

12M 2016 Financial Results

Financial Analysts' Meeting

February 9th, 2017

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1

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

Operational highlights: 2016, a year of transition



Risk action plans in emerging markets resulted in a **slow-down of incoming claims** but had an impact on growth in **traditional credit insurance**.

EH changed gears in specialty lines with good growth in bonding, fidelity and transactional cover.

First digital experiments are promising: **distribution** partnerships with financing platforms and data experiments in **grading**.

Restructuring plans are being implemented in Europe and are expected to bring significant **productivity gains** in the coming years. They were financed by gains realized on the sale of stakes in two information companies.

Lower interest rates have hurt the **financial income**.

12M 2016 Financial highlights

Turnover reaches €2,570 million, stable at constant exchange rates and scope⁽¹⁾. The slowdown in premium growth is offset by dynamic growth in service revenues (+2.9% at constant FX and scope).

Net loss ratio all attachment years is 52.2%, compared to 53.3% in 12M last year. Lower claims activity on current year (CY) is partly offset by lower run-offs. 4Q 2016 net claims ratio CY lowest since 1Q 2015.

Net cost ratio at 27.6%, above last year by +0.8pt, as HR expenses grew faster than topline. Restructuring plans are under way to correct the trend.

Operating income amounts to €373 million, down 10.5% year on year due to lower investment income. It includes a €35 million realized gain on the sale of two information entities (Bürgel in February and 27.5% in Graydon in September) and €-38 million in restructuring cost.

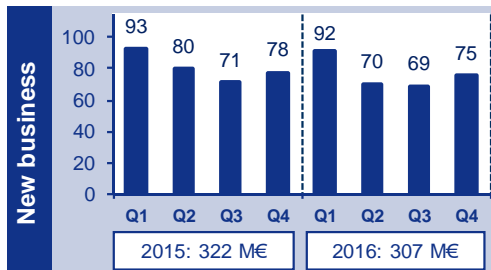
Net income Group Share stands at €287 million, down 5.1% from last year. The management proposes a stable dividend per share of €4.68.

Solvency ratio slightly increases to 166%.

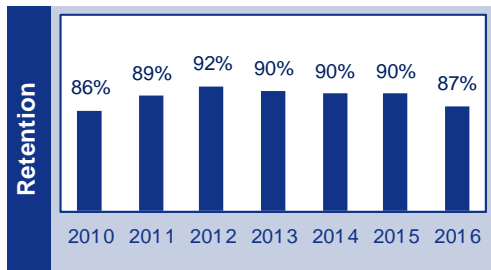
2

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

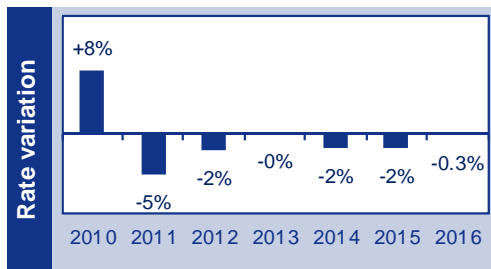
Commercial Overview - 12M 2016



New Business at the end of 2016 reached €307 million which is €15 million behind the level of last year due to the reduced risk appetite.



At the end of 2016, the retention rate stands at 87%, lower than last year due to reduced exposure in some countries and the intentional clean-up of non-profitable policies.



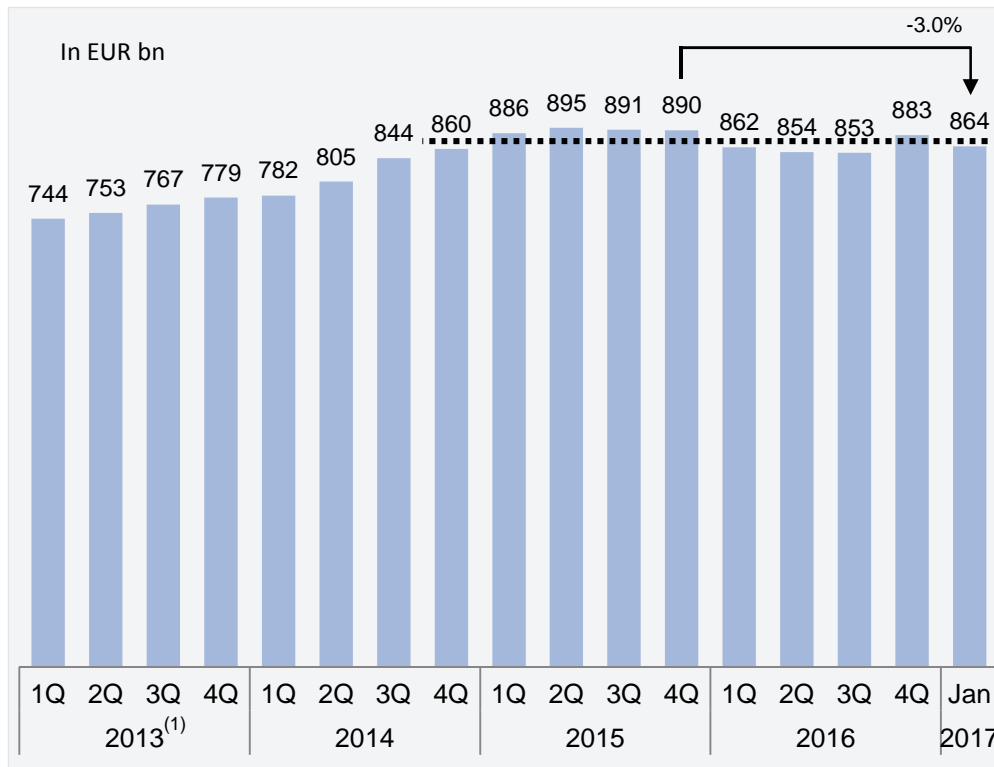
Prices are stable: contribution from the USA and emerging markets offset the negative results from Western European countries.



Contribution from customers' insured turnover is -0.6% in total, with positive volume variation from Western European countries offset by negative contribution from USA and 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.

Risk exposure stabilized for 2017



	4Q 2013 ⁽¹⁾	4Q 2014	4Q 2015	4Q 2016
Grade weight				
1-5	84.8%	85.4%	85.8%	86.2%
6-10	15.2%	14.6%	14.2%	13.8%

The exposure is stabilizing.

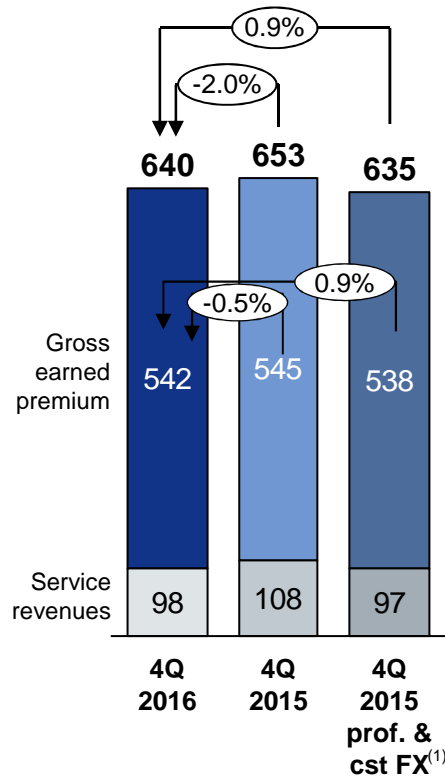
(1) 2013 proforma excluding Spain & Latin America
Risk exposure data in this slide is credit insurance only (excludes bonding and fidelity)

3

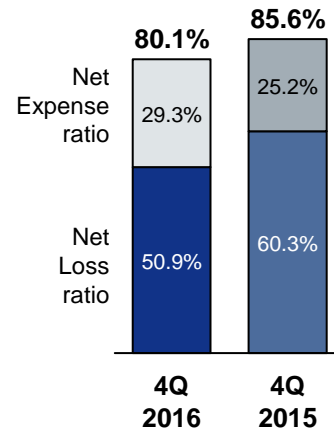
- 1 Highlights
- 2 Commercial & Risk Overview
- 3 Quarterly Results**
- 4 Year-to-Date Results
- 5 Dividend & Solvency
- 6 Appendices

4Q 2015 boosted by one-offs in the financial income

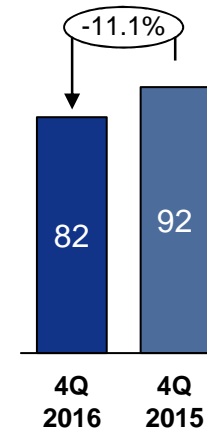
4Q 2016 showed significant improvement of the loss ratio



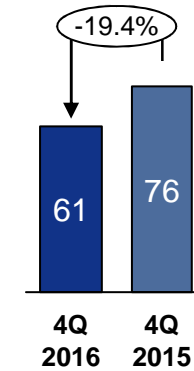
Turnover
(EUR mn)



Net Combined ratio
(in %)



Operating income
(EUR mn)



Net income, Group share
(EUR mn)

(1) 4Q2015 proforma excluding service revenues from Bürgel (10.3m€ in 4Q2015).

4Q 2016: Turnover growth is back to positive territory

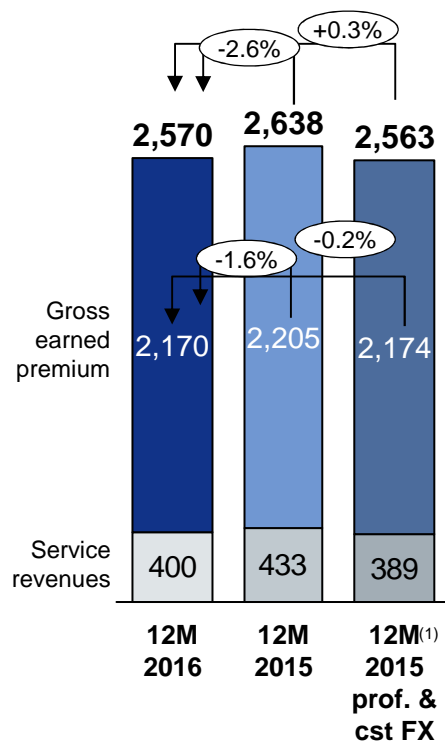
EUR mn	4Q 2016	4Q 2015 Published	Δ%	4Q 2015 Proforma & cst FX ₍₁₎	Δ%
DACH	177	189	-6.4%	181	-2.1%
France	99	96	3.4%	96	3.4%
Northern Europe	129	135	-4.7%	127	1.1%
Med. Countries, Middle East & Africa	86	86	0.9%	85	1.6%
Americas	85	81	5.1%	85	-0.6%
Asia Pacific	39	36	7.5%	37	6.1%
Inward from non-consolidated OEs & Other ⁽¹⁾	25	31	-17.2%	24	7.0%
Total Turnover	640	653	-2.0%	635	0.9%

(1) Inter-region elimination

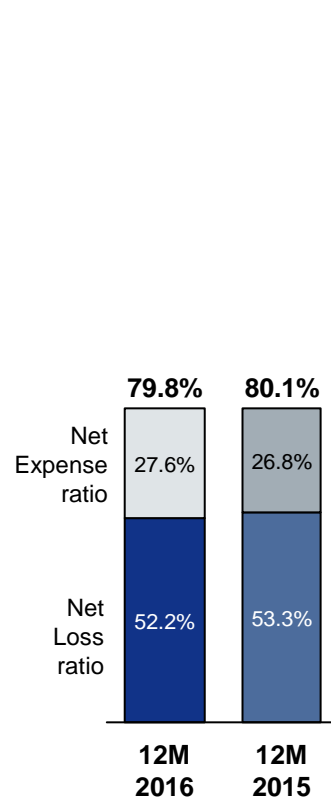
4

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

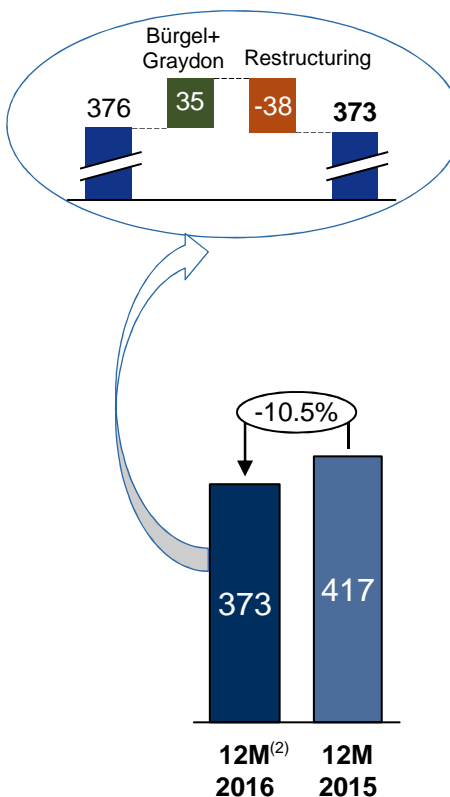
12M 2016: Net income lower than last year due to lower financial result



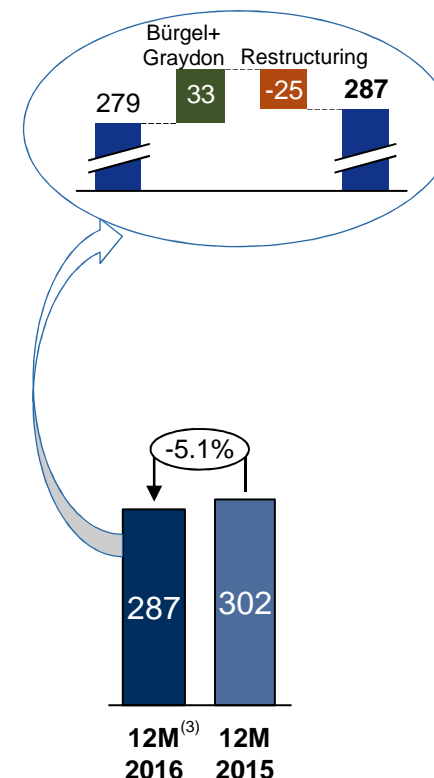
Turnover
(EUR mn)



Net Combined ratio
(in %)



Operating income
(EUR mn)



Net income, Group share
(EUR mn)

(1) 12M2015 proforma excluding service revenues from Bürgel (39.1m€ in 12M2015)
 (2) Of which 35.1m€ realized gains before tax from the sales of Bürgel and Graydon entities (respectively 24.3m€ and 10.8m€)
 (3) Of which 33.1m€ realized gains net of tax from the sale of Bürgel and Graydon entities (respectively 22.4m€ and 10.7m€)

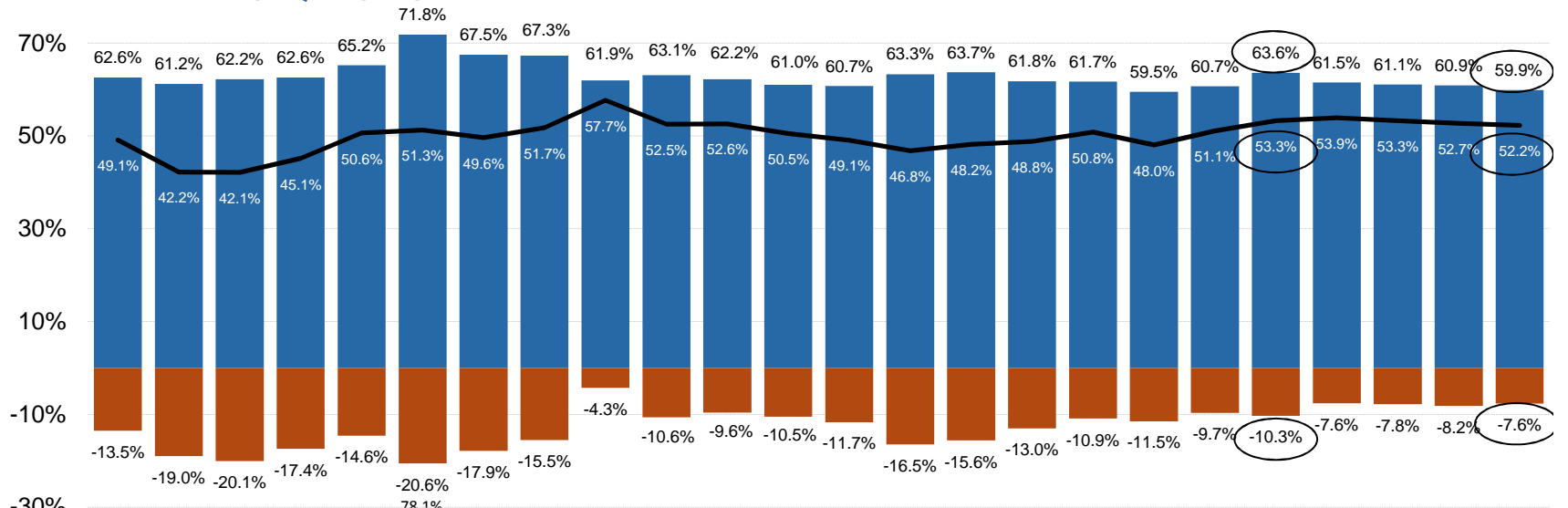
Continuous pressure on rates in mature markets and prudent stance in emerging markets affected growth

EUR mn	2016	2015 Published	Δ%	2015 Proforma & cst Fx	Δ%
DACH	706	752	-6.1%	719	-1.8%
France	404	392	3.1%	392	3.1%
Northern Europe	528	558	-5.2%	538	-1.7%
Med. Countries, Middle East & Africa	350	344	1.7%	344	1.8%
Americas	335	327	2.7%	336	-0.1%
Asia Pacific	148	143	3.3%	142	4.1%
Inward from non-consolidated OEs & Other ⁽¹⁾	98	123	-20.4%	92	6.2%
Turnover	2,570	2,638	-2.6%	2,563	0.3%

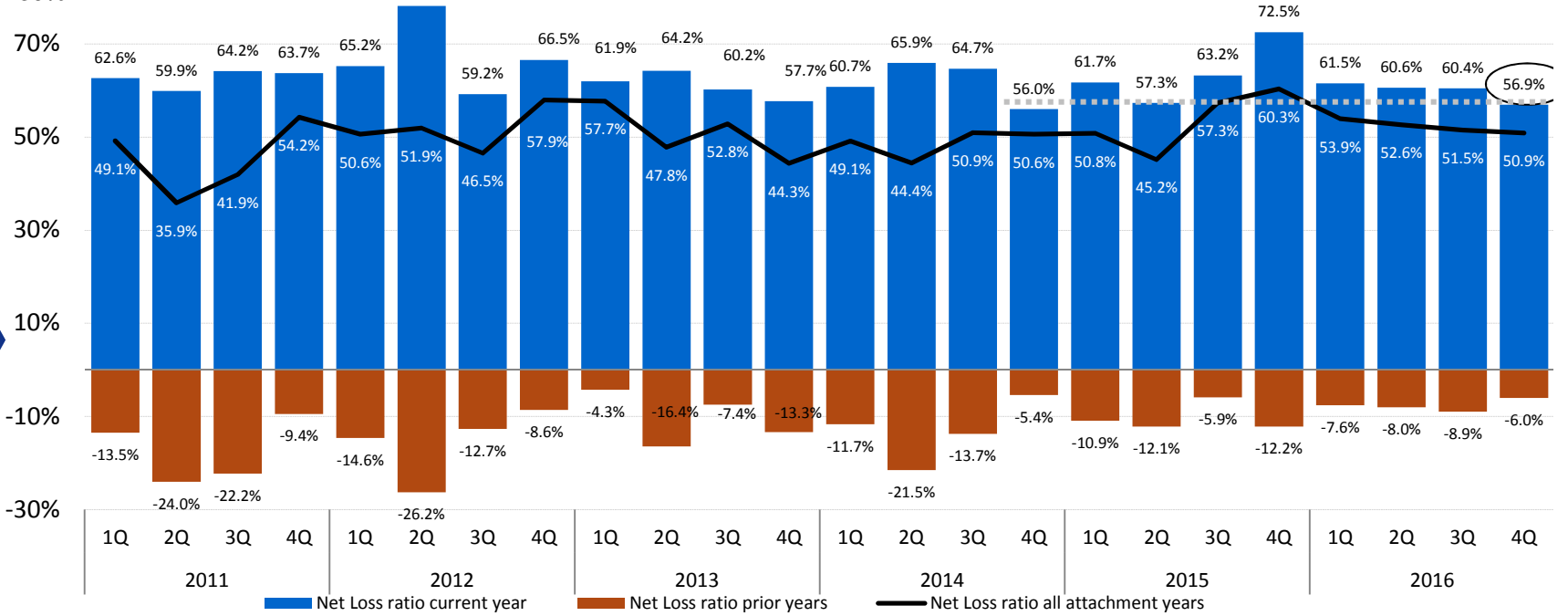
(1) Inter-region elimination

Net loss ratio 12M 2016 is at 52.2%. 4Q 2016 net loss ratio is the lowest since 3Q 2015

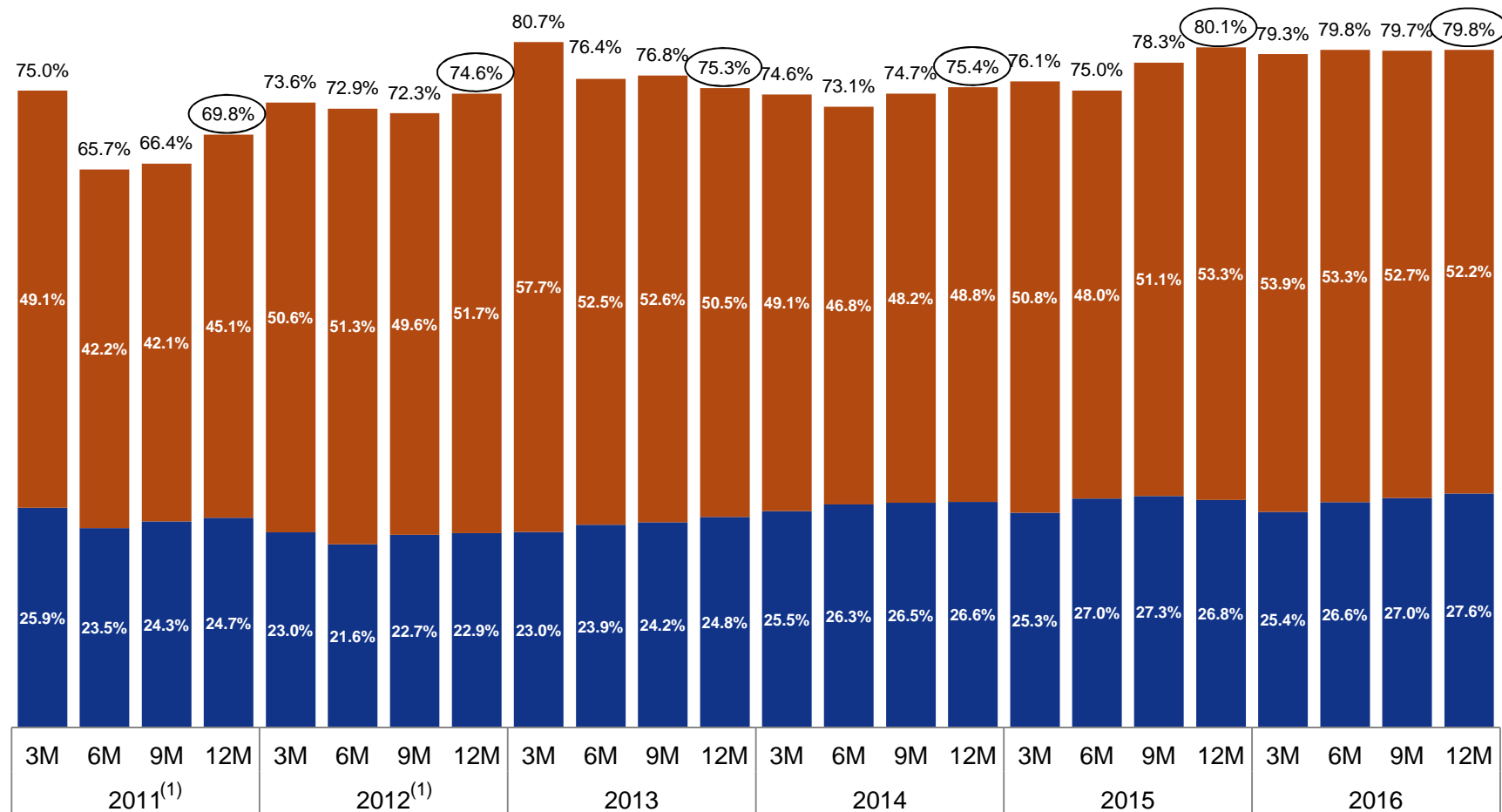
YTD



Quarterly



Net Combined ratio remains below 80%

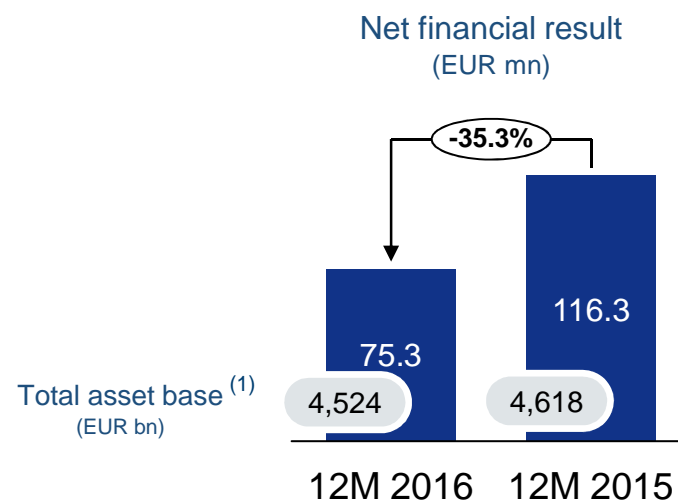


(1) IAS 19 restatement

■ Net Expense ratio

■ Net Loss ratio all attachment years

Net financial income down €-41 million: lower realized gains and FX gains than in 2015



Current investment income	71.4	80.6
Investment management charges	-11.8	-11.5
Net change in foreign currency ⁽²⁾	-2.6	15.7
Net gain (loss) on sales of investments less impairment and depreciation write-backs	18.3	31.5
Net financial result before financing expense and before 'at equity' result⁽³⁾	75.3	116.3

(1) Market value

(2) The FX result in 2015 had been exceptionally favorable due to long positions in USD and GBP that had appreciated against the EUR. The long positions remained in 2016, but the GBP depreciation's impact on FX result was not as significant as compared to 2015.

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

Net income at €287 million, down 5.1% compared to last year due to lower net financial income, partly offset by positive tax one-offs

EUR mn	2016	2015	Δ
Net technical result	302	301	0
Net financial income	75	116	-41
Ordinary operating Income	377	418	-41
Other non ordinary operating income and expense ⁽¹⁾	-3	0	-3
Operating income	373	417	-44
Financing expenses	-6	-8	2
Income from non-consolidated companies	15	19	-3
Profit before tax	382	428	-45
Corporation tax ⁽²⁾	-95	-124	29
Minority interest	-1	-2	1
Net income (Group share)	287	302	-16
Tax rate⁽²⁾	24.8%	28.9%	

(1) Other non ordinary operating income and expense include 38m€ restructuring costs and 35m€ gains from the sales of Bürgel and Graydon.

(2) Corporation tax in 2016 includes a 9.8m€ one-off tax profit following our reclamation from the French Tax office following judgement on the Steria case (taxation on dividends), and low taxation on the Bürgel and Graydon gains.

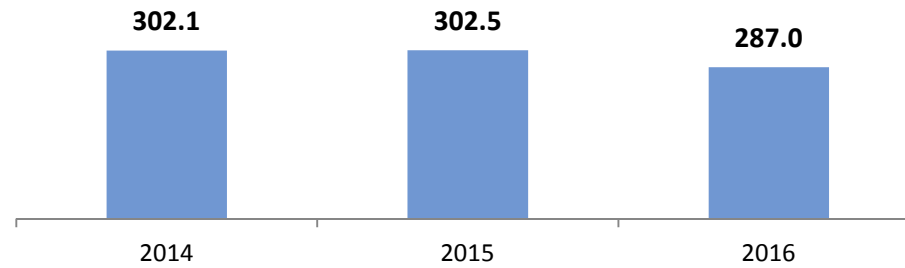


5

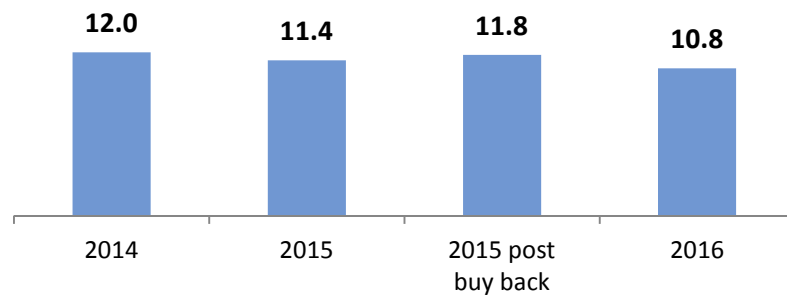
- 1 Highlights
- 2 Commercial & Risk Overview
- 3 Quarterly Results
- 4 Year-to-Date Results
- 5 Dividend & Solvency**
- 6 Appendices

Dividend stable despite slightly lower net result

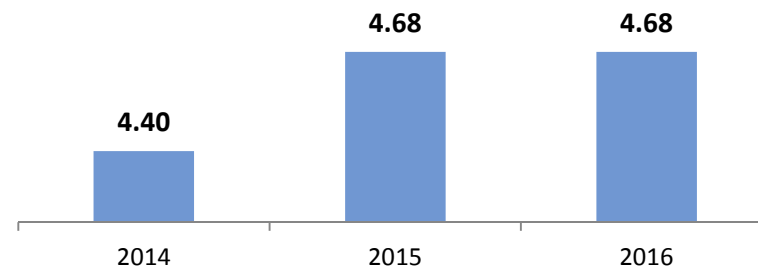
Net Income - Group Share



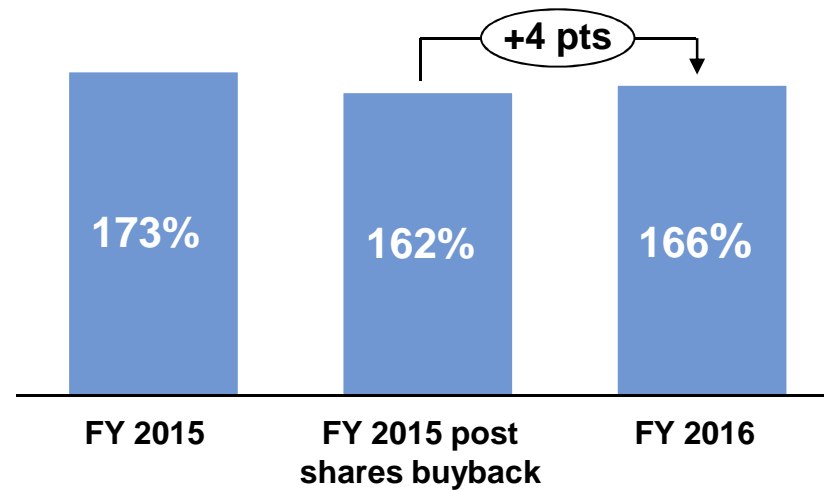
Return on equity (in %)



Dividend per share (in EUR)

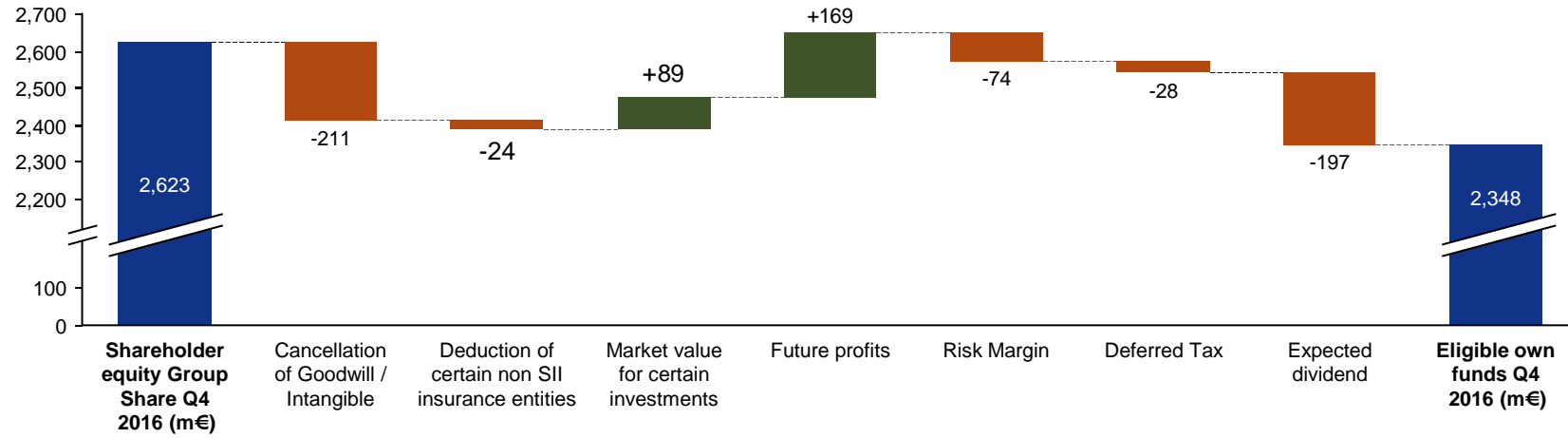


Solvency II Regulatory Ratio

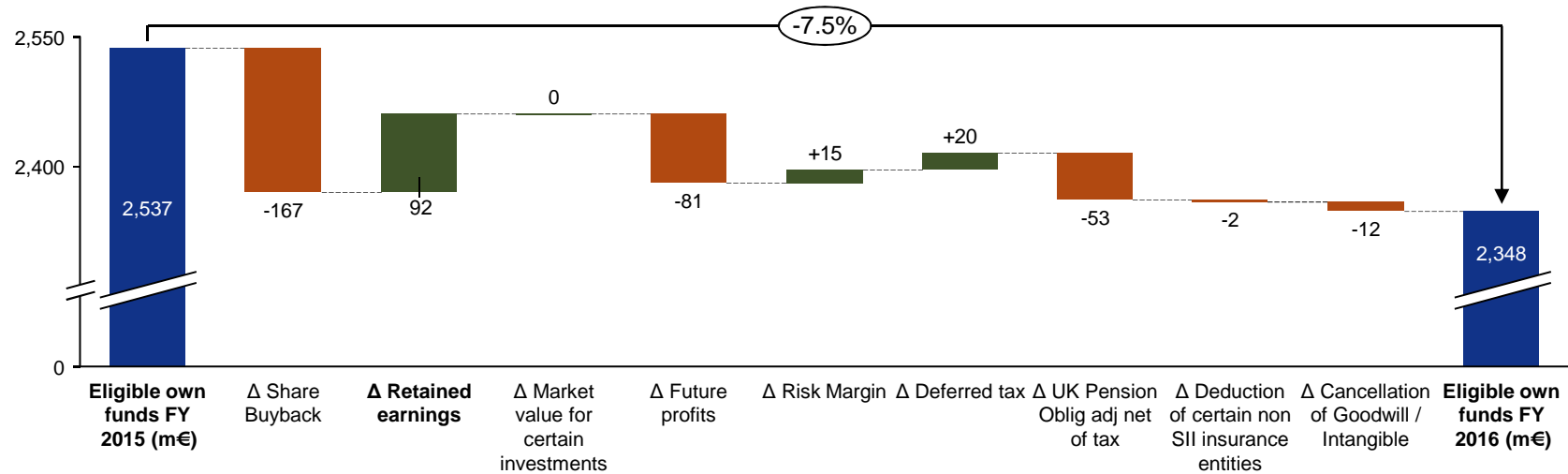


In € mn	FY 2015	FY 2015 post shares buyback	FY 2016
Shareholders' Equity	2,715	2,549	2,623
Eligible Own Funds	2,537	2,370	2,348
Risk Capital	1,466	1,466	1,414

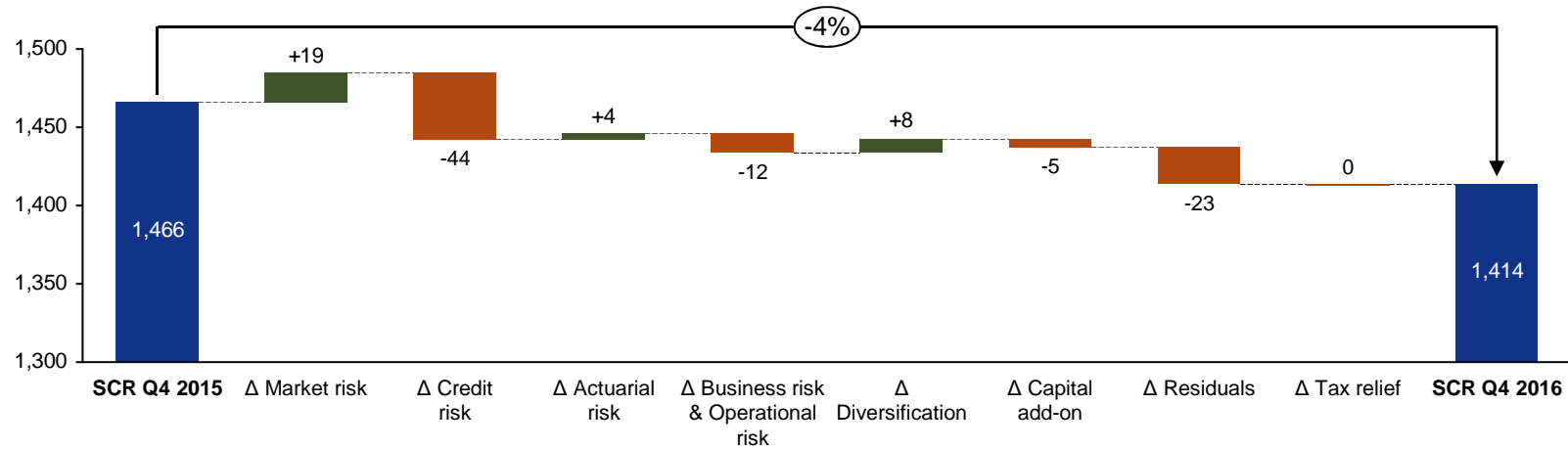
Q4 2016 IFRS Equity to Solvency II Own Funds (EUR mn)



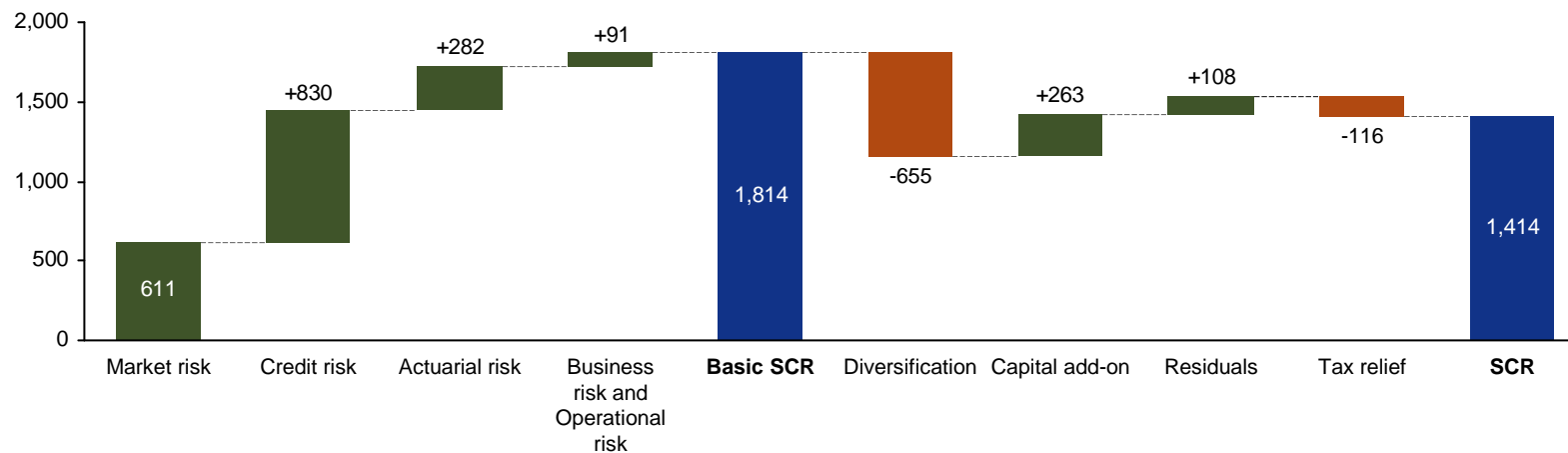
SII Own Funds variation in 2016 (EUR mn)



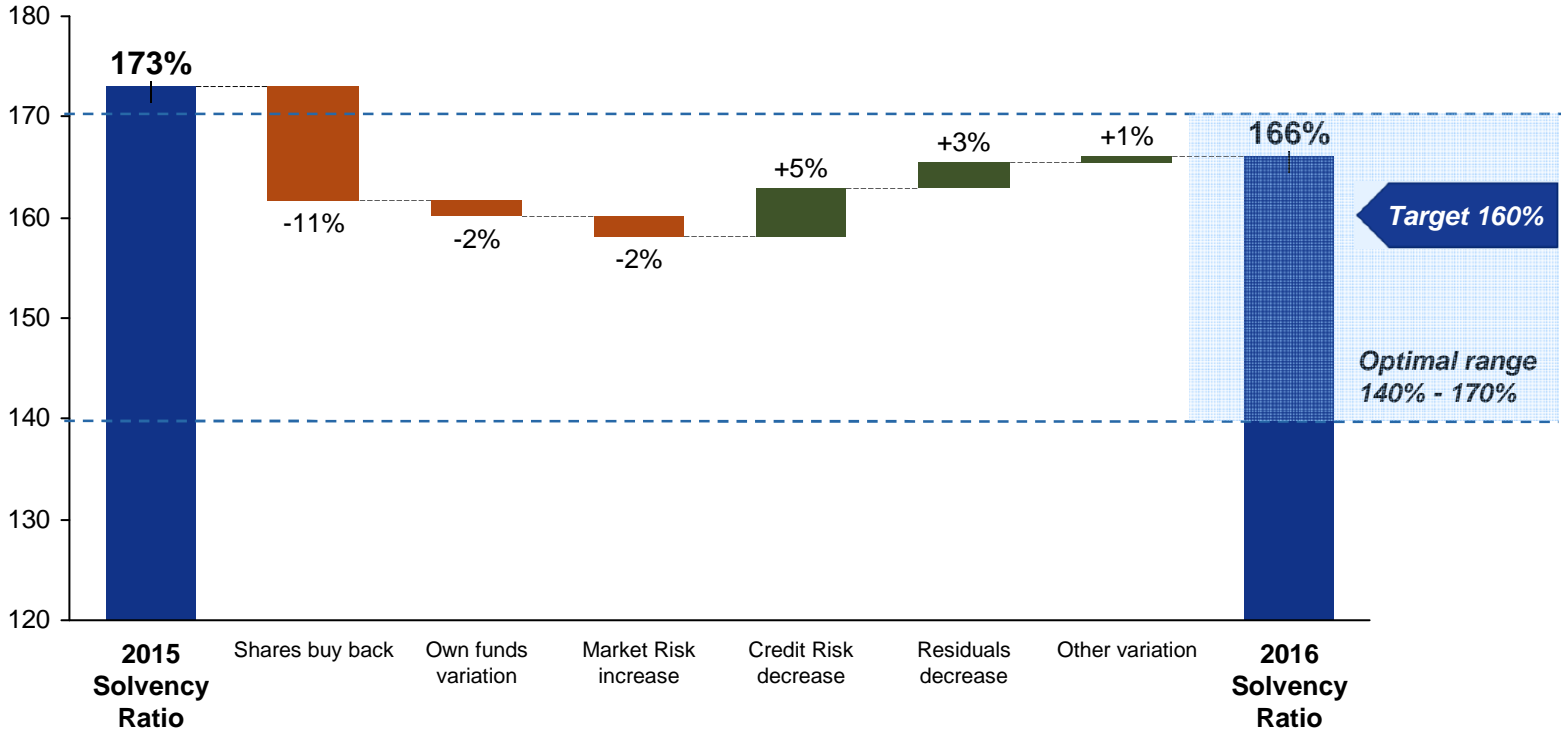
Solvency Capital Requirement evolution from 2015 to 2016 (EUR mn)



Solvency Capital Requirement 2016 (EUR mn)



Solvency ratio variation



5

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

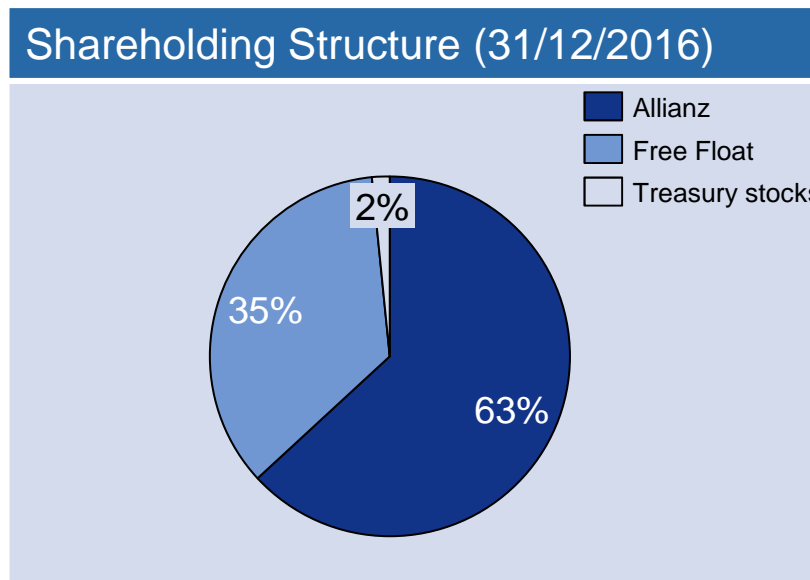
Investor Relations

Next Events	Dates
1Q 2017 Earnings (webcast)	May 5 th 2017
General Assembly	May 24 th 2017
2Q 2017 Earnings (webcast)	July 27 th 2017
3Q 2017 Earnings (webcast)	November 7 th 2017

Stock Market Data	As of 31/12/2016
Listing	Euronext Paris
Code	ELE.PA
Shares outstanding	42,641,635
Market cap. (€ mn)	3,561

Investor Relations Contact

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Glossary

1/2

- **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

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.

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attention

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