Consolidated Financial Statements

For the year ended December 31, 2010

EULER HERMES
Business insured. Success ensured.

A company of Allianz

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Consolidated statement of financial position

(in thousands)	Notes	December 31, 2010	December 31, 2009
Goodwill	3	107 713	103 582
Other intangible assets	4	65 554	90 752
Intangible assets		**173 267**	**194 334**
Investment property	5	9 323	24 917
Financial investments	6	3 438 756	2 840 735
Derivatives		5 099	4 313
Investments- insurance businesses		**3 453 178**	**2 869 965**
Investments accounted for by the equity method	7	**98 066**	**89 254**
Share of assignees and reinsurers in the technical reserves and financial liabilities	18	**500 364**	**517 581**
Operating property and other property and equipment	8	151 262	158 319
Acquisition costs capitalised		45 671	42 649
Deferred tax assets	9	43 209	42 938
Inwards insurance and reinsurance receivables	10	478 913	459 723
Outwards reinsurance receivables	10	112 420	114 795
Corporation tax receivables		77 777	34 724
Other receivables	11	218 854	183 879
Other assets		**1 128 106**	**1 037 027**
Cash	12	306 201	441 792
TOTAL ASSETS		**€ 5 659 182**	**€ 5 149 953**
Capital stock		14 433	14 426
Additional paid-in capital		452 625	451 959
Reserves		1 363 344	1 326 179
Net income, group share		294 452	18 988
Revaluation reserve		39 399	43 500
Translation reserve		(33 832)	(59 273)
Shareholders' equity, group share		**€ 2 130 421**	**€ 1 795 779**
Minority interests	14	18 015	20 698
Total shareholders' equity		**€ 2 148 436**	**€ 1 816 477**
Provisions for risks and charges	15	**230 187**	**165 035**
Bank borrowings		255 118	1 261
Other borrowings		249 168	405 882
Borrowings	17	**504 286**	**407 143**
Non-life technical reserves	18	1 781 394	1 836 551
Liabilities related to contracts		**1 781 394**	**1 836 551**
Deferred tax liabilities	9	365 633	326 055
Inwards insurance and reinsurance liabilities	19	194 625	208 197
Outwards reinsurance liabilities	19	172 356	170 400
Corporation tax payables		14 612	38 298
Other payables	20	247 653	181 797
Other liabilities		**994 879**	**924 747**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**€ 5 659 182**	**€ 5 149 953**

Consolidated income statement

(in thousands excepted for the earnings per share)	Notes	Year ended December 31, 2010	2009	4th Quarter ended December 31 2010	2009
Premiums written		1 891 266	1 736 217	437 163	358 340
Premiums refunded		(120 885)	(63 079)	(25 031)	(17 724)
Change in unearned premiums		4 818	21 347	57 476	57 930
Earned premiums		**1 775 199**	**1 694 485**	**469 608**	**398 546**
Premium-related revenues		372 535	391 226	97 287	89 954
Turnover	21	**€ 2 147 734**	**€ 2 085 711**	**€ 566 895**	**€ 488 500**
Investment income		93 356	96 976	24 663	23 203
Investment management charges		(7 813)	(10 341)	(1 843)	(3 265)
Net gain (loss) on sales of investments less impairment and depreciation writebacks		28 465	71 272	(3 327)	11 421
Change in fair value of investments recognised at fair value through profit or loss		200	1 363	314	125
Change in investment impairment provisions		(3 982)	(1 335)	(1 255)	(22)
Net change in foreign currency		13 022	(9 525)	1 950	(1 971)
Net investment income	22	**123 248**	**148 410**	**20 502**	**29 491**
Insurance services expense		**(704 799)**	**(1 276 079)**	**(207 598)**	**(263 080)**
Outwards reinsurance income		(635 385)	(583 325)	(166 274)	(153 827)
Outwards reinsurance expense		419 308	558 008	120 710	149 630
Net outwards reinsurance income or expense	21	**(216 077)**	**(25 317)**	**(45 564)**	**(4 197)**
Contract acquisition expense	24	**(349 124)**	**(331 923)**	**(93 206)**	**(88 860)**
Administration expense	24	**(193 643)**	**(175 919)**	**(44 020)**	**(37 386)**
Other ordinary operating income	25	**28 021**	**13 703**	**13 731**	**4 630**
Other ordinary operating expense	25	**(363 487)**	**(354 959)**	**(97 467)**	**(93 326)**
ORDINARY OPERATING INCOME		**€ 471 873**	**€ 83 627**	**€ 113 273**	**€ 35 772**
Other non ordinary operating income and expense		(82 943)	(8 856)	(72 048)	(1 238)
OPERATING INCOME	21	**€ 388 930**	**€ 74 771**	**€ 41 225**	**€ 34 534**
Financing expense		(13 572)	(10 013)	(4 639)	(2 344)
Income from companies accounted for by the equity method	7	15 802	6 644	3 975	4 250
Corporation tax	26	(93 377)	(48 261)	(1 167)	(16 913)
CONSOLIDATED NET INCOME		**297 783**	**23 141**	**39 394**	**19 527**
o/w					
NET INCOME, GROUP SHARE		**€ 294 452**	**€ 18 988**	**€ 38 606**	**€ 18 105**
Minority interests		3 331	4 153	788	1 422
Other comprehensive income elements					
Change in fair market value of asset held for sale transfered through profits & losses (Gross amount)		(9 292)	(39 876)	2 560	(2 126)
Change in fair market value of asset held for sale transfered through profits & losses (Tax amount)		2 718	10 682	(709)	160
Change in fair market value of asset held for sale booked through equity (Gross amount)		3 196	31 339	(35 409)	2 420
Change in fair market value of asset held for sale booked through equity (Tax amount)		(1 250)	(7 442)	10 190	(117)
Change in fair market value of asset held for sale booked - minority interests share net of corporation tax		(221)	(13)	(74)	81
Other change in fair market value of asset held for sale booked through equity		(47)	(1 483)	6	(1 483)
Change in translation reserve (included impact on revaluation reserve) booked through equity (Gross amount)		41 925	22 493	13 692	14 249
Change in translation reserve (included impact on revaluation reserve) booked through equity (Tax amount)		(15 910)	(8 575)	(7 694)	(6 690)
Total other comprehensive income net of taxes		**€ 21 119**	**€ 7 125**	**€ (17 438)**	**€ 6 494**
Total comprehensive income		**€ 318 902**	**€ 30 266**	**€ 21 956**	**€ 26 021**
Total comprehensive income, group share		315 792	26 126	21 242	24 703
Total comprehensive income, minority interests		3 110	4 140	714	1 318
Earnings per share	27	**€ 6.74**	**€ 0.43**		
Diluted earnings per share	27	**€ 6.73**	**€ 0.43**		
Earnings per share of continuing activities		**€ 6.74**	**€ 0.43**		
Diluted earnings per share of continuing acitivies		**€ 6.73**	**€ 0.43**		

The other operational expenses recorded on December 31st, 2010 correspond to:

- The cost related to the implementation of the Excellence project for 72.5 millions euro (see note 1 – significant events)
- The cost of the plan of departure following the closing of the retail activity in Belgium for 10.4 millions euro (see note 1 – significant events)

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Consolidated statement of cash flows

(In thousands)	Notes	Twelve months ended December 31, 2010	2009
Net income, group share		**€ 294 452**	**€ 18 988**
Corporation tax		93 344	50 325
Financing expense		13 572	10 199
Operating income before tax		**401 369**	**79 512**
Minority interests		3 331	4 153
Allocation to and writebacks of depreciation, amortisation and reserves		165 451	59 092
Change in technical reserves		(62 695)	(128 480)
Change in deferred acquisition costs		9 071	10 659
Change in fair value of financial instruments recognised at fair value through the income statement (excluding cash and cash equivalents)		61	(1 067)
Realised capital gains/(losses) net of writebacks		(32 681)	(70 832)
Unrealised foreign exchange gain (loss) in company accounts		(14 630)	13 087
Revenues and expenses linked to stock options and similar		217	444
Interest revenues received accrued		(4 538)	(2 092)
Adjustment for elements included in operating income that do not correspond to cash flows and reclassification of financing and investment flows		**63 586**	**(115 037)**
Income (loss) of companies accounted for by the equity method		(15 802)	(6 645)
Dividends received from companies accounted for by the equity method		7 918	10 555
Change in liabilities and receivables relating to insurance and reinsurance transactions		(55 812)	89 469
Change in inventories		-	-
Change in operating receivables and liabilities		42 673	(32 793)
Change in other assets and liabilities		(14 693)	(41 057)
Corporation tax		(120 363)	(9 165)
Cash flow related to operating activities		**(156 079)**	**10 364**
Cash flow from operating activities		**€ 308 876**	**€ (25 161)**
Acquisitions of subsidiaries and joint ventures, net of acquired cash		1 791	-
Disposals of subsidiaries and joint ventures, net of acquired cash		-	-
Acquisitions of equity interests in companies accounted for by the equity method		-	-
Cessions de participations dans des entreprises mises en équivalence		-	-
Merger		-	-
Others		-	-
Cash flow linked to changes in the consolidation scope		**1 791**	**-**
Disposals of AFS securities		910 403	1 254 064
Matured HTM securities		595	5 297
Disposals of investment properties		45 267	71 939
Disposals of securities held for trading		1 882	172
Cash flow linked to disposals and redemptions of investments		**958 147**	**1 331 472**
Acquisitions of AFS securities		(1 181 396)	(1 464 175)
Acquisitions of HTM securities		-	-
Acquisitions of investment properties		(3 825)	(1 318)
Acquisitions of trading securities		(2 726)	(580)
Cash flow linked to acquisitions of investments		**(1 187 947)**	**(1 466 073)**

Consolidated statement of cash flows

Disposals of other investments and intangible assets		654 335	451 439
Acquisitions of other investments and intangible assets		(971 722)	(483 842)
Cash flow linked to acquisitions and disposals of other investments and intangible assets		**(317 387)**	**(32 402)**
Cash flow from investing activities		**€ (545 396)**	**€ (167 002)**
Increases and decreases in capital		3 952	12
Increases in capital		*3 822*	*(30)*
Decreases in capital		*130*	*42*
Change in treasury stock		18 858	(820)
Dividends paid		(4 137)	(68 986)
Cash flow linked to transactions with the shareholders		**18 673**	**(69 794)**
Change in non voting shares		-	-
Changes in loans and subordinated securities		91 625	106 866
Issue		*251 018*	*246 278*
Repayment		*(159 393)*	*(139 412)*
Interest paid		(6 653)	(9 482)
Cash flow from group financing		**84 971**	**97 384**
Cash flow from financing activities		**€ 103 644**	**€ 27 590**
Impact of foreign exchange differences on cash and cash equivalents		7 457	(2 557)
Reclassification		(10 172)	(3 750)
Other net changes in cash		**€ (2 715)**	**€ (6 307)**
Change in cash flows		**(135 591)**	**(170 881)**
Change in cash and cash equivalents		**(135 591)**	**(170 881)**
Cash and cash equivalents at begining of period	**12**	**€ 441 442**	**€ 612 323**
Cash and cash equivalents at end of period	**12**	**€ 305 851**	**€ 441 442**

The reclassification of 10 millions euro mainly corresponds to certificates of deposit with maturity higher than 3 months wrongly recorded in equivalent of treasury at Euler Hermes SA openings.

Consolidated statement of changes in equity

For the year 2010

(in thousands)	Capital Stock	Additional paid-in-capital	Retained earnings	Revaluation reserve	Translation reserve	Treasury shares	Shareholders' equity, group share	Minority interests	Total shareholders' equity
Opening Shareholders ' equity	**€ 14 426**	**€ 451 959**	**€ 1 430 684**	**€ 43 500**	**€ (59 273)**	**€ (85 517)**	**€ 1 795 779**	**€ 20 698**	**€ 1 816 477**
Available-for-sale assets (AFS)	-	-	-	-	-	-		-	
Measurement gain / (loss) taken to shareholders' equity	-	-	-	1 946	-	-	**1 946**	(221)	**1 725**
Impact of transferring realised gains and losses to income statement	-	-	-	(6 574)	-	-	**(6 574)**	-	**(6 574)**
Other movements	-	-	-	(48)	-	-	**(48)**	-	**(48)**
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	-	-	-	575	25 441	-	**26 016**	-	**26 016**
Current and deferred tax taken directly to or transferred to shareholders' equity	-	-	-	-	-	-	-	-	-
Net income recognised in shareholders' equity	**-**	**-**	**-**	**(4 101)**	**25 441**	**-**	**21 340**	**(221)**	**21 119**
Net income for the year	**-**	**-**	**294 452**	**-**	**-**	**-**	**294 452**	**3 331**	**297 783**
Total revenues and losses recognised for the period	**-**	**-**	**€ 294 452**	**€ (4 101)**	**€ 25 441**	**-**	**€ 315 792**	**€ 3 110**	**€ 318 902**
Capital movements	7	666	-	-	-	18 858	**19 531**	-	**19 531**
Dividend distributions	-	-	6	-	-	-	**6**	(4 143)	**(4 137)**
Shareholders' equity component of share-based payment plans	-	-	217	-	-	-	**217**	-	**217**
Cancellation of gains/losses on treasury shares	-	-	-	-	-	-	-	-	-
Other movements	-	-	(904)	-	-	-	**(904)**	(1 650)	**(2 554)**
Closing Shareholders ' equity	**€ 14 433**	**€ 452 625**	**€ 1 724 455**	**€ 39 399**	**€ (33 832)**	**€ (66 659)**	**€ 2 130 421**	**€ 18 015**	**€ 2 148 436**

For the year 2009

(in thousands)	Capital Stock	Additional paid-in-capital	Retained earnings	Revaluation reserve	Translation reserve	Treasury shares	Shareholders' equity, group share	Minority interests	Total shareholders' equity
Opening Shareholders ' equity	**€ 14 426**	**€ 451 924**	**€ 1 476 216**	**€ 50 279**	**€ (73 191)**	**€ (84 697)**	**€ 1 834 957**	**€ 20 328**	**€ 1 855 285**
Available-for-sale assets (AFS)	-	-	-	-	-	-		-	
Measurement gain / (loss) taken to shareholders' equity	-	-	-	23 936	-	-	**23 936**	(39)	**23 897**
Impact of transferring realised gains and losses to income statement	-	-	-	(29 207)	-	-	**(29 207)**	-	**(29 207)**
Other movements	-	-	-	(1 529)	-	-	**(1 529)**	26	**(1 503)**
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	-	-	-	20	13 918	-	**13 938**	-	**13 938**
Current and deferred tax taken directly to or transferred to shareholders' equity	-	-	-	-	-	-	-	-	-
Net income recognised in shareholders' equity	**-**	**-**	**-**	**(6 779)**	**13 918**	**-**	**7 138**	**(13)**	**7 125**
Net income for the year	**-**	**-**	**18 988**	**-**	**-**	**-**	**18 988**	**4 153**	**23 141**
Total revenues and losses recognised for the period	**-**	**-**	**€ 18 988**	**€ (6 779)**	**€ 13 918**	**-**	**€ 26 127**	**€ 4 140**	**€ 30 267**
Capital movements	-	35	-	-	-	(820)	**(785)**	-	**(785)**
Dividend distributions	-	-	(65 274)	-	-	-	**(65 274)**	(3 712)	**(68 986)**
Shareholders' equity component of share-based payment plans	-	-	444	-	-	-	**444**	-	**444**
Cancellation of gains/losses on treasury shares	-	-	-	-	-	-	-	-	-
Other movements	-	-	310	-	-	-	**310**	(58)	**252**
Closing Shareholders ' equity	**€ 14 426**	**€ 451 959**	**€ 1 430 684**	**€ 43 500**	**€ (59 273)**	**€ (85 517)**	**€ 1 795 779**	**€ 20 698**	**€ 1 816 477**

At December 31st, 2010, the capital stock of Euler Hermes consisted of 45,102,732 fully paid-up shares. At the same date the group holds 1,267,444 treasury shares.

In accordance with IAS 39, available-for-sale (AFS) investments were remeasured at market value with the resulting gain or loss being taken directly to the revaluation reserve with no impact on the income statement. During the year, the reduction in the revaluation reserve totalled €(4101) thousand net of taxes.

Variances in translation differences during the year concerned mainly the US dollar (€13,470 thousand) and the British pound (€5,204 thousand).

19 522 new shares were created as a result of the exercise of stock options during 2010**.** Following these transactions, the additional paid-in capital of Euler Hermes SA increased by €666 thousand.

The variance of €217 thousand corresponds to an expense in respect of stock option plans in accordance with the application of IFRS 2.

Consolidated reserves include notably provisions for equalisation recognised in the statutory financial statements of the European insurance companies.

Notes to the consolidated financial statements

Note 1 Significant events

The following significant events occurred in the year 2010:

Changes in the share capital and in share ownership

As at December 31, 2010, the Allianz group owned 30,744,048 shares out of a total of 45,102,732 shares, corresponding to 68.16% of the share capital of Euler Hermes. Consequently, Euler Hermes is integrated into Allianz scope of consolidation.

During the year 2010, 19,522 new shares were created by the exercise of options. As at December 31 2010, Euler Hermes' share capital was composed of 45,102,732 shares, including 1,267,444 shares held in treasury stock.

Evolution of the retention rate

The premium retention rate is the ratio of premiums after reinsurance to earned premiums before reinsurance. This rate decreases from 65.6% at end-December 2009 to 64.2% at end-December 2010.
Earned premiums gross of reinsurance increased by 4.76% end-December 2009 compared to end-December 2010; the earned premiums net of reinsurance increased by 2.58% end-December 2009 compared to end-December 2010.

Euler Hermes Credit Insurance Belgium's situation

On April, 15th 2010 the management of Euler Hermes Credit Insurance Belgium communicated its decision to liquidate its retail business. It implies the implementation of a restructuring plan. On September 30th, 2010 the negotiations between the direction of Euler Hermes Credit Insurance Belgium and the social partners have reached. A provision is booked of 10,4 M€ on September 2010.

On September, 3rd 2010 Euler Hermes Credit Insurance Belgium SA sold his building located 15 street Montoyer in Brussels to the Belgian real estate group Immobel for 12.1 millions euro.

"One Euler Hermes" go live

The Euler Hermes group announced the go live of "One Euler Hermes" from January 1st, 2010. It focuses on implementing the organisational changes needed to create a customer-oriented and even more efficient group.
This new organisation focused on six completely given responsibilities regions: Germany/Swiss/Austria, Americas, Asia/Pacific, France, Northern Europe and Mediterranean Countries/Africa.
The main changes are the new Mediterranean Countries/Africa area which contents Greece, Spain & Morocco (previously the French International Development Center) and Italy and the Northern Europe area with United-Kingdom, Belgium, Netherland, Sweden, Norway, Finland, Denmark & Poland.
The segment data had been modified in 2010 & 2009 in order to ensure the comparison between the two periods.

"Excellence" project

In the economic environment with low current visibility, Euler Hermes has for objective to manage its activity in a most effective way. The Group launched in this perspective "Excellence", a program of transformation in three years to strengthen his long-term competitive advantage from the point of view of market and costs. On the market side, Euler Hermes wants to accelerate the growth through a world clientele segmentation and a model of service allowing to improve the satisfaction of the customers. On the costs side, Euler Hermes has for objective to build an effective world platform which allows providing with operational productivity gains thanks to harmonized processes and simplified legal structures.
Euler Hermes opened discussions with the representatives of the worker councils to present in detail the program "Excellence". On December 31, 2010 after discussion with the representatives of the worker councils, Euler Hermes recorded in its accounts a restructuring reserve for 56.6 million euro as well as a restructuring charge of 15.9 million euro.

<u>"Convergence" project</u>

Euler Hermes group decided to launch in 2006 a new IT project in order to implement a group IT tool for claims handling and collection handling under the project name "Convergence". Target was to generate a common claims handling and collection handling tool for all Euler Hermes entities with full roll-out beginning of 2011.

At this stage, only Euler Hermes Germany is using the system. A detailed technical audit of the project in April 2010 has identified that EH would have to increase the investment envelop quite significantly in order to allow a roll out to the other Euler Hermes entities. Therefore Euler Hermes Management has decided to freeze the project and has requested an impairment test on this project in order to determine its actual net present value.

This test has lead Euler Hermes management Board to do partial write down of the project of 13,4 millions euro in order to adjust the net book value of the IT tool to its net present value.

Note 2 IFRS accounting and valuation rules

Euler Hermes SA is a company domiciled in France. The head quarter of Euler Hermes SA is located 1 rue Euler 75008 Paris. The consolidated financial statements as at December 31, 2010 include Euler Hermes SA and its subsidiaries (the whole designated as "the Group" and each subsidiary individually as "the entities of the Group") and the quota-share of the Group in its associated companies or joint ventures.

The financial statements of the Euler Hermes group as at December 31, 2010 were approved by the Board of Director's of February 14, 2011 and presented to the Supervisory Board of February 15, 2011. They will be submitted for validation to the Shareholders' General Meeting of May 20, 2011.

2.1. General Principles

In accordance with European regulation no. 1606/2002 of July 19, 2002, the interim consolidated financial statements published at December 31, 2010 were prepared in accordance with IFRS as adopted by the European Union. International accounting standards comprise IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards), together with their interpretative texts.

The standards and interpretations applied stem essentially from:

- IAS/IFRS and their interpretative texts whose application is mandatory at December 31, 2010 as adopted by the European Union,
- Guidance provided in CNC recommendation no. 2009-R05 relating to the format of financial statements prepared by insurance firms under international accounting guidelines.

Euler Hermes applied, by anticipation in 2008, IAS 19 – IFRIC 14 related to the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Voluntary prepaid contributions under a minimum funding requirement). The application of IFRIC 14 didn't impact the consolidated financial statements.

The Group didn't choose the options related to the reclassification of financial assets (published by IASB on October 13th, 2008 and applicable on July 1st, 2008) linked to the update of IAS 39 - Financial instruments: recognition and measurement and IFRS 7 - Financial instruments: disclosures.

As at December 31, 2010, Euler Hermes didn't apply the following standards and interpretations published by IASB that are not mandatory as at January 1st, 2010:

- IFRS 1 update - limited exemption from comparative IFRS 7 disclosures
- IAS 32 update – Classification of the emitted application rights;
- IAS 24 revised – Related parties;
- IFRS 7 update – Information to provide in transfers of financial assets
- IFRIC 19 –Extinguishing Financial Liabilities with Equity Instruments
- IFRIC 14 update – Prepayments of a Minimum Funding Requirement .

Euler Hermes group has applied as at January 1st, 2010 the following standards and updates:

- IAS 27 update – Business combination;

- IFRS 2 update – Intercompanies 'transactions settled in treasury.

The following updates of IFRS standards didn't impact the consolidated financial statements of the Euler Hermes:

- IFRS 1 revised – First-time adoption of IFRS
- IFRS 3 update – Business combination;
- IAS 39 – Financial instruments – Hedge accounting recognition
- IFRS 1 update – Limited exemption from comparative IFRS 7 disclosures

The following interpretations of IFRS standards didn't impact the consolidated financial statements of the Euler Hermes:

- IFRIC 12 – Service concession arrangements;
- IFRIC 13 – Customer Loyalty Programmes;
- IFRIC 15 – Agreements for the Construction of Real Estate;
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation;
- IFRIC 17 – Distribution to the stakeholders of non-monetary assets;
- IFRIC 18 – Transfers of Assets from Customers;

IAS 8 § 5 Accounting policies, changes in accounting estimates and errors related to change in presentation of segment data

The standard mentions "Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements". The new organisation of the Group related to One Euler Hermes go live modified the 2009 segment data and it has been updated to be compared to the new geographical segments.

The financial statements are presented in euros, the functional currency, rounded to the nearest thousand. They have been prepared on a historical cost basis except for asset and liability items relating to insurance policies, which are measured in accordance with the methods already applied by the group and financial instruments measured at fair value (financial instruments at fair value through the income statement and available-for sale financial instruments). Non-current assets and groups of assets held with a view to being sold are measured at the lower of carrying amount and fair value less selling costs.

2.2. Consolidation scope

Euler Hermes has announced the start up of a new subsidiary in Chile during the third quarter.
On December 22, 2010 Euler Hermes liquidated its Codinf Service Direct subsidiary

2.3. List of consolidated companies

French companies	Consolidation Method	December 31, 2010 %control	December 31, 2010 %interest	December 31, 2009 %control	December 31, 2009 %interest
Euler Hermes S.A. (1) 1, rue Euler - 75008 Paris N°Siren : 552 040 594	Held by Allianz SA: 68,16%	Parent company		Parent company	
Bilan Services S.N.C. 25, boulevard des Bouvets - 92000 Nanterre N°Siren : 333 192 631	Full	50,00	50,00	50,00	50,00
Euler Hermes SFAC Asset Management S.A. 1, rue Euler - 75008 Paris N°Siren : 422 728 956	Full	100,00	100,00	100,00	100,00
Euler Hermes Services S.A.S. 1, rue Euler - 75008 Paris N°Siren : 414 960 377	Full	100,00	100,00	100,00	100,00
Euler Hermes SFAC S.A. 1-3-5 rue Euler - 75008 Paris N°Siren : 348 920 596	Full	100,00	100,00	100,00	100,00
Euler Hermes SFAC Crédit S.A.S. 1, rue Euler - 75008 Paris N°Siren : 388 236 853	Full	100,00	100,00	100,00	100,00
Euler Hermes SFAC Recouvrement S.A.S. 1, rue Euler - 75008 Paris N°Siren : 388 238 026	Full	100,00	100,00	100,00	100,00
Euler Hermes Tech S.A.S. 1, rue Euler - 75008 Paris N°Siren : 388 237 091	Full	100,00	100,00	100,00	100,00
Euro Gestion EURO VL - Immeuble Colline Sud - 10 passage de l'Arche 92034 Paris La Défense FR0007047568	Full	100,00	100,00	100,00	100,00
Euler Gestion CIC Asset Management - 4 rue Gaillon - 75002 Paris FR0007434980	Full	100,00	100,00	100,00	100,00
Euler Hermes World Agency 8 Rue Euler - 75008 Paris N°Siren : 487 550 907	Full	100,00	100,00	100,00	100,00
Gie Euler Hermes SFAC Services 1 rue Euler 75008 Paris N°siren : 393 302 708	Full	100,00	100,00	100,00	100,00

(1) Proportion held is based on a total of 45 102 732 shares (before restatement of treasury shares).

Foreign companies	Country	Consolidation Method	December 31, 2010 %control	December 31, 2010 %interest	December 31, 2009 %control	December 31, 2009 %interest
Bürgel Wirtschaftsinformationen GmbH & Co. K.G. Gasstr.18 - D-22761 Hambourg	Germany	Full	50,10	50,10	50,10	50,10
Bürgel Wirtschaftsinformationen Verwaltungs-GmbH Gasstr.18 - D-22761 Hambourg	Germany	Full	50,40	50,40	50,40	50,40
Euler Hermes Forderungsmanagement GmbH Friedensallee 254 - Hambourg	Germany	Full	100,00	100,00	100,00	100,00
Euler Hermes Rating GmbH Friedensallee 254 - Hambourg	Germany	Full	100,00	100,00	100,00	100,00
Euler Hermes Collections GmbH Zeppelin Str. 48 - DE-14471 - Potsdam	Germany	Full	100,00	100,00	100,00	100,00
Euler Hermes Kreditversicherungs A.G. Friedensallee 254 - Hambourg	Germany	Full	100,00	100,00	100,00	100,00
Euler Hermes Argentina San Martin 550- C1004AAL Buenos Aires	Argentina	Full	100,00	100,00	100,00	100,00
Euler Hermes Trade Credit Underwriting Agents Level 14, 2 Market Street Sydney NSW 2000 Australia	Australia	Full	100,00	100,00	100,00	100,00
Prisma Kreditversicherungs A.G. Himmelpfortgasse 29 - 1010 Vienne	Austria	Equity	49,00	49,00	49,00	49,00
OeKB EH Beteiligungs- u. Manag Strauchgasse 1-3 - 1011 - Vienne	Austria	Equity	49,00	49,00	49,00	49,00
Euler Hermes Credit Insurance Belgium S.A. (N.V.) 15, rue Montoyer - 1000 Bruxelles - RC Bruxelles : 31 955	Belgium	Full	100,00	100,00	100,00	100,00
Euler Hermes Services Belgium S.A. (N.V.) 15, rue Montoyer - 1000 Bruxelles - RC Bruxelles : 45 8033	Belgium	Full	100,00	100,00	100,00	100,00
Graydon Belgium (N.V.) Uibreidingstraat 84 Bus 1 - 2500 Berchem	Belgium	Equity	27,50	27,50	27,50	27,50
Euler Hermes Seguros de Crédito S.A. Alameda Santos 2335 Conj. 51 - Cerqueira César 01419-002 - São Paulo	Brasil	Full	100,00	100,00	100,00	100,00
Euler Hermes Serviços Ltda Alameda Santos 2335 Conj. 51 - Cerqueira César 01419-002 - São Paulo	Brasil	Full	100,00	100,00	100,00	100,00
Euler Hermes Do Brasil Exportaçao Alameda Santos 2335 Conj. 51 - Cerqueira César 01419-002 - São Paulo	Brasil	Full	100,00	100,00	100,00	100,00
Euler Hermes Canada Services 1155, René-Lévesque Blvd West, suite 1702 - Montréal H3B 3Z7	Canada	Full	100,00	100,00	100,00	100,00
Euler Hermes Information Consulting (Shanghai) Co. Ltd 9/F Mirae Asset Tower, 166 Lujiazui Ring Road, Pudong New Area, Shanghai, 200120, PRC	China	Full	100,00	100,00	100,00	100,00
Euler Hermes Seguros de Crédito S.A. Avda. Presidente Kennedy 5735, of. 801, Torre Poniente - Las Condes, Santiago	Chile	Full	100,00	100,00	0,00	0,00
Euler Hermes Chile Servicios Limitada Avda. Presidente Kennedy 5735, of. 801, Torre Poniente - Las Condes, Santiago	Chile	Full	100,00	100,00	0,00	0,00
Euler Hermes Colombie Carrera 13A No. 29-24, Torre Colseguros - Bogota	Colombia	Full	100,00	100,00	100,00	100,00
Euler Hermes Crédito Sucursal en Espana de EH SFAC S.A. Paseo de la Castellana, 95 - Edificio Torre Europa - Planta 14 - 28046 Madrid	Spain	Full	100,00	100,00	100,00	100,00
Euler Hermes Servicios de Credito SL Paseo de la Castellana, 95 - Edificio Torre Europa - Planta 14 - 28046 Madrid	Spain	Full	100,00	100,00	100,00	100,00
Euler Hermes Services Estonia OÜ Pirita tee 20, T-building, 10127 - Tallinn, Estonia	Estonia	Full	100,00	100,00	100,00	100,00
Euler Hermes ACI Inc 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100,00	100,00	100,00	100,00

Notes to the consolidated financial statements

Euler Hermes ACI Holding Inc 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100,00	100,00	100,00	100,00
Euler Hermes ACI Services, LLC 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100,00	100,00	100,00	100,00
Euler Hermes UMA 600 South 7th Street – Louisville, LA 4020	United States	Full	100,00	100,00	100,00	100,00
Euler Hermes Emporiki S.A. 109-111, Messogion Ave - Politia Business Center - 115 26 Athènes	Greece	Full	60,00	60,00	60,00	60,00
Euler Hermes Emporiki Services Limited 109-111, Messogion Ave - Politia Business Center - 115 26 Athènes	Greece	Full	60,00	60,00	60,00	60,00
Euler Hermes Credit Underwriters Hong Kong Ltd Suites 403-11, 4/F, Cityplaza 4 - 12 Taikoo Wen Road - Taikoo Shing, Hong Kong	Hong Kong	Full	100,00	100,00	100,00	100,00
Euler Hermes Services (HK) Ltd Suites 403-11, 4/F, Cityplaza 4 - 12 Taikoo Wen Road - Taikoo Shing, Hong Kong	Hong Kong	Full	100,00	100,00	100,00	100,00
Euler Hermes Magyar Követeléskezelö Kft Kiscelli u.104 - 1037 Budapest	Hungary	Full	74,90	74,90	74,90	74,90
Euler Hermes Magyar Hitelbiztosító Rt Kiscelli u.104 - 1037 Budapest	Hungary	Full	74,89	74,89	74,89	74,89
Euler Hermes Services India Private Limited 4th Floor, Voltas House - 23, J N Heredia Marg - Ballard Estate - Mumbai 400 001	India	Full	100,00	100,00	100,00	100,00
Euler Hermes Credit Management Service Ireland Ltd The Arch, Blackrock Business Park, Craysfort Avenue, Blackrock, Co Dublin, Republic of Ireland	Ireland	Full	100,00	100,00	100,00	100,00
Israël Credit Insurance Company Ltd (ICIC) 2, Shenkar Street - 68010 Israël - Tel Aviv	Israel	Equity	33,33	33,33	33,33	33,33
Euler Hermes SIAC Via Raffaello Matarazzo - 00139 Rome	Italy	Full	100,00	100,00	100,00	100,00
Euler Hermes SIAC Services S.R.L. Via Raffaello Matarazzo - 00139 Rome	Italy	Full	100,00	100,00	100,00	100,00
Logica Sofware S.R.L. Via Borsellino - Reggio Emilia	Italy	Full	100,00	100,00	100,00	100,00
Euler Hermes Credit Services (Japan) Ltd 08-07, Kyobashi 1-chome, Chuo-Ku - Tokyo	Japan	Full	100,00	100,00	100,00	100,00
Euler Hermes Services Latvija S.I.A. Cesu 31/8, LV-1012 Riga	Latvia	Full	100,00	100,00	100,00	100,00
UAB Euler Hermes Services Baltic Konstitucijos ave 7, Vilnius - Lithuania	Lituanie	Full	100,00	100,00	100,00	100,00
Euler Hermes Ré 19, rue de Bitbourg - L-2015 Luxembourg	Luxembourg	Full	100,00	100,00	100,00	100,00
Euler Hermes Acmar 37, boulevard Abdellatif Ben Kaddour - 20050 Casablanca	Morocco	Full	55,00	55,00	55,00	55,00
Euler Hermes Acmar Services 37, boulevard Abdellatif Ben Kaddour - 20050 Casablanca	Morocco	Full	55,00	55,00	55,00	55,00
Euler Hermes Seguro de Crédito S.A. Blvd Manuel Avila Camacho #164, 8°piso - Col. Loma s de Barrilaco - Mexico, DF CP 11010	Mexico	Full	100,00	100,00	100,00	100,00
Euler Hermes Servicios S.A. Blvd Manuel Avila Camacho #164, 8°piso - Col. Loma s de Barrilaco - Mexico, DF CP 11010	Mexico	Full	100,00	100,00	100,00	100,00
Euler Hermes Trade Credit Ltd. Lumley Centre Level 1, 152 Fanshawe Street, Auckland 1010	New Zealand	Full	100,00	100,00	100,00	100,00
Euler Hermes Interborg N.V. Hoogoorddreef 5 - Postbus/ PO 1100 AL Amsterdam	Netherlands	Full	100,00	100,00	100,00	100,00
Euler Hermes Kredietverzekering N.V. Pettelaarpark 20 - Postbus 70571 - NL-5201 CZ's-Hertogenbosch	Netherlands	Full	100,00	100,00	100,00	100,00
Euler Hermes Services B.V. Pettelaarpark 20 - Postbus 70571 - NL-5201 CZ's-Hertogenbosch	Netherlands	Full	100,00	100,00	100,00	100,00
Graydon Creditfink B.V. Hullenbergweg 260 - 1101 B.V. Amsterdam	Netherlands	Equity	27,50	27,50	27,50	27,50
Graydon Holding N.V. Hullenbergweg 260 - 1101 B.V. Amsterdam	Netherlands	Equity	27,50	27,50	27,50	27,50
Graydon Nederland B.V. Hullenbergweg 260 - 1101 B.V. Amsterdam	Netherlands	Equity	27,50	27,50	27,50	27,50
Kisys Krediet Informatie Systemen B.V. Hullenbergweg 270 - 1101 B.V. Amsterdam	Netherlands	Equity	27,50	27,50	27,50	27,50
MarkSelect B.V. Diemerhof 26 - Postbus 22969 - 1100 DL Amsterdam	Netherlands	Equity	27,50	27,50	27,50	27,50
Interpolis Kredietverzekeringen N.V. Pettelaarpark 20 - 5216 PD's Hertogenbosch	Netherlands	Proportional	45,00	45,00	45,00	45,00
Euler Hermes Collections Sp. z o.o. ul. Domaniewska 50B, 02-672 Warsaw	Poland	Full	100,00	100,00	100,00	100,00
Towarzystwo Ubezpieczen Euler Hermes S.A. ul. Domaniewska 50B, 02-672 Warsaw	Poland	Full	100,00	100,00	100,00	100,00
Euler Hermes, Mierzejewska-Kancelaria Prawna Sp.k ul. Domaniewska 50B, 02-672 Warsaw	Poland	Full	99,98	99,98	99,98	99,98
Euler Hermes Services Sp. z.o.o. ul. Domaniewska 50B, 02-672 Warsaw	Poland	Full	100,00	100,00	0,00	0,00
Companhia de Seguro de Creditos S.A. (COSEC) Avenida de Republica, n°58 - 1069-057 Lisboa	Portugal	Equity	50,00	50,00	50,00	50,00
Euler Hermes Cescob, uverova pojist'ovna, a.s. Molakova 576/11, 186 00 Pragues 8	Czech Republic	Full	100,00	100,00	100,00	100,00
Euler Hermes Cescob Service, s.r.o. Molakova 576/11, 186 00 Prague 8	Czech Republic	Full	100,00	100,00	100,00	100,00
Euler Hermes Servicii Financiare S.R.L. 6 Petru Maior street , Bucharest 011264	Romania	Full	79,92	79,92	79,92	79,92
OOO Euler Hermes Credit Management ul. Krymskij Val 3, Building 3, 2, Office 210 - 119049 - Moscow	Russia	Full	100,00	100,00	100,00	100,00
Euler Hermes UK PLC 01, Canada Square - London E14 5DX	United Kingdom	Full	100,00	100,00	100,00	100,00
Euler Hermes Collections UK Ltd 01, Canada Square - London E14 5DX	United Kingdom	Full	100,00	100,00	100,00	100,00
Euler Hermes Guarantee PLC Surety House, Lyons Crescent - Tonbridge Kent TN9 1EN	United Kingdom	Full	100,00	100,00	100,00	100,00
Euler Hermes Holdings UK PLC 01, Canada Square - London E14 5DX	United Kingdom	Full	100,00	100,00	100,00	100,00
Euler Hermes Risk Services UK Ltd 01, Canada Square - London E14 5DX	United Kingdom	Full	100,00	100,00	100,00	100,00
Euler Hermes International Ltd 01, Canada Square - London E14 5DX	United Kingdom	Full	100,00	100,00	100,00	100,00
Euler Hermes Management Services UK Ltd 1 , Canada Square - London E14 5DX	United Kingdom	Full	100,00	100,00	100,00	100,00
Graydon U.K. Limited Hyde House, Edgware road - Colindale - Londres NW9 6LW	United Kingdom	Equity	27,50	27,50	27,50	27,50
Euler Hermes Credit Insurance Agency (S) Pte. Ltd 3 Temasek Avenue - # 08-01 Centennial Tower - Singapore 039130	Singapore	Full	100,00	100,00	100,00	100,00
Euler Hermes Serwis SRO Bratislava Plynarenska 4659/1 821 09 Bratislava, Slovakia	Slovakia	Full	100,00	100,00	100,00	100,00

Euler Hermes Credit Insurance Nordic A.B. Klara Norra Kyrkogata 29 - SE 101 34 Stockholm	Sweden	Full	100,00	100,00	100,00	100,00
Euler Hermes Service A.B. Klara Norra Kyrkogata 29 - SE 101 34 Stockholm	Sweden	Full	100,00	100,00	100,00	100,00
Euler Hermes Services A.G. Tödistrasse 65 - 8002 Zurich	Switzerland	Full	99,50	99,50	99,50	99,50
Euler Hermes Reinsurance A.G. Tödistrasse 65 - 8002 Zurich	Switzerland	Full	100,00	100,00	100,00	100,00
Euler Hermes Risk Yönetimi Dereboyu Sokak, Sun Plaza, Plaza Cubes, Maslak - 34398 Istanbul	Turkey	Full	100,00	100,00	100,00	100,00
Euler Hermes Sigorta Anonim Sirketi Dereboyou Sokak - Sun Plaza, Floor 13, Plaza Cubes, Off. N°24, Maslak - 34398 - Istanbul	Turkey	Full	100,00	100,00	100,00	100,00

NB: Percentages of control and interest are determined on the last day of the financial period.

According to the German Commercial Code (section 264-b), some companies are exempted from preparing single financial statements as they are included in the consolidated financial statements of Euler Hermes.

2.4. Consolidation principles and methods

Consolidation policies

Euler Hermes consolidates entities within its scope using the consolidation method that must be applied according to the type of control that it exercises over the entity. The group uses the acquisition method for recognising purchases of subsidiaries. The acquisition cost is measured as the fair value of the assets received, of shareholders' equity instruments issued and of liabilities incurred or committed (included contingent liabilities) to as at the transaction date plus any costs that are directly attributable to the acquisition. Any excess of the acquisition cost over the fair value of the group's share of the identified net assets acquired is recorded as goodwill. For companies accounted for by the equity method, this goodwill is not recognised separately, but instead is included in the amount of investments accounted for by the equity method. If the acquisition cost is less than the fair value of the group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.
Changes in the participation of a parent company in a subsidiary which don't lead to a loss of control are accounted for like transactions on equity.

Subsidiaries

Subsidiaries are entities that are controlled by Euler Hermes. Control is the power to direct the financial and operational policies of an entity in order to obtain benefits from its activities. In assessing whether or not control exists, potential voting rights and conversion options that can be exercised during the period in question are taken into account. The financial statements of a subsidiary are incorporated into the group's consolidated financial statements from the date on which the parent company acquires control of the subsidiary until the date on which its ceases to exercise such control.

The group currently has holdings of less than 20% in certain mutual funds that are not consolidated. Controlling of more than 50% in other mutual funds is consolidated using the full consolidation method. This concerns the following mutual funds:

- Euler Gestion;
- Euro Gestion.

The Euler Hermes group owns 100% of these mutual funds.

Companies accounted for by the equity method

Companies accounted for by the equity method are entities, including those without a legal status such as certain partnerships, over whose financial and operational policies the group exercises significant influence without having control. The consolidated financial statements incorporate the group's share of the results of such companies using the equity method, from the date on which the parent company acquires significant influence until the date on which it ceases to have such influence. When the group's share of the losses of an associate is equal to or more than its interest in the associate, the investor doesn't' record his quota-share in the futures losses anymore.
When the quota-share of the investor is equal to zero, the additional losses generate a provision, and a liability is accounted for, only if the investor is submitted to legal or implicit obligation or made payments on behalf of the company. The amount of the group's investments accounted for by the equity method includes any goodwill (net of accumulated impairment) identified at the time of the acquisition.

Holdings in such companies are accounted for using the equity method. These companies are:

- OeKB EH Beteiligungs- und Managment A.G.;
- Graydon Holding N.V;

- Companhia de Seguro de Creditos SA (COSEC);
- Israel Credit Insurance Company Ltd (ICIC).

Entities under joint control (joint ventures)

Entities under joint control are those over whose economic activity the group exercises joint control by virtue of a contractual agreement. The financial statements of a joint venture are incorporated into the consolidated financial statements using the proportional consolidation method, by means of which the group's share of each of the assets, liabilities, income and expenses of the jointly controlled entity is combined, line by line, with the corresponding items in the group financial statements, from the date on which the parent company acquires joint control until it ceases to have such control.

NV Interpolis Kredietverzekeringen is controlled jointly by Euler Hermes Kredietverzekering NV, which owns 3,742 shares out of a total of 8,315 shares, and Interpolis Verzekeringen NV, which owns 4,573 shares out of a total of 8,315 shares. Each share represents one voting right. An executive director is appointed by each party and all decisions are subject to agreement.

COSEC and OeKB are jointly controlled but accounted by equity method. There are no other jointly controlled companies accounted by equity method.

2.5. Eliminations on consolidation

Income and expenses arising on intra-group transactions are eliminated during the preparation of the consolidated financial statements. Income and expenses arising on transactions with joint ventures are eliminated to the extent of the group's share in the company concerned.

2.6. Financial year and year-end dates

The financial year for all consolidated companies is a 12-month period ending on December 31.

2.7. Appeal to estimates

The production of the consolidated financial statements of Euler Hermes is based on estimates for a part of assets & liabilities items. The management is susceptible to review these estimations in case of changes that can put into questions the circumstances on which they have been established or by the consideration of a new information or accrued experience.

The estimates concerning technical provisions are also detailed in the part Risk Management.

The table below summarizes the methods of assessment of estimates for the main aggregates of the balance sheet:

	Estimate	Communicated Information
Note 3	Impairment of goodwill	An impairment of goodwill is recognised when the higher of the Cash Generating Unit's value in use (present value of future cash flows) and fair value less any selling costs is less than its carrying amount (share of net assets and goodwill). The fair value of the Cash Generating Unit's is based on assumptions of capital costs, growth rate to infinity and loss ratio & standard retention rates used in the calculation of the final values.
Note 5	Fair value of real estate held for investments & for use	The fair value of buildings is estimated based on market prices, adjusted, where applicable, to take into account the nature, location or other specific features of the building concerned.
Note 15	Provisions for risks and charges	Provisions for risks and charges are measured in accordance with IAS 37 and are reviewed and ajusted at each balance sheet date to reflect the best estimate at this date.
Note 18	Earned but not recorded premiums reserves	This reserve is established based on the estimate of the amount of premiums expected on the period less the amount of premiums recorded on the period.
Note 18	Provisions for salvages & recoveries	This reserve represents the estimate of potential recoveries on settled claims by a statistical calculation based on the evolution of salvages & recoveries by year of attachment on previous exercises. They take into consideration a provision for administration charges determined in accordance with actual observed expenses.
Note 18	Bonus & profit commission reserve	This reserve is intended to cover the future cost corresponding to premium rebates to be granted to policyholders under the terms of policies giving policyholders a share in their technical positive results.
Note 18	Reserves for claims payable	This reserve corresponds to a statistical estimate of the cost of all outstanding claims, that is to say claims reported but not yet settled.
Note 18	IBNR reserve	In credit-insurance, the IBNR are calculated to cover: The claims which occurred before the closing and will be known only on the next period. The claims related to commercial receivables accounted before the closing and covered by a warranty which will occur and be known only on the next period They are determined based on statistical models integrating historical data as well as future developments based on estimates. Considering the current economic crisis and the methods of assessment of credit-insurance, the IBNR might be different from the ones calculated on statistical basis. Indeed, non anticipated assessments might occur and modify the assumptions previously retained for the determination of IBNR.
Note 16	Employee benefits	The related commitments are measured in accordance with IAS 19 and are reviewed yearly by independent actuaries. The commitment is recognised in the balance sheet using the projected unit credit method, based on the group actuarial assumptions.
Note 32	Stock options plans	The fair value of the liabilities resulting from the SAR (Stock Appreciation Rights) and RSU (Restricted Stocks Units) plans is reassessed at each balance sheet date based on the Allianz share price, until expiry of the obligation, and is calculated using the Cox-Ross-Rubinstein binomial valuation model.

2.8. Translation

Translation of transactions denominated in a foreign currency

In accordance with IAS 21, transactions denominated in foreign currencies (currencies other than the operating currency) are translated into the currency used by the group for operating at the transaction rate; the subsidiaries use average rates (average of monthly closing rates) which are considered as the closest rate at the transaction date.

At each closing, the entity must translate balance sheet items denominated in a foreign currency into its operating currency by means of the following procedures:

- Monetary items (notably bond investments, receivables and liabilities and technical insurance reserves) are translated at the closing exchange rate and any resulting gains and losses are recognised in the net income for the year,
- Non-monetary items that are measured at historical cost (notably property investments) are translated at the exchange rate prevailing on the transaction date, and,
- Non-monetary items that are measured at fair value (notably equity investments) are translated at the exchange rate prevailing on the fair-value valuation date.

Translation of the financial statements of foreign companies

The financial statements of foreign subsidiaries are prepared in their operating currency. At each closing, the income statement and the balance sheet of each entity are translated into euros to facilitate the presentation of the consolidated financial statements, using the following procedure:

- The assets and liabilities of each balance sheet presented are translated at the closing rate;
- The income and expense of each income statement (including comparatives) are translated at the exchange rates prevailing on the individual transaction dates (in practice, an average exchange rate is used, which is equal to the average of the monthly closing rates for the period, except on the case of significant fluctuations in the exchange rate).

The group's share of any translation differences arising on shareholders' equity is recorded within shareholders' equity under "Translation differences", while the portion relating to third parties is recorded under "Minority interests".

The main exchange rates applied on consolidation for currencies outside the euro zone were as follows:

in euro vs currency	December 31, 2010		December 31, 2009	
	closing	average	closing	average
Pound sterling	0,8608	0,8560	0,8881	0,8900
US dollar	1,3362	1,3207	1,4406	1,3963
Swedish krona	8,9655	9,4926	10,2520	10,5875
Brazilian real	2,2177	2,3234	2,5113	2,7642
Hong Kong dollar	10,3856	10,2611	11,1709	10,8234
Swiss franc	1,2504	1,3700	1,4836	1,5076
Polish Złoty	3,9750	4,0049	4,1045	4,3469

2.9. Sectoral data

A sector of activity is a distinct component of a business that is engaged in the supply of products or services exposed to risks and profitability that differ from those of other sectors of activity. A geographic sector is a distinct component of a business engaged in the supply of products or services in a given economic environment that are exposed to risks and profitability that differ from those of other geographic sectors. Given the reform of IFRS 8 only the geographic sectors are presented as analysis axis.

2.10. Goodwill and other intangible assets

Goodwill

All business combinations made with effect from March 31, 1998 are recognised by applying the acquisition method. Goodwill represents an amount arising on the acquisition of subsidiaries, equity-accounted companies or joint ventures. It corresponds to the excess of the cost of the business combination over the share of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. The values of the identifiable assets and liabilities acquired may be adjusted within a period of 12 months commencing on the acquisition date.

For business combinations made prior to March 31, 1998, goodwill is recognised on the basis of the presumed cost, which corresponds to the carrying amount calculated by reference to the accounting rules used prior to the date of transition to IFRS.

Goodwill is recognised at acquisition cost less any accumulated impairment write-downs.

With effect from 1 January 2004, goodwill is no longer amortised in accordance with IFRS 3, but instead is subject to impairment testing, either annually or more frequently if events or changes in circumstances suggest that impairment may have occurred (see § 2.11. Impairment).

If the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination (i.e. negative goodwill), a further review is undertaken of the identification and measurement of the identifiable assets, liabilities and contingent liabilities and of the assessment of the cost of the combination. Any excess identified after this review is recognised immediately in the income statement.

For the purposes of impairment testing, goodwill is allocated to Cash Generating Units or to groups of Cash Generating Units (see § 2.11. Impairment for the impairment test procedures).

At each closing, the carrying amount of the Cash Generating Unit (or groups of Cash Generating Units) to which the goodwill relates is compared with its recoverable value, which represents the higher of the fair value of the Cash Generating Unit less any selling costs and its value in use. The value in use is defined as the present value of future cash flows as identified in the business plans of the subsidiary concerned. Details of the method used to calculate the value in use are presented in note 3 Goodwill.

Goodwill arising from the acquisition of a holding in equity-accounted companies is not presented separately, but is included within the amount of the investments in companies accounted for by the equity method.

Other intangible assets

An intangible asset is a non-monetary asset that has no physical substance and which has to be identifiable, controlled and provider of future economical benefits.
An asset complies with the criteria of identification in the definition of intangible assets when it meets one of the following two conditions: it is separable (i.e. it can be sold, transferred, conceded, rented out or exchanged), or it arises from contractual or legal rights, regardless of whether or not these rights are separable.

Other intangible assets acquired by the group are recognised at cost less any accumulated amortisation and write-downs. Subsequent expenditure relating to recognised intangible assets is capitalised only to the extent that it contributes to increasing, and not simply maintaining, the future economic benefits represented by the intangible asset to which it relates. All other expenditure is recognised as an expense in the income statement when incurred.

Intangible assets with a defined useful life are amortised on a straight-line basis over their estimated useful lives. The amortisation charge is recognised in the income statement.

The group records under this heading software that is developed in-house or acquired externally and contract portfolios.

Software developed in-house or acquired externally is amortised over its estimated useful life.

Costs relating to the development phase are capitalised provided that the entity can demonstrate the technical feasibility of the project, its intention to complete and use the intangible asset, its capacity to use it, how the intangible asset will generate future economic benefits, the availability of resources to complete the development and its capacity to reliably measure the costs associated with the intangible asset.

2.11. Impairment

Goodwill

In accordance with IFRS 3, goodwill is not amortised but is subject to an annual impairment test, or if an evidence of decrease in value is established, for each Cash Generating Unit (CGU) or group of CGUs to which the goodwill relates. The CGUs correspond to the main subsidiaries presented in the sectoral analyses. An impairment of goodwill is recognised when the higher of the Cash Generating Unit's value in use (present value of future cash flows) and fair value less any selling costs is less than its carrying amount (share of net assets and goodwill).

The main assumptions used to determine the value in use are as follows: indefinite renewal of policies, growth rate to infinity of between 0.5% and 2% depending on the CGU concerned, and a discount rate between 7.24% and 9.41% depending on the company. With effect from 2006, the discount rate used is determined by geographic region. The model is based on the projected 3-year budget prepared by management with a final year based on normalised management ratios (combined ratios and target retention rates) using a minimum rate of 83% for the combined ratio. Furthermore, as part of the setting up of a captive reinsurance company, the scope of the Cash Generating Units has been extended to include reinsurance assignments made to this new company as well as the share of related shareholders' equity.
The calculation parameters adopted as at December 31rst 2010 are detailed in the note 3 - Goodwill.

The impairment recognised in the income statement is allocated in priority to goodwill, if goodwill has been allocated to the Cash Generating Unit, while the balance is allocated on a pro rata basis to other assets comprising the Cash Generating Unit. Goodwill impairment is never written back.

Other intangible assets

All other intangible assets are subject to an impairment test if there is any evidence of impairment. Any impairment recognised for an asset other than goodwill is written back if the estimate of the recoverable value has increased since the recognition of the last impairment. However, the write back cannot be such that the carrying amount of the asset exceeds the carrying amount that would have been determined, net of amortisation, if impairment had not been recognised.

2.12. Property assets

Distinction between investment property and operating property

An investment property is a property asset (land or building) owned by the group for the purpose of generating rental income or capital appreciation, as opposed to being for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business. Investment property is recognised in the balance sheet under "Investments – insurance businesses".

The group's operating property is included within property and equipment.

Recognition and measurement

The Euler Hermes group recognises property (held for investment or operating purposes) in accordance with the cost method. This means that each property asset must be recorded at an amount equal to the cost on the acquisition date (purchase price, including non-recoverable taxes and other expenses directly attributable to the acquisition such as transfer taxes and legal fees) plus any subsequent expenditure that can be capitalised under IAS16 and less any accumulated depreciation calculated in accordance with IAS 16 and any impairment relating to the application of IAS 36.

The Euler Hermes group has identified four categories of property assets that apply to both investment property and operating property:

- Housing;
- Warehouses and commercial premises;
- Offices;
- High-rise buildings.

The depreciable balance sheet amount corresponds to the acquisition cost (including expenditure that can be capitalised) less any residual value, where applicable, and any impairment. When the historical acquisition cost determined in this manner exceeds the residual value, a depreciation charge is recognised. The residual value corresponds to the amount that the business would currently obtain by selling an asset that has already reached the age and condition of the asset at the end of its useful life, net of any costs relating to its disposal.

For each category of property assets, the group has identified six significant components, in addition to land, each of which has a different useful life and must therefore be subject to a depreciation schedule according to their respective useful lives. The table below shows, for each category of property assets, the general allocation rules for each component, and the depreciation period and the residual value, where applicable. Acquisition expenses of properties are allocated to the components and depreciated over the same period.

Component	Housing Depr. period	Warehouses and commercial premises Depr. period	Offices Depr. period	High-rise buildings Depr. period
Load-bearing structures and walls	100 years	30 years	100 years	70 years
Non-load-bearing windows and facades, roofs and terraces, internal constructions	40 years	30 years	40 years	40 years
A/C engineering, plumbing and networks, electrical engineering	25 years	20 years	25 years	25 years
Centralised technical management, fire safety and other safety features	25 years	20 years	25 years	25 years
Lifting gear	25 years	20 years	25 years	25 years
Major maintenance work	10 years	10 years	10 years	10 years

Properties are valued periodically by independent experts. The fair value of buildings is estimated based on market prices, adjusted, where applicable, to take into account the nature, location or other specific features of the building concerned. The fair value is presented in the note 5. Investment and operating property.

Impairment

Investment property

A provision for impairment of property is recognised where required to reduce the value of the property to the higher of the value in use and the expert valuation. This provision may be written back through the income statement in the event of an increase in value.

Property for own use

When a property's expert valuation is less than its carrying amount, the value in use of the Cash Generating Unit (CGU) to which the property belongs must be determined. A provision for impairment is recognised in order to reduce the value of the operating property to the higher of the value in use and the expert valuation. In the event of an increase in value, this provision may be written back through the income statement.

2.13. Other property and equipment

Other property and equipment are recognised at cost less accumulated depreciation and impairment write-downs. The depreciation methods and useful lives are generally as follows.

- IT equipment straight-line 3 years ;
- Furniture/fittings straight-line 10 years ;
- Motor vehicles straight-line 5 years.

2.14. Financial instruments

Financial investments

In accordance with IFRS, financial investments are analysed between the following categories: financial instruments at fair value through the income statement, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. The classification is determined on initial recognition of the instrument according to its nature and/or the group's ownership intention.

Euler Hermes' financial investments are mainly classified as available-for-sale investments. The group has not elected for the option enabling it to value its financial investments at fair value through the income statement.

Available-for-sale assets (AFS)

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or which are not classified within the other three categories of financial instruments as defined below:

Initial recognition

Available-for-sale assets are recognised at fair value plus any transaction costs directly related to the acquisition (referred to hereafter as the purchase price). The difference between the purchase price and the redemption value of fixed-income securities is recognised in the income statement on an actuarial basis over the remaining term of the securities using the effective interest rate method.

Measurement

On the balance sheet date, available-for-sale assets are measured at their fair value. The difference between the fair value of the securities and their book value (included the actuarial amortisation) is recognised in “available-for-sale assets”, with a corresponding entry in the revaluation reserve, with no impact on the income statement.

Impairment

When objective evidence exists of impairment of an available-for-sale asset, the accumulated loss recognised directly in shareholders’ equity is removed from shareholders’ equity and recognised in the income statement.

The criteria deemed to indicate impairment of available-for-sale shareholders’ equity instruments are as follows (Not cumulative criterion):

- Significant impairment is presumed when the fair value of an available-for-sale equity instrument is more than 20% below the average acquisition cost of the securities at the closing date;
- Lasting impairment is presumed when the fair value is less than the acquisition cost for more than 9 months.

The amount of the accumulated loss removed from shareholders’ equity and recognised in the income statement is equal to the difference between the acquisition cost (net of any capital repayment and any write-downs) and the current fair value, less any impairment of this financial asset previously recognised in the income statement.

Any relevant decrease in the fair value of a stock already impaired is complementary accounted through the income statement.

Impairment recognised on a shareholders’ equity instrument is never written back to the income statement prior to de-recognition of the instrument.

For debt instruments, impairment is accounted through net income only in case of a recognized risk of default of the issuer.

Disposal

In the event of disposal, the amounts recognised in the revaluation reserve are recognised in the income statement.

Held-to-maturity assets (HTM)

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables, which the group has the clear intention and the capacity to hold until their maturity.

Initial recognition

On initial recognition, HTM assets are recognised at fair value plus any transaction costs directly related to the acquisition.

Measurement

On the balance sheet date, held-to-maturity investments are measured at their amortised cost using the effective interest rate method. Premiums and discounts are included in the calculation of amortised cost and are recognised in the income statement on an actuarial basis over the term of the financial asset.

Assets held for trading purposes

A financial asset is classified as held for trading purposes if it is:

- Acquired or held principally with a view to being sold or redeemed in the short term, or,
- Part of a portfolio of identified financial instruments that are managed as a whole and for which there is evidence of a recent pattern of short-term profit taking, or,
- A derivative (except for a derivative that is a designated and effective hedging instrument).

Initial recognition

Assets held for trading purposes are recognised at fair value on the acquisition date.

Measurement

Assets held for trading purposes are measured at fair value. Any change in the fair value of securities held for trading purposes during the period is recognised in the income statement for the period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market, except for instruments classified at fair value through the income statement or as available for sale.

Recognition and measurement

Loans are recorded at fair value plus any directly attributable transaction costs. On the balance sheet date, they are measured at amortised cost using the effective interest rate method. Financial income for the period is recorded by applying the effective interest rate to the amortised cost of the transaction.

Impairment

When objective evidence of impairment exists (e.g. a deterioration in the financial situation of the issuers), the amount of the loss is equal to the difference between the carrying amount of the asset and the value of estimated future cash flows, discounted at the original effective interest rate of the financial asset.

Derivatives

A derivative is a financial instrument, or another agreement falling within the scope of application of IAS 39, that has the following three features: (a) its value fluctuates as a function of changes in an interest rate, in the price of a financial instrument, in the price of a specific commodity, in an exchange rate, in a price or rate index, in a credit rating or a credit index, or in another variable (the “underlying”); (b) it requires no net initial investment or a net initial investment that is less than that which would be required for other types of contracts that can be expected to react similarly to changes in market conditions; and (c) it is settled in the future.

All derivatives are classified at fair value through the income statement except when it concerns a designated and effective hedging instrument. In the latter case, the instrument is still measured at fair value but the recognition of the gain or loss follows the procedures applicable to the hedging relationship to which it relates.

Within the Euler Hermes group, derivatives correspond mainly to hedging instruments linked to the stock option plans included in the Allianz Group Equity Incentive (see note 32 – Stock option plans).

Derivatives eligible for fair value hedge accounting (i.e. those used to hedge changes in the fair value of an asset or liability) are recognised as follows:

- The hedging instrument is recognised at fair value and any changes are recognised through the income statement;
- The carrying amount of the hedged item is adjusted for any gain or loss on the hedged item attributable to the risk hedged, the change being recognised through the income statement;
- The hedged item is remeasured at market value in respect of the component relating to the risk hedged.

Derivatives eligible for future cash flow hedge accounting are recognised at fair value, with the portion of the change in fair value of the hedging instrument that is considered to constitute an effective hedge being recognised through shareholders’ equity. The ineffective portion of the hedge is recognised immediately through the income statement.

Derivatives that are not eligible for hedge accounting are recognised as free-standing derivatives in the category of assets held for trading purposes. The fair value of free-standing derivatives is therefore recognised on the balance sheet in assets or liabilities, with any changes in the fair value being recognised through the income statement.

2.15. Insurance and reinsurance receivables and liabilities

These headings essentially comprise receivables and liabilities arising on insurance and reinsurance transactions, earned premiums not yet written and premium cancellations, net of reinsurance.

2.16. Acquisition costs capitalised

Acquisition costs capitalised relate to insurance policies. They mainly comprise brokerage commissions and expenses incurred by the sales and marketing departments. The capitalised amount is calculated using the same method as for the provision for unearned premiums. As the period covered by contracts is mainly one year at most, these acquisition costs are deferred to the following year. The movement in acquisition costs capitalised is included in acquisition expense reported in the income statement.

2.17. Current and deferred tax

The tax charge comprises current tax and deferred tax resulting from recognized timing differences between the taxable base and the carrying amount of assets and liabilities. Deferred tax is calculated using the balance sheet liability method based on the taxation conditions known at the year end. Deferred tax assets are recognised provided that the group considers their collection as likely. Deferred tax is recognised on the difference between the consolidated value and the tax value of securities of consolidated subsidiaries except when the parent company is in a position to control the date on which the timing difference will reverse and when it is probable that it will not reverse within the foreseeable future. In practice, a deferred tax liability is recognised only on dividends whose distribution has been approved. Deferred tax is recognised on the difference between the consolidated value and the tax value of securities of consolidated entities that are in the process of being sold.

2.18. Other receivables and operating liabilities

Other receivables and other operating liabilities essentially comprise tax-related receivables and liabilities (other than corporation tax), amounts due to employees, amounts due to suppliers, and receivables and liabilities due from/to the Allianz group.

2.19. Cash and cash equivalents

Cash consists of cash in hand and demand deposits. Bank overdrafts repayable on demand are considered as cash equivalents when they form an integral part of the company's cash management procedures.

2.20. Provisions for risks and charges

Provisions

Provisions for risks and charges essentially comprise provisions for retirement commitments (see § 2.22. Employee benefits). Other provisions are measured using the rules set out in IAS 37, which imply the existence of a present obligation arising from a past event, the probability that an outflow of resources representing economic benefits will be necessary to settle the obligation and a reliable estimate of the amount of the obligation. They are discounted in the event that the impact proves to be significant.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation arising from past events and whose existence will be confirmed only by the occurrence or otherwise of one or more uncertain future events, that are not under the full control of the business, or a present obligation arising from past events but which is not recognised, either because an outflow of resources is unlikely or because the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset arising from past events and whose existence will be confirmed only by the occurrence or otherwise of one or more uncertain future events that are not under the full control of the business.

The group has not identified any contingent assets or liabilities corresponding to the above-mentioned definitions and requiring presentation in the notes to the financial statements.

Group companies may be concerned by disputes inherent in the exercise of their normal business. However, no exceptional events, disputes or arbitration procedures currently exist that are likely to have a material impact on the group's activity, results or financial situation.

2.21. Employee benefits

The group contributes, in accordance with the laws and practices of each country, to the constitution of retirement benefits for its employees. The benefits offered to group staff derive either from defined contribution plans or from defined benefit plans.

- Defined contribution plans involve payments to bodies that release the company from any future commitments in respect of employees. As such, only the contributions paid or payable in respect of the period are included in the group's financial statements. Such plans are in place in France, the United States, the United Kingdom and Scandinavia.

- In the case of defined benefit plans, an amount of benefits is paid to the employee upon retirement, this amount generally being determined by one or more factors such as age, number of years' service and salary. Such plans are in place in the following countries: France, Germany, Belgium, the Netherlands, Italy and the United Kingdom.

The related commitments are measured in accordance with IAS 19. The commitment is recognised in the balance sheet using the projected unit credit method, based on the group actuarial assumptions, which are reviewed each year. This method involves assigning an additional unit of rights to benefits for each period of service, with each of these units being measured separately to calculate the final commitment.

The group has put in place specific assets to cover certain plans. In this case, the commitment is reduced by the amount of the fair value of these assets. The commitment amount recognised as a liability is also adjusted for any actuarial variances and the past service cost.

Actuarial variances correspond to the change in the discounted value of the commitment or in the fair value of the assets, as a result of differences between the demographic and financial assumptions used in the calculations and the actual level of demographic and financial variables for the period (experience effect) and due to changes in the actuarial assumptions (IAS 19.7). These variances are recognised in the income statement using the corridor method. When the variances reach or exceed 10% of the higher (IAS 19.92) of the discounted value of the commitment or of the market value of the plan assets (the "corridor"), the amount by which these variances exceed 10% of the higher of these two values is spread over the expected average residual length of service of the plan beneficiaries.

Past service cost denotes the increase or decrease in the present value of the commitment in respect of defined benefits for services rendered during prior years, arising as a result of the introduction of a new retirement benefits plan or changes to plan arrangements during the current year. For benefit rights that have already been earned, the corresponding amount must be expensed immediately. For benefit rights that are not yet earned, the charge or income is spread on a straight-line basis over the average remaining length of service to be completed for the rights to be earned.

The Euler Hermes group also accrues commitments relating to other long-term benefits (long-service awards, etc.) granted to employees. The provision corresponds to the present value of the commitment and is calculated annually by the group.

As at January 1, 2008, the Euler Hermes group applied by anticipation the interpretation of IAS19 standard – IFRIC 14 related to the capping of the asset, the mandatory minimal financing and their interaction. This application didn't impact the consolidated financial statements.

2.22. Share-based payments

Benefits granted to group employees involving the delivery of instruments representing shareholders' equity in group companies on preferential terms are now considered as additional remuneration and are recognised as an expense at their fair value on the allocation date with a corresponding entry to reserves. Where appropriate, this charge is spread over the vesting period. These benefits notably include discounts granted on the issue price of shares under capital increases reserved for employees as well as the fair value of stock purchase or subscription options granted to group employees.

Allianz has put in place stock option plans for the benefit of executives of the Euler Hermes group. On exercising their rights, these executives receive a cash amount corresponding to the difference between the market value and the subscription price (Stock Appreciation Rights plans - SAR), or shareholders' equity instruments (this action is possible under Restricted Stock Units plans - RSU).

The fair value of options granted is calculated using the Cox Ross Rubinstein valuation model.

2.23. Insurance and reinsurance contracts

Contracts considered as insurance or reinsurance contracts under French accounting standards are analysed in accordance with IFRS between the following categories of contracts:

- Insurance and reinsurance contracts falling within the scope of IFRS 4;

- Investment contracts with discretionary participation falling within the scope of IFRS 4;
- Investment contracts without discretionary participation falling within the scope of IAS 39.

Following a detailed review of its insurance and reinsurance contracts, it was evident that the Euler Hermes group only has contracts in the first category, which covers insurance and reinsurance contracts falling within the scope of IFRS 4. This review also highlighted the absence of any embedded derivatives.

Definition of insurance contracts

Insurance contracts are contracts under which the insurer accepts significant insurance risk. Insurance risk is a risk, other than a financial risk, that is transferred by the policyholder to the policy issuer (a financial risk is the risk of a future variation of one or several followed components: specified interest rate, price of financial instrument, price of a good, exchange rate, price or rate index, credit rating or credit index or other flexible component (if it concerns a non-financial component, the component must not be specific to one of the part of the contract).

Credit insurance contracts are included in IFRS 4 (paragraph B18 (g) of the standard), this standard being applied pending the standard on “Financial Guarantee Contracts and Credit Insurance”.

On August 18, 2005, the sections of IFRS 4 and IAS 39 relating to financial guarantees were amended. The amendments were essentially aimed at ensuring that issuers of financial guarantee contracts measure these at fair value for the initial amount and subsequently at the higher of the amount determined in accordance with IAS 37 and the amount recognised initially less, where applicable, accumulated amortisation in accordance with IAS 18. However, the issuers who explicitly consider financial collateral arrangements like insurance contracts can use the accounting treatment proposed under IFRS 4, these amendments do not call into question the decision taken by the Euler Hermes group to apply IFRS 4 to credit insurance contracts.

Measurement of insurance contracts

Other than in the case of the specific exceptions defined in the standard, IFRS 4 permits the continued use of previous accounting principles for the recognition of insurance and reinsurance contracts. Euler Hermes has thus continued to apply the standards defined by CRC 2000-05 related to the consolidation and combination rules regulated by the Insurance Regulations taking into account the following points, which are covered by specific provisions introduced by IFRS 4:

- Removal of provisions for equalisation ;
- Performance of a test for the adequacy of liabilities ;
- Impairment testing of reinsurance assets ;
- Identification and separation of embedded derivatives.

For all other aspects, the methods already applied by the group, in accordance with CRC Regulation no. 2000-05, have been retained for the measurement of insurance contracts.

Analysis by function of expenses relating to contracts

Expenses relating to insurance contracts are initially recognised according to their nature and then analysed by function in the income statement headings by means of analysis keys based on objective business criteria. Claims settlement expenses are included in contract service charges. Contract acquisition expenses and administration expenses are included in the income statement.

Premiums

Premiums correspond to premiums written excluding taxes, before reinsurance and net of cancellations. They are recognised on the date on which the guarantee takes effect and include an estimate of premiums still to be written and an estimate of premiums that will be cancelled after the balance sheet date.

Premiums recognised in turnover stem from the guarantees given to policyholders to cover their trade receivables that arise in the same period as that for which the premium is paid. Given settlement delays, the lag between the triggering event, i.e. bankruptcy of the debtor, and notification of the claim, there is also a lag between recording the premiums and the related claims. This lag is taken into account through the recognition of provisions for claims incurred but not reported (IBNR) or late claims.

Premium refunds granted to policyholders are now presented on a separate line as a deduction from earned premiums. Up to December 31 2005, they were recognised in insurance service expense.

Provisions for unearned premiums

A provision for unearned premiums, gross of commissions and expenses, is established contract by contract as a function of the time left to run between the balance sheet date and the premium due date.

Claims

Claims comprise the following items:

- Claims settled during the period relating to the current period or to prior periods, net of recoveries received;
- Claims settlement expense, notably settlement service expense and commissions allocated to claims handling.

Reserves for claims payable

These technical reserves are designed to cover probable losses relating to:

- Claims reported but not yet settled at the balance sheet date;
- Claims occurring during the period but reported after the balance sheet date and, in respect of trade receivables existing at the balance sheet date and covered by a policy on such date, claims that will occur and will be reported during subsequent periods. These so-called “unknown” or “incurred but not reported” claims are estimated using statistical models that are based in particular on the level of claims observed during prior years and on the analysis of the development of the recent level of claims.

Claims reserves are increased by a provision for administration charges.

Additional information on the measurement of claims reserves is provided in section under risk management.

Estimated recoveries

Recoveries are the result of actions taken by the company against defaulting debtors in order to fully or partially recover claims paid to policyholders.

Estimated recoveries are a prudent estimate of potential recoveries on settled claims and are recognised as a reduction in the amount of the reserves for claims payable. They take into consideration a provision for administration charges determined in accordance with actual observed expenses.

Other technical reserves

A provision for current risks is established by risk category in addition to the provision for unearned premiums when claims likely to arise after the balance sheet date and relating to contracts underwritten before that date and the related acquisition costs and administration charges are not covered by the provision for unearned premiums.

Test for the adequacy of liabilities

At each closing, insurance contract liabilities net of related assets (acquisition costs capitalised and portfolio securities) are subject to a test for the adequacy of liabilities. The methods previously applied by the group and retained under IFRS 4 (including notably the measurement of claims reserves on the basis of the non-discounted ultimate cost and the methods for establishing the provision for current risks) constitute a satisfactory test for the adequacy of liabilities given the minimum requirements specified by IFRS 4.

Reinsurance contracts

Acceptances

Insurance acceptances (inwards reinsurance) are recognised on a case-by-case basis based on the actual or estimated results for the year. Technical reserves correspond to the amounts advised by the assignors.

Assignments

Assigned reinsurance contracts (outwards reinsurance) are recognised in accordance with the terms of the various treaties. The share of assignees in the technical reserves is measured in the same way as technical reserves gross of reinsurance appearing in liabilities.

Cash deposits received from reinsurers are recognised in liabilities arising on assigned reinsurance transactions. Receivables due from reinsurers are subject to impairment write-downs only if one of the following relevant evidence is noticed:

- The ceded company won’t receive the entire amount due at the end of the contract;
- An event with an assessable impact occurs.

2.24. Borrowings

Borrowings are contractual obligations that require the group to transfer cash or a financial asset to another entity, or to exchange with another entity a financial asset on potentially unfavourable terms.

The measurement and recognition of borrowings are defined by IAS 39. With the exception of derivatives (see §2.14.Financial instruments - Derivatives), borrowings and other financial liabilities are recognised originally at fair value less any related transaction costs, and are subsequently measured at amortised cost calculated using the effective interest rate.

Borrowings include, within the meaning of IAS 39, borrowings, other financing and bank overdrafts, derivatives and amounts due to suppliers and social security liabilities included in “operating liabilities”.

2.25. Income from ordinary activities

Income from ordinary activities can comprise items measured and recognised in accordance with IFRS 4, IAS 18 or IAS 39. This aggregate has a broader meaning than turnover as it also incorporates investment income.

Turnover comprises earned premiums and commissions and other operating revenues.

<u>Premiums</u>

Credit insurance premiums included in turnover correspond to written premiums excluding taxes, less premiums cancelled during the period and an estimate of written premiums that will be cancelled after the balance sheet date. They are increased by an estimate of the portion of premiums to be written that are earned during the period and adjusted by the movement in provisions for unearned premiums, which correspond to the share of written premiums covering the period after the balance sheet date. Premium refunds granted to policyholders are presented on a separate line as a deduction from turnover.

Premium-related revenues comprise enquiry and monitoring charges invoiced in respect of risk management and prevention on behalf of policyholders, and fees for the collection of disputed receivables. They also include income relating to the export guarantee activity managed on behalf of the German State and other technical income.

<u>Investment income</u>

Investment income is recognised in accordance with IAS 39, IAS 17 or IAS 18 depending on its type.

Investment income net of management expense
This income comprises notably the following categories of revenue:

- Net income from property ;
- Net income form securities ;
- Other financial income (bank credit interest, income from other investments) ;
- Foreign exchange gains and losses ;
- Investment management charges.

Capital gains and losses on disposals of investments
Capital gains and losses on disposals of securities or property are recognised in the income statement. The group generally uses the FIFO method (First In, First Out). Shares exchanged under a public share exchange offer result in the recognition of a capital gain on exchange.

Change in fair value of investments recognised at fair value through the income statement
Differences in fair value recorded for the current period less any differences from the previous period are recognised. These essentially concern the remeasurement of derivatives.

Change in investment impairment charges
The impairment charges notably concern write-downs of investments and write-backs following a disposal, and charges for the depreciation and impairment of investment property.

2.26. Insurance services expense

Insurance services expense includes the net cost of claims, i.e. claims settled during the period less recoveries received, the movement in claims reserves net of projected recoveries, expenses incurred or to be incurred for the management of claims payments and collections. The recognition principles applied to these items are those set out in IFRS 4 and are described in section 2.23. Insurance and reinsurance contracts – Measurement of insurance contracts.

2.27. Net outwards reinsurance income or expense

This heading comprises the share of assignments and retrocessions of earned premiums, claims paid, changes in claims reserves, bonuses and commissions received from reinsurers. The recognition principles applied to these items are those set out in IFRS 4 and are described in section 2.24. Insurance and reinsurance contracts – Reinsurance contracts.

2.28. Administration expense

Administration expense mainly comprises salary costs and costs relating to the IT systems, affected to the administration of the contracts.

2.29. Other ordinary operating income and expense

Other ordinary operating income and expense comprises:

- Other technical expenses;
- Employee profit-sharing and incentive plans;
- Other net non-technical income;
- Provisions for risks and charges;
- Other income and expenses;
- Interest on arrears relating to the retail credit activity managed by Euler Hermes Credit Insurance in Belgium.

Other ordinary income and expenses correspond to charges not allocated by function relating to the services activity of the Euler Hermes group.

2.30. Other operating income and expense

These revenue and expense items arise from a major event that occurred during the accounting period and are such that they would distort the interpretation of the group's performance. They therefore consist of very few items that are unusual in nature and occur infrequently, and are for a material amount.

2.31. Financing expense

The recognition principles applied to this item are those set out in IAS 39.

Financing expense consists of expenses relating to the following items:

- Long-term financial liabilities: capital borrowings from the general public, e.g. in the form of bonds, or from banks or financial institutions (medium- or long-term loans, leases, etc.);
- Short-term financial liabilities of the same type as above including issues of short-term negotiable debt securities to investors;
- Fair-value hedging instruments recorded in the balance sheet and relating to liabilities representing the gross borrowings described above;
- Accrued interest on balance sheet items representing gross borrowings.

2.32. Earnings per share

Earnings per share are calculated by dividing the group share of the net income or loss by the weighted average number of ordinary shares in issue during the year. An ordinary share is a shareholders' equity instrument that is subordinated to all other categories of shareholders' equity instruments.

Dilution implies a reduction in the earnings per share as a result of the assumption that convertible instruments are converted, equity options and subscription warrants are exercised, and ordinary shares are issued if certain specific conditions are met.

Note 3 Goodwill

In accordance with IFRS 3, goodwill is not amortized but instead is subject to annual impairment testing or to an impairment testing when an indicator of a decrease in value appears.

(in thousands)	December 31, 2010							December 31, 2009
	France	Italy	United Kingdom	United States	Benelux countries	Other	Total	Total
Opening balance								
Gross value	393	6 229	61 922	29 431	8 242	8 045	114 262	110 609
Impairment losses	-	(409)	(10 271)	-	-	-	(10 680)	(7 931)
Net carrying amount	**€ 393**	**€ 5 820**	**€ 51 651**	**€ 29 431**	**€ 8 242**	**€ 8 045**	**€ 103 582**	**€ 102 678**
Change during the year								
Openning net carrying amount	393	5 820	51 651	29 431	8 242	8 045	103 582	102 678
Changes in gross value	-	-	-	-	-	-	-	-
Outgoing entities & Held for sale transfer	(393)	-	-	-	-	-	(393)	-
Other changes	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Changes in foreign currency translation adjustments	-	-	1 641	2 300	-	583	4 524	3 103
Impairment losses	-	-	-	-	-	-	-	(2 199)
Closing net carrying amount	**-**	**5 820**	**53 292**	**31 731**	**8 242**	**8 628**	**107 713**	**103 582**
Closing Balance								
Gross value	-	6 229	63 890	31 731	8 242	8 628	118 720	114 262
Impairment losses	-	(409)	(10 598)	-	-	-	(11 007)	(10 680)
Net carrying amount	**-**	**€ 5 820**	**€ 53 292**	**€ 31 731**	**€ 8 242**	**€ 8 628**	**€ 107 713**	**€ 103 582**

The changes in geographical organisation which modified the segment data didn't impact the level of impairment tests.

In accordance with IFRS 3, Euler Hermes did an impairment test of the goodwill comparing the value in use of the cash generated units (CGU) included goodwill and the book value (contribution of group consolidated net asset included goodwill).

The value in use is the actual value of future cash flows as presented in the business plan of the concerned entity.
The main hypothesis for the calculation of the value in use is the perpetuity growth rate defined by CGU. The model is build on 3 years forecast elaborated by the management with a final year build on combined ratio and target retention rate. Moreover, since the creation of an internal reinsurance entity, the scope of CGU is larger in order to add the reinsurance flows to the captive and so its contribution of group consolidated net asset.

For each CGU, an average value in use is calculated on the perpetuity growth rate.

The parameters used to calculate the company valuations are presented below:

	United States		Italy		United Kingdom		Belgium		Netherlands		Germany	
Parameters												
Cost of capital (net of tax)	**8,36%**		**9,69%**		**8,58%**		**9,03%**		**8,25%**		**8,04%**	
of which, risk-free rate	3,32%		4,65%		3,54%		3,99%		3,21%		3,00%	
of which, risk premium (bêta = 1.008)	5,04%		5,04%		5,04%		5,04%		5,04%		5,04%	
Effective tax rate	**35,0%**		**48,0%**		**28,0%**		**33,0%**		**25,5%**		**31,0%**	
Normalised return on financial portfolio	**2,48%**		**4,08%**		**2,64%**		**3,37%**		**2,34%**		**2,22%**	
Net combined ratio	**85,0%**		**83,0%**		**87,0%**		**80,0%**		**80,0%**		**80,0%**	
Target retention rate	**30,0%**		**30,0%**		**30,0%**		**40,0%**		**30,0%**		**35,0%**	
Long-term growth	**2,0%**		**1,5%**		**2,0%**		**1,5%**		**1,3%**		**1,5%**	
Long-term growth (upper and lower assumptions)	**1,5%**	**2,5%**	**0,5%**	**2,5%**	**1,5%**	**2,5%**	**0,5%**	**2,5%**	**0,8%**	**1,8%**	**1,0%**	**2,0%**
Average value in use (in thousands of euros)	**398 403**		**250 620**		**270 966**		**139 671**		**68 175**		**1 206 506**	
Contribution of group consolidated net asset	**248 797**		**116 049**		**256 354**		**82 331**		**39 185**		**944 181**	
Amount of the utility value the contribution of grup net asset	**149 606**		**134 571**		**14 612**		**57 340**		**28 990**		**262 325**	

Level to be reached by the key parameter in order that the value in use of every CGU is equal to its book value:

Hypothesis - value in use = book value	United States	Italy	United Kingdom	Belgium	Netherlands	Germany
Long-term growth	-2,88%	-11,70%	1,58%	-5,48%	-5,69%	-0,71%

Sensibility analysis in plausible valorisation:

The values in use of Euler Hermes ACI Inc (United States) range from €371,998 thousand to €424,807 thousand, corresponding to an assumed long-term growth rates ranging from 1.5 % to 2.5%. These valuations support the fact that no complementary goodwill impairment is recognised.

The values in use of Euler Hermes SIAC (Italy) range from €224,201 thousand to €277,039 thousand, corresponding to assumed long-term growth rates ranging from 0.5 % to 2.5%. These valuations support the fact that no complementary goodwill impairment is recognised.

The values in use of Euler Hermes UK Plc (United Kingdom) range from €253,004 thousand to €288,928 thousand, corresponding to assumed long-term growth rates ranging from 1.5 % to 2.5%. These valuations support the fact that no complementary goodwill impairment is recognised.

The values in use of Euler Hermes Belgium (Belgium) range from €124,333 thousand to €155,009 thousand, corresponding to assumed long-term growth rates ranging from 0.5% to 2.5%. These valuations support the fact that no complementary goodwill impairment is recognised.

The values in use of Euler Hermes Netherlands Inc (Netherlands) range from €64,032 thousand to €72,319 thousand, corresponding to an assumed long-term growth rates ranging from 0.8% to 1.8% respectively. These valuations support the fact that no complementary goodwill impairment is recognised.

The values in use of Euler Hermes Germany (Germany) range from €1,127,711 thousand to €1,285,300 thousand, corresponding to an assumed long-term growth rates ranging from 1% to 2% respectively. These valuations support the fact that no complementary goodwill impairment is recognised.

For the Euler Hermes group, an impairment would have to be booked for a long term growth that would be lower than -3.4%.

Note 4 Other intangible assets and contracts portfolio

(in thousands)	December 31, 2010				December 31, 2009			
	Contract porfolio	IT development and software	Other intangible assets	TOTAL	Contract porfolio	IT development and software	Other intangible assets	TOTAL
Balance as opening period								
Gross value	4 635	155 049	22 850	182 534	4 506	132 936	19 463	156 905
Amortisation	(3 709)	(74 816)	(13 257)	(91 782)	(3 102)	(57 311)	(13 255)	(73 668)
Impairment	-	-	-	-	-	-	-	-
Net carrying amount	**€ 926**	**€ 80 233**	**€ 9 593**	**€ 90 752**	**€ 1 404**	**€ 75 625**	**€ 6 208**	**€ 83 237**
Change during the year								
Net carrying amount as opening period	**926**	**80 233**	**9 593**	**90 752**	**1 404**	**75 625**	**6 208**	**83 237**
Acquisitions	(625)	24 155	2 320	25 850	-	31 010	5 176	36 186
Expenses capitalised	-	-	-	-	-	-	-	-
Changes in consolidation scope	-	-	(2)	(2)	-	-	-	-
Disposals	-	(3 250)	(62)	(3 312)	-	(9 015)	(68)	(9 083)
Reclassifications	33	(2)	-	31	-	843	(772)	71
Foreign exchange differences	43	441	(3)	481	111	268	4	383
Net amortisation	(709)	(25 712)	(907)	(27 328)	(589)	(18 497)	(919)	(20 005)
Net provisions for impairment	-	(20 931)	-	(20 931)	-	(1)	(36)	(37)
Other changes	14	(1)	-	13	-	-	-	-
Net carrying amount as closing period	**(318)**	**54 933**	**10 939**	**65 554**	**926**	**80 233**	**9 593**	**90 752**
Balance as closing period								
Gross value	4 127	176 658	25 005	205 790	4 635	155 049	22 850	182 534
Amortisation	(4 445)	(121 725)	(14 066)	(140 236)	(3 709)	(74 816)	(13 257)	(91 782)
Impairment	-	-	-	-	-	-	-	-
Net carrying amount	**(318)**	**€ 54 933**	**€ 10 939**	**€ 65 554**	**€ 926**	**€ 80 233**	**€ 9 593**	**€ 90 752**

The increase of IT development and software mainly results from the applications developed by the group (IRP, Collection,…).

The nets provisions of impairment mainly include a €13.4 million depreciation accounted on the segment Germany, Austria and Switzerland and linked to the impairment of the IT project Convergence (cf. Note 1. Significant events).

The net impairment for complementary losses of 6.6 million euro corresponds to the depreciation of the accounting tool FIT+1 in Great Britain, Belgium, Netherlands and Italy due to the decision of the group to abandon this tool at the end of the year 2011 in the context of the reorganization of the group..

Note 5 Investment and operating property

(in thousands)	December 31, 2010		December 31, 2009	
	Investment property	Operating property	Investment property	Operating property
Balance as opening period				
Gross value	35 663	185 370	91 071	195 192
Depreciation	(10 746)	(48 801)	(19 237)	(61 878)
Impairment losses	-	(6 797)	-	(554)
Net carrying amount	**€ 24 917**	**€ 129 772**	**€ 71 834**	**€ 132 760**
Change during the year				
Net carrying amount as opening period	24 917	129 772	71 834	132 760
Acquisitions	-	3 825	-	1 318
Change in consolidation scope	-	-	-	-
Disposals	(16 958)	(4 074)	(45 423)	(73)
Reclassifications	1 621	1 891	-	(169)
Changes in foreign currency translation adjustements	-	109	-	(54)
Net depreciation	(257)	(4 323)	(1 494)	(4 010)
Net provisions for impairment	-	-	-	-
Other changes	-	-	-	-
Net carrying amount at the end of the period	**9 323**	**127 200**	**24 917**	**129 772**
Balance at the end of the period				
Gross value	13 232	184 231	35 663	185 370
Depreciation	(3 909)	(50 234)	(10 746)	(48 801)
Impairment losses	-	(6 797)	-	(6 797)
Net carrying amount	**€ 9 323**	**€ 127 200**	**€ 24 917**	**€ 129 772**
Fair value	**€ 23 070**	**€ 227 650**	**€ 57 391**	**€ 221 122**

Amounts recorded in the income statement	**Twelve months ended December 31,**	
Investment property	**2010**	**2009**
Rental revenues from investment property	1 683	5 741
Direct operating expenses relating to property	(290)	(1 812)

A wrong booking of the opening value concerning the accounting of German impairment losses leads to a modification of the amounts constituting the net carrying amount for December 31, 2009:

- The gross value decreases by €(10,267) thousand ;
- The cumulated depreciation decreases by €16,510 thousand ;
- The impairment losses increases by € (6,243) thousand.

As at December 31, 2010, disposals in investment property concern sales realized by:

- Euler Hermes SFAC for a selling price of € 30.7 million, carrying the realized profit to € 18 million (before tax impact) ;
- Euler Hermes SFAC Crédit for a selling price of € 2.5 million, carrying the realized profit to € 1.3 million (before tax impact);
- Euler Hermes Belgium for a selling price of €12.1 million, carrying the realized profit to € 4.9 million (before tax impact).

The row “Acquisitions” on operating property concerns the repairing of two buildings in Paris (Euler Hermes SFAC) and in Louisville (Euler Hermes ACI).

Note 6 Financial investments

Classification by accounting method

For an instrument that is listed on an active market, the fair value is the bid price on the valuation date for an asset held or a liability to be issued and the offer price for an asset intended to be purchased or a liability intended to be held. If such prices are not available, the fair value is estimated based on the most recent transaction price.

If there is no active market for a given financial instrument, the group estimates the fair value using a valuation technique. Valuation techniques include the use of recent transactions under normal competitive conditions between informed and consenting parties, where available, reference to the current fair value of another instrument that is identical in substance, the analysis of discounted cash flows and option valuation models.

Classification by investment category

(in thousands)	December 31, 2010						December 31, 2009					
	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Listed	Non listed	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Listed	Non listed
Held-to-maturity assets												
Bonds	1 071	-	1 071	1 071	700	371	1 674	-	1 674	1 674	1 208	466
Total held-to-maturity assets	**€ 1 071**	**-**	**€ 1 071**	**€ 1 071**	**€ 700**	**€ 371**	**€ 1 674**	**-**	**€ 1 674**	**€ 1 674**	**€ 1 208**	**€ 466**
Available-for-sale assets												
Equities	119 523	22 517	142 040	142 040	2 546 894	58 960	110 646	19 428	130 074	130 074	2 251 408	60 203
Bonds	2 423 654	40 162	2 463 816	2 463 816			2 131 687	49 850	2 181 537	2 181 537		
Total Available-for-sale assets	**€ 2 543 177**	**€ 62 679**	**€ 2 605 856**	**€ 2 605 856**	**€ 2 546 894**	**€ 58 960**	**€ 2 242 333**	**€ 69 278**	**€ 2 311 611**	**€ 2 311 611**	**€ 2 251 408**	**€ 60 203**
Trading assets												
Equities	-	-	-	-	-	-	-	-	-	-	-	-
Bonds	-	-	-	-			-	-	-	-		
Total Trading assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans, deposits and other financial investments	831 829	-	831 829	831 829	-	-	527 450	-	527 450	527 450	-	-
Total loans, deposits and other financial investments	**€ 831 829**	**-**	**€ 831 829**	**€ 831 829**	**-**	**-**	**€ 527 450**	**-**	**€ 527 450**	**€ 527 450**	**-**	**-**
Total Financial investments (excluded investments in consolidated enterprise)	**€ 3 376 077**	**€ 62 679**	**€ 3 438 756**	**€ 3 438 756**	**€ 2 547 594**	**€ 59 331**	**€ 2 771 457**	**€ 69 278**	**€ 2 840 735**	**€ 2 840 735**	**€ 2 252 616**	**€ 60 669**

Concerning the non listed investments, the group estimates the fair value using a valuation technique. Valuation techniques include the use of recent transactions under normal competitive conditions between informed and consenting parties, where available, reference to the current fair value of another instrument that is identical in substance, the analysis of discounted cash flows and option valuation models. The non listed investments are mainly German States bonds.

(in thousands)	December 31, 2010				December 31, 2009			
	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Amortized cost	Revaluation reserve	Net carrying amount	Fair value
- Equities:	119 523	22 517	142 040	142 040	110 646	19 428	130 074	130 074
- Bonds:	2 424 725	40 162	2 464 887	2 464 887	2 133 361	49 850	2 183 211	2 183 211
- Loans and other investments	831 829	-	831 829	831 829	527 450	-	527 450	527 450
Total Financial investments	**€ 3 376 077**	**€ 62 679**	**€ 3 438 756**	**€ 3 438 756**	**€ 2 771 457**	**€ 69 278**	**€ 2 840 735**	**€ 2 840 735**

EH Group didn't account any significant impairment as of December 31, 2010. EH Group hadn't any financial assets such as "dynamic treasury mutual funds" or "subprime investments".

Fair value hierarchy

(in thousands)	December 31, 2010		
	Level 1	Level 2	Level 3
Available-for-sale assets	**2 399 887**	**162 491**	**43 478**

The level 1 is mainly composed of listed bonds and stocks on an active market.
The level 2 is mainly composed of parts of Allianz 3 years bond (for an amount of €160 million).
The level 3 is mainly composed of participation in a Private Equity Funds, non consolidated shares and of Moroccan & Hungarian non listed government bond.

Notes to the consolidated financial statements

Classification by geographical zone

in thousands

	France	Other Countries	Groupe
Held-to-maturity assets			
Bonds	-	1 071	1 071
Total held-to-maturity assets	**-**	**1 071**	**1 071**
Available-for-sale assets			
Equities	127 810	14 230	142 040
Bonds	639 657	1824 159	2463 816
Total Available-for-sale assets	**767 467**	**1838 390**	**2605 857**
Loans, deposits and other financial investments	212 536	619 293	831 829
Total loans, deposits and other financial investments	**212 536**	**619 293**	**831 829**
Total Financial investments	**980 003**	**2458 753**	**3438 756**

Classification by investment category

(in thousands)	December 31, 2010				December 31, 2009
	Held-to-maturity investments	Available-for-sale investments	Loans, deposits and other financial investments	Total	Total
Net carrying amount as opening period	**€ 1 674**	**€ 2 311 611**	**€ 527 450**	**€ 2 840 735**	**€ 2 590 986**
Increase in gross value	-	1 181 398	945 872	**2 127 270**	1 911 831
Decrease in gross value	(595)	(901 012)	(651 023)	**(1 552 630)**	(1 657 243)
Revaluation	-	(7 326)	-	**(7 326)**	(9 660)
Impairment	-	(2 997)	-	**(2 997)**	(942)
Changes in foreign currency translation adjustements	-	39 508	3 138	**42 646**	8 058
Reclassifications	-	(3 024)	9 934	**6 910**	4 017
Other changes	(8)	(12 302)	(3 542)	**(15 852)**	(6 312)
Net carrying amount as closing period	**€ 1 071**	**€ 2 605 856**	**€ 831 829**	**€ 3 438 756**	**€ 2 840 735**

The other movements in loans, deposits and other financial investments correspond to the reclassification of demand deposits under cash and cash equivalents on the balance sheet.

Note 7 Investments accounted for by the equity method

Information on equity-accounted investments

(in thousands)		December 31, 2010				
Company	**Country**	**Assets [1]**	**Shareholders' equity [2]**	**Turnover**	**Net income**	**% of capital held**
OeKB Beteiligungs- und Management A.G.	Austria	181 349	105 955	71 145	13 639	49,00%
Graydon Holding N.V.	Netherlands	52 718	4 135	72 519	14 462	27,50%
Companhia de Seguro de Creditos SA (COSEC)	Portugal	103 646	38 106	39 259	6 472	50,00%
Israel Credit Insurance Company Ltd	Israel	63 893	30 474	25 352	5 719	33,33%
		€ 401 606	**€ 178 670**	**€ 208 275**	**€ 40 291**	

(1) Assets based on company financial statements as at September 30, 2010.

(2) Shareholders' equity based on company financial statements as at September 30, 2010 including goodwill.

Notes to the consolidated financial statements

(in thousands)				December 31, 2009			
Company	**Country**	**Assets**	**Shareholders' equity**	**Turnover**	**Net income**	**% of capital held**
OeKB Beteiligungs- und Management A.G.	Austria	197 790	109 118	60 299	1 404	49,00%
Graydon Holding N.V.	Netherlands	54 886	2 455	75 616	15 182	27,50%
Companhia de Seguro de Creditos SA (COSEC)	Portugal	104 897	40 418	37 333	346	50,00%
Israel Credit Insurance Company Ltd	Israel	53 107	24 776	15 803	4 824	33,33%
		€ 410 680	**€ 176 767**	**€ 189 050**	**€ 21 756**	-

Movements during the period

(in thousands)	**December 31, 2010**	**December 31, 2009**
Balance as opening period	**€ 89 254**	**€ 93 550**
Increases	-	-
Decreases	-	-
Reclassification	(1)	-
Share of income for the period	15 802	6 644
Dividends paid	(7 918)	(10 554)
Impairment	-	-
Foreign exchange differences	291	(319)
Other changes	638	(67)
Net book value as closing period	**€ 98 066**	**€ 89 254**

Contribution to shareholders' equity (without equity method income of 2010)

(in thousands)		**December 31, 2010**	**December 31, 2009**
OeKB Beteiligungs- und Management A.G.	Austria	51 917	53 468
Graydon Holding N.V.	Netherlands	1 137	675
Companhia de Seguro de Creditos SA (COSEC)	Portugal	19 053	20 209
Israel Credit Insurance Company Ltd	Israel	10 157	8 258
Share of shareholders' equity		**€ 82 264**	**€ 82 610**

Contribution to income

(in thousands)		**Twelve months ended December 31**	
		2010	**2009**
OeKB Beteiligungs- und Management A.G.	Austria	6 683	688
Graydon Holding N.V.	The Netherlands	3 977	4 175
Companhia de Seguro de Creditos SA (COSEC)	Portugal	3 236	173
Israel Credit Insurance Company Ltd	Israel	1 906	1 608
Share of total income		**€ 15 802**	**€ 6 644**

Note 8 Operating property and other property and equipment

(in thousands)	December 31, 2010			December 31, 2009		
	Operating property	Other property and equipment	Total	Operating property	Other property and equipment	Total
Balance as opening period						
Gross value	185 370	143 809	329 179	195 192	141 134	336 326
Amortisation	(48 801)	(115 152)	(163 953)	(61 878)	(111 468)	(173 346)
Impairment	(6 797)	(110)	(6 907)	(554)	-	(554)
Net carrying amount	**€ 129 772**	**€ 28 547**	**€ 158 319**	**€ 132 760**	**€ 29 666**	**€ 162 426**
Change during the year						
Net carrying amount as opening period	**129 772**	**28 547**	**158 319**	**132 760**	**29 666**	**162 426**
Acquisitions	3 825	16 051	19 876	1 318	10 396	11 714
Changes in consolidation scope	-	655	655	-	(19)	(19)
Disposals	(4 074)	(9 349)	(13 423)	(73)	(2 288)	(2 361)
Reclassifications	1 891	(3 513)	(1 622)	(169)	167	(2)
Foreign exchange differences	109	505	614	(54)	157	103
Net depreciation	(4 323)	(8 850)	(13 173)	(4 010)	(9 406)	(13 416)
Net provisions for impairment	-	-	-	-	(110)	(110)
Other changes	-	16	16	-	(16)	(16)
Net carrying amount as closing period	**127 200**	**24 062**	**151 262**	**129 772**	**28 547**	**158 319**
Balance as closing period						
Gross value	184 231	138 750	322 981	185 370	143 809	329 179
Depreciation	(50 234)	(114 578)	(164 812)	(48 801)	(115 152)	(163 953)
Impairment	(6 797)	(110)	(6 907)	(6 797)	(110)	(6 907)
Net carrying amount	**€ 127 200**	**€ 24 062**	**€ 151 262**	**€ 129 772**	**€ 28 547**	**€ 158 319**

Disposals of other property and equipment and the related depreciation correspond mainly to the updating of IT equipment in Germany and France.

The release of building of exploitation corresponds mainly to the sale of the head office of the Belgian subsidiary. The related realized gain is €3.042 thousand.

Note 9 Deferred tax

Breakdown by type of tax

(in thousands)	December 31, 2010	December 31, 2009
Deferred tax assets	134 264	172 015
Deferred tax liabilities	(456 688)	(455 133)
Net deferred tax	**€ (322 424)**	**€ (283 118)**
Tax losses	28 232	49 096
Deferred tax assets linked to revaluation of AFS investments	8 365	9 217
Deferred tax assets - provisions for retirement commitments	1 409	1 728
Deferred tax assets - technical reserves	44 417	63 508
Other deferred tax assets	51 841	48 466
Total deferred tax assets	**€ 134 264**	**€ 172 015**
Deferred tax liabilities linked to revaluation of AFS investments	(27 615)	(27 341)
Deferred tax liabilities - provisions for retirement commitments	(13 582)	(14 838)
Deferred tax liabilities - technical reserves	(365 605)	(363 000)
Other deferred tax liabilities	(49 886)	(49 954)
Total deferred tax liabilities	**€ (456 688)**	**€ (455 133)**
Net deferred tax	**€ (322 424)**	**€ (283 118)**
After offsetting deferred tax assets and liabilities by tax entity		
Deferred tax assets	43 209	42 938
Deferred tax liabilities	(365 633)	(326 056)
Net deferred tax	**€ (322 424)**	**€ (283 118)**

The activated tax losses concern for €14.5 million the reinsurance subsidiaries (Switzerland and Luxemburg), for €8 million the Belgian subsidiary and Euler Hermes Forderungsmanagement GmbH for €4.1 million.

The non-activated tax losses are mainly due to the German Branches for €52.7 million, the future use of these tax losses being unpredictable until now.

Movement in deferred tax by geographical region

(in thousands)	December 31, 2009	Change through income statement	Change relating to revaluation of AFS inv.	Foreign exchange difference	Other movements	December 31, 2010
France	(122 988)	(3 686)	114	-	2	(126 558)
GAS	(190 920)	(25 741)	(116)	9	-	(216 768)
Northern Europe	(4 611)	2 037	409	(180)	70	(2 275)
Southern Europe	4 687	5 208	1 084	(1)	223	11 201
Asia & Pacific countries	28	-	-	4	-	32
America	(915)	(1 156)	(220)	(42)	(223)	(2 556)
Reinsurance	31 940	(28 888)	404	3 133	(1 775)	4 814
Other Countries	509	(850)	23	-	-	(318)
Group Services / Holdings	(848)	10 852	-	-	-	10 004
	€ (283 118)	**€ (42 224)**	**€ 1 698**	**€ 2 923**	**€ (1 703)**	**€ (322 424)**

With regard to Germany and France, the deferred tax liability is due mainly to the cancellation under IFRS of the equalisation reserve.

Change in standard tax rate

	December 31, 2010	December 31, 2009
Group rate	23,87%	67,59%
France	34,43%	34,43%
Germany	32,28%	32,28%
Italy	32,47%	32,32%
United-Kingdom	28,00%	28,00%
United-States	35,00%	35,00%
Netherlands	25,50%	25,50%
Belgium	33,99%	33,99%
Switzerland	17,50%	17,50%

The group tax rate corresponds to the effective tax rate, i.e. the tax charge recognised in the income statement compared with gross income before tax and adjusted for the profits of companies accounted for by the equity method.
A reconciliation between the tax rate of the parent company Euler Hermes SA and the effective tax rate in 2010 is provided in note 26.

Note 10 Insurance and reinsurance receivables

Breakdown by type

(in thousands)	December 31, 2010			December 31, 2009
	Gross	Provisions	Net	Net
Receivables from policyholders and agents	221 919	(17 751)	204 168	199 062
Earned premiums not yet written	159 718	-	159 718	134 420
Receivables from guaranteed debtors	88 513	-	88 513	101 656
Receivables from reinsurance transactions	140 875	(1 941)	138 934	139 380
Total credit insurance receivables	**€ 611 025**	**€ (19 692)**	**€ 591 333**	**€ 574 518**

Breakdown of net receivables from guaranteed debtors

(in thousands)	December 31, 2010			December 31, 2009
	Gross	Provisions	Net	Net
Gross receivables	88 513	-	88 513	101 656
Reinsurers' share	18 985	-	18 985	10 250
Net receivables from guaranteed debtors	**€ 107 498**	**-**	**€ 107 498**	**€ 111 906**

These concern receivables recognised by Euler Hermes Credit Insurance (Belgium) in respect of the retail credit activity.

Breakdown by maturity

(in thousands)	December 31, 2010				
	< 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Gross receivables	368 530	2 040	-	-	370 570
Reinsurers' share	132 231	20	-	-	132 250
Net receivables from guaranteed debtors	88 513	-	-	-	88 513
Total credit insurance receivables	**€ 589 273**	**€ 2 060**	**-**	**-**	**€ 591 333**

Provisions for bad debts from policyholders and agents

(in thousands)	December 31, 2010	December 31, 2009
Balance as opening period	(16 558)	(18 663)
Change in consolidation scope	-	-
Provision	(3 830)	(5 769)
Write back	3 662	3 678
Foreign exchange differences	(20)	(1)
Other changes	(1 005)	4 197
Balance as closing period	**€ (17 751)**	**€ (16 558)**

Note 11 Other receivables

Breakdown by type and by maturity

(in thousands)	December 31, 2010			December 31, 2009
	Gross	**Provision**	**Net**	**Net**
Current account receivables	19 163	-	19 163	18 005
Other taxes receivable	32 482	-	32 482	21 410
Other receivables	**164 863**	**(9 402)**	**155 461**	**133 724**
of which, accrued interest not due	47 745	-	47 745	40 561
Deferred charges	10 483	-	10 483	9 891
Other adjustment accounts	676	-	676	744
Other assets	589	-	589	105
Total other receivables	**€ 228 256**	**€ (9 402)**	**€ 218 854**	**€ 183 879**

Breakdown by maturity

(in thousands)	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total other receivables	**194 617**	**24 162**	**75**	**-**	**218 854**

Note 12 Cash and cash equivalents

(in thousands)	December 31, 2010	December 31, 2009
Cash in bank and at hand	255 774	403 762
Cash pooling	50 427	38 030
Total cash	**€ 306 201**	**€ 441 792**
Total cash per balance sheet	**306 201**	**441 792**
Cash equivalents reflected in the cash flow statement	-	-
Cash pooling creditor with Allianz	(350)	(350)
Total cash and cash equivalents	**€ 305 851**	**€ 441 442**

Note 13 Revaluation reserve

(in thousands)	Investments	Tax	Foreign exchange difference	Associated companies	Other	Revaluation reserve except minority interests	Minority interests	Revaluation reserve
Opening balance	**€ 68 997**	**€ (23 943)**	**€ 180**	**€ (1 134)**	**€ (600)**	**€ 43 500**	**€ 63**	**€ 43 563**
Change in fair market value of asset held for sale transfered through profits & losses (Gross amount) - group	(9 292)	2 718	-	-	-	(6 574)	-	(6 574)
Change in fair market value of asset held for sale booked through equity (Gross amount) - group	1 998	(1 201)	-	-	-	797	-	797
Change in fair market value of asset held for sale booked through equity (Gross amount) - COSEC associated company	-	-	-	638	-	638	-	638
Change in fair market value of asset held for sale booked through equity (Gross amount) - OeKB associated company	-	-	-	-	-	-	-	-
Change in fair market value of asset held for sale booked through equity (Gross amount) - minority	-	-	-	-	-	-	(223)	(223)
Other movements	-	-	-	-	1 038	1 038	(33)	1 005
Closing balance	**€ 61 703**	**€ (22 426)**	**€ 180**	**€ (496)**	**€ 438**	**€ 39 399**	**€ (193)**	**€ 39 206**

Note 14 Minority interests

Movements during the year

(in thousands)	December 31, 2010	December 31, 2009
Minority interests at start of period	**€ 20 698**	**€ 20 328**
Minority shareholders' share of net income	**3 331**	**4 153**
Buy out of minority interests		
Buy out of minority interests in Euler Hermes Guarantee PLC	-	-
Movements on latent reserves (excluding currency translation impact)	**(256)**	**(13)**
Other movements		
Foreign currency translation differences	(7)	(34)
Dividends paid to minority shareholders	(4 143)	(3 712)
Capital increases and other movements	(1 608)	(24)
Minority interests at end of period	**€ 18 015**	**€ 20 698**

Breakdown by country

(in thousands)	December 31, 2010	December 31, 2009
France	994	918
Switzerland	5	-
Hungary	-	1 831
Romania	-	268
Germany	11 458	11 737
Morocco	3 254	3 135
Greece	2 304	2 809
Minority interests	**€ 18 015**	**€ 20 698**

Note 15 Provisions for risks and charges

(in thousands)	December 31, 2009	Allowance	Writeback (used)	Writeback (not used)	Reclassification	Other changes	December 31, 2010
Retirement scheme	**54 982**	**14 715**	**(6 043)**	**(2 058)**	**(4 764)**	**(3 904)**	**52 928**
Defined benefit retirement plans	53 405	14 715	(6 043)	(2 058)	(3 187)	(3 904)	52 928
Defined contribution retirement plans	1 577	-	-	-	(1 577)	-	-
Other provisions for risks and charges	**110 053**	**113 575**	**(20 270)**	**(20 064)**	**(1 290)**	**(4 745)**	**177 259**
Provision for tax liabilities	19 047	-	-	-	-	(4 811)	14 236
Provision for tax litigation	-	-	-	-	-	65	65
Provision for tax uncertainties	28 439	9 527	(1 503)	(7 254)	-	-	29 209
Provisions for employee benefits	40 810	32 089	(11 303)	(11 101)	1 346	5	51 846
Provisions for reinsurer default	-	-	-	-	-	-	-
Provisions for policyholder disputes	-	-	-	-	-	1	1
Provisions for debtor disputes	2 259	-	-	-	-	-	2 259
Guarantee of liabilities	8	-	-	-	-	-	8
Provision for restructuring	7 561	67 128	(3 571)	(31)	-	(13)	71 074
Provisions for sundry disputes	11 929	4 831	(3 893)	(1 678)	(2 636)	8	8 561
Total Provisions for risks and charges	**€ 165 035**	**€ 128 290**	**€ (26 313)**	**€ (22 122)**	**€ (6 054)**	**€ (8 649)**	**€ 230 187**

Defined contribution retirement plans have been reclassified in “Other debts”.

Note 16 Employee benefits

Defined contribution plans

General description of the plans

- La Mondiale (France): insurance firms are required to pay 1% of their annual payroll into a capitalisation pension plan. The funds are managed by La Mondiale, an insurance firm.

- Euler American Credit Indemnity Company Associates Retirement Savings Plan: this is a defined contribution plan for full-time employees of Euler American Credit Indemnity. A provision must be raised pursuant to the Employee Retirement Income Security Act of 1974 (ERISA).

- United Kingdom: the company makes contributions on behalf of its employees amounting to 8% of salaries. The cash is invested in the names of the employees, who receive rights according to the return on investment generated.

- Scandinavia:
  - Denmark: the plan is managed by Danica, a Danish life insurance company.
  - Finland: the plan is managed by Varma, a Finnish insurance company.

The multi employer plans in Sweden, managed by the life insurance company, SPP as well as the plan in Norway, managed by the Norway company Vital are accounted as defined benefit plans since December 31, 2009.

(in thousands of euros)	France	United States	United Kingdom	Scandinavia	Total
Provision at December 31, 2010	**-**	**(1 383)**	**-**	**-**	**(1 383)**
Expense booked in 2010	**(801)**	**(611)**	**(1 257)**	**(1 563)**	**(4 232)**
Provision at December 31, 2009	**-**	**(1 581)**	**-**	**-**	**(1 581)**
Expense booked in 2009	(600)	-	(970)	(1 498)	(3 068)
Provision at December 31, 2008	**-**	**(1 783)**	**-**	**-**	**(1 783)**
Expense booked in 2008	(207)	(186)	(705)	(1 476)	(2 574)
Provision at December 31, 2007	**-**	**(1 470)**	**-**	**-**	**(1 470)**
Expense booked in 2007	(391)	(230)	(1 020)	(1 374)	(3 015)
Provision at December 31, 2006	**-**	**(1 402)**	**-**	**-**	**(1 402)**
Expense booked in 2006	(413)	(2 093)	(912)	(118)	(3 536)

Defined contribution retirement plans are accounted for in “Other debts” as at December 31, 2010.

Defined benefit plans

General description of the plans

- Retirement indemnities (France): the rights in respect of retirement indemnities are defined by the insurance companies' collective agreement. This plan is financed partly by a policy taken out with an insurance company.

- PSAD (France): this is a supplementary retirement benefit plan that was closed in 1978 and covers executives of Euler Hermes Sfac. Contributions are paid by the company to beneficiaries or their surviving spouse (reversion) until their death. The plan is managed by BCAC, which informs the company quarterly of the contributions to be paid. At the end of the year, there were 17 beneficiaries.

- CARDIF (France): This is a supplementary retirement benefit plan that was closed in 2006 and covers members of the Group Management Board and/or corporate officers of Euler Hermes and Euler Hermes Sfac. The contributions are paid by CARDIF to the beneficiaries or their surviving spouse (reversion) until their death. There are 2 beneficiaries.

- TFR (Italy): Trattamento di Fine Rapporto is a pension plan established by Italian legislation that is similar to a defined benefit pension plan. It is valued in accordance with IAS 19 by an independent actuary.
  The following items were taken into account when measuring the commitment at the year end:
  - The retirement age has been taken as 60 years for women and 65 years for men;
  - The probability of leaving the company within the next five years for employees under 40 years of age has been determined based on historical data;
  - The average life expectancy has been determined based on current statistics;
  - The probability of an early request for TFR has also been calculated using historical data available within the company.

  The assets covering the actuarial liability are included along with the other assets of Euler Hermes SIAC and are not identified separately.

- EHUK Defined Benefit plan: Euler Hermes in the UK operates a defined benefit pension plan that covers all employees who had joined the company by December 31, 2001. Under this plan, employees will be granted a pension on retirement (the normal age being 63 years), which will be a fraction of their salary upon retirement and based on their length of service within the company.
  The company funds these rights through a dedicated fund. The retirement rights are revalued annually based on the constraints set by law, which provides for the mandatory application of different revaluation rates according to the vesting date of the rights.

  The revaluation of certain rights, notably those earned prior to April 6, 1997, is not covered by a legal obligation, but is discretionary. The assumptions used to calculate the commitment were reviewed in 2005 following the decision to no longer finance the revaluation of the discretionary increase in rights earned prior to 1997. This took into account the company's recent practice and the current position of the fund, factors that tend to reduce the probability of such discretionary revaluations being granted in the future. The commitment was reduced by £13.7 million at December 31, 2005. In this regard, £8.4 million was treated as actuarial gains and £5.7 million was recognised in the 2006 income statement as past service costs.

  At December 31, 2010, the present value of pension commitments in respect of this plan came to £118 million, funded partly by the fund as the market value of the assets stood at £118 million.

- AVK/APV EPV: Euler Hermes Kreditversicherungs AG, Euler Hermes Forderungsmanagement GmbH, Euler Hermes Risk Management & Co.KG and Euler Hermes Rating Gmbh have implemented a defined benefit pension plan for all their employees. The beneficiaries will receive an annuity upon retirement at 65 years of age at the latest. This plan is managed in part by external companies, namely Pensionskasse AVK and Unterstûtzungskasse APV. Employees who leave the company prior to the date provided for may benefit from an annuity of a lower amount than that provided for initially.

- Euler Hermes Credit Insurance Belgium has implemented a plan that covers the payment to employees of Euler Hermes Credit Insurance Belgium and Euler Hermes Services Belgium of a fixed capital sum, being a multiple of their salary at age 60. It also provides coverage in the event of the death, being a multiple of their salary based on the composition of their family, or invalidity of the employee.

- Euler Hermes Kredietverzekeringen NV (the Netherlands) has implemented a defined benefit pension plan for its employees that is managed by Delta Lloyd.

- Scandinavia:
  Sweden: a multi-employer plan that is managed by SPP, one of the largest life insurance companies. The employee begins to accrue pension at age 28. The employee can receive a pension from age 65. The employee is then guaranteed 65% of their final salary
  Norway: a multi-employer plan that is managed by Vital, a Norwegian life insurance company. The employee begins to accrue pension from the first day of employment. The employee can receive a pension from age 67. The employee is then guaranteed 70 % of their final salary.

31/12/2010	France & Greece			Italy	United-Kingdom	Germany	Belgium	Nederlands	Nordic			Total
	Retirement indemnities	PSAD	CARDIF						FTP	VITAL	CEO's PLAN	
Actuarial obligation - total	**(5 118)**	**(3 655)**	**(2 647)**	**(7 390)**	**(127 413)**	**(353 375)**	**(18 916)**	**(4 032)**	**(4 000)**	**(1 095)**	**(591)**	**(528 233)**
Current period service cost	(312)	-	-	-	(2 172)	(7 520)	(845)	(251)	(157)	(255)	-	(11 512)
Interest on obligation	(247)	(185)	60	-	(7 347)	(18 244)	(973)	(227)	(154)	(45)	-	(27 362)
Employee contributions	-	-	-	(508)	-	(2 746)	(87)	(220)	-	-	-	(3 561)
Plan amendment	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions/disposals of subsidiaries	-	-	-	-	-	(1 029)	-	-	-	-	-	(1 029)
Plan curtailments	-	-	-	-	-	-	525	-	-	-	-	525
Plan settlements	-	-	-	-	-	-	-	-	-	-	638	638
Exceptional events	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial gains (losses) due to a change in assumptions	(1 025)	(259)	(334)	(107)	(2 959)	(26 515)	(885)	(450)	-	-	-	(32 534)
Actuarial gains (losses) due to a change in experience	(207)	(171)	171	-	4 780	4 156	-	(745)	-	-	-	7 984
Benefits paid	386	405	156	2 135	3 153	10 639	292	543	8	-	-	17 717
Currency translation difference	-	-	-	-	(4 017)	-	-	-	(592)	(175)	(47)	(4 831)
Other (please insert comment)	(479)	(63)	(63)	-	(1 163)	3 658	-	(289)	-	-	-	1 602
Removal of the discretionary clause	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial obligation - total	**(7 002)**	**(3 928)**	**(2 657)**	**(5 870)**	**(137 137)**	**(390 976)**	**(20 889)**	**(5 671)**	**(4 894)**	**(1 570)**	**-**	**(580 595)**
Fair value of plan assets - total	**2 251**	**-**	**2 764**	**-**	**115 352**	**288 599**	**13 137**	**3 556**	**2 593**	**546**	**692**	**429 490**
Actual return on plan assets	110	-	49	-	7 575	14 132	570	(36)	105	35	-	22 539
Experience effect on returns from assets	-	-	127	-	6 140	821	(52)	1 195	-	-	-	8 231
Employee contributions	-	-	-	-	-	2 746	87	220	383	-	-	3 436
Employer contributions	747	-	-	-	5 329	6 764	1 687	534	-	-	-	15 061
Acquisitions /disposals of subsidiaries	-	-	-	-	-	(2 613)	-	(543)	-	-	-	(3 156)
Plan curtailments	-	-	(226)	-	-	-	-	-	-	-	-	(226)
Plan settlements	-	-	-	-	-	-	-	18	-	29	(747)	(700)
Benefits paid	(371)	-	(156)	-	(3 153)	(6 950)	(292)	(1)	(8)	-	-	(10 931)
Currency translation difference	-	-	-	-	3 565	-	-	-	400	11	55	4 032
Other (please insert comment)	78	-	141	-	2 327	(84)	-	45	-	26	-	2 533
Fair value of plan assets - total	**2 815**	**-**	**2 699**	**-**	**137 135**	**303 415**	**15 137**	**4 987**	**3 473**	**647**	**-**	**470 307**
Actuarial differences still to be amortised	**(979)**	**-**	**22**	**-**	**(23 174)**	**(53 372)**	**(2 653)**	**(170)**	**(565)**	**339**	**-**	**(80 552)**
Net commitments <0	**(3 208)**	**(3 928)**	**-**	**(5 870)**	**-**	**(34 189)**	**(3 099)**	**(514)**	**(857)**	**(1 262)**	**-**	**(52 928)**
Net commitments >0	**-**	**-**	**20**	**-**	**23 172**	**-**	**-**	**-**	**-**	**-**	**-**	**23 192**
Expenses for the period	**(454)**	**(678)**	**-**	**(615)**	**(9 519)**	**(11 696)**	**(791)**	**(484)**	**(214)**	**(275)**	**-**	**(24 725)**
Current period service cost	(312)	-	-	-	(2 172)	(7 520)	(845)	(251)	(157)	(255)	-	(11 512)
Finance cost (effect of undiscounting)	(247)	(185)	60	-	(7 347)	(18 244)	(973)	(227)	(154)	(45)	-	(27 362)
Expected return on plan assets	99	-	(51)	-	-	14 132	570	(57)	105	35	-	14 832
Expected return on any other assets	-	-	-	-	-	-	-	(7)	-	-	-	(7)
Amortization of actuarial gains and losses	6	(493)	-	(615)	-	(64)	-	-	(8)	-	-	(1 174)
Amortization of prior service cost	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of unrecognized initial obligation	-	-	-	-	-	-	-	-	-	-	-	-
Profit/loss on curtailment/settlement	-	-	(9)	-	-	-	457	-	-	-	-	448
Asset ceiling limitation	-	-	-	-	-	-	-	-	-	-	-	-
Exceptional events	-	-	-	-	-	-	-	-	-	-	-	-
Other (please insert comment)	-	-	-	-	-	-	-	58	-	(9)	-	49
Actuarial assumptions												
Discounting rates used	3,50%			4,30%	5,30%	4,80%	4,80%	5,30%	3,50%	3,80%		
Inflation rate used	2,00%	2,00%	2,00%			1,60%	2,50%	1,50%	2,00%			
Expected return on plan assets	3,50%		4,00%		5,70%	4,70%	3,50%	5,50%	3,50%	5,80%		
Expected return on reimbursement rights (assets)												
Expected rate of salary increase	2,60%			2,00%	4,40%	2,30%	4,00%		3,00%	4,00%		
Expected rate of increase of medical costs												
Rate of increase of benefit used by plan					3,30%		4,00%	0,90%				
Plan retirement age	60		60		63	63	60	65				
Plan residual service period	10		5		20	15		30				
Oth significant actuarial assumption used(comment)		60%										
Structure of plan assets (1)												
Shares					39,50%	*6.1% / 10%*	15,00%	12.5%	17,00%	30,00%		
Bonds	100,00%		100,00%		54,80%	*90.9% / 90%*	85,00%	80%	48,00%	70,00%		
Real estate						*2.5%*		7.5%	16,00%			
Other instruments					5,80%	*0.5%*		0% / 100%	19,00%			

	Germany			Netherlands	
	Euler Hermes Rating Gmbh	Forderungsmanagement Gmbh	Allianz AG	NV Interpolis Kredietverzekeringen	Euler Hermes Kredietverzekering NV
Shares	6,10%	6,10%	10,00%	12,50%	
Bonds	90,90%	90,90%	90,00%	80,00%	
Real estate	2,50%	2,50%		7,50%	
Other instruments	0,50%	0,50%			100,00%

31/12/2009	France			Italy	United-Kingdom	Germany	Belgium	Nederlands	Nordic			Total
	Retirement indemnities	PSAD	CARDIF						FTP	Vital	CEO's plan	
Actuarial liability at start of period	**(4 937)**	**(4 264)**	**(2 499)**	**(9 437)**	**(94 377)**	**(307 727)**	**(16 041)**	**(3 488)**	**(4 044)**	**(887)**	**(482)**	**(448 183)**
- Cost of services provided during the period	(285)	-	-	(39)	(1 588)	(6 928)	(749)	(224)	(145)	(231)	(199)	(10 388)
- Interest expense	(276)	(241)	(145)	(259)	(6 301)	(18 133)	(958)	(194)	(123)	(34)	(26)	(26 690)
- Employee contributions	-	-	-	-	-	(2 625)	(85)	(168)	-	-	-	(2 878)
- Change of pension plan	-	-	-	-	-	-	-	-	-	-	-	-
- Acquisitions/disposals of subsidiaries	-	-	-	-	-	266	-	-	-	-	-	266
- Reductions of pension plans	-	-	-	-	-	-	-	-	-	-	-	-
- Disposals of pension plans	-	-	-	-	-	-	-	-	-	-	-	-
- Exceptional events	-	-	-	-	-	-	-	-	-	-	-	-
- Actuarial gains (losses) due to a change in assumptions	226	(34)	(154)	(7)	(22 083)	(28 029)	(1 164)	(109)	287	56	-	(51 011)
- Actuarial gains (losses) due to a change in experience	(19)	431	(4)	-	1 396	40	(738)	(245)	25	-	-	886
- Benefits paid	173	453	155	2 352	2 504	9 771	819	1	-	-	-	16 228
- Translation differences	-	-	-	-	(6 844)	-	-	-	-	-	-	(6 844)
- Other	-	-	-	-	(120)	(10)	-	395	-	-	116	381
- Removal of the discretionary clause	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial liability at end of period	**(5 118)**	**(3 655)**	**(2 647)**	**(7 390)**	**(127 413)**	**(353 375)**	**(18 916)**	**(4 032)**	**(4 000)**	**(1 095)**	**(591)**	**(528 232)**
Fair value of assets at start of period	**1 540**	**-**	**2 990**	**-**	**94 927**	**266 492**	**12 490**	**2 839**	**2 299**	**575**	**495**	**384 648**
- Actual return on plan assets	41	-	(57)	-	5 746	14 463	645	21	84	34	21	20 998
- Experience effect on returns from assets	-	-	154	-	5 455	5 699	(335)	398	-	-	-	11 371
- Employee contributions	-	-	-	-	-	2 625	85	482	223	-	195	3 610
- Employer contributions	742	-	-	-	4 838	5 923	1 071	198	-	-	-	12 773
- Acquisitions/disposals of subsidiaries	-	-	-	-	-	1 441	-	-	-	-	-	1 441
- Reductions of pension plans	-	-	(485)	-	-	(1 707)	-	7	-	-	-	(2 185)
- Disposals of pension plans	-	-	-	-	-	-	-	-	-	26	-	26
- Benefits paid	(73)	-	(155)	-	(2 411)	(6 473)	(819)	(1)	(25)	-	-	(9 957)
- Translation differences	-	-	-	-	6 883	-	-	-	-	-	-	6 883
- Other	1	-	317	-	(87)	136	-	(389)	12	(88)	(19)	(118)
Fair value of assets at end of period	**2 251**	**-**	**2 764**	**-**	**115 352**	**288 599**	**13 137**	**3 556**	**2 593**	**546**	**692**	**429 490**
	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial differences still to be amortised	**653**	**-**	**117**	**-**	**(32 877)**	**(31 895)**	**(1 795)**	**19**	**(530)**	**53**	**101**	**(66 154)**
	-	-	-	-	-	-	-	-	-	-	-	-
Negative net commitments	**(3 520)**	**(3 655)**	**-**	**(7 390)**	**-**	**(32 881)**	**(3 984)**	**(495)**	**(878)**	**(602)**	**(0)**	**(53 405)**
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Positive net commitments	**-**	**-**	**-**	**-**	**20 816**	**-**	**-**	**-**	**-**	**-**	**-**	**20 816**
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Expenses for the period	**(462)**	**156**	**-**	**(305)**	**(3 003)**	**(27 490)**	**(1 062)**	**(407)**	**201**	**234**	**253**	**(31 885)**
- Coût des services rendus de la période	(285)	-	-	(39)	(1 584)	(6 928)	(749)	(206)	141	223	193	(9 234)
- Coût financier (effet de la désactualisation)	(276)	(241)	-	(259)	(6 288)	(18 133)	(958)	(185)	119	33	25	(26 163)
- Rendement attendu des actifs de régime	83	-	-	-	5 734	(2 625)	645	21	(81)	(33)	(20)	3 724
- Rendement attendu de tout autre actif	-	-	-	-	-	-	-	-	-	-	-	-
- Amortissement des profits ou pertes actuariels	16	397	-	(7)	(745)	196	-	-	22	-	2	(119)
- Amortissement du coût des services passés	-	-	-	-	-	-	-	-	-	-	-	-
- Amortissement de la dette initiale non constatée	-	-	-	-	-	-	-	-	-	-	-	-
- Profit ou la perte résultant de la réduction ou de la liquidation	-	-	-	-	-	-	-	-	-	-	-	-
- Plafonnements d'actifs	-	-	-	-	-	-	-	-	-	-	-	-
- Evenements exceptionnels	-	-	-	-	-	-	-	-	-	-	-	-
- Autres	-	-	-	-	(120)	-	-	(37)	-	11	53	(93)
Actuarial assumptions												
- Discount rate	6,00%	6,00%	4,00%	5,00%	5,50%	5,50%	5,25%	6,00%	3,00%	3,80%	3,00%	
- Rate of inflation	2,50%	2,50%	-	2,00%	-	1,85%	-	2,00%	2,00%	-	2,00%	
- Expected rate of return on plan assets	4,75%	-	4,00%	-	5,75%	5,20%	4,25%	6,00%	3,50%	5,80%	3,50%	
- Expected rate of return on all reimbursement rights	-	-	-	-	-	-	-	-	-	-	-	
- Expected rate of salary increases	3,50%	-	-	3,00%	4,15%	2,40%	-	2,00%	3,00%	4,00%	3,00%	
- Rate of increase in medical costs	-	-	-	-	-	-	-	2,00%	-	-	-	
- Rate of increase in annuities	-	2,35%	-	-	3,20%	1,85%	2,00%	1,00%	-	-	-	
- Retirement age	60	0	60	60-65	63	63	60	65	0	0	0	
- Remaining length of service	10	0	5	0	20	15	11	28	0	0	0	
- Other major assumptions used (1)	-	60,00%	-	-	-	-	-	-	-	-	-	

(1) the 60% on the PSAD plan corresponds to the reversion rate

Structure of plan assets											
- Equities	-	-	23,00%	-	40,00%	20,34%	-	-	30,00%	16,00%	30,00%
- Bonds	100,00%	-	27,00%	-	60,00%	77,21%	-	-	70,00%	56,00%	70,00%
- Property	-	-	-	-	-	2,43%	-	-	-	17,00%	-
- Other	-	-	50,00%	-	-	0,02%	100,00%	100,00%	-	11,00%	-

31/12/2008	France			Italy	United Kingdom	Germany	Belgium	The Netherlands	Total
	Retirement indemnities	PSAD	CARDIF						
Actuarial liability at start of period	**(4 933)**	**(4 497)**	**(2 792)**	**(9 791)**	**(131 573)**	**(311 943)**	**(14 824)**	**(3 146)**	**(483 499)**
- Cost of services provided during the period	(277)	-	-	(431)	(2 462)	(8 322)	(721)	(238)	(12 451)
- Interest expense	(228)	(226)	(145)	(420)	(5 810)	(16 858)	(785)	(163)	(24 635)
- Employee contributions	-	-	-	-	-	(2 590)	(79)	(75)	(2 744)
- Change of pension plan	-	-	-	-	-	-	-	-	-
- Acquisitions/disposals of subsidiaries	-	-	-	-	-	-	-	-	-
- Reductions of pension plans	-	-	-	-	-	-	-	-	-
- Disposals of pension plans	-	-	-	-	-	-	-	-	-
- Exceptional events	-	-	-	-	-	-	-	(169)	(169)
- Actuarial gains (losses) due to a change in assump	218	67	212	-	11 951	19 647	401	343	32 839
- Actuarial gains (losses) due to a change in experier	(144)	(89)	74	-	803	2 985	(646)	-	2 983
- Benefits paid	384	481	152	1 205	2 424	9 369	280	1	14 296
- Translation differences	-	-	-	-	30 272	-	-	-	30 272
- Other	43	-	-	-	18	(15)	333	(41)	338
- Removal of the discretionary clause	-	-	-	-	-	-	-	-	-
Actuarial liability at end of period	**(4 937)**	**(4 264)**	**(2 499)**	**(9 437)**	**(94 377)**	**(307 727)**	**(16 041)**	**(3 488)**	**(442 770)**
Fair value of assets at start of period	**1 164**	**-**	**3 320**	**-**	**128 235**	**264 265**	**11 038**	**2 528**	**410 551**
- Actual return on plan assets	68	-	88	-	(9 839)	13 765	549	109	4 740
- Experience effect on returns from assets	-	-	-	-	-	(13 921)	(89)	-	(14 010)
- Employee contributions	-	-	-	-	-	6 229	79	158	6 466
- Employer contributions	692	-	-	-	8 576	2 590	1 193	533	13 584
- Acquisitions/disposals of subsidiaries	-	-	-	-	-	1 258	-	-	1 258
- Reductions of pension plans	-	-	(266)	-	-	(1 258)	-	-	(1 524)
- Disposals of pension plans	-	-	-	-	-	-	-	-	-
- Benefits paid	(384)	-	(152)	-	(2 424)	(6 126)	(280)	(1)	(9 367)
- Translation differences	-	-	-	-	(29 504)	-	-	-	(29 504)
- Other	-	-	-	-	(118)	(310)	-	21	(407)
Fair value of assets at end of period	**1 540**	**-**	**2 990**	**-**	**94 927**	**266 492**	**12 490**	**2 839**	**381 278**
Actuarial differences still to be amortised	**502**	**-**	**491**	**-**	**(17 150)**	**(9 801)**	**442**	**12**	**(25 504)**
Negative net commitments	**(3 899)**	**(4 264)**	**-**	**(9 437)**	**-**	**(31 434)**	**(3 993)**	**(661)**	**(53 688)**
Positive net commitments	**-**	**-**	**-**	**-**	**17 699**	**-**	**-**	**-**	**17 699**
Expenses for the period	**(437)**	**(247)**	**-**	**(851)**	**(3 172)**	**(11 606)**	**(957)**	**(461)**	**(17 731)**
- Cost of services provided during the period	(277)	-	-	(431)	(2 922)	(8 322)	(721)	(238)	(12 911)
- Financial cost (discounting effect)	(228)	(226)	-	(420)	(6 895)	(16 858)	(785)	(163)	(25 575)
- Expected return on plan assets	59	-	-	-	7 222	13 765	549	139	21 734
- Expected return on all other assets	-	-	-	-	-	-	-	-	-
- Amortisation of actuarial gains and losses	9	(21)	-	-	(457)	(191)	-	-	(660)
- Amortisation of past service costs	-	-	-	-	-	-	-	-	-
- Amortisation of initial unrecognised liability	-	-	-	-	-	-	-	-	-
- Profit or loss resulting from reduction or liquidation	-	-	-	-	-	-	-	-	-
- Asset ceiling	-	-	-	-	-	-	-	40	40
- Exceptional events	-	-	-	-	-	-	-	(193)	(193)
- Other	-	-	-	-	(120)	-	-	(46)	(166)

Actuarial assumptions								
- Discount rate	6,00%	6,00%	4,00%	6,00%	5,80%	5,50%	6,00%	6,00%
- Rate of inflation	2,50%	2,50%	-	3,60%	3,11%	1,85%	2,50%	2,00%
- Expected rate of return on plan assets	4,75%	-	4,00%	-	6,20%	5,20%	5,00%	6,00%
- Expected rate of return on all reimbursement rights	-	-	-	-	-	-	-	-
- Expected rate of salary increases	3,50%	-	-	4,20%	4,15%	2,40%	4,00%	2,00%
- Rate of increase in medical costs	-	-	-	-	-	-	1,50%	2,00%
- Rate of increase in annuities	-	2,35%	-	-	-	1,85%	-	1,00%
- Retirement age	60	0	60	60-65	63	63	60	65
- Remaining length of service	10	0	5	0	20	15	11	28
- Other major assumptions used (1)	-	60,00%	-	-	-	-	-	-

(1) the 60% on the PSAD plan corresponds to the reversion rate

Structure of plan assets								
- Equities	-	-	23,00%	-	40,00%	20,34%	-	-
- Bonds	100,00%	-	27,00%	-	60,00%	77,21%	-	-
- Property	-	-	-	-	-	2,43%	-	-
- Other	-	-	50,00%	-	-	0,02%	100,00%	100,00%

31/12/2007	France			Italy	United Kingdom	Germany	Belgium	The Netherlands	Total
	Retirement indemnities	PSAD	CARDIF						
Actuarial liability at start of period	**(5 278)**	**(5 078)**	**(3 040)**	**(10 364)**	**(147 090)**	**(329 006)**	**(15 138)**	**(4 219)**	**(519 213)**
- Cost of services provided during the period	(306)	-	-	(582)	(3 962)	(8 904)	(785)	(324)	(14 863)
- Interest expense	(200)	(222)	(135)	(481)	(7 282)	(14 896)	(656)	(158)	(24 030)
- Employee contributions	-	-	-	-	-	(2 552)	(74)	(55)	(2 681)
- Change of pension plan	-	-	-	-	-	-	-	1 519	1 519
- Acquisitions/disposals of subsidiaries	-	-	-	-	-	-	-	-	-
- Reductions of pension plans	-	-	-	(147)	-	-	-	-	(147)
- Disposals of pension plans	-	-	-	-	-	-	-	-	-
- Exceptional events	-	-	-	-	-	-	-	-	-
- Actuarial gains (losses) due to a change in assump	467	230	295	-	12 225	30 777	(275)	29	43 748
- Actuarial gains (losses) due to a change in experier	88	88	(63)	-	(1 638)	1 494	1 124	(29)	1 064
- Benefits paid	296	485	151	1 783	3 409	10 817	980	-	17 921
- Translation differences	-	-	-	-	12 183	-	-	-	12 183
- Other	-	-	-	-	582	327	-	91	1 000
- Removal of the discretionary clause	-	-	-	-	-	-	-	-	-
Actuarial liability at end of period	**(4 933)**	**(4 497)**	**(2 792)**	**(9 791)**	**(131 573)**	**(311 943)**	**(14 824)**	**(3 146)**	**(483 499)**

Fair value of assets at start of period	**838**	**-**	**3 301**	**-**	**135 294**	**258 878**	**9 418**	**2 941**	**410 670**
- Actual return on plan assets	35	-	221	-	5 960	13 048	419	(310)	19 373
- Experience effect on returns from assets	-	-	-	-	-	(8 420)	69	-	(8 351)
- Employee contributions	-	-	-	-	1	2 552	74	55	2 682
- Employer contributions	664	-	-	-	2 691	5 885	2 038	149	11 427
- Acquisitions/disposals of subsidiaries	-	-	-	-	-	-	-	-	-
- Reductions of pension plans	-	-	(51)	-	-	-	-	-	(51)
- Disposals of pension plans	-	-	-	-	-	-	-	(480)	(480)
- Benefits paid	(296)	-	(151)	-	(3 409)	(7 678)	(980)	29	(12 485)
- Translation differences	-	-	-	-	(11 720)	-	-	-	(11 720)
- Other	(77)	-	-	-	(582)	-	-	(160)	(819)
Fair value of assets at end of period	**1 164**	**-**	**3 320**	**-**	**128 235**	**264 265**	**11 038**	**2 528**	**410 551**

Actuarial differences still to be amortised	**427**	**-**	**528**	**-**	**(18 657)**	**(18 703)**	**496**	**161**	**(35 748)**
		-	-	-	-	-	-	-	-
Negative net commitments	**(3 899)**	**(4 497)**	**-**	**(9 791)**	**-**	**(28 975)**	**(4 282)**	**(779)**	**(52 520)**
		-	-	-	-	-	-	-	-
Positive net commitments	**-**	**-**	**-**	**-**	**15 319**	**-**	**-**	**-**	**15 319**

Expenses for the period	**(475)**	**96**	**(135)**	**(1 210)**	**(4 259)**	**(11 523)**	**(1 021)**	**(668)**	**(19 195)**
- Cost of services provided during the period	(306)	-	-	(582)	(3 962)	(8 904)	(785)	(324)	(14 863)
- Financial cost (discounting effect)	(200)	(222)	(135)	(481)	(7 282)	(14 896)	(656)	(158)	(24 030)
- Expected return on plan assets	34	-	-	-	8 360	13 048	420	(6)	21 856
- Expected return on all other assets	-	-	-	-	-	-	-	(72)	(72)
- Amortisation of actuarial gains and losses	(3)	318	-	-	(1 375)	(771)	-	-	(1 831)
- Amortisation of past service costs	-	-	-	-	-	-	-	-	-
- Amortisation of initial unrecognised liability	-	-	-	-	-	-	-	-	-
- Profit or loss resulting from reduction or liquidation	-	-	-	(147)	-	-	-	-	(147)
- Asset ceiling	-	-	-	-	-	-	-	-	-
- Exceptional events	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	(108)	(108)

Actuarial assumptions								
- Discount rate	5,10%	5,30%	4,00%	5,10%	5,10%	5,50%	4,50%	5,60%
- Rate of inflation	2,00%	2,00%	-	2,00%	3,15%	1,85%	2,25%	2,00%
- Expected rate of return on plan assets	4,50%	-	4,00%	-	6,40%	5,20%	4,85%	5,60%
- Expected rate of return on all reimbursement rights	-	-	-	-	-	-	-	-
- Expected rate of salary increases	3,00%	-	-	3,00%	4,15%	2,40%	3,75%	2,00%
- Rate of increase in medical costs	-	-	-	-	-	-	-	2,00%
- Rate of increase in annuities	-	1,90%	-	-	-	1,85%	-	-
- Retirement age	60	0	60	60-65	63	63	60	65
- Remaining length of service	10	0	5	0	20	15	12	28
- Other major assumptions used (1)	-	60,00%	-	-	-	-	-	-

(1) the 60% on the PSAD plan corresponds to the reversion rate

Structure of plan assets								
- Equities	-	-	23,00%	-	40,00%	20,34%	-	-
- Bonds	100,00%	-	27,00%	-	60,00%	77,21%	-	-
- Property	-	-	-	-	-	2,43%	-	-
- Other	-	-	50,00%	-	-	0,02%	100,00%	100,00%

31 December 2006	France			Italy	United Kingdom	Germany	Belgium	The Netherlands	Total
	Retirement indemnities	PSAD	CARDIF						
Actuarial liability at start of period	**(5 132)**	**(5 036)**	**(4 672)**	**(10 608)**	**(138 042)**	**(332 607)**	**(14 719)**	**(2 280)**	**(513 096)**
- Cost of services provided during the period	(345)	-	-	(978)	(3 970)	(9 761)	(761)	(416)	(16 231)
- Interest expense	(198)	(192)	(185)	(267)	(6 585)	(13 525)	(573)	(171)	(21 696)
- Employee contributions	-	-	-	-	-	(2 598)	(158)	-	(2 756)
- Change of pension plan	-	-	-	-	-	1 925	-	-	1 925
- Acquisitions/disposals of subsidiaries	66	(193)	-	-	-	(605)	-	-	(732)
- Reductions of pension plans	-	-	1 473	-	-	-	-	8	1 481
- Disposals of pension plans	-	-	-	-	-	-	-	-	-
- Exceptional events	-	-	-	-	-	-	-	-	-
- Actuarial gains (losses) due to a change in assumptions	-	-	-	-	(2 256)	26 082	412	447	24 685
- Actuarial gains (losses) due to a change in experience	(46)	(145)	222	-	(389)	(6 256)	-	(437)	(7 051)
- Benefits paid	377	488	122	1 489	3 156	8 505	200	1	14 338
- Translation differences	-	-	-	-	(2 837)	-	-	-	(2 837)
- Other	-	-	-	-	210	(166)	461	(1 817)	(1 312)
- Removal of the discretionary clause	-	-	-	-	3 623	-	-	446	4 069
Actuarial liability at end of period	**(5 278)**	**(5 078)**	**(3 040)**	**(10 364)**	**(147 090)**	**(329 006)**	**(15 138)**	**(4 219)**	**(519 213)**
Fair value of assets at start of period	**858**	**-**	**4 672**	**-**	**125 154**	**245 321**	**8 093**	**1 664**	**385 762**
- Actual return on plan assets	57		224	-	7 690	12 310	535	5	20 821
- Experience effect on returns from assets					325	(2 032)			(1 707)
- Employee contributions	-		-	-	-	2 598		-	2 598
- Employer contributions	98		-	-	2 919	6 125	158	308	9 608
- Acquisitions/disposals of subsidiaries	74		-	-	-	-	832	210	1 116
- Reductions of pension plans	-		(1 473)	-	-	-	-	-	(1 473)
- Disposals of pension plans	-		-	-	-	-	-	-	-
- Benefits paid	(249)		(122)	-	(3 156)	(5 444)	(200)	(1)	(9 172)
- Translation differences	-		-	-	2 572	-	-	-	2 572
- Other	-		-	-	(210)	-	-	755	545
Fair value of assets at end of period	**838**	**-**	**3 301**	**-**	**135 294**	**258 878**	**9 418**	**2 941**	**410 670**
Actuarial differences still to be amortised	**(283)**	**-**	**261**	**-**	**(30 124)**	**(43 325)**	**(422)**	**(110)**	**(74 003)**
Provision for defined benefit plan	**(4 157)**	**(5 078)**	**-**	**(10 364)**	**18 328**	**(26 803)**	**(5 298)**	**(1 168)**	**(34 540)**
Expenses for the period	**(513)**	**(530)**	**1 473**	**(1 245)**	**4 255**	**(11 078)**	**(994)**	**(955)**	**(9 587)**
- Cost of services provided during the period	(345)		-	(978)	(3 970)	(9 761)	(761)	(416)	(16 231)
- Financial cost (discounting effect)	(198)	(192)	(185)	(267)	(6 585)	(13 525)	(573)	(171)	(21 696)
- Expected return on plan assets	35		185	-	7 690	12 310	340	5	20 565
- Expected return on all other assets	-		-	-	-	-	-	-	-
- Amortisation of actuarial gains and losses	(2)		-	-	(1 324)	(2 027)	-	-	(3 353)
- Amortisation of past service costs	-		-	-	-	1 925	-	200	2 125
- Amortisation of initial unrecognised liability	-		-	-	-	-	-	-	-
- Profit or loss resulting from reduction or liquidation	(3)		1 473	-	-	-	-	8	1 478
- Asset ceiling	-		-	-	-	-	-	-	-
- Exceptional events	-		-	-	-	-	-	-	-
- Other (see explanatory note above)	-	(338)	-	-	8 444	-	-	(581)	7 525
Actuarial assumptions									
- Discount rate	4,00%	4,60%	4,00%	4,50%	5,10%	4,60%	4,50%	4,60%	
- Rate of inflation	2,00%	2,00%	-	2,00%	3,15%	1,50%	2,00%	2,00%	
- Expected rate of return on plan assets	4,00%	-	4,00%	-	6,40%	5,00%	4,50%	4,60%	
- Expected rate of return on all reimbursement rights	-	-	-	-	-	-	-	-	
- Expected rate of salary increases	3,00%	-	-	2,50%	4,15%	2,40%	3,50%	2,00%	
- Rate of increase in medical costs	-	-	-	-	-	-	-	2,00%	
- Rate of increase in annuities	-	1,90%	-	-	3,15%	1,50%	-	-	
- Retirement age	60		60	60-65	63	63	60	65	
- Remaining length of service	10		5		20	15	12	28	
- Other major assumptions used (1)	-	60,00%	-	-	-	-	-		

(1) the 60% on the PSAD plan corresponds to the reversion rate

Structure of plan assets	Retirement indemnities	PSAD	CARDIF	Italy	United Kingdom	Germany	Belgium	The Netherlands
- Equities	-	-	23,00%	-	49,00%	20,34%	-	-
- Bonds	100,00%	-	27,00%	-	31,00%	77,21%	-	-
- Property	-	-	-	-	-	2,43%	-	-
- Other	-	-	50,00%	-	20,00%	0,02%	100,00%	100,00%

Estimation of future contributions

The table below presents the estimated future benefit payments that will be met by the pension funds or by Euler Hermes Group:

(in thousands of euros)	Pension Benefits	Post-Retirement Benefits
2010	17 592	324
2011	15 819	153
2012	17 114	-
2013	18 334	102
2014	19 971	351
2015	21 036	159
2016 - 2020	126 501	2 093

Note 17 Borrowings

<u>Breakdown by type</u>

(in thousands)	December 31, 2010	December 31, 2009
Subordinated debt	**-**	**-**
Term loans and other term borrowings	255 118	1 261
Demand accounts	-	-
Borrowings from banking sector businesses	**255 118**	**1 261**
Other borrowings	249 168	405 882
Total borrowings	**€ 504 286**	**€ 407 143**

Borrowings from banking sector businesses correspond to the following items:

- Loan 2010 from Crédit Agricole of €125million in term in 18/06/2015, in the annual fixed rate of 3,05 %
- Loan 2010 from HSBC of €125million in term in 18/06/2015, in the annual fixed rate of 3,05 %.
- Loan from Emporiki Bank to Euler Hermes Emporiki Credit Insurance for €1million.
- Accrued interest for 4 €million

Other borrowings mainly correspond to two loans contracted with Alllianz France International and Allianz Belgium:

- Loan 2009 of €110million in term in 10/09/2012, in the fixed rate Mid-Swaps 3 years + 60 basic points;
- Loan 2010 of €135million in term in 24/06/2020, in the annual fixed rate of 4, 04 %
- Accrued interest for €4million

<u>Breakdown by maturity</u>

(in thousands)	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total borrowings	**2 367**	**6 919**	**360 000**	**135 000**	**504 286**

Breakdown by maturity for interests to be paid (in millions of euros)

	2010	2011	2012	2013 to 2019 (1)	2020
Borrowing 2009 of 110m€ maturity 10/09/2012, rate fixe Mid-Swaps 3 ans + 60 basis points	3,05	3,05	2,38		
Borrowing 2010 of 135m€ maturity 24/06/2020, annual rate fix to 4,04%	2,73	5,45	5,45	38,18	2,73
Total futur interest expenses with Allianz group	**€ 5,78**	**€ 8,50**	**€ 7,83**	**€ 38,18**	**€ 2,73**

	2010	2011	2012	2013 to 2014 (2)	2015
Borrowing 2010 of 125m€ maturity 18/06/2015, annual rate fix to 3.05%	1,91	3,81	3,81	7,63	1,91
Borrowing 2010 of 125m€ maturity 18/06/2015, annual rate fix to 3.05%	1,91	3,81	3,81	7,63	1,91
Total futur interest expenses with others than Allianz group	**€ 3,81**	**€ 7,63**	**€ 7,63**	**€ 15,25**	**€ 3,81**

(1) This amount of interests is accumulated over 7 years; the annual amount of interest on loans amounts to 5.45 million euro

(2) This amount of interests is accumulated over 2 years; the annual amount of interest by loan amounts to 3.81 million euro

Note 18 Technical reserves

(in thousands)	December 31, 2009	Allowance net of writebacks	Foreign exchange differences	Other changes	December 31, 2010
Reserve for unearned premiums	298 736	(4 820)	7 974	1 799	303 689
Reserve for claims net of forecasts of recoveries	1 424 760	(117 146)	18 887	694	1 327 195
Reserve for no-claims bonuses and refunds	113 055	39 226	(1 907)	136	150 510
Gross technical reserves	**1 836 551**	**(82 740)**	**24 954**	**2 629**	**1 781 394**
Reserve for unearned premiums	68 952	(18 326)	2 940	(3 056)	50 510
Reserve for claims net of forecasts of recoveries	427 226	(13 852)	4 934	452	418 760
Reserve for no-claims bonuses and refunds	21 403	11 223	(1 654)	122	31 094
Reinsurers' share of technical reserves	**517 581**	**(20 955)**	**6 220**	**(2 482)**	**500 364**
Net technical reserves	**€ 1 318 970**	**€ (61 785)**	**€ 18 734**	**€ 5 111**	**€ 1 281 030**

Cost of claims

(in thousands)	Twelve months ended December 31,					
	2010			2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Cost of claims for the current period	**1 092 840**	**(334 480)**	**758 360**	**1 452 108**	**(454 240)**	**997 868**
of which, claims paid	227 949	(85 783)	142 166	443 443	(130 963)	312 480
of which, claims reserves	775 381	(244 264)	531 117	929 492	(318 538)	610 954
of which, claims handling expenses	89 510	(4 433)	85 077	79 173	(4 739)	74 434
Recoveries for the current period	**(128 609)**	**45 423**	**(83 186)**	**(140 738)**	**39 628**	**(101 110)**
Recoveries received	(39 998)	27 171	(12 827)	(13 142)	3 195	(9 947)
Change in reserves for recoveries	(88 611)	18 252	(70 359)	(127 596)	36 433	(91 163)
Cost of claims from prior periods	**(269 805)**	**68 741**	**(201 064)**	**57 620**	**41 612**	**99 232**
of which, claims paid	694 617	(205 924)	488 693	944 564	(186 126)	758 438
of which, claims reserves	(954 615)	273 359	(681 256)	(878 122)	228 456	(649 666)
of which, claims handling expenses	(9 807)	1 306	(8 501)	(8 822)	(718)	(9 540)
Recoveries from prior periods	**10 373**	**(4 209)**	**6 164**	**(92 911)**	**9 063**	**(83 848)**
Recoveries received	(153 865)	30 220	(123 645)	(158 164)	22 044	(136 120)
Change in reserves for recoveries	164 238	(34 429)	129 809	65 253	(12 981)	52 272
Cost of claims	**€ 704 799**	**€ (224 525)**	**€ 480 274**	**€ 1 276 079**	**€ (363 937)**	**€ 912 142**

Claims reserves

(in thousands)	December 31, 2010			December 31, 2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Claims reserves gross of recoveries	**1 557 083**	**(470 718)**	**1 086 365**	**1 727 088**	**(494 645)**	**1 232 443**
Current period	819 386	(247 103)	572 283	978 315	(322 827)	655 488
Prior periods	737 697	(223 615)	514 082	748 773	(171 818)	576 955
Recoveries to be received	**(229 888)**	**51 958**	**(177 930)**	**(302 327)**	**67 419**	**(234 908)**
Current period	(89 986)	19 163	(70 823)	(127 752)	36 507	(91 245)
Prior periods	(139 902)	32 795	(107 107)	(174 575)	30 912	(143 663)
Claims reserves	**€ 1 327 195**	**€ (418 760)**	**€ 908 435**	**€ 1 424 761**	**€ (427 226)**	**€ 997 535**

Breakdown by type of reserve

(in thousands)	December 31, 2010			December 31, 2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Reserves for unearned premiums	**303 689**	**(50 510)**	**253 179**	**298 736**	**(68 952)**	**229 784**
Claims reserves	**1 327 195**	**(418 760)**	**908 435**	**1 424 760**	**(427 226)**	**997 534**
of which, reserves for known claims	922 871	(313 706)	609 165	1 157 922	(348 067)	809 855
of which, reserves for late claims	532 256	(146 324)	385 932	461 422	(137 999)	323 423
of which, reserves for claims handling expenses	94 995	(7 842)	87 153	109 030	(8 580)	100 450
of which, other technical reserves	6 960	(2 846)	4 114	(1 286)	1	(1 285)
of which, recoveries to be received	(229 887)	51 958	(177 929)	(302 328)	67 419	(234 909)
No-claims bonuses and rebates	**150 510**	**(31 094)**	**119 416**	**113 055**	**(21 403)**	**91 652**
Technical reserves	**€ 1 781 394**	**€ (500 364)**	**€ 1 281 030**	**€ 1 836 551**	**€ (517 581)**	**€ 1 318 970**

Note 19 Insurance and reinsurance liabilities

Breakdown by type and by maturity

(in thousands)	December 31, 2010	December 31, 2009
Policyholders' guarantee deposits and miscellaneous	91 001	105 366
Due to policyholders and agents	103 624	102 831
Liabilities arising from inwards insurance and reinsurance transactions	**194 625**	**208 197**
Due to reinsurers and assignors	147 495	131 148
Deposits received from reinsurers	24 861	39 252
Outwards reinsurance liabilities	**172 356**	**170 400**
Total insurance and reinsurance liabilities	**€ 366 981**	**€ 378 597**

(in thousands)	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total insurance and reinsurance liabilities	**366 189**	**793**	**-**	-	**366 981**

Note 20 Other liabilities

(in thousands)	December 31, 2010	December 31, 2009
Tax and social liabilities	120 211	93 215
Other operating liabilities	105 413	67 822
Deferred income	9 763	8 343
Other accrued expenses	-	0
Other liabilities	12 266	12 417
Total other liabilities	**€ 247 653**	**€ 181 797**

(in thousands)	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total other liabilities	**236 822**	**3 575**	**5 055**	**2 201**	**247 653**

The other liabilities are mainly liabilities under service agreement for €12.3 million.

Note 21 Breakdown of income net of reinsurance

(in thousands)	Twelve months ended December 31,					
	2010			2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Premiums and commissions	1 891 266	(660 868)	1 230 398	1 736 217	(619 659)	1 116 558
Premiums refunded	(120 885)	33 354	(87 531)	(63 079)	19 637	(43 442)
Gross premiums written - credit insurance	1 770 381	(627 514)	1 142 867	1 673 138	(600 022)	1 073 116
Change in unearned premiums	4 818	(7 871)	(3 053)	21 347	16 697	38 044
Earned premiums	**1 775 199**	**(635 385)**	**1 139 814**	**1 694 485**	**(583 325)**	**1 111 160**
Premium-related revenues	*372 535*	-	*372 535*	*391 226*	-	391 226
Turnover	**€ 2 147 734**	**€ (635 385)**	**€ 1 512 349**	**€ 2 085 711**	**€ (583 325)**	**€ 1 502 386**
Net investment income	**123 248**	**-**	**123 248**	**148 409**	**-**	**148 409**
Claims paid	(727 006)	234 316	(492 690)	(1 216 700)	291 849	(924 851)
Claims reserves expense	102 568	(12 918)	89 650	10 974	66 631	77 605
Claims handling expense	(80 361)	3 127	(77 234)	(70 353)	5 457	(64 896)
Insurance services expense	**(704 799)**	**224 525**	**(480 274)**	**(1 276 079)**	**363 937**	**(912 142)**
Brokerage commissions	(174 432)	-	(174 432)	(175 724)	-	(175 724)
Other acquisition costs	(172 254)	-	(172 254)	(153 216)	-	(153 216)
Change in acquisition costs capitalised	(2 438)	-	(2 438)	(2 983)	-	(2 983)
Contract acquisition expense	**(349 124)**	**-**	**(349 124)**	**(331 923)**	**-**	**(331 923)**
Impairment of portfolio securities and similar	**-**	**-**	**-**	**-**	**-**	**-**
Administration expense	**(193 643)**	**-**	**(193 643)**	**(175 919)**	**-**	**(175 919)**
Commissions received from reinsurers	**-**	**194 783**	**194 783**	**-**	**194 071**	**194 071**
Other ordinary operating income and expense	**(335 466)**	**-**	**(335 466)**	**(341 256)**		**(341 256)**
Ordinary operating income	**€ 687 950**	**€ (216 077)**	**€ 471 873**	**€ 108 943**	**€ (25 317)**	**€ 83 626**

Note 22 Net financial income

(in thousands)	Year ended December 31, 2010	2009
Revenues from investment property	1 683	5 741
Revenues from securities	68 723	65 840
Available for sale assets through equity	-	-
Held to maturity	41	76
Revenues from equity & debt securities	**68 764**	**65 916**
Revenues from loans, deposits and other financial investments	19 996	23 340
Other financial income	2 913	1 979
Investment income	**€ 93 356**	**€ 96 976**
Depreciation of investment property	(258)	(1 493)
Investment management expenses	(7 177)	(8 507)
Interest paid to reinsurers	(377)	(341)
Other financial expenses	(1)	-
Investment expense	**€ (7 813)**	**€ (10 341)**
Profits (losses) on sales of property	**19 969**	**26 420**
Available for sale assets through equity	8 495	40 776
Trading assets	-	-
Held to maturity	-	-
On sales of loans to banks and customers	-	4 076
Profits (losses) on sales of securities	**8 495**	**44 852**
Profits (losses) on sales of participating interests	1	-
Net gain (loss) on sales of investments less impairment and depreciation writebacks	**€ 28 465**	**€ 71 272**
Change in fair value of derivatives	200	1 363
Change in fair value of trading assets	-	-
Change in fair value of investments recognised at fair value through the income statement	**€ 200**	**€ 1 363**
Reserve for impairment of investments	(3 982)	(1 335)
Change in impairment of investments	**€ (3 982)**	**€ (1 335)**
Net change in foreign currency	**€ 13 022**	**€ (9 525)**
Net financial income (excluding financing expense)	**€ 123 248**	**€ 148 410**

Note 23 Operating leases

(in thousands)	31 décembre 2010			
	United Kingdom	**United States**	**Netherlands**	**Scandinavia**
Less than 1 year	194	1 527	0	0
1 to 5 years	681	4 810	873	0
More than 5 years	1 918	3 382	0	0
Total	**€ 2 793**	**€ 9 720**	**€ 873**	**€ 0**

(in thousands)	31 décembre 2009			
	United Kingdom	**United States**	**Netherlands**	**Scandinavia**
Less than 1 year	3 055	1 493	0	0
1 to 5 years	312	4 350	865	892
More than 5 years	381	4 114	0	183
Total	**€ 3 748**	**€ 9 957**	**€ 865**	**€ 1 075**

Notes to the consolidated financial statements

Note 24 Expenses by destination allocated by nature

(in thousands)	Year ended December 31,		
	2010	2009	Evolution
Other ordinary operating income and expense	(335 466)	(341 256)	-1,70%
Contract acquisition expense	(349 124)	(331 923)	5,18%
Administration expense	(193 643)	(175 919)	10,08%
Claims handling expenses	(94 806)	(72 905)	30,04%
Investment management charges	(7 813)	(10 341)	-24,45%
Total expenses by destination	**€ (980 852)**	**€ (932 344)**	**5,20%**

(in thousands)	Year ended December 31,		
	2010	2009	Evolution
Expenses linked to personnal	(458 925)	(434 728)	5,57%
Commissions	(205 536)	(208 690)	-1,51%
IT expenses	(104 365)	(63 476)	64,42%
Renting and maintenance expenses	(47 221)	(43 283)	9,10%
Allowance & amortisation	(8 053)	(31 692)	-74,59%
Legal, advertising & consulting expenses	(30 229)	(30 678)	-1,46%
Other non recurring expenses	-	(5 790)	-100,00%
Other recurring expenses	(126 523)	(114 008)	10,98%
Total expenses by nature	**€ (980 852)**	**€ (932 345)**	**5,20%**

Note 25 Other ordinary operating revenues and expenses

(in thousands)	Year ended December 31,	
	2010	2009
Other technical income	28 021	13 703
Other non-technical income	-	-
Other ordinary operating income	**28 021**	**13 703**
Other technical expense	(354 854)	(342 809)
Other non-technical expense	(306)	(1 987)
Employee profit sharing and bonuses	(8 327)	(10 163)
Other ordinary operating expense	**(363 487)**	**(354 959)**
Other ordinary operating income and expense	**€ (335 466)**	**€ (341 256)**

The other non-technical expense are mainly interests on defined benefit plans ((€11.7m)) net of interest income of counterpart asset plans (€9.3m).

The other technical expense mainly concern information fees and collection fees.

Note 26 Corporation tax

Breakdown of tax charge

(in thousands)	December 31, 2010
Corporation tax	52 136
Adjustments relating to prior years	(133)
Provision for tax uncertainties & penaities	5 450
Other	(4 577)
Total current tax	**€ 52 876**
Timing differences	51 613
Change in tax rate or new tax	(9 458)
Tax benefits relating to prior years	(1 654)
Other	-
Total differed tax	**€ 40 501**
Total Corporation tax as reported in the income statement	**€ 93 377**

Tax proof

Consolidated income before taxes	**391 160**	
Theoretical tax rate		34,43%
Tax at theoretical tax rate	-134 676	
Tax at effective tax rate	-93 377	23,87%
Difference	**-41 300**	**10,56%**
Impact of differences between group and local tax rates	**31 268**	**-7,99%**
o/w Swiss tax rate impact 17,5%	25 346	-6,48%
o/w British tax rate impact 28%	1 245	-0,32%
o/w German tax rate impact 32,28%	1 880	-0,48%
o/w German special tax rate impact 17,67% (Bürgel)	1 489	-0,38%
Local specific taxes	**-404**	**0,10%**
o/w CVAE - France (1%)	-2 400	0,61%
o/w IRAP - Italy (4,97%)	678	-0,17%
o/w German trade tax	1 318	-0,34%
Specitic rates	**590**	**-0,15%**
o/w Reduced tax rate on internal selling of shares	-506	0,13%
o/w Realized gains on real estate - lower rate of 19,627% - France	1 096	-0,28%
Tax impact on capitalisation reserve (Exit tax & cancellation of the basis) - France	**6 573**	**-1,68%**
Restatement of the equity method net income impact	**5 211**	**-1,33%**
Prior years tax reappraisal (mainly Belgium for 1,7mEUR)	**3 339**	**-0,85%**
Non taxable local net income for the funds Euler & Euro Gestion	**2 219**	**-0,57%**
Utilization of Net Ordinary Losses previously unrecognized	**1 416**	**-0,36%**
Belgian notionnals interests	**1 119**	**-0,29%**
Net tax integration Boni - France	**1 047**	**-0,27%**
Non deductible dividends (5%)	**-5 168**	**1,32%**
Tax impact of British & Hong Kong branches in Germany	**-3 361**	**0,86%**
Provision for tax uncertainties	**-1 453**	**0,37%**
Other	**-1 099**	**0,28%**

The tax proof provides an explanation of items making up the difference between the tax charge at the theoretical tax rate of 34.43%, i.e. the parent company's tax rate, and the actual tax charge recorded in the income statement giving an effective tax rate of 23.87%.

The main variances are due to the difference between local tax rate of each entity and the Group tax rate, permanent differences reported by each entity, reduced rates and specific tax positions (mainly unrecognized tax losses).

Note 27 Earnings per share and dividend per share

Earnings per share

	Year ended December 31,	
	2010	**2009**
Distributable net income (in thousands of euros)	294 452	18 988
Weighted average number of ordinary shares before diluti	43 687 621	43 919 192
Earnings per share (€)	**€ 6,74**	**€ 0,43**
Distributable net income (in thousands of euros)	294 452	18 988
Weighted average number of ordinary shares after dilutior	43 782 712	43 946 746
Diluted earnings per share (€)	**€ 6,73**	**€ 0,43**

The dilution impact takes into account the exercise of options. The average number of shares resulting from dilution is 95 091 in 2010 (27,554 in 2009). The group share of net income is used as the basis for this calculation.

Dividend per share

Considering 2009 results, Euler Hermes group decided not to pay dividends to protect its stockholders' equity.

Note 28 Segment data

Segment assets are operating assets that can be directly attributed or reasonably allocated to a given segment. Segment liabilities are liabilities arising from operations that can be directly attributed or reasonably allocated to a given segment.

Segment profit and loss comprises income and expense resulting from operating activities that are directly attributable to a given segment and the relevant portion of income and expense that can reasonably be assigned to the segment, notably income and expense relating to sales to external customers and income and expense relating to transactions with other segments of the same company.

For the Euler Hermes group the primary segment is the geographic segment as it corresponds to the information presented to the group’s management bodies.

Since January 1st, 2010, the implementation of the project One Euler Hermes has generated a new well-balanced geographical organization. These changes aroused the creation of six completely given responsibilities regions: Germany/Austria/Swiss, Americas, Asia/Pacific, France, Northern Europe and Mediterranean Countries/Africa.

In order to provide a comparison between the nine months ended December 31, 2010 and December 31, 2009, the segment data of December 31, 2009 had been modified to fit with the 2010 geographical area applied since January 1, 2010.

Profit & loss by segment

(in thousands)	Twelve months ended December 31 2010									
	Germany, Austria, Switzerland	**France**	**Northern Europe**	**Mediterranean Countries & Africa**	**Americas**	**Asia Pacific**	**Reinsurance group**	**Group services**	**Inter-segment eliminations**	**GROUP**
Premiums written	674 944	347 498	424 326	177 539	188 678	44 528	955 988	-	(922 235)	1 891 266
Premiums refunded	(54 339)	(32 685)	(23 635)	(5 200)	(2 562)	(1 326)	(59 517)	-	58 379	(120 885)
Change in unearned premiums	967	438	3 631	1 647	(3 750)	1 204	(14 140)	-	14 821	4 818
Earned premiums - non-group	**621 572**	**315 251**	**404 322**	**173 986**	**182 366**	**44 406**	**882 331**	**-**	**(849 035)**	**1 775 199**
Premium-related revenues - non-group	169 984	75 037	67 389	48 004	32 701	15 833	-	24 281	(60 694)	372 535
Turnover - intra-sectoral	**791 556**	**€ 390 288**	**€ 471 711**	**€ 221 990**	**€ 215 067**	**€ 60 239**	**€ 882 331**	**€ 24 281**	**€ (909 729)**	**€ 2 147 734**
Investment income	69 938	43 298	11 065	8 070	10 572	5 022	11 701	197 883	(234 301)	123 248
Of which, dividends	*(3 958)*	*(1)*	-	-	-	-	-	*(193 935)*	*197 894*	-
Total ordinary income	**861 494**	**433 586**	**482 776**	**230 060**	**225 639**	**65 261**	**894 032**	**222 164**	**(1 144 030)**	**2 270 982**
Insurance services expense	(246 029)	(103 989)	(212 163)	(74 194)	(53 445)	(18 491)	(277 465)	-	280 977	(704 799)
Outwards reinsurance expense	(357 500)	(124 938)	(249 724)	(113 763)	(120 148)	(28 368)	(489 979)	-	849 035	(635 385)
Outwards reinsurance income	232 751	81 710	178 678	74 483	69 064	18 994	276 431	-	(512 803)	419 308
Other income and expense	(317 982)	(152 517)	(174 014)	(107 495)	(86 128)	(31 474)	(243 905)	(56 615)	291 897	(878 233)
Total other income and expense	**(688 760)**	**(299 734)**	**(457 223)**	**(220 969)**	**(190 657)**	**(59 339)**	**(734 918)**	**(56 615)**	**909 106**	**(1 799 109)**
Ordinary operating income	**172 734**	**€ 133 852**	**€ 25 553**	**€ 9 091**	**€ 34 982**	**€ 5 922**	**€ 159 114**	**€ 165 549**	**€ (234 924)**	**€ 471 873**
Autres produits et charges opérationnels	(41 540)	(2 634)	(23 619)	(9 126)	(1 799)	-	-	(4 225)	-	(82 943)
Operating income	**131 194**	**€ 131 218**	**€ 1 934**	**€ (35)**	**€ 33 183**	**€ 5 922**	**€ 159 114**	**€ 161 324**	**€ (234 924)**	**€ 388 930**
Financing expense	(532)	(102)	(1 693)	(290)	(417)	(14)	(126)	(16 257)	5 859	(13 572)
Income from companies accounted for by the equity method	10 660	5 142	-	-	-	-	-	-	-	15 802
Corporation tax	(29 473)	(39 462)	3 945	21	(11 433)	(589)	(28 822)	12 436	-	(93 377)
Consolidated net income	**111 849**	**96 796**	**4 186**	**(304)**	**21 333**	**5 319**	**130 166**	**157 503**	**(229 065)**	**297 783**
o/w	-									
Net income, group share	**108 689**	**€ 96 424**	**€ 4 186**	**€ (103)**	**€ 21 333**	**€ 5 319**	**€ 130 166**	**€ 157 503**	**€ (229 065)**	**€ 294 452**
Minority interests	3 160	372	-	(201)	-	-	-	-	-	3 331

(in thousands)	Year ended December 31, 2009									
	Germany, Austria, Switzerland	**France**	**Northern Europe**	**Mediterranea n Countries & Africa**	**Americas**	**Asia Pacific**	**Reinsurance group**	**Group services**	**Inter-segment eliminations**	**GROUP**
Premiums written	616 882	311 023	382 035	192 228	164 793	43 083	726 405	-	(700 232)	1 736 217
Premiums refunded	(34 418)	(18 243)	(11 345)	4 103	-	(614)	(28 814)	-	26 252	(63 079)
Change in unearned premiums	11 346	(140)	6 888	(815)	5 486	(23)	5 562	-	(6 957)	21 347
Earned premiums - non-group	**593 810**	**292 640**	**377 578**	**195 516**	**170 279**	**42 446**	**703 153**	**-**	**(680 937)**	**1 694 485**
Premium-related revenues - non-group	180 122	77 451	75 401	56 227	28 223	12 418	-	17 742	(56 358)	391 226
Turnover - intra-sectoral	**€ 773 932**	**€ 370 091**	**€ 452 979**	**€ 251 743**	**€ 198 502**	**€ 54 864**	**€ 703 153**	**€ 17 742**	**€ (737 295)**	**€ 2 085 711**
Investment income	54 930	72 204	16 023	13 739	13 121	(1 788)	(2 079)	177 535	(195 275)	148 410
Of which, dividends	-	-	-	-	-	-	-	-	-	-
Total ordinary income	**828 862**	**442 295**	**469 002**	**265 482**	**211 623**	**53 076**	**701 074**	**195 277**	**(932 570)**	**2 234 121**
Insurance services expense	(451 718)	(148 952)	(375 911)	(104 132)	(136 311)	(37 115)	(583 401)	-	561 461	(1 276 079)
Outwards reinsurance expense	(326 037)	(60 594)	(204 161)	(92 326)	(87 342)	(23 792)	(470 010)	-	680 937	(583 325)
Outwards reinsurance income	358 173	43 670	258 453	47 639	95 171	29 876	493 643	-	(768 617)	558 008
Other income and expense	(326 760)	(149 691)	(174 955)	(111 315)	(78 132)	(24 038)	(215 410)	(32 334)	263 537	(849 098)
Total other income and expense	**(746 342)**	**(315 567)**	**(496 574)**	**(260 134)**	**(206 614)**	**(55 069)**	**(775 178)**	**(32 334)**	**737 318**	**(2 150 494)**
Ordinary operating income	**€ 82 520**	**€ 126 728**	**€ (27 572)**	**€ 5 348**	**€ 5 009**	**€ (1 993)**	**€ (74 104)**	**€ 162 943**	**€ (195 252)**	**€ 83 627**
Autres produits et charges opérationnels	-	-	-	(8 856)	-	-	-	-	-	(8 856)
Operating income	**€ 82 520**	**€ 126 728**	**€ (27 572)**	**€ (3 508)**	**€ 5 009**	**€ (1 993)**	**€ (74 104)**	**€ 162 943**	**€ (195 252)**	**€ 74 771**
Financing expense	(181)	(189)	(1 127)	(228)	(399)	(16)	172	(16 196)	8 151	(10 013)
Income from companies accounted for by the equity method	4 863	1 781	-	-	-	-	-	-	-	6 644
Corporation tax	(30 409)	(43 346)	9 750	(2 971)	(1 974)	(361)	12 866	8 184	-	(48 261)
Consolidated net income	**56 793**	**84 974**	**(18 949)**	**(6 707)**	**2 636**	**(2 370)**	**(61 066)**	**154 931**	**(187 101)**	**23 141**
o/w										
Net income, group share	**€ 53 459**	**€ 84 604**	**€ (18 981)**	**€ (7 124)**	**€ 2 636**	**€ (2 370)**	**€ (61 066)**	**€ 154 931**	**€ (187 101)**	**€ 18 988**
Minority interests	3 334	370	32	417	-	-	-	-	-	4 153

Depreciation, amortisation and provisions by segment

(in thousands)	Twelve months ended December 31 2010									
	Germany, Austria, Switzerland	**France**	**Northern Europe**	**Mediterranean Countries & Africa**	**Americas**	**Asia Pacific**	**Reinsurance group**	**Group services**	**Inter-segment eliminations**	**GROUP**
Provisions for loans and receivables	(13 352)	(2 910)	(289)	(11)	(985)	-	-	88	-	**€ (17 459)**

(in thousands)	Year ended December 31st, 2009									
	Germany	**IDC Germany Europe**	**IDC Germany Asia**	**France & IDC**	**Italy**	**United Kingdom**	**North & South America**	**Belgium**	**Netherlands**	**Group Reinsurance**
Provisions for loans and receivables	360	(2 749)	(43)	(38)	-	-	-	1 005	-	**€ (1 465)**

Amortisation and impairment charges on non-current assets are now analysed by function. Consequently, the breakdown is no longer directly visible in the income statement in the 2009 and 2010 financial statements.

The impairment of €13.4 million accounted in the segment Germany, Austria & Switzerland is linked to the IT project Convergence (cf. Note 1. Significant events).

Balance sheet by segment

(in thousands)	December 31, 2010									
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance group	Group services	Inter-segment eliminations	GROUP
Goodwill	-	-	65 117	7 803	31 731	3 064	-	(2)	-	107 713
Other intangible assets	29 662	10 849	8 363	3 125	3 571	977	1 371	9 902	(2 266)	65 554
Investments - insurance businesses	551 257	782 450	149 059	151 836	87 926	9 877	193 776	1 843 071	(316 074)	3 453 178
Investments accounted for by the equity method	63 715	34 352	-	-	-	-	-	(1)	-	98 066
Share of assignees and reinsurers in the technical reserves and financial liabilities	222 274	61 825	221 549	167 103	69 183	28 497	283 996	110	(554 173)	500 364
Insurance and reinsurance receivables	94 718	80 982	196 466	53 264	61 565	17 930	241 015	(47)	(154 560)	591 333
Other assets	304 794	154 907	134 938	87 539	76 993	(14 930)	51 180	170 069	(122 513)	842 977
Total assets	**€ 1 266 420**	**€ 1 125 365**	**€ 775 492**	**€ 470 670**	**€ 330 969**	**€ 45 415**	**€ 771 338**	**€ 2 023 102**	**€ (1 149 586)**	**€ 5 659 185**
Technical reserves	461 371	234 352	482 308	352 984	194 756	49 544	553 208	48	(547 177)	1 781 394
Liabilities related to inwards insurance and reinsurance transactions	19 962	69 770	32 885	21 697	3 402	4 581	(6 923)	442	48 809	194 625
Liabilities related to outwards reinsurance transactions	36 356	10 664	108 235	36 389	24 679	433	211 053	43	(255 497)	172 355
Other liabilities	423 890	264 267	131 753	68 605	43 456	6 989	9 088	732 439	(318 115)	1 362 372
Total liabilities	**€ 941 579**	**€ 579 053**	**€ 755 181**	**€ 479 675**	**€ 266 293**	**€ 61 547**	**€ 766 426**	**€ 732 972**	**€ (1 071 980)**	**€ 3 510 746**

(in thousands)	December 31, 2009									
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance group	Group services	Inter-segment eliminations	GROUP
Goodwill	-	393	63 285	7 803	29 429	2 672	-	-	-	103 582
Other intangible assets	42 388	13 485	16 375	6 244	2 555	979	1 517	8 849	(1 640)	90 752
Investments - insurance businesses	481 472	637 519	85 014	163 037	114 326	4 538	125 218	1 570 516	(311 675)	2 869 965
Investments accounted for by the equity method	59 007	30 247	-	-	-	-	-	-	-	89 254
Share of assignees and reinsurers in the technical reserves and financial liabilities	238 286	32 884	210 535	169 369	58 348	31 209	315 185	110	(538 345)	517 581
Insurance and reinsurance receivables	102 501	79 633	248 372	83 021	56 540	15 805	130 478	(47)	(141 785)	574 518
Other assets	270 377	255 762	120 386	92 377	65 993	(9 295)	92 855	127 434	(111 588)	904 301
Total assets	**€ 1 194 031**	**€ 1 049 923**	**€ 743 967**	**€ 521 851**	**€ 327 191**	**€ 45 908**	**€ 665 253**	**€ 1 706 862**	**€ (1 105 033)**	**€ 5 149 953**
Technical reserves	492 332	218 417	480 485	393 646	175 404	55 671	558 730	48	(538 182)	1 836 551
Liabilities related to inwards insurance and reinsurance transactions	20 907	70 814	24 596	34 835	4 186	3 334	98 323	(5)	(46 385)	210 605
Liabilities related to outwards reinsurance transactions	13 769	(2 217)	99 467	40 219	82 534	482	121 682	43	(185 579)	170 400
Other liabilities	347 795	239 705	104 584	58 878	23 861	9 746	9 953	610 667	(289 269)	1 115 920
Total liabilities	**€ 874 803**	**€ 526 719**	**€ 709 132**	**€ 527 578**	**€ 285 985**	**€ 69 233**	**€ 788 688**	**€ 610 753**	**€ (1 059 415)**	**€ 3 333 476**

Note 29 Related parties

Euler Hermes is owned mainly by the Allianz France group, which in turn is 100%-owned by the Allianz group.
The breakdown of the Euler Hermes group is as follows:

	Number of shares	%
Allianz SA	26 864 230	59,56%
Allianz Vie	3 879 818	8,60%
Treasury shares	1 267 444	2,81%
Sub-total	**32 011 492**	**70,97%**
Public (bearer securities)	13 091 240	29,03%
Total	**45 102 732**	**100,00%**

Transactions

(in thousands)	Year ended December 31, 2010				2009			
	Allianz SE	Allianz Belgium	Allianz France SA & International	Related companies and joint ventures	Allianz SE	Allianz Belgium	Allianz France SA & International	Related companies and joint ventures
Operating income	41 447	-	-	16 328	41 161	-	-	37 395
Insurance services expense	(43 535)	-	-	(1 178)	(26 560)	-	-	(19 549)
Net income or expense on reinsurance	(57 517)	-	-	(68)	1 047	-	-	(125)
Financing expense	(1)	(3 661)	(4 268)	-	(2)	(1 710)	(7 897)	-
Other financial net incomes	(9 993)	-	-	(2 109)	(10 052)	-	-	(11 529)

Receivables and liabilities

(in thousands)	December 31, 2010				December 31, 2009			
	Allianz SE	Allianz Belgium	Allianz France SA & International	Related companies and joint ventures	Allianz SE	Allianz Belgium	Allianz France SA & International	Related companies and joint ventures
Financial Investments (Allianz SE bond)	160 000	-	-	-	160 000	-	-	-
Current accounts (accrued interests included)	(22 854)	-	(237)	(200)	37 940	-	-	44
Net operating receivables	1 831	-	-	3 087	1 458	-	-	594
Borrowings (accrued interests included)	-	137 879	110 936	-	-	135 031	268 016	-
Operating liabilities	1 140	-	201	237	2 046	-	220	113

The following entities invested in 2009 Allianz SE 3 years corporate bond for a total amount of €160 million:

- Euler Hermes Reinsurance A.G.;
- Euler Hermes Kreditversicherungs A.G.;
- Euler Hermes holdings UK Plc.;
- Euler Hermes SIAC spa;
- Euler Hermes SFAC S.A..

The current account with Allianz SE corresponds to part of the group's cash position, which is centralised by Allianz SE under a cash pooling arrangement.

Borrowings correspond to two loans contracted with Allianz France International and Allianz Belgium:

- 2009 loan of €110 million maturing in September 2012, at fixed interest rate Mid-Swaps 3 years + 60 basis points;
- 2010 loan of €135 million maturing in June 2020, at the annual fixed rate of 4,04 %.

In June, Euler Hermes re-financed two loans with Allianz France SA company (90m€ in term in June 19th, 2010 and 67m€ in term in June 21st, 2010) by two loans with the Crédit Agricole (125m€ in term in June 18th, 2015) and of HSBC (125m€ in term in June 18th, 2015).

Remuneration of senior executives

	2009	2008
Salaries and other short term benefits for the year	2 862	2 581
Benefits in kind	39	40
Other indemnities	372	50
Total	**€ 3 273**	**€ 2 671**
Share-based attribution (number)		
- Euler Hermes options	-	32 500
- SAR/RSU	4 634	12 857

Like the whole employees who perceive their salaries in France, the members of the Group Management Board profit from a mandatory defined contribution plan of which the employer part is 1% of the gross amount of salaries.

Two members of the Group Management Board who do not hold any other position and are not employees are protected by special agreements in the event they are removed from office. A gross compensation of 50% for Dr Gerd-Uwe Baden and 200% for Mr Wilfried Verstraete of the amount of their last fixed annual remuneration is planned.
The payment of this indemnity is provided to the realisation of the condition of performance: RORAC consolidated average of the last 2 years preceding the leaving of the company >=9%

Members of the Supervisory Board

	2009	2008
Salaries and other short term benefits for the year	4 771	2 740
Capital gain from SAR/RSU exercise	-	33
Benefits in kind	173	212
Total	**€ 4 944**	**€ 2 985**
Share-based payments (number)		
- SAR/RSU	48 638	21 804

Furthermore, Mrs Wilfried Verstraete and Gerd-Uwe Baden, members of the Group Management Board, benefited from membership of an additional pension plan of the Allianz group.

The amounts of remuneration of senior executives due for 2010 will be available in the Reference Document 2010.

Notes to the consolidated financial statements

Note 30 Group Employees

	31 december 2010	31 Décember 2009
Germany	2 022	2 041
Switzerland	51	50
Total Germany & Switzerland	**2 073**	**2 091**
France	1 137	1 100
Total France	**1 137**	**1 100**
United-States	444	453
Mexico	42	40
Brazil	26	27
Argentina	6	7
Chile	5	-
Colombia	5	5
Total America	**528**	**532**
United-Kingdom	472	505
Belgium	219	214
Nordic	164	152
Netherlands	117	143
Poland	114	97
Hungaria	61	71
Czeck Republic	54	49
Lithuania	-	20
Slovakia	30	36
Romania	28	27
Latvia	-	5
Estonia	-	11
Russia	17	1
Total Northern Europe	**1 276**	**1 331**
Italy	407	394
Spain	86	95
Greece	53	61
Turkey	17	-
Morocco	40	39
Total Mediterranean Countries & Africa	**603**	**589**
Singapore	40	100
Australia	19	16
Honk Kong	41	57
China	23	26
Japan	21	25
New-Zealand	11	9
India	11	14
Total Asia Pacific	**166**	**247**
Switzerland	9	7
Luxembourg	-	-
Total Captive of reinsurance	**9**	**7**
Poland	412	304
Total Collection	**412**	**304**
Total Euler Hermes Group	**6 204**	**6 201**

Staff costs totalled €458.9 million for the year ended December 31, 2010 against €434.7 million in 2009. Remuneration paid to members of the Group Management Board during the year came to € XXX thousand and €2,985 thousand for members of the Supervisory Board.

The staff numbers shown correspond to the full-time equivalent headcount. For companies consolidated using the proportional method, the headcount shown is based on the proportion of the company included in the consolidated financial statements (concerns only N.V. Interpolis Kreditverzekeringen). The headcount of companies accounted for by the equity method is not taken into account.

Note 31 Commitments received and given

(in thousands)		December 31, 2010	December 31, 2009
Commitments received		**€ 11 125**	**€ 12 770**
* Deposits, sureties and other guarantees		11 125	12 770
Commitments given		**€ 14 519**	**€ 27 611**
* Deposits, sureties and other guarantees		14 519	27 611
o/w	- Commitments associated with membership of an EIG	54	11 897
	- Securities buyback agreement	-	630

Note 32 Stock option plans

Amount charged in the consolidated income statement

(in thousands)	2010	2009
Charge in respect of the 22 June 2008 allocation of share purchase options	217	444
Total	**€ 217**	**€ 444**

Characteristics of the share option plans

Euler Hermes uses the "Cox-Ross-Rubinstein" model to measure the personnel expense related to options granted.
The assumptions used were as follows:

		Subscription plans			Purchase plans	
		Jul-03	Jul-04	Jun-05	Sep-06	Jun-08
Fair value of options allocated		8.93	11.66	13.10	22.29	6.83
Characteristics						
	Date of EGM	23/04/2003	23/04/2003	23/04/2003	22/05/2006	22/05/2006
	Period of validity of options	8 ans	8 ans	8 ans	8 ans	8 ans
	Rights vesting period	2 ans	2 ans	2 ans	2 ans	2 ans
Assumptions						
	Risk-free interest rate	3.80%	4.16%	3.01%	4.01%	4.72%
	Expected volatiliy (1)	30%	30%	25%	25%	33%
	Rate of return on shares	2.81%	4.14%	3.98%	3.74%	10.51%

(1) Expected volatility is calculated using historical market prices

Sundry restrictions

- Subscription plans adopted by the EGM of 23/04/2003.
  The beneficiaries must have six months of service with the company on the allocation date. They may be on permanent or fixed-term contracts. The shares obtained by the exercise of the options are registered in the shareholder's name. They can be transferred freely after an initial period of four years as from the allocation date. This period of unavailability does not apply in certain cases such as loss of employment, retirement, incapacity or death of the beneficiary.

- Purchase plans adopted by the EGM of 23/04/2003
  The beneficiaries of the scheme are all the employees and corporate officers of Euler Hermes SA and its subsidiaries, with permanent or fixed-term employment contracts and at least six months length of service on the options allocation date. The shares purchased are transferable either immediately or after a period of four years from the date of the offer (other than in the event of loss of employment, retirement, incapacity or death), depending on the country.

- Mixed plans adopted by the EGM of 22/05/2006
  The beneficiaries of the scheme are all the employees and corporate officers of Euler Hermes SA and of more than 50%-owned subsidiaries, with permanent or fixed-term employment contracts and at least six months length of service on the options allocation date. The options may be freely exercised after a period of four years from the date of the offer, other than as provided for by article 91 ter of Appendix II to the French General Tax Code (loss of employment , retirement, incapacity or death), depending on the country.

Information on plans currently in effect

At 31 December 2010, the following options are potentially exercisable:

	Subscription plans (1)			Purchase plans (2)	
Allocation date	Jul-03	Jul-04	Jun-05	Sep-06	Jun-08
Number of options outstanding	39 445	80 633	143 450	152 300	129 200
End of subscription period	Jul-11	Jul-12	Jun-13	Sep-14	Jun-16
Exercise price of valid options at end of period	27.35	44.41	63.08	91.82	55.67

(1) These subscriptions plans are intended for members of the management bodies of Euler Hermes and its subsidiaries.
(2) The EGM of April 7, 2000 authorised the allocation of share purchase options to all Euler Hermes group employees in the context of a general stock option plan and to certain executives of its subsidiaries under a discretionary scheme. The EGM of May 22, 2006 authorised the allocation of share purchase and/or subscription options to all Euler Hermes Group employees and possibly to its corporate officers. The options granted in September 2006 were purchase options only. The Directoire of June 20, 2008 approved the request from the Conseil de Surveillance of June 15, 2008 related to the granted of purchase plan (which is authorised by the EGM of May 22, 2006).

Transactions under the share option plans since January 1, 2008 may be summarised as follows:

Year ended December 31, 2010	Average exercise price (€)	Number of options	Average price of EH share on exercise dates (€)	Average residual term (years)	Exercise price range of options still outstanding at end of period (€)
Start of period	**63.00**	**566 750**	**-**	**-**	**-**
Allocation	-	-	-	-	-
Exercise	34.45	19 522	34.45	-	-
Cancellation	65.74	2 200	-	-	-
End of period	**64.01**	**545 028**	**0.00**	**3.24**	**27,35-91,82**

Year ended December 31, 2009	Average exercise price (€)	Number of options	Average price of EH share on exercise dates (€)	Average residual term (years)	Exercise price range of options still outstanding at end of period (€)
Start of period	**62.53**	**587 140**	**-**	**-**	**-**
Allocation	-	-	-	-	-
Exercise	36.05	980	48.79	-	-
Cancellation	50.33	19 410	-	-	-
End of period	**63.00**	**566 750**	**0.00**	**4.16**	**27,35-91,82**

Allianz Group Equity Incentive plans

The schemes set in place under the Allianz Group Equity Incentives plan concern executives of Allianz and its subsidiaries worldwide. Starting in 1999, Allianz issued Stock Appreciation Rights (SAR) whose remuneration is entirely and directly a function of Allianz's share price performance. In 2003, Allianz issued Restricted Stock Units (RSU) with a vesting period of five years. The remuneration is granted by each entity concerned in accordance with the conditions set by Allianz. The reference price of SAR and RSU for the remuneration of the executives is the average trading price of Allianz shares over the ten trading days immediately preceding Allianz's Annual General Meeting of shareholders.

Characteristics of the SAR and RSU plans

(in thousands)	13-May-03	19-May-04	18-May-05	17-May-06	08-Mar-07	06-Mar-08	12-Mar-09	11-Mar-10	Total
					SAR Plans				
Fair value at 31 December 2009 (in euros)	**-**	**3.65**	**5.18**	**1.34**	**0.95**	**6.43**	**36.98**	**17.31**	
Total commitment	-	97	177	45	26	170	608	565	1 688
Opening commitment	-	294	385	93	59	176	108	-	1 115
Charge recognised during the period	-	- 197	- 208	- 48	- 33	- 6	152	202	- 137
Exercise of options	-	-	-	-	-	-	-	-	-
Closing commitment	**-**	**97**	**177**	**45**	**26**	**170**	**260**	**202**	**977**

(in thousands)	8-Mar-07	6-Mar-08	12-Mar-09	11-Mar-10	Total
			RSU Plans		
Fair value at 31 December 2009 (in euros)	**84.45**	**79.52**	**74.20**	**68.54**	**-**
Total commitment	1 150	1 020	600	1 110	3 880
Opening commitment	596	325	80	-	1 001
Charge recognised during the period	259	223	121	326	929
Exercise of options	-	-	-	-	-
Closing commitment	**855**	**548**	**201**	**326**	**1 930**

SAR

After a vesting period of two years (excepted for the 2009 plan, 4 years), the SAR can be exercised at any time between the second anniversary date and the seventh anniversary date under the following conditions:

- if during the contractual period, the Allianz share price has outperformed the Dow Jones index at least once for a period of five consecutive days;
- if the Allianz share price exceeds the reference price by at least 20% on the exercise date.

If these conditions are met, the Allianz group companies must pay in cash the difference between the reference price and the Allianz share price on the exercise date.

RSU

On the exercise date, after a five-year vesting period, Allianz can choose to remunerate the RSU in cash or by allocating Allianz shares or other securities granting access to the capital. If it opts for a cash remuneration, payment will be made based on the average price of the Allianz share over the ten trading days prior to the end of the vesting period.

Impact on the consolidated financial statements as at December 31st, 2010

The fair value of the liabilities resulting from the SAR and RSU plans is reassessed at each balance sheet date based on the Allianz share price, until expiry of the obligation, and is calculated using the Cox-Ross-Rubinstein binomial valuation model. The charge is recognised as the rights are vested, and is thus spread over two years for the SAR and five years for the RSU. At December 31st, 2010, the liability relating to the SAR and RSU still to be exercised amounted to € 2, 907 thousand.

Information on plans currently in effect

					Year ended December 31, 2009								
			SAR							RSU			
Allocation date	Rights vesting period (years)	Reference price (€)	SAR at the opening	SAR granted	SAR cancelled	SAR exercised	SAR transfered	Rights vesting period (years)	RSU granted	RSU at the opening	RSU cancelled	RSU exercised	RSU transfered
Apr-02	2	66	-	-	-	-	-	-	-	-	-	-	-
May-03	2	83	26 632	-	-	-	-	-	-	-	-	-	-
May-04	2	93	34 190	-	-	-	-	-	-	-	-	-	-
May-05	2	132	34 565	-	-	-	- 1 277	-	-	-	-	-	-
May-06	2	160	28 544	-	-	-	- 1 482	5	14 365	-	-	-	- 746
Mar-07	2	117	27 439	-	-	-	- 1 003	5	13 313	-	-	-	- 487
Mar-08	4	52	16 851	-	-	-	- 399	5	8 277	-	-	-	- 196
Mar-09	4	87	-	32 629	-	-	-	5	-	16 197	-	-	-

The attribution for 2010 for the group Management Board is:

- SAR XXXX ;
- RSU XXXX.

Note 33 Auditors' fees

(in thousands)	KPMG Audit				ACE			
	Amount		%		Amount		%	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Audit								
o Statutory audit and report on company and consolidated financial statements								
-Issuer	405	460	13%	14%	126	126	31%	30%
-Fully-consolidated subsidiaries	2 379	2 475	77%	75%	267	275	64%	65%
o Other services directly related to appointment as statutory auditor								
-Issuer	91	103	3%	3%	19	19	5%	5%
-Fully-consolidated subsidiaries	153	140	5%	5%				
Sub total	**3 028**	**3 178**	**98%**	**97%**	**412**	**420**	**100%**	**100%**
Other services provided to fully-consolidated subsidiaries								
o Legal, tax and social	31	75	1%	2%				
o IT	14	36	1%	1%				
o Strategy								
o Human resources								
o Other	9		0%					
Sub total	**54**	**111**	**2%**	**3%**				
TOTAL	**3 082**	**3 289**	**100%**	**100%**	**412**	**420**	**100%**	**100%**

Note 34 Subsequent events

No subsequent events occurred since December 31, 2010 closing which would impact the hypothesis of the annual closing.

Risk Management

Its activities expose the Euler Hermes Group to various risks, including credit-insurance risk, reserve risk, market risk, counterparty risk and operational risk.

These risks are those that had been identified by Euler Hermes at the date hereof, the realization of which would be likely to materially affect the Group's operations, consolidated net income or financial position, prompt a substantial decline in the share price or cause reported earnings to differ materially from earnings forecasts or the earnings contained in the projections issued by the Company or on its behalf. The description of risks provided below is not exhaustive. Other risks and uncertainties that are currently unknown or that the Company may currently regard as minor could in the future significantly affect its business, financial position, consolidated net income or cash flows.

Most of the risks described below are inherent to the nature of the Group's operations and to its economic, competitive and regulatory environments. Due to the contingencies and uncertainties associated with these risks, management is not always able to quantify the impact with accuracy.

It has nevertheless implemented numerous processes and risk-management procedures and controls in the aim of monitoring and managing risks permanently. These processes, procedures and controls are set out in the report of the Chairman of the Supervisory Board on internal controls.

In Section 1.3 of this chapter, management gives a presentation of the most significant risks. This presentation aims to reflect management's current views on the potential consequences of each risk to the Group. While management devotes significant resources to risk management on a permanent basis, as described in Section 1.1 below, the Group's risk-management activities, like any system of control, are subject to inherent limits and cannot provide absolute certainty or protect the Group against the risks described in Section 1.3.

1-1 The Risk Management function

1-1-1 Objectives and principles of risk management

Risks are managed directly by the various functions of the Euler Hermes Group, and followed up by the Group Risk Office to consolidate the main risks to which the Group is exposed.

In a rapidly changing environment, risk perception, as well as the realization of certain major risks, has heightened risk awareness among all companies in the insurance market. The management and quantification of risks have become a major part of the Euler Hermes Group's strategy. The priorities are to protect the Company's solvency and to optimize its risk-reward profile. As such, the goal in optimizing risk management is to reduce earnings volatility and facilitate the optimal allocation of capital, thereby fostering sustainable and consistent growth. This approach forms part of a framework consistent with the demands of the reference shareholder.

Responsibility for risk management lies with the various Group companies. The Group Risk Office liaises with the control structures of each subsidiary in order to monitor risk trends and their quantification, and coordinates the risk management functions across the Group, while at the same time ensuring the proper dissemination of a culture of risk management. It measures any changes or any accumulation of risks that may impact the Group's results.

To accomplish its mission, the Group Risk Office applies a principle of independence in respect to activities that have a direct impact on the income statement, and does not have any operational role; this principle also applies to actuarial teams reporting to the Group Risk Office, which perform controls of reserves estimated locally.

As such, the Group Risk Office is responsible for:
_ measuring capital at risk in all risk categories;
_ monitoring operational risk;
_ taking part in the allocation of resources based on risk measures;
_ consolidating Group results;
_ coordinating local teams.

It also monitors the return on all types of risk, including the coverage of certain actuarial activities involving estimates of reserves at fair value, measuring the impact of reinsurance and pricing methods based on risk and activity-risk indicators. Lastly, it coordinates and manages the Solvency II framework.

All activities and the results of risk analysis are subject to regular reporting.

1-1-2 Risk-management activities

The Group Risk Office is responsible for identifying, measuring, controlling and proactively managing any risks that the Group may face. To achieve this, it relies on each entity and the Group's cross-company functions to monitor and consolidate information. This coordination provides detailed information on local situations, which in turn is used to prepare a consolidated view for submission to the Group's senior management to enable it to optimize resource allocation.

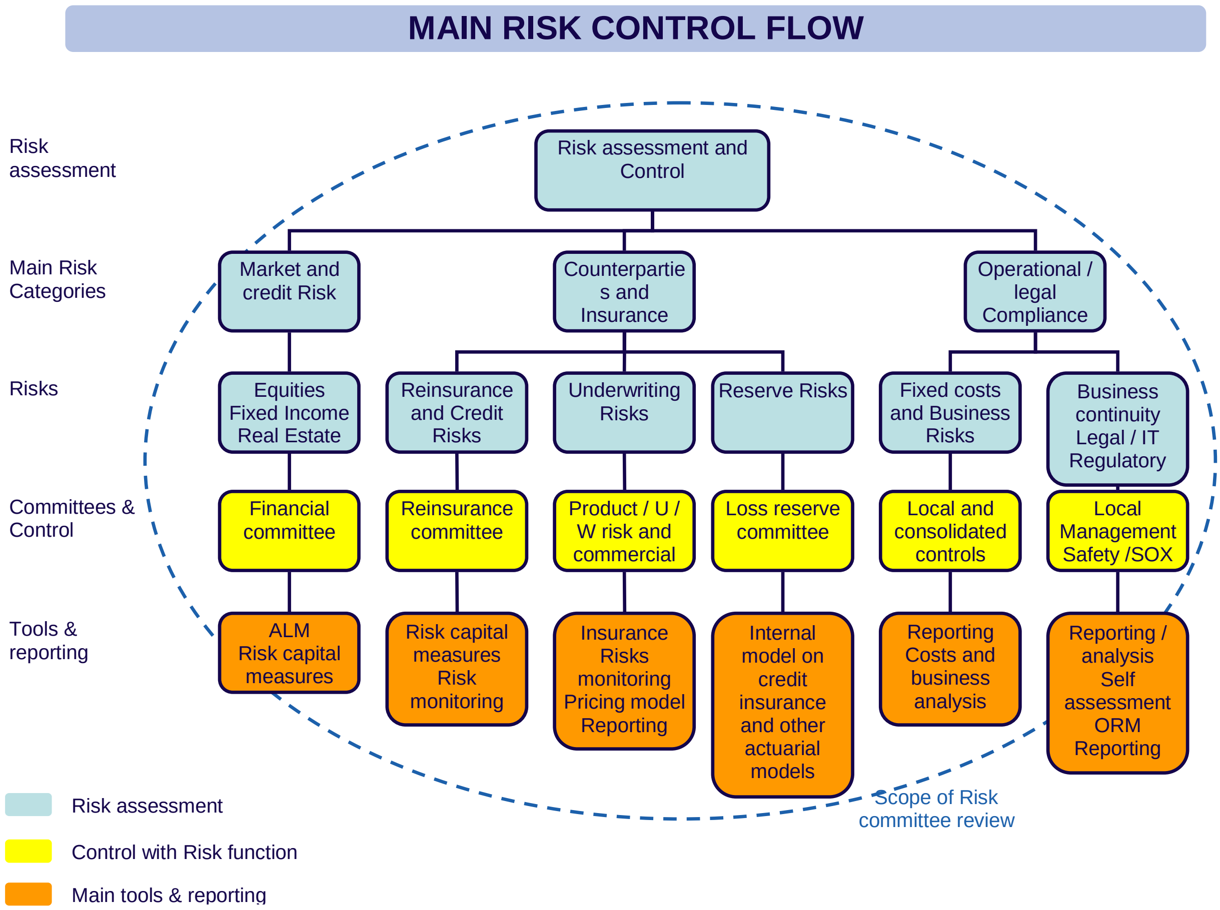
As such, the investment policy may be heavily influenced by these measures in an environment of uncertain financial returns. The underwriting policy, in terms of its commitments, may guide certain choices such as the contractual terms proposed to policyholders or the concentration of certain risks. The strict management of these risks provides the foundations of a risk-management policy designed to secure the Group's capital base or to reconstitute adequate margins, while at the same time striking a balance between its solvency, especially within the framework of standards imposed under the "Solvency II" directive, and that of its subsidiaries, in addition to resource allocation.

The Groups' main functions and subsidiaries have their own organizational structures, with local committees and Group committees, whose tasks include risk monitoring, with independent oversight by the Group Risk Office. The Group Risk Committee supervises the Group's risk management and risk strategy, using summaries of information reported by the entities as well as consolidated analyses.

Risk Management

The Group Risk Committee comprises on the one hand the Group Management Board and on the other hand the Group Risk Officer, a representative of the Group Risk and Information Department, a representative of the Group Commercial Department, the Group head of Reinsurance, the Group Chief Investment Officer and the Actuary Chief of the Group. This group of managers sets limits for all categories of risk. Some measurement tools are more specific to certain functions. The control and support mechanism also involves risk modeling and regular analysis of information that is more specific to the various risk categories. The models monitor the business as closely as possible, with regular updates of parameters and the development of new instruments suited to change in the environment.

The various types of risk, identified and classified by category and function together with the related control flows, are presented in the following diagram:



In addition to the structure shown above, the Group Risk Office may place increased emphasis on the analysis or control of specific functions or subsidiaries. As such, besides the need to quantify and analyze the various types of risk, the complexity of the credit insurance business causes the Group Risk Office to strengthen certain measurement tools covering the underwriting of insurance risk and the management of financial investments.

This structure aims to identify and proactively monitor all risks by maintaining responsibility for their management at the operational level.

Risks are accordingly managed at various levels, and limits of cover are set in accordance with the capital allocated by risk, while at the same time benefiting from operational experience. This allows routine risk management to be spread across the operations of the entire Group, while at the same time allowing the function to respond to specific events as efficiently as possible. The Group Risk Office prepares risk reports in collaboration with the operational functions in order to keep management informed. Committees are important channels, as centers of responsibility and decision-making for risk management, but also in spreading a culture of risk awareness and identifying the strengths and weaknesses of the risk-management process. All these elements combine to form an ongoing risk-management mechanism that includes a forward-looking view of major risks, especially with regard to any changes in the environment or trends. As such, Euler Hermes is particularly well prepared to monitor adverse developments and take appropriate action. When launching new products, all these skills come together to assess the internal and external impacts and define action to be taken to reduce risk, minimize costs and set new management limits for the product. The ultimate responsibility for launching new products remains with the business line.

1-2 Overview of risks related to the Group's activities

1-2-1 Credit-insurance risk

This is the main risk facing Euler Hermes. Credit-insurance risk is the risk of incurring losses on the portfolio of credit-insurance policies. It is managed globally and for all insurance companies belonging to the Euler Hermes Group on the basis of the impact of stress scenarios measuring the impact of frequency risk and peak risk.

Frequency risk is the risk of a sudden and substantial increase in a multitude of outstanding receivables. It is mainly covered by reserves, and is measured using a statistical model that simulates the loss ratio on the basis of observed and ongoing change in claims.

Peak risk is the risk of abnormally high losses recorded in a single year with a single debtor (or group of debtors), or the accumulation of losses in a single year in a single country exposed to country risk (excluding the most developed countries).

Euler Hermes has a diversified portfolio of credit-insurance risks, the aim being to minimize the potential impact on claims stemming from the insolvency of a single debtor, a downturn in a particular sector or a credit event in a specific country.

1.2.1.1 Management of credit-insurance contracts and service to clients

The management of technical credit-insurance risk is based on a strong risk culture combined with contract management and client service. In addition to managing the subscription of contracts, the Group provides a service to policyholders to reduce risks weighing on their receivables.

As such, during the period of insurance, all requests for insurance cover on a given customer are analyzed in accordance with specific solvency criteria for the customer in question (financial analysis, prior claims). Cover is then issued on the basis of the risk profile of the commercial transaction associated with the request. Ultimately, by managing risk coverage on the basis of the solvency of policyholders' customers, Euler Hermes actively modulates the transfer of policyholders' client risk. To this end, each entity has a dedicated department, which, in liaison with policyholders, monitors and analyzes its positions and requests. These departments are coordinated by a Group function that ensures the consistency of the underwriting rules of such cover, including the issuance of an equivalent rating for the entire Group. In addition, insurance-risk underwriting committees in each entity and at Group level determine commitments on the basis of the solvency of debtors, notably regarding the most sensitive risks. On the commercial side, a specific function coordinates contractual changes and all the Group's marketing activities.

Credit-insurance contracts are fairly homogenous within the Group, their objective being to cover the risk of non-payment by policyholders' customers. Euler Hermes reviews certain policy terms in order to adjust them to suit the current crisis, when necessary. Such reviews and the conditions of new policies are carried out and decided at local level. Some contracts limit cover to a debtor's formal bankruptcy. The underlying risk is conditioned by local bankruptcy laws, which offer debtors varying degrees of latitude. The insurance company must therefore anticipate the behavior and practices stemming from such laws in order to optimize the control of its own risks.

Credit-insurance contracts specify the terms of credit management and parameters (excess, maximum liability, etc.), differentiated in accordance with the specific policyholder's risk profile. They also require the policyholder to declare payment defaults within a given timeframe. During the policy period, there is ongoing collaboration with the policyholder, in particular through the provision of the necessary cover of its customers. The principle of providing comprehensive cover for policyholders' turnover is an important factor in increasing risk diversification, but also in limiting the effects of non-selection. The Euler Hermes Group also offers debt-collection services that enable it to keep track of outstanding sums and to act quickly to collect these amounts. While credit risk relating to the insurance of commercial transactions is the main risk facing Euler Hermes, it must be borne in mind that the crisis has also affected – albeit to a lesser extent – its commercial portfolio, which has seen a decline in premium income and potential insolvencies of policyholders themselves. Such effects have nevertheless been offset by the robustness of the portfolio and the strength of demand for credit insurance during the recent period.

1.2.1.2 Insurance portfolio and diversification

Given its leading position in its main markets, Euler Hermes' exposure is spread across many debtors. Moreover, the Group's geographical coverage provides a diversification of risk across many countries, bearing in mind that it factors the notion of country risk into its underwriting. This diversification takes into account not only the policyholder's location but also – and more importantly – that of its customers.

Theoretical gross exposure in credit insurance corresponds to the maximum amount of commitments that the Group has agreed to cover on its policyholders' claims. The actual amounts covered are much lower, in line with the actual turnover generated by the policyholder at a given date. As is the case with the transfer of reinsurance risk, excesses and liability limits also reduce the Group's final exposure.

The table below sets out the theoretical exposure of Group entities, not by the country of the entity in question, but rather, in order to present a truer picture of the geographic split of risks, by the country of the debtor (i.e. the policyholders' customers).

€m	2010	%	variation 2010 in %	2009	%
Total Europe	**538 896**	**85.2%**	**10.4%**	**487 957**	**86.9%**
of which					
France	186 676	29.5%	6.7%	175 030	31.2%
United Kingdom	44 763	7.1%	11.5%	40 131	7.1%
Germany	123 326	19.5%	6.2%	116 130	20.7%
Italy	59 186	9.4%	23.0%	48 127	8.6%
Belgium and Luxembourg	13 313	2.1%	5.1%	12 663	2.3%
Netherlands	18 144	2.9%	23.6%	14 677	2.6%
Spain	17 468	2.8%	31.7%	13 268	2.4%
Eastern Europe	26 114	4.1%	13.9%	22 926	4.1%
Scandinavia	22 271	3.5%	5.2%	21 167	3.8%
Rest of Europe	27 635	4.4%	15.9%	23 838	4.2%
Total Americas	**56 180**	**8.9%**	**22.7%**	**45 773**	**8.2%**
of which					
United States	37 494	5.9%	15.8%	32 368	5.8%
Canada	6 521	1.0%	26.9%	5 137	0.9%
Other American Countries	12 165	1.9%	47.1%	8 268	1.5%
Asia/ -Pacific	**26 498**	**4.2%**	**37.9%**	**19 211**	**3.4%**
Near and Middle East	**5 969**	**0.9%**	**29.2%**	**4 619**	**0.8%**
Africa	**5 012**	**0.8%**	**31.4%**	**3 814**	**0.7%**
Total	**632 555**	**100.0%**	**12.7%**	**561 374**	**100.0%**

As illustrated in this table of the geographical split of gross exposure, the debtors of a given policyholder may be located in very different geographical areas, and this split contributes to risk diversification. At the Group portfolio level, this diversification limits the effects of insolvencies of individual companies, clearly defined groups of companies or business sectors. The table shows change in exposure in 2010 and an increase of 13% of gross exposure. This growth of covers is directly linked to the proactive policy developed by Euler Hermes in 2010 to support its policyholders in their business development by offering a risk cover in adequacy to their needs.

The second table shows gross exposure by sector. The sector breakdown highlights another effect of diversification, namely the reduced impact of individual insolvencies. Regular and individual sector analyses are prepared using Group information-management applications.

Change in exposure is reviewed at the most granular level on a debtor-by-debtor basis and at portfolio level, while ensuring that a proper balance is maintained between premiums received and the actual risk represented by the relevant cover.

€m	2010	%	variation 2010 in %	2009	%
Metal Industry	117 162	18.5%	14.0%	102 773	18.3%
Agrifood	92 110	14.6%	13.9%	80 892	14.4%
Construction	75 082	11.9%	10.2%	68 119	12.1%
Textiles - leather	23 226	3.7%	8.6%	21 386	3.8%
Electronics	57 716	9.1%	25.9%	45 836	8.2%
Services	112 372	17.8%	10.6%	101 609	18.1%
Wood - Paper	33 739	5.3%	12.7%	29 945	5.3%
Chemicals	61 652	9.7%	19.6%	51 560	9.2%
Other	59 497	9.4%	0.4%	59 254	10.6%
Total	**632 555**	**100.0%**	**12.7%**	**561 374**	**100.0%**

1.2.1.3 Management of underwriting risk

In recent years, the Euler Hermes Group has developed a specific organizational structure and special-purpose IT applications to optimize its handling of insurance risk, with a dedicated organization across all Group entities. The system receives policyholders' requests for cover, stores details of cover underwritten together with debtor positions, and checks all information received and sent.

Underwriting of cover draws on an optimized organization based on a single IT system comprising a database used specifically for the underwriting of cover. The risk-rating system used by specialized staff enables responses to requests for cover to be prepared and submitted to clients very quickly.

The application facilitates the monitoring, both locally and centrally, of cover based on numerous criteria. It makes it easier to analyze details of cover by sector or by country.

While risks are underwritten locally, central monitoring of the most sensitive risks, carried out by a team of experts and credit committees, is used to verify the application of written underwriting rules and change in exposure on a real-time basis. The central risk underwriting function accordingly has access to considerable resources to monitor sensitive risks and risk concentrations and to limit them, both centrally and locally, in accordance with change in solvency. The Internal Audit function has primary responsibility for regularly controlling the application of these rules.

All debtors included in policyholder requests for cover are subject to a solvency assessment accompanied by the issuance of a rating (on a scale ranging from 1, for the most solvent, to 10, in cases of default) on the capacity of the debtor to honor its commitments to suppliers.

In this assessment, information quality and the proximity to the risk are key factors:
- analysis of internal information is given priority;
- each Group entity monitors and underwrites its policyholders' cover. Each entity also provides a service for other entities, whose policyholders work with debtors located in the geographical region that it covers.

When an assessment is performed for another entity, information is disclosed on the basis of rules set centrally, leading to the determination of a solvency rating for each debtor. Depending on the rating, the entity that has underwritten the insurance contract provides the export cover to its clients with the maximum amount of detail. This organization provides clients with a high level of service quality and facilitates close control of the underwriting risks.

Some debtors, especially large groups, whose ratings reflect a very high level of solvency, have more substantial theoretical gross exposure. The 50 largest debtors or groups of debtors fall within the most robust rating categories. To assess the impact of this concentration, the solidity of these individual debtors must be taken into account, as well as the Group's capacity to reduce insurance cover in the short term, the application of terms of the insurance contract and the protection offered by reinsurance. Internal stress tests show that no potential claim net of reinsurance on these exposures would exceed 6% of capital. It is also noteworthy that dynamic management of Euler Hermes' exposure to the bankruptcies of major groups with significant theoretical gross exposure has enabled the Group to avoid the impact resulting from domino effects. After the collapse of Woolworth's in 2008, no major loss occurred either in 2009 or in 2010, in particular thanks to the reinforcement of monitoring guidelines for this type of debtor, more in keeping with the prevailing environment. The permanent balance between the terms and conditions of insurance policies and the management of cover or the transfer of risk ensure steady cash flows at Group level. Policy terms and conditions are appropriate to the risk of each client. In addition to the service provided, the management of insurance cover allows the risks borne by the Group to be modulated on a case-by-case basis, as well as to reflect change in the economic environment. In the event of adverse change in the economic environment, cover is reduced on the least solvent debtors in order to maintain the loss ratio.

The frequency of claims has decreased compared with 2009. This evolution is mainly due to action plans implemented during the crisis, which plans have led to reduce the risks held by Euler Hermes and consequently the claims.

As a reminder, theoretical gross exposure, managed on an ongoing basis, may be reduced at any time if the risk is deemed to be higher following an assessment of the debtor's solvency. The actual exposure depends on the use, which varies over time, of this cover by the policyholders and the terms of each contract (excess, maximum liability, etc.). Lastly, in the event of a claim, a varying proportion of the loss is shared with the reinsurer by virtue of the use of proportional and non-proportional reinsurance contracts, which contribute to reducing Euler Hermes' final exposure.

As such, the progression from the gross exposure on a debtor at a given point in time to the potential claim amount is complex and variable. Likewise, the amount of exposure net of reinsurance can be calculated only in accordance with the excess and maximum liability applicable to specific policyholders.

1.2.2 Claims reserves

The purpose of claims reserves is to cover on the one hand, claims that have been notified and on the other hand those that have not yet been notified but which relate to the current fiscal year. They are estimated on the one hand for the portion of each individual reported claim or on the other hand by the application of statistical methods based on historical data and claims trends. Claims reserves are not discounted.

As shown in the table below, the Group's claims decreased significantly compared with previous years, a direct consequence of the action plan to reduce risks implemented during the 2009 financial crisis.

Net Claims-to-premiums ratios

	2 004	2005 pro-forma	2 006	2 007	2 008	2 009	2 010
Claims/Premiums Ratio (1)	**45.9%**	**44.8%**	**49.2%**	**48.1%**	**78.1%**	**82.1%**	**42.1%**

(1) In accordance with IFRS

1.2.2.1 Determining claims reserves

As part of their insurance activity, Group subsidiaries are required to establish sufficient reserves to guarantee the payment of future claims. As provided for in the policy, policyholders are required to declare a customer's default or insolvency to Euler Hermes, which, in turn, establishes a reserve for a sufficient amount to cover the payment of the related claim. A collection procedure is implemented when the declaration is made. After the claim has been settled, the loss may also be subject to collection services.

As such, the claims-handling process involves three separate phases.

First, claims relating to a given fiscal year but not yet declared are subject to IBNR (incurred but not reported) estimates to cover future claims payments and costs.

Reported claims are analyzed based on the insurance cover granted. Upon receipt of the specific claims notification, a cover analysis is performed to determine the amount of the provision to be recorded against this claim. Next, the amount in reserve for a claim is updated for each new notification or recovery to cover potential payments on the relevant claim. The reserve for a given claim is cancelled when the claim is fully settled or fully recovered prior to the assumed claim-settlement date. Technical reserves are accordingly established on a claim-by-claim basis.

Once the claim has been settled, the sums may be partially or fully recovered. As such, an estimate of related future cash flows is made.

Reserves for reported claims are established based on the information available at the balance sheet date. Claims are settled rapidly in credit insurance. Moreover, based on the aggregate individual reserve amounts of each claim, the estimates are made using the same statistical methods in all Group entities in order to achieve a more accurate estimate of the final cost, in line with the sum of amounts settled and received on final closure of the claim.

The estimate of reserves for claims incurred but not yet reported must make a distinction between two criteria that have a considerable bearing on the split of claims costs between reserves and claims paid:

First, the type of cover provided by the contracts: Insurance cover based solely on insolvency only covers the policyholder's exposure in the event of insolvency. An analysis of debtor defaults enables the Group to identify insolvencies, thereby helping reduce the uncertainty regarding the potential claim amounts.

Although insurance cover comes into force when an invoice is issued or on delivery, actual payment default must take place before determining the amounts concerned and receipt of the claim notification from the policyholder. The period of uncertainty includes the time taken for payment, which varies depending on the countries or sectors concerned, and the time taken to notify the claim.

The estimate of reserves for claims incurred but not yet reported draws on statistical methods and includes economic data on claims trends. The portion of reserves subject to this calculation bears the greatest uncertainty; as such, it necessitates a certain margin of prudence in order to avoid shortfalls in reserves.

The second parameter relates to the indemnification period.

When they are estimated, reserves take into account the likelihood of claims occurring, the possible impact of local regulations and foreseeable change in the economic environment. However, due to their nature, reserves include a certain level of uncertainty. Ongoing monitoring is therefore performed to keep existing reserves at an adequate level. Specific technical reserve control committees have been set up in all subsidiaries to ensure the consistency and appropriateness of the methods used to determine the reserves established in relation to the risk to be covered.

The main methods applied by Group subsidiaries are the chain-ladder, Bornhuetter Ferguson and bootstrap methods. Simulation models for calculating potential losses are also used to a certain extent. The chain-ladder method is based on a calculation of claims-development triangles. The Bornhuetter Ferguson method draws on a projection of the loss ratio. The bootstrap method is an extension of the chain-ladder method, using multiple simulations to determine margins of error. Simulation methods estimate the potential loss as a function of exposure and the probability of losses; their probabilistic approach also allows for the calculation of a confidence interval.

The development of claims shows that uncertainty is highest in the first year of development, when minimal information is available and additions to reserves for claims incurred but not yet reported are at their highest.

This uncertainty in the first year is attributable to the specific nature of IBNR reserves in credit insurance. Claims relating to the fiscal year must be estimated when the debtor's bankruptcy has yet to occur. This is because claims are related to the premium for the period.

The risk arises on the issuance of the policyholder's invoice, which is also the basis for the premium; the bankruptcy, followed by the notification of the claim, may only occur some months later.

Recoveries also cover a long period of time and are more difficult to forecast beyond a certain timeframe. They may accordingly have a positive impact on the development of claims when they are higher than the amounts covered in the reserves.

The approaches used to calculate the claims reserve cover the two main risks encountered in estimating reserves. The first of these is the short-term nature of credit insurance, with the development of the reserve almost completed at the end of the second year. The second aspect relates to the fact that the liability for any claim is limited to the amount of invoices covered, which limits any errors in the estimate of adjustments to reserves for recovery and the estimate of reserves for unknown claims. As noted in the previous paragraphs, the assessment of the claims or the recovery reserve is based on actuarial techniques, the assumptions and results of which are reviewed by the reserve committee.

Following 2008 that showed a lack of reserves booked at the end of the first period to cover claims to be paid, 2009 shows an over estimation of claims expense at the end of the first year. The importance of this margin compared with 2007 and previous periods is mainly due to the economic uncertainty that existed at 2009 closing date (risk of second phase of recession), anticipation that led to position in the upper part of the reasonable interval of estimation.

Positive trends linked to the economic recovery and the decrease of claims frequency in 2010, have been taken into account for establishing 2010 reserves.

(in thousands)	Twelve months ended December 31,					
	2010			2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Cost of claims for the current period	**1 092 840**	**(334 480)**	**758 360**	**1 452 108**	**(454 240)**	**997 868**
of which, claims paid	227 949	(85 783)	142 166	443 443	(130 963)	312 480
of which, claims reserves	775 381	(244 264)	531 117	929 492	(318 538)	610 954
of which, claims handling expenses	89 510	(4 433)	85 077	79 173	(4 739)	74 434
Recoveries for the current period	**(128 609)**	**45 423**	**(83 186)**	**(140 738)**	**39 628**	**(101 110)**
Recoveries received	(39 998)	27 171	(12 827)	(13 142)	3 195	(9 947)
Change in reserves for recoveries	(88 611)	18 252	(70 359)	(127 596)	36 433	(91 163)
Cost of claims from prior periods	**(269 805)**	**68 741**	**(201 064)**	**57 620**	**41 612**	**99 232**
of which, claims paid	694 617	(205 924)	488 693	944 564	(186 126)	758 438
of which, claims reserves	(954 615)	273 359	(681 256)	(878 122)	228 456	(649 666)
of which, claims handling expenses	(9 807)	1 306	(8 501)	(8 822)	(718)	(9 540)
Recoveries from prior periods	**10 373**	**(4 209)**	**6 164**	**(92 911)**	**9 063**	**(83 848)**
Recoveries received	(153 865)	30 220	(123 645)	(158 164)	22 044	(136 120)
Change in reserves for recoveries	164 238	(34 429)	129 809	65 253	(12 981)	52 272
Cost of claims	**€ 704 799**	**€ (224 525)**	**€ 480 274**	**€ 1 276 079**	**€ (363 937)**	**€ 912 142**

The claims' costs decreased in 2010 due mostly to a significant decrease of the claims frequency and the absence of major claims.

(in thousands)	December 31, 2010			December 31, 2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Claims reserves gross of recoveries	**1 557 083**	**(470 718)**	**1 086 365**	**1 727 088**	**(494 645)**	**1 232 443**
Current period	819 386	(247 103)	572 283	978 315	(322 827)	655 488
Prior periods	737 697	(223 615)	514 082	748 773	(171 818)	576 955
Recoveries to be received	**(229 888)**	**51 958**	**(177 930)**	**(302 327)**	**67 419**	**(234 908)**
Current period	(89 986)	19 163	(70 823)	(127 752)	36 507	(91 245)
Prior periods	(139 902)	32 795	(107 107)	(174 575)	30 912	(143 663)
Claims reserves	**€ 1 327 195**	**€ (418 760)**	**€ 908 435**	**€ 1 424 761**	**€ (427 226)**	**€ 997 535**

1.2.2.2 Development of claims reserves

The claims for a given year follow the process of notification and indemnification, possibly followed by collection action.

Claims reserves and payments reflect the cost of claims and related cash flows, with a sharp reduction in reserves as from the second year and an increase in claims paid.

The initial estimate of the final cost of claims includes a degree of uncertainty, resulting in a surplus on prior years, reflecting not only a lack of information but also a margin of prudence. Large claims at year-end impact the development of claims reserves. Major claims such as Moulinex and Kmart in 2001 and Parmalat in 2003 initially impacted the ultimate cost before reinsurance for the year in question and represented up to 10% of the estimated final gross cost of claims, even though the cost net of reinsurance could have been reduced further. The collection or cancellation of reserves on these large claims generated substantial surplus reserves for these years.

The information used in claims-development triangles is provided by most Group entities.

Estimate of the final cost of claims for the direct business excluding acceptance of most group entities (before reinsurance) (1)

(in € thousands)

Accident \ development year	1	2	3	4	5	6	7	8	9	10	Difference (2)	% Change
2001	1 199 660	1 064 054	1 048 945	1 018 887	991 728	974 651	966 002	957 142	947 088	939 913	259 747	21.7%
2002	1 074 320	885 987	860 735	832 950	824 542	818 679	808 282	800 194	797 674		276 646	25.8%
2003	989 123	769 240	702 802	698 247	690 282	684 669	656 450	654 463			334 659	33.8%
2004	820 011	675 162	629 896	621 518	616 174	609 534	614 372				205 639	25.1%
2005	835 604	753 293	717 036	715 393	705 182	706 368					129 236	15.5%
2006	840 274	788 358	744 969	730 265	740 994						99 280	11.8%
2007	852 572	843 549	828 773	833 015							19 558	2.3%
2008	1 344 139	1 413 872	1 447 934								-103 795	-7.7%
2009	1 162 653	895 245									267 408	23.0%
2010	868 298											

(1) All figures (Current & Previous years) and when necessary have been converted based on the End of Year Euro conversion rate.

(2) Variance: Surplus or shortfall of the initial reserve over the current estimate of the final cost for the year in question.

Aggregate claims-development tables, excluding the elimination of cash flows between entities, cover more than 99% of the technical reserves of all Group entities, but do not include the run-off for years prior to 2001.

The initial estimate of the ultimate cost of claims is calculated using techniques based on past trends in the cost of claims. The uncertainty in the first year of development in terms of claims not yet reported, a prudent estimate of the ultimate cost, recoveries and the Parmalat claim in 2003 are some of the factors that explain the variance of 33.8% observed for the 2003 insurance year. In 2008, the deepening crisis led to an increase in the cost of claims in the second year compared with the first. The change in the economic cycle was particularly brutal; uncertainty relating to change in claims in a challenging economic environment and trends in 2008 necessitated a more nuanced approach to the calculation of reserves. Reserves were calculated on the basis of a more conservative approach to cover a possible deterioration due to the economic environment, with the possibility of more positive development if the situation stabilized or improved.

Development triangles for cumulative claims paid net of recourse for most of the group entities (before reinsurance) (1)

(in € thousands)

Accident \ development year	1	2	3	4	5	6	7	8	9	10
2001	284 164	850 299	945 107	966 214	963 865	960 828	950 794	946 902	939 385	938 861
2002	300 229	681 726	772 461	789 223	792 479	792 279	793 747	789 796	789 424	
2003	236 960	559 671	608 472	632 426	639 429	638 115	641 262	640 963		
2004	222 797	531 200	580 499	589 783	591 496	588 852	596 626			
2005	258 087	621 360	664 067	677 755	676 282	678 087				
2006	278 571	658 853	701 155	701 391	721 456					
2007	266 584	700 081	766 085	791 691						
2008	376 248	1 116 744	1 274 133							
2009	403 527	728 190								
2010	212 283									

(1) All figures (Current & Previous years) and when necessary have been converted based on the End of Year Euro conversion rate.

The short-term nature of credit insurance is illustrated by the development of claims payments, which take place mainly in the first two years, as shown by a simple estimate of the development of claims without taking into account the years prior to 2001 and without making any specific adjustments. More than 60% of the claims reserves for the direct business on the balance sheet at year-end will be used in the following year, 80% within two years and more than 95% after six years.

1.2.3 Investment policy

Each Group entity has an investment portfolio, with investments managed locally in compliance with guidelines laid down at Group level. Compliance with these guidelines is overseen within each entity by a Finance Committee, which reviews the portfolio's performance and selects new investments.

At Group level, governance is provided by a Group investment management function and a Finance Committee, which together lay down short- and medium-term guidelines for the management of the portfolio.

Market trends are the prime management criteria.

The Group Risk Office helps manage the investment portfolio by establishing and calculating risk indicators associated with different asset classes. These indicators are calculated quarterly. And the resultant risk measures are factored into the Investment Committee's decision-making process, both in defining the allocation of the investment portfolio and in choosing to invest in specific securities. Lastly, the Group Risk Office sets investment limits, so as to avoid concentration risk.

This approach is backed up by the calculation of case-by-case scenarios depending on the options being considered.

The investment portfolio is diversified, both by type of investment (with an emphasis on bonds) and by issuer. Risk concentrations on a single issuer are very rare.

As such, Euler Hermes does not use futures in managing its investment portfolio.

1-3 Key risk factors

1-3-1 Credit-insurance risk

Credit-insurance risk measures the risk that premiums charged to policyholders will be inadequate to cover claims and the costs associated with managing the portfolio of policies.

Euler Hermes has developed a pricing system based on the policy's underlying risk. This system helps reduce the risk of inadequate premium income at the portfolio level.

1-3-2 Reserve risk

Reserve risk measures the risk that claim reserves recorded on the balance sheet may be insufficient to meet future claims.

Euler Hermes guards against this risk through careful management and prudent claim reserves.

1-3-3 Market risk

Market risk is the risk of losses that may result from fluctuations in the prices of the financial instruments comprising the Group's investment portfolio.

1.3.3.1 Interest-rate risk

Interest-rate risk measures the sensitivity of the value of assets and liabilities to changes in the yield curve.

Interest rate risk management, while recognizing the short duration of the liabilities, also takes into account the continuity of activity in order to increase the duration of investments and thus achieve higher returns on investments in fixed-income products. The main interest rate risk stems from a rise in interest rates, which, assuming that fixed-income bonds are maintained in the portfolio, corresponds to lower remuneration over the remaining term compared with the market interest rate.

	31/12/2010		31/12/2009	
	€'m	%	€'m	%
Less than 1 year	421	17%	510	23%
1 to 3 years	862	35%	942	43%
3 to 5 years	522	21%	486	22%
5 to 7 years	314	13%	140	6%
7 to 10 years	291	12%	66	3%
More than 10 years	55	2%	39	2%
Total	**2 465**	**100%**	**2 183**	**100%**

This table represents the bond portfolio split by maturity.

The main interest-rate risk is that of an increase in interest rates, assuming that fixed-rate bonds are kept in the portfolio, which would prompt a decline in returns over the remaining term compared with market rates.

1.3.3.2 Exchange-rate risk

Exchange-rate risk measures the sensitivity of assets and liabilities to changes in the exchange rates of the reporting currency and the currencies in which assets and liabilities are recorded on the balance sheet.

Euler Hermes faces exchange-rate risk in various ways, mainly with respect to:
- limits granted to a policyholder in a currency other than the reporting currency, potentially leading to change in the cash position or the levels of reserves (under the procedures of claims handling or recovery) recorded in currencies other than the reporting currency;
- reinsurance in a currency other than the reporting currency;
- investment in a currency other than the reporting currency;
- presence of divisions or subsidiaries operating in a currency other than the reporting currency of the parent company.

To limit exchange-rate risk, the Group adheres rigorously to matching rules required by local regulators.

As at December 31, 2010, assets held by Euler Hermes in currencies other than the euro amounted to 19.8% of the market value of the portfolio.

	31/12/2010		31/12/2009	
	€'m	%	€'m	%
EUR	2 775	80.2%	2 249	77.6%
GBP	295	8.5%	215	7.4%
USD	210	6.0%	249	8.6%
Other currencies	182	5.3%	185	6.4%
Total	**3 462**	**100%**	**2 898**	**100%**

Assets comprise the investment portfolio, technical reserves recorded as assets and the sold portion of technical reserves recorded as liabilities.
Liabilities comprise technical reserves and financial liabilities.

The principle of matching assets and liabilities at the local level and the emphasis on the euro in the Company's business has allowed the Group to avoid the need of hedging residual exchange-rate risk.

Foreign exchange risk	**2010**			**2009**		
€'m	United States	United Kingdom	**GROUP**	United States	United Kingdom	**GROUP**
Net income, group share	21 333	-4 448	294 452	2 636	-12 111	18 988
Closing exchange rate	*0.7484*	*1.1618*		*0.6942*	*1.1260*	
Net income, group share in local currency	28 505	-3 829		3 797	-10 756	
Impact of a 100 basis-point exchange rate movement (sign of net result)	*0.7384*	*1.1718*		*0.6842*	*1.1360*	
Net income, group share in €'000 after the exchange rate movement	**21 048**	**-4 486**	**294 129**	**2 598**	**-12 219**	**18 842**
Change relative to initial net income (%)	**-1.34%**	**0.86%**	**-0.11%**	**-1.44%**	**0.89%**	**-0.77%**

1.3.3.3 Equity-market risk

Equity-market risk measures the sensitivity of the value of assets to change in equity prices.

By extension, minority stakes in unlisted companies and investments in funds dominated by equities or convertible bonds are deemed to be equities.

	31/12/2010		31/12/2009	
	€'m	%	€'m	%
Bonds	2 465	65%	2 183	65%
Equities	142	4%	130	4%
Investment property	23	1%	57	2%
Loans, deposits and other financial investments	832	22%	528	16%
Total financial investments	**3 462**	**92%**	**2 898**	**87%**
Cash	306	8%	442	13%
Total financial investments + Cash	**3 768**	**100%**	**3 340**	**100%**

Equities accounted for around 4 % of the Euler Hermes Group's investment portfolio at end-2010.

The strategic allocation of the investment portfolio, in addition to the tactical allocation defined by the Investment Committee, sets the limits to which the Company may invest in equities or funds dominated by equities or convertible bonds.

It is then up to the asset manager to make investments within these limits, without breaching limits placed on the concentration of risk on individual counterparties, in the aim of outperforming the benchmark index used by the Investment Committee for the equity asset class.

The limits on equities and assimilated securities in the investment portfolio result from a compromise between the search for returns on a part of the portfolio not used to cover technical reserves and the desire to limit the accumulation of risk assets and liabilities on a single counterparty.

1.3.3.4 Liquidity risk

Liquidity risk is the risk of Euler Hermes' financial resources not being sufficient to cover its cash needs. Euler Hermes' financial resources include the resources generated by its operations and those obtained externally.

Each entity carries out projections of the cash flows derived from its insurance operations, its investment portfolio and any dividends received from subsidiaries, and then monitors these flows. These cash-flow projections are reviewed during Finance Committee meetings.

With the exception of Euler Hermes' German entity, which pools cash with the various German entities comprising the Allianz Group, Group entities manage their liquidities on an independent basis.

As at December 31, 2010, there were no special clauses attached to the Euler Hermes Group's financial liabilities (except for general clauses related to the existence of reserves or refusal of accounts certification) that would, if realized, lead to unanticipated cash flows.

Sources of liquidity available to Euler Hermes (excluding the divestment of its investment portfolio) are mainly as follows:
- the excess liquidity of a company;
- shareholders;
- the banking market;
- the bond market;
- the equity market, Euler Hermes having a listing in France.

Based on short- and medium-term cash projections and stress tests applied to these projections (liabilities as well as assets), Euler Hermes considers its liquidity risk to be low.

1.3.3.5 Property risk

Property risk measures the sensitivity of the value of property assets to change in the value of the property market.

This risk covers buildings housing the Group's operations as well as properties leased to other parties.

Property assets or products account for 1% of the value of the investment portfolio, i.e. €23 million.

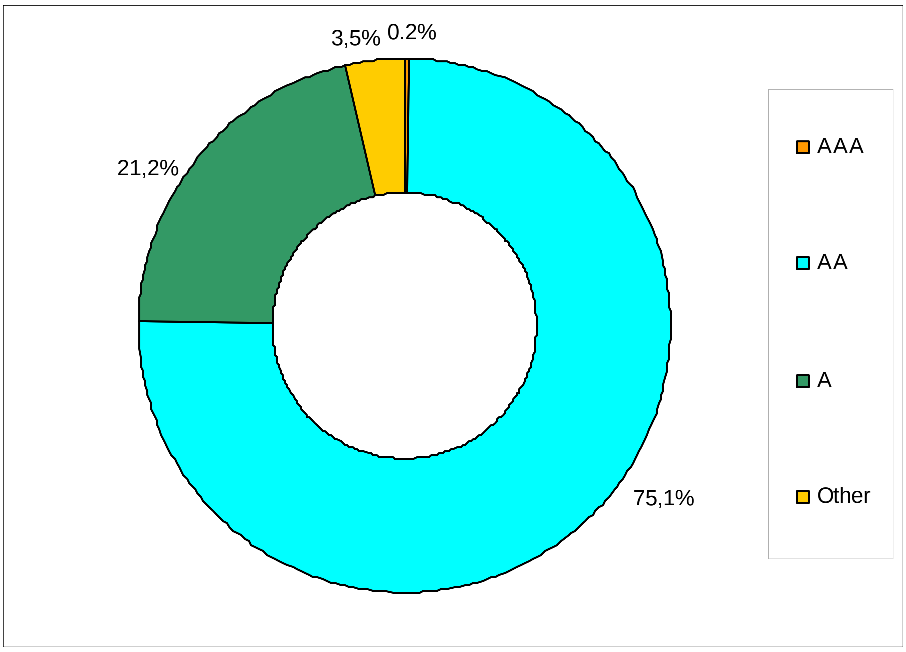
1-3-4 Counterparty risk

Counterparty risk is the loss Euler Hermes would incur in the event of the insolvency of one of its business partners, namely the failure of a reinsurer, a bank, a bond or equity counterparty, or the non execution by a policyholder of its commitments.

1.3.4.1 Failure of a reinsurer

Euler Hermes acts at different levels to limit the impact of failures of reinsurers:
- selection of reinsurers on the basis of their counterparties (rated A or higher or subject to the special prior approval of the Euler Hermes Board of Management in the event of the rating being below A) ;
- limits on concentration risk on a single reinsurer;
- constant monitoring by the various operational entities via maturity analysis of reinsurers' credits and debits, and the amount of technical reserves transferred to them;
- requests for letters of credit or security deposits from reinsurers;
- cut-offs of reinsurance treaties a few years after the implementation of the reinsurance contract.

In the event of the failure of a reinsurer or any event that may result in the failure of a reinsurer, the Company would conduct a risk analysis of the event. It would then take steps, on the basis of its findings, to minimize the negative impact on Euler Hermes.
In such cases, assets carried by Euler Hermes in connection with the relevant counterparty would be impaired.



Analysis of technical reserves assigned by rating of the reinsurer (the scope covered represents 94,2% of the reserves considered out of the group total at 31 December 2010).

AAA	809
AA	353 988
A	99 807
Autres	16 724
Total	471 328

1.3.4.2 Failure of a bank

Euler Hermes acts at different levels to limit the impact of failures of banks:

- selection of banks on the basis of their counterparties (rated A or higher);
- limits on the available cash held in bank accounts;
- increase in the number of banks with which companies deal.

In the event of the failure of a banking counterparty, all the Company's assets held by the bank in question would be impaired, and written down to their post-event value.

1.3.4.3 Failure of a bond or equity counterparty

To limit the impact of failures of a bond or equity counterparty, Euler Hermes has a very strict investment policy by limiting the total investment in bonds or equity without rating or with a rating below A, up to 5% of their assets class.

	31/12/2010		31/12/2009	
	€'m	%	€'m	%
AAA	1 679	68%	1 411	65%
AA+ to AA-	367	15%	499	23%
A+ to A-	363	15%	261	12%
Other ratings	56	2%	12	1%
Total	**2 465**	**100%**	**2 183**	**100%**

1.3.4.4 Failure of a policyholder

The Company has established procedures for the proactive management of funds held with policyholders, in particular to avoid a financial loss in the event of the default of a policyholder.

Maturity

(in thousands)	December 31, 2010				
	< 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Gross receivables	368 530	2 040	-	-	370 570
Reinsurers' share	132 231	20	-	-	132 250
Net receivables from guaranteed debtors	88 513	-	-	-	88 513
Total credit insurance receivables	**€ 589 273**	**€ 2 060**	**-**	**-**	**€ 591 333**

The receivables are carefully taken care of and 99% of these receivables have a maturity below three months. Any outstanding receivable above six months is fully reserved.

1-3-5 Operational risks

1.3.5.1 Risk related to the business

A risk related to the business can be defined as an inherent factor of any business and its preservation at a level sufficient to avoid impacts on earnings or capital. Credit insurance, involving insurance cover and the analysis of debtors' solvency, does not inherently amplify procyclical effects. However, economic crises can have direct effects by increasing claims, or indirect effects on the portfolio of policyholders. Indirect effects are seen in the increase of cancellations, which may stem from the Company or from the policyholder's declining revenues, which provide the foundations for the price of premiums. In periods marked by a surge in corporate failures, this risk can be limited by good management of insurance cover, but also by the price of premiums. This is how Euler Hermes has sought to contain the indirect impact in the current phase of the cycle. In difficult situations, such as the Baltic countries, Euler Hermes has significantly scaled down its operations to reduce risks related to the business, and potential future impacts are therefore very limited.

1.3.5.2 Legal risks

1.3.5.2.1 Constraints relating to specific legislative and regulatory aspects bearing on insurance activities

The credit-insurance business is subject to specific regulations in different countries. Changes to the laws and regulations governing the insurance business could significantly affect the conduct of operations and Euler Hermes' offer of insurance products.

Euler Hermes' subsidiaries are structured to comply with the regulations of the countries in which they are located. They apply the laws of their country of establishment and comply with administrative requirements or those set by local supervisory authorities, as well as specific prudential rules.

In addition, each entity has appointed a correspondent tasked with implementing the EU directive on data protection, and the Group has strengthened its control over the application of regulations by making a person within the Group responsible for this function, in conjunction with correspondents within each entity. The Group's international dimension exposes it to changes that must be managed with great responsiveness so as to reduce any possible adverse effects at all levels of the Group structure.

Furthermore, the insurance business has recently been the subject of new European regulations with significant implications for internal risk management at Group level. Following the Solvency I directive, which imposed a solvency margin determined on the basis of percentages of premiums and claims, the Directive of the European Parliament and Council no. 2009/138/EC dated November 25, 2009, known as "Solvency II," requires insurers and reinsurers to measure their risks and ensure they have sufficient capital to cover them (Solvency Capital Requirement). Solvency II, which will become effective on January 1, 2013, will be implemented either by applying a standard formula or by the use of an internal model. Euler Hermes is particularly active in implementing measures to comply with the requirements of this reform. The Group is currently developing its own internal model to be submitted for validation to France's Prudential Regulatory Authority ("ACP") and the German financial regulator ("BaFin"). It has also established a steering committee within its Group Risk Office. Lastly, the Group has undertaken the restructuring of its European units in order to streamline carrier risks into a single entity located in Belgium, with a view to maintaining its AA-rating from Standard & Poor's.

At the time of establishment of this document, Euler Hermes could not be certain of obtaining the validation of its internal model by the ACP or BaFin. Should its internal model not be approved, the need to apply the standard formula defined under the Solvency II directive could result in additional operating costs.

1.3.5.2.2 Ongoing litigation and litigation risk

Euler Hermes SA is not involved in any judicial proceedings in any of the countries in which it operates.

However, certain Group subsidiaries are involved in various legal proceedings. Only disputes representing a threshold of materiality of more than €1 million will be discussed below.

America

In the United States, Euler Hermes' subsidiaries (Euler Hermes ACI and Euler Hermes UMA) are involved in five main disputes in the various states in which they operate. These disputes involve claims totaling roughly €8.8 million, which Euler Hermes is contesting.

In Canada, Euler Hermes ACI is facing claims in two disputes, for a total of roughly €3.8 million.

Europe

In Germany, Euler Hermes Kreditversicherungs-AG has been cited in two disputes, with claims totaling €2 million, for which reserves have been set aside. Euler Hermes' German subsidiary is facing demands for indemnification, including two that were lodged in the year ended December 31, 2010, totaling €7.79 million and €2.2 million respectively, both of which have been fully provisioned.

In Switzerland, Euler Hermes KV Niederlassung in Zurich is facing demands for indemnification in two cases, totaling €9 million and €1.34 million respectively, provisioned in the amount of €3 million and €1.2 million respectively.

In Italy, SAFIM FACTOR (in liquidation) filed a claim for damages against Euler Hermes SIAC, the Italian subsidiary, on November 18, 1996, alleging its partial responsibility in the financial difficulties that led to its liquidation. SAFIM FACTOR is claiming damages in the amount of €77,5 million. After a favorable ruling at the first trial on September 14, 1999, followed by the July 21, 2009 decision by an appeals court in Rome to order a retrial, a final decision is expected in the first half of 2011. Euler Hermes has undertaken a detailed review of this issue. It has accordingly reappraised, with the help of its legal advisors, the financial risks associated with this dispute. It set aside the sum of €24 million to cover this risk in 2010.

The unfavorable outcome of any pending or future litigation could have an adverse impact on Euler Hermes' business, financial position, consolidated net income, reputation or image. Euler Hermes carefully manages its relationships with external parties, and each entity has a local structure or the necessary legal means to take the appropriate action in the event of disputes.

There are no other governmental, judicial or arbitration proceedings, including any proceedings of which the Company is aware, either pending or threatened, which have had over the last 12 months or may in the future have a material impact on the financial position or profitability of the Company and/or Group.

1.3.5.3 Risk of rating downgrades

Ratings of capacity to settle claims or financial strength have increasingly become important elements in determining insurance companies' relative competitive positions. Rating agencies review their ratings and methodologies on an ongoing basis, and can revise their ratings at any time. Accordingly, our current ratings may vary. Amidst a financial crisis and given the deteriorating financial markets in recent months, some rating agencies have downgraded their outlook on the life insurance industry and have cut the ratings of an increasingly large number of companies. However, the Standard & Poor's AA- rating of Euler Hermes was not re-questioned by Standard & Poor's throughout the 2008-2009 financial crisis.

A ratings downgrade or the potential for one, and more importantly the loss of the AA rating, could have adverse effects on the Company, by (i) undermining its competitive position, (ii) preventing it from distributing new insurance policies, (iii) increasing the rate of redemption or termination of existing insurance policies, (iv) lifting the cost of reinsurance, (v) limiting its access to sources of financing and/or increasing the cost of such financing, (vi) imposing the need to provide additional guarantees for certain contracts, (vii) having an adverse impact on relations with creditors or trading counterparties and/or (viii) having a significantly adverse impact on public confidence. Any of these outcomes could have an adverse impact on Euler Hermes' operations, liquidity, consolidated net income, turnover and financial position.

1.3.5.4 Compliance risk

Compliance risk relates to the application of appropriate rules of behavior for a given period or situation. To deal with this risk, a Group head of compliance, working in conjunction with correspondents in every region, monitors compliance with rules governing ethics, fraud, money laundering and the observance of periods during which trading in Euler Hermes securities is suspended.

1.3.5.5 Environmental risk

The insurance business is inherently non-polluting. Moreover, no fact or information pertaining to this risk and liable to have a material impact on Euler Hermes' financial statements, results or business has been identified.

1.3.6 Capital risk

The Group Risk Office has undertaken, in coordination with the reference shareholder, the implementation of risk measures aimed at determining the amount of capital necessary to cover the Group's operations. These measures also form the basis of the calculation of economic value added, one of the performance indicators of each entity. EVA is a crucial instrument in the implementation of a risk strategy aimed at protecting the capital base, in the management of resource allocation and in the transfer of risk. It enables the Group Risk Office to compare the Company's needs with the available resources in order to offer management a base that defines available resources and to establish guidelines for the management of the credit-insurance business, in addition to the necessary level of risk transfer and possible asset allocation.

The calculation of insurance risk is a prerequisite in defining an internal credit-insurance model. It is the most difficult calculation to carry out because it must factor in all the parameters affecting contracts, debtors and risk transfers. The classification of debtors by rating, combined with a probability of default, provides a basis for complex processing aimed at simulating actual exposure to insurance risk cover derived from theoretical credit-insurance cover.

Each entity regularly performs a detailed calculation of its own positions. Individual results are subsequently aggregated and modulated on the basis of the diversification effect (by entity and by risk category). The calculation of the capital necessary to cover quantifiable risks is based on an economic approach. The consistency of this model is expected to make it a key instrument in risk management. The model measures all aspects of credit-insurance risk, and the comparison of results over time can ensure its validity and robustness.

The current approach is relatively conservative, both in defining the parameters used in the calculation method and in applying them. It is a genuine management system: it delivers information at the aggregate level to determine capital requirements by entity, as well as detailed information at the most granular level for risk-management purposes. It also provides the basis for developing models for calculating premiums and calculating quantitative limits applied to all risk categories. All Euler Hermes entities keep the Group Risk Office informed of their regulatory solvency position. Regulatory limits are well below the current capital of individual entities. If this were not the case, appropriate action, in terms of trading or capital, would be considered.

The new internal model currently in development aims to improve the approach used to date, which was inspired by Standard & Poor's methodology.

The model assigns risk factors to different balance sheet items. As such, portfolio securities are classified by rating, as well as exposure to reinsurers. Insurance and reserve risk is deduced by the direct application of factors to net amounts, after reinsurance, of net premiums and claim reserves respectively. Standard & Poor's updated the factors in 2007, increasing the weighting of credit insurance. While some assumptions may be questionable and involve a weighting that may be deemed excessive in the absence of an adjustment by an analyst, it nevertheless provides a basis for calculating the capital required to cover risks. Simulation was therefore carried out using this new model for 2009 and 2010 evidencing a slight increase of the capital risk of 2.6% compared to 2009.

The amounts needed to achieve an A rating, simulated on the basis of this method, are presented in the following table:

Risk Capital *€'m*	**2 010**	**2 009**
C1: Financial Risk	254	195
C2: Counterparty risk	56	109
C4: Premium risk	1 083	1 054
C5: Reserve risk	319	310
S&P RAC simulation	**1 712**	**1 668**

The model shows that Euler Hermes' risk capital requirements increase marginally compared with 2009. This simulation is based on an internal approach and adjustments potentially made by rating-agency analysts could alter the outcome slightly.

The Euler Hermes Group is present in many countries, and each entity complies with local regulatory constraints. The consolidated amount resulting from local constraints is well below the amount of the Group's consolidated equity.

Stress tests

In addition to calculating the capital required to cover risk, the Group performs regular stress tests to ensure the consistency of its protection and its sensitivity to scenarios involving heightened risk. The results are illustrative of the risk under consideration, but they also, like all simulations, have limits. The simulation is based on the situation at a given date, the year-end in the present case. As such, the results do not reflect the possibility that events could be managed gradually or ex-post. The lack of dynamic management precludes simulations of all but extreme cases, with no capacity to adapt positions or structures in the event of significant adverse change.

Equity and bond portfolio risk at 31 December 2010 **(€'m)**	Market value at 31 December 2010	Impact of a 100bp* rise in interest rates	Impact of a 10% fall in the equity market	Market value at 31 December 2009	Impact of a 100bp** rise in interest rates	Impact of a 10% fall in the equity market
Obligation	2 465	-81.1	0.0	2 183	-50.2	0.0
Actions	142	0.0	-12.6	130	0.0	-11.4
Total	**2 607**			**2 313**		

** Average sensitivity of 3% calculated based on the main subsidiaries, which represented more than 99% of the bond portfolio at end of year 2010*
*** Average sensitivity of 3,9% calculated based on the main subsidiaries, which represented more than 99% of the bond portfolio at end of year 2009*

Equity portfolio risk at 31 December 2010 **(€'m)**	Market value at 31/12/2010 / Impact scénario	Revaluation reserve / Shareholders' equity impact	Amortised cost / Economic cost impact
Total	142	22	120
Impact of a 10% fall in the equity market	-13	-13	0
Impact of a 30% fall in the equity market	-38	-23	-15

The impact on shareholders' equity takes deferred tax into account. The impact on income is stated before tax.

€m	Net income group share 2010	10% reduction in premiums	10% increase in 2009 cost of claims	10% increase in claims handling expense	Net income group share 2009	10% reduction in premiums	10% increase in 2008 cost of claims	10% increase in claims handling expense
Change	**294**	**-45**	**-44**	**-52**	**19**	**-15**	**-63**	**-49**

Assumption: effective tax rate is constant in 2010 and 2009