

12M 2017

## Financial Results

### Financial Analysts' Call

Friday, February 9<sup>th</sup>, 2018



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**Commercial performance** is progressively picking up thanks to higher new business and improved retention on traditional credit insurance business. Pricing environment remains competitive but insured volumes are turning positive. Growth in specialty lines remains dynamic.

**Smooth increase in exposure.** Overall insolvency levels are at low point, and claims covered amounts are down -7.7% vs last year. Some reserves for potential large claims have affected the loss ratio though.

**Universal:** German ECA business acquired from **PricewaterhouseCoopers:** transaction has been closed as of July 1<sup>st</sup> and included in reported figures starting in 3Q 2017.

**Productivity plans** are underway across Europe in order to finance the needed digital transformation. The focus has been put on the extension of shared service centers (Alchemy) and the centralisation of financial processes (One Finance). A total provision of €15m is included in 12M2017 financial results.

Allianz SE filed with the Autorité des Marchés Financiers (AMF) a simplified cash tender offer for Euler Hermes shares at a price of 122 euros per share, and announced its intention to implement a squeeze-out procedure in the event minority shareholders hold less than 5% of the share capital and voting rights of Euler Hermes upon completion of the offer.

The Supervisory Board of Euler Hermes considered that “the offer is in the interest of the company, of shareholders to which it offers immediate and full liquidity under favorable price conditions, and of its employees”, and accordingly, issued a favorable opinion regarding the offer and recommended to the shareholders of Euler Hermes that they tender their shares into the offer.

The AMF approved the simplified cash tender offer which started on January 15, 2018 and is open until February 13, 2018 (included).

The results of the offer are expected to be published by the AMF on February 14, 2018.

**Turnover at €2,567 million**, up 0.4% at constant exchange rates and scope <sup>(1)</sup> vs 12M last year. Growth is driven by France, Northern Europe, Americas and specialty lines; Germany is stabilizing. MMEA is impacted by high wastage and high rebates.

**Net loss ratio all attachment years at 52.6%**, up 0.4 pt. vs last year. Some reserves for potential large claims have affected the loss ratio (up to 5.3pts for the top 4 claims reserves) but were compensated by positive run-offs on past years reserves.

**Net cost ratio at 27.9%**, above last year by 0.3 pt, essentially due to the Allianz transaction-related costs and digital investments that are expected to contribute to the topline in the coming years.

**Ordinary operating income amounts to €376 million**, stable year on year. The lower net technical result is offset by better foreign exchange result.

**Net income Group Share stands at €315 million, up €28 million year on year.** It includes an exceptional tax reimbursement of €31.0 million from the French government related to prior dividend tax paid and deemed unconstitutional by the French Constitutional Court.

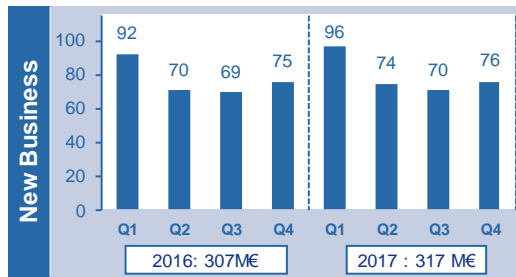
The management **proposes a dividend of €4.85 per share**, up 3.6% vs last year (€4.68)

**Solvency ratio stable at 166%.**

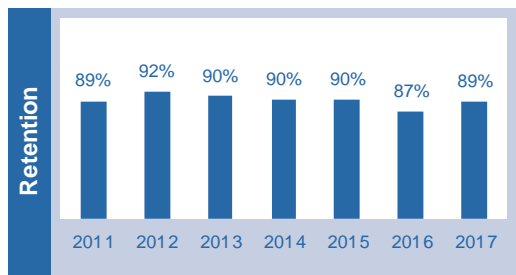
(1) ECA business acquired from PwC is included starting July 2017. 12M 2016 has been restated to take this change in scope into account.

# 2

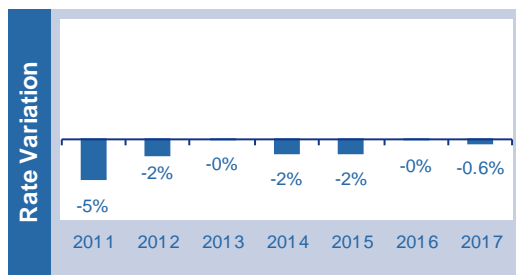
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New Business reaches €317 million which is €10 million above last year. Positive contributions from the USA, the UK and the multinational segment are partly offset by Italy and Germany.



Retention rate stands at 89%, 2 pts above last year's level. All regions are improving versus last year.

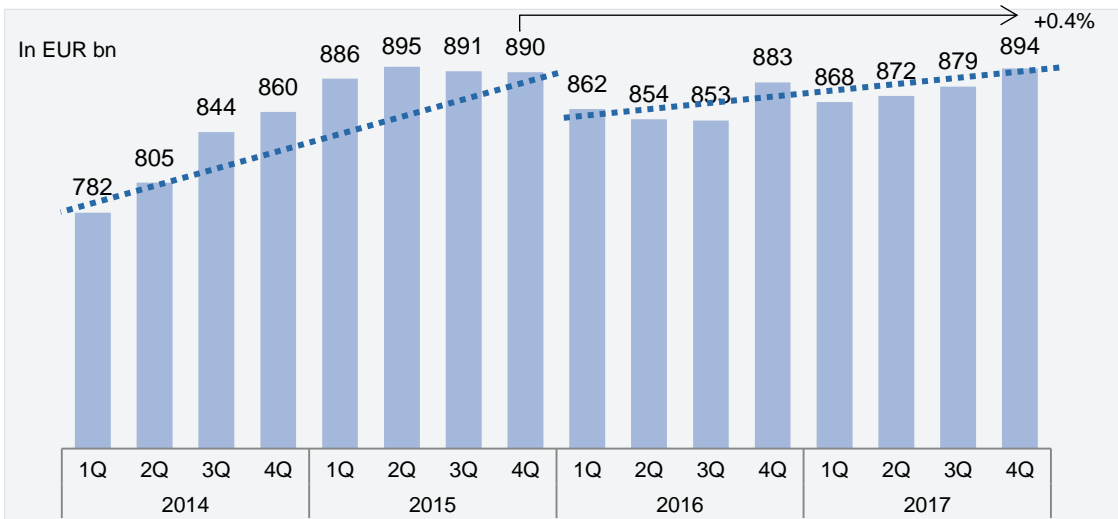


Rate evolution remains negative at -0.6% which is behind the level of last year.

Commercial data in this slide is credit insurance only (excluding Bonding, Fidelity & Midterm) and does not include figures related to non-consolidated entities.

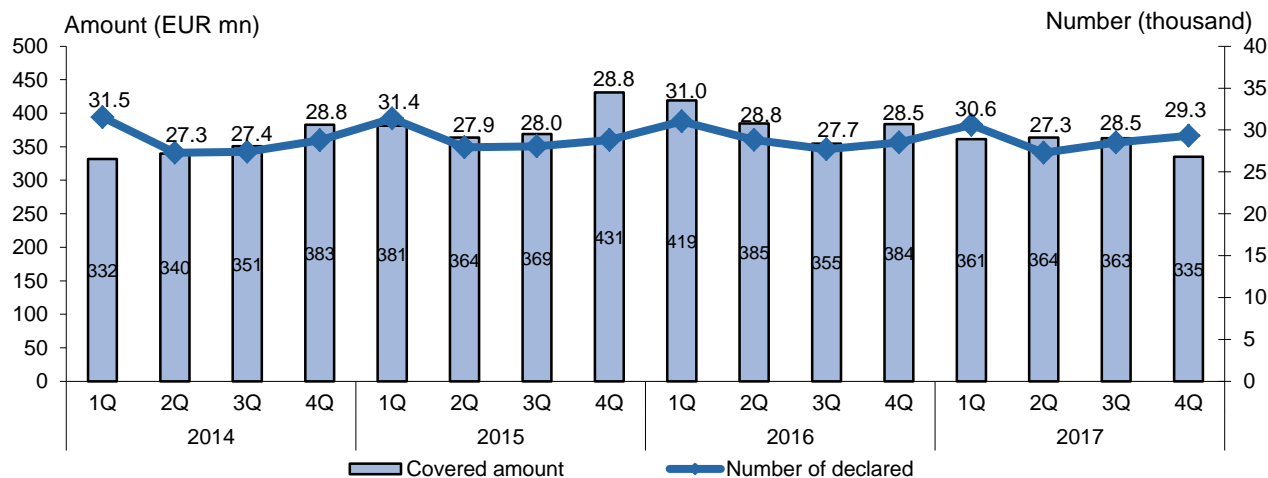
# Exposure grows quarter after quarter but 4Q covered claims are still low

## Exposure growing slowly; some seasonal evolutions and FX impact



	4Q 2014	4Q 2015	4Q 2016	4Q 2017
<b>Grade weight</b>				
1-5	85.4%	85.8%	86.2%	86.7%
6-10	14.6%	14.2%	13.8%	13.3%

## 12M 2017 claims covered amount decreases 7.7% vs. 12M 2016

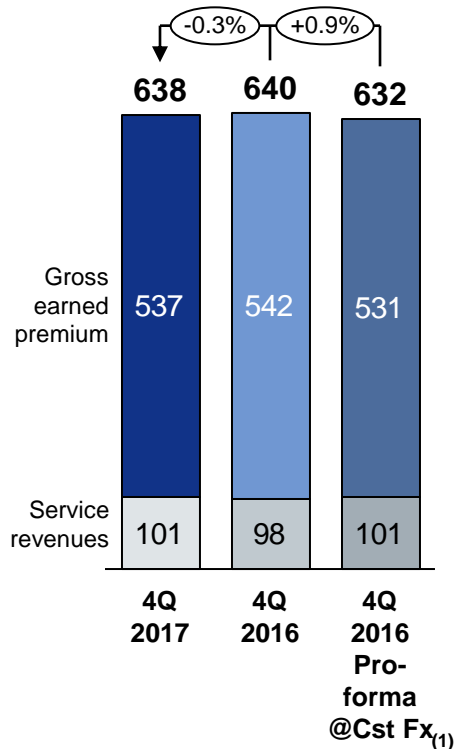




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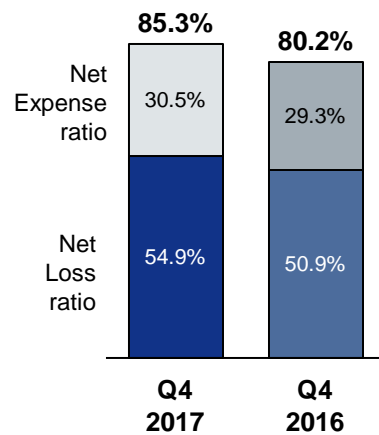
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# Q4: Ordinary operating profit hit by the reserving for one potential large loss in December and costs related to the AZ offer; net result driven by an exceptional tax reimbursement

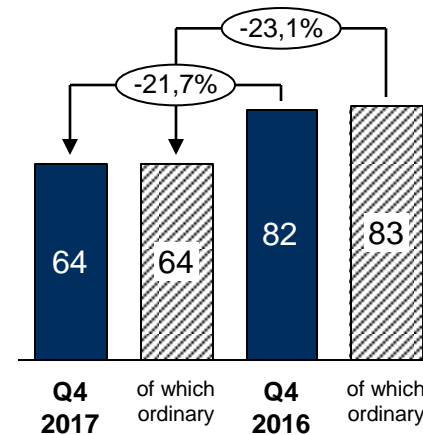


**Turnover (EUR mn)**

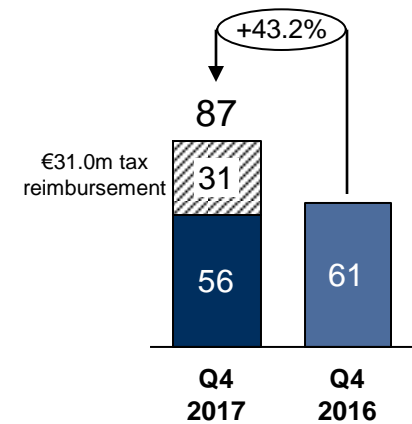
@Cst Fx<sub>(1)</sub>



**Net Combined ratio (in %)**



**Operating income (EUR mn)**



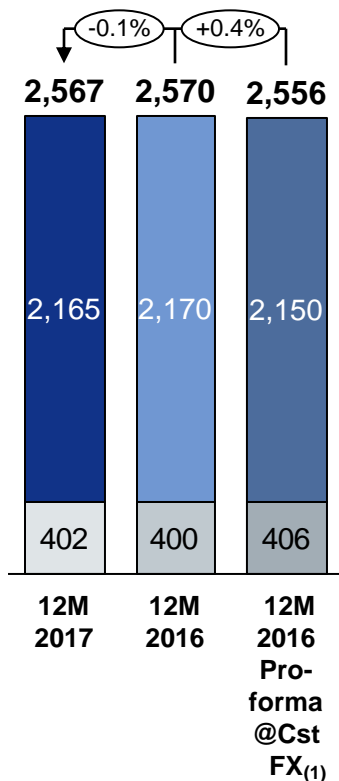
**Net income, Group share (EUR mn)**

(1) ECA business acquired from PwC is included since July 2017. Q4 2016 has been restated pro-forma for comparative purpose.

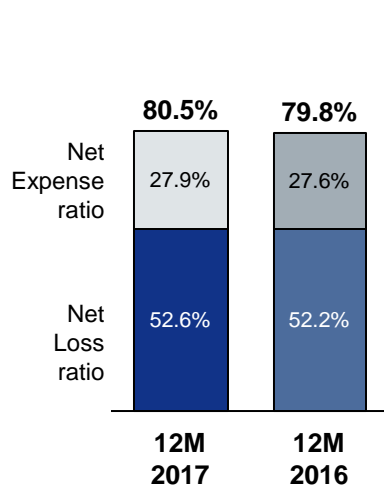
# 4

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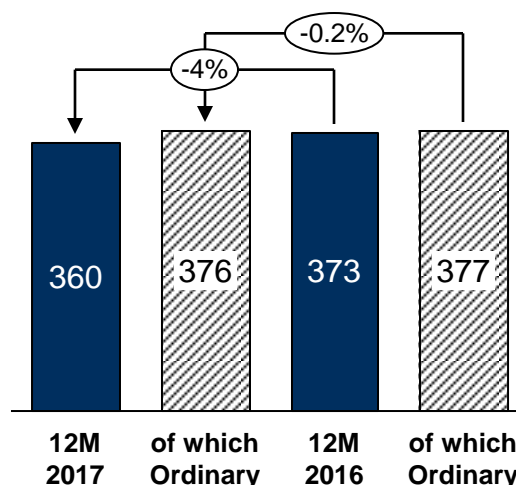
# 12M: Ordinary operating income on par with last year. Net income includes an exceptional tax reimbursement



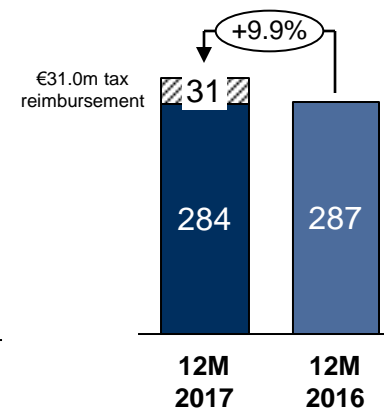
**Turnover (EUR mn)**



**Net Combined ratio (in %)**



**Ordinary operating income (EUR mn)**



**Net income, Group share (EUR mn) (2)**

(1) ECA business acquired from PwC is included since July 2017. Q4 2016 has been restated pro-forma for comparative purpose.  
 (2) In 12M 2016, other non ordinary operating income and expense included +35m€ gains (+33m€ after tax) from the sale of Bürgel entities and the share of Graydon in addition to -38m€ (-25m€ after tax) restructuring expenses. 12M 2017 includes -17m€ (-12m€ after tax) restructuring expenses.

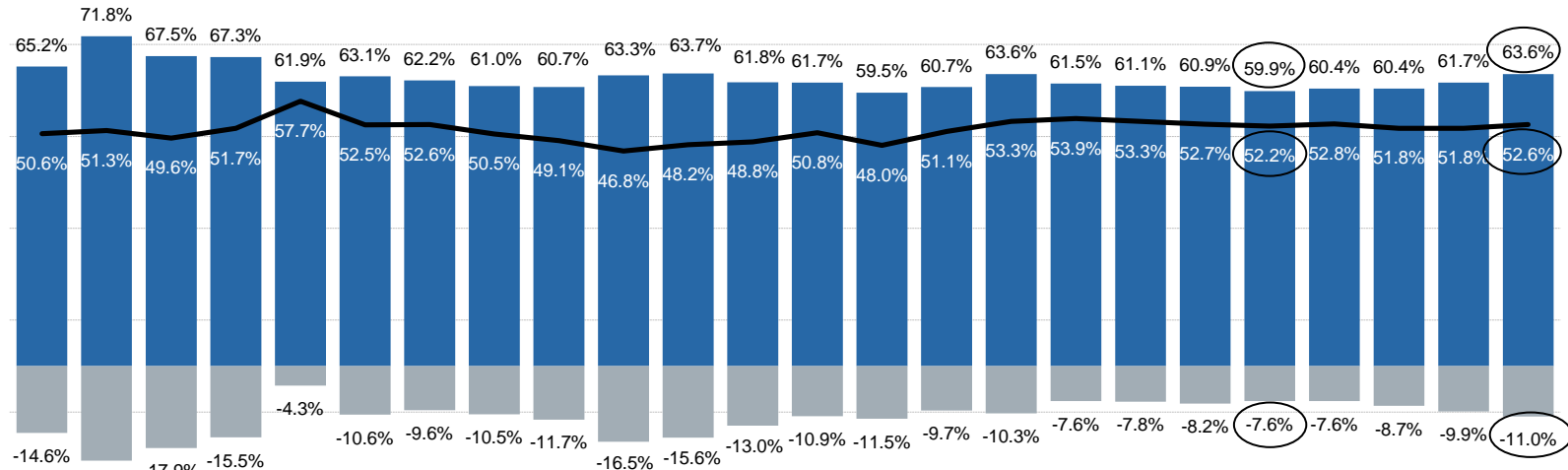
12M : Turnover up +0.4% at cst FX and scope.

France and Northern Europe are strong, MMEA hit by an accounting one-off and higher wastage. German premiums have stabilized

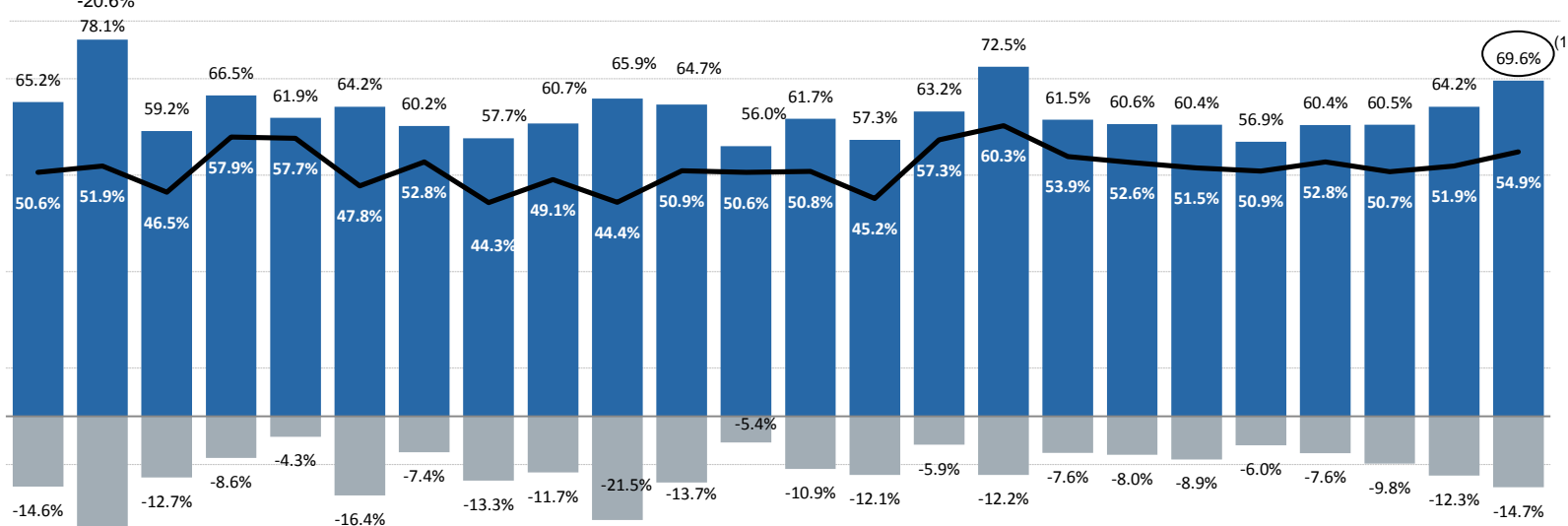
EUR mn	2017	2016	Δ %	2016 Pro-forma @Cst Fx <sup>(2)</sup>	Δ %
DACH	705	706	-0.2%	712	-1.0%
France	416	404	3.1%	405	2.9%
Northern Europe	545	528	3.1%	522	4.3%
Med. Countries, Middle East & Africa	322	350	-8.0%	348	-7.5%
Americas	341	335	1.7%	331	3.1%
Asia Pacific	145	148	-2.3%	145	-0.6%
<i>Inward from non-consolidated OEs &amp; Other <sup>(1)</sup></i>	93	98	-5.0%	92	0.8%
<b>Turnover</b>	<b>2,567</b>	<b>2,570</b>	<b>-0.1%</b>	<b>2,556</b>	<b>0.4%</b>

# 12M 2017 net loss ratio slightly above last year. It includes 5.3pts for 4 large cases reserves

YTD



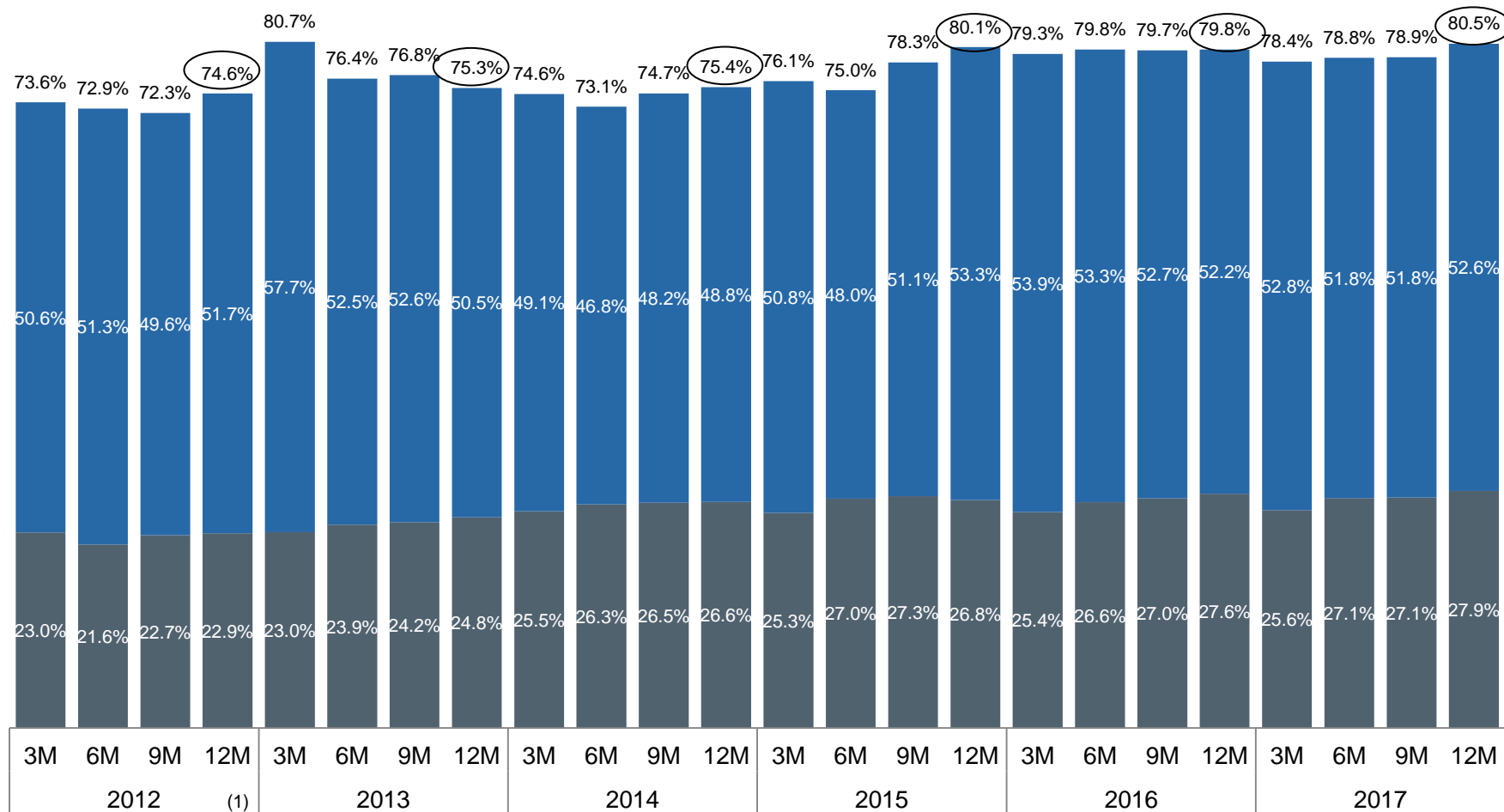
Quarterly



Year	Q1	Q2	Q3	Q4
2012	50.6%	51.3%	49.6%	51.7%
2013	57.7%	52.5%	52.6%	50.5%
2014	49.1%	46.8%	48.2%	48.8%
2015	50.8%	48.0%	51.1%	53.3%
2016	53.9%	53.3%	52.7%	52.2%
2017	52.8%	51.8%	51.8%	52.6%

(1) One potential large loss accounting for 10.8 pts in the 4Q 2017 current year net loss ratio.

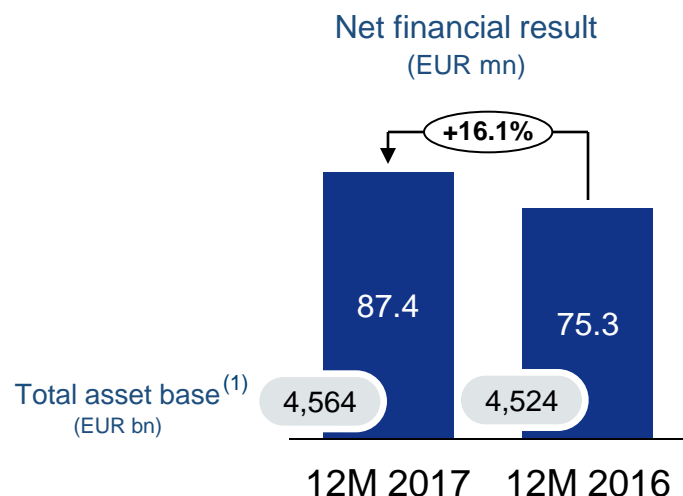
# Net combined ratio at 80.5%



■ Net Expense ratio

■ Net Loss ratio all attachment years

# Net financial income above last year driven by positive FX result (USD). The current investment income is also improving



Current investment income	73.6	71.4
Investment management charges	-10.8	-11.8
Net change in foreign currency	8.7	-2.6
Net gain (loss) on sales of investments less impairment and depreciation write-backs	15.8	18.3
<b>Net financial result before financing expense and before 'at equity' result<sup>(2)</sup></b>	<b>87.4</b>	<b>75.3</b>



Operating income at last year level. Net income at €315 million, up +9.9%. It includes an exceptional tax reimbursement

EUR mn	2017	2016	Δ
<b>Net technical result</b>	<b>289</b>	<b>302</b>	<b>-13</b>
Financial income net of expenses	87	75	12
<b>Ordinary operating Income</b>	<b>376</b>	<b>377</b>	<b>-1</b>
Other non ordinary operating income and expense <sup>(1)</sup>	-17	-3	-13
<b>Operating income</b>	<b>360</b>	<b>373</b>	<b>-14</b>
Financing expenses	-6	-6	0
Income from non-consolidated companies	16	15	1
<b>Profit before tax</b>	<b>369</b>	<b>382</b>	<b>-13</b>
Corporation tax	-51	-95	44
Minority interest	-3	-1	-2
<b>Net income (Group share)</b>	<b>315</b>	<b>287</b>	<b>28</b>
<b>Tax rate<sup>(2)</sup></b>	<b>13.8%</b>	<b>24.8%</b>	

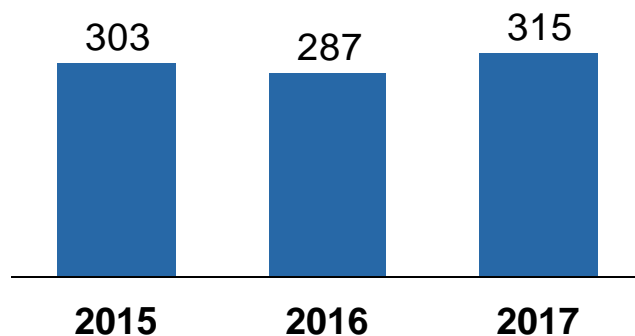
- (1) In 12M 2016, other non ordinary operating income and expense included +€35m gains (+€33m after tax) from the sale of Bürgel entities and the share of Graydon in addition to -€38m (-€25m after tax) restructuring expenses. 12M 2017 also includes -€17m (-€12m after tax) in restructuring expenses.
- (2) 12M 2017 tax rate is 11pts lower than last year thanks to the reimbursement of tax on dividends from the French government (€31.0m).

# 5

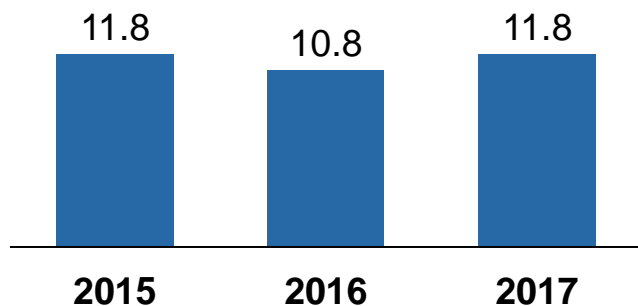
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# Dividend up +3.6% against last year

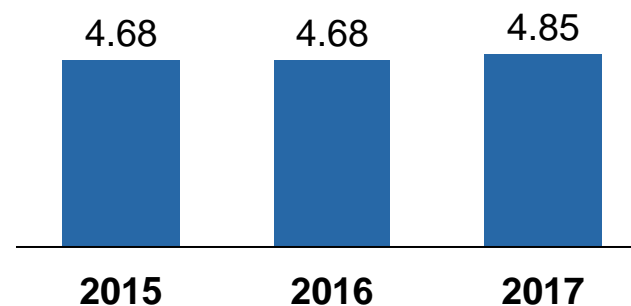
## Net income, Group share (€ million)



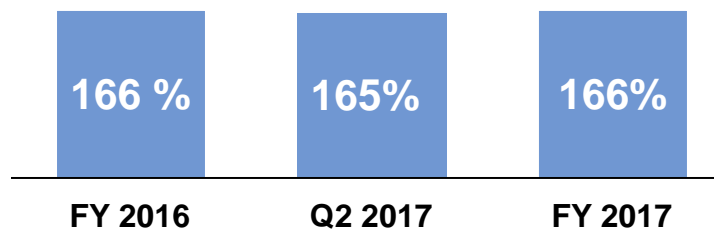
## Return on equity (%)



## Dividend per share (€)



# Solvency II Regulatory Ratio



In € mn	FY 2016	Q2 2017	FY 2017
Shareholder's Equity, Group share	2,622	2,562	2,716
Eligible own funds	2,348	2,395	2,401
Solvency Capital Requirement	1,414	1,453	1,443
Solvency II Economic Ratio	166%	165 %	166%

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# Simplified Group P&L

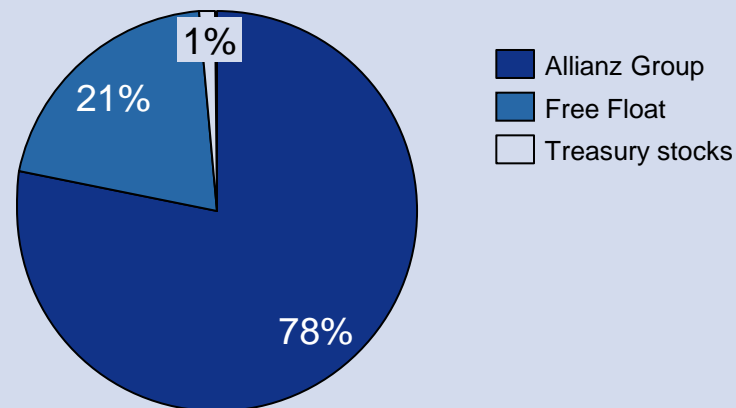
	12M 2017	12M 2016
Gross Earned Premiums	2,165	2,170
Service revenues	402	400
<b>Turnover</b>	<b>2,567</b>	<b>2,570</b>
Gross claims CY	-1,326	-1,224
Run off	235	135
<b>Claims costs</b>	<b>-1,091</b>	<b>-1,088</b>
<b>Gross technical expenses</b>	<b>-1,074</b>	<b>-1,056</b>
<b>Gross technical result</b>	<b>402</b>	<b>426</b>
<b>Outward result</b>	<b>-104</b>	<b>-117</b>
Non technical expenses	-9	-7
<b>Technical result</b>	<b>289</b>	<b>302</b>
<b>Net investment income</b>	<b>87</b>	<b>75</b>
Other non ordinary operating income & expenses	-17	-3
<b>Operating income</b>	<b>360</b>	<b>373</b>
Financing expenses	-6	-6
Share of income from companies accounted at the equity method	16	15
<b>Total profit before tax</b>	<b>369</b>	<b>382</b>
Income taxes	-51	-95
<b>Total profit after tax (at 100%)</b>	<b>318</b>	<b>288</b>
Minority interests	-3	-1
<b>Total profit after tax HB3</b>	<b>315</b>	<b>287</b>

Stock Market Data	As of 12/31/2017
Listing	Euronext Paris
Code	ELE.PA
Shares outstanding	<b>42,641,635</b>
Market cap. (€ mn)	<b>5,194</b>

## Investor Relations Contact

Etienne DEFRAIGNE, Group Finance Director  
+33 (0)1 84 11 39 19  
[etienne.defraigne@eulerhermes.com](mailto:etienne.defraigne@eulerhermes.com)

## Shareholding Structure (12/31/2017)



- **Ceded Claims Costs:** Gross Claims Costs corresponding to business assigned to reinsurers
- **Ceded Premium:** Premium corresponding to business assigned to reinsurers
- **Cession Rate:** Ceded Premium divided by Gross Earned Premium
- **Combined Ratio:** Sum of the Cost ratio and the Loss ratio
- **Cost ratio (or Expense ratio):** Overheads and service margin as a proportion of earned premiums
- **Credit insurance:** Insurance against the risks of non-payment of companies trade receivables
- **Gross Claims Costs:** Claims Costs before reinsurance
- **Gross Earned Premium:** Earned premium before reinsurance
- **Gross Technical Result:** Result from insurance activities (excluding reinsurance operations and including service income and expenses)
- **Loss:** Situation in which a risk is realized and which entitles the policyholder to indemnification, thus triggering application of the indemnification provided for in the credit insurance policy.
- **Loss ratio (or Claim ratio):** Claims costs as a proportion of the earned premiums
- **Net Claims Costs:** Gross Claims Costs net of reinsurance
- **Net Earned Premium:** Gross Earned Premiums net of reinsurance
- **Net Technical Result:** Result from insurance activities (including reinsurance operations and service income and expenses)
- **Outward commission:** Remuneration paid by the reinsurer to the ceding insurer for the premiums ceded
- **Premium:** Amount paid by the policyholder to the insurance company in exchange for risk coverage. A distinction is made between:
  - **Written premium:** Amount invoiced during the period for coverage against the risks stipulated in the policy
  - **Earned premium:** Portion of the premium written during the period or earlier corresponding to the coverage of risks during the period concerned
- **Reinsurance:** An operation by which an insurer obtains cover from a third party (the reinsurer) for part of the risks that it has guaranteed, in exchange for the payment of a premium
- **Retention Rate:** Net Earned Premium divided by Gross Earned Premium
- **Run-off:** Claims reserves release related to previous years' policies whose risks are over
- **Information services:** Research and analysis carried out to provide our policyholders with the required credit insurance cover, and monitoring of the solvency of their customers
- **Collection services:** Extra-judicial and/or judicial procedure conducted by Euler Hermes to secure payment of a receivable from the debtor
- **Turnover:** Turnover is composed of gross earned premiums and service revenues



These assessments are, as always, subject to the disclaimer provided below.

## Cautionary Note Regarding Forward-Looking Statements

The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words "may", "will", "should", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Euler Hermes Group's core business and core markets, (ii) performance of financial markets, including emerging markets, and including market volatility, liquidity and credit events (iii) the frequency and severity of insured loss events, including from natural catastrophes and including the development of loss expenses, (iv) persistency levels, (v) the extent of credit defaults, (vi) interest rate levels,

(vii) currency exchange rates including the Euro/U.S. Dollar exchange rate, (viii) changing levels of competition, (ix) changes in laws and regulations, including monetary convergence and the European Monetary Union, (x) changes in the policies of central banks and/or foreign governments, (xi) the impact of acquisitions, including related integration issues, (xii) reorganization measures, and (xiii) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

### **No duty to update.**

The company assumes no obligation to update any information contained herein.