

# Annual report

2010



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The Office national du dueroire - Nationale Delcrededienst (ONDD) is the Belgian official credit insurer with a mission to promote international trade relations.

The last few years, ONDD has experienced a radical transformation and, above all, remarkable international growth, going from a traditional export credit insurance agency to an international player.

ONDD today heads a European credit insurance group that is present all over the continent and active in all segments of the credit insurance trade, providing a range of products that offer cover worldwide.

After the terrible financial and economic crisis that hit the world in 2008 and 2009, 2010 has been the year of stabilization and return to profit for ONDD.

Throughout this difficult period, ONDD unwaveringly fulfilled the role it plays for the business community. It has also used this period to deepen integration of the various entities within the Group.

In this way the ONDD Group has firmly consolidated its achievements to better prepare itself for future growth.

# Mission and structure

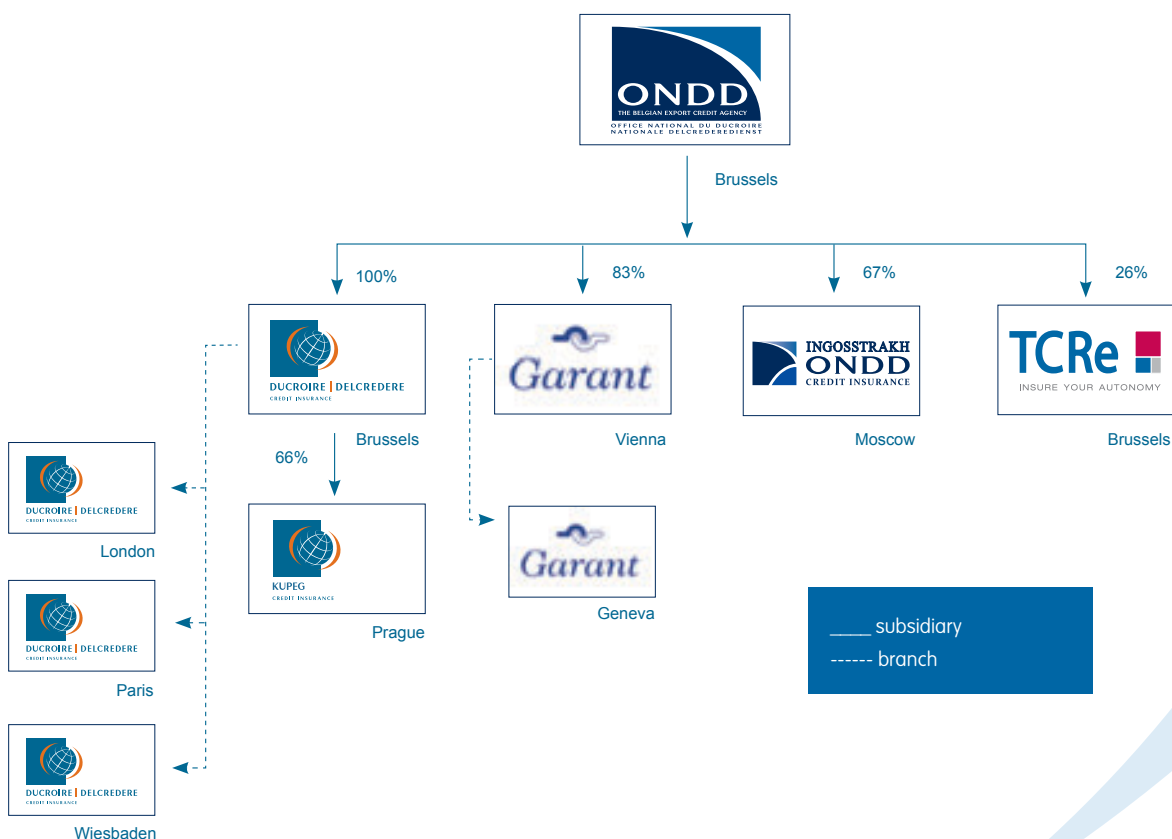
## ONDD Mission

The Office national du ducroire | Nationale DelcredereDienst (ONDD) is the Belgian public credit insurer with a mission to promote international economic relations. ONDD performs this task as an autonomous government institution enjoying the state guarantee.

## ONDD Scope

ONDD insures companies and banks against political and commercial risks relating to international commercial transactions, mainly regarding capital goods and industrial projects, as well as contracted works and services. For these risks, ONDD can also work alongside banks through risk sharing schemes. ONDD also insures against political risks relating to foreign direct investments and directly finances commercial transactions of limited proportion.

## ONDD Group Structure

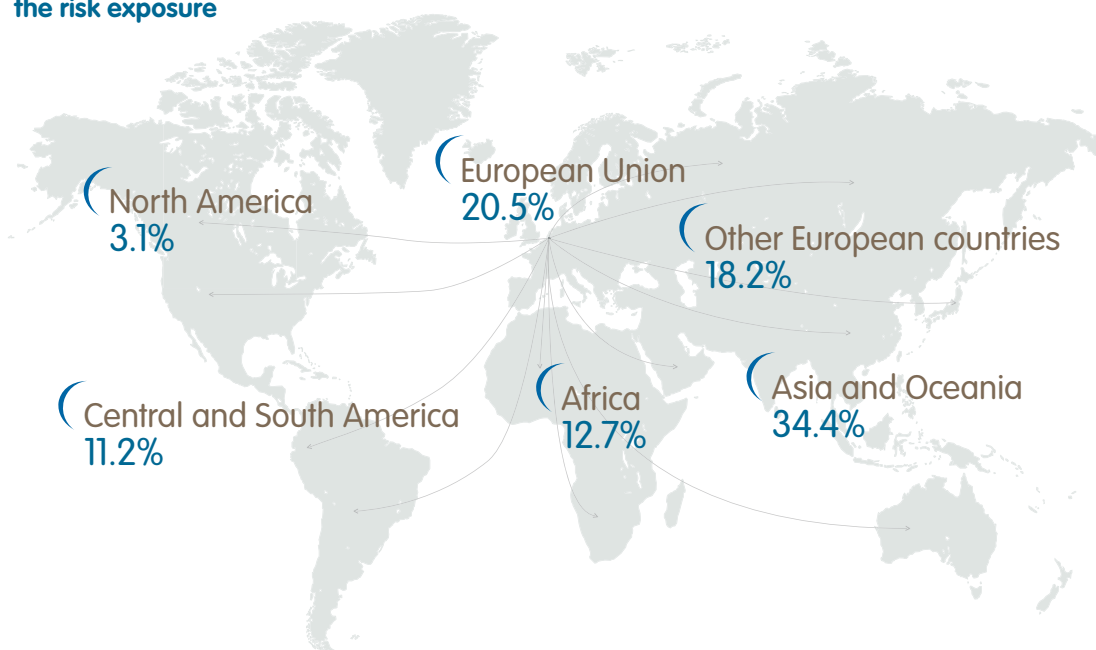


# Key figures

## Activities and results over the past five years (in millions EUR)

	2006	2007	2008	2009	2010
Value of transactions insured during the financial year <sup>(1)(2)</sup>	14,671.0	19,866.0	28,163.0	19,235.0	22,575.0
Premiums issued during the financial year <sup>(1)</sup>	165.2	165.8	206.5	285.6	332.0
Claims paid during the financial year <sup>(1)</sup>	45.5	30.7	28.6	319.0	316.0
Claims recovered during the financial year <sup>(1)</sup>	271.6	115.4	89.2	44.7	125.0
Outstanding loans at the end of the financial year	0.0	0.1	0.0	0.0	0.0
Amounts receivable from claims at the end of the financial year <sup>(1)(3)</sup>	1,302.4	1,088.3	932.8	1,163.0	1,277.1
Commitments for policies at the end of the financial year <sup>(1)</sup>	11,833.1	17,226.5	27,091.0	26,393.8	27,062.0
Provisions at the end of the financial year	766.8	864.9	524.1	738.0	766.0
Result of the financial year	122.1	114.1	175.2	-40.0	113.0
Net assets at the end of the financial year	1,339.9	1,454.0	1,629.2	1,598.0	1,720.0
<b>Ratios (in %)</b>					
Net claims / Premiums	-136.9	-51.1	-29.4	96.0	57.5
Operating costs / Premiums net of reinsurance	17.1	17.8	15.8	15.1	17.8

## Geographical spread of the risk exposure



(1) before cession to reinsurers

(2) limited to ONDD and Ducreire | Delcredere SA.NV

(3) total of gross outstanding indemnities, capitalised and accrued interest

# Message from the Chairman

On 1 January 2010 Vincent Reuter became Chairman of the Board of Directors of ONDD, an appointment that began in the midst of the global economic crisis. We met up with him a year later to take stock of his first year at the helm.



Vincent Reuter  
Chairman Board of Directors ONDD

## After a terrible 2009, did 2010 see a recovery?

2010 can certainly be described as a year of stabilisation, perhaps even recovery, albeit in a diverse global environment which is still fragile and highly volatile. The financial crisis began in 2007 and reached a peak in 2008, after the fall of the US bank Lehman Brothers. The crisis then spread to the real economy. Governments intervened heavily to shore up the financial system and took the necessary measures to stimulate the economy. This was followed by a sovereign debt crisis in some countries. In this context, we saw an improvement in the economic situation in 2010. The economy has started to grow again and there has been an upswing in international trade. So far Belgium has done pretty well, recording a better economic performance than the euro zone average.

## What is the outlook for 2011?

In general the situation is returning to normal, although there are considerable disparities between different regions of the world and between countries within the same region. Emerging countries are showing encouraging

signs of economic dynamism, with vigorous growth in the BRIC countries, Turkey and parts of Africa. Europe and the USA have returned to growth. Things should gradually get back to normal, albeit in an environment that will remain volatile. In Belgium the end to the crisis is taking place against a complex institutional and political backdrop.

## What does this mean for the ONDD Group?

The ONDD Group as a whole is once again experiencing growth with a consolidated net profit of EUR 113 million. All group entities are involved in this drive forward, apart from the Czech subsidiary KUPEG, where tough measures have been taken. We hope that they will pay off in 2011. I should add that this return to profit has not diverted the ONDD Group from its core mission, which is to help its clients at difficult times.

## What is your view of the company's management?

ONDD is well managed. It plays a crucial role for the development of export firms amid fierce competition. I would like to take this opportunity to thank our staff and management for their commitment and professionalism. The Board of Directors has been looking closely at the group's strategic direction, and a series of highly constructive meetings have enabled directors to focus on key issues for the group and to support the Executive Committee's proposals. I would like to express my gratitude to them for this.

# Message from the CEO ONDD Group

2010 brought stability to the entire credit insurance business and also to the ONDD Group, after an improvement in the number of claims and in premiums from the end of 2009 onwards. The ONDD Group took the opportunity to make a number of organizational changes that should leave the group better prepared to face the future. Dirk Terweduwe provides a summary of the past year's events.

## **What kind of year can the ONDD Group look back on?**

2010 was a promising year on a number of different levels. The trend was one of improvement for all our entities, quarter on quarter. We have booked a consolidated result of EUR 113 million after a EUR 40 million loss in 2009. Written premiums for the group are EUR 332 million against EUR 286 million in 2009. As a credit insurance group we can be proud that, during a difficult period, we have not only stood firm, but have also come closer together.

## **How is the ONDD Group now organised?**

The ONDD Group is taking a clear shape. After the impressive growth and international expansion of previous years, it was time to place the emphasis on the further integration of the group. We did this by defining more clearly the responsibilities of the group, and of the individual entities that form part of it. After all, this is an essential condition to enable us to operate as a group. The further integration of our group, which is becoming ever larger, is a project that we will be continuing in 2011 too. Creating a genuine group consciousness is a vital part of this. The further development and streamlining of our internal communication, the most recent example being the internal newsletters, is a positive development in that respect. We are also now giving extra attention to our external communication.

## **How do you see the near future for the ONDD Group?**

In 2010 the ONDD Group was once again able to present itself as a European player that is active in all segments of the credit insurance market with products that provide cover right across the globe. It is a group that can boast a solid reputation and a broader geographical presence. We are on the right track to firmly embed all these elements and thereby to prepare ourselves for further growth in the future. The group now has 357 employees and I would like to take this opportunity to thank them all for their dedication and professionalism as well as for the enjoyable collaboration.



**Dirk Terweduwe**  
Chief Executive Officer ONDD Group

# Composition of ONDD's administrative bodies

## Board of Directors

<b>Vincent REUTER</b>	Chairman
<b>Peter LEYMAN</b>	Vice-Chairman
<b>Jean-Pierre ARNOLDI</b>	Member, representative of the Minister of Finance
<b>Franciscus GODTS</b>	Alternate member
<b>Hans BRUYNINCKX</b>	Member, representative of the Minister for Public Companies
<b>Charline DESMECHT</b>	Alternate member
<b>Liliane BLOEM</b>	Member, representative of the Minister for Foreign Affairs
<b>Mark GELEYN</b>	Alternate member
<b>François ROUX</b>	Member, representative of the Minister for Development Cooperation
<b>Xavier DE CUYPER</b>	Alternate member
<b>Henk MAHIEU</b>	Member, representative of the Minister for Foreign Trade
<b>Sophie DE WISPELAERE</b>	Alternate member
<b>Nicolas WAEYAERT</b>	Member, representative of the Minister for Economy
<b>Erik STERCKX</b>	Alternate member
<b>Tony JANSSEN</b>	Member
<b>Daniel VAN DAELE</b>	Alternate member
<b>Fabienne L'HOOST</b>	Member
<b>Marc BOGAERTS</b>	Alternate member



From left to right: [Frank Vanwingh](#) (Deputy CEO), [Vincent Reuter](#) (Chairman), [Dirk Terweduwe](#) (CEO), [Nabil Jijakli](#) (Secretary General)



## Board of Directors

<b>Frederic TEERLYNCK</b>	Member
<b>Isabelle CALLENS</b>	Alternate member
<b>Koen ALLAERT</b>	Member, representative of the Flemish Government
<b>Dirk LAMMENS</b>	Alternate member
<b>Jan CORNILLIE</b>	Member, representative of the Flemish Government
<b>Jan ROEGIERS</b>	Alternate member
<b>Georges STIENLET</b>	Member, representative of the Flemish Government
<b>Christine FAES</b>	Alternate member
<b>Jean-Jacques WESTHOF</b>	Member, representative of the Walloon Government
<b>Thierry CASTAGNE</b>	Alternate member
<b>Silvana FLAGOTHIER</b>	Member, representative of the Walloon Government
<b>Francis MULLERS</b>	Alternate member
<b>Pascale DELCOMMINETTE</b>	Member, representative of the Walloon Government
<b>Jean MAROT</b>	Alternate member
<b>Jean-Philippe MERGEN</b>	Member, representative of the Government of the Brussels Capital Region
<b>Peter CLAES</b>	Alternate member
<b>Laurence CHRISTIANS</b>	Member, representative of the Government of the Brussels Capital Region
<b>Julie LUMEN</b>	Alternate member
<b>Gijs KOOKEN</b>	Member, representative of the Government of the Brussels Capital Region
<b>Steve DUBOIS</b>	Alternate member

## Executive Committee


<b>Dirk TERWEDUWE</b>	Chief Executive Officer
<b>Frank VANWINGH</b>	Deputy Chief Executive Officer

## Secretary General and Compliance

<b>Nabil JIJAKLI</b>	Secretary General and Compliance Officer
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## Internal audit

<b>Heidi GOMBERT</b>	Internal auditor
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# General policy of the ONDD Group

“With our new organizational structure we want to bundle our strengths even more effectively, further expand our centres of expertise and achieve even greater uniformity in our approaches. We are keen to develop our group consciousness further.”

Dirk Terweduwe,  
Chief Executive Officer ONDD Group



# General policy of the ONDD Group

2010 was a year of stabilisation for all credit insurers. The ONDD Group focused its efforts in particular on strengthening the organization. Dirk Terweduwe explains.

## How did the ONDD Group perform in 2010?

The ONDD Group as a whole ended the year with a positive result, and all but one of its entities were profitable. Even at the one exception, KUPEG, we managed to turn the trend around to a positive one in the meantime. In 2010 ONDD's priority was not the expansion of the group, as had been the case in previous years, but in particular the consolidation of our structure. This is also the group's main strategic objective: ensuring that what we currently have is firmly embedded, and making it stronger.

## How do you intend to do that?

We started with ONDD and DuCroire | Delcredere SA.NV. As the activities of these two entities are strictly separate, we are linked by an organization based on a clear division of tasks. Nevertheless, we also complement each other in certain ways, and we now have

a flatter organizational structure with fewer intermediate levels and with new units that are able to focus even more effectively on a certain area. At group level too we prefer, where possible, to concentrate certain competencies within departments or teams that are able to serve all entities of the group together. It goes without saying that a great deal of coordination is required to ensure that all the departments and functions of our subsidiaries are better attuned to one another. As we are aware of the importance of this, we have set up the Project Management Office. This will ensure that everything is kept on track.

## What is this reorganization all about?

It is all about optimisation. With our new organizational structure we want to bundle our strengths even more effectively, further expand our centres of expertise and achieve even greater uniformity in our approaches. We are therefore keen to develop our group consciousness further, which is also why we have given our internal communication a new lease of life. In short, it all comes down to bringing people closer together by facilitating the exchange of information and expertise, aligning the various entities of the group and working in the same way where necessary. After all, we operate as a group, so this is something we will continue to work on in 2011.

"In 2010 the ONDD Group focused its efforts in particular on strengthening the organization."

Dirk Terweduwe,  
Chief Executive Officer ONDD Group



## Finance

After the difficult years of 2008 and 2009, a striking improvement can be seen in both the technical and net result for 2010. This can be attributed to a marked improvement in collected premiums and the gross loss ratio and to a reversal of the provisions for risk deterioration. With just one exception, all entities of the ONDD Group were able to close the year with positive figures.

The first operational year of the Russian joint venture INGO-ONDD, for example, made a modest but positive contribution to the ONDD Group's net result. In addition, Austrian subsidiary Garant AG increased its turnover by 36% and posted a profit of EUR 1 million, compared with a loss of EUR 1.4 million in 2009. Ducroire | Delcredere SA.NV saw its turnover rise by 21%; after recording a loss of EUR 21 million last year, it achieved a profit of EUR 11 million EUR in 2010. The recently established branch offices of Ducroire | Delcredere SA.NV in London, Paris and Wiesbaden are also on track to break even. The Czech company KUPEG closed the year

with a negative result, although a considerable improvement in its result was already evident in the last quarter. It is important to note here that KUPEG performed extremely well in terms of turnover volume. This makes it possible to look to the future with a certain optimism.

The Finance department's role is increasingly also encompassing the subsidiaries of the entire ONDD Group. One significant development here is that Ducroire | Delcredere SA.NV was consolidated for the first time together with its subsidiary KUPEG at sub-level. This consolidation was in turn included in the general ONDD consolidation, which incorporated INGO-ONDD and Garant AG for the first time on the basis of full consolidation. One of the main priorities for the department and the group in 2011 is to ensure that Finance is ready to face the IFRS challenge.

**"2010 saw a striking improvement in the technical and net result."**

**Ronny Matton,  
Chief Financial Officer**

# Risk Management

In 2009 the Risk Management department had to assign a less favourable risk classification for systemic commercial risk to a large number of countries, including Western industrial nations – temporarily, as it turned out. In 2010 growth projections for the global economy gradually started to improve again, which was reflected in the classifications for systemic commercial risk and short-term political risk. An innovation in 2010 was a model developed by the Risk Management department to refine the risk classification for systemic commercial risk. This new model is based on the same variables, but uses a different weighting and different critical values. Its results are now classified into seven categories (A-G) rather than three (A-C). The temporary measure introduced during the crisis of updating these risks every three months has now become a permanent practice. This has the advantage of ensuring that the country policy can be adjusted much more quickly and provides an even more finely tuned picture of the actual situation.

The development of a new buyer-risk assessment model was one of Risk Management's major projects in 2010. This internal model for assessing buyer risk will be linked to an OECD standard model in order to determine the correct premium. Each export credit agency may further refine this standard model, something that will take place at ONDD with the support of the new Business Development and Products department. In this way we will meet the OECD's requirement of charging minimum premiums for buyer risk from September 2011 onwards.

An important step that is in keeping with the aim of integrating and firmly embedding the various subsidiaries and their branch offices within the ONDD Group is the further expansion of the risk management function at group level.

# Audit

Internal audit is an independent function within ONDD. This function is geared towards examining and assessing the proper operation, effectiveness and efficiency of the internal control system. The aim of internal audit is to assist the general management with their executive responsibilities. To this end, the internal auditor provides them with information, assessments, recommendations and advice on the activities that it monitors.

Internal audit covers just about every activity and part of the company: accounting or operational procedures such as the premium cycle or claim cycle, and even new IT applications. They are all examined internally to make sure that they offer an adequate level of

efficiency, user-friendliness and effectiveness. We are talking here primarily about operational audits. Financial audits, the auditing of the accounts, are carried out in collaboration with the external auditor.

The necessary attention has of course been given to the audit function at group level. The audit charter is intended to ensure a well-coordinated and harmonized audit function for the whole of the ONDD Group. Close collaboration takes place, for example, with the internal auditor at KUPEG, the subsidiary of Ducreire | Delcredere SA.NV.

# Human Resources

The consolidation and integration of ONDD Group entities are also priorities for the HR department. Nowadays the HR department mainly operates within its parent company, ONDD, and its Belgian subsidiary, Ducroire | Delcredere SA.NV. Strategically, however, it has come to play an increasing role within ONDD's foreign subsidiaries and oversees the operational deployment of the group's values: respect, creativity and proximity. The ONDD Group wants to get closer to its clients, understand their specific needs and provide innovative solutions. This in turn creates three HR values: first, professionalism, because being a credit insurer requires a certain level of expertise; second, capacity for innovation, because only experts capable of offering innovative solutions can be in line with the group's commercial strategy of proximity; finally, the diversity and well-being of staff, because these are essential in a company active in the service sector, where human resources are behind the creation of added value.

The aim of the HR department is to roll out these values across the group and ultimately to achieve a group-wide, integrated HR policy. Evidently any issues covered by local legislation specific to each subsidiary will be managed at local level. In our case, this mainly concerns payroll management.

The ONDD Group has enjoyed considerable growth. Since 2004, when its Belgian subsidiary Ducroire | Delcredere SA.NV was set up and the group's extension was started, staff has increased by 220 people. In 2010 the group recruited heavily in response to its expansion and the workload generated by the economic crisis. For the most part this consisted of specialist positions. Further recruitment is planned for 2011 for the parent company and Ducroire | Delcredere SA.NV but for the branches and subsidiaries, all vacancies are filled for the time being.

The other major strategic pillar of the HR department is to facilitate career development, especially through value-added training, and to optimize the opportunities for mobility both within the various entities and between them.

**"The aim of the HR department is to roll out the HR values across the group and ultimately to achieve a group-wide, integrated HR policy."**

**Claudine Collin,  
Head of Human Resources**

# Communication

Communication, both external and internal, plays an important role in the new phase of consolidation and development of the ONDD Group. In 2010, the Communications department was placed under the direct responsibility of the company secretary general and its sphere of operations was extended to the entire group. Following its significant expansion in recent years, the ONDD Group is now developing in an international and multicultural context with its own local identity.

The ONDD Group management is today looking to build on these achievements, mainly by accentuating the group's identity and philosophy. The aim is twofold: on the one hand, to strengthen the sense of being part of a transnational group and, on the other, to project a clear vision of the ONDD Group and raise its profile. In concrete terms, the management has defined a communications strategy which includes initiatives in terms of both external and internal communication. The general communications strategy and drive are decided by the parent company, although operational deployment involves widespread decentralization, true to the idea that effective communication must be close to the target group.

In terms of external communication, ONDD will develop its positioning as a group. The external communications strategy will be built on the reputation of local entities while incorporating a group's strong and coherent image. Several initiatives will be taken in this vein, particularly in terms of group branding, soon to be updated. This will also mean redesigning the website and marketing literature.

In terms of in-house communication, an e-newsletter has been launched and is sent out to all staff of the group. It contains information on the group's general activities, as well as those of the branches and subsidiaries. Its design reflects the management's vision as it requires the active involvement of staff. The newsletter is produced by local staff for local staff. In 2011 an intranet will also be launched, further strengthening our group identity.

The ONDD Group will seek to step up its communication with target markets such as SMEs and students who are looking to work in export. In Belgium, the aim is to spread the word about our products to SMEs, mainly through partnerships with trade federations and export development agencies.

**"Following its significant expansion in recent years, the ONDD Group is now developing in an international and multicultural context with its own local identity."**

**Nabil Jijakli,  
Secretary General**



# Strategy, Projects and Organization

The desire for a stronger structure has also fed through to project management, organization and strategy. In September 2010, a decision was made to set up Strategy, Projects and Organization (SPO).

In view of ONDD's development in recent years, the management decided to adopt a systematic and structured approach for the many change processes to be developed and implemented. The ONDD Group had to acquire a true project management culture. That is where the Project Management Office (PMO), which was established within the SPO department, comes in. PMO has already provided a significant amount of training. It has also mapped out the necessary projects and it advises the management on the allocation of resources.

It was decided to create the position of Integration Manager within SPO to harmonize working methods and to integrate systems. The Integration Manager has the task of increasing intra-group coherence and synergy. Some of its tasks include, for example, drawing up common underwriting guidelines and assisting the subsidiaries and branches in terms of IT systems integration.

## ICT

The ICT department is also involved in intra-group convergence. A strategic IT plan has been developed to support the integration efforts. With regard to group subsidiaries, IT data must be consolidated as much as possible. Financial and accounting consolidation has already been carried out. For this purpose, all the required resources are being made available.

# ONDD's activities

## General information

**address:** rue Montoyerstraat 3, BE-1000 Brussels

**staff:** 151

**core business:** export credit insurance, investment insurance, financial guarantees

**products:** insurance and guarantee products

**incorporation:** 1939

"ONDD wants to carry on fulfilling, and even strengthen, its traditional role: supporting the Belgian industry and Belgian exporters in a broad sense. We want to make an effort for SMEs in particular."

Frank Vanwingh,  
Deputy Chief Executive Officer



# 2010 - the year after the crisis



Frank Vanwingh  
Deputy Chief Executive Officer

2008 was the year of the financial crisis, which spilled over to the real economy in 2009, with the result that both private and public credit insurers had to fulfil their role to the full to protect their insurance clients. One year on, we ask Frank Vanwingh what kind of year 2010 was.

## Can we say that in 2010 we left the economic crisis behind us?

No, that is still far from certain. If we look at the economic situation, the picture we see is a mixed one. There is a marked distinction between the more traditional industrial nations, which are recovering very gradually, and the majority of emerging countries, which once again made good progress in 2010. Overall, world trade grew by 4.8%, which is a substantial difference from the 4% crunch that we saw in 2009. In the credit insurance sector, however, there is a typical delayed effect, also when it comes to losses being incurred. In other words, although the considerable influx of claims that we experienced in the first half of 2009 subsided at the end of that year, this has not yet been translated into substantially lower indemnifications for 2010. After all, we are still indemnifying clients for transactions that we underwrote in 2007 and 2008, and for which payment problems have arisen since 2009.

## To what extent was 2010 comparable to 2009?

In our core business, covering Belgian exports in a broad sense, amounts insured and premiums received remained stable, and the same can also be said about our claims charge. We have, however, noticed a decline in the number of large cash transactions, as fewer works contracts, typically paid for on a cash basis, were being concluded on the market. This does not mean that we are no longer seeing these insured parties at present,

however. In the Middle East, for example, there are still major projects in the pipeline. These relate to the construction of utilities. What is important here is that these projects are now being structured more frequently on the basis of financing and fall under our medium-term transactions business line. Opportunities are still available, therefore, although they will often present themselves in a different form. For that reason we need to remain flexible.

## How do you intend to do that?

We have already made a start. As we want to access segments that we are not yet accessing sufficiently as an export credit agency, we have decided to set up a team that will focus exclusively on identifying potential new transactions and clients. This applies to both our traditional activity and our market window, but above all we are keen to gain access to more SMEs, as after the crisis too ONDD wants to carry on fulfilling, and even strengthen, its traditional role: supporting the Belgian industry and Belgian exporters in a broad sense.

**You mention a change within your organization. Can you explain this in more detail?**

The changes can be grouped under the heading of specialisation. On the one hand, we now have a Business Development and Products team that deals exclusively with prospecting and the development of new or improved products, as we wanted to separate this aspect from our pure underwriting work and the day-to-day service provided to our clients. On the other hand, from now on the underwriting work will be distributed between two specialist teams: core business and market activity. Underwriting and account management will be kept together to make sure that our clients continue to have a single point of contact. A further important point in the area of underwriting is that we are keen to monitor the existing portfolio of current risks in a more effective and more active way. Further computerization will be an essential part of this, and we are prepared to make the necessary efforts.

**The new Project Management Office comes under your authority. What does this involve exactly?**

Our group has undergone a number of fundamental changes. We have grown from a traditional export credit agency into an international player with diversified activities, including private activities, a part of which are performed through shareholdings. We want to consolidate the changes that the previous management set in motion. All the developments required for this need to be realized in a safe and cost-efficient way. As so many different projects have been identified, we have decided to set up a Project Management Office. The intention here is to introduce a project management culture into every part of our companies, to organize projects more efficiently and to give the management a better insight into the course of projects and how soundly they are handled. Now that the dust from the crisis has settled we would like to take the opportunity to strengthen our working method and structures significantly. We will be making substantial efforts in these areas in both 2011 and 2012.

**“The considerable influx of claims that we experienced in the first half of 2009 subsided at the end of that year. For ONDD, that does not mean the crisis is over, however.”**



# Business approach

In 2009, ONDD felt the full impact of the economic crisis. Conversely, 2010 was a year of transition when activity flattened out and the business was restructured. Dominique Meessen and Gert Van Melkebeke give us a rundown.

## **The former Underwriting department was restructured in 2010. What was the reason for this?**

Basically the aim was to improve the efficiency, transparency and accountability of the various entities as well as create intra-group synergy. It was decided that business development would be separated out of the Underwriting department, in terms of both traditional credit insurance and market activity, and renamed 'Business Development and Products' (BDP). Underwriting and Account Management (UAM) now focuses on client care, analysis and account management. We have also spun off the traditional activity and the market activity within UAM.

## **What are the benefits of this restructuring for clients?**

By focusing on a specific business line, our underwriters will offer a more bespoke client service than before.

## **What are the objectives of the new Business Development and Products entity?**

BDP has four objectives: business and product development, pricing and coordination of multi-product clients. BDP is responsible for expanding our client base and range of activities, boosting ONDD's reputation and raising its profile in the market, particularly among SMEs. Product development is also the responsibility of BDP. The aim here is to tailor products to client requirements. The department is also in charge of product pricing, and will be responsible for implementing and documenting the new premium system, which comes into operation on 1 September 2011. It will be ONDD's centre of expertise in terms of pricing. Finally, BDP is the preferred point of contact within the ONDD Group for multi-product clients.

## **Is the economic and financial crisis still having an impact?**

After the boom in 2008 and recession in 2009, 2010 was a year of transition and stabilization. ONDD issued slightly more traditional credit insurance policies and the number of firms insured remained stable, probably a sign that business activities are slowly recovering. Unfortunately, we are also finding that a large number of Belgian companies with foreign operations, particularly SMEs, are reluctant to export on a large scale to emerging markets. Yet it is here that there is considerable potential





For many years now, FIB BELGIUM SA has been working with ONDD to have its export contracts covered. This partnership allows the company to focus on its business.



FIB BELGIUM SA is a family company in Walloon Brabant that specializes in equipment for drawing plants. It is the global leader in its industry and its equipment is exported to 43 countries around the globe.



In 2010, FIB BELGIUM SA signed a contract for the supply of a galvanizing line for steel wires in Russia. The contract is subject to a five-year buyer credit that is covered by ONDD. Well aware of the dangers of overseas exports for those who fail to put in place sufficient guarantees, FIB BELGIUM SA called on ONDD. In addition, ONDD's cover is often crucial for ensuring any required export financing as it covers the bank against the non-payment risks entailed by the buyer credit.



**Dominique Meessen** (Head Underwriting and Account Management ONDD)  
and **Gert Van Melkebeke** (Head Business Development and Products)

for growth. ONDD has a major role to play here, given its expertise in emerging markets and the fact that official credit insurers have reassumed a key role.

#### **Is there more demand for certain products?**

We are seeing considerable interest in all traditional finance-related products, including forfaiting and financial guarantees. In terms of forfaiting – in other words, discounting bills in the context of small-scale supplier credit – we have raised the upper limit from EUR 25 million to EUR 50 million. This product is generating a great deal of interest.

#### **What about the market activity?**

We are seeing a modest recovery compared with 2009. 2010 was a year of stabilization in terms of insured volumes and our aim is to consolidate existing solid partnerships with banks.

#### **What is the outlook for 2011?**

We are expecting the economic upturn to continue with, we hope, a few major transactions in the offing. We are also planning to expand our client base, mainly through BDP's active prospecting. In addition, through increased cooperation with other market operators, we will fulfil our mandate of promoting international trade.

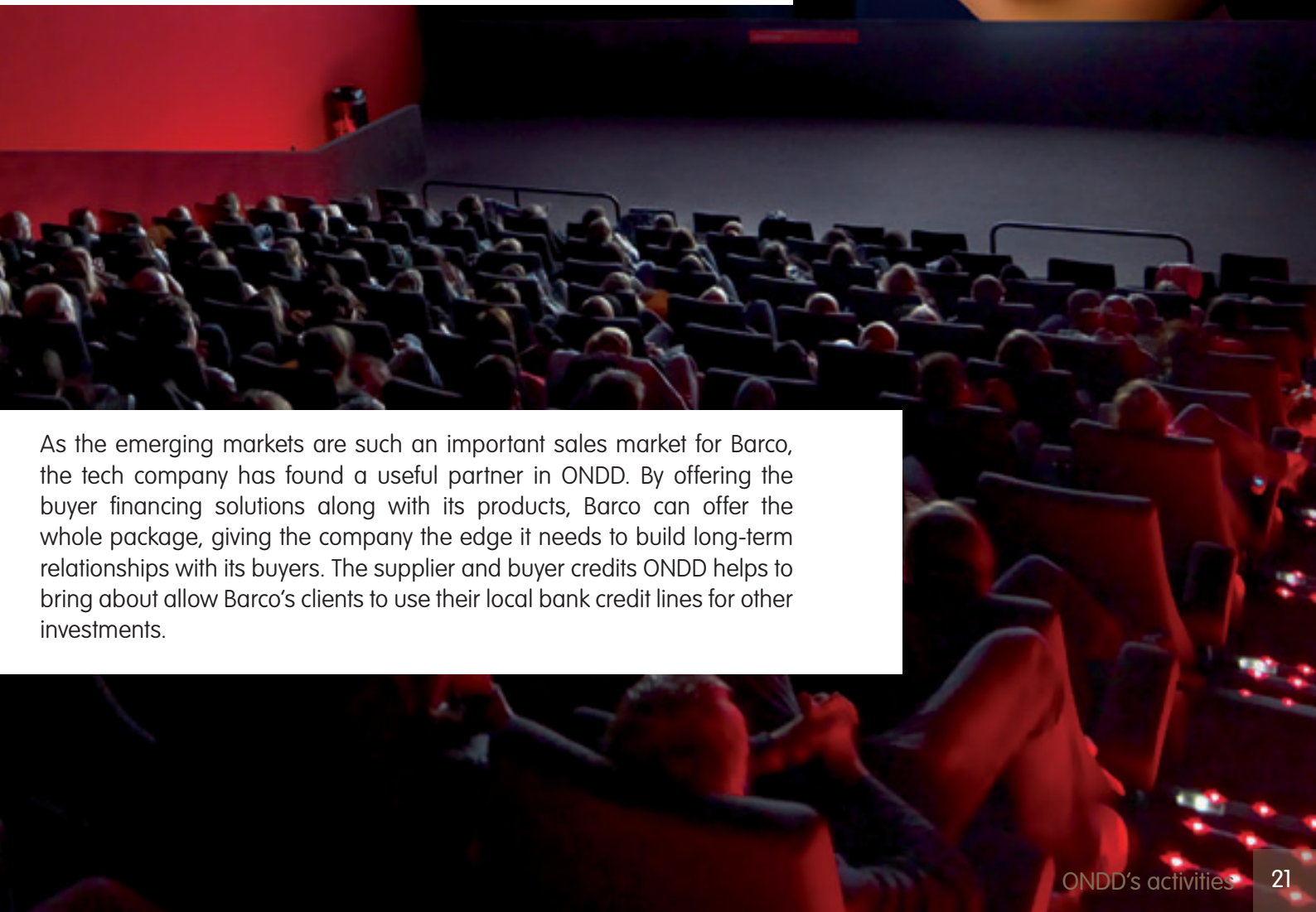




By offering the buyer financing solutions along with its products, Barco can offer the whole package, giving the company the edge it needs to build long-term relationships with its buyers.



Barco, a global technology company, designs and develops visualization solutions for a variety of specific professional markets. Its business includes LED solutions and digital cinema projectors. The emerging markets are taking up an ever-increasing share of Barco's sales market, with the Asia Pacific region alone accounting for 25%. Barco is active in more than 90 countries with about 3,500 employees worldwide.



As the emerging markets are such an important sales market for Barco, the tech company has found a useful partner in ONDD. By offering the buyer financing solutions along with its products, Barco can offer the whole package, giving the company the edge it needs to build long-term relationships with its buyers. The supplier and buyer credits ONDD helps to bring about allow Barco's clients to use their local bank credit lines for other investments.

# Results for 2010



Ronny Matton  
Chief Financial Officer

The trend in 2010 was also clearly a positive one from a financial perspective. New CFO Ronny Matton outlines how ONDD fared financially.

## Is ONDD closing 2010 with positive figures?

Absolutely. Compared with 2009, when we posted a loss of EUR 19.2 million, this year's result is extremely positive, with a profit of EUR 105.1 million being achieved. This can be divided into a technical result, which stands at a profit of EUR 47.8 million, in contrast to a loss of EUR 132.3 million last year, and a positive financial result of EUR 57.3 million, compared with an even more positive result of EUR 115.2 million in 2009. Overall, our turnover, which mainly comprises the premiums we receive, was up by 5% on the 2009 figure. More specifically, premium income grew by 6% for our traditional activity, although there was a drop of 40% in amounts insured. This is paradoxical, but reflects the decline in amounts insured that began in 2009 and continued in 2010. In addition, this development is due to a shift from cash-based to credit-based business, for which higher premiums need to be charged. As an insurer, the claims that we pay out are naturally also a major factor in our final result. In 2010 these were a good deal lower than last year. Lastly, the provisions for risk deterioration that had been created in 2009 also contributed to our positive result. As the situation on the markets improved, we were able to reduce these important provisions and in some cases reverse them.

## How did ONDD's market activity develop?

Here too we can see a paradoxical development, but in the opposite direction. Amounts insured rose by 8%, while premiums showed a 12% decline. In 2010 we therefore accepted fewer new transactions than in 2009. An impressive growth was achieved in the area of inward reinsurance: this activity grew by 121% in terms of premiums to EUR 31.6 million. As far as outward reinsurance is concerned, we are returning to a normal situation. Here the result is negative again, instead of making a positive contribution, as was the case in 2008-2009. In concrete terms, this means that more premiums and fewer claims were ceded. In other words, the loss ratio is returning to more normal values for reinsurance too.

## Can you also explain the financial result?

The disappointing financial result achieved in 2008 is gradually being made good through profit-taking. In 2009 we did extremely well with our investment portfolio and we achieved a positive result once again in 2010: EUR 38.7 million. It goes without saying that we adjusted our general investment policy for 2010 and future years in line with the volatility on the markets. We have divided up our investment portfolio in such a way that the return is maintained, while risks are kept to a minimum.

# The international role of ONDD



Bram Delen  
International Relations Advisor ONDD

In 2010, the international role of ONDD was dominated in particular by the Belgian Presidency of the EU in the second half of the year. In this context ONDD played a very active role within the Council Working Group on Export Credits (CWG). Bram Delen takes stock.

## What did the work within the Council Working Group involve?

Within this body the European Commission's Directorate-General for Trade and the 27 EU member states come together to agree on European policy initiatives in the area of export credits. They also decide on a common European standpoint for the OECD meetings, where the EU member states are represented by the Commission. During the Belgian Presidency of the Council, ONDD's role was to assist Belgium's Federal Public Service for Foreign Affairs with technical expertise at these CWG meetings.

As is the case with any Presidency, a full agenda had to be worked through. First and foremost, the changes brought about by the Treaty of Lisbon had to be dealt with. These give the European Parliament co-decision power on the subject of export credits. This means that it is now necessary for the European Parliament in addition to the Council and the Commission to agree with what is discussed within the OECD, and therefore with what will ultimately become EU rules.

With a view to structuring this modified consultation model, ONDD, together with Belgium's Federal Public Service for Foreign Affairs, held a series of discussions with the European Parliament on the subject of a collaboration mechanism. A consensus was soon reached on the broad outlines.

## Were any other matters covered?

Another issue was the extension of the Commission's Communication on short-term export credit insurance. ONDD negotiated with the Directorate-General for Competition on the situation in the short-term credit market.

The joint decision was to leave it up to the member states to choose whether or not to maintain their national anti-crisis measures until the end of 2012.

## What does 2011 have in store at international level?

2011 will be an interesting year for the credit insurance sector. France will be taking over the Presidency of the G20 and will be placing export credits on the agenda for the first time, meaning that greater attention will be given to the subject during international summits.

# Claims Management



Thibaut De Haene  
Head Legal and Claims ONDD

While 2009, following on from 2008, saw the number of claims soar, 2010 seemed to hint at a return to normality. Yet the effects of the economic and financial crisis can still be seen, as Thibaut De Haene explains.

## **In 2009, ONDD paid out a significant amount of claims. What about 2010?**

We passed the EUR 160 million mark in terms of claim pay-outs in 2010. Yes, this is a vast amount, but it is still below the record of EUR 200 million set in 2009. We have to go back to the early 1980s before we find a similar level of pay-outs. By comparison, in 2010 we paid out five to six times more than the average amount of compensation paid between 2004 and 2008.

Most of the compensation paid in 2010 was a direct result of the economic and financial crisis. This time-lag is typical for credit insurance and is, among other things, a direct consequence of the claims waiting period. The Legal and Claims department saw a significant drop in the number of new claim files, although the situation has still not returned to how it was before the crisis.

The decline that began at the end of 2009 continued in 2010, and we are cautiously expecting a gradual return to a normal claims volume. That said, we need to bear in mind that a fall in the number of claim files does not necessarily mean a fall in the claims charge. An insurance case where the financial implications are substantial could alone account for a rise in the claims charge in absolute terms.

The lesson we have learned from the crisis is that no debtor – no matter who they are, how big they are and what industry they operate in – is safe from the risk of insolvency. Insolvencies in 2010 generally had the same profile as those recorded for 2009, namely collective payment defaults mainly caused by industry-related problems. Conversely, we did not record any major claims in the banking sector, as was the case in Kazakhstan and in Ukraine in 2009.

### What about debt recovery?

In most cases, the claims filed in 2009 were due to short-term cash-flow problems which have often resulted in debt restructuring agreements. These agreements began to take effect in 2010 and should continue to pay off in 2011 and beyond. Even though we had to agree to a partial write-off in some cases, we should enter an era of medium-term debt recovery. This assumes of course that there is no major setback affecting the financial health of companies with which the debt restructuring was agreed.

In short, we are emerging from a period of convalescence and need to protect ourselves against a relapse. Throughout 2010, we also reversed some provisions due to agreements signed with major debtors and the positive experience with debt restructuring.

### How has sovereign debt changed?

Agreements have been signed within the Paris Club but, as in recent years, they mainly concern Heavily Indebted Poor Countries (HIPC). These agreements are aimed at allowing the countries concerned to return to a level of debt which is sustainable and generally involve a significant cancellation of debt held on these countries.

The challenge for 2011 in terms of managing sovereign debt will mainly be to resume a constructive dialogue with countries such as Argentina, Zimbabwe and Sudan, where payment arrears have been building up for some time.

**“In 2010 we paid out five to six times more than the average amount of compensation paid between 2004 and 2008.”**



# Corporate social responsibility



Nabil Jijakli  
Secretary General ONDD

As the official State-backed credit insurer, ONDD has for a long time complied with OECD obligations in terms of corporate social responsibility. In 2010, ONDD decided to take this a step further and implement an ambitious, proactive policy. Nabil Jijakli and Bram Delen talk to us about the philosophy and objectives.

## What is the underlying philosophy behind your corporate social responsibility policy?

First of all, for several years ONDD has been following the directives of the Organisation for Economic Cooperation and Development (OECD) in terms of corporate social responsibility. These require all projects insured by an official credit insurer to be examined in the light of their environmental and social impact.

However, ONDD wants to go further than these directives. We are convinced of the relevance of international guidelines, and it is also important to raise awareness and galvanize staff on these issues. The OECD has set up an excellent regulatory framework; we would like to add our own experience to this, inherent in the strategic objectives of ONDD. This dimension is key: corporate social responsibility must be an integral part of our corporate culture.

## How did you go about this?

We wanted to create new momentum and contacted an external consultant specialising in corporate social responsibility. We compared the general trends in terms of corporate social responsibility with the trends observed in our sector and with our strategic objectives. We then melded together the various parameters and identified two pillars where we could reconcile corporate social responsibility with commercial profitability. It was a question of risk management and value creation for our clients.

### And in real terms?

For the first pillar - risk management - we will review our procedures and operation in terms of corporate social responsibility. To do this, we have recruited an environment consultant who will, among other things, support the underwriters responsible for analysing the environmental and social impact of our projects.

Another example is our country-risk assessment model, which already factors in climate change and the depletion of natural resources. We will re-examine and, if necessary, refine this model.

The second pillar consists of examining how best to assist our clients with the implementation of corporate social responsibility directives. We also want to explore new growth markets such as renewable energy. Our goal is to let growth and environmental protection go hand in hand.

### How will this break down in 2011?

Each head of department will be required to make concrete proposals for the two pillars so that corporate social responsibility becomes an integral part of ONDD's operation and its day-to-day management. We will then look to implement these using quality indicators to gauge their relevance. This will be an ongoing process over a long period of time.

**"Corporate social responsibility must be an integral part of our corporate culture."**

# ONDD's subsidiaries

"We have built up a European credit insurance group that is active in all segments of the credit insurance market, with coverage all over the world."

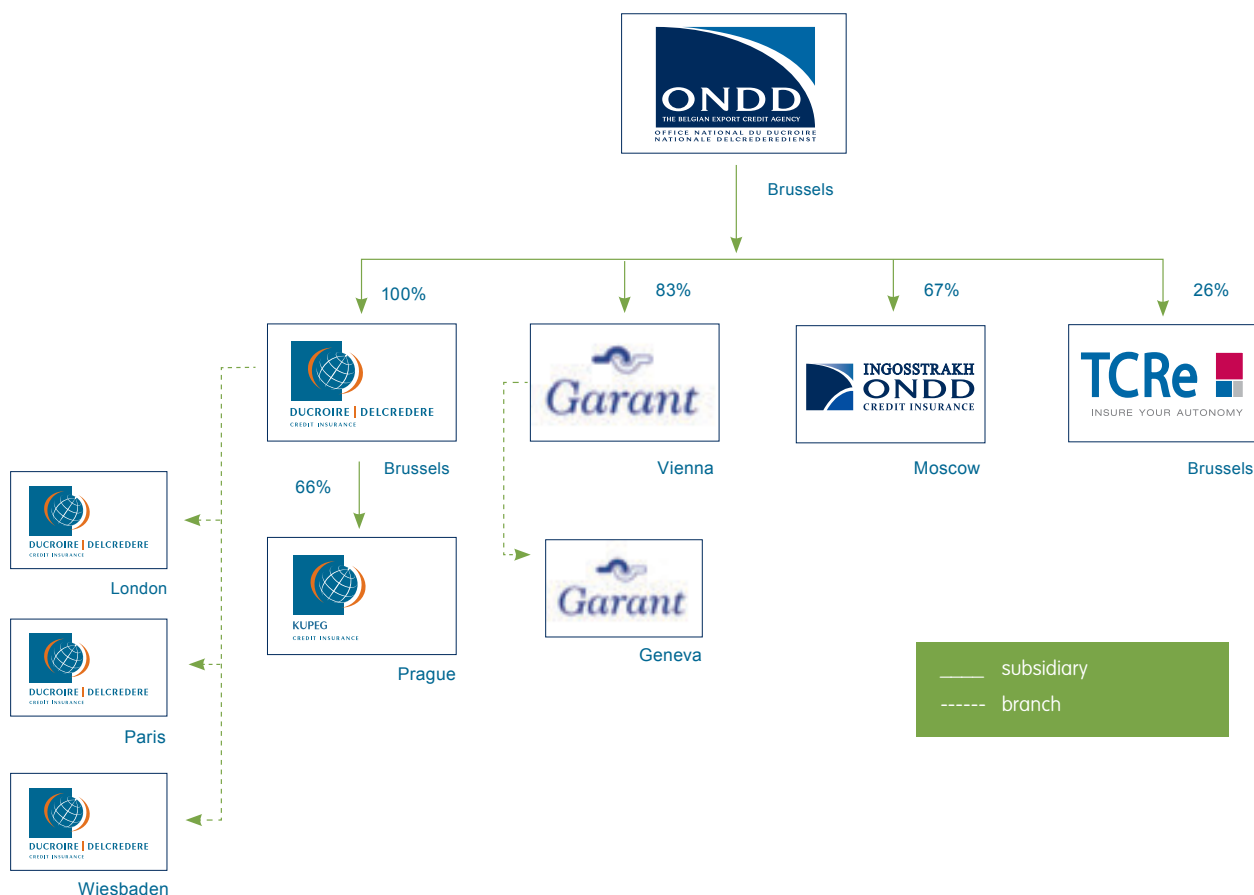
Dirk Terweduwe,  
Chief Executive Officer ONDD Group





# Structure of the ONDD Group

The transformation and, in particular, expansion that the ONDD Group has undergone over the past few years can at the very least be described as remarkable. Now that the group has organised itself to allow the various entities to be better attuned to one another, it is interesting to set out what these entities have to offer and what they can contribute to the group. Dirk Terweduwe explains.



### **In which credit insurance segments does the ONDD Group operate?**

The answer is very simple: we have built up a European credit insurance group that is active in all segments of the credit insurance market, with coverage all over the world. First you have ONDD, the parent company, which fulfils its traditional role as an official credit insurer. Then there is the subsidiary Ducroire | Delcredere SA.NV, which, besides offering traditional short-term credit insurance under its comprehensive policy, also issues bonds and provides reinsurance. The company has three branch offices in London, Paris and Wiesbaden that are growing rapidly. In turn, Ducroire | Delcredere SA.NV holds a majority stake in the Czech credit insurance company KUPEG, which offers us access to the Central European market. KUPEG mainly covers short-term credits for Czech companies on the local market and also has outstanding risks on the Western and Eastern European market. Next, there is Garant AG, our subsidiary in Vienna, which specialises in single-risk cover for five to seven years and has a branch office in Geneva. We acquired a majority stake of 83% in this company in 2010. 2009 saw the start of our joint venture INGO-ONDD, which allows us to offer short-term credit insurance on the Russian market. In 2010 we increased our participation to 66.67%. Finally, we hold a minority interest in the excess of loss insurer TCRé, which has branch offices in a number of European countries. You can see from this summary that we have focused on diversification, but always within the credit insurance business. This has therefore given us a broad range and an excellent geographical presence. We have organised ourselves in this way to allow the group to be steered effectively.

### **How have you done this?**

By better integrating the various entities into the group and clearly defining which function offers the best return and where. The key word is optimisation. Certain functions, for example, are given a transversal character, meaning that they are performed within a specific service and that they will be implemented in the same way

throughout the whole of the ONDD Group. The streamlined organizational structure provides a better overview, making it easier for information and expertise to be exchanged.

### **Can you give a specific example?**

Certainly. A client comes to INGO-ONDD. It turns out, however, that some of its activities qualify for coverage with Garant, for example. This client must be able to navigate effortlessly within our group. ONDD's trump card – our country expertise in the area of exports to non-OECD countries – also needs to be placed at the service of the other group entities even more effectively, by further harmonising the risk management function within the group. Incidentally, the integration project is taking place in various domains.

### **What opportunities does 2011 hold?**

As an official credit insurer, ONDD certainly still has room to grow. With our structure, we want to get closer to SMEs and, consequently, increase our visibility in that segment. That is to say, we want to become the partner of small and medium-sized companies to an even greater extent. In the area of foreign incorporation, too, we continue to be very flexible in our acceptance of new transactions. This year we have even attracted companies from sectors that are coming to us for the first time. Our greatest challenges in 2011 will be maintaining our industrial base while continuing to broaden our horizon and, as a parent company, giving our group a robust structure and preparing it for further growth. At the same time, this is also where our opportunities lie.

# Ducroire | Delcredere SA.NV

## General information

**address :** rue Montoyerstraat 3, BE-1000 Brussels

**branches:** London (UK) – Paris (FR) – Wiesbaden (DE)

**staff:** 124

**core business:** short-term credit insurance, reinsurance

**products:** comprehensive and multinational policies, legal and statutory bonds, inward reinsurance

**incorporation:** 2004

The recession of the past few years represented the first major test for Ducroire | Delcredere SA.NV since it was established in 2004. The private insurer came through with flying colours by being a partner who was there for a large number of insurance clients, even in difficult times. Karin Deesen and Stefaan Van Boxstael discuss how Ducroire | Delcredere SA.NV got on in 2010.

### Following the turbulent times experienced by the entire credit insurance business in 2009, what kind of year was 2010?

First and foremost, we emerged from the crisis unscathed and have not had any insurmountable claims this year. Naturally we are still managing a series of old claims for which we paid indemnification in 2009, but for the most part we are now in the recovery phase. 2010 was a good year – a year in which we paid out almost no claims other than those for which we had made provisions and in which we saw the entire market stabilise. Our loss ratio for 2010 speaks for itself at 51.1%. This is more than half the figure for 2009. Although we had drawn up an ambitious budget for 2010, we exceeded our target figures amply and achieved growth of 38% in comparison with 2009. The result is that, with regard to income, we are catching up again with the growth that we had begun to achieve when we started out in 2004.

### What can this be attributed to?

This growth can be traced back to the sales of 2010, 2009 and 2008: that is to say, sales that were made in the crisis years. That's the way things work in our business. You sow one year and it is only afterwards that you reap your harvest. The growth comes both from new policies and from the renewal of existing policies. Organic growth in existing policies only really got into its stride towards the last quarter, but once again the line is on an upward trend. We are also continuing to secure new business due to the fact that we continue to stand out

from the competition with our personalised approach. This has only been possible by continuing to invest in our people and our organization, despite the crisis.

### Does the growth apply to all activities?

The issue of bonds, inward reinsurance and the comprehensive policy all experienced strong growth in 2010.

### How did the branch offices in London, Paris and Wiesbaden perform?

The three branch offices achieved considerable growth. You could say that their contribution to the overall activity is still modest, but that the first steps have been taken. The office in London doubled its premium income in 2010. Here too the growth was largely rooted in the sales made in 2009. The branch in Wiesbaden opened midway through 2009 and is now demonstrating healthy, quarter-on-quarter growth. From the current transactions that we are negotiating we can deduce that, following a strong start, the German branch is on the right track towards acquiring an increasing market share. The branch office in Paris has also seen an improvement, yet to a limited extent, as the French market is a more

"2010 was a good year – a year in which we paid out almost no claims other than those for which we had made provisions and in which we saw the entire market stabilise."



Karin Deesen (Deputy CEO), Dirk Terweduwe (CEO), Stefaan Van Boxstael (Deputy CEO)

saturated one where credit insurers mainly have to rely on policy extensions.

### **What was the situation on the credit insurance market?**

Now that world trade is improving again and credit insurers are also once more feeling that things are getting better, it is clear that competitive pressure is increasing again on the credit insurance market. In 2008, 2009 and the start of 2010, we were able to stand out noticeably from the competition by not restricting our limits massively, by ensuring excellent communication with our insured parties and by looking at transactions on a case-by-case basis. This approach brought us many new clients. We are now buoyed by the thought that our clients have not forgotten what we did for them during difficult times. Continuing to convince them that we are the right partner for them is one of the challenges that we face in the future.

### **A number of changes are being implemented at group level. What does this mean for Ducroire | Delcredere SA.NV?**

One major project, and one that will continue to receive a great deal of attention in 2011, is the integration of the subsidiaries into the ONDD Group. We are also noticing that, within the ONDD Group, we have an increasing number of clients who are using the services of more than one of our subsidiaries. Naturally this all needs to be organised well. As a result of the group's expansion, as a credit insurer we have a foot in the door of a variety of markets. The changes in the organization are geared towards working together more closely and, in so doing, strengthening our image as a group.

### **What about the changes within the Underwriting and Credit Information department (UCI)?**

To serve our clients better, we have indeed implemented a series of changes in the UCI department. For example, we have gone from three teams to five, extra people have been taken on for arbitrage, and we are opting, here and there, to perform arbitrage locally, e.g. in Germany, or at our subsidiary KUPEG, where arbitrage takes place for the Czech Republic and Poland. This allows us to make use of the extensive knowledge of the local underwriters, who have a better understanding of the peculiarities of their own markets. By developing these centres of excellence and the daily contact that goes hand in hand with this, we are encouraging working together as a group and promoting the development of a group consciousness. All this translates into better and, above all, faster decisions. It is important here that our IT tools also continue to grow so that we can keep up with our growing client base when it comes to handling enquiries. We are also paying particular attention to the training of our underwriters and we have made additional efforts to guarantee the consistency of our underwriting policy in broad terms. Our underwriting guidelines from Brussels now apply in Prague, Wiesbaden, London and Paris, for example.



### General information

**address :** Na Pankráci 1683/127, CZ - 140 00 Prague 4

**staff:** 46

**core business:** credit insurance

**products:** e-module: whole turnover insurance – e-bonus: insurance for smaller companies – e-bond: guarantee insurance

**incorporation:** 2005



Michal Veselý  
CEO KUPEG

For KUPEG, 2010 was a year of change, seeing the introduction of a new name, a new CEO and a number of far-reaching organizational changes. Eric Joos, who had become ad interim CEO in August, was succeeded by Michal Veselý on 1 April 2011.

### It was not possible for KUPEG to end the year with a positive result. Why was this?

You have to view this result in context. One of the major reasons lies in the past. In 2010, for example, we were still having to pay out claims for risks that were entered into in 2008, 2009 and even before then. Also, in the Czech Republic it is legally possible to file a claim with one's insurer up to four years after the risk has arisen. In order to absorb such situations, we had to create additional provisions, which naturally impact on the current balance sheet, but represent a realistic assessment of the risk. Due to the fact that, since 2009, Ducroire | Delcredere SA.NV has been a majority shareholder of KUPEG with a 66%-stake, it had a strong mandate to implement a number of changes. That is why an ambitious change programme was also introduced. This programme involves various projects to improve both the company's operation and the integration of its sales, risk underwriting, claims and collection into the group.

### Can you give some examples?

As mentioned above, Ducroire | Delcredere SA.NV now has a more prominent presence in the management of its subsidiary. In the area of risk underwriting, effort has been put into drawing up common underwriting guidelines, which means that the underwriters in Prague work in the same way as those in Brussels. As a result, files are perfectly interchangeable. Also, the same scoring system that Ducroire | Delcredere SA.NV uses is now being used at

KUPEG. Not only have the underwritten volumes risen again, but the quality of the risks is also much improved as all this is combined with the extensive exchange of information within the group and with advanced monitoring systems. In addition, we are working together more closely with our insurance clients when it comes to monitoring outstanding risks, as a result of a system having been set up that promotes intensive communication and open dialogue with the underwriters.

### Are you optimistic about 2011?

Absolutely. All the indications are that the tide has turned. Once again we are the clear market leader, our premium volume has increased by 70% in comparison with 2008 and, if we look at the risks that we have underwritten in 2010, we can see that the non-payments reported are back at their pre-crisis level. In addition to this, our operating expenses are low. Finally, we have enhanced our team of underwriters by recruiting new talent. In other words, we have laid a solid technical foundation for a strong 2011 and the years to come.

## General information

**address :** Paveletskaya Square, 2/1, Business Centre 'Paveletskaya Plaza', Moscow, 115054, Russia

**staff:** 20

**core business:** export credit insurance, domestic credit insurance, inward reinsurance

**products:** short- and medium-term whole-turnover coverage

**incorporation:** 2009



Victor Klimov  
CEO INGO-ONDD

The joint venture INGO-ONDD started operations in December 2009. Victor Klimov gives us his assessment of the first year of activities.

### What were the main events in 2010?

2010 was a very intensive year for the joint venture. After one year of operations, we can state that the market has reacted positively towards INGO-ONDD. Within a short period of time, the company was accepted by the headquarters of all major international brokering companies and received invitations to tender from almost all subsidiaries of international companies located in Russia. As INGO-ONDD has three types of licences – domestic credit insurance, export credit insurance and inward reinsurance – it can indeed provide a full range of services to Russian clients and international clients located in Russia. Moreover, the international reinsurance market has shown a strong appetite for our reinsurance programme. This support by reinsurers has strengthened our position and given us many advantages in our negotiations with the market and with clients.

Since the beginning, INGO-ONDD has not positioned itself as a sales office but as a real risk taker and independent profitable player on the market. As a result, starting with eight people in December 2009, the company's staff has increased to twenty full-time employees to keep up with growing business. As far as our clients are concerned, we can proudly say that most of them are global leaders in their sector of activity.

This requires great care on the part of the joint venture in terms of long-term relationships and service provision. Moreover, the fact that all the clients who had entered into credit insurance contracts with Ingosstrakh were successfully transferred to the portfolio of the joint venture was another major achievement in 2010.

### What are the key figures for 2010?

The joint venture has got off to a good start as we already reached the break-even point in 2010. At this stage, INGO-ONDD's share in the Russian credit insurance market is estimated at 20-25%. Claims were properly managed and did not affect the joint venture's profitability. The financial result was positive and operating costs were kept within reasonable limits.

### What is the outlook?

The positive trend of 2010 is likely to continue in 2011. INGO-ONDD's strategy is to focus on a sector approach and to gain as much expertise as possible. We believe that specialisation is one of the keys to success in emerging markets like Russia and the Commonwealth of Independent States (CIS). 2011 will be devoted to finding new interesting and attractive sectors and niches in order to build up a homogeneous and diversified portfolio.

The development of the joint venture will also be based on continued integration and harmonisation of business processes within the ONDD Group.

## General information

**address :** Wohllebengasse 4, AT-1040 Vienna

**branches:** Geneva (CH)

**staff:** 16

**core business:** private credit insurer specialised in emerging markets – credit insurance on the Swiss market

**products:** short-term single risk cover - whole turnover cover – reinsurance

**incorporation:** 1958



Louis Habib-Deloncle  
CEO Garant AG

In 2009, the worst recession in history of the business had a major, although not critical, impact at Garant. Conversely, 2010 proved to be an excellent year. Analysis by Louis Habib-Deloncle.

### How well did Garant perform in 2010?

The market reacted well following the dreadful crisis in 2009. There was no contraction in either demand or credit insurance capacity. The rebound of emerging countries and commodities led to a fairly steady demand, which translated into 36% growth in turnover against a target of 8%. Garant also penetrated the commodities trading market, a close-knit community divided between Geneva and Lausanne, and our local presence was clearly an asset. The volume of premiums helped to balance our ratios and boost profitability. Our reinsurance agreements were also renewed without any problem. Finally, our clients are doing everything they can to facilitate debt recovery.

We can therefore confidently say that 2010 was an excellent year for Garant. The acquisition by ONDD of a majority stake in Garant also changed the perception among certain financial actors and boosted our reputation.

### What are the main challenges for Garant?

The main challenge today is to avoid any accumulation of homogeneous risks. Garant should therefore continue to diversify both in terms of its portfolio of single-risk products and by underwriting more traditional single-debtor policies, as well as by diversifying its insured sectors and the duration of the risks insured. Our portfolio is still heterogeneous enough to avoid any systemic risk. In terms of clients, these already come from diverse backgrounds, which reduces the likelihood of a crash.

### What about claims in 2010?

There's a positive trend. Most of the claims were made in 2009. We did not record any significant claims in 2010, which therefore ended with a gross loss ratio of 30%, i.e. a return to the pre-crisis situation.

### What is the outlook for 2011?

The economic development of emerging countries will remain dynamic and trade to these countries will continue. Demand for single-risk cover increased in December. However, growth in 2011 is not expected to be as rapid as in 2010, which will probably be a year of stabilisation.



## General information

**address :** avenue Rogier Vandendriessche 18, BE-1150 Brussels

**branches:** Versailles (FR) – Cologne (DE) – Bergamo (IT) – Luxemburg (LU) – Paterna (ES)

**staff:** 20

**core business:** excess of loss insurance

**products:** financed deductible and financed insured amount – Top Up

**incorporation:** 2004



Vic Verbist  
CEO TCRe

After making a profit for the first time last year, 2010 was a year of stabilisation for excess of loss insurer TCRe, in the area of both premiums and clientele. Vic Verbist discusses 2010 and looks ahead.

### What kind of year was 2010?

Our client base stabilised and our premiums also remained stable. In particular, however, our profitability improved due to the fact that our loss ratio fell, although this applies across the entire credit insurance sector. In 2009 we made a profit for the first time and we did so again in 2010. The growth in premiums was less pronounced than in previous years, but our profit shows a favourable trend.

### Why is premium growth less pronounced at present?

The fact that the general economic situation is improving slightly means that companies have looked for an excess of loss solution less than they did in the crisis years of 2008 and 2009. However, this does not alter the fact that, at 80%, we enjoy an excellent renewal ratio. Excess of loss insurance is also more difficult to sell as we focus primarily on medium-sized and large companies who take care of their credit management and collection themselves. Our greatest challenge continues to be convincing clients to work with us. In order to achieve this goal, we are well represented locally with our extensive network of offices throughout Europe.

### What are the prospects for 2011?

We are relatively optimistic. Growth is good and, if the real economy rallies again in the countries in which we are active, our business will improve even further. We have already seen in 2010 that we are in a good position with regard to losses. This can only be attributed to the good credit management of our insurance clients. The fact is that as an excess of loss insurer we are simply the safety net for when things go wrong.

# Annual accounts of the ONDD Group

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A woman with blonde hair tied back, wearing a light-colored long-sleeved shirt, dark trousers, and a yellow and black backpack, stands on a rocky shore. She is holding a smartphone up to take a photo of a calm lake. The lake reflects the surrounding snow-capped mountains and clear blue sky. The scene is peaceful and scenic.

"Mazars Registered Auditors has audited the company's annual accounts as of and for the year ended 31 December 2010, in accordance with the legal and regulatory requirements applicable in Belgium. It has issued an unqualified audit opinion on these financial statements. The report is available on our website [www.ondd.be](http://www.ondd.be)."

# Management summary of the consolidated accounts of ONDD as at 31 December 2010

The consolidated results for ONDD and its subsidiaries show a group result of EUR 114 million profit for the 2010 financial year compared with the Group loss of EUR 38.7 million for the previous financial year.

The continued difficult economic climate of 2009 was reflected in the negative technical result of EUR 126.2 million. This year was closed with a positive technical result of EUR 100.7 million thanks to increased turnover and a decrease in the technical charges in line with the economic recovery. The financial result also continued to contribute positively, albeit less than in 2009.

For the 2010 consolidated statements a new consolidation software tool has been used. All of the 2009 figures were restated in order to allow a more meaningful comparison between this year and last year. For all intents and purposes this restatement resulted in slightly different figures due to reclassifications

and some other minor differences because of consolidation matching differences between intercompany balance sheet and income statement accounts. In 2010 we also applied the full consolidation method for Garant instead of the proportional method for 2009.

In terms of **activity**, the amounts insured by the Group in 2010 increased by 17%.

The **premiums issued** showed a similar increase of 16%, bringing the premium total net of rebates to EUR 332 million compared with EUR 286 million in 2009.

(in millions EUR)	Value of transactions insured			Premiums		
	2010	2009		2010	2009	
<b>ONDD</b>	7,411	9,471	-22%	232	221	5%
<i>Traditional activity</i>	3,483	5,850	-40%	108	102	6%
<i>Market activity</i>	3,928	3,621	8%	124	119	4%
<b>Ducroire   Delcredere SA.NV (100%)</b>	15,246	10,125	51%	87	63	38%
<b>Garant AG (83%)</b>	n.a.	n.a.		22	8	175%
<b>INGO-ONDD (67%)</b>	n.a.	n.a.		8	0	7,900%
<b>KUPEG (66%)</b>	n.a.	n.a.		15	10	50%
<b>Intercompany</b>	-82	-361	-77%	-32	-17	88%
<b>Total group</b>	22,575	19,235	17%	332	286	16%

- > For **ONDD**, the **value of transactions insured** decreased further by 22%, whereas **premiums** increased by 5%.

The insured amounts of the **traditional insurance activity** fell by 40%, a decrease which started in 2009, whilst there was a slight increase in premiums of 6% to reach an absolute record of almost EUR 108 million.

The paradox between the value of transactions insured and premiums is explained by the lack of a straightforward correlation: the premium rates are in fact very variable in relation to the duration of the operations insured, the nature of the risks covered (political risk and/or debtor risk) and the severity of the risks (in particular the risk category of the country covered). Following the strong increase in premium rates during 2009 after several countries were downgraded to categories representing a higher level of risk, the premium rates for 2010 remained stable. No exceptional transactions stand out for 2010.

For the **market activity**, the value of transactions insured was up (8%), with a slight increase in premiums (4%). On the one hand, we have the participations in bank syndicates, insurance pools and cover for confirmed letters of credit: for these activities the amounts insured rose by 8%, from EUR 3.6 billion in 2009 to EUR 3.9 billion in 2010. However, the submitted transactions to ONDD for insurance still felt the impact of the crisis in terms of new business. As such there was a considerable decrease in premiums of 12%. For this activity, which is often medium or long term, premiums are generally collected in the form of a spread above a risk-free rate for the whole duration of the cover. Because premiums are collected as the insured loans are redeemed, most of the 2010 premium

turnover is related to transactions insured during previous financial years. This did not prevent ONDD reaching EUR 92.4 million in premiums in 2010.

On the other hand, and in compensation, ONDD further strengthened its position as a market reinsurer, taking a stake in outwards treaties involving private insurers operating in the credit insurance and securities business and also in facultative reinsurance transactions. This activity increased sharply again, with premiums of EUR 31.6 million, compared with EUR 14.3 million in 2009.

- > **Dueroire | Delcredere SA.NV**, on the other hand, experienced strong growth in the value of transactions insured (51%) together with a significant increase in premium (38%). The Comprehensive Policy business line was up 45.6% compared with 2009, equal to a EUR 16.6 million increase. Around 65% of this increase was due to new business and extensions of policies signed since 2009. The remaining part was volume related to current contracts. The pace of growth gradually picked up during 2010. For the inward reinsurance business line an extra 69% compared with 2009 brought the total premium amount up to EUR 24.5 million, of which EUR 10.4 million was attributable to KUPEG.
- > **Garant AG** posted a 36% increase in premiums. Besides growing demand thanks to marketing and underwriting efforts, the result was also positively influenced by the favourable exchange rate development between the USD and the EUR. Note that 2009 turnover figures only show 50% of total premiums collected (proportional consolidation method).

- > **INGO-ONDD** came in with a premium total of EUR 8 million in its first full year of operations after successfully transferring the entire portfolio from Ingosstrakh.
- > **KUPEG** generated premiums of EUR 15 million, up by more than 50% from 2009. Insured turnover was 49% higher than in 2009 and the average premium rate increased by 19% on the main product, e-module. With 2009 being extraordinary in terms of market demand, there was 25% less premium from new business, the focus being on client retention.

**Premiums transferred to reinsurance** amounted to EUR 97.4 million in 2010 plus 53% compared with EUR 63.6 million in 2009. With the cession to reinsurance remaining at the same level in terms of amounts (EUR 47 million) for ONDD's market activity premiums, a business which involved a systematic cession to the reinsurance market through quota share reinsurance treaties and/or excess of loss treaties, the increase is to be attributed entirely to Ducroire | Delcredere SA.NV and the other subsidiaries of the group outside Belgium, which are ceding large parts of their premiums to reinsurance.

After cession to reinsurers, the premiums amounted to EUR 234.5 million, compared with EUR 222.3 million in the previous year, or an increase of almost 6%.

**Technical charges** after cession, an item which primarily relates to the claims, were negative to the amount of EUR 133.8 million over the year. Compared with the EUR 348.5 million booked in 2009, this represents a significant improvement.

In 2010 the overall situation improved considerably. The number of new claim files certainly continued to decrease, though the claims paid remained high, but they were mostly related to claim files for which provision had been made in previous years.

- > The provision for outstanding risks presented a major improvement with a release of provisions over the financial year of EUR 62.7 million compared with a charge of EUR 30.4 million over the previous year. The provision for risk deterioration was the main contributor to this improvement with several countries reclassified into categories with decreased levels of risk (for both political and systemic commercial risk) and lower commitments on those countries concerned, excluding those transferred to claims.
- > The provision for claims increased at a lower rate with a charge of EUR 75.2 million on the financial year compared with EUR 183.7 million over the previous year. Provision for claims (net of cession) increased from EUR 421.8 million at the end of 2009 to EUR 508.6 million at the end of 2010.
- > The provision for claims management expenses was ultimately EUR 7.1 million lower. In line with last year's review in Ducroire | Delcredere SA.NV of the methodology used to calculate this provision (based on the actual cost, in full cost accounting, of the Claims department, the number of current claim files handled by the department and the average length of time required to settle a claim), there was again a positive impact of EUR 1.2 million. Also for ONDD itself the charges decreased by EUR 5.3 million.



- > Finally, all the technical charges relating to outstanding indemnities (amounts written off of EUR 86.7 million and indemnified losses of EUR 41.7 million) resulted in a charge of EUR 128.4 million (compared with the EUR 135.6 million in the previous financial year).

The **operating charges** were up compared with the previous financial year (EUR 41.7 million in 2009 compared with EUR 33.4 million in 2009). These are the charges after reinsurance commission due by the reinsurers for their intervention in the operating charges of ONDD and its subsidiaries.

Apart from the change in scope of consolidation (including INGO-ONDD and full consolidation of GARANT AG) the increase in operating charges was mainly due to the increase in turnover observed over the year. In particular there was an increase in the costs of management by third parties. These costs principally included brokers' fees and commissions paid to insurers in the framework of inward reinsurance.

The **operating result** amounted to a profit of EUR 59 million (EUR -159.7 million in 2009).

This operating profit was equalised to a slight degree through the provision made for equalisation and disasters (EUR -5 million).

Indeed, only the ONDD subsidiaries, which are insurance companies, make this type of provision in their individual accounts, whereas ONDD, which is not strictly speaking an insurance company but a quasi-governmental company which is subject to the law governing trading companies as far as drawing up its accounts is concerned, does not make any provision of this nature.


The operating result, after provision for equalisation and disasters, amounted to a profit of EUR 53.9 million in 2010, compared with a loss of EUR 152.5 million in 2009.

The **financial result** amounted to a profit of EUR 64.3 million in 2010 (compared with an exceptional positive result of EUR 125.8 million in 2009).

- > After the sharp upturn of the financial markets in 2009, last year's excellent investment result (EUR 125.3 million) was not repeated, at least not to the same extent. The financial result of the investment portfolio remained positive and amounted to EUR 46.8 million, mainly realised during the second half of 2010. This weaker result compared with last year was also due to more prudent management of the portfolio with a focus on limiting risk taken to achieve an acceptable level of return. This was done by investing more in Target Volatility Funds.

The lion's share (44%) of the investment portfolio result is to be attributed to realised capital gains and a further 29% to the reduction in unrealised capital losses with the rest made up of revenues, i.e. interests and dividends received.

As at 31/12/2010, the cash investments portfolio amounted to EUR 2,097.4 million at book value (EUR 1,981.4 million at the end of 2009) and EUR 2,234.3 million at market value (EUR 2,068.8 million at the end of 2009). Note that for ONDD we reclassified the rights in investment funds and fixed-interest securities to cash investments while they were previously held as financial fixed assets (see note 2).



At the end of 2010, investments in equities remained stable at 11.2% of the portfolio expressed in market value, sovereign bonds and treasury certificates, held directly or through funds, amounted to 26.4% of the portfolio, corporate bonds were slightly up at 7.1%, real estate was at 1.5% and investments with a guaranteed capital on maturity, generally long term, were down at 3.5%. The portfolio also included monetary, liquid and short-term instruments which were lower at 21% and funds managed according to a 'target volatility' approach rose to 29.3%.

Furthermore, since 2009, assets have been recorded using the locom method (lower of cost or market). Accordingly unrealised capital losses are registered as a loss in the income statement (down to EUR 5 million from EUR 18.3 million at the end of 2009) while, on the other hand, the unrealised capital gains on investments, for an amount of EUR 136.8 million at the end of the year (compared with EUR 87.4 million at the end of 2009), have not been recorded in the accounts.

> The financial income linked to accounts receivable from indemnities amounted to EUR 9.3 million (EUR 12.1 million in 2009):

» Rescheduling interest amounted to EUR 15.1 million (EUR 46.2 million in 2009).

To a great extent this relates to interest incurred in 2010 in the framework of public debt rescheduling agreements concluded with certain countries (EUR 10.5 million compared with EUR 43.7 million in 2009) and concern more specifically Côte d'Ivoire (EUR 3.4 million), Iraq (EUR 2.3 million) and other countries (EUR 4.8 million). The balance (EUR 4.6 million) relates to rescheduling concluded with private debtors.

» However, these interests have been compensated by write-offs and the irrecoverable share of rescheduling interest receivables (charge of EUR 5.8 million in 2010 compared with EUR 34.1 million in 2009).

> Other financial income and other financial charges generated a net profit over the year of EUR 8.2 million, related to a great extent to unrealised exchange gains, mainly on the USD, a reversal of last year's situation (a loss of EUR 11.6 million in 2009).

The net operational **cash flow** for the financial year is positive again; it amounts to EUR 111.7 million before investment (compared with EUR -170.8 million for the 2009 financial year). The gross cash flow is also positive at EUR 117.5 million compared with a negative gross cash flow of EUR 121.6 million in 2009. Claims paid as at 31 December 2010 remain significant, however, amounting to EUR 125.4 million after cession to reinsurance in 2010, compared with EUR 217.9 million in 2009.

**At the end of the year**, the commitments after cession to reinsurers resulting from policies issued (excluding cover for loan interests) and policies being issued were slightly lower at EUR 22,135 million at the end of 2010 compared with EUR 22,733 million at the end of 2009. These commitments are to be compared with the equity of EUR 1,707.3 million at the end of 2010.

# Income statement (in thousands EUR)

	Note	2010	2009
<b>Turnover</b>			
Written premiums	12	331,927	285,889
Premiums ceded to reinsurers	12	-97,402	-63,617
		<b>234,524</b>	<b>222,272</b>
<b>Technical charges after cession</b>			
Variation in the provision for profit share and refunds	11	375	-509
Variation in the provision for outstanding risks	11	-62,741	30,435
Variation in the provision for claims	11	75,178	183,683
Variation in the provision for claims management expenses	11	-7,131	1,502
Variation in amounts written off on outstanding claims		86,689	100,186
Indemnified losses and litigation expenses		41,705	35,413
Recoveries on indemnified losses and litigation expenses		-1,999	-3,036
Other technical results		1,773	848
		<b>133,849</b>	<b>348,521</b>
<b>Technical result</b>		<b>100,676</b>	<b>-126,249</b>
<b>Operating charges</b>			
Remunerations, social charges and pensions	13	27,996	25,200
Operating costs		16,169	7,875
Costs of management by third parties		30,213	25,820
Depreciation		1,923	1,742
Write-offs on trade account receivables		277	263
Other operating costs		956	853
Recovered operating costs		-10,356	-7,249
Reinsurance commissions		-25,479	-21,093
		<b>41,699</b>	<b>33,411</b>
<b>Operating result</b>	14	<b>58,976</b>	<b>-159,660</b>
<b>Provision for equalisation and disasters</b>	11	<b>-5,037</b>	<b>7,149</b>
<b>Operating result (after transfer to the provision for equalisation and disasters)</b>		<b>53,939</b>	<b>-152,511</b>
<b>Financial income</b>			
Income from financial assets	15	0	69,314
Income from cash investments	15	47,119	19,008
Rescheduling interest		15,132	46,231
Other financial income		13,287	5,988
		<b>75,538</b>	<b>140,541</b>

	Note	2010	2009
<b>Financial charges</b>			
Charges from investments	15	13,697	225,087
Variation in amounts written off on investments	15	-13,324	-262,011
Withholding tax	15	Incl. other financial charges	Incl. other financial charges
Debt charges		2	3
Costs on rescheduling agreements		Incl. other financial charges	Incl. other financial charges
Variation in amounts written off on rescheduling interest receivable		-21,596	13,254
Irrecoverable share of rescheduling interest receivable		27,418	20,851
Other financial charges		5,056	17,579
		<b>11,254</b>	<b>14,763</b>
<b>Financial result</b>		<b>64,285</b>	<b>125,778</b>
Exceptional result		-74	-3,542
<b>Profit before tax of consolidated entities</b>		<b>118,150</b>	<b>-30,276</b>
Tax		1,345	-24
<b>Profit after tax of consolidated entities</b>		<b>119,495</b>	<b>-30,300</b>
Share in result of companies accounted for by the equity method		340	21
Amortisation of goodwill		-6,407	9,914
<b>Net profit global</b>		<b>113,428</b>	<b>-40,193</b>
<b>Group result</b>		<b>114,005</b>	<b>-38,709</b>
<b>Minority result</b>		<b>-577</b>	<b>-1,484</b>
<b>Results</b>			
Attribution to reserves		3,209	-1,109
Carry forward result of the financial year		111,225	-37,175

The carry forward result of the financial year contains a EUR 428,000 currency translation difference for 2010. These differences will be shown under the currency translation reserve in equity starting 2011.

# Balance sheet (in thousands EUR)

Assets	Note	2010	2009
<b>Fixed assets</b>			
<b>Preliminary expenses</b>	5	5	1
<b>Intangible fixed assets</b>			
Concessions, licenses and know-how	6	5,108	3,668
<b>Goodwill</b>		6,591	5,478
<b>Tangible fixed assets</b>			
Land and buildings	7	24,923	25,448
Plant, machinery and equipment	7	1,430	1,679
Furniture and vehicles	7	775	529
		<b>27,129</b>	<b>27,657</b>
<b>Financial fixed assets</b>			
Shareholdings	8	0	28
Shareholdings in companies accounted for by the equity method	8	4,817	4,461
Other financial assets	8	5,573	1,677,222
		<b>10,390</b>	<b>1,681,710</b>
<b>Total fixed assets</b>		<b>49,225</b>	<b>1,718,514</b>
<b>Current assets</b>			
<b>Accounts receivable from claims</b>			
Accounts receivable from indemnities	9	296,771	276,728
Purchased accounts receivable	9	185	594
		<b>296,956</b>	<b>277,322</b>
<b>Accounts receivable within one year</b>			
Trade debtors		43,112	52,629
Other accounts receivable		26,740	20,362
Deposits with reinsurers		2,238	3,634
Deferred taxes		3,248	764
		<b>75,337</b>	<b>77,390</b>
<b>Cash investments</b>			
Shares	10	1,575,519	204,973
Bonds	10	404,713	33,387
Term deposits	10	84,852	52,660
		<b>2,065,085</b>	<b>291,021</b>
<b>Cash at bank and in hand</b>	10	<b>32,339</b>	<b>13,098</b>
<b>Deferred charges and accrued income</b>		<b>10,774</b>	<b>2,302</b>
<b>Total current assets</b>		<b>2,480,491</b>	<b>661,133</b>
<b>Total assets</b>		<b>2,529,716</b>	<b>2,379,647</b>



		Note	2010	2009
<b>Liabilities</b>				
<b>Equity</b>				
<b>Endowment</b>			297,472	297,472
<b>Reserves</b>			1,490,859	1,487,650
<b>Transferred result</b>			-80,993	-192,218
<b>Total equity of the group</b>			<b>1,707,338</b>	<b>1,592,905</b>
<b>Minority interest in equity</b>			12,392	5,513
<b>Total equity</b>			<b>1,719,730</b>	<b>1,598,418</b>
<b>Provisions for risks and charges</b>				
Provision for pension			1,803	899
Provision for taxes			98	4
Provision for other risks and charges			1,523	780
Provision for profit share and refunds	11		1,225	685
Provision for outstanding risks	11		226,275	286,879
Provision for claims	11		508,564	420,689
Provision for claims management expenses	11		19,826	27,039
Provision for equalisation and disasters	11		6,512	864
<b>Total provisions for risks and charges</b>			<b>765,825</b>	<b>737,839</b>
<b>Debts</b>				
<b>Accounts payable within one year</b>				
Financial debts			0	3
Commercial debts			20,330	19,483
Deposits from reinsurers			11,532	7,894
Debts concerning taxes, remunerations and social security			3,463	4,715
Other accounts payable			4,220	7,086
			<b>39,545</b>	<b>39,182</b>
<b>Accrued charges and deferred income</b>			<b>4,617</b>	<b>4,208</b>
<b>Total debts</b>			<b>44,161</b>	<b>43,390</b>
<b>Total liabilities</b>			<b>2,529,716</b>	<b>2,379,647</b>

# Cash flow (in thousands EUR)

	Note	2010	2009
Written premiums (1)	12	234,524	222,272
Indemnities paid (1)	16	-125,383	-217,899
Indemnities recovered (1)	16	-37,058	38,498
Operating charges		-41,699	-33,411
		<b>30,384</b>	<b>9,460</b>
Rescheduling interest (1)	16	11,384	19,469
Profit or loss on investments		46,746	125,246
being (non-monetary) write-offs		-13,324	-262,011
Other income and expenses		42,308	-13,793
		<b>87,114</b>	<b>-131,089</b>
<b>Gross cash flow</b>		<b>117,498</b>	<b>-121,629</b>
<b>Variation in net working capital</b>			
Variation in net assets		-478	-42,998
Variation in net liabilities		-5,305	-6,144
<b>Net operational cash flow</b>		<b>111,714</b>	<b>-170,771</b>
<b>Variation in investments</b>			
Increase of the preliminary costs	5	0	0
Increase of the intangible fixed assets	6	-1,993	-1,610
Increase of the tangible fixed assets	7	-1,057	-191
Increase of the financial fixed assets	8	1,671,320	-254,884
<b>Net operational cash flow after investments</b>		<b>1,779,984</b>	<b>-427,456</b>
Variation in financial debts		-3	0
Variation in investments, cash and cash equivalence		1,793,306	-165,445
Variation in amounts written off on investments		-13,324	-262,011

(1) after cession to reinsurers

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

Note

	2010						2009
	Gross transactions	Ceded to reinsurers	Net transactions	Gross transactions	Ceded to reinsurers	Net transactions	
<b>Current policies (principal)</b>							
ONDD - Credit insurance	7,816,568	-67,675	7,748,893	8,696,871	-125,563	8,571,308	
ONDD - Investment insurance	922,975	-81,325	841,649	1,017,839	-74,969	942,870	
ONDD - Financial guarantees	739,237		739,237	813,500		813,500	
Single risk	5,280,545	-1,874,616	3,405,929	5,670,736	-2,008,163	3,662,573	
Irrevocable letter of credit	2,093,838	-107,657	1,986,181	2,052,075	-245,353	1,806,722	
Inward reinsurance	2,947,805	-154,000	2,793,805	2,962,919		2,962,919	
Turnover policies	6,046,542	-2,344,351	3,702,191	3,648,259	-1,127,197	2,521,062	
Surety	308,208	-218,776	89,432	308,182		308,182	
	<b>26,155,719</b>	<b>-4,848,401</b>	<b>21,307,318</b>	<b>25,170,381</b>	<b>-3,581,244</b>	<b>21,589,136</b>	
<b>Policies being issued</b>							
ONDD - Credit insurance	741,421	-31	741,390	958,559	-31	958,528	
ONDD - Investment insurance	96,429	-77,143	19,286	187,046	-77,143	109,903	
Single risk	58,624	-1,985	56,640	67,773	-2,035	65,738	
Irrevocable letter of credit	10,000		10,000	10,000		10,000	
	<b>906,474</b>	<b>-79,159</b>	<b>827,315</b>	<b>1,223,378</b>	<b>-79,209</b>	<b>1,144,169</b>	
<b>Policies (total)</b>							
ONDD - Credit insurance	8,557,989	-67,706	8,490,283	9,655,430	-125,594	9,529,836	
ONDD - Investment insurance	1,019,403	-158,468	860,935	1,204,885	-152,112	1,052,773	
ONDD - Financial guarantees	739,237		739,237	813,500		813,500	
Single risk	5,339,170	-1,876,601	3,462,568	5,738,509	-2,010,198	3,728,311	
Irrevocable letter of credit	2,103,838	-107,657	1,996,181	2,062,075	-245,353	1,816,722	
Inward reinsurance	2,947,805	-154,000	2,793,805	2,962,919		2,962,919	
Turnover policies	6,046,542	-2,344,351	3,702,191	3,648,259	-1,127,197	2,521,062	
Surety	308,208	-218,776	89,432	308,182		308,182	
	<b>27,062,193</b>	<b>-4,927,560</b>	<b>22,134,633</b>	<b>26,393,759</b>	<b>-3,660,453</b>	<b>22,733,305</b>	
<b>Cover offers and advice notes</b>							
ONDD - Credit insurance	2,158,494		2,158,494	3,521,599	-646	3,520,954	
ONDD - Investment insurance	11,055		11,055	71,920		71,920	
Single risk	420,224		420,224	622,547	-720	621,827	
Irrevocable letter of credit	3,298,313		3,298,313	3,617,419		3,617,419	
	<b>5,888,086</b>		<b>5,888,086</b>	<b>7,833,485</b>	<b>-1,365</b>	<b>7,832,119</b>	
<b>Deposits by reinsurers</b>	2,057			2,174			
<b>Received rent security</b>	930			93			
<b>Forward sale of currencies</b>	343			1,810			
<b>Total return swaps</b>	30,000			40,000			

## NOTE 1 – SCOPE OF CONSOLIDATION

The subsidiaries of ONDD which are consolidated by the full consolidation method are:

- > The Belgian insurance company **Ducroire | Delcredere SA.NV**, which was established in September 2004 and is active in the credit insurance and suretyship branches;
- > **Immo Montoyer SA**, which owns an office building that is rented out;
- > **KUPEG úvěrová pojišťovna a.s.**, a Czech credit insurance company. The full consolidation method was applied to this company from 2009 after ONDD increased its stake from 33% to 66%;
- > The Austrian insurance company **Garant Versicherungs-AG**, active in the field of insurance of political and credit risks and of which ONDD has been the 83% owner since 2010;
- > **Holding CIS**, a Belgian company, held at 67% and which itself has a 100% stake in the Russian insurance and reinsurance company Ingosstrakh ONDD Credit Insurance (**INGO-ONDD**).

The company with which the group has a participation link, in particular:

- > **Trade Credit Re Insurance Company SA**, a Belgian company active in the excess of loss credit insurance market, has been consolidated by the equity method.

UCITS (undertakings for collective investment in transferable securities) were excluded from the consolidation.

	Consolidation method applied on 31/12/2010	Participation percentage held on 31/12/2009	Participation percentage held on 31/12/2010
<b>ONDD</b> Rue Montoyer 3 - 1000 Brussels BE 0203 286 759	Parent company	100%	100%
<b>Ducroire   Delcredere SA.NV</b> Rue Montoyer 3 - 1000 Brussels BE 0867 435 663	Full consolidation	100%	100%
<b>Immo Montoyer SA</b> Rue Montoyer 3 - 1000 Brussels BE 0403 248 596	Full consolidation	100%	100%
<b>KUPEG úvěrová pojišťovna a.s.</b> Na Pankráci 1683/127, 140 00 Praha 4 Czech Republic Reg. No.: 272 45 322	Full consolidation	66%	66%
<b>Garant Versicherungs-AG</b> Wohllebengasse 4, 1040 Wien Austria	Full consolidation	50%	83%
<b>Holding CIS</b> Rue Montoyer 3 - 1000 Brussels BE 0811 480 125	Full consolidation	1%	67%
<b>Trade Credit Re Insurance Company SA</b> Avenue Roger Vandendriessche 18 1150 Brussels BE 0864 602 471	Equity method	26%	26%

## NOTE 2 – KEY EVENTS OF THE YEAR

- > On 29 April 2009, ONDD acquired a 1% stake in **Holding CIS**, a newly-formed public limited company under Belgian law. As at 31/12/2009 the company's issued and fully paid-up capital stood at EUR 2,800,000.

Holding CIS is a shareholder in the Russian company Ingosstrakh ONDD Credit Insurance (INGO-ONDD). In November 2009, INGO-ONDD obtained permission from the Russian prudential authorities to exercise insurance and reinsurance activities in Russia.

On 18 February 2010, the share capital of Holding CIS was increased by EUR 8,000,720 to EUR 10,800,720. New shares resulting from the increase were fully paid up in cash at the time of subscription.

Following this transaction, ONDD saw its participation in Holding CIS' capital increase from 1% to 66.67%.

Available funds following the capital increase were used to increase capital in INGO-ONDD, a company under Russian law, involving a total of RUB 330,000,000 (or EUR 8,128,242.17).

- > Since 27 June 2006, ONDD has held 50% of the shares of the Austrian credit insurance company **Garant Versicherungs-AG**.

On 9 April 2009, ONDD signed an agreement to acquire a further 33% of Garant shares from the Russian company InWest. On 11 May 2010, ONDD thus acquired a majority stake in Garant's capital, increasing its shareholding in Garant to 83% as part of its international strategy. For the accounts closed on 31/12/2010, the company was fully consolidated for the first time.

- > During 2010 ONDD changed the classification of its financial fixed assets (other financial assets). Until the end of 2009 the ONDD investment portfolio was split into three parts. The portfolio parts related to the endowment and the reserves were accounted for as financial fixed assets whilst the non-attributed part was registered as cash investments. In agreement with the company auditor, the entire investment portfolio has been reclassified under the **cash investments** heading (rights in investment funds or fixed-interest securities).

## NOTE 3 – KEY EVENTS AFTER THE CLOSURE DATE

The European Commission informed the Belgian State on 24 February 2011 of its decision to launch an investigation to assess whether state aid had been provided to Ducreire | Delcredere SA.NV via ONDD, specifically by allocating it a capital of EUR 150 million, of which EUR 100 million was paid up upon its establishment.

The final decision to close this investigation procedure is expected to be taken within 18 months of the date of the decision to initiate the investigation. If the Commission should decide that state aid has been provided, this would lead to elimination of the competitive advantage by means of a refund of the aid received.

Taking into account the stage of the proceedings, the nature of the alleged aid and the complexity in identifying it, it is currently not possible to say how probable an unfavourable decision on the part of the Commission would be. Therefore, no provision has been constituted.



## NOTE 4 - ACCOUNTING PRINCIPLES AND METHODS

The consolidated accounts are prepared in accordance with the Royal Decree of 30 January 2001 implementing the Companies Code.

### Consolidation method used

Shareholdings are consolidated:

- > by full consolidation, where they are under exclusive control;
- > by proportional consolidation, where they are under joint control;
- > by the equity method, where they are under significant control.

### Internal operations between consolidated companies

Significant 'intra-group' operations are excluded both from the balance sheet and from the income statement.

### Goodwill

Goodwill corresponds to the difference between the cost of purchase of the shares of the consolidated companies and the total value of the assets and liabilities identified at the date of purchase.

It is amortised over five years.

### Accounting principles

1. **Intangible fixed assets** consist of software programs purchased from third parties. They are amortized over five years.
2. **Tangible fixed assets** consist of computer hardware, amortized over three years, and other tangible fixed assets, amortized over five years.

### 3. Financial fixed assets

Shareholdings and accounts receivable relating to associated companies and other shareholdings are booked at acquisition value. Other financial assets are booked at nominal value and other investments are booked at acquisition value. Financial fixed assets are written down in the case of lasting impairment.

4. **Accounts receivable from claims** consist, on the one hand, of amounts receivable from claims, resulting from the indemnification of claims paid out to insured parties under their policies, and, on the other hand, of receivables resulting from the purchase from insured parties of the non-covered proportion of their claims.

**Accounts receivable from indemnities** include:

- > outstanding claims. These are amounts for which insurance clients have been indemnified following claims and which may be recovered either from the debtors of the amounts insured or from the debtor's country (where the claim is indemnified on the basis of political risk);
- > accrued and capitalized interest: for claims indemnified on the basis of political risk, where debt-rescheduling agreements are concluded bilaterally between the insurer and the debtor countries, the interest accrued on the closing date (due or not due), along with capitalized interest (unpaid under a previous debt-rescheduling agreement and included in a new rescheduling agreement), is capitalized in accounts receivable from indemnities.

By contrast, interest on arrears and debt-rescheduling interest in relation to amounts receivable from claims, accrued as at the closing date, are never capitalized as amounts receivable from claims if they do not relate to a bilateral rescheduling agreement between the insurer and the debtor country.

Accounts receivable from indemnities are subject to write-offs under the prudence principle in accordance with accounting principles. Write-off rates for claims in commercial risks are determined on a case-by-case basis, with a minimum rate of 5%; for claims in political and transfer risks, a write-off rate is set per country.

When a claim is considered irrecoverable, its full value is transferred to indemnified losses. At that point, the total write-off already calculated for the claim is written back.

Accounts receivable from indemnities in foreign currency and related write-offs are converted at the exchange rate applicable on the last day of the financial year.

In addition, no distinction has been made with accounts receivable from indemnities between sums that are to be recovered in the short term and those to be recovered in the longer term.

**Purchased accounts receivable** are booked at their nominal value (and not at their purchase value) and are subject to write-offs in the same way as the corresponding accounts receivable from indemnities. They are revalued at the exchange rate applicable on the balance sheet date.

- 5. Current assets and debts** in foreign currencies are revalued at the exchange rate applicable on the balance sheet date. Commercial debts and receivables on behalf of the State are not revalued.

**6. Accounts receivable within one year, cash at bank and in hand and deferred charges and accrued income** are entered on the balance sheet at their nominal value. These items are written down where the realization value on the balance sheet date is less than their acquisition value.

**7. Cash investments** are written down where the market value is less than their book value.

**8. The provision for outstanding risks** contains two parts:

- > a provision for unearned premiums: this corresponds to the portion of premiums to be allocated to financial years after the balance sheet date in order to cover the charges of claims and the operating costs of insured risks not yet expired on the balance sheet date;
- > a provision for risk deterioration: it is constituted where, for outstanding transactions insured, the risk assessment has worsened in comparison with the original assessment and, as a result, the unearned premiums are lower than the estimated future charges (charges of claims and operating costs). This type of provision is constituted:
  - » in the case of country risk assessment downgrade (change in country classification);
  - » where the deterioration in the macroeconomic situation of a country gives rise to a heightened risk of a systemic nature in respect of the private debtors in that country;
  - » in the case of deterioration of the debtor risk.

**9. The provision for claims** contains two elements:

- > a provision for non-reported losses or IBNR provision (incurred but not reported): this provision is aimed at taking into account on a statistical basis the definitive losses of claims incurred but not reported;
- > a provision for reported losses. This provision is an estimate of the definitive losses in case of expected claims. The following provision rates apply:
  - » to expected claims in political risk: the rates equal the write-off percentages on outstanding claims;
  - » to expected claims in commercial risk: the rates are based on the loss probability and on the recovery prospects determined by the claim managers, but are no less than 10%.

These rates apply to the present value of the expected claims in present value.

**10. The provision for claims management expenses** is an estimate of the external and internal costs that must necessarily be incurred for the payment and/or recovery under current claims files.

**11. A provision for profit share and refunds** is constituted for policies containing refunds, no claims bonuses or profit sharing, which are paid after the balance sheet date, at the end of the period for which the policy has been taken out. This provision is based on a percentage which is adjusted each year based on past experience.

**12. A provision for equalization and disasters** is constituted in order to level the charges of claims over time for the companies which are included in the consolidation scope. This is done in accordance with the rules applicable to the annual accounts of these companies. See also note 1.

**13. Premiums** are recorded at the time when the premium invoice is issued, except for transactions where the insurance policy includes a clause stating when the contract comes into effect. In this latter case, premiums are recorded when the contract becomes effective.

#### **14. Indemnified losses and litigation expenses**

This item includes indemnified amounts that are deemed lost and the costs incurred directly by the insurer in order to recover amounts resulting from claims.

#### **15. Rescheduling interest**

This item includes, first, rescheduling interest accrued under the bilateral rescheduling agreements which has been activated during the year and, second, other late or rescheduling interest received during the year.

#### **16. Other financial income and other financial charges**

These items mainly include the exchange gains or losses realized on current assets, debts and forward exchange rate transactions along with exchange rate profits and losses resulting from the foreign currency cover and from the recoveries of foreign currency accounts receivable from indemnities.

They also include conversion differences resulting from revaluation at the rate on the balance sheet date of current assets, debts and accounts receivable from indemnities expressed in foreign currencies.

#### **17. Cost on rescheduling agreements**

This item includes booked rectifications in interest resulting from rescheduling agreements accounted for in previous years.

#### **18. Irrecoverable share of interest on accounts receivable from indemnities**

Interest receivables deemed irrecoverable from indemnities are transferred at nominal value to indemnified losses.

#### **19. Off-balance sheet rights and commitments** (memorandum account)

Commitments for current policies are equal to the insurer's outstanding risks on the balance sheet date. These commitments are converted at the exchange rate in effect on the balance sheet date where the insurer provides foreign currency cover of the amounts insured. These commitments are recorded at the historical rate for transactions insured without foreign currency cover.

Potential commitments include policies being issued, which cover transactions for which the contract between the insured and its customer has been concluded, on the one hand, and which cover offers and advice notes for contracts being negotiated, on the other hand.

## NOTE 5 – PRELIMINARY EXPENSES

### Preliminary expenses

<b>Acquisition value</b>	
At the end of the previous financial year	844
Entry into the scope of consolidation	8
Variations during the financial year:	
Acquisitions	
Transfers and disposals	
<b>At the end of the previous financial year</b>	<b>852</b>
<b>Depreciation and amounts written off</b>	
At the end of the previous financial year	-842
Entry into the scope of consolidation	-3
Variations during the financial year:	
Booked	-2
<b>At the end of the previous financial year</b>	<b>-847</b>
<b>Net book value at the end of the previous financial year</b>	<b>5</b>

## NOTE 6 – INTANGIBLE FIXED ASSETS

### Concessions, licenses and know-how

<b>Acquisition value</b>	
At the end of the previous financial year	6,356
Entry into the scope of consolidation	0
Variations during the financial year:	
Acquisitions, including own construction	1,993
Transfers and disposals	615
<b>At the end of the financial year</b>	<b>8,964</b>
<b>Depreciation and amounts written off</b>	
At the end of the previous financial year	-2,688
Entry into the scope of consolidation	0
Variations during the financial year:	
Booked	-1,167
<b>At the end of the financial year</b>	<b>-3,855</b>
<b>Net book value at the end of the financial year</b>	<b>5,108</b>

## NOTE 7 – TANGIBLE FIXED ASSETS

	Land and buildings	Plant, machinery and equipment	Furniture and vehicles
<b>Acquisition value</b>			
At the end of the previous financial year	28,442	4,864	3,315
Entry into the scope of consolidation	0	0	0
Variations during the financial year:			
Acquisitions, including own construction	0	327	730
Transfers and disposals	0	-25	-250
<b>At the end of the financial year</b>	<b>28,442</b>	<b>5,165</b>	<b>3,795</b>
<b>Depreciation and amounts written off</b>			
At the end of the previous financial year	-2,994	-3,184	-2,786
Entry into the scope of consolidation	0	0	0
Variations during the financial year:			
Booked	-525	-551	-233
<b>At the end of the financial year</b>	<b>-3,519</b>	<b>-3,735</b>	<b>-3,019</b>
<b>Net book value at the end of the financial year</b>	<b>24,923</b>	<b>1,430</b>	<b>775</b>

## NOTE 8 – FINANCIAL FIXED ASSETS

	Shareholdings	Shareholdings in companies accounted for by the equity method	Other financial assets
<b>Acquisition value</b>			
At the end of the previous financial year	28	4,461	1,677,222
Variations during the financial year:			
Acquisitions	-28	356	-4,225,871
Reimbursements			
Amounts written off			2,554,223
<b>At the end of the financial year</b>		<b>4,817</b>	<b>5,573</b>



## NOTE 9 – ACCOUNTS RECEIVABLE FROM CLAIMS

	Gross transactions	Ceded to reinsurers	Net transactions
Outstanding indemnities	322,685	-46,886	275,799
Capitalised interest	18,980	-1,219	17,761
Accrued interest	3,299	-88	3,211
Accounts receivable from indemnities	344,963	-48,193	296,771
Purchased accounts receivable	185		185

### Variation of outstanding indemnities on 31/12/2010

	Gross transactions	Ceded to reinsurers	Net transactions
<b>Paid nominal value</b>			
At the end of the previous financial year	1,178,318	-101,417	1,076,901
Variations during the financial year:			
Indemnities paid	316,328	-190,945	125,383
Indemnities recovered	-125,495	162,553	37,058
Transfers and adjustments	-380,811	35,643	-345,168
Conversion rate adjustments	-16,101	-2,286	-18,387
<b>At the end of the financial year</b>	<b>972,240</b>	<b>-96,453</b>	<b>875,787</b>
<b>Amounts written off</b>			
At the end of the previous financial year	-861,757	61,585	-800,172
Variations during the financial year:			
Increases	185,582	-3,177	182,405
Write-backs	25,734		25,734
Conversion rate adjustments	886	-8,841	-7,955
<b>At the end of the financial year</b>	<b>-649,555</b>	<b>49,568</b>	<b>-599,987</b>
<b>Net book value at the end of the financial year</b>	<b>322,685</b>	<b>-46,885</b>	<b>275,799</b>

#### Detail of outstanding indemnities per activity on 31/12/2010

	ONDD Credit insurance	ONDD Investment insurance	ONDD Financial guarantees	Single risk	Irrevocable letter of credit
<b>Paid nominal value</b>					
At the end of the previous financial year	567,719	1,471		76,871	99,317
Variations during the financial year:					
Indemnities paid	88,242	896	5,575	86,969	23,837
Indemnities recovered	-20,189			-12,646	-11,523
Transfers and adjustments	-363,158			-5,381	-5,311
Conversion rate adjustments	-1,194			-5,240	-10,454
<b>At the end of the financial year</b>	<b>271,420</b>	<b>2,367</b>	<b>5,575</b>	<b>140,573</b>	<b>95,866</b>
<b>Amounts written off</b>					
At the end of the previous financial year	363,914	904		48,910	70,135
Variations during the financial year:					
Increases	-58,626	-321	316,794	-25,048	-680
Write-backs				1,194	444
Conversion rate adjustments	886				
<b>At the end of the financial year</b>	<b>306,174</b>	<b>583</b>	<b>316,794</b>	<b>25,056</b>	<b>69,899</b>
<b>Net book value at the end of the financial year</b>	<b>-27,563</b>	<b>1,785</b>	<b>-311,219</b>	<b>119,177</b>	<b>53,932</b>

#### Variation of the capitalized and accrued interest on accounts receivable from indemnities on 31/12/2010

	Capitalised interest			Accrued interest		
	Gross transactions	Ceded to reinsurers	Net transactions	Gross transactions	Ceded to reinsurers	Net transactions
<b>Nominal value</b>						
At the end of the previous financial year	264,861	-3,176	261,685	62,116	-130	61,986
Variations during the financial year:						
Indemnities booked	2,580	-485	2,095	13,315		13,315
Indemnities recovered	-1,391		-1,391	-9,993		-9,993
Transfers and adjustments	-24,228	-243	-24,471	-2,449	-148	-2,597
Conversion rate adjustments				61		61
<b>At the end of the financial year</b>	<b>241,821</b>	<b>-3,904</b>	<b>237,917</b>	<b>63,051</b>	<b>-278</b>	<b>62,773</b>
<b>Amounts written off</b>						
At the end of the previous financial year	244,238	-2,183	242,055	58,989	-88	58,901
Variations during the financial year:						
Increases	-467,743		-467,743	-118,741		-118,741
Write-backs	663		663			
Conversion rate adjustments		4,867	4,867		278	278
<b>At the end of the financial year</b>	<b>-222,842</b>	<b>2,684</b>	<b>-220,158</b>	<b>-59,752</b>	<b>190</b>	<b>-59,562</b>
<b>Net book value at the end of the financial year</b>	<b>18,980</b>	<b>-1,219</b>	<b>17,761</b>	<b>3,299</b>	<b>-88</b>	<b>3,211</b>

Inward reinsurance	Turnover policies	Surety	Fronting	Excess of loss	Others	Total gross transactions
7,858	82,818	17			342,247	1,178,318
33,867	75,704	912	118	208		316,328
-25,196	-55,167	-585		-189		-125,495
-6,960						-380,810
					787	-16,101
<b>9,569</b>	<b>103,355</b>	<b>344</b>	<b>118</b>	<b>19</b>	<b>343,034</b>	<b>972,240</b>
6,646	51,011				320,236	-861,757
-523	-45,977			-37		185,582
106	23,973			17		25,734
						886
<b>6,229</b>	<b>29,007</b>			<b>-19</b>	<b>320,236</b>	<b>-649,555</b>
<b>-1,223</b>	<b>65,818</b>	<b>345</b>	<b>118</b>	<b>37</b>	<b>22,798</b>	<b>322,685</b>

#### Variation of the purchased accounts receivable on 31/12/2010

<b>Nominal value</b>		
At the end of the previous financial year		20,043
Variations during the financial year:		
Indemnities booked		141
Indemnities sold		-449
Transfers and adjustments		-4,121
<b>At the end of the financial year</b>		<b>15,614</b>
<b>Amounts written off</b>		
At the end of the previous financial year		-19,449
Variations during the financial year:		
Increases		4,020
Write-backs		
<b>At the end of the financial year</b>		<b>-15,429</b>
<b>Net book value at the end of the financial year</b>		<b>185</b>

#### NOTE 10 – CASH INVESTMENTS

	2010		2009	
	Book value	Market value	Book value	Market value
Equity funds	221,904	250,913	205,414	228,123
Variable-income investments with guaranteed capital on maturity	70,732	77,215	125,139	130,785
Funds managed according to a 'target volatility' approach	590,065	653,977	440,000	467,705
Sovereign bonds	573,819	588,810	591,090	607,705
Corporate bonds	145,602	158,539	112,567	115,664
Real estate	27,050	32,644	23,971	27,523
Monetary investments	351,060	354,963	411,708	419,808
Term deposits	84,852	84,852	58,303	58,303
Cash at bank and in hand	32,339	32,339	13,098	13,098
Suretyship	0	0	107	107
<b>Total</b>	<b>2,097,424</b>	<b>2,234,251</b>	<b>1,981,397</b>	<b>2,068,821</b>
Other financial assets	0			
Cash investments	2,065,085			
Cash at bank and in hand	32,339			
<b>Total financial investments</b>	<b>2,097,424</b>			

## NOTE 11 – PROVISIONS FOR RISKS AND CHARGES

	2010		2009	Variation 2010
	Gross transactions	Ceded to reinsurers	Net transactions	Net transactions
<b>Provision for profit share and refunds</b>				
ONDD - Credit insurance	2,494	-1,269	1,225	685
	<b>2,494</b>	<b>-1,269</b>	<b>1,225</b>	<b>685</b>
<b>Provision for unearned premiums</b>				
ONDD - Credit insurance	135,024	-887	134,138	127,794
ONDD - Investment insurance	5,757	-782	4,974	7,378
ONDD - Financial guarantees	7,203		7,203	3,276
Single risk	31,335	-12,157	19,179	25,996
Irrevocable letter of credit	2,609	-74	2,535	2,358
Inward reinsurance	410	-1,015	-605	
Turnover policies	11,288	-1,392	9,896	6,501
Surety	696	-241	455	
	<b>194,322</b>	<b>-16,548</b>	<b>177,773</b>	<b>173,303</b>
<b>Provision for risk deterioration</b>				
ONDD - Credit insurance	39,402	-42	39,360	58,234
ONDD - Financial guarantees				983
Single risk	10,175	-2,955	7,221	50,279
Turnover policies	2,672	-752	1,920	4,080
	<b>52,250</b>	<b>-3,748</b>	<b>48,501</b>	<b>113,576</b>
<b>Provision for outstanding risks</b>				
ONDD - Credit insurance	174,426	-928	173,498	186,028
ONDD - Investment insurance	5,757	-782	4,974	7,378
ONDD - Financial guarantees	7,203		7,203	4,258
Single risk	41,511	-15,111	26,399	76,276
Irrevocable letter of credit	2,609	-74	2,535	2,358
Inward reinsurance	410	-1,015	-605	
Turnover policies	13,960	-2,144	11,816	10,581
Surety	696	-241	455	
	<b>246,571</b>	<b>-20,297</b>	<b>226,275</b>	<b>286,879</b>
<b>IBNR provision</b>				
ONDD - Credit insurance	6,133	-1,252	4,881	4,180
Single risk	34	-10	24	61
Inward reinsurance	16,193	-132	16,061	10,606
Turnover policies	10,604	-4,687	5,917	4,815
	<b>32,964</b>	<b>-6,082</b>	<b>26,883</b>	<b>19,662</b>

	2010		2009	Variation 2010
	Gross transactions	Ceded to reinsurers	Net transactions	Net transactions
<b>Provision for reported losses</b>				
ONDD - Credit insurance	375,279	-9,290	365,990	257,959
ONDD - Investment insurance	3,493		3,493	5,105
ONDD - Financial guarantees	8,386		8,386	13
Single risk	71,101	-29,820	41,281	53,938
Irrevocable letter of credit	19,625	-5,652	13,972	47,188
Inward reinsurance	5,676	3,947	9,623	8,914
Turnover policies	29,235	1,801	31,036	28,817
Surety	447	-25	422	
Excess of loss	929	-232	697	173
Others	31,777	-20,028	11,749	
	<b>545,948</b>	<b>-59,299</b>	<b>486,648</b>	<b>402,108</b>
<b>Provision for claims</b>				
ONDD - Credit insurance	381,412	-10,542	370,870	262,139
ONDD - Investment insurance	3,493		3,493	5,105
ONDD - Financial guarantees	8,386		8,386	13
Single risk	71,135	-29,830	41,305	53,999
Irrevocable letter of credit	19,625	-5,652	13,972	47,188
Inward reinsurance	21,869	3,814	25,684	19,520
Turnover policies	39,839	-2,886	36,953	33,631
Surety	447	-25	422	
Excess of loss	929	-232	697	173
Others	31,777	-20,028	11,749	
Provision for claims - expected recoveries	-11,324	6,357	-4,967	
	<b>567,588</b>	<b>-59,024</b>	<b>508,564</b>	<b>421,769</b>
<b>Provision for claims management expenses</b>	<b>19,860</b>	<b>-34</b>	<b>19,826</b>	<b>27,039</b>
<b>Provision for equalization and disasters</b>				
ONDD - Credit insurance				618
Inward reinsurance	2,977		2,977	
Turnover policies	421		421	
Surety	404		404	246
Others	2,709		2,709	
	<b>6,512</b>		<b>6,512</b>	<b>864</b>



This note shows the detail on provisions for risks and charges by product line before intercompany eliminations. The new consolidation software is not yet able to perform these eliminations at a product type level and this explains the differences with the income statement. The consolidation software will be further enhanced in 2011 to include this detail.

The provision for equalization and disasters is constituted in order to level the claims charges over time.

- > ONDD makes no provision for equalization and disasters.
- > For DuCroire | Delcredere SA.NV, the provision is constituted in accordance with method No 1 under Regulation No 8 issued by the Banking, Finance and Insurance Commission: as long as it does not reach 150% of the highest annual amount of premiums net of ceded reinsurance over the previous five years, the provision for equalization is replenished each year with 75% of any positive technical result achieved in the credit insurance segment, provided this transfer does not exceed 12% of premiums net of ceded reinsurance. This provision serves to offset any technical loss at the end of the year.

- > For Garant AG, the provision has been established in conformity with the rules of the Austrian prudential authorities (Verordnung des Bundesministers für Finanzen über die Bildung einer Schwankungsrückstellung in der Schaden- und Unfallversicherung vom 22. Oktober 1991 in der Fassung des Bundesgesetzes BGBl Nr 753/1996 durch Anordnung der Finanzmarktaufsicht unter GZ 9 132 600/1-ii4/05).
- > For INGO-ONDD the provision has been established in accordance with section 7 of the "Rules for Establishing Insurance Reserves for Non-Life Insurance" under Russian legislation. The calculation method used and the amount of the provision are stipulated in Regulation No 51-N Russian Federation Ministry of Finance.
- > For KUPEG the provision has been established in accordance with Section 17 of the 'Insurance Act' under Czech legislation. The calculation method used and the maximum amount of the provision are stipulated in Regulation No 303/2004.

## NOTE 12 – WRITTEN PREMIUMS

	2010			2009		
	Gross transactions	Ceded to reinsurers	Net transactions	Gross transactions	Ceded to reinsurers	Net transactions
Premiums	333,955		333,955	292,739		292,739
Other technical income		1,077	1,077		1,067	1,067
Premiums ceded to reinsurers		-98,479	-98,479		-64,684	-64,684
Other technical charges	-2,028		-2,028	-6,850		-6,850
<b>Written premiums</b>	<b>331,927</b>	<b>-97,402</b>	<b>234,525</b>	<b>285,889</b>	<b>-63,617</b>	<b>222,272</b>
ONDD - Credit insurance	71,356	-17,562	53,794	80,816	-6,168	74,648
ONDD - Investment insurance	5,522	0	5,522	10,779	0	10,779
ONDD - Financial guarantees	12,973	0	12,973	6,251	0	6,251
Single risk	83,911	-796	83,115	83,040	-34,344	48,696
Irrevocable letter of credit	15,472	251	15,724	28,358	-2,686	25,672
Inward reinsurance	0	-38,277	-38,277	32,868	-4,907	27,961
Turnover policies	62,911	-2,684	60,227	39,223	-4,481	34,742
Surety	1,263	-781	482	1,635	-732	903
Fronting	3,748	0	3,748	4,144	-4,158	-14
Excess of loss	0	0	0	0	0	0
Captive premiums management	0	0	0	0	0	0
Others	614	0	614	-1,226	-6,142	-7,368
Intercompany	74,156	-37,553	36,603			
<b>Written premiums</b>	<b>331,927</b>	<b>-97,402</b>	<b>234,525</b>	<b>285,889</b>	<b>-63,617</b>	<b>222,271</b>

### Breakdown of premiums according to the country where the risk is located (gross transactions)

	2010	2009		2010	2009
Russia	38,054	28,932	Kazakhstan	3,478	5,999
Belgium	22,796	9,154	Saudi Arabia	3,416	7,736
Czech Republic	16,299	9,192	Egypt	3,198	3,052
India	13,947	7,391	Ukraine	2,693	7,857
Turkey	12,925	14,577	Algeria	2,621	3,283
Brazil	10,834	11,204	Spain	2,474	1,469
United States	9,466	7,061	Gabon	2,472	3,499
Ghana	9,247	10,649	Qatar	2,385	3,097
Switzerland	8,972	805	Venezuela	2,341	1,510
Nigeria	8,497	4,184	Iran	2,236	7,178
China	7,259	6,301	Dubai	2,115	442
France	6,030	5,036	Philippines	2,014	2,882
The Netherlands	4,914	3,374	United Kingdom	1,873	3,237
Abu Dhabi	4,913	2,009	Italy	1,827	1,978
South Korea	3,938	3,559	Poland	1,702	2,925
Indonesia	3,728	2,874	Other countries	113,261	103,443
Written premiums				331,927	285,889

## NOTE 13 – OPERATING CHARGES

	2010	2009
Commissions for inward reinsurance	-11,764	-5,005
Investigation charges	-8,330	-9,762
Brokers' fees	-10,119	-11,054
Costs of management by third parties	-30,213	-25,820
Invoiced investigation	5,180	3,055
Other	5,176	4,194
Recovered operating costs	10,356	7,249

## NOTE 14 – OPERATING RESULT, GROSS AND NET OF CESSION TO REINSURERS

+ income / - charge	Note	2010			2009		
		Gross transactions	Ceded to reinsurers	Net transactions	Gross transactions	Ceded to reinsurers	Net transactions
<b>Turnover</b>							
Premiums	12	331,927	-97,402	234,525	285,889	-63,617	222,272
		<b>331,927</b>	<b>-97,402</b>	<b>234,525</b>	<b>285,889</b>	<b>-63,617</b>	<b>222,272</b>
<b>Technical charges after cession</b>							
Variation in the provision for profit share and refunds	11	763	-389	375	-569	60	-509
Variation in the provision for outstanding risks	11	-91,108	28,367	-62,741	44,041	-13,606	30,435
Variation in the provision for claims	11	59,048	16,130	75,178	231,589	-47,906	183,683
Variation in the provision for claims management expenses	11	-7,167	36	-7,131	1,527	-25	1,502
Variation in amounts written off on outstanding claims		100,418	-13,729	86,689	149,844	-49,658	100,186
Indemnified losses and litigation expenses		83,191	-41,486	41,705	52,977	-17,564	35,413
Recoveries on indemnified losses and litigation expenses		-2,403	405	-1,999	-5,592	2,555	-3,037
Other technical results		1,773		1,773	848		848
		<b>144,515</b>	<b>-10,666</b>	<b>133,849</b>	<b>474,665</b>	<b>-126,144</b>	<b>348,521</b>
<b>Technical result</b>		<b>187,412</b>	<b>-86,736</b>	<b>100,676</b>	<b>-188,776</b>	<b>62,527</b>	<b>-126,249</b>

		2010			2009		
+ income / - charge	Note	Gross transactions	Ceded to reinsurers	Net transactions	Gross transactions	Ceded to reinsurers	Net transactions
<b>Operating charges</b>	13						
Remunerations, social charges and pensions		27,996		27,996	25,200		25,200
Operating costs		16,169		16,169	7,875		7,875
Costs of management by third parties		30,213		30,213	25,820		25,820
Depreciation		1,923		1,923	1,742		1,742
Write-offs on trade account receivables		277		277	263		263
Other operating costs		956		956	853		853
Recovered operating costs		-10,356		-10,356	-7,249		-7,249
Reinsurance commissions			-25,479	-25,479		-21,093	-21,093
		<b>67,178</b>	<b>-25,479</b>	<b>41,699</b>	<b>54,504</b>	<b>-21,093</b>	<b>33,411</b>
<b>Operating result</b>		<b>120,234</b>	<b>-61,257</b>	<b>58,976</b>	<b>-243,280</b>	<b>83,620</b>	<b>-159,660</b>

The ONDD Group transfers risks in reinsurance to limit the concentration of its risks and/or to protect its own resources:

- > In 2010, a 40% proportion of Ducroire | Delcredere SA.NV's short-term risks covered by credit insurance under a comprehensive exporter policy was transferred to a pool of private reinsurers outside the group. In the second line, retention is protected by excess of loss treaties per risk and per country, with a capacity of EUR 50 million per risk and EUR 100 million per country.
- > 31% of ONDD's market activity was transferred in reinsurance outside the group under a proportional treaty. In the second line, retention is protected by excess of loss treaties per risk and per country, with a capacity of EUR 50 million per risk and EUR 100 million per country.
- > In principle, the "Office du Ducroire du Grand-Duché de Luxembourg" reinsures 50% of Belgian exports covered by ONDD or Ducroire | Delcredere SA.NV where such exports include products from Luxembourg.
- > Cession treaties also exist with public or private credit insurers for occasional operations.
- > Garant AG, KUPEG and INGO-ONDD also make use of reinsurance in quota share and in excess of loss per risk and per country cessions.

## NOTE 15 – RESULT FROM FINANCIAL ASSETS AND INVESTMENTS

+ income / - charge	Note	2010	2009
Income from financial assets		0	69,314
Income from cash investments		47,119	19,008
Charges from investments		-13,697	-225,087
Variation in amounts written off on investments		13,324	262,011
<b>Result from financial assets and investments</b>	<b>10</b>	<b>46,746</b>	<b>125,246</b>

## NOTE 16 – INDEMNITIES PAID AND INDEMNITIES RECOVERED

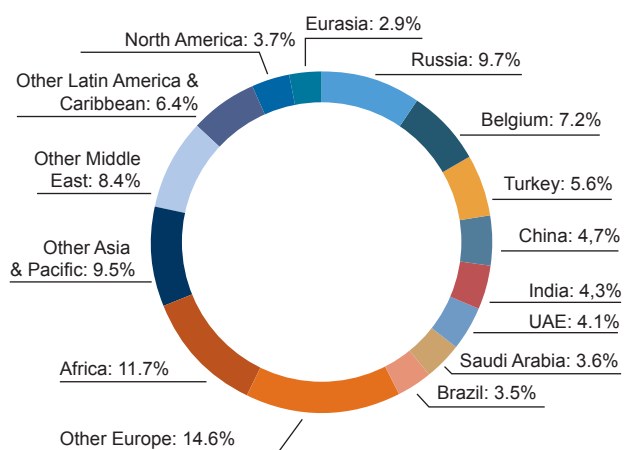
	2010			2009		
	Gross transactions	Ceded to reinsurers	Net transactions	Gross transactions	Ceded to reinsurers	Net transactions
Indemnities paid	-316,328	190,945	-125,383	-318,946	101,047	-217,899
Indemnities recovered	125,495	-162,553	-37,058	44,666	-6,168	38,498
Recovered rescheduling interest	11,384	0	11,384	19,532	-63	19,469
<b>Cash flow resulting from indemnities</b>	<b>-179,449</b>	<b>28,392</b>	<b>-151,057</b>	<b>-254,748</b>	<b>94,816</b>	<b>-159,932</b>

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

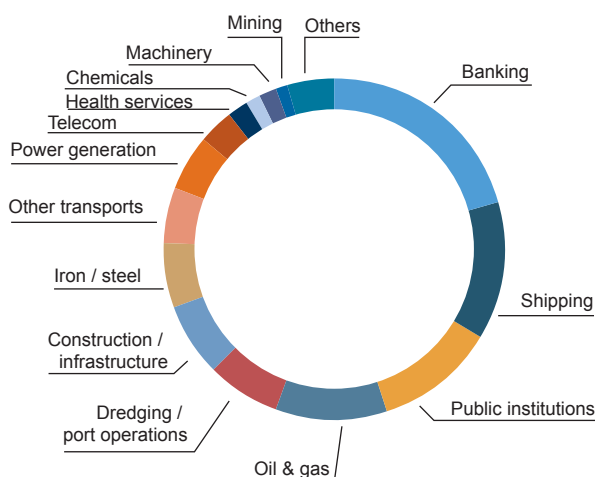
	2010	2009		2010	2009
Russia	1,906,974	1,747,282	Oman	339,056	145,715
Belgium	1,204,497	1,238,145	The Netherlands	325,865	264,732
Turkey	1,142,999	1,001,594	Ghana	302,251	173,830
China	924,287	771,840	Abu Dhabi	264,959	186,632
Brazil	803,123	530,650	Dubai	259,516	614,139
Saudi Arabia	787,587	1,266,697	Japan	244,498	374,518
India	716,534	638,237	Nigeria	216,018	324,072
Algeria	643,589	592,127	Panama	209,286	133,295
United States	570,607	512,629	Poland	206,892	287,330
France	565,934	544,123	Indonesia	202,305	225,968
South Korea	469,314	559,173	Egypt	186,346	306,613
Germany	449,629	315,192	Italy	176,503	184,427
Qatar	418,516	575,649	Croatia	168,294	404,737
Iran	391,907	474,467	Spain	151,330	160,503
United Kingdom	375,907	526,912	Hungary	109,541	160,446
			Other countries	11,421,656	9,928,707
<b>Policies issued</b>				<b>26,155,719</b>	<b>25,170,381</b>

## ILLUSTRATIONS OF THE COMMITMENTS

ONDD commitments in 2010:  
geographic breakdown



ONDD commitments in 2010:  
breakdown by sector for debtors  
(> 10 millions EUR)



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