Euler Hermes

2012 Registration Document

Risk Management | Credit Insurance
Debt Collection | Bonding

EULER HERMES
Our knowledge serving your success

A company of Allianz

Summary

Profile

Supporting business growth for companies worldwide

Euler Hermes, the world's leading provider of trade-related insurance solutions, helps customers worldwide to trade wisely and develop their business safely. Its financial solidity, risk analysis and integrated global structure enable the Group to provide companies of all sizes with the domestic and export market knowledge and support they need to successfully manage their trade receivables in changing economic environments.

€2,397.9 million
Turnover

€330.2 million
Net icome, Group share

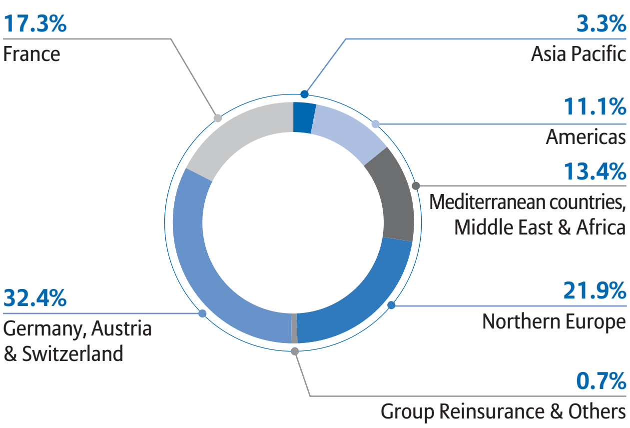
75.2%
Net combined ratio

12.7%
Return on equity

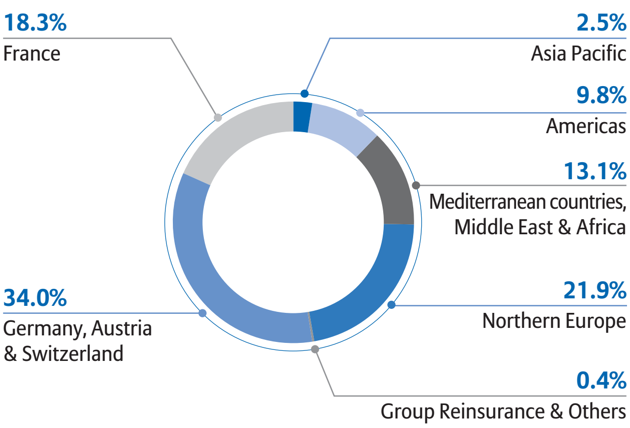
Key figures

BREAKDOWN OF TURNOVER BY REGION

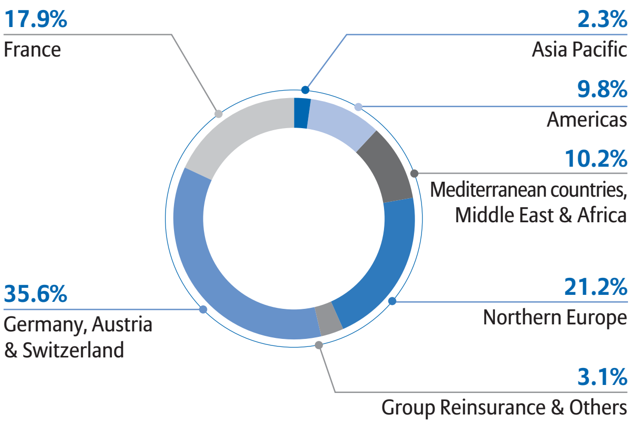
AS OF DECEMBER 31, 2012



AS OF DECEMBER 31, 2011 *



AS OF DECEMBER 31, 2010 *

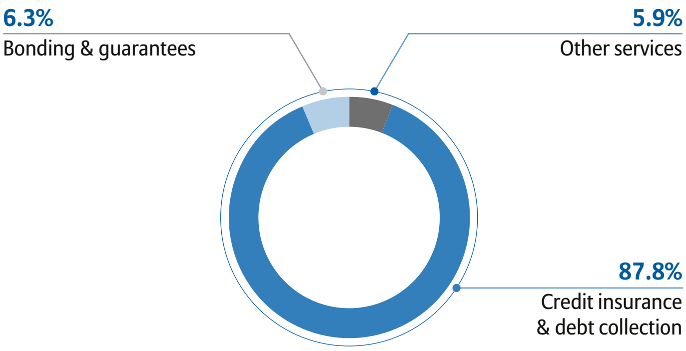


* Pro forma with Gulf countries transfer from Asia Pacific to Mediterranean countries, Middle East & Africa.

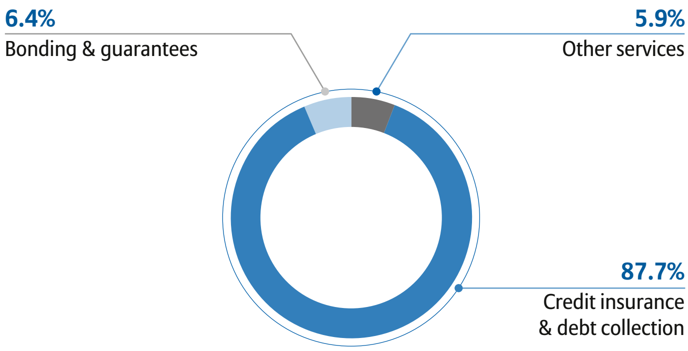
Key figures

BREAKDOWN OF TURNOVER BY LINE OF BUSINESS

AS OF DECEMBER 31, 2012



AS OF DECEMBER 31, 2011



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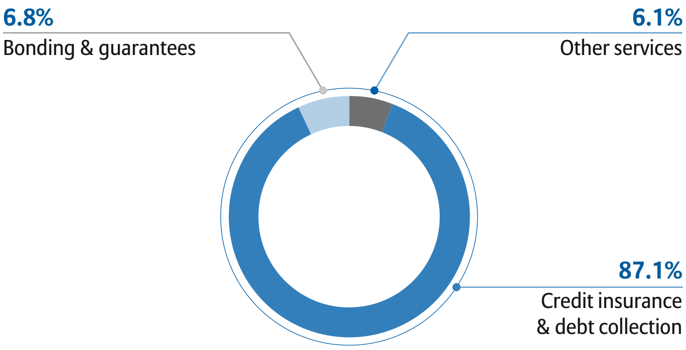


Simplified statements over 5 years

(In € thousand)	2012	2011	2010	2009	2008
Consolidation income statement					
Turnover [1]	2,397,896	2,274,922	2,147,734	2,085,711	2,166,451
Technical result [2]	324,234	358,688	348,625	(64,783)	35,560
Ordinary operating income	433,275	471,739	471,873	83,627	168,500
Operating income	424,659	463,709	388,930	74,771	168,500
Net income, Group share	300,245	330,267	294,452	18,988	83,592
Minority interests	4,262	3,238	3,331	4,153	4,498
Consolidated statement of financial position					
Total assets	6,064,157	5,818,110	5,659,182	5,149,953	5,057,095
Shareholder's equity, Group share	2,466,739	2,277,877	2,130,421	1,795,779	1,834,957
Minority interest	68,261	18,002	18,015	20,698	20,328
Share information					
Earnings per share [3]	6.84	7.54	6.74	0.43	1.92
Diluted earnings per share [3]	6.84	7.54	6.73	0.43	1.92
Dividend per share	4.00	4.40	4.00	-	1.50
Total to paid / to be paid	180,851	198,702	180,411	-	65.273
Other data					
Conbined ratio after reinsurance	75.2%	70.0%	68.7%	104.7%	97.2%
Group employees	6,277	6,165	6,204	6,201	5,767

(1) The turnover comprises the earned premiums and the premiums-related revenues.

(2) The tecnical result is used as a key financial indicator by Euler Hermes group to assess the performance of its business segment. The technical result is the sum of the turnover, the claims costs, the operating expenses (acquisition costs, administrative expenses and service expenses) and the reinsurance result.

(3) Group share.

EULER HERMES
Our knowledge serving your success

2012 Registration Document

annual financial report included

AUTORITÉ
DES MARCHÉS FINANCIERS
AMF

This Registration Document was filed with the Autorité des Marchés Financiers on April 26, 2013 under filing number D. 13-0446 in accordance with Article 212-13 of its general regulations. It may be used in support of a financial transaction if it is supplemented by a transaction memorandum certified by the Autorité des Marchés Financiers. This document was drawn up by the issuer and establishes the liability of its signatories.

Copies of this Registration Document are available free of charge at Euler Hermes' headquarters.

> We believe companies will increasingly turn to credit insurance in this period for the insight it offers in differentiating between true opportunity and risk.

Letter from the Chairman of the Euler Hermes Group Management Board

Wilfried Verstraete

A review of 2012 and an overview of the Company's 2013 strategy from the Chairman of the Euler Hermes Group Management Board.

As 2012 began, we predicted it would be a turbulent year, one in which we and our customers shared a heightened sense of economic risk.

We observed two main insolvency trends in 2012:

- a sharp decline in U.S. insolvencies (-13%) and across Asia (China -14%, Japan -3%, Hong Kong -4%);
- rising European insolvencies: France (+2%), Northern Europe (+4%) and Mediterranean countries (+22%). Germany (-1%) and the UK (-6%) were the main exceptions. This despite the region addressing the lack of integration among Eurozone members, including the ratification of the European Stability Mechanism (ESM).

Our 92% record renewal rate reconfirmed the value clients place on credit insurance as a core financial risk management tool. They also provided a revenue bedrock for the year. As pressure on price remained steady in 2012, we remained vigilant and prudent in risk underwriting. We also generated a robust operating income of €424.7 million. Turnover was up 5.4% year on year, including solid top line growth contributions from our investments in emerging countries. The net claims ratio reached 51.7% – due to three large claims (Schlecker, Centrotherm & Game) and a general increase in the frequency of claims – but remains under control as a result of optimized risk assessment processes and a conservative underwriting policy. Our average ROE over the past 10 years stands at 13.9%.

To sustain our global leadership position [1] and support our clients we focused on three growth strategies in 2012: growth markets, distribution channels and value-added products. By year-end we'd achieved key milestones in each area, involving increased critical mass, market penetration and/or target industry expertise.

(1) *Source: Euler Hermes estimates as of November 2012 – Please refer to sub-section 1.2.5 – Competitive positioning.*

Our key 2012 strategic growth market targets were California, China, Latin America, Middle East, Russia and Turkey. In 2012, we began investments in an innovative Spain and Latin America joint venture. Our partner MAPFRE is the leading insurance company in Spain [(1)] and of non-life insurance in Latin America [(2)]. The joint venture company – called Solunion – is equally owned by each partner. Its Board and senior leadership team include experienced executives from both companies. Officially launched at the end of January 2013 in Spain and Argentina, Solunion offers comprehensive trade-related credit insurance services for companies of all sizes, in a wide range of trade sectors. Its objective is to become the leading provider in the markets it serves. Headquartered in Madrid, Solunion harnesses the global trade risk underwriting expertise of Euler Hermes offices in more than 50 countries with MAPFRE's broad and diversified commercial distribution network.

Our distribution strategy focuses on brokers, bank partnerships and cross-selling with the Allianz group. Brokers are an important distribution partner given the value they offer their clients related to credit insurance policy decisions, underwriting and claims submission – and in working together with us to support mutual clients in new export or difficult markets. In 2012, after several earlier pilot projects, we established a new large-scale partnership with a large global bank, leveraging an existing Allianz relationship. In addition, joint initiatives with Allianz Global Corporate and Speciality (AGCS) established a new revenue stream.

Our product development strategy concentrates on supporting multinational clients, bonding and the excess-of-loss (XoL) markets. In 2012, we launched an XoL policy that completes our product range. It also supports large and multinational companies seeking additional credit risk mitigation in their balance sheet, or protection from exceptional trade credit losses in a turbulent financial environment. This pragmatic product is supported by the security of our AA- rating, extensive global database and network of underwriting experts.

Financial intelligence, financial management tools

In 2013 we anticipate a gradual recovery of the global economy, but only from the second half of the year. Having entered the sixth consecutive year of crisis, world GDP should grow only slightly in 2013 – still slower than pre-crisis – mainly due to the Eurozone economic, political and social headwinds. We believe companies will increasingly turn to credit insurance in this period for the insight it offers in differentiating between true opportunity and risk.

Economic conditions in several major economies and industry sectors are expected to deteriorate further – despite growth in many BRIC (Brazil, Russia, India, China) and MIST (Mexico, Indonesia, South Korea, Turkey) markets, and signs of reindustrialization in the U.S. Emerging countries will drive more than half of global growth. Continued negative European growth in 2013 is balanced by signals of a 1.4% positive projection for 2014. We expect global growth to increase by +2.5% in 2013 before accelerating to +3.2% in 2014.

The negative global trend in business insolvencies is, however, expected to continue in 2013, increasing for the second consecutive year by +4% after +1% in 2012. This level is once again far higher than before the 2008-2009 crisis. We believe this trend is one of the main risks to monitor in 2013, in addition to inflation from expansionary monetary policies and political risks triggered by the Eurozone recession.

We therefore expect demand for trade credit insurance to increase again this year in many of our markets. CEOs, chief financial officers, treasurers and risk officers particularly value trade credit insurance as an essential financial management tool during a difficult economic environment. Customer receivables are key to the operational cash flow that increases liquidity and reduces borrowing costs. Our products and services help clients protect that cash flow through proprietary credit information and financial intelligence, global collections and payment on defaulted receivables. In essence we provide an outsourced credit management service based on best practice and quality deliverables – at a much lower cost than the company would need to invest to achieve the same results in-house.

We can serve our clients best by being perceived as their most valuable counsel on trade credit risks, based on regular close dialogue that facilitates greater understanding of and transparency into client plans. We'll provide credit insurance cover when opportunities enable clients to trust and trade safely. And explain the rationale of buyer, sector or geographic weakness when we must counsel prudence, or limit or refuse cover.

Vigilance, agility, innovation, teamwork

Our 2013 goals align to our three-prong strategy of growth markets, distribution and products:

- continue to outperform the competition in terms of profitable growth;
- remain the industry benchmark for innovation, service, expertise and global capability, and
- strengthen our brand value to customers in established and new markets by applying our knowledge to support their success.

We will continue to invest in our growth markets, and push for accelerated bottom line returns to offset revenue challenges in some traditional markets.

Operationally, our Excellence program enters its third and final year, then becomes a permanent part of our daily processes. In tandem with the One Euler Hermes initiative, Excellence helped us transform our company structure, align processes and teams globally, and further harmonize IT. These disciplines will continue to push us to become more agile and flexible.

Clients are at the heart of innovations that keep us ahead of the competition and ensure a strong future. Innovation is not just about inventing new products. It is about staying at the forefront of market, social and economic evolution. We'll continue to invest in digitalization that improves client service and sales performance. And reduce costs by making our processes simpler, faster, more integrated and more efficient. We'll involve the entire customer relationship, from lead generation to policy renewal. We'll increase client loyalty and revenue generation by being easier to work with and a more valuable business partner.

I would like to thank our more than 6,000 employees in 50 countries for their steady focus on our clients in 2012. Working together across

(1) Source: Market share published by the ICEA as of February 2013.
(2) Source: Market share published by the Fundación MAPFRE as of October 2012.

functions and countries, they strengthened our ability to compete and remain profitable as we and our clients continue to navigate choppy waters. Their focus on client service excellence underpins our strong performance that benefits our clients, shareholders and the long-term sustainability of Euler Hermes.

The Company has demonstrated resiliency through many difficult periods in its 100+ years. Our market leadership foundations were built in that century. Our predecessors successfully used market knowledge, financial expertise and agility to respond effectively – and often rapidly – to new business environments. These skills make us resilient today in responding to the worst financial uncertainty since the Great Depression, and to current shifts in the global balance of economic power. The validity and resilience of our business model is also reconfirmed by hard numbers: the three- and 10-year average returns on equity.

An optimistic omen signalled the beginning of 2013: this year is the 10th anniversary of the consolidated Euler Hermes brand launch. Increasing global integration and the commitment of our employees enables us to remain vigilant, nimble and innovative as we move forward in 2013.

Paris, February 13, 2013

Wilfried Verstraete

Chairman of the Group Management Board

Message from the Chairman of the Supervisory Board

Clement B. Booth

Despite a very uncertain market environment, Euler Hermes achieved excellent results in 2012 through a strong and sustained focus on technical underwriting discipline and risk control. This proved again that the Euler Hermes business model has the necessary flexibility to accompany our customers through good and bad times. A record renewal rate of 92% underpins the value our clients place on credit insurance as a core financial risk management tool. The increase of the share price by 42% reflects the market appreciation of Euler Hermes' strategy and results.

During the year, the Euler Hermes Supervisory Board worked closely with the Management and supported the Board of Management by contributing its wide-ranging experience in different segments as well as ensuring best practice in governance.

2012 results

Euler Hermes successfully met its 2012 targets, with excellent financial performance. Both growth and profitability held steady. Consolidated turnover was up 5.4% year on year at €2,397.9 million, with a net income of €300.2 million. Trade receivables coverage increased by 9.6% compared to the previous year.

Message from the Chairman of the Supervisory Board

Recognized widely as the credit insurance market leader, Euler Hermes further strengthened its cross-collaboration with other Allianz group entities in 2012 with new initiatives and mutually beneficial revenue streams. Allianz in turn provided solid financial stability and support, a key factor cited in Euler Hermes' renewed AA- rating by Standard & Poor's.

The 2012 results provided an excellent return for Euler Hermes shareholders of 12.7%. Share prices increased by 42%, also gaining some additional benefit from the cyclical upturn in insurance stocks generally during the year. We value the interest and comments received during our meetings this year with analysts and shareholders alike.

Based on the 2012 results, we are recommending a dividend of €4.00 per share payable on May 31, 2013.

Appointments

Effective December 4, 2012, Frédéric Bizière, member of the Euler Hermes Board of Management since October 2011, was appointed chief financial officer. He replaced Nicolas Hein, who resigned from Euler Hermes and its Board of Management and whom we thank for his past service. Paul Overeem was appointed to the Board of Management succeeding Frédéric Bizière as responsible for Group Market Management, Commercial and Distribution (MMCD) activities, effective January 1, 2013. Both are senior Euler Hermes executives who are well-known in the industry. Their considerable experience strengthens the Euler Hermes Board of Management and will make valuable contributions to the Company's future success.

2013 Outlook

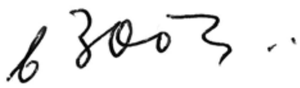
The financial turbulence is by no means over. In 2013, we expect further economic deterioration in several major economies and industry sectors – despite growth in many BRIC (Brazil, Russia, India and China) and MIST (Mexico, Indonesia, South Korea and Turkey) markets, and signs of recovery in the U.S. The clear global shift in economic power will therefore continue its trajectory. We anticipate demand for trade credit insurance will continue to increase, both in emerging and established markets.

Euler Hermes will maintain its prudent business model, while continuing the transformations that further increase its agility, responsiveness and innovation as a service provider in established and emerging markets. Its new tools, skills and infrastructure strengthen its abilities in today's extended market headwinds, well beyond what would have been possible 10 years ago. The Supervisory Board will also encourage further leadership development and workforce diversity. It is a sound rationale in a service business to reflect the cultures and geographies in which the Company and its clients operate.

On behalf of the Supervisory Board, I would like to thank the Euler Hermes Board of Management, Company leaders and all employees for their contribution and strong commitment to our clients. The continued success in a difficult environment is further evidence that our people play a key role in our organization. As the Company marks its 10th year under the consolidated Euler Hermes brand in 2013, it is well equipped to draw on more than 100 years of corporate history to successfully navigate challenging market conditions.

Paris, February 13, 2013

For the Supervisory Board



Clement B. Booth

Chairman

1 Presentation of the Group

1.1 History and development of the Group

With a history dating back over 100 years, Euler Hermes has grown both organically and through acquisitions, and now ranks as the leading credit insurer worldwide [1], present in over 50 countries.

Today's Euler Hermes group grew out of Euler SFAC in France and Hermes Kreditversicherungs-AG in Germany.

Hermes Kreditversicherungsbank-AG (Hermes) was founded in 1917 by two members: Münchner Rückversicherungs-Gesellschaft and Globus Versicherungs-AG. In 1949, it began underwriting export credit transactions in the Federal Republic of Germany, in cooperation with Deutsche Revisions-und Treuhand AG. SFAC was founded in 1927 by several major insurance companies, including Assurances Générales (the predecessors of Assurances Générales de France (AGF)) and Compagnie Suisse de Réassurance.

In the 1990s both SFAC and Hermes embarked on a program of international expansion, acquiring credit insurers and creating new subsidiaries.

In 1996 AGF became SFAC's majority shareholder. SFAC changed its name to Euler. The same year, Allianz took control of Hermes.

In 1998 Allianz acquired a majority interest in AGF's capital.

In 1999 Euler and Hermes signed a cooperation agreement with a view to coordinating their international expansion.

On April 27, 2000 Euler was listed on the Premier Marché of Euronext Paris. In September 2001, Allianz group and AGF announced their intention to merge their respective credit insurance subsidiaries through the acquisition of Hermes by Euler.

In July 2002 the Euler group finalized the acquisition of Hermes.

In 2003 the Group and its subsidiaries adopted the brand name Euler Hermes (the "Group").

From 2004 the Group continued its international development.

In 2010 Euler Hermes launched the "Excellence" initiative and changed its governance to strengthen the Company's customer centricity and international integration.

In 2011 the legal restructuring project "Blue Europe" merged 13 separate Euler Hermes units under the single Brussels-based insurance carrier Euler Hermes Europe. A memorandum of understanding was signed to create a Spain and Latin America strategic alliance: Euler Hermes to combine credit risk underwriting expertise with MAPFRE distribution and sales strength.

In 2012 Euler Hermes and MAPFRE committed to launch the Solunion joint venture in Spain and Latin America in 2013. An Excess of Loss (XoL) policy launch completes the Euler Hermes product range.

MILESTONES IN EULER HERMES' HISTORY

1883-1992

1883
ACI, U.S.
1917
Hermes, Germany
1918
Trade Indemnity, UK
1927
SFAC, France and SIAC, Italy
1929
COBAC, Belgium

1993-1998

1993
SFAC acquires COBAC
1996
SFAC acquires Trade Indemnity and becomes the world leader in credit insurance
1998
SFAC acquires ACI and SIAC

1998

Allianz buys AGF, shareholder of SFAC

SFAC becomes Euler

2000-2003

2000
Euler listed on the Paris Stock Exchange
2002
Euler acquires Hermes the world's fourth credit insurer
2003
the Group and all its subsidiaries adopt the name Euler Hermes

2004-2009

International expansion: Asia-Pac, Middle East, Latam

Creation in 2008 of EH World Agency

External growth in collections (UMA, USA; R2C, Ireland)

2012

One Euler Hermes: simplification of the Group's structures and clarification of its governance

Excellence: increase in productivity and flexibility of the cost base through streamlining worldwide of operations

Blue Europe: merger of 12 European carriers into EH Europe

Solunion: joint venture in Spain and Latam of Mapfre and Euler Hermes

New products: Trade Finance Insurance & Political Risk, XoL

(1) *Source: Euler Hermes estimates as of November 2012 – Please refer to paragraph 1.2.5 – Competitive positioning.*

1.2 Overview of the Group's activities

Euler Hermes is the world leader in trade-related insurance solutions. As of December 31, 2012, the Group had operations in more than 50 countries that together account for over 93% of world GDP.

Its objective is to promote the business growth of its clients, regardless of their size or sector, in their domestic and export markets. To achieve this goal, overlaying its core credit insurance business, Euler Hermes has developed a comprehensive range of services for trade receivables management. The Group's insurance clients benefit from the unparalleled knowledge of corporate solvency developed by its teams of credit analysts who work in close proximity to companies around the world.

The basic concept behind credit insurance is that, through B2B credit, businesses are the leading source of financing for other businesses. This "banking" activity draws on a plethora of resources such as capital, financial information collection and management, credit analysis and collections capability, that a company can advantageously share with other companies through the pooling system provided by insurance contracts. Euler Hermes' mission is to provide companies with a capital base at the lowest price, together with global proprietary financial information that is produced in-house and not available on the market, as well as collections capacity, so that its customers can securely expand in their markets.

1.2.1 Main activities

Credit insurance

The credit insurance policies offered by the Group are built around three major services.

Prevention of credit risk

A supplier that grants credit to a customer (the "buyer") is exposed to credit risk associated with the possibility that the buyer will default on this debt.

Euler Hermes offers suppliers its expertise in managing the credit risk associated with a business transaction, starting with an assessment of the best general conditions applicable to a given sale. This expertise comes from the Group's teams across the world, which evaluate the financial condition of buyers on a daily basis. Through its prevention services, Euler Hermes helps companies build their growth on solvent customers.

Euler Hermes tracks changes in corporate solvency in the world's largest economies. In over 50 countries representing 93% of world GDP, the Group's 1,500 credit analysts and risk underwriters assess the financial health of companies on a daily basis. With its dense local coverage, Euler Hermes produces its own information, with a database that is unique in the world in both depth and freshness of content, thereby offering its insurance clients the clearest visibility on their customers' credit risk.

Euler Hermes launched Euler Hermes World Agency in 2008 with a view to offering special support to multinational companies. Dedicated solely to multinationals, this subsidiary provides a team of experts and a range of unique services to help companies optimize trade receivables management and secure payment. Euler Hermes World Agency is now the market leader in this segment.

In 2011, the Group expanded its range of client services by developing a new political risk and international trade insurance business (Trade Finance Insurance) under the name Transactional Cover, which was launched by Euler Hermes World Agency. The Group continued to develop this business in 2012. In keeping with its plan, it recruited teams in New York and Singapore during the year, after staffing the Paris and London offices in 2011.

In 2012, the Group further broadened its range by developing a new service for companies that have in-house credit analysts but want to outsource coverage of their largest credit risks. This product, called Excess of Loss, was also launched by Euler Hermes World Agency.

Collection of unpaid receivables

Euler Hermes has been offering international debt collection services as part of its credit insurance policies for decades. As a leader in the field of debt collection, Euler Hermes has its own specialist teams located throughout the world. This integrated network, together with the proprietary information produced by Euler Hermes credit analysts, stands unique in the world. It is highly appreciated by clients with receivables to be collected in export markets, where they often encounter difficulties in dealing with an unfamiliar language and legal system.

In 2009, the Euler Hermes group decided to combine its worldwide collection operations under the name Euler Hermes Collections, as part of an initiative to develop its debt recovery business for existing insurance clients and to extend the range to new, uninsured corporate clients. As collections is a high-volume business, the aim of this initiative is to give all Group customers, whether or not they are policyholders, the opportunity to take advantage of its greater critical mass of this activity at a marginal cost. Euler Hermes Collections draws on an international network of debt-recovery companies and on a shared services center located in Warsaw, Poland, which handles the main support functions.

Indemnification for uncollected debts

If just one buyer fails to pay an invoice, this can have a significant impact on the supplier. In some countries, nearly one out of four companies that goes bankrupt does so because one of its customers is bankrupt. In fact, this is one of the main causes of company failure. To maintain its production capacity, the supplier company must make up for the market outlet lost due to the loss of the defaulting customer. Further, to maintain a stable balance sheet, it must generate additional sales very rapidly and use the profit from these sales to offset the loss from the bad debt. As an example, to offset an unpaid receivable of just €10,000 on its income statement, a supplier working on a 5% margin will have to generate €200,000 in extra sales, and in its haste, it may encounter a problem with additional unpaid receivables.

Through indemnification of uncollected debts, Euler Hermes relieves the supplier from the pressure to generate additional sales very rapidly to offset the loss from unpaid receivables, allowing the Company to focus on seeking sustainable new market outlets. The financial strength of Euler Hermes, a member of the Allianz group, guarantees that the supplier will be paid.

Bonding and guarantees

Euler Hermes also offers businesses a broad range of bonding and guarantees for domestic or export markets, thereby enabling companies to free up capacity in their bank guarantee lines that can be advantageously re-used through their financing facilities. These services are primarily designed for construction and engineering companies, and for suppliers of industrial equipment.

Germany is the Group's biggest market in this area, followed by the UK, the Netherlands, Scandinavia, France and Poland.

Other services

Insurance against fraud

Insurance against fraud (commercial crime insurance for businesses and industry, fidelity insurance for financial institutions) covers companies against financial losses resulting from criminal acts committed by their employees or service providers, such as theft, embezzlement or fraud. This service is currently available throughout Europe.

Reinsurance

The Group also offers inward reinsurance from certain subsidiaries in which it does not hold a majority interest, but whose underwriting policy it controls (COSEC in Portugal, ICIC in Israel).

Turnover by activity

	December 31, 2012			
(in € million)	All lines of business	Credit Insurance & Debt Collection	Bonding & Guarantees	Other Services
Gross Earned Premiums	1,995.1	1,764.4	142.6	88.0
Service revenues	402.8	341.3	8.7	52.8
Turnover	**2,397.9**	**2,105.8**	**151.3**	**140.8**
% of Group Turnover	*100.0%*	*87.8%*	*6.3%*	*5.9%*

	December 31, 2011			
(in € million)	All lines of business	Credit Insurance & Debt Collection	Bonding & Guarantees	Other Services
Gross Earned Premiums	1,896.1	1,676.1	138.7	81.4
Service revenues	378.8	318.3	6.9	53.5
Turnover	**2,274.9**	**1,994.4**	**145.6**	**134.9**
% of Group Turnover	*100.0%*	*87.7%*	*6.4%*	*5.9%*

	December 31, 2010			
(in € million)	All lines of business	Credit Insurance & Debt Collection	Bonding & Guarantees	Other Services
Gross Earned Premiums	1,775.2	1,557.2	136.7	81.3
Service revenues	372.5	314.1	8.5	50.0
Turnover	**2,147.7**	**1,871.2**	**145.2**	**131.3**
% of Group Turnover	*100.0%*	*87.1%*	*6.8%*	*6.1%*

Turnover by geographic region

(in € million)	Group	Germany, Austria & Switzerland	France	Northern Europe	Mediterranean countries, Middle East & Africa	Americas	Asia Pacific	Group Reinsurance & Others
	December 31, 2012							
Gross Earned Premiums	1,995.1	602.4	340.1	450.0	258.0	229.5	63.8	51.3
Service revenues	402.8	174.6	73.6	74.6	63.0	36.5	15.9	(35.4)
Turnover	**2,397.9**	**777.0**	**413.7**	**524.6**	**321.0**	**266.0**	**79.7**	**15.9**
% of Group Turnover	*100.0%*	*32.4%*	*17.3%*	*21.9%*	*13.4%*	*11.1%*	*3.3%*	*0.7%*

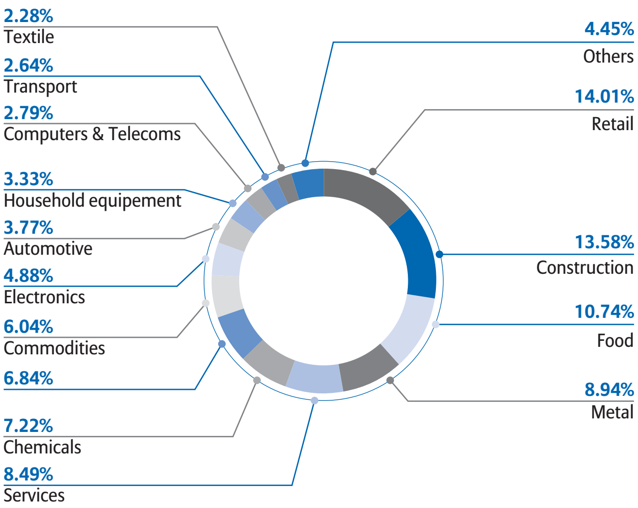
(in € million)	Group	Germany, Austria & Switzerland	France	Northern Europe	Mediterranean countries, Middle East & Africa	Americas	Asia Pacific	Group Reinsurance & Others
	December 31, 2011							
Gross Earned Premiums	1,896.1	603.0	341.9	429.3	240.2	192.6	43.7	45.4
Service revenues	378.8	170.2	74.6	68.1	57.8	31.2	13.7	-36.8
Turnover	**2,274.9**	**773.2**	**416.5**	**497.4**	**298.0**	**223.8**	**57.4**	**8.6**
% of Group Turnover	*100.0%*	*34.0%*	*18.3%*	*21.9%*	*13.1%*	*9.8%*	*2.5%*	*0.4%*

Pro forma with Gulf countries transfer from Asia Pacific to Med. Countries, Middle East & Africa.

(in € million)	Group	Germany, Austria & Switzerland	France	Northern Europe	Mediterranean countries, Middle East & Africa	Americas	Asia Pacific	Group Reinsurance & Others
	December 31, 2010							
Gross Earned Premiums	1,775.2	602.6	313.9	399.2	178.8	181.3	46.1	53.3
Service revenues	372.5	161.9	70.3	55.2	41.4	28.4	2.3	13.2
Turnover	**2,147.7**	**764.5**	**384.2**	**454.4**	**220.1**	**209.7**	**48.4**	**66.5**
% of Group Turnover	*100.0%*	*35.6%*	*17.9%*	*21.2%*	*10.2%*	*9.8%*	*2.3%*	*3.1%*

Pro forma with Gulf countries transfer from Asia Pacific to Med. Countries, Middle East & Africa.

1.2.2 Exposure per sector in 2012



1.2.3 Real estate property

As of December 31, 2012, the total market value of the Group's real estate property was €277.55 million.

This total comprises:

- property belonging to the Group and used for the purposes of its operations: €118.71 million divided between:
  - Euler Hermes France: €3.43 million;
  - Euler Hermes Germany: €91.00 million;
  - Euler Hermes Italy: €20.80 million;
  - Euler Hermes USA: €2.84 million;
  - Euler Hermes Morocco: €0.64 million.
- property belonging to the Group and used by third parties: €158.84 million out of which €3.034 million in France.

In 2011, the building located in 1, rue Euler (Paris) was transferred for a market value of €110 million to a real estate fund (OPCI).

In 2012, this OPCI was reclassified for a market value of €114.25 million from operating property to investment property.

1.2.4 Euler Hermes' strategy

Consistently since 2010, our strategy is based on four pillars:

1. Strengthen the customer base in core European markets and achieve critical mass in non-mature markets
2. Steer the risk according to policy holders' needs and market environment
3. Continue the business transformation to achieve cost competitiveness
4. Provide a high return to shareholders

Again in 2012, the Group's strategy has demonstrated its relevance, this time in a more difficult market environment.

Strengthen the customer base in core European markets and achieve critical mass in non-mature markets

Europe is still Euler Hermes' core market, and the Group is the market leader in most European countries.

The Group has always put service quality at the centre of its strategy and it has emphasized this priority in recent years by developing a new service model which led to achieve in 2012 an all-time high in client retention. New business reached also a record level with demand for credit insurance remaining very strong in the uncertain economic environment. Understanding clients' needs and concerns and offering the same level of service worldwide will remain determining factors in further strengthening our customer base and increasing our market share.

Yet, our core European clients more and more look at non-mature markets to develop their business and the Group is willing to help them grow and secure their business in these areas.

Based on our estimations, Euler Hermes market share in the multinational business has grown from 23% to 37% in the last five years and the Group has become the market leader on this segment.

In addition, the Group itself is looking more and more into business opportunities in growth markets. In 2012, where trade volumes in Europe have been sluggish, non-mature markets have truly become the growth engine of the Group. Asia, particularly China, North and Latin America and Middle East grew by more than 30% year on year.

The Group will continue to invest in these markets in order to build up critical mass both in information and risk underwriting and sales networks.

In order to do so, Euler Hermes is developing both capital partnerships (joint ventures, such as Solunion, the JV established with Mapfre in Spain and Latin America) and distribution partnerships, which are often pre-requisites to successfully breaking into growing markets such as those of Asia.

In the US, the Group is also investing significantly to conquer new markets outside its traditional North East market in which it has always operated.

Steer the risk according to policy holders' needs and market environment

In response to the 2008-2009 global financial crisis, Euler Hermes introduced a more centralised risk underwriting governance and more targeted monitoring tools.

These have proved efficient since 2011 when the economic climate started deteriorating again. They have also demonstrated their ability to better capture the individual needs of our policyholders.

With this focused and balanced approach, Euler Hermes has continued in 2012 to grow its trade receivable coverage selectively while staying fully engaged with its clients in the complex economic environment.

Times will continue to be challenging at least in 2013 and Euler Hermes commits to supporting its clients in this new world by proactively steering its risk and protecting their balance sheet.

Continue the business transformation to achieve cost competitiveness

Cost competitiveness has always been and will remain a strategic focus for the Company. Following the global financial crisis, the Group launched a business transformation program with the aim of:

- simplifying the Group's structure and clarifying its governance ("One Euler Hermes");
- streamlining its operations worldwide and achieving operational efficiency by the use of standardized IT solutions ("Excellence");
- increasing its productivity and the flexibility of its cost base ("Excellence").

This program has already resulted in lower expense ratios in 2011 and 2012 and has been further supported by our Blue Europe project (simplification of legal structures in Europe by grouping thirteen subsidiaries into one insurance company, Euler Hermes Europe, located in Brussels).

In 2013, the Group should improve its cost ratio by a further point and, following IRP (common risk platform), SAP (common financial platform), Convergence (common claims platform), IMX (common collection platform), Copernicus (common CRM platform), the Group will launch in 2013 Galileo (common policy administration platform) in Germany as a pilot.

Provide a high return to shareholders

Euler Hermes' business is partially linked to global economic cycles, consisting of uneven alternating periods of growth and contraction in activity.

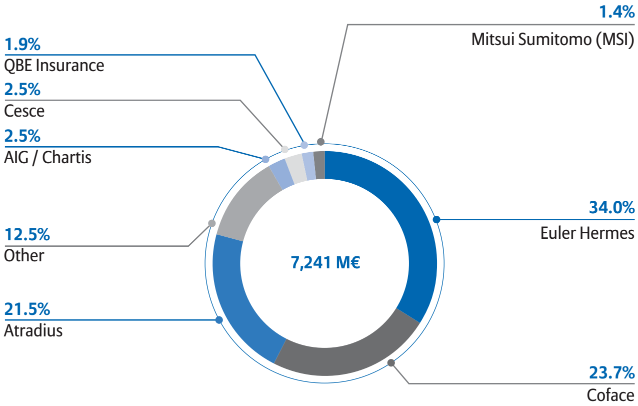
For the next ten years, the Group's target is a return on equity above 12%, based on an average combined ratio of close to 80%.

The Group aims at auto-financing its development while maintaining a dividend pay-out ratio above 50%. Euler Hermes also wishes to ensure its clients and shareholders its financial strength all over the cycle by a close risk monitoring and a relevant reinsurance structure.

1.2.5 Competitive positioning

- **EULER HERMES MARKET SHARE IN 2011**

Source: Euler Hermes estimates as of November 2012.



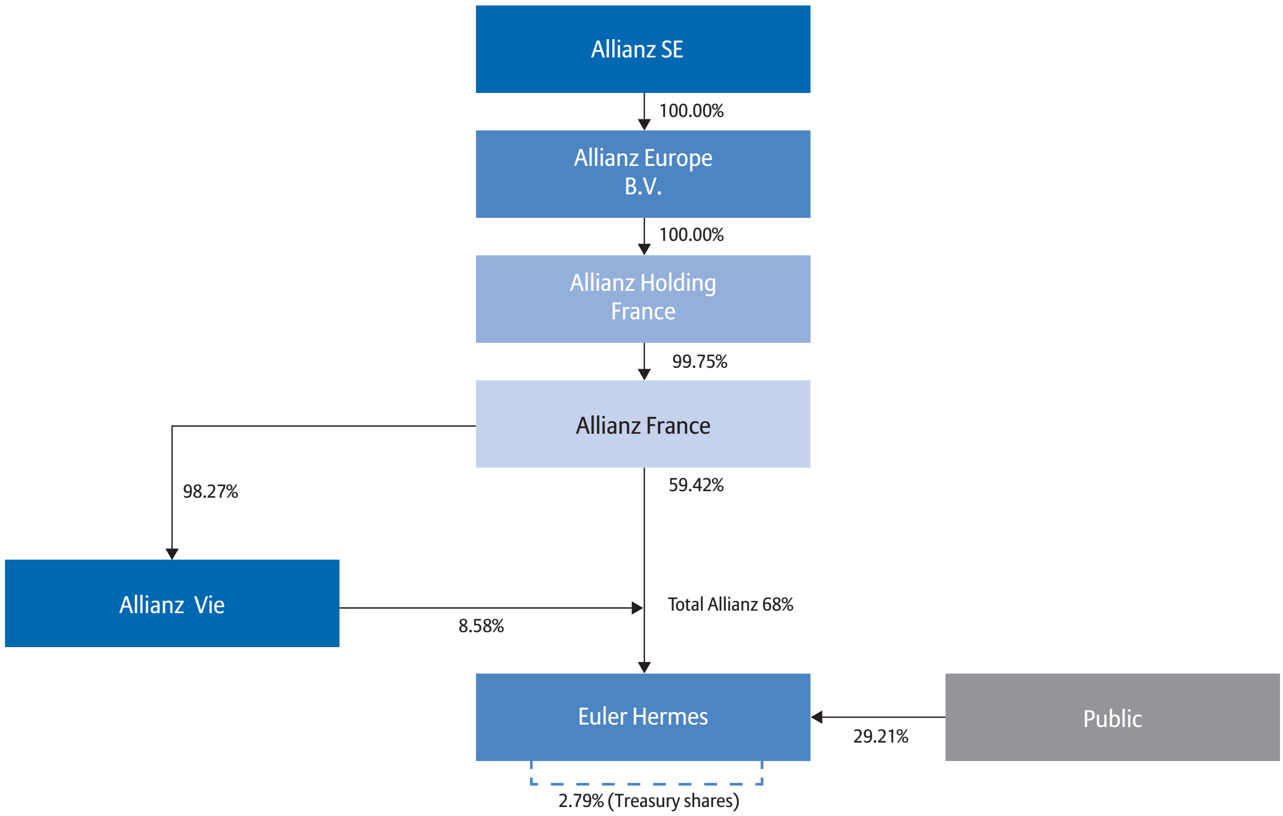
- The worldwide trade credit insurance market size in 2011 has increased by 5.1% versus 2010 to 7.2 billion euros.
- Euler Hermes firmly remains the market leader with a market share of 34%.
- The next nearest competitor, Coface, is over 10 points below the market share of Euler Hermes.

1.3 Shareholding structure as of December 31, 2012

During 2012, the number of Euler Hermes shares held by Allianz Vie and Allianz France was unchanged at 30,744,048. This represents a stake of 68% in Euler Hermes' share capital and 69.95% of voting rights as of December 31, 2012.

The free float covered 29.21% of Euler Hermes' share capital, and 30.05% of voting rights.

Euler Hermes holds 1,261,544 treasury shares representing 2.79% of its capital.



Shareholders	Number of shares	%	Voting rights	%
Allianz Vie	3,879,818	8.58%	3,879,818	8.83%
Allianz France	26,864,230	59.42%	26,864,230	61.12%
Total Allianz	**30,744,048**	**68.00%**	**30,744,048**	**69.95%**
Treasury shares	**1,261,544**	**2.79%**	**0**	**0.00%**
Public	**13,207,135**	**29.21%**	**13,207,135**	**30.05%**
TOTAL	**45,212,727**	**100.00%**	**43,951,183**	**100.00%**

1.4 Summary of Group structure

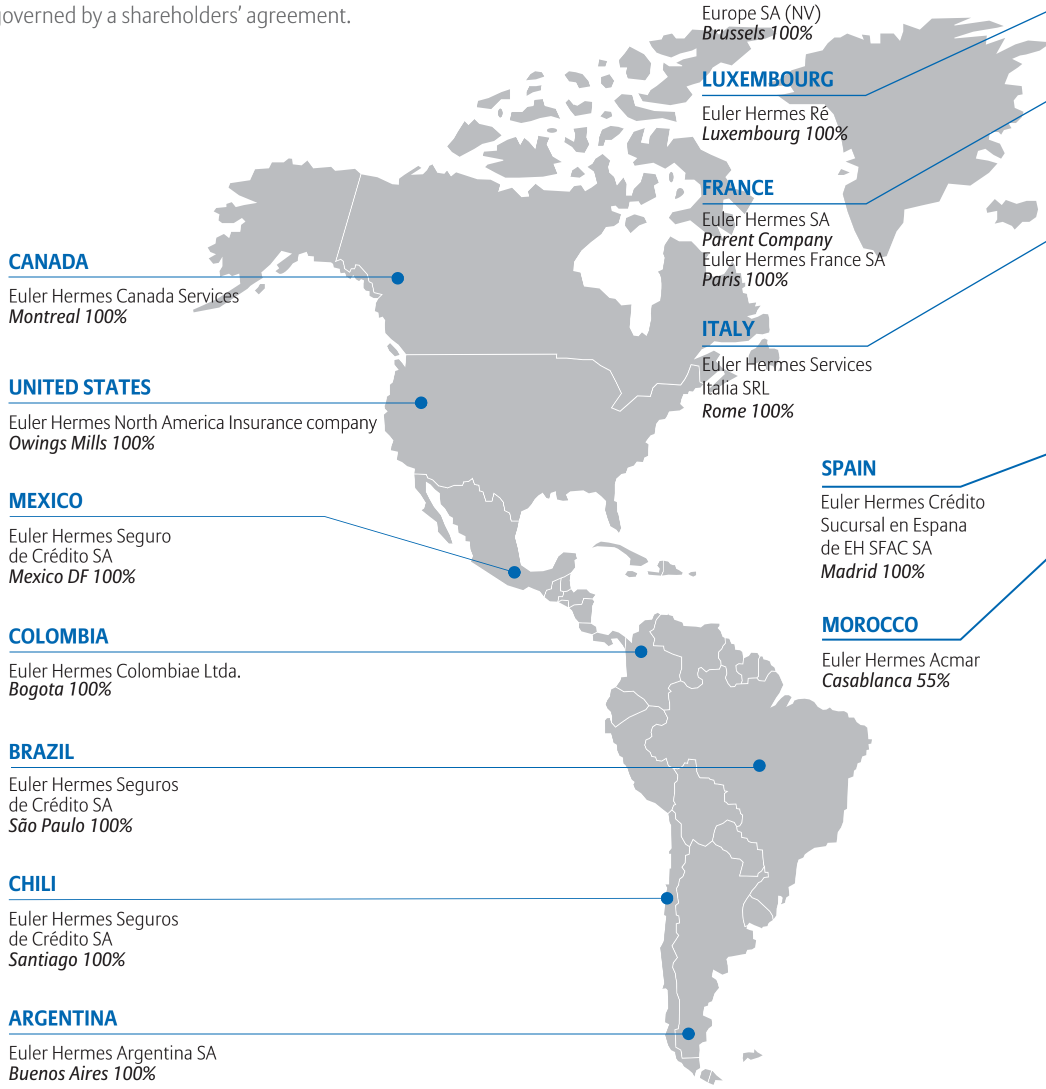
1.4.1 Relationships between the parent company and its subsidiaries

Euler Hermes SA is the Group parent holding company. For a detailed presentation of the main flows between the Company and its subsidiaries, see sub-section 6.3 of this Registration Document.

The Company's corporate officers also hold offices in the Group's main subsidiaries (sub-section 2.3 of this Registration Document).

The Group's economic organization is based on six geographic regions: Germany, Austria and Switzerland; France; Northern Europe; Mediterranean countries and Africa; Americas and Asia Pacific.

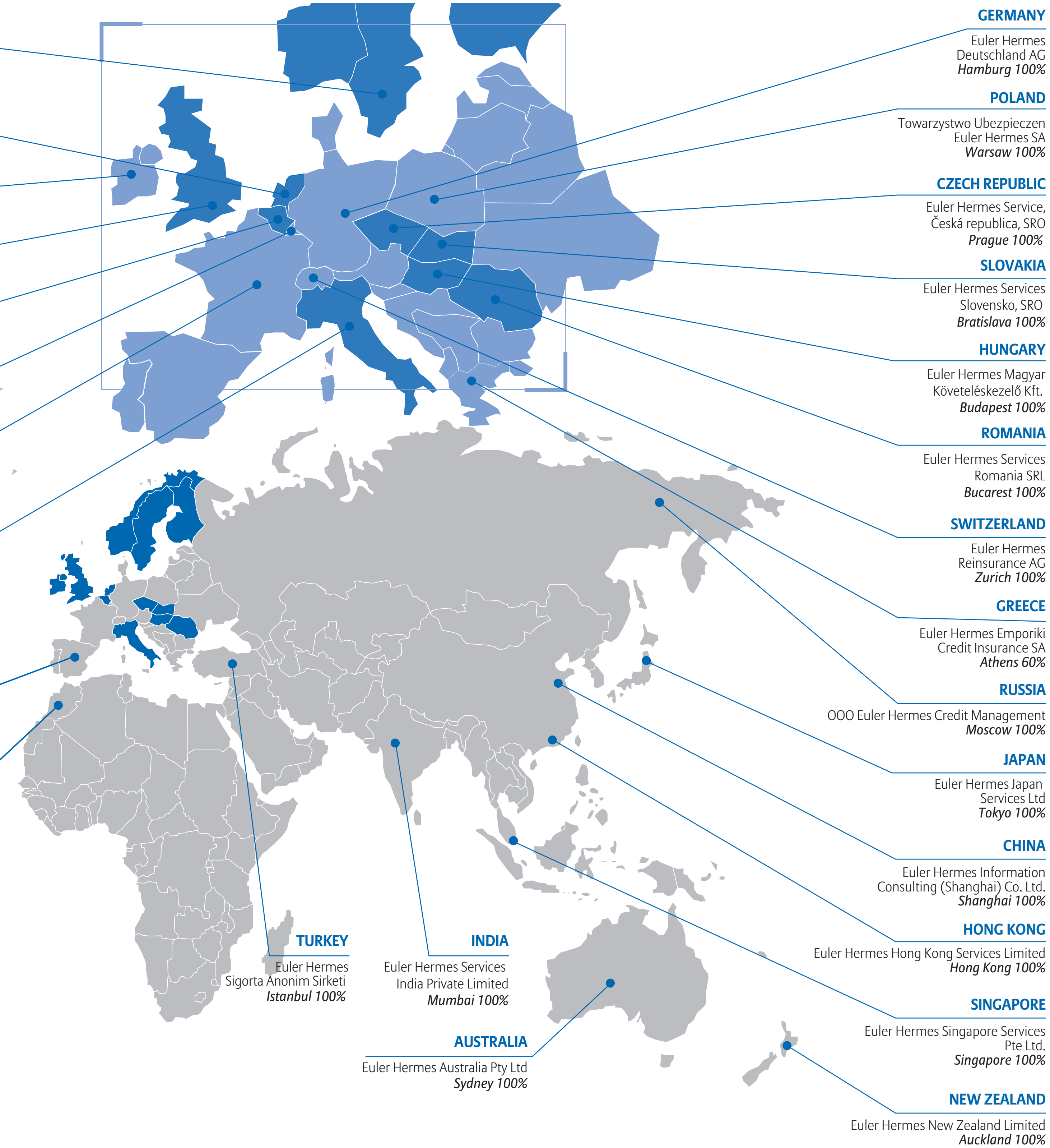
Relations with other shareholders within the Greek subsidiary Euler Hermes Emporiki SA (60% owned), the Moroccan subsidiary Euler Hermes Acmar (55%), the Austrian companies Prisma Kreditversicherungs A.G, and OeKB EH Beteiligungs-u. Manag (both 49% owned), Israël Credit Insurance Company Ltd (ICIC – 33.33%), and the Portuguese company Companhia de Seguro de Credito SA (COSEC – 50%), are governed by an agreement. Since January 28, 2013, Solunion (50% owned) is also governed by a shareholders' agreement.



* *Following the legal restructuring "Blue Europe" on December 31, 2011, the Group has combined, within a single legal entity, Euler Hermes Europe SA (NV), 12 insurance branches located in Czech Republic, Denmark, Finland, Hungary, Ireland, Italy, Netherlands, Norway, Romania, Slovakia, Sweden, United Kingdom.*

1.4.2 Organizational chart

The organizational chart below shows the simplified organization of the main companies making up the Group as of December 31, 2012 (for a detailed presentation of the subsidiaries acquired in 2012, *see paragraph 3.3.1.1 of this Registration Document*). The Group is present throughout the world *via* insurance companies, service companies and/or branches.



1.5 Corporate responsibility

In accordance with Article L. 225-102-1 of the French Commercial Code, this section sets out information relating to initiatives and strategies adopted by the Company to take account of the social and environmental consequences of its activities and meet its social commitment to sustainable development.

Euler Hermes wants to be acknowledged as a responsible employer and partner, and has for several years been implementing sustainable development initiatives. While retaining its own identity, Euler Hermes receives support through its membership of the Allianz group, which is internationally renowned for its commitment to sustainable development. Allianz is the leading insurance company in the Dow Jones Sustainability Index, and one of the top 10 companies in the Carbon Disclosure Project rankings. The Company's corporate responsibility policy is realized through various local initiatives and by broader quantitative targets. These include having 30% of the Group's executive positions occupied by women in 2015, and reducing Euler Hermes Germany's CO_2 emissions by 35% between 2006 and 2015.

1.5.1 Social responsibility

Employment

Workforce size and changes

The Group had a total of 6,277 employees as of December 31, 2012, among which 95% hold a permanent contract. The workforce has increased by 2% since 2011 and the share of employees with permanent contract is stable.

The workforce detailed below covers employees that have an employment contract with the subsidiary at the closing date, i.e. December 31, 2012. For proportionately consolidated companies, the data corresponds to the Group's share as applied in the consolidated financial statements. The headcount of companies accounted for by the equity method is not taken into account.

	December 31, 2012	December 31, 2011
Germany and Switzerland	1,912	1,959
France	939	950
Northern Europe	1,329	1,342
Mediterranean Countries & Africa	581	570
America	478	549
Asia Pacific	218	192
Captive of reinsurance	11	9
Service Group	809	594
GROUP	**6,277**	**6,165**

The Group active headcount was of 5,983 employees as of December 31, 2012. Active headcount is used to calculate age distribution of employees, average age and average length of services.

■ **BREAKDOWN OF WORKFORCE BY AGE AT DECEMBER 31, 2012**

Age	Employees
< 25 years	237
25 - 34 years	1,696
35 - 44 years	1,800
45 - 54 years	1,608
> 55 years	642

The average age of employees was 41 and their average length of service was 11 years.

BREAKDOWN OF WORKFORCE, RECRUITMENTS AND DEPARTURES (1) BY GENDER

	Data as of December 31, 2012		
	Total	Female	Male
Contracted headcount	6,277	3,198	3,079
Total external recruitments	940	472	468
Total external leavers	(779)	(395)	(384)

Women make up 51% of the Group's workforce and 50% of the total external recruitments in 2012. 48 trainees were also employed by the Group in 2012. In 2012, no collective redundancies took place within the Group. The 88 local redundancies in 2012 were of an individual nature.

Compensation

Group payroll expenses for 2012 amounted to €389.125 million, excluding social security charges. The Group's social security charges for 2012 totaled €116.554 million.

Compensation policies are determined for each individual country, based on the principles of internal fairness and external competitiveness as defined by Euler Hermes. Each company regularly assesses how its compensation compares with market levels, based on data provided by specialist consultancies. Through these market analyses, the Group defines overall compensation policies appropriate to Euler Hermes' operational regions and business sector.

In 2012, the average increase in fixed compensation within the Group was 2.9%. On average, variable compensation makes up 13.7% of the total compensation of Euler Hermes staff worldwide.

Information relating to the compensation and other benefits paid to Euler Hermes' corporate officers (members of the Management Board and Supervisory Board) are provided in sub-section 2.2 of this Registration Document.

Work organization

In each country where Euler Hermes operates, the organization and duration of working time strictly adhere to local regulations and local agreements.

The proportion of the workforce working part-time is 12%.

In France, agreements on the reorganization and reduction of working time, part-time work and annual leave were signed on May 27, 2003. A time-saving plan was also established.

Regarding absenteeism issues, around 41,000 sick leave days were registered in 2012. The absenteeism rate for sickness is 3%.

Employee relations

Euler Hermes is committed to holding regular, constructive dialogue with staff representatives. Several collective agreements were made in 2012: 13 in Germany (including 4 supplementary agreements), 10 in Italy, 3 in France (including 2 supplementary agreements) and 3 in Belgium.

The most common themes covered by these agreements are the system for calculating compensation and bonuses, work schedules and skills management.

A European works council also exists at the Allianz group level, and it can enter into agreements on cross-company matters. These agreements may then be implemented within the European countries in which Euler Hermes operates, after the prior validation of local works councils.

In addition to this formal framework for consultation and collective bargaining, Euler Hermes also has direct contacts with its staff, giving them regular opportunities to voice their opinions and expectations. Since 2010, Euler Hermes has carried out a wide-ranging opinion survey among its employees, like those used by all Allianz group companies. 83% of Euler Hermes staff took part in the survey in 2012, up from 77% in 2010. The 2012 results show a 67% staff commitment rate, higher than the figures for 2010 and 2011.

Health and safety

The prevention of stress at work is one of the priorities of Euler Hermes' health and safety policy. An agreement with staff representatives in May 2011, through the Allianz group European works council, led to an extensive program to identify the main factors that cause stress for employees, followed by efforts to draw up improvement plans. The proposed prevention measures will be assessed regularly to check their effectiveness.

Many other initiatives have been adopted in Euler Hermes' various countries, aimed at preventing traffic accidents, preventing dependency (on drugs, tobacco etc.), making workstations more ergonomic, promoting sporting activities, improving nutrition and improving employees' work-life balance.

In 2012, the lost-time accident frequency rate in France and Germany was 5.87 (number of accidents per million hours worked) and the lost-time accident severity rate was 0.16 (number of days lost per thousand hours worked).

(1) Recruitments and departures do not take into account internal movements inside Allianz group.

Training

Euler Hermes has built its reputation and position as a global leader on its professionalism and experience acquired over more than a century. It is essential to recruit the best talent and integrate it into a strong corporate culture to ensure consistency at the Group level and the same quality of service throughout the world. Training is a means of developing employees' competencies.

Many training courses available in the various Euler Hermes entities across the globe are now shared in the "Euler Hermes Academy". The Euler Hermes Academy provides innovative training programs to build and enhance employees' skills and capabilities at 3 levels:

- customized functional trainings in the areas of risk underwriting, claims, sales, policy administration and customer service are heavily geared towards developing the professional expertise of our staff;
- leadership trainings aim to provide managers with a common set of tools to increase the performance of their teams through effective management skills;
- change management courses are designed to support the major transformation initiatives that Euler Hermes, like every global company, is facing on a daily basis.

Since April 2012, the Academy has received 1,240 applications for 13 different classroom-based programs, 692 users have signed up to e-learning modules, and 875 courses have been completed. The main training efforts were aimed at managers and sales forces in 15 locations worldwide.

In 2012 a budget of €4.91 million was allocated to training (i.e. 1.26% of total payroll expense).

Overall, 21,745 days[(1)] of training were provided within the Group and 73% of staff participated in at least one training session in 2012.

Professional development and mobility

Euler Hermes has developed a fair, transparent and standardized methodology for assessing talent across regions and functions. The Group Management Board and regional and local CEOs are directly involved in ongoing talent reviews, in which they identify successors and other key talents, assess various future career options for high-performing and high-potential employees and formulate individualized development plans. Managers work with each of their employees on development plans taking into account business needs and the employee's individual interests and mobility choices.

With almost 6,200 employees in over 50 countries, mobility is a reality within the Group. Mobility provides employees with new insights and exposure to other talented people and inspires innovation through best practices sharing.

Euler Hermes looks for talented people in various areas, including risk underwriting, sales, controlling, human resources, organization, actuarial, marketing and IT. All positions open to international internal candidates are posted in every country where Euler Hermes operates, to maximize the opportunities available to employees throughout the Group.

The Human Resources department has defined career paths where international exposure is required. Also being part of the Allianz group gives greater possibilities for employees to take part in international assignments.

Euler Hermes' worldwide presence and "learning organization" culture provide interesting and creative job opportunities across borders and functions.

Equal treatment

Combating discrimination in all its forms is one of the key priorities of Euler Hermes' human resources policy. This commitment is one of the themes of the Allianz group's code of conduct. It also forms part of Euler Hermes' anti-discrimination and anti-harassment policy adopted in 2011, which is distributed to all staff and sets out the fully confidential procedure for reporting any instance of discrimination within the Company.

The aim is to ensure that the process of recruiting and promoting staff is based solely on the skills of employees. The policy involves a number of initiatives in the Group's various countries, including gender equality, employing and integrating disabled people and keeping older people in work.

Gender equality

At December 31, 2012, 28% of managerial positions and 23% of executive positions were occupied by women at Euler Hermes. The proportion of female managers has been rising for several years. This trend has been supported by initiatives to encourage women to take up managerial roles and integrate them more easily into these roles. In Germany, Euler Hermes launched the "women's network" program in 2011. This network enables women at all levels of the Company's hierarchy to communicate and help each other. The program makes it easier to organize events – such as dinners and conferences – in which women can discuss issues and get feedback from other women in executive roles. It also supports training efforts (how to develop personal network, how to market oneself...) and involves a system in which female employees can be mentored by female executives at Euler Hermes. These kinds of initiatives are being adopted more widely within the Group and will be stepped up in the next few years, in order to attain the target of having women occupy at least 30% of executive positions by 2015.

(1) A day of training comprises at least 5 hours of training.

Employing and integrating disabled people

The Group has adopted various initiatives in its main countries to increase the proportion of disabled people in its workforce.

Euler Hermes Italy signed an initial agreement with the Italian authorities in 2011, which led to the recruitment of five disabled people. It is now committed to recruiting another five disabled people between 2013 and 2016. In France, a disability action plan has been introduced for the 2011-13 period. As part of this plan, an internal survey has been carried out on the representation of disabilities, and staff awareness-raising initiatives have been proposed, such as watching a play about integrating a disabled person. Managers have received training in how to welcome and manage disabled staff, and support is being provided to help people gain administrative recognition of their disabled status. Several workstations have been adjusted in collaboration with the occupational health team. Similar initiatives are also underway in Germany, including adjustments to work schedules and quantitative targets for recruiting disabled employees and interns.

Keeping older people in work

The employment of older people is an increasingly important topic in industrialized countries where populations are ageing. It is also an important part of anti-discrimination policies. Euler Hermes is aware of these issues, and is implementing specific initiatives to support older workers.

For example, a collective agreement was reached in France for 2010-12 to increase the average age at which employees stop working. The main aspects of this agreement are as follows:

- meetings for all employees aged 45 and over, in which they can discuss their future career;
- opportunities to develop skills and qualifications through greater access to training;
- new arrangements for the latter part of a person's career, offering employees aged 58 and over the possibility of working part-time while continuing to make full pension contributions;
- methods for passing on skills and mentoring younger workers.

Promoting and complying with the fundamental conventions of the International Labor Organisation

The Allianz group code of conduct is provided to all Euler Hermes employees. It requires unconditional compliance with the ILO's fundamental conventions, particularly through the reference to the 10 principles of the United Nations Global Compact.

1.5.2 Environmental responsibility

General environmental policy

As a service company that exclusively occupies office premises, the Euler Hermes group has a very limited direct environmental impact. Euler Hermes has therefore made no provisions or guarantees to cover this risk, and no compensation was paid during the year as a result of any court rulings on environmental issues. However, reducing the Group's environmental footprint remains a fully-fledged part of the Group's corporate responsibility policy. It involves initiatives to reduce consumption of energy, water and paper, widespread use of waste sorting and reductions in CO_2 emissions arising from business travel.

The largest subsidiaries report environmental indicators to the Group, and these indicators are then checked and consolidated centrally. A protocol is being developed to standardize reporting practices and distribute them to all Euler Hermes entities. Environmental indicators are monitored centrally by General Resource departments in each country, which also ensure that building facilities are brought into line with new standards. Most of the environmental indicators set out below correspond to Euler Hermes' main operational sites in Germany, France, Italy and the UK. Subsidiaries in these countries account for 62% of the Group's workforce.

To support the implementation of the Group's environmental policy, staff awareness-raising initiatives are adopted. These include promoting environmentally-friendly actions through various internal communication media (posters, internal magazines, flyers, intranet, etc.).

Pollution and waste management

Euler Hermes' activities do not generate significant air, water or ground pollution, and are not responsible for any particular nuisance to local residents.

Many subsidiaries have introduced selective sorting for waste paper, light bulbs and end-of-life electrical and electronic equipment. The total waste produced annually by Euler Hermes Germany, Italy and UK is estimated at 303 metric tons, based solely on the Group's main buildings. Information about waste production is often hard to obtain in premises that are shared with other companies.

The proportion of waste that is re-used and recycled is 66% in Italy, 75% in Germany and 100% in the UK.

Sustainable use of resources

Water consumption at Euler Hermes' main sites in Germany, France [1] and Italy totaled 54,341 m^3 in 2012. Water is used in small amounts, for sanitary purposes.

In 2012, office paper consumed by Euler Hermes Germany, France, Italy and UK amounted to 72 metric tons. Euler Hermes has been seeking to reduce its paper consumption for a number of years. In 2003, Euler Hermes launched EOLIS (Euler Hermes OnLine Information Service), a secure extranet helping its clients and partners to manage their credit insurance policies online. Today, EOLIS is available in 31 countries and in 17 languages and 97% of credit limit requests are made online. The Group is stepping up paperless communication with clients. In 2011, the French subsidiary launched an electronic safe for its clients and brokers. This paperless filing tool allows users to receive and keep in electronic format all documents related to credit insurance policies that used to be sent by mail, while retaining their probative value. The Group has also adopted a number of staff awareness-raising campaigns, to promote sensible use of paper in the office by using paperless technologies, setting printers to print on both sides of a sheet of paper, reducing the weight of paper, etc.

The Group's energy consumption relates mainly to lighting, air conditioning and heating in work premises, along with running electrical equipment. Energy consumption in Euler Hermes' four main countries is presented in the table below.

ENERGY CONSUMPTION 2012 (GERMANY, FRANCE[1], ITALY, UNITED KINGDOM)

	2012	Unit
Electricity consumption	14,316	MWh
Gas consumption	16,677	MWh
Steam consumption	108	MWh

Reducing energy consumption is a key priority of the Group's environmental strategy. One of the main aspects of this strategy is to prefer premises that have been certified as showing a high level of energy efficiency. In France, the Lyon office moved into new HQE-certified premises in 2010, and the Group and its French subsidiary relocated their headquarters to the Tour First in La Défense in April 2012. Tour First is France's largest refurbished office building to receive HQE (High Environmental Quality) accreditation. The building offers a reduction of 65% in CO_2 emissions and energy consumption compared to a traditional office building.

Other entities have set targets for reducing their energy consumption. Euler Hermes Germany is committed to reducing energy consumption by 10% between 2011 and 2015.

Given the nature of its business, Euler Hermes is not concerned by environmental issues arising from land use.

Climate change

Emissions[2] of CO_2 arising from energy consumption and business travel by Euler Hermes staff in Germany, Italy, France and the UK are set out in the table below. The breakdown of emissions by scope corresponds to the internationally recognized GhG Protocol.

GhG Protocol scopes	Emissions factors	2012 emissions	Unit
	Direct emissions related to energy consumption (gas)	3,002	Metric tons of CO_2 equivalent
1	Direct emissions related to the business vehicle fleet	1,131	Metric tons of CO_2 equivalent
2	Indirect emissions related to consumption of electricity and steam	4,924	Metric tons of CO_2 equivalent
3	Indirect emissions related to business travel (plane, train, car)	2,068	Metric tons of CO_2 equivalent

(1) Due to the relocation of Euler Hermes France and Group departments to a new head office in 2012, French water consumption figures are partly based on estimates.

(2) Emissions factors are taken from the carbon database compiled by ADEME (French environment agency) and from the travel agencies used by subsidiaries in relation to business travel by plane, train and rental car.

Reducing the Group's carbon footprint requires efforts to reduce energy consumption and to change its business travel policy. Efforts to reduce energy consumption are set out above. Initiatives regarding business travel include encouraging staff to travel by train, use videoconferencing and use vehicles that show low CO_2 emissions per kilometer traveled. Group directives also encourage subsidiaries to choose work premises that can be accessed by public transport.

Some subsidiaries have also set ambitious targets for reducing CO_2 emissions, including Euler Hermes Germany, which is committed to cutting emissions by 35% between 2006 and 2015.

Euler Hermes offsets greenhouse gas emissions generated by its websites. The energy consumed by servers and connections to Euler Hermes websites is offset by a fee paid to European projects aimed at financing the development of renewable energy sources. This initiative was taken in partnership with "CO_2 Neutral Website," a Danish organization, and the European Union.

Biodiversity

Euler Hermes' activities do not have any material direct impact on biodiversity. At the Group level, efforts are made to promote biodiversity through a preference for paper from sustainably managed forests bearing the FSC label. For more details, *see the "Sub-contractors and suppliers" paragraph below*).

1.5.3 Responsibility towards society

Territorial, economic and social impact of activities

The Group seeks to promote economic development in the areas in which it operates by providing business customers with the insurance they need to grow their businesses.

The Group takes steps to ensure that local employees are promoted to positions of responsibility. The number of expatriate positions is intentionally restricted. Training programs are also available to help staff enhance their skills and maintain their long-term employability within the Group. In France, for example, the Form'Avenir program offers employees with limited educational qualifications two days of training per month over a two-year period, with monitoring by a tutor from within the Company.

The Group also has a large number of staff on apprenticeship contracts and long-term work placements.

Dialogue with civil society, partnerships and corporate sponsorship

Financial support for charities

Several charities received financial support from Euler Hermes' various subsidiaries in 2012. In particular, the Group supported charities focusing on health, combating poverty, protecting children, culture and education.

For example, Euler Hermes entities in China, Germany, Italy, Poland and the United Arab Emirates supported charities that help sick children, orphans and families wanting to adopt children. Euler Hermes gave financial support to charities fighting poverty and social exclusion in Denmark, Portugal, Romania and Spain. Euler Hermes Hungary supports an institution that trains talented young musicians. Euler Hermes subsidiaries in Italy, Switzerland and the United Arab Emirates made donations in response to urgent appeals by the Red Crescent. and Red Cross.

Encouraging employees to get involved

Several Euler Hermes subsidiaries adopted systems for matching employees' charitable donations in 2012. In the UK, the Group supported 27 charities in this way. In the USA, Euler Hermes matched staff donations to the Johns Hopkins pediatric medical centre, an initiative that has taken place each year for over 10 years.

In France and the Netherlands, staff had the opportunity to take part in a vote to select the charities that their company would support financially. Three charities were selected in the Netherlands and four in France. Employees in these two countries also ran many kilometers to raise money for charities fighting hunger and supporting cancer research.

Other initiatives enabled Euler Hermes staff to get involved directly with charitable projects. These included "Habitat 4 Humanity" in the USA, where approximately 20 employees helped build homes for disadvantaged families. In addition, a Euler Hermes employee in Hamburg supported the German Paralympic Committee in London by volunteering as a press officer.

Since 2010 Euler Hermes has taken part in the Social Operational Excellence initiative (SOPEX) developed by the Allianz group. This volunteer-based program aims to teach social enterprises about working and organizational methods based on the OPEX (operational excellence) methodology, helping them to work effectively and secure their long-term future. Six new Euler Hermes employees took part in this initiative in 2012.

Promoting careers in the insurance industry

Since 2011, Euler Hermes France has been involved in a three-year partnership with the IESEG business school. The Company welcomes young graduates, interns and apprentices from IESEG and helps students develop their career plans through seminars, case studies, forums, etc.

In the UK, several employees are taking part in the "Discover risk" program, which aims to promote insurance-related occupations among young adults.

Sub-contractors and suppliers

The Group's use of sub-contractors mainly relates to IT or organization services. Euler Hermes Tech is in charge of the Group's information technology systems. Euler Hermes Tech has no employees and relies entirely either on employees seconded by other Group subsidiaries or external consultants working as sub-contractors.

Euler Hermes' responsible purchasing policy is realized through Group-level guidelines and local initiatives aiming to promote the use of environmentally and socially responsible products and services.

The Allianz group Code of Conduct explicitly states that environmental and social criteria must be taken into account in purchasing operations. Contracts with suppliers also include an ethical clause, supporting the Group's overall anti-corruption policy. In recent years, these basic aspects of the responsible purchasing policy have been supplemented by the adoption of special procedures for certain types of purchases. Group environment and labor standards state that premises rented or bought by Euler Hermes must be located in buildings that have environmental accreditation (e.g. LEED, HQE in France, etc.). Subsidiaries in the UK and Germany mainly buy electricity made from renewable sources, and subsidiaries in many countries have adopted specific directives to reduce the carbon footprint of their vehicle fleets. To achieve this, Euler Hermes UK has bought around 10 hybrid vehicles, and the average emission rate of its fleet is 124g of CO_2 per kilometer.

Since the Group operates in a service industry, paper is one of its largest categories of consumables. The production of paper creates significant environmental issues – such as CO_2 emissions and damage to biodiversity – and so increasing numbers of Euler Hermes subsidiaries are mainly buying recycled or FSC-certified paper. Almost 100% of the office paper used in France is FSC-certified, 100% of the office paper consumed by Euler Hermes Germany is recycled and FSC-certified.

Euler Hermes Germany uses a questionnaire to assess its suppliers' environmental policies. It also takes environmental criteria into account when buying office supplies – including the absence of PVC and certain hazardous substances, recyclability, useful life and ease of repair – and when buying printers, which must have Blue Angel and Energy Star accreditation.

Fair commercial practices

Via its main shareholder Allianz, the Group adheres to a code of conduct in respect of business ethics. This code incorporates the principles laid down in the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises. These values are implemented within the Group.

Euler Hermes's business ethics policy is overseen by a dedicated team. This team's main areas of work and projects are presented on pages 54-55 of this Registration Document.

2

Corporate governance

Euler Hermes is a Limited Company (*Société Anonyme*) with a Group Management Board and a Supervisory Board.

The Company is governed by the Group Management Board, which in turn is monitored by the Supervisory Board.

The Group Management Board members and the managers of the various subsidiaries, the heads of region and the heads of the Company's group functions are appointed on the basis of their expertise in carrying out their duties and responsibilities and their experience in management matters.

To the Company's knowledge, and at the time of this writing, during the past five years, no members of the Group Management Board and Supervisory Board have been convicted of fraud, associated with a bankruptcy, subject to a receiving order or liquidation, subject to an official public sanction, been barred by a court from acting as a member of an administrative, management or supervisory body or from participating in the management or control of the business of a listed company.

For purposes of their corporate office, the Group Management Board and Supervisory Board members are domiciled at the Company's registered office.

There are no family ties among the Company's corporate officers.

To the Company's knowledge, at the time of this writing, there were no conflicts of interest between duties of the members of the Group Management Board and Supervisory Board in relation to the Company and their private interests or other duties.

To the Company's knowledge, at the time of this writing, there exist no arrangements or agreements with major shareholders, clients, suppliers or other parties pursuant to which any member of the Group Management Board or Supervisory Board was chosen to serve as a corporate officer.

To the Company's knowledge, at the time of this writing, no member of the Group Management Board or Supervisory Board has agreed to any restriction on the sale of their investment in the Company's share capital.

2.1 Management and supervisory bodies

2.1.1 Composition, operation and powers of the Management Board

The Group Management Board is the Company's collective decision-making body. The Group Management Board exercises its powers collectively, but the duties and responsibilities for managing the Company are distributed among its members, with the Supervisory Board's approval.

Composition and offices of the Group Management Board

At its meeting of February 16, 2012, the Supervisory Board reappointed the Group Management Board for a term of four years, commencing on April 1, 2012.

As of January 1, 2013, the Company's Group Management Board was composed of the following:

- Wilfried Verstraete, Chairman, is in charge of coordinating the work of the Group Management Board members, organizing and coordinating the activities of all Group companies, and representing the Company vis-à-vis third parties. He also supervises the Group's Internal Audit, Human Resources and Communication functions.

  Wilfried Verstraete is graduated in Economics from the University of Brussels (VUB), holds a Master's degree in financial management from VLEKHO (Belgian school of management) and is an alumnus from the International Executive Program at Insead. From 1996 to 2004, Wilfried Verstraete worked at the France Telecom Group where he successively held the position of Chief Financial Officer with Mobistar in Belgium, Wanadoo in Paris and Orange in London. He served as Chairman of the Board of Management of Atradius from 2004 to 2006, before joining Allianz Global Corporate & Specialty as Chief Financial Officer and member of the Board of Management. He was appointed Chairman of the Euler Hermes group's Board of Management on April 1, 2009.

- Gerd-Uwe Baden is in charge of the Group's Risks, Information, Litigation function.

  Gerd-Uwe Baden graduated in Law and Management from Hamburg University, holds the second state examination in Law and a doctorate in Law. He began his career in 1985 as management consultant with McKinsey & Company specialising in the insurance sector. In 1991 he was appointed to the Management Committee of Deutsche Versicherung, a subsidiary of Allianz group, responsible for the Organization and Administration department before becoming head of Private Clients. Gerd-Uwe Baden was appointed Chief Executive Officer of Allianz Group Companies (Switzerland) in January 1998. He joined the Euler Hermes Board of Management on May 25, 2004. From 2004 to 2009 he was also Chairman of the Management Board of Euler Hermes Kreditversicherungs-AG (Germany).

- Frédéric Bizière, was initially in charge of the Group's Marketing, Sales and Distribution function at his appointment to the Board of Management. He is since December 4, 2012, as the successor to Nicolas Hein, who resigned, in charge of the Group Finance, Compliance, Legal, Tax, the Office of the Company Secretary and Risk and Reinsurance function.

  Frédéric Bizière graduated from HEC (French school of management). He started his career in 1992 with KPMG Audit. In 1995, he moved to Banque Française du Commerce Extérieur (since renamed Natixis). He joined the Euler Hermes Group in 1998 as head of the accounting department at Euler Hermes Sfac (since renamed Euler Hermes France). He was appointed Corporate Secretary in 2004 and joined the Euler Hermes Sfac Management Board in 2005. Frédéric Bizière joined the Euler Hermes Board of Management on October 1, 2011.

- Dirk Oevermann is in charge of Operations and, to this effect, supervises the Group IT function.

  Dirk Oevermann holds a doctorate in business administration. After holding various management positions at well-known software companies in the financial services industry, he joined IDS Scheer in 2003 as the manager of the consulting unit for banking. In 2005 he was named a managing director of IDS Scheer Germany, where he was responsible for consulting business in Germany. From 2006 to 2010 he served as member of the Executive Board of IDS Scheer AG, in charge of Europe, Middle East and Africa and he led the international consulting business. Dirk Oevermann joined the Euler Hermes Board of Management on February 1, 2010.

- Paul Overeem is in charge of the Group's Marketing, Sales and Distribution function.

  Paul Overeem holds a Master Degree in trade law and international labour law of the University of Brabant and followed six relevant banking courses at the NIBE International Finance Academy. He established Euler Hermes Kredietverzekering in The Netherlands in 1989, and served as Chief Executive Officer. For nearly 25 years, his international assignments have reflected increasing responsibility: US executive vice president of finance and risk underwriting (1999), deputy Chief Executive Officer of Euler Hermes International in London (2001), President and CEO of all Euler Hermes operations in the Americas (2002), and Regional CEO for Northern Europe (2010). Paul Overeem joined the Euler Hermes Board of Management on January 1, 2013.

At its December 4, 2012 meeting, the Supervisory Board noted the resignation of Nicolas Hein as member of the Group Management Board of Euler Hermes SA, effective as of November 28, 2012.

Name of member	Date first appointed	Date appointment last renewed	Date appointment expires
Wilfried Verstraete, Chairman	04/01/2009	04/01/2012	03/31/2016
Gerd-Uwe Baden	05/25/2004	04/01/2012	03/31/2016
Frédéric Bizière	10/01/2011	04/01/2012	03/31/2016
Nicolas Hein	05/25/2004	04/01/2012	11/28/2012
Dirk Oevermann	02/01/2010	04/01/2012	03/31/2016
Paul Overeem	01/01/2013	N/A	03/31/2016

The offices held by Group Management Board members within Company subsidiaries or in any companies outside the Group are detailed in sub-section 2.3 of this Registration Document.

The number of offices held by members of the Group Management Board is consistent with the legal rules on limitations concerning concurrent terms of office.

There exist no service agreements binding the members of the Group Management Board to the Company or any of its subsidiaries and providing for benefits to be granted upon termination of such agreements.

Operation of the Group Management Board

The Group Management Board's operation is covered in detail in the Supervisory Board Chairman's report on corporate governance and on internal control and risk management procedures established by the Company appearing in sub-section 2.4 of this Registration Document.

2.1.2 Composition and operation of the Supervisory Board

The Supervisory Board monitors the Company's management by the Group Management Board on an ongoing basis and gives the Management Board the prior authorizations required by law or by the Articles of Association. As prescribed by law, the Supervisory Board appoints the members of the Group Management Board and its Chairman.

Composition of the Supervisory Board – staggering of terms of office

The members of the Supervisory Board as of December 31, 2012 were as follows:

- Clement Booth, Chairman;
- Brigitte Bovermann, Vice-Chairman;
- Philippe Carli;
- Elizabeth Corley;
- Charles de Croisset;
- Nicolas Dufourcq;
- Robert Hudry;
- Jean-Hervé Lorenzi;
- Yves Mansion;
- Thomas-Bernd Quaas; and
- Jacques Richier.

Based on information provided by each member of the Supervisory Board, the number of offices held by Supervisory Board members complies with Article L. 225-77 of the French Commercial Code.

Other offices held by Supervisory Board are described in sub-section 2.3.1 of this Registration Document.

There exist no service agreements binding the members of the Supervisory Board to the Company or any of its subsidiaries and providing for benefits to be granted upon termination of such agreements.

Independence of Supervisory Board members

The members who are deemed to be independent under the terms of the AFEP/MEDEF Code and the independence criteria are covered in detail in the Supervisory Board Chairman's report on corporate governance and on internal control and risk management procedures established by the Company, in sub-section 2.4 of this Registration Document.

Operation of the Supervisory Board and its committees

The operation of the Supervisory Board and its special committees is covered in detail in the Supervisory Board Chairman's report on corporate governance and on internal control and risk management procedures established by the Company, in sub-section 2.4 of this Registration Document.

2.2 Compensation and benefits in kind received by corporate officers

2.2.1 Compensation and benefits in kind received by members of the Group Management Board

The following tables have been prepared in accordance with the recommendations of the AFEP-MEDEF and the Autorité des Marchés Financiers (AMF) recommendations dated December 22, 2008. They show the compensation and benefits in kind paid to members of the Group Management Board during the fiscal year ended December 31, 2012.

The principles governing the compensation of Group Management Board members for the fiscal year ended December 31, 2012 are set out in the Supervisory Board Chairman's report on corporate governance and on internal control and risk management procedures established by the Company, in sub-section 2.4 of this Registration Document.

A. Summary of compensation, SAR (Stock Appreciation Rights) and RSU (Restricted Stock Units) shares and options granted to each member of the Group Management Board (in € thousand)

(in € thousand)	2012	2011
Wilfried Verstraete, Chairman of the Group Management Board since April 1, 2009		
Compensation due in respect of the fiscal year (analyzed in C/below)	2,185.00	2,166.90
Value of options granted during the fiscal year	N/A	N/A
Value of performance shares awarded during the fiscal year	N/A	N/A
TOTAL	**2,185.00**	**2,166.90**
Allianz SARs awarded[(1)] (number)	N/A	N/A
Allianz RSUs awarded (number)	3,621	2,870
Euler Hermes RSUs awarded (number)	6,290	4,315

(1) No SARs were awarded in 2011 or 2012.

(in € thousand)	2012	2011
Gerd-Uwe Baden, member of the Group Management Board since May 25, 2004		
Compensation due in respect of the fiscal year (analyzed in C/below)	1,349.10	1,293.55
Value of options granted during the fiscal year	N/A	N/A
Value of performance shares awarded during the fiscal year	N/A	N/A
TOTAL	**1,349.10**	**1,293.55**
Allianz SARs awarded (number)[(1)]	N/A	N/A
Allianz RSUs awarded (number)	1,951	1,736
Euler Hermes RSUs awarded (number)	3,389	2,611

(1) No SARs were awarded in 2011 or 2012.

(in € thousand)	2012	2011
Frédéric Bizière, Member of the Group Management Board since October 1, 2011		
Compensation due in respect of the fiscal year (analyzed in C/below)	725.25	182.22
Value of options granted during the fiscal year	N/A	N/A
Value of performance shares awarded during the fiscal year	N/A	N/A
TOTAL	**725.25**	**182.22**
Allianz SARs awarded (number)[(1)]	N/A	N/A
Allianz RSUs awarded (number)	789	570
Euler Hermes RSUs awarded (number)	1,371.5	857

(1) No SARs were awarded in 2011 or 2012.

(in € thousand)	2012	2011
Nicolas Hein, Member of the Group Management Board until November 28, 2012		
Compensation due in respect of the fiscal year[(1)]	1,890.90	817.60
Value of options granted during the fiscal year	N/A	N/A
Value of performance shares awarded during the fiscal year	N/A	N/A
TOTAL	**1,890.90**	**817.60**
Allianz SARs awarded (number)[(2)]	N/A	N/A
Allianz RSUs awarded (number)	1,072	1,283
Euler Hermes RSUs awarded (number)	1,862	1,929

(1) Including indemnity related.
(2) No SARs were awarded in 2011 or 2012.

(in € thousand)	2012	2011
Dirk Oevermann, Member of the Group Management Board since February 1, 2010		
Compensation due in respect of the fiscal year (analyzed in C/below)	1,004.10	923.70
Value of options granted during the fiscal year	N/A	N/A
Value of performance shares awarded during the fiscal year	N/A	N/A
TOTAL	**1,004.10**	**923.70**
Allianz SARs awarded (number)(1)	N/A	N/A
Allianz RSUs awarded (number)	1,266	1,056
Euler Hermes RSUs awarded (number)	2,199.50	1,588

(1) No SARs were awarded in 2011 or 2012.

(in € thousand)	2012	2011
Paul Overeem, Member of the Group Management Board since January 1, 2013		
Compensation due in respect of the fiscal year (analyzed in C/below)	N/A	N/A
Value of options granted during the fiscal year	N/A	N/A
Value of performance shares awarded during the fiscal year	N/A	N/A
TOTAL	**N/A**	**N/A**
Allianz SARs awarded (number)	N/A	N/A
Allianz RSUs awarded (number)	N/A	N/A
Euler Hermes RSUs awarded (number)	N/A	N/A

The members of the Group Management Board as of December 31, 2012 were awarded RSUs. No SARs were awarded in 2012.

SAR AND RSU AWARDS (NUMBER)

	SAR				
(in number)	2008	2009	2010	2011	2012
Wilfried Verstraete	N/A	N/A	7,069	0	0
Gerd-Uwe Baden	2,047	747	1,701	0	0
Frédéric Bizière since October 1, 2011	N/A	N/A	N/A	0	0
Nicolas Hein	1,732	612	1,532	0	0
Dirk Oevermann	N/A	N/A	975	0	0
Paul Overeem since January 1, 2013	N/A	N/A	N/A	0	0
TOTAL	**3,779**	**1,359**	**11,277**	**0**	**0**

	RSU						
				2011		2012	
(in number)	2008	2009	2010	Allianz RSU	Euler Hermes RSU	Allianz RSU	Euler Hermes RSU
Wilfried Verstraete	N/A	N/A	3,509	2,870	4,315	3,621	6,290
Gerd-Uwe Baden	993	367	844	1,736	2,611	1,951	3,389
Frédéric Bizière since October 1, 2011	N/A	N/A	N/A	570	857	789	1,371.5
Nicolas Hein	841	301	760	1,283	1,929	1,072	1,862
Dirk Oevermann	N/A	N/A	484	1,056	1,588	1,266	2,199.5
Paul Overeem since January 1, 2013	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL	**1,834**	**668**	**5,597**	**7,515**	**11,300**	**8,699**	**15,112**

■ **SAR AND RSU AWARDS (VALUATION OF STOCK AT 12/31/2012 IN € THOUSAND)**

	SAR				
(in € thousand)	2008	2009	2010	2011	2012
Wilfried Verstraete	N/A	N/A	0	0	0
Gerd-Uwe Baden	0	16.40	0	0	0
Frédéric Bizière since October 1, 2011	N/A	N/A	N/A	0	0
Nicolas Hein	0	13.44	0	0	0
Dirk Oevermann	N/A	N/A	0	0	0
Paul Overeem since January 1, 2013	N/A	N/A	N/A	N/A	N/A
TOTAL	**0**	**29.84**	**0**	**0**	**0**

	RSU						
				2011		2012	
(in € thousand)	2008	2009	2010	Allianz RSU	Euler Hermes RSU	Allianz RSU	Euler Hermes RSU
Wilfried Verstraete	N/A	N/A	367.74	300.78	280.48	379.48	408.85
Gerd-Uwe Baden	104.07	38.46	88.45	181.93	169.72	204.46	220.29
Frédéric Bizière since October 1, 2011	N/A	N/A	N/A	59.74	55.71	82.69	89.15
Nicolas Hein	88.14	31.54	79.65	134.46	125.39	112.35	121.03
Dirk Oevermann	N/A	N/A	50.72	110.67	103.22	132.68	142.97
Paul Overeem since January 1, 2013	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL	**192.21**	**70.00**	**586.56**	**787.58**	**680.24**	**911.66**	**982.29**

The SAR valuation is linked to Allianz share price trend over 7 years. The RSU valuation is linked to the Allianz share price trend over 5 years for RSUs awarded between 2004 and 2009 and over 4 years for RSUs awarded since 2010. Since 2011, 50% of the RSUs awarded are Allianz RSUs and 50% are 4-year Euler Hermes RSUs.

B. Share purchase or subscription options granted during the year to each member of the Group Management Board by the issuer and by any Group company

■ **SHARE PURCHASE OR SUBSCRIPTION OPTIONS GRANTED DURING THE YEAR TO EACH MEMBER OF THE GROUP MANAGEMENT BOARD BY THE ISSUER AND BY ANY GROUP COMPANY**

Stock options granted to members of the Group Management Board	Plan no.	Plan date	Type of option (purchase or subscription)	Value of options on the method used for the consolidated financial statements	Number of options granted during the year	Exercise price	Exercise period
Wilfried Verstraete							
Gerd-Uwe Baden							
Frédéric Bizière							
Nicolas Hein							
Dirk Oevermann				N/A			
Paul Overeem							
TOTAL							

The Company has not set up a bonus share plan for members of the Group Management Board as provided by Articles L. 225-197-1 *et seq.* of the French Commercial Code.

For a history of share purchase or subscription options granted and a statement of share purchase or subscription options granted to the ten highest-paid employees who are not corporate officers, *see page 227 of this Registration Document*.

C. Summary of compensation paid to each member of the Group Management Board

SUMMARY OF COMPENSATION PAID TO EACH MEMBER OF THE GROUP MANAGEMENT BOARD

	FY 2012		FY 2011	
(in € thousand)	Amount due in respect of 2012	Amount paid in 2012	Amount due in respect of 2011	Amount paid in 2011
Wilfried Verstraete, Chairman of the Group Management Board				
Fixed compensation	500.00	500.00	500.00	500.00
Variable compensation (annual bonus)	468.00	514.80	514.80	483.33
Mid-term variable compensation	468.00	0.00	514.80	0
Long-term variable compensation	468.00(1)	0.00	514.80(1)	0
Advanced payment	N/A	450.00	N/A	N/A
Attendance fees			N/A	N/A
Specific allowances(2)	100.00	100.00	100.00	100.00
Benefits in kind(3)	181.00	181.00	22.50	22.50
TOTAL	**2,185.00**	**1,745.80**	**2,166.90**	**1,105.83**

(1) This compensation is liable to vary based on the performance of the Allianz and Euler Hermes shares and on fluctuations in their prices.
(2) Specific allowances for housing paid to Wilfried Verstraete and an allowance relating to international mobility, including charges for the latter.
(3) Benefits in kind include a company car and unemployment insurance for Executive Managers (GSC).

	FY 2012		FY 2011	
(in € thousand)	Amount due in respect of 2012	Amount paid in respect of 2012	Amount due in respect of 2011	Amount paid in 2011
Gerd-Uwe Baden, member of the Group Management Board				
Fixed compensation	400.00	400.00	400.00	400.00
Variable compensation (annual bonus)	253.70	277.35	277.35	292.40
Mid-term variable compensation	253.70	0.00	277.35	0.00
Long-term variable compensation	253.7(1)	161.39(3)	277.35(1)	104.95(2)
Advanced payment	N/A	180.00	N/A	N/A
Attendance fees	N/A	N/A	N/A	N/A
Specific allowances(4)	42.00	42.00	42.00	42.00
Benefits in kind(5)	146.00	146.00	19.50	19.50
TOTAL	**1,349.10**	**1,206.74**	**1,293.55**	**858.85**

(1) This compensation is liable to vary based on the performance of the Allianz and Euler Hermes shares and on fluctuations in their prices.
(2) This amount is due to the exercise of SAR 2004.
(3) This amount is due to the exercise of GEI/RSU AZ 2007.
(4) Specific allowances for housing and international mobility.
(5) Benefits in kind include a company car and unemployment insurance for Executive Managers (GSC).

(in € thousand)	FY 2012 Amount due in respect of 2012	FY 2012 Amount paid in respect of 2012	FY 2011 Amount due in respect of 2011	FY 2011 Amount paid in 2011
Frédéric Bizière, Member of the Group Management Board since October 1, 2011(1)				
Fixed compensation	250.00	250.00	62.50	62.50
Variable compensation (annual bonus)	153.75	38.44	38.44	N/A
Mid-term variable compensation	153.75	0.00	38.44	N/A
Long-term variable compensation	153.75(2)	0.00	38.44(2)	N/A
Exceptional compensation	N/A	N/A	N/A	N/A
Attendance fees	N/A	N/A	N/A	N/A
Specific allowances			N/A	N/A
Benefits in kind(3)	14.00	14.00	4.40	4.40
TOTAL	**725,25**	**302,44**	**182,22**	**66,90**

(1) The compensation shown for Frédéric Bizière is related to his compensation as member of the Management Board.
(2) This compensation is liable to vary based on the performance of the Allianz and Euler Hermes shares and on fluctuations in their prices.
(3) Benefits in kind include a company car and unemployment insurance for Executive Managers (GSC).

(in € thousand)	FY 2012 Amount paid in respect of 2012	FY 2011 Amount due in respect of 2011	FY 2011 Amount paid in 2011
Nicolas Hein, Member of the Group Management Board until November 28, 2012			
Fixed compensation	350,00(1)	350.00	350.00(1)
Variable compensation (annual bonus)	227,40(2)	152.40	216.00
Mid-term variable compensation	0.00	152.40	0.00
Long-term variable compensation	119.35(3)	152.40(4)	57.33(5)
Exceptional compensation	N/A	N/A	N/A
Attendance fees	N/A	N/A	N/A
Specific allowances	1,822.80(6)	N/A	N/A
Benefits in kind(7)	11.50	10.40	10.40
TOTAL	**2,531.05**	**817.60**	**633.73**

(1) Including sick pay and provident scheme.
(2) The bonus paid in 2012 includes the bonus for 2011 (152.4) and for 2012(75).
(3) This amount is due to the exercise of GEI/RSU AZ 2007.
(4) This compensation is liable to vary based on the performance of the Allianz and Euler Hermes shares and on fluctuations in their prices.
(5) This amount is due to the exercise of SAR 2004.
(6) Specific allowances correspond to the severance compensation related to the termination of his employment contract (1,309,6), to the payment of the paid leave (34.8), the specific allowance related to the pension supplement (35) and including the MTB for 2010 to 2012.
(7) Benefits in kind consist of a company car and a housing.

(in € thousand)	FY 2012 Amount due in respect of 2012	FY 2012 Amount paid in respect of 2012	FY 2011 Amount due in respect of 2011	FY 2011 Amount paid in 2011
Dirk Oevermann, Member of the Group Management Board since February 1, 2010				
Fixed compensation	294.00	294.00	294.00	294.00
Variable compensation (annual bonus)	205.20	180.00	180.00	177.80
Mid-term variable compensation	205.20	0.00	180.00	0.00
Long-term variable compensation	205.20(1)	0.00	180.00(1)	0.00
Exceptional compensation	N/A	N/A	N/A	N/A
Attendance fees	N/A	N/A	N/A	N/A
Specific allowances(2)	72.80	72.80	70.00	70.00
Benefits in kind(3)	21.70	21.70	19.70	19.70
TOTAL	**1,004.10**	**568.50**	**923.70**	**561.50**

(1) This compensation is liable to vary based on the performance of the Allianz and Euler Hermes shares and on fluctuations in their prices.
(2) Specific allowances for housing and international mobility.
(3) Benefits in kind include a company car and unemployment insurance for Executive Managers (GSC).

(in € thousand)	FY 2012 Amount due in respect of 2012	FY 2012 Amount paid in 2012	FY 2011 Amount due in respect of 2011	FY 2011 Amount paid in 2011
Paul Overeem, Member of the Group Management Board since January 1, 2013				
Fixed compensation	N/A	N/A	N/A	N/A
Variable compensation (annual bonus)	N/A	N/A	N/A	N/A
Mid-term variable compensation	N/A	N/A	N/A	N/A
Long-term variable compensation	N/A	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A	N/A
Attendance fees	N/A	N/A	N/A	N/A
Specific allowances	N/A	N/A	N/A	N/A
Benefits in kind	N/A	N/A	N/A	N/A
TOTAL	**N/A**	**N/A**	**N/A**	**N/A**

The criteria determining the variable compensation of members of the Group Management Board are set out in the Chairman of the Supervisory Board's report on corporate governance and on internal control and risk management procedures established by the Company, in sub-section 2.4 of this Registration Document.

Severance compensation for Group Management Board members

As of the date of this Registration Document, all members of the Group Management Board are eligible for severance compensation in the event of termination under the conditions approved by the Shareholders' Meeting of May 25, 2012. Severance payable to Paul Overeem in the event of termination is subject to approval by the Shareholders' Meeting of May 24, 2013.

It is specified that, since Nicolas Hein resigned from his office as member of the Group Management Board, he did not receive any severance compensation as set out in this sub-section.

Indeed, severance compensation is not due if the executive leaves the Company on his or her own initiative, changes jobs within the Euler Hermes group or is eligible for retirement shortly thereafter. This compensation is due notably in the event of forced departure resulting from a change in control or strategy.

Severance compensation is contingent on meeting the following performance criteria:

- 75% of annual targets as assessed over at least two of the last three years prior to termination. For officers who have been in office for less than three years, the calculation of the 75% target is based on the last year or the last two years if applicable;
- an average combined ratio of 95% or less for the three years preceding the termination.

If both of these conditions are met, the severance payment is due in full. If only one of the above conditions is met, 50% of the severance payment is due.

The amount of any severance compensation may not exceed two years' compensation (fixed and variable).

Non-compete clause

As of the date of this Registration Document, no members of the Management Board were covered by a non-compete clause.

Supplementary pension plan for Group Management Board members

No Group Management Board member is eligible for a defined-benefit supplementary pension plan (top hat scheme or *retraite chapeau*).

In addition to being eligible for the AGIRC-ARRCO supplementary pension plan, Nicolas Hein, Dirk Oevermann and Frédéric Bizière are eligible for a supplementary defined-contribution pension plan managed by AG2R/ARIAL Assurances. In 2012, a charge of €19.4 thousand each was booked for this plan for Nicolas Hein, Dirk Oevermann and Frédéric Bizière.

As from January 1, 2013, Paul Overeem will also be eligible for the same supplementary defined contribution pension plan managed by AG2R/ARIAL Assurances.

Wilfried Verstraete and Gerd-Uwe Baden are eligible for the Allianz group supplementary defined-contribution retirement plan for senior executives. In 2012, charges booked for this plan amounted to €167,035 for Wilfried Verstraete and €217,228 for Gerd-Uwe Baden.

Corporate officer Term of office start and end date	Employment contract		Supplementary pension plan: Defined-contribution pension plan		Supplementary pension plan: Defined-benefit pension plan		Compensation or benefits due or likely to be due following termination or job change		Compensation under non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Wilfried Verstraete Chairman of Group Management Board 04/01/2009 - 03/31/2016		X	X			X	X			X
Gerd-Uwe Baden Member of Group Management Board 05/25/2004 - 03/31/2016		X	X			X	X			X
Frédéric Bizière Member of Group Management Board since October 1, 2011 - 03/31/2016		X	X			X	X			X
Nicolas Hein Member of Group Management Board 05/25/2004 - 11/28/2012	X		X			X	X			X
Dirk Oevermann Member of Group Management Board 02/01/2010 - 03/31/2016		X	X			X	X			X
Paul Overeem Member of Group Management Board since January 1, 2013 - 03/31/2016		X	X			X	X(1)			X

(1) Supervisory Board decision of December 4, 2012, Subject to approval by the General Shareholders' Meeting to be held on May 24, 2013.

Pursuant to the AFEP-MEDEF recommendations, the Chairman of the Group Management Board is not covered by an employment contract with the Group.

2.2.2 Compensation and benefits in kind received by Supervisory Board members

Members of the Supervisory Board may receive compensation in the form of attendance fees, in an amount set by the Shareholders' Meeting, and extraordinary compensation under the conditions prescribed by law.

In addition, the Chairman and the Vice-Chairman may receive special compensation, the amount of which is set by the Supervisory Board. The Company did not pay any special compensation in 2012.

Attendance fees and other compensation paid to members of the Supervisory Board

(in € thousand)	Amount paid in FY 2012	Amount paid in FY 2011
Clement Booth		
Attendance fees	75	46.1
Other compensation		
Brigitte Bovermann		
Attendance fees	50	46.1
Other compensation		
Philippe Carli		
Attendance fees	35	34.6
Other compensation		
Elizabeth Corley		
Attendance fees	25	34.6
Other compensation		
Charles de Croisset		
Attendance fees	45	46.1
Other compensation		
Nicolas Dufourcq		
Attendance fees	25	34.6
Other compensation		
Robert Hudry		
Attendance fees	50	46.1
Other compensation		
Jean-Hervé Lorenzi		
Attendance fees	45	46.1
Other compensation		
Yves Mansion		
Attendance fees	50	46.1
Other compensation		
Thomas Bernd Quaas		
Attendance fees	35	34.6
Other compensation		
Jacques Richier		
Attendance fees	30	34.6
Other compensation		
TOTAL	**465.00**	**450.00**

The Shareholders' Meeting of May 25, 2012 fixed the total amount of attendance fees to be paid in respect of FY 2012 at €500,000.

In accordance with the method of allocating attendance fees among the members of the Supervisory Board described on pages 46 and 47 of this Registration Document, payment of attendance fees is conditional on the members' presence at meetings. Total attendance fees paid to Supervisory Board members amounted to €465,000 in 2012.

Compensation and benefits of any kind received by corporate officers of Allianz France and Allianz SE, which control Euler Hermes

In accordance with Article L. 225-102-1, paragraph 2 of the French Commercial Code, total compensation and benefits in kind received by corporate officers of Allianz France and Allianz SE in 2012, which control Euler Hermes, amounted to the following:

Clement Booth	
Fixed annual gross compensation	750.00(1)
Gross variable portion (annual bonus + RSU paid in 2012)	953.10(1)
Benefits in kind	137
TOTAL *(in € thousand)*	**1,840.10**
RSU *(number)*	5,045
SAR *(number)*	N/A(2)

(1) Paid in 2012.
(2) No SARs were awarded in 2012.

Brigitte Bovermann	
Fixed annual gross compensation	267.00(1)
Gross variable portion (annual bonus + RSU paid in 2012)	218.40(1)
Benefits in kind	67.00
TOTAL *(in € thousand)*	**552.40**
RSU *(number)*	1,846
SAR *(number)*	N/A(2)

(1) Paid in 2012.
(2) No SARs were awarded in 2012.

Elizabeth Corley	
Fixed annual gross compensation	400.00(1)
Gross variable portion (annual bonus + RSU paid in 2012 + long term bonus paid in 2012)	2,179.55(1)
Benefits in kind	24.00
TOTAL *(in € thousand)*	**2,603.55**
RSU *(number)*	1,407
SAR *(number)*	N/A(2)

(1) Paid in 2012.
(2) No SARs were awarded in 2012.

Jacques Richier	
Fixed annual gross compensation	676.00(1)
Gross variable portion (annual bonus)	482.80(1)
Benefits in kind	0
TOTAL *(in € thousand)*	**1,158.80**
RSU *(number)*	6,791
SAR *(number)*	N/A(2)

(1) Paid in 2012.
(2) No SARs were awarded in 2012.

The variable portion corresponds to the annual bonus, mid-term bonus and long-term bonus as set out on page 47 of this Registration Document.

2.3 List of functions and offices held by the directors

2.3.1 Supervisory Board member offices

Name	Company in which the term of office or function is served or exercised	Allianz group	Country	Term of office/Function	Date of 1st appointment	Date of expiry of term of office
Clement Booth, born in 1954, a German national, has been a member of the Allianz SE Group Management Board since 2006, where he has Management Board responsibility for the global insurance lines (industrial, specialty, credit and reinsurance) and the regions UK, Ireland and Australia.	Euler Hermes	X	France	Chairman of the Supervisory Board	09/18/2009	SM called to approve the accounts for the 2014 financial year
	Allianz Australia Ltd	X	Australia	Member of the Board of Directors	01/01/2006	
	Allianz Australia Insurance Ltd	X	Australia	Member of the Board of Directors	01/01/2006	
	CIC Allianz Insurance Ltd	X	Australia	Member of the Board of Directors	01/01/2006	
	Allianz Australia Life Insurance Ltd	X	Australia	Member of the Board of Directors	01/01/2006	
	Allianz SE	X	Germany	Member of the Group Management Board	01/01/2006	
	Allianz Global Corporate & Specificity AG	X	Germany	Chairman of the Supervisory Board	11/16/2005	
	AZ Irish Life Holding	X	Ireland	Member of the Board of Directors	01/01/2006	
	Allianz UK Ltd	X	United Kingdom	Chairman of the Board of Directors	01/01/2006	
	Allianz Holdings Plc	X	United Kingdom	Chairman of the Board of Directors	01/01/2006	
	Allianz Insurance Plc	X	United Kingdom	Chairman of the Board of Directors	01/01/2006	
	Association of British Insurers (ABI)		United Kingdom	Member	07/15/2009	
	Saracens		United Kingdom	Member of the Board	05/09/2012	

Name	Company in which the term of office or function is served or exercised	Allianz group	Country	Term of office/Function	Date of 1st appointment	Date of expiry of term of office
Brigitte Bovermann, born in 1956, a German national, has been responsible for Allianz's "Global Insurance Lines & Anglo Markets" division since January 2010.	Euler Hermes	X	France	Vice-Chairman of the Supervisory Board, Chairman of the Nomination and Remuneration Committee and member of the Audit Committee	05/21/2010	Renewal proposed at the SM called to approve the accounts for the 2012 financial year
	Allianz Australia Life Insurance Ltd	X	Australia	Alternate non-executive member of the Board	04/21/2006	
	Allianz Australia Ltd	X	Australia	Alternate non-executive member of the Board	04/21/2006	
	Allianz Australia Insurance Ltd	X	Australia	Alternate non-executive member of the Board	04/21/2006	
	CIC Allianz Insurance Ltd	X	Australia	Alternate non-executive member of the Board	04/21/2006	
	AWC – Allianz Worldwide Care Ltd	X	Ireland	Chairwoman of the Board of Directors	07/19/2002	
	Allianz Worldwide Care Services Ltd.	X	Ireland	Director	04/03/2012	
	Allianz Irish Life Holdings Plc	X	Ireland	Non-executive member of the Board	01/21/1999	
	Allianz Plc	X	Ireland	Non-executive member of the Board	01/21/1999	
	Allianz Insurance Plc	X	United Kingdom	Non-executive member of the Board	06/09/2006	
	Allianz Holdings Plc	X	United Kingdom	Non-executive member of the Board	06/09/2006	
	Allianz (UK) Ltd	X	United Kingdom	Non-executive member of the Board	06/09/2006	
	Allianz UK Pension Fund Trustees Ltd.	X	United Kingdom	Member of the Board	05/12/2009	
	AGF Holdings UK	X	United Kingdom	Member of the Board	09/30/2011	
	AGF Insurance UK	X	United Kingdom	Member of the Board	09/30/2011	
	AGR US		United States	Member of the Board	08/06/2007	
	AMIC-AGCS Marine Insurance Company		United States	Member of the Board	01/01/2010	
Philippe Carli, born in 1960, a French national, has been General Manager of groupe Amaury since October 2010.	Euler Hermes	X	France	Member of the Supervisory Board	05/15/2009	SM called to approve the accounts for the 2014 financial year
	Éditions Amaury		France	CEO	10/01/2010	
	Coopérative de Distribution des Quotidiens		France	Chairman of the Board of Directors	06/2011	06/2014
	Mediakiosk		France	Director	11/30/2011	11/30/2013
	Fondation Supélec		France	Chairman	03/04/2011	03/04/2014
	Presstalis		France	Director	12/2010	12/2014
	Chambre Franco-Allemande de Commerce et d'Industrie		France/Germany	Member of the Supervisory Board	2003	2015
	Goetz Partners AG		Germany	Member of the Supervisory Board		

Name	Company in which the term of office or function is served or exercised	Allianz group	Country	Term of office/Function	Date of 1st appointment	Date of expiry of term of office
Elisabeth Corley, born in 1956 in Germany, has been Chief Executive Officer of Allianz Global Investors Europe since April 2005 and Chief Executive Officer of Allianz Global Investors since January 2012.	Euler Hermes	X	France	Member of the Supervisory Board	05/21/2010	Renewal at the SM called to approve the accounts for the 2012 financial year
	Allianz France Global Investors France SA	X	France	Chairwoman of the Board of Directors	12/12/2005	04/30/2012
	Allianz Asset Management AG	X	Germany	Member of the Group Management Board	10/01/2005	
	Allianz Global Investors GmbH	X	Germany	Chairwoman of the Group Management Board	07/01/2005	
	Allianz Global Investors Kapitalanlagegesellschaft GmbH	X	Germany	Chairwoman of the Board of Directors	06/30/2008	04/30/2012
	RiskLab GmbH	X	Germany	Member of the Supervisory Board	05/16/2011	
	AGI Italia Sgr Spa	X	Italy	Chairwoman of the Board of Directors	04/19/2007	04/24/2012
	Forum of European Asset Managers (FEAM)			Member of the Management Committee	05/13/2005	
	The City UK		United Kingdom	Member of the Advisory Council	12/15/2009	
	The City of London		United Kingdom	Member of the City of London International Regulatory Strategy Group	12/15/2009	
	Financial Reporting Council (FRC)		United Kingdom	Non Executive Director	03/03/2011	
	IMA (Investment Management Association)		United Kingdom	Member of the Board	12/2009	
Charles de Croisset, born in 1943, a French national, is a company director.	Euler Hermes	X	France	Member of the Supervisory Board and Nomination and Remuneration Committee	04/07/2000	SM called to approve the accounts for the 2012 financial year
	Fondation du Patrimoine		France	Chairman	December 2006	
	Renault		France	Director	04/01/2004	SM called to approve the accounts for the 2015 financial year
	SA Galeries Lafayette		France	Member of the Board of non-voting member	May 2004	Not renewed at the SM called to approve the accounts for the 2011 financial year
	LVMH		France	Director	05/01/2008	SM called to approve the accounts for the 2013 financial year
Nicolas Dufourcq, born in 1963, a French national, is a company director.	Euler Hermes	X	France	Member of the Supervisory Board	05/21/2010	Renewal at the SM called to approve the accounts for the 2012 financial year
	Banque Publique d'Investissement		France	Chief Executive Officer	02/07/2013	02/06/2018
Robert Hudry, born in 1946, a French national, is a company director.	Euler Hermes	X	France	Member of the Supervisory Board	04/07/2000	Renewal at the SM called to approve the accounts for the 2012 financial year

Name	Company in which the term of office or function is served or exercised	Allianz group	Country	Term of office/Function	Date of 1st appointment	Date of expiry of term of office
Jean-Hervé Lorenzi, born in 1947, a French national, is currently an advisor to the Board of Compagnie Edmond de Rothschild.	Euler Hermes	X	France	Member of the Supervisory Board and the Nomination and Remuneration Committee	11/19/2004	Renewal at the SM called to approve the accounts for the 2012 financial year
	Edmond de Rothschild Private Equity Partners SAS		France	Chairman of the Supervisory Board	12/12/2006	SM called to approve the accounts for the 2012 financial year
	Edmond de Rothschild Capital Partners SAS		France	Chairman of the Supervisory Board	12/12/2006	SM called to approve the accounts for the 2012 financial year
	Edmond de Rothschild Investment Partners SAS		France	Chairman of the Supervisory Board	12/12/2006	SM called to approve the accounts for the 2012 financial year
	Newstone Courtage SA		France	No voting member	04/13/2007	SM called to approve the accounts for the 2012 financial year
	SIACI SA		France	No voting member	04/13/2007	SM called to approve the accounts for the 2012 financial year
	BNP Paribas Assurances SA		France	Member of the Supervisory Board	05/14/2007	SM called to approve the accounts for the 2012 financial year
	Crédit Foncier de France SA		France	Director	10/15/2009	Term of office ends on 12/31/2011, renewed in 2012
Yves Mansion, born in 1951 in Germany, a French national.	Euler Hermes	X	France	Member of the Supervisory Board and of the Audit Committee	01/01/1992	SM called to approve the accounts for the 2014 financial year
	Mansions SAS		France	Chairman	06/13/2007	
	Aviva France		France	Independent Director and Chairman of the Audit Committee	10/01/2008	12/31/2012
	Aviva Participations		France	Director		
Thomas Bernd Quaas, born in 1952, a German national, has been Member of the Supervisory Board of Beiersdorf AG since 2012.	Euler Hermes	X	France	Member of the Supervisory Board	05/21/2010	Renewal at the SM called to approve the accounts for the 2012 financial year
	Beiersdorf AG		Germany	Member of the Supervisory Board	04/26/2012	2014
	fischerAppelt AG		Germany	Member of the Supervisory Board	08/27/2012	
	Nivea Kao Co. Ltd.		Japan	Chairman of the Board of Directors	03/28/2006	
	La Prairie Group AG		Switzerland	Member of the Advisory Board	04/26/2012	
Jacques Richier, born in 1955, a French national, has been Chairman and Chief Executive Officer of Allianz France SA since January 2010.	Euler Hermes	X	France	Member of the Supervisory Board	05/21/2010	Renewal at the SM called to approve the accounts for the 2012 financial year
	Allianz France SA	X	France	Chairman & Chief Executive Officer	01/01/2010	
	Oddo & Cie SCA		France	Member of the Supervisory Board	12/10/2008	03/28/2012
	Paris Orléans		France	Member of the Supervisory Board	09/01/2010	03/31/2013
	Allianz Global Corporate & Specificity AG	X	Germany	Member of the Supervisory Board	01/12/2009	SM called to approve the accounts for the 2014 financial year

2.3.2 Group Management Board member offices

Name	Company in which the term of office or function is served or exercised	Country	Term of office/Function	Date of 1st appointment	Date of term of office expiration
Wilfried Verstraete	Euler Hermes	France	Chairman of Group Management Board	04/01/2009	03/31/2016
	Euler Hermes France	France	Chairman of the Supervisory Board	04/17/2009	SM called to approve the accounts for the 2013 financial year
	Euler Hermes World Agency	France	Board of Non-voting Members	05/10/2011	SM called to approve the accounts for the 2012 financial year
	Euler Hermes Europe	Belgium	Chairman of the Board of Directors	04/18/2012	SM called to approve the accounts for the 2015 financial year
	Immobel	Belgium	Independent Director	08/29/2007	2015
	Euler Hermes Deutschland-AG	Germany	Chairman of the Supervisory Board	04/27/2009	SM called to approve the accounts for the 2012 financial year
	Euler Hermes North America Insurance Company	United States	Chairman of the Board of Directors	11/13/2009	
	Euler Hermes ACI Holding Inc	United States	Chairman of the Board of Directors	11/13/2009	
Gerd-Uwe Baden	Euler Hermes	France	Member of the Group Management Board	05/25/2004	03/31/2016
	Euler Hermes World Agency	France	Non-voting Members	06/12/2008	SM called to approve the accounts for the 2012 financial year
	Euler Hermes Europe	Belgium	Director	04/18/2012	SM called to approve the accounts for the 2015 financial year
	Euler Hermes Deutschland-AG	Germany	Member of the Supervisory Board	04/26/2010	SM called to approve the accounts for the 2012 financial year
	Euler Hermes Reinsurance AG	Switzerland	Chairman of the Board of Directors	06/28/2010	SM called to approve the accounts for the 2012 financial year
Frédéric Bizière	Euler Hermes	France	Member of the Group Management Board	10/01/2011	03/31/2016
	Euler Hermes France	France	Vice-Chairman of the Supervisory Board	01/08/2013	SM called to approve the accounts for the 2013 financial year
	Euler Hermes World Agency	France	Non-voting Members	01/19/2012	SM called to approve the accounts for the 2012 financial year
	Euler Hermes Europe	Belgium	Director	04/18/2012	SM called to approve the accounts for the 2015 financial year
	Euler Hermes Reinsurance AG	Switzerland	Director	03/09/2012	SM called to approve the accounts for the 2012 financial year
	Euler Hermes North America Insurance Company	United States	Vice-Chairman of the Board of Directors	10/18/2011	
	Euler Hermes ACI Holdings Inc	United States	Vice-Chairman of the Board of Directors	10/18/2011	
Nicolas Hein	Euler Hermes	France	Member of the Board of Management	05/25/2004	Resignation as of 11/28/2012
	Euler Hermes France	France	Vice-Chairman of the Supervisory Board	05/18/2004	Resignation as of 11/28/2012
	Euler Hermes World Agency	France	Non-voting Members	06/12/2008	Resignation as of 11/28/2012
	Euler Hermes Europe	Belgium	Director	05/10/2006	Resignation as of 11/28/2012
	Euler Hermes Ré	Luxembourg	Director	04/17/2008	Resignation as of 11/28/2012
	Euler Hermes Collections Sp z o.o.	Poland	Member of the Supervisory Board	06/15/2010	Resignation as of 11/28/2012
	Euler Hermes Reinsurance AG	Switzerland	Director	11/22/2005	Resignation as of 11/28/2012
	Euler Hermes North America Insurance Company	United States	Director	03/31/2004	Resignation as of 11/28/2012
	Euler Hermes ACI Holding Inc	United States	Director	03/31/2004	Resignation as of 11/28/2012
Dirk Oevermann	Euler Hermes	France	Member of the Group Management Board	02/01/2010	03/31/2016
	Euler Hermes Tech	France	Chairman	01/28/2010	Renewal by implied renewal
	Euler Hermes Europe	Belgium	Director	04/18/2012	SM called to approve the accounts for the 2015 financial year
	Euler Hermes Collections Sp z o.o.	Poland	Chairman of the Supervisory Board	06/15/2010	Yearly renewal
Paul Overeem	Euler Hermes	France	Member of the Group Management Board	01/01/2013	03/31/2016
	Euler Hermes World Agency	France	Non-voting Members	03/28/2012	SM called to approve the accounts for the 2012 financial year
	Euler Hermes Europe	Belgium	Director	01/01/2013	SM called to approve the accounts for the 2015 financial year

2.4 Report of the Chairman of the Supervisory Board to the Shareholders' Meeting on corporate governance and on internal control and risk management procedures established by the Company

Chairman's report pursuant to Article L. 225-68 of the French Commercial Code

February 13, 2013

To the Shareholders:

In accordance with the provisions of Article L. 225-68 of the French Commercial Code, the Chairman of the Euler Hermes Supervisory Board has issued a report devoted to corporate governance and internal controls, as a supplement to the report from the Group Management Board.

The purpose of this report is to report on the composition of the Supervisory Board and the application of the principle of balanced representation of men and women on the Board, to describe the conditions governing the preparation and organization of its work, to list any limits placed by the Supervisory Board on the powers of the Group Management Board and to comment on the implementation of the Code of Corporate Governance laid down by representative bodies, as well as to describe internal control and risk management procedures, including those relating to the preparation and processing of financial and accounting information within the Company and its subsidiaries (referred to collectively as the "Group").

The Chairman of the Supervisory Board, with the support of the Company Secretary, has prepared this report in close cooperation with the Audit Committee and the Group's main functional and operational departments, including Internal Audit, Compliance, Risk Management, IT Security and the Group Financial Division, which comprises the Consolidation, Financial Control and Investment departments. These exchanges between the Chairman of the Supervisory Board and the relevant departments give an understanding and a fair view of the Group's operation and of the procedures applied specifically within the Group.

This report has also been the subject of a report by the Company's Statutory Auditors on the internal control procedures used in the preparation and processing of accounting and financial information, and includes a declaration as to the provision of other required information, pursuant to Article L. 225-235 of the French Commercial Code.

This report was approved by the Supervisory Board on February 13, 2013.

I Corporate governance

Code of Corporate Governance

Since the 2008 fiscal year, the Company has voluntarily adhered to the AFEP-MEDEF Code of Corporate Governance for listed companies, which was updated in April 2010. The AFEP-MEDEF Code may be consulted on the website www.medef.com.

The Supervisory Board of Euler Hermes considers that these recommendations form part of the Company's approach to corporate governance, and notes that the majority of these recommendations have already been applied within the Group.

Euler Hermes therefore applies these recommendations, with the exception of the following:

AFEP-MEDEF Code recommendations excluded	Explanation
1. Two-thirds of Audit Committee members should be independent directors (§14 of the Code)	The composition of the Audit Committee will be reviewed at the end of the Shareholders' Meeting of May 24, 2013, upon reappointment of those Supervisory Board members whose term of office is due to expire.
2. Conditions applying to severance payments (§20.2.4 of the Code)	The Company remains flexible with regard to this clause because it is controlled by a majority shareholder that does not intend to dispose of its investment or to change the strategy of the Company, which is the world leader in a market consisting of only three operators. Such cases of mandatory termination resulting from a change in control or strategy are unlikely. To attract top-quality managers and because those who hold an office on the Management Board cannot also be covered by an employment agreement, the Company offers a severance package in the event of mandatory termination, based on solid performance criteria, but that is not necessarily contingent upon a change in control or strategy.

Supervisory and management bodies

The Group is headed by a Management Board, which is in turn overseen by a Supervisory Board supported by an Audit Committee and an Appointments and Remuneration Committee.

The Company has opted for an organization that ensures the separation and balance of powers. The leadership and management powers assumed by the Group Management Board are clearly distinguished from the oversight and decision-making powers exercised by the Supervisory Board and the Shareholders' Meeting.

These structures are supported by the managers of Group functions, who provide the foundations of the Group's operational management.

1 Supervisory Board: composition, preparation and organization of work

1.1 Composition of the Supervisory Board

As of this writing, the Supervisory Board comprised 11 members:

- Clement Booth, Chairman;
- Brigitte Bovermann, Vice-Chairman;
- Elizabeth Corley;
- Philippe Carli;
- Charles de Croisset;
- Nicolas Dufourcq;
- Robert Hudry;
- Jean-Hervé Lorenzi;
- Yves Mansion;
- Thomas Bernd Quaas;
- Jacques Richier.

The terms of office of the Supervisory Board members are staggered. To improve the spacing of Supervisory Board members' terms of office, at the next Shareholders' Meeting, when some of the Board members' term of office expire, it will be proposed that some of the members be reappointed for three years, others for two years in accordance with the provisions of Article 11 of the Articles of Association, as amended by the Shareholders' Meeting of May 25, 2012. In accordance with the principles stated in the AFEP-MEDEF Code, the Supervisory Board includes a number of independent members.

A member of the Supervisory Board is deemed independent in the absence of a relationship of any kind with the Company, its Group or its management that could compromise the exercise of his or her freedom of judgment.

To this end, the criteria determining whether directors qualify for independent status match those laid down in the AFEP-MEDEF Code. Accordingly, directors are deemed independent if they:

- are not employees or corporate officers of the Company or one of its consolidated subsidiaries and have not held such a position for the previous five years;
- are not corporate officers of a company in which the Company holds, either directly or indirectly, a directorship, or in which a directorship is held or has been held within the past five years by an employee or a corporate officer of the Company;
- are not significant customers, suppliers, investment bankers or commercial bankers:
  - of the Company or its Group,
  - or for which the Company or its Group represents a significant part of the business;
- have no close family ties with a corporate officer;
- have not been auditors of the Company for the past five years;
- have not been directors of the Supervisory Board of the Company for more than 12 years.

Board members representing major shareholders of the Company or its parent company may be deemed independent if they do not take part in the control of the Company. Above a threshold of 10% of share capital or voting rights, the Board is required, upon a report issued by the Appointments and Remuneration Committee, to conduct a systematic review of the relevant director's independent status, taking into account the Company's shareholding structure and the existence of a potential conflict of interest.

At its meeting in May 2012, following review of the report prepared by an outside consultant, the Supervisory Board decided that the following members could be deemed to be independent in keeping with the criteria set out in the AFEP-MEDEF Code:

- Philippe Carli, CEO of the Amaury Group since October 2010 and member of the Supervisory Board of Euler Hermes since May 2009;
- Nicolas Dufourcq, Chief Executive Officer of *Banque Publique d'Investissement* since January 23, 2013 and member of the Supervisory Board of Euler Hermes since May 2010;
- Thomas-Bernd Quaas, member of the Supervisory Board of Beiersdorf AG and member of the Supervisory Board of Euler Hermes since May 2010;
- Robert Hudry, Company Director, member of the Supervisory Board of Euler Hermes since April 2000;
- Charles de Croisset, Company Director, member of the Supervisory Board of Euler Hermes since April 2000;
- Jean-Hervé Lorenzi, advisor to the Management Board of Compagnie Edmond de Rothschild, member of the Supervisory Board of Euler Hermes since November 2004.

In accordance with the AFEP-MEDEF Code, independent directors accounted for more than one third of the members of the Supervisory Board in 2012.

These qualifications will be reviewed in 2013, as certain members will by then have held their office on the Supervisory Board for more than 12 years.

In addition, the members of the Supervisory Board comply with the legal rules applying to multiple directorships. This is an important guarantee of their commitment and availability to the Group.

Lastly, including those members who are to be reappointed at the Shareholders' Meeting of May 24, 2013, 20% of the Supervisory Board members are women.

1.2 Internal regulations

The Supervisory Board has adopted internal regulations designed to complement the statutory rules, regulations and Articles of Association, with which the Supervisory Board as a whole and individual members must comply. The Supervisory Board's internal regulations are available on the Company's website, www.eulerhermes.com.

These regulations provide for the following, among other aspects:

- the organization of Supervisory Board meetings;
- a charter applicable to members of the Supervisory Board, setting out directors' rights and duties;
- the establishment of an Audit Committee, an Appointments and Remuneration Committee and other special committees.

With respect to the prevention and management of conflicts of interest, the Supervisory Board's internal regulations provide that:

- members of the Board are required to make every effort to avoid any conflict between their moral and material interests and those of the Company. They must inform the Supervisory Board immediately of any existing or potential conflict of interest, and may not participate in discussions or vote on related resolutions;
- each member must advise the Board of any information which he or she possesses and which he or she believes might affect the Company's interests. He or she must express his or her concerns and opinions clearly;
- members of the Supervisory Board and any persons attending Board meetings may not, under any circumstances, take any actions likely to harm the Company's interests.

The internal regulations were adopted by the Supervisory Board at its meeting on May 7, 2010 and amended at its meeting on February 15, 2011 to include the internal regulations of the Audit Committee and of the Appointments and Remuneration Committee.

1.3 Organization of meetings of the Supervisory Board

Members of the Supervisory Board generally receive the information and documentation related to the topics on the agenda of the Supervisory Board meetings one week before the meeting date. This allows them to examine the issues to be discussed at the meeting. Particularly sensitive and/or urgent topics may be discussed without the prior distribution of documentation or with notice of less than one week.

To facilitate members' participation in Supervisory Board meetings, they may attend in person, via teleconference or via video conference (in accordance with legal requirements and with the Articles of Association).

The Supervisory Board nevertheless prefers that members attend the meetings in person in order to foster debate.

It is provided that one item on the Supervisory Board's agenda every year shall involve a discussion on its operation. More information on this point is provided in section 1.5 of this report.

The Supervisory Board is chaired by Clement Booth, who organizes and directs its work and reports to the Shareholders' Meeting. The Chairman convenes the Supervisory Board, sets the agenda of the meetings, chairs the meetings and draws up minutes of each meeting with the assistance of the Company Secretary. He ensures that Supervisory Board meetings cover all the points included on the agenda. He also ensures that the Company's Supervisory Board is operating properly, and, in particular, makes certain that members of the Supervisory Board are able to carry out their duties. As such, he ascertains that all matters liable to enable the Supervisory Board members to carry out effective supervision are included on the agenda and, at each meeting, he invites each member to express his or her views on the business and corporate climate, so as to inform the members of the Group Management Board in the general management of a group whose business operations are closely linked to the business cycle. Furthermore, the Chairman ensures that the relevant documentation is sent to Supervisory Board members in a timely manner.

He ascertains that the members are effectively present at each meeting. He also ensures that the composition of the Board complies with the rules of governance and that each member's expertise is in keeping with the Group's business activities. He moderates the discussions and ensures that sufficient time is allocated to each item on the agenda. He ensures the transparency of the information provided by members of the Group Management Board to the Supervisory Board. The Supervisory Board has also appointed a Vice-Chairman, Brigitte Bovermann, who chairs meetings in the absence of the Chairman.

1.4 Activities of the Supervisory Board during the year ended December 31, 2012

The Supervisory Board met six times in 2012.

	02/16/2012	05/16/2012	06/13/2012	07/26/2012	11/06/2012	12/04/2012	% attendance
Clement Booth	•	•	•	•	•	•	100%
Brigitte Bovermann	•	•	•	•	•	•	100%
Philippe Carli	•	•	•	•	•	•	100.00%
Elizabeth Corley		•		•	•	•	66.66%
Charles de Croisset	•	•		•	•	•	83.33%
Nicolas Dufourcq		•	•		•	•	66.66%
Robert Hudry	•	•	•	•	•	•	100%
Thomas Bernd Quaas	•	•	•	•	•	•	100%
Jean-Hervé Lorenzi	•	•	•		•	•	83.33%
Yves Mansion	•	•	•	•	•	•	100%
Jacques Richier	•	•	•	•		•	83.33%

Attendance by Supervisory Board members averaged 89.4%.

The Supervisory Board carries out any audits and controls it deems appropriate at any time during the year and may request any documents it considers relevant in fulfilling its tasks.

In accordance with the law and under Article 11 of the Articles of Association, the Supervisory Board exercises permanent control over the management of the Company carried out by the Group Management Board, and grants that body the prior authorizations required by law or the Articles of Association.

In 2012, the Supervisory Board addressed the following matters:

- calling of the Annual Shareholders' Meeting and approval of the proposed resolutions (meeting of February 16, 2012);
- transfer of the Company's registered office to Tour First in La Défense (meeting of February 16, 2012);
- discussions on the Company's policy on job and wage equality in accordance with the provisions of Article L. 225-82-1 of the French Commercial Code (meeting of February 16, 2012);
- review of the annual Company and consolidated financial statements, the interim and quarterly consolidated statements of revenue, and the 2011 management report (meetings of February 16, May 16, July 26 and November 6, 2012);
- result of the formal assessment of the Supervisory Board's work carried out by an independent third party (meeting of May 16, 2012);
- progress report on work to ensure the Company's compliance with Solvency II regulations (meeting of May 16, 2012);
- discussions on the Group's investment strategy with the Group Management Board (meeting of May 16, 2012);
- approval and authorization to sign master agreements for the joint venture with MAPFRE (meeting of May 16, 2012);
- discussions on the situation in Greece and the Schlecker claim (meetings of June 13, 2012 and July 26, 2012);
- authorizations to the Group Management Board to sign for two bank loans (meeting of June 13, 2012);
- discussions on the Galileo IT project (meeting of November 6, 2012);
- discussions on the 2013 budget (meeting of November 6, 2012);
- appointments to the Group Management Board (meeting of December 4, 2012).

1.4.1 Principles governing the compensation of corporate officers

The principles governing the compensation of Group Management Board members (the Chairman and Vice-Chairman of the Supervisory Board) are determined by the Supervisory Board on the recommendation of the Appointments and Remuneration Committee. For further information on corporate officers' compensation and benefits, *see sub-section 2.2 of the 2012 Registration Document*.

Compensation of Supervisory Board members

Members of the Supervisory Board may receive compensation in the form of directors' fees, in an amount set by the Shareholders' Meeting, and extraordinary compensation under the conditions prescribed by law. The Chairman and Vice-Chairman may also receive special compensation, the amount of which is set by the Supervisory Board.

The Shareholders' Meeting of May 25, 2012 approved payment of an aggregate amount of €500,000 in directors' fees to members du Supervisory Board in respect of 2012, until otherwise decided. In accordance with the decision adopted by the Supervisory Board at its meeting of November 9, 2011, as from 2012, the method of apportioning directors' fees among Supervisory Board members was changed as follows:

- each member receives €35,000 in respect of the current year;
- the Chairman receives €75,000 in respect of the current year;
- each member of the Audit Committee and/or Appointments and Remuneration Committee receives an additional €15,000.

These amounts are conditional on the member's attendance at meetings. The following deductions are applicable in the event of absence:

- at Supervisory Board meetings: €5,000 deducted for each absence;
- at Committee meetings: €3,000 deducted for each absence.

Payment of directors' fees to Supervisory Board members is made semi-annually in arrears.

Members of the Supervisory Board receive no other compensation from the Company.

The amount of directors' fees received by members of the Supervisory Board appears on page [36] of this Registration Document.

Compensation of Group Management Board members

The principles governing the compensation of Group Management Board members and its amount are determined by the Supervisory Board on the recommendation of the Appointments and Remuneration Committee.

Members of the Group Management Board receive fixed compensation and variable compensation.

Fixed compensation

Fixed compensation is set in the light of market practice with respect to similar functions. This represents between 30% and 40% of the total compensation of members of the Group Management Board.

Variable compensation

Variable compensation (annual, mid-term and long-term bonus) represents 60% to 70% of the total compensation of Group Management Board members.

At the beginning of each year, acting on the recommendation of the Appointments and Remuneration Committee, the Supervisory Board sets financial and individual targets for Management Board members

At the end of each year, the Appointments and Remuneration Committee advises the Supervisory Board of its assessment of the Group Management Board members' performance, and as such, of the amount of the associated variable portion. The Supervisory Board approves the amount of variable portion calculated in this manner, in accordance with the criteria detailed below, which are applicable in the same way to each of the three components of variable compensation.

Financial targets, which represent 50% of variable compensation, are assessed on the basis of the following three financial criteria: the Group's consolidated revenues, the Group's operating income and the Group's net income. The Chairman of the Management Board must also meet quantitative targets linked to financial items, such as payment of the dividend and the cost ratio, accounting for an additional 15%.

Individual targets, which represent 50% of variable compensation, are subject to qualitative or quantitative criteria specific to the duties and responsibility of each Management Board member.

Quantitative criteria are in accordance with the Management Board members' duties (organic growth for the Board member in charge of Market, Management, Commercial and Distribution; claims for the Board member in charge of Risks…).

Variable compensation is broken down into three separate components, each representing one-third of the total:

- annual bonus;
- mid-term bonus:

  Members of the Group Management Board are eligible for a mid-term bonus (MTB) system that was implemented in the Euler Hermes group to increase the loyalty of its managers and to assess performance over several years (in accordance with regulations on compensation for executives of financial companies). As such, in addition to the target-based performance assessment set for variable compensation described above, an additional assessment on a three-year basis has been carried out as a function of the following criteria:

  - revenue growth,
  - increase in profitability,
  - comparison with the competition,
  - venture capital (solvency),
  - other criteria (satisfaction surveys, etc.).
- long-term bonus:

  As part of a global long-term bonus scheme for Allianz group senior management, members of the Group Management Board benefit from a long-term bonus system in the form of RSUs (Restricted Stock Units) and SARs (Stock Appreciation Rights), which were allocated between 2004 and 2009.

As from 2011, RSUs awarded to Group Management Board members were broken down into two parts: 50% of the RSUs were based on the Allianz share price trend and 50% on the Euler Hermes share price trend, with a vesting period of four years starting on the award date as compensation for performance in respect of year N-1.

Corporate office/Employment agreement

At December 31, 2012, no members of the Group Management Board were covered by an employment agreement.

Severance compensation for Group Management Board members

At December 31, 2012, all Group Management Board members were eligible for severance compensation upon termination of their office.

In such an event, compensation is payable in accordance with Article L. 225-90-1 of the French Commercial Code, on the condition that the performance criteria set out on page 34 of the 2012 Registration Document have been met. Severance compensation may not exceed two years' fixed and variable compensation.

Non-compete clause

At December 31, 2012, no members of the Group Management Board were covered by a non-compete clause.

Supplementary pension plan for Group Management Board members

No Group Management Board member is eligible for a defined-benefit supplementary pension plan (top hat scheme or *retraite chapeau*).

All Group Management Board members, with the exception of Gerd-Uwe Baden, are eligible for supplementary pension plans (AGIRC-ARRCO), which are mandatory for persons insured under the French social security system.

Wilfried Verstraete and Gerd-Uwe Baden are eligible for the supplementary pension plan in force within the Allianz group as a result of offices they previously held within the Allianz group.

With the exception of Wilfried Verstraete and Gerd-Uwe Baden, who are eligible for the supplementary pension plan in force within the Allianz group, all Group Management Board members are eligible for the defined-contribution supplementary pension plan managed by AG2R/ARIAL Assurances, in addition to the AGIRC-ARRCO supplementary pension plan.

Benefits in kind received by Group Management Board members

Group Management Board members have the use of a company car and certain members receive allowances for international mobility, special housing allowances and unemployment insurance for Executive Managers (GSC).

Details of compensation in respect of 2012 and severance compensation paid to executives in 2012 and amounts payable in 2013 in respect of 2012 are set out in sub-section 2.2.1 of the 2012 Registration Document.

1.4.2 Special committees

The Supervisory Board may decide to set up special committees, the composition and powers of which it determines, to carry out specific duties under its responsibility; it may not delegate those powers vested in the Supervisory Board by law or by the Articles of Association, and may not reduce or limit the powers of the Group Management Board.

In 2011, the Supervisory Board created an Audit Committee and an Appointments and Compensation Committee.

The Audit Committee

It should be noted that the Company draws upon the report of July 22, 2010 by the AMF working group chaired by Poupart Lafarge on Audit Committees (hereinafter referred to as the Poupart Lafarge report).

Composition of the Audit Committee

The Audit Committee is made up of three non-executive members of the Company's Supervisory Board.

In 2012, the Audit Committee of the Supervisory Board comprised the three following members:

- Robert Hudry, Chairman;
- Yves Mansion;
- Brigitte Bovermann.

Robert Hudry chairs the Audit Committee as an independent member of the Supervisory Board. He has specialist skills in finance and accounting. He is a graduate of the *École Polytechnique* and *the École Nationale d'Administration* (ENA) and holds an engineering degree from the *École Nationale Supérieure de l'Aéronautique*. He has served as Technical Advisor at the Ministry of Economy and Finance (1980-1981), Assistant Director and Deputy Director at Banque Paribas (1983-1986), and Director and Executive Vice President, Financial and Legal Affairs, at Usinor Sacilor (1986-1999).

All other members of the Committee also have a minimum level of financial or accounting skills.

Yves Mansion is a graduate of the École Polytechnique, the *École Nationale de la Statistique et de l'Administration Économique* (1975), and the *École Nationale d'Administration* (ENA). He was Inspector of Finances and Chief Executive Officer at AGF (1990-2001) and Chairman and CEO at *Société Foncière Lyonnaise* (2002-2006). He is a former member of the *Collège Français* (the decision-making body) of the Autorité des Marchés Financiers.

Brigitte Bovermann graduated in economics and business administration with a major in accounting and company valuation from Ruhr University in Germany. She started her professional career as an academic. She joined Allianz group in 1987. She has held various positions, including CEO in Poland and Head of the Planning, Reporting, and IT department at Allianz Europe. She has been Head of Allianz's Global Insurance Lines & Anglo Markets department since January 2010.

The composition of the Audit Committee will be reviewed following the Shareholders' Meeting of May 24, 2013 to comply with recommendation §14 of the AFEP-MEDEF Code requiring that two-thirds of Audit Committee members be independent members.

Organization of the Audit Committee

The Chairman of the Audit Committee defines the Committee's work each year, depending on his or her assessment of the importance of a particular type of risk, in agreement with the Group Management and Supervisory Boards.

The Committee meets when convened by its Chairman, whenever the Chairman or the Supervisory Board deems it appropriate, and at least three times a year.

Meeting agendas are set by the Committee Chairman, in conjunction with the Supervisory Board when meetings are convened by that body. The agenda is given to committee members prior to the meeting, along with any information relevant to their discussions.

The Chairman acts as secretary of the Committee.

To carry out its duties, the Audit Committee may, if it deems appropriate, interview the Company's Statutory Auditors and senior executives in charge of preparing financial statements and of internal controls, without the Group Management Board being present.

It reviews the principles and methods, program and objectives, and the general findings of the Internal Audit function's operational control assignments.

The Statutory Auditors inform the Audit Committee of:

- their work program and the various samplings conducted;
- changes they deem necessary to the financial statements for periods to be closed or to other accounting documents, together with any relevant comments on the assessment methods used in their preparation;
- any irregularities and inaccuracies they may have identified;
- their findings relating to the aforementioned comments and corrections to the results for the period.

In conjunction with the Audit Committee, the Statutory Auditors also review any risks that are liable to compromise their independence and any preventive measures taken to mitigate these risks.

They inform the Audit Committee of any material weaknesses in internal control pertaining to procedures for the preparation and processing of financial and accounting information, and, each year, they provide the documents required by law.

With the approval of the Group Management Board, the Audit Committee may also request information from any person who is liable to assist them in carrying out their duties, including senior managers in charge of operations and finance and of information processing.

Main duties of the Audit Committee

The Audit Committee, acting under the responsibility of the members of the Supervisory Board, assists the Supervisory Board in ensuring the accuracy and fairness of the parent company and consolidated financial statements of Euler Hermes, the quality of internal controls, and the information provided to shareholders and to the market. The Audit Committee may issue advice and recommendations to the Supervisory Board in the areas described below.

The Audit Committee is tasked with the following:

- in the area of risk management and internal controls:
  - monitoring the effectiveness of internal controls and risk management systems, and in particular, assessing internal control systems and reviewing the work program and findings of the Internal Audit function, recommendations and their follow-up, and working relationships with the Internal Control function in preparing financial statements, and
  - in conjunction with the Group Management Board, carrying out regular reviews of the main risks incurred by the Group, including through risk mapping;
- in the area of relations with the Statutory Auditors:
  - providing guidance in the selection of the Statutory Auditors and their replacements, issuing opinions on the amount of their fees and submitting the results of the Committee's work to the Supervisory Board,
  - ensuring that the Statutory Auditors' other engagements are not liable to affect their independence, and
  - reviewing the Statutory Auditors' work program, findings and recommendations;
- in the area of financial reporting and disclosure:
  - based on interviews with the Group Management Board and the Statutory Auditors, ensuring the relevance and consistency of accounting policies adopted in the preparation of the parent company and consolidated financial statements, reviewing and assessing the scope of consolidation, and examining and verifying the appropriateness of accounting policies applied within the Group,
  - reviewing the parent company and consolidated financial statements, before they are presented to the Supervisory Board, and
  - monitoring the financial information preparation and reporting process, and, if necessary, supervising such process.

Such monitoring allows the Committee to issue any necessary recommendations for improving existing processes and, where appropriate, for establishing new procedures.

The Audit Committee may be consulted on any matter relating to control procedures for unusual risks, whenever the Supervisory Board or the Group Management Board deems it appropriate.

Work of the Audit Committee

The Audit Committee met four times in 2012. The attendance of committee members averaged 100%.

The Audit Committee reports regularly to the Supervisory Board on the performance of its duties and duly notes the comments of the Board.

The Audit Committee promptly informs the Supervisory Board of any difficulties encountered.

In its reports, the Audit Committee includes any recommendations it deems appropriate:

- on the aptitude of the various procedures and the overall system to achieve their goal of controlling information and risks;
- on the effective implementation of existing procedures and, where appropriate, on resources needed to achieve their implementation.

It also issues recommendations and proposals for improving the effectiveness of the various procedures and the overall system or for adjusting them to new circumstances.

If, in the course of its work, the Audit Committee discovers a significant risk that it does not seem to have been adequately addressed, it alerts the Chairman of the Supervisory Board.

The Committee Chairman reports to the Supervisory Board on the Audit Committee's work.

In 2012, the work of the Audit Committee focused on the following main matters:

- reviewing the 2011 financial statements, the progress of the Solvency II project and the Chairman's report on internal controls (meeting of February 15, 2012);
- reviewing the financial statements for the first quarter of 2012, reviewing the report on internal controls prepared for France's Prudential Supervision Authority (ACP - Autorité de Contrôle Prudentiel) and quarterly assessment of risk controls (meeting of May 15, 2012);
- reviewing the financial statements for the second quarter of 2012 and quarterly assessment of risk controls (meeting of July 25, 2012);
- reviewing the financial statements for the nine months to end-September, the execution of the 2012 internal audit plan, the 2013 plan, and the quarterly risk control plan (meeting of November 5, 2012);
- the Group's adjustment to Solvency II rules;
- reviewing and approving the internal audit plan;
- investment policy;
- main litigation;
- review and approval of financial press releases;
- self-assessment of the Audit Committee's operation carried out by its members.

Assessment of the Audit Committee

The Supervisory Board asked the independent expert tasked with assessing the work of the Supervisory Board in 2012 to also carry out an assessment of the Audit Committee's work. The results of this assessment were highly satisfactory.

Appointments and Compensation Committee

Composition

The Appointments and Compensation Committee is made up of three non-executive members of the Company's Supervisory Board.

As of this writing, the Appointments and Compensation Committee of the Supervisory Board comprised the following three members:

- Brigitte Bovermann, Chairman;
- Charles de Croisset;
- Jean-Hervé Lorenzi.

This composition was approved by the Supervisory Board at its meeting of July 29, 2010.

The term of office of the members of the Appointments and Compensation Committee coincides with their term of office on the Supervisory Board.

Committee members' terms may be renewed when their term on the Supervisory Board is renewed.

In accordance with the AFEP-MEDEF Code, independent members made up two thirds of the members of the Appointments and Compensation Committee in 2012. The Composition of the Appointments and Remuneration Committee will be reviewed at the end of the Shareholders' Meeting of May 24, 2013 to ensure that this proportion is maintained.

The Appointments and Compensation Committee elects a Chairman.

Organization of the work of the Appointments and Compensation Committee

The Appointments and Compensation Committee meets when convened by its Chairman, whenever the Chairman or the Supervisory Board deems it appropriate.

It met four times in 2012. The attendance of Appointments and Compensation Committee members averaged 100%.

The Chairman of the Supervisory Board is involved in the work of the Appointments and Compensation Committee, with the exception of any matter that concerns him or her personally.

Meeting agendas are set by the Committee Chairman, in conjunction with the Board when meetings are convened by that body.

Duties

The main duties of the Appointments and Compensation Committee, as part of the work of the Supervisory Board, are:

- in the area of appointments:
  - to examine all applications for appointment to the Supervisory Board and to issue an opinion on these applications or a recommendation to the Supervisory Board,
  - to examine the independent status of members of the Company's Supervisory Board, and to determine the appropriate number of independent members, and
  - to prepare recommendations in time for the replacement of corporate officers;
- in the area of compensation:
  - to make recommendations concerning compensation, pension and employee benefit schemes, benefits in kind and other financial entitlements, including, where appropriate, grants of stock options or bonus shares to members of the Group Management Board, and
  - to make recommendations on compensation of Supervisory Board members.

Work of the Appointments and Compensation Committee

In 2012, the work of the Appointments and Compensation Committee focused primarily on:

- the compensation of Group Management Board members (February 2012 meeting);
- an assessment of the independence of the members of the Supervisory Board under the AFEP-MEDEF rules (February 2011 meeting);
- a review of applications for appointment of a new member of the Group Management Board to replace a resigning member and a change in function of an existing member of the Group Management Board and determination of their compensation (extraordinary meeting of December 4, 2012);
- an appraisal of the situation of a Group Management Board member on temporary work disability leave (meeting of July 25, 2012);
- a review of the internal regulations to lay out assignments, obligations and operating recommendations, as well as a succession plan (meeting of July 25, 2012);
- a review of a request for advanced payments for personal reasons for members of the Group Management Board (meeting of November 5, 2012).

1.5 Assessment of the Supervisory Board

To ensure best corporate governance practice, the Supervisory Board assesses its ability to respond to the shareholders, who have given it the mandate to manage the Company, by periodically reviewing its composition, organization and operation. The following issues are addressed on a regular basis:

- reviewing the Supervisory Board's operating procedures;
- ensuring that important issues are suitably prepared and discussed;
- update on gender equality within the Supervisory Board;
- assessing each member's actual contribution the Supervisory Board's work on the basis of his or her areas of expertise and involvement in discussions.

In accordance with AFEP-MEDEF recommendations, the Supervisory Board conducts an annual assessment of its composition, its organization and its operation.

The Supervisory Board assesses its work on the basis of a self-assessment questionnaire distributed to its members. The most recent of these questionnaires was given to Supervisory Board members on February 13, 2013.

In accordance with AFEP-MEDEF recommendations, at the Supervisory Board meeting of November 9, 2011, the members of the Supervisory Board decided to commission an independent expert to carry out an assessment of its composition, organization and operation. The following avenues for improvement were identified for 2013:

once each year, include on the agenda an item for discussion on the Company's strategy and position vis-à-vis its main rivals, information on the succession plan and the compensation policy for key managers and members of the Group Management Board;

- discussion on the composition of the Supervisory Board to promote the diversity of its members (from Latin America, Asia and the emerging countries);
- facilitate discussion among Supervisory Board members by sending them a summary of the main items that will appear on the agenda;
- every year, schedule an individual meeting between each member of the Supervisory Board and the Chairman.

Shareholders will be informed of the outcome of assessments in the annual report every year and, where appropriate, of actions taken.

2 Group Management Board: Composition, role and organization

2.1 Composition of the Group Management Board

As of this writing, the Group Management Board was composed of five members as follows:

- Wilfried Verstraete, Chairman;
- Gerd-Uwe Baden;
- Frédéric Bizière;
- Dirk Oevermann; and
- Paul Overeem, since January 1, 2013.

On December 4, 2012, the Supervisory Board formally noted the resignation of Nicolas Hein from his office as Member of the Group Management Board.

2.2 Operation of the Group Management Board

The Group Management Board operates according to internal regulations which are designed to complement the operating principles stipulated in the Articles of Association, while respecting the collegial principle of the Group Management Board. In addition, the internal regulations define the practical procedures for holding meetings and recording minutes. These regulations are regularly updated as a function of the Company's requirements and the missions that the Group Management Board sets for itself and its members. They are available on the Company's website, www.eulerhermes.com.

The Group Management Board may decide to set up committees, the composition and powers of which it determines, to carry out certain duties under its responsibility; however, it may not delegate those powers vested in it.

The Group Management Board meets as often as required in the interests of the Company. It met 25 times in 2012, an average of twice per month.

The Group Management Board is responsible for the general management of the Company. It defines the Company's strategic objectives and oversees their implementation. It also monitors the management of subsidiaries and divisions. As prescribed by law, it approves the financial statements, proposes the dividend, makes investment decisions and determines financial policy. It also decides whether or not to underwrite risks beyond a given threshold.

The members of the Group Management Board share the supervision of the activities and functions of the Group. Only the Chairman represents the Company in its relations with third parties.

At least once a quarter, the Group Management Board presents a report to the Supervisory Board.

Lastly, the members of the Group Management Board must inform each other about the following:

- the most significant decisions taken in their entity or in the area of business for which they are responsible within the Group and, in particular, actions aimed at expanding or adapting the Group's business;
- events whose scope involves several entities, even if such events take place within their area of responsibility, and, in particular, changes in procedures or operational methods which, although not requiring formal approval by the members of the Group Management Board, may affect other Group companies.

The Chairman is in charge of organizing and coordinating the business of all Group companies. Currently, he supervises the following functions at Group level: Internal Audit; Human Resources; Communication; and Office of the Company Secretary, as well as the activities of other members of the Group Management Board and shareholder relations.

The four other members of the Group Management Board share supervision of the remaining cross-company functions, i.e. Risks, Information and Litigation; Marketing, Commercial Development and Distribution; Group Finance, Compliance, Legal and Tax and Reinsurance Risks; and Operations, which includes supervision of the Information Technology function.

The person responsible for each cross-company function sets the limits of powers granted to the managers of subsidiaries in each of the areas in question.

2.3 Limits on the powers of the Group Management Board

The internal regulations of the Group Management Board set out the decisions that require prior authorization by the Supervisory Board, in accordance with Article 12 of the Articles of Association, namely:

- the sale of real property and the total or partial sale of equity investments and the pledging of security interests in Company assets where the transaction exceeds €30,000,000;
- transactions effected directly or through equity holdings that are liable to significantly affect the Group's strategy and materially alter its financial structure or scope of business where these exceed €5,000,000;
- the issuance of securities, of any kind, that may result in a change in the registered share capital regardless of the amount involved;
- transactions for purposes of granting or contracting any borrowings or loans, credit facilities or advances where these exceed €75,000,000;
- transactions involving the pledge of security interests, guarantees, deposits or bonding where these exceed €30,000,000.

Any transaction exceeding the specified amount must be approved by the Supervisory Board.

3 Factors likely to have an impact in the event of a public offer

These factors are described in sub-section 7.5 of the 2012 Registration Document.

4 Conditions for shareholders to participate in Shareholders' Meetings

In accordance with Article 20 of the Company's Articles of Association, it is noted that the conditions under which shareholders take part in Shareholders' Meetings are those laid down by the applicable regulations.

II Internal control procedures and the control environment

The Euler Hermes group operates mainly in the fields of credit insurance, bonding and guarantees.

Existing regulatory obligations

Legal obligations (Financial Security Act in France, Sarbanes-Oxley Act in the United States) have been added to the existing set of regulations under which a company's management is directly responsible for all the company's business activities, including its internal control system, i.e. for the achievement of objectives and for the design and implementation of the tools needed to control them. These regulations include those issued by France's Prudential Supervision Authority (ACP – Autorité de Contrôle Prudentiel) and the applicable accounting standards. The recommendations of reports bearing on corporate governance must also be taken into account. All these rules and regulations have been taken into account in the Group's procedures.

1 Internal control

On January 22, 2007, the Autorité des Marchés Financiers (the French securities regulator) published its guidelines for internal control, defined as follows:

Internal control forms part of a company's systems and is defined and implemented under its responsibility with a view to ensuring:

- compliance with laws and regulations;
- application of instructions and strategies set by the Group Management Board;
- the correct functioning of the Company's internal procedures, in particular those intended to safeguard its assets;
- the reliability of financial reporting;

  and, more generally, to contribute to the control of its activities, the effectiveness of its operations and the efficient use of its resources.

In accordance with the organizational methods common to Euler Hermes group entities, as described previously, and the existing measures and procedures, the Supervisory Board and its Chairman, the Group Management Board and the relevant parts of the Group are kept regularly informed of internal controls and of the level of exposure to risk, the areas for improvement and the progress made with regard to remedial measures adopted.

As part of the measures taken to comply with the Sarbanes-Oxley Act, and in the interests of consistency, the Euler Hermes group uses the internal control principles laid down by the COSO (Committee of Sponsoring Organizations), which apply within the Allianz group. These principles are internationally acknowledged.

The Sarbanes-Oxley Act, which was adopted in the United States on July 25, 2002 and has applied to European companies listed on the New York Stock Exchange since the end of 2006, introduced measures to increase financial and accounting transparency and to improve executive responsibility. These measures relate in particular to:

- certification by the CEO and the CFO that procedures and controls relating to published information have been defined, established, tested and maintained, and in addition, that the effectiveness of these procedures and controls has been evaluated (section 302 of the Sarbanes-Oxley Act);
- assessment of the internal controls by the management in a report stating that management is responsible for establishing and maintaining an adequate internal control structure and procedures for financial reporting, an assessment of the effectiveness of this system, and certification by external auditors (section 404 of the Sarbanes-Oxley Act).

The Allianz group, of which Euler Hermes forms a part, was subject to the obligations set out in the Sarbanes-Oxley Act and took steps to comply with them as from the financial statements for the year ended December 31, 2004. The work performed by Euler Hermes in the context of Allianz's requests in this regard is coordinated with the work required in relation to the French Financial Security Act.

Despite the fact that the Allianz group was delisted from the New York Stock exchange in October 2009, the measures related to Sarbanes-Oxley are still applied within the Group.

The COSO defines internal control as a process implemented by an entity's general management, managers and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations;
- reliability of financial reporting;
- compliance with applicable laws and regulations.

The COSO's definition of internal control breaks it down into five separate areas:

- the control environment (increasing staff awareness of the need for controls);
- risk assessment (factors likely to affect achievement of objectives);
- control activities (particularly the application of standards and procedures);
- information and communication of data to manage and control activities;
- the monitoring of control systems.

Internal control is designed to provide reasonable assurance regarding the achievement of the following objectives:

- financial performance, by the efficient and appropriate use of the Group's assets and resources and protection against the risk of losses (within the Company);

- precise and regular knowledge of the data required for decision-making and risk management;
- adherence to internal and external rules;
- prevention and detection of fraud and mistakes;
- accuracy, completeness of accounting records and preparation of reliable accounting and financial information in a timely manner.

Internal control, in accordance with the COSO's description, is described below.

2 The control environment

The control environment within the Euler Hermes group and its subsidiaries consists of the following:

- control structures;
- rules of conduct;
- the definitions of responsibilities and control of individual objectives.

2.1 The principles of corporate governance

The Group's General Management launched a new organization with effect from January 1, 2010. The new organization is characterized by central operating functions and geographic division of the world into six regions. Direct control of the subsidiaries is split between these regions.

The Euler Hermes group has applied the principles of corporate governance by organizing the structures of the holding company so as to supervise and control the subsidiaries that remained in existence in 2012. It has set up the following structures within its largest subsidiaries (Euler Hermes France, Euler Hermes US, Euler Hermes Europe, Euler Hermes Deutschland).

Governance structures:

- a Board of Directors or Supervisory Board, depending on the entity: It includes representatives of the shareholder (the Group) and directors from outside the Group, and meets four times a year in the presence of the CEO. Its task is to define the strategic orientations and control the business activities of the subsidiary and of its CEO. It reviews the subsidiary's financial statements, main projects, legal risks and development. Its work is based on Group reports drawn up by Group management control and specific indicators in the Sales and Marketing, Risks, and Litigation areas, in particular;
- an Audit Committee of the Supervisory Board: This consists of two or three directors and generally meets, with the subsidiary's management, on the day before Supervisory Board meetings. It carries out a detailed review of the subsidiary's financial statements, internal controls and the activity of internal and external auditors. The internal and external auditors take part in the work. They may discuss matters outside the presence of the Company's General Management at the request of members of the Committee or its Chairman. The Committee reports to the Board of Directors or Supervisory Board, depending on the entity;
- a Compensation Committee: It consists of the CEO, the shareholder's representative and a non-executive Chairman. The Committee decides on the compensation of the members of the subsidiary's Management Committee on the basis of the CEO's proposals. The Group Compensation Committee is informed of its decisions;
- a Finance Committee whose role is defined in chapter III below, entitled "Accounting and financial internal control procedures".

Management structures:

- a Management Committee or Management Board, depending on the entity, chaired by the CEO. It is made up of the main managers and meets at least once a month. It monitors the subsidiary's operations on the basis of reports drawn up by the Management Control function and specific indicators. Its Chairman reports to the Supervisory Board;
- a Management Audit Committee: This committee is made up of members of the Management Committee and its Chairman (or his/her deputy). It meets between four and eight times a year. It reviews in detail internal audit reports, is responsible for communicating the contents of the report within the Company and monitors the implementation of recommendations and the completion of the internal audit program.

The former Hermes group companies have similar structures based on the Supervisory Board and the German "Vorstand" model of Management Board.

The smaller subsidiaries have an Audit Committee, which plays the same role as in the larger subsidiaries.

As of December 31, 2011, Euler Hermes has simplified its legal structure in Europe by amalgamating 13 of its former subsidiaries into a single insurance company, Euler Hermes Europe, based in Brussels.

In addition to the Belgian entity, subsequent to the merger of these 13 entities into Euler Hermes Europe as of December 31, 2011, the Group combined 12 local insurance branches located in the following countries: Denmark, Finland, Hungary, Ireland, Italy, Norway, Netherlands, Czech Republic, Romania, United Kingdom, Slovakia and Sweden.

The governance structure described above was implemented within Euler Hermes Europe as replacement for the governance structures in place at the subsidiaries, which were transformed into branches.

2.2 Actions in the area of Compliance

The Compliance function of Euler Hermes is supported by a network of Regional Compliance Officers who report directly to the Group Compliance Officer. Regional Compliance Officers have also each been assigned the shared responsibility for a dedicated task on which they work jointly with the Group Compliance Officer. This cross-company structure significantly accelerates the implementation of compliance standards within Euler Hermes.

The Group Compliance function designs and supervises the different compliance measures deployed throughout the Group. The Group Compliance Officer reports directly to the Company Secretary and to the

Group Risk Committee. He is also the main contact for Allianz France and Allianz SE in all matters relating to compliance.

Each year, a compliance action plan is drawn up at Group level, and Regional Compliance Officers are responsible for its implementation. The measures decided are based on a diagnosis of the risks -- particularly compliance risk -- which are summarized in a document that is transmitted to the Group Risk Committee at regular intervals.

The Compliance function covers numerous domains, including anti-money laundering measures, prevention of fraud and corruption, conflicts of interest, international sanctions, antitrust law and data protection. It also monitors compliance with French capital market regulations, particularly in the areas of insider information and trading in Euler Hermes shares by Company directors.

One priority in 2012 was to continue implementation of the global anti-corruption program as part of an initiative launched by Allianz. One of the key measures was to continue rolling out on-line training on corruption and fraud prevention standards for the operational divisions in India, China and Greece, and within Euler Hermes Collections in Germany and in Austria. In 2013, this training program will be launched in other regions.

In another major initiative, Euler Hermes strengthened its existing anti-fraud controls. A fraud prevention program was set up in 2007 and numerous actions have been carried out to prevent all fraud within the organization. Following a review of the program in 2012, the Group Compliance Officer was appointed Group Fraud Prevention Coordinator and the Regional Compliance officers now hold the same position at the regional level. In addition, the Group Risk Committee has formally adopted an amendment to the fraud prevention policy. This policy lays out the main principles of fraud prevention, such as an annual assessment of the risk of fraud to be conducted within the organization, close control over high-risk procedures, separation of duties, clearly defined levels of delegation, a transparent procedure to enable employees to report any breaches of this policy that they have identified, and regular fraud prevention training for employees. As a result of actions carried out in 2012, the Group's internal rating for employee awareness of integrity as a fundamental value of Euler Hermes improved considerably, from "Good" in 2011 to "Very Good" in 2012.

2.3 Definition of functions and monitoring individual objectives

The appropriate skill levels are ensured by recruitment procedures, supported by job descriptions. All staff members currently participate in individual annual interviews to review their performance and set annual targets with their line manager that are consistent with the entity's objectives.

3 Risk assessment

3.1 Risk mapping

Risks were first mapped in 2002, by identifying operational risks in collaboration with the management teams of the subsidiaries. Risk mapping is intended to facilitate the drawing-up of five-year and one-year audit plans.

The risk-mapping process was reviewed in 2012. It is based on an audit universe spanning all functional and operational areas. The audit universe comprises:

- 81 aggregate audit subjects, which are processes applied in all the main Group entities (important regions and subsidiaries);
- 4 additional business lines;
- 59 entitles of lesser importance.

The Group takes eight risk categories into account: Market, Credit, Actuarial, Costs, Operational, Liquidity, Reputational and Strategic.

These risks are assessed for each sub-process and each main entity in respect of the probability of their occurrence, their scale in the event of materialization and their sensitivity to the control environment.

The results of risk mapping are submitted to Management Audit Committees and the Audit Committee of the Supervisory Board. This review takes place systematically when audit programs are defined.

3.2 Group Risk Management department

The main duties of the Group Risk Management department are:

- to participate in the allocation of the Group's financial resources through identification, quantification and monitoring of risks to which the Group and its subsidiaries are exposed;
- to participate in defining a regulatory framework in which operations will be carried out so as to define and monitor a risk management strategy and a risk profile;
- to implement and/or monitor implementation of the new regulatory frameworks designed to define and manage the solvency of insurance companies.

The main solvency regulations applicable to the Euler Hermes group are:

- Solvency II for the legal entities within the European Union;
- Swiss Solvency Test (SST) for the reinsurance company in Switzerland;
- for the legal entity in the United States, the applicable regulations in each state.

Euler Hermes has developed an internal model for both the Solvency II directive and for SST (a complete model for Solvency II in conjunction with Allianz and a partial model for SST). Working with the regulatory authorities, Euler Hermes has initiated a pre-application process to allow for the use of an internal model in the place and stead of the standard model.

Alongside its work to support risk quantification, Euler Hermes has initiated projects designed to achieve compliance with national and international risk governance standards.

The Group Management works with the Risk Control departments of each of the Group's legal entities by coordinating certain actions and acting as second-level control vis-à-vis the legal entities.

It also works closely with the main Group operational functions, and more particularly:

- the Investment Division on asset allocation, liquidity risk and asset-liability management issues;
- the Reinsurance Division;
- the Commitments Division; and
- the actuarial function *(see § 3.3 of this Report)*.

In carrying out its work, the Group Risk Control division has set up the following tools in conjunction with the Allianz group:

- an internal model to estimate economic and/or regulatory capital; this model covers market, credit, insurance and operational risks;
- an Own Risk Self-Assessment (ORSA) approach to qualify the calculation process through the internal model, to quantify non-modeled risks and to discuss expected trends in the future solvency margin;
- a counterparty and concentration risk management and measurement tool covering the investment portfolio and the limits granted to policyholders under their insurance policy.

Work carried out by the Risk Control Division is discussed every quarter, at a Risk Committee meeting with the Group Management Board.

3.3 The Group actuarial function

The role of the Group actuarial function focuses on three areas:

1. it defines the actuarial methods and processes to be applied within the legal entities as the minimum required standard or best practice;
2. it validates the aggregate level of reserves at Group level; and
3. it actively participates in the implementation of Solvency II, as indicated in Article 48 of the Directive.

The Group actuarial function relies on local actuarial functions and coordinates their work.

The actuarial assumptions and approved level of reserves is reviewed every quarter at a Reserve Committee meeting with the Group Management Board. Any changes in method or process are also approved during this meeting.

3.4 Organization of internal control activities

Supervision of the internal control system is deployed at three levels: control of the implementation of rules and procedures by management, control by the Insurance functions and control via audits.

Implementation of rules by management

Euler Hermes' rules and general principles have been drawn up by the Group's cross-company departments, in agreement with the Group Management Board, in the areas of Risk, Litigation, Debt Collection, Sales/Marketing, Finance, Accounting, Reinsurance, Information Technology, Audit, Communication and Human Resources. They have been introduced in the principal entities as procedures that include individual responsibility thresholds and the organization of specific Risk and Sales/Marketing Committees, for example.

Our principal subsidiaries also have:

- a Risk business model and quality standards for management of debtor risk;
- a Collection business model and quality standards for debt collection.

First-level controls

At Group level, there are cross-company functions for the Risk/Litigation, Sales/Marketing and Strategy/International Development operational areas, and for support areas such as Operations, Information Technology, Finance and Accounting, Reinsurance, Internal Audit, Human Resources, Communication and Risk Management. Each of these teams reports to a member of the Group Management Board and oversees implementation of Group directives at the Group's subsidiaries.

For example, the cross-company credit risk team monitors the Group's exposure to credit risk on a Group-wide basis. To achieve this, it has access to the Group's monthly reporting, and to a monthly report devoted to significant risks. Remedial actions are coordinated within:

- the Group Risk Underwriting Committee, whose meetings are attended by the regional Risk Officers. This committee, chaired by the Head of the cross-company risk team, meets every two months;
- a regional Risk Committee, which meets twice per year; this committee is made up of Risk Officers at the Group and regional levels and for each regional subsidiary;
- local Risk Committees in the biggest subsidiaries and using a system of delegation of powers.

Procedures describing the processes and the main related controls have been drawn up for each department.

Controls are carried out by the operational units themselves. These controls may be integrated into the processing of transactions (first-level) and some may be integrated into automated systems. In addition, they may be carried out by units or individuals that are independent of the above-mentioned operational units or distinct from those that carried out the first-level controls (second-level).

Second-level controls

Second-level controls are carried out primarily by the Compliance, ICOFR (formerly SOX) and Risk Management functions. These second-level controls are also detailed in this report.

Third-level controls: internal audit

The Group has an audit service organized by function: Risk, Sales/Marketing, Finance/Accounting, Operations and Corporate Governance There is also a local audit structure in Germany to handle the specific requirements of the German financial authorities. The Group is currently appointing specific Audit Correspondents by region. The team's budgeted headcount is 23 (FTE). The Head of Group Audit reports to the Euler Hermes Audit Committee and to the Group CEO. He participates in subsidiary Audit Committees with local Audit Managers as a permanent member of those committees.

An annual program of audit assignments is drawn up every year. This program, based on risk mapping and a pragmatic approach to requirements, includes global audits of the subsidiaries, cross-company audits of processes performed simultaneously in the main subsidiaries. and vertical audits of all the processes of a given function within a subsidiary. It is drawn up in accordance with a structured procedure in the second half of the year. It is the subject of a discussion, communication and validation process with operational staff, General Management and the Audit Committees. The last stage of the validation process is the presentation of the program to the Euler Hermes Audit Committee for approval in November. The audit program is consistent with achieving five-year risk cover, in accordance with Allianz guidelines, while at the same time providing short-term cover of the biggest risks. The following audits were conducted in 2012: 11 cross-company audits (of which 5 five are still underway), 3 vertical audits, 3 sovereign audits and 5 *ad hoc* audits (carried out at the request of the General Management), of which 2 are still underway, and 6 IT audits, of which 2 are still underway.

The audit activity is circumscribed by an audit charter, which was updated in July 2011 and approved by the Audit Committee. It sets out in detail the assignments, organization and various levels of control within the Euler Hermes group and its subsidiaries. It is complemented by the development of audit standards and procedures at local and Group levels.

In 2010, the Allianz group Audit function issued two documents (Allianz group Audit Policy and the Standard Audit Manual), which the Euler Hermes group has adopted. These documents were updated in 2011.

The Group audit structure also underwent a quality audit carried out by the Allianz group Audit function in 2011. Monitoring of the implementation of the Allianz group Audit function's recommendations yielded a highly satisfactory outcome.

Specific procedures regarding information security

Information security procedures within the Euler Hermes group are carried out by two principal functions:

- the Group Security function;
- the Group IT Security function.

Security

The Group Security Officer is responsible for:

- implementing security policies and procedures within the Euler Hermes group;
- ensuring compliance with those policies and procedures by all Group entities;
- defining new policies and procedures, where required;
- coordinating the Business Continuity Management plans within the Group;
- assessing the IT security risks within the Group and proposing appropriate solutions.

More particularly, this officer has responsibility for all security-related user aspects. He/she coordinates a network of correspondents in the business units.

Information systems security

Within the Group IT Systems Division, the Group IT Security Officer is responsible for:

- ensuring the implementation of technical means to improve IT security (e.g. firewalls for the Group's networks, antivirus software to protect the network from outside attacks, encryption software to protect confidential data, user authentication and authorization management software, etc.);
- establishing and monitoring controls to ensure that the IT system complies with information system security policies.

The Group IT Security Officer is in charge of coordinating actions relating to IT security with the IT Security Managers in the subsidiaries, in particular as regards the introduction of technical standards relating to information system security.

Both functions work on the basis of Allianz group standards on Information Security and the Business Continuity Management plans, which serve as minimum requirements for all Allianz organizational entities.

Group Security Committee

All activities related to information security and business continuity management are supervised and controlled by the Group Security Committee. This committee is chaired by the Group CEO. Its members are the Group COO, the Group CAO, the Group CIO, the Group Audit Director, the Group IT Security Officer and the Group Security Officer. The Committee meets once per quarter. Every six months, the Euler Hermes group Security Risk Log is reassessed and potential risk mitigation activities are defined if necessary.

IT quality assurance and new developments

Under the responsibility of the Euler Hermes Chief Information Officer, Group IT teams located in Belgium, in the Netherlands, Germany and in France are in charge of designing and developing Group Software applications.

A solid IT control framework has been set up, as reflected by regular controls, thereby strengthening the quality of IT developments.

Quality audits (IT Architecture and Quality — ITAQ) are also organized when requested by the Group CIO or a local IT Manager.

Consolidation and harmonization of systems

The Euler Hermes group's IT systems are currently undergoing consolidation. Subsidiaries are interconnected by means of a long-distance network. All Group systems are operated by a unified organization (Centralized production teams, organization and processes) in a central Datacenter in France, supported by 2 secondary units: EH Singapore & EH US.

There is a back-up site in the event of any problem and data recovery tests are carried out on a regular basis.

The Group production center and local production centers apply data back-up procedures and use off-site data storage.

In accordance with Allianz's policy, in 2011, Euler Hermes updated and tested the business continuity plans introduced throughout the Group in 2004.

The Group is pursuing the development of a policy of harmonization and integration of systems (infrastructure and applications): Risks (IRP), Sales/Marketing, Litigation and Debt Collection, Reporting (Rebus) and Financial. The rollout within the Group is progressive: the CRM application is fully deployed; the finance application SAP is implemented in most of the subsidiaries and the implementation of the Commercial System (Galileo) is starting. This will help reinforce access-control procedures and the standardization of the subsidiaries' internal control systems.

The Group's internal audit structure and Group subsidiaries' audit teams work together on reviews of IT projects or reviews of recently implemented applications.

Financial internal control assessment procedure initiated by the Group

The Allianz group was delisted from the New York Stock Exchange in October 2009, but decided nevertheless to maintain all procedures related to ICOFR ("Internal Controls Over Financial Reporting," formerly SOX).

Within the Euler Hermes group, five entities — Euler Hermes France, Euler Hermes Deutschland, Euler Hermes UK, Euler Hermes North America Insurance Company and Euler Hermes Italy — which had previously implemented all the procedures related to ICOFR also maintained these requirements in 2012.

It should be noted that Euler Hermes UK and Euler Hermes Italy are operating as branches of Euler Hermes Europe.

III Accounting and financial internal control procedures

Accounting and financial controls are carried out by the Group Financial Division, which is split into three departments:

- the Consolidation department;
- the Financial Control department;
- the Investment department.

All three departments report to the Group CFO, and carry out regular controls and monitoring of accounting and financial information and of management indicators specific to the activity.

Both the Consolidation and the Financial Control department are broken down by geographical area, which means that each geographical area is covered by a Consolidator and a Financial Controller.

1 The Consolidation department

Euler Hermes is consolidated by the Allianz group, which has prepared its consolidated financial statements in accordance with IAS/IFRS (International Accounting Standards/International Financial Reporting Standards) since 1998.

Euler Hermes has been presenting its consolidated accounts in accordance with IFRS since 2005.

All of the principles and rules applicable to the companies of the Euler Hermes group are described in a consolidation manual, which is made available to all of the entities.

The IFRS accounting and valuation principles are described in Note 2 of the notes to the 2012 consolidated financial statements.

The Consolidation department includes four Consolidators reporting to the department Head.

Its role is to produce the reported consolidated financial statements of the Euler Hermes group and to provide the shareholders with the information needed for the integration of the accounts of Euler Hermes group into their own consolidated financial statements. The Consolidation department's direct contacts are the Accounting and Financial Divisions of the consolidated entities and the Consolidation Division of the shareholding company.

All of the Group companies that fulfill the relevant legal and regulatory requirements are consolidated, with the exception of those that are expressly excluded for clearly specified reasons. Exclusions may concern newly created Group companies, in particular.

The consolidated financial statements of Euler Hermes are drawn up on a quarterly basis. They are approved by the Group Management Board of Euler Hermes and are presented to the Group Audit Committee, then to the Supervisory Board.

They are published four times a year and are signed off on a quarterly, half-yearly and annual basis in accordance with AMF regulations. The financial statements for the six months to June 30 are subject to a partial audit by the Statutory Auditors while the annual financial statements, including both the individual financial statements of the consolidated entities and the consolidated financial statements per se, are subject to a full audit.

In addition, the quarterly financial statements drawn up by the Group companies and sent to the Consolidation department are subject to a certificate of compliance signed by the Chairman and the CFO of the subsidiary.

An identical certificate signed by the Chairman of the Group Management Board and the Group CFO is submitted to the shareholders.

The consistency and fairness of the consolidated data are ensured by the application of a standard consolidation package, regular updating of Group instructions and monitoring of their application.

A common chart of accounts allowing for retrieval of information in accordance with the principles used by our shareholders has been implemented for all Group companies.

Consolidation package

This is a standard document that has been configured and formatted using the BFC (Business Financial Consolidation) software used by all Group companies, which has three modules:

- financial statements: consolidated statement of financial position, consolidated income statement, statement of cash flows, evidence of tax liabilities and ancillary tables;
- statistical statements providing details and analysis of the information included in the financial statements;
- statements related to the commitments given and received, which must be listed and appraised on a periodic basis.

Instruction manual

Available to all of the consolidated entities via the network, this document describes the general accounting principles applicable to the Group, the valuation and accounting methods used for each item in the consolidated statement of financial position and the consolidated income statement, and instructions for reporting the consolidation package.

2 The Financial Control department

Organized into three levels

Financial control is carried out jointly by the Financial Control department of each subsidiary, by the Regional Controllers, and by the Financial Control department of the Group Financial Division.

This structure allows the Group Financial Control function, which is organized by region, to carry out second-level controls.

The Group Financial Control department reports to the member of the Group Management Board in charge of finance.

In addition to this internal organization, controls are carried out by the shareholders (Allianz).

Ongoing communication with corporate governance bodies

The Group Financial Control department gives a presentation of the results to the Group Management Board on a monthly basis, and to the Audit Committee and the Supervisory Board on a quarterly basis. It may also prepare additional analyses on specific points, on the Group Management Board's request.

Assignments of the Financial Control department

The main tasks of the Financial Control department are as follows:

A) **budget:**

- draw up the budgets and budget forecasts for the coming three years;
- monitor and update revised forecasts for the current fiscal year on a monthly basis;

B) **closing operations:**

- carry out month-end closing in SAP for the core shareholder, in addition to the quarterly closing by the Consolidation department;
- verify the consistency of the data in the consolidation packages;
- analyze business trends on a monthly basis using operational and financial indicators;
- consolidate the monthly data reports sent by the subsidiaries;

C) **reporting:**

- draw up the budgets and revised budget forecasts of the holding company and the central entities;
- make comparisons between the subsidiaries;
- draw up the monthly data reports to management and quarterly reports to the shareholders (core shareholder and minority shareholders).

Use of harmonized tools within the Group

The control functions are based on harmonized reporting procedures defined by the Group Financial Control department. This harmonization facilitates comparisons based on time and region and benchmarking (notably of costs).

The statements reported by the subsidiaries must be accompanied by comments on activity drafted by the Chief Financial Officer and approved by the Chief Executive Officer. These comments must highlight any material discrepancies from one month to another or in relation to the budget, the budget forecasts or the previous year.

One data analysis process covering all activity

Regardless of the activity in question (monthly closing, quarterly closing, forecasts or budget preparation), the control procedures mainly relate to the following data:

- external data: reinsurance terms and conditions, financial assumptions and tax rates;
- internal data: commercial activity (change in the commercial portfolio and translation into premiums, etc.), changes in claim ratios and in cost ratios, and monitoring of employee numbers;
- compliance with accounting rules: provisions booked on premiums, provisions booked on claims, monitoring of liquidated provisions.

This analysis is carried out by region and business line.

Specific features of procedures for drawing up budgets and for budget forecasting

Budgets are drawn up based on the following cycle:

- the Group Financial Control department sends out budget guidelines, which are approved by the Group Management Board and to which a harmonized budget package is attached (mid-July);
- the regions send their specific budget instructions and their internal assumptions so that these can be checked for consistency (internal and external) in relation to the interim results;
- each subsidiary draws up its budget, which is then approved by the CEO. Their budget packages are then sent to the CFO and CEO of that particular region, who consolidate the region's budgets and carry out second-level controls;
- the budget packages are sent to the Group Financial Control department (mid-September);
- budget meetings are held for the Group, as represented by the Group Management Board, the Group Financial Control department and the shareholder representative, and the regions, as represented by the CEO, the CFO and in some cases the Head of Financial Control;
- presentation of the budget to the core shareholder for approval (mid-November).

A comprehensive and detailed review of the annual forecasts is conducted once a year, in September. At this point the budgets are adjusted to take account of recent developments in relation to activity. This formally leads to the sending of budget guidelines and the return transmission of a budgetary package to the Group, which is the subject of in-depth discussions between the subsidiaries, the regions and the Group.

In addition, a simplified review of the local rolling forecasts is carried out on a monthly basis and is used to rapidly identify any changes in the subsidiaries that would have an impact on the Group results.

3 Investment department

The role of this department is to carry out cross checks on the consistency of the subsidiaries' financial investment policies and their compliance with the instructions provided by the Group.

These instructions relate to the breakdown of portfolios by asset class, the level of recommended risk, notably for the maturity of the bond portfolios and for the credit rating of issuers, the calculation of benchmark indices, the choice of Portfolio Managers and the choice of institutions responsible for the custody of the securities.

This supervision involves monthly financial meetings between the General Management and the Finance department of the subsidiary, the representatives of the portfolio management company and the Group Financial Division.

At these meetings, recommendations are issued concerning the purchase and sale of securities and the reinvestment strategy to be used for cash flows from operating activities. The Group Management Board of Euler Hermes holds the decision-making power.

The Investment department organizes two Group Financial Committee meetings each year with the Chairman of the Supervisory Board and the Chairman of the Group Management Board, as well as shareholder representatives and members of the Financial Division. At this meeting, the Committee reports on past management performance and decides on future strategies.

Lastly, the Investment department manages the debt of the holding company and negotiates new loans and related hedging instruments. It obtains prior approval from the Group Management Board.

Conclusion

This report has been presented to and approved by the Audit Committee and the Supervisory Board.

Date: February 13, 2013

Clement Booth

Chairman of the Supervisory Board Euler Hermes

2.5 Statutory Auditors' report, prepared in accordance with Article L. 225-235 of the French Commercial Code on the report prepared by the Chairman of the Supervisory Board of the company Euler Hermes SA

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

Year ended December 31, 2012

To the shareholders,

In our capacity as Statutory Auditors of Euler Hermes SA, and in accordance with Article L. 225-235 of the French Commercial Code ("Code de commerce"), we hereby report to you on the report prepared by the Chairman of your company in accordance with Article L. 225-68 of the French Commercial Code for the year ended December 31, 2012.

It is the Chairman's responsibility to prepare, and submit to the Supervisory Board for approval, a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by Article L. 225-68 particularly in terms of the corporate governance measures.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information; and
- to attest that this report contains the other disclosures required by Article L. 225-68 of the French Commercial Code ("Code de commerce"), it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

These standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Supervisory Board in accordance with Article L. 225-68 of the French Commercial Code ("Code de Commerce").

Other disclosures

We hereby attest that the Chairman's report includes the other disclosures required by Article L. 225-68 of the French Commercial Code ("Code de commerce").

Paris-La Défense and Paris, April 8, 2013

KPMG Audit FS II	ACE – Auditeurs et Conseils d'Entreprise
French original signed by	French original signed by
Xavier Dupuy	François Shoukry
Partner	Partner

3

Analysis of the financial information as of December 31, 2012

3.1 Selected financial information

(in € million)	2012	2011	2010
Consolidated turnover	2,397.9	2,274.9	2,147.7
Gross technical result[(1)]	376.8	569.1	573.3
Net technical result	324.2	358.7	348.6
Investment income[(2)]	109.0	113.1	123.2
Current operating income	**433.3**	**471.7**	**471.9**
Non ordinary expenses	(8.6)	(8.0)	(82.9)
Operating income	**424.7**	**463.7**	**389.0**
CONSOLIDATED NET INCOME[(3)]	**300.2**	**330.3**	**294.5**

(1) Excluding non technical expenses.
(2) Excluding financing costs.
(3) Group share.

(in € million)	12/31/2012	12/31/2011	12/31/2010
Investment porfolio			
Balance sheet book value of investments[(1)]	4,129.6	3,909.7	3,754.3
Market value of investments[(1)]	4,234.7	3,918.0	3,768.0
Technical reserves			
Gross technical reserves	1,930.6	1,899.3	1,781.4
Net technical reserves	1,431.7	1,353.3	1,281.0
TOTAL ASSETS	**6,064.2**	**5,818.1**	**5,659.2**
SHAREHOLDERS' EQUITY[(2)]	**2,535.0**	**2,295.9**	**2,148.4**

(1) Including invest property, including cash.
(2) Including non controlling interests.

3.2 Key events

3.2.1 Key events of 2012

The following significant events occurred in the year 2012:

Changes in the share capital and in share ownership

As at December 31, 2012, the Allianz group owned 30,744,048 shares out of a total of 45,212,727 shares, corresponding to 68.0% of the share capital of Euler Hermes. Consequently, Euler Hermes is integrated into the Allianz consolidation scope.

During the year 2012, 53,250 new shares were created by the exercise of options. As at December 31, 2012, Euler Hermes' share capital was composed of 45,212,727 shares, including 1,261,544 shares held in treasury stock.

Creation of a joint venture with MAPFRE (Solunion)

Euler Hermes and the Spanish insurer MAPFRE have agreed a 50/50 joint-venture to develop their credit insurance business in Spain and four Latin American countries. The firms will integrate their existing credit insurance activities in Spain, Argentina, Chile, Colombia and Mexico with a consolidated turnover of €135 million based on 2011 figures.

Solunion official launch

Solunion became an official entity January 28, 2013, with the signing of the shareholders' agreement and official nomination of the Board of Management members. Solunion, jointly created by Euler Hermes and MAPFRE to offer trade credit insurance solutions in Spain and Latin America, began operations in Spain and Argentina. The Company expects to launch operations in Chile, Colombia and Mexico by mid-year. Solunion offers comprehensive trade-related credit insurance solutions and services for companies of all sizes in a wide range of trade sectors.

Follow-up on “Excellence” Project

In 2010, Euler Hermes initiated the Excellence Project for increased business efficiency. As of December 31, 2010, the impact on the accounts included a restructuring provision of €56.6 million and a restructuring expense of €15.9 million.

The project is on track and workers councils agreements have been reached in all countries in the course of 2011. As of December 31, 2011, the restructuring provision had been partially used and amounted to €45.9 million.

At end of December 2012, restructuring provision balance amounted to €30.1 million.

Relocation of headquarters and Paris-based operations in 2012

In 2012 the Group also successfully relocated its global headquarters and Paris operations in La Défense.

Transfer of building located 8, rue Euler

During the 3rd quarter 2012, the Group sold the building located 8, rue Euler in Paris.

Sale of 40% Share of Euler Hermes Real Estate to external partners

In 2012 the Group sold 40% of Euler Hermes Real Estate, the OPCI (real estate fund) created to hold the former Paris-based headquarter office, to Eurosic, PREDICA and Assurance Credit Mutuel Vie.

Creation of an insurance company in Russia

After more than five years of operating through its parent company Allianz, Euler Hermes obtained, at the end of December 2012, a license to operate in the Russian market as an insurance company.

Having obtained the license does not change Euler Hermes' relationship with Allianz Russia, as Euler Hermes remains strongly committed to working with Allianz locally.

Creation of Euler Hermes South Express located in Belgium

On November 16, 2012 Euler Hermes bought the company GLL South Express SA, a real estate company located in Belgium. The company was rebranded in Euler Hermes South Express and holds a building.

3.2.2 Key events post December 31, 2012

No significant change in the financial or trading position of the Group which could impact the assumptions of the annual closing has occurred since the end of the last financial period.

3.3 Activity report

3.3.1 Activity of Euler Hermes

Euler Hermes SA is the parent company of the Euler Hermes group. It does not conduct any commercial or industrial activities and generates the bulk of its revenues from shareholdings.

3.3.1.1 Acquisition of subsidiaries and participating interests

With the agreement of the Swiss authorities, Euler Hermes Reinsurance AG reclassified in 2012 the integrality of its organisationnal funds into available reserves.

Euler Hermes reclassified a Swiss Franc deposit into shares of participations of its subsidiary. This resulted in the financial statements in an increase of the value of Euler Hermes Reinsurance AG's shares by €11.0 million.

Besides, the number of shares remained unchanged.

3.3.1.2 Comments on the results

Net income for the year stands at €196.2 million compared with €109.2 million in 2011. The table below shows the main components of the Company's income:

(in € thousand)	2012	2011	Variation
Income from participating interests(1)	231,600	169,852	36.4%
Other net financial expenses(2)	(16,311)	(18,475)	-11.7%
Net operating expenses(3)	(47,989)	(51,579)	-7.0%
Provision for (-) or write back of (+) depreciation of treasury stock(4)	15,592	(15,592)	-200.0%
Ordinary income	**182,892**	**84,205**	**117.2%**
Exceptional items(5)	139	1,521	-90.9%
Corporation tax(6)	13,159	23,504	-44.0%
NET INCOME	**196,190**	**109,230**	**79.6%**

(1) *Revenue from participating interests increased by €62 million in 2012 compared to last year. These are dividends received from the operating entities. The dividend upstream increased in 2012, from Germany namely.*

(2) *This heading comprised mainly €10 million interest expenses on financial debt taken out with associates and €6.1 million interest charges on bank loans. Interest expenses decreased compared to last year thanks to a lower average debt, after €110 million were reimbursed to Allianz France mid 2011, and thanks to lower interest rates from mid 2012, after Euler Hermes was able to renegociate the terms of their debts with banks.*

(3) *Net operating expenses decreased by €3.6 million between 2011 and 2012. 2011, however, included a €10 million depreciation on its subsidiary EH Collection without which net expenses actually grow by €6.5 million between 2011 and 2012. This is mainly driven by higher HR expenses that are partly impacted by exceptionnal effects.*

(4) *Due to the recovery of the financial markets compared to the level of last year, the provision for depreciation of treasury stock has been released for its total amount (€15.6 million).*

(5) *This caption included in 2011 tax regularization on previous years for €1.9 million.*

(6) *Euler Hermes SA heads the tax group for French companies that are more than 95%-owned.*

3.3.1.3 Dividends

As recommended by the Group Management Board, the Supervisory Board recommends to the General Meeting that dividend should be paid in cash for €180.85 million, which corresponds to a dividend per share of €4.00.

Proposed allocation of income	2012
Source	
Retained earnings from previous year	253,498
Net income for the year	196,190
	449,688
Allocation	
Allocation to reserves	
Legal reserve	2
Special reserve for long-term capital gains	0
Total proposed dividend*	180,851
Retained earnings	268,835
	449,688

* *Total proposed dividend includes the share of dividend that relates to own shares. The Shareholders' Meeting will be proposed to credit this share of dividend to the retained earnings account at the date of dividend paiement.*

3.3.2 Performance of the Group's main geographic regions

Euler Hermes organisation is based on six geographical regions: Germany/Switzerland/Austria, France, Northern Europe, Americas, Mediterranean Countries and Africa and Asia/Pacific.

Figures presented hereunder are after intra-region eliminations but before Inter-region eliminations.

3.3.2.1 Germany/Switzerland/Austria

This region includes the direct insurance and assumed business carried out by the German companies in Germany, Austria and Switzerland.

(in € thousand)	2012	2011	Variation
Earned premiums	602,324	603,016	-0.1%
Premium-related revenues	174,627	170,150	2.6%
Turnover	**776,951**	**773,166**	**0.5%**
Net financial income	36,355	34,362	5.8%
Total revenues from ordinary activities	**813,306**	**807,528**	**0.7%**
Insurance service expenses	(387,447)	(259,096)	49.5%
Net outward reinsurance income or expenses	13,118	(86,663)	-115.1%
Other expenses	(306,549)	(302,620)	1.3%
Total operating expenses	**(680,878)**	**(648,379)**	**5.0%**
ORDINARY OPERATING INCOME	**132,428**	**159,149**	**-16.8%**
Net combined ratio	*54.7%*	*47.3%*	

Area contribution: after intra-region eliminations & before Inter-region eliminations.

Turnover increases by +0.5% in 2012. This performance is driven by service fees (premium-related revenues). Premiums are flat.

Earned premiums still included in 2011 a share of inward bonding business transferred to the Northern Europe region from 2010 onwards.

Direct business grew by +0.8% mainly driven by large multinational programs and by the lines of business outside credit insurance: bonding and fidelity.

Premium-related revenues increased by 2.6% in 2012 mainly driven by the rise of bonding fees.

The rise in financial income is essentially due to one-time realised gains in spring 2012. Returns on invested bond portfolio over 2012 were below previous year level due to lower interest rates.

Insurance service expenses increased by 49.5% in 2012. This results from higher claims on the attachement year 2012 compared to previous year. There were more large cases including German Retail Company "A. Schlecker", a bonding case named "Centhrotherm" in the solar industry and UK's Game Store Group Ltd. These three cases alone accounted for €133 million. Smaller frequency claims remained at moderate level, only slightly increasing from 2011. Current year claims have been partly balanced by strong positive run-offs on previous attachement years.

The reinsurance result is positive in 2012 as contribution from reinsurers was high on the Schlecker and Centrotherm cases so that ceded claims together with reinsurance commission exceeded ceded premiums.

Other expenses grew by 1.3% compared to last year, mostly due to a change in allocation keys between insurance and other expenses.

3.3.2.2 France

(in € thousand)	2012	2011	Variation
Earned premiums	340,071	341,898	-0.5%
Premium-related revenues	73,608	74,593	-1.3%
Turnover	**413,679**	**416,491**	**-0.7%**
Net financial income	27,211	37,169	-26.8%
Total revenues from ordinary activities	**440,890**	**453,660**	**-2.8%**
Insurance service expenses	(158,085)	(172,205)	-8.2%
Net outward reinsurance income or expenses	(29,018)	(32,433)	-10.5%
Other expenses	(162,790)	(161,226)	1.0%
Total operating expenses	**(349,893)**	**(365,864)**	**-4.4%**
ORDINARY OPERATING INCOME	**90,997**	**87,796**	**3.6%**
Net combined ratio	*44.8%*	*68.5%*	

Area contribution: after intra-region eliminations & before Inter-region eliminations.

Turnover slightly decreased by 0.7%, due to the negative contribution of insured turnover volumes resulting from the depressed economic environment and due to a decrease in limit and monitoring fees.

The financial income is lower than last year by €10 million mainly because of lower realised gains on real estate sales and decreasing revenues on bonds.

Gross claims ratio is strongly improving between 2011 and 2012, despite the deteriorated environment, thanks to strict monitoring of risks. This is reflected in the lower insurance service expenses. Less profit was ceded to the reinsurers in 2012 compared to 2011.

Ordinary operating income improved by 3.6% in 2012 as a result of an improving combined ratio compensating the decrease in revenues.

3.3.2.3 Northern Europe

This region includes the direct insurance and inward business in Northern European countries (Belgium, Netherlands, United Kingdom, Finland, Sweden, Denmark and Norway) and in Eastern Europe (Hungary, Poland, Czech Republic, Romania, Slovakia and Russia).

(in € thousand)	2012	2011	Variation
Earned premiums	449,920	429,288	4.8%
Premium-related revenues	74,646	68,143	9.5%
Turnover	**524,566**	**497,431**	**5.5%**
Net financial income	11,368	12,389	-8.2%
Total revenues from ordinary activities	**535,934**	**509,820**	**5.1%**
Insurance service expenses	(241,647)	(140,252)	72.3%
Net outward reinsurance income or expenses	(45,909)	(103,860)	-55.8%
Other expenses	(208,642)	(198,510)	5.1%
Total operating expenses	**(496,198)**	**(442,622)**	**12.1%**
ORDINARY OPERATING INCOME	**39,736**	**67,198**	**-40.9%**
Net combined ratio	*78.6%*	*60.9%*	

Area contribution: after intra-region eliminations & before Inter-region eliminations.

Turnover increased by 5.5% (2.5% at constant foreign exchange rate) due to the positive development of both premiums and premium related revenues. The increase in premiums has been triggered mainly by the historically high retention rate observed in the region and is linked to the positive contribution of insured turnover volumes, in all the countries.

Financial income is €1.0 million below than last year driven by a negative foreign exchange rate effect and by slightly lower realised gains.

Gross claims ratio all attachment years rose from 32.7% in 2011 to 53.7% in 2012. The increase by 21 points is driven by an exceptionally low level of claims last year due to the impact of write back of the HMV case reserve in 2011. Without this impact, the gross claims ratio all attachment years settles at 40.8% in 2011. The rest of the claims ratio increase is related to a higher claims' activity especially in the bonding line of business in the UK, Poland and the Netherland.

Net outward reinsurance expense came in at €-45.9 million (-55.8%) as a consequence mainly of the numerous claims in bonding, for which cession rates to the reinsurers are higher than in the traditional credit insurance business.

The increase of the other expenses is mainly triggered on the one hand by the increase of brokerage costs linked to the increase in premiums and on the other hand by a negative foreign exchange impact. At constant foreign exchange rate, the increase is only evaluated at 2.2%.

As a result of all the above mentioned effects, the ordinary operating income decreased by -40.9% in 2012.

3.3.2.4 Mediterranean countries & Africa

This region includes the direct insurance and assumed business in Italy, Spain, Greece, Morocco and Turkey. From 2012 onwards, the region also includes the Gulf Countries that were previously regrouped under Asia Pacific region.

(in € thousand)	2012	2011 proforma	2011	Variation
Earned premiums	257,981	240,175	230,281	7.4%
Premium-related revenues	63,015	57,781	54,904	9.1%
Turnover	**320,996**	**297,956**	**285,185**	**7.7%**
Net financial income	6,042	5,551	5,551	8.8%
Total revenues from ordinary activities	**327,038**	**303,507**	**290,736**	**7.8%**
Insurance service expenses	(136,597)	(106,565)	(106,030)	28.2%
Net outward reinsurance income or expenses	(36,402)	(48,226)	(43,976)	-24.5%
Other expenses	(127,347)	(124,550)	(119,629)	2.2%
Total operating expenses	**(300,346)**	**(279,341)**	**(269,635)**	**7.5%**
ORDINARY OPERATING INCOME	**26,692**	**24,165**	**21,101**	**10.5%**
Net combined ratio	*70.1%*	*73.8%*	*77.0%*	

Area contribution: after intra-region eliminations & before Inter-region eliminations.

Earned premiums increased by €17.8 million (+7.4% vs. 2011 proforma), thanks to the strong commercial growth in Turkey and in the Gulf countries and despite a slow down in the growth of Italy, caused by negative insured turnover contribution. Premium-related revenues also increased by 9.1% compared with 2011 proforma, mainly thanks to strong price increases implemented all across the region on information fees and to increasing collection fees. Turnover as a whole increased by €23.0 million (+7.7%).

Financial income rose by €0.5 million (+8.8%) despite lower interest rates and because 2011 was impacted negatively by a €2.7 million loss on Greek government bonds.

Insurance service expense was up by €30.0 million (+28.2%) compared to proforma 2011. Positive run off from previous attachement years were lower by €18 million compared to last year. Otherwise the claims ratio on the current attachment year was practically at the level of last year, below 70%, despite the depressed environment in the region and thanks to the increased vigilance on risk monitoring.

The net outward reinsurance expenses stands at €-36.4 million versus. €-48.2 million in 2011. This improvement is the consequence of higher level of ceded claims following the increase of insurance expenses mentioned above.

Other expenses increased by 2.2%, although considerably less than turnover, due to tight control on expenses.

The net combined ratio actually improved by 3.7 points mainly due to lower net costs.

3.3.2.5 Americas

This region includes all the direct insurance and reinsurance activities carried out in the United States, Mexico, Brazil, Argentina, Colombia, Chile and Canada, as well as related collection revenues.

(in € thousand)	2012	2011	Variation
Earned premiums	229,477	192,646	19.1%
Premium-related revenues	36,514	31,163	17.2%
Turnover	**265,991**	**223,809**	**18.8%**
Net financial income	10,709	9,385	14.1%
Total revenues from ordinary activities	**276,700**	**233,194**	**18.7%**
Insurance service expenses	(61,860)	(74,742)	-17.2%
Net outward reinsurance income or expenses	(59,656)	(51,621)	15.6%
Other expenses	(107,242)	(90,929)	17.9%
Total operating expenses	**(228,758)**	**(217,292)**	**5.3%**
ORDINARY OPERATING INCOME	**47,942**	**15,902**	**201.5%**
Net combined ratio	*40.2%*	*88.5%*	

Area contribution: after intra-region eliminations & before Inter-region eliminations.

Turnover increased by 18.8% for the region compared to 2011. At constant foreign exchange rate, the increase was 9.4%, with premiums increasing by 10.6% and premium related revenues increasing by 7.6%.

Financial income is the result of currency fluctuations, as this income decreased by 25% at constant exchange rate in 2012, due to declining yields.

The gross claims ratio on current attachement year remained stable compared to last year at 46.3% against 47.4% in 2011. The prior year run off increased from 8.6% in 2011 to 19.3% in 2012.

Net outward reinsurance expense increased by 15.6% due to higher premiums and lower claims ceded and despite an increasing positive contribution from reinsurance commission. In US dollars the increase is 6.1%.

The increase in other expenses followed top line growth. However, in US dollars, the growth of the expenses is only +8.3%, lower than the rise in revenues.

Ordinary operating income tripled compared to 2011 thanks to a strong growth in revenues and to an improved profitability.

3.3.2.6 Asia & Pacific

This region includes all the direct insurance and reinsurance activities carried out by branches based in Asia, Australia and New Zealand. From 2012 onwards, the region no longer includes the Gulf Countries that are now regrouped under Med. Countries and Africa region.

(in € thousand)	2012	2011 proforma	2011	Variation
Earned premiums	63,816	43,725	53,619	45.9%
Premium-related revenues	15,889	13,702	16,579	16.0%
Turnover	**79,705**	**57,427**	**70,198**	**38.8%**
Net financial income	(680)	2,050	2,050	-133.2%
Total revenues from ordinary activities	**79,025**	**59,477**	**72,248**	**32.9%**
Insurance service expenses	(44,823)	965	430	-4742.7%
Net outward reinsurance income or expenses	5,249	(18,669)	(22,919)	-128.1%
Other expenses	(44,553)	(34,680)	(39,601)	28.5%
Total operating expenses	**(84,127)**	**(52,384)**	**(62,090)**	**60.6%**
ORDINARY OPERATING INCOME	**(5,102)**	**(7,094)**	**10,158**	**-171.9%**
Net combined ratio	*125.4%*	*60.0%*	*49.6%*	

Area contribution: after intra-region eliminations & before Inter-region eliminations.

The turnover in Asia-Pacific grew by 38.8% in 2012 benefiting from strong organic growth in key markets, namely China, and from the good performance of multinational programs.

Earned premiums increased by 45.9% (ie 34% at constant rate).

Premium-related revenues increased by 16.0% reflecting the development of the engagements inside the region.

The financial income is strongly impacted by the euro fluctuation since regional policies are issued in US dollars or local currencies. Foreign exchange movements negatively contributed to the region revenues up to €-1.1 million (to be compared to €+1.7 million positive contribution of last year).

In 2012 the current year gross loss ratio was contained within 53.1%, but additional reserves, especially required after non payment notifications experienced in the solar industry in China, negatively impacted the previous years liquidation, adding another 17.1% to the overall loss ratio.

Other expenses increased by 28.5%, slower than the growth in revenues, which contributed to improve the cost profile of the region.

In spite of top line growth and cost ratio improvement, ordinary operating result was a loss of €5.1 million due to the negative run-off experienced on previous attachement years and negative impact from currency change.

3.3.2.7 Group reinsurance

Euler Hermes Reinsurance AG in Switzerland and Euler Hermes Ré in Luxembourg are the two reinsurance companies of the Group.

The figures reflect on one side the cession from the Group companies to both reinsurance companies and, on the other side, the retrocession of the premium and claims to the external reinsurance market.

They also include the reinsurance related to the non consolidated companies COSEC (Portugal), ICIC (Israel), Prisma (Austria) and OeKB (Austria).

(in € thousand)	2012	2011	Variation
Earned premiums	1,272,199	1,098,903	15.8%
Premium-related revenues	0	0	0.0%
Turnover	**1,272,199**	**1,098,903**	**15.8%**
Net financial income	24,201	20,181	19.9%
Total revenues from ordinary activities	**1,296,400**	**1,119,084**	**15.8%**
Insurance service expenses	(655,526)	(474,605)	38.1%
Net outward reinsurance income or expenses	(61,490)	(173,055)	-64.5%
Other expenses	(428,854)	(319,233)	34.3%
Total operating expenses	**(1,145,870)**	**(966,893)**	**18.5%**
ORDINARY OPERATING INCOME	**150,530**	**152,191**	**-1.1%**
Net combined ratio	*82.8%*	*75.7%*	

Area contribution: after intra-region eliminations & before Inter-region eliminations.

The growth in earned premiums (+ 15.8%) is due to higher cessions from EH World Agency and from EH France to the reinsurance subsidiaries. This change in cession is the result of the harmonization policy of the cession rates among the operational entities, which started in 2008. The main part of this turnover is eliminated at Group level in the consolidated financial statements. The non-consolidated inward business grew by 6.5%, to €65 million.

There is no "premium related revenues" hence these are not subject to internal nor external reinsurance.

The net financial income increased by 19.9% and amounts to €24.2 million in the total revenues. This increase is mainly the result of the increasing portfolio base linked to positive cash flows generated from the assumed business. Within the volatile environment of the financial markets and the low interest rate environment, the focus was to secure the capital base and to diversify the investments.

The growth in turnover and financial income led to a 15.8% increase in revenues from ordinary activities.

The insurance service expenses continued to grow, reflecting mostly the claims pattern observed in the operational entities. At the same time, the reinsurance commissions earned went up due to the very low level of claims ceded over the previous years. These factors reduced the positive margin ceded to the external reinsurance market.

The profit ceded to external reinsurers captured in the net outward reinsurance expense line went down as the entities ceded proportionally more claims than they did in 2011, namely on Schlecker, and they were paid more reinsurance commission linked to the past attachementr years.

The other expenses mainly include the reinsurance commissions paid to the ceding companies according to the proportional reinsurance treaties (quota-share). These are eliminated in the consolidated financial statements. The average commission rate paid to the ceding companies went up in 2012 due to adjustments linked to previous years' assumed business which turned out to be very profitable. This explains a higher growth in other expenses (34.3%) than in earned premiums (15.8%).

The Ordinary Operating Income shows a profit of €150.5 million, slightly below 2011 (-1.1%) with higher revenues but compensated by an increase in the net combined ratio coming from higher claims losses.

3.3.3 Performance of the Group's business

Consolidated turnover consists of premium income, comprising earned premiums generated by direct insurance and assumed business, and service revenues, premium-related or not.

Premiums

Credit insurance policies are designed to cover the risk of non payment by the policyholder's customers.

The premiums are based mainly on our policyholders' sales or their outstanding customer risk, which also depends on their sales.

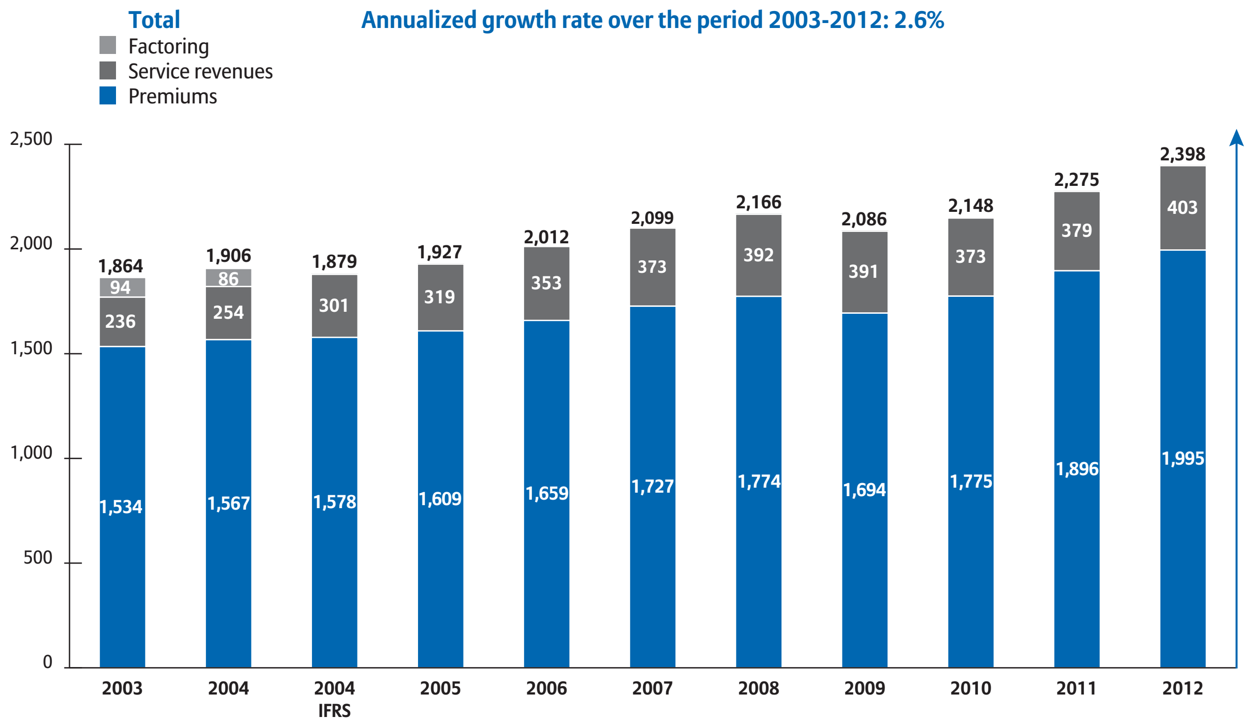
Service revenues

Service revenues consist mainly of two types of service fees: information and collection fees.

- *Information fees:* these consist of billings for research and analysis carried out to provide our policyholders with the required credit insurance cover, and of amounts billed for monitoring the solvency of their customers. All these revenues are directly related to our credit insurance business and Euler Hermes does not sell services offering access to business solvency information to third parties that are not policyholders;
- *Collection fees:* these correspond to the amounts billed for debt collection services provided to policyholders and to companies that are not policyholders.

3.3.3.1 Consolidated turnover

- **CONSOLIDATED TURNOVER *(in € million)***



This year again, turnover increased to reach a new historical hight in 2012 at €2,397.9 million, up by 5.4%.

3.3.3.2 Consolidated turnover per region

Turnover (in € million)	**2012**(1)	**2011**(2)	**Variation**(1)/(2)	**2011**(3)	**Variation**(1)/(3)
Region					
Germany, Switzerland, Austria	777.0	773.2	0.5%	771.1	0.8%
France	413.7	416.5	-0.7%	416.5	-0.7%
Northern Europe	524.6	497.4	5.5%	515.5	1.8%
Med. Countries & Africa	321.0	298.0	7.7%	298.2	7.6%
Americas	266.0	223.8	18.8%	243.0	9.4%
Asia-Pacific	79.7	57.4	38.8%	65.2	22.3%
EH Reinsurance + others(4)	16.0	8.6	NA	8.8	NA
EULER HERMES GROUP	**2,397.9**	**2,274.9**	**5.4%**	**2,318.2**	**3.4%**

Group contribution: after Inter-region eliminations & intra-region eliminations.
(1) Turnover with geographical reclassification (average rate December 2012).
(2) Turnover with geographical reclassification (average rate December 2011).
(3) Turnover with geographical reclassification at constant exchange rate.
(4) EH Reinsurance + Corporate entities + Inter-region eliminations.

2012 turnover amounts to €2,397.9 million, 5.4% above last year and 3.4% at constant exchange rate.

New production reached a record level of €286 million, ie +6% versus last year.

Retention reached also a record level of 92%, as market incertainties increased the risk awareness and demand for the product. Rate variation was slightly negative on average for the Group in 2012. Rate decreases in fast growing markets were almost compensated by rate increases in more difficult environments such as the Mediterranean countries. There was almost no contribution of increasing insured turnover volumes on the existing portfolio, contrary to 2011 when that contribution was +8% on the total premiums' growth. Insured turnover volumes were particularly sluggish in core European markets.

Global growth was mostly driven by markets outside Europe: Americas, Asia (especially China), Russia, Turkey, the Gulf countries.

3.3.3.3 Breakdown of turnover between premium income and related revenues

(in € thousand)	2012	2011	Variation in amount	Variation
Premiums	1,995,074	1,896,146	98,928	5.2%
Other revenues	402,822	378,776	24,046	6.3%
TOTAL CREDIT INSURANCE TURNOVER	**2,397,896**	**2,274,922**	**122,974**	**5.4%**

EH group generated €1,995 million of premiums in 2012, up 5.2% against last year. At constant foreign exchange rate, growth was still solid (+3.3%).

Service revenues increased faster than premiums, at +6.3% against last year. Information fees grew in line with premiums but collection fees grew faster, following the increasing number of claims and covered amounts.

3.4 Consolidated results

Information regarding the financial statements is consistent with recommendations from ESMA (European Securities and Markets Authority, former CSER) referenced 27 to 32.

The claims ratio is defined as the cost of claims relative to earned premiums after deduction of rebates granted to policyholders.

The expense ratio is defined as the sum of the contract acquisition expenses, administration expenses, other underwriting income and expenses minus premium-related revenues, relative to earned premiums after deduction of rebates granted to policyholders. Other non-technical income and expense is excluded from the cost ratio (with the exception of buildings used for operations).

3.4.1 Earned premiums

(in € thousand)	2012	2011	Variation
Gross earned premiums	1,995,074	1,896,146	5.2%
Ceded premiums	(650,744)	(675,751)	-3.7%
Net earned premiums	**1,344,330**	**1,220,395**	**10.2%**
Cession rate	32.6%	35.6%	

Gross earned premiums rose by 5.2% but net earned premiums grew faster at 10.2% reflecting the decrease in premium ceeded to reinsurers, on the quota share treaties.

3.4.2 Cost of claims

(in € thousand)	2012	2011	Variation
Gross claims costs	(1,049,787)	(786,358)	33.5%
Ceded claims costs	354,250	235,504	50.4%
NET CLAIM COSTS	**(695,537)**	**(550,854)**	**26.3%**
Gross Claims ratio	**52.6%**	**41.5%**	
Net Claims ratio	**51.7%**	**45.1%**	

Gross claims costs current year are at €1,049.8 million, higher by 33.5% compared to 2011.

The gross claims ratio all attachment years increased by 11.1 points between 2011 and 2012, with half of the increase being attributable to three large claims (Schlecker, Centrotherm and Game Plc). The other half of the increase is linked to the increase in claims' frequency in 2012, compared to 2011 that was still a year of low claims' activity.

The net claims ratio increased by 6.6 points between 2011 and 2012. 2.6 points are linked to the three cases mentionned above for which the Group had an effective reinsurance cover, and the remaining of 4.0 points is linked to the worsening claims environment, mostly in Northern Europe.

3.4.2.1 Cost of claims on current attachment year

(in € thousand)	2012	2011	Variation
Gross claims costs current attachment year	(1,322,829)	(1,086,391)	21.8%
Ceded claims costs current attachment year	418,465	322,754	29.7%
NET CLAIM COSTS CURRENT ATTACHMENT YEAR	**(904,364)**	**(763,637)**	**18.4%**

	2012	2011 Proforma
Region		
Germany, Switzerland, Austria	78%	52%
France	61%	65%
Northern Europe	67%	57%
Med. Countries & Africa	69%	69%
Americas	46%	47%
Asia-Pacific	53%	48%
GROSS CLAIMS RATIO CY	**66%**	**57%**

Area contribution: after intra-region eliminations & before Inter-region eliminations.
2011 proforma: Gulf countries are included in the region Med. Countries & Africa and not in the region Asia-Pacific anymore.

Three large claims (Schlecker, Game Plc. and Centrotherm) impacted the gross claims current year level for a total of €135 million, on a total of 1,323 million at end of 2012. They thus represent 6.8 points of the 2012 gross loss ratio, which settles at 66.3%.

The three cases accounted for 22% the claims ratio on current attachement year in the region Germany. France and the Mediterranean regions both had lower claims ratios on current atachement year than in 2011. Northern Europe suffered from higher losses in Poland and from few medium size claims in bonding.

3.4.2.2 Net run off

(in € thousand)	2012	2011	Variation
Gross claims costs previous attachment years	273,042	300,033	-9.0%
Ceded claims costs previous attachment years	(64,215)	(87,251)	-26.4%
NET CLAIMS COSTS PREVIOUS ATTACHMENT YEARS	**208,827**	**212,782**	**-1.9%**

Gross run-offs are positive and amount to €273 million, slightly lower than last year at €300 million. The economic environment in 2012 turned out to be better than anticipated in the closing 2011, hence the positive run off in almost all regions, except Asia.

Net run-offs amounted to €209 million, as retention of positive run-offs improved between 2011 and 2012.

3.4.3 Operating expenses

In € thousand	2012	2011 proforma	2011	Variation amount	Variation %
HR expenses	506,093	473,507	473,507	32,586	6.9%
Brokerage	240,231	217,672	217,672	22,559	10.4%
IT & Communications	48,050	46,527	77,255	1,523	3.3%
Facilities & Occupancy	56,915	48,598	48,598	8,318	17.1%
Audit, Tax, Legal & Consulting fees	64,066	63,433	32,705	634	1.0%
Agency, Marketing & Advertising	16,915	15,540	15,540	1,375	8.8%
Other non recurring expenses	1,449	–			
Representation & Other Travel Expenses	23,969	20,304	20,304	3,665	18.0%
External information & collection expenses	58,338	63,188	63,188	(4,850)	-7.7%
Other Operating Expenses	57,261	54,375	54,375	2,886	5.3%
GROSS EXPENSES BY NATURE	**1,073,287**	**1,003,143**	**1,003,143**	**70,145**	**7.0%**
Claims Handling Operating Expenses	(77,320)	(65,885)	(65,885)	(11,435)	17.4%
Investment Management Expenses	(11,111)	(9,877)	(9,877)	(1,234)	12.5%
Change in market value amount	(3,976)	–			
Gross Operating Expenses	**980,881**	**927,380**	**927,380**	**53,501**	**5.8%**
of which non technical expenses	9,559	7,879	7,879	1,680	21.3%
TOTAL GROSS TECHNICAL EXPENSES	**971,322**	**919,501**	**919,501**	**51,821**	**5.6%**
Service fees	(402,822)	(378,776)	(378,776)	(24,046)	6.3%
Reinsurance commission	(253,502)	(237,751)	(237,751)	(15,751)	6.6%
Net technical expenses	**314,997**	**302,974**	**302,974**	**12,023**	**4.0%**
Gross technical expense ratio	**28.5%**	**28.5%**	**28.5%**	**0.0 pts**	
Net technical expense ratio	**23.4%**	**24.8%**	**24.8%**	**-1.4 pts**	

Proforma 2011: reclassification of IT consulting fees from "IT & Consulting" into "Audit, Tax, Legal & Consulting fees"

The gross technical expenses increased by 5.6%, corresponding to a +€51.8 million compared to 2011.

- HR expenses, were €32.6 million (+6.9%) higher than in 2011. At constant exchange rate, the increase was of 5.4%, reflecting conventional salary increases, higher bonus accruals linked to the reevaluation of stock based compensation plans, higher pensions and costs related to management changes at regional and headquarters levels. In accordance with the objective of the Group in the Excellence project, staff remain nearly stable.
- Brokerages increased by 10.4% following the increase of premiums. The increase was stronger than the increase in premiums as the Group is growing on the multinational segment, which is typically brokered and in areas where the business is fronted.
- Facilities and occupancies increased by €8.3 million. The increase corresponded to the rent of the headquarter office in la Défense. This cost is going to be compensated in financial income when the former headquarter building will be rented.
- Consulting fees increased by €0.6 million due to the Solvency 2 project.
- Agency, marketing & advertising expenses increased by €1.4 million (+8.8%) mostly due to the rebranding campaign (Euler Hermes is the Group single brand throughout the world from 2012 onwards).
- Travel expenses increased by €3.7 million (+ 18%) as a consequence of more clients' visits as part of the customer centricity initiative in Excellence. The increase is also due to international projects ran in 2012: follow-up on the legal restructuring and on the joint venture with MAPFRE.

Gross operating expenses grew by 5.8%, which is 0.6 point higher than the increase in premiums. However since service revenues are reintegrated in the cost base and grew faster than the expenses, the gross expense ratio is at the same level as last year.

However the net technical expense ratio is 1.4 point below last year thanks to a higher reinsurance commission linked to both a higher rate and positive liquidations on previous attachement years.

3.4.4 Ordinary operating income before financial income

Ordinary operating income before financial income reached €324 million in 2012 against €359 million last year. This decrease is fairly modest given market conditions in the Group core European markets. This performance was achieved thanks to the constant vigilance in risk monitoring.

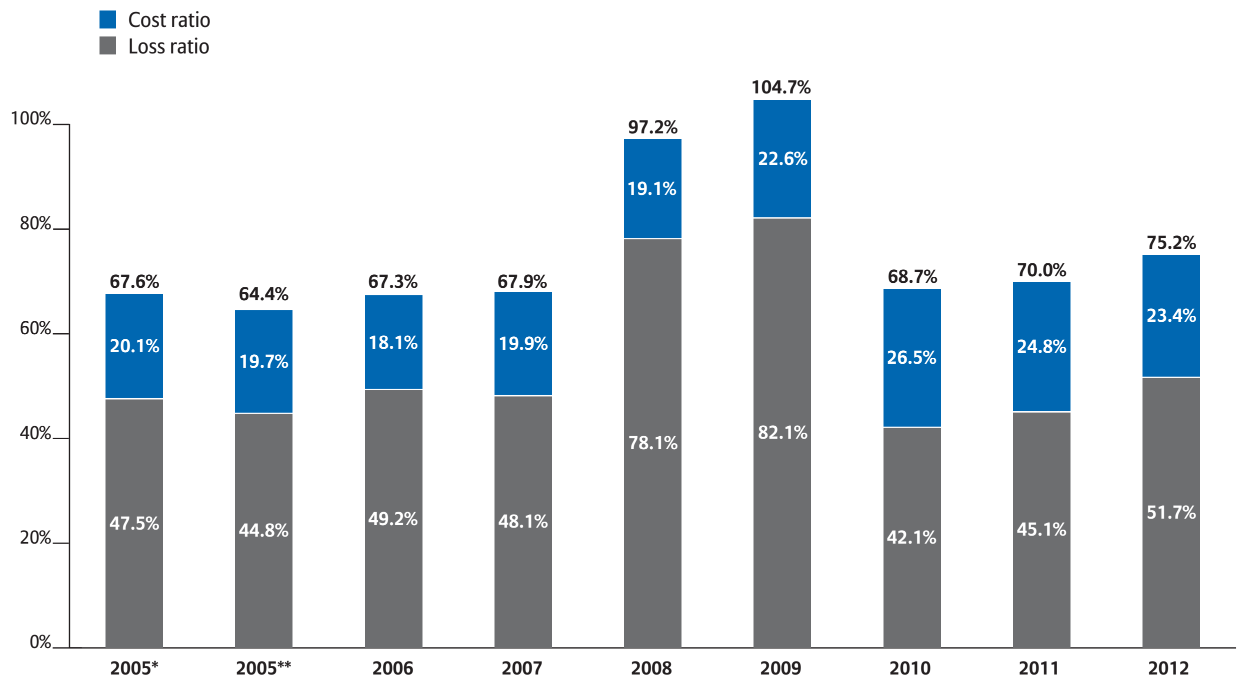
(in € thousand)	2012	2011	Variation
Net earned premiums	1,344,330	1,220,395	10.2%
Net claims costs	(695,537)	(550,854)	26.3%
Net techincal expenses	(314,997)	(302,974)	4.0%
Other non technical charges	(9,559)	(7,879)	21.3%
ORDINARY OPERATING INCOME EXCLUDING FINANCIAL INCOME	**324,234**	**358,688**	**-9.6%**
Net combined ratio	**75.2%**	**70.0%**	

3.4.5 Net combined ratio

The net combined ratio after reinsurance equals to 75.2% for 2012, up by 5.2 point compared to 2011.

The increase reflects the increasing loss ratio by 6.6 points, partially balanced by the improvement of the cost ratio by 1.4 point.

NET COMBINED RATIO AFTER REINSURANCE (IN % OF NET EARNED PREMIUM)



* *Historical data.*
** *New definition (rebates deducted from premium, non technical expense excluded).*

3.4.6 Financial markets

Global economic growth kept on slowing down in 2012 with a 2.4% growth, against 3.9% growth in 2011.

Despite this sluggish environment, American and Japanese economies reacted well, achieving growths above 2%. The United States benefited from accommodating budgetary and monetary policies, Japan from Fukushima aftermath.

On the opposite, the eurozone entered recession. However, although some predicted its split, the European Central Bank (ECB) interventions allowed to avoid a systemic crisis. Mario Draghi first wiped out the banks liquidity crisis threat by creating three-year term LTRO (Long Term Refinancing Operations). He led the markets back to confidence on sovereign debts with the setup of a new financing mechanism (OMT – Outright Monetary Transactions) and with a new budget governance policy (fiscal compact treaty).

However, for the first time since 1948, the Eurozone had to face the default of one of its countries (Greece).

On the political side, the past year was also impacted by the presidential elections in the United States and in France, as well as by the renewal of the Chinese political bureau.

Bonds

Thanks to central banks' massive cash injections and optimistic communications, bond markets performed well.

Despite the S&P downgrade of several Eurozone countries, including France, rates strongly decreased. Hence, the French 10-year bonds reached a 2% yield by the end of the year, versus 3.15% at the beginning of January. This downswing benefited to the core countries of the Eurozone (Germany, the Netherlands, France, Finland, Austria, etc.). By fall, some of them could even borrow at negative interest rates on 2-year maturities.

Following monetary policies decisions and progress on new institutions (European Stability Mechanism & European banking union), peripheral countries could also benefit from those downward rate adjustments over the second semester. Italy 10-year rate decreased from 7.11% to 4.5%. Only Spain did not follow this trend as rates increased from 4.97% to 5.27%. Investors were skeptical on the new government policies.

Decrease of interest rates also influenced the credit markets, which in addition benefited from the spread decrease with sovereign debts. This announced confidence renewal and higher return demands.

Monetary policy

Central banks maintained their massive quantitative easing policies as well as their smoothing monetary policies. The ECB thus lowered its refinancing rate to 0.75%, a level that had never been hit since the creation of the central bank.

Same tone in the United States where M.Bernanke declared at the end of the year that he would maintain a zero interest rate policy as long as the unemployment rate would remain higher than 6.5%, provided that the inflation did not exceed 2.5%.

This led to extremely low level of money market rates, the Euro monetary reference, the Eonia decreased over the year from 0.63% to 0.13%, while the 3-month Euribor return went from 1.36% down to 0.19%.

In the UK, the decrease was spectacular too with 3-month libor offering a 0.52% return at the end of the year, compared to 1.08% a year ago.

Shares

After a 2011 negative year, global stock markets went up again in 2012. The MSCI World Index rose by 13.8%, versus a decrease by -8.8% last year.

Except in Spain, trends went up in all the Eurozone markets. The Eurostoxx was up by 15.5% over the year.

The American markets also followed the same trend as the S&P 500 Index rose by 11.5%.

The sustainability policies settled by the central banks did convince the markets. Moreover, in this cash rich environment, the valuation levels, the returns offered and the regulatory constraints relaxing announced by the regulators were upward factors.

Foreign Exchange

Although in 2011 investors wanted to be protected against the risk of a Eurozone break-up and were thus defiant towards Euro, the past year was relatively stable on the Foreign exchange markets.

US dollar as well as some shelter currencies like the Swiss franc and the yen, slightly depreciated. Euro ended the year at a value of USD 1.32, which is a 1.8% increase.

Commodities

Demand for precious metals allowed the ounce of gold to increase by 6.8%, reaching USD 1,675. On the one hand, gold benefited from the continuous demand from Asian investors, on the other hand, from accommodating monetary policies, gold playing its role of shelter value in inflationary as well as in deflationary periods.

The Brent crude oil was lifted by the American economic recovery, by geopolitical tensions as well as by the European embargo and American sanctions against Iran. The Brent ends at USD 111.1, a yearly increase of 4%.

3.4.7 Financial income

The financial income stands at €109.0 million to be compared with €113.1 million in 2011.

Given that a large share of the investment portfolio is invested in fixed income assets and that yields have decreased sharply in 2012, almost maintaining the financial income is a performance, and this was achieved thanks to diversification and to a slightly increased duration.

Putting aside foreign exchange effects, financial income reached €109.8 million at the end of December 2012, €0.7 million lower than the previous year's one.

The slight decrease is mostly attributable to lower revenues due to the decrease in the interest rates and to higher investment expenses for €1.2 million. Both were almost completely balanced by higher net realized gains and losses than last year for €2.9 million.

Net unrealized gains increased by €75.2 million, even after the realized gains made for €22.9 million, most of them are related to the bond portfolio (from €44.7 million to €117.4 million) and is due to lower yields.

(in € thousand)	2012	2011	Variation
Income from investment property	*902*	*1,170*	*-22.9%*
Income from securities	*73,404*	*72,866*	*0.7%*
Other financial income	*24,445*	*27,032*	*-9.6%*
Investments income	98,751	101,068	-2.3%
Investment expenses	(11,786)	(10,545)	11.8%
Net FX result	(831)	2,499	-133.2%
Net gains and losses on sales of investments less impairment and amortisation	22,907	20,029	14.4%
NET FINANCIAL INCOME (EXCLUDING FINANCING EXPENSE)	**109,041**	**113,051**	**-3.5%**

At end-December 2012, the market value of the Group's investment portfolio increased by €317 million to €4,235 million, after deduction of €194 million dividends paid in June.

Taking into account the capital gains realised for €22.9 million and the overall evolution of the markets, unrealised capital gains however increased by €172.1 million to €235.3 million, corresponding to 5.6% of the investment portfolio.

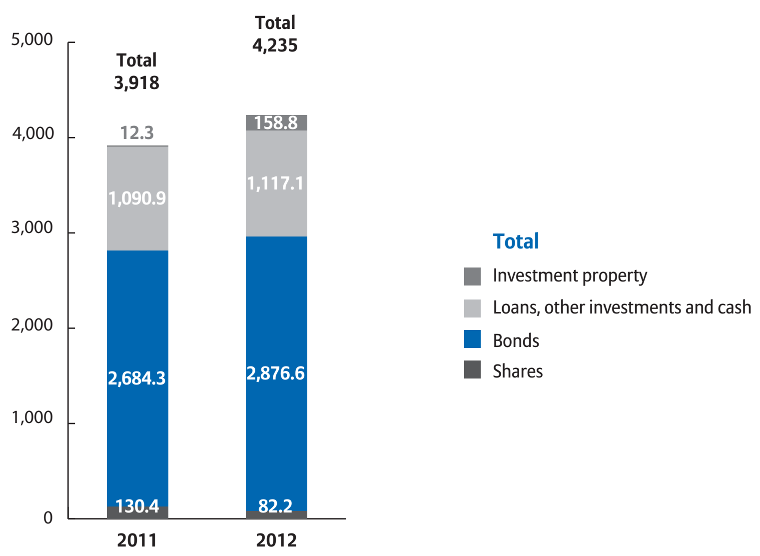
This increase of the market value is driven by lower yields environment, increasing the unrealized reserve gain on bonds portfolio by 72.7 million.

Transfer of the former headquarter building into the financial portfolio furthermore largely contributes to the €105 million of unrealised gain on real estate property. These are not included in the financial statements.

Loans are essentially made of Pfandbriefe in Germany for €477 million and of deposits for more than 3 months (€253 million).

	December 31, 2012					December 31, 2011				
(in € million)	Amortized cost	Unrealized gain reserve	Net book value	Market value	Unrealized gains and losses	Amortized cost	Unrealized gain reserve	Net book value	Market value	Unrealized gains and losses
▪ Shares	69.4	12.7	82.2	82.2	–	120.2	10.2	130.4	130.4	–
▪ Bonds	2,759.2	117.4	2,876.6	2,876.6	–	2,639.5	44.7	2,684.3	2,684.3	–
▪ Loans and other investments	808.7	–	808.7	808.7	–	743.6	–	743.6	743.6	–
Total financial investments	**3,637.4**	**130.2**	**3,767.5**	**3,767.5**	–	**3,503.4**	**54.9**	**3,558.3**	**3,558.3**	–
Buildings third party use	–	–	**53.7**	**158.8**	**105.2**	–	–	**4.0**	**12.3**	**8.3**
Cash	–	–	**308.4**	**308.4**	–	–	–	**347.3**	**347.3**	–
TOTAL	–	–	**4,129.6**	**4,234.7**	**105.2**	–	–	**3,909.7**	**3,918.0**	**8.3**

▪ INVESTMENT PORTFOLIO (IN € MILLION) – MARKET VALUE AS AT DECEMBER 31, 2012



3.4.8 Ordinary operating income

The ordinary operating income decreased by 8.2% between 2011 and 2012, driven by a less favourable claims environment and by a negative foreign exchange impact in the financial income. It remained very solid in a context where insolvencies were high in the market, thanks to cautious underwriting.

(in € thousand)	2012	2011	Variation
Technical result	324,234	358,688	-9.6%
Financial income net of expenses	109,041	113,051	-3.5%
ORDINARY OPERATING INCOME	**433,275**	**471,739**	**-8.2%**

3.4.9 Consolidated net income

After non ordinary items, financing expenses, income from equities, and corporation tax, consolidated net income is at €300 million, compared to €330 million at end of December 2011.

(in € thousand)	2012	2011	Variation
Ordinary operating income	**433,275**	**471,739**	**-8.2%**
Other non-ordinary income and expense	(8,616)	(8,030)	7.3%
Financing expenses	(13,598)	(17,075)	-20.4%
Income from companies accounted for by the equity method	14,038	17,037	-17.6%
Corporation tax	(120,592)	(130,166)	-7.4%
Minority interests	(4,262)	(3,238)	31.6%
CONSOLIDATED NET INCOME	**300,245**	**330,267**	**-9.1%**
Tax rate	**28.4%**	**28.1%**	

Euler Hermes recorded in its financial statements non ordinary expense for a global amount of €8.6 million, of which mostly €21.2 million restructuring expenses linked to Excellence and Blue Europe project, €3.3 million related to a depreciation of the goodwill of Euler Hermes UMA, which is nearly compensated by a release of provision on Excellence for €16.5 million.

Financing expenses amounted to €13.6 million, lower by €3.5 million compared to 2011. The decrease in the financing costs was first due to lower average endebtment in 2012, after reimbursement of the €110 million loan to Allianz Belgium in 2011, and secondly to lower interests on debt to banks after they have been renegociated in June 2012.

Corporation tax amounted to €121 million over 2012, to be compared to €130 million in 2011. Tax rate observed for 2012 was higher than last year by 0.4 point, reflecting a less favourable pre tax profit mix between countries.

3.5 Cash and capital

The information contained in this section is a complement to the sub-section 5.4 "Consolidated statement of cash flows" and to the Note 12 "Cash and cash equivalents" of the Notes to the consolidated financial statements in sub-section 5.6 of this document.

Cash position of the Group decreased by €38.9 million compared to end of 2011 and amounts to €308.4 million as at December 31, 2012. Main variations impacting the cash variation of the Group between December 31, 2011 and December 31, 2012 are the following:

- cash flow from operating activities had a positive impact of + €308.2 million for a Group share net result of + €300.2 million;
- at €-140 million at end of 2012, cash flow from investing activities correspond to the net investments made over 2012, mainly in the bonds portfolio;
- dividends payment to shareholders decreased the cash position for €-194 million.

At end of December, 2012, liquidities are principally held in euros, as the Company's main area of business is the euro zone.

3.6 Financing

3.6.1 Borrowing conditions

The information contained in this section is a complement to Note 17 "Borrowings" of the Notes to the consolidated financial statements in sub-section 5.6 of this document.

Loans held by Euler Hermes SA as at December 31, 2012 were taken out under the following terms after renegotiation in 2012:

- a five-year loan of €125 million from Credit Agricole. The loan expires on June 18, 2015 and has an annual fixed interest rate of 1.885%. Euler Hermes SA has the option to reimburse all or part of this loan;
- a five-year loan of €125 million loan from HSBC France. The loan also reaches maturity on June 18, 2015 and has an annual fixed interest rate of 1.885%;
- a ten-year loan of €135 million from Allianz Belgium. The loan reaches maturity on June 24, 2020 and has an annual fixed interest rate of 4.04%.

On the first two loans mentioned above, the interest rate may be adjusted according to the external rating of Euler Hermes as follows:

Rating of Standard & Poor's or equivalent agency	Applicable interest rate
AA- or higher rating	1.885% a year
A+	1.885% a year
A	1.985% a year
A-	1.985% a year
BBB+ or lower rating	2.785% a year

The third loan is also subject to an interest-rate adjustment clause tied to Euler Hermes' rating, as follows:

Rating of Standard & Poor's or equivalent agency	Applicable interest rate
AA-	4.04% p.a.
A-	4.04% + 15 bp p.a.
BBB+ or lower rating	4.04% + 90 bp p.a.

3.6.2 Sources of financing

The Company did not make any firm commitment for major investments in 2012, notably with regard to external growth, which could require establishing new sources of financing.

3.7 Consolidated shareholders' equity and adjusted capital

3.7.1 Consolidated shareholders' equity

As at December 31, 2012, consolidated shareholders' equity amounts to €2,535 million compared to €2.296 million at the end of 2011. The table below describes the main changes in shareholders' equity during the year.

(in € thousand)	Capital stock(1)	Additional paid-in capital(1)	Retained earnings(2)	Revaluation reserve(3)	Other: Translation reserve(4)	Other: Treasury stock	Shareholders' equity, Group share	Minority interests	Total shareholders' equity
Shareholders' equity as at December 31, 2011 – IFRS	**14,451**	**454,536**	**1,879,323**	**32,666**	**(25,543)**	**(77,556)**	**2,277,877**	**18,002**	**2,295,879**
Available-for-sale assets (AFS)	–	–	–	–	–	–	–	–	–
Measurement gain/(loss) taken to shareholders' equity	–	–	–	92,120	–	–	92,120	(243)	91,877
Impact of transferring realised gains and losses to income statement	–	–	–	(32,223)	–	–	(32,223)	273	(31,950)
Other variations	–	–	–	442	–	–	442	–	442
Impact of translation differences	–	–	–	(230)	3,722	–	3,492	(20)	3,472
Net income recognised in shareholders' equity	**–**	**–**	**–**	**60,109**	**3,722**	**–**	**63,831**	**10**	**63,841**
Net income for the year	–	–	300,245	–	–	–	300,245	4,262	304,507
Total revenues and losses recognised for the period	**–**	**–**	**300,245**	**60,109**	**3,722**	**–**	**364,076**	**4,272**	**368,348**
Capital movements	17	2,347	–	–	–	15,621	17,985	48,259	66,244
Dividend distributions	–	–	(191,706)	–	–	–	(191,706)	(2,272)	(193,978)
Shareholders' equity component of share-based payment plans	–	–	–	–	–	–	–	–	–
Other movements	–	–	(1,495)	2	–	–	(1,493)	–	(1,493)
Shareholders' equity as at December 31, 2012 – IFRS	**14,468**	**456,883**	**1,986,367**	**92,777**	**(21,821)**	**(61,935)**	**2,466,739**	**68,261**	**2,535,000**

(1) As at December 31, 2012, Euler Hermes' share capital is composed of 45,212,727 fully paid in shares, including 1,261,544 treasury shares. 53,250 new shares were created as the result of the exercise of stock options in 2012. The share premium of Euler Hermes SA increased consequently by €2.3 million.

(2) Over 2012, retained earnings vary by the net income of the year €300 million (excluding minority interests), minus the dividend paid by Euler Hermes SA dividend to its shareholders for €192 million (excluding minority interests).

(3) In accordance with IAS 39, available for sale securities were restated at fair value through the revaluation reserve without any impact on the income statement. The increase in the revaluation reserve for the period was €60.1 million net of tax and is related to the decrease of interest rates which had an impact on the value of the bonds' portfolio.

(4) The change in translation differences for the year (€+3.7 million) relates mainly to the US dollar, for an impact of €-6.0 million, the British pound for €+5.9 million, and the Swedish kron for €+2.2 million.

3.7.2 Adjusted capital

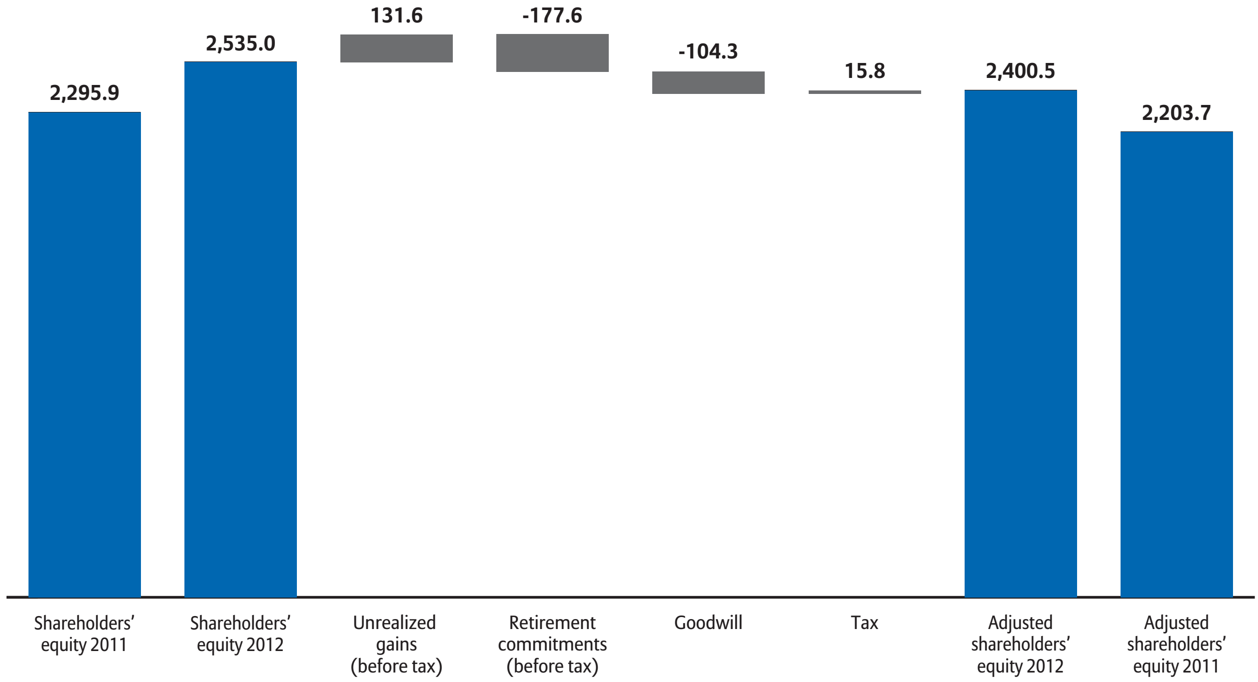
The Group's adjusted capital after tax corresponds to its consolidated shareholders' equity after adjusting for the following:

- unrealised gains on assets not recognised at fair value (mainly investment property and property used in the Group's operations);
- retirement commitments (IAS 19 corridor);
- goodwill;
- tax effect on unrealised capital gains and retirement commitments.

Adjusted capital after tax amounted to €2,400.5 million versus €2,203.7 million at end-2011, corresponding to an increase of 8.93%. This is the result of:

- the evolution of the shareholder's equity mentioned in paragraph 3.7.1;
- an increase in non-amortised actuarial differences on retirement commitments.

ADJUSTED CAPITAL AFTER TAX – DECEMBER 31, 2012 (IN € MILLION)

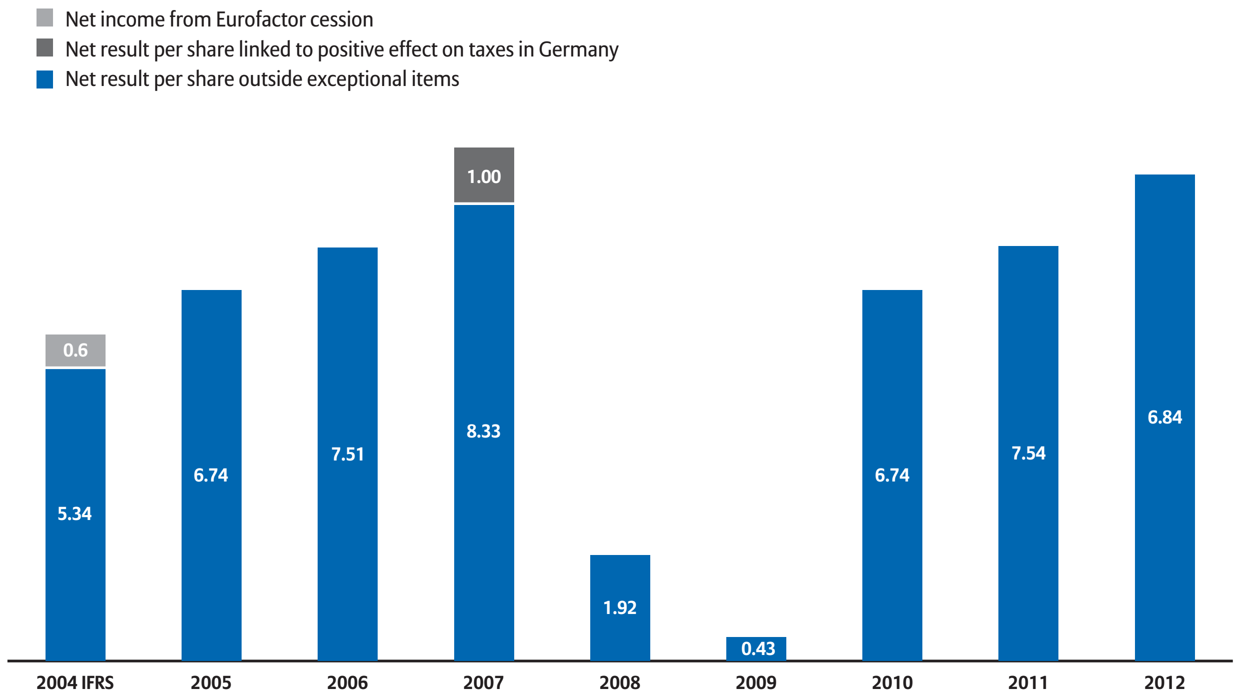


3.8 Creation of value for the shareholder

3.8.1 Earnings per share

Earnings per share is €6.84 in 2012, versus €7.54 in 2011.

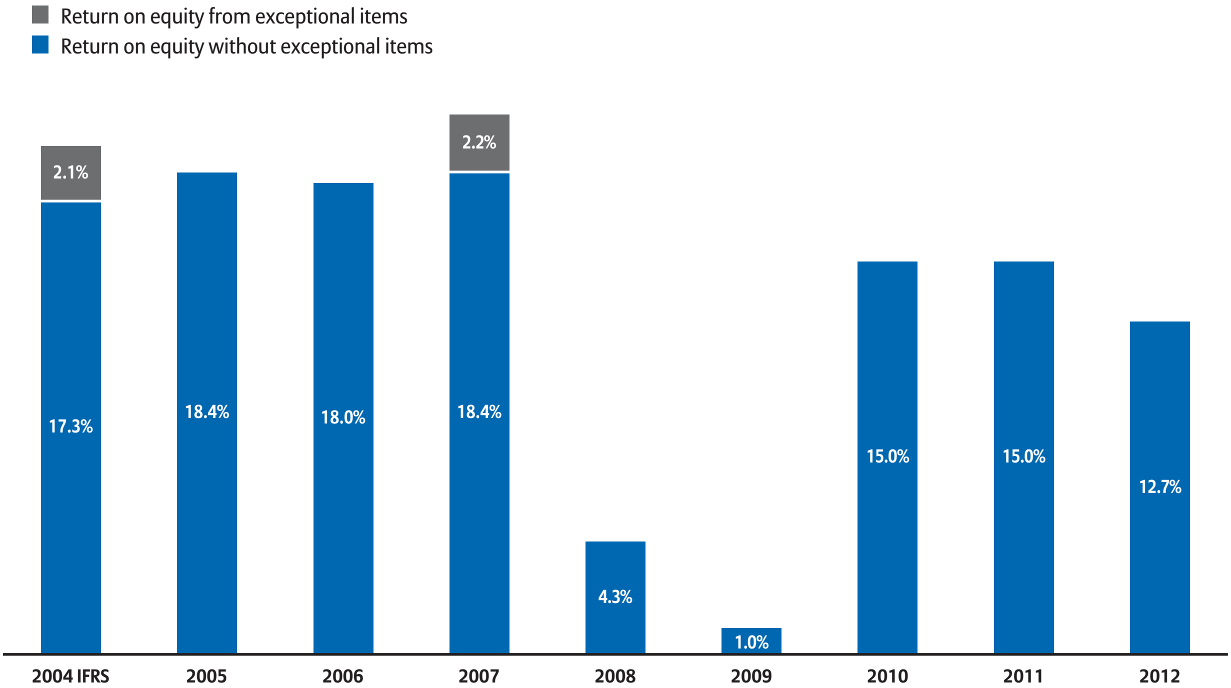
NET RESULT PER EULER HERMES SHARE (IN €)



3.8.2 Return on equity

The return on equity in accounting terms[1] equals to 12.7%, 2.3 points below last year.

■ **RETURN ON EQUITY (IN %)**



3.8.3 Return on allocated capital

As a member of the Allianz group, Euler Hermes uses the concept of return on allocated capital as an indicator of performance and of the creation of shareholder value. This indicator measures the surplus value created by the Company's operations in relation to the cost of the capital allocated to those operations.

The operating contribution of the activity is measured using the method applied in the Allianz group. Basically, this method consists in deducting the opportunity costs of surplus capital from the actual net income.

Total capital allocated to the business amounted to €2,102 million in 2012. The return on allocated capital is 14.0%, below last year by 3.1 points.

(in € thousand)	2012	2011
Net income, Group share	300,245	330,267
Opportunity cost of surplus capital after tax	(6,626)	(6,568)
OPERATING CONTRIBUTION OF ACTIVITY	**293,619**	**323,699**
Allocated capital (based on S&Ps quotation A)	2,101,553	1,888,957
Return on allocated capital	**14.0%**	**17.1%**

(1) Calculated on the basis of net income, Group share relative to the average of shareholders' equity (excluding minority interests) Group share between end-December 2011 and end-December 2012.

3.9 Trends and outlook

3.9.1 Trends

Review of 2012: Second consecutive year of global growth deceleration

The world economic growth slowdown extended into 2012, but at a higher pace than in 2011. Indeed, in 2012 global growth lost 0.5pp (to 2.4% in 2012), mainly due to an increase in the pace of the growth deceleration in the emerging countries (-1.1pp compared to 2011 to 4.7%) as well as the return in recessionary territory of the eurozone economies. Although economic slowdown in the advanced economies remained muted (-0.1pp) the meagre economic performance (+1.2%) reveals persistent marked disparities: on the one hand, the United States and Canada continue to show decent performances (respectively at +2.2% and +1.8%) while Japan faced headwinds early and late in the year (+1.9%) and the eurozone felt back into recession (-0.5%).

Given the broad economic slowdown, world trade growth continued to decelerate in 2012 (to +2.2% after 5.8% in 2011). Indeed, the ongoing downward adjustment of domestic demand in the advanced economies on the back of the austerity measures and the pronounced slowdown of the emerging economies kept global industrial production at weak levels (to +3.4% after 5.4% in 2011).

In the eurozone, 2012 will be remembered as a difficult year economically, socially and politically. Indeed, the fall back in recession and the acceleration in the deleveraging process, both in the public and private sector, have increased social and political risks. At the same time, 2012 would also have to be recognized as the year of crucial progress in terms of eurozone governance; further integration and mutualisation (Greek PSI and OSI, ESM ratification, ECB OMT, agreement on the banking union) that has helped restore market confidence in the strength and the unity of the eurozone.

For the United States, 2012 was the year of a good economic performance (2.2%) despite difficulties on the political front. Indeed, the electoral year with the elections of a new President and Congress last November has delayed decisions in terms of fiscal cliff. At end-2012 pressure was growing as the deadline for the automatic spending cuts and tax increases was imminent while a compromise was still missing. The risk of a return in recession of the global economy was very high as a 'no compromise' for the fiscal cliff would have constitute the largest budgetary adjustment in the country's history (i.e. 4.6% of GDP compared to 3.0% in 1969 and around 2.0% in 1986). However, resolution of the "fiscal cliff" came at the last minute while automatic spending cuts under sequestration (USD85 billion, less than 3% of the federal budget) took effect on March 1. Although negociations are expected to continue, upcoming dates (debt ceiling to be reached in mid-May) contribute to even more uncertainty.

Outlook for 2013-2014: The gradual recovery is underway, but only starting with H2 2013. Worse scenarios are plausible but less likely at present

Leading indicators continue to point to a sluggish economic growth in the first half of 2013, notably in the advanced economies and in particular in the eurozone. Despite the temporary resolution of the US fiscal cliff and the recent rebound of the Chinese activity, global growth would continue to be capped in 2013 (at +2.4% the same pace as in 2012) by the ongoing fiscal consolidation in the eurozone and the uncertainty surrounding the debt ceiling resolution in the United States.

Nevertheless, a gradual moderate pick up in the global activity is expected in the second half of the year on the back of still very accomodative monetary policies and the implementation of fiscal stimulus packages in the major emerging economies. Further, the pace of the fiscal consolidation in the eurozone should soften in the second half of the year that could prove supportive (although moderately) for consumption and investment. Finally, the ongoing adjustment of several imbalances in the eurozone (notably in terms of competitivity in the peripheral countries) and the structural and institutional ongoing reforms should start to progressively bear the fruits.

We thus expect global growth to resume in 2014 at +3.2% mainly thanks to the emerging economies that will contribute nearly 2.2pp in 2014 (60% of total). China will remain the largest contributor to global growth although economic performance remains below pre-crisis levels given the production overcapacity issues and inflationary pressures due to an expansionary monetary policy (+8.0% in 2013 and +8.2% in 2014). Economic growth will accelerate in Brazil in 2013 and 2014 (to +3.0% and +3.8%) thanks to supportive expansionary policies implemented since 2011. India will also benefit from a rebound in growth in 2013-14 (to +6.5% and +7.0%), although growth is likely to remain much below pre-crisis 8% annual expansion rates. Finally, Russia will continue to register decent growth rates (at +3.8% in 2013 and +4.0% in 2014) thanks to still supportive oil prices and resilient consumers.

But, the eurozone will continue to struggle (-0.3% in 2013) and divergence between the countries will persist: Germany will continue to grow, but at a lower pace (+0.7% in 2013), France would remain in stagnation (+0.1% in 2013) while Italy, Spain, Portugal and Greece will persist in recession (at respectively -1.2%, -1.5%, -2.2% and -4.1%). In 2014 however, the recovery should start to be more visible (+1.2%).

After strong adverse effects that almost halved growth in 2012, economic growth in Eastern European countries will regain momentum in 2013 and 2014 (at respectively +2.9% and +3.4%) as lower inflation will allow monetary easing while some countries have already made good progress in terms of fiscal consolidation.

Economic growth in Africa and Middle East will bounce back only in 2014 (+4.8% in Africa and +4.0% in Middle East) after a slowdown in 2013 (+4.6% in Africa and 2.3% in Middle East) on the back of prevailing geo-political tensions. Latin American countries will register a moderate pick-up in growth (+3.3% and +3.8% in 2014) but the region will continue to face headwinds from global demand and volatility in commodity prices as well as political uncertainty in Argentina and Venezuela.

Lastly, Japan's growth should remain moderate in both 2013 and 2014, but to be firmier this year (+1.0% vs. +0.9% in 2014) on the back of a more aggressive easing in monetary policy set to overcome deflation and sustain economic growth. Further, the fiscal stimulus announced at start 2013 by the new government (USD117 billion) should contribute to a growth boost in the short term.

To conclude, global economy shows indeed some signs of recovery starting in H2 2013, but several challenges remain, notably regarding the political agenda. Indeed, the (geo) political risk will mark the agenda in 2013. First, in the United States, all eyes are on the debt limit deadline on May 19 whereas a government shutdown could not be excluded. In this context, investors' confidence is likely to remain under pressure and the regain of investment could take longer than initially expected. Second, in the eurozone, all eyes will be on the Italian political situation post legislative elections and the upcoming German elections, but also on the evolution of the integration process in the eurozone, recently dampened by the anti-European statements in the United Kingdom. Finally, on the (geo) political side the Iranian elections in June 2013 and the ongoing political conflicts in Africa could also be major downside risks to the global production cycle (effect on the global supply chain and the oil prices). On top of this, the management of the excess liquidity could prove challenging in the medium term. Indeed, since the onset of the crisis, the accumulated excess liquidity will continue to increase the size of capital flows to emerging countries and fuel volatility in their exchange rates. Thus the risk of a resurgence of strong inflationary pressures is skewed on the upside in the medium term and could undermine the strength of the global recovery.

Trends in corporate insolvencies

The fall in business insolvencies registered at a worldwide level in 2010-2011 reversed in 2012 (+1%) and could gather momentum in 2013 (+4%), according to data available at start 2013.

The decrease in corporate insolvencies, following the worldwide surge in the wake of the 2008-2009 crisis (with a +57% leap between 2007 and 2009), was to be short-lived and limited in scale (-9% over 2010 and 2011 combined). The decline in global activity and world trade that began in 2011 and continued into 2012 quickly brought with it a trend break. Over the full year of 2012, the Euler Hermes Global Insolvencies Index (GII) is expected to record a +1% rise, slightly lower than initial expectations (+3%).

The two major expected trends were confirmed in 2012: (i) on the one hand, a decline in insolvencies, slightly more rapid than expected, for the Americas (-12%), where the rise in insolvencies in Brazil (+32%, after -6% in 2011) has been more than offset by pronounced falls in the United States (-13%) and Canada (-10%), and for the Asia region (-3%), despite a few exceptions (Singapore, Australia, Taiwan); (ii) on the other hand, a rise in insolvencies in Europe, slightly less pronounced than expected yet significant for France (+2%), Northern Europe (+4%) and, especially, Mediterranean countries (+22%, after +17% in 2011 and +1% in 2010) – Germany (-1%) and the United Kingdom (-6%) are the main exceptions.

Thus, at end-2012, the annual volume of corporate insolvencies still exceeds the average level observed between 2000 and 2007 – before the crisis – in more than half of the countries in our coverage universe: the peripherical countries (Greece, Ireland, Italy, Portugal and Spain), France and its regional peers (Belgium, Netherlands, Luxemburg, Switzerland), emerging European countries, the United Kingdom and the United States.

For 2013, the weak macroeconomic forecasts suggest no overall improvement on the cards. On the contrary, forecasts for insolvencies have been adjusted slightly upwards for all the world's regions in the last quarter of 2012, with the exception of Asia (-1 pp) where insolvencies could nevertheless slightly pick up (+2%), albeit from a low level. In the Americas, the decline in insolvencies will continue at only half the pace of 2012, with the negative trend in Brazil continuing (+15%). In Europe, a return to growth promises at best to be either belated, in particular in the eurozone, or too small and patchy to give rise to any visible effects on the corporate fabric from 2013. Only four countries are likely to escape a rise (or stabilization) in insolvencies: the United Kingdom, Norway, Switzerland and, after seven years of rapid increase, Portugal. The rise in insolvencies is now expected to reach +2% in Northern Europe (+4 pp) and, above all, +19% in Southern Europe (+1 pp).

All in all, our Global Insolvencies Index is likely to record another increase in 2013 (+4%), for the second year in a row, with the number of insolvencies once again far higher than the 2007 low, albeit without returning to the record level of 2009. As for 2012, this forecast is mainly the consequence of depressed demand in the advanced economies and of the prolonged rationing of credit to finance business. For the Euler Hermes sample countries as a whole, this should represent more than 347,000 insolvencies, versus 363,800 in 2009 (last peak) and less than 265,000 in 2007 (last low).

3.9.2 Outlook

2013 is unlikely to see a strong improvement in the European economic situation. If there is any, recovery will be mild and will not occur before the second half of the year.

Just as in the past two years, Euler Hermes expects that the demand for credit insurance coverage will remain strong in Europe as companies will be willing to protect their assets and their cash flows. In addition, as in 2012, Euler Hermes should also benefit from the contribution of its growth markets (Brazil, China, Middle East, Russia United States and Turkey), This should allow Euler Hermes to sustain the good level of new business and retention generated in 2012.

Moreover, as uncertainties persist in the market the Group should be able to offset the rate pressure in growing markets by rate increases in the most difficult European markets.

Euler Hermes' premium development is also correlated to the variation in the insured turnover volume. As a result, although organic growth should remain strong, the slow economic growth will impact the insured turnover volume negatively, therefore the Group expects its top line growth to be milder compared to the +5% posted in 2012.

The Group has set up a permanent risk monitoring program for its portfolio, with specific monitoring for large risks and fragile sectors and countries. Proactive risk management enables Euler Hermes to witness a relatively low increase in insolvencies on its portfolio. In 2012, the net claims ratio was slightly above 50% which is however not sustainable in the long run.

Reinsurance is also key for managing the capital required to cover the Group's business. Euler Hermes has put in place effective risk coverage for major claims by limiting the impact of a large claim to a maximum of 5% of its net equity.

On the cost side, the "Excellence" program is on track and should allow the Group to improve its net cost ratio by a further 1 point in 2013.

Euler Hermes' bond portfolio will continue to be the main contributor to its financial income in 2013. In a context of very low investment yields, the Group will seek to maintain its financial income to the level of 2012 by further diversifying its portfolio into real estate and slightly increasing the portfolio duration. Capital gains will exceed the level of 2012 as capital gains have been generated from the sales of the Spanish and Latin American entities to Solunion, the joint-venture with MAPFRE.

The economic environment remains difficult, and the Group anticipates a slight increase in insolvencies in most European markets. However, Euler Hermes has proven to have effective risk management tools and governance, has reinforced its reinsurance protection and is expected to yield further productivity gains from its business transformation process. This should allow Euler Hermes to mitigate the impact of a continued slowdown and generate good financial results once again in 2013.

4

Major risk factors and their management within the Group

4.1 Risk factors

Euler Hermes draws readers' attention to the risks described below. These risks are liable to have a material impact on the Group's operations, consolidated net income, financial position, share price, solvency margin or ability to achieve expected results.

The description of risks provided below is not exhaustive. Other risks and uncertainties that are currently unknown or regarded as minor could, in the future, significantly affect our business, financial position, consolidated net income, cash flows or share price.

The risks described below are inherent to the nature of the Group's operations and its economic, competitive and regulatory environments. In view of the numerous contingencies and uncertainties associated with these risks, management is not always able to quantify their impact accurately. However, to prevent, detect and manage risks on an ongoing basis, Euler Hermes has implemented numerous risk management processes, procedures and controls. These processes, like any control and monitoring system, cannot be regarded as an absolute guarantee. Rather, they offer a reasonable assurance of security in respect of operations and of control over results.

The Risk Management organization is described in sub-section 4.2 of this Registration Document. In cases where the risks described in sub-section 4.1 may have measurable financial consequences or potential for significant liabilities, these factors are reflected in the Group's consolidated and combined financial statements, in accordance with the applicable IFRS accounting standards. The risks described below are classified on the basis of their origin. This presentation aims to reflect management's current views on the potential consequences of each risk to the Euler Hermes group. While management devotes significant resources to Risk Management on an ongoing basis, as described in sub-section 4.2 of this document, 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 all risks described in sub-section 4.1 or all losses potentially caused by these risks.

4.1.1 Risk factors related to insurance operations

The prevailing and future economic environment

By its nature, Euler Hermes' activity is directly related to economic activity.

Today's challenging economic environment has various effects, some of which may conflict with each other:

- a decline in premium income stemming from a downturn in economic activity, leading to a reduction in policyholder revenues – used as the basis for calculating the insurance premium – or a loss of policies (termination of unprofitable policies by Euler Hermes, failure of policyholders, termination by policyholders);
- a potential increase in premium income resulting from new policies (new policyholders seeking coverage of their client receivables or existing policyholders extending their coverage), or from rate increases;
- an increase in the frequency of claims and a possible increase in the severity of claims.

To address this risk, Euler Hermes acts in three ways to reduce the sensitivity of its results to the economic environment:

- more precise monitoring of limits granted, aimed at limiting the losses borne jointly by policyholders, reinsurers and Euler Hermes;
- diversification of sector and geographical risks;
- product diversification through the introduction of services showing less correlation with movements in economic activity.

Ongoing difficult economic conditions may have a negative impact on Euler Hermes' net income, financial strength, solvency margin, share price and, potentially, reputation.

Given the eurozone situation, the large proportion of Euler Hermes' business generated in Europe could increase this risk. However, Euler Hermes has taken measures to reduce its exposure to the eurozone situation. In particular, Euler Hermes' portfolio no longer includes any bonds issued by Southern European governments.

The occurrence of natural or human disasters, and the consequences of emerging and inherently unpredictable risks

The proliferation of weather events worldwide, not to mention other risks such as acts of terrorism, explosions, the emergence and spread of pandemics or the impact of future climate change could, in addition to their immediate damage and impact, have a material impact on insurers' operations as well as their current and future results.

While past experience shows that such events have little impact on the Group's results, Euler Hermes cannot rule out the possibility that such events could affect its net income in the future.

Procedural failure or regulatory change affecting the process of underwriting insurance risks

The management of credit-insurance risk and bonding 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 receivables-related risks. During the period of insurance, all requests for insurance cover on a given customer are analyzed by applying specific solvency criteria (financial analysis, prior claims) to the customer in question. Cover is then issued on the basis of the risk profile of the commercial transaction associated with the request.

Credit-insurance risk management processes are based on analyzing the solvency of the policyholder's customer using all information gathered.

This analysis involves the following elements:

- the possibility of gathering or purchasing information about our policyholders' customers;
- the correct functioning of a centralized information system gathering information and requests for cover;
- the establishment and consistent application of written rules governing the analysis of information gathered and decisions on requests for cover;
- the enforcement of these rules at two levels: by a central team tasked with this purpose and by the internal audit function.

A failure of one of the processes or tools in place, or change in the statutory or regulatory requirements under which such operations are carried out, could have an impact on net income or financial strength. They could also lead to statutory or regulatory fines. Lastly, they could have consequences on the Group's reputation.

The possibility of recording losses in the event of that assumptions used to determine insurance reserves materialize

Determining insurance reserves, including reserves for premiums not yet written or reserves for un-notified claims, is based on inherently uncertain elements derived from assumptions about future changes in factors that may be (i) economic, demographic, social, legislative, regulatory, financial, or (ii) linked to the conduct of the policyholder or its customer.

The use of these numerous assumptions involves a significant amount of evaluation on the part of the Group's governing bodies and changes in these assumptions may affect the level of reserves, with a negative impact on Euler Hermes' net income, financial position, solvency margin and valuation.

Failure of reinsurers, higher reinsurance costs or reduced capacity of reinsurers in the credit-insurance market

The theoretical exposure granted by Euler Hermes is not based solely on the Group's available capital.

The theoretical exposure is based on the fact that some of the claims arising from this exposure will be transferred to external reinsurers through purchases of reinsurance covering a given fiscal year.

It should be borne in mind that the act of transferring some of the risks borne by Euler Hermes to reinsurance companies does not release it from its obligation to indemnify its policyholders.

In concrete terms, Euler Hermes is subject to the following risks:

(i) the insolvency of one of its reinsurers;

(ii) the inability to purchase reinsurance treaties at acceptable prices.

Euler Hermes has implemented management rules to assess the solvency of its reinsurers and ensure the proper diversification of such transfers. Nevertheless, it is possible that one or more reinsurers may no longer be able to meet its commitments, leading to a rise in Euler Hermes' own losses.

In addition, reinsurance capacity and the pricing of reinsurance treaties depend on prevailing economic conditions, and can vary substantially. As such, Euler Hermes may have difficulty purchasing reinsurance at acceptable prices.

The materialization of one of these risks could have a long-term effect on affect the Group's activity, net income and solvency margin.

4.1.2 Risk factors related to the capital markets, the soundness of the credit rating, the valuation of assets and other related aspects

Risks related to the investment portfolio

The risks described below could, if they materialize, have negative impacts on current and future turnover, net income, cash flows, financial position and, in some cases, the Euler Hermes share price.

I. Interest rate risk

As its portfolio is invested primarily in bonds (national, supranational and, to a lesser extent, corporate), Euler Hermes is subject to interest rate risk.

During periods of declining interest rates, the risk is that the portfolio's average interest rate could fall (reinvestment being made at lower rates) or that the portfolio duration could increase (making the portfolio more susceptible to future changes in interest rates).

During periods of rising interest rates, the risk is that the market value of the bond portfolio could decline, possibly resulting in unrealized losses.

Euler Hermes has implemented an asset management policy aimed at minimizing these risks, including asset-liability management factoring in all local constraints.

II. Equity market risk

As part of its portfolio is invested in equities (or equity equivalents), Euler Hermes is exposed to a decline – whether short- or long-term – in the equity markets. This could result in Euler Hermes having to record unrealized losses or asset impairments.

Euler Hermes has implemented an asset management policy aimed at selecting high-quality issuers and diversifying risk in this asset class.

III. Real-estate risk

Euler Hermes is exposed to real-estate risk via the buildings housing the Group's operations, as well as its investment properties.

The risk is that market values may fall, thereby reducing the unrealized capital gains on these buildings or requiring the Group to record unrealized losses.

IV. Counterparty risk

Losses due to the failure of financial institutions and third parties, including potential defaults on or the restructuring of sovereign debt, the impairment of invested assets and unrealized losses could all affect the value of the Group's investments and reduce profitability.

Euler Hermes has implemented management rules to diversify risk (geographic as well as sector) and to reduce the risk of default by investing in counterparties boasting robust financial health.

The downgrading of ratings reflecting capacity to settle claims or financial strength

Ratings related to the capacity to settle claims and financial strength have become increasingly 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, the Group's current ratings are subject to change.

In a financial crisis and given the deterioration in financial markets in recent months, some rating agencies have downgraded their outlook on the insurance industry, and have cut their ratings on an increasingly large number of companies. However, Standard & Poor's AA- rating on Euler Hermes has remained unchanged, although its outlook has been cut to negative.

A ratings downgrade – actual or potential – and, more importantly, a fall in the rating below AA, 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) raising the cost of reinsurance;

(v) limiting its access to sources of funding and/or increasing the cost of such funding;

(vi) imposing the need to provide additional guarantees for certain contracts;

(vii) having an adverse impact on relations with creditors or trading counterparties;

(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.

Exchange rate fluctuations

Euler Hermes is exposed to exchange rate fluctuations due to:

- the presence of subsidiaries outside the eurozone. The Group's main subsidiaries outside the eurozone operate in US dollars, pounds sterling and Swiss francs;
- the granting of limits by a subsidiary in a currency that is not the said subsidiary's reporting currency.

As of December 31, 2011, 32.2% of the Group's turnover was generated outside the eurozone.

To reduce its exposure to exchange rate fluctuations, Euler Hermes applies the congruence principle (matching of assets and liabilities denominated in a currency other than that used to keep accounts).

Moreover, Euler Hermes does not invest in foreign currencies for speculative purposes.

Lastly, the Euler Hermes group does not use hedging instruments to protect against exchange rate fluctuations.

Market conditions, changes in accounting principles and/or other factors that could affect the carrying value of goodwill

The Group's accounting principles and policies, along with the analysis of intangible assets (including goodwill) are set out in notes 2, 3 and 4 in the notes to the consolidated financial statements (sub-section 5.6).

Changes in the business and in the market may affect the value of goodwill recognized in the consolidated balance sheet, the amortization of deferred acquisition costs (DAC) and the value of business in force (VBI), and the valuation of deferred tax assets.

A deterioration in the operating performance of the companies or in market conditions could lead to faster amortization of DACs or VBI and/or reduce assets, thereby reducing consolidated income, and weaken the Group's financial position.

4.1.3 Risk factors within the Euler Hermes group

The reliance of the Euler Hermes SA holding company on its subsidiaries to cover its expenses and dividend payments

As a holding company, Euler Hermes SA does not have its own activity. All insurance and service activities are carried out by its subsidiaries. As such, Euler Hermes SA is dependent on the dividends paid by its subsidiaries, and on other funding sources, to meet its expenses, including the payment of dividends and interest on its debt.

Due to the various risk factors described in this section, Euler Hermes may receive a reduced dividend or no dividend from some of its subsidiaries, or may need to provide some of them with significant financial support in the form of loans or capital contributions, and this could significantly impact its liquidity and its ability to pay dividends.

Euler Hermes group's subsidiaries and the Group are subject to a certain number of legal and regulatory constraints which restrict the use of capital and in particular the dividend payments.

In particular, each of the legal entities and the Group must maintain a minimum solvency margin calculated in respect of national regulations and for some of them a minimum level of equalization reserve.

As of December 31, 2012 and subject to the approval of the local regulators, all the Group's companies will comply with regulatory requirements.

In the case where a Group's subsidiary would go below the regulatory requirements, an action plan would be implemented in order to reach an appropriate situation. This action plan could rely on changes in risk policies, changes of reinsurance conditions or changes in the shareholding structure.

The Group's financial department, in connection with the subsidiaries' financial departments, monitors the risks resulting from potential regulatory restrictions and the implementation of new solvency policies and in particular Solvency II in Europe, SST in Switzerland and SMI in the United States.

Estimates made by the Group and its governing bodies

Determining the amount of reserves and impairments is based on periodic assessments and estimates of the known and inherent risks of each underlying event. These assessments and estimates are revised as conditions change or as new information becomes available.

The Group's governing bodies, in the light of this information and in accordance with the principles and methods set out in the consolidated financial statements (*see Note 2 "IFRS recognition and measurement rules" in the notes to the consolidated financial statements*), analyze, assess and regularly make decisions based on their assessment of the causes and consequences of changes affecting the previous estimate of what constituted an adequate level of reserves and impairments.

However, Euler Hermes cannot guarantee that its governing bodies have correctly estimated the level of impairments and reserves recorded in the financial statements, or that any additional impairments or reserves will not adversely affect the Group's net income and financial position.

A slowdown in the growth of the Group's operations

Growth observed in recent years, both organic and acquisition-driven, may, despite the strategic expansion objectives of the governing bodies, not continue or may not be in line with expectations, mainly due to challenging conditions in the financial markets, the capital markets and changes in economic conditions.

Euler Hermes has taken initiatives to enter new markets either by expanding its existing credit-insurance business in new geographical areas in which the Group was not previously present or where its earlier presence was only marginal, or in the form of new products related to credit insurance, such as debt recovery for third parties.

Maintaining high levels of expansion could also be made more difficult by changes in existing regulations or tax laws.

If the Group is unable to capitalize on its innovative products or its partnerships and new methods of distribution, to deploy them within the Group or develop them in line with its objectives, this could adversely affect the growth of Euler Hermes' business.

The diversity of the countries in which Euler Hermes operates

Euler Hermes markets its products and services in Europe, North and South America, Asia, Turkey, Russia and some African countries through various legal structures and distribution channels, including majority- or minority-owned subsidiaries, partnerships, joint ventures, agents, independent brokers and so forth.

The diversity of the Group's international presence exposes it to very different and often widely fluctuating economic, financial, regulatory, commercial, social and political environments, which could potentially affect demand for its products and services, the value of its investment portfolio or the solvency of its local business partners.

The successful implementation of the Group's overall strategy may be hampered by the environment in some countries in which Euler Hermes operates, with adverse effects on the Group's net income and financial position.

Existence of unexpected liabilities relating to discontinued operations and expenses relating to other off-balance sheet commitments

Euler Hermes may occasionally retain insurance and reinsurance liabilities or other off-balance sheet commitments stemming from the sale or liquidation of various activities, or be required to provide guarantees and undertake other off-balance sheet transactions.

If the existing reserves for such obligations and liabilities are insufficient, the Group may have to record additional charges that may impact its net income significantly.

For more information, *see Note 33 of the Group's consolidated financial statements relating to commitments given and received*.

Operational failures or inadequacies

Euler Hermes' activity is based very heavily on its processes and information systems.

As such, Euler Hermes makes considerable efforts to maintain and modernize its information systems and the efficiency of its processes. In particular, Euler Hermes ensures that its processes and information systems are consistent with industry, regulatory and technological standards and with the preferences of its policyholders.

However, Euler Hermes is exposed to operational risks that are inherent to the Group's business and which may be of human, organizational, material or natural origin, or result from other events within or outside the Group. This operational risk may materialize in various ways, mainly through interruptions or failures of information systems used by the Group; errors, fraud or malice on the part of its employees, policyholders or intermediaries; non-compliance with internal and external regulations; and intrusion into information systems.

While Euler Hermes strives to achieve better management of all of these operational risks in order to limit their potential impact, they could result in financial losses, a deterioration in the Group's liquidity, disruption of its activity, regulatory sanctions or damage to its reputation.

4.1.4 Risk factors related to the competitive or regulatory environment

A highly competitive environment

Euler Hermes operates in a highly competitive market, in which other players are sometimes subject to different regulations, use multiple distribution channels and offer more competitive prices than those of the Group. In addition, several products offer an alternative to credit insurance and widen the coverage possibilities available to customers.

In view of this competitive pressure, Euler Hermes may need to adjust the prices of some of its products and services or its policy for underwriting risks, which could affect its ability to maintain or improve profitability and adversely affect its net income and financial position.

Reinforcement of and change in regulations at the local, European and international levels

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' range of insurance products.

Implementation of the Solvency II directive and the solvency regime in Switzerland

To implement the Solvency II directive, Euler Hermes has developed a project structure under the authority of the Group's Chief Financial Officer and Chief Risk Officer.

As part of this project, Euler Hermes has decided to implement an internal model in conjunction with its major shareholder in order to model all of its individual risks, bearing in mind that the standard formula does not adequately represent the Group's risk profile, especially in respect of credit insurance.

At the time of writing, Euler Hermes could not be certain that its internal model would obtain approval from the regulators supervising the Group. In the event that its internal model is not approved, the application of the standard formula laid down under Solvency II might take Euler Hermes' solvency margin below the level consistent with its risk profile, thereby requiring the Group to carry out a capital increase and possibly resulting in reputational risk.

Moreover, as the implementing legislation has not yet been finalized, a number of choices have been made in preparation for implementing the directive.

Given major uncertainty about the date and scenario for implementing the Solvency II directive, Euler Hermes has worked with its major shareholder to take decisions about the scope of the directive and the pace of implementation.

There is uncertainty as to the validity of these decisions, potentially resulting in additional costs when the final version of the directive and its implementing legislation are implemented, or regulatory sanctions if Euler Hermes is late in implementing the said texts.

The same uncertainty exists for the Group's reinsurance company in Switzerland as regards the local solvency regime (the Swiss Solvency Test), particularly in terms of obtaining authorization to use an internal model to estimate certain components of this company's solvency margin.

Change in tax laws and regulations at the local, European or international levels

Changes in tax legislation in the countries in which Euler Hermes operates could have an adverse effect on the Group's operations, cash flows and net income.

Furthermore, such changes in tax laws and regulations, or lower-than-expected or irregular operating performances, could cause significant changes to the Group's deferred tax assets, leading to a reduction in the value of some tax assets or preventing their use.

This situation could have a material adverse impact on Euler Hermes' net income and financial position.

Potential changes to international accounting standards

Euler Hermes' consolidated financial statements are drawn up in accordance with international accounting standards as adopted by the European Union. International accounting standards comprise IFRSs (International Financial Reporting Standards) and IASs (International Accounting Standards), together with their interpretative texts. *See Note 2 "IFRS recognition and measurement rules" in the notes to the consolidated financial statements*.

Plans to amend existing standards are being considered by the International Accounting Standards Board (IASB), some of which may have a significant impact on the financial statements of insurance companies and financial institutions. These potential changes could concern the recognition of both the Group's assets and liabilities, and its income and expenses in the consolidated income statement.

The impact of such changes is difficult to assess at this stage, but would be liable to affect Euler Hermes' net income and financial position.

The variety of legal systems in the countries in which the Group operates

In recent years, Euler Hermes has accelerated its international expansion in countries in which judicial and dispute resolution systems involve sometimes different timeframes from those that exist in Europe or the United States. As such, Euler Hermes may find it difficult to take legal action or enforce rulings. In such a situation, the possible legal implications could affect the Group's operations and net income.

4.2 Quantitative and qualitative appendices relating to risk factors

4.2.1 The risk management organization

The Risk Management function

The responsibilities of the Risk Management function are as follows:

- to identify, measure and take part in the management of financial, insurance and operational risks;
- to define and monitor the Group's appetite for these risks and to strengthen the risk-reporting process, risk limits and decision-making processes, with reference to four aspects, i.e. revenue, value, capital and liquidity;
- to calculate the economic capital related to operations. Economic capital is calculated using an internal model, and responsibility for developing this model is shared between the Group – for risks associated with the insurance business – and the major shareholder for all other risks;
- to carry out the approval process with supervisors in preparation for Solvency II and the Swiss Solvency Test;
- to build a favorable environment in terms of models/indicators/standards, but also in respect of the business culture of the various business lines, in order to ensure that risks are consistent with the risk appetite validated locally by the Group;
- more broadly, to take all action necessary to provide an effective "second line of defense" on all risks.

To fulfill these missions, the team is fully independent. While it has no operational function, it is closely associated with the Group's management and decision-making processes. It relies on other Group functions, at both the Group and local levels, and in particular the commercial, underwriting limits, claims management and financial resources functions.

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

The organization of the Risk Management function

Risk Management is organized around three pillars:

1) Euler Hermes' senior management:

- defines and implements the business strategy under delegation from the Supervisory Board and/or the Group Management Board,
- defines and develops internal controls and the framework of the Risk Management function,
- ensures that activity is consistent with the defined risk appetite.

Senior management relies on various committees to carry out its tasks, including:

- the Risk Committee,
- the Investment Committee,
- the Reinsurance Committee,
- the Sales Committees,
- the Risk Underwriting Committees.

2) Risk Management, which is tasked with:

- defining and implementing the Risk Management system within the organization, particularly the risk governance rules,
- ensuring that all the Group's legal entities comply with these rules.

The Risk Management function is led by a Chief Risk Officer, who reports to the Chief Financial Officer.

The Chief Risk Officer and his/her team act independently and have no operational responsibilities.

The Risk Management function works closely with the Compliance function and the Actuarial department;

3) the internal audit function:

– independently and objectively verifies that all processes implemented as part of Risk Management are properly defined and implemented, and suggests improvements.

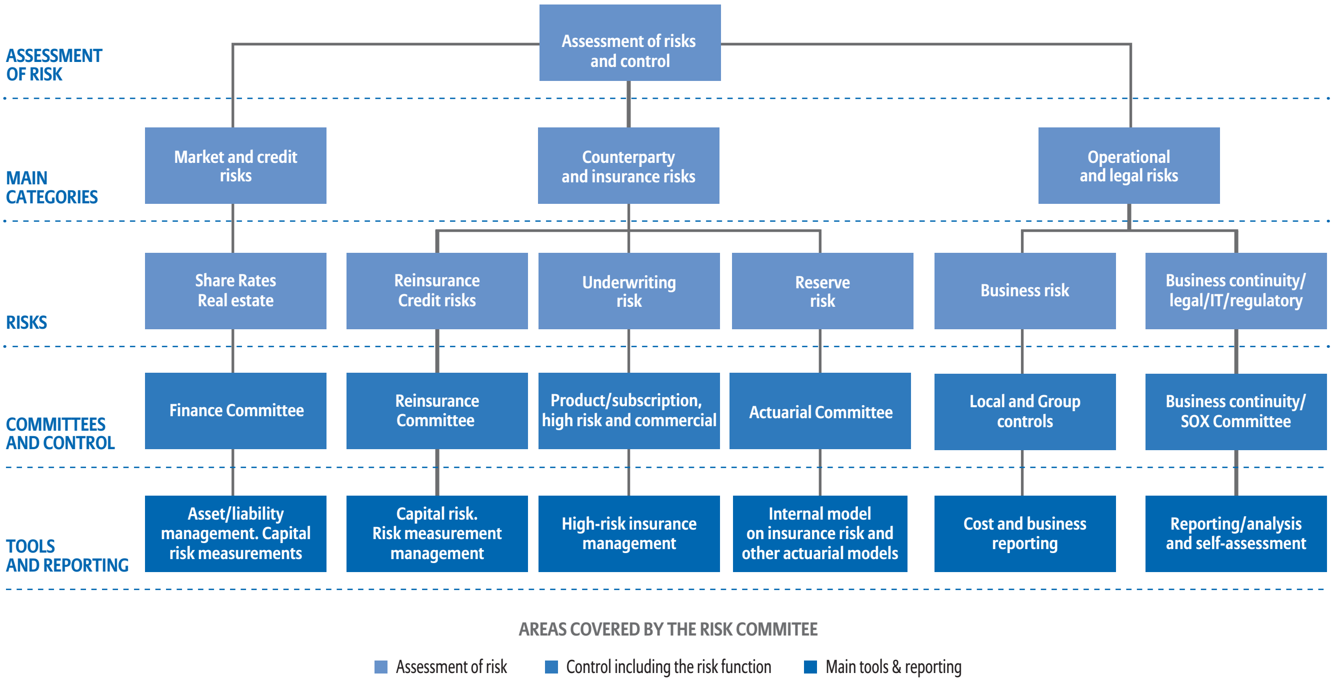
Risk Management at the local level

Risk Management in the Group's various legal entities has the same tasks and is organized in the same way as at Group level.

In particular, each legal entity defines a local risk appetite, in line with the Group risk appetite, and manages its activity on the basis of a local risk appetite.

The main Risk Management flows

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



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

4.2.2 Insurance risk

Product approval

Euler Hermes has set up a group-level Product Committee responsible for approving all new products or changes to existing products.

The Product Committee comprises the Group's main functions, especially marketing, commercial underwriting, risk underwriting, management control, reinsurance and risk management.

The Committee's purpose is to approve products from different perspectives (commercial, internal processes, profitability, impact on solvency, etc.) and to make recommendations to the Group Management Board.

Underwriting of the risk

The underwriting of the risk is done in two phases:

a) Signature of the insurance contract

The credit insurance contract contains all management rules and parameters of the relationship between Euler Hermes and the policyholder (deductible, maximum liability etc.). These rules and parameters are differentiated depending on the risk profile of each policyholder. The functioning of the contract is based on the declaration by the policyholder of the unpaid invoices he has issued according to a certain declaration term and, during the insurance period, Euler Hermes and the policyholder are in regular contact in order to manage granted limits as necessary. The principle of global coverage of policyholder revenue is one of the key elements for diversifying risk and avoiding anti-selection phenomena.

b) Management of granted limits

Euler Hermes has implemented a risk business model in order to deal with insurance risk in the most efficient way.

Key elements of this risk business model are:

- definition by the Group and uniform local application;
- local underwriting of limits;
- control at Group level;
- processes for researching and collecting information on our policyholders' clients (debtors);
- a Group grading system;
- specialized teams;
- a centralized IT system in which all policyholder requests are entered, and all granted limits and any information on the debtors are stored. This single IT system also controls any incoming and outgoing information;
- a quality standard for the services provided to our policyholders.

The following table sets out the Euler Hermes group's gross theoretical exposure in two ways:

1) the country in which the policyholder's customer is located [(1)];
2) the economic sector to which the policyholder's customer belongs.

1. THE COUNTRY IN WHICH THE POLICYHOLDER'S CUSTOMER IS LOCATED

(in € million)	2012	%	2011	%	Change
Total Europe	**622,217**	**80.8%**	**585,493**	**83.4%**	**6.3%**
of which:					
France	*191,214*	*24.8%*	*189,571*	*27.0%*	*0.9%*
United Kingdom	*54,889*	*7.1%*	*50,436*	*7.2%*	*8.8%*
Germany	*145,807*	*18.9%*	*134,099*	*19.1%*	*8.7%*
Italy	*70,515*	*9.2%*	*68,340*	*9.7%*	*3.2%*
Belgium and Luxembourg	*15,756*	*2.0%*	*14,365*	*2.0%*	*9.7%*
Netherlands	*20,971*	*2.7%*	*20,193*	*2.9%*	*3.9%*
Spain	*21,176*	*2.8%*	*20,546*	*2.9%*	*3.1%*
Eastern Europe	*42,011*	*5.5%*	*33,513*	*4.8%*	*25.4%*
Scandinavia	*25,839*	*3.4%*	*23,456*	*3.3%*	*10.2%*
Other Europe	*34,039*	*4.4%*	*30,974*	*4.4%*	*9.9%*
Total Americas	**86,622**	**11.2%**	**70,874**	**10.1%**	**22.2%**
of which:					
United States	*54,481*	*7.1%*	*46,241*	*6.6%*	*17.8%*
Canada	*9,435*	*1.2%*	*7,819*	*1.1%*	*20.7%*
Other Americas	*22,706*	*2.9%*	*16,814*	*2.4%*	*35.0%*
Asia-Pacific	**42,431**	**5.5%**	**32,659**	**4.6%**	**29.9%**
Middle East	**12,094**	**1.6%**	**8,036**	**1.1%**	**50.5%**
Africa	**6,618**	**0.9%**	**5,294**	**0.8%**	**25.0%**
TOTAL	**769,982**	**100.0%**	**702,356**	**100.0%**	**9.6%**

(1) Euler Hermes covers the risk that an invoice issued by a policyholder to its customer is not paid. As such, the relevant focus of analysis is not the policyholder but the policyholder's customer.

2. THE SECTOR OF THE POLICYHOLDER'S CUSTOMER

(in € million)	2012	%	2011	%	Change
Automotive	28,995	3.8%	24,624	3.5%	17.8%
Chemicals	55,612	7.2%	43,349	6.2%	28.3%
Commodities	46,520	6.0%	41,455	5.9%	12.2%
Computers & Telecoms	21,511	2.8%	17,105	2.4%	25.8%
Construction	104,581	13.6%	101,883	14.5%	2.6%
Electronics	37,538	4.9%	34,036	4.8%	10.3%
Food	82,680	10.7%	72,897	10.4%	13.4%
Household Equipment	25,659	3.3%	29,522	4.2%	-13.1%
IT Services	16,563	2.2%	13,117	1.9%	26.3%
Machinery & Equipment	52,699	6.8%	45,184	6.4%	16.6%
Metal	68,863	8.9%	64,802	9.2%	6.3%
Wood & Paper	15,750	2.0%	14,653	2.1%	7.5%
Retail	107,900	14.0%	101,866	14.5%	5.9%
Services	65,361	8.5%	59,878	8.5%	9.2%
Textiles	17,523	2.3%	16,640	2.4%	5.3%
Transport	20,313	2.6%	18,088	2.6%	12.3%
Unknown	1,914	0.2%	3,257	0.5%	-41.3%
TOTAL	**769,982**	**100.0%**	**702,356**	**100.0%**	**9.6%**

Reinsurance

The purchase of reinsurance is an important part of the way in which the Group manages its insurance activity and controls risks.

Euler Hermes has entrusted the purchase of reinsurance in the market to its Switzerland-based reinsurance company (EH Ré AG).

Rules have been laid down to guide the purchase of reinsurance, and their application is subject to regular internal auditing.

In addition, a Reinsurance Committee comprising the Chairman of the Group Management Board, Group Chief Financial Officer, EH Ré AG Chief Executive Officer and Group Risk Officer makes recommendations to the Group Management Board.

Purchases of reinsurance are preceded by:

- quantitative analysis to ensure that the proposed structures match the risk borne by Euler Hermes, in terms of both frequency and severity, especially in the event of changes in the economic conditions in which Euler Hermes operates;
- analysis of the financial strength of reinsurers on the panel.

Underwriting and claims management

One of the responsibilities of subsidiaries as part of their insurance activities is to establish reserves to cover the occurrence of an incident resulting in an insurance claim. These reserves must be sufficient to guarantee the settlement of future claims.

To ensure the proper functioning of this process, Euler Hermes has developed and implemented written procedures for:

- claims management, including the conditions for opening and settling a claim;
- management of claims recoveries (both before and after settlement);
- recognition of all transactions associated with determining the ultimate loss recorded by Euler Hermes.

These rules are subject to regular review by the Group Claims department and periodic review by the Internal Audit department.

The process applies to each notified claim.

Euler Hermes has implemented a process of defining IBNR reserves covering un-notified claims relating to the current fiscal year. For the definition of this reserve, *see the following section*.

Assessment of reserves

Claims reserves recorded at a given time result from three reserves:

- reserves for notified claims, covering notified claims;
- IBNR reserves, covering un-notified claims relating to the current year;
- expectations of future recoveries of settled claims.

The reserve for notified claims is subject to case-by-case analysis, as described in the preceding paragraph.

The determination of the "IBNR" reserves and expectations of future recoveries of settled claims result from periodic actuarial analysis conducted by the Actuarial departments of each legal entity and overseen by the Group Actuarial department.

The Group Actuarial department is also tasked with ensuring that the overall level of the Group's reserves is sufficient to cover future claims, and to establish and verify the correct implementation of actuarial principles, with which the calculations of estimated reserves must be consistent.

The entire process is subject to periodic review by the Internal Audit department and by external auditors.

The rules for establishing reserves are consistent with local laws and regulations.

At the current time, the main actuarial methodologies used by the Group's subsidiaries are those based on claims triangles (Chain Ladder, Bootstrapping methodology, etc.) or other methodologies (Bornhuetter Fergusson, etc.). These methodologies aim to define a reasonable range of estimates within which the Actuarial departments set their recommended loss ratios.

On the basis of this range calculated by actuaries, their recommendations and other analysis (actuarial or not), management sets the level of reserves to be adopted for each quarterly closing during meetings of the Loss Reserve Committees. Loss Reserve Committee meetings are held in each subsidiary and then at Group level. They are held at least once per quarter, but can also be held in the event of a major event requiring a major revision to the level of reserves, such as a major claim.

It should nevertheless be noted that estimates are based mainly on assumptions that may differ from subsequent observations, particularly in the event of changes in the economic and legal environments, especially if they affect the Group's main portfolios simultaneously.

A description of the main factors causing movements in claims is provided in sub-section 3.4.2 of this document.

CLAIMS/PREMIUMS RATIO

	2004	2005 *pro forma*	2006	2007	2008	2009	2010	2011	2012
Claims/Premiums Ratio(1)	45.9%	44.8%	49.2%	48.1%	78.1%	82.1%	42.1%	45.1%	51.7%

(1) In accordance with IFRS.

COST OF CLAIMS FOR THE EULER HERMES GROUP

	2012			2011		
(in € thousand)	**Gross**	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Cost of claims for the current period	**1,647,053**	**(649,186)**	**997,867**	**1,198,907**	**(350,946)**	**847,961**
of which, claims paid	588,539	(328,577)	259,962	253,231	(72,787)	180,444
of which, claims reserves	964,523	(316,180)	648,343	868,086	(273,537)	594,549
of which, claims handling expenses	93,991	(4,429)	89,562	77,590	(4,622)	72,968
Recoveries for the current period	**(324,224)**	**230,721**	**(93,503)**	**(112,516)**	**28,192**	**(84,324)**
Recoveries received	(109,393)	103,724	(5,669)	(9,925)	3,300	(6,625)
Change in reserves for recoveries	(214,831)	126,997	(87,834)	(102,591)	24,892	(77,699)
Cost of claims from prior periods	**(212,311)**	**44,158**	**(168,153)**	**(288,523)**	**80,953**	**(207,570)**
of which, claims paid	635,116	(221,696)	413,420	515,789	(155,751)	360,038
of which, claims reserves	(836,693)	264,630	(572,063)	(804,415)	238,944	(565,471)
of which, claims handling expenses	(10,734)	1,224	(9,510)	103	(2,240)	(2,137)
Recoveries from prior periods	**(60,731)**	**20,057**	**(40,674)**	**(11,510)**	**6,297**	**(5,213)**
Recoveries received	(126,004)	31,649	(94,355)	(140,860)	31,345	(109,515)
Change in reserves for recoveries	65,273	(11,592)	53,681	129,350	(25,048)	104,302
COST OF CLAIMS	**1,049,788**	**(354,250)**	**695,537**	**786,358**	**(235,504)**	**550,854**

■ TECHNICAL RESERVES FOR THE EULER HERMES GROUP

	December 31, 2012			December 31, 2011		
(in € thousand)	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Claims reserves gross of recoveries	**1,757,031**	**(560,522)**	**1,196,509**	**1,625,729**	**(509,643)**	**1,116,086**
Current period	1,016,286	(319,301)	696,985	923,395	(278,818)	644,577
Prior periods	740,745	(241,221)	499,524	702,334	(230,825)	471,509
Recoveries to be received	**(353,838)**	**167,303**	**(186,535)**	**(202,858)**	**51,880**	**(150,978)**
Current period	(214,763)	128,147	(86,616)	(103,123)	26,861	(76,262)
Prior periods	(139,075)	39,156	(99,919)	(99,735)	25,019	(74,716)
Claims reserves	**1,403,193**	**(393,219)**	**1,009,974**	**1,422,871**	**(457,763)**	**965,108**

	December 31, 2012			December 31, 2011		
(in € thousand)	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Reserves for unearned premiums	**356,495**	**(69,569)**	**286,926**	**311,752**	**(53,418)**	**258,334**
Claims reserves	**1,403,193**	**(393,219)**	**1,009,974**	**1,422,871**	**(457,763)**	**965,108**
of which, reserves for known claims	1,125,604	(386,961)	738,643	995,738	(351,103)	644,635
of which, reserves for late claims	536,732	(161,720)	375,012	530,033	(147,027)	383,006
of which, reserves for claims handling expenses	94,902	(11,840)	83,062	97,273	(11,512)	85,761
of which, other technical reserves	(207)	(1)	(208)	2,685	(1)	2,684
of which, recoveries to be received	(353,838)	167,303	(186,535)	(202,858)	51,880	(150,978)
No-claims bonuses and rebates	**170,958**	**(36,162)**	**134,796**	**164,642**	**(34,780)**	**129,862**
TECHNICAL RESERVES	**1,930,646**	**(498,950)**	**1,431,696**	**1,899,265**	**(545,961)**	**1,353,304**

Claims developments

For a specific attachment year, claims developments follow a process of claims declaration, payment and recovery. This process can run over many years.

The below tables represent:

a) The development of ultimate claims per attachment and development year

■ ESTIMATE OF THE FINAL COST OF CLAIMS FOR DIRECT BUSINESS EXCLUDING ACCEPTANCE OF MOST GROUP ENTITIES (BEFORE REINSURANCE)(1)

(in € thousand)
Accident / development

Year	1	2	3	4	5	6	7	8	9	10	Difference(2)	% Diff
2003	997,142	766,368	705,855	701,906	691,330	687,799	659,520	657,521	654,738	649,954	347,187	34.8%
2004	825,584	681,507	639,721	629,965	624,296	617,640	622,407	624,712	617,129		208,454	25.2%
2005	849,195	766,479	732,500	730,185	719,806	720,968	711,876	704,904			144,292	17.0%
2006	844,914	789,780	746,498	732,360	740,910	738,934	741,517				103,397	12.2%
2007	854,790	846,877	828,847	832,909	837,009	826,806					27,985	3.3%
2008	1,348,064	1,424,821	1,457,223	1,453,637	1,432,040						(83,976)	-6.2%
2009	1,147,438	888,603	858,380	836,286							311,151	27.1%
2010	859,768	658,454	624,537								235,232	27.4%
2011	1,019,025	856,027									162,998	16.0%
2012	1,198,516										0	0

(1) All figures Current & Previous years and when necessary have been converted based on the End of Year 2012 Euro conversion rate.
(2) Variance: Surplus or shortfall of the latest estimated claims cost over the initial estimated claims cost for a specific year.

b) The development of paid claims per attachment and development year

DEVELOPMENT TRIANGLES FOR CUMULATIVE CLAIMS PAID NET OF RECOURSE FOR MOST GROUP ENTITIES (BEFORE REINSURANCE)(1)

(in € thousand) Accident / development Year	1	2	3	4	5	6	7	8	9	10
2003	237,121	562,065	611,250	634,992	642,460	641,125	644,254	643,951	645,419	643,417
2004	224,565	539,552	589,500	598,902	600,371	597,836	605,412	607,328	607,972	
2005	263,496	634,608	678,100	692,261	690,807	692,366	694,970	693,821		
2006	278,584	662,852	703,316	703,713	722,633	723,345	725,496			
2007	267,205	704,291	769,127	791,838	802,797	806,185				
2008	377,290	1,130,095	1,281,803	1,324,964	1,340,053					
2009	400,551	726,834	771,606	775,148						
2010	211,834	505,056	539,643							
2011	269,532	704,130								
2012	494,257									

(1) All figures Current & Previous years and when necessary have been converted based on the End of Year 2012 Euro conversion rate.

4.2.3 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.

Interest rate risk

Interest rate risk measures how sensitive asset and liability values are to changes in the interest rate 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.

BOND PORTFOLIO BY MATURITY

	2012		2011	
	(in € million)	(%)	(in € million)	(%)
0 to 1 year	376	13%	462	17%
1 to 3 years	876	30%	777	29%
3 to 5 years	719	25%	734	27%
5 to 7 years	468	16%	375	14%
7 to 10 years	418	15%	306	12%
Beyond 10 years	20	1%	30	1%
TOTAL	**2,877**	**100%**	**2,684**	**100%**

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 experiences 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 changes in the cash position or the levels of reserves (with respect to the claims handling or recovery procedures) 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;
- the presence of branches or subsidiaries operating in a currency other than the reporting currency of the parent company.

To limit exchange rate risk, and in accordance with rules laid down by local regulators, the congruence principle, i.e. the matching of assets and liabilities at the local level, is applied.

For this reason, and because of the high level of concentration of activity in the eurozone, Euler Hermes does not hold any currency hedging instruments.

As of December 31, 2012, the portion of the financial portfolio carried by the Euler Hermes group in currencies other than the euro amounted to 22.3% of the market value of the portfolio.

FINANCIAL PORTFOLIO OF THE GROUP BY CURRENCY

	2012		2011	
	(in € million)	(%)	(in € million)	(%)
EUR	3,051	77.7%	2,814	78.8%
GBP	241	6.1%	241	6.8%
USD	313	8.0%	276	7.7%
Other currencies	322	8.2%	240	6.7%
TOTAL	**3,927**	**100.0%**	**3,571**	**100.0%**

Assets comprise the investment portfolio, technical reserves recorded as assets and the ceded 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 having to hedge residual exchange rate risk.

EXCHANGE RATE RISK

	2012			2011		
Amounts in € thousand	United States	United Kingdom	Group	United States	United Kingdom	Group
Net income attributable to owners of the Company in € thousand at 12/31	27,999	11,572	300,202	8,055	7,316	330,267
Exchange rate at year end	0.7585	1.2329		0.7729	1.1972	
Net income attributable to owners of the Company in local currency	**36,914**	**9,386**		**10,422**	**6,111**	
Effect of a 100-basis point change in the exchange rate on income/loss	0.7485	1.2229		0.7629	1.1872	
Net income in € thousand after exchange rate variation	27,630	11,478	299,739	7,951	7,255	330,102
% change relative to initial income/loss	**-1.32%**	**-0.81%**	**-0.15%**	**-1.29%**	**-0.84%**	**-0.05%**

Equity market risk

Equity market risk measures how sensitive asset values are to changes in equity prices. By extension, minority stakes in unlisted companies and investments in funds dominated by equities are deemed to be equities.

Just under 2% of Euler Hermes' investment portfolio was in equities as of end-2011. This percentage is consistent with the strategic allocation of the investment portfolio, as well as its tactical allocation, as defined by the Investment Committee.

As of December 31, 2012, the maximum proportion of equities allowed in the strategic allocation of the investment portfolio was 8%.

Please notice however that investments in convertible bonds are classified in the 'Bonds' category in the table below.

	2012		2011	
	(in € million)	(%)	(in € million)	(%)
Bonds	2,877	68%	2,684	69%
Equities	82	2%	130	3%
Real-estate investments	159	4%	12	0.3%
Loans, deposits and other financial investments	809	19%	744	19%
Total	**3,926**	**93%**	**3,570**	**91%**
Cash	**308**	**7%**	**347**	**9%**
TOTAL FINANCIAL INVESTMENTS + CASH	**4,235**	**100%**	**3,918**	**100%**

Liquidity risk

Liquidity risk is the risk of Euler Hermes' financial resources not being sufficient to cover its cash needs.

Liquidity risk is subject to specific monitoring by the Group, in both its insurance activities and financial investments.

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.

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.

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.

As of December 31, 2012, some of the Euler Hermes group's financing debt (described in Note 17 "Borrowings" in the notes to the consolidated financial statements) was subject to specific clauses in addition to standard clauses relating to the existence of reserves or a refusal to certify the financial statements, which could lead to a change in borrowing costs.

Indeed, some borrowings are subject to step-up clauses providing for an increase in the annual interest rate in the event of a ratings downgrade by Standard & Poor's.

Real-estate risk

Real-estate risk measures how sensitive the value of property assets is to changes in values in the real-estate market. This risk covers buildings housing the Group's operations (described in Note 8 "Operating property and other property, plant and equipment" in the notes to the consolidated financial statements), as well as real estate leased to other parties (described in Note 5 "Investment and operating property" in the notes to the consolidated financial statements).

Investments in real estate or real estate products (for own use or investment) account for 6% of the investment portfolio's market value. This percentage is consistent with the strategic allocation of the investment portfolio, as well as its tactical allocation, as defined by the Investment Committee and in force as of December 31, 2012.

Sensitivity tests

In addition to calculating the capital required to cover risk, the Group performs regular sensitivity tests to ensure the consistency of its protection and its sensitivity to scenarios involving heightened risk.

The results are illustrative of the risks under consideration, but they also, like all simulations, have limitations. The simulation is based on the situation at a given date, i.e. the year-end in the present case. As such, the results do not reflect events that may arise after the end of the financial year.

Risk relating to equities and bonds in the portfolio at December 31, 2012

Amounts in € million	Market value at December 31, 2012	Impact of a 100bp increase in interest rates**	Impact of a 10% fall in equity markets	Market value at December 31, 2011	Impact of a 100bp increase in interest rates*	Impact of a 10% fall in equity markets
Bonds	2,877	(100.7)	–	2,684	(85.4)	–
Equities	82	–	(6.9)	130	–	(11.8)
TOTAL	**2,958**	**0**	**0**	**2,814**	**0**	**0**

* *Average sensitivity 3%, calculated on the main subsidiaries representing over 99% of the bond portfolio at the end of 2012.*
** *Average sensitivity 3%, calculated on the main subsidiaries representing over 99% of the bond portfolio at the end of 2012.*

PORTFOLIO EQUITY RISK AT DECEMBER 31, 2012

Amounts in € million	Market value at 12/31/2012 / scenario impact	Revaluation reserves / shareholders' equity impact	Amortized cost / economic account impact
TOTAL	**82**	**13**	**69**
Impact of 10% fall in equity markets	(7)	(7)	0
Impact of 30% fall in equity markets	(21)	(13)	(8)

Impact on shareholders' equity does not take account of deferred taxes. Income impact is before tax.

(in € million)	Net income 2012	10% fall in premiums	10% rise in cost of claims in 2012	10% increase in management costs	Net income 2011	10% fall in premiums	10% rise in cost of claims in 2011	10% increase in management costs
Change in net income	**300**	**(51)**	**(63)**	**(62)**	**330**	**(49)**	**(51)**	**(55)**

Assumption: No change in the effective tax rate in 2011 and 2012.

FINANCIAL PORTFOLIO AT DECEMBER 31, 2012

	Assets (a)	Liabilities (b)	Foreign-currency commitments (c)	Net position before hedging (d) = (a) – (b) +/- (c)	Hedging instruments (e)	Net position after hedging (f) = (d) – (e)
EUR	3,051	390	–	2,662	–	2,662
GBP	241	–	–	241	–	241
USD	313	–	–	313	–	313
Other currencies	322	–	–	322	–	322
TOTAL	**3,926**	**390**	**–**	**3,536**	**–**	**3,536**

(a) Financial assets.
(b) Financing debts.

12/31/2012 (in € thousand)	Impact on income before tax		Impact on equity before tax	
	100bp increase	100bp decrease	100bp increase	100bp decrease
GBP	116	(116)	–	–
USD	573	(573)	554	(554)
TOTAL (GROUP)	**689**	**(689)**	**554**	**(554)**

4.2.4 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.

Euler Hermes has implemented various mechanisms to anticipate and limit the consequences of one of its counterparties failing.

Failure of a reinsurer

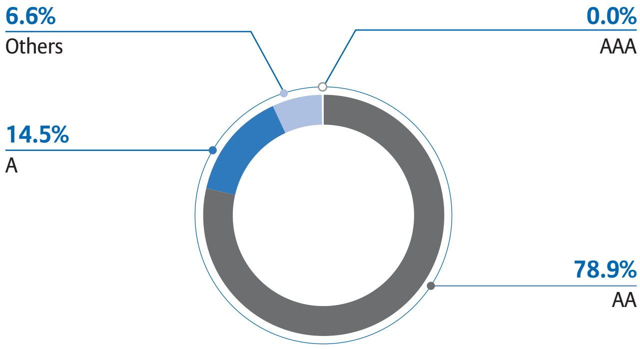
Mechanisms for detecting and limiting counterparty risk:

- selection of reinsurers on the basis of their counterparties (rated A or higher or subject to the special prior approval of the Euler Hermes Group Management Board in the event of the rating being below A);
- limits on concentration risk relating to a single reinsurer;
- constant monitoring by the various operational entities via a 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 a reinsurer failing or any event that may result in a reinsurer failing, 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.

- **DISTRIBUTION OF TECHNICAL PROVISIONS CEDED BY RATING OF REINSURERS (THE PERIMETER COVERED REPRESENTS 98% OF TOTAL GROUP PROVISIONS AT DECEMBER 31, 2012)**



AAA	-	0.0%
AA	382,700	78.9%
A	70,367	14.5%
Others	32,072	6.6%
TOTAL	**485,139**	**100.0%**

Failure of a bank

Mechanisms for detecting and limiting counterparty risk:

- selection of banks on the basis of their rating (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 a banking counterparty failing, all the Company's cash in the accounts kept by the bank in question would be impaired.

Failure of a bond or equity counterparty

Mechanisms for detecting and limiting counterparty risk:

- implementation of a strict policy limiting investment in a single private issuer to 5% of total assets.

- **BOND PORTFOLIO BY RATING CATEGORY**

	2012		2011	
	(in € million)	(%)	(in € million)	(%)
AAA	1,626	57%	1,907	71%
From AA+ to AA-	625	22%	167	6%
From A+ to A-	304	11%	320	12%
Other	322	11%	290	11%
TOTAL	**2,877**	**100%**	**2,684**	**100%**

Failure of a policyholder

Mechanisms for detecting and limiting counterparty risk:

- procedures for the proactive management of funds held with policyholders, in particular to avoid a financial loss in the event of a policyholder defaulting.

	December 31, 2012				
(in € thousand)	< 3 months	3 months to 1 year	1 to 5 years	> 5 years	Total
Total credit insurance receivables	594,550	8,404	–	–	602,954

Trade receivables are subject to strict monitoring procedures. 99% of trade receivables have a maturity of less than three months. Any outstanding receivable more than six months past due is fully reserved.

4.2.5 Operational, legal, regulatory and tax risks

Euler Hermes, jointly with its major shareholder, has implemented an analysis framework to identify and quantify operational risk that could stem from a global failure of the organization, from our systems, from human error or from an external event. Ensuring that appropriate processes are implemented to manage these risks is a cornerstone of the Risk Management function.

Operational risk

Operational risk is managed in accordance with the policy laid down in the Group's operational risk policy, and is based on the deployment and maintenance of an appropriate and consistent internal control organization, guaranteeing appropriate operational risk management for each Group entity.

Euler Hermes' operational risk management system is based on:

- crisis management and business continuity plans;
- internal management rules and operational procedures specifying the manner in which operations should be carried out;
- a periodic disclosure process for operating losses above €10,000 and regular analysis of scenarios that could, if they materialize, result in an operating loss.

The operational risk management system, set out for all Group entities, is based on two levels of control, with responsibilities and control plans suited to each level:

- permanent self-monitoring at the operational level and continuous management control;
- periodic checks conducted in each entity by the internal audit function.

In addition, a program covering own insurance risks has been set up in each Euler Hermes group company, in a decentralized manner.

Regulatory risk

The Group is subject to various regulations governing the insurance, banking and asset management businesses.

The Group is also subject to strict regulations due to its listing on Euronext Paris.

Euler Hermes has implemented the necessary structures to comply with the regulations of the countries in which it operates. 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 particular, 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.

Legal and arbitration proceedings

In the ordinary course of its business, the Group is involved in legal proceedings (notably debt collection proceedings) and is subject to tax assessments and administrative audits. Reserves are systematically established accordingly.

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 resources to take the appropriate action in the event of disputes.

To the best of Euler Hermes' knowledge, there are no governmental, judicial or arbitration proceedings, either pending or threatened, which have had over the last twelve months or may in the future have a material impact on the financial position or profitability of the Company and/or Group.

Tax risks

Tax teams at both Group and local level monitor change in regulations.

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.

Reputational risk

Euler Hermes has implemented measures necessary to protect its image and actively communicate with its shareholders, customers, employees and, more broadly, the financial community on its financial strength through:

- regular disclosure, both internally and externally;
- continuous monitoring of the Group's image and reputation;
- a set of rules to determine whether operations may result in a reputational risk.

Labor and environmental risks

On labor issues, the major challenge facing Euler Hermes is how to retain employees and how to attract the best talent in the future.

Environmental issues affect Euler Hermes to a fairly limited extent, due to the generally non-polluting nature of its business.

4.2.6 Estimated capital requirements

As mentioned above, Euler Hermes has decided to implement an internal model covering all of these risks, as part of the implementation of the Solvency II project.

Pending authorization of its internal model, and until the final calibration of the standard formula is known, Euler Hermes produces estimates of its capital requirements based on the latest version of the model developed by Standard & Poor's.

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 premium income and claim reserves (both net of reinsurance).

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

- **CAPITAL RISK**

(in € million)	2012	2011
C1: Market risk	324	289
C2: Counterparty risk	98	57
C4: Premiums risk	1,296	1,177
C5: Reserve Risk	382	366
S&P RAC SIMULATION*	**2,102**	**1,889**

* *Simulation of the S&P model for an A rating.*

This simulation is based on an internal approach and adjustments potentially made by rating-agency analysts could alter the outcome.

The model shows a 15% increase in Euler Hermes' risk capital requirements compared with 2011. This change is mainly the result of:

- the increase in exposure and retention rates, which have an impact on premium and reserve risks;
- a riskier profile in the investment portfolio, including higher duration, a lower average bond rating relative to end-2011 after France's government credit rating was downgraded for the second time, and an increase in assets carrying a larger risk charge, particularly corporate bonds.

5

Consolidated financial statements

Pursuant to Article 28-1 section 5 of (EC) Regulation 809/2004 of the European Commission of April 29, 2004, the Group's consolidated financial statements for the year ending December 31, 2011 (established in accordance with IFRS including comparative data for fiscal 2010 under the same standards) and for the year ending December 31, 2010 (established in accordance with IFRS including comparative data for fiscal 2009 under the same standards) and the related report of the Statutory Auditors are included by reference in this Registration Document. They appear on pages 113 to 189 of the Registration Document of the Company for financial year 2011, as registered by the AMF on April 13, 2012 under no. D 12-0341 and on pages 109 to 200 of the Registration Document of the Company for financial year 2010, as registered by the AMF on April 13, 2011 under no. D 11-0291.

5.1 Consolidated statement of financial position

(in € thousand)	Notes	December 31, 2012	December 31, 2011
Goodwill	3	104,347	109,407
Other intangible assets	4	76,566	69,712
Intangible assets		**180,913**	**179,119**
Investment property	5	53,663	4,019
Financial investments	6	3,767,514	3,558,317
Derivatives		9,526	5,458
Investments – insurance businesses		**3,830,703**	**3,567,794**
Investments accounted for by the equity method	**7**	**115,500**	**105,196**
Share of assignees and reinsurers in the technical reserves and financial liabilities	**18**	**498,950**	**545,961**
Operating property and other property, plant and equipment	8	142,688	149,277
Acquisition costs capitalised		60,969	51,919
Deferred tax assets	9	13,396	22,052
Inwards insurance and reinsurance receivables	10	507,877	495,312
Outwards reinsurance receivables	10	95,077	39,815
Corporation tax receivables		25,581	47,429
Other receivables	11	284,123	266,898
Other assets		**1,129,711**	**1,072,702**
Cash	12	308,380	347,338
TOTAL ASSETS		**6,064,157**	**5,818,110**
Capital stock		14,468	14,451
Additional paid-in capital		456,883	454,536
Reserves		1,624,187	1,471,500
Net income, Group share		300,245	330,267
Revaluation reserve	13	92,777	32,666
Foreign exchange translation		(21,821)	(25,543)
Shareholders' equity, Group share		**2,466,739**	**2,277,877**
Non controlling interests	14	68,261	18,002
Total shareholders' equity		**2,535,000**	**2,295,879**
Provisions for risks and charges	**15**	**256,034**	**259,721**
Bank borrowings		251,506	255,119
Other borrowings		138,230	138,234
Borrowings	**17**	**389,736**	**393,353**
Non-life technical reserves	18	1,930,646	1,899,265
Liabilities related to contracts		**1,930,646**	**1,899,265**
Deferred tax liabilities	9	309,862	330,133
Inwards insurance and reinsurance liabilities	19	183,909	217,012
Outwards reinsurance liabilities	19	148,097	104,541
Corporation tax payables		20,363	34,433
Other payables	20	290,510	283,773
Other liabilities		**952,741**	**969,892**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**6,064,157**	**5,818,110**

5.2 Consolidated income statement

(in € thousand excepted for the earnings per share)	Notes	Year ended December 31 2012	Year ended December 31 2011	4th Quarter ended December 31 2012	4th Quarter ended December 31 2011
Premiums written		2,146,423	2,024,882	481,128	449,736
Premiums refunded		(112,044)	(122,353)	(21,801)	(30,537)
Change in unearned premiums		(39,305)	(6,383)	43,831	53,159
Earned premiums		**1,995,074**	**1,896,146**	**503,158**	**472,358**
Premium – related revenues		402,822	378,776	101,836	95,879
Turnover	21	**2,397,896**	**2,274,922**	**604,994**	**568,237**
Investment income		98,751	101,068	24,667	22,169
Investment management charges		(11,786)	(10,545)	(3,549)	(3,446)
Net gain (loss) on sales of investments less impairment and depreciation writebacks		26,751	26,559	5,839	3,172
Change in fair value of investments recognised at fair value through profit or loss		(1,900)	(700)	(1,111)	72
Change in investment impairment provisions		(1,944)	(5,830)	(231)	(1,378)
Net change in foreign currency		(831)	2,499	(2,267)	2,020
Net investment income	22	**109,041**	**113,051**	**23,348**	**22,609**
Insurance services expenses		**(1,049,787)**	**(786,358)**	**(294,493)**	**(245,520)**
Outwards reinsurance expenses		(650,744)	(675,751)	(163,174)	(168,829)
Outwards reinsurance income		607,751	473,255	164,381	142,600
Net outwards reinsurance income or expenses	21	**(42,993)**	**(202,496)**	**1,207**	**(26,229)**
Contract acquisition expenses	23	**(391,165)**	**(380,231)**	**(106,752)**	**(100,678)**
Administration expenses	23	**(241,435)**	**(207,766)**	**(55,251)**	**(51,948)**
Other ordinary operating income	25	**13,800**	**19,536**	**2,121**	**(1,410)**
Other ordinary operating expenses	25	**(362,082)**	**(358,919)**	**(94,993)**	**(84,285)**
Current operating income	21	**433,275**	**471,739**	**80,181**	**80,776**
Other non ordinary operating expenses	26	**(25,809)**	**(26,713)**	**(10,881)**	**(6,466)**
Other non ordinary operating income	26	**17,193**	**18,683**	**1,638**	**9,566**
Operating income		**424,659**	**463,709**	**70,939**	**83,876**
Financing expenses		(13,598)	(17,075)	(3,578)	(4,002)
Share of Income from companies accounted by the equity method	7	14,038	17,037	3,884	4,115
Corporation tax	27	(120,592)	(130,166)	(17,776)	(28,845)
CONSOLIDATED NET INCOME		**304,507**	**333,505**	**53,469**	**55,144**
o/w					
Net income, Group share		**300,245**	**330,267**	**52,433**	**54,225**
Non controlling interests		4,262	3,238	1,036	919
Earnings per share (in euros)	28	**6.84**	**7.54**		
Diluted earnings per share (in euros)	28	**6.84**	**7.54**		
Earnings per share of continuing activities (in euros)		**6.84**	**7.54**		
Diluted earnings per share of continuing acitivies (in euros)		**6.84**	**7.54**		

5.3 Consolidated statement of other comprehensive income

	Year ended December 31		4th Quarter ended December 31	
(in € thousand)	2012	2011	2012	2011
Net income, Group share	**300,245**	**330,267**	**52,433**	**54,225**
Non controlling interests	4,262	3,238	1,036	919
Other comprehensive income elements				
Change in fair market value of asset held for sale transfered through profits & losses (Gross amount)	(41,747)	(15,422)	(25,969)	(540)
Change in fair market value of asset held for sale transfered through profits & losses (Tax amount)	9,524	4,205	5,059	161
Change in fair market value of asset held for sale booked through equity (Gross amount)	123,491	2,801	35,014	765
Change in fair market value of asset held for sale booked through equity (Tax amount)	(31,370)	1,420	(9,251)	(1,180)
Change in fair market value of asset held for sale booked – minority interests share net of corporation tax	10	180	(38)	(7)
Other change in fair market value of asset held for sale booked through equity	442	(1)	(6)	(1)
Change in translation reserve (included impact on revaluation reserve) booked through equity (Gross amount)	3,414	13,235	(8,508)	21,560
Change in translation reserve (included impact on revaluation reserve) booked through equity (Tax amount)	78	(4,682)	2,743	(6,889)
Total other comprehensive income net of taxes	**63,842**	**1,736**	**(955)**	**13,869**
TOTAL COMPREHENSIVE INCOME	**368,348**	**335,241**	**52,513**	**69,013**
Total comprehensive income, Group share	364,076	331,823	51,515	68,100
Total comprehensive income, minority interests	4,272	3,418	998	912

5.4 Consolidated statement of cash flows

(in € thousand)	Notes	Twelve months ended December 31 2012	2011
Net income, Group share		**300,245**	**330,267**
Corporation tax		120,592	130,166
Financing expense		13,598	17,075
Operating income before tax		**434,435**	**477,508**
Minority interests		4,262	3,238
Allocation to and writebacks of depreciation, amortisation and reserves		65,610	54,722
Change in technical reserves		53,172	89,436
Change in deferred acquisition costs		(9,381)	(2,141)
Change in fair value of financial instruments recognised at fair value through the income statement (excluding cash and cash equivalents)		(1,934)	1,467
Realised capital gains/(losses) net of writebacks		(24,494)	(26,719)
Unrealised foreign exchange gain (loss) in Company accounts		6,463	12,530
Revenues and expenses linked to stock options and similar		–	–
Interest revenues received accrued		5,751	(2,130)
Adjustment for elements included in operating income that do not correspond to cash flows and reclassification of financing and investment flows		**99,450**	**130,402**
Income (loss) of companies accounted for by the equity method		(14,038)	(17,037)
Dividends received from companies accounted for by the equity method		6,245	8,417
Change in liabilities and receivables relating to insurance and reinsurance transactions		(10,253)	(15,793)
Change in operating receivables and liabilities		2,223	(9,737)
Change in other assets and liabilities		(66,667)	(19,195)
Corporation tax		(143,222)	(51,494)
Cash flow related to operating activities		**(225,710)**	**(104,839)**
CASH FLOW FROM OPERATING ACTIVITIES		**308,175**	**503,071**
Acquisitions of subsidiaries and joint ventures, net of acquired cash		(38,050)	(2,877)
Disposals of subsidiaries and joint ventures, net of ceded cash		49,794	(184)
Acquisitions of equity interests in companies accounted for by the equity method		–	–
Disposals of equity method investments		–	–
Merger		–	308
Cash flow linked to changes in the consolidation scope		**11,744**	**(2,753)**

(in € thousand)	Notes	Twelve months ended December 31 2012	2011
Disposals of AFS securities		1,295,847	995,631
Matured HTM securities		–	580
Disposals of investment properties		16,600	16,730
Disposals of securities held for trading		1,445	1,451
Cash flow linked to disposals and redemptions of investments		**1,313,891**	**1,014,392**
Acquisitions of AFS securities		(1,364,646)	(1,215,044)
Acquisitions of HTM securities		–	–
Acquisitions of investment and operating properties		(200)	(2,996)
Acquisitions of trading securities		(3,591)	(2,894)
Cash flow linked to acquisitions of investments		**(1,368,438)**	**(1,220,934)**
Disposals of other investments and intangible assets		1,847,708	992,086
Acquisitions of other investments and intangible assets		(1,944,591)	(931,794)
Cash flow linked to acquisitions and disposals of other investments and intangible assets		**(96,883)**	**60,292**
CASH FLOW FROM INVESTING ACTIVITIES		**(139,685)**	**(149,002)**
Increases and decreases in capital		2,364	4,979
Increases in capital		*2,364*	*4,979*
Decreases in capital		–	–
Change in treasury stock		15,621	(10,897)
Dividends paid		(193,978)	(178,820)
Cash flow linked to transactions with the shareholders		**(175,993)**	**(184,737)**
Change in non voting shares		–	–
Changes in loans and subordinated securities		(11,891)	(110,462)
Issue		*(3,942)*	*1,885*
Repayment		*(7,949)*	*(112,347)*
Interest paid		(16,387)	(18,011)
Cash flow from Group financing		**(28,279)**	**(128,473)**
CASH FLOW FROM FINANCING ACTIVITIES		**(204,272)**	**(313,210)**
Impact of foreign exchange differences on cash and cash equivalents		(3,176)	279
Reclassification		–	–
OTHER NET CHANGES IN CASH		**€(3,176)**	**€279**
Change in cash flows		**(38,958)**	**41,138**
Change in cash and cash equivalents		**(38,958)**	**41,138**
Cash and cash equivalents at begining of period	12	**346,988**	**305,851**
Cash and cash equivalents at end of period	12	**308,030**	**346,988**

In 2012 the cash position decreased by 38,958 thousand euros.

- Cash flow from operating activities decreased from €503 million in 2011 to €308 million in 2012, mainly due to corporation tax payment difference, a slightly lower operating income and a decrease deriving from technical reserves.
- Investment activities contribute for €-140 million to the cash position at the end of 2012, against €-149 million at the end of 2011. This difference derives from the sale of 40% of the Euler Hermes Real Estate OPCI, the acquisition of Euler Hermes South Express and a lower reallocation of maturing investments into new acquisitions and short-term investment.
- Flows linked to the financing activities comprise, on one hand an increase of dividends distributions by €15 million between 2012 and 2011, and on the other hand a decrease by €98 million of loans and subordinated securities related to the €110 million borrowing early repayment made in 2011.

5.5 Consolidated statement of changes in equity

For the year 2012

(in € thousand)	Capital Stock	Additional paid-in-capital	Retained earnings	Revaluation reserve	Translation reserve	Treasury shares	Shareholders' equity, Group share	Non control-ling interests	Total share-holders' equity
Opening Shareholders' equity, Group share	**14,451**	**454,536**	**1,879,323**	**32,666**	**(25,543)**	**(77,556)**	**2,277,877**	**18,002**	**2,295,879**
Available-for-sale assets (AFS)	–	–	–	–	–	–		–	
Measurement gain/(loss) taken to shareholders' equity	–	–	–	92,120	–	–	92,120	(243)	91,877
Impact of transferring realised gains and losses to income statement	–	–	–	(32,223)	–	–	(32,223)	273	(31,950)
Other changes	–	–	–	442	–	–	442	–	442
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	–	–	–	(230)	3,722	–	3,492	(20)	3,472
Components of other comprehensive income net of tax	**–**	**–**	**–**	**60,109**	**3,722**	**–**	**63,831**	**10**	**63,841**
Net income for the year	**–**	**–**	**300,245**	**–**	**–**	**–**	**300,245**	**4,262**	**304,507**
Comprehensive income of the period	**–**	**–**	**300,245**	**60,109**	**3,722**	**–**	**364,076**	**4,272**	**368,348**
Capital movements	17	2,347	–	–	–	15,621	17,985	48,259	66,244
Dividend distributions	–	–	(191,706)	–	–	–	(191,706)	(2,272)	(193,978)
Shareholders' equity component of share-based payment plans	–	–	–	–	–	–	–	–	–
Cancellation of gains/losses on treasury shares	–	–	–	–	–	–	–	–	–
Other movements	–	–	(1,495)	2	–	–	(1,493)	–	(1,493)
CLOSING SHAREHOLDERS' EQUITY, GROUP SHARE	**14,468**	**456,883**	**1,986,367**	**92,777**	**(21,821)**	**(61,935)**	**2,466,739**	**68,261**	**2,535,000**

For the year 2011

(in € thousand)	Capital Stock	Additional paid-in-capital	Retained earnings	Revaluation reserve	Translation reserve	Treasury shares	Shareholders' equity, Group share	Non controlling interests	Total shareholders' equity
Opening Shareholders' equity, Group share	**14,433**	**452,625**	**1,724,455**	**39,399**	**(33,832)**	**(66,659)**	**2,130,421**	**18,015**	**2,148,436**
Available-for-sale assets (AFS)	–	–	–	–	–	–		–	
Measurement gain/(loss) taken to shareholders' equity	–	–	–	4,221	–	–	4,221	180	4,401
Impact of transferring realised gains and losses to income statement	–	–	–	(11,217)	–	–	(11,217)	–	(11,217)
Other changes	–	–	–	(1)	–	–	(1)	–	(1)
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	–	–	–	264	8,289	–	8,553	–	8,553
Components of other comprehensive income net of tax	**–**	**–**	**–**	**(6,733)**	**8,289**	**–**	**1,556**	**180**	**1,736**
Net income for the year	**–**	**–**	**330,267**	**–**	**–**	**–**	**330,267**	**3,238**	**333,505**
Comprehensive income of the period	**–**	**–**	**330,267**	**(6,733)**	**8,289**	**–**	**331,823**	**3,418**	**335,241**
Capital movements	18	1,911	–	–	–	(10,897)	(8,968)	–	(8,968)
Dividend distributions	–	–	(175,365)	–	–	–	(175,365)	(3,455)	(178,820)
Shareholders' equity component of share-based payment plans	–	–	–	–	–	–	–	–	–
Cancellation of gains/losses on treasury shares	–	–	–	–	–	–	–	–	–
Other movements	–	–	(34)	–	–	–	(34)	24	(10)
CLOSING SHAREHOLDERS' EQUITY, GROUP SHARE	**14,451**	**454,536**	**1,879,323**	**32,666**	**(25,543)**	**(77,556)**	**2,277,877**	**18,002**	**2,295,879**

At December 31, 2012, the share capital of Euler Hermes consisted of 45,212,727 fully paid-up shares. At the same date the Group holds 1,261,544 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 consolidated income statement. During the year, the reduction in the revaluation reserve totalled €60,109 thousand net of taxes.

The change in translation reserve up to €3,722 thousand during the exercise relates mainly to the US dollar for an impact of €-6,045 thousand, the British Pound for €5,943 thousand and the Swedish Krona for €2,274 thousand.

53,250 new shares were created as a result of the exercise of stock options during 2012. Following these transactions, the additional paid-in capital of Euler Hermes SA increased by €2,347 thousand.

The variation of the minority interest from €50.3 million is mainly due to the cession from 40% of the Euler Hermes Real Estate OPCI shares to external partners.

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

5.6 Notes to the consolidated financial statements

Note 1 Significant events

The following significant events occurred in the year 2012:

Changes in the share capital and in share ownership

As at December 31, 2012, the Allianz group owned 30,744,048 shares out of a total of 45,212,727 shares, corresponding to 68% of the share capital of Euler Hermes. Consequently, Euler Hermes is integrated into the Allianz consolidation scope.

During the year 2012, 53,250 new shares were created by the exercise of options. As at December 31, 2012, Euler Hermes' share capital was composed of 45,212,727 shares, including 1,261,544 shares held in treasury stock.

Creation of a joint venture with MAPFRE (Solunion)

Euler Hermes and the Spanish insurer MAPFRE agreed on a 50/50 joint venture to develop their credit insurance business in Spain and four Latin American countries. The firms will integrate their existing credit insurance activities in Spain, Argentina, Chile, Colombia and Mexico with a consolidated turnover of €135 million based on 2011 figures.

Solunion official launch

Solunion became an official entity on January 28, 2013, with the signing of the shareholders' agreement and official nomination of the Board of Management members. Solunion jointly created by Euler Hermes and MAPFRE to offer trade credit insurance in Spain and Latin America, began operations in Spain and Argentina. The Company expects to launch operations in Chile, Colombia and Mexico by mid-year. Solunion offers comprehensive trade-related credit insurance solutions and services for companies of all sizes in a wide range of trade sectors.

Follow-up on "Excellence" Project

Euler Hermes initiated the Excellence Project, introduced in 2010, to increase business efficiency. As of December 31, 2010, the impact on the accounts included a restructuring provision of €56.6 million and a restructuring expense of €15.9 million.

The project is on track and workers councils agreements were reached in all countries throughout 2011. As of December 31, 2011, the restructuring provision was partially used and amounted to €45.9 million.

At the end of December 2012, restructuring provision balance reached €30.1 million.

Relocation of Headquarters and Paris-based operations in 2012

In the first half of 2012 the Group also successfully relocated its global headquarters and Paris operations in La Défense. Consolidating several offices brings more knowledge and best practice under one roof.

Transfer of building located 8, rue Euler

During the 3rd quarter 2012, the Group sold the building located 8, rue Euler in Paris.

Selling of Euler Hermes Real Estate 40% Share to external partners

In 2012, the Group sold to Eurosic, PREDICA and Assurance Crédit Mutuel Vie 40% of Euler Hermes Real Estate; the OPCI was created to hold the former Paris-based main office.

Creation of an insurance company in Russia

After more than five years of operating through its parent company Allianz, Euler Hermes obtained, at the end of December 2012, a license to operate in the russian market as an insurance company.

Having obtained the license does not change Euler Hermes' relationship with Allianz Russia, as Euler Hermes remains strongly committed to working with Allianz locally.

Creation of a Euler Hermes South Express located in Belgium

On November 16, 2012 Euler Hermes bought the company GLL South Express SA, a real estate company located in Belgium. The company was rebranded Euler Hermes South Express.

Note 2 IFRS accounting and valuation rules

Euler Hermes SA is a company domiciled in France. The Headquarters of Euler Hermes SA is located 1, Place des Saisons 92048 Paris – La Défense Cedex. The consolidated financial statements as at December 31, 2012 include Euler Hermes SA and its subsidiaries (the whole designated as "the Group" and each subsidiary individually as "the entity of the Group") and the quota-share of the Group in its associated companies or joint ventures.

Euler Hermes SA is registered in RCS with the reference number 552 040 594.

The financial statements of the Euler Hermes group as at December 31, 2012 were approved by the Group Management Board of January 31, 2013 and presented to the Supervisory Board of February 13, 2013. They will be submitted for validation to the Shareholders' Meeting of May 24, 2013.

2.1 General Principles

In accordance with European regulation no. 1606/2002 of July 19, 2002, the consolidated financial statements published at December 31, 2012 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, 2012 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.

The group Euler Hermes applied on January 1, 2012 the standards and the following amendments:

- Amendments to IFRS 7 – Disclosures – Transfers of Financial assets.

Euler Hermes did not apply standards and interpretations published by the IASB but the application of which is not mandatory on January 1, 2012:

- IFRS 9 – Financial instruments – classifying and measuring financial assets and liabilities;
- IFRS 10 – Consolidated Financial Statements;
- IFRS 11 – Joint Arrangements;
- IFRS 12 – Disclosure of Interests in Other Entities;
- amendments to IFRS 10, 11, 12 on IAS 27 et IAS 28;
- Transition Amendments to IFRS 10, 11, 12;
- IFRS 13 – Fair value of award credits;
- IFRIC 20 – Stripping Costs;
- IAS 12 – Deferred Tax: Recovery of Underlying Assets;
- amendments to IAS 1- Presentation of Financial Statments;
- amendments to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters;
- amendments to IAS 19 – Employee Benefits;
- amendments to IFRS 7 and IAS 32 – Offsetting Financial Assets and Financial Liabilities;
- improvements IAS 1 – Clarification of the requirements for comparative information;
- improvements IAS 32 – Tax effect of a distribution to holders of equity instruments.

For information, Euler Hermes group would be impacted by the IAS 19 update that cancels the "corridor" application. For 2012 full year closing, the unrecognized actuarial differences would reduce shareholder's equity for €177,621 thousand before tax.

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 consolidated 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

At the beginning of year 2012, Euler Hermes created an investment fund named PIMCO Funds Ireland which parts are owned by several entities of the Group.

The Group created during the 1st quarter 2012 a holding company in Luxembourg named Euler Hermes Luxembourg Holding SARL.

The Group created during the 2nd quarter 2012 a Belgian company named Euler Hermes Patrimonia.

The service company UAB Euler Hermes Services Baltic based in Lithuania has been liquidated in the 2nd quarter 2012.

During the 4th quarter 2012, 2 companies: Euler Hermes South Express based in Belgium and Llc "Ic" Euler Hermes Ru located in Russia were created.

Finally the Euler Hermes Real Estate company was given up for 40% to external companies.

2.3 List of consolidated companies

		December 31, 2012		December 31, 2011	
French companies	**Consolidation Method**	**% control**	**% interest**	**% control**	**% interest**
Euler Hermes SA[1] 1, place des Saisons – 92048 Paris-La-Défense Cédex No Siren : 552 040 594	Held by Allianz SA: 68,00%		Parent company		Parent company
Bilan Services SNC 25, boulevard des Bouvets – 92000 Nanterre No Siren: 333 192 631	Full	50.00	50.00	50.00	50.00
Euler Hermes Asset Management SA 1, place des Saisons – 92048 Paris-La-Défense Cédex No Siren: 422 728 956	Full	100.00	100.00	100.00	100.00
Euler Hermes Services SAS 1, place des Saisons – 92048 Paris-La-Défense Cédex No Siren : 414 960 377	Full	100.00	100.00	100.00	100.00
Euler Hermes France 1, place des Saisons – 92048 Paris-La-Défense Cédex No Siren: 348 920 596	Full	100.00	100.00	100.00	100.00
Euler Hermes Crédit France 1, place des Saisons – 92048 Paris-La-Défense Cédex No Siren: 388 236 853	Full	100.00	100.00	100.00	100.00
Euler Hermes Recouvrement France 1, place des Saisons – 92048 Paris-La-Défense Cédex No Siren: 388 238 026	Full	100.00	100.00	100.00	100.00
Euler Hermes Tech SAS 1, place des Saisons – 92048 Paris-La-Défense Cédex No Siren : 388 237 091	Full	100.00	100.00	100.00	100.00
Euro Gestion 1, place des Saisons – 92048 Paris-La-Défense Cédex FR0007047568	Full	100.00	100.00	100.00	100.00
Euler Gestion 1, place des Saisons – 92048 Paris-La-Défense Cédex FR0007434980	Full	100.00	100.00	100.00	100.00
Euler Hermes World Agency 1, place des Saisons – 92048 Paris-La-Défense Cédex No Siren: 487 550 907	Full	100.00	100.00	100.00	100.00
Gie Euler Hermes SFAC Services 1, place des Saisons – 92048 Paris-La-Défense Cédex No Siren: 393 302 708	Full	100.00	100.00	100.00	100.00
Financière Callisto 1, place des Saisons – 92048 Paris-La-Défense Cédex No Siren: 503 326 514	Full	100.00	100.00	100.00	100.00
Euler Hermes Real Estate 87 rue Richelieu 75002 Paris No Siren: 488 480 567	Full	100.00	60.00	100.00	100.00
Financière Aldebaran 1, place des Saisons – 92048 Paris-La-Défense Cédex No Siren: 493 467 609	Full	100.00	100.00	100.00	100.00
Financière Sirius 1, place des Saisons – 92048 Paris-La-Défense Cédex No Siren: 488 480 567	Full	100.00	100.00	100.00	100.00
Financière Soho 1, place des Saisons – 92048 Paris-La-Défense Cédex No Siren: 503 326 241	Full	100.00	100.00	100.00	100.00

(1) Proportion held is based on a total of 45,212,727 shares (before restatement of treasury shares).

Foreign companies	Country	Consolidation Method	December 31, 2012 % control	December 31, 2012 % interest	December 31, 2011 % control	December 31, 2011 % interest
Euler Hermes Argentina SA Av. Corrientes 299 – 2° Piso – C1043AAC CABA, Buenos Aires	Argentina	Full	100.00	100.00	100.00	100.00
Euler Hermes Australia Pty Ltd Level 9, Forecourt Building, 2 Market Street Sydney NSW 2000	Australia	Full	100.00	100.00	100.00	100.00
Prisma Kreditversicherungs AG 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 Europe SA (NV) Avenue des Arts, Kunstlaan 56 – 1000 Bruxelles – RC Bruxelles: 45 8033	Belgium	Full	100.00	100.00	100.00	100.00
Euler Hermes Services Belgium SA (NV) Avenue des Arts, Kunstlaan 56 – 1000 Bruxelles – RC Bruxelles: 45 8033	Belgium	Full	100.00	100.00	100.00	100.00
Euler Hermes Patrimonia 56, avenue des Arts, A – 1000 Bruxelles	Belgium	Full	100.00	100.00		
Euler Hermes South Express SA Avenue du Port 86C, Box 204 – B – 1000 Bruxelles	Belgium	Full	100.00	100.00		
Graydon Belgium (NV) Uibreidingstraat 84 Bus 1 – 2500 Berchem	Belgium	Equity	27.50	27.50	27.50	27.50
Euler Hermes Seguros de Crédito SA Av. Paulista, 2.421, 3° and. – Jardim Paulista – São Paulo-SP CEP 01311-300	Brasil	Full	100.00	100.00	100.00	100.00
Euler Hermes Serviços de Gestão de Riscos Ltda Av. Paulista, 2.421, 3° and. – Jardim Paulista – São Paulo-SP CEP 01311-300	Brasil	Full	100.00	100.00	100.00	100.00
Euler Hermes Seguros de Crédito à Exportaçao Av. Paulista, 2.421, 3° and. – Jardim Paulista – São Paulo-SP CEP 01311-300	Brasil	Full	100.00	100.00	100.00	100.00
Euler Hermes Canada Services 1155, René-Lévesque Blvd West, suite 2810 – Montréal H3B 3Z7	Canada	Full	100.00	100.00	100.00	100.00
Euler Hermes Seguros de Crédito SA Avda. Presidente Kennedy 5735, of. 801, Torre Poniente – Las Condes, Santiago	Chile	Full	100.00	100.00	100.00	100.00
Euler Hermes Chile Servivios Ltda. Avda. Presidente Kennedy 5735, of. 801, Torre Poniente – Las Condes, Santiago	Chile	Full	100.00	100.00	100.00	100.00
Euler Hermes information Consulting (Shanghai) Co., Ltd Unit 2103, Taiping Finance Tower, 488 Middle Yincheng Road, Pudong New Area, Shanghai, 200120, PRC	China	Full	100.00	100.00	100.00	100.00
Euler Hermes Colombiae Ltda. Calle 72 6-44 Piso 3, Edoficio APA – Bogota	Colombia	Full	100.00	100.00	100.00	100.00
Euler Hermes Service, Česká republika, s.r.o. Molakova 576/11, 186 00 Prague 8	Czech Republic	Full	100.00	100.00	100.00	100.00
Bürgel Wirtschaftsinformationen GmbH & Co. KG 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 Deutschland GmbH Friedensallee 254 – D-22763 – Hambourg	Germany	Full	100.00	100.00	100.00	100.00
Euler Hermes Rating Deutschland GmbH Friedensallee 254 – D-22763 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 Deutschland AG Friedensallee 254 D-22763 – Hambourg	Germany	Full	100.00	100.00	100.00	100.00
Euler Hermes Emporiki Credit Insurance SA 16 LaodikIAS Street – 1-3 Nymfeou Street – 115 28 Athènes	Greece	Full	60.00	60.00	60.00	60.00
Euler Hermes Emporiki Services Limited 16 LaodikIAS Street – 1-3 Nymfeou Street – 115 28 Athènes	Greece	Full	60.00	60.00	60.00	60.00
Euler Hermes Hong Kong Services Limited 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 Követeléskejelő Kft. Kiscelli u.104 – 1037 Budapest	Hungary	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.

Foreign companies	Country	Consolidation Method	December 31, 2012 % control	December 31, 2012 % interest	December 31, 2011 % control	December 31, 2011 % interest
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 Service Ireland Ltd Block 4, Blackrock Business Park, Craysfort Avenue, Blackrock, Co Dublin	Ireland	Full	100.00	100.00	100.00	100.00
Pimco Funds Ireland Styne House – Upper Hatch Street – Dublin 2	Ireland	Full	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 Services Italia SRL Via Raffaello Matarazzo,19 – 00139 Rome	Italy	Full	100.00	100.00	100.00	100.00
Logica Sofware SRL Via Borsellino – Reggio Emilia	Italy	Full	100.00	100.00	100.00	100.00
Euler Hermes Japan Services Ltd Kyobashi Nisshoku Bldg 7F – 08-07, Kyobashi 1-chome, Chuo-Ku – Tokyo 104-0031	Japan	Full	100.00	100.00	100.00	100.00
UAB Euler Hermes Services Baltic Konstitucijos ave 7, Vilnius – Lithuania	Lituania	Liquidated in 2012	0.00	0.00	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 Luxembourg Holding SARL 37, rue d'Anvers – L.1130 Luxembourg	Luxembourg	Full	100.00	100.00		
Euler Hermes Seguro de Credito SA Blvd Manuel Avila Camacho #164, 8° piso – Col. Lomas de Barrilaco – Mexico, DF CP 11010	Mexico	Full	100.00	100.00	100.00	100.00
Euler Hermes Servicios SA de CV Blvd Manuel Avila Camacho #164, 8° piso – Col. Lomas de Barrilaco – Mexico, DF CP 11010	Mexico	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 Services BV Pettelaarpark 20 – Postbus 70571 – NL-5216 PD's-Hertogenbosch	Netherlands	Full	100.00	100.00	100.00	100.00
Graydon Creditfink BV Hullenbergweg 260 – 1101 B.V. Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
Graydon Holding NV Hullenbergweg 260 – 1101 B.V. Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
Graydon Nederland BV Hullenbergweg 260 – 1101 B.V. Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
Kisys Krediet Informatie Systemen BV Hullenbergweg 270 – 1101 B.V. Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
MarkSelect BV Diemerhof 26 – Postbus 22969 – 1100 DL Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
Interpolis Kredietverzekeringen NV Pettelaarpark 20 – 5216 PD's Hertogenbosch	Netherlands	Proportional	45.00	45.00	45.00	45.00
Euler Hermes New Zealand Limited Level 1, Lumley Center, 152 Fanshawe Street, Auckland 1010	New Zealand	Full	100.00	100.00	100.00	100.00
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 SA 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	100.00	100.00
Companhia de Seguro de Creditos SA (COSEC) Avenida de Republica, no 58 – 1069-057 Lisboa	Portugal	Equity	50.00	50.00	50.00	50.00
Euler Hermes Services Romania SRL 6 Petru Maior street, Sector 1 – Bucarest 011264	Romania	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.

Foreign companies	Country	Consolidation Method	December 31, 2012 % control	December 31, 2012 % interest	December 31, 2011 % control	December 31, 2011 % interest
Ooo Euler Hermes Credit Management ul. Krymskij Val3, 2, Office 210 – 119049 Moscou	Russia	Full	100.00	100.00	100.00	100.00
LLC "IC" Euler Hermes RU 8 Office C08, 4-th Dobryninskiy per.8 – 119049 Moscou	Russia	Full	100.00	100.00		
Euler Hermes Singapore Services Pte Ltd. 3 Temasek Avenue – # 03-02 Centennial Tower – Singapore 039130	Singapore	Full	100.00	100.00	100.00	100.00
Euler Hermes Services Slovensko, SRO Plynarenska 7/A 821 09 Bratislava	Slovakia	Full	100.00	100.00	100.00	100.00
Euler Hermes Crédito Sucursal en Espana de EH SFAC SA 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 Service AB Klara Norra Kyrkogata 29 – SE 101 34 Stockholm	Sweden	Full	100.00	100.00	100.00	100.00
Euler Hermes Services Schweiz AG Tödistrasse 65 – 8002 Zurich	Switzerland	Full	99.50	99.50	99.50	99.50
Euler Hermes Reinsurance AG Tödistrasse 65 – 8002 Zurich	Switzerland	Full	100.00	100.00	100.00	100.00
Euler Hermes Risk Yönetimi Büyükdere caddesi Maya Akar Center, B Blok Kat:7 34394 Esentepe, Istanbul	Turkey	Full	100.00	100.00	100.00	100.00
Euler Hermes Sigorta Anonim Sirketi Büyükdere caddesi Maya Akar Center B Blok Kat:7 34394 Esentepe, Istanbul	Turkey	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 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 Services UK Ltd 01, 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 North America Insurance company 800, Red Brook Boulevard – Owings Mills, MD 21117	United States	Full	100.00	100.00	100.00	100.00
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 Services North America, LLC 800, Red Brook Boulevard – Owings Mills, MD 21117	United States	Full	100.00	100.00	100.00	100.00
Euler Hermes Collection North America Company 600 South 7th Street – Louisville, KY 40203, USA	United States	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

Business combinations

Business combinations are accounted for using the acquisition method. This method requires identifying the acquirer, determining the acquisition date which is the date on which control is transferred to the Group, recognising and measuring the identifiable assets acquired, the liabilities assumed and any non controlling interest in the investee; and recognising and measuring goodwill or a gain from a bargain purchase. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recorded amount of any non-controlling interests in the acquires; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquires; less
- the net recorded amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recorded immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recorded in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not measured again and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recorded in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquires's employees (acquires's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquires's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners which cancels the need for recording a goodwill. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the subsidiary's net assets.

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date at which control starts until the date at which control ceases.

Currently the Group has holdings of less than 20% in certain mutual funds which 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;
- Euler Hermes Real Estate;
- Euler Hermes Patrimonia;
- PIMCO Funds Ireland;
- Euler Hermes South Express SA;

The Euler Hermes group owns 100% of these mutual funds, except Euler Hermes Real Estate, owns at the level of 60%.

Loss of control

At the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recorded in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date when control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Investments in associates and jointly controlled entities (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method. Under the equity method, on initial recognition the investment in an associate or a joint venture is recorded at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control begins until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment (including any long-term interests that part form thereof) is reduced to zero, and the recognition of further losses is discontinued except if the Group has an obligation to participate in losses or has made payments on behalf of the investee.

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

- OeKB EH Beteiligungs- und Managment AG;
- Graydon Holding NV;
- Companhia de Seguro de Creditos SA (COSEC);
- Israel Credit Insurance Company Ltd (ICIC).

Jointly controlled operations

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operation. The consolidated financial statements include the assets that the Group controls, the liabilities that it incurs in the course of pursuing the joint operation and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

NV Interpolis Kredietverzekeringen is controlled jointly by Euler Hermes Europe SA, 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.

2.5 Eliminations on consolidation

Income and expenses arising from intra-group transactions are eliminated during the preparation of the consolidated financial statements. Income and expenses arising from 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-months period ending on December 31.

2.7 Use of estimates

The production of the consolidated financial statements of Euler Hermes is based on estimates for a part of assets and liabilities items. The management is called upon to review these estimates in the event of changes that may alter the basis on which they have been established or due to the consideration of new information or accrued experience.

The estimates concerning technical provisions are also detailed in the section 4 "Major risk factors and their management within the Group".

The table below summarizes the assessment methods 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 recognized 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 Allianz and Euler Hermes SAR (Stock Appreciation Rights) and RSU (Restricted Stocks Units) plans is reassessed at each balance sheet date based on the Allianz share price and Euler Hermes share price, until expiry of the obligation. The fair value from SAR and RSU 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 in the absence of significant fluctuations.

For 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 recorded 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.

For each closing, the consolidated 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 consolidated 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 foreign exchange translation arising from shareholders' equity is recorded within shareholders' equity under "Foreign exchange Translation", 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:

	December 31, 2012		December 31, 2011	
(in € vs currency)	Closing	Average	Closing	Average
Pound sterling	0.8111	0.8110	0.8353	0.8713
US dollar	1.3184	1.2853	1.2939	1.4000
Swedish krona	8.5771	8.7040	8.9120	9.0070
Brazilian real	2.6994	2.5105	2.4159	2.3380
Hong Kong dollar	10.2187	9.9701	10.0510	10.8960
Swiss franc	1.2068	1.2051	1.2156	1.2318
Polish Złoty	4.0803	4.1824	4.4580	4.1380

2.9 Segment data

A segment 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 geographical sector is a distinct component of a business engaged in the supply of products or services in a given economic environment which are exposed to risks and profitability that differ from those of other geographical sectors. In accordance with IFRS 8 – segment data, the sectors raised hereafter to present the segment data were identified on the basis of the internal reporting and correspond to the geographical sectors followed by the management.

2.10 Goodwill and other intangible assets

Goodwill

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.

For business combinations made with effect from March 31, 1998 goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see § 2.4. Consolidation principles and methods.

The values of the identifiable assets and liabilities acquired may be adjusted within a period of 12 months beginning on the acquisition date.

Goodwill is recorded at acquisition cost less any accumulated impairment write-down.

In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

With effect from January 1, 2004, goodwill is no longer amortised in accordance with IFRS 3, but instead is subject to impairment testing, at least once a year or whenever an indication of loss in value occurs (*see § 2.11. "Impairment"*).

For the purposes of impairment testing, goodwill is allocated to Cash-Generating Units or to groups of Cash-Generating Units (*see the impairment test procedure in § 2.11. "Impairment"*).

For 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 highest value between 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 of the concerned subsidiary as identified in the business plans. Details of the method used to calculate the value in use are presented in Note 3 "Goodwill".

Other intangible assets

An intangible asset is a non-monetary asset that has no physical substance and which has to be identifiable as a separate asset, owned and controlled and held to provide future economical benefits.

An asset complies to the criterion 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 recorded 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 recorded as an expense in the consolidated 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 recorded in the consolidated income statement.

The Group records under this heading software that is developed in-house or acquired externally and contract portfolios registered in application of IFRS 4.

Software developed in-house or acquired externally are amortised over 5 years.

Costs relating to the development phase are capitalised provided that the entity can demonstrate the following: 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, goodwills are not amortised but are subject to impairment tests which are performed on a systematic annual basis and as soon as there is any indication of loss in value. Impairment tests are performed for each Cash Generating Unit (CGU) or group of CGUs to which a goodwill is related. The CGUs correspond to some of the main subsidiaries or branches of areas presented in the segment analysis. An impairment loss of goodwill is recognised when the highest 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, perpetual growth rate between 1% and 1.5% depending on the CGU concerned, and a cost of capital between 5.77% and 8.95% depending on the CGU. With effect from 2006, the cost of capital 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). Furthermore, since the Group has organized its reinsurance activities with the settlement of a Group reinsurance region, the scope of the Cash Generating Units has been extended to include internal reinsurance activities contracted by the CGU with this Group reinsurance region, as well as the share of related shareholders' equity.

The calculation parameters adopted as at December 31, 2012 are detailed per CGU in the Note 3 "Goodwill".

The impairment loss recorded in the consolidated income statement is allocated in priority to the goodwill related to the Cash Generating Unit, and is then allocated, for the outstanding part, on a pro rata basis to the other assets of the Cash Generating Unit. Goodwill impairment loss is never written back.

Other intangible assets

All other intangible assets are subject to an impairment test if there is any indication of loss in value. Any impairment loss 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 loss. 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 the purpose of 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 recorded in the balance sheet under "Investments – insurance businesses".

The Group's operating property is included within property plant 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 IAS 16 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 recorded. 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 an asset at the end of its useful life, net of any costs relating to its disposal.

For each category of property assets, and in addition to land, the Group has identified six significant components 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.

	Housing	Warehouses and commercial premises	Offices	High-rise buildings
Component	Depr. period	Depr. period	Depr. period	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 recorded where required to reduce the value of the property to the higher of the value in use and the expert valuation decreased from costs of the sale. This provision may be written back through the consolidated 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 recorded in order to reduce the value of the operating property to the higher of the value in use and the expert valuation decreased from costs of the sale. In the event of an increase in value, this provision may be written back through the consolidated income statement.

2.13 Other property, plant and equipment

Other property plant and equipment are recorded 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 consolidated 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 consolidated 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 recorded 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 recorded in the consolidated 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 (including the actuarial amortisation) is recorded as "available-for-sale assets", with a corresponding entry in the revaluation reserve, without any impact on the consolidated income statement.

Impairment

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

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

- at the closing date 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;
- 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 recorded in the consolidated 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 recorded in the consolidated income statement.

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

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

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

Disposal

In the event of disposal, the amounts recorded in the revaluation reserve are recorded in the consolidated 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 recorded 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 amortised cost calculation and are recorded in the consolidated 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 mainly 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 instrument (except for a derivative that is a designated and effective hedging instrument).

Initial recognition

Assets held for trading purposes are recorded 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 recorded in the consolidated income statement for the period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not listed on an active market, except for instruments classified at fair value through the consolidated 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 asset's carrying amount and the estimated future cash flows' value, 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, which has the following three features: (a) its value varies according to an interest rate, a financial instrument price, a specific commodity price, an exchange rate, a price, rate or credit index, a credit rating or another underlying fluctuations; (b) it does not require any net initial investment or any net initial investment which is less than what 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 consolidated 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.

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

- the hedging instrument is recorded at fair value and any changes are recorded through the consolidated 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 recorded through the consolidated 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 recorded 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 recorded through shareholders' equity. The ineffective portion of the hedge is recorded immediately through the consolidated income statement.

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

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 31 "Stock option plans"*).

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 consolidated income statement.

2.17 Current and deferred tax

Tax expense includes current and deferred tax. Current tax and deferred tax are recorded in profit or loss except when it relates to a business combination, or items recorded directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recorded in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recorded for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that does neither affect accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that they will likely not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets are recorded in the balance sheet as soon as their utilization is considered as probable by the Group.

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 § 2.21. 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 obligation amount. 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.

Group companies may be concerned by disputes inherent in the exercise of their normal business.

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, Scandinavia and the United Kingdom.

The related commitments are measured in accordance with IAS 19. The commitment is recorded 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 recorded 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 recorded in the consolidated 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 post-employment benefits 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.

2.22 Share-based payments transactions

The grant-date fair value of share-based payment awards granted to employees is recorded as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recorded as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, so that the amount ultimately recorded as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Allianz and Euler Hermes have put in place stock option plans for the benefit of executives of the Euler Hermes group. When 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. In the same way, the Group did not identify service contracts falling within the standard IAS 18.

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 of the following 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 contract are included in IFRS 4 (section B18 (g)).

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 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. Thus, Euler Hermes continued to apply the standards defined by CRC 2000-05 related to the consolidation and combination rules from companies 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, were retained for the measurement of insurance contracts.

Analysis by function of expenses relating to contracts

Expenses relating to insurance contracts are initially recorded according to their nature and then analysed by function in the consolidated 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 consolidated 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 recorded in turnover stem from the guarantees given to policyholders to cover their trade receivables that arise during 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).

Provisions for unearned premiums

A provision for unearned premiums, gross of commissions and expenses, is established contract by contract, on a straight-line basis, 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 received recoveries;
- 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 4 "Major risk factors and their management within the Group".

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 are 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

For 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 for technical reserves gross of reinsurance appearing in liabilities.

Cash deposits received from reinsurers are recognised in liabilities arising from assigned reinsurance transactions. Receivables due from reinsurers are subject to impairment write-downs if the ceded company will not receive the entire amount due at the end of the contract.

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 recorded 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 recorded 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.

Premiums

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 corresponds 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.

Investment income

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

Investment income net of management expense

This income is mainly composed of the following categories:

- net income from property;
- net income from 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 recorded in the consolidated income statement. 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 consolidated 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 expenses

Insurance services expenses include 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 § 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 § 2.23 Insurance and reinsurance contracts – Reinsurance contracts.

2.28 Administration expense and Contract acquisition expenses

Administration expenses mainly comprise salary costs and costs relating to the IT systems affected to the administration of the contracts.

Contract acquisition expenses comprise primarily wage costs related to acquisition of contracts, brokerage commissions, fees for opening files, spending on commercial networks.

2.29 Other ordinary operating income and expense

Other ordinary operating income and expense correspond mainly to Euler Hermes group service revenue and expense.

2.30 Other operating income and expense

These revenue and expense items arise from a major event that occurred during the accounting period and was such that it would have distorted the interpretation of the Group's performance. Therefore, they consist of very few items that are unusual in nature, occur infrequently, and are for significant amounts.

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 is subject to impairment tests which are performed on a systematic annual basis and as soon as there is any indication of loss in value.

	December 31, 2012						December 31, 2011
(in € thousand)	Italy	United Kingdom	United States	Benelux countries	Other	Total	Total
Opening balance							
Gross value	6,229	65,836	32,768	8,242	8,613	121,688	118,720
Impairment losses	(409)	(11,872)	–	–	–	(12,281)	(11,007)
Carrying amount	**5,820**	**53,964**	**32,768**	**8,242**	**8,613**	**109,407**	**107,713**
Change during the year							
Opening carrying amount	**5,820**	**53,964**	**32,768**	**8,242**	**8,613**	**109,407**	**107,713**
Changes in gross value	–	–	–	–	–	–	–
Outgoing entities & Held for sale transfer	–	–	–	–	–	–	–
Other changes	–	–	–	–	–	–	–
Reclassifications	–	(2,917)	–	–	–	(2,917)	–
Changes in foreign currency translation adjustments	–	1,493	(525)	–	234	1,202	2,606
Impairment losses	–	–	(3,345)	–	–	(3,345)	(912)
Closing carrying amount	**5,820**	**52,540**	**28,898**	**8,242**	**8,847**	**104,347**	**109,407**
Closing balance							
Gross value	6,229	64,796	32,160	8,242	8,847	120,274	121,688
Impairment losses	(409)	(12,256)	(3,262)	–	–	(15,927)	(12,281)
Carrying amount	**5,820**	**52,540**	**28,898**	**8,242**	**8,847**	**104,347**	**109,407**

Depreciation of the goodwill of €3,345,000 comes from the expected decrease of future cash flows expected on Euler Hermes Collection North America Company.

Reclassification of €2,917,000 is linked to the Irish portfolio from the UK Branch transferred to intangible assets.

Method of impairment tests

In accordance with IAS 36, Euler Hermes performs impairment tests of the goodwill by comparing the value in use of the cash generated units (CGU) including goodwill and the book value (contribution of Group consolidated net asset including 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 assumptions for the calculation of the value in use are the perpetuity growth rate, which is defined by CGU, and the cost of capital, which is defined by geographical area. The model is built on a 3-year forecast prepared by the CGU and validated by Group management, plus a final year built on targeted combined ratio and retention rate. Moreover, with the creation of a Group reinsurance region, the scope of the CGU has been extended to include internal reinsurance activities occurring between the CGU and the Group reinsurance region, and consequently to include also a part of the Group reinsurance region's contribution to Group consolidated net asset.

The parameters used to calculate the CGU's valuations are presented in the table below.

Results of impairment tests

	Italy	United Kingdom	United States	Belgium	Netherlands	Germany
Cost of capital (net of tax)	8.95%	6.27%	6.15%	6.51%	5.95%	5.77%
of which, risk-free rate	*4.50%*	*1.82%*	*1.70%*	*2.06%*	*1.50%*	*1.32%*
of which, risk premium (bêta = 0.89)	*4.45%*	*4.45%*	*4.45%*	*4.45%*	*4.45%*	*4.45%*
Effective tax rate	48.00%	24.50%	35.00%	33.99%	25.00%	32.30%
Normalised return on financial portfolio	3.5%	1.3%	1.1%	1.3%	0.9%	0.7%
Gross combined ratio	80.0%	84.0%	82.0%	81.0%	80.5%	78.0%
Target retention rate	31.9%	29.6%	28.9%	28.1%	31.6%	34.8%
Perpetual growth	1.0%	1.5%	1.5%	1.5%	1.5%	1.5%
Value in use *(in € million)*	362.2	354.3	612.6	257.7	111.8	1,669.1
Contribution to Group consolidated net asset *(in € million)*	154.7	209.8	373.5	226.3	40.2	973.3
Surplus (or deficit)	207.5	144.5	239.1	31.4	71.5	695.8

Sensitivity of impairment tests

Sensitivity analysis were performed on impairment tests, assuming deviation in some calculation parameters:

- sensitivity on long-term growth: the impairment tests were performed with same methodology but assuming a -0.5 point decrease in perpetual growth rate. For all CGUs, the result of this sensitivity test led to a value in use still higher than the contribution to Group consolidated net asset. These valuations support the fact that no complementary goodwill impairment is recognised;
- sensitivity on cost of capital: the impairment tests were performed with same methodology but assuming a +0.5 point increase in the cost of capital. For all CGUs, the result of this sensitivity test led to a value in use still higher than the contribution to Group consolidated net asset. These valuations support the fact that no complementary goodwill impairment is recognised;
- sensitivity on gross combined ratio: the impairment tests were performed with the same methodology but assuming a +3 points increase in the target gross combined ratio, of which +2 points on gross loss ratio and +1 point on gross cost ratio. The result of this sensitivity test led to a value in use still higher than the contribution to Group consolidated net asset for all CGUs. These valuations support the fact that no complementary goodwill impairment is recognised.

Break even parameters

The following table presents for each CGU the change in each of the key parameters taken individually, which enables the estimated value in use to equal its contribution to Group consolidated net asset.

	Italy	United Kingdom	United States	Belgium	Netherlands	Germany
Perpetual growth	-14.7%	-2.3%	-2.1%	0.8%	-9.0%	-2.6%
Cost of capital	20.2%	9.6%	9.3%	7.2%	14.4%	9.3%
Gross combined ratio	95.1%	89.3%	88.5%	84.2%	89.6%	87.0%

Note 4 Other intangible assets and contracts portfolio

	December 31, 2012				December 31, 2011			
(in € thousand)	Contract porfolio	IT development and software	Other intangible assets	Total	Contract porfolio	IT development and software	Other intangible assets	Total
Opening balance								
Gross value	4,772	199,849	25,544	230,165	4,127	176,658	25,005	205,790
Amortisation	(4,078)	(141,247)	(15,128)	(160,453)	(4,445)	(121,725)	(14,066)	(140,236)
Impairment	–	–	–	–	–	–	–	–
Carrying amount	**694**	**58,602**	**10,416**	**69,712**	**(318)**	**54,933**	**10,939**	**65,554**
Change during the year								
Opening carrying amount	**694**	**58,602**	**10,416**	**69,712**	**(318)**	**54,933**	**10,939**	**65,554**
Acquisitions	–	34,096	–	34,096	626	29,060	418	30,104
Expenses capitalised	–	–	–	–	–	–	–	–
Changes in consolidation scope	–	–	–	–	–	3	–	3
Disposals	–	(3,671)	(1)	(3,672)	–	(148)	(92)	(240)
Reclassifications	–	78	2,917	2,995	–	(225)	225	–
Foreign exchange differences	23	49	87	159	13	28	–	41
Net amortisation	(386)	(25,331)	(1,007)	(26,724)	373	(24,585)	(1,074)	(25,286)
Net provisions for impairment	–	–	–	–	–	(464)	–	(464)
Other changes	–	–	–	–	–	–	–	–
Closing carrying amount	**331**	**63,823**	**12,412**	**76,566**	**694**	**58,602**	**10,416**	**69,712**
Closing balance								
Gross value	4,815	209,683	28,489	242,987	4,772	199,849	25,544	230,165
Amortisation	(4,484)	(145,860)	(16,077)	(166,421)	(4,078)	(141,247)	(15,128)	(160,453)
Impairment	–	–	–	–	–	–	–	–
Carrying amount	**331**	**63,823**	**12,412**	**76,566**	**694**	**58,602**	**10,416**	**69,712**

The increase of IT development and softwares mainly results from the "Group Policy Administration" application. Amortisations are related to Fit+1 (accounting) and IMX (Collection) applications.

Note 5 Investment and operating property

(in € thousand)	December 31, 2012 Investment property	December 31, 2012 Operating property	December 31, 2011 Investment property	December 31, 2011 Operating property
Opening balance				
Gross value	6,144	187,356	13,232	184,231
Depreciation	(2,125)	(56,627)	(3,909)	(50,234)
Impairment losses	–	(6,797)	–	(6,797)
Carrying amount	**4,019**	**123,932**	**9,323**	**127,200**
Change during the year				
Opening carrying amount	**4,019**	**123,932**	**9,323**	**127,200**
Acquisitions	35,908	200	–	3,000
Changes in consolidation scope	–	–	–	–
Disposals	(1,817)	(11,479)	(5,187)	–
Reclassifications	16,090	(16,090)	–	–
Changes in foreign currency translation adjustements	–	(53)	–	108
Net depreciation	(311)	(4,257)	(117)	(6,376)
Net provisions for impairment	–	–	–	–
Other changes	(226)	–	–	–
Closing carrying amount	**53,663**	**92,253**	**4,019**	**123,932**
Closing balance				
Gross value	69,526	138,526	6,144	187,356
Depreciation	(15,863)	(39,476)	(2,125)	(56,627)
Impairment losses	–	(6,797)	–	(6,797)
Carrying amount	**53,663**	**92,253**	**4,019**	**123,932**
Fair value	**158,836**	**118,711**	**12,312**	**229,162**

AMOUNTS RECORDED IN THE INCOME STATEMENT

Investment property	Twelve months ended December 31 2012	2011
Rental revenues from investment property	902	1,170
Direct operating expenses relating to property	(68)	(187)

As at December 31, 2012, disposals in investment property mainly concerns:

- sale of the building located 8, rue Euler (Paris) for a sale price of €10.8 million, carrying the realized loss to €0.5 million; which corresponds to a carrying amount of €11.3 million;
- sales related to investment property realized by Euler Hermes France for a selling price of €5.5 million, carrying the realized profit to €3.8 million (before tax impact) which corresponds to a carrying amount of €1.7 million.

Acquisition increase derives from the creation of Euler Hermes South Express. Euler Hermes South Express main asset is a building located in Brussels.

The reclassification for €16.1 million concerns the transfer of the building 1, rue Euler (Paris) from operating property to investment property.

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 not any active market for a given financial instrument, the Group estimates the fair value by 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

	December 31, 2012						December 31, 2011					
(in € thousand)	Historical value	Revaluation reserve	Net carrying amount	Fair value	Listed	Non listed	Historical value	Revaluation reserve	Net carrying amount	Fair value	Listed	Non listed
Held-to-maturity assets												
Bonds	491	–	491	491	–	491	491	–	491	491	300	191
Total held-to-maturity assets	**491**	**–**	**491**	**491**	**0**	**491**	**491**	**–**	**491**	**491**	**300**	**191**
Available-for-sale assets												
Equities	69,446	12,704	82,150	82,150	2,924,224	34,058	120,226	10,195	130,421	130,421	2,756,938	57,277
Bonds	2,758,684	117,448	2,876,132	2,876,132			2,639,057	44,737	2,683,794	2,683,794		
Total Available-for-sale assets	**2,828,130**	**130,152**	**2,958,282**	**2,958,282**	**2,924,224**	**34,058**	**2,759,283**	**54,932**	**2,814,215**	**2,814,215**	**2,756,938**	**57,277**
Loans, deposits and other financial investments	808,741	–	808,741	808,741	–	–	743,611	–	743,611	743,611	–	–
Total loans, deposits and other financial investments	**808,741**	**–**	**808,741**	**808,741**	**–**	**–**	**743,611**	**–**	**743,611**	**743,611**	–	–
TOTAL FINANCIAL INVESTMENTS	**3,637,362**	**130,152**	**3,767,514**	**3,767,514**	**2,924,224**	**34,548**	**3,503,385**	**54,932**	**3,558,317**	**3,558,317**	**2,757,238**	**57,468**

(in € thousand)	December 31, 2010 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
Total held-to-maturity assets	**1,071**	**–**	**1,071**	**1,071**	**700**	**371**
Available-for-sale assets						
Equities	119,523	22,517	142,040	142,040	2,546,894	58,960
Bonds	2,423,654	40,162	2,463,816	2,463,816		
Total available-for-sale assets	**2,543,177**	**62,679**	**2,605,856**	**2,605,856**	**2,546,894**	**58,960**
Loans, deposits and other financial investments	831,829	–	831,829	831,829	–	–
Total loans, deposits and other financial investments	**831,829**	**–**	**831,829**	**831,829**	**–**	**–**
TOTAL FINANCIAL INVESTMENTS	**3,376,077**	**62,679**	**3,438,756**	**3,438,756**	**2,547,594**	**59,331**

Concerning the non listed investments, the Group estimates the fair value by 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 mortgage bonds (*Pfandbriefe*).

	December 31, 2012				December 31, 2011			
(in € thousand)	Historical value	Revaluation reserve	Net carrying amount	Fair value	Historical value	Revaluation reserve	Net carrying amount	Fair value
Equities	69,446	12,704	82,150	82,150	120,226	10,195	130,421	130,421
Bonds	2,759,175	117,448	2,876,623	2,876,623	2,639,548	44,737	2,684,285	2,684,285
Loans and other investments	808,741	–	808,741	808,741	743,611	–	743,611	743,611
TOTAL FINANCIAL INVESTMENTS	**3,637,362**	**130,152**	**3,767,514**	**3,767,514**	**3,503,385**	**54,932**	**3,558,317**	**3,558,317**

(in € thousand)	December 31, 2010 Amortized cost	Revaluation reserve	Net carrying amount	Fair value
Equities	119,523	22,517	142,040	142,040
Bonds	2,424,725	40,162	2,464,887	2,464,887
Loans and other investments	831,829	–	831,829	831,829
TOTAL FINANCIAL INVESTMENTS	**3,376,077**	**62,679**	**3,438,756**	**3,438,756**

There was no significant impact of impairment on Euler Hermes group portfolio as of December 31, 2012. Euler Hermes group does not hold any financial assets such as “dynamic treasury mutual funds” or “subprime investments”.

Fair value hierarchy

Available-for-sale assets

(in € thousand)	December 31, 2012 Level 1	Level 2	Level 3
Available-for-sale assets	2,768,123	160,173	29,986

(in € thousand)	December 31, 2011 Level 1	Level 2	Level 3
Available-for-sale assets	2,599,346	177,703	37,166

(in € thousand)	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 was mainly composed in 2010 and 2011 of German mortgage bonds (*Pfandbriefe*) and of parts of Allianz 3 years bond for an amount of €160 million reaching maturity during the 2012 year. This Allianz 3-year matured bond was renewed for one year for €160 million.

The level 3 is mainly composed of participation in a Private Equity Funds, non-consolidated shares and of Moroccan non-listed government bonds.

Other financial investments

The HTM bonds, loans and other investments are valuated at amortised cost. Consequently their hierarchical ranking is mainly level 1 except for the German mortgage bonds (*Pfandbriefe*) classified in level 2 in 2010 and 2011.

Classification by geographical zone

2012

(in € thousand)	France	Other countries	Group
Held-to-maturity assets			
Bonds	–	491	491
Total held-to-maturity assets	**–**	**491**	**491**
Available-for-sale assets			
Equities	67,333	14,817	82,150
Bonds	590,117	2,286,015	2,876,132
Total available-for-sale assets	**657,450**	**2,300,832**	**2,958,282**
Loans, deposits and other financial investments	95,516	713,225	808,741
Total loans, deposits and other financial investments	**95,516**	**713,225**	**808,741**
TOTAL FINANCIAL INVESTMENTS	**752,966**	**3,014,548**	**3,767,514**

2011

(in € thousand)	France	Other countries	Group
Held-to-maturity assets			
Bonds	–	491	491
Total held-to-maturity assets	**–**	**491**	**491**
Available-for-sale assets			
Equities	116,555	13,866	130,421
Bonds	633,325	2,050,469	2,683,794
Total available-for-sale assets	**749,880**	**2,064,335**	**2,814,215**
Loans, deposits and other financial investments	54,583	689,028	743,611
Total loans, deposits and other financial investments	**54,583**	**689,028**	**743,611**
TOTAL FINANCIAL INVESTMENTS	**804,463**	**2,753,854**	**3,558,317**

2010

(in € thousand)	France	Other countries	Group
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	1,824,159	2,463,816
Total available-for-sale assets	**767,467**	**1,838,390**	**2,605,857**
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**	**2,458,753**	**3,438,756**

Movements in the periods

(in € thousand)	December 31, 2012 Held-to-maturity investments	Available-for-sale investments	Loans, deposits and other financial investments	Total	December 31, 2011 Total
Opening carrying amount	**491**	**2,814,215**	**743,611**	**3,558,317**	**3,438,756**
Increase in gross value	–	1,359,272	1,901,248	3,260,520	2,479,332
Decrease in gross value	–	(1,282,598)	(1,828,311)	(3,110,909)	(2,331,877)
Revaluation	–	86,561	–	86,561	(12,186)
Impairment	–	(1,062)	–	(1,062)	(5,830)
Changes in foreign currency translation adjustements	–	822	1,826	2,648	8,115
Reclassifications	–	969	(14)	955	–
Other changes	–	(19,897)	(9,619)	(29,516)	(17,993)
Closing carrying amount	**491**	**2,958,282**	**808,741**	**3,767,514**	**3,558,317**

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

The other variations of available for sale investments are mainly the amortisations of premiums and discounts of the bonds.

Exposure of the Group to the European sovereign debt

The Euler Hermes group does not have any more exposure to the sovereign debts in the following countries: Greece, Ireland, Spain, Hungary and Italy.

Portugal

The Portuguese company COSEC, consolidated at equity method within Euler Hermes, has the following exposure to local government debt (in € thousand):

Country	Maturity	Total Exposure	Market Value	Unrealized Gain or Loss
Portugal	2013	3,446	3,422	(24)
Portugal	2014	642	642	–
Portugal	2015	916	898	(18)
TOTAL PORTUGAL		**5,004**	**4,962**	**(42)**

All investments mentioned above are recorded at fair value in investment available for sale (AFS).

Note 7 Investments accounted for by the equity method

Information on equity-accounted investments

Company (in € thousand)	December 31, 2012 Country	Assets[1]	Shareholders' equity[2]	Turnover[3]	Net income	% of capital held
OeKB Beteiligungs- und Management AG	Austria	190,445	127,465	78,066	15,247	49.00%
Graydon Holding NV	Netherlands	48,997	15,098	65,308	6,978	27.50%
Companhia de Seguro de Creditos SA (COSEC)	Portugal	110,036	44,940	42,009	4,334	50.00%
Israel Credit Insurance Company Ltd	Israel	80,895	37,150	30,650	7,444	33.33%
		430,373	**224,653**	**216,032**	**34,003**	

(1) Assets based on IFRS statements as at September 30, 2012.
(2) Shareholders' equity based on IFRS statements as at September 30, 2012 including goodwill.
(3) The turnover corresponds to the turnover in the IFRS statements as at September 30, 2012 + ¼ of the total turnover of 2011.

Company (in € thousand)	December 31, 2011 Country	Assets[1]	Shareholders' equity[2]	Turnover[3]	Net income	% of capital held
OeKB Beteiligungs- und Management AG	Austria	186,250	114,016	81,127	18,178	49.00%
Graydon Holding NV	Netherlands	54,918	7,095	68,626	12,000	27.50%
Companhia de Seguro de Creditos SA (COSEC)	Portugal	131,825	38,838	40,552	6,774	50.00%
Israel Credit Insurance Company Ltd	Israel	69,812	32,766	27,777	4,329	33.33%
		442,805	**192,715**	**218,082**	**41,281**	

(1) Assets based on IFRS statements as at September 30, 2011.
(2) Shareholders' equity based on IFRS statements as at September 30, 2011 including goodwill.
(3) The turnover corresponds to the turnover in the IFRS statements as at September 30, 2011 + ¼ of the total turnover of 2010.

Movements during the period

(in € thousand)	December 31, 2012	December 31, 2011
Opening carrying amount	**105,196**	**98,066**
Increases	–	–
Decreases	–	(997)
Reclassifications	–	–
Share of income for the period	14,038	17,038
Dividends paid	(6,245)	(8,417)
Impairment	–	–
Foreign exchange differences	18	(210)
Other changes	2,493	(284)
Closing carrying amount	**115,500**	**105,196**

Contribution to shareholders' equity (without equity method income of 2012)

(in € thousand)		December 31, 2012	December 31, 2011
OeKB Beteiligungs- und Management AG	Austria	62,458	55,868
Graydon Holding NV	Netherlands	4,152	1,951
Companhia de Seguro de Creditos SA (COSEC)	Portugal	22,470	19,419
Israel Credit Insurance Company Ltd	Israel	12,382	10,921
Share of shareholders' equity		**101,462**	**88,159**

Contribution to income

(in € thousand)		December 31, 2012	December 31, 2011
OeKB Beteiligungs- und Management AG	Austria	7,471	8,907
Graydon Holding NV	The Netherlands	1,919	3,300
Companhia de Seguro de Creditos SA (COSEC)	Portugal	2,167	3,387
Israel Credit Insurance Company Ltd	Israel	2,481	1,443
Share of total income		**14,038**	**17,037**

Note 8 Operating property and other property, plant and equipment

	December 31, 2012			December 31, 2011		
(in € thousand)	Operating property	Other property and equipment	Total	Operating property	Other property and equipment	Total
Opening balance						
Gross value	187,356	144,606	331,962	184,231	138,750	322,981
Amortisation	(56,627)	(118,548)	(175,175)	(50,234)	(114,578)	(164,812)
Impairment	(6,797)	(713)	(7,510)	(6,797)	(110)	(6,907)
Carrying amount	**123,932**	**25,345**	**149,277**	**127,200**	**24,062**	**151,262**
Change during the year						
Opening carrying amount	**123,932**	**25,345**	**149,277**	**127,200**	**24,062**	**151,262**
Acquisitions	200	38,935	39,135	3,000	16,928	19,928
Changes in consolidation scope	–	(4)	(4)	–	21	21
Disposals	(11,479)	(3,450)	(14,929)	–	(6,323)	(6,323)
Reclassifications	(16,090)	115	(15,975)	–	(25)	(25)
Foreign exchange differences	(53)	54	1	108	127	235
Net depreciation	(4,257)	(10,815)	(15,072)	(6,376)	(8,842)	(15,218)
Net provisions for impairment	–	255	255	–	(603)	(603)
Other changes	–	–	–	–	–	–
Closing carrying amount	**92,253**	**50,435**	**142,688**	**123,932**	**25,345**	**149,277**
Closing balance						
Gross value	138,526	137,118	275,644	187,356	144,606	331,962
Depreciation	(39,476)	(86,225)	(125,701)	(56,627)	(118,548)	(175,175)
Impairment	(6,797)	(458)	(7,255)	(6,797)	(713)	(7,510)
Carrying amount	**92,253**	**50,435**	**142,688**	**123,932**	**25,345**	**149,277**

Change in acquisition concerns mainly the €20 million capitalisation of the head office relocation in Tower FIRST expenses. The reclassification of €16.1 million concerns the transfer of the building 1, rue Euler (Paris) from an operating property to an investment property. Disposals mainly concern the sale of the building located 8, rue Euler (Paris).

Note 9 Deferred tax

Breakdown by type of tax

(in € thousand)	December 31, 2012	December 31, 2011
Deferred tax assets	151,721	123,631
Deferred tax liabilities	(448,187)	(431,712)
Net deferred tax	**(296,466)**	**(308,081)**
Tax losses	10,595	7,592
Deferred tax assets linked to revaluation of AFS investments	10,545	8,952
Deferred tax assets – provisions for retirement commitments	1,608	1,691
Deferred tax assets – technical reserves	54,253	39,231
Other deferred tax assets	74,720	66,165
Total deferred tax assets	**151,721**	**123,631**
Deferred tax liabilities linked to revaluation of AFS investments	(41,365)	(22,592)
Deferred tax liabilities – provisions for retirement commitments	(15,799)	(14,603)
Deferred tax liabilities – technical reserves	(333,400)	(336,939)
Other deferred tax liabilities	(57,623)	(57,578)
Total deferred tax liabilities	**(448,187)**	**(431,712)**
Net deferred tax	**(296,466)**	**(308,081)**
After offsetting deferred tax assets and liabilities by tax entity		
Deferred tax assets	13,396	22,052
Deferred tax liabilities	(309,862)	(330,133)
NET DEFERRED TAX	**(296,466)**	**(308,081)**

The increase of tax losses concerns for €1.9 million the reinsurance subsidiary (Luxembourg) and for €0.7 million Euler Hermes Europe SA.

The non-activated tax losses are mainly due to Euler Hermes Europe SA for €5 million, Euler Hermes Re (Luxembourg) for €2 million, and to Euler Hermes Collections GmBH for €2.1 million.

Movements in deferred tax by geographical region

(in € thousand)	December 31, 2011	Change through income statement	Change relating to revaluation of AFS inv.	Foreign exchange difference	Other movements	December 31, 2012
France	(94,684)	10,579	(7,803)	–	–	(91,908)
GAS	(203,362)	28,076	(2,444)	–	–	(177,730)
Northern Europe	(9,854)	480	(7,421)	(103)	(11)	(16,909)
Southern Europe	11,575	(1,735)	(97)	5	138	9,885
Asia & Pacific countries	(205)	1,422	44	(3)	–	1,257
America	(6,521)	(591)	376	82	123	(6,531)
Reinsurance	(9,121)	(7,001)	(6,408)	(7)	–	(22,537)
Other countries	–	–	–	–		–
Group Services/Holdings	4,092	3,914	–	–		8,006
	(308,081)	**35,143**	**(23,753)**	**(26)**	**251**	**(296,466)**

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

Change in standard tax rate

	December 31, 2012	December 31, 2011
Group rate	**28.37%**	**28.07%**
France	34.43%	34.43%
Germany	32.28%	32.28%
Italy	27.50%	32.47%
United Kingdom	24.50%	26.50%
United States	35.00%	35.00%
Netherlands	25.00%	25.00%
Belgium	33.99%	33.99%
Switzerland	17.50%	17.50%
Poland	19.00%	19.00%

The Group tax rate corresponds to the effective tax rate, i.e. the tax charge recorded in the consolidated income statement compared with gross income before tax and adjusted for the profits of companies accounted for by the equity method.

Reconciliation between the tax rate of the parent company Euler Hermes SA and the effective tax rate in 2012 is provided in Note 27.

A temporary and extraordinary tax contribution equal to 5% of the amount of income tax to be paid was set up from 2011 to 2014 in France. This contribution was extended in 2012 for two fiscal years and did not have impact on the total of the deferred tax positions. However, the additional tax income to be paid related to 2013 and 2014 was anticipated in the 2012 closing period.

Note 10 Insurance and reinsurance receivables

Breakdown by type

	December 31, 2012			December 31, 2011
(in € thousand)	Gross	Provisions	Net	Net
Receivables from policyholders and agents	225,330	(17,861)	207,469	212,772
Earned premiums not yet written	207,408	–	207,408	180,425
Receivables from guaranteed debtors	59,379	–	59,379	74,265
Receivables from reinsurance transactions	130,638	(1,940)	128,698	67,665
TOTAL CREDIT INSURANCE RECEIVABLES	**622,755**	**(19,801)**	**602,954**	**535,127**

Breakdown of net receivables from guaranteed debtors

	December 31, 2012			December 31, 2011
(in € thousand)	Gross	Provisions	Net	Net
Gross receivables	59,379	–	59,379	74,265
Reinsurers' share	25,542	–	25,542	22,679
NET RECEIVABLES FROM GUARANTEED DEBTORS	**84,921**	**–**	**84,921**	**96,944**

These concern receivables recorded by Euler Hermes Credit Insurance (Belgium) in respect of the retail credit activity (run off of business during year 2011).

Breakdown by maturity

(in € thousand)	December 31, 2012 < 3 months	3 months to 1 year	1 to 5 years	> 5 years	Total
TOTAL CREDIT INSURANCE RECEIVABLES	**594,550**	**8,404**	**–**	**–**	**602,954**

Provisions for bad debts from policyholders and agents

(in € thousand)	December 31, 2012	December 31, 2011
Balance at opening period	**(17,102)**	**(17,751)**
Change in consolidation scope	–	–
Provision	(2,289)	(2,275)
Write back	1,903	2,793
Foreign exchange translation	(107)	131
Other changes	(266)	–
Balance at closing period	**(17,861)**	**(17,102)**

Note 11 Other receivables

Breakdown by type and by maturity

	December 31, 2012			December 31, 2011
(in € thousand)	Gross	Provision	Net	Net
Current account	4,414	–	4,414	36,038
Other taxes receivables	52,419	–	52,419	44,239
Other receivables	**220,284**	**(8,385)**	**211,899**	**171,722**
of which, accrued interest not due	54,072	–	54,072	50,759
Deferred charges	12,538	–	12,538	12,106
Other adjustment accounts	2,069	–	2,069	1,541
Other assets	784	–	784	1,252
TOTAL OTHER RECEIVABLES	**292,508**	**(8,385)**	**284,123**	**266,898**

Breakdown by maturity

(in € thousand)	< 3 months	3 months to 1 year	1 to 5 years	> 5 years	Total
TOTAL OTHER RECEIVABLES	**260,230**	**10,080**	**13,812**	**–**	**284,123**

Note 12 Cash and cash equivalents

(in € thousand)	December 31, 2012	December 31, 2011
Cash in bank and at hand	274,451	317,077
Cash pooling	33,929	30,261
TOTAL CASH	**308,380**	**347,338**
Total cash in balance sheet	**308,380**	**347,338**
Cash equivalents reflected in the cash flow statement	–	–
Cash pooling creditor with Allianz	(350)	(350)
TOTAL CASH AND CASH EQUIVALENTS	**308,030**	**346,988**

Note 13 Revaluation reserve

(in € thousand)	Investments	Tax	Foreign exchange difference	Associated companies	Other	Revaluation reserve except minority interests	Minority interests	Revaluation reserve
Opening balance	**49,366**	**(16,801)**	**444**	**(780)**	**437**	**32,666**	**(13)**	**32,653**
Change in fair market value of asset held for sale transfered through profits & losses (Gross amount) – Group	(41,747)	9,524	–	–	–	(32,223)	–	(32,223)
Change in fair market value of asset held for sale booked through equity (Gross amount) – Group	120,999	(31,370)	(230)	–	442	89,841	–	89,841
Change in fair market value of asset held for sale booked through equity (Gross amount) – COSEC associated company	–	–	–	2,492	–	2,492	–	2,492
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	–	–	–	–	–	–	30	30
Other movements	–	–	–	–	1	1	–	1
CLOSING BALANCE	**128,618**	**(38,647)**	**214**	**1,712**	**880**	**92,777**	**17**	**92,794**

Note 14 Minority interests

Movements during the year

(in € thousand)	December 31, 2012	December 31, 2011
Non-controlling interests at start of period	**18,002**	**18,015**
Non-controlling interests' share of net income	**4,262**	**3,238**
Movements on latent reserves (excluding currency translation impact)	**30**	**180**
Other movements		
Foreign currency translation differences	(20)	26
Dividends paid to minority shareholders	(2,272)	(3,455)
Capital increases and other movements	48,259	(2)
Non-controlling interests at end of period	**68,261**	**18,002**

The increase on other movements derives from the Euler Hermes Real Estate 40% selling to an external partner.

Breakdown by country

(in € thousand)	December 31, 2012	December 31, 2011
Euler Hermes in France	49,238	1,030
Euler Hermes in Switzerland	14	3
Euler Hermes in Germany	12,565	11,312
Euler Hermes in Morocco	4,718	3,857
Euler Hermes in Greece	1,726	1,800
NON CONTROLLING INTERESTS	**68,261**	**18,002**

Note 15 Provisions for risks and charges

(in € thousand)	December 31, 2011	Allowance	Write back (used)	Write back (not used)	Reclassification	Other changes	December 31, 2012
Retirement scheme *(see Note 16 "Employee Benefits" for more details)*	**54,199**	**10,600**	**(6,274)**	**(836)**	**995**	**145**	**58,829**
Defined-benefit retirement plans	54,199	10,600	(6,274)	(836)	995	145	58,829
Defined-contribution retirement plans	–	–	–	–	–	–	–
Other provisions for risks and charges	**205,522**	**45,928**	**(36,494)**	**(19,322)**	**(8,611)**	**10,182**	**197,205**
Provision for tax liabilities	46,703	–	–	–	(3,008)	9,982	53,677
Provision for tax litigation	259	–	–	–	–	(1)	258
Provision for tax uncertainties	33,959	4,473	(5,682)	(4,370)	–	(1)	28,379
Provisions for employee benefits	57,973	31,000	(16,341)	(2,791)	(5,603)	222	64,460
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	54,777	1,916	(9,795)	(9,264)	–	(4)	37,630
Provisions for sundry disputes	9,583	8,539	(4,676)	(2,897)	–	(16)	10,533
TOTAL PROVISIONS FOR RISKS AND CHARGES	**259,721**	**56,528**	**(42,768)**	**(20,158)**	**(7,616)**	**10,327**	**256,034**

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 Hermes North American Insurance Company (Associates Retirement Savings Plan): this is a defined contribution plan for full-time employees of Euler Hermes North American Insurance Company. A provision must be raised pursuant to the Employee Retirement Income Security Act of 1974 (ERISA).
- Euler Hermes Europe SA (United Kingdom Branch): 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:
  - Euler Hermes Europe SA (Danish Branch): the plan is managed by Danica, a Danish life insurance company.
  - Euler Hermes Europe SA (Finnish Branch): 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 € thousand)	France	United States	United Kingdom	Scandinavia	Total
Provision at December 31, 2012	–	**(2,034)**	–	–	**(2,034)**
Expense booked in 2012	(1,198)	(751)	(1,380)	(1,759)	(5,088)
Provision at December 31, 2011	–	**(1,470)**	–	–	**(1,470)**
Expense booked in 2011	(789)	(1,384)	(1,141)	(1,528)	(4,843)
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)

Defined contribution retirement plans are accounted for in “Other debts” as of December 31, 2012.

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 France. 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 France. The contributions are paid by CARDIF to the beneficiaries or their surviving spouse (reversion) until their death. There are 2 beneficiaries.
- Euler Hermes Europe SA (Italian Branch): TFR (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 was taken as 62 years for women and 66 years for men,
  - the probability of leaving the Company within the next five years for employees under 42 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 Europe SA (Italian Branch) and are not identified separately.
- Euler Hermes Europe SA (UK Branch): 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, based on a fraction of their final salary and based on their length of service within the Company while the plan was open to future accrual. The plan closed to future accrual with effect from December 31, 2012, at which point the link to future salary increases was removed. 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 2012 closure of the plan has resulted in a curtailment gain of £6.2 million.
- AVK/APV: Euler Hermes Deutschland AG, Euler Hermes Forderungsmanagement Deutschland GmbH and Euler Hermes Rating Deutschland GmbH have implemented a defined benefit pension plans for all their employees. The beneficiaries will receive an annuity upon retirement at 65 years old at the latest. These plans are financed in part by external companies, namely Pensionskasse AVK and Unterstützungskasse APV and by contractual trust arrangement namely methusalem trust e.V. Employees who leave the Company prior to the date provided for may benefit from an annuity of a lower amount than the one initially provided for.
- Euler Hermes Europe SA (Belgium Branch) has implemented a plan that covers the payment to employees of Euler Hermes Credit Insurance Belgium and Euler Hermes Services Belgium SA of a fixed capital amount (equal to a multiply of their salary at 60 years old). It also provides coverage in the event of death – a multiple of salary based on family composition – or invalidity of the employee. The plan was closed in 2012.
- Euler Hermes Europe SA (Netherlands Branch) implemented a defined benefit pension plan for its employees that is managed by Delta Lloyd. The plan was closed at the end of 2012.
- Scandinavia:
  - Euler Hermes Europe SA (Swedish Branch): a multi-employer plan that is managed by SPP, one of the largest life insurance companies. Employees begin to accrue pension at 28 years old. Employees can receive a pension as from 65 years old. Employees are then guaranteed 65% of their final salaries,
  - Euler Hermes Europe SA (Norwegian Branch): a multi-employer plan that is managed by Vital, a Norwegian life insurance company. Employees begin to accrue pension from the first day of employment. Employees can receive a pension as from 67 years old. Employees are then guaranteed 70% of their final salaries.

	France & Greece								Scandinavia		
12/31/2012	**Retirement indemnities**	**PSAD**	**CARDIF**	**Italy**	**United Kingdom**	**Germany**	**Belgium**	**Netherlands**	**FTP**	**Vital**	**Total**
Actuarial obligation – total	**(6,787)**	**(3,601)**	**(2,520)**	**(5,692)**	**(157,887)**	**(408,917)**	**(21,679)**	**(7,844)**	**(5,070)**	**(1,700)**	**(621,697)**
■ Current period service cost	(390)	–	–	–	(2,491)	(7,717)	(716)	(476)	(103)	(150)	(12,043)
■ Interest on obligation	(287)	(161)	(133)	–	(7,836)	(19,077)	(1,009)	(381)	–	(38)	(28,922)
■ Employee contributions	–	–	–	(707)	–	(2,825)	(66)	(176)	–	–	(3,774)
■ Plan amendment	–	–	–	–	–	–	–	–	–	–	–
■ Acquisitions/disposals of subsidiaries	–	–	–	–	–	–	–	–	–	–	–
■ Plan curtailments	–	–	–	–	–	–	–	869	–	–	869
■ Plan settlements	–	–	–	–	–	–	–	(70)	–	–	(70)
■ Exceptional events	–	–	–	–	–	–	–	–	(53)	–	(53)
■ Actuarial gains (losses) due to a change in assumptions	(1,095)	(292)	(462)	–	(3,837)	(124,900)	438	(3,339)	(341)	(122)	(133,950)
■ Actuarial gains (losses) due to a change in experience	385	5	(14)	–	–	22,589	(18)	101	(101)	–	22,947
■ Benefits paid	265	394	161	257	–	11,864	1,362	5	133	–	14,441
■ Currency translation difference	–	–	–	–	–	–	–	–	–	–	–
■ Other (please insert comment)	–	–	(365)	–	6,206	(558)	–	–	(706)	536	5,113
■ Removal of the discretionary clause	–	–	–	–	–	391	–	–	–	–	391
Actuarial obligation – total	**(7,909)**	**(3,655)**	**(3,333)**	**(6,142)**	**(165,845)**	**(529,150)**	**(21,688)**	**(11,311)**	**(6,241)**	**(1,474)**	**(756,749)**
Fair value of plan assets – total	**3,448**	**–**	**2,540**	**–**	**147,894**	**322,499**	**17,055**	**6,067**	**3,712**	**656**	**503,871**
■ Actual return on plan assets	116	–	112	–	7,787	14,770	590	34	137	41	23,587
■ Experience effect on returns from assets	–	–	–	–	–	16,643	(74)	2,097	–	–	18,666
■ Employee contributions	–	–	–	–	–	2,825	1,298	426	223	126	4,898
■ Employer contributions	808	–	–	–	21,813	6,756	66	232	–	–	29,675
■ Acquisitions/disposals of subsidiaries	–	–	–	–	–	173	–	–	–	–	173
■ Plan curtailments	–	–	498	–	7,667	–	–	–	–	–	8,165
■ Plan settlements	–	–	–	–	–	–	–	–	–	–	–
■ Benefits paid	(97)	–	(161)	–	–	(7,601)	(1,344)	(5)	(133)	–	(9,341)
■ Currency translation difference	–	–	–	–	–	–	–	–	–	–	–
■ Other	(168)	–	345	–	(12,113)	(272)	–	13	1,194	65	(10,936)
Fair value of plan assets – total	**4,107**	**–**	**3,334**	**–**	**173,124**	**355,793**	**17,705**	**8,864**	**5,133**	**888**	**568,948**
Actuarial differences still to be amortised	**(945)**	**–**	**–**	**–**	**(41,371)**	**(131,701)**	**(1,975)**	**(2,138)**	**(340)**	**849**	**(177,621)**
Net commitments <0	**(2,857)**	**(3,655)**	**–**	**(6,142)**	**–**	**(41,656)**	**(2,008)**	**(309)**	**(768)**	**(1,435)**	**(58,830)**
Net commitments >0	**–**	**–**	**1**	**–**	**48,650**	**–**	**–**	**–**	**–**	**–**	**48,651**
Expenses for the period	**(592)**	**(448)**	**–**	**–**	**5,127**	**(15,299)**	**(1,150)**	**(774)**	**(232)**	**(129)**	**(13,497)**
■ Current period service cost	(390)	–	–	–	(2,491)	(7,717)	(716)	(476)	(102)	(148)	(12,040)
■ Finance cost (effect of undiscounting)	(287)	(161)	(133)	–	(7,836)	(19,031)	(1,009)	(347)	(33)	(38)	(28,875)
■ Expected return on plan assets	120	–	110	–	7,787	14,770	590	34	165	40	23,616
■ Expected return on any other assets	–	–	–	–	–	–	–	–	–	–	–
■ Amortisation of actuarial gains and losses	(35)	(287)	(475)	–	–	(3,321)	(15)	–	16	53	(4,064)

12/31/2012	France & Greece: Retirement indemnities	France & Greece: PSAD	France & Greece: CARDIF	Italy	United Kingdom	Germany	Belgium	Netherlands	Scandinavia: FTP	Scandinavia: Vital	Total
■ Amortisation of prior service cost	–	–	–	–	–	–	–	15	–	–	15
■ Amortisation of unrecognized initial obligation	–	–	–	–	–	–	–	–	–	–	–
■ Profit/loss on curtailment/ settlement	–	–	498	–	7,667	–	–	–	–	–	8,165
■ Asset ceiling limitation	–	–	–	–	–	–	–	–	–	–	–
■ Exceptional events	–	–	–	–	–	–	–	–	–	–	–
■ Other	–	–	–	–	–	–	–	–	(278)	(36)	(314)
Actuarial assumptions											
■ Discounting rates used	3.00%	3.50%	3.50%	3.50%	4.70%	3.50%	3.50%	3.50%	3.50%	3.30%	
■ Inflation rate used	2.00%	2.00%	2.00%	2.00%	3.05%	1.50%	2.50%		2.00%	2.00%	
■ Expected return on plan assets	3.00%	3.50%	3.50%		5.01%	4.60%	3.40%	3.50%	3.50%	4.80%	
■ Expected return on reimbursement rights (assets)											
■ Expected rate of salary increase	2.40%			2.00%	4.15%	1.50%	3.20%	3.50%	3.00%		
■ Expected rate of increase of medical costs											
■ Rate of increase of benefit used by plan								0.50%			
■ Plan retirement age	60		60	62 and 66[3]	65	63	60	65	65	67	
■ Plan residual service period	10		5	10	24.4	15	0.0	15.8		16.94	
■ Other significant actuarial assumption used[1]		60%									
Structure of plan assets[2]											
■ Shares					39.30%				11.10%	10.40%	
■ Bonds			100.00%		31.20%	*Cf template below*		*Cf template below*	81.40%	70.30%	
■ Real estate	100.00%										
■ Other instruments					29.50%				7.50%	19.30%	

(1) The 60% on the PSAD plan corresponds to the reversion rate.
(2) Structure of hedging assets by entity.
(3) The retirement age has been taken as 62 years for women and 66 years for men.

	Germany: Euler Hermes Rating GmbH	Germany: Forderungsmanagement GmbH	Germany: Euler Hermes Deutschland AG	Netherlands: NV Interpolis Kredietverzekeringen	Netherlands: Euler Hermes Kredietverzekering NV
Shares	1.42%	3.79%	3.91%	13.50%	
Bonds	97.43%	93.15%	92.93%	79.50%	
Real estate	0.86%	2.13%	2.20%	7.00%	
Other instruments	0.29%	0.93%	0.96%		100.00%

	France & Greece								Scandinavia		
12/31/2011	**Retirement indemnities**	**PSAD**	**Cardif**	**Italy**	**United Kingdom**	**Germany**	**Belgium**	**Netherlands**	**FTP**	**Vital**	**Total**
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)**
■ Current period service cost	(343)	–	–	–	(2,104)	(8,305)	(717)	(252)	(100)	(231)	(12,052)
■ Interest on obligation	(262)	(170)	(132)	–	(7,197)	(18,304)	(977)	(240)	(169)	(46)	(27,497)
■ Employee contributions	–	–	–	(603)	–	(2,761)	(75)	(229)	–	–	(3,668)
■ Plan amendment	–	–	–	–	–	–	–	–	–	–	–
■ Acquisitions/disposals of subsidiaries	–	–	–	–	–	–	–	–	–	–	–
■ Plan curtailments	–	–	–	–	–	–	–	67	–	–	67
■ Plan settlements	–	–	–	–	–	–	–	–	–	–	–
■ Exceptional events	–	–	–	–	–	–	–	–	–	–	–
■ Actuarial gains (losses) due to a change in assumptions	(132)	–	(72)	–	–	(3,883)	(83)	(920)	–	–	(5,090)
■ Actuarial gains (losses) due to a change in experience	(53)	(49)	7	–	(10,088)	3,133	–	(1,276)	–	–	(8,326)
■ Benefits paid	173	411	158	781	3,573	11,440	1,062	1	125	–	17,724
■ Currency translation difference	–	–	–	–	(4,862)	–	–	–	(32)	(9)	(4,904)
■ Other	832	135	176	–	(72)	739	–	676	–	156	2,642
■ Removal of the discretionary clause	–	–	–	–	–	–	–	–	–	–	–
Actuarial obligation – total	**(6,787)**	**(3,601)**	**(2,520)**	**(5,692)**	**(157,887)**	**(408,917)**	**(21,679)**	**(7,844)**	**(5,070)**	**(1,700)**	**(621,697)**
Fair value of plan assets – total	**2,815**	**–**	**2,699**	**–**	**137,135**	**303,415**	**15,137**	**4,987**	**3,473**	**647**	**470,307**
■ Actual return on plan assets	82	–	24	–	7,687	14,255	543	64	122	30	22,806
■ Experience effect on returns from assets	–	–	–	–	–	3,729	227	421	–	–	4,377
■ Employee contributions	–	–	–	–	–	2,761	2,135	247	219	–	5,362
■ Employer contributions	777	–	–	–	3,626	6,519	75	502	–	–	11,499
■ Acquisitions /disposals of subsidiaries	–	–	–	–	–	(726)	–	–	–	–	(726)
■ Plan curtailments	–	–	(25)	–	–	–	–	–	–	–	(25)
■ Plan settlements	–	–	–	–	–	–	–	–	–	–	–
■ Benefits paid	(173)	–	(158)	–	(3,573)	(7,454)	(1,062)	(1)	(125)	–	(12,546)
■ Currency translation difference	–	–	–	–	4,450	–	–	–	24	(9)	4,465
■ Other	(53)	–	–	–	(1,430)	–	–	(154)	–	(12)	(1,649)
Fair value of plan assets – total	**3,448**	**–**	**2,540**	**–**	**147,894**	**322,499**	**17,055**	**6,067**	**3,712**	**656**	**503,870**
Actuarial differences still to be amortised	**(291)**	**–**	**–**	**–**	**(33,591)**	**(49,354)**	**(2,468)**	**(1,301)**	**(573)**	**333**	**(87,246)**
Net commitments <0	**(3,048)**	**(3,601)**	**–**	**(5,692)**	**–**	**(37,064)**	**(2,156)**	**(476)**	**(784)**	**(1,376)**	**(54,199)**
Net commitments >0	**–**	**–**	**20**	**–**	**23,598**	**–**	**–**	**–**	**–**	**–**	**23,618**
Expenses for the period	**(540)**	**(85)**	**(1)**	**–**	**(9,300)**	**(13,478)**	**(1,203)**	**(436)**	**(152)**	**(259)**	**(25,454)**
■ Current period service cost	(343)	–	–	–	(2,104)	(8,305)	(717)	(252)	(100)	(231)	(12,052)
■ Finance cost (effect of undiscounting)	(262)	(170)	(132)	–	(7,197)	(18,252)	(977)	(240)	(169)	(46)	(27,445)
■ Expected return on plan assets	94	–	128	–	–	14,255	543	64	122	30	15,236
■ Expected return on any other assets	–	–	–	–	–	–	–	–	–	–	–
■ Amortisation of actuarial gains and losses	(29)	85	(212)	–	–	(1,176)	–	–	(5)	–	(1,337)

12/31/2011	France & Greece: Retirement indemnities	France & Greece: PSAD	France & Greece: Cardif	Italy	United Kingdom	Germany	Belgium	Netherlands	Scandinavia: FTP	Scandinavia: Vital	Total
■ Amortisation of prior service cost	–	–	–	–	–	–	–	8	–	–	8
■ Amortisation of unrecognized initial obligation	–	–	–	–	–	–	(52)	–	–	–	(52)
■ Profit/loss on curtailment/ settlement	–	–	215	–	–	–	–	–	–	–	215
■ Asset ceiling limitation	–	–	–	–	–	–	–	–	–	–	–
■ Exceptional events	–	–	–	–	–	–	–	–	–	–	–
■ Other	–	–	–	–	–	–	–	(15)	–	(12)	(27)
Actuarial assumptions											
■ Discounting rates used	4.50%	4.80%	4.50%	4.50%	4.90%	4.80%	4.80%	4.80%	3.50%	3.30%	
■ Inflation rate used	2.00%	2.00%	2.00%		2.40%	1.50%		2.90%			
■ Expected return on plan assets	3.50%	3.50%	3.50%		4.90%	4.60%	3.50%	4.80%	3.50%	4.80%	
■ Expected return on reimbursement rights (assets)											
■ Expected rate of salary increase	2.60%			2.00%	4.20%	1.50%	4.00%		3.00%		
■ Expected rate of increase of medical costs											
■ Rate of increase of benefit used by plan											
■ Plan retirement age	60		60		65	63		65	65	67	
■ Plan residual service period	10		5			15					
■ Other significant actuarial assumption used(1)		60%									
Structure of plan assets(2)											
■ Shares									11.10%	10.40%	
■ Bonds	100.00%		100.00%		95.00%	*Cf template below*		*Cf template below*	81.40%	70.30%	
■ Real Estate											
■ Other instruments					5.00%		100.00%		7.50%	19.30%	

(1) The 60% on the PSAD plan corresponds to the reversion rate.
(2) Structure of hedging assets by entity.

	Germany: Euler Hermes Rating GmbH	Germany: Forderungsmanagement GmbH	Germany: Euler Hermes Kreditversicherungs-AG	Netherlands: NV Interpolis Kredietverzekeringen	Netherlands: Euler Hermes Kredietverzekering NV
Shares	1.20%	3.50%	3.60%	13.50%	
Bonds	97.80%	93.80%	93.50%	79.50%	
Real estate	0.50%	1.70%	1.80%	7.00%	
Other instruments	0.50%	1.00%	1.10%		100.00%

	France & Greece								Scandinavia			
12/31/2010	**Retirement indemnities**	**PSAD**	**Cardif**	**Italy**	**United Kingdom**	**Germany**	**Belgium**	**Netherlands**	**FTP**	**Vital**	**CEO's plan**	**Total**
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	(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
▪ Acquisition/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	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)

12/31/2010	France & Greece								Scandinavia			
	Retirement indemnities	PSAD	Cardif	Italy	United Kingdom	Germany	Belgium	Netherlands	FTP	Vital	CEO's plan	Total
■ Amortisation of actuarial gains and losses	6	(493)	–	(615)	–	(64)	–	–	(8)	–	–	(1,174)
■ Amortisation of prior service cost	–	–	–	–	–	–	–	–	–	–	–	–
■ Amortisation of unrecognized initial obligation	–	–	–	–	–	–	–	–	–	–	–	–
■ Profit/loss on curtailment/ settlement	–	–	(9)	–	–	–	457	–	–	–	–	448
■ Asset ceiling limitation	–	–	–	–	–	–	–	–	–	–	–	–
■ Exceptional events	–	–	–	–	–	–	–	–	–	–	–	–
■ Other	–	–	–	–	–	–	–	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				
■ Other significant actuarial assumption used(1)		60%										
Structure of plan assets(2)												
■ 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%			

(1) The 60% on the PSAD plan corresponds to the reversion rate.
(2) Structure of hedging assets by entity.

	Germany			Netherlands	
	Euler Hermes Rating GmbH	Forderungsmanagement GmbH	Euler Hermes Kreditversicherungs-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%

	France								Scandinavia			
12/31/2009	**Retirement indemnities**	**PSAD**	**Cardif**	**Italy**	**United Kingdom**	**Germany**	**Belgium**	**Netherlands**	**FTP**	**Vital**	**CEO's plan**	**Total**
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**

12/31/2009	France			Italy	United Kingdom	Germany	Belgium	Netherlands	Scandinavia			Total
	Retirement indemnities	PSAD	Cardif						FTP	Vital	CEO's plan	
Expenses for the period	**(462)**	**156**	**–**	**(305)**	**(3,003)**	**(27,490)**	**(1,062)**	**(407)**	**201**	**234**	**253**	**(31,885)**
▪ Current period service cost	(285)	–	–	(39)	(1,584)	(6,928)	(749)	(206)	141	223	193	(9,234)
▪ Finance cost (effect of undiscounting)	(276)	(241)	–	(259)	(6,288)	(18,133)	(958)	(185)	119	33	25	(26,163)
▪ Expected return on plan assets	83	–	–	–	5,734	(2,625)	645	21	(81)	(33)	(20)	3,724
▪ Expected return on any other assets	–	–	–	–	–	–	–	–	–	–	–	–
▪ Amortisation of actuarial gains and losses	16	397	–	(7)	(745)	196	–	–	22	–	2	(119)
▪ Amortisation of prior service cost	–	–	–	–	–	–	–	–	–	–	–	–
▪ Amortisation of unrecognized initial obligation	–	–	–	–	–	–	–	–	–	–	–	–
▪ Profit/loss on curtailment/ settlement	–	–	–	–	–	–	–	–	–	–	–	–
▪ Asset ceiling limitation	–	–	–	–	–	–	–	–	–	–	–	–
▪ Exceptional events	–	–	–	–	–	–	–	–	–	–	–	–
▪ Other	–	–	–	–	(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		60	60–65	63	63	60	65				
▪ Remaining length of service	10		5		20	15	11	28				
▪ Other major assumptions used(1)	–	60.00%	–	–	–	–	–	–	–	–	–	
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%	–	

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

12/31/2008	France – Retirement indemnities	France – PSAD	France – Cardif	Italy	United Kingdom	Germany	Belgium	Netherlands	Total
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 assumptions	218	67	212	–	11,951	19,647	401	343	32,839
■ Actuarial gains (losses) due to a change in experience	(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**

	France								
12/31/2008	**Retirement indemnities**	**PSAD**	**Cardif**	**Italy**	**United Kingdom**	**Germany**	**Belgium**	**Netherlands**	**Total**
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		60	60–65	63	63	60	65	
▪ Remaining length of service	10		5		20	15	11	28	
▪ Other major assumptions used(1)	–	60.00%	–	–	–	–	–	–	
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%	

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

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 € thousand)	Pension Benefits	Post-Retirement Benefits
2012	18,290	234
2013	17,024	82
2014	18,634	155
2015	19,822	116
2016	21,807	359
2017	22,851	368
2018-2022	137,050	2,366

Note 17 Borrowings

Breakdown by type

(in € thousand)	December 31, 2012	December 31, 2011
Subordinated debt	**–**	**–**
Term loans and other term borrowings	251,506	255,119
Demand accounts	–	–
Borrowings from banking sector businesses	**251,506**	**255,119**
Other borrowings	138,230	138,234
TOTAL BORROWINGS	**389,736**	**393,353**

Borrowings from banking sector businesses mainly correspond to the following items:

- 2010 loan of €125 million from Crédit Agricole redemption in June 18, 2015, with fixed annual interest rate of 1.885% (Initially 3.05%, renegotiated in July, 2012);
- 2010 loan of €125 million from HSBC with redemption on June 18, 2015, with fixed annual interest rate of 1.885% (Initially 3.05%, renegotiated in July, 2012);
- accrued interest for €1.36 million.

Other borrowings mainly correspond to a loan contracted with Allianz Belgium:

- 2010 Loan of €135 million, redemption on June 24, 2020, with fixed annual interest rate of 4.04%;
- accrued interest for €2.9 million;
- a cash pooling with Allianz group for €0.3 million.

Some borrowings are subject to step-up clauses providing for an increase in the annual interest rate in the event of a ratings downgrade by Standard & Poors'.

Breakdown by maturity

(in € thousand)	< 3 months	3 months to 1 year	1 to 5 years	> 5 years	Total
Total borrowings	436	4,300	250,000	135,000	389,736

Breakdown by maturity for interests to be paid

(in € million)	2012	2013 to 2019[(1)]	2020
Borrowing 2010 of €135 million maturity 06/24/2020, annual fixed rate to 4,04%	5.45	38.18	2.73
TOTAL FUTUR INTEREST EXPENSES WITH ALLIANZ GROUP	**5.45**	**38.18**	**2.73**

(1) This interest is accumulated over 7 years; the annual interest on loans amounts to €5.45 million.

(in € million)	2012	2013 to 2014[(2)]	2015
Borrowing 2010 of €125 million maturity 06/18/2015, annual fixed rate to 1,885%	3.08	4.71	1.18
Borrowing 2010 of €125 million maturity 06/18/2015, annual fixed rate to 1,885%	3.08	4.71	1.18
TOTAL FUTUR INTEREST EXPENSES WITH OTHERS THAN ALLIANZ GROUP	**6.17**	**9.43**	**2.36**

(2) This interest is accumulated over 2 years; the annual interest by loan amounts to €2.36 million.

Note 18 Technical reserves

(in € thousand)	December 31, 2011	Allowance net of writebacks	Foreign exchange differences	Other changes	December 31, 2012
Reserve for unearned premiums	311,752	39,276	2,806	2,661	356,495
Reserve for claims net of forecasts of recoveries	1,422,871	(25,078)	3,933	1,467	1,403,193
Reserve for no-claims bonuses and rebates	164,642	5,827	381	108	170,958
Gross technical reserves	**1,899,265**	**20,025**	**7,120**	**4,236**	**1,930,646**
Reserve for unearned premiums	53,418	11,926	588	3,637	69,569
Reserve for claims net of forecasts of recoveries	457,763	(64,115)	(1,851)	1,422	393,219
Reserve for no-claims bonuses and rebates	34,780	1,380	(95)	97	36,162
Reinsurers' share of technical reserves	**545,961**	**(50,809)**	**(1,358)**	**5,156**	**498,950**
NET TECHNICAL RESERVES	**1,353,304**	**70,834**	**8,478**	**(920)**	**1,431,696**

Claims reserves

	December 31, 2012			December 31, 2011		
(in € thousand)	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Claims reserves gross of recoveries	**1,757,031**	**(560,522)**	**1,196,509**	**1,625,729**	**(509,643)**	**1,116,086**
Current period	1,016,286	(319,301)	696,985	923,395	(278,818)	644,577
Prior periods	740,745	(241,221)	499,524	702,334	(230,825)	471,509
Recoveries to be received	**(353,838)**	**167,303**	**(186,535)**	**(202,858)**	**51,880**	**(150,978)**
Current period	(214,763)	128,147	(86,616)	(103,123)	26,861	(76,262)
Prior periods	(139,075)	39,156	(99,919)	(99,735)	25,019	(74,716)
CLAIMS RESERVES	**1,403,193**	**(393,219)**	**1,009,974**	**1,422,871**	**(457,763)**	**965,108**

Breakdown by type of reserve

(in € thousand)	December 31, 2012 Gross	Reinsurance	Net	December 31, 2011 Gross	Reinsurance	Net
Reserves for unearned premiums	**356,495**	**(69,569)**	**286,926**	**311,752**	**(53,418)**	**258,334**
Claims reserves	**1,403,193**	**(393,219)**	**1,009,974**	**1,422,871**	**(457,763)**	**965,108**
of which, reserves for known claims	1,125,604	(386,961)	738,643	995,738	(351,103)	644,635
of which, reserves for late claims	536,732	(161,720)	375,012	530,033	(147,027)	383,006
of which, reserves for claims handling expenses	94,902	(11,840)	83,062	97,273	(11,512)	85,761
of which, other technical reserves	(207)	(1)	(208)	2,685	(1)	2,684
of which, recoveries to be received	(353,838)	167,303	(186,535)	(202,858)	51,880	(150,978)
No-claims bonuses and rebates	**170,958**	**(36,162)**	**134,796**	**164,642**	**(34,780)**	**129,862**
TECHNICAL RESERVES	**1,930,646**	**(498,950)**	**1,431,696**	**1,899,265**	**(545,961)**	**1,353,304**

Note 19 Insurance and reinsurance liabilities

Breakdown by type and by maturity

(in € thousand)	December 31, 2012	December 31, 2011
Policyholders' guarantee deposits and miscellaneous	90,197	97,951
Due to policyholders and agents	93,712	119,061
Liabilities arising from inwards insurance and reinsurance transactions	**183,909**	**217,012**
Due to reinsurers and assignors	27,708	86,014
Deposits received from reinsurers	120,389	18,527
Outwards reinsurance liabilities	**148,097**	**104,541**
TOTAL INSURANCE AND REINSURANCE LIABILITIES	**332,006**	**321,553**

(in € thousand)	< 3 months	3 months to 1 year	1 to 5 years	> 5 years	Total
TOTAL INSURANCE AND REINSURANCE LIABILITIES	**325,050**	**6,956**	**–**	**–**	**332,006**

Note 20 Other liabilities

(in € thousand)	December 31, 2012	December 31, 2011
Tax and social liabilities	142,346	131,816
Other operating liabilities	120,456	129,863
Deferred income	27,025	9,785
Other accrued expenses	–	–
Other liabilities	683	12,305
TOTAL OTHER LIABILITIES	**290,510**	**283,769**

(in € thousand)	< 3 months	3 months to 1 year	1 to 5 years	> 5 years	Total
TOTAL OTHER LIABILITIES	**282,598**	**5,770**	**1,593**	**550**	**290,510**

In 2011 the other liabilities were mainly liabilities under services agreements for €12.1 million and were reclassified in 2012 under other operating liabilities.

Note 21 Breakdown of operating income

	Twelve months ended December 31,					
	2012			2011		
(in € thousand)	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Premiums and commissions	2,146,423	(688,525)	1,457,898	2,024,882	(698,056)	1,326,826
Premiums refunded	(112,044)	27,254	(84,790)	(122,353)	32,596	(89,757)
Gross premiums written – credit insurance	2,034,379	(661,271)	1,373,108	1,902,529	(665,460)	1,237,069
Change in unearned premiums	(39,305)	10,527	(28,778)	(6,383)	(10,291)	(16,674)
Earned premiums	**1,995,074**	**(650,744)**	**1,344,330**	**1,896,146**	**(675,751)**	**1,220,395**
Premium-Related	402,822	–	402,822	378,776	–	378,776
Turnover	**2,397,896**	**(650,744)**	**1,747,152**	**2,274,922**	**(675,751)**	**1,599,171**
Net investment income	**109,041**	**–**	**109,041**	**113,051**	**–**	**113,051**
Claims paid	(988,258)	414,900	(573,358)	(618,235)	193,892	(424,343)
Claims reserves expenses	21,728	(63,855)	(42,127)	(90,428)	34,748	(55,680)
Claims handling expenses	(83,257)	3,205	(80,052)	(77,695)	6,864	(70,831)
Insurance services expenses	**(1,049,787)**	**354,250**	**(695,537)**	**(786,358)**	**235,504**	**(550,854)**
Brokerage commissions	(199,635)	–	(199,635)	(180,005)	–	(180,005)
Other acquisition costs	(199,695)	–	(199,695)	(199,076)	–	(199,076)
Change in acquisition costs capitalised	8,165	–	8,165	(1,150)	–	(1,150)
Contract acquisition expenses	**(391,165)**	**–**	**(391,165)**	**(380,231)**	**–**	**(380,231)**
Impairment of portfolio securities and similar	**–**	**–**	**–**	**–**	**–**	**–**
Administration expenses	**(241,435)**	**–**	**(241,435)**	**(207,766)**	**–**	**(207,766)**
Commissions received from reinsurers	**–**	**253,501**	**253,501**	**–**	**237,751**	**237,751**
Other ordinary operating income and expenses	**(348,282)**	**–**	**(348,282)**	**(339,383)**		**(339,383)**
CURRENT OPERATING INCOME	**476,268**	**(42,993)**	**433,275**	**674,235**	**(202,496)**	**471,739**

Cost of claims

(in € thousand)	2012 Gross	2012 Reinsurance	2012 Net	2011 Gross	2011 Reinsurance	2011 Net
	Twelve months ended December 31,					
Cost of claims for the current period	**1,647,053**	**(649,186)**	**997,867**	**1,198,907**	**(350,946)**	**847,961**
of which, claims paid	588,539	(328,577)	259,962	253,231	(72,787)	180,444
of which, claims reserves	964,523	(316,180)	648,343	868,086	(273,537)	594,549
of which, claims handling expenses	93,991	(4,429)	89,562	77,590	(4,622)	72,968
Recoveries for the current period	**(324,224)**	**230,721**	**(93,503)**	**(112,516)**	**28,192**	**(84,324)**
Recoveries received	(109,393)	103,724	(5,669)	(9,925)	3,300	(6,625)
Change in reserves for recoveries	(214,831)	126,997	(87,834)	(102,591)	24,892	(77,699)
Cost of claims from prior periods	**(212,311)**	**44,158**	**(168,153)**	**(288,523)**	**80,953**	**(207,570)**
of which, claims paid	635,116	(221,696)	413,420	515,789	(155,751)	360,038
of which, claims reserves	(836,693)	264,630	(572,063)	(804,415)	238,944	(565,471)
of which, claims handling expenses	(10,734)	1,224	(9,510)	103	(2,240)	(2,137)
Recoveries from prior periods	**(60,731)**	**20,057**	**(40,674)**	**(11,510)**	**6,297**	**(5,213)**
Recoveries received	(126,004)	31,649	(94,355)	(140,860)	31,345	(109,515)
Change in reserves for recoveries	65,273	(11,592)	53,681	129,350	(25,048)	104,302
COST OF CLAIMS	**1,049,787**	**(354,250)**	**695,537**	**786,358**	**(235,504)**	**550,854**

Note 22 Net financial income

(in € thousand)	Year ended December 31, 2012	2011
Revenues from investment property	902	1,170
Revenues from equity & debt securities	73,404	72,866
Revenues from securities	73,382	72,843
Available for sale assets through equity	–	–
Held to maturity	22	23
Revenues from loans, deposits and other financial investments	22,688	24,706
Other financial income	1,757	2,326
Investment income	**98,751**	**101,068**
Depreciation of investment property	(296)	(117)
Investment management expenses	(11,179)	(10,064)
Interest paid to reinsurers	(311)	(364)
Other financial expenses	–	–
Investment expenses	**(11,786)**	**(10,545)**
Profits (losses) on sales of property	3,577	11,442
Profits (losses) on sales of securities	23,174	15,117
Available for sale assets through equity	21,284	15,117
Trading assets	–	–
Held to maturity	–	–
On sales of loans to banks and customers	1,890	–
Profits (losses) on sales of participating interests	–	–
Net gain (loss) on sales of investments less impairment and depreciation write backs	**26,751**	**26,559**
Change in fair value of derivatives	(1,900)	(700)
Change in fair value of trading assets	–	–
Change in fair value of investments recognised at fair value through the income statement	**(1,900)**	**(700)**
Reserve for impairment of investments	(1,944)	(5,830)
Change in impairment of investments	**(1,944)**	**(5,830)**
Net change in foreign currency	**(831)**	**2,499**
NET FINANCIAL INCOME (EXCLUDING FINANCING EXPENSE)	**109,041**	**113,051**

Note 23 Expenses by destination allocated by nature

(in € thousand)	Year ended December 31, 2012	2011 *Pro forma*	2011	Evolution
Other ordinary operating income and expense	(348,282)	(339,383)	(339,383)	2.62%
Contract acquisition expense	(391,165)	(380,231)	(380,231)	2.88%
Administration expense	(241,435)	(207,766)	(207,766)	16.21%
Claims handling expenses	(77,320)	(65,885)	(65,885)	17.36%
Investment management charges	(11,111)	(9,877)	(9,877)	12.49%
Change in market value	(3,974)	–	–	100.00%
TOTAL EXPENSES BY DESTINATION	**(1,073,287)**	**(1,003,143)**	**(1,003,143)**	**6.99%**

(in € thousand)	Year ended December 31, 2012	2011 *Pro forma*	2011	Evolution
HR Expenses	(506,093)	(473,507)	(473,507)	6.88%
Brokerage	(240,231)	(217,672)	(217,672)	10.36%
IT & communications	(48,050)	(46,527)	(77,255)	3.27%
Facilities & occupancy	(56,915)	(48,598)	(48,598)	17.12%
Legal & consulting fees	(80,981)	(78,972)	(48,244)	2.54%
Other recurring expenses	(141,017)	(137,867)	(137,867)	2.28%
TOTAL EXPENSES BY NATURE	**(1,073,287)**	**(1,003,143)**	**(1,003,143)**	**6.99%**

End of 2012, investment management charges in the consolidated income statement (Note 22) are made of allocated costs by nature for €11.1 million and by directly allocated costs for €0.7 million (respectively €9.9 million and €0.7 million in 2011).

Claims handling charges that are shown in Note 21 are made of allocated costs by nature for €77.3 million and by directly allocated costs for €2.7 million (respectively €65.9 million and €4.9 million in 2011).

Note 24 Operating leases

The note below presents the rents from the simple rent agreements for which the entities are committed on the future exercises.

	December 31, 2012					
(in € thousand)	United Kingdom	United States	Netherlands	Germany	Scandinavia	France
Less than 1 year	503	2,167	40	300	1,756	10,417
1 to 5 years	353	7,942	1,017	480	4,405	41,667
More than 5 years	1,848	1,876	–	150	–	31,250
TOTAL	**2,704**	**11,986**	**1,057**	**930**	**6,161**	**83,333**

	December 31, 2011					
(in € thousand)	United Kingdom	United States	Netherlands	Germany	Scandinavia	France
Less than 1 year	67	2,026	53	–	–	–
1 to 5 years	591	7,519	856	–	–	–
More than 5 years	1,778	3,363	–	–	–	–
TOTAL	**2,436**	**12,908**	**909**	**–**	**–**	**–**

Following the relocation from 1, rue Euler to First Tower in La Défense, Euler Hermes France has a rental contract of 9 years for an annual amount of €10,417 thousand.

Note 25 Other ordinary operating revenues and expenses

	Year ended December 31,	
(in € thousand)	2012	2011
Other technical income	13,800	19,398
Other non-technical income	–	138
Other ordinary operating income	**13,800**	**19,536**
Other technical expenses	(352,523)	(350,902)
Other non-technical expenses	(1,606)	–
Employee profit sharing and bonuses	(7,953)	(8,017)
Other ordinary operating expenses	**(362,082)**	**(358,919)**
OTHER ORDINARY OPERATING INCOME AND EXPENSES	**(348,282)**	**(339,383)**

The other non-technical expenses are composed on one side of interest expense on defined benefit plans (€-6.5 million) and on the other side of interest income on plan assets (€4.9 million).

The other technical expenses mainly concern expenses related to services activities.

Note 26 Other operating revenues and expenses

(in € thousand)	Year ended December 31, 2012	2011
Other non-ordinary operating expenses	(25,809)	(26,713)
Other non-ordinary operating income	17,193	18,683
OTHER NON ORDINARY OPERATING INCOME AND EXPENSES	**(8,616)**	**(8,030)**

The other non-ordinary expenses mainly comprise restructuring expenses linked to the Excellence Project and consulting fees for €21,238 thousand; a depreciation of the Euler Hermes Collection North America Company goodwill for €3,345 thousand as well as the capital loss from disposal of the building located 8, rue Euler, 75008 Paris for €486 thousand.

The other non-ordinary income mainly consists of write backs used and not used for restructuring provisions linked to the Excellence Project for €16,466 thousand.

Note 27 Corporation tax

Breakdown of tax charge

(in € thousand)	December 31, 2012
Corporation tax	161,026
Adjustments relating to prior years	–
Provision for tax uncertainties & penalties	(6,333)
Other	1,042
Total current tax	**155,735**
Timing differences	(34,216)
Change in tax rate or new tax	–
Tax benefits relating to prior years	–
Other	(927)
Total differed tax	**(35,143)**
TOTAL CORPORATION TAX AS REPORTED IN THE INCOME STATEMENT	**120,592**

Tax proof

Consolidated income before taxes	**425,099**	
Theoretical tax rate		34.43%
Tax at theoretical tax rate	(146,362)	
Tax at effective tax rate	(120,592)	28.37%
Difference	**(25,770)**	**6.06%**
Impact of differences between Group and local tax rates	29,047	-6.83%
o/w Swiss tax rate impact 17.5%	21,561	-5.07%
o/w German tax rate impact 32.28%	2,349	-0.55%
o/w German special tax rate impact 16.45% (Bürgel)	1,374	-0.32%
o/w Polish tax rate impact 19%	(747)	0.18%
o/w Italian basis tax rate impact 27.5%	1,136	-0.27%
o/w Other OE's tax rate impact	3,373	-0.79%
Local specific taxes	(4,247)	1.00%
o/w CVAE – France	(2,238)	0.53%
o/w IRAP – Italy	(853)	0.20%
o/w German trade tax adjustement	727	-0.17%
o/w specific contribution – France	(1,883)	0.44%
Restatement of the equity method net income impact	4,709	-1.11%
Prior years tax reappraisal (mainly Luxembourg, Germany and USA)	(4,294)	1.01%
Non taxable local net income for the funds Euler, Euro Gestion & EH Real Estate	374	-0.09%
Utilization of Net Ordinary Losses previously unrecognized (Swiss Branch)	594	-0.14%
Utilization of Net Ordinary Losses previously unrecognized (EH Services)	365	-0.09%
Belgian notionnals interests	(247)	0.06%
Net tax integration Boni – France	(947)	0.22%
US State Taxes	(452)	0.11%
Non deductible dividends in France (5%)	(2,782)	0.65%
Tax impact of Hong Kong branch in Germany	(356)	0.08%
Write back of provision for tax uncertainties	6,564	-1.54%

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 consolidated income statement giving an effective tax rate of 28.37%.

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 28 Earnings per share and dividend per share

Earnings per share

	Year ended December 31,	
	2012	**2011**
Distributable net income *(in thousand of euros)*	300,245	330,267
Weighted average number of ordinary shares before dilution	43,874,735	43,793,689
Earnings per share *(in euros)*	**6.84**	**7.54**
Distributable net income *(in thousand of euros)*	300,245	330,267
Weighted average number of ordinary shares after dilution	43,902,669	43,816,737
Diluted earnings per share *(in euros)*	**6.84**	**7.54**

The dilution impact takes into account the exercise of options.

The average number of shares resulting from dilution is 27,934 in 2012 (23,048 in 2011).

The Group share of net income is used as the basis for this calculation.

Dividend per share

The Management will propose to the Shareholder's Meeting of May 24, 2013 the payment of a dividend of €4 by share concerning the 2012 period.

Note 29 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 geographical segment as it corresponds to the information presented to the Group's management bodies.

A *pro forma* segment analysis was realised further to the transfer of the Gulf countries activity, made in 2012, from the Asia Pacific region to the Mediterranean Countries and Africa region.

Profit & loss by segment – end December 2012

(in € thousand)	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance Group	Group services	Inter-segment eliminations	Group
	Twelve months ended December 31, 2012									
Premiums written	659,744	373,452	478,189	265,109	244,205	68,725	1,350,067	–	(1,293,068)	2,146,423
Premiums refunded	(52,456)	(32,092)	(19,583)	(73)	(4,008)	(1,618)	(79,258)	–	77,044	(112,044)
Change in unearned premiums	(4,964)	(1,289)	(8,686)	(7,055)	(10,720)	(3,291)	1,390	–	(4,690)	(39,305)
Earned premiums – non-Group	**602,324**	**340,071**	**449,920**	**257,981**	**229,477**	**63,816**	**1,272,199**	**–**	**(1,220,714)**	**1,995,074**
Premium – related revenues – non-Group	174,627	73,608	74,646	63,015	36,514	15,889	–	37,692	(73,169)	402,822
Turnover – intra-sectoral	**776,951**	**413,679**	**524,566**	**320,996**	**265,991**	**79,705**	**1,272,199**	**37,692**	**(1,293,883)**	**2,397,896**
Investment income	36,355	27,211	11,368	6,042	10,709	(680)	24,201	228,496	(234,661)	109,041
Of which, dividends	*(1,202)*	*(1,319)*	*(110)*	–	–	–	*(1,540)*	*(228,653)*	*232,824*	–
Total ordinary income	**813,306**	**440,890**	**535,934**	**327,038**	**276,700**	**79,025**	**1,296,400**	**266,188**	**(1,528,544)**	**2,506,937**
Insurance services expenses	(387,447)	(158,085)	(241,647)	(136,597)	(61,860)	(44,823)	(655,526)	(8,708)	644,906	(1,049,787)
Outwards reinsurance expense	(390,469)	(224,609)	(317,286)	(188,970)	(167,219)	(46,418)	(536,486)	–	1,220,713	(650,744)
Outwards reinsurance income	403,587	195,591	271,377	152,568	107,563	51,667	474,996	–	(1,049,598)	607,751
Other income and expenses	(306,549)	(162,790)	(208,642)	(127,347)	(107,242)	(44,553)	(428,854)	(72,765)	477,860	(980,882)
Total other income and expenses	**(680,878)**	**(349,893)**	**(496,198)**	**(300,346)**	**(228,758)**	**(84,127)**	**(1,145,870)**	**(81,473)**	**1,293,881**	**(2,073,662)**
Ordinary operating income	**132,428**	**90,997**	**39,736**	**26,692**	**47,942**	**(5,102)**	**150,530**	**184,715**	**(234,663)**	**433,275**
Other operating income and expenses	(318)	(298)	(1,206)	(1,756)	(3,345)	–	–	(1,693)	–	(8,616)
Operating income	**132,110**	**90,699**	**38,530**	**24,936**	**44,597**	**(5,102)**	**150,530**	**183,022**	**(234,663)**	**424,659**
Financing expenses	(236)	(276)	(248)	(402)	(39)	(7)	(679)	(16,024)	4,313	(13,598)
Income from companies accounted for by the equity method	9,390	4,648	–	–	–	–	73	–	(73)	14,038
Corporation tax	(41,671)	(36,836)	(7,841)	(8,658)	(16,559)	1,011	(28,961)	18,949	(26)	(120,592)
Consolidated net income	**99,593**	**58,235**	**30,441**	**15,876**	**27,999**	**(4,098)**	**120,963**	**185,947**	**(230,449)**	**304,507**
o/w	–									
NET INCOME, GROUP SHARE	**96,323**	**58,020**	**30,441**	**15,099**	**27,999**	**(4,098)**	**120,963**	**185,947**	**(230,449)**	**300,245**
Non controlling interests	3,270	215	–	777	–	–	–	–	–	4,262

Profit & loss by segment – end December 2011 published

	Twelve months ended December 31, 2011									
(in € thousand)	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance Group	Group services	Inter-segment eliminations	Group
Premiums written	649,422	378,520	446,024	240,184	200,990	62,137	1,176,616	–	(1,129,011)	2,024,882
Premiums refunded	(53,954)	(35,219)	(19,629)	(7,017)	(3,500)	(1,603)	(71,626)	–	70,195	(122,353)
Change in unearned premiums	7,548	(1,403)	2,893	(2,886)	(4,844)	(6,915)	(6,087)	–	5,311	(6,383)
Earned premiums – non-Group	**603,016**	**341,898**	**429,288**	**230,281**	**192,646**	**53,619**	**1,098,903**	**–**	**(1,053,505)**	**1,896,146**
Premium-related revenues – non-Group	170,150	74,593	68,143	54,904	31,163	16,579	–	24,389	(61,145)	378,776
Turnover – intra-sectoral	**773,166**	**416,491**	**497,431**	**285,185**	**223,809**	**70,198**	**1,098,903**	**24,389**	**(1,114,650)**	**2,274,922**
Investment income	34,362	37,169	12,389	5,551	9,385	2,050	20,181	168,278	(176,314)	113,051
Of which, dividends	*(413)*	–	–	–	–	–	–	*(169,843)*	*170,256*	–
Total ordinary income	**807,528**	**453,660**	**509,820**	**290,736**	**233,194**	**72,248**	**1,119,084**	**192,667**	**(1,290,964)**	**2,387,973**
Insurance services expense	(259,096)	(172,205)	(140,252)	(106,030)	(74,742)	430	(474,605)	–	440,142	(786,358)
Outwards reinsurance expense	(366,414)	(181,218)	(289,078)	(162,566)	(135,751)	(37,546)	(556,684)	–	1,053,506	(675,751)
Outwards reinsurance income	279,751	148,785	185,218	118,590	84,130	14,627	383,629	–	(741,475)	473,255
Other income and expense	(302,620)	(161,226)	(198,510)	(119,629)	(90,929)	(39,601)	(319,233)	(56,708)	361,076	(927,380)
Total other income and expense	**(648,379)**	**(365,864)**	**(442,622)**	**(269,635)**	**(217,292)**	**(62,090)**	**(966,893)**	**(56,708)**	**1,113,249**	**(1,916,234)**
Ordinary operating income	**159,149**	**87,796**	**67,198**	**21,101**	**15,902**	**10,158**	**152,191**	**135,959**	**(177,715)**	**471,739**
Other operating income and expense	1,415	–	(1,030)	(2,331)	–	–	–	(6,084)	–	(8,030)
Operating income	**160,564**	**87,796**	**66,168**	**18,770**	**15,902**	**10,158**	**152,191**	**129,875**	**(177,715)**	**463,709**
Financing expense	(199)	(109)	(362)	(340)	(6)	(10)	(487)	(19,861)	4,299	(17,075)
Income from companies accounted for by the equity method	12,208	4,829	–	–	–	–	–	–	–	17,037
Corporation tax	(56,984)	(31,504)	(17,138)	(9,378)	(7,841)	(1,067)	(24,441)	18,187	–	(130,166)
Consolidated net income	**115,589**	**61,012**	**48,668**	**9,052**	**8,055**	**9,081**	**127,263**	**128,201**	**(173,416)**	**333,505**
o/w	–									
NET INCOME, GROUP SHARE	**112,577**	**60,679**	**48,668**	**9,159**	**8,055**	**9,081**	**127,263**	**128,201**	**(173,416)**	**330,267**
Non controlling interests	3,012	333	–	(107)	–	–	–	–	–	3,238

Profit & loss by segment – end December 2011 *pro forma*

	Twelve months ended December 31, 2011									
(in € thousand)	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance group	Group services	Inter-segment eliminations	Group
Premiums written	649,422	378,520	446,024	250,155	200,990	52,166	1,176,616	–	(1,129,011)	2,024,882
Premiums refunded	(53,954)	(35,219)	(19,629)	(7,017)	(3,500)	(1,603)	(71,626)	–	70,195	(122,353)
Change in unearned premiums	7,548	(1,403)	2,893	(2,964)	(4,844)	(6,837)	(6,087)	–	5,311	(6,383)
Earned premiums – non-Group	**603,016**	**341,898**	**429,288**	**240,175**	**192,646**	**43,725**	**1,098,903**	**–**	**(1,053,505)**	**1,896,146**
Premium-related revenues – non-Group	170,150	74,593	68,143	57,781	31,163	13,702	–	24,389	(61,145)	378,776
Turnover – intra-sectoral	**773,166**	**416,491**	**497,431**	**297,956**	**223,809**	**57,427**	**1,098,903**	**24,389**	**(1,114,650)**	**2,274,922**
Investment income	34,362	37,169	12,389	5,551	9,385	2,050	20,181	168,278	(176,314)	113,051
Of which, dividends	*(413)*	–	–	–	–	–	–	*(169,843)*	*170,256*	–
Total ordinary income	**807,528**	**453,660**	**509,820**	**303,507**	**233,194**	**59,477**	**1,119,084**	**192,667**	**(1,290,964)**	**2,387,973**
Insurance services expense	(259,096)	(172,205)	(140,252)	(106,565)	(74,742)	965	(474,605)	–	440,142	(786,358)
Outwards reinsurance expense	(366,414)	(181,218)	(289,078)	(169,010)	(135,751)	(31,102)	(556,684)	–	1,053,506	(675,751)
Outwards reinsurance income	279,751	148,785	185,218	120,784	84,130	12,433	383,629	–	(741,475)	473,255
Other income and expense	(302,620)	(161,226)	(198,510)	(124,550)	(90,929)	(34,680)	(319,233)	(56,708)	361,076	(927,380)
Total other income and expense	**(648,379)**	**(365,864)**	**(442,622)**	**(279,341)**	**(217,292)**	**(52,384)**	**(966,893)**	**(56,708)**	**1,113,249**	**(1,916,234)**
Ordinary operating income	**159,149**	**87,796**	**67,198**	**24,165**	**15,902**	**7,094**	**152,191**	**135,959**	**(177,715)**	**471,739**
Other operating income and expense	1,415	–	(1,030)	(2,331)	–	–	–	(6,084)	–	(8,030)
Operating income	**160,564**	**87,796**	**66,168**	**21,834**	**15,902**	**7,094**	**152,191**	**129,875**	**(177,715)**	**463,709**
Financing expense	(199)	(109)	(362)	(340)	(6)	(10)	(487)	(19,861)	4,299	(17,075)
Income from companies accounted for by the equity method	12,208	4,829	–	–	–	–	–	–	–	17,037
Corporation tax	(56,984)	(31,504)	(17,138)	(9,378)	(7,841)	(1,067)	(24,441)	18,187	–	(130,166)
Consolidated net income	**115,589**	**61,012**	**48,668**	**12,116**	**8,055**	**6,017**	**127,263**	**128,201**	**(173,416)**	**333,505**
o/w	–									
NET INCOME, GROUP SHARE	**112,577**	**60,679**	**48,668**	**12,223**	**8,055**	**6,017**	**127,263**	**128,201**	**(173,416)**	**330,267**
Non controlling interests	3,012	333	–	(107)	–	–	–	–	–	3,238

Depreciation, amortisation and provisions by segment

(in € thousand)	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance group	Group services	Inter-segment eliminations	Group
	Twelve months ended December 31, 2012									
Provisions for loans and receivables	280	(3,048)	(32)	(654)	46	26	12	(769)	–	**(4,139)**

(in € thousand)	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance group	Group services	Inter-segment eliminations	Group
	Twelve months ended December 31, 2011									
Provisions for loans and receivables	(126)	(3,343)	(67)	(2,656)	15	(3)	(4)	(463)	–	**(6,647)**

Amortisation and impairment charges on non-current assets are now analysed by function. Consequently, the breakdown is no longer directly visible in the consolidated income statement since 2011.

Balance sheet by segment – end December 2012

(in € thousand)	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance group	Group services	Inter-segment eliminations	Group
	December 31, 2012									
Goodwill	–	–	64,360	7,803	28,898	3,288	–	(2)	–	104,347
Other intangible assets	38,141	15,991	8,596	6,840	1,648	1,072	919	7,028	(3,669)	76,566
Investments – insurance businesses	622,449	831,376	188,533	49,215	84,557	36,060	740,944	1,722,514	(444,945)	3,830,703
Investments accounted for by the equity method	76,001	39,500	–	–	–	–	17,564	(1)	(17,564)	115,500
Share of assignees and reinsurers in the technical reserves and financial liabilities	225,261	131,553	252,847	194,339	96,734	50,814	241,249	110	(693,957)	498,950
Insurance and reinsurance receivables	58,751	70,307	234,324	71,454	72,982	17,801	285,725	(39)	(208,351)	602,954
Other assets	302,941	151,177	262,470	257,013	80,547	(31,729)	58,225	126,216	(371,723)	835,137
TOTAL ASSETS	**1,323,544**	**1,239,903**	**1,011,130**	**586,664**	**365,366**	**77,306**	**1,344,627**	**1,855,826**	**(1,740,209)**	**6,064,157**
Technical reserves	507,113	270,543	476,228	345,946	236,501	71,384	722,857	48	(699,974)	1,930,646
Liabilities related to inwards insurance and reinsurance transactions	11,319	66,927	53,271	23,426	7,172	3,361	82,665	1,772	(66,004)	183,909
Liabilities related to outwards reinsurance transactions	25,276	7,882	70,362	36,626	21,795	450	131,123	–	(145,417)	148,097
Other liabilities	380,923	267,854	277,716	156,189	44,512	9,154	36,374	636,581	(542,798)	1,266,505
TOTAL LIABILITIES	**924,631**	**613,206**	**877,577**	**562,187**	**309,980**	**84,349**	**973,019**	**638,401**	**(1,454,193)**	**3,529,157**

Balance sheet by segment – end December 2011 published

(in € thousand)	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance group	Group services	Inter-segment eliminations	Group
	December 31, 2011									
Goodwill	–	–	65,688	7,803	32,768	3,148	–	–	–	109,407
Other intangible assets	34,056	12,555	5,875	4,204	3,035	976	1,455	11,222	(3,666)	69,712
Investments – insurance businesses	632,647	752,388	75,153	136,698	90,359	8,689	443,066	1,693,376	(264,582)	3,567,794
Investments accounted for by the equity method	70,027	35,169	–	–	–	–	–	–	–	105,196
Share of assignees and reinsurers in the technical reserves and financial liabilities	274,010	103,386	231,048	180,572	90,164	32,708	315,231	–	(681,158)	545,961
Insurance and reinsurance receivables	73,340	75,449	187,148	63,703	64,052	26,636	214,896	–	(170,097)	535,127
Other assets	278,645	145,537	169,670	93,082	74,728	(10,724)	74,285	167,225	(107,535)	884,913
TOTAL ASSETS	**1,362,725**	**1,124,484**	**734,582**	**486,062**	**355,106**	**61,433**	**1,048,933**	**1,871,823**	**(1,227,038)**	**5,818,110**
Technical reserves	523,314	272,544	448,935	349,071	229,151	52,809	720,533	–	(697,092)	1,899,265
Liabilities related to inwards insurance and reinsurance transactions	17,171	67,631	45,990	23,904	4,184	4,333	109,034	1,370	(56,605)	217,012
Liabilities related to outwards reinsurance transactions	18,515	11,874	38,729	34,800	16,060	285	73,594	–	(89,316)	104,541
Other liabilities	426,832	262,720	110,810	79,323	50,603	9,808	23,629	653,649	(315,961)	1,301,413
TOTAL LIABILITIES	**985,832**	**614,769**	**644,464**	**487,098**	**299,998**	**67,235**	**926,790**	**655,019**	**(1,158,974)**	**3,522,231**

Balance sheet by segment – end December 2011 *pro forma*

(in € thousand)	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance group	Group services	Inter-segment eliminations	Group
	December 31, 2011									
Goodwill	–	–	65,688	7,803	32,768	3,148	–	–	–	109,407
Other intangible assets	34,056	12,555	5,875	4,204	3,035	976	1,455	11,222	(3,666)	69,712
Investments – insurance businesses	632,647	752,388	75,153	136,698	90,359	8,689	443,066	1,693,376	(264,582)	3,567,794
Investments accounted for by the equity method	70,027	35,169	–	–	–	–	–	–	–	105,196
Share of assignees and reinsurers in the technical reserves and financial liabilities	274,010	103,386	231,048	185,067	90,164	28,213	315,231	–	(681,158)	545,961
Insurance and reinsurance receivables	73,340	75,449	187,148	64,207	64,052	26,132	214,896	–	(170,097)	535,127
Other assets	278,645	145,537	169,670	93,330	74,728	(10,972)	74,285	167,225	(107,535)	884,913
TOTAL ASSETS	**1,362,725**	**1,124,484**	**734,582**	**491,309**	**355,106**	**56,186**	**1,048,933**	**1,871,823**	**(1,227,038)**	**5,818,110**
Technical reserves	523,314	272,544	448,935	357,005	229,151	44,875	720,533	–	(697,092)	1,899,265
Liabilities related to inwards insurance and reinsurance transactions	17,171	67,631	45,990	23,904	4,184	4,333	109,034	1,370	(56,605)	217,012
Liabilities related to outwards reinsurance transactions	18,515	11,874	38,729	34,800	16,060	285	73,594	–	(89,316)	104,541
Other liabilities	426,832	262,720	110,810	79,323	50,603	9,808	23,629	653,649	(315,961)	1,301,413
TOTAL LIABILITIES	**985,832**	**614,769**	**644,464**	**495,032**	**299,998**	**59,301**	**926,790**	**655,019**	**(1,158,974)**	**3,522,231**

Note 30 Related parties

Euler Hermes is owned mainly by the Allianz SA group, which in turn is 100%-owned by the Allianz group.

The breakdown of the Euler Hermes group shareholding is as follows:

	Number of shares	%
Allianz SA	26,864,230	59.42%
Allianz Vie	3,879,818	8.58%
Treasury shares	1,261,544	2.79%
Sub-total	**32,005,592**	**70.79%**
Public (bearer securities)	13,207,135	29.21%
TOTAL	**45,212,727**	**100.00%**

Transactions

	Twelve months ended December 31,							
	2012				2011			
(in € thousand)	Allianz SE & other Allianz companies	Allianz Belgium	Allianz France SA	Related companies and joint ventures	Allianz SE & other Allianz companies	Allianz Belgium	Allianz France SA	Related companies and joint ventures
Operating income	49,353	–	–	28,474	48,749	–	–	26,296
Insurance services expenses	(32,834)	–	–	(13,587)	(14,697)	–	–	(18,327)
Net income or expense on reinsurance	(23,144)	–	–	(64)	(74,255)	–	–	(146)
Financing expenses	–	(5,545)	–	–	–	(5,530)	(2,705)	–
Other financial net incomes	(9,269)	–	–	(9,327)	(12,582)	–	–	(6,990)

Receivables and liabilities

	December 31, 2012				December 31, 2011			
(in € thousand)	Allianz SE & other Allianz companies	Allianz Belgium	Allianz France SA	Related companies and joint ventures	Allianz SE & other Allianz companies	Allianz Belgium	Allianz France SA	Related companies and joint ventures
Financial Investments (Allianz SE bond)	160,000	–	–	–	160,000	–	–	–
Current accounts (accrued interests included)	33,930	–	–	3	(41,112)	–	(1,207)	1,817
Net operating receivables	841	–	–	669	2,525	–	–	763
Borrowings (accrued interests included)	–	137,879	–	–	–	137,879	–	–
Operating liabilities	(6,552)	–	(218)	355	(3,018)	–	–	274

The following entities invested in Allianz SE 14-month corporate bonds for a total amount of €160 million:

- Euler Hermes Reinsurance AG;
- Euler Hermes Deutschland AG;
- Euler Hermes France.

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 mainly correspond to a loan contracted in 2010 with Allianz Belgium for €135 million with maturity planned for June 24, 2020, at a fixed annual interest rate of 4.04%.

Remuneration of senior executives

(in € thousand)	Year ended December 31, 2012	2011
Salaries and other short term benefits for the year	5,111	6,108
Capital gain from SAR/RSU exercise	–	–
Benefits in kind	374	105
Other indemnities	1,669	1,435
TOTAL	**7,154**	**7,648**
Share-based attribution (number)		
■ Euler Hermes options & LTI EH	–	–
■ AEI (ex RSU)	23,811	21,772

Details related to the stock-options plans are mentioned in Note 31.

As of the date of this Registration Document, all members of the Group Management Board are eligible for severance compensation in the event of termination under the conditions approved by the Shareholders' Meeting of May 25, 2012.

Severance compensation is not due if the executive leaves the Company at his or her own initiative, changes jobs within the Euler Hermes group or is eligible for retirement shortly thereafter.

Severance compensation is contingent on meeting the following performance criteria:

- 75% of annual targets as assessed over at least two of the last three years prior to termination. For officers who have been in office for less than three years, the calculation of the 75% target is based on the last year or the last two years if applicable;
- an average combined ratio of 95% or less for the three years preceding the termination.

If both of these conditions are met, the severance payment is due in full. If only one of the above conditions is met, 50% of the severance payment is due.

The amount of any severance compensation may not exceed two years' compensation (fixed and variable).

As of the date of this Registration Document, no members of the Management Board were covered by a non-compete clause.

No Group Management Board member is eligible for a defined-benefit supplementary pension plan (top hat scheme or *retraite chapeau*).

In addition to being eligible for the AGIRC-ARRCO supplementary pension plan, Nicolas Hein, Dirk Oevermann and Frédéric Bizière are eligible for a supplementary defined-contribution pension plan managed by AG2R/ARIAL Assurances. In 2012, a charge of €19.4 thousand each was booked for this plan for Nicolas Hein, Dirk Oevermann and Frédéric Bizière. Wilfried Verstraete and Gerd-Uwe Baden are eligible for the Allianz group supplementary defined-contribution retirement plan for senior executives. In 2012, charges booked for this plan amounted to €167 thousand for Wilfried Verstraete and €217 thousand for Gerd-Uwe Baden.

Members of the Supervisory Board

(in € thousand)	Year ended December 31, 2012	2011
Remuneration owed in conformance with the social mandate (money order) Euler Hermes	180	161

Note 31 Stock option plans

Euler Hermes stock option plans

Characteristics of the stock 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	
	July 2004	June 2005	September 2006	June 2008
Fair value of options allocated	11.66	13.10	22.29	6.83
Characteristics				
Date of EGM	04/23/2003	04/23/2003	05/22/2006	05/22/2006
Period of validity of options	8 years	8 years	8 years	8 years
Rights vesting period	2 years	2 years	2 years	2 years
Assumptions				
Risk-free interest rate	4.16%	3.01%	4.01%	4.72%
Expected volatiliy[(1)]	30%	25%	25%	33%
Rate of return on shares	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 April 23, 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 April 23, 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 (except in the case of event of loss of employment, retirement, incapacity or death), depending on the country.

Mixed plans adopted by the EGM of May 22, 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

As at December 31, 2012, the following options are potentially exercisable:

	Subscription plans[(1)]		Purchase plans[(2)]	
Allocation date	July 2004	June 2005	September 2006	June 2008
Number of options outstanding	–	143,050	151,400	123,300
End of subscription period	July 2012	June 2013	September 2014	June 2016
Exercise price of valid options at end of period	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 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 Group Management Board of June 20, 2008 approved the request from the Supervisory Board of June 15, 2008 related to the granting of a purchase plan (authorised by the Combined Shareholder's Meeting of May 22, 2006).

Transactions under the share option plans since January 1, 2011 may be summarised as follows:

	Year ended December 31, 2012				
	Average exercise price (€)	Number of options	Average price of EH share on exercise dates (*in €*)	Average residual term (*years*)	Exercise price range of options still outstanding at end of period (*in €*)
Start of period	**67.90**	**480,383**	–	–	–
Allocation	–	–	–	–	–
Fiscal Year	45.21	57,350	45.21	–	–
Cancellation	44.41	5,283	–	–	–
End of period	**71.31**	**417,750**	–	**1.80**	**44.41-91.82**

	Year ended December 31, 2011				
	Average exercise price (€)	Number of options	Average price of EH share on exercise dates (*in €*)	Average residual term (*years*)	Exercise price range of options still outstanding at end of period (*in €*)
Start of period	**64.01**	**545,028**	–	–	–
Allocation	–	–	–	–	–
Fiscal Year	34.66	58,545	34.66	–	–
Cancellation	39.20	6,100	–	–	–
End of period	**67.90**	**480,383**		**2.53**	**44,41-91,82**

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 (except for the March 2011 and March 2012 plans, 4 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 beneficiaries is the average trading price of Allianz shares over the ten trading days immediately preceding Allianz's Annual Shareholders' Meeting.

Characteristics of the SAR and RSU plans

	SAR Plans						
(in € thousand)	May 18, 2005	May 17, 2006	March 08, 2007	March 06, 2008	March 12, 2009	March 11, 2010	Total
Fair value at December 31, 2012 (in euros)	**–**	**0.01**	**0.09**	**5.44**	**52.58**	**19.87**	
Total commitment	**–**	**–**	**2**	**134**	**822**	**606**	**1,565**
Opening commitment	**26**	**10**	**2**	**46**	**246**	**90**	**420**
Charge recognised during the period	(26)	(10)	–	89	540	360	953
Exercise of options	–	–	–	–	(8)	–	(8)
CLOSING COMMITMENT	**–**	**–**	**2**	**134**	**778**	**450**	**1,365**

	RSU Plans						
(in € thousand)	March 08, 2007	March 06, 2008	March 12, 2009	March 11, 2010	March 10, 2011	March 08, 2012	Total
Fair value at December 31, 2012 (in euros)	–	104.80	100.30	95.42	95.42	90.42	
Total commitment	–	1,256	770	1,444	2,069	2,479	8,017
Opening commitment	965	663	279	436	503	–	2,846
Charge recognised during the period	169	566	301	476	667	869	3,048
Exercise of options	(1,134)	(24)	(15)	(39)	(51)	–	(1,263)
CLOSING COMMITMENT	–	1,205	566	874	1,120	869	4,632

SAR

After a vesting period of two years (except for the March 2009 and March 2010 plans, 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 the Allianz share price exceeds the reference price by at least 20% on the exercise date;
- if during the contractual period, the Allianz share price outperformed the Dow Jones index at least once for a period of five consecutive days.

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 (except for the March 2011 and March 2012 plans, 4 years), Allianz can choose to remunerate the RSU in cash or to allocate 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 of December 31, 2012

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 (except for March 2009 and March 2010 plan, 4 years) and five years for the RSU,(except for the March 2011 and March 2012 plan, 4 years). At December 31, 2012, the liability relating to the SAR and RSU still to be exercised amounted to €5,997 thousand.

Information on plans currently in effect

	Year ended December 31, 2012												
	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
18/05/05	2	92.87	34,190	–	(31,612)	–	(2,578)	–	–	–	–	–	–
17/05/06	2	132.41	33,288	–	–	–	(4,242)	–	–	–	–	–	–
08/03/07	2	160.13	27,062	–	–	–	(2,024)	5	13,619	–	–	(12,600)	(1,019)
06/03/08	2	117.38	26,436	–	(672)	–	(1,064)	5	12,826	–	–	(326)	(517)
12/03/09	4	51.95	16,452	–	–	(324)	(494)	5	8,081	–	–	(159)	(243)
11/03/10	4	87.36	32,629	–	(1,053)	–	(1,095)	5	16,197	–	–	(523)	(543)
10/03/11	–	–	–	–	–	–	–	4	23,510	–	–	(627)	(1,205)
08/03/12	–	–	–	–	–	–	–	4	–	27,502	(87)	–	–

Euler Hermes group Long-Term Incentive plans

In 2011, a first Euler Hermes group Long-Term Incentive (LTI) plan was implemented and a second one in March 2012. The beneficiaries of the scheme are employees and members of the "Group Management Board" of Euler Hermes (under Allianz classification L0, L1 and L2). The Euler Hermes Long-Term Incentive is a variable, long-term equity based plan providing an opportunity for executives and key employees to benefit from Euler Hermes' success over the long-term.

The general rules of granting, capping (200% share price growth) and paying out are identical to Allianz group Equity Incentive Plan rules.

Characteristics of EH RSU plan

	EH RSU plans		
(in € thousand)	March 1, 2011	March 1, 2012	Total
Fair value at December 31, 2012	**65.82**	**65.82**	–
Total commitment	3,464	5,130	8,594
Opening commitment	954	–	954
Charge recognised during the period	1,073	1,885	2,958
Exercise of options	–	–	–
Closing commitment	**2,027**	**1,885**	**3,912**

EH RSU

The EH LTI is granted in the form of RSU (Restricted Stock Units) of Euler Hermes with a four-years vesting period at the allocation date.

RSU are allocated on the basis of a common Grant Price. This is calculated as the arithmetic average of the Euronext trading closing prices of the Euler Hermes Stock over the ten trading days following the Euler Hermes financial press conference prior to and including the allocation date.

The number of RSU granted to the participants equals the EH LTI allocation value divided by the fair value at allocation of a single RSU.

The first EH RSUs were granted as of March 1, 2011, the second as of March 1, 2012.

After the Vesting Date of the EH RSU (March 2015 for the first EH RSU granted and 2016 for the second plan), each participant will receive from the Company for each EH RSU, as elected by the Company, either:

- one Euler Hermes share ("Share Settlement"); or
- a cash payment in the amount of the average market value of the Euler Hermes share on the Vesting Date ("Cash Settlement").

In both cases, the payout is calculated on Euler Hermes share price at the end of the vesting period.

Information on plans currently in effect

	Year ended December 31, 2012					
	EH RSU					
Allocation date	Rights vesting period *(in years)*	RSU at the opening	RSU granted	RSU cancelled	RSU exercised	RSU transfered
01/03/11	4	54,144	–	(1,512)	–	–
01/03/12	4	–	77,936	–	–	–

The attribution to the Group Management Board is as follows:

- RSU Allianz 8,699
- RSU Euler Hermes 15,112

The RSU fair value impact amounting to €1,432 thousand was reallocated to financing expense.

Note 32 Group Employees (Contracted headcount)

	December 31, 2012	December 31, 2011
Germany & Switzerland	1,912	1,959
France	939	950
Northern Europe	1,329	1,342
Mediterranean Countries & Africa	581	570
America	478	549
Asia Pacific	218	192
Captive of reinsurance	11	9
Service Group	809	594
TOTAL EULER HERMES GROUP	**6,277**	**6,165**

Staff costs totalled €506.1 million for the year ended December 31, 2012 against €473.5 million in 2011. Remuneration paid to members of the Group Management Board during the year came to €7,154 thousand.

The staff numbers shown correspond to the contracted 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 NV Interpolis Kreditverzekeringen). The headcount of companies accounted for by the equity method is not taken into account.

Note 33 Commitments given and received

(in € thousand)	December 31, 2012	December 31, 2011
Commitments received	**8,825**	**9,462**
Deposits, sureties and other guarantees	8,825	9,462
Commitments given	**102,810**	**107,292**
Deposits, sureties and other guarantees	102,810	107,292
Commitments to Citibank	*50,000*	*50,000*
Commitments to Société Générale	*37,925*	*38,643*
Commitments to InvestionsBank Landes Brandeburg	*1,857*	
Commitments associated with membership of an EIG	*180*	*51*

The given commitment of €50 million is aimed to cover Citibank's customers having signed a credit insurance policy with an Euler Hermes subsidiary in the event that the latter fails to meet its credit insurance policy obligations.

The €37.9 million commitment is a guarantee to Romanian bank, BRD, a subsidiary of Société Générale group, in relation to the issuance of bond policy by Euler Hermes Europe SA Nederland.

Note 34 Auditors' fees

	KPMG Audit FS II				ACE			
	Amount		%		Amount		%	
(in € thousand)	2012	2011	2012	2011	2012	2011	2012	2011
Audit								
▪ Statutory audit and report on Company and consolidated financial statements								
Issuer	354	354	10%	10%	186	182	45%	44%
Fully-consolidated subsidiaries	2,888	2,567	80%	73%	212	212	51%	51%
▪ Other services directly related to appointment as Statutory Auditor								
Issuer	87	161	2%	5%	19	19	5%	5%
Fully-consolidated subsidiaries	125	216	3%	6%				
Sub total	**3,454**	**3,298**	**95%**	**94%**	**417**	**413**	**100%**	**100%**
Other services provided to fully-consolidated subsidiaries								
▪ Legal, tax and social	69	35	2%	1%				
▪ IT	13	15	0%	0%				
▪ Strategy	27	150	1%	4%				
▪ Human resources								
▪ Other	55	5	2%	0%				
Sub total	**163**	**206**	**5%**	**6%**				
TOTAL	**3,618**	**3,504**	**100%**	**100%**	**417**	**413**	**100%**	**100%**

Note 35 Subsequent events

No subsequent events occurred since December 31, 2012 closing which would impact the assumptions of the annual closing.

Note 36 Risk Management

The paragraphs from the Risk Management 4.2 to 4.2.5 are part of the Group financial statements. They are included in the section 4 “Major risk factors and their management within the Group” of this Registration Document.

5.7 Statutory Auditors' report on the consolidated financial statements

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English-speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the Group's management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended December 31, 2012

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended December 31, 2012, on:

- the audit of the accompanying consolidated financial statements of Euler Hermes SA;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Group Management Board. Our role is to express an opinion on these consolidated financial statements based on our audit.

1 Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2012 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

2 Justification of our assessments

The persistence of a difficult economic and financial environment continues to make very complex the choice of economic assumptions underlying the financial statements of insurance organizations. In particular, evolutions of future interest rates could differ materially from that adopted and produce various effects. It is in this context that under the requirements of Article L. 823.9 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

- Your Group set up technical reserves to cover its commitments. Paragraphs 2.7 and 2.23 of Note 2 "IFRS accounting and valuation rules" and Note 18 of the Notes to the consolidated financial statements specify the methodologies used. Based on the information available at the closing date, our assessment of technical reserves was based on the analysis of the calculation methodologies used by the different companies in the Group, as well as the assessment of assumptions made.
- Financial investments are recognized and valued using the methods described in paragraph 2.14 of Note 2 "IFRS accounting and valuation rules" and in Note 6 of the Notes to the consolidated financial statements. We checked that the valuation methods used had been correctly applied and then assessed, firstly the data and assumptions used to values them, and secondly, the classification methods selected on the basis of the documentation prepared by the Group.

- The Group performs each year-end, or when there is an indication of a loss in value, an impairment test of goodwill, as described in paragraphs 2.7 and 2.11 of Note 2 "IFRS accounting and valuation rules" and in Note 3 of the Notes to the consolidated financial statements. We examined the methods used to perform this impairment test as well as the cash flow forecasts and other assumptions made.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3 Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the Group's management report.

We have no matter to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris-La Défense and Paris, April 8, 2013

KPMG Audit FS II	ACE – Auditeurs et Conseils d'Entreprise
French original signed by	French original signed by
Xavier Dupuy	François Shoukry
Partner	Partner

6

Parent company financial statements

6.1 Balance sheet as of December 31, 2012

Assets

(in € thousand)	Notes	Gross	Amort & depr.	Net 12/31/2012	Net 12/31/2011
Intangible assets	3.1	8,949	8,847	102	607
Property, plant and equipment	3.1	363	325	38	51
Financial assets					
Shares in associated enterprises	3.2	1,697,061	10,000	1,687,061	1,676,084
Other financial assets	3.3	66,784		66,784	76,238
Fixed assets		**1,773,157**	**19,172**	**1,753,985**	**1,752,980**
Receivables	3.4	76,548		76,548	68,918
Cash and cash equivalents	3.5	39,784		39,784	41,320
Current assets		**116,332**		**116,332**	**110,238**
TOTAL ASSETS		**1,889,489**	**19,172**	**1,870,317**	**1,863,218**
Off-balance sheet commitments received:	*5.3*			*0*	*0*

Liabilities

(in € thousand)	Notes	12/31/2012	12/31/2011
Share capital	3.6.1	14,468	14,451
Additional paid-in-capital		456,883	454,536
Reserves			
■ Legal reserve		1,445	1,444
■ General reserve		77,474	77,474
■ Reserve for treasury shares		86,337	86,337
■ Other reserves		180,052	180,052
Retained earnings brought forward		253,498	337,276
Income for the financial year		196,190	109,230
Regulated provisions		136	87
Shareholders' equity	**3.6.2**	**1,266,483**	**1,260,887**
Provisions	**3.7**	**385**	**372**
Borrowings and other financial liabilities	3.8	561,321	564,821
Trade payables and related accounts	3.9	3,642	6,938
Social security, tax and other liabilities	3.10	38,486	27,203
Liabilities		**603,449**	**598,962**
Translation differences	**3.11**	**0**	**2,997**
TOTAL LIABILITIES		**1,870,317**	**1,863,218**
Off-balance sheet commitments given:	*5.3*	*135,001*	*110,859*

6.2 Income statement

(in € thousand)	Notes	2012	2011
Financial and operating income			
Revenues from shares in associated enterprises	4.1	231,600	169,852
Other financial income	4.2	668	1,945
Write backs of provisions for impairment of treasury shares	3.3.2	15,592	0
Net income from sale of marketable securities		136	231
Various services	4.3	3,694	3,567
Total I		**251,690**	**175,595**
Financial and operating expenses			
External charges	4.4	40,500	37,479
Taxes, duties and similar payments		1,043	624
Payroll and social security contributions	4.5	9,152	5,764
Other ordinary management expenses	5.2	465	450
Depreciation and amortization of assets	3.1.2	523	829
Provisions for impairment of shares in associated enterprises	3.3.2	0	15,592
Provisions for impairment of treasury shares	3.2.2	0	10,000
Other financial expenses	4.6	17,115	20,652
Total II		**68,798**	**91,390**
Ordinary income (I - II)		**182,892**	**84,205**
Exceptional income			
Other exceptional income	4.7	1,007	2,198
Write backs of provisions	3.7	2	4
Total III		**1,009**	**2,202**
Exceptional expenses			
Other exceptional expenses	4.7	808	283
Regulated provisions	3.6.2	49	49
Provisions for impairment	3.1.2	0	10
Provisions	3.7	13	339
Total IV		**870**	**681**
Exceptional income (III - IV)		**139**	**1,521**
Income tax expense (surplus)	**4.8**	**13,159**	**23,504**
NET INCOME		**196,190**	**109,230**

6.3 Notes to the parent company financial statements

These notes should be read in conjunction with the statement of financial position before the allocation of net income for the financial year ended December 31, 2012, which shows total assets of €1,870,317,000, and the income statement, which shows net income of €196,190,000.

The financial year covers the 12-month period from January 1 to December 31, 2012.

These notes comprise:

- the accounting policies and principles applied;
- significant events during the financial year;
- notes to the statement of financial position;
- notes to the income statement;
- additional information.

These notes and tables form an integral part of the annual financial statements as approved by the Group Management Board and reviewed by the Supervisory Board at its meeting of February 13, 2013.

1. Accounting policies and principles

The 2012 Company financial statements have been prepared in accordance with Articles L. 123-12 to L. 123-28 of the French Commercial Code, (the provisions of decree no. 83-1020 of November 29, 1983 now in Articles R. 123-172 to R. 123-208 of the French Commercial Code), the regulations of the Comité de la réglementation comptable (French Accounting Regulations Committee – CRC), and in particular with CRC regulation no. 99-03 of April 29, 1999 relating to the revision of the French General Chart of Accounts.

2. Significant events during the financial year

The following events occurred during 2012:

Shares in associated enterprises

In 2012, with the agreement of the Swiss authorities, Euler Hermes Reinsurance AG reclassified all of the organizational funds paid by Euler Hermes as unavailable reserves.

Euler Hermes reclassified the Swiss-franc deposits as shares in its subsidiary, resulting in the recognition of a €10,977,000 increase in the value of the shares.

The number of shares owned remains unchanged. *(See notes 3.2 "Shares in associated enterprises", 3.3 "Other financial assets").*

Creation of a joint venture with MAPFRE

Euler Hermes and MAPFRE, Spain's leading insurer, have formed a partnership with the aim of creating a joint venture. The target is to jointly develop credit insurance activities in Spain and Latin America (Argentina, Chile, Colombia and Mexico).

Each partner will own 50% of the entity, which will combine the two group's credit insurance activities in these markets. The joint venture should be operational in early 2013, after approval from the regulatory authorities in the countries concerned.

At December 31, 2012, Euler Hermes had booked €4,614,000 of consulting fees regarding this project *(see Note 4.4 "External charges").*

"Excellence" project

Euler Hermes continued implementing the Excellence Project in 2012. This three-year program, launched by the Group in 2010, aims to improve service quality and maintain its competitive advantage.

€330,000 of consulting fees, representing the Company's share of the cost, have been booked as external charges in relation to this project *(see Note 4.4 "External charges").*

Provision for treasury shares

Given movements in financial markets, all impairment losses on Euler Hermes shares held in treasury were reversed at December 31, 2012 in an amount of €15,592,000 *(see Note 3.3.2 "Impairment of other financial assets").*

Relocation of the Group's head office

The Group and the Paris-based activities relocated to the Tour First tower in La Défense, France, in May 2012.

3. Notes to the balance sheet

A – ASSETS

3.1 Intangible assets, property, plant, and equipment, and amortization and depreciation

3.1.1 Intangible assets, property, plant and equipment

Intangible assets and property, plant, and equipment were as follows as of December 31, 2012:

(in € thousand)	Gross amount at start of year	Increases	Decreases	Gross amount at year-end
Intangible assets(1)	**8,949**	**0**	**0**	**8,949**
Software – IRP	8,490	0	0	8,490
Software – Global Reporting	439	0	0	439
Software – Other	20	0	0	20
Property, plant and equipment(2)	**379**	**3**	**19**	**363**
TOTAL	**9,328**	**3**	**19**	**9,312**

(1) Intangible assets mainly consist of the IRP and Global Reporting software.
(2) Property, plant and equipment comprise IT equipment, which includes production and testing servers, fixtures, fittings and transportation equipment.

3.1.2 Amortization, depreciation and provisions of intangible assets and property, plant and equipment

The breakdown of amortization, depreciation and provisions at December 31, 2012 was as follows:

(in € thousand)	Amort., dep. and prov. at start of year	Charge	Write back	Amort., dep. and prov. at year-end
Intangible assets	**8,342**	**505**	**0**	**8,847**
Software – IRP(1)	8,060	417	0	8,477
Software – Global Reporting(2)	262	88	0	350
Software – Other(3)	20	0	0	20
Property, plant and equipment(4)	**328**	**16**	**19**	**325**
TOTAL	**8,670**	**521**	**19**	**9,172**

(1) The IRP software is amortized on a straight-line basis over a period of seven years corresponding to its estimated useful life.
(2) The Global Reporting software is amortized on a straight-line basis over a period of five years corresponding to its estimated useful life.
(3) Other software is amortized in full.
(4) IT and transportation equipment are amortized on a straight-line basis over a three-year period; fixtures and furniture are amortized on a straight-line basis over a period of one to seven years in accordance with their useful lives.

3.2 Shares in associated enterprises and impairment of shares in associated enterprises

3.2.1 Shares in associated enterprises

Shares in associated enterprises are long-term investments that are deemed to contribute to Euler Hermes' business, particularly because they enable Euler Hermes to influence the management or assume control of the company concerned.

Shares in associated enterprises are recognized at historical cost (purchase cost or contribution value including any related purchase costs).

Movements in the gross carrying amount of shares in associated enterprises were as follows:

Shares (in € thousand)	**Gross amount at start of year**	**Increases**	**Decreases**	**Gross amount at year-end**
Euler Hermes France	170,240			170,240
Euler Hermes Services	38			38
Euler Hermes Europe Belgium	415,227			415,227
Euler Hermes ACI Inc.	143,541			143,541
Euler Hermes Kreditversicherungs-AG	540,816			540,816
Euler Hermes Reinsurance AG(1)	376,297	10,977		387,274
Euler Hermes World Agency	4,340			4,340
Euler Hermes Magyar Követeléskezelö Kft	6,514			6,514
Euler Hermes Servicii Financiare SRL	993			993
Euler Hermes Servis s.r.o.	2,067			2,067
Euler Hermes Collection Sp. Z.o.o.	26,009			26,009
Euler Hermes Services Sp. z o.o.	2			2
TOTAL	**1,686,084**	**10,977**	**0**	**1,697,061**

(1) Euler Hermes reclassified the organizational funds paid to its Euler Hermes Reinsurance AG subsidiary as shares in associated enterprises in an amount of €10,977,000. These funds were previously classified under "Other financial assets". (See notes 2 "Significant events during the financial year" and 3.3.1 "Other financial assets").

3.2.2 Impairment of shares in associated enterprises

At each year-end, shares in associated enterprises are re-measured on the basis of their value in use. When necessary, an impairment provision is recognized on an individual investment basis, taking into account both the value in use and the general prospects of the subsidiary concerned.

The €10,000,000 impairment recognized at December 31, 2011 in relation to Euler Hermes Collections Sp. Z.o.o. was not adjusted in 2012.

3.3 Other financial assets

3.3.1 Other financial assets

Other financial assets break down as follows:

(in € thousand)	Gross amount at start of year	Increases	Decreases	Gross amount at year-end
Other long-term investment securities	**2**	**0**	**0**	**2**
Treasury shares	**77,854**	**15,831**	**26,903**	**66,782**
General adjustment	66,999	0	217	66,782
Adjustment of share price	10,855	15,831	26,686	0
EH Reinsurance AG organisational funds(1)	**13,974**	**0**	**13,974**	**0**
TOTAL	**91,830**	**15,831**	**40,877**	**66,784**

(1) Euler Hermes reclassified the Swiss-franc organizational funds paid to its Euler Hermes Reinsurance AG subsidiary as shares in associated enterprises at their historical value of €10,977,000. The related unrealized translation gain, recognized at €2,997,000 at December 31, 2011, was written back. (See notes 2. Significant events during the financial year, 3.2 Shares in associated enterprises, 3.11 Translation differences).

As part of Euler Hermes' share buyback program, authorized by the Extraordinary Shareholders' Meeting of April 7, 2000, the Company held treasury shares representing 2.79% of the share capital at year-end, as shown below:

Purpose for which held (in € thousand)	Gross amount at start of year	Increases	Decreases	Gross amount at year-end
Unrestricted use				
■ number of shares	1,265,644		4,100(1)	1,261,544
■ average price	0.053			0.053
■ **Total**	**66,999**		**217**	**66,782**
% of share capital	*2.80%*			*2.79%*
Adjustment of share price(2)				
■ number of shares	216,121	295,014	511,135	0
■ average price	0.050			0
■ **Total**	**10,855**	**15,831**	**26,686**	**0**
% of share capital	*0.48%*			*0%*
TOTAL	**77,854**	**15,831**	**26,903**	**66,782**

(1) During 2012, 4,100 options related to share acquisition plans were exercised (see Note 5.5 "Share Acquisition Plans").
(2) Given the rise in the Euler Hermes share price, all treasury shares allocated to the liquidity contract in order to boost the share price were sold.

3.3.2 Impairment of other financial assets

For the purposes of the statement of financial position, treasury shares are measured using the average market price during the last month of the financial year.

Impairment was written back in full and consequently €15,592,000 was taken to income *(see Note 2 "Significant events during the financial year").*

(in € thousand)	Provision at start of year	Charge	Write back	Provision at year-end
Impairment of treasury shares: general adjustment	13,818	0	13,818	0
Impairment of treasury shares: share price adjustment	1,774	0	1,774	0
TOTAL	**15,592**	**0**	**15,592**	**0**

3.4 Receivables

This item mainly consists of €64,584,000 of receivables from associated enterprises, including the balances of transactions between subsidiaries included in the Euler Hermes tax group *(see Note 4.8 "Tax liability and tax grouping surplus")*.

All receivables are due within one year.

3.5 Cash and cash equivalents

Cash and cash equivalents comprise demand deposits and money market funds.

B – LIABILITIES

3.6 Shareholders' equity

3.6.1 Composition of the share capital

At December 31, 2011, the share capital comprised 45,159,477 shares with a total nominal value of €14,451,000.

During 2012, 53,250 options relating to share subscription plans were exercised for an amount of €2,364,000, corresponding to a capital increase of €17,000 and additional paid-in capital of €2,347,000 *(see Note 5.4 "Share subscription plans")*.

At year-end, the share capital thus comprised 45,212,727 fully subscribed shares with a total nominal value of €14,468,000.

3.6.2 Changes in shareholders' equity

Movements during the year were as follows:

(in € thousand)	12/31/2011	Allocation of 2011 income	Dividends paid	Other movements during the year	12/31/2012
Share capital	14,451			17	14,468
Additional paid-in-capital	454,536			2,347	456,883
Reserves					
▪ Legal reserve	1,444	1			1,445
▪ General reserve	77,474				77,474
▪ Reserve for treasury shares	86,337				86,337
▪ Other reserves	180,052				180,052
Retained earnings brought forward	337,276	109,229	(193,007)		253,498
Income for the financial year	109,230	(109,230)		196,190	196,190
Regulated provisions	87			49	136
TOTAL	**1,260,887**	**0**	**(193,007)**	**198,603**	**1,266,483**

Reserve for treasury shares

In accordance with the decision taken in the Shareholders' Meeting of May 25, 2012, the reserve for treasury shares remained unchanged.

Regulated provisions

Regulated provisions correspond to the amortization of purchase costs relating to shares in Euler Hermes Collections Sp. Z.o.o., totaling €247,000, over a five-year period.

3.7 Provisions

Provisions were as follows:

(in € thousand)	Provision at start of year	Allocation	Write back	Provision at year-end
Other provisions	372	13	0	385
TOTAL	**372**	**13**	**0**	**385**

Other provisions in the amount of €385,000 correspond to the best risk estimate at year-end.

3.8 Statement of loan maturities

The breakdown of "Loans and other borrowings" by maturity is as follows:

(in € thousand)	12/31/2012	12/31/2011	VAR
Less than one year	176,321	179,821	(3,500)
One to five years[(1)]	250,000	250,000	0
More than 5 years[(1)]	135,000	135,000	0
TOTAL	**561,321**	**564,821**	**(3,500)**
Of which due to related companies	*309,957*	*310,667*	*(710)*

(1) Interest only, all principal repayable on maturity.

Interest totaled €15,820,000 as of December 31, 2012 *(see Note 4.6 "Other financial expenses")*.

3.9 Trade payables

Trade payables consisted primarily of accruals for supplier invoices not yet received at the balance sheet date totaling €3,484,000.

The payables are due within one year.

3.10 Social security, tax and other liabilities

The "other liabilities" item mainly consists of €17,203,000 of amounts payable to associated enterprises, including the balances of transactions between subsidiaries included in the Euler Hermes tax group *(see Note 4.8 "Tax")*.

The maturity of liabilities is as follows:

- Due in less than one year: €31,678,000;
- Due in one to five years: €6,808,000

3.11 Translation differences

Unrealized foreign exchange gains and losses on foreign currency transactions are netted on a currency-by-currency basis.

At December 31, 2012, no translation differences were recognized.

(in €)	Currency	12/31/2012	12/31/2011
Other financial assets *(see Note 3.3.1 "Other financial assets")*	CHF	0	2,997
TOTAL		**0**	**2,997**

4. Notes to the income statement

4.1 Revenues from associated enterprises

This item comprises dividends received from associated enterprises, as follows:

(in € thousand)	2012	2011
Euler Hermes Deutschland AG	135,991	60,008
Euler Hermes France	70,006	88,637
Euler Hermes ACI	21,709	20,761
Euler Hermes Servicii Financiare SRL	948	446
Euler Hermes Collection Sp. Z.o.o.	2,946	0
TOTAL	**231,600**	**169,852**

4.2 Other financial income

This item mainly comprises income from investing cash on a short-term basis.

4.3 Income statement

This item includes amounts invoiced to subsidiaries that are not included in the cost-sharing agreement for IRP system license fees, along with amounts invoiced to the same subsidiaries relating to IRP system maintenance.

4.4 External charges

This item includes:

- the external structural charges of Euler Hermes;
- the operating costs for the IRP and Global Reporting systems;
- the fees incurred as part of the various projects undertaken in 2012, mainly Excellence and MAPFRE *(see Note 2 "Significant events during the financial year")*.

4.5 Payroll and social security contributions

This item comprises remuneration and bonuses for corporate officers and Company employees.

4.6 Other financial expenses

This item mainly comprises interest on loans from associated companies in an amount of €9,703 thousand including €6,117 thousand of accrued interest on loans taken out with credit institutions *(see Note 3.8 "Statement of loan maturities")*.

4.7 Other exceptional income and expenses

This item includes the surplus and deficit from share buybacks, amounting to €1,007 thousand and €644 thousand respectively.

4.8 Tax

The breakdown of the tax expense for the year is as follows:

(in € thousand)	2012	2011
Tax consolidation surplus	13,612	23,598
Deferred tax	(453)	(94)
TOTAL	**13,159**	**23,504**

4.8.1 Tax liability and tax grouping surplus

Euler Hermes is the head of the tax group formed with its subsidiaries Euler Hermes France, Euler Hermes Credit France, Euler Hermes Recouvrement France, Euler Hermes Services, Euler Hermes Tech, Euler Hermes Asset Management, CCA, Euler Hermes World Agency, Financière Sirius and Financière Aldébaran. Each company pays the parent company the tax that it would have paid to the authorities if it had been taxed individually (*see Notes 3.4 "Receivables" and 3.10 "Social security, tax and other liabilities"*).

The budget adopted by the French Parliament on December 20, 2012 extended the 5% increase in corporation tax for companies with a turnover in excess of €250 million for accounting periods ending up to December 30, 2015.

The Euler Hermes tax group applied this increase to its current tax liability at the current rate and at the reduced rate.

To calculate the taxable income of Euler Hermes itself, dividends received from the subsidiaries are deducted in accordance with the parent company/subsidiary tax regime and the share of corresponding expenses and charges is added back. After all deductions and amounts added back, taxable income was negative.

As the total of the individual tax liabilities of the members of the tax group was higher than the tax expense for the tax group, a tax grouping surplus of €13,612,000 was generated in favor of Euler Hermes.

4.8.2 Deferred tax

Deferred tax arises from timing differences between the year in which an income or expense item is recognized in the accounts and its inclusion in the taxable income or loss of a subsequent year. Deferred tax is calculated using the following preferential methods:

- application of the balance sheet liability method, under which unrealized differences are added to the timing differences;
- use of the full provision method, under which recurring differences and differences that will only reverse in the long term are included;
- application of the liability method, under which deferred tax recognized in prior years is adjusted for any changes in tax rates; the rate used for 2012 and subsequent years is 34.43% (ordinary rate of 33.33% plus the 3.3% social-security contribution).

As none of the significant deferred tax assets and liabilities has a set maturity, discounting has not been applied to any items.

Deferred tax assets and liabilities are offset only when they have the same nature and maturity.

5. Other information

5.1 Consolidation

Euler Hermes SA, whose shares are listed on the Paris Stock Exchange, is the parent company of the Euler Hermes subgroup and as such publishes consolidated financial statements.

The Company's financial statements are fully consolidated within the financial statements prepared by Allianz (Munich Trade and Companies Registry no. 164 232).

5.2 Attendance fees

Attendance fees paid to members of the Supervisory Board in accordance with the resolution passed by the Combined Shareholders' Meeting of May 25, 2012 amounted to €465,000.

5.3 Off-balance sheet commitments given

These comprise:

- a commitment totaling €45,248,000 to GIE Euler Hermes SFAC Services, whose headquarters are at 1 place des Saisons, 92048 Paris La Défense Cedex. As a member of this economic interest group, Euler Hermes has a joint and several obligation for the total liabilities of this group reduced by the latter's debts with other members (Article 4, paragraph 1 of ordinance no. 67 821). Euler Hermes shares this commitment with the following subsidiaries and sub-subsidiaries: Euler Hermes France, Euler Hermes Credit France, Euler Hermes Recouvrement France, Euler Hermes Services, Euler Hermes Tech, Euler Hermes Asset Management, Euler Hermes World Agency and Euler Hermes SFAC Direct;
- a guarantee given to Citibank in the amount of €50,000,000 on all of the credit insurance policies subscribed for by their customers;
- a commitment given in the amount of US$50,000,000 (i.e. €37,896,000 at year-end), to BRD, the Romanian subsidiary of Société Générale group. This commitment ultimately guarantees a client's lack of payment at the Dutch Euler Hermes Europe branch;
- a commitment of €1,857,000 given to InvestitionsBank des Landes Brandeburg, required to obtain a subsidy from the state of Brandenburg;
- a commitment given to Euler Hermes Reinsurance AG guaranteeing the payment of financial commitments given by the subsidiary to beneficiaries of a proportional or non-proportional reinsurance policy;
- a commitment given to Euler Hermes Re guaranteeing the payment of financial commitments given by the subsidiary to beneficiaries of a proportional or non-proportional reinsurance policy;
- a commitment given to Euler Hermes Europe Kredietverzekering NV guaranteeing the payment of financial commitments given by the subsidiary to policyholders.

5.4 Share subscription plans

A share subscription plan was adopted at the Extraordinary Shareholders' Meeting of April 23, 2003. Following resolutions by the Group Management Board, 380,000 options were granted during financial years 2003 and 2004.

In accordance with the resolution adopted by the Group Management Board on June 27, 2005, 160,000 share subscription options were granted during 2005.

Movements during the financial year were as follows *(see Note 3.6.1 "Composition of the share capital"):*

Year of allocation	2004	2005
Options remaining to be exercised at start of year	**58,533**	**143,050**
Options exercised(1)	53,250	0
Options canceled(2)	5,283	0
Options remaining to be exercised at year-end	**0**	**143,050**
Exercise price	44.41	63.08

(1) See Note 3.6.2 "Shareholders' equity".
(2) Options renounced by beneficiaries.

5.5 Share acquisition plans

The Extraordinary Shareholders' Meeting of May 22, 2006 approved a mixed share subscription and acquisition option plan for employees and corporate officers of Euler Hermes and of subsidiaries more than 50%-owned by Euler Hermes.

In accordance with the resolution passed by the Group Management Board meeting of September 18, 2006, 160,000 share acquisition options were awarded in September 2006.

In accordance with the resolution passed by the Group Management Board meeting of June 20, 2008, 130,000 share acquisition options were awarded in June 2008.

The movements during the financial year were as follows *(see Note 3.3 "Other Financial Assets"):*

	22/05/2006	
Date of Shareholders' Meeting	**(1st allocation)**	**(2nd allocation)**
Date of Group Management Board meeting	**18/09/2006**	**20/06/2008**
Options remaining to be exercised at start of year	151,400	127,400
Options exercised(1)	0	4,100
Options canceled	0	0
Options remaining to be exercised at year-end	**151,400**	**123,300**
Exercise price(2)	91.82	55.67

(1) See Note 3.3.1 "Other financial assets".
(2) Range of exercise prices of options circulating at year-end.

6.4 Table of subsidiaries and participating interests

Subsidiaries and participating interests		Share capital		Other shareholders' equity	Share of capital held (in %)	Carrying amount of securities held gross (in €)	Carrying amount of securities held net[1] (in €)
A. Detailed information concerning securities whose gross value exceeds 1% of the share capital							
Euler Hermes France SA 1, place des Saisons 92048 Paris La Défense cedex	EUR	90,330,400	EUR	229,471,057	99.99%	170,240,380	170,240,380
Euler Hermes Europe SA Avenue des Arts, Kunstlaan 56 1000 Brussels BELGIUM	EUR	84,979,887	EUR	319,208,477	89.45%	415,226,991	415,226,991
Euler Hermes ACI Holding Inc. 800 Red Brook Boulevard Owings Mills MD 21117 USA	USD	129,526,334	USD	(439,000)	100.00%	143,541,100	143,541,100
Euler Hermes Deutschland AG Friedensallee 254, 22763 Hamburg GERMANY	EUR	54,080,000	EUR	695,966,000	100.00%	540,816,011	540,816,011
Euler Hermes Reinsurance AG Tödistrasse, 65 CH-8002 Zürich SWITZERLAND	CHF	376,236,000	CHF	149,649,000	100.00%	387,274,149	387,274,149
Euler Hermes World Agency SAS 1, place des Saisons 92048 Paris La Défense cedex	EUR	1,540,000	EUR	1,856,799	100.00%	4,340,440	4,340,440
Euler Hermes Magyar Követeléskezelö Kft Kiscelli u.104 H-1037 Budapest HUNGARY	HUF	30,000,000	HUF	478,208,000	100.00%	6,514,000	6,514,000
Euler Hermes Collections Sp. Z.o.o ul.Domaniewska50B 02-672 Warsaw POLAND	PLN	146,000	PLN	(693,000)	100.00%	26,008,590	16,008,590
Euler Hermes Servicii Financiare S.R.L Str Petru Maior, 6 sector 1 011262 Bucharest ROMANIA	RON	2,962,000	RON	89,000	100.00%	992,800	992,800
Euler Hermes Servis s.r.o Plynarenska 4659/1 82109 Bratislava SLOVAKIA	EUR	136,000	EUR	909,000	100.00%	2,067,000	2,067,000
B. Summary information concerning other securities whose gross value does not exceed 1% of the share capital							
French subsidiaries	EUR	40,000	EUR	130,159	100.00%	38,112	38,112
Foreign subsidiaries	PLN	5,000	PLN	2,479,000	100.00%	1,640	1,640

(1) Impairment of securities is recorded at year-end when the carrying amount of the securities is greater than the Company's going concern value (see 3.2.2 Impairment of Participating Interests).
(2) The exchange rate used for companies outside the eurozone is the closing rate on December 31, 2012.
(3) Amount corresponding to the sub-group Euler Hermes Collections of which Euler Hermes Collections S.p.A. is the holding company.

Outstanding loans and advances	Sureties and guarantees given	Net turnover for last fiscal year (2)	Income for last fiscal year (2)	Dividends received during the fiscal year (2)
(in €)	*(in €)*	*(in €)*	*(in €)*	*(in €)*
12,690,333	–	394,638,280	66,877,349	70,006,048
–	–	592,919,000	24,197,000	–
290,864	–	–	21,944,823	21,709,415
0	–	818,454,000	79,536,000	135,990,400
0	–	1,061,462,061	87,794,897	–
2,244,811	–	6,286,000	1,890,246	–
25,788	–	3,891,693	710,848	–
–	–	6,421,867 (3)	(13,514) (3)	2,945,871
14,513	–	2,865,541	1,459,910	947,787
3,471	–	1,582,000	418,000	–
–	–	62,462,088	956,891	–
121,172	–	931,204	796,560	–

6.5 Company results over the last five fiscal years

	2008	2009	2010	2011	2012
Share capital					
Share capital	14,426,313	14,426,627	14,432,874	14,451,033	14,468,073
Number of shares in issue	45,082,230	45,083,210	45,102,732	45,159,477	45,212,727
Maximum number of future shares to be created	284,630	283,650	263,528	201,583	143,050
Transactions and income for the financial year					
Income from ordinary operations(1)	233,530,713	174,776,476	193,935,031	169,851,596	231,599,521
Income before tax, depreciation, amortization, and provisions	202,993,323	146,691,430	142,931,187	112,051,879	167,540,428
Income tax(2)	(23,800,042)	492,436	(12,962,875)	(23,504,201)	(13,158,647)
Income after tax, depreciation, amortization, and provisions	193,457,034	171,874,733	166,830,268	109,230,335	196,189,693
Dividends paid(3)	67,623,345	0	180,410,928	198,701,699	180,850,908
Earnings per share					
Income after tax but before depreciation, amortization, and provisions	5.03	3.24	3.46	3.00	4.00
Income after tax, depreciation, amortization, and provisions	4.29	3.81	3.70	2.42	4.34
Dividend per share	1.50	0.00	4.00	4.40	4.00
Employees					
Average number of employees(4)	2	1	1	1	1

(1) In accordance with CNC notice dated March 27, 1985 and COB bulletin no. 181 of May 1985, in view of Euler Hermes' activity as a holding company, this item comprises ordinary revenues from equity investments instead of turnover.

(2) Positive for a tax charge, negative for a tax surplus.

(3) Includes dividends on treasury stocks, which will be credited to "Retained Earnings" upon payment.

(4) The number relates to corporate officers with an employment contract. There are four other corporate officers.

6.6 Other information

6.6.1 Breakdown of trade payables

In accordance with Articles L.441-6-1 and D.441-4 of the French Commercial Code, the breakdown of outstanding debt by maturity in respect of the Group's suppliers at the close of the last two years is provided below:

Liabilities (in €)		12/31/2011		12/31/2012
	Settlement terms		Settlement terms	
Suppliers	Immediate	541,070.21	Immediate	136,258.60
	30 days	163,009.18	30 days	20,966.58
Supplier invoices not received	–	6,233,980.43	–	3,484,164.36
TRADE PAYABLES	**–**	**6,938,059.82**	**–**	**3,641,389.54**

6.6.2 Dividends distributed

The table below shows the dividends distributed in the last five financial years. Pursuant to Article 158, 3-2° of the General Tax Code, these sums are eligible for 40% tax relief.

Financial year	**2012**	**2011**	**2010**	**2009**	**2008**
Total Dividends *(in €)*	180,850,908(1)	198,701,699	180,410,928	0.00	67,623,345
Number of shares on December 31, *(including treasury shares)*	45,212,727	45,159,477	45,102,732	45,083,210	45,082,230
Dividend per share *(in €)*	4.00(1)	4.40	4.00	0.00	1.50

(1) Proposal to the Shareholders' Meeting on May 24, 2013.

The Company's dividend policy in the future will depend on its results and financial position. The Group Management Board decided on the dividend which was put to the vote of the Shareholders' Meeting on May 24, 2013, after the Supervisory Board's approval. Although the Group Management Board intends to maintain this dividend policy over the long term, a dividend which is distributed for a given year will depend on different factors, in particular the Company's performance, the market conditions and the general economic climate. Euler Hermes' dividend policy is based on prudent management of capital (to ensure an AA-rating level) and the attractiveness of the dividend for shareholders.

6.7 Statutory Auditor's report on the financial statements

This is a free translation into English of the statutory auditor's report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditor's report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditor's assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Year ended December 31, 2012

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting, we hereby report to you, for the year ended December 31, 2012, on:

- the audit of the accompanying financial statements of Euler Hermes SA;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Group Management Board. Our role is to express an opinion on these financial statements based on our audit.

1 Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2012 and of the results of its operations for the year then ended in accordance with French accounting principles.

2 Justification of our assessments

The persistence of a difficult economic and financial environment continues to make very complex the choice of economic assumptions underlying the financial statements of insurance organizations. It is in this context that under the requirements of Article L. 823.9 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matter:

Note 3.2.2 to the annual financial statements sets out the accounting policies on impairment of equity interests. As part of our assessment of the accounting policies adopted by your company, we checked the appropriateness of accounting policies set out above and the information provided in the above-mentioned Note, and we verified their correct application.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3 Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Group Management Board, and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code ("Code de commerce") relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Paris-La Défense and Paris, April 8, 2013

KPMG Audit FS II

French original signed by

Xavier Dupuy

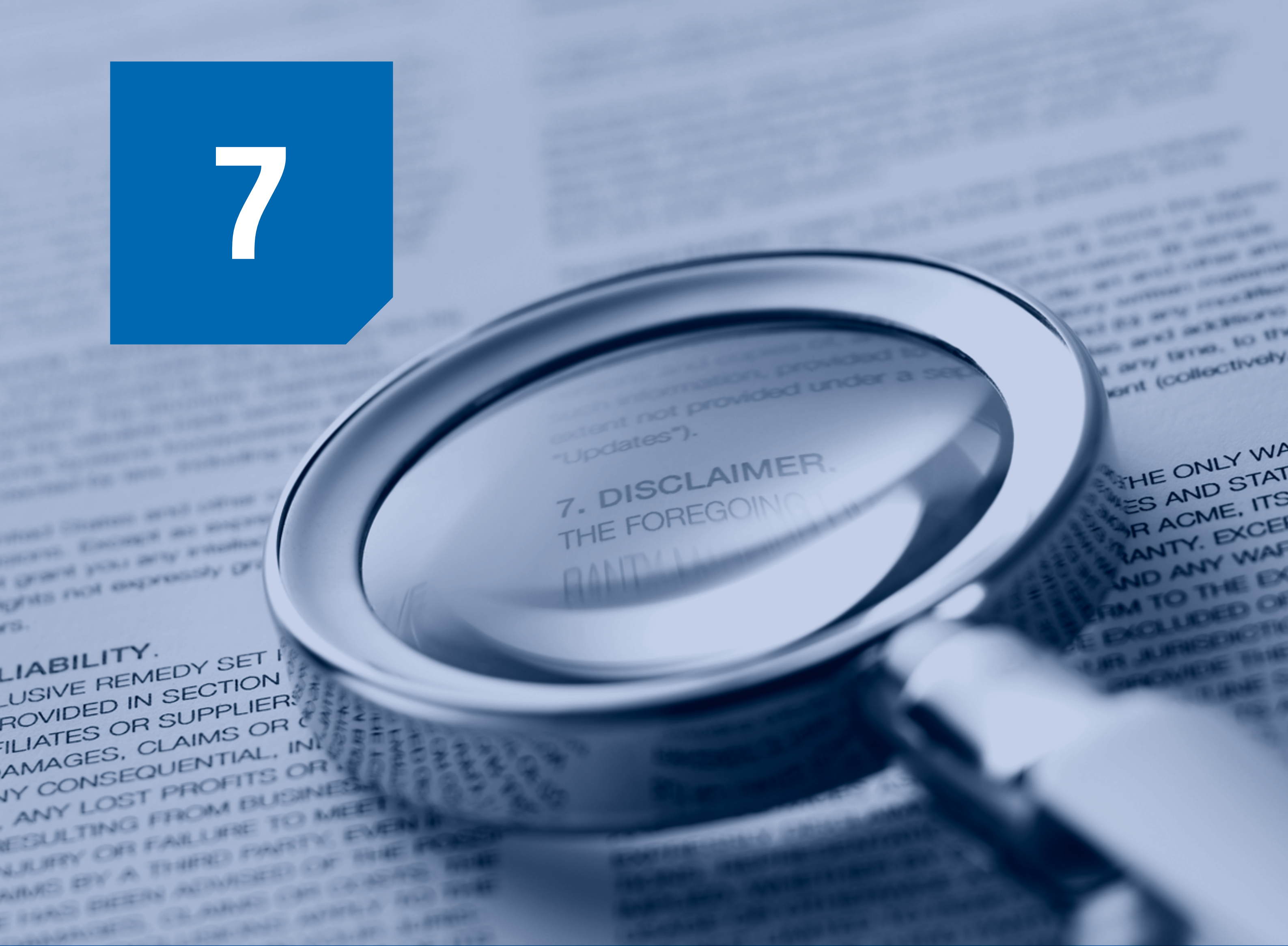
Partner

ACE – Auditeurs et Conseils d'Entreprise

French original signed by

François Shoukry

Partner



7

Information on the Company and its capital

7.1 General information about the Company

7.1.1 Company Name and headquarters

Company Name:

Euler Hermes

Headquarters:

1, place des Saisons, 92048 Paris-La-Défense Cedex, France

Tel: +33 (0)1 84 11 50 50
Fax: +33 (0)1 84 11 50 17

7.1.2 Legal status, legislation

Euler Hermes is a Limited Company with a Group Management Board and a Supervisory Board.

It is governed by French law.

7.1.3 Incorporation and expiry dates

The Company was incorporated on March 28, 1927 for a term of 99 years, which will expire on March 27, 2026.

7.1.4 Trade and Companies Register

RCS number: 552 040 594 RCS Nanterre – NAF number: 6420Z.

7.1.5 Financial year

Each financial year has duration of twelve months. It begins on January 1 and ends on December 31.

7.1.6 Ownership of the "Euler Hermes" trademark

The Company is owner of the following trademarks in France: "Euler Hermes", "EH" and "EH Euler Hermes", registered in class 35 (management of commercial affairs), 36 (insurance and financial affairs) and 42 (computer software).

The trademark, the logo and the trademark associated with the logo are registered as a Community trademark in the European Union.

The three registered trademarks were filed on the basis of the Madrid System for the International Registration of Marks in the following countries: Algeria, Australia, Brazil, Bulgaria, China, Croatia, Czech Republic, Egypt, Estonia, Hungary, Japan, Korea, Latvia, Liechtenstein, Lithuania, Montenegro, Morocco, Norway, Poland, Romania, Russia, Serbia, Singapore, Slovakia, Slovenia, Switzerland, Tunisia, Turkey and Vietnam. For the countries not covered by the Madrid Agreements, a registration of the trademark, the logo and the trademark associated with the logo has been conducted individually in the national registers of the following countries: Argentina, Canada, Chile, Colombia, Hong Kong, India, Indonesia, Malaysia, New Zealand, Taiwan and Thailand.

The trademark, the logo and the trademark associated with the logo are currently being registered in Mexico.

The trademark has been registered individually in the national register of the United States rather than on the basis of the Madrid system.

7.2 Articles of Association

7.2.1 Corporate purpose

Under the terms of Article 3 of the Articles of Association, the purpose of the Company, directly or indirectly, in France and internationally, is financial services and insurance and especially any activities contributing to companies' management of their accounts receivable, and in this respect, activities regarding credit insurance, factoring and debt collection.

In addition to investments, the Company may take holdings in any companies whose activity relates to this purpose or participate in any operations likely to facilitate its expansion or development.

The Company may acquire any property or assets in any form.

7.2.2 Statutory stipulations relating to the Group Management Board and the Supervisory Board

The description below summarizes the principal stipulations of the Articles of Association and of the Company's Internal Regulations with respect to the Supervisory Board, with a particular focus on how it functions and its powers.

It also summarizes stipulations in the Articles of Association and the internal regulations relating to the Group Management Board.

The Supervisory Board

Composition (extract from Article 11 of the Articles of Association)

The Supervisory Board is composed of at least three and no more than twelve members who are appointed by Ordinary Shareholders' Meetings.

No member of the Supervisory Board may be over 70 years of age. When a member of the Supervisory Board reaches this age, his or her resignation shall be automatic.

Each member of the Supervisory Board must own at least five shares during his term of office. However, this provision shall not apply to shareholders who are employees and who are appointed members of the Supervisory Board pursuant to Article L. 225-71 of the Commercial Code.

Length of Mandates (extract from Article 11 of the Articles of Association)

Unless otherwise provided for by special provisions for first appointments so as to comply with the regular replacement of its members, Supervisory Board members are elected for three-year mandates.

Supervisory Board members may always be re-elected.

The composition of the Supervisory Board is adjusted each year at the Ordinary Shareholders' Meeting, depending on the number of members in office, so that changes are made as regularly as possible and so that all members have changed by the end of each three-year period. In order to exclusively implement and maintain staggering of the Supervisory Board members' terms of office, the Ordinary Shareholders' Meeting shall appoint one or more Supervisory Board members for a duration of one (1) or two (2) years.

In the event of a vacant position, following the death or resignation of one or more members of the Supervisory Board, a provisional replacement may be elected by the remaining members, with the appointment being subject to ratification by the next Ordinary Shareholders' Meeting.

Chairing of the Supervisory Board – Non-voting members (extract of Article 11 of the Articles of Association)

The Supervisory Board elects a Chairman and a Vice-Chairman, who must be individuals, from among its members. The Chairman, and in his absence the Vice-Chairman, is responsible for convening Board meetings and chairing its deliberations.

If the Supervisory Board considers it useful, it may, when so proposed by its Chairman, appoint non-voting members of the Board (censors), for a term that it chooses. These non-voting members may be individuals or legal entities and may or may not be shareholders. The Board determines their responsibilities and the terms and conditions of their remuneration. This remuneration is taken from the annual amount for Supervisory Board members' fees allocated to the Supervisory Board by the Ordinary Shareholders' Meeting.

These non-voting members may be called to and may participate in the deliberations of all Supervisory Board meetings in an advisory capacity.

Supervisory Board Deliberations (extract of Article 14 of the Articles of Association)

The Supervisory Board meets as often as required by the interests of the Company. Meetings are convened by the Chairman or, if this is not possible, the Vice-Chairman.

Meetings may be convened in any way, including verbally.

Any member of the Supervisory Board may appoint another member to represent him. Each member may hold only one proxy.

Decisions are taken under the quorum and majority conditions provided for by law. In the event of a tie, the Chairman of the meeting shall have the casting vote.

Members of the Supervisory Board attending the meeting by video conference or telephone, enabling them to be identified and ensuring their attendance, or any other similar means of communication allowed by applicable legislation shall be counted as present for the purpose of calculating quorum and majority.

However, the provisions in the foregoing paragraph do not apply to the approval of the decisions provided for in Articles L. 225-68 paragraph 5 (review of the annual and consolidated financial statements) and L. 225-61 (dismiss of members of the Group Management Board) of the French Commercial Code.

Members of Management may attend Board meetings in an advisory capacity, on the Chairman's initiative.

An attendance register is kept and minutes of meetings are drawn up in accordance with the law.

Mission and powers of the Supervisory Board (extract of Article 12 of the Articles of Association)

The Supervisory Board exercises a continuous supervision of the Company's management by the Group Management Board and gives this Board the prior authorizations required by law or by these Articles of Association.

It appoints the members of the Group Management Board, decides on their number, appoints the Chairman and Chief Executive Officers where appropriate and sets their remuneration.

It may recommend that the Ordinary Shareholders' Meeting revoke one or more members of the Group Management Board.

Throughout the year, it makes the checks and controls it considers appropriate and can arrange to receive any documents that it considers useful for the completion of its mission.

At least once a quarter, the Group Management Board presents a report to the Supervisory Board.

Within three months of the financial year-end, the Group Management Board must present the annual financial statements to the Supervisory Board for verification and control and it must submit its recommendations for the allocation of the year's distributable income to the Supervisory Board for its prior approval. It presents its observations on the Group Management Board's report and on the annual financial statements to the Shareholders' Meeting.

The Supervisory Board can convene Shareholders' Meetings and set their agendas.

The Supervisory Board is empowered to create internal committees and to determine their composition and duties. The activity of these committees is exercised under the Board's responsibility, but the duties cannot be interpreted as a delegation to a committee of the powers attributed to the Supervisory Board by law or by the Articles of Association and nor may they have the effect of reducing or limiting the powers of the Group Management Board.

In addition, the following decisions taken by the Group Management Board are subject to prior authorization from the Supervisory Board:

- the sale of property, and the total or partial sale of shareholdings and the constitution of sureties on Company assets;
- direct transactions or equity holdings that might significantly affect the Group's strategy and materially modify its financial structure or scope of activity;
- the issue of securities, of any kind, that may result in a change in the share capital;
- transactions aimed at granting or contracting any borrowings or loans, credits or advances, granting of sureties, guarantees, endorsements or deposits.

The Supervisory Board authorizes the Group Management Board to carry out the above-cited transactions within the limits of an amount it shall determine for each such transaction. Where a transaction exceeds the specified amount, the approval of the Supervisory Board is required in each case.

The Group Management Board

Composition (extract from Article 15 of the Articles of Association)

The Company is managed by the Group Management Board, which is composed of at least two and no more than six members, who may but need not be shareholders, appointed by the Supervisory Board.

Members of the Group Management Board must be individuals no more than 65 years old.

A member of the Supervisory Board cannot be a member of the Group Management Board.

Length of Mandates (extract from Article 15 of the Articles of Association)

The Group Management Board is appointed for a period of four years and its members may be re-appointed. Their mandates may be revoked by the Supervisory Board or by the Ordinary Shareholders' Meeting on the recommendation of the Supervisory Board.

The Supervisory Board sets the method and amount of remuneration for each of the members of the Group Management Board on their appointment.

The Chair of the Group Management Board (extract from Article 16 of the Articles of Association)

The Supervisory Board appoints one of the members of the Group Management Board as Chairman.

The Chairman exercises his/her functions for the period of his/her office as a member of the Group Management Board.

The Chairman represents the Company in its relations with outside parties.

The Supervisory Board can grant the same power of representation to one or more other members of the Group Management Board who then bear the title of Chief Executive Officer.

Agreements concerning the Company and any commitments undertaken in its name are signed by the Chairman of the Group Management Board, or by any member of the Group Management Board who has been appointed Chief Executive Officer by the Supervisory Board or by any representative especially empowered for this purpose.

Mission and powers of the Group Management Board (extract from Article 17 of the Articles of Association)

The Group Management Board is vested with the most extensive powers to act in all circumstances in the name of the Company. It exercises these powers within the limits defined by the corporate purpose, subject to those expressly allocated to the Supervisory Board and Shareholders' Meetings by the law and the Articles of Association.

The Group Management Board may appoint one or more of its members or any non-member of the Group Management Board to carry out such special permanent or temporary missions as it shall determine, and may delegate to them the powers it considers necessary for one or more particular purposes, with or without the power to sub-delegate.

The Group Management Board can set up committees. It decides on their composition and attributes, and they carry out their activity under its responsibility, but it cannot delegate its powers to such committees.

Assignments and powers of the Group Management Board (Excerpt from Article 4 of the Group Management Board internal regulations)

The Group Management Board operates according to internal regulations which are designed to complement the operating principles stipulated in the Articles of Association, while respecting the collegial principle of the Group Management Board and facilitating the work of the Supervisory Board.

These internal regulations stipulate the Group Management Board's powers and the distribution of its tasks and, in accordance with Article 12 of the Articles of Association, the decisions which require prior authorization by the Supervisory Board, namely:

- the sale of property and the total or partial sale of shareholdings and the constitution of sureties on Company assets where the transaction exceeds thirty million (30,000,000) euros;
- transactions aimed at granting or contracting any borrowings or loans, credits or advances where these exceed seventy-five million (75,000,000) euros;
- the issue of securities, guarantees, endorsements or deposits where these exceed thirty million (30,000,000) euros;
- direct transactions or equity holdings that might significantly affect the Group's strategy and materially modify its financial structure or scope of activity where these exceed five million (5,000,000) euros;
- the issue of securities of any kind that may result in a modification of the registered share capital regardless of the amount involved.

Group Management Board Deliberations (Article 18 of the Articles of Association)

The Group Management Board meets as often as required by the interests of the Company. Meetings are convened by the Chairman or, if this is not possible, at least two of its members.

Meetings take place either at the registered office or in any other location indicated in the convening notice.

Meetings may be convened in any way, including verbally.

Meetings of the Group Management Board are chaired by the Chairman or, if this is not possible, by a member chosen by the Group Management Board at the beginning of the meeting.

Any member of the Group Management Board may appoint another member to represent him/her. Each member may hold only one proxy.

For its decisions to be valid, the number of members of the Group Management Board present must be at least equal to half the number of members in office.

Decisions are voted by a simple majority of the members present or represented.

In the event of a tie, the Chairman shall have the casting vote.

Group Management Board meetings are reported in minutes registered in a special register and signed by the Chairman of the meeting and at least one member of the Group Management Board.

Copies or excerpts from the minutes are certified as true copies by the Chairman of the Group Management Board or by any of its members.

In addition, the Internal Regulations define the practical procedures for holding meetings and recording minutes.

7.2.3 Rules applicable to amendment of the Company's Articles of Association

When the Company's Articles of Association need to be amended, they are amended in accordance with the law.

7.2.4 Rights, privileges and constraints attached to Company shares

Voting rights

The Company's capital is divided into ordinary shares, all of the same category.

There is no clause in the Articles of Association providing for double voting rights for Company shareholders.

The right to vote belongs to the usufructuary in all of the Shareholders' Meetings (Article 20 of the Articles of Association).

Each share entitles the holder to a portion of the ownership of corporate assets and to a share in the profits equal to the proportion of the share capital that it represents (Article 9 of the Articles of Association).

Statutory restrictions to the exercise of voting rights and share transfers

The Articles of Association of the Company do not contain any stipulation limiting share transfers.

The shares may be freely traded and may be sold under the legal and regulatory conditions in force.

Subject to the stipulations of Article 8, final paragraph, of the Articles of Association relating to the surrender of voting rights in cases of non-respect of the obligations concerning threshold declarations, the Articles of Association do not contain restrictions to the exercise of voting rights. This suspension of voting rights concerning the shares exceeding the portion that should have been declared may be requested by one or more shareholders holding at least 2% of the share capital or voting rights.

Allocation of income (Article 21 of the Articles of Association)

At least 5% is deducted from profit attained during the financial year, less previous losses if applicable, to make up funds for the legal reserve, in accordance with law. This deduction is no longer mandatory once the reserve reaches one tenth of share capital. It comes back into effect if, for any reason, the legal reserve falls below one tenth of share capital.

The distributable income is made up of the income from the financial year, less any potential previous losses, as well as sums to be carried over to the reserve in accordance with the law or Articles of Association, in addition to retained profit carry-overs.

After the accounts are approved and distributable income is recorded, the Ordinary Shareholders' Meeting decides to register it in one or more reserve line items, of which it decides the allocation or the use, namely to carry it forward or to distribute it.

The Ordinary Shareholders' Meeting can decide to distribute sums from the reserves at its disposal, while specifically indicating the reserve line items on which the deductions are made. However, dividends are deducted in priority from the distributable income from the financial year.

Excluding capital reductions, no distribution can be made to shareholders when the shareholders' equity is, or will become following such distribution, less than the amount of share capital increased by the reserves and which the law or Articles of Association do not allow to be distributed. The revaluation variance is not distributable but it can be fully or partially incorporated into share capital.

Conditions regarding payment of dividends voted by the Ordinary Shareholders' Meeting are set by the meeting or, if necessary, by the Group Management Board. The payment of dividends must, however, compulsorily, take place within the legally established timeframe.

The Ordinary General Meeting is entitled to grant each shareholder, for some or all of the dividend or interim dividend(s) to be distributed, an option between payment of the dividend or interim dividend(s) in cash or in Company shares.

7.2.5 Modifications of shareholders' rights

Shareholder's rights, as described in the Company's Articles of Association, can only be modified by an Extraordinary Shareholders' Meeting (ESM) of the shareholders of the Company.

7.2.6 Statutory threshold disclosure and obligation to register shares (extract from Article 8 of the Articles of Association)

Apart from the legal obligation to inform the Company when certain fractions of the share capital are held and to make any consequent declaration of intention, any individual or corporate entity acting alone or in concert that comes to hold a number of shares and/or voting rights in the Company greater than or equal to:

1. 1% of the total number of shares and/or voting rights must, within fifteen days from the date of crossing this threshold, inform the Company of the total number of shares and/or voting rights held. This disclosure should be sent by recorded letter with reception receipt (or equivalent means in countries outside France), or by fax or telex. This declaration must be renewed each time a new 1% threshold is crossed upwards to 50% inclusive and each time a new 1% threshold is crossed downwards to 1% inclusive;
2. 5% of the total number of shares and/or voting rights must, within fifteen days from the date of crossing this threshold, apply to the Company to have all the shares held in registered form. This obligation for shares to be held in registered form is applicable to all shares already held and to those that have just been acquired taking the shareholder over the threshold. The request for shares to be registered shall be sent by letter, fax or telex to the Company within fifteen days of crossing the threshold. The declaration due under the preceding point (1) on crossing the threshold that is prescribed in this paragraph shall be the equivalent of a request for shares to be registered.

In determining the thresholds prescribed in (1) and (2), shares and/or voting rights held indirectly and shares and/or voting rights equivalent to shares and/or voting rights owned as defined by the provisions of Articles L. 233-7 et seq. of the French Commercial Code shall be taken into account.

For each of the aforementioned disclosures, the declarant must certify that the disclosure made includes all the securities owned or held pursuant to the previous paragraph. He must also specify the date(s) of acquisition.

Investment fund management companies are required to provide this information for all the voting rights attached to shares in the Company held by the funds they manage.

7.2.7 Shareholders' Meetings (extract from Article 20 of the Articles of Association)

Shareholders' Meetings are convened and take place under legally prescribed conditions.

The meetings are held either at the registered office or at some other location specified in the convening notice.

Ordinary Shareholders' Meetings are open to all shareholders who hold, under the conditions set below, at least one share. Extraordinary Shareholders' Meetings are open to all shareholders who hold, under the conditions set below, at least one share.

Special Shareholders' Meetings are open to all shareholders who hold, under the conditions set below, at least one share of the share class concerned.

Shares that are not fully paid up do not count for admission to Shareholders' Meetings and are deducted for purposes of the quorum calculation.

Subject to the aforementioned provisions, every shareholder is entitled, on proof of identity, to participate in Shareholders' Meetings, either by attending in person, by returning a postal voting form, or by appointing a proxy, who may be his/her spouse or another shareholder or the partner with whom he or she is bound by a civil solidarity pact ("PACS") or any other person (physical person or legal entity) of his/her choice, provided that the shares have been recorded in the accounts in the name of the shareholder or of the intermediary acting on his behalf:

- for registered shareholders, in the Company's register;
- for bearer shareholders, in the bearer share accounts held by the custodian.

These formalities must be completed by midnight (Paris time) on the third working day before the date of the Shareholders' Meeting.

Meetings are chaired by the Chairman of the Supervisory Board or, in his absence, by the Vice-Chairman or a member of the Supervisory Board specially delegated by the Supervisory Board for this purpose. Failing this, the meeting appoints its own Chairman.

The duties of tellers are performed by the two members of the Shareholders' Meeting who have the greatest number of votes and who accept this role.

The officers of the Shareholders' Meeting appoint the secretary who may or may not be a shareholder.

Every member of the meeting is entitled to as many votes as the number of shares he owns or represents.

7.3 General information about the Company's share capital

The Company's share capital may be increased, reduced or amortized under the conditions stipulated by law.

7.3.1 Company share capital structure

As of December 31, 2012, the Company's share capital amounted to €14,468,072.64, divided into 45,212,727 shares of the same class, fully subscribed and paid up, with a par value of €0.32. This total number of outstanding shares includes 1,261,544 treasury shares.

All the shares have been fully subscribed and paid up. The shares are in registered form until fully paid up. Shares must be fully paid up on subscription.

Shares are held in registered or bearer form at the choice of the shareholder, subject to the particular stipulations prescribed by law. Any shareholder holding 5% or more of the total number of shares and/or voting rights in the Company must request his/her shares to be registered with the Company.

The Company is authorized to apply the provisions of Article L. 228-2 I of the French Commercial Code and Article 7 paragraph 3 of the Articles of Association at any time to identify the holders of securities giving immediate or deferred voting rights at its Shareholders' Meetings.

The Company's securities and assets are not subject to any pledges.

7.3.2 Share capital authorized but not issued

In accordance with Article L. 225-100 paragraph 7 of the French Commercial Code, the summary table below sets out the delegations currently valid as of December 31, 2012 and granted by the Shareholders' Meeting to the Group Management Board in the area of capital increases by application of Articles L. 225-129-1 and L. 225-129-2.

ESM of May 20, 2011	Purpose	Duration	End	Limit	Used at December 31, 2011	Unused balance at December 31, 2011
14	Authorization to freely allocate shares in the Company	38 months	July 19, 2014	3% of the equity capital on the day of the allocation decision	no	3% of the equity capital on the day of the allocation decision

ESM of May 25, 2012	Purpose	Duration	End	Limit	Used at December 31, 2012	Unused balance at December 31, 2012
17	Delegation of powers to increase capital by capitalizing reserves, profits or premiums or other sums which may be capitalized	26 months	July 24, 2014	5 million	no	5 million
18	Delegation of powers to issue ordinary shares and/or other securities giving access to the capital and/or granting entitlement to the allocation of debt securities with preservation of preferential subscription rights	26 months	July 24, 2014	7 million	no	7 million
20	Delegation of powers to increase capital by issuing shares reserved to the savings plan members pursuant to Articles L. 3332-18 et seq. of the French Labor Code	26 months	July 24, 2014	€132,000 per issue	no	132,000

7.3.3 Unrealized share capital

On December 31, 2012, 138,150 subscription options likely to be exercised for plans presented on page 227 representing a potential maximum dilution of 0.30% of non-diluted share capital.

No marketable securities giving access to share capital or free shares are currently in existence.

7.4 Share capital and voting rights

As of December 31, 2012, the Company's share capital was made up of 45,212,727 shares, majority-owned by the Allianz France group (68% of the share capital representing 69.95% of the voting rights). The total number of real voting rights is 43,951,183.

At the end of 2012, 29.21% of the share capital, *i.e.* 30.05% of the voting rights, was held by the public and the Company owned 2.79% of the share capital.

The table below shows changes to the Company's share capital and voting rights in the past three years:

	At December 31, 2012				At December 31, 2011				At December 31, 2010			
	Shares		Voting rights		Shares		Voting rights		Shares		Voting rights	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Allianz Vie	3,879,818	8.58%	3,879,818	8.83%	3,879,818	8.59%	3,879,818	8.88%	3,879,818	8.60%	3,879,818	8.85%
Allianz France	26,864,230	59.42%	26,864,230	61.12%	26,864,230	59.49%	26,864,230	61.51%	26,864,230	59.56%	26,864,230	61.28%
Total Allianz	**30,744,048**	**68%**	**30,744,048**	**69.95%**	**30,744,048**	**68.08%**	**30,744,048**	**70.39%**	**30,744,048**	**68.16%**	**30,744,048**	**70.14%**
Treasury shares	**1,261,544**	**2.79%**	**0**	**0.00%**	**1,481,765**	**3.28%**	**0**	**0.00%**	**1,267,444**	**2.81%**	**0**	**0.00%**
Public	**13,207,135**	**29.21%**	**13,207,135**	**30.05%**	**12,933,664**	**28.64%**	**12,933,664**	**29.61%**	**13,091,240**	**29.03%**	**13,091,240**	**29.86%**
TOTAL	**45,212,727**	**100.00%**	**43,951,183**	**100.00%**	**45,159,477**	**100.00%**	**43,677,712**	**100.00%**	**45,102,732**	**100.00%**	**43,835,288**	**100.00%**
CAPITAL SHARE (in €)	**14,468,072.64**				**14,451,032.64**				**14,432,874.24**			

No double voting rights currently exist.

To the Company's knowledge, no other shareholders or groups of shareholders hold or are likely to hold, directly or indirectly, alone, jointly or in concert, 5% or more of share capital and voting rights.

7.4.1 Direct or indirect investments in the Company (to the best of its knowledge) and changes during the financial year

Stake held by Allianz

As of December 31, 2012, companies in the Allianz group owned, directly and indirectly, a total of 68% of the share capital and 69.95% of the voting rights in the Company.

The existence of independent members on the Company's Supervisory Board, in line with the AFEP-MEDEF recommendations on corporate governance to which Euler Hermes adheres, is a deliberate decision by the majority shareholder to prevent any risk of abuse of position. The dual structure of the corporate bodies makes it possible to separate the management functions performed by members of the Group Management Board from the control functions performed by members of the Supervisory Board.

Moreover, Allianzis one of the Group's reinsurance companies. The Company grants its reinsurer shareholder the same treatment as the many other reinsurance companies with which Group companies are reinsured in the normal course of their business, both regarding the selection of reinsurers and in the negotiation of the terms of their contracts. Allianz's proportion of the Group's reinsurance therefore corresponds to its role in this market, and the reinsurance contracts cover ongoing operations and are signed under normal market conditions.

Crossing of ownership thresholds

The Company received the following threshold declarations for the 2012 financial year:

- in a letter dated May 22, 2012, Franklin Resources, Inc. declared that it had crossed the statutory threshold of 1% of the Company's share capital and voting rights and that it held 687,591 shares, representing 1.5222% of the share capital of Euler Hermes;
- in a letter dated July 13, 2012, Jupiter Asset Management declared that it had fallen below the statutory threshold of 1% of the Company's share capital and voting rights and henceforth held 432,690 shares, representing 0.958% of the share capital of Euler Hermes;
- in a letter dated August 21, 2012, Silchester International Investors LLP declared that it had crossed the threshold of 4% of the Company's share capital and voting rights and that it held 1,845,872 shares, representing 4.08% of the share capital of Euler Hermes.

  The threshold declarations received by the Company for 2011 are set out on page 218 in the 2011 Registration Document and for 2010 on page 228 in the 2010 Registration Document.

Treasury shares

As of December 31, 2012, treasury shares represented a total of 2.79% of the Company's share capital, i.e. 1,261,544 shares. The overall par value amounts to €403,694.08.

For a period of one year from May 11, 2007, renewable by tacit agreement, the Company entrusted Rothschild & Cie Banque with the implementation of a liquidity contract in accordance with the ethics charter established by the AMAFI.

As part of this contract, in 2012 the Company bought 295,014 and sold 511,135 treasury shares. The table below shows the change in the transaction price for treasury shares and the breakdown of treasury shares by purpose. The only purchases and sales carried out during the financial year were part of the liquidity contract.

Commission on security transactions paid to Rothschild & Cie Banque under the liquidity contract amounted to €210,000 for 2012.

Month	Average weighted purchase price *(in €)*	Average sale price *(in €)*	Number of shares purchased	Number of shares sold
January 2012	45.665	50.549	30,379	63,399
February 2012	50.437	51.092	5,692	188,793
March 2012	59.396	59.506	24,245	24,245
April 2012	55.747	56.342	56,171	21,171
May 2012	52.270	54.620	13,000	4,000
June 2012	49.093	54.570	25,843	14,743
July 2012	48.790	50.792	32,450	2,150
August 2012	49.513	50.579	6,936	2,011
September 2012	52.792	51.047	41,079	95,404
October 2012	53.678	52.648	12,901	37,651
November 2012	55.420	55.034	14,282	25,532
December 2012	64.238	64.315	32,036	32,036
TOTAL 2012	**53.080**	**54.250**	**295,014**	**511,135**

Transactions carried out by corporate officers involving the Company's shares

Transactions carried out by members of the Supervisory Board

In accordance with the Articles of Association, each member of the Supervisory Board owns at least five shares.

On June 18, 2012, Clement Booth purchased 147 shares at the price, per share of €48. 824592, making a total of €7,177.22.

Transactions carried out by members of the Group Management Board

None

Stock options and free shares

Plans for executive corporate officers

Share subscription or purchase options

The number of share subscription options granted to members of the Group Management Board, as it existed on December 31, 2011, in connection with the share subscription plans, in the period from 2003 to 2012, breaks down as follows:

	2003	2004	2005	2006	2008	2009	2010	2011	2012
Wilfried Verstraete	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gerd-Uwe Baden	N/A	7,000	9,000	10,000	7,000	N/A	N/A	N/A	N/A
Frédéric Bizière	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nicolas Hein(1)	N/A	7,000	9,000	17,500	6,300	N/A	N/A	N/A	N/A
Michel Mollard(2)	4,500	4,000	6,000	10,000	6,300	N/A	N/A	N/A	N/A
Dirk Oevermann	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL	**4,500**	**18,000**	**24,000**	**37,500**	**19,600**	**N/A**	**N/A**	**N/A**	**N/A**

(1) Member of the Group Management Board until November 28, 2012.
(2) Member of the Group Management Board until May 6, 2011.

■ **SHARE SUBSCRIPTION OR PURCHASE OPTIONS ALLOCATED DURING THE 2012 FINANCIAL YEAR TO EACH MEMBER OF THE GROUP MANAGEMENT BOARD**

Stock options allocated to members of the Group Management Board	Plan no.	Plan date	Nature of the options (purchase or subscription)	Valuation of the options depending on the accounts consolidation method	Number of options allocated during the period	Exercise price	Exercise period
Wilfried Verstraete							
Gerd-Uwe Baden							
Frédéric Bizière				N/A			
Nicolas Hein(1)							
Dirk Oevermann							
TOTAL							

(1) Member of the Group Management Board until November 28, 2012.

STOCK OPTIONS EXERCISED DURING THE 2012 FINANCIAL YEAR

Member of the Group Management Board	Plan no. and date	Number of options exercised during the period	Exercise price
Wilfried Verstraete	N/A	N/A	N/A
Gerd-Uwe Baden	SOP NR 07/06/2004	7,000	44.41
Frédéric Bizière	N/A	N/A	N/A
Nicolas Hein [(1)]	SOP NR EULER HERMES 07/06/2004	7,000	44.41
Dirk Oevermann	N/A	N/A	N/A
TOTAL		**14,000**	**44.41**

(1) Member of the Group Management Board until November 28, 2012.

Since the Group has neither renewed the share subscription/purchase options nor implemented a system of granting free shares, there are no rules requiring management beneficiaries to hold shares.

Performance shares

The members of the Group Management Board as it existed on December 31, 2012, were not allocated performance shares in the 2012 financial year.

PERFORMANCE SHARES ALLOCATED TO EACH MEMBER OF THE GROUP MANAGEMENT BOARD DURING THE 2012 FINANCIAL YEAR

Performance shares allocated by the Shareholders' Meeting during the financial year to each member of the Group Management Board by the issuer and by all Group companies	Plan no. and date	Number of shares allocated during the period	Valuation of the shares depending on the accounts consolidation method	Acquisition date	Availability date	Performance conditions
Wilfried Verstraete						
Gerd-Uwe Baden						
Frédéric Bizière			N/A			
Nicolas Hein [(1)]						
Dirk Oevermann						
TOTAL						

(1) Member of the Group Management Board until November 28, 2012.

The members of the Group Management Board as it existed on December 31, 2012, did not receive any performance shares vested during the 2012 financial year.

Performance shares allocated by the Shareholders' Meeting during the financial year to each member of the Group Management Board by the issuer and by all Group companies	Plan no. and date	Number of shares vested during the period	Acquisition conditions
Wilfried Verstraete			
Gerd-Uwe Baden			
Frédéric Bizière		N/A	
Nicolas Hein [(1)]			
Dirk Oevermann			
TOTAL			

(1) Member of the Group Management Board until November 28, 2012.

General Presentation of plans in favor of executives and employees

In preceding years and until 2008, employees and the members of the Group Management Board were granted share acquisition and subscription options.

HISTORY OF SHARE SUBSCRIPTION OR OPTION ALLOCATIONS

	2003	2004	2005	2006	2008
Date of Shareholders' Meeting	04/23/2003	04/23/2003	04/23/2003	05/22/2006	05/22/2006
Date of Supervisory Board meeting	05/20/2003	05/25/2004	05/24/2005	08/30/2006	05/15/2008
Date of Group Management Board meeting	07/08/2003	07/06/2004	06/27/2005	09/18/2006	06/20/2008
Number of beneficiaries	91	97	103	104	92
Number of beneficiaries who have not yet exercised their options	0	40	89	90	89
of which, members of the Group Management Board	*0*	*2*	*2*	*2*	*3*
Total number of options allocated	250,000	130,000	160,000	160,000	130,000
of which, to members of the Group Management Board	*4,500*	*18,000*	*24,000*	*37,500*	*19,600*
Gerd-Uwe Baden		7,000	9,000	10,000	7,000
Nicolas Hein(1)		7,000	9,000	17,500	6,300
Michel Mollard(2)	4,500	4,000	6,000	10,000	6,300
Start date of exercise period	07/08/2003	07/06/2004	06/27/2005	09/18/2006	06/20/2008
Expiration date	07/07/2011	07/05/2012	06/26/2013	09/17/2014	06/19/2016
Exercise price (in €)	27.35	44.41	63.08	91.82	55.67
Type of option	Subscription	Subscription	Subscription	Purchase	Purchase
Options to be exercised on 01/01/2012	0	58,533	143,050	151,400	127,400
Options allocated in 2012	0	0	0	0	0
Options exercised in 2012	0	47,258	0	0	4,100
Options canceled in 2012	0	11,275	4,900	7,000	2,625
Options to be exercised on 12/31/2012	0	0	138,150	144,400	120,675

(1) Member of the Group Management Board until November 28, 2012.
(2) Member of the Group Management Board until May 6, 2011.

There have been no new plans since 2008.

No adjustment mechanism was applied to these share subscription and purchase plans during 2011.

The following options were granted in recent years to the ten employees that received the largest number of options:

- 2003 financial year: 48,300 options at a weighted average price of €27.35;
- 2004 financial year: 23,800 options at a weighted average price of €44.41;
- 2005 financial year: 60,400 options at a weighted average price of €63.08;
- 2006 financial year: 68,550 options at a weighted average price of €91.82;
- 2007 financial year: no options were allocated;
- 2008 financial year: 21,533 options at a weighted average price of €55.67.

Since 2009 financial year, no options were allocated.

SHARE SUBSCRIPTION OR PURCHASE OPTIONS GRANTED TO THE TOP TEN NON-CORPORATE OFFICER BENEFICIARY EMPLOYEES AND OPTIONS EXERCISED BY THEM

	Total number of options allocated/shares subscribed or purchased	Weighted average price	Plan no. 1	Plan no. 2
Options granted during the year, to the ten Group employees allocated the largest number of shares	N/A	N/A	N/A	N/A
Options held and exercised during the year, by the ten employees who purchased or subscribed for the largest number of options.	33.140	52.54	Subscription plan EULER HERMES 07/06/2004 €44.41	

Employee shareholding

As of December 31, 2012, the Group's employees held 44,334 shares, *i.e.* 0.09% of share capital, through a Company savings plan.

7.4.2 Agreements between shareholders known to the Company and which may entail restrictions on the transfer of shares and the exercise of voting rights

To the Company's knowledge, no shareholder agreements are currently in existence. However, there are a number of regulated agreements and commitments in place; for details *see sub-section 8.3 of this Registration Document*.

There are no provisions in the Euler Hermes Articles of Association, nor in any of the Company's charters or regulations, that may delay, defer or prevent a change in control.

7.4.3 Agreements capable of leading to a change in the control of the Company

To the Company's knowledge, at the time of publication of this document, there exists no agreement whose application could, at some date in the future, lead to a change in the control of the Company.

7.5 Factors likely to have an impact on a public tender offer

In accordance with Article L. 225-100-3, the following factors are likely to have an impact on a public tender offer:

- the structure of the share capital as well as the Company's known direct or indirect investments and any information on this subject is described in sub-section 7.4;
- no statutory restriction exists regarding the exercise of voting rights, with the exception of the suspension of voting rights concerning shares exceeding the part that should have been declared. This may be requested by one or more shareholders holding at least 2% of the share capital or voting rights for failure to declare crossing the statutory threshold;
- to the Company's knowledge, no agreements or other signed commitments between shareholders are currently in existence. (*see sub-section 7.4.2*);
- no shares consisting of special control rights are currently in existence;
- the voting rights attached to Euler Hermes shares held by employees through Employee Shareholding Plans are exercised by one or several representatives of the funds appointed by the fund's Supervisory Board in order to represent it at the Shareholders' Meeting;
- the regulations regarding the nomination and dismissal of Group Management Board members are legal and statutory regulations described in sub-section 7.2.2;
- regarding Group Management Board powers, the authorizations currently in place are described in the table of authorizations to increase share capital shown in sub-section 7.3.2;
- modifications to the Company's Articles of Association are made in accordance with legal and regulatory provisions;
- no agreement concluded by the Company is currently in existence that would be modified or terminated in the event of change of control in the Company;
- payments likely to be due in the event that a member's Group Management Board functions are ceased is described on page 34 of this Registration Document.

7.6 Equity interests of the Company outside of the Group

The Company did not make any investments in or take control of any French companies outside of the Group.

8

Shareholders' Meeting

8.1 Report of the Group Management Board on the draft resolutions submitted to the Ordinary Shareholders' Meeting on May 24, 2013

To the Shareholders:

- we have convened this Shareholders' Meeting, in accordance with the law and provisions of our Articles of Association, in order to request that you approve the financial statements for the year ended December 31, 2012;
- notice of this meeting has been given in accordance with the regulations;
- all documents required in accordance with the applicable regulations have been sent to you or have been made available on the Company's website (www.eulerhermes.com) within the timeframe laid down.

Approval of the parent company and consolidated financial statements for the financial year ended December 31, 2012 (first and second resolutions)

You are requested to approve:

- the parent company financial statements for the year ended December 31, 2012, which show net income of €196,189,693.16;
- the consolidated financial statements for the year ended December 31, 2012, which show net income, Group share, of €300,245 thousands.

You are also requested to approve the total amount of expenses and charges referred to in Article 39, paragraph 4 of the French General Tax Code, i.e. the sum of €38,967.48 and the associated tax of €14,067.26.

We hereby note that the financial statements are set out in detail in the 2012 Registration Document, which includes the management report and Statutory Auditors' reports, and the main items are included in the notice convening the Shareholders' Meeting of May 24, 2013.

Allocation of income for the financial year and declaration of the dividend (third resolution)

The proposed allocation of the Company's income is in accordance with the law and the Company's Articles of Association.

It is proposed to allocate income for the year ended December 31, 2012, amounting to €196,189,693.16 as follows:

Source

- Profit for the year €196,189,693.16
- Unappropriated earnings €253,498,063.43

Allocation

- Legal reserve €1,704.00
- Other reserves €0.00
- Dividends €180,850,908.00
- Unappropriated earnings €268,835,144.59

The dividend per share is therefore €4.00. The amount distributed is eligible for the 40% tax abatement applicable to individuals who are fiscally domiciled in France, as provided for in Article 158-3 2° of the French General Tax Code.

The dividend would be paid out on Friday, May 31, 2013. The ex-dividend date would be Tuesday, May 28, 2013.

Should the company hold some of its own stock on the ex-dividend date, the sum corresponding to dividends not paid in respect of those shares shall be allocated to unappropriated earnings.

In the event that the number of shares conferring entitlement to a dividend differs from the 45,212,727 shares comprising the share capital as at February 13, 2013, the total amount of the dividends shall be adjusted accordingly.

In accordance with Article 243bis of the French General Tax Code, we note that, for the last three financial years, the following dividends and income were distributed:

In respect of financial year	Income eligible for the allowance		Income not eligible for the allowance
	Dividends	Other income distributed	
2009	–	–	–
2010	€180,410,928* *i.e.* €4.00 per share	–	–
2011	€198,701,698.80* *i.e.* €4.40 per share	–	–

* *Including the dividend amount not paid out in respect of treasury shares and allocated to the unappropriated earnings account.*

Adjustment of the reserve for treasury shares (fourth resolution)

The Group Management Board proposes to the Shareholders' Meeting to adjust the reserve for treasury shares by a reversal of €19,554,987.78 to take account of share purchases and sales under the liquidity agreement managed by Rothschild et Cie Banque during the past financial year and sales of shares in connection with the exercise of stock options. The reserve for treasury shares, which amounted to €86,337,135.23 at December 31, 2012, would be adjusted to €66,782,147.45.

Approval and/or ratification of regulated agreements (fifth resolution)

You are asked to approve the following agreements provided for in Article L. 225-86 of the French Commercial Code and duly authorized by the Supervisory Board:

- commitments in favor of Paul Overeem: At its meeting of December 4, 2012, the Supervisory Board decided to provide a severance package for Paul Overeem, Member of the Group Management Board;
- renewal of the guarantee agreement between Euler Hermes SA and Euler Hermes Kreditverzekering NV (Netherlands): At its meeting of February 13, 2013, the Supervisory Board ratified the renewal of a guarantee agreement between Euler Hermes SA and Euler Hermes Kreditverzekering NV (Netherlands), in connection with Standard & Poor's rating of Euler Hermes SA. The corporate officer concerned is Frédéric Bizière;
- renewal of the guarantee agreement between Euler Hermes SA and Euler Hermes Reinsurance AG (Switzerland): At its meeting of February 13, 2013, the Supervisory Board ratified the renewal of a guarantee agreement between Euler Hermes SA and Euler Hermes Reinsurance AG (Switzerland) enabling Euler Hermes SA to guarantee the commitments of Euler Hermes Reinsurance AG, in connection with Standard & Poor's rating of Euler Hermes SA. The corporate officer concerned is Gerd Uwe Baden.

The Board was unable to authorize some of these agreements prior to their signature; nevertheless, it ratified them after they were signed. These agreements will therefore need to be approved under the terms of Article L. 225-90 of the French Commercial Code.

We note that only new agreements entered into during the last financial year and (where applicable) at the beginning of the current financial year, or that were renewed by tacit consent during this period, will be submitted to this meeting.

These agreements are presented in the Statutory Auditors' special report, together with all the required information relating thereto.

Approval of a commitment to Paul Overeem (sixth resolution)

We ask that you approve the regulated commitment made by the Company in favor of Paul Overeem, member of the Group Management Board, corresponding to compensation liable to be owed in relation to the termination of his duties.

This commitment is presented in the Statutory Auditors' special report, together with all the required information relating thereto.

Reappointment of Supervisory Board members (seventh to thirteenth resolutions)

The terms of office of the following members of the Supervisory Board will expire after the Shareholders' Meeting on May 24, 2013: Brigitte Bovermann, Elizabeth Corley, Nicolas Dufourcq, Robert Hudry, Jean-Hervé Lorenzi, Thomas-Bernd Quass and Jacques Richier.

You are requested to approve the reappointment:

- of Brigitte Bovermann, Elizabeth Corley, Nicolas Dufourcq, Jean-Hervé Lorenzi, Thomas-Bernd Quass and Jacques Richier as members of the Supervisory Board, for a period of three years, expiring after the Shareholders' Meeting held in 2016 to approve the financial statements for the preceding financial year;
- of Robert Hudry as a member of the Supervisory Board, for a period of two years, expiring after the Shareholders' Meeting held in 2015 to approve the financial statements for the preceding financial year.

In accordance with the AFEP-MEDEF Code of Corporate Governance, you will find below a brief biography of these candidates outlining their curriculum vitae, and the Supervisory Board's findings as to whether or not they qualify as independent directors.

Presentation of directors proposed for reappointment

Brigitte BOVERMANN

Brigitte Bovermann, age 56, holds a degree in business administration and a doctorate in accounting from the University of Bochum. She started her professional career in 1987 with Allianz Europe Division in Germany. She was appointed Head of Allianz’s Central and Eastern European Division in 1995, then Chief Executive Officer of Allianz Polzka in 1997. From 1998 to 2010, Mrs. Bovermann served successively as Head of the Europe I, Anglo-Broker Markets/Global Lines and Anglo, Nafta Insurance Markets & Global Lines divisions. Since 2010, she has been the Head of Allianz’s Global Insurance Lines & Anglo Markets division. Mrs. Bovermann also chairs the Board of Directors of Allianz Worldwide Care Ltd and is member of several supervisory boards of Allianz companies.

Elizabeth CORLEY

Elizabeth Corley, age 56, holds a Post Graduate Diploma in Management Studies. After several management positions at Merrill Lynch Investment Managers between 1994 and 2005, she became CEO of Allianz Global Investors Europe until 2012, when she was appointed Chief Executive Officer of Allianz Global Investors. Mrs. Corley also is a member of the Group Management Board of Allianz Asset Management and the Supervisory Board of RiskLab GmbH.

Nicolas DUFOURCQ

Nicolas Dufourcq, age 49, is a graduate of HEC and ENA. He began his career at the French Ministry of Finance and Economics before joining the Ministry of Health and Social Affairs in 1992. In 1994, he joined France Telecom before going on to chair Wanadoo, the firm’s Internet and Yellow Pages subsidiary. After joining the Capgemini Group in 2003, he was made responsible for the Central and Southern Europe region. In September 2004, he was appointed CFO of the Group and member of the Executive Committee. In 2005, he was named deputy CEO in charge of finance, risk management, IT, delivery, purchases and LEAN program, in addition to the follow-up of the Group’s major contracts, since January 2007. On February 7, 2013, Nicolas Dufourcq is nominated Chief Executive Officer of BPI (Banque Publique d’Investissement), by Mr. François Hollande’s Government.

Robert HUDRY

Mr. Hudry, 67, is a graduate of *École Polytechnique, École Nationale d’Administration* (ENA) and *École Nationale Supérieure de l’Aéronautique* (Supaero). His career began at the Ministry of Economy and Finance as Civil Administrator. He became Vice-President at Banque Paribas, then Chairman of Unimétal, Vice-President for Financial and Legal Affairs and Chief Executive of Usinor Sacilor from 1995 to 2003 and member of the Management Board of Arcelor from 2002 to 2004. Mr. Hudry also served as Director and Chairman of the Audit Committee of Allianz France (formerly AGF) from 2003 to 2007.

Jean-Hervé LORENZI

Mr. Lorenzi, age 65, is a graduate of *École Nationale Supérieure d’Ingénieurs Électriciens de Grenoble*. He holds a PhD in Economics, is a Fellow of the Schools of Law and Economics. After serving as Head of New Technologies and later as Chief Executive Officer of the Sari group in 1986 and 1988, he became Managing Director of CNIT. In 1992, Mr. Lorenzi became a Professor of Economics at the University of Paris Dauphine and President of the *Cercle des Économistes*. From 1994 to 2000, he held a variety of positions at Gras Savoye, including Senior Executive Vice-President in 1994 and Chief Executive Officer 1995. Mr. Lorenzi is also Chairman of the Board of Directors of Edmond de Rothschild Investment Partners, Edmond de Rothschild Capital Partners and Edmond de Rothschild Private Equity Partners, and sits on the boards of BNP Paribas Assurances and Crédit Foncier de France.

Thomas-Bernd QUAAS

Thomas-Bernd Quaas, age 61, holds a degree in business administration from the University of Frankfurt. He started his career with Beiersdorf AG as Head of Sales for the Cosmed Germany division and, in 1991, was promoted to Director of Marketing for that division. He served as Head of Consumer Products in Germany from 1992 to 1999, then as member of the Management Board in charge of the Supply Chain until 2005, when he was appointed Chairman of the Management Board until 2012. Mr. Quaas is also Chairman of the Board of Directors of Nivea Kao Co. Ltd, Member of the Board of Directors of La Prairie group AG and Member of the Supervisory Boards of Beiersdorf AG and FischerAppelt AG.

Jacques RICHIER

Jacques Richier, age 58, is a graduate in Physics of INSA Lyon and holds an MBA degree from HEC. After serving in a variety of positions at Azur Assurances from 1985 to 1998, including Senior Executive Vice President in 1995, then Chief Executive Officer in 1997, he became Chairman and CEO of Azur Assurances from 1998 to 2000. He subsequently moved to Swiss Life, where he served first as Chief Executive Officer then as Chairman and CEO from 2003 to 2008. Mr. Richier then joined Allianz France, formerly AGF, as Chief Executive Officer and was appointed Chairman and CEO since 2010. Mr. Richier also serves on the Supervisory Boards of Allianz Global Corporate & Specificity AG, Oddo Cie SCA and Paris Orleans. (A valider)

Authorization to establish a new share buyback program (Article L. 225-209 of the French Commercial Code) (fourteenth resolution)

A list of the operations conducted as part of the Group's previous share buyback programs and a description of the authorization submitted to a vote are shown in sub-sections 7.4.1 and 8.5 of the 2012 Registration Document.

We ask that you grant to the Management Board, for a period of eighteen months, the necessary powers to purchase, on one or more occasions at such times as it deems appropriate, Company shares up to a maximum of 10% of the number of shares comprising the share capital, adjusted where applicable to take into account any capital increases or reductions applied during the program.

This authorization would replace the authorization given to the Management Board under the fifteenth ordinary resolution of the Shareholders' Meeting held on May 25, 2012.

Purchases may be made in order to:

- stimulate the secondary market or the liquidity of Euler Hermes' stock through the use of an investment services provider acting within the framework of a liquidity agreement that complies with the code of conduct of the *Association Française des Marchés Financiers* (AMAFI), recognized by the *Autorité des Marchés Financiers* (AMF);
- hold the purchased shares in reserve for later use as payment or in a share swap as part of any acquisition transactions, it being specified that the shares acquired for this purpose may not exceed 5% of the Company's share capital;
- cover share purchase plans and/or bonus share plans (or similar plans) for the benefit of employees and/or corporate officers of the Group, and any allocation of shares in respect of a company or Group savings plan (or similar plan), in respect of employee profit-sharing and/or any other form type of share allocation to the employees and/or corporate officers of the Group;
- cover securities granting entitlement to the allocation of Company shares pursuant to applicable regulations;
- cancel purchased shares, where necessary, subject to the authorization granted by the sixteenth extraordinary resolution of the Shareholders' Meeting of May 25, 2012.

These operations may be carried out during a public offer in accordance with current regulations in effect.

The Company reserves the right to use option-based arrangements and derivative products within the framework of applicable regulations.

You are asked to fix the maximum purchase price at €123.64 per share and consequently, the maximum amount of this transaction, at €559,010,070.

The Group Management Board would thereby hold the necessary powers to act appropriately in such an event.

Powers for formalities (fifteenth resolution)

This resolution looks to confer all the powers necessary to accomplish the formalities that will follow the Shareholders Meeting.

Your Group Management Board requests that you approve, by way of your vote, the text of the resolutions put forward.

8.2 Comments by the Supervisory Board of February 13, 2013 on the report by the Group Management Board and on the financial statements of 2012

Pursuant to Article L. 225-68 of the French Commercial Code, your Supervisory Board is required to present to you its comments on the report by the Group Management Board and on the financial statements.

At its meeting of February 13, 2013, the Supervisory Board reviewed the consolidated financial statements, prepared in compliance with IFRS rules, and Euler Hermes' financial statements, prepared in compliance with French rules, for financial year 2012.

The Supervisory Board studied the main balance sheet items and the income statements.

It took due note of the findings of the Audit Committee and heard the Statutory Auditors.

The Board also took due note of the report by the Group Management Board on the 2012 financial statements.

Having made the necessary verifications, the Supervisory Board hereby informs shareholders that it has no particular comment to make on the management reports, the consolidated financial statements of the Euler Hermes group or on the financial statements of Euler Hermes.

Furthermore, the activity of the Supervisory Board during the 2012 financial year is detailed in the report of the Chairman of the Board prepared pursuant to Article L. 225-68 of the French Commercial Code.

This document is annexed to the management report.

The Supervisory Board invites the shareholders to approve the resolutions proposed by the Group Management Board, in particular the renewal of the offices of Brigitte Bovermann, Elizabeth Corley, Nicolas Dufourq, Robert Hudry, Jean-Hervé Lorenzi, Thomas Bernd Quaas and Jacques Richier as members of the Supervisory Board.

The Supervisory Board

8.3 Special report of the Statutory Auditors on regulated agreements and commitments

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

Financial year ended December 31, 2012

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby submit our report on regulated agreements and commitments.

Based on the information given to us, we must inform you of the essential characteristics, and the terms and conditions of the agreements and commitments of which we have been informed, or which we discovered during our audit. We are not responsible for assessing their utility or merits or for searching for the existence of other agreements and commitments. You are responsible, under the terms of Article R. 225-58 of the French Commercial Code, for assessing the potential benefit of such agreements and commitments in order to approve them.

If necessary, we must also inform you of the information stipulated in Article R. 225-58 of the French Commercial Code regarding the execution of agreements and commitments during the past fiscal year, which your General Meeting has already approved.

We performed the reviews we considered were necessary under the rules of the National Statutory Auditors' Association for this assignment. These reviews involved checking that the information we were given was consistent with the basic documents it was taken from.

Agreements and commitments subject to the Shareholders' General Meeting for its approval

a. Agreements and commitments authorized during 2012

Pursuant to Article L. 225-88 of the French Commercial Code, we were informed of the agreements and commitments which the Supervisory Board had given its prior authorization to.

1. Commitment in favor of Mr. Paul Overeem

PERSON CONCERNED: MR. PAUL OVEREEM, MEMBER OF THE GROUP MANAGEMENT BOARD

Subject to the approval of the Shareholders' General Meeting on May 24, 2013, the Supervisory Board decided at its meeting of December 4, 2012 to grant an indemnity upon revocation in favor of Mr. Paul Overeem, member of the Group Management Board under the following terms:

- The indemnity upon revocation would be granted notably in case of revocation due to a change of control or strategy.
- The payment of this indemnity would be subject to the following performance conditions:
  - (1) achievement of at least 75% of the annual objectives following the appraisal over two of the last three years preceding the revocation;
  - (2) the combined ratio is equal or below 95% on average for the last three calendar years preceding.

If both of the two performance conditions are met, the full indemnity is paid. 50% of the indemnity is paid if either condition (1) or (2) is met.

The amount of the indemnity upon revocation shall not exceed two years of remuneration (fixed and variable).

b. Agreements and commitments authorized since the closing date

We were informed of the agreements and commitments which the Supervisory Board had given its prior authorization to since the closing of the past financial year.

1. Renewal of the guarantee agreement between Euler Hermes SA and Euler Hermes Europe Kreditverzekering NV (Netherlands)

PERSON CONCERNED: MR. FRÉDÉRIC BIZIÈRE, MEMBER OF THE GROUP MANAGEMENT BOARD AND CHIEF FINANCIAL OFFICER

The Supervisory Board of February 13, 2012 gave formal approval to the renewal of a guarantee agreement between Euler Hermes SA and Euler Hermes Europe Kreditverzekering NV (Netherlands), Branch of Euler Hermes Europe SA, in connection with Standard & Poor's rating of Euler Hermes SA.

This guarantee was established to enable the Dutch company to benefit from the same rating as that of other Group companies.

Euler Hermes SA undertakes to settle the guaranteed commitments, under the terms and conditions applicable to all policies issued by Euler Hermes Europe Kreditverzekering NV, if Euler Hermes Europe Kreditverzekering NV were unable to pay the guaranteed commitments to the policyholder. Euler Hermes SA's financial commitment is limited to the amount of the guaranteed commitments due from Euler Hermes Europe Kreditverzekering NV to the policyholder.

2. Renewal of the guarantee agreement between Euler Hermes SA and Euler Hermes Reinsurance AG (Switzerland)

PERSON CONCERNED: DR. GERD UWE BADEN, MEMBER OF THE GROUP MANAGEMENT BOARD

The Supervisory Board meeting of February 13, 2013 gave formal approval to the renewal of a guarantee agreement between Euler Hermes SA and Euler Hermes Reinsurance AG (Switzerland) enabling Euler Hermes SA to guarantee the commitments of Euler Hermes Reinsurance AG, in connection with Standard & Poor's rating of Euler Hermes SA.

Euler Hermes SA undertakes to settle the guaranteed commitments, under the terms and conditions applicable to all the corresponding proportional and non-proportional reinsurance treaties, if Euler Hermes Reinsurance AG were unable to pay the guaranteed commitments. Euler Hermes SA's financial commitment is limited to the amount of the guaranteed commitments due from Euler Hermes Reinsurance AG to the policyholder. Euler Hermes SA may reduce its financial commitment by any financial claim Euler Hermes Reinsurance AG may have on the policyholder.

Agreements and commitments already approved by the Shareholders' General Meeting

a. Agreements and commitments approved in prior years and still in force during the past financial year

Pursuant to Article R. 225-57 of the French Commercial Code, we were informed that the following agreements and commitments which the Shareholders' General Meeting had already approved in previous financial years, continued to be in force during the past financial year.

1. Renewal of the guarantee agreement between Euler Hermes SA and Euler Hermes Kreditverzekering NV (Netherlands)

PERSON CONCERNED: MR. NICOLAS HEIN, MEMBER OF THE GROUP MANAGEMENT BOARD

The Supervisory Board of November 9, 2011 authorized the renewal of a guarantee agreement between Euler Hermes SA and Euler Hermes Kreditverzekering NV (Netherlands), in connection with Standard & Poor's rating of Euler Hermes SA.

This guarantee was established to enable the Dutch company to benefit from the same rating as that of other Group companies.

Euler Hermes SA undertakes to settle the guaranteed commitments, under the terms and conditions applicable to all policies issued by Euler Hermes Kreditverzekering NV, if Euler Hermes Kreditverzekering NV were unable to pay the guaranteed commitments to the policyholder. Euler Hermes SA's financial commitment is limited to the amount of the guaranteed commitments due from Euler Hermes Kreditverzekering NV to the policyholder.

2. Renewal of the guarantee agreement between Euler Hermes SA and Euler Hermes Reinsurance AG (Switzerland)

PERSON CONCERNED: MR. NICOLAS HEIN ET DR. GERD UWE BADEN, MEMBERS OF THE GROUP MANAGEMENT BOARD

The Supervisory Board meeting of November 9, 2011 authorized the renewal of a guarantee agreement between Euler Hermes SA and Euler Hermes Reinsurance AG (Switzerland) enabling Euler Hermes SA to guarantee the commitments of Euler Hermes Reinsurance AG, in connection with Standard & Poor's rating of Euler Hermes SA.

Euler Hermes SA undertakes to settle the guaranteed commitments, under the terms and conditions applicable to all the corresponding proportional and non-proportional reinsurance treaties, if Euler Hermes Reinsurance AG were unable to pay the guaranteed commitments. Euler Hermes SA's financial commitment is limited to the amount of the guaranteed commitments due from Euler Hermes Reinsurance AG to the policyholder. Euler Hermes SA may reduce its financial commitment by any financial claim Euler Hermes Reinsurance AG may have on the policyholder.

3. Renewal of the guarantee agreement between Euler Hermes SA and Euler Hermes Ré (Luxembourg)

PERSON CONCERNED: MR. NICOLAS HEIN, MEMBER OF THE GROUP MANAGEMENT BOARD

The Supervisory Board meeting of November 9, 2011 authorized the renewal of a guarantee agreement between Euler Hermes SA and Euler Hermes Ré (Luxembourg) enabling Euler Hermes SA to guarantee the commitments of Euler Hermes Ré (Luxembourg), in connection with Standard & Poor's rating of Euler Hermes SA.

Euler Hermes SA undertakes to settle the guaranteed commitments, under the terms and conditions applicable to all the corresponding proportional and non-proportional reinsurance treaties, if Euler Hermes Reinsurance Ré were unable to pay the guaranteed commitments. Euler Hermes SA's financial commitment is limited to the amount of the guaranteed commitments due from Euler Hermes Ré to the Policyholder. Euler Hermes SA may reduce its financial commitment by any financial claim Euler Hermes Ré may have on the Policyholder.

4. Letter of guarantee between Euler Hermes SA and Euler Hermes Credit Insurance Belgium and Euler Hermes Services Belgium

PERSON CONCERNED: MR. NICOLAS HEIN, MEMBER OF THE GROUP MANAGEMENT BOARD

The Supervisory Board meeting on November 4, 2010, authorized a guarantee agreement to be set up between Euler Hermes SA and Euler Hermes Credit Insurance Belgium (recently renamed Euler Hermes Europe SA) and Euler Hermes Services Belgium, within the scope of setting up an early-retirement plan in the Belgium subsidiaries.

This letter guarantees that the beneficiaries of the pension plan in the above named companies would be paid the supplementary payments owed to them, if Euler Hermes Credit Insurance Belgium and Euler Hermes Services Belgium were definitely unable to honor their payment obligations.

5. Amendment to the Long Term Incentive Plan

PERSONS CONCERNED: ALLIANZ AS SHAREHOLDER, MR. WILFRIED VERSTRAETE, CHAIRMAN OF THE GROUP MANAGEMENT BOARD, MR. GERD-UWE BADEN, MEMBER OF THE GROUP MANAGEMENT BOARD, MR. FRÉDÉRIC BIZIÈRE, MEMBER OF THE GROUP MANAGEMENT BOARD, MR. NICOLAS HEIN, MEMBER OF THE GROUP MANAGEMENT BOARD AND MR. DIRK OEVERMANN, MEMBER OF THE GROUP MANAGEMENT BOARD

The Supervisory Board meeting on November 4, 2010, resolved to change the compensation methods for the members of the Group Management Board for 2011, so that the portion corresponding to the long-term bonus plan is comprised of 50% of RSUs, whose value is indexed to fluctuations in Allianz share price and 50% of RSUs, whose value is indexed to fluctuations in Euler Hermes share price, with a four-year vesting period for the rights from the allotment date to remunerate performance for year N-1.

Each Allianz group company must bear the cost of this plan for the portion relating to the Company in question.

As of 2012, the Nomination and Remuneration Committee in its meeting of February 12, 2013, validated the allocation of the Long Term Incentive Plan (corresponding to 50% of RSUs Allianz and 50% of RSUs Euler Hermes) for a total amount of €1,080,650.

The Long Term Incentive Plan Allianz is subject to a hedging contract with Allianz which expense of €603,537 was recognized by Euler Hermes.

b. Agreements and commitments approved in prior years and not in force during the past financial year

In addition, we were informed that the following agreements and commitments which the Shareholders' General Meeting had already approved in previous financial years, did not continue to be in force during the past financial year.

1. Commitment in favor of Mr. Wilfried Verstraete

PERSON CONCERNED: MR. WILFRIED VERSTRAETE, MEMBER OF THE GROUP MANAGEMENT BOARD

The Supervisory Board decided at its meeting of February 16, 2012 to grant an indemnity upon revocation in favor of Mr. Wilfried Verstraete, Chairman of the Group Management Board under the following terms:

- The indemnity upon revocation would be granted notably in case of revocation due to a change of control or strategy.
- The payment of this indemnity would be subject to the following performance conditions:
  - (1) achievement of at least 75% of the annual objectives following the appraisal over two of the last three years preceding the revocation;
  - (2) the combined ratio is equal or below 95% on average for the last three calendar years preceding.

If both of the two performance conditions are met, the full indemnity is paid. 50% of the indemnity is paid if either condition (1) or (2) is met.

The amount of the indemnity upon revocation shall not exceed two years of remuneration (fixed and variable).

2. Commitment in favor of Mr. Gerd-Uwe Baden

PERSON CONCERNED: MR. GERD-UWE BADEN, MEMBER OF THE GROUP MANAGEMENT BOARD

The Supervisory Board decided at its meeting of February 16, 2012 to grant an indemnity upon revocation in favor of Mr. Gerd-Uwe Baden, member of the Group Management Board under the following terms:

- The indemnity upon revocation would be granted notably in case of revocation due to a change of control or strategy.
- The payment of this indemnity would be subject to the following performance conditions:
  - (1) achievement of at least 75% of the annual objectives following the appraisal over two of the last three years preceding the revocation;
  - (2) the combined ratio is equal or below 95% on average for the last three calendar years preceding.

If both of the two performance conditions are met, the full indemnity is paid. 50% of the indemnity is paid if either condition (1) or (2) is met.

The amount of the indemnity upon revocation shall not exceed two years of remuneration (fixed and variable).

3. Commitment in favor of Mr. Frédéric Bizière

PERSON CONCERNED: MR. FRÉDÉRIC BIZIÈRE, MEMBER OF THE GROUP MANAGEMENT BOARD AND CHIEF FINANCIAL OFFICER

The Supervisory Board decided at its meeting of February 16, 2012 to grant an indemnity upon revocation in favor of Mr. Frédéric Bizière, member of the Group Management Board under the following terms:

- The indemnity upon revocation would be granted notably in case of revocation due to a change of control or strategy.
- The payment of this indemnity would be subject to the following performance conditions:
  - (1) achievement of at least 75% of the annual objectives following the appraisal over two of the last three years preceding the revocation;
  - (2) the combined ratio is equal or below 95% on average for the last three calendar years preceding.

If both of the two performance conditions are met, the full indemnity is paid. 50% of the indemnity is paid if either condition (1) or (2) is met.

The amount of the indemnity upon revocation shall not exceed two years of remuneration (fixed and variable).

4. Commitment in favor of Mr. Nicolas Hein

PERSON CONCERNED: MR. NICOLAS HEIN, MEMBER OF THE GROUP MANAGEMENT BOARD

The Supervisory Board decided at its meeting of February 16, 2012 to grant an indemnity upon revocation in favor of Mr. Nicolas Hein, member of the Group Management Board under the following terms:

- The indemnity upon revocation would be granted notably in case of revocation due to a change of control or strategy.
- The payment of this indemnity would be subject to the following performance conditions:
  - (1) achievement of at least 75% of the annual objectives following the appraisal over two of the last three years preceding the revocation;
  - (2) the combined ratio is equal or below 95% on average for the last three calendar years preceding.

If both of the two performance conditions are met, the full indemnity is paid. 50% of the indemnity is paid if either condition (1) or (2) is met.

The amount of the indemnity upon revocation shall not exceed two years of remuneration (fixed and variable).

5. Commitment in favor of Mr. Dirk Oevermann

PERSON CONCERNED: MR. DIRK OEVERMANN, MEMBER OF THE GROUP MANAGEMENT BOARD

The Supervisory Board decided at its meeting of February 16, 2012 to grant an indemnity upon revocation in favor of Mr. Dirk Oevermann, member of the Group Management Board under the following terms:

- The indemnity upon revocation would be granted notably in case of revocation due to a change of control or strategy.
- The payment of this indemnity would be subject to the following performance conditions:
  - (1) achievement of at least 75% of the annual objectives following the appraisal over two of the last three years preceding the revocation;
  - (2) the combined ratio is equal or below 95% on average for the last three calendar years preceding.

If both of the two performance conditions are met, the full indemnity is paid. 50% of the indemnity is paid if either condition (1) or (2) is met.

The amount of the indemnity upon revocation shall not exceed two years of remuneration (fixed and variable).

Paris-La Défense and Paris, April 8, 2013

KPMG Audit FS II	ACE – AUDITEURS ET CONSEILS D'ENTREPRISE
Xavier Dupuy	François Shoukry
Partner	Partner

8.4 Resolutions submitted to the vote of the Ordinary Shareholders' Meeting of May 24, 2013

Draft agenda

1. Approval of the annual financial statements for the financial year ended December 31, 2012, approval of non-tax deductible expenses and charges
2. Approval of the consolidated financial statements for the financial year ended December 31, 2012
3. Allocation of income for the financial year and declaration of the dividend
4. Adjustment of the reserve for treasury shares
5. Special report of the Statutory Auditors on regulated agreements and commitments and approval and/or ratification of those agreements
6. Special report of the Statutory Auditors on regulated agreements and commitments and approval of a commitment made in favor of Paul Overeem
7. Reappointment of Mrs Brigitte Bovermann as a member of the Supervisory Board
8. Reappointment of Mrs Elizabeth Corley as a member of the Supervisory Board
9. Reappointment of Mr Nicolas Dufourcq as a member of the Supervisory Board
10. Reappointment of Mr Robert Hudry as a member of the Supervisory Board
11. Reappointment of Mr Jean-Hervé Lorenzi as a member of the Supervisory Board
12. Reappointment of Mr Thomas Bernd Quaas as a member of the Supervisory Board
13. Reappointment of Mr Jacques Richier as a member of the Supervisory Board
14. Authorization to be granted to the Group Management Board to have the Company buy back its own shares pursuant to Article L. 225-209 of the French Commercial Code, duration of authorization, purposes, arrangements, limit
15. Powers for formalities

Draft resolutions

First resolution

Approval of the annual financial statements for the financial year ended December 31, 2012, approval of non-tax deductible expenses and charges

The Shareholders' Meeting, having reviewed the reports of the Group Management Board and the observations of the Supervisory Board, the Chairman of the Supervisory Board and the Statutory Auditors on the financial year ended December 31, 2012, approves the annual financial statements drawn up on that date, as presented, showing a profit of €196,189,693.16.

The Shareholders' Meeting particularly approves the overall amount, totaling €38,967.48 of expenses and charges covered by Article 39(4) of the French General Tax Code, along with the corresponding tax.

Second resolution

Approval of the consolidated financial statements for the financial year ended December 31, 2012

The Shareholders' Meeting, having reviewed the reports of the Group Management Board, the Chairman of the Supervisory Board and the Statutory Auditors on the consolidated financial statements at December 31, 2012, approves these financial statements, as presented, showing a profit (Group share) of €300,245 thousands.

Third resolution

Allocation of income for the financial year and declaration of the dividend

At the proposal of the Group Management Board, the Shareholders' Meeting decides to allocate the income for the financial year ended December 31, 2012, as follows:

Source

- Profit/for the year €196,189,693.16
- Unappropriated earnings €253,498,063.43

Allocation

- Legal reserve €1,704.00
- Other reserves €0.00
- Dividends €180,850,908.00
- Unappropriated earnings €268,835,144.59

The Shareholders' Meeting acknowledges that the total gross dividend per share is set at €4. The entire amount distributed is eligible for the 40% allowance referred to in Article 158-3-2 of the French General Tax Code.

The ex-dividend date will be Tuesday, May 28, 2013.

The dividends will be paid out on Friday, May 31, 2013.

Should the Company hold some of its own stock on the ex-dividend date, the sum corresponding to dividends not paid in respect of those shares shall be allocated to unappropriated earnings.

In the event that the number of shares conferring entitlement to a dividend differs from the 45,212,727 shares comprising the share capital as at February 13, 2013, the total amount of the dividends shall be adjusted accordingly.

In accordance with Article 243bis of the French General Tax Code, the Shareholders' Meeting acknowledges that it was reminded that, for the last three financial years, the following dividends and income were distributed:

	Income eligible for the allowance		
In respect of financial year	**Dividends**	**Other income distributed**	**Income not eligible for the allowance**
2009	–	–	–
2010	€180,410,928 * *i.e.* €4 per share	–	–
2011	€198,701,698.80 * *i.e.* €4.40 per share	–	–

* *Including the dividend amount not paid out In respect of treasury shares and allocated to the unappropriated earnings account.*

Fourth resolution

Adjustment of the reserve for treasury shares

The Shareholders' Meeting, noting the Company's purchases and sales of its own shares in the financial year ended December 31, 2012 under the share buyback program as authorized by the Combined Shareholders' Meetings of May 20, 2011 and May 25, 2012, including the arrangements for the Company to buy its own shares in accordance with Articles L. 225-209 and following of the French Code of Commerce, resolves, in accordance with Article L. 225-210(3) of the French Code of Commerce, to add €19,554,987.78 to the reserve for treasury shares to take account of share purchases and sales under the liquidity agreement managed by Rothschild et Cie Banque during the financial year and sales related to the exercise of stock options.

Accordingly, the Shareholders' Meeting notes that the reserve for treasury shares, which was €86,337,135.23 at December 31, 2012, will be adjusted to €66,782,147.45.

Fifth resolution

Special report of the Statutory Auditors on regulated agreements and commitments and approval and/or ratification of those agreements

The Shareholders' Meeting, ruling on the special report submitted to it by the Statutory Auditors on regulated agreements and commitments, approves and, if applicable, ratifies the new agreements referred to therein.

Sixth resolution

Special report of the Statutory Auditors on regulated agreements and commitments and approval of a commitment made in favor of Paul Overeem

The Shareholders' Meeting, ruling on the special report on regulated agreements and commitments submitted to it by the Statutory Auditors, approves the commitment made by the Company in favor of Paul Overeem, member of the Group Management Board, corresponding to compensation liable to be owed in relation to the termination of his duties.

Seventh resolution

Reappointment of Mrs Brigitte Bovermann as a member of the Supervisory Board

The Shareholders' Meeting hereby decides to reappoint Brigitte Bovermann as a member of the Supervisory Board, for a period of three years, expiring after the Shareholders' Meeting held in 2016 to approve the financial statements for the preceding financial year.

Eighth resolution

Reappointment of Mrs Elizabeth Corley as a member of the Supervisory Board

The Shareholders' Meeting hereby decides to reappoint Elizabeth Corley as a member of the Supervisory Board, for a period of three years, expiring after the Shareholders' Meeting held in 2016 to approve the financial statements for the preceding financial year.

Ninth resolution

Reappointment of Mr Nicolas Dufourcq as a member of the Supervisory Board

The Shareholders' Meeting hereby decides to reappoint Nicolas Dufourcq as a member of the Supervisory Board, for a period of three years, expiring after the Shareholders' Meeting held in 2016 to approve the financial statements for the preceding financial year.

Tenth resolution

Reappointment of Mr Robert Hudry as a member of the Supervisory Board

The Shareholders' Meeting hereby decides to reappoint Robert Hudry as a member of the Supervisory Board, for a period of two years, expiring after the Shareholders' Meeting held in 2015 to approve the financial statements for the preceding financial year.

Eleventh resolution

Reappointment of Mr Jean-Hervé Lorenzi as a member of the Supervisory Board

The Shareholders' Meeting hereby decides to reappoint Jean-Hervé Lorenzi as a member of the Supervisory Board, for a period of three years, expiring after the Shareholders' Meeting held in 2016 to approve the financial statements for the preceding financial year.

Twelfth resolution

Reappointment of Mr Thomas Bernd Quaas as a member of the Supervisory Board

The Shareholders' Meeting hereby decides to reappoint Thomas-Bernd Quaas as a member of the Supervisory Board, for a period of three years, expiring after the Shareholders' Meeting held in 2016 to approve the financial statements for the preceding financial year.

Thirteenth resolution

Reappointment of Mr Jacques Richier as a member of the Supervisory Board

The Shareholders' Meeting hereby decides to reappoint Jacques Richier as a member of the Supervisory Board, for a period of three years, expiring after the Shareholders' Meeting held in 2016 to approve the financial statements for the preceding financial year.

Fourteenth resolution

Authorization to be granted to the Group Management Board to have the Company buy back its own shares pursuant to Article L. 225-209 of the French Commercial Code

The Shareholders' Meeting, having reviewed the report of the Management Board, authorizes the Management Board, for a period of eighteen months, in accordance with Articles L. 225-209 and following of the French Commercial Code, to purchase, on one or more occasions at such times as it deems appropriate, Company shares up to a maximum of 10% of the number of shares comprising the share capital, adjusted where applicable to take into account any capital increases or reductions applied during the program.

This authorization replaces the authorization given to the Management Board under the fifteenth ordinary resolution of the Shareholders' Meeting held on May 25, 2012.

Purchases may be made in order to:

- stimulate the secondary market or the liquidity of Euler Hermes' stock through the use of an investment services provider acting within the framework of a liquidity agreement that complies with the code of conduct of the *Association Française des Marchés Financiers* (AMAFI), recognized by the *Autorité des Marchés Financiers* (AMF);
- hold the purchased shares in reserve for later use as payment or in a share swap as part of any acquisition transactions, it being specified that the shares acquired for this purpose may not exceed 5% of the Company's share capital;
- cover share purchase plans and/or bonus share plans (or similar plans) for the benefit of employees and/or corporate officers of the Group, and any allocation of shares in respect of a company or Group savings plan (or similar plan), in respect of employee profit-sharing and/or any other form type of share allocation to the employees and/or corporate officers of the Group;
- cover securities granting entitlement to the allocation of Company shares pursuant to applicable regulations;
- cancel purchased shares, where necessary, subject to the authorization granted by the sixteenth extraordinary resolution of the Shareholders' Meeting of May 25, 2012.

Such share purchases may be made by any means, including via the acquisition of blocks of securities, and at the times deemed necessary by the Management Board.

These operations may be carried out during a public offer in accordance with current regulations in effect.

The Company reserves the right to use option-based arrangements and derivative products within the framework of applicable regulations.

The maximum purchase price is set at €123.64 per share. In the event of a capital transaction, particularly a stock split, reverse split or allocation of free shares, the amount indicated above will be adjusted in the same proportions (by applying a multiplier equal to the ratio of the number of shares comprising the share capital before the operation to the number of shares after the operation).

The maximum amount of the transaction is thus set at €559,010,070.

The Shareholders' Meeting confers full powers to the Management Board to carry out these transactions, set the terms and conditions, enter into any agreements and perform all formalities.

Fifteenth resolution

Powers for formalities

The Shareholders' Meeting grants all powers to the bearer of an original, copy or excerpt of these minutes for the purposes of carrying out all formalities relating to filing and registration required by law.

8.5 Description of the share buyback program

Euler Hermes, a company listed on Euronext Paris (compartment A), wishes to retain a share buyback program. With this objective in mind, the fourteenth resolution to be submitted to the Ordinary Shareholders' Meeting on May 24, 2013 will seek to authorize the creation of a new share buyback program, in accordance with Article L. 225-209 of the French Commercial Code (*Code de commerce*), rule no. 2273/2003 of the European Commission of December 22, 2003 taken in application of Directive 2003/6/CE of January 28, 2003 and Articles 241-1 to 241-6 of the general regulations of the *Autorité des Marchés Financiers* (AMF).

This program will replace the existing program implemented by the Combined Shareholders' Meeting of May 25, 2012, which authorized the Management Board of Euler Hermes to use all means to buy back the Company's own shares.

8.5.1 Date of the Shareholders' Meeting called to authorize the new share buyback program

The new share buyback program will be submitted for approval to the ordinary Shareholders' Meeting to be held on May 24, 2013.

8.5.2 Number of shares and proportion of share capital held directly or indirectly by the Company

The total number of shares held directly by Euler Hermes at March 29, 2013 is 1,236,833 or 2.73% of the share capital at that date.

Euler Hermes holds no shares indirectly.

8.5.3 Nature of share capital held

The share capital can be placed within three categories on March 29, 2013:

- 249,989 treasury shares to be granted to employees and management of the Company and its subsidiaries in reward for their participation in the expansion of the Company or as part of a share purchase plan, the free granting of existing shares or a company savings scheme;
- 986,844 shares to be used in swap operations within the framework of external growth operations or in the event of share issues giving access to the Company's capital;
- 0 share used as part of a liquidity contract concluded with Rothschild & Cie Banque.

8.5.4 The aims of the new share buyback program

The share buybacks will be authorized with a view to:

- stimulating the secondary market or the liquidity of Euler Hermes' stock through the use of an independent investment professional via a liquidity contract that is in accordance with the ethics charter of the AMAFI, as recognized by the AMF;
- holding the purchased shares in reserve for later use as payment or in a share swap as part of any potential external growth operations, it being specified that the shares acquired for this purpose may not exceed 5% of the Company's share capital;
- covering share option plans and other forms of share allocations to employees and/or corporate officers of the Group, in accordance with the terms and conditions provided for by law, particularly with respect to profit-sharing, a Company savings plan or the free allocation of shares;
- covering securities that give access to the Company's shares, in accordance with existing regulations;
- canceling purchased shares, where necessary, subject to authorization being granted by the sixteenth extraordinary resolution of the Combined Shareholders' Meeting held on May 25, 2012.

These share purchases may be carried out by any means, including via the acquisition of blocks of securities and at the times that the Group Management Board deems appropriate, it being specified that the share of the program that may be carried out by negotiating blocks of shares is unlimited. These operations may be carried out during a public bid in accordance with current regulations in effect.

8.5.5 Maximum proportion of share capital to be acquired and the maximum number of shares liable to be purchased, the nature of shares liable to be bought back and maximum purchase price

1 Maximum proportion of share capital to be acquired by Euler Hermes

Under the terms of this new program, the Group Management Board is authorized to buy back Company shares within the limit of 10% of the number of shares making up the Company's share capital, adjusted, where necessary, to account for any capital increase or reduction that may occur during the program. The number of shares taken into account to calculate this limit corresponds to the number of shares purchased less the number of shares resold during the program as part of the purpose of liquidity.

In accordance with the law, Euler Hermes commits to not buying back, either directly or indirectly, more than 10% of its capital (consisting of 45,229,777 shares on March 29, 2013).

In accordance with Article L. 225-210 of the French Commercial Code, the number of shares that Euler Hermes will hold at any given time must not exceed 10% of the total shares making up the Company's capital on that date.

Based on the number of shares already held, being 1,236,833 shares at March 29, 2013 (2.73% of the capital), and dependent on eventual adjustments to the Company's share capital following the Ordinary Shareholders' Meeting on May 24, 2013, the buybacks may not exceed 3,286,144 shares (7.27% of the capital).

2 Characteristics of the shares concerned

- Nature of the bought-back stock: ordinary shares.
- Code: ELE.
- ISIN code: FR 0004254035.

3 Maximum purchase price

In accordance with the fourteenth resolution to be submitted at the Ordinary Shareholders' Meeting on May 24, 2013, the maximum purchase price (excl. costs) within the framework of the new share buyback program is fixed at €123.64 per share (which corresponds to the share price reached on December 31, 2012, multiplied by a multiplying factor equal to the largest increase in share price recorded by the security over a financial year since its initial listing, i.e. 190.22% in 2009), it being provided that in the event of transactions on the share capital, particularly a stock split, reverse split or the allocation of free shares, the amount indicated above will be adjusted in the same proportion (by applying a multiplier equal to the ratio of the number of shares comprising the share capital before the transaction to the number of shares after the transaction).

Note also that the maximum sum that Euler Hermes may commit to this program will be €559,010,070 in accordance with the fourteenth resolution to be submitted to the Ordinary Shareholders' Meeting on May 24, 2013.

8.5.6 Duration of the program

In accordance with the fourteenth resolution to be submitted at the Ordinary Shareholders' Meeting on May 24, 2013, the program will last no longer than 18 months from the date of the above-mentioned meeting and must therefore terminate no later than November 24, 2014 or a new date determined by an Ordinary Shareholders' Meeting held before that date.

9

Additional information

9.1 Person responsible for the Registration Document

Wilfried Verstraete, Chairman of the Group Management Board.

9.2 Declaration of person responsible

I declare, having taken all reasonable measures to this effect and to the best of my knowledge, that the information contained in this Registration Document is correct and true and that there are no omissions that might alter the scope of the document.

I declare, to the best of my knowledge, that the accounts have been compiled in accordance with applicable accounting standards and that they provide an accurate reflection of the assets, the financial position and the earnings of the Company and all the companies in the consolidation group, and that the management report, the different sections of which are mentioned in sub-section 9.7.1 of this Registration Document, presents an accurate picture of the business trends, the results and the financial position of the Company and all the companies in the consolidation group and a description of the main risks and uncertainties that these companies are confronted with.

I have received from the Statutory Auditors a letter of completion attesting that they have verified all information related to the financial position and accounts provided in this Registration Document and that they have read the entire document.

The historic financial information presented in this Registration Document is the subject of reports by the independent auditors in Chapter 5 of this document.

The Statutory Auditors' report on the consolidated financial statements as of December 31, 2010 on page 199 of the Company's Registration Document for the 2010 fiscal year recorded by the AMF on April 13, 2011 under the number D 11-0291 of this registration document contains observations.

Paris, April 26, 2013

Wilfried Verstraete

Chairman of the Group Management Board

9.3 Independent auditors

9.3.1 Statutory Auditors

ACE Auditeurs et Conseils d'Entreprise SA

5 avenue Franklin-Roosevelt
75008 Paris, France

Represented by François Shoukry.

ACE Audit is registered with the Paris Regional Auditors Office (*Compagnie régionale des Commissaires aux comptes de Paris*).

The Shareholders' Meeting of May 20, 2011 renewed the mandate of ACE, Auditeurs et Conseils d'Entreprise, as the Statutory Auditor for a period of six years, ending at the Shareholders' Meeting approving the financial statements for the year ended December 31, 2016. Since 2009, ACE, Auditeurs et Conseils d'Entreprise, has been represented by François Shoukry.

KPMG AUDIT FS II

Immeuble Le Palatin
3 cours du Triangle
92939 Paris la Défense Cedex, France

Represented by Xavier Dupuy.

KPMG AUDIT FS II is registered with the Versailles Regional Auditors Office (Compagnie régionale des Commissaires aux comptes de Versailles).

The Shareholders' Meeting of May 20, 2011, as a replacement for KPMG SA, appointed KPMG AUDIT FS II as the Statutory Auditor for a period of six years, ending at the Shareholders' Meeting approving the financial statements for the year ended December 31, 2016. Since September 2012, KPMG Audit FS II has been represented by Xavier Dupuy.

9.3.2 Deputy Statutory Auditors

Emmanuel Charrier

5 avenue Franklin-Roosevelt
75008 Paris

Deputy Statutory Auditor for ACE, Auditeurs et Conseils d'Entreprise, Emmanuel Charrier is registered with the Paris Regional Auditors Office.

The Shareholders' Meeting of May 20, 2011 renewed the mandate of Emmanuel Charrier as Deputy Statutory Auditor for ACE, Auditeurs et Conseils d'Entreprise, for a period of six years, ending at the Shareholders' Meeting approving the financial statements for the year ended December 31, 2016.

KPMG AUDIT FS I

Immeuble Le Palatin
3 cours du Triangle
92939 Paris la Défense Cedex

Deputy Statutory Auditor for KPMG AUDIT FS II, KPMG AUDIT FS I is registered with the Versailles Regional Auditors Office.

The Shareholders' Meeting of May 20, 2011, as a replacement for SCP Jean-Claude André et Autres, appointed KPMG AUDIT FS I as Deputy Statutory Auditor for KPMG AUDIT FS II for a period of six years, ending at the Shareholders' Meeting approving the financial statements for the year ended December 31, 2016.

9.3.3 Independent auditors' fees

In accordance with Article 222-8 of the general regulations of the AMF, please refer to Note 34 ("Auditors' fees") of the consolidated financial statements in sub-section 5.6 of this Registration Document, which contains a table outlining the total fees paid by Euler Hermes to each of the Group's independent auditors, and which distinguishes between the fees related to the auditors' legal duties and the due diligence related to these duties, and the fees paid for other services.

9.4 Documents available to the public

The following documents can be consulted at Euler Hermes' headquarters (Legal department) which address is mentioned in sub-section 7.1.1 up until the publication of the next Registration Document:

- the Articles of Association;
- reports and other documents drawn up by experts at the Company's request, extracts from which are included or referred to in this Registration Document;
- the parent company and consolidated financial statements of Euler Hermes for each of the two financial years preceding the publication of the current Registration Document.

9.5 Glossary

Approval: response given by Euler Hermes to the request of a policyholder to cover all or part of the outstandings of one of its customers.

Bond: a bond is a negotiable debt security representing a fraction of a loan issued by a company, public sector entity or state. Bondholders are repaid before shareholders if the issuing company goes bankrupt. However, bondholders are not entitled to any of the rights attached to shares (rights to earnings and the right to manage the company via voting rights).

Broker: an independent intermediary who canvasses companies in order to offer them a credit insurance policy. Brokers advise policyholders during the implementation of the policy or agreement and in its day-to-day administration.

Capital increase: when a company needs funds, it may make a capital increase. It offers the opportunity, notably to existing shareholders, to subscribe to new shares at a given price.

Capital: total assets owned by a company less its liabilities.

Cash pooling: a method of centralized management at a single point of all of a group's bank accounts. The goal is to optimize cash requirements and surpluses; it may be domestic or international, notional or involve the actual transfer of funds.

CET: time-saving plan (*compte épargne temps*) used by employees to set aside accrued leave.

Claim: situation in which a risk is realized. This entitles the policyholder to compensation and triggers the compensation mechanism provided for in the credit insurance policy.

Collection: extra-judicial and/or judicial procedure conducted by Euler Hermes to secure payment of a receivable by the debtor.

Combined ratio: sum of the expense ratio and the loss ratio.

Cox Ross Rubinstein model (CRR): simplified binomial model.

Credit insurance: a technique whereby a company protects itself against the risks of non-payment of its trade receivables.

Dilutive effect: effect that decreases earnings per share (for example by increasing the number of shares).

Dividend: the portion of a company's earnings attributable to the shareholder. A distinction is made between the net dividend, i.e. the amount actually paid by the company to the shareholder, and the gross dividend, which also includes the tax credit.

Earnings per share: calculated as consolidated net income divided by the number of shares comprising share capital, net of any treasury stock.

Expense ratio: overheads as a proportion of premiums.

IAS (International Accounting Standards)/IFRS (International Financial Reporting Standards): the set of accounting standards drawn up by the IASB until 2002.

IASB (International Accounting Standards Board): a private body founded by the accounting institutes of nine countries in 1973. Its main objectives are to establish internationally acceptable accounting standards, to promote their use and, more generally, to work towards the international harmonization of accounting practices and the presentation of financial statements. The IASB comprises 14 independent members.

Indemnification: reimbursement by Euler Hermes of losses sustained by a policyholder as the result of the insolvency of one or more of its customers, provided they are covered by an existing policy.

Index: instrument used to measure and compare the performance of shares or bonds.

Insolvency: legally recognized incapacity of the debtor to meet his or her commitments and, as such, to pay his or her debts.

Integrated group: group with an exclusive network of affiliates that pool their resources and skills to provide seamless service quality and local management.

Interest rate swap: the principle behind an interest rate swap is to compare a variable interest rate with a guaranteed interest rate and for the two parties to pay each other the interest rate differential without exchanging nominal amounts.

Issue premium: as part of a capital increase, the premium is the difference between the subscription amount (valuation of the Company) and the nominal value of share capital. The issue premium forms part of a company's shareholders' equity.

Loss ratio: claims as a proportion of premiums.

Market capitalization: a company's stock market value. It is calculated by multiplying the share price by the number of shares comprising share capital.

Merger premium: premium equal to the difference between the capital increase of the acquiring company and the contribution of the acquired company.

Net book value: a company's net assets or total assets less total debts. In some respects, it represents a company's value. It can be calculated for the parent company (net book value) or for an entire group of companies (consolidated net book value).

PER: price-earnings ratio, ratio of the share price to earnings per share. It is also referred to as the capitalization multiple.

Permanent difference: difference between accounting and tax rules that has no impact on the subsequent year's taxable profit.

Policy: credit insurance contract between Euler Hermes and the policyholder.

Premium: amount paid by the policyholder to the insurance company in exchange for risk coverage. A distinction is made between:

- written premiums: the amount billed during the period to cover the risks under the contract; and
- earned premiums: the portion of the premium written during the period or earlier corresponding to the coverage of risks during the period concerned.

Prevention: process by which the policyholder may, based on information provided by Euler Hermes on the solvency of its customers, select its customers and reduce its own losses.

Proprietary information: information prepared by Group companies and owned exclusively by Euler Hermes. It is a guarantee of the service quality offered to its clients.

Receivables management: suite of services offered to companies aimed at ensuring the collection of receivables after invoicing to the debtor and up to the litigation phase, where applicable.

Reinsurance: transaction whereby an insurance company self-insures with a third party (the reinsurer) against some of the risks that it has guaranteed, in exchange for the payment of a premium.

Risk: object of the insurance, probability of a claim occurring.

RSU (Restricted Stock Units): the economic equivalent of bonus share plans.

SAR (Stock Appreciation Rights): the economic equivalent of stock option plans (*see definition of stock option*).

Share: title of ownership.

Solvency margin: regulatory amount to be constituted, in addition to technical reserves, to ensure that commitments towards the Group's clients are met.

Stock option: options to purchase or subscribe stock at a fixed price, usually distributed to executives of a company to give them a vested interest in increasing the Company's value.

Sums recovered: all collections after indemnification, when the insurance company takes over the policyholder's rights to receivables that are insured and have been indemnified.

Surplus claims reserve before reinsurance: the difference between the estimated final cost of claims at the end of the first year and the actual estimate for a given year of occurrence. The difference is calculated before reinsurance.

Sustainable development: launched in 1987 by the Brundtland Commission of the United Nations, this concept is based on the precept that we should "meet the needs of the present without compromising the ability of future generations to meet their own needs." When applied to a company, a sustainable-development policy assumes the simultaneous pursuit of three objectives: "economic growth, preservation of the environment and social well-being."

Tax proof: explanation of the passage between the theoretical tax rate corresponding to that of the parent company and the actual tax recorded in the income statement.

Technical reserves: amount of an insurer's commitments to its clients. They appear as liabilities in the balance sheet.

Technical result: sum of the turnover, the claims costs, the operating expenses (acquisition costs, administrative expenses and service expenses) and the reinsurance result.

Time difference: difference between the accounting and tax rules that has an impact on the subsequent year's taxable profit.

9.6 Cross-reference tables

9.6.1 Management report of the Group Management Board – Cross-reference table

This Registration Document contains all the elements of the management report of the Euler Hermes group Management Board required by Articles L. 225-100 and L. 225-100-2 of the French Commercial Code.

Please find hereafter references to the extracts from the Registration Document corresponding to the different parts of the management report as approved by the Company's Group Management Board.

9.6.2 European regulation of April 29, 2004 – Cross-reference table

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This Registration Document integrates all elements of the annual financial report mentioned in section I of Article L. 451-1-2 of the Monetary and Financial Code and in Article 222-3 of the general regulations of the AMF.

Please find below references to the extracts from the Registration Document corresponding to the different sections in the annual financial report.

2013 FINANCIAL CALENDAR

2013 FIRST QUARTER FINANCIAL RESULTS
04/25/2013

SHAREHOLDERS' MEETING
05/24/2013

2013 FIRST HALF YEAR FINANCIAL RESULTS
07/24/2013

2013 THIRD QUARTER FINANCIAL RESULTS
11/05/2013

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Design and production: RR DONNELLEY