supervisory Board has issued a report on corporate governance and internal control, as a supplement to the management report.

The purpose of this report is to describe the composition of the Supervisory Board, the application of the principle of balanced representation of men and women on the Board, and the conditions governing the preparation and organization of its work, to list any limits placed by the Supervisory Board on the powers of the Board of Management and to comment on the implementation of the Corporate Governance Code laid down by representative bodies, as well as to describe internal control and risk management procedures, including those relating to the preparation and processing of financial and accounting information within the Company and its subsidiaries (referred to collectively as the "Group").

The Chairman of the Supervisory Board, with the support of the Corporate Secretary, has prepared this report in close cooperation with the Audit and Risk Committee and the Group's main functional and operational divisions, including Internal Audit, Compliance, Risk Management, Information Technology and the Group Finance Division, composed of the Consolidation, Management Control and Investment departments. These exchanges between the Chairman of the Supervisory Board and the relevant departments give an understanding and a fair view of the Group's operation and of the procedures applied specifically within the Group.

This report has also been the subject of a report by the Company's Statutory Auditors, pursuant to Article L. 225-235 of the French Commercial Code, on the internal control procedures for the preparation and treatment of accounting and financial information, and a declaration on the establishment of the other information required (see section 2.5 of the 2016 Registration Document).

Finally, dear shareholders, we inform you that in relation to this report, the Company and most of its main subsidiaries, were subject in 2016 to a governance audit by KPMG, mandated by the Supervisory Board of Allianz SE, under the supervision of the Corporate Secretary. The outcome of this audit was very satisfactory and did neither result in any significant issue, nor any major remediation measure.

This report was approved by the Supervisory Board on February 9, 2017.

2.4.1 Corporate governance

Corporate Governance Code

The Company voluntarily adheres to the AFEP-MEDEF Corporate Governance Code for publicly traded companies, which was revised in November 2016. The AFEP-MEDEF Code is available on the website www.medef.com.

The Supervisory Board of Euler Hermes Group considers these recommendations as part of the Company's approach to corporate governance, and notes that the majority of the recommendations have already been applied within the Group.

Euler Hermes Group therefore applies these recommendations, with the exception of the following:

AFEP-MEDEF Code recommendations excluded	Explanation
The obligation of members of the Board of Management to conserve a significant number of registered shares (section 23.2.1 of the Code).	The Supervisory Board reviewed the implementation of this recommendation and decided to ignore it insofar as no stock options and no performance shares are granted to members of the Board of Management. In addition, the Company has set up a long-term bonus system in the context of which the members of the Board of Management benefit from RSUs (Restricted Stock Units), resulting in a payment in cash and not in shares, 50% of which are tied to the change in share price of Euler Hermes Group with a vesting period of four years (the other 50% of the RSUs are tied to the change in share price of Allianz). Therefore, even if the RSU only give rise to payment in cash, the members of the Board of Management are encouraged to improve Company performance throughout their terms of office. This system complies with the Allianz group's compensation policies. The question of the requirement for members of the Board of Management to retain a significant number of shares will be reviewed if stock option or bonus share allotments plans are implemented.

Supervisory and management bodies

The Group is headed by a Board of Management, which is in turn overseen by a Supervisory Board supported by an Audit and Risk Committee and a Nomination and Remuneration Committee.

The leadership and management powers assumed by the Board of Management are clearly separated from the oversight powers exercised by the Supervisory Board. The Supervisory Board permanently oversees the management of the Company by the Board of Management. The

organization adopted by the Company, which is based on the separation of executive and oversight functions, ensures a balance of powers.

The dual governance structure of the Company, which is a subsidiary of Allianz SE, is based on the same model as the governance structure of Allianz SE, which also comprises a Board of Management and a Supervisory Board.

The Group department Managers provide the foundations of the Group's operational management.

2.4.1.1 Supervisory Board: composition, operation and compensation

2.4.1.1.1 Composition of the Supervisory Board

■ OVERVIEW OF SUPERVISORY BOARD AT 31 DECEMBER 2016

Members of the Supervisory Board	Date of birth	Gender	Nationality	Audit, Risk & Compliance Committee	Nomination & Remuneration Committee	Start of first term	Start of current term	End of current term	Years on Board
Members considered non independent by the Supervisory Board (see section 2.4.1.1.2)									
– Axel Theis*	1958	M	German			2015	2015	2018	1
– Brigitte Bovermann	1956	F	German	•	•	2010	2016	2019	6
– Elizabeth Corley ⁽¹⁾	1956	F	British			2010	2016	2017	6
– Marita Kraemer	1953	F	German			2016	2016	2018	0
– Jacques Richier	1955	M	French			2010	2016	2019	6
Members considered independent by the Supervisory Board (see section 2.4.1.1.2)									
– Ümit Boyner	1963	F	Turkish			2013	2016	2019	3
– Philippe Carli	1960	M	French	*•		2009	2015	2018	7
– Nicolas Dufourcq	1963	M	French			2010	2016	2019	6
– Ramon Fernandez	1967	M	French		•	2016	2016	2019	0
– Maria Garaña	1968	F	Spanish			2015	2015	2018	1
– Thomas-Bernd Quaas	1952	M	German	•	*•	2010	2016	2019	6

• Member.

* Chair.

(1) Resignation following the Supervisory Board meeting of February 9, 2017 (see section 2.2.1 of this Registration Document for more details).

Report of the Chairman of the Supervisory Board to the Shareholders' Meeting on corporate governance and the internal control and risk management procedures established by the Company

2.4.1.1.1.1 Changes in membership

■ CHANGES IN THE MEMBERSHIP OF THE SUPERVISORY BOARD IN 2016

Date of effect	Departure	Appointment	Renewal	Diversification
25 May 2016	Clement Booth (resignation)	-	-	NA
	Jean-Hervé Lorenzi (end of term)	-	-	NA
	-	Ramon Fernandez	-	International experience, finance, IT
	-	Marita Kraemer	-	International insurance experience, gender
	-	-	Brigitte Bovermann	International insurance experience, gender
	-	-	Elizabeth Corley*	International insurance experience, gender
	-	-	Ümit Boyner	International experience, retail, gender
	-	-	Nicolas Dufourcq	International experience, finance
	-	-	Thomas-Bernd Quaas	International experience, insurance finance, retail
	-	-	Jacques Richier	Insurance experience

* Resignation following the Supervisory Board meeting of February 9, 2017 (see section 2.2.1 of this registration Document for more details).

■ CHANGES IN THE MEMBERSHIP OF THE COMMITTEES IN 2016

	Date of effect	Departure	Appointment	Renewal
Audit, Risk and Compliance Committee	25 May 2016	n/a	n/a	Brigitte Bovermann
				Thomas-Bernd Quaas

	Date of effect	Departure	Appointment	Renewal
Nomination and Remuneration Committee	25 May 2016	Jean-Hervé Lorenzi	Ramon Fernandez	Brigitte Bovermann
				Thomas-Bernd Quaas

Between the end of 2016 and the date of this report, no appointment was made and no office expired or was renewed within the Supervisory Board or its committees.

There will be neither appointments nor renewals submitted to the approval of the next Shareholders' Meeting to be held on May 24, 2017.

2.4.1.1.1.2 Independence

In accordance with the recommendations of the AFEP-MEDEF Code, following the recommendations of the Nomination and Remuneration Committee, the Supervisory Board at its meeting of 9 February 2017 determined the proportion of its members that were independent. It particularly reviewed each member's situation in light of the independence criteria defined by the AFEP-MEDEF Code, as follows:

Criterion 1	Not to be and not to have been during the course of the previous five years: — An employee or executive officer of the Company; — An employee, executive officer of a company or a director of a company consolidated within the Company; — An employee, executive officer or a director of the Company's parent company or a company consolidated within this parent.
Criterion 2	Not to be an executive officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive officer of the Company (currently in office or having held such office during the last five years) is a director.
Criterion 3	Not being (or not being directly or indirectly related to) a customer, supplier, investment banker or commercial banker that is material for the Company or its group, or for which the Company or its group represents a significant part of its business.
Criterion 4	Not being related by close family ties to a corporate officer.
Criterion 5	Not having been an auditor of the Company within the previous five years.
Criterion 6	Not having been a director of the Company for more than 12 years.
Criterion 7	Not holding a significant percentage (more than 10%) of the Company's share capital or voting rights.

Table summarising the classification of members

The table below shows each member's situation in light of the independence criteria as stated above, and the classification chosen by the Supervisory Board. The Board identified six independent members out of eleven as at December 31, 2016, representing therefore 54% of independent members, largely above the one-third of independence recommended by the AFEF-MEDEF Code. Following Elizabeth Corley's resignation as from February 9, 2017, the proportion of independent members represents 60% of the ten members.

	Criterion 1	Criterion 2	Criterion 3	Criterion 4	Criterion 5	Criterion 6	Criterion 7	Classification chosen by the Supervisory Board
Axel Theis	x	✓	✓	✓	✓	✓	x	Non Independent
Brigitte Bovermann	x	x	✓	✓	✓	✓	x	Non Independent
Ümit Boyner	✓	✓	✓	✓	✓	✓	✓	Independent
Philippe Carli	✓	✓	✓	✓	✓	✓	✓	Independent
Elizabeth Corley*	x	✓	✓	✓	✓	✓	x	Non Independent
Nicolas Dufourcq	✓	✓	✓	✓	✓	✓	✓	Independent
Ramon Fernandez	✓	✓	✓	✓	✓	✓	✓	Independent
Maria Garaña	✓	✓	✓	✓	✓	✓	✓	Independent
Marita Kraemer	x	✓	✓	✓	✓	✓	x	Non Independent
Thomas-Bernd Quaas	✓	✓	✓	✓	✓	✓	✓	Independent
Jacques Richier	x	✓	✓	✓	✓	✓	x	Non Independent

* Resignation following the Supervisory Board meeting of February 9, 2017 (see section 2.2.1 of this Registration Document for more details).

Conflicts of interest

Concerning in particular criterion 3, the Supervisory Board ensured that none of the members likely to be considered as independent was related directly or indirectly to a customer, supplier or banker that is material to the Company or the Group. To this end, the Nomination and Remuneration Committee made a case-by-case and multi-criteria assessment of the business relationships that may exist between Euler Hermes Group companies and companies at which certain members held professional functions or directorships (as detailed under section 2.2.3 of the 2016 Registration Document). The Committee concluded there was no business relationships for Philippe Carli, Ramon Fernandez, Maria Garaña and Thomas-Bernd Quaas likely to question their independence. The Committee performed a deeper assessment in respect of the offices held by Ümit Boyner in Unicredit and Nicolas Dufourcq in BPI France and concluded the following:

- business relationships exist between Euler Hermes Group entities and, respectively, the entities of the Unicredit and BPI France groups, but the sales and volume of purchases generated as part of the business relationships represent only a very low share of the respective business of the groups in question;
- there exists no relationship of economic dependence, exclusivity or overweight in the sectors concerned by the business relationships between the Euler Hermes Group and the groups in question;
- the business relationships occur in the normal course of business as part of a conventional competitive environment;
- the business relationships do not directly concern Euler Hermes Group but only certain subsidiaries or branches;

- the Euler Hermes Group Supervisory Board in no way interferes in these business relationships;
- Ümit Boyner does not hold any operational function either in Euler Hermes or in Unicredit. She has no decision-making power in terms of the selection of service providers or the attribution, implementation or management of contracts constituting business relationships;
- the member of the Supervisory Board concerned receive no remuneration and have no personal interest related to the contracts concerned.

Eventually, with respect to the prevention and management of conflicts of interest, the Supervisory Board refers to its internal regulations, as amended on November 5, 2013, which stipulate that:

- members of the Board are required to make every effort to avoid any conflict between their moral and material interests and those of the Company;
- in any situation that gives rise or might give rise to a conflict between the corporate interest and his/her direct or indirect personal interest, or the interest of the shareholder or group of shareholders that he/she represents, the member of the Supervisory Board concerned must inform the Board as soon as he/she is aware of the situation and deal with any consequences in relation to the exercise of his/her duties, under penalty of incurring his/her own liability. Thus, depending on the case, he/she must:
 - either abstain from the vote on the corresponding resolution,
 - not attend meetings of the Supervisory Board during the period in which the conflict of interest exists, or
 - resign from his/her duties as a member of the Supervisory Board;

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- each member must advise the Board of any information which he or she possesses and which he or she believes might affect the Company's interests. He or she must express his or her concerns and opinions clearly;
- members of the Supervisory Board and any persons attending Board meetings may not, under any circumstances, take any action likely to harm the Company's interests.

The following table summarizes the principal areas of expertise and experience of the members.

	Banking, Finance	Insurance	International	IT	Retail/ other services
Members considered Non Independent by the Supervisory Board (see section 2.4.1.1.1.2)					
Axel Theis		•	•		
Brigitte Bovermann		•	•		
Elizabeth Corley*		•	•		
Marita Kraemer	•	•	•		
Jacques Richier		•			
Members considered Independent by the Supervisory Board (see section 2.4.1.1.1.2)					
Ümit Boyner	•		•		•
Philippe Carli	•		•		•
Nicolas Dufourcq	•		•		
Ramon Fernandez	•		•	•	•
Maria Garaña			•	•	
Thomas-Bernd Quaas	•	•	•		•

* Resignation following the Supervisory Board meeting of February 9, 2017 (see section 2.2.1 of this Registration Document for more details).

2.4.1.1.1.4 Balanced gender representation on the Board

Five of the Supervisory Board's eleven members as at December 31, 2016 were women, representing 45% of the Board. Following Elizabeth Corley's resignation as from February 9, 2017, four members out of the ten are women, thus representing 40% of the Board. Pursuant to the legal rules and the AFEF-MEDEF Code's recommendations, the proportion of 40% female members on the Board has therefore been met.

2.4.1.1.1.5 Share ownership

Every member of the Supervisory Board must be a shareholder in a personal capacity and hold a relatively significant number of shares in respect of the attendance fees he/she receives. At the Shareholders'

2.4.1.1.1.3 Multiple offices and skills

The offices of the members of the Supervisory Board are detailed in section 2.2.3 of the 2016 Registration Document.

The members of the Supervisory Board comply with the legal rules and the AFEF-MEDEF Code's recommendations on multiple directorships. This is an important guarantee of their commitment and availability to the Group.

Meeting to be held on May 24, 2017, it will be proposed to remove from the Articles of Association the obligation for each member to hold at least five of the Company's shares (Article 11 of the Articles of Association). It is proposed to add this obligation to the Supervisory Board internal regulations, including a significant increase of minimum shares to be held.

Corporate Governance

Report of the Chairman of the Supervisory Board to the Shareholders' Meeting on corporate governance and the internal control and risk management procedures established by the Company

2.4.1.1.2 Operation of the Supervisory Board

NUMBER OF MEMBERS		NUMBER OF MEETINGS	
11	vs 11	6	vs 5
2016	2015	2016	2015
PERCENTAGE OF INDEPENDENT MEMBERS		ATTENDANCE RATE	
54% ⁽¹⁾	vs 54%	90%	vs 87%
2016	2015	2016	2015

(1) In accordance with the recommendation 8.3 of the AFEP-MEDEF Code, at least one third of the members of the Supervisory Board are independent.

Internal regulations

The Supervisory Board has adopted internal regulations designed to complement the statutory rules, regulations and Articles of Association, with which the Supervisory Board as a whole and individual members, must comply. The Supervisory Board's internal regulations are available on the Company's website: www.eulerhermes.com.

These regulations provide for the following, among other aspects:

- the organization of Supervisory Board meetings;
- a charter applicable to members of the Supervisory Board, setting out members rights and duties;
- the rules applicable to the Audit and Risk Committee and the Nomination and Remuneration Committee.

Organization of work

Members of the Supervisory Board generally receive the information and documentation related to the topics on the agenda of the Supervisory Board meetings one week before the meeting date. This allows them to examine the issues to be discussed at the meeting. Particularly sensitive and/or urgent topics may be discussed without the prior distribution of documentation or with notice of less than one week.

To facilitate members' participation in Supervisory Board meetings, they may attend in person, via teleconference or via video conference (in accordance with legal requirements and the Articles of Association).

The Chairman of the Supervisory Board nevertheless requests that members attend the meetings in person in order to foster debate.

It is provided that one item on the Supervisory Board's agenda every year shall involve a discussion on its operation. More information on this point is provided under section "Assessment" below.

The Supervisory Board, previously chaired by Clement Booth, is chaired since May 27, 2016 by Axel Theis, who organizes and directs its work, and reports to the Shareholders' Meeting. The Chairman calls the Supervisory Board, sets the agenda of the meetings, chairs the meetings and establishes minutes of each meeting with the assistance of the Corporate Secretary. He ensures that Supervisory Board meetings cover all the points included on the agenda. He also ensures that the Company's Supervisory Board is operating properly, and, in particular, makes certain that members of the Supervisory Board are able to carry out their duties. To do so, he ascertains that all matters that may enable the Board members to carry out effective supervision are included on the agenda. Furthermore, the Chairman ensures that the relevant documentation is sent to Supervisory Board members in a timely manner. He ascertains that the members are effectively present at each meeting. He also ensures that the composition of the Board complies with the rules of governance and that each member's expertise is adapted to the Group's business activities. He moderates the discussions and ensures that sufficient time is allocated to each item on the agenda. He ensures the transparency of the information provided by members of the Board of Management to the Supervisory Board.

In the absence of the Chairman, the Vice-Chairwoman, Brigitte Bovermann, is responsible for calling a meeting of the Supervisory Board and directing discussion.

Report of the Chairman of the Supervisory Board to the Shareholders' Meeting on corporate governance and the internal control and risk management procedures established by the Company

Main duties

Please refer to Article 12 of the Articles of Association as disclosed on page 252 of the 2016 Registration Document.

Overview of activity 2016

Date of meeting	Agenda
February 17, 2016	<ul style="list-style-type: none"> – Remuneration of the Board of Management – Report by the Board of Management – Presentation and approval of the financial results for 2015 and proposed dividends – Presentation of the 2016 budget – Solvency Margin and excess capital – Approval of the press releases: <ul style="list-style-type: none"> – 2015 financial results – Solvency Margin – Board of Management's appointment as from April 1, 2016 – Agenda of the Shareholders' Meeting to be held on May 25, 2016 – Approval of the regulated agreements
April 29, 2016	<ul style="list-style-type: none"> – Presentation of the financial results for Q1, 2016 and approval of its press release – Capital management issues
May 13, 2016	<ul style="list-style-type: none"> – Update on capital management issues – Authorization of the acquisition of shares held by Allianz Vie in the Company – Amendment to the 3rd resolution submitted to the Shareholders' Meeting to be held on 25 May 2016 – Approval of the terms of the draft press releases relating to the share buyback
May 25, 2016	<ul style="list-style-type: none"> – Appointment of the Chairman of the Supervisory Board – Composition of the Committees: Audit & Risk, Nomination & Remuneration
August 2, 2016	<ul style="list-style-type: none"> – Report by the Board of Management – Brexit – Presentation of the financial results for 2016 first-half year and Q2, 2016 and approval of its press release – Strategic Dialogue – Approval of the 2017 calendar
November 8, 2016	<ul style="list-style-type: none"> – Report by the Board of Management – Customer centricity – Bonding Strategy – Presentation of the financial results for 2016 third quarter and approval of its press release – Update on new market abuse European regulation – Approval of the Board of Management's updated internal rules

Assessment

For 2017, following a self-assessment on its functioning conducted in January 2017, the Supervisory Board is planning the following areas of improvement:

- further focus on strategy;
- more information on succession planning;
- more information on competitors and the competitive environment;
- annual one-to-one meeting between the members and the Chairman of the Supervisory Board;
- more updates on post-implementation of decisions to be provided by the Board of Management;
- communicate on a regular basis roadshow documents to the Supervisory Board;
- ensure at least one Supervisory Board meeting without the Board of Management being present;
- diversify speakers during Supervisory Board meeting i.e., more operational oriented;
- put in place an induction program for new Supervisory Board members.

Corporate Governance

Report of the Chairman of the Supervisory Board to the Shareholders' Meeting on corporate governance and the internal control and risk management procedures established by the Company

2.4.1.1.2.3 Attendance of the Supervisory Board members during the 2016 fiscal year

The Supervisory Board met six times in 2016 and was present at the 2016 Shareholders' Meeting.

	Board meeting of 02/17/2016 ⁽¹⁾	Board meeting of 04/29/2016	Board meeting of 05/13/2016	Annual Shareholders' Meeting 05/25/2016	Board meeting of 05/25/2016 ⁽¹⁾	Board meeting of 08/02/2016	Board meeting of 11/08/2016	% attendance of Board meetings (excluding Shareholders' Meeting)	% overall attendance
Clement Booth ⁽²⁾	•	•	•	•	n/a	n/a	n/a	100	100
Brigitte Bovermann	•	•	•	•	•	•	•	100	100
Ümit Boyner	•	•	•	absent	absent	•	•	83	71
Philippe Carli	•	•	•	•	•	•	•	100	100
Elizabeth Corley ⁽³⁾	•	absent	•	•	•	•	absent	66	71
Nicolas Dufourcq	•	•	absent	absent	absent	•	•	66	57
Ramon Fernandez ⁽⁴⁾	n/a	n/a	n/a	•	•	absent	•	66	75
Maria Garaña	•	•	•	•	•	•	•	100	100
Thomas-Bernd Quaas	•	•	•	•	•	•	•	100	100
Marita Kraemer ⁽⁴⁾	n/a	n/a	n/a	•	•	•	•	100	100
Jean-Hervé Lorenzi ⁽⁵⁾	•	•	•	n/a	n/a	n/a	n/a	100	100
Jacques Richier	•	•	•	absent	•	•	•	100	85
Axel Theis	•	•	•	•	•	•	•	100	100

(1) Meeting held without the attendance of the Board of Management in accordance with the recommendations 10.3 of the AFEP-MEDEF Code. The meeting of February 17, 2016 took place partially without the presence of the Board of Management for the questions related to the remuneration of the Board of Management's members and their successions.

(2) Resignation following the Shareholders' Meeting of May 25, 2016.

(3) Resignation following the Supervisory Board meeting of February 9, 2017 (see section 2.2.1 of this Registration Document for more details).

(4) Appointed as from May 25, 2016.

(5) Office ended on May 25, 2016.

2.4.1.1.3 Compensation of Supervisory Board members

The principles and rules on allocation and details of the attendance fees received by members of the Supervisory Board are provided in sections 2.3.3 and 2.3.4 of the 2016 Registration Document.

2.4.1.1.4 Special committees

The Supervisory Board may decide to set up special committees, the composition and powers of which it determines, to carry out specific duties under its responsibility; it may not delegate powers vested in the Supervisory

Board by law or by the Articles of Association, and may not reduce or limit the powers of the Board of Management.

The Supervisory Board has an Audit and Risk Committee and a Nomination and Remuneration Committee.

During its meeting of February 17, 2016, the Supervisory Board decided to appoint an ad hoc Committee composed exclusively of independent members to discuss the possible uses of the excess of cash – including the share buyback by the Company of Allianz Vie's stake. This transaction was finally completed on May 19, 2016. This ad hoc Committee met four times.

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2.4.1.1.4.1 Audit and Risk Committee

NUMBER OF MEMBERS	NUMBER OF MEETINGS	Composition as at December 31, 2016 ⁽³⁾
3 vs 3	4 vs 4	
2016 vs 2015 ⁽²⁾	2016 vs 2015	
PERCENTAGE OF INDEPENDENT MEMBERS	ATTENDANCE RATE	
66% ⁽¹⁾ vs 66%	100% vs 92%	Philippe Carli Chairman and independent member
2016 vs 2015 ⁽²⁾	2016 vs 2015	Brigitte Bovermann non-independent member
		Thomas-Bernd Quaas independent member

(1) In accordance with the recommendation 15.1 of the AFEP-MEDEF Code, two-thirds of the members of the Audit and Risk Committee are independent.

(2) Since May 27, 2015

(3) See section 2.2.3 of the 2016 Registration Document for more information on members' backgrounds. All members of the Audit and Risk Committee have financial or accounting skills in accordance with the Recommendation 15.1 of the AFEP-MEDEF Code.

Organization of work

The Committee meets when convened by its Chairman or the Chairman of the Supervisory Board whenever he or she deems it appropriate, and at least four times a year.

Meeting agendas are set by the Committee Chairman, in conjunction with the Supervisory Board when meetings are convened by that body. The agenda is given to Committee members prior to the meeting, along with any information relevant to their discussions.

To carry out its duties, the Audit and Risk Committee may, if it deems this appropriate, interview the Company's Statutory Auditors and Company executives in charge of preparing the financial statements and of internal control, without the Board of Management being present. With the agreement of the Board of Management, the Audit and Risk Committee may also request information from any person who is liable to assist them

in carrying out their duties, including senior managers in charge of operations and finance and of information processing. The member of the Board of Management in charge of Finance also presents the Company's risks and off-balance-sheet commitments every year.

Main duties

The Audit and Risk Committee, acting under the supervision of the members of the Supervisory Board, assists the Supervisory Board in ensuring the accuracy and fairness of the parent company and consolidated financial statements of Euler Hermes Group, the quality of internal controls, and the information provided to shareholders and to the market. The Audit and Risk Committee may issue advice and recommendations to the Supervisory Board in the areas described below, for improving existing processes and, where appropriate, for establishing new procedures.

Area	Main tasks of the Audit and Risk Committee
Risk management and internal controls	<ul style="list-style-type: none"> Monitoring of the effectiveness of internal controls and risk management systems, and in particular, assessment of internal control systems and review of the Internal Audit function's work program, findings, recommendations and their follow-up Regular reviews of the main risks incurred by the Group, including through risk mapping
Relations with the Statutory Auditors	<ul style="list-style-type: none"> Guidance in the selection of the Statutory Auditors and their replacements, issuance of opinions on the amount of their fees Control of the Statutory Auditors' independence Review of the Statutory Auditors' work program, findings and recommendations
Financial information and disclosure	<ul style="list-style-type: none"> Supervision of the relevance and consistency of accounting policies for the preparation of the parent company and consolidated financial statements, review and assessment of the scope of consolidation Review the parent company and consolidated financial statements before submission to the Supervisory Board Monitoring of the financial information preparation and reporting process, and, if necessary, supervision of this process.

Role of the Statutory Auditors

The Statutory Auditors inform the Audit and Risk Committee of:

- their work program and the various surveys conducted;
- changes they deem necessary to the financial statements for periods to be closed or to other accounting documents, together with any relevant comments on the assessment methods used in their preparation;

- any irregularities and inaccuracies they may have identified;
- their findings relating to the aforementioned comments and corrections to the results for the period.

In conjunction with the Audit and Risk Committee, the Statutory Auditors also review any risks that are liable to compromise their independence and any preventive measures taken to mitigate these risks.

They inform the Audit and Risk Committee of any material weaknesses in internal control pertaining to procedures for the preparation and processing of financial and accounting information, and, each year they provide the documents required by law.

Overview of activity 2016

Date of meeting	Agenda
At each quarterly meeting	<ul style="list-style-type: none"> Approval of the minutes of the Audit and Risk Committee Update on Solvency II reportings, solvency margin, risk management Update on internal audits Review and approval of financial communications Discussion of the key large claims Update on compliance activities Report of the Statutory Auditors
February 16, 2016	<ul style="list-style-type: none"> Review of the 2015 financial statements Dividend distribution proposal Review of the 2016 budget Productivity plans Review of the chairman's report on internal control Self-assessment of the operation of the audit and risk committee
April 28, 2016	<ul style="list-style-type: none"> Review of 2016 first quarter financial statements Introduction of new chief risk officer Selection process for statutory auditors' appointment – audit tender Share buyback project
August 1, 2016	<ul style="list-style-type: none"> Review of 2016 second quarter financial statements Introduction of new head of internal audit Update on audit tender for statutory auditors' appointment
November 7, 2016	<ul style="list-style-type: none"> Review of 2016 third quarter financial statements Presentation of the 2017 internal audit plan Update on audit tender for statutory auditors' appointment

Assessment

For 2017, following a self-assessment on its functioning conducted in January 2017, the Audit and Risk Committee is planning the following areas of improvement:

- Time of committee meetings to be spent more efficiently;

- Look into the possibility of having an independent member with expertise on insurance and Solvency II;
- More involvement in the Company's financial policy, investment and asset management policy as well as accounting standards.

2.4.1.1.4.2 Nomination and Remuneration Committee

NUMBER OF MEMBERS	NUMBER OF MEETINGS	Members at December 31, 2016 ⁽²⁾
3 vs 3 2016 2015	2 vs 4 2016 2015	
PERCENTAGE OF INDEPENDENT MEMBERS	ATTENDANCE RATE	
66% ⁽¹⁾ vs 66% 2016 2015	100% vs 84% 2016 2015	
		Thomas-Bernd Quaas Chairman and independent member ⁽³⁾ Brigitte Bovermann non-independent member Ramon Fernandez independent member ⁽⁴⁾

(1) In accordance with the recommendation 17.1 of the AFEP-MEDEF Code, the majority of the members of the Nomination and Remuneration Committee are independent.

(2) See section 2.2.3 of the 2016 Registration Document for more information on members backgrounds.

(3) In accordance with the recommendation 17.1 of the AFEP-MEDEF Code, the Chairman of the Nomination and Remuneration Committee is independent.

(4) Ramon Fernandez was appointed as independent member of the Nomination and Remuneration Committee on May 25, 2016, replacing Jean-Hervé Lorenzi.

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Organization of work

The Nomination and Remuneration Committee meets when convened by its Chairman, whenever the Chairman or the Supervisory Board deems it appropriate. Meeting agendas are set by the Committee Chairman, in conjunction with the Supervisory Board when meetings are convened by that Board.

A Committee member may ask the Committee Chairman to organize a meeting. The Committee may also intervene at the request of the Chairman of the Supervisory Board or of the Board of Management, but only in an advisory capacity.

The Chairman of the Supervisory Board is involved in the work of the Nomination and Remuneration Committee, except in respect of any matter that concerns him or her personally.

The Board of Management may be invited to attend Committee meetings, except for those relating to the remuneration of corporate officers.

The Committee may also ask to be provided with any internal document and any information needed to enable it to operate properly. It makes such requests to the secretary of the Supervisory Board or of the Board of Management.

Main duties

Area	Main tasks of the Nomination and Remuneration Committee
Nomination	<ul style="list-style-type: none"> Review of applications for appointment to the Board of Management or the Supervisory Board and issuance of recommendations to the Supervisory Board Review of independence and gender balance of Supervisory Board members and appropriate number Preparation of recommendation on succession plan for Board of Management and Supervisory Board
Remuneration	<ul style="list-style-type: none"> Recommendations concerning fixed and variable remuneration, pension and benefit plans, benefits in kind and other financial entitlements, including, where appropriate, allocations of stock options or bonus shares to members of the Board of Management Recommendations on attendance fees to the Supervisory Board

Overview of activity 2016

Date of meeting	Agenda
February 16, 2016	<ul style="list-style-type: none"> Approval of the minutes of the Nomination and Remuneration Committee Remuneration for the members of the Board of Management for 2015 Succession plan: composition of the Board of Management as from April 1, 2016 Definition of financial and individual targets of the Board of Management for 2016 Remuneration policy for the members of the Board of Management for 2016 Succession plan: composition of the Supervisory Board: candidates to be proposed at 2016 Shareholders' Meeting Attendance fees to be allocated to members of the Supervisory Board for 2016 Assessment of the independence and gender balance of the Supervisory Board pursuant to the AFEP-MEDEF Code recommendations Analysis of the results of the self-assessment of the Supervisory Board
August 1, 2016	<ul style="list-style-type: none"> Approval of the minutes of the Nomination and Remuneration Committee Review of sustained performance plan Gender equalization – women in leadership

Assessment

For 2017, following a self-assessment on its functioning conducted in January 2017, the Nomination and Remuneration Committee is planning the following areas of improvement:

- More information on succession planning;
- Organization of meetings/presentations by operational directors with high potential.

Corporate Governance

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2.4.1.1.4.3 Ad hoc Committee composed exclusively of independent members

NUMBER OF MEMBERS	NUMBER OF MEETINGS	Composition ⁽¹⁾ Philippe Carli Ümit Boyner Nicolas Dufourcq Maria Garaña Jean-Hervé Lorenzi ⁽²⁾ Thomas-Bernd Quaas
6	4	
PERCENTAGE OF INDEPENDENT DIRECTORS	ATTENDANCE RATE	
100%	100%	

(1) See section 2.2.3 of the 2016 Registration Document for more information on members Backgrounds.

(2) Jean-Hervé Lorenzi's office ended on May 25, 2016.

Main mission

The ad hoc Committee was created upon the initiative of the Supervisory Board to study the main options available to use the excess of cash. The various options were analyzed and discussed by the Committee members. For its mission, the ad hoc Committee was assisted by financial and legal experts.

2.4.1.2 Board of Management: members, operations, limitation of powers, regional organization and compensation

2.4.1.2.1 Composition of the Board of Management

As at the date of this report, the Board of Management has the following six members:

- Wilfried Verstraete, Chairman;
- Frédéric Bizière;
- Clarisse Kopff;
- Paul Overeem;
- Michele Pignotti; and
- Ludovic Sénécaut.

For personal reasons, Paul Overeem indicated his desire not to finish out his term and has already resigned from his seat on the Board of Management, as of March 31, 2018.

Further details on the members of the Board of Management are provided in section 2.1.3 of the 2016 Registration Document.

2.4.1.2.2 Operation of the Board of Management

The Board of Management operates according to internal regulations which are designed to complement the operating principles stipulated in the Articles of Association, while respecting the collegial principle of the Board of Management. In addition, the internal regulations define the

practical procedures for holding meetings and recording minutes. These regulations are regularly updated with regard to the Company's requirements and the missions that the Board of Management sets for itself and its members. They are available on the Company's website: www.eulerhermes.com.

The Board of Management may decide to form committees and it will define the number and powers of members who will conduct their activities under the Board's responsibility, without being able to delegate the powers granted to them.

The Board of Management meets as often as required in the Company's interests. In 2016, the Board of Management met 29 times, generally twice per month.

The Board of Management is responsible for general management of the Company. It defines the Company's strategic objectives and oversees their implementation. It also monitors the management of subsidiaries and branches. As prescribed by law, it approves the financial statements, proposes dividends, makes investment decisions and determines financial policy. It also decides whether or not to underwrite risks beyond a given threshold.

The members of the Board of Management share the supervision of the activities and functions of the Group. Only the Chairman represents the Company in its relations with third parties.

At least once each quarter, the Board of Management presents a report to the Supervisory Board.

Lastly, the members of the Board of Management are obliged to inform each other of:

- the most important decisions made in the entities or in the areas of business for which they are responsible within the Group, specifically actions aimed at expanding or adapting the Group's activity;

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- events whose scope involves several entities, even if such events take place within their area of responsibility, and, in particular, changes in procedures or operational methods which, although not requiring formal approval by the members of the Board of Management, may affect other Group companies.

The Chairman is in charge of organizing and coordinating the business of all Group companies. Currently, he supervises the following functions at Group level: Internal Audit; Human Resources; Communication; the activities of other members of the Board of Management; and shareholder relations.

The other five members of the Board of Management share supervision of the remaining cross-company functions, i.e. Risks, Information, Indemnification, and Reinsurance; Commercial and Distribution; Market Management; Operations and IT; and Finance.

The person responsible for each cross-company function sets the limits of powers granted to the managers of subsidiaries in each of the areas in question.

2.4.1.2.3 Limitations on Board of Management powers

Article 4 of the internal regulations of the Board of Management sets out the decisions that must be submitted to the Supervisory Board for prior approval, i.e.:

- the sale of real estate property and the total or partial sale of equity investments and the creation of security interests on Company assets where the transaction exceeds €30,000,000;
- transactions for purposes of granting or contracting any borrowings or loans, credit facilities or advances where these exceed €75,000,000;
- transactions involving the pledge of security interests, guarantees, deposits or bonding where these exceed €30,000,000;
- transactions effected directly or through equity holdings that are likely to significantly affect the Group's strategy and materially alter its financial structure or scope of business where these exceed €5,000,000;
- the issuance of securities, of any kind that may result in a change in the share capital regardless of the amount involved.

Any transaction exceeding the specified amount must be approved by the Supervisory Board.

2.4.1.2.4 Remuneration of members of the Board of Management

Please refer to section 2.3.1.1 of the 2016 Registration Document for a presentation on the remuneration policy of the Board of Management.

2.4.1.2.5 Regional Organization

Euler Hermes has set up a regional operational organization while retaining a centralized functional structure in the context of the "One Euler Hermes" project, in accordance with the principles set forth by the Solvency II regulation.

The regional operational organization covers six regions (APAC, France, DACH, Mediterranean and Africa, Northern Europe and North America) each managed by a Head of Region charged with applying the decisions made by the Board of Management. The regional positions of Chief Financial and Administration Officer, Risk, Information, Claims and Collection Director and Market Management and Commercial Distribution Director report to the Head of Region and the member of the Board of Management with analogous functions.

A similar organization is in place between the local level and the regional level.

2.4.1.3 Factors likely to have an impact on a public tender offer

These factors are described in section 7.5 of the 2016 Registration Document.

2.4.1.4 Procedures for shareholder participation in Shareholders' Meetings

In accordance with Article 20 of the Company's Articles of Association, it is noted that the conditions under which shareholders take part in Shareholders' Meetings are those laid down by the applicable regulations.

2.4.2 Internal control procedures and the control environment

2.4.2.1 General information

2.4.2.1.1 COSO

The Company's internal control system follows the framework of COSO (Committee of Sponsoring Organizations) which defines the internal control process implemented by an entity's general management,

managers and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations;
- reliability of financial reporting;
- compliance with the laws and regulations in force.

COSO's definition of internal control breaks it down into five separate areas:

- the control environment (increasing staff awareness of the need for controls);
- risk assessment (factors likely to affect the achievement of objectives);
- control activities (particularly the application of standards and procedures);
- information and communication to manage and control activities;
- the monitoring of control systems.

Internal control aims to provide reasonable assurance that the following objectives will be achieved:

- financial performance, by the efficient and appropriate use of the Group's assets and resources and protection against the risk of losses (within the Company);
- precise and regular knowledge of the data required for decision-making and risk management;
- adherence to internal and external rules;
- prevention and detection of fraud and mistakes;
- accuracy, completeness of accounting records and preparation of reliable accounting and financial information in a timely manner.

The Group's rules and general principles have been drawn up by the Group's cross-company divisions, in agreement with the Board of Management, in the areas of Risk, Claims, Debt Collection, Sales/Marketing, Finance, Accounting, Reinsurance, Information Technology, Audit, Communications and Human Resources. They have been introduced in the principal entities as procedures that include individual responsibility thresholds and the organization of specific committees (Risk and Sales/Marketing Committees, for example).

Our principal subsidiaries and branches also have:

- a risk business model and quality standards for management of debtor risk;
- a collection business model and quality standards for debt collection.

As indicated, our management model includes three lines of controls:

First-level of control

At Group level, there are cross-company functions for the Risk/Information/Claims/Collection, Sales/Marketing and Strategy/International Development operational areas, and for support areas such as Operations, Information Technology, Finance and Accounting, Reinsurance, Human Resources and Communications.

Each of these teams reports to a member of the Board of Management and oversees implementation of Group directives in the regional entities. Specialized Committees of the Board of Management or of the corresponding bodies in major subsidiaries have been created in order to bring together the managers and experts in the relevant areas and the relevant members of the Board of Management.

Procedures describing the processes and the main related controls have been drawn up for each department.

Controls are carried out by the operational units themselves. These controls may be integrated into the processing of transactions (first-level) and some may be integrated into automated systems. In addition, they may be carried out by units or individuals that are independent of the above-mentioned operational units or separate from those that carried out the first-level controls (second-level).

Second-level of control

This second level of control is performed by control functions independent of the purely operational functions, such as Compliance, Risk Management, Actuarial and Internal Control (ICOFR). These functions are also given in detail in this report.

Third-level of control

Internal Audit performs this level of control by giving an independent, objective opinion on the rules and application of those rules within the Group, including whether the second-level control operates in accordance with expectations and by proposing improvements, if necessary.

2.4.2.1.2 Solvency II

In the context of the new solvency standards applicable for insurance and reinsurance companies, the Board of Management has approved and implemented several rules, particularly a Risk Policy and a Governance and Control Policy that are based on the corresponding rules in force in the Allianz group. They have, however, been specified in relation to the environment specific to the Euler Hermes (structure by region, etc.).

The Company's Policies clearly establish the leading role of the operational and support functions as the first line of defense in the controls performed daily, and the role of the control functions, primarily Compliance, Risk Management and Actuarial as the second line of defense. Internal Audit, in its turn, acts as the third line of defense within the mechanism.

The Risk Policy establishes in particular:

- principles and a common framework for risk management throughout the Euler Hermes Group in order to promote a high risk culture;
- an integrated framework to protect and manage equity; and
- the integration of the capital risks and concepts required in decision-making processes.

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This framework ensures that risks are identified, analyzed, assessed and managed using a system common to the entire Euler Hermes Group.

The Governance and Control Policy, which follows the COSO 2013 as a basic standard and the requirements for Solvency II, also specifies:

- the governance system framework implemented, with the role of the Board of Management, specialized committees reporting to the Board of Management (or similar units within the subsidiaries), regional and local managers consistent with the Group's Operating Model;
- the definition of the framework of internal control;
- general control elements, particularly the model of the three lines of defense and the definition of standard controls at the level of the legal entities; and
- directives concerning implementation of the internal control framework with the role of Risk Management in the support and supervision of the internal control system, the definition of the control functions and expectations in terms of control by these functions, the organization of internal control in the operational entities, the Policy Framework and the Committee Framework.

In addition, it describes certain specific areas of controls relating to the financial statements, IT, calculations of Risk Capital, investments and underwriting risks.

2.4.2.2 Operational functions

2.4.2.2.1 Market Management, Commercial Underwriting and Distribution (MMCD)

MMCD is the core function responsible for the Commercial activities of the Group, centrally managed by the members of the Board of Management in charge of Market Management and Commercial Underwriting & Distribution. In turn this function is replicated at both a Regional and Local level with both Regional and Local MMCD Directors who report up to the Group.

The main departments which compose the MMCD function are:

- Market Management – Responsible for Market planning & operations, brand awareness (including the Groups online presence), and lead generation. The primary focus of this department is to promote, monitor and action the Groups True Customer Centricity and Digital strategy, as well as identifying new market needs and trends.
- Commercial Underwriting- Responsible for product pricing & coverage, active portfolio monitoring and new product generation. The primary focus of this department is to ensure profitable portfolio growth through Technical Excellence whilst expanding our offering to the market.

- Distribution – Responsible for prospect and lead conversion via our sales channels (Direct Sales, Broker/Intermediary Sales and Bank Partners), as well as after-sales support and account management. The primary focus for this department is to actively retain our portfolio whilst generating new business.
- Commercial Controlling (it may report to CFAO in certain cases) – Responsible for Commercial reporting and centralization of commercial data.

In addition to the departments noted above, both Regional and Local specialised teams exist which are responsible for multinational customers, medium term transactional cover, political risk and excess of loss type products. These teams provide the expert knowledge required to manage the complexity required as well as the potential cross border collaboration needed with other local entities.

The MMCD central management issues common Group MMCD rules to the Regions to govern and manage the risk associated with the commercial portfolio, reinsurance, pricing, and agreements with intermediaries.

2.4.2.2.2 Policy Administration

This department ensures the issuance of insurance premiums, discounts, collection of unpaid premiums and tracking of customer accounts.

In each branch subsidiary, Policy Administration is under the responsibility of a Policy Administration manager who reports to the CFAO.

A central Group Policy Administration department that reports to the Chief Operating Officer has the mission of issuing best practices, harmonizing work processes to the fullest extent possible, and working to implement common Policy Administration tools.

Like the structure of the Group described in 2.4.1.2.5, this department relies on regional managers who coordinate the actions of the local PA managers.

2.4.2.2.3 Risks, Information and Claims, and Reinsurance

The role of the Risks, Information and Claims and Reinsurance department is to secure the customer stations for domestic and international policyholders.

This role has several components:

- supervision and control of credit risk;
- sufficient coverage of policyholders' commercial transactions;
- effective prevention of the risk of default;
- optimum customer service quality;

- good cost control;
- risk mitigation through reinsurance mechanisms.

Risk analysis, just like the issuance of guarantees, is framed and obeys a set of rules that are defined at the level of the Euler Hermes Group and are implemented at the regional and then the local level.

The Group Risk Information and Claims (GRIC) department supervises both quarterly and every six months control of the credit risks in the entities via different bodies (Risk Controlling committee – RiCo; Risk Underwriting Committee – RUC or GRUC; Regional Risk Committee – RRC; Regional Business Review – RBR).

The department is organized into four activities:

- Information & Grading;
- Risk Underwriting;
- Claims and Collection;
- Reinsurance.

These activities are under the responsibility of the Director of Risks (RIC Director) at the regional and local level.

Information & Grading is composed of Financial analysts with geographic expertise, while arbitrage is composed of underwriters divided by sector of activity. This distribution generates a double view of the risks (geographic and sector), gives expertise in international risk management and, ultimately, delivers optimal coverage to our insured.

The separation of the Information & Grading and Risk Underwriting activities is ensured through application of the principle of "segregation of duties" between analysts and underwriters; the analysts are responsible for grading (risk assessment) and the risk underwriting teams are responsible for underwriting the risks.

Claims and Collection handles the files of claims or threats of claims.

The mission of Information & Grading is to determine a grade and issue credit limits for the buyers (clients of the Euler Hermes Group policyholders) and to monitor the risks borne regarding these buyers. To do this, it collects and analyzes the information about them in order to have an updated, high quality database.

After analysis of the information in its possession (balance sheets, cash incidents, information collected from the buyer: projections, budgets, investments, etc.) in light of knowledge of the local economic fabric, Information & Grading is able to advocate a risk position regarding the buyer in question, which it records in an IT tool common to the Euler Hermes Group, the Information Risk Policy application (IRP) developed in house.

Risks are regularly monitored and the frequency of control is determined on the basis of their sensitivity (a function of the grade and total coverage granted to Euler Hermes policyholders).

The Information & Grading recommends risk allowed to the underwriting in order to take a position on the risks carried related to buyers.

Information and Grading thus participate to claims control through prevention of the frequency and severity risk and to the development of the insured's activity through evaluation of the buyer risks with optimum response times.

The essential mission of Risk Underwriting is to support commercial transactions of the insured, i.e. to take into account the needs of the insured through relevant responses and response times that are as short as possible, while ensuring prevention of the risk of default.

The underwriters decide on the credit limits granted to the insured on their customers, and conduct tracking thanks to the data collected and assembled by Information & Grading. This mission is part of a good risk/sales balance, respecting the risk limits determined by the different competent committees (exercise of the prevention component) and by trying to satisfy and to develop customer loyalty through high quality service and close contacts.

Depending on his expertise, experience and level of responsibility, each underwriter has decision power with regard to the amounts requested.

As previously indicated, Euler Hermes has a sophisticated platform, "IRP", which collects the data available on millions of companies around the world and allows risk underwriting.

Each request is either entered by the back-office or directly by the insured on the Internet via the "EOLIS" on-line system. Then, the requests associated with entities located outside the request country are automatically directed by IRP to the country in which the customer of the insured is located. If the customer is strategic, the decision can be reviewed: this may be a technical decision (modification of certain features of the insurance), a positive decision (the decision made by another Euler Hermes entity is considered to be too severe and a higher amount is granted, for example) or a negative decision (downward review of a limit set by another entity).

Risk Underwriting has frequent contacts with customers regarding the various risks underwritten or to be underwritten. It actively participates in the renewal of policies and new production.

The activities of the Claims & Collection department consist of the indemnification of policyholders in the event of claims, either after an official insolvency or in the event of presumed insolvency and the recovery of receivables from their customers.

Policy coverage is assessed when the claims file is opened by means of a study of coverage. This study verifies or possibly refuses or reduces the indemnification on the basis of the policy conditions, the coverage offered by Euler Hermes, and the documents transmitted by the customer (purchase order, unpaid invoices, etc.).

The principle of separation of functions is respected for payment of the indemnities. Payment orders are performed by the indemnification unit.

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Payments are then validated by the Accounting department. There are levels of internal authorization powers for claims payment.

Collection procedures are performed by specialized teams. Payments received are automatically or manually allocated to the corresponding amount outstanding.

The reinsurance function finds, negotiates and manages coverage adequate for the risk insurance through the execution of agreements and policies on the basis of a "risk appetite" determined by the Board of Management and its specialized committees with reliable partners.

Likewise, it negotiates and manages risk acceptance relations from other insurers (*see more details in 4.2.2*).

2.4.2.3 Support functions

2.4.2.3.1 Human resources

The central Human Resources department ("HR") has the mission of determining the global HR strategy and ensuring the coordination of the projects conducted by the HR departments at the local level.

It is composed of 3 divisions:

- the "Talent Management" department, which includes the development and planning of adequate training adapted to our business, skills management, management of succession plans, and the recruitment strategy and process;
- the "Compensation and Benefits" department, which includes performance reviews, management of personnel objectives, proposals to modify and apply the compensation policy, and the classification of functions;
- the "HR Controlling and HR Information Systems" department performs the maintenance of key measurements and indicators, monitors full-time equivalents, HR budgets and maintains common HR tools, including our tool to track performance "success factor", and the online training tools like "EH Academy."

Each operating entity has its own HR department. This department conducts the recruiting process, establishes function descriptions and assessments, and the training of employees and managers. It supports the local departments in managing their personnel (monitoring the establishment of objectives and skills). Payroll management, administrative management of vacations and absences, insurance and relations with the corporate partners also fall under the responsibility of the subsidiaries and branches.

In addition, local departments supervise compliance with the regulatory labor framework and monitor social and labor legislation in force,

including enterprise and /or sector agreements; labor regulations; the policies and procedures in place locally and the management of insurance coverages related to employees.

The objectives of Human Resources are:

- to hire persons appropriate for the function (e.g., following the "Fit & Proper" standard rules throughout the Group);
- the monitoring, training, and personnel performance and development;
- an adequate payroll management;
- an adequate management of employee relations;
- workplace safety; and
- compliance with and application of laws and regulations.

2.4.2.3.2 IT

The IT function at Euler Hermes is consolidated at the level of the Group and delivers its services to all operational entities.

The teams are located in several Group entities, primarily in Paris.

The IT activity of Euler Hermes is divided into 6 sections:

- Group IT Production (GIP): management of infrastructure and operations (backups, daily processing, etc.);
- Group IT Development (GID): management of maintenance and upgrades to the applications;
- Development Programs: management and implementation of group-wide application projects;
- Production Groups Programs: management and implementation of group-wide technical projects;
- Group IT Security (GIS): management of IT security;
- Group IT Transversal Activities (GITT): a transversal unit that includes budget, the teams testing non-regression of the applications, architecture and internal IT control.

The various governance bodies in place for the Euler Hermes IT function include, a "Group Project Investment Committee" at the strategic level, and a "Group Security Committee" and an "IT Board of Management" and "IT Production Board of Management" at the level of the operational activities. These specialized Committees meet periodically.

Actions are underway in order to change the organization and define a new IT Strategy for the purpose of greater flexibility.

Major projects must be validated by the "Group Project Investment Committee" (GPIC).

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A methodological framework is defined for all projects, and is managed and controlled by a Methodology manager.

The maintenance established is organized around each Group application in three components:

- a "Core Business" team or "IT Correspondent", representing the business teams;
- a development team that is responsible for upgrades and maintenance;
- a reference for the IT production teams ("Application Manager").

Dedicated maintenance committees are established. These committees monitor the maintenance budgets, the quality of the application (number of incidents, availability, etc.) and arbitrate modifications to be made to the application.

The service contracts between the business and the IT department define the reciprocal commitments of the contracting parties and levels of service expected and measurement and reporting tools.

With regard to infrastructure, the subsidiaries are interconnected by means of a wide area network. Management of the network and the Internet connection are being pooled with all subsidiaries of the Allianz group (AGN – Allianz Global Network).

All Group systems are managed by an unified organization within a data center in France and two performance centers in the US and Singapore. Such management pursues a policy of harmonization and integration of systems, both for infrastructures and applications, which helps to reinforce access-control procedures and standardization of the subsidiaries' internal control systems.

In the event of problems, a backup site in France can be used. Data recovery tests are carried out on a regular basis.

The Group production center and the local production centers apply data back-up procedures and use off-site data storage.

In accordance with Allianz's policy, each year the Group updates and tests the business continuity plans. Analysis of the test results lead to the development of an action plan so as to correct any deficiencies identified.

To meet the regulatory requirements of Solvency II, the Group has set up a control framework to manage the rules related to outsourcing: the GOP – Group Outsourcing Policy.

In addition to compliance with regulatory requirements, the principal challenges in this process are to:

- secure relations with partners through the use of systematic good practices;
- improve the quality of the services provided to Group users;
- optimize costs in managing purchases.

All activities related to information security and business continuity management are supervised and controlled by the Group Security Committee.

Information security procedures within the Group are organized around two principal functions:

The Group Security Officer is responsible for:

- defining new policies and procedures, where required;
- implementing security policies and procedures within the Group;
- ensuring compliance with those policies and procedures by all Group entities;
- coordinating the Business Continuity Management plans within the Group;
- assessing the IT security risks within the Group and proposing appropriate solutions.

More particularly, this officer is responsible for all security-related sales and marketing aspects. He or she coordinates a network of correspondents in the business operational units.

Within the Group IT Systems Division, the Group IT Security Officer is responsible for:

- ensuring the implementation of technical means to improve IT security (e.g. firewalls for the Group's networks, antivirus software to protect the network from outside attacks, encryption software to protect confidential data, user authentication and access authorization management software, etc.);
- establishing and monitoring controls to ensure that the IT system complies with information system security policies;
- defining an annual information system security awareness plan and ensuring that it is effective in the regions.

The Group IT Security Officer is in charge of coordinating actions relating to IT security with the IT Security managers in the subsidiaries, in particular for the implementation of technical standards for information system security.

The Euler Hermes IT security policy is aligned with the framework defined by Allianz (GISF – Group Information Security Framework), which governs the roles and responsibilities within each entity and the security rules to be implemented by area (management of access, security, the network, daily processing, etc.).

This mechanism is supplemented by a code of conduct available on the Euler Hermes Intranet. This document gives details of employee responsibilities when using the Euler Hermes Information System.

In addition, security awareness campaigns are organized along with employee certifications in Security and Fraud Prevention.

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Outside IT service providers (subcontractors) must sign a confidentiality agreement before being able to use the Company's information resources. These collaborators are then subject to the same obligations as Euler Hermes employees.

The IT activities of Euler Hermes are subject to the Group's internal control framework (ICOFR – Internal Control over Financial Reporting). The IT control framework has been constructed both with regard to the requirements of the Allianz group and COBIT (Control Objectives for Information and related Technology). It consists of six types of controls:

- Access & Authorizations: logical and physical security;
- Change Management: life cycle of maintenance, tests & validations, separation of functions, access of developers in Production, etc.;
- Project Management: project life cycle, budget monitoring, tests & validation, governance, etc.;
- Operations: management of backups, patches, Business Recovery Plan, etc.;
- End-User Computing: securing non-system data (e.g. Excel files) used for production of financial statements;
- Entity-Level Controls: Information System governance, strategy, training, audit, etc.

The Internal Control function (*see* 2.4.2.7) is responsible for the definition of the control framework and the performance of biannual tests. The results of the tests are the subject of independent reviews by the management of the Group Internal Control (Group Finance department).

Finally, audits of ITS projects, process and technical infrastructure are regularly managed by the Group internal audit structure in collaboration with the audit teams in Group subsidiaries.

2.4.2.3.3 Legal function

The legal function under the Chief Finance Authority is organized as follows across Euler Hermes Group.

The legal function, at Group level, focuses on legal matters that are significant to the Group as a whole. Furthermore, Group Legal defines guidelines in order to guarantee the most efficient coordination of the legal activities at the Group level.

At Group level, legal roles and responsibilities are mainly the following.

Concerning business and operations:

- provides business oriented legal advice to ensure compliance with applicable laws and regulations and to guide the Board of Management (support for the setup of products and contracts as well as partnerships at Euler Hermes Group Level);
- provides quality standards for agreements and legal assistance for negotiating and drafting agreements (in particular partnerships agreements with brokers, banks, and other distribution channels in coordination with Distribution Department);

- coordinates and steers the legal function within the Group and aims to ensure coherence in the approach to legal matters across the Group by establishing efficient reporting lines;
- coordinates the engagement of external lawyers;
- protects the Euler Hermes Group's trademarks.

Concerning Corporate:

- advises and implements restructuring and M&A transactions and minimizing legal risks involved therein;
- defines legal standards for best practice corporate governance within Euler Hermes Group and advises on corporate matters of group importance; ensure corporate housekeeping;
- manages the corporate secretariat of Euler Hermes Group and Euler Hermes SA's Boards, their committees and Shareholders' Meetings;
- handles regulatory matters for Euler Hermes SA and Euler Hermes Group.

The Regional/Country legal functions are therefore subject to Group guidance and coordination acting at local level in respect to the applicable law and practice.

Their local roles and responsibilities are the following:

- regulatory watch in respect of topics managed by Regional / Local Legal, legal advice for correct implementation within Business Departments;
- legal assistance for drafting new products and policies. Review all contracts regarding outsourced activities;
- management of the litigations of any kind related to core business and out: third parties, suppliers, landlords, etc. Legal advice, documents review, coordination with external lawyers.
- point of contact of the local regulator: answer to the regulator's requests and inform Group Legal of any local regulators' requests.

2.4.2.3.4 Finance

This function is described in point 2.4.3 on the accounting and financial internal control procedures.

2.4.2.4 Risk & Capital Management (RCM) Division

The organization of this function is described in 4.2.1 of this Registration Document.

In short, the main tasks of the RCM Division are:

- to identify, measure and take part in the management of financial, insurance and operational risks;

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- to define and monitor Euler Hermes's appetite for these risks and to strengthen the risk-reporting process, risk limits and decision-making processes;
- to calculate the economic capital associated with the business. Economic capital is calculated by using an internal model, where the responsibility for developing the model is divided between the Group for risks associated with insurance activities, and the main shareholder for all other risks. The Group periodically analyzes the validity of these models for the risk profile specific to the Group;
- to construct a favorable environment in terms of models, indicators, standards and culture for the various business lines in order to underwrite risks in the context of the risk appetite validated locally and by the Group;
- to maintain the authorization to use an internal model and complete all the procedural operations for approval of the changes on the internal models with the supervisors in view of Solvency II and the Swiss Solvency Test;
- more generally, to implement all the actions necessary to create an effective "second line of defense" on all risks in connection with other key functions (internal audit, compliance and actuarial);
- to develop a risk culture within the Group through training and regular communications

Although it does not have an operating function, it is closely associated with the Group's management and decision-making processes. It relies on other Group functions, at both the Group and local levels, and in particular the commercial, financial, underwriting, claims management and Finance functions.

The main solvency regulations applicable to the Group are:

- for legal entities within the European Union, Solvency II;
- Swiss Solvency Test (SST) for the reinsurance company in Switzerland;
- for the legal entity in the United States, the applicable regulations in each state.

The Group has developed an internal model for both the Solvency II directive and for SST (a complete model for Solvency II in conjunction with Allianz and a partial model for SST). The use of a complete internal model was approved instead of the standard model for Euler Hermes SA, the main subsidiary of Euler Hermes Group which holds over 80% of the insurance activities. The use of the standard model supplemented by the internal model for the credit-insurance risks was approved for the Swiss captive reinsurance company. Improvements proposed and discussed with the regulators are being implemented.

The solvency ratio for the Group as a whole reached 166% at the end of 2016 (see section 3.10.3 of this Registration Document).

Group Management works with the Risk Control divisions of each of the Group's legal entities by coordinating certain actions and acting as second-level control vis-à-vis these same legal entities.

It also works closely with the main Group operational functions, and more particularly:

- the Investment division on asset allocation, liquidity risk and asset-liability management issues;
- the Reinsurance division;
- divisions performing commercial arbitrage or arbitrage involving insurance limits;
- and the actuarial function (see section 2.4.2.5 of this report).

In carrying out its work, the RCM Division has set up the following tools in conjunction with the Allianz group:

- an internal model to estimate economic and/or regulatory capital. This model covers market, credit, insurance and operational risks;
- an Own Risk Self-Assessment (ORSA) approach in order to qualify the calculation process through the internal model, to quantify non-modeled risks, and to discuss expected trends in the future solvency margin;
- a counterparty and concentration risk management and measurement tool covering the investment portfolio and the limits granted to policyholders under their insurance policy.

Work carried out by the RCM Division is discussed quarterly at a Risk Committee meeting with the Board of Management and submitted quarterly to the Audit and Risk Committee.

A map of operating risks is carried out each year in each entity and region. This map is used in the preparation of the one- and five-year internal audit plans. It covers all functional and operational areas. The risk scenarios are determined and analyzed by legal entity, region, department and sub-department and assessed in terms of probability of occurrence, their scale in the event of materialization and their sensitivity to the control environment.

The results of risk mapping are submitted to the Audit and Risk Committee of the Supervisory Board. This review takes place systematically when audit programs are defined.

The Group takes eight risk categories into account: Market, Credit, Actuarial, Costs, Operational, Liquidity, Reputation and Strategic.

The following risk categories fall explicitly within the framework of the Department's expertise:

- Market Risk / ALM – the risk of incurring losses due to changes in market prices or the parameters influencing these prices;
- Credit Risks – the risk of incurring losses due to an unexpected default or a change in the solvency of a commercial partner;
- Actuarial Risk – the risk of incurring losses resulting from claims payments that must be made in the future on premiums received early. The amount of the indemnity is uncertain while the premium is defined (stochastic nature of the future payment of claims);

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- Operational Risk – the risk of incurring losses due to the inadequacies or defects in procedures or controls related to technical elements, people, organizations or outside factors;
- Liquidity Risk – the risk of incurring losses resulting from the danger that an obligation for short, medium or long-term payment cannot be honored or can only be satisfied on the basis of altered conditions;
- Strategic Risk – the risk of an unexpected and negative change in the valuation of the Company arising from an unfavorable effect of decisions by the executive team in the definition and application of its strategy.

The major risks borne by the Euler Hermes Group are described in detail in sections 4.2.2 to 4.2.5 of this Registration Document.

2.4.2.5 Actuarial

The role of the Group actuarial function focuses on several areas, as indicated in Article 48 of the Solvency II directive:

- it defines minimum standards in terms of data quality, actuarial assumptions, methods and processes to be adopted by the legal entities for the calculation of their technical provisions. It controls the proper implementation of these standards and reviews the legal entities' level of technical provisions. It also discloses on a quarterly basis the resulting technical provision levels to the Group Loss Reserve Committee, communicates with regard to their adequacy and obtains the approval of the Board of Management regarding their levels;
- it controls proper implementation by the legal entities of the reserve risk model and approves the resulting reserve risk capital at the Group level;
- it also contributes to effective implementation of the risk management system;
- lastly, it is involved in overall underwriting and pricing policy and in the setting up of reinsurance agreements.

The Group actuarial function relies on local actuarial functions and coordinates their work.

This is regularly reviewed by the Allianz group's actuary.

2.4.2.6 Compliance

The compliance function strives to ensure that Euler Hermes Group and its employees conduct their business activity with complete integrity and in compliance with the professional, legal and regulatory rules for the insurance profession in general and credit insurer in particular.

Thus, its mission is to assist in warning the Group and its employees against the risks resulting from violation of the laws, the circulars issued by the prudential authorities, the rules of the Euler Hermes Group and Allianz as well as the ethical standards in use in the insurance profession.

With respect to the scope of application defined above, the Compliance Officer is responsible for the following:

- transversal management:
 - manage and organize the Euler Hermes compliance network within headquarters, its lines of business and subsidiaries with the assistance of regional and local Compliance Officers,
 - report on compliance risks and implement appropriate procedures;
- prevention, detection, advice and support:
 - monitor and assess risks at the level of the compliance procedures in force within the Company,
 - design new procedures, or enhance existing ones
 - define and establish quality standards,
 - ensure the analysis, the response and the non-retribution of whistle blowers;
- awareness and communication of compliance rules and standards:
 - monitor regulatory changes and adapt internal rules and procedures as necessary,
 - increase awareness of the compliance procedures in force at Euler Hermes, its branches and subsidiaries through communications and training.

The following areas, while managed and implemented by other departments (such as Risk & Capital Management, Human Resources, Purchasing, and Market Management, Commercial & Distribution departments), are also reviewed by the compliance function:

- sub-contractors and suppliers;
- incompatibility of offices, Fit & Proper;
- laws on sales practices and;
- insurance intermediation;
- Solvency II policies for the subsidiaries in question.

Thus, the scope of the Compliance function at Euler Hermes is focused, but not exclusively, on the following areas:

- data privacy;
- prevention of insider trading and market manipulation;
- prevention of money laundering and the financing of terrorism;
- adherence to economic sanctions rules;
- prevention of fraud and corruption;
- antitrust; and
- identification and management of conflicts of interest.

The compliance function is audited periodically on various topics across the regions. During 2016, all compliance function audits yielded satisfactory results.

2.4.2.7 Internal control

The purpose of the internal control function is to coordinate internal control within the Euler Hermes Group with a continued focus on greater standardization of the control processes, alignment of internal control actions between the branches and subsidiaries and between the different operational functions, and consistency of action between the levels of controls.

It also coordinates the testing and review of the overall performance of Internal Control over Financial Reporting (ICOFR) throughout the Euler Hermes Group.

The ICOFR cycle is based on an annual cycle that has six steps:

- selection of the process that play a significant role on financial results;
- description of this process and identification of the related risks;
- identification of the key controls that mitigate these risks;
- tests of design and effectiveness of the controls;
- evaluation of the deficiencies in the controls and remediation;
- certification of the management of the operational entities.

The internal control function reviews the quality of the risk assessments (including assessment of controls relating to prevention of fraud and corruption), facilitates the identification of opportunities, and monitors the effectiveness of implementation.

2.4.2.8 Internal audit

The internal audit function is common to the Euler Hermes Group. This function is performed independently so that it reports to the CEO and to

the Audit and Risk Committee (see 2.4.1.1.4.1) and functionally to Allianz group Audit. No auditor performs an operational function.

Audit is organized by function: Risk/HR, Market Management/Commercial Underwriting/Distribution, Finance/Accounting, Operations and Corporate Governance. Regional correspondents have been put in place.

An annual program of audit assignments is defined every year. This program, based on a risk mapping and a pragmatic approach to requirements, includes global audits of the subsidiaries (sovereign audits), transversal audits of processes performed simultaneously in the main subsidiaries, and vertical audits of all the processes of a given function within a subsidiary. It is prepared according to a structured procedure. It is subject to both a discussion and a validation process with operational staff, general management and the Audit Committees.

The last stage of the validation of the audit program is the presentation to the Audit and Risk Committee for approval in the fourth quarter. The audit program is consistent with achieving a five-year risk cover while at the same time providing short-term cover of the most sensitive risks.

The following audits were conducted in 2016: 16 transversal audits (one of which is still in progress), 17 vertical audits (one of which are still in progress), 3 sovereign audits, 2 ad hoc audits carried out at the request of the Management, 3 regulatory audits.

The audit activity is governed by an audit charter. The latest version was updated in June 2014 and approved by the Audit and Risk Committee in November 2016. It sets out in details the missions and organization of the various control levels within the Group and its subsidiaries. It is supplemented by the development of audit standards and procedures at local and Group levels.

In 2010, the Allianz group Audit function issued two documents (*Allianz group Audit Policy* and the *Standard Audit Manual*), which the Group has adopted. These documents were updated in 2016.

The Group audit structure also underwent a quality audit carried out by the Allianz group Audit function in 2014. The audit results and monitoring of the implementation of the recommendations made by the Allianz group Audit function, had a highly satisfactory outcome.

2.4.3 Accounting and financial internal control procedures

Accounting and financial controls are carried out by the Group Finance Division. This is organized into three departments:

- the Consolidation department;
- the Controlling department;
- the Investment department.

All three departments report to the Group CFO, and carry out regular controls and monitoring of accounting and financial information and of management indicators specific to the activity.

Both the Consolidation and the Controlling department are broken down by geographical area, which means that each geographical area is covered by a consolidator and a financial controller.

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As indicated in point 2.4.2.8, the Company applies the ICOFR standards to the entities and for the significant risks in financial reporting.

2.4.3.1 The Consolidation department

The Group is consolidated by the Allianz SE group, which has prepared its consolidated financial statements in accordance with IAS/IFRS since 1998.

The Group has been presenting its consolidated financial statements in accordance with IFRS since 2005.

All of the principles and rules applicable to the Group's companies are described in a consolidation manual, which is made available to all of the entities.

The IFRS accounting and valuation principles are described in Note 2 of the notes to the consolidated financial statements.

The Consolidation department includes four consolidators reporting to the department head.

Its role is to produce the Group's published consolidated financial statements and to provide the shareholders with the information needed for the integration of the Group's financial statements into their own consolidated financial statements. The Consolidation department's direct contacts are the Accounting and Financial Divisions of the consolidated entities and the Consolidation division of the shareholding company.

All of the Group companies that fulfill the relevant legal and regulatory requirements are consolidated, with the exception of those that are expressly excluded for clearly specified reasons. Exclusions may concern newly created Group companies, in particular.

The Group's consolidated financial statements are drawn up on a quarterly basis. They are signed off by the Group Board of Management and are presented to the Group Audit and Risk Committee, then to the Group Supervisory Board.

They are published four times a year and are signed off on a quarterly, half-yearly and annual basis in accordance with AMF regulations. The financial statements for the six months ended June 30 are subject to a partial audit by the Statutory Auditors while the annual financial statements, including both the individual financial statements of the consolidated entities and the consolidated financial statements per se, are subject to a full audit.

In addition, the quarterly financial statements drawn up by the Group and sent to the Consolidation department are subject to a certificate of compliance signed by the CEO and the CFO of the subsidiary.

The consistency and coherence of the consolidated data are ensured through application of a standard consolidation package, regular updating of Group instructions and monitoring of their application.

A common chart of accounts allowing for retrieval of information in accordance with the principles used by our shareholders has been implemented for all Group companies.

This is a standard document that has been configured and formatted using the BFC (*Business Financial Consolidation*) software used by all of the Group. It has three modules:

- financial statements: balance sheet, income statement, statement of cash flows, evidence of tax liabilities and notes;
- statistical statements providing details and analysis of the information included in the financial statements;
- statements related to the commitments given and received, which must be listed and appraised on a periodic basis.

Available to all of the consolidated entities *via* the network, the accounting manual describes the general accounting principles applicable to the Group, the valuation and accounting methods used for each item in the consolidated balance sheet and the consolidated income statement, and instructions for reporting the consolidation package.

2.4.3.2 The Controlling department

The Group Management Control reports to the member of the Board of Management in charge of Finance.

Controlling is carried out jointly by the Controlling department of each subsidiary, by the regional controllers, and by the Controlling department of the Group Financial Division.

This structure makes it possible for the Group Controlling function, which is organized by region, to carry out second-level controls.

The Group Controlling department presents the results to the Board of Management on a monthly basis, and to the Audit and Risk Committee and the Supervisory Board of the Company on a quarterly basis. It may also prepare additional analyses on specific points, at the request of the Board of Management.

The main responsibilities of the Controlling department are:

- draw up the Group's budget for the coming three years;
- monitor and update revised forecasts for the current fiscal year on a monthly basis;
- check the consistency of data in the consolidation packages during monthly and quarterly closing;
- analyze business trends on a monthly basis using operational and financial indicators;
- draw up budgets and update budget forecasts for the Company and central entities;
- monitor and analyze the performance of subsidiaries using operational and financial indicators, compared with the previous year and in relation to budget forecasts;
- create comparisons between subsidiaries;
- create monthly reports for the management body and quarterly reports for Company's shareholders, including the majority shareholder and the minority shareholders.

Controls rely on harmonized reporting as defined by the Group Controlling department. This harmonization facilitates comparisons based on time and region and benchmarking (particularly of costs).

The subsidiaries' reports must be accompanied by comments on their activity, drafted by the CFO and approved by the CEO. These comments must highlight any material discrepancies from one month to another or in relation to the budget, the updated budget forecasts or those from the previous year.

Regardless of the activity in question (monthly closing, quarterly closing, forecasts update or budget preparation), the control procedures mainly relate to the following data:

- external data, including insurance terms and conditions, financial assumptions and tax rates;
- internal data, mainly including commercial production (changes in the commercial portfolio and translation into premiums, etc.), changes in claim ratios and in general cost ratios, and monitoring of employee numbers;
- respect for accounting rules: premiums provisioning, claims provisioning, and run-off monitoring.

This analysis is carried out by region and by business line.

Budgets are drawn up based on the following cycle:

- the Group Management Control department sends out budget guidelines, which are approved by the Company's Board of Management and to which a harmonized budget package is attached (mid-July);
- the regions send their specific budget instructions and their internal assumptions to their subsidiaries so that these can be checked for consistency (internal and external) in relation to the interim results;
- each subsidiary draws up its budget, which is then approved by the CEO. Their budget packages are then sent to the CFO and CEO of that particular region, who consolidate the region's budgets and carry out second-level controls;
- the budget packages are sent to the Group Management Control department (mid-September);
- budget meetings are held at the regional level. For the Group, these are attended by the Company Board of Management, the Group Controlling department and the shareholder representative, and the regions, as represented by the CEO, the CFO and in some cases the Head of Controlling;
- submission of the budget to the main shareholder for approval (mid-November).

The annual forecasts are comprehensively reviewed once a year, in September. At this point the budgets are adjusted to take account of recent developments in relation to activity. In practice, this leads to the same process as the preparation of the budget (sending of budget guidelines and the transmission in return of a budget package to the Group, with this package being the subject of in-depth discussions between the subsidiaries, the regions and the Group).

In addition, a simplified review of the rolling forecasts is carried out on a monthly basis and is used to rapidly identify any changes in the subsidiaries that would have an impact on the Group results.

2.4.3.3 The Investment department

The role of this department is to carry out cross checks on the consistency of the subsidiaries' financial investment policies and their compliance with the instructions provided by the Group.

These instructions relate to the breakdown of portfolios by asset class, the level of recommended risk, notably for the maturity of the bond portfolios and for the credit rating of issuers, the calculation of benchmark indexes, the choice of portfolio managers and the choice of institutions responsible for custody of the securities.

This supervision involves quarterly financial meetings between the general management and the Finance Division of the subsidiary, the representatives of the portfolio management company and the Group Finance Division.

The Committee issues recommendations for the purchase and sale of securities and the reinvestment strategy to be used for cash flows from operating activities. The Board of Management of Euler Hermes Group holds the decision-making power.

The Investment department also organizes two Group Financial Committee meetings each year with the Chairman of the Supervisory Board and the Chairman of the Board of Management, the Group CFO, shareholder representatives and members of the Finance Division. At this meeting, the Committee reports on past management performance and decides on future strategies.

Lastly, the Investment department manages the Company's debt and negotiates new loans and related hedging instruments. It obtains prior approval from the Board of Management.

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2.4.4 Low-carbon strategy

Considering the non-polluting nature (exclusively services) of the credit-insurance business, the Company has not put in place any measures aimed at reducing the financial risks related to the effects of climatic change via a low-carbon strategy.

Conclusion

On the basis of the elements of this report and the assessments conducted internally, we find no significant shortcomings in terms of the efficacy and adequacy of the internal control mechanism in terms of the legal and regulatory requirements governing the performance of our activities.

This report has been presented to and approved by the Audit and Risk Committee and the Company's Supervisory Board.

February 9, 2017

Axel Theis
Chairman of the Euler Hermes Group Supervisory Board

Statutory Auditors' report, prepared in accordance with Article L. 225-235 of the French Commercial Code on the report prepared by the Chairman of the Supervisory Board of the company Euler Hermes Group S.A

2.5 Statutory Auditors' report, prepared in accordance with Article L. 225-235 of the French Commercial Code on the report prepared by the Chairman of the Supervisory Board of the company Euler Hermes Group S.A.

Year ended December 31, 2016

To the shareholders,

In our capacity as Statutory Auditors of Euler Hermes Group S.A, and in accordance with Article L. 225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your company in accordance with Article L. 225-68 of the French Commercial Code for the year ended December 31, 2016.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by Article L. 225-68 particularly in terms of the corporate governance measures.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- to attest that this report contains the other disclosures required by Article L. 225-68 of the French Commercial Code (*Code de commerce*), it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

These standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Supervisory Board in accordance with Article L. 225-68 of the French Commercial Code (*Code de Commerce*).

Other disclosures

We hereby attest that the Chairman's report includes the other disclosures required by Article L. 225-68 of the French Commercial Code (*Code de commerce*).

Statutory Auditors

Paris-La Défense, April 19, 2017

KPMG S.A.

French original signed by

Xavier Dupuy

Partner

Paris, April 19, 2017

EXCO Paris Ace

French original signed by

Alain Auvray

Partner

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3.1 Business environment

Review of 2016: A strained but resilient growth

A series of unexpected events jeopardized global growth in 2016. From the Chinese stock market crash in January to the oil price dropping to USD 27/bbl in Q1, to the Brexit vote in June, to the busy political scene in emerging markets, to the US elections outcome in November. All defied expectations. Along with the rise in populist and protectionist votes, global trade volume growth reached its lowest level since 2009 (+1.9%). Financial flows within and between countries continue to disappoint: (i) capital is not going into the real economy. Credit conditions are still too conservative in Asia Pacific and Latin America; and, (ii) savings are staying in high income markets and not even yielding much (negative interest rates in Japan and in the Eurozone for instance).

Yet various forms of global and local resilience came to the fore to offset the tremors and turbulences. World GDP growth did not collapse and is expected to finish the year at +2.5%.

In the US, activity was on hold ahead of the Presidential elections as both consumers and companies were in a “wait-and-see” mode. GDP growth should end at +1.6% in 2016, mainly due to a slowdown in private consumption, low investment growth, and weak export performance.

Latin American countries continued to suffer from the fall in commodity prices which shrank exports and resulted in wide trade and public imbalances. The regional GDP contracted for the second consecutive year (-0.9%). Runaway inflation afflicted Argentina, Brazil, and Colombia. Along with the impact of social discontent, consumer confidence dropped amid a volatile employment environment and poor business climate. In Brazil, this situation was made worse by the population’s distrust of the political elite after President Dilma Rousseff was impeached. Recession continued for a second consecutive year; -3.5% in 2016.

In the UK, the initial Brexit shock was short lived as political uncertainty was lower than expected and the policy-mix has been increasingly supportive. Overall, GDP growth should end at +2.0% in 2016. However, the strong sterling depreciation has triggered a rise in input costs and thus a deterioration in firms’ profitability. Moreover, higher uncertainty implied a significant decline in new investments since the Brexit vote (at least until UK’s exit, presumably in 2019).

In the Eurozone, growth reached +1.7% in 2016, helped by dynamic private consumption and recovering firms’ investments as deflationary pressures faded away and profitability is rising. In addition, the European Central Bank (ECB) announced in December 2016 it will purchase assets

for longer, until the end of 2017, albeit a lower amount (€60 billion per month instead €80 billion). An accommodative ECB will continue to serve as a true safety net for the region. In Germany, domestic demand continued to drive growth (+1.8% in 2016) while net exports were more balanced. In France, growth decelerated slightly in 2016 (-1 pp in 2016 at +1.1%). For the first time since 2008, the unemployment rate had fallen for the third consecutive month in December. In Italy, the year ended on a mitigated note given the sluggish growth, the banking system issues, the high levels of public debt and Renzi’s resignation after the “No” vote in the Italian constitutional referendum. Spain’s year was marked by strong growth (+3.3% in 2016) despite continued political instability. PM Mariano Rajoy was finally able to form a new government at the second half of the year.

In Eastern Europe, growth accelerated to +1.2% in 2016. This happened thanks to sustained expansion among the EU members of the region, mainly Romania, Bulgaria, Slovakia, and Poland. Challenges have arisen for Turkey given the geopolitical issues and tightening financing conditions. Challenges remain for CIS countries dependent on oil, although pressures eased in the second half of 2016. In Russia, GDP contracted for the second consecutive year (-0.2%).

In Africa and the Middle East, the majority of countries have been impacted by low oil prices in 2016. National savings were cut by large amounts (about 25% of GDP in Saudi Arabia). Fiscal consolidation was needed amid low oil prices while monetary policy tightened to overcome exchange rate depreciation pressures. While OPEC agreed in November 2016 to cut oil production, Gulf Cooperation Council (GCC) members decided to compete for market share before reaching an agreement on a quota. The modalities of implementation of such an agreement are still uncertain.

In Asia, preliminary estimates indicate a +4.8% growth in 2016 – a slight slowdown from +4.9% in 2015. The Chinese stock market crash in January 2016 was a reminder of financial volatility, the excessive stock of corporate debt (170% of GDP), and still significant overcapacity. However, public support remained strong with a focus on the fiscal side, and Chinese growth proved resilient in 2016 (+6.7%). Japan’s recovery still seems to be fragile, as GDP grew by +1.0% in 2016, with rising private consumption and favorable policy mix. India’s real GDP growth was +7.2% in 2016, one of the highest in Asia and the world, underpinned by solid domestic demand and accommodative monetary policy.

3.2 Selected financial information

(in € million)	2016	2015 published	2014 published
Consolidated turnover	2,569.9	2,638.4	2,527.0
Gross technical result ⁽¹⁾	426.0	409.3	509.9
Net technical result	301.5	301.4	351.1
Net investment income ⁽²⁾	75.3	116.3	85.1
Current operating income	376.8	417.8	436.2
Other non ordinary operating expenses and income	(3.5)	(0.4)	(23.0)
Operating income	373.3	417.4	413.1
CONSOLIDATED NET INCOME⁽³⁾	287.0	302.5	302.1
Net loss ratio	52.2%	53.3%	48.8%
Net cost ratio	27.6%	26.8%	26.8%
Net combined ratio	79.8%	80.1%	75.5%

(1) Excluding non technical expenses.

(2) Excluding financing expenses.

(3) Group share.

2015 and 2014 published data does not include any restatement for the sale of Bürgel entities which took place in February 2016. For information, Bürgel accounted for €39.1 million consolidated turnover in 2015 and €36.9 million in 2014.

(in € million)	2016	2015	2014
Investment portfolio			
IFRS book value of investments ⁽⁴⁾	4,319.1	4,443.2	4,302.6
Market value of investments ⁽⁴⁾	4,524.2	4,618.1	4,457.9
Technical reserves			
Gross non-life technical reserves	2,355.8	2,387.6	2,177.2
Net non-life technical reserves	1,756.8	1,724.7	1,613.0
TOTAL ASSETS	6,505.9	6,567.5	6,359.7
SHAREHOLDERS' EQUITY⁽⁵⁾	2,673.0	2,777.2	2,642.7

(4) Including investment property and cash.

(5) Including non controlling interests.

3.3 Key events

3.3.1 Key events of 2016

The following significant events occurred in the year 2016:

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 together with 500,542 treasury shares it

already held, i.e. a total of 2,700,542 shares representing approximately 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 of 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 sale 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, and 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 agreement 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 agency 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 JV went operational in August 2016.

Productivity plans

Productivity plans have been announced in Germany, France and the 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.

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

In France, an early retirement 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 maximum period of 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 in Graydon Holding N.V. (i.e. 27.5% of Graydon Holding N.V. capital) was closed on September 15, 2016. This followed the signature of an agreement on July 29, 2016 between Euler Hermes AG and Atradius Credit Insurance N.V., the buyer.

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

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

On September 28, 2016, Euler Hermes has 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 ratings services are expected to be launched in 2017, offering coverage of German companies and then 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 sales contracts with a term of up to 36 months.

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

On September 19, 2016, Euler Hermes and URICA, a market leading fintech network, have 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. The partnership enables URICA to expand its French market offering, while Euler Hermes France will analyze the quality of invoices to be financed, recover unpaid debts and insure against the risk of default. This was a first step towards innovative digital solutions.

3.3.2 Key events post December 31, 2016

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

3.4 Activity of Euler Hermes Group SA

Euler Hermes Group SA is the parent company of the Euler Hermes Group. It generates a large part of its revenues from shareholdings.

3.4.1 Key events of 2016 of Euler Hermes Group SA

Changes in the share capital and in share ownership

On May 18, 2016, Euler Hermes Group SA 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 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 of December 31, 2016, Euler Hermes Group's share capital was composed of 42,641,635 shares, including 625,945 shares held in treasury stock.

Productivity plans

Productivity plans have been announced in Germany, France and the corporate entities, and a cumulated restructuring cost of €3.1 million has been booked at the end of December 2016 in Euler Hermes Group SA, including a provision for restructuring allowance.

Exceptional dividends payment

Following a decision on May 11, 2016 made by the Euler Hermes SA's General Meeting, the Belgian subsidiary paid a total dividend of €700 million including exceptional €620 million to Euler Hermes Group.

Acquisition of bonds portfolio

Euler Hermes Group acquired in 2016 an investment portfolio composed exclusively of bonds for €77.2 million.

Creation of Euler Hermes Biuro Info Gospodraczej

Euler Hermes Group became the sole shareholder of Polish entity Euler Hermes Biuro Info Gospodarczej created on October 5, 2016. Its capital consisted of 4,000 shares for a value of €1,000 thousand.

3.4.2 Comments on the results

Net income for the year stood at €777.9 million, higher than last year (€204.0 million) following the exceptional dividend paid by EHSA. The table below shows the main components of the Company's income:

(in € million)	2016	2015	Variation
Income from participating interests ⁽¹⁾	801.2	241.2	232.1%
Other net financial income ⁽²⁾	6.2	(5.4)	-213.5%
Operating income	96.7	65.5	47.5%
Operating expenses	(141.5)	(107.9)	31.2%
Net operating expenses ⁽³⁾	(44.8)	(42.3)	5.8%
Provision for (-) or write back of (+) depreciation of treasury stock ⁽⁴⁾	0.0	1.1	-100.4%
Ordinary Income	762.5	194.6	291.8%
Exceptional items ⁽⁵⁾	(3.4)	1.9	-278.7%
Corporation tax ⁽⁶⁾	18.7	7.5	149.4%
NET INCOME	777.9	204.0	281.3%

(1) This income corresponded to dividends received from operating entities. Main contributions came from Euler Hermes SA (exceptional dividend of €620 million), Euler Hermes AG, Euler Hermes Reinsurance AG and Euler Hermes North America Holding.

(2) This caption included namely a €8.4 million release of the impairment booked on the shares of Euler Hermes Collections Sp. Z.o.o.; a €2 million income from cash deposits and from the new bond portfolio; and €3.4 million financial expenses, on the decrease compared to last year (€5.4 million) following the reimbursement of €285 million of intragroup loans that Euler Hermes Group had with several of its subsidiaries.

(3) Since the merger of EH Tech, Euler Hermes Group SA is including some IT related costs (IT developments, maintenance and licenses) that are re-invoiced to Euler Hermes Group subsidiaries based on their effective use of these IT developments, maintenance or licenses. The merger was effective April 1, 2015, and as a consequence, Euler Hermes Group included this new IT activity for only 9 months in 2015, hence the deviation in 2016.

(4) This provision corresponded in 2015 to the release of the provision for write back of treasury stock.

(5) This caption included a €3.1 million cost for the voluntary leaver program. Last year included namely the realized gains on the sale of Euler Hermes Services to Euler Hermes SA (€1.2 million).

(6) Euler Hermes Group SA heads the tax group for French companies that are more than 95%-owned. The tax consolidation surplus for 2016 included a positive one-off of €9.8 million following Euler Hermes Group reclamation to the French tax office on the taxation on dividend.

3.4.3 Dividends

As proposed by the Group Management Board, the Supervisory Board recommends to the Shareholders' to distribute a dividend per share of €4.68:

Proposed allocation of income	Nb of shares	2016
Source		
Retained earnings from previous year		291.5
Net income for the year		777.9
TOTAL		1,069.4
Proposed dividend⁽¹⁾		
Shareholders (w/o treasury shares)	42,015,690	(196.6)
Treasury shares	625,945	(2.9)
Retained earnings⁽¹⁾		869.9

(1) It will be proposed to the Shareholders' to credit the share of dividend that relates to treasury shares to the retained earnings account at the date of dividend payment.

3.5 Euler Hermes Group consolidated results

3.5.1 Consolidated turnover

Consolidated turnover consists of premium income, comprising earned premiums generated by direct insurance and assumed business, and service revenues, mostly premium-related.

Premiums

Credit insurance policies are designed to cover the risk of non-payment by the policyholder's customers.

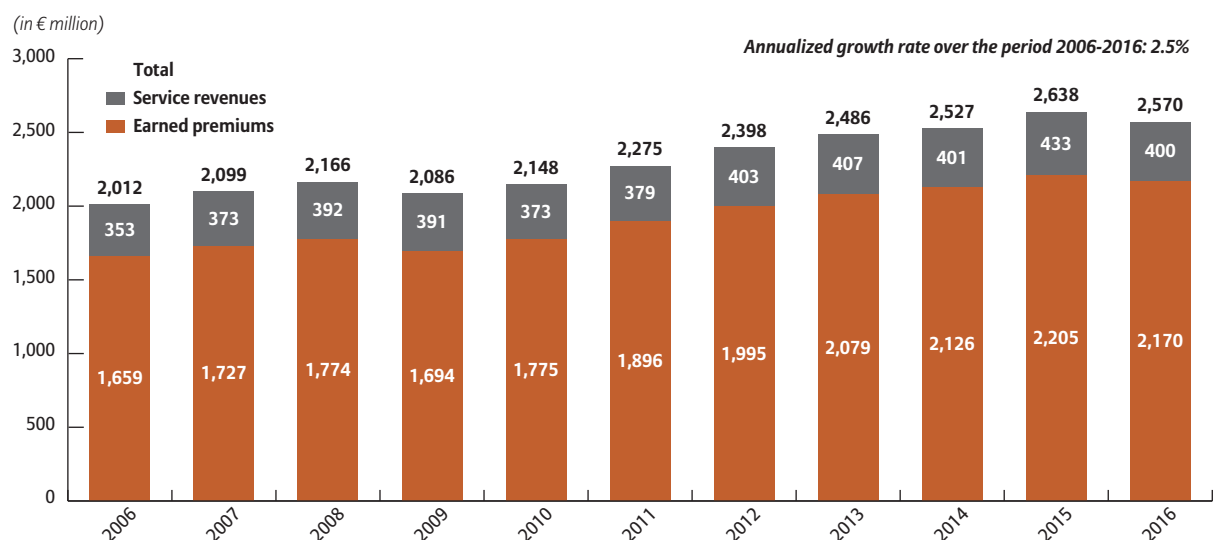
Premiums are based mainly on policyholders' sales or their outstanding customer risk, which also depends on their sales.

Service revenues

Service revenues consist mainly of two types of service fees: information and collection:

- *information fees*: these consist of billings for research and analysis carried out to provide policyholders with the required credit insurance cover, and of amounts billed for monitoring the solvency of their customers. All of these revenues are directly related to credit insurance business and Euler Hermes does not sell services offering access to business solvency information to third parties that are not policyholders;
- *collection fees*: these correspond to the amounts billed for debt collection services provided to policyholders and to companies that are not policyholders.

3.5.1.1 Consolidated turnover overview



Euler Hermes turnover slightly decreased in 2016 and stood at €2,570 million, down -2.6% compared to last year. Most of the decrease is linked to foreign exchange fluctuations and to the sale of Bürgel entities in 2016, which accounted for €39.1 million service revenues in 2015. At constant scope and constant exchange rates, turnover was up +0.3%.

3.5.1.2 Consolidated turnover per region

Turnover (in € million)	2016	2015 (published)	Variation	2015 ⁽¹⁾	Variation ⁽¹⁾
Germany, Austria, Switzerland	706.4	751.9	-6.1%	719.4	-1.8%
France	403.8	391.8	3.1%	391.8	3.1%
Northern Europe	528.4	557.5	-5.2%	537.6	-1.7%
Mediterranean Countries, Middle East & Africa	349.9	344.2	1.7%	344.5	1.6%
Americas	335.3	326.5	2.7%	335.6	-0.1%
Asia Pacific	148.0	143.3	3.3%	142.2	4.1%
Non consolidated OEs and other ⁽²⁾	98.0	123.1	-20.4%	91.4	7.3%
EULER HERMES GROUP	2,569.9	2,638.4	-2.6%	2,562.5	0.3%

Area contribution: After intra-region eliminations & before inter-region eliminations.

(1) At constant exchange rates and constant scope. For comparison purposes, 2015 published data has been restated to take into account the following changes in scope: a) starting January 2016, Collection entities are included in the regions to foster business synergies; b) the Bürgel entities in Germany have been sold with retroactive impact to January 2016.

(2) Corporate entities + inter-region eliminations.

At €2,569.9 million at end of December, turnover was down -2.6% compared to 2015 published figures. The sale of Bürgel, in February 2016, retroactive to January 1, 2016, accounted for most of the decrease (€39.1 million service revenues); foreign exchange also contributed negatively. At constant scope and constant exchange rates, topline increased by +0.3% compared to last year with earned premiums decreasing by -0.2% while service revenues remained dynamic at +2.9%.

Europe still struggled with growth, suffering from strong pressure on rates and lack of traction from insured volumes. France was an exception with +3.1% turnover growth, driven by new products and a small rebound in insured volumes. Non mature markets slowed down, with Asia Pacific posting a +4.1% growth at constant exchange rates; other emerging countries decreasing (Gulf Countries, Turkey and Brazil), following the risk action plans implemented since last year.

3.5.1.3 Breakdown of turnover between premium income and related revenues

(in € million)	2016	2015	Variation in amount	Variation in %
Earned premiums	2,170.2	2,205.4	(35.2)	-1.6%
Service revenues	399.7	432.9	(33.3)	-7.7%
TOTAL TURNOVER	2,569.9	2,638.4	(68.5)	-2.6%

Euler Hermes Group's premiums amounted to €2,170.2 million in 2016. They declined by -1.6% compared to last year, and by -0.2% at constant exchange rate.

Service revenues decreased by -7.7% against last year but this is due to the sale of Bürgel entities which took place at the beginning of 2016. At

constant scope and constant exchange rates, service revenues increased by 2.9%, driven by good growth of information fees and other fees (+3.8%) that compensated for lower collection fees (-1.7%) following the low frequency claims activity.

3.5.1.4 Earned premiums

(in € million)	2016	2015	Variation in amount	Variation in %
Gross earned premiums	2,170.2	2,205.4	(35.2)	-1.6%
Ceded premiums	(639.2)	(656.4)	17.2	-2.6%
NET EARNED PREMIUMS	1,531.0	1,549.0	(18.0)	-1.2%
Cession rate	29.5%	29.8%		

Gross earned premiums decreased by -1.6% compared to last year and net earned premiums followed the same trend with -1.2%.

3.5.2 Cost of claims

The claims ratio is defined as the cost of claims relative to earned premiums after deduction of rebates granted to policyholders.

(in € million)	2016	2015	Variation in amount	Variation in %
Gross claims costs	(1,088.1)	(1,147.5)	59.4	-5.2%
Ceded claims costs	288.3	321.8	(33.6)	-10.4%
NET CLAIMS COSTS	(799.8)	(825.7)	25.9	-3.1%
Gross claims ratio	50.1%	52.0%		(1.9) pt
Net claims ratio	52.2%	53.3%		(1.1) pt

Gross claims costs all attachment years were at €1,088.1 million, improving compared to last year by 5.2%. This evolution is the combination of a lower cost of claims on current attachment year, partly offset by lower net releases from previous attachment years.

The gross claims ratio stood at 50.1%, down 1.9 pt compared to last year, and net claims ratio followed same trend with a decrease of 1.1 pt.

3.5.2.1 Cost of claims on current attachment year

(in € million)	2016	2015	Variation in amount	Variation in %
Gross claims costs current attachment year	(1,223.6)	(1,378.0)	154.4	-11.2%
Ceded claims costs current attachment year	306.7	392.8	(86.1)	-21.9%
NET CLAIMS COSTS CURRENT ATTACHMENT YEAR	(916.9)	(985.2)	68.2	-6.9%
Gross loss ratio current attachment year	-56.4%	-62.5%		6.1 pt
Net loss ratio current attachment year	-59.9%	-63.6%		3.7 pt

Gross claims costs current year were at €1,223.6 million, down 11.2% compared to last year. Part of the decrease is due to the fact that 2015 included a reserve for a large claim on a Spanish group; the other part is the result of the risk action plans implemented end of last year and which brought the claims level down in 2016, especially in emerging countries. As a consequence, the gross loss ratio current attachment year stood at 56.4% to be compared to 62.5% in 2015.

Net claims costs decreased by 6.9% year on year, which is less than the gross claims cost evolution. A proportionally higher volume of claims was ceded to the reinsurers last year, due to the trigger of an Excess of Loss cession from the Spanish claim. Thus the net loss ratio was 59.9% to be compared to 63.6% last year.

3.5.2.2 Net run-off

(in € million)	2016	2015	Variation in amount	Variation in %
Gross claims costs previous attachment years	135.5	230.4	(94.9)	-41.2%
Ceded claims costs previous attachment years	(18.4)	(71.0)	52.6	-74.1%
NET CLAIMS COSTS PREVIOUS ATTACHMENT YEARS	117.1	159.5	(42.4)	-26.6%
Gross loss ratio previous attachment year	6.2%	10.4%		(4.2) pt
Net loss ratio previous attachment year	7.6%	10.3%		(2.6) pt

Gross run-offs were positive and amounted to €135.5 million, to be compared to €230.4 million last year. The decrease was due to some mid-size cases on previous attachment years, hitting Euler Hermes in some emerging countries, namely Turkey, Gulf Countries and Asia. As a consequence the gross run-off ratio was 6.2%, down 4.2 pt year on year.

The net run-off stood at 7.6%, also decreasing compared to last year but in a lower proportion than the gross run-off ratio. This is explained by favorable cession on the above mentioned mid-size claims.

3.5.3 Operating expenses

The expense ratio is defined as the sum of all contracts' acquisition expenses, administration expenses, other underwriting income and expenses minus premium-related revenues, relative to earned premiums after deduction of rebates granted to policyholders. Other non-technical income and expenses are excluded from the cost ratio (with the exception of buildings used for operations).

The gross technical operating expenses that are included in the technical expenses include the following costs:

(in € million)	2016	2015 (published)	Variation	Variation %	2015 ⁽¹⁾	Variation ⁽¹⁾	Variation % ⁽¹⁾
HR expenses	497.3	510.7	(13.3)	-2.6%	483.2	14.1	2.9%
Brokerage	296.5	300.0	(3.5)	-1.2%	296.3	0.2	0.1%
IT & Communications	28.9	25.1	3.8	15.1%	22.8	6.1	26.8%
Facilities & Occupancy	51.6	52.0	(0.4)	-0.7%	49.5	2.1	4.3%
Audit, Tax & related fees performed	8.2	7.3	0.9	12.6%	7.2	1.1	15.0%
Legal & consulting fees	51.2	49.8	1.3	2.6%	49.2	2.0	4.0%
Agency, Marketing & Advertising	15.6	17.6	(1.9)	-11.0%	16.7	(1.0)	-6.2%
Representation & Other Travel Expenses	17.4	22.4	(4.9)	-22.1%	21.4	(4.0)	-18.6%
External information & collection expenses	63.0	66.9	(3.9)	-5.9%	62.9	0.1	0.2%
Other Operating Expenses	25.8	29.7	(3.9)	-13.0%	21.6	4.2	19.6%
GROSS TECHNICAL EXPENSES	1,055.7	1,081.6	(25.8)	-2.4%	1,030.8	25.0	2.4%
Service revenues	399.7	432.9	(33.3)	-7.7%	392.7	7.0	1.8%
EXPENSES NET OF SERVICE REVENUES	656.1	648.6	7.4	1.1%	638.1	20.2	3.2%
Reinsurance commission	233.7	234.1	(0.3)	-0.1%	233.6	0.1	0.1%
NET TECHNICAL EXPENSES	422.3	414.5	7.8	1.9%	404.5	17.9	4.4%
Gross technical expense ratio	30.2%	29.4%	0.8 pt		29.0%	1.2 pt	
Net technical expense ratio	27.6%	26.8%	0.8 pt		26.2%	1.4 pt	

(1) At constant exchange rates and constant scope, restated from the sale of Bürgel beginning of 2016. Total gross technical expenses for Bürgel represented €36.8 million in 2015 published figures.

Gross technical expenses decreased by 2.4% compared to last year, partly explained by the sale of the Bürgel entities beginning of 2016 (€36.8 million of gross technical expenses in 2015) and exchange rates fluctuations. At constant scope and exchange rates, gross technical expenses were up 2.4% year on year.

The increase in costs is higher than the topline growth (+0.3% at constant FX rate) as HR expenses grew faster than turnover and as the growth in specialty lines and new products has come with a higher cost than traditional business.

HR expenses increased by 2.9% at constant exchange rates, impacted by conventional salary increases, negative one-offs in 2016 (severance packages) versus positive one-offs in 2015; IT costs increased due to higher depreciation costs, facility costs included additional rent for the headquarters in Germany; and consulting costs were up due to additional costs related to the regulatory follow-up. Savings in advertising and travel partly compensated.

Net of service revenues and after reinsurance, net technical expenses stood at €422.3 million, and the net technical ratio was 27.6%, up 1.4 pt compared to last year (26.8%).

3.5.4 Net technical result

At €301.5 million, the net technical result remained on par with last year and the combined ratio stood at 79.8%, just below 80% and down 0.3 pt compared to last year.

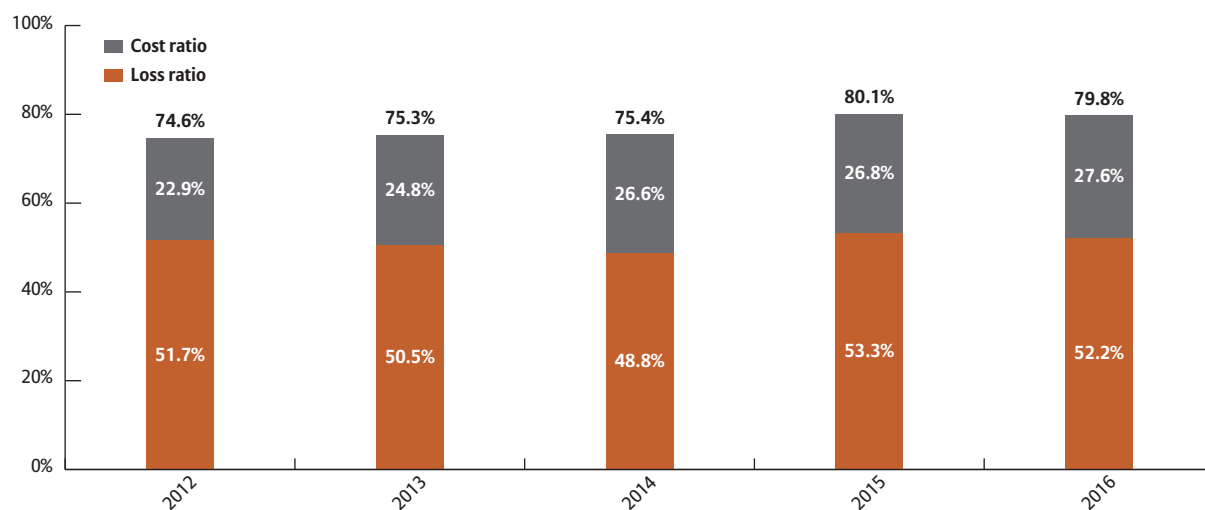
(in € million)	2016	2015	Variation in amount	Variation in %
Net earned premium	1,531.0	1,549.0	(18.0)	-1.2%
Net claims costs	(799.8)	(825.7)	25.9	-3.1%
Net technical expenses	(422.3)	(414.5)	(7.8)	1.9%
Other non technical expenses	(7.3)	(7.4)	0.0	-0.3%
NET TECHNICAL RESULT⁽¹⁾	301.5	301.4	0.1	0.0%
Net combined ratio	79.8%	80.1%	-0.3%	(0),3pt

(1) Net technical result = Current operating income before net investment income.

3.5.5 Net combined ratio

Net combined ratio after reinsurance was 79.8%, just below last year (80.1%).

■ NET COMBINED RATIO AFTER REINSURANCE



3.5.6 Net investment income

Net investment income (before financing expenses) amounted to €75.3 million as of December 31, 2016, compared to €116.3 million in 2015, impacted by lower income from the financial portfolio, lower foreign exchange result, and lower realized gains.

(in € million)	2016	2015	Variation in amount	Variation in %
Revenues from investment property	6.7	4.3	2.4	55.3%
Revenues from equity and debt securities	49.5	59.8	(10.3)	-17.2%
Other financial income	15.2	16.5	(1.3)	-7.8%
Investment income	71.4	80.6	(9.2)	-11.4%
Investment expenses	(11.8)	(11.5)	(0.3)	3.0%
Net change in foreign currency	(2.6)	15.7	(18.3)	-116.5%
Net gains and losses on sales of investments less impairment and amortisation	18.3	31.5	(13.2)	-42.0%
NET INVESTMENT INCOME (EXCLUDING FINANCING EXPENSES)	75.3	116.3	(41.0)	-35.3%

The investment income stood at €71.4 million, down 11.4% compared to last year due to lower yields from the bonds portfolio which is only partly compensated by portfolio diversification in real estate.

Investment expenses were at €-11.8 million, almost at last year's level.

The result from foreign exchange was a loss this year at €-2.6 million, compared to a solid income last year of €15.7 million. Last year benefited from the depreciation of EUR against main currencies, coupled with strong net positions on GBP and USD.

Net realized gains and losses were at €18.3 million, compared to €31.5 million at the end of 2015.

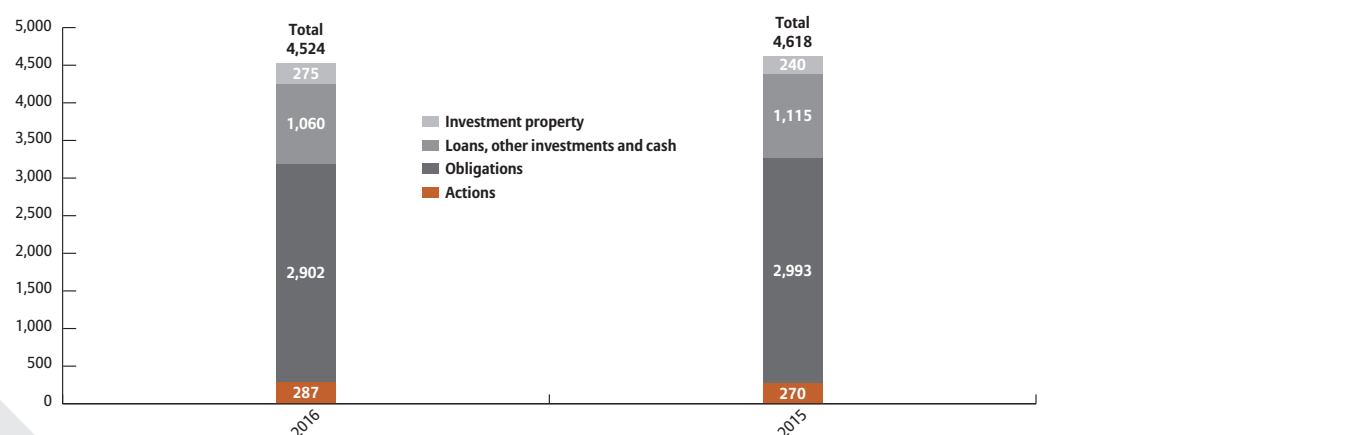
Last year benefited from more favorable equity market conditions and included gains on the liquidation of one fund in France.

At €4,524.2 million, the market value of the Group's investment portfolio was down €93.9 million compared to last year, essentially as a result of the share buy-back in May 2016.

(in € million)	12/31/2016					12/31/2015				
	Amortized cost	Unrealized gain reserve recognized in net equity	Net book value	Market value	Unrealized gains and losses (unrecognized)	Amortized cost	Unrealized gain reserve recognized in net equity	Net book value	Market value	Unrealized gains and losses (unrecognized)
— Shares	247.6	39.9	287.5	287.5	-	248.2	22.3	270.5	270.5	-
— Bonds	2,826.4	75.3	2,901.7	2,901.7	-	2,924.2	68.6	2,992.8	2,992.8	-
— Loans and other investments	602.9	-	602.9	609.8	6.9	755.2	-	755.2	769.4	14.2
Total financial investments	3,676.9	115.2	3,792.1	3,799.0	6.9	3,927.6	90.9	4,018.5	4,032.6	14.2
Buildings third party use	-	-	76.7	274.9	198.2	-	-	79.3	240.1	160.7
Cash	-	-	450.3	450.3	-	-	-	345.4	345.4	-
TOTAL	-	-	4,319.1	4,524.2	205.1	-	-	4,443.2	4,618.1	174.9

■ INVESTMENT PORTFOLIO

In € million - Market value as at 12/31/2016



3.5.7 Ordinary operating income

The ordinary operating income amounted to €376.8 million, down -9.8% compared to last year, entirely due to the lower net investment income.

(in € million)	2016	2015	Variation in amount	Variation in %
Net technical result	301.5	301.4	0.1	0.0%
Net investment income (excluding financing expense)	75.3	116.3	(41.0)	-35.3%
ORDINARY OPERATING INCOME	376.8	417.8	(40.9)	-9.8%

3.5.8 Consolidated net income

(in € million)	2016	2015	Variation in amount	Variation in %
Ordinary operating income	376.8	417.8	(40.9)	-9.8%
Other non-ordinary income and expense	(3.5)	(0.4)	(3.1)	721.4%
Financing expenses	(6.2)	(8.4)	2.2	-25.9%
Share of Income from companies accounted by the equity method	15.3	18.7	(3.4)	-18.0%
Corporation tax	(94.8)	(123.5)	28.7	-23.2%
Non controlling interests	(0.7)	(1.7)	1.0	-58.9%
CONSOLIDATED NET INCOME, GROUP SHARE	287.0	302.5	(15.5)	-5.1%
Tax rate	24.8%	28.9%		

Other non-ordinary income and expenses stood at €-3.5 million. It included €38.0 million restructuring costs following the productivity plans announced in Germany, France and the corporate entities; almost fully compensated by the gains realized on the sales of Bürgel in February (€24.3 million pre-tax) and Graydon in September (€10.8 million pre-tax).

Financing expenses decreased by 25.9% compared to last year following the loans' renegotiation in June last year.

Corporation tax amounted €94.8 million and tax ratio was 24.8%, significantly down compared to last year's 28.9%. The tax result benefited from low taxation on the Bürgel and Graydon gains, and included a one-off tax profit following Euler Hermes reclamation to the French tax office on intra-group dividend taxation.

After non-ordinary items, financing expenses, income from companies valued at equity, and corporate tax, consolidated net income, Group share, stood at €287.0 million, compared to €302.5 million at end of December 2015.

3.6 Performance of the Group's main geographic regions

The organization of Euler Hermes is based on six geographical regions: Germany, Switzerland, Austria; France; Northern Europe; Americas; Mediterranean Countries and Africa; and Asia Pacific.

Figures presented here under are after intra-region eliminations but before inter-region eliminations.

For comparison purposes, 2015 published data has been restated to take into account the following changes in scope: a) starting January 2016, Collection entities are included in the regions to foster business synergies; b) The Bürgel entities in Germany have been sold with retroactive impact to January 1, 2016.

3.6.1 Germany, Austria and Switzerland

This region includes the direct insurance and assumed business carried out by the operating entities in Germany, Austria and Switzerland.

(in € million)	2016	2015 published	2015 pro forma Bürgel and Collections	Variation in amount	Variation in %
Earned premiums	560.9	572.3	572.3	(11.4)	-2.0%
Service revenues	145.6	179.7	148.1	(2.5)	-1.7%
Turnover	706.4	751.9	720.3	(13.9)	-1.9%
Investment income	20.7	27.6	28.6	(7.9)	-27.5%
Total ordinary income	727.2	779.5	748.9	(21.8)	-2.9%
Insurance service expenses	(214.8)	(153.2)	(153.9)	(61.0)	39.6%
Net outwards reinsurance income or expenses	(112.1)	(147.1)	(147.1)	35.0	-23.8%
Other income and expenses	(281.8)	(317.0)	(285.9)	4.1	-1.4%
Total other income and expenses	(608.8)	(617.3)	(586.8)	(21.9)	3.7%
CURRENT OPERATING INCOME	118.4	162.3	162.1	(43.7)	-27.0%
Net combined ratio	48.9%	30.9%	31.5%		

Area contribution: after intra-region eliminations & before inter-region eliminations.

Turnover slightly decreased by 1.9% in 2016 at constant scope, negatively impacted by pressure on rates and a lack of traction from insured volume.

Investment income stood at €20.7 million, down by €6.8 million compared with last year due to lower yields from the bonds portfolio and lower exchange rate gains from Switzerland.

Insurance service expenses rose by 39.6% between 2015 and 2016 and reached €214.8 million at the end of 2016. 2015 was at a particularly low level, impacted by low claims activity and high positive run-off. 2016 still benefitted from a low claims level on the current attachment year.

Net outward reinsurance expenses amounted to €-112.1 million, compared to €-147.1 million last year. This is due to lower amounts of ceded run-offs, mechanically linked to lower positive run-offs.

Other income and expenses decreased by 1.4% compared to last year restated at constant scope, less than the decrease of turnover, due to HR expenses (conventionally salary increase) growing faster than premium.

The net combined ratio increased from 31.5% in 2015 (at constant scope) to 48.9% in 2016, mainly due to the higher but still low net claims ratio.

As a consequence, the current operating income stood at €118.4 million at the end of the year, compared to €162.1 million last year.

3.6.2 France

(in € million)	2016	2015	Variation in amount	Variation in %
Earned premiums	321.1	316.5	4.6	1.4%
Service revenues	82.7	75.3	7.4	9.9%
Turnover	403.8	391.8	12.0	3.1%
Investment income	24.9	25.1	(0.2)	-0.7%
Total ordinary income	428.7	416.9	11.8	2.8%
Insurance service expenses	(161.1)	(135.4)	(25.7)	19.0%
Net outwards reinsurance income or expenses	(48.1)	(46.3)	(1.8)	3.9%
Other income and expenses	(161.7)	(151.5)	(10.3)	6.8%
Total other income and expenses	(370.9)	(333.2)	(37.8)	11.3%
Current operating income	57.8	83.7	(25.9)	-31.0%
Net combined ratio	66.4%	41.1%		

Area contribution: after intra-region eliminations & before inter-region eliminations.

Collection activity in France was already reported within the area in 2015; hence it was not necessary to restate 2015 published data.

France experienced growth and posted a +3.1% turnover evolution compared to last year, driven by new products and a small rebound in insured volumes. Premiums increased 1.4% and service revenues rose +9.9% driven by higher volumes in both limit and monitoring fees.

Investment income stood at €24.9 million, on par with last year.

Insurance service expenses stood at €161.1 million, higher than last year by 19.0%, impacted by lower reserve releases on previous attachment years.

Net outwards reinsurance expenses amounted €-48.1 million, almost at last year's level.

Other income and expenses increased by 6.8% compared to last year, impacted by higher brokerage cost and higher cost of information following the topline evolution. In addition, last year was positively impacted by the release of some provision of bad debt.

The net combined ratio stood at 66.4%, up by 25.3 points compared to last year due to the higher insurance service expenses.

As a result, the current operating income amounted €57.8 million, down by €25.9 million versus 2015.

3.6.3 Northern Europe

This region includes the direct insurance and assumed business in Northern European countries (Belgium, Netherlands, United Kingdom, Ireland, Finland, Sweden, Denmark and Norway) and in Eastern Europe (Hungary, Poland, Czech Republic, Romania, Slovakia, Bulgaria and Russia).

(in € million)	2016	2015 published	2015 pro forma Collections	Variation in amount	Variation in %
Earned premiums	435.2	472.6	472.6	(37.4)	-7.9%
Service revenues	93.2	84.9	96.1	(2.9)	-3.0%
Turnover	528.4	557.5	568.7	(40.3)	-7.1%
Investment income	6.4	19.8	19.9	(13.5)	-68.1%
Total ordinary income	534.8	577.4	588.6	(53.8)	-9.1%
Insurance service expenses	(184.6)	(240.2)	(241.9)	57.3	-23.7%
Net outwards reinsurance income or expenses	(96.8)	(53.0)	(53.0)	(43.8)	82.8%
Other income and expenses	(225.0)	(226.6)	(230.3)	5.3	-2.3%
Total other income and expenses	(506.4)	(519.8)	(525.1)	18.7	-3.6%
CURRENT OPERATING INCOME	28.4	57.6	63.5	(35.1)	-55.2%
Net combined ratio	81.2%	72.4%	68.2%		

Area contribution: after intra-region eliminations & before inter-region eliminations.

At €528.4 million, turnover was down by -5.2% compared to last year (published), but -7.1% compared to 2015 restated at constant scope. For a large part, the decrease was due to adverse exchange rates, and turnover was down by -1.7% compared to last year restated at constant scope and exchange rates. Premiums were down -2.3% (still at constant exchange rate) due to pressure on rates, lack of insured volumes, the exit of some loss-making policies, and risk action plans in some countries (mainly Russia). Service revenues were contributing positively at constant exchange rates, up +1.1% against last year.

Investment income decreased by €13.5 million compared to last year, mainly attributable to lower realized gains and negative foreign exchange result compared to a gain last year.

Insurance service expenses reached €184.6 million, down 23.7% compared to last year due to the decrease of both claims frequency and severity (the region was hit last year by a few mid-size claims).

Net outwards reinsurance expenses amounted €-96.8 million compared to €-53.0 million in 2015 due to lower amounts of claims ceded in 2016 compared to 2015, in line with lower claims activity.

Other income and expenses were on the decrease, down -2.3% compared to last year pro forma, following topline evolution.

Due to a shortfall on premiums, the net combined ratio ended up higher than last year at 81.2% and the current operating income stood at €28.4 million in 2016, down €35.1 million over last year pro forma.

3.6.4 Mediterranean Countries, Middle East & Africa

This region includes the direct insurance and assumed business in Italy, Greece, Morocco, Tunisia, Turkey, the Gulf Countries, and South Africa.

(in € million)	2016	2015 published	2015 pro forma Collections	Variation in amount	Variation in %
Earned premiums	280.1	278.0	278.0	2.0	0.7%
Service revenues	69.9	66.2	69.0	0.9	1.3%
Turnover	349.9	344.2	347.0	2.9	0.8%
Investment income	7.3	3.9	3.9	3.4	86.5%
Total ordinary income	357.2	348.1	350.9	6.3	1.8%
Insurance service expenses	(189.6)	(203.1)	(203.5)	13.9	-6.8%
Net outwards reinsurance income or expenses	(14.7)	(6.1)	(6.1)	(8.6)	139.7%
Other income and expenses	(138.9)	(134.9)	(136.3)	(2.6)	1.9%
Total other income and expenses	(343.2)	(344.2)	(346.0)	2.7	-0.8%
CURRENT OPERATING INCOME	14.0	3.9	4.9	9.0	182.7%
Net combined ratio	90.9%	100.0%	98.7%		

Area contribution: after intra-region eliminations & before inter-region eliminations.

At €349.9 million, turnover was up +0.8% compared to 2015 restated at constant scope. Premiums growth rate slowed down compared to 2015 (+0.7%), consequence of the risk action plans implemented in the Gulf Countries and Turkey end of 2015, and the exit of loss-making policies. Service revenues increased by 1.3%.

Investment income increased by €3.4 million, essentially due to a more favorable exchange result.

Insurance service expenses reached €189.6 million, down -6.8% compared to 2015. The risk action plans implemented end 2015 showed results and gross claims ratios in Turkey and the Gulf countries decreased significantly. However the region was hit by some mid-size claims related

to prior years, which partly compensated the positive impacts on the current attachment year.

The reinsurance result was €-14.7 million compared to €-6.1 million last year, and it included higher cession on premiums but lower cession on claims, as a consequence of the business developments.

Other expenses increased by 1.9%, above the topline growth due to a higher average brokerage rate.

The net combined ratio stood at 90.9%, down 7.8 pt compared to last year at constant scope due to the lower claims level, and the current operating income amounted €14.0 million, up €9 million.

3.6.5 Americas

This region includes all the direct insurance and assumed business in the United States, Canada and Brazil.

(in € million)	2016	2015 published	2015 pro forma Collections	Variation in amount	Variation in %
Earned premiums	288.1	289.6	289.6	(1.5)	-0.5%
Service revenues	47.2	36.9	47.2	0.0	0.0%
Turnover	335.3	326.5	336.8	(1.5)	-0.4%
Investment income	7.2	8.7	8.7	(1.5)	-17.5%
Total ordinary income	342.5	335.3	345.5	(3.0)	-0.9%
Insurance service expenses	(117.6)	(189.3)	(189.3)	71.6	-37.8%
Net outwards reinsurance income or expenses	(53.5)	0.7	0.7	(54.2)	-7,246.9%
Other income and expenses	(132.2)	(120.8)	(127.7)	(4.5)	3.5%
Total other income and expenses	(303.3)	(309.3)	(316.2)	12.9	-4.1%
CURRENT OPERATING INCOME	39.2	26.0	29.3	9.9	33.8%
Net combined ratio	59.8%	78.5%	74.3%		

Area contribution: after intra-region eliminations & before inter-region eliminations.

Turnover amounted €335.3 million, slightly down compared to 2015 restated at constant scope (-0.4%). At constant exchange rates, turnover is flat (-0.1% evolution). Traditional credit insurance suffered from low insured volumes that were hardly offset by rates increases and good traction from new products (transactional cover and excess of loss).

Investment income amounted to €7.2 million, down €1.5 million due to a less favorable foreign exchange result.

Insurance service expenses decreased by €71.6 million between 2015 and 2016. Last year included several claims related to the emerging market and commodity crisis, and the region was also hit by the reserve booked on the local subsidiaries of a large Spanish buyer. Claims environment was

back under control in 2016, namely due to the risk action plans implemented in Brazil.

The net outwards reinsurance result was negative at €-53.5 million in 2016, compared to positive €0.7 million in 2015. This was a mechanical effect from the amelioration of the claims situation, as a lower amount of claims were ceded in 2016 compared to last year.

Other income and expenses increased by 3.5% between 2015 and 2016 following higher HR expenses and IT costs.

Net combined ratio stood at 59.8%, below last year following the decrease in loss ratios. As a result current operating income was up to €39.2 million.

3.6.6 Asia Pacific

This region includes all the direct insurance and assumed business in Asia (China, Hong Kong, India, Indonesia, Japan, Macau, Malaysia, Singapore, South Korea, Thailand, Taiwan and Vietnam) and Oceania (Australia and New Zealand).

(in € million)	2016	2015	Variation in amount	Variation in %
Earned premiums	116.9	113.9	3.0	2.6%
Service revenues	31.1	29.4	1.7	5.9%
Turnover	148.0	143.3	4.7	3.3%
Investment income	(1.2)	(0.3)	(0.9)	308.5%
Total ordinary income	146.8	143.0	3.8	2.7%
Insurance service expenses	(117.5)	(114.4)	(3.1)	2.7%
Net outwards reinsurance income or expenses	33.5	29.0	4.5	15.6%
Other income and expenses	(82.2)	(79.0)	(3.2)	4.0%
Total other income and expenses	(166.2)	(164.5)	(1.7)	1.0%
CURRENT OPERATING INCOME	(19.4)	(21.5)	2.1	-9.7%
Net combined ratio	160.7%	172.2%		

Area contribution: after intra-region eliminations & before inter-region eliminations.

Collection activity in Asia Pacific was already reported with Asia Pacific area in 2015; hence it was not necessary to restate 2015 published data.

At €148.0 million, turnover was up 3.3% compared to last year. The region grew at a slower pace than in past years following risk action plans implemented end 2015 and revised growth ambition given the more difficult economic environment.

Investment income was still penalized by negative foreign exchange.

The insurance service expenses amounted €117.5 million, almost at last year level with contrasted evolution though. The gross claims ratio current attachment year was significantly down, consequence of the risk action

plans; but this improvement was offset by several mid-size claims that hit the region on previous attachment years.

The net outward reinsurance result was positive at €33.5 million, at a similar level compared to last year (€29.0 million), following the trend on gross technical result.

Other income and expenses increased by 4.0% between 2015 and 2016, in line with topline evolution.

Due to the high gross cost structure of the Asian operations, and due to the loss ratios which remained at high levels in 2016, the current operating income was a loss of €-19.4 million.

3.6.7 Group reinsurance

Euler Hermes Reinsurance AG in Switzerland and Euler Hermes Ré in Luxembourg are the two reinsurance companies of the Group.

The figures reflect on one hand the cession from the Group operating entities to these two reinsurance companies and, on the other hand, the retrocession of the premium and claims to the external reinsurance market.

The figures presented below also include the inward reinsurance originated by the non-consolidated companies COSEC (Portugal), ICIC (Israel), Acredia (Austria), and Solunion (Spain and Latin America), as well as the bonding business from MAPFRE and Allianz entities.

(in € million)	2016	2015	Variation in amount	Variation in %
Earned premiums	1,555.4	1,558.3	(2.9)	-0.2%
Service revenues	0.0	0.0	0.0	0.0%
Turnover	1,555.4	1,558.3	(2.9)	-0.2%
Investment income	16.9	36.6	(19.7)	-53.9%
Total ordinary income	1,572.2	1,594.9	(22.7)	-1.4%
Insurance service expenses	(759.0)	(827.4)	68.4	-8.3%
Net outwards reinsurance income or expenses	(95.6)	(78.1)	(17.4)	22.3%
Other income and expenses	(534.4)	(541.3)	6.9	-1.3%
Total other income and expenses	(1,389.0)	(1,446.9)	57.8	-4.0%
CURRENT OPERATING INCOME	183.2	148.0	35.2	23.8%
Net combined ratio	82.3%	88.0%		

Area contribution: after intra-region eliminations & before inter-region eliminations.

Earned premiums remained stable (-0.2%) despite the premium shortfall observed at Group level (-1.6%). The main part of this turnover is eliminated at Group level in the consolidated financial statements, only the assumed business from non-consolidated companies remains. This inward business grew by 5% to €171.9 million in 2016, driven by Solunion and by bonding business from Allianz.

There are no "service revenues" as these are not subject to internal or external reinsurance.

The investment income stood at €16.9 million, significantly down compared to 2015 (-53.9%), driven by negative contribution from the foreign exchange result (€-3.2 million, versus a positive contribution of €8.2 million in 2015) and by lower realized gains and losses on equities.

The insurance service expenses were down -8.3% compared to 2015, explained by the decrease in both frequency and severity claims observed in non-mature countries (Americas, Asia Pacific, the Gulf Countries, and

Turkey) and also in the Spanish and Latin American markets which are operated by the Solunion joint-venture.

The profit ceded to external reinsurers captured in the "net outwards reinsurance income or expenses" line increased from €-78.1 million in 2015 to €-95.6 million in 2016, due to lower ceded claims. Indeed, last year included a cession in the Excess of Loss treaty on a large Spanish reserve.

Other income and expenses decreased by -1.3% between 2015 and 2016. They mainly include the reinsurance commission paid to the ceding companies on the proportional reinsurance treaties (quota-share). These are eliminated in the consolidated financial statements for Group companies.

At €183.2 million, the net current operating income increased by 23.8% compared to 2015 and the net combined ratio stood at 82.3%, lower than last year by 5.7 pt.

3.7 Cash and capital

The information included in this section is a complement to the sub-section 5.4 "Consolidated statement of cash flows" and to the Note 13 "Cash and cash equivalents" of the Notes to the consolidated financial statements in sub-section 5.6 of this document.

Cash position of the Group increased by €104.9 million compared to the end of 2015 and amounted to € 450.3 million as of December 31, 2016. The main variations impacting the Group's cash position between 2015 and 2016 are the following:

- cash flow from operating activities decreased to €222.9 million in 2016, from €318.3 million in 2015. This was due mainly to lower operating income before tax, and a less favorable ratio of net claims paid versus reserved compared to last year;
- investment activities contributed €249.2 million to the cash position at the end of 2016, against €-92.5 million at the end of 2015. The cash

flow linked to disposals of equities and bonds was at a similar level as last year, however reinvestments were done in lower proportions, hence the net cash flow from equities and bonds operations was a positive contribution of €79.2 million in 2016 compared to a negative €-210.9 million last year. In addition, a positive cash flow of €41.5 million was generated on the sales of Bürgel and Graydon;

- cash flow from financing activities amounted to €-367.6 million, mainly corresponding to the €198.6 million dividends paid in 2016 and to the buy-back transaction carried out in May 2016. Cash from financing activities in 2015 was €-216.3 million;
- at the end of December 2016, liquidities were principally held in euros, as the Company's main area of business is the euro zone.

3.8 Financing

The information contained in this section is a complement to Note 18 "Borrowings" of the Notes to the consolidated financial statements in sub-section 5.6 of this document.

Bank borrowings mainly correspond to the following:

- a €110 million loan from BNP Paribas, signed on June 2015, with maturity June 2020 and fixed annual interest rate of 0.97%;
- a €32 million credit line from AAREAL Bank with maturity October 2023 and variable annual interest rate EUribor 3M plus 1.55% margin. Since December 2015, this line has been totally drawn down (to €32 million).

For the two loans BNP Paribas and HSBC, Euler Hermes Group SA has the option to reimburse all or part of it by anticipation, and the interest rate may be adjusted according to the external rating of Euler Hermes as follows:

Rating of Standard & Poor's or equivalent agency	Applicable interest rate
AA- or higher rating	0.97% a year
A+	0.97% a year
A	0.97%+10bp a year
A-	0.97%+10bp a year
BBB+ or lower rating	0.97%+90bp a year

3.9 Consolidated shareholders' equity

As of December 31, 2016, consolidated shareholders' equity amounts to €2,673.0 million compared to €2,777.2 million at the end of 2015. The table below describes the main changes in shareholders' equity during the year.

In € thousand	Capital stock	Additional paid-in capital	Consolidation reserve and Retained earnings	Revaluation reserve	Other		Shareholders' equity, Group share	Non controlling interests	Total shareholders' equity
					Translation reserve	Treasury shares			
Shareholders' equity as at December 31, 2015 – IFRS	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)
Other changes	-	-	-	-	-	-	-	-	-
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)
Shareholders' equity component of share-based payment plans	-	-	-	-	-	-	-	-	-
Cancellation of gains/losses on treasury shares	-	-	-	-	-	149	149	-	149
Transaction between shareholder's	-	-	70	-	-	-	70	(9,926)	(9,856)
Other movements	-	-	145	(16)	-	-	129	-	129
Shareholders' equity as at December 31, 2016 – IFRS	13,645	272,307	2,275,897	87,359	4,470	(31,282)	2,622,396	50,616	2,673,012

The decrease in the Group share consolidated shareholders' equity included the positive impacts of the:

- net result generated over the period for +€287.0 million excluding non-controlling interests;
- revaluation of the investment portfolio for +€25.8 million;

and are fully offset by the negative impacts of the:

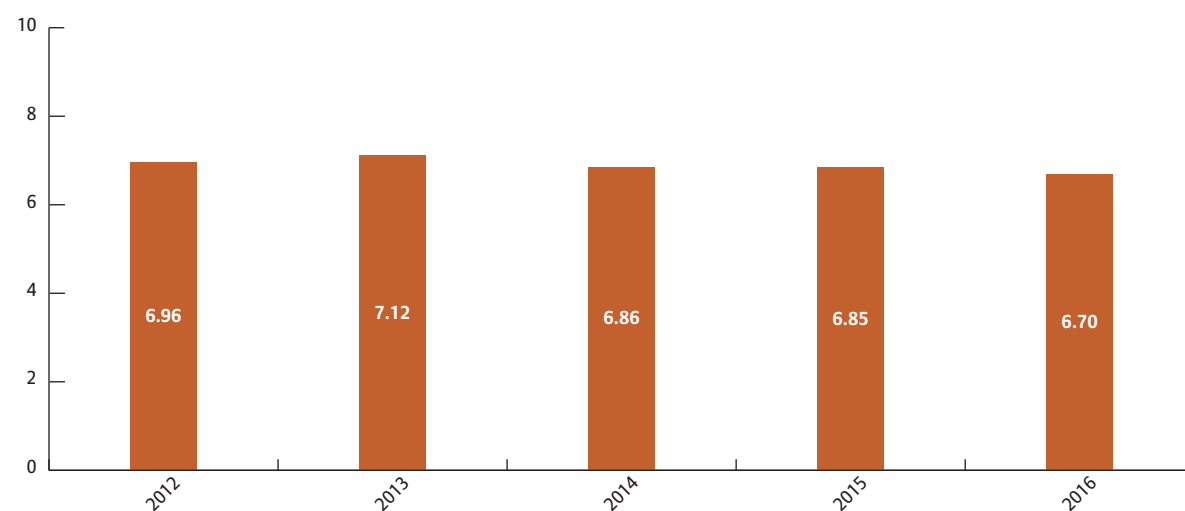
- dividends paid for €-196.6 million;
- net impact of operations on the treasury share for €-167.4 million;
- actuarial gains on defined benefits plan for €-31.3 million;
- other translation differences for €-10.8 million.

3.10 Creation of value for the shareholder

3.10.1 Earnings per share

Earnings per share was €6.70 in 2016, compared to €6.85 in 2015.

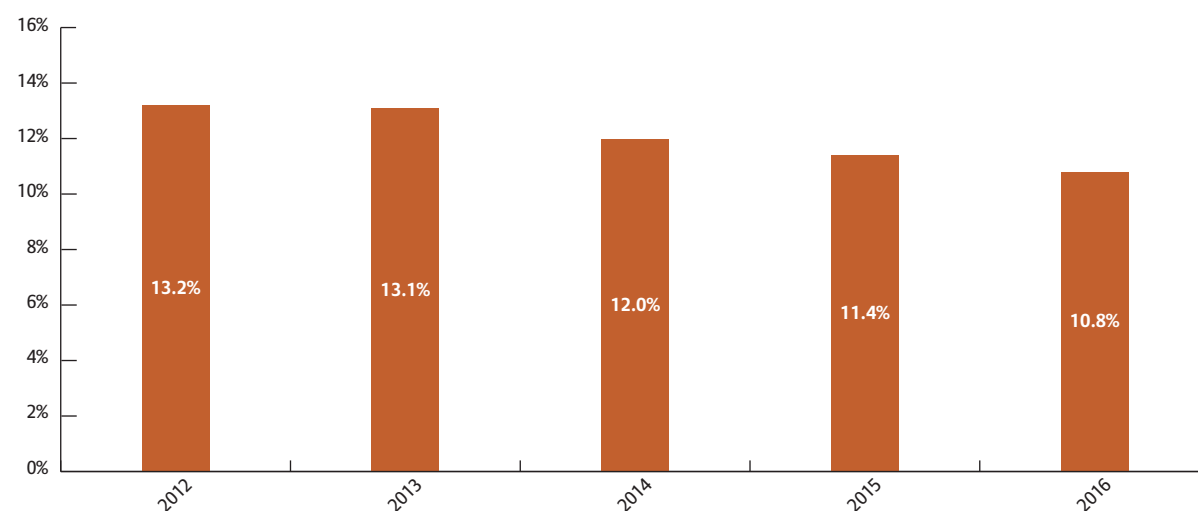
■ NET RESULT PER EULER HERMES SHARE (IN €)



3.10.2 Return on equity

The return on equity in accounting terms⁽¹⁾ equaled to 10.8%, compared to 11.4% last year. The decrease was due to lower net income.

■ RETURN ON EQUITY (IN %)



⁽¹⁾ Calculated on the basis of net income, Group share relative to average of shareholders equity (excluding minority interests) Group share between end-December 2015 and end-December 2016.

3.10.3 Solvency II economic ratio

3.10.3.1 Euler Hermes implemented its own internal model

As part of the Allianz group, Euler Hermes has been authorized by BaFin (the lead supervisor for the Allianz group) upon the review and proposal by the local supervisors NBB (National Bank of Belgium) for Euler Hermes SA and CAA (Commissariat aux Assurances) for EH Re SA to use an internal model instead of a standard model to estimate the solvency capital requirement for its main entities (Euler Hermes SA, Euler Hermes North America, Euler Hermes Re AG and Euler Hermes Re SA).

Euler Hermes opted for the use of an internal model for the following reasons:

- despite an adequate representation of the risk (ordinary risk and non-ordinary risk, recession/ large loss events), the calibration of the actuarial components in the standard formula is not representing the Euler Hermes risk profile;
- the standard formula does not allow for a geographical diversification between regions while Euler Hermes considers that the various regions of presence are not correlated;
- the standard formula does not allow to take into account the management actions embedded in the Trade Credit Insurance policy through which Euler Hermes manages its risk, and;

- the standard formula is based on premiums which is not the adequate risk driver of Euler Hermes business.

Some other insurance entities of the Group, namely Euler Hermes Poland, Euler Hermes Greece and joint ventures in the scope of Solvency II, could not be integrated in the internal model, because of size and/or length or historical reasons. For these entities, Euler Hermes either uses the standard model or a deduction approach removing both capital and required capital from the solvency ratio of Euler Hermes as a group.

In addition, Euler Hermes includes in the calculation scope of its solvency ratio a banking regulated entity (Euler Hermes Crédit France) and an asset management entity (Euler Hermes Asset Management).

To support the management of its solvency ratio, Euler Hermes has implemented a capital ratio framework which defines the target solvency ratio at which Euler Hermes wants to operate. Euler Hermes has fixed its target solvency ratio at 160% within an optimal range between 140% and 170%.

Finally, Euler Hermes has established a strong enterprise risk management framework and efficient reporting processes in line with the Solvency II directive.

3.10.3.2 Solvency II economic ratio as of December 31, 2016

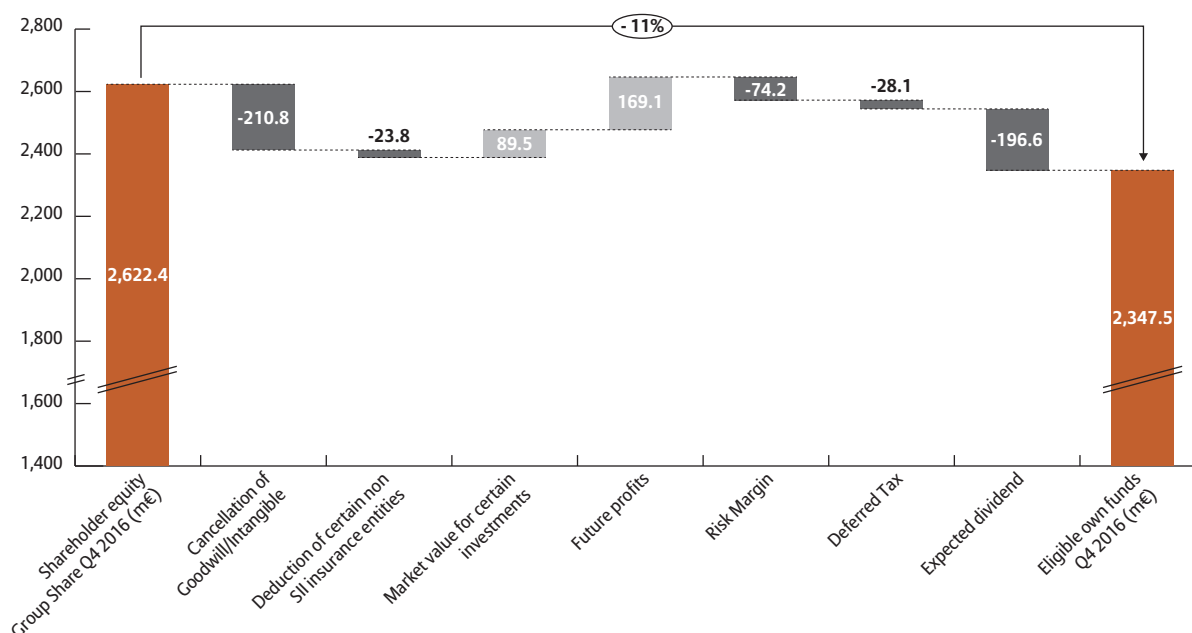
The Solvency II economic ratio is composed of the Own Funds divided by the Solvency Capital Requirements and stood at 166% as of December 31, 2016.

(in € million)	December 31, 2016
Eligible Own Funds	2,348
Solvency capital requirement	1,414
Solvency II Economic Ratio	166%

a) Eligible Own Funds

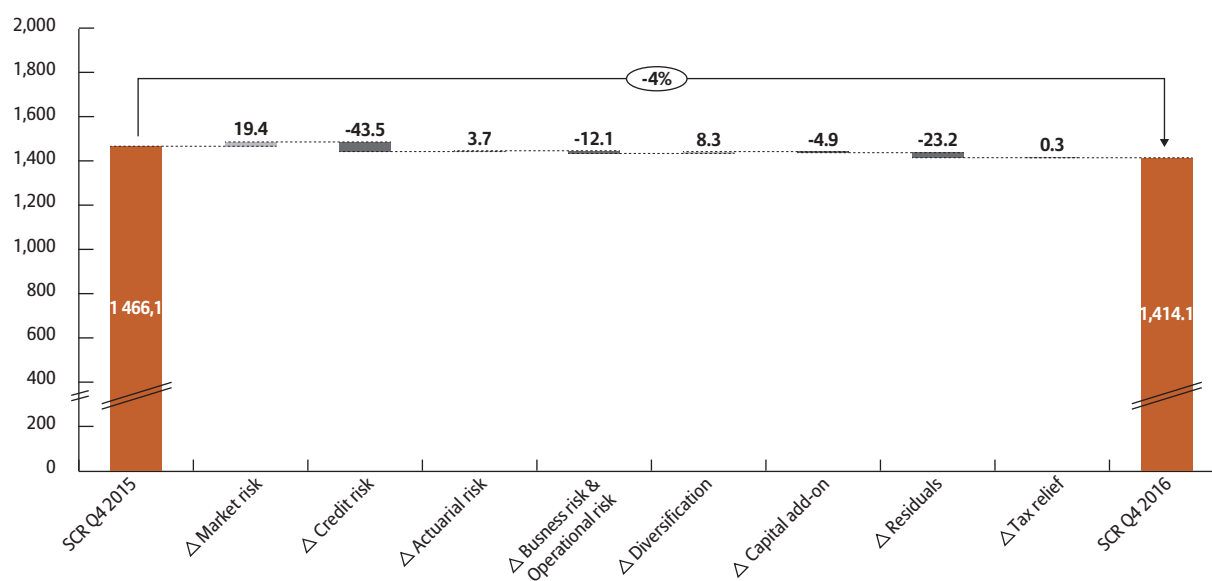
The eligible own funds amounted €2,348 million as of December 31, 2016. They were mainly Tier 1 Own Funds (99.7%), Euler Hermes has no Tier 2 leverage and does not use any ancillary Own Fund.

The bridge from Euler Hermes Group IFRS equity to Solvency II Own funds was the following:



b) Solvency Capital Requirement: 2016 evolution

The Solvency Capital Requirement amounted €1,414 million as of December 31, 2016. No quantitative risk has been left out the SCR computation.



3.11 Outlook

3.11.1 Economic outlook

Outlook for 2017: A world in slow motion

In 2017, activity growth may pick up but the pace will be slow. Growth is forecasted to reach +2.8%. This slight pick-up may be due to a large extent to the acceleration in the US, the exit from recession in Russia and Brazil, and the resilience in Europe and Asia. Yet, the diverging fate of the Four Musketeers (US, Europe, China, and the Emerging World) and the possible dueling among them – as globalization is deemed guilty of all woes – should keep global growth below +3% for the seventh consecutive year, a glass ceiling that has become harder to break, year after year.

Indeed, the US and China could take a more aggressive stance on trade and investment whereas Europe will be keener on balancing growth and politics. In emerging markets, the absence of a broad-based acceleration will increase selectivity: Private sector spending will be pivotal in some countries (e.g. Russia and India); the business cycle may be limited by ongoing adjustments (Brazil and South Africa) in others; while another group of countries may even face growing imbalances (e.g. Mexico and Turkey).

The US would benefit from a fiscal boost leading to a +2.3% GDP growth in 2017. Robust consumer confidence coupled with a near full employment labor market and rising wages means that the economy will run the risk of slight overheating in 2017. The fiscal stimulus (even without imported inflation from new trade barriers) will push inflation expectations and thus US long-term yields higher. The Fed suggested a more sustained path of rate hikes going forward. Though a scenario *à la* 1994 – a rapid tightening which caused a credit crunch – is not likely, we expect 2 to 3 rate hikes each year until 2019 to get the key interest rate closer to the 3% mark. This will end the long-awaited normalization cycle after a very accommodative monetary policy. Potential negative effects of scarcer liquidity in USD could be found in the emerging world. Indeed, implications for the rest of the world may be determined by financial (currencies), trade (exports to the US) and investment (net FDI to the US) flows. Two regions appear as highly exposed: the Americas and Asia Pacific. Two other regions are exposed to a lesser extent: Europe and Middle East North Africa (MENA). Buffers such as public finances, monetary policy and current account balances appear limited in Latin America and MENA, while they are quite strong in Canada, Europe, and Asia Pacific.

In Latin America, the pendulum will slowly swing back to positive territory. Argentina and Brazil are set to exit recession, bringing regional growth from -0.8% in 2016 to +1.4% in 2017 and +2.3% in 2018. Brazil's external position has demonstrated a marked improvement and inflation is set to meet its target. Fiscal constraints pose the new challenges. In Mexico, trade and financial openness entail higher risks due to the dependence on the US. Chile's growth should recover from the fall in copper prices amid weak confidence and the population's disapproval of government policies. In Columbia, the tax reform will aim to reduce the fiscal deficit

and support business confidence. Across Latin America, although local currencies performed better in 2016, the Fed hikes could trigger future imbalances.

The Eurozone will grow by +1.7% in 2017 and will continue to face its usual set of teething troubles from Brexit and the Italian banks situation to a busy election year for pivot countries. Strong institutional stopgaps (accommodative monetary policy, fiscal stimuli and European programs) will help contain risks. Private consumption will continue to drive growth thanks to a pick-up in employment while oil prices remain favorable, below USD 63/bbl for Brent (neutrality threshold). After slowing in 2016, trade momentum should be boosted by a lower EUR in 2017 (1.07 to the USD) as monetary divergence between the ECB and the Fed increases. Private investment should continue to recover as turnovers and margins increase.

In the UK Euler Hermes forecasts a +1.4% growth in 2017 after +1.8% in 2016. The sterling and new incoming investments will struggle the most as a climate of uncertainty hangs over the UK as the government triggered Article 50 and started EU exit negotiations. Inflation is expected to reach +2.5% in 2017, up from +0.8% in 2016 and wage growth is set to decrease to +1.4% (down from +2.3% in 2016). Hence, private consumption, the main driver of UK growth, will slow down to +1.6% in 2017 (from +3.0% in 2016).

In Germany, Euler Hermes expects that domestic demand will continue to drive growth while net exports will be more balanced. GDP growth will stabilize at +1.7% in 2017 and 2018, supported by an acceleration in public spending and investment in 2016. Activity in France will tick up to +1.4% in 2017, as the vigorous construction sector signals robust economic health. In Italy, growth should remain weak (+0.9%) as the resignation of PM Matteo Renzi adds uncertainty. All eyes will be on the next election whose timing is yet to be determined. In addition, the ongoing banking sector restructuring would be a drag on private sector financing. In Spain, the housing market is back to positive territory and residential construction is stable at a moderate level. Domestic demand should continue to drive growth (+2.5% in 2017) but exports should also remain dynamic (+4.1% in volume terms).

In Eastern Europe, GDP growth should remain sustained in EU member countries (+2.8% in 2017). There will be a modest recovery in Russia (+1.3%) after two consecutive years of recession. Indeed, the four crises – political, confidence, currency and oil price – will gradually start to reduce in 2017. That being said, sanctions are expected to remain in place in 2017. In Turkey, Euler Hermes expects low economic growth (+2.0%) given the high exposure to global headwinds, political and geopolitical events. The exchange rate will remain volatile while FDI and tourism inflows will continue to decline.

In Africa, average GDP growth will be higher than in 2016: +2.6%. Currencies will remain under pressure, while fiscal vulnerability is more severe in certain oil exporting economies – Nigeria, Libya, Sudan, Angola and Algeria. After a three-year commodity shock, some countries will have to adjust, and some to default. In the Middle East, GDP growth should slightly pick up to +2.3% in 2017, driven by the modest acceleration in activity in Saudi Arabia (+1.5% from +1.4% in 2016).

GDP growth in the Asia Pacific region is set to remain broadly stable in 2017 (around +4.8%) compared to 2016. Still, the region achieves faster GDP growth rates than global average. These are driven by supportive macroeconomic policies, a continued rise in private consumption and a lower manufacturing deflation. Nevertheless, growth is not healthy yet, as high private debt and poor bank asset quality hinder monetary policy transmission channels. Though China will address its fragilities (e.g. credit risk and excess capacities) to avoid volatility, strong public support and cautiously accommodative monetary policy will help reach +6.3% growth this year.

Trends in corporate insolvencies

Companies have absorbed the 2008-2009 shock at a global level, yet businesses remain vulnerable to the lack of solid macroeconomic and financial environment and to local eruptions of economic volatility and political uncertainty. In 2016 companies faced four major global headwinds. (i) The sluggish global economy, with real GDP growth posting only +2.5% in 2016 (versus +2.7% in 2015). (ii) The sharp slowdown in global trade, with export volume growth reaching an unprecedented low level of +2.0% (versus +3.0% in 2015). (iii) A fierce price competition, which has put turnovers under pressure. (iv) The volatility in exchange rates and international financial flows, which have kept financing under constraints and stress, with emerging countries bearing the brunt.

Overall, Euler Hermes Global Insolvency Index will record a limited drop of -4% in 2016. For the first time since the Great Recession, it will fall back to its 2007 low, just below pre-crisis average. Yet, after two years of sharp drops in insolvencies, the trend is rapidly losing momentum. Bankruptcies remained on the rise in Asia Pacific, Latin America and the Middle East and North Africa, stabilized in North America and fell more moderately in Europe.

In 2017, the Global Insolvency Index should stabilize (0%), which results from two diverging trends. On the one hand, there should be a persistent and broad-based rise in insolvencies in Latin America (+7%), Africa (+6%), Asia Pacific (+4%) and North America (+4%). We forecast all the countries in these regions to contribute to the rebound. Yet the expected decline in bankruptcies in Western Europe (-4%), as well as in Central and Eastern Europe (-2%), is losing momentum.

The steady decline in insolvencies in North America has come to an end: bankruptcies should reach a plateau in 2016, and increase in the US in 2017 (+5%). Companies will benefit from President Trump's measures dedicated to boosting short term (and domestic) activity but will suffer from negative factors on financing and international trade. In Latin America, insolvencies will keep rising for a sixth consecutive year (+7% in 2017) to the highest level of bankruptcies since 2000.

The declining trend in insolvencies remains on course for Western, Central and Eastern European countries. This is in line with moderate but steady economic prospects and supportive financing conditions in the Eurozone. Despite this broad-based improvement, insolvencies still remain 27% above the pre-crisis average in Western Europe and 28% above in Central and Eastern Europe. The regional picture still masks the heterogeneous recovery between sectors and countries.

In France, business insolvencies are decreasing by -7% in 2016 and are set to fall by -7% in 2017. Insolvencies will stabilize in 4 out of 17 countries in Western Europe in 2017, such as Germany, after decreasing by -7% in 2016 to a record low. They will increase in some major economies such as Poland, Russia and the UK. In fact, in 2017, the UK will be the only major European country to see a sizable increase (+5%) in bankruptcy cases given the economic slowdown (+1.4%) and the depreciation of the pound which will trigger higher producer and consumer prices.

In 2017, no country in the Asia region is foreseen to report a decline in insolvencies. The Asia Pacific index will rise by +4% with yet another strong rise in China (+10%). If policymakers were not supportive, the rise would probably have been stronger. The region has to cope with the consequences of subdued global trade, which has already caused a series of major bankruptcies, notably in the maritime transportation sector. This effect is exacerbated by a continued rise in protectionist measures.

3.11.2 Outlook for Euler Hermes Group

The credit insurance market has been characterized, over the last couple of years, by a low claims environment, driven by a declining trend in companies' insolvencies. The turmoil that has affected the growth markets at the end of 2015 and at the beginning of 2016 has had only limited contagion effects on other countries, and Euler Hermes has consequently been able to limit its effect on the loss ratio.

This low claims environment, although positive for the claim evolution, has put downwards pressure on premium rates, making it hard for the Company to grow the turnover, especially in our traditional markets in Western Europe. On top of this, risk actions taken in the emerging markets have slowed down the revenue growth there where the Group has been used to post double-digit growth rates.

The Group thinks that this low claims environment is likely to persist in Europe over the major part of 2017. Our revenue growth will be positive again, driven by an improvement on the premium rate side and the growth in our specialty lines, e.g. surety and transactional cover. Two other factors should help support the turnover evolution. On the one end, the improvement of the economic situation in some emerging countries, and more specifically Asia, should allow the Group to adopt a slightly more relaxed stance on the risk side and therefore grow the revenue. On the other end, the anticipated return of inflation should boost the customer turnover, on which a significant part of the Group's premiums are based.

There are signs though that a change in environment might be taking place for the coming months. Firstly, the end of the accommodative monetary policy of the central banks seems in sight, making liquidity scarcer and more expensive. Secondly, the secular development of international trade might be questioned by the Brexit and more protectionist trade policies, initiated by the Four Musketeers: US, Europe,

China and the Emerging World. Experience shows that growth of international trade is an essential condition to worldwide GDP growth, and the health of Euler Hermes' business. As a consequence of all this, as said earlier, Euler Hermes foresees an increase of 1% in the Global Insolvency Index. Although seemingly not significant, such an increase would be the first in seven years and would mean a change in a trend that is worth following up. Euler Hermes is geared to its underwriting policy to adjust to the changing environment. The target is to bring the loss ratio below the 2015/2016 levels.

The modest revenue growth of recent years has highlighted the need to work on productivity and costs. Besides, the Group has decided to invest in digital, and these investments need to be financed without impacting the cost ratio. Productivity plans have been announced in 2016 for Germany, France and the corporate entities. They will be executed in 2017, and the decrease in number of FTEs should be visible, in the next couple of years, with a slight improvement expected on the cost ratio from 2018 onwards.

As mentioned above, the central banks are initiating a cycle of interest rise. The impact thereof on the Group financial income is expected to be positive, taking into account the short duration of our investment portfolio.

The year 2017 will be a year of economic uncertainty. In these volatile circumstances, Euler Hermes will continue its transformation, and focus on specialty lines, on digital initiatives and on the execution of the announced productivity plans. While maintaining technical excellence, the combined ratio, including service margin, should remain at a maximum of 80%, and the solvency ratio, of 166% at the end of 2016, should remain strong.

MAJOR RISK FACTORS AND THEIR MANAGEMENT WITHIN THE GROUP

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4.1 Risk factors

In its risk management approach, the Group has identified a series of risk factors that it must face that are likely to more or less significantly affect its activities as well as its financial results.

The following risk description reflects the latest situation and could be amended depending on the development of uncertainties linked to their identification.

These risks are inherent to the nature of the Group's activities and its economic, competitive and regulatory environments. In view of the numerous contingencies and uncertainties associated with these risks, senior management is not always able to quantify their impact accurately. To prevent, detect and manage risks on an ongoing basis, however, the Group has implemented numerous risk management processes, procedures and controls. These processes, like any control and monitoring system, cannot be regarded as an absolute guarantee. Rather, they offer a reasonable assurance of security in respect of operations and of control over results.

The Risk Management structure is described in section 4.2 of this Registration Document. In cases where the risks described in section 4.1 may have measurable financial consequences or significant potential liabilities, these factors are reflected in the Group's consolidated financial statements, in accordance with the applicable IFRS accounting standards. The risks described below are classified on the basis of their origin. This presentation aims to reflect senior management's current views on the potential consequences of each risk for the Group. While senior management devotes significant resources to risk management on an ongoing basis, as described in section 4.2 of this document, the Group's risk management activities, like any system of control, are subject to inherent limits and cannot provide absolute certainty or protect the Group against all risks described in section 4.1 or all losses potentially caused by these risks.

4.1.1 Risk factors related to insurance activity

The risk factors described in this section are more quantitatively described in sections 4.2.2. and 4.2.4.

The prevailing and future economic environment

By nature, the Group's business is directly related to economic activity.

Today's challenging economic environment has various effects described hereinafter, some of which may conflict with each other:

- a decline in premium income stemming from a downturn in economic activity, leading to a reduction in policyholder turnover – used as the basis for calculating the insurance premium – or a loss of policies (termination of unprofitable policies by the Group, default by policyholders, termination by policyholders, etc.);
- an increase in the frequency of claims and an increase in the severity of peak claims;
- the declaration of claims on companies that are in good financial health, but are unable to transfer capital to their creditor outside of their country.

Other economic factors could affect the economic environment, in particular higher oil prices or the euro-dollar exchange rate.

To address this risk, the Group acts in four ways to reduce the sensitivity of its results to the economic environment:

- more precise monitoring of granted limits, aimed at limiting the losses borne jointly by policyholders, reinsurers and the Group;
- diversification of sector and geographical risks;
- product diversification through the introduction of service products less closely correlated to activity;
- implementation of a risk transfer policy (reinsurance) to reduce the effects of a higher claims frequency and to limit the severity of peak risks.

Ongoing difficult economic conditions may have a negative impact on the Group's net income, financial strength, solvency margin, share price and, potentially, reputation.

Given the Eurozone situation, the large proportion of the Group's business generated in Europe could be an aggravating factor for this risk. However, the Group has taken measures to reduce its dependency on the European market.

Natural and human catastrophes

The proliferation of weather events worldwide, not to mention other risks such as acts of terrorism, nuclear events, the emergence and spread of pandemics and the impact of future climate change could, in addition to their immediate damage and impact, have a material impact on insurers' operations as well as their current and future results.

While past experience shows that such events have little impact on the Group's results, the Group cannot rule out the possibility that such events could affect its net income in the future.

Sanctions regimes

The sanctions regimes imposed by the United Nations, the European Union, the United States or other individual governments continue to evolve. For example, the year 2016 was marked by the extension of sanctions against Russia and by a loosening of the rules relating to commercial restrictions with Cuba and Iran. The dynamic nature of these regulatory frameworks requires the Group to permanently monitor and adjust its customer services when necessary.

The Group has established a range of processes and tools (including screening, policy terms and restrictions on limits) to ensure its compliance with the various sanctions regimes.

However, the Group cannot rule out:

- being subject to control or even being in disagreement with the authorities controlling its activities in countries under sanctions regimes;
- being the target of legal proceedings by a policyholder or one of its customers due to measures taken in response to sanctions regimes;
- being subject to internal or external fraudulent activity aimed at circumventing sanctions regimes.

In addition to the above points, the application of sanctions has the following effects on the Group's activity:

- reducing its activity in the country concerned due to the cancellation of certain policies, even policies signed in other countries, as policyholders may no longer have coverage in the country under sanction;
- increased claims in the country under the sanctions regime;
- increased claims in the countries or business sectors that might be subject to counter-sanction by a country under a sanctions regime.

The establishment of these sanctions regimes might lead to a decrease in the Group's net income due to the increased cost of demonstrating compliance with the sanctions regimes, a reduction in its activity or increased claims due to the implementation of these sanctions regimes (or counter-sanctions), reputational risk or fines if its operational processes fail to manage these sanctions regimes.

Regulatory impact and failure of risk insurance subscription processes

The management of credit insurance and bonding risk is based on a strong risk culture associated with contract management and customer service. In addition to managing the underwriting of contracts, the Group provides a service to policyholders to reduce receivables-related risks. During the period of insurance, all requests for insurance cover on a given customer are analyzed by applying specific solvency criteria (financial analysis, prior claims, etc.) to the customer in question. Cover is then issued on the basis of the risk profile of the commercial transaction associated with the request.

Credit insurance risk management processes are based on analyzing the solvency of the policyholders' customers using all gathered information.

This analysis involves the following elements:

- the possibility of gathering or purchasing information about the Group's policyholders' customers;
- the correct functioning of a centralized information system gathering information and requests for cover;
- the establishment and consistent application of written rules governing the analysis of information gathered and decisions on requests for cover;
- the control of the application of these rules following the principle of three lines of defense.

A failure of one of the processes or tools in place, or change in the statutory or regulatory requirements under which such operations are carried out, could have an impact on net income or financial strength. They could also lead to statutory or regulatory fines. Lastly, they could have consequences in terms of reputation.

The possibility of recording losses in the event that assumptions used to determine insurance reserves materializes

Determining insurance reserves, including reserves for premiums not yet written or reserves for un-notified claims, is based on inherently uncertain elements derived from assumptions about future changes in factors that may be (i) economic, demographic, social, legislative, regulatory, financial, (ii) linked to the conduct of the policyholder or its customer; or, (iii) dependent on the anticipation of the nature of the claims (frequency claims vs. peak claims).

The use of these numerous assumptions and their revision require a high degree of assessment by the Group's management bodies. They might influence the level of reserves determined and might have a negative impact on the net income, financial position, solvency margin and valuation of the Group.

Failure of reinsurers or reinsurance processes

The level of theoretical coverage granted by the Group is not based solely on the Group's available capital.

The level of theoretical exposure is based on the fact that some of the claims arising from this exposure will be transferred to external reinsurers by means of reinsurance contracts structured by type, quality and exposure. These reinsurance contracts are defined to cover one year of subscription.

It should be taken into account that the act of transferring some of the risks borne by the Group to its reinsurance partners does not release it from its obligation to indemnify its policyholders.

In concrete terms, the Group is subject to the following risks:

- the insolvency of one of its reinsurers;
- the inability to place its reinsurance contracts at acceptable prices;
- the subscription of risks not previously and specifically approved by the reinsurers, the exclusion of risks by contracts, following erroneous applications of general terms and conditions of these contracts, leading to failure to totally or partially benefit from the theoretically purchased covers.

The Group has put management rules in place in order to be sure of the solvency of its reinsurers and guarantee a good level of diversification in

its ceded claims. Nevertheless, it is possible that one or more reinsurers may no longer be able to meet its commitments, leading to an increase in the Group's own losses.

In addition, reinsurance capacity and the pricing of reinsurance contracts depend on prevailing economic conditions and the reinsurance market, two factors that can vary substantially. As such, the Group might have difficulty in purchasing reinsurance at acceptable prices.

Finally, precise rules governing risk subscription within the limits of the reinsurance contract are applied and updated each year.

The materialization of one of these risks could have a long-term effect on the Group's activity, net income and solvency margin.

Loss of authorization to use an internal model

Management of credit insurance and bonding risk is relatively more capital intensive than any other insurance business segment. Because of a significant difference between its risk profile and the profile used by the EIOPA for the standard formula, the Group has established an internal model and obtained authorization to use this internal model by its European regulators. This model is also being used temporarily in the Group's reinsurance subsidiary in Switzerland.

The loss of the authorization to use an internal model by EH SA or EH Ré SA or non-authorization for EH Re AG could lead the Group to revise its underwriting policy for the risk covered and, as a result, have impacts on its commercial policy, or require a search for other sources of capital (capital increase or equivalent, increase in outwards reinsurance or equivalent, etc.). Over time, the Group's net income and valuation could be affected.

4.1.2 Risk factors related to financial markets

The risk factors described in this section particularly affect the risks described in greater quantitative detail in section 4.2.3.

Risks related to the investment portfolio

The risks described below could, if they materialize, have negative impacts on current and future net income, cash flows, financial position and, in some cases, the Euler Hermes Group share price.

Interest rate risk

As its portfolio is invested primarily in bonds (national, supranational and, to a lesser extent, corporate), the Group is subject to interest rate risk.

During periods of declining interest rates, the risk is that the portfolio's average interest rate could fall (reinvestment being made at lower rates) or that the portfolio duration could increase (making the portfolio more sensitive to future changes in interest rates).

During periods of rising interest rates, the risk is that the market value of the bond portfolio could decline, possibly resulting in unrealized losses.

The Group has implemented an asset management policy aimed at minimizing these risks, including asset-liability management factoring in all local constraints.

II Equity market risk

As part of its portfolio is invested in equities (or equity equivalents), the Group is exposed to a decline – whether short- or long-term – in the equity markets. This could result in the Group having to record unrealized losses or asset impairments.

The Group has implemented an asset management policy aimed at selecting high-quality issuers and diversifying risk in this asset class both by country and by sector.

III Real estate risk

The Group is exposed to real estate risk via the buildings that house its operations, as well as its investment properties.

The risk is that market values may fall and as such reduce the unrealized capital gains on these buildings or even lead to recorded unrealized losses.

IV Counterparty risk

Default by financial institutions and third parties in general, including potential defaults on sovereign debt payments or restructurings, could lead to losses on or impairment of invested assets, or to unrealized losses, which could all harm the value of the Group's investments and reduce profitability.

The Group has implemented management rules to diversify risk (geographical as well as sectoral) and to reduce the risk of default by investing in counterparties boasting robust financial health.

Downward revision of financial ratings

Ratings related to financial strength have become increasingly important elements in determining insurance companies' relative competitive positions. Rating agencies review their ratings and methodologies on an ongoing basis and can revise their ratings at any time. Accordingly, the Group's current ratings are subject to change.

In a difficult economic and financial climate, some rating agencies have revised their outlook downwards for the insurance sector and downgraded a number of companies. Euler Hermes Group, however, managed this period without a revision of its rating from Standard & Poor's; its rating was confirmed as AA- (*outlook stable*) on November 18, 2016. Furthermore, Dagong Europe and Moody's confirmed respectively Euler Hermes Group's AA- (*outlook stable*) rating and Aa3 (*outlook stable*) rating in July and August 2016.

A ratings downgrade – actual or potential – and, more importantly, a fall in the rating below A, could have adverse effects on the Group, by:

- (i) undermining its competitive position;
- (ii) hindering the distribution of new insurance policies;
- (iii) increasing the rate of termination of existing insurance policies;
- (iv) raising the cost of reinsurance;
- (v) limiting its access to sources of funding or increasing the cost of such funding;
- (vi) imposing the need to provide additional guarantees for certain contracts;
- (vii) having an adverse impact on relations with creditors or trading counterparties;
- (viii) having a significant impact on public confidence.

Each of these scenarios could have a negative impact on the business, liquidity level, consolidated net income, revenues and financial position of the Group.

Exchange rate fluctuations

The Group is exposed to exchange rate fluctuations due to:

- the presence of subsidiaries outside the Eurozone. The Group's main subsidiaries outside the Eurozone operate in the US Dollar, British Pound and Swiss Franc;
- a subsidiary granting limits in a currency that is not the subsidiary's accounting currency.

As of December 31, 2016, 40.0% of its revenues were generated outside the Eurozone.

To reduce its exposure to exchange rate fluctuations, the Group applies the principle of congruence (matching assets and liabilities denominated in a different currency from the currency used for its accounting).

Moreover, the Group has no investments in foreign currencies for speculative purposes.

At the end of 2016, the Group had no hedging instruments in place to protect against exchange rate fluctuations.

Market conditions, changes in accounting principles and other factors could affect the recognized value of goodwill

The Group's accounting principles and policies, along with the analysis of intangible assets (including goodwill) are set out in Notes 2, 3 and 4 in the notes to the consolidated financial statements (presented in section 5.6 of this Registration Document).

Changes in the business and the market may affect the value of the goodwill recognized in the consolidated statement of financial position, the amortization of Deferred Acquisition Costs (DAC) and the Value of Business In force (VBI), and the valuation of deferred tax assets of the Group.

4.1.3 Risk factors within the Group

The Group's dependence on its subsidiaries

As a holding company, Euler Hermes Group has no activity of its own (except for IT services), as all of its insurance or service activities are performed by its subsidiaries. As such, Euler Hermes Group depends on the dividends paid by its subsidiaries, and on other funding sources, to meet its expenses, including the payment of dividends and interest on its debt.

Due to the various risk factors described in this section, Euler Hermes Group may receive a reduced dividend or no dividend from some of its subsidiaries, or may need to provide some of them with significant financial support in the form of loans or capital contributions. This could significantly impact its liquidity and its ability to pay dividends.

The Group is subject to a certain number of legal and regulatory constraints which restrict the use of capital, and, in particular, the payment of dividends.

In particular, each of the legal insurance entities must maintain a minimum solvency margin calculated according to national regulations and, in the case of some, the creation and maintenance of a minimum level of equalization reserve.

As of December 31, 2016, and subject to validation by local regulators, all the Group companies satisfy their regulatory requirements.

If a Group subsidiary were to fall below the required regulatory standards, an action plan would be put in place in order to return to compliance. This action plan could rely, among other things, on changes in arbitrage or investment policies, changes in reinsurance conditions or changes in the shareholding structure.

The Group's Financial Department monitors, in close liaison with the financial departments of its subsidiaries, the risks resulting from any regulatory restrictions and the implementation of new solvency regimes.

A deterioration in the operating performance of companies or market conditions could accelerate the amortization of DAC and VBI or reduce the assets, leading to a reduction in consolidated net income and weakening the Group's financial position.

Risk assessments made by the Group and its governing bodies

Determining the amount of reserves and impairments is based on periodic assessments and estimates of the known and inherent risks of each underlying event. These assessments and estimates are revised as conditions change or as new information becomes available.

The Group's governing bodies, in the light of this information and in accordance with the accounting principles and methods set out in the consolidated financial statements (*see Note 2 "IFRS accounting and valuation rules" in the notes to the consolidated financial statements*), make decisions on the appropriate level of reserves and impairments to set up. These decisions are taken based on their analysis and the assessment and appraisal of the causes and consequences of any changes affecting previous risk estimates.

However, the Group cannot guarantee that its management bodies have correctly estimated the level of impairment and the reserves recognized in the financial statements, or that additional impairments or reserves may not negatively affect the Group's net income and financial position.

Reduction in the growth of the Group's businesses

Growth observed in recent years, both organic and acquisition-driven, may, despite the strategic expansion objectives of the management bodies, not continue or may not be in line with expectations, mainly due to challenging conditions in the financial markets and changes in economic conditions.

The Group has implemented initiatives to enter new markets, either by expanding its existing credit insurance business in new geographical areas in which the Group was not previously present or where its earlier presence was only marginal, or in the form of new products related to credit insurance.

Maintaining a high level of development could, however, be affected by changes in current regulations or tax legislation.

Any inability on the part of the Group to capitalize on innovative products and on partnerships or new methods of distribution, to deploy them within the Group and to develop them in accordance with its objectives, could adversely affect the growth of the Group's business.

The Group's geographic diversity

The Group markets its products and services in Europe, North and South America, Asia, Oceania, Gulf countries, Turkey, Russia, and certain African countries through various legal structures and distribution channels, including majority- or minority-owned subsidiaries, partnerships with insurance companies or banks, joint ventures, agents and independent brokers.

The diversity of the Group's international presence exposes it to very different and often widely fluctuating economic, financial, regulatory, commercial, social and political environments, which could potentially affect demand for its products and services, the value of its investment portfolio or the solvency of its local business partners.

The successful implementation of the Group's overall strategy may be hampered by the environment in some countries in which it operates, with adverse effects on the Group's net income and financial position.

Off-balance sheet commitments and residual liabilities

The Group may occasionally retain insurance and reinsurance liabilities or other off-balance sheet commitments stemming from the sale or liquidation of various activities, or be required to provide guarantees and undertake other off-balance sheet transactions.

If the existing reserves for such obligations and liabilities are insufficient, the Group may have to record additional charges that may impact its net income significantly.

For more information, see Note 33 to the Group's consolidated financial statements relating to commitments given and received.

Operational failures

The Group's activity is based very heavily on its processes and information systems.

As such, the Group makes considerable efforts to maintain and modernize its information systems and the efficiency of its processes. In particular, the Group ensures that its processes and information systems are consistent with industry, regulatory and technological standards and with the preferences of its policyholders.

However, the Group is exposed to operational risks that are inherent to its business and which may be of human, organizational, material or natural origin, or result from other events within or outside the Group. These operational risks could materialize in various forms and mainly be the following: interruptions or failures of information systems used by the Group; errors, fraud or malice on the part of its employees, policyholders or intermediaries; non-compliance with internal and external regulations; hacking of its information systems, etc.

While the Group strives to achieve better management of all of these operational risks in order to limit their potential impact, they could result in financial losses, a deterioration in the Group's liquidity, disruption of its activity, regulatory sanctions, or damage its reputation.

4.1.4 Risk factors related to the regulatory or competitive environment

The risk factors described in this section particularly affect the risks described in section 4.2.5.

A highly competitive environment

The Group operates in a highly competitive market, in which other players are sometimes subject to different regulations, use multiple distribution channels and offer more competitive prices than those of the Group. In addition, several products offer an alternative to credit insurance and widen the coverage possibilities available to customers.

In view of this competitive pressure, the Group may need to adjust the prices of some of its products and services or its policy for underwriting risks, which could affect its ability to maintain or improve profitability and adversely affect its net income and financial position.

Changes in regulations

The Group business is subject to specific regulations in different countries. Changes to the laws and regulations governing the insurance business could significantly affect the conduct of operations and the Group's range of insurance products.

In addition, the credit insurance and bonding activity with a coverage period greater than 12 months is one of the classification factors for the Allianz group, as a group that is "too big to fail." The main shareholder could decide to propose decisions that could lead to a reduction in this activity, which could affect the Group's attractiveness, net income or valuation.

Among the changes in 2016 are the following: the new European "Market Abuse" regulation that does not trigger any significant actions of the Group considering its current compliance with French Law on the matter;

the European regulations on the protection and transfer of personal data outside the European Economic Area, requiring a review of data flows and enhancement of certain controls; the changes in economic sanctions regimes, requiring continuous screening of counterparties and adjustment of services as needed; and regulatory guidance on the implementation of the Solvency II regime.

Changes to local, european and international tax laws and regulations

Changes to the tax legislation of countries in which the Group operates could have unfavorable consequences on the Group's operations, cash flow position and net income.

In addition, such changes to tax laws and regulations, or operating performances below expected levels or occurring at different times, could lead to a significant change in the Group's deferred tax assets and thus lead to a reduction in the value of certain tax assets or call their use into question.

This situation could have a material adverse impact on the Group's net income and financial position.

Potential changes to international accounting standards

The Group's consolidated financial statements are drawn up in accordance with international accounting standards 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 (see Note 2 "IFRS accounting and valuation rules" in the notes to the consolidated financial statements).

Plans to amend existing standards are being considered (especially IFRS 9 and 17) by the International Accounting Standards Board (IASB); some of them may have a significant impact on the financial statements of insurance companies and financial institutions. These potential changes could concern the recognition of both the Group's assets and liabilities, and its income and expenses in the consolidated income statement.

The impact of such changes is difficult to assess at this stage, but would be likely to affect the Group's net income and financial position.

The variety of legal systems in the countries in which the Group operates

In recent years, the Group has accelerated its international expansion in countries in which judicial and dispute resolution systems sometimes involve different timeframes from those that exist in Europe or the United States. As such, the Group may find it difficult to take legal action or enforce rulings. In such a situation, the possible legal implications could affect the Group's operations and net income.

4.2 Quantitative and qualitative notes relating to risk factors

4.2.1 Risk Management structure

The Risk Management function

The responsibilities of the Risk Management function are as follows:

- to identify, measure and take part in the management of financial, insurance and operational risks;
 - to define and monitor Euler Hermes' appetite for these risks and to strengthen the risk-reporting process, risk limits and decision-making processes;
 - to calculate the economic capital associated with the business. Economic capital is calculated by using an internal model, where the responsibility for developing the model is divided between the Group
- for risks associated with insurance activities and the main shareholder for all other risks. The Group periodically analyzes the validity of this model for the risk profile specific to the Group;
 - to construct a favorable environment in terms of models, indicators, standards and culture for the various business lines in order to underwrite risks in the context of the risk appetite validated locally and by the Group;
 - to maintain the authorization to use an internal model and complete all procedural operations for approval of the changes to the internal models with the supervisors in the framework of Solvency II and the Swiss Solvency Test;

- more generally, to implement all the actions necessary to create an effective “second line of defense” on all risks in connection with other key functions (internal audit, compliance and actuarial);
- to develop a risk culture within the Group through training and regular communications.

In order to fulfill these missions, this team operates totally independently.

Although it does not have an operating function, it is closely associated with the Group’s management and decision-making processes. It relies on other Group functions, at both the Group and local levels, and in particular the commercial, financial, underwriting, and claims management functions.

All activities and the results of risk analysis are regularly reported.

The Risk Management structure

Risk Management is organized around three levels:

- 1 Senior management of Euler Hermes Group:
 - defines and implements business strategy by delegation of the Supervisory Board and/or the Board of Management,
 - defines and develops internal controls and the framework of the Risk Management function,
 - ensures that the activity is consistent with the defined risk appetite.

Calls upon various committees to carry out its tasks, including the following:

- Audit & Risk,
- Investment,
- Reinsurance,
- Marketing and Sales,
- Risk Underwriting.

The Audit and Risk Committee, which reports to the Supervisory Board, debates the following matters at least every quarter: changes in the solvency margin, the main risks to which the Group is exposed, the effectiveness of the risk management framework and the regulatory changes affecting the Group;

- 2 Risk Management, is responsible for:

- defining and implementing the Risk Management system within the organization, particularly the risk governance rules,
- ensuring that all of the Group’s legal entities comply with these rules.

The Risk Management function is led by the Chief Risk Officer, who reports to the Group’s Chief Financial Officer.

The Chief Risk Officer and his/her team act independently and have no operational responsibilities.

The Risk Management function works closely with the Compliance and Ethics functions, the Legal and Tax division and the Actuarial Division in order to establish a coordinated second line of defense.

- 3 the Internal Audit function: verifies independently and objectively that all processes implemented as part of Risk Management are properly defined and implemented, and suggests improvements where appropriate.

The Risk Management function at the local level

Risk Management in the Group’s various legal entities has the same mission and is organized identically as it is at the Group level.

In particular, each legal entity defines a local risk appetite, in line with the Group risk appetite, and manages its activity on the basis of its local risk appetite.

4.2.2 Insurance risks

Product approval

A Group-level Product Committee has been set up that is responsible for approving all new products or changes to existing products.

This Product Committee is composed of the Group’s main functions, especially Marketing, Commercial Underwriting, Risk Underwriting, Group Controlling, Reinsurance and Risk Management.

The Committee’s purpose is to approve products from different perspectives (commercial, internal processes, profitability, impact on solvency, risks and reputation, etc.) and to make recommendations to the Board of Management.

Underwriting of risk

The underwriting of risk takes place in two phases:

1 Signature of the insurance contract

The credit insurance contract contains all management rules and parameters (deductible, maximum liability, etc.). These rules and parameters are differentiated depending on the risk profile of each policyholder. It also requires the policyholder to declare its unpaid invoices according to certain declaration timescales, and, during the insurance period, the Group and the policyholder are in regular contact, including managing customer limits as necessary. The principle of comprehensive coverage of the policyholder's revenues is one of the key elements for diversifying risk and limiting anti-selection phenomena.

2 Management of covers granted to policyholders

The Group has developed a risk business model to address insurance risk in the most efficient way.

The key elements of this risk business model are:

- definition of the model by a Group team,
- local risk underwriting,
- centralized control,
- a system for researching and collecting information on the Group's policyholders' customers,
- a Group risk grading system,
- specialized teams,
- a centralized IT system in which all policyholder requests are entered, and all granted limits and any information on the debtors are stored,
- quality of service standards in the response to customers.

The following tables show the Group's gross theoretical exposure, breaking it down into two segments:

- 1 the country in which the debtor is located ⁽¹⁾;
- 2 the economic sector of the debtor.

■ 1 THE COUNTRY IN WHICH THE DEBTOR IS LOCATED

(in € millions)	2016	%	2015	%	Change
Total Europe	657,613	74.5%	668,387	75.1%	-1.6%
of which:					
France	186,223	21.1%	186,111	20.9%	0.1%
United Kingdom	66,049	7.5%	73,069	8.2%	-9.6%
Germany	158,934	18.0%	159,505	17.9%	-0.4%
Italy	71,172	8.1%	72,044	8.1%	-1.2%
Belgium and Luxembourg	22,691	2.6%	22,520	2.5%	0.8%
Netherlands	23,480	2.7%	24,113	2.7%	-2.6%
Spain	17,219	2.0%	18,218	2.0%	-5.5%
Eastern Europe	41,141	4.7%	41,711	4.7%	-1.4%
Scandinavia	29,706	3.4%	30,284	3.4%	-1.9%
Other Europe	40,998	4.6%	40,812	4.6%	0.5%
Total Americas	128,378	14.5%	120,578	13.5%	6.5%
of which:					
United States	95,961	10.9%	89,424	10.0%	7.3%
Canada	11,774	1.3%	11,193	1.3%	5.2%
Other Americas	20,643	2.3%	19,961	2.2%	3.4%
Asia Pacific	71,232	8.1%	71,120	8.0%	0.2%
Middle East	15,728	1.8%	20,507	2.3%	-23.3%
Africa	9,641	1.1%	9,558	1.1%	0.9%
TOTAL	882,592	100.0%	890,150	100.0%	-0.8%

(1) The Group covers the risk of nonpayment of an invoice delivered by a policyholder to its own customer. Consequently, the analyses are not based on the characteristics of the insured but on those of its clients (or debtors).

■ 2 THE ECONOMIC SECTOR OF THE DEBTOR

(in € millions)	2016	%	2015	%	Change
Automotive	44,609	5.1%	42,555	4.8%	4.8%
Chemicals	69,468	7.9%	68,071	7.6%	2.1%
Commodities	54,764	6.2%	58,334	6.6%	-6.1%
Computers & Telecoms	25,433	2.9%	25,555	2.9%	-0.5%
Construction	103,347	11.7%	104,050	11.7%	-0.7%
Electronics	47,759	5.4%	48,551	5.5%	-1.6%
Food	105,692	12.0%	105,556	11.9%	0.1%
Household equipment	26,820	3.0%	26,282	3.0%	2.0%
IT Services	22,658	2.6%	22,978	2.6%	-1.4%
Machinery & Equipment	56,472	6.4%	57,056	6.4%	-1.0%
Metal	62,243	7.1%	66,515	7.5%	-6.4%
Paper	16,628	1.9%	17,288	1.9%	-3.8%
Retail	124,081	14.1%	125,954	14.1%	-1.5%
Services	76,787	8.7%	73,643	8.3%	4.3%
Textile	19,248	2.2%	19,889	2.2%	-3.2%
Transport	23,634	2.7%	23,314	2.6%	1.4%
Unknown	2,949	0.3%	4,559	0.4%	-35.3%
TOTAL	882,592	100.0%	890,150	100.0%	-0.8%

Reinsurance

The implementation of adequate reinsurance structures and their placing in the reinsurance market are important elements of the Group's insurance and risk management activities.

The Group has given its reinsurance management and purchasing operations on the market to its reinsurance company located in Switzerland (Euler Hermes Reinsurance AG).

Rules have been laid down to guide the purchase of reinsurance, and their application is subject to regular internal auditing.

In addition, a Reinsurance Committee, comprising the Chairman of the Group's Board of Management, the Group Chief Financial Officer, Euler Hermes Reinsurance AG's Chief Executive Officer, and the Group Risk Officer, makes recommendations to the Board of Management.

Purchases of reinsurance are preceded by:

- quantitative analysis to ensure that the proposed structures match the risk borne by the Group, in terms of both frequency and severity, especially in the event of changes in the economic conditions in which the Group operates;
- modeling of reinsurance structures as part of the Group's internal solvency model and calculation of their impact on the allocation of capital;
- analyses of the financial strength of reinsurers composing the reinsurance syndication panel.

Claims management & reserving

One of the responsibilities of the Group's subsidiaries as part of their insurance activities is to establish reserves to cover the occurrence of an incident resulting in an insurance claim. These reserves must be sufficient to guarantee the settlement of future claims.

To ensure that this process works correctly, the Group has defined and implemented written procedures for:

- claims management, including the conditions for opening and settling a claim;
- management of claims recoveries (both before and after settlement);
- recognition of all transactions associated with determining the ultimate loss recorded by the Group.

These rules are subject to regular review by the Group Claims department and periodic review by Internal Audit.

This process applies to each notified claim.

Claims reserves recorded at any given time result from three reasons:

- *Case reserves* for notified claims, covering notified claims;
- *IBNR reserves*, covering un-notified claims relating to the current and previous years;
- *S&S (salvage & subrogation)* reserves, relating to expectations of future recoveries of settled claims.

The reserve for notified claims is subject to case-by-case analysis, as described in the preceding paragraph.

The determination of the IBNR reserves and expectations of future recoveries of settled claims result from periodic actuarial analysis conducted by the Actuarial Divisions of each legal entity and overseen by the Group Actuarial Division.

The Group Actuarial Division is also tasked with ensuring that the overall level of the Group's reserves is sufficient to cover future claims, and to establish and verify the correct implementation of actuarial principles, with which the calculations of estimated reserves must be consistent.

The entire process is subject to periodic review by Internal Audit and by external auditors.

The rules for establishing reserves are consistent with local laws and regulations.

At the current time, the main actuarial methods used by the Group's subsidiaries are based on claims triangles (Chain Ladder, Bootstrapping

method, etc.) or other methods (Bornhuetter Ferguson, etc.). These methodologies aim to define a reasonable range of estimates within which the Actuarial Division sets its recommended reserve level.

On the basis of this range calculated by actuaries, their recommendations, and other analyses (actuarial or not), senior management sets the level of reserves to be adopted for each quarterly closing at meetings of the Loss Reserve Committee. Loss Reserve Committee meetings are held in each subsidiary and then at Group level. They are held at least once per quarter, but can also be held in the case a major event requires a major revision to the level of reserves, such as a major claim.

It should nevertheless be noted that estimates are based mainly on assumptions that may differ from subsequent observations, particularly in the event of changes in the economic and legal environments, especially if they affect the Group's main portfolios simultaneously.

A description of the main factors causing changes in claims is provided in section 3.5.2 of this Registration Document.

■ NET CLAIMS/PREMIUMS RATIO

	2011	2012	2013	2014	2015	2016
Net claims/premiums ratio	45.1%	51.7%	50.5%	48.8%	53.3%	52.2%

■ COST OF CLAIMS FOR THE GROUP

(in € thousands)	2016			2015		
	Gross transactions	Reinsurance	Net transactions	Gross transactions	Reinsurance	Net transactions
Cost of claims on current attachment year	1,296,315	(322,066)	974,249	1,497,999	(419,767)	1,078,232
Claims paid	230,931	(54,269)	176,662	257,162	(62,530)	194,632
Cost of claims reserves	980,651	(265,541)	715,110	1,146,530	(353,352)	793,178
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)
Claims paid	900,731	(289,788)	610,943	787,335	(213,547)	573,788
Cost of claims reserves	(1,037,638)	275,561	(762,077)	(1,015,312)	278,046	(737,266)
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
CLAIMS COSTS	1,088,111	(288,275)	799,836	1,147,540	(321,842)	825,698

■ TECHNICAL RESERVES FOR THE GROUP

(in € thousands)	December 31, 2016			December 31, 2015		
	Gross transactions	Reinsurance	Net transactions	Gross transactions	Reinsurance	Net transactions
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

(in € thousands)	December 31, 2016			December 31, 2015		
	Gross transactions	Reinsurance	Net transactions	Gross transactions	Reinsurance	Net transactions
Reserve 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

Claims developments

For a specific attachment year, claims developments follow a process of claims declaration, payment and recovery. This process can run over many years.

The following tables show:

- a) The development of the ultimate cost of claims per attachment and development year.

■ ESTIMATED FINAL COST OF CLAIMS FOR THE MAJORITY OF GROUP ENTITIES (BEFORE REINSURANCE)⁽¹⁾

Year of attachment Year of development (in € thousands)	1	2	3	4	5	6	7	8	9	10	Diff ⁽²⁾	% Diff
2007	871,592	868,888	854,302	861,327	866,084	852,957	843,624	839,831	832,439	831,141	40,451	4.6%
2008	1,365,744	1,459,402	1,519,009	1,515,047	1,493,966	1,473,630	1,427,459	1,419,263	1,410,875		-45,131	-3.3%
2009	1,215,713	1,004,154	963,795	932,220	909,445	913,197	891,381	876,508			339,205	27.9%
2010	957,010	720,018	685,320	663,945	658,702	657,714	652,956				304,053	31.8%
2011	1,092,725	939,870	893,644	868,125	849,325	842,691					250,033	22.9%
2012	1,330,895	1,287,095	1,205,992	1,166,673	1,148,818						182,076	13.7%
2013	1,254,200	1,179,954	1,050,114	1,031,340							222,859	17.8%
2014	1,254,311	1,305,522	1,235,811								18,500	1.5%
2015	1,351,336	1,385,486									-34,150	-2.5%
2016	1,221,939											

(1) All figures (current & prior years), when necessary, have been converted based on the end of year 2016 euro conversion rate.

(2) Spread: Surplus or shortfall of the latest estimated claims cost over the initial estimated claims cost for a specific year.

b) The development of paid claims per attachment and development year.

■ **DEVELOPMENT TRIANGLES FOR CUMULATIVE PAID CLAIMS NET OF RECOVERIES FOR THE MAJORITY OF GROUP ENTITIES (BEFORE REINSURANCE)⁽¹⁾**

Year of attachment Year of development (in € thousands)	1	2	3	4	5	6	7	8	9	10
2007	275,938	719,463	787,545	812,787	823,951	828,252	827,770	829,238	825,394	824,233
2008	383,154	1,142,447	1,321,926	1,370,163	1,384,760	1,388,213	1,377,576	1,401,413	1,397,976	
2009	418,387	799,407	853,450	860,324	868,737	865,607	871,467	871,447		
2010	222,861	534,471	580,291	602,584	625,630	633,253	634,521			
2011	275,166	740,041	813,932	822,161	825,719	826,547				
2012	523,570	1,007,438	1,058,334	1,086,265	1,099,166					
2013	348,945	870,989	949,081	974,925						
2014	335,221	936,489	1,048,699							
2015	293,998	997,683								
2016	273,241									

(1) All figures (current & prior years), when necessary, have been converted based on the end of year 2016 euro conversion rate.

4.2.3 Market risks

Market risk is the risk of losses that may result from fluctuations in the prices of the financial instruments making up the Group's investment portfolio.

Interest rate risk

Interest rate risk measures how sensitive asset and liability values are to changes in the interest rate curve.

Interest rate risk management, while recognizing the short duration of the liabilities, also takes into account business continuity in order to increase the duration of investments and thus achieve higher returns on investments in fixed-income products.

■ **BOND PORTFOLIO AT FAIR VALUE BY MATURITY**

	2016		2015	
	(in € millions)	(%)	(in € millions)	(%)
0 to 1 year	517	17.8%	201	6.7%
1 to 3 years	791	27.3%	798	26.7%
3 to 5 years	827	28.5%	836	27.9%
5 to 7 years	480	16.5%	706	23.6%
7 to 10 years	286	9.9%	431	14.4%
Beyond 10 years	1	0.0%	21	0.7%
TOTAL BOND PORTFOLIO AT FAIR VALUE	2,902	100.0%	2,993	100.0%

Exchange rate risk

Exchange rate risk measures the sensitivity of assets and liabilities to changes in currencies other than the reporting currency and in which assets and liabilities are recorded in the statement of financial position.

The Group faces exchange rate risk in various ways, mainly in the event of:

- limits granted for a policyholder in a currency that is not the reporting currency, which can lead to changes in cash or reserves (under collections or claims management procedures) that are not recorded in the reporting currency;

- reinsurance in a currency other than the reporting currency;
- investment in a currency other than the reporting currency;
- the presence of branches or subsidiaries operating in a currency other than the reporting currency of the parent company.

To limit exchange rate risk, and in accordance with rules laid down by local regulators, the congruence principle, i.e. the matching of assets and liabilities at the local level, is applied.

For this reason, and because of the high concentration of activity in the Eurozone, the Group does not hold any currency hedging instruments.

On December 31, 2016, the portion of the financial portfolio carried by the Group in currencies other than the euro amounted to 22.9% of the market value of the portfolio.

■ FINANCIAL PORTFOLIO OF THE GROUP BY CURRENCY

	2016		2015	
	(in € millions)	(%)	(in € millions)	(%)
EUR	3,143	77.1%	3,295	77.1%
GBP	163	4.0%	255	6.0%
USD	490	12.0%	454	10.6%
Other currencies	278	6.8%	269	6.3%
TOTAL FINANCIAL INVESTMENTS	4,074	100.0%	4,273	100.0%

The principle of matching assets and liabilities at the local level and the emphasis on the euro in the statement of financial position avoids the need to hedge residual exchange rate risk.

■ EXCHANGE RATE RISK

(in € thousands)	2016			2015		
	United States	United Kingdom	Group	United States	United Kingdom	Group
Net income attributable to owners of the Group as at 12/31	24,792	12,943	286,952	18,467	11,082	302,476
Exchange rate at year end	0,9481	1,1715		0,9206	1,3568	
Net income attributable to owners of the Group in local currency	26,149	11,048		20,061	8,168	
Effect of a 100-basis point change in the exchange rate on income/loss	0,9381	1,1615		0,9106	1,3468	
Net income in € thousands after exchange rate variation	24,531	12,833	286,580	18,266	11,000	302,194
% change relative to initial income/loss	-1.05%	-0.85%	-0.13%	-1.09%	-0.74%	-0.09%

Equity market risk

Equity market risk measures the sensitivity of asset values to changes in equity prices. By extension, minority stakes in unlisted companies and investments in funds dominated by equities are deemed to be equities.

The Group held more than 6% of its financial portfolio in equities at the end of 2016. This percentage is consistent with the strategic allocation of the investment portfolio, as well as its tactical allocation, as defined by the Investment Committee.

Investments in convertible bonds are classified as bonds in the table below.

(in € millions)	2016		2015	
	Amount	%	Amount	%
Bonds	2,902	64.1%	2,993	64.8%
Shares	287	6.4%	270	5.9%
Buildings third party use	275	6.1%	240	5.2%
Loans, deposits and other financial investments	610	13.5%	769	16.7%
Total financial investments	4,074	90%	4,273	92.5%
Cash	450	10%	345	7.5%
TOTAL FINANCIAL INVESTMENTS + CASH	4,524	100.0%	4,618	100.0%

Liquidity risk

Liquidity risk is the risk that the Group may not have sufficient financial resources to cover its cash needs.

Liquidity risk is subject to specific monitoring by the Group, in both its insurance activities and financial investments.

Each entity carries out projections of cash flows, which are derived from its insurance operations, its investment portfolio and any dividends received from its subsidiaries; and, then monitors these flows. These cash flow projections are reviewed at financial committee meetings.

Sources of liquidity available to the Group (excluding the divestment of its investment portfolio) mainly comprise:

- the excess liquidity of a company from operations;
- shareholders;
- the banking market;
- bond issues.

Based on short- and medium-term cash flow projections and stress tests applied to these projections (liabilities as well as assets), the Group considers its liquidity risk to be low.

At December 31, 2016, some of the Group's financing debt (*described in Note 18 "Financing debt" to the consolidated financial statements*) carried covenants in addition to the traditional clauses relating to the existence of reserves or refusal to certify accounts, which could lead to a change in the loan interest expense.

Indeed, some borrowings are subject to step-up clauses providing for an increase in the annual interest rate in the event of a ratings downgrade by Standard & Poor's.

Real estate risk

Real estate risk measures how sensitive the value of property assets is to changes in values in the real estate market. This risk covers buildings that house the Group's operations (*described in Note 8 "Operating property and other property, and equipment" to the consolidated financial statements*), as well as real estate leased to third parties (*described in Note 5 "Investment and operating property" to the consolidated financial statements*).

Investments in real estate or real estate products (for own use or investment) account for just over 6.0% of the market value of the investment portfolio. This percentage is consistent with the strategic allocation of the investment portfolio, as well as its tactical allocation, as defined by the Investment Committee and in force as at December 31, 2016.

Sensitivity tests

In addition to calculating the capital required to cover the risk taken, the Group regularly conducts sensitivity tests to check the adequacy of its protection and the possibility of scenarios involving higher risks than initially anticipated.

The results are representative of the risks concerned but, like any simulation, have their limits. The simulation is based on the situation at a given date, i.e. the year-end in the present case. As such, the results do not reflect events that may arise after the end of the financial year.

RISK RELATING TO EQUITIES AND BONDS IN THE PORTFOLIO ON DECEMBER 31, 2016

(in € millions)	Market value at 12/31/2016	Impact of a 100 bp increase in interest rates ⁽²⁾	Impact of 10% fall in equity markets	Market value at 12/31/2015	Impact of a 100 bp increase in interest rates ⁽¹⁾	Impact of 10% fall in equity markets
Bonds	2,902	(99.9)		2,993	(100,1)	-
Equities	288		(28.8)	270	-	(27,0)
TOTAL	3,189			3,263		

(1) Average sensitivity 3%, calculated on the main subsidiaries representing over 99% of the bond portfolio at the end of 2015.

(2) Average sensitivity 3%, calculated on the main subsidiaries representing over 99% of the bond portfolio at the end of 2016.

RISK ON PORTFOLIO EQUITIES AT DECEMBER 31, 2015

(in € millions)	Market value on December 31, 2015 – scenario impact	Revaluation reserves – shareholders' equity impact	Amortized cost – economic account impact
TOTAL	270.5	22.3	248.2
Impact of 10% fall in equity markets	(27.0)	(22.3)	(4.7)
Impact of 30% fall in equity markets	(74.8)	(22.3)	(52.5)

Impact on shareholders' equity does not take account of deferred taxes. Income impact is before tax.

(in € millions)	Net income 2016	10% fall in premiums	10% rise in cost of claims in 2016 net appeals	10% increase in management costs	Net income 2015	10% fall in premiums	10% increase in cost of claims in 2015 net appeals	10% increase in management costs
Change in net income	287	(56)	(67)	(71)	302	(52)	(70)	(68)

FINANCIAL PORTFOLIO ON DECEMBER 31, 2016

(in € millions)	Assets ^(a)	Liabilities ^(b)	Foreign-currency commitments (c)	Net position before hedging (d) = (a) – (b) ± (c)	Hedging Instruments (e)	Net position after hedging (f) = (d) – (e)
EUR	3,143	254	0	2,888	0	2,888
GBP	163	0	0	163	0	163
USD	490	0	0	490	0	490
Other currencies	278	0	0	278	0	278
TOTAL	4,074	254	0	3,819	0	3,819

(a) Financial assets.

(b) Borrowings.

The following table shows the impact of exchange rate changes on the annual operating income before tax and the Own Funds of subsidiaries which present their financial statements in non-euro currencies.

December 31, 2016 (in € thousands)	Impact on operating income		Impact on equity before tax	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
GBP	132	(132)	(198)	198
USD	414	(414)	1,298	(1,298)
TOTAL	547	(547)	1,099	(1,099)

4.2.4 Counterparty risks

Counterparty risk is the loss the Group would incur in the event of the insolvency of one of its business partners, namely the failure of a reinsurer, a bank, a bond or equity counterparty, or the non-performance by a policyholder of its commitments.

The Group has implemented various mechanisms to anticipate and limit the consequences of the failure of one of its counterparties.

Reinsurer default

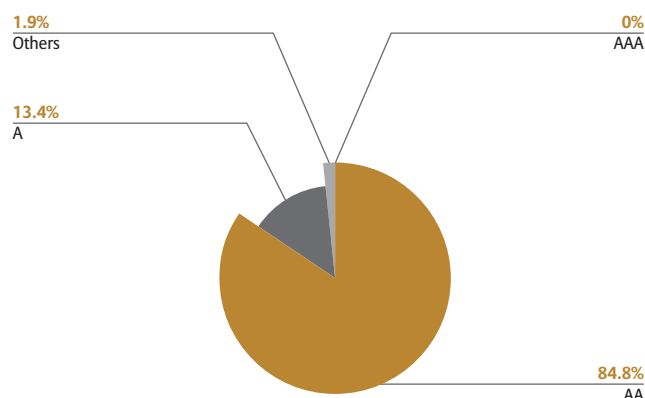
Different mechanisms for detecting and limiting counterparty risk are in place:

- selection of reinsurers on the basis of their counterparty rating (rated A or higher or subject to the special prior approval of the Group Board of Management in the event of a rating lower than A);
- limits on risk concentration relating to a single reinsurer;
- constant monitoring by the various operational entities via a maturity analysis of reinsurers' credits and debits, and the amount of technical reserves transferred to them;
- requests for letters of credit or security deposits from reinsurers;
- cut-offs of reinsurance agreements a few years after the implementation of the reinsurance contract.

In the event of a reinsurer default or any event that may result in a reinsurer default, the Group would conduct a risk analysis of the event. It would then take steps, on the basis of its findings, to minimize the negative impact on the Group.

In this case, the assets carried by the Group in connection with this counterparty would be written down.

■ DISTRIBUTION OF TECHNICAL RESERVES CEDED BY REINSURERS' RATINGS (THE SCOPE COVERED REPRESENTS 99.9% OF TOTAL GROUP RESERVES ON DECEMBER 31, 2016)



Reinsurer's credit rating	Exposure (in € thousands)	%
AAA	0	0.0%
AA	507,727	84.8%
A	79,992	13.4%
Other	11,263	1.9%
TOTAL	598,982	100.0%

Bank default

Mechanisms for detecting and limiting counterparty risk:

- selection of banks on the basis of their rating (rated A or higher);
- limits on the cash available in bank accounts;
- keep several banks with which the companies deal.

In the event of banking counterparty default, all the Group's cash held in the accounts of the bank in question would be written down.

Bond or equity counterparty default

Mechanisms for detecting and limiting counterparty risk: implementation of a strict policy limiting investment in a single private issuer to 5% of total assets.

RATINGS OF BOND COUNTERPARTIES

(in € millions)	2016		2015	
	Amount	%	Amount	%
AAA	924	31.8%	856	28.6%
From AA+ to AA-	832	28.7%	954	31.9%
From A+ to A-	523	18.0%	443	14.8%
Other	623	21.5%	740	24.7%
TOTAL FINANCIAL INVESTMENTS	2,902	100.0%	2,993	100.0%

Policyholder default

Mechanisms for detecting and limiting counterparty risk: procedures for the proactive management of funds held with policyholders, in particular to avoid a financial loss in the event of policyholder default.

(in € thousands)	December 31, 2016				
	< 3 months	3 months to 1 year	1 to 5 years	> 5 years old	Total
TOTAL CREDIT INSURANCE RECEIVABLES	676,457	18,475	-	-	694,932

Trade receivables are subject to strict monitoring procedures. 97.3% of trade receivables have a maturity of less than three months. Reserves are recognized for the full amount of any outstanding receivable which is more than six months past due.

4.2.5 Operational, legal, regulatory and tax risks

The Group, jointly with its main shareholder, has implemented an analysis framework to identify, quantify and manage operational risk that could stem from an overall failure of the organization or from the Group's systems, due to human error or resulting from an external event. Ensuring that appropriate processes are implemented to manage these risks is a pillar of the Risk Management function.

Operational risk

Operational risk is managed in accordance with the operational risk policy and is based on the deployment and maintenance of an appropriate and consistent internal control organization, guaranteeing appropriate operational risk management for each Group entity.

The Group's operational risk management system is based on:

- crisis management and business continuity plans;
- internal management rules and operational procedures specifying the manner in which operations should be carried out;

- a periodic disclosure process for operating losses above €10,000 and regular analysis of scenarios that could, if they materialize, result in an operating loss.

The operational risk control system, set out for all Group entities, is based on three levels of control, with responsibilities and control plans suited to each level:

- permanent self-monitoring at the operational level;
- second level of controls performed by functions independent of the purely operational functions, mainly Risk Management, Actuarial and Compliance;
- periodic checks conducted in each entity by the internal audit function.

In addition, a program covering own insurance risks has been set up in each Group entity, in a decentralized manner.

Regulatory risk

The Group is subject to various regulations governing the insurance, banking and asset management businesses.

The Group is also subject to strict regulations due to its listing on the stock exchange, Euronext Paris.

The Group has adopted the necessary standards and processes to comply with the regulations of the countries in which it operates. They apply the laws of their country of establishment and comply with administrative requirements or those set by local supervisory authorities, as well as specific prudential rules.

Each entity has appointed a correspondent to provide local regulatory monitoring, evaluation of required measures and their implementation, in coordination with the Group function that verifies the effectiveness of compliance programs.

Legal and arbitration proceedings

In the ordinary course of its business, the Group is involved in legal proceedings (notably debt collection proceedings) and is subject to tax assessments and administrative audits. Reserves are systematically established accordingly.

The unfavorable outcome of any pending or future litigation could have an adverse impact on the Group's business, financial position, consolidated net income, reputation or market image. The Group carefully manages its relationships with external parties, and each entity has a local structure or the necessary legal resources to take the appropriate action in the event of disputes.

To the best of the Group's knowledge, there are no governmental, judicial or arbitration proceedings, either pending or threatened, which have had over the last 12 months, or may have in the future, a material impact on the financial position or profitability of the Company and/or Group.

Tax risks

By virtue of its legal structure, the Group operates in many countries and under a range of tax regimes.

Tax risk can arise from an operational error in the calculation and declaration of taxes or arise from a difference in interpretation of the application of tax rules.

The Group has established various processes designed to reduce this tax risk. In particular:

- first- and second-level controls have been implemented in order to ensure the validity of tax calculations and timely reporting to the tax authorities;
- tax risk analyses are produced by the financial officers on a quarterly basis for the principal tax entities in order to identify the primary risks of interpretation differences.

Compliance risk

A compliance risk arises from non-compliance with laws, regulations or administrative provisions that can lead to significant financial losses or harm the Group's reputation.

The Group's Compliance Director works in collaboration with its correspondents in each of the entities in order to evaluate the impact of regulatory changes and the Company's activities, and to monitor the effectiveness of the compliance system.

Reputational risk

The Group has implemented necessary measures to protect its image and actively communicate with its shareholders, customers, employees and, more broadly, the financial community about its financial strength *via*:

- regular disclosure, both internally and externally;
- continuous monitoring of the Group's image and reputation;
- a set of rules to determine whether operations may result in a reputational risk;
- a crisis plan in the case of a significant event.

Labor and environmental risks

On labor issues, the major challenge facing the Group is how to retain employees and how to attract the best talent in the future.

Environmental issues affect the Group to a fairly limited extent, due to the generally non-polluting nature of its business.

CONSOLIDATED FINANCIAL STATEMENTS

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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, 2015 (established in accordance with IFRS including comparative data for fiscal 2014 under the same standards) and for the year ending December 31, 2014 (established in accordance with IFRS including comparative data for fiscal 2013 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.

5.1 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 capitalized		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 classified 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	14	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 classified as Held for sale	12	-	14,986
Other liabilities		785,680	814,568
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,505,898	6,596,626

5.2 Consolidated income statement

(in € thousands excepted for the earnings per share)

	Notes	December 31, 2016	December 31, 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 recognized 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 activities (in euros)		6.70	6.85

5.3 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

5.4 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 recognized at fair value through the income statement (excluding cash and cash equivalents)		2,291	(2,295)
Realized capital (gains)/losses net of writebacks		(56,788)	(35,758)
Unrealized 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	-
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 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.

(in € thousands)	Notes	December 31, 2016	December 31, 2015
Increases and 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)
<i>Issue</i>		22,864	110,010
<i>Repayment</i>		(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 beginning 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 share buyback which occurred in May 2016.

5.5 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 realized 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, essentially related to the share buyback from Allianz Vie for €167,068 thousand. As at December 31, 2016, Euler Hermes Group holds 625,945 treasury shares.

During the period, the increase in the revaluation reserve totalled €21,587 thousand net of taxes, thereof €32,427 thousand gain due to re-evaluation at market value of available-for-sale (AFS) investments

recorded in revaluation reserve and €-6,623 thousand realized gains on AFS disposals recognized in the income statement.

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 realized 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

5.6 Notes to the consolidated financial statements

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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 approximately 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, 15, 2016. This followed the signature of an agreement on July 29, 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.

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

On September 28, 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 be launched 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 19, 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 1, 2016:

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

Early application of standards

The Group has not early adopted standards and interpretations that are not yet mandatorily effective as of January 1, 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, 15, 2016. This followed the signature of an agreement on July 29, 2016 between Euler Hermes AG and Atradius Credit Insurance N.V.; Graydon Holding N.V. previously equity-accounted was deconsolidated on September 30, 2016.

On September 28, 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		December 31, 2015	
		% control	% interest	% control	% interest
Euler Hermes Group SA⁽¹⁾ 1, place des Saisons - 92048 Paris-La Défense Cedex 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 Cedex 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 Cedex 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 Cedex 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 Cedex 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 Cedex 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 Cedex N° Siren: 393,302,708	Full	100.00	100.00	100.00	100.00
Financière Callisto 1, place des Saisons - 92048 Paris-La Défense Cedex 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 Cedex 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		December 31, 2015	
			% control	% interest	% control	% 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 Himmelfortgasse 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. Molarkova 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

(2) Deconsolidation as at September 30, 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 26, 2016 of Bürgel Group with retroactive deconsolidation as at January 1, 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.

Foreign companies	Country	Consolidation Method	December 31, 2016		December 31, 2015	
			% control	% interest	% control	% interest
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
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 Ubezpieczeń 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, nº 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 - Bucurest 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 Plynarska 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

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

(6) Foundation on October 5, 2016 and first entry on December 1, 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.

Foreign companies	Country	Consolidation Method	December 31, 2016		December 31, 2015	
			% control	% interest	% control	% interest
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 Taiwan Services 15F, NO.170, Tun Hwa N.RD. - 10548 Taipei	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 - London 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 30, 2016 of Graydon Group following disposal of the shares of Graydon Holding N.V.

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 acquiree; plus

- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; 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 derecognizes 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 recognize 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.

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 recognized 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 adjusted 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. IBNR reserves are reviewed and revised periodically as additional information becomes available and actual claims are reported.
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.

2.8. 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".

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.

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.

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".

2.11. Goodwill and other intangible assets

Goodwill

For business combinations made prior to March 31, 1998, goodwill is recognized 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 paragraph 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 1, 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 paragraph 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 paragraph 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 recognized intangible assets is capitalized 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 or 10 years.

Costs relating to the development phase are capitalized 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 recognized 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 normalized 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 recognized 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 recognized.

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 recognizes 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

capitalized 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 capitalized) 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.

Component	Housing	Warehouses and commercial premises	Offices	High-rise buildings
	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/fitings	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 capitalized

Acquisition costs capitalized relate to insurance policies. They mainly comprise brokerage commissions and expenses incurred by the sales and Marketing departments. The capitalized 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 capitalized 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

Provisions

Provisions for risks and charges essentially comprise provisions for retirement commitments (*see paragraph 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.

Contingent liabilities and contingent assets

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 recognized, 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 recognized 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 equalization;
- 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 recognized 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 recognized 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 capitalized 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 recognized 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 recognized 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 recognized 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 paragraph 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 recognized 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 recognized. 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 paragraph 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 paragraph 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	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
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.

Method of impairment tests

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%
<i>of which, risk-free rate</i>	1.82%	1.24%	2.44%	0.53%	0.36%
<i>of which, risk premium ($\beta = 0,688$)</i>	3.44%	3.44%	3.44%	3.44%	3.44%
Effective tax rate	48.00%	20.0%	35.0%	34.0%	25.0%
Normalized 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 recognized.
- 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 recognized.
- 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 recognized.

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 € thousand)	December 31, 2016				December 31, 2015			
	Contract portfolio	IT development and software	Other intangible assets	Total	Contract portfolio	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 in the UK.

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 adjustments	-	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	December 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		
Bonds	2,708,754	106,911	2,815,665	2,815,665	2,973,382	87,827
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 CONSOLIDATED ENTERPRISE)	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".

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)	December 31, 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 investments	81,602	521,310	602,912
Total Loans, deposits and other financial investments	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 investments	135,485	619,684	755,169
Total Loans, deposits and other financial investments	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	148,791	245,544
Bonds	501,769	2,313,896	2,815,655
Total Available-for-sale assets	598,532	2,462,677	3,061,209
Loans, deposits and other financial investments	109,599	723,627	833,226
Total Loans, deposits and other financial investments	109,599	723,627	833,226
TOTAL FINANCIAL INVESTMENTS	708,322	3,186,304	3,894,626

Movements in the periods

	December 31, 2016				December 31, 2015
(in € thousands)	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 adjustments	-	(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.

	December 31, 2015			December 31, 2014	
(in € thousands)	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 adjustments	-	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 (in € thousands)	Maturity	Acquisition value	Market value	Difference
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 (in € thousands)	Maturity	Acquisition value	Market value	Difference
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 (in € thousands)	Maturity	Acquisition value	Market value	Difference
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, Compañía Internacional de Seguros y Reaseguros SA	Spain	50.00%
CPPIC Euler Hermes Insurance Sales Co., Ltd	China	49.00%

Information (at 100%) on equity-accounted investments

(in € thousands)	December 31, 2016			
	Assets ⁽¹⁾	Shareholders' equity ⁽²⁾	Turnover ⁽³⁾	Net income
Credit insurance companies	724,008	376,226	303,275	30,855
TOTAL	724,008	376,226	303,275	30,855

(1) Assets based on IFRS statements as at September 30, 2016, except for Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA and CPPIIC Euler Hermes Insurance Sales Co., Ltd 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 and CPPIIC Euler Hermes Insurance Sales Co., Ltd 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 and CPPIIC Euler Hermes Insurance Sales Co., Ltd for which turnover is as at December 31, 2016.

Following the disposal of Graydon in 2016, all the at-equity investments belong to credit insurance business.

(in € thousands)	December 31, 2015			
	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)
TOTAL	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, Compañía 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, have 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
Changes in consolidation scope	-	-	-	-	-	-
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	43,161	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 thousand 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. and employee benefit net commitments	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)	-	-	(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

	December 31, 2016			December 31, 2015
(in € thousands)	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

	December 31, 2016				
(in € thousands)	< 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
<i>of which, accrued interest not due</i>	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)	< 3 months	3 months to 1 year	1 to 5 years	> 5 years	Total
TOTAL OTHER RECEIVABLES	199,391	8,561	506	-	208,458

Note 12 Assets and liabilities held for sale

(in € thousands)	December 31, 2016	December 31, 2015
Assets classified as Held for sale	-	37,247
Liabilities classified 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 transferred 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 Acmar. 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 details)	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 recognized in other comprehensive income according to IAS 19 Revised.

The increase in the provision for restructuring is due to the productivity plans in Germany, France and Corporate entities (See Note 1 Significant events).

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 favor of employees.

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-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.

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.

December 31, 2016 (in € thousands)	France & Greece			Scandinavia							
	Retirement indemnities	PSAD	Cardif	Italy	United- Kingdom	Germany	Belgium	Nether- lands	FTP	VITAL	Total
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

December 31, 2016 (in € thousands)	France & Greece			Scandinavia							Total
	Retirement indemnities	PSAD	Cardif	Italy	United- Kingdom	Germany	Belgium	Nether- lands	FTP	VITAL	
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	-	-	-	-	-	-	-	-	-	-	-
– 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%	3.14%	-	5.00%	6.70%	
– Bonds	-	-	100.00%	-	23.60%	55.40%	90.60%	-	87.00%	43.90%	
– Real estate	100.00%	-	-	-	7.80%	3.30%	4.67%	-	8.00%	7.40%	
– Other instruments	-	-	-	-	22.50%	32.00%	1.59%	100.00%	-	42.00%	

(1) Actuarial assumptions: Germany and Belgium correspond to the actuarial assumptions of the more significant 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								Scandinavia		Total
	Retirement indemnities	PSAD	Cardif	Italy	United- Kingdom	Germany	Belgium	Nether- lands	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

December 31, 2015 (in € thousands)	France & Greece			Scandinavia							Total
	Retirement indemnities	PSAD	Cardif	Italy	United- Kingdom	Germany	Belgium	Nether- lands	FTP	VITAL	
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 ⁽¹⁾											
– 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	-	60.00%	-	-	-	-	-	-	-	-	
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.

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.

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)	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 on 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 Deutschland GmbH 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

(in € millions)	2016	2017 to 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 €0.40 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	-	-
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 capitalized	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

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	December 31, 2015
Revenues from investment property	6,672	4,296
Revenues from equity & debt securities	49,536	59,800
<i>Available for sale assets through equity</i>	49,536	59,800
<i>Trading assets</i>	-	-
<i>Held to maturity</i>	-	-
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
<i>Available for sale assets through equity</i>	18,806	34,658
<i>Trading assets</i>	-	-
<i>Held to maturity</i>	-	-
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 recognized 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.

	December 31, 2016						
(in € thousands)	United Kingdom	United States	Northern Europe ⁽¹⁾	Germany	France	Asia	Others
Less than 1 year	2,294	3,362	2,716	1,617	15,849	3,153	1,215
1 to 5 years	6,140	9,475	7,018	2,226	49,915	6,378	3,663
More than 5 years	430	2,837	-	18	61,085	-	379
TOTAL	8,864	15,675	9,734	3,861	126,849	9,531	5,257

(1) Includes the Netherlands, Scandinavia and Belgium.

The Group has a rental contract for its *Tour First* headquarter in La Défense. The rental contract has been renewed for a duration of 10.5 years from July 1, 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 €24.3 million realized gain on the disposal of the Bürgel group and €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 consisted 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 adjustments 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);
- the effective tax rate in 2016 (24.80%) is significantly down compared to last year's 28.9%. The tax result benefited from low taxation on the Bürgel and Graydon gains and included a one-off tax profit following Euler Hermes reclamation to the French tax office on intra-group dividend taxation.

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 1, 2016, of collection services entities from the Group Services segment to their geographical origin segments.

Profit & loss by segment – year-end December 2016

December 31, 2016

(in € thousands)	Germany, Austria, Switzer- land	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
<i>Of which, dividends</i>	<i>(1,179)</i>	<i>(4,705)</i>	<i>(601)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(801,152)</i>	<i>807,637</i>	<i>-</i>
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 equity method	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

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

December 31, 2015 – Pro forma										
(in € thousands)	Germany, Austria, Switzer- land	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
<i>Of which, dividends</i>	<i>(1,236)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(229,361)</i>	<i>230,597</i>	<i>-</i>
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 equity method	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 – Published

	December 31, 2015									
(in € thousands)	Germany, Austria, Switzer- land	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
<i>Of which, dividends</i>	<i>(1,237)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(229,361)</i>	<i>230,598</i>	<i>-</i>
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 equity method	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

December 31, 2016										
(in € thousands)	Germany, Austria, Switzer- land	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)

December 31, 2015 – Pro forma										
(in € thousands)	Germany, Austria, Switzer- land	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)

December 31, 2015										
(in € thousands)	Germany, Austria, Switzer- land	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

December 31, 2016										
(in € thousands)	Germany, Austria, Switzer- land	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 transactions	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

December 31, 2015 – Pro forma										
(in € thousands)	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 transactions	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

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

December 31, 2015										
(in € thousands)	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 transactions	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

	December 31, 2016			December 31, 2015		
(in € thousands)	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)
<i>thereof contract acquisition expenses</i>	(17,658)	-	(46,615)	(18,466)	-	(43,341)
<i>thereof other service expenses</i>	(7,495)	-	(9,548)	(7,363)	-	(8,054)
<i>thereof change in fair value of investments recognized at fair value through profit or loss</i>	(133)	-	-	3,854	-	-
<i>thereof realized gains from disposal of at equity entity ⁽¹⁾</i>	-	-	10,712	-	-	-
<i>thereof net investment income</i>	309	-	15	348	-	27

(1) Corresponds in 2016 to the net realized gain on Graydon disposal.

Receivables and liabilities

	December 31, 2016			December 31, 2015		
(in € thousands)	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
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 centralized 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	6,438	5,718
Benefits in kind	482	515
Other indemnities	120	690
TOTAL	7,040	6,923
Share-based attribution (number) ⁽¹⁾	16,908	15,340
— Euler Hermes Group LTI (RSU Euler Hermes Group)	11,215	9,742
— AEI (RSU Allianz)	5,693	5,598

(1) For 2016 (resp. 2015): shares granted in 2017 (resp. 2016) for year 2016 (resp. 2015).

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 volatility ⁽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.

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

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 authorized by the Combined Shareholder's Meeting of May 22, 2006. The exercise price was 55.67 euros per share.

	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)
Start of period	55.67	8,306		
Allocation	-	-		
Exercise	55.67	5,156	72.03	
Cancellation	55.67	3,150		
End of period	-	-		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

(in € thousands, except otherwise specified)	SAR plans		
	March 12, 2009	March 11, 2010	Total
Fair value at 31 December 2016 (in €)		69.64	
Total commitment	-	807	807
Opening commitment	207	1,192	1,399
Charge recognized during the period	-	(128)	(128)
Exercise of SAR	(207)	(257)	(464)
Closing commitment	-	807	807

(in € thousands, except otherwise specified)	RSU plans					Total
	March 08, 2012	March 07, 2013	March 13, 2014	March 12, 2015	March 04, 2016	
Fair value at 31 December 2016 (in €)	-	157.00	149.55	141.81	133.68	
Total commitment	-	3,988	2,710	2,425	2,255	11,378
Opening commitment	4,972	2,991	1,417	837	-	10,217
Charge recognized 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 recognized as the rights are vested, and is thus spread over four years for the SARs 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

Allocation date	SAR							RSU					
	Rights vesting period (years)	Reference price (€)	Number of SAR at the opening	Number of SAR granted	Number of SAR cancelled	Number of SAR exercised	Number of SAR transferred	Rights vesting period (years)	Number of RSU at the opening	Number of RSU granted	Number of RSU cancelled	Number of RSU exercised	Number of RSU transferred
03/12/2009	4	51.95	2,657			(2,657)							
03/11/2010	4	87.36	15,641			(4,059)							
03/08/2012								4	31,622			(31,622)	-
03/07/2013								4	25,201			(1,401)	1,602
03/13/2014								4	16,955			(274)	1,443
03/12/2015								4	16,047			(289)	1,343
03/04/2016								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 in 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

(in € thousand unless otherwise specified)	Euler Hermes Group RSU plans					Total
	March 2012	March 2013	March 2014	March 2015	March 2016	
Fair value at December 31, 2016 (in euros per share)		84.48	84.48	84.48	84.48	
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 recognized 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)	Number of RSU at the opening	Number of RSU granted	Number of RSU cancelled	Number of RSU exercised	Number of RSU transferred
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 in 2017 due for the year 2016 to the Group Management Board is as follows:

RSU Allianz 5,693;

RSU Euler Hermes Group 11,215.

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

Note 32 Other information

Group employees breakdown by region (contracted headcount)

	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 1, 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 €7,040 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 to different investment funds	19,068	18,139
Commitments related to offices and car lease contracts	3,858	4,312
Independent guarantee CACIB	3,411	-
Commitment guarantee to Allianz China General Insurance Co. Ltd.	3,284	3,125
Commitments to InvestitionsBank Landes Brandenburg	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 the end of December 2016 against €18,139 thousand at the end of 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 *Tour First* 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 (i.e. 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 1, 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 1, 2014 for five years.

Note 34 Auditors' fees

(in € thousands)	KPMG SA				EXCO Paris Ace			
	Amount		%		Amount		%	
	2016	2015	2016	2015	2016	2015	2016	2015
Audit								
– 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%
– 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		1%
Sub-total	3,822	3,723	99%	99%	449	455	100%	100%
Other services provided to fully-consolidated subsidiaries								
– Legal, tax and social		27		1%				
– IT								
– Strategy								
– Human resources								
– 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.

5.7 Statutory Auditors' report on the consolidated financial statements

Year ended December 31, 2016

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying consolidated financial statements of Euler Hermes Group S.A.;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Group Management Board. Our role is to express an opinion on these consolidated financial statements based on our audit.

1 Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2016 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

2 Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code ("Code de commerce"), we bring to your attention the following matters:

Accounting estimates:

- Your Group set up technical reserves to cover its commitments. Paragraphs 2.8 and 2.25 of Note 2 "IFRS accounting and valuation rules" and Note 19 of the Notes to the consolidated financial statements specify the methodologies used. Based on the information available at the closing date, our assessment of technical reserves was based on the analysis of the calculation methodologies used by the different companies in the Group, as well as the assessment of assumptions made.
- Financial investments are recognized and valued using the methods described in paragraph 2.15 of Note 2 "IFRS accounting and valuation rules" and in Note 6 of the Notes to the consolidated financial statements. We checked that the valuation methods used had been correctly applied and then assessed, firstly the data and assumptions used to value them, and secondly, the classification methods selected on the basis of the documentation prepared by the Group.
- The Group performs each year-end, or when there is an indication of a loss in value, an impairment test of goodwill, as described in paragraphs 2.8 and 2.12 of Note 2 "IFRS accounting and valuation rules" and in Note 3 of the Notes to the consolidated financial statements. We examined the methods used to perform this impairment test as well as the cash flow forecasts and other assumptions made and checked the appropriateness of the information given in Note 3 of the Notes to the consolidated financial statements.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3 Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

We have no matter to report as to its fair presentation and its consistency with the consolidated financial statements. It is not our responsibility to report on the fair presentation and consistency of the prudential Solvency II ratio information with the consolidated financial statements. However, we have checked the consistency of this ratio.

Statutory Auditors

Paris La Défense, April 19, 2017

KPMG S.A.

French original signed by

Xavier Dupuy

Partner

Paris, April 19, 2017

EXCO Paris Ace

French original signed by

Alain Auvray

Partner

PARENT COMPANY FINANCIAL STATEMENTS

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6.1 Balance sheet at December 31, 2016

Assets

(in € thousands)	Notes	Gross	Amort & depr.	Net 12/31/2016	Net 12/31/2015
Intangible assets	3.1	36,496	25,933	10,563	10,913
Property, plant and equipment	3.1	25,456	21,460	3,996	2,102
Financial assets					
— Shares in associates	3.2	1,702,323	1,637	1,700,686	1,691,323
— Other financial assets	3.3	80,206	5	80,201	83,662
Fixed assets		1,844,481	49,035	1,795,446	1,787,999
Receivables	3.4	50,865	0	50,865	64,553
Investment securities	3.5	77,475	762	76,713	0
Cash and cash equivalents	3.6	88,017	0	88,017	70,755
Deferred expenses	3.7	3,983	0	3,983	2,990
Current assets		220,340	762	219,578	138,298
Translation difference		0	0	0	0
TOTAL ASSETS		2,064,821	49,797	2,015,024	1,926,297
Off-balance sheet commitments received:				0	0

Liabilities

(in € thousands)	Notes	Net 12/31/2016	Net 12/31/2015
Share capital	3.8.1	13,645	14,509
Issue premium		272,307	465,008
Reserves			
— legal reserve		1,451	1,451
— general reserve		77,474	77,474
— reserve for treasury shares		59,521	78,983
— other reserves		206,867	187,406
Retained earnings		291,470	284,085
Profit for the year		777,887	204,026
Regulated provisions		247	247
Shareholders' equity	3.8.2	1,700,869	1,313,188
Provisions	3.9	2,089	528
Loans and other borrowings	3.10	255,116	540,655
Trade payables and related accounts	3.11	17,087	18,255
Social security, tax and other liabilities	3.12	39,863	53,314
Liabilities		312,066	612,225
Translation difference		0	356
TOTAL LIABILITIES		2,015,024	1,926,297
Off-balance sheet commitments given:	5.3	100,570	100,829

6.2 Income statement

(in € thousands)

	Notes	2016	2015
Financial and operating income			
Income from shares in associates	4.1	801,152	241,234
Net income from sale of transferable securities		5	11
Write back of provisions and impairments	4.2	8,499	1,148
Other financial income	4.3	2,037	973
Various services	4.4	96,690	65,541
Total I		908,383	308,907
Financial and operating expenses			
External expenses	4.5	126,207	95,056
Taxes, duties and similar payments	4.6	523	1,484
Payroll and social security contributions	4.6	9,226	8,201
Other ordinary management expenses	5.2	355	456
Depreciation and provisions	4.7	6,063	2,671
Other financial expenses	4.8	3,472	6,398
Total II		145,846	114,267
Ordinary income (I - II)		762,537	194,641
Exceptional income			
Disposals of shares in associates		0	11,516
Disposals of property, plant and equipment		0	58
Other exceptional income		295	1,049
Write back of provisions		0	422
Total III		295	13,045
Exceptional expenses			
Carrying value of shares in associates sold		0	10,048
Carrying value of property, plant and equipment disposed of		0	7
Other exceptional expenses		2,100	1,053
Increase in provisions	3.9	1,560	42
Total IV		3,660	11,162
Exceptional income (III - IV)/expense	4.9	(3,365)	1,883
Income tax/consolidation surplus	4.10	18,715	7,502
NET INCOME		777,887	204,026

6.3 Notes to the parent company's financial statements

These notes should be read in conjunction with the statement of financial position before the allocation of net income for the financial year ended December 31, 2016, which shows total assets of €2,015,024 thousand, as well as the income statement that shows profits of €777,887 thousand.

The twelve-month fiscal year covers the period from January 1 to December 31, 2016.

These notes comprise:

- the accounting policies and principles applied;
- significant events during the financial year;

- notes to the statement of financial position;
- notes to the income statement;
- additional information.

These notes and tables form an integral part of the annual financial statements as approved by the Group Board of Management and reviewed by the Supervisory Board at its meeting of Thursday, February 09, 2017.

1 Accounting principles, rules and methods

The parent company's financial statements for the year 2016 have been prepared and presented in compliance with Articles L. 123-12 to L. 123-28 of the French Commercial Code taken for its application (Decree of November 29, 1983, now included in the regulatory portion of the Commercial Code in Articles R. 123-172 to R. 123-208), and in the

regulation of the French National Accounting Standards Body (ANC) Accounting Plan 2016-07 approved by order of December 26, 2016 amending the regulation Order (ANC) 2015-06.

The historical cost method was used to evaluate the accounting items.

2 Significant events during the financial year

The following events occurred in 2016:

Changes in the share capital and share ownership

On May 18, 2016, Euler Hermes Group acquired 2,200,000 share from Allianz Vie representing approximately 4.9% of the share capital of the Company, at a price of €75.94 per share. On May 23, 2016, Euler Hermes Group canceled the 2,200,000 shares bought from Allianz Vie, as well as 500,542 of its own shares that it already held, for a total of 2,700,542 shares representing 6.33% of the share capital of the Company after cancellation (see 3.3.1 *Other financial assets* and 3.8. *Shareholders' equity*).

Following the disposal of its investment by Allianz Vie and the cancellation of these 2,700,542 shares by the Company, the total investment of the Allianz group went from 67.8% to 63% of share capital and the theoretical voting rights of the Company.

Following this transaction, the share capital of Euler Hermes Group was composed of 42,641,635 shares, including 625,945 shares held as treasury shares at December 31, 2016 (see 3.8.1 *Composition of the share capital* - 6.5 *Table of company results over the last five years*).

Productivity plans

Productivity plans have been announced by the Euler Hermes Group, mainly in Germany, France, and in the corporate entities, and have

involved the recognition of a restructuring expense of €3.1 million in the accounts of Euler Hermes Group at the end of December 2016 including a reserve for a restructuring provision (see 3.9 *Provisions*).

Exceptional dividends payment

By a decision of the Shareholders' Meeting of Euler Hermes SA on May 11, 2016, the Belgian company paid a total dividend of €700 million including exceptional €620 million to Euler Hermes Group (see 4.1 *Income from shares in associates*).

Acquisition of a bond portfolio

In 2016, Euler Hermes Group acquired an investment portfolio composed entirely of bonds for €77.2 millions (see 3.5 *Investment securities*, 4.3 *Other financial income*).

Creation of the entity Euler Hermes Biuro Info Gospodarczej

Euler Hermes Group became the sole shareholder of the Polish company Euler Hermes Biuro Info Gospodarczej created on October 5, 2016. Its share capital is composed of 4,000 shares for a value of €1 million (see 3.2.1 *Shares in associates*).

3 Notes to the balance sheet

A – ASSETS

3.1 Intangible assets, property, plant and equipment, depreciation and amortization

3.1.1 Intangible assets, property, plant and equipment

At December 31, 2016, intangible assets and property, plant and equipment were as follows:

(in € thousands)	Gross amounts at start of year	Increases	Decreases	Gross amounts at year-end
Intangible assets ⁽¹⁾	33,291	3,205	0	36,496
Software – IRP	8,490	0	0	8,490
Software – Global Reporting	908	0	0	908
Software – iMX	10,046	1,092	0	11,138
Software – Other ⁽²⁾	13,847	2,113	0	15,960
Property, plant and equipment ⁽³⁾	21,957	3,499	0	25,456
TOTAL	55,248	6,704	0	61,952

(1) Intangible assets primarily include the IRP, Global Reporting and iMX software.

(2) Other software represents the software licenses used by all the entities of the Euler Hermes Group.

(3) Property, plant and equipment includes IT equipment, which includes production and testing servers, and fixtures and fittings.

3.1.2 Amortization, depreciation and provisions on intangible and tangible assets

The breakdown of depreciation, amortization and provisions at December 31, 2016, was as follows:

(in € thousands)	Dep., amort. & prov. at start of year	Provisions	Write back	Dep., amort. & prov. at year-end
Intangible assets	22,378	3,555	0	25,933
Software – IRP ⁽¹⁾	8,490	0	0	8,490
Software – Global Reporting ⁽¹⁾	908	0	0	908
Software – iMX ⁽²⁾	5	2,228	0	2,233
Software – Other ⁽³⁾	12,975	1,327	0	14,302
Property, plant and equipment ⁽⁴⁾	19,856	1,604	0	21,460
TOTAL	42,233	5,159	0	47,392

(1) The IRP software and the Global Reporting software are fully amortized.

(2) The iMX is amortized on a straight-line basis over a period of five years corresponding to its estimated useful life.

(3) The other software is amortized on a straight-line basis over a five-year period corresponding to its estimated useful life.

(4) IT equipment is amortized on a straight-line basis over a three-year period. Fixtures and fittings exclusively comprising works of art are not depreciated.

3.2 Shares in associates and impairment of shares in associates

3.2.1 Shares in associates

Equity shares (shares in associates) are long-term investments that are deemed to contribute to Euler Hermes Group's business, particularly because they enable Euler Hermes Group to influence the management or assume control of the Company concerned.

Shares in associates are recognized at historical cost (purchase cost or contribution value including any related purchase costs). Changes in the gross carrying amount of shares in associates were as follows:

(in € thousands)	Gross amount at start of year	Increases	Decreases	Gross amounts at year-end
Shares				
Euler Hermes SA	1,010,394	0	0	1,010,394
Euler Hermes North America Holding	143,541	0	0	143,541
Euler Hermes Aktiengesellschaft	115,889	0	0	115,889
Euler Hermes Reinsurance AG	387,274	0	0	387,274
Euler Hermes World Agency	4,340	0	0	4,340
Euler Hermes Magyar Követeléskezelő Kft	6,514	0	0	6,514
Euler Hermes Services Romania S.R.L	993	0	0	993
Euler Hermes Services Slovensko, s.r.o.	2,067	0	0	2,067
Euler Hermes Collections Sp. Z.o.o.	30,309	0	0	30,309
Euler Hermes Services Sp. z o.o.	2	0	0	2
Euler Hermes Biuro Info Gospodarczej ⁽¹⁾	0	1,000	0	1,000
TOTAL	1,701,323	1,000	0	1,702,323

(1) The Euler Hermes Group investment in Euler Hermes Biuro Info Gospodarczej is the subscription for the entirety of the Polish company's share capital when it was created on October 5, 2016. It represents 4,000 units for a total value of €1 million (see 2. Significant events during the financial year).

3.2.2 Impairment of shares in associates

At each year-end, shares in associates are re-measured on the basis of their value in use. When necessary, an impairment provision is recognized on an individual basis, taking into account both the value in use and the general prospects of the subsidiary concerned.

The impairment recognized on the Euler Hermes Collections Sp. Z.o.o., in the amount of €10,000 thousand was written back by €8,363 thousand (see 4.2 Write back of provisions and impairment). It totals €1,637 thousand at December 31, 2016.

3.3 Other financial assets

3.3.1 Other financial assets

Other financial assets break down as follows:

(in € thousands)	Gross amount at start of year	Increases	Decreases	Gross amounts at year-end
Other long-term investment securities	2	0	0	2
Treasury shares	59,521	43,335	69,498	33,358
General adjustment ⁽¹⁾	59,521	0	26,770	32,751
Adjustment of share price	0	43,335	42,728	607
Loans and receivables	24,101	40,206	17,501	46,806
Euler Hermes Collections Sp. Z.o.o. loan ⁽²⁾	10,700	0	10,700	0
Allianz Managed Operations & Services SE loan	10,600	0	0	10,600
Euler Hermes Collection North America loan ⁽²⁾	2,762	0	2,762	0
Euler Hermes World Agency loan ⁽³⁾	0	15,000	4,000	11,000
Euler Hermes SA loan ⁽⁴⁾	0	25,000	0	25,000
Interest accrued on Allianz Managed Operations & Services SE loan	36	36	36	36
Interest accrued on Euler Hermes Collection North America loan ⁽²⁾	3	0	3	0
Interest accrued on Euler Hermes World Agency loan ⁽³⁾	0	40	0	40
Interest accrued on Euler Hermes SA loan ⁽⁴⁾	0	130	0	130
Deposits and sureties paid	38	2	0	40
TOTAL	83,662	83,543	86,999	80,206

(1) Euler Hermes Group canceled 500,542 treasury shares by decision of the Shareholders' Meeting on May 25, 2016 for an amount of €26,497 thousand. (See 2. Significant events during the financial year; and 3.8. Shareholders' equity).

(2) Euler Hermes Collection Sp. Z.o.o. and Euler Hermes Collection North America loans were fully repaid early during the year 2016.

(3) Euler Hermes Group granted a loan denominated in euros to its French subsidiary Euler Hermes World Agency in an amount of €15,000 thousand on January 1, 2016, of which €4,000 thousand were repaid in 2016.

(4) Euler Hermes Group granted a euro-denominated loan to its Belgian subsidiary in an amount of €25,000 thousand.

As detailed below, the Company held treasury shares representing 1.47% of its share capital at year-end, as authorized by the share buy-back program granted by the Extraordinary Shareholders' Meeting of April 7, 2000:

(in € thousands)	Gross amount at start of year	Increases	Decreases	Gross amounts at year-end
Holding objectives				
Unrestricted use				
– number of shares ⁽¹⁾	1,124,387	0	505,698	618,689
– average price (in €)	52.937			52.937
– total	59,521	0	26,770	32,751
% of share capital	2.48			1.45
Adjustment of market price⁽²⁾				
– number of shares	0	561,291	554,035	7,256
– average price (in €)	0			83.62
– total	0	43,335	42,728	607
% of share capital	0			0.02
TOTAL	59,521	43,335	69,498	33,358

(1) See 2. Significant events during the financial year and 3.8 Shareholders' equity.

(2) Given the evolution of the Euler Hermes Group share price, treasury shares allocated to the liquidity contract were purchased and sold.

3.3.2 Impairment of other financial assets

Treasury shares in the inventory were valued according to the average stock market share price in the final month of the year.

Impairment of treasury shares was recognized in the income statement for €5 thousand:

(in € thousands)	Provisions at start of year	Provisions	Write back	Provisions at year-end
Impairment of treasury shares: general adjustment	0	0	0	0
Impairment of treasury shares: share price adjustment ⁽¹⁾	0	5	0	5
TOTAL	0	5	0	5

(1) See 4.7 Depreciation, amortization and provisions.

3.4 Receivables

This item primarily represents receivables from associates in the amount of €28,039 thousand, including the balance of transactions between the subsidiaries in the Group's tax group and receivables from the State in the amount of €19,468 thousand, including the corporate tax receivable (see 4.10.1 Tax due and tax consolidation surplus).

Receivables with maturity between one and five years totaled €2,254 thousand.

3.5 Investment securities and impairment of investment securities

3.5.1. Investment securities

This item includes only bonds in the amount of €77,181 thousand (see 2. Significant events during the financial year).

(in € thousands)	Gross amount at start of year	Increases	Decreases	Gross amounts at year-end
Bonds	0	77,181	0	77,181
Accrued interest not yet due	0	295	0	295
TOTAL	0	77,476	0	77,476

3.5.2. Impairment of investment securities

The investment securities are evaluated at the closing price of the year ended. The impairment corresponds, as necessary, to the difference between the closing price of the year ended and the historical value of the financial asset.

At December 31, 2016, the net impairment on the bond portfolio was recognized at €762 thousand (see 4.2 Write-back of provisions and impairment and 4.7 Depreciation, amortization and provisions).

3.6 Cash and cash equivalents

Cash and cash equivalents are made up of cash and fixed-term deposits.

3.7 Deferred expenses

Deferred expenses are exclusively IT and technical expenses.

B – LIABILITIES

3.8 Shareholders' equity

3.8.1 Composition of the share capital

As of December 31, 2016, the share capital consisted of 42,641,635 fully subscribed shares for an amount of €13,645 thousand (see 2. Significant events during the financial year).

3.8.2 Change in shareholders' equity

Changes during the year were as follows:

(in € thousands)	12/31/2015	Appropriation of income 2015	Dividend distributions ⁽¹⁾	Movements during the year	12/31/2016
Capital ⁽²⁾	14,509			(864)	13,645
Issue premiums	465,008			(192,701)	272,307
Reserves					
– Legal reserve	1,451				1,451
– Optional reserve	77,474				77,474
– Reserve for treasury shares	78,983			(19,461)	59,521
– Other reserves	187,406			19,461	206,867
Retained earnings	284,085	204,026	(196,641)		291,470
Profit for the year	204,026	(204,026)		777,887	777,887
Regulated provisions	247				247
TOTAL	1,313,188	0	(196,641)	584,322	1,700,869

(1) The amount of the dividend paid excludes treasury shares.

(2) See 2. Significant events during the financial year and 3.3.1 Other financial assets.

Reserve for treasury shares

The reserve for treasury shares was written back for an amount of €19,461 thousand to take into account, for 2015, the share purchases and sales under the liquidity agreement and sales related to the exercise of stock options. This amount was added to "Other reserves", pursuant to the Shareholders' Meeting resolution of Wednesday, May 25, 2016.

As of December 31, 2016, the reserve for treasury shares stood at €59,521 thousand.

Dividend distribution

In accordance with the Shareholders' Meeting of May 25, 2016, the amount of the per-share dividend paid was €4.68, or €199,563 thousand (including treasury shares). Pursuant to Article 158, 3-2 of the General Tax Code, this sum is eligible for 40% tax relief.

3.9 Provisions

Provisions were as follows:

(in € thousands)	Provisions at start of year	Provisions	Write back	Provisions at year-end
Provision for restructuring ⁽¹⁾	0	1,244	0	1,244
Other provisions ⁽²⁾	528	317	0	845
TOTAL	528	1,560	0	2,089

(1) See 2. Significant events during the financial year.

(2) Other provisions in the amount of €845 thousand correspond to the best estimate of risk and commitments at year-end. They relate to a provision for the Cardif defined-benefit pension commitment (described in Note 17 "Employee benefits" of the consolidated financial statements).

Regulated provisions

Regulated provisions correspond to the cumulative amortization of fees for the acquisition of the securities of Euler Hermes Collection Sp. Z.o.o., in the total amount of €247 thousand, over a period of five years.

At December 31, 2016, the acquisition costs are fully amortized.

Movements during the year

The decrease in capital and in share premium during this exercise is explained by the cancellation of 2,200,000 shares bought from Allianz Vie as well as the cancellation of 500,542 own shares already held (see 2. Significant events during the year).

3.10 Loans and other borrowings

The breakdown of "Loans and other borrowings" by maturity is as follows:

(in € thousands)	12/31/2016	12/31/2015	Change
Less than 1 year	35,116	220,655	(185,539)
1 to 5 years ⁽¹⁾	220,000	320,000	(100,000)
TOTAL	255,116	540,655	(285,539)
of which due to associates	35,035	320,576	(285,541)

(1) Repayable on maturity.

Interest expenses amounted to €3,382 thousand at December 31, 2016 (see 4.8 Other financial expenses).

3.11 Trade payables and related accounts

The item "Trade payables and related accounts" consisted mainly of accruals for supplier invoices not yet received at year-end totaling €16,794 thousand.

The payables are due within one year. (see 6.6 Other information: breakdown of trade payables).

3.12 Social security, tax and other liabilities

The item "Other liabilities" consists mainly of amounts payable to associates totaling €25,595 thousand, including the balance of transactions between the Group's fiscally integrated subsidiaries (see 4.10.1 Tax due and tax consolidation surplus), and liabilities to the State in the amount of €4,026 thousand.

The maturity of liabilities is as follows:

- due in less than one year: €35,271 thousand;
- due in one to five years: €4,592 thousand.

4 Notes to the income statement

4.1 Income from shares in associates

This item comprises dividends received from associated enterprises, as follows:

(in € thousands)	2016	2015
Euler Hermes North America Holding	17,538	17,848
Euler Hermes Aktiengesellschaft	31,400	29,000
Euler Hermes Reinsurance AG	50,000	100,000
Euler Hermes SA ⁽¹⁾	700,000	80,000
Euler Hermes Services	0	11,874
Euler Hermes Magyar Követeléskezelő Kft.	888	1,320
Euler Hermes Servicii Financiare SRL	1,326	1,192
TOTAL	801,152	241,234

(1) See 2. Significant events during the financial year.

4.2 Write back of provisions and impairments

This item includes:

- the write back of the provision for the impairment of shares in associates of Euler Hermes Collections SP Zoo for €8,363 thousand (see 3.2.2 *Impairment of shares in associates*);
- the write back of the provision for impairment on the bond portfolio for €136 thousand (see 3.5.2 *Impairment of investment securities*).

4.3 Other financial income

This item mainly includes proceeds from short-term cash investments, exchange rate fluctuations made on currency transactions, interest on loans granted to the subsidiaries of the Euler Hermes Group and bond income (see 2. *Significant events during the financial year*).

4.4 Miscellaneous services

This item includes the provision of services linked to computing or telecommunication services of any nature for the companies of the Euler Hermes Group as well as the holding of all hardware and software necessary for these missions.

4.5 External expenses

This item includes:

- the external structural expenses of Euler Hermes Group;
- the fees paid as part of various projects conducted in 2016;
- expenses for consumables related to carrying out the invoiced services.

4.6 Payroll and social security expenses and taxes, duties and similar expenses

This item includes compensation of the Board members and the associated tax and social security expenses.

4.7 Depreciation, amortization and provisions

This item includes:

- amortization on long-term assets for €5,159 thousand (see 3.1.2 *Amortization, depreciation and provisions on intangible and tangible assets*).
- provision for impairment of treasury shares for €5 thousand (see 3.3.2 *Impairment of other financial assets*).
- provisions on the bond portfolio for €899 thousand (see 3.5.2 *Impairment of investment securities*).

4.8 Other financial expenses

This item represents primarily the interest on the loans taken out with associates for €1,203 thousand (see 3.10 *Loans and other borrowings*).

This item also includes the interest on loans taken out with credit institutions in the amount of €2,179 thousand (see 3.10 *Loans and other borrowings*).

4.9 Other exceptional income and expenses

This item consists of the gains and losses on the Company's buy-back of treasury shares for €236 thousand and €87 thousand respectively. It also includes a provision for defined-benefit pension commitments for €317 thousand as well as a change for productivity plans for €3,101 thousand (see Note 2 *Significant events during the financial year and 3.9 Provisions*), of which €1,857 in compensation was already paid, and a provision of €1,244 thousand (see 2.9 *Provisions*).

4.10 Income tax

The breakdown of the tax expense for the year is as follows:

(in € thousands)	2016	2015
Tax consolidation surplus	24,067	13,101
Additional contribution on dividends	(5,899)	(5,836)
Research tax credit	162	698
Deferred tax	387	(460)
TOTAL	18,716	7,503

4.10.1 Tax due and tax consolidation surplus

Euler Hermes Group is the head of the tax group formed with its subsidiaries Euler Hermes France (the French branch of Euler Hermes SA), Euler Hermes Crédit France, Euler Hermes Recouvrement France, Euler Hermes Services, Euler Hermes Asset Management France, Euler Hermes World Agency, and Financière Aldébaran. Each company pays the parent company the tax that it would have paid if it had been taxed individually (see Notes 3.4 Receivables and 3.12 Social security, tax and other liabilities).

The amended budget of the French Government for 2012 established an additional tax contribution of 3% for companies on amounts distributed by French or foreign companies and entities liable for corporation tax. This contribution was €5,899 thousand for financial year 2016.

To calculate the taxable income of Euler Hermes Group itself, dividends received from the subsidiaries were deducted in accordance with the parent company/subsidiary tax regime and the share of corresponding expenses and charges (1% for subsidiaries in the European Union and 5% for subsidiaries outside the EU) was added back. After all deductions and amounts were added back, taxable income was negative.

As the total of separate taxes of the members of the fiscal group is greater than the taxes of the whole, there is a tax integration surplus for Euler Hermes Group in the amount of €24,067 thousand of which €8,042 thousand for the repayment obtained from the Large Business Directorate (DGE) concerning the disputed claim on the share of fees and expenses related to the dividends paid by the European subsidiaries held at least 95% for the periods 2011 to 2014.

4.10.2 Deferred tax

Deferred tax arises from timing differences between the year in which an income or expense item is recognized in the accounts and its inclusion in the taxable income or loss of a subsequent year. Deferred tax is calculated using the following preferential method:

- application of the balance sheet liability method, under which unrealized differences are added to the timing differences;
- use of the full provision method, under which recurring differences and differences that will only reverse in the long term are included;
- application of the variable carry-forward method by which deferred taxes recognized during prior periods are modified at the time of a change in the tax rate; the rate used is 34.43% (current rate of 33.33% plus the 3.3% social contribution) for 2016 and the following years an option was taken to use a rate of 28.92% (current rate of 28.0% plus the social contribution of 3.3%) for social commitments following the passage of Law no. 2016-1917 on finances for 2017.

As none of the significant deferred tax assets and liabilities has a set maturity, discounting has not been applied to any items. Deferred tax assets and liabilities are offset only when they have the same nature and maturity.

5 Other information

5.1 Consolidation

Euler Hermes Group, whose shares are listed on the Paris Stock Exchange, is the parent company of the Euler Hermes Group and as such publishes consolidated financial statements.

The Company's financial statements are fully consolidated within the financial statements prepared by Allianz SE (Munich Trade and Companies Register no. 164232).

5.2 Directors' fees

Directors' fees paid to members of the Supervisory Board amounted to €355 thousand, in accordance with the resolution passed by the Combined Shareholders' Meeting of May 28, 2014, which authorized the payment of a maximum amount of €600 thousand.

5.3 Off-balance sheet commitments given

These commitments comprise:

- a commitment for €25,713 thousand given to the Economic Interest Group Euler Hermes SFAC Services whose headquarters are at 1 place

des Saisons, 92048 Paris La Défense Cedex; as a member of the EIG, Euler Hermes Group is jointly liable for all liabilities of this group minus the Group's debt to its members (Article 4, paragraph 1 of Ordinance no. 67821). Euler Hermes Group shares this commitment with the following subsidiaries and branches: Euler Hermes France (a branch of Euler Hermes SA), Euler Hermes Crédit France, Euler Hermes Recouvrement France, Euler Hermes Services, Euler Hermes Asset Management France, Euler Hermes World Agency, Euler Hermes SFAC Direct;

- a commitment of €73,000 thousand granted to Euler Hermes SA in the context of its ongoing bonding activity;
- a commitment of €1,857 thousand given to InvestitionsBank des Landes Brandenburg, required to obtain a Land Brandenburg subsidy;
- a commitment granted to Euler Hermes Reinsurance AG guaranteeing the payment of financial commitments given by the subsidiary to beneficiaries subscribed to a proportional or non-proportional reinsurance policy;
- a commitment given to Cardif relating to the risk of revaluation of a pension liquidated by a closed defined benefit pension fund.

5.4 Stock option plan

The Extraordinary Shareholders' Meeting of May 22, 2006 approved a mixed share subscription and acquisition option plan for employees of subsidiaries more than 50%-owned by Euler Hermes Group and, potentially, for corporate officers of the Group.

By resolution of the Group's Board of Management meeting of September 18, 2006, 160,000 share acquisition options were allocated in September 2006. All of the share acquisition options were either exercised or canceled.

By resolution of the Group Board of Management meeting of June 20, 2008, 130,000 shares acquisition options were allocated in June 2008. All of the share acquisition options were either exercised or canceled.

At December 31, 2016, there is no longer any share acquisition option plan.

■ SHARE ACQUISITION PLAN

	05/22/2016
Date of Shareholders' Meeting	(2nd allocation)
Date of Board of Management meeting	6/20/2008
Options remaining to be exercised at start of year	8,306
Options exercised ⁽¹⁾	5,156
Options canceled	3,150
Options remaining to be exercised at year-end	0
Exercise price ⁽²⁾	

(1) See 3.3.1 Other financial assets.

(2) Range of exercise prices of options circulating at year-end.

6.4 Table of subsidiaries and participating interests

Subsidiaries and participating interests	Share capital		Other shareholders' equity	Share of capital held	Carrying value of securities held	
					Gross	Net
	EUR		EUR	as a %	in € thousands	in € thousands
A. Detailed information on the securities whose gross value exceeds 1% of the share capital⁽²⁾						
Euler Hermes SA 56, avenue des Arts 1000 Brussels – BELGIUM	EUR	229,390	EUR	772,329	97.32%	1,010,394
Euler Hermes North America Holding 800 Red Brook Boulevard Owings Mills MD 21117 USA	USD	192,819	USD	(13,938)	100%	143,541
Euler Hermes Aktiengesellschaft Friedensallee 254, 22763 Hamburg – GERMANY	EUR	10,000	EUR	77,217	100%	115,889
Euler Hermes Reinsurance AG Richtiplatz 1 CH-8304 Wallisellen – SWITZERLAND	EUR	376,236	EUR	386,070	100%	387,274
Euler Hermes World Agency 1, place des Saisons 92048 Paris-La Défense Cedex – FRANCE	EUR	1,540	EUR	5,812	100%	4,340
Euler Hermes Magyar Követeléskezelő Kft Kiscelli u.104 H-1037 Budapest – HUNGARY	HUF	30,000	HUF	375,222	100%	6,514
Euler Hermes Collections Sp. Z.o.o ul.Domaniewska50B 02-672 Warsaw – POLAND	EUR	4,446	EUR	5,804	100%	30,309
Euler Hermes Services Romania S.R.L Str Petru Maior, 6 sector 1 011264 Bucharest – ROMANIA	RON	2,962	RON	1,778	100%	993
Euler Hermes Services Slovensko, S.R.O Plynarenska 7/A 82109 Bratislava – SLOVAKIA	EUR	136	EUR	2,523	100%	2,067
Euler Hermes Biuro Gospodarcezy 0Ui. Al. Jerozolimskie 98 00-807 – WARSAW – POLAND	PLN	4,318	PLN	0	100%	1,000
B. General information on other securities with a gross value of less than 1% of the share capital						
French subsidiaries	EUR	0	EUR	0	0	0
Foreign subsidiaries	PLN	5	PLN	35,950	2	2
General information on other securities with a gross value of less than 1% of the share capital						
French subsidiaries	EUR	0	EUR	0	0	0
Foreign subsidiaries						
Euler Hermes Services Sp.Zoo – POLAND	PLN	5	PLN	36,495	2	2

(1) An impairment of the securities is recognized at year-end if the securities have a carrying amount of more than the value in use of the Company (see 3.2.2 Impairment of shares in associates.)

(2) The share price used for companies outside the Eurozone is that of December 31, 2016.

(3) Amounts corresponding to Euler Hemes Collections and its branches.

(4) Amounts corresponding to Euler Hemes S.A. and its branches.

Loans and advances given and not outstanding in € thousands	Amount of sureties and guarantees given in € thousands	Turnover excluding tax in the last financial year in € thousands ⁽²⁾	Net income in the last financial year in € thousands ⁽²⁾	Dividends received during the year in € thousands
38,200	73,000,000	1,641,811 ⁽⁴⁾	135,010 ⁽⁴⁾	700,000
0	0	20,165	19,679	17,538
1,579	0	117,303	43,546	31,400
4	0	1,496,679	152,625	50,000
11,000	0	17,725	822	0
105	0	3,054	543	888
893	0	24,965 ⁽³⁾	1,650 ⁽³⁾	0
0	0	3,043	1,400	1,326
0	0	1,571	337	0
0	0	0	0	0
0	0	0	0	0
351	0	3,756	2,164	0
0	0	0	0	0
351	0	3,756	2,164	0

6.5 Table of Company results over the last five years

(in € thousands)	2012	2013	2014	2015 ⁽⁶⁾	2015 ⁽⁷⁾	2016
Share capital						
Share capital	14,468	14,509	14,509	14,509	13,645	13,645
Number of shares in issue	45,212,727	45,342,177	45,342,177	45,342,177	42,641,635	42,641,635
Maximum number of future shares to be created	143,050	0	0	0	0	0
Transactions and income for the financial year						
Income from ordinary operations ⁽¹⁾	231,600	246,268	241,130	306,776	306,776	897,569
Income before tax, depreciation, amortization and provisions	167,540	177,164	186,073	197,754	197,754	758,295
Income tax ⁽²⁾	(13,159)	(17,216)	(10,741)	(7,503)	(7,503)	(18,716)
Income after tax, depreciation, amortization and provisions	196,190	194,339	195,456	204,026	204,026	777,887
Dividends paid ⁽³⁾	180,851	190,437	199,506	199,506	199,563	199,563
Earnings per share						
Income after tax, but before depreciation, amortization and provisions	4.00	4.29	4.34	4.53	4.81	18.22
Income after tax, depreciation, amortization and provisions	4.34	4.29	4.31	4.50	4.78	18.24
Dividend per share	4.00	4.20	4.40	4.40	4.68	4.68 ⁽⁴⁾
Employees						
Average number of employees ⁽⁵⁾	1	0	0	0	0	0

(1) In accordance with the CNC notice dated March 27, 1985 and COB bulletin no. 181 of May 1985, in view of Euler Hermes Group's activity as a holding company, this item comprises ordinary revenues from equity investments and re-invoicing of other Euler Hermes entities instead of turnover.

(2) A negative amount is equal to a tax consolidation surplus and a positive amount is equal to a tax expense.

(3) Includes dividends on treasury shares, held by the Company, the dividends from which will be credited to "Retained Earnings" upon payment.

(4) The Company's dividend policy in the future will depend on its results and financial position. The Board of Management proposed the dividend, which will be put to the vote of the Shareholders' Meeting on May 24, 2017, after the Supervisory Board's approval. Although the Board of Management intends to maintain this dividend policy over the long term, the dividend proposed for a given year will depend on different factors, in particular the Company's performance, market conditions and the general economic climate. Euler Hermes Group's dividend policy is based on prudent management of capital (to ensure an AA- rating level) and the attractiveness of the dividend for shareholders.

(5) In 2016, as in 2015, none of the corporate officers has an employment contract.

(6) Proposed allocation of the 2015 result.

(7) Corresponds to the allocation of the 2015 result on the basis of 42,641,635 shares corresponding to the 45,432,177 shares held at December 31, 2015, reduced by 2,700,542 treasury shares (see 2. Significant events during the financial year).

6.6 Other information

6.6.1 Breakdown of trade payables

In accordance with Articles L. 441-61 and D. 441-4 of the French Commercial Code, the breakdown of outstanding debt by maturity in respect of the Group's suppliers at the close of the last two years is provided below:

Trade payables (in € thousands)	12/31/2016		12/31/2015	
Overdue invoices	Immediate settlement	0.00	Immediate settlement	0.00
	30-day settlement	(293)	30-day settlement	0.00
Invoices not received		(16,794)		(18,255)
TRADE PAYABLES AND RELATED ACCOUNTS		(17,087)		(18,255)

6.6.2 Dividends distributed

The table below shows the dividends distributed in the last five financial years. Pursuant to Article 158, 3-2° of the General Tax Code, these sums are eligible for the 40% tax rebate.

Financial year	2016	2015 ⁽³⁾	2015 ⁽²⁾	2014	2013	2012
Distribution (in €)	199,562,852	199,562,852	199,505,579	199,505,579	190,437,143	180,850,908
Number of shares on December 31 (including treasury shares)	42,641,635	42,641,635	45,342,177	45,342,177	45,342,177	45,212,727
Dividend per share (in €)	4.68 ⁽¹⁾	4.68	4.40	4.40	4.20	4.00

(1) Proposal for the Shareholders' Meeting on May 24, 2017.

(2) Proposed allocation of the 2015 result.

(3) Corresponds to the allocation of the 2015 result on the basis of 42,641,635 shares corresponding to the 45,432,177 shares held at December 31, 2015, reduced by 2,700,542 treasury shares (see 2. Significant events during the financial year).

The Company's dividend policy in the future will depend on its results and financial position. The Board of Management proposed the dividend, which will be put to the vote of the Shareholders' meeting on May 24, 2017, after the Supervisory Board's approval. Although the Board of Management intends to maintain this dividend policy over the long term,

the dividend proposed for a given year will depend on different factors, in particular the Company's performance and Solvability margin, market conditions and the general economic climate. Euler Hermes Group's dividend policy is based on prudent management of capital (to ensure an AA- rating level) and the attractiveness of the dividend for shareholders.

6.7 Statutory Auditors' report on the financial statements

Year ended December 31, 2016

To the shareholders

In compliance with the assignment entrusted to us by your General Meeting, we hereby report to you, for the year ended December 31, 2016, on:

- the audit of the accompanying financial statements of Euler Hermes Group S.A.;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Group Management Board. Our role is to express an opinion on these financial statements based on our audit.

1 Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as of December 31, 2016 and of the results of its operations for the year then ended in accordance with French accounting principles.

2 Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*), we bring to your attention the following matter:

Notes 3.2.2 and 3.2.5 to the annual financial statements set out the accounting policies on impairment of equity interests and on investment securities.

As part of our assessment of the accounting policies adopted by your company, we checked the appropriateness of accounting policies set out above and the information provided in the above-mentioned Notes, and we verified their correct application.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3 Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Group Management Board, and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Statutory Auditors

Paris La Défense, April 19, 2017

KPMG S.A.

French original signed by

Xavier Dupuy

Partner

Paris, April 19, 2017

EXCO Paris Ace

French original signed by

Alain Auvray

Partner

INFORMATION ON THE COMPANY AND ITS CAPITAL

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7.1 General information about the Company

7.1.1 Company name and registered office

Company name:

Euler Hermes Group

Registered office:

1, place des Saisons, 92048 Paris-La Défense Cedex, France

Tel.: +33 (0)1 84 11 50 50

Fax: +33 (0)1 84 11 50 17

At the Shareholders' Meeting to be held on May 24, 2017, it will be proposed to amend Article 4 of the Articles of Association in order to comply with the provisions of Law no. 2016-1691 on transparency, the fight against corruption and modernization of economic life, the so-called "Sapin II" law. Thus Article 4 shall allow the transfer of the registered office to any other place on the French territory by a decision of the Supervisory Board, on condition that the decision is ratified by the next following Ordinary Shareholders' Meeting".

7.1.2 Legal form, legislation

Euler Hermes Group is a limited company (*société anonyme*) with a Board of Management and a Supervisory Board.

It is governed by French law.

7.1.3 Date of incorporation and term

The Company was incorporated on March 28, 1927 for a term of 99 years, which will expire on March 27, 2026.

7.1.4 Business and Trade Register

Register No.: 552,040,594 Nanterre RCE – NAF number: 6420Z.

7.1.5 Fiscal year

Each fiscal year is 12 months. It begins on January 1 and ends on December 31.

7.2 Articles of Association of the Company

7.2.1 Corporate purpose

Under the terms of Article 3 of the Articles of Association, the purpose of the Company, directly or indirectly, both in France and abroad, is to:

- acquire and manage stakes in all French or foreign companies or enterprises, irrespective of their legal form, that are in particular active in insurance, reinsurance, credit-insurance, factoring, debt collection and bonding, and to dispose of said stakes if need be, as well as all operations of any nature that are in direct or indirect relation with the above purpose, or that contribute towards the achievement thereof;
- acquire, manage and dispose of all listed or unlisted shares or securities, as well as all movable or immovable property or all listed or unlisted rights, shares, or securities in relation with said property; and

- more generally, to carry out all industrial, commercial and financial operations, as well as all operations involving movable or immovable property that are in direct or indirect relation with one of the purposes set out above or with all similar or related purposes, or that contribute towards the achievement of said purposes.

On an ancillary basis, the Company can also, either alone or in conjunction with other persons, either for itself or for the companies of the Euler Hermes Group:

- implement means of telecommunications, provide all IT services of any nature, and hold all equipment and computer software required for purposes of its missions; and
- use any patent or trademark, in particular under a license arrangement, and lease all equipment of whatever nature.

7.2.2 Statutory provisions relating to the Board of Management and the Supervisory Board

The description below summarizes the principal provisions of the Articles of Association and of the Company's internal regulations with respect to the Supervisory Board, with a particular focus on its functions and powers.

It also summarizes provisions in the Articles of Association and the internal regulations relating to the Board of Management.

The Supervisory Board

Composition (extract from Article 11 of the Articles of Association)

The Supervisory Board is composed of at least three and no more than twelve members who are appointed by Ordinary Shareholders' Meetings.

No member of the Supervisory Board may be over 70 years of age. When a member of the Supervisory Board reaches this age, his/her resignation shall be automatic.

Each member of the Supervisory Board must own at least five shares during his/her term of office. However, this provision shall not apply to shareholders who are employees and who are appointed members of the Supervisory Board pursuant to Article L. 225-71 of the French Commercial Code.

At the Shareholders' Meeting to be held on May 24, 2017, it will be proposed to amend Article 11 of the Articles of Association by removing the

obligation for the members of the Supervisory Board to hold at least five shares for their term of office. It is proposed to add this obligation to the Supervisory Board internal regulations, by including a significant increase of minimum shares to be held.

Term of office (extract from Article 11 of the Articles of Association)

Unless otherwise provided for by special provisions for first appointments so as to comply with the regular replacement of its members, Supervisory Board members are elected for three-year mandates.

Supervisory Board members may always be re-elected.

The composition of the Supervisory Board is adjusted each year at the Ordinary Shareholders' Meeting, depending on the number of members in office, so that renewals are made as regularly as possible and so that all members have changed by the end of each three-year period. In order to exclusively implement and maintain staggering of the Supervisory Board members' terms of office, the Ordinary Shareholders' Meeting may appoint one or more Supervisory Board members for a duration of one or two years.

In the event of a vacant position, following the death or resignation of one or more members of the Supervisory Board, a provisional replacement may be elected by the remaining members, with the appointment being subject to ratification by the next Ordinary Shareholders' Meeting.

Chairmanship of the Supervisory Board – Non-voting members (extract from Article 11 of the Articles of Association)

The Supervisory Board elects a Chairman and a Vice-Chairman, who must be individuals, from among its members. The Chairman, and in his/her absence the Vice-Chairman, is responsible for convening meetings of the Board and chairing its deliberations.

If the Supervisory Board considers it useful, it may, when so proposed by its Chairman, appoint non-voting members of the Board (censors), for a term that it chooses. These non-voting members may be individuals or legal entities and may or may not be shareholders. The Board determines their responsibilities and the terms and conditions of their remuneration. This remuneration is taken from the annual amount for Supervisory Board members' fees allocated to the Supervisory Board by the Ordinary Shareholders' Meeting.

These non-voting members may be called to and may participate in the deliberations of all Supervisory Board meetings in an advisory capacity only.

Supervisory Board deliberations (extract from Article 14 of the Articles of Association)

The Supervisory Board meets as often as required by the interests of the Company. Meetings are convened by the Chairman or, if this is not possible, the Vice-Chairman.

Meetings may be called by any means, including verbally.

Any member of the Supervisory Board may appoint another member to represent him/her. Each member may hold only one proxy.

Decisions are taken under the quorum and majority conditions provided for by law. In the event of a tie, the Chairman of the meeting shall have the casting vote.

Members of the Supervisory Board attending the meeting by video conference or telephone, enabling them to be identified and ensuring their attendance, or any other similar means of communication allowed by law, shall be counted as present for the purpose of calculating quorum and majority.

However, the provisions in the foregoing paragraph do not apply to the approval of the decisions provided for in Article L. 225-68 paragraph 5 (review of the annual and consolidated financial statements) and in Article L. 225-61 (dismissal of members of the Board of Management) of the French Commercial Code.

Members of the Board of Management may attend Board meetings in an advisory capacity, on the Chairman's initiative.

An attendance register is kept and minutes of meetings are drawn up in accordance with the law.

Mission and powers of the Supervisory Board (extract from Article 12 of the Articles of Association)

The Supervisory Board exercises continuous supervision of the Company's management by the Board of Management and gives this Board the prior authorizations required by law or by these Articles of Association.

It appoints the members of the Board of Management, decides on their number, appoints the Chairman and, as the case may be, General managers and sets their remuneration.

It may recommend that the Ordinary Shareholders' Meeting dismiss one or more members of the Board of Management.

Throughout the year, it carries out the checks and controls it considers appropriate and can arrange to receive any documents that it considers useful for the completion of its mission.

At least once a quarter, the Board of Management presents a report to the Supervisory Board.

Within three months of the financial year-end, the Board of Management must present the annual financial statements to the Supervisory Board for verification and control and it must submit its recommendations for the allocation of distributable income for the year to the Supervisory Board for its prior approval. It presents its observations on the Board of Management's report and on the annual financial statements to the Shareholders' Meeting.

The Supervisory Board may convene Shareholders' Meetings and set their agendas.

The Supervisory Board may decide to set up special committees, the composition and powers of which it determines, to carry out specific duties under its responsibility; it may not delegate powers vested in the Supervisory Board by law or by the Articles of Association, and may not reduce or limit the powers of the Board of Management.

In addition, the following decisions taken by the Board of Management are subject to prior authorization by the Supervisory Board:

- the sale of property, and the total or partial sale of shareholdings and the constitution of sureties on company assets;
- direct transactions or equity holdings that might significantly affect the Group's strategy and materially modify its financial structure or scope of activity;
- the issue of securities, of any kind, that may result in a change in the share capital;
- transactions aimed at granting or contracting any borrowings or loans, credits or advances, granting of sureties, guarantees, endorsements or deposits.

The Supervisory Board authorizes the Board of Management to carry out the transactions described above within the limits of an amount it determines for each such transaction. When a transaction exceeds the specified amount, the approval of the Supervisory Board is required in each case.

At the Shareholders' Meeting to be held on May 24, 2017, it will be proposed to amend Article 12 of the Articles of Association in order to comply with the provisions of Law no. 2016-1691 on transparency, the fight against corruption and modernization of economic life, the so-called "Sapin II" law, by removing the obligation to submit for advance authorization by the Supervisory Board the decision of the Board of Management on the disposal of real estate property, the total or partial disposal of investments and the constitution of guarantees.

The Board of Management

Composition (extract from Article 15 of the Articles of Association)

The Company is managed by the Board of Management, which is composed of at least two and no more than six members, who may but need not be shareholders, appointed by the Supervisory Board.

Members of the Board of Management must be individuals no older than 65.

A member of the Supervisory Board may not be a member of the Board of Management.

Term of office (extract from Article 15 of the Articles of Association)

The Board of Management is appointed for a period of four years and its members may be re-appointed. Their mandates may be terminated by the Supervisory Board or by the Ordinary Shareholders' Meeting on the recommendation of the Supervisory Board.

The Supervisory Board sets the method and amount of remuneration for each of the members of the Board of Management on their appointment.

Chairmanship of the Board of Management (extract from Article 16 of the Articles of Association)

The Supervisory Board appoints one of the members of the Board of Management as Chairman.

The Chairman exercises his/her functions for the period of his/her office as a member of the Board of Management.

The Chairman represents the Company in its relations with third parties.

The Supervisory Board may grant the same power of representation to one or more other members of the Board of Management, who then carry the title of General manager.

Agreements concerning the Company and any commitments undertaken in its name are signed by the Chairman of the Board of Management, or by any member of the Board of Management who has been appointed General manager by the Supervisory Board or by any representative especially empowered for this purpose.

Mission and powers of the Board of Management (extract from Article 17 of the Articles of Association)

The Board of Management is vested with the broadest extensive powers to act in all circumstances in the name of the Company. It exercises these powers within the limits defined by the corporate purpose, subject to those expressly allocated to the Supervisory Board and Shareholders' Meetings by the law and the Articles of Association.

The Board of Management can vest one or more of its members or any other person with special assignments that it decides upon, which may be permanent or temporary, and can delegate to them the powers it considers appropriate for one or more particular purposes, with or without the power to sub-delegate.

The Board of Management may decide to set up committees, the composition and powers of which it determines, to carry out certain duties under its responsibility; however, it may not delegate powers vested in it.

(Extract from Article 4 of the internal regulations of the Board of Management)

The Board of Management operates according to internal regulations that are designed to supplement the operating procedures stipulated in the Articles of Association, while respecting the collegial principle of the Board of Management and facilitating the work of the Supervisory Board.

These internal regulations stipulate the Board of Management's powers and the distribution of its tasks and, in accordance with Article 12 of the Articles of Association, the decisions which require prior authorization by the Supervisory Board, namely:

- the sale of real estate property and the total or partial sale of equity investments and the pledging of security interests in Company assets where the transaction exceeds 30,000,000 euros;
- transactions aimed at granting or contracting any borrowings or loans, credits or advances where these exceed 75,000,000 euros;
- the issue of securities, guarantees, endorsements or deposits where these exceed 30,000,000 euros;
- direct transactions or equity holdings that might significantly affect the Group's strategy and materially modify its financial structure or scope of activity where these exceed 5,000,000 euros;
- the issue of securities of any kind that may result in a modification of the registered share capital regardless of the amount involved.

Board of Management deliberations (Article 18 of the Articles of Association)

The Board of Management meets as often as required by the interests of the Company. Meetings are convened by the Chairman or, if this is not possible, by at least two of its members.

Meetings take place either at the registered office or in any other location indicated in the convening notice.

Meetings may be called by any means, including verbally.

Meetings of the Board of Management are chaired by the Chairman or, if this is not possible, by a member chosen by the Board of Management at the beginning of the meeting.

Any member of the Board of Management may appoint another member to represent him/her. Each member may hold only one proxy.

For its deliberations to be valid, the number of members of the Board of Management present must be at least equal to half the number of members in office.

Decisions are voted by a simple majority of the members present or represented.

In the event of a tie, the Chairman shall have the casting vote.

Board of Management deliberations are reported in minutes registered in a special register and signed by the Chairman of the meeting and at least one member of the Board of Management.

Copies or extracts from the minutes are certified by the Chairman of the Board of Management or by any of its members.

In addition, the internal regulations define the practical procedures for holding meetings and recording minutes.

7.2.3 Rules applicable to amendments to the Articles of Association

When the Company's Articles of Association need to be amended, they are amended in accordance with the law.

7.2.4 Rights, privileges and restrictions attached to shares

Voting rights (Article 20 of the Articles of Association)

The Company's capital is divided into shares of common stock, all of the same class.

Fully paid-up registered shares held for at least two years in the name of the same shareholders do not have a double voting right.

The voting right belongs to the beneficial owner in all Shareholders' Meetings.

Each share entitles the holder to a portion of the ownership of corporate assets and to a share in the profits equal to the proportion of the share capital that it represents (Article 9 of the Articles of Association).

Statutory restrictions on the exercise of voting rights and share transfers

The Company's Articles of Association do not contain any provision limiting share transfers.

The shares may be freely traded and may be sold under the legal and regulatory conditions in force.

Subject to the provisions of Article 8, final paragraph, of the Articles of Association relating to the surrender of voting rights in cases of non-compliance with obligations on threshold declarations, the Articles of Association do not contain restrictions on the exercise of voting rights. This suspension of voting rights concerning the shares exceeding the portion that should have been declared may be requested by one or more shareholders holding at least 2% of the share capital or voting rights.

Allocation of income (Article 21 of the Articles of Association)

At least 5% is deducted from profit for the financial year, less previous losses if applicable, to make up funds for the legal reserve, in accordance

with the law. This deduction is no longer mandatory once the reserve reaches one tenth of the share capital. It comes back into effect if, for any reason, the legal reserve falls below one tenth of the share capital.

Distributable income is made up of profit for the financial year, less any potential previous losses, as well as sums to be carried over to the reserve in accordance with the law or the Articles of Association, in addition to retained profit carry-overs.

After the accounts are approved and distributable income is recorded, the Ordinary Shareholders' Meeting decides to register it in one or more reserve line items, of which it decides the allocation or the use, namely to carry it forward or to distribute it.

The Ordinary Shareholders' Meeting may decide to distribute sums from the reserves at its disposal, while specifically indicating the reserve line items on which the deductions are made. However, dividends are deducted as a priority from distributable profit for the financial year.

Excluding capital reductions, no distribution can be made to shareholders when shareholders' equity is, or will become following such distribution, less than the amount of the share capital plus reserves of which distribution is prohibited by the law or the Articles of Association. The revaluation variance is not distributable but it may be fully or partially incorporated into the share capital.

Procedures for payment of dividends voted by the Ordinary Shareholders' Meeting are set by the latter or, if necessary, by the Board of Management. The payment of dividends must, however, compulsorily take place within the legally established time frame.

The Ordinary General Meeting is entitled to grant each shareholder, for some or all of the dividend or interim dividend(s) to be distributed, an option of payment of the dividend or interim dividend(s) in cash or in Company shares.

7.2.5 Modification of shareholders' rights

Shareholder's rights, as described in the Company's Articles of Association, may only be modified by an Extraordinary Shareholders' Meeting of the Company.

7.2.6 Statutory threshold disclosure and obligation to register shares

Apart from the legal obligation to inform the Company when certain fractions of the share capital are held and to make any consequent declaration of intent, any individual or legal entity acting alone or in concert that comes to hold a number of shares and/or voting rights in the Company greater than or equal to:

1. 1% of the total number of shares and/or voting rights must, within 15 days of the date of crossing this threshold, inform the Company of the total number of shares and/or voting rights held. This disclosure should be sent by recorded letter with acknowledgment of receipt (or equivalent means in countries outside France), or by fax or telex. This declaration must be renewed each time a new 1% threshold is crossed upwards, to 50% inclusive, and each time a new 1% threshold is crossed downwards, to 1% inclusive;
2. 5% of the total number of shares and/or voting rights must, within 15 days of the date of crossing this threshold, apply to the Company to have all the shares held in registered form. This obligation for shares to be held in registered form is applicable to all shares already held and to those that have just been acquired taking the shareholder

over the threshold. The request for shares to be registered shall be sent by letter, fax or telex to the Company within 15 days of crossing the threshold. The declaration due under the preceding point ⁽¹⁾ on crossing the threshold stipulated in this paragraph shall equate to a request for shares to be registered.

In determining the thresholds stipulated in ⁽¹⁾ and ⁽²⁾, shares and/or voting rights held indirectly and shares and/or voting rights equivalent to shares and/or voting rights owned as defined by the provisions of Articles L. 233-7 *et seq.* of the French Commercial Code shall be taken into account.

For each of the aforementioned disclosures, the declarer must certify that the disclosure made includes all the securities owned or held pursuant to the previous paragraph. The declarer must also specify the date(s) of acquisition.

Investment fund management companies are required to provide this information for all the voting rights attached to shares in the Company held by the funds they manage.

7.2.7 Shareholders' Meetings

Shareholders' Meetings are convened and take place under legally prescribed conditions.

The meetings are held either at the registered office or at some other location specified in the convening notice.

Ordinary Shareholders' Meetings are composed of all shareholders who hold at least one share under the conditions below. Extraordinary Shareholders' Meetings are composed of all shareholders who hold at least one share under the conditions below. Special Shareholders' Meetings are open to all shareholders who hold, under the conditions set out below, at least one share of the share class concerned.

Shares that are not fully paid up do not count for admission to Shareholders' Meetings and are deducted for purposes of the quorum calculation.

Subject to the aforementioned provisions, each shareholder is entitled, on proof of identity, to participate in General Meetings, either by attending in person, by returning a postal voting form, or by appointing a proxy (who may be his spouse or another shareholder, the partner with whom he has entered into a contract of civil partnership or any other individual or legal entity of his choice), provided that the shares have been recorded in the accounts in the name of the shareholder or of the intermediary acting on his behalf:

- for registered shareholders, in the Company's register;
- for bearer shareholders, in the bearer share accounts held by the custodian.

These formalities must be completed by midnight (Paris time) on the second working day before the date of the Shareholders' Meeting.

Meetings are chaired by the Chairman of the Supervisory Board or, in his/her absence, by the Vice-Chairman or a member of the Supervisory Board specially delegated by the Supervisory Board for this purpose. Failing this, the meeting appoints its own Chairman.

The duties of tellers are performed by the two members of the Shareholders' Meeting who have the greatest number of votes and who accept this role.

The officers of the Shareholders' Meeting appoint the secretary who may or may not be a shareholder.

Every member of the meeting is entitled to as many votes as the number of shares he/she owns or represents.

7.3 General information about the Company's share capital

7.3.1 Structure of the Company's capital

As at December 31, 2016, the Company's share capital amounted to 13,645,323.20 euros, divided into 42,641,635 shares of the same class, fully subscribed and paid up, with a par value of 0.32 euro. This total number of outstanding shares includes 625,945 treasury shares.

The Company's share capital may be increased, reduced or amortized under the conditions provided for by law.

All the shares have been fully subscribed and paid up. The shares are in registered form until fully paid up. Shares must be fully paid up on subscription.

Shares are held in registered or bearer form at the choice of the shareholder, subject to the particular stipulations prescribed by law. Any shareholder holding 5% or more of the total number of shares and/or voting rights in the Company must request his/her shares to be registered with the Company.

The Company is authorized to apply the provisions of Article L. 228-2 I of the French Commercial Code and Article 7, paragraph 3, of the Articles of Association at any time to identify the holders of securities giving immediate or deferred voting rights at its Shareholders' Meetings.

The Company's securities and assets are not subject to any pledges.

7.3.2 Share capital authorized, but not issued

In accordance with Article L. 225-100, paragraph 7, of the French Commercial Code, the summary table below sets out the delegations currently valid as at December 31, 2016 and granted by the Shareholders' Meeting to the Board of Management for capital increases by application

of Articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code. New delegations shall be submitted to a vote by the Shareholders' Meeting to be held on May 24, 2017 and are presented in section 8.4 of this Registration Document.

Extraordinary Shareholders' Meeting of May 25, 2016	Purpose	Duration	End	Ceiling	Use as of December 31, 2016	Balance unused at December 31, 2016
24 th	Delegation of authority to increase share capital by incorporation of reserves, profits and/or premiums	26 months	July 24, 2018	Nominal amount of shares €1.4 million	No	Nominal amount of shares €1.4 million
25 th	Delegation of authority tot to issue ordinary shares and/or capital securities giving access to other capital securities or giving the right to allocation of debt securities and/or securities giving access to capital securities to be issued with maintenance of preferential subscription rights	26 months	July 24, 2018	Nominal amount of shares €7 million	No	Nominal amount of shares €7 million

Extraordinary Shareholders' Meeting of May 25, 2016	Purpose	Duration	End	Ceiling	Use as of December 31, 2016	Balance unused at December 31, 2016
26 th	Delegation of authority to issue ordinary shares and/or capital securities giving access to other capital securities or giving the right to allocation of debt securities and/or securities giving access to capital securities to be issued, with elimination of preferential subscription rights and a mandatory priority period for subscription by public offering	26 months	July 24, 2018	Nominal amount of shares €1.4 million	No	Nominal amount of shares €1.4 million
27 th	Delegation of authority to issue ordinary shares and/or capital securities giving access to other capital securities or giving the right to allocation of debt securities and/or securities giving access to capital securities to be issued, with elimination of preferential subscription rights by an offer as targeted in part II of Article L. 411-2 of the French Monetary and Financial Code	26 months	July 24, 2018	Nominal amount of shares €1.4 million (limited to 20% of the capital per year)	No	Nominal amount of shares €1.4 million
28 th	Authorization, in the event of an issue with elimination of the preferential right to subscription, to set the issue price within the conditions determined by the Shareholders' Meeting, within the limit of 10% of the capital per year	26 months	July 24, 2018	10% of the share capital per year	No	10% of the share capital per year
29 th	Authorization to increase the amount of shares in the case of excess demand	26 months	July 24, 2018	within the conditions specified by Articles L. 225-135-1 and R. 225-118 of the French Commercial Code and within a limit set by the Shareholders' Meeting, when the Board of Management notes an excess demand	No	within the conditions specified by Articles L. 225-135-1 and R. 225-118 of the French Commercial Code and within a limit set by the Shareholders' Meeting, when the Board of Management notes an excess demand
30 th	Authorization to increase capital by the issue of ordinary shares and/or securities giving access to capital, within the limit of 10% of capital to remunerate the contributions in-kind of capital securities or securities giving access to capital	26 months	July 24, 2018	10% of the capital on the day of this Shareholders' Meeting	No	10% of the capital on the day of this Shareholders' Meeting
31 st	Authorization to allocate bonus shares to the salaried employees (and some corporate officers)	38 months	July 24, 2019	1% of the share capital on the day of this Shareholders' Meeting, further specified that the total number of bonus shares allocated to the Company's corporate officers cannot exceed 0.2% of the share capital within this envelope	No	% of the share capital on the day of this Shareholders' Meeting, further specified that the total number of bonus shares allocated to the Company's corporate officers cannot exceed 0.2% of the share capital within this envelope
32 nd	Delegation of authority to increase capital by the issue of ordinary shares and/or securities giving access to capital with elimination of preferential subscription rights reserved for members of a company savings plan in application of Articles L. 3332-18 et seq. of the French Labor Code	26 months	July 24, 2018	1% of the amount of the share capital reached at the time of the decision of the Board of Management	No	1% of the amount of the share capital reached at the time of the decision of the Board of Management

7.3.3 Potential capital

As of December 31, 2016, there was:

- no share subscription options plan that may be exercised by the Company's employees;
- no plan allocating free shares to the Company's employees; and
- no marketable securities giving access to the Company's share capital.

7.4 Distribution of capital and voting rights

As at December 31, 2016, the Company's share capital was made up of 42,641,635 shares, majority-owned by the Allianz group (63% of the share capital representing 64% of the voting rights). The total number of shares having real voting rights was 42,015,690.

At the end of 2016, 35.5% of the share capital, i.e. 36% of the voting rights, was held by the public and the Company owned 1.5% of the share capital.

The table below shows changes to the Company's share capital and voting rights in the past three years:

	Year ended December 31, 2016				Year ended December 31, 2015				Year ended December 31, 2014			
	Shares/Theoretical voting rights ⁽¹⁾		Real voting rights ⁽²⁾		Shares/Theoretical voting rights ⁽¹⁾		Real voting rights ⁽²⁾		Shares/Theoretical voting rights ⁽¹⁾		Real voting rights ⁽²⁾	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Allianz Vie ⁽³⁾	0	0	0	0.0%	3,879,818	8.6%	3,879,818	8.7%	3,879,818	8.6%	3,879,818	8.8%
Allianz France ⁽⁴⁾	26,864,230	63.0%	26,864,230	64.0%	26,864,230	59.2%	26,864,230	60.8%	26,864,230	59.2%	26,864,230	61.1%
Total Allianz	26,864,230	63.0%	26,864,230	64.0%	30,744,048	67.8%	30,744,048	69.5%	30,744,048	67.8%	30,744,048	69.9%
Treasury shares	625,945	1.5%	0	0.0%	1,124,387	2.5%	0	0.0%	1,360,137	3.0%	0	0.0%
Public	15,151,460	35.5%	15,151,460	36.0%	13,473,742	29.7%	13,473,742	30.5%	13,237,992	29.2%	13,237,992	30.1%
TOTAL	42,641,635	100%	42,015,690	100%	45,342,177	100%	44,217,790	100%	45,342,177	100%	43,982,040	100%
SHARE CAPITAL (IN EUROS)	13,645,323.20				14,509,497.00				14,509,497.00			

(1) Including treasury shares.

(2) Excluding treasury shares.

(3) Allianz Vie is no longer a shareholder of the Company since it sold its entire stake in Euler Hermes Group on May 2016 (for more information, please refer to section 3.3.1 of this Registration Document).

(4) Allianz France is indirectly and ultimately wholly owned by Allianz SE (the shares of which, on December 31, 2016, were held by the public, with the exception of approximately 0.42% in treasury shares).

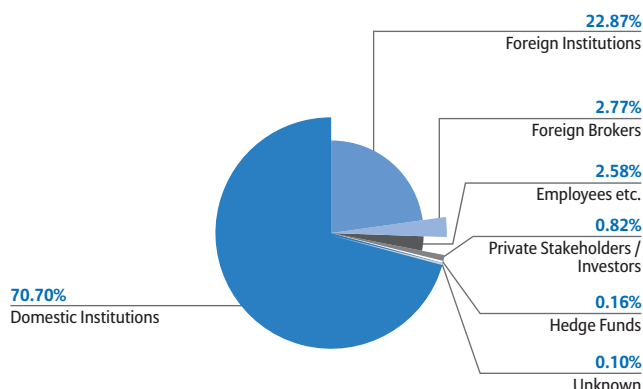
No double voting rights currently exist.

To the Company's knowledge, one shareholder (other than the Allianz group) holds 5% or more of the share capital and voting rights of the Company as at the time of publication of this Registration Document:

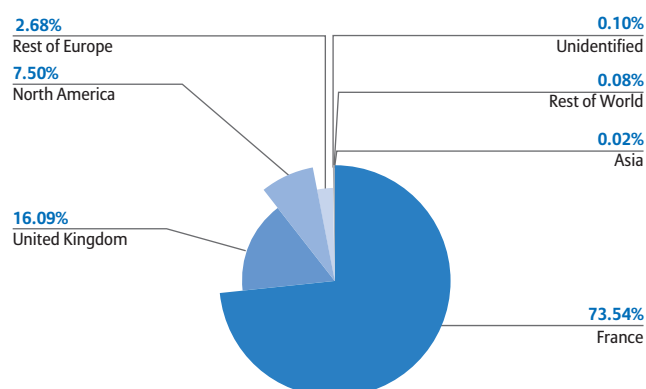
- Silchester International Investors LLP, acting on behalf of funds under its management, which holds 8% of the share capital and voting rights.

Based on the TPI analysis completed in April 2016, the Company's capital was distributed as follows in April 2016:

■ **DISTRIBUTION OF SHARES OUTSTANDING BY TYPE OF SHAREHOLDER**



■ **GEOGRAPHIC DISTRIBUTION OF OUTSTANDING SHARES**



7.4.1 Direct or indirect investments in the Company

Stake held by Allianz France

As of December 31, 2016, Allianz France owned a total of 63% of the share capital and 64% of the voting rights in the Company.

In line with the AFEP-MEDEF recommendations on corporate governance, to which Euler Hermes Group adheres, the existence of independent members on the Company's Supervisory Board is a voluntary decision by the majority shareholder to prevent any risk of abuse of position. The dual structure of the corporate bodies makes it possible to separate the management functions performed by members of the Board of Management from the control functions performed by members of the Supervisory Board.

Allianz is also one of the Group's reinsurance companies. The Company grants its shareholder the same treatment as the many other reinsurance companies with which Group companies are reinsured in the normal course of their business, both regarding the selection of reinsurers and in the negotiation of the terms of their contracts. Allianz's proportion of the Group's reinsurance therefore corresponds to its role in this market, and the reinsurance contracts cover ongoing operations and are signed under normal market conditions.

Crossing of ownership thresholds

The Company received the following threshold declarations for fiscal year 2016 and on the date of this Registration Document:

- in a letter dated January 6, 2016, OppenheimerFunds, Inc. declared that it passed the statutory threshold of 1% of the capital and votes of the Company and held, a total of 475,140 shares, which is 1.05% of the capital and voting rights of Euler Hermes Group on 23 December 2015; Then in a letter dated October 31, 2016, OppenheimerFunds,

Inc. declared that it had fallen below the 1% statutory threshold of capital and voting rights and held 414,325 shares, representing 0.97% of the capital and voting rights of the Company on October 27, 2016;

- in a letter dated February 22, 2016, Franklin Resources, Inc. acting on its own behalf and on behalf of its affiliates, declared that it held 1,351,826 shares, representing 2.9814% of the Company's share capital and voting rights as of that date; In a letter dated May 24, 2016, Franklin Resources, Inc declared that it increased its holding to 1,403,290 shares, representing 3.0949% of the Company's share capital and voting rights as of that date; Then in a letter dated July 6, 2016, it declared that it decreased its holding to 1,260,954 shares, representing 2.9571% of the Company's share capital and voting rights as of that date;
- in a letter dated May 19, 2016, the five fundamental management companies of the Amundi group, namely Amundi Asset Management, Société Générale Gestion, Etoile Gestion, CPR Asset Management and BFT Investment Managers, declared that they had combined their voting rights policy and jointly declared that it fell below the statutory threshold of 1% of the capital and votes in the Company, and held 443,056 shares of the Company, representing 0.97% of the capital and voting rights of Euler Hermes Group, as of that date; In a letter dated May 30, 2016, they declared that it passed the statutory threshold of 1% of the capital and votes of the Company and held 450,487 shares, representing 1.05% of the share capital and voting rights of Euler Hermes Group, as of that date; In a letter dated June 22, 2016, they declared that they had fallen below the 1% statutory threshold of the Company's share capital and voting rights and that they held 400,042 shares, representing 0.93% of the share capital and voting rights of Euler Hermes Group, as of that date;

- in a letter dated May 20, 2016, Silchester International Investors LLP declared that it had crossed the 5% legal threshold of the Company's voting rights and that it held 3,184,771 shares, representing 7.02% of the share capital and voting rights in Euler Hermes Group as of that date; In a letter dated August 18, 2016, Silchester International Investors LLP declared that it increased its holding to 3,413,059 shares, representing 8% of the share capital and voting rights in Euler Hermes Group as of that date;
- in a letter dated May 20, 2016, Norges Bank declared that passed the threshold of 1% of the capital and votes of the Company and held 523,079 shares, representing 1.15% of the share capital and voting rights in the Company on May 19, 2016;
- Allianz SE, acting on its own behalf and on behalf of its subsidiary, Allianz Vie, in a letter received on May 23, 2016, declared that:
 - Allianz Vie had directly crossed downwards the statutory thresholds of 8%, 7%, 6%, 5%, 4%, 3%, 2% and 1% threshold and the 5% legal threshold of the share capital and voting rights of the Company and no longer held shares of Euler Hermes Group as of that date,
 - Allianz SE had indirectly crossed downwards the statutory thresholds of 67%, 66%, 65%, 64%, 63%, 62%, 61% and 60% and the legal threshold of 2/3 of the share capital and voting rights of the Company, then holding 26,865,316 shares, representing 59.25% of the share capital and voting rights of Euler Hermes Group as of that date, and
 - following the Company's cancellation of its own shares, Allianz SE declared it would hold, via its controlled companies, 26,865,316 shares, representing 62.99% of the share capital and voting rights of Euler Hermes Group, i.e. Allianz SE and Allianz France, would respectively indirectly and directly cross the statutory thresholds of 60%, 61% and 62% of the share capital and voting rights of the Company;

- in a letter date June 28, 2016, Massachusetts Financial Services Company declared that it held, with its subsidiaries, a total of 1,370,116 shares, which is 3.06% of the share capital and voting rights in Euler Hermes Group as of that date; then in a letter date November 7, 2016, Massachusetts Financial Services Company declared that it held, with its subsidiaries, a total of 1,328,511 shares, which is 2.98% of the share capital and voting rights in Euler Hermes Group as of that date;
- in a letter dated September 7, 2016, Kiltearn Partners declared that it increased its holding to 1,283,287 shares, representing 3.01% of the voting rights in Euler Hermes Group.

The thresholds declared to the Company in 2015 appear on pages 244 and 245 of the 2015 Registration Document, and those declared in 2014 can be found on page 239 and page 240 of the 2014 Registration Document.

Treasury shares

As at December 31, 2016, treasury shares represented 1.5% of the capital of the Company or 625,945 shares. The total nominal value equals €200,302.4.

Since 2007, the Company has retained Rothschild & Cie Banque to implement a liquidity contract complying with Amafi's ethics charter.

Under this contract, in 2016 the Company purchased 561,291 treasury shares and sold 554,035 of its treasury shares. At December 31, 2016, 7,256 shares of Euler Hermes Group were held under the liquidity contract.

The only purchases and sales carried out during the financial year were made through the liquidity contract. The table below shows the change in the transaction price for treasury shares.

Commissions on security transactions paid to Rothschild & Cie Banque under the liquidity contract amounted to 110,000 euros for 2016.

Month	Weighted average purchase price (in euros)	Average sale price (in euros)	Number of shares purchased	Number of shares sold
January 2016	79.8134	80.6112	45,881	34,381
February 2016	75.8795	77.2603	59,887	61,387
March 2016	77.7878	77.4629	25,823	34,823
April 2016	81.0149	80.7758	40,974	35,974
May 2016	80.9862	81.5694	39,508	43,558
June 2016	75.3010	75.5537	44,956	46,906
July 2016	73.3876	73.4977	60,050	59,950
August 2016	73.7101	73.8446	65,276	65,126
September 2016	76.1148	76.2104	70,052	48,552
October 2016	77.1241	76.7354	19,376	41,126
November 2016	78.9714	78.7921	64,318	33,818
December 2016	83.0472	80.7911	25,190	48,434
TOTAL 2016	77.2063	77.3661	561,291	554,035

Between the opening date and the closing date of the last financial year, the Company realized the following purchases and sales of its own shares as part of its share buyback program:

- total amount of trading costs: 0 euro (there are no trading costs invoiced to the Company in relation to trading as part of the liquidity contract);
- number of shares registered at the end of the financial year: 7,256 shares;
- estimated value at acquisition cost (at average weighted cost for purchases): 83.62 euros; and
- par value: 606,882.41 euros.

Treasury shares have not been reallocated for other purposes since the last authorization granted by the Shareholders' Meeting.

Employee shareholding

As at December 31, 2016, the Group's employees held 49,672 shares, i.e. 0.12% of the share capital, through a Company savings plan.

7.4.2 Agreements between shareholders that may entail restrictions on the transfer of shares and the exercise of voting rights

To the Company's knowledge, no shareholder agreements are currently in existence. However, there are a number of regulated agreements and commitments in place; for details see sub-section 8.3 of this Registration Document.

There are no provisions in the Euler Hermes Group's Articles of Association, nor in any of its charters or regulations, that may delay, defer or prevent a change of control.

7.4.3 Agreements that may lead to a change in the control of the Company

To the Company's knowledge, at the time of publication of this Registration Document, there exists no agreement whose application could, at some date in the future, lead to a change in the control of the Company.

7.5 Factors likely to have an impact on a public tender offer

In accordance with Article L. 225-100-3 of the French Commercial Code, the following factors are likely to have an impact on a public tender offer:

- the structure of the share capital as well as the Company's known direct or indirect investments and any information on this subject are described in section 7.4 of this Registration Document;
- no statutory restriction exists regarding the exercise of voting rights, with the exception of the suspension of voting rights concerning shares exceeding the part that should have been declared. This may be requested by one or more shareholders holding at least 2% of the share capital or voting rights for failure to declare crossing the statutory threshold according to Article 8 of the Articles of Association;
- to the Company's knowledge, there are no agreements or other undertakings signed by shareholders (*see section 7.4.2 above*);
- no securities with special control rights are currently in existence;
- the voting rights attached to Euler Hermes Group shares held by employees through the Company mutual fund (FAC EH) are exercised by one or more representatives appointed by the fund's Supervisory Board to represent it at the Shareholders' Meeting;
- the regulations regarding the appointment and dismissal of Board of Management members are the legal and statutory rules described in section 7.2.2 of this Registration Document;
- regarding Board of Management powers, the authorizations currently in place are described in the table of authorizations to increase share capital shown in section 7.3.2 of this Registration Document;
- amendments to the Company's Articles of Association are made in accordance with legal and regulatory provisions;
- no agreement concluded by the Company is currently in existence that would be modified or terminated in the event of a change of the Company's control;
- compensation likely to be payable in the event of termination of the functions of members of the Board of Management is described on page 61 of this Registration Document;
- the existence of one or more shareholders who hold more than 5% of the capital of the Company could impact the completion of a public tender offer.

7.6 Equity interests of the Company outside the Group

The Company did not make any investments in or take control of any French companies outside of the Group during the year 2016.

SHAREHOLDERS' MEETING

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8.1 Board of Management's report on the resolutions to be submitted for approval to the Combined Ordinary and Extraordinary Shareholders' Meeting of May 24, 2017

To the Shareholders:

We have convened this Shareholders' Meeting, in accordance with the law and provisions of our Articles of Association, in order to request that you approve the financial statements for the year ended Saturday, December 31, 2016.

Notice of this meeting has been given in accordance with the regulations.

All documents required in accordance with the applicable regulations have been sent to you or have been made available on the Company's website (www.eulerhermes.com) within the allocated timeframe.

1. Approval of the parent company and consolidated financial statements for the year ended December 31, 2016 – Approval of non-tax deductible expenses and charges (first and second resolutions)

You are asked to approve the parent company financial statements for the year ended December 31, 2016, which show a profit of 777,887,289.41 euros and the consolidated financial statements for the year ended December 31, 2016 showing a profit (Group share) of 286.952 million euros.

You are also asked to approve the total amount of the expenses and charges referred to in Article 39, paragraph 4 of the French General Tax Code, i.e. the sum of 14,005.23 euros and the associated tax.

You are reminded that the financial statements are set out in detail in the 2016 Registration Document, which includes the management report and the reports of the Statutory Auditors, and the main items are included in the notice convening the Shareholders' Meeting of Wednesday, May 24, 2017.

In accordance with Article 243 bis of the French General Tax Code, we remind you that, for the last three fiscal years, the following dividends were distributed as follows:

In respect of financial year	Income eligible for the allowance		Income not eligible for the allowance
	Dividends	Other distributed income	
2013	€190,437,143.40 ⁽¹⁾ i.e. €4.20 per share	-	-
2014	€199,505,578.80 ⁽¹⁾ i.e. €4.40 per share	-	-
2015	€199,562,851.80 ⁽¹⁾ i.e. €4.68 per share	-	-

(1) Including the dividend amount not paid out in respect of treasury shares and allocated to the retained earnings account.

2. Allocation of earnings for the year and declaration of the dividend (third resolution)

The appropriation of the earnings of our company which we are proposing complies with the law and our Articles of Association.

We are asking you to approve the following appropriation of earnings for the year 2016:

Source

■ Profit for the year	€777,887,289.41
■ Retained earnings	€291,470,218.76

Appropriation

■ Legal reserve	€0
■ Other reserves	€0
■ Dividends	€199,562,851.80
■ Retained earnings	€869,794,656.37

The gross dividend per share would therefore be €4.68 euros. The amount distributed would be eligible for the 40% tax abatement applicable to individuals who are fiscally domiciled in France, as provided for in Article 158-3, paragraph 2, of the French General Tax Code.

The ex-dividend date will be Friday, May 26, 2017. The dividend would be paid Tuesday, May 30, 2017.

In the event that the number of shares conferring entitlement to a dividend differs from the 42, 641, 635 shares comprising the share capital as of February 9, 2017, the total amount of the dividends would be adjusted accordingly and the amount allocated to the retained earnings account would be calculated on the basis of the dividends actually paid out.

Board of Management's report on the resolutions to be submitted for approval to the Combined Ordinary and Extraordinary Shareholders' Meeting of May 24, 2017

3. Adjustment of the reserve for treasury shares (fourth resolution)

The Board of Management is proposing that the Shareholders' Meeting adjust the reserve for treasury shares by a reserve of €26,163,285.87 to take into account on the one hand the share purchases and sales under the liquidity agreement managed by Rothschild & Cie Banque during the prior financial year and on the other hand the transactions related to the exercise of stock options and cancellations of own shares.

The reserve for treasury shares, which amounted to 59,521,489.26 euros on December 31, 2016 would therefore be adjusted to 33,358,203.39 euros.

4. Approval of a new regulated agreement (fifth resolution)

We remind you that only the new agreements entered into during the last financial year are subject to the present Shareholders' Meeting.

Also, we ask you to approve the agreement referred to in Article L. 225-86 of the French Commercial Code regularly authorized by the Supervisory Board, which is as follows:

- Repurchase by the Company of its own shares under the share placement completed by Allianz Vie of its 8.56% stake in Euler Hermes Group.

This agreement is detailed in the special report of the Statutory Auditors on regulated agreements and commitments appearing under section 8.3 of the 2016 Registration Document.

5. Re-appointments to office of principal Statutory Auditors (sixth and seventh resolutions)

The terms of office of principal Statutory Auditors are proposed by the Supervisory Board on the advice of the Audit Committee.

6. Non-reappointment and non-replacement of deputy auditors (eighth and ninth resolutions)

Article L. 823-1 of the French Commercial Code, subparagraph 2, in its new version by virtue of Law no. 2016-1691 of December 9, 2016, the so-called Sapin II Law, henceforth exempts commercial companies from appointing a Deputy Statutory Auditor when the principal Statutory Auditor is neither an individual nor a sole proprietorship.

Thus, subject to adoption of the eighteenth resolution, as a special measure aimed at harmonizing Article 19 of the Articles of Articles relating to Statutory Auditors with the new provisions of

Law no. 2016-1691 of December 9, 2016, the so-called Sapin II Law, it is proposed that there be no reappointment and replacement in the offices of Deputy Statutory Auditors.

7. Approval of the principles and criteria for the determination, distribution and allocation of the compensation of the Chairman of the Board of Management and the members of the Board of Management for 2017 (tenth resolution)

In application of Article L. 225-82-2 of the French Commercial Code, the Supervisory Board submits for the approval of the Shareholders' Meeting the principles and criteria for determination, distribution, and allocation of fixed, variable, and exceptional elements comprising the total compensation and benefits of any nature due to the Chairman of the Board of Management and to the members of the Board of Management by virtue of their holding office for financial year 2017, constituting the policy for their compensation.

The principles and criteria adopted by the Supervisory Board on the recommendation of the Nomination and Remuneration Committee, are presented in the report provided for in the article mentioned above, appearing at pages 59 onwards of the 2016 Registration Document. Pursuant to Article L. 225-100 of the French Commercial Code, the amounts resulting from implementation of these principles and criteria will be subject to the approval of the shareholders at the Shareholders' Meeting resolving on the financial statements for financial year 2017.

8. Approval of the principles and criteria for the determination, distribution, and allocation of the compensation of the Chairman of the Supervisory Board and the members of the Supervisory Board for 2017 (eleventh resolution)

In application of Article L. 225-82-2 of the French Commercial Code, the Supervisory Board submits for the approval of the Shareholders' Meeting the principles and criteria for determination, distribution, and allocation of fixed, variable, and exceptional elements comprising the total compensation and benefits of any nature due to the Chairman of the Supervisory Board and to the members of the Supervisory Board by virtue of their holding office for financial year 2017, constituting the policy for their compensation.

Shareholders' Meeting

Board of Management's report on the resolutions to be submitted for approval to the Combined Ordinary and Extraordinary Shareholders' Meeting of May 24, 2017

The principles and criteria adopted by the Supervisory Board on the recommendation of the Nomination and Remuneration Committee, are presented in the report provided for in the article mentioned above, appearing at page 74 of the 2016 Registration Document. Pursuant to

Article L. 225-100 of the French Commercial Code, the amounts resulting from implementation of these principles and criteria will be subject to the approval of the shareholders at the Shareholders' Meeting resolving on the financial statements for financial year 2017.

9. Mandatory vote by the shareholders on the elements of compensation due or allocated for the financial year ended December 31, 2016 to the Chairman of the Board of Management and to the other members of the Board of Management and to the Chairman of the Supervisory Board (twelfth to fourteenth resolutions)

Pursuant to the recommendations of Article 26 of the AFEP-MEDEF Corporate Governance Code, as revised in November 2016, to which the Company refers, the elements of compensation due or allocated for the financial year ended December 31, 2016 to the following members of the Board of Management are submitted to the vote of the shareholders.

In addition, please find below a summary table on the targets achievement rate of the Board of Management for 2016, including the individual rate achieved by Wilfried Verstraete (twelfth resolution) and the average collective rate of the other five members of the Board of Management as at December 31, 2016 (thirteenth resolution).

■ TARGETS ACHIEVEMENT RATE OF BOARD OF MANAGEMENT FOR 2016

Targets ⁽¹⁾ achievement rate for 2016	W. Verstraete	F. Bizière	C. Kopff	P. Overeem	M. Pignotti	L. Sénécaut
50% of financial targets	107 %					
25% of individual quantitative targets	Fully meets	Fully meets	Exceeds	Fully meets	Fully meets	Fully meets
25% of individual qualitative targets	Exceeds	Fully meets	Fully meets	Fully meets	Fully meets	Fully meets
TOTAL	109%	109%				

(1) Please refer to section 2.3.1.1 of the 2016 Registration Document for further information on the targets, and in particular on the corresponding pre-defined scale (for exceeds, exceeds, fully meets, partially meets and does not meet).

Board of Management's report on the resolutions to be submitted for approval to the Combined Ordinary and Extraordinary Shareholders' Meeting of May 24, 2017

■ WILFRIED VERSTRAETE, CHAIRMAN OF THE BOARD OF MANAGEMENT

	Amounts or accounting valuation put to the vote	Presentation
Elements of compensation due or allocated for the financial year ended December 31, 2016		
Fixed compensation	€577,750 (amount paid)	Fixed compensation for 2015 was €577,750, and remains therefore unchanged.
Annual variable compensation	€478,214 (amount paid)	Annual variable compensation represents 25.17% of total compensation. — 50% of the variable amount is calculated on the basis of financial targets, which are assessed using the three criteria below: Group turnover, Group operating profit and Group net income. — 50% of the variable amount is calculated on individual quantitative targets (25%): true customer centricity, growth engines and technical excellence, and individual qualitative targets (25%) i.e., Entrepreneurship, Customer & Market Excellence, Collaborative Leadership and Trust. Annual variable compensation for 2016 was paid in March 2017.
Deferred variable compensation	Mid-term bonus: €478,214 (amount due)	A mid-term bonus (MTB), established to build loyalty among executives and assess performance over several years. As such, in addition to the target-based performance assessment set for variable compensation described above, an additional assessment on a three-year basis will be carried out using the following criteria: — performance indicators: Sustainable improvement / stabilization of Return of Equity (excl. URGL on bonds), Average operating profit growth, Compliance with economic capitalization guidance; — health indicators: True customer centricity, Digital by default, Technical excellence, Growth engines, Inclusive meritocracy. The MTB (2016-2018) will be paid in March 2019.
	Long-term incentive: €478,214 (amount due)	The amount used to calculate the number of Restricted Stock Units (RSUs) to be allocated is subject to the same assessment criteria as the annual variable compensation (50% financial targets, 50% personal targets). 50% of the RSUs allocated are linked to the average Allianz share price and the remaining 50% are linked to the average Euler Hermes Group share price. Both of these prices are established during the 10 trading days following the publication of the financial results of Allianz and Euler Hermes Group, with a vesting period of four years as of the allocation date. Payment for RSUs allocated for 2016, granted in 2017, will take place in 2021.
Percentage of target variable compensation of total compensation	70% (i.e., 228% of the fixed salary) ⁽¹⁾	
Multi-year variable compensation	N/A	No allocation.
Extraordinary compensation	N/A	No allocation.
Share options, performance shares, or any other elements of long-term compensation	Options: N/A Shares: N/A Other elements: N/A	No allocation.
Attendance fees	N/A	Members of the Board of Management do not receive attendance fees as executive corporate officers.
Valuation of any benefits in kind	€40,921 (amount paid)	Company car, unemployment insurance for Executive managers (GSC), AWC (Allianz Worldwide Care medical insurance) and Allianz pension plan.
Elements of compensation due or allocated for the financial year ended December 31, 2016 which are or have been put to the vote of the Shareholders' Meeting in the context of the regulated agreements and commitments procedure		
Severance compensation	€0	The Supervisory Board decided at its meeting of February 17, 2016 to establish severance compensation for Wilfried Verstraete, Chairman of the Board of Management, under the following terms: The severance compensation would be granted notably in case of revocation due to a change of control or strategy. The payment of this compensation is subject to the achievement of the following performance criteria: — 75% of annual targets as assessed over at least two of the last three years prior to termination. For officers who have been in office for less than three years, the calculation of the 75% target is based on the last year or the last two years if applicable; — an average combined ratio of 95% or less for the three years preceding the termination. If both of these conditions are met, the severance compensation is due in full. If only one of the above conditions is met, 50% of the indemnity is due. The amount of any severance compensation is two years' compensation (fixed and variable) gross due for the last year ended prior to the date of termination of the corporate office. This compensation was approved by the Shareholders' Meeting of May 25, 2016 (sixth resolution).
Non-compete compensation	N/A	No non-compete clause.
Supplementary pension plan	€0	No defined-benefit pension plan. Contribution paid by the Company under the supplementary pension plan of the Allianz group: €169,681.

(1) Target remuneration in regard to mandate as of April 1st, 2016.

Shareholders' Meeting

Board of Management's report on the resolutions to be submitted for approval to the Combined Ordinary and Extraordinary Shareholders' Meeting of May 24, 2017

■ FRÉDÉRIC BIZIÈRE, MEMBER OF THE BOARD OF MANAGEMENT

	Amounts or accounting valuation put to the vote	Presentation
Elements of compensation due or allocated for the financial year ended December 31, 2016		
Fixed compensation	€298,500 (amount paid)	Fixed compensation for 2015 was €294,000 and remains therefore unchanged.
Annual variable compensation	€211,605 (amount paid)	Annual variable compensation represents 23.51% of total compensation. — 50% of the variable amount is calculated on the basis of financial targets, which are assessed using the three criteria below: Group turnover, Group operating profit and Group net income. — 50% of the variable amount is calculated on individual quantitative targets (25%): Smartcircle, improvement of claims and collections efficiency, steering of risk underwriting and individual qualitative targets (25%) i.e., Entrepreneurship, Customer & Market Excellence, Collaborative Leadership and Trust. Annual variable compensation for 2016 was paid in March 2017.
Deferred variable compensation	Mid-term bonus: €211,605 (amount due)	A mid-term bonus (MTB), established to build loyalty among executives and assess performance over several years. As such, in addition to the target-based performance assessment set for variable compensation described above, an additional assessment on a three-year basis will be carried out using the following criteria: — performance indicators: Sustainable improvement / stabilization of Return of Equity (excl. URGL on bonds), Average operating profit growth, Compliance with economic capitalization guidance; — health indicators: True customer centricity, Digital by default, Technical excellence, Growth engines, Inclusive meritocracy. The MTB (2016-2018) will be paid in March 2019.
	Long-term incentive: €211,605 (amount due)	The amount used to calculate the number of Restricted Stock Units (RSUs) to be allocated is subject to the same assessment criteria as the annual variable compensation (50% financial targets, 50% personal targets). 50% of the RSUs allocated are linked to the average Allianz share price and the remaining 50% are linked to the average Euler Hermes Group share price. Both of these prices are established during the 10 trading days following the publication of the financial results of Allianz and Euler Hermes Group, with a vesting period of four years as of the allocation date. Payment for RSUs allocated for 2016, granted in 2017, will take place in 2021.
Percentage of target variable compensation of total compensation	67% (i.e., 200% of the fixed salary) ⁽¹⁾	
Multi-year variable compensation	N/A	No allocation.
Extraordinary compensation	N/A	No allocation.
Share options, performance shares, or any other elements of long-term compensation	Options: N/A Shares: N/A Other elements: N/A	No allocation.
Attendance fees	N/A	Members of the Board of Management do not receive attendance fees as executive corporate officers.
Valuation of any benefits in kind	€21,550 (amount paid)	Company car and unemployment insurance for Executive managers (GSC).
Elements of compensation due or allocated for the financial year ended December 31, 2016 which are or have been put to the vote of the Shareholders' Meeting in the context of the regulated agreements and commitments procedure		
Severance compensation	€0	The Supervisory Board decided at its meeting of February 17, 2016 to establish severance compensation for Frédéric Bizière, member of the Board of Management under the following terms: The severance compensation would be granted notably in case of revocation due to a change of control or strategy. The payment of this compensation is subject to the achievement of the following performance criteria: — 75% of annual targets as assessed over at least two of the last three years prior to termination. For officers who have been in office for less than three years, the calculation of the 75% target is based on the last year or the last two years if applicable; — an average combined ratio of 95% or less for the three years preceding the termination. If both of these conditions are met, the severance compensation is due in full. If only one of the above conditions is met, 50% of the indemnity is due. The amount of any severance compensation is two years' compensation (fixed and variable) gross due for the last year ended prior to the date of termination of the corporate office. This compensation was approved by the Shareholders' Meeting of May 25, 2016 (seventh resolution).
Non-compete compensation	N/A	No non-competition clause.
Supplementary pension plan	€0	No defined benefit pension plan. Contribution paid by the Company under the supplementary pension plan managed by AG2R: €18,535.

(1) Target remuneration in regard to mandate as of April 1st, 2016.

Board of Management's report on the resolutions to be submitted for approval to the Combined Ordinary and Extraordinary Shareholders' Meeting of May 24, 2017

■ CLARISSE KOPFF, MEMBER OF THE BOARD OF MANAGEMENT

	Amounts or accounting valuation put to the vote	Presentation
Elements of compensation due or allocated for the financial year ended December 31, 2016		
Fixed compensation	€298,500 (amount paid)	Fixed compensation for 2015 was €250,000.
Annual variable compensation	€240,860 (amount paid)	Annual variable compensation represents 26.76% of total compensation. – 50% of the variable amount is calculated on the basis of financial targets, which are assessed using the three criteria below: Group turnover, Group operating profit and Group net income. – 50% of the variable amount is calculated on individual quantitative targets (25%): support business performance, cost management and capital management and individual qualitative targets (25%) i.e., Entrepreneurship, Customer & Market Excellence, Collaborative Leadership and Trust. Annual variable compensation for 2016 was paid in March 2017.
Deferred variable compensation	Mid-term bonus: €240,860 (amount due)	A mid-term bonus (MTB), established to build loyalty among executives and assess performance over several years. As such, in addition to the target-based performance assessment set for variable compensation described above, an additional assessment on a three-year basis will be carried out using the following criteria: – performance indicators: Sustainable improvement / stabilization of Return of Equity (excl. URGL on bonds), Average operating profit growth, Compliance with economic capitalization guidance; – health indicators: True customer centricity, Digital by default, Technical excellence, Growth engines, Inclusive meritocracy. The MTB (2016-2018) will be paid in March 2019.
	Long-term incentive: €240,860 (amount due)	The amount used to calculate the number of Restricted Stock Units (RSUs) to be allocated is subject to the same assessment criteria as the annual variable compensation (50% financial targets, 50% personal targets). 50% of the RSUs allocated are linked to the average Allianz share price and the remaining 50% are linked to the average Euler Hermes Group share price. Both of these prices are established during the 10 trading days following the publication of the financial results of Allianz and Euler Hermes Group, with a vesting period of four years as of the allocation date. Payment for RSUs allocated for 2016, granted in 2017, will take place in 2021.
Percentage of target variable compensation of total compensation	67% (i.e. 200% of the fixed salary) ⁽¹⁾	
Multi-year variable compensation	N/A	No allocation.
Extraordinary compensation	N/A	No extraordinary compensation.
Share options, performance shares, or any other elements of long-term compensation	Options: N/A Shares: N/A Other elements: N/A	No allocation.
Attendance fees	N/A	Members of the Board of Management do not receive attendance fees as executive corporate officers.
Valuation of any benefits in kind	€11,020 (amount paid)	Company car and unemployment insurance for Executive managers (GSC).
Elements of compensation due or allocated for the financial year ended December 31, 2016 which are or have been put to the vote of the Shareholders' Meeting in the context of the regulated agreements and commitments procedure		
Severance compensation	€0	The Supervisory Board decided at its meeting of February 17, 2016 to establish severance compensation for Clarisse Kopff, member of the Board of Management, under the following terms: The severance compensation would be granted notably in case of revocation due to a change of control or strategy. The payment of this compensation is subject to the achievement of the following performance criteria: – 75% of annual targets as assessed over at least two of the last three years prior to termination. For officers who have been in office for less than three years, the calculation of the 75% target is based on the last year or the last two years if applicable; – an average combined ratio of 95% or less for the three years preceding the termination. If both of these conditions are met, the severance compensation is due in full. If only one of the above conditions is met, 50% of the indemnity is due. The amount of any severance compensation is two years' compensation (fixed and variable) gross due for the last year ended prior to the date of termination of the corporate office. This compensation was approved by the Shareholders' Meeting of May 25, 2016 (eighth resolution).
Non-compete compensation	N/A	No non-compete clause.
Supplementary pension plan	€0	No defined-benefit pension plan. Contribution paid by the Company under the supplementary pension plan managed by AG2R: €18,535.

(1) Target remuneration in regard to mandate as of April 1st, 2016.

Shareholders' Meeting

Board of Management's report on the resolutions to be submitted for approval to the Combined Ordinary and Extraordinary Shareholders' Meeting of May 24, 2017

■ PAUL OVEREEM, MEMBER OF THE BOARD OF MANAGEMENT

	Amounts or accounting valuation put to the vote	Presentation
Elements of compensation due or allocated for the financial year ended December 31, 2016		
Fixed compensation	€298,500 (amount paid)	Fixed compensation for 2015 was €294,000 and remains therefore unchanged.
Annual variable compensation	€201,854 (amount paid)	<p>Annual variable compensation represents 22.4% of total compensation.</p> <ul style="list-style-type: none"> – 50% of the variable amount is calculated on the basis of financial targets, which are assessed using the three criteria below: Group turnover, Group operating profit and Group net income. – 50% of the variable amount is calculated on individual quantitative targets (25%): Accelerate, development of regions (Americas, APAC and World Agency), product, distribution market management and commercial portfolio distribution strategy and business development, and individual qualitative targets (25%) i.e., Entrepreneurship, Customer & Market Excellence, Collaborative Leadership and Trust. <p>Annual variable compensation for 2016 was paid in March 2017.</p>
Deferred variable compensation	Mid-term bonus: €201,854 (amount due)	<p>A mid-term bonus (MTB), established to build loyalty among executives and assess performance over several years. As such, in addition to the target-based performance assessment set for variable compensation described above, an additional assessment on a three-year basis will be carried out using the following criteria:</p> <ul style="list-style-type: none"> – performance indicators: Sustainable improvement / stabilization of Return of Equity (excl. URGL on bonds), Average operating profit growth, Compliance with economic capitalization guidance; – health indicators: True customer centricity, Digital by default, Technical excellence, Growth engines, Inclusive meritocracy. <p>The MTB (2016-2018) will be paid in March 2019.</p>
	Long-term incentive: €201,854 (amount due)	<p>The amount used to calculate the number of Restricted Stock Units (RSUs) to be allocated is subject to the same assessment criteria as the annual variable compensation (50% financial targets, 50% personal targets). 50% of the RSUs allocated are linked to the average Allianz share price and the remaining 50% are linked to the average Euler Hermes Group share price. Both of these prices are established during the 10 trading days following the publication of the financial results of Allianz and Euler Hermes Group, with a vesting period of four years as of the allocation date.</p> <p>Payment for RSUs allocated for 2016, granted in 2017, will take place in 2021.</p>
Percentage of target variable compensation of total compensation	67% (i.e. 200% of the fixed salary) ⁽¹⁾	
Multi-year variable compensation	N/A	No allocation.
Extraordinary compensation	N/A	No extraordinary compensation.
Share options, performance shares, or any other elements of long-term compensation	Options: N/A Shares: N/A Other elements: N/A	No allocation.
Attendance fees	N/A	Members of the Board of Management do not receive attendance fees as executive corporate officers.
Valuation of any benefits in kind	€138,263 (amount paid)	Housing, pension of choice, unemployment insurance for Executive managers (GSC) and AWC (Allianz Worldwide Care medical insurance).
Elements of compensation due or allocated for the financial year ended December 31, 2016 which are or have been put to the vote of the Shareholders' Meeting in the context of the regulated agreements and commitments procedure		
Severance compensation	€0	<p>The Supervisory Board decided at its meeting of December 4, 2016 to establish severance compensation for Paul Overeem, member of the Board of Management under the following terms:</p> <p>The severance compensation would be granted notably in case of revocation due to a change of control or strategy. The payment of this compensation is subject to the achievement of the following performance criteria:</p> <ul style="list-style-type: none"> – 75% of annual targets as assessed over at least two of the last three years prior to termination. For officers who have been in office for less than three years, the calculation of the 75% target is based on the last year or the last two years if applicable; – an average combined ratio of 95% or less for the three years preceding the termination. <p>If both of these conditions are met, the severance compensation is due in full. If only one of the above conditions is met, 50% of the indemnity is due.</p> <p>The amount of any severance compensation is two years' compensation (fixed and variable) gross due for the last year ended prior to the date of termination of the corporate office.</p> <p>This compensation was approved by the Shareholders' Meeting of May 24, 2016 (ninth resolution).</p>
Non-compete compensation	N/A	No non-compete clause.
Supplementary pension plan	€0	<p>No defined-benefit pension plan.</p> <p>Contribution paid by the Company to the supplementary pension plan managed by AG2R, as well as allocation to the deferred pension plan in the United States: €47,935.</p>

(1) Target remuneration in regard to mandate as of April 1, 2016.

Board of Management's report on the resolutions to be submitted for approval to the Combined Ordinary and Extraordinary Shareholders' Meeting of May 24, 2017

■ **MICHELE PIGNOTTI, MEMBER OF THE BOARD OF MANAGEMENT SINCE APRIL 1, 2016**

	Amounts or accounting valuation put to the vote	Presentation
Elements of compensation* due or allocated for the financial year ended December 31, 2016		
Fixed compensation	€195,000 (amount paid)	Michele Pignotti has been a member of the Board of Management since April 1, 2016.
Annual variable compensation	€116,650 (amount paid)	Annual variable compensation represents 16.34% of total compensation <ul style="list-style-type: none"> – 50% of the variable amount is calculated on the basis of financial targets, which are assessed using the three criteria below: Group turnover, Group operating profit and Group net income. – 50% of the variable amount is calculated on individual quantitative targets (25%): market management strategy, steering of northern and MMEA regions, design and implement CX project, build new Group Market Management Function, and individual qualitative targets (25%) i.e., Entrepreneurship, Customer & Market Excellence, Collaborative Leadership and Trust. Annual variable compensation for 2016 was paid in March 2017.
Deferred variable compensation*	Mid-term bonus: €116,650 (amount due)	A mid-term bonus (MTB), established to build loyalty among executives and assess performance over several years. As such, in addition to the target-based performance assessment set for variable compensation described above, an additional assessment on a three-year basis will be carried out using the following criteria: <ul style="list-style-type: none"> – performance indicators: Sustainable improvement / stabilization of Return of Equity (excl. URGL on bonds), Average operating profit growth, Compliance with economic capitalization guidance; – health indicators: True customer centricity, Digital by default, Technical excellence, Growth engines, Inclusive meritocracy. The MTB (2016-2018) will be paid in March 2019.
	Long-term incentive: €116,650 (amount due)	The amount used to calculate the number of Restricted Stock Units (RSUs) to be allocated is subject to the same assessment criteria as the annual variable compensation (50% financial targets, 50% personal targets). 50% of the RSUs allocated are linked to the average Allianz share price and the remaining 50% are linked to the average Euler Hermes Group share price. Both of these prices are established during the 10 trading days following the publication of the financial results of Allianz and Euler Hermes Group, with a vesting period of four years as of the allocation date. Payment for RSUs allocated for 2016, granted in 2017, will take place in 2021.
Percentage of target variable compensation of total compensation	63%, (i.e. 173% of the fixed salary) ⁽¹⁾	
Multi-year variable compensation	N/A	No allocation.
Extraordinary compensation	N/A	No extraordinary compensation.
Share options, performance shares, or any other elements of long-term compensation	Options: N/A Shares: N/A Other elements: N/A	No allocation.
Attendance fees	N/A	Members of the Board of Management do not receive attendance fees as executive corporate officers.
Valuation of any benefits in kind	€36,800 (amount paid)	Housing, company car and unemployment insurance for Executive managers (GSC).
Elements of compensation due or allocated for the financial year ended December 31, 2016 which are or have been put to the vote of the Shareholders' Meeting in the context of the regulated agreements and commitments procedure		
Severance compensation	€0	The Supervisory Board decided at its meeting of February 17, 2016 to establish severance compensation for Michele Pignotti, member of the Board of Management, under the following terms: The severance compensation would be granted notably in case of revocation due to a change of control or strategy. The payment of this compensation is subject to the achievement of the following performance criteria: <ul style="list-style-type: none"> – 75% of annual targets as assessed over at least two of the last three years prior to termination. For officers who have been in office for less than three years, the calculation of the 75% target is based on the last year or the last two years if applicable; – an average combined ratio of 95% or less for the three years preceding the termination. If both of these conditions are met, the severance compensation is due in full. If only one of the above conditions is met, 50% of the indemnity is due. The amount of any severance compensation is two years' compensation (fixed and variable) gross due for the last year ended prior to the date of termination of the corporate office. This compensation was approved by the Shareholders' Meeting of May 25, 2016 (tenth resolution).
Non-compete compensation	N/A	No non-compete clause.
Supplementary pension plan	N/A	No defined-benefit pension plan. Contribution paid by the Company under the supplementary pension plan managed by AG2R: €13,984.

(1) Target remuneration in regard to mandate as of April 1, 2016.

* The fixed and variable compensation of Michele Pignotti for the 2016 financial year is calculated pro rata temporis since April 1st, 2016, when he became a member of the Board of Management.

Shareholders' Meeting

Board of Management's report on the resolutions to be submitted for approval to the Combined Ordinary and Extraordinary Shareholders' Meeting of May 24, 2017

■ LUDOVIC SÉNÉCAUT, MEMBER OF THE BOARD OF MANAGEMENT SINCE APRIL 1, 2016

	Amounts or accounting valuation put to the vote	Presentation
Elements of compensation* due or allocated for the financial year ended December 31, 2016		
Fixed compensation	€195,000 (amount paid)	Ludovic Sénécaut has been a member of the Board of Management since April 1, 2016.
Annual variable compensation	€119,467 (amount paid)	Annual variable compensation represents 16.83% of total compensation. — 50% of the variable amount is calculated on the basis of financial targets, which are assessed using the three criteria below: Group turnover, Group operating profit and Group net income. — 50% of the variable amount is calculated on individual quantitative targets (25%): Euler Hermes digital transformation, improve collaboration with operational teams, IT security, IT production and individual qualitative targets (25%) i.e., Entrepreneurship, Customer & Market Excellence, Collaborative Leadership and Trust. Annual variable compensation for 2016 was paid in March 2017.
Deferred variable compensation	Mid-term bonus: €119,467 (amount due)	A mid-term bonus (MTB), established to build loyalty among executives and assess performance over several years. As such, in addition to the target-based performance assessment set for variable compensation described above, an additional assessment on a three-year basis will be carried out using the following criteria: — performance indicators: Sustainable improvement / stabilization of Return of Equity (excl. URGL on bonds), Average operating profit growth, Compliance with economic capitalization guidance; — health indicators: True customer centricity, Digital by default, Technical excellence, Growth engines, Inclusive meritocracy. The MTB (2016-2018) will be paid in March 2019.
	Long-term incentive: €119,467 (amount due)	The amount used to calculate the number of Restricted Stock Units (RSUs) to be allocated is subject to the same assessment criteria as the annual variable compensation (50% financial targets, 50% personal targets). 50% of the RSUs allocated are linked to the average Allianz share price and the remaining 50% are linked to the average Euler Hermes Group share price. Both of these prices are established during the 10 trading days following the publication of the financial results of Allianz and Euler Hermes Group, with a vesting period of four years as of the allocation date. Payment for RSUs allocated for 2016, granted in 2017, will take place in 2021.
Percentage of target variable compensation of total compensation	63%, (i.e, 173% of the fixed salary) ⁽¹⁾	
Multi-year variable compensation	N/A	No allocation.
Extraordinary compensation	N/A	No extraordinary compensation.
Share options, performance shares, or any other elements of long-term compensation	Options: N/A Shares: N/A Other elements: N/A	No allocation.
Attendance fees	N/A	Members of the Board of Management do not receive attendance fees as executive corporate officers.
Valuation of any benefits in kind	€2,500 (amount paid)	Unemployment insurance for Executive managers (GSC).
Elements of compensation due or allocated for the financial year ended December 31, 2016 which are or have been put to the vote of the Shareholders' Meeting in the context of the regulated agreements and commitments procedure		
Severance compensation	€0	The Supervisory Board decided at its meeting of February 17, 2016 to establish severance compensation for Ludovic Sénécaut, member of the Board of Management, under the following terms: The severance compensation would be granted notably in case of revocation due to a change of control or strategy. The payment of this indemnity would be subject to the following performance conditions: — 75% of annual targets as assessed over at least two of the last three years prior to termination. For corporate officers who have been in office for less than three years, the calculation of the 75% target is based on the last year or the last two years if the officer has been present for two years; — an average combined ratio of 95% or less for the three years preceding the termination. If both of these conditions are met, the severance payment is due in full. If only one of the above conditions is met, 50% of the severance payment is due. The amount of any severance compensation may not exceed two years' compensation (fixed and variable). This compensation was approved by the Shareholders' Meeting of May 28, 2014 (eleventh resolution).
Non-compete compensation	N/A	No non-compete clause.
Supplementary pension plan	€0	No defined-benefit pension plan. Contribution paid by the Company under the supplementary pension plan managed by AG2R: €13,901.

(1) Target remuneration in regard to mandate as of April 1, 2016.

* The fixed and variable compensation of Ludovic Sénécaut for the 2016 financial year is calculated pro rata temporis since April 1st, 2016, when he became a member of the Board of Management.

Board of Management's report on the resolutions to be submitted for approval to the Combined Ordinary and Extraordinary Shareholders' Meeting of May 24, 2017

■ GERD-UWE BADEN, MEMBER OF THE BOARD OF MANAGEMENT UNTIL MARCH 31, 2016

	Amounts or accounting valuation put to the vote	Presentation
Elements of compensation due or allocated for the financial year ended December 31, 2016		
Fixed compensation	€100,000 (amount paid)	Fixed compensation for 2015 was €400,000.
Annual variable compensation	€53,750 (amount paid)	Annual variable compensation represents 20.57% of total compensation. — 50% of the variable amount is calculated on the basis of financial targets, which are assessed using the three criteria below: Group turnover, Group operating profit and Group net income. — 50% of the variable amount is calculated on individual quantitative targets (25%) such as representing the Company in joint ventures and build-up of partnerships and individual qualitative targets (25%) i.e., Entrepreneurship, Customer & Market Excellence, Collaborative Leadership and Trust. Annual variable compensation for 2016 was paid in March 2017.
Deferred variable compensation	Mid-term bonus: €53,750 (amount due)	A mid-term bonus (MTB), established to build loyalty among executives and assess performance over several years. As such, in addition to the target-based performance assessment set for variable compensation described above, an additional assessment on a three-year basis will be carried out using the following criteria: — performance indicators: Sustainable improvement / stabilization of Return of Equity (excl. URGL on bonds), Average operating profit growth, Compliance with economic capitalization guidance; — Health indicators: True customer centricity, Digital by default, Technical excellence, Growth engines, Inclusive meritocracy. The MTB (2016-2018) will be paid in March 2019.
	Long-term incentive: €53,750 (amount due)	The amount used to calculate the number of Restricted Stock Units (RSUs) to be allocated is subject to the same assessment criteria as the annual variable compensation (50% financial targets, 50% personal targets). 50% of the RSUs allocated are linked to the average Allianz share price and the remaining 50% are linked to the average Euler Hermes Group share price. Both of these prices are established during the 10 trading days following the publication of the financial results of Allianz and Euler Hermes Group, with a vesting period of four years as of the allocation date. Payment for RSUs allocated for 2016, granted in 2017, will take place in 2021.
Percentage of target variable compensation of total compensation	62% (i.e. 161% of the fixed salary) ⁽¹⁾	
Multi-year variable compensation	N/A	No allocation.
Extraordinary compensation	N/A	No extraordinary compensation.
Share options, performance shares, or any other elements of long-term compensation	Options: N/A Shares: N/A Other elements: N/A	No allocation.
Attendance' fees	N/A	Members of the Board of Management do not receive attendance fees as executive corporate officers.
Valuation of any benefits in kind	€7,045 (amount paid)	Housing, allowances for international mobility, company car, unemployment insurance for Executive managers (GSC), AWC (Allianz Worldwide Care medical insurance) and Allianz pension plan.
Elements of compensation due or allocated for the financial year ended December 31, 2016 which are or have been put to the vote of the Shareholders' Meeting in the context of the regulated agreements and commitments procedure		
Severance compensation	€0	The Supervisory Board decided at its meeting of February 16, 2012 to establish severance compensation for Gerd-Uwe Baden, member of the Board of Management under the following terms: The severance compensation would be granted notably in case of revocation due to a change of control or strategy. The payment of this indemnity would be subject to the following performance conditions: — 75% of annual targets as assessed over at least two of the last three years prior to termination. For corporate officers who have been in office for less than three years, the calculation of the 75% target is based on the last year or the last two years if the officer has been present for two years; — an average combined ratio of 95% or less for the three years preceding the termination. If both these conditions are met, the severance payment is due in full. If only one of the above conditions is met, 50% of the severance payment is due. The amount of any severance compensation may not exceed two years' compensation (fixed and variable). This compensation was approved by the Shareholders' Meeting of May 25, 2012 (sixth resolution).
Non-compete compensation	N/A	No non-compete clause.
Supplementary pension plan	€0	No defined-benefit pension plan. Contribution paid by the Company under the supplementary pension plan of the Allianz group: €29,446.

(1) Target remuneration in regard to mandate effective until March 31, 2016.

Shareholders' Meeting

Board of Management's report on the resolutions to be submitted for approval to the Combined Ordinary and Extraordinary Shareholders' Meeting of May 24, 2017

■ DIRK OEVERMANN, MEMBER OF THE BOARD OF MANAGEMENT UNTIL MARCH 31, 2016

	Amounts or accounting valuation put to the vote	Presentation
Elements of compensation due or allocated for the financial year ended December 31, 2016		
Fixed compensation	€73,500 (amount paid)	Fixed compensation for 2015 was €294,000.
Annual variable compensation	€45,000 (amount paid)	<p>Annual variable compensation represents 21.58% of total compensation.</p> <ul style="list-style-type: none"> – 50% of the variable amount is calculated on the basis of financial targets, which are assessed using the three criteria below: Group turnover, Group operating profit and Group net income. – 50% of the variable amount is calculated on individual quantitative targets (25%) such as: IT systems development; and individual qualitative targets (25%) i.e., Entrepreneurship, Customer & Market Excellence, Collaborative Leadership and Trust. <p>Annual variable compensation for 2016 was paid in March 2017.</p>
Deferred variable compensation	<p>Mid-term bonus: €45,000 (amount due)</p> <p>Long-term incentive: €45,000 (amount due)</p>	<p>A mid-term bonus (MTB), established to build loyalty among executives and assess performance over several years. As such, in addition to the target-based performance assessment set for variable compensation described above, an additional assessment on a three-year basis will be carried out using the following criteria:</p> <ul style="list-style-type: none"> – performance indicators: Sustainable improvement / stabilization of Return of Equity (excl. URGL on bonds), Average operating profit growth, Compliance with economic capitalization guidance; – health indicators: True customer centricity, Digital by default, Technical excellence, Growth engines, Inclusive meritocracy. <p>The MTB (2016-2018) will be paid in March 2019.</p> <p>The amount used to calculate the number of Restricted Stock Units (RSUs) to be allocated is subject to the same assessment criteria as the annual variable compensation (50% financial targets, 50% personal targets). 50% of the RSUs allocated are linked to the average Allianz share price and the remaining 50% are linked to the average Euler Hermes Group share price. Both of these prices are established during the 10 trading days following the publication of the financial results of Allianz and Euler Hermes Group, with a vesting period of four years as of the allocation date.</p> <p>Payment for RSUs allocated for 2016, granted in 2017, will take place in 2021.</p>
Percentage of target variable compensation of total compensation	65% (i.e. 184% of the fixed salary) ⁽¹⁾	
Multi-year variable compensation	N/A	No allocation.
Extraordinary compensation	N/A	No extraordinary compensation.
Share options, performance shares, or any other elements of long-term compensation	Options: N/A Shares: N/A Other elements: N/A	No allocation.
Attendance fees	N/A	Members of the Board of Management do not receive attendance fees as executive corporate officers.
Valuation of any benefits in kind	€26,940 (amount paid)	Housing, allocation to a pension plan of choice, company car, unemployment insurance for Executive managers (GSC), AWC (Allianz Worldwide Care medical insurance).
Elements of compensation due or allocated for the financial year ended December 31, 2016 which are or have been put to the vote of the Shareholders' Meeting in the context of the regulated agreements and commitments procedure		
Severance compensation	€0	<p>The Supervisory Board decided at its meeting of February 16, 2012 to establish severance compensation for Dirk Oevermann, member of the Board of Management under the following terms:</p> <p>The severance compensation would be granted notably in case of revocation due to a change of control or strategy. The payment of this indemnity would be subject to the following performance conditions:</p> <ul style="list-style-type: none"> – 75% of annual targets as assessed over at least two of the last three years prior to termination. For corporate officers who have been in office for less than three years, the calculation of the 75% target is based on the last year or the last two years if the officer has been present for two years; – an average combined ratio of 95% or less for the three years preceding the termination. <p>If both the above conditions are met, the severance payment is due in full. If only one of the above conditions is met, 50% of the severance payment is due.</p> <p>The amount of any severance compensation may not exceed two years' compensation (fixed and variable). This compensation was approved by the Shareholders' Meeting of May 25, 2012 (ninth resolution).</p>
Non-compete compensation	N/A	No non-compete clause.
Supplementary pension plan	€0	<p>No defined-benefit pension plan.</p> <p>Contribution paid by the Company for the supplementary pension plan managed by AG2R, as well as allocation to a pension plan of choice: €4,634.</p>

(1) Target remuneration in regard to mandate effective until March 31, 2016.

Board of Management's report on the resolutions to be submitted for approval to the Combined Ordinary and Extraordinary Shareholders' Meeting of May 24, 2017

■ CLEMENT BOOTH, CHAIRMAN OF THE SUPERVISORY BOARD UNTIL MAY 25, 2016

	Amounts or accounting valuation put to the vote	Presentation
Elements of compensation due or allocated for the financial year ended December 31, 2016		
Fixed compensation	N/A	N/A
Annual variable compensation	N/A	N/A
Multi-year variable compensation	N/A	N/A
Extraordinary compensation	N/A	N/A
Share options, performance shares, or any other elements of long-term compensation	Options: N/A Shares: N/A Other elements: N/A	N/A
Attendance fees	€55,000	Clement Booth received attendance fees in proportion to his attendance until May 25, 2016.
Valuation of any benefits in kind	N/A	N/A
Elements of compensation due or allocated for the financial year ended December 31, 2016 which are or have been put to the vote of the Shareholders' Meeting in the context of the regulated agreements and commitments procedure		
Severance compensation	N/A	N/A
Non-compete compensation	N/A	N/A
Supplementary pension plan	N/A	N/A

■ AXEL THEIS, CHAIRMAN OF THE SUPERVISORY BOARD SINCE MAY 25, 2016

	Amounts or accounting valuation put to the vote	Presentation
Elements of compensation due or allocated for the financial year ended December 31, 2016		
Fixed compensation	N/A	N/A
Annual variable compensation	N/A	N/A
Multi-year variable cash compensation	N/A	N/A
Extraordinary compensation	N/A	N/A
Share options, performance shares, or any other elements of long-term compensation	Options: N/A Shares: N/A Other elements: N/A	N/A
Attendance fees	N/A	Axel Theis waived his attendance fees allocated the financial year ended December 31, 2016, and representing an amount of €72,500.
Valuation of any benefits in kind	N/A	N/A
Elements of compensation due or allocated for the financial year ended December 31, 2016 which are or have been put to the vote of the Shareholders' Meeting in the context of the regulated agreements and commitments procedure		
Severance compensation	N/A	N/A
Non-compete compensation	N/A	N/A
Supplementary pension plan	N/A	N/A

For further information, please refer to section 2.3.3 of the 2016 Registration Document

10. Authorization to implement a stock buyback plan (Article L. 225-209 of the French Commercial Code) (fifteenth resolution)

We ask that you grant to the Board of Management, for a period of eighteen months, the necessary powers to purchase, on one or more occasions at such times as it deems appropriate, company shares up to a maximum of 10% of the number of shares composing the share capital, adjusted where applicable to take into account any capital increases or reductions applied during the program.

This authorization would terminate the authorization granted to the Board of Management under the twenty-second ordinary resolution of the Shareholders' Meeting held on May 25, 2016.

Purchases may be made in order to:

- stimulate the secondary market or the liquidity of Euler Hermes Group's stock through the use of an investment services provider acting within the framework of a liquidity agreement that complies with the code of conduct of the Association Française des Marchés Financiers (AMAFI), recognized by the *Autorité des Marchés Financiers* (AMF);
- hold the purchased shares in reserve for later use as exchange or payment as part of possible acquisition transactions, it being specified that the shares acquired for this purpose may not exceed 5% of the Company's share capital;
- cover share purchase plans and/or bonus share plans (or similar plans) for the benefit of employees and/or corporate officers of the Group, and any allocation of shares in respect of a Company or Group savings plan (or similar plan), in respect of employee profit-sharing and/or any other form of share allocation to the employees and/or corporate officers of the Group;
- cover securities granting entitlement to the allocation of Company shares pursuant to applicable regulations;
- potentially cancel purchased shares, pursuant to the authorization granted by the twenty-third extraordinary resolution of the Shareholders' Meeting of May 25, 2016.

These transactions may not be carried out during a public offering period.

The Company does not plan to use option-based arrangements or derivative products.

You are asked to fix the maximum purchase price at 140 euros per share and, consequently, the maximum amount of this transaction at 596,982,820 euros.

The Board of Management would therefore have the power necessary to do what is required in this matter.

11. Harmonization and modification of the Articles of Association (sixteenth to eighteenth resolutions)

Harmonization of Article 4 "Registered Office" of the Company's Articles of Association relating to the transfer of the registered office (sixteenth resolution)

We submit the present resolution for your vote, to bring Article 4 of the Articles of Association into compliance with the provisions of Law no. 2016-1691 on transparency, the fight against corruption, and modernization of economic life, the so-called Sapin II Law, which provides that a change of registered office may be carried out by decision of the Supervisory Board throughout the territory of France (and not solely within the same geographical department or bordering department), under reservation of ratification of such decision in the next Ordinary Shareholders' Meeting.

It is thus proposed that subparagraph 2 of Article 4 of the Articles of Association be modified as follows:

"It may be transferred to any other place on the French territory by a decision of the Supervisory Board, on condition that the decision is ratified by the next following Ordinary Shareholders' Meeting".

as well as that subparagraph 3 of Article 4 of the Articles of Association be deleted, with the remainder of the article left unaltered.

Harmonization of Article 12 "Powers" of the Company's Articles of Association relating to advance authorization of certain decisions of the Board of Management by the Supervisory Board (seventeenth resolution)

We submit the present resolution for your vote, to bring Article 12 of the Articles of Association into compliance with the provisions of Law no. 2016-1691 on transparency, the fight against corruption, and modernization of economic life, the so-called Sapin II Law, by removing the legal obligation of authorization from the Supervisory Board prior to an in-kind disposal of real property, a total or partial disposal of investments, and the constitution of guarantees.

It is thus proposed that subparagraph 10 of Article 12 of the Articles of Association be deleted, with the remainder of the article left unaltered.

Harmonization of Article 19 of the Articles of Company's Association concerning the Statutory Auditor (eighteenth resolution)

We submit the present resolution for your vote, to bring Article 19 of the Articles of Association of the Company into compliance with the provisions of Law no. 2016-315 of March 17, 2016 on the statutory audit and with the provisions of Law no. 2016-1691 on transparency, the fight against corruption, and modernization of economic life, the so-called Sapin II Law, according to which the appointment of a deputy auditor is no

longer mandatory (unless the principal Statutory Auditor is an individual or a sole proprietorship).

Therefore, it is proposed that the second subparagraph of Article 19 of the Articles of Association be deleted, with the remainder of the article left unaltered.

12. Modification of Articles of Association (nineteenth resolution)

We submit the present resolution for your vote, with the purpose of eliminating the obligation under the Articles of Association that members of the Supervisory Board hold at least five shares for the duration of their terms of office.

It is thus proposed that subparagraph 6 of Article 11 of the Articles of Association be deleted, with the remainder of the article left unaltered.

In this regard, it is specified that the number of shares that must be held by members of the Supervisory Board will be increased to a significant minimum number of shares in the internal rules of the Supervisory Board, to take into account the recommendations of the AFEP-MEDEF Corporate Governance Code (§19).

13. Delegation to be granted to the Supervisory Board to make the necessary changes to the Company's Articles of Association to bring them into compliance with legal and regulatory provisions (twentieth resolution)

We submit the present resolution for your vote, to give full powers to the Supervisory Board in order to bring the Articles of Association into compliance with the legal and regulatory provisions, subject to ratification of these changes by the next Extraordinary Shareholders' Meeting, in accordance with the provisions of Law no. 2016-1691 on transparency, the fight against corruption, and the modernization of economic life, the so-called Sapin II Law.

Your Board of Management asks you to approve, with your vote, the text of the proposed resolutions.

THE BOARD OF MANAGEMENT

8.2 Comments by the Supervisory Board meeting of February 9, 2017, on the Board of Management's report and on the 2016 financial statements

Pursuant to Article L. 225-68 of the French Commercial Code, your Supervisory Board is required to present to the shareholders its comments on the Board of Management report and on the financial statements.

At its meeting of February 9, 2017, the Supervisory Board reviewed the consolidated financial statements, prepared under IFRS standards, and Euler Hermes Group's financial statements, prepared under French standards, for financial year 2016.

The Supervisory Board studied the main balance sheet and income statement items.

It took due note of the findings of the Audit and Risk Committee and heard the Statutory Auditors.

The Board also took due note of the Board of Management report on the 2016 financial statements.

Having made the necessary verifications, the Supervisory Board hereby informs the shareholders that it has no particular comment to make on the Group's management report, the consolidated financial statements, nor on the Company's separate financial statements.

Furthermore, the activity of the Supervisory Board during the 2016 financial year is detailed in the Chairman of the Supervisory Board's

report, which was prepared pursuant to Article L. 225-68 of the French Commercial Code.

That document is annexed to the management report and presented in section 2.4 of the 2016 Registration Document.

The Supervisory Board draws the shareholders' attention to the report of the Board of Management on the remuneration policy for the Board of Management and the Supervisory Board for 2017 as presented in sections 2.3.1 and 2.3.3 of the 2016 Registration Document as they are invited under Article L. 225-82-2 of the French Commercial Code at the shareholders' meeting to be held on May 24, 2017 to approve the principles and criteria for the determination, distribution and allocation of the fixed, variable and exceptional elements composing their total compensation, as well as the benefits in kind.

The Supervisory Board also notes that, in accordance with the recommendation of the AFEP-MEDEF Code as revised in November 2016 (Article 24.3), to which the Company refers, the elements of compensation due or allocated to members of the Board of Management for the year just ended are presented to shareholders for their vote. The Supervisory Board invites the Shareholders' Meeting to vote in favor of the elements of compensation as set out in sections 2.3 and 8.1 of the 2016 Registration Document.

Finally, we suggest, following the recommendation of the Audit and Risk Committee:

- to proceed with the reappointment of Exco Paris Ace (formerly known as ACE Auditeurs et Conseil d'Entreprise SA) as principal Statutory Auditor for a term of six financial years, that is, until the end of the Annual Ordinary Shareholders' Meeting to be held in 2023 called to approve the financial statements for the 2022 financial year;
- to proceed with the reappointment of KPMG SA (the latter has continued to hold the office of the principal Statutory Auditor KPMG SA Audit FS II following its absorption) as principal Statutory Auditor for a term of six financial years, that is, until the end of the Annual Ordinary Shareholders' Meeting held in 2023 called to approve the financial statements for the 2022 financial year.

We also underline that Article L. 823-1 of the French Commercial Code, subparagraph 2, in its new version by virtue of Law no. 2016-1691 of December 9, 2016, the so-called Sapin II Law, henceforth exempts commercial companies from appointing a Deputy Statutory Auditor when the principal Statutory Auditor is neither an individual nor a sole proprietorship.

Thus, subject to adoption of the eighteenth resolution, as a special measure aimed at harmonizing Article 19 of the Articles of Articles relating to Statutory Auditors with the new provisions of Law no. 2016-1691 of December 9, 2016, the so-called Sapin II Law, we propose not to reappoint and not to replace the offices of Deputy Statutory Auditors.

8.3 Special report of the Statutory Auditors on regulated agreements and commitments

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

Shareholders' Meeting to approve the financial statements for the year ended December 31, 2016

To the Shareholders,

In our capacity as Statutory Auditors of your company, we hereby submit our report on regulated agreements and commitments.

It is our responsibility to inform you, based on the information provided to us, of the main features and the terms and conditions of the agreements and commitments of which we have been informed, or which we discovered during our audit. We are not responsible for assessing their utility or merits or for establishing the existence of other agreements and commitments. It is your responsibility, according to the

terms of Article R. 225-58 of the French Commercial Code, to assess the potential benefit of such agreements and commitments in order to approve them.

If necessary, we must also provide you with the information stipulated in Article R. 225-58 of the French Commercial Code regarding the performance during the past financial year of agreements and commitments already approved by the Shareholders' Meeting.

We performed such reviews as we regarded as necessary for this assignment under the relevant rules of the National Statutory Auditors' Association. These reviews involved checking that the information we were given was consistent with the basic documents it was taken from.

1. Agreements and commitments submitted to the Shareholders' Meeting for approval

We were informed of the following agreements and commitments for which the Supervisory Board had given prior authorization.

1.1. Agreements and commitments authorized during 2016 financial year

1.1.1. *Repurchase by the Company of its own shares under the share placement completed by Allianz Vie of its 8.56% stake in Euler Hermes Group*

Shareholder concerned: Allianz Vie, Allianz France SA et Allianz SE

People concerned : Jacques Richier, member of the Supervisory Board of Euler Hermes Group S.A. and Chairman of the Board of directors of Allianz Vie, Allianz France S.A., Axel Theis, member of the Supervisory Board of Euler Hermes Group SA and member of the Board of Management of Allianz SE

On May 19, 2016, Allianz Vie successfully completed the sale of 3,879,818 shares of Euler Hermes Group ("Euler Hermes" or the "Company") representing its entire stake, i.e., 8.56%, of the share capital of the Company, through a private placement to institutional investors via an accelerated bookbuilt offer (the "Share Placement"). The price of the Share Placement was EUR 75.94 per share, representing a discount of 7.5% to the last closing price.

The Company, after having obtained the Supervisory Board's prior authorization on May 13, 2016, participated in the Share Placement by repurchasing 2,200,000 shares representing 4.9% of the share capital of the Company, at a price equal to the price of the Share Placement

(the "Repurchase"). The Repurchase was completed pursuant to the share buyback program approved by the shareholders' meeting of 27 May 2015. Following completion of the Share Placement and the Repurchase on May 23, 2016, the Company canceled the 2,200,000 shares so repurchased, together with 500,542 treasury shares it already held, i.e., 2,700,542 shares in aggregate, representing 6.33% of the share capital of the Company.

Following the approval of its internal model by the regulator, this transaction enabled Euler Hermes to efficiently use its excess capital⁽¹⁾, through an accretive transaction benefiting all shareholders. To finance the Repurchase, the Company used its available cash, enabling it to eliminate a significant amount of such excess capital. The Repurchase and the subsequent cancellation of shares improved the return on equity while being accretive on the earnings per share (about 5.6%) and on the dividend per share (about 6.3%), as the proposed dividend, approved by the Shareholders' meeting of May 25, 2016, was increased to EUR 4.68 per share since the number of shares composing the share capital of the Company was reduced to 42,641,635.

This agreement will be submitted to the approval of the Shareholders' Meeting on May 24, 2017.

1.2. Agreements and commitments authorized since the closing of the 2016 financial year

We were not informed of any agreement or commitment authorized since the closing of 2016 financial year for which the Supervisory Board had given prior authorization.

2. Agreements and commitments already approved by the Shareholders' Meeting

2.1. Agreements and commitments approved at the Shareholders' meeting of May 25, 2016 and not performed during the 2016 financial year

In accordance with Article R. 225-57 of the French Commercial Code, we were informed of the continuation of the following agreements and commitments which the Shareholders' Meeting had already approved on

May 25, 2016, but which had not been performed during the 2016 financial year.

⁽¹⁾ The excess capital is determined by reference to a target Solvency II margin of 160%, based on financial data as of 31 December 2015.

2.1.1. *Commitment in favor of Wilfried Verstraete*

Person concerned: Wilfried Verstraete

The Supervisory Board decided at its meeting of February 17, 2016 to grant severance compensation to Wilfried Verstraete, Chairman of the Board of Management, under the following terms:

This severance compensation would be due only in the event of forced departure (i.e. only in case of revocation for any reason other than a gross or willful misconduct), notably due to a change of control or strategy. Severance compensation would not be due if the executive is not renewed, resigns or moves to a new position within the Allianz group.

Pursuant to Articles L. 225-90-1 and R. 225-60-1 of the French Commercial Code, the payment of this indemnity would be subject to the following performance conditions:

- 75% of annual targets as assessed over at least two of the last three years prior to termination. For officers who have been in office for less than three years, the calculation of the 75% target is based on the last year or the last two years if applicable;
- an average combined ratio of 95% or less for the three years preceding the termination.

If both of the two performance conditions are met, the full indemnity will be paid. 50% of the indemnity will be paid if either condition is met.

The amount of any severance compensation may not exceed two years' compensation (fixed and variable) gross compensation for the last fiscal year ended before the date of termination of the corporate office.

The Supervisory Board will acknowledge that one or both of the performance conditions are met before making any payment.

This severance compensation is valid for the duration of the mandate as Board of Management member, i.e. until March 31, 2020.

2.1.2. *Commitment in favor of Frédéric Bizière*

Person concerned: Frédéric Bizière

The Supervisory Board decided at its meeting of February 17, 2016 to grant severance compensation to Frédéric Bizière, Member of the Board of Management, under the following terms:

This severance compensation would be due only in the event of forced departure (i.e. only in case of revocation for any reason other than a gross or willful misconduct), notably due to a change of control or strategy. Severance compensation would not be due if the executive is not renewed, resigns or moves to a new position within the Allianz group.

Pursuant to Articles L. 225-90-1 and R. 225-60-1 of the French Commercial Code, the payment of this indemnity would be subject to the following performance conditions:

- 75% of annual targets as assessed over at least two of the last three years prior to termination. For officers who have been in office for less than three years, the calculation of the 75% target is based on the last year or the last two years if applicable;
- an average combined ratio of 95% or less for the three years preceding the termination.

If both of the two performance conditions are met, the full indemnity will be paid. 50% of the indemnity will be paid if either condition is met.

The amount of any severance compensation may not exceed two years' compensation (fixed and variable) gross compensation for the last fiscal year ended before the date of termination of the corporate office.

The Supervisory Board will acknowledge that one or both of the performance conditions are met before making any payment.

This severance compensation is valid for the duration of the mandate as Board of Management member, i.e. until March 31, 2020.

2.1.3. *Commitment in favor of Clarisse Kopff*

Person concerned: Clarisse Kopff

The Supervisory Board decided at its meeting of February 17, 2016 to grant severance compensation to Clarisse Kopff, Member of the Board of Management, under the following terms:

This severance compensation would be due only in the event of forced departure (i.e. only in case of revocation for any reason other than a gross or willful misconduct), notably due to a change of control or strategy. Severance compensation would not be due if the executive is not renewed, resigns or moves to a new position within the Allianz group.

Pursuant to Articles L. 225-90-1 and R. 225-60-1 of the French Commercial Code, the payment of this indemnity would be subject to the following performance conditions:

- 75% of annual targets as assessed over at least two of the last three years prior to termination. For officers who have been in office for less than three years, the calculation of the 75% target is based on the last year or the last two years if applicable;
- an average combined ratio of 95% or less for the three years preceding the termination.

If both of the two performance conditions are met, the full indemnity will be paid. 50% of the indemnity will be paid if either condition is met.

The amount of any severance compensation may not exceed two years' compensation (fixed and variable) gross compensation for the last fiscal year ended before the date of termination of the corporate office.

The Supervisory Board will acknowledge that one or both of the performance conditions are met before making any payment.

This severance compensation is valid for the duration of the mandate as Board of Management member, i.e. until March 31, 2020.

2.1.4. *Commitment in favor of Paul Overeem*

Person concerned: Paul Overeem

The Supervisory Board decided at its meeting of February 17, 2016 to grant severance compensation to Paul Overeem, Member of the Board of Management, under the following terms:

This severance compensation would be due only in the event of forced departure (i.e. only in case of revocation for any reason other than a gross or willful misconduct), notably due to a change of control or strategy. Severance compensation would not be due if the executive is not renewed, resigns or moves to a new position within the Allianz group.

Pursuant to Articles L. 225-90-1 and R. 225-60-1 of the French Commercial Code, the payment of this indemnity would be subject to the following performance conditions:

- 75% of annual targets as assessed over at least two of the last three years prior to termination. For officers who have been in office for less than three years, the calculation of the 75% target is based on the last year or the last two years if applicable;
- an average combined ratio of 95% or less for the three years preceding the termination.

If both of the two performance conditions are met, the full indemnity will be paid. 50% of the indemnity will be paid if either condition is met.

The amount of any severance compensation may not exceed two years' compensation (fixed and variable) gross compensation for the last fiscal year ended before the date of termination of the corporate office.

The Supervisory Board will acknowledge that one or both of the performance conditions are met before making any payment.

This severance compensation is valid for two (2) years from the renewal of the mandate as member of the Board of Management, i.e. until March 31, 2018.

2.1.5. *Commitment in favor of Michele Pignotti*

Person concerned: Michele Pignotti

The Supervisory Board decided at its meeting of February 17, 2016 to grant severance compensation to Michele Pignotti, Member of the Board of Management, under the following terms:

This severance compensation would be due only in the event of forced departure (i.e. only in case of revocation for any reason other than a gross or willful misconduct), notably due to a change of control or strategy. Severance compensation would not be due if the executive is not renewed, resigns or moves to a new position within the Allianz group.

Pursuant to Articles L. 225-90-1 and R. 225-60-1 of the French Commercial Code, the payment of this indemnity would be subject to the following performance conditions:

- 75% of annual targets as assessed over at least two of the last three years prior to termination. For officers who have been in office for less than three years, the calculation of the 75% target is based on the last year or the last two years if applicable;
- an average combined ratio of 95% or less for the three years preceding the termination.

If both of the two performance conditions are met, the full indemnity will be paid. 50% of the indemnity will be paid if either condition is met.

The amount of any severance compensation may not exceed two years' compensation (fixed and variable) gross compensation for the last fiscal year ended before the date of termination of the corporate office.

The Supervisory Board will acknowledge that one or both of the performance conditions are met before making any payment.

This severance compensation is valid for the duration of the mandate as Board of Management member, i.e. until March 31, 2020.

2.1.6. *Commitment in favor of Ludovic Sénécaut*

Person concerned: Ludovic Sénécaut

The Supervisory Board decided at its meeting of February 17, 2016 to grant severance compensation to Ludovic Sénécaut, Member of the Board of Management, under the following terms:

This severance compensation would be due only in the event of forced departure (i.e. only in case of revocation for any reason other than a gross or willful misconduct), notably due to a change of control or strategy. Severance compensation would not be due if the executive is not renewed, resigns or moves to a new position within the Allianz group.

Pursuant to Articles L. 225-90-1 and R. 225-60-1 of the French Commercial Code, the payment of this indemnity would be subject to the following performance conditions:

- 75% of annual targets as assessed over at least two of the last three years prior to termination. For officers who have been in office for less than three years, the calculation of the 75% target is based on the last year or the last two years if applicable;
- an average combined ratio of 95% or less for the three years preceding the termination.

If both of the two performance conditions are met, the full indemnity will be paid. 50% of the indemnity will be paid if either condition is met.

The amount of any severance compensation may not exceed two years' compensation (fixed and variable) gross compensation for the last fiscal year ended before the date of termination of the corporate office.

The Supervisory Board will acknowledge that one or both of the performance conditions are met before making any payment.

This severance compensation is valid for the duration of the mandate as Board of Management member, i.e. until March 31, 2020.

2.2. Agreements and commitments approved in prior years and performed during the 2016 financial year

We were not informed of any agreement or commitment which the Shareholders' Meeting had already approved in earlier financial years and which continued to be performed during the 2016 financial year.

2.3. Agreements and commitments approved in earlier years and not performed during the 2016 financial year

In addition, we were informed of the continuation of the following agreements and commitments which the Shareholders' Meeting had already approved in earlier financial years, but which had not been performed during the 2016 financial year.

2.3.1. Commitment in favor of Wilfried Verstraete

Person concerned: Wilfried Verstraete

The Supervisory Board decided at its meeting of February 16, 2012 to grant severance compensation to Wilfried Verstraete, Chairman of the Board of Management, under the following terms:

The severance compensation would be granted notably in case of revocation due to a change of control or strategy.

The payment of this indemnity would be subject to the following performance conditions:

- achievement of at least 75% of the annual objectives following the appraisal over at least two of the last three years preceding the revocation;
- the combined ratio is equal to or less than 95% on average for the last three years preceding the revocation.

If both of the two performance conditions are met, the full indemnity will be paid. 50% of the indemnity will be paid if either condition is met.

The amount of the severance compensation shall not exceed two years of remuneration (fixed and variable).

2.3.2. Commitment in favor of Gerd-Uwe Baden

Person concerned: Gerd-Uwe Baden

The Supervisory Board decided at its meeting of February 16, 2012 to grant severance compensation to Gerd-Uwe Baden, Board of Management member, under the following terms:

The severance compensation would be granted notably in case of revocation due to a change of control or strategy.

The payment of this indemnity would be subject to the following performance conditions:

- achievement of at least 75% of the annual objectives following the appraisal over at least two of the last three years preceding the revocation;
- the combined ratio is equal to or less than 95% on average for the last three years preceding revocation.

If both of the two performance conditions are met, the full indemnity will be paid. 50% of the indemnity will be paid if either condition is met.

The amount of the severance compensation shall not exceed two years of remuneration (fixed and variable).

2.3.3. Commitment in favor of Frédéric Bizière

Person concerned: Frédéric Bizière

The Supervisory Board decided at its meeting of February 16, 2012 to grant severance compensation in favor of Frédéric Bizière, Board of Management member, under the following terms:

The severance compensation would be granted notably in case of revocation due to a change of control or strategy.

The payment of this indemnity would be subject to the following performance conditions:

- achievement of at least 75% of the annual objectives following the appraisal over at least two of the last three years preceding the revocation;
- the combined ratio is equal to or less than 95% on average for the last three years preceding revocation.

If both of the two performance conditions are met, the full indemnity will be paid. 50% of the indemnity will be paid if either condition is met.

The amount of the severance compensation shall not exceed two years of remuneration (fixed and variable).

2.3.4. *Commitment in favor of Dirk Oevermann*

Person concerned: Dirk Oevermann

The Supervisory Board decided at its meeting of February 16, 2012 to grant severance compensation in favor of Dirk Oevermann, Board of Management member, under the following terms:

The severance compensation would be granted notably in case of revocation due to a change of control or strategy.

The payment of this indemnity would be subject to the following performance conditions:

- achievement of at least 75% of the annual objectives following the appraisal over at least two of the last three years preceding the revocation;
- the combined ratio is equal to or less than 95% on average for the last three years preceding revocation.

If both of the two performance conditions are met, the full indemnity will be paid. 50% of the indemnity will be paid if either condition is met.

The amount of the severance compensation shall not exceed two years of remuneration (fixed and variable).

2.3.5. *Commitment in favor of Paul Overeem*

Person concerned: Paul Overeem

The Supervisory Board decided at its meeting of December 4, 2012 to establish severance compensation for Paul Overeem, Board of Management member, under the following terms:

The severance compensation would be granted notably in case of revocation due to a change of control or strategy.

The payment of this indemnity would be subject to the following performance conditions:

- achievement of at least 75% of the annual objectives following the appraisal over at least two of the last three years preceding the revocation;
- the combined ratio is equal to or less than 95% on average for the last three years preceding revocation.

If both of the two performance conditions are met, the full indemnity will be paid. 50% of the indemnity will be paid if either condition (1) or (2) is met.

The amount of the severance compensation shall not exceed two years of remuneration (fixed and variable).

2.3.6. *Commitment in favor of Clarisse Kopff*

Person concerned: Clarisse Kopff

The Supervisory Board decided at its meeting of April 30, 2014, to establish severance compensation for Clarisse Kopff, Board of Management member, under the following terms:

The severance compensation would be granted notably in case of revocation due to a change of control or strategy.

The payment of this indemnity would be subject to the following performance conditions:

- achievement of at least 75% of the annual objectives following the appraisal over at least two of the last three years preceding the revocation;
- the combined ratio is equal to or less than 95% on average for the last three years preceding revocation.

If both of the two performance conditions are met, the full indemnity will be paid. 50% of the indemnity will be paid if either condition is met.

The amount of the severance compensation shall not exceed two years of remuneration (fixed and variable).

Paris-La Défense and Paris, April 19, 2017

KPMG SA
Xavier Dupuy
Partner

Exco Paris Ace
Alain Auvray
Partner

8.4 Resolutions submitted to the vote of the Combined Shareholders' Meeting of May 24, 2017

Draft agenda

Ordinary items

1. Approval of the annual financial statements for the financial year ended, December 31, 2016 – Approval of non-tax deductible expenses and charges,
2. Approval of the consolidated financial statements for the financial year ended, December 31, 2016,
3. Allocation of income for the financial year and declaration of the dividend,
4. Adjustment of the reserve for treasury shares,
5. Statutory Auditors' special report on regulated agreements and commitments and approval of a new agreement,
6. Reappointment of Exco Paris Ace (formerly known as ACE Auditeurs et Conseil d'Entreprise SA) as principal Statutory Auditor,
7. Reappointment of KPMG SA as principal Statutory Auditor,
8. Non-reappointment and non-replacement of Mr. Emmanuel Charrier as deputy auditor,
9. Non-reappointment and non-replacement of KPMG Audit FS I as deputy auditor,
10. Approval of the principles and criteria for the determination, distribution and allocation of the compensation of the Chairman of the Board of Management and the members of the Board of Management for 2017,
11. Approval of the principles and criteria for the determination, distribution and allocation of the compensation of the Chairman of the Supervisory Board and the members of the Supervisory Board for 2017,
12. Mandatory vote on the elements of compensation due or allocated for the financial year ended December 31, 2016 to Mr. Wilfried Verstraete, Chairman of the Board of Management,
13. Mandatory vote on the elements of compensation due or allocated for the financial year ended December 31, 2016 to Mr. Frédéric Bizière, Mr. Paul Overeem, and Ms. Clarisse Kopff, members of the Board of Management, to Mr. Gerd-Uwe Baden and Mr. Dirk Oevermann, members of the Board of Management until March 31, 2016 and to Mr. Michele Pignotti and Mr. Ludovic Sénécaut, members of the Board of Management since April 1, 2016,
14. Mandatory vote on the elements of compensation due or allocated for the financial year ended December 31, 2016 to Mr. Clement Booth, Chairman of the Supervisory Board until May 25, 2016 and Mr. Axel Theis, Chairman of the Supervisory Board since May 25, 2016,
15. Authorization to be granted to the Board of Management to have the Company buy back its own shares pursuant to Article L. 225-209 of the French Commercial Code, duration of authorization, finalities, procedures and limit.

Extraordinary items

16. Harmonization of Article 4 "Registered Office" of the Company's Articles of Association relating to the transfer of the registered office,
17. Harmonization of Article 12 "Powers" of the Company's Articles of Association relating to advance authorization of certain decisions of the Board of Management by the Supervisory Board,
18. Harmonization of Article 19 of the Company's Articles of Association concerning the Statutory Auditor,
19. Amendment to Article 11 of the Articles of Association concerning the obligation to hold shares applicable to the members of the Supervisory Board,
20. Delegation to be granted to the Supervisory Board to make the necessary changes to the Company's Articles of Association to bring them into compliance with legal and regulatory provisions,
21. Powers for formalities.

Draft resolutions

Ordinary items

First resolution

Approval of the annual financial statements for the financial year ended December 31, 2016- Approval of non-tax deductible expenses and charges

The Shareholders' Meeting, having reviewed the reports of the Board of Management and the observations of the Supervisory Board, of the Chairman of the Supervisory Board and of the Statutory Auditors on the financial statements for the year ended December 31, 2016, approves the annual financial statements drawn up on that date, as presented, showing a profit of 777,887,289.41 euros.

The Shareholders' Meeting specifically approves the overall amount, totaling 14,005.23 euros, of expenses and charges covered by Article 39, paragraph 4 of the French General Tax Code, along with the corresponding tax.

Second resolution

Approval of the consolidated financial statements for the financial year ended December 31, 2016

The Shareholders' Meeting, having reviewed the reports of the Board of Management, the Chairman of the Supervisory Board and the Statutory Auditors on the consolidated financial statements as at December 31, 2016, approves these financial statements, as presented, showing a profit (Group share) of 286,952 thousand euros.

In accordance with Article 243 bis of the French General Tax Code, the Shareholders' Meeting acknowledges that it was reminded that, for the last three financial years, the following dividends and income were distributed:

In respect of financial year	Income eligible for the allowance		Income not eligible for the allowance
	Dividends	Other distributed income	
2013	€190,437,143.40 ⁽¹⁾ i.e. €4.20 per share	-	-
2014	€199,505,578.80 ⁽¹⁾ i.e. €4.40 per share	-	-
2015	€199,562,851.80 ⁽¹⁾ i.e. €4.68 per share	-	-

(1) Including the dividend amount not paid out in respect of treasury shares and allocated to the retained earnings account.

Fourth resolution

Adjustment of the reserve for treasury shares

The Shareholders' Meeting, noting the Company's purchases, sales and cancellations of its own shares in the financial year ended December 31, 2016, under the Company's share buyback program as authorized by the Combined Shareholders' Meetings of May 27, 2015, and the Combined Shareholders' Meetings of May 25, 2016, including the arrangements for

Third resolution

Allocation of earnings for the year and declaration of the dividend

At the proposal of the Board of Management, the Shareholders' Meeting resolves to allocate the income for the financial year ended, December 31, 2016 as follows:

Source

■ Profit for the year	€777,887,289.41
■ Retained earnings	€291,470,218.76

Appropriation

■ Legal reserve	€0
■ Other reserves	€0
■ Dividends	€199,562,851.80
■ Retained earnings	€869,794,656.37

The ex-dividend date will be Friday, May 26, 2017.

Payment of dividends will be on Tuesday, May 30, 2017.

The Shareholders' Meeting acknowledges that the total gross dividend per share is at €4.68. The entire amount distributed is eligible for the 40% tax abatement referred to in Article 158-3-2 of the French General Tax Code.

In the event that the number of shares conferring entitlement to a dividend differs from the 42,641,635 shares comprising the share capital as at February 9, 2017, the total amount of the dividends shall be adjusted accordingly and the amount allocated to the retained earnings account shall be calculated on the basis of the dividends paid out.

the Company to buy its own shares in accordance with Articles L. 225-209 et seq. of the French Commercial Code, resolves, in accordance with Article L. 225-210, subparagraph 3, of the French Commercial Code, to adjust the reserve for treasury shares with a reversal of €26,163,285.87 to take into account on the one hand the share purchases and sales under the liquidity agreement managed by Rothschild & Cie Banque during the prior financial year and on the other hand the transactions related to the exercise of stock options and cancellations of own shares.

Accordingly, the Shareholders' Meeting notes that the reserve for treasury shares, which was €59,521,489.26 as at December 31, 2016, will be adjusted to €33,358,203.39.

Fifth resolution

Statutory Auditors' special report on regulated agreements and commitments and approval of a new agreement

Ruling on the special report of the Statutory Auditors on the regulated agreements and commitments that were presented to it, the Shareholders' Meeting approves the new agreement entered into during the year ended December 31, 2016, mentioned in the special report in compliance with Articles L. 225-86 et seq. of the French Commercial Code.

Sixth resolution

Reappointment of Exco Paris Ace (formerly known as ACE Auditeurs et Conseil d'Entreprise SA) as principal Statutory Auditor

On the proposal of the Supervisory Board, the Shareholders' Meeting reappoints Exco Paris Ace (formerly known as ACE Auditeurs et Conseil d'Entreprise SA), located at 5, avenue Franklin Roosevelt 75008 Paris, registered in the Paris Trade and Companies Register under number 380,623,868, the term of office of which expires at the end of the present Shareholders' Meeting, as principal Statutory Auditor for a term of six financial years, that is, until the end of the Annual Ordinary Shareholders' Meeting to be held in 2023 called to approve the financial statements for the 2022 financial year.

The company Exco Paris Ace has declared that they accept these duties.

Seventh resolution

Reappointment of KPMG SA as principal Statutory Auditor

Following the merger of the company KPMG Audit FS II into the company KPMG SA, the latter has continued to hold the office of the principal Statutory Auditor KPMG Audit FS II, until the expiration thereof, in accordance with Article L. 823-5 of the French Commercial Code. This term of office is expiring at the end of the present Shareholders' Meeting.

On the proposal of the Supervisory Board, the Shareholders' Meeting reappoints KPMG SA, the term of office of which expires at the end of the present Shareholders' Meeting, as principal Statutory Auditor for a term of six financial years, that is, until the end of the Annual Ordinary Shareholders' Meeting held in 2023 called to approve the financial statements for the 2022 financial year.

The company KPMG SA has declared that they accept these duties.

Eighth resolution

Non-reappointment and non-replacement of Mr. Emmanuel Charrier as Deputy Statutory Auditor

As Exco Paris Ace, principal Statutory Auditor, is neither an individual nor a sole proprietorship, the Shareholders' Meeting, subject to adoption of the eighteenth resolution, as a special measure aimed at harmonizing Article 19 of the Articles of Association relating to Statutory Auditors with the new provisions of Law no. 2016-1691 of December 9, 2016, the so-called Sapin II Law, decides not to reappoint and not to replace Mr. Emmanuel Charrier as Deputy Statutory Auditor.

Ninth resolution

Non-reappointment and non-replacement of KPMG Audit FS I as Deputy Statutory Auditor

As KPMG SA, principal Statutory Auditor, is neither an individual nor a sole proprietorship, the Shareholders' Meeting, subject to adoption of the eighteenth resolution, as a special measure aimed at harmonizing Article 19 of the Articles of Association relating to Statutory Auditors with the new provisions of Law no. 2016-1691 of December 9, 2016, the so-called Sapin II Law, decides not to reappoint and not to replace KPMG Audit FS I as Deputy Statutory Auditor.

Tenth resolution

Approval of the principles and criteria for the determination, distribution and allocation of the compensation of the Chairman of the Board of Management and the members of the Board of Management for 2017

The Shareholders' Meeting, having reviewed the reports on the policy for the compensation of the Chairman of the Board of Management and the members of the Board of Management established in application of Article L. 225-82-2 of the French Commercial Code, approves the principles and criteria for the determination, distribution, and allocation of the fixed, variable and exceptional elements composing the total compensation and the benefits of any type allocated to the Chairman of the Board of Management and the members of the Board of Management for 2017 for their terms as presented on pages 59 onwards of the 2016 Registration Document.

Eleventh resolution

Approval of the principles and criteria for the determination, distribution and allocation of the compensation of the Chairman of the Supervisory Board and the members of the Supervisory Board for 2017

The Shareholders' Meeting, having reviewed the reports on the policy for the compensation of the Chairman of the Supervisory Board and of the members of the Supervisory Board established in application of Article L. 225-82-2 of the French Commercial Code, approves the principles and criteria for the determination, distribution, and allocation of the fixed, variable and exceptional elements composing the total compensation and the benefits of any type allocated to the Chairman of the Supervisory Board and the members of the Supervisory Board for 2017 for their terms as presented on page 74 of the 2016 Registration Document.

Twelfth resolution

Mandatory vote on the elements of compensation due or allocated for the financial year ended December 31, 2016 to Mr. Wilfried Verstraete, Chairman of the Board of Management

The Shareholders' Meeting, pursuant to the recommendation in section 26 of the AFEP-MEDEF Corporate Governance Code of November 2016, which is the Company's reference code for the implementation of Article L. 225-68 of the French Commercial Code, issues a favorable opinion on the elements of the compensation due or allocated for the financial year ended December 31, 2016, to Mr. Wilfried Verstraete, Chairman of the Board of Management, as shown on page 269 of the 2016 Registration Document.

Thirteenth resolution

Mandatory vote on the elements of compensation due or allocated for the financial year ended December 31, 2016 to Mr. Frédéric Bizière, Mr. Paul Overeem, and Ms. Clarisse Kopff, members of the Board of Management, to Mr. Gerd-Uwe Baden and Mr. Dirk Oevermann, members of the Board of Management until March 31, 2016 and to Mr. Michele Pignotti and Mr. Ludovic Sénécaut, members of the Board of Management since April 1, 2016

The Shareholders' Meeting, pursuant to recommendation in section 26 of the AFEP-MEDEF Corporate Governance Code of November 2016, which is the Company's reference code for the implementation of Article L. 225-68 of the French Commercial Code, issues a favorable opinion on the elements of compensation due or allocated for the financial year ended December 31, 2016 to Mr. Frédéric Bizière, Mr. Paul Overeem, and Ms. Clarisse Kopff, members of the Board of Management, Mr. Gerd-Uwe Baden and Mr. Dirk Oevermann, members of the Board of Management until March 31, 2016, and Mr. Michele Pignotti and Mr. Ludovic Sénécaut, members of the Board of Management since April 1, 2016, as shown on pages 270 onwards of the 2016 Registration Document.

Fourteenth resolution

Mandatory vote on the elements of compensation due or allocated for the financial year ended December 31, 2016 to Mr. Clement Booth, Chairman of the Supervisory Board until May 25, 2016 and Mr. Axel Theis, Chairman of the Supervisory Board since May 25, 2016

The Shareholders' Meeting, pursuant to recommendation in section 26 of the AFEP-MEDEF Corporate Governance Code of November 2016, which is the Company's reference code for the implementation of Article L. 225-68 of the French Commercial Code, issues a favorable opinion on the elements of compensation due or allocated for the financial year ended December 31, 2016 to Mr. Clement Booth, Chairman of the Supervisory Board until May 25, 2016, as shown on page 277 of the 2016 Registration Document, and confirms that Mr. Axel Theis, Chairman of the Supervisory Board since May 25, 2016, has not received any compensation for the financial year ended December 31, 2016.

Fifteenth resolution

Authorization to be granted to the Board of Management to enable the Company to buy back its own shares pursuant to Article L. 225-209 of the French Commercial Code

The Shareholders' Meeting, having reviewed the Board of Management's report, authorizes the Board of Management, for a period of eighteen months, pursuant to Articles L. 225-209 et seq. of the French Commercial Code, to buy back, on one or more occasions at such times as it deems appropriate, Company shares up to a maximum of 10% of the number of shares comprising the share capital, adjusted where applicable to take into account any capital increases or reductions applied during the program.

This authorization replaces the authorization granted to the Board of Management under the twenty-second ordinary resolution of the Shareholders' Meeting held on May 25, 2016.

The acquisitions will be carried out in view of any allocation allowed by law, in particular to:

- stimulate the secondary market or the liquidity of Euler Hermes Group's stock through the use of an investment services provider acting within the framework of a liquidity agreement that complies with the code of conduct of the *Association Française des Marchés Financiers* (AMAFI), recognized by the *Autorité des Marchés Financiers* (AMF);
- hold the purchased shares in reserve for later use as exchange or payment as part of possible acquisition transactions, it being specified that the shares acquired for this purpose may not exceed 5% of the Company's share capital;
- cover share purchase plans and/or bonus share plans (or similar plans) for the benefit of employees and/or corporate officers of the Group, and any allocation of shares in respect of a Company or Group savings plan (or similar plan), in respect of employee profit-sharing and/or any other form of share allocation to the employees and/or corporate officers of the Group;

- cover securities granting entitlement to the allocation of Company shares pursuant to applicable regulations;
- potentially cancel purchased shares, pursuant to the authorization granted by the twenty-third extraordinary resolution of the Shareholders' Meeting of May 25, 2016.

Such share purchases may be made by any means, including via the acquisition of blocks of securities, and at the times deemed necessary by the Board of Management.

These transactions may not be carried out during a public offering period.

The Company does not plan to use option-based arrangements or derivative products.

The maximum purchase price is set at €140 per share. In the event of a capital transaction, particularly a stock split, reverse split or allocation of bonus shares, the above-indicated amount will be adjusted in the same proportions (by applying a multiplier equal to the ratio of the number of shares comprising the share capital before the transaction to the number of shares after the transaction).

The maximum amount of the transaction is thus set at €596,982,820.

The Shareholders' Meeting grants full powers to the Board of Management, with the option to sub-delegate, to carry out these transactions, set the terms and conditions, enter into any agreements and carry out all formalities.

Extraordinary items

Sixteenth resolution

Harmonization of Article 4 "Registered Office" of the Company's Articles of Association relating to the transfer of the registered office

The Shareholders' Meeting, having reviewed the report of the Board of Management, resolves to bring Article 4 of the Articles of Association entitled "Registered Office" into compliance with the provisions of Law no. 2016-1691 on transparency, the fight against corruption and modernization of economic life, the so-called "Sapin II" law.

Consequently, subparagraph 2 of Article 4 of the Articles of Association is amended as follows:

"It may be transferred to any other place on the French territory by a decision of the Supervisory Board, on condition that the decision is ratified by the next following Ordinary Shareholders' Meeting".

Subparagraph 3 of Article 4 is removed.

The remainder of the article is unchanged.

Seventeenth resolution

Harmonization of Article 12 "Powers" of the Company's Articles of Association relating to advance authorization of certain decisions of the Board of Management by the Supervisory Board

The Shareholders' Meeting, having reviewed the report of the Board of Management, resolves to bring Article 12 "Powers" of the Articles of Association entitled "Registered office" into compliance with the provisions of Law no. 2016-1691 on transparency, the fight against corruption and modernization of economic life, the so-called "Sapin II" law, by removing the obligation to submit for advance authorization by the Supervisory Board the decision of the Board of Management on the disposal of real estate property, the total or partial disposal of investments and the constitution of guarantees.

Consequently, subparagraph 10 of Article 12 of the Articles of Association is removed, the remainder of the article is unchanged.

Eighteenth resolution

Harmonization of Article 19 of the Company's Articles of Association concerning the Statutory Auditor

The Shareholders' Meeting, having reviewed the report of the Board of Management, resolves to bring Article 19 of the Articles of Association with the provisions of Law no. 2016-315 of March 17, 2016, related to the Statutory Auditor and with the provisions of Law no. 2016-1691 on transparency, the fight against corruption and modernization of economic life, the so-called "Sapin II" law, and consequently, to remove the second subparagraph of Article 19 of the Company's Articles of Association, and the remainder of the article is unchanged.

Nineteenth resolution

Amendment to Article 11 of the Articles of Association concerning the obligation to hold shares applicable to the members of the Supervisory Board

The Shareholders' Meeting, having reviewed the report of the Board of Management, resolves to amend Article 11 "Members – Functions – Compensation" of the Articles of Association by removing the obligation for the members of the Supervisory Board to hold at least five shares for their term of office.

Consequently, subparagraph 6 of Article 11 of the Articles of Association is removed, the remainder of the article is unchanged.

Twentieth resolution

Delegation to be granted to the Supervisory Board to make the necessary changes to the Company's Articles of Association to bring them into compliance with legal and regulatory provisions

The Shareholders' Meeting, having reviewed the report of the Board of Management, authorizes the Supervisory Board to bring the Articles of Association into compliance with legal and regulatory provisions, subject to ratification of these amendments by the next following Extraordinary Shareholders' Meeting.

Twenty-first resolution

Powers for formalities

The Shareholders' Meeting grants all powers to the bearer of an original, a copy or an extract of these minutes for the purposes of carrying out all the filing or registration formalities required by law.

8.5 Description of the share buyback program

Euler Hermes Group, a company listed on Euronext Paris (compartment A), wishes to retain a share buyback program. With this objective in mind, the fifteenth resolution to be submitted to the Combined Shareholders' Meeting on May 24, 2017 will seek authorization to implement a new share buyback program, in accordance with Article L. 225-209 of the French Commercial Code, regulation no. 2273/2003 of the European Commission of December 22, 2003 taken in application of

Directive 2003/6/EC of January 28, 2003 and Articles 241-1 to 241-6 of the general regulations of the *Autorité des Marchés Financiers* (AMF).

This program will replace the existing program set up by the Combined Shareholders' Meeting of May 25, 2016, which authorized the Board of Management of Euler Hermes Group to use all means to buy back the Company's own shares.

Date of the Shareholders' Meeting called to authorize the new share buyback program

The new share buyback program will be submitted for approval to the Combined Shareholders' Meeting to be held on May 24, 2017.

Number of shares and proportion of share capital held directly or indirectly by the Company

The total number of shares held directly by Euler Hermes Group as at March 31, 2017 amounts to 619,689 (i.e. 1.45% of the share capital). Euler Hermes group holds no shares indirectly.

Nature of share capital held

The share capital can be placed within three categories as at March 31, 2017:

- 100,000 treasury shares to be granted to employees and management of the Company and its subsidiaries as a reward for their participation in the expansion of the Company or as part of a share purchase plan, the free granting of existing shares or a company savings scheme;
- 518,689 shares to be used in swap operations within the framework of external growth operations or in the event of share issues giving access to the Company's capital;
- 1,000 shares used as part of a liquidity contract concluded with Rothschild & Cie Banque.

The aims of the new share buyback program

The share buybacks will be authorized with a view to:

- stimulating the secondary market or the liquidity of Euler Hermes Group's stock through the use of an independent investment professional via a liquidity contract that is in accordance with the ethics charter of the AMAFI, as recognized by the AMF;
- holding the purchased shares in reserve for later use as payment or in a share swap as part of any acquisition transaction, it being specified that the shares acquired for this purpose may not exceed 5% of the Company's share capital;
- covering share purchase plans and/or bonus share plans (or similar plans) for the benefit of employees and/or corporate officers of the Group, and any allocation of shares in respect of a Company or Group savings plan (or similar plan), in respect of employee profit-sharing and/or any other form of share allocation to the employees and/or corporate officers of the Group;

- covering securities granting entitlement to the allocation of Company shares pursuant to applicable regulations;
- potentially cancelling purchased shares, pursuant to the authorization granted by the fifteenth extraordinary resolution of the Combined Shareholders' Meeting of May 24, 2017.

These share purchases may be carried out by any means, including via the acquisition of blocks of securities and at the times that the Board of Management deems appropriate, it being specified that the share of the program that may be carried out by negotiating blocks of shares is unlimited.

These transactions may be carried out during a public offer in accordance with the regulations in force.

Maximum proportion of share capital to be acquired and the maximum number of shares that can be purchased, the nature of shares that can be bought back and maximum purchase price

1 Maximum proportion of share capital to be acquired by Euler Hermes group

Under the terms of this new program, the Board of Management is authorized to buy back Company shares within the limit of 10% of the number of shares making up the Company's share capital, adjusted, where necessary, to account for any capital increase or reduction that may occur during the program. The number of shares taken into account to calculate this limit corresponds to the number of shares purchased less the number of shares resold during the program as part of the purpose of liquidity.

In accordance with the law, Euler Hermes Group undertakes not to buy back, either directly or indirectly, more than 10% of its capital (consisting of 42,641,635 shares as at March 31, 2017).

In accordance with Article L. 225-210 of the French Commercial Code, the number of shares that Euler Hermes Group will hold at any given time must not exceed 10% of the total shares making up the Company's share capital on that date.

Based on the number of shares already held, i.e. 619,689 shares as at March 31, 2017 (1.45% of the share capital), and dependent on eventual adjustments to the Company's share capital following the Combined

Shareholders' Meeting of May 24, 2017, the buybacks may not exceed 3,644,474 shares (8.55% of the share capital), unless to sell or cancel shares already held.

2 Characteristics of the shares concerned

Nature of the bought-back stock: ordinary shares.

Code: ELE.

ISIN code: FR 0004254035.

3 Maximum purchase price

In accordance with the fifteenth resolution proposed at the Combined Shareholders' Meeting of May 24, 2017, the maximum purchase price (excluding expenses) for the new share buyback program is set at € 140 per share.

Note also that the maximum sum that Euler Hermes Group may commit to this program will be € 596,982,820 in accordance with the fifteenth resolution to be submitted to the Combined Shareholders' Meeting of May 24, 2017.

Duration of the program

In accordance with the fifteenth resolution submitted to the Combined Shareholders' Meeting on May 24, 2017, the program will last no longer than eighteen months from the date of the above-mentioned meeting and must therefore terminate no later than November 24, 2018 or a new date determined by an Ordinary Shareholders' Meeting held before that date.

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9.1 Person responsible for the Registration Document

Wilfried Verstraete, Chairman of the Board of Management.

9.2 Declaration of person responsible

I declare, having taken all reasonable measures to this effect and to the best of my knowledge, that the information contained in this Registration Document is correct and true and that there are no omissions that might alter the scope of the document.

I declare, to the best of my knowledge, that the accounts have been compiled in accordance with applicable accounting standards and that they provide an accurate reflection of the assets, the financial position and the earnings of the Company and all the companies in the consolidation group, and that the management report, the different sections of which are mentioned in section 9.6.1 of this Registration Document, presents an accurate picture of the business trends, the results and the financial position of the Company and all the companies

in the consolidation group and a description of the main risks and uncertainties that these companies are confronted with.

I have received from the Statutory Auditors a letter of completion attesting that they have verified all information related to the financial position and accounts provided in this Registration Document and that they have read the entire document.

Paris, April 19, 2017

Wilfried Verstraete

Chairman of the Board of Management

9.3 Independent auditors

9.3.1 Statutory Auditors

EXCO Paris Ace SA

5 avenue Franklin-Roosevelt
75008 Paris, France

Represented by Alain Auvray.

Please note that following the change of the company name, ACE Auditeurs et Conseils d'Entreprise has become since 8 December 2015, EXCO Paris Ace SA.

EXCO Paris Ace is registered with the Paris Regional Auditors Office (*Compagnie régionale des Commissaires aux comptes de Paris*).

The Shareholders' Meeting of May 20, 2011 renewed the mandate of EXCO Paris Ace, as Statutory Auditor for a period of six years, ending at the Shareholders' Meeting approving the financial statements for the year ended December 31, 2016. Since 2015 the company, Exo Paris Ace, has been represented by Alain Auvray.

At the Shareholders' Meeting to be held on May 24, 2017, it will be proposed to re-appoint EXCO Paris Ace as Statutory Auditor.

KPMG SA

Tour EQHO
2 avenue Gambetta
92066 Paris-La Défense Cedex, France

Represented by Xavier Dupuy.

KPMG AUDIT FS II is registered with the Versailles Regional Auditors Office (*Compagnie régionale des Commissaires aux comptes de Versailles*).

The Shareholders' Meeting of May 20, 2011, appointed KPMG AUDIT FS II (absorbed by KPMG SA since January 2017) as Statutory Auditor for a period of six years, ending at the Shareholders' Meeting approving the financial statements for the year ended December 31, 2016. Since September 2012, KPMG AUDIT FS II has been represented by Xavier Dupuy.

At the Shareholders' Meeting to be held on May 24, 2017, it will be proposed to re-appoint KPMG SA as Statutory Auditor.

9.3.2 Deputy Statutory Auditors

Emmanuel Charrier

5 avenue Franklin-Roosevelt
75008 Paris

Deputy Statutory Auditor for EXCO Paris Ace, Emmanuel Charrier is registered with the Paris Regional Auditors Office.

The Shareholders' Meeting of May 20, 2011 renewed the mandate of Emmanuel Charrier as Deputy Statutory Auditor for EXCO Paris Ace, for a period of six years, ending at the Shareholders' Meeting approving the financial statements for the year ended December 31, 2016.

Article L. 823-1 of the French Commercial Code, subparagraph 2, in its new version by virtue of Law no. 2016-1691 of December 9, 2016, the so-called Sapin II Law, henceforth exempts commercial companies from appointing a Deputy Statutory Auditor when the principal Statutory Auditor is neither an individual nor a sole proprietorship.

Thus, subject to adoption of the eighteenth resolution, as a special measure aimed at harmonizing Article 19 of the Articles of Articles relating to Statutory Auditors with the new provisions of Law no. 2016-1691 of December 9, 2016, the so-called Sapin II Law, it is proposed not to reappoint and not to replace Emmanuel Charrier as Deputy Statutory Auditor.

KPMG AUDIT FS I

Tour EQHO
2 avenue Gambetta
92066 Paris-La Défense Cedex

Deputy Statutory Auditor for KPMG SA, KPMG AUDIT FS I is registered with the Versailles Regional Auditors Office.

The Shareholders' Meeting of May 20, 2011, as a replacement for SCP Jean-Claude André et Autres, appointed KPMG AUDIT FS I as Deputy Statutory Auditor for KPMG AUDIT FS II (absorbed by KPMG SA since January 2017) for a period of six years, ending at the Shareholders' Meeting approving the financial statements for the year ended December 31, 2016.

Article L. 823-1 of the French Commercial Code, subparagraph 2, in its new version by virtue of Law no. 2016-1691 of December 9, 2016, the so-called Sapin II Law, henceforth exempts commercial companies from appointing a Deputy Statutory Auditor when the principal Statutory Auditor is neither an individual nor a sole proprietorship.

Thus, subject to adoption of the eighteenth resolution, as a special measure aimed at harmonizing Article 19 of the Articles of Articles relating to Statutory Auditors with the new provisions of Law no. 2016-1691 of December 9, 2016, the so-called Sapin II Law, it is proposed not to reappoint and not to replace KPMG AUDIT FS I as Deputy Statutory Auditor.

9.3.3 Independent auditors' fees

Please refer to Note 34 ("Auditors' fees") of the consolidated financial statements in sub-section 5.6 of this Registration Document, which contains a table outlining the total fees paid by Euler Hermes Group to

each of the Group's independent auditors, and which distinguishes between the fees related to the auditors' legal duties and the due diligence related to these duties, and the fees paid for other services.

9.4 Documents available to the public

The following documents can be consulted at Euler Hermes Group's registered office (Legal department) the address which is mentioned in sub-section 7.1.1 up until the publication of the next Registration Document:

- the Articles of Association;
- reports and other documents drawn up by experts at the Company's request, extracts from which are included or referred to in this Registration Document;

- the parent company and consolidated financial statements of the Company for each of the two financial years preceding the publication of the current Registration Document.

9.5 Glossary

Acquisition cost (of assets): the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition.

Acquisition cost (of premium): cost which is incurred by an insurance company to acquire new insurance policies or to renew existing policies. This cost includes commissions paid, underwriting costs and policy issuance related costs.

Amortized cost: the amortized cost of a financial asset or financial liability is the amount at which the financial instrument is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount.

Available-for-sale (AFS) investments: securities which are neither held to maturity nor have been acquired for sale in the near term; available-for-sale investments are carried at fair value in the balance sheet.

Business combination: a business combination is a transaction or event in which an acquirer obtains control of one or more businesses. Business combinations are accounted for using the acquisition method.

Bond: a bond is a negotiable debt security representing a fraction of a loan issued by a company, public sector entity or state. Bondholders are repaid before shareholders if the issuing company goes bankrupt. However, bondholders are not entitled to any of the rights attached to shares (rights to earnings and the right to manage the company via voting rights).

Broker: an independent intermediary who canvasses companies in order to offer them a credit insurance policy. Brokers advise policyholders during the implementation of the policy or agreement and in its day-to-day administration.

Capital increase: when a company needs funds, it may perform a capital increase. It offers the opportunity, notably to existing shareholders, to subscribe to new shares at a given price.

Cash flow statement: statement showing movements of cash and cash equivalents during a reporting period, classified by three types of activity; operating activities, investing activities and financing activities.

Cash pooling: centralized cash management method which consists in combining a group's bank accounts in a single cash position. The goal is to optimize cash requirements and surpluses; it may be domestic or international, notional or involve the actual transfer of funds.

CET (Compte Épargne Temps): time-saving plan used by employees to set aside accrued leave.

Claim: situation in which a risk is realized. This entitles the policyholder to compensation and triggers the compensation mechanism provided for in the credit insurance policy.

Collection: extra-judicial and/or judicial procedure conducted by the Group to secure payment of a receivable by the debtor.

Combined ratio: represents the total expenses, including service margin, and total claims, divided by total earned premiums. Said differently, combined ratio corresponds to the sum of the cost ratio and the loss ratio.

Contingent liabilities: financial obligations not shown as liabilities on the balance sheet because the probability of a liability actually being incurred is low. Example: guarantee obligations.

Cox Ross Rubinstein model (CRR): simplified binomial model used for valuation of option plans.

Credit insurance: a technique whereby a company protects itself against the risks of non-payment of its trade receivables.

Credit risk: the risk of a loss incurring due to a counterpart's deterioration of credit quality or its default.

Deferred acquisition cost (relating to premium): the amount of an insurer's acquisition costs incurred as premium is written but earned and expensed over the term of the policy. The unearned portion is capitalized and recognized as an asset on the insurer's balance sheet, and amortized over the life of the policy.

Deferred tax assets/liabilities: the calculation of deferred taxes is based on tax loss carry forwards, tax credit carry forwards and temporary differences between the carrying amounts of assets or liabilities in the published balance sheet and their tax base, and on differences arising from applying uniform valuation policies for consolidation purposes. The tax rates used for the calculation are the local rates applicable in the countries of the entities included in the consolidation; changes to tax rates already adopted on the balance sheet date are taken into account.

Defined benefit plans: for defined benefit plans, the participant is granted a defined benefit by the employer or via an external entity. In contrast to defined contribution arrangements, the future cost of a defined benefit to the employer plan is not known with certainty in advance. To determine the expense over the period, accounting regulations require that actuarial calculations are carried out according to a fixed set of rules.

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 and does not participate in the investment success of the contributions.

Dilutive effect: effect that decreases earnings per share (for example by increasing the number of shares).

Dividend: the portion of a company's earnings attributable to the shareholder. A distinction is made between the net dividend, i.e. the amount actually paid by the Company to the shareholder, and the gross dividend, which also includes the tax credit.

Earnings per share (EPS): ratio calculated by dividing the net income for the year attributable to shareholders by the weighted average number of shares outstanding (basic EPS). For calculating diluted EPS, the number of shares and the net income for the year attributable to shareholders are adjusted by the dilutive effects of any rights to subscribe for shares which have been or can still be exercised. Subscription rights arise in connection with participation certificates and share-based compensation plans.

Equity method: accounting method whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets.

Expense ratio: contract acquisition expenses, administration expenses and service margin as a proportion of earned premiums. The service margin corresponds to service revenues less other ordinary operating income and expenses. It can be in "gross terms" i.e. before reinsurance, or "net terms" which includes the reinsurance commission.

Fair value: the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FTE: Full-Time Equivalent.

Functional currency: the functional currency is the prevailing currency in the primary economic environment where the subsidiary conducts its ordinary activities.

Gross/Net: In insurance terminology, the terms gross and net mean before and after deduction of reinsurance, respectively. In investment terminology, the term net is used where the relevant expenses have already been deducted from the respective income.

Hedging: the use of special financial contracts, especially derivative financial instruments, to reduce losses which may arise as a result of unfavorable movements in rates or prices.

Held for sale: a non-current asset is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use. On the date a non-current asset meets the criteria as held for sale, it is measured at the lower of its carrying amount and fair value less costs to sell.

Held-to-maturity (HTM) investments: held to maturity investments comprises debt securities held with the intent and ability that they will be held-to-maturity. They are values at amortized cost.

IAS: International Accounting Standards.

IFRS: International Financial Reporting Standards. Since 2002, the designation IFRS applies to the overall framework of all standards approved by the International Accounting Standards Board (IASB). Already approved standards will continue to be cited as International Accounting standards (IAS).

Indemnification: where the Group reimburses the losses sustained by a policyholder as the result of the insolvency of one or more of its customers provided they are covered by an existing policy at the time of loss.

Index: instrument used to measure and compare the performance of shares or bonds.

Insolvency: legally recognized incapacity of the debtor to meet his or her commitments and, as such, to pay his or her debt.

Joint Venture: A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Loss ratio: claims costs from all attachment years as a proportion of earned premiums. It can be in "gross terms" i.e. before reinsurance, or "net terms" which includes the part ceded to the reinsurers. It is the sum of the current year and previous year loss ratios.

Market capitalization: a company's stock market value. It is calculated by multiplying the share price by the number of shares comprising share capital.

Market risk: the risk of incurring losses due to changes in market prices or the parameters influencing these prices.

Market value: the amount obtainable from the sale of an investment in an active market.

Merger premium: premium equal to the difference between the capital increase of the acquiring company and the contribution of the acquired company.

Net book value: a company's net assets or total assets less total debts. In some respects, it represents a company's value. It can be calculated for the parent company (net book value) or for an entire group of companies (consolidated net book value).

Non-controlling interests: those parts of the equity of affiliates which are not owned by companies of the Group.

Pension and similar obligations: reserves for current and future post-employment benefits formed for the defined benefit plans of active and former employees. These also include reserves for health care benefits.

Price-Earnings Ratio (PER): ratio of the share price to earnings per share. It is also referred to as the capitalization multiple.

Permanent difference: difference between accounting and tax rules that has no impact on the subsequent years' taxable profit.

Policy: credit insurance contract between the Group and the policyholder.

Premium: amount paid by the policyholder to the insurance company in exchange for risk coverage. A distinction is made between:

- written premiums: the amount billed during the period to cover the risks under the contract;
- earned premiums: the portion of the premium written during the period or earlier corresponding to the coverage of risks during the period concerned; and
- unearned premiums: premium written attributable to income of future years. The amount is calculated separately for each policy and for every day that the premium still has yet to cover.

Prevention: process by which the policyholder may, based on information provided by the Group on the solvency of its customers, select its customers and reduce its own losses.

Proprietary information: information prepared by Group companies and owned exclusively by the Group. It is a guarantee of the service quality offered to its clients.

Receivables management: suite of services offered to companies aimed at ensuring the collection of receivables after invoicing debtors and up to litigation, where applicable.

Reinsurance: transaction whereby an insurance company transfers risk with a third party (the reinsurer) against some of its risk that it has guaranteed, in exchange for the payment of a premium and receipt of commission.

Reinsurance commission: the commission paid by the reinsurer to the ceding company on reinsurance agreements as compensation to place the business with the reinsurer and to cover the ceding company's acquisition expenses.

Retained earnings: in addition to the reserve required by law in the financial statements of the Group parent company, this item consists mainly of the undistributed profits of Group enterprises and amounts transferred from consolidated net income.

Risk appetite: the level of risk that an organization is prepared to accept, before action is deemed necessary to reduce it. Risk appetite is therefore clearly and comprehensively defined by using target and minimum risk indicators, (quantitative) limit systems, or adequate policies, standards and guidelines to determine the "boundaries" of the Group's business operations.

Risk Capital: in the context of economic solvency, it is the central parameter used to define Risk tolerance as part of the Solvency Assessment. It serves as a key indicator in the decision-making and risk management process with respect to Capital allocation and limit steering. Capital is to be understood as risk-bearing capacity or available financial resources.

RSU (Restricted Stock Units): compensation offered by an employer to an employee in the form of company stock. The stock awarded becomes transferrable to the employee upon the satisfaction of certain conditions, such as continued employment for a period of time or/and the achievement of financial targets.

SAR (Stock Appreciation Rights): a right usually granted to an employee to receive a bonus equal to the appreciation in the Company's stock over a specified period. The employee receives the amount of the increase in cash or stock.

Service revenues:

- information services: research and analysis carried out to provide our policyholders with the required credit insurance cover, and grading and monitoring of the solvency of their customers;
- collection services: extra-judicial and/or judicial procedure conducted by the Group to secure payment of a receivable from the debtor.

Share premium: as part of a capital increase, the premium is the difference between the subscription amount (valuation of the Company) and the nominal value of share capital. The share premium forms part of a company's shareholders' equity.

Shares in associated enterprises: long-term investments that are deemed to contribute to the Company's business, particularly because they enable the Company to influence the management or assume control of the enterprise concerned.

Solvency II: A European regulatory reform of the insurance sector, modifying solvency requirements. It came into effect on January 1, 2016. The Solvency II Directive aims to create a harmonized, risk-orientated solvency regime resulting in capital requirements for (re) insurance companies that are more reflective of the risks they run. Its objectives are to deepen the integration of the EU insurance market, to improve the protection of policyholders and beneficiaries, to improve the international competitiveness of EU insurers and to instill better regulation of the EU insurance markets.

Solvency II Ratio: an indicator that summarizes the capacity of the company to face its commitments towards its clients, investors and other counterparts. Technically, it equals the Own Funds (more or less net assets measured at market value) divided by the Solvency II Capital Requirement (SCR).

Stock option: options to purchase or subscribe stock at a fixed price, usually distributed to executives of a company to give them a vested interest in increasing the Company's value.

Sums recovered: all collections after indemnification, when the insurance company takes over the policyholder's rights to receivables that are insured and have been indemnified.

Surplus claims reserve before reinsurance: the difference between the estimated final cost of claims at the end of the first year and the actual estimate for a given year of occurrence. The difference is calculated before reinsurance.

Sustainable development: launched in 1987 by the Brundtland Commission of the United Nations, this concept is based on the precept that we should "meet the needs of the present without compromising the ability of future generations to meet their own needs." When applied to a company, a sustainable-development policy assumes the simultaneous pursuit of three objectives: "economic growth, preservation of the environment and social well-being."

Tax proof: reconciliation of the total tax expense, as shown in the consolidated income statement, with the theoretical tax expense.

Technical reserves: amount of an insurer's commitments to its clients. They appear as liabilities in the balance sheet.

Technical result: sum of the turnover, the claims costs, the operating expenses (acquisition costs, administrative expenses and service expenses) and the reinsurance result.

Temporary differences: differences between the accounting and tax rules that have an impact on the subsequent years' taxable profit.

Turnover: sum of gross earned premiums and service revenues.

9.6 Cross-reference tables

9.6.1 Management report of the Board of Management – Cross-reference table

This Registration Document contains all the elements of the management report of the Euler Hermes Group Board of Management required by Articles L. 225-100 and L. 225-100-2 of the French Commercial Code.

Please find hereafter references to the extracts from the Registration Document corresponding to the different parts of the management report as approved by the Company's Board of Management.

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9.6.2 European regulation of April 29, 2004 – Cross-reference table

Please find hereafter references to the extracts from the Registration Document corresponding to main information required by Appendix 1 of the European regulation no. 809/2004 dated 29 April 2004.

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9.6.4 Annual financial report – Cross-reference table

This Registration Document integrates all elements of the annual financial report mentioned in section I of Article L. 451-1-2 of the Monetary and Financial Code and in Article 222-3 of the general regulations of the AMF.

Please find below references to the extracts from the Registration Document corresponding to the different sections in the annual financial report.

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2017 FINANCIAL CALENDAR

2017 FIRST QUARTER FINANCIAL RESULTS

05/05/2017

SHAREHOLDERS' MEETING

05/24/2017

2017 FIRST HALF YEAR FINANCIAL RESULTS

07/27/2017

2016 THIRD QUARTER FINANCIAL RESULTS

11/07/2017

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