

12M 2015 Financial results

Financial analysts meeting

February 17th, 2016



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4Q 2015 Operational highlights

Euler Hermes implemented **targeted action plans** to react to the slowdown of the economy in the emerging markets and in the commodity sector.

The rate decrease trend that the industry experienced in recent years has started to reverse, with **price increases in Asia, LatAm and the Middle East**.

Euler Hermes **has stabilized its exposure** at a level of €890 billion, marking the end of several years of exposure growth.

Euler Hermes SA **internal model was successfully validated** by the Belgian Regulator and the economic solvency ratio of the group stands at 173.1%.

2015 Financial highlights

Turnover reaches €2,638.4 million, up +4.4% at actual exchange rates (+0.9% at constant exchange rates), supported by markets outside Europe and non traditional business lines.

Net loss ratio all attachment years is 53.3%, compared to 48.8% in the prior year essentially due to an increase in claims in emerging markets.

Net cost ratio at 26.8%, 0.2pt. above last year.

Operating income strong at €417.4 million, benefitting from improved service margin and a good financial income.

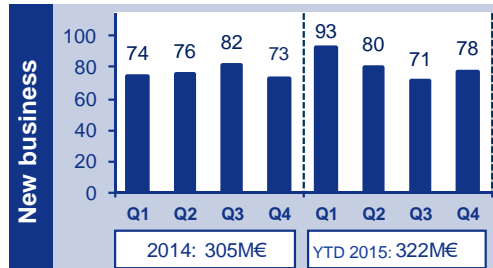
Net income Group Share stands at €302.5 million, stable versus prior year.
Management proposes an **stable dividend of 4.40 euros per share**.



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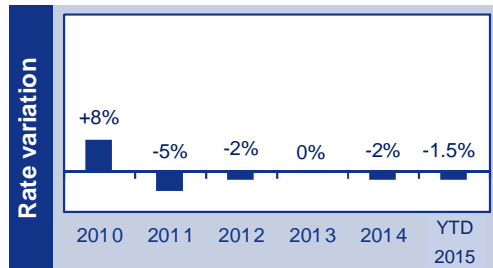
Commercial Overview



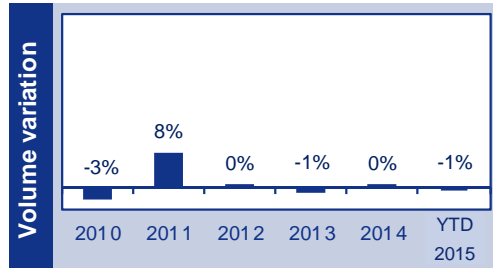
New business 5% above last year on a 12M basis.



Solid retention rate of 90%.



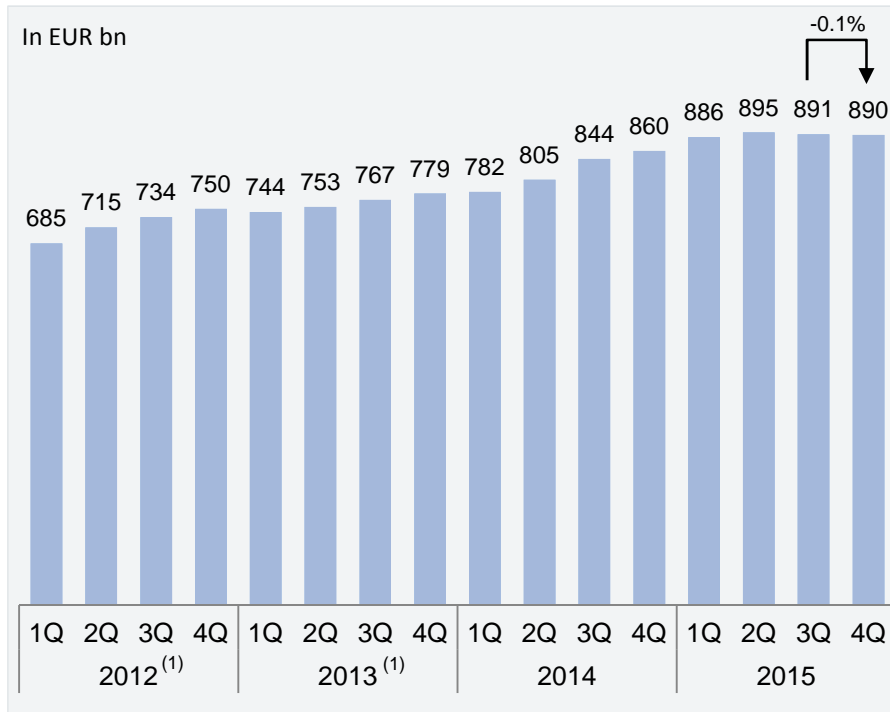
Renewal rate evolution is still negative (-1.5%) on a 12M basis but has reversed in emerging markets in 4Q.



Contribution from customers' insured turnover is negative at -1% driven by low GDP growth in Europe and the economic slowdown in emerging markets.

Commercial data in this slide is credit insurance only (excludes bonding and fidelity) and do not include figures related to non-consolidated entities.

Risk exposure has stabilized since 2Q

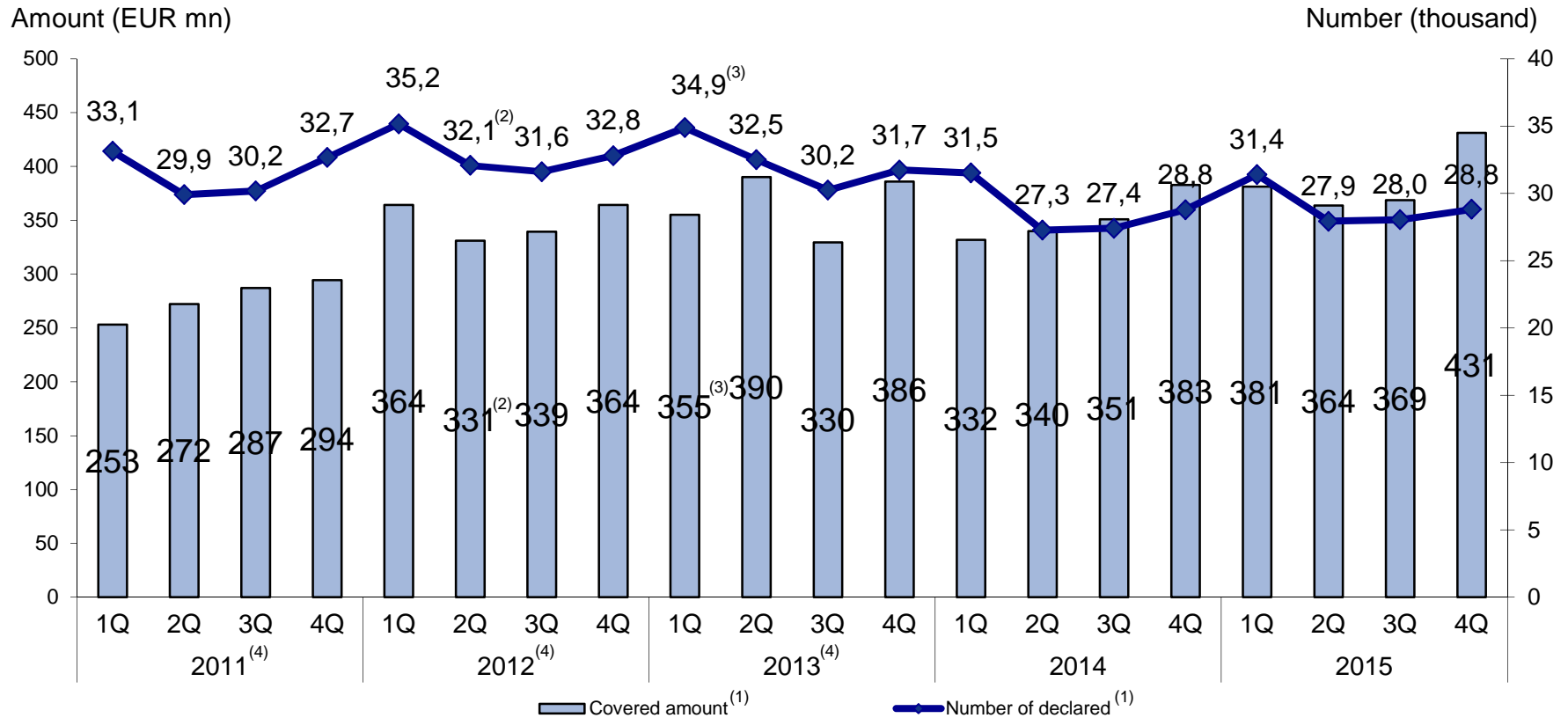


	4Q 2012 ⁽¹⁾	4Q 2013 ⁽¹⁾	4Q 2014	4Q 2015
Grade weight				
1-5	83.1%	84.8%	85.4%	85.8%
6-10	16.9%	15.2%	14.6%	14.2%

Exposure is stable following risk action plans implemented in emerging markets and the exit of large loss-making policies.

(1) 2012-2013 proforma excluding Spain & Latin America
 Risk exposure data in this slide is credit insurance only (excludes bonding and fidelity)

Declared claims hit by frequency and severity losses in emerging markets



On a 12M basis, declared claims amounts have increased by 10% compared to 2014, due to frequency and severity losses.

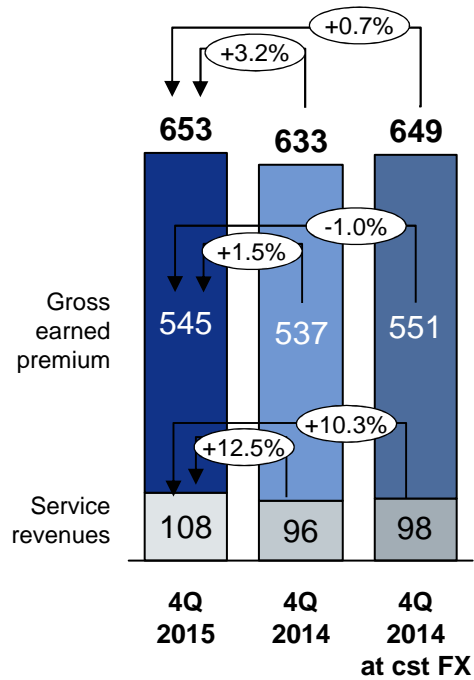
(1) Credit insurance claims only (excludes bonding & fidelity)
 (2) Excluding Schlecker claim
 (3) Excluding Pescanova claim
 (4) 2011-2013 proforma excluding Spain & Latin America



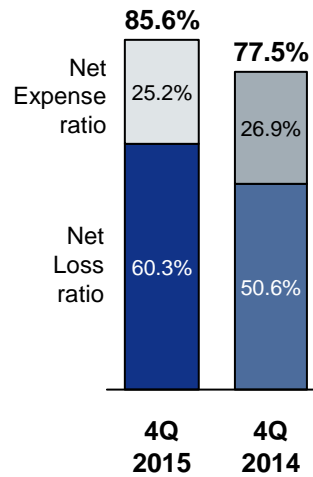
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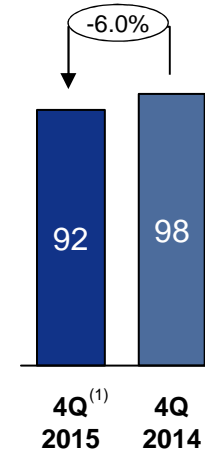
4Q: Net income increasing by 9% despite higher combined ratio



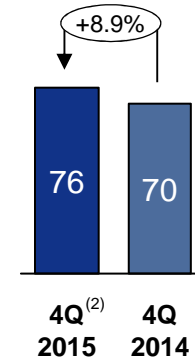
Turnover
(EUR mn)



Net Combined ratio
(%)



Operating income
(EUR mn)



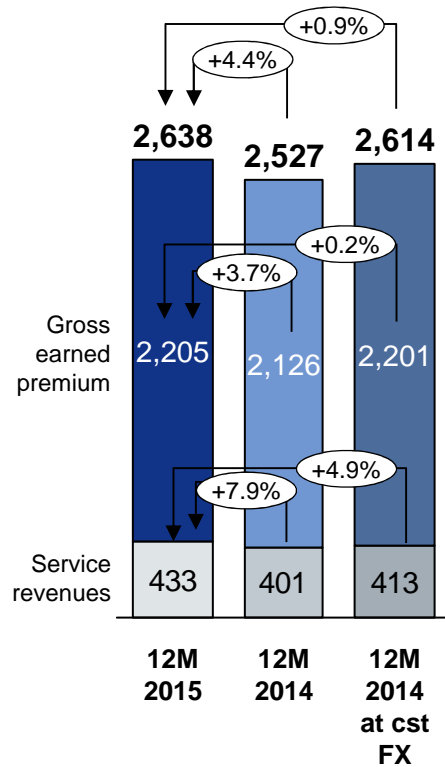
Net income, Group share
(EUR mn)

(1) Of which 36.0m€ impact before tax reserved for a large potential claim
 (2) Of which 29.5m€ impact net of tax reserved for a large potential claim

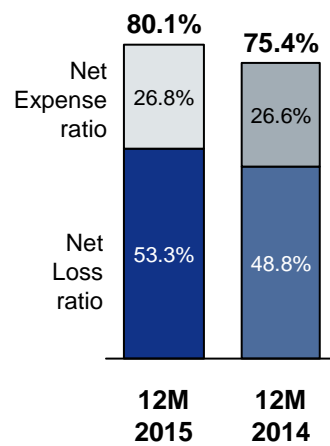
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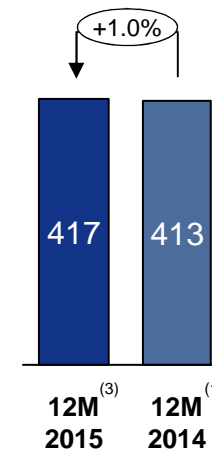
12M: Net income on par with last year despite higher combined ratio



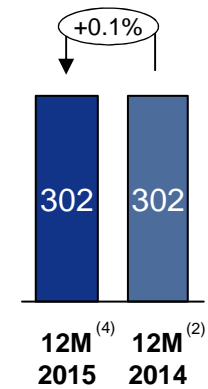
Turnover
(EUR mn)



Net Combined ratio
(in %)



Operating income
(EUR mn)



Net income, Group share
(EUR mn)

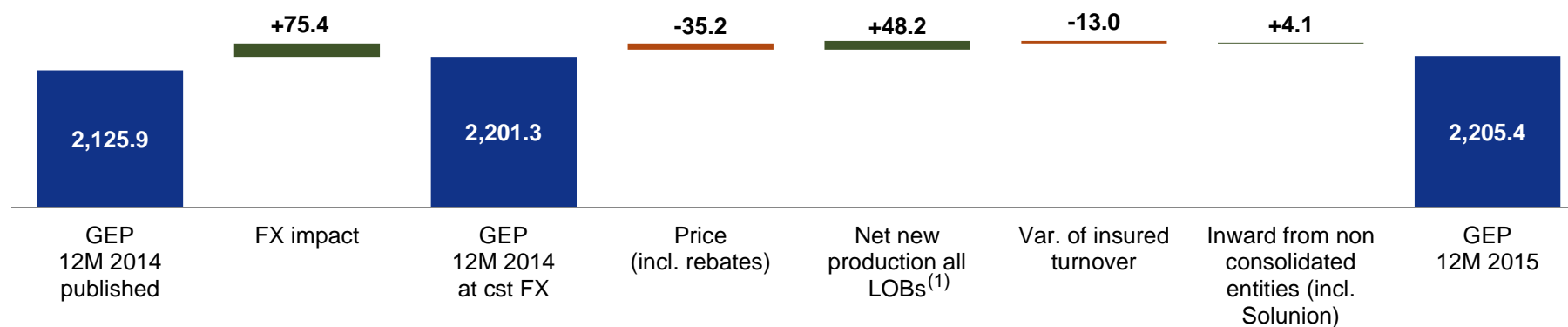
- (1) Of which EUR 17mn of exceptional impact from the impairment of the German building in 12M 2014
- (2) Of which EUR 12mn of exceptional impact from the impairment of the German building in 12M 2014
- (3) Of which 36.0m€ impact before tax reserved for a large potential claim
- (4) Of which 29.5m€ impact net of tax reserved for a large potential claim

Turnover growth driven by service revenues and FX

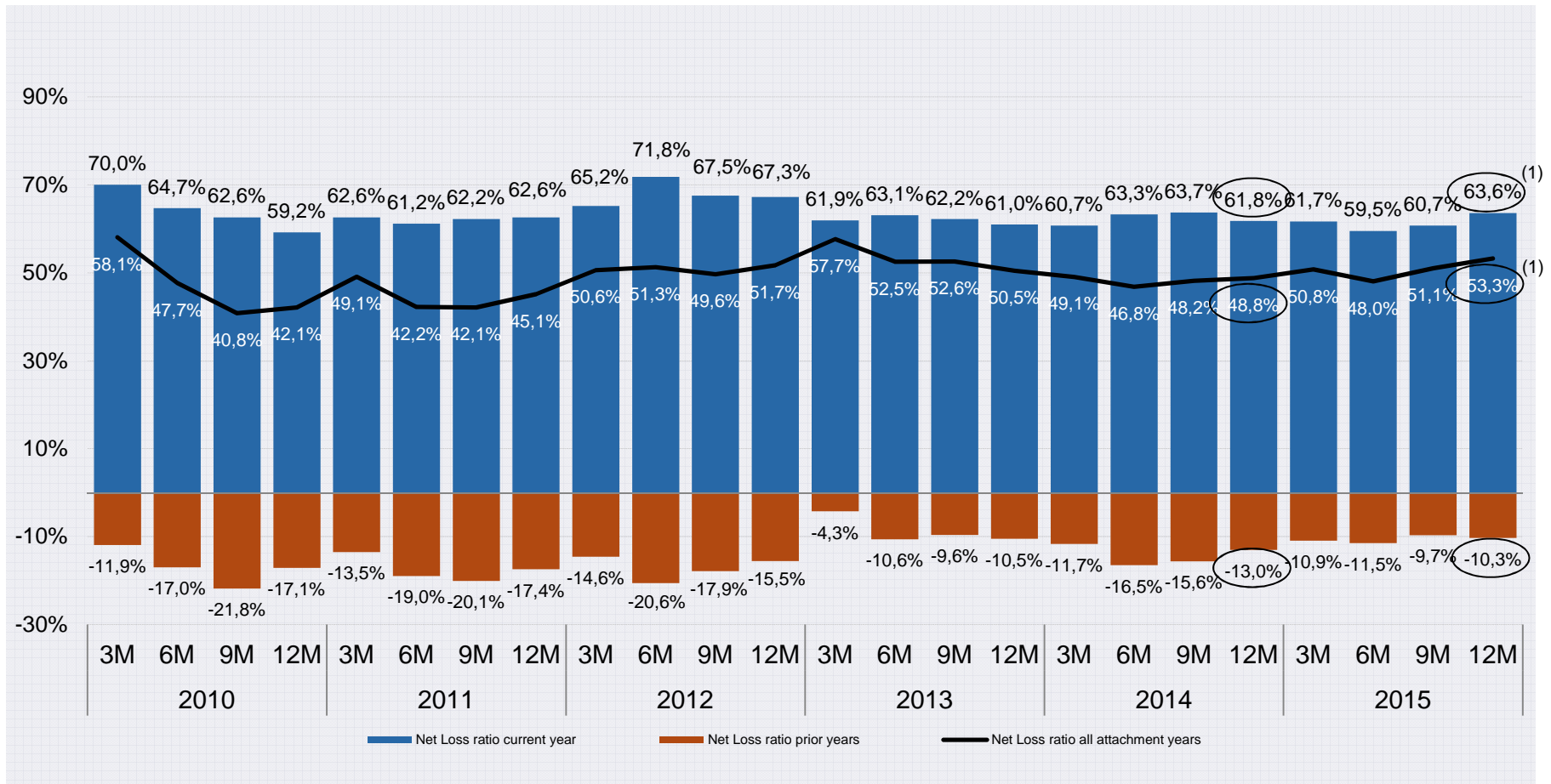
EUR mn	2015	2014 Published	Δ %	2014 cst FX	Δ %
DACH	752	760	-1%	766	-2%
France	392	399	-2%	399	-2%
Northern Europe	558	551	1%	570	-2%
Med. Countries, Middle East & Africa	344	323	7%	329	5%
Americas	327	267	23%	308	6%
Asia Pacific	143	108	32%	121	18%
Inward from non-consolidated OEs & Other ⁽¹⁾	123	120	3%	122	1%
Turnover	2,638	2,527	4.4%	2,614	0.9%

(1) Corporate entities + inter-region eliminations

Premium growth drivers (EUR mn)

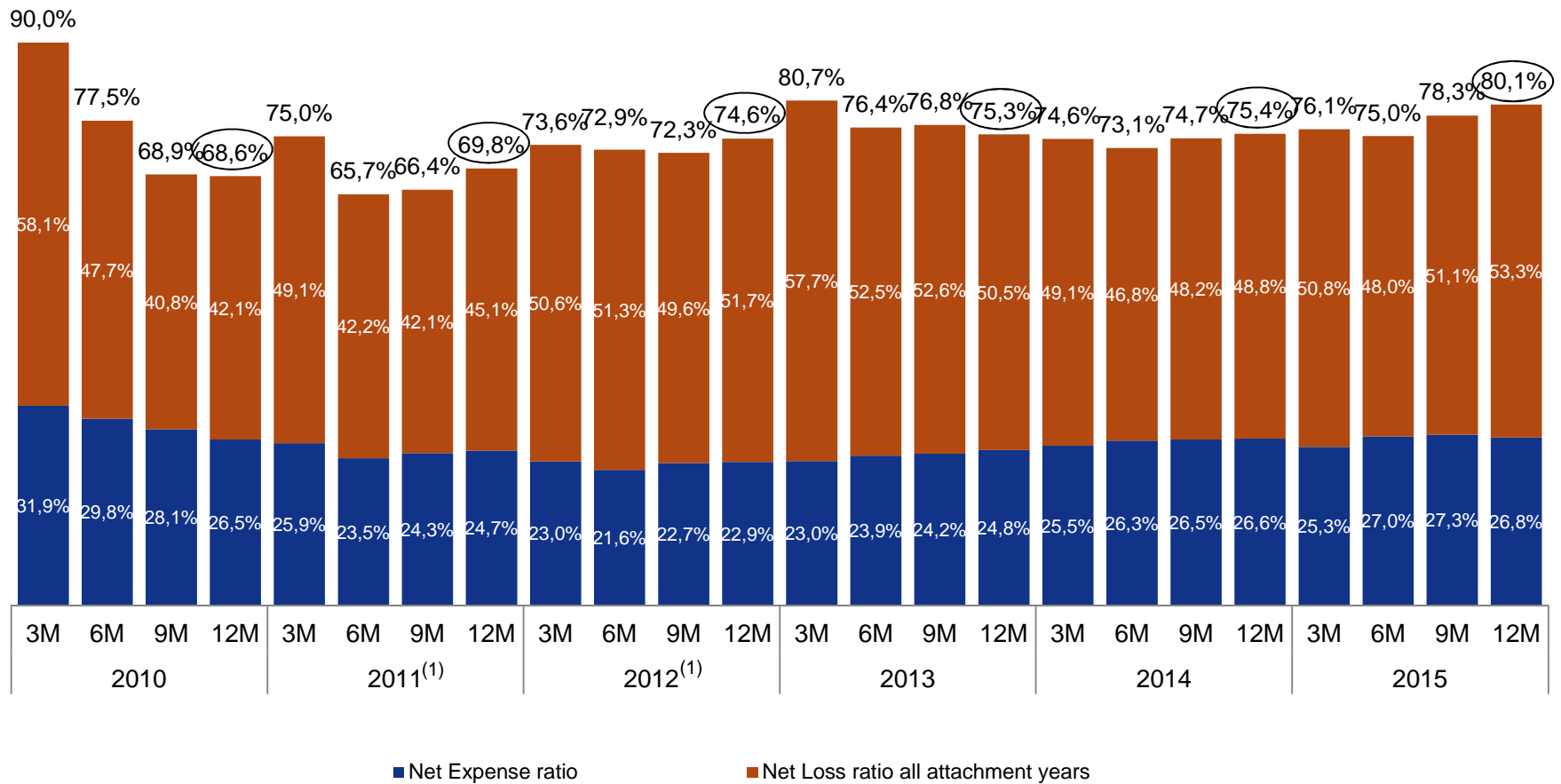


The net loss ratio is at 53.3%, up +4.5pts compared to 2014 due to a severity loss and lower run-off



(1) Specific impact of 2.3 pts linked to the reserve for a large potential claim

Higher combined ratio driven by loss ratio



(1) IAS 19 restatement

Group reinsurance result evolution

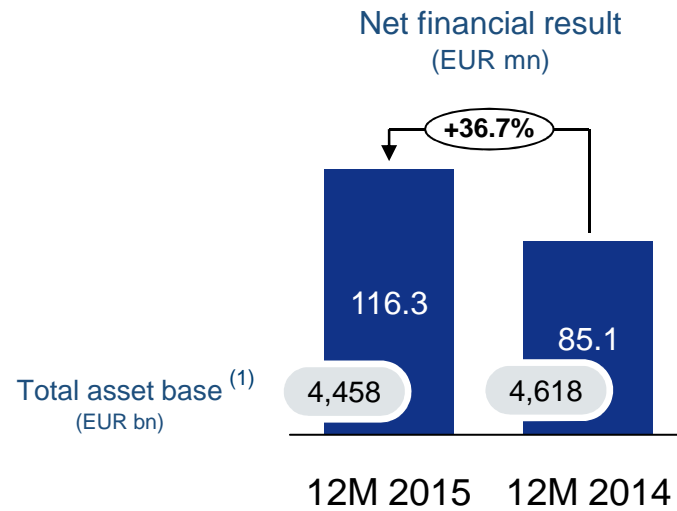
EUR mn	2015	2014	Δ
Gross earned premium	2,205	2,126	80
Ceded premium	-656	-644	-13
Net earned premium	1,549	1,482	67
<i>Cession rate</i>	29.8%	30.3%	-0.5 pt.
Gross claims costs	-1148	-999	-149
Ceded claims costs	322	276	46
Net claims costs	-826	-723	-103
<i>Cession rate</i>	28.0%	27.6%	0.4 pt.
Reinsurance commission	234	223	11
<i>Reinsurance commission rate</i>	35.7%	34.6%	1.0 pt.
Ceded technical result	-101	-145	45
Net technical result	301	351	-50
Net Claims ratio CY	63.6%	61.8%	1.8 pt.
Net Claims ratio PY	-10.3%	-13.0%	2.7 pt.
Net Claims ratio	53.3%	48.8%	4.5 pt.
Net Costs ratio	26.8%	26.6%	0.1 pt.
Net Combined ratio	80.1%	75.4%	4.7 pt.

Decrease in cession rate compared to 2014 due to a change in product mix.

Impact in 2015 of specific reserve which triggered the Excess of Loss treaty.

Higher reinsurance commission rate in 2015, and positive impact from the profit commission on years 2011-2013.

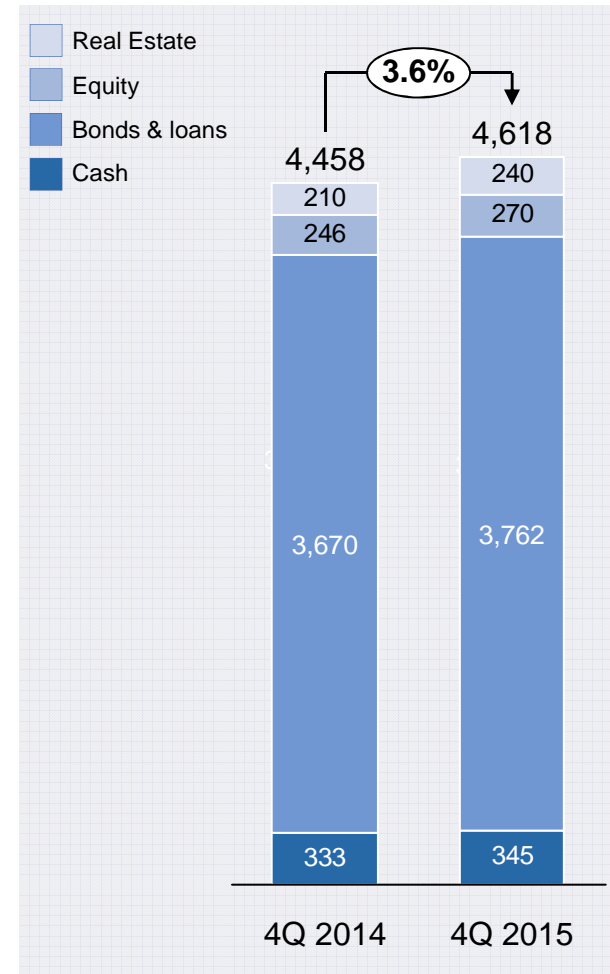
The improvement in the net financial result is driven by FX gains and higher realized gains



Current investment income	80.6	81.1
Investment management charges	-11.5	-9.0
Net change in foreign currency	15.7	-5.4
Net gain (loss) on sales of investments less impairment and depreciation write-backs	31.5	18.3
Net financial result before financing expense and before 'at equity' result ⁽²⁾	116.3	85.1

(1) Market value

(2) Share of income from companies accounted by the equity method

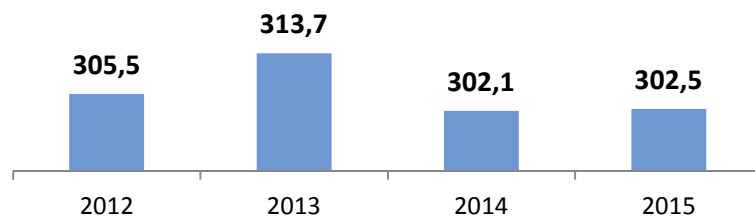


Net income stable

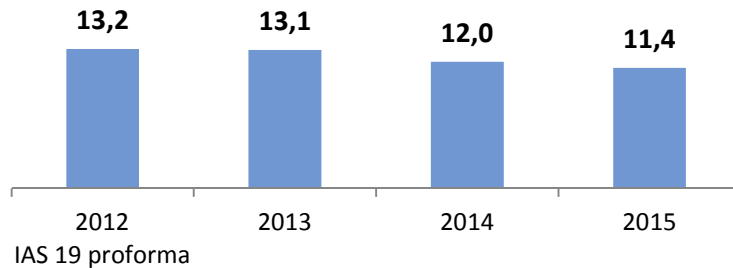
EUR mn	2015	2014	Δ
Ordinary operating Income	418	436	-18
Other non ordinary operating income and expense	0	-23	23
Operating income	417	413	4
Financing expenses	-8	-8	0
Income from non-consolidated companies	19	16	3
Profit before tax	428	421	7
Corporation tax	-124	-116	-7
Minority interest	-2	-2	0
Net income (Group share)	302	302	0
Tax rate	28.9%	27.7%	

Stable dividend

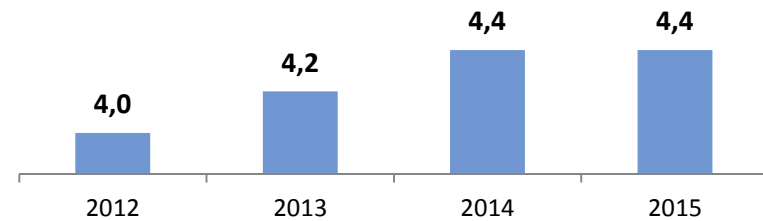
Net income - Group share



Return on equity (in %)



Dividend per share (in EUR)



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Solvency II - Key messages

All Euler Hermes entities operating in the European Economic Area are Solvency II compliant having **implemented all regulatory requirements in force at 1st January 2016.**

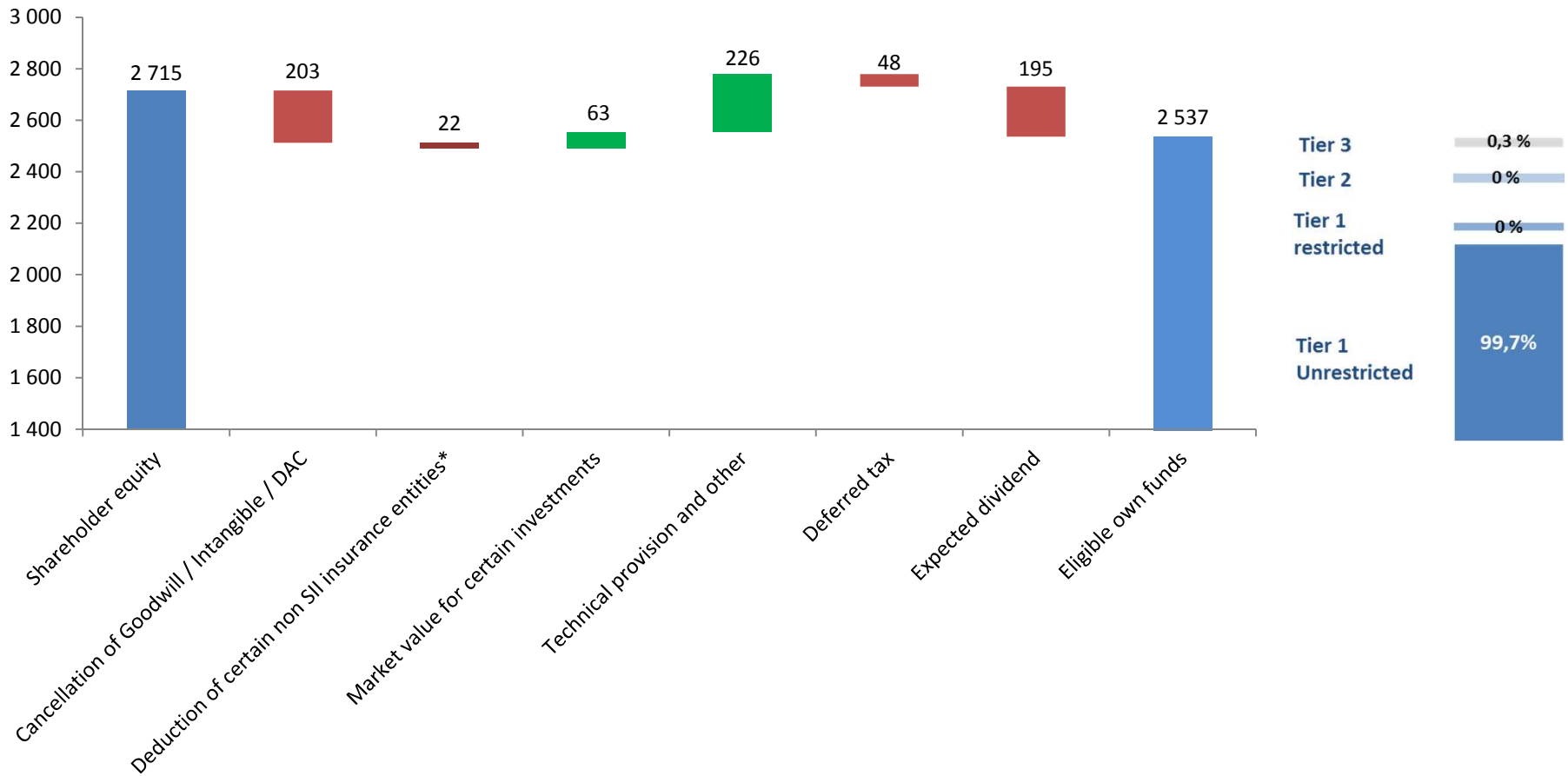
Euler Hermes uses a Group Solvency II margin for **steering purposes** although the regulations apply on a legal entity level.

Euler Hermes internal model was validated by the regulators and this internal model is used for computing its solvency capital requirement and setting its risk appetite.

Euler Hermes has set its Solvency II target margin at 160% and runs at 31st December 2015 with a **173% solvency ratio**

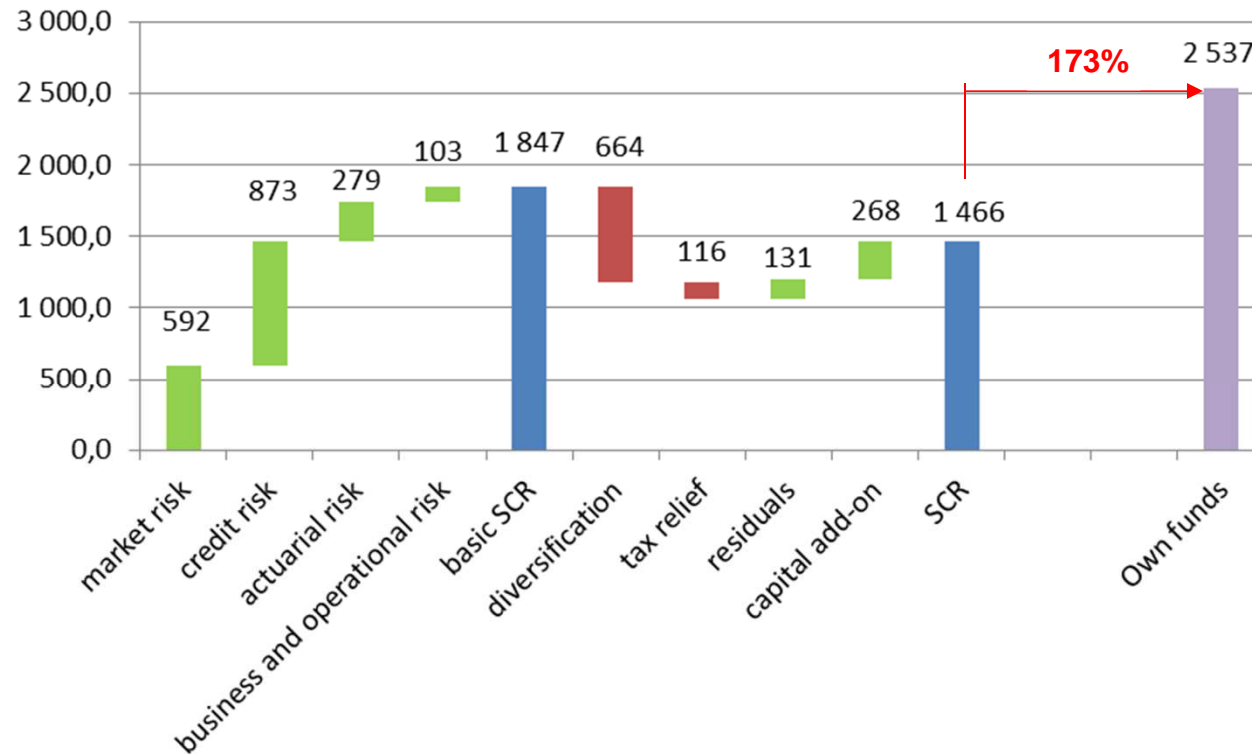
Euler Hermes has a **solid Own Funds structure**, made of Tier 1 capital only

Bridge from IFRS Equity to Solvency II Own Funds



High quality of own funds: Tier 1 at 99,7%, no leverage and no ancillary own fund.

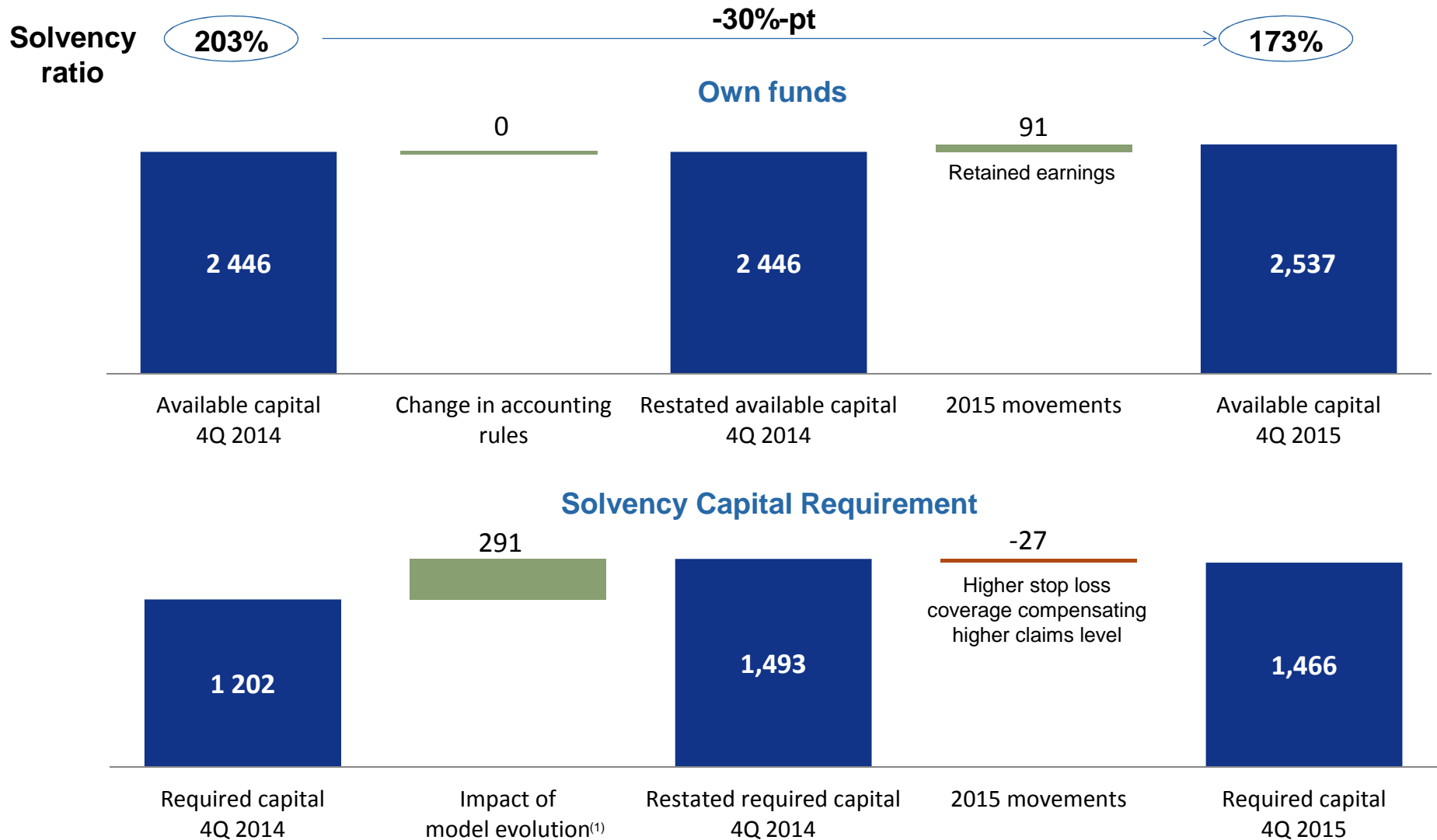
Solvency capital requirement



- Use of Solvency II equivalent calculation for Switzerland (EH Re AG) and USA (EH NA)
- The credit risk integrates the SCR attached to the Trade Credit Insurance and Surety (TCI&S) portfolio for the future period
- Capital add on (net of diversification and taxes): defined by NBB when validating the internal model – as a % of the TCI&S risk
- Residuals: legal entities using the standard model (EH Poland / EH Greece) and banking regulated entity (EH Credit France)

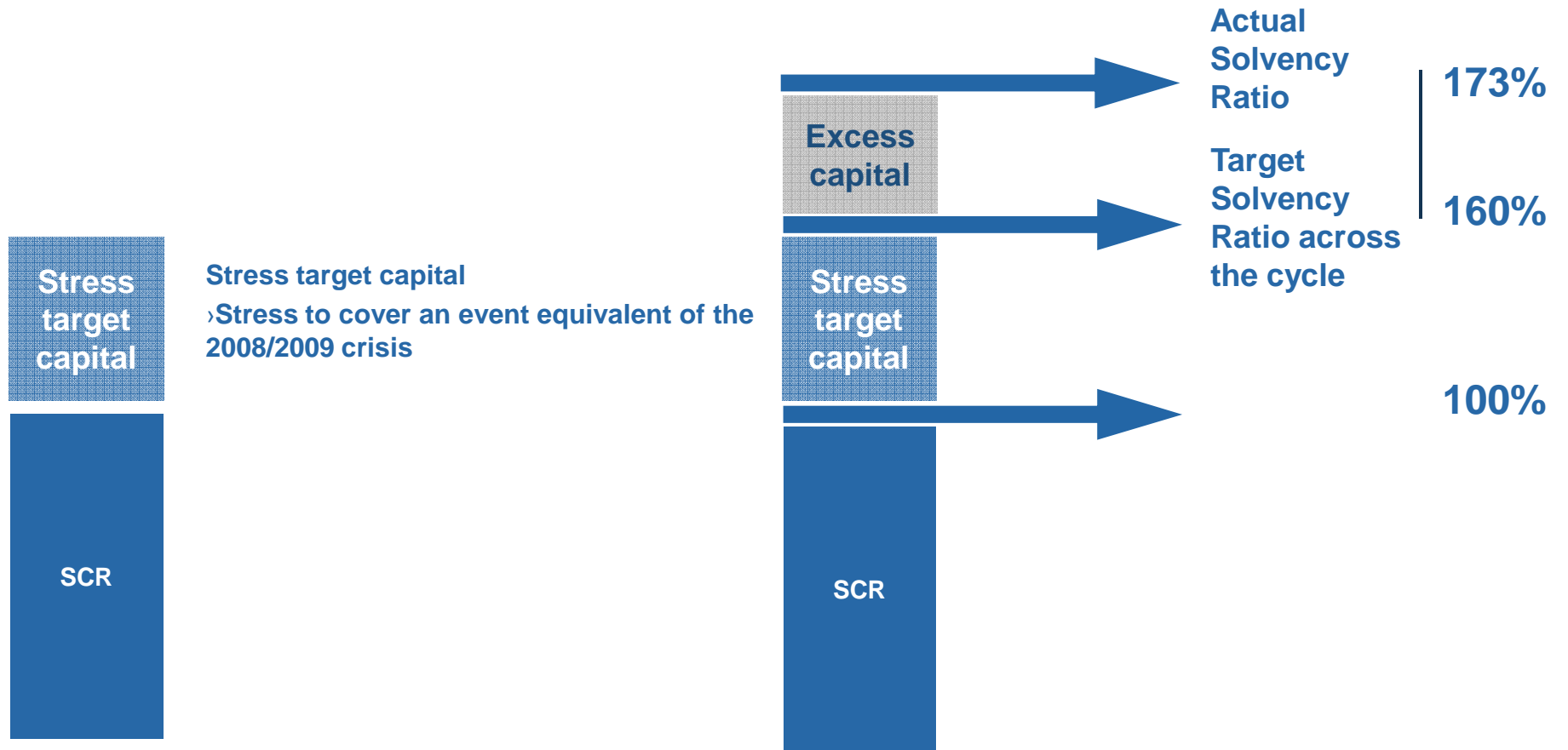
Regulatory solvency evolution

(EUR mn)

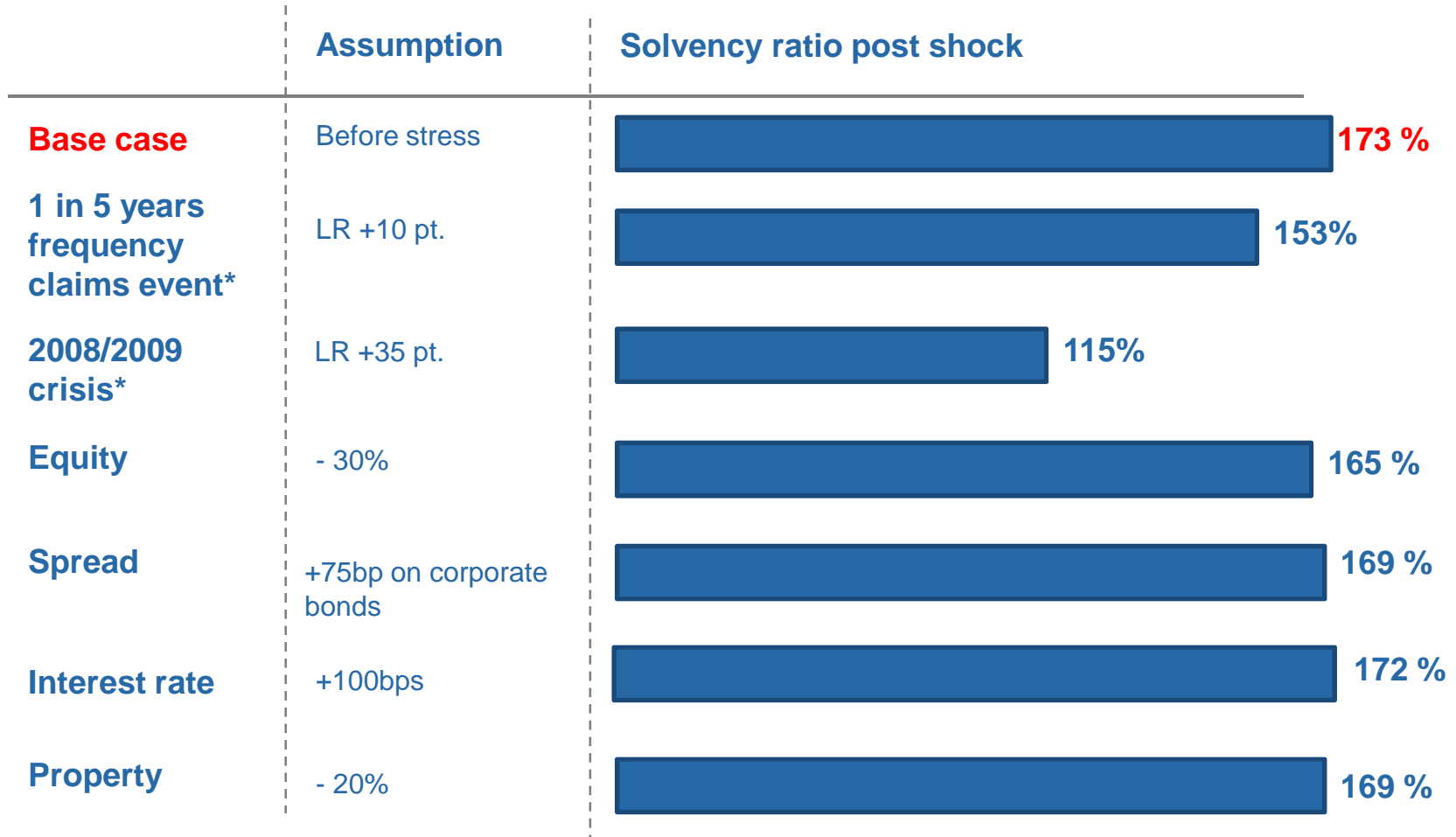


(1) Mainly add-on decided by NBB when validating the model (269m€) + extension of model scope to UK pension funds (22m€)

EH capital ratio framework



Adequately capitalized even after severe stress tests



* Value at the peak of the event before management action plan

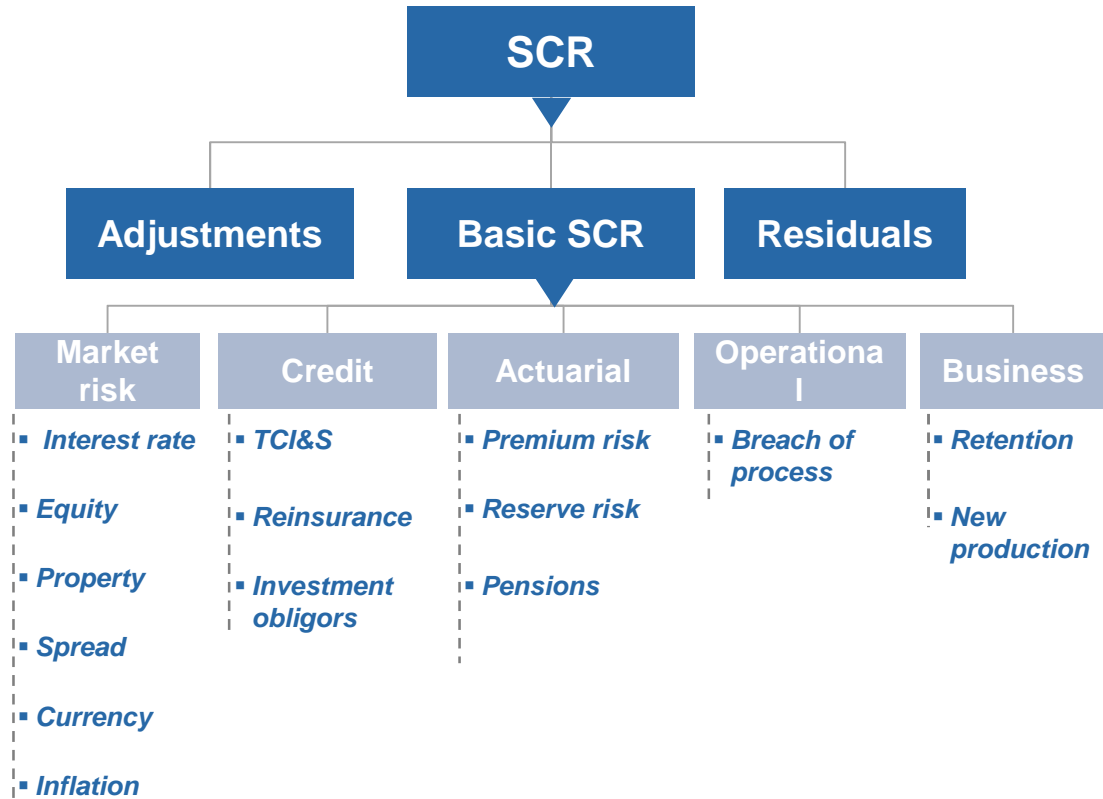
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1. Solvency II

Basic Principles

EH uses a full internal model covering all quantitative risks



Adjustments

- Diversification Benefits
- Loss absorption capacity of Deferred Tax (LADT)

Not all risk will materialize at the same time provided that the underlying sources of risks are not fully dependent

Losses can partly be compensated by tax savings – subject to recoverability of tax benefits

Residuals

Standard model entities (Greece, Poland) and non insurance but regulated entities (EH Crédit France and EHSAM)

- **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 which risks are over

- **Services**

- **Information services**

Researches 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

Investors relations

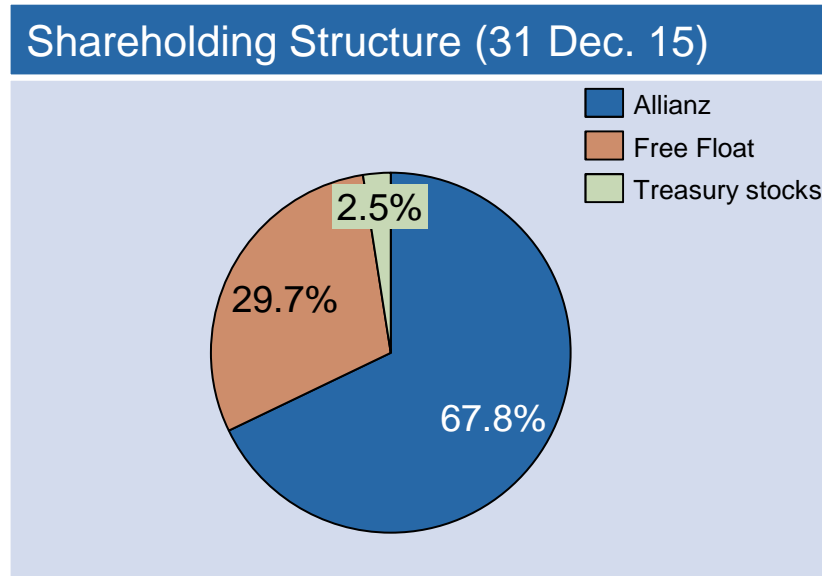
Next Events	Date
1Q 2016 Earnings (webcast)	Apr. 29 th , 2016
General Assembly	May 25 th , 2016
2Q 2016 Earnings (webcast)	Aug. 2 nd , 2016

Stock Market Data	As at 31 Dec. 15
Listing	Euronext Paris
Code	ELE.PA
Shares outstanding	45,342,177
Market cap. (€ mn)	4,017

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(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.

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