Consolidated Financial Statements

For the year ended December 31, 2011

EULER HERMES
Business insured. Success ensured.

A company of Allianz

Pursuant to Article 28-1 section 5 of (EC) Regulation 809/2004 of the European Commission of April 29th, 2004, the Group's consolidated financial statements for the year ending December 31st, 2010 (established in accordance with IFRS including comparative data for fiscal 2009 under the same standards) and for the year ending December 31st, 2009 (established in accordance with IFRS including comparative data for fiscal 2008 under the same standards) and the related report of the statutory auditors are included by reference in this Registration Document. They appear in pages 109 to 200 of the registration document of the Company for 2010 financial year registered by the AMF on April 13th, 2011 under no. D 11-0291 and in pages 77 to 181 of the registration document of the Company for 2009 financial year registered by the AMF on April 20th, 2010 under no. D 10-0293.

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Consolidated statement of financial position

(in thousands)	Notes	December 31, 2011	December 31, 2010
Goodwill	3	109 407	107 713
Other intangible assets	4	69 712	65 554
Intangible assets		**179 119**	**173 267**
Investment property	5	4 019	9 323
Financial investments	6	3 558 317	3 438 756
Derivatives		5 458	5 099
Investments- insurance businesses		**3 567 794**	**3 453 178**
Investments accounted for by the equity method	7	**105 196**	**98 066**
Share of assignees and reinsurers in the technical reserves and financial liabilities	18	**545 961**	**500 364**
Operating property and other property, plant and equipment	8	149 277	151 262
Acquisition costs capitalised		51 919	45 671
Deferred tax assets	9	22 052	43 209
Inwards insurance and reinsurance receivables	10	495 312	478 913
Outwards reinsurance receivables	10	39 815	112 420
Corporation tax receivables		47 429	77 777
Other receivables	11	266 898	218 854
Other assets		**1 072 702**	**1 128 106**
Cash	12	347 338	306 201
TOTAL ASSETS		**€ 5 818 110**	**€ 5 659 182**
Capital stock		14 451	14 433
Additional paid-in capital		454 536	452 625
Reserves		1 471 500	1 363 344
Net income, group share		330 267	294 452
Revaluation reserve		32 666	39 399
Foreign exchange translation		(25 543)	(33 832)
Shareholders' equity, group share		**€ 2 277 877**	**€ 2 130 421**
Non controlling interests	14	18 002	18 015
Total shareholders' equity		**€ 2 295 879**	**€ 2 148 436**
Provisions for risks and charges	15	**259 721**	**230 187**
Bank borrowings		255 119	255 118
Other borrowings		138 234	249 168
Borrowings	17	**393 353**	**504 286**
Non-life technical reserves	18	1 899 265	1 781 394
Liabilities related to contracts		**1 899 265**	**1 781 394**
Deferred tax liabilities	9	330 133	365 633
Inwards insurance and reinsurance liabilities	19	217 012	194 625
Outwards reinsurance liabilities	19	104 541	172 356
Corporation tax payables		34 433	14 612
Other payables	20	283 773	247 653
Other liabilities		**969 892**	**994 879**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**€ 5 818 110**	**€ 5 659 182**

Consolidated income statement

(in thousands excepted for the earnings per share)		Year ended December 31,		4th Quarter ended December 31	
	Notes	**2011**	**2010**	**2011**	**2010**
Premiums written		2 024 882	1 891 266	449 736	437 163
Premiums refunded		(122 353)	(120 885)	(30 537)	(25 031)
Change in unearned premiums		(6 383)	4 818	53 159	57 476
Earned premiums		**1 896 146**	**1 775 199**	**472 358**	**469 608**
Premium-related revenues		378 776	372 535	95 879	97 287
Turnover	21	**€ 2 274 922**	**€ 2 147 734**	**€ 568 237**	**€ 566 895**
Investment income		101 068	93 356	22 169	24 663
Investment management charges		(10 545)	(7 813)	(3 446)	(1 843)
Net gain (loss) on sales of investments less impairment and depreciation writebacks		26 559	28 465	3 172	(3 327)
Change in fair value of investments recognised at fair value through profit or loss		(700)	200	72	314
Change in investment impairment provisions		(5 830)	(3 982)	(1 378)	(1 255)
Net change in foreign currency		2 499	13 022	2 020	1 950
Net investment income	22	**113 051**	**123 248**	**22 609**	**20 502**
Insurance services expense		**(786 358)**	**(704 799)**	**(245 520)**	**(207 598)**
Outwards reinsurance income		(675 751)	(635 385)	(168 829)	(166 274)
Outwards reinsurance expense		473 255	419 308	142 600	120 710
Net outwards reinsurance income or expense	21	**(202 496)**	**(216 077)**	**(26 229)**	**(45 564)**
Contract acquisition expense	24	**(380 231)**	**(349 124)**	**(100 678)**	**(93 206)**
Administration expense	24	**(207 766)**	**(193 643)**	**(51 948)**	**(44 020)**
Other ordinary operating income	25	**19 536**	**28 021**	**(1 410)**	**13 731**
Other ordinary operating expense	25	**(358 919)**	**(363 487)**	**(84 285)**	**(97 467)**
CURRENT OPERATING INCOME		**€ 471 739**	**€ 471 873**	**€ 80 776**	**€ 113 273**
Other non ordinary operating expense	26	(26 713)	(82 943)	(6 466)	(72 048)
Other non ordinary operating income	26	18 683	-	9 566	-
OPERATING INCOME	21	**€ 463 709**	**€ 388 930**	**€ 83 876**	**€ 41 225**
Financing expense		(17 075)	(13 572)	(4 002)	(4 639)
Share of Income from companies accounted by the equity method	7	17 037	15 802	4 115	3 975
Corporation tax	27	(130 166)	(93 377)	(28 845)	(1 167)
CONSOLIDATED NET INCOME		**333 505**	**297 783**	**55 144**	**39 394**
o/w					
NET INCOME, GROUP SHARE		**€ 330 267**	**€ 294 452**	**€ 54 225**	**€ 38 606**
Non controlling interests		3 238	3 331	919	788
Earnings per share	28	**€ 7,54**	**€ 6,74**		
Diluted earnings per share	28	**€ 7,54**	**€ 6,73**		
Earnings per share of continuing activities		**€ 7,54**	**€ 6,74**		
Diluted earnings per share of continuing acitivies		**€ 7,54**	**€ 6,73**		

Consolidated statement of other comprehensive income

(en thousands)	Year ended December 31,		4th Quarter ended December 31	
	2011	2010	2011	2010
NET INCOME, GROUP SHARE	**€ 330 267**	**€ 294 452**	**€ 54 225**	**€ 38 606**
Non controlling interests	3 238	3 331	919	788
Other comprehensive income elements				
Change in fair market value of asset held for sale transfered through profits & losses (Gross amount)	(15 422)	(9 292)	(540)	2 560
Change in fair market value of asset held for sale transfered through profits & losses (Tax amount)	4 205	2 718	161	(709)
Change in fair market value of asset held for sale booked through equity (Gross amount)	2 801	3 196	765	(35 409)
Change in fair market value of asset held for sale booked through equity (Tax amount)	1 420	(1 250)	(1 180)	10 190
Change in fair market value of asset held for sale booked - minority interests share net of corporation tax	180	(221)	(7)	(74)
Other change in fair market value of asset held for sale booked through equity	(1)	(47)	(1)	6
Change in translation reserve (included impact on revaluation reserve) booked through equity (Gross amount)	13 235	41 925	21 560	13 692
Change in translation reserve (included impact on revaluation reserve) booked through equity (Tax amount)	(4 682)	(15 910)	(6 889)	(7 694)
Total other comprehensive income net of taxes	**€ 1 736**	**€ 21 119**	**€ 13 868**	**€ (17 438)**
Total comprehensive income	**€ 335 241**	**€ 318 902**	**€ 69 012**	**€ 21 956**
Total comprehensive income, group share	331 823	315 792	68 100	21 242
Total comprehensive income, minority interests	3 418	3 110	912	714

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Consolidated statement of cash flows

(In thousands)	Notes	Twelve months ended December 31, 2011	2010
Net income, group share		**€ 330 267**	**€ 294 452**
Corporation tax		130 166	93 344
Financing expense		17 075	13 572
Operating income before tax		**477 508**	**401 369**
Minority interests		3 238	3 331
Allocation to and writebacks of depreciation, amortisation and reserves		54 722	165 451
Change in technical reserves		89 436	(62 695)
Change in deferred acquisition costs		(2 141)	9 071
Change in fair value of financial instruments recognised at fair value through the income statement (excluding cash and cash equivalents)		1 467	61
Realised capital gains/(losses) net of writebacks		(26 719)	(32 681)
Unrealised foreign exchange gain (loss) in company accounts		12 530	(14 630)
Revenues and expenses linked to stock options and similar		-	217
Interest revenues received accrued		(2 130)	(4 538)
Adjustment for elements included in operating income that do not correspond to cash flows and reclassification of financing and investment flows		**130 402**	**63 586**
Income (loss) of companies accounted for by the equity method		(17 037)	(15 802)
Dividends received from companies accounted for by the equity method		8 417	7 918
Change in liabilities and receivables relating to insurance and reinsurance transactions		(15 793)	(55 812)
Change in operating receivables and liabilities		(9 737)	42 673
Change in other assets and liabilities		(19 195)	(14 693)
Corporation tax		(51 494)	(120 363)
Cash flow related to operating activities		**(104 839)**	**(156 079)**
Cash flow from operating activities		**€ 503 071**	**€ 308 876**
Acquisitions of subsidiaries and joint ventures, net of acquired cash		(2 877)	1 791
Disposals of subsidiaries and joint ventures, net of ceded cash		(184)	-
Acquisitions of equity interests in companies accounted for by the equity method		-	-
Disposals of equity method investments		-	-
Merger		308	-
Cash flow linked to changes in the consolidation scope		**(2 753)**	**1 791**
Disposals of AFS securities		995 631	910 403
Matured HTM securities		580	595
Disposals of investment properties		16 730	45 267
Disposals of securities held for trading		1 451	1 882
Cash flow linked to disposals and redemptions of investments		**1 014 392**	**958 147**
Acquisitions of AFS securities		(1 215 044)	(1 181 396)
Acquisitions of HTM securities		-	-
Acquisitions of investment and operating properties		(2 996)	(3 825)
Acquisitions of trading securities		(2 894)	(2 726)
Cash flow linked to acquisitions of investments		**(1 220 934)**	**(1 187 947)**

Consolidated statement of cash flows

Disposals of other investments and intangible assets		992 086	654 335
Acquisitions of other investments and intangible assets		(931 794)	(971 722)
Cash flow linked to acquisitions and disposals of other investments and intangible assets		**60 292**	**(317 387)**
Cash flow from investing activities		**€ (149 002)**	**€ (545 396)**
Increases and decreases in capital		4 979	3 952
Increases in capital		*4 979*	*3 822*
Decreases in capital		-	*130*
Change in treasury stock		(10 897)	18 858
Dividends paid		(178 820)	(4 137)
Cash flow linked to transactions with the shareholders		**(184 737)**	**18 673**
Change in non voting shares		**-**	**-**
Changes in loans and subordinated securities		(110 462)	91 625
Issue		*1 885*	*251 018*
Repayment		*(112 347)*	*(159 393)*
Interest paid		(18 011)	(6 653)
Cash flow from group financing		**(128 473)**	**84 971**
Cash flow from financing activities		**€ (313 210)**	**€ 103 644**
Impact of foreign exchange differences on cash and cash equivalents		279	7 457
Reclassification		(0)	(10 172)
Other net changes in cash		**€ 279**	**€ (2 715)**
Change in cash flows		**41 138**	**(135 591)**
Change in cash and cash equivalents		**41 138**	**(135 591)**
Cash and cash equivalents at begining of period	**12**	**€ 305 851**	**€ 441 442**
Cash and cash equivalents at end of period	**12**	**€ 346 988**	**€ 305 851**

The Group generated positive cash flow over 2011 with cash position at €347 million as at December 31st, 2011, higher by €41 million in comparison to last year:

- Cash flow from operating activities increased significantly to reach €503 million at year end compared to €309 million end of 2010. This results from the combined effects of dynamic turnover, positive impact from run off on previous attachment years, and better reinsurance conditions;
- Cash flow from investing activities is still a need compared to last year. At €-149 million at end of 2011 compared to €-545 million last year, the evolution (+ €396 million) contributed to improve the Group's total cash position by year-end. This corresponds mostly to short term bank deposits by year-end;
- Cash flow from financing activities is on the contrary a need of €-313 million as at December 31st, 2011, to be compared to a positive impact flow of €104 million last year. This is mainly due to €179 million of dividend paid out to shareholders, whereas no dividend was paid in 2010, and €110 million corresponding to the reimbursement of the loan to Allianz France.

At end of December, 2011, liquidities are principally held in euros, as the Company's main area of business is the euro zone.

Consolidated statement of changes in equity

For the year 2011

(in thousands)	Capital Stock	Additional paid-in-capital	Retained earnings	Revaluation reserve	Translation reserve	Treasury shares	Shareholders' equity, group share	Non controlling interests	Total shareholders' equity
Opening Shareholders ' equity, group share	**€ 14 433**	**€ 452 625**	**€ 1 724 455**	**€ 39 399**	**€ (33 832)**	**€ (66 659)**	**€ 2 130 421**	**€ 18 015**	**€ 2 148 436**
Available-for-sale assets (AFS)	-	-	-	-	-	-		-	
Measurement gain / (loss) taken to shareholders' equity	-	-	-	4 221	-	-	**4 221**	180	**4 401**
Impact of transferring realised gains and losses to income statement	-	-	-	(11 217)	-	-	**(11 217)**	-	**(11 217)**
Other changes	-	-	-	(1)	-	-	**(1)**	-	**(1)**
Cash flow hedges	-	-	-	-	-	-		-	
Gain / (loss) taken to shareholders' equity	-	-	-	-	-	-	-	-	-
Impact of transferring realised profits and losses in the year to income statement	-	-	-	-	-	-	-	-	-
Impact of transfers on the initial amount of hedges	-	-	-	-	-	-	-	-	-
Impact of translation differences	-	-	-	264	8 289	-	**8 553**	-	**8 553**
Components of other comprehensive income net of tax	-	-	-	**(6 733)**	**8 289**	-	**1 556**	**180**	**1 736**
Net income for the year	-	-	**330 267**	-	-	-	**330 267**	**3 238**	**333 505**
Comprehensive income of the period	-	-	**€ 330 267**	**€ (6 733)**	**€ 8 289**	-	**€ 331 823**	**€ 3 418**	**€ 335 241**
Capital movements	18	1 911	-	-	-	(10 897)	**(8 968)**	-	**(8 968)**
Dividend distributions	-	-	(175 365)	-	-	-	**(175 365)**	(3 455)	**(178 820)**
Shareholders' equity component of share-based payment plans	-	-	-	-	-	-	-	-	-
Cancellation of gains/losses on treasury shares	-	-	-	-	-	-	-	-	-
Other movements	-	-	(34)	-	-	-	**(34)**	24	**(10)**
Closing Shareholders ' equity, group share	**€ 14 451**	**€ 454 536**	**€ 1 879 323**	**€ 32 666**	**€ (25 543)**	**€ (77 556)**	**€ 2 277 877**	**€ 18 002**	**€ 2 295 879**

For the year 2010

(in thousands)	Capital Stock	Additional paid-in-capital	Retained earnings	Revaluation reserve	Translation reserve	Treasury shares	Shareholders' equity, group share	Non controlling interests	Total shareholders' equity
Opening Shareholders ' equity	**€ 14 426**	**€ 451 959**	**€ 1 430 684**	**€ 43 500**	**€ (59 273)**	**€ (85 517)**	**€ 1 795 779**	**€ 20 698**	**€ 1 816 477**
Available-for-sale assets (AFS)	-	-	-	-	-	-		-	
Measurement gain / (loss) taken to shareholders' equity	-	-	-	1 946	-	-	**1 946**	(221)	**1 725**
Impact of transferring realised gains and losses to income statement	-	-	-	(6 574)	-	-	**(6 574)**	-	**(6 574)**
Other movements	-	-	-	(48)	-	-	**(48)**	-	**(48)**
Cash flow hedges	-	-	-	-	-	-		-	
Gain / (loss) taken to shareholders' equity	-	-	-	-	-	-	-	-	-
Impact of transferring realised profits and losses in the year to income statement	-	-	-	-	-	-	-	-	-
Impact of transfers on the initial amount of hedges	-	-	-	-	-	-	-	-	-
Impact of translation differences	-	-	-	575	25 441	-	**26 016**	-	**26 016**
Components of other comprehensive income net of tax	-	-	-	**(4 101)**	**25 441**	-	**21 340**	**(221)**	**21 119**
Net income for the year	-	-	**294 452**	-	-	-	**294 452**	**3 331**	**297 783**
Comprehensive income of the period	-	-	**€ 294 452**	**€ (4 101)**	**€ 25 441**	-	**€ 315 792**	**€ 3 110**	**€ 318 902**
Capital movements	7	666	-	-	-	18 858	**19 531**	-	**19 531**
Dividend distributions	-	-	6	-	-	-	**6**	(4 143)	**(4 137)**
Shareholders' equity component of share-based payment plans	-	-	217	-	-	-	**217**	-	**217**
Cancellation of gains/losses on treasury shares	-	-	-	-	-	-	-	-	-
Other movements	-	-	(904)	-	-	-	**(904)**	(1 650)	**(2 554)**
Closing Shareholders ' equity	**€ 14 433**	**€ 452 625**	**€ 1 724 455**	**€ 39 399**	**€ (33 832)**	**€ (66 659)**	**€ 2 130 421**	**€ 18 015**	**€ 2 148 436**

At December 31st, 2011, the share capital of Euler Hermes consisted of 45,159,477 fully paid-up shares. At the same date the group holds 1,481,765 treasury shares.

In accordance with IAS 39, available-for-sale (AFS) investments were remeasured at market value with the resulting gain or loss being taken directly to the revaluation reserve with no impact on the consolidated income statement. During the year, the reduction in the revaluation reserve totalled €(6,733) thousand net of taxes.

The €8,289 thousand variance in translation differences during the year concerned mainly the US dollar for €7,907 thousand and the British pound for €5,957 thousand.

56 745 new shares were created as a result of the exercise of stock options during 2011**.** Following these transactions, the additional paid-in capital of Euler Hermes SA increased by €1.911 thousand.

Consolidated reserves include notably provisions for equalisation recognised in the statutory financial statements of the European insurance companies.

Notes to the consolidated financial statements

Note 1 Significant events

The following significant events occurred in the year 2011:

Changes in the share capital and in share ownership

As at December 31st, 2011, the Allianz group owned 30,744,048 shares out of a total of 45,159,477 shares, corresponding to 68.08% of the share capital of Euler Hermes. Consequently, Euler Hermes is integrated into Allianz consolidation scope.

During the year 2011, 56,745 new shares were created by the exercise of options. As at December 31st 2011, Euler Hermes' share capital was composed of 45,159,477 shares, including 1,481,765 shares held in treasury stock.

Legal restructuring "Blue Europe"

Over 2011, Euler Hermes initiated the legal restructuring project "Blue Europe" with the aim of creating a single risk carrier for northern and southern European entities besides the risk carriers in Germany and France.

With the creation of "Euler Hermes Europe", the group offers its European clients a strong new risk carrier and improved customer service. The legal changes do not affect client's day-to-day business interactions with the Group. Euler Hermes maintains the same proximity to its clients as before. All Euler Hermes policies and bonds continue to be issued by the branch in the relevant country, as in the past.

On December 31st, 2011, Euler Hermes has merged in its Belgium entity, renamed "Euler Hermes Europe", twelve separate insurance companies or branches. The new single legal structure is based in Belgium with local branches in the Czech Republic, Denmark, Finland, Hungary, Italy, Netherlands, Norway, Romania, Slovakia, Sweden, UK and Ireland.

The transaction has been authorised by the National Bank of Belgium and the regulatory authorities in the countries concerned. It was approved by the Shareholders' General Meetings of each of the entities merged and eventually by Euler Hermes Europe on December 31st, 2011.

The cross border mergers and the capital operations were done at book value as at December 31st, 2011. This reorganization also generated €2.9 million of restructuring expenses (mostly consulting fees), booked as at December 31st, 2011.

The new organization is effective at December 31st, 2011.

Creation of an insurance company in Turkey

After five years operations through its parent company Allianz, Euler Hermes has now obtained its licence to operate in the Turkish market as an insurance company.
Euler Hermes and Allianz have been cooperating in Turkey since 2005. The opening of the Euler Hermes subsidiary in Turkey –Euler Hermes Sigorta- is a further step on the way to expand private credit insurance cover both for Turkish firms and for companies exporting to Turkey.

Project of a creation of a joint venture with Mapfre

On July 19th, 2011, Euler Hermes and Mapfre, the first Spanish insurance company, signed a memorandum of understanding to build a strategic alliance. The target is to jointly develop the credit and bond insurance businesses in Spain, Portugal and Latin America. Through this alliance, Euler Hermes and Mapfre will both own 50% of a joint venture integrating their existing activities in those markets. The joint venture is expected to start operating in 2012, subject to the completion of the usual conditions including the signing of all relevant agreements and the required regulatory approvals in the relevant countries.

At end of December 2011, €4.6 million gross expenses, mainly consulting fees, have been booked by the Group regarding this project.

Follow-up on "Excellence" Project

On December 31st, 2010 Euler Hermes has initiated the Excellence Project which aims at steering its business in the most efficient way. By then, the impact on the accounts included a restructuring provision of € 56.6 million and a restructuring expense of € 15.9 million.

Over 2011, the project is on track and workers councils agreements have been reached in all countries. As at December 31st, 2011, the restructuring provision has been partially used and amounts to €45.9 million.

Headquarters building transfer to OPCI and preparation of relocation of headquarters and Paris-based operations in 2012

The Group and the Paris-based activities will relocate to the First tower in La Défense, France, during the first semester 2012. The target is to house all Paris-based staff in a single location.

The Group has created in December 2011 a real estate fund (OPCI), named “Euler Hermes Real Estate”, under the French legal form of “Société de Placement à Prépondérance Immobilière à Capital Variable (SPPICAV)”.
The buildings of the 1 and 8 rue Euler in Paris have been transferred to this real estate fund in December 2011. Works of rehabilitation for the building located 1 rue Euler, are planned for the period following the employee’s move. These buildings, which are considered operating property, will be requalified as real estate investment after the completed relocation en 2012.

At end of December 2011, a total of €8.4 million costs related to the move and the OPCI have been booked by the Group, mainly consulting fees (architects, studies…), accelerated depreciations, and costs of restoration for the premises rented by the Group.

Note 2 IFRS accounting and valuation rules

Euler Hermes SA is a company domiciled in France. The head quarter of Euler Hermes SA is located 1 rue Euler 75008 Paris. The consolidated financial statements as at December 31, 2011 include Euler Hermes SA and its subsidiaries (the whole designated as “the Group” and each subsidiary individually as “the entities of the Group”) and the quota-share of the Group in its associated companies or joint ventures.

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

The financial statements of the Euler Hermes group as at December 31, 2011 were approved by the Group Management Board of February 15, 2012 and presented to the Supervisory Board of February 16, 2012. They will be submitted for validation to the Shareholders’ Meeting of May 25, 2012.

2.1. General Principles

In accordance with European regulation no. 1606/2002 of July 19, 2002, the consolidated financial statements published at December 31, 2011 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, 2011 as adopted by the European Union,
- Guidance provided in CNC recommendation no. 2009-R05 relating to the format of financial statements prepared by insurance firms under international accounting guidelines.

The group Euler Hermes applied on January 1st, 2011 the standards and the following amendments:

- Revised IAS 24 – Related parties :without impact;
- IAS 32 update – Classification of the emitted application rights: without impact;
- IFRIC 14 update – Prepayments of a Minimum Funding Requirement: without impact;
- IFRS 1 update - limited exemption from comparative IFRS 7 disclosures: without impact;
- IFRIC 19 Extinguishing Liabilities with Equity Instruments: without impact.

Euler Hermes did not apply standards and interpretations published by the IASB but the application of which is not mandatory on January 1st, 2011.

The standards, amendments and interpretations published but not applicable on December 31st, 2011 are the following ones:

- IFRS 9 – Financial instruments - classifying and measuring financial assets and liabilities;
- IFRS 10 – Consolidated Financial Statements ;
- IFRS 11 – Joint Arrangements ;
- IFRS 12 – Disclosure of Interests in Other Entities;

- Amendments to IFRS 10, 11, 12 on IAS 27 et IAS 28 ;
- IFRIC 13 – Fair value of award credits.;
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine;
- IAS 12 – Deferred Tax: Recovery of Underlying Assets;
- Amendments to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters;
- Amendments to IAS 19 – Employee Benefits;
- Amendments to IFRS 7 and IAS 32 – Offsetting Financial Assets and Financial Liabilities.

For information, Euler Hermes group would be impacted by IAS 19 update that cancels the “corridor” application. For 2011 full year closing, the unrecognized actuarial differences would reduce shareholder’s equity for € 87 246 thousand.

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 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. Consolidation scope

Since the 1st quarter 2011, Euler Hermes fully integrates the credit insurance business in Turkey with its subsidiary Euler Hermes Sigorta Anonim Sirketi.

The following companies were liquidated during year 2011:

- On May 23rd,2011, the Euler Hermes service company of Hong Kong;
- On September 23rd, 2011 service company in Estonia named Euler Hermes Service Estonia Oü;
- On October 11th, 2011 service company in Latvia named Euler Hermes Services Latvija.

During the 4th quarter 2011, Euler Hermes has created a new insurance branch « EH Europe Slovakia » held by Euler Hermes Europe SA (NV) (see note 1 – significant events)

During the 4th quarter 2011, following to the creation of Euler Hermes Real Estate (in December 9th, 2011) and the transfer of the offices’ buildings (cf. note 1 - landmarks of period), Euler Hermes created four companies which hold part in this fund:

- Financière Calisto;
- Financière Aldebaran;
- Financière Sirius;
- Financière Soho.

Since December 31st, 2011, further to the merger of twelve entities into the company Euler Hermes Europe (formerly Euler Hermes Credit Insurance Belgium SA), a single legal structure, based in Belgium, now operates with local branches in the Czech Republic, Belgium, Denmark, Finland, Hungary, Italy, Netherlands, Norway, Romania, Slovakia, Sweden, UK and Ireland.
The operations of transfers of shares and merging were booked on December 31st 2011, the shares were exchanged at their book value, without impact on the consolidated accounts for the financial year 2011 (see note 1 – significant events).

Notes to the consolidated financial statements

2.3. List of consolidated companies

French companies	Consolidation	December 31, 2011		December 31, 2010	
	Method	% control	% interest	% control	% interest
Euler Hermes S.A. (1) 1, rue Euler - 75008 Paris N°Siren : 552 040 594	Held by Allianz SA: 68,08%	Parent company		Parent company	
Bilan Services S.N.C. 25, boulevard des Bouvets - 92000 Nanterre N°Siren : 333 192 631	Full	50,00	50,00	50,00	50,00
Euler Hermes SFAC Asset Management S.A. 1, rue Euler - 75008 Paris N°Siren : 422 728 956	Full	100,00	100,00	100,00	100,00
Euler Hermes Services S.A.S. 1, rue Euler - 75008 Paris N°Siren : 414 960 377	Full	100,00	100,00	100,00	100,00
Euler Hermes SFAC S.A. 1-3-5 rue Euler - 75008 Paris N°Siren : 348 920 596	Full	100,00	100,00	100,00	100,00
Euler Hermes SFAC Crédit S.A.S. 1, rue Euler - 75008 Paris N°Siren : 388 236 853	Full	100,00	100,00	100,00	100,00
Euler Hermes SFAC Recouvrement S.A.S. 1, rue Euler - 75008 Paris N°Siren : 388 238 026	Full	100,00	100,00	100,00	100,00
Euler Hermes Tech S.A.S. 1, rue Euler - 75008 Paris N°Siren : 388 237 091	Full	100,00	100,00	100,00	100,00
Euro Gestion 1, rue Euler - 75008 Paris FR0007047568	Full	100,00	100,00	100,00	100,00
Euler Gestion 1, rue Euler - 75008 Paris FR0007434980	Full	100,00	100,00	100,00	100,00
Euler Hermes World Agency 8 Rue Euler - 75008 Paris N°Siren : 487 550 907	Full	100,00	100,00	100,00	100,00
Gie Euler Hermes SFAC Services 1 rue Euler 75008 Paris N° siren : 393 302 708	Full	100,00	100,00	100,00	100,00
Financière Callisto 5 rue Euler 75008 Paris FR51503326514	Full	100,00	100,00	0,00	0,00
Euler Real Estate 25 rue Louis Legrand 75002 Paris In progress	Full	100,00	100,00	0,00	0,00
Financière Aldebaran 5 rue Euler 75008 Paris FR91493467609	Full	100,00	100,00	0,00	0,00
Financière Sirius 5 rue Euler 75008 Paris FR51488480567	Full	100,00	100,00	0,00	0,00
Financière Soho 5 rue Euler 75008 Paris FR08503326241	Full	100,00	100,00	0,00	0,00

(1) Proportion held is based on a total of 45 159 477 shares (before restatement of treasury shares).

Foreign companies	Country	Consolidation	December 31, 2011		December 31, 2010	
		Method	% control	% interest	% control	% interest
Bürgel Wirtschaftsinformationen GmbH & Co. K.G. Gasstr.18 - D-22761 Hambourg	Germany	Full	50,10	50,10	50,10	50,10
Bürgel Wirtschaftsinformationen Verwaltungs-GmbH Gasstr.18 - D-22761 Hambourg	Germany	Full	50,40	50,40	50,40	50,40
Euler Hermes Forderungsmanagement GmbH Friedensallee 254 - Hambourg	Germany	Full	100,00	100,00	100,00	100,00
Euler Hermes Rating GmbH Friedensallee 254 - Hambourg	Germany	Full	100,00	100,00	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 Kreditversicherungs A.G. Friedensallee 254 - Hambourg	Germany	Full	100,00	100,00	100,00	100,00
Euler Hermes Argentina San Martin 550- C1004AAL Buenos Aires	Argentina	Full	100,00	100,00	100,00	100,00
Euler Hermes Trade Credit Underwriting Agents Level 14, 2 Market Street Sydney NSW 2000 Australia	Australia	Full	100,00	100,00	100,00	100,00
Prisma Kreditversicherungs A.G. Himmelpfortgasse 29 - 1010 Vienne	Austria	Equity	49,00	49,00	49,00	49,00
OeKB EH Beteiligungs- u. Manag Strauchgasse 1-3 - 1011 - Vienne	Austria	Equity	49,00	49,00	49,00	49,00
Euler Hermes Europe S.A. (N.V.) 15, rue Montoyer - 1000 Bruxelles - RC Bruxelles : 31 955	Belgium	Full	100,00	100,00	100,00	100,00
Euler Hermes Services Belgium S.A. (N.V.) 15, rue Montoyer - 1000 Bruxelles - RC Bruxelles : 45 8033	Belgium	Full	100,00	100,00	100,00	100,00
Graydon Belgium (N.V.) Uibreidingstraat 84 Bus 1 - 2500 Berchem	Belgium	Equity	27,50	27,50	27,50	27,50
Euler Hermes Seguros de Crédito S.A. Alameda Santos 2335 Conj. 51 - Cerqueira César 01419-002 - São Paulo	Brasil	Full	100,00	100,00	100,00	100,00
Euler Hermes Serviços Ltda Alameda Santos 2335 Conj. 51 - Cerqueira César 01419-002 - São Paulo	Brasil	Full	100,00	100,00	100,00	100,00
Euler Hermes Do Brasil Exportaçao Alameda Santos 2335 Conj. 51 - Cerqueira César 01419-002 - São Paulo	Brasil	Full	100,00	100,00	100,00	100,00
Euler Hermes Canada Services 1155, René-Lévesque Blvd West, suite 1702 - Montréal H3B 3Z7	Canada	Full	100,00	100,00	100,00	100,00
Euler Hermes Information Consulting (Shanghai) Co. Ltd 9/F Mirae Asset Tower, 166 Lujiazui Ring Road, Pudong New Area, Shanghai, 200120, PRC	China	Full	100,00	100,00	100,00	100,00
Euler Hermes Seguros de Crédito S.A. Avda. Presidente Kennedy 5735, of. 801, Torre Poniente - Las Condes, Santiago	Chile	Full	100,00	100,00	0,00	0,00
Euler Hermes Chile Servicios Limitada Avda. Presidente Kennedy 5735, of. 801, Torre Poniente - Las Condes, Santiago	Chile	Full	100,00	100,00	0,00	0,00
Euler Hermes Colombie Carrera 13A No. 29-24, Torre Colseguros - Bogota	Colombia	Full	100,00	100,00	100,00	100,00
Euler Hermes Crédito Sucursal en Espana de EH SFAC S.A. Paseo de la Castellana, 95 - Edificio Torre Europa - Planta 14 - 28046 Madrid	Spain	Full	100,00	100,00	100,00	100,00
Euler Hermes Servicios de Credito SL Paseo de la Castellana, 95 - Edificio Torre Europa - Planta 14 - 28046 Madrid	Spain	Full	100,00	100,00	100,00	100,00
Euler Hermes Services Estonia OÜ Pirita tee 20, T-building, 10127 - Tallinn, Estonia	Estonia	Full	0,00	0,00	100,00	100,00
Euler Hermes ACI Inc 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100,00	100,00	100,00	100,00
Euler Hermes ACI Holding Inc 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100,00	100,00	100,00	100,00
Euler Hermes ACI Services, LLC 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100,00	100,00	100,00	100,00
Euler Hermes UMA 600 South 7th Street – Louisville, LA 4020	United States	Full	100,00	100,00	100,00	100,00

Euler Hermes Emporiki S.A. 109-111, Messogion Ave - Politia Business Center - 115 26 Athènes	Greece	Full	60.00	60.00	60.00	60.00
Euler Hermes Emporiki Services Limited 109-111, Messogion Ave - Politia Business Center - 115 26 Athènes	Greece	Full	60.00	60.00	60.00	60.00
Euler Hermes Credit Underwriters Hong Kong Ltd 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 Services (HK) Ltd Suites 403-11, 4/F, Cityplaza 4 - 12 Taikoo Wen Road - Taikoo Shing, Hong Kong	Hong Kong	Full	0.00	0.00	100.00	100.00
Euler Hermes Magyar Követeléskezelö Kft Kiscelli u.104 - 1037 Budapest	Hungary	Full	100.00	100.00	100.00	100.00
Euler Hermes Services India Private Limited 4th Floor, Voltas House - 23, J N Heredia Marg - Ballard Estate - Mumbai 400 001	India	Full	100.00	100.00	100.00	100.00
Euler Hermes Credit Management Service Ireland Ltd The Arch, Blackrock Business Park, Craysfort Avenue, Blackrock, Co Dublin, Republic of Ireland	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	33.33	33.33	33.33	33.33
Euler Hermes SIAC Services S.R.L. Via Raffaello Matarazzo - 00139 Rome	Italy	Full	100.00	100.00	100.00	100.00
Logica Sofware S.R.L. Via Borsellino - Reggio Emilia	Italy	Full	100.00	100.00	100.00	100.00
Euler Hermes Credit Services (Japan) Ltd 08-07, Kyobashi 1-chome, Chuo-Ku - Tokyo	Japan	Full	100.00	100.00	100.00	100.00
Euler Hermes Services Latvija S.I.A. Cesu 31/8, LV-1012 Riga	Latvia	Full	0.00	0.00	100.00	100.00
UAB Euler Hermes Services Baltic Konstitucijos ave 7, Vilnius - Lithuania	Lituania	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 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 Seguro de Crédito S.A. Blvd Manuel Avila Camacho #164, 8° piso - Col. Lomas de Barrilaco - Mexico, DF CP 11010	Mexico	Full	100.00	100.00	100.00	100.00
Euler Hermes Servicios S.A. Blvd Manuel Avila Camacho #164, 8° piso - Col. Lomas de Barrilaco - Mexico, DF CP 11010	Mexico	Full	100.00	100.00	100.00	100.00
Euler Hermes Trade Credit Ltd. Lumley Centre Level 1, 152 Fanshawe Street, Auckland 1010	New Zealand	Full	100.00	100.00	100.00	100.00
Euler Hermes Interborg N.V. Hoogoorddreef 5 - Postbus/ PO 1100 AL Amsterdam	Netherlands	Full	100.00	100.00	100.00	100.00
Euler Hermes Services B.V. Pettelaarpark 20 - Postbus 70571 - NL-5201 CZ's-Hertogenbosch	Netherlands	Full	100.00	100.00	100.00	100.00
Graydon Creditfink B.V. Hullenbergweg 260 - 1101 B.V. Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
Graydon Holding N.V. Hullenbergweg 260 - 1101 B.V. Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
Graydon Nederland B.V. Hullenbergweg 260 - 1101 B.V. Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
Kisys Krediet Informatie Systemen B.V. Hullenbergweg 270 - 1101 B.V. Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
MarkSelect B.V. Diemerhof 26 - Postbus 22969 - 1100 DL Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
Interpolis Kredietverzekeringen N.V. Pettelaarpark 20 - 5216 PD's Hertogenbosch	Netherlands	Proportional	45.00	45.00	45.00	45.00
Euler Hermes Collections Sp. z o.o. ul. Domaniewska 50B, 02-672 Warsaw	Poland	Full	100.00	100.00	100.00	100.00
Towarzystwo Ubezpieczen Euler Hermes S.A. ul. Domaniewska 50B, 02-672 Warsaw	Poland	Full	100.00	100.00	100.00	100.00
Euler Hermes, Mierzejewska-Kancelaria Prawna Sp.k ul. Domaniewska 50B, 02-672 Warsaw	Poland	Full	99.98	99.98	99.98	99.98
Euler Hermes Services Sp. z.o.o. ul. Domaniewska 50B, 02-672 Warsaw	Poland	Full	100.00	100.00	100.00	100.00
Companhia de Seguro de Creditos S.A. (COSEC) Avenida de Republica, n° 58 - 1069-057 Lisboa	Portugal	Equity	50.00	50.00	50.00	50.00
Euler Hermes Cescob Service, s.r.o. Molakova 576/11, 186 00 Prague 8	Czech Republic	Full	100.00	100.00	100.00	100.00
Euler Hermes Servicii Financiare S.R.L. 6 Petru Maior street , Bucharest 011264	Romania	Full	100.00	100.00	100.00	100.00
Euler Hermes Collections UK Ltd 01, Canada Square - London E14 5DX	United Kingdom	Full	100.00	100.00	100.00	100.00
Euler Hermes Holdings UK PLC 01, Canada Square - London E14 5DX	United Kingdom	Full	100.00	100.00	100.00	100.00
Euler Hermes Risk Services UK Ltd 01, Canada Square - London E14 5DX	United Kingdom	Full	100.00	100.00	100.00	100.00
Euler Hermes International Ltd 01, Canada Square - London E14 5DX	United Kingdom	Full	100.00	100.00	100.00	100.00
Euler Hermes Management Services UK Ltd 01 , Canada Square - London E14 5DX	United Kingdom	Full	100.00	100.00	100.00	100.00
Graydon U.K. Limited Hyde House, Edgware road - Colindale - Londres NW9 6LW	United Kingdom	Equity	27.50	27.50	27.50	27.50
Euler Hermes Credit Insurance Agency (S) Pte. Ltd 3 Temasek Avenue - # 08-01 Centennial Tower - Singapore 039130	Singapore	Full	100.00	100.00	100.00	100.00
Euler Hermes Serwis SRO Bratislava Plynarenska 4659/1 821 09 Bratislava, Slovakia	Slovakia	Full	100.00	100.00	100.00	100.00
Euler Hermes Service A.B. Klara Norra Kyrkogata 29 - SE 101 34 Stockholm	Sweden	Full	100.00	100.00	100.00	100.00
Euler Hermes Services A.G. Tödistrasse 65 - 8002 Zurich	Switzerland	Full	99.50	99.50	99.50	99.50
Euler Hermes Reinsurance A.G. Tödistrasse 65 - 8002 Zurich	Switzerland	Full	100.00	100.00	100.00	100.00
Euler Hermes Risk Yönetimi Dereboyu Sokak, Sun Plaza, Plaza Cubes, Maslak - 34398 Istanbul	Turkey	Full	100.00	100.00	100.00	100.00
Euler Hermes Sigorta Anonim Sirketi Dereboyou Sokak - Sun Plaza, Floor 13, Plaza Cubes, Off. N°24, Maslak - 34398 - Istanbul	Turkey	Full	100.00	100.00	100.00	100.00

NB: Percentages of control and interest are determined on the last day of the financial period.
(1) These entities have been closed with EH Credit Insurance Belgium SA the 31st of December, 2011 (Cf Significant events of the 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 Euler Hermes.

Notes to the consolidated financial statements

2.4. Consolidation principles and methods

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. 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 recognised amount of any non-controlling interests in the acquires; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquires; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed

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

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised 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 remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquires's employees (acquires'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 acquires's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Subsidiaries

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

The group currently has holdings of less than 20% in certain mutual funds that 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 Gestion;
- Euro Gestion;
- Euler Hermes Real Estate (see note 1 – significant events).

The Euler Hermes group owns 100% of these mutual funds.

Loss of control

At the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised 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 that 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 and are recognised initially at cost. 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 on 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 A.G.;
- Graydon Holding N.V;
- Companhia de Seguro de Creditos SA (COSEC);
- Israel Credit Insurance Company Ltd (ICIC).

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 operations. 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.

NV Interpolis Kredietverzekeringen is controlled jointly by Euler Hermes Kredietverzekering NV, which owns 3,742 shares out of a total of 8,315 shares, and Interpolis Verzekeringen NV, which owns 4,573 shares out of a total of 8,315 shares. Each share represents one voting right. An executive director is appointed by each party and all decisions are subject to agreement.

2.5. Eliminations on consolidation

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

2.6. Financial year and year-end dates

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

2.7. Use of estimates

The production of the consolidated financial statements of Euler Hermes is based on estimates for a part of assets and liabilities items. The management is susceptible to review these estimations in case of changes that can put into questions the circumstances on which they have been established or by the consideration of a new information or accrued experience.

The estimates concerning technical provisions are also detailed in the part Risk Management.

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

	Estimate	Communicated Information
Note 3	Impairment of goodwill	An impairment of goodwill is recognised when the higher of the Cash Generating Unit's value in use (present value of future cash flows) and fair value less any selling costs is less than its carrying amount (share of net assets and goodwill). The fair value of the Cash Generating Unit's is based on assumptions of capital costs, growth rate to infinity and loss ratio & standard retention rates used in the calculation of the final values.
Note 5	Fair value of real estate held for investments & for use	The fair value of buildings is estimated based on market prices, adjusted, where applicable, to take into account the nature, location or other specific features of the building concerned.
Note 15	Provisions for risks and charges	Provisions for risks and charges are measured in accordance with IAS 37 and are reviewed and ajusted at each balance sheet date to reflect the best estimate at this date.
Note 18	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 18	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 18	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 18	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 18	IBNR reserve	In credit-insurance, the IBNR are calculated to cover: The claims which occurred before the closing and will be known only on the next period. The claims related to commercial receivables accounted before the closing and covered by a warranty which will occur and be known only on the next period They are determined based on statistical models integrating historical data as well as future developments based on estimates. Considering the current economic crisis and the methods of assessment of credit-insurance, the IBNR might be different from the ones calculated on statistical basis. Indeed, non anticipated assessments might occur and modify the assumptions previously retained for the determination of IBNR.
Note 16	Employee benefits	The related commitments are measured in accordance with IAS 19 and are reviewed yearly by independent actuaries. The commitment is recognised in the balance sheet using the projected unit credit method, based on the group actuarial assumptions.
Note 32	Stock options plans	The fair value of the liabilities resulting from the SAR (Stock Appreciation Rights) and RSU (Restricted Stocks Units) 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.

2.8. 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

At 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 recognised in the net income for the year,
- Non-monetary items that are measured at historical cost (notably property investments) are translated at the exchange rate prevailing on the transaction date, and,
- Non-monetary items that are measured at fair value (notably equity investments) are translated at the exchange rate prevailing on the fair-value valuation date.

Translation of the financial statements of foreign companies

The financial statements of foreign subsidiaries are prepared in their operating currency. At 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 on shareholders' equity is recorded within shareholders' equity under "Foreign exchange Translation", while the portion relating to third parties is recorded under "Minority interests".

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

in euro vs currency	December 31, 2011		December 31, 2010	
	closing	average	closing	average
Pound sterling	0,8353	0,8713	0,8608	0,8560
US dollar	1,2939	1,4000	1,3362	1,3207
Swedish krona	8,9120	9,0070	8,9655	9,4926
Brazilian real	2,4159	2,3380	2,2177	2,3234
Hong Kong dollar	10,0510	10,8960	10,3856	10,2611
Swiss franc	1,2156	1,2318	1,2504	1,3700
Polish Złoty	4,4580	4,1380	3,9750	4,0049

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

2.10. Goodwill and other intangible assets

Goodwill

For business combinations made prior to March 31, 1998, goodwill is recognised on the basis of the presumed cost, which corresponds to the carrying amount calculated by reference to the accounting rules used prior to the date of transition to IFRS.
For business combinations made with effect from March 31, 1998 goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see note 2.4 “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 recognised 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 1 January 2004, goodwill is no longer amortised 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.

For the purposes of impairment testing, goodwill is allocated to Cash-Generating Units or to groups of Cash-Generating Units (see the impairment test procedure in § 2.11. Impairment).

At 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. Details of the method used to calculate the value in use are presented in note 3 Goodwill.

Notes to the consolidated financial statements

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 economical benefits.
An asset complies to the criteria 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 recognised at cost less any accumulated amortisation and write-downs. Subsequent expenditure relating to recognised intangible assets is capitalised only to the extent that it contributes to increasing, and not simply maintaining, the future economic benefits represented by the intangible asset to which it relates. All other expenditure is recognised as an expense in the consolidated income statement when incurred.

Intangible assets with a defined useful life are amortised on a straight-line basis over their estimated useful lives. The amortisation charge is recognised 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 amortised over their estimated useful life.

Costs relating to the development phase are capitalised provided that the entity can demonstrate: 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.

2.11. Impairment

Goodwill

In accordance with IFRS 3, goodwills are not amortised but are 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 a goodwill is related. The CGUs correspond to some of the main subsidiaries or branches of areas presented in the segment analysis. An impairment loss of goodwill is recognised when the highest of the Cash Generating Unit's value in use (present value of future cash flows) and fair value less any selling costs is less than its carrying amount (share of net assets and goodwill).

The main assumptions used to determine the value in use are as follows: indefinite renewal of policies, perpetual growth rate of 1.5% depending on the CGU concerned, and a cost of capital between 6.09% and 11.08% depending on the CGU. With effect from 2006, the cost of capital rate used is determined by geographic region. The model is based on the projected 3-year budget prepared by management with a final year based on normalised management ratios (combined ratios and target retention rates). Furthermore, since the Group has organized its reinsurance activities with the settlement of a Group reinsurance region, the scope of the Cash Generating Units has been extended to include internal reinsurance activities contracted by the CGU with this Group reinsurance region, as well as the share of related shareholders' equity.
The calculation parameters adopted as at December 31st 2011 are detailed per CGU in the note 3 - Goodwill.

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

Other intangible assets

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

2.12. 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 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 recognised in the balance sheet under "Investments – insurance businesses".

The group's operating property is included within property plant and equipment.

Recognition and measurement

The Euler Hermes group recognises property (held for investment or operating purposes) in accordance with the cost method. This means that each property asset must be recorded at an amount equal to the cost on the acquisition date (purchase price, including non-recoverable taxes and other expenses directly attributable to the acquisition such as transfer taxes and legal fees) plus any subsequent expenditure that can be capitalised under IAS16 and less any accumulated depreciation calculated in accordance with IAS 16 and any impairment relating to the application of IAS 36.

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

- Housing;
- Warehouses and commercial premises;
- Offices;
- High-rise buildings.

The depreciable balance sheet amount corresponds to the acquisition cost (including expenditure that can be capitalised) less any residual value, where applicable, and any impairment. When the historical acquisition cost determined in this manner exceeds the residual value, a depreciation charge is recognised. 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 the asset at the end of its useful life, net of any costs relating to its disposal.

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

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

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

Impairment

Investment property
A provision for impairment of property is recognised where required 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 impairment is recognised 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 provision may be written back through the consolidated income statement.

2.13. Other property, plant and equipment

Other property plant and equipment are recognised at cost less accumulated depreciation and impairment write-downs. The depreciation methods and useful lives are generally as follows:

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

2.14. 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.

Euler Hermes' 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 the consolidated income statement.

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 recognised 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 recognised 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 (included the actuarial amortisation) is recognised in "available-for-sale assets", with a corresponding entry in the revaluation reserve, with no impact on the consolidated income statement.

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

Notes to the consolidated financial statements

The amount of the accumulated loss removed from shareholders' equity and recognised 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 recognised in the consolidated income statement.

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

Impairment recognised 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 recognized risk of default of the issuer.

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

<u>Held-to-maturity assets (HTM)</u>

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, HTM assets are recognised 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 amortised cost using the effective interest rate method. Premiums and discounts are included in the calculation of amortised cost and are recognised in the consolidated income statement on an actuarial basis over the term of the financial asset.

<u>Assets held for trading purposes</u>

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

- Acquired or held principally 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 (except for a derivative that is a designated and effective hedging instrument).

Initial recognition
Assets held for trading purposes are recognised 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 recognised in the consolidated income statement for the period.

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that 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 amortised cost using the effective interest rate method. Financial income for the period is recorded by applying the effective interest rate to the amortised cost of the transaction.

Impairment
When objective evidence of impairment exists (e.g. a deterioration in the financial situation of the issuers), the amount of the loss is equal to the difference between the carrying amount of the asset and the value of estimated future cash flows, 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, that has the following three features: (a) its value fluctuates as a function of changes in an interest rate, in the price of a financial instrument, in the price of a specific commodity, in an exchange rate, in a price or rate index, in a credit rating or a credit index, or in another variable (the “underlying”); (b) it requires no net initial investment or a net initial investment that is less than that which 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 recognised as follows:

- The hedging instrument is recognised at fair value and any changes are recognised 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 recognised 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 recognised 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 recognised through shareholders’ equity. The ineffective portion of the hedge is recognised immediately through the consolidated income statement.

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

Within the Euler Hermes 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).

2.15. 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.

2.16. Acquisition costs capitalised

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

2.17. Current and deferred tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised 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 recognised 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 recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will 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 recognised in the balance sheet as soon as their utilization is considered as probable by the Group.

2.18. 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.

2.19. 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 company's cash management procedures.

2.20. Provisions for risks and charges

Provisions

Provisions for risks and charges essentially comprise provisions for retirement commitments (see § 2.21. 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 amount of the obligation. 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 recognised, either because an outflow of resources is unlikely or because the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset arising from past events and whose existence will be confirmed only by the occurrence or otherwise of one or more uncertain future events that are not under the full control of the business.

Group companies may be concerned by disputes inherent in the exercise of their normal business. However, no exceptional events, disputes or arbitration procedures currently exist that are likely to have a material impact on the group's activity, results or financial situation.

2.21. 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 company 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. The commitment is recognised 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. The commitment amount recognised as a liability is also adjusted for any actuarial variances and the past service cost.

Actuarial variances correspond to the change in the discounted value of the commitment or in the fair value of the assets, as a result of differences between the demographic and financial assumptions used in the calculations and the actual level of demographic and financial variables for the period (experience effect) and due to changes in the actuarial assumptions (IAS 19.7). These variances are recognised in the consolidated income statement using the corridor method. When the variances reach or exceed 10% of the higher (IAS 19.92) of the discounted value of the commitment or of the market value of the plan assets (the “corridor”), the amount by which these variances exceed 10% of the higher of these two values is spread over the expected average residual length of service of the plan beneficiaries.

Past service cost denotes the increase or decrease 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 a new post-employment benefits or changes to plan arrangements during the current year. 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 Euler Hermes 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.

2.22. Share-based payments transactions

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised 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, such that the amount ultimately recognised 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 has put in place stock option plans for the benefit of executives of the Euler Hermes group. On 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.

2.23. 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 Euler Hermes 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.

<u>Definition of insurance contracts</u>

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 followed 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).

On August 18, 2005, the sections of IFRS 4 and IAS 39 relating to financial guarantees were amended. The amendments were essentially aimed at ensuring that issuers of financial guarantee contracts measure these at fair value for the initial amount and subsequently at the higher of the amount determined in accordance with IAS 37 and the amount recognised initially less, where applicable, accumulated amortisation in accordance with IAS 18. However, the issuers who explicitly consider financial collateral arrangements like insurance contracts can use the accounting treatment proposed under IFRS 4, these amendments do not call into question the decision taken by the Euler Hermes group to apply IFRS 4 to credit insurance contracts.

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. Euler Hermes has thus continued to apply the standards defined by CRC 2000-05 related to the consolidation and combination rules from companies regulated by the Insurance Regulations taking into account the following points, which are covered by specific provisions introduced by IFRS 4:

- Removal of provisions for equalisation ;
- Performance of a test for the adequacy of liabilities ;
- Impairment testing of reinsurance assets ;
- Identification and separation of embedded derivatives.

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

Analysis by function of expenses relating to contracts

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

Premiums

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

Premiums recognised in turnover stem from the guarantees given to policyholders to cover their trade receivables that arise in 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) or late claims.

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 recoveries received;
- 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 under risk management.

Estimated recoveries

Recoveries are the result of actions taken by the company against defaulting debtors in order to fully or partially recover claims paid to policyholders.

Estimated recoveries are a prudent estimate of potential recoveries on settled claims and are recognised as a reduction in the amount of the reserves for claims payable. They take into consideration a provision for administration charges determined in accordance with actual observed expenses.

Other technical reserves

A provision for current risks is established by risk category in addition to the provision for unearned premiums when claims 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

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

Reinsurance contracts

Acceptances

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

Assignments

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

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

2.24. Borrowings

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

The measurement and recognition of borrowings are defined by IAS 39. With the exception of derivatives (see §2.14.Financial instruments - Derivatives), borrowings and other financial liabilities are recognised originally at fair value less any related transaction costs, and are subsequently measured at amortised 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”.

2.25. Income from ordinary activities

Income from ordinary activities can comprise items measured and recognised 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 correspond 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.

Premium-related 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 recognised 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 recognised in the consolidated income statement. The group generally uses the FIFO method (First In, First Out). Shares exchanged under a public share exchange offer result in the recognition of a capital gain on exchange.

Change in fair value of investments recognised at fair value through the consolidated income statement
Differences in fair value recorded for the current period less any differences from the previous period are recognised. These essentially concern the remeasurement of derivatives.

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

2.26. Insurance services expense

Insurance services expense includes 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 section 2.23. Insurance and reinsurance contracts – Measurement of insurance contracts.

2.27. 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 section 2.23. Insurance and reinsurance contracts – Reinsurance contracts.

2.28. Administration expense

Administration expense mainly comprises salary costs and costs relating to the IT systems, affected to the administration of the contracts.

2.29. Other ordinary operating income and expense

Other ordinary operating income and expense comprise:

- Other technical expenses;
- Employee profit-sharing and incentive plans;
- Other net non-technical income;
- Provisions for risks and charges;
- Other income and expenses;
- Interest on arrears relating to the retail credit activity managed by Euler Hermes Credit Insurance in Belgium.

Other ordinary income and expenses correspond to charges not allocated by function relating to the services activity of the Euler Hermes group.

2.30. Other operating income and expense

These revenue and expense items arise from a major event that occurred during the accounting period and are such that they would distort the interpretation of the group's performance. They therefore consist of very few items that are unusual in nature and occur infrequently, and are for a material amount.

2.31. 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.

2.32. 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. 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 are not amortized but are 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 thousands)	December 31, 2011						December 31, 2010
	Italy	United Kingdom	United States	Benelux countries	Other	Total	Total
Opening balance							
Gross value	6 229	63 890	31 731	8 242	8 628	118 720	114 262
Impairment losses	(409)	(10 598)	-	-	-	(11 007)	(10 680)
Carrying amount	**€ 5 820**	**€ 53 292**	**€ 31 731**	**€ 8 242**	**€ 8 628**	**€ 107 713**	**€ 103 582**
Change during the year							
Openning carrying amount	5 820	53 292	31 731	8 242	8 628	107 713	103 582
Changes in gross value	-	-	-	-	-	-	-
Outgoing entities & Held for sale transfer	-	-	-	-	-	-	(393)
Other changes	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-
Changes in foreign currency translation adjustments	-	1 584	1 037	-	(15)	2 606	4 524
Impairment losses	-	(912)	-	-	-	(912)	-
Closing carrying amount	**5 820**	**53 964**	**32 768**	**8 242**	**8 613**	**109 407**	**107 713**
Closing Balance							
Gross value	6 229	65 836	32 768	8 242	8 613	121 688	118 720
Impairment losses	(409)	(11 872)	-	-	-	(12 281)	(11 007)
Carrying amount	**€ 5 820**	**€ 53 964**	**€ 32 768**	**€ 8 242**	**€ 8 613**	**€ 109 407**	**€ 107 713**

Depreciation of the goodwill of €912 thousand comes from the expected decrease of future cash flows waited on the Irish portfolio.

Method of impairment tests

In accordance with IAS 36, Euler Hermes performs impairment tests of the goodwill by comparing the value in use of the cash generated units (CGU) including goodwill and the book 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.
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.

Notes to the consolidated financial statements

Results of impairment tests

	Italy	United Kingdom	United States	Belgium	Netherlands	Germany
Cost of capital (net of tax)	**11,08%**	**6,17%**	**6,09%**	**8,52%**	**6,42%**	**6,04%**
of which, risk-free rate	*6,93%*	*2,02%*	*1,94%*	*4,37%*	*2,27%*	*1,89%*
of which, risk premium (bêta = 0.83)	*4,15%*	*4,15%*	*4,15%*	*4,15%*	*4,15%*	*4,15%*
Effective tax rate	**48,0%**	**26,5%**	**35,0%**	**34,0%**	**25,0%**	**32,3%**
Normalised return on financial portfolio	**5,8%**	**1,5%**	**1,3%**	**3,6%**	**3,6%**	**1,3%**
Gross combined ratio	**80,5%**	**85,0%**	**82,0%**	**80,0%**	**79,0%**	**78,0%**
Target retention rate	**31,7%**	**30,3%**	**30,3%**	**29,5%**	**30,3%**	**36,1%**
Perpetual growth	**1,5%**	**1,5%**	**1,5%**	**1,5%**	**1,5%**	**1,5%**
Value in use (in € million)	**273,6**	**348,4**	**518,5**	**142,5**	**114,1**	**1 570,6**
Contribution to group consolidated net asset (in € million)	**138,4**	**272,9**	**351,8**	**100,6**	**53,2**	**999,6**
Surplus (or deficit)	**135,3**	**75,5**	**166,7**	**42,0**	**60,9**	**571,0**

Sensitivity of impairment tests

Sensitivity analyses were performed on 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 pt decrease in perpetual growth rate. For all CGUs, the result of this sensitivity test led to a value in use still higher than the contribution to group consolidated net asset. These valuations support the fact that no complementary goodwill impairment is recognised
- Sensitivity on cost of capital: the impairment tests were performed with same methodology but assuming a +0.5 pt 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 contribution to group consolidated net asset. These valuations support the fact that no complementary goodwill impairment is recognised.
- Sensitivity on gross combined ratio: the impairment tests were performed with same methodology but assuming a +3 pt increase in the target gross combined ratio, of which +2 pt on gross loss ratio and +1 pt on gross cost ratio. The result of this sensitivity test led to a value in use still higher than the contribution to group consolidated net asset for all CGUs, except UK. For UK, this valuation led to the identification of value in use lower than the invested capital amount by €6.8 million. For other CGUs, the valuations support the fact that no complementary goodwill impairment is recognised.

Break even parameters

The following table presents for each CGU the change in each of the key parameters taken individually, which enables the estimated value in use to equal its contribution to group consolidated net asset.

	Italy	United Kingdom	United States	Belgium	Netherlands	Germany
Perpetual growth	-12,2%	0,1%	-0,9%	-1,7%	-5,4%	-1,7%
Cost of capital	20,8%	7,4%	8,3%	11,3%	12,2%	9,0%
Gross combined ratio	96,8%	87,7%	86,4%	87,3%	89,4%	86,0%

Note 4 Other intangible assets and contracts portfolio

(in thousands)	December 31, 2011				December 31, 2010			
	Contract porfolio	IT development and software	Other intangible assets	TOTAL	Contract porfolio	IT development and software	Other intangible assets	TOTAL
Balance as opening period								
Gross value	4 127	176 658	25 005	205 790	4 635	155 049	22 850	182 534
Amortisation	(4 445)	(121 725)	(14 066)	(140 236)	(3 709)	(74 816)	(13 257)	(91 782)
Impairment	-	-	-	-	-	-	-	-
Carrying amount	**(318)**	**€ 54 933**	**€ 10 939**	**€ 65 554**	**€ 926**	**€ 80 233**	**€ 9 593**	**€ 90 752**
Change during the year								
Carrying amount as opening period	**(318)**	**54 933**	**10 939**	**65 554**	**926**	**80 233**	**9 593**	**90 752**
Acquisitions	626	29 060	418	30 104	(625)	24 155	2 320	25 850
Expenses capitalised	-	-	-	-	-	-	-	-
Changes in consolidation scope	-	3	-	3	-	-	(2)	(2)
Disposals	-	(148)	(92)	(240)	-	(3 250)	(62)	(3 312)
Reclassifications	-	(225)	225	-	33	(2)	-	31
Foreign exchange differences	13	28	-	41	43	441	(3)	481
Net amortisation	373	(24 585)	(1 074)	(25 286)	(709)	(25 712)	(907)	(27 328)
Net provisions for impairment	-	(464)	-	(464)	-	(20 931)	-	(20 931)
Other changes	-	-	-	-	14	(1)	-	13
Carrying amount as closing period	**694**	**58 602**	**10 416**	**69 712**	**(318)**	**54 933**	**10 939**	**65 554**
Balance as closing period								
Gross value	4 772	199 849	25 544	230 165	4 127	176 658	25 005	205 790
Amortisation	(4 078)	(141 247)	(15 128)	(160 453)	(4 445)	(121 725)	(14 066)	(140 236)
Impairment	-	-	-	-	-	-	-	-
Carrying amount	**€ 694**	**€ 58 602**	**€ 10 416**	**€ 69 712**	**(318)**	**€ 54 933**	**€ 10 939**	**€ 65 554**

The increase of IT development and software mainly results from the applications developed by the group (Collection IMX, PATH, …).

Note 5 Investment and operating property

(in thousands)	December 31, 2011		December 31, 2010	
	Investment property	Operating property	Investment property	Operating property
Balance as opening period				
Gross value	13 232	184 231	35 663	185 370
Depreciation	(3 909)	(50 234)	(10 746)	(48 801)
Impairment losses	-	(6 797)	-	(6 797)
Carrying amount	**€ 9 323**	**€ 127 200**	**€ 24 917**	**€ 129 772**
Change during the year				
Carrying amount as opening period	9 323	127 200	24 917	129 772
Acquisitions	-	3 000	-	3 825
Change in consolidation scope	-	-	-	-
Disposals	(5 188)	-	(16 958)	(4 074)
Reclassifications	-	-	1 621	1 891
Changes in foreign currency translation adjustements	-	108	-	109
Net depreciation	(117)	(6 376)	(257)	(4 323)
Net provisions for impairment	-	-	-	-
Other changes	-	-	-	-
Carrying amount at the end of the period	**4 018**	**123 932**	**9 323**	**127 200**
Balance at the end of the period				
Gross value	6 144	187 356	13 232	184 231
Depreciation	(2 125)	(56 627)	(3 909)	(50 234)
Impairment losses	-	(6 797)	-	(6 797)
Carrying amount	**€ 4 019**	**€ 123 932**	**€ 9 323**	**€ 127 200**
Fair value	**€ 12 312**	**€ 229 162**	**€ 23 070**	**€ 227 650**

Amounts recorded in the income statement	Twelve months ended December 31,	
Investment property	**2011**	**2010**
Rental revenues from investment property	1 170	1 683
Direct operating expenses relating to property	(187)	(290)

As at December 31, 2011, disposals in investment property concern sales realized by:

- Euler Hermes SFAC for a selling price of € 16.4 million, carrying the realized profit to € 11.2 million (before tax impact).

The row “Acquisitions” on operating property concerns the repairing of two buildings in Paris (Euler Hermes SFAC) and in Louisville (Euler Hermes ACI) and the restoration of the front of the German subsidiary head office.

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 no active market for a given financial instrument, the group estimates the fair value 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.

Notes to the consolidated financial statements

Classification by investment category

(in thousands)	December 31, 2011						December 31, 2010					
	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	491	-	491	491	300	191	1 071	-	1 071	1 071	700	371
Total held-to-maturity assets	**€ 491**	**-**	**€ 491**	**€ 491**	**€ 300**	**€ 191**	**€ 1 071**	**-**	**€ 1 071**	**€ 1 071**	**€ 700**	**€ 371**
Available-for-sale assets												
Equities	120 226	10 195	130 421	130 421	2 756 938	57 277	119 523	22 517	142 040	142 040	2 546 894	58 960
Bonds	2 639 057	44 737	2 683 794	2 683 794			2 423 654	40 162	2 463 816	2 463 816		
Total Available-for-sale assets	**€ 2 759 283**	**€ 54 932**	**€ 2 814 215**	**€ 2 814 215**	**€ 2 756 938**	**€ 57 277**	**€ 2 543 177**	**€ 62 679**	**€ 2 605 856**	**€ 2 605 856**	**€ 2 546 894**	**€ 58 960**
Loans, deposits and other financial investments	743 611	-	743 611	743 611	-	-	831 829	-	831 829	831 829	-	-
Total loans, deposits and other financial investments	**€ 743 611**	**-**	**€ 743 611**	**€ 743 611**	**-**	**-**	**€ 831 829**	**-**	**€ 831 829**	**€ 831 829**	**-**	**-**
Total Financial investments (excluded investments in consolidated enterprise)	**€ 3 503 385**	**€ 54 932**	**€ 3 558 317**	**€ 3 558 317**	**€ 2 757 238**	**€ 57 468**	**€ 3 376 077**	**€ 62 679**	**€ 3 438 756**	**€ 3 438 756**	**€ 2 547 594**	**€ 59 331**

Concerning the non listed investments, the group estimates the fair value 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 (Pfandbriefe).

(in thousands)	December 31, 2011				December 31, 2010			
	Historical value	Revaluation reserve	Net carrying amount	Fair value	Historical value	Revaluation reserve	Net carrying amount	Fair value
- Equities:	120 226	10 195	130 421	130 421	119 523	22 517	142 040	142 040
- Bonds:	2 639 548	44 737	2 684 285	2 684 285	2 424 725	40 162	2 464 887	2 464 887
- Loans and other investments	743 611	-	743 611	743 611	831 829	-	831 829	831 829
Total Financial investments	**€ 3 503 385**	**€ 54 932**	**€ 3 558 317**	**€ 3 558 317**	**€ 3 376 077**	**€ 62 679**	**€ 3 438 756**	**€ 3 438 756**

EH Group didn’t account any significant impairment as of December 31, 2011. EH Group doesn’t hold any financial assets such as “dynamic treasury mutual funds” or “subprime investments”.

Fair value hierarchy

Available-for-sale assets

(in thousands)	December 31, 2011		
	Level 1	Level 2	Level 3
Available-for-sale assets	**2 599 346**	**177 703**	**37 166**

The level 1 is mainly composed of listed bonds and stocks on an active market.
The level 2 is mainly composed of parts of Allianz 3 years bond (for an amount of €160 million), German mortgage bonds (Pfandbriefe).
The level 3 is mainly composed of participation in a Private Equity Funds, non consolidated shares and of Moroccan & Hungarian non listed government bond.

Other financial investments

The HTM bond, the loans and the other investments are valuated at cost. As a consequence their hierarchical ranking is level 1.

Notes to the consolidated financial statements

Classification by geographical zone (in thousands of euros)

in thousands

	France	Other Countries	Group
Held-to-maturity assets			
Bonds	-	491	491
Total held-to-maturity assets	**-**	**491**	**491**
Available-for-sale assets			
Equities	116 555	13 866	130 421
Bonds	633 325	2050 469	2683 794
Total Available-for-sale assets	**749 880**	**2064 335**	**2814 215**
Loans, deposits and other financial investments	54 583	689 028	743 611
Total loans, deposits and other financial investments	**54 583**	**689 028**	**743 611**
Total Financial investments	**804 463**	**2753 854**	**3558 317**

Exposure of the Group to countries which have a restructuring plan of their sovereign debt (Greece, Ireland, Spain & Portugal)

Greece

Euler Hermes Group is exposed to Greek sovereign debt through its local subsidiary up to a nominal of € 4,300 thousand for a market value of € 1,620 thousand (maturity 2012). An exceptional impairment was booked at end of December 2011 for €2,680 thousand (€1,916 thousand was booked in the end of September 2011).

Portugal

Portuguese company COSEC, at equity method consolidated within Euler Hermes is exposed locally at the level of (in thousands):

	A	B	A (-) B
Maturity	Total exposure	Market value	Unrealized gains or losses
2012	16 900	16 908	8
2013	3 491	2 865	(626)
2014	643	458	(185)
2015	917	626	(291)
	21 950	**20 856**	**(1 094)**

Ireland

The Group has no exposure to Irish debt.

Spain

The Group has no more exposure to the Spanish debt.

Italy

The Group is exposed to the sovereign debt of Italy (in thousands):

	A	B	A (+) B = C	D	D (-) C
Maturity	Total exposure	Premium / Discount amortization	Amortized cost	Market value	Unrealized gains or losses
2012	58 500	(683)	57 817	58 124	308
2013	22 000	180	22 180	21 758	(422)
	80 500	**(503)**	**79 997**	**79 882**	**(115)**

The Group is exposed to the sovereign debt of Hungary (in thousands):

The group Euler Hermes is exposed to the Hungarian sovereign debt through its local subsidiary company at the level of a nominal and a value of market of €1,000 thousand (maturity 1st half 2012).

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

Notes to the consolidated financial statements

Movements of the periods

(in thousands)	December 31, 2011				December 31, 2010
	Held-to-maturity investments	Available-for-sale investments	Loans, deposits and other financial investments	Total	Total
Carrying amount as opening period	**€ 1 071**	**€ 2 605 856**	**€ 831 829**	**€ 3 438 756**	**€ 2 840 735**
Increase in gross value	-	1 215 044	1 264 288	**2 479 332**	2 127 270
Decrease in gross value	(580)	(980 326)	(1 350 971)	**(2 331 877)**	(1 552 630)
Revaluation	-	(12 186)	-	**(12 186)**	(7 326)
Impairment	-	(5 830)	-	**(5 830)**	(2 997)
Changes in foreign currency translation adjustements	-	9 016	(901)	**8 115**	42 646
Reclassifications	-	-	-	**-**	6 910
Other changes	-	(17 359)	(634)	**(17 993)**	(15 852)
Carrying amount as closing period	**€ 491**	**€ 2 814 215**	**€ 743 611**	**€ 3 558 317**	**€ 3 438 756**

The other variations of available for sale investments are mainly the amortizations of premiums / discounts of the bonds.

Note 7 Investments accounted for by the equity method

Information on equity-accounted investments

(in thousands)		December 31, 2011				
Company	**Country**	**Assets (1)**	**Shareholders' equity (2)**	**Turnover (3)**	**Net income**	**% of capital held**
OeKB Beteiligungs- und Management A.G.	Austria	186 250	114 016	81 127	18 178	49.00%
Graydon Holding N.V.	Netherlands	54 918	7 095	68 626	12 000	27.50%
Companhia de Seguro de Creditos SA (COSEC)	Portugal	131 825	38 838	40 552	6 774	50.00%
Israel Credit Insurance Company Ltd	Israel	69 812	32 766	27 777	4 329	33.33%
		€ 442 805	**€ 192 715**	**€ 218 082**	**€ 41 281**	

(1) Assets based on IFRS statements as at September 30, 2011.

(2) Shareholders' equity based on IFRS statements as at September 30, 2011 including goodwill.

(3) The turnover corresponds to the turnover in the IFRS statements as at September 30, 2011 (+) ¼ of the total turnover of 2010.

(in thousands)		December 31, 2010				
Company	**Country**	**Assets**	**Shareholders' equity**	**Turnover**	**Net income**	**% of capital held**
OeKB Beteiligungs- und Management A.G.	Austria	181 349	105 955	71 145	13 639	49.00%
Graydon Holding N.V.	Netherlands	52 718	4 135	72 519	14 462	27.50%
Companhia de Seguro de Creditos SA (COSEC)	Portugal	103 646	38 106	39 259	6 472	50.00%
Israel Credit Insurance Company Ltd	Israel	63 893	30 474	25 352	5 719	33.33%
		€ 401 606	**€ 178 670**	**€ 208 275**	**€ 40 291**	-

Movements during the period

(in thousands)	December 31, 2011	December 31, 2010
Opening carrying amount	**€ 98 066**	**€ 89 254**
Increases	-	-
Decreases	(997)	-
Reclassification	-	(1)
Share of income for the period	17 038	15 802
Dividends paid	(8 417)	(7 918)
Impairment	-	-
Foreign exchange differences	(210)	291
Other changes	(284)	638
Closing carrying amount	**€ 105 196**	**€ 98 066**

Contribution to shareholders' equity (without equity method income of 2011)

(in thousands)		December 31, 2011	December 31, 2010
OeKB Beteiligungs- und Management A.G.	Austria	55 868	51 917
Graydon Holding N.V.	Netherlands	1 951	1 137
Companhia de Seguro de Creditos SA (COSEC)	Portugal	19 419	19 053
Israel Credit Insurance Company Ltd	Israel	10 921	10 157
Share of shareholders' equity		**€ 88 159**	**€ 82 264**

Contribution to income

(in thousands)		Twelve months ended December 31,	
		2011	2010
OeKB Beteiligungs- und Management A.G.	Austria	8 907	6 683
Graydon Holding N.V.	The Netherlands	3 300	3 977
Companhia de Seguro de Creditos SA (COSEC)	Portugal	3 387	3 236
Israel Credit Insurance Company Ltd	Israel	1 443	1 906
Share of total income		**€ 17 037**	**€ 15 802**

Note 8 Operating property and other property, plant and equipment

(in thousands)	December 31, 2011			December 31, 2010		
	Operating property	Other property and equipment	Total	Operating property	Other property and equipment	Total
Opening balance						
Gross value	184 231	138 750	322 981	185 370	143 809	329 179
Amortisation	(50 234)	(114 578)	(164 812)	(48 801)	(115 152)	(163 953)
Impairment	(6 797)	(110)	(6 907)	(6 797)	(110)	(6 907)
Carrying amount	**€ 127 200**	**€ 24 062**	**€ 151 262**	**€ 129 772**	**€ 28 547**	**€ 158 319**
Change during the year						
Carrying amount as opening period	**127 200**	**24 062**	**151 262**	**129 772**	**28 547**	**158 319**
Acquisitions	3 000	16 928	19 928	3 825	16 051	19 876
Changes in consolidation scope	-	21	21	-	655	655
Disposals	-	(6 323)	(6 323)	(4 074)	(9 349)	(13 423)
Reclassifications	-	(25)	(25)	1 891	(3 513)	(1 622)
Foreign exchange differences	108	127	235	109	505	614
Net depreciation	(6 376)	(8 842)	(15 218)	(4 323)	(8 850)	(13 173)
Net provisions for impairment	-	(603)	(603)	-	-	-
Other changes	-	-	-	-	16	16
Carrying amount as closing period	**123 932**	**25 345**	**149 277**	**127 200**	**24 062**	**151 262**
Balance as closing period						
Gross value	187 356	144 606	331 962	184 231	138 750	322 981
Depreciation	(56 627)	(118 548)	(175 175)	(50 234)	(114 578)	(164 812)
Impairment	(6 797)	(713)	(7 510)	(6 797)	(110)	(6 907)
Carrying amount	**€ 123 932**	**€ 25 345**	**€ 149 277**	**€ 127 200**	**€ 24 062**	**€ 151 262**

Disposals of other property, plant and equipment and the related depreciation correspond mainly to the change in IT equipment in Germany and France.

Note 9 Deferred tax

Breakdown by type of tax

(in thousands)	December 31, 2011	December 31, 2010
Deferred tax assets	123 631	134 264
Deferred tax liabilities	(431 712)	(456 688)
Net deferred tax	**€ (308 081)**	**€ (322 424)**
Tax losses	7 592	28 232
Deferred tax assets linked to revaluation of AFS investments	8 952	8 365
Deferred tax assets - provisions for retirement commitments	1 691	1 409
Deferred tax assets - technical reserves	39 231	44 417
Other deferred tax assets	66 165	51 841
Total deferred tax assets	**€ 123 631**	**€ 134 264**
Deferred tax liabilities linked to revaluation of AFS investments	(22 592)	(27 615)
Deferred tax liabilities - provisions for retirement commitments	(14 603)	(13 582)
Deferred tax liabilities - technical reserves	(336 939)	(365 605)
Other deferred tax liabilities	(57 578)	(49 886)
Total deferred tax liabilities	**€ (431 712)**	**€ (456 688)**
Net deferred tax	**€ (308 081)**	**€ (322 424)**
After offsetting deferred tax assets and liabilities by tax entity		
Deferred tax assets	22 052	43 209
Deferred tax liabilities	(330 133)	(365 633)
Net deferred tax	**€ (308 081)**	**€ (322 424)**

The activated tax losses concern for €15.5 million the reinsurance subsidiaries (Switzerland and Luxemburg), for €3 million the Belgian subsidiary and Euler Hermes Kreditversicherungs for €4.1 million.

The non-activated tax losses are mainly due to the German Branches for €14 million, €3 million for the Irish branch, the Chinese service entity for €1.4 million and the Spanish branch for €1.5 million, the future use of these tax losses being unpredictable.

Movement in deferred tax by geographical region

(in thousands)	December 31, 2010	Change through income statement	Change relating to revaluation of AFS inv.	Foreign exchange difference	Other movements	December 31, 2011
France	(126 558)	26 666	5 613	-	(405)	(94 684)
GAS	(216 768)	13 029	1 150	-	(773)	(203 362)
Northern Europe	(2 275)	(6 127)	(436)	(163)	(854)	(9 854)
Southern Europe	11 201	(53)	431	(5)	-	11 575
Asia & Pacific countries	32	(553)	(131)	1	445	(205)
America	(2 556)	(3 393)	133	(456)	(249)	(6 521)
Reinsurance	4 814	(14 698)	(167)	929	1	(9 121)
Other Countries	(318)	-	-	-	318	-
Group Services / Holdings	10 004	(7 179)	-	-	1 267	4 092
	€ (322 424)	**€ 7 693**	**€ 6 593**	**€ 307**	**€ (250)**	**€ (308 081)**

With regard to Germany and France, the deferred tax liability is due mainly to the cancellation under IFRS of the equalisation reserve.

Change in standard tax rate

	December 31, 2011	December 31, 2010
Group rate	28,07%	23,87%
France	34,43%	34,43%
Germany	32,28%	32,28%
Italy	32,47%	32,47%
United-Kingdom	26,50%	28,00%
United-States	35,00%	35,00%
Netherlands	25,00%	25,50%
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, i.e. the tax charge recognised in the consolidated income statement compared with gross income before tax and adjusted for the profits of companies accounted for by the equity method.
A reconciliation between the tax rate of the parent company Euler Hermes SA and the effective tax rate in 2011 is provided in note 27.

A temporary and extraordinary tax contribution equal to 5% of the amount of income tax to be paid has been set up for 2011 and 2012 in France. This contribution is limited only to two fiscal years and has no impact to deferred tax positions. However, the additional tax income to be paid related to 2012 has been anticipated in the 2011 closing period.

Note 10 Insurance and reinsurance receivables

Breakdown by type

(in thousands)	December 31, 2011			December 31, 2010
	Gross	Provisions	Net	Net
Receivables from policyholders and agents	229 874	(17 102)	212 772	204 168
Earned premiums not yet written	180 425	-	180 425	159 718
Receivables from guaranteed debtors	74 265	-	74 265	88 513
Receivables from reinsurance transactions	69 609	(1 944)	67 665	138 934
Total credit insurance receivables	**€ 554 173**	**€ (19 046)**	**€ 535 127**	**€ 591 333**

Breakdown by maturity

(in thousands)	December 31, 2011				
	< 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total credit insurance receivables	**€ 530 459**	**€ 4 668**	**-**	**-**	**€ 535 127**

Provisions for bad debts from policyholders and agents

(in thousands)	December 31, 2011	December 31, 2010
Balance as opening period	(17 751)	(16 558)
Change in consolidation scope	-	-
Provision	(2 275)	(3 830)
Write back	2 793	3 662
Foreign exchange translation	131	(20)
Other changes	-	(1 005)
Balance as closing period	**€ (17 102)**	**€ (17 751)**

Note 11 Other receivables

Breakdown by type and by maturity

(in thousands)	December 31, 2011			December 31, 2010
	Gross	Provision	Net	Net
Current account	36 038	-	36 038	19 163
Other taxes receivables	44 239	-	44 239	32 482
Other receivables	**180 136**	**(8 414)**	**171 722**	**155 461**
of which, accrued interest not due	50 759	-	50 759	47 745
Deferred charges	12 106	-	12 106	10 483
Other adjustment accounts	1 541	-	1 541	676
Other assets	1 252	-	1 252	589
Total other receivables	**€ 275 312**	**€ (8 414)**	**€ 266 898**	**€ 218 854**

Breakdown by maturity

(in thousands)	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total other receivables	**262 892**	**2 434**	**1 572**	**-**	**266 898**

Note 12 Cash and cash equivalents

(in thousands)	December 31, 2011	December 31, 2010
Cash in bank and at hand	317 077	255 774
Cash pooling	30 261	50 427
Total cash	**€ 347 338**	**€ 306 201**
Total cash per balance sheet	**347 338**	**306 201**
Cash equivalents reflected in the cash flow statement	-	-
Cash pooling creditor with Allianz	(350)	(350)
Total cash and cash equivalents	**€ 346 988**	**€ 305 851**

Note 13 Revaluation reserve

(in thousands)	Investments	Tax	Foreign exchange difference	Associated companies	Other	Revaluation reserve except minority interests	Minority interests	Revaluation reserve
Opening balance	**€ 61 703**	**€ (22 426)**	**€ 180**	**€ (496)**	**€ 438**	**€ 39 399**	**€ (193)**	**€ 39 206**
Change in fair market value of asset held for sale transfered through profits & losses (Gross amount) - group	(15 422)	4 205	188	-	**(1)**	(11 029)	-	(11 029)
Change in fair market value of asset held for sale booked through equity (Gross amount) - group	3 085	1 420	76	-	**(0)**	4 579	-	4 579
Change in fair market value of asset held for sale booked through equity (Gross amount) - COSEC associated company	-	-	-	(284)	**-**	(284)	-	(284)
Change in fair market value of asset held for sale booked through equity (Gross amount) - OeKB associated company	-	-	-	-	**-**	-	-	-
Change in fair market value of asset held for sale booked through equity (Gross amount) - minority	-	-	-	-	**-**	-	180	180
Other movements	-	-	-	-	0	0	-	0
Closing balance	**€ 49 366**	**€ (16 801)**	**€ 444**	**€ (780)**	**€ 437**	**€ 32 666**	**€ (13)**	**€ 32 653**

Note 14 Minority interests

Movements during the year

(in thousands)	December 31, 2011	December 31, 2010
Non controlling interests at start of period	**€ 18 015**	**€ 20 698**
Non controlling interests' share of net income	**3 238**	**3 331**
Movements on latent reserves (excluding currency translation impact)	**180**	**(256)**
Other movements		
Foreign currency translation differences	26	(7)
Dividends paid to minority shareholders	(3 455)	(4 143)
Capital increases and other movements	(2)	(1 608)
Non controlling interests at end of period	**€ 18 002**	**€ 18 015**

Breakdown by company

(in thousands)	December 31, 2011	December 31, 2010
Euler Hermes in France	1 030	994
Euler Hermes in Switzerland	3	5
Euler Hermes in Germany	11 312	11 458
Euler Hermes in Morocco	3 857	3 254
Euler Hermes in Greece	1 800	2 304
Non controlling interests	**€ 18 002**	**€ 18 015**

Note 15 Provisions for risks and charges

(in thousands)	December 31, 2010	Allowance	Writeback (used)	Writeback (not used)	Reclassification	Other changes	December 31, 2011
Retirement scheme (cf note 16 Employee Benefits for more détails)	**52 928**	**8 745**	**(5 750)**	**(1 028)**	**(963)**	**267**	**54 199**
Defined benefit retirement plans	52 928	8 745	(5 750)	(1 028)	(963)	267	54 199
Defined contribution retirement plans	-	-	-	-	-	-	-
Other provisions for risks and charges	**177 259**	**85 660**	**(41 337)**	**(14 452)**	**(438)**	**(1 170)**	**205 522**
Provision for tax liabilities	14 236	46 686	(14 264)	-	130	(85)	46 703
Provision for tax litigation in Germany	65	-	-	-	-	194	259
Provision for tax uncertainties	29 209	11 683	(3 648)	(3 285)	-	-	33 959
Provisions for employee benefits	51 846	17 548	(7 628)	(2 177)	(568)	(1 048)	57 973
Provisions for reinsurer default	-	-	-	-	-	-	-
Provisions for policyholder disputes	1	-	-	-	-	-	1
Provisions for debtor disputes	2 259	-	-	-	-	-	2 259
Guarantee of liabilities	8	-	-	-	-	-	8
Provision for restructuring	71 074	2 583	(12 068)	(6 615)	-	(196)	54 777
Provisions for sundry disputes	8 561	7 160	(3 728)	(2 375)	-	(35)	9 583
Total Provisions for risks and charges	**€ 230 187**	**€ 94 405**	**€ (47 087)**	**€ (15 480)**	**€ (1 401)**	**€ (903)**	**€ 259 721**

Defined contribution retirement plans have been reclassified in “Other debts”.

Notes to the consolidated financial statements

Note 16 Employee benefits

<u>Defined contribution plans</u>

General description of the plans

- La Mondiale (France): insurance firms are required to pay 1% of their annual payroll into a capitalisation pension plan. The funds are managed by La Mondiale, an insurance firm.

- Euler American Credit Indemnity Company Associates Retirement Savings Plan: this is a defined contribution plan for full-time employees of Euler American Credit Indemnity. A provision must be raised pursuant to the Employee Retirement Income Security Act of 1974 (ERISA).

- United Kingdom: the company makes contributions on behalf of its employees amounting to 8% of salaries. The cash is invested in the names of the employees, who receive rights according to the return on investment generated.

- Scandinavia:
    - Denmark: the plan is managed by Danica, a Danish life insurance company.
    - Finland: the plan is managed by Varma, a Finnish insurance company.

The multi employer plans in Sweden, managed by the life insurance company, SPP as well as the plan in Norway, managed by the Norway company Vital are accounted as defined benefit plans since December 31, 2009.

(in thousands of euros)	France	United States	United Kingdom	Scandinavia	Total
Provision at December 31, 2011	**-**	**(1 470)**	**-**	**-**	**(1 470)**
Expense booked in 2011	(789)	(1 384)	(1 141)	(1 528)	**(4 843)**
Provision at December 31, 2010	**-**	**(1 383)**	**-**	**-**	**(1 383)**
Expense booked in 2010	(801)	(611)	(1 257)	(1 563)	(4 232)
Provision at December 31, 2009	**-**	**(1 581)**	**-**	**-**	**(1 581)**
Expense booked in 2009	(600)	-	(970)	(1 498)	(3 068)
Provision at December 31, 2008	**-**	**(1 783)**	**-**	**-**	**(1 783)**
Expense booked in 2008	(207)	(186)	(705)	(1 476)	(2 574)
Provision at December 31, 2007	**-**	**(1 470)**	**-**	**-**	**(1 470)**
Expense booked in 2007	(391)	(230)	(1 020)	(1 374)	(3 015)

Defined contribution retirement plans are accounted for in “Other debts” as at December 31, 2011.

<u>Defined benefit plans</u>

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 Sfac. Contributions are paid by the company to beneficiaries or their surviving spouse (reversion) until their death. The plan is managed by BCAC, which informs the company quarterly of the contributions to be paid. At the end of the year, there were 17 beneficiaries.

- 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 and Euler Hermes Sfac. The contributions are paid by CARDIF to the beneficiaries or their surviving spouse (reversion) until their death. There are 2 beneficiaries.

- TFR (Italy): 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 has been taken as 60 years for women and 65 years for men;

- The probability of leaving the company within the next five years for employees under 40 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.

The assets covering the actuarial liability are included along with the other assets of Euler Hermes SIAC and are not identified separately.

- EHUK Defined Benefit plan: Euler Hermes in the UK 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 (the normal age being 63 years), which will be a fraction of their salary upon retirement and based on their length of service within the company.
  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 revaluation of certain rights, notably those earned prior to April 6, 1997, is not covered by a legal obligation, but is discretionary. The assumptions used to calculate the commitment were reviewed in 2005 following the decision to no longer finance the revaluation of the discretionary increase in rights earned prior to 1997. This took into account the company's recent practice and the current position of the fund, factors that tend to reduce the probability of such discretionary revaluations being granted in the future. The commitment was reduced by £13.7 million at December 31, 2005. In this regard, £8.4 million was treated as actuarial gains and £5.7 million was recognised in the 2006 consolidated income statement as past service costs.

  At December 31, 2011, the present value of pension commitments in respect of this plan came to £132 million, funded by the fund as the market value of the assets stood at £132 million.

- AVK/APV EPV: Euler Hermes Kreditversicherungs AG, Euler Hermes Forderungsmanagement GmbH, Euler Hermes Risk Management & Co.KG and Euler Hermes Rating Gmbh have implemented a defined benefit pension plan for all their employees. The beneficiaries will receive an annuity upon retirement at 65 years old at the latest. This plan is managed in part by external companies, namely Pensionskasse AVK and Unterstûtzungskasse APV. Employees who leave the company prior to the date provided for may benefit from an annuity of a lower amount than that provided for initially.

- Euler Hermes Credit Insurance Belgium has implemented a plan that covers the payment to employees of Euler Hermes Credit Insurance Belgium and Euler Hermes Services Belgium of a fixed capital amount (equal to a multiply of their salary at 60 years old) . It also provides coverage in the event of the death, being a multiple of their salary based on the composition of their family, or invalidity of the employee.

- Euler Hermes Kredietverzekeringen NV (the Netherlands) has implemented a defined benefit pension plan for its employees that is managed by Delta Lloyd.

- Scandinavia:
  Sweden: a multi-employer plan that is managed by SPP, one of the largest life insurance companies. The employee begins to accrue pension at 28 years old. The employee can receive a pension from 65years old. The employee is then guaranteed 65% of their final salary
  Norway: a multi-employer plan that is managed by Vital, a Norwegian life insurance company. The employee begins to accrue pension from the first day of employment. The employee can receive a pension from 67 years old. The employee is then guaranteed 70 % of their final salary.

Notes to the consolidated financial statements

31/12/2011	France & Greece			Italy	United-Kingdom	Germany	Belgium	Nederlands	Nordic		Total
	Retirement indemnities	PSAD	CARDIF						FTP	VITAL	
Actuarial obligation - total	**(7 002)**	**(3 928)**	**(2 657)**	**(5 870)**	**(137 137)**	**(390 976)**	**(20 889)**	**(5 671)**	**(4 894)**	**(1 570)**	**(580 595)**
Current period service cost	(343)	-	-	-	(2 104)	(8 305)	(717)	(252)	(100)	(231)	(12 052)
Interest on obligation	(262)	(170)	(132)	-	(7 197)	(18 304)	(977)	(240)	(169)	(46)	(27 497)
Employee contributions	-	-	-	(603)	-	(2 761)	(75)	(229)	-	-	(3 668)
Plan amendment	-	-	-	-	-	-	-	-	-	-	-
Acquisitions/disposals of subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Plan curtailments	-	-	-	-	-	-	-	67	-	-	67
Plan settlements	-	-	-	-	-	-	-	-	-	-	-
Exceptional events	-	-	-	-	-	-	-	-	-	-	-
Actuarial gains (losses) due to a change in assumptions	(132)	-	(72)	-	-	(3 883)	(83)	(920)	-	-	(5 090)
Actuarial gains (losses) due to a change in experience	(53)	(49)	7	-	(10 088)	3 133	-	(1 276)	-	-	(8 326)
Benefits paid	173	411	158	781	3 573	11 440	1 062	1	125	-	17 724
Currency translation difference	-	-	-	-	(4 862)	-	-	-	(32)	(9)	(4 904)
Other (please insert comment)	832	135	176	-	(72)	739	-	676	-	156	2 642
Removal of the discretionary clause	-	-	-	-	-	-	-	-	-	-	-
Actuarial obligation - total	**(6 787)**	**(3 601)**	**(2 520)**	**(5 692)**	**(157 887)**	**(408 917)**	**(21 679)**	**(7 844)**	**(5 070)**	**(1 700)**	**(621 697)**
Fair value of plan assets - total	**2 815**	**-**	**2 699**	**-**	**137 135**	**303 415**	**15 137**	**4 987**	**3 473**	**647**	**470 307**
Actual return on plan assets	82	-	24	-	7 687	14 255	543	64	122	30	22 806
Experience effect on returns from assets	-	-	-	-	-	3 729	227	421	-	-	4 377
Employee contributions	-	-	-	-	-	2 761	2 135	247	219	-	5 362
Employer contributions	777	-	-	-	3 626	6 519	75	502	-	-	11 499
Acquisitions /disposals of subsidiaries	-	-	-	-	-	(726)	-	-	-	-	(726)
Plan curtailments	-	-	(25)	-	-	-	-	-	-	-	(25)
Plan settlements	-	-	-	-	-	-	-	-	-	-	-
Benefits paid	(173)	-	(158)	-	(3 573)	(7 454)	(1 062)	(1)	(125)	-	(12 546)
Currency translation difference	-	-	-	-	4 450	-	-	-	24	(9)	4 465
Other (please insert comment)	(53)	-	-	-	(1 430)	-	-	(154)	-	(12)	(1 649)
Fair value of plan assets - total	**3 448**	**-**	**2 540**	**-**	**147 894**	**322 499**	**17 055**	**6 067**	**3 712**	**656**	**503 870**
Actuarial differences still to be amortised	**(291)**	**-**	**-**	**-**	**(33 591)**	**(49 354)**	**(2 468)**	**(1 301)**	**(573)**	**333**	**(87 246)**
Net commitments <0	**(3 048)**	**(3 601)**	**-**	**(5 692)**	**-**	**(37 064)**	**(2 156)**	**(476)**	**(784)**	**(1 376)**	**(54 199)**
Net commitments >0	**-**	**-**	**20**	**-**	**23 598**	**-**	**-**	**-**	**-**	**-**	**23 618**
Expenses for the period	**(540)**	**(85)**	**(1)**	**-**	**(9 300)**	**(13 478)**	**(1 203)**	**(436)**	**(152)**	**(259)**	**(25 454)**
Current period service cost	(343)	-	-	-	(2 104)	(8 305)	(717)	(252)	(100)	(231)	(12 052)
Finance cost (effect of undiscounting)	(262)	(170)	(132)	-	(7 197)	(18 252)	(977)	(240)	(169)	(46)	(27 445)
Expected return on plan assets	94	-	128	-	-	14 255	543	64	122	30	15 236
Expected return on any other assets	-	-	-	-	-	-	-	-	-	-	-
Amortization of actuarial gains and losses	(29)	85	(212)	-	-	(1 176)	-	-	(5)	-	(1 337)
Amortization of prior service cost	-	-	-	-	-	-	-	8	-	-	8
Amortization of unrecognized initial obligation	-	-	-	-	-	-	(52)	-	-	-	(52)
Profit/loss on curtailment/settlement	-	-	215	-	-	-	-	-	-	-	215
Asset ceiling limitation	-	-	-	-	-	-	-	-	-	-	-
Exceptional events	-	-	-	-	-	-	-	-	-	-	-
Other (please insert comment)	-	-	-	-	-	-	-	(15)	-	(12)	(27)
Actuarial assumptions											
Discounting rates used	4,50%	4,80%	4,50%	4,50%	4,90%	4,80%	4,80%	4,80%	3,50%	3,30%	
Inflation rate used	2,00%	2,00%	2,00%		2,40%	1,50%		2,90%			
Expected return on plan assets	3,50%	3,50%	3,50%		4,90%	4,60%	3,50%	4,80%	3,50%	4,80%	
Expected return on reimbursement rights (assets)											
Expected rate of salary increase	2,60%			2,00%	4,20%	1,50%	4,00%		3,00%		
Expected rate of increase of medical costs											
Rate of increase of benefit used by plan											
Plan retirement age	60		60		65	63		65	65	67	
Plan residual service period	10		5			15					
Oth significant actuarial assumption used(comment)		60%									
Structure of plan assets (1)											
Shares						*Cf template below*		*Cf template below*	11,10%	10,40%	
Bonds	100,00%		100,00%		95,00%				81,40%	70,30%	
Real estate											
Other instruments					5,00%		100,00%		7,50%	19,30%	

	Germany			Netherlands	
	Euler Hermes Rating Gmbh	Forderungsmanagement Gmbh	Euler Hermes Kreditversicherungs AG	NV Interpolis Kredietverzekeringen	Euler Hermes Kredietverzekering NV
Shares	1,20%	3,50%	3,60%	13,50%	
Bonds	97,80%	93,80%	93,50%	79,50%	
Real estate	0,50%	1,70%	1,80%	7,00%	
Other instruments	0,50%	1,00%	1,10%		100,00%

	France & Greece			Italy	United-Kingdom	Germany	Belgium	Nederlands	Nordic			Total
31/12/2010	Retirement indemnities	PSAD	CARDIF						FTP	VITAL	CEO's PLAN	
Actuarial obligation - total	**(5 118)**	**(3 655)**	**(2 647)**	**(7 390)**	**(127 413)**	**(353 375)**	**(18 916)**	**(4 032)**	**(4 000)**	**(1 095)**	**(591)**	**(528 233)**
Current period service cost	(312)	-	-	-	(2 172)	(7 520)	(845)	(251)	(157)	(255)	-	(11 512)
Interest on obligation	(247)	(185)	60	-	(7 347)	(18 244)	(973)	(227)	(154)	(45)	-	(27 362)
Employee contributions	-	-	-	(508)	-	(2 746)	(87)	(220)	-	-	-	(3 561)
Plan amendment	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions/disposals of subsidiaries	-	-	-	-	-	(1 029)	-	-	-	-	-	(1 029)
Plan curtailments	-	-	-	-	-	-	525	-	-	-	-	525
Plan settlements	-	-	-	-	-	-	-	-	-	-	638	638
Exceptional events	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial gains (losses) due to a change in assumptions	(1 025)	(259)	(334)	(107)	(2 959)	(26 515)	(885)	(450)	-	-	-	(32 534)
Actuarial gains (losses) due to a change in experience	(207)	(171)	171	-	4 780	4 156	-	(745)	-	-	-	7 984
Benefits paid	386	405	156	2 135	3 153	10 639	292	543	8	-	-	17 717
Currency translation difference	-	-	-	-	(4 017)	-	-	-	(592)	(175)	(47)	(4 831)
Other (please insert comment)	(479)	(63)	(63)	-	(1 163)	3 658	-	(289)	-	-	-	1 602
Removal of the discretionary clause	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial obligation - total	**(7 002)**	**(3 928)**	**(2 657)**	**(5 870)**	**(137 137)**	**(390 976)**	**(20 889)**	**(5 671)**	**(4 894)**	**(1 570)**	**-**	**(580 595)**
Fair value of plan assets - total	**2 251**	**-**	**2 764**	**-**	**115 352**	**288 599**	**13 137**	**3 556**	**2 593**	**546**	**692**	**429 490**
Actual return on plan assets	110	-	49	-	7 575	14 132	570	(36)	105	35	-	22 539
Experience effect on returns from assets	-	-	127	-	6 140	821	(52)	1 195	-	-	-	8 231
Employee contributions	-	-	-	-	-	2 746	87	220	383	-	-	3 436
Employer contributions	747	-	-	-	5 329	6 764	1 687	534	-	-	-	15 061
Acquisitions /disposals of subsidiaries	-	-	-	-	-	(2 613)	-	(543)	-	-	-	(3 156)
Plan curtailments	-	-	(226)	-	-	-	-	-	-	-	-	(226)
Plan settlements	-	-	-	-	-	-	-	18	-	29	(747)	(700)
Benefits paid	(371)	-	(156)	-	(3 153)	(6 950)	(292)	(1)	(8)	-	-	(10 931)
Currency translation difference	-	-	-	-	3 565	-	-	-	400	11	55	4 032
Other (please insert comment)	78	-	141	-	2 327	(84)	-	45	-	26	-	2 533
Fair value of plan assets - total	**2 815**	**-**	**2 699**	**-**	**137 135**	**303 415**	**15 137**	**4 987**	**3 473**	**647**	**-**	**470 307**
Actuarial differences still to be amortised	**(979)**	**-**	**22**	**-**	**(23 174)**	**(53 372)**	**(2 653)**	**(170)**	**(565)**	**339**	**-**	**(80 552)**
Net commitments <0	**(3 208)**	**(3 928)**	**-**	**(5 870)**	**-**	**(34 189)**	**(3 099)**	**(514)**	**(857)**	**(1 262)**	**-**	**(52 928)**
Net commitments >0	**-**	**-**	**20**	**-**	**23 172**	**-**	**-**	**-**	**-**	**-**	**-**	**23 192**
Expenses for the period	**(454)**	**(678)**	**-**	**(615)**	**(9 519)**	**(11 696)**	**(791)**	**(484)**	**(214)**	**(275)**	**-**	**(24 725)**
Current period service cost	(312)	-	-	-	(2 172)	(7 520)	(845)	(251)	(157)	(255)	-	(11 512)
Finance cost (effect of undiscounting)	(247)	(185)	60	-	(7 347)	(18 244)	(973)	(227)	(154)	(45)	-	(27 362)
Expected return on plan assets	99	-	(51)	-	-	14 132	570	(57)	105	35	-	14 832
Expected return on any other assets	-	-	-	-	-	-	-	(7)	-	-	-	(7)
Amortization of actuarial gains and losses	6	(493)	-	(615)	-	(64)	-	-	(8)	-	-	(1 174)
Amortization of prior service cost	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of unrecognized initial obligation	-	-	-	-	-	-	-	-	-	-	-	-
Profit/loss on curtailment/settlement	-	-	(9)	-	-	-	457	-	-	-	-	448
Asset ceiling limitation	-	-	-	-	-	-	-	-	-	-	-	-
Exceptional events	-	-	-	-	-	-	-	-	-	-	-	-
Other (please insert comment)	-	-	-	-	-	-	-	58	-	(9)	-	49
Actuarial assumptions												
Discounting rates used	3,50%			4,30%	5,30%	4,80%	4,80%	5,30%	3,50%	3,80%		
Inflation rate used	2,00%	2,00%	2,00%			1,60%	2,50%	1,50%	2,00%			
Expected return on plan assets	3,50%		4,00%		5,70%	4,70%	3,50%	5,50%	3,50%	5,80%		
Expected return on reimbursement rights (assets)												
Expected rate of salary increase	2,60%			2,00%	4,40%	2,30%	4,00%		3,00%	4,00%		
Expected rate of increase of medical costs												
Rate of increase of benefit used by plan					3,30%		4,00%	0,90%				
Plan retirement age	60		60		63	63	60	65				
Plan residual service period	10		5		20	15		30				
Oth significant actuarial assumption used(comment)		60%										
Structure of plan assets (1)												
Shares					39,50%	*6.1% / 10%*	15,00%	12.5%	17,00%	30,00%		
Bonds	100,00%		100,00%		54,80%	*90.9% / 90%*	85,00%	80%	48,00%	70,00%		
Real estate						*2.5%*		7.5%	16,00%			
Other instruments					5,80%	*0.5%*		0% / 100%	19,00%			

(1) Structure of plan assets : detail by entity

	Germany			Netherlands	
	Euler Hermes Rating Gmbh	Forderungsmanagement Gmbh	Euler Hermes Kreditversicherungs AG	NV Interpolis Kredietverzekeringen	Euler Hermes Kredietverzekering NV
Shares	6.10%	6.10%	10.00%	12.50%	
Bonds	90.90%	90.90%	90.00%	80.00%	
Real estate	2.50%	2.50%		7.50%	
Other instruments	0.50%	0.50%			100.00%

31/12/2009	France			Italy	United-Kingdom	Germany	Belgium	Nederlands	Nordic			Total
	Retirement indemnities	PSAD	CARDIF						FTP	Vital	CEO's plan	
Actuarial liability at start of period	**(4 937)**	**(4 264)**	**(2 499)**	**(9 437)**	**(94 377)**	**(307 727)**	**(16 041)**	**(3 488)**	**(4 044)**	**(887)**	**(482)**	**(448 183)**
- Cost of services provided during the period	(285)	-	-	(39)	(1 588)	(6 928)	(749)	(224)	(145)	(231)	(199)	(10 388)
- Interest expense	(276)	(241)	(145)	(259)	(6 301)	(18 133)	(958)	(194)	(123)	(34)	(26)	(26 690)
- Employee contributions	-	-	-	-	-	(2 625)	(85)	(168)	-	-	-	(2 878)
- Change of pension plan	-	-	-	-	-	-	-	-	-	-	-	-
- Acquisitions/disposals of subsidiaries	-	-	-	-	-	266	-	-	-	-	-	266
- Reductions of pension plans	-	-	-	-	-	-	-	-	-	-	-	-
- Disposals of pension plans	-	-	-	-	-	-	-	-	-	-	-	-
- Exceptional events	-	-	-	-	-	-	-	-	-	-	-	-
- Actuarial gains (losses) due to a change in assumptions	226	(34)	(154)	(7)	(22 083)	(28 029)	(1 164)	(109)	287	56	-	(51 011)
- Actuarial gains (losses) due to a change in experience	(19)	431	(4)	-	1 396	40	(738)	(245)	25	-	-	886
- Benefits paid	173	453	155	2 352	2 504	9 771	819	1	-	-	-	16 228
- Translation differences	-	-	-	-	(6 844)	-	-	-	-	-	-	(6 844)
- Other	-	-	-	-	(120)	(10)	-	395	-	-	116	381
- Removal of the discretionary clause	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial liability at end of period	**(5 118)**	**(3 655)**	**(2 647)**	**(7 390)**	**(127 413)**	**(353 375)**	**(18 916)**	**(4 032)**	**(4 000)**	**(1 095)**	**(591)**	**(528 232)**
Fair value of assets at start of period	**1 540**	**-**	**2 990**	**-**	**94 927**	**266 492**	**12 490**	**2 839**	**2 299**	**575**	**495**	**384 648**
- Actual return on plan assets	41	-	(57)	-	5 746	14 463	645	21	84	34	21	20 998
- Experience effect on returns from assets	-	-	154	-	5 455	5 699	(335)	398	-	-	-	11 371
- Employee contributions	-	-	-	-	-	2 625	85	482	223	-	195	3 610
- Employer contributions	742	-	-	-	4 838	5 923	1 071	198	-	-	-	12 773
- Acquisitions/disposals of subsidiaries	-	-	-	-	-	1 441	-	-	-	-	-	1 441
- Reductions of pension plans	-	-	(485)	-	-	(1 707)	-	7	-	-	-	(2 185)
- Disposals of pension plans	-	-	-	-	-	-	-	-	-	26	-	26
- Benefits paid	(73)	-	(155)	-	(2 411)	(6 473)	(819)	(1)	(25)	-	-	(9 957)
- Translation differences	-	-	-	-	6 883	-	-	-	-	-	-	6 883
- Other	1	-	317	-	(87)	136	-	(389)	12	(88)	(19)	(118)
Fair value of assets at end of period	**2 251**	**-**	**2 764**	**-**	**115 352**	**288 599**	**13 137**	**3 556**	**2 593**	**546**	**692**	**429 490**
	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial differences still to be amortised	**653**	**-**	**117**	**-**	**(32 877)**	**(31 895)**	**(1 795)**	**19**	**(530)**	**53**	**101**	**(66 154)**
	-	-	-	-	-	-	-	-	-	-	-	-
Negative net commitments	**(3 520)**	**(3 655)**	**-**	**(7 390)**	**-**	**(32 881)**	**(3 984)**	**(495)**	**(878)**	**(602)**	**(0)**	**(53 405)**
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Positive net commitments	**-**	**-**	**-**	**-**	**20 816**	**-**	**-**	**-**	**-**	**-**	**-**	**20 816**
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Expenses for the period	**(462)**	**156**	**-**	**(305)**	**(3 003)**	**(27 490)**	**(1 062)**	**(407)**	**201**	**234**	**253**	**(31 885)**
- Coût des services rendus de la période	(285)	-	-	(39)	(1 584)	(6 928)	(749)	(206)	141	223	193	(9 234)
- Coût financier (effet de la désactualisation)	(276)	(241)	-	(259)	(6 288)	(18 133)	(958)	(185)	119	33	25	(26 163)
- Rendement attendu des actifs de régime	83	-	-	-	5 734	(2 625)	645	21	(81)	(33)	(20)	3 724
- Rendement attendu de tout autre actif	-	-	-	-	-	-	-	-	-	-	-	-
- Amortissement des profits ou pertes actuariels	16	397	-	(7)	(745)	196	-	-	22	-	2	(119)
- Amortissement du coût des services passés	-	-	-	-	-	-	-	-	-	-	-	-
- Amortissement de la dette initiale non constatée	-	-	-	-	-	-	-	-	-	-	-	-
- Profit ou la perte résultant de la réduction ou de la liquidation	-	-	-	-	-	-	-	-	-	-	-	-
- Plafonnements d'actifs	-	-	-	-	-	-	-	-	-	-	-	-
- Evenements exceptionnels	-	-	-	-	-	-	-	-	-	-	-	-
- Autres	-	-	-	-	(120)	-	-	(37)	-	11	53	(93)

Actuarial assumptions											
- Discount rate	6.00%	6.00%	4.00%	5.00%	5.50%	5.50%	5.25%	6.00%	3.00%	3.80%	3.00%
- Rate of inflation	2.50%	2.50%	-	2.00%	-	1.85%	-	2.00%	2.00%	-	2.00%
- Expected rate of return on plan assets	4.75%	-	4.00%	-	5.75%	5.20%	4.25%	6.00%	3.50%	5.80%	3.50%
- Expected rate of return on all reimbursement rights	-	-	-	-	-	-	-	-	-	-	-
- Expected rate of salary increases	3.50%	-	-	3.00%	4.15%	2.40%	-	2.00%	3.00%	4.00%	3.00%
- Rate of increase in medical costs	-	-	-	-	-	-	-	2.00%	-	-	-
- Rate of increase in annuities	-	2.35%	-	-	3.20%	1.85%	2.00%	1.00%	-	-	-
- Retirement age	60	0	60	60-65	63	63	60	65	0	0	0
- Remaining length of service	10	0	5	0	20	15	11	28	0	0	0
- Other major assumptions used (1)	-	60.00%	-	-	-	-	-	-	-	-	-

(1) the 60% on the PSAD plan corresponds to the reversion rate

Structure of plan assets											
- Equities	-	-	23.00%	-	40.00%	20.34%	-	-	30.00%	16.00%	30.00%
- Bonds	100.00%	-	27.00%	-	60.00%	77.21%	-	-	70.00%	56.00%	70.00%
- Property	-	-	-	-	-	2.43%	-	-	-	17.00%	-
- Other	-	-	50.00%	-	-	0.02%	100.00%	100.00%	-	11.00%	-

31/12/2008	France			Italy	United Kingdom	Germany	Belgium	The Netherlands	Total
	Retirement indemnities	PSAD	CARDIF						
Actuarial liability at start of period	**(4 933)**	**(4 497)**	**(2 792)**	**(9 791)**	**(131 573)**	**(311 943)**	**(14 824)**	**(3 146)**	**(483 499)**
- Cost of services provided during the period	(277)	-	-	(431)	(2 462)	(8 322)	(721)	(238)	(12 451)
- Interest expense	(228)	(226)	(145)	(420)	(5 810)	(16 858)	(785)	(163)	(24 635)
- Employee contributions	-	-	-	-	-	(2 590)	(79)	(75)	(2 744)
- Change of pension plan	-	-	-	-	-	-	-	-	-
- Acquisitions/disposals of subsidiaries	-	-	-	-	-	-	-	-	-
- Reductions of pension plans	-	-	-	-	-	-	-	-	-
- Disposals of pension plans	-	-	-	-	-	-	-	-	-
- Exceptional events	-	-	-	-	-	-	-	(169)	(169)
- Actuarial gains (losses) due to a change in assumpt	218	67	212	-	11 951	19 647	401	343	32 839
- Actuarial gains (losses) due to a change in experien	(144)	(89)	74	-	803	2 985	(646)	-	2 983
- Benefits paid	384	481	152	1 205	2 424	9 369	280	1	14 296
- Translation differences	-	-	-	-	30 272	-	-	-	30 272
- Other	43	-	-	-	18	(15)	333	(41)	338
- Removal of the discretionary clause	-	-	-	-	-	-	-	-	-
Actuarial liability at end of period	**(4 937)**	**(4 264)**	**(2 499)**	**(9 437)**	**(94 377)**	**(307 727)**	**(16 041)**	**(3 488)**	**(442 770)**
Fair value of assets at start of period	**1 164**	**-**	**3 320**	**-**	**128 235**	**264 265**	**11 038**	**2 528**	**410 551**
- Actual return on plan assets	68	-	88	-	(9 839)	13 765	549	109	4 740
- Experience effect on returns from assets	-	-	-	-	-	(13 921)	(89)	-	(14 010)
- Employee contributions	-	-	-	-	-	6 229	79	158	6 466
- Employer contributions	692	-	-	-	8 576	2 590	1 193	533	13 584
- Acquisitions/disposals of subsidiaries	-	-	-	-	-	1 258	-	-	1 258
- Reductions of pension plans	-	-	(266)	-	-	(1 258)	-	-	(1 524)
- Disposals of pension plans	-	-	-	-	-	-	-	-	-
- Benefits paid	(384)	-	(152)	-	(2 424)	(6 126)	(280)	(1)	(9 367)
- Translation differences	-	-	-	-	(29 504)	-	-	-	(29 504)
- Other	-	-	-	-	(118)	(310)	-	21	(407)
Fair value of assets at end of period	**1 540**	**-**	**2 990**	**-**	**94 927**	**266 492**	**12 490**	**2 839**	**381 278**
Actuarial differences still to be amortised	**502**	**-**	**491**	**-**	**(17 150)**	**(9 801)**	**442**	**12**	**(25 504)**
Negative net commitments	**(3 899)**	**(4 264)**	**-**	**(9 437)**	**-**	**(31 434)**	**(3 993)**	**(661)**	**(53 688)**
Positive net commitments	**-**	**-**	**-**	**-**	**17 699**	**-**	**-**	**-**	**17 699**
Expenses for the period	**(437)**	**(247)**	**-**	**(851)**	**(3 172)**	**(11 606)**	**(957)**	**(461)**	**(17 731)**
- Cost of services provided during the period	(277)	-	-	(431)	(2 922)	(8 322)	(721)	(238)	(12 911)
- Financial cost (discounting effect)	(228)	(226)	-	(420)	(6 895)	(16 858)	(785)	(163)	(25 575)
- Expected return on plan assets	59	-	-	-	7 222	13 765	549	139	21 734
- Expected return on all other assets	-	-	-	-	-	-	-	-	-
- Amortisation of actuarial gains and losses	9	(21)	-	-	(457)	(191)	-	-	(660)
- Amortisation of past service costs	-	-	-	-	-	-	-	-	-
- Amortisation of initial unrecognised liability	-	-	-	-	-	-	-	-	-
- Profit or loss resulting from reduction or liquidation	-	-	-	-	-	-	-	-	-
- Asset ceiling	-	-	-	-	-	-	-	40	40
- Exceptional events	-	-	-	-	-	-	-	(193)	(193)
- Other	-	-	-	-	(120)	-	-	(46)	(166)

Actuarial assumptions	Retirement indemnities	PSAD	CARDIF	Italy	United Kingdom	Germany	Belgium	The Netherlands
- Discount rate	6,00%	6,00%	4,00%	6,00%	5,80%	5,50%	6,00%	6,00%
- Rate of inflation	2,50%	2,50%	-	3,60%	3,11%	1,85%	2,50%	2,00%
- Expected rate of return on plan assets	4,75%	-	4,00%	-	6,20%	5,20%	5,00%	6,00%
- Expected rate of return on all reimbursement rights	-	-	-	-	-	-	-	-
- Expected rate of salary increases	3,50%	-	-	4,20%	4,15%	2,40%	4,00%	2,00%
- Rate of increase in medical costs	-	-	-	-	-	-	1,50%	2,00%
- Rate of increase in annuities	-	2,35%	-	-	-	1,85%	-	1,00%
- Retirement age	60	0	60	60-65	63	63	60	65
- Remaining length of service	10	0	5	0	20	15	11	28
- Other major assumptions used (1)	-	60,00%	-	-	-	-	-	-

(1) the 60% on the PSAD plan corresponds to the reversion rate

Structure of plan assets	Retirement indemnities	PSAD	CARDIF	Italy	United Kingdom	Germany	Belgium	The Netherlands
- Equities	-	-	23,00%	-	40,00%	20,34%	-	-
- Bonds	100,00%	-	27,00%	-	60,00%	77,21%	-	-
- Property	-	-	-	-	-	2,43%	-	-
- Other	-	-	50,00%	-	-	0,02%	100,00%	100,00%

31/12/2007	France			Italy	United Kingdom	Germany	Belgium	The Netherlands	Total
	Retirement indemnities	PSAD	CARDIF						
Actuarial liability at start of period	**(5 278)**	**(5 078)**	**(3 040)**	**(10 364)**	**(147 090)**	**(329 006)**	**(15 138)**	**(4 219)**	**(519 213)**
- Cost of services provided during the period	(306)	-	-	(582)	(3 962)	(8 904)	(785)	(324)	(14 863)
- Interest expense	(200)	(222)	(135)	(481)	(7 282)	(14 896)	(656)	(158)	(24 030)
- Employee contributions	-	-	-	-	-	(2 552)	(74)	(55)	(2 681)
- Change of pension plan	-	-	-	-	-	-	-	1 519	1 519
- Acquisitions/disposals of subsidiaries	-	-	-	-	-	-	-	-	-
- Reductions of pension plans	-	-	-	(147)	-	-	-	-	(147)
- Disposals of pension plans	-	-	-	-	-	-	-	-	-
- Exceptional events	-	-	-	-	-	-	-	-	-
- Actuarial gains (losses) due to a change in assumptio	467	230	295	-	12 225	30 777	(275)	29	43 748
- Actuarial gains (losses) due to a change in experienc	88	88	(63)	-	(1 638)	1 494	1 124	(29)	1 064
- Benefits paid	296	485	151	1 783	3 409	10 817	980	-	17 921
- Translation differences	-	-	-	-	12 183	-	-	-	12 183
- Other	-	-	-	-	582	327	-	91	1 000
- Removal of the discretionary clause	-	-	-	-	-	-	-	-	-
Actuarial liability at end of period	**(4 933)**	**(4 497)**	**(2 792)**	**(9 791)**	**(131 573)**	**(311 943)**	**(14 824)**	**(3 146)**	**(483 499)**

Fair value of assets at start of period	**838**	**-**	**3 301**	**-**	**135 294**	**258 878**	**9 418**	**2 941**	**410 670**
- Actual return on plan assets	35	-	221	-	5 960	13 048	419	(310)	19 373
- Experience effect on returns from assets	-	-	-	-	-	(8 420)	69	-	(8 351)
- Employee contributions	-	-	-	-	1	2 552	74	55	2 682
- Employer contributions	664	-	-	-	2 691	5 885	2 038	149	11 427
- Acquisitions/disposals of subsidiaries	-	-	-	-	-	-	-	-	-
- Reductions of pension plans	-	-	(51)	-	-	-	-	-	(51)
- Disposals of pension plans	-	-	-	-	-	-	-	(480)	(480)
- Benefits paid	(296)	-	(151)	-	(3 409)	(7 678)	(980)	29	(12 485)
- Translation differences	-	-	-	-	(11 720)	-	-	-	(11 720)
- Other	(77)	-	-	-	(582)	-	-	(160)	(819)
Fair value of assets at end of period	**1 164**	**-**	**3 320**	**-**	**128 235**	**264 265**	**11 038**	**2 528**	**410 551**

Actuarial differences still to be amortised	**427**	**-**	**528**	**-**	**(18 657)**	**(18 703)**	**496**	**161**	**(35 748)**
		-	-	-	-	-	-	-	-
Negative net commitments	**(4 196)**	**(4 497)**	**-**	**(9 791)**	**-**	**(28 975)**	**(4 282)**	**(779)**	**(52 520)**
		-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Positive net commitments	**-**	**-**	**-**	**-**	**15 319**	**-**	**-**	**-**	**15 319**

Expenses for the period	**(475)**	**96**	**(135)**	**(1 210)**	**(4 259)**	**(11 523)**	**(1 021)**	**(668)**	**(19 195)**
- Cost of services provided during the period	(306)	-	-	(582)	(3 962)	(8 904)	(785)	(324)	(14 863)
- Financial cost (discounting effect)	(200)	(222)	(135)	(481)	(7 282)	(14 896)	(656)	(158)	(24 030)
- Expected return on plan assets	34	-	-	-	8 360	13 048	420	(6)	21 856
- Expected return on all other assets	-	-	-	-	-	-	-	(72)	(72)
- Amortisation of actuarial gains and losses	(3)	318	-	-	(1 375)	(771)	-	-	(1 831)
- Amortisation of past service costs	-	-	-	-	-	-	-	-	-
- Amortisation of initial unrecognised liability	-	-	-	-	-	-	-	-	-
- Profit or loss resulting from reduction or liquidation	-	-	-	(147)	-	-	-	-	(147)
- Asset ceiling	-	-	-	-	-	-	-	-	-
- Exceptional events	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	(108)	(108)

Actuarial assumptions								
- Discount rate	5,10%	5,30%	4,00%	5,10%	5,10%	5,50%	4,50%	5,60%
- Rate of inflation	2,00%	2,00%	-	2,00%	3,15%	1,85%	2,25%	2,00%
- Expected rate of return on plan assets	4,50%	-	4,00%	-	6,40%	5,20%	4,85%	5,60%
- Expected rate of return on all reimbursement rights	-	-	-	-	-	-	-	-
- Expected rate of salary increases	3,00%	-	-	3,00%	4,15%	2,40%	3,75%	2,00%
- Rate of increase in medical costs	-	-	-	-	-	-	-	2,00%
- Rate of increase in annuities	-	1,90%	-	-	-	1,85%	-	-
- Retirement age	60	0	60	60-65	63	63	60	65
- Remaining length of service	10	0	5	0	20	15	12	28
- Other major assumptions used (1)	-	60,00%	-	-	-	-	-	-

(1) the 60% on the PSAD plan corresponds to the reversion rate

Structure of plan assets								
- Equities	-	-	23,00%	-	40,00%	20,34%	-	-
- Bonds	100,00%	-	27,00%	-	60,00%	77,21%	-	-
- Property	-	-	-	-	-	2,43%	-	-
- Other	-	-	50,00%	-	-	0,02%	100,00%	100,00%

Estimation of future contributions

The table below presents the estimated future benefit payments that will be met by the pension funds or by Euler Hermes Group:

(in thousands of euros)	Pension Benefits	Post-Retirement Benefits
2011	13 848	171
2012	13 556	160
2013	14 556	61
2014	15 684	253
2015	16 724	166
2016	18 267	406
2017-2021	105 983	2 346

Note 17 Borrowings

Breakdown by type

(in thousands)	December 31, 2011	December 31, 2010
Subordinated debt	**-**	**-**
Term loans and other term borrowings	255 119	255 118
Demand accounts	-	-
Borrowings from banking sector businesses	**255 119**	**255 118**
Other borrowings	138 234	249 168
Total borrowings	**€ 393 353**	**€ 504 286**

Borrowings from banking sector businesses correspond to the following items:

- Loan 2010 from Crédit Agricole of €125 million redemption in 18/06/2015, with the annual fixed rate of 3,05 %
- Loan 2010 from HSBC of €125 million redemption in 18/06/2015, with the annual fixed rate of 3,05 %.
- Loan from Emporiki Bank to Euler Hermes Emporiki Credit Insurance for €1 million.
- Accrued interest for €4.15 million

Other borrowings mainly correspond to one loan contracted with Allianz Belgium:

- Loan 2010 of €135 million redemption in 24/06/2020, with the annual fixed rate of 4,04 %
- Accrued interest for €2.9 million
- A cash pooling with Allianz group for €0.3 million

Breakdown by maturity

(in thousands)	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total borrowings	**7 385**	**968**	**250 000**	**135 000**	**393 353**

Breakdown by maturity for interests to be paid (in millions of euros)

	2011	2012 to 2019 (1)	2020
Borrowing 2010 of 135m€ maturity 24/06/2020, annual rate fix to 4,04%	5.45	43.63	2.73
Total futur interest expenses with Allianz group	**€ 5.45**	**€ 43.63**	**€ 2.73**

	2011	2012 to 2014 (2)	2015
Borrowing 2010 of 125m€ maturity 18/06/2015, annual rate fix to 3.05%	3.81	11.44	1.91
Borrowing 2010 of 125m€ maturity 18/06/2015, annual rate fix to 3.05%	3.81	11.44	1.91
Total futur interest expenses with others than Allianz group	**€ 7.63**	**€ 22.88**	**€ 3.81**

(1) This amount of interests is accumulated over 8 years; the annual amount of interest on loans amounts to €5.45 million.
(2) This amount of interests is accumulated over 3 years; the annual amount of interest by loan amounts to €3.81 million.

Notes to the consolidated financial statements

Note 18 Technical reserves

(in thousands)	December 31, 2010	Allowance net of writebacks	Foreign exchange differences	Other changes	December 31, 2011
Reserve for unearned premiums	303 689	6 385	1 334	344	311 752
Reserve for claims net of forecasts of recoveries	1 327 195	93 223	6 098	(3 645)	1 422 871
Reserve for no-claims bonuses and refunds	150 510	14 012	71	49	164 642
Gross technical reserves	**1 781 394**	**113 620**	**7 503**	**(3 252)**	**1 899 265**
Reserve for unearned premiums	50 510	(9 791)	829	11 870	53 418
Reserve for claims net of forecasts of recoveries	418 760	38 449	389	167	457 763
Reserve for no-claims bonuses and refunds	31 094	4 718	3	(1 035)	34 780
Reinsurers' share of technical reserves	**500 364**	**33 376**	**1 221**	**11 002**	**545 961**
Net technical reserves	**€ 1 281 030**	**€ 80 244**	**€ 6 282**	**€ (14 254)**	**€ 1 353 304**

Claims reserves

(in thousands)	December 31, 2011			December 31, 2010		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Claims reserves gross of recoveries	**1 625 729**	**(509 643)**	**1 116 086**	**1 557 083**	**(470 718)**	**1 086 365**
Current period	923 395	(278 818)	644 577	819 386	(247 103)	572 283
Prior periods	702 334	(230 825)	471 509	737 697	(223 615)	514 082
Recoveries to be received	**(202 858)**	**51 880**	**(150 978)**	**(229 888)**	**51 958**	**(177 930)**
Current period	(103 123)	26 861	(76 262)	(89 986)	19 163	(70 822)
Prior periods	(99 735)	25 019	(74 716)	(139 902)	32 795	(107 107)
Claims reserves net of recoveries to receive	**€ 1 422 871**	**€ (457 763)**	**€ 965 108**	**€ 1 327 195**	**€ (418 760)**	**€ 908 435**

Breakdown by type of reserve

(in thousands)	December 31, 2011			December 31, 2010		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Reserves for unearned premiums	**311 752**	**(53 418)**	**258 334**	**303 689**	**(50 510)**	**253 179**
Claims reserves	**1 422 871**	**(457 763)**	**965 108**	**1 327 195**	**(418 760)**	**908 435**
of which, reserves for known claims	995 738	(351 103)	644 635	922 871	(313 706)	609 165
of which, reserves for late claims	530 033	(147 027)	383 006	532 256	(146 324)	385 932
of which, reserves for claims handling expenses	97 273	(11 512)	85 761	94 995	(7 842)	87 153
of which, other technical reserves	2 685	(1)	2 684	6 960	(2 846)	4 114
of which, recoveries to be received	(202 858)	51 880	(150 978)	(229 887)	51 958	(177 929)
No-claims bonuses and rebates	**164 642**	**(34 780)**	**129 862**	**150 510**	**(31 094)**	**119 416**
Technical reserves	**€ 1 899 265**	**€ (545 961)**	**€ 1 353 304**	**€ 1 781 394**	**€ (500 364)**	**€ 1 281 030**

Note 19 Insurance and reinsurance liabilities

Breakdown by type and by maturity

(in thousands)	December 31, 2011	December 31, 2010
Policyholders' guarantee deposits and miscellaneous	97 951	91 001
Due to policyholders and agents	119 061	103 624
Liabilities arising from inwards insurance and reinsurance transactions	**217 012**	**194 625**
Due to reinsurers and assignors	86 014	147 495
Deposits received from reinsurers	18 527	24 861
Outwards reinsurance liabilities	**104 541**	**172 356**
Total insurance and reinsurance liabilities	**€ 321 553**	**€ 366 981**

(in thousands)	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total insurance and reinsurance liabilities	**318 747**	**2 806**	**-**	-	**321 553**

Note 20 Other liabilities

(in thousands)	December 31, 2011	December 31, 2010
Tax and social liabilities	131 816	120 211
Other operating liabilities	129 863	105 413
Deferred income	9 785	9 763
Other accrued expenses	-	0
Other liabilities	12 305	12 266
Total other liabilities	**€ 283 769**	**€ 247 653**

(in thousands)	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total other liabilities	**278 574**	**1 494**	**3 701**	**-**	**283 769**

The other liabilities are mainly liabilities under services agreements for €12.2 million.

Note 21 Breakdown of operating income

(in thousands)	Twelve months ended December 31,					
	2011			2010		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Premiums and commissions	2 024 882	(698 056)	1 326 826	1 891 266	(660 868)	1 230 398
Premiums refunded	(122 353)	32 596	(89 757)	(120 885)	33 354	(87 531)
Gross premiums written - credit insurance	1 902 529	(665 460)	1 237 069	1 770 381	(627 514)	1 142 867
Change in unearned premiums	(6 383)	(10 291)	(16 674)	4 818	(7 871)	(3 053)
Earned premiums	**1 896 146**	**(675 751)**	**1 220 395**	**1 775 199**	**(635 385)**	**1 139 814**
Premium-related revenues	*378 776*	-	*378 776*	*372 535*	-	372 535
Turnover	**€ 2 274 922**	**€ (675 751)**	**€ 1 599 171**	**€ 2 147 734**	**€ (635 385)**	**€ 1 512 349**
Net investment income	**113 051**	**-**	**113 051**	**123 248**	**-**	**123 248**
Claims paid	(618 235)	193 892	(424 343)	(727 006)	234 316	(492 690)
Claims reserves expense	(90 428)	34 748	(55 680)	102 568	(12 918)	89 650
Claims handling expense	(77 695)	6 864	(70 831)	(80 361)	3 127	(77 234)
Insurance services expense	**(786 358)**	**235 504**	**(550 854)**	**(704 799)**	**224 525**	**(480 274)**
Brokerage commissions	(180 005)	-	(180 005)	(174 432)	-	(174 432)
Other acquisition costs	(199 076)	-	(199 076)	(172 254)	-	(172 254)
Change in acquisition costs capitalised	(1 150)	-	(1 150)	(2 438)	-	(2 438)
Contract acquisition expense	**(380 231)**	**-**	**(380 231)**	**(349 124)**	**-**	**(349 124)**
Impairment of portfolio securities and similar	**-**	**-**	**-**	**-**	**-**	**-**
Administration expense	**(207 766)**	**-**	**(207 766)**	**(193 643)**	**-**	**(193 643)**
Commissions received from reinsurers	**-**	**237 751**	**237 751**	**-**	**194 783**	**194 783**
Other ordinary operating income and expense	**(339 383)**	**-**	**(339 383)**	**(335 466)**		**(335 466)**
Current operating income	**€ 674 235**	**€ (202 496)**	**€ 471 739**	**€ 687 950**	**€ (216 077)**	**€ 471 873**

Cost of claims

(in thousands)	Twelve months ended December 31,					
	2011			2010		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Cost of claims for the current period	**1 198 907**	**(350 946)**	**847 961**	**1 092 840**	**(334 480)**	**758 360**
of which, claims paid	253 231	(72 787)	180 444	227 949	(85 783)	142 166
of which, claims reserves	868 086	(273 537)	594 549	775 381	(244 264)	531 117
of which, claims handling expenses	77 590	(4 622)	72 968	89 510	(4 433)	85 077
Recoveries for the current period	**(112 516)**	**28 192**	**(84 324)**	**(128 609)**	**45 423**	**(83 186)**
Recoveries received	(9 925)	3 300	(6 625)	(39 998)	27 171	(12 827)
Change in reserves for recoveries	(102 591)	24 892	(77 699)	(88 611)	18 252	(70 359)
Cost of claims from prior periods	**(288 523)**	**80 953**	**(207 570)**	**(269 805)**	**68 741**	**(201 064)**
of which, claims paid	515 789	(155 751)	360 038	694 617	(205 924)	488 693
of which, claims reserves	(804 415)	238 944	(565 471)	(954 615)	273 359	(681 256)
of which, claims handling expenses	103	(2 240)	(2 137)	(9 807)	1 306	(8 501)
Recoveries from prior periods	**(11 510)**	**6 297**	**(5 213)**	**10 373**	**(4 209)**	**6 164**
Recoveries received	(140 860)	31 345	(109 515)	(153 865)	30 220	(123 645)
Change in reserves for recoveries	129 350	(25 048)	104 302	164 238	(34 429)	129 809
Cost of claims	**€ 786 358**	**€ (235 504)**	**€ 550 854**	**€ 704 799**	**€ (224 525)**	**€ 480 274**

Notes to the consolidated financial statements

Note 22 Net financial income

(in thousands)	Year ended December 31, 2011	2010
Revenues from investment property	**1 170**	**1 683**
Revenues from equity & debt securities	**72 866**	**68 764**
Revenues from securities	72 843	68 723
Available for sale assets through equity	-	-
Held to maturity	23	41
Revenues from loans, deposits and other financial investments	**24 706**	**19 996**
Other financial income	**2 326**	**2 913**
Investment income	**€ 101 068**	**€ 93 356**
Depreciation of investment property	(117)	(258)
Investment management expenses	(10 064)	(7 177)
Interest paid to reinsurers	(364)	(377)
Other financial expenses	-	(1)
Investment expense	**€ (10 545)**	**€ (7 813)**
Profits (losses) on sales of property	**11 442**	**19 969**
Profits (losses) on sales of securities	**15 117**	**8 495**
Available for sale assets through equity	15 117	8 495
Trading assets	-	-
Held to maturity	-	-
On sales of loans to banks and customers	-	-
Profits (losses) on sales of participating interests	**-**	**1**
Net gain (loss) on sales of investments less impairment and depreciation writebacks	**€ 26 559**	**€ 28 465**
Change in fair value of derivatives	(700)	200
Change in fair value of trading assets	-	-
Change in fair value of investments recognised at fair value through the income statement	**€ (700)**	**€ 200**
Reserve for impairment of investments	(5 830)	(3 982)
Change in impairment of investments	**€ (5 830)**	**€ (3 982)**
Net change in foreign currency	**€ 2 499**	**€ 13 022**
Net financial income (excluding financing expense)	**€ 113 051**	**€ 123 248**

Note 23 Expenses by destination allocated by nature

(in thousands)	Year ended December 31,			
	2011	**2010 Proforma**	**2010**	**Evolution**
Other ordinary operating income and expense	(339 383)	(335 466)	(335 466)	1,17%
Contract acquisition expense	(380 231)	(349 124)	(349 124)	8,91%
Administration expense	(207 766)	(193 643)	(193 643)	7,29%
Claims handling expenses	(65 885)	(85 567)	(94 806)	-23,00%
Investment management charges	(9 877)	(6 887)	(7 813)	43,42%
Total expenses by destination	**€ (1 003 143)**	**€ (970 687)**	**€ (980 852)**	**3,34%**

(in thousands)	Year ended December 31,			
	2011	**2010 Proforma**	**2010**	**Evolution**
Expenses linked to personnal	(473 507)	(457 201)	(458 925)	3,57%
Commissions	(217 672)	(204 452)	(205 536)	6,47%
IT expenses	(77 255)	(91 744)	(104 365)	-15,79%
Renting and maintenance expenses	(48 598)	(44 370)	(47 221)	9,53%
Allowance & amortisation	-	-	(8 053)	0,00%
Legal, advertising & consulting expenses	(48 244)	(42 406)	(30 229)	13,77%
Other recurring expenses	(137 867)	(130 514)	(126 523)	5,63%
Total expenses by nature	**€ (1 003 143)**	**€ (970 687)**	**€ (980 852)**	**3,34%**

Due to new cost accounting rules, presentation of gross expenses by nature was changed in 2011 without any impact on the gross expenses by destination in P&L.

Note 24 Operating leases

(in thousands)	31 December 2011		
	United Kingdom	United States	Netherlands
Less than 1 year	67	2 026	53
1 to 5 years	591	7 519	856
More than 5 years	1 778	3 363	0
Total	**€ 2 436**	**€ 12 908**	**€ 909**

(in thousands)	31 December 2010		
	United Kingdom	United States	Netherlands
Less than 1 year	194	1 527	0
1 to 5 years	681	4 810	873
More than 5 years	1 918	3 382	0
Total	**€ 2 793**	**€ 9 720**	**€ 873**

Note 25 Other ordinary operating revenues and expenses

(in thousands)	Year ended December 31,	
	2011	2010
Other technical income	19 398	28 021
Other non-technical income	138	-
Other ordinary operating income	**19 536**	**28 021**
Other technical expense	(350 902)	(354 854)
Other non-technical expense	-	(306)
Employee profit sharing and bonuses	(8 017)	(8 327)
Other ordinary operating expense	**(358 919)**	**(363 487)**
Other ordinary operating income and expense	**€ (339 383)**	**€ (335 466)**

The other non-technical income is a netting of interests on defined benefit plans (€-9.3 million) and interest income of counterpart asset plans (€9.4 million).
The other technical expenses mainly concern expenses related to services activities.

Note 26 Other operating revenues and expenses

(in thousands)	Year ended December 31,	
	2011	2010
Other non ordinary operating expense	(26 713)	(82 943)
Other non ordinary operating income	18 683	-
Other operating income and expense	**€ (8 030)**	**€ (82 943)**

The other non ordinary expenses are mainly restructuring expenses provisioned as at December 31st, 2010 and consulting fees.

The other non ordinary income is composed of write back used and unused of the restructuring provisions booked as at December 31st, 2010.

Notes to the consolidated financial statements

Note 27 Corporation tax

Breakdown of tax charge

(in thousands)	31/12/2011
Corporation tax	142 963
Adjustments relating to prior years	-
Provision for tax uncertainties & penalties	8 400
Other	(13 157)
Total current tax	**€ 138 206**
Timing differences	51 613
Change in tax rate or new tax	7 576
Tax benefits relating to prior years	(379)
Other	(66 849)
Total differed tax	**€ (8 039)**
Total Corporation tax as reported in the income statement	**€ 130 167**

Tax proof

Consolidated income before taxes	**463 671**	
Theoretical tax rate		34,43%
Tax at theoretical tax rate	-159 642	
Tax at effective tax rate	-130 166	28,07%
Difference	**-29 476**	**6,36%**
Impact of differences between group and local tax rates	**31 629**	**-6,82%**
o/w Swiss tax rate impact 17,5%	22 271	-4,80%
o/w British tax rate impact 26,5%	960	-0,21%
o/w German tax rate impact 32,28%	3 445	-0,74%
o/w German special tax rate impact 16,45% (Bürgel)	1 282	-0,28%
o/w Luxemburg tax rate impact 30%	1 120	-0,24%
o/w Polish tax rate impact 19%	247	-0,05%
o/w Italian basis tax rate impact 27.5%	1 138	-0,25%
o/w Other OE's tax rate impact	1 165	-0,25%
Local specific taxes	**-4 652**	**1,00%**
o/w CVAE - France (1%)	-2 874	0,62%
o/w IRAP - Italy (4,97%)	-2 779	0,60%
o/w German trade tax	1 001	-0,22%
Restatement of the equity method net income impact	**5 684**	**-1,23%**
Prior years tax reappraisal	**471**	**-0,10%**
Change in tax rates (mainly in Italy & in the UK)	**1 127**	**-0,24%**
Non taxable local net income for the funds Euler & Euro Gestion	**4 059**	**-0,88%**
		0,00%
Utilization of Net Ordinary Losses previously unrecognized (Swiss Branch)	**960**	**-0,21%**
Utilization of Net Ordinary Losses previously unrecognized (EH Services)	**287**	**-0,06%**
Belgian notionnals interests	**868**	**-0,19%**
US State Taxes	**-733**	**0,16%**
Non deductible dividends (5%)	**-4 775**	**1,03%**
Tax impact of Hong Kong branches in Germany & Run-Off of Baltics activities	**-2 020**	**0,44%**
Provision for tax uncertainties	**-4 385**	**0,95%**
Cancellation of DT on Fiscal Funds Perfectis	**-760**	**0,16%**
Other	**1 715**	**-0,37%**

The tax proof provides an explanation of items making up the difference between the tax charge at the theoretical tax rate of 34.43%, i.e. the parent company's tax rate, and the actual tax charge recorded in the consolidated income statement giving an effective tax rate of 28.07%.

The main variances are due to the difference between local tax rate of each entity and the Group tax rate, permanent differences reported by each entity, reduced rates and specific tax positions (mainly unrecognized tax losses).

Note 28 Earnings per share and dividend per share

Earnings per share

	Year ended December 31,	
	2011	**2010**
Distributable net income (in thousands of euros)	330 267	294 452
Weighted average number of ordinary shares before dilution	43 793 689	43 687 621
Earnings per share (€)	**€ 7.54**	**€ 6.74**
Distributable net income (in thousands of euros)	330 267	294 452
Weighted average number of ordinary shares after dilution	43 816 737	43 782 712
Diluted earnings per share (€)	**€ 7.54**	**€ 6.73**

The dilution impact takes into account the exercise of options.
The average number of shares resulting from dilution is 23 048 in 2011 (95 091 in 2010). The group share of net income is used as the basis for this calculation.

Dividend per share

The Management will propose to the Shareholder's Meeting of May 25, 2012 the payment of a dividend of €4.4 by share concerning the 2011 period.

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 Euler Hermes group the primary segment is the geographic segment as it corresponds to the information presented to the group's management bodies.

Profit & loss by segment

(in thousands)	Twelve months ended December 31 2011									
	Germany, Austria, Switzerland	**France**	**Northern Europe**	**Mediterranean Countries & Africa**	**Americas**	**Asia Pacific**	**Reinsurance group**	**Group services**	**Inter-segment eliminations**	**GROUP**
Premiums written	649 422	378 520	446 024	240 184	200 990	62 137	1 176 616	-	(1 129 011)	2 024 882
Premiums refunded	(53 954)	(35 219)	(19 629)	(7 017)	(3 500)	(1 603)	(71 626)	-	70 195	(122 353)
Change in unearned premiums	7 548	(1 403)	2 893	(2 886)	(4 844)	(6 915)	(6 087)	-	5 311	(6 383)
Earned premiums - non-group	**603 016**	**341 898**	**429 288**	**230 281**	**192 646**	**53 619**	**1 098 903**	**-**	**(1 053 505)**	**1 896 146**
Premium-related revenues - non-group	170 150	74 593	68 143	54 904	31 163	16 579	-	24 389	(61 145)	378 776
Turnover - intra-sectoral	**773 166**	**€ 416 491**	**€ 497 431**	**€ 285 185**	**€ 223 809**	**€ 70 198**	**€ 1 098 903**	**€ 24 389**	**€ (1 114 650)**	**€ 2 274 922**
Investment income	34 362	37 169	12 389	5 551	9 385	2 050	20 181	168 278	(176 314)	113 051
Of which, dividends	*(413)*	-	-	-	-	-	-	*(169 843)*	*170 256*	-
Total ordinary income	**807 528**	**453 660**	**509 820**	**290 736**	**233 194**	**72 248**	**1 119 084**	**192 667**	**(1 290 964)**	**2 387 973**
Insurance services expense	(259 096)	(172 205)	(140 252)	(106 030)	(74 742)	430	(474 605)	-	440 142	(786 358)
Outwards reinsurance expense	(366 414)	(181 218)	(289 078)	(162 566)	(135 751)	(37 546)	(556 684)	-	1 053 506	(675 751)
Outwards reinsurance income	279 751	148 785	185 218	118 590	84 130	14 627	383 629	-	(741 475)	473 255
Other income and expense	(302 620)	(161 226)	(198 510)	(119 629)	(90 929)	(39 601)	(319 233)	(56 708)	361 076	(927 380)
Total other income and expense	**(648 379)**	**(365 864)**	**(442 622)**	**(269 635)**	**(217 292)**	**(62 090)**	**(966 893)**	**(56 708)**	**1 113 249**	**(1 916 234)**
Ordinary operating income	**159 149**	**€ 87 796**	**€ 67 198**	**€ 21 101**	**€ 15 902**	**€ 10 158**	**€ 152 191**	**€ 135 959**	**€ (177 715)**	**€ 471 739**
Other operating income and expense	1 415	-	(1 030)	(2 331)	-	-	-	(6 084)	-	(8 030)
Operating income	**160 564**	**€ 87 796**	**€ 66 168**	**€ 18 770**	**€ 15 902**	**€ 10 158**	**€ 152 191**	**€ 129 875**	**€ (177 715)**	**€ 463 709**
Financing expense	(199)	(109)	(362)	(340)	(6)	(10)	(487)	(19 861)	4 299	(17 075)
Income from companies accounted for by the equity method	12 208	4 829	-	-	-	-	-	-	-	17 037
Corporation tax	(56 984)	(31 504)	(17 138)	(9 378)	(7 841)	(1 067)	(24 441)	18 187	-	(130 166)
Consolidated net income	**115 589**	**61 012**	**48 668**	**9 052**	**8 055**	**9 081**	**127 263**	**128 201**	**(173 416)**	**333 505**
o/w	-									
Net income, group share	**112 577**	**€ 60 679**	**€ 48 668**	**€ 9 159**	**€ 8 055**	**€ 9 081**	**€ 127 263**	**€ 128 201**	**€ (173 416)**	**€ 330 267**
Non controlling interests	3 012	333	-	(107)	-	-	-	-	-	3 238

(in thousands)	Twelve months ended December 31 2010									
	Germany, Austria, Switzerland	**France**	**Northern Europe**	**Mediterranean Countries & Africa**	**Americas**	**Asia Pacific**	**Reinsurance group**	**Group services**	**Inter-segment eliminations**	**GROUP**
Premiums written	674 944	347 498	424 326	177 539	188 678	44 528	955 988	-	(922 235)	1 891 266
Premiums refunded	(54 339)	(32 685)	(23 635)	(5 200)	(2 562)	(1 326)	(59 517)	-	58 379	(120 885)
Change in unearned premiums	967	438	3 631	1 647	(3 750)	1 204	(14 140)	-	14 821	4 818
Earned premiums - non-group	**621 572**	**315 251**	**404 322**	**173 986**	**182 366**	**44 406**	**882 331**	**-**	**(849 035)**	**1 775 199**
Premium-related revenues - non-group	169 984	75 037	67 389	48 004	32 701	15 833	-	24 281	(60 694)	372 535
Turnover - intra-sectoral	**791 556**	**€ 390 288**	**€ 471 711**	**€ 221 990**	**€ 215 067**	**€ 60 239**	**€ 882 331**	**€ 24 281**	**€ (909 729)**	**€ 2 147 734**
Investment income	69 938	43 298	11 065	8 070	10 572	5 022	11 701	197 883	(234 301)	123 248
Of which, dividends	*(3 958)*	*(1)*	-	-	-	-	-	*(193 935)*	*197 894*	-
Total ordinary income	**861 494**	**433 586**	**482 776**	**230 060**	**225 639**	**65 261**	**894 032**	**222 164**	**(1 144 030)**	**2 270 982**
Insurance services expense	(246 029)	(103 989)	(212 163)	(74 194)	(53 445)	(18 491)	(277 465)	-	280 977	(704 799)
Outwards reinsurance expense	(357 500)	(124 938)	(249 724)	(113 763)	(120 148)	(28 368)	(489 979)	-	849 035	(635 385)
Outwards reinsurance income	232 751	81 710	178 678	74 483	69 064	18 994	276 431	-	(512 803)	419 308
Other income and expense	(317 982)	(152 517)	(174 014)	(107 495)	(86 128)	(31 474)	(243 905)	(56 615)	291 897	(878 233)
Total other income and expense	**(688 760)**	**(299 734)**	**(457 223)**	**(220 969)**	**(190 657)**	**(59 339)**	**(734 918)**	**(56 615)**	**909 106**	**(1 799 109)**
Ordinary operating income	**172 734**	**€ 133 852**	**€ 25 553**	**€ 9 091**	**€ 34 982**	**€ 5 922**	**€ 159 114**	**€ 165 549**	**€ (234 924)**	**€ 471 873**
Autres produits et charges opérationnels	(41 540)	(2 634)	(23 619)	(9 126)	(1 799)	-	-	(4 225)	-	(82 943)
Operating income	**131 194**	**€ 131 218**	**€ 1 934**	**€ (35)**	**€ 33 183**	**€ 5 922**	**€ 159 114**	**€ 161 324**	**€ (234 924)**	**€ 388 930**
Financing expense	(532)	(102)	(1 693)	(290)	(417)	(14)	(126)	(16 257)	5 859	(13 572)
Income from companies accounted for by the equity method	10 660	5 142	-	-	-	-	-	-	-	15 802
Corporation tax	(29 473)	(39 462)	3 945	21	(11 433)	(589)	(28 822)	12 436	-	(93 377)
Consolidated net income	**111 849**	**96 796**	**4 186**	**(304)**	**21 333**	**5 319**	**130 166**	**157 503**	**(229 065)**	**297 783**
o/w	-									
Net income, group share	**108 689**	**€ 96 424**	**€ 4 186**	**€ (103)**	**€ 21 333**	**€ 5 319**	**€ 130 166**	**€ 157 503**	**€ (229 065)**	**€ 294 452**
Non controlling interests	3 160	372	-	(201)	-	-	-	-	-	3 331

Depreciation, amortisation and provisions by segment

(in thousands)	Twelve months ended December 31 2011									
	Germany, Austria, Switzerland	**France**	**Northern Europe**	**Mediterranean Countries & Africa**	**Americas**	**Asia Pacific**	**Reinsurance group**	**Group services**	**Inter-segment eliminations**	**GROUP**
Provisions for loans and receivables	(126)	(3 343)	(67)	(2 656)	15	(3)	(4)	(463)	-	**€ (6 647)**

(in thousands)	Twelve months ended December 31 2010									
	Germany, Austria, Switzerland	**France**	**Northern Europe**	**Mediterranean Countries & Africa**	**Americas**	**Asia Pacific**	**Reinsurance group**	**Group services**	**Inter-segment eliminations**	**GROUP**
Provisions for loans and receivables	(13 352)	(2 910)	(289)	(11)	(985)	-	-	88	-	**€ (17 459)**

Amortisation and impairment charges on non-current assets are now analysed by function. Consequently, the breakdown is no longer directly visible in the consolidated income statement in the 2010 and 2011 financial statements.

Balance sheet by segment

(in thousands)	December 31, 2011									
	Germany, Austria, Switzerland	**France**	**Northern Europe**	**Mediterranean Countries & Africa**	**Americas**	**Asia Pacific**	**Reinsurance group**	**Group services**	**Inter-segment eliminations**	**GROUP**
Goodwill	-	-	65 688	7 803	32 768	3 148	-	-	-	109 407
Other intangible assets	34 056	12 555	5 875	4 204	3 035	976	1 455	11 222	(3 666)	69 712
Investments - insurance businesses	632 647	752 388	75 153	136 698	90 359	8 689	443 066	1 693 376	(264 582)	3 567 794
Investments accounted for by the equity method	70 027	35 169	-	-	-	-	-	-	-	105 196
Share of assignees and reinsurers in the technical reserves and financial liabilities	274 010	103 386	231 048	180 572	90 164	32 708	315 231	-	(681 158)	545 961
Insurance and reinsurance receivables	73 340	75 449	187 148	63 703	64 052	26 636	214 896	-	(170 097)	535 127
Other assets	278 645	145 537	169 670	93 082	74 728	(10 724)	74 285	167 225	(107 535)	884 913
Total assets	**€ 1 362 725**	**€ 1 124 484**	**€ 734 582**	**€ 486 062**	**€ 355 106**	**€ 61 433**	**€ 1 048 933**	**€ 1 871 823**	**€ (1 227 038)**	**€ 5 818 110**
Technical reserves	523 314	272 544	448 935	349 071	229 151	52 809	720 533	-	(697 092)	1 899 265
Liabilities related to inwards insurance and reinsurance transactions	17 171	67 631	45 990	23 904	4 184	4 333	109 034	1 370	(56 605)	217 012
Liabilities related to outwards reinsurance transactions	18 515	11 874	38 729	34 800	16 060	285	73 594	-	(89 316)	104 541
Other liabilities	426 832	262 720	110 810	79 323	50 603	9 808	23 629	653 649	(315 961)	1 301 413
Total liabilities	**€ 985 832**	**€ 614 769**	**€ 644 464**	**€ 487 098**	**€ 299 998**	**€ 67 235**	**€ 926 790**	**€ 655 019**	**€ (1 158 974)**	**€ 3 522 231**

(in thousands)	December 31, 2010									
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance group	Group services	Inter-segment eliminations	GROUP
Goodwill	-	-	65 117	7 803	31 731	3 064	-	(2)	-	107 713
Other intangible assets	29 662	10 849	8 363	3 125	3 571	977	1 371	9 902	(2 266)	65 554
Investments - insurance businesses	551 257	782 450	149 059	151 836	87 926	9 877	193 776	1 843 071	(316 074)	3 453 178
Investments accounted for by the equity method	63 715	34 352	-	-	-	-	-	(1)	-	98 066
Share of assignees and reinsurers in the technical reserves and financial liabilities	222 274	61 825	221 549	167 103	69 183	28 497	283 996	110	(554 173)	500 364
Insurance and reinsurance receivables	94 718	80 982	196 466	53 264	61 565	17 930	241 015	(47)	(154 560)	591 333
Other assets	304 794	154 907	134 938	87 539	76 993	(14 930)	51 180	170 069	(122 513)	842 977
Total assets	**€ 1 266 420**	**€ 1 125 365**	**€ 775 492**	**€ 470 670**	**€ 330 969**	**€ 45 415**	**€ 771 338**	**€ 2 023 102**	**€ (1 149 586)**	**€ 5 659 185**
Technical reserves	461 371	234 352	482 308	352 984	194 756	49 544	553 208	48	(547 177)	1 781 394
Liabilities related to inwards insurance and reinsurance transactions	19 962	69 770	32 885	21 697	3 402	4 581	(6 923)	442	48 809	194 625
Liabilities related to outwards reinsurance transactions	36 356	10 664	108 235	36 389	24 679	433	211 053	43	(255 497)	172 355
Other liabilities	423 890	264 267	131 753	68 605	43 456	6 989	9 088	732 439	(318 115)	1 362 372
Total liabilities	**€ 941 579**	**€ 579 053**	**€ 755 181**	**€ 479 675**	**€ 266 293**	**€ 61 547**	**€ 766 426**	**€ 732 972**	**€ (1 071 980)**	**€ 3 510 746**

Note 30 Related parties

Euler Hermes is owned mainly by the Allianz France group, 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 SA	26 864 230	59,49%
Allianz Vie	3 879 818	8,59%
Treasury shares	1 481 765	3,28%
Sub-total	**32 225 813**	**71,36%**
Public (bearer securities)	12 933 664	28,64%
Total	**45 159 477**	**100,00%**

Transactions

(in thousands)	Twelve months ended December 31,							
	2011				2010			
	Allianz SE	Allianz Belgium	Allianz France SA & International	Related companies and joint ventures	Allianz SE	Allianz Belgium	Allianz France SA	Related companies and joint ventures
Operating income	48 749	-	-	26 296	41 447	-	-	16 328
Insurance services expense	(14 697)	-	-	(18 327)	(43 535)	-	-	(1 178)
Net income or expense on reinsurance	(74 255)	-	-	(146)	(57 517)	-	-	(68)
Financing expense	-	(5 530)	(2 705)	-	-	(3 662)	(4 268)	-
Other financial net incomes	(12 582)	-	-	(6 990)	(9 993)	-	-	(2 109)

Receivables and liabilities

(in thousands)	December 31, 2011				December 31, 2010			
	Allianz SE	Allianz Belgium	Allianz France SA & International	Related companies and joint ventures	Allianz SE	Allianz Belgium	Allianz France SA & International	Related companies and joint ventures
Financial Investments (Allianz SE bond)	160 000	-	-	-	160 000	-	-	-
Current accounts (accrued interests included)	(41 112)	-	(1 207)	1 817	(22 854)	-	(237)	(200)
Net operating receivables	2 525	-	-	763	1 831	-	-	3 087
Borrowings (accrued interests included)	-	137 879	-	-	-	137 879	110 936	-
Operating liabilities	(3 018)	-	-	274	1 140	-	201	237

The following entities invested in Allianz SE 3 years corporate bond for a total amount of €160 million:

- Euler Hermes Reinsurance A.G.;
- Euler Hermes Kreditversicherungs A.G.;
- Euler Hermes holdings UK Plc.;
- Euler Hermes SIAC spa;
- Euler Hermes SFAC S.A..

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

Notes to the consolidated financial statements

The loan of € 110 million signed with Allianz France International, and whose term was planned for September, 2012, was partially paid off for € 75 million in July 2011; the balance of the refund, at the level of € 35 million, has been paid in December 2011.

Borrowings mainly correspond to a loan contracted in 2010 with Allianz Belgium for €135 million with a term planned on 24/06/2020, at an annual fixed rate of 4,04 %.

Remuneration of senior executives

(in thousand)	2011	2010
Salaries and other short term benefits for the year	6 108	5 902
Capital gain from SAR/RSU exercise	-	-
Benefits in kind	105	51
Other indemnities	1 435	206
Total	**€ 7 648**	**€ 6 159**
Share-based attribution (number)		
- Euler Hermes options & LTI EH	-	-
- AEI (ex RSU)	21 772	19 374

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

Like the whole employees who perceive their salaries in France, the members of the Group Management Board profit from a mandatory defined contribution plan of which the employer part is 1% of the gross amount of salaries.

Some members of the Group Management Board who are solely corporate officers and are not employees are protected by special agreements in the case of cessation of activity. These agreements are intended to replace the statutory provisions protecting salaried employees in the event of dismissal. These specific provisions concern Mr. Verstraete and Mr. Oevermann.

For Wilfried Verstraete, gross compensation would total 200% of his last fixed and variable annual remuneration.

Dirk Oevermann would receive compensation worth two years of variable remuneration (annual bonus + mid-term bonus).

In accordance with the TEPA law dated August 21, 2007, this compensation is subject to meeting performance criteria.

Dirk Oevermann's performance condition is met if the average rate of return on risk-adjusted capital (RoRAC) as observed by the Supervisory Board in the consolidated financial statements audited over the past two financial years before his cessation of activity is greater than or equal to the rate for the budget approved in the Planning Dialogue. In the event of removal in the first two years of office, i.e. on or before December 31st, 2011, the performance condition is met if the RoRAC as observed by the Supervisory Board in the audited 2010 consolidated financial statements is greater than or equal to 6.23% for 2010.

For Wilfried Verstraete, the performance condition is considered to have been met if the average RoRAC as recorded by the Supervisory Board in the audited consolidated financial statements for the two years prior to the cessation of activity, exceeds 9%.
In the event of removal from office between January 1st, 2010 and December 31st, 2011, the performance condition is considered to have been met if annual RoRAC as observed by the Supervisory Board in the consolidated interim financial statements available from the 2nd half of 2009 exceeds the rate retained for the 2010 Strategic Dialogue, i.e. 7%.

Members of the Supervisory Board

(in thousand)	2011	2010
Remuneration owed in conformance with the social mandate(money order) Euler Hermes	161	114
Remuneration owed in conformance with their function in the other entities of the Allianz group	7 327	5 765
Salaries and other short term benefits for the year	*7 067*	*5 592*
Capital gain from SAR/RSU exercise	-	-
Benefits in kind	*260*	*173*
Total	**€ 7 488**	**€ 5 879**
Share-based payments (number)		
- AEI (ex RSU)	20 130	36 356

Furthermore, Wilfried Verstraete and Gerd-Uwe Baden, members of the Group Management Board, benefited from an additional pension plan of the Allianz group.

Note 31 Stock option plans

Euler Hermes stock option plans

Amount charged in the consolidated income statement

(in thousands)	2011	2010
Charge in respect of the 22 June 2008 allocation of share purchase options	0	217
Total	**€ 0**	**€ 217**

Characteristics of the share option plans

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

		Subscription plans			Purchase plans
	Jul-03	Jul-04	Jun-05	Sep-06	Jun-08
Fair value of options allocated	8,93	11,66	13,10	22,29	6,83
Characteristics					
Date of EGM	23/04/2003	23/04/2003	23/04/2003	22/05/2006	22/05/2006
Period of validity of options	8 years	8 years	8 years	8 years	8 years
Rights vesting period	2 years	2 years	2 years	2 years	2 years
Assumptions					
Risk-free interest rate	3,80%	4,16%	3,01%	4,01%	4,72%
Expected volatiliy (1)	30%	30%	25%	25%	33%
Rate of return on shares	2,81%	4,14%	3,98%	3,74%	10,51%

(1) Expected volatility is calculated using historical market prices

Sundry restrictions

- Subscription plans adopted by the EGM of 23/04/2003.
  The beneficiaries must have six months of service with the company on the allocation date. They may be on permanent or fixed-term contracts. The shares obtained by the exercise of the options are registered in the shareholder's name. They can be transferred freely after an initial period of four years as from the allocation date. This period of unavailability does not apply in certain cases such as loss of employment, retirement, incapacity or death of the beneficiary.

- Purchase plans adopted by the EGM of 23/04/2003
  The beneficiaries of the scheme are all the employees and corporate officers of Euler Hermes SA and its subsidiaries, with permanent or fixed-term employment contracts and at least six months length of service on the options allocation date. The shares purchased are transferable either immediately or after a period of four years from the date of the offer (other than in the event of loss of employment, retirement, incapacity or death), depending on the country.

- Mixed plans adopted by the EGM of 22/05/2006
  The beneficiaries of the scheme are all the employees and corporate officers of Euler Hermes SA and of more than 50%-owned subsidiaries, with permanent or fixed-term employment contracts and at least six months length of service on the options allocation date. The options may be freely exercised after a period of four years from the date of the offer, other than as provided for by article 91 ter of Appendix II to the French General Tax Code (loss of employment , retirement, incapacity or death), depending on the country.

Information on plans currently in effect

At 31 December 2011, the following options are potentially exercisable:

		Subscription plans (1)			Purchase plans (2)
Allocation date	Jul-03	Jul-04	Jun-05	Sep-06	Jun-08
Number of options outstanding	0	58 533	143 050	151 400	127 400
End of subscription period	Jul-11	Jul-12	Jun-13	Sep-14	Jun-16
Exercise price of valid options at end of period	0,00	44,41	63,08	91,82	55,67

(1) These subscriptions plans are intended for members of the management bodies of Euler Hermes and its subsidiaries. The subscription plan of July 08th, 2003 fell due on July 07th, 2011, 34645 options were raised and 4800 options were lost during the exercise.

(2) The EGM of May 22, 2006 authorised the allocation of share purchase and/or subscription options to all Euler Hermes Group employees and possibly to its corporate officers. The options granted in September 2006 were purchase options only. The Group Management Board of June 20, 2008 approved the request from the Supervisory Board of June 15, 2008 related to the granted of purchase plan (which is authorised by the Combined Shareholder's Meeting of May 22, 2006).

Transactions under the share option plans since January 1, 2010 may be summarised as follows:

	Year ended December 31, 2011				
	Average exercise price (€)	Number of options	Average price of EH share on exercise dates (€)	Average residual term (years)	Exercise price range of options still outstanding at end of period (€)
Start of period	**64,01**	**545 028**	**-**	**-**	**-**
Allocation	-	-	-	-	-
Fiscal Year	34,66	58 545	34,66	-	-
Cancellation	39,20	6 100	-	-	-
End of period	**67,90**	**480 383**	-	**2,53**	**44,41-91,82**

	Year ended December 31, 2010				
	Average exercise price (€)	Number of options	Average price of EH share on exercise dates (€)	Average residual term (years)	Exercise price range of options still outstanding at end of period (€)
Start of period	**63,00**	**566 750**	**-**	**-**	**-**
Allocation	-	-	-	-	-
Fiscal Year	34,45	19 522	34,45	-	-
Cancellation	65,74	2 200	-	-	-
End of period	**64,01**	**545 028**	**0,00**	**3,24**	**27,35-91,82**

<u>Allianz Group Equity Incentive plans</u>

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. In 2003, Allianz issued Restricted Stock Units (RSU) with a vesting period of 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 executives is the average trading price of Allianz shares over the ten trading days immediately preceding Allianz's Annual Shareholders' meeting.

Characteristics of the SAR and RSU plans

	SAR Plans							
(in thousands)	19-May-04	18-May-05	17-May-06	08-Mar-07	06-Mar-08	12-Mar-09	11-Mar-10	Total
Fair value at 31 December 2011 (in euros)	**0,00**	**0,77**	**0,30**	**0,08**	**1,73**	**21,96**	**5,03**	
Total commitment	0	26	10	2	46	361	164	610
Opening commitment	97	177	45	26	170	261	202	978
Charge recognised during the period	374	-151	-35	-24	-124	-15	-112	-87
Exercise of options	-471	0	0	0	0	0	0	-471
Closing commitment	**0**	**26**	**10**	**2**	**46**	**246**	**90**	**420**

	RSU Plans					
(in thousands)	8-Mar-07	6-Mar-08	12-Mar-09	11-Mar-10	10-Mar-11	Total
Fair value at 31 December 2011 (in euros)	**73,91**	**69,64**	**65,03**	**60,12**	**60,12**	
Total commitment	1 007	893	526	974	1 413	4 812
Opening commitment	855	548	201	326	0	1 930
Charge recognised during the period	110	115	78	110	503	916
Exercise of options	0	0	0	0	0	0
Closing commitment	**965**	**663**	**279**	**436**	**503**	**2 846**

SAR

After a vesting period of two years (excepted for the 2009 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 during the contractual period, the Allianz share price has outperformed the Dow Jones index at least once for a period of five consecutive days;
- if the Allianz share price exceeds the reference price by at least 20% on the exercise date.

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 vesting period, Allianz can choose to remunerate the RSU in cash or by allocating Allianz shares or other securities granting access to the capital. If it opts for a 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 31st, 2011

The fair value of the liabilities resulting from the SAR and RSU plans is reassessed at each balance sheet date based on the Allianz share price, until expiry of the obligation, and is calculated using the Cox-Ross-Rubinstein binomial valuation model. The charge is recognised as the rights are vested, and is thus spread over two years for the SAR (except March 2009 plan, 4 years) and five years for the RSU. At December 31st, 2011, the liability relating to the SAR and RSU still to be exercised amounted to € 3, 266 thousand.

Information on plans currently in effect

	Year ended December 31, 2011												
	SAR							RSU					
Allocation date	Rights vesting period (years)	Reference price (€)	SAR at the opening	SAR granted	SAR cancelled	SAR exercised	SAR transfered	Rights vesting period (years)	RSU granted	RSU at the opening	RSU cancelled	RSU exercised	RSU transfered
19/05/04	2	83,47	26 632	-	-	- 26 632	-	-	-	-	-	-	-
18/05/05	2	92,87	34 190	-	-	-	-	-	-	-	-	-	-
17/05/06	2	132,41	33 288	-	-	-	-	-	-	-	-	-	-
08/03/07	2	160,13	27 062	-	-	-	-	5	13 619	-	-	-	-
06/03/08	2	117,38	26 436	-	-	-	-	5	12 826	-	-	-	-
12/03/09	4	51,95	16 452	-	-	-	-	5	8 081	-	-	-	-
11/03/10	4	87,36	32 629	-	-	-	-	5	16 197	-	-	-	-
10/03/11	-	-	-	-	-	-	-	4	-	23 510	-	-	-

<u>Euler Hermes group Long Term Incentive plans</u>

In 2011, Euler Hermes group Long Term Incentive plans have been implemented. The beneficiaries of the scheme are employees and members of the “Directoire” of Euler Hermes (under Allianz classification L0, L1 and L2). 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 Euler Hermes’ 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 EH RSU plan

	EH RSU plan	
(in thousands)	1-Mar-11	Total
Fair value at 31 December 2011 (in euros)	**45,75**	
Total commitment	2 477	2 477
Opening commitment	0	0
Charge recognised during the period	954	954
Exercise of options	0	0
Closing commitment	**954**	**954**

EH RSU

The EH LTI is granted in the form of RSU of Euler Hermes with a four-year vesting Period at the grant date.

RSU are granted on the basis of a common Grant Price. It is calculated as the arithmetic average of the Euronext trading closing prices of the Euler Hermes Stock over the ten trading days following the Euler Hermes Financial Press Conference until and including the Grant Date.

The number of RSU granted to the participants equals the EH LTI allocation value divided by the fair value at grant of a single RSU.

The first EH RSUs have been granted as at March 1st, 2011.

After the Vesting Date of the EH RSU (March 2015 for the first EH RSU granted), the Participant shall receive from the Company for each EH RSU, as elected by the Company, either

- one Euler Hermes share (“Share Settlement”) or
- a cash payment in the amount of the Average Market Value of the Euler Hermes share on the Vesting Date (“Cash Settlement”).

In both scenarii, the payout is calculated on Euler Hermes share price at the end of the vesting period:

(The average closing prices of the Euler Hermes stock on the 10 days at the end of the vesting period

(-) Euler Hermes stock price at the granted date)

(x) Number of granted EH RSU

Information on plans currently in effect:

	Year ended December 31, 2011					
	EH RSU					
Allocation date	Rights vesting period (years)	RSU at the opening	RSU granted	RSU cancelled	RSU exercised	RSU transfered
01/03/11	4	-	54 144	-	-	-

The attribution for 2011 for the group Management Board is:

- RSU Allianz 8 696
- RSU Euler Hermes 13 076

Note 32 Group Employees (Contracted headcount)

	31 december 2011	31 Décember 2010
Germany & Switzerland	1959	2073
France	950	941
Northern Europe	1342	1375
Mediterranean Countries & Africa	570	603
America	549	528
Asia Pacific	192	166
Captive of reinsurance	9	9
Service Group	594	509
Total Euler Hermes Group	**6165**	**6204**

Staff costs totalled €473.5 million for the year ended December 31, 2011 against €458.9 million in 2010. Remuneration paid to members of the Group Management Board during the year came to € 7 648 thousand and € 7 488 thousand for members of the Supervisory Board among which 161 in conformance with their social mandate Euler Hermes and 7 327 in conformance with their function in the other entities of the Allianz Group.

The staff numbers shown correspond to the contracted headcount. For companies consolidated using the proportional method, the headcount shown is based on the proportion of the company included in the consolidated financial statements (concerns only N.V. Interpolis Kreditverzekeringen). The headcount of companies accounted for by the equity method is not taken into account.

Notes to the consolidated financial statements

Note 33 Commitments given and received

(in thousands)		December 31, 2011	December 31, 2010
Commitments received		**€ 9 462**	**€ 11 125**
* Deposits, sureties and other guarantees		9 462	11 125
Commitments given		**€ 107 292**	**€ 14 519**
* Deposits, sureties and other guarantees		107 292	14 519
o/w	- Commitments to Citibank	50 000	-
	- Commitments to Société Générale	38 643	-
	- Commitments associated with membership of an EIG	51	54
	- Securities buyback agreement	-	-

The given commitment of € 50 million is aimed to cover Citibank's customers having signed a credit insurance policy with an EH subsidiary in case this last one fails to meet its credit insurance policy obligations.

The €38.6 million commitment is a guarantee to Romanian bank, BRD, a subsidiary of Société Générale Group, in relation to the issuance of bond policy by Euler Hermes Kredietverzekering NV.

Note 34 Auditors' fees

(in thousands)	KPMG Audit FS II				ACE			
	Amount		%		Amount		%	
	2011	2010	2011	2010	2011	2010	2011	2010
Audit								
o Statutory audit and report on company and consolidated financial statements								
-Issuer	354	405	10%	12%	182	126	44%	31%
-Fully-consolidated subsidiaries	2 567	2 379	73%	72%	212	267	51%	64%
o Other services directly related to appointment as statutory auditor								
-Issuer	161	294	5%	9%	19	19	5%	5%
-Fully-consolidated subsidiaries	216	153	6%	5%				
Sub total	**3 298**	**3 231**	**94%**	**98%**	**413**	**412**	**100%**	**100%**
Other services provided to fully-consolidated subsidiaries								
o Legal, tax and social	35	31	1%	1%				
o IT	15	14	0%	1%				
o Strategy	150		4%					
o Human resources								
o Other	5	9	0%	0%				
Sub total	**206**	**54**	**6%**	**2%**				
TOTAL	**3 504**	**3 285**	**100%**	**100%**	**413**	**412**	**100%**	**100%**

Note 35 Subsequent events

No subsequent events occurred since December 31, 2011 closing which would impact the hypothesis 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 "Risk Management" of this Registration Document.