

Consolidated Financial Statements

For the year ended December 31, 2013



EULER HERMES
Business insured. Success ensured.

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, 2012 (established in accordance with IFRS including comparative data for fiscal 2011 under the same standards) and for the year ending December 31, 2011 (established in accordance with IFRS including comparative data for fiscal 2010 under the same standards) and the related report of the Statutory Auditors are included by reference in this Registration Document. They appear on pages 111 to 194 of the Registration Document of the Company for financial year 2012, as registered by the AMF on April 26, 2013 under no. D 13-0446 and 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.

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Consolidated balance sheet

(in € thousand)	Notes	December 31, 2013	December 31, 2012
Goodwill	3	99 489	104 347
Other intangible assets	4	88 985	76 566
Intangible assets		188 474	180 913
Investment property	5	60 231	53 663
Financial investments	6	3 675 876	3 767 514
Derivatives		13 801	9 526
Investments- insurance businesses		3 749 908	3 830 703
Investments accounted for by the equity method	7	193 853	115 500
Share of assignees and reinsurers in the technical reserves and financial liabilities	18	529 876	498 950
Operating property and other property, plant and equipment	8	138 339	142 688
Acquisition costs capitalised		58 501	60 969
Deferred tax assets	9	24 447	67 451
Inwards insurance and reinsurance receivables	10	563 542	507 877
Outwards reinsurance receivables	10	71 813	95 077
Corporation tax receivables		20 161	25 581
Other receivables	11	221 552	242 992
Other assets		1 098 355	1 142 635
Cash	12	302 190	308 380
TOTAL ASSETS		6 062 656	6 077 081
Capital stock		14 510	14 468
Additional paid-in capital		465 007	456 883
Reserves		1 650 801	1 497 434
Net income, group share		313 729	305 500
Revaluation reserve	13	63 566	92 777
Foreign exchange translation		(45 743)	(21 821)
Shareholders' equity, Group share		2 461 870	2 345 241
Non controlling interests	14	66 582	68 261
Total shareholders' equity		2 528 452	2 413 502
Provisions for risks and charges	15	310 374	388 056
Bank borrowings		261 384	251 506
Other borrowings		351	138 230
Borrowings	17	261 735	389 736
Non-life technical reserves	18	2 028 682	1 930 646
Liabilities related to contracts		2 028 682	1 930 646
Deferred tax liabilities	9	264 903	312 262
Inwards insurance and reinsurance liabilities	19	192 141	183 909
Outwards reinsurance liabilities	19	145 300	148 097
Corporation tax payables		46 284	20 363
Other payables	20	284 785	290 510
Other liabilities		933 413	955 141
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6 062 656	6 077 081

As of January 1st, 2013, the Group has applied retrospectively the amended IAS 19 Employee Benefit. Consequently, comparative financial statements related to previous periods were retrospectively restated.

Consolidated income statement

(in € thousand excepted for the earnings per share)

December 31,

	Notes	2013	2012
Premiums written		2 202 496	2 146 423
Premiums refunded		(109 896)	(112 044)
Change in unearned premiums		(13 580)	(39 305)
Earned premiums		2 079 020	1 995 074
Service revenues		407 220	402 822
Turnover	21	2 486 240	2 397 896
Investment income		88 372	98 751
Investment management charges		(8 390)	(11 786)
Net gain (loss) on sales of investments less impairment and depreciation writebacks		12 992	26 751
Change in fair value of investments recognised at fair value through profit or loss		(5 122)	(1 900)
Change in investment impairment provisions		(1 162)	(1 944)
Net change in foreign currency		(540)	(831)
Net investment income	22	86 150	109 041
Insurance services expenses		(1 046 530)	(1 049 787)
Outwards reinsurance income		541 158	607 751
Outwards reinsurance expenses		(643 461)	(650 744)
Net outwards reinsurance income or expenses	21	(102 303)	(42 993)
Contract acquisition expenses		(426 506)	(391 165)
Administration expenses		(206 065)	(239 870)
Other ordinary operating income	24	21 611	13 800
Other ordinary operating expenses	24	(381 186)	(356 471)
CURRENT OPERATING INCOME	21	431 411	440 451
Other non ordinary operating expenses	25	(32 189)	(25 809)
Other non ordinary operating income	25	59 384	17 193
OPERATING INCOME		458 606	431 835
Financing expenses		(10 953)	(13 598)
Share of Income from companies accounted by the equity method	7	6 424	14 038
Corporation tax	26	(136 996)	(122 513)
CONSOLIDATED NET INCOME		317 081	309 762
o/w		-	-
NET INCOME, GROUP SHARE		313 729	305 500
Non controlling interests		3 352	4 262
Earnings per share (in euros)	27	7,12	6,96
Diluted earnings per share (in euros)	27	7,11	6,96
Earnings per share of continuing activities (in euros)		7,12	6,96
Diluted earnings per share of continuing activities (in euros)		7,11	6,96

As of January 1st, 2013, the Group has applied retrospectively the amended IAS 19 Employee Benefit. Consequently, comparative financial statements related to previous periods were retrospectively restated.

Consolidated statement of other comprehensive income

(in € thousand)

December 31,

	2013	2012
NET INCOME, GROUP SHARE	#NOM?	305 500
Net income, Non controlling interests	#NOM?	4 262
Remeasurement results of the net defined benefit liability	#NOM?	(67 236)
Other comprehensive income - Items that may never be reclassified to profit and loss	#NOM?	(67 236)
Available-for-sale investments - reclassification to net income	#NOM?	#NOM?
Tax impact	#NOM?	#NOM?
Available-for-sale investments - changes arising during the period	#NOM?	#NOM?
Tax impact	#NOM?	#NOM?
Available-for-sale investments - miscellaneous	-	-
Foreign currency translation adjustments	#NOM?	3 492
Other comprehensive income - Items that may be reclassified to profit and loss in future periods	#NOM?	#NOM?
Other comprehensive income - non controlling interests share net of tax	#NOM?	21
Total comprehensive income	#NOM?	#NOM?
Total comprehensive income, Group share	#NOM?	#NOM?
Total comprehensive income, Non controlling interests	#NOM?	4 283

As of January 1st, 2013, the Group has applied retrospectively the amended IAS 19 Employee Benefit. Consequently, comparative financial statements related to previous periods were retrospectively restated.

Consolidated statement of cash flows

		December 31,	
(in € thousand)	Notes	2013	2012
Net income, Group share		313 729	305 500
Corporation tax		136 996	122 513
Financing expense		10 953	13 598
Minority interests		3 352	4 262
Income (loss) of companies accounted for by the equity method	7	(6 424)	(14 038)
Operating income before tax		458 606	431 835
Allocation to and writebacks of depreciation, amortisation and reserves		59 698	58 435
Change in technical reserves		114 520	53 172
Change in deferred acquisition costs		(2 686)	(9 381)
Change in fair value of financial instruments recognised at fair value through the income statement (excluding cash and cash equivalents)		(2 990)	(1 934)
Realised capital gains/(losses) net of writebacks		(62 732)	(24 494)
Unrealised foreign exchange gain (loss) in company accounts		5 528	6 463
Revenues and expenses linked to stock options and similar		-	-
Interest revenues received accrued		829	5 751
Adjustment for elements included in operating income that do not correspond to cash flows and reclassification of financing and investment flows		112 167	88 012
Dividends received from companies accounted for by the equity method	7	19 127	6 245
Change in liabilities and receivables relating to insurance and reinsurance transactions		(34 414)	(10 253)
Change in operating receivables and liabilities		34 311	2 223
Change in other assets and liabilities		(45 483)	(66 667)
Corporation tax		(155 050)	(143 222)
Cash flow related to operating activities		(181 509)	(211 674)
Cash flow from operating activities		389 264	308 173
Acquisitions of subsidiaries and joint ventures, net of acquired cash		-	(38 050)
Disposals of subsidiaries and joint ventures, net of ceded cash		52 758	49 794
Acquisitions of equity interests in companies accounted for by the equity method	7	(91 982)	-
Disposals of equity method investments		-	-
Merger		-	-
Cash flow linked to changes in the consolidation scope		(39 224)	11 744
Disposals of AFS securities		1 060 533	1 295 847
Matured HTM securities		300	-
Disposals of investment properties		2 989	16 600
Disposals of securities held for trading		2 317	1 445
Cash flow linked to disposals and redemptions of investments		1 066 139	1 313 892
Acquisitions of AFS securities		(1 042 825)	(1 364 646)
Acquisitions of HTM securities		-	-
Acquisitions of investment and operating properties	5	(11 639)	(200)
Acquisitions of trading securities		(3 588)	(3 591)
Cash flow linked to acquisitions of investments		(1 058 052)	(1 368 437)
Disposals of other investments and intangible assets (1)		2 906 800	1 847 708
Acquisitions of other investments and intangible assets (1)		(2 962 529)	(1 944 591)
Cash flow linked to acquisitions and disposals of other investments and intangible assets		(55 729)	(96 883)
Cash flow from investing activities		(86 866)	(139 684)

(1) These amounts are mainly composed of short-term cash operations.

As of January 1st, 2013, the Group has applied retrospectively the amended IAS 19 Employee Benefit. Consequently, comparative financial statements related to previous periods were retrospectively restated.

Consolidated statement of cash flows

(in € thousand)	Notes	2013	2012
Increases and decreases in capital		8 166	2 364
<i>Increases in capital</i>		8 166	2 364
<i>Decreases in capital</i>		-	-
Change in treasury stock		6 642	15 621
Dividends paid		(180 866)	(193 978)
Cash flow linked to transactions with the shareholders		(166 058)	(175 993)
Change in non voting shares		-	-
Changes in loans and subordinated securities		(124 759)	(11 891)
<i>Issue</i>		10 358	(3 942)
<i>Repayment</i>		(135 117)	(7 949)
Interest paid		(13 811)	(16 387)
Cash flow from Group financing		(138 570)	(28 278)
Cash flow from financing activities		(304 628)	(204 271)
Impact of foreign exchange differences on cash and cash equivalents		(3 851)	(3 176)
Reclassification		(109)	-
Other net changes in cash		(3 960)	(3 176)
Change in cash flows		(6 190)	(38 958)
Change in cash and cash equivalents		(6 190)	(38 958)
Cash and cash equivalents at beginning of period	12	308 030	346 988
Cash and cash equivalents at end of period	12	301 840	308 030

As of January 1st, 2013, the Group has applied retrospectively the amended IAS 19 Employee Benefit. Consequently, comparative financial statements related to previous periods were retrospectively restated.

In 2013, the cash position decreased by €6,190 thousand.

- Cash flow from operating activities increased from €308 million in 2012 to €389 million in 2013, due to a better operating income compared to last year and an improvement of the working capital requirement.
- Investment activities contributed for €-87 million to the cash position at the end of 2013, against €-140 million at the end of 2012, mainly due to smaller investments in short term deposits mitigated by investments in the joint-ventures Solunion Seguros de Crédito and Israeli Credit Insurance Company.
- Cash outflows from the financing activities increased from €-204 million in 2012 to €-304 million in 2013, mainly due to the repayment of borrowing to Allianz Belgium for €135 million and the payment of dividends for €181 million, of which €176 million by Euler Hermes SA.

Consolidated statement of changes in equity

For the year 2013

(in € thousand)	Capital Stock	Additional paid-in-capital	Consolidation reserve and Retained earnings	Revaluati on reserve	Translatio n reserve	Treasury shares	Shareholde rs' equity, group share	Non controlling interests	Total shareholde rs' equity
Opening Shareholders' equity, Group share	14 468	456 883	1 864 869	92 777	(21 821)	(61 935)	2 345 241	68 261	2 413 502
Available-for-sale assets (AFS)	-	-	-	-	-	-	-	-	-
Measurement gain / (loss) taken to shareholders' equity	-	-	-	(14 308)	-	-	(14 308)	(29)	(14 337)
Impact of transferring realised gains and losses to income statement	-	-	-	(14 847)	-	-	(14 847)	-	(14 847)
Other changes	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-
Actuarial gain / (loss) on defined benefit plans	-	-	17 337	-	-	-	17 337	(88)	17 249
Impact of translation differences	-	-	-	(56)	(23 922)	-	(23 978)	(31)	(24 009)
Components of other comprehensive income net of tax	-	-	17 337	(29 211)	(23 922)	-	(35 796)	(148)	(35 944)
Net income for the year	-	-	313 729	-	-	-	313 729	3 352	317 081
Comprehensive income of the period	-	-	331 066	(29 211)	(23 922)	-	277 933	3 204	281 137
Capital movements	42	8 124	-	-	-	5 303	13 469	-	13 469
Dividend distributions	-	-	(176 020)	-	-	-	(176 020)	(4 846)	(180 866)
Shareholders' equity component of share-based payment plans	-	-	-	-	-	-	-	-	-
Cancellation of gains/losses on treasury shares	-	-	-	-	-	1 339	1 339	-	1 339
Transaction between shareholder's	-	-	-	-	-	-	-	-	-
Other movements	-	-	4 089	-	-	(4 181)	(92)	(37)	(129)
Closing Shareholders' equity, Group share	14 510	465 007	2 024 004	63 566	(45 743)	(59 474)	2 461 870	66 582	2 528 452

For the year 2012

(in € thousand)	Capital Stock	Additional paid-in-capital	Consolidation reserve and Retained earnings	Revaluati on reserve	Translatio n reserve	Treasury shares	Shareholde rs' equity, group share	Non controlling interests	Total shareholde rs' equity
Opening Shareholders' equity, Group share	14 451	454 536	1 819 806	32 666	(25 543)	(77 556)	2 218 360	17 991	2 236 351
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	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-
Actuarial gain / (loss) on defined benefit plans	-	-	(67 236)	-	-	-	(67 236)	11	(67 225)
Impact of translation differences	-	-	-	(230)	3 722	-	3 492	(20)	3 472
Components of other comprehensive income net of tax	-	-	(67 236)	59 667	3 722	-	(3 847)	21	(3 826)
Net income for the year	-	-	305 500	-	-	-	305 500	4 262	309 762
Comprehensive income of the period	-	-	238 264	59 667	3 722	-	301 653	4 283	305 936
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	-	-	-	-	-	-	-	-	-
Transaction between shareholder's	-	-	-	-	-	-	-	-	-
Other movements	-	-	(1 495)	444	-	-	(1 051)	-	(1 051)
Closing Shareholders' equity, Group share	14 468	456 883	1 864 869	92 777	(21 821)	(61 935)	2 345 241	68 261	2 413 502

As of January 1st, 2013, the Group has applied retrospectively the amended IAS 19 Employee Benefit. Consequently, comparative financial statements related to previous periods were retrospectively restated.

At December 31, 2013, the share capital of Euler Hermes consisted of 45,342,177 fully paid-up shares. At the same date the Group holds 1,161,362 treasury shares.

In accordance with IAS 39, available-for-sale (AFS) investments were revaluated 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 €29,211 thousand net of taxes.

The change in translation reserves down to €23,922 thousand during the exercise relates mainly to the US dollar for an impact of €-9,358 thousand, the British Pound for €-4,296 thousand, the Swedish Krona for €-2,818 thousand and the Brazilian Real for €-2,250 thousand.

129,450 new shares were created as a result of the exercise of stock options during 2013. Following these transactions, the additional paid-in capital of Euler Hermes SA increased by €8,124 thousand.

The variation of the non-controlling interests down to €1,679 thousand is mainly due to the net result for the period for €3,352 thousand and the payment of dividend for €-4,846 thousand.

Notes to the consolidated financial statements

Note 1 Significant events

The following significant events occurred in the year 2013:

Changes in the share capital and in share ownership

As at December 31, 2013, the Allianz Group owned 30,744,048 shares out of a total of 45,342,177 shares, corresponding to 67.81% of the share capital of Euler Hermes. Consequently, Euler Hermes is integrated into the Allianz consolidation scope.

During the year 2013, 129,450 new shares have been created by the exercise of options. As at December 31, 2013, Euler Hermes' share capital was composed of 45,342,177 shares, including 1,161,362 shares held in treasury stock.

Solunion official launch

Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA was officially launched on January 28th, 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 began operations in Spain and Argentina in early 2013. Operations in Chile, Colombia and Mexico were contributed to Solunion on December 20th, 2013.

Solunion offers comprehensive trade-related credit insurance solutions and services for companies of all sizes in a wide range of trade sectors.

Final phase of the "Excellence" Project

Euler Hermes initiated the Excellence Project in 2010, to increase business efficiency. At the end of December 2012, restructuring provision balance amounted to € 30.1 million. The Excellence Project was concluded in 2013. The remaining provision for restructuring is €2 million at end of December 2013.

Euler Hermes increases shareholding in Israeli credit insurer ICIC to 50 percent

In the second quarter of 2013, Euler Hermes increased its participation in Israel's leading credit insurer ICIC from the original 33% acquired in 2007 to 50%. The remaining 50% of shares are held by Euler Hermes' local partner Harel Insurance Investment & Financial Services Ltd.

Euler Hermes increases shareholding in its Greek subsidiary Euler Hermes Hellas Credit Insurance SA

On June 14th 2013, Euler Hermes has increased from 60% to 80.31% its stake in its Greek subsidiary Euler Hermes Hellas Credit Insurance Company SA.

In January 2014, Euler Hermes has bought-back the minority interests of Euler Hermes Hellas Credit Insurance. The Greek subsidiary is now 100% held by the Euler Hermes group.

Creation of Euler Hermes Services South Africa

On January 1st, 2013 Euler Hermes has created the company Euler Hermes Services South Africa, a company located in South Africa.

Cooperation agreement between Euler Hermes and Allianz General Insurance Company (Malaysia) Berhad

On May 6th 2013, Malaysian businesses which are active in domestic and export markets can now access Euler Hermes trade credit insurance products and services more easily, following a cooperation agreement signed between Euler Hermes and Allianz General Insurance Company (Malaysia) Berhad, who will act as a distributor throughout the country.

Notes to the consolidated financial statements

Note 2 IFRS accounting and valuation rules

Euler Hermes SA is a company domiciled in France. The Headquarters of Euler Hermes SA are located 1, Place des Saisons 92048 Paris – La Défense Cedex. The consolidated financial statements as at December 31, 2013 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, 2013 were approved by the Group Management Board of February 12, 2014 and presented to the Supervisory Board of February 13, 2014. They will be submitted for validation to the Shareholders' Meeting of May 28, 2014.

2.1. General Principles

In accordance with European regulation no. 1606/2002 of July 19, 2002, the consolidated financial statements published at December 31, 2013 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, 2013 as adopted by the European Union;
- Guidance provided in CNC recommendation no. 2013-R05 relating to the format of financial statements prepared by insurance firms under international accounting guidelines.

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 for 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. Changes in the accounting framework applicable to Euler Hermes in 2013

Standards, amendments and interpretations for which application is mandatory in 2013 are the following ones:

- Amendments to IAS 19 on employee benefit commitments which require in particular the immediate recognition of the effect of actuarial differences taken directly to equity and the calculation of the expected return on plan assets on the basis of the discount rate used to value the underlying obligation rather than on the basis of market expectations for returns.

Up to December 31st, 2012, the Euler Hermes group applied the partial recognition in the income statement for actuarial gains and losses, in accordance with the “corridor approach”.

The impact of the amendments to IAS 19 on the main aggregates of balance sheet as of December 31st, 2012 is as follows:

Shareholders' equity decreased by €121,498 thousand, including a positive impact of €5,255 thousand in the net result for the year 2012. In return, the pension provisions increased by €132,022 thousand, and other receivables decreased by €41,131 thousand. On the other hand, the deferred tax assets increased by €54,055 thousand and deferred tax liabilities by €2,400 thousand.

The impact of the amended standard on the main items of the income statement at December 31st, 2012 is as follows:

The net result as of December 31st 2012 increases by €5,255 thousand; the administrative expenses and the other ordinary operating expenses respectively decrease by €1,565 thousand and by €5,611 thousand. The income tax expenses increase by €1,921 thousand.

- Amendment to IAS 1 on gains and losses recognized in equity and their separate presentation, depending on whether or not they may subsequently be transferred to the income statement;
- IFRS 13, which defines the measurement principles of fair value and related disclosures on methodology to be presented in the notes to the financial statements, where fair value applies. The application of this text did not have a significant impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements

Early application of standards

The Group has not early adopted standards and interpretations that are not yet mandatorily effective at January 1st, 2013.

The Group does not expect any significant impact due to the mandatory application of IFRS 10 (Consolidated Financial Statements), IFRS 11 (Joint Arrangements) and IFRS12 (Disclosure of interests in Other Entities) as from January 1st, 2014.

2.3. Consolidation scope

Following the start of Solunion Seguros de Crédito, Euler Hermes Crédito Spanish branch of Euler Hermes France SA, Euler Hermes Servicios de Credito SL and Euler Hermes SA Argentina were deconsolidated with effective date of January 1st, 2013. The Mexican, Colombian and Chilian subsidiaries were contributed to Solunion on December 20th, 2013 and deconsolidated consequently. The company Solunion Seguros de Crédito is integrated at equity method for 50% in the consolidated statements of Euler Hermes group at the end of December 2013.

Euler Hermes created Euler Hermes North America Holding which has been consolidated since January 1st 2013.

In the year 2013, Euro Gestion Fund, Financière Sirius and Financière Soho were liquidated.

Besides Euler Hermes has increased from 60% to 80.31% its participation in its consolidated Greek subsidiary Euler Hermes Hellas Credit Insurance SA and from 33% to 50% its participation in Israel's credit insurer ICIC integrated at equity method.

2.4. List of consolidated companies

French companies	Consolidation Method	December 31, 2013		December 31, 2012	
		% control	% interest	% control	% interest
Euler Hermes S.A. (1) 1, place des Saisons - 92048 Paris-La-Défense Cédex N°Siren : 552 040 594	Held by Allianz SA: 67,81%			Parent company	Parent company
Bilan Services S.N.C. 25, boulevard des Bouvets - 92000 Nanterre N°Siren : 333 192 631	Full	50,00	50,00	50,00	50,00
Euler Hermes Asset Management S.A. 1, place des Saisons - 92048 Paris-La-Défense Cédex N°Siren : 422 728 956	Full	100,00	100,00	100,00	100,00
Euler Hermes Services S.A.S. 1, place des Saisons - 92048 Paris-La-Défense Cédex N°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 N°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 N°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 N°Siren : 388 238 026	Full	100,00	100,00	100,00	100,00
Euler Hermes Tech S.A.S. 1, place des Saisons - 92048 Paris-La-Défense Cédex N°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	Liquidated in 2013 (2)			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 N°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 N°Siren : 393 302 708	Full	100,00	100,00	100,00	100,00
Financière Callisto 1, place des Saisons - 92048 Paris-La-Défense Cédex N°Siren : 503 326 514	Full	100,00	100,00	100,00	100,00
Euler Hermes Real Estate 87 rue Richelieu 75002 Paris N°Siren : 488 480 567	Full	60,00	60,00	100,00	60,00
Financière Aldebaran 1, place des Saisons - 92048 Paris-La-Défense Cédex N°Siren : 493 467 609	Full	100,00	100,00	100,00	100,00
Financière Sirius 1, place des Saisons - 92048 Paris-La-Défense Cédex N°Siren : 488 480 567	Liquidated in 2013 (4)			100,00	100,00
Financière Soho 1, place des Saisons - 92048 Paris-La-Défense Cédex N°Siren : 503 326 241	Liquidated in 2013 (4)			100,00	100,00

(1) Proportion held is based on a total of 45 342 177 shares (before restatement of treasury shares).

(2) Deconsolidated during First quarter 2013

(3) Increase of participation following Capital increase during Second quarter 2013

(4) Deconsolidated during Third quarter 2013

(5) Deconsolidated during Fourth quarter 2013

Notes to the consolidated financial statements

Foreign companies	Country	Consolidation Method	December 31, 2013		December 31, 2012	
			% control	% interest	% control	% interest
Euler Hermes Argentina S.A Av. Corrientes 299 - 2° Piso - C1043AAC CABA, Buenos Aires	Argentina	NC (2)			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 Risikoservice GmbH 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 S.A. (N.V.) 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 S.A. (N.V.) 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	100,00	100,00
Euler Hermes South Express SA Avenue du Port 86C, Box 204 - B - 1000 Bruxelles	Belgium	Full	100,00	100,00	100,00	100,00
Graydon Belgium (N.V.) Uibreidingstraat 84 Bus 1 - 2500 Berchem	Belgium	Equity	27,50	27,50	27,50	27,50
Euler Hermes Seguros de Crédito S.A. Av. Paulista, 2.421, 3º 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, 3º 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 Exportação Av. Paulista, 2.421, 3º 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 S.A. Avda. Presidente Kennedy 5735, of. 801, Torre Poniente - Las Condes, Santiago	Chile	NC (5)			100,00	100,00
Euler Hermes Chile Servivios Ltda. Avda. Presidente Kennedy 5735, of. 801, Torre Poniente - Las Condes, Santiago	Chile	NC (5)			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 Colombia Ltda. Calle 72 6-44 Piso 3, Edificio APA - Bogota	Colombia	NC (5)			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
Bürgerl Wirtschaftsinformationen GmbH & Co. K.G. Gasstr.18 - D-22761 Hambourg	Germany	Full	50,10	50,10	50,10	50,10
Bürgerl 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 A.G. Friedensallee 254 D-22763 - Hambourg	Germany	Full	100,00	100,00	100,00	100,00
Euler Hermes Hellas Credit Insurance S.A. 16 Laodikias Street - 1-3 Nymfeou Street - 115 28 Athènes	Greece	Full (3)	80,31	80,31	60,00	60,00
Euler Hermes Hellas Services Ltd 16 Laodikias Street - 1-3 Nymfeou Street - 115 28 Athènes	Greece	Full (3)	80,31	80,31	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 Követeléskezelő Kft. Kiscegli u.104 - 1037 Budapest	Hungary	Full	100,00	100,00	100,00	100,00
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	100,00	100,00
Israël Credit Insurance Company Ltd (ICIC) 2, Shenkar Street - 68010 Israël - Tel Aviv	Israel	Equity	50,00	50,00	33,33	33,33
Euler Hermes Services Italia S.R.L. Via Raffaello Matarazzo,19 - 00139 Rome	Italy	Full	100,00	100,00	100,00	100,00
Logica Software S.R.L. Via Borsellino - Reggio Emilia	Italy	Full	100,00	100,00	100,00	100,00
Euler Hermes Japan Services Ltd Kyobashi Nishshoku 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				
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	100,00	100,00
Euler Hermes Seguro de Credito S.A. Blvd Manuel Avila Camacho #164, 8° piso - Col. Lomas de Barrilaco - Mexico, DF CP 11010	Mexico	NC (5)			100,00	100,00
Euler Hermes Servicios S.A. de C.V. Blvd Manuel Avila Camacho #164, 8° piso - Col. Lomas de Barrilaco - Mexico, DF CP 11010	Mexico	NC (5)			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

Notes to the consolidated financial statements

Euler Hermes Services B.V. Pettelaarpark 20 - Postbus 70571 - NL-5216 PD's-Hertogenbosch	Netherlands	Full	100,00	100,00	100,00	100,00
Graydon Creditfink B.V. Hullenbergweg 260 - 1101 B.V. Amsterdam	Netherlands	Equity	27,50	27,50	27,50	27,50
Graydon Holding N.V. Hullenbergweg 260 - 1101 B.V. Amsterdam	Netherlands	Equity	27,50	27,50	27,50	27,50
Graydon Nederland B.V. Hullenbergweg 260 - 1101 B.V. Amsterdam	Netherlands	Equity	27,50	27,50	27,50	27,50
Kisys Krediet Informatie Systemen B.V. Hullenbergweg 270 - 1101 B.V. Amsterdam	Netherlands	Equity	27,50	27,50	27,50	27,50
MarkSelect B.V. Diemerhof 26 - Postbus 22969 - 1100 DL Amsterdam	Netherlands	Equity	27,50	27,50	27,50	27,50
Interpolis Kredietverzekeringen N.V. Pettelaarpark 20 - 5216 PD's Hertogenbosch	Netherlands	Proportional	45,00	45,00	45,00	45,00
Euler Hermes 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 S.A. ul. Domaniewska 50B, 02-672 Warsaw	Poland	Full	100,00	100,00	100,00	100,00
Euler Hermes, Mierzejewska-Kancelaria Prawna Sp.k ul. Domaniewska 50B, 02-672 Warsaw	Poland	Full	99,98	99,98	99,98	99,98
Euler Hermes Services Sp. z o.o. ul. Domaniewska 50B, 02-672 Warsaw	Poland	Full	100,00	100,00	100,00	100,00
Companhia de Seguro de Creditos S.A. (COSEC) Avenida de Republica, n° 58 - 1069-057 Lisboa	Portugal	Equity	50,00	50,00	50,00	50,00
Euler Hermes Services Romania S.R.L. 6 Petru Maior street, Sector 1 - Bucarest 011264	Romania	Full	100,00	100,00	100,00	100,00
Ooo Euler Hermes Credit Management ul. Krymskij Val3, 2, Office 210 - 119049 Moscow	Russia	Full	100,00	100,00	100,00	100,00
LLC "IC" Euler Hermes RU 8 Office C08, 4-th Dobryninskiy per.8 - 119049 Moscow	Russia	Full	100,00	100,00	100,00	100,00
Euler Hermes Singapore Services Pte Ltd. 12 Marina View - # 14-01 Asia Square Tower 2 - Singapore 018961	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 Services South Africa LTD The Firs, 2nd Floor, 32A Cradock Avenue, Rosebank, 2196	South Africa	Full	100,00	100,00		
Euler Hermes Crédito Succursale en Espagne de EH SFAC S.A. Paseo de la Castellana, 95 - Edificio Torre Europa - Planta 14 - 28046 Madrid	Spain	NC (2)			100,00	100,00
Euler Hermes Servicios de Credito SL Paseo de la Castellana, 95 - Edificio Torre Europa - Planta 14 - 28046 Madrid	Spain	NC (2)			100,00	100,00
Solucion Compania Internacional de Seguros y Reaseguros SA Carretera de Pozuelo N°52	Spain	Equity	50,00	50,00		
Euler Hermes Service A.B. Klara Norra Kyrkogata 29 - SE 101 34 Stockholm	Sweden	Full	100,00	100,00	100,00	100,00
Euler Hermes Services Schweiz A.G. Richtiplatz 1 - Postfach CH-8304 Wallisellen	Switzerland	Full	99,50	99,50	99,50	99,50
Euler Hermes Reinsurance A.G. Richtiplatz 1 - Postfach CH-8304 Wallisellen	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	Dissolved Q2 2013			100,00	100,00
Euler Hermes Holdings UK PLC 01, Canada Square - London E14 5DX	United Kingdom	Closed Q1 2012				
Euler Hermes Risk Services UK Ltd 01, Canada Square - London E14 5DX	United Kingdom	Dissolved Q1 2013			100,00	100,00
Euler Hermes International Ltd 01, Canada Square - London E14 5DX	United Kingdom	Dissolved Q3 2011				
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	NC (5)			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
Euler Hermes North America Holding Inc Corporation Trust Center, 1209 Orange Street	United States	Full	100,00	100,00		

(2) Deconsolidated during First quarter 2013

(3) Increase of participation following Capital increase during Second quarter 2013

(4) Deconsolidated during Third quarter 2013

(5) Deconsolidated during Fourth quarter 2013

Full : Full Integration ; Proportional : Proportional Integration ; Equity : Equity Method Accounting ; NC : Not consolidated
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.

Notes to the consolidated financial statements

2.5. 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 acquired's employees (acquired'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 acquired'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;
- 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%.

Notes to the consolidated financial statements

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 Management AG;
- Graydon Holding NV;
- Companhia de Seguro de Creditos SA (COSEC);
- Israel Credit Insurance Company Ltd (ICIC);
- Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA.

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 jointly controlled 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. Each share represents one voting right. An Executive Director is appointed by each party and all decisions are subject to agreement.

2.6. 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.

2.7. Financial year and year-end dates

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

Notes to the consolidated financial statements

2.8. 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 adjusted 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	IBNR reserves are established to recognize the estimated cost of losses that have occurred but where the Euler Hermes Group has not yet been notified. The Euler Hermes Group relies on its past experience, adjusted for current trends and any other relevant factors to estimate IBNR reserves. IBNR are estimates based on actuarial and statistical projections of the expected cost of ultimate settlement and administration of claims. The analyses are based on facts and circumstances known at the time, predictions of future events, and other economic factors. IBNR reserves are reviewed and revised periodically as additional information becomes available and actual claims are reported.
Note 16	Employee benefits	The related commitments are measured in accordance with IAS 19 Revised 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.

2.9. 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.

Notes to the consolidated financial statements

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 "Non-controlling interests".

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

in € vs currency	December 31 st , 2013		December 31 st , 2012	
	closing	average	closing	average
Pound sterling	0,8320	0,8493	0,8111	0,8110
US dollar	1,3779	1,3281	1,3184	1,2853
Swedish krona	8,8503	8,6520	8,5771	8,7040
Brazilian real	3,2510	2,8698	2,6994	2,5105
Hong Kong dollar	10,6838	10,3018	10,2187	9,9701
Swiss franc	1,2255	1,2308	1,2068	1,2051
Polish Zloty	4,1578	4,1960	4,0803	4,1824

2.10. 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.

2.11. 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 § 2.5. 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 1st 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 § 2.12. "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 § 2.12. "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 including the terminal value. Details of the method used to calculate the value in use are presented in Note 3 "Goodwill".

Notes to the consolidated financial statements

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 economic 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.

2.12. Impairment

Goodwill

In accordance with IFRS 3, goodwill 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 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 6.23% and 8.43% 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, 2013 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.

Notes to the consolidated financial statements

2.13. 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.

Notes to the consolidated financial statements

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.

2.14. 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.

2.15. 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 profit and loss.

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.

Notes to the consolidated financial statements

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. 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.

Notes to the consolidated financial statements

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 30 "Stock option plans").

2.16. 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.

2.17. 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.

2.18. 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;

Notes to the consolidated financial statements

- 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.

2.19. 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.

2.20. 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.

2.21. Provisions for risks and charges

Provisions

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

2.22. 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 Revised. 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.

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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.

Remeasurement results of the net defined benefit assets/liabilities due to changes in assumptions and to experience adjustments are recognised in other comprehensive income without subsequent reclassification.

Past service cost denotes the change 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, or the change to, or the reduction of a post-employment benefit plan. 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.

2.23. 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.

2.24. 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)).

Measurement of insurance contracts

Notes to the consolidated financial statements

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.

Notes to the consolidated financial statements

– 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.

2.25. 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 § 2.15. *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".

2.26. 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

Notes to the consolidated financial statements

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.

2.27. 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 § 2.24. Insurance and reinsurance contracts – Measurement of insurance contracts.

2.28. 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 § 2.24. Insurance and reinsurance contracts – Reinsurance contracts.

2.29. 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.

2.30. Other ordinary operating income and expense

Other ordinary operating income and expense correspond mainly to Euler Hermes group service revenue and expense.

2.31. 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.

2.32. Financing expense

Notes to the consolidated financial statements

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.

2.33. 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 less treasury shares. 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.

Notes to the consolidated financial statements

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.

(in € thousand)	December 31, 2013						December 31, 2012
	Italy	United Kingdom	United States	Benelux countries	Other	Total	Total
Opening 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
Change during the year							
Opening carrying amount	5 820	52 540	28 898	8 242	8 847	104 347	109 407
Changes in gross value	-	-	-	-	-	-	-
Outgoing entities & Held for sale transfer	-	-	-	-	(1 867)	(1 867)	-
Other changes	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	(2 917)
Changes in foreign currency translation adjustments	-	(1 295)	(1 249)	-	(447)	(2 991)	1 202
Impairment losses	-	-	-	-	-	-	(3 345)
Closing carrying amount	5 820	51 245	27 649	8 242	6 533	99 489	104 347
Closing Balance							
Gross value	6 229	59 921	30 770	8 242	6 533	111 695	120 274
Impairment losses	(409)	(8 676)	(3 121)	-	-	(12 206)	(15 927)
Carrying amount	5 820	51 245	27 649	8 242	6 533	99 489	104 347

In 2013, the change of goodwill related to outgoing entities is due to the deconsolidation of Euler Hermes Credito in Spain.

In 2012 the depreciation of the goodwill of €3,345 thousand came from the expected decrease of future cash flows expected on Euler Hermes Collection North America Company and the reclassification of €2,917 thousand was due to the Irish portfolio from the UK Branch being 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 including the terminal value.

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.

Notes to the consolidated financial statements

Results of impairment tests

	Italy	United Kingdom	United States	Belgium	Netherlands	Germany
Cost of capital (net of tax)	8,43%	7,32%	7,33%	6,86%	6,53%	6,23%
<i>of which, risk-free rate</i>	4,13%	3,02%	3,03%	2,56%	2,23%	1,93%
<i>of which, risk premium (beta = 0.89)</i>	4,30%	4,30%	4,30%	4,30%	4,30%	4,30%
Effective tax rate	48,0%	23,3%	35,0%	34,0%	25,0%	32,3%
Normalised return on financial portfolio	3,13%	2,23%	2,15%	1,75%	1,59%	1,33%
Gross combined ratio	86,5%	85,0%	83,0%	86,0%	81,0%	78,0%
Target retention rate	31,3%	27,1%	27,9%	26,4%	30,7%	35,0%
Perpetual growth	1,0%	1,5%	1,5%	1,5%	1,5%	1,5%
Value in use (in € million)	368,9	319,4	615,9	232,6	110,0	1 670,9
Carrying value of the CGU (in € million)	175,5	208,5	279,7	196,2	46,1	879,9
Surplus (or deficit)	193,3	110,8	336,2	36,4	63,9	791,0

Sensitivity of impairment tests

Sensitivity analysis were performed on the 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	-11,1%	-2,2%	-7,9%	0,3%	-7,4%	-4,3%
Cost of capital	17,5%	10,5%	14,8%	7,9%	13,7%	11,1%
Gross combined ratio	97,8%	89,8%	95,6%	89,4%	90,2%	88,3%

Notes to the consolidated financial statements

Note 4 Other intangible assets and contracts portfolio

	December 31, 2013				December 31, 2012			
	Contract portfolio	IT development and software	Other intangible assets	Total	Contract portfolio	IT development and software	Other intangible assets	Total
(in € thousand)								
Opening 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
Change during the year								
Opening carrying amount	331	63 823	12 412	76 566	694	58 602	10 416	69 712
Acquisitions	-	32 589	1 485	34 074	-	34 096	-	34 096
Expenses capitalised	-	-	-	-	-	-	-	-
Changes in consolidation scope	-	(6)	-	(6)	-	-	-	-
Disposals	-	(3 708)	-	(3 708)	-	(3 671)	(1)	(3 672)
Reclassifications	-	(9)	-	(9)	-	78	2 917	2 995
Foreign exchange differences	(15)	(224)	(95)	(334)	23	49	87	159
Net amortisation	(315)	(16 188)	(1 095)	(17 598)	(386)	(25 331)	(1 007)	(26 724)
Net provisions for impairment	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-
Closing carrying amount	1	76 277	12 707	88 985	331	63 823	12 412	76 566
Closing balance								
Gross value	3 945	237 307	33 132	274 384	4 815	209 683	28 489	242 987
Amortisation	(3 944)	(161 030)	(20 425)	(185 399)	(4 484)	(145 860)	(16 077)	(166 421)
Impairment	-	-	-	-	-	-	-	-
Carrying amount	1	76 277	12 707	88 985	331	63 823	12 412	76 566

In 2013, as in 2012, the increase of IT development and software resulted mainly from the capitalization of internally developed Group applications, Galileo (Commercial), FIT +1 (accounting) and IMX (recovery) and software purchased for internal projects.

Depreciation in 2013 is mainly related to internally developed software Galileo (Commercial) and IMX (recovery).

Notes to the consolidated financial statements

Note 5 Investment and operating property

(in € thousand)	December 31, 2013		December 31, 2012	
	Investment property	Operating property	Investment property	Operating property
Balance at opening period				
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
Change during the year				
Carrying amount as opening period	53 663	92 253	4 019	123 932
Acquisitions	11 249	390	35 908	200
Change in consolidation scope	-	-	-	-
Disposals	(3 334)	-	(1 817)	(11 479)
Reclassifications	(9)	-	16 090	(16 090)
Changes in foreign currency translation adjustments	-	(116)	-	(53)
Net depreciation	(1 338)	(2 843)	(311)	(4 257)
Net provisions for impairment	-	-	-	-
Other changes	-	-	(226)	-
Carrying amount at the end of the period	60 231	89 684	53 663	92 253
Balance at the end of the period				
Gross value	78 531	141 336	69 526	138 526
Depreciation	(18 300)	(44 855)	(15 863)	(39 476)
Impairment losses	-	(6 797)	-	(6 797)
Carrying amount	60 231	89 684	53 663	92 253
Fair value	185 360	120 886	158 836	118 711

Amounts recorded in the income statement	December 31,	
Investment property	2013	2012
Rental revenues from investment property	2 715	902
Direct operating expenses relating to property	163	(68)

In 2013, the acquisitions for €11.2 million mainly consist of renovations costs of properties owned by Euler Hermes Real Estate.

As at December 31, 2013, disposals in investment property mainly concerned:

- A partial scrapping of some components of the building located 1, rue Euler (Paris) for a net value of - €2.4 million.

As at December 31, 2012, disposals in investment property mainly concerned:

- sale of the building located 8, rue Euler (Paris) for a sale price of €10.8 million, compared to a carrying amount of €11.3 million, giving a realized loss of €0.5 million ;
- sales related to investment property realized by Euler Hermes France for a sale price of €5.5 million, compared to a carrying amount of €1.7 million, giving a realized profit of €3.8 million (before tax impact).

As at December 31, 2012, acquisition increase derived 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 concerned the transfer of the building 1, rue Euler (Paris) from operating property to investment property.

Notes to the consolidated financial statements

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

(in € thousand)	December 31, 2013						December 31, 2012					
	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	191	-	191	191	191	-	491	-	491	491	-	491
Total held-to-maturity assets	191	-	191	191	191	-	491	-	491	491	-	491
Available-for-sale assets												
Equities	154 054	27 007	181 061	181 061	2 775 856	61 913	69 446	12 704	82 150	82 150	2 924 224	34 058
Bonds	2 596 674	60 033	2 656 707	2 656 707	-	-	2 758 684	117 448	2 876 132	2 876 132	-	-
Total Available-for-sale assets	2 750 728	87 040	2 837 768	2 837 768	2 775 856	61 913	2 828 130	130 152	2 958 282	2 958 282	2 924 224	34 058
Loans, deposits and other financial investments												
	837 917	-	837 917	837 917	-	-	808 741	-	808 741	808 741	-	-
Total loans, deposits and other financial investments	837 917	-	837 917	837 917	-	-	808 741	-	808 741	808 741	-	-
Total Financial Investments (excluding investments in consolidated enterprise)	3 588 836	87 040	3 675 876	3 675 876	2 776 047	61 913	3 637 362	130 152	3 767 514	3 767 514	2 924 224	34 549

(in € thousand)	December 31, 2011					
	Historical value	Revaluation reserve	Net carrying amount	Fair value	Listed	Non listed
Held-to-maturity assets						
Bonds	491	-	491	491	300	191
Total held-to-maturity assets	491	-	491	491	300	191
Available-for-sale assets						
Equities	120 226	10 195	130 421	130 421	2 756 938	57 277
Bonds	2 639 057	44 737	2 683 794	2 683 794	-	-
Total Available-for-sale assets	2 759 283	54 932	2 814 215	2 814 215	2 756 938	57 277
Loans, deposits and other financial investments						
	743 611	-	743 611	743 611	-	-
Total loans, deposits and other financial investments	743 611	-	743 611	743 611	-	-
Total Financial Investments (excluded investments in consolidated enterprise)	3 503 385	54 932	3 558 317	3 558 317	2 757 238	57 468

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*).

(in € thousand)	December 31, 2013				December 31, 2012			
	Historical value	Revaluation reserve	Net carrying amount	Fair value	Historical value	Revaluation reserve	Net carrying amount	Fair value
- Equities:	154 054	27 007	181 061	181 061	69 446	12 704	82 150	82 150
- Bonds:	2 596 865	60 033	2 656 898	2 656 898	2 759 175	117 448	2 876 623	2 876 623
- Loans and other investments	837 917	-	837 917	837 917	808 741	-	808 741	808 741
Total Financial Investments	3 588 836	87 040	3 675 876	3 675 876	3 637 362	130 152	3 767 514	3 767 514

Notes to the consolidated financial statements

(in € thousand)		December 31, 2011		
	Historical value	Revaluation reserve	Net carrying amount	Fair value
- Equities:	120 226	10 195	130 421	130 421
- Bonds:	2 639 548	44 737	2 684 285	2 684 285
- Loans and other investments	743 611	-	743 611	743 611
Total Financial investments	3 503 385	54 932	3 558 317	3 558 317

There was no significant impact of impairment on Euler Hermes group portfolio as of December 31, 2013. 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

The level 1 is mainly composed of listed bonds and stocks on an active market.

The level 2 was composed of Allianz 3-year bond for an amount of €160 million reaching maturity during the 2013 year.

The level 3 is mainly composed of participation in non-listed real estate funds, non-consolidated shares and of Moroccan non-listed government bonds.

(in € thousand)		December 31, 2013		
	Level 1	Level 2	Level 3	
Available-for-sale assets	2 797 634	-	40 134	

(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	

- Other financial investments

The HTM bonds, loans and other investments are valued at amortised cost. Their hierarchical ranking is mainly level 3 except for the German mortgage bonds not quoted (Pfandbriefe) classified in level 2 for €491 million.

Classification by geographical zone

2013

(in € thousand)		December 31, 2013		
	France	Other Countries	Group	
<u>Held-to-maturity assets</u>				
Bonds	191	-	191	
Total held-to-maturity assets	191	-	191	
<u>Available-for-sale assets</u>				
Equities	84 024	97 037	181 061	
Bonds	489 308	2 167 399	2 656 707	
Total Available-for-sale assets	573 332	2 264 436	2 837 768	
<u>Loans, deposits and other financial investments</u>				
	112 116	725 801	837 917	
Total loans, deposits and other financial investments	112 116	725 801	837 917	
Total Financial investments	685 639	2 990 236	3 675 876	

Notes to the consolidated financial statements

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

Movements in the periods

(in € thousand)

	December 31, 2013				December 31, 2012
	Held-to-maturity investments	Available-for-sale investments	Loans, deposits and other financial investments	Total	Total
Carrying amount as opening period	491	2 958 282	808 741	3 767 514	3 558 317
Increase in gross value	-	1 042 825	2 928 455	3 971 280	3 260 520
Decrease in gross value	(300)	(1 039 170)	(2 893 379)	(3 932 849)	(3 110 909)
Change in consolidation scope	-	(26 521)	(1 208)	(27 729)	-
Revaluation	-	(44 398)	-	(44 398)	86 561
Impairment	-	(1 158)	-	(1 158)	(1 062)
Changes in foreign currency translation adjustments	-	(27 298)	(4 911)	(32 209)	2 648
Reclassifications	-	-	-	-	955
Other changes	-	(24 794)	219	(24 575)	(29 516)
Carrying amount as closing period	191	2 837 768	837 917	3 675 876	3 767 514

The change in consolidation scope is mainly due to the deconsolidation of the Spanish and Mexican entities that have been contributed to the joint-venture Solunion.

The other changes of available for sale investments are mainly the amortisations of premiums and discounts of bonds.

Notes to the consolidated financial statements

(in € thousand)	December 31, 2012			December 31, 2011	
	Held-to-maturity investments	Available-for-sale investments	Loans, deposits and other financial investments	Total	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 adjustments	-	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

The other changes of available for sale investments are mainly the amortisations of premiums and discounts of 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, Hungary, Italy and Turkey.

- Portugal

The Portuguese company COSEC, consolidated at equity method within Euler Hermes, has the following exposure to local government debt (in € thousand):

Country	Maturity	Exposure	Market Value	Unrealized Gain or Losses
Portugal	2014	6 069	6 138	69
Portugal	2015	916	914	-2
Portugal	2016	5 830	5 791	-39
Total		12 815	12 843	28

All investments mentioned above are recorded at fair value in investments available for sale (AFS).

- Spain

The Spanish joint-venture Solunion, consolidated at equity method within Euler Hermes, has the following exposure to local government debt (in € thousand):

Country	Maturity	Exposure	Market Value	Unrealized Gain or Losses
Spain	2014	3 113	3 124	11
Spain	2015	547	545	-2
Spain	2016	3 168	3 206	38
Spain	2018	3 040	3 046	6
Total		9 868	9 920	52

All investments mentioned above are recorded at fair value in investments available for sale (AFS).

Note 7 Investments accounted for at equity method

The companies accounted for at equity method are the following ones:

Associated entities	Country	% of capital held
OeKB Beteiligungs- und Management A.G.	Austria	49,00%
Graydon Holding N.V.	Netherlands	27,50%
Companhia de Seguro de Creditos SA (COSEC)	Portugal	50,00%
Israel Credit Insurance Company Ltd	Israel	50,00%
Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA	Spain	50,00%

Notes to the consolidated financial statements

Information on equity-accounted investments

(in € thousand)	December 31, 2013			
	Assets (1)	Shareholders' equity (2)	Turnover (3)	Net income
Credit Insurance contributors	816 769	369 924	305 528	7 686
Other than Credit insurance contributors	50 280	13 636	63 228	9 705
	867 049	383 560	368 756	17 391

(1) Assets based on IFRS statements as at September 30, 2013, except for Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA for which the asset are IFRS statements as at December 31, 2013.

(2) Equity is determined on the basis of IFRS statements as at September 30, 2013, except for Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA for which equity is determined on the basis of IFRS statements as at December 31, 2013.

(3) The turnover corresponds to the turnover in the IFRS statements as at September 30, 2013 plus ¼ of 2012 total turnover, except for Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA for which turnover is as at December 31, 2013.

(in € thousand)	December 31, 2012			
	Assets (4)	Shareholders' equity (5)	Turnover (6)	Net income
Credit Insurance contributors	381 376	209 555	150 725	27 025
Other than Credit insurance contributors	48 997	15 098	65 308	6 978
	430 373	224 653	216 032	34 003

(4) Assets based on IFRS statements as at September 30, 2012.

(5) Shareholders' equity based on IFRS statements as at September 30, 2012.

(6) The turnover corresponds to the turnover in the IFRS statements as at September 30, 2012 plus ¼ of total turnover of 2011.

Movements during the period

(in € thousand)	December 31, 2013	December 31, 2012
Opening carrying amount	115 500	105 196
Increases	91 982	-
Decreases	-	-
Reclassifications	-	-
Share of income for the period	6 424	14 038
Dividends paid	(19 127)	(6 245)
Impairment	-	-
Foreign exchange differences	(308)	18
Other changes	(618)	2 493
Closing carrying amount	193 853	115 500

The increase of investments accounted for by the equity method by €91,982 thousand is due for €79,418 thousand to the participation increase of Euler Hermes Luxembourg Holding in Solunion Seguros de Crédito and for €12,564 thousand to the increase by 16.67 % of the participation of Euler Hermes France in Israeli Credit Insurance Company during the second quarter 2013.

Dividends paid correspond to dividends from Israeli Credit Insurance Company for €7.4 million, from OeKB EH Beteiligungs - und Management A.G. for €6.9 million, from Cossec for €2.5 million and from Graydon Holding for €2.3 million.

The other changes are mainly due to the change of the revaluation reserves of the investments accounted for by the equity method.

Notes to the consolidated financial statements

Contribution to shareholders' equity (without equity method income of 2013)

(in € thousand)	December 31, 2013	December 31, 2012
Credit Insurance contributors	183 680	97 310
Other than Credit insurance contributors	3 750	4 152
Share of shareholders' equity	187 430	101 462

Contribution to income

(in € thousand)	December 31, 2013	December 31, 2012
Credit Insurance contributors	3 754	12 119
Other than Credit insurance contributors	2 669	1 919
Share of total income	6 423	14 038

Note 8 Operating property and other property and equipment

(in € thousand)	December 31, 2013			December 31, 2012		
	Operating property	Other property and equipment	Total	Operating property	Other property and equipment	Total
Opening balance						
Gross value	138 526	137 118	275 644	187 356	144 606	331 962
Amortisation	(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 during the year						
Carrying amount at opening period	92 253	50 435	142 688	123 932	25 345	149 277
Acquisitions	390	24 430	24 820	200	38 935	39 135
Changes in consolidation scope	-	(304)	(304)	-	(4)	(4)
Disposals	-	(13 702)	(13 702)	(11 479)	(3 450)	(14 929)
Reclassifications	-	13	13	(16 090)	115	(15 975)
Foreign exchange differences	(116)	(542)	(658)	(53)	54	1
Net depreciation	(2 843)	(11 834)	(14 676)	(4 257)	(10 815)	(15 072)
Net provisions for impairment	-	159	159	-	255	255
Other changes	-	-	-	-	-	-
Carrying amount at closing period	89 685	48 654	138 339	92 253	50 435	142 688
Balance at closing period						
Gross value	141 336	151 029	292 366	138 526	137 118	275 644
Depreciation	(44 855)	(102 075)	(146 930)	(39 476)	(86 225)	(125 701)
Impairment	(6 797)	(299)	(7 096)	(6 797)	(458)	(7 255)
Carrying amount	89 685	48 655	138 339	92 253	50 435	142 688

In 2013, the acquisitions and disposals are mainly due to the renewal of computers, furniture and office equipment.

In 2012, the acquisitions concerned mainly the €20 million capitalisation of the head office relocation in Tower FIRST expenses. The reclassification of €16.1 million concerned the transfer of the building 1, rue Euler (Paris) from an operating property to an investment property. Disposals mainly concerned the sale of the building located 8, rue Euler (Paris).

Notes to the consolidated financial statements

Note 9 Deferred tax

Breakdown by type of tax

(in € thousand)	December 31, 2013	December 31, 2012
Deferred tax assets	287 597	207 735
Deferred tax liabilities	(528 053)	(452 546)
Net deferred tax	(240 456)	(244 811)
Tax losses	8 407	10 595
Deferred tax assets linked to revaluation of AFS investments	12 364	10 545
Deferred tax assets - provisions for retirement commitments	150 356	57 622
Deferred tax assets - technical reserves	46 496	54 253
Other deferred tax assets	69 974	74 720
Total deferred tax assets	287 597	207 735
Deferred tax liabilities linked to revaluation of AFS investments	(27 728)	(41 365)
Deferred tax liabilities - provisions for retirement commitments	(121 193)	(20 158)
Deferred tax liabilities - technical reserves	(314 616)	(333 400)
Other deferred tax liabilities	(64 516)	(57 623)
Total deferred tax liabilities	(528 053)	(452 546)
Net deferred tax	(240 456)	(244 811)
After offsetting deferred tax assets and liabilities by tax entity		
Deferred tax assets	24 447	67 451
Deferred tax liabilities	(264 903)	(312 262)
Net deferred tax	(240 456)	(244 811)

The decrease of tax losses concerns Euler Hermes Collections Sp. Z.o.o for €0.5 million, Euler Hermes Collections GmbH for €0.5 million and Euler Hermes Europe SA for €1 million.

The non-activated tax losses are mainly due to Euler Hermes Europe SA for €4 million, Euler Hermes Re (Luxembourg) for €2 million, and to Euler Hermes Collections GmbH for €1.3 million.

Movements in deferred tax by geographical region

(in € thousand)	December 31, 2012	Change through income statement	Change relating to revaluation of AFS inv.	Foreign exchange difference	Other movements	December 31, 2013
France	(91 902)	(527)	3 060	-	-	(89 370)
GAS	(138 429)	(689)	(4 351)	-	1	(143 468)
Northern Europe	(4 970)	1 724	4 359	(204)	48	957
Southern Europe	9 977	(3 184)	16	(58)	217	6 969
Asia & Pacific countries	1 257	453	74	(34)	-	1 750
America	(6 531)	6 792	1 875	277	(499)	1 913
Reinsurance	(22 537)	(9 740)	3 431	(28)	-	(28 874)
Other Countries	-	-	-	-	-	-
Group Services / Holdings	8 324	1 394	(52)	-	-	9 666
	(244 811)	(3 778)	8 412	(46)	(233)	(240 456)

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

Notes to the consolidated financial statements

Change in standard tax rate

	December 31, 2013	December 31, 2012
Group rate	30,17%	28,37%
France	#NOM?	34,43%
Germany	#NOM?	32,28%
Italy	#NOM?	27,50%
United-Kingdom	#NOM?	24,50%
United-States	#NOM?	35,00%
Netherlands	#NOM?	25,00%
Belgium	#NOM?	33,99%
Switzerland	#NOM?	17,50%
Poland	#NOM?	19,00%

The Group tax rate corresponds to the effective tax rate, which is determined on the basis of the effective income tax expenses on income before income taxes.

The reconciliation between the tax rate of the parent company Euler Hermes SA and the effective tax rate in 2013 is provided in Note 27.

The temporary and extraordinary tax contribution equal to 5% of the amount of corporate income tax in France has been increased up to 10,7% for the fiscal year 2013 to fiscal year 2015. Then the current income tax rate for France is 38% for the fiscal year 2013. As this extraordinary contribution is temporary, the deferred taxes are not computed with the rate of 38%, except for the deferred taxes to be reversed in the year 2014 and 2015.

Note 10 Insurance and reinsurance receivables

Breakdown by type

(in € thousand)	December 31, 2013			December 31, 2012
	Gross	Provisions	Net	Net
Receivables from policyholders and agents	227 187	(16 835)	210 352	207 469
Earned premiums not yet written	242 471	-	242 471	207 408
Receivables from guaranteed debtors	39 380	-	39 380	59 379
Receivables from reinsurance transactions	145 506	(2 354)	143 152	128 698
Total credit insurance receivables	654 544	(19 189)	635 355	602 954

Receivables from guaranteed debtors are mainly receivables recorded by Euler Hermes Credit Insurance (Belgium) in respect of the retail credit activity (which is in run-off of business since 2011), of which €20.0 have been recovered during 2013.

Breakdown by maturity

(in € thousand)	December 31, 2013				
	< 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total credit insurance receivables	625 515	9 840	-	-	635 355

Provisions for bad debts from policyholders and agents

(in € thousand)	December 31, 2013	December 31, 2012
Balance at opening period	(17 861)	(17 102)
Change in consolidation scope	-	-
Provision	(4 776)	(2 289)
Write back	5 278	1 903
Foreign exchange translation	124	(107)
Other changes	400	(266)
Balance at closing period	(16 835)	(17 861)

Notes to the consolidated financial statements

Note 11 Other receivables

Breakdown by type and by maturity

(in € thousand)	December 31, 2013			December 31, 2012	
	Gross	Provision	Net	Net	
Current account	8 907	-	8 907	4 414	
Other taxes receivables	44 158	-	44 158	52 419	
Other receivables	160 229	(6 907)	153 322	170 768	
of which, accrued interest not due	51 749	-	51 749	54 072	
Deferred charges	12 914	-	12 914	12 538	
Other adjustment accounts	1 893	-	1 893	2 069	
Other assets	358	-	358	784	
Total other receivables	228 459	(6 907)	221 552	242 992	

Breakdown by maturity

(in € thousand)	< 3months	3 months to 1 year	1 to 5 years	> 5 years	Total
Total other receivables	209 381	9 204	2 967	-	221 552

Note 12 Cash and cash equivalents

(in € thousand)	December 31, 2013	December 31, 2012
Cash in bank and at hand	264 937	274 451
Cash pooling	37 253	33 929
Total cash	302 190	308 380
Total cash in balance sheet	302 190	308 380
Cash equivalents reflected in the cash flow statement	-	-
Cash pooling creditor with Allianz	(350)	(350)
Total cash and cash equivalents	301 840	308 030

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	128 618	(38 647)	214	1 712	880	92 777	17	92 794
Change in fair market value of asset held for sale transferred through profits & losses (Gross amount) - group	(21 328)	6 515	-	-	-	(14 813)	-	(14 813)
Change in fair market value of asset held for sale booked through equity (Gross amount) - group	(23 038)	9 348	(56)	-	(34)	(13 780)	-	(13 780)
Change in fair market value of asset held for sale booked through equity (Gross amount) - COSEC associated company	-	-	-	(618)	-	(618)	-	(618)
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	-	-	-	-	-	-	(38)	(38)
Other movements	-	-	-	-	-	-	-	-
Closing balance	84 252	(22 784)	158	1 094	846	63 566	(21)	63 545

Notes to the consolidated financial statements

Note 14 Non-controlling interests

Movements during the year

(in € thousand)	December 31, 2013	December 31, 2012
Non-controlling interests at start of period	68 261	18 002
Non-controlling interests' share of net income	3 352	4 262
Components of other comprehensive income	(148)	10
Revaluation reserve for financial investments available for sale	(29)	30
Actuarial gain / (loss) on defined benefit plans	(88)	-
Foreign currency translation differences	(31)	(20)
Other movements	(4 883)	45 987
Dividends paid to minority shareholders	(4 846)	(2 272)
Capital increases and other movements	(37)	48 259
Non-controlling interests at end of period	66 582	68 261

In 2012, the capital increase in non-controlling interests was due to the capital increase subscribed by an external partner in Euler Hermes Real Estate OPCl up to 40%.

Breakdown by country

(in € thousand)	December 31, 2013	December 31, 2012
Euler Hermes in France	48 131	49 238
Euler Hermes in Germany	11 794	12 565
Euler Hermes in Switzerland	4	14
Euler Hermes in Morocco	4 650	4 718
Euler Hermes in Greece	2 003	1 726
Non controlling interests	66 582	68 261

Note 15 Provisions for risks and charges

(in € thousand)	December 31, 2012	Allowance	Write back (used)	Write back (not used)	Reclassification	Other changes	December 31, 2013
Retirement scheme (see Note 16 Employee Benefits for more détails)	190 851	11 951	(8 060)	(963)	1 539	(22 748)	172 570
Defined-benefit retirement plans	190 851	11 951	(8 060)	(963)	1 539	(22 748)	172 570
Other provisions for risks and charges	197 205	58 097	(44 401)	(16 483)	(50 770)	(5 844)	137 804
Provision for tax liabilities	53 677	-	-	-	(48 019)	(5 658)	-
Provision for tax litigation	258	-	-	-	-	(3)	255
Provision for tax uncertainties	28 379	5 760	-	(6 269)	(82)	1 440	29 228
Provisions for employee benefits	64 460	47 390	(17 968)	(6 365)	306	(1 478)	86 345
Provisions for policyholder disputes	1	-	-	-	(1)	-	-
Provisions for debtor disputes	2 259	-	-	-	(2 259)	-	-
Guarantee of liabilities	8	-	-	-	(8)	-	-
Provision for restructuring	37 630	(537)	(20 941)	(1 051)	(6 396)	(69)	8 636
Provisions for sundry disputes	10 533	5 484	(5 492)	(2 798)	5 689	(76)	13 340
Total Provisions for risks and charges	388 056	70 048	(52 461)	(17 446)	(49 231)	(28 592)	310 374

Provision for tax liabilities have been reclassified to Corporation tax payables.

Notes to the consolidated financial statements

Note 16 Employee benefits

In accordance with the regulatory environment and collective agreements, the Group has established defined contribution and defined benefit pension plans (company or multi-employer) in favour of employees.

Defined contribution plans

Defined contribution plans are funded through independent pension funds or similar organizations. Contributions fixed in advance (e.g. based on salary) are paid to these institutions and the beneficiary's right to benefits exists against the pension fund. The employer has no obligation beyond payment of the contributions.

During the year ended December 31, 2013, Euler Hermes recognized expenses for defined contribution plans of €9.4 million (2012 : €7.3 million). Additionally, the group paid contributions for state pension schemes of €27.1 million in 2013 (2012 : €26.9 million).

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.
- 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.
- 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.

Notes to the consolidated financial statements

- 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 multiple 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.

Notes to the consolidated financial statements

31/12/2013	France & Greece			Italy	United-Kingdom	Germany	Belgium	Netherlands	Scandinavia		Total
	Retirement indemnities	PSAD	Cardif						FTP	VITAL	
Actuarial obligation - total - Opening	(7 909)	(3 655)	(3 333)	(6 142)	(165 845)	(524 559)	(21 688)	(11 311)	(6 241)	(1 474)	(752 157)
Current period service cost	(523)	-	-	(787)	-	(11 295)	(674)	(756)	(128)	(181)	(14 344)
Interest on obligation	(236)	(114)	(109)	(122)	(7 444)	(16 879)	(766)	(366)	(239)	(56)	(26 331)
Employee contributions	-	-	-	-	-	(2 973)	(63)	(217)	-	18	(3 235)
Plan amendment	35	-	-	-	-	-	(152)	-	-	9	(108)
Acquisitions/disposals of subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Plan curtailments	46	-	-	-	-	-	-	-	-	-	46
Plan settlements	-	-	-	-	-	-	-	-	-	-	-
Actuarial gains (losses) due to a change in assumptions	390	-	-	(57)	-	20 324	(807)	-	111	-	19 961
Actuarial gains (losses) due to a change in experience	281	6	(18)	-	(13 862)	5 651	422	571	311	-	(6 638)
Benefits paid	139	383	164	364	4 294	12 411	1 107	-	195	-	19 057
Currency translation difference	-	-	-	-	3 812	-	-	-	334	1	4 147
Other	50	-	(30)	(290)	-	(94)	(528)	(693)	(565)	-	(2 150)
Removal of the discretionary clause	-	-	-	-	-	-	-	-	-	-	-
Actuarial obligation - total - Closing	(7 727)	(3 380)	(3 326)	(7 034)	(179 045)	(517 414)	(23 149)	(12 772)	(6 222)	(1 683)	(761 752)
Fair value of plan assets - total - Opening	4 107	-	3 334	-	173 124	355 793	17 705	8 864	5 133	888	568 948
Interest income on plan assets	103	-	126	-	7 800	11 623	608	279	185	30	20 754
Actuarial gains (losses) due to a change in experience	-	-	-	-	15 804	(2 486)	(47)	(475)	(136)	-	12 660
Employee contributions	-	-	-	-	-	2 973	63	217	305	146	3 704
Employer contributions	861	-	-	-	1 351	7 566	915	807	-	(18)	11 482
Acquisitions /disposals of subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Plan curtailments	-	-	1	-	-	-	-	(358)	-	-	(357)
Plan settlements	-	-	-	-	-	-	-	-	-	-	(9)
Benefits paid	(127)	-	(166)	-	(4 294)	(7 955)	(1 107)	530	(192)	-	(13 311)
Currency translation difference	-	-	-	-	(3 921)	-	-	-	(200)	(28)	(4 149)
Other	-	-	(62)	-	(312)	203	129	-	-	-	(42)
Fair value of plan assets - total - Closing	4 944	-	3 233	-	189 552	367 717	18 266	9 864	5 095	1 018	599 689
Net commitments <0	(2 783)	(3 380)	(93)	(7 034)	-	(149 697)	(4 883)	(2 908)	(1 126)	(665)	(172 570)
Net commitments >0	-	-	-	-	10 597	-	-	-	-	-	10 597
Actuarial Gain / Loss - cumulative amount in Other Comprehensive Income											
- Actuarial Gain / Loss - gross - Opening value	(1 639)	-	-	(289)	(46 657)	(132 474)	(1 911)	(2 500)	333	176	(184 961)
- Actuarial Gain / Loss - gross - Movement	852	520	-	(57)	1 982	23 542	(432)	96	(283)	(28)	26 191
Actuarial Gain / Loss - gross - Closing Value	(787)	520	-	(346)	(44 675)	(108 932)	(2 343)	(2 404)	50	148	(158 770)
- Actuarial Gain / Loss - Tax effect - Closing value	114	(2)	-	97	11 028	33 681	941	-	-	-	45 858
Actuarial Gain / Loss - Net of tax - Closing value	(673)	518	-	(249)	(33 647)	(75 252)	(1 402)	(2 404)	50	148	(112 912)
Expenses for the period	(621)	(114)	20	(909)	356	(16 551)	(832)	(821)	(181)	(208)	(19 861)
Current period service cost	(523)	-	-	(787)	-	(11 295)	(674)	(756)	(128)	(182)	(14 344)
Finance cost (effect of discounting)	(236)	(114)	(109)	(122)	(7 444)	(16 879)	(766)	(366)	(239)	(56)	(26 332)
Interest income on plan assets	103	-	126	-	7 800	11 623	608	279	185	30	20 754
Profit/loss on curtailment/settlement	20	-	3	-	-	-	-	-	-	-	23
Asset ceiling limitation	-	-	-	-	-	-	-	-	-	-	-
Other	15	-	-	-	-	-	-	22	-	-	37
Actuarial assumptions											
Discounting rates used	3,25%	3,25%	3,25%	3,25%	4,50%	3,50%	3,05%	3,25%	3,50%	-	
Inflation rate used	2,00%	2,00%	2,00%	2,00%	3,45%	1,50%	2,50%	-	2,00%	-	
Expected rate of salary increase	2,18%	2,18%	2,18%	0,05%	-	1,50%	3,20%	3,50%	3,00%	-	
Expected rate of increase of medical costs	-	-	-	-	-	-	-	-	-	-	
Rate of increase of benefit used by plan	2,00%	2,00%	2,00%	-	-	-	-	0,05%	-	-	
Plan retirement age	60 or 63	60 or 63	60 or 63	62 or 66 (3)	65	63	60	65	65	67	
Plan residual service period	-	-	-	-	24	15	-	16	-	17	
Other significant actuarial assumption used	-	60%	-	-	-	-	-	-	-	-	
Structure of plan assets											
Shares	-	-	-	-	39,30%	5,90%	-	-	11,10%	10,40%	
Bonds	-	-	100,00%	-	31,20%	90,60%	-	-	81,40%	70,30%	
Real estate	100,00%	-	-	-	-	2,90%	-	-	-	-	
Other instruments	-	-	-	-	29,50%	0,60%	-	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 and Netherlands correspond to the statistic of the more significant company.

(3) The retirement age has been taken as 62 years for women and 66 years for men

Notes to the consolidated financial statements

31/12/2012	France & Greece			Italy	United-Kingdom	Germany	Belgium	Netherlands	Scandinavia		Total
	Retirement indemnities	PSAD	Cardif						FTP	VITAL	
Actuarial obligation - total - Opening	(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)	(478)	(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)
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	-	-	(365)	-	6 206	4 033	-	-	(759)	536	9 651
Removal of the discretionary clause	-	-	-	-	-	391	-	-	-	-	391
Actuarial obligation - total - Closing	(7 909)	(3 655)	(3 333)	(6 142)	(165 845)	(524 559)	(21 688)	(11 311)	(6 241)	(1 474)	(752 157)
Fair value of plan assets - total - Opening	3 448	-	2 540	-	147 894	322 499	17 055	6 067	3 712	656	503 871
Interest income on plan assets	116	-	112	-	7 787	14 770	590	34	137	41	23 587
Actuarial gains (losses) due to a change in experience	-	-	-	-	-	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	-	(12 037)	(272)	114	13	1 194	65	(10 746)
Fair value of plan assets - total - Closing	4 107	-	3 334	-	173 124	355 793	17 705	8 864	5 133	888	568 948
Net commitments <0	(3 802)	(3 655)	-	(6 142)	-	(168 766)	(3 983)	(2 447)	(1 108)	(586)	(190 490)
Net commitments >0	-	-	1	-	7 279	-	-	-	-	-	7 280
Actuarial Gain / Loss - cumulative amount in Other Comprehensive Income											
- Actuarial Gain / Loss - gross - Opening value	(924)	345	-	(289)	(36 646)	(51 114)	(1 911)	(2 244)	333	176	(92 274)
- Actuarial Gain / Loss - gross - Movement	(715)	(345)	-	-	(10 011)	(81 360)	-	(256)	-	-	(92 687)
Actuarial Gain / Loss - gross - Closing Value	(1 639)	-	-	(289)	(46 657)	(132 474)	(1 911)	(2 500)	333	176	(184 961)
- Actuarial Gain / Loss - Tax effect - Closing value	533	-	-	79	11 671	41 348	607	625	(88)	(46)	54 729
Actuarial Gain / Loss - Net of tax - Closing value	(1 106)	-	-	(210)	(34 986)	(91 126)	(1 304)	(1 875)	245	130	(130 232)
Expenses for the period	(561)	(161)	477	-	1 290	(11 239)	(1 135)	(823)	(244)	(183)	(12 580)
Current period service cost	(390)	-	-	-	(2 491)	(7 717)	(716)	(478)	(103)	(150)	(12 043)
Finance cost (effect of undiscounging)	(287)	(161)	(133)	-	(7 836)	(19 077)	(1 009)	(381)	-	(38)	(28 922)
Interest income on plan assets	116	-	112	-	7 787	14 770	590	34	137	41	23 587
Profit/loss on curtailment/settlement	-	-	498	-	7 667	-	-	-	-	-	8 165
Asset ceiling limitation	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	(3 837)	785	-	-	(278)	(36)	(3 366)
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%	2,00%	
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	-	24	15	-	16	-	17	
Other significant actuarial assumption used	-	60%	-	-	-	-	-	-	-	-	
Structure of plan assets (2)											
Shares					39,30%				11,10%	10,40%	
Bonds					31,20%	<i>CI Template below</i>		<i>CI Template below</i>	81,40%	70,30%	
Real estate	100,00%		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			Netherlands	
	Euler Hermes Rating GmbH	Forderungsmangement GmbH	Euler Hermes Deutschland AG	NV Interpolis Kredietverzekeringen	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%	

Sensitivity of actuarial assumptions

As far as the Germany scope is concerned, an increase in the discount rate of 5% would lead to a decrease of €14 million of the Defined Benefit Obligation. A decrease of 5% would lead to an increase of €16 million. An increase in the salary increase rate of 5% would lead to an increase of €1.488 million of the Defined Benefit Obligation. A decrease of 5% wouldn't change it significantly.

Notes to the consolidated financial statements

Estimation of future benefit payments

The table below presents the estimated future benefit payments that will be met mainly to the benefit of the employee of the German entities, by the pension funds or by Euler Hermes group:

(in € thousand)	Pension Benefits
2013	12 355
2014	12 586
2015	13 649
2016	14 607
2017	15 444
2018	16 373
2019-2023	95 336

Note 17 Borrowings

Breakdown by type

(in € thousand)	December 31, 2013	December 31, 2012
Subordinated debt	-	-
Term loans and other term borrowings	261 384	251 506
Demand accounts	-	-
Borrowings from banking sector businesses	261 384	251 506
Other borrowings	351	138 230
Total borrowings	261 735	389 736

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);
- A loan of €32 million from AAREAL Bank with redemption on October 22, 2023, with variable annual interest rate Euribor 3M plus 1,55% of margin. On December 2013, this line has been drawn down to €10 million;
- Accrued interest for €1.39 million.

At the end of December 2012, other borrowings mainly corresponded 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

The loan contracted with Allianz Belgium was reimbursed by anticipation on November 14, 2013.

Some borrowings are subject to step-up clauses providing for an increase in the annual interest rate in the event of a rating downgrade by Standard & Pooors'.

Breakdown by maturity

(in € thousand)	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total borrowings	-	1 735	250 000	10 000	261 735

Notes to the consolidated financial statements

Breakdown by maturity for interests to be paid

(in € million)	2013 (1)	2014	2015
Borrowing 2010 of €125million maturity 06/18/2015, annual fixed rate to 1,885%	2,36	2,36	1,18
Borrowing 2010 of €125million maturity 06/18/2015, annual fixed rate to 1,885%	2,36	2,36	1,18
Total futur interest expenses with others than Allianz Group	4,71	4,71	2,36

(in € million)	2013	2014 à 2022 (2)	2023
Borrowing 2013 of €32million maturity 22/10/2023,3 months Euribor rate to 1,55% (3)	0,03	1,42	0,15
Total futur interest expenses with others than Allianz Group	0,03	1,42	0,15

(1) The annual interest on loans amounts to €2.36 million.

(2) This interest is accumulated over 8 years; the annual interest on loans amounts to €0.02 million.

(3) The borrowing of € 32 million maturity October 2023 has been used for €10 million

Note 18 Technical reserves

(in € thousand)	December 31, 2012	Allowance net of writebacks	Foreign exchange differences	Changes in consolidation scope	Other changes	December 31, 2013
Reserve for unearned premiums	356 495	13 647	(8 727)	(15 509)	(931)	344 975
Reserve for claims net of forecasts of recoveries	1 403 193	143 006	(15 359)	(16 126)	380	1 515 094
Reserve for no-claims bonuses and rebates	170 958	(1 818)	(169)	(425)	67	168 613
Gross technical reserves	1 930 646	154 835	(24 255)	(32 060)	(484)	2 028 682
Reserve for unearned premiums	69 569	(7 610)	(563)	63	(69)	61 390
Reserve for claims net of forecasts of recoveries	393 219	50 237	(1 894)	9 794	(18 955)	432 401
Reserve for no-claims bonuses and rebates	36 162	(197)	27	6	87	36 085
Reinsurers' share of technical reserves	498 950	42 430	(2 430)	9 863	(18 937)	529 876
Net technical reserves	1 431 696	112 405	(21 825)	(41 923)	18 453	1 498 806

Claims reserves

(in € thousand)	December 31, 2013			December 31, 2012		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Claims reserves gross of recoveries	1 901 802	(586 472)	1 315 330	1 757 031	(560 522)	1 196 509
Current period	1 045 698	(300 545)	745 153	1 016 286	(319 301)	696 985
Prior periods	856 104	(285 927)	570 177	740 745	(241 221)	499 524
Recoveries to be received	(386 708)	154 071	(232 637)	(353 838)	167 303	(186 535)
Current period	(171 589)	42 057	(129 532)	(214 763)	128 147	(86 616)
Prior periods	(215 119)	112 014	(103 105)	(139 075)	39 156	(99 919)
Claims reserves	1 515 094	(432 401)	1 082 693	1 403 193	(393 219)	1 009 974

Breakdown by type of reserve

(in thousand)	December 31, 2013			December 31, 2012		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Reserves for unearned premiums	344 975	(61 390)	283 585	356 495	(69 569)	286 926
Claims reserves	1 515 094	(432 401)	1 082 693	1 403 193	(393 219)	1 009 974
of which, reserves for known claims	1 169 313	(403 847)	765 466	1 125 604	(386 961)	738 643
of which, reserves for late claims	638 108	(170 406)	467 702	536 732	(161 720)	375 012
of which, reserves for claims handling expenses	94 211	(12 220)	81 991	94 902	(11 840)	83 062
of which, other technical reserves	170	1	171	(207)	(1)	(208)
of which, recoveries to be received	(386 708)	154 071	(232 637)	(353 838)	167 303	(186 535)
No-claims bonuses and rebates	168 613	(36 085)	132 528	170 958	(36 162)	134 796
Technical reserves	2 028 682	(529 876)	1 498 806	1 930 646	(498 950)	1 431 696

Notes to the consolidated financial statements

Note 19 Insurance and reinsurance liabilities

Breakdown by type and by maturity

(in € thousand)	December 31, 2013	December 31, 2012			
Policyholders' guarantee deposits and miscellaneous	102 418	90 197			
Due to policyholders and agents	89 723	93 712			
Liabilities arising from inwards insurance and reinsurance transactions	192 141	183 909			
Due to reinsurers and assignors	51 189	27 708			
Deposits received from reinsurers	94 111	120 389			
Outwards reinsurance liabilities	145 300	148 097			
Total insurance and reinsurance liabilities	337 441	332 006			
(in € thousand)	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total insurance and reinsurance liabilities	332 046	4 950	-	445	337 441

Note 20 Other liabilities

(in € thousand)	December 31, 2013	December 31, 2012			
Tax and social liabilities	137 462	142 346			
Other operating liabilities	117 052	120 456			
Deferred income	30 124	27 025			
Other accrued expenses	-	0			
Other liabilities	147	683			
Total other liabilities	284 785	290 510			
(in € thousand)	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total other liabilities	270 228	7 254	468	6 835	284 785

Note 21 Breakdown of operating income

(in € thousand)	December 31,					
	2013			2012		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Premiums and commissions	2 202 496	(660 909)	1 541 587	2 146 423	(688 525)	1 457 898
Premiums refunded	(109 896)	25 851	(84 045)	(112 044)	27 254	(84 790)
Gross premiums written - credit insurance	2 092 600	(635 059)	1 457 541	2 034 379	(661 271)	1 373 108
Change in unearned premiums	(13 580)	(8 403)	(21 983)	(39 305)	10 527	(28 778)
Earned premiums	2 079 020	(643 462)	1 435 558	1 995 074	(650 744)	1 344 330
Service revenues	407 220	-	407 220	402 822	-	402 822
Turnover	2 486 240	(643 462)	1 842 778	2 397 896	(650 744)	1 747 152
Net investment income	86 150	-	86 150	109 041	-	109 041
Claims paid	(808 548)	268 872	(539 676)	(988 258)	414 900	(573 358)
Claims reserves expenses	(142 998)	49 827	(93 171)	21 728	(63 855)	(42 127)
Claims handling expenses	(94 984)	2 849	(92 135)	(83 257)	3 205	(80 052)
Insurance services expenses	(1 046 530)	321 548	(724 982)	(1 049 787)	354 250	(695 537)
Brokerage commissions	(197 177)	-	(197 177)	(199 635)	-	(199 635)
Other acquisition costs	(236 701)	-	(236 701)	(199 695)	-	(199 695)
Change in acquisition costs capitalised	7 372	-	7 372	8 165	-	8 165
Contract acquisition expenses	(426 506)	-	(426 506)	(391 165)	-	(391 165)
Impairment of portfolio securities and similar	-	-	-	-	-	-
Administration expenses	(206 065)	-	(206 065)	(239 869)	-	(239 869)
Commissions received from reinsurers	-	219 611	219 611	-	253 501	253 501
Other ordinary operating income and expenses	(359 575)	-	(359 575)	(342 672)	-	(342 672)
Current operating income	533 714	(102 303)	431 411	483 444	(42 993)	440 451

Due to the retrospective application of IAS 19 revised, items of the income statement at the end of December 2012 have been modified as follows: administration expenses decreased by €1,565 thousand and other ordinary operating income and expenses by €5,611 thousand, totalising a net impact on current operating profit of €7,176 thousand.

Notes to the consolidated financial statements

Cost of claims

(in € thousand)

December 31,

	2013			2012		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Cost of claims for the current period	1 411 931	(396 626)	1 015 305	1 647 053	(649 186)	997 867
of which, claims paid	308 498	(91 778)	216 720	588 539	(328 577)	259 962
of which, claims reserves	1 013 708	(300 135)	713 573	964 523	(316 180)	648 343
of which, claims handling expenses	89 725	(4 713)	85 012	93 991	(4 429)	89 562
Recoveries for the current period	(183 073)	43 903	(139 170)	(324 224)	230 721	(93 503)
Recoveries received	(11 244)	1 862	(9 381)	(109 393)	103 724	(5 669)
Change in reserves for recoveries	(171 829)	42 041	(129 788)	(214 831)	126 997	(87 834)
Cost of claims from prior periods	(194 114)	41 450	(152 664)	(212 311)	44 158	(168 153)
of which, claims paid	636 715	(224 317)	412 398	635 116	(221 696)	413 420
of which, claims reserves	(836 088)	263 903	(572 185)	(836 693)	264 630	(572 063)
of which, claims handling expenses	5 259	1 864	7 123	(10 734)	1 224	(9 510)
Recoveries from prior periods	11 785	(10 274)	1 512	(60 731)	20 057	(40 674)
Recoveries received	(125 421)	45 362	(80 059)	(126 004)	31 649	(94 355)
Change in reserves for recoveries	137 206	(55 636)	81 571	65 273	(11 592)	53 681
Cost of claims	1 046 530	(321 547)	724 983	1 049 787	(354 250)	695 537

Note 22 Net financial income

(in € thousand)

December 30,

	2013	2012
Revenues from investment property	2 714	902
Revenues from equity & debt securities	63 766	73 404
Available for sale assets through equity	63 749	73 382
Trading assets	-	-
Held to maturity	17	22
Revenues from loans, deposits and other financial investments	21 383	22 688
Other financial income	509	1 757
Investment income	88 372	98 751
Depreciation of investment property	(1 338)	(296)
Investment management expenses	(6 790)	(11 179)
Interest paid to reinsurers	(262)	(311)
Other financial expenses	-	-
Investment expenses	(8 390)	(11 786)
Profits (losses) on sales of property	(345)	3 577
Net profits (losses) on sales of securities	13 337	23 174
Available for sale assets through equity	21 380	21 284
Trading assets	-	-
Held to maturity	-	-
On sales of loans to banks and customers	(8 043)	1 890
Profits (losses) on sales of participating interests	-	-
Net gain (loss) on sales of investments less impairment and depreciation write back	12 992	26 751
Change in fair value of derivatives	(5 122)	(1 900)
Change in fair value of trading assets	-	-
Change in fair value of investments recognised at fair value through the income stat	(5 122)	(1 900)
Reserve for impairment of investments	(1 162)	(1 944)
Change in impairment of investments	(1 162)	(1 944)
Net change in foreign currency	(540)	(831)
Net financial income (excluding financing expense)	86 150	109 041

Notes to the consolidated financial statements

Note 23 Operating leases

The note below presents the rents from the simple rent agreements for which the entities are committed on the future exercises.

(in € thousand)	December 31, 2013				
	United Kingdom	United States	Northern Europe (1)	Germany	France
Less than 1 year	2 142	2 242	2 255	1 083	18 247
1 to 5 years	7 949	7 856	7 866	1 448	60 090
More than 5 years	2 773	485	0	143	27 007
Total	12 864	10 582	10 122	2 674	105 345

(1) include Netherland, Scandinavia and Belgium

Following the relocation from 1, rue Euler to First Tower in *La Défense*, Euler Hermes France has a rental contract of 9 years since January 1st, 2012 for an annual amount of €10,417 thousand.

Note 24 Other ordinary operating revenues and expenses

(in € thousand)	December 31,	
	2013	2012
Other ordinary operating income	21 611	13 800
Other ordinary operating expenses	(371 992)	(348 518)
Employee profit sharing and bonuses	(9 194)	(7 953)
Other ordinary operating expenses	(381 186)	(356 471)
Other ordinary operating income and expenses	(359 575)	(342 671)

The other technical expenses mainly concern expenses related to services activities.

Note 25 Other operating revenues and expenses

(in € thousand)	December 31,	
	2013	2012
Other non-ordinary operating income	59 384	17 193
Other non-ordinary operating expenses	(32 189)	(25 809)
Other non-ordinary operating income and expenses	27 195	(8 616)

In 2013, the other non-ordinary operating income are mainly due to the gain on the contribution of the assets to the JV Solunion for €36,866 thousand and to the release of used restructuring provision for €22,518 thousand mainly for Excellence project.

The other non-ordinary operating expenses are mainly due to restructuring expenses related to Excellence project for €32,189 thousand.

In 2012, the other non-ordinary expenses were mainly 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.

Notes to the consolidated financial statements

Note 26 Corporation tax

Breakdown of tax charge between current income tax and deferred income tax

The tax charge is split as follows :

(in € thousand)	December 31, 2013
Current income tax	
France	32 945
Other countries	100 351
Subtotal	133 296
Deferred income tax	
France	(1 666)
Other countries	5 366
Subtotal	3 700
Total Corporation tax as reported in the income statement	136 996

Tax proof

The reconciliation between the theoretical tax charge (pre-tax profit multiplied by the applicable tax rate in France for the period concerned) and the effective tax charge is as follows :

Consolidated income before taxes	454 077
Theoretical tax rate	34,43%
Tax at theoretical tax rate	-156 339
Contribution of companies booked at equity	2 668
Impact of differences between group and local tax rates	33 860
Local specific taxes	-4 710
Net tax exempt income	1 882
Tax group boni	2 487
Dividends	-9 520
Corrections and adjustments on prior years periods	-1 817
Allowance of provision for tax uncertainties	-493
Other permanent differences	-5 013
Tax at effective tax rate	-136 996
Effective tax rate	30,17%

The main variances are due to:

- the differences in tax rates due to the presence of the Group in countries which have a different theoretical tax rates;
- dividends consist of taxable dividends outside the French Tax Group as well as the additional contribution of 3 % on dividends paid by Euler Hermes S.A.;
- permanent differences mainly taxation without basis and unrecognized tax losses;
- reduced rates;
- specific tax positions (mainly adjustments on prior years periods of tax losses).

Notes to the consolidated financial statements

Note 27 Earnings per share and dividend per share

Earnings per share

	December,31	
	2013	2012
Distributable net income (in thousand of euros)	313 729	305 500
Weighted average number of ordinary shares before dilution	44 071 909	43 874 735
Earnings per share (in euros)	7,12	6,96
Distributable net income (in thousand of euros)	313 729	305 500
Weighted average number of ordinary shares after dilution	44 153 434	43 902 669
Diluted earnings per share (in euros)	7,11	6,96

The dilution impact takes into account the exercise of options.

The average number of shares resulting from dilution is 81,524 in 2013 (27,934 in 2012).

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 28, 2014 the payment of a dividend of €4.20 per share concerning the 2013 period.

Note 28 Segment data

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

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

For the Euler Hermes group the primary segment is the geographical segment as it corresponds to the information presented to the Group's management bodies.

Notes to the consolidated financial statements

Profit & loss by segment - end December 2013

(in € thousand)										
Twelve months ended December 31, 2013										
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Group reinsurance	Group services	Inter-segment eliminations	Group
Premiums written	661 333	355 745	484 642	247 803	252 885	72 708	1 425 334	-	(1 297 954)	2 202 496
Premiums refunded	(49 028)	(28 697)	(22 229)	218	(5 161)	(2 313)	(74 325)	-	71 639	(109 896)
Change in unearned premiums	4 820	(891)	2 090	295	(11 286)	789	6 448	-	(15 845)	(13 580)
Earned premiums - non-Group	617 125	326 157	464 503	248 316	236 438	71 184	1 357 457	-	(1 242 160)	2 079 020
Services revenues - non-Group	176 095	71 718	86 813	60 494	38 494	20 565	-	143 558	(190 517)	407 220
Turnover - Intra-sectoral	793 220	397 875	551 316	308 810	274 932	91 749	1 357 457	143 558	(1 432 677)	2 486 240
Investment income	30 657	27 520	15 124	7 614	8 478	(4 609)	25 431	228 842	(252 907)	86 150
<i>Of which, dividends</i>	(2 847)	(1 281)	-	-	-	-	-	(246 269)	250 397	-
Total ordinary income	823 877	425 395	566 440	316 424	283 140	87 140	1 382 888	372 400	(1 685 584)	2 572 390
Insurance services expenses	(291 215)	(153 371)	(297 503)	(164 538)	(87 413)	(37 453)	(639 137)	(2 714)	626 814	(1 046 530)
Outwards reinsurance income	320 699	180 731	310 374	165 534	111 992	41 713	434 207	-	(1 024 092)	541 158
Outwards reinsurance expenses	(405 759)	(219 198)	(328 848)	(178 986)	(174 391)	(49 644)	(528 798)	-	1 242 163	(643 461)
Net outwards reinsurance income or expenses	(85 060)	(38 467)	(18 474)	(13 452)	(62 399)	(7 931)	(94 591)	-	218 071	(102 303)
Other income and expenses	(309 247)	(154 431)	(220 162)	(119 075)	(117 000)	(52 536)	(438 996)	(168 492)	587 793	(992 146)
Total other income and expenses	(685 522)	(346 269)	(536 138)	(297 065)	(266 812)	(97 920)	(1 172 724)	(171 206)	1 432 678	(2 140 979)
CURRENT OPERATING INCOME	138 355	79 126	30 301	19 359	16 598	(10 780)	210 164	201 194	(252 906)	431 411
Other non ordinary operating expenses	(17 345)	(219)	(2 955)	(8 533)	-	-	-	(3 137)	-	(32 189)
Other non ordinary operating income	11 007	25 902	3 141	9 672	17 645	-	-	(334)	(7 649)	59 384
OPERATING INCOME	132 017	104 809	30 487	20 498	34 243	(10 780)	210 164	197 723	(260 555)	458 606
Financing expenses	(109)	(436)	(74)	(166)	(23)	(1)	(523)	(12 135)	2 514	(10 953)
Share of income from companies accounted by the equity method	6 992	6 587	-	-	-	-	-	(7 135)	-	6 424
Corporation tax	(39 440)	(45 662)	(5 624)	(8 019)	(8 362)	(485)	(43 546)	14 142	-	(136 996)
CONSOLIDATED NET INCOME	99 460	65 278	24 789	12 313	25 858	(11 266)	166 095	192 595	(258 041)	317 081
NET INCOME, GROUP SHARE	96 868	66 012	24 789	10 819	25 858	(11 266)	166 095	192 595	(258 041)	313 729
Non controlling interests	2 592	(734)	-	1 494	-	-	-	-	-	3 352

Profit & loss by segment - end December 2012

(in € thousand)										
Twelve months ended December 31, 2012										
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Group reinsurance	Group services	Inter-segment eliminations	Group
Premiums written	659 744	373 452	478 189	265 109	244 205	68 725	1 350 067	-	(1 293 067)	2 146 423
Premiums refunded	(52 456)	(32 092)	(19 583)	(73)	(4 008)	(1 618)	(79 258)	-	77 042	(112 044)
Change in unearned premiums	(4 964)	(1 289)	(8 686)	(7 055)	(10 720)	(3 291)	1 390	-	(4 689)	(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
Services 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
<i>Of which, dividends</i>	(1 202)	(1 319)	(110)	-	-	-	(1 540)	(228 653)	232 823	-
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)	644 904	(1 049 787)
Outwards reinsurance income	403 587	195 591	271 377	152 568	107 563	51 667	474 996	-	(1 049 598)	607 751
Outwards reinsurance expenses	(390 469)	(224 609)	(317 286)	(188 970)	(167 219)	(46 418)	(536 486)	-	1 220 713	(650 744)
Net outwards reinsurance income or expenses	13 118	(29 018)	(45 909)	(36 402)	(59 656)	5 249	(61 490)	-	171 115	(42 993)
Other income and expenses	(302 752)	(162 433)	(205 612)	(127 351)	(107 241)	(44 553)	(428 854)	(72 771)	477 861	(973 706)
Total other income and expenses	(677 081)	(349 536)	(493 168)	(300 350)	(228 757)	(84 127)	(1 145 870)	(81 479)	1 293 880	(2 066 486)
CURRENT OPERATING INCOME	136 225	91 354	42 766	26 688	47 943	(5 102)	150 530	184 709	(234 664)	440 451
Other non ordinary operating expenses	(15 988)	(1 226)	(3 262)	(294)	(3 345)	-	-	(1 894)	-	(25 809)
Other non ordinary operating income	15 670	927	2 055	(1 459)	-	-	-	-	-	17 193
OPERATING INCOME	135 907	91 055	41 559	24 935	44 598	(5 102)	150 530	183 015	(234 664)	431 835
Financing expenses	(237)	(277)	(470)	(402)	(39)	(7)	(680)	(16 024)	4 538	(13 598)
Share of income from companies accounted by the equity method	9 390	4 648	-	-	-	-	-	-	-	14 038
Corporation tax	(42 809)	(36 940)	(8 520)	(8 658)	(16 559)	1 011	(28 961)	18 949	(26)	(122 513)
CONSOLIDATED NET INCOME	102 251	58 486	32 569	15 875	28 000	(4 098)	120 889	185 940	(230 152)	309 762
NET INCOME, GROUP SHARE	98 981	58 271	32 569	15 098	28 000	(4 098)	120 889	185 940	(230 152)	305 500
Non controlling interests	3 270	215	-	777	-	-	-	-	-	4 262

Depreciation, amortisation and provisions by segment

(in € thousand)										
Twelve months ended December 31, 2013										
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Group reinsurance	Group services	Inter-segment eliminations	Group
Provisions for loans and receivables	(112)	(1 722)	(1 016)	-	21	12	(261)	(4 543)	-	(7 621)

(in € thousand)										
Twelve months ended December 31, 2012										
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Group reinsurance	Group services	Inter-segment eliminations	Group
Provisions for loans and receivables	280	(3 048)	(32)	(654)	46	26	12	(769)	-	(4 139)

Notes to the consolidated financial statements

Balance sheet by segment - end December 2013

(in € thousand)

December 31, 2013

	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Group reinsurance	Group services	Inter-segment eliminations	Group
Goodwill	-	-	62 768	5 936	27 649	3 136	-	-	-	99 489
Other intangible assets	48 026	18 508	7 072	7 148	1 266	2 616	553	5 823	(2 027)	88 985
Investments - insurance businesses	536 952	758 372	191 498	44 564	76 364	35 516	843 021	1 702 303	(438 682)	3 749 908
Investments accounted for by the equity method	73 565	48 634	-	-	-	-	-	71 654	-	193 853
Share of assignees and reinsurers in the technical reserves and financial liabilities	259 706	128 875	254 405	207 027	80 616	52 324	270 756	110	(732 943)	529 676
Insurance and reinsurance receivables	57 355	73 957	187 846	56 618	69 758	31 844	319 397	(47)	(161 573)	635 355
Other assets	308 935	117 251	244 785	251 632	65 655	(34 777)	59 717	134 884	(382 892)	765 190
Total assets	1 284 539	1 145 597	948 374	573 125	321 308	90 659	1 502 444	1 914 727	(1 718 117)	6 062 656
Technical reserves	534 460	253 066	487 084	323 877	214 034	94 306	857 844	48	(736 037)	2 028 682
Liabilities related to inward insurance and reinsurance transactions	19 933	70 402	50 513	33 293	5 820	10 001	77 669	1 043	(76 533)	192 141
Liabilities related to outward reinsurance transactions	36 668	4 269	48 815	33 345	18 737	891	107 782	43	(105 250)	145 300
Other liabilities	425 696	251 632	272 950	154 292	34 162	13 172	62 200	659 499	(705 522)	1 168 081
Total liabilities	1 016 757	579 369	859 362	544 807	272 753	118 370	1 105 495	660 633	(1 623 342)	3 534 204

Balance sheet by segment - end December 2012

(in € thousand)

December 31, 2012

	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Group reinsurance	Group services	Inter-segment eliminations	Group
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	343 097	151 192	234 814	257 106	80 547	(31 729)	58 225	126 534	(371 725)	848 061
Total assets	1 363 700	1 239 918	983 474	586 757	365 366	77 306	1 344 627	1 856 144	(1 740 209)	6 077 081
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 inward 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 outward reinsurance transactions	25 276	7 882	70 362	36 626	21 795	450	131 123	-	(145 417)	148 097
Other liabilities	508 645	267 889	283 216	156 437	44 512	9 154	36 374	637 500	(542 800)	1 400 927
Total liabilities	1 052 353	613 241	883 077	562 435	309 980	84 349	973 019	639 320	(1 454 195)	3 663 579

Note 29 Related parties

Euler Hermes is mainly owned by Allianz France SA, 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 France SA	26 864 230	59,25%
Allianz Vie	3 879 818	8,56%
Treasury shares	1 161 362	2,56%
Sub-total	31 905 410	70,37%
Public (bearer securities)	13 436 767	29,63%
Total	45 342 177	100,00%

Transactions

(in € thousand)

December 31, 2013

December 31, 2012

	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	52 156	-	-	77 327	49 353	-	-	28 474
Insurance services expenses	(2 371)	-	-	(84 840)	(32 834)	-	-	(13 587)
Net income or expense on reinsurance	(33 285)	-	-	3 603	(23 144)	-	-	(64)
Financing expenses	-	(4 818)	-	-	-	(5 545)	-	-
Other financial net incomes	(13 440)	-	-	(27 710)	(9 269)	-	-	(9 327)

Due to the early repayment of the borrowing contracted in 2010 with Allianz Belgium in November 2013, a realized loss of €12.9 million has been recorded at Euler Hermes SA.

Notes to the consolidated financial statements

Receivables and liabilities

(in € thousand)	December 31, 2013				December 31, 2012			
	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	-	-	-
Current accounts (accrued interests included)	37 125	-	-	4	33 930	-	-	3
Net operating receivables	2 672	-	-	857	841	-	-	669
Borrowings (accrued interests included)	-	-	-	-	-	137 879	-	-
Operating liabilities	(8 179)	-	-	2 639	(6 552)	-	(218)	355

The corporate bonds Allianz SE 14-month for €160 million has reached his maturity in November 2013.

Borrowing contracted in 2010 with Allianz Belgium for €135 million with maturity planned for 2020 has been reimbursed by anticipation in 2013.

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.

Notes to the consolidated financial statements

Remuneration of senior executives

Group Management Board members and Supervisory Board members represent the key management personnel of the Group.

The following table summarizes amounts due by the Group in respect of compensation and other benefits granted to the members of the Group Management Board.

Group Management Board members

(in € thousand)	Year ended December 31,	
	2013	2012
Salaries and other short term benefits for the year	5 365	5 111
Capital gain from SAR/RSU exercise	-	-
Benefits in kind	370	374
Other indemnities	255	1 669
Total	5 991	7 154
Share-based attribution (number)	19 377	23 811
- Euler Hermes RSU	12 171	15 112
- Allianz RSU	7 206	8 699

Details related to the stock-options plans are mentioned in Note 31.

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, Paul Overeem, Dirk Oevermann and Frédéric Bizière are eligible for a supplementary defined-contribution pension plan managed by AG2R/ARIAL Assurances.

Paul Overeem is eligible for a 401k pension plan in the United States.

Wilfried Verstraete and Gerd-Uwe Baden are eligible for the Allianz Group supplementary defined-contribution retirement plan for senior executives.

The Chapter 2, Paragraph 2.3 of the Registration Document contains detailed disclosures on the various compensation and benefits paid to key management personnel of the Group.

The following table summarizes attendance fees paid by the Group to members of the Supervisory Board being part of Allianz France and/or the Allianz group.

Supervisory board members being part of Allianz France and/or the Allianz Group:

(in € thousand)	Year ended December 31,	
	2013	2012
Compensation paid to Supervisory Board members	185	180

Notes to the consolidated financial statements

Note 30 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 plan	Purchase plans	
	juin-2005	sept-2006	juin-2008
Fair value of options allocated	13,10	22,29	6,83
Characteristics			
Date of EGM	23/04/2003	22/05/2006	22/05/2006
Period of validity of options	8 years	8 years	8 years
Rights vesting period	2 years	2 years	2 years
Assumptions			
Risk-free interest rate	3,01%	4,01%	4,72%
Expected volatility (1)	25%	25%	33%
Rate of return on shares	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.

Notes to the consolidated financial statements

Information on plans currently in effect

As at December 31, 2013, the following options are potentially exercisable:

Allocation date	Subscription plans (1)	Purchase plans (2)	
	June-05	September-06	June-08
Number of options outstanding	0	116 537	47 456
End of subscription period	June-13	September-14	June-16
Exercise price of valid options at end of period	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, 2012 may be summarised as follows:

Year ended December 31, 2013					
	Average exercise price (€)	Number of options	Average price of EH share on exercise dates (€)	Average residual term (years)	Exercise price range of options still outstanding at end of period (€)
Start of period	71,31	417 750	0,00	0	0
Allocation	-	-	0,00	0	0
Fiscal Year	64,34	229 632	64,34	0	0
Cancellation	69,36	24 125	0,00	0	0
End of period	81,36	163 993	0,00	1,19	55,67-91,82

Year ended December 31, 2012					
	Average exercise price (€)	Number of options	Average price of EH share on exercise dates (€)	Average residual term (years)	Exercise price range of options still outstanding at end of period (€)
Start of period	67,90	480 383	0,00	0	0
Allocation	-	-	0,00	0	0
Fiscal Year	45,21	57 350	45,21	0	0
Cancellation	44,41	5 283	0,00	0	0
End of period	71,31	417 750	0,00	1,80	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 four or five years. The remuneration is granted by each entity concerned in accordance with the conditions set by Allianz. The reference price of SAR and RSU for the remuneration of the beneficiaries is the average trading price of Allianz shares over the ten trading days immediately preceding Allianz's Annual Shareholders' Meeting.

Notes to the consolidated financial statements

Characteristics of the SAR and RSU plans

(in € thousand)	SAR Plans						Total
	17-May-06	08-Mar-07	06-Mar-08	12-Mar-09	11-Mar-10		
Fair value at 31 December 2013 (in euros)	-	0,01	15,04	77,93	43,05		
Total commitment	-	-	371	916	1 312		2 599
Opening commitment	0	2	134	778	450		1 365
Charge recognised during the period	0	-2	237	412	805		1 452
Exercise of options	-	-	-	(274)	0		-274
Closing commitment	-	-	371	916	1 255		2 542

(in € thousand)	RSU Plans						Total
	6-Mar-08	12-Mar-09	11-Mar-10	10-Mar-11	8-Mar-12	7-Mar-13	
Fair value at 31 December 2013 (in euros)	-	130,35	125,05	125,05	119,57		113,94
Total commitment	-	1 001	1 892	2 711	3 278	2 340	11 222
Opening commitment	1 205	566	874	1 120	869	-	4 632
Charge recognised during the period	49	390	593	885	889	809	3 616
Exercise of options	-1 254	0	0	0	0	-	-1 254
Closing commitment	-	956	1 467	2 005	1 758	809	6 994

- 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 or four-year vesting period, 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, 2013

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 or four years for the RSU. At December 31, 2013, the liability relating to the SAR and RSU still to be exercised amounted to €9, 536 thousand.

Information on plans currently in effect

Allocation date	Year ended December 31, 2013													
	Rights vesting period (years)	Reference price (€)	SAR			SAR		Rights vesting period (years)	RSU					
			SAR at the opening	SAR granted	SAR cancelled	SAR exercised	SAR transferred		RSU at the opening	RSU granted	RSU cancelled	RSU exercised	RSU transferred	
17/05/06	2	132,41	29 046	-	29 046	-	-	-	-	-	-	-	-	-
08/03/07	2	160,13	25 038	-	-	-	-	-	-	-	-	-	-	-
06/03/08	2	117,38	24 700	-	-	-	-	5	11 983	-	-	-	11 983	-
12/03/09	4	51,95	15 634	-	-	3 884	-	5	7 679	-	-	-	-	-
11/03/10	4	87,36	30 481	-	-	-	-	5	15 131	-	-	-	-	-
10/03/11	-	-	-	-	-	-	-	4	21 678	-	-	-	-	-
08/03/12	-	-	-	-	-	-	-	4	27 415	-	-	-	-	-
07/03/13	-	-	-	-	-	-	-	4	-	20 534	-	-	-	-

Euler Hermes group Long-Term Incentive plans

In 2011, a first Euler Hermes group Long-Term Incentive (LTI) plan was implemented, a second one in March 2012 and a third in March 2013. 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.

Notes to the consolidated financial statements

Characteristics of EH RSU plan

(in € thousand)	EH RSU plans			
	01-mars-11	01-mars-12	01-mars-13	Total
Fair value at December 31, 2013	97,98	97,98	97,98	
Total commitment (w/o social contributions)	5 028	7 564	5 995	18 587
Opening commitment	2 027	1 885	-	3 912
Charge recognised during the period	1 819	2 358	2 274	6 451
Exercise of options	-	-	-	-
Closing commitment	3 846	4 243	2 274	10 363

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 and the third as of March 1, 2013.

After the Vesting Date of the EH RSU (March 2015 for the first EH RSU granted, 2016 for the second plan and 2017 for the third 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:

Allocation date	Year ended December 31, 2013					
	EH RSU					
	Rights vesting period (in years)	RSU at the opening	RSU granted	RSU cancelled	RSU exercised	RSU transferred
01/03/2011	4	52 632	-	1 313	-	-
01/03/2012	4	77 936	-	742	-	-
01/03/2013	4	-	61 185	-	-	-

The attribution to the Group Management Board is as follows:

- RSU Allianz 7 206
- RSU Euler Hermes 12 171

The RSU fair value impact amounting to €4,848 thousand was reallocated to financing expense.

Notes to the consolidated financial statements

Note 31 Other information

Group Employees (Contracted headcount)

The breakdown of Group employees is as follows:

	December 31,	
	2013	2012
Germany & Switzerland	1 847	1 912
France	916	939
Northern Europe	1 365	1 329
Mediterranean Countries & Africa	493	581
America	486	478
Asia Pacific	254	218
Captive of reinsurance	12	11
Service Group	767	809
Total Euler Hermes Group	6 140	6 277

The staff numbers shown correspond to the contracted headcount.

Employees of proportionately consolidated companies (NV Interpolis Kreditverzekeringen) are included according to their percentage of consolidation. Employees of equity associates are not included.

Personnel Expenses

	December 31,	
	2013	2012
Staff expenses	(503 195)	(498 140)
Employee profit-sharing and bonuses	(9 194)	(7 953)
Total personnel expenses	(512 389)	(506 093)

Staff costs totalled €512.4 million for the year ended December 31, 2013 against €506.1 million in 2012.

Remuneration due to Group Management Board members for the year 2013 came to €5.991 thousand (2012 : €7.154 thousand).

Notes to the consolidated financial statements

Note 32 Commitments given and received

(in € thousand)	December 31, 2013	December 31, 2012
Commitments received	6 870	8 825
Deposits, sureties and other guarantees	6 870	8 825
Commitments given	51 737	102 810
Deposits, sureties and other guarantees	51 737	102 810
<i>o/w</i>		
- Commitments to Citibank	-	50 000
- Commitments to Société Générale	36 286	37 925
- Commitments to InvestitionsBank Landes Brandenburg	1 857	1 857
- Commitments associated with membership of an EIG	42	180
- Securities buyback agreement	-	-

The given commitment of € 50 million, that was aimed to cover Citibank's customers having signed a credit insurance policy with a Euler Hermes subsidiary in the event that the latter fails to meet its credit insurance policy obligations, was terminated during the third quarter 2013.

The € 36.3 million commitment is a guarantee to the Romanian Bank of Development, BRD, which is a subsidiary of Société Générale Group, in relation to the issuance of bond policies by Euler Hermes Europe S.A. Nederland.

A commitment has been given by the Group to Cardif to guarantee additional cash contribution to the defined benefits pension funds due to index revaluation.

Within the framework agreement, Euler Hermes and MAPFRE gave and receive to each other a commitment liability guarantee.

Note 33 Auditors' fees

(in € thousand)	KPMG Audit FS II				ACE			
	Amount		%		Amount		%	
	2013	2012	2013	2012	2013	2012	2013	2012
Audit								
o Statutory audit and report on company and consolidated financial statements								
- Issuer	354	354	9%	10%	189	186	43%	44%
- Fully-consolidated subsidiaries	2 827	2 888	76%	80%	230	212	52%	51%
o Other services directly related to appointment as statutory auditor								
- Issuer	139	87	4%	2%	22	19	5%	5%
- Fully-consolidated subsidiaries	311	125	8%	3%				
Sub total	3 631	3 454	97%	95%	441	417	100%	100%
Other services provided to fully-consolidated subsidiaries								
o Legal, tax and social	32	69	1%	2%				
o IT		13		0%				
o Strategy	5	27	0%	1%				
o Human resources								
o Other	66	55	2%	2%				
Sub total	103	163	3%	5%				
TOTAL	3 734	3 618	100%	100%	441	417	100%	100%

Note 34 Subsequent events

No subsequent events occurred since December 31, 2013 closing which would impact the assumptions of the annual closing.

Note 35 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.