

# Euler Hermes 2009 financial results

Analysts' conference call– 17 February 2010

A company of Allianz 

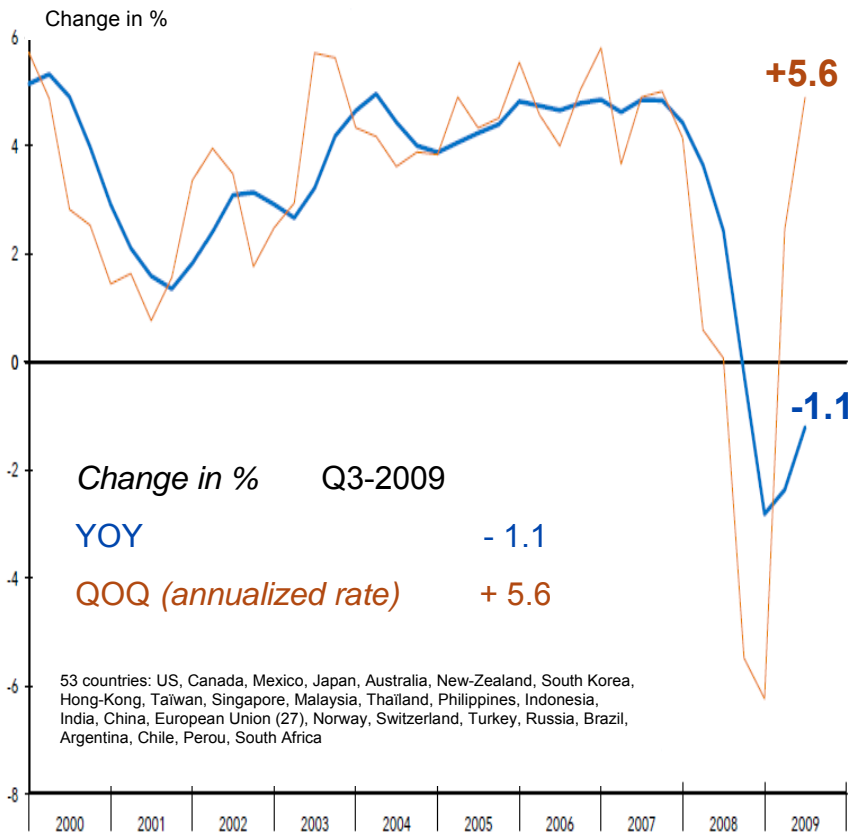


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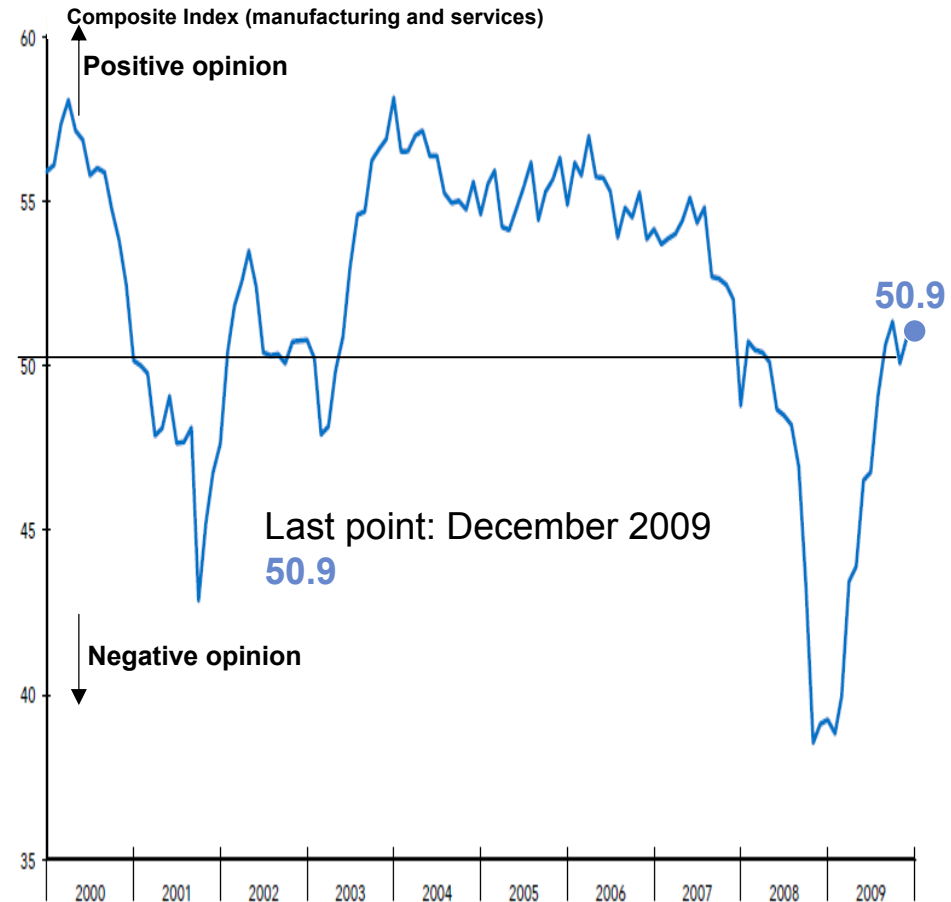
# The world economy has staged a technical exit from recession...

## World GDP (53 major countries)



Source: COE-Rexecode

## World Purchasing Manager Index



Source: Markit

... mainly thanks to the Asian countries and to significant lift-off factors

## Significant but temporary support factors

▶ Gradual ending of a largescale destocking

- OECD

▶ Massive fiscal stimulus

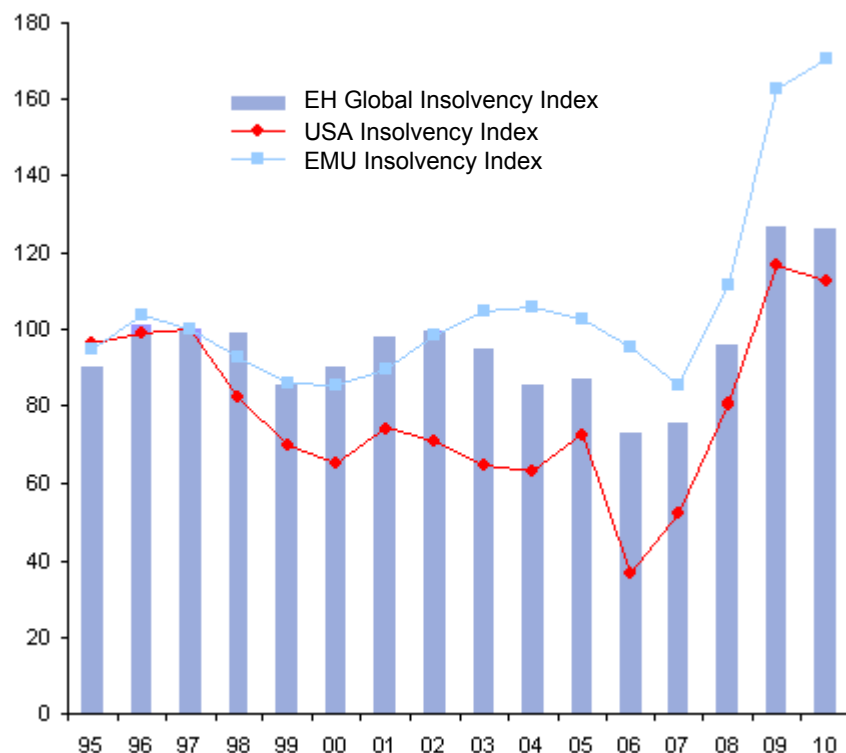
- US
- China

▶ Monetary expansion

Source: CPB

# What does 2010 look like?

## Business Insolvencies to stabilise at high level



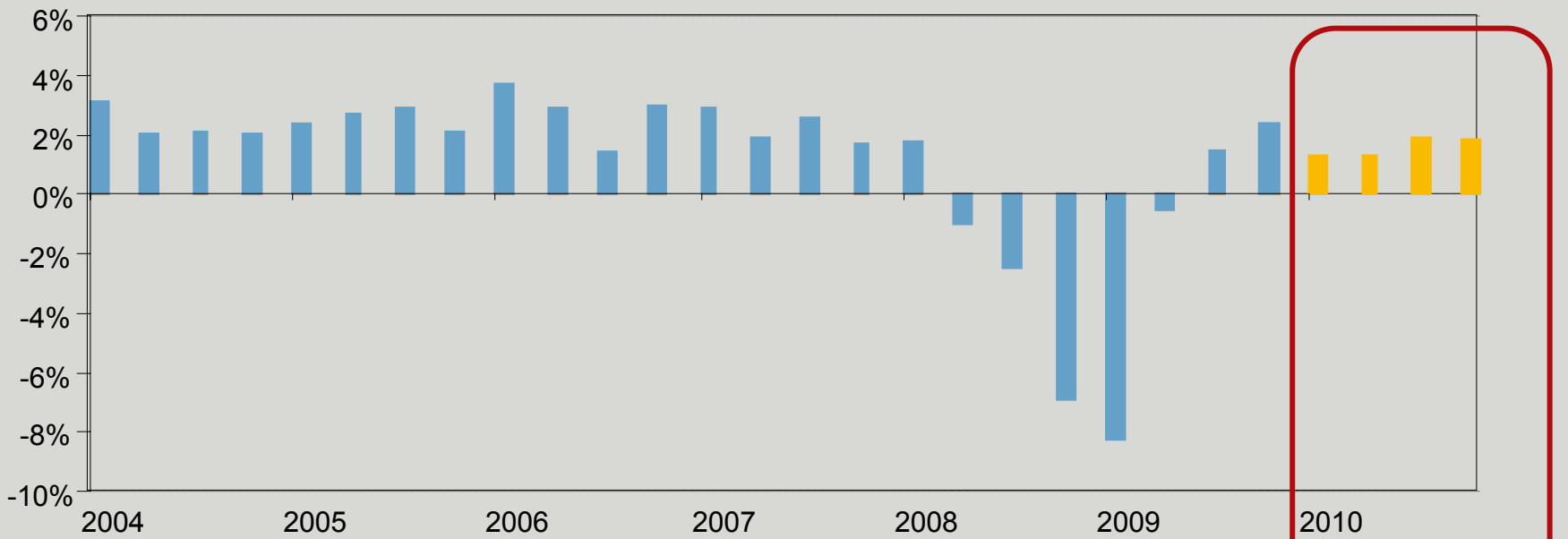
- An economic recovery slow and vulnerable
- Output not expected to return to pre-crisis level until 2011
- Business insolvencies will remain at high levels in 2010
- Businesses will not manage to bring their profitability back to pre-crisis levels before 2011, as the decline in turnover will continue to require significant adjustments

Source: Economic Outlook, November 2009

## Still limited potential of growth, especially in Europe

- OECD GDP accelerated by +2.6% in Q4 09 (after +1.6% in Q3 09 and -0.6% in Q2)...
- ... mainly thanks to the US (80% of Q4 09 growth) and it is still 3.6% under pre-crisis level and 1.2% under end of 2008 level
- Risk of running out of steam during 2010 (H1?)

### OECD GDP: annualised quarterly GDP growth



Source: Euler Hermes

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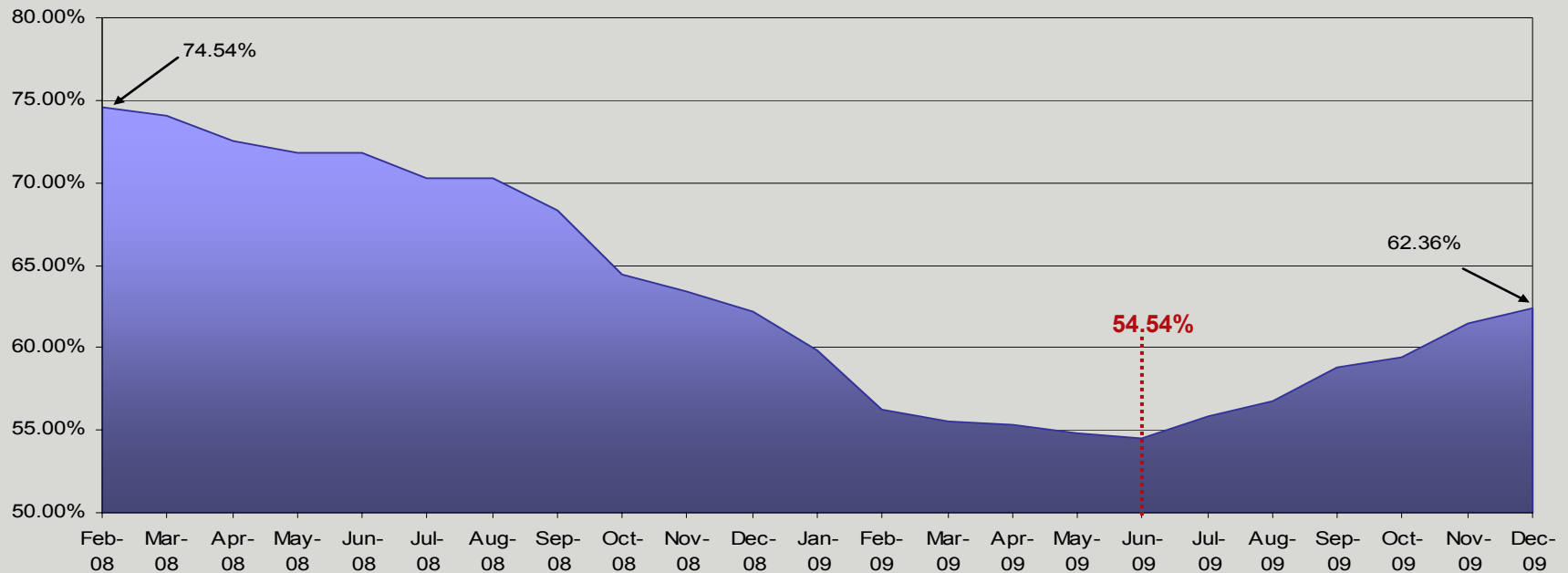
## Risk/Claims: Key developments in 2009

- ▶ Overall exposure down by 16% (risk actions, policy wastage)
  - Q1 – Q3: - 17%
  - Slight growth in Q4 (rising approval rates, less risk actions)
  
- ▶ Exposure on worst buyers (Grade 7 – 10) decreased from 2.68% to 0.98% of total exposure (in spite of continuous down-grading)
  
- ▶ Claims peaked in Q1/Q2. Decrease confirmed in Q4 (in spite of still rising insolvencies)



# Slight increase in risk acceptance since July 2009

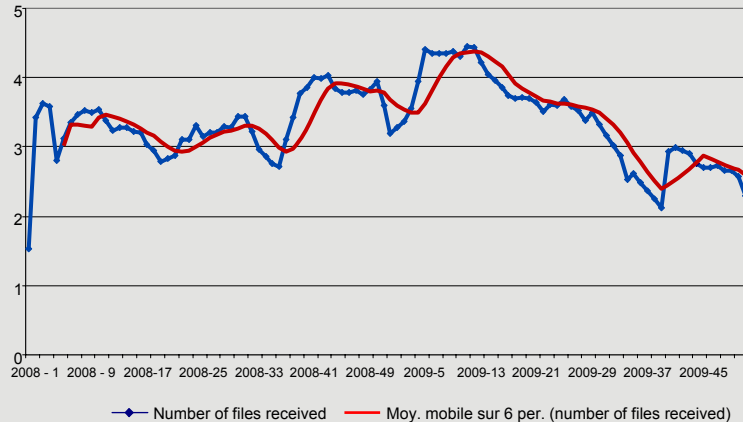
## Global approval rates



- Euler Hermes has restarted to increase its risk cover from June 2009 onwards

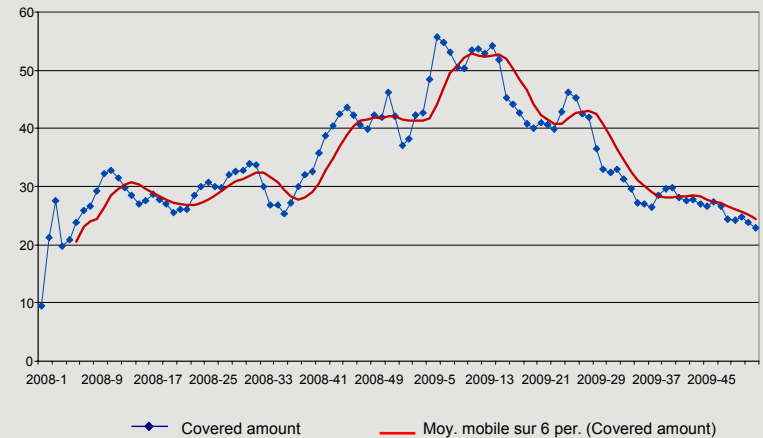
# Weekly Claims Trends of Large BUs (nb/covered amount)

**Evolution of number of claims (thousands)**



- Number of claims in 2009 similar to 2008 but strong deceleration of number of claims in Q4 (-29% vs Q3)

**Evolution of the covered amount (€ thousands)**

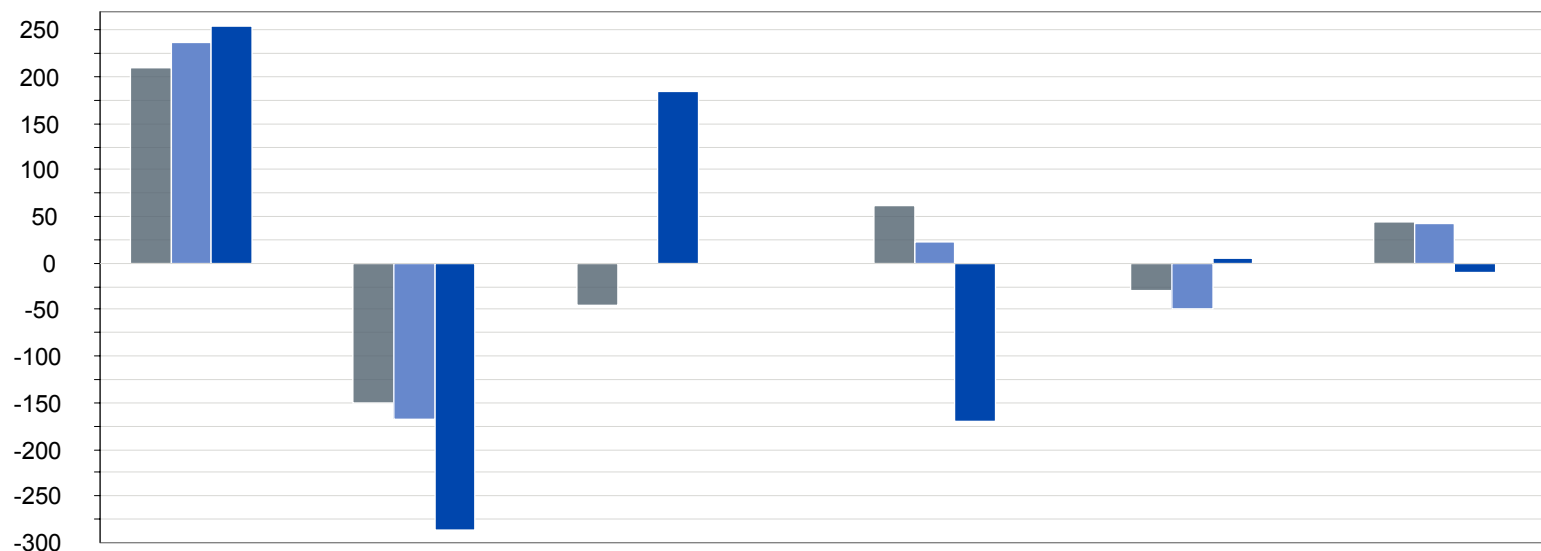


- Covered claims amount up by 20% on full year basis but strong decrease in Q4 (-31% vs Q3)

	2009 ytd/2008 ytd	Q4 2009/Q3 2009
Number	+2%	-20%
Amounts	+22%	-31%
Average amount	+20%	-15%

# Global overview of portfolio value evolution (Dec 09)

## Global overview of portfolio value evolution (in €M)



	New Business	Lost Premiums	Rate variation	Volume variation	Other variations	Total variations
Actual 2007	209 353	-150 602	-45 789	61 898	-30 260	44 599
Actual 2008	237 332	-166 942	-903	23 131	-49 670	42 948
Actual 2009	255 276	-286 531	184 977	-169 984	5 775	-10 487
Δ 2008 vs 2007	+13%	+11%	-98%	-63%	+64%	-4%
Δ 2009 vs 2008	+8%	+72%	ND	-835%	+112%	-124%

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# Key Figures Q4 2009

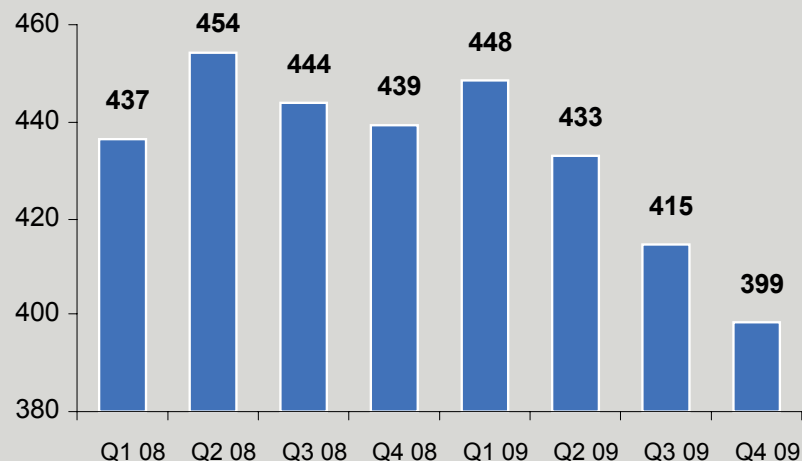
€M

	Q4 (Only) 2009	Q4 (Only) 2008	Δ amount	Δ in %
Turnover	488.5	542.5	-54.0	-10.0%
Technical result	6.3	-102.0	108.2	-106.2%
Net financial income (excluding financing costs)	29.5	22.3	7.2	32.1%
Operating income	35.8	-79.6	115.4	-144.9%
<i>Of which realised gains and losses</i>	11.5	-6.7	18.2	-273.0%
<i>Net of realised gains and losses</i>	24.2	-73.0	97.2	-133.2%
<b>Net consolidated result</b>	<b>18.1</b>	<b>-68.7</b>	<b>86.8</b>	<b>-126.4%</b>
<b>AZ Net combined ratio</b>	<b>100.3%</b>	<b>139.5%</b>		
<b>Euler Hermes Net combined ratio (including Service margin)</b>	<b>96.2%</b>	<b>129.4%</b>		
Euler Hermes Net loss ratio	71.8%	112.9%		
Euler Hermes Net cost ratio	24.4%	16.5%		

- Topline under pressure: -10% vs Q4 2008
- Positive net technical result after 4 negative quarters
- Euler Hermes net combined ratio back to below 100%
- Positive net result mainly linked to strong financial result

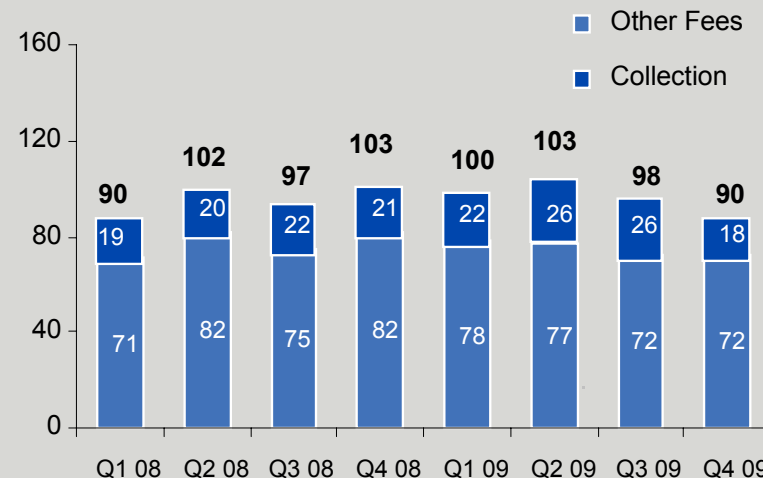
# Premium and Service Fees - Quarter by Quarter

## Earned Premium (€M)



- Premiums under pressure mainly linked to lower insured turnover
  - -9.1% vs Q4 2008
  - -3.9% vs Q3 2009

## Service Fees (€M)



- Services fees down by -12.6% vs Q4 2008
- Monitoring fees under pressure since beginning 2009
- Strong trend reversal on collection fees side mainly linked to lower debt collection volume

## Q4 2009 Net Claims Costs Evolution

€M

	Q4 (Only) 2009	Q4 (Only) 2008	Δ %
Net claim costs current attachment year	-169,271	-458,837	-63.1%
Net claims costs previous attachment year	-6,529	61,422	-110.6%
Total Net Claims costs	-175,800	-397,415	<b>-55.8%</b>
Gross Claims ratio current attachment year	-70.7%	-127.3%	
Gross Claims ratio attachment previous year	4.7%	20.5%	
Gross Claims ratio	-66.0%	-106.8%	
Net Claims ratio current attachment year	-69.2%	-130.3%	
Net Claims ratio attachment previous year	<b>-2.7%</b>	17.4%	
Net Claims ratio	-71.8%	-112.9%	

- Strong reduction of net claims of accident year 2009, both linked to lower gross claims (-50%) and higher cession to reinsurers (-12%)

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# Key Figures YTD December 2009

€M

	End of Dec 2009	End of Dec 2008	Δ in amount	Δ in %
Turnover	2,085.7	2,166.5	-80.7	-3.7%
Technical result	-64.8	35.6	-100.3	-282.2%
Net financial income (excluding financing costs)	148.4	132.9	15.5	11.6%
Operating income	83.6	168.5	-84.9	-50.4%
<i>Of which realised gains and losses</i>	71.3	16.5	54.8	331.6%
<i>Net of realised gains and losses</i>	12.3	152.0	-139.7	-91.9%
<b>Net consolidated result</b>	<b>19.0</b>	<b>83.6</b>	<b>-64.6</b>	<b>-77.3%</b>
<b>AZ Net combined ratio</b>	<b>111.5%</b>	<b>105.0%</b>		
<b>Euler Hermes Net combined ratio (including Service margin)</b>	<b>104.7%</b>	<b>97.2%</b>		
Euler Hermes Net loss ratio	82.1%	78.1%		
Euler Hermes Net cost ratio	22.6%	19.1%		

■ EH confirmed its 2009 outlook to shareholders:

- Net positive result of €19M
- Positive operating income of €83.6M including realised gains (€71.3M)
- Net technical result at €-64.8M for full year

## 2009 YTD Turnover Evolution

€M

	End of Dec 09	End of Dec 08	Δ amount	Δ %
Premium	1,694.5	1,774.0	-79.5	-4.5%
Other Revenues	391.2	392.5	-1.3	-0.3%
<b>Total Credit insurance turnover</b>	<b>2,085.7</b>	<b>2,166.5</b>	<b>-80.7</b>	<b>-3.7%</b>

- Strong reduction of insured turnover in H2 generated a decrease by -4.5% in earned premiums

## Earned premiums by activities

€M

	End of Dec 09	End of Dec 08	Δ %
Credit Insurance	1,483.2	1,558.8	-4.8%
Bonding	112.2	116.2	-3.4%
Fidelity	81.3	79.2	2.6%
Retail	17.7	19.7	-10.2%
<b>Earned premiums</b>	<b>1,694.5</b>	<b>1,774.0</b>	<b>-4.5%</b>

- Main decrease registered in Credit Insurance (-4.8%)
- Reductions in other business lines with no significant impact in K€

## 2009 YTD Earned Premium Evolution per Geographic Area

€000	End of Dec 09 <sup>(1)</sup>	End of Dec 08 <sup>(2)</sup>	Δ in %	End of Dec 08 <sup>(4)</sup>	Δ in %
France	292,654	327,866	-10.7%	327,866	-10.7%
UK	165,695	188,992	-12.3%	170,426	-2.8%
US	130,029	120,335	+8.1%	126,909	+2.5%
Italy	159,557	200,618	-20.5%	200,618	-20.5%
Germany	546,971	552,894	-1.1%	552,894	-1.1%
Other Large BU's	186,780	183,132	+2.0%	172,605	+8.2%
<b>Total Large BU's</b>	<b>1,481,685</b>	<b>1,573,836</b>	<b>-5.9%</b>	<b>1,551,318</b>	<b>-4.5%</b>
International Development Centers	212,800	200,123	+6.3%	199,196	+6.8%
<b>Total Gross Earned Premiums</b>	<b>1,694,485</b>	<b>1,773,959</b>	<b>-4.5%</b>	<b>1,750,514</b>	<b>-3.2%</b>

(1) Credit-Insurance Gross Earned Premium with geographical reclassification

(2) Credit-Insurance Gross Earned Premium with geographical reclassification pro forma

(4) Credit-Insurance Gross Earned Premium with geographical reclassification pro forma at constant exchange rate

- Earned premiums of large BU's under pressure, mainly linked to lower insured turnover
- Earned premiums of new markets continue to grow mainly linked to dynamic portfolio development in 2008 and 2009

## Key Figures 2009 YTD – Profit & Loss (part 1)

€000

	<b>End of Dec 09</b>	<b>End of Dec 08</b>	<b>Δ in %</b>
Net earned premium	1,111,161	1,373,221	-19.1%
Net claims cost	-912,143	-1,072,793	-15.0%
Net technical & non-technical expenses	-326,994	-369,136	-11.4%
<b>Operating income from insurance activities</b>	<b>-127,976</b>	<b>-68,709</b>	<b>86.3%</b>
<b><i>Combined ratio from insurance activities Allianz format</i></b>	<b>111.5%</b>	<b>105.0%</b>	
Service revenues	391,226	392,492	-0.3%
Service expenses	-328,033	-288,222	13.8%
<b>Operating profit from service activities</b>	<b>63,193</b>	<b>104,270</b>	<b>-39.4%</b>
<b>Total Technical Result</b>	<b>-64,783</b>	<b>35,561</b>	<b>-282.2%</b>
<b><i>Full technical combined ratio including service activities EH/Allianz France format <sup>(1)</sup></i></b>	<b>104.7%</b>	<b>97.2%</b>	
<b><i>Of which Loss Ratio</i></b>	<b>82.1%</b>	<b>78.1%</b>	
<b><i>Cost Ratio</i></b>	<b>22.6%</b>	<b>19.1%</b>	

- Lower earned premiums linked to lower insured turnover and deteriorated reinsurance conditions main driving factors for negative technical result in insurance activity
- Higher services expenses main driver for deteriorated services margin

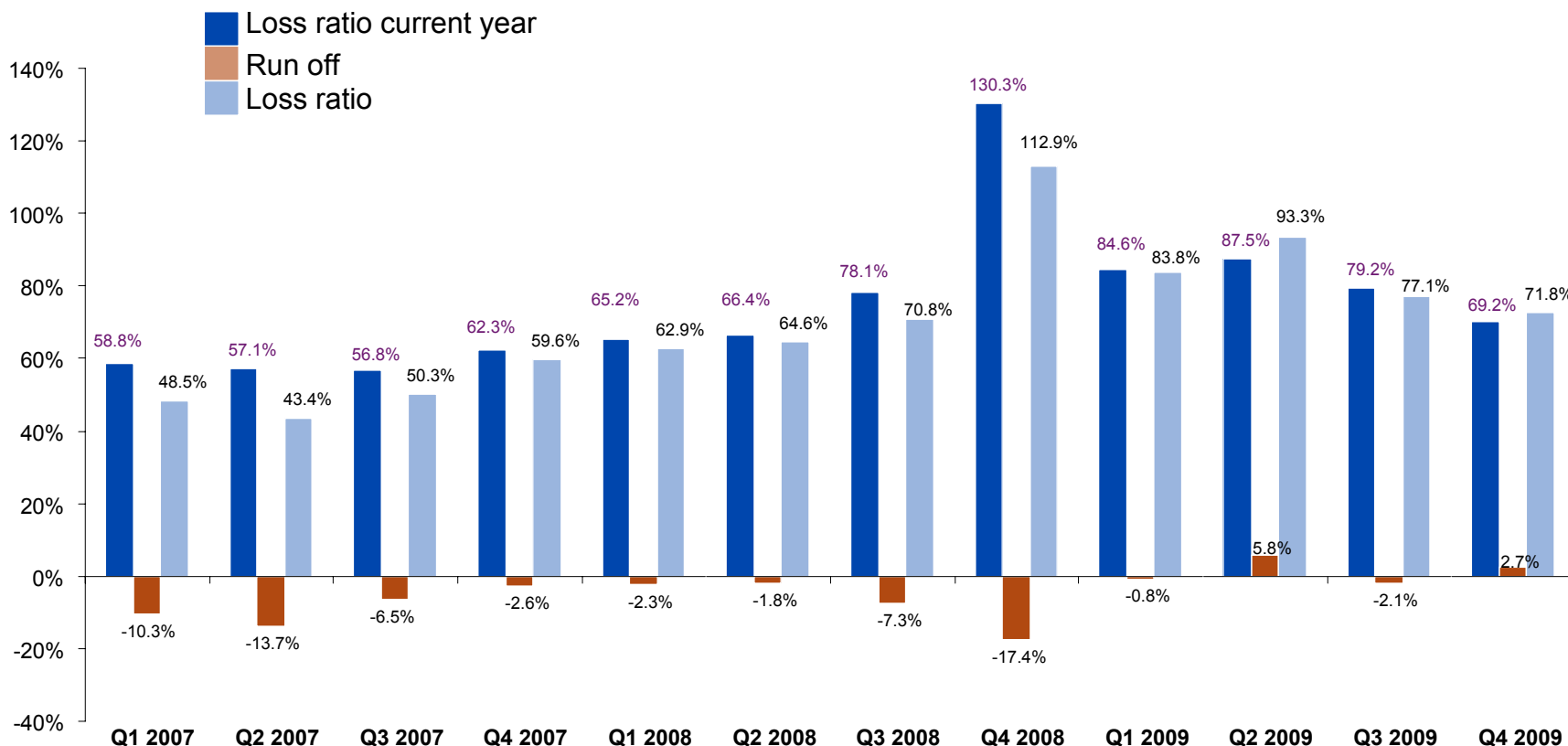
## 2009 YTD Net Claims Costs Evolution

€000

	End of Dec 09	End of Dec 08	Δ in %
Net claim costs current attachment year <i>Cession rate current attachment year</i>	-896,759 32%	-1,173,224 19%	<b>-23.6%</b>
Net claims costs previous attachment year <i>Cession rate previous attachment year</i>	-15,384 144%	100,431 29%	-115.3%
Net Claims costs	-912,143	-1,072,793	-15.0%
Gross Claims ratio current attachment year	-77.4	-81.7%	
Gross Claims ratio attachment previous year	2.1%	8.0%	
Gross Claims ratio	-75.3%	-73.7%	
Net Claims ratio current attachment year	-80.7%	-85.4%	
Net Claims ratio attachment previous year	-1.4%	7.3%	
Net Claims ratio	-82.1%	-78.1%	

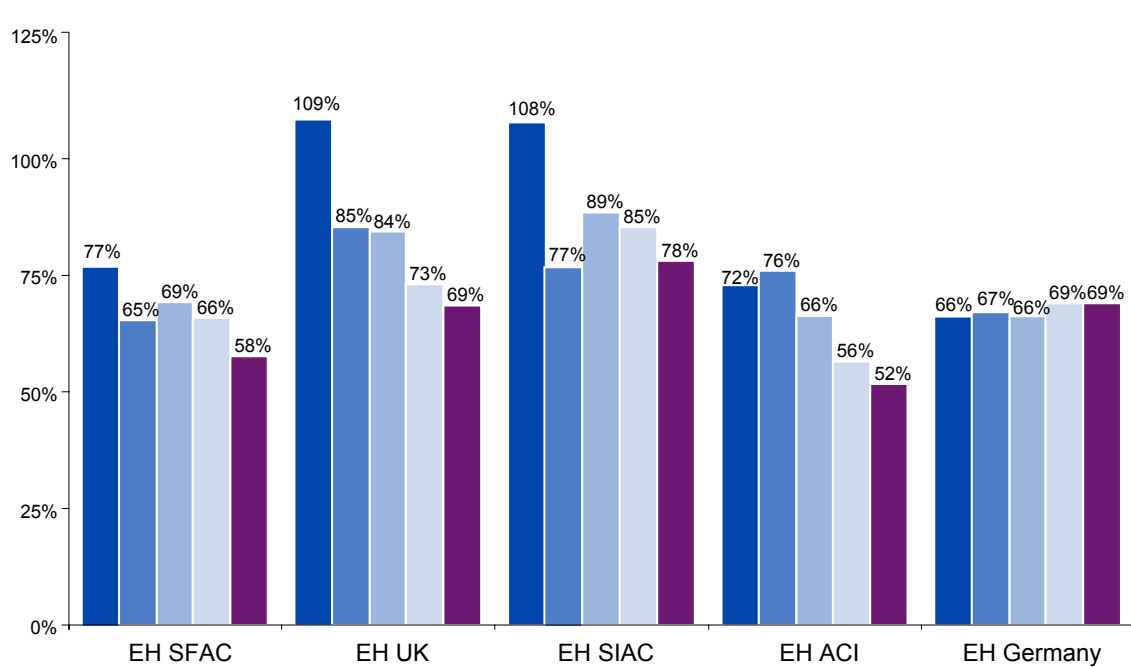
- Net claims costs current attachment year decrease by 24% linked to -9.5% decrease in gross claims and to 50% higher cession to reinsurance

# EH Group Net Loss Ratio Quarter by Quarter Evolution



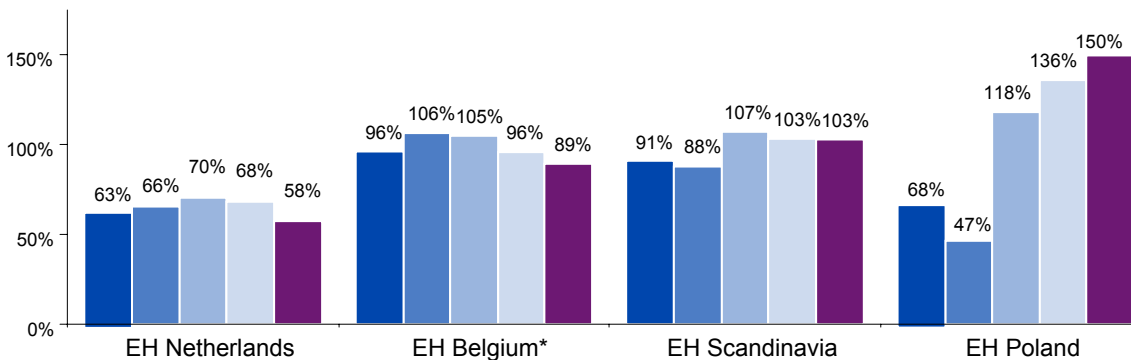
- Net loss ratio shows improvement since Q1 2009
- Q4 Net loss ratio equals on 69.2% for AY 2009, allowing combined ratio of Q4 to drop below 100%

# 2009 YTD Gross Loss CY Ratio per Operating Entity



- End of DEC 2008
- End of MAR 2009
- End of JUN 2009
- End of DEC 2009
- End of SEP 2009

- Strong improvement of AY 2009 loss ratios in UK, Italy, US and France
- Good resistance of AY 2009 loss ratio in Germany
- Strong deterioration of 2009 loss ratios in Poland and Scandinavia



\* Operational figures from commercial credit insurance activity only.

## 2009 YTD Gross Expenses Evolution

€000	End of Dec 09	End of Dec 2008*	Δ %	
Contract acquisition expenses	-331,923	-344,633	-3.7%	<ul style="list-style-type: none"> <li>▪ <b>Recurrent expenses</b> up by 1.6% only</li> <li>▪ <b>Acquisition expenses</b> down, in line with gross earned premium decrease</li> <li>▪ <b>Administration expenses</b> up by 6.3% mainly due to depreciation increase</li> <li>▪ <b>Services expenses</b> up by 5.0% due to cost overrun generated by crisis management</li> </ul>
Administration expenses	-174,729	-164,297	6.3%	
Service expenses & Other ordinary income and expenses	-336,657	-320,729	5.0%	
<b>Total recurrent expenses</b>	<b>-843,100</b>	<b>-829,666</b>	<b>1,6%</b>	
<b>Total non recurrent expenses</b>	<b>-5,790</b>	<b>17,562</b>	<b>-133.0%</b>	
<b>Total gross expenses</b>	<b>-849,100</b>	<b>-812,097</b>	<b>4.6%</b>	
of which non technical expenses	-12,153	-3,081		
<b>Total gross Technical expenses</b>	<b>-836,947</b>	<b>-809,017</b>	<b>3.5%</b>	
Gross technical expense ratio	26.3%	23.5%		
Net technical expense ratio	22.6%	19.1%		

\* 2008 Pro forma to show the same allocation as in 2009



## 2009 YTD Net Expenses Evolution

€000

	End of Dec 09	End of Dec 08	Δ %
Gross earned premium	1,694,486	1,773,959	-4.5%
Expenses net of fees	-445,721	-416,525	7.0%
<b>Gross technical expense ratio</b>	<b>26.3%</b>	<b>23.5%</b>	
Net premium	1,111,161	1,373,221	-19.1%
Net technical expenses	-251,648	-261,782	-3.9%
<b>Net technical expense ratio</b>	<b>22.6%</b>	<b>19.1%</b>	

- Net expenses ratio up from 19.1% to 22.6% mainly due to net premium decrease by 19.1%

## 2009 YTD Net Financial Income Evolution

€000	End of Dec 09	End of Dec 08	Δ %
<b>Income from investment property</b>	<b>5,741</b>	<b>7,159</b>	<b>-19.8%</b>
Income from securities-Bonds	71,580	80,175	-10.7%
Income from securities-equities	2,943	6,765	-56.5%
<b>Income from securities</b>	<b>74,524</b>	<b>86,940</b>	<b>-14.3%</b>
Income from other financial investments	4,026	36,076	-88.8%
Other financial income	12,685	1,730	633.3%
<b>Other financial income</b>	<b>16,711</b>	<b>37,805</b>	<b>-55.8%</b>
<b>Recurrent investments income</b>	<b>96,976</b>	<b>131,905</b>	<b>-26.5%</b>
<b>Investment expenses</b>	<b>(10,341)</b>	<b>(10,936)</b>	<b>-5.4%</b>
<b>Net Fx result</b>	<b>(9,525)</b>	<b>(4,549)</b>	<b>109.4%</b>
<b>Net gains and losses on sales of investments less impairment and amortisation</b>	<b>71,300</b>	<b>16,521</b>	<b>331.6%</b>
<b>Net financial income (excluding financing expense)</b>	<b>148,409</b>	<b>132,940</b>	<b>11.6%</b>

- Recurrent investment income down by 26.5% due to lower interest rates
- 2009 Net investment income improved by 11.6% thanks to higher level of realised gains (€71.3M) equivalent to 48% of global net financial income

# 2009 YTD Net Financial Portfolio Evolution

€000	2009.12					2008.12				
	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Unrealized gains and losses	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Unrealized gains and losses
- Equities:	110,646	19,428	130,074	130,074	-	136,083	16,064	152,147	152,147	-
- Bonds:	2,133,361	49,850	2,183,211	2,183,211	-	1,812,265	62,584	1,874,849	1,874,903	54
- Loans and other investments	527,450	-	527,450	527,450	-	563,990	-	563,990	563,990	-
<b>Total Financial investments</b>	<b>2,771,457</b>	<b>69,278</b>	<b>2,840,735</b>	<b>2,840,735</b>	<b>-</b>	<b>2,512,338</b>	<b>78,648</b>	<b>2,590,986</b>	<b>2,591,040</b>	<b>54</b>
Building third party use	-	-	24,917	57,391	32,474	-	-	71,834	134,139	62,305
Cash	-	-	441,792	441,792	-	-	-	613,907	613,907	-
<b>Total</b>			<b>3,307,444</b>	<b>3,339,918</b>	<b>32,474</b>			<b>3,276,727</b>	<b>3,339,086</b>	<b>62,359</b>

## Key Figures 2009 YTD – Profit & Loss (part 2)

€000

	End of Dec 09	End of Dec 08	Δ %
Technical result	-64,783	35,561	-282.2%
Financial income net of expenses	148,409	132,940	11.6%
<b>Ordinary operating income</b>	<b>83,625</b>	<b>168,501</b>	<b>-50.4%</b>
Other non ordinary income and expense	-8,856	0	n/a
Financing expenses	-10,013	-16,090	-37.8%
Income from companies accounted for by equity method	6,644	7,875	-15.6%
Corporation tax	-48,259	-72,196	-33.2%
Minority interest	-4,153	-4,498	-7.7%
<b>Consolidated net income</b>	<b>18,989</b>	<b>83,592</b>	<b>-77.3%</b>

### Tax rate

**-67.6%**

**-45.0%**

- High effective tax rate for 2009 resulting from significant tax rate differentials between the parent company and subsidiaries (EH Ré AG) and from specific tax positions (Baltic and Asian branches of EH KV) that resulted in the group's being unable to recognise deferred tax assets

Thank you  
for your attention.