

Euler Hermes

Q3 2009 financial results

Analysts' conference call – 9 November 2009

A company of Allianz 



Contents

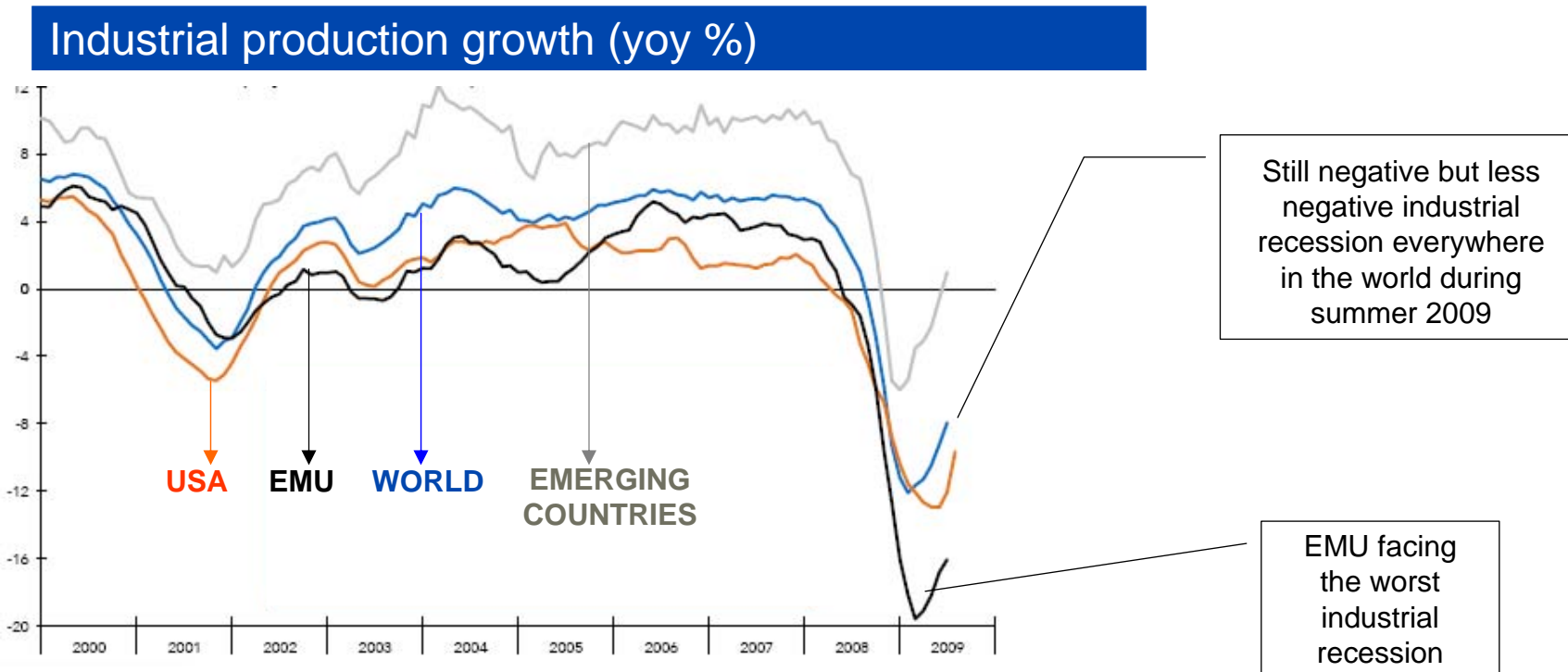
- 1 Economic environment
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Recession has been easing during Q3

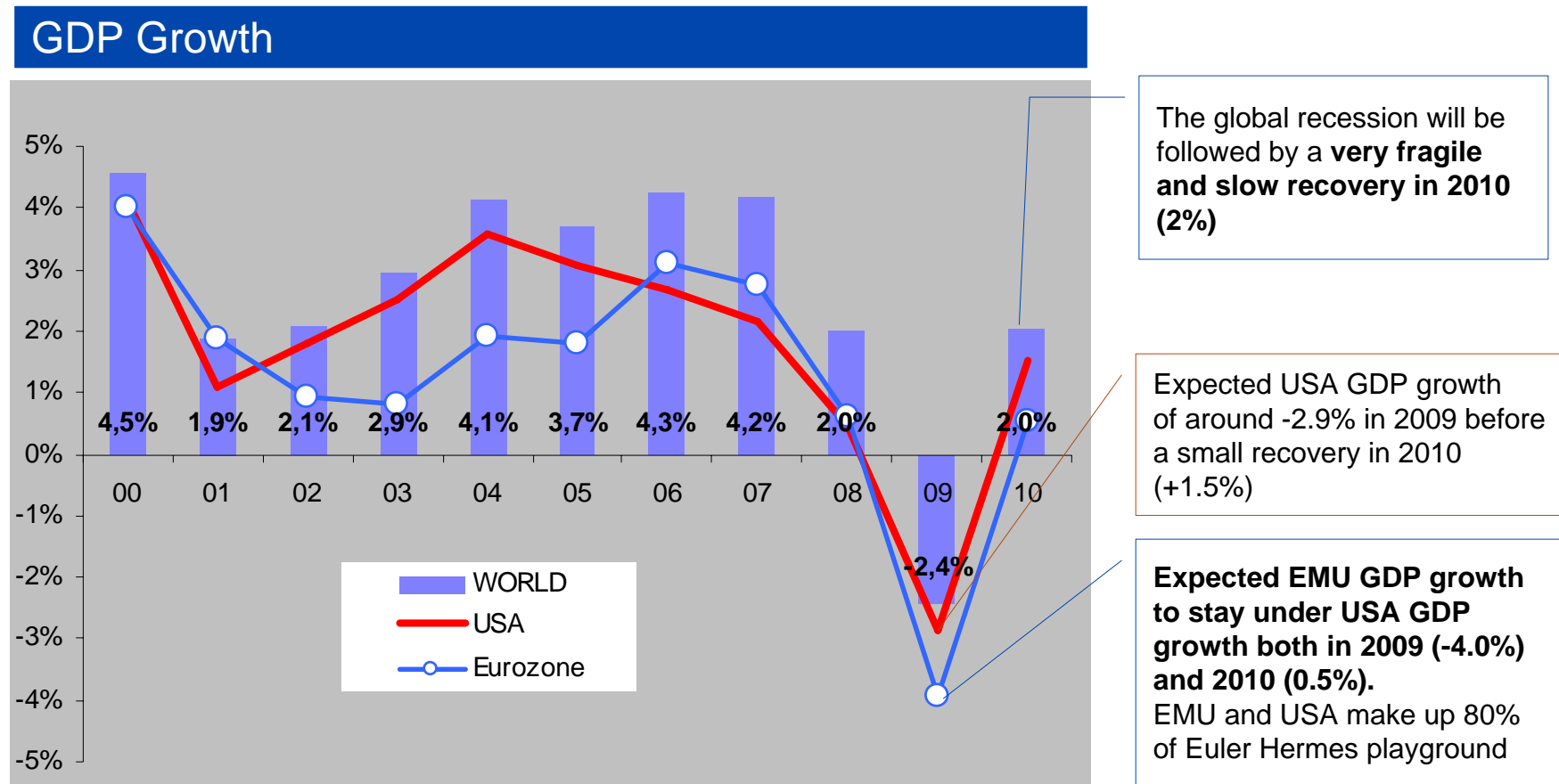
The rebound has started during summer but the global industrial production is still much lower than one year ago



Sources: COE Rexecode,

A slow and fragile recovery next year

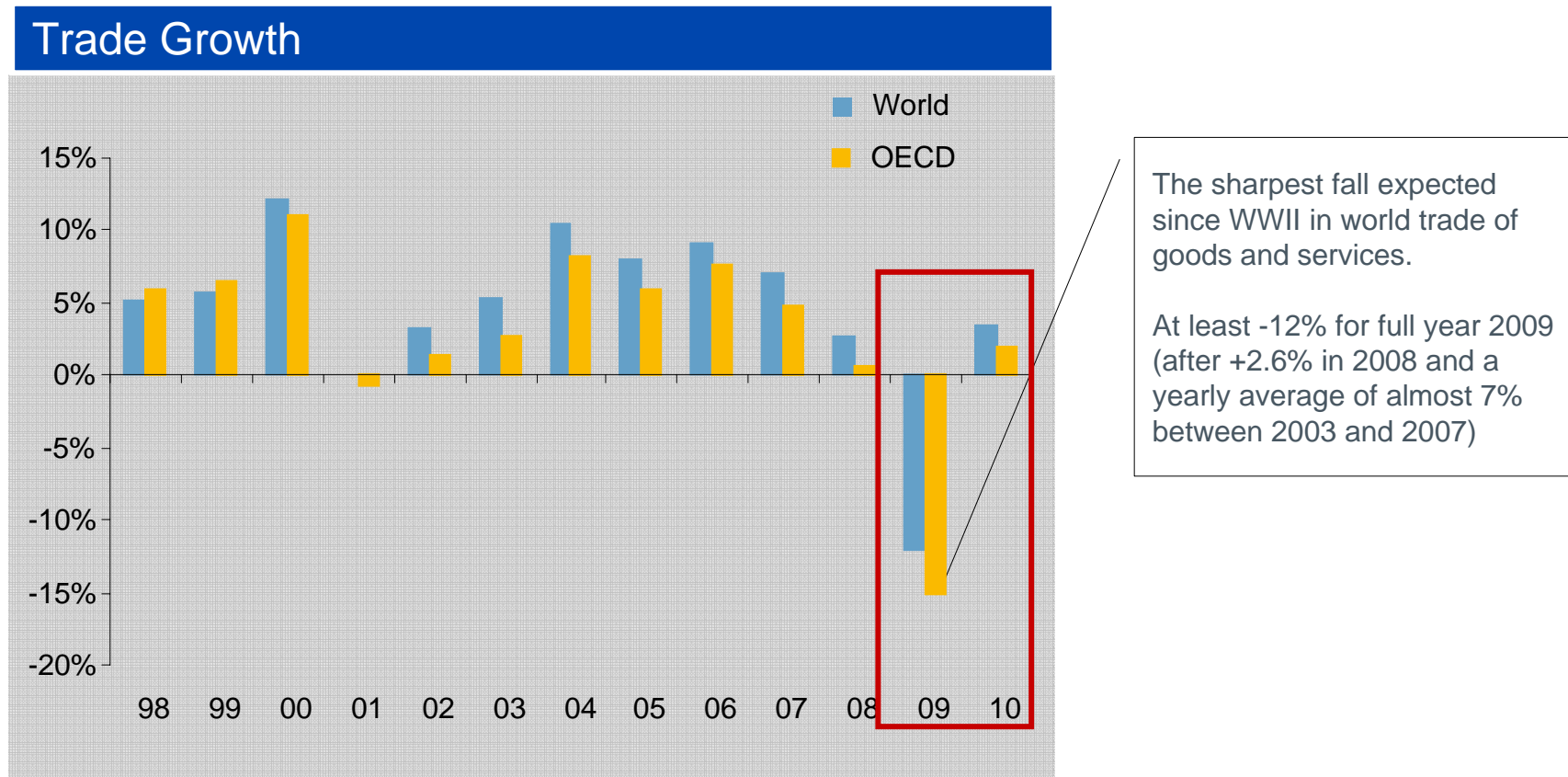
Due to weak domestic demand, the world economy would grow by only 2% next year



Sources: IHS Global Insight, Euler Hermes calculation and forecasts published end of September 2009 in the EH Economic outlook 2009 #4 (GDP 2007 weighting at current exchange rates)

The deepest trade recession since 50 years

After the collapse, the world trade is just beginning to stabilize mid-2009 at a low level; OECD trade has decreased even deeper than world trade

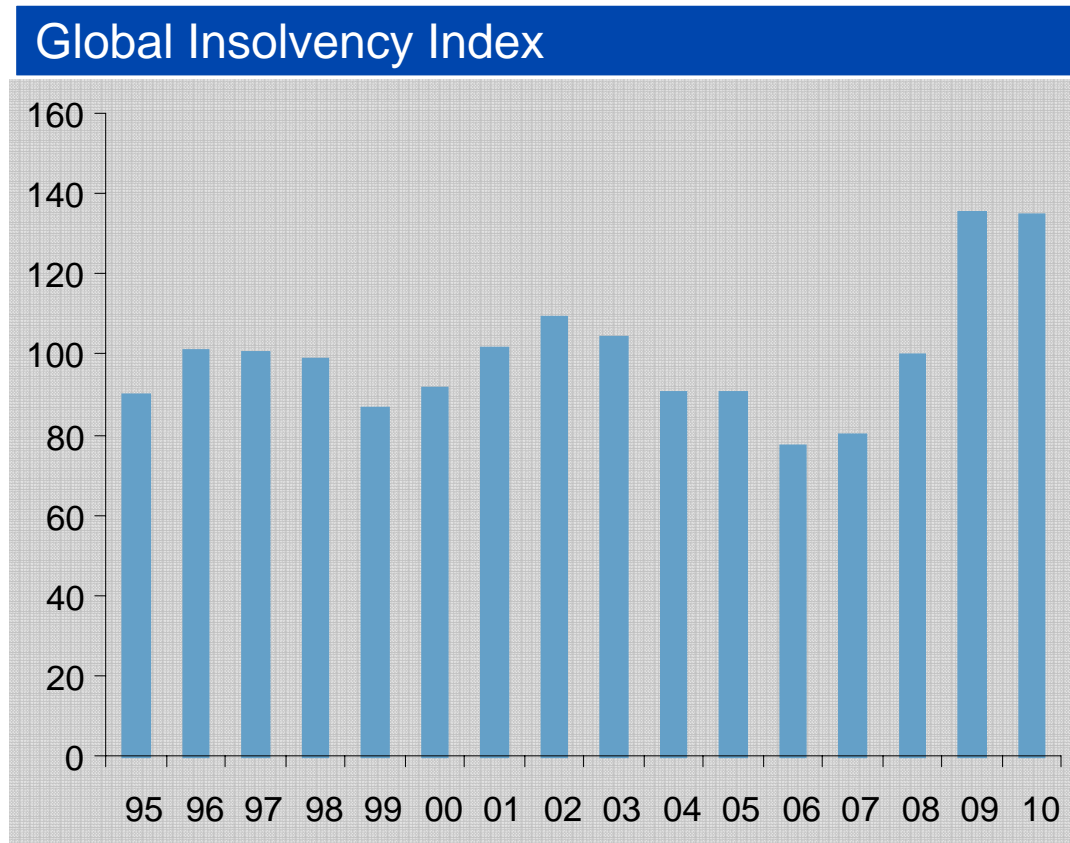


Sources: IHS Global Insight, Euler Hermes calculation and forecasts published end of September 2009 in the EH Economic outlook 2009 #4 (GDP 2007 weighting at current exchange rates)

Business insolvencies on a historical rise trend

EH Global Insolvency Index up by +27% in 2008 (after +4% in 2007).

The rebound should be 35% in 2009 and still rising in 2010



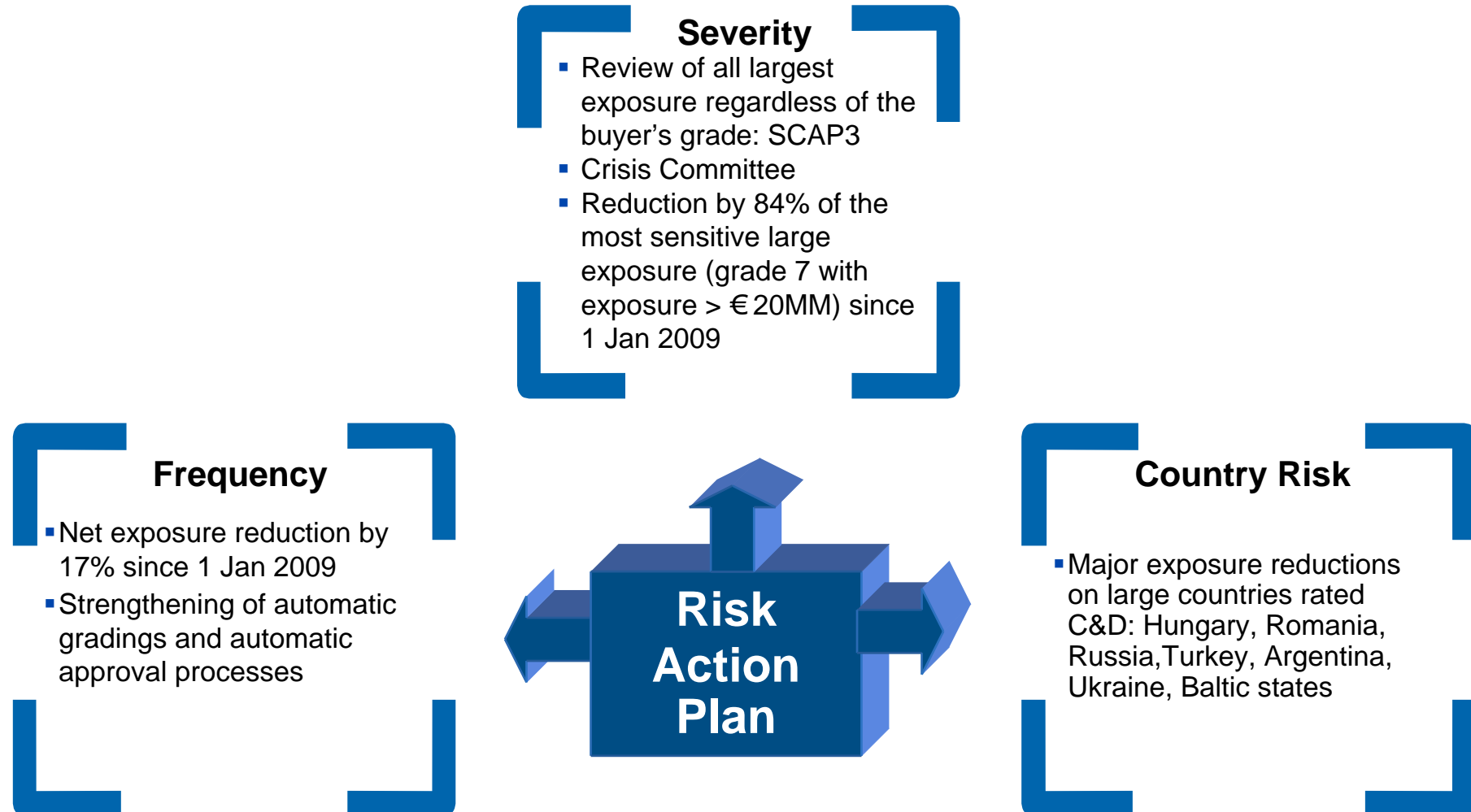
Sources: IHS Global Insight, Euler Hermes calculation and forecasts, **Index 100 = 1997**, GDP 2007 weighting at current exchange rates

Note: the EH Global Insolvency Index countries account for 85% of world GDP

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Risk Action Plan still on the way



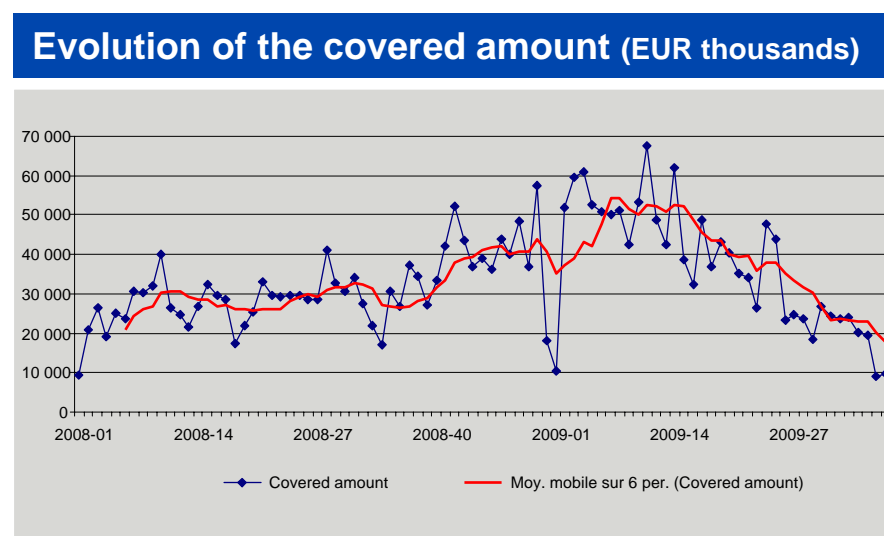
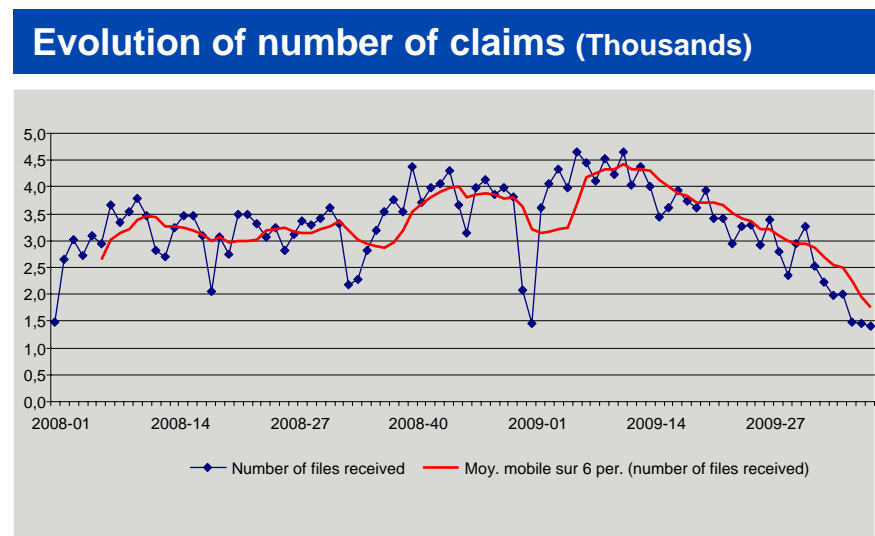
Portfolio by risk grade

In €Bn	September 2009		June 2009		December 2008	
	Exposure	%	Exposure	%	Exposure	%
Grade 1	12 712	2.28%	13 622	2.35%	18 291	2.74%
Grade 2	48 152	8.64%	52 176	9.02%	72 474	10.85%
Grade 3	101 563	18.23%	105 371	18.21%	123 258	18.46%
Grade 4	138 578	24.87%	145 666	25.17%	153 879	23.04%
Grade 5	171 052	30.70%	171 381	29.61%	179 537	26.88%
Grade 6	79 638	14.29%	83 761	14.47%	102 534	15.35%
Grade 7	4 966	0.89%	5 910	1.02%	15 933	2.39%
Grade 8	482	0.09%	704	0.12%	1 714	0.26%
Grade 9	40	0.01%	111	0.02%	175	0.03%
Grade 10	9	0%	19	0.00%	26	0%
Total EH Exposure	557 192		578 721		667 822	

From 1 Jan 09 and 30 Sep 09

- Net reduction of total exposure: € 110 bn (-17%)
- Net reduction of exposure in grades 6 to 10: € 35 bn (-29%)
- Stable weighted average grade at 4.20

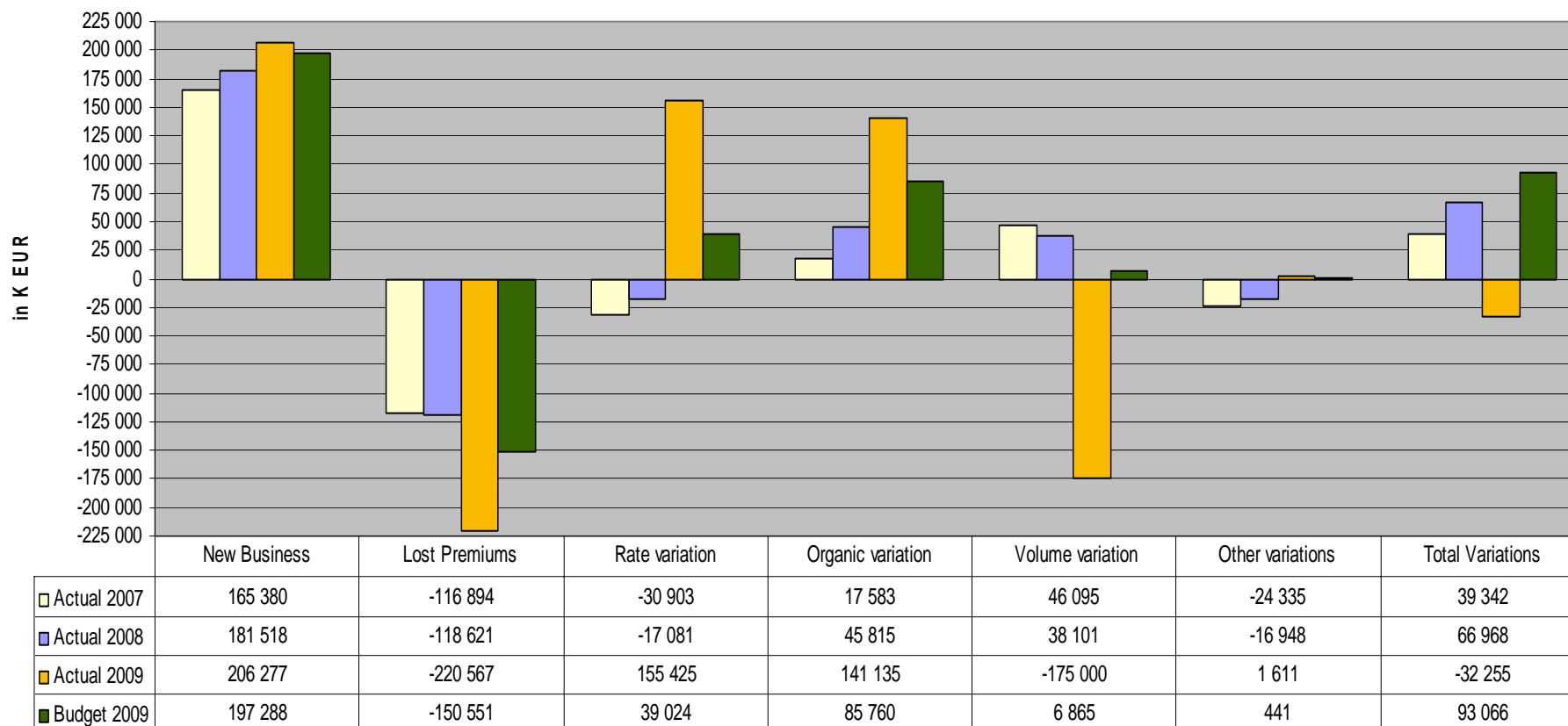
Weekly Claims trends of Large BUs (nb/covered amount)



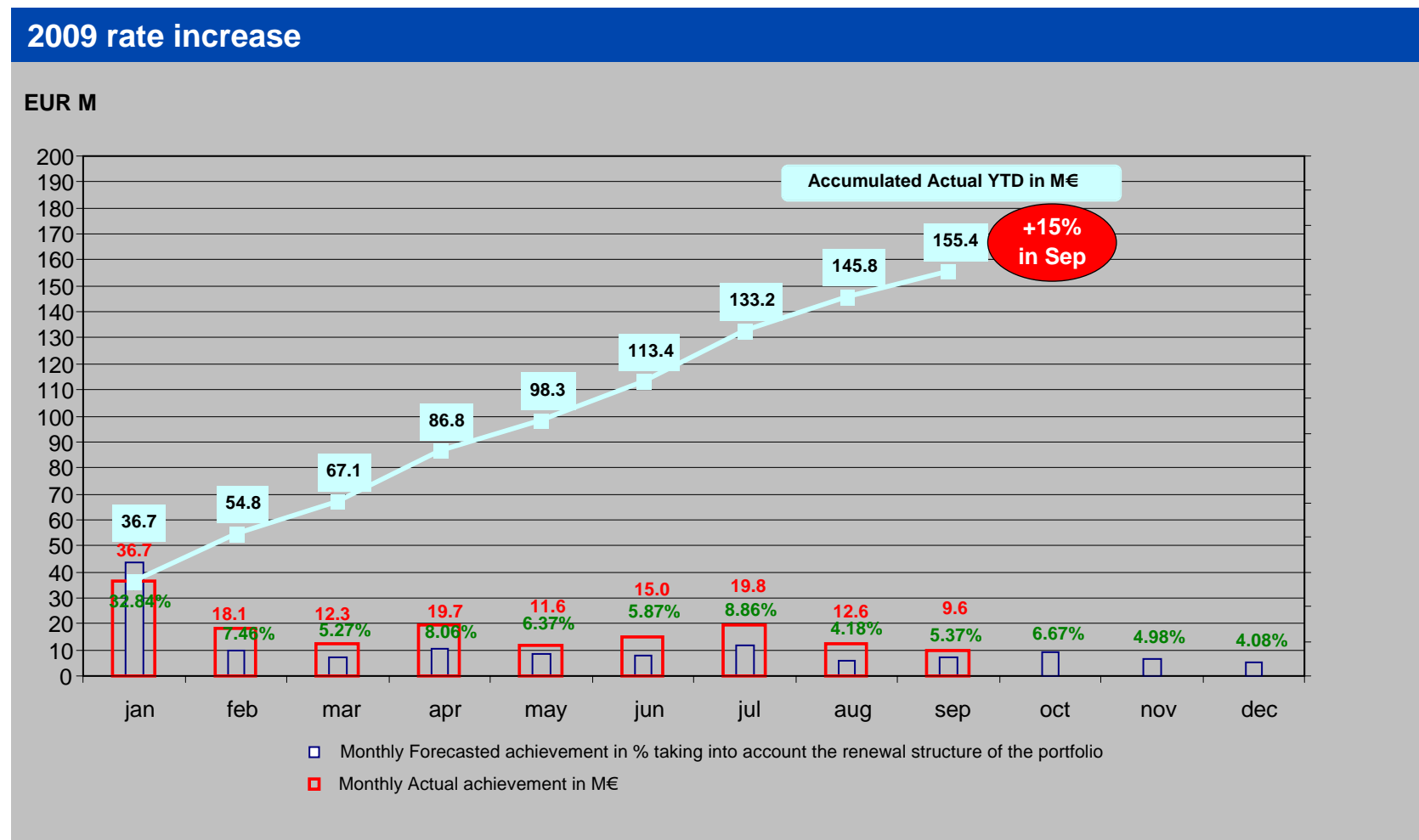
	2009 ytd /2008 ytd	Q3 2009/Q2 2009	Q3 2009/Q3 2008
nb	7.6%	-35.2%	-18.8%
amount	32.5%	-50.7%	-20.3%
average amount	19.6%	-25.3%	-5.0%

Global overview of portfolio value evolution (Sep 09)

Global overview of portfolio value evolution



Overview of commercial recession action plan in Sep 09



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Q3 2009 Key figures

EUR M	Q3 (Only) 2009	Q3 (Only) 2008	Variation in amount	Variation In %
Turnover	512.7	540.3	-27.6	-5.1%
Technical result	-11.6	23.3	-34.8	-149.6%
Net financial income (excluding financing costs)	24.0	23.4	0.6	2.5%
Operating income	12.4	46.7	-34.3	-73.4%
<i>Of which realised gains and losses</i>	5.9	-4.5	10.4	-232.6%
<i>Net of realised gains and losses</i>	6.5	51.1	-44.6	-87.3%
Net consolidated result	0.2	30.0	-29.8	-99.4%
AZ Net combined ratio	109.9%	102.1%		
Euler Hermes Net combined ratio (including Service margin)	103.5%	93.0%		
Euler Hermes Net loss ratio	77.1%	70.8%		
Euler Hermes Net cost ratio	26.3%	22.2%		

Q3 2009 Turnover evolution per geographic area

EUR M	Q3 2009 (1)	Q3 2008 (2)	Variance (1)/(2)	Q3 2008 (3)	Variance (1)/(3)
Germany	175.8	184.3	-4.6%	184.3	-4.6%
France	86.4	95.8	-9.8%	95.8	-9.8%
Italy	48.4	58.4	-17.1%	58.4	-17.1%
United Kingdom	43.4	52.4	-17.2%	47.2	-8.0%
USA	36.0	34.8	3.6%	36.0	0.1%
Belgium	19.7	20.2	-2.5%	20.2	-2.5%
Netherlands	12.8	11.2	14.0%	11.2	14.0%
Scandinavia	13.3	11.4	16.5%	10.6	25.2%
Poland	15.6	13.9	12.4%	11.0	41.6%
Sub-Total Large BU's	451.3	482.2	-6.4%	474.6	-4.9%
- of which euro zone	343.0	369.8	-7.2%	369.8	-7.2%
Sub-Total New markets	61.4	58.1	5.8%	57.0	7.9%
Euler Hermes	512.7	540.3	-5.1%	531.5	-3.5%

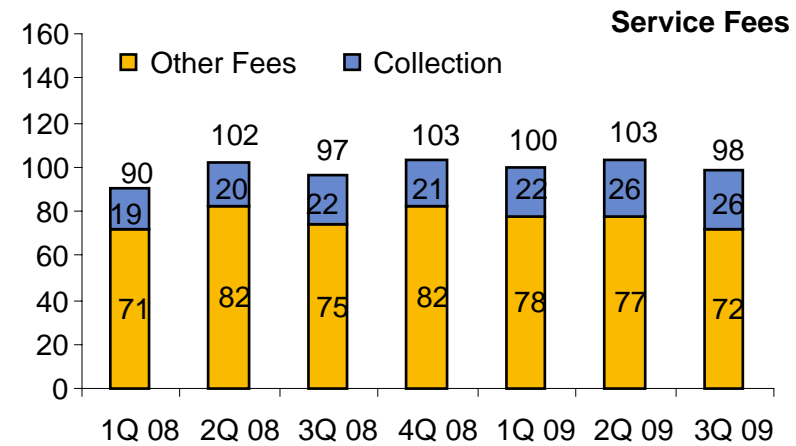
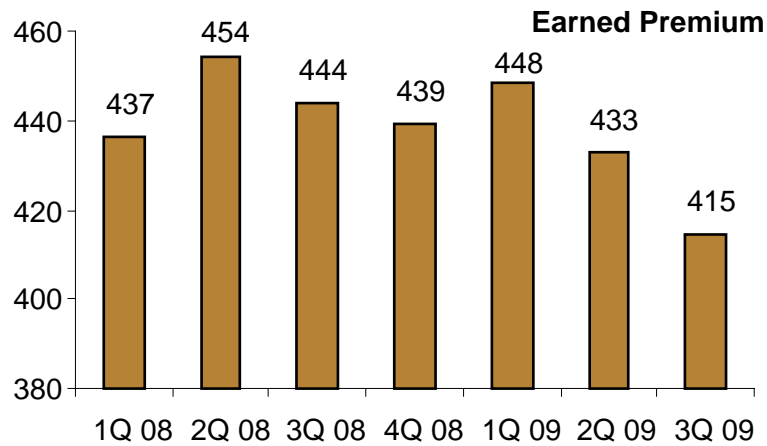
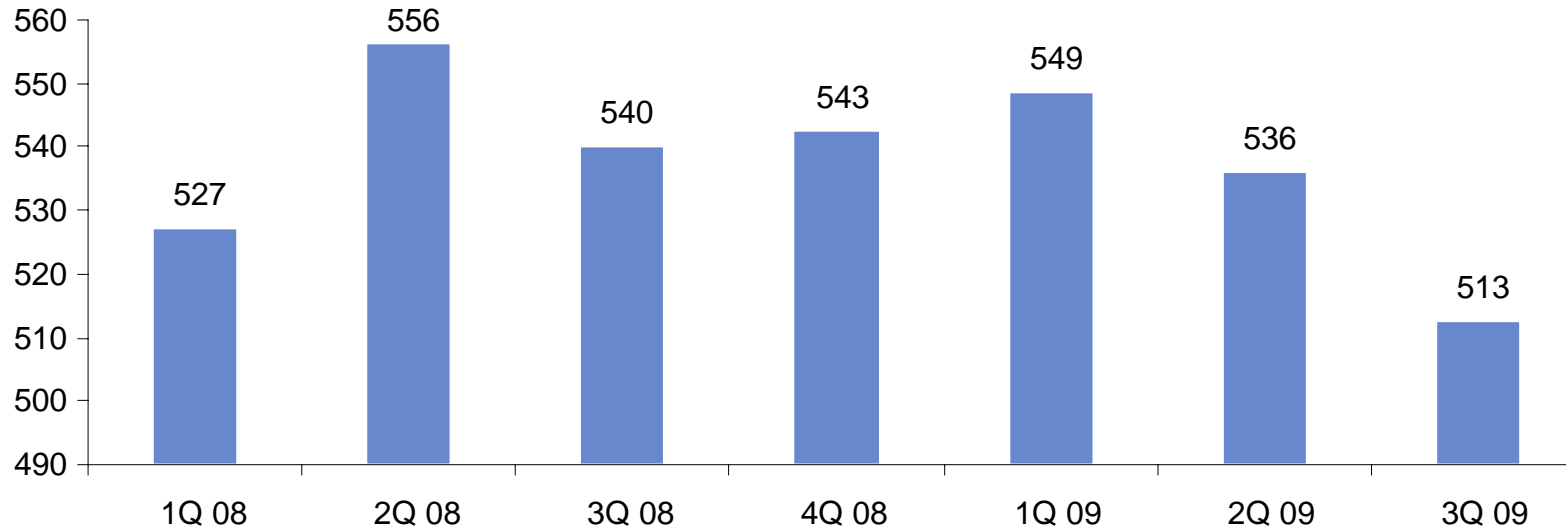
(1) Credit-Insurance turnover with geographical reclassification

(2) Credit-Insurance turnover with geographical reclassification pro forma

(3) Credit-Insurance turnover with geographical reclassification pro forma at constant exchange rate

Quarter by quarter group turnover evolution

in million Euros



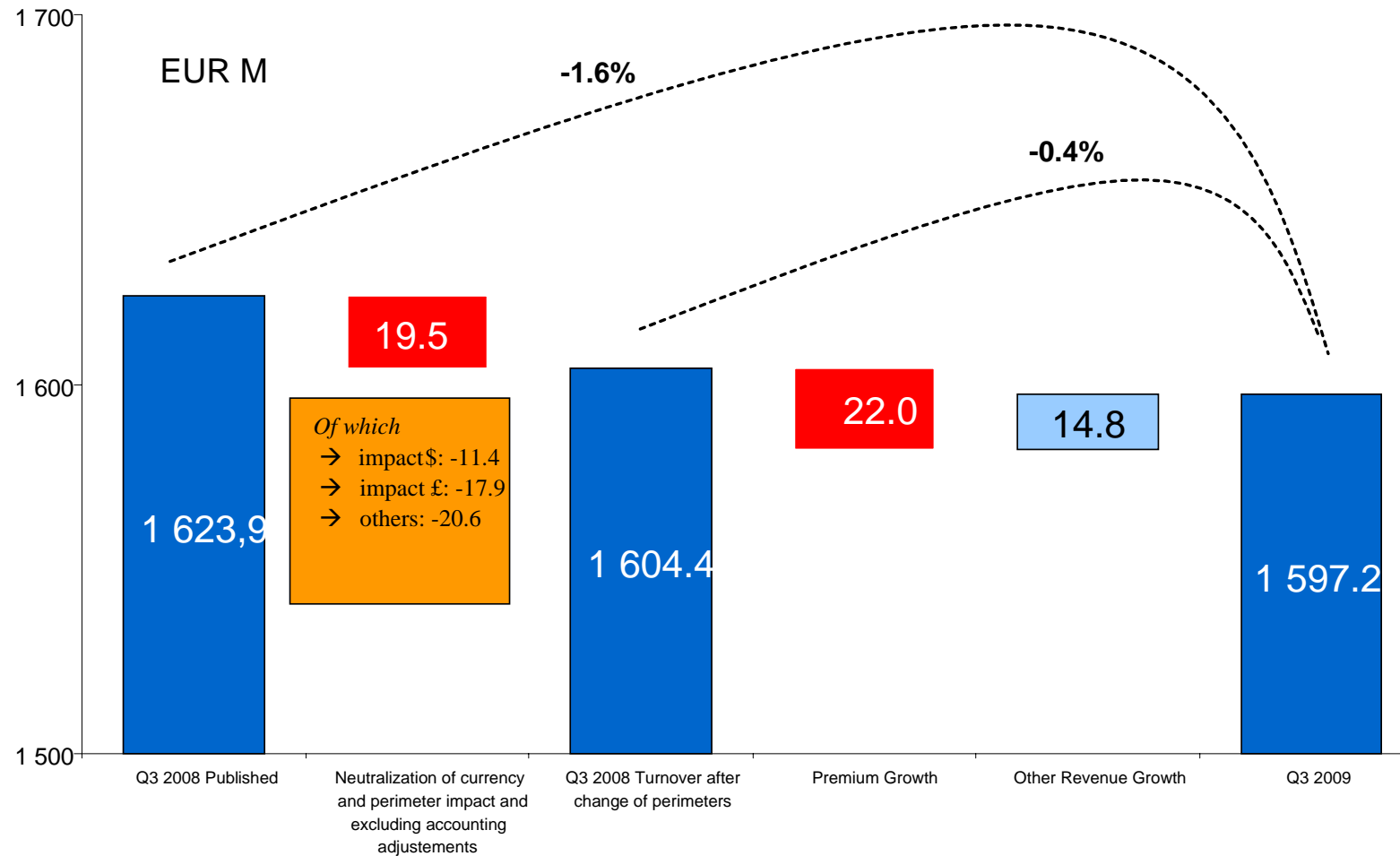
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YTD September 2009 key figures

EUR M	End of Sept 2009	End of Sept 2008	Variation in amount	Variation In %
Turnover	1 597.2	1 623.9	-26.7	-1.6%
Technical result	-71.1	137.5	-208.6	-151.7%
Net financial income (excluding financing costs)	118.9	110.6	8.3	7.5%
Operating income	47.9	248.1	-200.3	-80.7%
<i>Of which realised gains and losses</i>	59.5	23.2	36.3	156.6%
<i>Net of realised gains and losses</i>	-11.6	225.0	-236.6	-105.2%
Net consolidated result	0.9	152.3	-151.4	-99.4%
AZ Net combined ratio	114.7%	93.4%		
Euler Hermes Net combined ratio (including Service margin)	107.4%	86.1%		
Euler Hermes Net loss ratio	85.0%	66.1%		
Euler Hermes Net cost ratio	22.4%	19.9%		

2009 YTD Turnover evolution



2009 YTD Turnover evolution

EUR M	End of Sept 2009	End of Sept 2008	Variation in amount	Variation In %
Premium	1 295.9	1 334.6	-38.6	-2.9%
Other Revenues	301.3	289.4	11.9	4.1%
Total Credit insurance turnover	1 597.2	1 623.9	-26.7	-1.6%

Earned premiums by activity

EUR M	End of Sept 2009	End of Sept 2008	Variation In %
Credit Insurance	1 140.3	1 176.7	-3.1%
Bonding	82.0	84.2	-2.7%
Fidelity	59.2	58.8	0.7%
Retail	14.5	14.8	-2.4%
Earned premiums	1 295.9	1 334.6	-2.9%

2009 YTD Earned Premium evolution per geographic area

EUR thousands	End of Sept 2009	End of Sept 2008	Variation In %
France	227 777	244 488	-6.8%
United Kingdom	128 846	143 117	-10.0%
US	98 173	85 631	14.6%
Italy	129 826	152 554	-14.9%
Germany	410 789	431 960	-4.9%
Other Large BU's	137 405	138 926	-1.1%
Total large BU's	1 132 816	1 196 676	-5.3%
International Development Centers	163 122	137 887	18.3%
Total Gross Earned Premiums	1 295 939	1 334 563	-2.9%

2009 YTD key figures – Profit & Loss (part 1)

EUR thousands	End of Sept 2009	End of Sept 2008	Variation In %
Net earned premium	866 441	1 021 200	-15.2%
Net claims cost	-736 343	-675 379	9.0%
Net technical & non-technical expenses	-257 408	-278 344	-7.5%
Operating income from insurance activities	-127 309	67 477	-288.7%
<i>Combined ratio from insurance activities ALLIANZ FORMAT</i>	114.7%	93.4%	
Service revenues	301 272	289 351	4.1%
Service expenses	-245 028	-219 304	11.7%
Operating profit from service activities	56 244	70 047	-19.7%
Total Technical Result	-71 065	137 524	-151.7%
<i>Full technical combined ratio including service activities EH/ALLIANZ France FORMAT</i>	107.4%	86.1%	
<i>Of which Loss Ratio</i>	85.0%	66.1%	
<i>Cost Ratio</i>	22.4%	19.9%	

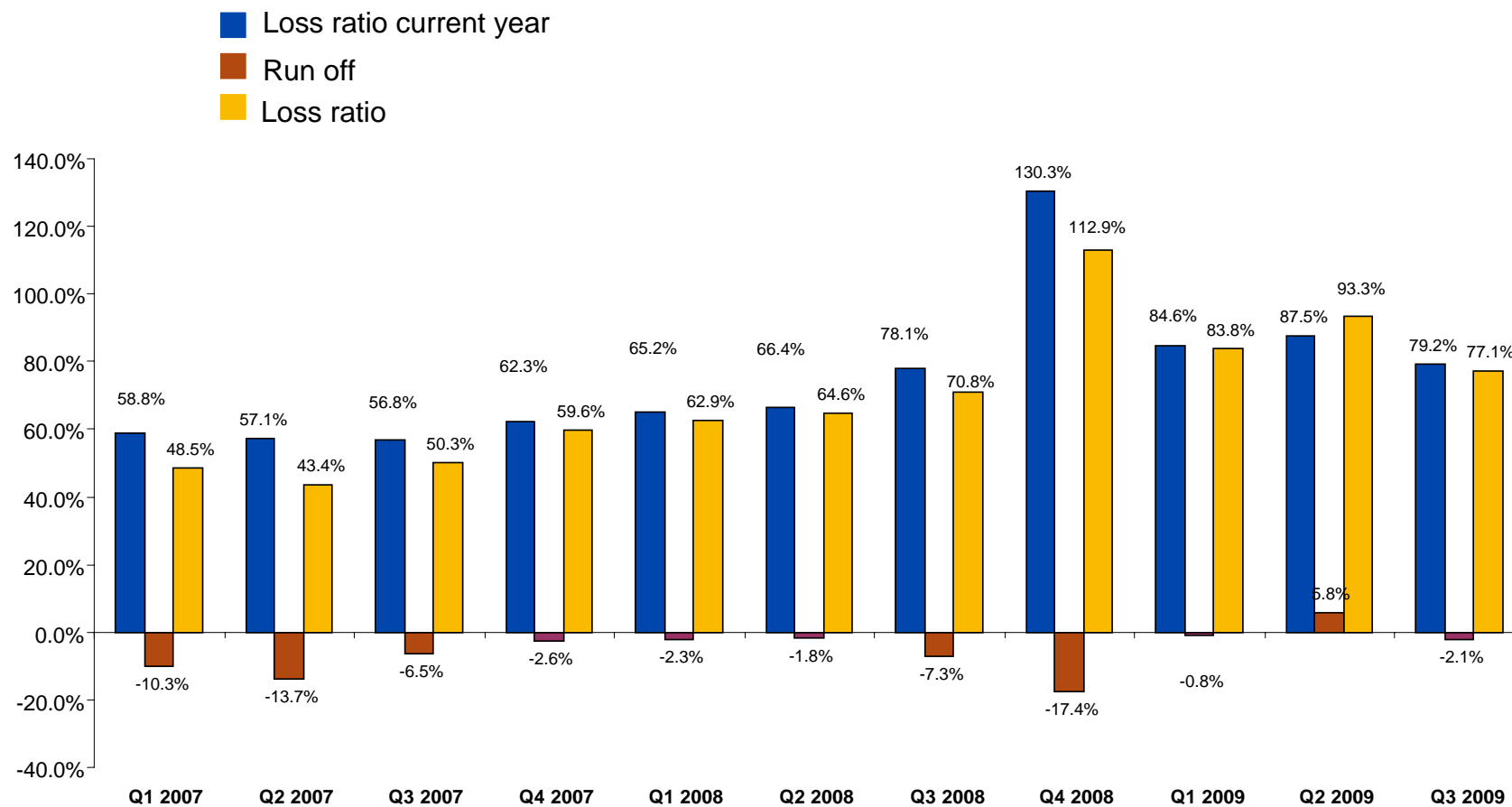
2009 YTD Net earned premium evolution

EUR thousands	End of Sept 2009	End of Sept 2008	Variation %
Gross earned premiums	1 295 940	1 334 563	-2.9%
Ceded premiums	-429 499	-313 363	37.1%
Net earned premiums	866 441	1 021 200	-15.2%
Cession rate	-33.1%	-23.5%	
Cession rate without XoL premium (assumed XOL=1,6% retention in 2008) (assumed XOL=2,5% retention in 2009)	-30.6%	-21.9%	

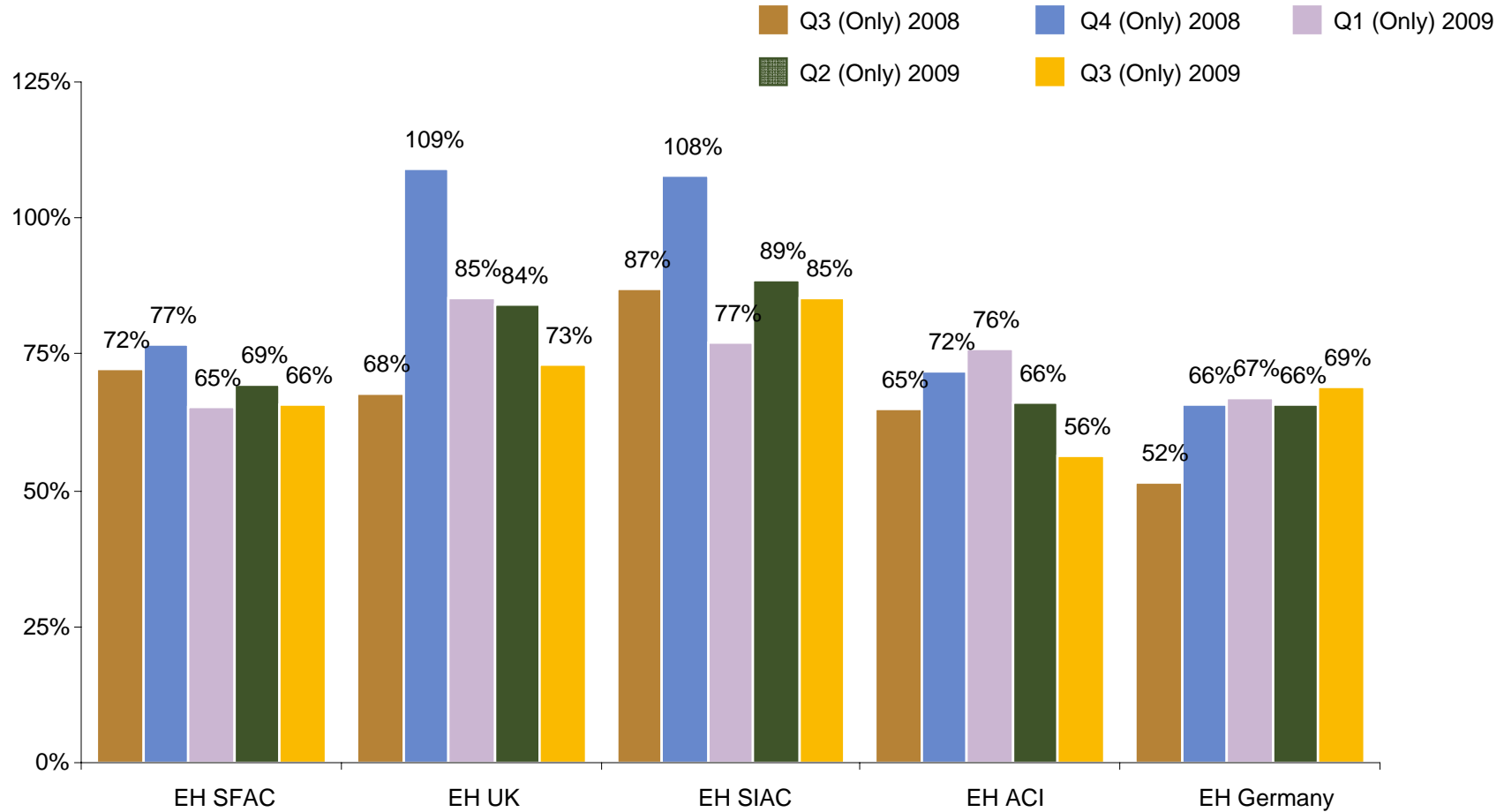
2009 YTD Net claims costs evolution

EUR thousands	End of Sept 2009	End of Sept 2008	Variation In %
Gross claims costs current attachment years	-1 029 449	-889 356	15.8%
Ceded claims costs current attachment years	301 961	174 969	72.6%
Net claim costs current attachment years	-727 488	-714 387	1.8%
<i>Cession rate current attachment years</i>	<i>29%</i>	<i>20%</i>	
Gross claims costs previous attachment years	16 451	51 285	-67.9%
Ceded claims costs previous attachment years	-25 306	-12 276	106.1%
Net claims costs previous attachment years	-8 855	39 009	-122.7%
<i>Cession rate previous attachment year</i>	<i>154%</i>	<i>24%</i>	
Claims costs	-736 343	-675 378	9.0%
Gross Claims ratio current attachment year	-79.4%	-66.6%	
Gross Claims ratio attachment previous year	1.3%	3.8%	
Gross Claims ratio	-78.2%	-62.8%	
Net Claims ratio current attachment year	-84.0%	-70.0%	
Net Claims ratio attachment previous year	-1.0%	3.8%	
Net Claims ratio	-85.0%	-66.1%	

EH Group net loss ratio quarter by quarter evolution

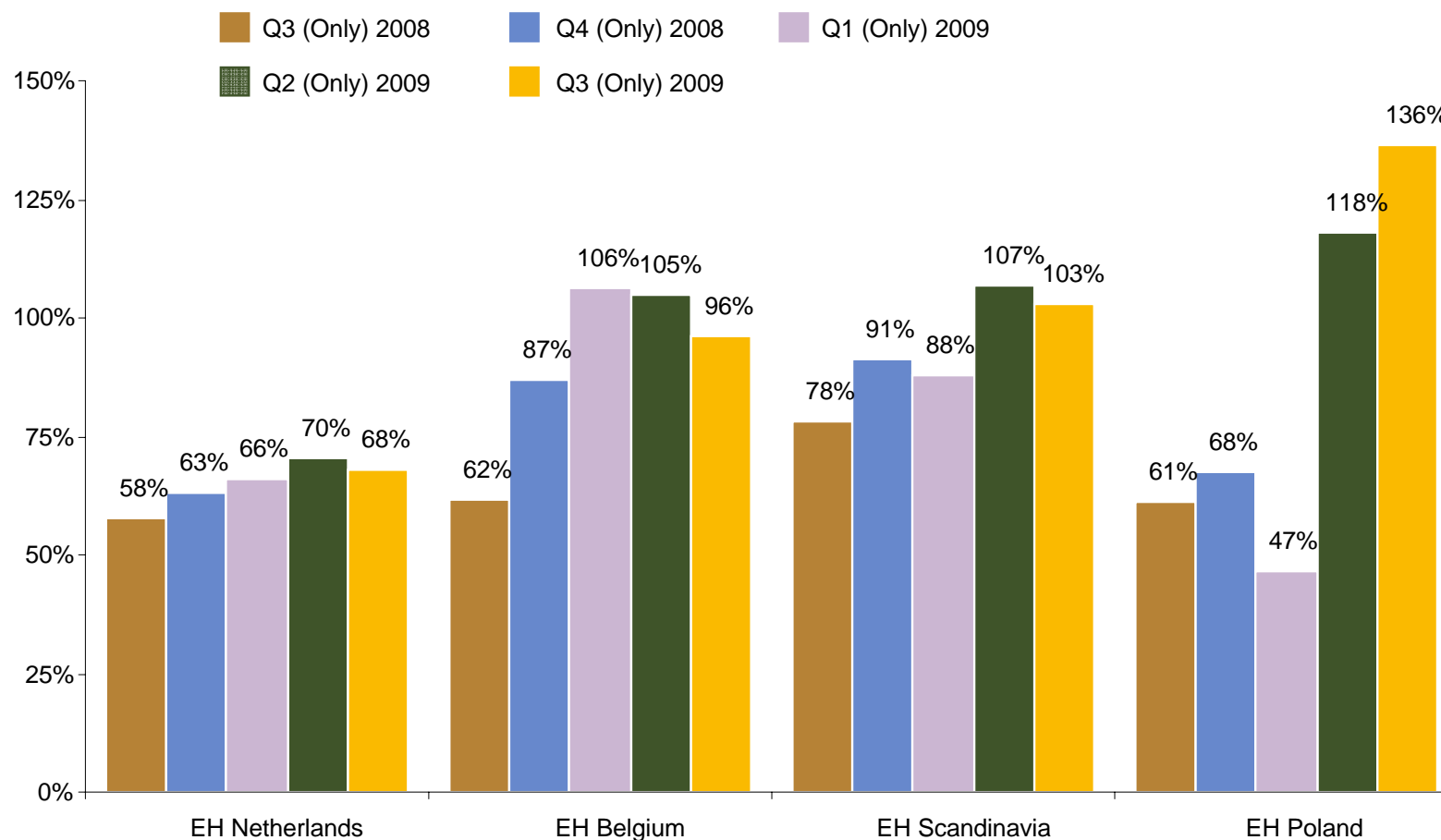


2009 YTD Gross loss ratio per operating entity - 1



Operational figures from commercial credit insurance activity only.

2009 YTD Gross loss ratio per operating entity - 2



Operational figures from commercial credit insurance activity only.

2009 YTD Gross Expenses Evolution

EUR thousands	End of Sept 2009	End of Sept 2008	Variation In %
Contract acquisition expenses	-252 163	-248 631	1.4%
Administration expenses	-131 781	-128 278	2.7%
Service expenses & Other ordinary incomes and charges	-248 220	-237 598	4.5%
Total recurrent expenses	-632 163	-614 507	2.9%
Total non recurrent expenses	-1 995	7 268	-132.8%
Total gross expenses	-634 158	-607 239	4.4%
of which non technical expenses	-7 184	-4 695	4.1%
Total gross Technical expenses	-626 974	-602 544	
Gross technical expense ratio	25.1%	23.5%	
Net technical expense ratio	22.4%	19.9%	

* 2009 Pro forma to show the same allocation as in 2008

2009 YTD Net Expenses Evolution

EUR thousands	End of Sept 2009	End of Sept 2008	Variation In %
Total gross technical expenses	-626 974	-602 544	4.1%
Service fees	301 272	289 351	4.1%
Expenses net of fees	-325 703	-313 194	4.0%
Gross earned premium	1 295 940	1 334 563	-2.9%
Reinsurance commission	131 723	109 594	20.2%
Ceded premiums	-429 499	-313 363	37.1%
Net technical expenses	-193 980	-203 599	-4.7%
Net premium	866 441	1 021 200	-15.2%
Gross technical expense ratio	25.1%	23.5%	
Net technical expense ratio	22.4%	19.9%	

2009 YTD Net Financial income evolution

EUR thousands	End of Sept 2009	End of Sept 2008	Variation In %
Income from investment property	4 844	5 564	-12.9%
Income from securities-bonds	52 807	59 348	-11.0%
Income from securities-equities	2 116	6 132	-65.5%
Income from securities	54 923	65 481	-16.1%
Other financial income	14 007	27 010	-48.1%
Investments income	73 773	98 055	-24.8%
Investment expenses	(7 076)	(7 454)	-5.1%
Net Fx result	(7 555)	(3 167)	138.5%
Net gains and losses on sales of investments less impairment and amortisation	59 776	23 183	157.8%
Net financial income (excluding financing expense)	118 919	110 617	7.5%

2009 YTD Net Financial Portfolio evolution

EUR thousands	2009.09					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
- Equities:	109 336	16 239	125 808	125 808	-	136 083	16 064	152 147	152 147	-
- Bonds:	1 868 903	53 346	1 922 251	1 922 251	-	1 812 265	62 584	1 874 849	1 874 903	54
- Loans and other investments	641 460	-	641 460	641 460	-	563 990	-	563 990	563 990	-
Total Financial investments	2 619 699	69 585	2 689 519	2 689 519	-	2 512 338	78 648	2 590 986	2 591 040	54
Building third party use	-	-	44 017	90 540	46 523	-	-	71 834	134 139	62 305
Cash	-	-	640 643	640 643	-	-	-	613 907	613 907	-
Total			3 374 179	3 420 702	46 523			3 276 727	3 339 086	62 359

2009 YTD Key figures – Profit & Loss (part 2)

EUR thousands	End of Sept 2009	End of Sept 2008	Variation In %
Technical result	-71 065	137 525	-151.7%
Financial income net of expenses	118 919	110 617	7.5%
Ordinary operating income	47 853	248 142	-80.7%
Other non ordinary income and expense	-7 618	0	n/a
Financing expenses	-7 669	-11 677	-34.3%
Income from companies accounted for by equity method	2 394	6 285	-61.9%
Corporation tax	-31 346	-86 763	-63.9%
Minority interest	-2 730	-3 688	-26.0%
Consolidated net income	883	152 298	-99.4%
Tax rate	-89.7%	-35.7%	

Thank you
for your attention.

Appendices

YTD Sept 09 result vs YTD Sept 08 result

	Notes	2009	2008
Premiums written		1 377 876	1 465 267
Premiums refunded		(45 355)	(58 483)
Change in unearned premiums		(36 582)	(72 220)
Earned premiums		1 295 939	1 334 564
Premium-related revenues		301 272	289 351
Turnover	9	€1 597 211	€1 623 915
Investment income		73 773	98 055
Investment management charges		(7 076)	(7 454)
Net gain (loss) on sales of investments less impairment and depreciation writebacks		59 851	33 493
Change in fair value of investments recognised at fair value through profit or loss		1 238	(767)
Change in investment impairment provisions		(1 313)	(9 543)
Net change in foreign currency		(7 554)	(3 167)
Net investment income		118 919	110 617
Insurance services expense		(1 012 999)	(838 071)
Outwards reinsurance income		(429 499)	(313 363)
Outwards reinsurance expense		408 379	272 284
Net outwards reinsurance income or expense	9	(21 120)	(41 079)
Contract acquisition expense		(243 063)	(248 631)
Administration expense		(138 534)	(124 595)
Other ordinary operating income and expense		(252 560)	(234 014)
ORDINARY OPERATING INCOME		€47 854	€248 142
Other non ordinary operating income and expense		(7 618)	-
OPERATING INCOME	9	€40 236	€248 142
Financing expense		(7 669)	(11 677)
Income from companies accounted for by the equity method	6	2 394	6 285
Corporation tax		(31 348)	(86 763)
CONSOLIDATED NET INCOME		3 613	155 987
<i>o/w</i>			
NET INCOME, GROUP SHARE		€883	€152 299
Minority interests		2 730	3 688

Balance sheet - Assets

(in thousands)	Notes	September 30, 2009	December 31, 2008
Goodwill	3	104 167	102 678
Other intangible assets		90 727	83 235
Intangible assets		194 894	185 913
Investment property	4	44 017	71 834
Financial investments	5	2 689 519	2 590 986
Derivatives		4 575	3 052
Investments- insurance businesses		2 738 111	2 665 872
Investments accounted for by the equity method	6	88 799	93 550
Share of assignees and reinsurers in the technical reserves and financial liabilities	8	532 982	417 978
Operating property and other property and equipment		159 883	162 426
Acquisition costs capitalised		49 417	46 798
Deferred tax assets		44 052	31 942
Inwards insurance and reinsurance receivables		511 339	498 208
Outwards reinsurance receivables		26 067	96 225
Corporation tax receivables		40 890	94 890
Other receivables		192 516	149 386
Other assets		1 024 164	1 079 875
Cash	7	640 643	613 907
TOTAL ASSETS		€5 219 593	€5 057 095

Balance sheet - Liabilities

Capital stock		14 426	14 426
Additional paid-in capital		451 924	451 924
Reserves		1 326 268	1 307 927
Net income, group share		883	83 592
Revaluation reserve		44 319	50 279
Translation reserve		(66 690)	(73 191)
Shareholders' equity, group share		€1 771 130	€1 834 957
Minority interests		21 060	20 328
Total shareholders' equity		€1 792 190	€1 855 285
Provisions for risks and charges		169 758	141 648
Bank borrowings		1 270	2 313
Other borrowings		407 445	295 433
Borrowings		408 715	297 746
Gross non-life technical reserves	8	1 943 996	1 853 698
Liabilities related to contracts		1 943 996	1 853 698
Deferred tax liabilities		322 740	354 367
Inwards insurance and reinsurance liabilities		221 735	195 172
Outwards reinsurance liabilities		136 496	96 697
Corporation tax payables		51 547	30 222
Other payables		172 416	232 260
Other liabilities		904 934	908 718
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		€5 219 593	€5 057 095

September 2009 YTD Claims evolution: Technical Reserves

(in thousands)	December 31, 2008	Allowance net of writebacks	Foreign exchange differences	Other changes	September 30, 2009
Reserve for unearned premiums	314 691	34 897	1 791	2 659	354 038
Reserve for claims	1 422 610	49 671	7 136	2 657	1 482 074
Reserve for no-claims bonuses and refunds	116 397	(10 864)	1 673	678	107 884
Gross technical reserves	1 853 698	73 704	10 600	5 994	1 943 996
Reserve for unearned premiums	47 853	33 030	1 078	7 095	89 056
Reserve for claims	353 186	67 324	989	3 826	425 325
Reserve for no-claims bonuses and refunds	16 939	(375)	1 011	1 026	18 601
Reinsurers' share of technical reserves	417 978	99 979	3 078	11 947	532 982
Net technical reserves	€2 271 676	€173 683	€13 678	€17 941	€2 476 978

September 2009 YTD Claims evolution

(in thousands)

	September 30, 2009			December 31, 2008		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Claims reserves gross of recoveries	1 765 204	(483 367)	1 281 837	1 650 693	(397 148)	1 253 545
Current period	856 120	(258 319)	597 801	1 141 066	(227 411)	913 655
Prior periods	909 084	(225 048)	684 036	509 627	(169 737)	339 890
Recoveries to be received	(283 130)	58 041	(225 089)	(228 084)	43 962	(184 122)
Current period	(100 406)	24 315	(76 091)	(117 115)	19 360	(97 755)
Prior periods	(182 724)	33 726	(148 998)	(110 969)	24 602	(86 367)
Claims reserves	€1 482 074	€(425 326)	€1 056 748	€1 422 609	€(353 186)	€1 069 423

(in thousands)

	September 30, 2009			December 31, 2008		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Reserves for unearned premiums	354 038	(89 056)	264 982	314 691	(47 853)	266 838
Claims reserves	1 482 074	(425 325)	1 056 749	1 422 609	(353 186)	1 069 423
of which, reserves for known claims	1 254 647	(366 300)	888 347	1 108 704	(384 528)	724 176
of which, reserves for late claims	409 121	(109 423)	299 698	440 723	44	440 767
of which, reserves for claims handling expenses	103 789	(7 643)	96 146	100 368	(12 620)	87 748
of which, other technical reserves	(2 352)	-	(2 352)	899	(44)	855
of which, recoveries to be received	(283 131)	58 041	(225 090)	(228 085)	43 962	(184 123)
No-claims bonuses and rebates	107 884	(18 601)	89 283	116 398	(16 939)	99 459
Technical reserves	€1 943 996	€(532 982)	€1 411 014	€1 853 698	€(417 978)	€1 435 720