

Euler Hermes Group

# 2015 Registration Document

Risk Management | Credit Insurance

Debt collection | Bonding



**EULER HERMES**

Our knowledge serving your success

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This Registration Document was filed with the Autorité des Marchés Financiers (AMF) on April 15, 2016, under filing number D. 16-0343, pursuant to Article 212-13 of the AMF General Regulation. It may be used to support a financial transaction if completed by a transaction note approved by the AMF. This document was prepared by the issuer and is the responsibility of its signatories.

**Copies of this Registration Document are available free of charge at Euler Hermes Group's registered office.**

The Registration Document can be consulted and downloaded from the website [www.eulerhermes.com](http://www.eulerhermes.com)



# Euler Hermes Group overview

## Profile

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### Supporting business growth for companies worldwide

Euler Hermes Group, the global leader in trade credit insurance and a recognized specialist in the areas of bonding, guarantees and collections, helps customers worldwide to trade wisely and develop their business safely. Its financial solidity, risk analysis and integrated global structure enable the Group to provide companies of all sizes with the domestic and export market knowledge and support they need to successfully manage their trade receivables in changing economic environments.

**2,638.4** M€

Turnover

**80.1%**

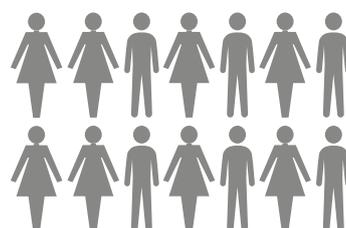
Net combined ratio

**302.5** M€

Net income, Group share

**11.4%**

Return on equity \*



**+ 6,400**

Employees

94% of which hold permanent contracts

**11 years**

Average length of service

**41 years**

Average age

**52%**



Number of women

**48%**

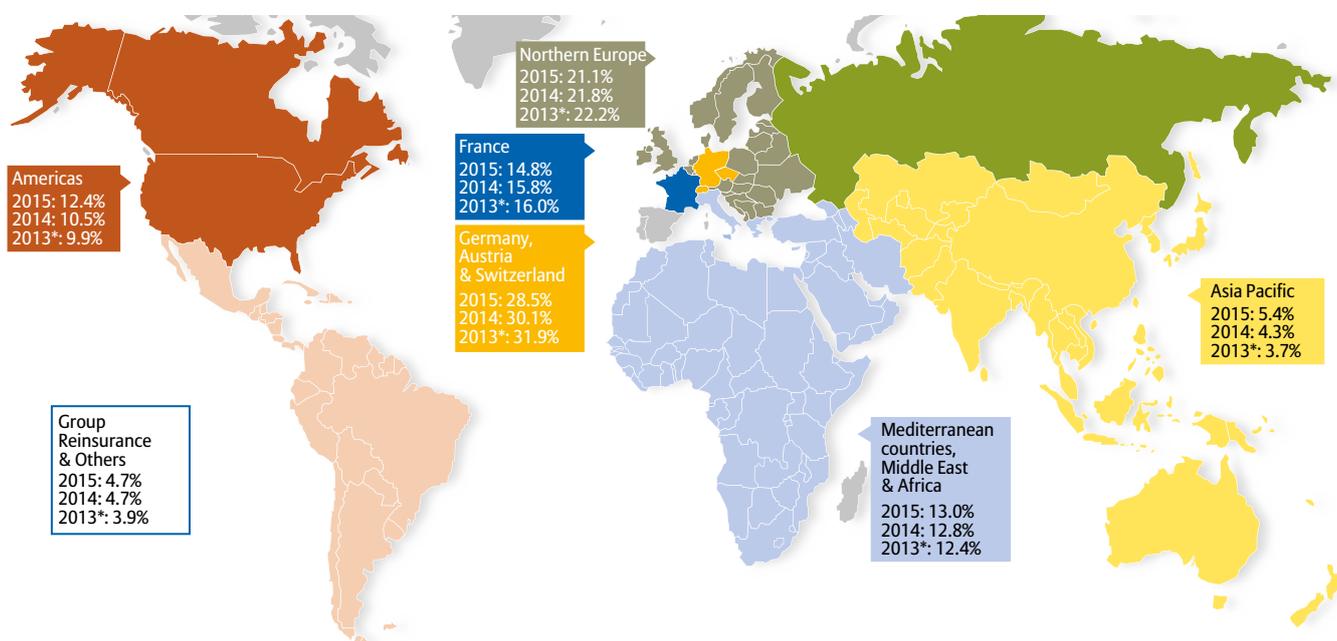


Number of men

(1) Calculated on the basis of net income, Group share relative to average of shareholders equity (excluding minority interests) Group share between end-December 2014 and end-December 2015.

# Key figures

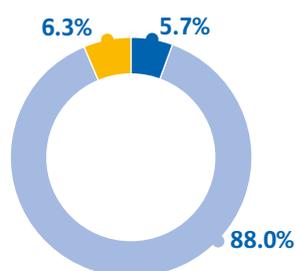
## BREAKDOWN OF TURNOVER BY REGION



(\*) Pro forma with Mexican, Colombian and Chilean activities transferred from Americas to Group Reinsurance & Others; and the activity of Euler Hermes Collection North America shifted from Americas to Group Reinsurance & Others.

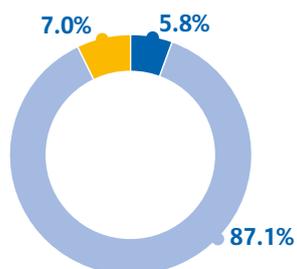
## BREAKDOWN OF TURNOVER BY LINE OF BUSINESS

— AT 31 DECEMBER 2015



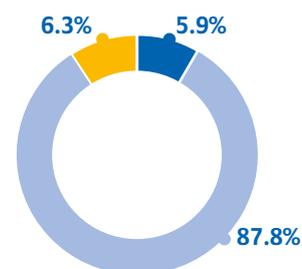
- Credit insurance & debt collection
- Bonding & guarantees
- Other services

— AT 31 DECEMBER 2014



- Credit insurance & debt collection
- Bonding & guarantees
- Other services

— AT 31 DECEMBER 2013



- Credit insurance & debt collection
- Bonding & guarantees
- Other services

# Letter from the Chairman of the Board of Management

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**Wilfried Verstraete**  
Chairman of the Board of Management

“

In 2015 we delivered strong results and maintained overall profitability, demonstrating resilience in a difficult environment.

”

## A review of 2015 and an overview of the Company's 2016 strategic focus from the Chairman of the Euler Hermes Board of Management.

### 2015 review

We began the year 2015 anticipating flat growth at best in our traditional markets and lower rates in most growth markets. But a sharp reversing of gears occurred in growth markets in the second half of the year, resulting in increased insolvencies and claims. Collapsed commodity prices and growth deceleration in emerging markets formed the backdrop by year-end. And unexpected socio-political events created volatility and dampened GDP growth in even the most stable markets.

Four key insolvency markers emerged by year end:

- Reflecting the global economic slowdown in 2015, the Euler Hermes Global Insolvency Index decreased by only 5%, vs a 14% decline in 2014. The Index remained higher by 5% than its 2007 level.
- Worldwide insolvencies stabilized at approximately 300,000 cases, signaling the end of the post-financial crisis adjustment trend and six consecutive years of decline.
- A strong decrease in bankruptcies in the US and Western Europe offset turmoil in Asia and Latin America. However companies in Asia Pacific faced an 11% rise in insolvencies – the first increase since 2008 – largely due to high corporate debt levels, disinflation and disruption. In China alone, insolvencies increased by 25%.
- The average global “days sales outstanding” (DSO) index for trade invoice payments continued to increase one day per year post-crisis (2015: 66 days).

Within this context of macro-/micro-economic contrasts and increased geopolitical volatility, we maintained our growth strategy and also became nimble in the face of changing market scenarios. We focused on prudent underwriting, profitability, efficient reinsurance protection and targeted cost management. And remained agile in the face of price erosion and declining insured volumes in some larger markets, and a market slowdown and increased insolvencies in developing markets.

In 2015 we delivered strong results and maintained overall profitability, demonstrating resilience in a difficult environment.

- New business increased 5% above the record 2014 level, to €322 million, and client retention was again solid at 90%, while our sector remained heavily competitive in both developed and emerging markets.

- Turnover reached €2.6 billion, up +4.4% at actual exchange rates (+0.9% at constant exchange rates), supported by markets outside Europe and non-traditional business lines.
- Operating income increased 1.0%, to €417.4 million, including benefits from a strong increase in service revenues and positive foreign exchange result.
- Net income Group share remained stable at €302.5 million.
- The net loss ratio reached 53.3%, 4.5 points higher year-on-year, following increased claims in the last two quarters in emerging markets and the US. Europe further improved its loss ratio in 2015.
- Our average ROE for the past 5 years stands at 13.0%.

We aimed to sustain our market leadership in 2015\* through a continued focus on our three strategic growth drivers, in which we recorded a mixed balance of successes and market challenges.

Geographically, we continued our targeted expansion, opening offices in Bulgaria and South Africa, and in Latin America to Panama, Peru and Uruguay through our Solunion joint venture with MAPFRE. In Europe, while the low insured turnover volumes trend persisted in France, Germany began to improve modestly versus previous quarters. The Americas and APAC were positively impacted by foreign exchange. Growth remained steady in most of the Mediterranean Countries, Middle East and Africa (MMEA) region, with the exception of Turkey in the second half of the year. Brazil, China and Russia reflected those markets' flat or declining growth, increased insolvencies and claims volatility.

We strengthened distribution in both direct sales and bank channels in 2015, with the latter's scope encompassing new partnerships in all regions. Cross-selling initiatives with other Allianz entities delivered value in sectors as varied as chemical, machinery & equipment, and services – and continue to demonstrate further potential.

\* Euler Hermes Group estimates as at February 2015 based on 2014 market information available at that time (sub-section 1.2.5 – Competitive positioning)

Harmonization of the overall product suite continued globally. Euler Hermes also identified an opportunity that positions it well for the eventual recalibration of oil prices. The energy sector's volatility, coupled with stricter banking regulations, has made it increasingly difficult for North American energy companies to facilitate liquidity to generate growth. To provide those companies with essential credit support and risk management solutions, in mid-2015 Euler Hermes launched "EH Energy" – an innovative combination of credit support and risk management solutions tailored to the US energy supply chain. 2015 also proved another successful year for Bonding – which we now offer clients in nearly 20 countries.

The longer-term strategic view drove the year-end sale of Euler Hermes joint venture Bürgel, a leading German business information company with a 130-year track record and approximately 500 employees. The business was sold to CRIF, an Italian-based global company providing credit information services, credit and software solutions. Employing more than 2,000 employees, and present in 50 countries, CRIF's acquisition will benefit Bürgel through continued investment and international market access.

Operationally,

- we successfully completed and launched our unique policy platform, one of our most strategic IT projects in recent years. Longer term, all group products will be harmonized on this common IT platform.
- The company maintained its AA- with stable outlook rating from Chinese rating agency Dagong Europe and Standard & Poor's.
- Digitalization advanced with the creation of the Digital Agency, which takes a "test & learn" approach to growth opportunities and partnership prototypes.
- The EH 3.0 initiative – designed to make the company easier to work with externally and internally – completed its second year with a wide range of projects implemented, including new product development (EH Energy), new broker portal improvements and the exchange of multiple best practice or service ideas across regions.

Euler Hermes' internal model for Solvency II was validated by the regulators in November 2015. All Euler Hermes entities operating in the European Economic Area are Solvency II-compliant with requirements in force on January 1, 2016. The company uses its internal model for computing its solvency capital requirement and setting its risk appetite. The Group's first published solvency position of 173% further illustrates its financial solidity.

Our thought leadership was further strengthened in 2015 with increased publications and media interviews by the economic research team, including television appearances in APAC, Italy, Turkey, and the UK. The Euler Hermes internet sites were extensively upgraded to simplify and

enhance customer access to relevant information and assistance. Our official social media channels – LinkedIn, Twitter, YouTube - are now fully integrated into global communications, marketing and recruiting activities, and governed by company-wide guidelines launched during the year.

## 2016 outlook: Insolvencies, Acceleration, Technical Excellence

Looking at the broader international economic situation, modestly positive growth trajectories are evolving in some key economies like Europe, India and the US. And the gradual lifting of sanctions against Cuba and Iran offers potential long-term opportunities. However, in 2016 companies will continue to face a tough series of challenges generated by:

- the protracted downturn in oil and other commodity prices creating a negative domino across supply chains;
- erratic or flagging growth in former engine markets;
- lingering low inflation;
- continuing socio-geo-political unpredictability;
- "disruption" spreading to more sectors, driven by their physical distance from clients, reduced R&D and infrastructure dependence.

We see three main risks for companies in the coming year, all of which are expected to rise:

- currency risk;
- political risks, linked to national elections or referendums and the return of protectionist measures, and
- the risks of non-payment.

At the end of 2015, our global sector analysis downgraded 148 industries, upgrading only 76 – one in four industries is now in sensitive or high-risk territory. Our global insolvency index shows a rise in rates for the first time since 2009. Late payments are increasing in many countries, partly driven by global market interconnectivity.

For our customers, we are a key infrastructure and knowledge provider to their local and global trade and cash flow strategies. And our product suite now offers them protection not only from insolvency but also new threats like online fraud and cyberattack. We will continue to increase the channels and ease by which they can quickly access economic or client insights to make decisions about their buyer, export and growth strategies. We are accelerating the pace of global initiatives like EH 3.0 by fast-tracking a number of operational and service initiatives. By being more digitally adept we will be able to move closer to our customers and respond to their needs faster.

While strengthening our customer service, we will sustain our focus on technical excellence in pricing, risk underwriting and overall portfolio risk management. The continuing socio-political volatility demonstrated in the early months of 2016 reinforces a sustained selectivity and prudence in both our new business and underwriting approach. Cost vigilance will remain a priority in both mature markets and more recent investment areas. These efforts focus on a clear target: strengthening and sustaining the profitability of our business short- and longer-term.

Knowledge of client needs and concerns will become ever more important as we continue to transform our company to be closer to clients and to harness the benefits of digitalization. As a global market leader, our employee's diversity is vital to our client relationships and business success. Their unique perspectives contain the seeds of future solutions. On behalf of the Board of Management, I would like to thank them for their dedication to our clients and to our 2015 performance. We look forward to working even closer together in 2016.

Paris, April 13, 2016



Wilfried Verstraete  
Chairman of the Board of Management



The Board of Management from April 1, 2016

From left to right: Michele Pignotti, Frédéric Bizière, Clarisse Kopff, Wilfried Verstraete, Paul Overeem, Ludovic Sénécaut.

# Message from the Chairman of the Supervisory Board

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**Clement B. Booth**  
Chairman

“

Scenario planning is a core strength of Euler Hermes – valued by clients, employees and shareholders alike.

”

Euler Hermes delivered solid results during difficult times in 2015. During the Supervisory Board's 2015 strategy planning discussions with the Board of Management we considered several scenarios. One scenario was the occurrence of events that would inhibit the company's ambitious growth aspirations. This included a prolongation of the Chinese economic slowdown, emerging market downturns and continued socio-political volatility. These scenarios manifested themselves in 2015. Markets became volatile due to declining commodity prices, the Chinese growth downturn and increasing insolvencies in former growth-engine emerging markets. While not comparable to 2008-9, 2015 was a year in which many key growth projections continuously declined.

However, customer renewal rates remained strong and steady, above 90% - an important reconfirmation of the value our customers attach to our products and wider services in uncertain times.

Based on the 2015 results, the Board will propose a dividend of 4.40 euros per share to the annual Shareholders Meeting on May 25, 2016. The proposed dividend remains stable compared to 2014 in monetary terms, but represents a high overall payout ratio percentage.

### Board activities and appointments

Throughout the year, the Euler Hermes Supervisory Board proactively reviewed the company's governance and global strategy as markets evolved. We gave constructive and pragmatic counsel on strategic initiatives: final Solvency II preparations, digitalization and the year-end sale of joint venture Bürgel. The full Supervisory Board and Board of Management also conducted an offsite strategy meeting in Hamburg enabling Supervisory Board members to focus on strategic challenges.

This reflects our objective of becoming more familiar with countries in which Euler Hermes has a strong presence. Further details of the Supervisory Board's activities are found in the section 2.2 of the document.

At the May 2015 Shareholders Meeting in Paris, Philippe Carli and I were renewed as members of the Supervisory Board, effective until the 2018 annual Shareholders Meeting. In addition, I was honored to be appointed to serve a third three-year mandate as chairman. At that meeting, Robert Hudry, member of the Supervisory Board since April 2000, and Yves Mansion, member of the Supervisory Board since January 1992, both retired from the Board. Maria Garaña, president and CEO of Microsoft Iberica since 2008, and Axel Theis, member of the Allianz SE Board of Management with responsibility for the global industrial insurance business, credit insurance, reinsurance and the insurance business in Ireland and Great Britain, Russia and the USA, were elected to the Supervisory Board. Their three-year appointments are effective until the 2018 annual Shareholders Meeting. I would like to profoundly thank those retiring from the Board for their years of dedicated service to the company and believe the new Board members will serve the company and its shareholders well.

### Outlook

We expect geopolitical and economic factors will continue to produce the volatile markets and sentiments seen in the first months of 2016.

The business environment will continue to be marked by significant and often unpredictable economic, geopolitical, social and technology change. Commodity prices remain in a state of collapse, with the bottom level of pricing continually being rediscovered. The timing of dramatic, unsettling events has become very hard to predict, but their increased frequency makes businesses and markets skittish.

Scenario planning is a core strength of Euler Hermes – valued by clients, employees and shareholders alike. Through our economic research and risk analysis capabilities we are well equipped, as in past, to remain calm and prudent in the face of new challenges. To some extent this approach and knowledge sharing with customers can help take a degree of uncertainty out of choppy waters. While we do not have all the answers, we may have more than others. The value to our clients in that knowledge-sharing service is reflected in our renewal rate, which has remained strong and steady since before the financial crisis. Euler Hermes remains well-positioned and committed to supporting clients, businesses and markets.

The Supervisory Board will continue to use its wide and varied sector and international market experience to provide the Board of Management with counsel and strategic input. Through its constituent members, the Supervisory Board intentionally strives to mirror the culture and diversity of Euler Hermes and the markets in which it operates.

I would like to close by thanking the Euler Hermes employees, members of the Board of Management and my Supervisory Board colleagues for producing solid 2015 results during quite difficult times. I am also grateful to our clients, business partners and shareholders, for their confidence and the continued dialogue that helps us understand how we can serve them better each year.

Paris, February 17, 2016  
For the Supervisory Board



Clement B. Booth  
Chairman





# 1

## Presentation of the Group

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## 1.1 History and development of the Group

With a history dating back over 100 years, the Group has grown both organically and through acquisitions. Today it ranks as the leading credit insurer worldwide, present in over 50 countries.

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

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

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

In 1996 AGF became SFAC's majority shareholder. The same year, Allianz took control of Hermes.

In 1998 Allianz acquired a majority interest in AGF's capital. SFAC changed its name to Euler SFAC.

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

On April 27, 2000 Euler was listed on the *Premier Marché* of Euronext Paris.

In September 2001 Allianz group and AGF announced their intention to merge their respective credit insurance subsidiaries through the acquisition of Hermes by Euler.

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

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

From 2004 the Group continued its international development.

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

In 2011 the legal restructuring project "Blue Europe" merged 12 separate units of the Group under the single Brussels-based insurance carrier Euler Hermes Europe SA. A memorandum of understanding was signed with MAPFRE to create a Spain and Latin America strategic alliance: to combine the Group's credit risk underwriting expertise with MAPFRE distribution and sales strength.

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

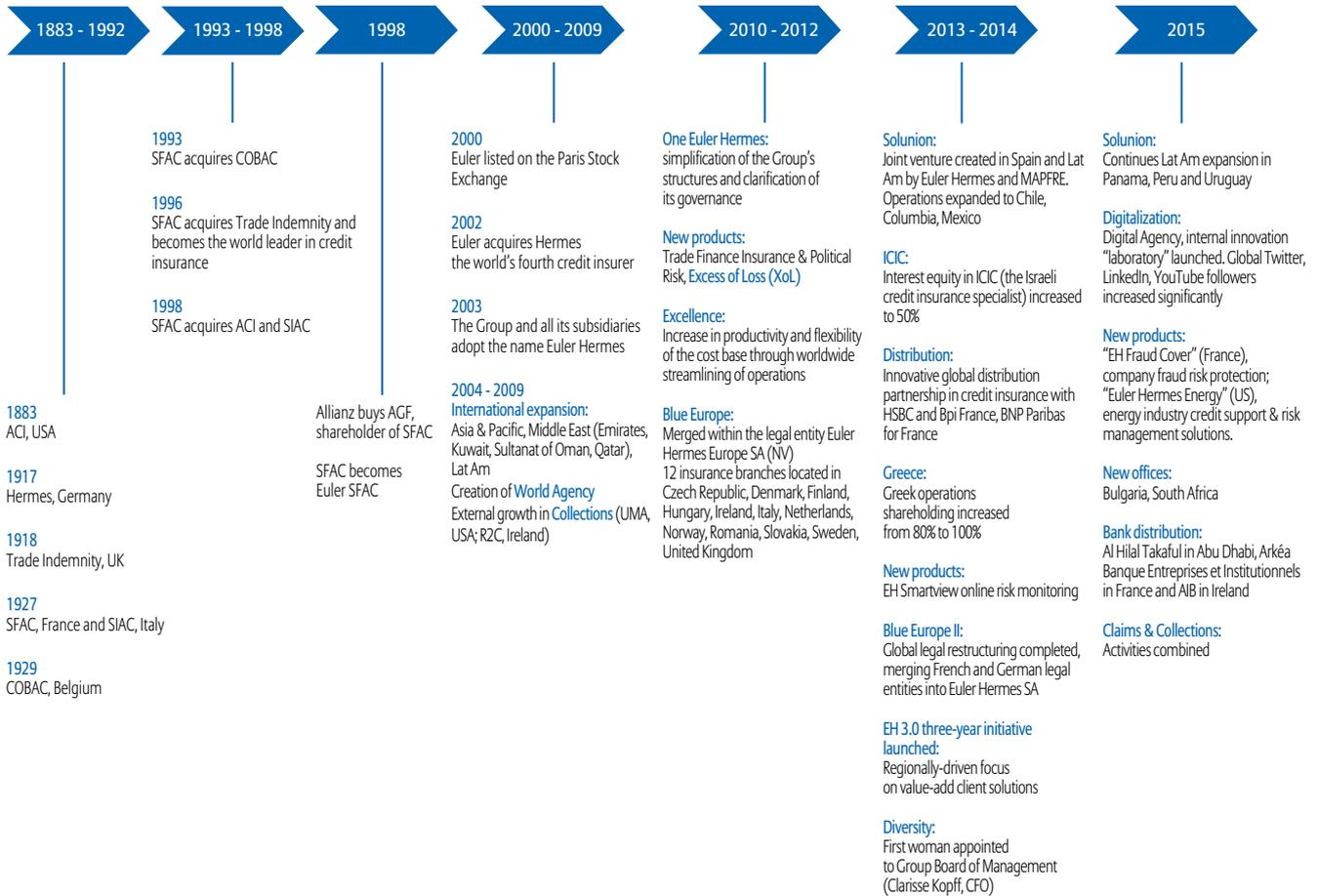
2013 saw the official launch of the Solunion joint venture and the Group also increased its equity interest in the Israeli credit insurance specialist ICIC to 50%. A pioneering, innovative global distribution partnership in credit insurance was forged with HSBC.

In 2014 the Group launched an innovative online solution for risk monitoring for its policyholders: EH Smartview. Partnerships were also established with Bpifrance for a new product guaranteeing short term financing and with BNP Paribas for its corporate clients in France. With local contracts in the US and Malaysia, the HSBC partnership became fully operational in all target countries. The Solunion joint venture expanded into Chile, Columbia and Mexico as planned. In anticipation of Solvency II, the legal restructuring "Blue Europe II", i.e. the merger of Euler Hermes Deutschland and Euler Hermes France insurance companies into the Belgian company Euler Hermes SA (formerly Euler Hermes Europe SA) was successfully completed on time. The Group's third three-year transformational initiative was launched: regionally-driven EH 3.0 focused on client solutions that make the Group easier and more efficient to do business with. Both Chinese agency Dagong Europe and Standard & Poor's rated the Group AA- with a stable outlook. In addition, Clarisse Kopff, Chief Financial Officer, became the first woman appointed to the Board of Management.

In 2015 the Group strengthened its Latin America presence through its joint venture Solunion with the scheduled launch of operations in Panama, Peru and Uruguay. New growth opportunities were created with the opening of offices in Bulgaria and South Africa. Five new bank distribution partnerships were created with Al Hilal Takaful (Abu Dhabi), Arkéa Banque Entreprises et Institutionnels (France), Allied Irish Banks (Ireland), Banco do Brazil (Brazil) and Unicredit (Italy). Customer service launches included: "EH Fraud Cover" in France, an insurance policy against company fraud risk and "Euler Hermes Energy" in the US, risk management solutions for the energy industry. To optimize efficiency and productivity, the Claims and Collections services were combined. 2015 was also marked by the launch of the Euler Hermes Digital Agency, an in-house structure, which aims to accelerate Euler Hermes' digital transformation. Once again the Group was recognized by industry awards globally.

The Company's internet network was completely redesigned to improve the customer journey and optimize social media connections.

■ MILESTONES IN THE GROUP'S HISTORY



## 1.2 Overview of the Group's activities

Euler Hermes Group, a company of Allianz, is the world leader in trade-related insurance solutions, covering €890 billion of business transactions worldwide. On December 31, 2015, the Group had operations in more than 50 countries that together account for over 92% of world GNP.

Its objective is to promote the business growth of its clients, regardless of their size or sector, in their domestic and export markets. To achieve

this goal, overlaying its core credit insurance business, the Group has developed a comprehensive range of services for trade receivables management. The Group's clients benefit from the unparalleled knowledge of corporate solvency developed by its teams of credit analysts who work in close proximity to companies around the world.

## 1.2.1 Main activities

### Credit insurance

The Group enables companies of all sizes to grow with confidence at home or abroad by covering their risk of non-payment when they trade on credit terms.

Accounts receivables represent 30 to 40% of companies' balance sheet, yet if usually companies insure their key assets (factories, inventories...), they do not always insure their account receivables.

Well managed companies want to be credit-insured for the three main following reasons:

- credit-insurers provide a valuable alternative to meet the capital requirements of their credit activity;
- credit-insurers proprietary information acquisition costs are lower than theirs; and
- credit-insurers increase the efficiency of their salesforce by focusing on profitable customers.

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

For short term credit insurance business, the Group offers a range of product targeting different segment of companies, from micro SMEs who need a simple product which provides them with sufficient cover but requests very little maintenance (Simplicity), to large multinationals with at least €500 million consolidated turnover who request tailor-made solutions (World Policy). For these large companies, the Group launched Euler Hermes World Agency in 2008 with in mind to provide them specific support. Dedicated solely to multinationals, this subsidiary provides a team of experts and a range of unique services to help companies optimize trade receivables management and secure payment. Euler Hermes World Agency is now the market leader in this segment.

The short term product range also includes products for SMEs and mid-market corporations.

Besides, the Group broadened its product range by introducing a new service for companies that have experienced in-house credit management

but seek to protect against catastrophe loss and exceptional credit risk events. This product, called Excess of Loss, provides solutions to cover portfolio receivables against such losses based on a suitable risk share (deductible) and an assessment of companies' credit procedures.

Last but not least, in order to support clients on their most difficult risks which fall outside standard cover, the Group has created top up products (CAP, CAP+ and Power CAP).

The Group expanded its existing range of medium term insurance products by developing a new political risk and international trade insurance business (Trade Finance Insurance) under the name Transactional Cover, which was launched by Euler Hermes World Agency. It has now a worldwide geographical presence with four hubs located in Paris, London, New-York and Singapore. Activities encompass exceptional situations, structured trade credit and political perils (including risks of confiscation).

The Group also developed partnerships and specific offers with large international banks and factoring companies in order to meet their specific needs, including in terms of capital relief.

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

### Monitoring of credit risk

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

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

The Group tracks changes in corporate solvency in the world's largest economies. With its dense local coverage and 1,500 credit analysts and risk underwriters, the Group produces its own information on more than 40 million companies, with a database that is unique in the world in both depth and freshness of content, thereby offering its insurance clients the clearest visibility on their customers' credit risk.

Taking a multi-dimensional approach to risk underwriting, the Group also assesses countries' global economic indicators and political stability.

The Group receives more than 20,000 credit requests per day and 85% are processed immediately or in less than 48 hours.

## Collection of unpaid receivables

The Group has been offering international debt collection services as part of its credit insurance policies for decades. It handles 380,000 debt collection files in more than 130 countries. As a leader in the field of debt collection, the Group has its own specialist teams located throughout the world. This integrated network, together with the proprietary information produced by the Group credit analysts, stands unique in the world. It is highly appreciated by clients with receivables to be collected in export markets, where they often encounter difficulties in dealing with an unfamiliar language and legal system.

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

## Indemnification for uncollected debts

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

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

## Bonds and guarantees

Under bonding cover, the Group assumes liability for the beneficiary towards third parties for the most varied types of security (e.g. for obligations as a contractor under construction and supply contracts). The bond or guarantee secures that the contractor will fulfil its obligations (or defects liability) under a contract.

The Group provides a wide variety of surety bonds and guarantees which support customers in numerous industries for all sorts of obligations (e.g. contract performance bonds, custom bonds, infrastructure bonds, etc.).

The Group has developed its bonding portfolio consequently throughout the year. The strategic orientation followed clients' needs and market demands in multiple regions of the world. The Group strengthened its product basket by introduction of different sorts of payment related bonds and guarantees which support clients and complement traditional banking instruments. Almost all sectors benefit from this offer. Promising deals for mandatory bonds in the UK energy market or instruments to cover corporate pension liabilities are examples of how modern requirements can be solved by insurance solutions.

The Group has expanded its offer to issue bonds and guarantees for corporations located in Australia, Italy and Singapore. Those launches were well appreciated by local and international stakeholders. In Turkey, a country where bonds and guarantees were previously written only by banks, the Group applied successfully for a license in bonding. Bonds, in particular in engineering and for constructions projects, will be an alternative for Turkish corporates and their needs in financing. The Group's global presence becomes more and more attractive for multinational players doing business in many countries. Together with solutions offered by Allianz, bonding activity of the Group covers 26 countries now. The process to explore further opportunities has not yet ended and some countries might be added in the future.

Following prudent underwriting principles will always remain key in the Group development strategy. Any future investments in bonding must be based on a profitable approach.

Besides traditional business channels, the Group facilitates an intensive collaboration with Allianz Global Corporate & Specialties (AGCS). Multiple joint clients and projects benefit from the expertise of AGCS and the Group in technical and financial underwriting, providing worldwide support especially in engineering projects or heavy manufacturing deals.

The Group's collaborations with banks guarantee business have reached remarkable dynamics. In many parts of the world banks acknowledge that Basel III regulations trigger the need for capital relief solutions. The Group is prepared to facilitate and to be part of mutual business opportunities.

More than 9,500 clients trust the Group for support in bonds and guarantees, summing up the Group granted facilities to more than €28 billion.

## Other services

### Insurance against fraud

The Group's offer includes insurance against fraud (fidelity insurance for businesses, industry and financial institutions), which covers companies against financial losses resulting from criminal acts committed by their employees, temporary staff or external service providers, such as theft, embezzlement or fraud. It also covers companies against special risks such as losses due to disclosure of company secrets, contractual penalties or hacker losses due to intrusion into IT systems by third parties. This service is currently available throughout Europe.

### Reinsurance

The Group set up a reinsurance dedicated subsidiary (Euler Hermes Reinsurance AG – EH Re) at the end of 2005. Since 2008, every Group's company or branch of activity cedes its business and risks exclusively to EH Re.

By centralizing the reinsurance activity into a dedicated company, the Group has been able to increase its retention capacity making more profit over years and to optimize the terms and conditions by showing one face to the international reinsurance market.

In general, the Group buys on reinsurance market protection against the risk of sudden claims frequency and the risk of occurrence of significantly large claims. In particular, EH Re is an adequate tool enabling to buy more efficient covers through reinsurance treaties protecting both the local and the EH Re's business with additional capital relief. This allows the Group to optimize the capital it must allocate to its business depending on the nature of the risks, the available equity and the risks transferred to the reinsurers. Also, through EH Re, the Group is able to find out on the market optimal covers for very specific risks.

All internal treaties are fully harmonized with the external reinsurance treaties to ensure a complete cover of any commercial and/or political risk in any country where the Group is doing business. Combined with the capacity EH Re delivers, this enables a quicker development of business across all regions at lower costs by sharing the centralized reinsurance expertise and pooling the capacity.

The Group also offers reinsurance capacity to certain subsidiaries in which it does not hold a majority interest, but which adhere to the Group underwriting policies and rules (Solunion in Spain and in Latin America, COSEC in Portugal, Acredia in Austria, ICIC in Israel). Last but not least, since 2014, EH Re does reinsure the bonding business of some Allianz entities with a positive impact on its business volume and further cooperation enhancement between both groups.

## Turnover by activity

December 31, 2015

(in € millions)	All lines of business	Credit Insurance & Debt Collection	Bonding & Guarantees	Other Services
Gross Earned Premiums	2,205.4	1,955.1	157.6	92.8
Service revenues	432.9	366.0	9.5	57.4
<b>Turnover</b>	<b>2,638.4</b>	<b>2,321.1</b>	<b>167.1</b>	<b>150.2</b>
% of Group Turnover	100.0%	88.0%	6.3%	5.7%

December 31, 2014

(in € millions)	All lines of business	Credit Insurance & Debt Collection	Bonding & Guarantees	Other Services
Gross Earned Premiums	2,125.9	1,863.9	169.2	92.7
Service revenues	401.1	337.8	8.2	55.1
<b>Turnover</b>	<b>2,527.0</b>	<b>2,201.8</b>	<b>177.4</b>	<b>147.8</b>
% of Group Turnover	100.0%	87.1%	7.0%	5.8%

December 31, 2013

(in € millions)	All lines of business	Credit Insurance & Debt Collection	Bonding & Guarantees	Other Services
Gross Earned Premiums	2,079.0	1,838.4	150.7	89.9
Service revenues	407.2	345.0	6.9	55.3
<b>Turnover</b>	<b>2,486.2</b>	<b>2,183.4</b>	<b>157.6</b>	<b>145.2</b>
% of Group Turnover	100.0%	87.8%	6.3%	5.9%

## Turnover by geographic region

December 31, 2015

(in € millions)	Group	Germany, Austria & Switzerland	France	Northern Europe	Mediterranean countries, Middle East & Africa	Americas	Asia Pacific	Group Reinsurance & Others
Gross Earned Premiums	2,205.4	572.3	316.5	472.6	278.0	289.6	113.9	162.6
Service revenues	432.9	179.7	75.3	84.9	66.2	36.9	29.4	(39.4)
<b>Turnover</b>	<b>2,638.4</b>	<b>751.9</b>	<b>391.8</b>	<b>557.5</b>	<b>344.2</b>	<b>326.5</b>	<b>143.3</b>	<b>123.1</b>
% of Group Turnover	100.0%	28.5%	14.8%	21.1%	13.0%	12.4%	5.4%	4.7%

December 31, 2014

(in € millions)	Group	Germany, Austria & Switzerland	France	Northern Europe	Mediterranean countries, Middle East & Africa	Americas	Asia Pacific	Group Reinsurance & Others
Gross Earned Premiums	2,125.9	584.2	327.8	468.5	263.5	238.3	85.3	158.3
Service revenues	401.1	175.6	71.2	82.3	59.1	28.2	23.0	(38.3)
<b>Turnover</b>	<b>2,527.0</b>	<b>759.8</b>	<b>399.0</b>	<b>550.7</b>	<b>322.7</b>	<b>266.5</b>	<b>108.2</b>	<b>120.0</b>
% of Group Turnover	100.0%	30.1%	15.8%	21.8%	12.8%	10.5%	4.3%	4.7%

December 31, 2013

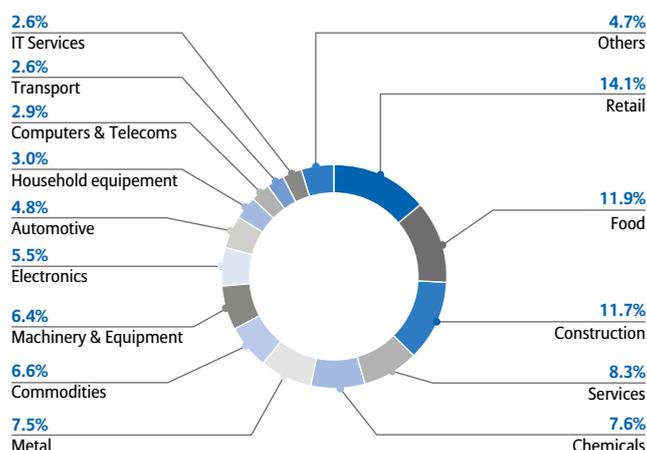
(in € millions)	Group	Germany, Austria & Switzerland	France	Northern Europe	Mediterranean countries, Middle East & Africa	Americas	Asia Pacific	Group Reinsurance & Others
Gross Earned Premiums	2,079.0	617.1	326.2	464.5	248.3	220.5	71.1	131.3
Service revenues	407.2	176.1	71.7	86.8	60.5	26.1	20.6	(34.6)
<b>Turnover</b>	<b>2,486.2</b>	<b>793.2</b>	<b>397.9</b>	<b>551.3</b>	<b>308.8</b>	<b>246.6</b>	<b>91.7</b>	<b>96.7</b>
% of Group Turnover	100.0%	31.9%	16.0%	22.2%	12.4%	9.9%	3.7%	3.9%

*Pro forma with Mexican, Colombian and Chilean activities transferred from Americas to Group Reinsurance and Others; and the activity of Euler Hermes Collection North America shifted from Americas to Group Reinsurance & Others*

# 1

## Presentation of the Group Overview of the Group's activities

### 1.2.2 Exposure per sector in 2015



### 1.2.3 Real estate property

As at December 31, 2015, the total market value of the Group's real estate property was €264.7 million.

This total comprises:

- property belonging to the Group and used for the purposes of its operations: €24.61 million divided between:
  - Euler Hermes France: €3.31 million,
  - Euler Hermes Italy: €20.80 million,
  - Euler Hermes Morocco: €0.50 million;
- property belonging to the Group and used by third parties: €240.07 million mainly divided between:
  - The real estate fund (OPCI) Euler Hermes Real Estate: €198.55 million,
  - The company Euler Hermes South Express: € 36.32 million.

### 1.2.4 The Group's strategy

Initially, markets anticipated European Union and global economic resurgence to some degree this year. Instead we see higher insolvency rates and claims volatility in emerging markets, geopolitical unpredictability and the global insolvency index rising for the first time since 2009.

In spite of this turmoil affecting its "growth" markets, Euler Hermes intends to stick to its long term strategy and carry on investing in these markets because in spite of the current economic slowdown in the emerging markets, the case for a secular trend of development above the one of Western Europe or North America stays valid. Of course Euler Hermes will pragmatically adjust the speed of its progression to the new environment.

The "digital revolution" is also a long term change the company intends to embrace. Digitalization brings a full new way for people and for companies to interact together, with new economic models emerging and being massively adopted at ever faster speed. Like the old one, this new world still relies on intercompany credit and we need to make sure that Euler Hermes offer adapts and stays the best one in this new "digital world"

This reality demands we rethink our approach while continuing to transform into a true customer service provider: more digitally adept, closer to our clients, faster and easier in our operational responses, and once again the preferred credit insurance partner.

In these accelerating times, our four-pillar strategy remains unchanged since 2010:

1. Strengthening the customer base in core European markets and achieving critical mass in non-mature markets, while diversifying on product offering and distribution channel;
2. Steering risk according to our policyholders' needs and the market environment;
3. Continuing the business transformation to achieve cost competitiveness;
4. Providing a high return to shareholders.

### **Strengthening the customer base in core European markets; achieving critical mass in non-mature markets**

We aim to further develop our product suite to respond to growing and new client needs. We now offer transactional cover and excess of loss (XoL) products and support them with specialized teams in Europe, in Singapore and in the US. In parallel, we are expanding our bonding offer beyond its traditional German and Northern European markets. In 2015 this strategy paid off nicely as we saw a faster growth in bonding than in credit insurance, thanks to the new markets we opened. In partnership with Allianz, we also developed our inward bonding activity, accepting business from Allianz companies. Even if it is a relatively more volatile business than credit insurance, bonding provides diversification benefits in the Solvency Capital Model, making the strategy to increase bonding share of business accretive to the overall return on allocated capital.

Not only do we want to better serve our existing customer base, our goal is also to reach out to new clients through a more extensive use of innovative distribution channels. Beyond our global distribution agreement with HSBC, which we extended to the US and Malaysia. The new distribution partnership we signed in 2014 with BNP Paribas in France and with Bpifrance developed nicely and we signed a new agreement with Arkea in June 2015.

North America, Asia and the Middle East continue to be growth drivers and still have a good potential for future growth. The Group continues to invest in these markets to create critical mass both in information/risk underwriting and sales, albeit adapting its pace to the current economic situation of the emerging markets. In 2015 we expanded our operations in Latin America via our joint-venture Solunion and set-up offices in Panama, Peru and Uruguay.

In the US, our target is to grow outside the Northeast market where the Group has traditionally operated. California has been a first successful initiative; in 2015 we launched our "Energy" initiative with the opening of a dedicated office in Houston. With the difficulties of the American oil sector in 2015, this initiative did not generate the anticipated traction however our strategy of deeper local presence on the North American market continues.

In Asia, China remains the most attractive market in terms of business potential, especially the newly opened export market, and Euler Hermes can rely on strong distribution partnerships to tap that potential, while at the same time adjusting to the current credit-crunch that this country is experiencing. The Group has also begun operating in Korea and developed further in Southeast Asia (Taiwan, Indonesia, Malaysia and Thailand).

Among future growth markets, Africa is certainly promising and widely untapped to date. Euler Hermes targets expansion in both French- and English-speaking Africa. Starting from a strong presence in Morocco, our strategy is to develop from a hub in South Africa, a market dominated by local players.

In parallel of these products and geographical expansions, we also focused on providing better service to our clients. After the success of the EH 3.0 initiative, a three-year program that focused on creating value for clients by making Euler Hermes "easier to work with" and for us easier to work with each other, we have launched in 2016 the Accelerate initiative: a two-year initiative focused on becoming more customer-centric in our mindset and our processes. It will help us promptly identify and deliver new solutions faster. In short, create changes that make us closer, easier and better for clients. Our goal is to give clients an extra reason to choose and recommend us that goes on top of the right cover for the right price.

### **Steering risk according to policyholders' needs and the market environment**

In response to the 2008-2009 global financial crisis, Euler Hermes introduced a more centralized risk underwriting governance and more targeted monitoring tools. They have also demonstrated their ability to better capture the individual needs of our policyholders. These tools have certainly started to be put to the test during the emerging markets slowdown of 2015. In response to a sharp reversing of gears which occurred in growth markets in the second half of 2015, we have pragmatically started to adjust the speed of our progression to the economic environment. The Group has stabilized its exposure over the last quarters, consequence of risk action plans implemented in emerging markets.

## Continuing the business transformation to achieve cost competitiveness

Cost competitiveness has always been and will remain a strategic focus for the Company. After the Excellence program which run between 2010-2013 and that enabled us to keep our FTE count stable despite growing our topline, the legal restructuring of the Group achieved in 2014 helped further streamline our operations and improved the capital fungibility inside the Group.

We continued targeted cost-control actions in 2015 to preserve a healthy cost ratio despite upward pressure from negative topline growth in less cheaper Western Europe markets.

Digitalization also enables faster, simpler, better and more efficient processes, enhances customer service and opens up new markets. Euler Hermes' approach to digitalization opportunities is pragmatic and customer-focused: digital documents, development of APIs (Application Programming Interface), electronic processing of information flows, online quoting, online risk and claims monitoring, tablet-driven sales support, mobile phone "app" availability of Economic Research reports or credit limit requests are among the features we are offering.

Digitalization in general also took a determined step forward with the creation of the "Digital Agency", an internal team dedicated to running

experiments in Big Data and AI (Artificial Intelligence), building plug and play partnerships, reinventing the trade credit value chain, and monetizing Euler Hermes assets. By exploring disruptive opportunities and adopting a systematically frugal "test & learn" approach, the Digital Agency identified several promising growth opportunities in 2015.

## Providing a high return to shareholders

Euler Hermes' business is partially linked to global economic cycles, consisting of uneven alternating periods of growth and contraction in activity. The Group targets a 12% Return on Equity across the cycle.

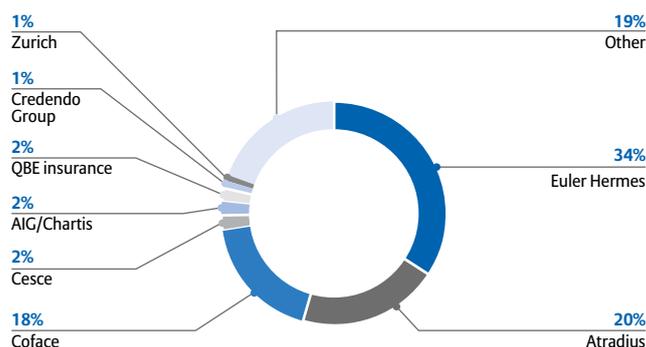
The Group aims to auto-finance its development while maintaining an attractive dividend pay-out. This is to be achieved by a close monitoring of our risks combined with an effective reinsurance structure.

Euler Hermes' solvency is strong, based on Solvency II requirements. Our internal model was approved by the Group's regulators at the end of 2015. Euler Hermes carefully analyses the effect on allocated capital, standalone and after diversification benefits, of different markets in order to steer its development. For Euler Hermes, financial strength is key, both for clients and shareholders. The Group remains determined to make the best use of available capital, allocating it effectively to continue to offer the high returns generated to date.

## 1.2.5 Competitive positioning

### ■ EULER HERMES MARKET SHARE IN 2014 (PREMIUMS - CREDIT INSURANCE - PRIVATE MARKET)

Source: Euler Hermes estimates as at February 2016 based on 2014 information available as at that date.



Euler Hermes remains an undisputed leader with a market share of 34%.

## 1.2.6 International presence

### Americas

#### Insurance companies

- 5 Brazil
- 6 Chile (*Solunion*)
- 7 Columbia (*Solunion*)
- 8 Mexico (*Solunion*)

#### EH North America and its insurance branch (owned by EH Group)

- 9 USA (*insurance company*)
- Canada (*insurance branch*)

### Northern Europe, France and Dach

#### Insurance companies

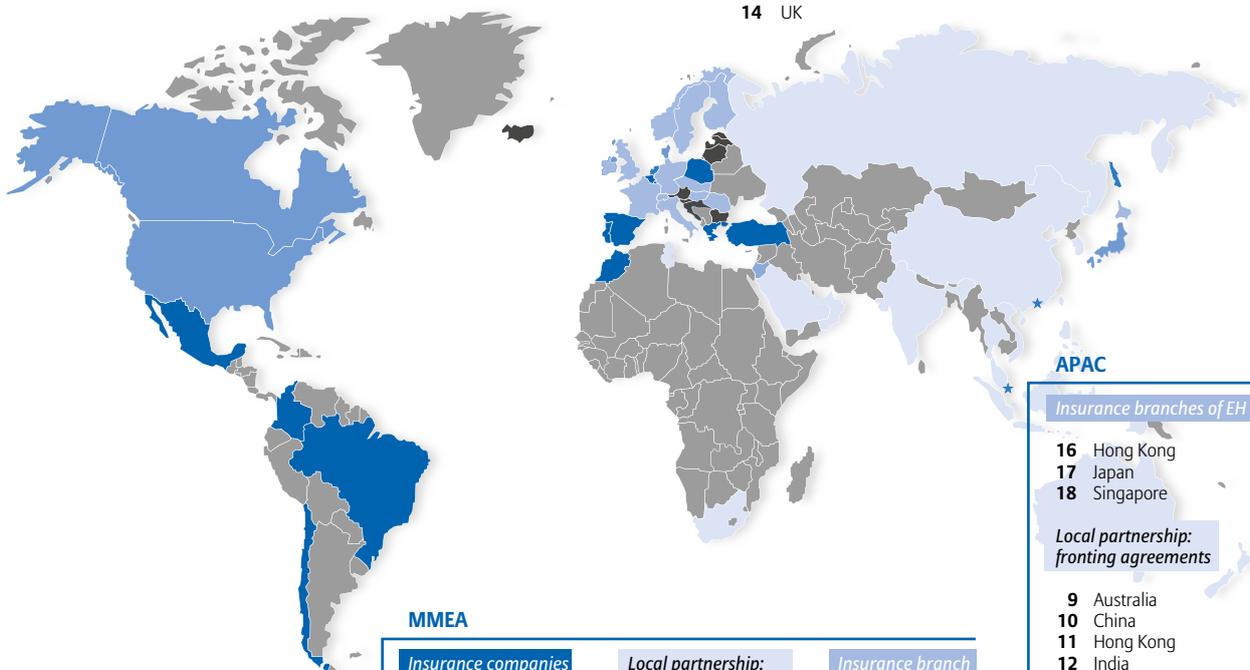
- 1 Austria (49%)
- 2 Belgium (*head office*)
- 3 Poland
- 4 Russia

#### Insurance branch of EH SA

- 1 Czech Republic
- 2 Denmark
- 3 Finland
- 4 France
- 5 Germany
- 6 Hungary
- 7 Ireland
- 8 Netherlands
- 9 Norway
- 10 Romania
- 11 Slovakia
- 12 Sweden
- 13 Switzerland
- 14 UK

#### No legal entity: European Passport

- 1 Bulgaria
- 2 Croatia
- 3 Cyprus
- 4 Iceland
- 5 Latvia
- 6 Liechtenstein
- 7 Lithuania
- 8 Luxembourg
- 9 Malta



### MMEA

#### Insurance companies

- 10 Greece
- 11 Israel (50%)
- 12 Morocco (55%)
- 13 Portugal (50%)
- 14 Spain (50%)
- 15 Turkey

#### Local partnership: fronting agreements

- 1 Bahrain
- 2 Kuwait
- 3 Oman
- 4 Qatar
- 5 Saudi Arabia
- 6 South Africa
- 7 Tunisia
- 8 UAE

#### Insurance branch of EH SA

- 15 Italy

### APAC

#### Insurance branches of EH SA

- 16 Hong Kong
- 17 Japan
- 18 Singapore

#### Local partnership: fronting agreements

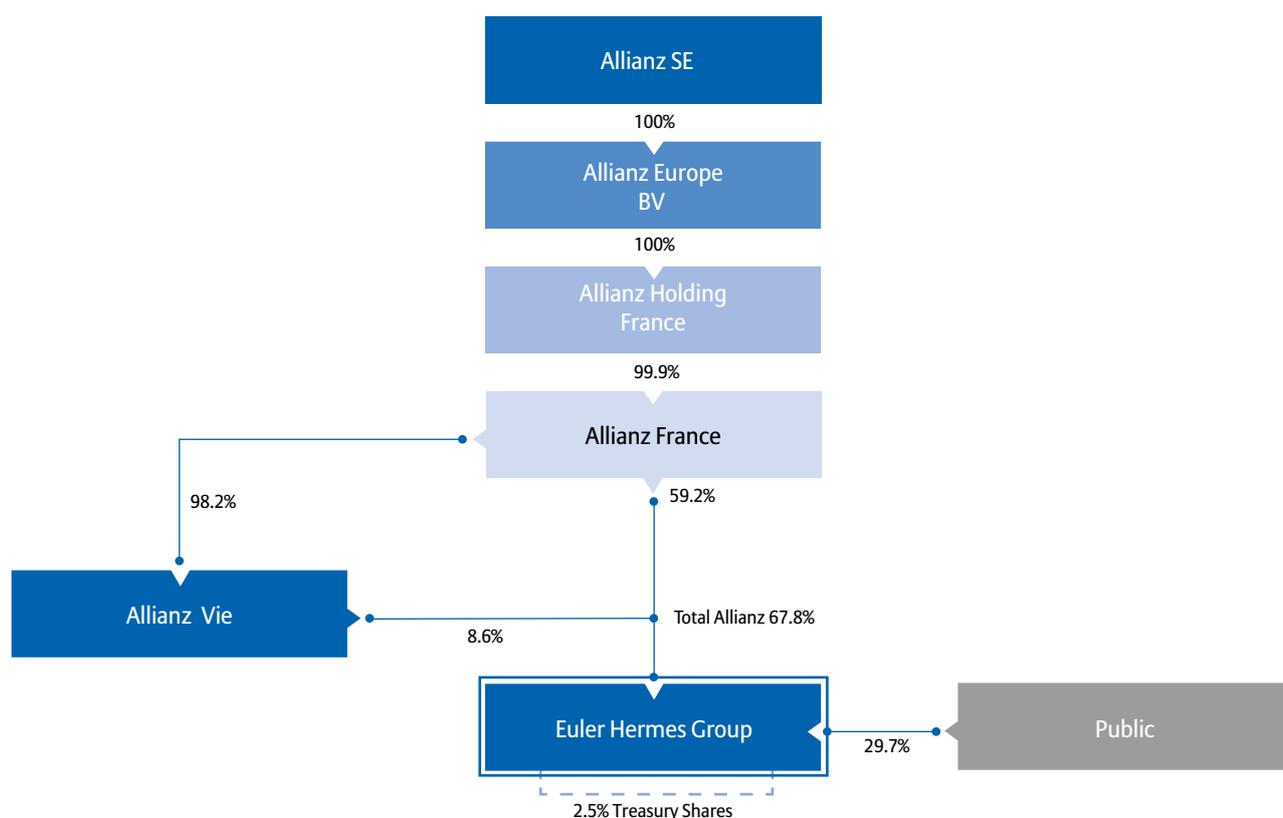
- 9 Australia
- 10 China
- 11 Hong Kong
- 12 India
- 13 Indonesia
- 14 Japan
- 15 Malaysia
- 16 New Zealand
- 17 Philippines
- 18 Singapore
- 19 South Korea
- 20 Taiwan
- 21 Thailand
- 22 Vietnam

## 1.3 Shareholding structure as at December 31, 2015

During 2015, the number of Euler Hermes Group shares held by Allianz Vie and Allianz France was unchanged at 30,744,048. This represented a stake of 67.8% in Euler Hermes Group share capital and 69.5% of voting rights as at December 31, 2015.

The free float covered 29.7% of Euler Hermes Group share capital, and 30.5% of voting rights.

Euler Hermes Group held 1,124,387 treasury shares representing 2.5% of its share capital.



Shareholders	Number of shares composing the share capital and theoretical voting rights <sup>(1)</sup>	%	Real voting rights <sup>(2)</sup>	%
Allianz Vie	3,879,818	8.6%	3,879,818	8.7%
Allianz France	26,864,230	59.2%	26,864,230	60.8%
<b>Total Allianz</b>	<b>30,744,048</b>	<b>67.8%</b>	<b>30,744,048</b>	<b>69.5%</b>
<b>Treasury shares</b>	<b>1,124,387</b>	<b>2.5%</b>	<b>0</b>	<b>0.0%</b>
<b>Public</b>	<b>13,473,742</b>	<b>29.7%</b>	<b>13,473,742</b>	<b>30.5%</b>
<b>TOTAL</b>	<b>45,342,177</b>	<b>100%</b>	<b>44,217,790</b>	<b>100%</b>

(1) Including own shares.

(2) Excluding own shares.

## 1.4 Summary of Group structure

### 1.4.1 Relationships between the parent company and its subsidiaries

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

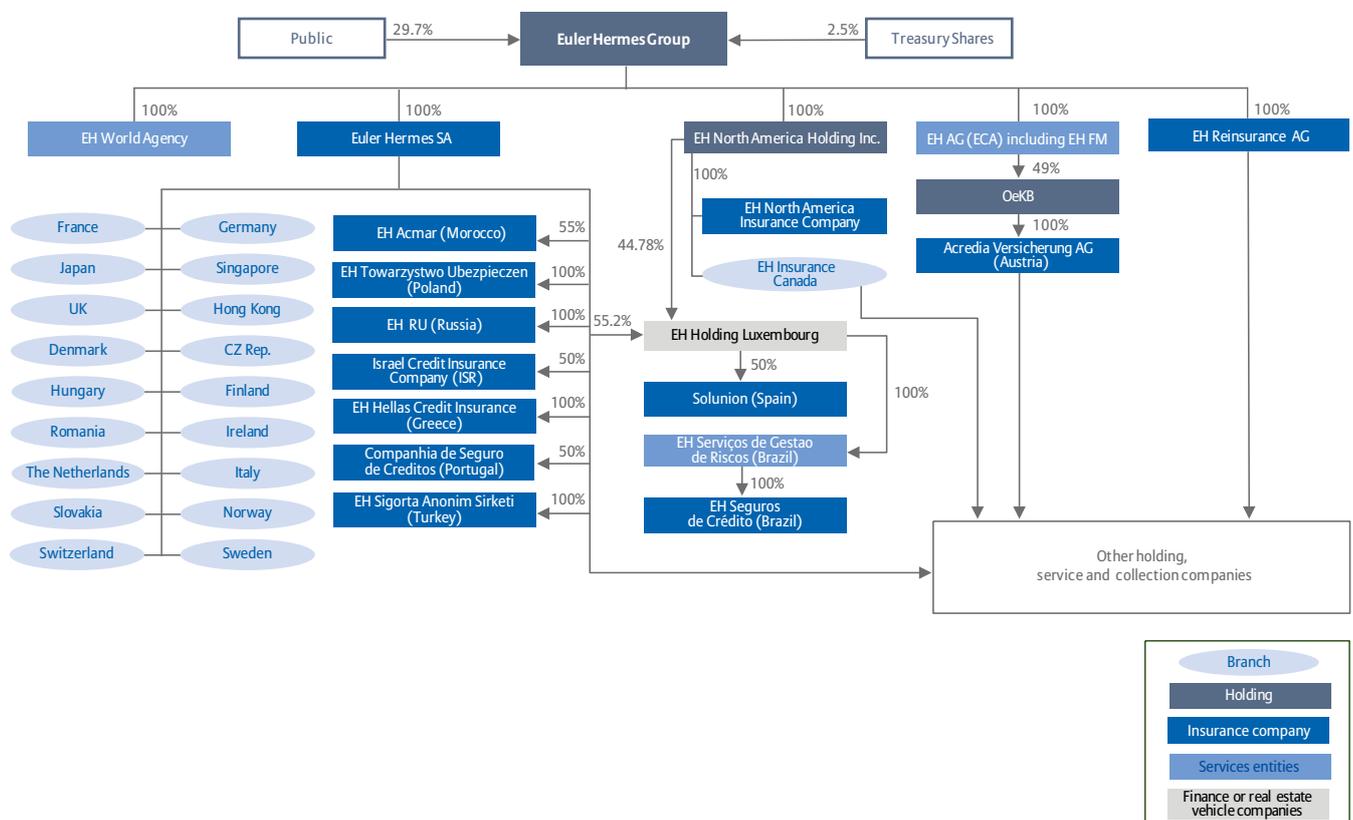
The Board of Management members also hold offices in the Group's main subsidiaries (sub-section 2.1 of this Registration Document).

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

Relations with other shareholders within the Moroccan subsidiary Euler Hermes Acmar (55% owned), the Austrian companies Prisma Kreditversicherungs-AG, and OeKB EH Beteiligungs-u. Management AG (both 49% owned), Israël Credit Insurance Company Ltd (ICIC – 50% owned), the Portuguese company Companhia de Seguro de Credito SA (COSEC – 50% owned), and Solunion (50% owned), are governed by a shareholders' agreement.

### 1.4.2 Organizational chart

The organizational chart below shows the simplified organization of the main companies making up this Group as at the date of this Registration Document (for a detailed presentation of the consolidated subsidiaries as at December 31, 2015, see note 2.4 of the notes of the consolidated financial statements). The Group is present throughout the world via insurance companies, service companies and/or branches.



## 1.5 Corporate responsibility

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

The Group wishes to be considered as a socially responsible employer and partner, and has been implementing sustainable development initiatives



Health & Well-being

The Group encourages its employees and operating entities to support organizations and projects working in the areas of health, social development and the fight against poverty and hunger. Employees and the business also support global humanitarian crises and emergency appeals.



Financial literacy

The Group works to promote the sharing of financial expertise by its employee volunteers through educational initiatives and projects that increase financial literacy among young people and social enterprises.



Environmental protection

Reducing the Group's environmental footprint involves not only action to assess and reduce the environmental impacts of the Group's sites (energy, water and paper production, waste production, etc.), but also the progressive inclusion of environmental criteria into purchasing and real estate policies.



Equality & Diversity

Combating all forms of discrimination in hiring and promotion and encouraging the career development of women are key elements of the Group policies and its code of conduct. The Group has reached a female management level of 29% by 2015 and are steadily moving towards surpassing this grade again in 2016.

The subsidiaries have a high degree of autonomy in implementing these commitments, to take into account specific local situations. The process is monitored and coordinated by a network of correspondents within the Communications, Operations and Human Resources departments.

The Group promotes environmental activities throughout its entities through internal guidelines and processes based on green principles. The

for several years. The Group achieved an important milestone in 2013, consolidating the initiatives taken by its entities worldwide around a single Corporate Social Responsibility (CSR) policy. The policy was launched internally and published on the Group's intranet site in 2014. In 2015, continuing efforts and initiatives were concentrated on the four following key areas of commitment:

Company encourages, for example, paper recycling actions as well as conversion to e-document formats.

The Group subscribes to the CO<sub>2</sub> Neutral Websites initiative, compensating the quantity of carbon generated by its websites.

Finally, the Company is considering the organization of a global "paper recycling and print reducing" event in 2016.

## 1.5.1 Social responsibility

### Employment

#### Workforce size and changes

The Group had a total of 6,466 employees as at December 31, 2015, 94% of whom hold permanent contracts. The total headcount remained stable, whereas the proportion of employees on permanent contracts decreased by 1%.

The workforce detailed below covers employees that have an employment contract with the subsidiary at the closing date, i.e. as at December 31, 2015. For proportionately consolidated companies, the data corresponds to the Group's share as applied in the consolidated financial statements. The headcount of companies accounted for by the equity method is not taken into account.

Contracted Headcount	December 31, 2015	December 31, 2014
Germany and Switzerland	2,107	2,110
France	833	866
Northern Europe	1,399	1,381
Mediterranean Countries, Middle East & Africa	541	516
Americas	462	441
Asia-Pacific	339 <sup>(1)</sup>	287
Reinsurance entities	19	17
Collection and Group entities	766 <sup>(2)</sup>	793
<b>TOTAL GROUP</b>	<b>6,466</b>	<b>6,411</b>

(1) Change of reporting scope: expanding market and establishment of new entity in Korea.

(2) Including 395 employees of Collection entities.

The Group's active headcount was 6,178 as at December 31, 2015. Active headcount is used to calculate the age distribution of employees, gender, average age and average length of service.

#### ■ BREAKDOWN OF ACTIVE WORKFORCE BY AGE AS AT DECEMBER 31, 2015

Age	Workforce
< 25 years old	244
25-29 years old	651
30-34 years old	987
35-39 years old	964
40-44 years old	897
45-49 years old	876
50-54 years old	771
55-59 years old	605
60-64 years old	170
≥ 65 years old	13

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

## ■ BREAKDOWN OF ACTIVE WORKFORCE, RECRUITMENTS AND DEPARTURES <sup>(1)</sup> BY GENDER

	Data as at December 31, 2015			Data as at December 31, 2014		
	Total	Female	Male	Total	Female	Male
Active headcount	6,178	3,210	2,968	6,096	3,143	2,953
Total external recruitments	879	459	420	786	394	392
Total external departures	(767)	(361)	(406)	(667)	(329)	(338)

Women make up 52% of the Group's active workforce and accounted for 52% of total external recruitments in 2015. 96 trainees were also employed by the Group in 2015.

No collective redundancies took place at Group level in 2015. The 79 local redundancies in 2015 were of an individual nature.

### Compensation

Group payroll expenses and profit sharing for 2015 amounted to €423.13 million, excluding social security charges. Social security charges for 2015 totaled €127,58 million.

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

In 2015, the average increase in fixed compensation within the Group was 2.8%. On average, variable compensation makes up 13% of the total compensation of the Group staff worldwide.

Information relating to the compensation and other benefits paid to the Company's corporate officers (members of the Board of Management and Supervisory Board) are provided in section 2.3 of this Registration Document.

### Work organization

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

The proportion of the workforce working part-time is 11%.

In France, an agreement on working from home was signed with staff representatives in 2013, allowing each employee on permanent contract (and with one year seniority in the position) to work at home one day per week. A second agreement on homeworking was signed in 2015 and at the end of the year, nearly 250 employees (27%) were part of this

program. A telecommuting program in Germany was rolled out in 2015. Similar initiatives connected to working from home recognition and flexible working hours have also been put in place in several countries in Northern Europe (Czech Republic, Poland, Slovakia, Sweden, Norway, Finland and the United Kingdom). During school holiday's, Euler Hermes Poland has created an onsite clubroom to support employees who have childcare responsibilities. The UK offers a number of flexible working practices for employees, such as time off for dependents and flexi-time policy to help balance employees responsibilities at home and at work.

In the Netherlands, the Works Council conducted a survey during the fourth quarter 2015 to analyse the demand among employees for flexible working options. First analysis shows a high employee participation rate. Detailed results are expected for 2016.

In Belgium, an agreement on working from home has been reached in December 2015, providing each employee with the possibility to work from home one day per week.

In Italy, a study about the possibility to launch a Smart Working Pilot Program (3 days per month) was carried out in 2015: the team analysed the activities performed in every department and the achievability of putting in place this Smart Working program.

Regarding absenteeism issues, around 50,871 sick leave days were registered in 2015. The absenteeism rate for sickness is 3.6%.

### Employee relations

The Group is committed to holding regular, constructive dialogue with staff representatives. Several collective agreements were concluded in 2015: four in Germany, three in France, one in Belgium, four in Italy, three in the Netherlands and one in Sweden. In France, a new Works Council has been elected in June 2015.

The most common themes covered by these agreements are compensation policies and the organization of working time.

A European Works Council also exists at the Allianz group level, and it can enter into agreements on cross-company matters. These agreements may then be implemented within the European countries in which the Group operates, after the prior validation of local Work Councils.

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

In addition to this formal framework for consultation and collective bargaining, the Group also has direct contact with its staff, giving them regular opportunities to voice their opinions and expectations. Since 2010, the Group carries out an annual comprehensive survey in relation to its employees' opinions. This Allianz Engagement Survey covers a wide range of subjects, such as the Company's strategic direction, management quality and efficiency of working methods, the work atmosphere, the compensation system, training policy, combating discrimination and CSR policy. In 2015, 90% of the Group's employees took part in the survey, up from 89% in 2014. The 2015 results show a high personnel commitment rate at 69% (70% in 2014).

## Health and safety

Euler Hermes has adopted many initiatives throughout various countries where the Group operates, aimed at improving employees' work-life balance, making workstations more ergonomic, promoting healthy nutrition and exercise, and generally creating awareness among employees of how Euler Hermes can aid them regarding the above.

The prevention of stress at work is one of the priorities of the Group's health and safety policy. An agreement with staff representatives in May 2011, through the Allianz Group European Work Council, led to an extensive program to identify the main factors that cause stress for employees, followed by efforts to draw up improvement plans. In Germany, the health management program, which was launched in 2015, continued with several measures regarding leadership, stress and risk assessment based on the 2015 psychosocial work related stress survey. Employees in Germany and the United States are also provided with free, anonymous assistance via telephone helplines (for financial problems, stress at work, etc.). In July 2015, Hungary organized several stress management workshops in Budapest for employees to provide strategies to overcome stress at work. In December 2015, Euler Hermes Greece, in cooperation with a specialised agent, used a tool designed by Greek psychologists, called the PRIWA (Psychosocial Risks & Impacts in the Workplace Assessment), to explore the roots of stress-related issues in the workplace. An analysis of the results is expected for 2016 first quarter and respective proposals for Euler Hermes Greece.

In Belgium, the psycho stress assessment for each department will continue in 2016. An agreement to implement a medical check-up for certain categories of employees has been reached in order to anticipate cardio-vascular discrepancies.

The Euler Hermes group strives to create a healthier and happier workplace. Notably, themed events and specialised programs have been organised across numerous offices in order to raise awareness about health and wellness at work. A common theme is the "Health and Well-being Week", whereby free consultations with nutritionists, healthy cooking classes, seminars on stress management and other wellness topics are offered to the employees in various offices. In the US office, a range of Health and Wellness initiatives are in place including fresh fruit deliveries, biometric screening and flu shots. The Group's Dutch office has also introduced health and well-being workshops, schemes for discounted physiotherapy and access to a communication platform with online tips and advice. Also in the Morocco office, the Group has created workshops to educate employees on various health and wellbeing topics such as work related stress, flexible time at work and teambuilding.

Euler Hermes group also encourages their employees to engage in sport-related activities. Poland launched a "Run with EH" initiative comprising of weekly jogging training with a professional trainer while the Italian office organises the participation for their employees of the annual "Race for the Cure". Poland also offers gym membership discounts to their employees, as do the US and UK offices. "Dragon Fest" is an event coordinated by the Group's office in Turkey where employees engage in friendly sporting challenges. Bicycle schemes, which offer employees a tax efficient way to purchase a bicycle, have been launched in both the UK and Netherland's office.

In 2015, the lost-time accident frequency rate for Euler Hermes Group was 2.99 (number of accidents per million hours worked) compared to 3.75 in 2014 and the lost-time accident severity rate was 0.02 (number of days lost per thousand hours worked) compared to 0.04 in 2014. For France, three lost-time accidents were recorded in 2015.

No occupational diseases have been identified for the Group during 2015. Though it must be noted that due to the fact that diagnoses are not transmitted to the employer according to legal regulation details about occupational diseases are not available for Germany.

## Training

The Group has built its reputation and position as a global leader on its professionalism and experience acquired over more than a century. It is essential to recruit the best talent and integrate them into a strong corporate culture to ensure consistency at the Group level and the same quality of service throughout the world. Continuous capability building is a key driver for high performance and for employee motivation and engagement.

All of the training courses available in the various entities of the Group worldwide are now shared in the “Euler Hermes Academy”. The Academy provides innovative training programs to build and enhance employees’ skills and capabilities at three levels:

- customized functional trainings in the areas of risk underwriting, claims, sales and customer service are heavily geared towards developing the professional expertise of staff;
- leadership training courses aim to provide managers with a common set of tools to optimize the performance of their teams through effective management skills;
- courses that build a common culture such as presentation courses, working in a matrix, intercultural awareness and dealing with change.

In 2015, the Academy had over 1,200 bookings for 36 different classroom-based programs and delivered, over 19,700 hours of eLearning to almost 6,000 employees. Since 2014 mandatory compliance eLearning training has been rolled out for almost all employees with more scheduled for 2016. In 2015 a budget of €9.6 million was allocated to training.

Overall, 13,894 days of training <sup>(1)</sup> were provided within the Group and 63% of employees participated in at least one training session during the year.

## Professional development and mobility

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

With more than 6,000 employees in over 50 countries, mobility is a reality within the Group. Mobility provides employees with new insights and exposure to other talented people and inspires innovation and new business opportunities through best practice sharing. To give high performers appropriate experiences to help them ascend to more senior levels of management, the Group actively promotes career mobility across functions and organizations. In addition to developing high performers who are accomplished in a particular domain, attention is given to non-obvious candidates, i.e. high performers with strong leadership skills or a different set of skills and experiences that may be useful in a wider context. By creating a variety of opportunities for leaders to grow, the Group aims

to broaden leadership competencies, encourage diversity of thought and prepare talent for the challenges of an agile and fast-moving world.

As business becomes increasingly global the mobility within the Group needs to become more and more diverse and focus on early career mobility. With a more tiered policy approach for mobility, the Group is better able to match suitable terms and conditions with different assignment situations and objectives. This increases the effectiveness of the Group’s investment as well as overall fairness and equity for all assignees worldwide. In conjunction with these general principles, the specific terms and conditions for each individual assignment or transfer situation depend on the main objectives or drivers of the assignment or transfer, the planned duration and certain talent management criteria. Six different assignment types have been put in place and are actively applied since March 2015:

- Strategic Leadership Assignment;
- Long-Term Assignment;
- Short-Term Assignment;
- International Commuter Assignment;
- Internal Local Transfer;
- Permanent Transfer.

The Group looks for talented people in various areas, including risk underwriting, sales, controlling, human resources, organization, actuarial, marketing and IT. All positions open to international internal candidates are posted in every country where the Group operates, to maximize the opportunities available to employees throughout the Group. The Human Resources department has defined career paths where international exposure is required. Also, being part of the Allianz Group gives greater possibilities for employees to take part in international assignments.

The Group’s worldwide presence and career development culture provide interesting and creative job opportunities in the countries and professions in which the Group is active.

## Equal treatment

Combating discrimination in all its forms is one of the key priorities of the Group’s human resources policy. This commitment is one of the themes of the Allianz group’s code of conduct. It also forms part of the Group’s anti-discrimination and anti-harassment policy adopted in 2011, which is distributed to all staff and sets out the fully confidential procedure for reporting any instance of discrimination within the Group. The policy was updated in 2014 and rolled out in all regions.

<sup>(1)</sup> A day of training comprises at least 5 hours of training.

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

## Gender equality

As at December 31, 2015, women occupied 29% of senior executive positions. The proportion of female managers has been slowly rising for several years. This trend has been supported by initiatives to encourage women to take up managerial roles and integrate them more easily into these roles. In Germany, Italy and at the Company, the "women's network" program is running, enabling women at all levels of the Company's hierarchy to communicate and support each other. These programs include mentoring, coaching, networking, panel discussions, lunch and learn sessions at which women can discuss issues and get feedback from other women in executive roles. In France, a professional equality committee with staff representatives analyses annually the male-female pay gap. These kinds of initiatives are being adopted more widely within the Group and will be stepped up in the next few years, in order to continually increase the number of women in executive positions.

## Employing and integrating disabled people

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

In 2013 Euler Hermes Italy signed an agreement with the local government to hire 7 people throughout 2016 with disabilities, in conformity with the Disabled People Right to Work Act. These new recruits, with or without experience and mainly graduated in business or in law, started on a path consisting of an internship and then onto a temporary contract until finally achieving a permanent contract. These employees are allocated to several departments such as Finance, MMCD or Risk according to business needs. Training and inclusion into the workplace are guaranteed by developed communication with senior staff and through a daily tutoring program that improves the insurance sector's competencies and soft skills required. In Euler Hermes France, workshops were organized to communicate and raise awareness of hearing troubles and instructions on using defibrillator in the case of heart attacks. Euler Hermes France employed nearly 4% of persons with disabilities. Similar initiatives are taking place in Euler Hermes Germany in close collaboration with the severely handicapped persons' representative.

In the UK, there were no employees recruited in 2015 who identified themselves as disabled. However Euler Hermes UK promotes an inclusive culture and the Flexible Working Policy was extended to all employees. Therefore, disabled employees may request changes to their working hours, working time and work location and any such requests would be seriously considered and accommodated where possible. A similar inclusive culture and Flexible Working Policy is also in place in the US, Canada and Brazil.

## Keeping older people in work

The employment of older people is an increasingly important topic in industrialized countries where populations are ageing. It is also an important part of anti-discrimination policies.

The Group is aware of this and has implemented specific initiatives targeting this population of employees, such as second-career interviews, tutoring systems to facilitate skills transfer, and the option of adjusting working time. Belgium has granted part-time working in the years prior to retirement that has no financial impact on employees' pension scheme. Belgium has also developed a special training plan for older employees.

Euler Hermes UK and France offer a defined contribution pension scheme which enables employees approaching retirement to take a phased approach to retirement without impacting their pension (in the way it would with a defined benefit scheme) and the Company also continues to pay pension contributions for employees who continue to work past normal retirement age. The Flexible Working Policy was also extended to all employees, so employees nearing retirement who wish to take a phased approach can make requests to change their working hours, time or location. The website of the Employee Assistance Programme provided by Euler Hermes UK provides advice for employees approaching retirement. In 2015 employees who retire are offered the opportunity to attend a retirement planning workshop (employees may take their pension and continue working).

## Promoting and complying with the fundamental conventions of the International Labor Organization

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

## 1.5.2 Environmental responsibility

### General environmental policy

Environmental protection is one pillar of the Group's CSR policy formalized in 2014 (to find out more about this policy, please see the introductory paragraph in section 1.5). The process of reducing the Group's environmental impact mainly involves taking action at local or Group level to cut energy, paper and water consumption, generalizing waste sorting and reducing CO<sub>2</sub> emissions in connection with business travel.

As a service company that exclusively occupies office premises, the Group has a very limited direct environmental impact. The Company has therefore made no provisions or guarantees to cover this risk, and no compensation was paid during the year as a result of any court rulings on environmental issues.

### Group environmental reporting system

The Company structured and formalized its environment reporting system in 2013. In terms of organization, the process is based on regional contributors (most often in the Operations departments) reporting qualitative and quantitative environmental information to the Group's Real Estate department, in charge of environmental responsibility. This department is responsible for validating and compiling the information collected for publication in this Registration Document.

A reporting protocol has been drawn up and distributed to the contributors. The protocol sets out in detail the structure and processes in place at the Company to measure and report the environmental information monitored by the Group. The schedule for qualitative and quantitative reports is sent in the second half of the year to allow the BUs to collect data in an organized manner.

A note on methodology in section 1.5.4 provides a more detailed description of the general organization of the reporting process, the rate of coverage of indicators and more information on the indicator definitions.

### Environmental requirements for Group buildings

In terms of the environmental footprint, the impact of the offices occupied by the Group is a key challenge. Environmental principles (Green Building principles) are thus an integral part of the Corporate Workplace Standards, which have been in place since November 2012 and which set out the Group's real estate standards and internal processes for the selection and layout of working premises.

These principles include the guidelines to be applied:

- for the building selection phase: prefer certified buildings (LEED, BREEAM or national, HQE-type certification in France), using "physical" criteria, such as the orientation of the building, the state of the heating, ventilation and air conditioning systems, and the proximity of public transport;
- for the layout and space definition phase: focusing on layout criteria that aim to reduce resource consumption (water, energy) and optimize waste management. These criteria involve, for example, lighting and air conditioning zones that are controlled separately, the presence of movement sensors and waste sorting bins or automated water consumption control systems.

The application of the requirement described in the Corporate Workplace Standards is amply demonstrated by the Group's premises that have an environmental certification: the total surface area of these premises at end 2014 represented about 30% of the total surface area rented by the Group (and nearly 16% of the total occupied surface area). 99% of the new surface area rented in 2015 is environmentally certified (Bucharest and Warsaw).

One of the main principles also requires the implementation of videoconferencing systems for all regional and national head offices of the Group as mandatory solution in order to reduce business travels for meeting abroad. In 2015 it has been estimated that 62% of the Group's employees could have access to a video conference system (62%, in fact is the ratio of employees sitting in premises where a video conference system has been installed). A study is underway to analyze the use of videoconferencing and new systems are currently being rolled out to increase the use of videoconferencing and thus reduce travel.

### Raising employee awareness of environmental issues

To support the Group's environmental approach as it rolls out, a number of local/regional initiatives have been implemented to raise employee awareness of environmental subjects and their personal responsibility. Several awareness initiatives were already in place at regional and national level through a range of in-house communication media (posters, flyers, email and intranet) basically regarding waste recycle, company cars and day-to-day eco living but many others came out during 2015. Some examples of new actions for 2015:

- in Italy, a general CSR promotion program known as "*Benessere*" launched in 2014, continued to promote the different aspects of this topic (employee well-being, social activities, green building improvements, etc.) by various means (intranet, meetings, discussions, and so on);

- in the UK, the “environmental policy” is diffused and communicated to all employees, suppliers and sub-contractors. Main scopes of this policy are to assess and regularly re-assess the environmental effects of the organization’s activities, informing employees in environmental issues, minimize the waste production. With regard to waste management, regular reporting has been introduced, in collaboration with the owner, making it possible to measure the quantity and quality of waste produced and production trends. The following are systematically recycled at the EH office in London: paper, cardboard, furniture, lights, ink cartridges and IT hardware.
- In France, through a shared commitment with the management of Tour First and its tenant E&Y, the following measures have been undertaken since January 2015: a waste recycling point has been set up at the base of the tower, reduction of our carbon footprint, job creation including the reintegration into the work environment, as well as the introduction of reporting regarding the volume generated by each sector. In addition, the paper waste collection has been systematically extended to all regional sites. The totality of paper waste is now recovered from these sites and then recycled by an integration company. The creation of the RSE Committee was facilitated by the DILE (Team in charge of office furniture, logistics and work environment), which gathers staff members from different departments in the Company, such as HR, communications and real estate, for quarterly meetings. The objective of this committee is to share, exchange and review actions both already implemented and to be implemented in the future. Since November 2015, the gradual installation of 100% renewable electricity is ongoing at Tour First and 4 other sites.

## Pollution and waste management

The Group’s activities do not generate significant air, water or ground emissions, and do not create any sound nuisance or other form of pollution.

The Group is committed to preventing and recycling the waste generated by its activity mainly through the following initiatives:

- waste sorting across most of the Group’s subsidiaries for ordinary waste such as paper, cans, bottles and plastic (paper and glass / bottles are recycled in about 54% of the Group’s premises). Individual bins have also been eliminated at several Group premises (Paris, Rome, Brussels and Zurich) to encourage sorting. Some countries have set up specific waste management policies: separation of printed paper into color and black & white in France, and incineration with energy recovery of non-recycled waste in the United Kingdom;
- management of electrical and electronic equipment, batteries, light bulbs and used ink cartridges takes place in most of the countries. This waste is entrusted to service providers, which are responsible for processing them (recycling or disposal).

The total waste produced (coverage ratio: 80%) by Euler Hermes France, Germany, Greece, Hungary, Italy, the Netherlands and the UK is estimated in 2015 at 492 tons, based solely on the Group’s main buildings, thus highlighting a 5% fall on the previous year. Information about waste production is often hard to obtain in premises that are shared with other companies.

## Sustainable use of resources

### Water consumption

The Group’s water consumption is connected to the use of premises for professional purposes: sanitary facilities, air conditioning, cooling systems for electronic equipment, cafeterias, car parks, and office cleaning. Group directives (Corporate Workplace Standards) governing premises selection recommend the presence of systems that control this consumption automatically.

The Group’s water consumption stood at 57,873 m<sup>3</sup> in 2015 (coverage ratio: 78%). Water is used in small amounts, for sanitary purposes.

### Paper consumption

In 2015, reported office paper consumption (coverage ratio: 89%) amounted to 221 tons.

The Group has been interested in the subject of reducing paper consumption for several years.

For many years now, the Allianz group’s printing policy has been applied by the Group, with the implementation of the following measures to regulate the Group’s printing equipment by default: printing in black and white, two per page, on both sides, reducing ink density and automatic standby mode.

At several Group sites, the “follow me printing” system has been implemented to limit printing (Paris and Brussels); printed materials leave the printer only after validation using a badge on the same machine.

Several campaigns have taken place to raise employee awareness and reasonable use of office paper, as for example in the Netherlands where paper workflows are fully digitalized (invoices are received by email) and in the UK where for example digital licences for business newspapers have replaced the paper standard ones.

A digitalization project at Group level is currently underway and aims to analyze all communication flows in order to implement digital transfers.

### Energy consumption

The Group's energy consumption relates mainly to lighting, air conditioning and heating in work premises, along with running electrical equipment.

The Group's reported energy consumption for 2015 is presented in the table below.

#### 2014 ENERGY CONSUMPTION

	2015 coverage ratio	2015 value	2014 value	Unit
Electricity consumption	87%	16,188,510	16,742,980	KWh
Gas consumption	77%	13,801,351	11,983,084	KWh
Steam consumption	54%	946,463	1,002,094	KWh
Fuel consumption	78%	1,600	39,230	L

- Reducing energy consumption is a key priority in the Group's environmental strategy. One of the main aspects of this strategy is to prefer premises that have been environmentally certified (see the Corporate Workplace Standards mentioned above).
- The Group therefore occupies premises certified with labels guaranteeing a high level of energy efficiency in France (Lyon and Paris), Singapore, Zurich, Mexico City, Warsaw and Bucharest (16% of the total surface area occupied by the Group, showing continuous improvement over the previous year). In Zurich the Euler Hermes premises have moved together with all the other Allianz entities in the Allianz Campus in Wallisellen, a brand new building labeled Minergie. In Warsaw also, in 2015, EH employees moved to Nimbus, a certified building designed with particular emphasis on environmental aspects (during the construction phase, 10% of materials used were recycled and 50% of waste from the construction site was recycled in turn).
- Given the nature of its business, the Group is not concerned by environmental issues arising from land use.

### Climate change

The Group is aiming to reduce and challenge the emissions related to its activities linked to the operational and logistics aspects (buildings and employees related emissions).

While challenging the current consumptions and implementing guidelines and standards, the Group is in fact aiming to reduce the employees' carbon footprint.

As a service company that exclusively occupies office premises, the Group has a very limited direct environmental impact and for this reason is not directly concerned by climate change effects.

The CO<sub>2</sub> emissions arising from energy consumption and business travel by the Group's staff are set out in the table below. The breakdown of emissions by scope corresponds to the internationally recognized GhG Protocol.

GhG protocol scopes	Emissions factors	2015 emissions	2014 emissions	Unit
1	Direct emissions related to energy consumption (gas + fuel)	2,557	2,306	Metric tons of CO <sub>2</sub> equivalent
	Direct emissions related to the business vehicle fleet	2,428	2,453	Metric tons of CO <sub>2</sub> equivalent
2	Indirect emissions related to consumption of electricity and steam	3,209	3,225	Metric tons of CO <sub>2</sub> equivalent
3	Indirect emissions related to business travel (plane, train, car)	3,376	4,420	Metric tons of CO <sub>2</sub> equivalent

Reducing the Group's carbon footprint requires efforts to reduce energy consumption at its premises as well as the impact occurred by business travel. Efforts to reduce energy consumption are set out above.

The main initiatives in place at the Group to reduce CO<sub>2</sub> emissions related to business travel are:

- the subsidiaries' business travel policies encourage travel by train and the use of videoconferencing (as mentioned above, 62% of the

Group's employees work in premises equipped with video conference system);

- some of the subsidiaries favor the use of vehicles with low CO<sub>2</sub> emissions per kilometer for their company car fleets. France and the UK have also set emissions thresholds for selecting company vehicles. Some fleets also include hybrid vehicles (the entire fleet in the UK and in the Netherlands, in France and Italy this principle is applied for

the new company cars), Euler Hermes Italy provides an electric vehicle for its employees, in Switzerland an e-bike has been purchased and it is used by employees for customer visit in the surrounding area;

- the Group directives encourage subsidiaries to choose working premises that can be accessed by public transport;
- finally, in the US and Canada the Green Vehicle Rewards Program offers financial incentives to employees who invest in fuel-efficient cars, in order to reduce the environmental impact of the journey between home and work.

To go further in terms of environmental responsibility, some subsidiaries purchase electricity from renewable sources, as in Germany (100% of electricity used is hydraulic in origin) and the UK (wind power).

## Biodiversity

The Group's activities do not have any material direct impact on biodiversity. At the Company's level, efforts are made to promote biodiversity by favoring the purchase of paper from sustainably managed forests (for more details, see the "Sub-contractors and suppliers" section below).

## 1.5.3 Responsibility towards society

### Territorial, economic and social impact of activities

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

The Group takes steps to ensure that local employees are promoted to positions of responsibility. The number of expatriate positions is intentionally restricted. Training programs are also available to help staff enhance their skills and maintain their long-term employability within the Group. In France, for example, the Form'Avenir program offers non-executive employees two days of training per month over a two-year period, with monitoring by a tutor from within the Company. Since the launch of this program, 112 employees have participated.

Partnerships with schools have also been set up in various countries, including Germany, where the Group has been collaborating for several years with the Hamburg School of Business Administration: 10 new dual students started their three year trainee program in September 2015.

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

### Dialogue with civil society, partnerships and corporate sponsorship

At Group level, the Company provides employees and business units with a CSR policy (see introduction section 1.5 above). The choice of actions, budget and initiative of dialogue with various stakeholders including charities are driven directly by the business units.

### Financial support for charities and employees volunteering actions

Several charities received financial donations from the Group's various subsidiaries in 2015. In line with the Group's CSR policy, the majority of these donations were made to charities working in the area of health and well-being. Support to local charities came also from increased employee volunteering actions.

For example, the Group's entities in Belgium, Denmark, Germany, Hungary, Italy, Poland, Turkey, the UK and the United States contributed to several associations focused on child welfare through donations, socio-educational projects, funding of clothing or food, and footwear distribution. In addition to these actions, Euler Hermes World Agency pledged a US\$ 10 donation to UNICEF for every completed satisfaction questionnaire sent to clients at the end of 2015.

Projects improving conditions of disadvantaged people and families were also supported in Canada, Gulf Cooperation Council (GCC), Morocco, the Netherlands, the UK and the United States. These included help to build homes, food and gifts distribution, support to teach independent living and donation of computers.

In 2015, the Netherlands also coordinated emergency donations following the Nepal earthquake.

Employees in France, the Netherlands, Norway, Poland and the Solunion joint venture with MAPFRE took part in sporting events to collect funds for food aid, or to support healthcare projects.

For the third year in France, a concierge service coordinated by an organization helping disabled workers into employment was provided to employees at the Euler Hermes Group offices in Paris.

Euler Hermes employees around the world demonstrated their growing concern for a sustainable environment. For example, electro-waste, old mobile phone and plastic bottle collections for recycling were organized in GCC countries, Greece and at Solunion.

## Encouraging employees to get involved

Since 2014, several Group entities again have adopted systems for matching employees' charitable donations. In the UK, around 16 charities in health protection received funding in this way. In the US, the Group matched staff donations to the Johns Hopkins pediatric medical center (this initiative has taken place every year for over 10 years) and the Maryland food bank.

Several dozen employees in France, Italy, the Netherlands and the UK also took part in sporting events to collect funds for food aid and medical aid organizations.

Other initiatives enabled the staff to get involved directly with charitable projects. These included the "Habitat for Humanity" program in the US, where approximately 13 employees helped build homes for disadvantaged families. Poland has continued its existing commitment by local employees to support initiatives related to children in need. This year, four different orphanages across the country received contributions to finance winter holiday trips for children and tickets to the cinema or theatre. Financial support was also provided to a local sports club for children. For the second year in France, a concierge service coordinated by an organization helping disabled workers into employment was provided to employees at the Euler Hermes Group's offices in Paris.

Initiatives to preserve the environment included offering a hybrid car model with lower carbon emissions among company vehicle options (France), organizing "clean days" to recycle archived paper documents (Belgium), and donating used computers to charitable organizations or for professional recycling (GCC).

## Sub-contractors and suppliers

The Group Procurement Standards are implemented in each subsidiary of the Group to develop best practices on the complete sourcing life cycle across the Group. They integrate in the value chain that the principles of code of conduct for business ethics, environment and compliance are the basis for everyday business.

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

Contracts with suppliers include clauses that commit the suppliers to uphold any employment laws or environmental legislation in force in the countries in which they operate as well as to apply very strict principles on the prevention of corruption, supporting the Group's overall anti-corruption policy.

In recent years, these basic aspects of the responsible procurement policy have been supplemented by the adoption of special procedures for certain types of purchases:

- the Group's standards include environmental principles for selecting the office premises occupied by the Group, with the main focus on buildings with environmental certification (LEED and HQE in France, etc.). The UK and German subsidiaries also supply themselves with electricity generated from renewable energy;
- some countries have established specific directives to reduce the carbon footprint of corporate vehicle fleets, mainly through the purchase of hybrid vehicles;
- the French entity has adopted the green letter tariff for its mail correspondence;
- since the Group operates in a service industry, paper is one of its largest categories of consumables. The production of paper creates significant environmental problems (such as CO<sub>2</sub> emissions and damage to biodiversity) and so increasing numbers of subsidiaries are mainly buying recycled or FSC-certified paper.

## Fair commercial practices and respecting human rights

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

Specific restrictions are also applied within the Group in relation to arms trading. The following activities are therefore prohibited:

- conducting insurance or investment activities that contribute to the manufacture of biological or chemical weapons, anti-personnel mines, bombs or other fragmentation charges;
- taking part in transactions for the purpose of exporting arms to "high tension" countries (a list of these countries is provided by Allianz), except for export credit activity.

In addition, specific rules for commercial underwriting, which include risk assessment and a special hierarchical approval process, have also been established for activities regarded as sensitive in terms of impact on the environment, human health, animal welfare or human rights.

The Group's compliance policy is overseen by a dedicated team. This team's main areas of work and projects are presented on page 85 of this Registration Document.

Lastly, with regard to its activities based on credit insurance for businesses, the Group is not involved in specific actions to promote consumer health and safety.

## 1.5.4 Note on methodology

### Social reporting

#### General organization

The Group bases its annual social reporting process on a protocol that is regularly updated and shared with the Allianz group.

The indicators collected by the information systems are grouped into the following categories: workforce, age, length of service, full-time equivalents, qualifications, turnover and health. The indicator definitions are standardized at Group level and distributed to the Human Resources departments of the various regions in which the Group is present.

The reporting process is overseen by a special team at Group level, in charge of controlling and consolidating all the data collected.

#### Scope and level of coverage

The scope of the social reporting process encompasses all the legal companies fully consolidated by the Group Financial Division for the fiscal year in question.

The level of coverage of the social indicators presented in the CSR section is 100%.

#### Further information on the indicators

- The active workforce is used as a reference to calculate the breakdown of personnel by age, gender, average age and average length of service.
- Recruitments take all employees into account who receive a new contract of employment with the reporting unit during reporting period. The amount of leavers indicates all the cases where the employment relationship was terminated and the contract of employment ended. This includes leaving to external company, intra-Group movement, voluntary and involuntary end of employment contract, employees who are recruited and left during the reporting period, regular and early retirement, invalidity and death. Dismissal is further specified as "firing" and redundancies are further specified as "lay-off". Firing includes employees who left the Allianz Group during the reporting period due to misconduct or failure of the employee. Lay-off includes number of employees who

left the Allianz Group during the reporting period, due to corporate reorganization or social plans. This is mainly due to economic forces beyond the employer's and employee's control, especially in the face of recession. Expatriation is neither considered recruitment at the receiving unit nor a departure at the sending unit.

- The rate of absenteeism mentioned takes account of employee absence due to illness. Since 2015 cases of absences due to long-term illness are included in the absenteeism rate. Other reasons for absenteeism such as parental leave or sabbatical leave are not considered. Employees who have left the Company within the reporting period are also counted.
- The reporting unit used for training is one day. All training hours are taken into account and converted into training days.

### Environmental reporting

#### General organization

The Group's environmental reporting process was structured during 2013, mainly reflecting the creation and distribution of a reporting protocol within the Group. It sets out within a single document the key reporting principles, consolidation rules, instructions for input and validation, and all the necessary technical information (e.g. a precise definition of indicators, information sources to use, rules for estimates and conversion factors).

Information is collected by means of an Excel data sheet for the six regions in which the Group is present. The regional contributors (most often in the Operations departments) report qualitative and quantitative environmental information falling within their range of responsibility to the Group's Real Estate department twice a year (qualitative indicators collected in October and quantitative indicators collected in December/January). This department is responsible for verifying and compiling the information collected for publication in the Registration Document.

The selected indicators are used to measure the Group's progresses in terms of environmental responsibility and challenge for new activities and improvements. The reporting tool used is compliant with the GRI (Global Reporting Initiative) guidelines.

The reporting period under review runs from January 1 to December 31, 2015.

### Scope and level of coverage

The scope of the environmental reporting process includes all the buildings occupied during the year by the Group's personnel worldwide (premises rented or owned by the Group). The list of sites used by the Group is updated twice a year by the Group Real Estate department, which also registers the surface area occupied by these sites and the number of people working on them (data collected through the Human Resources Controlling function).

For the 2015 reporting season, the quantitative data were collected from sites in all the different Group regions around the world.

The levels of coverage by surface area of the various environmental indicators are shown below. They represent the surface area of sites for which data are reported as a proportion of the total surface area of the sites occupied by the Group. Rates of consumption of gas and fuel for cooling or heating via the urban networks are shown as a ratio of the surface area of the sites concerned by this type of consumption. If this information is not known (e.g. information on whether a site consumes gas for heating is not provided), the site is regarded as concerned by the indicator by default. The level of coverage shown for these indicators is therefore a minimum.

Indicators	2015 Level of coverage/m <sup>2</sup>	2015 Level of coverage/m <sup>2</sup> per Region*	2014 Level of coverage/m <sup>2</sup>
Electricity consumption	87%	Americas (50%); APAC (44%); DACH (89%); France (98%); MMEA (84%); NE (91%)	85%
Gas consumption	77%	Americas (n/a); APAC (n/a); DACH (96%); France (1%); MMEA (99%); NE (2%)	77%
Urban heating consumption	54%	Americas (n/a); APAC (n/a); DACH (0%); France (0%); MMEA (77%); NE (40%)	62%
Fuel consumption	78%	Americas (n/a); APAC (n/a); DACH (100%); France (0%); MMEA (100%); NE (0%)	78%
Water consumption	78%	Americas (50%); APAC (15%); DACH (89%); France (81%); MMEA (83%); NE (49%)	77%
Paper consumption	89%	Americas (0%); APAC (44%); DACH (99%); France (100%); MMEA (95%); NE (81%)	83%
Business travel	87%	Americas (0%); APAC (30%); DACH (99%); France (100%); MMEA (95%); NE (65%)	89%
Waste generation	80%	Americas (0%); APAC (0%); DACH (89%); France (100%); MMEA (73%); NE (75%)	69%

(\*) EH Regions: Americas, APAC (Asia-Pacific), DACH (Germany, Austria and Switzerland), France, MMEA (Mediterranean countries, Middle-East, Africa), NE (Northern Europe). "n/a" means that the indicator is not applicable.

### Further information on the indicators

#### CO<sub>2</sub> emissions

CO<sub>2</sub> emissions were calculated using the following information sources:

Emissions factors	Information sources
Gas and fuel combustion, urban heating Business travel by car, train and airplane Travel by company car	"Bilan Carbone" Tool, version V7.1.06 (ADEME)
Power generation in the various countries in which the Group is present	IEA (International Energy Agency) – Excel table CO <sub>2</sub> Highlights 2012

The CO<sub>2</sub> emissions shown in the reports correspond to the combustion phase of the various types of energy. Upstream emissions, which relate to the extraction, refining and transmission of the energy consumed, are not taken into account, and neither are online losses on power or heating networks.

The emissions factor related to the power consumption of the buildings of Euler Hermes Germany in Hamburg is zero, as these sites exclusively use power produced from renewable energy sources (hydraulic power).

## 1.5.5 Report by the independent third party, on the consolidated human resources, environmental and social information included in the management report

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

### For the year ended December 31, 2015

To the Shareholders,

In our capacity as independent third party, certified by COFRAC under number 3-1049<sup>(1)</sup>, we hereby report to you on the consolidated human resources, environmental and social information for the year ended December 31, 2015, included in the management report (hereinafter named "CSR Information"), pursuant to article L. 225-102-1 of the French Commercial Code.

### Company's responsibility

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R. 225-105-1 of the French Commercial Code in accordance with the guidelines used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the Company's head office.

### Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics of our profession and the requirements of article L. 822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

### Responsibility of the independent third party

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R. 225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved six persons and was conducted between November 2015 and March 2016 during a six week period. We were assisted in our work by our CSR experts.

We performed our work in accordance with the French professional standards and with the order dated May 13, 2013 defining the conditions under which the independent third party performs its engagement and with ISAE 3000<sup>(2)</sup> concerning our conclusion on the fairness of CSR Information.

## 1 Attestation regarding the completeness of CSR Information

### Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R. 225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R. 225-105, paragraph 3 of the French Commercial Code.

(1) Whose scope is available at [www.cofrac.fr](http://www.cofrac.fr).

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L. 233-1 and the controlled entities as defined by article L. 233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in 1.5.4 section of the management report.

## Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

## 2 Conclusion on the fairness of CSR Information

### Nature and scope of our work

We conducted eight interviews with persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important<sup>(1)</sup>:

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities selected by us<sup>(2)</sup> on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and to identify potential undisclosed data, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents 18% of headcount and between 44% and 98% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the Company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

## Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Appointed Independent Third-Party Auditor  
French original signed by:

Paris-La Défense, April 13, 2016

**KPMG S.A.**

Anne Garans  
Partner

Xavier Dupuy  
Partner

*Climate Change and Sustainability Services*

(1) Human resources quantitative information: active headcount as at December 31, 2015 broken down by age, gender and type of contract; number of external recruitments; number of redundancies; active workforce working part-time; absenteeism rate for sickness; total number of days of training.

Environmental quantitative information: electricity consumption; gas consumption; fuel consumption; paper consumption; business trips.

Qualitative information: policy against discriminations; the organization of the Company to integrate environmental issues and, if appropriate, the assessments and certification process regarding environmental issues; action implemented against corruption.

(2) Human resources indicators: Euler Hermes France, Euler Hermes France Credits, Euler Hermes France Recouvrement, Euler Hermes Europe Italia.

Environmental indicators: Euler Hermes France, Euler Hermes France Credits, Euler Hermes France Recouvrement, Euler Hermes Group, Euler Hermes Europe Italia, Euler Hermes Deutschland AG.



# 2

## Corporate governance

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The Company is a limited company (*société anonyme*) with a Board of Management and a Supervisory Board. The members of the Board of Management and the Supervisory Board are referred to collectively in this Registration Document by the term "corporate officers".

On the date of publication of this Registration Document and to the Company's knowledge, there are:

- no family ties among the Company's corporate officers;
- no conflicts of interest between the private interests of each of the corporate officers and their duties with regard to the Company;
- no arrangement or agreement concluded with the principal shareholders or with clients, suppliers or others, as a result of which any of the members of the Board of Management or Supervisory Board has been appointed as a corporate officer;
- no restriction on the sale by corporate officers of their shareholdings in the Company's capital; and
- no service agreement binding the corporate officers to the Company or any of its subsidiaries that provides for benefits to be granted to them.

In addition, to the Company's knowledge on the date of this document, no member of the Supervisory Board or of the Board of Management has been, in the last five years:

- convicted of fraudulent offences;
- associated with any bankruptcies, receiverships or liquidations;
- subject to any official public incrimination and/or sanctions by statutory or regulatory authorities;
- disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

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

## 2.1 Board of Management

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

By decision of the Supervisory Board, a new Board of Management was appointed on February 17, 2016, for a four year period from April 1, 2016 until March 31, 2020.

### 2.1.1 Composition of the Board of Management

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For the 2015 fiscal year and until March 31, 2016, the Board of Management was composed of six members:

- Wilfried Verstraete, Chairman of the Board of Management responsible for Internal Audit, Human Resources and Communications;
- Gerd-Uwe Baden, Member of the Board of Management responsible for Development and Partnerships;
- Frédéric Bizière, Member of the Board of Management responsible for Risk, Information and Claims, and Reinsurance;
- Clarisse Kopff, Member of the Board of Management responsible for Finance;
- Dirk Oevermann, Member of the Board of Management responsible for Operations and IT;
- Paul Overeem, Member of the Board of Management responsible for Market Management, Commercial and Distribution.

As of April 1, 2016, the Board of Management is composed of six members who perform the following management duties:

- Mr. Wilfried Verstraete, Chairman of the Board of Management responsible for Internal Audit, Human Resources and Communications;
- Mr. Frédéric Bizière, Member of the Board of Management responsible for Risks, Information and Indemnification, and Reinsurance;
- Mrs. Clarisse Kopff, Member of the Board of Management responsible for Finance;
- Mr. Paul Overeem, Member of the Board of Management responsible for Commercial and Distribution;
- Mr. Michele Pignotti, Member of the Board of Management responsible for Market Management;
- Mr. Ludovic Sénécaut, Member of the Board of Management responsible for Operations and IT.

■ **Wilfried Verstraete, Chairman of the Board of Management Internal Audit, Human Resources and Communications**

Mr. Wilfried Verstraete graduated in Economics from the University of Brussels (VUB), holds a Master's degree in financial management from VLEKHO (Belgian school of management) and is an alumnus of the International Executive Program at Insead.

From 1996 to 2004, Mr. Wilfried Verstraete worked at the France Telecom Group where he successively held the position of Chief Financial Officer with Mobistar in Belgium, Wanadoo in France and Orange in the UK. He served as Chairman of the Board of Management of Atradius from 2004 to 2006 before joining Allianz Global Corporate & Specialty as Chief Financial Officer and member of the Board of Management. Mr. Wilfried Verstraete was appointed Chairman of the Euler Hermes Group Board of Management on April 1, 2009.

■ **Mr. Gerd-Uwe Baden, member of the Board of Management until March 31, 2016 Business Development and Partnerships**

Mr. Gerd-Uwe Baden is a graduate in law and management from the University of Hamburg, and holds a second State examination and a doctorate in law. He began his career in 1985 as a management consultant with McKinsey & Company specializing in the insurance sector. In 1990, he was appointed to the Board of Management of Deutsche Versicherung, a subsidiary of the Allianz group, as the Head of the Organization and Administration department, before becoming Head of the Private Clients department. Mr. Gerd-Uwe Baden was appointed Chairman of the Board of Management of Allianz group Companies (Switzerland) in January 1998. He joined the Euler Hermes Group Board of Management on May 25, 2004. From October 2003 until December 2009, he was also Chairman of the Board of Management of Euler Hermes Kreditversicherungs-AG (Germany).

■ **Frédéric Bizière, member of the Board of Management Risk, Information and Claims, and Reinsurance**

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

■ **Clarisse Kopff, member of the Board of Management Finance**

Mrs. Clarisse Kopff graduated from ESCP Europe and holds a master's degree in International Financial Markets and Commodities Markets from Paris Dauphine University. She also holds a Kauffrau Diploma from Berlin. After working in the Origination department at Lehman Brothers in London and as an auditor at PricewaterhouseCoopers in

Paris, she joined the Group in 2001 as a financial controller for Euler Hermes SFAC (France). Between 2007 and 2011, she held successive positions as Head of Controlling for French and Mediterranean activities, and Head of Group Controlling. In 2012, she was appointed Head of Group Accounting, Controlling and Investor Relations. Mrs. Clarisse Kopff joined the Board of Management of Euler Hermes Group as Chief Financial Officer in May 2014.

■ **Dirk Oevermann, member of the Board of Management until March 31, 2016 Operations, IT**

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

■ **Paul Overeem, member of the Board of Management Commercial and Distribution**

Mr. Paul Overeem holds a master's degree in trade law and international labor law from the University of Brabant and studied six relevant banking courses at the NIBE International Finance Academy. In 1989, he established Euler Hermes Kredietverzekering in the Netherlands, and served as its Chief Executive Officer. For 25 years, his international assignments have reflected increasing responsibility: US Executive Vice-President of finance and risk underwriting (1999), Deputy Chief Executive Officer of Euler Hermes International in London (2001), President and CEO of all Euler Hermes operations in the Americas (2002), and Regional CEO for Northern Europe (2010). Mr. Paul Overeem joined the Euler Hermes Group Board of Management in January 2013.

■ **Michele Pignotti, member of the Board of Management since April 1, 2016 Market Management**

Mr. Michele Pignotti holds an MBA from the CUOA management school in northeast Italy. He joined Euler Hermes in 2004 as Director of Marketing and Sales for Italy. Prior to 2004, he served as European Marketing Director for Sara Lee Branded Apparel and as Director of BtoB Marketing for Telecom Italia. He was appointed CEO of Euler Hermes Italy in 2008. In 2010 he became the Head of the MMEA region, which consists of South Africa, Greece, Israel, Italy, Morocco, Tunisia, Turkey and the six countries of the Gulf Coast. He is also a member of the Euler Hermes "Digital Sounding Board" and contributes to the digital strategy and the identification and assessment of new opportunities.

■ **Ludovic Sénécaut, member of the Board of Management since April 1, 2016**  
**Operations, IT**

Mr. Ludovic Sénécaut is a graduate of the *École Polytechnique* and the *École Nationale des Ponts et Chaussées* in Paris. He launched his career at Banque Indosuez and then he was the director of Energy and Telecommunications departments in the Treasury Department

within the Ministry of Finance. He joined the Euler Hermes strategy team in 2003 and supervised the activities of Euler Hermes in several European countries until 2010, the date on which he was appointed Regional Director and Chairman of the Board of Management of Euler Hermes France. In 2013, he assumed the duties of Director of Euler Hermes for Northern Europe, which covers 15 different countries in central and northern Europe.

## 2.1.2 Operation of the Board of Management

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

## 2.1.3 Offices of Board of Management members

The number of offices held by members of the Board of Management complies with applicable law and regulations and with the AFEP-MEDEF Code of Corporate Governance limiting concurrent terms of office.



**Wilfried Verstraete**

- **Euler Hermes Group, France (publicly traded company)**. Chairman of the Board of Management (since 04/01/2009 until 03/31/2020)
- **Euler Hermes SA, Belgium**. Executive Director and Chairman of the Management Committee (from 02/11/2014 until the called to approve the 2017 financial statements)
- **Euler Hermes World Agency, France**. Chairman of the Board of Non-voting Members (from 05/10/2011 until the shareholders' meeting called to approve the 2015 financial statements)
- **Euler Hermes AG, Germany**. Chairman of the Supervisory Board (since 04/23/2014 until the shareholders' meeting called to approve the 2018 financial statements)
- **Euler Hermes North America Insurance Company, United States**. Chairman of the Board of Directors (since 11/13/2009)
- **Euler Hermes North America Holding Inc, United States**. Chairman of the Board of Directors (since 11/13/2009)



**Gerd-Uwe Baden**

- **Euler Hermes Group, France (publicly traded company)**. Member of the Board of Management (since 05/25/2004 until 03/31/2016)
- **Euler Hermes World Agency, France**. Non-voting Member (from 06/12/2008 until the shareholders' meeting called to approve the 2015 financial statements)
- **Euler Hermes AG, Germany**. Vice-Chairman of the Supervisory Board (from 04/23/2014 until the shareholders' meeting called to approve the 2018 financial statements)
- **Euler Hermes Luxembourg Holding SARL, Luxembourg**. Sole Manager (since 08/04/2014)
- **Euler Hermes North America Insurance Company, United States**. Director (since 11/19/2013)
- **Euler Hermes North America Holding Inc, United States**. Director (since 11/19/2013)
- **Euler Hermes Reinsurance AG, Switzerland**. Chairman of the Board of Directors (from 06/28/2010 until the shareholders' meeting called to approve the 2015 financial statements)
- **Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA, Spain**. Chairman of the Board of Management (from 05/23/2017 to 05/23/2017)
- **COSEC - Companhia de Seguro de Créditos, SA, Portugal**. Director (since 07/17/2014 until 2016)
- **ICIC - Israel Credit Insurance Company Ltd, Israel**. Member of the Board of Management (since 07/31/2014)
- **OeKB EH Beteiligungs- und Management AG, Austria**. Member of the Supervisory Board (since 09/17/2014 until the shareholders' meeting called to approve the 2018 financial statements)
- **Acredia Versicherung AG, Austria**. Member of the Supervisory Board (since 09/17/2014 until the shareholders' meeting called to approve the 2018 financial statements)



Frédéric Bizière

- **Euler Hermes Group, France (publicly traded company).** Member of the Board of Management (from 10/01/2011 until 03/31/2020)
- **Euler Hermes SA, Belgium.** Executive Director and Member of the Management Committee (from 02/11/2014 until the shareholders' meeting called to approve the 2017 financial statements)
- **Euler Hermes World Agency, France.** Non-voting Member (since 01/19/2012 until the shareholders' meeting called to approve the 2015 financial statements)
- **Euler Hermes North America Insurance Company, United States.** Vice-Chairman of the Board of Directors (since 10/18/2011)
- **Euler Hermes North America Holding Inc, United States.** Vice-Chairman of the Board of Directors (since 10/18/2011)
- **Euler Hermes Reinsurance AG, Switzerland.** Director (from 03/09/2012 until the shareholders' meeting called to approve the 2015 financial statements)



Clarisse Kopff

- **Euler Hermes Group, France (publicly traded company).** Member of the Board of Management (from 05/01/2014 until 03/31/2020)
- **Euler Hermes SA, Belgium.** Executive Director and Member of the Management Committee (from 11/04/2014 until the shareholders' meeting called to approve the 2017 financial statements)
- **Euler Hermes North America Insurance Company, United States.** Director (since 09/11/2014)
- **Euler Hermes North America Holding Inc, United States.** Director (since 09/11/2014)



Dirk Oevermann

- **Euler Hermes Group, France (publicly traded company).** Member of the Board of Management (from 02/01/2010 until 03/31/2016)
- **Euler Hermes SA, Belgium.** Executive Director and Member of the Management Committee (from 02/11/2014 until the shareholders' meeting called to approve the 2017 financial statements)
- **Euler Hermes North America Insurance Company, United States.** Director (since 11/19/2013)
- **Euler Hermes North America Holding Inc, United States.** Director (since 11/19/2013)
- **Euler Hermes Collections Sp z o.o., Poland.** Chairman of the Supervisory Board (since 06/15/2010 with annual renewal)
- **Euler Hermes Collections GmbH, Germany.** Member of the Supervisory Board (since 01/01/2013)



Paul Overeem

- **Euler Hermes Group, France (publicly traded company).** Member of the Board of Management (from 01/01/2013 until 03/31/2018)
- **Euler Hermes SA, Belgium.** Executive Director and Member of the Management Committee (from 02/11/2014 until the shareholders' meeting called to approve the 2017 financial statements)
- **Euler Hermes World Agency, France.** Non-voting Member (from 03/28/2012 until the shareholders' meeting called to approve the 2015 financial statements)
- **Euler Hermes North America Insurance Company, United States.** Director (since 11/19/2013)
- **Euler Hermes North America Holding Inc, United States.** Director (since 11/19/2013)



Michele Pignotti

- **Euler Hermes Group, France.** Member of the Board of Management (from 01/04/2016 until 03/31/2020)
- **BSSCH The Israeli Credit Insurance Company Ltd, Israel.** Member of the Board of Directors (From 30/07/2011)
- **Euler Hermes Hellas Credit Insurance SA, Greece.** Chairman of the Board of Directors (From 31/05/2010 until 30/06/2016)
- **Euler Hermes Sigorta A.Ş. Turkey.** Chairman of the Board of Directors (From 05/05/2011 until 21/03/2017)
- **Euler Hermes ACMAR SA, Morocco.** Chairman of the Board of Directors (27/06/2013 - until the shareholders' meeting called to approve the 2018 financial statements)
- **Euler Hermes Services Italia S.r.L, Italy.** Chairman of the Board of Management (from 15/03/2010 until the shareholders' meeting called to approve the 2015 financial statements)



Ludovic Sénécaut

- *Euler Hermes Group, France (publicly traded company)*. Member of the Board of Management (from 01/04/2016 until 03/31/2020)
- *Towarzystwo Ubezpieczeń Euler Hermes S.A. (Spółka akcyjna), Poland*. Chairman of the Supervisory Board (since 2013)
- *Euler Hermes Ru, Russia*. Chairman of the Supervisory Board (since 2013)
- *Euler Hermes Services UK Ltd, United Kingdom*. Director (since 24/10/2012)

## 2.2 Supervisory Board

The Supervisory Board monitors the Company's management by the Board of Management on an ongoing basis and gives the Board of Management the prior authorizations required by law or by the Articles of Association.

### 2.2.1 Composition of the Supervisory Board

As of the date of this Registration Document, the Supervisory Board comprised 11 members:

- Clement Booth, Chairman;
- Brigitte Bovermann, Vice-Chairwoman;
- Ümit Boyner;
- Philippe Carli;
- Elizabeth Corley;
- Nicolas Dufourcq;
- Maria Garaña;
- Jean-Hervé Lorenzi;
- Thomas-Bernd Quaas;
- Jacques Richier; and
- Axel Theis.

For information on the independence or gender balance of members of the Supervisory Board, please see the Chairman of the Supervisory Board's report on corporate governance and on internal control and risk management procedures established by the Company, which can be found in section 2.4 of this Registration Document.

### 2.2.2 Operation of the Supervisory Board and its committees

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

## 2.2.3 Offices of Supervisory Board members during fiscal 2015 and the past five financial years



**Clement Booth**,  
a British national,  
Chairman of the Supervisory Board  
of Euler Hermes Group  
since January 2010

**MR. CLEMENT BOOTH, CHAIRMAN OF THE SUPERVISORY BOARD OF EULER HERMES GROUP,  
NON-INDEPENDENT MEMBER FROM 09/18/2009 UNTIL THE SM CALLED TO APPROVE THE 2017 FINANCIAL STATEMENTS\***

### Other offices

- *Sanlam, South Africa*. Independent non-Executive Director of the Board of Directors (since 01/01/2015)
- *Santam, South Africa*. Independent Non-Executive Director (since 01/07/2015)
- *Dual Insurance, United Kingdom*. Non-Executive Chairman of the Board (since 01/10/2015)
- *Hyperion Insurance Group, United Kingdom*. Non-Executive Director (since 01/10/2015)
- *Saracens, United Kingdom*. Member of the Board (since 05/09/2012)

### Past offices

- *Allianz SE, Germany (publicly traded company)*. Member of the Board of Management (from 01/01/2006 to 2014)
- *Allianz Global Corporate & Specialty SE, Germany*. Chairman of the Supervisory Board (from 11/16/2005 to 2014)
- *Allianz Australia Ltd, Australia*. Member of the Board of Directors (from 01/01/2006 to 2014)
- *Allianz Australia Insurance Ltd, Australia*. Member of the Board of Directors (from 01/01/2006 to 2014)
- *CIC Allianz Insurance Ltd, Australia*. Member of the Board of Directors (from 01/01/2006 to 2014)
- *Allianz Australia Life Insurance Ltd, Australia*. Member of the Board of Directors (from 01/01/2006 to 2014)
- *AZ Irish Life Holding, Ireland*. Member of the Board of Directors (from 01/01/2006 to 2015)
- *Allianz UK Ltd, United Kingdom*. Chairman of the Board of Directors (from 01/01/2006 to 2014)
- *Allianz Holdings PLC, United Kingdom*. Chairman of the Board of Directors (from 01/01/2006 to 2014)
- *Allianz Insurance Plc, United Kingdom*. Chairman of the Board of Directors (from 01/01/2006 to 2014)
- *Association of British Insurers (ABI), United Kingdom*. Member (from 07/15/2009 to 2014)

\* As by a press release dated March 15, 2016, Mr. Clement Booth resigned as Chairman of the Supervisory Board, with effect from May 25, 2016, following the next Shareholders' meeting.



**Brigitte Bovermann**,  
a German national,  
Responsible for Allianz SE's Global Insurance  
Lines & Anglo Markets division  
since January 2006

**MRS. BRIGITTE BOVERMANN, VICE-CHAIRWOMAN OF THE SUPERVISORY BOARD OF EULER HERMES GROUP,  
NON-INDEPENDENT MEMBER OF THE NOMINATION AND REMUNERATION COMMITTEE AND THE AUDIT  
AND RISK COMMITTEE OF EULER HERMES GROUP FROM 05/21/2010 UNTIL THE SM CALLED TO APPROVE  
THE 2015 FINANCIAL STATEMENTS**

### Offices with the Allianz group

- *Euler Hermes SA, Belgium*. Chairwoman of the Board of Directors, Member of the Nomination and Remuneration Committee and the Audit, Risk and Compliance Committee (from 02/11/2014 until the SM called to approve the 2017 financial statements)
- *Allianz Australia Life Insurance Ltd, Australia*. Alternate non-executive member of the Board (since 04/21/2006)
- *Allianz Australia Ltd, Australia*. Alternate non-executive member of the Board (since 04/21/2006)
- *Allianz Australia Insurance Ltd, Australia*. Alternate non-executive member of the Board (since 04/21/2006)
- *CIC Allianz Insurance Ltd, Australia*. Alternate non-executive member of the Board (since 04/21/2006)
- *AGR US Insurance Company / AMIC – AGCS Marine Insurance Company / Fireman's Fund Insurance Company, United States*. Member of the Board (since 01/2015)
- *Allianz Irish Life Holdings Plc, Ireland*. Non-executive member of the Board (since 01/21/1999)
- *Allianz Plc, Ireland*. Non-executive member of the Board (since 01/21/1999)
- *Allianz Insurance Plc, United Kingdom*. Non-executive member of the Board (since 06/09/2006)
- *Allianz Holdings Plc, United Kingdom*. Non-executive member of the Board (since 06/09/2006)
- *Allianz (UK) Ltd, United Kingdom*. Non-executive member of the Board (since 06/09/2006)
- *Allianz UK Pension Fund Trustees Ltd, United Kingdom*. Member of the Board (since 05/12/2009)
- *AGF Holdings UK, United Kingdom*. Chairwoman of the Board (since 10/29/2013)
- *AGF Insurance UK, United Kingdom*. Chairwoman of the Board (since 10/29/2013)

### Past offices

- *AWC – Allianz Worldwide Care Ltd, Ireland*. Chairwoman of the Board of Directors (from 07/19/2002 to 07/10/2013)
- *Allianz Worldwide Care Services Ltd, Ireland*. Director (from 04/03/2012 to 07/10/2013)
- *Allianz Life Insurance Company of North America, United States*. Member of the Board (from 03/11/2008 to 10/31/2010)
- *AZOA - Allianz of America Corporation, United States*. Member of the Board (from 03/11/2008 to 10/31/2010)
- *Fireman's Fund Insurance Company, United States*. Member of the Board (from 03/11/2008 to 10/31/2010)
- *Allianz Mexico SA, Mexico*. Member of the Board (from 03/27/2008 to 03/22/2012)



**Ümit Boyner**,  
a Turkish national,  
Member of the Executive Board  
of Boyner Holding A.S since June 2001

**MRS. ÜMİT BOYNER, INDEPENDENT MEMBER OF THE SUPERVISORY BOARD OF EULER HERMES GROUP SINCE 10/23/2013 UNTIL THE SM CALLED TO APPROVE THE 2015 FINANCIAL STATEMENTS**

**Other offices**

- *UniCredit Spa, Italy*. Member of the International Advisory Board (since 07/11/2013)
- *Boyner Holding A.S, Turkey*. Member of the Executive Board (since 06/04/2001)
- *TUSIAD (Turkish Business and Industry Association), Turkey*. Member of Presidents Council (since 2013)
- *TUSIAD, Turkey*. Member of the High Advisory Board (since 2015)
- *TUSIAD-Brookings Institute, Turkey*. Member of the Advisory Board; Turkey Program (since 2014)
- *L'Institut du Bosphore, France*. Co-Chair of the Scientific Committee (since 04/01/2016)
- *Altınyıldız Tekstil ve Konfeksiyon A.S, Turkey*. Member of the Executive Board (since 06/04/2015)
- *Anka Magazacılık A.S, Turkey*. Member of the Executive Board (since 21/12/2015)
- *Beymen İç ve Dış Ticaret A.S, Turkey*. Member of the Executive Board (since 26/03/2015)
- *Beymen Magazacılık A.S, Turkey*. Member of the Executive Board (since 13/06/2013)
- *Boyner Büyük Magazacılık A.S, Turkey*. Member of the Executive Board (since 09/06/2014)
- *Boyner Perakende ve Tekstil Yatırımları A.S, Turkey*. Member of the Executive Board (since 29/04/2015)
- *BYN Gayrimenkul Geliştirme A.S, Turkey*. Member of the Executive Board (since 24/04/2013)

**Past offices**

- *Benetton Turkey*. Vice-President of the Executive Committee (from 2007 to 2009)
- *Benetton Turkey*. Member of the Executive Committee (from 2009 to 2012)
- *Boyner Holding A.S, Turkey*. Vice-President (Finance) of the Executive Board (from 1994 to 2001)
- *L'Institut du Bosphore, France*. Member of the Scientific Committee (from 2009 to 2015)
- *TUSIAD, Turkey*. Chairperson of the Board of Directors (from 2010 to 2013)
- *TUSIAD, Turkey*. Board member; Chair of the European Affairs (from 2005-2010)
- *Carnegie Endowment for Peace, Middle East Institute*. Member of the Advisory Board (from 2011 to 2013)
- *YKM Giyim ve İhtiyac Maddeleri Tic. San. A.S, Turkey*. Member of the Executive Board (from 2013 to 2015)



**Philippe Carli**,  
a French national,  
Member of the Board of Directors  
of the Amaury Group since October 2010

**MR. PHILIPPE CARLI, INDEPENDENT MEMBER OF THE SUPERVISORY BOARD AND CHAIRMAN OF THE AUDIT AND RISK COMMITTEE OF EULER HERMES GROUP FROM 05/15/2009 UNTIL THE SM CALLED TO APPROVE THE 2017 FINANCIAL STATEMENTS**

**Other offices**

- *Editions Ph. Amaury SA, France*. Member of the Board of Directors (since 10/2010)
- *French-German Chamber of Commerce and Industry, France/Germany*. Member of the Supervisory Board (since 01/2003)
- *Goetz Partners AG, Germany*. Member of the Advisory Board (since 01/2011)
- *Laboratoires Cyclopharma SA, France*. Director (since 01/2014)

**Past offices**

- *Coopérative de Distribution des Quotidiens, France*. Chairman of the Board of Directors (since 06/2011 until 12/2015)
- *Mediakiosk, France*. Director (since 06/2013 until 12/2015)
- *Presstalis, France*. Director (since 12/2010 until 12/2015)
- *Siemens France holding SAS, France*. Chairman of the Board of Management (from 2003 to 2010)
- *Siemens SAS*. Chairman of the Board of Management (from 2002 to 2010)
- *Siemens Transportation SAS*. Member of the Board of Directors (from 2003 to 2010)
- *Siemens Transmission et distribution SAS*. Member of the Board of Directors (from 2004 to 2010)
- *Siemens Healthcare diagnostics SAS*. Member of the Board of Directors (from 2005 to 2010)
- *Trench France SAS, France*. Member of the Board of Directors (from 2005 to 2010)
- *Siemens SPA Haguenau*. Member of the Board of Directors (from 2004 to 2010)
- *French-German Chamber of Commerce and Industry, France/Germany*. Chairman of the Supervisory Board (from 2005 to 2010)



**Elizabeth Corley,**  
a British national,  
Chief Executive Officer of Allianz Global  
Investors since October 2014

**MRS. ELIZABETH CORLEY, NON-INDEPENDENT MEMBER OF THE SUPERVISORY BOARD OF EULER HERMES GROUP FROM 05/21/2010 UNTIL THE SM CALLED TO APPROVE THE 2015 FINANCIAL STATEMENTS**

**Offices with the Allianz group**

- *Allianz Global Investors GmbH, Germany.* Chairwoman of the Board of Management (since 10/01/2014)

**Other offices**

- *The City UK, United Kingdom.* Member of the Advisory Board (since 12/15/2009)
- *The City of London, United Kingdom.* Member of the City of London International Regulatory Strategy Group (since 15/12/2009)
- *Financial Reporting Council (FRC), United Kingdom.* Non-Executive Director (since 03/03/2011)
- *IA (Investment Association, previously Investment Management Association), United Kingdom.* Member of the Board (since 01/2011)
- *Forum of European Asset Managers (FEAM), Belgium.* Member of the Management Committee (since 2006)
- *British Museum, United Kingdom.* Member of the Investment Sub-Committee (since 03/01/2013)
- *European Securities and Markets Authority (ESMA), France.* Representative of Users of Financial Services at the Securities and Markets Stakeholder Group (since 01/01/2014)
- *Pearson Plc, United Kingdom.* Non-Executive Director (since 05/01/2014) and Chairman of the Remuneration Committee (since 01/08/2014)
- *Future of Finance Council.* Member of the Advisory Council (since 01/03/2013)
- *BAE Systems plc, United Kingdom.* Non-Executive Director (since 02/01/2016)
- *FICC Markets Standard Board, United Kingdom.* Member and acting chair (since 06/2015)
- *AQR Institute of Asset Management, London Business School, United Kingdom.* Member of the Advisory Council (since 03/2015)

**Past offices**

- *Allianz Asset Management AG, Germany.* Member of the Board of Management (from 01/10/2005 until 12/31/2015)
- *RiskLab GmbH, Germany.* Member of the Supervisory Board (from 05/16/2011 until 12/2015)
- *Allianz Global Investors Kapitalanlagegesellschaft GmbH, Germany.* Chairwoman of the Board of Directors (from 06/30/2008 to 01/31/2012)
- *Allianz Global Investors Luxembourg SA, Luxembourg.* Chairwoman of the Board of Directors (from 01/07/2005 to 01/31/2011)
- *Allianz Global Investors France SA, France.* Chairwoman of the Board of Directors (from 12/12/2005 to 04/30/2012)
- *Allianz Global Investors Italia Sgr Spa, Italy.* Chairwoman of the Board of Directors (from 04/19/2007 to 04/24/2012)



**Nicolas Dufourcq**,  
a French national,  
Chief Executive Officer of Bpifrance  
(the Banque Publique d'Investissement)  
since February 2013

**MR. NICOLAS DUFOURCQ, INDEPENDENT MEMBER OF THE SUPERVISORY BOARD OF EULER HERMES GROUP  
SINCE 05/21/2010 UNTIL THE SM CALLED TO APPROVE THE 2015 FINANCIAL STATEMENTS**

**Other offices**

- *Bpifrance SA (Bpifrance holding), France.* Chief Executive Officer (since 02/07/2013 until 02/06/2018)
- *Bpifrance Financement, France.* Chairman and Chief Executive Officer (since 12/07/2013)
- *Bpifrance Participations, France.* Chairman and Chief Executive Officer (since 12/07/2013)
- *Bpifrance Investissement, France.* Chairman (since 12/07/2013)
- *ST Microelectronics, The Netherlands,* Member of the Supervisory Board (since 05/27/2015)

**Past offices**

- *Cappgemini Reinsurance Company, Luxembourg.* Chairman (since 09/17/2004 until 2012)
- *Cappgemini Reinsurance International, Luxembourg.* Vice-Chairman (until 2012)
- *Prosodie SA, France.* Director (until 2012)
- *Cappgemini Holding Inc, United States.* Director (from 04/15/2005 until 2012)
- *Cappgemini Energy GP LLC, United States.* Director (from 11/14/2005 until 2012)
- *Cappgemini Mexico, Mexico.* Director (from 09/27/2004 until 2012)
- *CGS Holdings Ltd, United Kingdom.* Director (from 09/30/2004 until 2012)
- *Cappgemini UK plc, United Kingdom.* Director (from 09/30/2004 until 2012)
- *Cappgemini Deutschland Holding GmbH, Germany.* Director (from 04/23/2009 until 2012)
- *Cappgemini Italia Spa, Italy.* Director (since 05/26/2009 until 2012)
- *Cappgemini Asia Pacific Pte., Singapore.* Director (from 01/31/2005 until 2012)
- *Cappgemini Australia Pty Ltd, Australia.* Director (from 02/01/2005 until 2012)
- *Sogeti Sverige AB, Sweden.* Director (since 22/01/2006 until 2012)
- *Sogeti Sverige Mitt AB, Sweden.* Director (2012)
- *Sogeti Denmark A/S, Denmark.* Director (from 07/08/2006 until 2012)
- *Sogeti Finland Oy, Finland.* Director (from 01/01/2010 until 2012)
- *Sogeti Norge AS, Norway.* Director (from 06/15/2007 until 2012)
- *Sogeti Nederland BV, Netherlands.* Director (from 06/23/2005 until 2012)
- *Sogeti Belgium SA, Belgium.* Director (from 05/30/2008 until 2012)
- *Sogeti Luxembourg SA, Luxembourg.* Director (from 08/01/2005 until 2012)
- *Sogeti Deutschland GmbH, Germany.* Director (from 12/21/2005 until 2012)
- *Sogeti Espana, Spain.* Director (from 06/29/2005 until 2012)
- *Cappgemini Financial Services USA, Inc, United States.* Director (from 03/20/2007 until 2012)
- *Cappgemini Financial Services Europe, Inc, United States.* Director (from 03/20/2007 until 2012)
- *Cappgemini Financial Services (Japan) Inc, Japan.* Director (from 03/20/2007 until 2012)
- *Kanbay Limited (Bermuda), Bermuda.* Director (from 01/23/2008 until 2012)
- *Kanbay (Asia) Ltd (Mauritius), Mauritius.* Director (from 01/23/2008 until 2012)
- *Cappgemini Hong Kong Ltd, Hong Kong.* Director (from 01/31/2005 until 2012)
- *Cappgemini Financial Services Australia Pty Ltd, Australia.* Director (from 12/28/2007 until 2012)
- *CPM Braxis (Alternate to P. Hermelin), Brazil.* Director (from 10/01/2010 until 2012)
- *Cappgemini Singapore Pte. Ltd, Singapore.* Director (until 2012)



**Maria Garaña**,  
a Spanish national,  
Vice-President of Microsoft EMEA  
since July 2015

**MRS. MARIA GARAÑA, INDEPENDENT MEMBER OF THE SUPERVISORY BOARD OF EULER HERMES GROUP  
SINCE 27/05/2015 UNTIL THE SM CALLED TO APPROVE THE 2018 FINANCIAL STATEMENTS**

**Other offices**

- *Microsoft EMEA, Spain.* Vice-President Microsoft Business Solutions (since 01/07/2015)
- *Liberbank, Spain.* Independent Board member (since 21/04/2015)
- *N+1, Spain.* Independent Board member (since 17/12/2015)
- *European Institute of Innovation and Technology EIT (European Commission), Hungary.* Advisor (since 07/2012)

**Past offices**

- *Microsoft Iberica, Spain.* President & CEO (from 2008 to 2015)
- *Microsoft South Cone, Argentina.* President & CEO (from 2006 to 2008)
- *Microsoft Mexico.* Chief Operations Officer (from 2002 to 2006)



**Jean-Hervé Lorenzi,**  
a French national,  
Member of the Board of Management  
of Edmond de Rothschild  
since March 2014

**MR. JEAN-HERVÉ LORENZI, INDEPENDENT MEMBER OF THE SUPERVISORY BOARD AND THE NOMINATION AND REMUNERATION COMMITTEE OF EULER HERMES GROUP SINCE 11/19/2004 UNTIL THE SM CALLED TO APPROVE THE 2015 FINANCIAL STATEMENTS**

**Other offices**

- *BNP Paribas Assurances SA, France.* Member of the Board of Directors
- *Institut Louis Bachelier, France.* Member of the Supervisory Board (since 05/09/2015)
- *Edmond de Rothschild, France.* Member of the Board of Management (since 03/2014)

**Past offices**

- *Crédit Foncier de France SA, France.* Director (from 10/15/2009 to 10/31/2014)



**Thomas-Bernd Quaas,**  
a German national,  
Member of the Supervisory Board  
of Maxingvest AG since June 2014

**MR. THOMAS-BERND QUAAS, INDEPENDENT MEMBER OF THE SUPERVISORY BOARD AND CHAIRMAN OF THE NOMINATION AND REMUNERATION COMMITTEE OF EULER HERMES GROUP SINCE 05/21/2010 UNTIL THE SM CALLED TO APPROVE THE 2015 FINANCIAL STATEMENTS**

**Other offices**

- *FischerAppelt AG, Germany.* Member of the Supervisory Board (since 08/27/2012)
- *Maxingvest AG, Germany.* Member of the Supervisory Board (since 06/26/2014)
- *Wagner International AG, Switzerland.* Member of the Board of Directors (since 07/04/2014)

**Past offices**

- *Beiersdorf AG, Germany (listed company).* Member of the Supervisory Board (from 04/26/2012 to 04/17/2014)
- *La Prairie Group AG, Switzerland.* Member of the Advisory Board (from 08/24/2010 to 04/03/2014)
- *Beiersdorf AG, Germany (listed company).* Chairman of the Executive Board (from 05/18/2005 to 04/26/2012)



**Jacques Richier,**  
a French national,  
Chairman and Chief Executive Officer  
of Allianz France SA since January 2010

**MR. JACQUES RICHIER, NON-INDEPENDENT MEMBER OF THE SUPERVISORY BOARD OF EULER HERMES GROUP SINCE 05/21/2010 UNTIL THE SM CALLED TO APPROVE THE 2015 FINANCIAL STATEMENTS**

**Offices at the Allianz group**

- *Allianz France SA, France.* Chairman and Chief Executive Officer (since 01/01/2010)
- *Allianz Vie SA, France.* Chairman and Chief Executive Officer (since 09/25/2008)
- *Allianz IARD SA, France.* Chairman and Chief Executive Officer (since 09/25/2008)
- *Allianz Worldwide Partners SAS, France.* Chairman of the Supervisory Board (since 01/01/2014)

**Other offices**

- *Rothschild and Co. (ex. Paris Orléans SCA), France (publicly traded company).* Member of the Supervisory Board (since 09/27/2010)
- *Fédération française des sociétés anonymes d'assurance, France.* Chairman (since 07/01/2014)
- *Georgia Health Group (GHG).* Director (since 2015)

**Past offices**

- *Allianz Worldwide Care Ltd, Ireland.* Chairman of the Board of Directors (until 2014)
- *Allianz Global Corporate & Specialty SE, Germany.* Member of the Supervisory Board (from 01/12/2009 until 2013)
- *Oddo et Cie SCA, France.* Member of the Supervisory Board (until 2012)
- *REMA – Réunion des Mutuelles d'Assurances Régionales, France.* Director (until 2010)



**Axel Theis**,  
a German national,  
Member of the Board of Management  
of Allianz SE since January 2015

**MR. AXEL THEIS, A NON-INDEPENDENT MEMBER OF THE SUPERVISORY BOARD OF EULER HERMES GROUP FROM 05/27/2015 UNTIL THE SM CALLED TO APPROVED THE 2018 FINANCIAL STATEMENTS**

**Offices at the Allianz group**

- *Allianz SE, Germany*. Member of the Board of Management (since 2015)
- *Allianz Global & Speciality SE, Germany*. Chairman of the Supervisory Board (since 2015)
- *Allianz Insurance Plc., United Kingdom*. Chairman of the Board of Directors (since 2015)
- *Allianz UK Ltd., United Kingdom*. Chairman of the Board of Directors (since 2015)
- *Allianz Holdings Plc., United Kingdom*. Chairman of the Board of Directors (since 2015)
- *Allianz Ireland Plc., Ireland*. Member of the Board of Directors (since 2015)
- *Allianz Irish Life Holdings Plc., Ireland*. Chairman of the Board of Directors (since 2015)
- *Allianz Australia Ltd., Australia*. Member of the Board of Directors (since 2015)
- *Allianz Australia Insurance Ltd., Australia*. Member of the Board of Directors (since 2015)
- *CIC Allianz Insurance Ltd., Australia*. Member of the Board of Directors (since 2015)
- *Allianz Australia Life Ltd., Australia*. Member of the Board of Directors (since 2015)

**Past offices**

- *Allianz Global Corporate & Specialty SE, Germany*. Chief Executive Officer (from 2006 to 2014)
- *Allianz Global Risks US Insurance Company, United States*. Chairman (from 2004 to 2014)
- *Allianz Underwriters Insurance Company, United States*. Member of the Executive Board (from 2004 to 2014)
- *AGCS Marine Insurance Company, United States*. Member of the Executive Board (from 2004 to 2014)
- *Allianz Fire & Marine Insurance Japan Ltd., Japan*. Member of the Executive Board (from 2009 to 2014)
- *SpaceCo SA, France*. Member of the Executive Board (from 2007 to 2014)
- *Allianz Insurance Plc., United Kingdom*. Member of the non-executive Board (from 17/04/2014 to 31/12/2014)
- *Allianz Insurance Holdings Plc., United Kingdom*. Member of the non-executive Board (from 17/04/2014 to 31/12/2014)
- *Allianz (UK) Limited, United Kingdom*. Member of the non-executive Board (from 17/04/2014 to 31/12/2014)
- *Allianz Risk Transfer AG, Switzerland*. Member of the Administrative Council (from 2008 to 2014)
- *Fireman's Fund Insurance Company Corp., United States*. Member of the Executive Board (from 01/01/2015 to 31/12/2015)

## 2.3 Compensation and benefits in kind received by corporate officers

### 2.3.1 Compensation and benefits in kind received by members of the Board of Management

The following tables have been prepared in accordance with *Autorité des Marchés Financiers'* (AMF) recommendation No. 2009-16 applicable as from April 13, 2015. They outline the compensation and benefits in kind paid to members of the Board of Management during the fiscal year ended December 31, 2015.

The principles governing the compensation of Board of Management members for the fiscal year ended December 31, 2015 are set out in the Supervisory Board Chairman's report on corporate governance and

on internal control and risk management procedures established by the Company, in section 2.4 of this Registration Document.

The elements of compensation due or granted for the financial year ended December 31, 2015 to the Board of Management members submitted to the opinion of the shareholders at the Meeting of May 25, 2016, are set out in the report of the Board of Management to the Shareholders' Meeting, in section 8.1 of this Registration Document.

### 2.3.1.1 Summary of compensation, SAR (Stock Appreciation Rights), RSU (Restricted Stock Units), options and shares allotted to each member of the Board of Management – Table 1 AMF nomenclature

(in € thousands)	2015	2014
<b>Wilfried Verstraete, Chairman of the Board of Management since April 1, 2009</b>		
Compensation due in respect of the fiscal year (detailed in 2.3.1.2 below)	2,408.18	2,043.77
Value of multi-annual variable compensation granted during the fiscal year	n/a	n/a
Value of options granted during the fiscal year	n/a	n/a
Value of performance shares awarded during the fiscal year	n/a	n/a
<b>TOTAL</b>	<b>2,408.18</b>	<b>2,043.77</b>
Allianz SARs awarded <sup>(1)</sup> (number)	n/a	n/a
Allianz RSUs awarded (number)	5,697.00	1,996.00
Euler Hermes Group RSUs awarded (number)	8,736.00	2,665.50

(1) No SARs were awarded in 2014 and 2015.

(in € thousands)	2015	2014
<b>Gerd-Uwe Baden, Board of Management member since May 25, 2004</b>		
Compensation due in respect of the fiscal year (detailed in 2.3.1.2 below)	1,169.04	1,195.50
Value of multi-annual variable compensation granted during the fiscal year	n/a	n/a
Value of options granted during the fiscal year	n/a	n/a
Value of performance shares awarded during the fiscal year	n/a	n/a
<b>TOTAL</b>	<b>1,169.04</b>	<b>1,195.05</b>
Allianz SARs awarded <sup>(1)</sup> (number)	n/a	n/a
Allianz RSUs awarded (number)	828.00	1,088.00
Euler Hermes Group RSUs awarded (number)	1,269.50	1,452.50

(1) No SARs were awarded in 2014 and 2015.

(in € thousands)	2015	2014
<b>Frédéric Bizière, Board of Management member since October 1, 2011</b>		
Compensation due in respect of the fiscal year (detailed in 2.3.1.2 below)	772.92	843.66
Value of multi-annual variable compensation granted during the fiscal year	n/a	n/a
Value of options granted during the fiscal year	n/a	n/a
Value of performance shares awarded during the fiscal year	n/a	n/a
<b>TOTAL</b>	<b>772.92</b>	<b>843.66</b>
Allianz SARs awarded <sup>(1)</sup> (number)	n/a	n/a
Allianz RSUs awarded (number)	715.00	893.00
Euler Hermes Group RSUs awarded (number)	1,096.00	1,192.5

(1) No SARs were awarded in 2014 and 2015.

# 2

## Corporate governance Compensation and benefits in kind received by corporate officers

(in € thousands)	2015	2014
<b>Clarisse Kopff, Board of Management member since May 1, 2014</b>		
Compensation due in respect of the fiscal year (detailed in 2.3.1.2 below)	689.57	430.57
Value of multi-annual variable compensation granted during the fiscal year	n/a	n/a
Value of options granted during the fiscal year	n/a	n/a
Value of performance shares awarded during the fiscal year	n/a	n/a
<b>TOTAL</b>	<b>689.57</b>	<b>430.57</b>
Allianz SARs awarded <sup>(1)</sup> (number)	n/a	n/a
Allianz RSUs awarded (number)	467	n/a
Euler Hermes Group RSUs awarded (number)	716	n/a

(1) No SARs were awarded in 2014 and 2015.

(in € thousands)	2015	2014
<b>Dirk Oevermann, Board of Management member since February 1, 2010</b>		
Compensation due in respect of the fiscal year (detailed in 2.3.1.2 below)	953.82	823.39
Value of multi-annual variable compensation granted during the fiscal year	n/a	n/a
Value of options granted during the fiscal year	n/a	n/a
Value of performance shares awarded during the fiscal year	n/a	n/a
<b>TOTAL</b>	<b>953.82</b>	<b>823.39</b>
Allianz SARs awarded <sup>(1)</sup> (number)	n/a	n/a
Allianz RSUs awarded (number)	574.00	884.00
Euler Hermes Group RSUs awarded (number)	879.50	1,181.00

(1) No SARs were awarded in 2014 and 2015.

(in € thousands)	2015	2014
<b>Paul Overeem, Board of Management member since January 1, 2013</b>		
Compensation due in respect of the fiscal year (detailed in 2.3.1.2 below)	929.24	875.63
Value of multi-annual variable compensation granted during the fiscal year	n/a	n/a
Value of options granted during the fiscal year	n/a	n/a
Value of performance shares awarded during the fiscal year	n/a	n/a
<b>TOTAL</b>	<b>929.24</b>	<b>875.63</b>
Allianz SARs awarded <sup>(1)</sup> (number)	n/a	n/a
Allianz RSUs awarded (number)	592.00	884.00
Euler Hermes Group RSUs awarded (number)	907.50	1,181.00

(1) No SARs were awarded in 2014 and 2015.

The members of the Board of Management as at December 31, 2015 were awarded RSUs. No SARs were awarded in 2015.

■ SAR AND RSU AWARDS (NUMBER AVAILABLE (REMAINING) AS OF DECEMBER 31, 2015)

(in numbers)	SAR							2015
	2008	2009	2010	2011	2012	2013	2014	
<b>Wilfried Verstraete</b> since April 1, 2009	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Gerd-Uwe Baden</b> since May 25, 2004	n/a <sup>(1)</sup>	n/a <sup>(2)</sup>	n/a <sup>(3)</sup>	n/a	n/a	n/a	n/a	n/a
<b>Frédéric Bizière</b> since October 1, 2011	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Clarisse Kopff</b> since May 1, 2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Dirk Oevermann</b> since February 1, 2010	n/a	n/a	n/a <sup>(4)</sup>	n/a	n/a	n/a	n/a	n/a
<b>Paul Overeem</b> since January 1, 2013	n/a	n/a	1,050	n/a	n/a	n/a	n/a	n/a
<b>TOTAL</b>	<b>n/a</b>	<b>n/a</b>	<b>1,050</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

(1) 2008 SAR (2,047) were exercised in January 2015.

(2) 2009 SAR (747) were exercised in 2013.

(3) 2010 SAR (1,701) were exercised in December 2015.

(4) 2010 SAR (975) were exercised in March 2015.

(in numbers)	RSU <sup>(1)</sup>						2015	
	2012		2013		2014		Allianz RSU	Euler Hermes Group RSU
	RSU Allianz	Euler Hermes Group RSU	RSU Allianz	Euler Hermes Group RSU	RSU Allianz	Euler Hermes Group RSU		
<b>Wilfried Verstraete</b> since April 1, 2009	3,621	6,290	2,720	4,592.5	1,996	2,665.5	5,697	8,736
<b>Gerd-Uwe Baden</b> since May 25, 2004	1,951	3,389	1,474	2,489.5	1,088	1,452.5	828	1,269.5
<b>Frédéric Bizière</b> since October 1, 2011	789	1,371.5	893	1,509	893	1,192.5	715	1,096
<b>Clarisse Kopff</b> since May 1, 2014	n/a	n/a	n/a	n/a	n/a	n/a	467	716
<b>Dirk Oevermann</b> since February 1, 2010	1,266	2,199.5	1,192	2,013.5	884	1,181	574	879.5
<b>Paul Overeem</b> since January 1, 2013	n/a	n/a	927	1,566	884	1,181	592	907.5
<b>TOTAL</b>	<b>7,627</b>	<b>13,250</b>	<b>7,206</b>	<b>12,170.5</b>	<b>5,745</b>	<b>7,672.5</b>	<b>8,873</b>	<b>13,604.5</b>

(1) The criteria for Euler Hermes Group RSU plans are set out in this Registration Document in Chapter 5 Note 31.

### 2.3.1.2 Summary of compensation paid to each Board of Management member – Table 2 AMF nomenclature

(in € thousands)	2015		2014	
	Amount due in respect of 2015	Amount paid in 2015	Amount due in respect of 2014	Amount paid in 2014
<b>Wilfried Verstraete, Chairman of the Board of Management since April 1, 2009</b>				
Fixed compensation	577.75	577.75	540.00	540.00
Variable compensation (annual bonus) <sup>(1)</sup>	373.36	403.66	403.66	410.30
Mid-term variable compensation <sup>(1)</sup>	373.36	n/a	403.66	n/a
Long-term variable compensation	373.36 <sup>(2)</sup>	1,538.35 <sup>(6)</sup>	403.66 <sup>(2)</sup>	1,491.97 <sup>(5)</sup>
Multi-annual variable compensation	n/a	n/a	n/a	n/a
Exceptional compensation	n/a	n/a	n/a	n/a
Advance payment	n/a	n/a	n/a	n/a
Attendance fees	n/a	n/a	n/a	n/a
Specific allowances	500.00 <sup>(7)</sup>	n/a	100.00 <sup>(3)</sup>	100.00 <sup>(3)</sup>
Benefits in kind <sup>(4)</sup>	210.35	210.35	192.79	192.79
<b>TOTAL</b>	<b>2,408.18</b>	<b>2,730.11</b>	<b>2,043.77</b>	<b>2,735.06</b>

(1) For details of the criteria applicable to the calculation of this compensation, please refer to section 8.1 of this Registration Document.

(2) This compensation may vary according to the performance of the Allianz and Euler Hermes Group shares and on fluctuations in their prices.

(3) Specific allowances for housing and an allowance relating to international mobility, including charges for the latter.

(4) Benefits in kind include a company car, unemployment insurance for Executive Managers (GSC), Allianz Health Insurance (AWC) and Allianz pension.

(5) This amount is due to the exercise of GEI/RSU AZ 2009 €497,632.80 (April 2014), GEI/SAR AZ 2009 €633,181.25, (November 2014) GEI/SAR AZ 2010 €361,155.21 (November 2014).

(6) This amount is due to the exercise of GEI/RSU AZ 2010 €531,227.50 (April 2015), AEI/RSU AZ 2011 €434,489.30 (April 2015), GEI/SAR AZ 2008: €162,777.60 (February 2015) and to the exercise of EH/LTI 2011 €409,860.30 (April 2015).

(7) In relation to his establishment in France, the Supervisory Board agreed on July 30, 2014 to allocate to Wilfried Verstraete a one-off allowance of Restricted Stock Units (RSU) to compensate for his loss of his expatriation allowance from 2015.

(in € thousands)	2015		2014	
	Amount due in respect of 2015	Amount paid in 2015	Amount due in respect of 2014	Amount paid in 2014
<b>Gerd-Uwe Baden, Board of Management member since May 25, 2004</b>				
Fixed compensation	400.00	400.00	400.00	400.00
Variable compensation (annual bonus) <sup>(1)</sup>	193.68	203.95	203.95	223.60
Mid-term variable compensation <sup>(1)</sup>	193.68	n/a	203.95	n/a
Long-term variable compensation	193.68 <sup>(2)</sup>	826.41 <sup>(6)</sup>	203.95 <sup>(2)</sup>	99.52 <sup>(3)</sup>
Multi-annual variable compensation	n/a	n/a	n/a	n/a
Exceptional compensation	n/a	n/a	n/a	n/a
Advance payment	n/a	n/a	n/a	n/a
Attendance fees	n/a	n/a	n/a	n/a
Specific allowances <sup>(4)</sup>	42.00	42.00	42.00	42.00
Benefits in kind <sup>(5)</sup>	146.00	146.00	141.20	141.20
<b>TOTAL</b>	<b>1,169.04</b>	<b>1,618.36</b>	<b>1,195.05</b>	<b>906.32</b>

(1) For details of the criteria applicable to the calculation of this compensation, please refer to section 8.1 of this Registration Document.

(2) This compensation may vary according to the performance of the Allianz and Euler Hermes Group shares and on fluctuations in their prices.

(3) This amount is due to the exercise of GEI/SAR 2009 €53,746.65 (January 2014), GEI/RSU 2009 €45,772.24 (April 2014).

(4) Specific allowances for housing and international mobility.

(5) Benefits in kind include a company car, unemployment insurance for Executive Managers (GSC), Allianz Health Insurance (AWC) and Allianz Pension.

(6) This amount is due to the exercise of GEI/RSU AZ 2010 €127,773.20 (April 2015), AEI/RSU AZ 2011 €262,813 (April 2015) and to the exercise of EH/LTI 2011 €248,005.80 (April 2015), GEI/SAR AZ 2008: €51,420 (February 2015), and GEI/SAR AZ 2010: €136,403 (December 2015).

(in € thousands)	2015		2014	
	Amount due in respect of 2015	Amount paid in 2015	Amount due in respect of 2014	Amount paid in 2014
<b>Frédéric Bizière, Board of Management member since October 1, 2011</b>				
Fixed compensation	294.00	294.00	294.00	294.00
Variable compensation (annual bonus) <sup>(1)</sup>	152.38	176.15	176.15	183.60
Mid-term variable compensation <sup>(1)</sup>	152.38	n/a	176.15	n/a
Long-term variable compensation	152.38 <sup>(2)</sup>	260.02 <sup>(5)</sup>	176.15 <sup>(2)</sup>	14.22 <sup>(3)</sup>
Multi-annual variable compensation	n/a	n/a	n/a	n/a
Exceptional compensation	n/a	n/a	n/a	n/a
Attendance fees	n/a	n/a	n/a	n/a
Specific allowances	n/a	n/a	n/a	n/a
Benefits in kind <sup>(4)</sup>	21.78	21.78	21.21	21.21
<b>TOTAL</b>	<b>772.92</b>	<b>751.95</b>	<b>843.66</b>	<b>513.03</b>

(1) For details of the criteria applicable to the calculation of this compensation, please refer to section 8.1 of this Registration Document.

(2) This compensation may vary according to the performance of the Allianz and Euler Hermes Group shares and on fluctuations in their prices.

(3) This amount is due to the exercise of GEI/RSU AZ 2009 €14,218.08 (April 2014).

(4) Benefits in kind include a company car, unemployment insurance for Executive Managers (GSC).

(5) This amount is due to the exercise of GEI/ SAR AZ 2008: €31,479 (January 2015) and GEI/ SAR AZ 2010: €12,861 (January 2015) GEI/RSU AZ 2010 €47,990.60 (April 2015), AEI/RSU AZ 2011 €86,292.30 (April 2015) and to the exercise of EH/LTI 2011 €81,402.10 (April 2015).

(in € thousands)	2015		2014	
	Amount due in respect of 2015	Amount paid in 2015	Amount due in respect of 2014	Amount paid in 2014
<b>Clarisse Kopff, Board of Management member since May 1, 2014</b>				
Fixed compensation	250	250	166.66 <sup>(5)</sup>	166.66 <sup>(7)</sup>
Variable compensation (annual bonus) <sup>(1)</sup>	143.1	115 <sup>(7)</sup>	85.05 <sup>(5)</sup>	n/a <sup>(6)</sup>
Mid-term variable compensation <sup>(1)</sup>	143.1	n/a	85.05 <sup>(5)</sup>	n/a
Long-term variable compensation	143.1 <sup>(2)</sup>	17.81 <sup>(6)</sup>	85.05 <sup>(5)</sup>	n/a <sup>(3)</sup>
Multi-annual variable compensation	n/a	n/a	n/a	n/a
Exceptional compensation	n/a	n/a	n/a	n/a
Attendance fees	n/a	n/a	n/a	n/a
Specific allowances	n/a	n/a	n/a	n/a
Benefits in kind <sup>(4)</sup>	10.27	10.27	8.76 <sup>(7)</sup>	8.76 <sup>(7)</sup>
<b>TOTAL</b>	<b>689.57</b>	<b>393.08</b>	<b>430.57</b>	<b>175.42</b>

(1) For details of the criteria applicable to the calculation of this compensation, please refer to section 8.1 of this Registration Document.

(2) This compensation may vary according to the performance of the Allianz and Euler Hermes Group shares and on fluctuations in their prices.

(3) No LTI was paid in 2014.

(4) Benefits in kind include unemployment insurance for Executive Managers (GSC) and company car.

(5) Prorated amount from May 1, 2014.

(6) This amount is due to the exercise of EH/LTI 2011 €17.809,70 (April 2015).

(7) €85,000 for the exercise of Member of the Board and €30,000 subject to previous function.

(in € thousands)	2015		2014	
	Amount due in respect of 2015	Amount paid in 2015	Amount due in respect of 2014	Amount paid in 2014
<b>Dirk Overmann, Board of Management member since February 1, 2010</b>				
Fixed compensation	294.00	294.00	294.00	294.00
Variable compensation (annual bonus) <sup>(1)</sup>	183.94	141.31	141.31	181.80
Mid-term variable compensation <sup>(1)</sup>	183.94	n/a	141.31	n/a
Long-term variable compensation	183.94 <sup>(2)</sup>	383.98 <sup>(6)</sup>	141.31 <sup>(2)</sup>	34.75 <sup>(5)</sup>
Multi-annual variable compensation	n/a	n/a	n/a	n/a
Exceptional compensation	n/a	n/a	n/a	n/a
Attendance fees	n/a	n/a	n/a	n/a
Specific allowances <sup>(3)</sup>	71.00	71.00	71.40	71.40
Benefits in kind <sup>(4)</sup>	37.00	37.00	34.06	34.06
<b>TOTAL</b>	<b>953.82</b>	<b>927.29</b>	<b>823.39</b>	<b>616.01</b>

(1) For details of the criteria applicable to the calculation of this compensation, please refer to section 8.1 of this Registration Document.

(2) This compensation may vary according to the performance of the Allianz and Euler Hermes Group shares and on fluctuations in their prices.

(3) Specific allowances for housing and contributions to pension of choice.

(4) Benefits in kind include a company car, unemployment insurance for Executive Managers (GSC), Allianz Health Insurance (AWC).

(5) This amount is due to the exercise of GEI/SAR AZ 2010 €34,749 (April 2014).

(6) This amount is due to the exercise of GEI/RSU AZ 2010 €73,272.80 (April 2015), AEI/RSU AZ 2011 €159,867.80 (April 2015) and to the exercise of EH/LTI 2011 €150,836.20 (April 2015).

(in € thousands)	2015		2014	
	Amount due in respect of 2015	Amount paid in 2015	Amount due in respect of 2014	Amount paid in 2014
<b>Paul Overeem, Board of Management member since January 1, 2013</b>				
Fixed compensation	294.00	294.00	294.00	294.00
Variable compensation (annual bonus) <sup>(1)</sup>	156.09	145.78	145.78	181.80
Mid-term variable compensation <sup>(1)</sup>	156.09	n/a	145.78	n/a
Long-term variable compensation	156.09 <sup>(2)</sup>	338.72 <sup>(6)</sup>	145.78 <sup>(2)</sup>	23.57 <sup>(3)</sup>
Multi-annual variable compensation	n/a	n/a	n/a	n/a
Exceptional compensation	n/a	n/a	n/a	n/a
Attendance fees	n/a	n/a	n/a	n/a
Specific allowances <sup>(4)</sup>	77.06	77.06	71.40	71.40
Benefits in kind <sup>(5)</sup>	89.91	89.91	72.89	72.89
<b>TOTAL</b>	<b>929.24</b>	<b>945.47</b>	<b>875.63</b>	<b>643.66</b>

(1) For details of the criteria applicable to the calculation of this compensation, please refer to section 8.1 of this Registration Document.

(2) This compensation may vary according to the performance of the Allianz and Euler Hermes Group shares and on fluctuations in their prices.

(3) This amount is due to the exercise of GEI/RSU AZ 2009 €23,572.08 (April 2014).

(4) Specific allowances for housing and private pension.

(5) Benefits in kind include unemployment insurance for Executive Managers (GSC), Allianz Health Insurance (AWC) and pension.

(6) This amount is due to the exercise of GEI/SAR AZ 2008: €20,598 (February 2015) GEI/RSU AZ 2010 €78,874.20 (April 2015), AEI/RSU AZ 2011 €123,080.10 (April 2015) and to the exercise of EH/LTI 2011 €116,166.70 (April 2015).

### 2.3.1.3 Share purchase or subscription options granted during the year to each Board of Management member by the Company and by any Group company – Table 4 AMF nomenclature

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

Stock options granted to members of the Board of Management	Plan no	Plan date	Type of option (purchase or subscription)	Value of options on the method used for the consolidated financial statements	Number of options granted during the year	Exercise price	Exercise period
Wilfried Verstraete							
Gerd-Uwe Baden							
Frédéric Bizière							
Clarisse Kopff				n/a			
Dirk Oevermann							
Paul Overeem							
<b>TOTAL</b>							

### 2.3.1.4 Stock options exercised during the 2015 fiscal year by each Board of Management member – Table 5 AMF nomenclature

Since the Group has neither renewed the share subscription/purchase options nor implemented a system of granting free shares, there are no rules requiring management beneficiaries to hold shares.

Board of Management member	Plan no and date	Number of options exercised during the period	Exercise price
Wilfried Verstraete			
Gerd-Uwe Baden			
Frédéric Bizière			
Clarisse Kopff		n/a	
Dirk Oevermann			
Paul Overeem			
<b>TOTAL</b>			

### 2.3.1.5 Transactions involving the Company's shares carried out by the corporate officers in 2015

Full name	Title	Description of financial instrument	Date of transaction	Type of transaction	Amount of transaction (in €)
Wilfried Verstraete	n/a	n/a	n/a	n/a	n/a
Gerd-Uwe Baden	Board of Management member	Shares	20/02/2015	Sale	225 760,68
Frédéric Bizière	n/a	n/a	n/a	n/a	n/a
Clarisse Kopff	n/a	n/a	n/a	n/a	n/a
Dirk Oevermann	n/a	n/a	n/a	n/a	n/a
Paul Overeem	n/a	n/a	n/a	n/a	n/a

### 2.3.1.6 Performance shares allocated to each Board of Management member during the 2015 financial year – Table 6 AMF nomenclature

No performance shares were allocated to any members of the Board of Management in 2015.

Performance shares allocated by the Shareholders' Meeting during the financial year to each Board of Management member	Plan no and date	Number of shares allocated during the period	Valuation of the shares depending on the accounts consolidation method	Acquisition date	Availability date	Performance conditions
Wilfried Verstraete						
Gerd-Uwe Baden						
Frédéric Bizière						
Clarisse Kopff			n/a			
Dirk Oevermann						
Paul Overeem						
<b>TOTAL</b>						

### 2.3.1.7 Performance shares vested to each Board of Management member during the 2015 financial year – Table 7 AMF nomenclature

The members of the Board of Management, as it existed on December 31, 2015, did not receive any performance shares vested during the 2015 financial year.

Performance shares allocated vested during the financial year to each Board of Management member	Plan no and date	Number of shares vested during the period	Acquisition conditions
Wilfried Verstraete			
Gerd-Uwe Baden			
Frédéric Bizière			
Clarisse Kopff		n/a	
Dirk Oevermann			
Paul Overeem			
<b>TOTAL</b>			

### 2.3.1.8 History of share subscription or purchase option allocations – Table 8 AMF nomenclature

	2005 (closed)	2006 (closed)	2008
Date of Shareholders' Meeting	04/23/2003	05/22/2006	05/22/2006
Date of Supervisory Board meeting	05/24/2005	08/30/2006	05/15/2008 <sup>(7)</sup>
Date of Board of Management meeting	06/27/2005	09/18/2006	06/20/2008
Number of beneficiaries	103	102	92
Number of beneficiaries who have not yet exercised their options	n/a	n/a	10
<i>of which, Board of Management members</i>	<i>n/a</i>	<i>n/a</i>	<i>3</i>
Total number of options allocated	160,000	160,000	130,000
<i>of which, Board of Management members as at the date of this Registration Document</i>	<i>12,400</i>	<i>13,400</i>	<i>10,511</i>
<i>Wilfried Verstraete<sup>(1)</sup></i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
<i>Gerd-Uwe Baden<sup>(2)</sup></i>	<i>9,000</i>	<i>10,000</i>	<i>7,000</i>
<i>Frédéric Bizière<sup>(3)</sup></i>	<i>2,000</i>	<i>2,200</i>	<i>2,011</i>
<i>Clarisse Kopff<sup>(4)</sup></i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
<i>Dirk Overmann<sup>(5)</sup></i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
<i>Paul Overeem<sup>(6)</sup></i>	<i>1,400</i>	<i>1,200</i>	<i>1,500</i>
Start date of exercise period	06/27/2005	09/18/2006	06/20/2008
Expiration date	06/26/2013	09/17/2014	06/19/2016
Exercise price (€)	63.08	91.82	55.67
Type of option	Subscription	Purchase	Purchase
Options to be exercised as at January 1, 2015	n/a	n/a	34,906
Options allocated in 2015	n/a	n/a	n/a
Options exercised in 2015	n/a	n/a	25,700
Options canceled in 2015	n/a	n/a	900
Options to be exercised as at December 31, 2015	n/a	n/a	8,306

(1) Chairman of the Board of Management since April 1, 2009.

(2) Board of Management member since May 25, 2004 and formerly employed by Euler Hermes Deutschland.

(3) Board of Management member since October 1, 2011 and formerly employed by Euler Hermes France then Euler Hermes Services.

(4) Board of Management member since May 1, 2014.

(5) Board of Management member since February 1, 2010.

(6) Board of Management member since January 1, 2013 and formerly employed by Euler Hermes SA (the Netherlands).

(7) The Supervisory Board decided during its meeting held on May 15, 2008 to fix to 10% the percentage of shares to be held as registered shares by each member of the Board of Management until the end of their functions as Board members.

No adjustment mechanism was applied to these share subscription and purchase plans in 2015.

### 2.3.1.9 Share subscription or purchase options granted to the top 10 non-corporate officer beneficiary employees and options exercised by them in 2015 – Table 9 AMF nomenclature

	Total number of options allocated/shares subscribed or purchased	Weighted average price (in €)	Plans
Options granted during the year, to the ten Group employees allocated the largest number of options	n/a	n/a	n/a
Options held and exercised during the year, by the ten employees who purchased or subscribed the largest number of options	22,350	92.08	POA FR EULER HERMES 06/20/2008 EUR 55.67

## 2.3.1.10 History of performance shares allocations – Table 10 AMF nomenclature

	Plan No.	Plan No.	Plan No.	Plan No.	Plan No.
Date of Shareholders' Meeting					
Date of Supervisory Board meeting					
Date of Board of Management meeting					
Number of beneficiaries					
Number of performance shares allocated					
<i>Of which, members of the Board of Management</i>			n/a		
Date of performance shares allocation					
Term of vesting period					
Number of performance shares subscribed as at the date of this Registration Document					
Performance shares cancelled in 2015					
Remaining performance shares on Dec. 31, 2015					

## 2.3.1.11 Employment contract, supplemental pension plan, severance compensation, non-compete clause – Table 11 AMF nomenclature

Executive officers Start and end date of term	Employment contract		Supplemental pension plan				Compensation or benefits due or likely to be due following termination or position change		Compensation under non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Wilfried Verstraete Chairman of the Board of Management 04/01/2009-03/31/2016		•	•			•		•		•
Gerd-Uwe Baden Board of Management member 05/25/2004-03/31/2016		•	•			•		•		•
Frédéric Bizière Board of Management member since 10/01/2011-03/31/2020		•	•			•		•		•
Clarisse Kopff Board of Management member 05/01/2014-03/31/2020		•	•			•		•		•
Dirk Oevermann Board of Management member 02/01/2010-03/31/2020		•	•			•		•		•
Paul Overeem Board of Management member 01/01/2013-03/31/2016		•	•			•		•		•

## 1 Employment contract

On the date of this Registration Document, no member of the Board of Management is bound by an employment contract with the Company, in compliance with the AFEP-MEDEF recommendations that stipulate that the Chairman of the Board of Management must not combine his duties with an employment contract within the Group.

## 2 Supplementary pension plan for Board of Management members

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

In addition to being eligible for the AGIRC-ARRCO supplementary pension plan, Frédéric Bizière, Dirk Oevermann, Clarisse Kopff and Paul Overeem are eligible for a supplementary defined-contribution pension plan managed by AG2R/ARIAL Assurances. In 2015, a charge of €18,259 each was booked for this plan for Frédéric Bizière, Dirk Oevermann, Paul Overeem, and Clarisse Kopff. For Paul Overeem and Dirk Oevermann, an annual contribution of €29,400 each is made into respectively a US deferred pension plan and a German pension plan.

Wilfried Verstraete and Gerd-Uwe Baden are eligible for the Allianz group supplementary defined-contribution retirement plan for executives. In 2015, charges booked for this plan amounted to € 798,465 (i.e. €167,602 for Wilfried Verstraete and € 630,863 for Gerd-Uwe Baden). The increase in contributions for Gerd-Uwe Baden is due to an extraordinary contribution following the decrease in interest rate on his defined-contribution retirement plan.

## 3 Severance compensation for Board of Management members

Until March 31, 2016, all Board of Management members were eligible for severance compensation under the conditions approved by the Shareholders' Meeting of May 25, 2012 for Mr. Wilfried Verstraete, Mr. Gerd-Uwe Baden, Mr. Frédéric Bizière and Mr. Dirk Oevermann, by the Shareholders' Meeting of May 24, 2013 for Mr. Paul Overeem, and by the Shareholders' Meeting of May 28, 2014 for Mrs. Clarisse Kopff. This severance compensation was excluded if the executive left the Company on his or her own initiative, changed positions within the Group, or had the option to claim his or her pension rights in the near future. It was stipulated that this indemnity is due notably in the event of forced departure resulting from a change in control or strategy.

Severance compensation was contingent on the achievement of the following performance criteria:

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

- an average combined ratio of 95% or less for the three years preceding the termination.

If both of these conditions were met, the severance compensation was due in full. If only one of the above conditions was met, 50% of the indemnity was due.

The amount of any severance compensation may not exceed two years' compensation (fixed and variable). At the meeting of the Supervisory Board on February 17, 2016, on the occasion of the appointment of the Board of Management, all members of the Board of Management were granted, pursuant to Article L. 225-90-1 of the French Commercial Code, a commitment corresponding to the severance compensation that may be due because of the termination of their duties, under the following terms: the severance package is due only in the event of a forced departure (i.e. in the event of dismissal for a reason other than serious misconduct, fault or gross negligence), and specifically related to a change in control or strategy, and is therefore excluded if the executive is not reappointed, leaves the Company at his/her own initiative, or changes duties within the Allianz Group.

The payment of this compensation is subject to the achievement of the following performance criteria:

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

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

The amount of any severance compensation is two years' compensation (fixed and variable) gross due for the last year ended prior to the date of termination of the corporate office.

Compliance of one or the two performance conditions shall be noted by the Supervisory Board prior to any payment.

It is, however, specified that, given Mr. Paul Overeem's desire to gradually cease his activities in the Group over the next two years, the commitment made to him shall be limited to two<sup>(2)</sup> years from the renewal of his term on the Board of Management, i.e. until March 31, 2018.

The commitments thus authorized by the Supervisory Board on February 17, 2016 shall be submitted for the approval of the next Shareholders' Meeting on May 25, 2016.

## 4 Non-compete clause

As at the date of this Registration Document, no members of the Board of Management were subject to a non-compete clause.

## 2.3.2 Compensation and benefits in kind received by Supervisory Board members

### Attendance fees and other compensation paid to members of the Supervisory Board – Table 3 AMF nomenclature

The total amount of attendance fees to be paid for 2015 was maintained at €600,000 following the decision of the Shareholders' meeting of May 28, 2014.

In accordance with the method of allocating attendance fees among the members of the Supervisory Board described in section 2.4 of this Registration Document, payment of attendance fees is conditional on the members' presence at meetings. As a result, the total amount of the attendance' fees paid to Supervisory Board members for 2015 was €491,000.

(in € thousands)	Amount paid for 2015	Amount paid for 2014
<b>Clement Booth</b>		
Attendance fees	105	110
Other compensation	n/a	n/a
<b>Brigitte Bovermann</b>		
Attendance fees*	44	50
Other compensation	n/a	n/a
<b>Ümit Boyner</b>		
Attendance fees	30	25
Other compensation	n/a	n/a
<b>Philippe Carli</b>		
Attendance fees	50	45
Other compensation	n/a	n/a
<b>Elizabeth Corley</b>		
Attendance fees*	30	35
Other compensation	n/a	n/a
<b>Nicolas Dufourcq</b>		
Attendance fees	20	30
Other compensation	n/a	n/a
<b>Maria Garaña (since May 27, 2015)</b>		
Attendance fees	17,5	n/a
Other compensation	n/a	n/a
<b>Robert Hudry (until May 27, 2015)</b>		
Attendance fees	25	50
Other compensation	n/a	n/a
<b>Jean-Hervé Lorenzi</b>		
Attendance fees	42	50
Other compensation	n/a	n/a
<b>Yves Mansion (until May 27, 2015)</b>		
Attendance fees	25	50
Other compensation	n/a	n/a
<b>Thomas-Bernd Quaas</b>		
Attendance fees	50	50
Other compensation	n/a	n/a
<b>Jacques Richier</b>		
Attendance fees	35	30
Other compensation	n/a	n/a
<b>Axel Theis (since May 27, 2015)</b>		
Attendance fees*	17,5	n/a
Other compensation	n/a	n/a
<b>TOTAL</b>	<b>491</b>	<b>525</b>

\* Repaid to Allianz SE.

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

In accordance with Article L. 225-102-1, paragraph 2 of the French Commercial Code, total compensation and benefits of any kind received in 2015 by the corporate officers of Allianz France and Allianz SE, the companies that control Euler Hermes Group, amounted to the following:

<b>Clement Booth</b>	(in € thousands)
Fixed annual gross compensation 2015 <sup>(1)</sup>	n/a
Gross variable compensation (annual bonus), paid in 2015 for performance in 2014	1,037
Long term variable compensation paid in 2015 (RSU/SAR) <sup>(2)</sup>	4,349
Benefits in kind (car, insurance, housing)	n/a
<b>TOTAL</b>	<b>5,386</b>
RSU (number) GEI 2011	11,779
RSU (number) GEI 2010	7,730
SAR (number) GEI 2008	10,459
SAR (number) GEI 2010	15,572

(1) Clement Booth retired on 31.12.2014.

(2) AEI 2011 RSU (amount: €1,783,223), GEI 2008 SAR (amount: €262,730), GEI 2010 RSU (amount: €1,170,245) and GEI 2010 SAR (amount: €1,132,707).

<b>Brigitte Bovermann</b>	(in € thousands)
Fixed annual gross compensation 2015	267
Gross variable compensation (annual bonus), paid in 2015 for performance in 2014	230.70
Long term variable compensation paid in 2015 (RSU/SAR) <sup>(1)</sup>	960.90
Benefits in kind (car, insurance, housing)	11.19
<b>TOTAL</b>	<b>1,469.79</b>
RSU (number) GEI 2011	2,612
SAR (number) GEI 2010	2,694
RSU (number) GEI 2010	2,118
SAR (number) GEI 2008	2,122

(1) GEI 2010 SAR (amount: €191,516.46), GEI 2011 RSU (amount: €395,430.68), GEI 2010 RSU (amount: €320,644.02) and GEI 2008 SAR (amount: €53,304.64).

<b>Elizabeth Corley</b>	(in € thousands)
Fixed annual gross compensation 2015	668
Gross variable compensation (annual bonus), paid in 2015 for performance in 2014	1,978
Long term variable compensation paid in 2015 (RSU/SAR, LTIPA) <sup>(1)</sup>	1,393
Benefits in kind (car, insurance, housing)	n/a
<b>TOTAL</b>	<b>4,039</b>
RSU (number) GEI 2011	1,188
RSU (number) GEI 2010	965
SAR (number) GEI 2008	1,793

(1) LTIPA 2012-2014 (amount: €382,537 and £497,947), GEI 2010 RSU (amount: €146,091.40), GEI 2011 RSU (amount: €179,851.30) and GEI 2008 SAR (amount: €45,040.20).

## 2 Corporate governance

### Compensation and benefits in kind received by corporate officers

<b>Jacques Richier</b>	(in € thousands)
Fixed annual gross compensation 2015	700
Gross variable compensation (annual bonus + MTB), paid in 2015 for performance in 2014	550.54
Long term variable compensation paid in 2015 (RSU/SAR) <sup>(1)</sup>	1,432.70
Benefits in kind (car, insurance, housing) <sup>(2)</sup>	66.02 <sup>(1)</sup>
<b>TOTAL</b>	<b>2,749.20</b>
GEI 2010 RSU (number)	2,499
AEI 2011 (number)	4,531
GEI 2010 SAR (number)	5,034

(1) GEI 2010 RSU (amount: €378,323.61), AEI 2011 (amount: €685,948.09) and GEI 2010 SAR (amount: €368,438.46).

(2) Expatriation allowance.

<b>Axel Theis</b>	(in € thousands)
2015 fixed annual gross compensation	750
Gross variable compensation (annual bonus), paid in 2015 for performance in 2014	652
Long term variable compensation paid in 2015 (RSU/SAR, LTIPA) <sup>(1)</sup>	1,982
Benefits in kind (car, insurance, housing)	27
<b>TOTAL</b>	<b>3,411</b>
RSU (number) GEI 2011	6,926
SAR (number) GEI 2008	7,200
RSU (number) GEI 2010	4,969

(1) GEI 2011 RSU (amount: €1,048,527.14), GEI 2008 SAR (amount: € 180,864) and GEI 2010 RSU (amount: €752,256.91).

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

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

February 17, 2016

To the Shareholders:

Pursuant to Article L. 225-68 of the French Commercial Code, the Chairman of the Euler Hermes Group Supervisory Board has issued a report on corporate governance and internal control, as a supplement to the management report.

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

accounting information within the Company and its subsidiaries (referred to collectively as the "Group").

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

This report has also been the subject of a report by the Company's Statutory Auditors, pursuant to Article L. 225-235 of the French Commercial Code, on the internal control procedures for the preparation and treatment of accounting and financial information, and a declaration on the establishment of the other information required (*see section 2.5 of the 2015 Registration Document*).

This report was approved by the Supervisory Board on February 17, 2016.

### 2.4.1 Corporate governance

#### Code of Corporate Governance

The Company voluntarily adheres to the AFEP-MEDEF Code of Corporate Governance for publicly traded companies, which was revised in November 2015. The AFEP-MEDEF Code is available on the website [www.medef.com](http://www.medef.com).

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

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

AFEP-MEDEF Code recommendations excluded	Explanation
1. The minimum time period of two days for examining the financial statements by the Audit and Risk Committee before examination by the Supervisory Board (16.2.1 of the Code)	For practical reasons and given that some members of the Audit and Risk Committee travel from abroad, Committee meetings to examine the financial statements are systematically held the day before the Supervisory Board meeting. The Company makes every effort to provide Committee members with the meeting documents long enough in advance to allow them to easily familiarize themselves with the documents in advance.
2. The obligation of Board of Management members to conserve a significant number of registered shares (section 23.2.1 of the Code)	The Supervisory Board reviewed the implementation of this recommendation and decided to ignore it insofar as no stock options and no performance shares are granted to Board of Management members. In addition, the Company has set up a long-term bonus system in the context of which the members of the Board of Management benefit from RSUs ( <i>Restricted Stock Units</i> ), resulting in a payment in cash and not in shares, 50% of which are tied to the change in share price of Euler Hermes Group with a vesting period of four years (the other 50% of the RSUs are tied to the change in share price of Allianz). Therefore, even if the RSU only give rise to payment in cash, the Board of Management members are encouraged to improve Company performance throughout their terms of office. This system complies with the Allianz group's compensation policies. The question of the requirement for members of the Board of Management to retain a significant number of shares will be reviewed if stock option or bonus share allotments plans are implemented.
3. Conditions applying to severance compensation (section 20.2.4 of the Code)	The Company remains flexible with regard to this clause because it is controlled by a majority shareholder that does not intend to dispose of its investment or to change the strategy of the Company, which is the world leader in a market consisting of only three operators. Such cases of compulsory departure due to a change in control or strategy are unlikely to happen. To attract high-quality executives, and given that Board of Management offices cannot coincide with an employment agreement, the Company offers compensation in the event of compulsory departure with sound performance criteria but not necessarily related to a change in control or strategy. It has also just revised the terms of this clause in order to better frame the conditions for payment of any severance compensation, now specifying that the severance compensation is due only in a case of forced departure (i.e. only in the event of dismissal for a reason other than a serious fault or negligence), particularly related to a change in control or strategy, and would therefore be excluded if the executive is not re-appointed, leaves the Company on his own initiative or changes position within the Euler Hermes group.

## Supervisory and management bodies

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

The leadership and management powers assumed by the Board of Management are clearly separated from the oversight powers exercised by the Supervisory Board. The Supervisory Board permanently oversees the management of the Company by the Board of Management. The organization adopted by the Company, which is based on the separation of executive and oversight functions, ensures a balance of powers.

The dual governance structure of the Company, which is a subsidiary of Allianz SE, is based on the same model as the governance structure of Allianz SE, which also comprises a Board of Management and a Supervisory Board.

The Group department Managers provide the foundations of the Group's operational management.

### 2.4.1.1 Supervisory Board: composition, operation and compensation

#### 2.4.1.1.1 Composition of the Supervisory Board

As at the date of this report, the Supervisory Board has 11 members:

- Clement Booth, Chairman;
- Brigitte Bovermann, Vice-Chairwoman;
- Ümit Boyner;
- Philippe Carli;
- Elizabeth Corley;
- Nicolas Dufourcq;
- Mme Maria Garaña;
- Jean-Hervé Lorenzi;
- Thomas-Bernd Quaas;
- Jacques Richier;
- Axel Theis.

#### 2.4.1.1.1.1 Appointments, renewals and term expiration

The Shareholders' Meeting of May 27, 2015, appointed Maria Garaña and Axel Theis, to replace Robert Hudry and Yves Mansion, respectively, on the Supervisory Board for a three-year term, until the end of the 2018 when Shareholders' Meeting is called to approve the financial statements for the previous year.

The summary table presented below presents the changes in the members of the Supervisory Board during the last year ended:

Name of the Board member	Nature of the change	Date of effect	Diversification of Board membership
Mr. Robert Hudry	End of term	May 27, 2015	-
Mr. Yves Mansion	End of term	May 27, 2015	-
Mrs. Maria Garaña	Nomination as member of the Supervisory Board to replace Mr. Robert Hudry	May 27, 2015	Diversification of Board membership in terms of female members and international experience
Mr. Axel Theis	Nomination as member of the Supervisory Board to replace Mr. Yves Mansion	May 27, 2015	Diversification of Board membership in terms of international insurance experience

Between the end of 2014 and the date of preparation of this report, no appointment was made and no office expired or was renewed within the Supervisory Board.

Mr. Clement Booth resigned as Chairman of the Supervisory Board, with effect from May 25, 2016, following the next Shareholders' Meeting<sup>(1)</sup>. The next Shareholders' Meeting will be asked to appoint Mrs. Marita Kraemer to replace Mr. Clement Booth as a member of the Supervisory Board for the remaining term of her predecessor, which is until the end of the Shareholders' Meeting held in 2018 and called to approve the financial statements for the previous year. At the end of the Meeting on May 25, 2016, the Supervisory Board will meet to elect a new Chairman.

The term of office of Mr. Jean-Hervé Lorenzi, who will reach the age of 70 in 2017, will not be renewed.

Therefore, the next Shareholders' Meeting will be asked to appoint Mr. Ramon Fernandez to replace Mr. Jean-Hervé Lorenzi as a member of the Supervisory Board for a period of three years, i.e. until the end of the Shareholders' Meeting held in 2019 and called to approve the financial statements for the previous fiscal year.

The next Shareholders' Meeting will also be asked to renew the terms as a member of the Supervisory Board of Brigitte Bovermann, Ümit Boyner, Elizabeth Corley, Nicolas Dufourcq, Thomas-Bernd Quaas and Jacques Richier for a term of three years, until the end of the Shareholders' Meeting held in 2019, and called to approve the financial statements for the previous year.

#### 2.4.1.1.1.2 Independence

With respect to the independence of the Supervisory Board members, the Supervisory Board's internal regulations, as amended on November 5, 2013, stipulate that:

- each member of the Supervisory Board performs his or her duties independently, loyally and professionally;
- each member of the Supervisory Board must ensure that he or she retains his or her independence of judgment, decision and action. He or she undertakes not to be influenced by any element outside the Company's corporate interest that it is his/her duty to defend.

Applicable rules regarding prevention and management of conflicts of interest within the Supervisory Board are described in section 1.2 (Internal regulations) of this report.

At its meeting of February 17, 2016, the Supervisory Board decided to classify the following members as independent, based on the criteria set by the AFEP-MEDEF Code:

- Ümit Boyner, member of the Executive Committee of Boyner Holding A.S since 2001 and member of the Supervisory Board of Euler Hermes Group since October 2013;
- Philippe Carli, Chief Executive of the Amaury Group until 2015 and member of the Supervisory Board of Euler Hermes Group since May 2009;
- Nicolas Dufourcq, Chief Executive Officer of Bpifrance since February 2, 2013 and member of the Supervisory Board of Euler Hermes Group since May 2010;
- Maria Garaña, Vice-President of Microsoft Europe, Middle East and Africa since 2015 and a member of the Supervisory Board of Euler Hermes Group since May 2015;
- Jean-Hervé Lorenzi, member of the Board of Directors for Edmond de Rothschild, member of the Supervisory Board of Euler Hermes Group since November 2004;
- Thomas-Bernd Quaas, member of the Supervisory Board of Mxingvest AG and member of the Supervisory Board of Euler Hermes Group since May 2010.

Six of the eleven members of the Supervisory Board are therefore independent.

In accordance with the principles stated in the AFEP-MEDEF Code, at least one-third of the Supervisory Board members are independent.

The Supervisory Board also confirmed that no significant, direct or indirect, business relationships existed between its independent members and the Company. The significance of business relationships is assessed by the Supervisory Board in accordance with the criteria set out in the AFEP-MEDEF Code.

(1) Press release dated March 15, 2016

The following table shows the situation of each Board member in terms of the AFEP-MEDEF independence criteria applied by the Company:

Independence criteria	C. Booth	B. Bovermann	Ü. Boyner	P. Carli	E. Corley	N. Dufourcq	M. Garaña	J.H. Lorenzi	T.B. Quaas	J. Richier	A. Theis
must not be or have been in the past 5 years: <ul style="list-style-type: none"> <li>▪ an employee or executive corporate officer of the Company or a director of its parent company or of a company consolidated by the parent company;</li> <li>▪ an executive corporate officer of a company in which the Company holds an office or in which an employee or an executive corporate officer of the Company (currently or within the past 5 years) holds an office</li> </ul>			•	•		•	•	•	•		
must not be a significant customer, supplier, investment or commercial banker of the Company or its Group, or a customer, supplier, investment or commercial banker of which the Company or its Group represents a significant part of the activity	•	•	•	•	•	•	•	•	•	•	•
must not have any close family ties with a corporate officer	•	•	•	•	•	•	•	•	•	•	•
must not have been a Statutory Auditor of the Company in the past 5 years	•	•	•	•	•	•	•	•	•	•	•
must not be a member of the Company's Board for more than 12 years	•	•	•	•	•	•	•	•	•	•	•
must not be a shareholder representative participating in the control of the Company or of its parent company (threshold of 10% of share capital or voting rights)			•	•		•	•	•	•		
<b>Qualification</b>	<b>Not independent</b>	<b>Not independent</b>	<b>Independent</b>	<b>Independent</b>	<b>Not independent</b>	<b>Independent</b>	<b>Independent</b>	<b>Independent</b>	<b>Independent</b>	<b>Not independent</b>	<b>Not independent</b>

#### 2.4.1.1.3 Multiple offices

The offices of the members of the Supervisory Board are detailed in section 2.2.3 of the 2015 Registration Document.

The members of the Supervisory Board comply with the legal rules and the AFEP-MEDEF Code's recommendations on multiple directorships. This is an important guarantee of their commitment and availability to the Group.

#### 2.4.1.1.4 Balanced gender representation on the Board

Four of the Supervisory Board's eleven members are women, representing 36% of the Board. Pursuant to the legal rules and the AFEP-MEDEF Code's recommendations, the proportion of 20% female members on the Board has therefore been met. The election of Mrs. Marita Kraemer as a new member of the Supervisory Board will be proposed to the Shareholders' Meeting to be held on May 25, 2016 (see section 8.1 of the 2015 Registration Document). This election will raise the proportion of women to 40% as recommended by the AFEP-MEDEF Code at the end of the 2016

Shareholders' Meeting. Five of the eleven members of the Board of Directors would therefore be women, a percentage of 45% women.

#### 2.4.1.1.5 Share ownership

Every member of the Supervisory Board must be a shareholder in a personal capacity and hold a relatively significant number of shares in respect of the attendance fees he/she receives. In accordance with Article 11 of the Articles of Association, each member is required to hold at least five of the Company's shares.

### 2.4.1.1.2 Operation of the Supervisory Board

#### 2.4.1.1.2.1 Internal regulations

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

These regulations provide for the following, among other aspects:

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

With respect to the prevention and management of conflicts of interest, the Supervisory Board's internal regulations, as amended on November 5, 2013, stipulate that:

- members of the Board are required to make every effort to avoid any conflict between their moral and material interests and those of the Company;
- in any situation that gives rise or might give rise to a conflict between the corporate interest and his/her direct or indirect personal interest, or the interest of the shareholder or group of shareholders that he/she represents, the member of the Supervisory Board concerned must inform the Board as soon as he/she is aware of the situation and deal with any consequences in relation to the exercise of his/her duties, under penalty of incurring his/her own liability. Thus, depending on the case, he/she must:
  - either abstain from the vote on the corresponding resolution,
  - not attend meetings of the Supervisory Board during the period in which the conflict of interest exists, or
  - resign from his/her duties as a member of the Supervisory Board;
- each member must advise the Board of any information which he or she possesses and which he or she believes might affect the Company's interests. He or she must express his or her concerns and opinions clearly;
- members of the Supervisory Board and any persons attending Board meetings may not, under any circumstances, take any action likely to harm the Company's interests.

#### 2.4.1.1.2.2 Meetings of the Supervisory Board

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

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

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

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

The Supervisory Board is chaired by Clement Booth, who organizes and directs its work, and reports to the Shareholders' Meeting. The Chairman calls the Supervisory Board, sets the agenda of the meetings, chairs the meetings and establishes minutes of each meeting with the assistance of the Corporate Secretary. He ensures that Supervisory Board meetings cover all the points included on the agenda. He also ensures that the Company's Supervisory Board is operating properly, and, in particular, makes certain that members of the Supervisory Board are able to carry out their duties. To do so, he ascertains that all matters that may enable the Board members to carry out effective supervision are included on the agenda and, at each meeting, he invites each member to express his or her views on the political and economic climate, so as to inform the members of the Board of Management involved in the general management of the Group, whose business operations are closely linked to the economic cycle. Furthermore, the Chairman ensures that the relevant documentation is sent to Supervisory Board members in a timely manner. He ascertains that the members are effectively present at each meeting. He also ensures that the composition of the Board complies with the rules of governance and that each member's expertise is in keeping with the Group's business activities. He moderates the discussions and ensures that sufficient time is allocated to each item on the agenda. He ensures the transparency of the information provided by members of the Board of Management to the Supervisory Board.

In the absence of the Chairman, the Vice-Chairwoman, Mrs. Brigitte Bovermann, is responsible for calling a meeting of the Supervisory Board and directing discussion.

#### 2.4.1.1.2.3 Activities of the Supervisory Board during the 2015 fiscal year

The Supervisory Board met five times in 2015, held one Strategic Seminar and was present at the 2015 Shareholders' Meeting.

	Board meeting of 02/18/2015	Board meeting of 04/28/2015	Annual Shareholders' Meeting 05/27/2015	Board meeting of 05/27/2015	Board meeting of 07/27/2015	Strategic Seminar 07/28/2015	Board meeting of 10/29/2015	% attendance of Board meetings (excluding Shareholders' Meeting and Strategic Seminar)	% overall attendance
Clement Booth	•	•	absent	absent	•	•	•	80%	71%
Brigitte Bovermann	•	•	•	•	•	•	•	100%	100%
Ümit Boyner	•	•	absent	absent	•	•	•	80%	71%
Philippe Carli	•	•	•	•	•	•	•	100%	100%
Elizabeth Corley	•	•	•	•	absent	absent	•	80%	71%
Nicolas Dufourcq	•	absent	absent	absent	absent	•	•	40%	43%
Maria Garaña	n/a	n/a	•	•	•	•	•	100%	100%
Robert Hudry	•	•	n/a	n/a	n/a	n/a	n/a	100%	100%
Thomas-Bernd Quaas	•	•	•	•	•	•	•	100%	100%
Jean-Hervé Lorenzi	•	•	•	•	absent	absent	•	80%	71%
Yves Mansion	•	•	n/a	n/a	n/a	n/a	n/a	100%	100%
Jacques Richier	•	•	•	•	•	•	•	100%	100%
Axel Theis	n/a	n/a	•	•	•	•	•	100%	100%

Attendance by Supervisory Board members averaged 87%.

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

In accordance with the law and under Article 12 of the Articles of Association, the Supervisory Board exercises permanent control over management of the Company carried out by the Board of Management, and grants that body the prior authorizations required by law or the Articles of Association.

In 2015, the Supervisory Board addressed the following matters:

- discussion of the general political and economic environment (situation in Spain, Latin America, Turkey, Middle East, Russia, Greece) (meetings of February 18, April 28, July 27 and October 29, 2015);
- review of the Company's annual financial results, the annual consolidated financial statements, the consolidated interim financial statements, the quarterly results, revenues, dividend amounts and the 2014 management report (meetings of February 18, April 28, July 27 and October 29, 2015);
- discussions regarding the Board of Management report (meetings of February 18, April 28, July 27 and October 29, 2015);
- discussions regarding the key large claims (meetings of February 18, April 28, July 27 and October 29, 2015);
- discussions regarding the reports of the Audit and Risk Committee and the Statutory Auditors (meetings of February 18, April 28, July 27 and October 29, 2015);
- discussions regarding the report of the Nomination and Remuneration Committee (meetings of February 18, April 28, July 27 and October 29, 2015);

- review of the independence of the Supervisory Board members and assessment of the Supervisory Board (meeting of February 18, 2015);
- approval of the recommendations of the Nomination and Remuneration Committee on the compensation of members of the Board of Management and the Supervisory Board (meeting of February 18, 2015);
- approval of press releases for financial results (meetings of February 18, April 28, July 27 and October 29, 2015);
- approval of the minutes of the Supervisory Board meetings (meetings of February 18, April 28, July 27 and October 29, 2015);
- review of the 2015 budget (meeting of February 18, 2015);
- review of draft resolutions for submission to the Annual Shareholders' Meeting (meeting of February 18, 2015);
- review and approval of the report of the Chairman of the Supervisory Board on corporate governance and the internal control and risk management procedures (meeting of February 18, 2015);
- approval of the investment strategy and authorization to contract bank loans (meeting of April 28, 2015);
- review of the compliance procedures (meeting of April 28, 2015);
- reappointment of Clement Booth as Chairman of the Supervisory Board and the appointment of Thomas-Bernd Quaas as member of the Audit and Risk Committee (meeting of May 27, 2015).

The Supervisory Board also met in Hamburg for a Strategic Seminar on July 28, 2015, in order to discuss more informally various operational issues, such as the Group's strategy in Germany, product marketing or the management of Risk and Information within the Group.

### 2.4.1.1.3 Compensation of Supervisory Board members

Members of the Supervisory Board may receive compensation in the form of attendance fees, in an amount set by the Shareholders' Meeting, and extraordinary compensation under the conditions prescribed by law. In addition, the Chairman and Vice-Chairman of the Supervisory Board may receive special compensation in an amount set by the Supervisory Board based on the report of the Nomination and Remuneration Committee.

A package of attendance fees for the members of the Supervisory Board having a total amount of 600,000 euros was approved by the Shareholders' Meeting of May 28, 2014, effective until a decision is made to the contrary.

Pursuant to the recommendation of the Nomination and Remuneration Committee on February 17, 2015, the method used to divide attendance fees among Supervisory Board members in 2014 was used again in 2015:

- each member receives €35,000 for the year;
- the Chairman receives €110,000 for the year;
- each member of the Audit and Risk Committee or Nomination and Remuneration Committee receives an additional amount of €15,000 for the year.

On February 17, 2016, the Supervisory Board decided, on the recommendation of the Nomination and Remuneration Committee, to grant additional directors' fees as of fiscal 2016 for the Chairman of the Audit and Risks Committee and the Nomination and Remuneration Committee, as follows:

- the Chairman of the Audit and Risks Committee shall receive an additional €15,000 for the year;
- the Chairman of the Nomination and Remuneration Committee shall receive an additional €5,000 for the year.

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

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

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

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

Pursuant to the recommendations of the AFEP-MEDEF Code, the variable portion of the attendance fees (which depends on actual attendance of Board and Committees meetings) constitutes the bulk of the total amount.

Details of the attendance fees received by members of the Supervisory Board are provided in section 2.3.2 of the 2015 Registration Document.

### 2.4.1.1.4 Special committees

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

The Supervisory Board has an Audit and Risk Committee and a Nomination and Remuneration Committee.

#### 2.4.1.1.4.1 The Audit and Risk Committee

First, it should be noted that, for the Audit and Risks Committee, the Company refers to the report of the working group created by the AMF and chaired by Mr. Poupart Lafarge on the Audit and Risks Committee on July 22, 2010.

#### Composition of the Audit and Risk Committee

As at the date of this report, the Audit and Risk Committee of the Supervisory Board has the following three members:

- Philippe Carli, Chairman and independent member;
- Brigitte Bovermann, non-independent member;
- Thomas-Bernd Quaas, independent member appointed to the Committee on May 27, 2015.

Robert Hudry and Yves Mansion were members of the Audit and Risk Committee until May 27, 2015.

With the appointment of Thomas-Bernd Quaas May 27, 2015, two-thirds of the members of the Audit and Risk Committee are independent in accordance with the recommendation of the AFEP-MEDEF Code.

Members of the Audit and Risk Committee have financial or accounting skills.

Philippe Carli was named Chairman of the Audit and Risk Committee by decision of the Supervisory Board on February 13, 2014. A graduate in engineering from the École Supérieure d'Electricité (Supelec), with a master's degree in solid-state physics, he joined the Siemens group in 1986, where he has held several management positions in France and Germany, including Chairman of the French subsidiary Siemens SAS from 2002 to 2010. In 2009 he was appointed a member of the Supervisory Board of Euler Hermes Group. He was Chief Executive Officer of Editions Amaury from 2010 to 2015 and currently is a member of its Board of Directors. Philippe Carli is also Chairman of the Board of Directors of the Coopérative de Distribution des Quotidiens, a director at Mediakiosk and Presstalis, Chairman of the Fondation Supélec, and a member of the Supervisory Board of the Franco-German Chamber of Commerce and Industry.

Brigitte Bovermann graduated with a degree in economics and business administration, majoring in accounting and company valuation, from *Ruhr University* in Germany. She began her professional career as an academic. She joined the Allianz group in 1987. She has held various positions, including CEO in Poland and Head of the Planning, Reporting, Technis (IT) at Allianz Europe Division. Today she heads Allianz's Global Insurance Lines & Anglo Markets Division a position she has held since January 2010.

Thomas-Bernd Quaas is a graduate in corporate management from Wolfgang Goethe University in Frankfurt (Germany). He held several management positions at Beiersdorf AG (Germany), including the position of Sales Director (1987-1991), Marketing Director (1991-1994) and Managing Director responsible for consumer products (1994-1995). After serving as a member of the board for the medical division and the logistics chain division (1999-2003), he served as Chairman-CEO and Chairman of the Executive Board (2005-2012).

### Structure of the Audit and Risk Committee

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

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

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

The Chairman acts as secretary of the Audit and Risk Committee.

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

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

The Statutory Auditors inform the Audit and Risk Committee of:

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

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

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

With the agreement of the Board of Management, the Audit and Risk Committee may also request information from any person who is liable to assist them in carrying out their duties, including senior managers in charge of operations and finance and of information processing. The Board of Management member in charge of Finance also presents the Company's risks and off-balance-sheet commitments every year.

### Main duties of the Audit and Risk Committee

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

The Audit and Risk Committee is tasked with the following:

- in the area of risk management and internal controls:
  - monitoring the effectiveness of internal controls and risk management systems, and in particular, assessing internal control systems and reviewing the Internal Audit function's work program, findings, recommendations and their follow-up, and working relationships with the Internal Control function in preparing financial statements, and
  - in conjunction with the Board of Management, carrying out regular reviews of the main risks incurred by the Group, including through risk mapping;
- in the area of relations with the Statutory Auditors:
  - providing guidance in the selection of the Statutory Auditors and their replacements, issuing opinions on the amount of their fees and submitting the results of the Committee's work to the Supervisory Board,
  - ensuring that the Statutory Auditors' other engagements are not likely to affect their independence, and
  - reviewing the Statutory Auditors' work program, findings and recommendations;

- in respect to financial information and disclosure:
  - based on interviews with the Board of Management and the Statutory Auditors, ensuring the relevance and consistency of accounting policies adopted in the preparation of the parent company and consolidated financial statements, reviewing and assessing the scope of consolidation, and examining and verifying the appropriateness of accounting policies applied within the Group,
  - reviewing the parent company and consolidated financial statements before they are submitted to the Supervisory Board, and
  - monitoring the financial information preparation and reporting process, and, if necessary, supervising this process.

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

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

### Work performed by the Audit and Risk Committee

The Audit and Risk Committee met four times during the 2015 fiscal year. The overall annual attendance rate of Committee members was 92%.

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

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

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

- on the aptitude of the various procedures and the overall system to achieve their goal of controlling information and risks;
- on the effective application of the procedures in place and, if applicable, on the resources implemented to achieve this.

It also draws up any recommendations and proposals designed to improve the efficiency of the various procedures and the overall system or to adapt these to a new situation.

If, in the course of its work, the Audit and Risk Committee discovers a significant risk that it does not believe has been adequately addressed, it alerts the Chairman of the Supervisory Board.

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

In 2015, the work of the Audit and Risk Committee focused notably on:

- reviewing the 2014 financial statements, a dividend distribution proposal, reviewing the 2015 budget, reviewing the Chairman's report on internal control and self-assessment of the operation

of the Audit and Risk Committee by its members (meeting of February 17, 2015);

- reviewing the financial statements for the first quarter of 2015 (meeting of April 27, 2014);
- reviewing the financial statements for the second quarter of 2015, presentation of marketing strategy in respect of products, prices and promotions, and presentation of the internal audit structure (meeting of July 29, 2014);
- reviewing the financial statements for the third quarter of 2015, presentation of the 2016 internal audit plan and an update on the Galileo project (meeting of October 28, 2015);
- update on the progress of the Solvency II project and the Group's adaptation to the rules of Solvency II (meetings of February 17, April 27, July 27 and October 28, 2015);
- update on the most recently completed internal audits (meetings of February 17, April 27, July 27 and October 28, 2015);
- approval of the minutes of the decisions of the Audit and Risk Committee (meetings of February 17, April 27, July 27 and October 28, 2015);
- review and approval of financial communications (meetings of February 17, April 27, July 27 and October 28, 2015);
- discussion of the key large claims (meetings of February 17, April 27, July 27 and October 28, 2015);
- update and follow-up on compliance matters (meetings of February 17, April 27, July 27 and October 28, 2015);
- review of tax issues, particularly the transfer price (meeting of October 28, 2015).

### Self-Assessment of the Audit and Risk Committee

The Audit and Risk Committee conducted a self-assessment on its operations and work accomplished in 2015. Operation of the Audit and Risk Committee is judged to be very satisfactory by its members. The members appreciate an increased role in the following areas: risk management and internal controls, results and financial communications, internal audit procedure, and actions taken to comply with Solvency II. The members of the Audit and Risks Committee feel involved in the prevention and management of risks and believe that the agendas of the Committee are completed and adapted to their mission, that the composition of the Committee is adequate in terms of backgrounds, commitment and independence.

In 2015, the Audit and Risks Committee took the measures necessary in order to improve the following points: to strengthen the Committee's report on risks, study the appointment of an additional member to the Committee, and ask the Auditor to produce legal and compliance reports.

For 2016, the Audit and Risks Committee wishes to be more involved in the investment policy and asset management of the Group.

#### 2.4.1.1.4.2 Nomination and Remuneration Committee

##### Composition of the Nomination and Remuneration Committee

As at the date of this report, the Nomination and Remuneration Committee comprised the following three members of the Company's Supervisory Board:

- Thomas-Bernd Quaas, Chairman and independent member (whose background is presented on page 72 of the 2015 Registration Document);
- Brigitte Bovermann (please refer to pages 72 of the 2015 Registration Document for more information on her career); and
- Jean-Hervé Lorenzi, independent member.

Pursuant to the recommendation of the AFEP-MEDEF Code, since July 24, 2013 the Chairman of the Nomination and Remuneration Committee has been Thomas-Bernd Quaas, an independent member.

Likewise, the recommendation of the AFEP-MEDEF Code that the majority of the members of the Nomination and Remuneration Committee should be independent has been met, since two-thirds of the Committee members are independent.

The term of office of the members of the Nomination and Remuneration Committee coincides with their term of office on the Supervisory Board.

##### Organization of work

The Nomination and Remuneration Committee meets when convened by its Chairman, whenever the Chairman or the Supervisory Board deems it appropriate. Meeting agendas are set by the Committee Chairman, in conjunction with the Supervisory Board when meetings are convened by that Board.

A Committee member may ask the Committee Chairman to organize a meeting. The Committee may also intervene at the request of the Chairman of the Supervisory Board or of the Board of Management, but only in an advisory capacity.

The Chairman of the Supervisory Board is involved in the work of the Nomination and Remuneration Committee, except in respect of any matter that concerns him or her personally.

The Board of Management may be invited to attend Committee meetings, except for those relating to the remuneration of corporate officers.

The Committee may also ask to be provided with any internal document and any information needed to enable it to operate properly. It makes such requests to the secretary of the Supervisory Board or of the Board of Management.

##### Duties

The main duties of the Nomination and Remuneration Committee, as part of the work of the Supervisory Board, are:

- in the area of appointments:

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

##### Work of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee met four times in 2015, with an overall annual attendance rate for Committee members of 84%.

In 2015, the work of the Nomination and Remuneration Committee focused primarily on:

- the compensation for the members of the Board of Management (meetings of February 17, and July 27, 2015);
- the term of the Board of Management as of April 1, 2016 (session of October 28, 2015);
- the amount of the attendance fees allocated to members of the Supervisory Board (meetings of February 17 and October 28, 2015);
- an assessment of the independence of the members of the Supervisory Board under the AFEP-MEDEF Code (meeting of February 17, 2015);
- review of the financial results for fiscal 2015 (meeting of February 17, 2015);
- analysis of the results of the assessment of the Supervisory Board by a third party (meeting of February 17, 2015);
- review of candidates seeking appointment as new members of the Supervisory Board (meetings of February 17, April 27, July 27 and October 28, 2015);
- review of the Company's policy for professional and salary equality (meetings of July 27 and October 28, 2015);
- study of the composition of the Supervisory Board and its committees under the laws and the AFEP-MEDEF Code concerning the balanced representation of men and women and the presence of independent members (meeting of April 27, 2015);

- approval of the minutes of decisions of the Nomination and Remuneration Committee (meetings of February 17, April 27, July 27 and October 28, 2015).

#### Self-Assessment of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee conducted a self-assessment of its operations and work accomplished in the 2015 fiscal year. The operations of the Nomination and Remuneration Committee are judged to be very satisfactory by its members. The members appreciate their strong role in the selection of candidates for the Supervisory Board. They believe that the duration of the meetings effectively ensures that time is devoted to important problems and that the meetings are conducted efficiently in order to encourage discussion. They also feel independent when they discuss the performance and compensation of the Board of Management.

The Nomination and Remuneration Committee took the necessary measures in 2015 to improve the following points: a more detailed report to the Supervisory Board, the change in the members of the Committee as part of the gradual replacement of the Supervisory Board.

For 2016, the Nomination and Remuneration Committee wishes to be more involved in the succession plan procedure of the Board of Management.

#### 2.4.1.1.5 Assessment of the Supervisory Board

Pursuant to the AFEP-MEDEF recommendations, the Supervisory Board carries out an annual self-assessment of its composition, organization and mode of operation, and every three years calls in an independent third party to carry out a formal assessment of the Supervisory Board.

In 2015, an independent expert assessed the Supervisory Board by means of individual interviews with each Board member, based on an interview guide covering the various governance items prepared along with the Supervisory Board's secretary, and the production of a report combining all of these discussions. This report was presented by the independent expert to the Supervisory Board during its meeting held on February 18, 2015.

The main subjects of the discussions held with members of the Supervisory Board during this assessment were: good governance; Supervisory Board effectiveness; activities of the Audit and Risk Committee and the Nomination and Remuneration Committee; Supervisory Board composition; Supervisory Board duties and works of the Supervisory Board; relationship between the Supervisory Board, the Board of Management and investors.

Overall, the members of the Supervisory Board consider that the governance of the Company is very satisfactory. It is supported by its Chairman, the openness of the shareholders and the quality of the Board of Management members. The members of the Supervisory Board

appreciate particularly the interaction between them and the quality of decisions taken by the Supervisory Board.

In view of the report of the independent third party, the following areas of improvement were achieved in 2015:

- more detailed information on some topics such as products, market share, competition, human resources and executive career management and dedication of more time to these topics;
- more detailed information on succession process;
- more systematic *post mortem* analysis of decisions made; and
- implementation of internal training for new Supervisory Board members.

For 2016, following a self-assessment conducted in January 2016, the Supervisory Board is planning the following areas of improvement:

- more concise information about the internal organization, the competitive environment, the succession plan, and human resource policies;
- more frequent discussions of operations and strategy;
- greater follow-up on the implementation of decisions by the Board of Management;
- information assessments of the individual performance of the members of the Supervisory Board by the Chairman or the Nomination and Remuneration Committee;
- more training on issues relating to Solvency II and compliance.

#### 2.4.1.2 Board of Management: members, operations, limitation of powers, regional organization and compensation

##### 2.4.1.2.1 Composition of the Board of Management

As at the date of this report, the Board of Management has the following six members:

- Wilfried Verstraete, Chairman;
- Gerd-Uwe Baden;
- Frédéric Bizière;
- Clarisse Kopff;
- Dirk Oevermann; and
- Paul Overeem.

By a decision of the Supervisory Board on February 17, 2016, the terms of Mr. Wilfried Verstraete, Mr. Frédéric Bizière, Mr. Paul Overeem and Mrs. Clarisse Kopff were renewed and Mr. Michele Pignotti and Mr. Ludovic Sénécaut were appointed to the Board of Management for four years, as of April 1, 2016 (it should be noted that Mr. Gerd-Uwe Baden has retired and Mr. Dirk Oevermann did not wish to renew his term and will leave the Company on March 31, 2016).

Therefore, the Board of Management will have the following members as of April 1, 2016:

- Wilfried Verstraete, Chairman;
- Frédéric Bizière;
- Clarisse Kopff;
- Paul Overeem;
- Michele Pignotti; and
- Ludovic Sénécaut.

For personal reasons, Mr. Paul Overeem indicated his desire not to finish out his term and has already resigned from his seat on the Board of Management, as of March 31, 2018.

Further details on the Board of Management members are provided in section 2.1 of the 2015 Registration Document.

#### 2.4.1.2.2 Operation of the Board of Management

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

The Board of Management may decide to form committees and it will define the number and powers of members who will conduct their activities under the Board's responsibility, without being able to delegate the powers granted to them.

The Board of Management meets as often as required in the Company's interests. In 2015, the Board of Management met 24 times, generally twice per month.

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

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

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

Lastly, the Board of Management members are obliged to inform each other of:

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

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

The other five members of the Board of Management share supervision of the remaining cross-company functions, i.e. Business Development and Partnerships; Risks, Information, Claims, and Reinsurance; Marketing, Sales and Distribution; Operations and IT; and Finance.

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

#### 2.4.1.2.3 Limitations on Board of Management powers

Article 4 of the internal regulations of the Board of Management sets out the decisions that must be submitted to the Supervisory Board for prior approval, i.e.:

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

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

#### 2.4.1.2.4 Compensation of Board of Management members

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

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

##### Total compensation

Total compensation is determined using a fixed target ratio of 35% and a 65% variable.

##### Fixed compensation

Target fixed compensation represents 35% of the total compensation of Board of Management members. This fixed remuneration is reviewed each year when annual performance is assessed.

##### Variable compensation

Target variable compensation (annual, mid-term and long-term bonuses) represents approximately 65% of the total compensation of Board of Management members. At the beginning of each year, acting on the recommendation of the Nomination and Remuneration Committee, the Supervisory Board sets financial and individual targets for Board of Management members. the variable compensation must be expressed as a percentage of the fixed compensation (and not of the target amount).

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

Performance is assessed according to financial and personal targets.

Financial targets, which represent 70% of variable compensation, are assessed on the basis of (i) three financial criteria for all Board of Management members: Group operating profit, Group net income, and Group turnover, and (ii) other financial criteria specific to each member and defined according to their duties. For the Chairman of the Board of Management, these additional criteria are the payment of a dividend, expenses management and the net loss ratio. Other members of the Board of Management focus on new markets and products.

Individual targets, which represent 30% of variable compensation, are subject to qualitative or quantitative criteria specific to the duties and responsibilities of each Board of Management member.

For further details of the quantitative and qualitative, financial and individual criteria used for each of the Board of Management members, please see the tables in section 8.1 of the 2015 Registration Document.

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

- annual bonus;
- mid-term bonus (payable after three years):

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

- revenue growth,
- increase in profitability,
- comparison with competitors,
- risk capital (solvency),
- other criteria (satisfaction surveys, etc.);

- long-term bonus (payable after four years):

As part of a long-term bonus system for Allianz group Executive Managers, members of the Board of Management benefit from RSUs (Restricted Stock Units).

RSUs awarded to Board of Management members are broken down into two parts: 50% of the RSUs are based on the Allianz share price trend and 50% on the Euler Hermes Group share price trend, with a vesting period of four years starting on the award date as compensation for performance with respect to year N-1. The amount used to calculate the number of RSUs to be allocated is subject to the assessment criteria set out above (70% financial targets and 30% personal targets).

In 2015, the payment of variable compensation to a member of the Board of Management was subject to the following rules.

If a member of the Board of Management leaves his/her position as a "good leaver" (as defined below):

- the Company will pay out to the Board member any outstanding annual bonus on a prorated basis and based on actual target achievement;
- the mid-term bonus will be paid on a prorated basis following the end of the third financial year and after the regular sustainability assessment;
- in respect to any RSU granted to the Board member the Company will make a pay-out in accordance with the RSU conditions.

On the contrary, if a Board member leaves his position and is a "bad leaver" (as defined below):

- the Board member will cease to be entitled to any annual or mid-term bonus, subject to applicable laws and regulations;
- any RSU already granted to the Board member will immediately lapse and no further RSU will be granted.

A Board member is a "bad leaver" if he/she leaves his/her function for one or more of the following reasons:

- the Board member has terminated his/her function with the Company or any other member of Allianz group or is otherwise leaving his/her function upon own initiative; or
- the function of the Board member has been terminated by the Company or any other member of Allianz group for cause.

A Board member who is not a "bad leaver" is considered to be a "good leaver" (e.g. if the Board member leaves his/her function because of ill health or disability, death, regular or early retirement of the Board member, revocation of appointment, business transfer or any other reason, if the Company so decides in general or in any particular case).

A Board member will be treated as "leaving his/her function" when the Board member ceases to be a member of the Board of Management of the Company or, if earlier, when the Board member gives notice of terminating the Board membership but only when the Board member is also no longer a member of the Board of Management of any other member of Allianz group.

The target variable compensation of the total compensation<sup>(1)</sup> for 2015 was:

- 68% for Wilfried Verstraete (i.e. 213% of the fixed salary);
- 62% for Gerd-Uwe Baden (i.e. 161% of the fixed salary);
- 65% for Frédéric Bizière (i.e. 184% of the fixed salary);
- 65% for Dirk Oevermann (i.e. 184% of the fixed salary);
- 65% for Paul Overeem (i.e. 184% of the fixed salary);
- 64% for Clarisse Kopff (i.e. 180% of the fixed salary).

Details of the total amount of the variable and fixed portions for 2015 for each member of the Board of Management are also set out in section 2.3.1 of the 2015 Registration Document.

The limit for the variable portion is 165% of the target variable compensation amount for all Board of Management members (e.g., for Wilfried Verstraete the variable maximum is 213% X 165% = 351% of the fixed salary).

### Corporate office/Employment agreement

As at December 31, 2015, no members of the Board of Management had an employment agreement with the Company.

### Severance compensation for Board of Management members

As of December 31, 2015, all Board of Management members were eligible for severance compensation upon termination of their office.

The payment of this compensation, pursuant to Article L. 225-90-1 of the French Commercial Code, is subject to the performance criteria set out in section 2.3.1 of the 2015 Registration Document. Severance compensation may not exceed two years' fixed and variable compensation.

### Non-compete clause

As at December 31, 2015, no members of the Board of Management were covered by a non-compete clause.

### Supplementary pension plan for Board of Management members

Details of the supplementary pension plans for Board of Management members are provided in section 2.3.1 of the 2015 Registration Document.

### Benefits in kind received by Board of Management members

Board of Management members have the use of a company car and certain members receive allowances for international mobility, special housing allowances, unemployment insurance for Executive Managers (GSC) and worldwide insurance from Allianz Worldwide Care. Details of the benefits in kind received by Board of Management members are provided in section 2.3.1 of the 2015 Registration Document.

More details of the compensation of Board of Management members for 2015 are set out in section 2.3.1 and in section 8.1 of the 2015 Registration Document.

#### 2.4.1.2.5 Regional Organization

Euler Hermes has set up a regional operational organization while retaining a centralized functional structure in the context of the "One Euler Hermes" project, in accordance with the principles set forth by the Solvency II regulation.

The regional operational organization covers six regions (APAC, France, DACH, Mediterranean and Africa, Northern Europe and North America) each managed by a Head of Region charged with applying the decisions made by the Board of Management. The regional positions of Chief Financial and Administration Officer, Risk, Information, Claims and Collection Director and Market Management and Commercial Distribution Director report to the Head of Region and the member of the Board of Management with analogous functions.

A similar organization is in place between the local level and the regional level.

(1) Excluding specific allowances and benefits in kind.

### 2.4.1.3 Factors likely to have an impact on a public tender offer

These factors are described in section 7.5 of the 2015 Registration Document.

### 2.4.1.4 Procedures for shareholder participation in Shareholders' Meetings

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

## 2.4.2 Internal control procedures and the control environment

### 2.4.2.1 General information

#### 2.4.2.1.1 COSO

The Company's internal control system is included within the framework of COSO (Committee of Sponsoring Organizations) which defines the internal control process implemented by an entity's general management, managers and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations;
- reliability of financial reporting;
- compliance with the laws and regulations in force.

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

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

Internal control aims to provide reasonable assurance that the following objectives will be achieved:

- financial performance, by the efficient and appropriate use of the Group's assets and resources and protection against the risk of losses (within the Company);
- precise and regular knowledge of the data required for decision-making and risk management;
- adherence to internal and external rules;
- prevention and detection of fraud and mistakes;
- accuracy, completeness of accounting records and preparation of reliable accounting and financial information in a timely manner.

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

Our principal subsidiaries and branches also have:

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

As indicated, our management model includes 3 lines of controls:

#### First-level of control

At the Group level, there are cross-company functions for the Risk/Information/Claims/Collection, Sales/Marketing and Strategy/International Development operational areas, and for support areas such as Operations, Information Technology, Finance and Accounting, Reinsurance, Internal Audit, Human Resources, Communications and Risk Management.

Each of these teams reports to a member of the Board of Management and oversees implementation of Group directives in the regional entities. Specialized Committees of the Board of Management or of the corresponding bodies in major subsidiaries have been created in order to bring together the managers and experts in the relevant areas and the relevant members of the Board of Management.

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

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

## Second-level of control

This second level of control is performed by control functions independent of the purely operational functions, such as Compliance, Risk Management, Actuarial and Internal Control (ICOFR). These functions are also given in detail in this report.

## Third-level of control

Internal Audit performs this level of control by giving an independent, objective opinion on the rules and application of those rules within the Group, including whether the second-level control operates in accordance with expectations and by proposing improvements, if necessary.

### 2.4.2.1.2 Solvency II

In the context of the new solvency standards applicable for insurance and reinsurance companies, the Board of Management has approved and implemented several rules, particularly a Risk Policy and a Governance and Control Policy that are based on the corresponding rules in force in the Allianz group. They have, however, been specified in relation to the environment specific to the Euler Hermes (structure by region, etc.).

The Company's Policies clearly establish the leading role of the operational and support functions as the first line of defense in the controls performed daily, and the role of the control functions, primarily Compliance, Risk Management and Actuarial as the second line of defense. Internal Audit, in its turn, acts as the third line of defense within the mechanism.

The Risk Policy establishes in particular:

- principles and a common framework for risk management throughout the Euler Hermes group in order to promote a high risk culture;
- an integrated framework to protect and manage equity; and
- the integration of the capital risks and concepts required in decision-making processes.

This framework ensures that risks are identified, analyzed, assessed and managed using a system common to the entire Euler Hermes group.

The Governance and Control Policy, which follows the COSO 2013 as a basic standard and the requirements for Solvency II, also specifies:

- the governance system framework implemented, with the role of the Board of Management, specialized committees reporting to the Board of Management (or similar units within the subsidiaries), regional and local managers consistent with the Group's Operating Model;
- the definition of the framework of internal control;
- general control elements, particularly the model of the three lines of defense and the definition of standard controls at the level of the legal entities; and

- directives concerning implementation of the internal control framework with the role of Risk Management in the support and supervision of the internal control system, the definition of the control functions and expectations in terms of control by these functions, the organization of internal control in the operational entities, the Policy Framework and the Committee Framework.

In addition, it describes certain specific areas of controls relating to the financial statements, IT, calculations of Risk Capital, investments and underwriting risks.

### 2.4.2.2 Operational functions

#### Marketing, Commercial Underwriting and Distribution (MMCD)

In all of the global, regional and local entities, the Sales departments are managed by Sales Directors (MMCD Directors), who report in a cascade to the regional managers and the regional managers to the MMCD director who is a member of the Board of Management.

The units composing these departments are:

- "Market Management and Marketing" consisting of customer services charged with handling customer calls in the first line quickly and professionally and the marketing units;
- "Commercial Underwriting";
- Distribution with "Direct Sale" and "sale via brokers", the banking partners;
- a person responsible for controlling and reporting (it may report to the CFAO in certain cases).

In addition to these departments, the Group and regional levels manage development and management of products and supervise the economic studies.

Specialized teams are responsible for products intended for multinational customers, transactional coverage products, and excess of loss type products. In effect, these products require advanced levels of knowledge that are adequate for the complexity and/or the scope of the deals covered.

The main activities of the MMCD department are:

- promotion of the Company, its brand and its products with potential markets;
- identification of market needs and potential policyholders and the proposal of tailored solutions in terms of products and services;
- the sale of products directly or indirectly (through a broker, a bank channel or an underwriting agency of the Euler Hermes group) to prospects and policyholders.

The first mission of these activities consists of:

- the management of contracts and renewal of existing contracts;

- after-sales service to monitor the portfolio product by product and intermediaries, on the basis of the elements provided by logistics; and finally
- the collection of information from the market, and the centralization of the information to transmit it to the relevant departments.

The MMCD central management issues rules common to the Group, the MMCD rules, primarily dealing with new products sold, coverage limits and bans, decision-making powers concerning non-standard coverage, prices, the consistency of the products sold with our reinsurance coverages, reinsurance, approval of sales acts, agreements with insurers and outside intermediaries (co-insurance) and policies.

## Policy Administration

This department ensures the issuance of insurance premiums, discounts, collection of unpaid premiums and tracking of customer accounts.

In each branch, Policy Administration is under the responsibility of a Policy Administration Manager who reports to the CFAO.

A central Group Policy Administration department that reports to the Chief Operating Officer has the mission of issuing best practices, harmonizing work processes to the fullest extent possible, and working to implement common Policy Administration tools.

Like the structure of the Group described in 2.4.1.2.5, this department relies on regional managers who coordinate the actions of the local PA managers.

## Risks, Information and Claims, and Reinsurance

The role of the Risks, Information and Claims and Reinsurance department is to secure the customer stations for domestic and international policyholders. This role has several components:

- supervision and control of credit risk;
- sufficient coverage of policyholders' commercial transactions;
- effective prevention of the risk of default;
- optimum customer service quality;
- good cost control;
- risk mitigation through reinsurance mechanisms.

Risk analysis, just like the issuance of guarantees, is framed and obeys a set of rules that are defined at the level of the Euler Hermes Group and are implemented at the regional and then the local level.

The Group Risk Information and Claims (GRIC) department supervises both quarterly and every six months control of the credit risks in the entities via different bodies (Risk Controlling committee – RiCo; Risk Underwriting Committee – RUC or GRUC; Regional Risk Committee – RRC; Regional Business Review – RBR).

The department is organized into four activities:

- Information & Grading;
- Risk Underwriting;
- Claims and Collection;
- Reinsurance.

These activities are under the responsibility of the Director of Risks (RIC Director) at the regional and local level.

Information & Grading is composed of Financial analysts with geographic expertise, while arbitrage is composed of underwriters divided by sector of activity. This distribution generates a double view of the risks (geographic and sector), gives expertise in international risk management and, ultimately, delivers optimal coverage to our insured.

The separation of the Information & Grading and Risk Underwriting activities is ensured through application of the principle of "segregation of duties" between analysts and underwriters; the analysts are responsible for grading (risk assessment) and the risk underwriting teams are responsible for underwriting the risks.

Claims and Collection handles the files of claims or threats of claims.

The mission of Information & Grading is to determine a grade and issue credit limits for the buyers (clients of the Euler Hermes Group policyholders) and to monitor the risks borne regarding these buyers. To do this, it collects and analyzes the information about them in order to have an updated, high quality database.

After analysis of the information in its possession (balance sheets, cash incidents, information collected from the buyer: projections, budgets, investments, etc.) in light of knowledge of the local economic fabric, Information & Grading is able to advocate a risk position regarding the buyer in question, which it records in an IT tool common to the Euler Hermes Group, the Information Risk Policy application (IRP) developed in house.

Risks are regularly monitored and the frequency of control is determined on the basis of their sensitivity (a function of the grade and total coverage granted to Euler Hermes policyholders).

The Information & Grading recommends risk allowed to the underwriting in order to take a position on the risks carried related to buyers.

Information and Grading thus participate to claims control through prevention of the frequency and severity risk and to the development of the insured's activity through evaluation of the buyer risks with optimum response times.

The essential mission of Risk Underwriting is to support commercial transactions of the insured, i.e. to take into account the needs of the insured through relevant responses and response times that are as short as possible, while ensuring prevention of the risk of default.

The underwriters decide on the credit limits granted to the insured on their customers, and conduct tracking thanks to the data collected and assembled by Information & Grading. This mission is part of a good risk/sales balance, respecting the risk limits determined by the different

competent committees (exercise of the prevention component) and by trying to satisfy and to develop customer loyalty through high quality service and close contacts.

Depending on his expertise, experience and level of responsibility, each underwriter has decision power with regard to the amounts requested.

As previously indicated, Euler Hermes has a sophisticated platform, "IRP", which collects the data available on millions of companies around the world and allows risk underwriting.

Each request is either entered by the back-office or directly by the insured on the Internet via the "EOLIS" on-line system. Then, the requests associated with entities located outside the request country are automatically directed by IRP to the country in which the customer of the insured is located. If the customer is strategic, the decision can be reviewed: this may be a technical decision (modification of certain features of the insurance), a positive decision (the decision made by another Euler Hermes entity is considered to be too severe and a higher amount is granted, for example) or a negative decision (downward review of a limit set by another entity).

Risk Underwriting has frequent contacts with customers regarding the various risks underwritten or to be underwritten. It actively participates in the renewal of policies and new production.

The activities of the Claims & Collection department consist of the indemnification of policyholders in the event of claims, either after an official insolvency or in the event of presumed insolvency and the recovery of receivables from their customers.

Policy coverage is assessed when the claims file is opened by means of a study of coverage. This study verifies or possibly refuses or reduces the indemnification on the basis of the policy conditions, the coverage offered by Euler Hermes, and the documents transmitted by the customer (purchase order, unpaid invoices, etc.).

The principle of separation of functions is respected for payment of the indemnities. Payment orders are performed by the indemnification unit. Payments are then validated by the Accounting department. There are levels of internal authorization powers for payment claims.

Collection procedures are performed by specialized teams. Payments received are automatically or manually allocated to the corresponding amount outstanding.

The reinsurance function finds, negotiates and manages coverage adequate for the risk insurance through the execution of agreements and policies on the basis of a "risk appetite" determined by the Board of Management and its specialized committees with reliable partners.

Likewise, it negotiates and manages risk acceptance relations from other insurers (see more details in 4.2.2).

### 2.4.2.3 Support functions

#### Human resources

The central Human Resources department ("HR") has the mission of determining the global HR strategy and ensuring the coordination of the projects conducted by the HR departments at the local level.

It is composed of 3 divisions:

- the "Talent Management" department, which includes the development and planning of adequate training adapted to our business, skills management, management of succession plans, and the recruitment strategy and process;
- the "Compensation and Benefits" department, which includes performance reviews, management of personnel objectives, proposals to modify and apply the compensation policy, and the classification of functions;
- the "HR Controlling and HR Information Systems" department performs the maintenance of key measurements and indicators, monitors full-time equivalents, HR budgets and maintains common HR tools, including our tool to track performance and "success factor" developments, and the on-line training tools like "EH Academy."

Each operating entity has its own HR department. This department conducts the recruiting process, establishes function descriptions and assessments, and the training of employees and managers. It supports the local departments in managing their personnel (monitoring the establishment of objectives and skills). Payroll management, administrative management of vacations and absences, insurance and relations with the corporate partners also fall under the responsibility of the subsidiaries and branches.

In addition, local departments supervise compliance with the regulatory labor framework and monitor social and labor legislation in force, including enterprise and /or sector agreements; labor regulations; the policies and procedures in place locally and the management of insurance coverages related to employees.

The objectives of Human Resources are:

- to hire persons appropriate for the function (e.g., following the "Fit & Proper" standard rules throughout the Group);
- the monitoring, training, and personnel performance and development;
- an adequate payroll management;
- an adequate management of employee relations;
- workplace safety; and
- compliance with and application of laws and regulations.

## IT

The IT function at Euler Hermes is consolidated at the level of the Group and delivers its services to all operational entities.

The teams are located in several Group entities, primarily in Paris.

The IT activity of Euler Hermes is divided into 6 sections:

- Group IT Production (GIP): management of infrastructure and operations (backups, daily processing, etc.);
- Group IT Development (GID): management of maintenance and upgrades to the applications;
- Development Programs: management and implementation of group-wide application projects;
- Production Groups Programs: management and implementation of group-wide technical projects;
- Group IT Security (GIS): management of IT security;
- Group IT Transversal Activities (GITT): a transversal unit that includes budget, the teams testing non-regression of the applications, architecture and internal IT control.

The various governance bodies in place for the Euler Hermes IT function include, a "Group Project Investment Committee" at the strategic level, and a "Group Security Committee" and an "IT Board of Management" and "IT Production Board of Management" at the level of the operational activities. These specialized Committees meet periodically.

Actions are underway in order to change the organization and define a new IT Strategy for the purpose of greater flexibility.

Major projects must be validated by the "Group Project Investment Committee" (GPIC).

A methodological framework is defined for all projects, and is managed and controlled by a Methodology Manager.

The maintenance established is organized around each Group application in three components:

- a "Core Business" team or "IT Correspondent", representing the business teams;
- a development team that is responsible for upgrades and maintenance;
- a reference for the IT production teams ("Application Manager").

Dedicated maintenance committees are established. These committees monitor the maintenance budgets, the quality of the application (number of incidents, availability, etc.) and arbitrate modifications to be made to the application.

The service contracts between the business and the IT Department define the reciprocal commitments of the contracting parties and levels of service expected and measurement and reporting tools.

With regard to infrastructure, the subsidiaries are interconnected by means of a wide area network. Management of the network and the Internet connection are being pooled with all subsidiaries of the Allianz group (AGN – Allianz Global Network).

All Group systems are managed by a unified organization within a data center in France and two performance centers in the US and Singapore. Such management pursues a policy of harmonization and integration of systems, both for infrastructures and applications, which helps to reinforce access-control procedures and standardization of the subsidiaries' internal control systems.

In the event of problems, a backup site in France can be used. Data recovery tests are carried out on a regular basis.

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

In accordance with Allianz's policy, each year the Group updates and tests the business continuity plans. Analysis of the test results lead to the development of an action plan so as to correct any deficiencies identified.

To meet the regulatory requirements of Solvency II, the Group has set up a control framework to manage the rules related to outsourcing: the GOP – Group Outsourcing Policy.

In addition to compliance with regulatory requirements, the principal challenges in this process are to:

- secure relations with partners through the use of systematic good practices;
- improve the quality of the services provided to IT Group users;
- optimize costs in managing purchases.

All activities related to information security and business continuity management are supervised and controlled by the Group Security Committee.

Information security procedures within the Group are organized around two principal functions:

The Group Security Officer is responsible for:

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

More particularly, this officer is responsible for all security-related sales and marketing aspects. He or she coordinates a network of correspondents in the business operational units.

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

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

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

The Euler Hermes IT security policy is aligned with the framework defined by Allianz (GISF - Group Information Security Framework), which governs the roles and responsibilities within each entity and the security rules to be implemented by area (management of access, security, the network, daily processing, etc.).

This mechanism is supplemented by a code of conduct available on the Euler Hermes Intranet. This document gives details of employee responsibilities when using the Euler Hermes Information System.

In addition, security awareness campaigns are organized along with employee certifications in Security and Fraud Prevention.

Outside IT service providers (subcontractors) must sign a confidentiality agreement before being able to use the Company's information resources. These collaborators are then subject to the same obligations as Euler Hermes employees.

The IT activities of Euler Hermes are subject to the Group's internal control framework (ICOFR – Internal Control over Financial Reporting). The IT control framework has been constructed both with regard to the requirements of the Allianz group and COBIT (Control Objectives for Information and related Technology). It consists of six types of controls:

- Access & Authorizations: logical and physical security;
- Change Management: life cycle of maintenance, tests & validations, separation of functions, access of developers in Production, etc.;
- Project Management: project life cycle, budget monitoring, tests & validation, governance, etc.;
- Operations: management of backups, patches, Business Recovery Plan, etc.;
- End-User Computing: securing non-system data (e.g. Excel files) used for production of financial statements;
- Entity-Level Controls: Information System governance, strategy, training, audit, etc.

The Internal Control function (see 2.4.2.8) is responsible for the definition of the control framework and the performance of biannual tests.

The results of the tests are the subject of independent reviews by the management of the Group Internal Control (Group Finance department).

Finally, audits of ITS projects, process and technical infrastructure are regularly managed by the Group internal audit structure in collaboration with the audit teams in Group subsidiaries.

## Legal function

The legal function under the Chief Finance Authority is organized as follows across Euler Hermes Group.

The legal function, at Group level, focuses on legal matters that are significant to the Group as a whole. Furthermore, Group Legal defines guidelines in order to guarantee the most efficient coordination of the legal activities at the Group level.

At Group level, legal roles and responsibilities are mainly the following.

Concerning business and operations:

- provides business oriented legal advice to ensure compliance with applicable laws and regulations and to guide the Board of Management (support for the setup of products and contracts as well as partnerships at Euler Hermes Group Level);
- provides quality standards for agreements and legal assistance for negotiating and drafting agreements (in particular partnerships agreements with brokers, banks, and other distribution channels in coordination with Distribution Department);
- coordinates and steers the legal function within the Group and aims to ensure coherence in the approach to legal matters across the Group by establishing efficient reporting lines;
- coordinates the engagement of external lawyers;
- protects the Euler Hermes Group's trademarks;

Concerning Corporate:

- advise and implement restructuring and M&A transactions and minimizing legal risks involved therein;
- defines legal standards for best practice corporate governance within Euler Hermes Group and advise on corporate matters of group importance ; ensure corporate housekeeping;
- manages the corporate secretariat of Euler Hermes Group and Euler Hermes SA's Boards, their committees and shareholders' meetings;
- handle regulatory matters for Euler Hermes SA and Euler Hermes Group.

The Regional/Country legal functions are therefore subject to Group guidance and coordination acting at local level in respect to the applicable law and practice.

Their local roles and responsibilities are the following:

- regulatory watch in respect of topics managed by Regional / Local Legal, legal advice for correct implementation within Business Departments;
- legal assistance for drafting new products and policies. Review all contracts regarding outsourced activities;
- management of the litigations of any kind related to core business and out : third parties, suppliers, landlords, etc. Legal advice, documents review, coordination with external lawyers.
- point of contact of the local regulator: answer to the regulator's requests and inform Group Legal of any local regulators' requests.

## Finance

This function is described in point 2.4.3 on the accounting and financial internal control procedures.

### 2.4.2.4 Internal audit

The internal audit function is common to the Euler Hermes Group. This function is performed independently so that it reports to the CEO and to the Audit and Risk Committee (see 2.4.1.1.4.1) and functionally to Allianz group Audit. No auditor performs an operational function.

Audit is organized by function: Risk, Sales/Marketing, Finance/Accounting, Operations and Corporate Governance. Regional correspondents have been put in place.

An annual program of audit assignments is defined every year. This program, based on risk mapping and a pragmatic approach to requirements, includes global audits of the subsidiaries, cross-company audits of processes performed simultaneously in the main subsidiaries, and vertical audits of all the processes of a given function within a subsidiary. It is prepared according to a structured procedure. It is subject to both a discussion and a validation process with operational staff, General Management and the Audit Committees.

The last stage of the validation process is the presentation of the program to the Audit and Risk Committee for approval in the fourth quarter. The audit program is consistent with achieving five-year risk cover, in accordance with Allianz guidelines, while at the same time providing short-term cover of the most sensitive risks.

The following audits were conducted in 2015: 8 cross-company audits (one of which is still in progress), eight vertical audits, seven sovereign audits (two of which are still under way), four *ad hoc* audits carried out at the request of Management (one of which is still under way), and five Operations audits (one of which is still under way).

The audit activity is governed by an audit charter. The version was updated in June 2014 and approved by the Audit and Risk Committee in September 2014. It sets out in detail the missions and organization of the various control levels within the Group and its subsidiaries. It is supplemented by the development of audit standards and procedures at local and Group levels.

In 2010, the Allianz group Audit function issued two documents (*Allianz group Audit Policy* and the *Standard Audit Manual*), which the Group has adopted. These documents were updated in 2011 and again in 2014.

The Group audit structure also underwent a quality audit carried out by the Allianz group Audit function in 2014. The audit results and monitoring of the implementation of the recommendations made by the Allianz group Audit function, had a highly satisfactory outcome.

### 2.4.2.5 Compliance

The compliance function ensures that Euler Hermes Group and its employees conduct their business activity with complete integrity and in compliance with the professional, legal and regulatory rules for the insurance profession in general and credit insurer in particular.

Thus, its mission is to assist in warning the Group and its employees against the risks resulting from violation of the laws, the circulars issued by the prudential authorities, the rules of the Euler Hermes group and Allianz as well as the ethical standards in use in the insurance profession.

With respect to the scope of application defined above, the Compliance Officer is responsible for the following:

- transversal management:
  - manage and organize the Euler Hermes compliance network within headquarters, its brands and subsidiaries (with the assistance of regional and local Compliance Officers),
  - provide a report on compliance risks and implement appropriate procedures;
- prevention, advice and support:
  - monitor and assess risks at the level of the compliance procedures in force within the Company,
  - design new procedures,
  - define and establish quality standards,
  - ensure the analysis, the response and the non-retribution of whistle-blowers
- detection, awareness and communication of compliance rules and problems:
  - supervise respect for compliance standards in order to detect possible infractions,
  - increase awareness at Euler Hermes, its branches and subsidiaries of the compliance procedures in force through communications and training.

The following areas, while managed and implemented by other departments (such as Risk & Capital Management, Human Resources, Purchasing department, and Market Management, Commercial & Distribution departments), are also reviewed by the compliance function:

- sub-contractors and suppliers;
- incompatibility of offices, Fit & Proper;
- law on market practices and consumer protection;

- laws on insurance intermediation;
- establishment of Solvency II policies for the subsidiaries in question.

Thus, the perimeter of the Compliance function at Euler Hermes is focused, but not exclusively, on the following areas:

- protection of personal data;
- respect for laws relating to the protection of privacy;
- prevention of any insider trading and any market manipulation;
- prevention of money laundering and the financing of terrorism;
- respect for economic sanctions;
- prevention of fraud and corruption;
- prevention of any infraction of competition law; and
- identification and management of conflicts of interest.

During 2015, the compliance function was audited with satisfactory results.

#### 2.4.2.6 Risk & Capital Management (RCM) Division

The organization of this function is described in 4.2.1 of this Registration Document.

In short, the main tasks of the RCM Division are:

- to identify, measure and take part in the management of financial, insurance and operational risks;
- to define and monitor Euler Hermes' appetite for these risks and to strengthen the risk-reporting process, risk limits and decision-making processes, with reference to four aspects: turnover, value, capital and liquidity;
- to calculate the economic capital associated with the business. Economic capital is calculated using an internal model, and responsibility for developing this model is shared by the Group, for risks associated with the insurance business, and the main shareholder for all other risks;
- to construct a favorable environment in terms of models, indicators, standards and culture for the various business lines in order to underwrite risks in the context of the risk appetite validated locally and by the Group;
- to carry out the approval process for internal models with supervisors in preparation for Solvency II;
- more generally, to put in place all the actions necessary to constitute a "second line of defense" that is effective for all risks.

Although it does not have an operating function, it is closely associated with the Group's management and decision-making processes. It relies on other Group functions, at both the Group and local levels, and in particular the commercial, financial, underwriting, claims management and Finance functions.

The main solvency regulations applicable to the Group are:

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

The Group has developed an internal model for both the Solvency II directive and for SST (a complete model for Solvency II in conjunction with Allianz and a partial model for SST). A pre-application process resulted in authorization for the use of a complete internal model in lieu and in place of the standard model for Euler Hermes SA, the main subsidiary of Euler Hermes Group which holds over 80% of the insurance activities, and for the use of the standard model with the use of the internal model for the credit insurance risks for the Swiss captive reinsurance company. Improvements proposed by the regulator are being implemented.

The Group conducted a simulation of the application of Solvency II norms based on the data at the 2015 year end (*see section 3.10.3 of this Registration Document*).

The Solvency ratio for the whole Group was 173.1%.

The Group also carried out a series of shock simulations based on this data (the loss impact occurring once every five years, a 30% decrease in the equity market etc.) and a similar scenario to that of the 2008/2009 crisis was adopted (loss ratio level reaching 35 extra points) to fix a margin of security. The target solvency ratio, including this margin, amounts to 160%.

Along with its work to support risk quantification, the Group has initiated projects designed to achieve compliance with national and international risk governance standards.

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

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

- the Investment Division on asset allocation, liquidity risk and asset-liability management issues;
- the Reinsurance Division;
- divisions performing commercial arbitrage or arbitrage involving insurance limits;
- and the actuarial function (*see section 2.4.2.7 of this report*).

In carrying out its work, the RCM Division has set up the following tools in conjunction with the Allianz group:

- an internal model to estimate economic and/or regulatory capital. This model covers market, credit, insurance and operational risks;
- an *Own Risk Self-Assessment (ORSA)* approach in order to qualify the calculation process through the internal model, to quantify non-modeled risks, and to discuss expected trends in the future solvency margin;

- a counterparty and concentration risk management and measurement tool covering the investment portfolio and the limits granted to policyholders under their insurance policy.

Work carried out by Risk Control Management is discussed every quarter at a Risk Committee meeting with the Board of Management and submitted quarterly to the Audit and Risk Committee.

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

Such mapping is reviewed each year. It covers all functional and operational areas. These risks are determined and analyzed by legal entity, department and sub-department and assessed in terms of probability of occurrence, their scale in the event of materialization and their sensitivity to the control environment.

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

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

The following risk categories fall explicitly within the framework of the department's expertise:

- Market Risk / ALM - the risk of incurring losses due to changes in market prices or the parameters influencing these prices;
- Credit Risks - the risk of incurring losses due to an unexpected default or a change in the solvency of a commercial partner;
- Actuarial Risk - the risk of incurring losses resulting from claims payments that must be made in the future on premiums received early. The amount of the indemnity is uncertain while the premium is defined (stochastic nature of the future payment of claims);
- Operational Risk - the risk of incurring losses due to the inadequacies or defects in procedures or controls related to technical elements, people, organizations or outside factors;
- Liquidity Risk - the risk of incurring losses resulting from the danger that an obligation for short, medium or long-term payment cannot be honored or can only be satisfied on the basis of altered conditions;
- Strategic Risk - the risk of an unexpected and negative change in the valuation of the Company arising from an unfavorable effect of decisions by the executive team in the definition and application of its strategy.

The major risks born by the Euler Hermes Group are described in detail in sections 4.2.2 to 4.2.5 of this Registration Document.

### 2.4.2.7 Actuarial

The role of the Group actuarial function focuses on several areas, as indicated in Article 48 of the Solvency II directive:

- it defines minimum standards in terms of data quality, actuarial assumptions, methods and processes to be adopted by the legal entities for the calculation of their technical provisions. It controls the proper implementation of these standards and reviews the legal entities' level of technical provisions. It also discloses on a quarterly basis the resulting technical provision levels to the Group Loss Reserve Committee, communicates with regard to their adequacy and obtains the approval of the Board of Management regarding their levels;
- it controls proper implementation by the legal entities of the reserve risk model and approves the resulting reserve risk capital at the Group level;
- it also contributes to effective implementation of the risk management system;
- lastly, it is involved in overall underwriting and pricing policy and in the setting up of reinsurance agreements.

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

This is regularly reviewed by the Allianz Group's actuary.

### 2.4.2.8 Internal control

The purpose of the internal control function is to coordinate internal control within the Euler Hermes Group in the sense of greater standardization of the control processes, a coherence in internal control actions between the branches and subsidiaries and between the different operational functions, and consistency of action between the levels of controls.

Finally, it ensures and coordinates proper performance of the Internal Control process on Financial Reporting (ICOFR) throughout the Euler Hermes group from the perspective of homogeneity.

The ICOFR cycle is based on an annual cycle that has six steps:

- selection of the process that play a significant role on the results;
- description of this process and identification of the related risks;
- identification of the key controls that mitigate these risks;
- tests of design and effectiveness of the controls;
- evaluation of the deficiencies in the controls and remediation;
- certification of the management of the operational entities.

The internal control function also reviews the quality of the risk assessments (particularly against fraud and corruption), and issues and promotes good practices.

## 2.4.3 Accounting and financial internal control procedures

Accounting and financial controls are carried out by the Group Finance Division. This is organized into three departments:

- the Consolidation department;
- the Controlling department;
- the Investment department.

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

Both the Consolidation and the Controlling department are broken down by geographical area, which means that each geographical area is covered by a consolidator and a financial controller.

As indicated in point 2.4.2.8, the Company applies the ICOFR standards to the entities and for the significant risks in financial reporting.

### 2.4.3.1 The Consolidation department

The Group is consolidated by the Allianz SE group, which has prepared its consolidated financial statements in accordance with IAS/IFRS since 1998.

The Group has been presenting its consolidated financial statements in accordance with IFRS since 2005.

All of the principles and rules applicable to the Group's companies are described in a consolidation manual, which is made available to all of the entities.

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

The Consolidation department includes four consolidators reporting to the department head.

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

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

The Group's consolidated financial statements are drawn up on a quarterly basis. They are signed off by the Group Board of Management

and are presented to the Group Audit and Risk Committee, then to the Group Supervisory Board.

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

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

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

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

This is a standard document that has been configured and formatted using the BFC (*Business Financial Consolidation*) software used by all of the Group. It has three modules:

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

Available to all of the consolidated entities *via* the network, the accounting manual describes the general accounting principles applicable to the Group, the valuation and accounting methods used for each item in the consolidated balance sheet and the consolidated income statement, and instructions for reporting the consolidation package.

### 2.4.3.2 The Controlling department

The Group Management Control reports to the member of the Board of Management in charge of Finance.

Controlling is carried out jointly by the Controlling department of each subsidiary, by the regional controllers, and by the Controlling department of the Group Financial Division.

This structure makes it possible for the Group Controlling function, which is organized by region, to carry out second-level controls.

The Group Controlling department presents the results to the Board of Management on a monthly basis, and to the Audit and Risk Committee and the Supervisory Board of the Company on a quarterly basis. It may also prepare additional analyses on specific points, at the request of the Board of Management.

The main responsibilities of the Controlling department are:

- draw up the Group's budget for the coming three years;
- monitor and update revised forecasts for the current fiscal year on a monthly basis;
- check the consistency of data in the consolidation packages during monthly and quarterly closing;
- analyze business trends on a monthly basis using operational and financial indicators;
- draw up budgets and update budget forecasts for the Company and central entities;
- monitor and analyze the performance of subsidiaries using operational and financial indicators, compared with the previous year and in relation to budget forecasts;
- create comparisons between subsidiaries;
- create monthly reports for the management body and quarterly reports for Company's shareholders, including the majority shareholder and the minority shareholders.

Controls rely on harmonized reporting as defined by the Group Controlling department. This harmonization facilitates comparisons based on time and region and benchmarking (particularly of costs).

The subsidiaries' reports must be accompanied by comments on their activity, drafted by the CFO and approved by the CEO. These comments must highlight any material discrepancies from one month to another or in relation to the budget, the updated budget forecasts or those from the previous year.

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

- external data, including insurance terms and conditions, financial assumptions and tax rates;
- internal data, mainly including commercial production (changes in the commercial portfolio and translation into premiums, etc.), changes in claim ratios and in general cost ratios, and monitoring of employee numbers;

- respect for accounting rules: premiums provisioning, claims provisioning, and run-off monitoring.

This analysis is carried out by region and by business line.

Budgets are drawn up based on the following cycle:

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

The annual forecasts are comprehensively reviewed once a year, in September. At this point the budgets are adjusted to take account of recent developments in relation to activity. In practice, this leads to the same process as the preparation of the budget (sending of budget guidelines and the transmission in return of a budget package to the Group, with this package being the subject of in-depth discussions between the subsidiaries, the regions and the Group).

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

### 2.4.3.3 The Investment department

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

These instructions relate to the breakdown of portfolios by asset class, the level of recommended risk, notably for the maturity of the bond portfolios and for the credit rating of issuers, the calculation of benchmark

indexes, the choice of portfolio managers and the choice of institutions responsible for custody of the securities.

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

The Committee issues recommendations for the purchase and sale of securities and the reinvestment strategy to be used for cash flows from operating activities. The Board of Management of Euler Hermes Group holds the decision-making power.

## Conclusion

On the basis of the elements of this report and the assessments conducted internally, we find no significant shortcomings in terms of the efficacy and adequacy of the internal control mechanism in terms of the legal and regulatory requirements governing the performance of our activities.

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

Lastly, the Investment department manages the Company's debt and negotiates new loans and related hedging instruments. It obtains prior approval from the Board of Management.

This report has been presented to and approved by the Audit and Risk Committee and the Company's Supervisory Board.

February 17, 2016

Clement Booth  
Chairman of the Euler Hermes Group Supervisory Board

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

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

### Year ended 31 December 2015

To the shareholders,

In our capacity as Statutory Auditors of Euler Hermes Group S.A, and in accordance with Article L. 225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your company in accordance with Article L. 225-68 of the French Commercial Code for the year ended 31 December 2015.

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

It is our responsibility:

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

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

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

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

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

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

## Other disclosures

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

Paris La Défense, April 13, 2016

**KPMG Audit FS II**

*French original signed by:*

Xavier Dupuy

*Partner*

Paris, April 13, 2016

**EXCO Paris Ace**

*French original signed by:*

Alain Auvray

*Partner*



# 3

## Analysis of the financial information as of December 31, 2015

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## 3.1 Business environment

### Review of 2015

2015 turned out to be pretty similar to 2014. Indeed, the two main legacies of 2014, namely political risk and a bumpy ride for emerging markets, endured in 2015. As is becoming commonplace, the US started the year with a disappointing quarter, marred by port strikes and harsh winter conditions. This set the tone for the remainder of the year. The summer was anything but magic, between deep-seated concerns surrounding China and its ebullient stock market, a return of the Greek crisis and expectations of a Fed rate hike. Tensions between Russia and Turkey, a refugee crisis in Europe, terrorist attacks in Paris and the actual first rate hike by the Fed in 9 years, ended the year on a jumpy note. Global growth, at circa +2.6%, was a tad below an already-disappointing 2014.

As such, 2015 was a very tough year for emerging markets, with growth decelerating to 3.8%. The double whammy of a slowdown in China and expectations of a Fed rate hike translated into plummeting commodity prices (oil prices having nearly halved on average in 2015 compared to 2014) and currencies. This was too much to bear for most countries. Particularly impacted were the BRuNTS (Brazil, Russia, Nigeria, Turkey and South Africa), who bore the brunt of the shock. Their main vulnerabilities are large current-account deficits, deteriorating growth prospects and worsening fiscal balances.

Global trade in goods and services was the collateral damage (as well as the accelerator) of these developments, growing below-trend at +2.7% compared to +6% p.a. over 2000-10. In value terms, the fall was impressive, as trade fell a staggering -9%.

2015 was again a complicated year for Latin America, as GDP contracted by -0.5%. Public and external accounts deteriorated in almost every country. The strong fall in commodity prices and the slowdown in China – the main export market – hit the value of exports sharply. Sharp currency depreciations, tighter financing conditions due the Fed's tightening disruption and unresolved structural internal problems in the biggest economies were icing on the cake.

In the US, developments in the labor market contrasted with developments in GDP, which is set to have grown by a meager +2.4%, sub-par by (past?) US standards. The unemployment rate averaged 5.3% in 2015 as the economy created about 2.5 mn (net) jobs. Whereas the services sector held the fort, growing at c. +2.9%, the manufacturing sector took a beating against a backdrop of a higher dollar and falling oil prices leading to sharply falling investment in the Exploration & Production sector. For instance, investment in structures was down -1.2% y/y in Q3.

Thanks to the trifecta of lower oil prices, a lower Euro (-16% on average compared to 2014) and a stronger support from the ECB, the Eurozone

has clawed its way back into growth (+1.5% in 2015 from +0.9% GDP growth). Households' consumption, and to a lower extent, exports, were the main drivers. In addition, the quantitative easing (QE) program implemented by the ECB in March and extended in December (albeit below expectations) improved financing conditions. Bank loans' interest rates in Southern European countries converged towards the low French and German levels. Interestingly, nominal GDP growth edged up in 2015. Industrial firms' turnover, which had suffered the most since 2009, have been more upbeat in Q2, 2015: +5.5% (compared to Q2, 2014) in Spain, +2% in Italy, +1% in France.

In Germany, Euler Hermes expects GDP growth of +1.5% in 2015. After 3 years of circa 0.4% GDP growth, France's GDP will grow by 1.1% in 2015. Italian GDP started to recover in 2015 (+0.7%), following three consecutive years of recession. The reform implementation process did not lose momentum and the Jobs Act already had a visible positive impact on employment (+145K jobs in 2015). Spain was the leader of the pack, growing by an impressive +3.1%.

As expected, the Russian economy was battered from all sides, leading to the largest fall in its GDP (-3.7%) since the financial crisis. Meanwhile, GDP growth in Turkey accelerated to about +3.6% in 2015 thanks to improving domestic demand, especially surging pre-election public spending.

In Africa and the Middle East, the triple whammy of low commodity prices, slowing Chinese economy and market uncertainty relating to the Fed limited economic expansion heightened social and political risks. The latter are already strongly evident in crises countries (Syria, Iraq, Libya and Yemen) and still apparent in fragile transitional states (Egypt and Tunisia) and rising elsewhere (notably Angola and Nigeria). Indeed, even the relatively wealthy GCC states are cutting back on some state spending, including infrastructure projects, and are increasing debt.

In Asia, preliminary estimates indicate a growth of +4.8% in 2015 (same as 2014). Despite large financial disruptions, China's growth was resilient (+6.9% in 2015) thanks to strong policy support and firm growth in private consumption. Japan recovered from recession (+0.8% from -0.1% in 2014), driven by improved domestic demand. The Indian economy gained traction benefitting from lower commodity prices and more accommodative monetary policy. In South East Asia, economic performance was uneven. Lower commodities prices and tight credit conditions limited growth in Indonesia and Malaysia. Thailand recovered moderately as fiscal stimulus kicked in. Vietnam and Philippines enjoyed strong growth led by robust domestic demand. Singapore posted decent (+2.1%) but below trend (+6%) growth due to weak external demand.

## 3.2 Selected financial information

(in € millions)	2015	2014	2013
Consolidated turnover	2,638.4	2,527.0	2,486.2
Gross technical result <sup>(1)</sup>	409.3	509.9	456.8
Net technical result	301.4	351.1	345.3
Net investment income <sup>(2)</sup>	116.3	85.1	86.2
<b>Current operating income</b>	<b>417.8</b>	<b>436.2</b>	<b>431.4</b>
Other non ordinary operating expenses and income	(0.4)	(23.0)	27.2
Operating income	417.4	413.1	458.6
<b>CONSOLIDATED NET INCOME<sup>(3)</sup></b>	<b>302.5</b>	<b>302.1</b>	<b>313.7</b>
Net loss ratio	53.3%	48.8%	50.5%
Net cost ratio	26.8%	26.6%	24.8%
<b>Net combined ratio</b>	<b>80.1%</b>	<b>75.4%</b>	<b>75.3%</b>

(1) Excluding non technical expenses.

(2) Excluding financing expenses.

(3) Group share.

(in € millions)	2015	2014	2013
<b>Investment portfolio</b>			
IFRS book value of investments <sup>(4)</sup>	4,443.2	4,302.6	4,038.3
Market value of investments <sup>(4)</sup>	4,618.1	4,457.9	4,163.4
<b>Technical reserves</b>			
Gross non-life technical reserves	2,387.6	2,177.2	2,028.7
Net non-life technical reserves	1,724.7	1,613.0	1,498.8
<b>TOTAL ASSETS</b>	<b>6,567.5</b>	<b>6,359.7</b>	<b>6,062.7</b>
<b>SHAREHOLDERS' EQUITY<sup>(5)</sup></b>	<b>2,777.2</b>	<b>2,642.7</b>	<b>2,528.5</b>

(4) Including investment property and cash.

(5) Including non controlling interests.

## 3.3 Key events

### 3.3.1 Key events of 2015

#### Share capital and in share ownership

As at December 31, 2015, the Allianz group owned 30,744,048 shares out of a total of 45,342,177 shares, corresponding to 67.8% of the share capital of Euler Hermes Group. Consequently, Euler Hermes Group is integrated into the Allianz consolidation scope.

As at December 31, 2015, Euler Hermes Group's share capital was composed of 45,342,177 shares, including 1,124,387 shares held as treasury shares.

The following significant events occurred in the year 2015:

#### Sale agreement of Bürgel group with CRIF

Euler Hermes and EOS, the international provider of financial services, announced that they signed an agreement on December 18, 2015 with CRIF, a global company headquartered in Bologna, Italy, providing credit information services, credit and software solutions, for the share purchase of 100% of Bürgel Group.

Euler Hermes holds respectively 50.1% and 50.4% of the companies Bürgel Wirtschaftsinformationen GmbH & Co. KG and Bürgel Wirtschaftsinformationen Verwaltungs-GmbH while EOS owns the other shares of these joint ventures. The share purchase agreement is subject to the standard conditions precedent. The closing of the deal is expected towards the end of February 2016.

Following the signature of the Share Purchase Agreement the assets and liabilities of Bürgel Group have been classified as Assets and Liabilities held for sale.

### **Euler Hermes launches South Africa operations**

Euler Hermes is launching services for the South African market, strengthening its presence on the African continent as well as growth markets overall.

Based in Johannesburg, Euler Hermes operations include a re-insurance agreement with Allianz Global Corporate & Specialty (AGCS) South Africa Limited. The collaboration combines Euler Hermes global market presence and trade credit expertise with AGCS's existing South African business relationships and in-depth knowledge of the local business community.

### **Euler Hermes France launches “EH Fraud Cover”: a new insurance policy against company fraud risk**

With expertise in credit insurance, collection and bonding, Euler Hermes decided to complement its line of products and services by providing companies with insurance against the risk of fraud and cyberfraud. This move is backed by the more than 30 years' experience and success of this business line in Germany, where Euler Hermes already has a portfolio of more than 7,000 policies. The Group therefore expects a rapid start-up of this activity in France, which will consolidate its position as the fraud insurance leader in Europe.

### **Distribution agreement between Arkéa Banque Entreprises et Institutionnels and Euler Hermes to secure company cash flow**

On June 2015, Arkéa Banque Entreprises et Institutionnels, a subsidiary of Crédit Mutuel Arkéa, and Euler Hermes announced a distribution agreement to offer French companies a comprehensive line of services to address financing challenges and guarantee receivables in France and abroad. Through this new partnership, customers will benefit from an easier access to a complementary service that helps them to secure their cash flow and support their export growth.

### **Solunion, a Euler Hermes and MAPFRE JV, enlarges its operations in Latin America**

Solunion, the trade credit insurance joint venture created by Euler Hermes and MAPFRE, has formally launched operations in Panama in October. It is the seventh Latin American country in which Solunion operates, following launches in Uruguay and Peru earlier this year. Solunion offers, Panamanian businesses services and solutions to develop their trade safely both in the domestic market and internationally.

### **Euler Hermes launches trade credit insurance solution for US small businesses**

Euler Hermes has become the US's first trade credit insurer to offer a customized product to protect micro and small businesses from the risk of not being paid by their customers. Euler Hermes has launched Simplicity, a new credit insurance policy designed to help small businesses mitigate their accounts receivable risk in a quick, simple and affordable manner, while at the same time maximizing business growth. Simplicity is designed specifically for businesses from \$1 to \$5 million in annual sales which are new comers into credit insurance.

## **3.3.2 Key events post December 31, 2015**

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No subsequent events occurred since December 31, 2015 closing which would impact the assumptions of the annual closing.

## 3.4 Activity of Euler Hermes Group SA

Euler Hermes Group SA (ex Euler Hermes SA) is the parent company of the Euler Hermes group. It generates a large part of its revenues from shareholdings.

### 3.4.1 Key events of 2015 of Euler Hermes Group SA

#### Merger of Euler Hermes Tech

On February 17, 2015, Euler Hermes Group acquired the overall shares of Euler Hermes Tech for an amount of €10 million, becoming the only shareholder.

Following decision on February 24, 2015, the unique associate of Euler Hermes Tech decided the dissolution with no liquidation of the Company by a universal equity transmission to the unique owner Euler Hermes Group. This operation was effective on April 1, 2015 and triggered the

transmission to Euler Hermes Group of all assets and liabilities of Euler Hermes Tech, valued on March 31, 2015 with the booking of an equity realized gains of €0.2 million.

#### Cession of Euler Hermes Service

In the context of an internal restructuring to simplify the group Euler Hermes, Euler Hermes Group ceded on October 12, 2015 the shares of Euler Hermes Services to Euler Hermes SA for €1.3 million.

### 3.4.2 Comments on the results

Net income for the year stands at €204.0 million compared with €195.5 million in 2014. The table below shows the main components of the Company's income:

(in € million)	2015	2014	Variation
Income from participating interests <sup>(1)</sup>	241.2	241.1	0.0%
Other net financial expenses <sup>(2)</sup>	(5.4)	(7.8)	-30.2%
Operating income	65.5	0.2	-
Operating expenses	(107.9)	(46.7)	131.1%
Net operating expenses <sup>(3)</sup>	(42.3)	(46.5)	-9.0%
Provision for (-) or write back of (+) depreciation of treasury shares <sup>(4)</sup>	1.1	(1.1)	-
<b>Ordinary Income</b>	<b>194.6</b>	<b>185.7</b>	<b>4.8%</b>
Exceptional items <sup>(5)</sup>	1.9	(1.0)	-
Corporation tax <sup>(6)</sup>	7.5	10.7	-30.1%
<b>NET INCOME</b>	<b>204.0</b>	<b>195.5</b>	<b>4.4%</b>

(1) These are dividends received from operating entities. Main contributions come from Euler Hermes SA, Euler Hermes AG, Euler Hermes Reinsurance AG and Euler Hermes North America Holding.

(2) The decrease on net financial expenses is mainly due to the positive impact of renegotiation on bank loans.

(3) Following the merger of EH Tech, Euler Hermes Group SA is now including some IT related costs (IT developments, maintenance and licences) that are reinvoiced to EH Group subsidiaries based on their effective use of these IT developments, maintenance or licences. After these reinvoicings, the net operating expenses decreased by €4.3 million compared to last year.

(4) This heading corresponds to the release of the provision for write back of treasury shares for €1.1 million.

(5) This caption includes the realized gains on the sale of Euler Hermes Services to Euler Hermes SA (€1.2 million), the extraordinary surplus from the merger of Euler Hermes Tech (€0.2 million), the net allowance to the retirement benefits provision (€0.4 million) and the gains and losses on repurchases of treasury shares.

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

### 3.4.3 Dividends

As proposed by the Group Board of Management, the Supervisory Board recommends to the Shareholders' Meeting to distribute a dividend per share of €4.40:

Proposed allocation of income	2015
<b>Source</b>	
Retained earnings from previous year	284.1
Net income for the year	204.0
<b>TOTAL</b>	<b>488.1</b>
<b>Allocation</b>	
Total proposed dividend*	(199.5)
Retained earnings	288.6
<b>TOTAL</b>	<b>488.1</b>

(\*) Total proposed dividend includes the share of dividend that relates to treasury shares. The Shareholders' Meeting will be proposed to credit this share of dividend to the retained earnings account at the date of dividend payment.

## 3.5 Euler Hermes Group Consolidated results

### 3.5.1 Consolidated turnover

Consolidated turnover consists of premium income, comprising earned premiums generated by direct insurance and assumed business, and service revenues, mostly premium-related.

#### Premiums

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

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

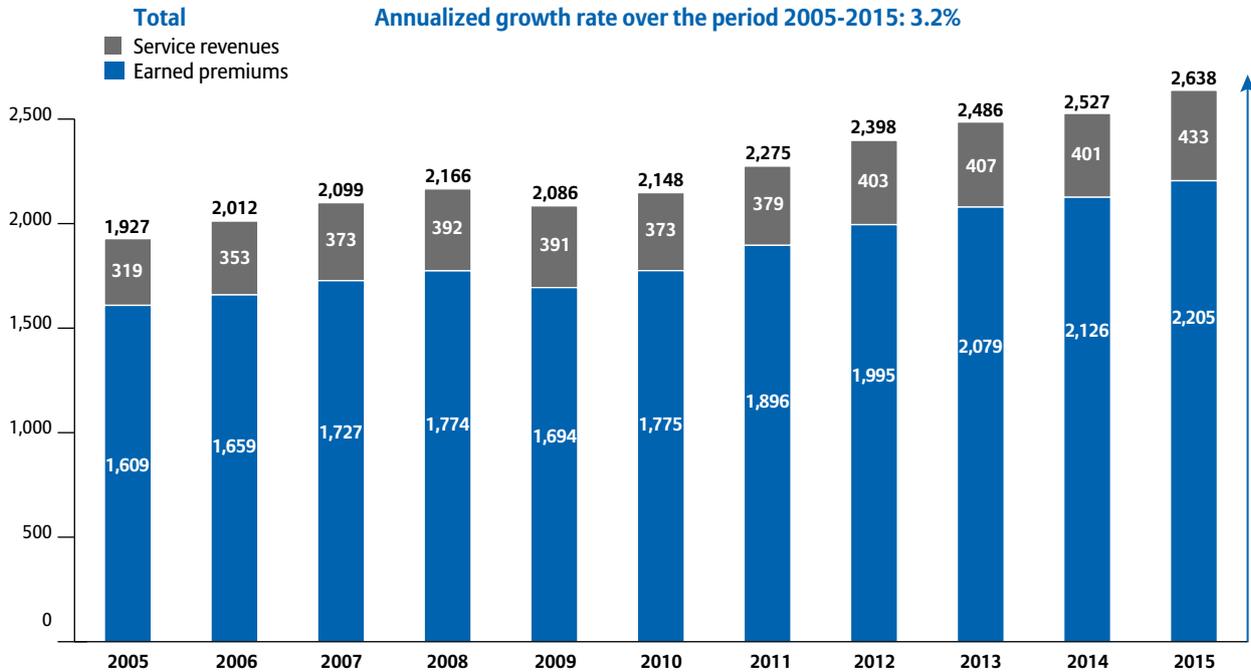
#### Service revenues

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

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

### 3.5.1.1 Consolidated turnover overview

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



Euler Hermes turnover increased to reach a new historical height at €2,638 million, up by 4.4%, and by 0.9% at constant exchange rate.

### 3.5.1.2 Consolidated turnover per region

Turnover (in € million)	2015	2014 (published)	Variation	2014 <sup>(1)</sup>	Variation <sup>(1)</sup>
Germany, Austria, Switzerland	751.9	759.8	-1.0%	766.0	-1.8%
France	391.8	399.0	-1.8%	399.0	-1.8%
Northern Europe	557.5	550.7	1.2%	569.5	-2.1%
Mediterranean Countries, Middle East & Africa	344.2	322.7	6.7%	328.6	4.8%
Americas	326.5	266.5	22.5%	307.8	6.1%
Asia-Pacific	143.3	108.2	32.4%	121.3	18.2%
Non consolidated OE's and other <sup>(2)</sup>	123.1	120.1	2.5%	121.8	1.1%
<b>EULER HERMES GROUP</b>	<b>2,638.4</b>	<b>2,527.0</b>	<b>4.4%</b>	<b>2,613.9</b>	<b>0.9%</b>

Area contribution: After intra-region eliminations & before inter-region eliminations.

(1) At constant exchange rates.

(2) Corporate entities + inter-region eliminations.

In 2015, Euler Hermes' turnover rose by 4.4%, to reach €2,638.4 million. At constant rate, the turnover increased by 0.9%. Both earned premium and service revenues contributed to this growth.

The increase of premium was only supported by commercial performance; new production reached a new record level of €321.5 million, 5.4% ahead of last year. Commercial performance on new business is solid with Asia, MMEA and on new products (transactional cover) compensating disappointing results and strong

competitive pressure in mature European markets. The retention rate stood at 90%, for the third consecutive year. Average rates are still negative; prices are under strong pressure in Western Europe and the US due to the high profitability of the portfolio and low claims frequency in these markets. Price trends are starting to reverse in emerging market. After a flat 2014 year, the contribution from our policyholders' insured turnover is negative at -1% in 2015, driven by economic activity slowdown in emerging markets and slow recovery in Europe.

### 3.5.1.3 Breakdown of turnover between premium income and related revenues

(in € million)	2015	2014	Variation in %
Earned premiums	2,205.4	2,125.9	3.7%
Service revenues	432.9	401.1	7.9%
<b>TOTAL TURNOVER</b>	<b>2,638.4</b>	<b>2,527.0</b>	<b>4.4%</b>

Euler Hermes group's premiums amounted to €2,205.4 million in 2015. They rose by 3.7% compared to last year, and by 0.2% at constant exchange rate.

Service revenues increased by 7.9% in 2015 and supported the turnover growth. At constant rate, service revenues increased by 4.7%. The rise in

service revenues was linked to improving information and collection revenues following price increase and higher volumes. Information fees improved by 8.4% against last year, collection fees (+6.8%) and other fees (+6.3%) followed the same trend.

### 3.5.1.4 Earned premiums

(in € million)	2015	2014	Variation
Gross earned premiums	2,205.4	2,125.9	3.7%
Ceded premiums	(656.4)	(643.9)	1.9%
<b>NET EARNED PREMIUMS</b>	<b>1,549.0</b>	<b>1,482.0</b>	<b>4.5%</b>
Cession rate	29.8%	30.3%	

While gross earned premiums increased by 3.7% compared to last year, net earned premiums rose by 4.5%, reflecting the decrease in premiums ceded to reinsurers on the quota share treaty.

## 3.5.2 Cost of claims

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

(in € million)	2015	2014	Variation
Gross claims costs	(1,147.5)	(998.7)	14.9%
Ceded claims costs	321.8	275.9	16.6%
<b>NET CLAIMS COSTS</b>	<b>(825.7)</b>	<b>(722.8)</b>	<b>14.2%</b>
<b>Gross Claims ratio</b>	<b>52.0%</b>	<b>47.0%</b>	5.1 pt
<b>Net Claims ratio</b>	<b>53.3%</b>	<b>48.8%</b>	4.5 pt

Gross claims costs all attachment years were at €1,147.5 million, a 14.9% deterioration over last year due to the deterioration of the claims environment in some countries, especially the emerging markets that were hit by an increase in both frequency and severity. Euler Hermes also reserved a large potential claim on a Spanish group for gross amount of €101.5 million.

Thus, gross claims ratio stood at 52.0%, increasing by 5.1 points between 2014 and 2015.

The net claims ratio follows the same trend with an increase of 4.5 points between 2014 and 2015.

### 3.5.2.1 Cost of claims on current attachment year

(in € million)	2015	2014	Variation
Gross claims costs current attachment year	(1,378.0)	(1,220.7)	12.9%
Ceded claims costs current attachment year	392.8	304.8	28.9%
<b>NET CLAIMS COSTS CURRENT ATTACHMENT YEAR</b>	<b>(985.2)</b>	<b>(915.9)</b>	<b>7.6%</b>
<b>Gross loss ratio current attachment year</b>	<b>-62.5%</b>	<b>-57.4%</b>	<b>-5.1 pt</b>
<b>Net loss ratio current attachment year</b>	<b>-63.6%</b>	<b>-61.8%</b>	<b>-1.8 pt</b>

Gross claims costs current year were at €1,378.0 million, a deterioration of 12.9% compared to last year due to a higher claims activity.

The deterioration is overwhelmingly coming from the emerging markets but also affecting the US, albeit to a lesser extent. Severity also increased and the Group was hit by six large cases including the Spanish case mentioned above which altogether represented a total of €213 million

gross and €93 million net. Hence the Group gross loss ratio increased to 62.5% compared to last year 57.4%.

In net terms, claims increased by 7.6% year on year as a proportionally higher volume of claims was ceded to the reinsurers due to the trigger of an Excess of Loss cession from the Spanish claim. Thus the net loss ratio was above last year level, standing at 63.6%.

### 3.5.2.2 Net run off

(in € million)	2015	2014	Variation
Gross claims costs previous attachment years	230.4	222.0	3.8%
Ceded claims costs previous attachment years	(71.0)	(28.9)	145.9%
<b>NET CLAIMS COSTS PREVIOUS ATTACHMENT YEARS</b>	<b>159.5</b>	<b>193.1</b>	<b>-17.4%</b>
<b>Gross loss ratio previous attachment year</b>	<b>10.4%</b>	<b>10.4%</b>	<b>0.0 pt</b>
<b>Net loss ratio previous attachment year</b>	<b>10.3%</b>	<b>13.0%</b>	<b>-2.7 pt</b>

Gross run-offs were positive and amounted to €230.4 million, representing a 10.4% gross loss ratio previous attachment year, on par with last year.

The net run-off ratio decreased because 2014 was positively impacted by some specific cases which were hardly ceded (old attachment years).

### 3.5.3 Operating expenses

The expense ratio is defined as the sum of the contract acquisition expenses, administration expenses, other underwriting income and expenses minus premium-related revenues, relative to earned premiums

after deduction of rebates granted to policyholders. Other non-technical income and expense is excluded from the cost ratio (with the exception of buildings used for operations).

The gross technical operating expenses that are included in the technical expense include the following costs:

(in € millions)	2015	2014 (published)	Variation %	2014 <sup>(1)</sup>	Variation % <sup>(1)</sup>
HR expenses	510.7	474.3	7.7%	486.7	4.9%
Brokerage	300.0	279.5	7.4%	291.0	3.1%
IT & Communications	25.1	23.0	9.5%	25.1	0.2%
Facilities & Occupancy	52.0	50.4	3.2%	51.6	0.8%
Audit, Tax & related fees performed	7.3	6.5	12.9%	6.6	10.5%
Legal & consulting fees	49.8	48.9	2.0%	49.1	1.5%
Agency, Marketing & Advertising	17.6	18.0	-2.4%	18.5	-5.1%
Representation & Other Travel Expenses	22.4	20.9	7.1%	21.8	2.7%
External information & collection expenses	66.9	63.4	5.6%	67.8	-1.3%
Other Operating Expenses	29.7	33.7	-11.8%	42.0	-29.3%
<b>GROSS TECHNICAL EXPENSES</b>	<b>1,081.6</b>	<b>1,018.4</b>	<b>6.2%</b>	<b>1,060.3</b>	<b>2.0%</b>
Service revenues	(432.9)	(401.1)	7.9%	(412.6)	4.9%
<b>EXPENSES NET OF SERVICE REVENUES</b>	<b>648.6</b>	<b>617.3</b>	<b>5.1%</b>	<b>647.7</b>	<b>0.1%</b>
Reinsurance commission	(234.1)	(222.9)	5.0%	(221.1)	5.9%
<b>NET TECHNICAL EXPENSES</b>	<b>414.5</b>	<b>394.4</b>	<b>5.1%</b>	<b>426.6</b>	<b>-2.8%</b>
<b>Gross technical expense ratio</b>	<b>29.4%</b>	<b>29.0%</b>	<b>0.4 pt</b>	<b>29.4%</b>	<b>0.0 pt</b>
<b>Net technical expense ratio</b>	<b>26.8%</b>	<b>26.6%</b>	<b>0.2 pt</b>	<b>27.3%</b>	<b>-0.5 pt</b>

(1) At constant FX rate.

Gross technical expenses increased by 6.2% compared to last year and +2.0% at constant FX rate. The increase in costs is higher than the topline growth (+0.9% at constant FX rate) as the growth in non mature markets and new products has come with a higher cost than traditional business.

The increase in HR expenses was 7.7% but +4.9% at constant FX rate, impacted by conventional salary increases and recruitments in growth areas (Asia, Turkey and the Gulf countries). Brokerage costs rose by 7.4%

compared to last year, which was faster than premium growth because growth was originated in markets with higher brokerage rate. Information expenses grew in relation to the increase in service revenues. Other costs increased altogether by 1.3%, below topline evolution.

Net technical ratio stood at 26.8% for 2015 and is in line with last year level (26.6%).

### 3.5.4 Net technical result

At €301.4 million, net technical result was €49.7 million below last year due to the increase in net claims costs. The combined ratio stood at 80.1% (+4.7 pt) for the same reason.

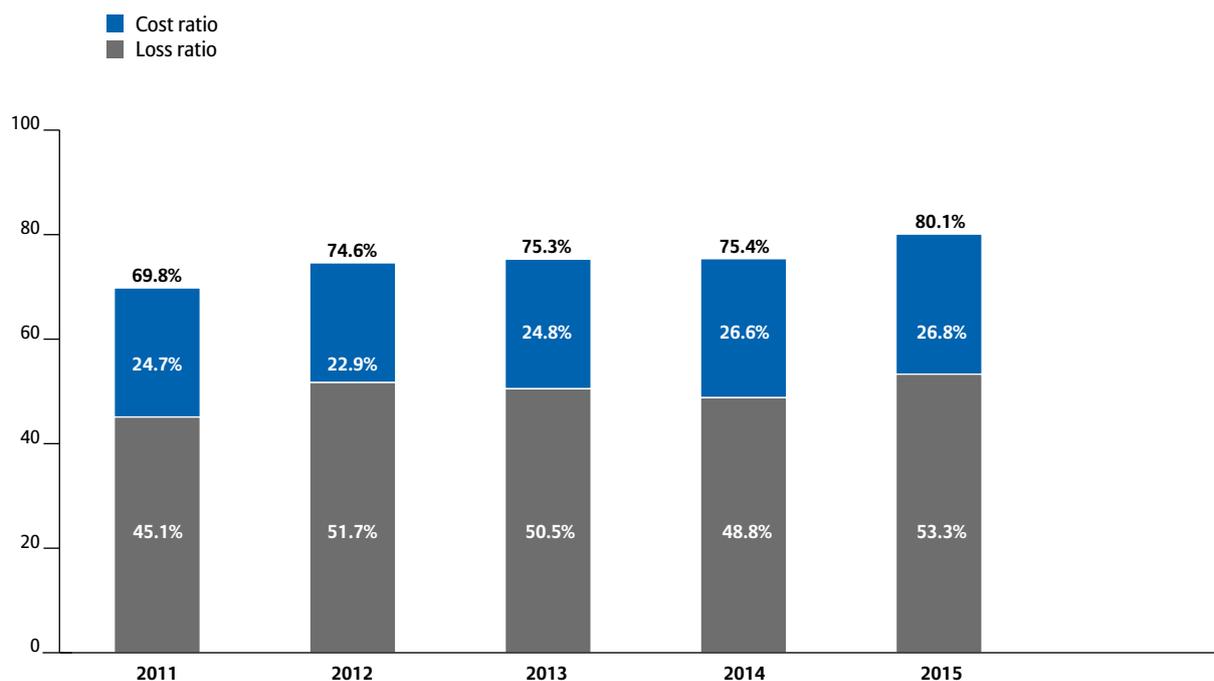
(in € million)	2015	2014	Variation in %
Net earned premium	1,549.0	1,482.0	4.5%
Net claims costs	(825.7)	(722.8)	14.2%
Net technical expenses	(414.5)	(394.4)	5.1%
Other non technical expenses	(7.4)	(13.8)	-46.5%
<b>NET TECHNICAL RESULT<sup>(1)</sup></b>	<b>301.4</b>	<b>351.1</b>	<b>-14.1%</b>
Net combined ratio	80.1%	75.4%	+4.7 pt

(1) Net technical result = Current operating income before net investment income.

### 3.5.5 Net combined ratio

Net combined ratio after reinsurance was higher than previous year at 80.1%, driven by the increase of loss ratio.

■ **NET COMBINED RATIO AFTER REINSURANCE** (in % of net earned premiums)



### 3.5.6 Net investment income

Net investment income (before financing expenses) amounted to €116.3 million as at December 31, 2015, compared to €85.1 million in 2014. The 2015 net investment income was impacted by positive net change in foreign currency and by higher realized gains.

(in € million)	2015	2014	Variation
Revenues from investment property	4.3	2.6	62.4%
Revenues from equity and debt securities	59.8	58.5	2.2%
Other financial income	16.5	20.0	-17.2%
Investment income	80.6	81.1	-0.6%
Investment expenses	(11.5)	(9.0)	27.1%
Net change in foreign currency	15.7	(5.4)	N/A
Net gains and losses on sales of investments less impairment and amortisation	31.5	18.3	N/A
<b>NET INVESTMENT INCOME (EXCLUDING FINANCING EXPENSE)</b>	<b>116.3</b>	<b>85.1</b>	<b>36.7%</b>

Investment income slightly decreased between 2014 and 2015, due to lower yields on bonds offset by higher return on equity portfolio. Investment expense were above last year level (€-2.4 million), but this was more than compensated by a favorable net change in foreign currency.

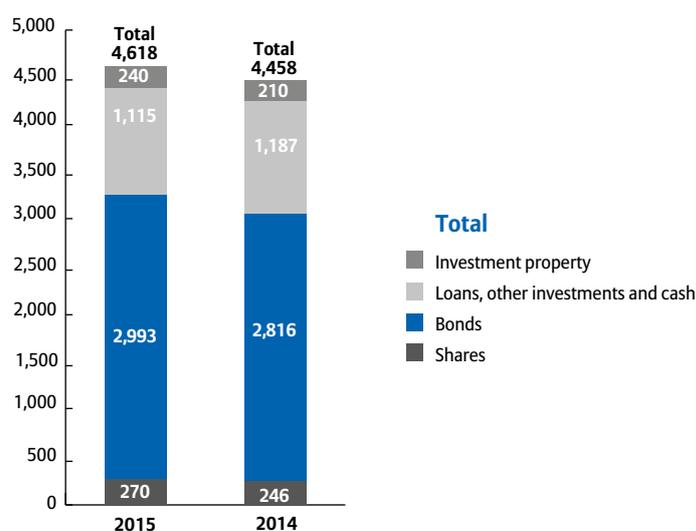
Net realized gains and losses were at €31.5 million benefitting from good market conditions, to be compared to €18.3 million at the end of 2014.

At €4,618.1 million, the market value of the Group's investment portfolio increased by €160.2 million. This increase was mostly driven by positive operating cash flows.

(in € million)	12/31/2015					12/31/2014				
	Amortized cost	Unrealized gain reserve recognized in net equity	Net book value	Market value	Unrealized gains and losses (unrecognized)	Amortized cost	Unrealized gain reserve recognized in net equity	Net book value	Market value	Unrealized gains and losses (unrecognized)
■ Shares	248.2	22.3	270.5	270.5	-	220.2	25.3	245.5	245.5	-
■ Bonds	2,924.2	68.6	2,992.8	2,992.8	-	2,708.9	106.9	2,815.9	2,815.9	-
■ Loans and other investments	755.2	-	755.2	769.4	14.2	833.2	-	833.2	854.2	21.0
<b>Total financial investments</b>	<b>3,927.6</b>	<b>90.9</b>	<b>4,018.5</b>	<b>4,032.6</b>	<b>14.2</b>	<b>3,762.4</b>	<b>132.2</b>	<b>3,894.6</b>	<b>3,915.6</b>	<b>21.0</b>
Buildings third party use	-	-	79.3	240.1	160.7	-	-	75.4	209.7	134.3
Cash	-	-	345.4	345.4	-	-	-	332.6	332.6	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>4,443.2</b>	<b>4,618.1</b>	<b>174.9</b>	<b>-</b>	<b>-</b>	<b>4,302.6</b>	<b>4,457.9</b>	<b>155.3</b>

The increase in market value for "buildings third party use" is linked to higher market value in 2015 of the former head office located rue Euler in Paris.

### ■ INVESTMENT PORTFOLIO (€ millions market value as at 12/31/2015)



## 3.5.7 Ordinary operating income

The ordinary operating income decreased by 4.2% between 2014 and 2015, driven by the lower net technical result.

(in € million)	2015	2014	Variation
Net technical result	301.4	351.1	-14.1%
Net investment income (excluding financing expense)	116.3	85.1	36.7%
<b>ORDINARY OPERATING INCOME</b>	<b>417.8</b>	<b>436.2</b>	<b>-4.2%</b>

### 3.5.8 Consolidated net income

(in € million)	2015	2014	Variation
<b>Ordinary operating income</b>	<b>417.8</b>	<b>436.2</b>	<b>-4.2%</b>
Other non-ordinary income and expense	(0.4)	(23.0)	-98.2%
Financing expenses	(8.4)	(8.3)	0.1%
Share of Income from companies accounted by the equity method	18.7	15.7	19.0%
Corporation tax	(123.5)	(116.4)	6.1%
Non controlling interests	(1.7)	(2.0)	-16.9%
<b>CONSOLIDATED NET INCOME, GROUP SHARE</b>	<b>302.5</b>	<b>302.1</b>	<b>0.1%</b>
<b>Tax rate</b>	<b>28.9%</b>	<b>27.7%</b>	

Other non-ordinary income and expenses stood at € -0.4 million. Last year included €-17.2 million for the depreciation of held-for-sale buildings.

After non ordinary items, financing expenses, income from companies valued at equity, and corporate tax, consolidated net income, Group share, stood at €302.5 million, compared to €302.1 million at end of December 2014.

## 3.6 Performance of the Group's main geographic regions

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

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

### 3.6.1 Germany, Switzerland and Austria

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

(in € million)	2015	2014	Variation
Earned premiums	572.3	584.2	-2.0%
Service revenues	179.7	175.6	2.3%
<b>Turnover</b>	<b>751.9</b>	<b>759.8</b>	<b>-1.0%</b>
Investment income	27.6	27.1	1.7%
<b>Total ordinary income</b>	<b>779.5</b>	<b>786.9</b>	<b>-0.9%</b>
Insurance service expenses	(153.2)	(242.7)	-36.9%
Net outwards reinsurance income or expenses	(147.1)	(113.3)	29.9%
Other income and expenses	(317.0)	(305.9)	3.6%
<b>Total other income and expenses</b>	<b>(617.3)</b>	<b>(661.9)</b>	<b>-6.7%</b>
<b>CURRENT OPERATING INCOME</b>	<b>162.3</b>	<b>125.0</b>	<b>29.8%</b>
Net combined ratio	30.9%	51.3%	

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

# 3

## Analysis of the financial information as of December 31, 2015 Performance of the Group's main geographic regions

Turnover slightly decreased by 1.0% in 2015, negatively impacted by pressure on rates and disappointing new production.

Investment income stood at €27.6 million, on par with last year.

Insurance service expenses dropped by 36.9% between 2014 and 2015 and reached €153.2 million at the end of 2015. Low claims activity and positive run-off explain this evolution.

Net outward reinsurance expenses amounted to €-147.1 million, compared to €-113.3 million last year. This is due to lower amounts of ceded claims, mechanically linked to lower claims activity.

Other income and expenses increased by 3.6% compared to last year driven by higher average brokerage rate and HR expenses (conventional salary increase).

The net combined ratio decreased from 51.3% in 2014 to 30.9% in 2015, mainly due to the positive impact of lower claims.

As a consequence, the current operating income stood at €162.3 million at the end of the year, a 29.8% increase compared to 2014.

### 3.6.2 France

(in € million)	2015	2014	Variation
Earned premiums	316.5	327.8	-3.4%
Service revenues	75.3	71.2	5.6%
<b>Turnover</b>	<b>391.8</b>	<b>399.0</b>	<b>-1.8%</b>
Investment income	25.1	24.2	3.6%
<b>Total ordinary income</b>	<b>416.9</b>	<b>423.2</b>	<b>-1.5%</b>
Insurance service expenses	(135.4)	(142.3)	-4.8%
Net outwards reinsurance income or expenses	(46.3)	(47.3)	-2.2%
Other income and expenses	(151.5)	(157.9)	-4.1%
<b>Total other income and expenses</b>	<b>(333.2)</b>	<b>(347.6)</b>	<b>-4.1%</b>
<b>CURRENT OPERATING INCOME</b>	<b>83.7</b>	<b>75.7</b>	<b>10.6%</b>
<i>Net combined ratio</i>	<i>41.1%</i>	<i>51.7%</i>	

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

Turnover is below last year by -1.8% explained by negative rate variations and decreasing insured turnover volumes, consequence of the depressed economic environment in France.

This disappointing performance on earned premiums growth is partly offset by dynamic service revenues.

Investment income amounted €25.1 million compared to €24.2 million last year.

Insurance service expenses stood at €135.4 million, lower than last year by 4.8%, thanks to low claims activity despite the sluggish economic environment.

Other income and expenses decreased by 4.1% compared to last year, triggered by action plans carried out to keep costs under control given the context of decreasing topline.

Thanks to lower claims environment, improved service revenues and decreasing costs, the net combined ratio stood at 41.1%, significantly down compared to last year (51.7%).

As a result, the current operating income stood at €83.7 million, up by €8.0 million versus 2014.

### 3.6.3 Northern Europe

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

(in € million)	2015	2014	Variation
Earned premiums	472.6	468.5	0.9%
Service revenues	84.9	82.3	3.3%
<b>Turnover</b>	<b>557.5</b>	<b>550.7</b>	<b>1.2%</b>
Investment income	19.8	9.8	103.2%
<b>Total ordinary income</b>	<b>577.4</b>	<b>560.5</b>	<b>3.0%</b>
Insurance service expenses	(240.2)	(254.7)	-5.7%
Net outwards reinsurance income or expenses	(53.0)	(40.0)	32.3%
Other income and expenses	(226.6)	(222.3)	1.9%
<b>Total other income and expenses</b>	<b>(519.8)</b>	<b>(517.0)</b>	<b>0.5%</b>
<b>CURRENT OPERATING INCOME</b>	<b>57.6</b>	<b>43.5</b>	<b>32.3%</b>
Net combined ratio	72.4%	75.2%	

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

At €557.5 million, turnover is up by 1.2% compared to last year but down by -2.1% at constant exchange rate, mainly due to a slowdown in new production in Northern and Eastern European countries linked to the competitive environment; the exit of some loss-making policies; actions taken in Russia, and the decreasing volumes of insured turnover compared to last year. Dynamic service revenues partly compensated the earned premiums evolution.

Investment income was €10.1 million above last year, mainly attributable to a positive impact in foreign exchange result.

Insurance service expenses reached €240.2 million, down 5.7% compared to last year. The region was hit by a few mid-size claims, whose impact

was however mitigated by low claims frequency and positive contribution of run-offs on previous attachment years.

Net outwards reinsurance are higher by €12.9 million compared to 2014 due to lower amounts of claims ceded, in relation with lower claims activity. Other income and expenses rose by 1.9% compared to last year, in pace with the topline evolution.

Thanks to overall lower claims level, the net combined ratio ended up lower than last year at 72.4% and the current operating income stood at €57.6 million in 2015, up €14.1 million over last year.

### 3.6.4 Mediterranean countries, Middle East & Africa

This region includes the direct insurance and assumed business in Italy, Greece, Morocco, Tunisia, Turkey, the Gulf Countries, and South Africa.

(in € million)	2015	2014	Variation
Earned premiums	278.0	263.5	5.5%
Service revenues	66.2	59.1	11.9%
<b>Turnover</b>	<b>344.2</b>	<b>322.7</b>	<b>6.7%</b>
Investment income	3.9	5.6	-30.7%
<b>Total ordinary income</b>	<b>348.1</b>	<b>328.3</b>	<b>6.0%</b>
Insurance service expenses	(203.1)	(138.8)	46.4%
Net outwards reinsurance income or expenses	(6.1)	(40.5)	-84.8%
Other income and expenses	(134.9)	(124.2)	8.6%
<b>Total other income and expenses</b>	<b>(344.2)</b>	<b>(303.4)</b>	<b>13.4%</b>
<b>CURRENT OPERATING INCOME</b>	<b>3.9</b>	<b>24.9</b>	<b>-84.2%</b>
Net combined ratio	100.0%	74.5%	

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

At €344.2 million, turnover showed a sound performance and a continuous growth compared to previous year. Earned premiums rose by 5.5% compared to 2014, linked to the good commercial development in new markets (Gulf Countries, Turkey) and products (bonding). Service revenues are up by 11.9% over the year, thanks to higher information fees following increased volumes.

Investment income decreased by €1.7 million, mainly due to lower income from the bonds portfolio.

Insurance service expenses reached €203.1 million in 2015, an increase of 46.4% compared to 2014. The region has been hit during the second half of the year by an increased frequency and several mid-size claims, especially in Gulf Countries and Turkey. Risk measures have been

implemented quickly to manage this worsening environment. The loss ratio, all attachment years, ended up at 73.5% against 52.3% last year.

The reinsurance result is positively impacted by the mechanical effect of higher claims ceded amounts following the deterioration of the loss gross ratio.

Other expenses increased by 8.6% slightly above the topline growth due to investments in new markets (i.e. South Africa and Tunisia).

The net combined ratio stood at 100.0%, up by 25.5 pt compared to last year due to the above mentioned higher claims levels, and as a result the current operating income decreased to €3.9 million in 2015.

## 3.6.5 Americas

This region includes all the direct insurance and assumed business in the United States, Canada and Brazil.

(in € million)	2015	2014	Variation
Earned premiums	289.6	238.3	21.6%
Service revenues	36.9	28.2	30.7%
<b>Turnover</b>	<b>326.5</b>	<b>266.5</b>	<b>22.5%</b>
Investment income	8.7	5.4	61.4%
<b>Total ordinary income</b>	<b>335.3</b>	<b>271.9</b>	<b>23.3%</b>
Insurance service expenses	(189.3)	(107.9)	75.4%
Net outwards reinsurance income or expenses	0.7	(32.9)	-102.3%
Other income and expenses	(120.8)	(101.7)	18.8%
<b>Total other income and expenses</b>	<b>(309.3)</b>	<b>(242.5)</b>	<b>27.6%</b>
<b>CURRENT OPERATING INCOME</b>	<b>26.0</b>	<b>29.4</b>	<b>-11.8%</b>
Net combined ratio	78.5%	63.9%	

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

Turnover grew by 22.5% between 2014 and 2015, to reach €326.5 million as at December 31, 2015. At constant exchange rate, the increase of 6.1% was coming from both premiums (+5.1%) and service revenues (+14.5%) and is mainly attributable to a strong performance in the US, the dynamic multinational segment and a good start of new products.

Investment income amounted to €8.7 million, to be compared to €5.4 million in 2014. The foreign exchange result was positive at €1.6 million, compared to a negative contribution of €-1.0 million in 2014.

The claims charge captured in the "insurance service expenses" line picked up from the level of 2014 due to the impact of the emerging market and commodity crisis. Severity also increased and the US was hit by the reserve booked on the local subsidiaries of a large Spanish buyer in December.

The net outwards reinsurance result is positive at year end 2015, at €0.7 million compared to a negative €-32.9 million the year before. This is a mechanical effect from the deterioration of the claims situation, as a higher amounts of claims are ceded in comparison to 2014.

Other income and expenses increased by 18.8% between 2014 and 2015. At constant FX rate, other income and expenses raised by 3.6%, a pace below the topline growth.

Net combined ratio stood at 78.5% higher than last year because of the increase in loss ratio. As a result current operating income is down to €26.0 million.

### 3.6.6 Asia-Pacific

This region includes all the direct insurance and assumed business carried out by branches based in Asia (India, Japan, South Korea, China, Hong Kong, Taiwan and Singapore) and Oceania (Australia and New-Zealand).

(in € million)	2015	2014	Variation
Earned premiums	113.9	85.3	33.6%
Service revenues	29.4	23.0	28.0%
<b>Turnover</b>	<b>143.3</b>	<b>108.2</b>	<b>32.4%</b>
Investment income	(0.3)	(4.1)	-92.8%
<b>Total ordinary income</b>	<b>143.0</b>	<b>104.2</b>	<b>37.3%</b>
Insurance service expenses	(114.4)	(41.5)	175.7%
Net outwards reinsurance income or expenses	29.0	(9.7)	-399.9%
Other income and expenses	(79.0)	(63.0)	25.4%
<b>Total other income and expenses</b>	<b>(164.5)</b>	<b>(114.2)</b>	<b>44.1%</b>
<b>CURRENT OPERATING INCOME</b>	<b>(21.5)</b>	<b>(10.0)</b>	<b>114.4%</b>
Net combined ratio	172.2%	131.8%	

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

Turnover rose by 32.4% in 2015, and 18.2% at constant exchange rate, benefitting from strong performance in key strategic markets, namely Hong Kong and Singapore and in the multinational segment. Earned premiums and service revenues went up respectively by 18.7% and 16.2% at constant exchange rate.

Investment income was strongly impacted by the euro/usd fluctuation since regional policies are issued in US dollars or local currencies linked to the US dollar.

At 99.6%, the gross claims ratio strongly deteriorated in 2015 due to the impact of the emerging market crisis. In particular, a total of €36 million was reserved for 5 mid-size claims that hit the Asia Pacific region in the

metal, solar and electronics industries, representing 31.6 pt of the gross claims ratio.

The net outward reinsurance result was positive at €29.0 million compared to a charge of €-9.7 million in 2014, due to the increase in ceded claims amounts following higher sinistrality.

Other income and expenses increased by 25.4% between 2014 and 2015, in line with the growth in turnover.

Due to the high gross cost structure of the Asian operations, and the strong deterioration in the net loss ratio, the current operating income was a loss of €-21.5 million.

### 3.6.7 Group reinsurance

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

The figures reflect on one hand the cession from the Group operating entities to these two reinsurance companies and, on the other hand, the retrocession of the premium and claims to the external reinsurance market.

The figures presented below also include the inward reinsurance originated by the non-consolidated companies COSEC (Portugal), ICIC (Israel), Acredia (Austria), and Solunion (Spain and Latin America), as well as the bonding business from Allianz entities.

(in € million)	2015	2014	Variation
Earned premiums	1,558.3	1,459.0	6.8%
Service revenues	0.0	0.0	0.0%
<b>Turnover</b>	<b>1,558.3</b>	<b>1,459.0</b>	<b>6.8%</b>
Investment income	36.6	26.2	39.8%
<b>Total ordinary income</b>	<b>1,594.9</b>	<b>1,485.2</b>	<b>7.4%</b>
Insurance service expenses	(827.4)	(654.2)	26.5%
Net outwards reinsurance income or expenses	(78.1)	(125.4)	-37.7%
Other income and expenses	(541.3)	(512.4)	5.6%
<b>Total other income and expenses</b>	<b>(1,446.9)</b>	<b>(1,292.0)</b>	<b>12.0%</b>
<b>CURRENT OPERATING INCOME</b>	<b>148.0</b>	<b>193.2</b>	<b>-23.4%</b>
Net combined ratio	88.0%	81.0%	

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

Earned premiums grew by 6.8% compared to 2014, higher than the premium growth observed at Group level (+3.7%). The main part of this turnover is eliminated at Group level in the consolidated financial statements, only the assumed business from non-consolidated companies remains. This inward business grew by 1.5% to €164.7 million in 2015, driven by bonding business from AZ.

There are no "service revenues" as these are not subject to internal or external reinsurance.

The investment income stood at €36.6 million and increased by 39.8% compared to 2014, driven by positive contribution from the foreign exchange result (€+8.2 million, versus a negative contribution of €-0.3 million in 2014) and by higher realized gains on equities.

The insurance service expenses increased by 26.5% compared to 2014, explained by the increase in both frequency and severity claims observed in non-mature countries (Americas, Asia Pacific, GCC, Turkey) and also in

the Spanish and Latin American markets which are operated by the Solunion joint venture.

The profit ceded to external reinsurers captured in the "net outward reinsurance income or expenses" line decreased from €-125.4 million in 2014 to €-78.1 million in 2015. This is mostly due to a higher ceded claims and in particular to the cession in the Excess of Loss Treaty on the large Spanish reserve.

Other income and expenses increased by 5.6% between 2014 and 2015. They mainly include the reinsurance commission paid to the ceding companies on to the proportional reinsurance treaties (quota-share). These are eliminated in the consolidated financial statements for Group companies.

At €148.0 million, the net current operating income decreased by 23.4% compared to 2014 and the net combined ratio stood at 88.0%, higher than last year by 7 pts.

## 3.7 Cash and capital

The information included in this section is a complement to the sub-section 5.4 "Consolidated statement of cash flows" and to the Note 13 "Cash and cash equivalents" of the Notes to the consolidated financial statements in sub-section 5.6 of this document.

Cash position of the Group increased by €12.8 million compared to the end of 2014 and amounted to € 345.4 million as at December 31, 2015. The main variations impacting the Group's cash position between 2014 and 2015 are the following:

- cash flow from operating activities decreased to reach €318.3 million in 2015, from €406.8 million in 2014. This results mainly from negative contribution of the insurance and reinsurance transactions, following the deterioration of the claims activity in 2015;
- investment activities contributed for €-92.5 million to the cash position at the end of 2015, against €-181.6 million at the end of 2014.

Net cash flows from the investment portfolio contributed to €-210.9 million against €-153.4 million last year mostly invested on bonds and equities; the net cash flow from short term operations was a positive contribution of €60.0 million compared to negative €-23.5 million last year. And the sale of the German headquarters also contributed positively for €58.4 million in 2015. The cash was mainly invested on Bonds and Equities;

- cash flow from financing activities amounted €-216.3 million in 2015, mainly corresponding to the €196.6 million dividends paid in 2015. Cash flow from financing activities in 2014 were €-193.0 million;
- at the end of December 2015, liquidities are principally held in euros, as the Company's main area of business is the euro zone.

## 3.8 Financing

The information contained in this section is a complement to Note 18 "Borrowings" of the Notes to the consolidated financial statements in sub-section 5.6 of this document.

Euler Hermes had two external loans with maturity at end of June 18, 2015.

The first loan was owed to HSBC for €125 million. Euler Hermes signed an amendment on June 16, 2015 to extend this loan for a new 5 year-period

till June 18, 2020, for a revised amount of €110 million and an annual fixed interest rate of 0.97%.

The second loan owed to Credit Agricole for €125 million has been fully reimbursed on June 18, 2015.

A new loan has been signed on June 15, 2015 with BNP Paribas for €110 million. This new loan matures on June 18, 2020 and has an annual fixed interest rate of 0.97%.

For these two loans, Euler Hermes Group SA (ex Euler Hermes SA) has the option to reimburse all or part of it by anticipation, and the interest rate may be adjusted according to the external rating of Euler Hermes as follows:

Rating of Standard & Poor's or equivalent agency	Applicable interest rate
AA- or higher rating	0,97% a year
A+	0,97% a year
A	0,97%+10 bp a year
A-	0,97%+10 bp a year
BBB+ or lower rating	0,97%+90 bp a year

## 3.9 Consolidated shareholders' equity

As at December 31, 2015, consolidated shareholders' equity amounts to €2,777.3 million compared to €2,642.7 million at the end of 2014. The table below describes the main changes in shareholders' equity during the year.

(in € thousand)	Capital stock	Additional paid-in capital	Consolidation reserve and Retained earnings	Revaluation reserve	Other		Shareholders' equity, Group share	Non controlling interests	Total shareholders' equity
					Translation reserve	Treasury shares			
<b>Shareholders' equity as at December 31, 2014 - IFRS</b>	<b>14,510</b>	<b>465,007</b>	<b>2,092,254</b>	<b>99,242</b>	<b>(12,973)</b>	<b>(77,515)</b>	<b>2,580,525</b>	<b>62,142</b>	<b>2,642,667</b>
Available-for-sale assets (AFS)	-	-	-	-	-	-	-	-	-
Measurement gain/(loss) taken to shareholders' equity	-	-	-	(13,593)	-	-	(13,593)	-	(13,593)
Impact of transferring realised gains and losses to income statement	-	-	-	(24,897)	-	-	(24,897)	-	(24,897)
Actuarial gain / (loss) on defined benefit plans	-	-	16,511	-	-	-	16,511	(16)	16,495
Impact of translation differences	-	-	-	5,021	24,009	-	29,030	75	29,105
<b>Components of other comprehensive income net of tax</b>	<b>-</b>	<b>-</b>	<b>16,511</b>	<b>(33,469)</b>	<b>24,009</b>	<b>-</b>	<b>7,051</b>	<b>59</b>	<b>7,110</b>
Net income for the year	-	-	302,475	-	-	-	302,475	1,695	304,170
<b>Comprehensive income of the period</b>	<b>-</b>	<b>-</b>	<b>318,986</b>	<b>(33,469)</b>	<b>24,009</b>	<b>-</b>	<b>309,526</b>	<b>1,754</b>	<b>311,280</b>
Capital movements	-	-	-	-	-	19,461	19,461	-	19,461
Dividend distributions	-	-	(194,547)	-	-	-	(194,547)	(2,089)	(196,636)
Cancellation of gains/losses on treasury shares	-	-	-	-	-	459	459	-	459
Other movements	-	-	(4)	(1)	1	1	(3)	-	(3)
<b>Shareholders' equity as at December 31, 2015 - IFRS</b>	<b>14,510</b>	<b>465,007</b>	<b>2,216,689</b>	<b>65,772</b>	<b>11,037</b>	<b>(57,594)</b>	<b>2,715,420</b>	<b>61,807</b>	<b>2,777,227</b>

The increase in the Group share consolidated shareholders' equity is due to the positive impacts of:

- net result generated over the period for €+302.5 million excluding non-controlling interests;
- other translation differences for €+29.0 million;
- the actuarial gains on defined benefits plan for €+16.5 million;
- net impact of operations on the treasury shares for €+19.9 million;

Compensated by the negative impacts attributable to:

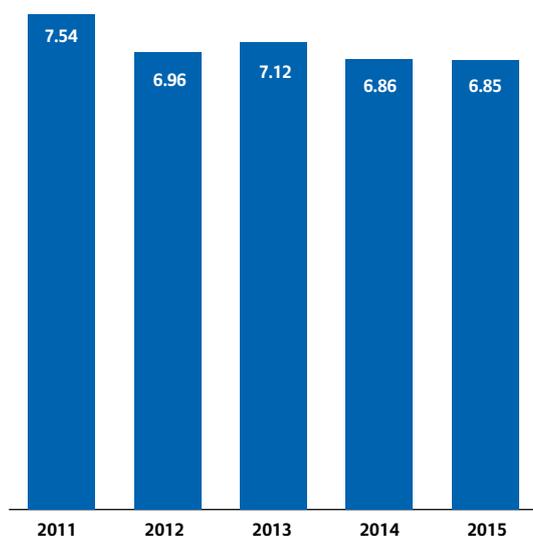
- dividends paid for €-194.5 million;
- revaluation of the investment portfolio for €-38.5 million;
- share of the non-controlling interests decreased by €-0.3 million.

## 3.10 Earnings per share and return on equity

### 3.10.1 Earnings per share

Earnings per share are €6.85 in 2015, versus €6.86 in 2014.

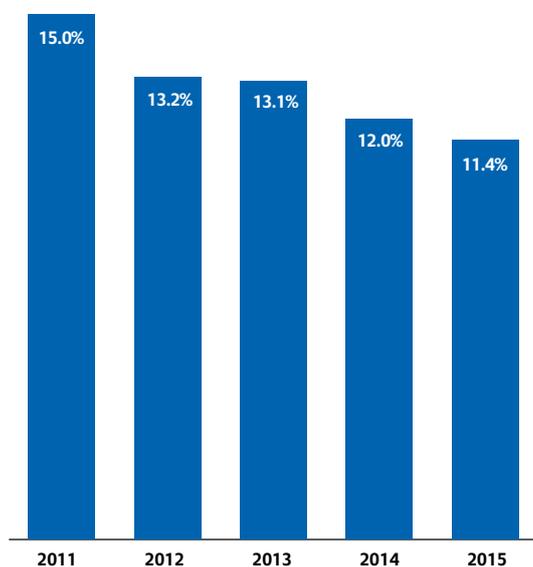
#### ■ NET RESULT PER EULER HERMES SHARE (in €)



### 3.10.2 Return on equity

The return on equity in accounting terms<sup>(1)</sup> equals to 11.4%, 0.6 points below last year due to the increase in equity.

#### ■ RETURN ON EQUITY (in %)



(1) Calculated on the basis of net income, Group share relative to average of shareholders equity (excluding minority interests) Group share between end-December 2014 and end-December 2015.

### 3.10.3 Solvency II economic ratio

#### 3.10.3.1 Euler Hermes implemented its own internal model

As part of the Allianz Group, Euler Hermes has been authorized by BaFin (the lead supervisor for the Allianz Group) upon the review and proposal by the local supervisors NBB (National Bank of Belgium) for Euler Hermes SA and CAA (Commissariat aux Assurances) for EH Re SA to use an internal model instead of a standard model to estimate the solvency capital requirement for its main entities (Euler Hermes SA, Euler Hermes North America, Euler Hermes Re AG and Euler Hermes Re SA).

Euler Hermes opted for the use of an internal model for the following reasons:

- despite an adequate representation of the risk (ordinary risk and non ordinary risk, recession/ large loss events), the calibration of the actuarial components in the standard model is not representative of the Euler Hermes risk profile. Euler Hermes specific underwriting parameters, which are based on Euler Hermes loss history, show specific parameters circa 30% below EIOPA calibration;
- the standard formula does not allow for a geographical diversification between regions while Euler Hermes considers that the various regions in which the Group operates are not correlated;
- the standard formula does not allow to take into account the management actions embedded in the Trade Credit Insurance policy through which Euler Hermes manages its risk;
- the standard formula is based on premiums which is not the adequate risk driver of the Euler Hermes business.

Thanks to the implementation of an adequate internal model, Euler Hermes has obtained a reduction of circa 35% of its SCR on EH SA.

Some other insurance entities of the Group, namely Euler Hermes Poland, Euler Hermes Greece and joint ventures in the scope of Solvency II, could

not be integrated in the internal model, because of size and/or length of historical reasons. For these entities, Euler Hermes either uses the standard model or a deduction approach removing both capital and required capital from the solvency ratio of Euler Hermes as a Group.

Besides Euler Hermes includes in the calculation scope of its solvency ratio a banking regulated entity (Euler Hermes Crédit France) and an asset management entity (Euler Hermes Asset Management).

In conjunction with of its solvency ratio, Euler Hermes has implemented a capital ratio framework which defines the target solvency ratio across the cycle.

Euler Hermes has fixed its target solvency ratio at 160%. This threshold has been determined so that Euler Hermes solvency ratio will remain over 100% even at the peak of a crisis like the 2008-2009 crisis.

Finally, Euler Hermes has established an enterprise risk management framework and reporting processes in line with the Solvency II directive and therefore considers itself Solvency II compliant.

#### 3.10.3.2 Solvency II economic ratio as of December 31, 2015

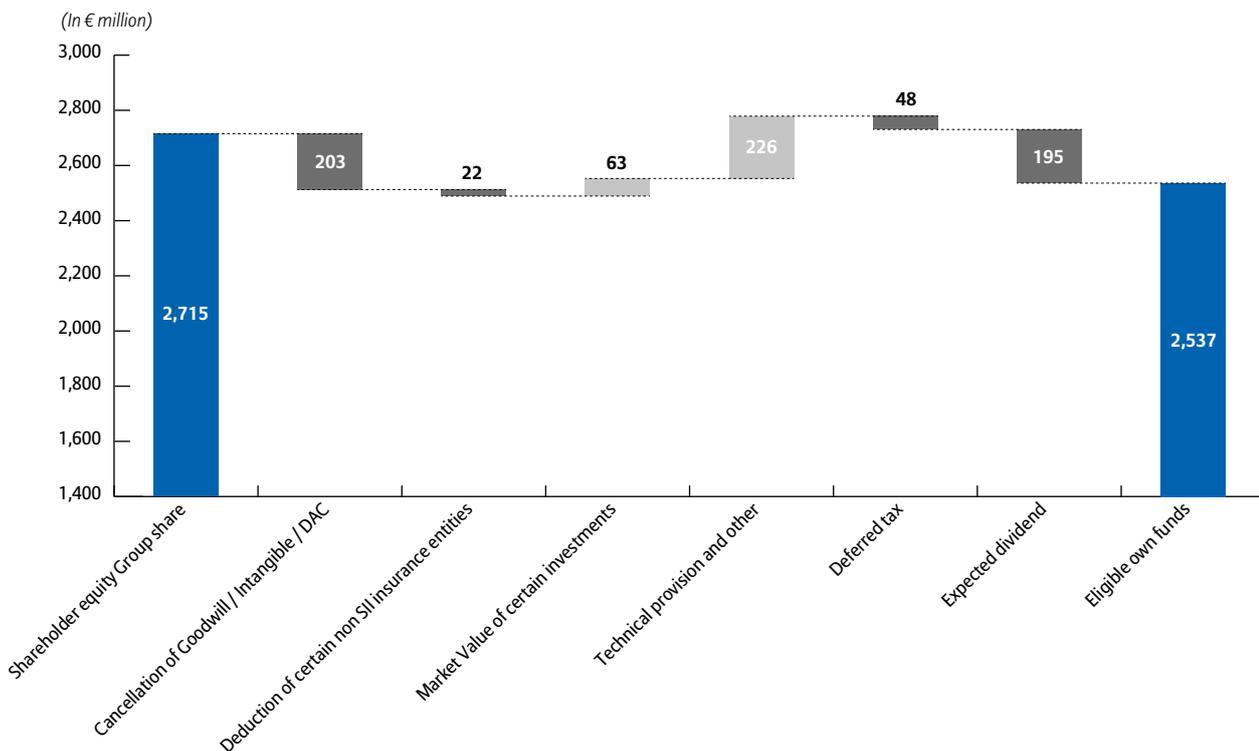
The Solvency II economic ratio is composed of the Eligible Own Funds divided by the Solvency Capital Requirements and stood at 173.1% as of December 31, 2015.

(in € million)	31 December 2015
Eligible Own Funds	2,537
Solvency Capital Requirement	1,466
<b>Solvency II Economic Ratio</b>	<b>173%</b>

## a) Eligible Own Funds

The eligible own funds amounted €2,537 million as of December 31, 2015. They were mainly tier one own funds (99.7%), Euler Hermes has no leverage and does not have ancillary own funds.

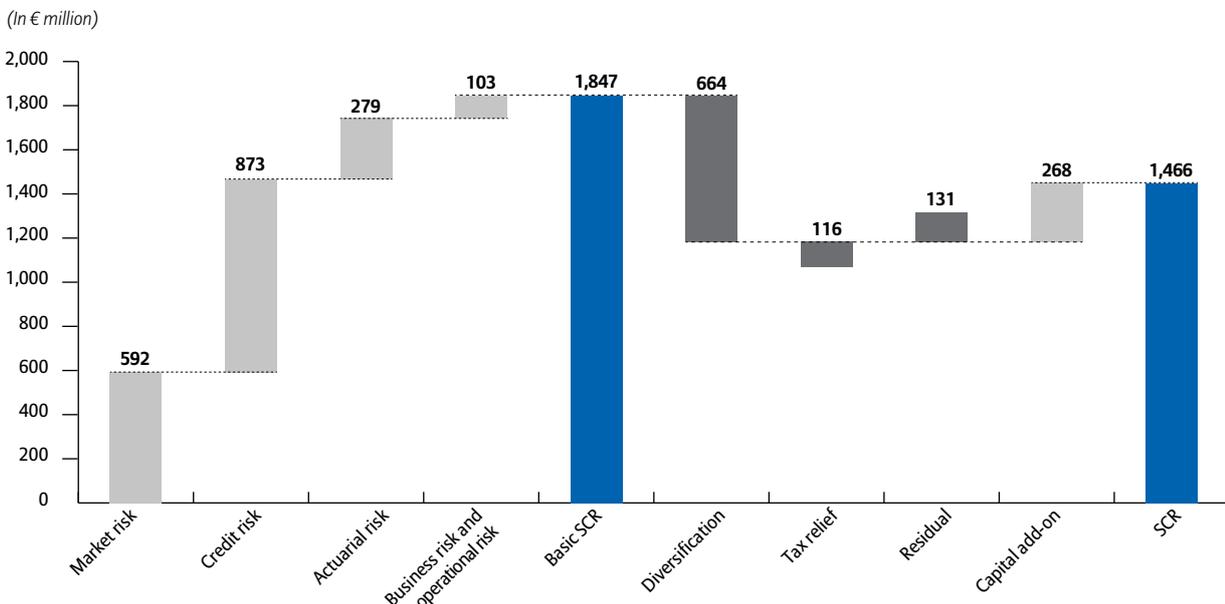
The bridge from Euler Hermes group IFRS equity to Solvency II Own funds was the following:



## b) Solvency Capital Requirement

The Solvency Capital Requirement amounted to €1,466 million as of December 31, 2015. No quantitative risk has been left out the SCR computation.

The solvency ratio (local solvency ratio or Solvency II ratio whenever applicable) for each of EH legal entities or branches operating in Canada and Asia was above the minimum legal threshold.



## 3.11 Outlook

### 3.11.1 Economic outlook

#### Outlook for 2016: Volatile is the new calm

We expect global GDP growth to only edge up to +2.7% in 2016 (and +2.9% in 2017). This would mark the 6th consecutive year of sub-3% global GDP growth. Furthermore, this limited improvement in global growth mostly stems from stabilization in the hardest-hit emerging economies. Brazil and Russia will remain in recession but it will be a little less severe.

We see a continuing divergence between emerging markets and advanced economies. Even though emerging markets growth probably bottomed out in 2015 and is expected to reach +3.9% in 2016, most markets will continue to experience below-trend growth. Countries that have not curbed external and internal imbalances are particularly vulnerable. Still, the situation does not portend a repeat of the crises of the 1990s because emerging markets are more resilient and have more buffers than in the past.

Meanwhile, oil prices will remain low for an extended period of time. This is a strong tailwind for net oil importing countries. On the contrary, low oil prices hurt net oil exporters. Their economies suffer from weaker terms of trade, which translates into a stark deterioration of their trade balance. This, in turn, eats at their fiscal revenues.

External conditions will constrain public spending in Latin America. Monetary policy might have to be even more restrictive to fend off inflation and further (although less severe) depreciations. We expect regional GDP growth to be flat in 2016. Brazil is in the midst of its worst recession since the 1990s (-2.4% after -3.7%) whereas activity in Mexico (+2.8%) will continue to be driven by the US economic cycle. Chile (+2%), Colombia (+2.7%) and Peru (+2.8%) will experience another year of below-trend growth. Economic recession is expected in Ecuador (-1.1%) and Venezuela (-6.6%) as activity is extremely dependent on oil revenues, whereas positive signals are at last coming from Argentina.

The end of a cycle nears in the US. GDP growth should slow down to +2.3% in 2016. While most of the world's major central banks are loosening monetary policy, the Fed is tightening. This will lead to tighter lending conditions by banks, making loans harder to get and at higher interest rates. This combination pressures businesses. It can contribute to slower payment and to higher insolvencies. Fed tightening also supports a strong dollar which will continue to have several deleterious effects. These include a headwind for exports and lower commodity

prices which hurt producers. As such, the weakness in the manufacturing sector will continue.

The Eurozone will continue to saunter along a modest recovery path, growing +1.7% in 2016. The pick-up in demand observed in 2015 could finally lead to higher business investment. Encouragingly, business confidence indicators (PMIs and national surveys) and capacity utilization rates seem to confirm that a positive trend is emerging. The pickup in Nominal GDP growth will help companies to better price their products and therefore support the recovery in turnovers.

In Germany, Euler Hermes expects an acceleration of GDP growth to +1.8% in 2016, thanks to additional public sector spending related to the ongoing refugee influx. Activity in France will also accelerate slightly to 1.4% in 2016. Investment will contribute positively to growth (+0.4 pp) for the first time since 2012. GDP growth in Italy will also pick-up to +1.1% whereas it will slow (a bit) in Spain (to +2.6%) as the positive effect of the fall in oil prices will abate, fiscal support will be more limited and the uncertainty surrounding a divided Congress will bring volatility.

The crisis in Russia will ease only gradually (-0.5% GDP growth in 2016). Even though the recession may have bottomed out, any recovery will be very modest. Consumer spending is still weakening against the backdrop of high inflation and the renewed slump of the RUB. Ongoing low oil prices combined with recently extended Western economic sanctions will weigh on the recovery.

Euler Hermes forecasts a slowdown in Turkey to +3.3% as downside risks have increased. Especially, sharply deteriorated relations with Russia will likely have adverse effects on Turkish exports.

In Africa, growth will remain below the 4.6% long-term annual average in 2016 (+3.9%). Risks are on the downside. Most economies are dependent on currently weak internationally-determined commodity prices, with little prospect of significant rebound in the short term. In the Middle East, GDP growth will also be below the long-term annual average (+4.6%). The oil price remains critical. It directly affects exporters and has an indirect effect on energy importers (including Jordan and Lebanon) that rely on the economic welfare of larger neighbors. Moreover, existing conflicts have the potential for further negative contagion. Religious, tribal and sectarian divides will continue to be powerful influences across the region and further afield.

GDP growth will remain solid in Asia – thanks to a modest upturn in Japan, India and ASEAN- but below the long-term average of +5% (+4.8% in 2016). A supportive policy mix, increasing wages and solid labor market will allow for acceleration in domestic consumption. Nominal exports will see only a gradual improvement reflecting fewer downward price pressures and limited improvement in global demand.

In China, we expect a gradual acceleration in domestic consumption supported by public expenditures. Meanwhile, investment will prove resilient. Yet it will grow below trend, reflecting ongoing overcapacity reduction and high corporate debt. Higher domestic demand will allow for a rebound in imports, progressively reducing the trade balance surplus. The Chinese government will have to set clearer priorities for the next two years to avoid following “conflicting objectives”. First, keeping the RMB stable could prove arduous. It will be particularly challenging if authorities aim to both preserve monetary policy independence and further liberalize the capital account. Second, maintaining a solid financial base, namely high foreign exchange reserves and sound public finances, will require more selectivity in terms of expenditures. Thus, increasing both investment abroad and domestic fiscal stimulus will probably not be sustainable in the longer term.

## Trends in corporate insolvencies

In 2015, the declining trend in corporate insolvencies has started to get out of breath. The total number of insolvencies in our sample of 43 countries have registered another decline of -6% (provisional figure), with slightly less than 300,000 bankruptcies over the course of the year. More significantly, our Global Insolvency Index, which factors in the heterogeneity of national statistics and business environments, and the weights of each country, registered a drop of -5% after a healthy -14% in 2014.

This sixth consecutive year of decline lead to a significant recovery since 2009 (-30%). Nevertheless, this was not sufficient to offset the sharp hike recorded between 2007 and 2009 (+50%) and to put an end to the huge differences between private sectors around the globe in terms of trend and level. Only 24 out of 43 countries monitored registered fewer bankruptcies than a year earlier, while 19 faced an increasing (or stable) number of insolvencies, in particular in Latin America and Asia Pacific where the surge in bankruptcies (+11%) was driven by the difficult rebalancing of China (+25%). Finally, over half of the countries monitored still record high level of bankruptcies, mainly in Western Europe.

For 2016, we expect the macroeconomic and financial context to put an end to the decline in global insolvencies (+1%) as sluggish growth and volatility will weigh on corporates' revenues and margins, with a higher number of countries posting a stabilization or a rebound (+6 countries to 25).

However, the major shift in worldwide insolvencies trend - between advanced economies and emerging markets - will continue to prevail as the global rebound will be driven by two main dynamics: (i) the economic slowdown in emerging markets, markedly in China (+20% insolvencies in 2016) – the latter dragging a large number of the countries in the region (+10% overall in APAC) - and in Latin America (+10%) with Brazil to remain in deep recession; and (ii) the end of the recovery cycle in the US (+3% insolvencies in 2016).

Central and Eastern Europe (+4% insolvencies in 2016 after -8% in 2014) should remain relatively resilient to the Russian situation, since the delayed impact of the crisis should be offset – at least partly – by the gradual improvement in Western Europe.

De facto, the outlook appears more favorable in Western Europe with another steady -5% decline in insolvencies (-11% in 2015). Western Europe companies should benefit from the winning trifecta: (i) a pick-up in nominal GDP growth which supports a recovery in firms' turnovers, (ii) lasting low oil prices which reduce costs and increase corporates' margins, and (iii) the continuation of the ECB QE which eases the access to financing.

However, these bright prospects hide a set of heterogeneous situations, with 11 out of 17 countries to record more bankruptcies than before the crisis. Spain and Ireland will continue to lead the insolvency decline with -10% in 2016, thanks to their dynamic GDP growth, but both countries will continue to register very high levels of bankruptcies. On the contrary, Germany's insolvencies are expected to plateau soon as the country has reached its “natural rate” of business extinction: the decrease will be the slowest since 2009 (-2%) and it needs to be monitored closely as China's rebalancing could derail Germany's manufacturing sector. In France and Italy, insolvencies may decrease by respectively -3% and -8% in 2016, showing that the economic environment is finally becoming more supportive for companies. The UK is the only European country to experience a clear reversal in the insolvencies' trend in 2016 (+5%), due to a global slowdown of GDP growth and a very dynamic business demography over past years which increases the statistical basis for bankruptcies.

### 3.11.2 Outlook for Euler Hermes group

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In spite of the recent economic turmoil affecting its “growth” markets, Euler Hermes intends to stick to its long term strategy and carry on investing in these markets. The Group sees the current economic slowdown in the emerging markets as a temporary hiccup in a secular trend of development that will surpass that of Western Europe or North America for a considerable amount of time. However, staying true to its “profitable growth” objective, Euler Hermes will pragmatically adjust the speed of its progression to the economic environment. In some specific markets, strict risk and commercial action plans are in fact already implemented. These plans might be stepped up if and as required by the economic environment’s deterioration. This means that 2016 will most probably see a slowdown of the growth experienced by the Group in 2015 in some Emerging markets.

At the time of writing this report, the Group still views a potential contagion of the Emerging market and commodity crisis to Western Europe as unlikely, even if odds are moving in the wrong direction. The Group expects that the current low frequency loss ratio and high profitability in Western Europe will probably continue in 2016. The flip side of this positive trend for profitability is that the pressure on premium rates in this market is also unlikely to abate much in 2016. However, given that price declines have reversed in the Emerging markets and, to a lesser extent, in the North American market; the Group expects overall price stability or a very limited price decline in its global portfolio.

The campaign of adjustments of price and cover that the Group implemented in the second half of 2015 will bear its results after the traditional time lag of credit insurance. While it is not possible to rule out that these measures are in need of being strengthened during 2016 -due to a protracted or expanding economic slowdown- the Company expects the combined ratio to gradually improve during the year.

The Group also expects the current pressures on its cost ratio to remain acute in 2016. These pressures are due to development taking place in more costly markets or distribution channels and to low or negative growth in the traditional West European credit insurance market. The Group is actively taking targeted actions to address the latter. Thanks to these measures, the Group expects to be able to keep its cost ratio at roughly 2015 level.

Thus, owing to its reactivity and capacity to adjust cover, Euler Hermes expects a difficult year in 2016 but still foresees to be able to protect its technical profitability and aims at a combined ratio close to that of 2015.

2016 proves a tough start for financial markets, with a lot of volatility and a new decrease in interest rates that few had expected. At the time of writing this report, the Bank of Japan has moved to negative interest rates on deposits and the German 10-year bond is at its lowest level ever. Due to the nature of its business, the bulk of the assets of the Group are invested in short term government bonds. The re-investment rate of this portfolio is again expected to decline in 2016. Therefore after a high 2015 financial result, on the back of foreign exchange and realized gains, the Group expects to have a less buoyant investment result in 2016, in spite of its diversification efforts.

Finally for the first year of application of the new Solvency II regulation, Euler Hermes expects its Solvency ratio to be submitted to temporary pressures from the worsening environment. However, thanks to the high level of own funds of the Company, solvency will remain very strong.

2016 will no doubt be a challenging year; due to its ample capital strength and high quality monitoring processes, Euler Hermes plans to deliver another year of solid profits.





# 4

## Major risk factors and their management within the Group

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## 4.1 Risk factors

The Group draws readers' attention to the risks described below. These risks could significantly affect the Group's operations, consolidated net income, financial position, share price, solvency margin and ability to achieve projected results.

The description of risks provided below is not exhaustive. Other risks and uncertainties that are currently unknown or regarded as minor could, in the future, significantly affect the Group's business, financial position, consolidated net income, cash flows or share price.

The risks described below are inherent to the nature of the Group's operations and its economic, competitive and regulatory environments. In view of the numerous contingencies and uncertainties associated with these risks, senior management is not always able to quantify their impact accurately. However, to prevent, detect and manage risks on an ongoing basis, the Group has implemented numerous risk management processes, procedures and controls. These processes, like any control and monitoring system, cannot be regarded as an absolute guarantee. Rather,

they offer a reasonable assurance of security in respect of operations and of control over results.

The Risk Management structure is described in section 4.2 of this Registration Document. In cases where the risks described in section 4.1 may have measurable financial consequences or potential for significant liabilities, these factors are reflected in the Group's consolidated financial statements, in accordance with the applicable IFRS accounting standards. The risks described below are classified on the basis of their origin. This presentation aims to reflect senior management's current views on the potential consequences of each risk for the Group. While senior management devotes significant resources to risk management on an ongoing basis, as described in section 4.2 of this document, the Group's risk management activities, like any system of control, are subject to inherent limits and cannot provide absolute certainty or protect the Group against all risks described in section 4.1 or all losses potentially caused by these risks.

### 4.1.1 Risk factors related to insurance activity

The risk factors described in this section affect the risks described in quantitative detail in sections 4.2.2. and 4.2.4.

#### The prevailing and future economic environment

By nature, the Group's business is directly related to economic activity.

Today's challenging economic environment has various effects, some of which may conflict with each other:

- a decline in premium income stemming from a downturn in economic activity, leading to a reduction in policyholder turnover – used as the basis for calculating the insurance premium – or a loss of policies (termination of unprofitable policies by the Group, default by policyholders, termination by policyholders, etc.);
- a potential increase in premium income resulting from new policies (new policyholders seeking coverage of their customer receivables or existing policyholders extending their coverage), or from rate increases;
- an increase in the frequency of claims and an increase in the severity of peak claims;

- the declaration of claims on companies that are in good financial health, but are unable to transfer capital to their creditor outside their country.

Other economic factors could affect the economic environment, particularly higher oil prices, the euro-dollar exchange rate, or the occurrence of a BREXIT type event.

To address this risk, the Group acts in four ways to reduce the sensitivity of its results to the economic environment:

- more precise monitoring of limits granted, aimed at limiting the losses borne jointly by policyholders, reinsurers and the Group;
- diversification of sector and geographical risks;
- product diversification through the introduction of service products less closely correlated to activity;
- implementation of a risk transfer policy to reduce the effects of higher claims frequency and to limit the severity of peak risks.

Ongoing difficult economic conditions may have a negative impact on the Group's net income, financial strength, solvency margin, share price and, potentially, reputation.

Given the eurozone situation, the large proportion of the Group's business generated in Europe could be an aggravating factor for this risk. However, the Group has taken measures to reduce its dependency on Europe.

### **The occurrence of natural or human disasters, and the consequences of emerging and inherently unpredictable risks**

The proliferation of weather events worldwide, not to mention other risks such as acts of terrorism, nuclear events, the emergence and spread of pandemics and the impact of future climate change could, in addition to their immediate damage and impact, have a material impact on insurers' operations as well as their current and future results.

While past experience shows that such events have little impact on the Group's results, the Group cannot rule out the possibility that such events could affect its net income in the future.

### **The establishment of sanctions regimes by a State or group of States against another State in which the Group delivers guarantees, the economic impact of these sanctions and any counter-sanctions**

The Group has established a range of processes (governance, IT, legal (through policy terms or limits granted) and reporting) to demonstrate its compliance with the various sanctions regimes.

However, the Group cannot rule out:

- being subject to control or even in disagreement with the authorities controlling its activities in countries under sanctions regimes;
- being the target of legal proceedings by a policyholder or one of its customers due to measures taken in response to sanctions regimes;
- being subject to internal or external fraudulent activity aimed at circumventing sanctions regimes.

In addition to the above points, the application of sanctions has the following effects on the Group's activity:

- reducing its activity in the country concerned due to the cancellation of certain policies, even policies signed in other countries, as policyholders may no longer have coverage in the country under sanction;
- increased claims in the country under the sanctions regime;
- increased claims in the countries or business sectors that might be subject to counter-sanction by a country under a sanctions regime.

The establishment of these sanctions regimes might lead to a decrease in the Group's net income due to the increased cost of demonstrating compliance with the sanctions regimes, a reduction in its activity or increased claims due to the implementation of these sanctions regimes (or counter-sanctions), reputational risk or fines if its operational processes fail to manage these sanctions regimes.

### **Default or a regulatory change impacting the process of underwriting insurance risks**

The management of credit-insurance and bonding risk is based on a strong risk culture associated with contract management and customer service. In addition to managing the underwriting of contracts, the Group provides a service to policyholders to reduce receivables-related risks. During the period of insurance, all requests for insurance cover on a given customer are analyzed by applying specific solvency criteria (financial analysis, prior claims, etc.) to the customer in question. Cover is then issued on the basis of the risk profile of the commercial transaction associated with the request.

Credit-insurance risk management processes are based on analyzing the solvency of the policyholder's customer using all information gathered.

This analysis involves the following elements:

- the possibility of gathering or purchasing information about the Group's policyholders' customers;
- the correct functioning of a centralized information system gathering information and requests for cover;
- the establishment and consistent application of written rules governing the analysis of information gathered and decisions on requests for cover;
- monitoring the implementation of these rules at two levels: a central team responsible for this task and internal audit.

A failure of one of the processes or tools in place, or change in the statutory or regulatory requirements under which such operations are carried out, could have an impact on net income or financial strength. They could also lead to statutory or regulatory fines. Lastly, they could have consequences in terms of reputation.

### **The possibility of recording losses in the event that assumptions used to determine insurance reserves materialize**

Determining insurance reserves, including reserves for premiums not yet written or reserves for un-notified claims, is based on inherently uncertain elements derived from assumptions about future changes in factors that may (i) be economic, demographic, social, legislative, regulatory, financial, (ii) be linked to the conduct of the policyholder or its customer or (iii) be dependent of the anticipation of the nature of the claims (frequency claims vs peak claims).

# 4

## Major risk factors and their management within the Group

### Risk factors

The use of these numerous assumptions and their revision require a high degree of assessment by the Group's management bodies. They might influence the level of reserves determined and might have a negative impact on the net income, financial position, solvency margin and valuation of the Group.

### **Default by reinsurers, an incorrect application of reinsurance contracts, higher reinsurance costs or reduced capacity of reinsurers in the credit insurance market**

The theoretical exposure granted by the Group is not based solely on the Group's available capital.

The theoretical exposure is based on the fact that some of the claims arising from this exposure will be transferred to external reinsurers; this transfer is purchased to cover a subscription year.

It should be borne in mind that the act of transferring some of the risks borne by the Group to reinsurance companies does not release it from its obligation to indemnify its policyholders.

In concrete terms, the Group is subject to the following risks:

- the insolvency of one of its reinsurers;
- inability to place its reinsurance contracts at acceptable prices;
- failure in the process of applying reinsurance contracts that leads to a loss of the benefit of the coverage purchased.

The Group has put management rules in place in order to be sure of the solvency of its reinsurers and guarantee a good level of diversification in

its ceded claims. Nevertheless, it is possible that one or more reinsurers may no longer be able to meet its/their commitments, leading to a rise in the Group's own losses.

In addition, reinsurance capacity and the pricing of reinsurance contracts depend on prevailing economic conditions, and can vary substantially. As such, the Group might have difficulty in purchasing reinsurance at acceptable prices.

The materialization of one of these risks could have a long-term effect on the Group's activity, net income and solvency margin.

### **Default or a regulatory change impacting the process of underwriting insurance risks**

Management of credit insurance and bonding risk is relatively more capital intensive than other business segments. Because of a significant difference between its risk profile and the profile used by the EIOPA for the standard formula, the Group has established an internal model and obtained authorization to use this internal model from its European regulators. This model is also being used temporarily in the Group's reinsurance subsidiary in Switzerland.

The loss of the authorization to use an internal model by EH SA or EH Ré SA or non-authorization for EH Re AG could lead the Group to revise its underwriting policy for the risk covered and, as a result, have impacts on its commercial policy, or require a search for other sources of capital (capital increase or equivalent, increase in outwards reinsurance or equivalent, etc.). Over time, the Group's net income and valuation will be affected.

## **4.1.2 Risk factors related to financial markets, the soundness of the credit rating, the valuation of assets and other related aspects**

The risk factors described in this section particularly affect the risks described in greater quantitative detail in section 4.2.3.

### **Risks related to the investment portfolio**

The risks described below could, if they materialize, have negative impacts on current and future turnover, net income, cash flows, financial position and, in some cases, the Euler Hermes group share price.

#### **I Interest rate risk**

As its portfolio is invested primarily in bonds (national, supranational and, to a lesser extent, corporate), the Group is subject to interest rate risk.

During periods of declining interest rates, the risk is that the portfolio's average interest rate could fall (reinvestment being made at lower rates) or that the portfolio duration could increase (making the portfolio more susceptible to future changes in interest rates).

During periods of rising interest rates, the risk is that the market value of the bond portfolio could decline, possibly resulting in unrealized losses.

The Group has implemented an asset management policy aimed at minimizing these risks, including asset-liability management factoring in all local constraints.

## II Equity market risk

As part of its portfolio is invested in equities (or equity equivalents), the Group is exposed to a decline – whether short- or long-term – in the equity markets. This could result in the Group having to record unrealized losses or asset impairments.

The Group has implemented an asset management policy aimed at selecting high-quality issuers and diversifying risk in this asset class.

## III Real-estate risk

The Group is exposed to real-estate risk via the buildings housing its operations, as well as its investment properties.

The risk is that market values may fall and as such reduce the unrealized capital gains on these buildings or even lead to recorded unrealized losses.

## IV Counterparty risk

Default by financial institutions and third parties, including potential defaults on sovereign debt payments or restructurings, could lead to the loss or impairment of invested assets, or to unrealized losses, which could all affect the value of the Group's investments and reduce profitability.

The Group has implemented management rules to diversify risk (geographical as well as sectoral) and to reduce the risk of default by investing in counterparties boasting robust financial health.

## The downgrading of ratings reflecting capacity to settle claims and financial strength

Ratings related to the capacity to settle claims and financial strength have become increasingly important elements in determining insurance companies' relative competitive positions. Rating agencies review their ratings and methodologies on an ongoing basis and can revise their ratings at any time. Accordingly, the Group's current ratings are subject to change.

In a difficult economic and financial climate, some rating agencies have revised their outlook downwards for the insurance sector and downgraded an increasing number of companies. Euler Hermes group, however, managed this period without a revision of its AA- rating from

Standard & Poor's; its rating was confirmed as AA- *outlook stable* on October 26, 2015. Furthermore, Dagong Europe confirmed Euler Hermes group AA- rating with outlook stable rating in January 2015.

A ratings downgrade – actual or potential – and, more importantly, a fall in the rating below A, could have adverse effects on the Group, by:

- (i) undermining its competitive position;
- (ii) hindering the distribution of new insurance policies;
- (iii) increasing the rate of redemption or termination of existing insurance policies;
- (iv) raising the cost of reinsurance;
- (v) limiting its access to sources of funding or increasing the cost of such funding;
- (vi) imposing the need to provide additional guarantees for certain contracts;
- (vii) having an adverse impact on relations with creditors or trading counterparties;
- (viii) having a significant impact on public confidence.

Each of these scenarios could have a negative impact on the business, liquidity level, consolidated net income, revenues and financial position of the Group.

## Exchange rate fluctuations

The Group is exposed to exchange rate fluctuations due to:

- the presence of subsidiaries outside the eurozone. The Group's main subsidiaries outside the eurozone operate in US Dollar, British Pound and Swiss Franc;
- a subsidiary granting limits in a currency that is not the subsidiary's accounting currency.

As of December 31, 2015, 39.3% of its revenues were generated outside the eurozone.

To reduce its exposure to exchange rate fluctuations, the Group applies the principle of congruence (matching assets and liabilities denominated in a different currency from the currency used for its accounting).

Moreover, the Group has no investments in foreign currencies for speculative purposes.

At the end of 2015, the Group had no hedging instruments in place to protect against exchange rate fluctuations.

# 4

## Major risk factors and their management within the Group Risk factors

### Market conditions, changes in accounting principles and other factors could affect the recognized value of goodwill

The Group's accounting principles and policies, along with the analysis of intangible assets (including goodwill) are set out in Notes 2, 3 and 4 in the notes to the consolidated financial statements presented in section 5.6 of this Registration Document.

Changes in the business and the market may affect the value of the goodwill recognized in the consolidated statement of financial position, the amortization of Deferred Acquisition Costs (DAC) and the Value of Business In force (VBI), and the valuation of deferred tax assets of the Group.

A deterioration in the operating performance of companies or market conditions could accelerate the amortization of DAC and VBI or reduce the assets, leading to a reduction in consolidated net income and weakening the Group's financial position.

### 4.1.3 Risks factors within the Group

#### The reliance of Euler Hermes Group on its subsidiaries to cover its expenses and pay dividends

As a holding company, Euler Hermes Group has no activity of its own; all insurance and service activities are performed by its subsidiaries. As such, Euler Hermes Group is dependent on the dividends paid by its subsidiaries, and on other funding sources, to meet its expenses, including the payment of dividends and interest on its debt.

Due to the various risk factors described in this section, Euler Hermes Group may receive a reduced dividend or no dividend from some of its subsidiaries, or may need to provide some of them with significant financial support in the form of loans or capital contributions. This could significantly impact its liquidity and its ability to pay dividends.

The Group is subject to a certain number of legal and regulatory constraints which restrict the use of capital, and, in particular, the payment of dividends.

In particular, each of the legal insurance entities and the Group must maintain a minimum solvency margin calculated in respect of national regulations and - in the case of some - a minimum level of equalization reserve.

As at December 31, 2015 and subject to validation by local regulators, all the Group companies satisfy their regulatory requirements.

If a Group subsidiary were to fall below the required regulatory standards, an action plan would be put in place in order to return to compliance. This action plan could rely, *inter alia*, on changes in arbitrage or investment policies, changes in reinsurance conditions or changes in the shareholding structure.

The Group's Finance department, in close collaboration with the subsidiaries' Finance departments, monitors the risks resulting from potential regulatory restrictions and the implementation of new solvency

policies, and, in particular, Solvency II in Europe, the Swiss Solvency Test (SST) in Switzerland, and the Solvency Modernization Initiative (SMI) in the United States.

#### Risk assessments made by the Group and its governing bodies

Determining the amount of reserves and impairments is based on periodic assessments and estimates of the known and inherent risks of each underlying event. These assessments and estimates are revised as conditions change or as new information becomes available.

The Group's governing bodies, in the light of this information and in accordance with the accounting principles and methods set out in the consolidated financial statements (*see Note 2 "IFRS recognition and measurement rules" in the notes to the consolidated financial statements*), make decisions on what constitutes an adequate booked level of reserves and impairments. These decisions are taken based on their analysis, and the assessment and appraisal of the causes and consequences of any changes affecting previous risk estimates.

However, the Group cannot guarantee that its management bodies have correctly estimated the level of impairment and the reserves recognized in the financial statements, or that additional impairments or reserves may not negatively affect the Group's net income and financial position.

#### Reduction in the growth of the Group's businesses

Growth observed in recent years, both organic and acquisition-driven, may, despite the strategic expansion objectives of the management bodies, not continue or may not be in line with expectations, mainly due to challenging conditions in the financial markets and changes in economic conditions.

The Group has implemented initiatives to enter new markets either by expanding its existing credit-insurance business in new geographical areas in which the Group was not previously present or where its earlier presence was only marginal, or in the form of new products related to credit insurance, such as recovery for third parties.

Maintaining a high level of development could, however, be affected by changes in current regulations or tax legislation.

Any inability on the part of the Group to capitalize on innovative products and on partnerships or new methods of distribution, to deploy them within the Group and to develop them in accordance with its objectives, could adversely affect the growth of the Group's business.

### **The diversity of the countries in which the Group operates**

The Group markets its products and services in Europe, North and South America, Asia, Oceania, Turkey, Russia, and certain African countries through various legal structures and distribution channels, including majority- or minority-owned subsidiaries, partnerships with insurance companies or banks, joint ventures, agents and independent brokers.

The diversity of the Group's international presence exposes it to very different and often widely fluctuating economic, financial, regulatory, commercial, social and political environments, which could potentially affect demand for its products and services, the value of its investment portfolio or the solvency of its local business partners.

The successful implementation of the Group's overall strategy may be hampered by the environment in some countries in which it operates, with adverse effects on the Group's net income and financial position.

### **Existence of unexpected liabilities relating to discontinued operations and expenses relating to other off-balance sheet commitments**

The Group may occasionally retain insurance and reinsurance liabilities or other off-balance sheet commitments stemming from the sale or liquidation of various activities, or be required to provide guarantees and undertake other off-balance sheet transactions.

If the existing reserves for such obligations and liabilities are insufficient, the Group may have to record additional charges that may impact its net income significantly.

For more information, see Note 33 of the Group's consolidated financial statements relating to commitments given and received.

### **Operational failures or inadequacies**

The Group's activity is based very heavily on its processes and information systems.

As such, the Group makes considerable efforts to maintain and modernize its information systems and the efficiency of its processes. In particular, the Group ensures that its processes and information systems are consistent with industry, regulatory and technological standards and with the preferences of its policyholders.

However, the Group is exposed to operational risks that are inherent to its business and which may be of human, organizational, material or natural origin, or result from other events within or outside the Group. These operational risks could materialize in various ways, mainly through interruptions or failures of information systems used by the Group; errors, fraud or malice on the part of its employees, policyholders or intermediaries; non-compliance with internal and external regulations; and hacking of its information systems.

While the Group strives to achieve better management of all of these operational risks in order to limit their potential impact, they could result in financial losses, a deterioration in the Group's liquidity, disruption of its activity, regulatory sanctions, or damage to its reputation.

## **4.1.4 Risk factors related to the regulatory or competitive environment**

The risk factors described in this section particularly affect the risks described in section 4.2.5.

### **A highly competitive environment**

The Group operates in a highly competitive market, in which other players are sometimes subject to different regulations, use multiple distribution channels and offer more competitive prices than those of the Group. In

addition, several products offer an alternative to credit insurance and widen the coverage possibilities available to customers.

In view of this competitive pressure, the Group may need to adjust the prices of some of its products and services or its policy for underwriting risks, which could affect its ability to maintain or improve profitability and adversely affect its net income and financial position.

## Reinforcement of, and changes in, local, European and international regulations

The credit insurance business is subject to specific regulations in different countries. Changes to the laws and regulations governing the insurance business could significantly affect the conduct of operations and the Group's range of insurance products.

In addition, the credit-insurance and bonding activity with a coverage period greater than 12 months is one of the factors for classification of the Allianz group as a group that is "too big to fail." The main shareholder could decide to propose decisions that could lead to a reduction in this activity, which could affect the Group's attractiveness, net income or valuation.

## Changes to local, European and international tax laws and regulations

Changes to the tax legislation of countries in which the Group operates could have unfavorable consequences on the Group's operations, cash flow position and net income.

In addition, such changes to tax laws and regulations, or operating performances below expected levels or occurring at different times, could lead to a significant change in the Group's deferred tax assets and thus lead to a reduction in the value of certain tax assets or call their use into question.

This situation could have a material adverse impact on the Group's net income and financial position.

## The classification of the main shareholder of the Group as an insurance company whose failure would significantly affect the financial system

In 2014, the Group's main shareholder, the Allianz group, was included in the list of Global Systemically Important Insurers (GSII).

Credit-insurance and bonding activity with a coverage period greater than 12 months has been classified as non-traditional insurance by the International Association Insurance Supervisors (IAIS) and is one of the factors in the classification of the Allianz group as a group "too big to fail." The main shareholder could decide to propose decisions that could

lead to a reduction in this activity, which could affect the Group's attractiveness, net income or valuation.

Moreover, this classification of the main shareholder could in time have consequences for the Group if it had to cover the additional capital necessary for the main shareholder.

Finally, the Group itself could be classified as a national insurance group whose failure could significantly affect the financial system (NSII), and whose credit insurance and bonding business lines had been declared important for the economy.

## Potential changes to international accounting standards

The Group's consolidated financial statements are drawn up in accordance with international accounting standards 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 (*see Note 2 "IFRS recognition and measurement rules" in the notes to the consolidated financial statements*).

Plans to amend existing standards are being considered by the International Accounting Standards Board (IASB); some of them may have a significant impact on the financial statements of insurance companies and financial institutions. These potential changes could concern the recognition of both the Group's assets and liabilities, and its income and expenses in the consolidated income statement.

The impact of such changes is difficult to assess at this stage, but would be likely to affect the Group's net income and financial position.

## The variety of legal systems in the countries in which the Group operates

In recent years, the Group has accelerated its international expansion in countries in which judicial and dispute resolution systems sometimes involve different timeframes from those that exist in Europe or the United States. As such, the Group may find it difficult to take legal action or enforce rulings. In such a situation, the possible legal implications could affect the Group's operations and net income.

## 4.2 Quantitative and qualitative notes relating to risk factors

### 4.2.1 Risk management structure

#### The Risk Management function

The responsibilities of the Risk Management function are as follows:

- to identify, measure and take part in the management of financial, insurance and operational risks;
- to define and monitor risk appetite for these risks and to strengthen the risk-reporting process, risk limits and decision-making processes, in relation to four aspects: turnover, value, capital, and liquidity;
- to calculate the economic capital associated with the business. Economic capital is calculated by using an internal model, where the responsibility for developing the model is divided between the Group for risks associated with insurance activities, and the main shareholder for all other risks. The Group periodically analyzes the validity of these models for the risk profile specific to the Group;
- to construct a favorable environment in terms of models, indicators, standards and culture for the various business lines, in order to underwrite risks in the context of the risk appetite validated locally and by the Group;
- to maintain the authorization to use an internal model and complete all the procedural operations for approval of the changes on the internal models with the supervisors in view of Solvency II and the Swiss Solvency Test;
- more generally, to implement all the actions necessary to create an effective "second line of defense" on all risks in connection with other key functions (internal audit, compliance and actuarial).

In order to fulfill these missions, this team operates totally independently.

Although it does not have an operating function, it is closely associated with the Group's management and decision-making processes. It relies on other Group functions, at both the Group and local levels, and in particular the commercial, financial, underwriting, and claims management functions.

All activities and the results of risk analysis are regularly reported.

#### The Risk Management structure

Risk Management is organized around three pillars:

1. Senior management of Euler Hermes group:
  - defines and implements business strategy by delegation of the Supervisory Board and/or the Board of Management,
  - defines and develops internal controls and the framework of the Risk Management function,
  - ensures that the activity is consistent with the defined risk appetite.

Senior management relies on various committees to carry out its tasks, including:

- the Risk Committee,
- the Investment Committee,
- the Reinsurance Committee,
- the Commercial Committees,
- the Risk Underwriting Committees.

The Audit and Risk Committee, which reports to the Supervisory Board, debates the following matters at least every quarter: changes in the solvency margin, the main risks to which the Group is exposed, the effectiveness of the risk management framework and regulatory changes affecting the Group.

2. Risk Management, which is responsible for:
  - defining and implementing the Risk Management system within the organization, particularly the risk governance rules,
  - ensuring that all the Group's legal entities comply with these rules.

The Risk Management function is led by a Chief Risk Officer, who reports to the Group's Chief Financial Officer.

The Chief Risk Officer and his/her team act independently and have no operational responsibilities.

# 4

## Major risk factors and their management within the Group Quantitative and qualitative notes relating to risk factors

The Risk Management function works closely, in particular, with the Compliance and Ethics function, the Legal and Tax Division and the Actuarial Division in order to establish a coordinated second line of defense;

3. the Internal Audit function:
  - independently and objectively verifies that all *processes* implemented as part of Risk Management are properly defined and implemented, and suggests improvements where appropriate.

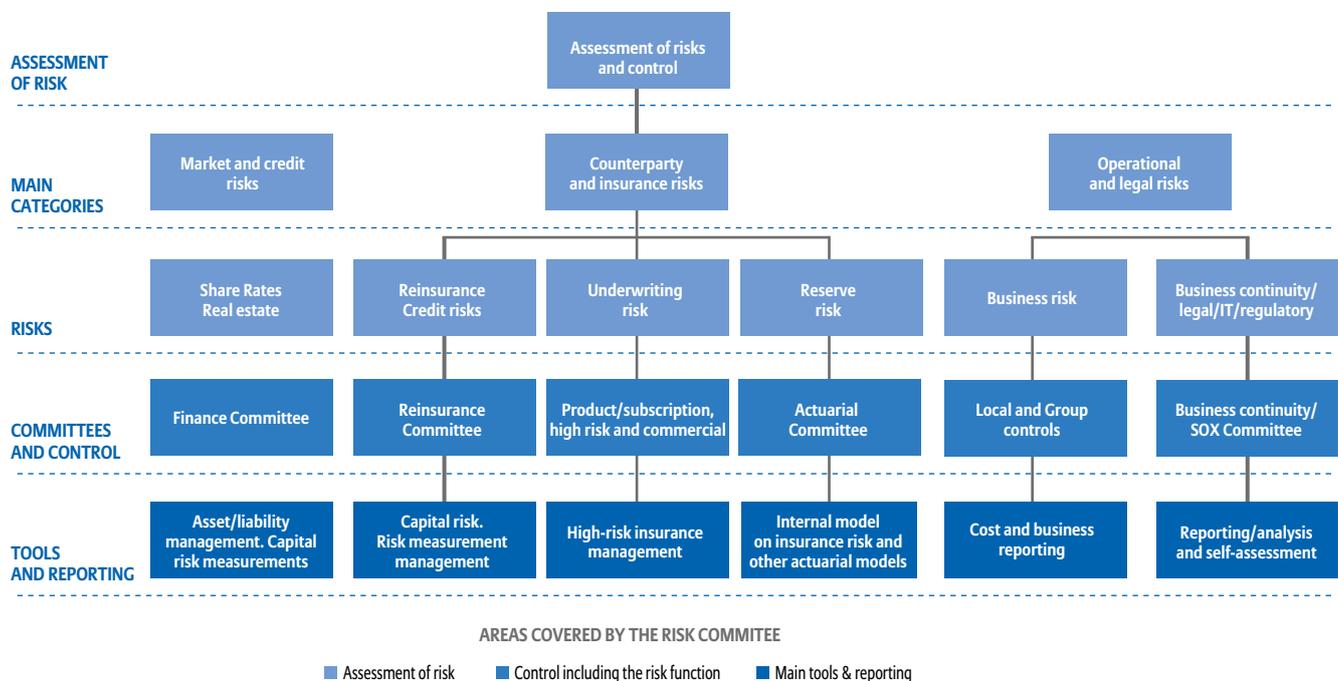
### The Risk Management function at the local level

Risk Management in the Group's various legal entities has the same tasks and is organized in the same way as at Group level.

In particular, each legal entity defines a local risk appetite, in line with the Group risk appetite, and manages its activity on the basis of local risk appetite.

### The main Risk Management flows

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



This structure aims to identify and proactively monitor all risks by maintaining responsibility for their management at the operational level. This allows routine Risk Management to be spread across the operations of the entire Group, while at the same time allowing the function to respond to specific events as efficiently as possible. The Risk Management function establishes risk scenarios in collaboration with other operating functions and informs senior management accordingly. The committees are

important relay points, both as a center for responsibility and decision-making for Risk Management, but also to disseminate a culture and identify the strengths and weaknesses of risk control. All these elements combine to form an ongoing Risk Management mechanism that includes a forward-looking view of major risks, especially with regard to any changes in the environment or trends. As such, the Group is particularly well prepared to monitor adverse developments and take appropriate action.

## 4.2.2 Insurance risks

### Product approval

A Group-level Product Committee has been set up that is responsible for approving all new products or changes to existing products.

The Product Committee comprises the Group's main functions, especially Marketing, Commercial Underwriting, Risk Underwriting, Management Control, Reinsurance and Risk Management.

The Committee's purpose is to approve products from different perspectives (commercial, internal processes, profitability, impact on solvency, etc.) and to make recommendations to the Board of Management.

## Underwriting of risk

The underwriting of risk takes place in two phases:

### 1 Signature of the insurance contract

The credit insurance contract contains all management rules and parameters (deductible, maximum liability, etc.). These rules and parameters are differentiated depending on the risk profile of each policyholder. It also requires the policyholder to declare its unpaid invoices according to certain declaration timescales, and, during the insurance period, the Group and the policyholder are in regular contact, including managing customer limits as necessary. The principle of comprehensive coverage of the policyholder's revenues is one of the key elements for diversifying risk and limiting anti-selection phenomena.

### 2 Management of limits granted to policyholders

The Group has developed a risk business model to deal with insurance risk in the most efficient way.

The key elements of this risk business model are:

- definition of the model by a Group team;
- local risk underwriting;
- centralized control;
- a system for researching and collecting information on the Group's policyholders' customers;
- a Group risk grading system;
- specialized teams;
- a centralized IT system in which all policyholder requests are entered, and all granted limits and any information on the debtors are stored;
- quality of service standards in the response to customers.

The following tables show the Group's gross theoretical exposure, breaking it down into two segments:

- 1 the country in which the debtor is located<sup>(1)</sup>;
- 2 the economic sector of the debtor.

### ■ 1) THE COUNTRY IN WHICH THE DEBTOR IS LOCATED

(in € millions)	2015	%	2014	%	Variation
<b>Total Europe</b>	668,387	75.1%	650,779	75.7%	2.7%
<i>of which:</i>					
France	186,111	20.9%	186,893	21.7%	-0.4%
United Kingdom	73,069	8.2%	69,450	8.1%	5.2%
Germany	159,505	17.9%	154,018	17.9%	3.6%
Italy	72,044	8.1%	71,885	8.4%	0.2%
Belgium and Luxembourg	22,520	2.5%	16,775	2.0%	34.2%
Netherlands	24,113	2.7%	22,480	2.6%	7.3%
Spain	18,218	2.0%	16,464	1.9%	10.7%
Eastern Europe	41,711	4.7%	44,587	5.2%	-6.5%
Scandinavia	30,284	3.4%	27,528	3.2%	10.0%
Other Europe	40,812	4.6%	40,699	4.7%	0.3%
<b>Total Americas</b>	120,578	13.5%	111,065	12.9%	8.6%
<i>of which:</i>					
United States	89,424	10.0%	79,392	9.2%	12.6%
Canada	11,193	1.3%	11,851	1.4%	-5.6%
Other Americas	19,961	2.2%	19,822	2.3%	0.7%
<b>Asia-Pacific</b>	71,120	8.0%	67,632	7.9%	5.2%
<b>Middle East</b>	20,507	2.3%	21,311	2.5%	-3.8%
<b>Africa</b>	9,558	1.1%	9,095	1.1%	5.1%
<b>TOTAL</b>	<b>890,150</b>	<b>100.0%</b>	<b>859,882</b>	<b>100.0%</b>	<b>3.5%</b>

(1) The Group hedges the risk of non-payment of invoices delivered by a policyholder to its customer. Consequently, the analyses are not based on the characteristics of the policyholder but rather its customers (or debtors).

# 4

## Major risk factors and their management within the Group Quantitative and qualitative notes relating to risk factors

### 2) THE ECONOMIC SECTOR OF THE DEBTOR

(in € millions)	2015	%	2014	%	Variation
Automotive	42,555	4.8%	36,609	4.3%	16.2%
Chemicals	68,071	7.6%	64,999	7.6%	4.7%
Commodities	58,334	6.6%	55,732	6.5%	4.7%
Computers & Telecoms	25,555	2.9%	26,084	3.0%	-2.0%
Construction	104,050	11.7%	103,385	12.0%	0.6%
Electronics	48,551	5.5%	45,963	5.3%	5.6%
Food	105,556	11.9%	96,802	11.3%	9.0%
Household equipment	26,282	3.0%	26,707	3.1%	-1.6%
IT Services	22,978	2.6%	21,382	2.5%	7.5%
Machinery & Equipment	57,056	6.4%	56,301	6.5%	1.3%
Metal	66,515	7.5%	69,438	8.1%	-4.2%
Paper	17,288	1.9%	17,028	2.0%	1.5%
Retail	125,954	14.1%	119,658	13.9%	5.3%
Services	73,643	8.3%	74,306	8.6%	-0.9%
Textile	19,889	2.2%	19,669	2.3%	1.1%
Transport	23,314	2.6%	22,535	2.6%	3.5%
Unknown	4,559	0.5%	3,285	0.4%	38.8%
<b>TOTAL</b>	<b>890,150</b>	<b>100.00%</b>	<b>859,882</b>	<b>100.0%</b>	<b>3.5%</b>

### Reinsurance

The purchase of reinsurance is an important part of the way in which the Group manages its insurance activity and controls risks.

The Group has entrusted its reinsurance purchase transactions in the market to its Switzerland-based reinsurance company (Euler Hermes Reinsurance AG).

Rules have been laid down to guide the purchase of reinsurance, and their application is subject to regular internal auditing.

In addition, a Reinsurance Committee, comprising the Chairman of the Group's Board of Management, the Group Chief Financial Officer, Euler Hermes Reinsurance AG's Chief Executive Officer, and the Group Risk Officer, makes recommendations to the Board of Management.

Purchases of reinsurance are preceded by:

- quantitative analysis to ensure that the proposed structures match the risk borne by the Group, in terms of both frequency and severity, especially in the event of changes in the economic conditions in which the Group operates;
- analysis of the financial strength of reinsurers on the panel.

### Underwriting and claims management

One of the responsibilities of subsidiaries as part of their insurance activities is to establish reserves to cover the occurrence of an incident resulting in an insurance claim. These reserves must be sufficient to guarantee the settlement of future claims.

To ensure that this process works correctly, the Group has defined and implemented written procedures for:

- claims management, including the conditions for opening and settling a claim;
- management of claims recoveries (both before and after settlement);
- recognition of all transactions associated with determining the ultimate loss recorded by the Group.

These rules are subject to regular review by the Group Claims department and periodic review by Internal Audit.

This process applies to each notified claim.

The Group has implemented a process of defining reserves Incurred But Not Reported ("IBNR reserves") covering un-notified claims relating to the current and previous fiscal years. For the definition of this reserve, see the following section.

### Assessment of reserves

Claims reserves recorded at a given time result from three reserves:

- reserves for notified claims, covering notified claims;
- IBNR reserves, covering un-notified claims relating to the current and previous years;
- expectations of future recoveries of settled claims.

The reserve for notified claims is subject to case-by-case analysis, as described in the preceding paragraph.

The determination of the IBNR reserves and expectations of future recoveries of settled claims result from periodic actuarial analysis conducted by the Actuarial Divisions of each legal entity and overseen by the Group Actuarial Division.

The Group Actuarial Division is also tasked with ensuring that the overall level of the Group's reserves is sufficient to cover future claims, and to establish and verify the correct implementation of actuarial principles, with which the calculations of estimated reserves must be consistent.

The entire process is subject to periodic review by Internal Audit and by external auditors.

The rules for establishing reserves are consistent with local laws and regulations.

At the current time, the main actuarial methods used by the Group's subsidiaries are based on claims triangles (Chain Ladder, Bootstrapping

method, etc.) or other methods (Bornhuetter Fergusson, etc.). These methodologies aim to define a reasonable range of estimates within which the Actuarial Division sets its recommended reserve level.

On the basis of this range calculated by actuaries, their recommendations and other analyses (actuarial or not), senior management sets the level of reserves to be adopted for each quarterly closing at meetings of the Loss Reserve Committee. Loss Reserve Committee meetings are held in each subsidiary and then at Group level. They are held at least once per quarter, but can also be held in the event of a major event requiring a major revision to the level of reserves, such as a major claim.

It should nevertheless be noted that estimates are based mainly on assumptions that may differ from subsequent observations, particularly in the event of changes in the economic and legal environments, especially if they affect the Group's main portfolios simultaneously.

A description of the main factors causing changes in claims is provided in section 3.5.2 of this Registration Document.

#### ■ NET CLAIMS/PREMIUMS RATIO

	2010	2011	2012	2013	2014	2015
Claims/premiums ratio	42.1%	45.1%	51.7%	50.5%	48.8%	53.3%

#### ■ COST OF CLAIMS FOR THE GROUP

(in € thousands)	2015			2014		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Cost of claims on current attachment year</b>	<b>1,497,999</b>	<b>(419,767)</b>	<b>1,078,232</b>	<b>1,335,823</b>	<b>(330,747)</b>	<b>1,005,076</b>
Claims paid	257,162	(62,530)	194,632	286,466	(74,860)	211,606
of which, claims reserves	1,146,530	(353,352)	793,178	955,692	(252,284)	703,408
of which, claims handling expenses	94,307	(3,885)	90,422	93,665	(3,603)	90,062
<b>Recoveries for the current period</b>	<b>(120,035)</b>	<b>26,965</b>	<b>(93,070)</b>	<b>(115,159)</b>	<b>25,969</b>	<b>(89,190)</b>
Recoveries received	(10,240)	3,072	(7,168)	(8,705)	2,379	(6,326)
Change in reserves for recoveries	(109,795)	23,893	(85,902)	(106,454)	23,590	(82,864)
<b>Cost of claims from prior periods</b>	<b>(224,847)</b>	<b>65,810</b>	<b>(159,037)</b>	<b>(268,073)</b>	<b>35,103</b>	<b>(232,970)</b>
Claims paid	787,335	(213,547)	573,788	707,223	(237,778)	469,445
of which, claims reserves	(1,015,312)	278,046	(737,266)	(986,923)	272,433	(714,490)
of which, claims handling expenses	3,130	1,311	4,441	11,627	448	12,075
<b>Recoveries from prior periods</b>	<b>(5,577)</b>	<b>5,150</b>	<b>(427)</b>	<b>46,080</b>	<b>(6,242)</b>	<b>39,837</b>
Recoveries received	(126,612)	37,141	(89,471)	(159,091)	72,099	(86,992)
Change in reserves for recoveries	121,035	(31,991)	89,044	205,171	(78,341)	126,829
<b>COST OF CLAIMS</b>	<b>1,147,540</b>	<b>(321,842)</b>	<b>825,698</b>	<b>998,671</b>	<b>(275,917)</b>	<b>722,753</b>

# 4

## Major risk factors and their management within the Group Quantitative and qualitative notes relating to risk factors

### ■ TECHNICAL RESERVES FOR THE GROUP

(in € thousands)	December 31, 2015			December 31, 2014		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Claims reserves gross of recoveries</b>	<b>2,056,108</b>	<b>(643,732)</b>	<b>1,412,376</b>	<b>1,906,065</b>	<b>(565,768)</b>	<b>1,340,297</b>
Current period	1,182,754	(354,679)	828,075	1,010,239	(253,783)	756,456
Prior periods	873,354	(289,053)	584,301	895,826	(311,985)	583,841
<b>Recoveries to be received</b>	<b>(282,279)</b>	<b>91,552</b>	<b>(190,727)</b>	<b>(290,534)</b>	<b>98,967</b>	<b>(191,567)</b>
Current period	(110,008)	23,916	(86,092)	(107,544)	23,585	(83,959)
Prior periods	(172,271)	67,636	(104,635)	(182,990)	75,382	(107,608)
<b>Claims reserves</b>	<b>1,773,829</b>	<b>(552,180)</b>	<b>1,221,649</b>	<b>1,615,531</b>	<b>(466,801)</b>	<b>1,148,730</b>

(in € thousands)	December 31, 2015			December 31, 2014		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Reserves for unearned premiums</b>	<b>447,107</b>	<b>(75,379)</b>	<b>371,728</b>	<b>396,221</b>	<b>(62,695)</b>	<b>333,526</b>
<b>Claims reserves</b>	<b>1,773,829</b>	<b>(552,180)</b>	<b>1,221,649</b>	<b>1,615,531</b>	<b>(466,801)</b>	<b>1,148,730</b>
of which, reserves for known claims	1,239,977	(388,536)	851,441	1,130,972	(359,647)	771,325
of which, reserves for late claims	729,144	(244,024)	485,120	679,393	(194,256)	485,137
of which, reserves for claims handling expenses	87,229	(11,173)	76,056	95,688	(11,865)	83,823
of which, other technical reserves	(242)	1	(241)	13	-	13
of which, recoveries to be received	(282,279)	91,552	(190,727)	(290,535)	98,967	(191,568)
<b>Reserves for no-claims bonuses and rebates</b>	<b>166,620</b>	<b>(35,252)</b>	<b>131,368</b>	<b>165,494</b>	<b>(34,783)</b>	<b>130,711</b>
<b>TECHNICAL RESERVES</b>	<b>2,387,556</b>	<b>(662,811)</b>	<b>1,724,745</b>	<b>2,177,246</b>	<b>(564,279)</b>	<b>1,612,967</b>

## Claims developments

For a specific attachment year, claims developments follow a process of claims declaration, payment and recovery. This process can run over many years.

The following tables show:

- a) The development of the ultimate cost of claims per attachment and development year

### ■ ESTIMATED FINAL COST OF CLAIMS FOR THE MAJORITY OF GROUP ENTITIES (BEFORE REINSURANCE)<sup>(1)</sup>

Year of occurrence												
Year of development												
(in € thousands)	1	2	3	4	5	6	7	8	9	10	Difference <sup>(2)</sup>	% Diff
2006	864,732	816,687	768,205	755,069	763,088	759,187	761,755	758,534	760,117	750,691	114,041	13.2%
2007	880,924	876,497	861,575	868,533	873,729	860,684	851,257	847,328	840,018		40,906	4.6%
2008	1,391,313	1,484,458	1,544,463	1,540,131	1,519,012	1,498,516	1,453,252	1,443,871			(52,558)	-3.8%
2009	1,234,192	1,018,493	977,354	946,204	923,076	926,227	903,770				330,423	26.8%
2010	972,218	731,678	695,700	675,350	669,699	668,031					304,186	31.3%
2011	1,104,194	948,543	903,213	877,264	857,736						246,458	22.3%
2012	1,347,943	1,304,665	1,223,004	1,183,425							164,519	12.2%
2013	1,266,914	1,192,034	1,061,486								205,428	16.2%
2014	1,265,809	1,314,329									(48,519)	-3.8%
2015	1,380,321											

(1) All figures (current & prior years), when necessary, have been converted based on the end of year 2015 euro conversion rate.

(2) Variance: Surplus or shortfall of the latest estimated claims cost over the initial estimated claims cost for a specific year.

b) The development of paid claims per attachment and development year

■ **DEVELOPMENT TRIANGLES FOR CUMULATIVE CLAIMS PAID NET OF RECOVERIES FOR MOST GROUP ENTITIES (BEFORE REINSURANCE)<sup>(1)</sup>**

**Year of occurrence**

Year of development  
(in € thousands)

	1	2	3	4	5	6	7	8	9	10
2006	289,087	680,755	722,795	723,846	742,544	742,625	744,606	749,419	756,855	747,491
2007	279,325	725,778	794,860	819,820	831,458	835,658	835,076	836,535	832,693	
2008	390,987	1,162,491	1,344,862	1,393,898	1,408,893	1,412,281	1,401,702	1,425,027		
2009	423,256	811,309	865,507	872,390	880,831	877,647	883,819			
2010	224,871	541,363	587,420	609,802	634,873	642,555				
2011	278,512	748,365	822,378	830,563	833,970					
2012	529,675	1,022,643	1,074,013	1,101,915						
2013	353,636	882,015	959,694							
2014	339,198	941,748								
2015	297,518									

(1) All figures (current & prior years), when necessary, have been converted based on the end of year 2015 euro conversion rate.

## 4.2.3 Market risks

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

### Interest rate risk

Interest rate risk measures how sensitive asset and liability values are to changes in the interest rate curve.

Interest rate risk management, while recognizing the short duration of the liabilities, also takes into account business continuity in order to increase the duration of investments and thus achieve higher returns on investments in fixed-income products.

■ **BOND PORTFOLIO AT FAIR VALUE BY MATURITY**

	2015		2014	
	(in € millions)	(%)	(in € millions)	(%)
0 to 1 year	201	6.7%	422	15.0%
1 to 3 years	798	26.7%	884	31.4%
3 to 5 years	836	27.9%	810	28.8%
5 to 7 years	706	23.6%	462	16.4%
7 to 10 years	431	14.4%	210	7.5%
Beyond 10 years	21	0.7%	27	1.0%
<b>TOTAL BOND PORTFOLIO AT FAIR VALUE</b>	<b>2,993</b>	<b>100%</b>	<b>2,816</b>	<b>100%</b>

# 4 Major risk factors and their management within the Group

## Quantitative and qualitative notes relating to risk factors

### Exchange rate risk

Exchange rate risk measures the sensitivity of assets and liabilities to changes in currencies other than the reporting currency in which assets and liabilities are recorded in the statement of financial position.

The Group faces exchange rate risk in various ways, mainly in the event of:

- limits granted for a policyholder in a currency that is not the reporting currency, which can lead to changes in cash or reserves (under collection or claims management procedures) that are not recorded in the reporting currency;
- reinsurance in a currency other than the reporting currency;

- investment in a currency other than the reporting currency;
- the presence of branches or subsidiaries operating in a currency other than the reporting currency of the parent company.

To limit exchange rate risk, and in accordance with rules laid down by local regulators, the congruence principle, i.e. the matching of assets and liabilities at the local level, is applied.

For this reason, and because of the high concentration of activity in the eurozone, the Group does not hold any currency hedging instruments.

On December 31, 2015, the portion of the financial portfolio carried by the Group in currencies other than the euro amounted to 22.9% of the market value of the portfolio.

#### FINANCIAL PORTFOLIO OF THE GROUP BY CURRENCY

	2015		2014	
	(in € millions)	(%)	(in € millions)	(%)
EUR	3,295	77.1%	3,266	79.2%
GBP	255	6.0%	219	5.3%
USD	454	10.6%	409	9.9%
Other currencies	269	6.3%	231	5.6%
<b>TOTAL FINANCIAL INVESTMENTS</b>	<b>4,273</b>	<b>100%</b>	<b>4,125</b>	<b>100%</b>

Assets comprise the investment portfolio, technical reserves recorded as assets and the ceded portion of technical reserves.

Liabilities comprise technical reserves and borrowings.

The principle of matching assets and liabilities at the local level and the emphasis on the euro in the statement of financial position avoids the need to hedge residual exchange rate risk.

#### EXCHANGE RATE RISK

(in € thousands)	2015			2014		
	United States	United Kingdom	Group	United States	United Kingdom	Group
Net income attributable to owners of the Group as at 12/31	18,467	11,082	302,476	21,562	8,003	302,060
Exchange rate at year end	0,9206	1,3568		0,8264	1,2886	
<b>Net income attributable to owners of the Group in local currency</b>	<b>20,061</b>	<b>8,168</b>		<b>26,091</b>	<b>6,211</b>	
Effect of a 100-basis point change in the exchange rate on income/loss	0,9106	1,3468		0,8164	1,2786	
Net income in € thousands after exchange rate variation	18,266	11,000	302,194	21,301	7,941	301,737
<b>% change relative to initial income/loss</b>	<b>-1.09%</b>	<b>-0.74%</b>	<b>-0.09%</b>	<b>-1.21%</b>	<b>-0.78%</b>	<b>-0.11%</b>

### Equity market risk

Equity market risk measures how sensitive asset values are to changes in equity prices. By extension, minority stakes in unlisted companies and investments in funds dominated by equities are deemed to be equities.

The Group held more than 5% of its financial portfolio in equities at the end of 2015. This percentage is consistent with the strategic allocation of

the investment portfolio, as well as its tactical allocation, as defined by the Investment Committee.

As at December 31, 2015, the maximum proportion of equities allowed in the strategic allocation of the investment portfolio was 10% (including private equity, convertibles and unlisted securities).

Investments in convertible bonds are classified as bonds in the table below.

(in € millions)	2015		2014	
	Amount	%	Amount	%
Bonds	2,993	64.8%	2,816	63.2%
Shares	270	5.9%	246	5.5%
Buildings third party use	240	5.2%	210	4.7%
Loans, deposits and other financial investments	769	16.7%	854	19.2%
<b>Total financial investments</b>	<b>4,273</b>	<b>92.5%</b>	<b>4,125</b>	<b>92.5%</b>
<b>Cash</b>	<b>345</b>	<b>7.5%</b>	<b>333</b>	<b>7.5%</b>
<b>TOTAL FINANCIAL INVESTMENTS + CASH</b>	<b>4,618</b>	<b>100.0%</b>	<b>4,458</b>	<b>100.0%</b>

## Liquidity risk

Liquidity risk is the risk that the Group may not have sufficient financial resources to cover its cash needs.

Liquidity risk is subject to specific monitoring by the Group, in both its insurance activities and financial investments.

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

With the exception of the Group's German entity, which participates in the cash pooling common to all the German entities of the Allianz group, the entities manage their cash independently.

Sources of liquidity available to the Group (excluding the divestment of its investment portfolio) mainly comprise:

- the excess liquidity of a company;
- shareholders;
- the banking market;
- bond issues.

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

At December 31, 2015, some of the Group's financing debt (*described in Note 18 "Financing debt" to the consolidated financial statements*) carried covenants in addition to the traditional clauses relating to the existence of reserves or refusal to certify accounts, which could lead to a change in the loan interest expense.

Indeed, some borrowings are subject to step-up clauses providing for an increase in the annual interest rate in the event of a ratings downgrade by Standard & Poor's.

## Real estate risk

Real estate risk measures how sensitive the value of property assets is to changes in values in the real estate market. This risk covers buildings housing the Group's operations (*described in Note 8 "Operating property and other property, plant and equipment" to the consolidated financial statements*), as well as real estate leased to third parties (*described in Note 5 "Investment and operating property" to the consolidated financial statements*).

Investments in real estate or real estate products (for own use or investment) account for just over 6.5% of the market value of the investment portfolio. This percentage is consistent with the strategic allocation of the investment portfolio, as well as its tactical allocation, as defined by the Investment Committee and in force as at December 31, 2015.

## Sensitivity tests

In addition to calculating the capital required to cover the risk taken, the Group regularly conducts sensitivity tests to check the adequacy of its protection and the possibility of scenarios involving higher risks than initially anticipated.

The results are representative of the risks concerned but, like any simulation, have their limits. The simulation is based on the situation at a given date, i.e. the year-end in the present case. As such, the results do not reflect events that may arise after the end of the financial year.

# 4 Major risk factors and their management within the Group

## Quantitative and qualitative notes relating to risk factors

### RISK RELATING TO EQUITIES AND BONDS IN THE PORTFOLIO ON DECEMBER 31, 2015

(in € millions)	Market value on December 31, 2015	Impact of a 100 bp increase in interest rates <sup>(2)</sup>	Impact of 10% fall in equity markets	Market value at 12/31/2014	Impact of a 100 bp increase in interest rates <sup>(1)</sup>	Impact of 10% fall in equity markets
Bonds	2,993	(100.1)	-	2,816	(84.7)	-
Equities	270	-	(27.0)	246	-	(23.5)
<b>TOTAL</b>	<b>3,263</b>			<b>3,061</b>		

(1) Average sensitivity 3%, calculated on the main subsidiaries representing over 99% of the bond portfolio at the end of 2013.

(2) Average sensitivity 3%, calculated on the main subsidiaries representing over 99% of the bond portfolio at the end of 2014.

### RISK ON PORTFOLIO EQUITIES AT DECEMBER 31, 2015

(in € millions)	Market value on December 31, 2015 – scenario impact	Revaluation reserves – shareholders' equity impact	Amortized cost – economic account impact
<b>TOTAL</b>	<b>270.5</b>	<b>22.3</b>	<b>248.2</b>
Impact of 10% fall in equity markets	(27.0)	(22.3)	(4.7)
Impact of 30% fall in equity markets	(74.8)	(22.3)	(52.5)

Impact on shareholders' equity does not take account of deferred taxes. Income impact is before tax.

(in € millions)	Net income 2015	10% fall in premiums	10% rise in cost of claims in 2015 net appeals	10% increase in management costs	2014 Net income	10% fall in premiums	10% increase in cost of claims in 2014 net appeals	10% increase in management costs
<b>Change in net income</b>	<b>302</b>	<b>(52)</b>	<b>(70)</b>	<b>(68)</b>	<b>302</b>	<b>(57)</b>	<b>(65)</b>	<b>(68)</b>

### FINANCIAL PORTFOLIO ON DECEMBER 31, 2015

(in € millions)	Assets <sup>(a)</sup>	Liabilities <sup>(b)</sup>	Foreign-currency commitments <sup>(c)</sup>	Net position before hedging <sup>(d) = (a) – (b) ± (c)</sup>	Hedging Instruments <sup>(e)</sup>	Net position after hedging <sup>(f) = (d) – (e)</sup>
EUR	3,295	252	0	3,043	0	3,043
GBP	255	0	0	255	0	255
USD	454	0	0	454	0	454
Other currencies	269	0	0	269	0	269
<b>TOTAL</b>	<b>4,273</b>	<b>252</b>	<b>0</b>	<b>4,020</b>	<b>0</b>	<b>4,020</b>

(a) Financial assets.

(b) Borrowings.

The following table shows the impact of exchange rate changes on the annual operating income before tax and the own funds of subsidiaries which present their financial statements in non-euro currencies.

December 31, 2015 (in € thousands)	Impact on operating income		Impact on equity before tax	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
GBP	77.9	(77.9)	(271.9)	271.9
USD	334.9	(334.9)	990.1	(990.1)
<b>TOTAL</b>	<b>412.8</b>	<b>(412.8)</b>	<b>718.1</b>	<b>(718.1)</b>

## 4.2.4 Counterparty risks

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

The Group has implemented various mechanisms to anticipate and limit the consequences of the failure of one of its counterparties.

### Reinsurer default

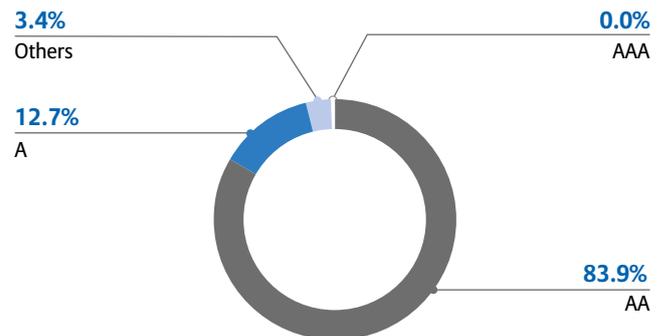
Mechanisms for detecting and limiting counterparty risk:

- selection of reinsurers on the basis of their counterparty rating (rated A or higher or subject to the special prior approval of the Group Board of Management in the event of a rating lower than A);
- limits on concentration risk relating to a single reinsurer;
- constant monitoring by the various operational entities via a maturity analysis of reinsurers' credits and debits, and the amount of technical reserves transferred to them;
- requests for letters of credit or security deposits from reinsurers;
- cut-offs of reinsurance agreements a few years after the implementation of the reinsurance contract.

In the event of reinsurer default or any event that may result in reinsurer default, the Group would conduct a risk analysis of the event. It would then take steps, on the basis of its findings, to minimize the negative impact on the Group.

In this case, the assets carried by the Group in connection with this counterparty would be written down.

### ■ DISTRIBUTION OF TECHNICAL RESERVES CEDED BY REINSURERS' RATINGS (THE SCOPE COVERED REPRESENTS 99.9% OF TOTAL GROUP RESERVES ON DECEMBER 31, 2015)



Reinsurer's credit rating	Exposure (in € thousands)	%
AAA	0	0.0%
AA	555,813	83.9%
A	84,198	12.7%
Other	22,340	3.4%
<b>TOTAL</b>	<b>662,351</b>	<b>100%</b>

### Bank default

Mechanisms for detecting and limiting counterparty risk:

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

In the event of banking counterparty default, all the Group's cash held in the accounts of the bank in question would be written down.

# 4 Major risk factors and their management within the Group

## Quantitative and qualitative notes relating to risk factors

### Bond or equity counterparty default

Mechanisms for detecting and limiting counterparty risk:

- implementation of a strict policy limiting investment in a single private issuer to 5% of total assets.

#### RATINGS OF BOND COUNTERPARTIES

(in € millions)	2015		2014	
	Amount	%	Amount	%
AAA	856	28.6%	1,329	47.2%
From AA+ to AA-	954	31.9%	737	26.2%
From A+ to A-	443	14.8%	269	9.5%
Other	740	24.7%	481	17.1%
<b>TOTAL FINANCIAL INVESTMENTS</b>	<b>2,993</b>	<b>100%</b>	<b>2,816</b>	<b>100%</b>

### Policyholder default

Mechanisms for detecting and limiting counterparty risk:

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

(in € thousands)	December 31, 2015				
	< 3 months	3 months to 1 year	1 to 5 years	> 5 years old	Total
<b>Total credit-insurance receivables</b>	<b>609,623</b>	<b>15,943</b>	<b>1,268</b>	<b>-</b>	<b>626,834</b>

Trade receivables are subject to strict monitoring procedures. 97.3% of trade receivables have a maturity of less than three months. Reserves are recognized for the full amount of any outstanding receivable which is more than six months past due.

## 4.2.5 Operational, legal, regulatory and tax risks

The Group, jointly with its main shareholder, has implemented an analysis framework to identify and quantify operational risk that could stem from an overall failure of the organization and the Group's systems, due to human error or to an external event. Ensuring that appropriate processes are implemented to manage these risks is a cornerstone of the Risk Management function.

### Operational risk

Operational risk is managed in accordance with the policy laid down in the Group's operational risk policy, and is based on the deployment and maintenance of an appropriate and consistent internal control organization, guaranteeing appropriate operational risk management for each Group entity.

The Group's operational risk management system is based on:

- crisis management and business continuity plans;

- internal management rules and operational procedures specifying the manner in which operations should be carried out;
- a periodic disclosure process for operating losses above €10,000 and regular analysis of scenarios that could, if they materialize, result in an operating loss.

The operational risk control system, set out for all Group entities, is based on three levels of control, with responsibilities and control plans suited to each level:

- permanent self-monitoring at the operational level;
- second level of control performed by functions independent of the purely operational functions, mainly Risk Management and Compliance;
- periodic checks conducted in each entity by the internal audit function.

In addition, a program covering own insurance risks has been set up in each Group entity, in a decentralized manner.

## Regulatory risk

The Group is subject to various regulations governing the insurance, banking and asset management businesses.

The Group is also subject to strict regulations due to its listing on Euronext Paris.

The Group has set up the necessary structures to comply with the regulations of the countries in which it operates. They apply the laws of their country of establishment and comply with administrative requirements or those set by local supervisory authorities, as well as specific prudential rules.

In particular, each entity has appointed a correspondent tasked with implementing the European directive on data protection, and the Group has strengthened its control over the application of regulations by making a person within the Group responsible for this function, in conjunction with correspondents within each entity.

## Legal and arbitration proceedings

In the ordinary course of its business, the Group is involved in legal proceedings (notably debt collection proceedings) and is subject to tax assessments and administrative audits. Reserves are systematically established accordingly.

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

To the best of the Group's knowledge, there are no governmental, judicial or arbitration proceedings, either pending or threatened, which have had over the last 12 months, or may have in the future, a material impact on the financial position or profitability of the Company and/or Group.

## Tax risks

By virtue of its legal structure, the Group operates in many countries and under a range of tax regimes.

Tax risk can arise from an operational error in the calculation and declaration of taxes or arise from a difference in interpretation of the application of tax rules.

The Group has established various processes designed to reduce this task risk. In particular,

- first- and second-level controls have been implemented in order to ensure the validity of tax calculations and timely reporting to the tax authorities;
- tax risk analyses are produced by the financial officers on a quarterly basis for the principal tax entities in order to identify the primary risks of interpretation differences.

## Compliance risk

Compliance risk relates to the application of appropriate rules of behavior for a given period or situation.

To deal with this risk, a Group Head of Compliance, working in conjunction with correspondents in every region, monitors compliance with rules governing ethics, fraud, money laundering and the observance of periods during which trading in Euler Hermes group securities is suspended.

## Reputational risk

The Group has implemented measures necessary to protect its image and actively communicate with its shareholders, customers, employees and, more broadly, the financial community about its financial strength *via*:

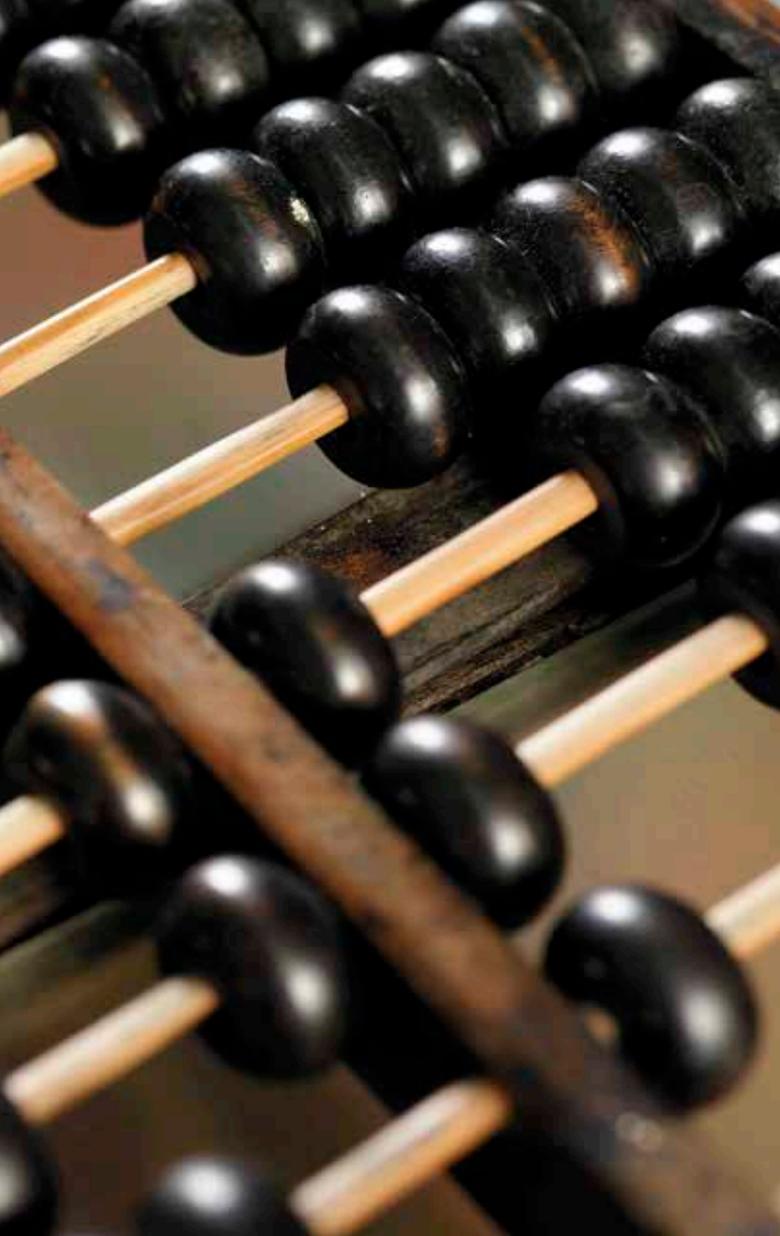
- regular disclosure, both internally and externally;
- continuous monitoring of the Group's image and reputation;
- a set of rules to determine whether operations may result in a reputational risk.

## Labor and environmental risks

On labor issues, the major challenge facing the Group is how to retain employees and how to attract the best talent in the future.

Environmental issues affect the Group to a fairly limited extent, due to the generally non-polluting nature of its business.





# 5

## Consolidated financial statements

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# 5

## Consolidated financial statements

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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, 2014 (established in accordance with IFRS including comparative data for fiscal 2013 under the same standards) and for the year ending December 31, 2013 (established in accordance with IFRS including comparative data for fiscal 2012 under the same standards) and the related report of the Statutory

Auditors are included by reference in this Registration Document. They appear on pages 131 to 210 of the Registration Document of the Company for financial year 2014, as registered by the AMF on March 27, 2015 under no. D. 15-0213 and on pages 123 to 199 of the Registration Document of the Company for financial year 2013, as registered by the AMF on April 30, 2014 under no. D. 14-0469.

## 5.1 Consolidated statement of financial position

(in € thousands)	Notes	December 31, 2015	December 31, 2014
Goodwill	3	114,852	108,389
Other intangible assets	4	118,728	112,502
<b>Intangible assets</b>		<b>233,580</b>	<b>220,891</b>
Investment property	5	78,974	75,369
Financial investments	6	4,018,454	3,894,626
Derivatives		15,469	19,011
<b>Investments</b>		<b>4,112,897</b>	<b>3,989,006</b>
<b>Investments accounted for at the equity method</b>	7	<b>193,292</b>	<b>199,428</b>
<b>Share of assignees and reinsurers in the technical reserves and financial liabilities</b>	19	<b>662,811</b>	<b>564,279</b>
Operating property and other property, plant and equipment	5-8	45,124	48,602
Acquisition costs capitalised		76,131	67,753
Deferred tax assets	9	10,564	23,653
Inwards insurance and reinsurance receivables	10	605,041	592,788
Outwards reinsurance receivables	10	21,793	12,082
Corporation tax receivables		20,414	19,811
Other receivables	11	232,318	228,100
Asset classified as Held for sale	12	37,247	60,670
<b>Other assets</b>		<b>1,048,632</b>	<b>1,053,459</b>
Cash	13	345,414	332,624
<b>TOTAL ASSETS</b>		<b>6,596,626</b>	<b>6,359,687</b>
Capital stock		14,510	14,510
Additional paid-in capital		465,007	465,007
Reserves		1,856,619	1,712,679
Net income, Group share		302,476	302,060
Revaluation reserve	14	65,772	99,242
Foreign exchange translation		11,037	(12,973)
<b>Shareholders' equity, Group share</b>		<b>2,715,421</b>	<b>2,580,525</b>
Non controlling interests	15	61,807	62,142
<b>Total shareholders' equity</b>		<b>2,777,228</b>	<b>2,642,667</b>
<b>Provisions for risks and charges</b>	16	<b>365,032</b>	<b>383,651</b>
Bank borrowings		252,242	284,159
Other borrowings		-	-
<b>Borrowings</b>	18	<b>252,242</b>	<b>284,159</b>
Non-life technical reserves	19	2,387,556	2,177,246
<b>Liabilities related to contracts</b>		<b>2,387,556</b>	<b>2,177,246</b>
Deferred tax liabilities	9	154,571	163,063
Inwards insurance and reinsurance liabilities	20	219,156	226,992
Outwards reinsurance liabilities	20	107,810	131,477
Corporation tax payables		18,395	60,658
Other payables	21	299,650	289,774
Liabilities classified as Held for sale	12	14,986	-
<b>Other liabilities</b>		<b>814,568</b>	<b>871,964</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>6,596,626</b>	<b>6,359,687</b>

## 5.2 Consolidated income statement

(in € thousands except for the earnings per share)	Notes	December 31, 2015	December 31, 2014
Premiums written		2,372,473	2,270,416
Premiums refunded		(132,305)	(111,513)
Change in unearned premiums		(34,724)	(32,992)
<b>Earned premiums</b>		<b>2,205,444</b>	<b>2,125,911</b>
Service revenues		432,931	401,101
<b>Turnover</b>	21	<b>2,638,375</b>	<b>2,527,012</b>
Investment income		80,613	81,117
Investment management charges		(11,456)	(9,012)
Net gain (loss) on sales of investments less impairment and depreciation writebacks		35,447	21,108
Change in fair value of investments recognised at fair value through profit or loss		(3,892)	210
Change in investment impairment provisions		(48)	(2,984)
Net change in foreign currency		15,679	(5,357)
<b>Net investment income</b>	23	<b>116,343</b>	<b>85,082</b>
<b>Insurance services expenses</b>		<b>(1,147,540)</b>	<b>(998,671)</b>
Outwards reinsurance income		555,939	498,812
Outwards reinsurance expenses		(656,407)	(643,876)
<b>Net outwards reinsurance income or expenses</b>	22	<b>(100,468)</b>	<b>(145,064)</b>
<b>Contract acquisition expenses</b>		<b>(478,040)</b>	<b>(452,940)</b>
<b>Administration expenses</b>		<b>(219,261)</b>	<b>(207,943)</b>
<b>Other ordinary operating income</b>	25	<b>18,601</b>	<b>23,595</b>
<b>Other ordinary operating expenses</b>	25	<b>(410,226)</b>	<b>(394,902)</b>
<b>Current operating income</b>	22	<b>417,784</b>	<b>436,169</b>
<b>Other non ordinary operating expenses</b>	26	<b>(4,887)</b>	<b>(24,726)</b>
<b>Other non ordinary operating income</b>	26	<b>4,461</b>	<b>1,682</b>
<b>Operating income</b>		<b>417,358</b>	<b>413,125</b>
Financing expenses		(8,352)	(8,347)
Share of Income from companies accounted for at the equity method	7	18,703	15,718
Corporation tax	27	(123,537)	(116,396)
<b>CONSOLIDATED NET INCOME</b>		<b>304,172</b>	<b>304,100</b>
<i>o/w</i>			
<b>Net income, Group share</b>		<b>302,476</b>	<b>302,060</b>
Non controlling interests		1,696	2,040
<b>Earnings per share (in euros)</b>	28	<b>6.85</b>	<b>6.86</b>
<b>Diluted earnings per share (in euros)</b>	28	<b>6.85</b>	<b>6.86</b>
<b>Earnings per share of continuing activities (in euros)</b>		<b>6.85</b>	<b>6.86</b>
<b>Diluted earnings per share of continuing activities (in euros)</b>		<b>6.85</b>	<b>6.86</b>

## 5.3 Consolidated statement of other comprehensive income

(in € thousands)	December 31, 2015	December 31, 2014
<b>Net income, Group share</b>	<b>302,476</b>	<b>302,060</b>
Net income, Non controlling interests	1,695	2,040
Actuarial gains and losses on defined benefit plans net of tax	16,512	(49,723)
<b>Other comprehensive income – Items that may never be reclassified to profit and loss</b>	<b>16,512</b>	<b>(49,723)</b>
Available-for-sale investments – Reclassification to net income	(31,963)	(20,361)
Tax impact	7,066	5,211
Available-for-sale investments – Changes arising during the period	(19,236)	63,945
Tax impact	5,641	(16,313)
Foreign currency translation adjustments	29,030	35,876
<b>Other comprehensive income – Items that may be reclassified to profit and loss in future periods</b>	<b>(9,462)</b>	<b>68,358</b>
Other comprehensive income – Non controlling interests share net of tax	59	45
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>311,280</b>	<b>322,780</b>
Total comprehensive income, Group share	309,526	320,695
Total comprehensive income, Non controlling interests	1,754	2,085

## 5.4 Consolidated statement of cash flows

(in € thousands)	Notes	December 31, 2015	December 31, 2014
<b>Net income, Group share</b>		<b>302,476</b>	<b>302,060</b>
Corporation tax		123,537	116,396
Financing expense		8,352	8,347
Minority interests		1,696	2,040
Income (loss) of companies accounted for at the equity method	7	(18,703)	(15,718)
<b>Operating income before tax</b>		<b>417,358</b>	<b>413,125</b>
Allocation to and writebacks of depreciation, amortization and reserves		54,458	82,123
Change in technical reserves		71,075	54,034
Change in deferred acquisition costs		(4,528)	(5,228)
Change in fair value of financial instruments recognised at fair value through the income statement (excluding cash and cash equivalents)		(2,295)	(1,609)
Realised capital gains/(losses) net of writebacks		(35,758)	(21,471)
Unrealised foreign exchange gain (loss) in company accounts		6,012	11,719
Interest revenues received accrued		3,744	1,929
<b>Adjustment for elements included in operating income that do not correspond to cash flows and reclassification of financing and investment flows</b>		<b>92,708</b>	<b>121,497</b>
Dividends received from companies accounted for at the equity method	7	21,774	10,414
Change in liabilities and receivables relating to insurance and reinsurance transactions		(41,304)	59,914
Change in operating receivables and liabilities		(22,869)	(2,835)
Change in other assets and liabilities		(1,528)	(13,487)
Corporation tax		(147,825)	(181,854)
<b>Cash flow related to operating activities</b>		<b>(191,752)</b>	<b>(127,848)</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>318,314</b>	<b>406,774</b>
Acquisitions of subsidiaries and joint ventures, net of acquired cash		-	(4,667)
Disposals of subsidiaries and joint ventures, net of ceded cash		-	-
Acquisitions of equity interests in companies accounted for at the equity method	7	-	-
Disposals of equity method investments		-	-
Merger		-	25
<b>Cash flow linked to changes in the consolidation scope</b>		<b>-</b>	<b>(4,642)</b>
Disposals of AFS securities		929,673	1,063,955
Matured HTM securities		63	-
Disposals of investment properties		18	165
Disposals of securities held for trading		12,129	2,630
<b>Cash flow linked to disposals and redemptions of investments</b>		<b>941,883</b>	<b>1,066,750</b>
Acquisitions of AFS securities		(1,140,366)	(1,197,437)
Acquisitions of HTM securities		-	-
Acquisitions of investment and operating properties	5	(6,021)	(16,832)
Acquisitions of trading securities		(6,489)	(5,900)
<b>Cash flow linked to acquisitions of investments</b>		<b>(1,152,876)</b>	<b>(1,220,169)</b>
Disposals of other investments and intangible assets <sup>(1)</sup>		2,667,923	2,733,714
Acquisitions of other investments and intangible assets <sup>(1)</sup>		(2,607,873)	(2,757,258)
<b>Cash flow linked to acquisitions and disposals of other investments and intangible assets</b>		<b>60,050</b>	<b>(23,544)</b>
Disposal of Assets classified as Held for sale		60,517	-
Acquisition of Assets classified as Held for sale		(2,027)	-
<b>Cash flow linked to acquisitions and disposals of Assets classified as Held for sale</b>		<b>58,490</b>	<b>-</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>(92,453)</b>	<b>(181,605)</b>

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

(in € thousands)	Notes	December 31, 2015	December 31, 2014
Increases and decreases in capital		-	-
Change in treasury shares		19,920	(18,041)
Dividends paid		(196,637)	(189,372)
<b>Cash flow linked to transactions with the shareholders</b>		<b>(176,717)</b>	<b>(207,413)</b>
Changes in loans and subordinated securities		(29,989)	22,682
<i>Issue</i>		110,010	22,682
<i>Repayment</i>		(139,999)	-
Interest paid		(9,636)	(8,263)
<b>Cash flow from Group financing</b>		<b>(39,625)</b>	<b>14,419</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>(216,342)</b>	<b>(192,994)</b>
Impact of foreign exchange differences on cash and cash equivalents		3,597	(130)
Reclassification		(326)	-
Other cash flows linked to restructuring operations		-	(1,261)
<b>OTHER NET CHANGES IN CASH</b>		<b>3,271</b>	<b>(1,391)</b>
<b>Change in cash flows</b>		<b>12,790</b>	<b>30,784</b>
<b>Change in cash and cash equivalents</b>		<b>12,790</b>	<b>30,784</b>
<b>Cash and cash equivalents at beginning of period</b>	13	<b>332,624</b>	<b>301,840</b>
<b>Cash and cash equivalents at end of period</b>	13	<b>345,414</b>	<b>332,624</b>

During 2015, the cash position increased by €12,790 thousand.

- Cash flow from operating activities decreased by €88.5 million in 2015 from €406.8 million at the end of December 2014 to €318.3 million at the end of December 2015, mainly due to deterioration of flows related to insurance and reinsurance operations for €101.2 million and the deterioration of flows related to change in operating receivables and payables for €20 million, mitigated by less outflows related to corporate tax paid for €34 million.
- Investment activities contributed to cash outflows for €92.5 million at the end of December 2015 against €181.6 million at the end of December 2014, mainly due to new investments net from disposals in AFS securities for €210.7 million in 2015 against €133.5 million in 2014, less net investment in real estate (€6 million in 2015 against €16.7 million in 2014), and the disposal of assets held for sale for €58.5 million.
- Cash outflows from the financing activities increased from €193 million in 2014 to €216.3 million in 2015. They are mainly related to the payment of dividends (€196.6 million in 2015 against €189.4 million in 2014) and the refund of a loan for €30 million.

## 5.5 Consolidated statement of changes in equity

### For the year 2015

(in € thousands)	Capital Stock	Additional paid-in-capital	Consolidation reserve and Retained earnings	Revaluation reserve	Translation reserve	Treasury shares	Shareholders' equity, Group share	Non controlling interests	Total shareholders' equity
<b>Opening shareholders' equity</b>	<b>14,510</b>	<b>465,007</b>	<b>2,092,254</b>	<b>99,242</b>	<b>(12,973)</b>	<b>(77,515)</b>	<b>2,580,525</b>	<b>62,142</b>	<b>2,642,667</b>
Available-for-sale assets (AFS)									
Measurement gain/(loss) taken to shareholders' equity	-	-	-	(13,595)	-	-	(13,595)	-	(13,595)
Impact of transferring realised gains and losses to income statement	-	-	-	(24,897)	-	-	(24,897)	-	(24,897)
Actuarial gain/(loss) on defined-benefit plans	-	-	16,512	-	-	-	16,512	(16)	16,496
Impact of translation differences	-	-	-	5,021	24,009	-	29,030	75	29,105
<b>Components of other comprehensive income net of tax</b>	<b>-</b>	<b>-</b>	<b>16,512</b>	<b>(33,471)</b>	<b>24,009</b>	<b>-</b>	<b>7,050</b>	<b>59</b>	<b>7,109</b>
<b>Net income for the year</b>	<b>-</b>	<b>-</b>	<b>302,476</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>302,476</b>	<b>1,695</b>	<b>304,171</b>
<b>Comprehensive income of the period</b>	<b>-</b>	<b>-</b>	<b>318,988</b>	<b>(33,471)</b>	<b>24,009</b>	<b>-</b>	<b>309,526</b>	<b>1,754</b>	<b>311,280</b>
Capital movements	-	-	-	-	-	19,461	19,461	-	19,461
Dividend distributions	-	-	(194,547)	-	-	-	(194,547)	(2,089)	(196,636)
Cancellation of gains/losses on treasury shares	-	-	-	-	-	459	459	-	459
Other movements	-	-	(6)	1	1	1	(3)	-	(3)
<b>CLOSING SHAREHOLDERS' EQUITY</b>	<b>14,510</b>	<b>465,007</b>	<b>2,216,689</b>	<b>65,772</b>	<b>11,037</b>	<b>(57,594)</b>	<b>2,715,421</b>	<b>61,807</b>	<b>2,777,228</b>

As at December 31, 2015, the share capital of Euler Hermes Group consisted of 45,342,177 fully paid-up shares. At the same date Euler Hermes Group holds 1,124,387 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 increase in the revaluation reserve totalled €33,470 thousand net of taxes.

The increase in translation reserves by €24,009 thousand during the exercise relates mainly to the US dollar for an impact of €19,801 thousand, the British pound for €3,842 thousand, the Hong Kong dollar for €2,991 thousand, the Singapore dollar for €1,004 thousand and the Brazilian real for €-2,056 thousand.

The non-controlling interests are down by €335 thousand. This is mainly due to the payment of dividends for €-2,089 thousand, mitigated by the net result for the period for €1,695 thousand.

## For the year 2014

(in € thousands)	Capital Stock	Additional paid-in-capital	Consolidation reserve and Retained earnings	Revaluation reserve	Translation reserve	Treasury shares	Shareholders' equity, Group share	Non controlling interests	Total shareholders' equity
<b>Opening shareholders' equity</b>	<b>14,510</b>	<b>465,007</b>	<b>2,024,004</b>	<b>63,566</b>	<b>(45,743)</b>	<b>(59,474)</b>	<b>2,461,870</b>	<b>66,582</b>	<b>2,528,452</b>
Available-for-sale assets (AFS)									
Measurement gain/(loss) taken to shareholders' equity	-	-	-	47,632	-	-	47,632	-	47,632
Impact of transferring realised gains and losses to income statement	-	-	-	(15,150)	-	-	(15,150)	-	(15,150)
Actuarial gain/(loss) on defined-benefit plans	-	-	(49,723)	-	-	-	(49,723)	(61)	(49,784)
Impact of translation differences	-	-	-	3,106	32,770	-	35,876	106	35,982
<b>Components of other comprehensive income net of tax</b>	<b>-</b>	<b>-</b>	<b>(49,723)</b>	<b>35,588</b>	<b>32,770</b>	<b>-</b>	<b>18,635</b>	<b>45</b>	<b>18,680</b>
<b>Net income for the year</b>	<b>-</b>	<b>-</b>	<b>302,060</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>302,060</b>	<b>2,040</b>	<b>304,100</b>
<b>Comprehensive income of the period</b>	<b>-</b>	<b>-</b>	<b>252,337</b>	<b>35,588</b>	<b>32,770</b>	<b>-</b>	<b>320,695</b>	<b>2,085</b>	<b>322,780</b>
Capital movements	-	-	-	-	-	(17,504)	(17,504)	-	(17,504)
Dividend distributions	-	-	(184,826)	-	-	-	(184,826)	(4,546)	(189,372)
Cancellation of gains/losses on treasury shares	-	-	-	-	-	(537)	(537)	-	(537)
Transaction between shareholders	-	-	729	88	-	-	817	(1,979)	(1,162)
Other movements	-	-	10	-	-	-	10	-	10
<b>CLOSING SHAREHOLDERS' EQUITY</b>	<b>14,510</b>	<b>465,007</b>	<b>2,092,254</b>	<b>99,242</b>	<b>(12,973)</b>	<b>(77,515)</b>	<b>2,580,525</b>	<b>62,142</b>	<b>2,642,667</b>

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## Note 1 Significant events

### Share capital and share ownership

As at December 31, 2015, the Allianz group owned 30,744,048 shares out of a total of 45,342,177 shares, corresponding to 67.8% of the share capital of Euler Hermes Group. Consequently, Euler Hermes Group is integrated into the Allianz consolidation scope.

As at December 31, 2015, Euler Hermes Group's share capital was composed of 45,342,177 shares, including 1,124,387 shares held as treasury shares.

The following significant events occurred in the year 2015:

### Sale agreement of Bürgel group with CRIF

Euler Hermes AG and EOS, the international provider of financial services, have announced the signature of an agreement on December 18, 2015 with CRIF, a global company headquartered in Bologna, Italy, providing credit information services, credit and software solutions, for the share purchase of 100% of the Bürgel group. Euler Hermes AG holds respectively 50.1% and 50.4% of the companies Bürgel Wirtschaftsinformationen GmbH & Co. KG and Bürgel Wirtschaftsinformationen Verwaltungs-GmbH while EOS owns the other shares of these joint ventures. The share purchase agreement is subject to the standard conditions precedent. The closing of the deal is expected towards end of February 2016.

Following the signature of the share purchase agreement, the assets and liabilities of the Bürgel group have been classified as assets and liabilities held for sale.

### Euler Hermes launches South Africa operations

Euler Hermes is launching services for the South African market, strengthening its presence on the African continent as well as growth markets overall. Based in Johannesburg, Euler Hermes operations include a re-insurance agreement with Allianz Global Corporate & Specialty (AGCS) South Africa Limited. The collaboration combines Euler Hermes global market presence and trade credit expertise with AGCS's existing South African business relationships and in-depth knowledge of the local business community.

### Euler Hermes France launches "EH Fraud Cover": a new insurance policy against company fraud risk

With expertise in credit insurance, collection and bonding, Euler Hermes decided to complement its line of products and services by providing companies with insurance against the risk of fraud and cyberfraud. This

move is backed by the more than 30 years' experience and success of this business line in Germany, where Euler Hermes already has a portfolio of more than 7,000 policies. The Group therefore expects a rapid start-up of this activity in France, which will consolidate its position as the fraud insurance leader in Europe.

### Distribution agreement between Arkéa Banque Entreprises et Institutionnels and Euler Hermes to secure company cash flow

On June 2015, Arkéa Banque Entreprises et Institutionnels, a subsidiary of Crédit Mutuel Arkéa, and Euler Hermes announced a distribution agreement to offer French companies a comprehensive line of services to address financing challenges and guarantee receivables in France and abroad. Through this new partnership, customers will benefit from an easier access to a complementary service that helps them to secure their cash flow and support their export growth.

### Solunion, a Euler Hermes and MAPFRE JV, enlarges operations in Latin America

Solunion, the trade credit insurance joint venture created by Euler Hermes and MAPFRE, has formally launched operations in Panama in October. It is the seventh Latin American country in which Solunion operates, following launches in Uruguay and Peru earlier this year. Solunion offers Panamanian businesses, services and solutions to develop their trade safely both in the domestic market and internationally.

### Euler Hermes launches trade credit insurance solution for US small businesses

Euler Hermes has become the US's first trade credit insurer to offer a customized product to protect micro and small businesses from the risk of not being paid by their customers. Euler Hermes has launched Simplicity, a new credit insurance policy designed to help small businesses mitigate their accounts receivable risk in a quick, simple and affordable manner, while at the same time maximizing business growth. Simplicity is designed specifically for businesses from \$1 to \$5 million in annual sales which are new comers into credit insurance.

## Note 2 IFRS accounting and valuation rules

Euler Hermes Group is a company domiciled in France. The headquarters of Euler Hermes Group are located 1, Place des Saisons 92048 Paris – La Défense Cedex. The consolidated financial statements as at December 31, 2015 include Euler Hermes Group 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 Group is registered in RCS with the reference number 552,040,594.

The financial statements of the Group as at December 31, 2015 were approved by the Group Board of Management of February 16, 2016 and presented to the Supervisory Board of February 17, 2016. They will be submitted for validation to the Shareholders' Meeting of May 25, 2016.

### 2.1 General Principles

In accordance with European regulation no. 1606/2002 of July 19, 2002, the consolidated financial statements published as at December 31, 2015 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, 2014 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 the Group in 2015

**Standards, amendments and interpretations for which application is mandatory from January 1, 2015 are the following ones:**

- IFRIC 21, Levies

IFRIC 21, Levies was published on May 20, 2013 and were adopted by the European Union on June 13, 2014, with mandatory retrospective application from January 1, 2015 at the latest.

With a view to the first-time application of this standard, the Group undertook an inventory of the levies imposed by the government or government bodies and the trigger event of its exigibility. The procedures performed did not identify any material impact of the first-time application of this standard.

No other new standard, amendment or interpretation with significant impact on the financial statements of the Group, is mandatory for the Group from January 1, 2015.

### Early application of standards

The Group has not early adopted standards and interpretations that are not yet mandatorily effective as of January 1, 2015.

### 2.3 Consolidation scope

On February 17, 2015, Euler Hermes Group acquired all shares of Euler Hermes Tech stock for the amount of €10 million thus becoming the sole shareholder.

With the decision of February 24, 2015, the sole partner of Euler Hermes Tech decided to dissolve the Company without liquidation via a universal transfer of assets and liabilities to the sole partner Euler Hermes Group. This operation, effective April 1, 2015, resulted in the transfer to Euler Hermes Group of all assets and liabilities of Euler Hermes Tech valued at March 31, 2015.

Shares held in Euler Hermes Gestion mutual fund have been fully redeemed by the French branch of Euler Hermes SA (NV) on October 2, 2015.

In the context of an internal restructuring to simplify the Group, Euler Hermes Group sold on October 12, 2015 the shares of Euler Hermes Services to Euler Hermes SA (NV) for €1,283 million.

NV Interpolis Kredietverzekeringen (IKV), 100% owned by Euler Hermes SA (NV) since December 22, 2014, transferred its remaining assets and liabilities to Euler Hermes SA (NV) Nederland Branch on November 1, 2015 and the withdrawal of its insurance license was officially announced on November 19, 2015 by the National Bank of the Netherlands (DNB). The dissolution was made by the sole shareholder on December 16, 2015.

## 2.4 List of consolidated companies

French companies	Consolidation method	December 31, 2015		December 31, 2014	
		% control	% interest	% control	% interest
<b>Euler Hermes Group SA<sup>(1)</sup></b> 1, place des Saisons - 92048 Paris-La Défense Cedex N°Siren: 552,040,594	Held by Allianz SA: 67.80%	Parent company		Parent company	
<b>Bilan Services SNC</b> 25, boulevard des Bouvets - 92000 Nanterre N°Siren: 333,192,631	Full	50.00	50.00	50.00	50.00
<b>Euler Hermes Asset Management SA</b> 1, place des Saisons - 92048 Paris-La Défense Cedex N°Siren: 422,728,956	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Services SAS</b> 1, place des Saisons - 92048 Paris-La Défense Cedex N°Siren: 414,960,377	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Crédit France</b> 1, place des Saisons - 92048 Paris-La Défense Cedex N°Siren: 388,236,853	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Recouvrement France</b> 1, place des Saisons - 92048 Paris-La Défense Cedex N°Siren: 388,238,026	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Tech SAS</b> 1, place des Saisons - 92048 Paris-La Défense Cedex N°Siren: 388,237,091	Liquidated in 2015 <sup>(2)</sup>			100.00	100.00
<b>Euler Gestion</b> 1, place des Saisons - 92048 Paris-La Défense Cedex FR0007434980	Liquidated in 2015 <sup>(3)</sup>			100.00	100.00
<b>Euler Hermes World Agency</b> 1, place des Saisons - 92048 Paris-La Défense Cedex N°Siren: 487,550,907	Full	100.00	100.00	100.00	100.00
<b>Gie Euler Hermes SFAC Services</b> 1, place des Saisons - 92048 Paris-La Défense Cedex N°Siren: 393,302,708	Full	100.00	100.00	100.00	100.00
<b>Financière Callisto</b> 1, place des Saisons - 92048 Paris-La Défense Cedex N°Siren: 503,326,514	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Real Estate</b> 87 rue Richelieu 75002 Paris N°Siren: 488,480,567	Full	60.00	60.00	60.00	60.00
<b>Financière Aldebaran</b> 1, place des Saisons - 92048 Paris-La Défense Cedex N°Siren: 493,467,609	Full	100.00	100.00	100.00	100.00

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

(2) Dissolved after the universal equity transmission in Euler Hermes Group SA.

(3) Dissolved after total capital redemption from Euler Hermes SA (NV) France branch.

**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.

Foreign companies	Country	Consolidation method	December 31, 2015		December 31, 2014	
			% control	% interest	% control	% interest
<b>Euler Hermes Australia Pty Ltd</b> Level 9, Forecourt Building, 2 Market Street Sydney NSW 2000	Australia	Full	100.00	100.00	100.00	100.00
<b>Acredia Versicherung AG</b> Himmelfortgasse 29 - 1010 Vienne	Austria	Equity	49.00	49.00	49.00	49.00
<b>OeKB EH Beteiligungs- u. Manag</b> Strauchgasse 1-3 - 1011 - Vienne	Austria	Equity	49.00	49.00	49.00	49.00
<b>Euler Hermes SA (NV)</b> Avenue des Arts, Kunstlaan 56 - 1000 Brussels - RC Bruxelles: 45,8033	Belgium	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Services Belgium SA (NV)</b> Avenue des Arts, Kunstlaan 56 - 1000 Brussels - RC Bruxelles: 45,8033	Belgium	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Patrimonia</b> 56, avenue des Arts, A - 1000 Bruxelles	Belgium	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes South Express SA</b> Avenue du Port 86C, Box 204 - B - 1000 Bruxelles	Belgium	Full	100.00	100.00	100.00	100.00
<b>Graydon Belgium (NV)</b> Uibreidingstraat 84 Bus 1 - 2500 Berchem	Belgium	Equity	27.50	27.50	27.50	27.50
<b>Euler Hermes Seguros de Crédito SA</b> Av. Paulista, 2,421, 3º and. - Jardim Paulista - São Paulo-SP CEP 01311-300	Brasil	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Serviços de Gestão de Riscos Ltda</b> Av. Paulista, 2,421, 3º and. - Jardim Paulista - São Paulo-SP CEP 01311-300	Brasil	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Services Bulgaria</b> 82 Patriarch Evtimii Blvd. - 1463 Sofia	Bulgaria	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Canada Services</b> 1155, René-Lévesque Blvd West, suite 2810 - Montreal H3B 3Z7	Canada	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes information Consulting (Shanghai) Co., Ltd</b> 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
<b>Euler Hermes Service, Česká republika, s.r.o.</b> Molakova 576/11, 186 00 Prague 8	Czech Republic	Full	100.00	100.00	100.00	100.00
<b>Bürgerl Wirtschaftsinfos GmbH &amp; Co. KG</b> Gasstr.18 - D-22761 Hambourg	Germany	Full	50.10	50.10	50.10	50.10
<b>Bürgerl Wirtschaftsinfos Verwaltungs-GmbH</b> Gasstr.18 - D-22761 Hambourg	Germany	Full	50.40	50.40	50.40	50.40
<b>Euler Hermes Rating Deutschland GmbH</b> Friedensallee 254 - D-22763 Hambourg	Germany	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Collections GmbH</b> Zeppelin Str. 48 - DE-14471 - Potsdam	Germany	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Aktiengesellschaft</b> Friedensallee 254 D-22763 - Hambourg	Germany	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Hellas Credit Insurance SA</b> 16 Laodikias Street - 1-3 Nymfeou Street - 115 28 Athens	Greece	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Emporiki Services Ltd</b> 16 Laodikias Street - 1-3 Nymfeou Street - 115 28 Athens	Greece	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Hong Kong Services Limited</b> 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
<b>Euler Hermes Magyar Követeléskezelő Kft.</b> Kiscelli u.104 - 1037 Budapest	Hungary	Full	100.00	100.00	100.00	100.00

**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.

Foreign companies	Country	Consolidation method	December 31, 2015		December 31, 2014	
			% control	% interest	% control	% interest
<b>Euler Hermes Services India Private Limited</b> 4th Floor, Voltas House - 23, JN Heredia Marg - Ballard Estate - Mumbai 400,001	India	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Service Ireland Ltd</b> Allianz House, Elmpark Merrion Road - Dublin 4	Ireland	Full	100.00	100.00	100.00	100.00
<b>Pimco Funds Ireland</b> Styne House - Upper Hatch Street - Dublin 2	Ireland	Full	100.00	100.00	100.00	100.00
<b>Israël Credit Insurance Company Ltd (ICIC)</b> 2, Shenkar Street - 68010 Israël - Tel Aviv	Israel	Equity	50.00	50.00	50.00	50.00
<b>Euler Hermes Services Italia SRL</b> Via Raffaello Matarazzo,19 - 00139 Rome	Italy	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Japan Services Ltd</b> New Otani Garden Court 10F, 4-1 Kioi-cho, Chiyoda-ku - Tokyo 102-0094	Japan	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Korea Non-life Broker Company Limited</b> 51 JongRo-gu, JongRo - Seoul	Korea	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Ré</b> 19, rue de Bitbourg - L-2015 Luxembourg	Luxembourg	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Luxembourg Holding SARL</b> 37, rue d'Anvers - L. 1130 Luxembourg	Luxembourg	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Acmar</b> 37, boulevard Abdellatif Ben Kaddour - 20050 Casablanca	Morocco	Full	55.00	55.00	55.00	55.00
<b>Euler Hermes Acmar Services</b> 37, boulevard Abdellatif Ben Kaddour - 20050 Casablanca	Morocco	Full	55.00	55.00	55.00	55.00
<b>Euler Hermes Services BV</b> Pettelaarpark 20 - Postbus 70571 - NL-5216 PD's-Hertogenbosch	Netherlands	Full	100.00	100.00	100.00	100.00
<b>Graydon Creditfink BV</b> Hullenbergweg 260 - 1101 B.V. Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
<b>Graydon Holding NV</b> Hullenbergweg 260 - 1101 B.V. Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
<b>Graydon Nederland BV</b> Hullenbergweg 260 - 1101 B.V. Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
<b>Kisys Krediet Informatie Systemen BV</b> Hullenbergweg 270 - 1101 B.V. Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
<b>MarkSelect BV</b> Diemerhof 26 - Postbus 22969 - 1100 DL Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
<b>Interpolis Kredietverzekeringen NV</b> Pettelaarpark 20 - 5216 PD's Hertogenbosch	Netherlands	Liquidated in 2015 <sup>(1)</sup>			100.00	100.00
<b>Euler Hermes New Zealand Limited</b> Level 1, Lumley Center, 152 Fanshawe Street, Auckland 1010	New Zealand	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Collections Sp. z o.o.</b> ul. Jerozolimskie 98,00-807 Warsaw	Poland	Full	100.00	100.00	100.00	100.00
<b>Towarzystwo Ubezpieczen Euler Hermes SA</b> ul. Jerozolimskie 98,00-807 Warsaw	Poland	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes, Mierzejewska-Kancelaria Prawna Sp.k</b> ul. Jerozolimskie 98,00-807 Warsaw.	Poland	Full	99.98	99.98	99.98	99.98
<b>Euler Hermes Services Sp. z o.o.</b> ul. Jerozolimskie 98,00-807 Warsaw	Poland	Full	100.00	100.00	100.00	100.00
<b>Companhia de Seguro de Creditos SA (COSEC)</b> Avenida de Republica, no. 58 - 1069-057 Lisboa	Portugal	Equity	50.00	50.00	50.00	50.00
<b>Euler Hermes Services Romania SRL</b> 6 Petru Maior street, Sector 1 - Bucurest 011264	Romania	Full	100.00	100.00	100.00	100.00

(1) Dissolved after the transfer of its remaining assets and liabilities to Euler Hermes SA (NV) Nederland Branch and the withdrawal of its insurance license.

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.

Foreign companies	Country	Consolidation method	December 31, 2015		December 31, 2014	
			% control	% interest	% control	% interest
<b>Ooo Euler Hermes Credit Management</b> ul. Krymskij Val3, 2, Office 210 - 119049 Moscou	Russia	Full	100.00	100.00	100.00	100.00
<b>LLC "IC" Euler Hermes RU</b> 8 Office C08, 4-th Dobryninskiy per.8 - 119049 Moscou	Russia	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Singapore Services Pte Ltd.</b> 12 Marina View - # 14-01 Asia Square Tower 2 - Singapore 018961	Singapore	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Services Slovensko, SRO</b> Plynarenska 7/A, 82109 Bratislava	Slovakia	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Services South Africa LTD</b> The Firs, 2nd Floor, 32A Cradock Avenue, Rosebank, 2196	South Africa	Full	100.00	100.00	100.00	100.00
<b>Solunion Compañía Internacional de Seguros y Reaseguros SA</b> Avenida General Peron, 40 - 28020 Madrid	Spain	Equity	50.00	50.00	50.00	50.00
<b>Euler Hermes Service AB</b> Klara Norra Kyrkogata 29 - SE 101 34 Stockholm	Sweden	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Services Schweiz AG</b> Richtiplatz 1 - Postfach CH-8304 Wallisellen	Switzerland	Full	99.50	99.50	99.50	99.50
<b>Euler Hermes Reinsurance AG</b> Richtiplatz 1 - Postfach CH-8304 Wallisellen	Switzerland	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Taiwan Services</b> 15F, NO.170, Tun Hwa N.RD. - 10548 Taipai	Taiwan	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Services Tunisia</b> 6, rue Ibn Hazm, Cité Jardins, Le Belvédère - 1002 Tunis	Tunisia	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Risk Yönetimi</b> Büyükdere caddesi Maya Akar Center, B Blok Kat:7,34394 Esentepe, Istanbul	Turkey	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Sigorta Anonim Sirketi</b> Büyükdere caddesi Maya Akar Center B Blok Kat:7,34394 Esentepe, Istanbul	Turkey	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Services GCC Limited</b> Dubai International Financial Centre - Dubai	United Arab Emirates	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Services UK Ltd</b> 01, Canada Square - London E14 5DX	United Kingdom	Full	100.00	100.00	100.00	100.00
<b>Graydon U.K. Limited</b> Hyde House, Edgware road - Colindale - Londres NW9 6LW	United Kingdom	Equity	27.50	27.50	27.50	27.50
<b>Euler Hermes North America Insurance company</b> 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Services North America, LLC</b> 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes Collection North America Company</b> 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100.00	100.00	100.00	100.00
<b>Euler Hermes North America Holding Inc</b> 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100.00	100.00	100.00	100.00

**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 the Group.

## 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

Dilution and accretion transactions in entities controlled by the Group are recognized as transactions in equity, as they are transactions performed by the owners of the Company acting in this capacity. 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 Hermes Real Estate;
- Euler Hermes Patrimonia;
- PIMCO Funds Ireland;
- Euler Hermes South Express SA.

The Group owns 100% of these mutual funds, except Euler Hermes Real Estate, 60%-owned.

### Loss of control

At the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recorded in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date when control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

### Investments in associates and jointly controlled entities (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method. Under the equity method, on initial recognition the investment in an associate or a joint venture is recorded at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control begins until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment (including any long-term interests that part form thereof) is reduced to zero, and the recognition of further losses is discontinued except if the Group has an obligation to participate in losses or has made payments on behalf of the investee.

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

- OeKB EH Beteiligungs- und Managment AG;
- Graydon Holding N.V.;
- Companhia de Seguro de Creditos SA (COSEC);

## 2.8 Use of estimates

The production of the consolidated financial statements of the Group 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.

- 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.

At end of December 2015, Euler Hermes Group holds no longer any jointly controlled operation.

## 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.

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 16	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 17	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.

	Estimate	Communicated Information
Note 19	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 19	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 19	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 19	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 19	IBNR reserve	IBNR reserves are established to recognize the estimated cost of losses that have occurred but where the Group has not yet been notified. The 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 31	Stock option plans	The fair value of the liabilities resulting from the Allianz and Euler Hermes Group 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 Group 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.

### 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, 2015		December 31, 2014	
	closing	average	closing	average
British pound	0.7371	0.7262	0.7760	0.8061
US dollar	1.0863	1.1096	1.2101	1.3286
Swedish krona	9.1583	9.3563	9.4724	9.1017
Brazilian real	4.2976	3.7022	3.2166	3.1216
Hong Kong dollar	8.4189	8.6029	9.3835	10.3029
Swiss franc	1.0874	1.0680	1.2024	1.2145
Polish zloty	4.2896	4.1836	4.2981	4.1848

## 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 § *Business combinations* of the Note 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 1, 2004, goodwill is no longer amortized 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”.

### 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 amortization 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 amortized on a straight-line basis over their estimated useful lives. The amortization 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 amortized 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 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. 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 (net asset including goodwill).

The main assumptions used to determine the value in use are as follows: indefinite renewal of policies, perpetual growth rate for 1% depending on the CGU concerned, and a cost of capital between 3.89% and 5.53% 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, 2015 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 amortization, if impairment had not been recognised.

## 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".

The Group's operating property is included within property plant and equipment.

### Recognition and measurement

The 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 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.

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

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

## Impairment

### Investment property

A provision for depreciation of investment property is recorded 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 depreciation 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 depreciation 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.

The Group's 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 amortization) is recorded as "available-for-sale assets", with a corresponding entry in the revaluation reserve, without any impact on the consolidated income statement.

## Impairment

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

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

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

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

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

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

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

## Disposal

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

## Held-to-maturity assets (HTM)

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

### Initial recognition

On initial recognition, held-to-maturity 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 amortized cost using the effective interest rate method. Premiums and discounts are included in the amortized 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 amortized cost using the effective interest rate method. Financial income for the period is recorded by applying the effective interest rate to the amortized 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.

## 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 Group, derivatives correspond mainly to hedging instruments linked to the stock option plans included in the Allianz group Equity Incentive (see Note 31 "Stock option plans").

## 2.16 Assets classified as held for sale

Assets are classified as "held for sale" when they are available for immediate sale in their present condition, their sale is highly probable, the management is committed to a plan to sell the asset and an active program to locate a buyer and complete the plan has been initiated. In accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", assets or group of assets held for sale are presented separately on the face of the statement of financial position, at the lower of their carrying amount and fair value less costs to sell.

This item includes:

- non-current assets held for sale;
- groups of assets held for sale;
- the total of current and non-current assets related to a business or geographical segment (i.e. to a discontinued operation) itself held for sale.

## 2.17 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.

## 2.18 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.

## 2.19 Current and deferred tax

Tax expense includes current and deferred tax. Current tax and deferred tax are recorded in profit or loss except when it relates to a business combination, or items recorded directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recorded in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recorded for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that does neither affect accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that they will likely not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets are recorded in the balance sheet as soon as their utilization is considered as probable by the Group.

## 2.20 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.

## 2.21 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 Group's cash management procedures.

## 2.22 Provisions for risks and charges

### Provisions

Provisions for risks and charges essentially comprise provisions for retirement commitments (see § 2.23 *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.

## 2.23 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 Group 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.

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.

Re-measurement 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 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.

## 2.24 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 the Group have put in place stock option plans for the benefit of executives of the 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.

## 2.25 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 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 contracts are included in IFRS 4 (section B18 (g)).

### Measurement of insurance contracts

Other than in the case of the specific exceptions defined in the standard, IFRS 4 permits the continued use of previous accounting principles for the recognition of insurance and reinsurance contracts. Thus, the Group 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 Group against defaulting debtors in order to fully or partially recover claims paid to policyholders. Estimated recoveries are a prudent estimate of potential recoveries on settled claims and are recognised as a reduction in the amount of the reserves for claims payable. They take into consideration a provision for administration charges determined in accordance with actual observed expenses.

## Other technical reserves

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

## Test for the adequacy of liabilities

For each closing, insurance contract liabilities net of related assets (acquisition costs capitalised and portfolio securities) are subject to a test for the adequacy of liabilities.

The methods previously applied by the Group and retained under IFRS 4 (including notably the measurement of claims reserves on the basis of the non-discounted ultimate cost and the methods for establishing the provision for current risks) constitute a satisfactory test for the adequacy of liabilities given the minimum requirements specified by IFRS 4.

## Reinsurance contracts

### Acceptances

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

### Assignments

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

Cash deposits received from reinsurers are recognised in liabilities arising from assigned reinsurance transactions. Receivables due from reinsurers are subject to impairment write-downs if the ceded company will not receive the entire amount due at the end of the contract.

## 2.26 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 amortized 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".

## 2.27 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.

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

## Investment income

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

### Investment income net of management expense

This income is mainly composed of the following categories:

- net income from property;
- net income from securities;
- other financial income (bank credit interest, income from other investments);
- foreign exchange gains and losses;
- investment management charges.

### Capital gains and losses on disposals of investments

Capital gains and losses on disposals of securities or property are recorded in the consolidated income statement. Shares exchanged under a public share exchange offer result in the recognition of a capital gain on exchange.

### Change in fair value of investments recognised at fair value through the consolidated income statement

Differences in fair value recorded for the current period less any differences from the previous period are recognised. These essentially concern the remeasurement of derivatives.

### Change in investment impairment charges

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

## 2.28 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 § 2.25. Insurance and reinsurance contracts – Measurement of insurance contracts.

## 2.29 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 § 2.25. Insurance and reinsurance contracts – Reinsurance contracts.

## 2.30 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.

## 2.31 Other ordinary operating income and expense

Other ordinary operating income and expense correspond mainly to the Group's service revenue and expense.

## 2.32 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.

## 2.33 Financing expense

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

Financing expense consists of expenses relating to the following items:

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

## 2.34 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.

## 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 € thousands)	December 31, 2015						December 31, 2014
	Italy	United Kingdom	United States	Benelux countries	Other	Total	Total
<b>Opening balance</b>							
Gross value	6,229	64,141	35,039	9,459	6,757	121,625	111,695
Impairment losses	(409)	(9,274)	(3,554)	-	-	(13,236)	(12,206)
<b>Carrying amount</b>	<b>5,820</b>	<b>54,867</b>	<b>31,485</b>	<b>9,459</b>	<b>6,757</b>	<b>108,389</b>	<b>99,489</b>
<b>Change during the year</b>							
<b>Opening carrying amount</b>	<b>5,820</b>	<b>54,867</b>	<b>31,485</b>	<b>9,459</b>	<b>6,757</b>	<b>108,389</b>	<b>99,489</b>
Changes in gross value	-	-	-	-	-	-	-
Outgoing entities & Held for sale transfer	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	1,217
Reclassifications	-	-	-	-	-	-	-
Changes in foreign currency translation adjustments	-	2,849	3,587	-	27	6,463	7,682
Impairment losses	-	-	-	-	-	-	-
<b>Closing carrying amount</b>	<b>5,820</b>	<b>57,716</b>	<b>35,072</b>	<b>9,459</b>	<b>6,784</b>	<b>114,852</b>	<b>108,389</b>
<b>Closing Balance</b>							
Gross value	6,229	67,460	39,030	9,459	6,784	128,963	121,625
Impairment losses	(409)	(9,744)	(3,958)	-	-	(14,111)	(13,236)
<b>Carrying amount</b>	<b>5,820</b>	<b>57,716</b>	<b>35,072</b>	<b>9,459</b>	<b>6,784</b>	<b>114,852</b>	<b>108,389</b>

At year-end 2015, changes in goodwill are mainly due to the appreciation of US dollar and British pound against euro.

At year-end 2014, following the purchase of shares held by minority shareholders of NV Interpolis Kredietverzekeringen, a goodwill has been recognized for €1,217 thousand.

## Method of impairment tests

In accordance with IAS 36, the Group performs impairment tests of the goodwill by comparing the value in use of the cash generated units (CGU) including goodwill and the carrying 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.

## Results of impairment tests

	Italy	United Kingdom	United States	Belgium	Netherlands	Germany
Cost of capital (net of tax)	4.86%	5.23%	5.53%	4.23%	4.06%	3.89%
<i>of which, risk-free rate</i>	1.60%	1.96%	2.27%	0.97%	0.79%	0.63%
<i>of which, risk premium (beta = 0,653)</i>	3.27%	3.27%	3.27%	3.27%	3.27%	3.27%
Effective tax rate	48.0%	20.0%	35.0%	34.0%	25.0%	31.0%
Normalised return on financial portfolio	1.03%	1.03%	1.87%	1.03%	1.03%	1.03%
Gross combined ratio	89.0%	85.0%	84.0%	88.0%	81.0%	76.0%
Target retention rate	31.3%	28.6%	29.1%	29.7%	31.4%	34.9%
Perpetual growth	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
<b>Value in use (in € millions)</b>	<b>510.6</b>	<b>511.0</b>	<b>795.8</b>	<b>144.7</b>	<b>210.6</b>	<b>2,520.5</b>
<b>Contribution to Group consolidated net asset (in € millions)</b>	<b>322.4</b>	<b>216.3</b>	<b>363.6</b>	<b>74.9</b>	<b>54.2</b>	<b>938.3</b>
Surplus (or deficit)	188.1	294.7	432.3	69.8	156.4	1,582.2

## Sensitivity of impairment tests

Sensitivity analyses 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 carrying value. 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 carrying value. 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 carrying value 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, where the estimated value in use breaks even with its contribution to Group consolidated net asset.

	Italy	United Kingdom	United States	Belgium	Netherlands	Germany
<b>Perpetual growth</b>	-1.9%	-6.5%	-6.7%	-2.6%	-12.9%	-5.3%
<b>Cost of capital</b>	7.4%	11.5%	11.8%	7.5%	14.5%	9.4%
<b>Gross combined ratio</b>	100.6%	105.7%	108.9%	102.2%	109.3%	106.9%

## Note 4 Other intangible assets and contracts portfolio

(in € thousands)	December 31, 2015				December 31, 2014			
	Contract portfolio	IT development and software	Other intangible assets	Total	Contract portfolio	IT development and software	Other intangible assets	Total
<b>Opening balance</b>								
Gross value	3,133	293,835	33,459	330,427	3,945	237,308	33,132	274,385
Amortization	(2,716)	(193,555)	(21,654)	(217,925)	(3,944)	(161,031)	(20,425)	(185,400)
Impairment	-	-	-	-	-	-	-	-
<b>Carrying amount</b>	<b>417</b>	<b>100,280</b>	<b>11,805</b>	<b>112,502</b>	<b>1</b>	<b>76,277</b>	<b>12,707</b>	<b>88,985</b>
<b>Change during the year</b>								
<b>Opening carrying amount</b>	<b>417</b>	<b>100,280</b>	<b>11,805</b>	<b>112,502</b>	<b>1</b>	<b>76,277</b>	<b>12,707</b>	<b>88,985</b>
Acquisitions	-	35,681	417	36,098	4,427	36,901	1,104	42,432
Changes in consolidation scope	-	-	-	-	-	145	39	184
Disposals	(430)	(210)	(270)	(910)	(3,597)	(1,055)	(1,129)	(5,781)
Reclassifications	-	(5,661)	(7,195)	(12,856)	-	6,123	-	6,123
Foreign exchange differences	11	1,153	164	1,328	-	976	215	1,191
Net amortization	2	(16,175)	(1,261)	(17,434)	(414)	(19,087)	(1,124)	(20,625)
Net provisions for impairment	-	-	-	-	-	-	(7)	(7)
<b>Closing carrying amount</b>	<b>-</b>	<b>115,068</b>	<b>3,660</b>	<b>118,728</b>	<b>417</b>	<b>100,280</b>	<b>11,805</b>	<b>112,502</b>
<b>Closing balance</b>								
Gross value	2,703	309,340	26,783	338,826	3,133	293,835	33,459	330,427
Amortization	(2,703)	(194,272)	(23,123)	(220,098)	(2,716)	(193,555)	(21,654)	(217,925)
Impairment	-	-	-	-	-	-	-	-
<b>Carrying amount</b>	<b>-</b>	<b>115,068</b>	<b>3,660</b>	<b>118,728</b>	<b>417</b>	<b>100,280</b>	<b>11,805</b>	<b>112,502</b>

In 2015, as in 2014, the increase of IT development and software results mainly from the capitalization of internally developed Group applications and purchased software for internal projects.

The main Group applications developments are:

- in 2014: Galileo (Commercial), FIT+1 (Accounting), Convergence and Bonding (Commercial);
- in 2015: Galileo (Commercial), Bonding (Commercial), the migration project of the Euler Hermes network to the Allianz one.

Depreciation in 2015 is mainly related to internally developed software Galileo (Commercial) and FIT+1 (Accounting).

The reclassification in 2015 for €-12.9 million is due to the reclassification as Held for sale of the other intangible assets and IT development and software of Bürgel group following the share sale agreement signed for 2016.

The reclassification in 2014 for €6.1 million was due to Group applications developments that were classified as tangible assets under construction until the previous year.

## Note 5 Investment and operating property

(in € thousands)	December 31, 2015		December 31, 2014	
	Investment property	Operating property	Investment property	Operating property
<b>Balance at opening period</b>				
Gross value	97,015	27,230	78,531	141,336
Depreciation	(21,646)	(17,651)	(18,300)	(44,855)
Impairment losses	-	-	-	(6,797)
<b>Carrying amount</b>	<b>75,369</b>	<b>9,579</b>	<b>60,231</b>	<b>89,684</b>
<b>Change during the year</b>				
Opening carrying amount	75,369	9,579	60,231	89,684
Acquisitions	5,885	136	16,676	156
Change in consolidation scope	-	-	-	-
Disposals	-	(18)	(367)	(66)
Reclassifications	371	-	(167)	(78,099)
Changes in foreign currency translation adjustments	-	10	-	104
Net depreciation	(2,651)	(167)	(1,004)	(2,200)
Net provisions for impairment	-	-	-	-
Other changes	-	-	-	-
<b>Closing carrying amount</b>	<b>78,974</b>	<b>9,540</b>	<b>75,369</b>	<b>9,579</b>
<b>Balance at the end of the period</b>				
Gross value	103,271	27,367	97,015	27,230
Depreciation	(24,297)	(17,827)	(21,646)	(17,651)
Impairment losses	-	-	-	-
<b>Carrying amount</b>	<b>78,974</b>	<b>9,540</b>	<b>75,369</b>	<b>9,579</b>
<b>Fair value</b>	<b>240,070</b>	<b>24,609</b>	<b>209,650</b>	<b>24,652</b>

### AMOUNTS RECORDED IN THE INCOME STATEMENT

Investment property	Dec 31, 2015	Dec 31, 2014
Rental revenues from investment property	4,296	2,645
Direct operating expenses relating to property	-	(157)

The acquisitions of investment property consist of renovations costs of the former headquarter owned by Euler Hermes Real Estate. In 2015, these costs amounted to €5.9 million compared to €16.7 million in 2014.

During 2015, due to the start of renting, the building located rue Euler has been amortized for an amount of €1.7 million.

As at December 31, 2014, the reclassification of €-78 million net book value represents the recognition of three operating properties into assets held for sale: a total of €-75.7 million for two buildings in Germany and €-2.4 million for a building in the USA.

## 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 € thousands)	December 31, 2015						December 31, 2014					
	Historical value	Revaluation reserve	Net carrying amount	Fair value	Listed	Non listed	Historical value	Revaluation reserve	Net carrying amount	Fair value	Listed	Non listed
<b>Held-to-maturity assets</b>												
Bonds	191	-	191	191	-	191	191	-	191	191	191	-
<b>Total Held-to-maturity assets</b>	<b>191</b>	<b>-</b>	<b>191</b>	<b>191</b>	<b>-</b>	<b>191</b>	<b>191</b>	<b>-</b>	<b>191</b>	<b>191</b>	<b>191</b>	<b>-</b>
<b>Available-for-sale assets</b>												
Equities	248,182	22,304	270,486	270,486	3,199,712	63,382	220,224	25,320	245,544	245,544	2,973,382	87,827
Bonds	2,924,054	68,554	2,992,608	2,992,608			2,708,754	106,911	2,815,665	2,815,665		
<b>Total Available-for-sale assets</b>	<b>3,172,236</b>	<b>90,858</b>	<b>3,263,094</b>	<b>3,263,094</b>	<b>3,199,712</b>	<b>63,382</b>	<b>2,928,978</b>	<b>132,231</b>	<b>3,061,209</b>	<b>3,061,209</b>	<b>2,973,382</b>	<b>87,827</b>
Loans, deposits and other financial investments	755,169	-	755,169	769,364	-	-	833,226	-	833,226	854,230	-	-
<b>Total Loans, deposits and other financial investments</b>	<b>755,169</b>	<b>-</b>	<b>755,169</b>	<b>769,364</b>	<b>-</b>	<b>-</b>	<b>833,226</b>	<b>-</b>	<b>833,226</b>	<b>854,230</b>	<b>-</b>	<b>-</b>
<b>TOTAL FINANCIAL INVESTMENTS (EXCLUDING INVESTMENTS IN CONSOLIDATED ENTERPRISE)</b>	<b>3,927,596</b>	<b>90,858</b>	<b>4,018,454</b>	<b>4,032,649</b>	<b>3,199,712</b>	<b>63,573</b>	<b>3,762,395</b>	<b>132,231</b>	<b>3,894,626</b>	<b>3,915,630</b>	<b>2,973,573</b>	<b>87,827</b>

(in € thousands)	December 31, 2013					
	Historical value	Revaluation reserve	Net carrying amount	Fair value	Listed	Non listed
<b>Held-to-maturity assets</b>						
Bonds			191	191	191	-
<b>Total Held-to-maturity assets</b>	<b>191</b>	<b>-</b>	<b>191</b>	<b>191</b>	<b>191</b>	<b>-</b>
<b>Available-for-sale assets</b>						
Equities	154,054	27,007	181,061	181,061	2,775,856	61,913
Bonds	2,596,674	60,033	2,656,707	2,656,707		
<b>Total Available-for-sale assets</b>	<b>2,750,728</b>	<b>87,040</b>	<b>2,837,768</b>	<b>2,837,768</b>	<b>2,775,856</b>	<b>61,913</b>
Loans, deposits and other financial investments	837,917	-	837,917	837,917	-	-
<b>Total Loans, deposits and other financial investments</b>	<b>837,917</b>	<b>-</b>	<b>837,917</b>	<b>837,917</b>	<b>-</b>	<b>-</b>
<b>TOTAL FINANCIAL INVESTMENTS (EXCLUDING INVESTMENTS IN CONSOLIDATED ENTERPRISE)</b>	<b>3,588,836</b>	<b>87,040</b>	<b>3,675,876</b>	<b>3,675,876</b>	<b>2,776,047</b>	<b>61,913</b>

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.

There was no significant impact of impairment on the Group portfolio as of December 31, 2015. The 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 3 is mainly composed of participation in non-listed real estate funds, non-consolidated shares and Moroccan non-listed government bonds.

	December 31, 2015		
(in € thousands)	Level 1	Level 2	Level 3
Available-for-sale assets	3,217,155	-	45,939

	December 31, 2014		
(in € thousands)	Level 1	Level 2	Level 3
Available-for-sale assets	3,012,930	-	48,279

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

### Other financial investments

The HTM bonds, loans and other investments are valued at amortized cost. Their hierarchical ranking is mainly level 3 except for the non-listed German mortgage bonds classified in level 2 for €380 million.

## Classification by geographical zone

### 2015

Net carrying amount (in € thousands)	France	Other countries	Group
<b>Held-to-maturity assets</b>			
Bonds	191	-	191
<b>Total Held-to-maturity assets</b>	<b>191</b>	<b>0</b>	<b>191</b>
<b>Available-for-sale assets</b>			
Equities	64,430	206,056	270,486
Bonds	400,668	2,591,940	2,992,608
<b>Total Available-for-sale assets</b>	<b>465,098</b>	<b>2,797,996</b>	<b>3,263,094</b>
Loans, deposits and other financial investments	135,485	619,684	755,169
<b>Total loans, deposits and other financial investments</b>	<b>135,485</b>	<b>619,684</b>	<b>755,169</b>
<b>TOTAL FINANCIAL INVESTMENTS</b>	<b>600,774</b>	<b>3,417,680</b>	<b>4,018,454</b>

## 2014

Net carrying amount (in € thousands)	France	Other countries	Group
<b>Held-to-maturity assets</b>			
Bonds	191	-	191
<b>Total Held-to-maturity assets</b>	<b>191</b>	<b>0</b>	<b>191</b>
<b>Available-for-sale assets</b>			
Equities	96,763	148,781	245,544
Bonds	501,769	2,313,896	2,815,665
<b>Total Available-for-sale assets</b>	<b>598,532</b>	<b>2,462,677</b>	<b>3,061,209</b>
Loans, deposits and other financial investments	109,599	723,627	833,226
<b>Total loans, deposits and other financial investments</b>	<b>109,599</b>	<b>723,627</b>	<b>833,226</b>
<b>TOTAL FINANCIAL INVESTMENTS</b>	<b>708,322</b>	<b>3,186,304</b>	<b>3,894,626</b>

## 2013

Net carrying amount (in € thousands)	France	Other countries	Group
<b>Held-to-maturity assets</b>			
Bonds	191	-	191
<b>Total Held-to-maturity assets</b>	<b>191</b>	<b>0</b>	<b>191</b>
<b>Available-for-sale assets</b>			
Equities	84,024	97,037	181,061
Bonds	489,308	2,167,399	2,656,707
<b>Total Available-for-sale assets</b>	<b>573,332</b>	<b>2,264,436</b>	<b>2,837,768</b>
Loans, deposits and other financial investments	112,116	725,801	837,917
<b>Total loans, deposits and other financial investments</b>	<b>112,116</b>	<b>725,801</b>	<b>837,917</b>
<b>TOTAL FINANCIAL INVESTMENTS</b>	<b>685,639</b>	<b>2,990,237</b>	<b>3,675,876</b>

## Movements in the periods

(in € thousands)	December 31, 2015				December 31, 2014
	Held-to-maturity investments	Available-for-sale investments	Loans, deposits and other financial investments	Total	Total
<b>Opening carrying amount</b>	<b>191</b>	<b>3,061,209</b>	<b>833,226</b>	<b>3,894,626</b>	<b>3,675,876</b>
Increase in gross value	-	1,140,366	2,571,777	3,712,143	3,912,264
Decrease in gross value	-	(895,086)	(2,666,223)	(3,561,309)	(3,770,416)
Change in consolidation scope	-	-	-	-	5,264
Revaluation	-	(47,399)	-	(47,399)	43,667
Impairment	-	(53)	-	(53)	(2,984)
Changes in foreign currency translation adjustments	-	39,320	15,491	54,811	54,236
Reclassifications	-	(10,167)	-	(10,167)	-
Other changes	-	(25,096)	898	(24,198)	(23,281)
<b>Closing carrying amount</b>	<b>191</b>	<b>3,263,094</b>	<b>755,169</b>	<b>4,018,454</b>	<b>3,894,626</b>

In 2015, the reclassifications of available-for-sale investments are related to the transfer to held-for-sale of the assets of the Bürgel group. The other changes in available-for-sale-investments are mainly explained by the

amortization of premiums and discounts of bonds. The changes in foreign currency translations are mainly due to the appreciation of the US dollar and British pound against euro.

(in € thousands)	December 31, 2014			December 31, 2013	
	Held-to-maturity investments	Available-for-sale investments	Loans, deposits and other financial investments	Total	Total
<b>Opening carrying amount</b>	<b>191</b>	<b>2,837,768</b>	<b>837,917</b>	<b>3,675,876</b>	<b>3,767,514</b>
Increase in gross value	-	1,197,437	2,714,827	3,912,264	3,971,280
Decrease in gross value	-	(1,042,669)	(2,727,747)	(3,770,416)	(3,932,849)
Change in consolidation scope	-	5,264	-	5,264	(27,729)
Revaluation	-	43,667	-	43,667	(44,398)
Impairment	-	(2,984)	-	(2,984)	(1,158)
Changes in foreign currency translation adjustments	-	48,517	5,719	54,236	(32,209)
Reclassifications	-	-	-	-	-
Other changes	-	(25,791)	2,510	(23,281)	(24,575)
<b>Closing carrying amount</b>	<b>191</b>	<b>3,061,209</b>	<b>833,226</b>	<b>3,894,626</b>	<b>3,675,876</b>

In 2014, the change in consolidation scope mainly concerns the full integration of Interpolis Kredietverzekeringen NV's investments as at December 31, 2014. The other changes of assets available for sale investments are mainly explained by the amortization of premiums and discounts of bonds. The changes in foreign currency translations are mainly due to the appreciation of the US dollar and British pound against euro.

## Exposure of the Group to European sovereign debt

- The Group does not have exposure to the sovereign debts in the following countries anymore: Greece, Ireland, Hungary and Turkey.
- The Group (without joint ventures) has a limited exposure to the Spanish sovereign debt:

Country (in € thousands)	Maturity	Acquisition value	Market value	Unrealized gains or losses
Spain	2016	14,798	14,342	(456)
Spain	2017	10,144	10,027	(117)
Spain	2018	29,993	30,334	341
Spain	2019	21,143	22,737	1,594
Spain	2020	20,477	20,669	192
<b>TOTAL</b>		<b>96,555</b>	<b>98,109</b>	<b>1,554</b>

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

## Portugal

The Portuguese joint venture COSEC, accounted for at the equity method within the Group, has the following exposure to the sovereign debt of peripheral European countries:

Country (in € thousands)	Maturity	Acquisition value	Market value	Unrealized gains or losses
Spain	2018	2,910	2,993	83
Spain	2019	2,423	2,467	45
Spain	2024	2,519	2,619	100
Italy	2018	979	1,014	35
Italy	2024	2,499	2,671	172
Portugal	2016	8,798	8,744	(53)
Portugal	2018	3,122	3,309	188
<b>TOTAL</b>		<b>23,250</b>	<b>23,817</b>	<b>570</b>

## Spain

The Spanish joint venture Solunion, accounted for at the equity method within the Group, has the following exposure to local government debt:

Country (in € thousands)	Maturity	Acquisition value	Market value	Unrealized gains or losses
Spain	2016	9,283	9,442	158
Spain	2017	3,599	3,647	48
Spain	2018	6,338	6,685	347
Spain	2019	1,097	1,154	56
Spain	2020	4,085	4,402	318
Spain	2021	1,303	1,294	(8)
Spain	2024	2,956	2,993	37
<b>TOTAL</b>		<b>28,661</b>	<b>29,617</b>	<b>956</b>

## 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 EH 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%

## Information on equity-accounted investments

(in € thousands)	December 31, 2015			
	Assets <sup>(1)</sup>	Shareholders' equity <sup>(2)</sup>	Turnover <sup>(3)</sup>	Net income
Credit insurance companies	833,994	342,181	285,154	47,220
Other companies	44,036	3,069	52,838	(3,069)
<b>TOTAL</b>	<b>878,030</b>	<b>345,250</b>	<b>337,992</b>	<b>44,151</b>

(1) Assets based on IFRS statements as at September 30, 2015, except for Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA for which the assets are based on IFRS statements as at December 31, 2015.

(2) Equity is determined on the basis of IFRS statements as at September 30, 2015, 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, 2015.

(3) The turnover corresponds to the turnover in the IFRS statements as at September 30, 2015 plus ¼ of 2014 total turnover, except for Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA for which turnover is as at December 31, 2015.

(in € thousands)	December 31, 2014			
	Assets <sup>(4)</sup>	Shareholders' equity <sup>(5)</sup>	Turnover <sup>(6)</sup>	Net income
Credit insurance companies	777,693	358,855	302,900	33,196
Other companies	44,036	19,233	55,733	(1,815)
<b>TOTAL</b>	<b>821,729</b>	<b>378,088</b>	<b>358,633</b>	<b>31,381</b>

(4) Assets based on IFRS statements as at September 30, 2014, except for Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA for which the assets are based on IFRS statements as at December 31, 2014.

(5) Shareholders' equity based on IFRS statements as at September 30, 2014, 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, 2014.

(6) The turnover corresponds to the turnover in the IFRS statements as at September 30, 2014 plus ¼ of 2013 total turnover, except for Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA for which turnover is as at December 31, 2014.

## Movements during the period

(in € thousands)	December 31, 2015	December 31, 2014
<b>Opening carrying amount</b>	<b>199,428</b>	<b>193,853</b>
Increases	-	4,716
Decreases	-	(4,490)
Reclassifications	-	-
Share of income for the period	22,649	15,718
Dividends paid	(21,774)	(10,414)
Impairment	(3,946)	-
Foreign exchange differences	734	137
Other changes	(3,799)	(92)
<b>Closing carrying amount</b>	<b>193,292</b>	<b>199,428</b>

Dividends paid correspond to dividends from Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA for €9.0 million, from Israeli Credit Insurance Company Ltd for €5.0 million, from OeKB EH Beteiligungs – u. Management A.G. for €4.8 million and from Compania de Seguro de Creditos SA for €3.0 million.

The at-equity investments on Graydon Holding N.V. have been impaired for €3.9 million. The impairment loss has been presented in the consolidated income statement under the line “Share of Income from companies accounted for at the equity method”.

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

## Contribution to shareholders' equity (without 2015 income)

(in € thousands)	December 31, 2015	December 31, 2014
Credit insurance companies	169,799	178,421
Other companies	844	5,289
<b>Share of shareholders' equity</b>	<b>170,643</b>	<b>183,710</b>

## Contribution to income

(in € thousands)	December 31, 2015	December 31, 2014
Credit insurance companies	23,493	16,217
Other companies	(844)	(499)
<b>Share of total income <sup>(1)</sup></b>	<b>22,649</b>	<b>15,718</b>

(1) Contribution gross of the impairment of at-equity investments on Graydon Holding N.V.

## Note 8 Operating property and other property and equipment

(in € thousands)	December 31, 2015			December 31, 2014		
	Operating property	Other property and equipment	Total	Operating property	Other property and equipment	Total
<b>Opening balance</b>						
Gross value	27,230	171,014	198,244	141,336	151,029	292,365
Depreciation	(17,651)	(131,692)	(149,343)	(44,855)	(102,075)	(146,930)
Impairment	-	(299)	(299)	(6,797)	(299)	(7,096)
<b>Carrying amount</b>	<b>9,579</b>	<b>39,023</b>	<b>48,602</b>	<b>89,684</b>	<b>48,655</b>	<b>138,339</b>
<b>Change during the year</b>						
<b>Carrying amount at opening period</b>	<b>9,579</b>	<b>39,023</b>	<b>48,602</b>	<b>89,684</b>	<b>48,655</b>	<b>138,339</b>
Acquisitions	136	15,687	15,823	156	14,336	14,492
Changes in consolidation scope	-	-	-	-	10	10
Disposals	(18)	(7,126)	(7,144)	(66)	(6,990)	(7,056)
Reclassifications	-	(1,914)	(1,914)	(78,099)	(6,125)	(84,224)
Foreign exchange differences	10	573	583	104	611	715
Net depreciation	(167)	(10,656)	(10,823)	(2,200)	(11,459)	(13,659)
Net provisions for impairment	-	-	-	-	-	-
Other changes	-	(3)	(3)	-	(16)	(16)
<b>Carrying amount at closing period</b>	<b>9,540</b>	<b>35,584</b>	<b>45,124</b>	<b>9,579</b>	<b>39,023</b>	<b>48,602</b>
<b>Balance at closing period</b>						
Gross value	27,367	159,620	186,987	27,230	171,014	198,244
Depreciation	(17,827)	(123,737)	(141,564)	(17,651)	(131,692)	(149,343)
Impairment	-	(299)	(299)	-	(299)	(299)
<b>Carrying amount</b>	<b>9,540</b>	<b>35,584</b>	<b>45,124</b>	<b>9,579</b>	<b>39,023</b>	<b>48,602</b>

In 2014 and 2015, the acquisitions and disposals in Other Property and Equipment are mainly due to the renewal of computers, furniture and office equipment.

The reclassification in 2015 for €-1,914 thousand is mainly due for €-1,450 thousand to the recognition of operating properties into asset held for sale concerning Bürgel Wirtschaftsinformationen Verwaltungs GmbH and Bürgel Wirtschaftsinformationen GmbH & Co. KG.

As at December 31, 2014, the reclassification of €-78 million net book value represents the recognition of three operating properties into assets held for sale: a total of €-75.7 million for two buildings in Germany and €-2.4 million for one in the USA. The reclassification in 2014 for €6.1 million is mainly due to IT applications developments previously classified in tangible assets under construction that were transferred in intangible assets in 2014.

## Note 9 Deferred tax

### Breakdown by type of tax

(in € thousands)	December 31, 2015	December 31, 2014
Deferred tax assets	280,920	321,069
Deferred tax liabilities	(424,927)	(460,479)
<b>Net deferred tax</b>	<b>(144,007)</b>	<b>(139,410)</b>
Tax losses	4,404	5,366
Deferred tax assets linked to revaluation of AFS investments	9,038	12,535
Deferred tax assets - provisions for retirement commitments	176,999	179,658
Deferred tax assets - technical reserves	13,866	14,700
Other deferred tax assets	76,613	108,810
<b>Total deferred tax assets</b>	<b>280,920</b>	<b>321,069</b>
Deferred tax liabilities linked to revaluation of AFS investments	(25,512)	(36,036)
Deferred tax liabilities - provisions for retirement commitments	(140,276)	(136,500)
Deferred tax liabilities - technical reserves	(208,443)	(194,769)
Other deferred tax liabilities	(50,696)	(93,174)
<b>Total deferred tax liabilities</b>	<b>(424,927)</b>	<b>(460,479)</b>
<b>Net deferred tax</b>	<b>(144,007)</b>	<b>(139,410)</b>
After offsetting deferred tax assets and liabilities at tax entity level		
Deferred tax assets	10,564	23,653
Deferred tax liabilities	(154,571)	(163,063)
<b>NET DEFERRED TAX</b>	<b>(144,007)</b>	<b>(139,410)</b>

The decrease in activated tax losses mainly concerns Euler Hermes Collections GmbH for €0.9 million.

The activated tax losses are mainly due to Euler Hermes Re (Luxemburg) for €1.9 million, to Euler Hermes SA (NV) for €1.4 million and to Euler Hermes Collections GmbH for €0.8 million.

### Movements in deferred tax by geographical region

(in € thousands)	December 31, 2014	Change through income statement	Change relating to revaluation of AFS inv.	Foreign exchange difference	Other movements	December 31, 2015
France	(21,709)	(6,244)	5,094	-	1	(22,859)
Germany, Austria, Switzerland	(99,524)	3,406	(2,857)	1	684	(98,290)
Northern Europe	(2,916)	(5,383)	1,545	(361)	673	(6,442)
Mediterranean countries, Middle East & Africa	8,525	(141)	(12)	(110)	-	8,262
Asia & Pacific countries	307	78	-	11	-	396
America	1,757	(203)	(201)	1,430	255	3,038
Reinsurance	(37,809)	(1,126)	1,917	(292)	864	(36,447)
Other countries	-	-	-	-	-	-
Group Services/Holdings	11,959	(3,585)	(33)	(6)	-	8,335
<b>NET DEFERRED TAX</b>	<b>(139,410)</b>	<b>(13,198)</b>	<b>5,452</b>	<b>673</b>	<b>2,476</b>	<b>(144,007)</b>

The increase in deferred tax liabilities in Northern Europe is mainly due to the decrease in provisions for employee benefits in Euler Hermes Services UK Ltd.

## Change in standard tax rate

	December 31, 2015	December 31, 2014
Group rate	28.88%	27.68%
France	34.43%*	34.43%
Germany	31.00%	31.00%
Italy	27.50%	27.50%
United Kingdom	21.50%	21.50%
United States	35.00%	35.00%
Netherlands	25.00%	25.00%
Belgium	33.99%	33.99%
Switzerland	17.50%	17.50%
Poland	19.00%	19.00%

(\*) The 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. The current income tax rate for France is thus 38% for the fiscal year 2014 and 2015. As this extraordinary contribution is temporary, the deferred taxes are not computed with the rate of 38%.

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 Group and the effective tax rate in 2015 is provided in Note 27.

## Note 10 Insurance and reinsurance receivables

### Breakdown by type

(in € thousands)	December 31, 2015			December 31, 2014
	Gross	Provisions	Net	Net
Receivables from policyholders and agents	303,102	(20,359)	282,743	246,970
Earned premiums not yet written	263,372	-	263,372	275,956
Receivables from guaranteed debtors	19,608	-	19,608	25,131
Receivables from reinsurance transactions	63,022	(1,911)	61,111	56,813
<b>TOTAL CREDIT INSURANCE RECEIVABLES</b>	<b>649,104</b>	<b>(22,270)</b>	<b>626,834</b>	<b>604,870</b>

Receivables from guaranteed debtors are mainly receivables recorded by Euler Hermes SA (NV) in respect of the retail credit activity (which is in run-off of business since 2011), of which €6 million have been recovered during 2015.

### Breakdown by maturity

(in € thousands)	December 31, 2015				Total
	< 3 months	3 months to 1 year	1 to 5 years	Over 5 years	
Gross receivables	490,824	8,367	1,268	-	500,459
Reinsurers' share	99,191	7,576	-	-	106,767
Net receivables from guaranteed debtors	19,608	-	-	-	19,608
<b>TOTAL CREDIT INSURANCE RECEIVABLES</b>	<b>609,623</b>	<b>15,943</b>	<b>1,268</b>	<b>-</b>	<b>626,834</b>

## Provisions for bad debts from policyholders and agents

(in € thousands)	December 31, 2015	December 31, 2014
<b>Balance at opening period</b>	<b>(21,462)</b>	<b>(16,835)</b>
Change in consolidation scope	-	(6)
Provision	(3,493)	(8,290)
Write back	4,661	8,123
Foreign exchange translation	(27)	(10)
Other changes	(38)	(4,444)
<b>Balance at closing period</b>	<b>(20,359)</b>	<b>(21,462)</b>

## Note 11 Other receivables

### Breakdown by type

(in € thousands)	December 31, 2015			December 31, 2014
	Gross	Provision	Net	Net
Current account	27,945	-	27,945	20,057
Other taxes receivables	56,534	-	56,534	44,204
Other receivables	142,938	(5,990)	136,948	144,775
<i>of which, accrued interest not due</i>	42,657	-	42,657	47,122
Deferred charges	8,452	-	8,452	11,900
Other adjustment accounts	1,341	-	1,341	1,460
Other assets	1,098	-	1,098	5,704
<b>TOTAL OTHER RECEIVABLES</b>	<b>238,308</b>	<b>(5,990)</b>	<b>232,318</b>	<b>228,100</b>

### Breakdown by maturity

(in € thousands)	< 3 months	3 months to 1 year	1 to 5 years	> 5 years	Total
<b>TOTAL OTHER RECEIVABLES</b>	<b>220,307</b>	<b>7,478</b>	<b>4,125</b>	<b>408</b>	<b>232,318</b>

## Note 12 Assets and liabilities held for sale

(in € thousands)	December 31, 2015	December 31, 2014
Assets classified as Held for sale	37,247	60,670
Liabilities classified as Held for sale	(14,986)	-

In 2015, the assets and liabilities held for sale are related to Bürgel Group following the signature of the Share Purchase Agreement on December 18, 2015.

In 2014, the Assets held for sale were mainly related to the headquarters of Euler Hermes AG and Euler Hermes Deutschland branch of Euler Hermes SA (NV). These assets have been sold in 2015.

## Note 13 Cash and cash equivalents

(in € thousands)	December 31, 2015	December 31, 2014
Cash in bank and at hand	289,433	274,014
Cash pooling	55,981	58,610
<b>TOTAL CASH</b>	<b>345,414</b>	<b>332,624</b>
<b>Total cash in balance sheet</b>	<b>345,414</b>	<b>332,624</b>
Cash equivalents reflected in the cash flow statement	-	-
Cash pooling creditor with Allianz	-	-
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>345,414</b>	<b>332,624</b>

## Note 14 Revaluation reserve

(in € thousands)	Investments	Tax	Foreign exchange difference	Associated companies	Other	Revaluation reserve except minority interests	Minority interests	Revaluation reserve
<b>Opening balance</b>	<b>127,917</b>	<b>(33,886)</b>	<b>3,264</b>	<b>1,014</b>	<b>933</b>	<b>99,242</b>	<b>(1)</b>	<b>99,241</b>
Change in fair market value of asset held for sale transferred through profits & losses (Gross amount) – Group	(31,963)	7,066	-	-	-	(24,897)	-	(24,897)
Change in fair market value of asset held for sale booked through equity (Gross amount) – Group	(15,439)	4,777	5,021	-	1	(5,640)	-	(5,640)
Change in fair market value of asset held for sale booked through equity (Gross amount) – Investments accounted for at the equity method	-	-	-	(3,799)	-	(3,799)	-	(3,799)
Other movements	-	-	-	-	866	866	-	866
<b>Closing balance</b>	<b>80,515</b>	<b>(22,043)</b>	<b>8,285</b>	<b>(2,785)</b>	<b>1,800</b>	<b>65,772</b>	<b>(1)</b>	<b>65,771</b>

## Note 15 Non-controlling interests

### Movements during the year

(in € thousands)	December 31, 2015	December 31, 2014
<b>Non-controlling interests at start of period</b>	<b>62,142</b>	<b>66,582</b>
<b>Non-controlling interests' share of net income</b>	<b>1,695</b>	<b>2,040</b>
<b>Components of other comprehensive income</b>	<b>59</b>	<b>45</b>
Revaluation reserve for financial investments available for sale	-	-
Actuarial gain/(loss) on defined-benefit plans	(16)	(61)
Foreign currency translation differences	75	106
<b>Other movements</b>	<b>(2,089)</b>	<b>(6,525)</b>
Dividends paid to minority shareholders	(2,089)	(4,546)
Capital increases and other movements	-	(1,979)
<b>Non-controlling interests at end of period</b>	<b>61,807</b>	<b>62,142</b>

The dividends paid to minority shareholders is mainly due to Bürgel Wirtschaftsinformationen GmbH & Co. K. G.

### Breakdown by country

(in € thousands)	December 31, 2015	December 31, 2014
Euler Hermes in France	46,411	47,396
Euler Hermes in Germany	10,007	10,714
Euler Hermes in Switzerland	9	15
Euler Hermes in Morocco	5,245	4,017
Euler Hermes in Tunisia	134	-
<b>NON CONTROLLING INTERESTS</b>	<b>61,807</b>	<b>62,142</b>

## Note 16 Provisions for risks and charges

(in € thousands)	December 31, 2014	Allowance	Write back (used)	Write back (not used)	Reclassification	Other changes	December 31, 2015
<b>Retirement scheme</b> (see Note 17 <i>Employee Benefits for more details</i> )	<b>232,714</b>	<b>21,738</b>	<b>(19,984)</b>	<b>(978)</b>	<b>(1,666)</b>	<b>(18,631)</b>	<b>213,193</b>
Defined-benefit retirement plans	232,714	21,738	(19,984)	(978)	(1,666)	(18,631)	213,193
<b>Other provisions for risks and charges</b>	<b>150,937</b>	<b>49,449</b>	<b>(28,397)</b>	<b>(16,033)</b>	<b>(4,618)</b>	<b>501</b>	<b>151,839</b>
Provision for tax litigation in Germany	262	-	-	-	-	5	267
Provision for tax uncertainties	41,449	4,887	(395)	3,115	(257)	15	48,814
Provisions for employee benefits	89,510	38,828	(22,273)	(14,450)	(4,184)	405	87,836
Provision for restructuring	7,731	(909)	(1,802)	(502)	(33)	47	4,532
Provisions for sundry disputes	11,985	6,643	(3,927)	(4,196)	(144)	29	10,390
<b>TOTAL PROVISIONS FOR RISKS AND CHARGES</b>	<b>383,651</b>	<b>71,187</b>	<b>(48,381)</b>	<b>(17,011)</b>	<b>(6,284)</b>	<b>(18,130)</b>	<b>365,032</b>

For the defined-benefit retirement plans, the other changes of €18.6 million mainly consist in changes in assumptions and experience adjustments and are recognised in other comprehensive income according to IAS 19 Revised.

## Note 17 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, 2015, the Group recognized expenses for defined-contribution plans of €11.0 million (2014: €10.5 million). Additionally, the Group paid contributions for state pension schemes of €29.2 million in 2015 (2014: €27.9 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 Euler Hermes France to beneficiaries or their surviving spouse (reversion) until their death. The plan is managed by BCAC, which informs Euler Hermes France 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 Group and Euler Hermes France. The contributions are paid by Cardif to the beneficiaries or their surviving spouse (reversion) until their death.

- Euler Hermes SA (NV) (Italy 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 Italy branch 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.

Euler Hermes SA (NV) (Italy branch) has no dedicated hedging instrument that covers the actuarial liability.

- Euler Hermes SA (NV) (UK branch): the UK branch 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, branch of Euler Hermes SA (NV), Euler Hermes AG 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.

Within the Allianz defined-benefit plan in which the Group is involved in Germany, the assumptions for determining the DBO have been updated. The plan has been split into 2 items: on one hand the engagement to pay a fixed annuity to employees, engagement covered by an insurance contract and on the other hand the engagement to pay a compensation for the inflation. As a result, the analysis leads to the conclusion that the engagement to pay the fixed annuity was already fully covered in the absence of profit participation and could be evaluated at the fair value of plan asset. The second part is still valued according to the projected unit credit method as required by IAS 19.

This approach implied a decrease of €40 million in 2014 in the net commitment.

- Euler Hermes SA (NV) (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 SA (NV) (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. A defined-benefit plan was signed in february 2009 with Aegon and covers 6 employees. The plan is renewed every 5 years.
- Scandinavia:

Euler Hermes SA (NV) (Sweden branch): a multi-employer plan that is managed by the life insurance company SPP. Employees begin to accrue pension at 28 years old. Employees can receive a pension as from 65 years old. Employees are then guaranteed about 65% of their final salaries.

Euler Hermes SA (NV) (Norway branch): a multi-employer plan that is managed by the life insurance company Vital. 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.

December 31, 2015 (in € thousands)	France & Greece					Scandinavia					Total
	Retirement indemnities	PSAD	Cardif	Italy	United-Kingdom	Germany	Belgium	Netherlands	FTP	VITAL	
<b>Actuarial obligation - total - Opening</b>	<b>(9,662)</b>	<b>(3,363)</b>	<b>(4,047)</b>	<b>(7,556)</b>	<b>(225,347)</b>	<b>(609,047)</b>	<b>(25,071)</b>	<b>(18,674)</b>	<b>(6,453)</b>	<b>(1,889)</b>	<b>(911,110)</b>
■ Current period service cost	(669)	-	-	(564)	-	(13,209)	(689)	(1,461)	(116)	(135)	(16,843)
■ Interest on obligation	(145)	(49)	(59)	(61)	(8,597)	(12,194)	(364)	(364)	(197)	(46)	(22,076)
■ Employee contributions	-	-	-	1	-	(3,144)	(65)	(285)	-	-	(3,493)
■ Plan amendment	-	-	-	-	-	-	-	-	-	-	-
■ Acquisitions/disposals of subsidiaries	-	-	-	-	-	-	-	-	-	-	-
■ Plan curtailments	-	-	-	-	-	-	-	-	-	-	-
■ Plan settlements	-	-	-	-	-	-	-	-	-	-	-
■ Actuarial gains (losses) due to a change in assumptions	638	(24)	230	45	5,086	20,193	1,124	(1,181)	817	82	27,010
■ Actuarial gains (losses) due to a change in experience	(369)	107	50	-	-	(8,221)	(226)	1,121	284	216	(7,038)
■ Benefits paid	332	335	166	92	6,146	14,286	1,446	52	172	14	23,041
■ Currency translation difference	-	-	-	-	(11,962)	-	-	-	(332)	200	(12,094)
■ Other	-	-	-	-	-	1,616	-	1,323	(77)	250	3,112
■ Removal of the discretionary clause	-	-	-	-	-	-	-	-	-	-	-
<b>Actuarial obligation - Total - Closing</b>	<b>(9,875)</b>	<b>(2,994)</b>	<b>(3,660)</b>	<b>(8,043)</b>	<b>(234,674)</b>	<b>(609,720)</b>	<b>(23,845)</b>	<b>(19,469)</b>	<b>(5,902)</b>	<b>(1,309)</b>	<b>(919,493)</b>
<b>Fair value of plan assets - Total - Opening</b>	<b>5,561</b>	<b>-</b>	<b>3,203</b>	<b>-</b>	<b>217,071</b>	<b>412,273</b>	<b>18,400</b>	<b>15,633</b>	<b>5,087</b>	<b>1,168</b>	<b>678,396</b>
■ Interest income on plan assets	80	-	44	-	8,278	8,330	270	299	161	24	17,486
■ Actuarial gains (losses) due to a change in experience	56	-	(201)	-	1,140	2,052	375	(247)	40	(190)	3,025
■ Employee contributions	-	-	-	-	-	3,144	65	285	-	-	3,494
■ Employer contributions	921	-	-	-	6,706	6,014	676	591	-	101	15,009
■ Acquisitions/disposals of subsidiaries	-	-	-	-	-	-	-	-	-	-	-
■ Plan curtailments	-	-	-	-	-	-	-	-	-	-	-
■ Plan settlements	-	-	-	-	-	-	-	-	-	-	-
■ Benefits paid	(249)	-	(166)	-	(6,146)	(9,132)	(1,446)	(52)	65	-	(17,126)
■ Currency translation difference	-	-	-	-	11,334	-	-	-	257	(125)	11,466
■ Other	-	-	62	-	-	(42)	-	(1,323)	(156)	(285)	(1,744)
<b>Fair value of plan assets - Total - Closing</b>	<b>6,369</b>	<b>-</b>	<b>2,942</b>	<b>-</b>	<b>238,383</b>	<b>422,639</b>	<b>18,340</b>	<b>15,186</b>	<b>5,454</b>	<b>694</b>	<b>710,006</b>
<b>Net commitments &lt;0</b>	<b>(3,506)</b>	<b>(2,994)</b>	<b>(718)</b>	<b>(8,043)</b>	<b>-</b>	<b>(187,081)</b>	<b>(5,505)</b>	<b>(4,283)</b>	<b>(448)</b>	<b>(615)</b>	<b>(213,193)</b>
<b>Net commitments &gt;0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,708</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,708</b>
<b>Actuarial Gain/Loss - Cumulative amount in Other Comprehensive Income</b>											
■ Actuarial Gain/Loss - Gross - Opening value	(2,047)	281	(409)	(638)	(64,602)	(153,496)	(4,357)	(2,239)	(1,476)	166	(228,817)
■ Actuarial Gain/Loss - Gross - Movement	325	83	78	45	6,226	14,024	1,273	(317)	1,141	107	22,986
<b>Actuarial Gain/Loss - Gross - Closing Value</b>	<b>(1,722)</b>	<b>364</b>	<b>(331)</b>	<b>(593)</b>	<b>(58,376)</b>	<b>(139,472)</b>	<b>(3,084)</b>	<b>(2,556)</b>	<b>(335)</b>	<b>273</b>	<b>(205,831)</b>
■ Actuarial Gain/Loss - Tax effect - Closing value	352	51	114	164	13,370	43,310	801	733	874	(68)	59,701

December 31, 2015 (in € thousands)	France & Greece					Scandinavia					Total
	Retirement indemnities	PSAD	Cardif	Italy	United-Kingdom	Germany	Belgium	Netherlands	FTP	VITAL	
<b>Actuarial Gain/Loss - Net of tax - Closing value</b>	(1,370)	415	(217)	(429)	(45,006)	(96,162)	(2,283)	(1,823)	539	205	(146,131)
<b>Expenses for the period</b>	(734)	(49)	(15)	(625)	(318)	(17,073)	(783)	(1,526)	(152)	(158)	(21,433)
■ Current period service cost	(669)	-	-	(564)	-	(13,209)	(689)	(1,461)	(116)	(135)	(16,843)
■ Finance cost (effect of undiscounting)	(145)	(49)	(59)	(61)	(8,597)	(12,194)	(364)	(364)	(197)	(46)	(22,076)
■ Interest income on plan assets	80	-	44	-	8,279	8,330	270	299	161	24	17,486
■ Profit/loss on curtailment/settlement	-	-	-	-	-	-	-	-	-	-	-
■ Asset ceiling limitation	-	-	-	-	-	-	-	-	-	-	-
■ Other	-	-	-	-	-	-	-	-	-	-	-
<b>Actuarial assumptions</b>											
■ Discounting rates used	2.00%	2.00%	2.00%	2.00%	3.80%	2.25%	2.00%	2.25%	3.80%	2.50%	
■ Inflation rate used	1.80%	1.80%	1.80%	2.00%	3.30%	1.70%	-	0.25%	2.00%	2.25%	
■ Expected rate of salary increase	1.80%	1.80%	1.80%	0.50%	-	2.10%	2.70%	2.50%	3.00%	2.50%	
■ Expected rate of increase of medical costs	-	-	-	-	-	-	-	-	-	-	
■ Rate of increase of benefit used by plan	1.80%	1.80%	1.80%	-	-	-	-	0.25%	-	-	
■ Plan retirement age	60 or 63	60 or 63	60 or 63	62 and 66 <sup>(3)</sup>	65	63	60	67	65	65	
■ Plan residual service period	-	-	-	-	24,5	15	-	17	-	17	
■ Other significant actuarial assumption used <sup>(1)</sup>	-	60%	-	-	-	-	-	-	-	-	
<b>Structure of plan assets <sup>(2)</sup></b>											
■ Equities	-	-	-	-	43.70%	9.00%	-	-	8.00%	6.10%	
■ Bonds	-	-	100.00%	-	24.00%	87.50%	-	-	86.00%	47.50%	
■ Real estate	100.00%	-	-	-	8.50%	3.10%	-	-	6.00%	14,70%	
■ Other instruments	-	-	-	-	23.80%	0.40%	100%	100.00%	-	31.70%	

(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.

December 31, 2014 (in € thousand)	France & Greece					Scandinavia					Total
	Retirement indemnities	PSAD	Cardif	Italy	United-Kingdom	Germany	Belgium	Netherlands	FTP	VITAL	
<b>Actuarial obligation - total - Opening</b>	<b>(7,727)</b>	<b>(3,380)</b>	<b>(3,326)</b>	<b>(7,034)</b>	<b>(179,045)</b>	<b>(517,414)</b>	<b>(23,149)</b>	<b>(12,772)</b>	<b>(6,222)</b>	<b>(1,683)</b>	<b>(761,752)</b>
■ Current period service cost	(907)	-	-	(146)	-	(10,478)	(626)	(575)	638	(671)	(12,765)
■ Interest on obligation	(249)	(110)	(477)	(103)	(8,238)	(17,846)	(692)	(350)	(227)	(58)	(28,350)
■ Employee contributions	-	-	-	(453)	-	(3,037)	(64)	(204)	187	18	(3,553)
■ Plan amendment	-	-	-	-	-	-	-	-	-	-	-
■ Acquisitions/disposals of subsidiaries	-	-	-	-	-	-	-	-	-	-	-
■ Plan curtailments	-	-	-	-	-	-	-	(45)	-	-	(45)
■ Plan settlements	-	-	-	-	-	-	-	-	-	-	-
■ Actuarial gains (losses) due to a change in assumptions	(1,069)	(215)	(432)	(288)	(29,878)	(75,349)	(2,071)	(4,268)	(1,504)	129	(114,944)
■ Actuarial gains (losses) due to a change in experience	(149)	(24)	(8)	(4)	-	1,721	(105)	(369)	(22)	-	1,040
■ Benefits paid	439	366	166	472	5,972	13,230	1,636	10	-	-	22,291
■ Currency translation difference	-	-	-	-	(14,156)	-	-	-	697	(125)	(13,585)
■ Other	-	-	30	-	(3)	126	-	(101)	-	-	52
■ Removal of the discretionary clause	-	-	-	-	-	-	-	-	-	501	500
<b>Actuarial obligation - total - Closing</b>	<b>(9,662)</b>	<b>(3,363)</b>	<b>(4,047)</b>	<b>(7,556)</b>	<b>(225,347)</b>	<b>(609,047)</b>	<b>(25,071)</b>	<b>(18,674)</b>	<b>(6,453)</b>	<b>(1,889)</b>	<b>(911,110)</b>
<b>Fair value of plan assets - total - Opening</b>	<b>4,944</b>	<b>-</b>	<b>3,233</b>	<b>-</b>	<b>189,552</b>	<b>367,717</b>	<b>18,266</b>	<b>9,864</b>	<b>5,095</b>	<b>1,018</b>	<b>599,689</b>
■ Interest income on plan assets	166	-	104	-	8,736	12,928	555	275	179	31	22,974
■ Actuarial gains (losses) due to a change in experience	(40)	-	32	-	9,951	29,350	162	4,802	-	(111)	44,146
■ Employee contributions	-	-	-	-	-	3,037	64	480	(187)	(18)	3,376
■ Employer contributions	919	-	-	-	1,255	7,776	788	225	169	144	11,275
■ Acquisitions /disposals of subsidiaries	-	-	-	-	-	-	-	-	-	-	-
■ Plan curtailments	-	-	-	-	-	-	-	(17)	-	-	(17)
■ Plan settlements	-	-	-	-	-	-	-	-	-	-	-
■ Benefits paid	(428)	-	(166)	-	(5,972)	(8,493)	(1,636)	(10)	-	-	(16,705)
■ Currency translation difference	-	-	-	-	14,184	-	-	-	(525)	106	13,764
■ Other	-	-	-	-	(634)	(42)	201	14	356	(2)	(106)
<b>Fair value of plan assets - total - Closing</b>	<b>5,561</b>	<b>-</b>	<b>3,203</b>	<b>-</b>	<b>217,071</b>	<b>412,273</b>	<b>18,400</b>	<b>15,633</b>	<b>5,087</b>	<b>1,168</b>	<b>678,396</b>
<b>Net commitments &lt;0</b>	<b>(4,101)</b>	<b>(3,363)</b>	<b>(844)</b>	<b>(7,556)</b>	<b>(8,276)</b>	<b>(196,774)</b>	<b>(6,671)</b>	<b>(3,041)</b>	<b>(1,366)</b>	<b>(721)</b>	<b>(232,714)</b>
<b>Net commitments &gt;0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

December 31, 2014 (in € thousand)	France & Greece					Scandinavia					Total
	Retirement indemnities	PSAD	Cardif	Italy	United-Kingdom	Germany	Belgium	Netherlands	FTP	VITAL	
<b>Actuarial Gain/Loss - Cumulative amount in Other Comprehensive Income</b>											
■ Actuarial Gain/Loss - Gross - Opening value	(787)	520	-	(346)	(44,675)	(108,932)	(2,343)	(2,404)	50	148	(158,770)
■ Actuarial Gain/Loss - Gross - Movement	(1,260)	(239)	(409)	(292)	(19,926)	(44,564)	(2,014)	165	(1,526)	18	(70,047)
<b>Actuarial Gain/Loss - Gross - Closing Value</b>	<b>(2,047)</b>	<b>281</b>	<b>(409)</b>	<b>(638)</b>	<b>(64,602)</b>	<b>(153,496)</b>	<b>(4,357)</b>	<b>(2,239)</b>	<b>(1,476)</b>	<b>166</b>	<b>(228,817)</b>
■ - Actuarial Gain/Loss - Tax effect - Closing value	681	(94)	136	175	13,889	47,584	1,481	559	369	(42)	64,739
<b>Actuarial Gain/Loss - Net of tax - Closing value</b>	<b>(1,366)</b>	<b>187</b>	<b>(273)</b>	<b>(463)</b>	<b>(50,712)</b>	<b>(105,912)</b>	<b>(2,876)</b>	<b>(1,680)</b>	<b>(1,107)</b>	<b>124</b>	<b>(164,078)</b>
<b>Expenses for the period</b>	<b>(990)</b>	<b>(110)</b>	<b>(373)</b>	<b>(249)</b>	<b>498</b>	<b>(15,402)</b>	<b>(763)</b>	<b>(745)</b>	<b>590</b>	<b>(698)</b>	<b>(18,242)</b>
■ Current period service cost	(907)	-	-	(146)	-	(10,478)	(626)	(645)	638	(671)	(12,835)
■ Finance cost (effect of undiscounting)	(249)	(110)	(477)	(103)	(8,238)	(17,846)	(692)	(350)	(227)	(58)	(28,350)
■ Interest income on plan assets	166	-	104	-	8,736	12,928	555	275	179	31	22,974
■ Profit/loss on curtailment/settlement	-	-	-	-	-	-	-	(45)	-	-	(45)
■ Asset ceiling limitation	-	-	-	-	-	-	-	-	-	-	-
■ Other	-	-	-	-	-	(6)	-	20	-	-	14
<b>Actuarial assumptions</b>											
■ Discounting rates used	2.00%	2.00%	2.00%	2.00%	3.60%	2.00%	3.05%	2.50%	3.70%	-	-
■ Inflation rate used	1.75%	1.75%	1.75%	2.00%	3.15%	1.70%	2.50%	0.20%	2.00%	-	-
■ Expected rate of salary increase	1.85%	1.85%	1.85%	0.50%	-	2.10%	3.20%	2.50%	3.00%	-	-
■ Expected rate of increase of medical costs	-	-	-	-	-	-	-	-	-	-	-
■ Rate of increase of benefit used by plan	1.75%	1.75%	1.75%	-	-	-	-	-	-	-	-
■ Plan retirement age	60 or 63	60 or 63	60 or 63	62 and 66 <sup>(3)</sup>	65	63	60	67	65	67	-
■ Plan residual service period	-	-	-	-	24	15	-	17	-	17	-
■ Other significant actuarial assumption used <sup>(1)</sup>	-	60%	-	-	-	-	-	-	-	-	-
<b>Structure of plan assets<sup>(2)</sup></b>											
■ Shares	-	-	-	-	42.54%	7.70%	-	-	11.00%	-	-
■ Bonds	-	-	100.00%	-	25.00%	89.40%	-	-	84.00%	-	-
■ Real estate	100.00%	-	-	-	7.26%	2.70%	-	-	5.00%	-	-
■ Other instruments	-	-	-	-	25.20%	0.20%	-	100.00%	-	-	-

(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.

## Sensitivity of actuarial assumptions

As far as the Germany scope is concerned (89% of Group net commitments for the defined-benefit retirement plans), an increase of the discount rate by 50 bps would decrease the defined-benefit obligation

by €39 million. A decrease of 50 bps would lead to an increase of €46 million. An increase or a decrease of the salary by 25 bps would have no material effect on the defined-benefit obligation.

## 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 the Group:

(in € thousands)	Pension benefits
2015	14,286
2016	14,087
2017	14,924
2018	15,881
2019	16,739
2020	17,209
2021-2025	98,140

## Note 18 Borrowings

### Breakdown by type

(in € thousands)	December 31, 2015	December 31, 2014
<b>Subordinated debt</b>	-	-
Term loans and other term borrowings	252,184	284,159
Bank overdraft	58	-
<b>Borrowings from banking sector businesses</b>	<b>252,242</b>	<b>284,159</b>
<b>Other borrowings</b>	-	-
<b>TOTAL BORROWINGS</b>	<b>252,242</b>	<b>284,159</b>

Bank borrowings mainly correspond to the following items:

- 2015 loan of €110 million from BNP Paribas with redemption in June 18, 2020, with fixed annual interest rate of 0.97% (negotiated in June 2015);
- 2010 loan of €110 million from HSBC with redemption on June 18, 2020, with fixed annual interest rate of 0.97% (previously €125 million loan and 1.885% fixed annual interest rate, renegotiated in June 2015);
- Credit line of €32 million from AAREAL Bank with redemption on October 22, 2023, with variable annual interest rate Euribor 3M plus 1.55% margin. As at December 2015, this line has been totality drawn down (to €32 million);
- Accrued interest for €0.2 million.

Some borrowings are subject to step-up clauses providing for an increase in the annual interest rate in the event of an external rating downgrade by Standard & Poor's or any other equivalent rating agency considered in the loan agreements.

## Breakdown by maturity

(in € thousands)	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total borrowings	242	-	220,000	32,000	252,242

## Breakdown by maturity for interests to be paid

(in € millions)	2015 <sup>(1)</sup>	2016
Borrowing 2015 of €110 million maturity 06/18/2020, annual fixed rate to 0.97%	0.53	1.07
Borrowing 2010 of €110 million maturity 06/18/2020, annual fixed rate to 0.97%	0.53	1.07
<b>TOTAL FUTURE INTEREST EXPENSES WITH OTHERS THAN ALLIANZ GROUP</b>	<b>1.07</b>	<b>2.13</b>

(1) The annual interest on loans amounts to €2.13 million.

(in € millions)	2015	2016 to 2022 <sup>(1)</sup>	2023
Borrowing 2013 of €32 million maturity 22/10/2023, Euribor 3M + 2,55% <sup>(2)</sup>	0.48	3.18	0.38
<b>TOTAL FUTURE INTEREST EXPENSES WITH OTHERS THAN ALLIANZ GROUP</b>	<b>0.48</b>	<b>3.18</b>	<b>0.38</b>

(1) This interest is accumulated over 7 years; the annual interest on loans amounts to €0.45 million.

(2) The line of credit of € 32 million maturity October 2023 has been totally drawn down.

## Note 19 Technical reserves

(in € thousands)	December 31, 2014	Allowance net of writebacks	Foreign exchange differences	Changes in consolidation scope	Other changes	December 31, 2015
Reserve for unearned premiums	396,221	34,723	16,272	0	(109)	447,107
Reserve for claims net of forecasts of recoveries	1,615,531	133,552	23,180	(5)	1,571	1,773,829
Reserve for no-claims bonuses and rebates	165,494	(811)	1,895	0	42	166,620
<b>Gross technical reserves</b>	<b>2,177,246</b>	<b>167,464</b>	<b>41,347</b>	<b>(5)</b>	<b>1,504</b>	<b>2,387,556</b>
Reserve for unearned premiums	62,695	11,993	690	0	1	75,379
Reserve for claims net of forecasts of recoveries	466,801	82,726	1,996	5	652	552,180
Reserve for no-claims bonuses and rebates	34,783	59	430	0	(20)	35,252
<b>Reinsurers' share of technical reserves</b>	<b>564,279</b>	<b>94,778</b>	<b>3,116</b>	<b>5</b>	<b>633</b>	<b>662,811</b>
<b>NET TECHNICAL RESERVES</b>	<b>1,612,967</b>	<b>72,686</b>	<b>38,231</b>	<b>(10)</b>	<b>871</b>	<b>1,724,745</b>

## Claims reserves

(in € thousands)	December 31, 2015			December 31, 2014		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Claims reserves gross of recoveries</b>	<b>2,056,108</b>	<b>(643,732)</b>	<b>1,412,376</b>	<b>1,906,065</b>	<b>(565,768)</b>	<b>1,340,297</b>
Current period	1,182,754	(354,679)	828,075	1,010,239	(253,783)	756,456
Prior periods	873,354	(289,053)	584,301	895,826	(311,985)	583,841
<b>Recoveries to be received</b>	<b>(282,279)</b>	<b>91,552</b>	<b>(190,727)</b>	<b>(290,534)</b>	<b>98,967</b>	<b>(191,567)</b>
Current period	(110,008)	23,916	(86,092)	(107,544)	23,585	(83,959)
Prior periods	(172,271)	67,636	(104,635)	(182,990)	75,382	(107,608)
<b>CLAIMS RESERVES</b>	<b>1,773,829</b>	<b>(552,180)</b>	<b>1,221,649</b>	<b>1,615,531</b>	<b>(466,801)</b>	<b>1,148,730</b>

## Breakdown by type of reserve

(in € thousands)	December 31, 2015			December 31, 2014		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Reserves for unearned premiums</b>	<b>447,107</b>	<b>(75,379)</b>	<b>371,728</b>	<b>396,221</b>	<b>(62,695)</b>	<b>333,526</b>
<b>Claims reserves</b>	<b>1,773,829</b>	<b>(552,180)</b>	<b>1,221,649</b>	<b>1,615,531</b>	<b>(466,801)</b>	<b>1,148,730</b>
of which, reserves for known claims	1,239,977	(388,536)	851,441	1,130,972	(359,647)	771,325
of which, reserves for late claims	729,144	(244,024)	485,120	679,393	(194,256)	485,137
of which, reserves for claims handling expenses	87,229	(11,173)	76,056	95,688	(11,865)	83,823
of which, other technical reserves	(242)	1	(241)	13	-	13
of which, recoveries to be received	(282,279)	91,552	(190,727)	(290,535)	98,967	(191,568)
<b>No-claims bonuses and rebates</b>	<b>166,620</b>	<b>(35,252)</b>	<b>131,368</b>	<b>165,494</b>	<b>(34,783)</b>	<b>130,711</b>
<b>TECHNICAL RESERVES</b>	<b>2,387,556</b>	<b>(662,811)</b>	<b>1,724,745</b>	<b>2,177,246</b>	<b>(564,279)</b>	<b>1,612,967</b>

## Note 20 Insurance and reinsurance liabilities

### Breakdown by type and by maturity

(in € thousands)	December 31, 2015	December 31, 2014
Policyholders' guarantee deposits and miscellaneous	102,700	114,339
Liabilities due to policyholders and agents	116,456	112,653
<b>Liabilities arising from inward insurance and reinsurance transactions</b>	<b>219,156</b>	<b>226,992</b>
Liabilities due to reinsurers and assignors	100,244	122,866
Deposits received from reinsurers	7,566	8,611
<b>Outwards reinsurance liabilities</b>	<b>107,810</b>	<b>131,477</b>
<b>TOTAL INSURANCE AND REINSURANCE LIABILITIES</b>	<b>326,966</b>	<b>358,469</b>

(in € thousands)	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
<b>TOTAL INSURANCE AND REINSURANCE LIABILITIES</b>	<b>320,484</b>	<b>5,567</b>	<b>600</b>	<b>315</b>	<b>326,966</b>

## Note 21 Other liabilities

### Breakdown by type and by maturity

(in € thousands)	December 31, 2015	December 31, 2014
Tax and social liabilities	153,346	153,119
Other operating liabilities	120,611	108,728
Deferred income	25,630	27,783
Other accrued expenses	-	-
Other liabilities	63	145
<b>TOTAL OTHER LIABILITIES</b>	<b>299,650</b>	<b>289,775</b>

(in € thousands)	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
<b>TOTAL OTHER LIABILITIES</b>	<b>292,872</b>	<b>6,707</b>	<b>51</b>	<b>20</b>	<b>299,650</b>

## Note 22 Breakdown of operating income

(in € thousands)	December 31, 2015			December 31, 2014		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Premiums and commissions	2,372,473	(698,551)	1,673,922	2,270,416	(670,884)	1,599,532
Premiums refunded	(132,305)	29,839	(102,466)	(111,513)	25,743	(85,770)
Gross premiums written - credit insurance	2,240,168	(668,712)	1,571,456	2,158,903	(645,141)	1,513,762
Change in unearned premiums	(34,724)	12,306	(22,418)	(32,992)	1,265	(31,727)
<b>Earned premiums</b>	<b>2,205,444</b>	<b>(656,406)</b>	<b>1,549,038</b>	<b>2,125,911</b>	<b>(643,876)</b>	<b>1,482,035</b>
Service revenues	432,931	-	432,931	401,101	-	401,101
<b>Turnover</b>	<b>2,638,375</b>	<b>(656,406)</b>	<b>1,981,969</b>	<b>2,527,012</b>	<b>(643,876)</b>	<b>1,883,136</b>
<b>Net investment income</b>	<b>116,343</b>	<b>-</b>	<b>116,343</b>	<b>85,082</b>	<b>-</b>	<b>85,082</b>
Claims paid	(907,645)	235,864	(671,781)	(825,893)	238,160	(587,733)
Claims reserves expenses	(142,458)	83,404	(59,054)	(67,486)	34,602	(32,884)
Claims handling expenses	(97,437)	2,574	(94,863)	(105,292)	3,155	(102,137)
<b>Insurance services expenses</b>	<b>(1,147,540)</b>	<b>321,842</b>	<b>(825,698)</b>	<b>(998,671)</b>	<b>275,917</b>	<b>(722,754)</b>
Brokerage commissions	(222,721)	-	(222,721)	(201,018)	-	(201,018)
Other acquisition costs	(263,880)	-	(263,880)	(254,821)	-	(254,821)
Change in acquisition costs capitalised	8,561	-	8,561	2,899	-	2,899
<b>Contract acquisition expenses</b>	<b>(478,040)</b>	<b>-</b>	<b>(478,040)</b>	<b>(452,940)</b>	<b>-</b>	<b>(452,940)</b>
<b>Impairment of portfolio securities and similar</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Administration expenses</b>	<b>(219,261)</b>	<b>-</b>	<b>(219,261)</b>	<b>(207,943)</b>	<b>-</b>	<b>(207,943)</b>
Commissions received from reinsurers	-	234,096	234,096	-	222,895	222,895
<b>Other ordinary operating income and expenses</b>	<b>(391,625)</b>	<b>-</b>	<b>(391,625)</b>	<b>(371,307)</b>	<b>-</b>	<b>(371,307)</b>
<b>CURRENT OPERATING INCOME</b>	<b>518,252</b>	<b>(100,468)</b>	<b>417,784</b>	<b>581,233</b>	<b>(145,064)</b>	<b>436,169</b>

## Cost of claims

(in € thousands)	December 31, 2015			December 31, 2014		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Cost of claims for the current period</b>	<b>1,497,999</b>	<b>(419,767)</b>	<b>1,078,232</b>	<b>1,335,823</b>	<b>(330,747)</b>	<b>1,005,076</b>
of which, claims paid	257,162	(62,530)	194,632	286,466	(74,860)	211,606
of which, claims reserves	1,146,530	(353,352)	793,178	955,692	(252,284)	703,408
of which, claims handling expenses	94,307	(3,885)	90,422	93,665	(3,603)	90,062
<b>Recoveries for the current period</b>	<b>(120,035)</b>	<b>26,965</b>	<b>(93,070)</b>	<b>(115,159)</b>	<b>25,969</b>	<b>(89,190)</b>
Recoveries received	(10,240)	3,072	(7,168)	(8,705)	2,379	(6,326)
Change in reserves for recoveries	(109,795)	23,893	(85,902)	(106,454)	23,590	(82,864)
<b>Cost of claims from prior periods</b>	<b>(224,847)</b>	<b>65,810</b>	<b>(159,037)</b>	<b>(268,073)</b>	<b>35,103</b>	<b>(232,970)</b>
of which, claims paid	787,335	(213,547)	573,788	707,223	(237,778)	469,445
of which, claims reserves	(1,015,312)	278,046	(737,266)	(986,923)	272,433	(714,490)
of which, claims handling expenses	3,130	1,311	4,441	11,627	448	12,075
<b>Recoveries from prior periods</b>	<b>(5,577)</b>	<b>5,150</b>	<b>(427)</b>	<b>46,080</b>	<b>(6,243)</b>	<b>39,837</b>
Recoveries received	(126,612)	37,141	(89,471)	(159,091)	72,099	(86,992)
Change in reserves for recoveries	121,035	(31,991)	89,044	205,171	(78,341)	126,829
<b>COST OF CLAIMS</b>	<b>1,147,540</b>	<b>(321,842)</b>	<b>825,698</b>	<b>998,671</b>	<b>(275,917)</b>	<b>722,753</b>

## Note 23 Net financial income

(in € thousands)	December 31, 2015	December 31, 2014
Revenues from investment property	4,296	2,644
Revenues from equity & debt securities	59,800	58,524
<i>Available for sale assets through equity</i>	59,800	58,512
<i>Trading assets</i>	-	-
<i>Held to maturity</i>	-	12
Revenues from loans, deposits and other financial investments	16,309	19,703
Other financial income	208	244
<b>Investment income</b>	<b>80,613</b>	<b>81,117</b>
Depreciation of investment property	(2,651)	(1,004)
Investment management expenses	(8,595)	(7,793)
Interest paid to reinsurers	(210)	(215)
Other financial expenses	-	-
<b>Investment expenses</b>	<b>(11,456)</b>	<b>(9,012)</b>
Profits (losses) on sales of property	-	(363)
Net profits (losses) on sales of securities	35,447	21,471
<i>Available for sale assets through equity</i>	34,658	21,286
<i>Trading assets</i>	-	-
<i>Held to maturity</i>	-	-
On sales of loans to banks and customers	789	185
Profits (losses) on sales of participating interests	-	-
<b>Net gain (loss) on sales of investments less impairment and depreciation write backs</b>	<b>35,447</b>	<b>21,108</b>
Change in fair value of derivatives	(3,892)	210
Change in fair value of trading assets	-	-
<b>Change in fair value of investments recognised at fair value through the income statement</b>	<b>(3,892)</b>	<b>210</b>
Reserve for impairment of investments	(48)	(2,984)
<b>Change in impairment of investments</b>	<b>(48)</b>	<b>(2,984)</b>
<b>Net change in foreign currency</b>	<b>15,679</b>	<b>(5,357)</b>
<b>NET FINANCIAL INCOME (EXCLUDING FINANCING EXPENSE)</b>	<b>116,343</b>	<b>85,082</b>

The change in fair value of derivatives in 2015 is mostly due to the increase in underlying share prices on "Euler Hermes Group Long Term Incentive" and "Allianz group Equity Incentive" stock option plans, and to the revaluation of financial derivatives in the Group's asset management entities.

The net losses in foreign currency in 2015 are mainly due to the appreciation of the US dollar and the British pound against euro.

## Note 24 Operating leases

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

(in € thousands)	December 31, 2015						
	United Kingdom	United States	Northern Europe <sup>(1)</sup>	Germany	France	Asia	Others
Less than 1 year	2,832	3,924	3,919	1,775	18,074	2,190	719
1 to 5 years	8,567	8,612	11,182	2,131	56,965	3,998	1,820
More than 5 years	835	338	770	18	309	0	568
<b>TOTAL</b>	<b>12,234</b>	<b>12,874</b>	<b>15,871</b>	<b>3,924</b>	<b>75,348</b>	<b>6,188</b>	<b>3,107</b>

(1) includes the Netherlands, Scandinavia and Belgium.

The Group has a rental contract of 9 years since January 1, 2012 for its First Tower headquarter in La Défense, for an annual amount of €10,417 thousand net of rent reduction.

## Note 25 Other ordinary operating revenues and expenses

(in € thousands)	December 31, 2015	December 31, 2014
<b>Other ordinary operating income</b>	<b>18,601</b>	<b>23,595</b>
Other ordinary operating expenses	(402,859)	(381,127)
Employee profit sharing and bonuses	(7,367)	(13,775)
<b>Other ordinary operating expenses</b>	<b>(410,226)</b>	<b>(394,902)</b>
<b>OTHER ORDINARY OPERATING INCOME AND EXPENSES</b>	<b>(391,625)</b>	<b>(371,307)</b>

The other ordinary operating expenses mainly concern expenses related to services activities.

The employee profit sharing and bonuses has decreased by almost 47% in 2015 compared to 2014.

In 2014, an increase by almost 50% had been recorded. It was related to the release of the equalisation reserves in Euler Hermes France after the realization of the legal restructuring project (cross border merger in Euler Hermes SA (NV)). This release explained most of the 2014 increase in the net statutory taxable profit of Euler Hermes France, on which the profit-sharing is calculated.

## Note 26 Other operating revenues and expenses

(in € thousands)	December 31, 2015	December 31, 2014
Other non-ordinary operating income	4,461	1,682
Other non-ordinary operating expenses	(4,887)	(24,726)
<b>OTHER NON-ORDINARY OPERATING INCOME AND EXPENSES</b>	<b>(426)</b>	<b>(23,044)</b>

In 2015, the other non-ordinary operating income and expenses mainly consist of restructuring expenses for €0.6 million.

In 2014, the other non-ordinary operating expenses consisted of:

- €17.8 million for depreciation of held-for-sale buildings (Hamburg headquarters);
- €7 million for restructuring expenses.

## Note 27 Corporation tax

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

The tax charge is split as follows:

(in € thousands)	December 31, 2015	December 31, 2014
<b>Current income tax</b>		
France	20,805	87,165
Other countries	89,534	121,291
<b>Subtotal</b>	<b>110,339</b>	<b>208,456</b>
<b>Deferred income tax</b>		
France	9,830	(71,645)
Other countries	3,368	(20,415)
<b>Subtotal</b>	<b>13,198</b>	<b>(92,060)</b>
<b>TOTAL CORPORATION TAX AS REPORTED IN THE INCOME STATEMENT</b>	<b>123,537</b>	<b>116,396</b>

In 2014, the cross-border merger of Euler Hermes France in Euler Hermes SA (NV) had resulted in the release of the equalization reserve which generated a payment of current income tax to the French Tax administration and the write-back of the corresponding deferred tax liability.

No equivalent event occurred in 2015: for this reason, the current income tax expense decreases and the deferred tax expense increases with respect to 2014.

## Tax proof

The reconciliation between the theoretical tax charge to 34.43% (pre-tax profit multiplied by the applicable tax rate in France for the period concerned) and the effective tax charge to 28.88% is as follows:

(in € thousands)	December 31, 2015	December 31, 2014
<b>Consolidated income before taxes</b>	<b>427,709</b>	<b>420,496</b>
Theoretical tax rate	34.43%	34.43%
<b>Tax at theoretical tax rate</b>	<b>(147,260)</b>	<b>(144,777)</b>
Contribution of companies booked at equity	7,990	5,545
<b>Impact of differences between Group and local tax rates</b>	<b>32,591</b>	<b>37,145</b>
<b>Local specific taxes</b>	<b>(9,845)</b>	<b>(6,019)</b>
Net tax on other items non taxable or non deductible	(1,497)	307
Tax group boni	1,507	1,133
Dividends	(10,100)	(9,696)
Corrections and adjustments on prior years periods	6,386	286
Deferred tax assets unrecognized and provisions for tax uncertainties	(2,022)	(2,322)
Other permanent differences	(1,288)	2,002
<b>Tax at effective tax rate</b>	<b>(123,537)</b>	<b>(116,396)</b>
<b>Effective tax rate</b>	<b>28.88%</b>	<b>27.68%</b>

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;
- the share of the non deductible costs and charges equal to 5% of the received dividends outside the French Tax Group as well as the additional contribution of 3% on dividends paid by Euler Hermes Group;
- permanent differences (mainly taxation without basis and unrecognized tax losses);
- reduced rates;
- specific tax positions (mainly adjustments on prior year periods of tax losses).

## Note 28 Earnings per share and dividend per share

### Earnings per share

	December 31, 2015	December 31, 2014
Distributable net income (in € thousands)	302,476	302,060
Weighted average number of ordinary shares before dilution	44,167,391	44,028,454
<b>Earnings per share (in euros)</b>	<b>6.85</b>	<b>6.86</b>
Distributable net income (in € thousands)	302,476	302,060
Weighted average number of ordinary shares after dilution	44,167,391	44,043,176
<b>Diluted earnings per share (in euros)</b>	<b>6.85</b>	<b>6.86</b>

The dilution impact takes into account the exercise of options.

The average number of shares resulting from dilution is at zero in 2015 (14,722 in 2014).

The net income, Group Share, is used as the basis for this calculation.

### Dividend per share

The Management will propose to the Shareholder's Meeting of May 25, 2016 the payment of a dividend of €4.40 per share on the 2015 result.

## Note 29 Segment data

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

Segment profit and loss comprises income and expense resulting from operating activities that are directly attributable to a given segment and the relevant portion of income and expense that can reasonably be assigned to the segment, notably income and expense relating to sales

to external customers and income and expense relating to transactions with other segments of the same company.

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

A balance sheet by segment pro-forma as at December 31, 2014 has been performed to take into account that France and Germany have become Branches of Euler Hermes SA (NV) retroactively as at January 1, 2014.

### Profit & loss by segment – year-end December 2015

Twelve months ended December 31, 2015

(in € thousands)	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries, Middle East & Africa	Americas	Asia Pacific	Group reinsurance	Group services	Inter-segment eliminations	Group
Premiums written	634,178	352,710	508,532	290,410	293,130	120,910	1,671,500	-	(1,498,897)	2,372,473
Premiums refunded	(59,341)	(32,401)	(29,401)	544	(5,417)	(2,357)	(91,399)	-	87,467	(132,305)
Change in unearned premiums	(2,567)	(3,779)	(6,552)	(12,932)	1,892	(4,667)	(21,836)	-	15,717	(34,724)
<b>Earned premiums - non-Group</b>	<b>572,270</b>	<b>316,530</b>	<b>472,579</b>	<b>278,022</b>	<b>289,605</b>	<b>113,886</b>	<b>1,558,265</b>	<b>-</b>	<b>(1,395,713)</b>	<b>2,205,444</b>
Services revenues - non-Group	179,669	75,251	84,949	66,173	36,905	29,417	-	140,708	(180,141)	432,931
<b>Turnover - intra-sectoral</b>	<b>751,939</b>	<b>391,781</b>	<b>557,528</b>	<b>344,195</b>	<b>326,510</b>	<b>143,303</b>	<b>1,558,265</b>	<b>140,708</b>	<b>(1,575,854)</b>	<b>2,638,375</b>
Investment income	27,581	25,078	19,833	3,902	8,748	(295)	36,599	228,521	(233,624)	116,343
<i>Of which, dividends</i>	(1,237)	-	-	-	-	-	-	(229,361)	230,598	-
<b>Total ordinary income</b>	<b>779,520</b>	<b>416,859</b>	<b>577,361</b>	<b>348,097</b>	<b>335,258</b>	<b>143,008</b>	<b>1,594,864</b>	<b>369,229</b>	<b>(1,809,478)</b>	<b>2,754,718</b>
Insurance services expenses	(153,186)	(135,438)	(240,194)	(203,149)	(189,277)	(114,428)	(827,435)	(2,954)	718,521	(1,147,540)
Outwards reinsurance income	230,379	170,781	282,541	194,057	210,469	113,488	549,527	-	(1,195,303)	555,939
Outwards reinsurance expenses	(377,478)	(217,047)	(335,502)	(200,195)	(209,721)	(84,532)	(627,645)	-	1,395,713	(656,407)
Other income and expenses	(316,969)	(151,457)	(226,608)	(134,875)	(120,776)	(79,019)	(541,306)	(174,840)	656,924	(1,088,926)
<b>Total other income and expenses</b>	<b>(617,254)</b>	<b>(333,161)</b>	<b>(519,763)</b>	<b>(344,162)</b>	<b>(309,305)</b>	<b>(164,491)</b>	<b>(1,446,859)</b>	<b>(177,794)</b>	<b>1,575,855</b>	<b>(2,336,934)</b>
<b>Current operating income</b>	<b>162,266</b>	<b>83,698</b>	<b>57,598</b>	<b>3,935</b>	<b>25,953</b>	<b>(21,483)</b>	<b>148,005</b>	<b>191,435</b>	<b>(233,623)</b>	<b>417,784</b>
Other non ordinary operating expenses and income	(1,336)	-	153	-	-	-	-	2,002	(1,245)	(426)
<b>Operating income</b>	<b>160,930</b>	<b>83,698</b>	<b>57,751</b>	<b>3,935</b>	<b>25,953</b>	<b>(21,483)</b>	<b>148,005</b>	<b>193,437</b>	<b>(234,868)</b>	<b>417,358</b>
Financing expenses	(278)	(3,448)	(192)	(210)	(40)	-	(761)	(6,450)	3,027	(8,352)
Share of Income from companies accounted by the equity method	954	14,632	-	-	-	-	-	3,118	(1)	18,703
Corporation tax	(50,569)	(31,930)	(13,751)	(4,772)	(10,538)	(1,317)	(11,756)	1,297	(201)	(123,537)
<b>Consolidated net income</b>	<b>111,037</b>	<b>62,952</b>	<b>43,808</b>	<b>(1,047)</b>	<b>15,375</b>	<b>(22,800)</b>	<b>135,488</b>	<b>191,402</b>	<b>(232,043)</b>	<b>304,172</b>
<i>Of which</i>										
<b>NET INCOME, GROUP SHARE</b>	<b>109,902</b>	<b>63,701</b>	<b>43,808</b>	<b>(2,335)</b>	<b>15,375</b>	<b>(22,800)</b>	<b>135,488</b>	<b>191,380</b>	<b>(232,043)</b>	<b>302,476</b>
Non controlling interests	1,135	(749)	-	1,288	-	-	-	22	-	1,696

## Profit & loss by segment – year-end December 2014

	Twelve months ended December 31, 2014									
(in € thousands)	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries, Middle East & Africa	Americas	Asia Pacific	Group reinsurance	Group services	Inter-segment eliminations	Group
Premiums written	636,765	360,795	497,972	261,469	250,121	106,237	1,550,858	-	(1,393,801)	2,270,416
Premiums refunded	(53,941)	(29,007)	(22,021)	5,255	(5,256)	(3,135)	(77,466)	-	74,058	(111,513)
Change in unearned premiums	1,372	(4,003)	(7,465)	(3,210)	(6,615)	(17,840)	(14,390)	-	19,159	(32,992)
<b>Earned premiums - non-Group</b>	<b>584,196</b>	<b>327,785</b>	<b>468,486</b>	<b>263,514</b>	<b>238,250</b>	<b>85,262</b>	<b>1,459,002</b>	<b>-</b>	<b>(1,300,584)</b>	<b>2,125,911</b>
Services revenues - non-Group	175,585	71,240	82,254	59,145	28,236	22,983	-	130,254	(168,596)	401,101
<b>Turnover - intra- sectoral</b>	<b>759,781</b>	<b>399,025</b>	<b>550,740</b>	<b>322,659</b>	<b>266,486</b>	<b>108,245</b>	<b>1,459,002</b>	<b>130,254</b>	<b>(1,469,180)</b>	<b>2,527,012</b>
Investment income	27,121	24,206	9,761	5,628	5,421	(4,091)	26,178	241,630	(250,772)	85,082
<i>Of which, dividends</i>	<i>(4,164)</i>	<i>(1,281)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(241,130)</i>	<i>246,575</i>	<i>-</i>
<b>Total ordinary income</b>	<b>786,902</b>	<b>423,231</b>	<b>560,501</b>	<b>328,287</b>	<b>271,907</b>	<b>104,154</b>	<b>1,485,180</b>	<b>371,884</b>	<b>(1,719,952)</b>	<b>2,612,094</b>
Insurance services expenses	(242,703)	(142,319)	(254,658)	(138,770)	(107,895)	(41,502)	(654,192)	(3,767)	587,135	(998,671)
Outwards reinsurance income	269,894	173,836	292,423	147,565	138,810	56,981	455,933	-	(1,036,630)	498,812
Outwards reinsurance expenses	(383,153)	(221,151)	(332,446)	(188,015)	(171,731)	(66,635)	(581,329)	-	1,300,584	(643,876)
Other income and expenses	(305,933)	(157,929)	(222,292)	(124,158)	(101,660)	(63,019)	(512,421)	(162,865)	618,087	(1,032,190)
<b>Total other income and expenses</b>	<b>(661,895)</b>	<b>(347,563)</b>	<b>(516,973)</b>	<b>(303,378)</b>	<b>(242,476)</b>	<b>(114,175)</b>	<b>(1,292,009)</b>	<b>(166,632)</b>	<b>1,469,176</b>	<b>(2,175,925)</b>
<b>Current operating income</b>	<b>125,007</b>	<b>75,668</b>	<b>43,528</b>	<b>24,909</b>	<b>29,431</b>	<b>(10,021)</b>	<b>193,171</b>	<b>205,252</b>	<b>(250,776)</b>	<b>436,169</b>
Other non ordinary operating expenses and income	(15,081)	97	502	(16)	-	-	-	(5,766)	(2,780)	(23,044)
<b>Operating income</b>	<b>109,926</b>	<b>75,765</b>	<b>44,030</b>	<b>24,893</b>	<b>29,431</b>	<b>(10,021)</b>	<b>193,171</b>	<b>199,486</b>	<b>(253,556)</b>	<b>413,125</b>
Financing expenses	(275)	(1,920)	(116)	(721)	(10)	-	(532)	(8,971)	4,198	(8,347)
Share of Income from companies accounted by the equity method	5,345	8,894	(262)	-	-	-	-	1,741	-	15,718
Corporation tax	(34,177)	(25,490)	(10,830)	(8,599)	(9,878)	(3,758)	(33,460)	9,971	(175)	(116,396)
<b>Consolidated net income</b>	<b>80,819</b>	<b>57,249</b>	<b>32,822</b>	<b>15,573</b>	<b>19,543</b>	<b>(13,779)</b>	<b>159,179</b>	<b>202,227</b>	<b>(249,533)</b>	<b>304,100</b>
<i>Of which</i>										
<b>NET INCOME, GROUP SHARE</b>	<b>79,028</b>	<b>57,762</b>	<b>32,822</b>	<b>15,070</b>	<b>19,543</b>	<b>(13,779)</b>	<b>159,179</b>	<b>201,968</b>	<b>(249,533)</b>	<b>302,060</b>
Non controlling interests	1,791	(513)	-	503	-	-	-	259	-	2,040

## Depreciation, amortization and provisions by segment

Twelve months ended December 31, 2015

(in € thousands)	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries, Middle East & Africa	Americas	Asia Pacific	Group reinsurance	Group services	Inter-segment eliminations	Group
Provisions for loans and receivables	(376)	(2,044)	(1,298)	(20)	(248)	35	(509)	(2,132)	-	(6,592)

Twelve months ended December 31, 2014

(in € thousand)	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	(150)	(3,088)	(1,002)	(24)	(25)	(24)	(50)	583	-	(3,780)

## Balance sheet by segment – year-end December 2015

December 31, 2015

(in € thousands)	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries, Middle East & Africa	Americas	Asia Pacific	Group reinsurance	Group services	Inter-segment eliminations	Group
Goodwill	-	-	70,499	5,936	31,119	3,347	-	3,951	-	114,852
Other intangible assets	44,923	25,427	30,673	14,232	1,809	2,762	160	2,571	(3,829)	118,728
Investments – insurance businesses	846,458	780,826	917,850	57,233	255,054	101,583	1,454,282	55,289	(355,678)	4,112,897
Investments accounted for by the equity method	69,027	59,708	-	-	-	-	-	64,557	-	193,292
Share of assignees and reinsurers in the technical reserves and financial liabilities	269,206	131,769	317,215	238,863	127,100	126,069	491,436	110	(1,038,957)	662,811
Insurance and reinsurance receivables	74,294	72,742	171,533	95,850	107,212	62,713	279,052	(47)	(236,515)	626,834
Other assets	515,685	203,908	170,671	245,657	72,394	50,240	80,203	187,190	(758,736)	767,212
<b>TOTAL ASSETS</b>	<b>1,819,593</b>	<b>1,274,380</b>	<b>1,678,441</b>	<b>657,771</b>	<b>594,688</b>	<b>346,714</b>	<b>2,305,133</b>	<b>313,621</b>	<b>(2,393,715)</b>	<b>6,596,626</b>
Technical reserves	514,519	239,476	562,092	390,731	298,263	205,805	1,219,545	48	(1,042,923)	2,387,556
Liabilities related to inward insurance and reinsurance transactions	21,463	69,518	49,014	39,427	10,429	16,035	85,196	1,546	(73,472)	219,156
Liabilities related to outward reinsurance transactions	57,263	21,906	36,634	27,333	36,817	14,132	84,939	43	(171,257)	107,810
Other liabilities	439,446	193,809	694,104	57,271	50,429	62,792	44,830	661,687	(1,099,492)	1,104,876
<b>TOTAL LIABILITIES</b>	<b>1,032,691</b>	<b>524,709</b>	<b>1,341,844</b>	<b>514,762</b>	<b>395,938</b>	<b>298,764</b>	<b>1,434,510</b>	<b>663,324</b>	<b>(2,387,144)</b>	<b>3,819,398</b>

## Balance sheet by segment – year-end December 2014 – Pro forma

(in € thousands)	December 31, 2014									
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries, Middle East & Africa	Americas	Asia Pacific	Group reinsurance	Group services	Inter-segment eliminations	Group
Goodwill	-	-	67,566	5,936	27,937	3,403	-	3,547	-	108,389
Other intangible assets	53,566	20,245	23,895	10,708	1,197	2,250	344	4,125	(3,828)	112,502
Investments - insurance businesses	998,804	884,534	609,456	57,030	241,695	75,383	1,399,708	84,543	(362,147)	3,989,006
Investments accounted for by the equity method	72,797	54,063	-	-	-	-	-	72,568	-	199,428
Share of assignees and reinsurers in the technical reserves and financial liabilities	271,666	123,214	272,370	212,723	116,781	66,372	372,018	110	(870,975)	564,279
Insurance and reinsurance receivables	55,401	69,650	174,215	79,979	90,734	55,680	260,298	(47)	(181,040)	604,870
Other assets	287,843	115,301	164,560	255,820	73,713	40,983	62,222	155,038	(374,267)	781,213
<b>TOTAL ASSETS</b>	<b>1,740,077</b>	<b>1,267,007</b>	<b>1,312,062</b>	<b>622,196</b>	<b>552,057</b>	<b>244,071</b>	<b>2,094,590</b>	<b>319,884</b>	<b>(1,792,257)</b>	<b>6,359,687</b>
Technical reserves	543,804	241,963	515,131	347,114	274,847	124,346	1,004,720	48	(874,727)	2,177,246
Liabilities related to inward insurance and reinsurance transactions	24,836	69,740	49,332	39,702	7,431	15,163	94,716	1,439	(75,367)	226,992
Liabilities related to outward reinsurance transactions	35,288	12,349	52,539	25,880	38,672	2,268	94,360	43	(129,922)	131,477
Other liabilities	435,425	243,043	329,400	64,333	45,270	30,563	55,731	683,242	(705,702)	1,181,305
<b>TOTAL LIABILITIES</b>	<b>1,039,353</b>	<b>567,095</b>	<b>946,402</b>	<b>477,029</b>	<b>366,220</b>	<b>172,340</b>	<b>1,249,527</b>	<b>684,772</b>	<b>(1,785,718)</b>	<b>3,717,020</b>

## Balance sheet by segment – year-end December 2014 – Published

(in € thousands)	December 31, 2014									
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries, Middle East & Africa	Americas	Asia Pacific	Group reinsurance	Group services	Inter-segment eliminations	Group
Goodwill	-	-	67,566	5,936	27,937	3,403	-	3,547	-	108,389
Other intangible assets	53,566	20,245	23,895	10,708	1,197	2,250	344	4,125	(3,827)	112,503
Investments - insurance businesses	899,321	962,499	(378,434)	34,286	140,304	61,670	1,029,851	1,691,692	(452,183)	3,989,006
Investments accounted for by the equity method	72,797	54,063	-	-	-	-	-	72,568	-	199,428
Share of assignees and reinsurers in the technical reserves and financial liabilities	271,666	123,214	272,370	256,990	116,781	22,105	372,018	110	(870,975)	564,279
Insurance and reinsurance receivables	55,401	69,650	174,215	79,979	90,734	55,680	260,298	(47)	(181,040)	604,870
Other assets	287,843	115,301	1,604,984	277,400	73,713	19,403	62,222	155,038	(1,814,692)	781,212
<b>TOTAL ASSETS</b>	<b>1,640,594</b>	<b>1,344,972</b>	<b>1,764,596</b>	<b>665,299</b>	<b>450,666</b>	<b>164,511</b>	<b>1,724,733</b>	<b>1,927,033</b>	<b>(3,322,717)</b>	<b>6,359,687</b>
Technical reserves	543,804	241,963	515,131	274,185	274,847	197,275	1,004,720	48	(874,727)	2,177,246
Liabilities related to inward insurance and reinsurance transactions	24,836	69,740	49,332	39,702	7,431	15,163	94,716	1,439	(75,367)	226,992
Liabilities related to outward reinsurance transactions	35,288	12,349	52,539	25,880	38,672	2,268	94,360	43	(129,922)	131,477
Other liabilities	1,088,401	878,603	329,400	165,086	45,270	81,697	55,731	683,242	(2,146,125)	1,181,305
<b>TOTAL LIABILITIES</b>	<b>1,692,329</b>	<b>1,202,655</b>	<b>946,402</b>	<b>504,853</b>	<b>366,220</b>	<b>296,403</b>	<b>1,249,527</b>	<b>684,772</b>	<b>(3,226,141)</b>	<b>3,717,020</b>

## Note 30 Related parties

Euler Hermes Group 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	1,124,387	2.48%
<b>Sub-total</b>	<b>31,868,435</b>	<b>70.28%</b>
Public (bearer securities)	13,473,742	29.72%
<b>TOTAL</b>	<b>45,342,177</b>	<b>100.00%</b>

## Transactions

(in € thousands)	December 31, 2015			December 31, 2014		
	Allianz SE & other Allianz companies	Allianz France SA	Related companies and joint ventures	Allianz SE & other Allianz companies	Allianz France SA	Related companies and joint ventures
Operating revenues	54,500	-	135,949	53,264	-	151,265
Insurance services expenses	(73,630)	-	(73,962)	(6,691)	-	(62,364)
Net outward reinsurance income or expenses	(28,109)	-	(1,307)	(64,682)	-	(5,517)
Financing expenses	(6)	-	-	(157)	-	-
Other net income/(expenses)	(21,627)	-	(51,368)	(15,744)	-	(51,514)
<i>thereof contract acquisition expenses</i>	(18,466)	-	(43,341)	(14,291)	-	(50,341)
<i>thereof other service expenses</i>	(7,363)	-	(8,054)	(3,668)	-	(1,194)
<i>thereof change in fair value of investments recognised at fair value through profit or loss</i>	3,854	-	-	1,844	-	-
<i>thereof net investment income</i>	348	-	27	371	-	21

## Receivables and liabilities

(in € thousands)	December 31, 2015			December 31, 2014		
	Allianz SE & other Allianz companies	Allianz France SA	Related companies and joint ventures	Allianz SE & other Allianz companies	Allianz France SA	Related companies and joint ventures
Current accounts (accrued interests included)	55,853	-	-	58,515	-	-
Net operating receivables	6,400	153	2,155	6,893	153	4,107
Operating liabilities	(131)	(448)	(669)	(8,858)	-	921

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.

## Remuneration of senior executives

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

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

## Group Board of Management members

(in € thousand)	Year ended December 31, 2015	Year ended December 31, 2014
Salaries and other short term benefits for the year	5,718	5,456
Capital gain from SAR/RSU exercise	-	-
Benefits in kind	515	471
Other indemnities	690	285
<b>TOTAL</b>	<b>6,923</b>	<b>6,212</b>
Share-based attribution (number)	22,478	13,418
▪ Euler Hermes options & LTI EH	13,605	7,673
▪ AEI (ex RSU)	8,873	5,745

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

No Board of Management 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, Frédéric Bizière, Dirk Oevermann, Clarisse Kopff and Paul Overeem are eligible for a supplementary defined-contribution pension plan managed by AG2R/ARIAL Assurances.

Paul Overeem and Dirk Oevermann are respectively eligible for a 401(k) pension plan in the United States and a defined-contribution pension plan in Germany.

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 € thousands)	December 31, 2015	December 31, 2014
Attendance fees owed by Euler Hermes Group	232	225

## Note 31 Stock option plans

### Euler Hermes Group stock option plans

#### Characteristics of the stock option plans

Euler Hermes Group uses the Cox-Ross-Rubinstein model to measure the personnel expense related to options granted.

The assumptions used were as follows:

	Purchase plan June 2008
Fair value of options allocated	6.83
<b>Characteristics</b>	
Date of EGM (Extraordinary General Meeting)	22/05/2006
Period of validity of options	8 years
Rights vesting period	2 years
<b>Assumptions</b>	
Risk-free interest rate	4.72%
Expected volatility <sup>(1)</sup>	33%
Rate of return on shares	10.51%

(1) Expected volatility is calculated using historical market prices.

## Sundry restrictions

### 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 Group and of more than 50%-owned subsidiaries, with permanent or fixed-term employment contracts and at least

six months length of service on the options allocation date. The options may be freely exercised after a period of four years from the date of the offer, other than as provided for by Article 91 ter of Appendix II to the French General Tax Code (loss of employment, retirement, incapacity or death), depending on the country.

### Information on plans currently in effect

As at December 31, 2015, the following options are potentially exercisable:

Allocation date	Purchase plan <sup>(1)</sup> June 2008
Number of options outstanding	8,306
End of subscription period	June 2016
Exercise price of valid options at end of period	55.67

(1) The EGM of May 22, 2006 authorised the allocation of share purchase and/or subscription options to the Group's employees and possibly to its corporate officers. The options granted in September 2006 were purchase options only. The Group Board of Management 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, 2015 may be summarised as follows:

	Year ended December 31, 2015				
	Average exercise price (€)	Number of options	Average price of Euler Hermes Group share on exercise dates (€)	Average residual term (years)	Exercise price range of options still outstanding at end of period (€)
<b>Start of period</b>	<b>55.67</b>	<b>34,906</b>			
Allocation	-	-			
Exercise	55.67	25,700	91.39		
Cancellation	55.67	900			
<b>End of period</b>	<b>55.67</b>	<b>8,306</b>		<b>0.47</b>	<b>55.67</b>

	Year ended December 31, 2014				
	Average exercise price (€)	Number of options	Average price of Euler Hermes Group share on exercise dates (€)	Average residual term (years)	Exercise price range of options still outstanding at end of period (€)
<b>Start of period</b>	<b>81.36</b>	<b>163,993</b>			
Allocation	-	-			
Exercise	57.59	11,275	57.59		
Cancellation	91.24	117,812			
<b>End of period</b>	<b>55.67</b>	<b>34,906</b>		<b>1.47</b>	<b>55.67</b>

## 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.

From 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.

## Characteristics of the SAR and RSU plans

	SAR plans			Total
	March 06, 2008	March 12, 2009	March 11, 2010	
<b>Fair value at 31 December 2015</b> (in euros)		77.94	76.19	
(in € thousands)				
<b>Total commitment</b>	-	207	1,192	1,399
<b>Opening commitment</b>	669	385	1,259	2,313
Charge recognised during the period	215	-	594	809
Exercise of SAR	(884)	(178)	(661)	(1,723)
<b>Closing commitment</b>	-	207	1,192	1,399

	RSU plans						Total
	March 11, 2010	March 10, 2011	March 8, 2012	March 7, 2013	March 13, 2014	March 12, 2015	
<b>Fair value at 31 December 2015</b> (in euros)	-	-	163.55	156.14	148.61	140.65	
(in € thousands)							
<b>Total commitment</b>	-	-	5,172	3,935	2,520	2,257	13,884
<b>Opening commitment</b>	2,708	3,522	3,223	1,777	736	-	11,966
Charge recognised during the period	242	371	1,749	1,214	682	837	5,095
Exercise of RSU	(2,950)	(3,893)	-	-	-	-	(6,845)
<b>Closing commitment</b>	-	-	4,972	2,991	1,418	837	10,216

### SAR

After a vesting period of two years (except for the March 2010 plan, 4 years), the SAR can be exercised at any time between the second anniversary date and the seventh anniversary date under the following conditions:

- if 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 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, 2015

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 2010 plan, 4 years) and five years or four years for the RSU. As at December 31, 2015, the liability relating to the SAR and RSU still to be exercised amounted to €11,615 thousand.

## Information on plans currently in effect

Allocation date	SAR							RSU					
	Rights vesting period (years)	Reference price (€)	SAR at the opening	SAR granted	SAR cancelled	SAR exercised	SAR transferred	Rights vesting period (years)	RSU at the opening	RSU granted	RSU cancelled	RSU exercised	RSU transferred
3/6/08	2	117.38	34,692	-	-	(34,692)	-	-	-	-	-	-	-
3/12/09	4	51.95	4,942	-	-	(2,285)	-	-	-	-	-	-	-
3/11/10	4	87.36	25,193	-	-	(9,552)	-	5	20,426	-	-	(19,519)	(907)
3/10/11	-	-	-	-	-	-	-	4	26,740	-	-	(25,760)	(980)
3/8/12	-	-	-	-	-	-	-	4	32,831	-	-	-	(1,209)
3/7/13	-	-	-	-	-	-	-	4	26,008	-	-	-	(807)
3/13/14	-	-	-	-	-	-	-	4	17,510	-	-	-	(555)
3/12/15	-	-	-	-	-	-	-	4	-	15,707	-	-	340

## Euler Hermes Group Long-Term Incentive plans

Euler Hermes Group has implemented five Long-Term Incentive (LTI) plans (in March 2011, in March 2012, in March 2013, in March 2014 and in March 2015). The beneficiaries of the scheme are employees and members of the Board of Management of Euler Hermes Group (under

Allianz grade 20 to 15). 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 the Group's success over the long-term.

The general rules of granting, capping (200% share price growth) and paying out are identical to Allianz group Equity Incentive Plan rules.

## Characteristics of the Euler Hermes Group RSU plans

	Euler Hermes Group RSU plans					Total
	March 2011	March 2012	March 2013	March 2014	March 2015	
Fair value at December 31, 2015 (in euros)	-	83.60	83.60	83.60	83.60	-
(in € thousand)						
<b>Total commitment (excluding social contributions)</b>	<b>4,102</b>	<b>6,146</b>	<b>4,872</b>	<b>3,115</b>	-	<b>18,236</b>
<b>Opening commitment</b>	<b>3,741</b>	<b>4,402</b>	<b>2,657</b>	<b>1,162</b>	-	<b>11,962</b>
Charge recognised during the period	656	1,076	911	570	1,501	4,715
Exercise of options	(4,397)	-	-	-	-	(4,397)
<b>Closing commitment</b>	<b>-</b>	<b>5,478</b>	<b>3,568</b>	<b>1,732</b>	<b>1,501</b>	<b>12,279</b>

The Euler Hermes Group LTI is granted in the form of RSU (Restricted Stock Units) of Euler Hermes Group with a four-year vesting period at the allocation date.

Euler Hermes Group 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 Group stock over the ten trading days following the Euler Hermes Group financial press conference prior to and including the allocation date.

The number of Euler Hermes Group RSU granted to the participants equals the LTI allocation value divided by the fair value at allocation of a single Euler Hermes Group RSU. The first Euler Hermes Group RSU were granted as of March 1, 2011, the second as of March 1, 2012, the third as

of March 1, 2013, the fourth as of March 1, 2014 and the fifth as of March 1, 2015.

After the Vesting Date of the Euler Hermes Group RSU (March 2015 for the first Euler Hermes Group RSU granted, 2016 for the second plan, 2017 for the third plan, 2018 for the fourth plan and 2019 for the fifth plan), each participant will receive from the Company for each EH RSU, as elected by the Company, either

- one Euler Hermes Group share ("Share Settlement"); or
- a cash payment based on of average market value of the Euler Hermes Group share on the Vesting Date ("Cash Settlement").

In both cases, the payout is calculated on the share price at the end of the vesting period.

## Information on plans currently in effect

Allocation date	Year ended December 31, 2015					RSU transferred
	Rights vesting period (in years)	RSU at the opening	RSU granted	RSU cancelled	RSU exercised	
March 2011	4	49,070	-	-	(49,070)	-
March 2012	4	73,518	-	(5,260)	-	-
March 2013	4	58,279	-	(2,850)	-	-
March 2014	4	37,261	-	(1,542)	-	-
March 2015	4	-	46,025	-	-	-

The attribution to the Group Board of Management is as follows:

- RSU Allianz 8,873;
- RSU Euler Hermes Group 13,605.

The RSU fair value impact amounting to €1,842 thousand was reallocated to financial expenses.

## Note 32 Other information

### Group employees (contracted headcount)

	December 31, 2015	December 31, 2014
Germany & Switzerland	2,107	2,110
France	833	866
Northern Europe	1,399	1,381
Mediterranean Countries & Africa	541	516
America	462	441
Asia Pacific	339	287
Reinsurance entities	19	17
Collection and Group entities	766	793
<b>TOTAL GROUP</b>	<b>6,466</b>	<b>6,411</b>

The staff numbers shown correspond to the contracted headcount. Employees of equity associates are not included.

## Staff expenses

(in € thousands)	2015	2014 at constant exchange rate	2014
Staff expenses	(555,038)	(525,239)	(512,339)
Employee profit-sharing and bonuses	(7,367)	(13,775)	(13,775)
<b>TOTAL STAFF EXPENSES</b>	<b>(562,405)</b>	<b>(539,014)</b>	<b>(526,114)</b>

Staff costs totalled €562.4 million for the year ended December 31, 2015 against €539 million in 2014 at constant exchange rate. The increase in staff cost in 2015 is mainly due to the conventional salary increase, higher pension costs, and the staff increase in growing areas.

The employee profit sharing and bonuses has decreased by almost 47% in 2015 compared to 2014.

In 2014, an increase by almost 50% has been recorded. It was related to the release of the equalisation reserves in Euler Hermes France after the realization of the legal restructuring project (cross border merger in Euler Hermes SA (NV)). This release explained most of the 2015 increase in the net statutory taxable profit of Euler Hermes France, on which the profit-sharing is calculated.

Remuneration due to members of the Group Board of Management for the year 2015 came to €6,923 thousand (2014: €6,212 thousand).

## Note 33 Commitments given and received

(in € thousands)	December 31, 2015	December 31, 2014
<b>Commitments received</b>	<b>9,200</b>	<b>6,975</b>
Deposits, sureties and other guarantees	9,200	6,975
<b>Commitments given</b>	<b>29,136</b>	<b>35,228</b>
Deposits, sureties and other guarantees	29,136	35,228
<i>Commitments to investment funds</i>	18,139	24,143
<i>Independent guarantee CACIB</i>	3,125	3,125
<i>Commitments related to offices and car lease contracts</i>	4,312	4,314
<i>Commitments to InvestitionsBank Landes Brandenburg</i>	1,857	1,857
<i>Commitments associated with membership of an EIG</i>	105	33

The Group is committed to investing directly or through co-investments in mutual funds. The commitment totals €18,139 thousand at end December 2015 against €24,143 thousand at end December 2014.

A commitment amounting to €3,125 thousand has been given since 2012 in the form of autonomous first demand guarantee in favor of the CACIB Company as a security deposit for rental of First Tower in La Défense.

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 relating to the Spanish joint venture Solunion, the Group and MAPFRE have a mutual liability guarantee commitment.

**Letter of comfort Export Credit Guarantee business**

Euler Hermes Germany (and PwC) manages the official export credit guarantee scheme on behalf and for account of the German Federal Government. With effect from January 1, 2014 this business went from Euler Hermes Deutschland AG (now Euler Hermes Deutschland, branch of Euler Hermes SA (NV)) to Euler Hermes AG (the former Euler Hermes

Forderungenmanagement AG). Due to this switch Euler Hermes Deutschland signed a binding letter of comfort to the German Federal Ministry for Economic Affairs and Energy. Euler Hermes Deutschland assures that Euler Hermes AG will be capable to fulfill its duties towards the federal government resulting from the business until January 1, 2014 for 5 years.

**Note 34 Auditors' fees**

(in € thousands)	KPMG Audit FS II				EXCO Paris ACE			
	Amount		%		Amount		%	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>Audit</b>								
▪ Statutory audit and report on company and consolidated financial statements								
Issuer	369	354	10%	10%	190	189	42%	43%
Fully-consolidated subsidiaries	2,863	2,800	76%	76%	240	229	53%	52%
▪ Other services directly related to appointment as Statutory Auditor								
Issuer	165	106	4%	3%	22	19	5%	4%
Fully-consolidated subsidiaries	326	121	9%	3%	3		1%	
<b>Subtotal</b>	<b>3,723</b>	<b>3,382</b>	<b>99%</b>	<b>91%</b>	<b>455</b>	<b>437</b>	<b>100%</b>	<b>100%</b>
<b>Other services provided to fully-consolidated subsidiaries</b>								
▪ Legal, tax and social	27	143	1%	4%				
▪ IT								
▪ Strategy		150		4%				
▪ Human resources								
▪ Other		26		1%				
<b>Subtotal</b>	<b>27</b>	<b>318</b>	<b>1%</b>	<b>9%</b>				
<b>TOTAL</b>	<b>3,750</b>	<b>3,700</b>	<b>100%</b>	<b>100%</b>	<b>455</b>	<b>437</b>	<b>100%</b>	<b>100%</b>

**Note 35 Subsequent events**

No subsequent events occurred since December 31, 2015 closing which would impact the assumptions of the annual closing.

**Note 36 Risk Management**

The paragraphs from the Risk Management 4.2 to 4.2.5 are part of the Group financial statements. They are included in the section 4 "Major risk factors and their management within the Group" of this Registration Document.

## 5.7 Statutory Auditors' report on the consolidated financial statements

*This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English-speaking users.*

*The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.*

*This report also includes information relating to the specific verification of information given in the Group's management report.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

Year ended 31 December 2015

### To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended 31 December 2015, on:

- the audit of the accompanying consolidated financial statements of Euler Hermes Group S.A.;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Group Board of Management. Our role is to express an opinion on these consolidated financial statements based on our audit.

### 1 Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2015 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### 2 Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code ("*Code de commerce*"), we bring to your attention the following matters:

#### Accounting estimates

- Your Group set up technical reserves to cover its commitments. Paragraphs 2.8 and 2.25 of Note 2 "IFRS accounting and valuation rules" and Note 19 of the Notes to the consolidated financial statements specify the methodologies used. Based on the information available at the closing date, our assessment of technical reserves was based on the analysis of the calculation methodologies used by the different companies in the Group, as well as the assessment of assumptions made.

- Financial investments are recognized and valued using the methods described in paragraph 2.15 of Note 2 "IFRS accounting and valuation rules" and in Note 6 of the Notes to the consolidated financial statements. We checked that the valuation methods used had been correctly applied and then assessed, firstly the data and assumptions used to value them, and secondly, the classification methods selected on the basis of the documentation prepared by the Group.
- The Group performs each year-end, or when there is an indication of a loss in value, an impairment test of goodwill, as described in paragraphs 2.8 and 2.12 of Note 2 "IFRS accounting and valuation rules" and in Note 3 of the Notes to the consolidated financial statements. We examined the methods used to perform this impairment test as well as the cash flow forecasts and other assumptions made and checked the appropriateness of the information given in Note 3 of the Notes to the consolidated financial statements.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

### 3 Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

We have no matter to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris La Défense, April 13, 2016

**KPMG Audit FS II**

*French original signed by:*

Xavier Dupuy

*Partner*

Paris, April 13, 2016

**EXCO Paris Ace**

*French original signed by:*

Alain Auvray

*Partner*



# 6

## Parent company financial statements

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## 6.1 Balance sheet as at December 31, 2015

### Assets

(in € thousands)	Notes	Gross	Amort & depr.	Net 12/31/2015	Net 12/31/2014
Intangible assets	3.1	33,291	22,378	10,913	0
Property, plant and equipment	3.1	21,957	19,855	2,102	29
Financial assets					
▪ Shares in associated enterprises	3.2	1,701,323	10,000	1,691,323	1,691,361
▪ Other financial assets	3.3	83,662	0	83,662	101,692
<b>Fixed assets</b>		<b>1,840,232</b>	<b>52,233</b>	<b>1,787,999</b>	<b>1,793,083</b>
Receivables	3.4	64,553	0	64,553	69,684
Cash and cash equivalents	3.5	70,755	0	70,755	65,844
Prepaid expenses	3.6	2,990	0	2,990	0
<b>Current assets</b>		<b>138,298</b>	<b>0</b>	<b>138,298</b>	<b>135,528</b>
<b>Translation difference</b>		<b>0</b>		<b>0</b>	<b>0</b>
<b>TOTAL ASSETS</b>		<b>1,978,530</b>	<b>52,233</b>	<b>1,926,297</b>	<b>1,928,611</b>
<i>Off-balance sheet commitments received</i>				0	0

### Liabilities

(in € thousands)	Notes	31/12/2015	31/12/2014
Share capital	3.7.1	14,509	14,509
Issue premiums		465,008	465,008
Reserves			
▪ legal reserve		1,451	1,451
▪ general reserve		77,474	77,474
▪ reserve for treasury shares		78,983	61,478
▪ other reserves		187,406	204,911
Retained earnings		284,085	283,176
Profit for the year		204,026	195,456
Regulated provisions		247	235
<b>Shareholders' equity</b>	3.7.2	<b>1,313,188</b>	<b>1,303,698</b>
<b>Provisions</b>	3.8	<b>528</b>	<b>909</b>
Loans and other borrowings	3.9	540,655	572,342
Trade payables and related accounts	3.10	18,255	3,049
Social security, tax and other liabilities	3.11	53,314	48,540
<b>Liabilities</b>		<b>612,225</b>	<b>623,931</b>
<b>Translation difference</b>		<b>356</b>	<b>73</b>
<b>TOTAL LIABILITIES</b>		<b>1,926,297</b>	<b>1,928,611</b>
<i>Off-balance sheet commitments given</i>	5.3	100,829	106,014

## 6.2 Income statement

(in € thousands)	Notes	2015	2014
<b>Financial and operating income</b>			
Income from equity shares	4.1	241,234	241,130
Net income from sale of transferable securities		11	36
Reversal of impairment of treasury shares	3.3.2	1,148	0
Other financial income	4.2	973	1,149
Various services	4.3	65,541	151
<b>Total I</b>		<b>308,907</b>	<b>242,466</b>
<b>Financial and operating expenses</b>			
External charges	4.4	95,057	37,989
Taxes, duties and similar payments	4.5	1,484	720
Payroll and social security contributions	4.5	8,202	7,435
Other ordinary management expenses	5.2	456	559
Depreciation and amortization of fixed assets	3.1.2	2,671	4
Provisions for impairment of treasury shares	3.3.2	0	1,148
Other financial expenses	4.6	6,398	8,925
<b>Total II</b>		<b>114,267</b>	<b>56,781</b>
<b>Ordinary income (I - II)</b>		<b>194,641</b>	<b>185,685</b>
<b>Exceptional income</b>			
Disposals equity shares	4.7	11,516	0
Disposals of property, plant and equipment		58	0
Other exceptional income	4.7	1,049	253
Reversals of provisions	3.8	422	0
<b>Total III</b>		<b>13,045</b>	<b>253</b>
<b>Exceptional expenses</b>			
Carrying value of equity shares sold	4.7	10,048	0
Carrying value of property, plant and equipment disposed of		7	0
Other Exceptional expenses	4.7	1,053	601
Increase in regulated provisions	3.7.2	12	49
Increase in provisions	3.8	42	574
<b>Total IV</b>		<b>11,162</b>	<b>1,224</b>
<b>Exceptional income (III - IV)</b>		<b>1,883</b>	<b>(970)</b>
<b>Income tax</b>	4.8	<b>7,503</b>	<b>10,741</b>
<b>NET INCOME</b>		<b>204,026</b>	<b>195,456</b>

## 6.3 Notes to the parent company financial statements

These notes should be read in conjunction with the statement of financial position before the allocation of net income for the financial year ended December 31, 2015, which shows total assets of €1,926,297 thousand and the income statement, which shows net income of €204,026 thousand.

The twelve-month fiscal year covers the period from January 1 to December 31, 2015.

These notes comprise:

- the accounting policies and principles applied;

- significant events during the financial year;
- notes to the statement of financial position;
- notes to the income statement;
- additional information.

These notes and tables form an integral part of the annual financial statements as approved by the group Board of Management and reviewed by the Supervisory Board at its meeting of February 17, 2016.

### 1 Accounting principles, rules and methods

The 2015 parent company financial statements have been prepared in accordance with Articles L. 123-12 to L. 123-28 of the French Commercial Code (the decree of November 29, 1983 is now incorporated into Articles R. 123-172 to R. 123-208 in the regulatory section of the French

Commercial Code), and regulation 2014-03 of the Autorité des Normes Comptables (ANC), which was approved by decree of September 8, 2014 relating to the French New General Chart of Accounts.

The historical cost method was used to evaluate the accounting items.

### 2 Significant events during the financial year

The following events occurred in 2015:

#### Euler Hermes Tech: Acquisition of shares and complete transfer of assets and liabilities

On February 17, 2015, Euler Hermes Group acquired all shares of Euler Hermes Tech stock for the amount of €10,000 thousand, thus becoming the sole shareholder.

With the decision of February 24, 2015, the sole partner of Euler Hermes Tech decided to dissolve the company without liquidation via a complete transfer of assets and liabilities to the sole partner Euler Hermes Group. This operation, effective April 1, 2015, resulted in the transfer to Euler Hermes Group of all assets and liabilities of Euler Hermes Tech valued at March 31, 2015, and the net surplus on transfer of €222 thousand (cf. 3.1.1 *Intangible assets and property, plant and equipment*, 3.1.2 *Amortization, depreciation and provisions for intangible and tangible assets*, 3.2.1 *Equity shares*, 4.3 *Other benefits*, 4.4 *External charges* and 4.7 *Other extraordinary income and expenses*).

#### Transfer of Euler Hermes Services shares

As part of an internal restructuring operation designed to simplify the structure of the Euler Hermes group, on October 12, 2015, Euler Hermes Group sold the Euler Hermes Services stock to Euler Hermes SA for the amount of €1,283 thousand (cf. 3.2.1 *Equity shares* and 4.7 *Other extraordinary income and expenses*).

#### Acquisition of the iMX software

In the context of a cost sharing agreement following the developments of the iMX software, Euler Hermes Group will reimburse the participants for the costs incurred for the iMX software license in the amount of €10,047 thousand. These costs are included in intangible exceptional assets and are amortized using the straight line method over 5 years. (cf. 3.1.1 *Intangible assets and property, plant and equipment* and 3.1.2 *Amortization, depreciation and provisions on intangible and tangible assets*).

### 3 Notes to the balance sheet

#### A – ASSETS

#### 3.1 Intangible assets, property, plant and equipment, depreciation and amortization

##### 3.1.1 Intangible assets, property, plant and equipment

Intangible assets and property, plant and equipment were as follows as at December 31, 2015:

(in € thousands)	Gross amount at start of year	Contributions <sup>(3)</sup>	Increase	Decrease	Gross amounts at year-end
<b>Intangible assets<sup>(1)</sup></b>	<b>8,949</b>	<b>14,013</b>	<b>10,329</b>	<b>0</b>	<b>33,291</b>
Software – IRP	8,490	0	0	0	8,490
Software - Global Reporting	439	469	0	0	908
Software - iMX	0	0	10,046	0	10,046
Software - Other <sup>(2)</sup>	20	13,544	283	0	13,847
<b>Property, plant and equipment<sup>(4)</sup></b>	<b>299</b>	<b>23,136</b>	<b>682</b>	<b>2,160</b>	<b>21,957</b>
<b>TOTAL</b>	<b>9,248</b>	<b>37,149</b>	<b>11,011</b>	<b>2,160</b>	<b>55,248</b>

(1) Intangible assets are primarily composed of the IRP, Global Reporting and iMX software.

(2) Other software represents the software licenses used by all the entities of the Euler Hermes group.

(3) Concerns the property, plant and equipment and intangible assets transferred by Euler Hermes Tech to Euler Hermes Group in the context of the complete transfer of assets and liabilities (Cf. 2. Significant events during the financial year).

(4) Property, plant and equipment comprises IT equipment, which includes production and testing servers, and fixtures and fittings.

##### 3.1.2 Amortization, depreciation and provisions on intangible and tangible assets

The breakdown of depreciation, amortization and provisions at December 31, 2015 was as follows:

(in € thousands)	Dep., amort. & prov. at start of year	Contributions <sup>(5)</sup>	Provisions	Reversals	Dep., amort. & prov. at year-end
<b>Intangible assets</b>	<b>8,949</b>	<b>12,461</b>	<b>968</b>	<b>0</b>	<b>22,378</b>
Software - IRP <sup>(1)</sup>	8,490	0	0	0	8,490
Software - Global Reporting <sup>(1)</sup>	439	469	0	0	908
Software - iMX <sup>(2)</sup>	0	0	5	0	5
Software - Other <sup>(3)</sup>	20	11,992	963	0	12,975
<b>Property, plant and equipment<sup>(4)</sup></b>	<b>270</b>	<b>20,036</b>	<b>1,703</b>	<b>2,154</b>	<b>19,855</b>
<b>TOTAL</b>	<b>9,219</b>	<b>32,497</b>	<b>2,671</b>	<b>2,154</b>	<b>42,233</b>

(1) The IRP software and the Global Reporting software are fully amortized.

(2) The iMX is amortized on a straight line basis over a period of five years corresponding to its estimated useful life.

(3) The other software is amortized on a straight line basis over a five-year period corresponding to its estimated useful life.

(4) IT equipment is amortized on a straight line basis over a three-year period. Fixtures and fittings exclusively comprising works of art are not depreciated.

(5) Represents the amortization and depreciation of the tangible and intangible assets transferred by Euler Hermes Tech to Euler Hermes Group as part of the complete transfer of assets and liabilities (Cf. 2. Significant events during the financial year).

## 3.2 Shares in associated enterprises and impairment of shares in associates

### 3.2.1 Equity shares

Equity shares (shares in associates) are long-term investments that are deemed to contribute to Euler Hermes Group's business, particularly because they enable Euler Hermes Group to influence the management or assume control of the company concerned.

Shares in associates are recognized at historical cost (purchase cost or contribution value including any related purchase costs).

Changes in the gross carrying amount of shares in associates were as follows:

(in € thousands)	Gross amount at start of year	Increase	Decrease	Gross amounts at year-end
Shares				
Euler Hermes Services <sup>(1)</sup>	38		38	0
Euler Hermes S.A.	1,010,394			1,010,394
Euler Hermes Tech <sup>(2)</sup>	0	10,010	10,010	0
Euler Hermes North America Holding	143,541			143,541
Euler Hermes Aktiengesellschaft	115,889			115,889
Euler Hermes Reinsurance AG	387,274			387,274
Euler Hermes World Agency	4,340			4,340
Euler Hermes Magyar Követeléskezelő Kft	6,514			6,514
Euler Hermes Services Romania S.R.L.	993			993
Euler Hermes Services Slovensko, s.r.o.	2,067			2,067
Euler Hermes Collections Sp. Z.o.o.	30,309			30,309
Euler Hermes Services Sp. z o.o.	2			2
<b>TOTAL</b>	<b>1,701,361</b>	<b>10,010</b>	<b>10,048</b>	<b>1,701,323</b>

(1) On October 12, 2015, Euler Hermes Group sold the shares of Euler Hermes Services to Euler Hermes SA for the amount of €1,283 thousand (Cf. 2. Significant events during the financial year).

(2) On February 17, 2015, Euler Hermes Group acquired 2,500 shares of Euler Hermes Tech at a price of €10,000 thousand. The registration fees were included in the acquisition cost for €10 thousand. A universal transfer of Euler Hermes Tech assets and liabilities to Euler Hermes Group was performed on April 1, 2015 (Cf. 2. Significant events during the financial year and 4.7 Other extraordinary income and expenses).

### 3.2.2 Impairment of shares in associates

At each year-end, shares in associates are re-measured on the basis of their value in use. When necessary, an impairment provision is recognized on an individual investment basis, taking into account both the value in use and the general prospects of the subsidiary concerned.

The impairment recognized on Euler Hermes Collections Sp. Z.o.o. in the amount of €10,000 thousand did not change in 2015.

### 3.3 Other financial assets

#### 3.3.1 Other financial assets

Other financial assets break down as follows:

(in € thousands)	Gross amount at start of year	Increase	Decrease	Gross amounts at year-end
<b>Other long-term investment securities</b>	2	0	0	2
<b>Treasury shares</b>	78,982	29,798	49,259	59,521
General adjustment	60,881	0	1,360	59,521
Adjustment of share price	18,101	29,798	47,899	0
<b>EH Collection Sp. Z.o.o. loan</b>	10,700	0	0	10,700
<b>Allianz Managed Operations &amp; Services SE loan</b>	10,600	0	0	10,600
<b>EH Collection North America loan<sup>(1)</sup></b>	2,479	283 <sup>(2)</sup>	0	2,762
<b>Interest accrued on Allianz Managed Operations &amp; Services SE loan</b>	36	36	36	36
<b>Interest accrued on EH Collection North America loan</b>	3	3	3	3
<b>Deposits and sureties paid</b>	38	0	0	38
<b>TOTAL</b>	<b>102,840</b>	<b>30,120</b>	<b>49,298</b>	<b>83,662</b>

(1) Euler Hermes Group made a loan denominated in dollars to its American subsidiary Euler Hermes Collection North America for an amount of USD 3,000 thousand in 2014.

(2) The increases represent the currency translation adjustment following valuation at closing price.

As detailed below, the Company held treasury shares representing 2.48% of the share capital at year-end, as authorized by the share buyback program granted by the Extraordinary Shareholder's Meeting of April 7, 2000:

	Gross amount at start of year	Increase	Decrease	Gross amounts at year-end
<b>Holding objectives</b>				
<b>Unrestricted use</b>				
■ number of shares	1,150,087		25,700 <sup>(1)</sup>	1,124,387
■ average price	52,937			52,937
■ <b>total</b> (in € thousands)	<b>60,881</b>		<b>1,360</b>	<b>59,521</b>
% of share capital	2.54			2.48
<b>Adjustment of market price<sup>(2)</sup></b>				
■ number of shares	210,050	328,405	538,455	0
■ average price	86,174			0
■ <b>total</b> (in € thousands)	<b>18,101</b>	<b>29,797</b>	<b>47,898</b>	<b>0</b>
% of share capital	0.46			
<b>TOTAL</b>	<b>78,982</b>	<b>29,797</b>	<b>49,258</b>	<b>59,521</b>

(1) In 2015, 25,700 options related to stock purchase plans were exercised (cf. 5.4 Stock option plan).

(2) Given the evolution of the Euler Hermes Group share price, treasury shares allocated to the liquidity contract were purchased and sold in order to boost the share price.

#### 3.3.2 Impairment of other financial assets

Treasury shares in the inventory were valued according to the average stock market share price in the final month of the year.

The impairment was reversed in full on the income statement for €1,148 thousand:

(in € thousands)	Provisions at start of year	Provision	Reversals	Provisions at year-end
Impairment of treasury shares: general adjustment	0	0	0	0
Impairment of treasury shares: share price adjustment	1,148	0	1,148	0
<b>TOTAL</b>	<b>1,148</b>	<b>0</b>	<b>1,148</b>	<b>0</b>

### 3.4 Receivables

The item primarily represents receivables from associates for the amount of €33,194 thousand, including the balance of transactions between the subsidiaries in the Group's tax group and receivables from the State in the amount of €27,815 thousand, including the corporate tax credit (cf. 4.8.1 Tax due and tax consolidation surplus).

All receivables are due within one year.

### 3.5 Cash and cash equivalents

Cash and cash equivalents are made up of demand deposits, money market funds and fixed-term deposits.

### 3.6 Prepaid expenses

Prepaid expenses correspond exclusively to expenses transmitted by Euler Hermes Tech in the complete transmission of holdings (Cf. 2. Significant events during the financial year).

## B - LIABILITIES

### 3.7 Shareholders' equity

#### 3.7.1 Composition of the share capital

As of December 31, 2015, the share capital consisted of 45,342,177 fully subscribed shares for the amount of €14,509 thousand.

#### 3.7.2 Change in shareholders' equity

Changes during the year were as follows:

(in € thousands)	2014/12/31	Appropriation of 2014 income	Dividend distributions <sup>(1)</sup>	Movements during the year	2015/12/31
Share capital	14,509				14,509
Issue premiums	465,008				465,008
Reserves					
▪ Legal reserve	1,451				1,451
▪ General reserve	77,474				77,474
▪ Reserve for treasury shares	61,479			17,504	78,983
▪ Other reserves	204,910			(17,504)	187,406
Retained earnings	283,176	195,456	(194,547)		284,085
Profit for the year	195,456	(195,456)		204,026	204,026
Regulated provisions	235			12	247
<b>TOTAL</b>	<b>1,303,698</b>	<b>0</b>	<b>(194,547)</b>	<b>204,038</b>	<b>1,313,188</b>

(1) The amount of the dividend paid excludes treasury shares.

#### Reserve for treasury shares

The reserve for treasury shares was increased by €17,504 thousand to take into account, for 2014, the share purchases and sales under the liquidity agreement and sales related to the exercise of stock options. This

amount was added to "Other reserves", pursuant to the Shareholders' Meeting resolution of May 27, 2015.

As at December 31, 2015, the reserve for treasury shares stood at €78,983 thousand.

### Dividend distribution

In accordance with the Shareholders' Meeting of May 27, 2015, the amount of the per-share dividend paid was €4.40, or €199,506 thousand (including treasury shares). Pursuant to Article 158, 3-2 of the General Tax Code, this sum is eligible for 40% tax relief.

## 3.8 Provisions

Provisions were as follows:

(in € thousands)	Provisions at start of year	Provision	Reversals	Provisions at year-end
Other provisions	908	42	422	528
<b>TOTAL</b>	<b>908</b>	<b>42</b>	<b>422</b>	<b>528</b>

Other provisions in the amount of €528 thousand correspond to the best estimate of risk and commitments at year-end.

### Regulated provisions

Regulated provisions represent the total amortization of the acquisition costs for the shares of Euler Hermes Collection Sp. Z.o.o. in a total amount of €247 thousand, over a period of five years.

At December 31, 2015, the acquisition costs were amortized in their entirety.

They relate to a provision for the Cardiff defined-benefit pension commitment (described in Note 17 "Employee benefits" to the consolidated financial statements).

## 3.9 Loans and other borrowings

The breakdown of "Loans and other borrowings" by maturity is as follows:

(in € thousands)	2015/12/31	2014/12/31	Change
Less than 1 year	220,655	522,342	(301,687)
1 to 5 years <sup>(1)</sup>	320,000	50,000	270,000
<b>TOTAL</b>	<b>540,655</b>	<b>572,342</b>	<b>(31,687)</b>
Of which due to associated companies	320,576	320,986	(410)

(1) Repayable on maturity.

Interest amounted to €6,304 thousand at December 31, 2015 (cf. 4.6 Other financial expenses).

On June 18, 2015, Euler Hermes Group repaid:

- the loan with HSBC for a total of €127,382 thousand, including €2,382 thousand in interest (cf. 4.6 Other financial expenses);
- the loan with Crédit Agricole for a total amount of €126,191 thousand, including €1,191 thousand in interest (cf. 4.6 Other financial expenses).

In 2015, Euler Hermes group took out:

- a loan with HSBC for the amount of €110,000 thousand due June 18, 2020 (cf. 4.6 Other financial expenses);
- a loan with BNP PARIBAS for €110,000 thousand due June 18, 2020 (cf. 4.6 Other financial expenses).

## 3.10 Trade payables and related accounts

Trade payables and related accounts consisted of accruals for supplier invoices not yet received at year-end totaling €18,255 thousand.

The payables are due within one year.

## 3.11 Social security, tax and other liabilities

The "Other liabilities" item mainly consists of amounts payable to associates totaling €34,810 thousand, including the balance of transactions between subsidiaries fiscally integrated in the Group, and liabilities to the State in the amount of €5,116 thousand.

The maturity of liabilities is as follows:

- due in less than one year: €49,046 thousand;
- due in one to five years: €4,268 thousand.

## 4 Notes to the income statement

### 4.1 Income from equity shares

This item comprises dividends received from associated enterprises, as follows:

(in € thousands)	2015	2014
Euler Hermes North America Holding	17,848	14,657
Euler Hermes Aktiengesellschaft	29,000	40,300
Euler Hermes Reinsurance AG	100,000	100,000
Euler Hermes S.A.	80,000	83,568
Euler Hermes Services	11,874	-
Euler Hermes Magyar Követeléskezelő Kft.	1,320	1,007
Euler Hermes Services Romania S.R.L.	1,192	1,598
<b>TOTAL</b>	<b>241,234</b>	<b>241,130</b>

### 4.2 Other financial income

This item primarily represents income generated from the short-term investment of cash and the interest on the loans granted to the subsidiaries Euler Hermes Collection Sp Z.o.o, Euler Hermes Collection North America and to Allianz Managed Operations & Services SE.

### 4.3 Various services

This item includes the services related to the IT activity transferred from Euler Hermes Tech to Euler Hermes Group following the complete transfer of assets and liabilities (Cf. 2. Significant events during the financial year).

### 4.4 External charges

This item includes:

- the structural external charges of Euler Hermes Group;
- the fees paid in the context of various projects conducted in 2015.

This item also includes the charges related to the IT activity of Euler Hermes transferred from Euler Hermes Tech to Euler Hermes Group following the complete transfer of assets and liabilities (Cf. 2. Significant events during the financial year).

### 4.5 Payroll and social security charges and taxes, duties and similar charges

This item includes compensation of the Board members and the associated tax and social security expenses.

### 4.6 Other financial expenses

This item primarily represents the interest on the loans taken out with the associated companies for €2,923 thousand (cf. 3.9 Loans and other borrowings).

It also includes the interest on loans taken out with credit institutions in the amount of €3,381 thousand (cf. 3.9 Loans and other borrowings).

### 4.7 Other exceptional income and expenses

This item consists of the gains and losses on the Company's buyback of treasury shares for €670 thousand and €211 thousand respectively. It also includes the gain on the sale of the equity in Euler Hermes Services and the merger dividend of Euler Hermes Tech for €1,245 thousand and €222 thousand respectively (cf. 2 Significant event during the financial year and 3.2.1 Equity shares).

## 4.8 Income tax

The breakdown of the tax expense for the year is as follows:

(in € thousands)	2015	2014
Tax consolidation surplus	13,101	15,535
Additional contribution on dividends	(5,836)	(5,545)
Research tax credit	698	0
Deferred income tax	(460)	751
<b>TOTAL</b>	<b>7,503</b>	<b>10,741</b>

### 4.8.1 Tax due and tax consolidation surplus

Euler Hermes Group is the head of the tax group formed with its subsidiaries Euler Hermes France (the French branch of Euler Hermes SA), Euler Hermes Crédit France, Euler Hermes Recouvrement France, Euler Hermes Services, Euler Hermes Tech, Euler Hermes Asset Management France, Euler Hermes World Agency, and Financière Aldébaran. Each company pays the parent company the tax that it would have paid if it had been taxed individually (see Notes 3.4 Receivables and 3.10 Social security, tax and other liabilities).

The 2014 budget adopted by the French Parliament on December 29, 2013 increased the corporation tax for companies with a turnover in excess of €250 million from 5% to 10.7% until accounting periods ending at December 30, 2015.

The amended budget for 2014, which was passed on July 23, 2014, extended this corporate tax increase to 10.7% until December 30, 2016.

The parent company tax group applied this increase to its current tax liability at the current rate and at the reduced rate.

The amended budget for 2012 established an additional tax contribution of 3% for companies on amounts distributed by French or foreign companies and entities liable for corporation tax. This contribution was €5,836 thousand for financial year 2015.

To calculate the taxable income of Euler Hermes Group itself, dividends received from the subsidiaries were deducted in accordance with the parent company/subsidiary tax regime and the share of corresponding

expenses and charges were added back. After all deductions and amounts were added back, taxable income was negative.

As the total of the individual tax liabilities of the members of the tax group was higher than the tax expense for the tax group, a tax consolidation surplus of €13,101 thousand was generated in favor of Euler Hermes Group.

### 4.8.2 Deferred tax

Deferred tax arises from timing differences between the year in which an income or expense item is recognized in the accounts and its inclusion in the taxable income or loss of a subsequent year. Deferred tax is calculated using the following preferential method:

- application of the balance sheet liability method, under which unrealized differences are added to the timing differences;
- use of the full provision method, under which recurring differences and differences that will only reverse in the long term are included;
- application of the liability method, under which deferred tax recognized in prior years is adjusted for any changes in tax rates; the rate used for 2015 and subsequent years is 34.43% (ordinary rate of 33.33% plus the 3.3% social security contribution).

As none of the significant deferred tax assets and liabilities has a set maturity, discounting has not been applied to any items. Deferred tax assets and liabilities are offset only when they have the same nature and maturity.

## 5 Other information

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### 5.1 Consolidation

Euler Hermes Group, whose shares are listed on the Paris Stock Exchange, is the parent company of the Euler Hermes Group subgroup and as such publishes consolidated financial statements.

The Company's financial statements are fully consolidated within the financial statements prepared by Allianz (Munich Trade and Companies Register no. 164232).

### 5.2 Directors' fees

Directors' fees paid to members of the Supervisory Board amounted to €456 thousand, in accordance with the resolution passed by the Combined Shareholders' Meeting of May 28, 2014, which authorized the payment of a maximum amount of €600 thousand.

### 5.3 Off-balance sheet commitments given

These commitments comprise:

- a commitment for €25,972 thousand given to the Economic Interest Group Euler Hermes SFAC Services whose headquarters are at 1 place des Saisons, 92048 Paris La Défense Cedex; as a member of the EIG,

Euler Hermes group is jointly liable for all liabilities of this group minus the Group's debt to its members (Article 4, paragraph 1 of Ordinance 67821). Euler Hermes Group shares this commitment with the following subsidiaries and branches: Euler Hermes France (a branch of Euler Hermes SA), Euler Hermes Crédit France, Euler Hermes Recouvrement France, Euler Hermes Services, Euler Hermes Asset Management France, Euler Hermes World Agency, Euler Hermes SFAC Direct;

- a commitment of €73,000 thousand granted to Euler Hermes SA in the context of its ongoing bonding activity;
- a commitment of €1,857 thousand given to InvestitionsBank des Landes Brandenburg, required to obtain a subsidy from the state of Brandenburg;
- a commitment given to Euler Hermes Reinsurance AG guaranteeing the payment of financial commitments given by the subsidiary to beneficiaries of a proportional or non-proportional reinsurance policy;
- a commitment given to Cardif relating to the risk of revaluation of a pension liquidated by a closed defined benefit pension fund.

## 5.4 Stock option plan

The Extraordinary Shareholders' Meeting of May 22, 2006 approved a mixed share subscription and acquisition option plan for employees of subsidiaries more than 50%-owned by Euler Hermes Group and, potentially, for corporate officers of the Group.

The changes for the year can be analyzed as follows (cf. 3.3 Other financial assets):

### ■ SHARE ACQUISITION PLAN

	<b>2006/05/22</b>
<b>Date of Shareholders' Meeting</b>	<b>(2<sup>nd</sup> allotment)</b>
<b>Date of Board of Management meeting</b>	<b>2008/06/20</b>
Options remaining to be exercised at start of year	34,906
Options exercised <sup>(1)</sup>	25,700
Options canceled	900
<b>Options remaining to be exercised at year-end</b>	<b>8,306</b>
Exercise price <sup>(2)</sup>	55.67

(1) Cf. 3.3.1 Other financial assets.

(2) Range of exercise prices of options circulating at year-end.

## 6.4 Table of subsidiaries and participating interests

Subsidiaries and participating interests	Share capital		Other shareholders' equity	Share of capital held (%)	Carrying value of securities held		
					gross in €	net in € <sup>(1)</sup>	
<b>A. Detailed information on securities with a gross value of more than 1% of the share capital</b>							
<b>Euler Hermes SA</b> 56, avenue des Arts 1000 Brussels BELGIUM	EUR	229,390	EUR	1,132,863 <sup>(5)</sup>	97.32%	1,010,394	1,010,394
<b>Euler Hermes North America Holding</b> 800 Red Brook Boulevard Owings Mills MD 21117 USA	USD	192,819	USD	(11,634)	100.00%	143,541	143,541
<b>Euler Hermes Aktiengesellschaft</b> Friedensallee 254, 22763 Hamburg Germany	EUR	10,000	EUR	92,541	100.00%	115,889	115,889
<b>Euler Hermes Reinsurance AG</b> Richtiplatz 1 CH-8304 Wallisellen SWITZERLAND	CHF	376,236	CHF	305,715	100.00%	387,274	387,274
<b>Euler Hermes World Agency</b> 1, place des Saisons 92048 Paris-La Défense Cedex	EUR	1,540	EUR	5,239	100.00%	4,340	4,340
<b>Euler Hermes Magyar Követeléskezelő Kft</b> Kiscelli u.104 H-1037 Budapest HUNGARY	HUF	30,000	HUF	185,116	100.00%	6,514	6,514
<b>Euler Hermes Collections Sp. Z.o.o</b> ul.Domaniewska50B 02-672 Warsaw POLAND	PLN	4,446	PLN	1,063	100.00%	30,309	20,309
<b>Euler Hermes Services Romania S.R.L</b> Str Petru Maior, 6 sector 1 11264 Bucharest ROMANIA	RON	2,962	RON	935	100.00%	993	993
<b>Euler Hermes Seviles Slovensko</b> Plynarenska 7/A 82109 Bratislava SLOVAKIA	EUR	136	EUR	2,075	100.00%	2,067	2,067
<b>B. General information on other securities with a gross value of less than 1% of the share capital</b>							
French subsidiaries	EUR	0	EUR	0		0	0
Foreign subsidiaries	PLN	5	PLN	27,529		2	2
<b>General information on other securities with a gross value of less than 1% of the share capital</b>							
French subsidiaries							
Foreign subsidiaries							
Euler Hermes Services Sp. Z.o.o Poland	PLN	5	PLN	27,529	100.00%	2	2

(1) An impairment of the securities is recognized at year-end if the securities have a carrying amount of more than the value in use of the Company (see 3.2.2. Impairment of shares in associated enterprises).

(2) The share price used for companies outside the eurozone is as at December 31, 2015.

(3) Amounts corresponding to the Euler Hermes Collections sub-group, of which Euler Hermes Collections SpA is the holding company.

(4) In accordance with the CNC notice dated March 27, 1985 and COB bulletin no. 181 of May 1985, in view of Euler Hermes North America Holding's activity as a holding company, this item comprises ordinary revenues from equity investments instead of turnover.

(5) Estimate – awaiting the final version of financial statements of Euler Hermes SA.

Loans and advances given and not outstanding	Amount of sureties and guarantees given	Turnover ex. tax in the last financial year	Net income in the last financial year	Dividends received during the year
in € thousands	in € thousands	in € thousands <sup>(2)</sup>	in € thousands <sup>(2)</sup>	in € thousands
7,387	73,000	1,671,077	140,186	80,000
	-	16,900 <sup>(4)</sup>	16,290	17,848
1,125	-	119,272	16,655	29,000
39	-	1,373,407	113,456	100,000
11,803	-	18,000	572	-
64	-	3,971	1,476	1,320
11,436	-	6,438 <sup>(3)</sup>	1,088 <sup>(3)</sup>	-
40	-	3,153	1,505	1,192
26	-	1,521	448	-
-	-	0	0	-
381	-	3,647	2,099	-
				-
				-
381	-	3,647	2,099	-

## 6.5 Table of Company results over the last five years

(in € thousands)	2011	2012	2013	2014	2015
<b>Capital stock</b>					
Share capital	14,451	14,468	14,509	14,509	14,509
Number of shares in issue	45 159 477	45 212 727	45 342 177	45 342 177	45 342 177
Maximum number of future shares to be created	201 583	143 050	0	0	0
<b>Transactions and income for the financial year</b>					
Income from ordinary operations <sup>(1)</sup>	169,852	231,600	246,268	241,130	306,776
Income before tax, depreciation, amortization and provisions	112,052	167,540	177,164	186,073	197,754
Income tax <sup>(2)</sup>	(23,504)	(13,159)	(17,216)	(10,741)	(7,503)
Income after tax, depreciation, amortization and provisions	109,230	196,190	194,339	195,456	204,026
Dividends paid <sup>(3)</sup>	198,702	180,851	190,437	199,506	199,506
<b>Earnings per share</b>					
Income after tax, but before depreciation, amortization and provisions	3.00	4.00	4.29	4.34	4.53
Income after tax, depreciation, amortization and provisions	2.42	4.34	4.29	4.31	4.50 <sup>(4)</sup>
Dividend per share	4.40	4.00	4.20	4.40	4.40
<b>Employees</b>					
Average number of employees <sup>(5)</sup>	1	1	0	0	0

(1) In accordance with the CNC notice dated March 27, 1985 and COB bulletin no. 181 of May 1985, in view of Euler Hermes Group's activity as a holding company, this item comprises ordinary revenues from equity investments and re-invoicing of other Euler Hermes entities instead of turnover.

(2) A negative amount is equal to a tax consolidation surplus and a positive amount is equal to a tax expense.

(3) Includes dividends on treasury shares, held by the Company, the dividends from which will be credited to "Retained Earnings" upon payment.

(4) The Company's dividend policy in the future will depend on its results and financial position. The Board of Management proposed the dividend, which will be put to the vote of the Shareholders' Meeting on May 25, 2016, after the Supervisory Board's approval. Although the Board of Management intends to maintain this dividend policy over the long term, the dividend proposed for a given year will depend on different factors, in particular the Company's performance, market conditions and the general economic climate. Euler Hermes Group's dividend policy is based on prudent management of capital (to ensure an AA- rating level) and the attractiveness of the dividend for shareholders.

(5) In 2015, as in 2014, none of the corporate officers has an employment contract.

## 6.6 Other information

### 6.6.1 Breakdown of trade payables

In accordance with Articles L. 441-6-1 and D. 441-4 of the French Commercial Code, the breakdown of outstanding debt by maturity in respect of the Group's suppliers at the close of the last two years is provided below:

Trade payables (in € thousands)	31/12/2015		31/12/2014	
		Immediate settlement	0.00	Immediate settlement
Overdue invoices	30-day settlement	0.00	30-day settlement	0.00
Invoices not received		(18,255)		(3,049)
<b>Trade payables and related accounts</b>		<b>(18,255)</b>		<b>(3,049)</b>

### 6.6.2 Dividends distributed

The table below shows the dividends distributed in the last five financial years. Pursuant to Article 158, 3-2° of the General Tax Code, these sums are eligible for the 40% tax rebate.

Financial year	2015	2014	2013	2012	2011
Distribution (in €)	199,505,579	199,505,579	190,437,143	180,850,908	198,701,699
Number of shares on December 31 (including treasury shares)	45,342,177	45,342,177	45,342,177	45,212,727	45,159,477
Dividend per share (in €)	4.40 <sup>(1)</sup>	4.40	4.20	4.00	4.40

(1) Proposal to the Shareholders' Meeting on May 25, 2016.

The Company's dividend policy in the future will depend on its results and financial position. The Board of Management proposed the dividend, which will be put to the vote of the Shareholders' Meeting on May 25, 2016, after the Supervisory Board's approval. Although the Board of Management intends to maintain this dividend policy over the long term,

the dividend proposed for a given year will depend on different factors, in particular the Company's performance, market conditions and the general economic climate. Euler Hermes Group's dividend policy is based on prudent management of capital (to ensure an AA- rating level) and the attractiveness of the dividend for shareholders.

## 6.7 Statutory Auditors' report on the financial statements

*This is a free translation into English of the statutory auditor's report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditor's report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditor's assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.*

*This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

### Year ended December 31, 2015

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting, we hereby report to you, for the year ended 31 December 2015, on:

- the audit of the accompanying financial statements of Euler Hermes Group S.A.;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the group Board of Management. Our role is to express an opinion on these financial statements based on our audit.

### 1 Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2015 and of the results of its operations for the year then ended in accordance with French accounting principles.

### 2 Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*), we bring to your attention the following matter:

- Note 3.2.2 to the annual financial statements sets out the accounting policies on impairment of equity interests. As part of our assessment of the accounting policies adopted by your company, we checked the appropriateness of accounting policies set out above and the information provided in the above-mentioned Note, and we verified their correct application.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

### 3 Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the group Board of Management, and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Paris La Défense, April 13, 2016

**KPMG Audit FS II**

*French original signed by:*

Xavier Dupuy

*Partner*

Paris, April 13, 2016

**EXCO Paris Ace**

*French original signed by:*

Alain Auvray

*Partner*



# 7

## Information on the Company and its capital

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## 7.1 General information about the Company

### 7.1.1 Company name and registered office

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**Company name:**

Euler Hermes Group

**Registered office:**

1, place des Saisons, 92048 Paris-La Défense Cedex, France

Tel.: +33 (0)1 84 11 50 50

Fax: +33 (0)1 84 11 50 17

### 7.1.2 Legal form, legislation

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Euler Hermes Group is a limited company (*société anonyme*) with a Board of Management and a Supervisory Board.

It is governed by French law.

### 7.1.3 Date of incorporation and term

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The Company was incorporated on March 28, 1927 for a term of 99 years, which will expire on March 27, 2026.

### 7.1.4 Business and Trade Register

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Register No.: 552 040 594 Nanterre RCE – NAF number: 6420Z.

### 7.1.5 Fiscal year

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Each fiscal year is 12 months. It begins on January 1 and ends on December 31.

## 7.2 Articles of Association of the Company

### 7.2.1 Corporate purpose

Under the terms of Article 3 of the Articles of Association, the purpose of the Company, directly or indirectly, both in France and abroad, is to:

- acquire and manage stakes in all French or foreign companies or enterprises, irrespective of their legal form, that are in particular active in insurance, reinsurance, credit insurance, factoring, debt collection and bonding, and to dispose of said stakes if need be, as well as all operations of any nature that are in direct or indirect relation with the above purpose, or that contribute towards the achievement thereof,
- acquire, manage and dispose of all listed or unlisted shares or securities, as well as all movable or immovable property or all listed or unlisted rights, shares, or securities in relation with said property, and

- more generally, to carry out all industrial, commercial and financial operations, as well as all operations involving movable or immovable property that are in direct or indirect relation with one of the purposes set out above or with all similar or related purposes, or that contribute towards the achievement of said purposes.

On an ancillary basis, the Company can also, either alone or in conjunction with other persons, either for itself or for the companies of the Euler Hermes group:

- implement means of telecommunications, provide all IT services of any nature, and hold all equipment and computer software required for purposes of its missions, and
- use any patent or trademark, in particular under a license arrangement, and lease all equipment of whatever nature.

### 7.2.2 Statutory provisions relating to the Board of Management and the Supervisory Board

The description below summarizes the principal provisions of the Articles of Association and of the Company's internal regulations with respect to the Supervisory Board, with a particular focus on its functions and powers.

It also summarizes provisions in the Articles of Association and the internal regulations relating to the Board of Management.

#### The Supervisory Board

##### Composition (excerpt from Article 11 of the Articles of Association)

The Supervisory Board is composed of at least three and no more than twelve members who are appointed by Ordinary Shareholders' Meetings.

No member of the Supervisory Board may be over 70 years of age. When a member of the Supervisory Board reaches this age, his/her resignation shall be automatic.

Each member of the Supervisory Board must own at least five shares during his/her term of office. However, this provision shall not apply to shareholders who are employees and who are appointed members of the Supervisory Board pursuant to Article L. 225-71 of the French Commercial Code.

##### Term of office (excerpt from Article 11 of the Articles of Association)

Unless otherwise provided for by special provisions for first appointments so as to comply with the regular replacement of its

members, Supervisory Board members are elected for three-year mandates.

Supervisory Board members may always be re-elected.

The composition of the Supervisory Board is adjusted each year at the Ordinary Shareholders' Meeting, depending on the number of members in office, so that changes are made as regularly as possible and so that all members have changed by the end of each three-year period. In order to exclusively implement and maintain staggering of the Supervisory Board members' terms of office, the Ordinary Shareholders' Meeting may appoint one or more Supervisory Board members for a duration of one or two years.

In the event of a vacant position, following the death or resignation of one or more members of the Supervisory Board, a provisional replacement may be elected by the remaining members, with the appointment being subject to ratification by the next Ordinary Shareholders' Meeting.

##### Chairmanship of the Supervisory Board – Non-voting members (extract from Article 11 of the Articles of Association)

The Supervisory Board elects a Chairman and a Vice-Chairman, who must be individuals, from among its members. The Chairman, and in his/her absence the Vice-Chairman, is responsible for convening meetings of the Board and chairing its deliberations.

If the Supervisory Board considers it useful, it may, when so proposed by its Chairman, appoint non-voting members of the Board (censors), for a term that it chooses. These non-voting members may be individuals or legal entities and may or may not be shareholders. The Board determines their responsibilities and the terms and conditions of their remuneration. This remuneration is taken from the annual amount for Supervisory Board members' fees allocated to the Supervisory Board by the Ordinary Shareholders' Meeting.

These non-voting members may be called to and may participate in the deliberations of all Supervisory Board meetings in an advisory capacity only.

### Supervisory Board deliberations (excerpt from Article 14 of the Articles of Association)

The Supervisory Board meets as often as required by the interests of the Company. Meetings are convened by the Chairman or, if this is not possible, the Vice-Chairman.

Meetings may be called by any means, including verbally.

Any member of the Supervisory Board may appoint another member to represent him/her. Each member may hold only one proxy.

Decisions are taken under the quorum and majority conditions provided for by law. In the event of a tie, the Chairman of the meeting shall have the casting vote.

Members of the Supervisory Board attending the meeting by video conference or telephone, enabling them to be identified and ensuring their attendance, or any other similar means of communication allowed by law, shall be counted as present for the purpose of calculating quorum and majority.

However, the provisions in the foregoing paragraph do not apply to the approval of the decisions provided for in Article L. 225-68 paragraph 5 (review of the annual and consolidated financial statements) and in Article L. 225-61 (dismissal of members of the Board of Management) of the French Commercial Code.

Members of the Board of Management may attend Board meetings in an advisory capacity, on the Chairman's initiative.

An attendance register is kept and minutes of meetings are drawn up in accordance with the law.

### Mission and powers of the Supervisory Board (excerpt from Article 12 of the Articles of Association)

The Supervisory Board exercises continuous supervision of the Company's management by the Board of Management and gives this Board the prior authorizations required by law or by these Articles of Association.

It appoints the members of the Board of Management, decides on their number, appoints the Chairman and, as the case may be, General Managers and sets their remuneration.

It may recommend that the Ordinary Shareholders' Meeting dismiss one or more members of the Board of Management.

Throughout the year, it carries out the checks and controls it considers appropriate and can arrange to receive any documents that it considers useful for the completion of its mission.

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

Within three months of the financial year-end, the Board of Management must present the annual financial statements to the Supervisory Board for verification and control and it must submit its recommendations for the allocation of distributable income for the year to the Supervisory Board for its prior approval. It presents its observations on the Board of Management's report and on the annual financial statements to the Shareholders' Meeting.

The Supervisory Board may convene Shareholders' Meetings and set their agendas.

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

In addition, the following decisions taken by the Board of Management are subject to prior authorization by the Supervisory Board:

- the sale of property, and the total or partial sale of shareholdings and the constitution of sureties on company assets;
- direct transactions or equity holdings that might significantly affect the Group's strategy and materially modify its financial structure or scope of activity;
- the issue of securities, of any kind, that may result in a change in the share capital;
- transactions aimed at granting or contracting any borrowings or loans, credits or advances, granting of sureties, guarantees, endorsements or deposits.

The Supervisory Board authorizes the Board of Management to carry out the transactions described above within the limits of an amount it determines for each such transaction. When a transaction exceeds the specified amount, the approval of the Supervisory Board is required in each case.

## The Board of Management

### Composition (excerpt from Article 15 of the Articles of Association)

The Company is managed by the Board of Management, which is composed of at least two and no more than six members, who may but need not be shareholders, appointed by the Supervisory Board.

Members of the Board of Management must be individuals no older than 65.

A member of the Supervisory Board may not be a member of the Board of Management.

### **Term of office (excerpt from Article 15 of the Articles of Association)**

The Board of Management is appointed for a period of four years and its members may be re-appointed. Their mandates may be terminated by the Supervisory Board or by the Ordinary Shareholders' Meeting on the recommendation of the Supervisory Board.

The Supervisory Board sets the method and amount of remuneration for each of the members of the Board of Management on their appointment.

### **Chairmanship of the Board of Management (excerpt from Article 16 of the Articles of Association)**

The Supervisory Board appoints one of the members of the Board of Management as Chairman.

The Chairman exercises his/her functions for the period of his/her office as a member of the Board of Management.

The Chairman represents the Company in its relations with third parties.

The Supervisory Board may grant the same power of representation to one or more other members of the Board of Management, who then carry the title of General Manager.

Agreements concerning the Company and any commitments undertaken in its name are signed by the Chairman of the Board of Management, or by any member of the Board of Management who has been appointed General Manager by the Supervisory Board or by any representative especially empowered for this purpose.

### **Mission and powers of the Board of Management (excerpt from Article 17 of the Articles of Association)**

The Board of Management is vested with the broadest extensive powers to act in all circumstances in the name of the Company. It exercises these powers within the limits defined by the corporate purpose, subject to those expressly allocated to the Supervisory Board and Shareholders' Meetings by the law and the Articles of Association.

The Board of Management can vest one or more of its members or any other person with special assignments that it decides upon, which may be permanent or temporary, and can delegate to them the powers it considers appropriate for one or more particular purposes, with or without the power to sub-delegate.

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

### **(Extract from Article 4 of the internal regulations of the Board of Management)**

The Board of Management operates according to internal regulations that are designed to supplement the operating procedures stipulated in the Articles of Association, while respecting the collegial principle of

the Board of Management and facilitating the work of the Supervisory Board.

These internal regulations stipulate the Board of Management's powers and the distribution of its tasks and, in accordance with Article 12 of the Articles of Association, the decisions which require prior authorization by the Supervisory Board, namely:

- the sale of real estate property and the total or partial sale of equity investments and the pledging of security interests in Company assets where the transaction exceeds 30,000,000 euros;
- transactions aimed at granting or contracting any borrowings or loans, credits or advances where these exceed 75,000,000 euros;
- the issue of securities, guarantees, endorsements or deposits where these exceed 30,000,000 euros;
- direct transactions or equity holdings that might significantly affect the Group's strategy and materially modify its financial structure or scope of activity where these exceed 5,000,000 euros;
- the issue of securities of any kind that may result in a modification of the registered share capital regardless of the amount involved.

### **Board of Management deliberations (Article 18 of the Articles of Association)**

The Board of Management meets as often as required by the interests of the Company. Meetings are convened by the Chairman or, if this is not possible, by at least two of its members.

Meetings take place either at the registered office or in any other location indicated in the convening notice.

Meetings may be called by any means, including verbally.

Meetings of the Board of Management are chaired by the Chairman or, if this is not possible, by a member chosen by the Board of Management at the beginning of the meeting.

Any member of the Board of Management may appoint another member to represent him/her. Each member may hold only one proxy.

For its deliberations to be valid, the number of members of the Board of Management present must be at least equal to half the number of members in office.

Decisions are voted by a simple majority of the members present or represented.

In the event of a tie, the Chairman shall have the casting vote.

Board of Management deliberations are reported in minutes registered in a special register and signed by the Chairman of the meeting and at least one member of the Board of Management.

Copies or extracts from the minutes are certified by the Chairman of the Board of Management or by any of its members.

In addition, the internal regulations define the practical procedures for holding meetings and recording minutes.

## 7.2.3 Rules applicable to amendments to the Articles of Association

When the Company's Articles of Association need to be amended, they are amended in accordance with the law.

## 7.2.4 Rights, privileges and restrictions attached to shares

### Voting rights (Article 20 of the Articles of Association)

The Company's capital is divided into shares of common stock, all of the same class.

Fully paid-up registered shares held for at least two years in the name of the same shareholders do not have a double voting right.

The voting right belongs to the beneficial owner in all Shareholders' Meetings.

Each share entitles the holder to a portion of the ownership of corporate assets and to a share in the profits equal to the proportion of the share capital that it represents (Article 9 of the Articles of Association).

### Statutory restrictions on the exercise of voting rights and share transfers

The Company's Articles of Association do not contain any provision limiting share transfers.

The shares may be freely traded and may be sold under the legal and regulatory conditions in force.

Subject to the provisions of Article 8, final paragraph, of the Articles of Association relating to the surrender of voting rights in cases of non-compliance with obligations on threshold declarations, the Articles of Association do not contain restrictions on the exercise of voting rights. This suspension of voting rights concerning the shares exceeding the portion that should have been declared may be requested by one or more shareholders holding at least 2% of the share capital or voting rights.

### Allocation of income (Article 21 of the Articles of Association)

At least 5% is deducted from profit for the financial year, less previous losses if applicable, to make up funds for the legal reserve, in accordance

with the law. This deduction is no longer mandatory once the reserve reaches one tenth of the share capital. It comes back into effect if, for any reason, the legal reserve falls below one tenth of the share capital.

Distributable income is made up of profit for the financial year, less any potential previous losses, as well as sums to be carried over to the reserve in accordance with the law or the Articles of Association, in addition to retained profit carry-overs.

After the accounts are approved and distributable income is recorded, the Ordinary Shareholders' Meeting decides to register it in one or more reserve line items, of which it decides the allocation or the use, namely to carry it forward or to distribute it.

The Ordinary Shareholders' Meeting may decide to distribute sums from the reserves at its disposal, while specifically indicating the reserve line items on which the deductions are made. However, dividends are deducted as a priority from distributable profit for the financial year.

Excluding capital reductions, no distribution can be made to shareholders when shareholders' equity is, or will become following such distribution, less than the amount of the share capital plus reserves of which distribution is prohibited by the law or the Articles of Association. The revaluation variance is not distributable but it may be fully or partially incorporated into the share capital.

Procedures for payment of dividends voted by the Ordinary Shareholders' Meeting are set by the latter or, if necessary, by the Board of Management. The payment of dividends must, however, compulsorily take place within the legally established time frame.

The Ordinary General Meeting is entitled to grant each shareholder, for some or all of the dividend or interim dividend(s) to be distributed, an option of payment of the dividend or interim dividend(s) in cash or in Company shares.

## 7.2.5 Modification of shareholders' rights

Shareholder's rights, as described in the Company's Articles of Association, may only be modified by an Extraordinary Shareholders' Meeting of the Company.

## 7.2.6 Statutory threshold disclosure and obligation to register shares

Apart from the legal obligation to inform the Company when certain fractions of the share capital are held and to make any consequent declaration of intent, any individual or legal entity acting alone or in concert that comes to hold a number of shares and/or voting rights in the Company greater than or equal to:

- 1 1% of the total number of shares and/or voting rights must, within 15 days of the date of crossing this threshold, inform the Company of the total number of shares and/or voting rights held. This disclosure should be sent by recorded letter with acknowledgment of receipt (or equivalent means in countries outside France), or by fax or telex. This declaration must be renewed each time a new 1% threshold is crossed upwards, to 50% inclusive, and each time a new 1% threshold is crossed downwards, to 1% inclusive;
- 2 5% of the total number of shares and/or voting rights must, within 15 days of the date of crossing this threshold, apply to the Company to have all the shares held in registered form. This obligation for shares to be held in registered form is applicable to all shares already

held and to those that have just been acquired taking the shareholder over the threshold. The request for shares to be registered shall be sent by letter, fax or telex to the Company within 15 days of crossing the threshold. The declaration due under the preceding point (1) on crossing the threshold stipulated in this paragraph shall equate to a request for shares to be registered.

In determining the thresholds stipulated in (1) and (2), shares and/or voting rights held indirectly and shares and/or voting rights equivalent to shares and/or voting rights owned as defined by the provisions of Articles L. 233-7 *et seq.* of the French Commercial Code shall be taken into account.

For each of the aforementioned disclosures, the declarer must certify that the disclosure made includes all the securities owned or held pursuant to the previous paragraph. The declarer must also specify the date(s) of acquisition.

Investment fund management companies are required to provide this information for all the voting rights attached to shares in the Company held by the funds they manage.

## 7.2.7 Shareholders' Meetings

Shareholders' Meetings are convened and take place under legally prescribed conditions.

The meetings are held either at the registered office or at some other location specified in the convening notice.

Ordinary Shareholders' Meetings are composed of all shareholders who hold at least one share under the conditions below. Extraordinary Shareholders' Meetings are composed of all shareholders who hold at least one share under the conditions below. Special Shareholders' Meetings are open to all shareholders who hold, under the conditions set out below, at least one share of the share class concerned.

Shares that are not fully paid up do not count for admission to Shareholders' Meetings and are deducted for purposes of the quorum calculation.

Subject to the aforementioned provisions, each shareholder is entitled, on proof of identity, to participate in General Meetings, either by attending in person, by returning a postal voting form, or by appointing a proxy (who may be his spouse or another shareholder, the partner with whom he has entered into a contract of civil partnership or any other individual or legal entity of his choice), provided that the shares have been recorded

in the accounts in the name of the shareholder or of the intermediary acting on his behalf:

- for registered shareholders, in the Company's register;
- for bearer shareholders, in the bearer share accounts held by the custodian.

These formalities must be completed by midnight (Paris time) on the second working day before the date of the Shareholders' Meeting.

Meetings are chaired by the Chairman of the Supervisory Board or, in his/her absence, by the Vice-Chairman or a member of the Supervisory Board specially delegated by the Supervisory Board for this purpose. Failing this, the meeting appoints its own Chairman.

The duties of tellers are performed by the two members of the Shareholders' Meeting who have the greatest number of votes and who accept this role.

The officers of the Shareholders' Meeting appoint the secretary who may or may not be a shareholder.

Every member of the meeting is entitled to as many votes as the number of shares he/she owns or represents.

## 7.3 General information about the Company's share capital

### 7.3.1 Structure of the Company's capital

As at December 31, 2015, the Company's share capital amounted to 14,509,497 euros, divided into 45,342,177 shares of the same class, fully subscribed and paid up, with a par value of 0.32 euro. This total number of outstanding shares includes 1,124,387 treasury shares.

The Company's share capital may be increased, reduced or amortized under the conditions provided for by law.

All the shares have been fully subscribed and paid up. The shares are in registered form until fully paid up. Shares must be fully paid up on subscription.

Shares are held in registered or bearer form at the choice of the shareholder, subject to the particular stipulations prescribed by law. Any shareholder holding 5% or more of the total number of shares and/or voting rights in the Company must request his/her shares to be registered with the Company.

The Company is authorized to apply the provisions of Article L. 228-2 I of the French Commercial Code and Article 7, paragraph 3, of the Articles of Association at any time to identify the holders of securities giving immediate or deferred voting rights at its Shareholders' Meetings.

The Company's securities and assets are not subject to any pledges.

### 7.3.2 Share capital authorized, but not issued

In accordance with Article L. 225-100, paragraph 7, of the French Commercial Code, the summary table below sets out the delegations currently valid as at December 31, 2015 and granted by the Shareholders' Meeting to the Board of Management for capital increases by application

of Articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code. New delegations shall be submitted to a vote by the Shareholders' Meeting to be held on May 25, 2016 and are presented in section 8.4 of this Registration Document.

Extraordinary Shareholders' Meeting of May 28, 2014	Purpose	Duration	End	Ceiling (in euros)	Use as of December 31, 2015	Balance unused at December 31, 2015 (in euros)
11 <sup>th</sup>	Delegation of authority to increase capital by capitalizing reserves, profits or premiums or other sums which may be capitalized	26 months	July 27, 2016	5 million	No	5 million
12 <sup>th</sup>	Delegation of authority to issue ordinary shares and/or other securities giving access to the capital and/or granting entitlement to the allocation of debt securities with preservation of preferential subscription rights	26 months	July 27, 2016	7 million	No	7 million
14 <sup>th</sup>	Delegation of authority to increase capital by issuing shares with no preemptive subscription rights reserved for savings plan members pursuant to Articles L. 3332-18 <i>et seq.</i> of the French Labor Code	26 months	July 27, 2016	132,000	No	132,000
15 <sup>th</sup>	Authorization to freely allocate shares in the Company	38 months	July 27, 2017	5% of the share capital as at the date of the allocation decision (including 2% maximum of the share capital for members of the Board of Management)	No	5% of the share capital as at the date of the allocation decision (including 2% maximum of the share capital for members of the Board of Management)

### 7.3.3 Potential capital

As of December 31, 2015, there was:

- no share subscription options plan that may be exercised by the Company's employees;
- no plan allocating free shares to the Company's employees; and
- no marketable securities giving access to the Company's share capital.

## 7.4 Distribution of capital and voting rights

As at December 31, 2015, the Company's share capital was made up of 45,342,177 shares, majority-owned by the Allianz group (67.8% of the share capital representing 69.5% of the voting rights). The total number of shares having real voting rights was 44,217,790.

At the end of 2015, 29.7% of the share capital, i.e. 30.5% of the voting rights, was held by the public and the Company owned 2.5% of the share capital.

The table below shows changes to the Company's share capital and voting rights in the past three years:

	Year ended December 31, 2015				Year ended December 31, 2014				Year ended December 31, 2013*			
	Shares/Theoretical voting rights <sup>(1)</sup>		Real voting rights <sup>(2)</sup>		Shares/Theoretical voting rights <sup>(1)</sup>		Real voting rights <sup>(2)</sup>		Shares/Theoretical voting rights <sup>(1)</sup>		Real voting rights <sup>(2)</sup>	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Allianz Vie	3,879,818	8.6%	3,879,818	8.7%	3,879,818	8.6%	3,879,818	8.8%	3,879,818	8.6%	3,879,818	8.8%
Allianz France <sup>(3)</sup>	26,864,230	59.2%	26,864,230	60.8%	26,864,230	59.2%	26,864,230	61.1%	26,864,230	59.2%	26,864,230	60.8%
<b>Total Allianz</b>	<b>30,744,048</b>	<b>67.8%</b>	<b>30,744,048</b>	<b>69.5%</b>	<b>30,744,048</b>	<b>67.8%</b>	<b>30,744,048</b>	<b>69.9%</b>	<b>30,744,048</b>	<b>67.8%</b>	<b>30,744,048</b>	<b>69.6%</b>
Treasury shares	1,124,387	2.5%	0	0.0%	1,360,137	3.0%	0	0.0%	1,161,362	2.6%	0	0.0%
Public	13,473,742	29.7%	13,473,742	30.5%	13,237,992	29.2%	13,237,992	30.1%	13,436,767	29.6%	13,436,767	30.4%
<b>TOTAL</b>	<b>45,342,177</b>	<b>100%</b>	<b>44,217,790</b>	<b>100%</b>	<b>45,342,177</b>	<b>100%</b>	<b>43,982,040</b>	<b>100%</b>	<b>45,342,177</b>	<b>100%</b>	<b>44,180,815</b>	<b>100%</b>
<b>SHARE CAPITAL</b> (in euros)	<b>14,509,497</b>				<b>14,509,497</b>				<b>14,509,497</b>			

(1) Including treasury shares.

(2) Excluding treasury shares.

(3) Allianz France is indirectly and ultimately wholly owned by Allianz SE (the shares of which, on December 31, 2015, were held by the public, with the exception of approximately 0.5% in treasury shares).

No double voting rights currently exist.

To the Company's knowledge, one shareholder (other than the Allianz group) holds 5% or more of the share capital and voting rights of the Company as at the time of publication of this Registration Document:

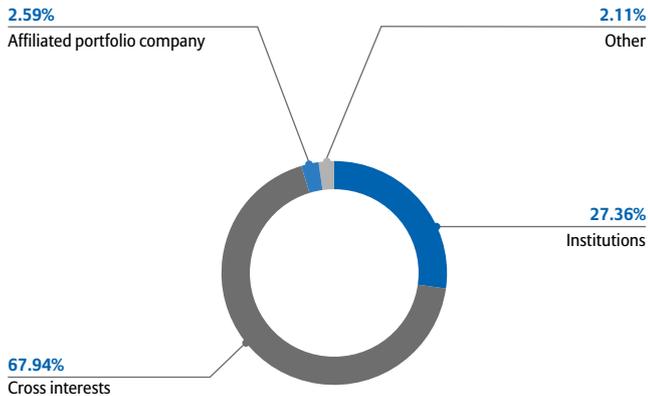
- Silchester International Investors LLP, acting on behalf of funds under its management, which holds 6% of the share capital and voting rights.

# 7

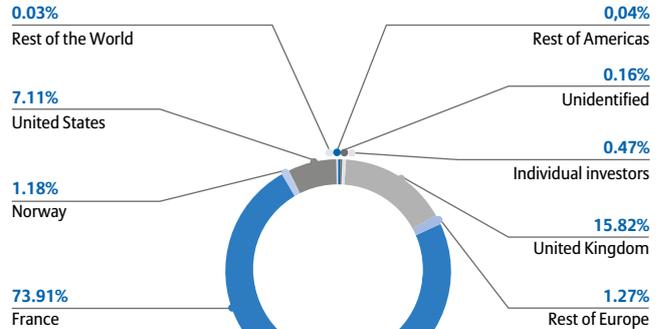
## Information on the Company and its capital Distribution of capital and voting rights

Based on the TPI analysis completed in April 2015, the Company's capital was distributed as follows in April 2015:

### ■ DISTRIBUTION OF SHARES OUTSTANDING BY TYPE OF SHAREHOLDER



### ■ GEOGRAPHIC DISTRIBUTION OF OUTSTANDING SHARES



## 7.4.1 Direct or indirect investments in the Company

### Stake held by Allianz

As of December 31, 2015, companies in the Allianz group owned, directly and indirectly, a total of 67.8% of the share capital and 69.5% of the voting rights in the Company.

In line with the AFEP-MEDEF recommendations on corporate governance, to which Euler Hermes Group adheres, the existence of independent members on the Company's Supervisory Board is a voluntary decision by the majority shareholder to prevent any risk of abuse of position. The dual structure of the corporate bodies makes it possible to separate the management functions performed by members of the Board of Management from the control functions performed by members of the Supervisory Board.

Allianz is also one of the Group's reinsurance companies. The Company grants its shareholder the same treatment as the many other reinsurance companies with which Group companies are reinsured in the normal course of their business, both regarding the selection of reinsurers and in the negotiation of the terms of their contracts. Allianz's proportion of the Group's reinsurance therefore corresponds to its role in this market, and the reinsurance contracts cover ongoing operations and are signed under normal market conditions.

### Crossing of ownership thresholds

The following legal threshold was declared to the Company and to the French *Autorité des Marchés Financiers* (Financial Markets Authority - AMF) in 2015 and on the date of this Registration Document:

The Company received the following threshold declarations for fiscal year 2015 and on the date of this Registration Document:

- Franklin Resources, Inc a, acting on its own behalf and on behalf of its affiliates, in a letter received on March 5, 2015, declared that it fell below the legal threshold of 5% of the capital and votes in the Company on March 2, 2015, the legal threshold of 1%, and held 2,251,731 shares of the Company, representing 4.97% of the capital and voting rights in the Company. This threshold declaration resulted from a sale of shares on the market (AMF decision no. 215C0286). In a letter dated June 15, 2015, Franklin Resources, Inc declared that it had fallen below the 1% legal threshold of the Company's share capital and voting rights and that it held 1,786,230 shares, representing 3.93% of the Company's share capital as of that date. Then in a letter dated February 22, 2016, it declared it had fallen again below the 1% legal threshold of the Company's share capital and voting rights and that it held 1,351,826 shares, representing 2.98% of the Company's share capital;
- in a letter dated March 10, 2015, Massachusetts Financial Services Company declared that it held, with its subsidiaries, a total of 1,203,935 shares, which is 2.51% of the capital of Euler Hermes Group;
- in a letter dated April 15, 2015, Kiltarn Partners declared that it had crossed the 1% statutory threshold of the Company's voting rights and that it held 884,804 shares, representing 2% of the voting rights in Euler Hermes group, and then in a letter dated May 13, 2015, it declared that it held 908,559 shares, or 2% of the capital of the Company;

- in a letter dated May 27, 2015, the five fundamental management companies of the Amundi group, namely Amundi, Société Générale Gestion, Etoile Gestion, CPR Asset Management and BFT Gestion, declared that they had combined their voting rights policy and jointly declared that they had exceeded the 1% statutory threshold of the Company's share capital and voting rights, and that they held 626,238 shares, representing 1.38% of the share capital and voting rights of Euler Hermes group, as of that date. In a letter dated June 10, 2015, they declared that they had fallen below the 1% statutory threshold of the Company's share capital and voting rights and that they held 388,171 shares, representing 0.85% of the share capital and voting rights of Euler Hermes group, as of that date; In a letter dated July 24, 2015, they declared that they had crossed the 1% threshold of the Company's capital and voting rights and held 555,314 shares, representing 1.22% of the share capital and voting rights of Euler Hermes group as of that date;
- in a letter dated June 1, 2015, Citigroup Global Markets Ltd. declared that on May 29, 2015 it held 472,046 shares, representing 1,0411% of the Company's capital and 3,373 derivative instruments for settlement in cash, representing 0,0074% of the Company's capital. In a letter dated June 10, 2015, they declared that on June 9, 2015, they held 470,549 shares, representing 1,0378% of the Company's capital and 919 derivative instruments for settlement in cash, representing 0,002% of the Company's capital. In a letter dated June 17, 2015, they declared that on June 15, 2015, they held 355,407 shares, representing 0,7838% of the Company's share capital and 919 derivative instruments for settlement in cash, representing 0,002% of the Company's share capital;
- Silchester International Investors LLP, acting on behalf of funds that it manages, declared in a letter dated November 25, 2015, that it had passed the threshold of 1% of the capital and votes of the Company and held on that date 2,722,041 shares, representing 6% of the capital and voting rights of the Company;
- In a letter dated December 23, 2015, Norges Bank declared that it had fallen below the 1% threshold of capital and voting rights and held 413,218 shares, representing 0.91% of the capital and voting rights of the Company on December 22, 2015.

The thresholds declared to the Company in 2014 appear on pages 239 and 240 of the 2014 Registration Document, and those declared in 2013 can be found on page 228 of the 2013 Registration Document.

## Treasury shares

As at December 31, 2015, treasury shares represented 2.5% of the capital of the Company or 1,124,387 shares. The total nominal value equals €359,803.84.

Since 2007, the Company has retained Rothschild & Cie Banque to implement a liquidity contract complying with Amafi's ethics charter.

Under this contract, in 2015 the Company purchased 328,405 treasury shares and sold 538,455 of its treasury shares. At December 31, 2015, no share of Euler Hermes group was held under the liquidity contract.

The only purchases and sales carried out during the financial year were made through the liquidity contract. The table below shows the change in the transaction price for treasury shares.

Commissions on security transactions paid to Rothschild & Cie Banque under the liquidity contract amounted to 110,000 euros for 2015.

Month	Weighted average purchase price (in euros)	Average sale price (in euros)	Number of shares purchased	Number of shares sold
January 2015	86.3477	87.5516	19,137	114,137
February 2015	87.3429	87.5740	12,899	127,449
March 2015	100.4803	100.5775	19,675	11,113
April 2015	98.2153	99.3369	46,802	36,475
May 2015	96.9589	97.2603	18,724	35,188
June 2015	93.7783	95.0193	41,216	32,842
July 2015	93.9047	93.5401	23,663	34,862
August 2015	92.6405	95.3859	16,610	1,110
September 2015	87.8718	0	21,500	0
October 2015	84.8592	0	46,094	0
November 2015	83.7283	86.1712	41,109	303
December 2015	84.3842	85.9208	20,976	144,976
<b>TOTAL 2015</b>	<b>90.7626</b>	<b>89.6783</b>	<b>328,405</b>	<b>538,455</b>

Between the opening date and the closing date of the last financial year, the Company realized the following purchases and sales of its own shares as part of its share buyback program:

- total amount of trading costs: 0 euro (there are no trading costs invoiced to the Company in relation to trading as part of the liquidity contract);
- number of shares registered at the end of the financial year: 0 share;
- estimated value at acquisition cost (at average weighted cost for purchases): 0 euro; and
- par value: 0 euro.

Treasury shares have not been reallocated for other purposes since the last authorization granted by the Shareholders' Meeting.

### Employee shareholding

As at December 31, 2015, the Group's employees held 45,261 shares, i.e. 0.10% of the share capital, through a Company savings plan.

## 7.4.2 Agreements between shareholders that may entail restrictions on the transfer of shares and the exercise of voting rights

To the Company's knowledge, no shareholder agreements are currently in existence. However, there are a number of regulated agreements and commitments in place; for details see sub-section 8.3 of this Registration Document.

There are no provisions in the Euler Hermes group's Articles of Association, nor in any of its charters or regulations, that may delay, defer or prevent a change of control.

## 7.4.3 Agreements that may lead to a change in the control of the Company

To the Company's knowledge, at the time of publication of this Registration Document, there exists no agreement whose application could, at some date in the future, lead to a change in the control of the Company.

## 7.5 Factors likely to have an impact on a public tender offer

In accordance with Article L. 225-100-3 of the French Commercial Code, the following factors are likely to have an impact on a public tender offer:

- the structure of the share capital as well as the Company's known direct or indirect investments and any information on this subject are described in section 7.4 of this Registration Document;
- no statutory restriction exists regarding the exercise of voting rights, with the exception of the suspension of voting rights concerning shares exceeding the part that should have been declared. This may be requested by one or more shareholders holding at least 2% of the share capital or voting rights for failure to declare crossing the statutory threshold according to Article 8 of the Articles of Association;
- to the Company's knowledge, there are no agreements or other undertakings signed by shareholders (*see section 7.4.2 above*);
- no securities with special control rights are currently in existence;
- the voting rights attached to Euler Hermes group shares held by employees through the Company mutual fund (FACEH) are exercised by one or more representatives appointed by the fund's Supervisory Board to represent it at the Shareholders' Meeting;
- the regulations regarding the appointment and dismissal of Board of Management members are the legal and statutory rules described in section 7.2.2 of this Registration Document;
- regarding Board of Management powers, the authorizations currently in place are described in the table of authorizations to increase share capital shown in section 7.3.2 of this Registration Document;
- amendments to the Company's Articles of Association are made in accordance with legal and regulatory provisions;
- no agreement concluded by the Company is currently in existence that would be modified or terminated in the event of a change of the Company's control;
- compensation likely to be payable in the event of termination of the functions of members of the Board of Management is described on page 61 of this Registration Document;
- the existence of one or more shareholders who hold more than 5% of the capital of the Company could impact the completion of a public tender offer.

## 7.6 Equity interests of the Company outside the Group

The Company did not make any investments in or take control of any French companies outside of the Group during the year 2015.





# 8

## Shareholders' Meeting

8.1	Board of Management's report on the resolutions to be submitted for approval to the combined Ordinary and Extraordinary Shareholders' Meeting of May 25, 2016	250	8.3	Special report of the Statutory Auditors on regulated agreements and commitments	265
8.2	Comments by the Supervisory Board meeting of February 17, 2016, on the Board of Management's report and on the 2015 financial statements	264	8.4	Resolutions submitted to the vote of the Combined Shareholders' Meeting of May 25, 2016	270
			8.5	Description of the share buyback program	281

## 8.1 Board of Management's report on the resolutions to be submitted for approval to the combined Ordinary and Extraordinary Shareholders' Meeting of May 25, 2016

To the Shareholders:

- We have convened this Shareholders' Meeting, in accordance with the law and provisions of our Articles of Association, in order to request that you approve the financial statements for the year ended December 31, 2015.
- Notice of this meeting has been given in accordance with the regulations.
- All documents required in accordance with the applicable regulations have been sent to you or have been made available on the Company's website ([www.eulerhermes.com](http://www.eulerhermes.com)) within the allocated timeframe.

### 1 Approval of the parent company and consolidated financial statements for the year ended December 31, 2015 - Approval of non-tax deductible expenses and charges (first and second resolutions)

You are asked to approve the parent company financial statements for the year ended December 31, 2015, which show a profit of €204,026,143.58 and the consolidated financial statements for the year ended December 31, 2015 showing a profit (Group share) of €302,476 million.

You are also asked to approve the total amount of the expenses and charges referred to in Article 39, paragraph 4 of the French General Tax Code, i.e. the sum of €20,943.80 and the associated tax of €7,958.64.

You are reminded that the financial statements are set out in detail in the 2015 Registration Document, which includes the management report and the reports of the Statutory Auditors, and the main items are included in the notice convening the Shareholders' Meeting of May 25, 2016.

### 2 Allocation of earnings for the year and declaration of the dividend (third resolution)

The appropriation of the earnings of our company which we are proposing complies with the law and our Articles of Association.

We are asking you to approve the following appropriation of earnings for the year 2015:

#### Source

- Profit for the year €204,026,143.58
- Retained earnings €284,085,104.70

Which is a distributable total of €488,111,248.28

#### Appropriation

- Legal reserve €0.00
- Other reserves €0.00
- Dividends €199,505,578.80
- Retained earnings €288,605,669.49

The gross dividend per share would therefore be €4.40. The amount distributed would be eligible for the 40% tax abatement applicable to individuals who are fiscally domiciled in France, as provided for in Article 158-3, paragraph 2, of the French General Tax Code.

The ex-dividend date would be Friday, May 27, 2016. The dividend would be paid out on Tuesday, May 31, 2016.

In the event that the number of shares conferring entitlement to a dividend differs from the 45,342,177 shares comprising the share capital as of February 17, 2016, the total amount of the dividends would be adjusted accordingly and the amount allocated to the retained earnings account would be calculated on the basis of the dividends actually paid out.

In accordance with Article 243 bis of the French General Tax Code, we remind you that, for the last three fiscal years, the following dividends were distributed as follows:

In respect of fiscal year	Income eligible for the allowance		Income not eligible for the allowance
	Dividends	Other income distributed	
2012	€180,850,908* i.e. €4 per share	-	-
2013	€190,437,143.40* i.e. €4.20 per share	-	-
2014	€199,505,578.80* i.e. €4.40 per share	-	-

\* Including the dividend amount not paid out in respect of treasury shares and allocated to the retained earnings account.

### 3 Adjustment of the reserve for treasury shares (fourth resolution)

The Board of Management is proposing that the Shareholders' Meeting adjust the reserve for treasury shares by a reversal of €19,461,331.95 to take into account the share purchases and sales under the liquidity agreement managed by Rothschild & Cie Banque during the prior financial year and the sales related to the exercise of stock options.

The reserve for treasury shares, which amounted to €78,982,821.21 at December 31, 2015 would therefore be adjusted to €59,521,489.26.

### 4 Recognition of the absence of regulated agreements (fifth resolution)

No regulation agreement or commitments were signed in 2015.

Shareholders will be asked to note this fact.

### 5 Approval of the commitments made to Mr. Wilfried Verstraete, Chairman of the Board of Management, and to Mr. Frédéric Bizière, Mr. Paul Overeem, Mrs. Clarisse Kopff, Mr. Michele Pignotti and Mr. Ludovic Sénécaut, members of the Board of Management (sixth to eleventh resolutions)

We are asking you to approve the commitments made by the Company to Mr. Wilfried Verstraete, Chairman of the Board of Management, and to Mr. Frédéric Bizière, Mr. Paul Overeem, Mrs. Clarisse Kopff, Mr. Michele Pignotti and Mr. Ludovic Sénécaut, members of the Board of Management, for the compensation that may be due if they leave their positions.

The specific terms of these commitments are described on page 61 of the 2015 Registration Document.

Your Auditors will present these commitments to you and provide all information required in their special report that will be presented to you at the Meeting.

## 6 Members of the Supervisory Board

### 6.1 Appointment of new members (twelfth and thirteenth resolutions)

#### ■ Appointment of Mrs. Marita Kraemer as a member of the Supervisory Board to replace Mr. Clement Booth

The shareholders will be asked to appoint Mrs. Marita Kraemer as a member of the Supervisory Board, to replace Mr. Clement Booth, who is resigning at the end of this Shareholders' Meeting.

Mrs. Marita Kraemer would therefore take office at the end of this Shareholders' Meeting and for the remaining term of office of her predecessor, which is until the end of the Meeting held in 2018 and called to approve the financial statements for the previous year.

Mrs. Marita Kraemer has been a member of the board of Zurich Group Germany from 1999 to 2015. She is responsible for the credit insurance business, and since 2016, has developed the Center of Excellence for Credit & Surety Europe. She began her career with Dresdner Bank AG in various corporate banking positions. She then joined Dresdner Kleinwort Benson's investment banking activities in charge of global finance/corporate banking in southern Europe. She serves as vice chairwoman of the German insurance association "Gesamtverband der Deutschen Versicherungswirtschaft e.V. (GDV)". She is a member of the Supervisory Board and the chairwoman of the Risk committee of Unicredit Bank AG Germany, Munich. She holds a Ph.D. in economics from the Freie Universität (FU) Berlin.

#### ■ Appointment of Mr. Ramon Fernandez as a member of the Supervisory Board to replace Mr. Jean-Hervé Lorenzi

The shareholders will also be asked to appoint Mr. Ramon Fernandez as a member of the Supervisory Board to replace Mr. Jean-Hervé Lorenzi for a term of three years, which is until the end of the Meeting held in 2019 and called to approve the financial statements for the previous year.

Mr. Ramon Fernandez is Chief Executive Officer Delegate in charge of Group Finance and strategy at Orange since September 2014. From March 2009 to June 2014, he held the position of director-general of the Treasury in the French Ministry for the Economy and Finance. From April 2008 to March 2009, he was head of the Financial department at the Treasury, served as principal private secretary to the Minister for Labor, Labor Relations, Family and Solidarity, and was senior economic adviser to the presidency of the French Republic. He

previously occupied several posts within the Treasury and the International Monetary Fund, and served as technical staff adviser to the French minister for the Economy, Finance and Industry. He is a graduate of the Institute of Political Studies ("Science Po") in Paris and from the French Senior Civil Service School (ENA).

Following an opinion from the Nomination and Remuneration Committee, the Supervisory Board considered Mrs. Marita Kraemer as non-independent and Mr. Ramon Fernandez as independent under the independence criteria of the AFEP-MEDEF Code on corporate governance for publicly listed companies, which is used by the Company as the reference code for corporate governance.

## 6.2 Reappointments of members of the Supervisory Board (fourteenth to nineteenth resolutions)

The Shareholders will also be asked to reappoint Mrs. Brigitte Bovermann, Mrs. Elizabeth Corley, Mrs. Ümit Boyner, Mr. Nicolas Dufourq, Mr. Thomas-Bernd Quaas, and Mr. Jacques Richier as members of the Supervisory Board, for a term of three years, which is until the close of the Meeting held in 2019 and called to approve the financial statements for the preceding fiscal year.

The members of the Supervisory Board proposed for reappointment are presented in section 2.2 of the 2015 Registration Document.

Following an opinion from the Nomination and Remuneration Committee, the Supervisory Board decided that Mrs. Ümit Boyner, Mr. Nicolas Dufourq, Mr. Thomas-Bernd Quaas may be considered independent under the independence criteria of the AFEP-MEDEF Code, and Mrs. Brigitte Bovermann, Mrs. Elizabeth Corley and Mr. Jacques Richier are not considered independent under the independence criteria of the AFEP-MEDEF Code.

## 7 Opinion on the elements of compensation due or allocated for the financial year ended December 31, 2015, to the members of the Board of Management ("Say on pay") (twentieth and twenty-first resolutions)

Pursuant to the recommendations of Article 24.3 of the AFEP-MEDEF Code of Corporate Governance, as revised in November 2015, to which the Company refers, we are submitting for your opinion the elements of compensation due or allocated for the financial year ended December 31, 2015 to:

### Mr. Wilfried VERSTRAETE, Chairman of the Board of Management

	Amounts or accounting valuation put to the vote	Presentation
<b>Elements of compensation due or allocated for the financial year ended December 31, 2015</b>		
Fixed compensation	€577,750 (amount paid)	Fixed compensation for 2014 was €540,000
Annual variable compensation	€373,362 (amount paid)	Annual variable compensation represents 20.63% of total compensation. 70% of the variable amount is calculated on the basis of financial targets, which are assessed using the six criteria below: Group operating profit, Group net income, Group turnover, Group expenses management, Group net technical results and Group net capital transfers. 30% of the variable amount is calculated on the basis of personal targets subject to specific qualitative or quantitative criteria, such as: achieve planned growth in emergency markets. Annual variable compensation for 2015 was paid in March 2016.
Deferred variable compensation	Mid-term bonus: €373,362 (amount paid)	A mid-term bonus (MTB), established to build loyalty among executives and assess performance over several years. As such, in addition to the target-based performance assessment set for variable compensation described above, an additional assessment on a three-year basis has been carried out using the following criteria: <ul style="list-style-type: none"> <li>■ revenue growth,</li> <li>■ increase in profitability,</li> <li>■ comparison with the competition,</li> <li>■ risk capital (solvency),</li> <li>■ other criteria (satisfaction surveys, etc.).</li> </ul> The MTB (2013-2015) of € 1,187,323 was paid in March 2016.
	Long-term bonus: €373,362 (amount due)	The amount used to calculate the number of Restricted Stock Units (RSUs) to be allocated is subject to the same assessment criteria as the annual variable compensation (70% financial targets, 30% personal targets). 50% of the RSUs allocated are linked to the average Allianz share price and the remaining 50% are linked to the average Euler Hermes Group share price. Both of these prices are established during the 10 trading days following the publication of the financial results of Allianz and Euler Hermes Group, with a vesting period of four years as of the allocation date to compensate performance in year N-1. Payment for RSUs allocated for 2015, granted in 2016, will take place in 2020.
Multi-year variable compensation	n/a	No allocation.
Extraordinary compensation	n/a	No allocation.
Share options, performance shares, or any other elements of long-term compensation	Options: n/a Shares: n/a Other elements: n/a	No allocation.
Attendance fees	n/a	Members of the Board of Management do not receive attendance fees as executive corporate officers.
Valuation of any benefits in kind	€210,349 (amount paid)	Company car, unemployment insurance for Executive Managers (GSC), AWC (Allianz Worldwide Care medical insurance) and Allianz pension plan.
	€500,000 (amount due)	In relation to his establishment in France, the Supervisory Board agreed on July 30, 2014 to allocate to Mr. Wilfried Verstraete a one-off allowance of Restricted Stock Units (RSU) to compensate for the loss of his expatriation allowance from 2015. This grant has been allocated in 2015.
<b>Elements of compensation due or allocated for the financial year ended December 31, 2015 which are or have been put to the vote of the Shareholders' Meeting in the context of the regulated agreements and commitments procedure</b>		
Severance compensation	€0	The Supervisory Board decided at its meeting of February 16, 2012 to establish severance compensation for Mr. Wilfried Verstraete, Chairman of the Board of Management, under the following terms: The severance compensation would be granted notably in case of revocation due to a change of control or strategy. The payment of this indemnity would be subject to the following performance conditions: <ul style="list-style-type: none"> <li>■ 75% of annual targets as assessed over at least two of the last three years prior to termination. For corporate officers who have been in office for less than three years, the calculation of the 75% target is based on the last year or the last two years if the officer has been present for two years;</li> <li>■ an average combined ratio of 95% or less for the three years preceding the termination.</li> </ul> If both of these conditions are met, the severance payment is due in full. If only one of the above conditions is met, 50% of the severance payment is due. The amount of any severance compensation may not exceed two years' compensation (fixed and variable). This payment was approved by the Shareholders' Meeting of May 25, 2012 (fifth resolution).
Non-compete compensation	n/a	No non-compete clause.
Supplementary pension plan	€0	No defined-benefit pension plan. Contribution paid by the Company under the supplementary pension plan of the Allianz group: €167,602.

**Mr. Gerd Uwe BADEN, member of the Board of Management**

	<b>Amounts or accounting valuation put to the vote</b>	<b>Presentation</b>
<b>Elements of compensation due or allocated for the financial year ended December 31, 2015</b>		
Fixed compensation	€400,000 (amount paid)	Fixed compensation for 2015 was €400,000 and remains therefore unchanged.
Annual variable compensation	€193,688 (amount paid)	Annual variable compensation represents 18.53% of total compensation. 70% of the variable amount is calculated on the basis of financial targets, which are assessed using the six criteria below: Group operating profit, Group net income, Group turnover, New business and Partnership, Group net technical results and external inward premiums. 30% of the variable amount is calculated on the basis of personal targets subject to specific qualitative or quantitative criteria, such as: representing the Company in joint ventures and build-up of partnerships. Annual variable compensation for 2015 was paid in March 2016.
Deferred variable compensation	Mid-term bonus: €193,688 (amount paid)	A mid-term bonus (MTB), established to build loyalty among executives and assess performance over several years. As such, in addition to the target-based performance assessment set for variable compensation described above, an additional assessment on a three-year basis has been carried out using the following criteria: <ul style="list-style-type: none"> <li>■ revenue growth,</li> <li>■ increase in profitability,</li> <li>■ comparison with the competition,</li> <li>■ risk capital (solvency),</li> <li>■ other criteria (satisfaction surveys, etc.).</li> </ul> The MTB (2013-2015) of € 621,233 was paid in March 2016.
	Long-term bonus: €193,688 (amount due)	The amount used to calculate the number of Restricted Stock Units (RSUs) to be allocated is subject to the same assessment criteria as the annual variable compensation (70% financial targets, 30% personal targets). 50% of the RSUs allocated are linked to the average Allianz share price and the remaining 50% are linked to the average Euler Hermes Group share price. Both of these prices are established during the 10 trading days following the publication of the financial results of Allianz and Euler Hermes Group, with a vesting period of four years as of the allocation date to compensate performance in year N-1. Payment for RSUs allocated for 2015, granted in 2016, will take place in 2020.
Multi-year variable compensation	n/a	No allocation.
Extraordinary compensation	n/a	No extraordinary compensation.
Share options, performance shares, or any other elements of long-term compensation	Options: n/a Shares: n/a Other elements: n/a	No allocation.
Attendance fees	n/a	Members of the Board of Management do not receive attendance fees as executive corporate officers.
Valuation of any benefits in kind	€188,000 (amount paid)	Housing, allowances for international mobility, company car, unemployment insurance for Executive Managers (GSC), AWC (Allianz Worldwide Care medical insurance) and Allianz pension plan.
<b>Elements of compensation due or allocated for the financial year ended December 31, 2015 which are or have been put to the vote of the Shareholders' Meeting in the context of the regulated agreements and commitments procedure</b>		
Severance compensation	€0	The Supervisory Board decided at its meeting of February 16, 2012 to establish severance compensation for Mr. Gerd-Uwe Baden, member of the Board of Management under the following terms: The severance compensation would be granted notably in case of revocation due to a change of control or strategy. The payment of this indemnity would be subject to the following performance conditions: <ul style="list-style-type: none"> <li>■ 75% of annual targets as assessed over at least two of the last three years prior to termination. For corporate officers who have been in office for less than three years, the calculation of the 75% target is based on the last year or the last two years if the officer has been present for two years;</li> <li>■ an average combined ratio of 95% or less for the three years preceding the termination.</li> </ul> If both these conditions are met, the severance payment is due in full. If only one of the above conditions is met, 50% of the severance payment is due. The amount of any severance compensation may not exceed two years' compensation (fixed and variable). This payment was approved by the Shareholders' Meeting of May 25, 2012 (sixth resolution).
Non-compete compensation	n/a	No non-compete clause.
Supplementary pension plan	€0	No defined-benefit pension plan.  Contribution paid by the Company under the supplementary pension plan of the Allianz group: €127,203 and a one off payment of € 503,660 for expenditure of pension agreement.

**Mr. Frédéric BIZIÈRE, member of the Board of Management**

	Amounts or accounting valuation put to the vote	Presentation
<b>Elements of compensation due or allocated for the financial year ended December 31, 2015</b>		
Fixed compensation	€294,000 (amount paid)	Fixed compensation for 2014 was €294,000 and remains therefore unchanged.
Annual variable compensation	€152,384 (amount paid)	Annual variable compensation represents 18.27% of total compensation. 70% of the variable amount is calculated on the basis of financial targets, which are assessed using the six criteria below: Group operating profit, Group net income, Group turnover, Group expenses management, Group net loss ratio and new business. 30% of the variable amount is calculated on the basis of personal targets subject to specific qualitative or quantitative criteria, such as: sustain RIC training efforts. Annual variable compensation for 2015 was paid in March 2016.
Deferred variable compensation	Mid-term bonus: €152,384 (amount due)	A mid-term bonus (MTB), established to build loyalty among executives and assess performance over several years. As such, in addition to the target-based performance assessment set for variable compensation described above, an additional assessment on a three-year basis has been carried out using the following criteria: <ul style="list-style-type: none"> <li>■ revenue growth,</li> <li>■ increase in profitability,</li> <li>■ comparison with the competition,</li> <li>■ risk capital (solvency),</li> <li>■ other criteria (satisfaction surveys, etc.).</li> </ul> The MTB (2013-2015) of € 512,129 was paid in March 2016.
	Long-term bonus: €152,384 (amount due)	The amount used to calculate the number of Restricted Stock Units (RSUs) to be allocated is subject to the same assessment criteria as the annual variable compensation (70% financial targets, 30% personal targets). 50% of the RSUs allocated are linked to the average Allianz share price and the remaining 50% are linked to the average Euler Hermes Group share price. Both of these prices are established during the 10 trading days following the publication of the financial results of Allianz and Euler Hermes Group, with a vesting period of four years as of the allocation date to compensate performance in year N-1. Payment for RSUs allocated for 2015, granted in 2016, will take place in 2020.
Multi-year variable compensation	n/a	No allocation.
Extraordinary compensation	n/a	No extraordinary compensation.
Share options, performance shares, or any other elements of long-term compensation	Options: n/a Shares: n/a Other elements: n/a	No allocation.
Attendance fees	n/a	Members of the Board of Management do not receive attendance fees as executive corporate officers.
Valuation of any benefits in kind	€21,760 (amount paid)	Company car and unemployment insurance for executive managers (GSC).
<b>Elements of compensation due or allocated for the financial year ended December 31, 2015 which are or have been put to the vote of the Shareholders' Meeting in the context of the regulated agreements and commitments procedure</b>		
Severance compensation	€0	The Supervisory Board decided at its meeting of February 16, 2012 to establish severance compensation for Mr. Frédéric Bizière, member of the Board of Management under the following terms: The severance compensation would be granted notably in case of revocation due to a change of control or strategy. The payment of this indemnity would be subject to the following performance conditions: <ul style="list-style-type: none"> <li>■ 75% of annual targets as assessed over at least two of the last three years prior to termination. For corporate officers who have been in office for less than three years, the calculation of the 75% target is based on the last year or the last two years if the officer has been present for two years;</li> <li>■ an average combined ratio of 95% or less for the three years preceding the termination.</li> </ul> If both the above conditions are met, the severance payment is due in full. If only one of the above conditions is met, 50% of the severance payment is due. The amount of any severance compensation may not exceed two years' compensation (fixed and variable). This payment was approved by the Shareholders' Meeting of May 25, 2012 (seventh resolution).
Non-compete compensation	n/a	No non-compete clause.
Supplementary pension plan	€0	No defined-benefit pension plan.  Contribution paid by the Company under the supplementary pension plan managed by AG2R: €18,259.

**Mr. Dirk OEVERMANN, member of the Board of Management**

	Amounts or accounting valuation put to the vote	Presentation
<b>Elements of compensation due or allocated for the financial year ended December 31, 2015</b>		
Fixed compensation	€294,000 (amount paid)	Fixed compensation for 2014 was €294,000 and remains therefore unchanged.
Annual variable compensation	€183,936 (amount paid)	Annual variable compensation represents 22.05% of total compensation. 70% of the variable amount is calculated on the basis of financial targets, which are assessed using the five criteria below: Group operating profit, Group net income, Group turnover, Group expenses management and IT budget. 30% of the variable amount is calculated on the basis of personal targets subject to specific qualitative or quantitative criteria, such as: IT systems development. Annual variable compensation for 2015 was paid in March 2016.
Deferred variable compensation	Mid-term bonus: €183,936 (amount paid)	A mid-term bonus (MTB), established to build loyalty among executives and assess performance over several years. As such, in addition to the target-based performance assessment set for variable compensation described above, an additional assessment on a three-year basis has been carried out using the following criteria: <ul style="list-style-type: none"> <li>■ revenue growth,</li> <li>■ increase in profitability,</li> <li>■ comparison with the competition,</li> <li>■ risk capital (solvency),</li> <li>■ other criteria (satisfaction surveys, etc.).</li> </ul> The MTB (2013-2015) of € 507,045 was paid in March 2016.
	Long-term bonus: €183,936 (amount due)	The amount used to calculate the number of Restricted Stock Units (RSUs) to be allocated is subject to the same assessment criteria as the annual variable compensation (70% financial targets, 30% personal targets). 50% of the RSUs allocated are linked to the average Allianz share price and the remaining 50% are linked to the average Euler Hermes Group share price. Both of these prices are established during the 10 trading days following the publication of the financial results of Allianz and Euler Hermes Group, with a vesting period of four years as of the allocation date to compensate performance in year N-1. Payment for RSUs allocated for 2015, granted in 2016, will take place in 2020.
Multi-year variable compensation	n/a	No allocation.
Extraordinary compensation	n/a	No extraordinary compensation.
Share options, performance shares, or any other elements of long-term compensation	Options: n/a Shares: n/a Other elements: n/a	No allocation.
Attendance fees	n/a	Members of the Board of Management do not receive attendance fees as executive corporate officers.
Valuation of any benefits in kind	€108,002 (amount paid)	Housing, allocation to a pension plan of choice, company car, unemployment insurance for Executive Managers (GSC), AWC (Allianz Worldwide Care medical insurance).
<b>Elements of compensation due or allocated for the financial year ended December 31, 2015 which are or have been put to the vote of the Shareholders' Meeting in the context of the regulated agreements and commitments procedure</b>		
Severance compensation	€0	The Supervisory Board decided at its meeting of February 16, 2012 to establish severance compensation for Mr. Dirk Oevermann, member of the Board of Management under the following terms: The severance compensation would be granted notably in case of revocation due to a change of control or strategy. The payment of this indemnity would be subject to the following performance conditions: <ul style="list-style-type: none"> <li>■ 75% of annual targets as assessed over at least two of the last three years prior to termination. For corporate officers who have been in office for less than three years, the calculation of the 75% target is based on the last year or the last two years if the officer has been present for two years;</li> <li>■ an average combined ratio of 95% or less for the three years preceding the termination.</li> </ul> If both the above conditions are met, the severance payment is due in full. If only one of the above conditions is met, 50% of the severance payment is due. The amount of any severance compensation may not exceed two years' compensation (fixed and variable). This payment was approved by the Shareholders' Meeting of May 25, 2012 (ninth resolution).
Non-compete compensation	n/a	No non-compete clause.
Supplementary pension plan	€0	No defined-benefit pension plan.  Contribution paid by the Company for the supplementary pension plan managed by AG2R, as well as allocation to a pension plan of choice: €47,659.

**Mr. Paul OVEREEM, member of the Board of Management**

	Amounts or accounting valuation put to the vote	Presentation
<b>Elements of compensation due or allocated for the financial year ended December 31, 2015</b>		
Fixed compensation	€294,000 (amount paid)	Fixed compensation for 2014 was €294,000 and remains therefore unchanged.
Annual variable compensation	€156,094 (amount paid)	Annual variable compensation represents 18.72% of total compensation. 70% of the variable amount is calculated on the basis of financial targets, which are assessed using the five criteria below: Group operating profit, Group net income, Group turnover, Group expenses management and organic growth. 30% of the variable amount is calculated on the basis of personal targets subject to specific qualitative or quantitative criteria, such as: distribution strategy and business development. Annual variable compensation for 2015 was paid in March 2016.
Deferred variable compensation	Mid-term bonus: €156,094 (amount paid)	A mid-term bonus (MTB), established to build loyalty among executives and assess performance over several years. As such, in addition to the target-based performance assessment set for variable compensation described above, an additional assessment on a three-year basis has been carried out using the following criteria: <ul style="list-style-type: none"> <li>■ revenue growth,</li> <li>■ increase in profitability,</li> <li>■ comparison with the competition,</li> <li>■ risk capital (solvency),</li> <li>■ other criteria (satisfaction surveys, etc.).</li> </ul> The MTB (2013-2015) of €483,678 was paid in March 2016.
	Long-term bonus: €156,094 (amount due)	The amount used to calculate the number of Restricted Stock Units (RSUs) to be allocated is subject to the same assessment criteria as the annual variable compensation (70% financial targets, 30% personal targets). 50% of the RSUs allocated are linked to the average Allianz share price and the remaining 50% are linked to the average Euler Hermes Group share price. Both of these prices are established during the 10 trading days following the publication of the financial results of Allianz and Euler Hermes Group, with a vesting period of four years as of the allocation date to compensate performance in year N-1. Payment for RSUs allocated for 2015, granted in 2016, will take place in 2020.
Multi-year variable compensation	n/a	No allocation.
Extraordinary compensation	n/a	No extraordinary compensation.
Share options, performance shares, or any other elements of long-term compensation	Options: n/a Shares: n/a Other elements: n/a	No allocation.
Attendance fees	n/a	Members of the Board of Management do not receive attendance fees as executive corporate officers.
Valuation of any benefits in kind	€166,970 (amount paid)	Housing, pension of choice, unemployment insurance for executive managers (GSC) and AWC (Allianz Worldwide Care medical insurance).
<b>Elements of compensation due or allocated for the financial year ended December 31, 2015 which are or have been put to the vote of the Shareholders' Meeting in the context of the regulated agreements and commitments procedure</b>		
Severance compensation	€0	The Supervisory Board decided at its meeting of December 4, 2012 to establish severance compensation for Mr. Paul Overeem, member of the Board of Management under the following terms: The severance compensation would be granted notably in case of revocation due to a change of control or strategy. The payment of this indemnity would be subject to the following performance conditions: <ul style="list-style-type: none"> <li>■ 75% of annual targets as assessed over at least two of the last three years prior to termination. For corporate officers who have been in office for less than three years, the calculation of the 75% target is based on the last year or the last two years if the officer has been present for two years;</li> <li>■ an average combined ratio of 95% or less for the three years preceding the termination.</li> </ul> If both the above conditions are met, the severance payment is due in full. If only one of the above conditions is met, 50% of the severance payment is due. The amount of any severance compensation may not exceed two years' compensation (fixed and variable). This payment was approved by the Shareholders' Meeting of May 24, 2013 (sixth resolution).
Non-compete compensation	n/a	No non-compete clause.
Supplementary pension plan	€0	No defined-benefit pension plan.  Contribution paid by the Company to the supplementary pension plan managed by AG2R, as well as allocation to the deferred pension plan in the United States: €47,659.

## Mrs. Clarisse KOPFF, member of the Board of Management

	Amounts or accounting valuation put to the vote	Presentation
<b>Elements of compensation due or allocated for the financial year ended December 31, 2015</b>		
Fixed compensation	€250,000 (amount paid)	Mrs. Clarisse Kopff has been a member of the Board of Management since May 1, 2014. Fixed compensation for 2014 was €166,666*.
Annual variable compensation	€143,097 (amount paid)	Annual variable compensation represents 20.44% of total compensation. 70% of the variable amount is calculated on the basis of financial targets, which are assessed using the six criteria below: Group operating profit, Group net income, Group turnover, Group expenses management, Group net technical results and Group net capital transfers. 30% of the variable amount is calculated on the basis of personal targets subject to specific qualitative or quantitative criteria, such as: meet milestones and agreed results for Solvency II. Annual variable compensation for 2015 was paid in March 2016.
Deferred variable compensation	Mid-term bonus: €143,097 (amount paid)	A mid-term bonus (MTB), established to build loyalty among executives and assess performance over several years. As such, in addition to the target-based performance assessment set for variable compensation described above, an additional assessment on a three-year basis has been carried out using the following criteria: <ul style="list-style-type: none"> <li>■ revenue growth,</li> <li>■ increase in profitability,</li> <li>■ comparison with the competition,</li> <li>■ risk capital (solvency),</li> <li>■ other criteria (satisfaction surveys, etc.).</li> </ul> The MTB (2013-2015) of € 228,149 was paid in March 2016.
	Long-term bonus: €143,097 (amount due)	The amount used to calculate the number of Restricted Stock Units (RSUs) to be allocated is subject to the same assessment criteria as the annual variable compensation (70% financial targets, 30% personal targets). 50% of the RSUs allocated are linked to the average Allianz share price and the remaining 50% are linked to the average Euler Hermes Group share price. Both of these prices are established during the 10 trading days following the publication of the financial results of Allianz and Euler Hermes Group, with a vesting period of four years as of the allocation date to compensate performance in year N-1. Payment for RSUs allocated for 2015, granted in 2016, will take place in 2020.
Multi-year variable compensation	n/a	No allocation.
Extraordinary compensation	n/a	No extraordinary compensation.
Share options, performance shares, or any other elements of long-term compensation	Options: n/a Shares: n/a Other elements: n/a	No allocation.
Attendance fees	n/a	Members of the Board of Management do not receive attendance fees as executive corporate officers.
Valuation of any benefits in kind	€10,268 (amount paid)	Company car and unemployment insurance for executive managers (GSC).
<b>Elements of compensation due or allocated for the financial year ended December 31, 2015 which are or have been put to the vote of the Shareholders' Meeting in the context of the regulated agreements and commitments procedure</b>		
Severance compensation	€0	The Supervisory Board decided at its meeting of February 13, 2014 to establish severance compensation for Mrs. Clarisse Kopff, member of the Board of Management, under the following terms: The severance compensation would be granted notably in case of revocation due to a change of control or strategy. The payment of this indemnity would be subject to the following performance conditions: <ul style="list-style-type: none"> <li>■ 75% of annual targets as assessed over at least two of the last three years prior to termination. For corporate officers who have been in office for less than three years, the calculation of the 75% target is based on the last year or the last two years if the officer has been present for two years;</li> <li>■ an average combined ratio of 95% or less for the three years preceding the termination.</li> </ul> If both of these conditions are met, the severance payment is due in full. If only one of the above conditions is met, 50% of the severance payment is due. The amount of any severance compensation may not exceed two years' compensation (fixed and variable). This payment was approved by the Shareholders' Meeting of May 28, 2014 (nineteenth resolution).
Non-compete compensation	n/a	No non-compete clause.
Supplementary pension plan	€0	No defined-benefit pension plan.  Contribution paid by the Company under the supplementary pension plan managed by AG2R: €18,259.

\* The fixed and variable compensation of Clarisse Kopff for the 2014 financial year is calculated pro rata temporis since May 1, 2014, when she became a member of the Board of Management.

For more information, please refer to Chapter 2 of the 2015 Registration Document.

## 8 Authorization to establish a new share buyback program and to reduce the capital by cancelling treasury shares (Article L. 225-209 of the French Commercial Code) (twenty-second and twenty-third resolutions)

We ask that you to grant to the Board of Management, for a period of eighteen months, the necessary powers to purchase, on one or more occasions at such times as it deems appropriate, Company shares up to a maximum of 10% of the number of shares composing the share capital, adjusted where applicable to take into account any capital increases or reductions applied during the program.

This authorization replaces the authorization granted to the Board of Management under the twelfth ordinary resolution of the Shareholders' Meeting held on May 27, 2015.

Purchases may be made in order to:

- stimulate the secondary market or the liquidity of Euler Hermes Group's stock through the use of an investment services provider acting within the framework of a liquidity agreement that complies with the code of conduct of the *Association Française des Marchés Financiers* (AMAFI), recognized by the *Autorité des Marchés Financiers* (AMF);
- hold the purchased shares in reserve for later use as payment or in a share swap as part of any acquisition transaction, it being specified that the shares acquired for this purpose may not exceed 5% of the Company's share capital;
- cover share purchase plans and/or bonus share plans (or similar plans) for the benefit of employees and/or corporate officers of the Group, and any allocation of shares in respect of a Company or Group savings plan (or similar plan), in respect of employee profit-sharing and/or any other form of share allocation to the employees and/or corporate officers of the Group;
- cover securities granting entitlement to the allocation of Company shares pursuant to applicable regulations;
- potentially cancel the shares purchases, subject to the authorization to be granted by this Shareholders' Meeting in the twenty-third extraordinary resolution.

These transactions may not be carried out during a public offer.

The Company does not plan to use option-based arrangements or derivative products.

You are asked to fix the maximum purchase price at €140 per share and, consequently, the maximum amount of this transaction at €634,790,380.

As a result of the cancellation objective, we are asking you to authorize the Board of Management, for a period of 24 months, to cancel, at its sole discretion on one or more occasions, up to a limit of 10% of the capital, as calculated on the date of the cancellation decision and minus any shares cancelled during the preceding 24 months, the shares which the Company holds or may hold as the result of purchases made within the framework of its buyback program, and to reduce the share capital accordingly pursuant to the laws and regulations in force.

The Board of Management would therefore have the power necessary to do what is required in this matter.

## 9 Financial delegations

### 9.1 Delegation of authority to increase the share capital by the capitalization of reserves, profits and/or premiums (twenty-fourth resolution)

The delegation of authority to increase the share capital by the capitalization of reserves, profits and/or premiums as approved by the Extraordinary Shareholders' Meeting of May 28, 2014, expires on July 27, 2016.

As a result, we are asking you to renew it and, therefore, to grant to the Board of Management for a new 26-month period, the power to increase the capital through the capitalization of reserves, profits, premiums or other sums which may be capitalized, through the issuance and free allocation of shares or by increasing the par value of the existing ordinary shares, or a combination of these two methods.

The amount of capital increase resulting from the issues performed under this power may not exceed the nominal amount of €1,400,000. This amount does not include the total nominal value of the additional ordinary shares to be issued, if any, in order to protect the rights of the holders of securities giving rights to shares as required by law. This cap would be independent of all the caps stipulated by the other delegations from the Meeting.

The Board of Management may not, without the prior authorization of the Shareholders' Meeting, use this delegation of authority from the filing by a third party of a public tender offer for the shares of the Company until the end of the offer period.

### 9.2 Delegations of authority to issue ordinary shares and/or capital securities giving access to other capital securities or giving the right to the allocation of debt securities and/or securities giving access to capital securities issued by the Company or by a company of the Group

The delegation of authority in order to issue ordinary shares and/or capital securities through a cash contribution, maintaining the preemptive subscription right as approved by the Extraordinary Shareholders' Meeting of May 28, 2014, ends on July 27, 2016.

Moreover, the Board of Management wishes to have the powers necessary to make, if it deems appropriate, all issues that may be necessary in the context of the development of the Company's activities.

This is why the shareholders are being asked to renew the delegations the Board has, which will soon expire, and to pass new powers (delegations of authority in order to issue ordinary shares and/or securities through a cash contribution with elimination of the preemptive subscription right through a public offering or private placement, determination of the conditions for setting the subscription price if the preemptive subscription right is eliminated up to a maximum of 10% of the capital, authorization to increase the amount of the issues in the event of excess demands).

The purpose of these delegations is to grant the Board of Management all latitude to issue, at the times it selects, common shares and/or capital securities giving access to other capital securities, or giving rights to the allocation of debt securities and/or securities giving access to capital securities to be issued by the Company or a group company for a period of 26 months.

As required by law, the securities to be issued may give access to common shares of any company that directly or indirectly holds more than half the share capital of our Company or of any company in which our Company directly or indirectly holds more than half the share capital.

The Board of Management may not, without the prior authorization of the Shareholders' Meeting, use these delegations of authority from the filing by a third party of a public tender offer for the shares of the Company until the end of the offer period.

### **9.2.1 Delegation of authority in order to issue ordinary shares and/or capital securities giving access to other capital securities, or giving rights to the allocation of debt securities and/or securities giving access to capital securities to be issued, maintaining the preemptive subscription right (twenty-fifth resolution)**

We are proposing that you set the total nominal amount of the delegation shares that may be issued under this delegation at €7,000,000. To this ceiling would be added, if applicable, the nominal value of the common shares to be issued to preserve the rights of holders of securities giving rights to capital as required by law and, if applicable, contract provisions stipulating other cases of adjustment.

The nominal amount of the Company's debt securities that could be issued under this delegation may not be greater than €7,000,000.

The ceilings stipulated above would be independent of all ceilings stipulated by the other resolutions adopted by this Shareholders' Meeting.

Under this delegation, issues of common shares and/or any security giving rights to capital would be executed while maintaining the preemptive subscription right of shareholders.

If subscriptions for shares by right and, if applicable, for additional shares, have not absorbed the entire issue, the Board of Management may use the following options:

- limit the issue to the amount of the subscriptions; it is specified that, in the case of an issue of common shares or of securities in which the primary security is a share, the amount of the subscriptions would have to reach at least  $\frac{3}{4}$  of the issue approved for this limitation to be possible;
- freely distribute all or some of the unsubscribed shares;
- offer all or some of the unsubscribed shares to the public.

### **9.2.2 Delegations with elimination of the preemptive subscription rights**

#### **9.2.2.1 Delegation of authority to issue ordinary shares and/or capital securities giving access to other capital securities or giving the right to the allocation of debt securities and/or securities giving access to capital securities to be issued with elimination of the preemptive subscription right and mandatory priority period through public offering (twenty-sixth resolution)**

Under this delegation, issues would be executed through a public offering.

The preemptive subscription rights of shareholders to the common shares and/or to securities giving access to capital would be eliminated, and a mandatory priority period would be stipulated over the entire issue as required by law.

The total nominal amount of the shares that could be issued could not be greater than €1,400,000. To this ceiling would be added, if applicable, the nominal value of the common shares to be issued to preserve the rights of holders of securities giving access to the Company's capital as required by law and, if applicable, contract provisions stipulating other cases of adjustment.

This amount would be charged to the ceiling on the nominal amount of the shares that could be issued on the basis of the delegation allowing the issuance of shares and/or securities with elimination of the preemptive subscription right through a private placement.

The nominal amount of the debt securities on the Company that could be issued could not be greater than €1,400,000 or its equivalent value in euros as at the date of issuance decision.

This amount would be charged to the ceiling on the nominal amount of the debt securities that could be issued on the basis of the delegation allowing the issuance of shares and/or securities with elimination of the preemptive subscription right through a private placement.

The sum reverting or that must revert to the Company for each of the ordinary shares issued, after taking into account the subscription price of the warrants from an issue of equity warrants, would be determined in accordance with the laws and regulations and would, therefore, be at least equal to the minimum required by the provisions of Article R. 225-119 of the French Commercial Code at the time the Board of Management implements the delegation.

In the event of the issue of securities intended to remunerate securities tendered in a public exchange offer, the Board of Management would have the powers necessary, within the limits set above, to establish the list of securities tendered in the exchange, define the issue conditions, the exchange ratio and, if applicable, the amount of the cash balance to be paid, and to determine the issue procedures.

If subscriptions have not absorbed the entire issue, the Board of Management may use the following options:

- limit the issue to the amount of the subscriptions; it being specified that, in the case of an issue of common shares or of securities in which the primary security is a share, the amount of the subscriptions would have to reach at least  $\frac{3}{4}$  of the issue approved for this limitation to be possible;
- freely distribute all or some of the unsubscribed shares.

#### **9.2.2.2 Delegation of authority to issue ordinary shares and/or capital securities giving access to other capital securities, or giving the right to the allocation of debt securities and/or securities giving access to capital securities to be issued with elimination of the preemptive subscription right through offering described in II of Article L. 411-2 of the French Monetary and Financial Code (twenty-seventh resolution)**

Under this delegation, issues would be performed through an offering described in II of Article L. 411-2 of the French Monetary and Financial Code (private placement).

The preemptive subscription rights to shareholders to common shares and/or securities giving rights to capital would be eliminated.

The total nominal amount of the shares that could be issued may not be greater than €1,400,000, it being specified that it would also be limited to 20% of the capital per year. To this ceiling would be added, if applicable, the nominal value of the common shares to be issued to preserve the rights of holders of securities giving access to the Company's capital as required by law and, if applicable, contract provisions stipulating other cases of adjustment.

This amount would be charged to the ceiling on the nominal amount of the shares that could be issued on the basis of the delegation allowing the issuance of shares and/or securities with elimination of the preemptive subscription right through a public offering.

The nominal amount of the debt securities on the Company that could be issued could not be greater than €1,400,000 or its equivalent value in euros as at the date of issuance decision.

This amount would be charged to the ceiling on the nominal amount of the debt securities that could be issued on the basis of the delegation allowing the issuance of shares and/or securities with elimination of the preemptive subscription right through a public offering.

The sum reverting or that must revert to the Company for each of the common shares issued, after taking into account the price of the warrants in the case of an issue of stock subscription warrants, would be determined according to the laws and regulations and would, therefore, be equal to the minimum required by the provisions of Article R. 225-119 of the Commercial Code at the time the Board of Management implements the delegation.

If subscriptions have not absorbed the entire issue, the Board of Management may use the following options:

- limit the issue to the amount of the subscriptions. It is specified that, in the case of an issue of common shares or of securities in which the primary security is a share, the amount of the subscriptions would have to reach at least  $\frac{3}{4}$  of the issue approved for this limitation to be possible;
- freely distribute all or some of the unsubscribed shares.

#### **9.2.2.3 Determination of the conditions for setting the subscription price in the case of the elimination of the preemptive subscription right within the annual limit of 10% of the capital (twenty-eighth resolution)**

Pursuant to the provisions of Article L. 225-136-1, paragraph 2, of the French Commercial Code, we are asking you to authorize the Board of Management that decides to issue ordinary shares and/or securities giving rights to capital with elimination of the preemptive subscription right, through a public offering and/or through a private placement, to deviate, within the limit of 10% of the share capital per year, from the conditions for setting the price stipulated, under the aforementioned conditions, and to set the issue price of similar capital securities to be issued in accordance with the following conditions:

The issue price of the similar capital securities to be issued, immediately or deferred, may not, at the discretion of the Board of Management, be less than:

- either the weighted average price of the Company's share on the day preceding the date on which the issue price is set, possibly reduced by a maximum discount of 5%;
- or the average of 5 consecutive listed prices of the shares, chosen from the last thirty trading sessions preceding the establishment of the issue price, possibly reduced by a maximum discount of 5%.

This exceptional price may be justified in order to allow the Board of Management, if necessary, to benefit from greater flexibility in order to seize opportunities.

The Board of Management may not, without the prior authorization of the Shareholders' Meeting, use this delegation of authority from the filing by a third party of a public tender offer for the shares of the Company until the end of the offer period.

#### **9.2.3 Authorization to increase the amount of the issues in the event of excess demand (twenty-ninth resolution)**

In the context of delegations maintaining and eliminating the aforementioned preemptive subscription right, we are asking you to grant the Board of Management the option to increase, under the conditions and limits set by the laws and regulations, the number of securities planned in the initial issue.

The Board of Management may not, without the prior authorization of the Shareholders' Meeting, use this delegation of authority from the filing by a third party of a public tender offer for the shares of the Company until the end of the offer period.

### 9.3 Delegation of authority to increase the share capital in order to remunerate in-kind contributions of shares and securities (thirtieth resolution)

In order to facilitate external growth transactions, we are asking you to grant the Board of Management a delegation to increase the share capital through the issuance of common shares or securities giving access to capital in order to remunerate in-kind contributions, if any, made to the Company and consisting of shares or securities giving access to capital.

This delegation would be granted for a period of 26 months.

The total nominal amount of the common shares that could be issued under this delegation may not be greater than 5% of the share capital, not taking into account the nominal value of the common shares to be issued in order to protect, as required by law and, if necessary, contract provisions stipulating other cases of adjustment, the rights of the holders of securities giving access to the Company's capital.

This ceiling would be independent of all the ceilings stipulated by the other resolutions submitted to the Shareholders' Meeting.

The Board of Management may not, without the prior authorization of the Shareholders' Meeting, use this delegation of authority from the filing by a third party of a public tender offer for the shares of the Company until the end of the offer period.

### 9.4 Authorization to allocate bonus shares to employees (and/or certain corporate officers) (thirty-first resolution)

In order to follow up on the Macron Act No. 2015-990 of August 6, 2015, which relaxed the legal, social security and tax rules for bonus share allocations, we are asking you to end the preceding authorization in this area and to pass a new authorization.

Therefore, we are asking you to authorize the Board of Management, for a period of 38 months, within the framework of Article L. 225-197-1 of the French Commercial Code, to allocate new bonus shares resulting from a capital increase through the capitalization of reserves, premiums or profits, or from existing shares.

The beneficiaries of these allocations may be:

- salaried employees of the Company or its directly or indirectly affiliated companies as defined in Article L. 225-197-2 of the French Commercial Code;
- the corporate officers who meet the conditions of Article L. 225-197-1 of the French Commercial Code.

The number of bonus shares that may be allotted by the Board of Management under this authorization may not exceed 1% of the share capital existing on the date of this Meeting. It is specified that the total number of shares that may be allotted to the executive officers of the Company may not exceed 0,2% of the capital within the aforementioned ceiling.

The definitive allocations of the bonus shares, including for the executive officers, would expressly depend, under this authorization, on compliance with an employment condition and the achievement of one or more performance conditions defined by the Board of Management in their decision to make an allocation.

Under the legal conditions at the time of each allocation decision, the Board of Management would define the vesting period, the period at the end of which the share allocation becomes final. The vesting period may not be less than one year from the date of allocation of the shares.

Under the legal conditions at the time of each allocation decision, the Board of Management would define the mandatory period during which the beneficiaries must hold the shares of the Company, a period that begins to run as of the date the shares are vested. The lock-in period may not be less than one year. However, in the event the vesting period is equal to or greater than two years, the lock-in period may be eliminated by the Board of Management.

As an exception, vesting would occur before the end of the vesting period in cases of the beneficiary's disability classified in the second and third categories stipulated by Article L. 341-4 of the French Social Security Code.

The existing shares that may be awarded under this resolution must be acquired by the Company, either under Article L. 225-208 of the Commercial Code or, if applicable, within the framework of the share buyback program authorized by the twenty-second resolution to be passed by the Shareholders' Meeting under Article L. 225-209 of the Commercial Code, or of any share buyback program applicable prior or subsequent to the adoption of this resolution.

In the event of a bonus share allocation to be issued, this authorization would carry, on behalf of the beneficiaries of the allocations of common shares to be issued, a waiver by shareholders of their preemptive subscription rights to the common shares to be issued, as the shares are vested, and would carry, as applicable, at the end of the vesting period, a capital increase through the capitalization of reserves, profits or premiums to the benefit of the beneficiaries of said bonus shares, and the corresponding waiver by shareholders, in favor of the beneficiaries of the bonus shares, of the portion of reserves, profits and premiums thus capitalized.

The Board of Management may not, without the prior authorization of the Shareholders' Meeting, use this delegation of authority from the filing by a third party of a public tender offer for the shares of the Company until the end of the offer period.

Therefore, the Board of Management would have, within the limits defined above, all powers to set the conditions and, as applicable, the criteria for allotting the shares, to determine the identity of the beneficiaries of the bonus shares from among the persons who meet the conditions defined above, as well as the number of shares allotted to each of them, to determine the impacts on the rights of the beneficiaries, to determine, within the limits set by this resolution, the duration of the vesting period and, if applicable, the lock-in period for the bonus shares, to decide the capital increase or increases via capitalization of reserves, premiums or profits in connection with the issuance of the new bonus shares, to acquire the shares necessary under the share buyback program, and to assign them to the allocation plan and, in general, to perform under the regulations in force everything that will be necessary for the implementation of this authorization.

### **9.5 Delegation of authority to increase capital for the benefit of the participants in a Company Savings Plan (PEE) (thirty-second resolution)**

We are submitting this resolution to your vote, in order to comply with the provisions of Article L. 225-129-6 of the French Commercial Code, under the terms of which the Extraordinary Shareholders' Meeting must also vote on a resolution for the execution of a capital increase under the conditions stipulated in Articles L. 3332-18 *et seq.* of the French Labor Code, when it delegates its authority to complete a capital increase in cash.

Under this delegation, we are asking you to authorize the Board of Management to increase the share capital on one or more occasions through the issuance of common shares or securities giving access to the capital of the Company for the participants in one or more company or group savings plans established by the Company and/or its affiliated French or foreign companies under the conditions of Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labor Code.

Pursuant to the provisions of Article L. 3332-21 of the French Labor Code, the Board of Management may stipulate the allocation to the beneficiaries, at no cost, of shares already issued or to be issued, or other securities giving access to the Company's capital already issued or to be issued, as (i) the employer's contribution that may be paid under the rules of company or group savings plans, and/or (ii) the discount, as applicable.

As required by law, the Shareholders' Meeting would eliminate shareholders' preemptive subscription right.

The maximum nominal amount of the capital increases that may be performed through the use of the delegation would be 1% of the share capital reached at the time the Board of Management decides to complete such an increase. It is specified that this amount would be independent of any other ceiling stipulated with regard to the capital increase delegation of authority. To this ceiling would be added, if applicable, the additional amount of the common shares to be issued to preserve the rights of holders of securities giving rights to the Company's capital as required by law and, if applicable, contract provisions stipulating other cases of adjustment.

This delegation would be granted for a period of 26 months.

It is specified that, in accordance with the provisions of Article L. 3332-19 of the French Labor Code, the price of the shares to be issued may not be more than 20% lower (or 30% when the lock-in period stipulated by the plan under Articles L. 3332-25 and L. 3332-26 of the French Labor Code is equal to or greater than ten years) than the average of the opening prices quoted for the share during the 20 trading sessions preceding the Board of Management's decision on the capital increase and the corresponding share issue, nor greater than this average.

Under the limits defined above, the Board of Management would have the powers necessary to define the conditions for the issue or issues, note the execution of the resulting capital increases, amend the Articles of Association accordingly, charge, at its sole discretion, the costs of the capital increases to the amount of the related premiums, and to withdraw from this amount the sums necessary to raise the legal reserve to one-tenth of the new capital after each increase, and generally to do what is necessary in this matter.

Your Board of Management asks you to approve, with your vote, the text of the proposed resolutions.

#### **THE BOARD OF MANAGEMENT**

## 8.2 Comments by the Supervisory Board meeting of February 17, 2016, on the Board of Management's report and on the 2015 financial statements

Pursuant to Article L. 225-68 of the French Commercial Code, your Supervisory Board is required to present to the shareholders its comments on the Board of Management report and on the financial statements.

At its meeting of February 17, 2016, the Supervisory Board reviewed the consolidated financial statements, prepared under IFRS standards, and Euler Hermes Group's financial statements, prepared under French standards, for financial year 2015.

The Supervisory Board studied the main balance sheet and income statement items.

It took due note of the findings of the Audit and Risk Committee and heard the Statutory Auditors.

The Board also took due note of the Board of Management report on the 2015 financial statements.

Having made the necessary verifications, the Supervisory Board hereby informs the shareholders that it has no particular comment to make on the Group's management report, the consolidated financial statements, nor on the Company's separate financial statements.

Furthermore, the activity of the Supervisory Board during the 2015 financial year is detailed in the Chairman of the Supervisory Board's report, which was prepared pursuant to Article L. 225-68 of the French Commercial Code.

That document is annexed to the management report and presented in section 2.4 of the 2015 Registration Document.

The Supervisory Board invites the shareholders to pass the resolutions presented to them by the Board of Management. In particular, the Board invites the shareholders to approve the reappointment of Brigitte Bovermann, Ümit Boyner, and Elizabeth Corley, as well as Nicolas Dufourcq, Thomas-Bernd Quaas and Jacques Richier as members of the Supervisory Board. The Supervisory Board also invites the shareholders to vote in favor of replacing Clement Booth and Jean-Hervé Lorenzi by Marita Kraemer and Ramon Fernandez respectively as members of the Supervisory Board.

The Board also notes that, in accordance with the recommendation of the AFEP-MEDEF Code as revised in November 2015 (Article 24.3), to which the Company refers, the elements of compensation due or allocated to members of the Board of Management for the year just ended are presented to shareholders for their opinion.

The Supervisory Board invites the Shareholders' Meeting to vote in favor of the elements of compensation as set out in sections 2.3 and 8.1 of the 2015 Registration Document.

### THE SUPERVISORY BOARD

## 8.3 Special report of the Statutory Auditors on regulated agreements and commitments

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

### Shareholders' Meeting to approve the financial statements for the year ended December 31, 2015

To the Shareholders,

In our capacity as Statutory Auditors of your company, we hereby submit our report on regulated agreements and commitments.

It is our responsibility to inform you, based on the information provided to us, of the main features and the terms and conditions of the agreements and commitments of which we have been informed, or which we discovered during our audit. We are not responsible for assessing their utility or merits or for establishing the existence of other agreements and

commitments. It is your responsibility, according to the terms of Article R. 225-58 of the French Commercial Code, to assess the potential benefit of such agreements and commitments in order to approve them.

If necessary, we must also provide you with the information stipulated in Article R. 225-58 of the French Commercial Code regarding the performance during the past financial year of agreements and commitments already approved by the Shareholders' Meeting.

We performed such reviews as we regarded as necessary for this assignment under the relevant rules of the National Statutory Auditors' Association. These reviews involved checking that the information we were given was consistent with the basic documents it was taken from.

## Agreements and commitments submitted to the Shareholders' Meeting for approval

### Agreements and commitments authorized during the past financial year

We were not informed of any agreement or commitment authorized during the past financial year and to be submitted to the approval of the Shareholders' Meeting pursuant to Article L. 225-86 of the French Commercial Code.

## Agreements and commitments authorized since the closing date

We were informed of the following agreements and commitments for which the Supervisory Board had given prior authorization since the closing of the last financial year.

### Commitment in favor of Mr. Wilfried Verstraete

Person concerned: Mr. Wilfried Verstraete

The Supervisory Board decided at its meeting of February 17, 2016 to grant severance compensation to Mr. Wilfried Verstraete, Chairman of the Board of Management, under the following terms:

This severance compensation would be due only in the event of forced departure (i.e. only in case of revocation for any reason other than a gross or willful misconduct), notably due to a change of control or strategy. Severance compensation would not be due if the executive is not renewed, resigns or moves to a new position within the Allianz group.

Pursuant to Articles L. 225-90-1 and R. 225-60-1 of the French Commercial Code, the payment of this indemnity would be subject to the following performance conditions:

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

If both of the two performance conditions are met, the full indemnity will be paid. 50% of the indemnity will be paid if either condition is met.

The amount of any severance compensation may not exceed two years' compensation (fixed and variable) gross compensation for the last fiscal year ended before the date of termination of the corporate office.



The Supervisory Board will acknowledge that one or both of the performance conditions are met before making any payment.

This severance compensation is valid for the duration of the mandate as Board of Management member, i.e. until March 31, 2020.

This severance compensation will be submitted to the approval of the Shareholders' Meeting on May 25, 2016.

### Commitment in favor of Mr. Frédéric Bizière

#### Person concerned: Mr. Frédéric Bizière

The Supervisory Board decided at its meeting of February 17, 2016 to grant severance compensation to Mr. Frédéric Bizière, Member of the Board of Management, under the following terms:

This severance compensation would be due only in the event of forced departure (i.e. only in case of revocation for any reason other than a gross or willful misconduct), notably due to a change of control or strategy. Severance compensation would not be due if the executive is not renewed, resigns or moves to a new position within the Allianz group.

Pursuant to Articles L. 225-90-1 and R. 225-60-1 of the French Commercial Code, the payment of this indemnity would be subject to the following performance conditions:

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

If both of the two performance conditions are met, the full indemnity will be paid. 50% of the indemnity will be paid if either condition is met.

The amount of any severance compensation may not exceed two years' compensation (fixed and variable) gross compensation for the last fiscal year ended before the date of termination of the corporate office.

The Supervisory Board will acknowledge that one or both of the performance conditions are met before making any payment.

This severance compensation is valid for the duration of the mandate as Board of Management member, i.e. until March 31, 2020.

This severance compensation will be submitted to the approval of the Shareholders' Meeting on May 25, 2016.

### Commitment in favor of Mrs. Clarisse Kopff

#### Person concerned: Mrs. Clarisse Kopff

The Supervisory Board decided at its meeting of February 17, 2016 to grant severance compensation to Mrs. Clarisse Kopff, Member of the Board of Management, under the following terms:

This severance compensation would be due only in the event of forced departure (i.e. only in case of revocation for any reason other than a gross or willful misconduct), notably due to a change of control or strategy. Severance compensation would not be due if the executive is not renewed, resigns or moves to a new position within the Allianz group.

Pursuant to Articles L. 225-90-1 and R. 225-60-1 of the French Commercial Code, the payment of this indemnity would be subject to the following performance conditions:

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

If both of the two performance conditions are met, the full indemnity will be paid. 50% of the indemnity will be paid if either condition is met.

The amount of any severance compensation may not exceed two years' compensation (fixed and variable) gross compensation for the last fiscal year ended before the date of termination of the corporate office.

The Supervisory Board will acknowledge that one or both of the performance conditions are met before making any payment.

This severance compensation is valid for the duration of the mandate as Board of Management member, i.e. until March 31, 2020.

This severance compensation will be submitted to the approval of the Shareholders' Meeting on May 25, 2016.

### Commitment in favor of Mr. Paul Overeem

#### Person concerned: Mr. Paul Overeem

The Supervisory Board decided at its meeting of February 17, 2016 to grant severance compensation to Mr. Paul Overeem, Member of the Board of Management, under the following terms:

This severance compensation would be due only in the event of forced departure (i.e. only in case of revocation for any reason other than a gross or willful misconduct), notably due to a change of control or strategy. Severance compensation would not be due if the executive is not renewed, resigns or moves to a new position within the Allianz group.

Pursuant to Articles L. 225-90-1 and R. 225-60-1 of the French Commercial Code, the payment of this indemnity would be subject to the following performance conditions:

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

If both of the two performance conditions are met, the full indemnity will be paid. 50% of the indemnity will be paid if either condition is met.

The amount of any severance compensation may not exceed two years' compensation (fixed and variable) gross compensation for the last fiscal year ended before the date of termination of the corporate office.

The Supervisory Board will acknowledge that one or both of the performance conditions are met before making any payment.

This severance compensation is valid for two (2) years from the renewal of the mandate as member of the Board of Management, i.e. until March 31, 2018.

This severance compensation will be submitted to the approval of the Shareholders' Meeting on May 25, 2016.

### Commitment in favor of Mr. Michele Pignotti

#### Person concerned: Mr. Michele Pignotti

The Supervisory Board decided at its meeting of February 17, 2016 to grant severance compensation to Mr. Michele Pignotti, Member of the Board of Management, under the following terms:

This severance compensation would be due only in the event of forced departure (i.e. only in case of revocation for any reason other than a gross or willful misconduct), notably due to a change of control or strategy. Severance compensation would not be due if the executive is not renewed, resigns or moves to a new position within the Allianz group.

Pursuant to Articles L. 225-90-1 and R. 225-60-1 of the French Commercial Code, the payment of this indemnity would be subject to the following performance conditions:

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

If both of the two performance conditions are met, the full indemnity will be paid. 50% of the indemnity will be paid if either condition is met.

The amount of any severance compensation may not exceed two years' compensation (fixed and variable) gross compensation for the last fiscal year ended before the date of termination of the corporate office.

The Supervisory Board will acknowledge that one or both of the performance conditions are met before making any payment.

This severance compensation is valid for the duration of the mandate as Board of Management member, i.e. until March 31, 2020.

This severance compensation will be submitted to the approval of the Shareholders' Meeting on May 25, 2016.

### Commitment in favor of Mr. Ludovic Sénécaut

#### Person concerned: Mr. Ludovic Sénécaut

The Supervisory Board decided at its meeting of February 17, 2016 to grant severance compensation to Mr. Ludovic Sénécaut, Member of the Board of Management, under the following terms:

This severance compensation would be due only in the event of forced departure (i.e. only in case of revocation for any reason other than a gross or willful misconduct), notably due to a change of control or strategy. Severance compensation would not be due if the executive is not renewed, resigns or moves to a new position within the Allianz group.

Pursuant to Articles L. 225-90-1 and R. 225-60-1 of the French Commercial Code, the payment of this indemnity would be subject to the following performance conditions:

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

If both of the two performance conditions are met, the full indemnity will be paid. 50% of the indemnity will be paid if either condition is met.

The amount of any severance compensation may not exceed two years' compensation (fixed and variable) gross compensation for the last fiscal year ended before the date of termination of the corporate office.

The Supervisory Board will acknowledge that one or both of the performance conditions are met before making any payment.

This severance compensation is valid for the duration of the mandate as Board of Management member, i.e. until March 31, 2020.

This severance compensation will be submitted to the approval of the Shareholders' Meeting on May 25, 2016.



## Agreements and commitments already approved by the Shareholders' Meeting

### Agreements and commitments approved in prior years

#### a) Agreements and commitments approved in prior years and performed during the past financial year

We were not informed of any agreement or commitment which the Shareholders' Meeting had already approved in earlier financial years and which continued to be performed during the past financial year.

#### b) Agreements and commitments approved in earlier years and not performed during the past financial year

In addition, we were informed of the continuation of the following agreements and commitments which the Shareholders' Meeting had already approved in earlier financial years, but which had not been performed during the past financial year.

##### Commitment in favor of Mr. Wilfried Verstraete

Person concerned: Mr. Wilfried Verstraete

The Supervisory Board decided at its meeting of February 16, 2012 to grant severance compensation to Mr. Wilfried Verstraete, Chairman of the Board of Management, under the following terms:

The severance compensation would be granted notably in case of revocation due to a change of control or strategy.

The payment of this indemnity would be subject to the following performance conditions:

- achievement of at least 75% of the annual objectives following the appraisal over at least two of the last three years preceding the revocation;
- the combined ratio is equal to or less than 95% on average for the last three years preceding the revocation.

If both of the two performance conditions are met, the full indemnity will be paid. 50% of the indemnity will be paid if either condition is met.

The amount of the severance compensation shall not exceed two years of remuneration (fixed and variable).

##### Commitment in favor of Mr. Gerd-Uwe Baden

Person concerned: Mr. Gerd-Uwe Baden

The Supervisory Board decided at its meeting of February 16, 2012 to grant severance compensation to Mr. Gerd-Uwe Baden, Board of Management member, under the following terms:

The severance compensation would be granted notably in case of revocation due to a change of control or strategy.

The payment of this indemnity would be subject to the following performance conditions:

- achievement of at least 75% of the annual objectives following the appraisal over at least two of the last three years preceding the revocation;
- the combined ratio is equal to or less than 95% on average for the last three years preceding revocation.

If both of the two performance conditions are met, the full indemnity will be paid. 50% of the indemnity will be paid if either condition is met.

The amount of the severance compensation shall not exceed two years of remuneration (fixed and variable).

##### Commitment in favor of Mr. Frédéric Bizière

Person concerned: Mr. Frédéric Bizière

The Supervisory Board decided at its meeting of February 16, 2012 to grant severance compensation in favor of Mr. Frédéric Bizière, Board of Management member, under the following terms:

The severance compensation would be granted notably in case of revocation due to a change of control or strategy.

The payment of this indemnity would be subject to the following performance conditions:

- achievement of at least 75% of the annual objectives following the appraisal over at least two of the last three years preceding the revocation;
- the combined ratio is equal to or less than 95% on average for the last three years preceding revocation.

If both of the two performance conditions are met, the full indemnity will be paid. 50% of the indemnity will be paid if either condition is met.

The amount of the severance compensation shall not exceed two years of remuneration (fixed and variable).

### Commitment in favor of Mr. Dirk Oevermann

#### Person concerned: Mr. Dirk Oevermann

The Supervisory Board decided at its meeting of February 16, 2012 to grant severance compensation in favor of Mr. Dirk Oevermann, Board of Management member, under the following terms:

The severance compensation would be granted notably in case of revocation due to a change of control or strategy.

The payment of this indemnity would be subject to the following performance conditions:

- achievement of at least 75% of the annual objectives following the appraisal over at least two of the last three years preceding the revocation;
- the combined ratio is equal to or less than 95% on average for the last three years preceding revocation.

If both of the two performance conditions are met, the full indemnity will be paid. 50% of the indemnity will be paid if either condition is met.

The amount of the severance compensation shall not exceed two years of remuneration (fixed and variable).

### Commitment in favor of Mr. Paul Overeem

#### Person concerned: Mr. Paul Overeem

The Supervisory Board decided at its meeting of December 4, 2012 to establish severance compensation for Mr. Paul Overeem, Board of Management member, under the following terms:

The severance compensation would be granted notably in case of revocation due to a change of control or strategy.

The payment of this indemnity would be subject to the following performance conditions:

- achievement of at least 75% of the annual objectives following the appraisal over at least two of the last three years preceding the revocation;
- the combined ratio is equal to or less than 95% on average for the last three years preceding revocation.

If both of the two performance conditions are met, the full indemnity will be paid. 50% of the indemnity will be paid if either condition (1) or (2) is met.

The amount of the severance compensation shall not exceed two years of remuneration (fixed and variable).

### Commitment in favor of Mrs. Clarisse Kopff

#### Person concerned: Mrs. Clarisse Kopff

The Supervisory Board decided at its meeting of April 30, 2014, to establish severance compensation for Mrs. Clarisse Kopff, Board of Management member, under the following terms:

The severance compensation would be granted notably in case of revocation due to a change of control or strategy.

The payment of this indemnity would be subject to the following performance conditions:

- achievement of at least 75% of the annual objectives following the appraisal over at least two of the last three years preceding the revocation;
- the combined ratio is equal to or less than 95% on average for the last three years preceding revocation.

If both of the two performance conditions are met, the full indemnity will be paid. 50% of the indemnity will be paid if either condition is met.

The amount of the severance compensation shall not exceed two years of remuneration (fixed and variable).

Paris-La Défense and Paris, April 13, 2016

#### KPMG Audit FS II

Xavier Dupuy  
Partner

#### Exco Paris Ace

Alain Auvray  
Partner

## 8.4 Resolutions submitted to the vote of the Combined Shareholders' Meeting of May 25, 2016

### Draft agenda

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#### Ordinary items

1. Approval of the annual financial statements for the financial year ended December 31, 2015 - Approval of non-tax deductible expenses and charges,
2. Approval of the consolidated financial statements for the financial year ended December 31, 2015,
3. Allocation of income for the financial year and declaration of the dividend,
4. Adjustment of the reserve for treasury shares,
5. Statutory Auditors' special report on regulated agreements and commitments and recognition of the absence of new agreements,
6. Statutory Auditors' special report on the regulated agreements and commitments and approval of a commitment made towards Mr. Wilfried Verstraete, Chairman of the Board of Management,
7. Statutory Auditors' special report on the regulated agreements and commitments and approval of a commitment made towards Mr. Frédéric Bizière, member of the Board of Management,
8. Statutory Auditors' special report on the regulated agreements and commitments and approval of a commitment made towards Mrs. Clarisse Kopff, member of the Board of Management,
9. Statutory Auditors' special report on the regulated agreements and commitments and approval of a commitment made towards Mr. Paul Overeem, member of the Board of Management,
10. Statutory Auditors' special report on the regulated agreements and commitments and approval of a commitment made towards Mr. Michele Pignotti, member of the Board of Management,
11. Statutory Auditors' special report on the regulated agreements and commitments and approval of a commitment made towards Mr. Ludovic Sénécaut, member of the Board of Management,
12. Appointment of Mrs. Marita Kraemer to replace Mr. Clement Booth as a member of the Supervisory Board,
13. Appointment of Mr. Ramon Fernandez to replace Mr. Jean-Hervé Lorenzi as a member of the Supervisory Board,
14. Reappointment of Mrs. Brigitte Bovermann as a member of the Supervisory Board,
15. Reappointment of Mrs. Elizabeth Corley as a member of the Supervisory Board,
16. Reappointment of Mrs. Ümit Boyner as a member of the Supervisory Board,
17. Reappointment of Mr. Nicolas Dufourcq as a member of the Supervisory Board,
18. Reappointment of Mr. Thomas Bernd Quaas as a member of the Supervisory Board,
19. Reappointment of Mr. Jacques Richier as a member of the Supervisory Board,
20. Opinion on the elements of the compensation due or allocated for the financial year ended December 31, 2015 to Mr. Wilfried Verstraete, Chairman of the Board of Management,
21. Opinion on the elements of the compensation due or allocated for the financial year ended December 31, 2015 to Mr. Gerd-Uwe Baden, Mr. Frédéric Bizière, Mr. Dirk Oevermann, Mr. Paul Overeem and Mrs. Clarisse Kopff, members of the Board of Management,
22. Authorization to be granted to the Board of Management to have the Company buy back its own shares pursuant to Article L. 225-209 of the French Commercial Code, duration of authorization, finalities, procedures and limit.

#### Extraordinary items

23. Authorization to be granted to the Board of Management to cancel the shares bought back by the Company pursuant to Article L. 225-209 of the French Commercial Code, duration of authorization and limit,
24. Delegation of authority to be granted to the Board of Management to increase share capital by incorporation of reserves, profits and/or premiums, duration of authorization, maximum nominal amount of the capital increase, and handling of fractional shares,
25. Delegation of authority to be granted to the Board of Management to issue ordinary shares and/or capital securities giving access to other capital securities or giving the right to allocation of debt securities and/or securities giving access to capital securities to be issued (of the Company or of a company of the Group) with maintenance of preferential subscription rights, duration of the authorization, maximum nominal amount of the capital increase and option to offer unsubscribed securities to the public,

26. Delegation of authority to be granted to the Board of Management to issue ordinary shares and/or capital securities giving access to other capital securities or giving the right to allocation of debt securities and/or securities giving access to capital securities to be issued (of the Company or of a company of the Group) with elimination of preferential subscription rights by public offer and/or as remuneration of securities as part of a public exchange offer, duration of the authorization, maximum nominal amount of the capital increase, issue price and option to limit the amount of subscriptions or to distribute the unsubscribed securities,
27. Delegation of authority to be granted to the Board of Management to issue ordinary shares and/or capital securities giving access to other capital securities or giving the right to allocation of debt securities and/or securities giving access to capital securities to be issued (of the Company or of a company of the Group) with elimination of preferential subscription rights by an offer pursuant to part II of Article L. 411-2 of the French Monetary and Financial Code, duration of the authorization, maximum nominal amount of the capital increase, issue price and option to limit the amount of subscriptions or to distribute the unsubscribed securities,
28. Authorization, in the case of an issue with elimination of the preferential right to subscription, to set the issue price within the conditions determined by the Shareholders' Meeting, within the limit of 10% of the capital per year
29. Delegation of authority to increase the amount of issues in the case of excess demand,
30. Authorization to be granted to the Board of Management to increase capital by the issue of ordinary shares and/or securities giving access to capital, to the limit of 10% of capital to remunerate the contributions in-kind of capital securities or securities giving access to capital and duration of authorization,
31. Authorization to be granted to the Board of Management to allocate existing or future bonus shares to members of salaried personnel and/or some executive officers of the Company or associated companies, shareholders' waiver of their preferential subscription right, duration of the authorization, limit and duration of the vesting periods in particular in cases of invalidity or of holding,
32. Delegation of authority to be granted to the Board of Management to increase capital by the issue of ordinary shares and/or securities giving access to capital with elimination of preferential subscription rights for members in a company savings plan in application of Articles L. 3332-18 *et seq.* of the French Labor Code, duration of the authorization, maximum nominal amount of the capital increase, issue price and possibility of allocating bonus shares in application of Article L. 3332-21 of the French Labor Code,
33. Powers for formalities.

## Draft resolutions

### Ordinary items

#### First resolution

##### Approval of the annual financial statements for the financial year ended December 31, 2015 - Approval of non-tax deductible expenses and charges

The Shareholders' Meeting, having reviewed the reports of the Board of Management (along with the observations of the Supervisory Board), the Chairman of the Supervisory Board and the Statutory Auditors on the financial statements for the year ended December 31, 2015, approves the annual financial statements drawn up on that date, as presented, showing a profit of €204,026,143.58.

The Shareholders' Meeting specifically approves the overall amount, totaling €20,943.80, of expenses and charges covered by Article 39, paragraph 4 of the French General Tax Code, along with the corresponding tax.

#### Second resolution

##### Approval of the consolidated financial statements for the financial year ended December 31, 2015

The Shareholders' Meeting, having reviewed the reports of the Board of Management, the Chairman of the Supervisory Board and the Statutory Auditors on the consolidated financial statements as at December 31, 2015, approves these financial statements, as presented, showing a profit (Group share) of €302,476 million.



## Third resolution

### Allocation of income for the financial year and declaration of the dividend

At the proposal of the Board of Management, the Shareholders' Meeting resolves to allocate the income for the financial year ended, December 31, 2015 as follows:

#### Source

■ Profit for the year	€204,026,143.58
■ Retained earnings	€284,085,104.70

#### Allocation

■ Legal reserve	€0.00
■ Other reserves	€0.00
■ Dividends	€199,505,578.80
■ Retained earnings	€288,605,669.49

The Shareholders' Meeting acknowledges that the total gross dividend per share is set at €4.40. The entire amount distributed is eligible for the 40% tax abatement referred to in Article 158-3-2 of the French General Tax Code.

The ex-dividend date will be Friday, May 27, 2016.

Payment of dividends will be on Tuesday, May 31, 2016.

In the event that the number of shares conferring entitlement to a dividend differs from the 45,342,177 shares comprising the share capital as at February 17, 2016 the total amount of the dividends shall be adjusted accordingly and the amount allocated to the retained earnings account shall be calculated on the basis of the dividends paid out.

In accordance with Article 243 bis of the French General Tax Code, the Shareholders' Meeting acknowledges that it was reminded that, for the last three financial years, the following dividends and income were distributed:

In respect of financial year	Income eligible for the allowance		Income not eligible for the allowance
	Dividends	Other income distributed	
2012	€180,850,908* i.e. €4 per share	-	-
2013	€190,437,143.40* i.e. €4.20 per share	-	-
2014	€199,505,578.80* i.e. €4.40 per share	-	-

\* Including the dividend amount not paid out in respect of treasury shares and allocated to the retained earnings account.

## Fourth resolution

### Adjustment of the reserve for treasury shares

The Shareholders' Meeting, noting the Company's purchases and sales of its own shares in the financial year ended December 31, 2015 under the Company's share buyback program as authorized by the Combined Shareholders' Meetings of May 28, 2014 and the Combined Shareholders' Meetings of May 27, 2015 including the arrangements for the Company to buy its own shares in accordance with Articles L. 225-209 *et seq.* of the French Commercial Code, resolves, in accordance with Article L. 225-210, subparagraph 3, of the French Commercial Code, to adjust the reserve for treasury shares with a reversal of €19,461,331,95 to take into account the share purchases and sales under the liquidity agreement managed by Rothschild & Cie Banque during the prior financial year and the sales related to the exercise of stock options.

Accordingly, the Shareholders' Meeting notes that the reserve for treasury shares, which was €78,982,821,21 as at December 31, 2015, will be adjusted to €59,521,489,26.

## Fifth resolution

### Statutory Auditors' special report on regulated agreements and commitments and recognition of the absence of new agreements

The Shareholders' Meeting, having reviewed the Statutory Auditors' special report, which mentions the absence of any new agreements and commitments of the kind described in Articles L. 225-86 *et seq.* of the French Commercial Code, purely and simply acknowledges this fact.

## Sixth resolution

### **Statutory Auditors' special report on the regulated agreements and commitments and approval of a commitment made towards Mr. Wilfried Verstraete, Chairman of the Board of Management**

Called to vote on the Statutory Auditors' special report on the regulated agreements and commitments presented to it, the Shareholders' Meeting approved the commitment made by the Company to Mr. Wilfried Verstraete, Chairman of the Board of Management, for compensation which may be payable in case of termination of his duties.

## Seventh resolution

### **Statutory Auditors' special report on the regulated agreements and commitments and approval of a commitment made towards Mr. Frédéric Bizière, member of the Board of Management**

Called to vote on the Statutory Auditors' special report on the regulated agreements and commitments presented to it, the Shareholders' Meeting approved the commitment made by the Company to Mr. Frédéric Bizière, member of the Board of Management, for compensation which may be payable in case of termination of his duties.

## Eighth resolution

### **Statutory Auditors' special report on the regulated agreements and commitments and approval of a commitment made towards Mrs. Clarisse Kopff, member of the Board of Management**

Called to vote on the Statutory Auditors' special report on the regulated agreements and commitments presented to it, the Shareholders' Meeting approved the commitment made by the Company to Mrs. Clarisse Kopff, member of the Board of Management, for compensation which may be payable in case of termination of her duties.

## Ninth resolution

### **Statutory Auditors' special report on the regulated agreements and commitments and approval of a commitment made towards Mr. Paul Overeem, member of the Board of Management**

Called to vote on the Statutory Auditors' special report on the regulated agreements and commitments presented to it, the Shareholders' Meeting approved the commitment made by the Company to Mr. Paul Overeem, member of the Board of Management, for compensation which may be payable in case of termination of his duties.

## Tenth resolution

### **Statutory Auditors' special report on the regulated agreements and commitments and approval of a commitment made towards Mr. Michele Pignotti, member of the Board of Management**

Called to vote on the Statutory Auditors' special report on the regulated agreements and commitments presented to it, the Shareholders' Meeting approved the commitment made by the Company to Mr. Michele Pignotti, member of the Board of Management, for compensation which may be payable in case of termination of his duties.

## Eleventh resolution

### **Statutory Auditors' special report on the regulated agreements and commitments and approval of a commitment made towards Mr. Ludovic Sénécaut, member of the Board of Management**

Called to vote on the Statutory Auditors' special report on the regulated agreements and commitments presented to it, the Shareholders' Meeting approved the commitment made by the Company to Mr. Ludovic Sénécaut, member of the Board of Management, for compensation which may be payable in case of termination of his duties.

## Twelfth resolution

### **Appointment of Mrs. Marita Kraemer to replace Mr. Clement Booth as a member of the Supervisory Board**

The Shareholders' Meeting resolves to appoint Mrs. Marita Kraemer as member of the Supervisory Board to replace Mr. Clement Booth following his resignation at the close of this Shareholders' Meeting. Consequently, Mrs. Marita Kraemer will perform her duties starting from the end of this Shareholders' Meeting for the remaining term of office of her predecessor, i.e. until the end of the Shareholders' Meeting held in 2018 called to approve the financial statements for the preceding financial year.

## Thirteenth resolution

### **Appointment of Mr. Ramon Fernandez to replace Mr. Jean-Hervé Lorenzi as a member of the Supervisory Board**

The Shareholders' Meeting resolves to appoint Mr. Ramon Fernandez to replace Mr. Jean-Hervé Lorenzi as a member of the Supervisory Board, for a period of three years, expiring at the close of the Shareholders' Meeting held in 2019 to approve the financial statements for the preceding financial year.



## Fourteenth resolution

### Reappointment of Mrs. Brigitte Bovermann as a member of the Supervisory Board

The Shareholders' Meeting resolves to reappoint Mrs. Brigitte Bovermann as a member of the Supervisory Board, for a period of three years, expiring at the close of the Shareholders' Meeting held in 2019 to approve the financial statements for the preceding financial year.

## Fifteenth resolution

### Reappointment of Mrs. Elizabeth Corley as a member of the Supervisory Board

The Shareholders' Meeting resolves to reappoint Mrs. Elizabeth Corley as a member of the Supervisory Board, for a period of three years, expiring at the close of the Shareholders' Meeting held in 2019 to approve the financial statements for the preceding financial year.

## Sixteenth resolution

### Reappointment of Mrs. Ümit Boyner as a member of the Supervisory Board

The Shareholders' Meeting resolves to reappoint Mrs. Ümit Boyner as a member of the Supervisory Board, for a period of three years, expiring at the close of the Shareholders' Meeting held in 2019 to approve the financial statements for the preceding financial year.

## Seventeenth resolution

### Reappointment of Mr. Nicolas Dufourcq as a member of the Supervisory Board

The Shareholders' Meeting resolves to reappoint Mr. Nicolas Dufourcq as a member of the Supervisory Board, for a period of three years, expiring at the close of the Shareholders' Meeting held in 2019 to approve the financial statements for the preceding financial year.

## Eighteenth resolution

### Reappointment of Mr. Thomas Bernd Quaas as a member of the Supervisory Board

The Shareholders' Meeting resolves to reappoint Mr. Thomas Bernd Quaas as a member of the Supervisory Board, for a period of three years, expiring at the close of the Shareholders' Meeting held in 2019 to approve the financial statements for the preceding financial year.

## Nineteenth resolution

### Reappointment of Mr. Jacques Richier as a member of the Supervisory Board

The Shareholders' Meeting resolves to reappoint Mr. Jacques Richier as a member of the Supervisory Board, for a period of three years, expiring at the close of the Shareholders' Meeting held in 2019 to approve the financial statements for the preceding financial year.

## Twentieth resolution

### Opinion on the elements of the compensation due or allocated for the financial year ended December 31, 2015 to Mr. Wilfried Verstraete, Chairman of the Board of Management

The Shareholders' Meeting, consulted pursuant to recommendation in Section 24.3 of the AFEP-MEDEF Corporate Governance Code of June 2013, as revised in November 2015, which is the Company's reference code for the implementation of Article L. 225-68 of the French Commercial Code, issues a favorable opinion on the elements of the compensation due or allocated for the financial year ended December 31, 2015 to Mr. Wilfried Verstraete, Chairman of the Board of Management, as shown on page 253 of the 2015 Registration Document.

## Twenty-first resolution

### Opinion on the elements of the compensation due or allocated for the financial year ended December 31, 2015 to Mr. Gerd-Uwe Baden, Mr. Frédéric Bizière, Mr. Dirk Oevermann, Mr. Paul Overeem and Mrs. Clarisse Kopff, members of the Board of Management,

The Shareholders' Meeting, consulted pursuant to recommendation of Section 24.3 of the AFEP-MEDEF Corporate Governance Code of June 2013 as revised in November 2015, which is the Company's reference code for the implementation of Article L. 225-68 of the French Commercial Code, issues a favorable opinion on the elements of the compensation due or allocated for the financial year ended December 31, 2015 to Mr. Gerd-Uwe Baden, Mr. Frédéric Bizière, Mrs. Clarisse Kopff, Mr. Dirk Oevermann and Mr. Paul Overeem, members of the Board of Management, as shown on page 254 *et seq* of the 2015 Registration Document.

## Twenty-second resolution

### Authorization to be granted to the Board of Management to enable the Company to buy back its own shares pursuant to Article L. 225-209 of the French Commercial Code

The Shareholders' Meeting, having reviewed the Board of Management's report, authorizes the Board of Management, for a period of eighteen months, pursuant to Articles L. 225-209 *et seq*. of the French Commercial

Code, to buy back, on one or more occasions at such times as it deems appropriate, Company shares up to a maximum of 10% of the number of shares comprising the share capital, adjusted where applicable to take into account any capital increases or reductions applied during the program.

This authorization replaces the authorization granted to the Board of Management under the twelfth ordinary resolution of the Shareholders' Meeting held on May 27, 2015.

Purchases may be made in order to:

- stimulate the secondary market or the liquidity of Euler Hermes Group's stock through the use of an independent investment professional via a liquidity contract that is in accordance with the ethics charter of the AMAFI, as recognized by the AMF;
- hold the purchased shares in reserve for later use as payment or in a share swap as part of any acquisition transaction, it being specified that the shares acquired for this purpose may not exceed 5% of the Company's share capital;
- cover share purchase plans and/or bonus share plans (or similar plans) for the benefit of employees and/or corporate officers of the Group, and any allocation of shares in respect of a company or group savings plan (or similar plan), in respect of employee profit-sharing and/or any other form of share allocation to the employees and/or corporate officers of the Group;
- cover securities granting entitlement to the allocation of Company shares pursuant to applicable regulations;
- potentially cancel purchased shares, pursuant to the authorization granted by the twenty-third extraordinary resolution of the Shareholders' Meeting.

Such share purchases may be made by any means, including via the acquisition of blocks of securities, and at the times deemed necessary by the Board of Management.

These transactions may not be carried out during a public offer.

The Company does not plan to use option-based arrangements or derivative products.

The maximum purchase price is set at €140 per share. In the event of a capital transaction, particularly a stock split, reverse split or allocation of bonus shares, the amount indicated above will be adjusted in the same proportions (by applying a multiplier equal to the ratio of the number of shares comprising the share capital before the operation to the number of shares after the operation).

The maximum amount of the transaction is thus set at €634,790,380.

The Shareholders' Meeting confers full powers on the Board of Management to carry out these transactions, set the terms and conditions, enter into any agreements and carry out all formalities.

## Extraordinary items

### Twenty-third resolution

#### **Authorization to be granted to the Board of Management to cancel the shares bought back by the Company pursuant to Article L. 225-209 of the French Commercial Code**

The Shareholders' Meeting, having reviewed the report of the Board of Management and that of the Statutory Auditors:

- 1) grants to the Board of Management the authorization to cancel, at its sole discretion, on one or more occasions, within the limit of 10% of the share capital calculated on the day of the decision for cancellation, minus any shares canceled in the preceding 24 months, the shares that the Company holds or may hold as a result of share buybacks made pursuant to Article L. 225-209 of the French Commercial Code and thus correspondingly reduce the shareholder's capital in compliance with the applicable laws and regulations;
- 2) declares this authorization to be valid for twenty-four months starting from this Shareholders' Meeting;
- 3) grants full powers to the Board of Management to carry out the transactions necessary for such cancellations and to make the corresponding reductions in share capital, and consequently amend the Company's Articles of Association and carry out all required formalities.

### Twenty-fourth resolution

#### **Delegation of authority to be granted to the Board of Management to increase share capital by incorporation of reserves, profits and/or premiums**

The Shareholders' Meeting, meeting under the quorum and majority conditions required for Ordinary General Meetings, having reviewed the report of the Board of Management and in compliance with Articles L. 225-129-2 and L. 225-130 of the French Commercial Code:

- 1) grants authority to the Board of Management to increase capital, on one or more occasions, at the times and using the methods that it chooses, by capitalizing reserves, profits or premiums or other sums that may be capitalized, by the issue and allocation of bonus shares or by the raising the nominal value of the existing ordinary shares, or by the combination of these methods;
- 2) resolves, in the case that the Board of Management decides to use such authority, in compliance with the provisions of Article L. 225-130 of the French Commercial Code, in the case of a share capital increase in the form of an allocation of bonus shares, that fractional rights shall not be tradable or transferable and the corresponding capital securities shall be sold; the proceeds from such sales shall be allocated to the holders of rights within the timing set by regulations;

- 3) declares this authorization to be valid for twenty-six months, starting from this Shareholders' Meeting;
- 4) resolves that the amount of the share capital increase resulting from the issues made pursuant to this resolution shall not exceed the nominal amount of €1,4 million, not taking into consideration the amount necessary to preserve, in compliance with the law, the rights of holders of securities giving right to shares;
- 5) this limit is independent from all of the limits set in other resolutions of this Shareholders' Meeting;
- 6) resolves that the Board of Management may not, without prior authorization from the Shareholders' Meeting, use this delegation of authority from the date of the filing of a third-party tender offer for the shares of the Company until the end of the offer period;
- 7) grants to the Board of Management full powers to implement this resolution and generally, to take all steps and carry out all required procedures to conduct each capital increase, to document the completion of each capital increase and make any corresponding amendment to the Articles of Association;
- 8) documents that this authorization nullifies, starting from this day, for any unused portion, any prior authorization with the same object.

## Twenty-fifth resolution

### **Delegation of authority to be granted to the Board of Management to issue ordinary shares and/or capital securities giving access to other capital securities or giving the right to allocation of debt securities and/or securities giving access to capital securities to be issued with maintenance of preferential subscription rights**

The Shareholders' Meeting, having reviewed the report of the Board of Management and that of the Statutory Auditors and in compliance with the provisions of the French Commercial Code and in particular its Articles L. 225-129-2, L. 228-92 and L. 225-132 *et seq.*:

- 1) grants authority to the Board of Management to issue, on one or more occasions, in the amounts and at the times that it deems appropriate, either in euros or in foreign currencies or in any other accounting unit established by reference to a basket of currencies,
  - ordinary shares, and/or
  - capital securities giving access to other capital securities or giving the right to the allocation of debt securities, and/or
  - securities giving access to capital securities to be issued.

In compliance with Article L. 228-93 of the French Commercial Code, the securities to be issued might give access to capital securities to be issued by the Company and/or by any other company that owns either directly or indirectly more than half of its capital or of which it directly or indirectly owns more than half of the capital;

- 2) declares the validity of this authorization to be valid for twenty-six months, starting from this General Meeting;
- 3) resolves to declare, as follows, the limits on the amounts of the issues authorized, in the case that the Board of Management decides to use this grant of authority:
 

The overall nominal amount of shares that may be issued by virtue of this delegation of authority cannot be greater than €7 million.

To this limit will be added, as necessary, the nominal value of the ordinary shares to be issued to preserve the rights of holders of securities convertible into the Company's capital, pursuant to the law, and as necessary pursuant to the contractual stipulations specifying other cases of adjustment.

The nominal amount of debt securities on the Company which may be issued by virtue of this delegation of authority may not exceed €7 million.

The above-mentioned limits are independent from all of the limits defined in other resolutions of this Shareholders' Meeting;
- 4) should the Board of Management use this authority in as part of the issues mentioned in item 1) above:
  - a. resolves that the issue or issues of ordinary shares or securities convertible to capital will be reserved preferentially to shareholders who are able to subscribe by right,
  - b. resolves that if the irreducible subscriptions, and if any, reducible subscriptions, will not have absorbed the totality of an issue mentioned in 1), the Board of Management will be able to use the following options:
    - limit the amount of the issue to the amount of the subscriptions, it being further specified that in the case of an issue of ordinary shares whose primary security is shares, the amount of subscriptions must reach at least  $\frac{3}{4}$  of the issue declared so that this limitation is possible,
    - freely distribute all or part of the unsubscribed securities,
    - freely offer to the public all or part of the unsubscribed securities;
- 5) resolves that the Board of Management may not, without prior authorization from the Shareholders' Meeting, use this delegation of authority from the date of the filing of a third-party tender offer for the shares of the Company until the end of the offer period;
- 6) resolves that the Board of Management will have, within the limits declared above, the powers necessary to set the conditions of the issue or issues, and determine the issue price, as appropriate, to record the completion of the resulting capital increases, to amend the Articles of Association as necessary, to charge, at its sole initiative, the costs for the capital increases against the amount of issuance premiums related thereto and to deduct from this amount the amounts necessary to bring the legal reserve to 1/10 of the new capital after each capital increase, and more generally to do what is necessary in such matters;
- 7) notes that this authorization nullifies any prior authorization with the same object.

## Twenty-sixth resolution

### **Delegation of authority to be granted to the Board of Management to issue ordinary shares and/or capital securities giving access to other capital securities or giving the right to allocation of debt securities and/or securities giving access to capital securities to be issued, with elimination of preferential subscription rights and a mandatory priority period for subscription by public offering**

The Shareholders' Meeting, having reviewed the report of the Board of Management and the special report of the Statutory Auditors and under the provisions of the French Commercial Code and its Articles L. 225-129-2, L. 225-136, L. 225-148 and L. 228-92:

- 1) grants authority to the Board of Management to issue, on one or more occasions, in the amounts and at the times that it deems appropriate, on the French or international market, by public offer, either in euros or in foreign currencies or in any other accounting unit established by reference to a basket of currencies:
  - ordinary shares' and/or
  - capital securities giving access to other capital securities or giving the right to the allocation debt securities, and/or
  - securities giving access to capital securities to be issued.

These securities might be issued as consideration for securities that would be contributed to the Company as part of a public exchange offer on the securities in accordance with the conditions set by Article L. 225-148 of the French Commercial Code.

In compliance with Article L. 228-93 of the French Commercial Code, the securities to be issued might give access to capital securities to be issued by the Company and/or by any other company that owns either directly or indirectly more than half of its capital or of which it directly or indirectly owns more than half of the capital;

- 2) declares the validity of this authorization at twenty-six months, starting from this Shareholders' Meeting;
- 3) the overall nominal amount of shares that may be issued by virtue of this grant of authority cannot be greater than €1.4 million.

To this limit will be added, as necessary, the nominal value of the ordinary shares to be issued to preserve the rights of holders of securities convertible into the Company's capital, pursuant to the law, and as necessary, pursuant to the contractual stipulations specifying other cases of adjustment.

This amount shall be charged to the amount of the limit on the capital increase stipulated in the twenty-seventh resolution.

The nominal amount of debt securities on the Company which may be issued by virtue of this grant of authority may not exceed €1.4 million or its equivalent value in euros as at the date of issuance decision.

This amount shall be charged to the limit for the nominal amount of debt securities stipulated in the twenty-seventh resolution;

- 4) resolves to eliminate the shareholders' preferential subscription right to ordinary shares and securities giving access to capital and/or to debt securities that are covered by this resolution, and to provide for shareholders a mandatory period of priority to the entire issue, which shall be implemented by the Board of Management as required by law;
- 5) resolves that the amount retained or that should be retained, by the Company for each of the ordinary shares issued as part of this authorization, after taking into account, in the case of the issue of warrants, of the issue price of the said warrants, will be at least equal to the minimum required by legal and regulatory provisions applicable at the time when the Board of Management will implement this delegation of authority;
- 6) resolves, when there are securities issued called to compensate securities contributed as part of a public exchange offer, that the Board of Management will have, in the conditions set in Article L. 225-148 of the French Commercial Code and within the limits declared above, the powers necessary to decide on the list of securities contributed for exchange, to set the conditions of issue and the exchange parity as well as any amount of the balance to pay in cash, and to determine the procedures of the issue;
- 7) resolves that if the subscriptions have not absorbed the entirety of an issue mentioned in 1/, the Board of Management will be able to use the following options:
  - limit the amount of the issue to the amount of the subscriptions, it being further specified that in the case of an issue of ordinary shares whose primary security is a share, the amount of subscriptions must reach at least 3/4 of the issue decided so that this limitation is possible,
  - freely distribute all or part of the unsubscribed securities;
- 8) resolves that the Board of Management may not, without prior authorization from the Shareholders' Meeting, use this delegation of authority from the date of the filing of a third-party tender offer for the shares of the Company until the end of the offer period;
- 9) resolves that the Board of Management will have, within the limits set above, the powers necessary to declare the conditions of the issue(s), as appropriate, to record the completion of the capital increases that result from it, to amend the Articles of Association as necessary, to charge, at its sole initiative, the costs for the capital increases against the amount of premiums related thereto and to deduct from this amount the amounts necessary to bring the legal reserve to 1/10 of the new capital after each capital increase, and more generally to do what is necessary in such matters;
- 10) notes that this authorization nullifies any prior authorization with the same object.

## Twenty-seventh resolution

### **Delegation of authority to be granted to the Board of Management to issue ordinary shares and/or capital securities giving access to other capital securities or giving the right to allocation of debt securities and/or securities giving access to capital securities to be issued, with elimination of preferential subscription rights by an offer as targeted in part II of Article L. 411-2 of the French Monetary and Financial Code**

The Shareholders' Meeting, having reviewed the report of the Board of Management and the special report of the Statutory Auditors and under the provisions of the French Commercial Code and in particular its Articles L. 225-129-2, L. 225-136 and L. 228-92:

- 1) grants authority to the Board of Management to issue, on one or more occasions, in the amounts and at the times that it deems appropriate, on the French and/international market, by an offer targeted in part II of Article L. 411-2 of the French Monetary and Financial Code, either in euros or in foreign currencies or in any other accounting unit established by reference to a basket of currencies:
  - ordinary shares and/or
  - capital securities giving access to other capital securities or giving the right to the allocation of debt securities, and/or
  - securities giving access to capital securities to issue.

In compliance with Article L. 228-93 of the French Commercial Code, the securities to be issued might give access to capital securities to be issued by the Company and/or by any other company that owns either directly or indirectly more than half of its capital or of which it directly or indirectly owns more than half of the capital;

- 2) declares this authorization to be valid for twenty-six months, starting from this Shareholders' Meeting;
- 3) the overall nominal amount of the ordinary shares that may be issued by virtue of this authorization cannot be greater than €1.4 million, further specified that it will be moreover limited to 20% of the capital per year.

To this limit will be added, as necessary, the nominal value of the ordinary shares to be issued to preserve the rights of holders of securities convertible into the Company's capital, pursuant to the law, and as necessary, pursuant to the contractual stipulations specifying other cases of adjustment.

This amount shall be charged to the capital increase limit established in the twenty-sixth resolution.

The nominal amount of debt securities on the Company that may be issued by virtue of this delegation of authority may not exceed €1.4 million or its equivalent value as at the date of issuance decision.

This amount shall be charged to the limit of the nominal amount of the debt securities stipulated in the twenty-sixth resolution;

- 4) resolves to eliminate the preferential subscription right of shareholders to ordinary shares and securities convertible to capital and/or to debt securities that are covered by this resolution;
- 5) resolves that the amount retained or that should be retained, by the Company for each of the ordinary shares issued as part of this delegation of authority, after taking into account, in the case of the issue of warrants, of the issue price of the said warrants, will be at least equal to the minimum required by legal and regulatory provisions applicable at the time when the Board of Management will implement this delegation of authority;
- 6) resolves that if the subscriptions have not absorbed the entirety of an issue mentioned in 1/, the Board of Management will be able to use the following options:
  - limit the amount of the issue to the amount of the subscriptions, it being further specified that in the case of an issue of ordinary shares whose primary security is a share, the amount of subscriptions must reach at least  $\frac{3}{4}$  of the issue decided so that the limitation is possible,
  - freely distribute all or part of the unsubscribed securities;
- 7) resolves that the Board of Management may not, without prior authorization from the Shareholders' Meeting, use this delegation of authority from the date of the filing of a third-party tender offer for the shares of the Company until the end of the offer period;
- 8) decides that the Board of Management will have, within the limits set above, the powers necessary to set the conditions of the issue(s), as appropriate, to record the completion of the capital increases that result from it, to amend the Articles of Association as necessary, to charge, at its sole initiative, the costs for the capital increases against the amount of premiums related thereto and to deduct from this amount the amounts necessary to bring the legal reserve to 1/10 of the new capital after each capital increase, and more generally to do what is necessary in such matters;
- 9) notes that this authorization nullifies any prior authorization with the same object.

## Twenty-eighth resolution

### Authorization, in the event of an issue with elimination of the preferential right to subscription, to set the issue price within the conditions determined by the Shareholders' Meeting, within the limit of 10% of the capital per year

The Shareholders' Meeting, having reviewed the report of the Board of Management and the special report of the Statutory Auditors and in compliance with the provisions of Article L. 225-136-1, subparagraph 2, of the French Commercial Code:

- 1) hereby authorizes the Board of Management, that decides on an issue of ordinary shares or securities giving access to capital in application of the twenty-sixth and twenty-seventh resolutions to derogate, within the limit of 10% of the share capital per year, to the conditions of setting the price specified by the above-mentioned resolutions and to set the issue price of the related capital securities to issue according to the following procedures:
 

The issue price of the related capital securities to be issued immediately or on a deferred basis cannot be less than the following, at the choice of the Board of Management:

  - the average weighted price per share of the Company on the day preceding the setting of the issue price less any discount of maximum 5%, or
  - the average of 5 consecutive listed prices of the share chosen among the 30 last market sessions preceding the setting of the issue price less any discount of maximum 5%;
- 2) resolves that the Board of Management may not, without prior authorization from the Shareholders' Meeting, use this delegation of authority from the date of the filing of a third-party tender offer for the shares of the Company until the end of the offer period.

## Twenty-ninth resolution

### Authorization to increase the amount of shares in the case of excess demand

The Shareholders' Meeting, having reviewed the report of the Board of Management and the Statutory Auditors' special report :

- 1) decides that for each of the issues of ordinary shares or securities giving access to capital decided in application of the twenty-fifth to twenty-seventh resolutions, the number of securities to issue may be increased in the conditions specified by Articles L. 225-135-1 and R. 225-118 of the French Commercial Code and within a limit set by the Shareholders' Meeting, when the Board of Management notes an excess demand;
- 2) declares this delegation to be valid for 26 months starting from this Shareholders' Meeting;

- 3) resolves that the Board of Management may not, without prior authorization from the Shareholders' Meeting, use this delegation of authority from the date of the filing of a third-party tender offer for the shares of the Company until the end of the offer period.

## Thirtieth resolution

### Authorization to be granted to the Board of Management to increase capital by the issue of ordinary shares and/or securities giving access to capital, within the limit of 10% of capital to remunerate the contributions in-kind of capital securities or securities giving access to capital

The Shareholders' Meeting, having reviewed the reports of the Board of Management and the Statutory Auditors and in compliance with Articles L. 225-147 and L. 228-92 of the French Commercial Code:

- 1) authorizes the Board of Management to proceed, on the report of the Statutory Auditors, with the issue of ordinary shares or securities giving access to ordinary shares in order to remunerate the contributions in-kind given to the Company and composed of capital securities or securities giving access to capital when the provisions of Article L. 225-148 of the French Commercial Code are not applicable;
- 2) declares this authorization to be valid for twenty-six months, starting from this Shareholders' Meeting;
- 3) resolves that the overall nominal amount of the ordinary shares that may be issued by virtue of this authorization cannot be greater than 10% of the capital on the day of this Shareholders' Meeting, not taking into account the nominal values of the ordinary shares to be issued to preserve, under the law and any contractual stipulations specifying other cases of adjustment, the rights of holders of securities giving access to Company's capital. This limit is independent from all of the limits defined in other resolutions of this Shareholders' Meeting;
- 4) resolves that the Board of Management may not, without prior authorization from the Shareholders' Meeting, use this delegation of authority from the date of the filing of a third-party tender offer for the shares of the Company until the end of the offer period;
- 5) grants full powers to the Board of Management, in order to proceed with the approval of the evaluation of the contributions, to decide on the resulting capital increase, to record its completion, to charge as necessary all of the costs and rights occasioned by the capital increase against the contribution premium, to charge against the contribution premium the amounts necessary to bring the legal reserve to 1/10 of the new capital after each increase and to amend the Articles of Association as necessary, and do whatever is necessary in such a matter;
- 6) notes that this authorization nullifies any prior authorization with the same object.

## Thirty-first resolution

### Authorization to be granted to the Board of Management to allocate bonus shares to the salaried employees (and some corporate officers)

The Shareholders' Meeting, having reviewed the report of the Board of Management and the special report of the Statutory Auditors, authorizes the Board of Management, to proceed, on one or more occasions, under Articles L. 225-197-1 and L. 225-197-2 of the French Commercial Code, with the allocation of ordinary shares of the Company, existing or to issue, to the following:

- members of salaried personnel of the Company or other companies that are directly or indirectly linked to it in the meaning of Article L. 225-197-2 of the French Commercial Code;
- and/or corporate officers who meet the conditions set by Article L. 225-197-1 of the French Commercial Code.

The total number of bonus shares thus allocated cannot exceed 1% of the share capital on the day of this Shareholders' Meeting, further specified that the total number of bonus shares allocated to the Company's corporate officers cannot exceed 0.2% of the share capital within this envelope. The vesting of the bonus shares including for the corporate executive officers shall expressly depend on, under this authorization, compliance with an employment condition and the achievement of one or more performance conditions defined by the Board of Management at the time the Board decides to grant the shares.

The Board of Management will set, in accordance with applicable law, the time of each decision for allocation, the vesting period, the period at the end of which the allocation of shares becomes final. The vesting period cannot be less than one year starting from the date of allocation of the shares.

The Board of Management will set, in accordance with applicable law, at the time of each decision for allocation, the obligatory period for beneficiaries for holding shares of the Company, a period that runs starting from the final allocation of the shares. The holding period cannot be shorter than one year. However in the event that the vesting period is greater than or equal to two years, the holding period cannot be eliminated by the Board of Management.

As an exception, final allocation will occur prior to the term of the vesting period in the case of beneficiary's invalidity corresponding to classification in the second and third categories stipulated in Article L. 341-4 of the French Social Security Code.

Existing shares that can be allocated pursuant to this resolution must be acquired by the Company, either as part of Article L. 225-208 of the French Commercial Code, or as necessary, as part of the share buyback program authorized by the twenty-second Ordinary resolution adopted by this Shareholders' Meeting, pursuant to Article L. 225-209 of the French

Commercial Code or of any share buyback program applicable before or after the adoption of this resolution.

The Shareholders' Meeting acknowledges and decides, in the case of the allocation of bonus shares to be issued, that this authorization includes, for the beneficiaries of allocations of ordinary shares to be issued, the shareholders' waiver of the right to preferential subscription for ordinary shares that will be issued along with the final allocation of the shares, and will also include, as necessary, at the end of the vesting period, a capital increase by incorporation of reserves, benefits or premiums for the beneficiaries of the said allocation of bonus shares and the corresponding shareholders' waiver for the beneficiaries of the bonus shares allocated to the part of reserves, profits and premiums thus incorporated.

Full powers are granted to the Board of Management to:

- set the conditions and, if necessary, the criteria for allocation of the shares;
- determine the identity of the beneficiaries as well as the number of shares allocated to each of them;
- determine the impacts on the rights of the beneficiaries, the transactions modifying the share capital or likely to affect the value of the shares allocated and made during the vesting and holding periods and, consequently, to modify or adjust, if necessary, the number of shares allocated in order to preserve the rights of the beneficiaries;
- determine, within the limits set in this resolution, the duration of the vesting period and, as necessary, of the holding period for the bonus shares allocated;
- as necessary:
  - record the existence of adequate reserves and, at the time of each allocation, make a payment to an available reserve account in the amounts necessary for the release of the new shares to be allocated,
  - decide, at the right time, on the capital increase or increases by incorporation of reserves, premiums or profits correlated with the issue of new bonus shares,
  - proceed with the acquisitions of shares necessary as part of the share buyback program and assign them to the allocation plan,
  - take all useful steps to ensure adherence to the holding obligation required of the beneficiaries,
  - and, generally, to do everything necessary, in accordance with applicable laws, for the implementation of this authorization.

It is given for a period of 38 months starting from the day of this Shareholders' Meeting.

It nullifies any prior authorization with the same object.

## Thirty-second resolution

### **Delegation of authority granted to the Board of Management to increase capital by the issue of ordinary shares and/or securities giving access to capital with elimination of preferential subscription rights reserved for members of a company savings plan in application of Articles L. 3332-18 *et seq.* of the French Labor Code**

The Shareholders' Meeting, having reviewed the report of the Board of Management and the special report of the Statutory Auditors, ruling in application of Articles L. 225-129-6, L. 225-138-1 and L. 228-92 of the French Code of Commerce and L. 3332-18 *et seq.* of the Labor Code:

- 1) Grants authority to the Board of Management, if it deems necessary and at its sole discretion, to increase capital on one or more occasions by the issue of ordinary shares or securities convertible to capital securities to issue by the Company for members in one or more company or group savings plans created by the Company and/or the French or foreign companies linked to it in the conditions defined in Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the Labor Code;
- 2) Eliminates for these persons the preferential subscription right to shares that may be issued by virtue of this authorization;
- 3) Declares the duration of this delegation at 26 months starting from this Shareholders' Meeting;
- 4) Limits the maximum nominal amount of the increase or increases that can be made with this delegation to 1% of the amount of the share capital reached at the time of the decision of the Board of Management to make this increase, this amount being independent from any other limit planned with respect to the authorization for capital increase. To this amount will be added, as necessary, the

additional amount of ordinary shares to issue in order to preserve, under the law and any applicable contractual stipulations specifying other adjustment cases, the rights of holders of securities convertible to capital securities of the Company;

- 5) Resolves that the price of the shares to issue, in application of 1/ of this delegation cannot be less by more than 20%, or 30%, when the duration of unavailability specified by the plan and in application of Articles L. 3332-25 and L. 3332-26 of the French Labor Code is greater than or equal to 10 years, than the average of the first listed prices of the share in the 20 market sessions preceding the decision of the Board of Management for the capital increase and the corresponding issue of shares, nor greater than that average;
- 6) Resolves, in application of the provisions of Article L. 3332-21 of the French Labor Code, that the Board of Management may allocate to the beneficiaries defined in the first paragraph above, at no cost, shares to issue or already issued or of other securities convertible to capital in the Company to issue or already issued, for (i) the matching contribution that may be paid in application of the payments of the company or group savings plans, and/or (ii), possibly, for a discount;
- 7) Notes that this delegation nullifies any prior delegation with the same object.

The Board of Management may or may not implement this delegation, take any steps and carry out any necessary formalities.

## Thirty-third resolution

### **Powers for formalities**

The Shareholders' Meeting grants all powers to the bearer of an original, a copy or an excerpt of these minutes for the purposes of carrying out all the filing or registration formalities required by law.

## 8.5 Description of the share buyback program

Euler Hermes Group, a company listed on Euronext Paris (compartment A), wishes to retain a share buyback program. With this objective in mind, the twenty-second resolution to be submitted to the Combined Shareholders' Meeting on May 25, 2016 will seek authorization to implement a new share buyback program, in accordance with Article L. 225-209 of the French Commercial Code, regulation no. 2273/2003 of the European Commission of December 22, 2003 taken in application of

Directive 2003/6/EC of January 28, 2003 and Articles 241-1 to 241-6 of the general regulations of the *Autorité des Marchés Financiers* (AMF).

This program will replace the existing program set up by the Combined Shareholders' Meeting of May 27, 2015, which authorized the Board of Management of Euler Hermes Group to use all means to buy back the Company's own shares.



## Date of the Shareholders' Meeting called to authorize the new share buyback program

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The new share buyback program will be submitted for approval to the Combined Shareholders' Meeting to be held on May 25, 2016.

## Number of shares and proportion of share capital held directly or indirectly by the Company

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The total number of shares held directly by Euler Hermes Group as at March 31, 2016 amounts to 1,124,637 (i.e. 2.48% of the share capital).

Euler Hermes group holds no shares indirectly.

## Nature of share capital held

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The share capital can be placed within three categories as at March 31, 2016:

- 10,000 treasury shares to be granted to employees and management of the Company and its subsidiaries as a reward for their participation in the expansion of the Company or as part of a share purchase plan, the free granting of existing shares or a company savings scheme;
- 1,113,637 shares to be used in swap operations within the framework of external growth operations or in the event of share issues giving access to the Company's capital;
- 1,000 shares used as part of a liquidity contract concluded with Rothschild & Cie Banque.

## The aims of the new share buyback program

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The share buybacks will be authorized with a view to:

- stimulating the secondary market or the liquidity of Euler Hermes Group's stock through the use of an independent investment professional via a liquidity contract that is in accordance with the ethics charter of the AMAFI, as recognized by the AMF;
- holding the purchased shares in reserve for later use as payment or in a share swap as part of any acquisition transaction, it being specified that the shares acquired for this purpose may not exceed 5% of the Company's share capital;
- covering share purchase plans and/or bonus share plans (or similar plans) for the benefit of employees and/or corporate officers of the Group, and any allocation of shares in respect of a Company or Group savings plan (or similar plan), in respect of employee profit-sharing and/or any other form of share allocation to the employees and/or corporate officers of the Group;
- covering securities granting entitlement to the allocation of Company shares pursuant to applicable regulations;
- potentially canceling purchased shares, pursuant to the authorization granted by the twenty-third extraordinary resolution of the Combined Shareholders' Meeting of May 25, 2016.

These share purchases may be carried out by any means, including via the acquisition of blocks of securities and at the times that the Board of Management deems appropriate, it being specified that the share of the program that may be carried out by negotiating blocks of shares is unlimited.

These transactions may be carried out during a public offer in accordance with the regulations in force.

## Maximum proportion of share capital to be acquired and the maximum number of shares that can be purchased, the nature of shares that can be bought back and maximum purchase price

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### 1 Maximum proportion of share capital to be acquired by Euler Hermes group

Under the terms of this new program, the Board of Management is authorized to buy back Company shares within the limit of 10% of the number of shares making up the Company's share capital, adjusted, where necessary, to account for any capital increase or reduction that may occur during the program. The number of shares taken into account to calculate this limit corresponds to the number of shares purchased less the number of shares resold during the program as part of the purpose of liquidity.

In accordance with the law, Euler Hermes Group undertakes not to buy back, either directly or indirectly, more than 10% of its capital (consisting of 45,342,177 shares as at March 31, 2016).

In accordance with Article L. 225-210 of the French Commercial Code, the number of shares that Euler Hermes Group will hold at any given time must not exceed 10% of the total shares making up the Company's share capital on that date.

Based on the number of shares already held, i.e. 1,124,637 shares as at March 31, 2016 (2.48% of the share capital), and dependent on eventual adjustments to the Company's share capital following the Combined

Shareholders' Meeting of May 25, 2016, the buybacks may not exceed 3,409,580 shares (7.52% of the share capital), unless to sell or cancel shares already held.

### 2 Characteristics of the shares concerned

- Nature of the bought-back stock: ordinary shares.
- Code: ELE.
- ISIN code: FR 0004254035.

### 3 Maximum purchase price

In accordance with the twenty-second resolution proposed at the Combined Shareholders' Meeting of May 25, 2016, the maximum purchase price (excluding expenses) for the new share buyback program is set at € 140 per share.

Note also that the maximum sum that Euler Hermes Group may commit to this program will be € 634,790,380 in accordance with the twenty-second resolution to be submitted to the Combined Shareholders' Meeting of May 25, 2016.

## Duration of the program

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In accordance with the twenty-second resolution submitted to the Combined Shareholders' Meeting on May 25, 2016, the program will last no longer than eighteen months from the date of the above-mentioned meeting and must therefore terminate no later than November 24, 2017 or a new date determined by an Ordinary Shareholders' Meeting held before that date.





# 9

## Additional information

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## 9.1 Person responsible for the Registration Document

Wilfried Verstraete, Chairman of the Board of Management.

## 9.2 Declaration of person responsible

I declare, having taken all reasonable measures to this effect and to the best of my knowledge, that the information contained in this Registration Document is correct and true and that there are no omissions that might alter the scope of the document.

I declare, to the best of my knowledge, that the accounts have been compiled in accordance with applicable accounting standards and that they provide an accurate reflection of the assets, the financial position and the earnings of the Company and all the companies in the consolidation group, and that the management report, the different sections of which are mentioned in section 9.6.1 of this Registration Document, presents an accurate picture of the business trends, the results and the financial position of the Company and all the companies in the consolidation group and a description of the main risks and uncertainties that these companies are confronted with.

I have received from the Statutory Auditors a letter of completion attesting that they have verified all information related to the financial position and accounts provided in this Registration Document and that they have read the entire document.

The consolidated historical financial information for the financial year ended December 31, 2013, presented in the 2013 Registration Document, is the subject of report by the independent auditors which contains an observation presented on page 198.

Paris, April 13, 2016

Wilfried Verstraete

Chairman of the Board of Management

## 9.3 Independent auditors

### 9.3.1 Statutory Auditors

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#### EXCO Paris Ace SA

5 avenue Franklin-Roosevelt  
75008 Paris, France

Represented by Alain Auvray.

Please note that following the change of the company name, ACE Auditeurs et Conseils d'Entreprise has become since 1 December 2015, EXCO Paris Ace SA.

EXCO Paris Ace is registered with the Paris Regional Auditors Office (*Compagnie régionale des Commissaires aux comptes de Paris*).

The Shareholders' Meeting of May 20, 2011 renewed the mandate of EXCO Paris Ace, as the Statutory Auditor for a period of six years, ending at the Shareholders' Meeting approving the financial statements for the year ended December 31, 2016. Since 2015 the company, Exo Paris Ace, has been represented by Alain Auvray.

#### KPMG AUDIT FS II

Tour EQHO  
2 avenue Gambetta  
92066 Paris-La Défense Cedex, France

Represented by Xavier Dupuy.

KPMG AUDIT FS II is registered with the Versailles Regional Auditors Office (*Compagnie régionale des Commissaires aux comptes de Versailles*).

The Shareholders' Meeting of May 20, 2011, as a replacement for KPMG SA, appointed KPMG AUDIT FS II as the Statutory Auditor for a period of six years, ending at the Shareholders' Meeting approving the financial statements for the year ended December 31, 2016. Since September 2012, KPMG AUDIT FS II has been represented by Xavier Dupuy.

## 9.3.2 Deputy Statutory Auditors

### Emmanuel Charrier

5 avenue Franklin-Roosevelt  
75008 Paris

Deputy Statutory Auditor for EXCO Paris Ace, Emmanuel Charrier is registered with the Paris Regional Auditors Office.

The Shareholders' Meeting of May 20, 2011 renewed the mandate of Emmanuel Charrier as Deputy Statutory Auditor for EXCO Paris Ace, for a period of six years, ending at the Shareholders' Meeting approving the financial statements for the year ended December 31, 2016.

### KPMG AUDIT FS I

Tour EQHO  
2 avenue Gambetta  
92066 Paris-La Défense Cedex

Deputy Statutory Auditor for KPMG AUDIT FS II, KPMG AUDIT FS I is registered with the Versailles Regional Auditors Office.

The Shareholders' Meeting of May 20, 2011, as a replacement for SCP Jean-Claude André et Autres, appointed KPMG AUDIT FS I as Deputy Statutory Auditor for KPMG AUDIT FS II for a period of six years, ending at the Shareholders' Meeting approving the financial statements for the year ended December 31, 2016.

## 9.3.3 Independent auditors' fees

In accordance with Article 222-8 of the general regulations of the AMF, please refer to Note 34 ("Auditors' fees") of the consolidated financial statements in sub-section 5.6 of this Registration Document, which contains a table outlining the total fees paid by Euler Hermes Group to

each of the Group's independent auditors, and which distinguishes between the fees related to the auditors' legal duties and the due diligence related to these duties, and the fees paid for other services.

## 9.4 Documents available to the public

The following documents can be consulted at Euler Hermes Group's registered office (Legal department) the address which is mentioned in sub-section 7.1.1 up until the publication of the next Registration Document:

- the Articles of Association;
- reports and other documents drawn up by experts at the Company's request, extracts from which are included or referred to in this Registration Document;
- the parent company and consolidated financial statements of the Company for each of the two financial years preceding the publication of the current Registration Document.

## 9.5 Glossary

**Acquisition cost:** the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition.

**Amortized cost:** the amortized cost of a financial asset or financial liability is the amount at which the financial instrument is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount.

**Available-for-sale (AFS) investments:** available-for-sale investments are securities which are neither held to maturity nor have been acquired for sale in the near term; available-for-sale investments are carried at fair value in the balance sheet.

**Business combination:** a business combination is a transaction or event in which an acquirer obtains control of one or more businesses. Business combinations are accounted for using the acquisition method.

**Bond:** a bond is a negotiable debt security representing a fraction of a loan issued by a company, public sector entity or state. Bondholders are repaid before shareholders if the issuing company goes bankrupt. However, bondholders are not entitled to any of the rights attached to shares (rights to earnings and the right to manage the company via voting rights).

**Broker:** an independent intermediary who canvasses companies in order to offer them a credit insurance policy. Brokers advise policyholders during the implementation of the policy or agreement and in its day-to-day administration.

**Capital increase:** when a company needs funds, it may make a capital increase. It offers the opportunity, notably to existing shareholders, to subscribe to new shares at a given price.

**Cash flow statement:** statement showing movements of cash and cash equivalents during a reporting period, classified by three types of activity; operating activities, investing activities and financing activities.

**Cash pooling:** centralized cash management method which consists in combining a group's bank accounts in a single cash position. The goal is to optimize cash requirements and surpluses; it may be domestic or international, notional or involve the actual transfer of funds.

**CET:** time-saving plan (*compte épargne temps*) used by employees to set aside accrued leave.

**Claim:** situation in which a risk is realized. This entitles the policyholder to compensation and triggers the compensation mechanism provided for in the credit insurance policy.

**Collection:** extra-judicial and/or judicial procedure conducted by the Group to secure payment of a receivable by the debtor.

**Combined ratio:** sum of the expense ratio and the loss ratio.

**Contingent liabilities:** financial obligations not shown as liabilities on the balance sheet because the probability of a liability actually being incurred is low. Example: guarantee obligations.

**Cox Ross Rubinstein model (CRR):** simplified binomial model used for valuation of option plans.

**Credit insurance:** a technique whereby a company protects itself against the risks of non-payment of its trade receivables.

**Credit risk:** the risk of a loss incurring due to a counterpart's deterioration of credit quality or its default.

**Deferred acquisition costs:** expenses of an insurance company which are incurred in connection with the acquisition of new insurance policies or the renewal of existing policies. They include commissions paid, underwriting expenses and policy issuance costs.

**Deferred tax assets/liabilities:** the calculation of deferred taxes is based on tax loss carry forwards, tax credit carry forwards and temporary differences between the carrying amounts of assets or liabilities in the published balance sheet and their tax base, and on differences arising from applying uniform valuation policies for consolidation purposes. The tax rates used for the calculation are the local rates applicable in the countries of the entities included in the consolidation; changes to tax rates already adopted on the balance sheet date are taken into account.

**Defined benefit plans:** for defined benefit plans, the participant is granted a defined benefit by the employer or via an external entity. In contrast to defined contribution arrangements, the future cost of a defined benefit to the employer plan is not known with certainty in advance. To determine the expense over the period, accounting regulations require that actuarial calculations are carried out according to a fixed set of rules.

**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 and does not participate in the investment success of the contributions.

**Dilutive effect:** effect that decreases earnings per share (for example by increasing the number of shares).

**Dividend:** the portion of a company's earnings attributable to the shareholder. A distinction is made between the net dividend, i.e. the amount actually paid by the Company to the shareholder, and the gross dividend, which also includes the tax credit.

**Earnings per share (basic/diluted):** ratio calculated by dividing the net income for the year attributable to shareholders by the weighted average number of shares outstanding. For calculating diluted earnings per share the number of shares and the net income for the year attributable to shareholders are adjusted by the dilutive effects of any rights to subscribe for shares which have been or can still be exercised. Subscription rights arise in connection with participation certificates and share based compensation plans.

**Equity method:** the equity method is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets.

**Expense ratio:** contract acquisition expenses, administration expenses and service margin as a proportion of earned premiums. The service margin corresponds to service revenues less other ordinary operating income and expenses. It can be in "gross terms" i.e. before reinsurance, or "net terms" which includes the reinsurance commission.

**Fair value:** the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**FTE:** Full-Time Equivalent.

**Functional currency:** the functional currency is the prevailing currency in the primary economic environment where the subsidiary conducts its ordinary activities.

**Hedging:** the use of special financial contracts, especially derivative financial instruments, to reduce losses which may arise as a result of unfavourable movements in rates or prices.

**Held for sale:** a non-current asset is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use. On the date a non-current asset meets the criteria as held for sale, it is measured at the lower of its carrying amount and fair value less costs to sell.

**Held-to-maturity (HTM) investments:** held to maturity investments comprises debt securities held with the intent and ability that they will be held-to-maturity. They are valued at amortized cost.

**IAS:** International Accounting Standards.

**IFRS:** International Financial Reporting Standards. Since 2002, the designation IFRS applies to the overall framework of all standards approved by the International Accounting Standards Board (IASB). Already approved standards will continue to be cited as International Accounting standards (IAS).

**Indemnification:** reimbursement by the Group of losses sustained by a policyholder as the result of the insolvency of one or more of its customers provided they are covered by an existing policy.

**Index:** instrument used to measure and compare the performance of shares or bonds.

**Insolvency:** legally recognized incapacity of the debtor to meet his or her commitments and, as such, to pay his or her debt.

**Loss ratio:** claims costs from all attachment years as a proportion of earned premiums. It can be in "gross terms" i.e. before reinsurance, or "net terms" which includes the part ceded to the reinsurers.

**Margin to be constituted:** regulatory amount to be constituted, in addition to technical reserves, to ensure that commitments towards the Group's clients are met.

**Market capitalization:** a company's stock market value. It is calculated by multiplying the share price by the number of shares comprising share capital.

**Market value:** the amount obtainable from the sale of an investment in an active market.

**Merger premium:** premium equal to the difference between the capital increase of the acquiring company and the contribution of the acquired company.

**Net book value:** a company's net assets or total assets less total debts. In some respects, it represents a company's value. It can be calculated for the parent company (net book value) or for an entire group of companies (consolidated net book value).

**Non-controlling interests:** those parts of the equity of affiliates which are not owned by companies in the Group.

**Pension and similar obligations:** reserves for current and future post-employment benefits formed for the defined benefit plans of active and former employees. These also include reserves for health care benefits.

**PER:** price-earnings ratio, ratio of the share price to earnings per share. It is also referred to as the capitalization multiple.

**Permanent difference:** difference between accounting and tax rules that has no impact on the subsequent years' taxable profit.

**Policy:** credit insurance contract between the Group and the policyholder.

**Premium:** amount paid by the policyholder to the insurance company in exchange for risk coverage. A distinction is made between:

- written premiums: the amount billed during the period to cover the risks under the contract;
- earned premiums: the portion of the premium written during the period or earlier corresponding to the coverage of risks during the period concerned; and
- unearned premiums: premium written attributable to income of future years. The amount is calculated separately for each policy and for every day that the premium still has to cover.

**Prevention:** process by which the policyholder may, based on information provided by the Group on the solvency of its customers, select its customers and reduce its own losses.

**Proprietary information:** information prepared by Group companies and owned exclusively by the Group. It is a guarantee of the service quality offered to its clients.

**Receivables management:** suite of services offered to companies aimed at ensuring the collection of receivables after invoicing to the debtor and up to the litigation phase, where applicable.

**Reinsurance:** transaction whereby an insurance company self-insures with a third party (the reinsurer) against some of the risks that it has guaranteed, in exchange for the payment of a premium.

**Reinsurance commission:** the commission paid by the reinsurer to the ceding company on reinsurance agreements as compensation to place the business with the reinsurer and to cover the ceding company's acquisition expenses.

**Retained earnings:** in addition to the reserve required by law in the financial statements of the Group parent company, this item consists mainly of the undistributed profits of Group enterprises and amounts transferred from consolidated net income.

**Risk:** object of the insurance, probability of a claim occurring.

**Risk appetite:** the level of risk that an organization is prepared to accept, before action is deemed necessary to reduce it. Risk appetite is therefore clearly and comprehensively defined by using target and minimum risk indicators, (quantitative) limit systems, or adequate policies, standards and guidelines to determine the “boundaries” of the Group’s business operations.

**RSU (Restricted Stock Units):** compensation offered by an employer to an employee in the form of company stock. The stock awarded becomes transferrable to the employee upon the satisfaction of certain conditions, such as continued employment for a period of time or/and the achievement of financial targets.

**SAR (Stock Appreciation Rights):** a right, usually granted to an employee, to receive a bonus equal to the appreciation in the Company’s stock over a specified period. The employee receives the amount of the increase in cash or stock.

**Service revenues:**

- information services: researches and analysis carried out to provide our policyholders with the required credit insurance cover, and monitoring of the solvency of their customers;
- collection services: extra-judicial and/or judicial procedure conducted by the Group to secure payment of a receivable from the debtor.

**Share premium:** as part of a capital increase, the premium is the difference between the subscription amount (valuation of the Company) and the nominal value of share capital. The share premium forms part of a company’s shareholders’ equity.

**Shares in associated enterprises:** long-term investments that are deemed to contribute to the Company’s business, particularly because they enable the Company to influence the management or assume control of the enterprise concerned.

**Solvency margin:** ratio between the items constituting the margin and the margin to be constituted.

**Stock option:** options to purchase or subscribe stock at a fixed price, usually distributed to executives of a company to give them a vested interest in increasing the Company’s value.

**Sums recovered:** all collections after indemnification, when the insurance company takes over the policyholder’s rights to receivables that are insured and have been indemnified.

**Surplus claims reserve before reinsurance:** the difference between the estimated final cost of claims at the end of the first year and the actual estimate for a given year of occurrence. The difference is calculated before reinsurance.

**Sustainable development:** launched in 1987 by the Brundtland Commission of the United Nations, this concept is based on the precept that we should “meet the needs of the present without compromising the ability of future generations to meet their own needs.” When applied to a company, a sustainable-development policy assumes the simultaneous pursuit of three objectives: “economic growth, preservation of the environment and social well-being.”

**Tax proof:** reconciliation of the total tax expense, as shown in the consolidated income statement, with the theoretical tax expense.

**Technical reserves:** amount of an insurer’s commitments to its clients. They appear as liabilities in the balance sheet.

**Technical result:** sum of the turnover, the claims costs, the operating expenses (acquisition costs, administrative expenses and service expenses) and the reinsurance result.

**Temporary differences:** differences between the accounting and tax rules that has an impact on the subsequent years’ taxable profit.

**Turnover:** sum of gross earned premiums and service revenues.

## 9.6 Cross-reference tables

### 9.6.1 Management report of the Board of Management – Cross-reference table

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This Registration Document contains all the elements of the management report of the Euler Hermes Group Board of Management required by Articles L. 225-100 and L. 225-100-2 of the French Commercial Code.

Please find hereafter references to the extracts from the Registration Document corresponding to the different parts of the management report as approved by the Company's Board of Management.

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## 9.6.2 European regulation of April 29, 2004 – Cross-reference table

Please find hereafter references to the extracts from the Registration Document corresponding to main information required by appendix 1 of the European regulation n°809/2004 dated 29 April 2004.

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### 9.6.4 Annual financial report – Cross-reference table

This Registration Document integrates all elements of the annual financial report mentioned in section I of Article L. 451-1-2 of the Monetary and Financial Code and in Article 222-3 of the general regulations of the AMF.

Please find below references to the extracts from the Registration Document corresponding to the different sections in the annual financial report.

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# **2016 FINANCIAL CALENDAR**

**2016 FIRST QUARTER FINANCIAL RESULTS**

**04/29/2016**

**SHAREHOLDERS' MEETING**

**05/25/2016**

**2016 FIRST HALF YEAR FINANCIAL RESULTS**

**08/02/2016**

**2016 THIRD QUARTER FINANCIAL RESULTS**

**11/08/2016**

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