

---

# Annual Report 2011

---



## Vision

---

The Office national du dueroire - Nationale

---

Delcredere Dienst (ONDD), which was established in

---

1939, is the Belgian official credit insurer with a

---

mission to promote international trade relations.

---

The last few years, ONDD has undergone significant

---

changes and, above all, a remarkable international

---

expansion, 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 cover risks worldwide.

---

## Content

|                                   |      |
|-----------------------------------|------|
| Presentation ONDD Group           | 1 –  |
| Presentation ONDD                 | 6 –  |
| The ONDD Group                    | 12 – |
| ONDD's activities                 | 20 – |
| ONDD's subsidiaries               | 36 – |
| Annual accounts of the ONDD Group | 44 – |



# Structure of the ONDD Group



**products:** export credit insurance, insurance of import prefinancing, credit insurance for domestic projects of exporting companies, investment insurance, insurance of contract guarantees (bonds), financial guarantees, credit and surety and political risk reinsurance

**incorporation:** 1939



67% subsidiary

#### INGO-ONDD

**address:** Paveletskaya Square, 2/1,  
Business Centre "Paveletskaya Plaza",  
RU-115054 Moscow

**staff:** 19

**products:** whole turnover short-term credit insurance  
(domestic and export)

**incorporation:** 2009



55% subsidiary

#### TCRe

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

**staff:** 24

**products:** excess of loss and top up cover  
for short-term credit insurance

**incorporation:** 2004

- Branch - Versailles (France)
- Branch - Cologne (Germany)
- Branch - Bergamo (Italy)
- Branch - Luxembourg (Luxembourg)
- Branch - Paterna (Spain)

# Key figures

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

|   | 2007   | 2008   | 2009   | 2010   | 2011   |
|---|--------|--------|--------|--------|--------|
| Value of transactions insured during the financial year <sup>(1)(2)</sup>         | 19,866 | 28,163 | 19,235 | 27,024 | 33,679 |
| Premiums issued during the financial year <sup>(1)</sup>                          | 166    | 207    | 286    | 332    | 312    |
| Claims paid during the financial year <sup>(1)</sup>                              | 31     | 29     | 319    | 316    | 329    |
| Claims recovered during the financial year <sup>(1)</sup>                         | 115    | 89     | 45     | 125    | 114    |
| Outstanding loans at the end of the financial year                                | 1      | 0      | 0      | 0      | 0      |
| Amounts receivable from claims at the end of the financial year <sup>(1)(3)</sup> | 1,088  | 933    | 1,163  | 1,277  | 1,317  |
| Commitments for policies at the end of the financial year <sup>(1)</sup>          | 17,227 | 27,091 | 26,394 | 27,062 | 26,850 |
| Provisions at the end of the financial year                                       | 865    | 524    | 738    | 766    | 961    |
| Result of the financial year  | 114    | 175    | -40    | 113    | -167   |
| Equity at the end of the financial year   | 1,454  | 1,629  | 1,598  | 1,720  | 1,554  |
| <b>Ratios (in %)</b>  |        |        |        |        |        |
| Net claims / Premiums   | -51.1  | -29.4  | 96.0   | 57.5   | 69.0   |
| Operating costs / Premiums net of reinsurance                                     | 17.8   | 15.8   | 15.1   | 17.8   | 16.7   |

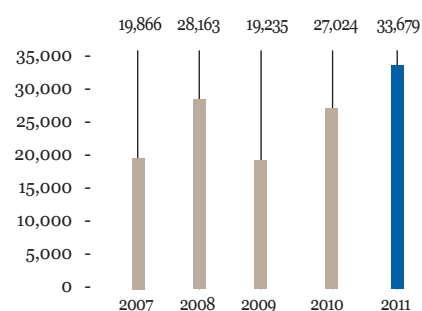
(1) before cession to reinsurers

(2) limited to ONDD and DuCroire | Delcredere SA.NV till 2009

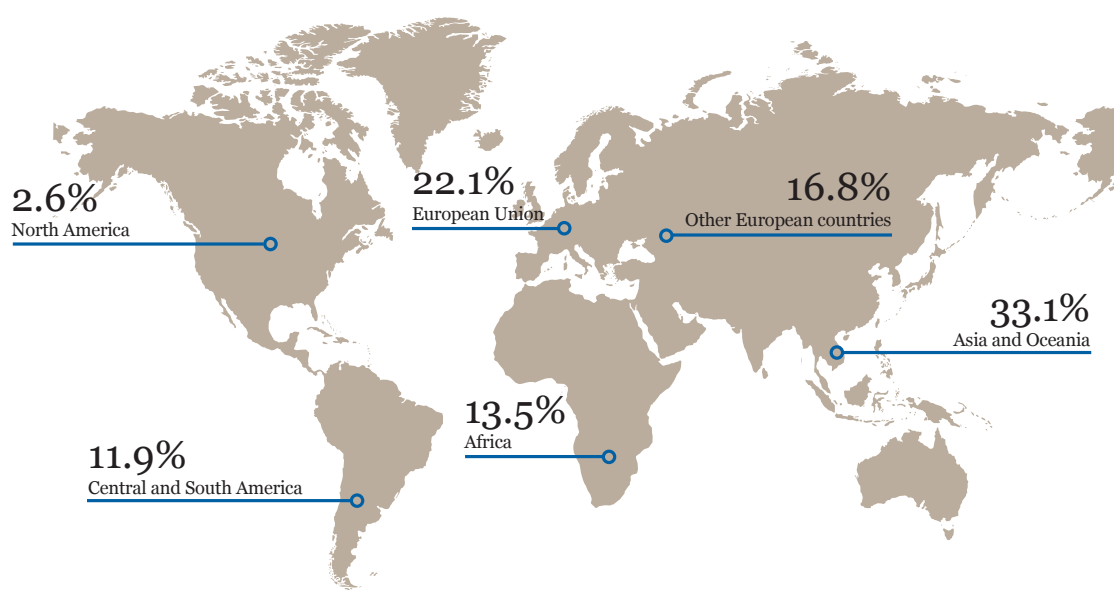
(3) total of gross outstanding indemnities, capitalised and accrued interest

## Value of transactions insured (in millions EUR)

+25%



## Geographical spread of the risk exposure



## ONDD's 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's 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.

# 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 Enterprises      |
| <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   |
| <b>Frederic TEERLYNCK *</b>  | Member   |
| <b>Isabelle CALLENS</b>      | Alternate member   |
| <b>Claire TILLEKAERTS **</b> | Member   |
| <b>Thomas FIERs **</b>       | Alternate member   |
| <b>Frank BOSTYN **</b>       | Member   |
| <b>Jan ROEGIERS</b>          | Alternate member   |
| <b>Georges STIENLET</b>      | Member   |
| <b>Christine FAES ***</b>    | Alternate member   |

From left to right:  
**Frank Vanwingh**  
 Deputy Chief Executive  
 Officer  
**Dirk Terweduwe**  
 Chief Executive Officer  
**Vincent Reuter**  
 Chairman Board of  
 Directors  
**Nabil Jijakli**  
 Secretary General



|                              |                  |
|------------------------------|------------------|
| <b>Jean-Jacques WESTHOF</b>  | Member           |
| <b>Thierry CASTAGNE</b>      | Alternate member |
| <b>Silvana FLAGOTHIER</b>    | Member           |
| <b>Francis MULLERS</b>       | Alternate member |
| <b>Pascale DELCOMMINETTE</b> | Member           |
| <b>Jean MAROT</b>            | Alternate member |
| <b>Michel GOVAERTS</b>       | Member           |
| <b>Sabine SOETENS</b>        | Alternate member |
| <b>Jacques EVRARD</b>        | Member           |
| <b>Alain DEMAEGD</b>         | Alternate member |
| <b>Frédéric CONVENT</b>      | Member           |
| <b>Tom REINHARD</b>          | Alternate member |

\* Resigning

\*\* Royal decree of 25 August 2012

\*\*\* Deceased

## 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 |
|----------------------|--|

## Internal audit

|                      |                  |
|----------------------|------------------|
| <b>Heidi GOMBERT</b> | Internal auditor |
|----------------------|------------------|

# Foreword from the Chairman



**Vincent Reuter**  
Chairman Board  
of Directors

## **If you had to sum up 2011 in a few sentences, what would you say?**

2011 was a year in two shades.

On the one hand, the subsidiaries of the group made a profit, but on the other hand mother company ONDD has booked a considerable loss. Due to the delay encountered in the procedure for the appointment of the statutory auditor, the accounts were not closed until September 2012. As a consequence, we have taken into account all foreseeable risks, potential losses and depreciations that have come to our knowledge between 31 December 2011 and September 2012, which has led us to provision significant amounts. Credit insurance is a cyclical business and it's not unusual for years of profit to be succeeded by years of loss.

That being said, ONDD's capacity to act and its financial soundness have not been overly affected by these results, thanks to the size of our equity and the quality of our portfolio. What's more, 2012 should become a good year, especially with amounts that were initially provisioned in 2012 having been booked in the 2011 accounts.

## **What would you like to say to the business community?**

My message is threefold. Firstly, there's no denying that the order is changing, in Europe in particular. Who would have dreamt, for example, of having to cover the political risk by certain countries in Southern Europe? We are still ready to do so and to support our clients in these markets. Secondly, we still have a considerable presence in certain markets that are considered to be at risk. But this is a calculated risk. It is often in these emerging markets that our clients can make the best deals. And thirdly, I would like to appeal to managers of small and medium enterprises and let them know that we are there for them. They shouldn't think that ONDD deals only with major companies. We understand how the Belgian economic fabric is woven and have already implemented initiatives designed to support small and medium enterprises and would like to pursue this path.

## **Do the subsidiaries play a crucial role here?**

Our subsidiaries are working at full speed. They are available to our clients within their markets, which they obviously know very well. It is the fruit of a long-term effort based on the vision developed a number of years ago by ONDD's Executive Committee and Board of Directors. It has allowed ONDD to craft a place within the international market little by little.

In this regard, I would like to emphasise one point. It is sometimes said, and this is certainly not untrue, that decision centres are leaving Belgium. With the ONDD Group, we are doing the opposite and this is no novelty! We were the second group in the world to develop credit insurance almost a century ago. On that basis, we have built a group with a decision centre in Brussels and a mission to support international trade. We have all elements that we need to ensure success: a long tradition, a considerable capacity to adapt, and expertise and professionalism recognised even by international authorities, and in particular the OECD. In short, the ONDD Group is functioning well.

---

**"The order is changing.**

---

**But we still have a presence in**

---

**at-risk markets. And we are**

---

**making an appeal to small and**

---

**medium enterprises: we are**

---

**there for you!"**

---

# Foreword from the CEO of the ONDD Group



**Dirk Terweduwe**  
Chief Executive Officer

## **2010 was a good year. What are your thoughts on 2011?**

In broad economic terms, the crises and the slowdown of growth across Europe and the world have created a difficult climate for business development. Under difficult circumstances, the ONDD Group turned in a net consolidated loss of EUR 167 million and collected EUR 312 million in premiums. This result was entirely due to the loss that was booked by ONDD, all group subsidiaries having been in profit for 2011.

## **What about ONDD, the parent company?**

Due to the way risks have evolved in 2012, we have decided in agreement with the auditor to substantially increase the provisions for a certain number of case files. A credit insurer will never disclose the names of its clients without their consent, but I can say that the provisions relate to the construction, transport, pharmaceuticals and health care sectors as well as the oil industry. Sanctions against Iran are also putting a strain on the situation. I would also like to add this is standard practice given the magnitude of the projects and amounts we cover. After all, our role is to indemnify our clients when they experience problems, and we are in a strong enough financial position to address this type of situation.

## **What about the subsidiaries?**

I am particularly satisfied to report that all of our subsidiaries were in profit in 2011.

In a demanding environment, these results show that we have been pursuing the right strategy. The insurance of short-term business saw strong increases in turnover across the group. In several countries we increased our market share and we are making a real breakthrough in the United Kingdom and the Netherlands.

## **Has your strategy been vindicated?**

The results for 2011 confirm the validity of our strategic choices and we are therefore continuing to press forward. We have increased the capital of INGO-ONDD and become the majority shareholder of TCRE in March 2012. KUPEG has opened an office in Bratislava, Slovakia, a natural progression from our position in the Czech market. Garant has obtained an A.M. Best "A-" (= excellent) and Fitch "A-" rating.

We have underpinned this expansion by consolidating and reinforcing the operational and risk management base that supports our activities.

## **Do you have a message for the future?**

The current trading environment is uncertain and unpredictable. In such conditions it makes sense more than ever for businesses to use credit insurance. We shall continue to listen to the needs of our clients as we press forward with the development of the ONDD Group in the years to come. I'm convinced that it's the best strategy for our group, and the 2012 projections back up my conviction.

“Under the current conditions,  
it makes sense more than ever  
for businesses to use  
credit insurance”

We have chosen a  
two-pronged approach





---

Positioning ourselves as a European  
credit insurer and continuing our  
international development

---



# General policy of the ONDD Group

## **The strategy of the group and its subsidiaries is to serve exporters**

I take every opportunity I can to stress that this is our mission: to support international trade and Belgian interests within the global market as far as we are able. This takes place in particular through support for exporting companies, but not exclusively. We are very aware of the fact that this strategy must be developed strictly in line with international regulatory provisions. This is a primary point. But we are also dependent to a large extent on the international economic situation and the ability of our companies to win contracts. That is a second point.

## **Foreign trade is a regional competency in Belgium**

Indeed, and the goal of cooperation with regional authorities is to encourage companies, both small and large, to export more. But it is first and foremost the companies that need to close the deals. In order to expand our area of interest, we wish to build our reputation and the awareness of our services among companies, and are ready to innovate when necessary, with the support of our Board of Directors. In the future, we will not be

restricting our activities to supporting direct exports. ONDD will now also providing support to the financing of projects that are being realised in Belgium and in which Belgian companies with an exporting background are participating. Preference is given to sectors working on innovation and sustainability.

## **Does the future of the ONDD Group lie in further development of a European structure?**

We have chosen a two-pronged approach: positioning ourselves as a European credit insurer and continuing our international development. We have strategic objectives in place, and we are investing for this purpose, primarily in our subsidiaries. We have increased the capital of INGO-ONDD in Moscow and have become in March 2012 the majority shareholder in TCRE, our Belgian subsidiary in the excess-of-loss insurance market. We have supported our subsidiaries in their development, for example through the opening of an office of KUPEG in Bratislava and through our support for Garant's efforts to obtain a rating, which has become increasingly crucial.





**Dirk Terweduwe**  
Chief Executive Officer

## And what is the strategy for the future?

The increase of the participations in our subsidiaries was only a first step. What interests us is developing integration and synergies in all possible areas, but always allowing the managers of our subsidiaries significant decision-making power. They know their markets and they know the culture of their clients. ONDD is now at the head of a European credit insurance group active in all segments of the credit insurance market, and offers a range of products providing cover throughout the world. This is obviously a strategic asset.

“ONDD today heads a  
European credit insurance group  
that is active in all segments  
of credit insurance, providing  
a range of products that cover  
risks worldwide”

# Finance

Credit insurance is a cyclical business with good and bad years. 2008 and 2009 were without doubt difficult years. The 2010 results were an enormous improvement, but 2011 hasn't allowed us to continue in the same vein, with results that were somewhat lower than in the previous year. The ONDD Group closes the financial year with a consolidated result that represents a loss of EUR 167 million against a EUR 114 million profit for the previous financial year. This loss was entirely due to mother company ONDD, which has had to make substantial provisions to be able to face the heightened risk it covers in several sectors. Sanctions against Iran have also put a strain on the situation.

In terms of activity, the amounts insured by the ONDD Group in 2011 are up by 25%, but premiums issued are down by 5%. Net of rebates, they are at a total of EUR 312 million against EUR 332 million in 2010.

With difficult conditions on the market like the deterioration of risk and the high level of indemnities, which had luckily been provisioned, there is all the more reason to be satisfied with the fact that all subsidiaries of the group are making a profit. With this, one of our primary objectives has been achieved.

Russian joint venture INGO-ONDD has increased its premium income by 54%, which is remarkable for such a young company, generating EUR 12.7 million in premiums at the end of its second full year of activity. Turnover of Austrian subsidiary Garant AG is stable as for the second consecutive year, it also contributed its share to the profit made by the group. Czech company KUPEG,

which booked a loss during previous years, is now in profit. It has recorded a business volume that is more satisfactory and comfortable. With premium income totalling EUR 16.3 million, which is a rise by 50% against 2009, it has consolidated its market leadership.

The business volumes of the Ducroire | Delcredere branches in London, Paris and Wiesbaden are up. The London branch has made a significant profit, the Paris and the Wiesbaden branch in particular, which is the youngest, are continuing their efforts towards a breakthrough on their markets. Ducroire | Delcredere SA.NV's profit is less than last year's. The volume of amounts insured is up, which is a good sign, but the context remains difficult: premiums are down due to competition.

2011 marked a transition for the Finance department. Everything was put in place to allow ONDD, Ducroire | Delcredere SA.NV and KUPEG to present their figures in accordance with the IFRS standards within the planned timescale. The current financial year will be devoted to preparing the subsidiaries to this general changeover for the consolidated group accounts, which is planned for 2013.

# Risk Management

In geopolitical terms, 2011 was marked by the return of political risk. We saw the Arab Spring, and two countries were centre stage from the beginning of the year, Tunisia and Egypt. The former is very focused on Europe, particularly in the textile sector, the latter less so, but its economic size is substantially greater. The Arab Spring then hit various other countries and forced our analysts to focus on monitoring Algeria more closely, which is a major producer of oil and gas, and Morocco, with which Belgium maintains numerous commercial relationships. Ultimately, the situation remained relatively calm in these two countries. However, the Libyan uprising surprised many analysts, as did the situation in Bahrain and Syria. Iran has continued to hold our attention. Elsewhere in the world, the events in Côte d'Ivoire required close monitoring, as did the situation in Belarus, for which we have had to suspend cover for some time because its foreign exchange reserves had fallen dangerously. Cover was resumed for the Democratic Republic of the Congo after its financial situation had improved following a write-off of a substantial portion of the country's debt granted by its bilateral and multilateral creditors.

Alongside these political risks, credit insurers also cover commercial risks. While the first half-year of 2011 was still satisfactory, the second half of the year was the opposite, with a worsening in the economic situation in the United States, in the euro zone and in Japan – which was significantly adversely affected by the tsunami and the Fukushima catastrophe. The emerging nations were not spared: economic growth weakened in China, India, Brazil and Turkey. Russia, which is considerably dependent on its energy exports, could suffer from the slowdown in growth affecting the West. The nations of Eastern and Central Europe are, however, the most exposed to the crisis within the euro zone, given their commercial and financial relationships with Western Europe.

On 1 September 2011, the new OECD system of minimum premiums for long-term export credits officially came into force. The Risk Management department developed a model for debtor risk assessment that makes it possible to quantify the risk and to apply a premium rate. The department has also started preparing the group's subsidiaries for the new regulations applicable to insurance companies, Solvency II.

## Audit

Internal audit is an independent evaluation unit within the ONDD Group. The purpose of this unit is to examine and assess the correct operation, effectiveness and efficiency of the internal control system in place within the group and its subsidiaries. Internal audit's goal is to support executive management in shouldering its executive responsibility. For this purpose, it provides information, advice, recommendations and assessments in relation to activities under its supervision. It is an operational unit and should not be confused with financial auditing.

The audit function is standardised and coordinated group-wide, with decentralised performance of the associated operations where necessary.

## Underwriting and account management

Common guidelines for underwriting were implemented throughout the group in 2011. Customer service remains our key focus.

A specific ratings system for the group has been developed. This is an investment that allows us to provide clients with a valued tailor-made service.

The system has made for more refined assessments and the group is now able to allow coverage for certain risks that would have been deemed uninsurable after a standard analysis.

The ratings must be updated constantly, because the position of a counterparty can be highly volatile. Close contact must be maintained with sources of information and the data provided by those sources processed quickly. This is the work primarily of risk underwriters. It is no longer possible today to rely on annual reports alone. Analysts must monitor debtors and clients: financial press, press releases, changes in terms of shareholding, quarterly reports; not to mention the context in which debtors and clients operate, their markets, their sectors and their countries. This information must be incorporated into the ratings on an ongoing basis.

## Human Resources

The HR department has the strategic objective of contributing to the group's international development.

This strategic objective requires the development, in all areas, of the group's HR values: professionalism, ability to innovate, diversity and well-being. In concrete terms, the group's goal is the introduction of integrated people-management processes, in Belgium and abroad, in order to ensure the development of a group culture.

In individual terms, the HR department was particularly focused, in 2011 as in previous years, on attracting and securing the human capital in which the group wishes to invest. It should be noted that the ONDD Group has recruited, in Belgium alone, an average of 40 people per annum since 2005. This policy is based on three pillars, general knowledge (degrees, languages), expertise (technical skills, experience) and insight into human nature (group behaviour, team management), with these pillars being improved constantly through training programmes.

## Communication

The ONDD Group's communication policy was implemented in 2011 through strategies defined jointly and coordinated at group level, but adapted to differences in markets and culture.

One Communication department objective for 2011 was to develop a consistent image for the group. Two surveys provided the input necessary to move this strategy forward. The first survey demonstrated that ONDD's customer loyalty rating is high (110 points out of a theoretical scale of 130 points). It showed that ONDD's clients recognise its expertise and ability to offer proven solutions. This analysis was also undertaken for Ducroire | Delcredere SA.NV and KUPEG, and the results were equally positive.

The second survey related to the group's image and brand awareness, and was held among staff, clients and prospects. This survey underlined several strong points for the ONDD Group: expertise, respect for local differences, proximity and client satisfaction. However, it also revealed a weakness in terms of international brand awareness, which led to the decision to engage in a reflection on the group's image. Lastly, actions with bodies responsible for external trade or professional federations representing exporter companies were increased in 2011. The ONDD Group also launched a new monthly publication for them and for the ONDD Group's clients covering a country risk analysis entitled "Country Risk Assessment".

## Our proactive and innovative approach





---

ONDD has probably the most  
diversified risk portfolio in the  
world in the public credit  
insurance sector

---



# ONDD in 2011

## **You were asked the question last year: are we finished with the crisis? The same question could be asked now**

For ONDD, the end of 2010 and beginning of 2011 saw a decline in new business. The situation fortunately returned to normal in early summer and the two final quarters saw a significant improvement, which has allowed us to end 2011 with an insured volume comparable to that of 2010, with the same countries, the same exporters and the same durations of cover for our traditional business.

However, in accounting terms, we are closing 2011 with a substantial loss for ONDD.

## **Perhaps you could elaborate?**

Due to the delay encountered in the procedure for the appointment of the statutory auditor by the Ministry of Finance, the accounts were not closed until September 2012. As the law requires, we have taken into account all foreseeable risks, potential losses and depreciations that have come to one's knowledge between the end of the year and the approval of the annual accounts by the Board of Directors, being 25 September in our case.

The significant deterioration of a number of risks has led us to substantially increase certain provisions, such as for the construction, transport, pharmaceuticals and health care sectors as well as the oil industry. I should also add that the sanctions against Iran have also put a strain on the situation. We have noticed a significant rise both in the number of new claims and claim cases which have been put under close monitoring. Tougher international sanctions are increasing non-payment risk both for Iranian private and publically-owned entities.

I would like to end with three remarks. First, credit insurance is a cyclical business, with good years and bad years. According to our projections, 2012 should become a good year. Second, ONDD is a solid institution that can cope with this type of situation. And third, we are proud of our profession and are proud to support our clients when the going gets tough.

## **How has business evolved?**

ONDD held its ground in 2011. In general, we have seen a comprehensive stabilization of covered transactions but premiums have decreased. For the traditional business on the medium- to long-term export market, we have achieved a turnover volume that is comparable to that of 2010, but our premium income has gone down. This is partly explained by the fact that we have adopted the new OECD premiums system. The new premium system is obviously a good thing for our businesses as they are paying less, on average, for their insurance cover.

In respect of market activity, which saw a slight growth in transaction volumes, the decline in premium income is mainly the result of competitive pressures, also related to the cost of funding of the commercial banks.

## **Problems with bank liquidity have become a burning issue**

What we are feeling very strongly is the problems being encountered by our exporters in obtaining adequate financing that would allow them to present competitive offers to their clients. The problem of bank financing became acute in the final quarter of 2011, to such an extent that it is sometimes difficult for exporters to put deals together, especially in dollars.





**Frank Vanwingh**  
Deputy Chief Executive  
Officer

In theory, we have the answer. The articles of association of the ONDD allow us to put together financing operations. Over the past few years, we have developed our forfaiting product. We have kept this activity on a limited scale, but, if necessary, ONDD can step up its role in this business segment, a possibility that we are also in the process of analysing.

## **You are a recognised specialist in emerging nations**

This has always been our primary vocation and we have never doubted the potential of these markets. Clearly, we now have the proof that we were right in our approach, because it is a fact that the current crisis has had less of an impact on these countries than on the nations within the European Union.

## **ONDD has also conducted a client satisfaction survey for the first time**

ONDD commissioned an external company to conduct a survey with its clients intended to measure their degree of satisfaction and loyalty.

73% of our clients agreed to take part in the survey, which in itself shows a particularly high response rate, given that this is on average 30%.

Clients were asked about their overall satisfaction and their intention to recommend ONDD to peers and to use the services of ONDD again in the future. The loyalty rate obtained was 110, i.e. a very high rate compared to the theoretical maximum of 130. By way of comparison, financial institutions generally achieve an average loyalty rate slightly below 60.

Clients are very satisfied with ONDD's overall level of performance and more specifically with the service, expertise and

interpersonal relationships demonstrated during the underwriting, account management and dispute handling phases.

Another key element is that ONDD surpasses its competitors in all essential aspects. Clients are more satisfied with the processing of their applications for cover by ONDD than with any other credit insurer. This is a major determinant in the loyalty rate.

It goes without saying that we will endeavour to maintain and improve the client satisfaction level by taking care of the various phases and aspects of our services.

## **And in conclusion, what message do you have?**

What has happened over recent years highlights more than ever the fact that the products offered by public credit insurers are vital and that we all have good reason to be proud of being at our clients' service when they're experiencing problems.

**“A survey conducted among  
our clients showed that they are  
highly satisfied with ONDD's  
overall level of service”**

# Examples of transactions and projects

The following are examples of export, import and investment transactions that were supported by ONDD in 2011. They illustrate the diversity of our activities in terms of sector and geographical location. The support provided by ONDD for these transactions and all those insured in 2011 contributes to economic growth in Belgium and abroad, whether this relates to projects implemented by major companies or to transactions conducted by small and medium enterprises.

Many of our Belgian clients are small and medium-sized enterprises. As small and medium-sized enterprises play a significant role in Belgian exports and are being encouraged to export more and to more distant destinations, our strategy is specifically focused on reinforcing the support that we provide to these enterprises, in particular through our "financial guarantee" product. Where ONDD provides its financial guarantee, it shares with the banks the risks related to the loans granted to Belgian exporters, and particularly small and medium-sized enterprises.

Banks are also clients and important partners of ONDD under its export credit activity. In addition to the names listed by way of example, we also insured other banks in 2011, all of which are active in the financing of exports in Belgium.

**Depoortere**  
Flax harvesting machine



## Insured amount larger than EUR 25 million

### **Alcatel Lucent / Crédit Agricole CIB**

**Country** (of destination): Brazil

**Sector** (of the client): Telecom

**Project description:** Delivery of telecom equipment

### **Alstom / Fortis Bank, Citibank, Deutsche Bank**

**Country:** Dominican Republic

**Sector:** Transport

**Project description:** Rolling stock for the Santo Domingo Metro

### **Dredging International**

**Country:** Mexico

**Sector:** Government (transport and communications)

**Project description:** Dredging for an import terminal for liquefied natural gas

### **Ecophos**

**Country:** Peru

**Sector:** Chemical industry

**Project description:** Licence and equipment for a phosphoric acid plant

### **Ion Beam Applications / Fortis Bank, KBC Bank, ING Bank, Dexia Bank**

**Country:** USA

**Sector:** Health care

**Project description:** Proton therapy center

### **Jan De Nul**

**Country:** Spain

**Sector:** Dredging

**Project description:** For the construction of a new fall pipe vessel ONDD covers the risks on banks that act as a guarantor for the performance risk of the local shipyard.

### **Solvay / Fortis Bank, HSBC, ING Bank**

**Country:** Russia

**Sector:** Petrochemical industry

**Project description:** Construction of the largest PVC production plant in Russia, for which a large project financing has been structured.



#### Alstom

Rolling stock for the Santo Domingo Metro

## Insured amount larger than EUR 2.5 million and smaller than EUR 25 million

### Balteau / Dexia Bank

**Country:** Cameroon

**Sector:** Water utility

**Project description:** Water supply system

### Barco / Dexia Bank

**Country:** Indonesia

**Sector:** Media & entertainment

**Project description:** Delivery of digital cinema projectors

### Coek Engineering

**Country:** China

**Sector:** Petrochemical industry

**Project description:** Delivery of preheaters for purified terephthalic acid plant

### Depoortere / KBC Bank

**Country:** Belarus

**Sector:** Textile industry

**Project description:** Flax harvesting and processing machines

### De Smet Engineers and Contractors

**Country:** India

**Sector:** Sugar sector

**Project description:** Delivery of a continuous diffuser for the construction of a sugar factory in Ethiopia

### Durabilis NV

**Country:** Burkina Faso

**Sector:** Packaging of agri-food products

**Project description:** Investment

### Holvrieka

**Country:** Russia

**Sector:** Beverage industry

**Project description:** Delivery of stainless steel beer tanks

### Sodraep S.A.

**Country:** Vietnam

**Sector:** Waste water treatment

**Project description:** Extension of the sewerage of Cua Lo - phase 2

## Soulco Projects / KBC Bank

**Country:** Ghana

**Sector:** Government

**Project description:** Audio equipment and IT systems for the Ghanaian parliament

## Insured amount smaller than EUR 2.5 million

### Aseptic Technologies

**Country:** USA

**Sector:** Biotechnology

**Project description:** Vaccine packaging machine

### Esko Graphics

**Country:** Philippines

**Sector:** Graphic sector

**Project description:** Cutting table

### FIB Belgium

**Country:** Mexico

**Sector:** Steel sector

**Project description:** Patent for a phosphating and a galvanizing line

### M. Van De Wiele / Dexia Bank

**Country:** Turkey

**Sector:** Textile industry

**Project description:** Weaving looms

### Petersime / KBC Bank

**Country:** Argentina

**Sector:** Food processing industry

**Project description:** Incubator

### Transurb Technirail

**Country:** Malaysia

**Sector:** Public transport

**Project description:** Driving simulator

### Visys

**Country:** Pakistan

**Sector:** Food processing industry

**Project description:** Sorting machine

# ONDD's Products

The following is an overview of ONDD's insurance and guarantee products.

This is not intended to be a comprehensive overview as ONDD is always prepared to offer tailor-made solutions to cover the risks of international trade and investments abroad.

By providing cover, ONDD is able to support several financing methods: extension of payment to buyers abroad (supplier credit), as well as documentary credit, discounting, bank financing, leasing, framework credit and prefinancing.

## Insurance of supplier credits

Cover for supplier credits granted by exporters to their foreign buyers for supplies of equipment and services. As suppliers of capital goods and services regularly have to grant their buyers extended credit, ONDD provides cover against the possibility of payment default.

## Forfeiting product for supplier credits

ONDD supports Belgian exports by acting as both a credit insurer and refinancier for medium-term supplier credits. Belgian exporters of equipment and services are regularly asked by their foreign buyers to grant credit from 2 to 5 years. By selling their trade receivables to ONDD, exporters no longer need to book provisions in their accounts.

## Insurance of buyer credits

ONDD covers buyer credits that banks grant to foreign buyers to finance exports of equipment, services and contract works. Buyer credits generally involve major sums that are repayable in the longer term and often relate to risky locations. It is therefore of essential interest to lenders that ONDD provides insurance for such cases.

## Insurance of buyer credits in local currency

ONDD provides cover for buyer credits in the buyer's national currency for the purposes of financing exports of equipment and services. Local businesses can opt for loans in local currency instead of EUR/USD loans to avoid the forex risk associated with export credits in EUR/USD.

## Insurance of special cash transactions

ONDD covers export contracts for supplies of capital goods and the execution of contract works that are payable on a cash basis, called special cash transactions. Export of capital goods and the execution of contract works often entail large amounts and long performance terms. Especially for less stable countries, exporters run a wide range of risks. ONDD provides the necessary cover against debtor and country risks.

## Insurance of contract guarantees (bonds)

ONDD provides cover for bank guarantees that exporters arrange in favour of their customers as warranty for due performance of their contractual obligations. In international trade, exporters frequently have to arrange bank guarantees in substantial amounts. In some cases, the beneficiaries under such guarantees (= customers) can claim against them on first demand without having to give any reason. The calling of a bank guarantee can reduce profit margins or can lead to losses on the contract. ONDD therefore offers protection against unfair calling of such guarantees.

## Insurance of contracting equipment

Cover for contracting equipment that is used for carrying out construction contracts abroad. A construction company that carries out building works abroad will often have to temporarily import heavy equipment to carry out the works. Especially for construction works in less stable countries, the contractor runs political risks, which could result in the equipment no longer being available for use or being damaged or destroyed.

## Insurance of investments

Cover against political risks for foreign investments. Globalisation and economic integration have given rise to an increase in cross-border investment. To safeguard their foreign interests, investors need to protect themselves against political risks in host countries by taking out an investment policy.

## Financial guarantee for investment credits

Payment guarantees for investment credits to Belgian businesses with international operations. ONDD can help find additional investment credit by providing the bank with a guarantee. ONDD's very high credit rating will certainly help in getting banks to grant such credits.

## Financial guarantee for bond credit facilities

Payment guarantees for credit facilities that Belgian businesses with international operations use for the purpose of issuing bank guarantees (bonds). ONDD can help find additional financial facilities for the issue of bonds by issuing a guarantee. ONDD's very high credit rating will certainly help in getting banks to issue such bond lines.

## Financial guarantee for working capital credits

Payment guarantees for working capital credits to Belgian companies with international operations. ONDD can help find extra working capital finance by issuing a guarantee to the bank. ONDD's very high credit rating will certainly help in getting banks to grant such credits.

## Financial guarantee for bond issues (private placements)

Payment guarantees for bond issues (of a private nature) from Belgian companies with international operations. ONDD helps those that seek alternative financial tools to raise the necessary funds for further expansion. Additional financial resources can be tapped into if ONDD provides a guarantee to investors that wish to subscribe to a private bond issue. ONDD's very high credit rating will certainly help in placement of the issue.

# ONDD's international role and Corporate Social Responsibility

## **In international terms, what have been the major changes in the export credit insurance market?**

This year, the European Commission began reviewing the Short Term Communication, which lays down the risks insurable by the private market on the one hand and by the Export Credit Agencies (ECAs) on the other. As public agencies, ECAs are currently only authorised to cover risks with a duration of more than two years or those outside the countries within the OECD zone. The European Commission is examining the relevance of maintaining or reforming these two criteria, i.e. the duration of the risk and the geographical location of the debtor. The review should be completed by the end of 2012.

## **Are you also monitoring the development of Basel III?**

Of course, we are monitoring it closely. Banks will gradually be required to meet new ratios such as liquidity ratios, and existing ratios will become stricter. These new provisions could make trade financing more costly and reduce the capacity available.

On this issue, we are in close contact with the European Commission through the Council Working Group on Export Credits.

## **The OECD also regularly reviews its recommendations against corruption**

Absolutely. This is an extremely sensitive subject, because potential corruption is a delicate situation with which underwriters and compliance officers can be confronted: when are suspicions of potential corruption sufficiently supported to take specific steps? Because, in fact, no one wants to wrongly accuse a client or be part of a suspect arrangement.

At ONDD, we have introduced efficient procedures to address these situations but luckily, corruption cases remain an exception.

---

“This year, the European

---

Commission began

---

reviewing the Short Term

---

Communication”

---





**Nabil Jijakli**  
Secretary General

## **Is the Organisation for Economic Cooperation and Development (OECD) adopting new environmental and social guidelines?**

Yes, that's right. The new text will be approved in 2012 and will place greater emphasis on the social impact of the insured projects, with specific focus on human rights.

ONDD is doing much more than just applying OECD recommendations. For example, coverage of export operations payable in cash is also subject to an environmental assessment, while this is not even an OECD requirement.

## **The business community is becoming more and more aware of Corporate Social Responsibility. How has ONDD evolved in this respect?**

We have been concerned about this issue for some time and in 2011 we defined the outlines of our CSR policy. Our first Corporate Social Responsibility Report will be issued in 2012.

As announced last year, our policy is based on two pillars where we can bring together corporate social responsibility and business profitability, being risk management and the creation of added value for our clients. For these two pillars, we intend to cooperate closely with our stakeholders and clients. Their cooperation is essential if we wish to support exporting in a sustainable way.

## **Can you give us a hint?**

We will be doing more than required under our legal and international obligations. ONDD has a sound international reputation to uphold. We are intending to review whether our risk analysis model, which is the basis for the Country Risk Assessment Model (CRAM) used by the OECD since 1996, can be reinforced, for example by including the consequences of climate change in our assessments. Provided, of course, that these consequences have an impact on country risk and catastrophe risk.

We also have plans towards managing our client relationships more sustainably by paying specific attention to social and environmental aspects in our contacts with them. This is an important point in our sustainable business policy: we want to work hand in hand with our clients and banks.

We are also assessing our own way of working. One way of doing that was by analysing the ecological footprint of our registered office in Brussels, which is the workplace of 260 individuals.

---

**“Our first Corporate Social  
Responsibility Report will be  
issued in 2012”**

---

# Results for 2011

## ONDD's annual accounts

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

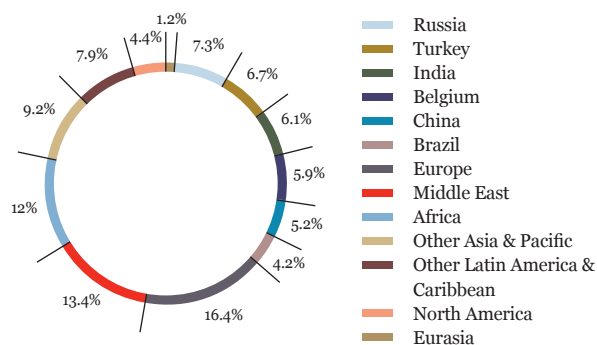
|   | 2007     | 2008     | 2009     | 2010     | 2011            |
|---|----------|----------|----------|----------|-----------------|
| Value of transactions insured during the financial year <sup>(1)</sup>            | 9,931.1  | 15,926.6 | 9,470.9  | 7,411.0  | <b>7,303.0</b>  |
| Premiums issued during the financial year <sup>(1)</sup>                          | 120.9    | 147.0    | 221.5    | 231.8    | <b>200.8</b>    |
| Claims paid during the financial year <sup>(1)</sup>                              | 20.0     | 20.5     | 227.1    | 177.4    | <b>226.0</b>    |
| Claims recovered during the financial year <sup>(1)</sup>                         | 114.9    | 88.2     | 40.6     | 37.0     | <b>34.0</b>     |
| Outstanding loans at the end of the financial year                                | 0.8      | 0.0      | 0.0      | 0.0      | <b>0.0</b>      |
| Amounts receivable from claims at the end of the financial year <sup>(1)(2)</sup> | 1,073.4  | 931.7    | 1,066.3  | 1,168.4  | <b>1,177.4</b>  |
| Commitments for policies at the end of the financial year <sup>(1)</sup>          | 13,559.6 | 23,084.9 | 22,611.0 | 20,225.0 | <b>18,183.8</b> |
| Provisions at the end of the financial year                                       | 836.0    | 466.7    | 660.6    | 679.0    | <b>869.4</b>    |
| Result of the financial year  | 113.8    | 196.8    | -19.2    | 105.1    | <b>-173.1</b>   |
| Equity at the end of the financial year   | 1,444.5  | 1,641.3  | 1,622.2  | 1,727.0  | <b>1,554.2</b>  |
| <b>Ratio (in %)</b>   |          |          |          |          |                 |
| Net claims / Premiums   | -78.5    | -46.1    | 84.2     | 60.6     | <b>95.6</b>     |

(1) before cession to reinsurers

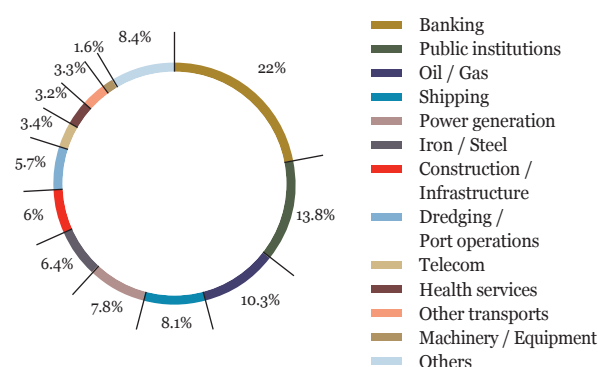
(2) total of gross outstanding indemnities, capitalised and accrued interest

## Illustrations of the commitments

### ONDD commitments in 2011 - geographic breakdown (in %)



### ONDD commitments in 2011 - breakdown by sector for debtors (> EUR 10 millions) (in %)







**Ronny Matton**  
Chief Financial Officer

## **Due to the difficult context in the period after the balance sheet date, the 2011 financial year closes with a negative result**

Yes, we've had a turbulent past few years: we had a slight loss in 2009, a comfortable level of profit in 2010 and we closed 2011 with a loss: EUR 173 million. This figure is the result of a 50 million financial profit and a 223 million technical loss. This technical loss is mainly due to the increase of provisions that needed to be made after the balance sheet date. Due to the delay in the procedure to appoint the statutory auditor, the specific audit procedure for 2011 was not finished until September 2012. In other words, the figures take into account any foreseeable risks, potential losses and depreciations known between the balance sheet closure date and the time the annual accounts are established. We have also issued less premiums and the general value of our premiums has declined due to OECD regulations. This has been partly compensated by the release of unearned premiums.

## **How are things looking from a broader perspective?**

For ONDD, amounts insured, which are down by only 1%, remain more or less at the same level while premiums are down 13%.

Traditional insurance business is down 9%. The drop is less pronounced than in 2010 and is reflected in a similar decline in premiums by 11% to EUR 96 million in 2011. Even though the drop in premiums is similar to the drop in amounts insured, there is no immediate correlation between these two factors. After all, premium rates are highly variable and depend on the duration of the business that is covered, and the nature and intensity of the risks. No exceptional transactions are to be noted for 2011.

For the market activity, insured amounts are up 5% and premiums are down 15%. But the impact of the crisis still made itself felt, especially in terms of transactions that were submitted

for cover to ONDD. In the end, ONDD continues to strengthen its position as a reinsurer. This activity increased sharply again in 2011, with premiums at EUR 34.6 million, compared to EUR 31.6 million in 2010.

## **And the charge of claims?**

It increased but this is mainly due to events after the balance sheet date that related to 2011 case files! They relate to the construction, transport, pharmaceuticals and health care sectors as well as the oil industry. In addition, extra provisions were made for IBNR (Incurred But not Reported). All this is a result of the 2008-2009 crisis, the consequences of which we're still managing. The effect of the sanctions imposed on Iran should not be underestimated either.

## **The results have also been affected by the rise in operating costs**

That's right. Operating charges are up compared to the previous financial year. The rise is mainly due to the growth of the number of staff. We're investing in human resources. We've recruited specialists in the fields of finance and investments but also when it comes to IT, for example.

## **How about the financial results?**

I would say they're normal. We have achieved comfortable gains on our investments, we have earned less interest but have skilfully profited from the fluctuating value of the dollar against the euro. We have re-examined and adjusted the allocation of our assets. At the end of the day, we have every reason to be satisfied. This result confirms that we have conducted a healthy treasury and investment policy in the current context of volatile financial markets.

## Income statement (in thousands EUR)

|   | 2011            | 2010           |
|---|-----------------|----------------|
| <b>Turnover</b>   |                 |                |
| Written premiums  | 200,838         | 231,814        |
| Premiums ceded to reinsurers                              | -35,711         | -43,950        |
|   | <b>165,127</b>  | <b>187,863</b> |
| <b>Technical charges after cession</b>                    |                 |                |
| Variation in the provision for outstanding risks          | -36,213         | -58,411        |
| Variation in the provision for claims                     | 229,834         | 81,960         |
| Variation in the provision for claims management expenses | -2,689          | -5,266         |
| Variation in write-offs on outstanding claims             | 19,272          | 68,560         |
| Indemnified losses and litigation expenses                | 148,893         | 29,931         |
| Recoveries on indemnified losses and litigation expenses  | 367             | 1,043          |
| Other technical results                                   | 2,874           | 1,773          |
|   | <b>362,339</b>  | <b>119,590</b> |
| <b>Technical result</b>                                   | <b>-197,212</b> | <b>68,274</b>  |
| <b>Operating charges</b>                                  |                 |                |
| Remunerations, social charges and pensions                | 15,080          | 12,833         |
| Operating costs   | 9,822           | 8,415          |
| Costs of management by third parties                      | 15,231          | 15,799         |
| Depreciation  | 957             | 665            |
| Write-offs on trade account receivables                   | 57              | 255            |
| Other operating costs                                     | 36              | 649            |
| Recovered operating costs                                 | -6,916          | -7,072         |
| Reinsurance commissions                                   | -7,806          | -11,014        |
|   | <b>26,461</b>   | <b>20,531</b>  |
| <b>Operating result</b>                                   | <b>-223,673</b> | <b>47,743</b>  |

|   | 2011            | 2010           |
|---|-----------------|----------------|
| <b>Financial income</b>                                     |                 |                |
| Income from cash investments                                | 65,484          | 38,876         |
| Rescheduling interest                                       | 14,938          | 15,132         |
| Other financial income                                      | 17,476          | 12,865         |
|   | <b>97,898</b>   | <b>66,873</b>  |
| <b>Financial charges</b>                                    |                 |                |
| Charges from investments                                    | 14,011          | 12,251         |
| Variation in write-offs on investments                      | 17,475          | -12,828        |
| Debt charges  | 2               | 2              |
| Variation in write-offs on rescheduling interest receivable | -47,235         | -21,596        |
| Irrecoverable share of rescheduling interest receivable     | 48,766          | 27,418         |
| Other financial charges                                     | 14,489          | 4,325          |
|   | <b>47,508</b>   | <b>9,571</b>   |
| <b>Financial result</b>                                     | <b>50,390</b>   | <b>57,302</b>  |
| Exceptional result  | 232             | 39             |
| <b>Result of the financial year</b>                         | <b>-173,051</b> | <b>105,084</b> |
| <b>Results</b>  |                 |                |
| Attribution to reserves                                     | -246,802        | 22,328         |
| Carry forward result of the financial year                  | 73,751          | 82,756         |

## Balance sheet (in thousands EUR)

|   | 2011             | 2010             |
|---|------------------|------------------|
| <b>Assets</b>   |                  |                  |
| <b>Fixed assets</b>   |                  |                  |
| <b>Intangible fixed assets</b>                                |                  |                  |
| Concessions, licenses and know-how                            | 6,563            | 4,977            |
| <b>Tangible fixed assets</b>                                  |                  |                  |
| Plant, machinery and equipment                                | 267              | 194              |
| Furniture and vehicles  | 243              | 182              |
|   | <b>7,073</b>     | <b>5,353</b>     |
| <b>Financial fixed assets</b>                                 |                  |                  |
| Shareholdings   | 206,418          | 203,220          |
| Shareholdings in companies accounted for by the equity method | 5,393            | 5,393            |
| Other financial assets  | 12,000           | 13,800           |
|   | <b>223,811</b>   | <b>222,413</b>   |
| <b>Total fixed assets</b>                                     | <b>230,884</b>   | <b>227,765</b>   |
| <b>Current assets</b>   |                  |                  |
| <b>Accounts receivable from claims</b>                        |                  |                  |
| Accounts receivable from indemnities                          | 274,085          | 271,997          |
| Purchased accounts receivable                                 | 185              | 185              |
|   | <b>274,270</b>   | <b>272,182</b>   |
| <b>Accounts receivable within one year</b>                    |                  |                  |
| Trade debtors   | 15,040           | 31,942           |
| Other accounts receivable                                     | 27,249           | 22,985           |
| Deposits with reinsurers                                      | 626              | 190              |
| Deferred taxes  | 1,925            | 551              |
|   | <b>44,840</b>    | <b>55,667</b>    |
| <b>Cash investments</b>                                       |                  |                  |
| Shares in financial investment funds                          | 1,522,763        | 1,493,440        |
| Bonds   | 305,637          | 305,637          |
| Term deposits   | 64,941           | 50,323           |
|   | <b>1,893,340</b> | <b>1,849,400</b> |
| <b>Cash at bank and in hand</b>                               | <b>26,545</b>    | <b>19,849</b>    |
| <b>Deferred charges and accrued income</b>                    | <b>2,598</b>     | <b>2,020</b>     |
| <b>Total current assets</b>                                   | <b>2,241,593</b> | <b>2,199,118</b> |
| <b>Total assets</b>   | <b>2,472,476</b> | <b>2,426,883</b> |

|   | 2011             | 2010             |
|---|------------------|------------------|
| <b>Liabilities</b>  |                  |                  |
| <b>Equity</b>   |                  |                  |
| Endowment   | 297,472          | 297,472          |
| Reserves  | 1,272,886        | 1,519,688        |
| Transferred result  | -16,163          | -89,914          |
| <b>Total equity</b>                                       | <b>1,554,195</b> | <b>1,727,246</b> |
| <b>Provisions for risks and charges</b>                   |                  |                  |
| Provision for other risks and charges                     | 0                | 965              |
| Provision for outstanding risks                           | 175,964          | 212,177          |
| Provision for claims                                      | 681,742          | 451,907          |
| Provision for claims management expenses                  | 11,686           | 14,375           |
| <b>Total provisions for risks and charges</b>             | <b>869,391</b>   | <b>679,425</b>   |
| <b>Debts</b>  |                  |                  |
| <b>Accounts payable within one year</b>                   |                  |                  |
| Commercial debts  | 27,866           | 15,555           |
| Debts concerning taxes, remunerations and social security | 2,870            | 1,444            |
| Other accounts payable                                    | 4                | 5                |
|   | <b>30,740</b>    | <b>17,004</b>    |
| <b>Accrued charges and deferred income</b>                | <b>18,150</b>    | <b>3,209</b>     |
| <b>Total debts</b>  | <b>48,890</b>    | <b>20,212</b>    |
| <b>Total liabilities</b>                                  | <b>2,472,476</b> | <b>2,426,883</b> |

The ONDD Group is  
functioning well





---

Our subsidiaries are available

---

to our clients within their markets,

---

which they know very well

---



# Ducroire | Delcredere SA.NV

## **2010 was a year of stabilisation following the crisis. What was 2011 like?**

In 2011, Ducroire | Delcredere SA.NV continued to build on the progress achieved during the previous year, with the company posting a profit after tax of more than EUR 5.7 million. Operating result improved in all areas. We maintained our growth in sales of credit insurance, surety and inward reinsurance. Collected premiums increased by 10.8% to reach EUR 90.6 million and claims fell by more than 10% to EUR 37.6 million.

Our gross loss ratio – a key indicator for the performance of insurers – showed a significant improvement, falling from 51.1% in 2010 to 41.5% in 2011. We are continuing on the road to recovery after the challenges of 2008 and 2009 and have once again made a substantial contribution to our provision for equalisation (EUR 5.7 million), in accordance with regulatory requirements. This now exceeds EUR 9 million.

It's an encouraging result given the political upheaval within certain major international markets and the persistent economic difficulties in Europe.

## **Was it above all political risks that took centre stage?**

Yes. It was fairly unexpected, if you think of the Arab Spring, for instance. What took us by surprise was the sudden increase in these risks. Our clients encountered problems, particularly in Belarus, Côte d'Ivoire and Yemen. But our teams are experienced in this area. Our expertise has helped us, to cover these for a long time, longer than our competitors did. For Côte d'Ivoire, for example, or Greece, a country that posed no problems beforehand. We have been surprised to see the extent to which the Greek crisis has affected the whole of Europe.

## **Are you worried about a rise in the number of claims?**

We won't be going back to 2008-2009. The banking sector in particular has learned the lessons from those events, and is now much more careful. Debtors are also less indebted than they were three years ago and, therefore, the risk that they present has decreased. But this crisis has also taught us a great deal. We have enhanced our monitoring systems, and we were able to determine immediately that they were very high-performing as it helped us to closely monitor cases. This model has allowed us to insure certain debtor risks that others will not cover, thanks to a very detailed analysis of the quality of the deals. This is all a good thing for clients and for the economic activity of our country.





**Karin Deesen**  
Deputy CEO  
**Dirk Terweduwe**  
Chief Executive Officer  
**Stefaan Van Boxstael**  
Deputy CEO

## What is the general situation in the market?

The monitoring system provides us with a precise view of our clients' outstanding commitments, clients that are becoming more and more demanding as competition intensifies.

Our competitors are on our heels at times. We are seeing some give in to the price war to retain clients or win new ones. This is dangerous, because after 2008-2009, the sector is still largely recovering while the general economic context remains gloomy. We refuse to take part in a price war. We prefer to meet the challenge through quality of service, in particular reduced response times to client requests, and the provision of tailor-made solutions. We must respond quickly and well.

## What organisational changes have you made?

We have developed an operating method that we know is appreciated by our clients. We are working on three levels. At the first, each client has a reference sales person within the group: the account manager. The second level is occupied by the underwriter, who acts as an arbitrator and manages the limits for debtors, and the third is the management of policies by the policy manager.

“2011 has seen operating results  
improve in all areas”

# KUPEG



**Michal Veselý**  
CEO KUPEG

## **KUPEG ended the 2011 financial year in profit**

Indeed, and I am very pleased about this for various reasons. We are making a profit after several years of loss. To get to this point, we have put in a lot of work, with a renewed team. And I am all the more pleased because the economic context was not easy. Although the volume of insured transactions increased by 8%, the value of premiums increased more slowly due to the strength of competition. Finally, I am glad to see that the number of claims is down. This means we have therefore paid out less to cover claims.

---

“We posted a profit in 2011,  
thanks to a renewed team and  
hard work”

---

## **KUPEG maintained its position as market leader and opened a branch in Slovakia**

We returned to the leading position in our market in 2010. We maintained this position in 2011 as we increased our market share again. We also opened a new representation in Bratislava, Slovakia, at the end of the year, which is intended to become a fully-fledged branch during 2012. Our intention is to become a major player in this market thanks to the quality of our service and the experience we have gained from the Czech market.

## **Have there been any changes in KUPEG's internal organisation?**

There is now a lot more cooperation with the parent company with regard to reinsurance and risk management.

In the area of governance, we created the internal audit and compliance officer roles that had been introduced by law.

With regard to claims management, we now have faster processing procedures, which should add to client satisfaction. I would like to use this opportunity to confirm that we are making significant investments in our team, particularly in regard to training and management. We have also taken on new members of staff.

## **How do you see 2012?**

Our clients have become very prudent and are watching their costs. I do not think this is a worrying sign, rather an incentive to show that we are even more efficient. For us, this means that we have to be ever more competitive and continue to listen closely to our clients, offering them a personalised service. The big unknown factor is the development of the economy; nevertheless, we are prepared for all eventualities. But all in all, I believe the conditions are there for us to have a decent year in 2012.

# INGO-ONDD



**Victor Klimov**  
CEO INGO-ONDD

## **If you had to sum up your 2011 financial year, what would you say?**

That our results are excellent. INGO-ONDD has been profitable since its creation and this has been confirmed once again in 2011. We increased our gross written premiums by 54% and our loss ratio is still very low. We managed to diversify our portfolio seriously over a larger number of economic sectors in Russia.

We have also noticed that our collected premiums increased strongly in November and December 2011. This encourages us to believe that there is great development potential amongst our international clients. These are clients who are often leaders in their market and who, in our opinion, are banking on an increase in turnover in 2012.

---

“Everything leads me to think  
that our international clients  
have considerable potential for  
development”

---

## **How is the Russian economy doing?**

Judging by the increase in gross written premiums it looks like Russian economy has not been affected to the same extent as other economies where the talk is about crisis. Economic agents in Russia, businesses and households, worked hard in 2011. This situation explains why a specifically Russian demand is starting to be seen on the credit insurance market, particularly in chemistry and metallurgy. This demand applies to both the domestic and export markets. I think it is a very good sign. Nevertheless, competition is very strong due to a new player arriving on the market: a governmental agency providing cover for Russian exports and which potentially has considerable resources.

## **Your resources have also increased**

We have had a major increase in capital which is aimed at meeting two challenges. The first is regulatory as the Russian authorities have raised their capital requirements to make the main market players to protect their solvency. The second is the need for financing future growth, to ensure our significant development in accordance with a ten-year business plan which has been passed by our board of directors. This means that we will have to expand our team, expertise and knowledge.

## **How do you view the 2012 financial year?**

Optimistically. We are still an incontrovertible market leader in Russia, with a market share in the order of 25-30%. Our portfolio is growing and we have a lot of projects with international and Russian clients. But we are still going to be selective. We turned away clients in 2011 and will continue to do so in 2012, because we have profitability objectives about which I feel very confident.

# GARANT



**Louis Habib-Deloncle**  
CEO Garant AG

## How did 2011 look to you?

2011 was a good year for Garant, in which it made a profit and has received an excellent rating.

Two remarks. Firstly, the consequences of the banking crisis are worrying, because they have the potential to cause a drop in export financing, which is problematic. The market must also prepare for the increasing requirements under Basel III and Solvency II. This, however, has little impact on Garant, because we are active primarily in priority sectors, such as energy, health, food and infrastructure works. Lastly, we subject each and every one of our insurance clients to an in-depth analysis of qualities, experience, skills and market position.

## Your second point?

This relates more specifically to Garant. We were awarded the rating "A-" (= excellent) by A.M. Best in July 2011 and the rating "A-" from Fitch in September 2012. This is extremely important because many insurance clients and brokers require these ratings and banks have been asking for it for some time. We already enjoyed a considerable reputation, and this will increase still further as a result of these ratings. We also immediately noticed the advantages that these ratings provide on the London market.

## A market that is still highly volatile?

Indeed. We have seen the arrival of new players that exert downward pressure on premium levels. We do not wish to practice what we believe to be dumping. We have therefore decided to focus on niches where the expertise required is much more important, and we have even discovered new potential in these markets.

## What do you foresee for 2012?

With regard to Garant, we will be reinforcing our teams in Vienna and Geneva in order to profit fully from our ratings. We will be highlighting what they signify: professionalism, expertise, and reliability. We are not the leaders in terms of size, but we want to be in terms of expertise. We will also be continuing our training efforts. In terms of general economic factors, I am expecting a reduction in banking financing for exports, which will perhaps be offset by the fact that bankers or exporters will have more recourse to insurance.

---

“We obtained the ratings that  
insurance clients, brokers and  
banks were asking for. That is  
a pledge of professionalism”

---

# TCRe



**Eckhard Horst**  
CEO TCRe

## So the year ended with a banner event?

Yes, the announcement of the purchase by ONDD of ABN Amro's TCRe shares. The operation was concluded in March 2012 and ONDD became TCRe's majority shareholder with 55.11% of shares. TCRe's other shareholders decided to maintain their stake in the company.

By becoming the majority shareholder in TCRe, ONDD will allow us to continue our growth and to build credibility with and beyond our current customer base. This operation is also in line with ONDD's strategic objective, which is based on the development of a European credit insurance group, active in all credit insurance segments and offering a range of products that provide cover throughout the world. Lastly, positive synergies for both companies may be created in areas such as human resources, risk analysis and reinsurance.

---

**“ONDD has become the major shareholder in TCRe. It is a move that is part of ONDD's strategic objective”**

---

## What is the particular strength of TCRe?

TCRe is a credit insurance company that occupies a niche position offering excess-of-loss cover. This type of insurance is intended to cover the insured against exceptional losses resulting from insolvency by its clients (commercial risk). It is based on the quality of the insured's credit management relative to the loans that it grants (credit limits and payments received). The insured itself covers an initial portion of claims (excess). TCRe then intervenes for the amounts above the excess, providing an overall previously-agreed amount of cover.

## How did the 2011 financial year end for you?

We more or less experienced a status quo in terms of premium. Excess-of-loss insurance did well. Similarly, the situation was stable with slight growth for captive insurance. The major groups with which we work have not yet fully recovered financially, which makes it difficult to land policy renewals. At the same time, it is very difficult to win over new clients in this market.

## How is 2012 looking?

The most widespread feeling is fear that the problem of sovereign debt, the difficulties experienced by banks and the global economic crunch, in particular in emerging countries, will negatively influence activity. The general economic situation will increase the risk for less solid companies. This is not necessarily negative for us, as it is risk that encourages clients to protect their interests and use our services.

Our main competitor is self-insurance. Our objective is to increase premium amounts collected, but fulfilment of this objective must allow us to post positive results, as we have been doing since 2009. To do that, we will continue with our "pick and choose" approach, based on stringent selection of our clients.

# Annual accounts of the ONDD Group





“The annual accounts closed on 31 December 2011 were submitted to a contractual audit by a company auditor. You may contact Mr Nabil Jijakli (Secretary General), if you wish to know how and on what terms the company auditor’s report can be made available to you, as a third party, for perusal.”





# Management summary

## of the consolidated accounts of ONDD as at 31 December 2011

The consolidated results for the ONDD group (quota share) and its subsidiaries show a group result of EUR 167 million loss for the 2011 financial year, compared with the EUR 114 million profit for the previous financial year.

The economic revival that started in 2010 did not continue into 2011. The EUR 100.7 million positive technical result that was achieved in 2010 turned into a EUR 155.5 million negative result for 2011. The financial result also shows a slight decrease but still contributes positively with EUR 53.9 million, against EUR 64.3 million last year.

In terms of **activity**, the amounts insured by the Group in 2011 increased by 25%.

The **premiums issued** showed a decrease of 6%, bringing the premium total net of rebates to EUR 312 million compared with EUR 332 million in 2010.

| (in millions EUR)                         | 2011                          | 2010          |             | 2011       | 2010       |             |
|---|-------------------------------|---------------|-------------|------------|------------|-------------|
|   | Value of transactions insured |               |             | Premiums   |            |             |
| <b>ONDD</b>                               | <b>7,304</b>                  | <b>7,411</b>  | <b>-1%</b>  | <b>201</b> | <b>232</b> | <b>-13%</b> |
| <i>Traditional activity</i>               | <i>3,176</i>                  | <i>3,483</i>  | <i>-9%</i>  | <i>96</i>  | <i>108</i> | <i>-11%</i> |
| <i>Market activity</i>                    | <i>4,128</i>                  | <i>3,928</i>  | <i>5%</i>   | <i>105</i> | <i>124</i> | <i>-15%</i> |
| <b>Dueroire   Delcredere SA.NV (100%)</b> | <b>17,980</b>                 | <b>15,246</b> | <b>18%</b>  | <b>84</b>  | <b>87</b>  | <b>-3%</b>  |
| <b>Garant AG (83%)</b>                    | <b>1,650</b>                  | <b>1,295</b>  | <b>27%</b>  | <b>21</b>  | <b>22</b>  | <b>-3%</b>  |
| <b>INGO-ONDD (67%)</b>                    | <b>711</b>                    | <b>593</b>    | <b>20%</b>  | <b>13</b>  | <b>8</b>   | <b>54%</b>  |
| <b>KUPEG (66%)</b>                        | <b>7,242</b>                  | <b>6,729</b>  | <b>8%</b>   | <b>16</b>  | <b>15</b>  | <b>5%</b>   |
| <b>Intercompany</b>                       | <b>-1,208</b>                 | <b>-4,250</b> | <b>-72%</b> | <b>-23</b> | <b>-31</b> | <b>-28%</b> |
| <b>Total group</b>                        | <b>33,679</b>                 | <b>27,024</b> | <b>25%</b>  | <b>312</b> | <b>332</b> | <b>-6%</b>  |

- > For **ONDD**, the **value of transactions insured** nearly remains on the same level with a 1%-decrease, whilst **premiums** are down by 13%.

The insured amounts of the **traditional insurance activity** have fallen by 9%. This decrease is less pronounced than in 2010 and results in a corresponding 11% premium decrease to reach EUR 96 million in 2011.

Even though the observed drop in premiums corresponds to the drop in insured amounts, there is no immediate correlation between these two factors. 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). No exceptional transactions stand out for 2011.

For the **market activity**, the value of transactions insured is up (5%) and premiums down by 15%. 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 5%, from EUR 3.9 billion in 2010 to EUR 4.1 billion in 2011. 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 21%. 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 2011 premium turnover is related to transactions insured during previous financial years. ONDD collects EUR 70.1 million in premiums for 2011.

On the other hand, and in compensation, ONDD further strengthened its position as a 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 in 2011, with premiums of EUR 34.6 million, compared with EUR 31.6 million in 2010.

- > **Ducroire | Delcredere SA.NV** again experienced strong growth in the value of transactions insured (18% for the comprehensive policy alone) but a slight 2.7%-decrease in premiums. With an 11%-rise representing EUR 5.8 million, premiums for the comprehensive policy business line consolidated last year's significant rise. For the inward reinsurance business line, the simplification of reinsurance flows between Ducroire | Delcredere SA.NV and KUPEG entailed a 22.8% drop compared to 2010. This brings the total premium amount to EUR 18.9 million, with EUR 2.7 million related to KUPEG, against EUR 10.4 million out of EUR 24.5 million in 2010. On a comparable basis, reinsurance grew by 17%.

- > **Garant AG** posted a slight 2.7%-decrease in premiums to EUR 21.2 million, achieving a result that is nearly identical to its 2010 result.

- > **INGO-ONDD** showed an impressive 54%-growth, generating EUR 12.7 million in premiums during its second full year of operations.

- > **KUPEG** generated EUR 16.3 million in premiums, thus consolidating the volume that was posted for 2010, which was in itself a 50% increase against 2009.

**Premiums transferred to reinsurance** amounted to EUR 76.8 million in 2011, down by 21% from the EUR 97.4 million posted for 2010. This decrease can be partially attributed to Ducroire | Delcredere SA.NV's reinsurance flow and, to a lesser extent, the other subsidiaries of the group outside Belgium, which cede a large part of their premiums to reinsurance. Especially premiums ceded under ONDD's market activity, a business which involves systematic cession to the reinsurance market, are down 20% compared to last year and are at EUR 35.7 million.

After cession to reinsurers, the premiums amounted to EUR 235.2 million, compared with EUR 234.5 million in the previous year, or a slight increase of 0.3%.

**Technical charges** after cession, an item which primarily relates to the claims, were negative to the amount of EUR 390.7 million over the year, against EUR 133.8 million booked for 2010. Claims have therefore grown considerably.

The situation did not improve in 2011. The number of new claim files remains relatively stable in 2011 yet several new claim files for ONDD arose in the first eight months of 2012. Claims paid rose considerably as well. These were mostly related to claim files for which provision had been made in previous years. In line with the Belgian accounting rules, the provision for risks and potential losses for ONDD for the first eight months of 2012 (after the balance sheet date) was entered in the accounts.

- > The provision for outstanding risks shows a decrease with a release of provisions over the financial year of EUR 42 million compared with a release of EUR 62.7 million in 2010. This is partly explained by the new calculation method on a pro rata temporis basis for unearned premiums pertaining to insurance contracts of up to one year issued by Ducroire | Delcredere SA.NV. In the provisions for risk deterioration, our commitments have declined on countries that had been reclassified into higher-risk categories, both for political and systemic commercial risk.
- > The provision for claims increased sharply with a charge of EUR 230.7 million on the financial year compared with EUR 75.2 million over the previous year. This is mainly due to the additional provisions that were made in the ONDD accounts for risks, potential losses and devaluations during the first eight months of 2012. This rise was intensified by large additional provisions for Iran. Provision for claims (net of cession) increased from EUR 508.6 million at the end of 2010 to EUR 739.3 million at the end of 2011.
- > The provision for claims management expenses is at a near-status quo compared to last year with a release of EUR 0.5 million. In 2011, Ducroire | Delcredere SA.NV further refined its calculation method for this provision, which is partly based on the average cost, in full cost accounting, of the claim files handled by the Claims department over the past five years, and on the number of claim files that are currently being treated, taking account of the non-reported losses or "IBNR provision" (incurred but not reported) and the average length of time required to settle a claim. This has led to a negative impact of EUR 1.8 million, yet for ONDD, charges went down by EUR 2.7 million.

- > Finally, all the technical charges relating to outstanding indemnities (amounts written off of EUR 36.6 million and indemnified losses of EUR 164.8 million) resulted in a charge of EUR 201.5 million (compared with the EUR 128.4 million in the previous financial year).

The **operating charges** were up compared with the previous financial year (EUR 52.7 million in 2011 compared with EUR 41.7 million in 2010). These are the charges after reinsurance commission due by the reinsurers for their intervention in the operating charges of ONDD and its subsidiaries.

The rise in operating charges is mainly due to the higher number of effective staff members, a decline in reinsurance commission (that corresponds with ceded premiums) and lower recovered operating charges. 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** amounts to a loss of EUR 208.2 million, compared with a EUR 59 million profit in 2010.

This operating loss was further equalised through the provision made for equalisation and disasters (EUR -8 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 loss of EUR 216.2 million in 2011, compared with a EUR 53.9 million profit in 2010.

The **financial result** amounted to a profit of EUR 53.9 million in 2011 (compared with a positive result of EUR 64.3 million in 2010). The result confirms that the group is currently conducting a healthy treasury policy in the current context of volatile financial markets.

- > The investment portfolio result has remained positive despite difficult circumstances. It amounts to EUR 38.3 million against EUR 46.8 million in 2010.

Since 2010, the focus has been on more prudent management of the portfolio with a focus on limiting risk taken to achieve an acceptable level of return. One of the ways to do this was by investing more in Target Volatility Funds and by adapting the benchmark mandates.

The positive investment portfolio result is for a large part made possible by the capital gains that were realised at the beginning of the year, compensated by realised and unrealised capital losses and by interests and dividends received.

As at 31/12/2011, the cash investments portfolio amounted to EUR 2,162 million at book value (EUR 2,097.4 million at the end of 2010) and EUR 2,241.2 million at market value (EUR 2,234.3 million at the end of 2010).

At the end of 2011, investments in equities went down from 11.2% to 8.4% of the portfolio expressed in market value, while investments in sovereign bonds and treasury certificates, held directly or through funds, amounted to 24.6% of the portfolio. Corporate bonds were up by another 8.3%, real estate was at 1% and investments with guaranteed capital on maturity, generally long-term, were down at 2.8%. The portfolio also included monetary, liquid and short-term instruments that represented 20.4%, which is stable compared to the previous financial year, as well as funds managed according to a "target volatility" approach, which rose to 34.5%.

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 (increase from EUR 5 million at the end of 2010 to EUR 27.7 million at the end of 2011) while, on the other hand, the unrealised capital gains on investments, for an amount of EUR 79.2 million at the end of the year (compared with EUR 136.8 million at the end of 2010), have not been recorded in the accounts.

- > The financial income linked to accounts receivable from indemnities amounted to EUR 13.4 million (EUR 9.3 million in 2010):

- >> Rescheduling interest amounted to EUR 14.9 million (EUR 15.1 million in 2010). To a great extent this relates to interest incurred in 2011 in the framework of public debt rescheduling agreements concluded with certain countries (EUR 10.6 million compared with EUR 10.5 million in 2010) and concern more specifically Côte d'Ivoire (EUR 3.3 million), Iraq (EUR 2.9 million) and other countries (EUR 4.4 million). The balance (EUR 4.3 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 1.5 million in 2011 compared with EUR 5.8 million in 2010).

- > Other financial income and other financial charges generated a net profit over the year of EUR 2.2 million, related to a great extent to unrealised exchange gains, mainly on the USD, but to a lesser extent than in 2010 (EUR 8.2 million).

The **net operational cash flow** for the financial year is positive again; it amounts to EUR 95.2 million before investment (compared with EUR 111.7 million for the 2010 financial year). The gross cash flow is also positive at EUR 53.9 million compared with EUR 117.5 million in 2010. Claims paid as at 31 December 2011 remain significant, however, amounting to EUR 247 million after cession to reinsurance in 2011, compared with EUR 125.4 million in 2010.

**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 21,197 million at the end of 2011 compared with EUR 22,135 million at the end of 2010. These commitments are to be compared with the equity of EUR 1,554 million at the end of 2011.

# Income statement (in thousands EUR)

|  | Note | 2011            | 2010           |
|--|------|-----------------|----------------|
| <b>Turnover</b>  |      |                 |                |
| Written premiums   | 12   | 311,988         | 331,927        |
| Premiums ceded to reinsurers   | 12   | -76,827         | -97,402        |
|  |      | <b>235,161</b>  | <b>234,524</b> |
| <b>Technical charges after cession</b>   |      |                 |                |
| Variation in the provision for profit share and rebates                                  | 11   | 274             | 375            |
| Variation in the provision for outstanding risks   | 11   | -42,043         | -62,741        |
| Variation in the provision for claims  | 11   | 230,707         | 75,178         |
| Variation in the provision for claims management expenses                                | 11   | -472            | -7,131         |
| Variation in amounts written off on outstanding claims                                   |      | 36,647          | 86,689         |
| Indemnified losses and litigation expenses   | 16   | 164,849         | 41,705         |
| Recoveries on indemnified losses and litigation expenses                                 | 16   | -2,054          | -1,999         |
| Other technical results  |      | 2,770           | 1,773          |
|  |      | <b>390,678</b>  | <b>133,848</b> |
| <b>Technical result</b>  |      | <b>-155,517</b> | <b>100,676</b> |
| <b>Operating charges</b>   |      |                 |                |
| Remunerations, social charges and pensions   |      | 30,984          | 27,996         |
| Operating costs  |      | 13,205          | 16,169         |
| Total costs of management by third parties   | 13   | 33,720          | 30,213         |
| Depreciation   |      | 2,032           | 1,923          |
| Write-offs on trade account receivables  |      | 173             | 277            |
| Other operating costs  |      | 323             | 956            |
| Total recovered operating costs  | 13   | -8,321          | -10,356        |
| Reinsurance commissions  |      | -19,402         | -25,479        |
|  |      | <b>52,714</b>   | <b>41,699</b>  |
| <b>Operating result</b>  | 14   | <b>-208,231</b> | <b>58,976</b>  |
| <b>Provision for equalisation and disasters</b>  | 11   | <b>-8,016</b>   | <b>-5,037</b>  |
| <b>Operating result (after transfer to the provision for equalisation and disasters)</b> |      | <b>-216,248</b> | <b>53,939</b>  |
| <b>Financial income</b>  |      |                 |                |
| Income from financial assets   | 15   | 0               | 0              |
| Income from cash investments   | 15   | 76,714          | 47,119         |
| Rescheduling interest  |      | 14,938          | 15,132         |
| Other financial income   |      | 19,370          | 13,287         |
|  |      | <b>111,022</b>  | <b>75,538</b>  |

|  | Note | 2011            | 2010           |
|--|------|-----------------|----------------|
| <b>Financial charges</b>   |      |                 |                |
| Charges from investments   | 15   | 17,532          | 13,697         |
| Variation in the amounts written off on investments                  | 15   | 20,864          | -13,324        |
| Debt charges   |      | 3               | 2              |
| Variation in amounts written off on rescheduling interest receivable |      | -47,235         | -21,596        |
| Irrecoverable share of rescheduling interest receivable              |      | 48,766          | 27,418         |
| Other financial charges  |      | 17,212          | 5,056          |
|  |      | <b>57,142</b>   | <b>11,254</b>  |
| <b>Financial result</b>  |      | <b>53,881</b>   | <b>64,285</b>  |
| Exceptional result   |      | -1,069          | -74            |
| <b>Profit before tax of consolidated entities</b>                    |      | <b>-163,437</b> | <b>118,150</b> |
| Tax  |      | -845            | 1,345          |
| <b>Profit after tax of consolidated entities</b>                     |      | <b>-164,282</b> | <b>119,495</b> |
| Share in result of companies accounted for by the equity method      |      | 36              | 340            |
| Amortisation of goodwill   |      | 2,370           | 6,407          |
| <b>Net profit global</b>   |      | <b>-166,615</b> | <b>113,428</b> |
| <b>Group result</b>  |      | <b>-167,361</b> | <b>114,005</b> |
| <b>Minority result</b>   |      | <b>746</b>      | <b>-577</b>    |
| <b>Results</b>   |      |                 |                |
| Attribution to reserves  |      | -237,881        | 3,209          |
| Carry forward result of the financial year                           |      | 70,520          | 111,225        |

## Balance sheet (in thousands EUR)

|   | Note | 2011             | 2010             |
|---|------|------------------|------------------|
| <b>Assets</b>   |      |                  |                  |
| <b>Fixed assets</b>   |      |                  |                  |
| Preliminary expenses  | 5    | 3                | 5                |
| <b>Intangible fixed assets</b>                                |      |                  |                  |
| Concessions, licenses and know-how                            | 6    | 6,908            | 5,108            |
| <b>Goodwill</b>   |      | <b>4,562</b>     | <b>6,591</b>     |
| <b>Tangible fixed assets</b>                                  |      |                  |                  |
| Land and buildings  | 7    | 23,395           | 24,923           |
| Plant, machinery and equipment                                | 7    | 1,067            | 1,430            |
| Furniture and vehicles  | 7    | 829              | 775              |
|   |      | <b>25,290</b>    | <b>27,129</b>    |
| <b>Financial fixed assets</b>                                 |      |                  |                  |
| Shareholdings   | 8    | 0                | 0                |
| Shareholdings in companies accounted for by the equity method | 8    | 4,854            | 4,817            |
| Other financial assets  | 8    | 12,000           | 5,573            |
|   |      | <b>16,854</b>    | <b>10,391</b>    |
| <b>Total fixed assets</b>                                     |      | <b>53,618</b>    | <b>49,225</b>    |
| <b>Current assets</b>   |      |                  |                  |
| <b>Accounts receivable from claims</b>                        |      |                  |                  |
| Accounts receivable from indemnities                          | 9    | 298,870          | 296,771          |
| Purchased accounts receivable                                 | 9    | 185              | 185              |
|   |      | <b>299,055</b>   | <b>296,956</b>   |
| <b>Accounts receivable within one year</b>                    |      |                  |                  |
| Trade debtors   |      | 36,008           | 43,112           |
| Other accounts receivable                                     |      | 29,325           | 26,740           |
| Deposits with reinsurers                                      |      | 2,549            | 2,238            |
| Deferred taxes  |      | 5,430            | 3,248            |
|   |      | <b>73,312</b>    | <b>75,337</b>    |
| <b>Cash investments</b>                                       |      |                  |                  |
| Shares in financial investment funds                          | 10   | 1,602,408        | 1,575,519        |
| Bonds   | 10   | 408,312          | 404,713          |
| Term deposits   | 10   | 103,508          | 84,852           |
|   |      | <b>2,114,228</b> | <b>2,065,085</b> |
| <b>Cash at bank and in hand</b>                               | 10   | <b>47,817</b>    | <b>32,339</b>    |
| <b>Deferred charges and accrued income</b>                    |      | <b>5,857</b>     | <b>10,774</b>    |
| <b>Total current assets</b>                                   |      | <b>2,540,269</b> | <b>2,480,491</b> |
| <b>Total assets</b>   |      | <b>2,593,887</b> | <b>2,529,716</b> |



|   | Note | 2011             | 2010             |
|---|------|------------------|------------------|
| <b>Liabilities</b>  |      |                  |                  |
| <b>Equity</b>   |      |                  |                  |
| Endowment   |      | 297,472          | 297,472          |
| Reserves  |      | 1,252,547        | 1,490,431        |
| Transferred result  |      | -10,473          | -80,993          |
| Currency translation                                      |      | 92               | 428              |
| <b>Total equity of the group</b>                          |      | <b>1,539,638</b> | <b>1,707,338</b> |
| Minority interest in equity                               |      | 14,356           | 12,392           |
| <b>Total equity of the group</b>                          |      | <b>1,553,995</b> | <b>1,719,730</b> |
| <b>Provisions for risks and charges</b>                   |      |                  |                  |
| Provision for pension                                     |      | 1,887            | 1,803            |
| Provision for taxes                                       |      | 64               | 98               |
| Provision for other risks and charges                     |      | 504              | 1,523            |
| Provision for profit share and rebates                    | 11   | 1,498            | 1,225            |
| Provision for outstanding risks                           | 11   | 184,232          | 226,275          |
| Provision for claims                                      | 11   | 739,271          | 508,564          |
| Provision for claims management expenses                  | 11   | 19,354           | 19,826           |
| Provision for equalisation and disasters                  | 11   | 14,528           | 6,512            |
| <b>Total provisions for risks and charges</b>             |      | <b>961,340</b>   | <b>765,825</b>   |
| <b>Debts</b>  |      |                  |                  |
| <b>Accounts payable within one year</b>                   |      |                  |                  |
| Financial debts   |      | 0                | 0                |
| Commercial debts  |      | 34,116           | 20,330           |
| Deposits from reinsurers                                  |      | 14,160           | 11,532           |
| Debts concerning taxes, remunerations and social security |      | 5,930            | 3,463            |
| Other accounts payable                                    |      | 1,698            | 4,220            |
|   |      | <b>55,904</b>    | <b>39,545</b>    |
| <b>Accrued charges and deferred income</b>                |      | <b>22,649</b>    | <b>4,617</b>     |
| <b>Total debts</b>  |      | <b>78,553</b>    | <b>44,161</b>    |
| <b>Total liabilities</b>                                  |      | <b>2,593,887</b> | <b>2,529,716</b> |

## Cash flow (in thousands EUR)

|   | Note | 2011            | 2010             |
|---|------|-----------------|------------------|
| Written premiums (1)                                | 12   | 235,161         | 234,524          |
| Indemnities paid (1)                                | 16   | 247,019         | -125,383         |
| Indemnities recovered (1)                           | 16   | -52,599         | -37,058          |
| Operating charges                                   |      | -52,715         | -41,699          |
|   |      | <b>376,866</b>  | <b>30,384</b>    |
| Rescheduling interest (1)                           | 16   | 12,200          | 11,384           |
| Profit or loss on investments                       |      | 38,318          | 46,746           |
| being (non-monetary) write-offs                     |      | 20,864          | -13,324          |
| Other income and expenses                           |      | -394,385        | 42,308           |
|   |      | <b>-323,003</b> | <b>87,114</b>    |
| <b>Gross cash flow</b>                              |      | <b>53,863</b>   | <b>117,497</b>   |
| <b>Variation in net working capital</b>             |      |                 |                  |
| Variation in net assets                             |      | 6,943           | -478             |
| Variation in net liabilities                        |      | 34,392          | -5,305           |
| <b>Net operational cash flow</b>                    |      | <b>95,197</b>   | <b>111,714</b>   |
| <b>Variation in investments</b>                     |      |                 |                  |
| Increase of the preliminary costs                   | 5    | 0               | 0                |
| Increase of the intangible fixed assets             | 6    | -2,657          | -1,993           |
| Increase of the tangible fixed assets               | 7    | -592            | -1,057           |
| Increase of the financial fixed assets              | 8    | -6,463          | 1,671,320        |
| <b>Net operational cash flow after investments</b>  |      | <b>85,485</b>   | <b>1,779,984</b> |
| Variation in financial debts                        |      | 0               | -3               |
| Variation in investments, cash and cash equivalence |      | 64,621          | 1,793,306        |
| Variation in the amounts written off on investments |      | 20,864          | -13,324          |

(1) after cession to reinsurers

# Off-balance sheet rights and commitments

(in thousands EUR)

| Note   | 2011               |                     |                   | 2010               |                     |                   |
|--|--------------------|---------------------|-------------------|--------------------|---------------------|-------------------|
|  | Gross transactions | Ceded to reinsurers | Net transactions  | Gross transactions | Ceded to reinsurers | Net transactions  |
| <b>Current policies (principal)</b>            |                    |                     |                   |                    |                     |                   |
| ONDD - Credit insurance                        | 7,301,874          | -45,978             | 7,255,896         | 7,816,568          | -67,675             | 7,748,893         |
| ONDD - Investment insurance                    | 517,987            | -83,469             | 434,518           | 922,975            | -81,325             | 841,650           |
| ONDD - Financial guarantees                    | 661,672            |                     | 661,672           | 739,237            |                     | 739,237           |
| Single risk                                    | 4,980,280          | -1,627,869          | 3,352,411         | 5,280,545          | -1,874,616          | 3,405,929         |
| Irrevocable letter of credit                   | 2,552,886          | -40,226             | 2,512,660         | 2,093,838          | -107,657            | 1,986,181         |
| Inward reinsurance                             | 2,477,294          | -725,000            | 1,752,294         | 2,947,805          | -154,000            | 2,793,805         |
| Turnover policies                              | 7,387,535          | -2,879,597          | 4,507,938         | 6,046,542          | -2,344,351          | 3,702,191         |
| Surety   | 390,018            | -250,973            | 139,045           | 308,208            | -218,776            | 89,432            |
| 17   | <b>26,269,546</b>  | <b>-5,653,112</b>   | <b>20,616,435</b> | <b>26,155,719</b>  | <b>-4,848,401</b>   | <b>21,307,318</b> |
| <b>Policies being issued</b>                   |                    |                     |                   |                    |                     |                   |
| ONDD - Credit insurance                        | 535,509            |                     | 535,509           | 741,421            | -31                 | 741,390           |
| ONDD - Investment insurance                    |                    |                     |                   | 96,429             | -77,143             | 19,286            |
| Single risk                                    | 35,322             | -488                | 34,834            | 58,624             | -1,985              | 56,639            |
| Irrevocable letter of credit                   | 10,000             |                     | 10,000            | 10,000             |                     | 10,000            |
|  | <b>580,831</b>     | <b>-488</b>         | <b>580,343</b>    | <b>906,474</b>     | <b>-79,159</b>      | <b>827,315</b>    |
| <b>Policies (total)</b>                        |                    |                     |                   |                    |                     |                   |
| ONDD - Credit insurance                        | 7,837,383          | -45,978             | 7,791,405         | 8,557,989          | -67,706             | 8,490,283         |
| ONDD - Investment insurance                    | 517,987            | -83,469             | 434,518           | 1,019,404          | -158,468            | 860,936           |
| ONDD - Financial guarantees                    | 661,672            |                     | 661,672           | 739,237            |                     | 739,237           |
| Single risk                                    | 5,015,602          | -1,628,357          | 3,387,245         | 5,339,169          | -1,876,601          | 3,462,568         |
| Irrevocable letter of credit                   | 2,562,886          | -40,226             | 2,522,660         | 2,103,838          | -107,657            | 1,996,181         |
| Inward reinsurance                             | 2,477,294          | -725,000            | 1,752,294         | 2,947,805          | -154,000            | 2,793,805         |
| Turnover policies                              | 7,387,535          | -2,879,597          | 4,507,938         | 6,046,542          | -2,344,351          | 3,702,191         |
| Surety   | 390,018            | -250,973            | 139,045           | 308,208            | -218,776            | 89,432            |
|  | <b>26,850,377</b>  | <b>-5,653,600</b>   | <b>21,196,777</b> | <b>27,062,193</b>  | <b>-4,927,560</b>   | <b>22,134,633</b> |
| <b>Cover offers and advice notes</b>           |                    |                     |                   |                    |                     |                   |
| ONDD - Credit insurance                        | 2,171,807          | -12,960             | 2,158,847         | 2,158,494          |                     | 2,158,494         |
| ONDD - Investment insurance                    | 30,801             |                     | 30,801            | 11,055             |                     | 11,055            |
| Single risk                                    | 494,664            |                     | 494,664           | 420,224            |                     | 420,224           |
| Irrevocable letter of credit                   | 3,589,792          |                     | 3,589,792         | 3,298,313          |                     | 3,298,313         |
|  | <b>6,287,064</b>   | <b>-12,960</b>      | <b>6,274,104</b>  | <b>5,888,086</b>   |                     | <b>5,888,086</b>  |
| <b>Deposits by reinsurers</b>                  | <b>2,619</b>       |                     |                   | <b>2,057</b>       |                     |                   |
| <b>Guarantee constituted for third parties</b> | <b>930</b>         |                     |                   | <b>930</b>         |                     |                   |
| <b>Received rent security</b>                  | <b>0</b>           |                     |                   | <b>343</b>         |                     |                   |
| <b>Forward sale of currencies</b>              | <b>0</b>           |                     |                   | <b>0</b>           |                     |                   |
| <b>Total return swaps</b>                      | <b>0</b>           |                     |                   | <b>30,000</b>      |                     |                   |

# Notes (The amounts in the tables are expressed in thousands EUR.)

## 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. See also note 3 - Key events after the closure date.

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

|   | Consolidation method<br>applied on 31/12/2011 | Participation percentage<br>held on 31/12/2010 | Participation percentage<br>held on 31/12/2011 |
|---|---|--|--|
| <b>ONDD</b>                                 | Parent company                                | 100%   | 100%   |
| Rue Montoyer 3 - 1000 Brussels              |   |  |  |
| BE 0203 286 759                             |   |  |  |
| <b>Ducroire   Delcredere SA.NV</b>          | Full consolidation                            | 100%   | 100%   |
| Rue Montoyer 3 - 1000 Brussels              |   |  |  |
| BE 0867 435 663                             |   |  |  |
| <b>Immo Montoyer SA</b>                     | Full consolidation                            | 100%   | 100%   |
| Rue Montoyer 3 - 1000 Brussels              |   |  |  |
| BE 0403 248 596                             |   |  |  |
| <b>KUPEG úvěrová pojišťovna a.s.</b>        | Full consolidation                            | 66%  | 66%  |
| Na Pankráci 1683/127, 140 00 Praha 4        |   |  |  |
| Czech Republic                              |   |  |  |
| Reg. No.: 272 45 322                        |   |  |  |
| <b>Garant Versicherungs-AG</b>              | Full consolidation                            | 83%  | 83%  |
| Wohllebengasse 4, 1040 Wien                 |   |  |  |
| Austria                                     |   |  |  |
| ATU15362104                                 |   |  |  |
| <b>Holding CIS</b>                          | Full consolidation                            | 67%  | 67%  |
| Rue Montoyer 3 - 1000 Brussels              |   |  |  |
| BE 0811 480 125                             |   |  |  |
| <b>Trade Credit Re Insurance Company SA</b> | Equity method                                 | 26%  | 26%  |
| Avenue Roger Vandendriessche 18             |   |  |  |
| 1150 Brussels                               |   |  |  |
| BE 0864 602 471                             |   |  |  |

## 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).

On 17 November 2011, the share capital of Holding CIS was increased proportionally by the two shareholders (by 66.67% by ONDD and 33.33% by CJSC InWest-Policy) for a total amount of EUR 4,285,716, bringing the capital from EUR 10,800,720 to EUR 15,086,436.

In accordance with the relevant Russian legislation, the majority of the funds available resulting from this capital increase has been used to increase the capital in INGO-ONDD for an amount of RUB 174,000,000 (EUR 4,188,028).

## Note 3 – Key events after the closure date

> The **European Commission** informed the Belgian State on 23 February 2011 of its decision to launch an investigation to assess whether state aid had been provided to Ducroire | Delcredere SA.NV. The European Commission ruled that there was a presumption of illegal aid to Ducroire | Delcredere SA.NV in the form of a capital allocation, the transfer of assets resulting from a prior guarantee and possible internal transfers of resources towards the insurance of marketable risks by ONDD.

The Belgian State has provided its remarks by sending a letter to the European Union on 1 June 2011. In essence, the Belgian State feels the presumptions expressed by the Commission are unfounded and it has invited the Commission to conclude that Ducroire | Delcredere SA.NV has not received any state aid.

In July 2011, the Commission posed a number of additional technical questions related to the report issued by the Belgian State on 1 June. Belgium submitted its comments pertaining to these questions to the European Commission on 5 December 2011.

The case is still under review by the European Commission, which will probably adopt its position during the second semester of 2012. This deadline is merely an indication, however. If the European Commission were to rule that state aid has been allocated, such aid would need to be reimbursed to offset the competitive advantage it has entailed. This would raise uncertainty regarding the solvency margin requirements under the current and upcoming (Solvency II) prudential regulations. The decision of the European Commission is, however, likely

to be subject to an appeal without suspensory effect with the European courts.

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.

The current or potential impact of this case on the functioning of Ducroire | Delcredere SA.NV therefore remains unchanged, so that no provision was constituted in 2011.

The Board of Directors therefore holds the opinion that this case does not pose a threat to the continuity of the company at present.

- > On 8 March 2012, ONDD became the majority shareholder of **Trade Credit Re Insurance Company NV** (TCRe). The Belgian public credit insurer did so by acquiring the 52,194 shares that were held by ABN AMRO, representing 26.41% of TCRe shares. The acquisition brings ONDD's shareholding in TCRe to 52.82%.

In addition, ONDD acquired the 4,530 shares owned by the TCRe management, representing 2.29% of the company's capital.

This means that ONDD currently holds 55.11% of TCRe's capital.

## 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 amortized 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 capitalised 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 capitalised interest (unpaid under a previous debt-rescheduling agreement and included in a new rescheduling agreement), is capitalised 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 amounts receivable from claims if do not relate to a bilateral rescheduling agreement between the insurer 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 realisation 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. This provision was calculated on a pro rata temporis basis for short-term contracts of up to one year. It also corresponds to 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 rebates** is constituted for policies containing rebates, 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 equalisation 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 realised 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

| <b>Preliminary expenses</b>                            | <b>2011</b> |
|--|-------------|
| <b>Acquisition value</b>                               |             |
| At the end of the previous financial year              | 852         |
| Entry into the scope of consolidation                  | 0           |
| Variations during the financial year                   |             |
| Acquisitions   |             |
| Transfers and disposals                                |             |
| <b>At the end of the financial year</b>                | <b>852</b>  |
| <b>Depreciation and amounts written off</b>            |             |
| At the end of the financial year                       | -847        |
| Entry into the scope of consolidation                  | 0           |
| Variations during the financial year                   |             |
| Booked   | -2          |
| <b>At the end of the financial year</b>                | <b>-849</b> |
| <b>Net book value at the end of the financial year</b> | <b>3</b>    |

## Note 6 – Intangible fixed assets

| <b>Concessions, licenses and know-how</b>              | <b>2011</b>   |
|--|---------------|
| <b>Acquisition value</b>                               |               |
| At the end of the previous financial year              | 8,964         |
| Entry into the scope of consolidation                  | 0             |
| Variations during the financial year:                  |               |
| Acquisitions, including own construction               | 2,657         |
| Transfers and disposals                                | -282          |
| <b>At the end of the financial year</b>                | <b>11,339</b> |
| <b>Depreciation and amounts written off</b>            |               |
| At the end of the previous financial year              | -3,855        |
| Entry into the scope of consolidation                  | 0             |
| Variations during the financial year:                  |               |
| Booked   | -575          |
| <b>At the end of the financial year</b>                | <b>-4,431</b> |
| <b>Net book value at the end of the financial year</b> | <b>6,908</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             | 5,165                          | 3,795                  |
| Entry into the scope of consolidation                  | 0                  | 0                              | 31                     |
| Variations during the financial year:                  |                    |                                |                        |
| Acquisitions, including own construction               | 0                  | 239                            | 354                    |
| Transfers and disposals                                | -1,039             | -196                           | -704                   |
| <b>At the end of the financial year</b>                | <b>27,403</b>      | <b>5,208</b>                   | <b>3,475</b>           |
| <b>Depreciation and amounts written off</b>            |                    |                                |                        |
| At the end of the previous financial year              | -3,519             | -3,735                         | -3,019                 |
| Entry into the scope of consolidation                  | 0                  | 0                              | 0                      |
| Variations during the financial year:                  |                    |                                |                        |
| Booked   | -490               | -406                           | 373                    |
| <b>At the end of the financial year</b>                | <b>-4,009</b>      | <b>-4,141</b>                  | <b>-2,646</b>          |
| <b>Net book value at the end of the financial year</b> | <b>23,395</b>      | <b>1,067</b>                   | <b>829</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 |               | 4,817   | 5,573                  |
| Variations during the financial year:     |               |   |                        |
| Acquisitions                              |               | 36  | 6,427                  |
| Reimbursements                            |               |   |                        |
| Amounts written off                       |               |   |                        |
| <b>At the end of the financial year</b>   | <b>0</b>      | <b>4,854</b>  | <b>12,000</b>          |

## Note 9 – Accounts receivable from claims

|                                      | Gross transactions | Ceded to reinsurers | Net transactions |
|--------------------------------------|--------------------|---------------------|------------------|
| Outstanding indemnities              | 335,114            | -59,389             | 275,725          |
| Capitalised interest                 | 21,859             | -2,506              | 19,352           |
| Accrued interest                     | 3,961              | -169                | 3,792            |
| Accounts receivable from indemnities | 360,934            | -62,064             | 298,870          |
| Purchased accounts receivable        | 185                |                     | 185              |

| Variation of outstanding indemnities on 31/12/2011       | Gross transactions | Ceded to reinsurers | Net transactions |
|--|--------------------|---------------------|------------------|
| <b>Paid nominal value</b>                                |                    |                     |                  |
| At the end of the previous financial year                | 972,240            | -96,453             | 875,787          |
| Variations during the financial year:                    |                    |                     |                  |
| Indemnified losses and litigation expenses               | 208,560            | -43,711             | 164,849          |
| Indemnified claims                                       | 120,646            | -11,666             | 108,980          |
| Recoveries on indemnified losses and litigation expenses | -5,588             | 3,534               | -2,054           |
| Recoveries on indemnified claims                         | -108,283           | 54,285              | -53,998          |
| Transfers and adjustments                                | -138,293           | -21,348             | -159,641         |
| Conversion rate adjustments                              | -1,843             | -44                 | -1,887           |
| <b>At the end of the financial year</b>                  | <b>1,047,439</b>   | <b>-115,404</b>     | <b>932,035</b>   |
| <b>Amounts written off</b>                               |                    |                     |                  |
| At the end of the previous financial year                | -649,555           | 49,568              | -599,987         |
| Variations during the financial year:                    |                    |                     |                  |
| Increases  | -86,402            |                     | -86,402          |
| Write-backs  | 23,632             |                     | 23,632           |
| Conversion rate adjustments                              |                    | 6,447               | 6,447            |
| <b>At the end of the financial year</b>                  | <b>-712,324</b>    | <b>56,015</b>       | <b>-656,309</b>  |
| <b>Net book value at the end of the financial year</b>   | <b>335,114</b>     | <b>-59,389</b>      | <b>275,725</b>   |

| Detail of outstanding indemnities per activity on 31/12/2011 | ONDD<br>Credit<br>insurance | ONDD<br>Investment<br>insurance | ONDD<br>Financial<br>guarantees | Single risk    | Irrevocable<br>letter of credit |
|--|-----------------------------|---------------------------------|---------------------------------|----------------|---------------------------------|
| <b>Paid nominal value</b>                                    |                             |                                 |                                 |                |                                 |
| At the end of the previous financial year                    | 271,420                     | 2,367                           | 5,575                           | 140,573        | 95,866                          |
| Variations during the financial year:                        |                             |                                 |                                 |                |                                 |
| Indemnities paid   | 175,550                     | 399                             | 4,230                           | 38,543         | 8,019                           |
| Indemnities recovered  | -25,962                     | -42                             | -601                            | -13,499        | -4,653                          |
| Transfers and adjustments                                    | -126,709                    | -1,420                          | -9                              | 2,630          | -1,766                          |
| Conversion rate adjustments                                  | -1,183                      |                                 |                                 |                |                                 |
| <b>At the end of the financial year</b>                      | <b>293,116</b>              | <b>1,304</b>                    | <b>9,195</b>                    | <b>168,247</b> | <b>97,466</b>                   |
| <b>Amounts written off</b>                                   |                             |                                 |                                 |                |                                 |
| At the end of the previous financial year                    | -306,174                    | -583                            | -316,794                        | -25,056        | -69,899                         |
| Variations during the financial year:                        |                             |                                 |                                 |                |                                 |
| Increases  | -4,181                      | -1,064                          | -320                            | -34,547        | -4,497                          |
| Write-backs  |                             |                                 |                                 | 859            | 35                              |
| Conversion rate adjustments                                  | 886                         |                                 |                                 |                |                                 |
| <b>At the end of the financial year</b>                      | <b>-309,469</b>             | <b>-1,647</b>                   | <b>-317,114</b>                 | <b>-58,744</b> | <b>-74,361</b>                  |
| <b>Net book value at the end of the financial year</b>       | <b>-16,352</b>              | <b>-343</b>                     | <b>-307,919</b>                 | <b>109,503</b> | <b>23,105</b>                   |

| Variation of the capitalised and accrued interest on accounts receivable from indemnities on 31/12/2011 | 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   | 241,821              | -3,903              | 237,918          | 63,051             | -278                | 62,773           |
| Variations during the financial year:   |                      |                     |                  |                    |                     |                  |
| Indemnities booked  | 1,682                |                     | 1,682            | 13,922             |                     | 13,922           |
| Indemnities recovered   | -1,541               |                     | -1,541           | -10,659            |                     | -10,659          |
| Transfers and adjustments   | -43,216              | -5                  | -43,221          | -5,261             | 16                  | -5,245           |
| Conversion rate adjustments   |                      |                     |                  |                    |                     |                  |
| <b>At the end of the financial year</b>   | <b>198,746</b>       | <b>-3,908</b>       | <b>194,838</b>   | <b>61,053</b>      | <b>-262</b>         | <b>60,791</b>    |
| <b>Amounts written off</b>  |                      |                     |                  |                    |                     |                  |
| At the end of the previous financial year   | -222,842             | 2,684               | -220,158         | -59,752            | 190                 | -59,562          |
| Variations during the financial year:   |                      |                     |                  |                    |                     |                  |
| Increases   |                      |                     |                  |                    |                     |                  |
| Write-backs   | 45,954               |                     | 45,954           | 2,660              |                     | 2,660            |
| Conversion rate adjustments   |                      | -1,282              | -1,282           |                    | -96                 | -96              |
| <b>At the end of the financial year</b>   | <b>-176,888</b>      | <b>1,402</b>        | <b>-175,486</b>  | <b>-57,092</b>     | <b>94</b>           | <b>-56,998</b>   |
| <b>Net book value at the end of the financial year</b>  | <b>21,858</b>        | <b>-2,506</b>       | <b>19,352</b>    | <b>3,961</b>       | <b>-169</b>         | <b>3,792</b>     |



|  | Inward<br>reinsurance | Turnover<br>policies | Surety     | Fronting   | Excess of<br>loss | Others         | Total gross<br>transactions |
|--|-----------------------|----------------------|------------|------------|-------------------|----------------|-----------------------------|
|  | 9,569                 | 103,355              | 344        | 118        | 19                | 343,034        | 972,240                     |
|  | 24,063                | 76,807               | 419        |            | 1,176             |                | 329,206                     |
|  | -13,509               | -54,907              | -419       |            | -280              |                | -113,872                    |
|  | -11,019               |                      |            |            |                   |                | -138,293                    |
|  |                       |                      |            |            |                   | 1,468          | 285                         |
|  | <b>9,104</b>          | <b>125,255</b>       | <b>344</b> | <b>118</b> | <b>915</b>        | <b>344,502</b> | <b>1,049,567</b>            |
|  | -6,229                | -29,007              |            |            | -19               | 104,206        | -649,555                    |
|  |                       | -43,911              |            |            | -896              |                | -89,416                     |
|  | 310                   | 22,428               |            |            |                   |                | 23,632                      |
|  |                       |                      |            |            |                   |                | 886                         |
|  | <b>-5,919</b>         | <b>-50,490</b>       |            |            | <b>-915</b>       | <b>104,206</b> | <b>-714,454</b>             |
|  | <b>3,185</b>          | <b>74,765</b>        | <b>344</b> | <b>118</b> |                   | <b>448,708</b> | <b>335,114</b>              |

#### Variation of the purchased accounts receivable on 31/12/2011

##### Nominal value

|   |               |
|---|---------------|
| At the end of the previous financial year | 15,614        |
| Variations during the financial year:     |               |
| Indemnities booked                        | 22            |
| Indemnities sold                          |               |
| Transfers and adjustments                 | -2,867        |
| <b>At the end of the financial year</b>   | <b>12,769</b> |

##### Amounts written off

|  |                |
|--|----------------|
| At the end of the previous financial year              | -15,429        |
| Variations during the financial year:                  |                |
| Increases  |                |
| Write-backs  | 2,845          |
| <b>At the end of the financial year</b>                | <b>-12,584</b> |
| <b>Net book value at the end of the financial year</b> | <b>185</b>     |

## Note 10 – Cash investments

|   | 2011             |                  | 2010             |                  |
|---|------------------|------------------|------------------|------------------|
|   | Book value       | Market value     | Book value       | Market value     |
| Equity funds  | 187,579          | 188,726          | 221,904          | 250,913          |
| Variable-income investments with guaranteed capital on maturity | 53,994           | 63,496           | 70,732           | 77,215           |
| Funds managed according to a "target volatility" approach       | 728,692          | 772,216          | 590,065          | 653,977          |
| Sovereign bonds*  | 515,517          | 523,951          | 573,819          | 588,810          |
| Corporate bonds*  | 173,750          | 186,206          | 145,602          | 158,539          |
| Real estate   | 20,162           | 21,549           | 27,050           | 32,644           |
| Monetary investments  | 331,027          | 333,727          | 351,060          | 354,963          |
| Term deposits   | 103,508          | 103,508          | 84,852           | 84,852           |
| Cash at bank and in hand  | 47,817           | 47,817           | 32,339           | 32,339           |
| <b>Total</b>  | <b>2,162,045</b> | <b>2,241,196</b> | <b>2,097,424</b> | <b>2,234,251</b> |
| Cash investments  | 2,114,228        |                  |                  |                  |
| Cash at bank and in hand  | 47,817           |                  |                  |                  |
| <b>Total financial investments</b>                              | <b>2,162,045</b> |                  |                  |                  |

\* A part of which is on the balance sheet under Shares in financial investment funds.

## Note 11 – Provisions for risks and charges

|   | 2011               |                     |                  | 2010             | Variation 2011   |
|---|--------------------|---------------------|------------------|------------------|------------------|
|   | Gross transactions | Ceded to reinsurers | Net transactions | Net transactions | Net transactions |
| <b>Provision for profit share and rebates</b> |                    |                     |                  |                  |                  |
| ONDD - Credit insurance                       | 2,797              | -1,299              | 1,498            | 1,225            | 274              |
|   | <b>2,797</b>       | <b>-1,299</b>       | <b>1,498</b>     | <b>1,225</b>     | <b>274</b>       |
| <b>Provision for unearned premiums</b>        |                    |                     |                  |                  |                  |
| ONDD - Credit insurance                       | 132,423            | -52                 | 132,371          | 134,138          | -1,767           |
| ONDD - Investment insurance                   | 3,832              | -1,229              | 2,603            | 4,974            | -2,371           |
| ONDD - Financial guarantees                   | 3,020              |                     | 3,020            | 7,203            | -4,183           |
| Single risk                                   | 26,775             | -8,086              | 18,689           | 19,179           | -490             |
| Irrevocable letter of credit                  | 3,423              | 0                   | 3,423            | 2,535            | 889              |
| Inward reinsurance                            | 351                | -216                | 136              | -605             | 741              |
| Turnover policies                             | 8,829              | -3,618              | 5,211            | 9,896            | -4,685           |
| Surety  | 1,157              | -493                | 664              | 455              | 209              |
| Others  | 33                 | -11                 | 21               |                  | 21               |
|   | <b>179,843</b>     | <b>-13,704</b>      | <b>166,139</b>   | <b>177,773</b>   | <b>-11,635</b>   |
| <b>Provision for risk deterioration</b>       |                    |                     |                  |                  |                  |
| ONDD - Credit insurance                       | 12,328             | -17                 | 12,311           | 39,360           | -27,049          |
| ONDD - Financial guarantees                   | 1,695              |                     | 1,695            |                  | 1,695            |
| Single risk                                   | 1,858              | -1,175              | 682              | 7,221            | -6,539           |
| Irrevocable letter of credit                  |                    |                     |                  | 1,920            | -1,920           |
| Turnover policies                             | 5,468              | -2,063              | 3,405            |                  | 3,405            |
|   | <b>21,349</b>      | <b>-3,255</b>       | <b>18,094</b>    | <b>48,501</b>    | <b>-30,408</b>   |
| <b>Provision for outstanding risks</b>        |                    |                     |                  |                  |                  |
| ONDD - Credit insurance                       | 144,752            | -69                 | 144,682          | 173,498          | -28,816          |
| ONDD - Investment insurance                   | 3,832              | -1,229              | 2,603            | 4,974            | -2,371           |
| ONDD - Financial guarantees                   | 4,715              |                     | 4,715            | 7,203            | -2,487           |
| Single risk                                   | 28,632             | -9,261              | 19,371           | 26,400           | -7,029           |
| Irrevocable letter of credit                  | 3,423              | 0                   | 3,423            | 4,455            | -1,031           |
| Inward reinsurance                            | 351                | -216                | 136              | -605             | 741              |
| Turnover policies                             | 14,297             | -5,680              | 8,616            | 9,896            | -1,280           |
| Surety  | 1,158              | -493                | 664              | 455              | 209              |
| Others  | 33                 | -11                 | 21               |                  | 21               |
|   | <b>201,192</b>     | <b>-16,960</b>      | <b>184,232</b>   | <b>226,275</b>   | <b>-42,043</b>   |
| <b>IBNR provision</b>                         |                    |                     |                  |                  |                  |
| ONDD - Credit insurance                       | 3,681              | -31                 | 3,650            | 4,881            | -1,231           |
| Single risk                                   | 67,534             | -10                 | 67,524           | 24               | 67,500           |
| Inward reinsurance                            | 21,511             | -218                | 21,293           | 16,061           | 5,232            |
| Turnover policies                             | 9,844              | -4,452              | 5,392            | 5,917            | -525             |
| Surety  | 2,229              |                     | 2,229            |                  | 2,229            |
|   | <b>104,799</b>     | <b>-4,711</b>       | <b>100,087</b>   | <b>26,883</b>    | <b>73,204</b>    |

|   | 2011               |                     |                  | 2010             | Variation 2011   |
|---|--------------------|---------------------|------------------|------------------|------------------|
|   | Gross transactions | Ceded to reinsurers | Net transactions | Net transactions | Net transactions |
| <b>Provision for reported claims</b>            |                    |                     |                  |                  |                  |
| ONDD - Credit insurance                         | 540,143            | -23,489             | 516,654          | 365,990          | 150,664          |
| ONDD - Investment insurance                     | 5,949              |                     | 5,949            | 3,493            | 2,456            |
| ONDD - Financial guarantees                     | 23,077             |                     | 23,077           | 8,386            | 14,691           |
| Single risk                                     | 56,206             | -12,774             | 43,432           | 41,281           | 2,151            |
| Irrevocable letter of credit                    | 15,590             | -5,197              | 10,393           | 13,972           | -3,579           |
| Inward reinsurance                              | 15,752             | -2,228              | 13,525           | 9,623            | 3,902            |
| Turnover policies                               | 32,336             | -13,272             | 19,065           | 31,036           | -11,971          |
| Surety  | 1,098              | -378                | 720              | 422              | 298              |
| Excess of loss                                  |                    |                     |                  | 697              | -697             |
| Others  | 22,702             | -11,805             | 10,897           | 11,749           | -852             |
|   | <b>712,854</b>     | <b>-69,142</b>      | <b>643,712</b>   | <b>486,649</b>   | <b>157,063</b>   |
| <b>Provision for claims</b>                     |                    |                     |                  |                  |                  |
| ONDD - Credit insurance                         | 543,824            | -23,520             | 520,304          | 370,871          | 149,433          |
| ONDD - Investment insurance                     | 5,949              |                     | 5,949            | 3,493            | 2,456            |
| ONDD - Financial guarantees                     | 23,077             |                     | 23,077           | 8,386            | 14,691           |
| Single risk                                     | 123,740            | -12,784             | 110,957          | 41,305           | 69,652           |
| Irrevocable letter of credit                    | 15,590             | -5,197              | 10,393           | 13,972           | -3,579           |
| Inward reinsurance                              | 37,263             | -2,446              | 34,818           | 25,684           | 9,134            |
| Turnover policies                               | 42,180             | -17,724             | 24,457           | 36,953           | -12,496          |
| Surety  | 3,326              | -378                | 2,948            | 422              | 2,526            |
| Excess of loss                                  |                    |                     |                  | 697              | -697             |
| Others  | 22,702             | -11,805             | 10,897           | 11,749           | -852             |
| Provision for claims - expected recoveries      | -8,428             | 3,900               | -4,529           | -4,967           | 438              |
| <b>Provision for claims</b>                     | <b>809,224</b>     | <b>-69,953</b>      | <b>739,271</b>   | <b>508,564</b>   | <b>230,707</b>   |
| <b>Provision for claims management expenses</b> | <b>19,411</b>      | <b>-57</b>          | <b>19,354</b>    | <b>19,826</b>    | <b>-472</b>      |
| <b>Provision for equalisation and disasters</b> |                    |                     |                  |                  |                  |
| Inward reinsurance                              | 4,678              |                     | 4,678            | 2,977            | 1,700            |
| Turnover policies                               | 6,209              |                     | 6,209            | 421              | 5,788            |
| Surety  | 545                |                     | 545              | 404              | 141              |
| Others  | 3,096              |                     | 3,096            | 2,709            | 387              |
|   | <b>14,528</b>      |                     | <b>14,528</b>    | <b>6,512</b>     | <b>8,016</b>     |

The consolidation software that is used was further improved in 2011 to allow for a detailed calculation of the provisions for risks and charges broken down per product type after elimination of intercompany transactions. The 2010 figures have not been modified due to the fact that the break-down per product type was not available. The same applies to note 12.

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

- > ONDD makes no provision for equalisation 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 equalisation 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

|                              | 2011               |                     |                  | 2010               |                     |                  |
|------------------------------|--------------------|---------------------|------------------|--------------------|---------------------|------------------|
|                              | Gross transactions | Ceded to reinsurers | Net transactions | Gross transactions | Ceded to reinsurers | Net transactions |
| Premiums                     | 315,077            |                     | 315,077          | 333,955            |                     | 333,955          |
| Other technical income       |                    | 1,479               | 1,479            |                    | 1,077               | 1,077            |
| Premiums ceded to reinsurers |                    | -78,306             | -78,306          |                    | -98,479             | -98,479          |
| Other technical charges      | -3,090             |                     | -3,090           | -2,028             |                     | -2,028           |
| <b>Written premiums</b>      | <b>311,988</b>     | <b>-76,827</b>      | <b>235,161</b>   | <b>331,927</b>     | <b>-97,402</b>      | <b>234,525</b>   |
| ONDD - Credit insurance      | 82,356             | -1,698              | 80,657           | 71,356             | -17,562             | 53,794           |
| ONDD - Investment insurance  | 6,079              | -208                | 5,871            | 5,522              | 0                   | 5,522            |
| ONDD - Financial guarantees  | 7,845              | 0                   | 7,845            | 12,973             | 0                   | 12,973           |
| Single risk                  | 67,569             | -29,983             | 37,586           | 83,911             | -796                | 83,115           |
| Irrevocable letter of credit | 13,077             | -302                | 12,776           | 15,472             | 251                 | 15,724           |
| Inward reinsurance           | 38,415             | -9,549              | 28,866           | 0                  | -38,277             | -38,277          |
| Turnover policies            | 90,895             | -36,775             | 54,120           | 62,911             | -2,684              | 60,227           |
| Surety                       | 2,176              | -1,412              | 764              | 1,263              | -781                | 482              |
| Fronting                     | 3,377              | -3,402              | -26              | 3,748              | 0                   | 3,748            |
| Excess of loss               | 0                  | -40                 | -40              | 0                  | 0                   | 0                |
| Others                       | 0                  | 0                   | 0                | 614                | 0                   | 614              |
| Intercompany                 | 200                | 6,542               | 6,742            | 74,156             | -37,553             | 36,603           |
| <b>Written premiums</b>      | <b>311,988</b>     | <b>-76,827</b>      | <b>235,161</b>   | <b>331,927</b>     | <b>-97,402</b>      | <b>234,525</b>   |

| Breakdown of premiums according to the country where the risk is located (gross transactions) | 2011   | 2010   |                 | 2011           | 2010           |
|---|--------|--------|-----------------|----------------|----------------|
| Belgium   | 32,537 | 22,796 | Saudi Arabia    | 3,144          | 3,416          |
| Russia  | 27,276 | 38,054 | Luxemburg       | 3,073          | 428            |
| Czech Republic  | 15,194 | 16,299 | Spain           | 2,415          | 2,474          |
| Dominican Republic  | 12,043 | 332    | Dubai           | 2,203          | 2,115          |
| Switzerland   | 11,617 | 8,972  | Cameroon        | 2,166          | 1,784          |
| Brazil  | 10,902 | 10,834 | Germany         | 2,052          | 1,655          |
| The Netherlands   | 10,776 | 4,914  | Panama          | 1,956          | 1,276          |
| France  | 10,413 | 6,030  | Nigeria         | 1,925          | 8,497          |
| Turkey  | 9,457  | 12,925 | Australia       | 1,860          | 316            |
| United States   | 8,099  | 9,466  | Egypt           | 1,841          | 3,198          |
| United Kingdom  | 7,011  | 1,873  | Qatar           | 1,798          | 2,385          |
| Ghana   | 5,680  | 9,247  | UAE             | 1,707          | 1,288          |
| China   | 5,593  | 7,259  | Norway          | 1,652          | 62             |
| India   | 5,456  | 13,947 | Peru            | 1,648          | 1,378          |
| South Korea   | 4,391  | 3,938  | Other countries | 102,728        | 134,208        |
| Vietnam   | 3,376  | 561    |                 |                |                |
| <b>Written premiums</b>   |        |        |                 | <b>311,988</b> | <b>331,927</b> |

## Note 13 – Operating charges

|   | 2011           | 2010           |
|---|----------------|----------------|
| Commissions for inward reinsurance                | -17,652        | -11,764        |
| Investigation charges                             | -5,550         | -8,330         |
| Brokers' fees                                     | -10,518        | -10,119        |
| <b>Total costs of management by third parties</b> | <b>-33,720</b> | <b>-30,213</b> |
| Invoiced investigation                            | 7,387          | 5,180          |
| Other   | 934            | 5,176          |
| <b>Total recovered operating costs</b>            | <b>8,321</b>   | <b>10,356</b>  |

## Note 14 – Operating result, gross and net of cession to reinsurers

| + income / - charge                                       | Note | 2011               |                     |                  | 2010               |                     |                  |
|---|------|--------------------|---------------------|------------------|--------------------|---------------------|------------------|
|   |      | Gross transactions | Ceded to reinsurers | Net transactions | Gross transactions | Ceded to reinsurers | Net transactions |
| <b>Turnover</b>   |      |                    |                     |                  |                    |                     |                  |
| Premiums  | 12   | 311,988            | -76,827             | 235,161          | 331,927            | -97,402             | 234,525          |
|   |      | <b>311,988</b>     | <b>-76,827</b>      | <b>235,161</b>   | <b>331,927</b>     | <b>-97,402</b>      | <b>234,525</b>   |
| <b>Technical charges after cession</b>                    |      |                    |                     |                  |                    |                     |                  |
| Variation in the provision for profit share and rebates   | 11   | 291                | -17                 | 274              | 763                | -389                | 374              |
| Variation in the provision for outstanding risks          | 11   | -46,183            | 4,140               | -42,043          | -91,108            | 28,367              | -62,741          |
| Variation in the provision for claims                     | 11   | 235,375            | -4,668              | 230,707          | 59,048             | 16,130              | 75,178           |
| Variation in the provision for claims management expenses | 11   | -518               | 46                  | -472             | -7,167             | 36                  | -7,131           |
| Variation in amounts written off on outstanding claims    |      | 51,734             | -15,087             | 36,647           | 100,418            | -13,729             | 86,689           |
| Indemnified losses and litigation expenses                |      | 176,515            | -11,666             | 164,849          | 83,191             | -41,486             | 41,705           |
| Recoveries on indemnified losses and litigation expenses  |      | -1,464             | -590                | -2,054           | -2,403             | 405                 | -1,998           |
| Other technical results                                   |      | 2,770              |                     | 2,770            | 1,773              |                     | 1,773            |
|   |      | <b>418,520</b>     | <b>-27,842</b>      | <b>390,678</b>   | <b>144,515</b>     | <b>-10,666</b>      | <b>133,849</b>   |
| <b>Technical result</b>                                   |      | <b>-106,532</b>    | <b>-48,985</b>      | <b>-155,517</b>  | <b>187,412</b>     | <b>-86,736</b>      | <b>100,676</b>   |
| <b>Operating charges</b>                                  |      |                    |                     |                  |                    |                     |                  |
| Remunerations, social charges and pensions                |      | 30,984             |                     | 30,984           | 27,996             |                     | 27,996           |
| Operating costs   |      | 13,205             |                     | 13,205           | 16,169             |                     | 16,169           |
| Total costs of management by third parties                | 13   | 33,720             |                     | 33,720           | 30,213             |                     | 30,213           |
| Depreciation  |      | 2,032              |                     | 2,032            | 1,923              |                     | 1,923            |
| Write-offs on trade account receivables                   |      | 173                |                     | 173              | 277                |                     | 277              |
| Other operating costs                                     |      | 323                |                     | 323              | 956                |                     | 956              |
| Total recovered operating costs                           | 13   | -8,321             |                     | -8,321           | -10,356            |                     | -10,356          |
| Reinsurance commissions                                   |      |                    | -19,402             | -19,402          |                    | -25,479             | -25,479          |
|   |      | <b>72,116</b>      | <b>-19,402</b>      | <b>52,714</b>    | <b>67,178</b>      | <b>-25,479</b>      | <b>41,699</b>    |
| <b>Operating result</b>                                   |      | <b>-178,648</b>    | <b>-29,583</b>      | <b>-208,231</b>  | <b>120,234</b>     | <b>-61,257</b>      | <b>58,977</b>    |



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

- > In 2011, 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 70 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 40 million per risk and EUR 70 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                                 | 2011          | 2010          |
|---|---------------|---------------|
| Income from financial assets                        | 0             | 0             |
| Income from cash investments                        | 76,714        | 47,119        |
| Charges from investments                            | -17,532       | -13,697       |
| Variation in the amounts written off on investments | -20,864       | 13,324        |
| <b>Result from financial assets and investments</b> | <b>38,318</b> | <b>46,746</b> |

## Note 16 – Indemnified losses, indemnified claims and recoveries

|  | 2011               |                     |                  | 2010               |                     |                  |
|--|--------------------|---------------------|------------------|--------------------|---------------------|------------------|
|  | Gross transactions | Ceded to reinsurers | Net transactions | Gross transactions | Ceded to reinsurers | Net transactions |
| Indemnified losses and litigation expenses               | 206,335            | -41,486             | 164,849          | 83,191             | -41,486             | 41,705           |
| Indemnified claims                                       | 122,871            | -40,701             | 82,170           | 233,137            | -149,459            | 83,678           |
| Recoveries on indemnified losses and litigation expenses | -2,403             | 349                 | -2,054           | -2,403             | 405                 | -1,999           |
| Recoveries on indemnified claims                         | -111,469           | 60,924              | -50,545          | -123,092           | 162,148             | 39,056           |
| Recovered rescheduling interest                          | 12,200             |                     | 12,200           | -11,384            | 0                   | -11,384          |
| <b>Cash flow resulting from indemnities</b>              | <b>227,534</b>     | <b>-20,914</b>      | <b>206,620</b>   | <b>179,449</b>     | <b>-28,392</b>      | <b>151,057</b>   |

## Note 17 – Breakdown of commitments according to the country where the risk is located

|                        | 2011      | 2010      |                    | 2011              | 2010              |
|------------------------|-----------|-----------|--------------------|-------------------|-------------------|
| Belgium                | 1,467,831 | 1,204,497 | Nigeria            | 444,429           | 216,018           |
| Russia                 | 1,406,986 | 1,906,974 | Ghana              | 443,397           | 302,251           |
| Turkey                 | 1,291,432 | 1,142,999 | United Kingdom     | 439,924           | 375,907           |
| India                  | 1,100,194 | 716,534   | Czech Republic     | 418,248           | 272,477           |
| China                  | 1,055,533 | 924,287   | Qatar              | 409,521           | 418,516           |
| Brazil                 | 992,685   | 803,123   | Algeria            | 389,929           | 643,589           |
| United States          | 862,155   | 570,607   | Switzerland        | 376,783           | 224,204           |
| France                 | 795,431   | 565,934   | Panama             | 331,257           | 209,286           |
| Saudi Arabia           | 794,936   | 787,587   | Egypt              | 330,013           | 186,346           |
| Germany                | 727,166   | 449,629   | Japan              | 313,863           | 244,498           |
| Spain                  | 691,960   | 151,330   | Dominican Republic | 279,634           | 173,088           |
| South Korea            | 641,198   | 469,314   | Iran               | 278,564           | 391,907           |
| Italy                  | 621,670   | 176,503   | Singapore          | 277,975           | 245,374           |
| Poland                 | 493,788   | 206,892   | Denmark            | 264,947           | 109,221           |
| The Netherlands        | 466,997   | 325,865   | Indonesia          | 257,830           | 202,305           |
|                        |           |           | Other countries    | 7,603,270         | 11,538,657        |
| <b>Policies issued</b> |           |           |                    | <b>26,269,546</b> | <b>26,155,719</b> |

**Responsible editor**

Dirk TERWEDUWE

ONDD

rue Montoyerstraat 3

BE-1000 Brussels

T +32 2 788 88 00 - F +32 2 788 88 10

[www.ondd.be](http://www.ondd.be) - [info@ondd.be](mailto:info@ondd.be)

Government body under state guarantee

Ce document est également disponible en français.

Dit document is ook beschikbaar in het Nederlands.

2012

