

# Euler Hermes

## Q1 2009 financial results

6 May 2009

A company of Allianz 



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## **1 Economic environment**

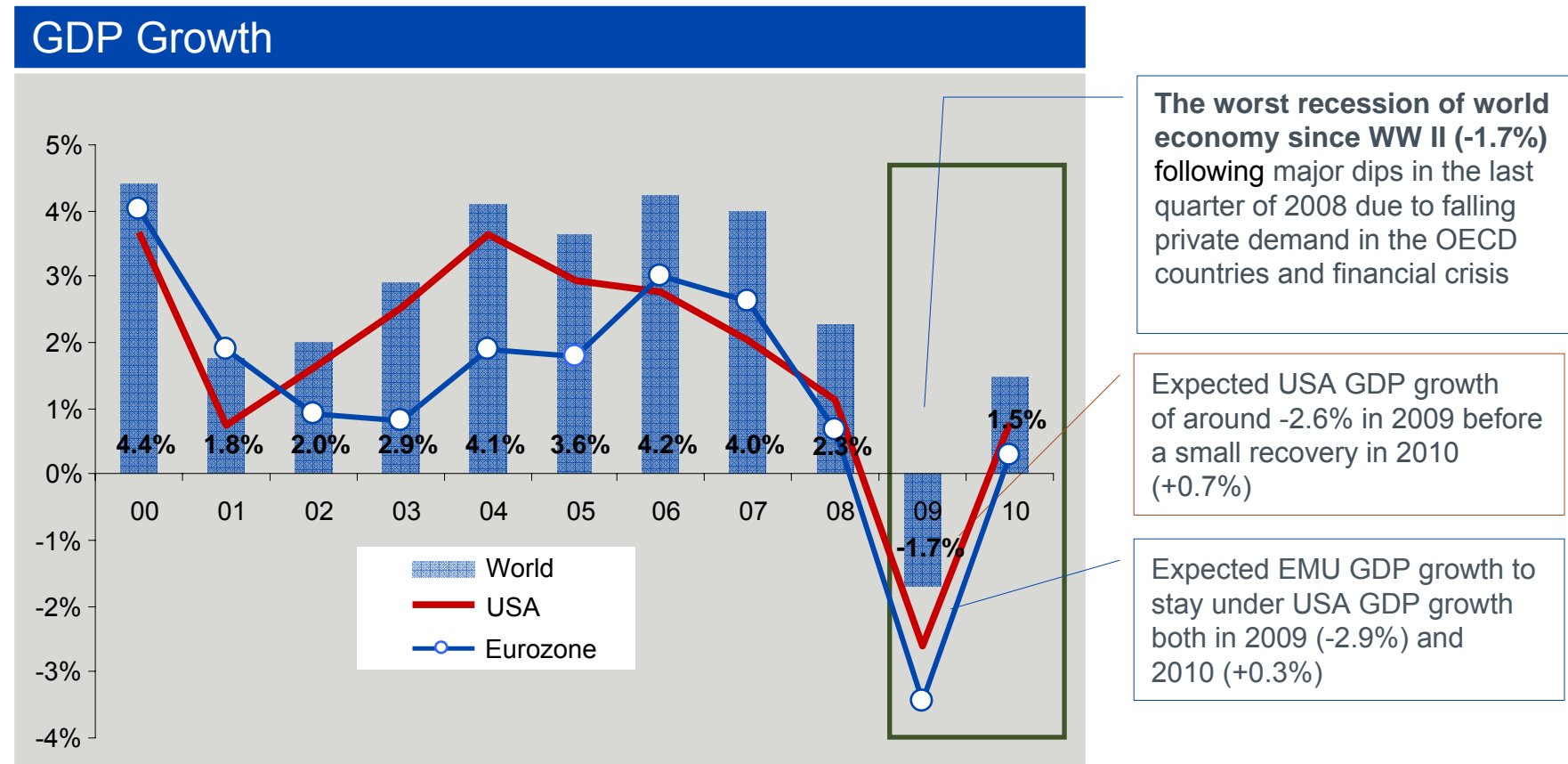
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# Heading towards a great recession

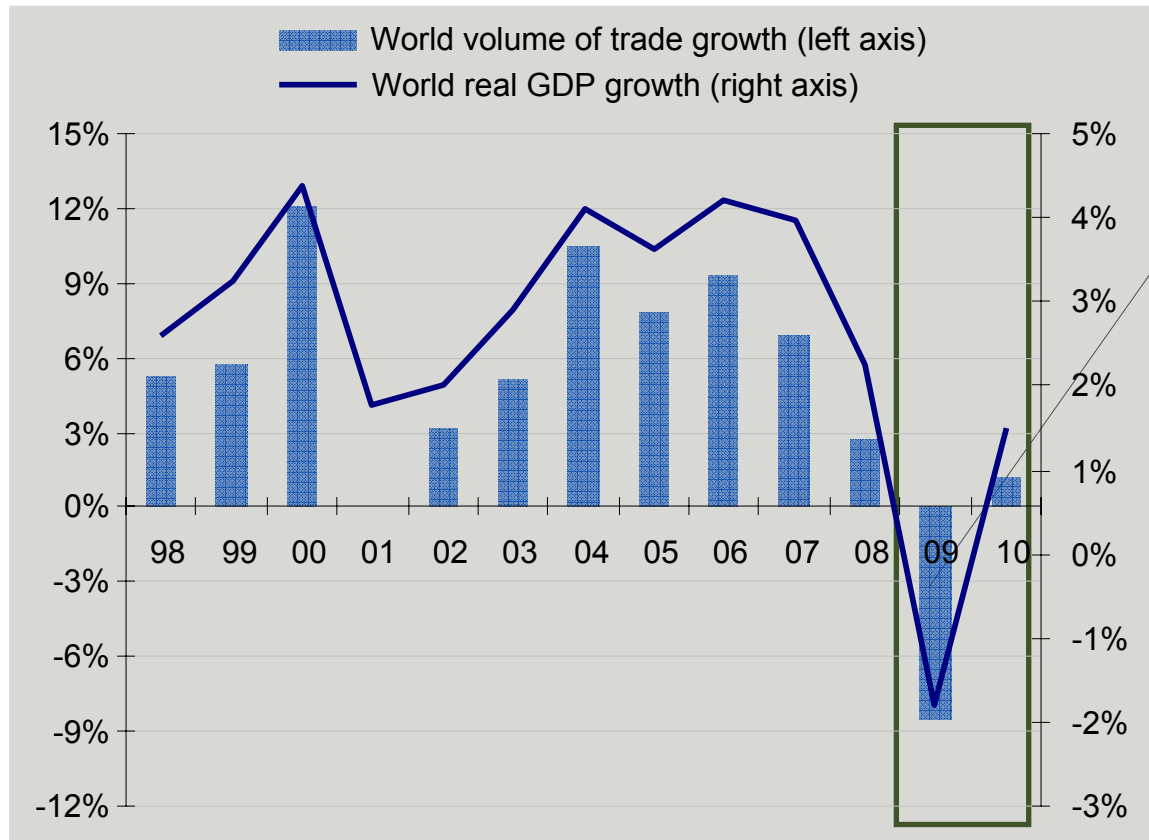
The world economy sank dangerously into crisis in winter 2008-2009, with no prospect of stabilising before the end of 2009



Sources: IHS Global Insight, Euler Hermes calculation and forecasts published end of March 2009 in the EH Economic outlook 2009 #2 (GDP 2007 weighting at current exchange rates)

# The deepest trade recession since 50 years

## A major contraction of world trade since October 2008



Expected the biggest fall since WWII for world trade in goods and services.

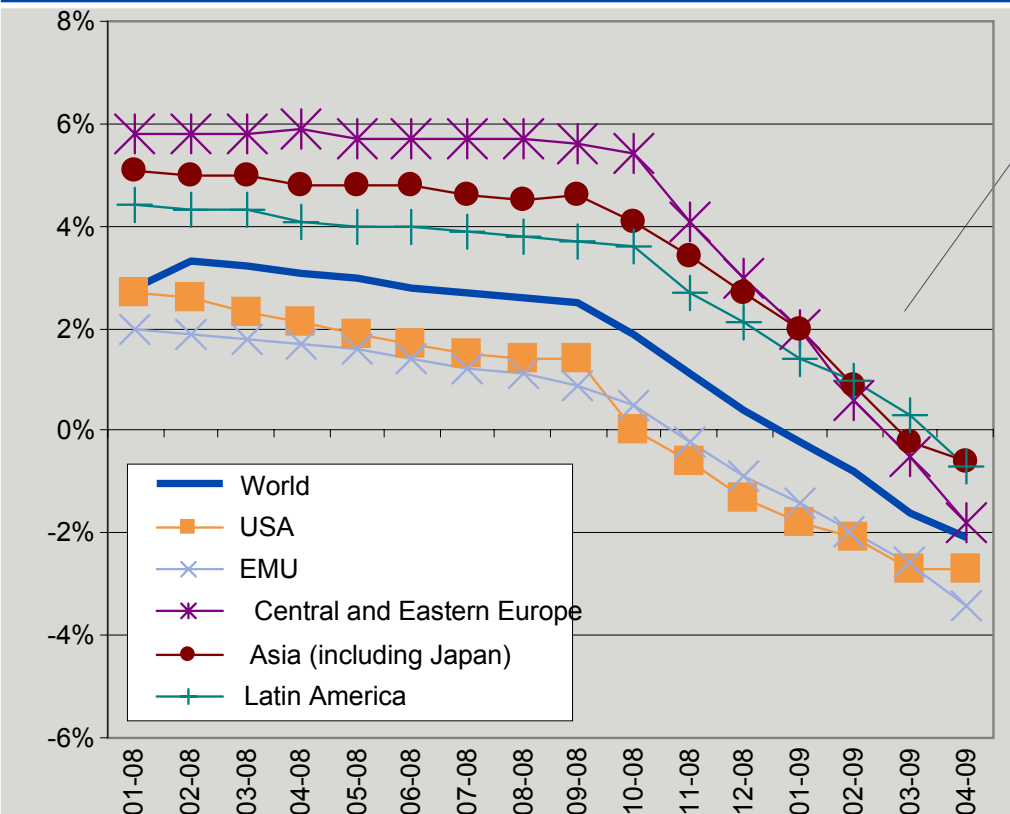
At least -8% for full year 2009 (after +2.5% in 2008 and a yearly average of almost 7% between 2003 and 2007)

Sources: IHS Global Insight, Euler Hermes calculation and forecasts published end of March 2009 in the EH Economic outlook 2009 #2 (GDP 2007 weighting at current exchange rates)

# GDP forecasts on the downside since August 2008

Already more than - 4 points of GDP in six months for 2009 GDP forecasts  
 ... still to be adjusted again after Q1-2009 GDP releases

## GDP 2009 forecasts (consensus of economists)



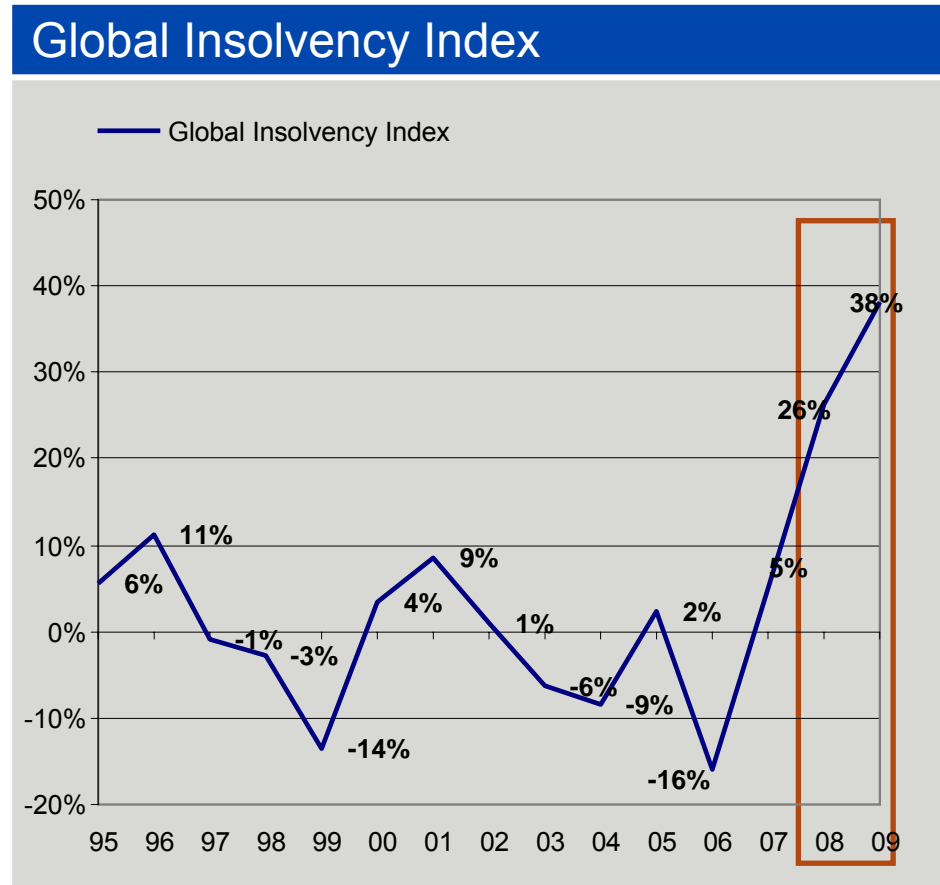
**Revision forecasts for 2009 GDP (since October 2008):**

- Central and Eastern Europe (-6.1 points)
- Asia including Japan (-4.8 points)
- USA (-4.1 points)
- EMU, Middle East and Africa (-3.5 points)
- Latin America (-3.4 points)

Source: Consensus Forecasts (GDP 2007 weighting at current exchange rates)

## Business insolvencies on the rise

EH Global Insolvency Index up by +26% in 2008 (after +5% in 2007)  
... to rebound again even more in 2009



Sources: IHS Global Insight, Euler Hermes calculation and forecasts, **Index 100 = 1997**, GDP 2007 weighting at current exchange rates  
Note: the EH Global Insolvency Index countries account for 85% of world GDP

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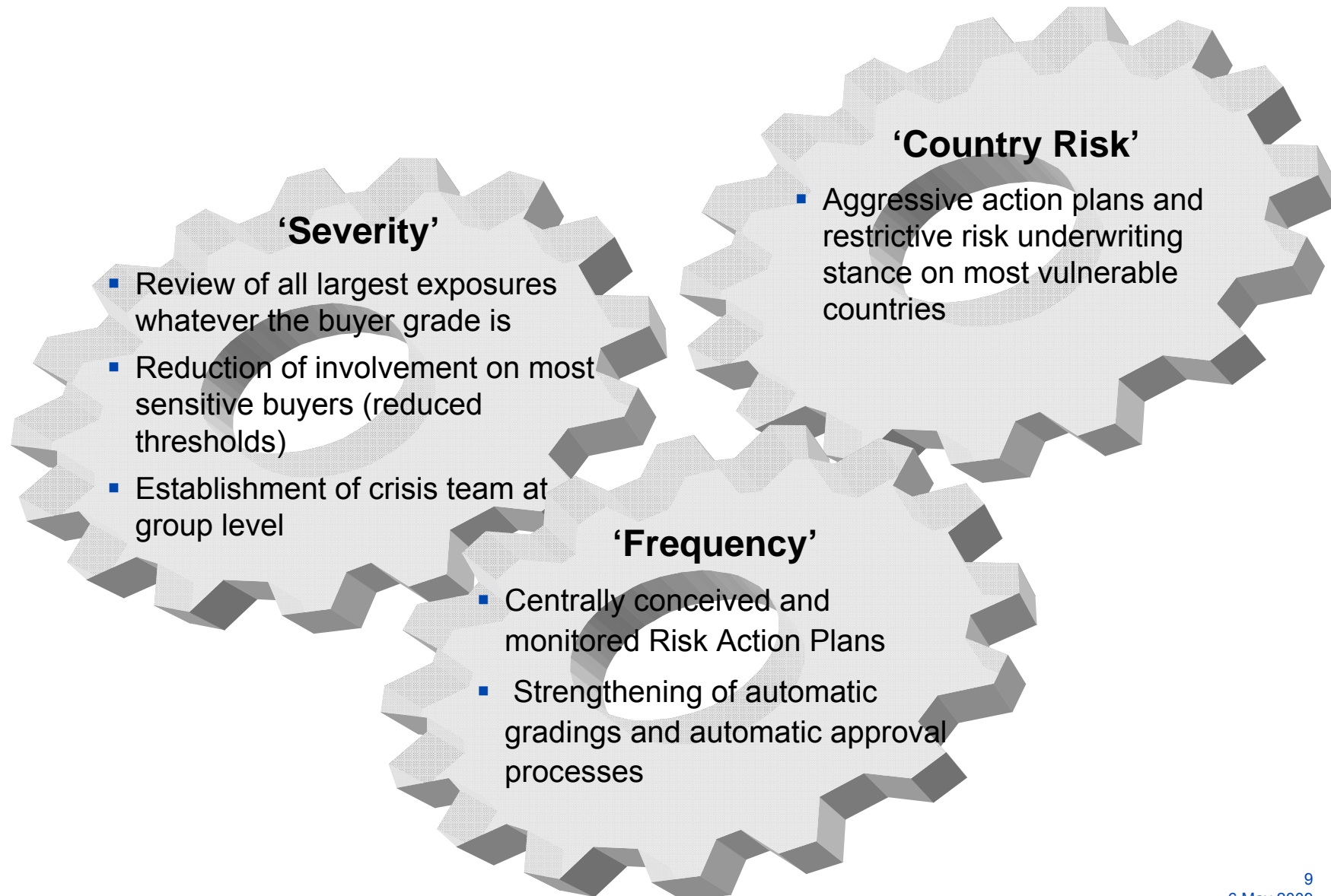
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## The 3 components of the Risk Action Plan



## Risk Action Plan (RAP)

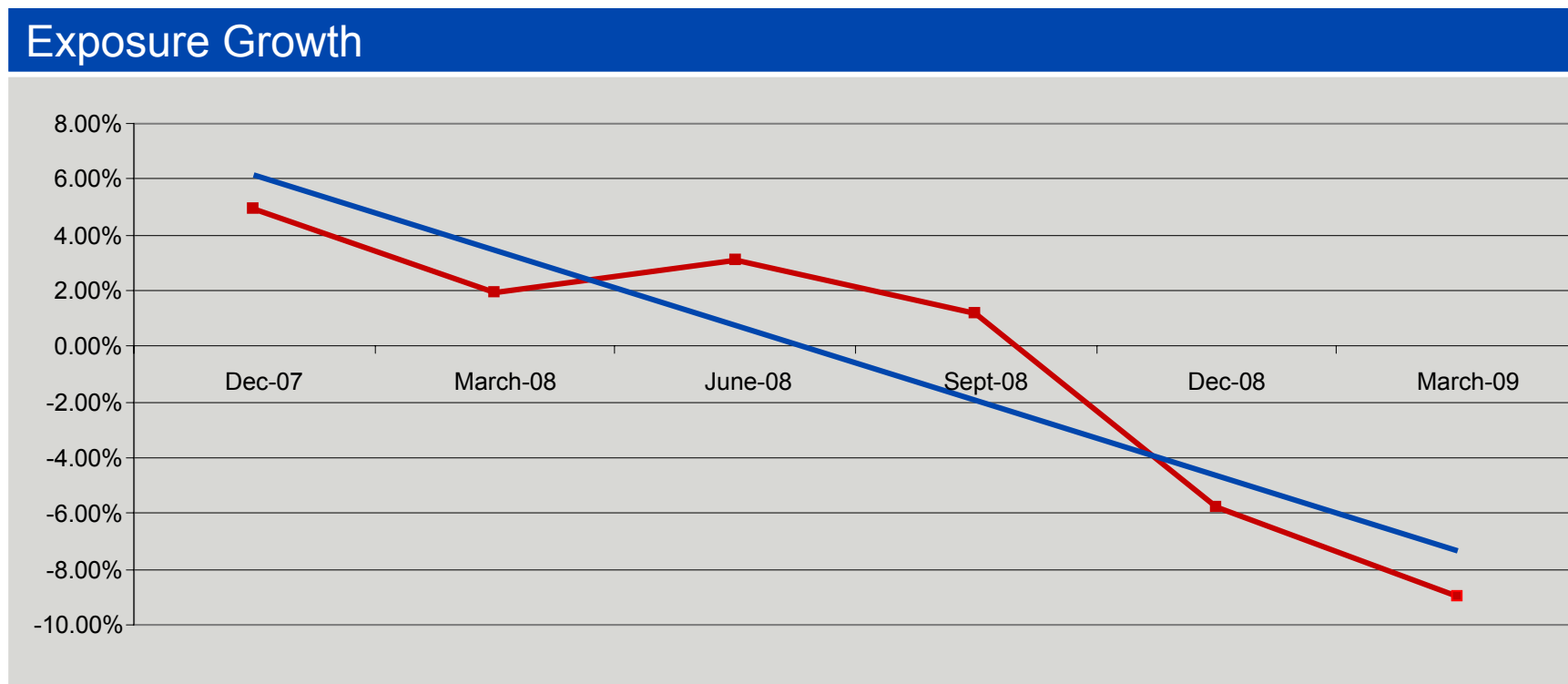
### ▪ **Severity action plan**

- Reassessing of all buyers > with exposure in excess of € 50 million regardless of the grade
- New full program implemented again on April 1st 2009

### ▪ **Frequency action plan**

- Strong actions on buyers with grades  $\geq 5$
- Net reduction of exposure during 2009 Q1: € 60bn (- 9%)

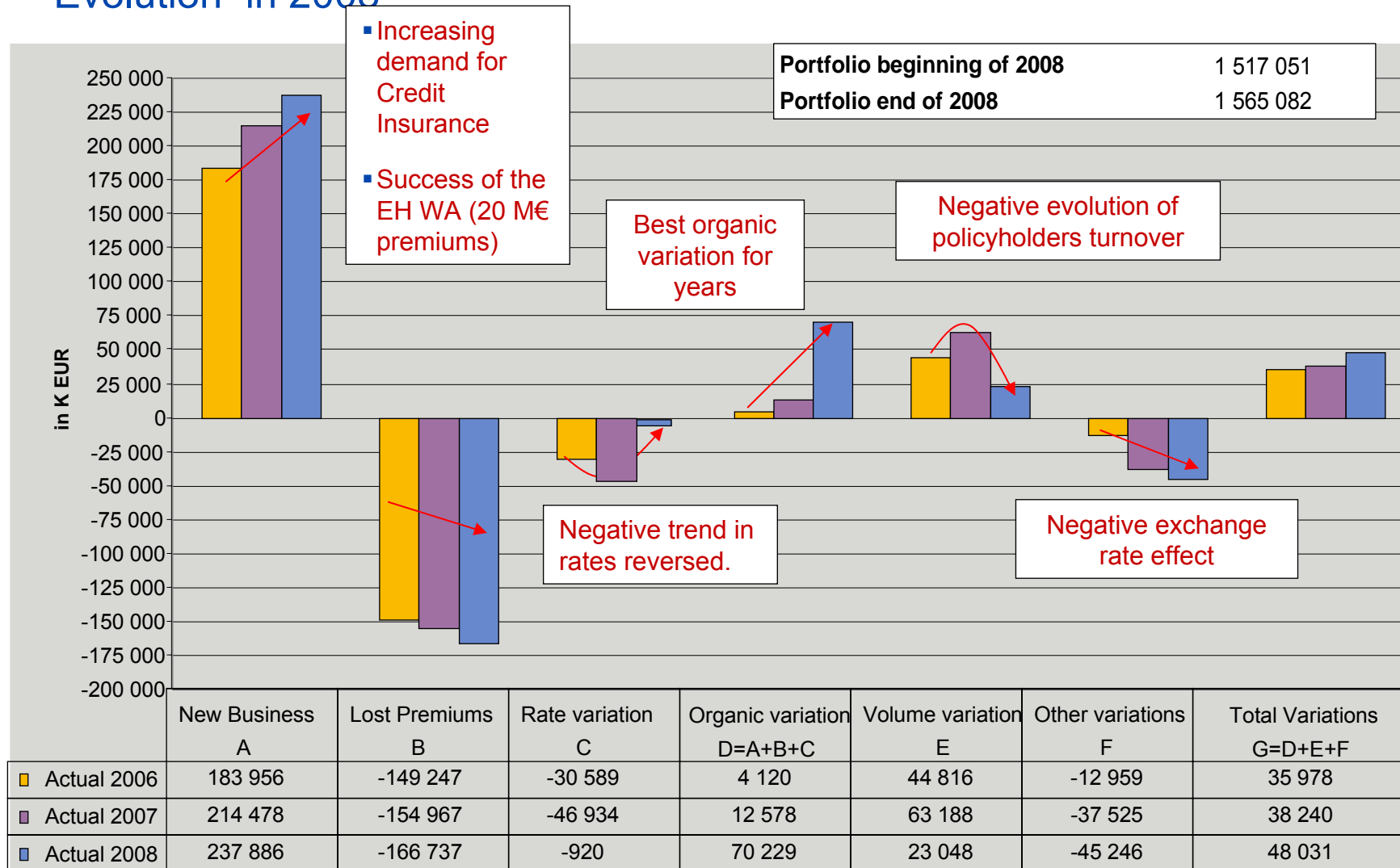
## Evolution of Exposure Growth (evolution of exposure in percentage quarter per quarter)



## Commercial actions in 2009

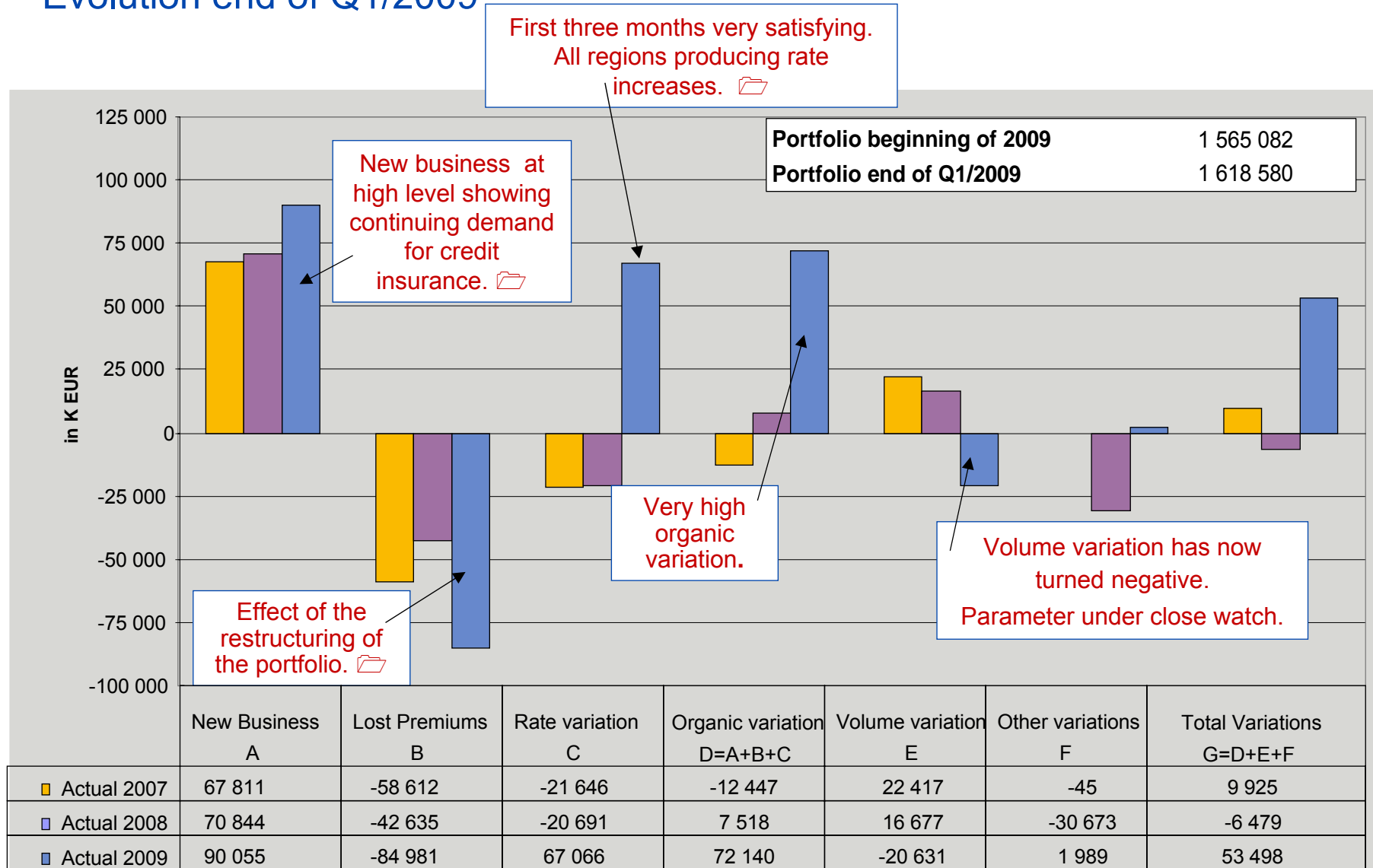
- Repricing according to the credit risk
- Discipline in commercial actions
- Proactive communication with policyholders and partners
- Regular adaptation according to knowledge (about environment both claims situation and market)

# Global Overview of Credit Insurance Portfolio Value Evolution in 2008



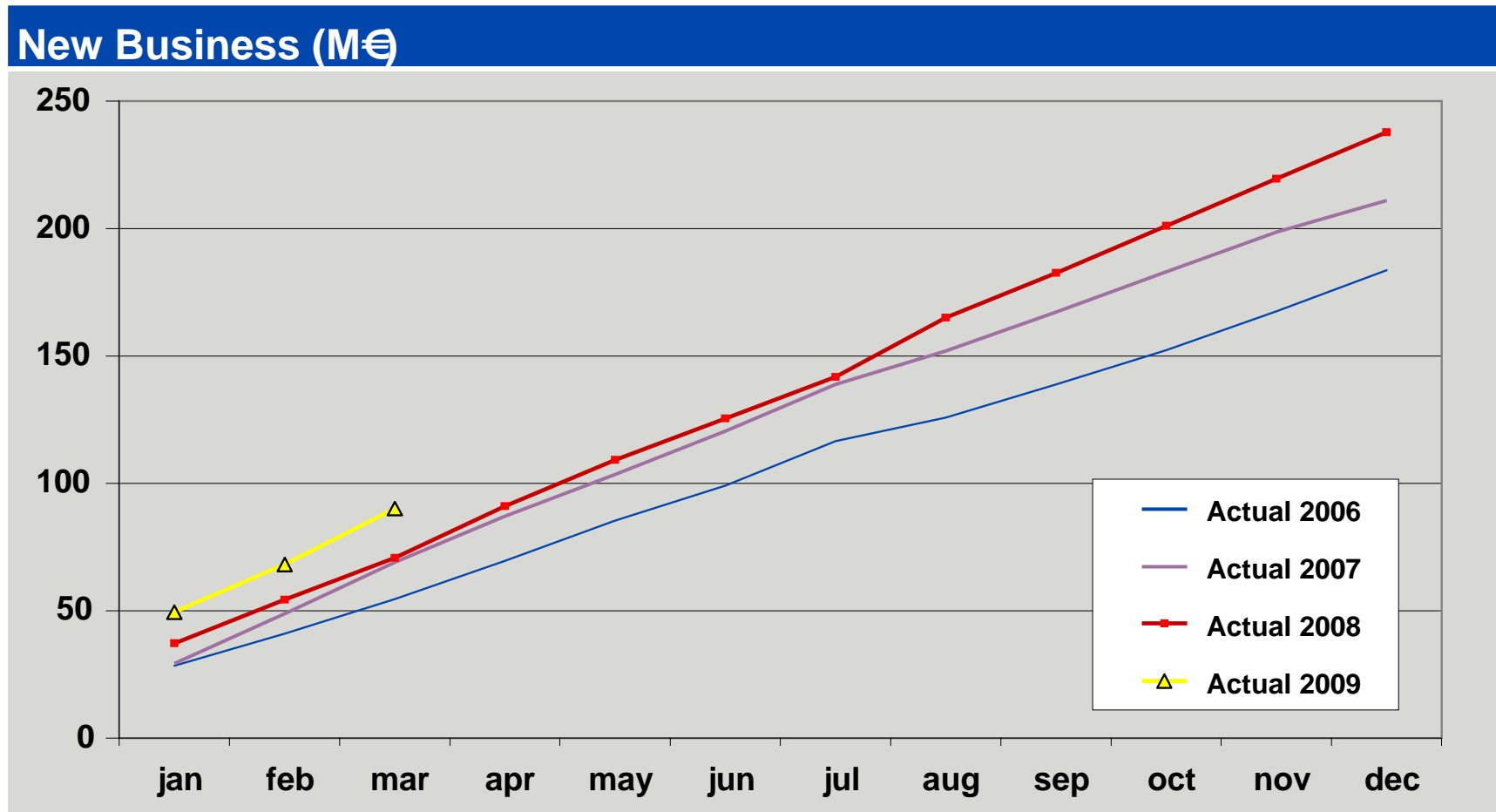
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# Global overview of Credit Insurance Portfolio Value Evolution end of Q1/2009



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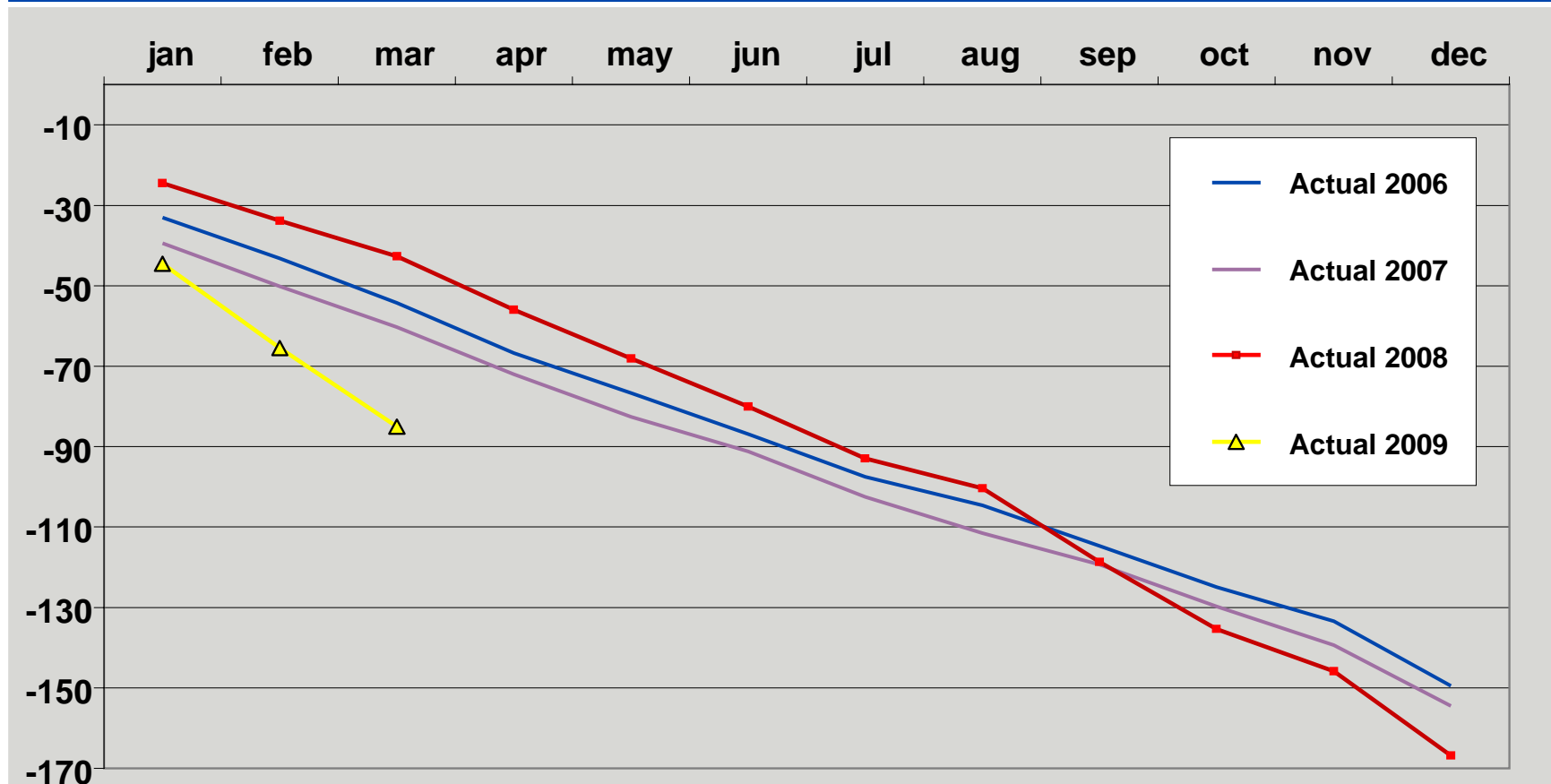
## History of new business



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# History of lost business

## Lost Business (M€)

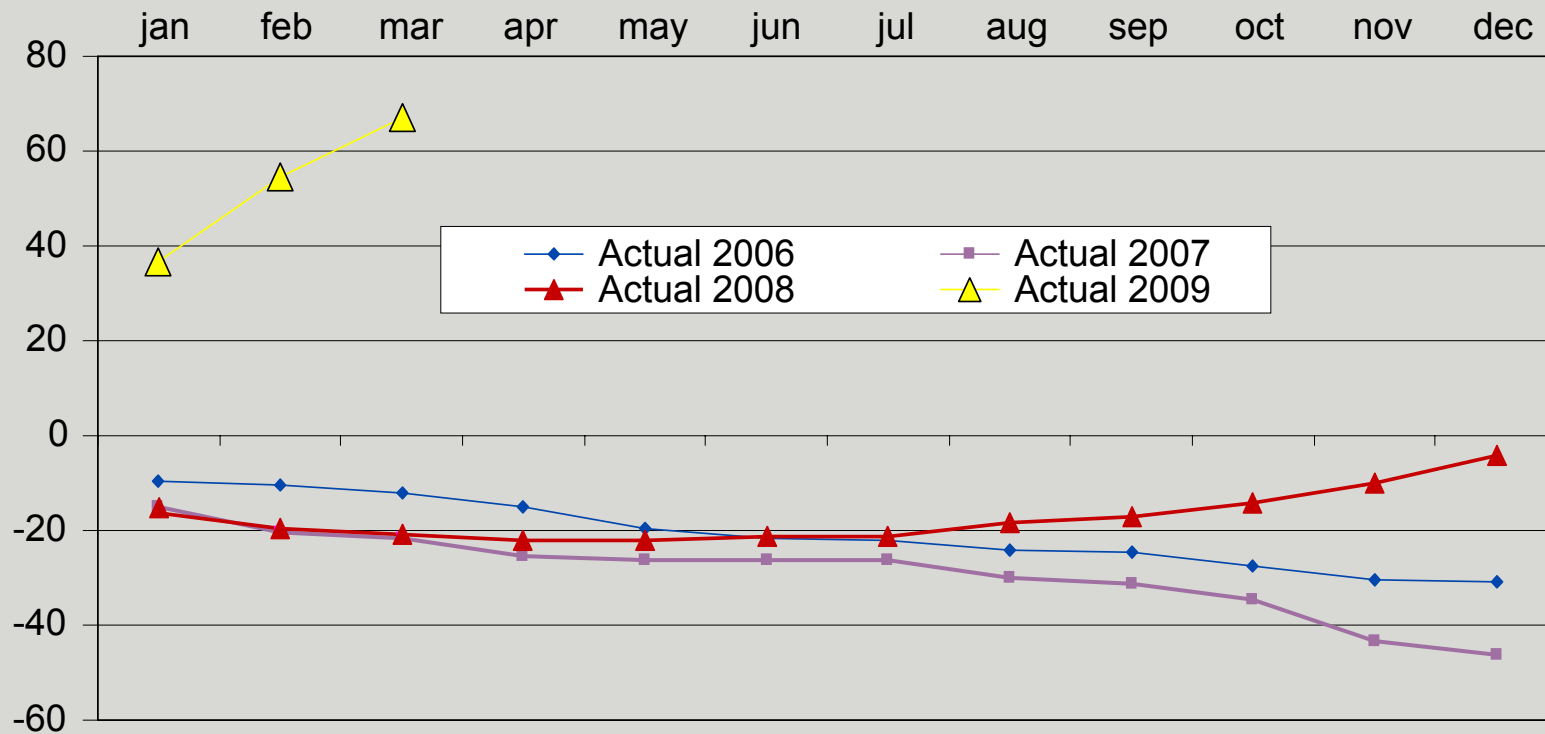


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# History of Rate Variations

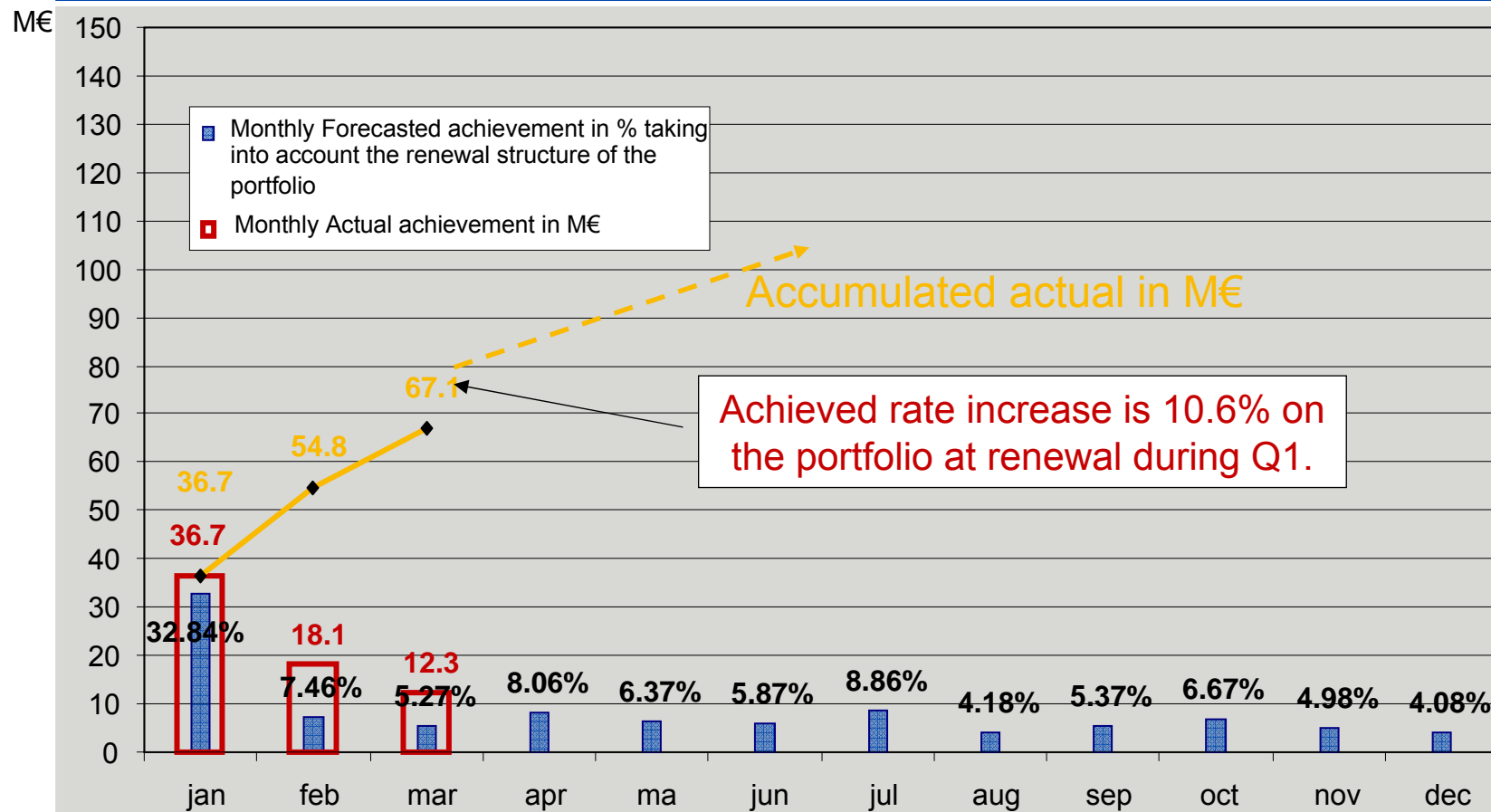
## EH Group Rate Variation Impact (M€)



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## Overview of 2009 Rate Increase

### 2009 Rate Increase



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## EH World Agency - Q1 2009 results

- Still strong demand in Multinational Market Segment
  - +20% in number of prospects compared to Q4 2008 and 10% increase in insurable turnover volume
- Strong increase (126%) in new business (= €5.4Mio) compared to Q1 2008
- Clients willing to pay a higher price
  - 53% premium rate increase compared to Q1 2008
- EH WA has leading market share
  - 62% (expected new premium) in Q1 2009 in market segment of previously not insured multinational companies (market penetration)
- Although self insurance remains a challenge
  - 43% of non insured multinational companies remain self-insured
- Current biggest challenge for the promotion of the credit insurance solution to multinational customer is our low risk acceptance rate <50% due to the severe economic downturn

## Situation in the credit reinsurance market

### SwissRe withdrawal should affect the market in 2010

- By reducing the capacity available
- By tougher selection from the remaining market players looking for quality

### However...

- Some reinsurers could take the opportunity to grow at the right momentum
- In some countries, the State offers complementary capacity (i.e. France with the CAP, Spain through reinsurance scheme)

### Euler Hermes in this scenario

- Being a company of Allianz (multi-liner), SwissRe would marginally reduce its capacity to Euler Hermes
- Part of the capacity allocated by SwissRe is on a multi-years basis
- Euler Hermes proved to be a reliable and profitable partner over the cycles

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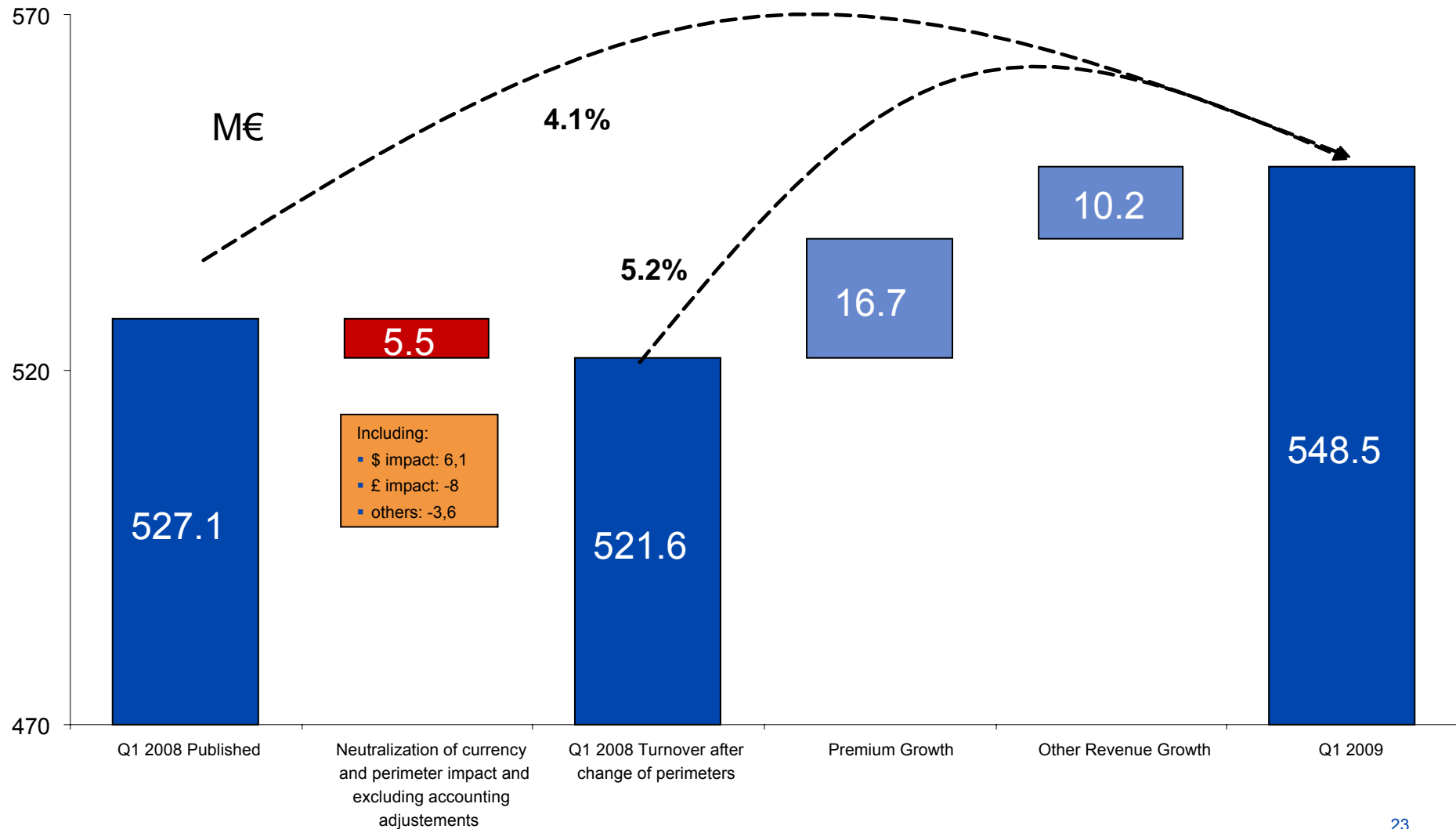
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## Key Figures 2009

in million of euros	Q1 2009 YTD	Q1 2008 YTD	Variation in amount	Variation in %
<i>Gross Written Premiums</i>	531.8	526.8	5.0	0.9%
<i>Gross Earned Premiums</i>	448.3	436.7	11.6	2.7%
<i>Service Fees</i>	100.2	90.5	9.8	10.8%
<b>Turnover</b>	<b>548.5</b>	<b>527.1</b>	<b>21.4</b>	<b>4.1%</b>
<b>Technical result</b>	<b>-11.1</b>	<b>53.1</b>	<b>-64.3</b>	<b>-120.9%</b>
<b>Net financial income (excluding financing costs)</b>	<b>54.2</b>	<b>21.3</b>	<b>32.9</b>	<b>154.6%</b>
<b>Operating income</b> <i>Of which realised gains and losses</i>	<b>43.1</b> 33.3	<b>74.4</b> 0.0	<b>-31.3</b> 33.3	<b>-42.1%</b>
<b>Net consolidated result</b>	<b>16.5</b>	<b>38.4</b>	<b>-21.9</b>	<b>-56.9%</b>
AZ Net combined ratio	112.3%	90.5%		
Euler Hermes Net combined ratio (including Service margin)	103.0%	83.1%		

# Q1 2009 Turnover evolution



## Q1 2009 GWP evolution per country

in thousand of euros	Q1 2009	Q1 2008*	Variation in %
France	85 025	84 396	0.7%
United Kingdom	55 429	54 491	1.7%
US	39 362	37 445	5.1%
Italy	59 935	61 180	-2.0%
Germany	175 130	176 346	-0.7%
Other Large BU's	51 957	50 124	3.7%
<b>Total large BU's</b>	<b>466 838</b>	<b>463 982</b>	0.6%
<b>International Development Centers</b>	<b>64 935</b>	<b>55 458</b>	17.1%
<b>Total Gross Written Premiums</b>	<b>531 772</b>	<b>519 440</b>	2.4%

\* At constant exchange rate and perimeter and excluding accounting adjustments



## Q1 2009 Gross Earned Premiums evolution per country

in thousand of euros	Q1 2009	Q1 2008*	Variation in %
France	81 337	80 515	1.0%
United Kingdom	44 161	40 613	8.7%
US	36 284	33 527	8.2%
Italy	48 839	48 648	0.4%
Germany	142 487	142 596	-0.1%
Other Large BU's	43 598	43 008	1.4%
<b>Total large BU's</b>	<b>396 706</b>	<b>388 907</b>	<b>2.0%</b>
<b>International Development Centers</b>	<b>51 593</b>	<b>42 696</b>	<b>20.8%</b>
<b>Total Gross Earned Premiums</b>	<b>448 299</b>	<b>431 603</b>	<b>3.9%</b>

\* At constant exchange rate and perimeter and excluding accounting adjustments

## Q1 2009 Service Fees evolution per country

in thousand of euros	Q1 2009	Q1 2008*	Variation in %
France	19 447	18 618	4.5%
United Kingdom	3 387	3 408	-0.6%
US	5 590	6 088	-8.2%
Italy	8 950	10 166	-12.0%
Germany	39 362	35 701	10.3%
Other Large BU's	14 098	9 559	47.5%
<b>Total large BU's</b>	<b>90 835</b>	<b>83 540</b>	<b>8.7%</b>
<b>International Development Centers</b>	<b>9 408</b>	<b>6 505</b>	<b>44.6%</b>
<b>Total Service Fees</b>	<b>100 242</b>	<b>90 045</b>	<b>11.3%</b>

\* At constant exchange rate and perimeter and excluding accounting adjustments

## Key figures 2009 – Profit & Loss – part 1

in thousand of euros	Q1 2009 YTD	Q1 2008 YTD	Variation in %
Net earned premium	312 650	327 899	-4.7%
Net claims cost	-262 011	-206 121	27.1%
Net technical & non-technical expenses	-88 956	-90 500	-1.7%
<b>Operating income from insurance activities</b>	<b>-38 317</b>	<b>31 277</b>	
<b><i>Combined ratio from insurance activities Format Allianz</i></b>	<b>112,3%</b>	<b>90,5%</b>	
Service revenues	100 242	90 453	10.8%
Service expenses	-73 050	-68 595	6.5%
<b>Operating profit from service activities</b>	<b>27 192</b>	<b>21 858</b>	<b>24.4%</b>
<b>Total Technical Result</b>	<b>-11 125</b>	<b>53 135</b>	
<b><i>Full technical combined ratio including service activities FORMAT EH/AGF<sup>(1)</sup></i></b>	<b>103.0%</b>	<b>83.1%</b>	
<b><i>Of which Loss Ratio</i></b>	<b>83.8%</b>	<b>62.9%</b>	
<b><i>Cost Ratio</i></b>	<b>19.2%</b>	<b>20.3%</b>	

(1) Excluding net non technical expenses (Employee Participation within French Company)

## 2009 Net earned premium evolution

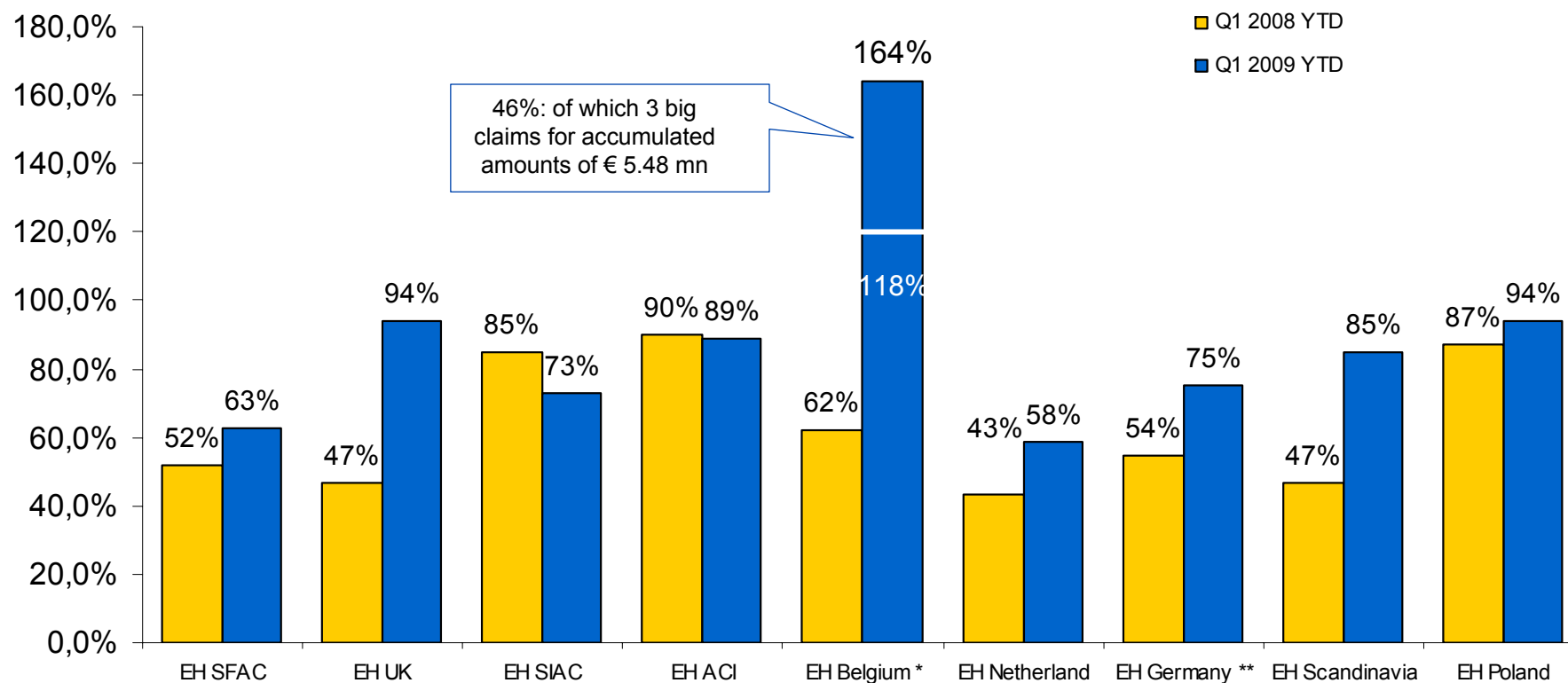
in thousand of euros	Q1 2009 YTD	Q1 2008 YTD	Variation in %
Gross earned premiums	448 299	436 683	2.7%
Ceded premiums	-135 649	-108 785	24.7%
<b>Net earned premiums</b>	<b>312 650</b>	<b>327 899</b>	<b>-4.7%</b>
Cession rate	-30.3%	-24.9%	
Cession rate without XoL premium (assumed XOL=1.6% retention in 2008) (assumed XOL=2.5% retention in 2009)	-28.5%	-23.7%	

## 2009 Net claims costs evolution

In thousand of euros	Q1 2009 YTD	Q1 2008 YTD	Variation %
Gross claims costs current attachement years	-354 391	-266 509	33.0%
Ceded claims costs current attachement years	89 788	52 839	69.9%
<b>Net claim costs current attachement years</b>	<b>-264 603</b>	<b>-213 670</b>	<b>23.8%</b>
<i>Cession rate current attachement years</i>	<i>25%</i>	<i>20%</i>	
Gross claims costs previous attachement years	3 456	11 242	-69.3%
Ceded claims costs previous attachement years	-864	-3 693	-76.6%
<b>Net claims costs previous attachement years</b>	<b>2 592</b>	<b>7 549</b>	<b>-65.7%</b>
<i>Cession rate previous attachement year</i>	<i>25%</i>	<i>33%</i>	
<b>Claims costs</b>	<b>-262 011</b>	<b>-206 121</b>	<b>27.1%</b>
<b>Gross Claims ratio current attachement year</b>	<b>-79.1%</b>	<b>-61.0%</b>	
<b>Gross Claims ratio attachement previous year</b>	<b>0.8%</b>	<b>2.6%</b>	
<b>Gross Claims ratio</b>	<b>-78.3%</b>	<b>-58.5%</b>	
<b>Net Claims ratio current attachement year</b>	<b>-84.6%</b>	<b>-65.2%</b>	
<b>Net Claims ratio attachement previous year</b>	<b>0.8%</b>	<b>2.3%</b>	
<b>Net Claims ratio</b>	<b>-83.8%</b>	<b>-62.9%</b>	

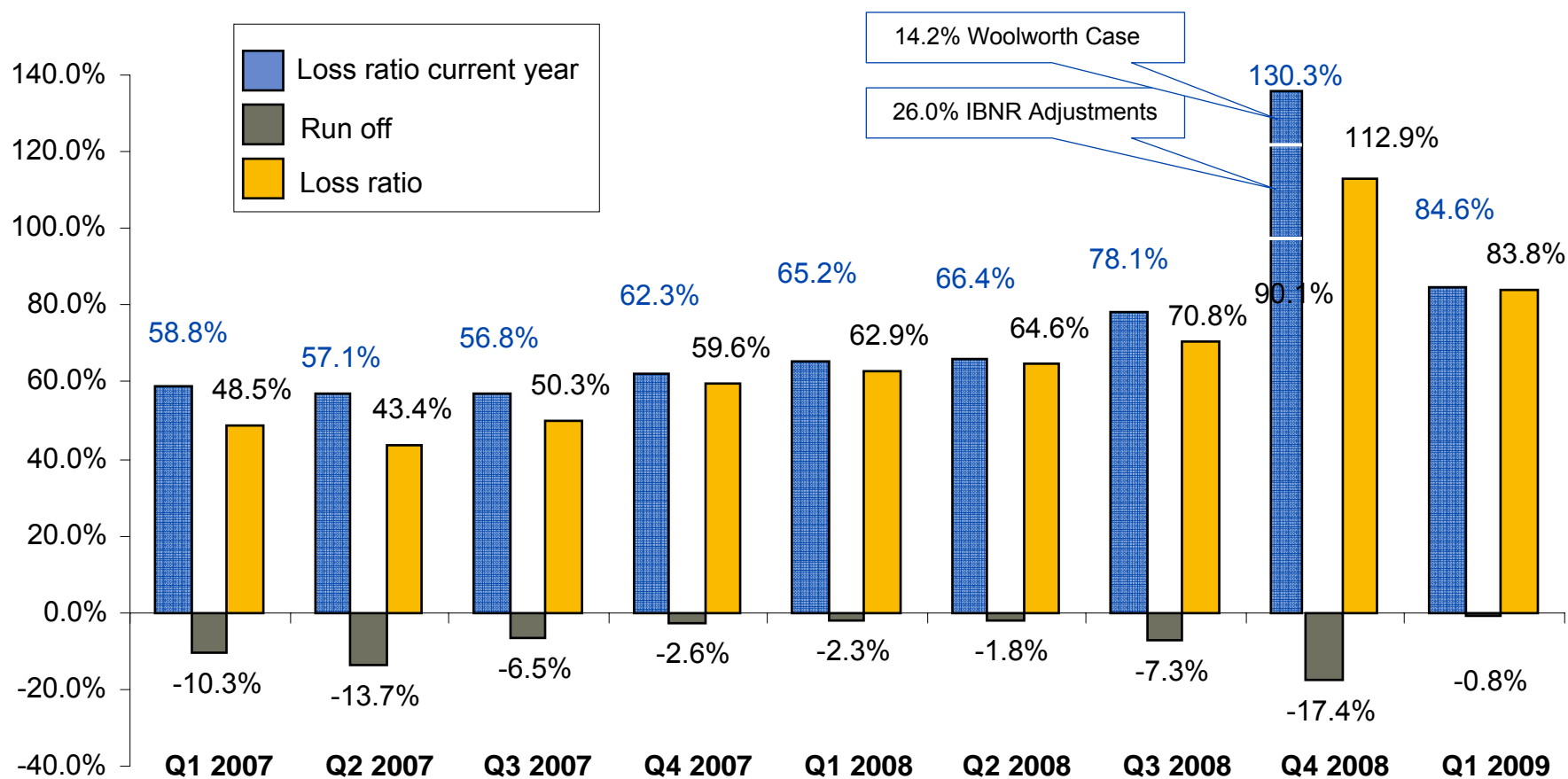
- Lower 2009 Run-off compared to 2008

## 2009 Gross loss ratio per operating entity



- \* Operational figures from commercial credit insurance activity only.
- \*\* Including branches in Eastern Europe, Asia & Oceania.

# EH Group net loss ratio evolution



## 2009 Gross Expenses Evolution

in thousand of euros	Q1 2009 YTD	Q1 2008 YTD	Variation in %
Contract acquisition expenses	-85 195	-84 671	0.6%
Administration expenses	-45 108	-45 219	-0.2%
Service expenses	-73 050	-68 595	6.5%
Other ordinary income and charges	-1 929	-7 603	-74.6%
<b>Total recurrent expenses</b>	<b>-205 281</b>	<b>-206 086</b>	<b>-0.4%</b>
<b>Total Gross Expenses</b>	<b>-205 281</b>	<b>-206 086</b>	<b>-0.4%</b>
of which non technical expenses	-1 815	-2 136	
<b>Total gross Technical expenses</b>	<b>-203 466</b>	<b>-203 950</b>	<b>-0.2%</b>



## 2009 Net Expenses Evolution

<i>In thousand of euros</i>	Q1 2009 YTD	Q1 2008 YTD	Variation %
Total gross technical expenses	-203 466	-203 950	-0.2%
Service fees	100 242	90 453	10.8%
Expenses net of fees	-103 224	-113 497	-9.1%
Reinsurance commission	43 275	46 992	-7.9%
Net technical expenses	-59 949	-66 506	-9.9%
Gross earned premium	448 299	436 683	2.7%
Net premium	312 650	327 899	-4.7%
Gross technical expense ratio	23.0%	26.0%	
Net technical expense ratio	19.2%	20.3%	

## 2009 Net Financial income evolution

<i>In thousand of euros</i>	Q1 2009 YTD	Q1 2008 YTD	variation %
<b>Income from investment property</b>	<b>1 561</b>	<b>1 695</b>	<b>-7.9%</b>
Income from securities-Bonds	16 417	15 466	6.1%
Income from securities-equities	271	582	-53.5%
<b>Income from securities</b>	<b>16 688</b>	<b>16 049</b>	<b>4.0%</b>
<b>Other financial income</b>	<b>6 066</b>	<b>14 009</b>	<b>-56.7%</b>
<b>Investments income</b>	<b>24 315</b>	<b>31 752</b>	<b>-23.4%</b>
<b>Investment expenses</b>	<b>(1 762)</b>	<b>(1 830)</b>	<b>-3.7%</b>
<b>Net Fx result</b>	<b>(148)</b>	<b>(7 109)</b>	<b>-97.9%</b>
<b>Net gains and losses on sales of investments less impairment and amortisation</b>	<b>31 833</b>	<b>(1 507)</b>	<b>-2212.3%</b>
<b>Net financial income (excluding financing expense)</b>	<b>54 238</b>	<b>21 306</b>	<b>154.6%</b>

## 2009 Net Financial Portfolio evolution

<i>(in thousands of euros)</i>	2009.03					2008.12				
	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Unrealized gains and losses	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Unrealized gains and losses
<b>- Equities</b>	118 971	2 577	121 780	121 552	(228)	136 083	16 064	152 147	152 147	-
<b>- Bonds</b>	1 741 542	51 824	1 793 366	1 793 364	(2)	1 812 265	62 584	1 874 849	1 874 903	54
<b>- Loans and other investments</b>	525 586	-	525 586	525 586	-	563 990	-	563 990	563 990	-
<b>Total Financial investments</b>	<b>2 386 099</b>	<b>54 401</b>	<b>2 440 732</b>	<b>2 440 502</b>	<b>(230)</b>	<b>2 512 338</b>	<b>78 648</b>	<b>2 590 986</b>	<b>2 591 040</b>	<b>54</b>
<b>Build third party use</b>	-	-	58 703	114 683	55 980	-	-	71 834	134 139	62 305
<b>Cash</b>	-	-	894 146	894 146	-	-	-	613 907	613 907	-
<b>Total</b>			<b>3 393 581</b>	<b>3 449 331</b>	<b>55 750</b>			<b>3 276 727</b>	<b>3 339 086</b>	<b>62 359</b>

## 2009 key figures – Profit & Loss – part 2

in thousand of euros	Q1 2009 YTD	Q1 2008 YTD	Variation in %
Technical result	(11 126)	53 135	-120.9%
Financial income net of expenses	54 238	21 306	154.6%
<b>Ordinary operating income</b>	<b>43 112</b>	<b>74 441</b>	<b>-42.1%</b>
Financing expenses	-3 261	-3 828	-14.8%
equity method	2 076	1 549	34.0%
Corporation tax	-24 510	-32 425	-24.4%
Minority interest	-882	-1 346	-34.5%
<b>Consolidated net income</b>	<b>16 535</b>	<b>38 391</b>	<b>-56.9%</b>
<b>Tax rate</b>	<b>-58.5%</b>	<b>-44.9%</b>	

## 2009 Change in shareholder's equity

<i>(in thousands of euros)</i>	Capital stock	Additional paid-in capital	Retained earnings	Revaluation reserve	Other			Shareholders' equity, group share	Minority interests	Total shareholders' equity
					Translation reserve	Treasury shares	Total other			
<b>Opening Shareholders' equity</b>	14 426	451 924	1 476 216	50 279	(73 191)	(84 697)	(157 888)	1 834 957	20 328	1 855 285
Available-for-sale assets (AFS)	-	-	-	-	-	-	-	-	-	-
Measurement gain / (loss) taken to shareholders' equity	-	-	-	(1 684)	-	-	-	(1 684)	(25)	(1 709)
Impact of transferring realised gains and losses to income statement	-	-	-	(17 707)	-	-	-	(17 707)	-	(17 707)
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	-	-	-	-	7 843	-	7 843	7 843	(271)	7 572
Current and deferred tax taken directly to or transferred to shareholders' equity	-	-	-	-	-	-	-	-	-	-
<b>Net income recognised in shareholders' equity</b>	-	-	-	(19 391)	7 843	-	7 843	(11 548)	(296)	(11 844)
Net income for the year	-	-	16 535	-	-	-	-	16 535	882	17 417
<b>Total revenues and losses recognised for the period</b>	-	-	16 535	(19 391)	7 843	-	7 843	4 987	586	5 573
Capital movements	-	-	-	-	-	(529)	(529)	(529)	-	(529)
Dividend distributions	-	-	-	-	-	-	-	-	-	-
Shareholders' equity component of share-based payment plans	-	-	111	-	-	-	-	111	-	111
Cancellation of gains/losses on treasury shares	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	557	-	-	-	-	557	35	592
<b>Closing Shareholders' equity</b>	14 426	451 924	1 493 419	30 888	(65 348)	(85 226)	(150 574)	1 840 083	20 949	1 861 032

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## Outlook

- Considering the uncertainty of the current economic environment, it is not possible to give any detailed outlook
- However, Euler Hermes confirms its commitment to remain profitable in 2009

Thank you  
for your attention.