

# H1 2016 Financial Results

Financial Analysts' Meeting

August 2<sup>nd</sup>, 2016

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# 1

- 1 Highlights**
- 2 Commercial & Risk Overview
- 3 Quarterly Results
- 4 Year-to-Date Results
- 5 Economic Solvency
- 6 Appendices

# H1 2016 Operational Highlights

Risk action plans initiated in 2015 in emerging markets have resulted in a decrease in EH exposure (-4.5% vs 2Q2015) and an improvement in the loss ratio since 4Q2015.

As a result, growth in emerging markets slowed, but France has returned to growth and Italy benefits from a successful new partnership with Unicredit.

Launch of the “Accelerate” program, aimed at True Customer Centricity in all our processes and at initiating the company’s digital transformation.

Voluntary Leaver Program launched in Germany and pre-retirement program launched in France.

Sale of Bürgel on February 26, 2016: €24.3 million realized gain before tax (€22.4 million after tax).

# H1 2016 Financial Highlights

**Turnover reaches €1,301.1 million**, stable at constant exchange rates and scope<sup>(1)</sup>. There is still dynamic growth in service revenues (+5.5% at constant FX and scope).

**Net loss ratio all attachment years is 53.3%**, compared to 48.0% in H1 last year due to lower net run offs. Net loss ratio improves over 4Q 2015 (60.3%) and 1Q 2016 (53.9%)

**Net cost ratio is at 26.6%**, which is in line with last year.

**Operating income amounts €219.1 million**, down 12.8% year on year. It includes a €24.3 million realized gain on the sale of the Bürgel entities in February and a €-6.5 million restructuring cost.

**Net financial income is down €10.3 million**, impacted negatively by FX losses.

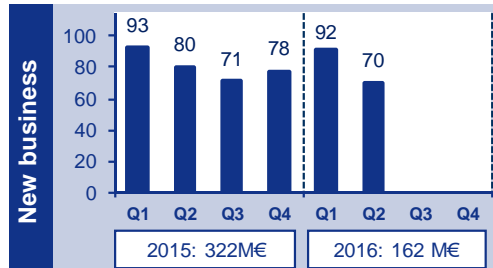
**Net income Group Share stands at €170.0 million**, down 1.3%.

**Share buy back** of 4.9% of EH capital realized on May 19, 2016.

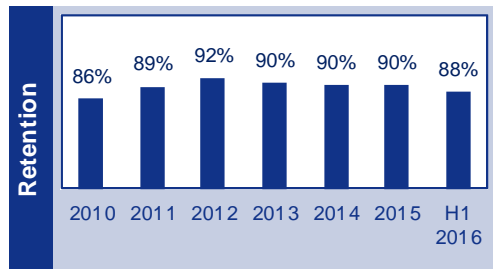
# 2

- 1 Highlights
- 2 Commercial & Risk Overview**
- 3 Quarterly Results
- 4 Year-to-Date Results
- 5 Economic Solvency
- 6 Appendices

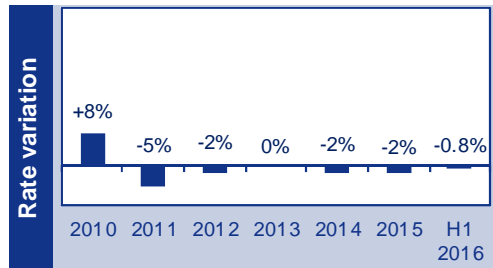
# Commercial Overview – H1 2016



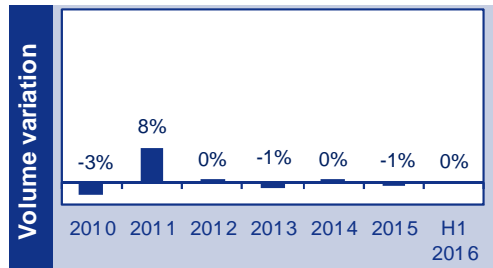
New business H1 reached €162 million which is €11 million behind the level of last year due to the reduced risk appetite.



At the end of H1, the retention rate stands at 88%, lower than last year due to the clean-up of portfolios in emerging markets.



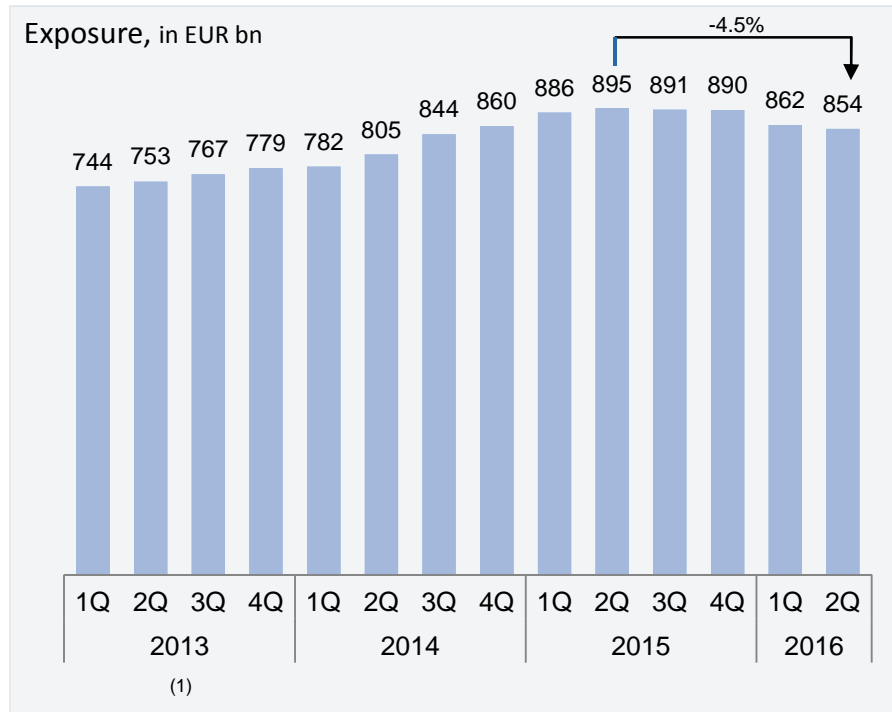
Renewal rate evolution is still slightly negative (-0.8%) but the trend is improving.



Contribution from customers' insured turnover is flat in total, positive volume variation from Germany and France offset by emerging markets.

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

# Action plans have a clear impact

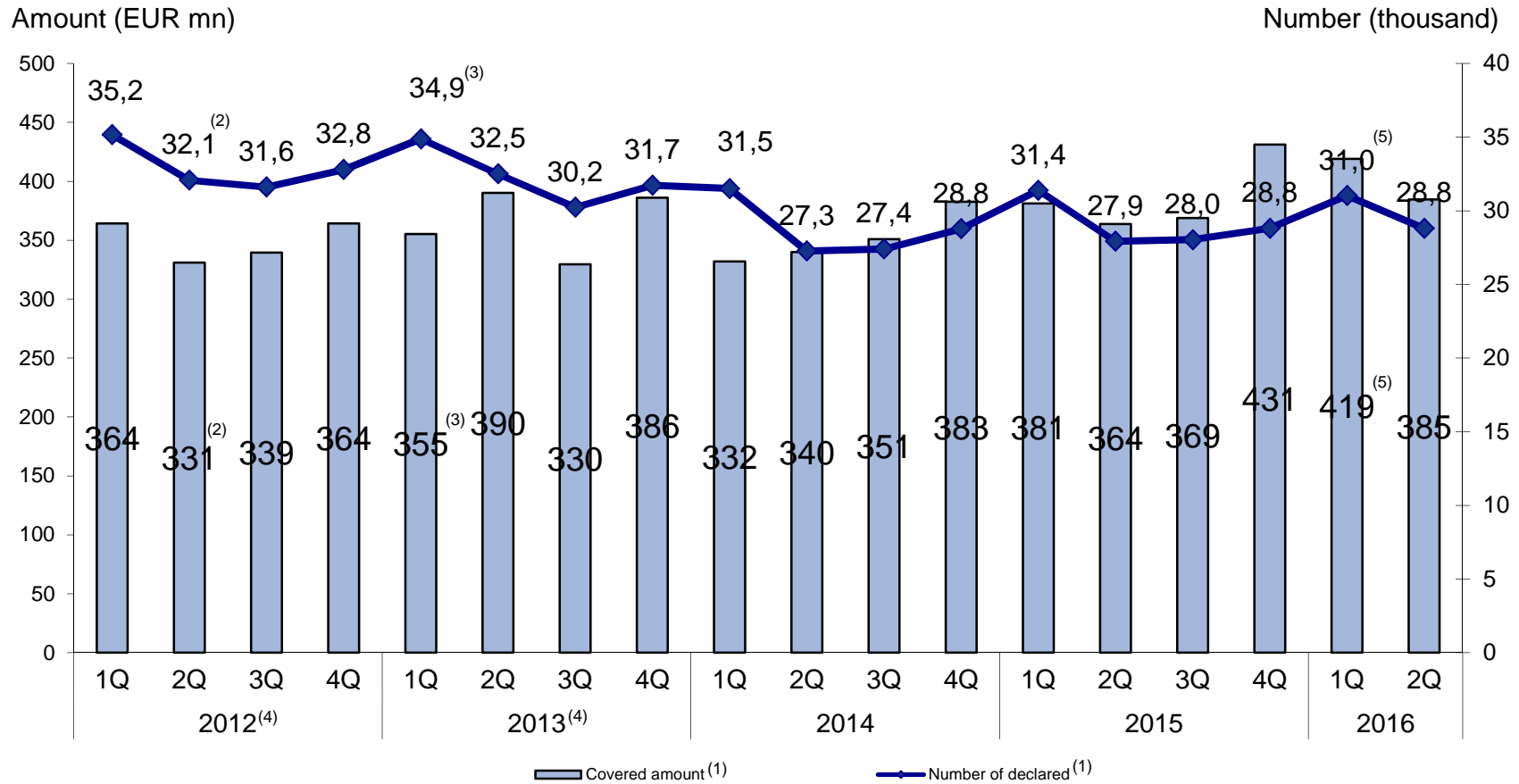


	4Q 2013 <sup>(1)</sup>	4Q 2014	4Q 2015	H1 2016
Grade weight				
1-5	84.8%	85.4%	85.8%	86.0%
6-10	15.2%	14.6%	14.2%	14.0%

Exposure continues to decrease, following risk and commercial action plans implemented (exposure reductions on renewed portfolios and cancellation of non-profitable policies).

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

# New claims arrivals start lowering



Covered amounts are decreasing since 4Q 2015 although H1 2016 is higher than H1 2015. Number of claims is back to an average level.

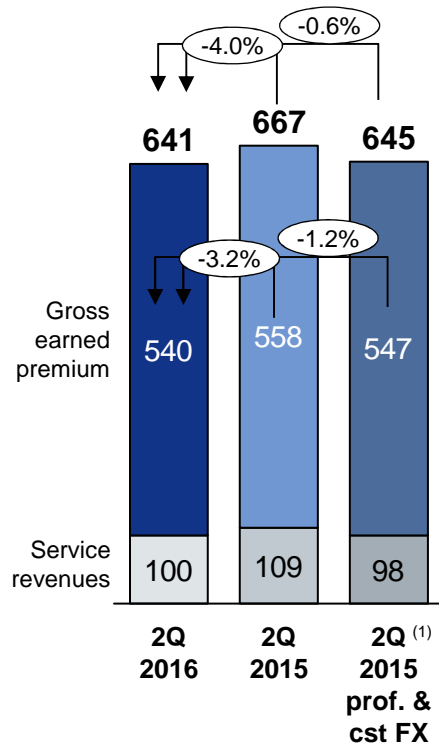
(1) Credit insurance claims only (excludes bonding & fidelity)  
 (2) Excluding Schlecker claim  
 (3) Excluding Pescanova claim  
 (4) 2012-2013 proforma excluding Spain & Latin America  
 (5) Excluding Abengoa claim



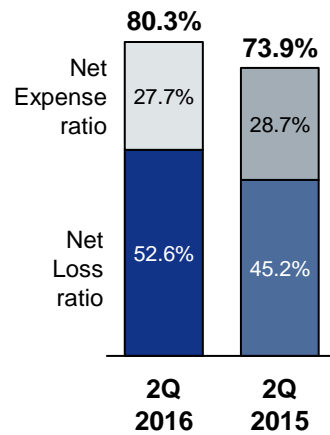
# 3

- 1 Highlights
- 2 Commercial & Risk Overview
- 3 Quarterly Results**
- 4 Year-to-Date Results
- 5 Economic Solvency
- 6 Appendices

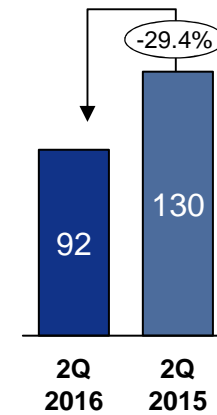
# 2Q: Profits are down versus last year essentially due to lower run-offs and investment income



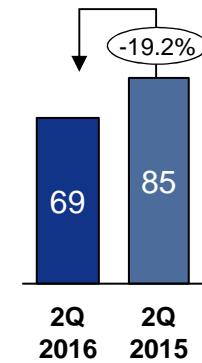
**Turnover**  
(EUR mn)



**Net Combined ratio**  
(in %)



**Operating income**  
(EUR mn)



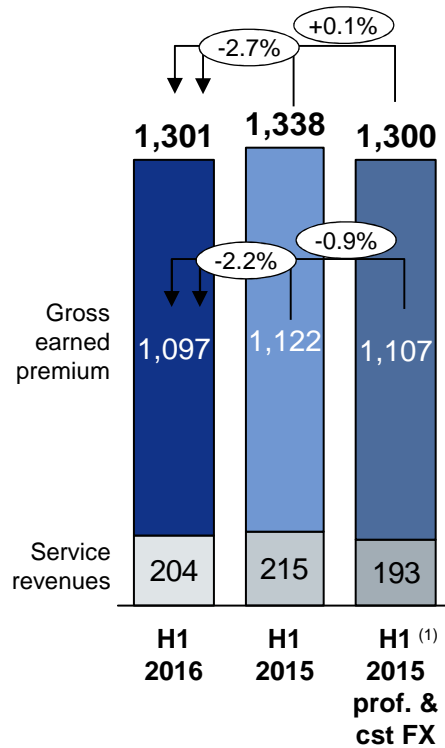
**Net income, Group share**  
(EUR mn)

(1) 2Q2015 proforma excluding service revenues from Bürgel (9.2m€ in 2Q2015).

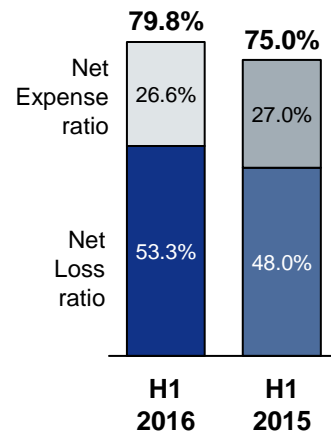
# 4

- 1 Highlights
- 2 Commercial & Risk Overview
- 3 Quarterly Results
- 4 Year-to-Date Results**
- 5 Economic Solvency
- 6 Appendices

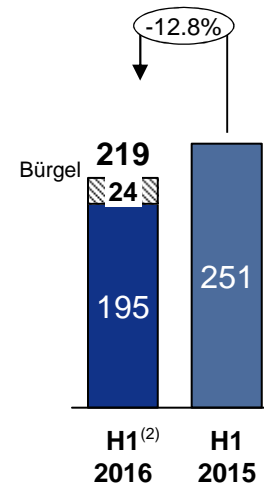
# H1: Net income is almost at last year's level with one-offs (Bürgel, tax income) compensating the lower run-off in operating income



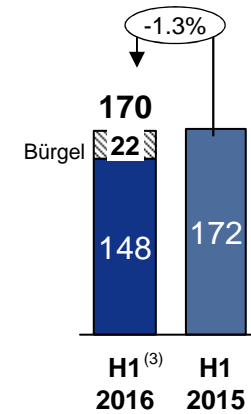
**Turnover**  
(EUR mn)



**Net Combined ratio**  
(in %)



**Operating income**  
(EUR mn)



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

(1) H12015 proforma excluding service revenues from Bürgel (18.9m€ in H12015)  
 (2) Of which 24.3m€ realised gain before tax from the Bürgel sale  
 (3) Of which 22.4m€ realised gain net of tax from the Bürgel sale

# Growth rates in emerging countries abate, impacted by risk and commercial action plans

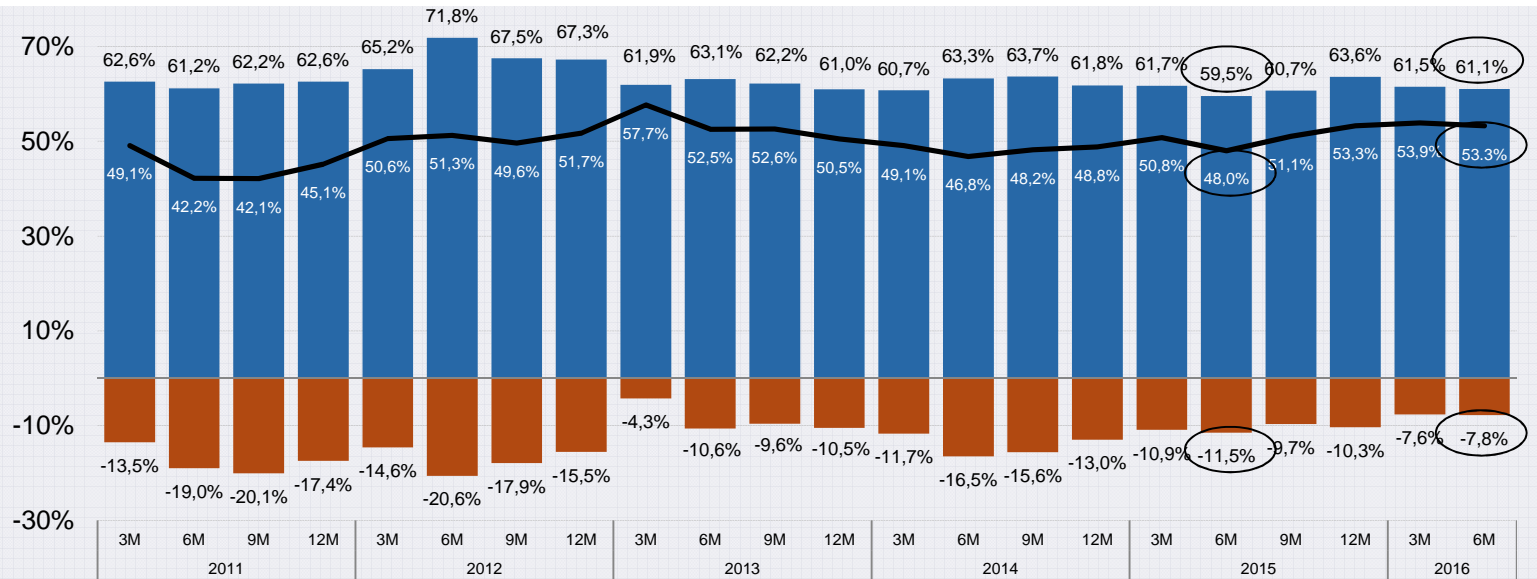
EUR mn	H1 2016	H1 2015 Published	Δ%	H1 2015 Proforma & cst Fx	Δ%
DACH	353.3	376.1	-6%	360.1	-2%
France	208.7	200.7	4%	200.7	4%
Northern Europe	269.1	286.1	-6%	281.6	-4%
Med. Countries, Middle East & Africa	178.2	173.6	3%	173.2	3%
Americas	167.7	164.4	2%	166.1	1%
Asia Pacific	75.1	71.5	5%	69.6	8%
Inward from non-consolidated OEs & Other <sup>(1)</sup>	49.0	65.4	-25%	49.1	0%
<b>Turnover</b>	<b>1,301.1</b>	<b>1,337.7</b>	<b>-2.7%</b>	<b>1,300.3</b>	<b>0.1%</b>

(1) Corporate entities + Inter-region elimination

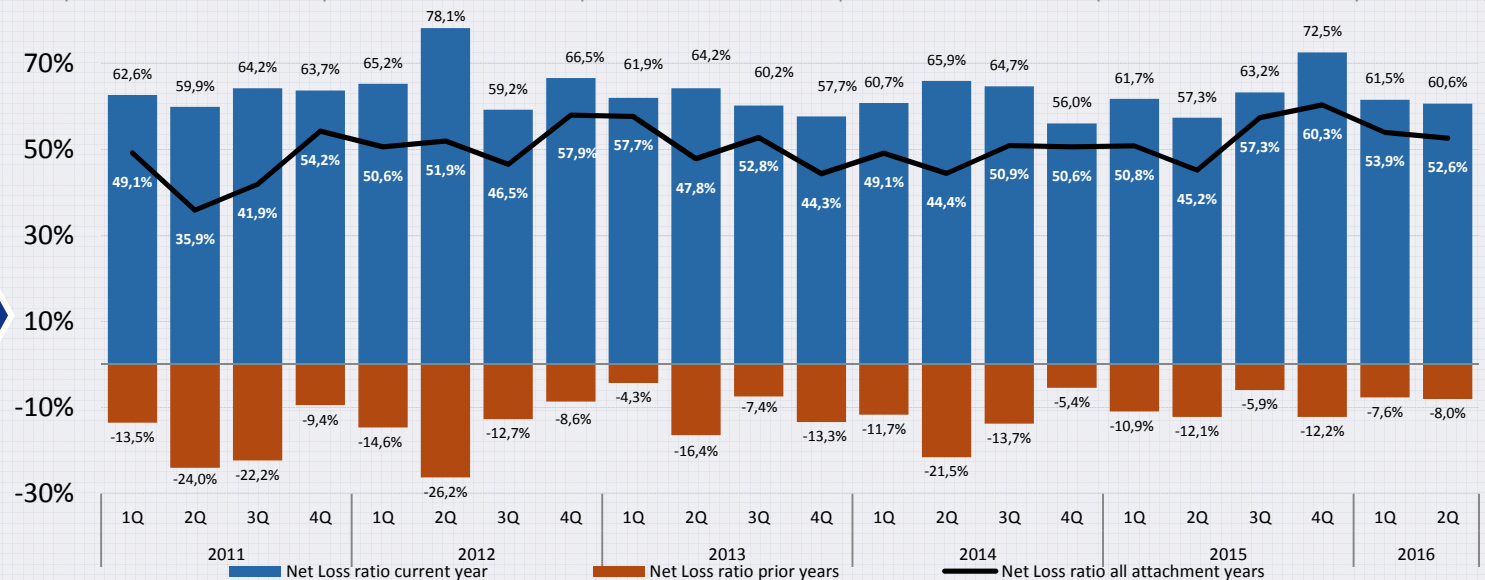
(1) New production net of wastages

Net loss ratio YTD is at 53.3%, up +5.3ppts compared to 2015 due to lower run-off, but down in 2Q for the second quarter in a row

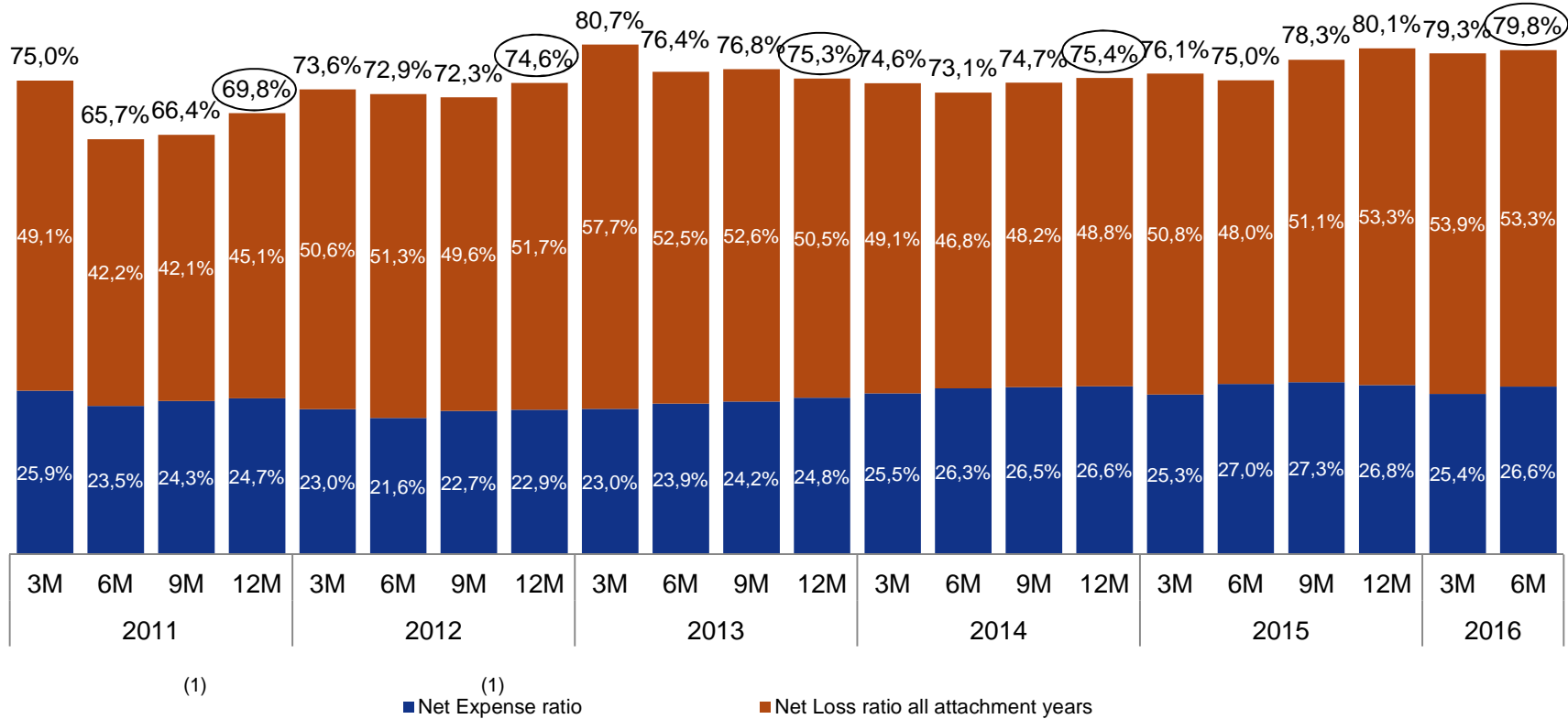
**YTD Evolution**



**Quarterly Evolution**



# Combined ratio remains below 80%



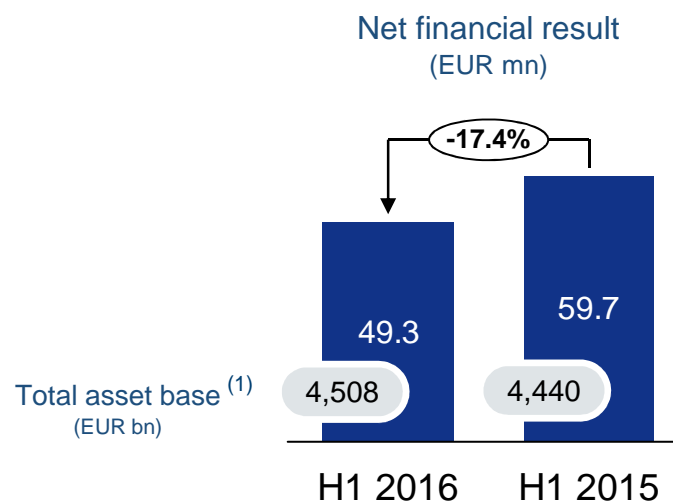
(1) IAS 19 restatement

# Group reinsurance result evolution

EUR mn	H1 2016	H1 2015	Δ
Gross earned premium	1,097	1,122	-25.2
Ceded premium	-318	-329	11.0
<b>Net earned premium</b>	<b>779</b>	<b>793</b>	<b>-14</b>
<i>Cession rate</i>	29.0%	29.3%	-0.3 pt.
Gross claims costs	-553	-491	-61.3
Ceded claims costs	138	111	27.5
<b>Net claims costs</b>	<b>-415</b>	<b>-381</b>	<b>-33.8</b>
<i>Cession rate</i>	25.0%	22.5%	2.5 pt.
<b>Reinsurance commission</b>	<b>118</b>	<b>116</b>	<b>2.1</b>
<i>Reinsurance commission rate</i>	37.0%	35.0%	2.0 pt.
<b>Ceded technical result</b>	<b>-63</b>	<b>-103</b>	<b>40.5</b>
<b>Net technical result</b>	<b>152</b>	<b>193</b>	<b>-41.1</b>
Net Claims ratio CY	61.1%	59.5%	1.5 pt.
Net Claims ratio PY	-7.8%	-11.5%	3.7 pt.
Net Claims ratio	53.3%	48.0%	5.2 pt.
Net Costs ratio	26.6%	27.0%	-0.4 pt.
Net Combined ratio	79.8%	75.0%	4.8 pt.



# The net financial income is down due to adverse FX impact



Current investment income	37.7	41.7
Investment management charges	-5.9	-5.3
Net change in foreign currency	-3.5	6.7
Net gain (loss) on sales of investments less impairment and depreciation write-backs	21.1	16.5
<b>Net financial result before financing expense and before 'at equity' result <sup>(2)</sup></b>	<b>49.3</b>	<b>59.7</b>

(1) Market value

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

Net income at €170 million, in line with last year thanks to the sale of Bürgel and a one-off gain in taxes

EUR mn	H1 2016	H1 2015	Δ
<b>Net technical result</b>	<b>152</b>	<b>193</b>	<b>-41</b>
Net financial income	49	60	-10
<b>Ordinary operating Income</b>	<b>201</b>	<b>253</b>	<b>-51</b>
Other non ordinary operating income and expense	18	-1	19
<b>Operating income</b>	<b>219</b>	<b>251</b>	<b>-32</b>
Financing expenses	-3	-5	2
Income from non-consolidated companies	8	4	4
<b>Profit before tax</b>	<b>225</b>	<b>251</b>	<b>-26</b>
Corporation tax	-55	-78	23
Minority interest	0	0	0
<b>Net income (Group share)</b>	<b>170</b>	<b>172<sup>(1)</sup></b>	<b>-2</b>
<b>Tax rate</b>	<b>24.3%</b>	<b>31.0%</b>	

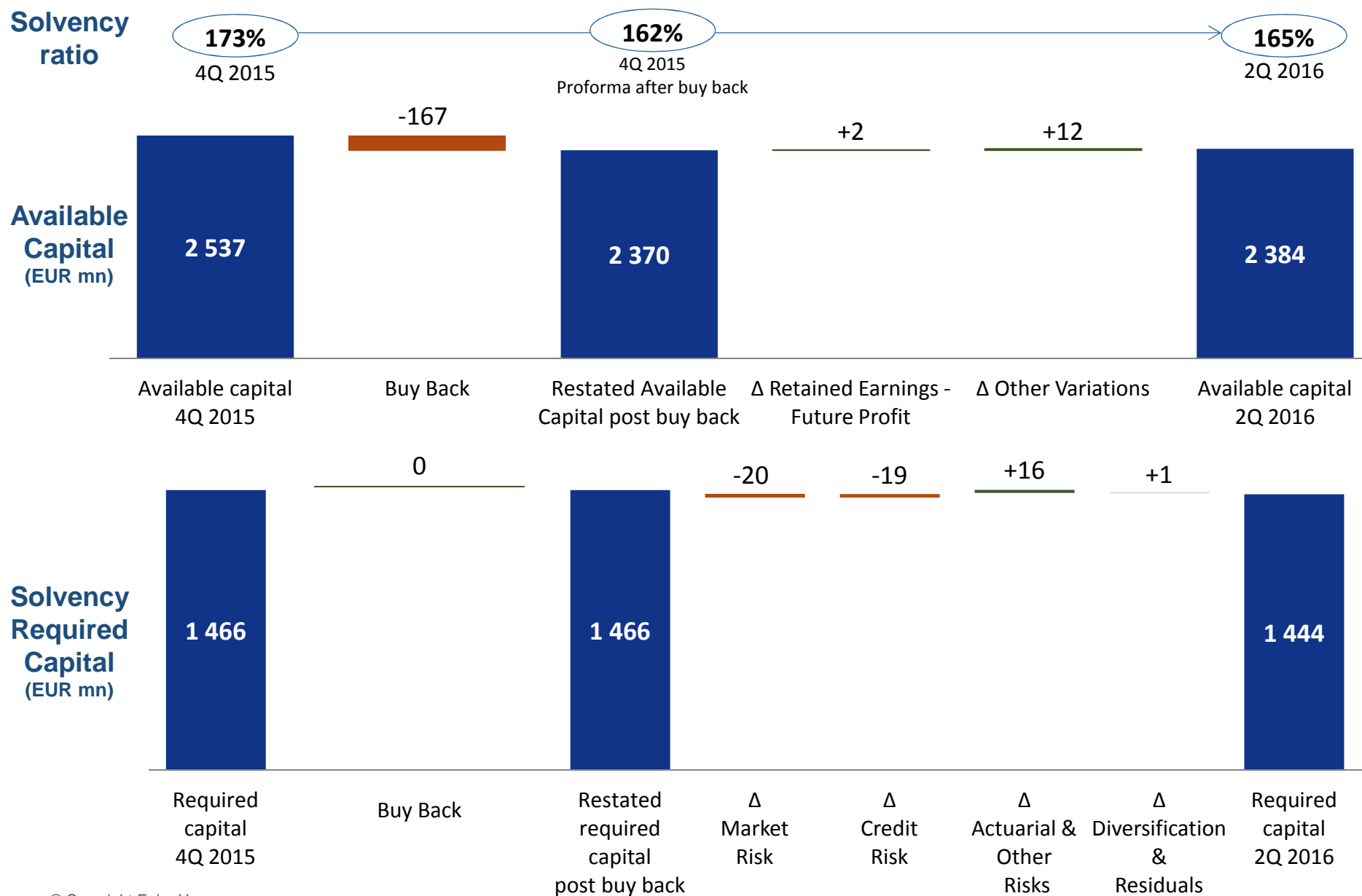
(1) Net result not including the impacts from the sale of Bürgel



# 5

- 1 Highlights
- 2 Commercial & Risk Overview
- 3 Quarterly Results
- 4 Year-to-Date Results
- 5 Economic Solvency**
- 6 Appendices

# Economic Solvency Evolution



# 6

- 1 Highlights
- 2 Commercial & Risk Overview
- 3 Quarterly Results
- 4 Year-to-Date Results
- 5 Economic Solvency
- 6 Appendices**
  - Share Buyback Overview
  - Investor Relations
  - Glossary
  - Disclaimer

# Share buy back from Allianz Vie

## Operation consisted of

- 1 Private placement by Allianz Vie of its 8.6% stake in Euler Hermes on May 19, 2016
- 2 Euler Hermes buying back 4.9% of its own shares (prev. held by AZ Vie) as part of the operation (2,200,000 shares)
- 3 Price of the Buy Back: 75.94 euros per share (representing a discount of 7.5% compared to the previous closing price (May 18, 2016))
- 4 EH canceling the 2,200,000 shares bought back and an additional 500,542 shares (self detention)



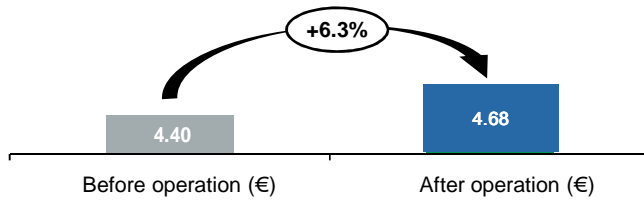
**Accretive operation benefiting all shareholders of EH**



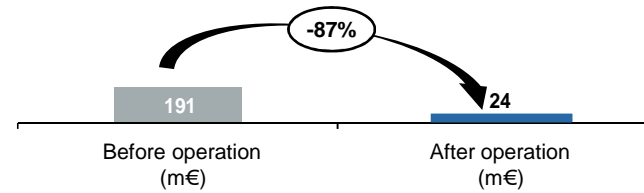
**Effective use of the excess capital**

# Impacts of the Share Buy Back

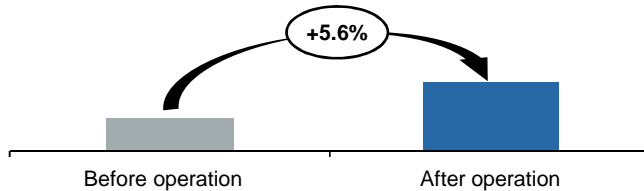
✓ 2015 dividend increase



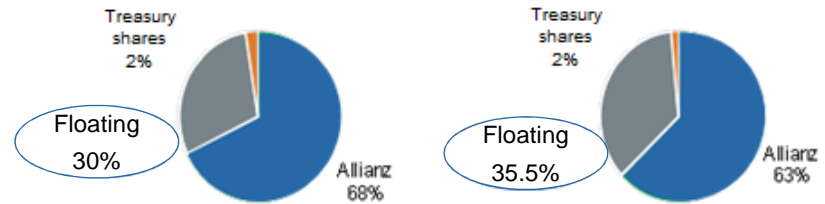
✓ Efficient use of our excess capital at 4Q 2015



✓ Increase of the benefit per share

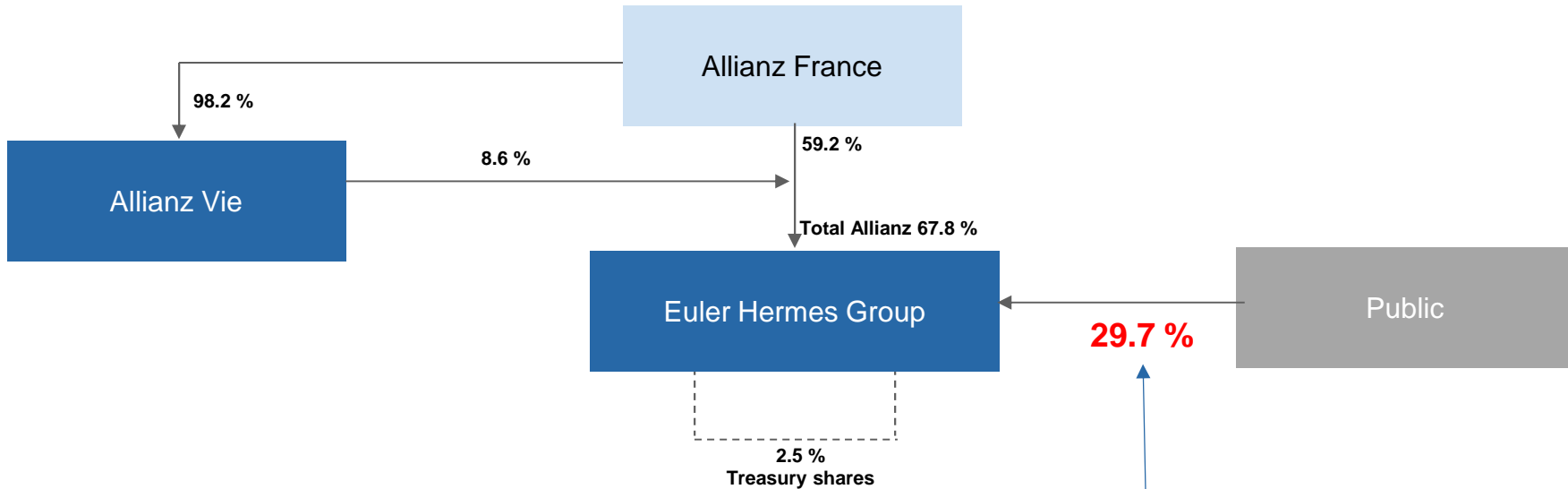


✓ Increase EH floating stock

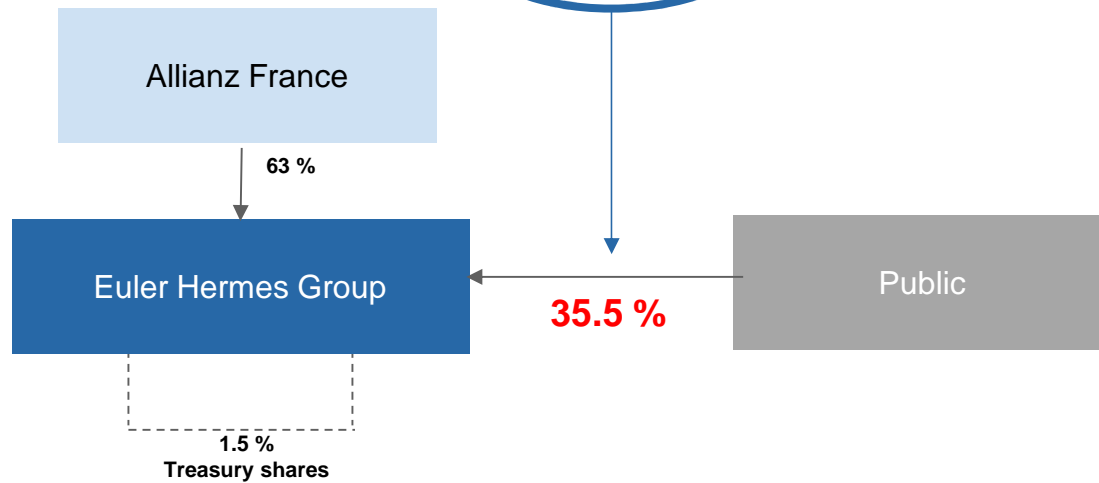


# Euler Hermes shareholding structure

## Before operation



## After operation





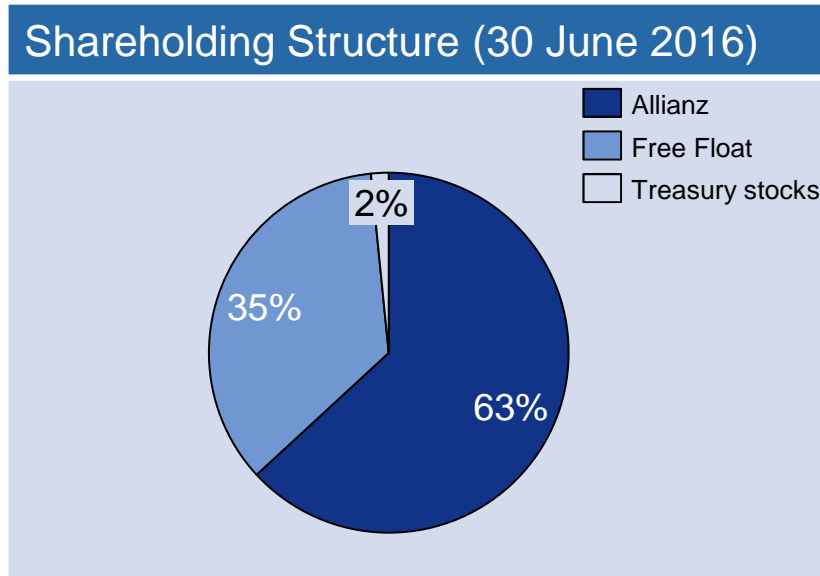
# Investor Relations

Next Event	Date
9M 2016 Earnings (webcast)	November 8, 2016

Stock Market Data	As of 30/06/2016
Listing	Euronext Paris
Code	ELE.PA
Shares outstanding	<b>42,641,635</b>
Market cap. (€ mn)	<b>3,209</b>

### Investor Relations Contact

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- **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

- **Services**

- **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

# Disclaimer

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.



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for your  
attention

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