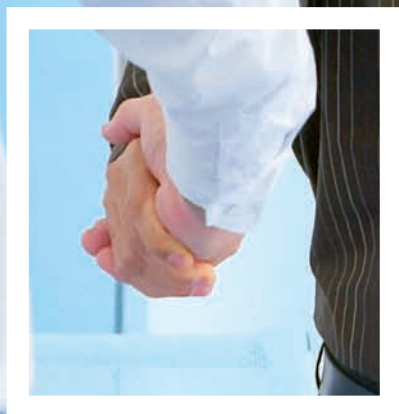


Caring for our clients
Investing in the future



ANNUAL REPORT 2009



DUCROIRE | DELCREDERE
CREDIT INSURANCE

Profile

Mission

At Ducroire | Delcredere our mission is to cover our clients against the short-term payment risks attached to domestic and international business and thus support economic growth and the financing of global trade. We aim to do this by providing a bespoke service, adapted to the needs and the distinctive business strategy of each client, large or small.

Business Scope

We insure European companies against the political and commercial risks attached to trade. Our support for our clients is founded upon a deep understanding of business conditions in markets around the world.

We deliver the risk protection that shields companies from the payment problems that can undermine the success of their activity both in overseas markets and those closer to home.

We also issue contractual and legal bonds, and we are active in specialist reinsurance.

Ducroire | Delcredere has the expertise and risk appetite to strongly support trade with a wide range of developing and emerging economies. We have long-standing experience of local conditions in countries on all continents, and we appreciate the political and economic factors that affect the functioning of trade and levels of payment risk.

We closely monitor the business climate and the performance of individual companies. Rigorous analysis of market conditions is key.

At the same time, we work with our clients to understand the full context for their trading relationships and provide sustained support for their growth and development, through good times and bad.

Our own skills are complemented by those of our partner credit insurance companies KUPEG, GARANT and INGOSSTRAKH ONDD. To strengthen the level of service that we provide to our customers, we have extended our branch network to Germany, Europe's largest economy and a major source of exports.

Ducroire | Delcredere is experienced in assessing political and corporate risks worldwide. We have particular expertise in providing cover for trade in markets where conditions are complex and uncertain; we have the capacity and skills to underwrite such difficult exposures.

Caring for our clients

Although the difficult economic situation has forced us to impose some restrictions on our cover, we have sought to maintain our support wherever possible and to implement essential changes gradually.

Investing in the future

Our strength in personnel complements our financial solidity. We have the experienced and capable people to cope with resurgent demand for cover from our clients, as trade rebuilds after the downturn.

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From left to right:

Paul BALTHASART, head of reinsurance

Jef VINCENT,
head of underwriting and credit information

Jean-Paul STEENBEKE,
deputy head of sales and marketing

Karin DEESEN, deputy Chief Executive Officer

Yves WINDELINCX, Chief Executive Officer

Dirk TERWEDUWE,
deputy Chief Executive Officer

Jean-Pierre PAUWELS, Chairman of the board
of directors

Message from the Chairman

At Ducroire | Delcredere we have a distinctive view of what a credit insurer should be. We build a direct relationship with every customer; we have capacity for emerging market risk and we are determined to support customers through bad times as well as good.

Our industry has been facing a challenge almost without precedent: the most serious global economic downturn for more than half a century.

World trade slumped by 12 per cent in the nine months to June 2009. The aftershocks are still being felt in countries from Ukraine to Argentina, and even Greece. Developing and emerging economies – the core of our risk portfolio – have not been spared the pain.

We believe that Ducroire | Delcredere has passed this test. Our business vision, with its focus on customer loyalty and global risk appetite, supported by rigorous analysis and our strong solvency, has proved appropriate for these difficult times.

Certainly, we incurred a loss during 2009. It would have been strange if we had not; it is our job to protect our clients from unexpected trade payment default.

But we also remained mindful of our obligation to conserve our financial base and protect the interests of our reinsurers. That self-discipline will enable us to continue supporting our customers as world trade recovers and their business returns to a growth path.

Wherever possible, we continued to provide cover for our clients through the crisis, so that they could maintain the business activity that they have built up over years of hard work; we did not make indiscriminate cuts in support. Where economic conditions were so poor that we were forced

to suspend general cover, we still sought to identify individual trading relationships that could be insured.

We took vigorous steps to control risk, insisting that cover decisions must be based on fresh financial information about buyers. In the second half of the year we began to feel the benefit of these measures and the flow of claims slowed markedly.

We have diversified our income, establishing a German branch and developing surety business and inwards reinsurance.

Ducroire | Delcredere has also taken majority control of the Czech credit insurer KUPEG, enhancing our coverage of central and eastern Europe. But we have prudently accepted the exceptional cost of a downward valuation of this asset.

The strategy we have developed for our credit insurance business is based on a strong equity and reinsurance shield, a clear identity as a European company and a strong focus on the underwriting of emerging and developing market risks – where we have distinctive market-leading expertise.

We believe that this strategy remains valid. It is the most effective way for us to both provide good service to our clients and enhance the financial position of our company.

Looking forward, we are building on the opportunities that lie before us through a sustained investment in buyer risk modelisation, information

technology systems, the recruitment of new staff and the consolidation of our international network.

Our owner, the Belgian export credit agency ONDD, has paid the final EUR 50 million of our subscribed capital. For the fourth successive year our existing reinsurers have renewed their support, and we have also attracted new reinsurers.

After a challenging year we wish to thank our clients, our shareholder, our reinsurers and our staff for their commitment to Ducroire | Delcredere and their confidence in our vision for the future growth and development of our business.



Jean-Pierre PAUWELS
Chairman of the board of directors



From left to right:
Karsten KOCH, underwriter
Frank SIMON, account manager
Jürgen SCHNORRENBARGER, account manager
Christoph WITTE, director

Highlight of the year

We continue to develop our international network and Europe's largest economy, a major global exporter, offers great scope for the development of our credit insurance business. Our ability to cover open account risk, particularly on buyers in emerging and developing countries, is a crucial selling point as we offer our insurance services to German industrial groups, traders and smaller businesses trading around the world.

Having established local operations in the British and French markets over the past three years, Ducroire | Delcredere has set up a branch in Germany. With exports totalling almost EUR 1,000 billion, this country represents the world's largest potential market for credit insurance.

"The management of payment risk in trade with emerging and developing countries is at the very heart of our professional expertise," says Christoph Witte, the director of our German branch. "Our local team is able to be flexible and creative in designing tailor-made solutions to meet the needs of its customers, whether this concerns negotiation over the conditions attached to the insurance policy or personal direct contact between the German business client and the Ducroire | Delcredere underwriter who is dealing with the cover for their sales."

Our presence on the ground with the new branch is a reflection of our belief in the need to be close to the client and provide a personalised service. For Ducroire | Delcredere the branch network has played a fundamental role in the development of turnover at, because of the limited size of the Belgian market. Geographical expansion also contributes to the diversification of the company's risk portfolio.

Germany is of course a neighbour to Belgium and the two countries have

linguistic connections. However, the principal reason for our decision to open a branch is the importance of exports within the economy.

We chose to establish the branch office in Wiesbaden because there are many large potential customers in the surrounding region and because the proximity of Frankfurt means that there are excellent air, road and rail links, facilitating visits to customers and brokers.

"Our arrival in the German market is well-timed: both potential client firms and the broking community have particularly welcomed our decision to launch operations in spite of the ongoing economic crisis. As a newcomer we have been able to offer valuable additional credit insurance capacity," notes Mr. Witte.

So Ducroire | Delcredere is positioning itself increasingly as a European player in the credit insurance arena. Some 53% of our turnover comes from countries other than Belgium.

Our presence on the ground with the new branch in Germany is a reflection of our belief in the need to be close to the client and provide a personalised, bespoke service

53%

of our turnover comes from countries other than Belgium.

“Rapid delivery times are a key selling point for CEREC and we cannot afford to wait for customers to open documentary credits before we buy raw materials and start work,” says factory director Christian Vins.

“Ducroire | Delcredere spares us such problems by assessing the buyer and country risks and setting a credit limit, before we begin production. We have trained our network of local sales agents to collect financial information on buyers – which helps our Ducroire | Delcredere underwriter assess the risks we face – and to chase up overdue payments.” In dealing directly with the underwriter CEREC has developed a “relationship of confidence”, explains Vins.

“Ducroire | Delcredere was prepared to extend cover for my largest order of 2009

– from a company in the Russian oil industry – on the basis of past payment experience, although full balance sheets and financial results for the buyer were not available. Everyone plays to their strengths: I took an industrial risk in agreeing to carry out a technically complex production process, to meet the highly specific needs of the client. Meanwhile, our credit insurer was ready to support us by covering the risk of non-payment.”

The insurer’s flexibility is also a key plus for Vins. “Our policy covers sales to emerging markets, but the opportunity arose to make a sale in Europe. Ducroire | Delcredere proved ready to look at this, ultimately granting cover because the final customer for the goods was in fact in the Middle East.” CEREC regularly encounters payment delays, because its customers often cannot pay until they are paid by their own buyers. “Our agents seek to resolve these problems through negotiation rather than legal action,” says Vins. “These are tough times for all of us. But Ducroire | Delcredere helps us maintain our trading relationships with customers through its readiness to back us in granting extra time for payment; and it always consults us before taking the ultimate step of launching legal action to recover unpaid debts.”



CEREC has specialised in the production of pressed metal heads for containers

such as industrial boilers, tanks and pressure vessels. Most are tailor-made, under large one-off contracts, to meet the widely varying technical requirements of individual clients. “Metal pressing is a highly skilled business and people here take pride in a job well done.”

The 103 years old Compagnie d'Emboutissage de Recquignies is among the main employers in a region of deep-rooted industrial traditions, explains plant director Christian Vins, based in the north of France, near Maubeuge. With a EUR 40 million turnover, the firm is one of the world leaders in its niche sector. Some 60% of all output is exported to emerging and developing markets.



Fernando CORPAS (our Paris-based account manager),
Christian VINS (our client) and
Didier NICAISE (our Brussels-based account manager)

Despite the crisis, my credit insurer has not left us to face the risks alone. So we have been able to continue our procurement, production and delivery operations as normal



Caring for our clients

We are able to offer greater self-underwriting autonomy

and greater support to those client companies who can demonstrate that they have the skills and the commitment to sustain a rigorous internal approach to the management of risk in their trading relationships.

Where we have had to suspend cover, we have used our detailed knowledge of the conditions in individual countries to look at where we could make exceptions for the key accounts.

We have developed an extended exposure recycling system,

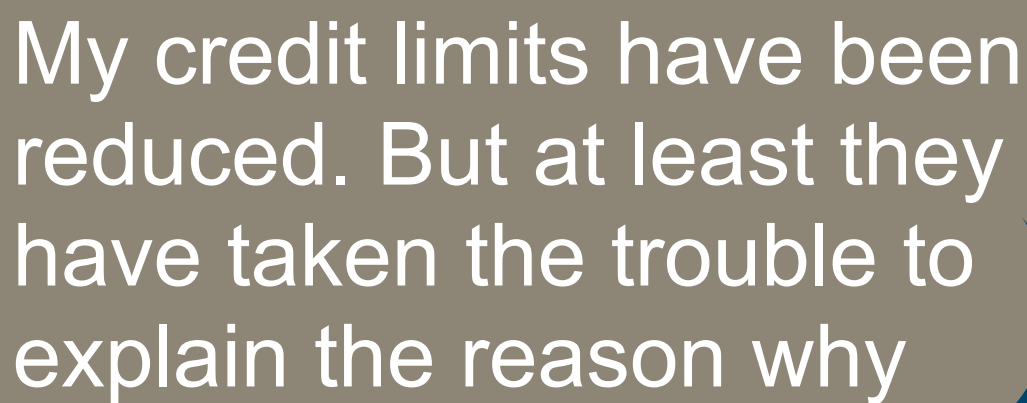
which is often the most effective way of recovering delayed payments and protecting future business prospects.

Especially in the current global crisis, many buyers run into payment problems because of the wider liquidity squeeze or banks' reluctance to maintain normal funding, rather than because of any fundamental flaw in the operation of their business.

Ducroire | Delcredere S.A. N.V. supports its clients through good times and bad.

We are always anxious to know the views of our clients – and particularly at a time when we have had to take a more precautionary approach in covering business in a number of countries. The most effective way to retain their loyalty, as customers, is for us to understand what they are seeking from their credit insurer, and to act on what we learn.

Responses to our customer survey tell us that our way of doing business has proved highly effective. We know each customer and how they operate. In particular, we ensure that we understand their approach to credit management. Our account managers and our underwriters aim to maintain a continuous dialogue with clients, although it may not always be possible to provide absolutely everything that they ask for, especially during a period of global economic crisis.



My credit limits have been reduced. But at least they have taken the trouble to explain the reason why



Veerle VYVERMAN (our account manager) and **Nasser MROUE** (our client)

During the early years of this business, I didn't feel the need to take out credit insurance. But I changed my attitude once I realised the level of risk to which I had left the balance sheet exposed



Nira is a specialist steel trader,

a Belgian SME whose principal markets are tropical African states, such as Angola, Congo (Brazzaville), Gabon and Mali. Managing director Nasser Mroue has steadily built up sales to more than EUR 25 million a year, despite tough competition from some of the sector's largest firms. Mr. Mroue attributes Nira's success to a strong supply network, experience in overcoming logistical challenges, reliability, keen pricing and – not least – effective credit management. This really matters: the company's African customers have been spared the worst of the global crisis but have seen the value of their stocks eroded by last year's fall in steel prices.



To remain competitive in the steel market Nira often has to agree credit periods of up to 180 days to its customers – who are themselves mostly wholesalers dependent on a flow of payments from their own clients. For example, managing director Nasser Mroue knows that the payments for the steel Nira has supplied for some large infrastructural projects in West Africa will in fact depend directly on the flow of payments received by the construction firms to which these projects have been awarded.

“To limit the risks we face, I get to know my clients well. I don't push for headlong sales growth, which would mean expanding too rapidly and with too much risk,” says Mr. Mroue. “During the early years of this business, I didn't feel the need to take out credit insurance. I thought that when I made credit decisions, I could rely on my own past experience of handling payment issues. But I changed my attitude once I realised the level of risk to which I had left the balance sheet exposed.”

“Ducroire | Delcredere has become as important to me as my bank.”

“Since I started using credit insurance, I have taken the precaution of telling my clients that I am insured. This gives them a strong incentive to follow good payment procedures. I have had only one case of a failure to pay – and Ducroire | Delcredere paid my claim after we had first made a joint attempt to recover the money that was owed. My claims manager at Ducroire | Delcredere remained scrupulously correct in dealings with my customer, even once it became clear that they were not going to pay the debt. The result was that my own business reputation was unharmed.”

At the same time, reports Mr. Mroue, in taking out insurance he was drawn into improving his own credit management: “I became more efficient in following up invoices. Alarm bells are now triggered automatically when payments become overdue. And credit insurance also adds value in dealings with my bank. The fact that insurance cover is in place has given me increased borrowing capacity – a real plus for a business such as mine.”

Global economic crisis has created huge challenges over the past year

This experience has highlighted the complexity of economic and political risk assessment in today's world, and the extent to which problems in one country can produce "knock-on effects" in others; DuCroire | Delcredere's country risk team has looked at ways in which the categorisation of countries and country risks could be fine-tuned.

In order to maintain support for exporters, while protecting our own financial strength, we have sought to share risks with our customers in certain cases. We have mostly remained on cover for troubled markets, while adjusting our criteria for deciding which individual risks to accept.

Clients have a responsibility to operate with care if they intend to continue selling to customers in economies that are in great difficulty

The events that have unfolded since mid-2008 represent a severe test for the financial strength of many different economies, in a number of regions across the world. Few countries have escaped damage. As we expected, a crisis that began in the US and Europe has, over the past 15 months, spread to emerging markets and many developing countries.

But the impact has been uneven. Some of the world's poorest nations have managed to maintain positive rates of growth and a measure of financial stability, while some of the most dynamic smaller economic performers of the past decade have suffered a devastating reverse.

The shock has been especially painful for markets whose development was based on high levels of debt financing or short-term financial investment, and for those that had become heavily reliant on the real estate or banking sectors.

We have, through long experience, developed our own models for assessing and managing political and economic country risks. Our models have proved themselves adequate to the task of measuring country risks, despite the unprecedented nature of this global credit crunch and recession. Our country risk team explains that our framework of analysis was equipped to gauge the international squeeze on liquidity. But, like other institutions, we did not foresee the sheer scale and extent of the crisis.

A dramatic collapse in growth, which coincided with a huge exchange rate

risk in the Baltic States, and massive exchange rate realignments in Iceland and Ukraine, led us to suspend the routine provision of commercial risk cover for trade with these markets. We also took extra precautions in relation to countries such as Armenia, Belarus, Hungary, Mexico, Romania, Russia and Turkey, for example.

Uncertainty over the nature of certain major corporate exposures in Dubai has highlighted the difficulty of measuring risk in opaque sub-sovereign markets. We have also, of course, been closely watching the situation in some western European countries, where payment experience has been particularly poor.

Africa sustained economic growth but some countries were hit by the liquidity squeeze and struggled to sustain payments, although the rapid intervention of the IMF has since helped some to stabilise their situation.

At DuCroire | Delcredere we have recognised the unprecedented nature of this extraordinary crisis by responding with special measures both for individual buyer risks and also, notably, for country risks. In reviewing our own country exposure in such detail, we are telling clients that they too have a responsibility to operate with care if they intend to continue selling to customers in economies that are in great difficulty.

Our thorough country risk analysis and reporting also sends out a clear message to our own underwriters, as they take decisions on whether or not

Right through the crisis, we were able to continue exporting, thanks to Ducroire | Delcredere's support

to cover transactions in markets that have been severely affected by the crisis. Naturally, it is also essential that we retain the confidence of our shareholder and our reinsurers. We are showing that we have the skill and the internal discipline to properly control our risk portfolio and ensure that our exposure position is kept within affordable and safe limits - particularly at a time when international risks have become so complex, so extensive and so closely inter-related across national and regional boundaries.

In late 2008 country risk deteriorated significantly and country ratings were adjusted accordingly in the third quarter. We continued to apply downgrades, to various countries until May 2009, although the number of reported payment failures reached a peak as early as February last year; our risk assessments indicated that it was not appropriate to revise our country risk ratings upwards again, in a more general positive direction, until September.

We have reduced the scope for clients to take their own decisions on new business exposure. In many cases we have also brought forward the deadlines for reporting delays in payment, so that potential problems are spotted early and dealt with before they fully develop.

For some business we have raised the share of risk retained by our customer to 20 per cent – from the 10 per cent norm – so that they feel more responsible for managing payment exposure and avoiding potential problems.

However, Ducroire | Delcredere believes that the crisis has proved the continuing validity of our approach. Geographical diversity has always been a key theme of our risk management strategy. Although there has recently been a rise in demand for coverage of western European buyers, risks in the European Union, other western economies and Japan still account for only 39.4 per cent of the portfolio.

Our wide international exposure means that we have felt the impact of the problems suffered by a number of the countries most affected by crisis. But, taking an overall view, it is clear that the breadth of our exposure has also helped to protect us.

Levels of risk have varied from one business sector to another. Few if any sectors have escaped the impact of the global crisis entirely. But the pain has been felt more acutely in some areas of the economy than in others: steel, for example, has suffered everywhere from the slide in automotive, real estate and construction activ-

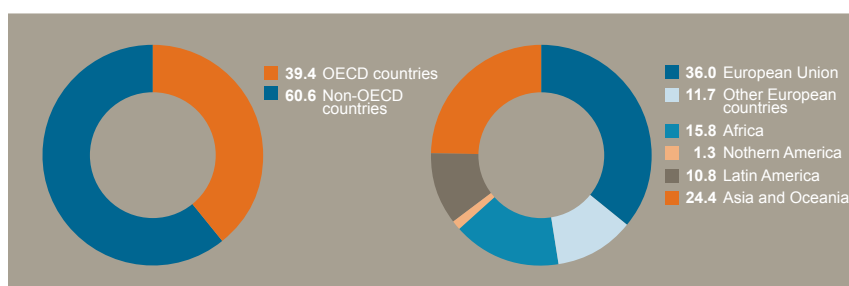
ity, while the chemicals and plastics industry has suffered both from weak demand in other related economic sectors and also from a decline in consumer demand for finished products.

These patterns of variation are not easily analysed through conventional risk models, because of the numerous differences between individual companies in terms of structure and commercial strategy.

But although we have a system for rating individual buyers – and remain strongly committed to the principle of looking at each individual buyer risk as a specific case – we have also strengthened our analysis of sectoral patterns, explains Dr. Bernard Coupé, head of the sector risk team.

It is the job of a credit insurer such as Ducroire | Delcredere to protect its clients from the risks presented by this difficult business environment – and to do so in a sensible manner that conserves and protects its own core financial strength.

GEOGRAPHICAL SPREAD OF RISK EXPOSURE (%)





My account manager is a source of vital information that even my local distributors would sometimes struggle to obtain

UCB is a major player in the biopharmaceuticals industry,

with about 9,000 staff, an international network of research centres and a presence in over 40 countries.

It focuses, notably, on the central nervous system and immunology, developing medicines to treat severe conditions such as epilepsy, rheumatoid arthritis and Parkinson's disease and to find solutions for patients so they can lead normal and fulfilled lives.

Headquartered in Brussels and listed on Euronext, the group had a turnover of more than EUR 3.6 billion in 2008. The managers of its operating subsidiaries rate payment risk as one of the five most common risks they encounter, particularly when trading with markets outside Europe and the US.





Eric Fumière, associate director of risk and insurance at UCB, is responsible for credit management across the group's numerous operations around the world.

"We have opted for a centralised approach in managing credit risks. This gives us control of our total exposure to an individual debtor – who may be a customer of various different group subsidiaries at the same time. Centralisation also enables us to ensure that harmonised credit insurance conditions apply group-wide, and the resulting large combined volumes of cover allow us to obtain more competitive premium rates for the cover we need.

"However, managers in our subsidiaries are still expected to take responsibility for the credit risk attached to their sales; goods can only be delivered when sufficient credit limit capacity is available. Indeed, the 'revolving' nature of the cover capacity approved by Ducroire | Delcredere gives each distribution centre a powerful incentive to monitor payment flows closely – because each payment made by the debtor frees up fresh capacity within the limit to make further deliveries of goods," Mr. Fumière points out.

"Ducroire | Delcredere aims to tailor its insurance strategy to the needs of the client, and this is a particularly important advantage for UCB."

"As a bio-pharma company, we place a central focus on the patient. We are often providing medicines for serious conditions, where the patient cannot afford to suffer any break in the flow of treatment," explains Mr. Fumière. "In such cases we must be able to maintain an uninterrupted flow of supplies, even if there have been delays in the payments from the debtor. This is both a basic philosophical principal and, in many countries where we operate, a legal requirement."

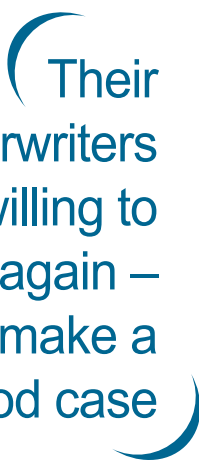
"Fortunately, Ducroire | Delcredere respects these moral and legal imperatives. And where the risk position prevents Ducroire | Delcredere from providing the extra cover required, it allows us to continue with deliveries while carrying the additional payment risk on UCB's own books. Such flexibility is particularly helpful as we seek to maintain our supply relationships with customers during a period of economic crisis," says Mr Fumière.



Customer survey tells us we passed the test of the financial crisis “cum laude”

Ducroire | Delcredere supports its clients through good times and bad. We are always anxious to know the views of our clients – and particularly at a time when we have had to take a more precautionary approach in covering business in a number of countries. The most effective way to retain their loyalty, as customers, is for us to understand what they are seeking from their credit insurer, and to act on what we learn.

Responses to our customer survey tell us that our way of doing business has proved highly effective. We know each customer and how they operate. In particular, we ensure that we understand their approach to credit management. Our account managers and our underwriters aim to maintain a continuous dialogue with clients, although it may not always be possible to provide absolutely everything that they ask for, especially during a period of global economic crisis.



Their underwriters are willing to think again – if you make a good case

During the crisis we have had to stop underwriting most new business for a small number of economies that are in extreme difficulty. But we have stepped up our regular communication with customers. Insofar as we can, we seek to meet their service needs.

To deepen our understanding of their opinions and their concerns, we commission an annual in-depth survey by a respected independent consultant.

The 2009 edition of the survey has found that the choice of a credit insurance provider has become a more important concern for our customers. Moreover, they remain highly committed to their relationship with Ducroire | Delcredere.

The response rate to our survey has been encouraging: one customer in four has given their views. The results show that 90 per cent of our customers intend to renew their insurance policies with Ducroire | Delcredere and 90 per cent are ready to recommend us to their peers.

Where we have found it necessary to reduce exposure limits, because economic crisis has led to a deterioration in trading conditions, most clients show understanding. They are well aware of the troubled global business climate, even if they are disappointed when we increase premium rates or trim back support for new business by lowering credit limits on some buyers.

But whatever the terms and cost of cover, customers are always looking for efficiency and good communication in the delivery of our service. And that is therefore a key priority for Ducroire | Delcredere.

“What the 2009 survey told us is that our most effective sales tool is good service. Commercial activities are of course essential. But in fact the sales team extends to everyone who has dealings with a customer: the account manager, the underwriter, the policy officer and even – if there is a potential claim to be dealt with – our legal specialists,” explains Jean-Paul Steenbeke, our deputy head of sales and marketing.

“We want to be close to our customer. We know each customer and how they operate, especially with regards to their credit management, and that has not changed during the crisis. Indeed, this is even more important today than it was before.”

This has a direct practical impact on the way Ducroire | Delcredere functions as a service business.

“When we change the way we look at risks our customers need to be kept informed. Moreover, sometimes their cooperation can help us,” explains Mr. Steenbeke.

“For example, when we were analysing buyers’ financial strength during early 2009, we still did not have

We even secured a number of new customers, who had not been using credit insurance at all

their financial results for the preceding year; the only available data related to 18 months before. Naturally, this situation crops up every year – but it matters much more during a period of economic crisis, when you are sometimes forced to take tough decisions.

“By working closely with our customers, we aim to get a better understanding of the buyers with whom they are trading. That extra information helps us to maintain cover levels, where it is reasonable to do so, and to limit the chance of encountering nasty surprises that would hurt both the client and ourselves.”

Mr. Steenbeke explains that if Ducroire | Delcredere develops a good dialogue with customers, they can sometimes provide the extra information that enables us to maintain limits at higher levels than we could otherwise do: “It was important to call on customers at their own premises, to explain how our measures to limit the impact of economic crisis would work and look at how they could be managed to minimise any disruptive impact on our clients’ business. And on those occasions where we concluded that a buyer was not worth insuring, because the risk of default really was high, then we needed to explain to our customers why we were unable to insure the transactions.”

We always aim to charge premium rates that relate to the risks we are covering. Ducroire | Delcredere has never sought to compete mainly on pricing. Even in the difficult conditions of the past year, the company has felt

able to maintain its traditional focus on service quality rather than price; and when we have felt it necessary to actually raise premium rates, most customers have remained loyal.

“We also attracted quite a lot of enquiries from companies who had been using other underwriters and wanted to see what Ducroire | Delcredere could do,” reports Mr. Steenbeke.

“We even secured a number of new customers, who had not been using credit insurance at all but decided they should now do so, because of the difficult economic conditions.”

The past year has been a difficult one for many companies. Overall, reports Mr. Steenbeke, Ducroire | Delcredere’s sales of cover fell by about 20 per cent, because many of its customers suffered a sharp drop in their own activity. Some clients suffered a 50 per cent drop in turnover.

Among those hardest hit were traders in commodities – who saw prices for their output fall sharply from late 2008 onwards as demand slowed in both Asia and the West – and in steel, which suffered from the drastic slowdown in construction activity. The dairy and chemicals sectors also suffered price slumps, while some suppliers of equipment for the oil and gas sector saw new business postponed as the timetable for new capital projects was set back.

Despite our traditional focus on more difficult markets, demand for cover on western European markets has been rising over the past two years – reflecting the more troubled economic condi-

tions in the EU – mainly due to capacity problems in the market, argues Mr. Steenbeke.

In part, Ducroire | Delcredere owes its ability to be so flexible to the broad spread of its geographical risk exposure. A feature that has always been a selling point in terms of our service to customers is also a strength for us in financial terms.

The 2009 customer survey shows that this way of doing business has proved very effective: contrary to pessimistic expectations, our customers’ loyalty has actually increased by comparison with findings in 2008. Many firms told the independent consultant that they now have a stronger perception of the differences between the various credit insurance brands.

90%

The results show that 90% of our customers intend to renew their insurance policies with Ducroire | Delcredere and 90% are ready to recommend us to their peers



Converteam specialises in power conversion engineering;

it makes rotating machines, variable-speed drives and process controls for ships, wind-farms, process industries and oil and gas platforms. Head office for the privately owned Converteam group is in Massy, near Paris; there are operating units in France, Germany, the UK, the US, Canada, Brazil, India and China.

Total turnover tops EUR 1 billion, of which Converteam UK – with plants in Rugby, Kidsgrove and Glasgow – accounts for EUR 300 million. The global crisis has slowed the flow of equipment orders from shipyards; but orders from the “green energy” sector are rising, as the world faces up to the serious challenge of climate change.

The specialised nature of Converteam’s business poses distinctive challenges for a credit insurer.

“In conventional terms, Converteam’s credit exposure is well spread across a range of developed and large emerging economies, and a number of industrial sectors; but this still generates risks – which we could not manage as well as our insurer does.

“We could strengthen our ability to manage risks in-house – which would reduce the potential dangers attached to our credit exposures around the world – but this would not actually remove the risk from our books in the way that Ducroire | Delcredere cover does,” explains David Slingsby, director of tenders and project control.

“Moreover, we are supplying complex pieces of equipment, each tailor-made to the needs of a specific contract, and ranging in value between EUR 1 million and EUR 20 million. Typically, we are exposed for up to 18 months or even two years, from the moment of final negotiations before an order is placed through to delivery and installation of the plant.

“One of the main reasons for our choice of Ducroire | Delcredere as our credit insurer was its ability to cope with such lengthy periods of exposure on a large number of deals simultaneously, and to do so in an efficient manner.”

Cover arrangements for Converteam operations worldwide were negotiated between Mr. Slingsby and a Ducroire | Delcredere team headed by UK country director Andrew Strong. He says that such an appetite for medium term risk, combined with the expertise to underwrite unusual deals, is typical of Ducroire | Delcredere.

The insurer has also had to respond to several other specialist Converteam requirements.

“We have some contracts where our customer will only pay us after they have been paid by the end user and we therefore needed credit cover that could take account of this further layer of risk,” explains Mr. Slingsby. “Ducroire | Delcredere was able to devise a specialist option for such cases: this avoids an immediate declaration of default by our customer if they fail to pay us on time because of a delay in receiving settlement from the final buyer in the chain.”





David SLINGSBY (our client) and Andrew STRONG (our London-based country director)

(We have been impressed by the way that complex risk assessment skills and a capacity for project analysis have been combined with service, flexibility and speed)

We avoid arbitrary action that would suddenly choke off business

Although the difficult economic situation has forced us to impose some restrictions on our cover, we have tried to maintain support wherever possible and to implement essential changes gradually.

Each client is allocated one risk underwriter who develops an understanding of their particular business and can look at ways to adjust the cover, if necessary, without increasing the overall level of risk. Indeed, we have actually kept a lot of acceptable risk on our books.

But Ducroire | Delcredere has only been able to sustain this proactive support by strengthening internal systems for the control and management of risk.

As the full scale of the global crisis became clear, in late 2008, Ducroire | Delcredere assessed its own position and rapidly moved to secure its business against the possibility of a further deterioration in world trading and payment conditions.

"We instigated a first set of precautionary measures in October 2008, followed up with additional steps in February 2009. We took further action in mid-year," explains Jef Vincent, head of risk underwriting and credit information.

"We have, for example, become more strict about the quality of information that we require about buyers, and we always ask for fresh information. In times like these you can't rely solely on past payment experience as a safe guide to the future.

"We came off cover for some countries, before cautiously becoming more flexible and granting cover in individual cases. And for some countries where we have maintained cover, such as the UK and southern European countries, we have stepped up our monitoring of business conditions."

However, explains Mr. Vincent, throughout this period Ducroire | Delcredere has sought to maintain support for its customers as far as possible and to avoid arbitrary action that would suddenly choke off business activity.

"We have been extremely customer oriented. We have not imposed brutal measures that would have killed off our customers' business. Where we have had to suspend cover, we have used our detailed knowledge of the conditions in individual countries to look at where we could make exceptions for the key accounts."

The underwriting department has been restructured to entrust staff with

specific responsibilities at different levels. For example, we have created a dedicated information team to support underwriters with a flow of information that is as well researched and up to date as possible, covering country conditions, individual buyers and specific trading sectors; this is complemented with detailed reporting from Ducroire | Delcredere's own recent experience of country, company and sector payment conditions, debtor information and credit ratings.

"When we set a credit limit for a particular business relationship, we have to take into account both the quality of the buyer and the state of their relationship with the policyholder, our insured customer," Mr. Vincent points out.

"So we have been developing a database of information on policyholders, the underlying patterns of their business and levels of demand for their product, and their track record in managing credit exposure and risk."

"We know, from practical experience, that some companies are much more rigorous than others in their own in-house monitoring of buyers and credit exposure, in their collection of payments and their management of risk. We are able to offer greater support, and greater self-underwriting autonomy, to those client companies who can demonstrate that they have the skills and the commitment to sustain a rigorous internal approach to the management of risk in their trading relationships."

We have, for example, become more strict about the quality of information that we require about buyers, and we always ask for fresh information

We protect ongoing business relationships in the way we manage claims

Especially in the current global crisis, many buyers run into payment problems because of the wider liquidity squeeze or banks' reluctance to maintain normal funding, rather than because of any fundamental flaw in the operation of their business.

In such situations, an extended recycling arrangement is often the most effective way of recovering delayed payments.

For any credit insurer, successful resolution of the payment delays suffered by customers, and the efficient processing of their claims when debts do turn bad must be a crucial part of the service package.

And never is this more important than during a period of crisis, when clients are faced with an increased number of defaults and settlement delays.

"We saw a marked fluctuation in insurance claims during 2009: there was a sharp increase over the first six months but a dramatic decline during the second half of the year. After a summer decrease, the volume of claims rose again towards the end of the year," reports Karin Deesen, deputy CEO and head of the claims department.

"However, at Ducroire | Delcredere, we seek to deal with payment delays before they develop into definite default and the need for an insurance claim. We open a case file as soon as our customer reports a payment delay. At that early stage we look at whether the problem is clear default or insolvency, or whether the problems result from liquidity pressures or a shift in exchange rates that has increased payment costs for the buyer.

"Wherever possible, we facilitate measures that will allow the buyer to eventually make payment in full. This avoids the need for costly claims processing and helps our customer maintain their business relationship with the buyer."

Mrs. Deesen explains that Ducroire | Delcredere frequently opts for resched-

uling or 'recycling' arrangements that grant the buyer more time to pay.

"We have developed a 'recycling' system for ongoing business relationships where the buyer has run into liquidity problems: we agree to an extended period for the buyer to catch up with payments and, as instalments are received, we allow our customer to continue supplying goods to the buyer, but in somewhat smaller volumes than before," she says.

"This protects ongoing business relationships. The alternative is claims payment followed by legal action to recover money; this is usually slow and expensive.

Before we agree to a major recycling arrangement we hold talks directly with the debtor, to assess their financial position and business prospects," says Mrs. Deesen. "But to handle payment problems in this way, our claims managers need to work closely with our customers, to assess their situation and protect their interests."

By November 2009, Ducroire | Delcredere had agreed to some 90 recycling arrangements. These have proved most successful in the pharmaceuticals sector, because demand for medicines is generally underpinned by some form of public health service, in which the state plays a role, thus underpinning payment risk.

Mrs. Deesen says that under the pressures of the economic crisis, some policyholders are keen to press ahead

with establishing that there has been a default and making a claim. But this can risk permanent damage to their sales relationship.

"Overall, of all the claims files that we open, only 5% finally develop into full claims. We are able to resolve the others through rescheduling, recycling and other arrangements, without going into dispute. Although we had to pay claims for payment failures in Brazil, Thailand, Romania, Russia and Ukraine in 2009, we were able to resolve some payment problems in west and central Africa without loss, through recycling."

5%

of all the claims files that we open finally develop into full claims. We are able to resolve the others through rescheduling, recycling and other arrangements, without going into dispute



What I particularly appreciate about Ducroire | Delcredere – compared with many other underwriters – is the fact that I have direct access to a manager who can take decisions



Jean-Paul STEENBEKE (our Brussels-based deputy head of sales and marketing) and Ton BENNING (our client)

Ton Benning, finance director, has developed rigorous risk management procedures: “Working closely with our credit insurer, we carry out a detailed financial appraisal of each potential customer. We then decide what payment terms we are able to offer; and these criteria are set up in our IT systems as parameters for the trading relationship. We thus ensure that the buyer has cleared any outstanding payment arrears before we fulfill any new orders from them.” Occasionally, greater flexibility is required, because of the importance of the customer or the size of the deal. But any breach of standard criteria has to be personally signed off by the sales director, and then by Mr. Benning and the legal counsel, before final approval by the board. Meanwhile, to ensure that sales staff at Van Leeuwen Buizen appreciate the significance of payment risk, Mr Benning runs regular training sessions, where he passes on his own knowledge and experience of credit management.

“Along with our stocks, our debtor book is one of the most important assets in our balance sheet,”

he explains. “We are not prepared to take any risks with it, without ensuring that these are fully under control.” Mr. Benning uses Ducroire | Delcredere cover to protect the business against risks in the emerging and developing economies. He has been impressed by the calm and resilience of his credit insurer’s response to the recent global recession. “Having noticed the way most underwriters have treated their clients during a crisis that has affected every part of the world, I feared that my own insurer would reduce my credit limits. But I have been pleasantly surprised by the measured approach that Ducroire | Delcredere has taken. Moreover, in those cases where a reduction in cover did become unavoidable, they have explained to me why this was necessary. This shows that Ducroire | Delcredere regards Van Leeuwen Buizen as an important client – and that is a commercial attitude that has certainly impressed me.”




Van Leeuwen Buizen is one of the leading distributors of tubes and pipes in Europe, supplying customers in a wide range of industries.

Demand from the oil and gas sector is particularly strong and sustained.


Logistical efficiency, product range and tailor-made service are crucial for a group operating on this international scale. Yet although it has 1,000 staff, Van Leeuwen Buizen has sought to maintain the strongly cooperative and committed culture of a family enterprise that was founded in Zwijndrecht, in the Netherlands, 86 years ago.



Investing in the future



Their expert analysis
combines with our practical
experience to ensure we
take the right decisions



Our shareholder has released the entire subscribed capital,

bringing our equity to EUR 129.9 million and confirming their confidence in our strategy. For the fourth year in succession, our track record, experience and rigorous procedures have convinced our reinsurers to renew their support. We paid heavy claims during the first half of 2009; but we saw a trend of steadily improving business results from mid-year onwards. With its high creditworthiness and a low failure risk, Ducroire | Delcredere is rated 1 by D&B.

We remain committed to our long term strategy,

based on a close relationship between clients and our specialist account managers, underwriters, policy managers and claims managers. Each client is served by a specific team, with a thorough understanding of their business. To maintain high service standards and a constant dialogue with clients and brokers, we have increased personnel by 36% over the past two years. New IT developments help our underwriters to manage their workload efficiently and focus on key risk issues.

Tighter risk controls pay dividends

Our financial recovery since mid-2009 owes much to the tough measures we took in response to the global crisis.

In a market where many of our customer companies have seen their business squeezed by the global downturn, the finance team reports that Ducroire | Delcredere managed to slightly increase its turnover, to EUR 70.3 million. The diversification of our activity was key: a sharp fall in the premium income of the core business line – credit insurance – was offset by growth in our inwards reinsurance and surety operations.

Conditions in the world economy remained unusually severe in 2009 and this had inevitable consequences for the credit insurance sector. Therefore, for the second successive year Ducroire | Delcredere reported a net loss (EUR -21.3 million).

A significant part of this loss relates to the valuation of the Czech credit insurer KUPEG, for which a EUR 12.3 million downward adjustment has been booked.

However, the finance team explains that the underlying trend was one of clear improvement in the level of claims faced by our core credit insurance business during the second half of 2009, as we began to reap the benefits of the measures we had taken to contain the impact of the crisis.

We had to pay heavy claims during the first half of the year, as our customers suffered serious payment problems in a range of markets. But between July and December results improved markedly, and our credit insurance operations produced a positive net operating result in the final two quarters.

The pattern of claims payments in part reflects the geography of the world economic downturn, with many losses reported by clients trading with the transition economies of eastern and central Europe, particularly Romania, Lithuania, Ukraine and Russia; there were several claims of more than EUR 2 million on these markets.

However, the uncertain nature of global risk was highlighted by the fact that our largest claims payout – EUR 17 million – related to Thailand.

In preparing its financial statements, Ducroire | Delcredere strictly applies the precautionary principle.

It is always difficult to gauge how much to reserve for worsening risks or expected claims, but we choose to err on the side of prudence. We set aside provisions for all possible losses and charges. We relate our provisions to the appropriate financial year. At the end of 2008 we made provisions for all possible losses on that year's business and we have done the same at the end of 2009.

If conditions prove less severe than expected, Ducroire | Delcredere can then sometimes reverse the provision, in whole or in part. For example, last year we set aside EUR 6 million against a possible loss in the Democratic Republic of Congo; but conditions eventually improved and we were able to cancel this provision.

Our operating costs in 2009 rose to EUR 30.2 million – from EUR 25.8 million the previous year. But in relation to earned premiums, our costs remained broadly constant.

Our financial investment portfolio made a significant positive contribution to our performance over the last year. The financial income amounts to EUR 10.8 million – compared with the EUR 7.9 million loss suffered in 2008, when financial markets were the first sector to plunge into crisis.

We have taken steps to overhaul the external management of our investments: we have altered the composition of the portfolio to suit today's changed environment, and since 2009 our asset managers manage a part of our portfolio according to a target volatility approach,

which ensures us that the risks to this portfolio stay within an acceptable range.

Moreover, in a period where we had to face unpredictable spikes in claims payment, we had to ensure that we retained strong liquidity in the portfolio.

Our equity has also been further reinforced during 2009. Our shareholder, the Belgian export credit insurer ONDD, paid up the final EUR 50 million of our subscribed committed capital.

With this strong financial base, Ducroire | Delcredere remains firmly committed to its long term development strategy. We therefore took the opportunity to increase our shareholding in the Czech underwriter KUPEG to a majority 66% holding.

The fundamental strength of our credit insurance business is reflected in the fact that we have retained the support of our existing reinsurers for 2010. We have also attracted new reinsurers.

"The size of our portfolio and our focus on emerging markets means that our results are always exposed to an element of volatility. In such difficult economic circumstances, our reinsurers naturally wanted a detailed breakdown of our financial position and our risk portfolio before reaching a decision," says Paul Balthasart, head of reinsurance at Ducroire | Delcredere.

Mr. Balthasart explains that he therefore provided reinsurance partners with quarterly performance figures, so that they could track the pattern of claims and exposure during the crisis and the dramatic recovery of recent months. He also provided a full briefing on the internal changes and investments that are underway.

This approach was clearly appreciated by our reinsurers. The reinsurance community has reconfirmed its confidence in Ducroire | Delcredere's business strategy.

"All of our existing reinsurers – who are in Europe and North America – have chosen to participate in our 2010 treaty," says Mr. Balthasart. "Indeed, we have also attracted new reinsurers, from Bermuda. This has allowed us to maintain the proportion of the risk portfolio that we place with reinsurers at 40%, the same level as in 2009."

Ducroire | Delcredere is also developing its role as an "inwards" reinsurer of credit and political risks underwritten by other companies.

This is a field where we can make further use both of our specialist appetite for emerging market exposures – particularly in eastern Europe – and our substantial capacity for risks in developed countries. A further asset is our ability to accept facultative reinsurance.

"We now lead a number of reinsurance treaties and we have expanded the underwriting and actuarial team that focuses on what is now a valuable and growing line of business for us" explains Mr. Balthasart.

While our credit insurance clients have suffered a squeeze on their sales turnover, there has been a 59% rise in the demand for surety guarantees

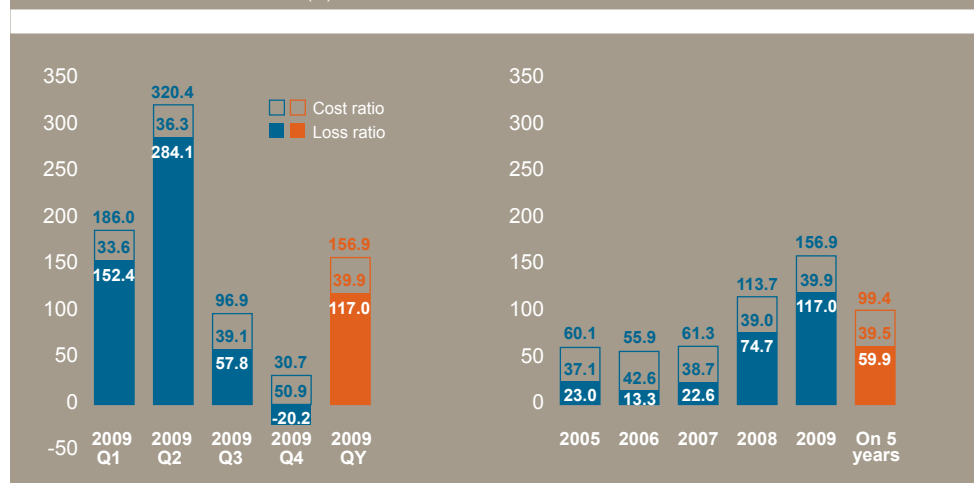
The growing diversification of our income base has helped to protect us from the full impact of the global crisis.

"Ducroire | Delcredere positions itself as a provider of legal or contractual surety in sectors as varied as transport, customs broking/freight forwarding, contact maintenance, energy and in support of leading travel agencies, mainly in Belgium. We also issue tailor-made guarantees to support large projects in developing and emerging countries, complementing our specialist strength in credit insurance", explains Eric Georgy, surety underwriter.

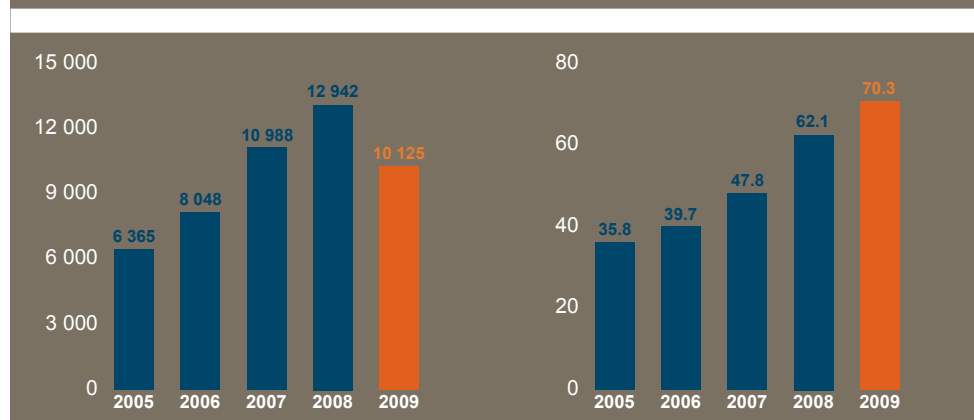
However, because bonds entail a long term commitment we take great care in our assessment of potential customers.

When the crisis hit, we maintained a constructive dialogue with customers; where we did have to withdraw support the process was phased gradually. This approach has enabled us to contain the loss ratio and we remain confident about this growing area of our activity.

GROSS COMBINED RATIO (%)



VALUE OF TRANSACTIONS INSURED (MILLIONS EUR) TURNOVER (MILLIONS EUR)



People are the most important asset we have

The company has built up a strong base of human capital, and it is continuing to give priority to this.

In today's difficult economic conditions, Ducroire | Delcredere has kept a tight rein on costs. However, the company also remains firmly committed to continuing investment in quality personnel and in information technology. We believe that it would make no sense to cut back on important investment in our future, because of a troubled short term trading environment.

I feel this is a real partnership

Because of the crisis, we are attracting new customers who have decided they need credit insurance, while existing clients are asking us to support more of their business. We therefore needed to recruit more account managers, to handle this extra demand and ensure that we could maintain high service standards and a constant dialogue with our clients.

Naturally, we needed extra underwriters and policy managers, to handle the extra business generated by our account management team. And because the crisis has produced more payment problems for our customers, we have also increased the number of claims managers to cope with this extra workload efficiently.

The human resources department reports that over the past two years we have increased personnel by 36%; in 2009 we took on 26 additional staff. We also offered existing members of our team the chance to move into new roles within the company.

We have recruited a blend of experienced professionals, top level specialists in areas such as risk strategy and reinsurance, and new trainees. We have expanded our sales and underwriting teams, and our back office, so that we can maintain service standards while meeting the rise in demand for cover from customers.

In the selection of trainees, Ducroire | Delcredere looks for graduates with a strong intellectual base in relevant subjects such as economics, commerce or law. But that is not all.

We need people with the intellectual capacity to achieve professionalism and appreciate the technical dimensions of finance and international trade risk. But we also want them to show

a capacity for innovation and a readiness to be open-minded and look at issues from a fresh or unconventional angle, reflecting our company values.

Moreover, as we expand our staff, we also seek to ensure that we have a variety of cultures, skills and command of foreign languages, so that we can offer customers a service that is both tailored to their local needs and has the capacity to provide appropriate support for them as they do business with markets around the world.

After joining the company they are given a comprehensive training that gives them a good overall understanding of the credit insurance business and exposes them to wide experience of practical realities before they focus on a particular specialist area of work.

But while skills, knowledge and the ability to work hard are all essential attributes, Ducroire | Delcredere also seeks to play its part as an employer. Our human resources policy is therefore shaped by a number of core themes – professionalism and a capacity for innovation, combined with concern for the diversity and wellbeing of our workforce.

We want to know what our staff feels and we want them to enjoy working for us, because that will mean that they are more committed and effective. So while we seek to pay well, we also aim to support them through training and regular meetings to hear their views.

We need skills both during periods when conditions are difficult, as in 2009, and when trade begins to recover. We need to be well equipped, with experienced and capable staff, to meet a future resurgence in demand from our clients, as they seek to rebuild their international sales after the downturn.

Over the past two years we have increased personnel by

36%

We are extending our reach through IT

Information technology allows us to automate credit scoring on buyers in more markets – developed and emerging – we leave our underwriters free to focus on the toughest challenges.

The crisis has provided a good context for measuring the performance of the model, to see how it performed as a measure of risk and a predictor of payment problems.

Investment in IT is an important complement to the strong focus on staff recruitment and training.

Much credit insurance work is necessarily labour intensive. This is a people business. But information technology can ease the workload in some areas. All in all, our latest IT developments have reduced the workload by 20% and thus freed up our specialist underwriters to concentrate on their direct relationships with clients and the more complex or subtle issues where their knowledge, expertise and professional human judgement is crucially needed.

These days, high quality data is needed on businesses worldwide, particularly given the fact that emerging and developing economy risk accounts for much the largest proportion of the trade that Ducroire | Delcredere insures.

“We can no longer distinguish between developed countries and other countries, in terms of the information that our customers require,” says Joachim Vandermeersch, one of the underwriters who worked with the IT team as they developed the new systems. “Our clients expect us to have access to quick and in-depth good quality information on buyer risks in all economies, in all the various regions of the world.

The information technology team explains that underwriters have been closely involved in the development of the model.

The addition of every new country to the model requires testing, to validate the data. This has meant close collaboration between risk managers, underwriters and our IT specialists. We are now engaged in a process of

steadily adding countries to the new model, while constantly updating and refining it, as we bring in new sources of information.

The fact that the system has been developed over the past four years, during a period of boom followed by severe and sudden recession has actually helped the IT team. The crisis has provided a good context for measuring the performance of the model, to see how it performed as a measure of risk and a predictor of payment problems.

Our latest IT developments have reduced the workload by

20%

Their staff have a real understanding of my company and my customers

Corporate governance

Board of directors



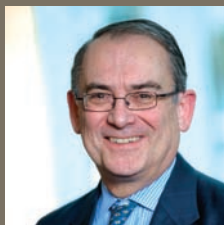
Jean-Pierre PAUWELS

- Chairman
- Civil engineer
- Ph. D. in Economics
- Appointed in 2004



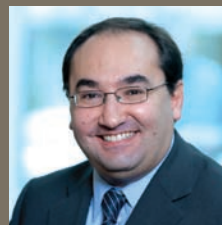
Niko DEMEESTER

- Master of Arts in Economics
- Appointed in 2009



Jean-Pierre ARNOLDI

- Master of Politics and Diplomacy
- Appointed in 2004



Ahmed LAAOUEJ

- Master of Business and Fiscal Law
- Appointed in 2009



Julien COMPERE

- Master of Law
- Appointed in 2009



Walter STEVENS

- Master of Political and Social Sciences
- Appointed in 2009



Karin DEESEN

- Master of Law
- Appointed in 2009



Georges STIENLET

- Master of Arts in Economics
- Appointed in 2004



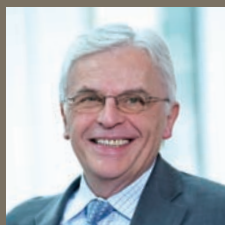
Dirk TERWEDUWE

- Master of Advanced Studies in Economics
- Appointed in 2004



Baudouin VELGE

- Master of Arts and Ph. D. in Economics
- Appointed in 2009



Yves WINDELINCX

- Master of Law
- Appointed in 2004

Remuneration committee

Jean-Pierre PAUWELS, Chairman

Jean-Pierre ARNOLDI

Ahmed LAAOUEJ

Audit committee

Baudouin VELGE, Chairman

Julien COMPERE

Georges STIENLET

Executive committee

Yves WINDELINCX,
Chief Executive Officer

Karin DEESEN, Deputy
Chief Executive Officer

Dirk TERWEDUWE,
Deputy Chief Executive Officer

External auditor

PricewaterhouseCoopers,
represented by **Roland JEANQUART**,
Reviseur d'entreprise – Bedrijfsrevisor

Internal auditor

Heidi GOMBERT

Compliance officer

Bart VANDERGOTEN

We ensure that the company is acting as a prudent, professional and honest credit insurer

Ducroire | Delcredere's fundamental compliance commitments are easily summed up in a few words.

The challenge is to translate these high-sounding precepts into basic principles, rules and guidelines that can be applied to the real day-to-day operation of our company as it carries out its business.

We have developed our own internal compliance principles, going beyond the demands of regulation

Bart Vandergoten, compliance officer at Ducroire | Delcredere, sees his role as one that is gradually expanding.

"At the most basic level, my task is to ensure that we satisfy all the requirements of our regulator, the Belgian Banking, Finance and Insurance Commission (CBFA)," says Mr. Vandergoten. "But we have also developed our own internal compliance principles, going beyond the demands of regulation. For example, these set out how we should deal with our customers, who are based in a range of European countries, not just Belgium."

"This means we must have a good structure of procedures and processes, developed from industry best practise. Our clients need to know that they can count on us having such a structure in place and adhering to the arrangements that it clearly sets down."

Early in 2008 Ducroire | Delcredere reorganised and reinforced its compliance arrangements.

"Colleagues throughout the company understand that they will be expected to comply with the principles and procedures that we have established. My job is to spread this message and ensure that the key procedures are followed. I am accorded full independence from departmental management; I report directly to the chief executive officer."

Compliance governs the structures through which we carry out the preparatory risk analysis work for our decision-making

In practical terms, compliance does not influence the risk analysis that shapes decisions on cover, but it does govern the structures through which these assessments are carried out and it can set boundaries for what we are able to offer.

Mr. Vandergoten explains how this works by outlining some of the key compliance principles and processes that we apply.

When an account manager is issuing an insurance policy it is important to find the right balance between the needs and expectations of the customer and what we can offer. A correct assessment of the feasibility of the policy and whether it will offer the expected comfort to the client is therefore an essential part of the account manager's job, to safeguard our reputation. On the underwriting side, we have made staff aware of structures that may be susceptible to fraud. Ducroire | Delcredere seeks to ensure that it does not become involved in facilitating any special mechanisms designed to help businesses escape their tax obligations through fraud or even negligence. Our staff is expected to avoid acting in any way that would help a client company circumvent competition regulations or requirements for transparency in procurement. And we have very clear procedures for dealing with potential conflicts of interest.

Our personnel should act in a manner that fairly presents Ducroire | Delcredere services

Our personnel should act in a manner that fairly presents Ducroire | Delcredere services and does not mislead potential customers. And, naturally, staff are also expected to respect client confidentiality and take care to avoid disclosing commercially sensitive information about Ducroire | Delcredere customers.

To help staff ensure that they fully satisfy the necessary procedures and standards, Mr. Vandergoten – with the agreement of the executive committee – has produced a full code of conduct based on the integrity policy approved by the Board of Directors. Personnel can consult this code if they are unclear about any issue and they are advised to treat it as a document of reference and working tool that governs their day-to-day activity.



They honour their commitments

Accounts

Unqualified audit opinion on the annual accounts

The full accounts of Ducroire | Delcredere S.A. N.V., in the format laid down by the Banking, Finance and Insurance Commission and defined by the Royal Decree of Nov. 17th 1994 on the annual accounts of insurance undertakings, as well as the statutory auditor's report, have been filed with the National Bank of Belgium and can be consulted there.

PricewaterhouseCoopers, Reviseurs d'Entreprises - Bedrijfsrevisoren, has audited the company's annual accounts as of and for the year ended Dec. 31st 2009, in accordance with the legal and regulatory requirements applicable in Belgium. It has issued an unqualified audit opinion on these financial statements.

RESULTS OVER THE PAST FIVE YEARS (MILLIONS EUR)

	2005	2006	2007	2008	2009
Operating result before reinsurance	13.5	16.6	17.6	-8.1	-38.0
Operating result after reinsurance	5.9	7.3	9.2	-11.1	-22.2
Net result	6.4	8.9	7.6	-21.7	-21.3

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Balance sheet (thousands EUR)

Assets	Note	Dec. 31st 2009	Dec. 31st 2008
B. Intangible assets		5	491
I. Preliminary expenses	1	0	128
II. Intangible fixed assets	2	5	363
2. Other intangible fixed assets	2	5	363
C. Investments		163 121	141 615
II. Investments in linked companies and participations	3	13 029	13 529
Other companies with a participation link		13 029	13 529
3. Participations		13 029	13 529
III. Other financial investments	4	146 510	126 625
1. Shares, shareholdings and other tangible securities		113 394	81 330
2. Bonds and other fixed-income securities		23 086	24 293
6. Deposits with other credit institutions		10 030	21 002
IV. Deposits with reinsurers		3 582	1 461
Dbis. Participation of reinsurers in technical provisions		32 073	24 853
I. Provision for unearned premiums and deterioration of the risk	9	3 895	9 501
III. Provision for claims	9	27 621	14 630
IV. Provision for profit sharing and refunds	9	557	722
E. Accounts receivable		92 498	29 245
I. Accounts receivable from direct insurance operations		57 453	22 949
1. Insured parties		4 030	7 602
3. Others		53 423	15 347
II. Accounts receivable from reinsurance operations	5	18 222	3 223
III. Other accounts receivable	6	16 823	3 073
F. Other assets		2 774	13 218
I. Tangible fixed assets	7	188	170
II. Available cash and cash equivalent		2 586	13 048
G. Deferred charges and accrued income		1 224	1 869
I. Earned, not yet expired interests and rent		2	566
III. Other deferred charges and accrued income		1 222	1 303
Total		291 695	211 291

Liabilities	Note	Dec. 31st 2009	Dec. 31st 2008
A. Capital and reserves		129 931	101 218
I. Subscribed capital or equivalent fund after deduction of the uncalled capital	8	150 000	100 000
1. Subscribed capital	8	150 000	150 000
2. Uncalled capital (-)	8	0	-50 000
IV. Reserves		1 144	1 143
1. Legal reserve		1 144	1 143
V. Result carried forward		-21 213	75
1. Profit carried forward		0	75
2. Loss carried forward		-21 213	
C. Technical provisions		116 618	82 895
I. Provision for unearned premiums and deterioration of the risk	9	16 228	20 744
III. Provision for claims	9	98 938	56 632
IV. Provision for profit sharing and refunds	9	1 207	1 891
V. Provision for equalisation and disasters	10	245	3 628
E. Provisions for other risks and charges		82	82
III. Other provisions		82	82
F. Deposits from outwards reinsurance		4 221	4 981
G. Debts		39 499	20 503
I. Debts from direct insurance activities		1 393	2 314
II. Debts from reinsurance operations	11	24 694	11 451
V. Other debts		13 412	6 738
1. Debts due to taxes, remunerations and social security		2 199	2 475
a) taxes	12	880	1 167
b) remunerations and social security		1 319	1 308
2. Others	12	11 213	4 263
H. Accrued charges and deferred income		1 344	1 612
I. Deferred income		1 339	100
II. Accrued charges		5	1 512
Total		291 695	211 291

Income statement (thousands EUR)

	Note	Dec. 31 st 2009			Dec. 31 st 2008		
		Gross transactions	Outwards reinsurance	Net transactions	Gross transactions	Outwards reinsurance	Net transactions
Gross written premiums		65 028	-26 693	38 335	67 280	-28 861	38 419
No claim bonuses and rebates		-2 063	856	-1 207	-2 767	1 323	-1 444
Net written premiums	13	62 965	-25 837	37 128	64 513	-27 538	36 975
Variation in provision for profit sharing and refunds	9	684	-177	507	-639	138	-501
Variation in provision for unearned premiums	9	3 079	-1 548	1 531	-4 285	1 269	-3 016
Earned premiums	A	66 728	-27 562	39 166	59 589	-26 131	33 458
Investigation revenues	B	3 565		3 565	2 556		2 556
Turnover		70 293	-27 562	42 731	62 145	-26 131	36 014
Claims paid	14	-90 865	46 739	-44 126	-10 836	4 846	-5 990
Recoveries of claims paid	14	4 859	-1 697	3 162	2 755	-1 243	1 512
Variation in expected recoveries of claims paid	15	29 355	-10 383	18 972	407	23	430
Variation in provision for the deterioration of the risk	9	1 437	-4 046	-2 609	-8 530	4 692	-3 838
Variation in provision for claims	9	-42 306	12 990	-29 316	-36 103	7 788	-28 315
Variation in prospects of recovery on expected claims	15	19 449	-6 360	13 089	7 815	-2 580	5 235
Charges of claims	C	-78 071	37 243	-40 828	-44 492	13 526	-30 966
<i>Loss Ratio</i>	C/A	117.0%	135.1%	104.2%	74.7%	51.8%	92.6%
Gross margin		-7 778	9 681	1 903	17 653	-12 605	5 048
Salaries and general expenses		-16 558		-16 558	-14 001		-14 001
Broker fees		-3 343		-3 343	-4 343		-4 343
Investigation costs		-4 654		-4 654	-3 668		-3 668
Commissions for inwards reinsurance		-5 638		-5 638	-3 767		-3 767
Commissions from outwards reinsurance			6 116	6 116		9 599	9 599
Operating costs	D	-30 193	6 116	-24 077	-25 779	9 599	-16 180
<i>Cost Ratio</i>	(D+B)/A	39.9%	22.2%	52.4%	39.0%	36.7%	40.7%
Technical result	16	-37 971	15 797	-22 174	-8 126	-3 006	-11 132
<i>Combined Ratio</i>	[C/A] + [(D+B)/A]	156.9%	157.3%	156.6%	113.7%	88.5%	133.3%
Financial result allocated to the technical account	4			-801			-6 381
Variation in provision for equalisation and disasters				3 384			3 690
Result of the technical account				-19 591			-13 823
Financial result	4			10 798			-7 896
Extraordinary result				-12 297			-189
Result before taxes				-21 090			-21 908
Taxes				-197			256
Result of the period				-21 287			-21 652
Transfer to the legal reserve							
Loss carried forward				-21 287			-21 652

Cash flow (thousands EUR)

	Note	Dec. 31 st 2009	Dec. 31 st 2008
Net written premiums (*)	13	37 128	36 975
Investigation revenues		3 565	2 556
Claims paid (*)	14	-44 126	-5 990
Recoveries of claims paid (*)	14	3 162	1 512
Operating costs		-24 077	-16 180
		-24 348	18 873
Recovered rescheduling interest (*)		51	107
Result from financial investments		10 649	-14 484
Of which non-monetary depreciations on investments		-15 284	16 904
Advance payment of taxes		200	-1 090
Other income and expenses		-550	510
		-4 934	1 947
Gross cash flow		-29 282	20 820
Variation in net working capital		-15 208	-2 934
Variation in fixed assets			
Increase in the intangible fixed assets		215	-176
Increase in the tangible fixed assets		-66	-48
Net operational cash flow after investments		-44 341	17 662
Variation of investments in linked companies and participations		11 519	0
Liberation of the uncalled capital		50 000	0
Variation of other financial investments		4 602	6 986
Variation of available cash & cash equivalent		-10 462	10 676

(*) After reinsurance cession.

Off-balance-sheet rights and commitments (thousands EUR)

	Note	Dec. 31 st 2009		
		Gross transactions	Outwards reinsurance	Net transactions
Branch 14 - credit insurance				
Direct credit insurance		3 592 250	-1 436 179	2 156 071
Assumed reinsurance		1 050 771		1 050 771
Branch 15 - surety		308 182	-217 878	90 304
Commitments from issued policies	17	4 951 203	-1 654 057	3 297 146
Deposits of reinsurers in our favour		2 174		
Deposits in favour of reinsurers		0		

Notes (thousands EUR)

NOTE 1 - PRELIMINARY EXPENSES

The preliminary expenses comprise costs of the company's incorporation (registration duties and notarial fees) and are amortised over five years.

Acquisition value	
At the end of the previous financial year	771
At the end of the financial year	771
Amounts written off and depreciations	
At the end of the previous financial year	-643
Variations during the financial year : booked	-128
At the end of the financial year	-771
Net book value at the end of the financial year	0

NOTE 2 - INTANGIBLE FIXED ASSETS

The other intangible fixed assets comprise IT developments by third parties. They are amortised over five years.

Acquisition value	
At the end of the previous financial year	561
Variations during the financial year	
Acquisitions, including own construction	-216
Transfers and disposals	-332
At the end of the financial year	13
Amounts written off and depreciations	
At the end of the previous financial year	-198
Variations during the financial year	
Booked	-142
Transfers	332
At the end of the financial year	-8
Net book value at the end of the financial year	5

NOTE 3 - INVESTMENTS IN LINKED COMPANIES AND PARTICIPATIONS

	Participation percentage held on Dec. 31 st 2009	Participation percentage held on Dec. 31 st 2008
Komerční úvěrová pojišťovna EGAP (KUPEG)	66%	33%
Na Pankráci 1683/127 - Praha 4, Post Code 140 00 Czech Republic Reg. No.: 272 45 322 On 11 th October 2007, a stake of 33% in the Czech company KUP has been taken by Ducroire Delcredere S.A. N.V.		

On Oct. 11th 2007, a stake of 33% in the Czech company KUPEG has been taken by Ducroire | Delcredere S.A.N.V.
On Feb. 25th 2009, Ducroire | Delcredere S.A. N.V. increased its stake by acquiring the 33%-stake held by SACE BT.
Ducroire | Delcredere S.A. N.V. therefore now holds a 66%-stake in KUPEG and exercises control over the company.

NOTE 4 - OTHER FINANCIAL INVESTMENTS, AVAILABLE CASH AND CASH EQUIVALENT

	Acquisition value	Depreciation on investments	Book value	Market value	Result from financial investments
Equity	12 957	-621	12 336	14 764	1 568
Real Estate	1 790	-7	1 783	2 010	-73
Corporate bonds	9 146	0	9 146	9 822	379
Government bonds	28 646	-992	27 654	29 769	2 534
Monetary funds	35 561	0	35 561	35 629	937
Variable investments with guaranteed capital on maturity	10 000	0	10 000	9 008	4 323
Funds managed according to the target volatility technique	40 000	0	40 000	41 936	155
Term deposits	10 030	0	10 030	10 030	779
Investments	148 130	-1 620	146 510	152 968	10 602
Cash and cash equivalent	2 586	0	2 586	2 586	47

Unrealised capital gains/ (losses) not booked on Dec. 31 st 2008	8 168
- Depreciation booked on investments on Dec. 31 st 2008	-16 903
Unrealised capital gains/(losses) on Dec. 31st 2008	-8 735
- Capital gains / + capital losses realised on the sale of investments during the financial year	7 688
+ Variation in unrealised gain/losses during the financial year on investments still in portfolio	5 885
Unrealised capital gains/(losses) on Dec. 31st 2009	4 838
- Depreciation booked on investments on Dec. 31 st 2009	1 620
Unrealised capital gains/ (losses) not booked on Dec. 31st 2009	6 458

	Total	Allocated to the technical result	Remaining financial result
Result from financial investments	10 649	-801	11 450
Other financial result	-652	0	-652
Financial result	9 997	-801	10 798

NOTE 5 - ACCOUNTS RECEIVABLE FROM REINSURANCE OPERATIONS

Receivables from outwards reinsurance	4 802
Receivables from inwards reinsurance	1 491
Expected recoveries of claims paid - inwards reinsurance (see note 15)	5 000
Prospects of recovery on expected claims - inwards reinsurance (note 15)	6 929
	18 222

NOTE 6 - OTHER ACCOUNTS RECEIVABLE

Receivables from the parent company	16 217
VAT to be recovered	364
Corporation tax	90
Other receivables	152
	16 823

NOTE 7 - TANGIBLE FIXED ASSETS

The tangible fixed assets comprise technical installations and other investments for the branches in France, Germany and the United Kingdom.

Acquisition value	
At the end of the previous financial year	199
Variations during the financial year	
Acquisitions, including own construction	66
At the end of the financial year	265
Amounts written off and depreciations	
At the end of the previous financial year	-29
Variations during the financial year : booked	-48
At the end of the financial year	-77
Net book value at the end of the financial year	188

NOTE 8 - CAPITAL AND RESERVES ON DEC. 31ST 2009

AUTHORISED CAPITAL	Thousands EUR	Number of shares
Subscribed capital		
At the end of the last financial year	150 000	150 000
At the end of the financial year	150 000	150 000
Capital composition		
Categories of shares according to corporate law		
Without nominal value	150 000	150 000
Registered or bearer shares		
Registered		150 000

UNPAID CAPITAL	Uncalled amount	Called unpaid amount
Shareholders who still have to pay up		
Immo Montoyer	0	0
ONDD	0	0
Total	0	0

NOTE 9 - TECHNICAL PROVISIONS

		Outstanding on Dec. 31 st 2009			Outstanding on Dec. 31 st 2008	Variation 2009
		Gross transactions	Outwards reinsurance	Net transactions	Net transactions	Net transactions
Branch 14 - credit insurance	direct credit insurance	6 022	-2 556	3 466	4 629	-1 163
	inwards reinsurance	1 912	-102	1 810	2 062	-252
Branch 15 - surety		309	-131	178	294	-116
Provision for unearned premiums		8 243	-2 789	5 454	6 985	-1 531
Branch 14 - credit insurance	direct credit insurance	2 173	-951	1 222	4 250	-3 028
	inwards reinsurance	5 812	-155	5 657	20	5 637
Branch 15 - surety		0	0	0	0	0
Provision for the deterioration of the risk		7 985	-1 106	6 879	4 270	2 609
Branch 14 - credit insurance	direct credit insurance	6 178	-2 464	3 714	1 874	1 840
	inwards reinsurance	10 120	-1 635	8 485	6 486	1 999
Branch 15 - surety		75	-33	42	0	42
IBNR provision		16 373	-4 132	12 241	8 360	3 881
Branch 14 - credit insurance	direct credit insurance	46 272	-20 251	26 021	17 748	8 273
	inwards reinsurance	28 501	-3 238	25 263	4 068	21 195
Branch 15 - surety		393	0	393	210	183
Provision for expected claims		75 166	-23 489	51 677	22 026	29 651
Branch 14 - credit insurance	direct credit insurance	7 105	0	7 105	11 559	-4 454
	inwards reinsurance	264	0	264	0	264
Branch 15 - surety		30	0	30	56	-26
Provision for claims management costs		7 399	0	7 399	11 615	-4 216
Branch 14 - credit insurance	direct credit insurance	59 555	-22 715	36 840	31 181	5 659
	inwards reinsurance	38 885	-4 873	34 012	10 555	23 458
Branch 15 - surety		498	-33	465	266	199
Provision for claims		98 938	-27 621	71 317	42 002	29 316
Branch 14 - credit insurance	direct credit insurance	1 156	-537	619	1 157	-538
	inwards reinsurance	51	-20	31	0	31
Branch 15 - surety		0	0	0	0	0
Provision for profit sharing and refunds		1 207	-557	650	1 157	-507

NOTE 10 - PROVISION FOR EQUALISATION AND DISASTERS

This provision has been constituted in accordance with the Royal Decree of Feb. 22nd 1991 with the aim of either offsetting the non-recurrent loss or levelling the claims charges or covering special risks in years to come.

It complies with method n°1 under Regulations n°8 of the Banking, Finance and Insurance Commission.

As long as it does not reach 150% of the highest annual amount of premiums net of outwards reinsurance over the previous five years, the provision for equalisation for each year is replenished by transferring 75% of any positive technical result, provided this transfer does not exceed 12% of the premiums net of outwards reinsurance. This provision serves to offset any technical loss at the year end.

Branch 14 - credit insurance	direct credit insurance	0
	inwards reinsurance	0
Branch 15 - surety		245
Provision for equalisation and disasters		245

NOTE 11 - DEBTS FROM REINSURANCE OPERATIONS

Debts from outwards reinsurance	838
Expected recoveries of claims paid - outwards reinsurance (see note 15)	13 694
Prospects of recovery on expected claims - outwards reinsurance (note 15)	10 162
	24 694

NOTE 12 - OTHER DEBTS

VAT	308
Corporation tax	200
Premium taxes	60
Other	312
Tax receivables	880
Debts with suppliers	5 182
Debts with the parent company	6 031
Other debts	11 213

NOTE 13 - PREMIUMS

		Gross transactions	Outwards reinsurance	Net transactions
Branch 14 - credit insurance	direct credit insurance	36 599	-20 503	16 096
	inwards reinsurance	24 728	-4 602	20 126
Branch 15 - surety		1 638	-732	906
Written premiums net of rebates		62 965	-25 837	37 128

BREAKDOWN OF PREMIUMS BY COUNTRY OF THE RISK (GROSS TRANSACTIONS)

Iran	3 540	Ukraine	965	Hungary	552
Russia	2 145	Italy	906	Morocco	544
France	2 030	Egypt	777	Kenya	522
Turkey	1 711	Romania	679	Czech Republic	499
Ecuador	1 575	Côte d'Ivoire	618	Argentina	462
United Kingdom	1 481	India	617	Netherlands	435
Poland	1 437	South Africa	609	China	428
Algeria	1 432	Indonesia	565	Israel	427
Brazil	1 234	Mexico	565	Germany	425
Saudi Arabia	1 210	Lebanon	559	Nigeria	420
				Other countries	33 596
Written premiums net of rebates					62 965

NOTE 14 - CLAIMS PAID AND RECOVERIES

		Gross transactions	Outwards reinsurance	Net transactions
Branch 14 - credit insurance	direct credit insurance	71 728	-31 160	40 568
	inwards reinsurance	19 087	-15 579	3 508
Branch 15 - surety		50	0	50
Claims paid		90 865	-46 739	44 126
Branch 14 - credit insurance	direct credit insurance	3 424	-1 697	1 727
	inwards reinsurance	1 435	0	1 435
Branch 15 - surety		0	0	0
Recoveries of claims paid		4 859	-1 697	3 162

NOTE 15 - EXPECTED RECOVERIES OF CLAIMS PAID AND PROSPECTS OF RECOVERY ON EXPECTED CLAIMS

		Outstanding on Dec. 31 st 2009		Outstanding on Dec. 31 st 2008		Variation 2009
		Gross transactions	Outwards reinsurance	Net transactions	Net transactions	Net transactions
Branch 14 - credit insurance	direct credit insurance	30 786	-13 887	16 899	2 334	14 565
	inwards reinsurance	5 000	-38	4 962	568	4 394
Branch 15 - surety		17	-1	16	3	13
Expected recoveries of claims paid at historical exchange rate		35 803	-13 926	21 877	2 905	18 972
Unrealised exchange difference		-611	232	-379	-10	-369
Expected recoveries of claims paid		35 192	-13 694	21 498	2 895	18 603
Branch 14 - credit insurance	direct credit insurance	23 225	-10 162	13 063	5 440	7 623
	inwards reinsurance	6 929	-284	6 645	1 179	5 466
Branch 15 - surety		6	0	6	6	0
Prospects of recovery on expected claims		30 160	-10 446	19 714	6 625	13 089

NOTE 16 - OUTWARDS REINSURANCE

The risks for credit insurance covered within comprehensive policies were ceded to a pool of reinsurers at a rate of 40%. The risks covered under the surety branch were also ceded to reinsurers, at a rate of 70% for customs surety and 50% for other sureties of more than EUR 1 million.

The result of the cession amounts to EUR 15 797 000 in charge of our reinsurers.

NOTE 17 - BREAKDOWN OF COMMITMENTS ACCORDING TO THE COUNTRY WHERE THE RISK IS LOCATED

France	192 965
Russia	187 607
Poland	158 329
Saudi Arabia	149 549
Hungary	148 343
Turkey	147 618
Brazil	137 208
Romania	121 478
Germany	121 318
United Kingdom	109 401
Other countries	3 477 386
Commitments from issued policies per country	4 951 203

Accounting principles

Preliminary expenses have been capitalised and are amortised at a rate of 20% per year.

Intangible fixed assets comprise computer software developed by third parties. They are amortised at a rate of 20% per year.

Tangible fixed assets comprise computer hardware, amortised over 3 years and the other tangible fixed assets amortised over 5 years.

Investments have been entered at acquisition value.

> **Shares and other variable-income securities** are impaired in the case of permanent losses.

> **Bonds and other fixed-income securities**, as well as **loans**, are impaired when repayment on maturity of such securities and receivables is wholly or partially uncertain or compromised.

> **Treasury bonds and other fixed-income securities** constituted for liquidity purposes are impaired when the market value is lower than the book value.

Receivables, available cash and cash equivalent and other asset items are entered on the balance sheet at nominal value. These entries are impaired if the sale value at the year end is lower than the acquisition value.

Accounts receivable from direct insurance or reinsurance operations include, inter alia, expected recoveries of claims paid and prospects of recovery on expected claims.

When a claim has been paid, or when a claim is expected to be paid, the charge booked is an estimate of the loss given default, i.e. it takes into account not only the charge resulting from the probability of default but also the expected recoveries.

> When the default is due to the debtor, the expected recoveries are assessed by the claims manager on a case-by-case basis.

> When the default is due to political risks, expected recoveries are determined per country.

Expected recoveries of claims paid and prospects of recovery on expected claims expressed in foreign currencies are converted at the exchange rate applicable at the year end.

The **technical provisions** comprise several components :

A. For the activity related to the comprehensive policies (under the form of direct insurance or inwards reinsurance) :

The **provision for unearned premiums** corresponds to the share of the premiums to be allocated to the period following the year end in order to cover claims charges and operating costs of insured risks not yet expired at the year end. This provision is calculated separately for each insurance policy.

The **provision for deterioration of the risk** is constituted when for outstanding transactions insured by Ducroire | Delcredere S.A. N.V., the risk assessment is aggravated in comparison with the original assessment and, as a result, the unearned premiums do not correspond to the estimated future charges (claims charges and operating costs). This kind of provision is constituted:

> in the case of deterioration in the country risk assessment (downgrading of the country classification);

> when the deterioration in the macroeconomic situation in a country gives rise to an increased risk, of a systemic nature in respect of the private debtors in that country;

> when the risk on a debtor deteriorates.

The **provision for claims** comprises several elements:

> An IBNR provision (incurred but not reported) for claims not yet

reported: this provision is aimed at insuring on a statistical basis the final losses of claims incurred but not yet reported to Ducroire | Delcredere S.A. N.V. at the year end. This provision is based on past experience.

> A provision for expected claims, which is based on the probability of default:

>> when the default is due to the debtor, the probability of default results from the assessment by the claim manager of the probability of payment of the claim and is determined on a case-by-case basis.

>> when the default is due to political risks, the probability of default is set per country. These probabilities of default apply to the amount of the insurer's commitments at the closing date for the expected claim in question.

> A provision for claims management costs. This provision is an estimate of the future external and internal costs to be incurred for the payment and/or recovery of claims. The provision is based on last year's actual internal costs incurred of the claim department (indexed), the number of opened files, the average life of these files and on a historic average of the external handling costs.

A **provision for profit sharing and rebates** is constituted for current policies with rebates, no-claims bonuses or profit sharing, which will be paid at the end of the closing date of the period for which the policy has been taken out. The provision is based on a rate of profit sharing and rebates which is adjusted each year on the basis of past experience.

B. For the activity related to the inwards reinsurance under the form of treaties or facultative reinsurance (excluding the assumed reinsurance related to the comprehensive policies) :

A **provision for claims** is constituted, which comprises :

- > A provision for IBNR. This provision is computed applying a prospective loss ratio to the written premiums, after deduction of the claims paid, the expected recoveries of claims paid and the provision for expected claims. The provision is reversed when the risks has expired (generally 2 years after inception of the risks).
- > A provision for expected claims, which takes into account the expected recoveries on these expected claims, and gives an estimate of the expected final loss of the claim.

The **provision for equalisation and disasters** is constituted in order to offset the non-recurrent operating loss or to level the claims charges or to cover special risks in years to come. It complies with method n°1 under Regulations n°8 of the Banking, Finance and Insurance Commission. This provision is computed separately for non-life direct insurance and non-life inwards reinsurance. As long as it does not reach 150% of the highest annual amount of premiums net of outwards reinsurance over

the previous five years, the provision for equalisation is replenished by transferring 75% of any positive technical result, while the transfer may not exceed 12% of premiums net of ceded reinsurance. This provision serves to offset any technical loss at the year end.

Investments, receivables, available cash at bank and in hand and other asset items, debts and deferred and accrued charges and income expressed in foreign currencies are converted at the exchange rate applying at the year end.

Off-balance sheet rights and commitments

Commitments for issued policies are equal to the outstanding risks covered by the insurer at the year end. These commitments are converted at the exchange rate applying at the date that the insurer provides cover in foreign exchange of the amounts insured. These commitments are entered at the historical exchange rate for transactions insured without cover in foreign exchange.

Change in accounting principles

At the end of 2009, the company changed its accounting principles for the computation of the provision for claims management costs.

The previous method was based on a percentage applied on the outstanding amount of expected claims and expected recoveries at the closing date. This percentage was based on an internal study of actual expenses incurred over the past years, and was updated on a yearly basis.

In 2009, the company revised its calculation methodology. The new methodology applied is based on last year's actual internal costs incurred of the claim department (indexed), the number of opened files, the average life of these files and on a historic average of the external handling costs.

The change of methodology resulted in a decrease of this provision for a total amount of EUR 4 903 000 at the end of 2009.

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