

This document is an unofficial English-language translation of the “Other information” document filed with the French Financial Markets Authority on April 5, 2018, provided for information purposes only. In the event of any differences and/or discrepancies between this unofficial English-language translation and the official French document, the official French document shall prevail.

SIMPLIFIED CASH TENDER OFFER FOLLOWED BY A SQUEEZE-OUT

FOR THE SHARES OF



ADVISED BY



INITIATED BY



INFORMATION RELATING IN PARTICULAR TO THE LEGAL, FINANCIAL AND ACCOUNTING CHARACTERISTICS OF EULER HERMES GROUP



This document relating to the other information, and in particular the legal, financial and accounting characteristics, of Euler Hermes Group (*document “Autres informations”*) was filed with the French Financial Markets Authority (*Autorité des marchés financiers*) on April 5, 2018, in accordance with Article 231-28 of its General Regulation and Article 6 of its Instruction No. 2006-07 relating to tender offers. This document was prepared under the responsibility of Euler Hermes Group.

This document supplements the offer document prepared by Euler Hermes Group (*note en réponse*) in response to the simplified cash tender offer followed by a squeeze-out (*offre publique d’achat simplifiée suivie d’un retrait obligatoire*) for the shares of Euler Hermes Group initiated by Allianz SE and approved (*visée*) by the AMF on April 5, 2018 under number 18-112, pursuant to a clearance decision (*décision de conformité*) issued on the same date.

This document and the response offer document are available on the website of Euler Hermes Group (www.fr.eulerhermes.com) and on the website of the French Financial Markets Authority (www.amf-france.org). They are made available to the public free of charge at the registered office of Euler Hermes Group (1 place des Saisons, 92048 Paris-La Défense Cedex, France) and may be obtained free of charge by any person who requests it. A press release will be disseminated in accordance with Articles 231-28 et 221-3 of the General Regulation of the French Financial Markets Authority, no later than the day preceding the opening of the Offer (such as this term is defined below), in order to inform the public of the manner in which this document will be made available.

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PREAMBLE

It is reminded that pursuant to Title III of Book II, and in particular the provisions of Articles 233-1 *et seq.* of the General Regulation of the French Financial Markets Authority (the "**AMF**"), Allianz SE, a European company organized under the laws of Germany having its registered office at Königinstraße 28, 80802 Munich, Germany, registered with the Commercial Register of the local court of Munich under number HRB 164232 (the "**Offeror**"), irrevocably offers the shareholders of Euler Hermes Group, a public limited company (*société anonyme*) governed by French law having its registered office at 1 place des Saisons, 92048 Paris-La Défense Cedex, France, registered with the Trade and Companies Registry of Nanterre under number 552 040 594, and of which the shares are listed on Compartment A of the Euronext Paris regulated market under ISIN Code FR 0004254035 ("**Euler Hermes**" or the "**Company**"), to purchase all of their Company shares at a price of EUR 122 per share (the "**Offer**").

In accordance with the provisions of Article 231-13, I of the AMF General Regulation, Rothschild Martin Maurel and Société Générale, acting as presenting banks for the Offer on behalf of the Offeror, filed the Offer and the draft offer document with the AMF on March 21, 2018. It is specified that only Société Générale guarantees the content and irrevocable nature of the commitments entered into by the Offeror as part of the Offer.

Pursuant to the provisions of Article 231-26 of the AMF General Regulation, the Company filed the draft response offer document with the AMF on March 21, 2018.

The Offer was the subject of a clearance decision by the AMF entailing a visa of the Offeror's offer document (the "**Offer Document**") and the Company's response offer document (the "**Response Offer Document**") on April 5, 2018.

Pursuant to Article 231-6 of the AMF General Regulation, the Offer covers all of the existing shares of the Company not held by the Offeror (acting alone or in concert, directly or indirectly through the companies it controls), except for the 619,189 treasury shares of the Company (that the Supervisory Board decided not to tender into the offer on March 21, 2018), *i.e.*, a total maximum number of 1,998,131 representing, as of the date of the filing of this document, 4.69% of the share capital and theoretical voting rights of the Company¹.

The Offer is not subject to any condition providing for a minimum number of shares to be tendered in order for it to have a positive outcome. In addition, the Offer is not subject to any authorization with regard to merger control or regulatory authorizations.

The Offer will be made under the simplified procedure in accordance with the provisions of Articles 233-1 *et seq.* of the AMF General Regulation. The Offer will be open for a period of ten trading days.

The attention of the shareholders of the Company is drawn to the fact that the Offer, which is made under the simplified procedure, will not be reopened following the publication of the final result of the Offer.

¹ Unless otherwise specified, the percentages of share capital and voting rights held in the Company mentioned in this document are calculated based on the total number of shares and theoretical voting rights (*i.e.*, voting rights calculated taking into account the voting rights attached to treasury shares, which are deprived of voting rights, pursuant to the provisions of Article 223-11 of the AMF General Regulation) of the Company as of the date of the Response Offer Document, *i.e.*, 42,641,635 shares and the same number of theoretical voting rights.

The Offeror has announced its intention to request from the AMF, immediately after the publication of the final result of the Offer, pursuant to Articles L. 433-4 III of the French Monetary and Financial Code and 237-14 *et seq.* of the AMF General Regulation, the implementation of a squeeze-out procedure in order to acquire the shares of the Company not tendered into the Offer in exchange for a compensation of EUR 122 per Company share, equal to the Offer price, net of costs and fees (the “**Squeeze-Out**”)².

It is specified that the conditions for the implementation of the Squeeze-Out are already met as the shares held by minority shareholders (*i.e.*, without taking into account the treasury shares of the Company) represent, as of the date of the Offer Document and to the Company's knowledge, less than 5% of the share capital and voting rights of the Company.

It is also specified that the implementation of the Squeeze-Out will result in the delisting (*retrait de la cote*) of the shares of the Company from Euronext Paris.

The restrictions relating to participation in the Offer and the documents relating thereto (including this document) are described in detail in Section 2.8 of the Offer Document.

1. INFORMATION RELATING IN PARTICULAR TO THE LEGAL, FINANCIAL AND ACCOUNTING CHARACTERISTICS OF THE COMPANY

Information relating in particular to the legal, financial and accounting characteristics of the Company are contained in (i) the registration document of the Company filed with the AMF on April 20, 2017 under number D. 17-0402 (the “**Registration Document**”) and (ii) the half-year financial report published by the Company on September 26, 2017 (the “**Half-Year Financial Report**”), subject to the updated information provided in this document.

The information contained in the Registration Document was the subject of a statement (*attestation*) issued by the Chairman of the Board of Management, Mr. Wilfried Verstraete (page 296 of the Registration Document), on the date of the filing of such document and a letter of completion (*lettre de fin de travaux*) was issued by the Company's statutory auditors in relation thereto. The information contained in the Half-Year Financial Report was the subject of a statement issued by the Chairman of the Board of Management, Mr. Wilfried Verstraete (page 41 of the Half-Year Financial Report), on the date of the publication of such report.

The Registration Document and the Half-Year Financial Report are available on the website of the Company (www.fr.eulerhermes.com); the Registration Document is also available on the website of the AMF (www.amf-france.org). The Registration Document and the Half-Year Financial Report are made publicly available free of charge at the registered office of the Company (1 place des Saisons, 92048 Paris-La Défense Cedex, France) and may be obtained free of charge by any person who requests it.

It is reminded that the shareholders' annual meeting of the Company was held on May 24, 2017. The documents and information relating to this shareholders' meeting are available on the website of the Company (www.fr.eulerhermes.com).

It is also reminded that the Euler Hermes group's results for the financial year ended December 31, 2017 have been announced on February 9, 2018 and that the group's consolidated financial statements for such financial year have been published on the same day. The press release relating to the announcement of the

² Please refer to Section 1.2.5 and 2.4 of the Offer Document.

Euler Hermes group's results for the financial year ended December 31, 2017 and the group's consolidated financial statements for such financial year are reproduced in the annex.

This document incorporates by reference the Registration Document and the Half-Year Financial Report.

The significant items of information contained in the Registration Document and the Half-Year Financial Report are updated with (i) the press releases published by the Company since the publication of the Half-Year Financial Report and reproduced in this document, (ii) the information contained in the Response Offer Document and (iii) the information contained in this document.

2. PRESS RELEASES ISSUED BY THE COMPANY SINCE THE PUBLICATION OF THE HALF-YEAR FINANCIAL REPORT

The press releases of the Company are available on the website of the Company (www.fr.eulerhermes.com). The Company has in particular published the press releases reproduced as an annex since the publication of the Half-Year Financial Report.

3. COMPOSITION OF THE COMPANY'S SUPERVISORY BOARD AND BOARD OF MANAGEMENT

3.1 Composition of the Supervisory Board

As of the date of this document, the Supervisory Board is comprised of the following members:

Identity	Nationality	Date of first appointment	Expiry date of current term of office
Mr. Axel Theis Chairman	German	May 27, 2015	2017 Annual Shareholders' Meeting
Mrs. Brigitte Bovermann Vice-Chairwoman	German	May 21, 2010	2018 Annual Shareholders' Meeting
Mrs. Ümit Boyner*	Turkish	October 23, 2013	2019 Annual Shareholders' Meeting
Mr. Philippe Carli*	French	May 15, 2009	2018 Annual Shareholders' Meeting
Mr. Nicolas Dufourcq*	French	May 21, 2010	2019 Annual Shareholders' Meeting
Mr. Ramon Fernandez*	French	May 26, 2016	2019 Annual Shareholders' Meeting
Mrs. Maria Garaña*	Spanish	May 27, 2015	2018 Annual Shareholders' Meeting
Mrs. Marita Kraemer	German	May 25, 2016	2018 Annual Shareholders' Meeting
Mr. Thomas-Bernd Quaas*	German	May 21, 2010	2019 Annual Shareholders' Meeting
Mr. Jacques Richier	French	May 21, 2010	2019 Annual Shareholders' Meeting

* Independent members

3.2 Composition of the Board of Management

As of the date of this document, the Board of Management is comprised of the following members:

- Mr. Wilfried Verstraete, Chairman of the Board of Management;
- Mr. Frédéric Bizière;
- Mr. Michael Eitelwein;
- Mrs. Virginie Fauvel
- Mr. Michele Pignotti;
- Mrs. Chantal Schumacher.

4. MAIN SHAREHOLDERS OF THE COMPANY

As of the date of the filing of this document, the share capital of the Company, representing an amount of EUR 13,645,323.20, is divided into 42,641,635 shares of EUR 0.31 each, all being fully paid up and of the same class.

As of the date of the Response Offer Document and to the Company's knowledge, the Company's share capital and voting rights are held as follows:

Shareholders	Number of shares	% of the share capital	Number of theoretical voting rights	% of the theoretical voting rights
Allianz France ³	26,864,230	63.00%	26,864,230	63.00%
Allianz SE	12,723,933	29.84%	12,723,933	29.84%
Allianz Argos 14 GmbH ⁴	436,152	1.02%	436,152	1.02%
Offeror total	40,024,315	93.86%	40,024,315	93.86%
Treasury shares	619,189	1.45%	619,189	1.45%
Other	1,998,131	4.69%	1,998,131	4.69%
TOTAL	42,641,635	100%	42,641,635	100%

The threshold crossings disclosed to the Company between January 1, 2017, and the date of the Response Offer Document are described in Section 7.3 of the Response Offer Document.

³ Allianz France SA is held at 99.99% by Allianz Holding France SAS, which in turn is indirectly wholly owned by Allianz SE through Allianz Argos 14 GmbH (please refer to Section 1.1.2 of the Offer Document).

⁴ Allianz Argos 14 GmbH is held at 100% by Allianz SE (please refer to Section 1.1.2 of the Offer Document).

As of the date of the Response Offer Document, there is no other equity security, or any other financial instrument or right that may give access, either immediately or in the future, to the Company's share capital or voting rights.

5. RISK FACTORS

The risk factors relating to the Company are described in the Registration Document.

As of the date of the filing of this document, the Company is not aware of any other material operational or financial risks relating to the Company. However, the investors' attention is called to the fact that the list of risk factors contained in the Registration Document cannot be regarded as comprehensive and that other risks, unknown as of the date of this document and which may have an adverse effect on the Company, its business, its results or the price of its shares, may exist.

6. LITIGATION AND EXCEPTIONAL EVENTS

To the Company's knowledge, as of the date of the filing of this document, there is no pending or threatened state, judicial or arbitration proceeding against the Company, nor any exceptional event, other than those mentioned in this document (including its annex), the Registration Document and the Half-Year Financial Report, and the filing of the Offer and the related transactions, that may cause or that has caused during the last twelve months, any material effect on the financial position or profitability of the Company or the Euler Hermes group.

7. PERSON RESPONSIBLE FOR THE INFORMATION RELATING TO THE COMPANY

"I hereby certify that this document, which was filed with the AMF on April 5, 2018, and which will be disseminated no later than the day prior to the opening of the Offer, contains all of the information required by Article 231-28 of the AMF General Regulation and by Article 6 of Instruction No. 2006-07 of the AMF, in the context of the simplified cash tender offer initiated by Allianz SE for the shares of Euler Hermes Group.

To my knowledge, this information is in accordance with the facts, and does not contain any omission likely to affect its import."

April 5, 2018

Mr. Wilfried Verstraete
Chairman of the Board of Management

ANNEX
PRESS RELEASES ISSUED BY THE COMPANY
SINCE THE PUBLICATION OF THE HALF-YEAR FINANCIAL REPORT

Paris – 7 November 2017

Euler Hermes 2017 nine-months results: turnover growth returns, solid net result

-
- **Q3 revenues up 3.2%** vs Q3 2016, YTD revenues up 0.3% at €1,929 million
 - **Improved YTD net combined ratio** at 78.9%
 - **Ordinary operating income 9M** at €312.3 million, **up 6.3%** against last year
 - **Net income 9M** at €228.1 million, **up 0.9%**
-

This third quarter confirms an improving trend on the turnover, with short term credit insurance back to growth in most European countries and the specialty line which develops nicely. The Group is confident in its commercial outlook, especially in the US where we recently received the T-listing approval that will enable us to launch bonding, and in Europe where we are piloting new online products that are key to our future success. Our risk monitoring allows us to support these developments while maintaining a net loss ratio below 52%. At the same time, the Group is stepping up the pace of its digital transformation. The efficiency plans we implemented last year are starting to bear fruit. As a result, net combined ratio stands at 78.9% at the end of September, which is below last year's level, allowing Euler Hermes to deliver a solid net income.

Wilfried Verstraete, Chairman of the Euler Hermes Board of Management

KEY FIGURES

P&L information	30 Sept. 2017	30 Sept. 2016	Variation vs.	
<i>€ million</i>		(published)	30 Sept. 2016	
Earned premiums	1,628.1	1,627.8	0.3	0.0%
Service revenues	300.7	301.7	-1.0	-0.3%
Turnover	1,928.8	1,929.5	-0.7	0.0%
Net technical result	236.7	226.6	10.1	4.5%
Net investment income	75.6	67.2	8.4	12.5%
Ordinary operating income	312.3	293.8	18.5	6.3%
Non-ordinary operating income & expenses	-16.8	-2.3	-14.5	Na
Operating income	295.5	291.5	4.0	1.4%
Net income, Group share	228.1	225.9	2.1	0.9%
Net claims ratio	51.8%	52.7%	-0.9 pt	
Net expense ratio	27.1%	27.0%	0.1 pt	
Net combined ratio	78.9%	79.7%	-0.8 pt	

Balance sheet information	30 Sept. 2017	31 Dec. 2016	Variation vs.	
<i>€ million</i>		(published)	31 Dec. 2016	
Total assets	6,548.8	6,505.9	42.9	0.7%
Shareholders' equity, Group share	2,618.8	2,622.4	-3.6	-0.1%
Total financial liabilities	254.5	252.2	2.3	0.9%

1. Turnover

At €1,929 million at the end of September, turnover is stable compared to published figures last year. At constant scope and constant Fx, topline increased by +0.3%, with earned premiums at +0.6% while service revenues decreased by -1.5%.

Turnover € million	30 Sept. 2017	30 Sept. 2016 (published)	Variation %	30 Sept. 2016 (1)	Variation % (1)
Regions					
Germany, Austria, Switzerland (DACH)	526.1	529.4	-0.6%	532.4	-1.2%
France	311.3	304.3	2.3%	305.2	2.0%
Northern Europe	408.3	399.9	2.1%	393.5	3.8%
Mediterranean Countries, Middle East & Africa	251.2	263.7	-4.7%	263.3	-4.6%
Americas	256.2	250.4	2.3%	252.8	1.3%
Asia Pacific	105.7	109.2	-3.3%	109.1	-3.1%
Inward from non-consolidated OEs and other (2)	70.0	72.6	-3.6%	67.5	3.7%
Euler Hermes Group	1,928.8	1,929.5	0.0%	1,923.8	0.3%

Area contribution : After intra-region eliminations & before inter-region eliminations

(1) At constant exchange rates and proforma: ECA business acquired from PwC is included starting July 2017, and a new collection business model was set up starting January 2017, impacting intragroup flows within regions (no impact at consolidated level). 2016 has been restated accordingly.

(2) Corporate entities + inter-region eliminations

Stronger commercial performance observed from Q2 continues in this third quarter: Europe is recovering progressively (+0.6% compared to last year at constant scope and Fx), especially in France and Northern Europe, and Italy which posted disappointing topline in the first semester is getting back on track. Premium evolution in Asia and Gulf countries remains negative as a result of the more restrictive underwriting stance.

Service revenues are positively driven by the inclusion, for the first time in Q3, of the additional revenues of the German ECA business acquired from PricewaterhouseCoopers. At constant scope and constant Fx, service revenues are down -1.5% compared to last year, mostly due to the lack of collection revenues, natural consequence of the low claims environment.

2. Operating income

The net combined ratio is at 78.9%, down 0.8pt compared to last year, driven by an improved net loss ratio.

The net loss ratio as per end of September stands at 51.8% all attachments years, down by 0.9pt compared to last year: attritional claims remain low in mature markets and claims ratios improved in most of emerging markets.

The net expense ratio is at 27.1%, stable compared to last year. Restructuring plans implemented last year in Germany, France and Corporate entities are starting to deliver the expected savings, which allows to further invest in digital initiatives and specialty lines.

Net investment income is €75.6 million, up €8.4 million compared to September last year, driven by a positive foreign exchange contribution.

As a result, the ordinary operating income amounts to €312.3 million, up +6.3% versus last year.

Productivity initiatives are on-going. The focus has been put on the centralization of non-client facing activities (project Alchemy in Northern Europe) and of accounting processes (One Finance) into existing shared service centers. For these two initiatives, a restructuring cost of €15 million has been accounted for at end of September 2017.

Including non-ordinary items, total operating income is €295.5 million, above last year which amounted to €291.5 million.

3. Net income

Net income stands at €228.1 million, up +0.9% compared to last year.

4. Subsequent events

On October 6, 2017, the French constitutional court ("Conseil Constitutionnel") ruled the 3% taxation on paid dividends unconstitutional, which will entail a tax reimbursement by the French State to the companies affected. It is certain at this stage that compensating measures will be introduced by the Government in order to keep the national budget under control. In view of the uncertainties surrounding the matter, no impact has been recognized in the financial statements as at September 30, 2017. Potential impact to be accounted for in Q4 is expected to increase the net income 2017 by minimum 5%.

5. Solvency II Capitalization

The published Solvency II economic ratio for Euler Hermes Group was 165% at end of June 2017. The Group will communicate its solvency position at year end with the 2017 full year results.

Results for the first nine months of 2017

P&L	3Q 2017	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016	Variation vs.	
€ million					<i>Published data</i>			3Q 2016	
Earned premiums	539.3	533.9	554.8	542.4	530.7	540.4	556.7	8.6	1.6%
Service revenues	103.5	95.4	101.8	98.0	97.7	100.4	103.6	5.8	5.9%
Turnover	642.8	629.4	656.6	640.4	628.5	640.8	660.3	14.3	2.3%
Net technical result	76.0	76.5	84.2	74.9	74.6	73.9	78.1	1.4	1.9%
Net investment income	22.2	28.4	25.0	8.1	17.9	23.6	25.7	4.3	24.0%
Ordinary operating income	98.2	104.9	109.2	83.0	92.5	97.5	103.8	5.7	6.2%
Non-ordinary operating income & expenses	-15.4	-1.1	-0.3	-1.2	-20.1	-5.5	23.3	4.7	-23.3%
Operating income	82.8	103.8	108.9	81.8	72.4	92.0	127.2	10.4	14.3%
Net income, Group share	64.3	75.6	88.2	61.0	55.9	68.8	101.2	8.4	15.0%
Net claims ratio	51.9%	50.7%	52.8%	50.9%	51.5%	52.6%	53.9%	0.4	pt
Net expense ratio	27.2%	28.6%	25.6%	29.3%	28.0%	27.7%	25.4%	-0.8	pt
Net combined ratio	79.1%	79.3%	78.4%	80.1%	79.5%	80.3%	79.3%	-0.4	pt

Outlook

The world's economic growth is accelerating therefore we are revising upwards our 2017 global growth forecast to +3.0%.

In this improved context, Euler Hermes has posted strong Q3 revenues, at +3.2% against the same quarter last year, driving turnover growth year on year to +0.3% at constant scope and exchange rates. We believe the recovery of short term credit insurance and the strong developments of our specialty lines are likely to continue in the months to come, enabling the company to post growing revenues over 2017 and 2018.

On the claims side, the observed trend is being confirmed quarter after quarter as claim frequency is decreasing in all regions. Consequently, the 2017 target of a combined ratio below 80% should be achieved.

Euler Hermes has engaged in various efficiency initiatives. Besides plans unveiled last year and currently being implemented, the company is now focusing on expanding the scope of existing shared service centers and centralizing financial processes. This cost reduction effort will allow Euler Hermes to further invest in the digital transformation of the company.

Glossary

Expense Ratio or Cost Ratio: contract acquisition expenses, administration expenses and service margin as a proportion of earned premiums. The service margin corresponds to service revenues less other ordinary operating income and expenses. It can be in “gross terms” i.e. before reinsurance, or “net terms” which includes the reinsurance commission.

Claims Ratio: claims costs from all attachment years as a proportion of earned premiums. It can be in “gross terms” i.e. before reinsurance, or “net terms” which includes the part ceded to the reinsurers.

Combined Ratio: sum of the expense ratio and the claims ratio.

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Financial and regulated information are available on Euler Hermes' website
<http://www.eulerhermes.com/finance/>

The financial documentation section includes the press release, the condensed consolidated financial statements and the presentation of the half-year results to analysts.

On Tuesday, November 7th, 2017, the Group Management Board of Euler Hermes (ELE.PA), a worldwide leader in credit insurance and in the areas of bonding, surety and collections, presented its consolidated results as of September 30th, 2017 to the Euler Hermes Supervisory Board. The results have been reviewed by the Audit Committee.

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Euler Hermes is the global leader in trade credit insurance and a recognized specialist in the areas of bonding, guarantees and collections. With more than 100 years of experience, the company offers business-to-business (B2B) clients financial services to support cash and trade receivables management. Its proprietary intelligence network tracks and analyzes daily changes in corporate solvency among small, medium and multinational companies active in markets representing 92% of global GDP. Headquartered in Paris, the company is present in over 50 countries with 5,800+ employees. Euler Hermes is a subsidiary of Allianz, listed on Euronext Paris (ELE.PA) and rated AA- by Standard & Poor's. The company posted a consolidated turnover of €2.6 billion in 2016 and insured global business transactions for €883 billion in exposure at the end of 2016. Further information: www.eulerhermes.com, [LinkedIn](#) or Twitter [@eulerhermes](#).

Cautionary note regarding forward-looking statements: The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words "may", "will", "should", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Euler Hermes Group's core business and core markets, (ii) performance of financial markets, including emerging markets, and including market volatility, liquidity and credit events (iii) the frequency and severity of insured loss events, including from natural catastrophes and including the development of loss expenses, (iv) persistency levels, (v) the extent of credit defaults, (vi) interest rate levels, (vii) currency exchange rates including the Euro/U.S. Dollar exchange rate, (viii) changing levels of competition, (ix) changes in laws and regulations, including monetary convergence and the European Monetary Union, (x) changes in the policies of central banks and/or foreign governments, (xi) the impact of acquisitions, including related integration issues, (xii) reorganization measures, and (xiii) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences. The company assumes no obligation to update any forward-looking statement.

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This press release does not constitute an offer to purchase any securities.*

Simplified cash tender offer for Euler Hermes shares

PARIS – 27 NOVEMBER 2017 –

The Supervisory Board of Euler Hermes convened on November 26, 2017 to review the simplified cash tender offer (the "Offer") that Allianz, the controlling shareholder, intends to file at a price of 122 euros per Euler Hermes share.

During the meeting, the Supervisory Board welcomed the principle of such an offer by Allianz. It was already noted that:

- the price proposed by Allianz would offer a liquidity to the minority shareholders under terms implying a premium of 20.7% over Euler Hermes' last closing price¹, and of 22.9%, 22.2% and 30.8% over the three, six and twelve-month average share prices², and exceeds the price objectives of analysts covering the company;
- Allianz already secured the purchase of 11.34% of Euler Hermes share capital at the same price of 122 euros per Euler Hermes share through share purchase agreements concluded on November 24, 2017;
- the Offer would not impact the composition of the Supervisory Board of Euler Hermes, nor its strategy and operating model beyond ordinary course of business.

The Supervisory Board of Euler Hermes decided, by a unanimous vote of its independent members, to appoint Finexsi, represented by Olivier Péronnet, as independent expert in order to prepare a report regarding the financial terms of the Offer and the squeeze-out as the case may be pursuant to Articles 261-1 et seq. of the General Regulations of the Autorité des marchés financiers (AMF).

Furthermore, the Supervisory Board decided to set up an ad-hoc committee made up of three independent members of the Supervisory Board. The mission of this sub-committee will consist in monitoring the independent expert's mission and issuing a recommendation to the Supervisory Board regarding the Offer.

In accordance with applicable regulations, the Supervisory Board will meet again to deliver a formal opinion ("avis motivé") regarding the Offer after having reviewed the independent expert's report and the recommendation issued by the ad-hoc committee. Such formal opinion could be issued in the last days of December 2017.

Euler Hermes will hold a telephone conference regarding the Offer for analysts today at 10 am Paris time.

¹ Closing market price of Euler Hermes share on November 24, 2017.

² Premium over the volume weighted average share price of Euler Hermes.

Disclaimer:

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Euler Hermes is the global leader in trade credit insurance and a recognized specialist in the areas of bonding, guarantees and collections. With more than 100 years of experience, the company offers business-to-business (B2B) clients financial services to support cash and trade receivables management. Its proprietary intelligence network tracks and analyzes daily changes in corporate solvency among small, medium and multinational companies active in markets representing 92% of global GDP. Headquartered in Paris, the company is present in over 50 countries with 5,800+ employees. Euler Hermes is a subsidiary of Allianz, listed on Euronext Paris (ELE.PA) and rated AA- by Standard & Poor's and Dagong Europe. The company posted a consolidated turnover of €2.6 billion in 2016 and insured global business transactions for €883 billion in exposure at the end of 2016. Further information: www.eulerhermes.com, [LinkedIn](#) or Twitter [@eulerhermes..](#)

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EULER HERMES HAS BEEN UPGRADED TO AA BY STANDARD AND POORS

05.12.2017

Following Allianz' recent announcement to buy out all of the minority shareholders in Euler Hermes, hence making Euler Hermes a fully owned subsidiary of the Allianz group, Standard & Poors reviewed the status of three Euler Hermes operating companies' from "strategically important' to a 'core" ' part of the Allianz Group.

Subsequently, and with effect from 1st December 2017, the AA-rating has been reviewed **to AA, with a stable outlook**. This stable outlook reflects the outlook of the Allianz Group. In their press release, S&P share their belief on Euler Hermes' strong growth prospects, and their view on Euler Hermes' increasingly important role within Allianz Group. According to S&P, this minority share buy-out demonstrates Allianz' commitment to incorporate Euler Hermes's business into their overall strategy more deeply.

Euler Hermes recognises this upgrade in the S&P rating as a proof of the positive impact of their strategy and ongoing commitment to market excellence, as well as a recognition of their contribution to Allianz Group's strategy.

Euler Hermes appoints Virginie Fauvel as Chief Transformation Officer and Head of the Americas region

- Euler Hermes has appointed Virginie Fauvel, as Chief Transformation Officer as of January 15th, 2018, and Head of the Americas region as of April 1st, 2018.
- Once her nomination is approved by the Supervisory Board on February 9th, 2018, she will also join the Board of Management of Euler Hermes as of April, 1st, 2018.
- Her mission will be to accelerate the Group's transformation and materialize its digital ambitions

PARIS – 12 DECEMBER – Euler Hermes, the world's leading trade credit insurer, has appointed Virginie Fauvel as Chief Transformation Officer as of January 15th, 2018, and Head of the Americas region as of April 1st, 2018. Once her nomination is approved by the Supervisory Board on February 9th, 2018, she will also join the Board of Management of Euler Hermes as of April, 1st, 2018.

"I am very happy that Virginie Fauvel is joining Euler Hermes. She is an accomplished leader with a proven execution track record in the financial industry and a passion for innovation. In her new role, Virginie will be responsible for all of Euler Hermes' transformation activities. She will also supervise Euler Hermes Digital Agency as well as our Data Lab at regional and Group levels. We are at a turning point, with new trends and opportunities. I am convinced that this new organization under Virginie's leadership will allow us to further leverage our existing capabilities and develop new business models and services in order to accelerate the pace of change for our customers," said **Wilfried Verstraete, Chairman of the Euler Hermes Board of Management.**

Biography

Virginie Fauvel started her career in 1997 with Cetelem as Group CRM and Risks analytics Director. She then became Group Digital Officer in 2004 and was in charge of the e-Business BU, setting out Cetelem's global online strategy. She later headed BNP Paribas' Online Banking BU for Europe and France and founded Hello Bank!, the leading European mobile bank in Italy, France, Belgium and Germany. She joined Allianz France in 2013 as member of the executive committee, in charge of the company's digital transformation, direct, big data and AI, communication and Market Management teams. She largely contributed to driving Allianz' transformation mindset and bringing digital innovations at the heart of the company.

Virginie Fauvel graduated from the Ecole des Mines Nancy (French Graduate Engineering School).

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The Supervisory Board of Euler Hermes Group issues a favorable reasoned opinion regarding the proposed simplified cash tender offer initiated by Allianz SE

PARIS –22 DECEMBER 2017 – The Supervisory Board met on December 21, 2017 to examine the proposed simplified cash tender offer for the shares of Euler Hermes Group initiated by Allianz.

The Supervisory Board reviewed in particular Allianz' draft offer document (*projet de note d'information*).

The proposed price of 122 euros per share represents a premium of +20.7% over the closing market price prior to the announcement, and of respectively +22.9%, +22.2% and +30.8% over the three, six and twelve-month volume weighted average share prices on the same date.

In the context of the offer, Euler Hermes Group has shared its last reforecast of the 2017 net income which amounts to € 312.6 million. This reforecast includes an exceptional tax benefit related to the expected reimbursement by the French State of €28 million of taxes paid on dividends in past years.

The Supervisory Board acknowledged that, among the intentions expressed by Allianz in its draft offer document (*projet de note d'information*), Allianz continues to support the strategy of Euler Hermes Group's management and does not anticipate any change, as a result of the offer, in the industrial and financial policy and main strategic orientations currently implemented by Euler Hermes Group, beyond ordinary course of business.

The Supervisory Board also took note of the findings of Finexsi, appointed as independent expert on November 26, 2017. Finexsi finds that "*the price of €122.0 per share offered is fair from a financial point of view for the shareholders of Euler Hermes*".

The *ad hoc* committee made up of independent members of the Supervisory Board met on two occasions with the independent expert to review his findings and have an exchange with him. Having completed its work, the *ad hoc* committee recommended for the Supervisory Board to issue a favorable opinion regarding the offer and to recommend the shareholders to tender their shares into the offer.

Taking into account in particular the fairness opinion issued by the independent expert with regard to the price of the offer, the Supervisory Board considered that the offer is in the interest of the company, of its shareholders to which it offers immediate and full liquidity under favorable price conditions, and of its employees, and, as a consequence, issued a favorable opinion regarding the offer.

The Supervisory Board decided, by a unanimous vote of its independent members, to recommend the shareholders to tender their shares into the offer.

The reasoned opinion of the Supervisory Board is reproduced in full in the draft response offer document (*projet de note en réponse*) filed with the French Financial Markets Authority (*Autorité des marchés financiers*) on December 21, 2017.

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Paris – 9 February 2018

Euler Hermes 2017 full year results: Stable ordinary operating income, +10% net result

-
- **YTD revenues at 2,567 million**, up 0.4% at constant exchange rates and scope
 - **Net combined ratio** at 80.5%
 - **Stable ordinary operating income** at €376.1 million
 - **Net income** at €315.4 million, **up 10%**.
 - **Solid solvency ratio** at 166%
 - **Allianz simplified tender offer** on Euler Hermes shares **open until February 13**
-

“With a 10% growth in net result, 2017 was another year of strong performance for Euler Hermes”, said Wilfried Verstraete, chairman of the Euler Hermes board of management. “This fourth quarter confirmed premiums are back to growth in most countries. The pricing environment remains competitive, but the efforts done by our commercial teams and the various initiatives launched to better serve our customers are bearing fruits. Attritional claims remain low, which proves the robustness of our business model and the efficiency of our risk monitoring. This low level has enabled us to absorb reserves for potential large claims. On the operational side, investments in digital, processes transformation and robotization are continuing. They are key building blocks in our growth strategy and in our focus on improving the customer experience. Our main shareholder, Allianz SE announced on November 27, 2017 their decision to make a simplified cash tender offer on the Euler Hermes share capital it does not yet own. The offer period ends February 13, 2018. I do believe it is a very positive recognition of the hard work and strong results all of us have contributed to achieve and which we will continue to deliver.”

KEY FIGURES

P&L information	31 Dec. 2017	31 Dec. 2016	Variation vs.	
<i>€ million</i>		(published)	31 Dec. 2016	
Earned premiums	2,165.1	2,170.2	-5.1	-0.2%
Service revenues	401.8	399.7	2.1	0.5%
Turnover	2,566.9	2,569.9	-3.0	-0.1%
Net technical result	288.7	301.5	-12.8	-4.2%
Net investment income	87.4	75.3	12.1	16.0%
Ordinary operating income	376.1	376.8	-0.7	-0.2%
Non-ordinary operating income & expenses	-16.6	-3.5	-13.1	na
Operating income	359.5	373.3	-13.8	-3.7%
Net income, Group share	315.4	287.0	28.5	9.9%
Net claims ratio	52.6%	52.2%	0.4 pt	
Net expense ratio	27.9%	27.6%	0.3 pt	
Net combined ratio	80.5%	79.8%	0.7 pt	

Balance sheet information	31 Dec. 2017	31 Dec. 2016	Variation vs.	
<i>€ million</i>		(published)	31 Dec. 2016	
Total assets	6,663.6	6,505.9	157.7	2.4%
Shareholders' equity, Group share	2,716.2	2,622.4	93.8	3.6%
Total financial liabilities	261.6	252.2	9.3	3.7%

1. Turnover

At €2,567 million at the end of December, turnover is stable compared to last year. At constant scope and Fx, topline increased by +0.4%

Turnover € million	31 Dec. 2017	31 Dec. 2016 (published)	Variation %	31 Dec. 2016 (1)	Variation % (1)
Regions					
Germany, Austria, Switzerland (DACH)	705.2	706.4	-0.2%	712.1	-1.0%
France	416.5	403.8	3.1%	404.8	2.9%
Northern Europe	544.7	528.4	3.1%	522.4	4.3%
Mediterranean Countries, Middle East & Africa	321.9	349.9	-8.0%	348.1	-7.5%
Americas	341.1	335.3	1.7%	330.9	3.1%
Asia Pacific	144.5	148.0	-2.3%	145.5	-0.7%
Inward from non-consolidated OEs and other (2)	93.1	98.0	-5.0%	92.3	0.8%
Euler Hermes Group	2,566.9	2,569.9	-0.1%	2,556.1	0.4%

Area contribution : After intra-region eliminations & before inter-region eliminations

(1) At constant exchange rates and proforma: ECA business acquired from PwC is included starting July 2017, and a new collection business model was set up starting January 2017, impacting intragroup flows within regions (no impact at consolidated level). 2016 has been restated accordingly.

(2) Corporate entities + inter-region eliminations

Premiums are up +0.7% at constant FX, driven by satisfying commercial activity. Total new business reached €317 million, retention rate improved by 2 pts and insured volumes are showing positive growth. In terms of geographies, France, Northern Europe and Americas are driving premium growth and Germany is stabilizing while Asia was impacted by high wastage and MMEA by weaker performance.

Service revenues were positively driven by the inclusion of additional revenues of the German export guarantee business acquired from PricewaterhouseCoopers. At constant scope and FX, service revenues are lower than last year mostly due to lower information fees and the decrease of collection revenues, a natural consequence of the low claims environment.

2. Operating income

The net combined ratio increased to 80.5%, up +0.7pt compared to last year.

The net loss ratio stands at 52.6% all attachments years, up 0.4pt as compared to last year. Euler Hermes benefited from low claims frequency but this was overturned by several mid-size claims which accumulated during the year, and by an extra reserving in December to account for a specific potential claim.

The net expense ratio is at 27.9%, slightly above last year (27.6%). Increasing indirect distribution costs and higher IT and digital investments are counter balancing the first savings yielded by our restructuring plans and other efficiency measures launched since last year

Net investment income is €87.4 million, up €12.1 million compared to last year, driven by a positive foreign exchange contribution and higher realized gains. Recurring financial revenues are now stable.

As a result, the ordinary operating income amounts to €376.1 million, stable compared to last year.

Non-ordinary income and expenses include €15 million restructuring costs for additional efficiency initiatives in Northern Europe and across the Group already accounted for in Q3.

Including non-ordinary items, the operating income stands at €359.5 million.

3. Net income and dividend

Net income stands at €315.4 million, up +9.9% compared to last year. It includes an exceptional tax reimbursement from the French government on the 3% taxation on paid dividends which was deemed unconstitutional by the French Constitutional Court (“Conseil Constitutionnel”).

Based on a net result of €7.51 per share, the Euler Hermes Management Board will propose a dividend of €4.85 per share. This corresponds to a payout ratio of 64.6%.

4. Solvency II Capitalization

The published Solvency II economic ratio for Euler Hermes Group is at 166%, the same level as last year.

5. Allianz simplified tender offer

Allianz SE filed with the Autorité des Marchés Financiers (AMF) a simplified cash tender offer for Euler Hermes shares at a price of 122 euros per share, and announced its intention to implement a squeeze-out procedure in the event minority shareholders hold less than 5% of the share capital and voting rights of Euler Hermes upon completion of the offer.

The Supervisory Board of Euler Hermes considered that “the offer is in the interest of the company, of its shareholders to which it offers immediate and full liquidity under favorable price conditions, and its employees”, and accordingly, issued a favorable opinion regarding the offer and recommended to the shareholders of Euler Hermes that they tender their shares into the offer.

The AMF cleared the simplified cash tender offer which started on January 15, 2018 and is open until February 13, 2018 (included).

The results of the offer are expected to be published by the AMF on February 14, 2018.

The offer document approved by the AMF under No. 18-010 and the information relating, in particular, to the legal, financial and accounting characteristics of Allianz SE are available on the websites of the AMF (www.amf-france.org) and Allianz SE (www.allianz.com).

The response offer document approved by the AMF under No. 18-011 and the information relating, in particular, to the legal, financial and accounting characteristics of Euler Hermes are available on the websites of the AMF (www.amf-france.org) and Euler Hermes (www.fr.eulerhermes.com).

Results for 2017 full year results

P&L	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q	Variation vs.	
€ million	2017	2017	2017	2017	2016	2016	2016	2016	4Q 2016	
	———— Published data ————									
Earned premiums	537.0	539.3	533.9	554.8	542.4	530.7	540.4	556.7	-5.4	-1.0%
Service revenues	101.1	103.5	95.4	101.8	98.0	97.7	100.4	103.6	3.1	3.2%
Turnover	638.2	642.8	629.4	656.6	640.4	628.5	640.8	660.3	-2.2	-0.3%
Net technical result	52.1	76.0	76.5	84.2	74.9	74.6	73.9	78.1	-22.8	-30.5%
Net investment income	11.8	22.2	28.4	25.0	8.1	17.9	23.6	25.7	3.7	45.1%
Ordinary operating income	63.8	98.2	104.9	109.2	83.0	92.5	97.5	103.8	-19.2	-23.1%
Non-ordinary operating income & expenses	0.2	-15.4	-1.1	-0.3	-1.2	-20.1	-5.5	23.3	1.4	-119.5%
Operating income	64.1	82.8	103.8	108.9	81.8	72.4	92.0	127.2	-17.7	-21.7%
Net income, Group share	87.4	64.3	75.6	88.2	61.0	55.9	68.8	101.2	26.4	43.3%
Net claims ratio	54.9%	51.9%	50.7%	52.8%	50.9%	51.5%	52.6%	53.9%	4.0	pt.
Net expense ratio	30.5%	27.2%	28.6%	25.6%	29.3%	28.0%	27.7%	25.4%	1.2	pt.
Net combined ratio	85.3%	79.1%	79.3%	78.4%	80.1%	79.5%	80.3%	79.3%	5.2	pt.

Outlook

For the first time since 2010, the world economy is outperforming most predictions in every zone of the world, and we expect this trend to continue.

In this favorable context, Euler Hermes revenues are expected to pick up, driven by commercial efforts and diversification in specialty lines. This trend is likely to continue in 2018, in spite of a challenging pricing environment.

The claims environment will also benefit from the return of economic growth, and we expect attritional claims to remain under control. Efficiency measures have been launched, as well as investments in robotisation and process optimization, paving the way for accelerated digital transformation across functions and countries.

The first gains from these joint initiatives will materialize in 2018.

Glossary

Expense Ratio or Cost Ratio: contract acquisition expenses, administration expenses and service margin as a proportion of earned premiums. The service margin corresponds to service revenues less other ordinary operating income and expenses. It can be in “gross terms” i.e. before reinsurance, or “net terms” which includes the reinsurance commission.

Claims Ratio: claims costs from all attachment years as a proportion of earned premiums. It can be in “gross terms” i.e. before reinsurance, or “net terms” which includes the part ceded to the reinsurers.

Combined Ratio: sum of the expense ratio and the claims ratio.

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Financial and regulated information are available on Euler Hermes' website
<http://www.eulerhermes.com/finance/>

The financial documentation section includes the press release, the condensed consolidated financial statements and the presentation of the half-year results to analysts.

On Thursday, February 9th, 2018, the Group Management Board of Euler Hermes (ELE.PA), a worldwide leader in credit insurance and in the areas of bonding, surety and collections, presented its consolidated results as of December 31st, 2017 to the Euler Hermes Supervisory Board. The results have been reviewed by the Audit Committee. The audit procedures for the consolidated accounts have been completed. The audit report will be issued following the completion of the remaining audit procedures.

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Consolidated financial statements

For the year ended December 31st, 2017



EULER HERMES
Business insured. Success ensured.

Pursuant to Article 28-1 section 5 of (EC) Regulation 809/2004 of the European Commission of April 29, 2004, the Group's consolidated financial statements for the year ending December 31, 2017 (established in accordance with IFRS including comparative data for fiscal 2016 under the same standards) and for the year ending December 31, 2016 (established in accordance with IFRS including comparative data for fiscal 2015 under the same standards) and the related report of the Statutory Auditors are included by reference in this Registration Document. They appear on pages 143 to 216 of the Registration Document of the Company for financial year 2016, as registered by the AMF on April 15, 2017 under no. D. 16-0343 and on pages 131 to 210 of the Registration Document of the Company for financial year 2015, as registered by the AMF on March 27, 2016 under no. D. 15-0213.

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Consolidated statement of financial position

(in € thousands)	Notes	December 31, 2017	December 31, 2016
Goodwill	3	101 872	108 320
Other intangible assets	4	214 302	126 092
Intangible assets		316 174	234 412
Investment property	5	74 021	76 678
Financial investments	6	3 966 326	3 792 116
Derivatives		11 449	12 358
Investments		4 051 796	3 881 152
Investments accounted for at the equity method	7	205 766	202 019
Share of assignees and reinsurers in the technical reserves and financial liabilities	18	643 685	598 982
Operating property and other property, plant and equipment	5-8	43 096	43 161
Acquisition costs capitalised		86 765	85 325
Deferred tax assets	9	32 221	32 131
Inwards insurance and reinsurance receivables	10	648 221	636 821
Outwards reinsurance receivables	10	5 263	58 110
Corporation tax receivables		83 523	75 046
Other receivables	11	235 209	208 458
Other assets		1 134 298	1 139 052
Cash	12	311 880	450 281
TOTAL ASSETS		6 663 599	6 505 898
Capital stock		13 645	13 645
Additional paid-in capital		272 307	272 307
Reserves		2 068 398	1 957 663
Net income, group share		315 445	286 952
Revaluation reserve	13	84 295	87 359
Foreign exchange translation		(37 873)	4 470
Shareholders' equity, Group share		2 716 217	2 622 396
Non controlling interests	14	52 182	50 616
Total shareholders' equity		2 768 399	2 673 012
Provisions for risks and charges	15-16	422 544	437 140
Bank borrowings	17	261 568	252 219
Other borrowings		2 041	2 031
Borrowings		263 609	254 250
Non-life technical reserves	18	2 421 252	2 355 816
Liabilities related to contracts		2 421 252	2 355 816
Deferred tax liabilities	9	136 854	182 014
Inwards insurance and reinsurance liabilities	19	193 789	217 961
Outwards reinsurance liabilities	19	90 671	39 773
Corporation tax payables		45 874	12 033
Other payables	20	320 607	333 899
Other liabilities		787 795	785 680
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6 663 599	6 505 898

Consolidated income statement

	Notes	December 31, 2017	December 31, 2016
Premiums written		2 348 499	2 326 251
Premiums refunded		(147 501)	(126 416)
Change in unearned premiums		(35 864)	(29 606)
Earned premiums		2 165 134	2 170 229
Service revenues		401 814	399 677
Turnover	21	2 566 948	2 569 906
Investment income		73 668	71 444
Investment management charges		(10 758)	(11 805)
Net gain (loss) on sales of investments less impairment and depreciation writebacks		26 146	21 608
Change in fair value of investments recognised at fair value through profit or loss		(9 624)	(2 914)
Change in investment impairment provisions		(730)	(414)
Net change in foreign currency		8 684	(2 593)
Net investment income	22	87 386	75 326
Insurance services expenses		(1 090 967)	(1 088 111)
Outwards reinsurance income		533 063	522 022
Outwards reinsurance expenses		(637 144)	(639 208)
Net outwards reinsurance income or expenses	21	(104 081)	(117 186)
Contract acquisition expenses		(472 978)	(475 145)
Administration expenses		(251 259)	(227 571)
Other ordinary operating income	24	19 435	18 305
Other ordinary operating expenses	24	(378 364)	(378 686)
CURRENT OPERATING INCOME	21	376 120	376 838
Other non ordinary operating expenses	25	(16 582)	(38 548)
Other non ordinary operating income	25	-	35 049
OPERATING INCOME		359 538	373 339
Financing expenses		(6 264)	(6 191)
Share of Income from companies accounted for at the equity method	7	16 026	15 343
Corporation tax	26	(50 923)	(94 842)
CONSOLIDATED NET INCOME		318 377	287 649
o/w			-
NET INCOME, GROUP SHARE		315 445	286 952
Non controlling interests		2 932	697
			-
Earnings per share (in euros)	27	7,51	6,70
Diluted earnings per share (in euros)	27	7,51	6,70
			-
Earnings per share of continuing activities (in euros)		7,51	6,70
Diluted earnings per share of continuing activities (in euros)		7,51	6,70

Consolidated statement of other comprehensive income

(in € thousands)	December 31, 2017	December 31, 2016
NET INCOME, GROUP SHARE	315 445	286 952
Net income, Non controlling interests	2 932	697
Actuarial gains and losses on defined benefit plans net of tax	19 795	(31 319)
Other comprehensive income - Items that may never be reclassified to profit and loss	19 795	(31 319)
Available-for-sale investments - reclassification to net income	(25 645)	(13 702)
Tax impact	1 028	7 079
Available-for-sale investments - changes arising during the period	28 185	40 999
Tax impact	1 429	(8 572)
Foreign currency translation adjustments	(50 403)	(10 768)
Other comprehensive income - Items that may be reclassified to profit and loss in future periods	(45 406)	15 036
Other comprehensive income - non controlling interests share net of tax	(293)	11
Total comprehensive income	292 473	271 377
Total comprehensive income, Group share	289 834	270 669
Total comprehensive income, Non controlling interests	2 639	708

Consolidated statement of cash flows

(in € thousands)	Notes	December 31, 2017	December 31, 2016
Net income, Group share		315 445	286 952
Corporation tax		50 923	94 842
Financing expense		6 264	6 191
Minority interests		2 932	697
(Income) loss of companies accounted for at the equity method	7	(16 026)	(15 343)
Operating income before tax		359 538	373 339
Allocation to and writebacks of depreciation, amortization and reserves		63 684	85 031
Change in technical reserves		92 802	10 128
Change in deferred acquisition costs		(4 314)	(11 720)
Change in fair value of financial instruments recognised at fair value through the income statement (excluding cash and cash equivalents)		37	2 291
Realised capital (gains)/losses net of writebacks		(26 440)	(56 788)
Unrealised foreign exchange (gain) loss in company accounts		(20 223)	6 719
Interest revenues received accrued		2 822	8 252
Adjustment for elements included in operating income that do not correspond to cash flows and reclassification of financing and investment flows		108 368	43 913
Dividends received from companies accounted for at the equity method	7	9 922	9 284
Change in liabilities and receivables relating to insurance and reinsurance transactions		53 365	(92 663)
Change in operating receivables and liabilities		(38 513)	34 449
Change in other assets and liabilities		(12 286)	(5 939)
Corporation tax		(84 350)	(139 501)
Cash flow related to operating activities		(71 862)	(194 370)
CASH FLOW FROM OPERATING ACTIVITIES		396 044	222 882
Acquisitions of subsidiaries and joint ventures, net of acquired cash		-	-
Disposals of subsidiaries and joint ventures, net of ceded cash		-	34 385
Acquisitions of equity interests in companies accounted for at the equity method	7	-	(3 570)
Disposals of equity method investments		-	10 712
Cash flow linked to changes in the consolidation scope		-	41 527
Disposals of AFS securities		879 152	945 389
Matured HTM securities		-	-
Disposals of investment properties		10	-
Disposals of securities held for trading		5 009	4 725
Cash flow linked to disposals and redemptions of investments		884 171	950 114
Acquisitions of AFS securities		(1 263 070)	(866 250)
Acquisitions of HTM securities		-	-
Acquisitions of investment and operating properties	5	(114)	(435)
Acquisitions of trading securities		(4 376)	(4 222)
Cash flow linked to acquisitions of investments		(1 267 560)	(870 907)
Disposals of other investments and intangible assets ⁽¹⁾		325 578	2 804 241
Acquisitions of other investments and intangible assets ⁽¹⁾		(273 866)	(2 677 352)
Cash flow linked to acquisitions and disposals of other investments and intangible assets		51 712	126 889
Disposal of Assets classified as Held for Sale		-	1 609
Acquisition of Assets classified as Held for Sale		-	-
Cash flow linked to acquisitions and disposals of Assets classified as Held for Sale		-	1 609
CASH FLOW FROM INVESTING ACTIVITIES		(331 677)	249 232

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

Consolidated statement of cash flows

(in € thousands)	Notes	December 31, 2017	December 31, 2016
Increases and decreases in capital		-	(193 565)
<i>Decreases in capital</i>		-	(193 565)
Transactions between shareholders		-	292
Change in treasury stock		714	26 312
Dividends paid		(197 728)	(198 627)
Cash flow linked to transactions with the shareholders		(197 014)	(365 588)
Changes in debts and subordinated securities		9 518	4 229
<i>Issue</i>		4 798	22 864
<i>Repayment</i>		4 720	(18 635)
Interest paid		(6 264)	(6 194)
Cash flow from Group financing		3 254	(1 965)
CASH FLOW FROM FINANCING ACTIVITIES		(193 760)	(367 553)
Impact of foreign exchange differences on cash and cash equivalents		(10 414)	317
Reclassification		1 395	(15)
OTHER NET CHANGES IN CASH		(9 019)	302
Change in cash flows		(138 412)	104 863
Change in cash and cash equivalents		(138 412)	104 863
Cash and cash equivalents at beginning of period	12	450 277	345 414
Cash and cash equivalents at end of period	12	311 865	450 277

During 2017, the cash position decreased by €138,412 thousand.

- Cash flows from operating activities increased by €173.2 million with respect to 2016, from €222.9 million in 2016 to €396 million in 2017, while net income was fairly similar in both years. This is mainly explained by the increase in technical provisions (from €10.1 million in 2016 to €92.8 million in 2017) and the decrease in cash outflows related to operating activities (€194.4 million in 2016 to €71.9 million in 2017).
- Investment activities contributed to a €331.7 million net cash outflow in 2017 against a €249.2 million net cash inflow in 2016, mainly due to increasing new investments net of disposals in AFS securities (-€383.9 million in 2017 against €-79.1 million in 2016).
- Cash outflows resulting from the financing activities decreased from €367.6 million in 2016 to €193.8 million in 2017. The flows in 2016 were affected by the buyback of Euler Hermes shares from Allianz Vie, an operation that decreased the share capital by €167 million.

Consolidated statement of changes in equity

For the year 2017

(in € thousands)	Capital stock	Additional paid-in capital	Consolidation reserve and Retained earnings	Revaluation reserve	Translation reserve	Treasury shares	Shareholders' equity, group share	Non controlling interests	Total shareholders' equity
Opening Shareholders' equity	13 645	272 307	2 275 897	87 359	4 470	(31 282)	2 622 396	50 616	2 673 012
Available-for-sale assets (AFS)									
Measurement gain / (loss) taken to shareholders' equity	-	-	-	29 614	-	-	29 614	-	29 614
Impact of transferring realised gains and losses to income statement	-	-	-	(24 617)	-	-	(24 617)	-	(24 617)
Actuarial gain / (loss) on defined benefit plans	-	-	19 795	-	-	-	19 795	3	19 798
Impact of translation differences	-	-	-	(8 060)	(42 343)	-	(50 403)	(296)	(50 699)
Components of other comprehensive income net of tax	-	-	19 795	(3 063)	(42 343)	-	(25 611)	(293)	(25 904)
Net income for the year	-	-	315 445	-	-	-	315 445	2 932	318 377
Comprehensive income of the period	-	-	335 240	(3 063)	(42 343)	-	289 834	2 639	292 473
Capital movements	-	-	-	-	-	557	557	(1)	556
Dividend distributions	-	-	(196 656)	-	-	-	(196 656)	(1 072)	(197 728)
Cancellation of gains/losses on treasury shares	-	-	-	-	-	157	157	-	157
Transaction between shareholders	-	-	(15)	-	-	-	(15)	-	(15)
Other movements	-	-	(55)	(1)	-	-	(56)	-	(56)
Closing Shareholders' equity	13 645	272 307	2 414 411	84 295	(37 873)	(30 568)	2 716 217	52 182	2 768 399

As at December 31, 2017, the share capital of Euler Hermes Group consists of 42,641,635 fully paid-up shares. At the same date Euler Hermes Group holds 619,189 treasury shares.

During the period, the decrease in the revaluation reserve totaled €3,064 thousand net of taxes, including €29,614 thousand gain due to re-evaluation at market value of available-for-sale (AFS) investments, recorded in revaluation reserve, and €-24,617 thousand realized gains on AFS disposals, recognized in the income statement.

The decrease in translation reserves by €42,343 thousand during the exercise relates mainly to the US dollar for an impact of €-32,318 thousand, the Hong Kong dollar for €-5,388 thousand and the British pound for €-2,404 thousand.

For the year 2016

(in € thousands)	Capital stock	Additional paid-in capital	Consolidation reserve and Retained earnings	Revaluation reserve	Translation reserve	Treasury shares	Shareholders' equity, group share	Non controlling interests	Total shareholders' equity
Opening Shareholders' equity	14 510	465 007	2 216 689	65 772	11 037	(57 594)	2 715 421	61 807	2 777 228
Available-for-sale assets (AFS)									
Measurement gain / (loss) taken to shareholders' equity	-	-	-	32 427	-	-	32 427	-	32 427
Impact of transferring realised gains and losses to income statement	-	-	-	(6 623)	-	-	(6 623)	-	(6 623)
Actuarial gain / (loss) on defined benefit plans	-	-	(31 319)	-	-	-	(31 319)	(4)	(31 323)
Impact of translation differences	-	-	-	(4 201)	(6 567)	-	(10 768)	15	(10 753)
Components of other comprehensive income net of tax	-	-	(31 319)	21 603	(6 567)	-	(16 283)	11	(16 272)
Net income for the year	-	-	286 952	-	-	-	286 952	697	287 649
Comprehensive income of the period	-	-	255 633	21 603	(6 567)	-	270 669	708	271 377
Capital movements	(865)	(192 700)	-	-	-	26 163	(167 402)	14	(167 388)
Dividend distributions	-	-	(196 640)	-	-	-	(196 640)	(1 987)	(198 627)
Cancellation of gains/losses on treasury shares	-	-	-	-	-	149	149	-	149
Transaction between shareholders	-	-	70	-	-	-	70	(9 926)	(9 856)
Other movements	-	-	145	(16)	-	-	129	-	129
Closing Shareholders' equity	13 645	272 307	2 275 897	87 359	4 470	(31 282)	2 622 396	50 616	2 673 012

Notes to the consolidated financial statement

Note 1 Significant events

Changes in the share capital and in share ownership

As at December 31, 2017, the Allianz group owned 33,253,422 shares out of a total of 42,641,635 shares, corresponding to 77.98% of the share capital of Euler Hermes Group. This increase followed several transactions, representing 14.98% of the share capital, which took place since the cash tender offer was launched. Euler Hermes Group is integrated into the Allianz consolidation scope. As at December 31, 2017, Euler Hermes Group's share capital was composed of 42,641,635 shares, including 619,189 shares held in treasury stock.

Simplified cash tender offer by Allianz SE

Allianz SE filed with the *Autorité des Marchés Financiers* (AMF) a simplified cash tender offer for Euler Hermes shares at a price of 122 euros per share, and announced its intention to implement a squeeze-out procedure in the event minority shareholders hold less than 5% of the share capital and voting rights of Euler Hermes upon completion of the offer.

The Supervisory Board of Euler Hermes considered that "the offer is in the interest of the company, of its shareholders to which it offers immediate and full liquidity under favorable price conditions, and its employees", and accordingly, issued a favorable opinion regarding the offer and recommended to the shareholders of Euler Hermes that they tender their shares into the offer.

The AMF cleared the simplified cash tender offer which started on January 15, 2018 and is open until February 13, 2018 (included). The results of the offer are expected to be published by the AMF on February 14, 2018.

Blue Europe III: realization of cross-border merger

The cross border merger of Euler Hermes Hellas into Euler Hermes SA (NV) has been authorized by the National Bank of Belgium and the Bank of Greece, and completed on December 29, 2017, with retroactive effect from January 1st, 2017.

German Export Credit Agency activities acquisition

As of July 1st, 2017, EH Deutschland AG acquired the remaining 33% share of the German Export Credit Agency activities that were provided by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft and 100% of the German United Loan Guarantee activities. The Export Credit Agency is now run fully by EH AG.

The contractual purchase price consists of the value of the contractual relationship with the German Federal Government (€83.7 million including acquisition costs) minus the pension liability (€12.6 million) and other staff-related liabilities, or a net value of 70.2 million euros. The contractual relationship has been accounted as an intangible asset. The useful life of this intangible asset will be considered to be indefinite, as there is no foreseeable limit to the period over which the identified intangible asset is expected to generate net cash inflows to Euler Hermes.

3% taxation on paid dividends ruled unconstitutional

On October 6, 2017, the French constitutional authority ("Conseil constitutionnel") ruled the 3% taxation on paid dividends unconstitutional. As a consequence, as at December 31, 2017, Euler Hermes Group recognized a €31.0 million tax income including €2.6 million interests, corresponding to the reimbursement to be obtained from the French State. As at December 2017, €19.2 million had already been refunded in cash to Euler Hermes Group by the French State.

Productivity plans

In the continuity of the initiatives implemented last year in Germany and France, Euler Hermes has launched additional plans in Northern Europe and across the Group and a restructuring cost of €15 million has been booked at the end of December 2017 for these new initiatives.

The Alchemy project is the most significant program. It consists in further developing Competence Centers throughout EH Northern Europe in several areas (Policy Administration, Risk and Information, Claims and Collection and Finance). As a result, EH Northern Europe intends to reallocate part of the workforce in the Region towards its existing Competence Centers. Provisions have also been booked for the OneFinance project. Its aim is to further centralize the accounting and treasury functions.

Notes to the consolidated financial statements

Note 2 IFRS accounting and valuation rules

Euler Hermes Group is a company domiciled in France. The headquarters of Euler Hermes Group are located 1, Place des Saisons 92048 Paris – La Défense Cedex. The consolidated financial statements as at December 31, 2017 include Euler Hermes Group and its subsidiaries (the whole designated as “the Group” and each subsidiary individually as “the entity of the Group”) and the quota-share of the Group in its associated companies or joint ventures.

Euler Hermes Group is registered in RCS with the reference number 552 040 594.

The financial statements of the Group as at December 31, 2017 were approved by the Group Management Board of February 8, 2018 and presented to the Supervisory Board of February 9, 2018. They will be submitted for validation to the Shareholders' Meeting of May 30, 2018.

2.1. General Principles

In accordance with European regulation no. 1606/2002 of July 19, 2002, the consolidated financial statements published as at December 31, 2017 were prepared in accordance with IFRS as adopted by the European Union. International accounting standards comprise IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards), together with their interpretative texts.

The standards and interpretations applied stem essentially from:

- IAS/IFRS and their interpretative texts whose application is mandatory at December 31, 2017 as adopted by the European Union;
- Guidance provided in CNC recommendation no. 2013-R05 relating to the format of financial statements prepared by insurance firms under international accounting guidelines.

The financial statements are presented in euros, the functional currency, rounded to the nearest thousand. They have been prepared on a historical cost basis except for asset and liability items relating to insurance policies, which are measured in accordance with the methods already applied by the Group and for financial instruments measured at fair value (financial instruments at fair value through the consolidated income statement and available-for sale financial instruments). Non-current assets and groups of assets held with a view to being sold are measured at the lower of carrying amount and fair value less selling costs.

2.2. Changes in the accounting framework applicable to the Group in 2017

Standards, amendments and interpretations for which application is mandatory from January 1st, 2017 :

No new standard, amendment or interpretation with significant impact on the financial statements of the Group, is mandatory for the Group from January 1st, 2017.

Early application of standards

The Group has not early adopted standards and interpretations that are not yet mandatorily effective as of January 1st, 2017.

Recently issued IFRS accounting standards

- IFRS 9, Financial Instruments

IFRS 9, “Financial Instruments”, was issued by the IASB in July 2014 and will fully replace IAS 39. IFRS 9 provides a new approach on how to classify financial instruments based on their cash flow characteristics and the business model under which they are managed. Furthermore, the standard introduces a new impairment model for debt instruments and provides new rules for hedge accounting. The effective date is January 1, 2018.

In 2016, the IASB issued an amendment to IFRS 4 that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before January 1, 2021, provided certain preconditions are met. These preconditions, which relate to insurance being the dominant activity of a reporting entity, are fulfilled by the Group and it is planned to make use of this option. It can be assumed that the main impact from IFRS 9 will arise from the new classification rules leading to more financial instruments being measured at fair value through profit and loss as well as from the new impairment model.

Notes to the consolidated financial statements

- IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers". IFRS 15 supersedes IAS 18, IAS 11, and a number of revenue-related interpretations. With the introduction of IFRS 15, the IASB pursued the objective of developing a single revenue standard containing comprehensive principles for recognizing revenue. The effective date is January 1, 2018.

The Group has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements and does not expect that there will be a significant impact.

- IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, "Leases", which supersedes IAS 17. IFRS 16 eliminates the classification of leases as either operating or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases under IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases and leases of low-value assets.

The Group has started an initial assessment of the potential impact of the application of IFRS 16 on its consolidated financial statements and does not expect that there will be a significant impact.

The Group currently plans to apply IFRS 16 as of January 1, 2019.

2.3. Consolidation scope

The liquidation of the Pimco Funds Ireland was executed on April 25, 2017; consequently following its assets have been transferred to its parent entities, Euler Hermes Reinsurance AG and Euler Hermes SA, (NV) on April 20, 2017.

The company Financière Aldebaran has been renamed 35° East on May 18, 2017 and its corporate purpose reformulated as: the development and commercialization of IT and digital solutions directly or indirectly related to corporate financing, commercial intelligence, debt recovery, factoring, credit insurance and studies and services directly or indirectly related thereto; as well as trends watch activities, innovation consulting; experimentation, acculturation to innovation, digital transformation and support for digital transformation. On June 30, 2017, the shares of 35° East were transferred from the French branch of Euler Hermes SA to Euler Hermes Group SA at a price of €450 thousand.

Euler Hermes Group created a Professional Capital Investment Fund on July 2017, with the purpose to invest directly or indirectly into innovative companies active mainly in digital initiatives. EH Digital Ventures is an equity fund set up with an initial investment of €1,000 thousand and a commitment to invest up to an amount of €10,000 thousand.

On September 7, 2017, a share purchase agreement was signed between Allianz Finance II Luxembourg s.à.r.l and several Allianz Group entities to invest in a new investment vehicle named YAO Investments S.à.r.l. at a pre-defined and fixed holding rate. As at December 31, 2017 Euler Hermes SA (NV) holds 4,56% of the capital, for a total amount of €3,114 thousand. The Euler Hermes Group has no control over this investment. As a result, it is recognized in non-consolidated securities at amortized cost in the consolidated financial statements of Euler Hermes Group SA.

On December 29, 2017, Euler Hermes Collection sp. Z.o.o. has acquired all the assets and liabilities of Euler Hermes Services Polska sp. Z o.o., and the two companies have been merged. The merger has been followed by the dissolution of the Polish services company and a capital increase of Euler Hermes Collection to the benefit of the common shareholder Euler Hermes Group SA. The plan merger was agreed by the two companies Management Board on July 19, 2017.

In the Blue Europe III framework, the Greek insurance company Euler Hermes Hellas Credit Insurance SA was merged with the company Euler Hermes SA (NV) with retroactive effect from January 1, 2017.

On December 29, 2017, Euler Hermes SA (NV) created a new bond fund EH 39 Ouest for an amount of €500 thousand.

Notes to the consolidated financial statements

2.4. List of consolidated companies

French companies	Consolidation	December 31, 2017		December 31, 2016	
	Method	% control	% interest	% control	% interest
Euler Hermes Group SA ⁽¹⁾ 1, place des Saisons - 92048 Paris-La-Défense Cédex N°Siren : 552 040 594	Held by Allianz SA: 77,98%			Parent company	Parent company
Bilan Services SNC 25, boulevard des Bouvets - 92000 Nanterre N°Siren : 333 192 631	Full	50,00	50,00	50,00	50,00
Euler Hermes Asset Management SA 1, place des Saisons - 92048 Paris-La-Défense Cédex N°Siren : 422 728 956	Full	100,00	100,00	100,00	100,00
Euler Hermes Services SAS 1, place des Saisons - 92048 Paris-La-Défense Cédex N°Siren : 414 960 377	Full	100,00	100,00	100,00	100,00
Euler Hermes Crédit France 1, place des Saisons - 92048 Paris-La-Défense Cédex N°Siren : 388 236 853	Full	100,00	100,00	100,00	100,00
Euler Hermes Recouvrement France 1, place des Saisons - 92048 Paris-La-Défense Cédex N°Siren : 388 238 026	Full	100,00	100,00	100,00	100,00
Euler Hermes World Agency 1, place des Saisons - 92048 Paris-La-Défense Cédex N°Siren : 487 550 907	Full	100,00	100,00	100,00	100,00
Gie Euler Hermes SFAC Services 1, place des Saisons - 92048 Paris-La-Défense Cédex N° Siren : 393 302 708	Full	100,00	100,00	100,00	100,00
Financière Callisto 1, place des Saisons - 92048 Paris-La-Défense Cédex N° Siren : 503 326 514	Full	100,00	100,00	100,00	100,00
Euler Hermes Real Estate 87 rue Richelieu 75002 Paris N° Siren : 488 480 567	Full	60,00	60,00	60,00	60,00
35° Est (former Financière Aldebaran) 1, place des Saisons - 92048 Paris-La-Défense Cédex N° Siren : 493 467 609	Full	100,00	100,00	100,00	100,00
Euler Hermes Digital Venture 1, place des Saisons - 92048 Paris-La-Défense Cédex N° ISIN : FR0013260205	Full	100,00	100,00		
EH 39° Ouest 1, place des Saisons - 92048 Paris-La-Défense Cédex N° ISIN : FR0013295482	Full	100,00	100,00		

⁽¹⁾ Proportion held is based on a total of 42 641 635 shares (before restatement of treasury shares).

Full: Full Integration; Proportional: Proportional Integration; Equity: Equity Method Accounting; NC: Not consolidated
NB: Percentages of control and interest are determined on the last day of the financial period.

Notes to the consolidated financial statements

Foreign companies	Country	Consolidation Method	December 31, 2017		December 31, 2016	
			% control	% interest	% control	% interest
Euler Hermes Australia Pty Ltd Level 9, Forecourt Building, 2 Market Street Sydney NSW 2000	Australia	Full	100,00	100,00	100,00	100,00
Acredia Versicherung AG Himmelfortgasse 29 - 1010 Vienne	Austria	Equity	49,00	49,00	49,00	49,00
OeKB EH Beteiligungs- u. Manag Strauchgasse 1-3 - 1011 - Vienne	Austria	Equity	49,00	49,00	49,00	49,00
Euler Hermes SA (NV) Avenue des Arts, Kunstlaan 56 - 1000 Bruxelles - RC Bruxelles : 45 8033	Belgium	Full	100,00	100,00	100,00	100,00
Euler Hermes Services Belgium SA (NV) Avenue des Arts, Kunstlaan 56 - 1000 Bruxelles - RC Bruxelles : 45 8033	Belgium	Full	100,00	100,00	100,00	100,00
Euler Hermes Patrimonia 56, avenue des Arts, A - 1000 Bruxelles	Belgium	Full	100,00	100,00	100,00	100,00
Euler Hermes South Express SA Avenue du Port 86C, Box 204 - B - 1000 Bruxelles	Belgium	Full	100,00	100,00	100,00	100,00
Euler Hermes Seguros de Crédito SA Av. Paulista, 2.421, 3º and. - Jardim Paulista - São Paulo-SP CEP 01311-300	Brazil	Full	100,00	100,00	100,00	100,00
Euler Hermes Serviços de Gestão de Riscos Ltda Av. Paulista, 2.421, 3º and. - Jardim Paulista - São Paulo-SP CEP 01311-300	Brazil	Full	100,00	100,00	100,00	100,00
Euler Hermes Services Bulgaria EOOD 82 Patriarch Evtimii Blvd. - 1463 Sofia	Bulgaria	Full	100,00	100,00	100,00	100,00
Euler Hermes Canada Services 1155, René-Lévesque Blvd West, suite 2810 - Montréal H3B 3Z7	Canada	Full	100,00	100,00	100,00	100,00
Euler Hermes information Consulting (Shanghai) Co., Ltd Unit 2103, Taiping Finance Tower, 488 Middle Yincheng Road, Pudong New Area, Shanghai, 200120, PRC	China	Full	100,00	100,00	100,00	100,00
CPPIC Euler Hermes Insurance Sales Co., Ltd Taiping Finance Tower, No. 488 Middle Yincheng, Shanghai, 200120, PRC	China	Equity	50,00	49,00	50,00	49,00
Euler Hermes Service, Česká republika, s.r.o. Molákova 576/11, 186 00 Prague 8	Czech Republic	Full	100,00	100,00	100,00	100,00
Euler Hermes Rating Deutschland GmbH Friedensallee 254 - D-22763 Hamburg	Germany	Full	100,00	95,01 ⁽³⁾	100,00	95,01 ⁽³⁾
Euler Hermes Collections GmbH Zeppelin Str. 48 - DE-14471 - Potsdam	Germany	Full	100,00	100,00	100,00	100,00
Euler Hermes Aktiengesellschaft Friedensallee 254 D-22763 - Hamburg	Germany	Full	100,00	100,00	100,00	100,00
Euler Hermes Hellas Credit Insurance SA 16 Laodikias Street - 1-3 Nymfeou Street - 115 28 Athènes	Greece	Liquidated in 2017 ⁽²⁾			100,00	100,00
Euler Hermes Emporiki Services Ltd 16 Laodikias Street - 1-3 Nymfeou Street - 115 28 Athènes	Greece	Full	100,00	100,00	100,00	100,00
Euler Hermes Hong Kong Services Limited Suites 403-11, 4/F, Cityplaza 4 - 12 Taikoo Wen Road - Taikoo Shing, Hong Kong	Hong Kong	Full	100,00	100,00	100,00	100,00
Euler Hermes Magyar Követeléskezelő Kft. Kiscelli u.104 - 1037 Budapest	Hungary	Full	100,00	100,00	100,00	100,00
Euler Hermes Services India Private Limited 4th Floor, Voltas House - 23, J N Heredia Marg - Ballard Estate - Mumbai 400 001	India	Full	100,00	100,00	100,00	100,00
Euler Hermes Service Ireland Ltd Allianz House, Elmpark, Merrion Road, Dublin 4	Ireland	Full	100,00	100,00	100,00	100,00
Pimco Funds Ireland Styne House - Upper Hatch Street - Dublin 2	Ireland	Liquidated in 2017 ⁽⁴⁾			100,00	100,00
Israël Credit Insurance Company Ltd (ICIC) 2, Shenkar Street - 68010 Israël - Tel Aviv	Israel	Equity	50,00	50,00	50,00	50,00
Euler Hermes Services Italia SRL Via Raffaello Matarazzo,19 - 00139 Rome	Italy	Full	100,00	100,00	100,00	100,00
Euler Hermes Japan Services Ltd New Otani Garden Court 10F, 4-1 Kioi-cho, Chiyoda-ku - Tokyo 102-0094	Japan	Full	100,00	100,00	100,00	100,00
Euler Hermes Korea Non-life Broker Company Limited 51 JongRo-gu, JongRo - Seoul	Korea	Full	100,00	100,00	100,00	100,00
Euler Hermes Ré 19, rue de Bitbourg - L-2015 Luxembourg	Luxembourg	Full	100,00	100,00	100,00	100,00
Euler Hermes Luxembourg Holding SARL 37, rue d'Anvers - L.1130 Luxembourg	Luxembourg	Full	100,00	100,00	100,00	100,00
Euler Hermes Acmar 37, boulevard Abdellatif Ben Kaddour - 20050 Casablanca	Morocco	Full	55,00	55,00	55,00	55,00
Euler Hermes Acmar Services 37, boulevard Abdellatif Ben Kaddour - 20050 Casablanca	Morocco	Full	55,00	55,00	55,00	55,00

⁽²⁾ Dissolved following the merger into Euler Hermes SA (NV)

⁽³⁾ Capital increase subscribed by Moody's Corporation for 4.99% stake

⁽⁴⁾ Transfer of assets and liabilities into the parent companies Euler Hermes SA (NV) and Euler Hermes Reinsurance AG as at April 25, 2017 prior to liquidation

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

NB: Percentages of control and interest are determined on the last day of the financial period.

Notes to the consolidated financial statements

Foreign companies	Country	Consolidation Method	December 31, 2017		December 31, 2016	
			% control	% interest	% control	% interest
Euler Hermes Services BV Pettelaarpark 20 - Postbus 70571 - NL-5216 PD's-Hertogenbosch	Netherlands	Full	100,00	100,00	100,00	100,00
Euler Hermes New Zealand Limited Level 1, Lumley Center, 152 Fanshawe Street, Auckland 1010	New Zealand	Full	100,00	100,00	100,00	100,00
Euler Hermes Collections Sp. z o.o. ul. Al. Jerozolimskie 98, 00-807 Warsaw	Poland	Full	100,00	100,00	100,00	100,00
Towarzystwo Ubezpieczen Euler Hermes SA ul. Al. Jerozolimskie 98, 00-807 Warsaw	Poland	Full	100,00	100,00	100,00	100,00
Euler Hermes, Mierzejewska-Kancelaria Prawna Sp.k ul. Al. Jerozolimskie 98, 00-807 Warsaw	Poland	Full	99,98	99,98	99,98	99,98
Euler Hermes Services Sp. z.o.o. ul. Al. Jerozolimskie 98, 00-807 Warsaw	Poland	Liquidated in 2017 ⁽⁹⁾			100,00	100,00
Biuro Informacji Gospodarczej Euler Hermes Spółka Akcyjna ul. Al. Jerozolimskie 98, 00-807 Warsaw	Poland	Full	100,00	100,00	100,00	100,00
Companhia de Seguro de Creditos S.A. (COSEC) Avenida de Republica, n° 58 - 1069-057 Lisboa	Portugal	Equity	50,00	50,00	50,00	50,00
Euler Hermes Services Romania SRL Oregon Park, Sos. Pipera Nr. 46D-46E-48, Building B, 1st Floor, District 2, 020112 Bucharest	Romania	Full	100,00	100,00	100,00	100,00
Ooo Euler Hermes Credit Management ul. Krymskij Val3, 2, Office 210 - 119049 Moscow	Russia	Full	100,00	100,00	100,00	100,00
LLC "IC" Euler Hermes RU 8 Office C08, 4-th Dobrynskiy per.8 - 119049 Moscow	Russia	Full	100,00	100,00	100,00	100,00
Euler Hermes Singapore Services Pte Ltd. 12 Marina View - # 14-01 Asia Square Tower 2 - Singapore 018961	Singapore	Full	100,00	100,00	100,00	100,00
Euler Hermes Services Slovensko, s.r.o Plynařenska 7/A, 82109 Bratislava	Slovakia	Full	100,00	100,00	100,00	100,00
Euler Hermes Services South Africa LTD The Firs, 2nd Floor, 32A Cradock Avenue, Rosebank, 2196	South Africa	Full	100,00	100,00	100,00	100,00
Solucion Compañia Internacional de Seguros y Reaseguros SA Avenida General Peron, 40 - 28020 Madrid	Spain	Equity	50,00	50,00	50,00	50,00
Euler Hermes Service AB Klara Norra Kyrkogata 29 - SE 101 34 Stockholm	Sweden	Full	100,00	100,00	100,00	100,00
Euler Hermes Services Schweiz AG Richtplatz 1 - Postfach CH-8304 Wallisellen	Switzerland	Full	99,50	99,50	99,50	99,50
Euler Hermes Reinsurance AG Richtplatz 1 - Postfach CH-8304 Wallisellen	Switzerland	Full	100,00	100,00	100,00	100,00
Euler Hermes Taiwan Services 15F, NO.170, Tun Hwa N.R.D. - 10548 Taipai	Taiwan	Full	100,00	100,00	100,00	100,00
Euler Hermes Services Tunisia 6, rue Ibn Hazm, Cité Jardins, Le Belvédère - 1002 Tunis	Tunisia	Full	100,00	100,00	100,00	100,00
Euler Hermes Risk Yönetimi Büyükdere caddesi Maya Akar Center, B Blok Kat:7 34394 Esentepe, Istanbul	Turkey	Full	100,00	100,00	100,00	100,00
Euler Hermes Sigorta Anonim Sirketi Büyükdere caddesi Maya Akar Center B Blok Kat:7 34394 Esentepe, Istanbul	Turkey	Full	100,00	100,00	100,00	100,00
Euler Hermes Services GCC Limited Dubai International Financial Centre - Dubai	United Arab Emirates	Full	100,00	100,00	100,00	100,00
Euler Hermes Services UK Ltd 01 , Canada Square - London E14 5DX	United Kingdom	Full	100,00	100,00	100,00	100,00
Euler Hermes North America Insurance company 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100,00	100,00	100,00	100,00
Euler Hermes Services North America, LLC 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100,00	100,00	100,00	100,00
Euler Hermes Collection North America Company 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100,00	100,00	100,00	100,00
Euler Hermes North America Holding Inc 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100,00	100,00	100,00	100,00

⁽⁹⁾ Dissolved following the merger into Euler Hermes Collections Sp. z o.o. on 29.12.2017

According to the German Commercial Code (section 264-b), some companies are exempted from preparing single financial statements as they are included in the consolidated financial statements of the Group.

Notes to the consolidated financial statements

2.5. Consolidation principles and methods

Business combinations

Business combinations are accounted for using the acquisition method. This method requires identifying the acquirer, determining the acquisition date which is the date on which control is transferred to the Group, recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the investee; and recognising and measuring goodwill or a gain from a bargain purchase. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recorded amount of any non-controlling interests in the acquires; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquires; less
- the net recorded amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recorded immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recorded in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not measured again and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recorded in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquired's employees (acquired's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquired's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions of non-controlling interests

Dilution and accretion transactions in entities controlled by the Group are recognized as transactions in equity, as they are transactions performed by the owners of the company acting in this capacity.

Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the subsidiary's net assets.

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date at which control starts until the date at which control ceases.

Currently the Group has holdings of less than 20% in certain mutual funds which are not consolidated. Controlling of more than 50% in other mutual funds is consolidated using the full consolidation method. This concerns the following mutual funds:

- Euler Hermes Real Estate;
- Euler Hermes Patrimonia;
- Euler Hermes South Express SA;
- Euler Hermes 39 Ouest.

The Group owns 100% of these mutual funds, except Euler Hermes Real Estate, 60%-owned.

Notes to the consolidated financial statements

Loss of control

At the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recorded in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date when control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Investments in associates and jointly controlled entities (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method. Under the equity method, on initial recognition the investment in an associate or a joint venture is recorded at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control begins until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment (including any long-term interests that part form thereof) is reduced to zero, and the recognition of further losses is discontinued except if the Group has an obligation to participate in losses or has made payments on behalf of the investee.

Holdings in such companies are accounted for using the equity method. These companies are:

- OeKB EH Beteiligungs- und Management AG;
- Companhia de Seguro de Creditos SA (COSEC);
- Israel Credit Insurance Company Ltd (ICIC);
- Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA;
- CPPIC Euler Hermes Insurance Sales Co., Ltd.

Jointly controlled operations

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operation. The consolidated financial statements include the assets that the Group controls, the liabilities that it incurs in the course of pursuing the joint operation and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

At the end of December 2017, Euler Hermes Group no longer holds any jointly controlled operation.

2.6. Eliminations on consolidation

Income and expenses arising from intra-group transactions are eliminated during the preparation of the consolidated financial statements. Income and expenses arising from transactions with joint ventures are eliminated to the extent of the Group's share in the company concerned.

2.7. Financial year and year-end dates

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

Notes to the consolidated financial statements

2.8. Use of estimates

The production of the consolidated financial statements of the Group is based on estimates for a part of assets and liabilities items. The management is called upon to review these estimates in the event of changes that may alter the basis on which they have been established or due to the consideration of new information or accrued experience.

The estimates concerning technical provisions are also detailed in the section 4 "Major risk factors and their management within the Group".

The table below summarizes the assessment methods of estimates for the main aggregates of the balance sheet:

	Estimate	Communicated Information
Note 3	Impairment of goodwill	An impairment of goodwill is recognised when the higher of the Cash Generating Unit's value in use (present value of future cash flows) and fair value less any selling costs is less than its carrying amount (share of net assets and goodwill). The fair value of the Cash Generating Unit's is based on assumptions of capital costs, growth rate to infinity and loss ratio & standard retention rates used in the calculation of the final values.
Note 5	Fair value of real estate held for investments & for use	The fair value of buildings is estimated based on market prices, adjusted, where applicable, to take into account the nature, location or other specific features of the building concerned.
Note 15	Provisions for risks and charges	Provisions for risks and charges are measured in accordance with IAS 37 and are reviewed and adjusted at each balance sheet date to reflect the best estimate at this date.
Note 16	Employee benefits	The related commitments are measured in accordance with IAS 19 Revised and are reviewed yearly by independent actuaries. The commitment is recognized in the balance sheet using the projected unit credit method, based on the group actuarial assumptions.
Note 18	Earned but not recorded premiums reserves	This reserve is established based on the estimate of the amount of premiums expected on the period less the amount of premiums recorded on the period.
Note 18	Provisions for salvages & recoveries	This reserve represents the estimate of potential recoveries on settled claims by a statistical calculation based on the evolution of salvages & recoveries by year of attachment on previous exercises. They take into consideration a provision for administration charges determined in accordance with actual observed expenses.
Note 18	Bonus & profit commission reserve	This reserve is intended to cover the future cost corresponding to premium rebates to be granted to policyholders under the terms of policies giving policyholders a share in their technical positive results.
Note 18	Reserves for claims payable	This reserve corresponds to a statistical estimate of the cost of all outstanding claims, that is to say claims reported but not yet settled.
Note 18	IBNR reserve	IBNR reserves are established to recognize the estimated cost of losses that have occurred but where the Group has not yet been notified. The Group relies on its past experience, adjusted for current trends and any other relevant factors to estimate IBNR reserves. IBNR are estimates based on actuarial and statistical projections of the expected cost of ultimate settlement and administration of claims. The analyses are based on facts and circumstances known at the time, predictions of future events, and other economic factors.
Note 30	Share-based compensation plans	The fair value of the liabilities resulting from the Allianz and Euler Hermes Group SAR (Stock Appreciation Rights) and RSU (Restricted Stocks Units) plans is reassessed at each balance sheet date based on the Allianz share price and Euler Hermes Group share price, until expiry of the obligation. The fair value from SAR and RSU is calculated using the Cox-Ross-Rubinstein binomial valuation model.

2.9. Translation

Translation of transactions denominated in a foreign currency

In accordance with IAS 21, transactions denominated in foreign currencies (currencies other than the operating currency) are translated into the currency used by the Group for operating at the transaction rate; the subsidiaries use average rates (average of monthly closing rates) which are considered as the closest rate at the transaction date in the absence of significant fluctuations.

For each closing, the entity must translate balance sheet items denominated in a foreign currency into its operating currency by means of the following procedures:

- monetary items (notably bond investments, receivables and liabilities and technical insurance reserves) are translated at the closing exchange rate and any resulting gains and losses are recorded in the net income for the year;
- non-monetary items that are measured at historical cost (notably property investments) are translated at the exchange rate prevailing on the transaction date; and

Notes to the consolidated financial statements

- non-monetary items that are measured at fair value (notably equity investments) are translated at the exchange rate prevailing on the fair-value valuation date.

Translation of the financial statements of foreign companies

The financial statements of foreign subsidiaries are prepared in their operating currency. For each closing, the consolidated income statement and the balance sheet of each entity are translated into euros to facilitate the presentation of the consolidated financial statements, using the following procedure:

- the assets and liabilities of each balance sheet presented are translated at the closing rate;
- the income and expense of each consolidated income statement (including comparatives) are translated at the exchange rates prevailing on the individual transaction dates (in practice, an average exchange rate is used, which is equal to the average of the monthly closing rates for the period, except on the case of significant fluctuations in the exchange rate).

The Group's share of any foreign exchange translation arising from shareholders' equity is recorded within shareholders' equity under "Foreign exchange translation", while the portion relating to third parties is recorded under "Non-controlling interests".

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

in € vs currency	December 31, 2017		December 31, 2016	
	closing	average	closing	average
British pound	0,8877	0,8766	0,8536	0,8196
US dollar	1,2008	1,1302	1,0548	1,1068
Swedish krona	9,8319	9,6386	9,5822	9,4688
Brazilian real	3,9833	3,6095	3,4329	3,8576
Hong Kong dollar	9,3870	8,8090	8,1780	8,5911
Swiss franc	1,1702	1,1118	1,0720	1,0899
Polish zloty	4,1726	4,2564	4,4028	4,3634

2.10. Segment data

A segment of activity is a distinct component of a business that is engaged in the supply of products or services exposed to risks and profitability that differ from those of other sectors of activity. A geographical sector is a distinct component of a business engaged in the supply of products or services in a given economic environment which are exposed to risks and profitability that differ from those of other geographical sectors. In accordance with IFRS 8 – segment data, the sectors raised hereafter to present the segment data were identified on the basis of the internal reporting and correspond to the geographical sectors followed by the management.

2.11. Goodwill and other intangible assets

Goodwill

For business combinations made prior to March 31, 1998, goodwill is recognised on the basis of the presumed cost, which corresponds to the carrying amount calculated by reference to the accounting rules used prior to the date of transition to IFRS.

For business combinations made with effect from March 31, 1998 goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see § Business combinations of the note 2.5. Consolidation principles and methods.

The values of the identifiable assets and liabilities acquired may be adjusted within a period of 12 months beginning on the acquisition date.

Goodwill is recorded at acquisition cost less any accumulated impairment write-down.

In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

With effect from January 1st 2004, goodwill is no longer amortized in accordance with IFRS 3, but instead is subject to impairment testing, at least once a year or whenever an indication of loss in value occurs (see § 2.12. "Impairment").

For the purposes of impairment testing, goodwill is allocated to Cash Generating Units or to groups of Cash Generating Units (see *the impairment test procedure in § 2.12. "Impairment"*).

Notes to the consolidated financial statements

For each closing, the carrying amount of the Cash Generating Unit (or groups of Cash Generating Units) to which the goodwill relates is compared with its recoverable value, which represents the highest value between the fair value of the Cash Generating Unit less any selling costs and its value in use. The value in use is defined as the present value of future cash flows of the concerned subsidiary as identified in the business plans including the terminal value. Details of the method used to calculate the value in use are presented in Note 3 "Goodwill".

Other intangible assets

An intangible asset is a non-monetary asset that has no physical substance and which has to be identifiable as a separate asset, owned and controlled and held to provide future economic benefits.

An asset complies to the criterion of identification in the definition of intangible assets when it meets one of the following two conditions: it is separable (i.e. it can be sold, transferred, conceded, rented out or exchanged), or it arises from contractual or legal rights, regardless of whether or not these rights are separable.

Other intangible assets acquired by the Group are recorded at cost less any accumulated amortization and write-downs.

Subsequent expenditure relating to recognised intangible assets is capitalised only to the extent that it contributes to increasing, and not simply maintaining, the future economic benefits represented by the intangible asset to which it relates. All other expenditure is recorded as an expense in the consolidated income statement when incurred.

Intangible assets with a defined useful life are amortized on a straight-line basis over their estimated useful lives. The amortization charge is recorded in the consolidated income statement.

The Group records under this heading software that is developed in-house or acquired externally and contract portfolios registered in application of IFRS 4.

Software developed in-house or acquired externally are amortized over 5 years.

Costs relating to the development phase are capitalised provided that the entity can demonstrate the following: the technical feasibility of the project, its intention to complete and use the intangible asset, its capacity to use it, how the intangible asset will generate future economic benefits, the availability of resources to complete the development and its capacity to reliably measure the costs associated with the intangible asset.

2.12. Impairment

Goodwill

In accordance with IFRS 3, goodwill is not amortized but is subject to impairment tests which are performed on a systematic annual basis and as soon as there is any indication of loss in value. Impairment tests are performed for each Cash Generating Unit (CGU) or group of CGUs to which goodwill is related. The CGUs correspond to some of the main subsidiaries or branches of areas presented in the segment analysis. An impairment loss of goodwill is recognised when the highest of the Cash Generating Unit's value in use (present value of future cash flows) and fair value less any selling costs is less than its carrying amount (net asset including goodwill).

The main assumptions used to determine the value in use are as follows: indefinite renewal of policies, perpetual growth rate for 1% depending on the CGU concerned, and a cost of capital between 3.86% and 5.74% depending on the CGU. With effect from 2006, the cost of capital rate used is determined by geographic region. The model is based on the projected 3-year budget prepared by management with a final year based on normalised management ratios (combined ratios and target retention rates).

Furthermore, since the Group has organized its reinsurance activities with the settlement of a Group reinsurance region, the scope of the Cash Generating Units has been extended to include internal reinsurance activities contracted by the CGU with this Group reinsurance region, as well as the share of related shareholders' equity.

The calculation parameters adopted as at December 31, 2017 are detailed per CGU in the Note 3 "Goodwill".

The impairment loss recorded in the consolidated income statement is allocated in priority to the goodwill related to the Cash Generating Unit, and is then allocated, for the outstanding part, on a pro rata basis to the other assets of the Cash Generating Unit. Goodwill impairment loss is never written back.

Notes to the consolidated financial statements

Other intangible assets

All other intangible assets are subject to an impairment test if there is any indication of loss in value. Any impairment loss recognised for an asset other than goodwill is written back if the estimate of the recoverable value has increased since the recognition of the last impairment loss. However, the write back cannot be such that the carrying amount of the asset exceeds the carrying amount that would have been determined, net of amortization, if impairment had not been recognised.

2.13. Property assets

Distinction between investment property and operating property

An investment property is a property asset (land or building) owned by the Group for the purpose of generating rental income or capital appreciation, as opposed to being for the purpose of use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business. Investment property is recorded in the balance sheet under "Investments".

The Group's operating property is included within property plant and equipment.

Recognition and measurement

The Group recognises property (held for investment or operating purposes) in accordance with the cost method. This means that each property asset must be recorded at an amount equal to the cost on the acquisition date (purchase price, including non-recoverable taxes and other expenses directly attributable to the acquisition such as transfer taxes and legal fees) plus any subsequent expenditure that can be capitalised under IAS 16 and less any accumulated depreciation calculated in accordance with IAS 16 and any impairment relating to the application of IAS 36.

The Group has identified four categories of property assets that apply to both investment property and operating property:

- housing;
- warehouses and commercial premises;
- offices;
- high-rise buildings.

The depreciable balance sheet amount corresponds to the acquisition cost (including expenditure that can be capitalised) less any residual value, where applicable, and any impairment. When the historical acquisition cost determined in this manner exceeds the residual value, a depreciation charge is recorded. The residual value corresponds to the amount that the business would currently obtain by selling an asset that has already reached the age and condition of an asset at the end of its useful life, net of any costs relating to its disposal.

For each category of property assets, and in addition to land, the Group has identified six significant components, each of which has a different useful life and must therefore be subject to a depreciation schedule according to their respective useful lives. The table below shows, for each category of property assets, the general allocation rules for each component and the depreciation period and the residual value, where applicable. Acquisition expenses of properties are allocated to the components and depreciated over the same period.

	Housing	Warehouses and commercial premises	Offices	High-rise buildings
Component	Depr. period	Depr. period	Depr. period	Depr. period
Load-bearing structures and walls	100 years	30 years	100 years	70 years
Non-load-bearing windows and facades, roofs and terraces, internal constructions	40 years	30 years	40 years	40 years
A/C engineering, plumbing and networks, electrical engineering	25 years	20 years	25 years	25 years
Centralised technical management, fire safety and other safety features	25 years	20 years	25 years	25 years
Lifting gear	25 years	20 years	25 years	25 years
Major maintenance work	10 years	10 years	10 years	10 years

Notes to the consolidated financial statements

Properties are valued periodically by independent experts. The fair value of buildings is estimated based on market prices adjusted, where applicable to take into account the nature, location or other specific features of the building concerned. The fair value is presented in the Note 5 “*Investment and operating property*”.

Impairment

– Investment property

A provision for depreciation of investment property is recorded to reduce the value of the property to the higher of the value in use and the expert valuation decreased from costs of the sale. This provision may be written back through the consolidated income statement in the event of an increase in value.

– Property for own use

When a property's expert valuation is less than its carrying amount, the value in use of the Cash Generating Unit (CGU) to which the property belongs must be determined. A provision for depreciation is recorded in order to reduce the value of the operating property to the higher of the value in use and the expert valuation decreased from costs of the sale. In the event of an increase in value, this depreciation may be written back through the consolidated income statement.

2.14. Other property, plant and equipment

Other property plant and equipment are recorded at cost less accumulated depreciation and impairment write-downs.

The depreciation methods and useful lives are generally as follows:

- IT equipment straight-line 3 years
- Furniture/fittings straight-line 10 years
- Motor vehicles straight-line 5 years

2.15. Financial instruments

Financial investments

In accordance with IFRS, financial investments are analysed between the following categories: financial instruments at fair value through the consolidated income statement, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. The classification is determined on initial recognition of the instrument according to its nature and/or the Group's ownership intention.

The Group's financial investments are mainly classified as available-for-sale investments. The Group has not elected for the option enabling it to value its financial investments at fair value through profit and loss.

Available-for-sale assets (AFS)

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or which are not classified within the other three categories of financial instruments as defined below:

– Initial recognition

Available-for-sale assets are recorded at fair value plus any transaction costs directly related to the acquisition (referred to hereafter as the purchase price). The difference between the purchase price and the redemption value of fixed-income securities is recorded in the consolidated income statement on an actuarial basis over the remaining term of the securities using the effective interest rate method.

– Measurement

On the balance sheet date, available-for-sale assets are measured at their fair value. The difference between the fair value of the securities and their book value (including the actuarial amortization) is recorded as “available-for-sale assets”, with a corresponding entry in the revaluation reserve, without any impact on the consolidated income statement.

Notes to the consolidated financial statements

– Impairment

When objective evidence exists of impairment of an available-for-sale asset, the accumulated loss recorded directly in shareholders' equity is removed from shareholders' equity and recorded in the consolidated income statement.

The criteria deemed to indicate impairment of available-for-sale shareholders' equity instruments are as follows (Not cumulative criterion):

- at the closing date significant impairment is presumed when the fair value of an available-for-sale equity instrument is more than 20% below the average acquisition cost of the securities;
- lasting impairment is presumed when the fair value is less than the acquisition cost for more than 9 months.

The amount of the accumulated loss removed from shareholders' equity and recorded in the consolidated income statement is equal to the difference between the acquisition cost (net of any capital repayment and any write-downs) and the current fair value, less any impairment of this financial asset previously recorded in the consolidated income statement.

Any relevant decrease in the fair value of a stock already impaired is complementarily accounted through the consolidated income statement.

Impairment recorded on a shareholders' equity instrument is never written back to the consolidated income statement prior to de-recognition of the instrument.

For debt instruments, impairment is accounted through net income only in case of a recorded risk of the issuer's default.

– Disposal

In the event of disposal, the amounts recorded in the revaluation reserve are recorded in the consolidated income statement.

Held-to-maturity assets (HTM)

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables, which the Group has the clear intention and the capacity to hold until their maturity.

– Initial recognition

On initial recognition, held-to-maturity assets are recorded at fair value plus any transaction costs directly related to the acquisition.

– Measurement

On the balance sheet date, held-to-maturity investments are measured at their amortized cost using the effective interest rate method. Premiums and discounts are included in the amortized cost calculation and are recorded in the consolidated income statement on an actuarial basis over the term of the financial asset.

Assets held for trading purposes

A financial asset is classified as held for trading purposes if it is:

- acquired or held mainly with a view to being sold or redeemed in the short term; or
- part of a portfolio of identified financial instruments that are managed as a whole and for which there is evidence of a recent pattern of short-term profit taking; or
- a derivative instrument (except for a derivative that is a designated and effective hedging instrument).

– Initial recognition

Assets held for trading purposes are recorded at fair value on the acquisition date.

– Measurement

Assets held for trading purposes are measured at fair value. Any change in the fair value of securities held for trading purposes during the period is recorded in the consolidated income statement for the period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not listed on an active market, except for instruments classified at fair value through the consolidated income statement or as available for sale.

Notes to the consolidated financial statements

– Recognition and measurement

Loans are recorded at fair value plus any directly attributable transaction costs. On the balance sheet date, they are measured at amortized cost using the effective interest rate method. Financial income for the period is recorded by applying the effective interest rate to the amortized cost of the transaction.

– Impairment

When objective evidence of impairment exists (e.g. deterioration in the financial situation of the issuers), the amount of the loss is equal to the difference between the asset's carrying amount and the estimated future cash flows' value, discounted at the original effective interest rate of the financial asset.

Derivatives

A derivative is a financial instrument, or another agreement falling within the scope of application of IAS 39, which has the following three features: (a) its value varies according to an interest rate, a financial instrument price, a specific commodity price, an exchange rate, a price, rate or credit index, a credit rating or another underlying fluctuations; (b) it does not require any net initial investment or any net initial investment which is less than what would be required for other types of contracts that can be expected to react similarly to changes in market conditions; and (c) it is settled in the future.

All derivatives are classified at fair value through the consolidated income statement except when it concerns a designated and effective hedging instrument. In the latter case, the instrument is still measured at fair value but the recognition of the gain or loss follows the procedures applicable to the hedging relationship to which it relates.

Derivatives eligible for fair value hedge accounting (i.e. those used to hedge changes in the fair value of an asset or liability) are recorded as follows:

- the hedging instrument is recorded at fair value and any changes are recorded through the consolidated income statement;
- the carrying amount of the hedged item is adjusted for any gain or loss on the hedged item attributable to the risk hedged, the change being recorded through the consolidated income statement;
- the hedged item is remeasured at market value in respect of the component relating to the risk hedged.

Derivatives eligible for future cash flow hedge accounting are recorded at fair value, with the portion of the change in fair value of the hedging instrument that is considered to constitute an effective hedge being recorded through shareholders' equity. The ineffective portion of the hedge is recorded immediately through the consolidated income statement.

Derivatives that are not eligible for hedge accounting are recorded as free-standing derivatives in the category of assets held for trading purposes. The fair value of free-standing derivatives is therefore recorded in the balance sheet in assets or liabilities, with any changes in the fair value being recorded through the consolidated income statement.

Within the Group, derivatives correspond mainly to hedging instruments linked to the share-based compensation plans included in the Allianz group Equity Incentive (see note 30 "Share-based compensation plans").

2.16. Assets classified as held for sale

Assets are classified as "held for sale" when they are available for immediate sale in their present condition, their sale is highly probable, the management is committed to a plan to sell the asset and an active program to locate a buyer and complete the plan has been initiated. In accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", assets or group of assets held for sale are presented separately on the face of the statement of financial position, at the lower of their carrying amount and fair value less costs to sell.

This item includes:

- non-current assets held for sale;
- groups of assets held for sale;
- the total of current and non-current assets related to a business or geographical segment (i.e. to a discontinued operation) itself held for sale.

Notes to the consolidated financial statements

2.17. Insurance and reinsurance receivables and liabilities

These headings essentially comprise receivables and liabilities arising on insurance and reinsurance transactions, earned premiums not yet written and premium cancellations, net of reinsurance.

2.18. Acquisition costs capitalised

Acquisition costs capitalised relate to insurance policies. They mainly comprise brokerage commissions and expenses incurred by the sales and marketing departments. The capitalised amount is calculated using the same method as for the provision for unearned premiums. As the period covered by contracts is mainly one year at most, these acquisition costs are deferred to the following year. The movement in acquisition costs capitalised is included in acquisition expense reported in the consolidated income statement.

2.19. Current and deferred tax

Tax expense includes current and deferred tax. Current tax and deferred tax are recorded in profit or loss except when it relates to a business combination, or items recorded directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recorded in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recorded for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that does neither affect accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that they will likely not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets are recorded in the balance sheet as soon as their utilization is considered as probable by the Group.

2.20. Other receivables and operating liabilities

Other receivables and other operating liabilities essentially comprise tax-related receivables and liabilities (other than corporation tax), amounts due to employees, amounts due to suppliers, and receivables and liabilities due from/to the Allianz group.

2.21. Cash and cash equivalents

Cash consists of cash in hand and demand deposits. Bank overdrafts repayable on demand are considered as cash equivalents when they form an integral part of the Group's cash management procedures.

2.22. Provisions for risks and charges

Provisions

Provisions for risks and charges essentially comprise provisions for retirement commitments (see § 2.23 *Employee benefits*). Other provisions are measured using the rules set out in IAS 37, which imply the existence of a present obligation arising from a past event, the probability that an outflow of resources representing economic benefits will be necessary to settle the obligation and a reliable estimate of the obligation amount. They are discounted in the event that the impact proves to be significant.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation arising from past events and whose existence will be confirmed only by the occurrence or otherwise of one or more uncertain future events, that are not under the full control of the business, or a present obligation arising from

Notes to the consolidated financial statements

past events but which is not recognised, either because an outflow of resources is unlikely or because the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset arising from past events and whose existence will be confirmed only by the occurrence or otherwise of one or more uncertain future events that are not under the full control of the business.

Group companies may be concerned by disputes inherent in the exercise of their normal business.

2.23. Employee benefits

The Group contributes, in accordance with the laws and practices of each country, to the constitution of retirement benefits for its employees. The benefits offered to Group staff derive either from defined-contribution plans or from defined-benefit plans.

- Defined-contribution plans involve payments to bodies that release the Group from any future commitments in respect of employees. As such, only the contributions paid or payable in respect of the period are included in the Group's financial statements. Such plans are in place in France, the United States, the United Kingdom and Scandinavia.
- In the case of defined-benefit plans, an amount of benefits is paid to the employee upon retirement, this amount generally being determined by one or more factors such as age, number of years' service and salary. Such plans are in place in the following countries: France, Germany, Belgium, the Netherlands, Italy, Scandinavia and the United Kingdom.

The related commitments are measured in accordance with IAS 19 Revised. The commitment is recorded in the balance sheet using the projected unit credit method, based on the Group actuarial assumptions, which are reviewed each year. This method involves assigning an additional unit of rights to benefits for each period of service, with each of these units being measured separately to calculate the final commitment.

The Group has put in place specific assets to cover certain plans. In this case, the commitment is reduced by the amount of the fair value of these assets.

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

Past service cost denotes the change in the present value of the commitment in respect of defined-benefits for services rendered during prior years, arising as a result of the introduction of, or the change to, or the reduction of a post-employment benefit plan. For benefit rights that have already been earned, the corresponding amount must be expensed immediately. For benefit rights that are not yet earned, the charge or income is spread on a straight-line basis over the average remaining length of service to be completed for the rights to be earned.

The Group also accrues commitments relating to other long-term benefits (long-service awards, etc.) granted to employees. The provision corresponds to the present value of the commitment and is calculated annually by the Group.

2.24. Share-based payments transactions

The grant-date fair value of share-based payment awards granted to employees is recorded as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recorded as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, so that the amount ultimately recorded as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Allianz and the Group have put in place share-based compensation plans for the benefit of executives of the Group. When exercising their rights, these executives receive a cash amount corresponding to the difference between the market value and the subscription price (Stock Appreciation Rights plans – SAR), or shareholders' equity instruments (for RSUs, Allianz can choose to remunerate in cash or equity instruments).

The fair value of options granted is calculated using the Cox-Ross-Rubinstein valuation model.

Notes to the consolidated financial statements

2.25. Insurance and reinsurance contracts

Contracts considered as insurance or reinsurance contracts under French accounting standards are analysed in accordance with IFRS between the following categories of contracts:

- insurance and reinsurance contracts falling within the scope of IFRS 4;
- investment contracts with discretionary participation falling within the scope of IFRS 4;
- investment contracts without discretionary participation falling within the scope of IAS 39.

Following a detailed review of its insurance and reinsurance contracts, it was evident that the Group only has contracts in the first category, which covers insurance and reinsurance contracts falling within the scope of IFRS 4. This review also highlighted the absence of any embedded derivatives. In the same way, the Group did not identify service contracts falling within the standard IAS 18.

Definition of insurance contracts

Insurance contracts are contracts under which the insurer accepts significant insurance risk. Insurance risk is a risk, other than a financial risk, that is transferred by the policyholder to the policy issuer (a financial risk is the risk of a future variation of one or several of the following components: specified interest rate, price of financial instrument, price of a good, exchange rate, price or rate index, credit rating or credit index or other flexible component (if it concerns a non-financial component, the component must not be specific to one of the part of the contract). Credit insurance contract are included in IFRS 4 (section B18 (g)).

Measurement of insurance contracts

Other than in the case of the specific exceptions defined in the standard, IFRS 4 permits the continued use of previous accounting principles for the recognition of insurance and reinsurance contracts. Thus, the Group continued to apply the standards defined by CRC 2000-05 related to the consolidation and combination rules from companies regulated by the Insurance Regulations taking into account the following points, which are covered by specific provisions introduced by IFRS 4:

- removal of provisions for equalisation;
- performance of a test for the adequacy of liabilities;
- impairment testing of reinsurance assets;
- identification and separation of embedded derivatives.

For all other aspects, the methods already applied by the Group, in accordance with CRC Regulation no. 2000-05, were retained for the measurement of insurance contracts.

– Analysis by function of expenses relating to contracts

Expenses relating to insurance contracts are initially recorded according to their nature and then analysed by function in the consolidated income statement headings by means of analysis keys based on objective business criteria. Claims settlement expenses are included in contract service charges. Contract acquisition expenses and administration expenses are included in the consolidated income statement.

– Premiums

Premiums correspond to premiums written excluding taxes, before reinsurance and net of cancellations. They are recognised on the date on which the guarantee takes effect and include an estimate of premiums still to be written and an estimate of premiums that will be cancelled after the balance sheet date.

Premiums recorded in turnover stem from the guarantees given to policyholders to cover their trade receivables that arise during the same period as that for which the premium is paid. Given settlement delays, the lag between the triggering event, i.e. bankruptcy of the debtor, and notification of the claim, there is also a lag between recording the premiums and the related claims. This lag is taken into account through the recognition of provisions for claims incurred but not reported (IBNR).

– Provisions for unearned premiums

A provision for unearned premiums, gross of commissions and expenses, is established contract by contract, on a straight-line basis, as a function of the time left to run between the balance sheet date and the premium due date.

– Claims

Claims comprise the following items:

- claims settled during the period relating to the current period or to prior periods, net of received recoveries;
- claims settlement expense, notably settlement service expense and commissions allocated to claims handling.

Notes to the consolidated financial statements

– Reserves for claims payable

These technical reserves are designed to cover probable losses relating to:

- claims reported but not yet settled at the balance sheet date;
- claims occurring during the period but reported after the balance sheet date and, in respect of trade receivables existing at the balance sheet date and covered by a policy on such date, claims that will occur and will be reported during subsequent periods. These so-called “unknown” or “incurred but not reported” claims are estimated using statistical models that are based in particular on the level of claims observed during prior years and on the analysis of the development of the recent level of claims.

Claims reserves are increased by a provision for administration charges.

Additional information on the measurement of claims reserves is provided in section 4 “Major risk factors and their management within the Group”.

– Estimated recoveries

Recoveries are the result of actions taken by the Group against defaulting debtors in order to fully or partially recover claims paid to policyholders. Estimated recoveries are a prudent estimate of potential recoveries on settled claims and are recognised as a reduction in the amount of the reserves for claims payable. They take into consideration a provision for administration charges determined in accordance with actual observed expenses.

– Other technical reserves

A provision for current risks is established by risk category in addition to the provision for unearned premiums when claims are likely to arise after the balance sheet date and relating to contracts underwritten before that date and the related acquisition costs and administration charges are not covered by the provision for unearned premiums.

– Test for the adequacy of liabilities

For each closing, insurance contract liabilities net of related assets (acquisition costs capitalised and portfolio securities) are subject to a test for the adequacy of liabilities. The methods previously applied by the Group and retained under IFRS 4 (including notably the measurement of claims reserves on the basis of the non-discounted ultimate cost and the methods for establishing the provision for current risks) constitute a satisfactory test for the adequacy of liabilities given the minimum requirements specified by IFRS 4.

Reinsurance contracts

– Acceptances

Insurance acceptances (inwards reinsurance) are recognised on a case-by-case basis based on the actual or estimated results for the year. Technical reserves correspond to the amounts advised by the assignors.

– Assignments

Assigned reinsurance contracts (outwards reinsurance) are recognised in accordance with the terms of the various treaties. The share of assignees in the technical reserves is measured in the same way as for technical reserves gross of reinsurance appearing in liabilities.

Cash deposits received from reinsurers are recognised in liabilities arising from assigned reinsurance transactions. Receivables due from reinsurers are subject to impairment write-downs if the ceded company will not receive the entire amount due at the end of the contract.

2.26. Borrowings

Borrowings are contractual obligations that require the Group to transfer cash or a financial asset to another entity, or to exchange with another entity a financial asset on potentially unfavourable terms.

The measurement and recognition of borrowings are defined by IAS 39. With the exception of derivatives (see § 2.15. *Financial instruments – Derivatives*), borrowings and other financial liabilities are recorded originally at fair value less any related transaction costs, and are subsequently measured at amortized cost calculated using the effective interest rate.

Borrowings include, within the meaning of IAS 39, borrowings, other financing and bank overdrafts, derivatives and amounts due to suppliers and social security liabilities included in “operating liabilities”.

Notes to the consolidated financial statements

2.27. Income from ordinary activities

Income from ordinary activities can comprise items measured and recorded in accordance with IFRS 4, IAS 18 or IAS 39. This aggregate has a broader meaning than turnover as it also incorporates investment income.

Turnover comprises earned premiums and commissions and other operating revenues.

Premiums

Credit insurance premiums included in turnover correspond to written premiums excluding taxes, less premiums cancelled during the period and an estimate of written premiums that will be cancelled after the balance sheet date. They are increased by an estimate of the portion of premiums to be written that are earned during the period and adjusted by the movement in provisions for unearned premiums, which corresponds to the share of written premiums covering the period after the balance sheet date. Premium refunds granted to policyholders are presented on a separate line as a deduction from turnover.

Service revenues comprise enquiry and monitoring charges invoiced in respect of risk management and prevention on behalf of policyholders, and fees for the collection of disputed receivables. They also include income relating to the export guarantee activity managed on behalf of the German State and other technical income.

Investment income

Investment income is recorded in accordance with IAS 39, IAS 17 or IAS 18 depending on its type.

– Investment income net of management expense

This income is mainly composed of the following categories:

- net income from property;
- net income from securities;
- other financial income (bank credit interest, income from other investments);
- foreign exchange gains and losses;
- investment management charges.

– Capital gains and losses on disposals of investments

Capital gains and losses on disposals of securities or property are recorded in the consolidated income statement. Shares exchanged under a public share exchange offer result in the recognition of a capital gain on exchange.

– Change in fair value of investments recognised at fair value through the consolidated income statement

Differences in fair value recorded for the current period less any differences from the previous period are recognised. These essentially concern the remeasurement of derivatives.

– Change in investment impairment charges

The impairment charges notably concern write-downs of investments and write-backs following a disposal, and charges for the depreciation and impairment of investment property.

2.28. Insurance services expenses

Insurance services expenses include the net cost of claims, i.e. claims settled during the period less recoveries received, the movement in claims reserves net of projected recoveries, expenses incurred or to be incurred for the management of claims payments and collections.

The recognition principles applied to these items are those set out in IFRS 4 and are described in § 2.25. Insurance and reinsurance contracts – Measurement of insurance contracts.

2.29. Net outwards reinsurance income or expense

This heading comprises the share of assignments and retrocessions of earned premiums, claims paid, changes in claims reserves, bonuses and commissions received from reinsurers.

The recognition principles applied to these items are those set out in IFRS 4 and are described in § 2.25. Insurance and reinsurance contracts – Reinsurance contracts.

Notes to the consolidated financial statements

2.30. Administration expense and Contract acquisition expenses

Administration expenses mainly comprise salary costs and costs relating to the IT systems affected to the administration of the contracts.

Contract acquisition expenses comprise primarily wage costs related to acquisition of contracts, brokerage commissions, fees for opening files, spending on commercial networks.

2.31. Other ordinary operating income and expense

Other ordinary operating income and expense correspond mainly to the Group's service revenue and expense.

2.32. Other operating income and expense

These revenue and expense items arise from a major event that occurred during the accounting period and was such that it would have distorted the interpretation of the Group's performance. Therefore, they consist of very few items that are unusual in nature, occur infrequently, and are for significant amounts.

2.33. Financing expense

The recognition principles applied to this item are those set out in IAS 39.

Financing expense consists of expenses relating to the following items:

- long-term financial liabilities: capital borrowings from the general public, e.g. in the form of bonds, or from banks or financial institutions (medium or long-term loans, leases, etc.);
- short-term financial liabilities of the same type as above including issues of short-term negotiable debt securities to investors;
- fair-value hedging instruments recorded in the balance sheet and relating to liabilities representing the gross borrowings described above;
- accrued interest on balance sheet items representing gross borrowings.

2.34. Earnings per share

Earnings per share are calculated by dividing the Group share of the net income or loss by the weighted average number of ordinary shares in issue during the year less treasury shares. An ordinary share is a shareholders' equity instrument that is subordinated to all other categories of shareholders' equity instruments.

Dilution implies a reduction in the earnings per share as a result of the assumption that convertible instruments are converted, equity options and subscription warrants are exercised, and ordinary shares are issued if certain specific conditions are met.

Notes to the consolidated financial statements

Note 3 Goodwill

In accordance with IFRS 3, goodwill is not amortized but is subject to impairment tests which are performed on a systematic annual basis and as soon as there is any indication of loss in value.

(in € thousand)	December 31, 2017					December 31, 2016	
	Italy	United Kingdom	United States	Benelux countries	Other	Total	Total
Opening balance							
Gross value	6 229	58 441	40 198	9 459	6 944	121 271	128 963
Impairment losses	(409)	(8 466)	(4 077)	-	-	(12 952)	(14 111)
Carrying amount	5 820	49 975	36 121	9 459	6 944	108 320	114 852
Change during the year							
Opening carrying amount	5 820	49 975	36 121	9 459	6 944	108 320	114 852
Changes in gross value	-	-	-	-	-	-	-
Outgoing entities & Held for sale transfer	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-
Changes in foreign currency translation adjustments	-	(1 878)	(4 393)	-	(176)	(6 448)	(6 532)
Impairment losses	-	-	-	-	-	-	-
Closing carrying amount	5 820	48 097	31 728	9 459	6 768	101 872	108 320
Closing Balance							
Gross value	6 229	56 253	35 309	9 459	6 768	114 018	121 271
Impairment losses	(409)	(8 156)	(3 581)	-	-	(12 146)	(12 952)
Carrying amount	5 820	48 097	31 728	9 459	6 768	101 872	108 320

At year-end 2017, changes in goodwill are mainly due to the depreciation of British pound and of US dollar against euro.

The cash generated units (CGU) that make up the column "other countries" are tested individually. The total amounting to € 6,768 thousand includes goodwill in Asia-Pacific for € 3,135 thousand, goodwill in the Northern Europe Region for € 3,517 thousand (CGU Czech Republic) and goodwill in the Mediterranean sector for €116 thousand (CGU Greece).

At year-end 2016, changes in goodwill are mainly due to the depreciation of British pound and the appreciation of US dollar against euro.

Method of impairment tests

In accordance with IAS 36, the Group performs impairment tests of the goodwill by comparing the value in use of the cash generated units (CGU) including goodwill and the carrying value (contribution of Group consolidated net asset including goodwill).

The value in use is the actual value of future cash flows as presented in the business plan of the concerned entity including the terminal value.

The main assumptions for the calculation of the value in use are the perpetuity growth rate, which is defined by CGU, and the cost of capital, which is defined by geographical area. The model is built on a 3-year forecast prepared by the CGU and validated by Group management, plus a final year built on targeted combined ratio and retention rate. Moreover, with the creation of a Group reinsurance region, the scope of the CGU has been extended to include internal reinsurance activities occurring between the CGU and the Group reinsurance region, and consequently to include also a part of the Group reinsurance region's contribution to Group consolidated net asset.

The parameters used to calculate the CGU's valuations are presented in the table below.

Notes to the consolidated financial statements

Results of impairment tests

	Italy	United Kingdom	United States	Belgium	Netherlands
Cost of capital (net of tax)	5,35%	4,52%	5,74%	3,97%	3,86%
<i>of which, risk-free rate</i>	2,02%	1,19%	2,41%	0,64%	0,53%
<i>of which, risk premium (beta = 0.666)</i>	3,33%	3,33%	3,33%	3,33%	3,33%
Tax rate	24,00%	19,25%	35,00%	33,99%	24,50%
Gross combined ratio	83,60%	86,00%	79,80%	86,50%	87,00%
Target retention rate	28,54%	25,00%	26,60%	21,19%	28,36%
Perpetual growth	1,0%	1,0%	1,0%	1,0%	1,0%
Value in use (in € million)	678,6	529,6	870,1	168,6	173,8
Contribution to group consolidated net asset (in € million)	259,4	173,8	386,0	63,9	58,7
Surplus (or deficit)	419,2	355,8	484,1	104,7	115,2

Sensitivity of impairment tests

Sensitivity analyses were performed on the impairment tests, assuming deviation in some calculation parameters:

- Sensitivity on long-term growth: the impairment tests were performed with same methodology but assuming a -0.5 point decrease in perpetual growth rate. For all CGUs, the result of this sensitivity test led to a value in use still higher than the carrying value. These valuations support the fact that no complementary goodwill impairment is recognised.
- Sensitivity on cost of capital: the impairment tests were performed with same methodology but assuming a +0.5 point increase in the cost of capital. For all CGUs, the result of this sensitivity test led to a value in use still higher than the carrying value. These valuations support the fact that no complementary goodwill impairment is recognised.
- Sensitivity on gross combined ratio: the impairment tests were performed with the same methodology but assuming a +3 points increase in the target gross combined ratio, of which +2 points on gross loss ratio and +1 point on gross cost ratio. The result of this sensitivity test led to a value in use still higher than the carrying value for all CGUs. These valuations support the fact that no complementary goodwill impairment is recognised.

Break-even parameters

The following table presents for each CGU the change in each of the key parameters taken individually, where the estimated value in use breaks even with its contribution to Group consolidated net asset.

	Italy	United Kingdom	United States	Belgium	Netherlands
Perpetual growth	-8,5%	-8,9%	-7,0%	-5,1%	-7,1%
Cost of capital	13,1%	12,6%	12,3%	9,3%	10,6%
Gross combined ratio	95,2%	95,8%	91,5%	94,0%	95,1%

Notes to the consolidated financial statements

Note 4 Other intangible assets and contracts portfolio

(in € thousands)	December 31, 2017				December 31, 2016			
	Contract portfolio	IT development and software	Other intangible assets	Total	Contract portfolio	IT development and software	Other intangible assets	Total
Opening balance								
Gross value	2 703	331 363	16 904	350 970	2 703	309 340	26 783	338 826
Amortization	(2 703)	(208 022)	(14 153)	(224 878)	(2 703)	(194 272)	(23 123)	(220 098)
Impairment	-	-	-	-	-	-	-	-
Carrying amount	-	123 341	2 751	126 092	-	115 068	3 660	118 728
Change during the year								
Opening carrying amount	-	123 341	2 751	126 092	-	115 068	3 660	118 728
Acquisitions	-	25 569	14	25 583	-	32 643	(10)	32 633
Changes in consolidation scope	-	(4)	83 740	83 736	-	26	(1)	25
Disposals	-	(20)	-	(20)	-	(319)	-	(319)
Reclassifications	-	(102)	(2)	(104)	-	671	(211)	460
Foreign exchange differences	-	(1 322)	(113)	(1 435)	-	(2 372)	(452)	(2 824)
Net amortization	-	(19 312)	(238)	(19 550)	-	(16 888)	(235)	(17 123)
Net provisions for impairment	-	-	-	-	-	(5 529)	-	(5 529)
Other changes	-	-	-	-	-	41	-	41
Closing carrying amount	-	128 150	86 152	214 302	-	123 341	2 751	126 092
Closing balance								
Gross value	2 703	354 219	99 844	456 766	2 703	331 363	16 904	350 970
Amortization	(2 703)	(226 069)	(13 692)	(242 464)	(2 703)	(208 022)	(14 153)	(224 878)
Impairment	-	-	-	-	-	-	-	-
Carrying amount	-	128 150	86 152	214 302	-	123 341	2 751	126 092

In 2017, as in 2016, the increase in IT development and software results mainly from the capitalization of internally developed Group applications and purchased software for internal projects.

The increase in 2017 in other intangible assets for €83.7 million correspond to the value of contractual relationship with the German Federal Government acquired from PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft. Euler Hermes is alone to run all the German Export Credit Agency activities and the German United Loan Guarantee activities (see Note 1 "Significant events"). The useful life of this intangible asset will be considered to be indefinite, as there is no foreseeable limit to the period over which the identified intangible asset is expected to generate net cash inflows to Euler Hermes.

The main Group applications developments are:

- In 2017: Broker Portal, Master Data Management (€6.9 million), E-Doc (€1.5 million), Bonding (€1.6 million), as well as the migration project from Euler Hermes network to Allianz.
- In 2016: Galileo, Eolis (development linked to the "EH 3.0 and Digitalization" project), Bonding and the migration project of the Euler Hermes network to the Allianz one.

Depreciation both in 2016 and in 2017 is mainly related to internally developed software Galileo (Commercial) and FIT+1 (Accounting).

The Convergence software was impaired in 2016 for €5.5 million.

Notes to the consolidated financial statements

Note 5 Investment and operating property

(in € thousand)	December 31, 2017		December 31, 2016	
	Investment property	Operating property	Investment property	Operating property
Balance at opening period				
Gross value	103 665	27 420	103 271	27 367
Depreciation	(26 987)	(17 989)	(24 297)	(17 827)
Impairment losses	-	-	-	-
Carrying amount	76 678	9 431	78 974	9 540
Change during the year				
Opening carrying amount	76 678	9 431	78 974	9 540
Acquisitions	3	111	391	44
Change in consolidation scope	-	-	-	-
Disposals	-	(2)	-	-
Reclassifications	-	-	-	-
Changes in foreign currency translation adjustments	-	(23)	-	4
Net depreciation	(2 660)	(154)	(2 688)	(157)
Net provisions for impairment	-	-	-	-
Other changes	-	-	1	-
Closing carrying amount	74 021	9 363	76 678	9 431
Balance at the end of the period				
Gross value	103 668	27 477	103 665	27 420
Depreciation	(29 647)	(18 114)	(26 987)	(17 989)
Impairment losses	-	-	-	-
Carrying amount	74 021	9 363	76 678	9 431
Fair value	281 472	23 261	274 878	22 782
Amounts recorded in the income statement				
Investment property	December 31, 2017	December 31, 2016		
Rental revenues from investment property	9 263	6 672		
Direct operating expenses relating to property	(7)	(2)		

In 2017, as in 2016, the building located rue Euler has been amortized for an amount of €1.7 million.

Notes to the consolidated financial statements

Note 6 Financial investments

Classification by accounting method

For an instrument that is listed on an active market, the fair value is the bid price on the valuation date for an asset held or a liability to be issued and the offer price for an asset intended to be purchased or a liability intended to be held. If such prices are not available, the fair value is estimated based on the most recent transaction price.

If there is not any active market for a given financial instrument, the Group estimates the fair value by using a valuation technique. Valuation techniques include the use of recent transactions under normal competitive conditions between informed and consenting parties, where available, reference to the current fair value of another instrument that is identical in substance, the analysis of discounted cash flows and option valuation models.

Classification by investment category

(in € thousands)	December 31, 2017						December 31, 2016					
	Historical value	Revaluation reserve	Net carrying amount	Fair value	Listed	Non listed	Historical value	Revaluation reserve	Net carrying amount	Fair value	Listed	Non listed
Bonds	191	-	191	191	-	191	191	-	191	191	-	191
Held-to-maturity assets	191	-	191	191	-	191	191	-	191	191	-	191
Equities	279 265	47 302	326 567	326 567	3 355 964	167 426	247 590	39 934	287 524	287 524	3 120 141	68 872
Bonds	3 129 851	66 972	3 196 823	3 196 823	-	-	2 826 177	75 312	2 901 489	2 901 489	-	-
Available-for-sale assets	3 409 116	114 274	3 523 390	3 523 390	3 355 964	167 426	3 073 767	115 246	3 189 013	3 189 013	3 120 141	68 872
Loans, deposits and other financial investments	442 745	-	442 745	446 694	-	-	602 912	-	602 912	609 789	-	-
Total Financial investments (excluding investments in consolidated enterprise)	3 852 052	114 274	3 966 326	3 970 275	3 355 964	167 617	3 676 870	115 246	3 792 116	3 798 993	3 120 141	69 063

Concerning the non-listed investments, the Group estimates the fair value by using a valuation technique. Valuation techniques include the use of recent transactions under normal competitive conditions between informed and consenting parties, where available, reference to the current fair value of another instrument that is identical in substance, the analysis of discounted cash flows and option valuation models. The non-listed investments are mainly German mortgage bonds.

There was no significant impact of impairment on the Group portfolio as at December 31, 2017. The Group does not hold any financial assets such as "dynamic treasury mutual funds" or "subprime investments".

Fair value hierarchy

- Available-for-sale assets

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

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

(in € thousands)	December 31, 2017		
	Level 1	Level 2	Level 3
Available-for-sale assets	3 355 030	-	168 360

(in € thousands)	December 31, 2016		
	Level 1	Level 2	Level 3
Available-for-sale assets	3 118 319	-	70 694

(in € thousands)	December 31, 2015		
	Level 1	Level 2	Level 3
Available-for-sale assets	3 217 155	-	45 939

Notes to the consolidated financial statements

– Other financial investments

The HTM bonds, loans and other investments are valued at amortized cost. Their hierarchical ranking is mainly level 3 except for the non-listed German mortgage bonds classified in level 2 for €141 million.

Classification by geographical zone

2017

Net carrying amount (in € thousands)	France	Other countries	Group
Bonds	191	-	191
Total Held-to-maturity assets	191	-	191
Equities	15 348	311 219	326 567
Bonds	185 071	3 011 752	3 196 823
Total Available-for-sale assets	200 419	3 322 971	3 523 390
Loans, deposits and other financial investments	93 383	349 362	442 745
Total Loans, deposits and other financial investments	93 383	349 362	442 745
Total Financial investments	293 993	3 672 333	3 966 326

2016

Net carrying amount (in € thousands)	France	Other countries	Group
Bonds	191	-	191
Total Held-to-maturity assets	191	-	191
Equities	62 327	225 197	287 524
Bonds	228 859	2 672 630	2 901 489
Total Available-for-sale assets	291 186	2 897 827	3 189 013
Loans, deposits and other financial investments	81 602	521 310	602 912
Total Loans, deposits and other financial investments	81 602	521 310	602 912
Total Financial investments	372 979	3 419 137	3 792 116

2015

Net carrying amount (in € thousands)	France	Other countries	Group
Bonds	191	-	191
Total Held-to-maturity assets	191	-	191
Equities	64 430	206 056	270 486
Bonds	400 668	2 591 940	2 992 608
Total Available-for-sale assets	465 098	2 797 996	3 263 094
Loans, deposits and other financial investments	135 485	619 684	755 169
Total Loans, deposits and other financial investments	135 485	619 684	755 169
Total Financial investments	600 774	3 417 680	4 018 454

Notes to the consolidated financial statements

Movements in the periods

(in € thousands)	December 31, 2017				December 31, 2016
	Held-to-maturity investments	Available-for-sale investments	Loans, deposits and other financial investments	Total	Total
Opening carrying amount	191	3 189 013	602 912	3 792 116	4 018 454
Increase in gross value	-	1 263 070	178 115	1 441 185	3 510 981
Decrease in gross value	-	(853 014)	(325 558)	(1 178 572)	(3 727 703)
Change in consolidation scope	-	-	-	-	-
Revaluation	-	4 067	-	4 067	28 607
Impairment	-	(158)	(716)	(874)	(414)
Changes in foreign currency translation adjustments	-	(63 257)	(12 027)	(75 284)	(17 363)
Reclassifications	-	1 438	2	1 440	756
Other changes	-	(17 769)	17	(17 752)	(21 202)
Closing carrying amount	191	3 523 390	442 745	3 966 326	3 792 116

In 2017, the other changes in available-for-sale investments are mainly explained by the amortization of premiums and discounts on bonds. The changes in foreign currency translations are mainly due to the depreciation of British pound against euro.

(in € thousands)	December 31, 2016				December 31, 2015
	Held-to-maturity investments	Available-for-sale investments	Loans, deposits and other financial investments	Total	Total
Opening carrying amount	191	3 263 094	755 169	4 018 454	3 894 626
Increase in gross value	-	866 250	2 644 731	3 510 981	3 712 143
Decrease in gross value	-	(926 583)	(2 801 120)	(3 727 703)	(3 561 309)
Change in consolidation scope	-	-	-	-	-
Revaluation	-	28 607	-	28 607	(47 399)
Impairment	-	(414)	-	(414)	(53)
Changes in foreign currency translation adjustments	-	(21 492)	4 129	(17 363)	54 811
Reclassifications	-	756	-	756	(10 167)
Other changes	0	(21 205)	3	(21 202)	(24 198)
Closing carrying amount	191	3 189 013	602 912	3 792 116	4 018 454

In 2016, the other changes in available-for-sale investments are mainly explained by the amortization of premiums and discounts on bonds. The changes in foreign currency translations are mainly due to the appreciation of the British pound.

Note 7 Investments accounted for at equity method

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

Associated entities	Country	% of capital held
OeKB Beteiligungs- und Management A.G.	Austria	49,00%
Companhia de Seguro de Creditos SA (COSEC)	Portugal	50,00%
Israel Credit Insurance Company Ltd	Israel	50,00%
Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA	Spain	50,00%
CPPIC Euler Hermes Insurance Sales Co., Ltd	China	49,00%

Notes to the consolidated financial statements

Information on equity-accounted investments

(in € thousands)		December 31, 2017			
Company	Assets ⁽¹⁾	Shareholders' equity ⁽²⁾	Turnover ⁽³⁾	Net income	
Credit insurance companies	733 538	382 290	283 289	32 191	
	733 538	382 290	283 289	32 191	

⁽¹⁾ Assets based on IFRS statements as at September 30, 2017, except for Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA and CPPIC Euler Hermes Insurance Sales Co., Ltd for which the assets are based on IFRS statements as at December 31, 2017.

⁽²⁾ Equity is determined on the basis of IFRS statements as at September 30, 2017, except for Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA and CPPIC Euler Hermes Insurance Sales Co. for which equity is determined on the basis of IFRS statements as at December 31, 2017.

⁽³⁾ The turnover corresponds to the turnover in the IFRS statements as at September 30, 2017 plus ¼ of 2016 total turnover, except for Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA and CPPIC Euler Hermes Insurance Sales Co. for which turnover is as at December 31, 2017.

(in € thousands)		December 31, 2016			
Company	Assets ⁽⁴⁾	Shareholders' equity ⁽⁵⁾	Turnover ⁽⁶⁾	Net income	
Credit insurance companies	724 008	376 226	303 275	30 855	
	724 008	376 226	303 275	30 855	

⁽⁴⁾ Assets based on IFRS statements as at September 30, 2016, except for Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA and CPPIC Euler Hermes Insurance Sales Co. for which the assets are based on IFRS statements as at December 31, 2016.

⁽⁵⁾ Equity is determined on the basis of IFRS statements as at September 30, 2016, except for Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA and CPPIC Euler Hermes Insurance Sales Co. for which equity is determined on the basis of IFRS statements as at December 31, 2016.

⁽⁶⁾ The turnover corresponds to the turnover in the IFRS statements as at September 30, 2016 plus ¼ of 2015 total turnover, except for Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA and CPPIC Euler Hermes Insurance Sales Co. for which turnover is as at December 31, 2016.

Movements during the period

(in € thousands)	December 31, 2017	December 31, 2016
Opening carrying amount	202 019	193 292
Increases	-	3 570
Share of income for the period	16 026	15 343
Dividends paid	(9 922)	(9 284)
Impairment	-	-
Foreign exchange differences	(872)	423
Other changes	(1 485)	(1 325)
Closing carrying amount	205 766	202 019

Dividends paid correspond to dividends from OeKB EH Beteiligungs – u. Management A.G. for €5 million, from Compañía de Seguros de Créditos S.A. for €2.8 million and from Israel Credit Insurance Company Ltd for €2.1 million.

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

Notes to the consolidated financial statements

Contribution to shareholders' equity (without 2017 income)

(in € thousands)	December 31, 2017	December 31, 2016
Credit insurance companies	189 740	186 676
Share of shareholders' equity	189 740	186 676

Contribution to income

(in € thousands)	December 31, 2017	December 31, 2016
Credit insurance companies	16 026	15 343
Share of total income	16 026	15 343

Note 8 Operating property and other property and equipment

(in € thousands)	December 31, 2017			December 31, 2016		
	Operating property	Other property and equipment	Total	Operating property	Other property and equipment	Total
Opening balance						
Gross value	27 420	159 426	186 846	27 367	159 620	186 987
Depreciation	(17 989)	(124 996)	(142 985)	(17 827)	(123 737)	(141 564)
Impairment	-	(699)	(699)	-	(299)	(299)
Carrying amount	9 431	33 731	43 162	9 540	35 584	45 124
Change during the year						
Carrying amount at opening period	9 431	33 731	43 162	9 540	35 584	45 124
Acquisitions	111	15 615	15 726	44	15 711	15 755
Changes in consolidation scope	-	-	-	-	-	-
Disposals	(2)	(4 541)	(4 543)	-	(8 006)	(8 006)
Reclassifications	-	-	-	-	(171)	(171)
Foreign exchange differences	(23)	(676)	(699)	4	84	88
Net depreciation	(154)	(10 292)	(10 446)	(157)	(9 055)	(9 212)
Net provisions for impairment	-	(2)	(2)	-	(400)	(400)
Other changes	-	(102)	(102)	-	(15)	(15)
Carrying amount at closing period	9 363	33 733	43 096	9 431	33 731	43 161
Balance at closing period						
Gross value	27 477	164 716	192 193	27 420	159 426	186 846
Depreciation	(18 114)	(130 282)	(148 396)	(17 989)	(124 996)	(142 985)
Impairment	-	(701)	(701)	-	(699)	(699)
Carrying amount	9 363	33 733	43 096	9 431	33 731	43 161

In 2016 and 2017, the acquisitions and disposals in Other property and equipment are mainly due to the renewal of computers, furniture and office equipment.

Notes to the consolidated financial statements

Note 9 Deferred tax

Breakdown by type of tax

(in € thousands)	December 31, 2017	December 31, 2016
Deferred tax assets	270 818	286 293
Deferred tax liabilities	(375 451)	(436 176)
Net deferred tax	(104 633)	(149 883)
Tax losses	1 635	3 425
Deferred tax assets linked to revaluation of AFS investments	3 724	6 307
Deferred tax assets - provisions for retirement commitments	184 477	187 331
Deferred tax assets - technical reserves	7 821	17 136
Other deferred tax assets	73 161	72 094
Total deferred tax assets	270 818	286 293
Deferred tax liabilities linked to revaluation of AFS investments	(22 516)	(26 258)
Deferred tax liabilities - provisions for retirement commitments	(139 257)	(143 143)
Deferred tax liabilities - technical reserves	(160 714)	(219 324)
Other deferred tax liabilities	(52 964)	(47 451)
Total deferred tax liabilities	(375 451)	(436 176)
Deferred tax assets	32 221	32 131
Deferred tax liabilities	(136 854)	(182 014)
Net deferred tax	(104 633)	(149 883)

Movements in deferred tax by geographical region

(in € thousands)	December 31, 2016	Change through income statement	Change relating to revaluation of AFS inv. and employee benefit net commitments	Foreign exchange difference	Other movements	December 31, 2017
France	(13 741)	6 255	801	-	391	(6 294)
Germany, Austria, Switzerland	(102 705)	40 104	(83)	164	95	(62 425)
Northern Europe	(3 481)	1 128	(4 213)	(154)	530	(6 190)
Mediterranean countries, Middle East & Africa	7 401	318	(44)	(113)	(24)	7 538
Asia & Pacific countries	424	36	-	(29)	-	431
America	687	(3 541)	(52)	112	1 073	(1 721)
Reinsurance	(41 594)	447	1 233	-	673	(39 241)
Group Services / Holdings	3 126	2 387	(620)	-	(1 624)	3 269
Net deferred tax	(149 883)	47 134	(2 978)	(20)	1 114	(104 633)

Notes to the consolidated financial statements

Change in standard tax rate

	December 31, 2017	December 31, 2016
Group rate	13,79%	24,80%
France	34,43%	34,43%
Germany	31,00%	31,00%
Italy	24,00%	27,50%
United Kingdom	19,00%	20,00%
United States	35,00%	35,00%
Netherlands	25,00%	25,00%
Belgium	33,99%	33,99%
Switzerland	15,00%	17,50%
Poland	19,00%	19,00%

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

The reconciliation between the tax rate of the parent company Euler Hermes Group and the effective tax rate is provided in Note 26.

Note 10 Insurance and reinsurance receivables

Breakdown by type

(in € thousands)	December 31, 2017			December 31, 2016
	Gross	Provisions	Net	Net
Receivables from policyholders and agents	295 684	(12 494)	283 190	307 413
Earned premiums not yet written	258 141	-	258 141	279 369
Receivables from guaranteed debtors	20 190	-	20 190	8 127
Receivables from reinsurance transactions	92 024	(61)	91 963	100 022
Total credit insurance receivables	666 039	(12 555)	653 484	694 931

Receivables from guaranteed debtors are mainly receivables recorded by Euler Hermes SA (NV) in respect of the retail credit activity (which is in run-off of business since 2011), revalued in 2017 in order to reflect the decision to lengthen run-off period by another 3 year. €15 million have been recovered during 2017 in respect of the retail credit activity.

Breakdown by maturity

(in € thousands)	December 31, 2017				
	< 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Gross receivables	488 624	13 982	215	-	502 822
Reinsurers' share	128 893	1 579	-	-	130 472
Net receivables from guaranteed debtors	20 190	-	-	-	20 190
Total credit insurance receivables	637 707	15 561	215	-	653 484

Notes to the consolidated financial statements

Provisions for bad debts from policyholders and agents

(in € thousands)	December 31, 2017	December 31, 2016
Balance at opening period	(17 383)	(20 359)
Change in consolidation scope	-	-
Provision	(3 905)	(898)
Write back	3 482	3 928
Foreign exchange translation	56	16
Other changes	5 256	(70)
Balance at closing period	(12 494)	(17 383)

Note 11 Other receivables

Breakdown by type

(in € thousands)	December 31, 2017			December 31, 2016	
	Gross	Provision	Net	Net	
Current account	17 522	-	17 522	11 580	
Other taxes receivables	64 951	-	64 951	63 591	
Other receivables	139 388	(4 359)	135 029	117 588	
of which, accrued interest not due	30 098	-	30 098	33 735	
Deferred charges	16 319	-	16 319	14 104	
Other adjustment accounts	664	-	664	1 317	
Other assets	724	-	724	278	
Total other receivables	239 568	(4 359)	235 209	208 458	

Breakdown by maturity

(in € thousands)	< 3 months	3 months to 1 year	1 to 5 years	> 5 years	Total
Total other receivables	210 616	24 352	241	-	235 209

Note 12 Cash and cash equivalents

(in € thousands)	December 31, 2017	December 31, 2016
Cash in bank and at hand	262 435	377 566
Cash pooling	49 445	72 715
Total cash	311 880	450 281
Total cash in balance sheet	311 880	450 281
Cash equivalents reflected in the cash flow statement	-	-
Cash pooling creditor with Allianz	(15)	(4)
Total cash and cash equivalents	311 865	450 277

Notes to the consolidated financial statements

Note 13 Revaluation reserve

(in € thousands)	Investments	Tax	Foreign exchange difference	Associated companies	Other	Revaluation reserve except minority interests	Minority interests	Revaluation reserve
Opening balance	109 137	(23 536)	4 084	(4 110)	1 784	87 359	(1)	87 358
Change in fair market value of AFS transferred through profits & losses - Group	(25 645)	1 028	-	-	-	(24 617)	-	(24 617)
Change in fair market value of AFS booked through equity - Group	29 673	1 429	(8 060)	-	(1)	23 041	-	23 041
Change in fair market value of investments accounted for at the equity method	-	-	-	(1 487)	-	(1 487)	-	(1 487)
Other movements	-	-	-	-	(1)	(1)	-	(1)
Closing balance	113 165	(21 079)	(3 976)	(5 597)	1 782	84 295	(1)	84 294

Note 14 Non-controlling interests

Movements during the year

(in € thousands)	December 31, 2017	December 31, 2016
Non-controlling interests at start of period	50 616	61 807
Non-controlling interests' share of net income	2 932	697
Components of other comprehensive income	(293)	11
Revaluation reserve for financial investments available for sale	-	-
Actuarial gain / (loss) on defined benefit plans	3	(4)
Foreign currency translation differences	(296)	15
Other movements	(1 073)	(11 899)
Dividends paid to minority shareholders	(1 072)	(1 987)
Capital increases and other movements	(1)	(9 912)
Non-controlling interests at end of period	52 182	50 616

The dividends paid to minority shareholders are mainly due to Euler Hermes Morocco.

Breakdown by country

(in € thousands)	December 31, 2017	31 décembre 2016
Euler Hermes in France	47 549	46 071
Euler Hermes in Germany	21	76
Euler Hermes in Switzerland	9	13
Euler Hermes in Morocco	4 053	4 099
Euler Hermes in Tunisia	551	356
Non controlling interests	52 182	50 616

Notes to the consolidated financial statements

Note 15 Provisions for risks and charges

(in € thousands)	December 31, 2016	Allowance	Write back (used)	Write back (not used)	Reclassification	Other changes	December 31, 2017
Retirement scheme (see Note 17 Employee Benefits for more details)	249 492	22 108	(16 347)	(942)	327	(14 838)	239 800
Defined-benefit retirement plans	249 492	22 108	(16 347)	(942)	327	(14 838)	239 800
Other provisions for risks and charges	187 648	121 558	(112 839)	(11 667)	-	(1 956)	182 744
Provision for tax litigation in Germany	269	-	-	-	-	(13)	256
Provision for tax uncertainties	58 029	13 785	(16 803)	(8 776)	-	(40)	46 195
Provisions for employee benefits	90 062	92 099	(77 555)	(490)	-	(1 739)	102 377
Provision for restructuring	29 144	14 559	(12 423)	(406)	-	(113)	30 761
Provisions for sundry disputes	10 144	1 115	(6 058)	(1 995)	-	(51)	3 155
Total Provisions for risks and charges	437 140	143 666	(129 186)	(12 609)	327	(16 794)	422 544

The other changes concerning the defined-benefit retirement plans for €-14.8 million mainly consist in changes in assumptions and experience adjustments and are recognized in other comprehensive income according to IAS 19 Revised.

Note 16 Employee benefits

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

Defined-contribution plans

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

During the year ended December 31, 2017, the Group recognized expenses for defined-contribution plans of €10 million (2016: €10.8 million). Additionally, the Group paid contributions for state pension schemes of €28.8 million in 2017 (2016: €28.5 million).

Defined-benefit plans

General description of the plans:

- Retirement indemnities (France): the rights in respect of retirement indemnities are defined by the insurance companies' collective agreement. This plan is financed partly by a policy taken out with an insurance company.
- PSAD (France): this is a supplementary retirement benefit plan that was closed in 1978 and covers executives of Euler Hermes France. Contributions are paid by Euler Hermes France to beneficiaries or their surviving spouse (reversion) until their death. The plan is managed by BCAC, which informs Euler Hermes France quarterly of the contributions to be paid.
- Cardif (France): this is a supplementary retirement benefit plan that was closed in 2006 and covers members of the Group Management Board and/or corporate officers of Euler Hermes Group and Euler Hermes France. The contributions are paid by Cardif to the beneficiaries or their surviving spouse (reversion) until their death.
- Euler Hermes SA (NV) (Italy branch): TFR (*Trattamento di Fine Rapporto*) is a pension plan established by Italian legislation that is similar to a defined-benefit pension plan. It is valued in accordance with IAS 19 by an independent actuary.

The following items were taken into account when measuring the commitment at the year-end:

- the retirement age was taken as 62 years for women and 66 years for men;
- the probability of leaving the Italy branch within the next five years for employees under 42 years of age has been determined based on historical data;
- the average life expectancy has been determined based on current statistics;
- the probability of an early request for TFR has also been calculated using historical data available within the company.

Euler Hermes SA (NV) (Italy branch) has no dedicated hedging instrument that covers the actuarial liability.

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- Euler Hermes SA (NV) (UK branch): the UK branch operates a defined-benefit pension plan that covers all employees who had joined the company by December 31, 2001. Under this plan, employees will be granted a pension on retirement, based on a fraction of their final salary and based on their length of service within the company while the plan was open to future accrual. The plan closed to future accrual with effect from December 31, 2012, at which point the link to future salary increases was removed. The company funds these rights through a dedicated fund. The retirement rights are revalued annually based on the constraints set by law, which provides for the mandatory application of different revaluation rates according to the vesting date of the rights. The 2012 closure of the plan has resulted in a curtailment gain of £6.2 million.
- AVK/APV: Euler Hermes Deutschland, branch of Euler Hermes SA (NV), Euler Hermes AG and Euler Hermes Rating Deutschland GmbH have implemented a defined-benefit pension plans for all their employees. The beneficiaries will receive an annuity upon retirement at 65 years old at the latest. These plans are financed in part by external companies, namely Pensionskasse AVK and Unterstützungskasse APV and by contractual trust arrangement namely Methusalem Trust e.V. Employees who leave the company prior to the date provided for may benefit from an annuity of a lower amount than the one initially provided for.

Within the Allianz defined-benefit plan in which the Group is involved in Germany, the assumptions for determining the DBO have been updated. The plan has been split into 2 items: on one hand the engagement to pay a fixed annuity to employees, engagement covered by an insurance contract and on the other hand the engagement to pay a compensation for the inflation. As a result, the analysis leads to the conclusion that the engagement to pay the fixed annuity was already fully covered in the absence of profit participation and could be evaluated at the fair value of plan asset. The second part is still valued according to the projected unit credit method as required by IAS 19.

- Euler Hermes SA (NV) (Belgium branch) has implemented a plan that covers the payment to employees of Euler Hermes Credit Insurance Belgium and Euler Hermes Services Belgium SA of a fixed capital amount (equal to a multiple of their salary at 60 years old). It also provides coverage in the event of death – a multiple of salary based on family composition – or invalidity of the employee. The plan was closed in 2012.
In 2016, the Belgium Group insurance main and complementary DC plans have been accounted as DB plan due to minimum return defined by the Belgian law.
- Euler Hermes SA (NV) (Netherlands branch) implemented a defined-benefit pension plan for its employees that is managed by Delta Lloyd. The plan was closed at the end of 2012.
A defined-benefit plan was signed in February 2009 with Aegon and covers 6 employees. The plan is renewed every 5 years.
- Scandinavia:
Euler Hermes SA (NV) (Sweden branch): a multi-employer plan that is managed by the life insurance company SPP. Employees begin to accrue pension at 28 years old. Employees can receive a pension as from 65 years old. Employees are then guaranteed about 65% of their final salaries,
Euler Hermes SA (NV) (Norway branch): a multi-employer plan that is managed by the life insurance company Vital. Employees begin to accrue pension from the first day of employment. Employees can receive a pension as from 65 years old. Employees are then guaranteed 65% of their final salaries.

Notes to the consolidated financial statement

December 31, 2017 (in € thousands)	France & Greece			Italy	United-Kingdom	Germany	Belgium	Netherlands	Scandinavia		Total
	Retirement Indemnities	PSAD	Cardif						FTP	VITAL	
Actuarial obligation - total - Opening	(11 418)	(3 048)	(4 038)	(8 724)	(257 484)	(647 781)	(25 538)	(26 295)	(7 600)	(1 571)	(993 496)
Current period service cost	(663)	-	-	(798)	-	(13 286)	(826)	(950)	(129)	(103)	(16 754)
Interest on obligation	(149)	(39)	(52)	(57)	(6 797)	(11 710)	(358)	(402)	(211)	(28)	(19 802)
Employee contributions	-	-	-	-	-	(3 130)	(118)	(332)	-	-	(3 580)
Plan amendment	-	-	-	-	-	-	-	6	-	-	6
Acquisitions/disposals of subsidiaries	-	-	-	-	-	(12 863)	-	-	-	-	(12 863)
Plan curtailments	-	-	-	-	-	-	-	-	-	-	-
Plan settlements	-	-	-	-	-	-	-	-	-	-	-
Actuarial gains (losses) due to a change in assumptions	730	139	309	25	1 573	(34)	587	4 691	(605)	5	7 420
Actuarial gains (losses) due to a change in experience	84	235	1 128	23	2 368	(4 504)	(773)	447	(118)	-	(1 110)
Benefits paid	506	283	147	112	7 194	16 604	1 142	60	205	12	26 265
Currency translation difference	-	-	-	-	9 873	-	-	-	305	16	10 194
Other	-	-	-	5	-	(406)	-	(27)	-	-	(428)
Removal of the discretionary clause	-	-	-	-	-	-	-	-	-	-	-
Actuarial obligation - Total - Closing	(10 910)	(2 430)	(2 506)	(9 413)	(243 273)	(677 110)	(25 884)	(22 802)	(8 154)	(1 668)	(1 004 149)
Fair value of plan assets - Total - Opening	6 984	-	2 890	-	234 545	451 191	19 146	22 426	5 936	887	744 004
Interest income on plan assets	96	-	39	-	6 228	8 134	263	302	163	14	15 239
Actuarial gains (losses) due to a change in experience	16	-	(778)	-	17 400	5 583	397	(4 506)	(31)	55	18 136
Employee contributions	(329)	-	-	-	-	3 130	118	332	-	-	3 251
Employer contributions	1 271	-	-	-	3 307	7 441	1 099	1 138	859	83	15 199
Acquisitions/disposals of subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Plan curtailments	-	-	-	-	-	-	-	-	-	-	-
Plan settlements	-	-	-	-	-	-	-	-	-	-	-
Benefits paid	(506)	-	(147)	-	(7 194)	(11 166)	(1 142)	(60)	(201)	-	(20 416)
Currency translation difference	-	-	-	-	(9 027)	-	-	-	(225)	(12)	(9 264)
Other	-	-	-	-	-	422	-	(237)	-	-	185
Fair value of plan assets - Total - Closing	7 532	-	2 004	-	245 259	464 737	19 881	19 396	6 500	1 027	766 335
Net commitments <0	(3 379)	(2 430)	(502)	(9 413)	-	(212 373)	(6 003)	(3 406)	(1 653)	(641)	(239 800)
Net commitments >0	-	-	-	-	1 986	-	-	-	-	-	1 986
Actuarial Gain / Loss - Cumulative amount in Other Comprehensive Income											
- Actuarial Gain / Loss - Gross - Opening value	(2 901)	42	(746)	(673)	(88 706)	(144 721)	(4 033)	(1 637)	(2 003)	318	(245 060)
- Actuarial Gain / Loss - Gross - Movement	1 319	1	546	48	21 342	1 454	211	632	311	60	25 923
Actuarial Gain / Loss - Gross - Closing Value	(1 582)	43	(200)	(626)	(67 364)	(143 267)	(3 822)	(1 005)	(1 692)	378	(219 137)
- Actuarial Gain / Loss - Tax effect - Closing value	873	-	1	164	14 269	44 324	1 772	254	286	(16)	61 926
Actuarial Gain / Loss - Net of tax - Closing value	(709)	43	(199)	(462)	(53 095)	(98 943)	(2 050)	(751)	(1 406)	362	(157 211)
Expenses for the period	(716)	(39)	(13)	(853)	(569)	(16 861)	(920)	(1 044)	(116)	(178)	(21 309)
Current period service cost	(663)	-	-	(798)	-	(13 286)	(826)	(950)	(129)	(103)	(16 754)
Finance cost (effect of undiscounging)	(149)	(39)	(52)	(57)	(6 797)	(11 710)	(358)	(402)	(211)	(28)	(19 802)
Interest income on plan assets	96	-	39	-	6 228	8 134	263	302	163	14	15 239
Profit/loss on curtailment/settlement	-	-	-	-	-	-	-	-	-	-	-
Asset ceiling limitation	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Actuarial assumptions ⁽¹⁾											
Discounting rates used	1,60%	1,60%	1,60%	1,60%	2,40%	1,80%	1,60%	2,00%	2,25%	2,30%	
Inflation rate used	1,80%	1,80%	1,80%	1,50%	2,20%	1,50%	1,80%	-	2,00%	2,30%	
Expected rate of salary increase	2,20%	2,20%	2,20%	1,5%/0,50% ⁽⁴⁾	-	1,70%	2,50%	2,50%	3,00%	2,50%	
Expected rate of social security increases	-	-	-	-	-	-	-	-	3,00%	-	
Rate of increase of benefit used by plan	-	-	-	-	3,10%	-	-	-	2,00%	-	
Plan retirement age	63	63	63	62 and 66 ⁽³⁾	65	63	60	67	65	65	
Plan residual service period	-	-	-	-	-	15	11	16	-	-	
Other significant actuarial assumption used	-	-	-	-	-	-	-	-	-	-	
Structure of plan assets ⁽²⁾											
Equities	-	-	-	-	41,70%	10,00%	-	-	5,00%	10,90%	
Bonds	-	-	100,00%	-	23,20%	85,30%	-	-	87,00%	40,40%	
Real estate	100,00%	-	-	-	7,80%	3,90%	-	-	8,00%	10,00%	
Other instruments	-	-	-	-	27,30%	0,80%	100,00%	100,00%	-	38,70%	

⁽¹⁾ Actuarial assumptions: Germany and Belgium correspond to the actuarial assumptions of the more significant company.

⁽²⁾ Structure of hedging assets by entity. Germany and Netherlands correspond to the statistic of the more significant company.

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

⁽⁴⁾ 1.50% for the executives and 0.50% for the non-executives

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December 31, 2016 (in € thousands)	France & Greece			Italy	United-Kingdom	Germany	Belgium	Netherlands	Scandinavia		Total
	Retirement indemnities	PSAD	Cardif						Pays-Bas	FTP	
Actuarial obligation - total - Opening	(9 875)	(2 994)	(3 660)	(8 043)	(234 674)	(609 720)	(23 845)	(19 469)	(5 902)	(1 309)	(919 493)
Current period service cost	(629)	-	-	(694)	-	(13 057)	(613)	(1 201)	(82)	(105)	(16 382)
Interest on obligation	(193)	(57)	(72)	(61)	(7 943)	(13 569)	(455)	(436)	(222)	(32)	(23 040)
Employee contributions	-	-	-	-	-	(3 561)	(64)	(294)	-	-	(3 919)
Plan amendment	-	-	-	-	-	-	-	-	-	-	-
Acquisitions/disposals of subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Plan curtailments	-	-	-	-	-	-	-	-	-	94	94
Plan settlements	-	-	-	-	-	-	-	-	-	-	-
Actuarial gains (losses) due to a change in assumptions	(1 686)	(223)	(514)	(121)	(56 763)	(21 138)	(1 751)	(4 975)	(1 291)	70	(88 392)
Actuarial gains (losses) due to a change in experience	452	(99)	42	41	2 957	(627)	585	244	(478)	-	3 116
Benefits paid	513	325	166	216	6 854	14 856	1 778	(164)	137	14	24 695
Currency translation difference	-	-	-	-	32 085	-	-	-	453	(242)	32 296
Other	-	-	-	(61)	-	(963)	(1 173)	-	(215)	(61)	(2 473)
Removal of the discretionary clause	-	-	-	-	-	-	-	-	-	-	-
Actuarial obligation - Total - Closing	(11 418)	(3 048)	(4 038)	(8 724)	(257 484)	(647 781)	(25 538)	(26 295)	(7 600)	(1 571)	(993 496)
Fair value of plan assets - Total - Opening	6 369	-	2 942	-	238 383	422 639	18 340	15 186	5 454	694	710 006
Interest income on plan assets	122	-	57	-	8 148	9 521	344	352	204	16	18 763
Actuarial gains (losses) due to a change in experience	55	-	57	-	23 476	16 516	217	5 650	100	(25)	46 046
Employee contributions	-	-	-	-	-	3 561	64	294	-	-	3 919
Employer contributions	951	-	-	-	4 158	8 013	764	780	454	101	15 221
Acquisitions/disposals of subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Plan curtailments	-	-	-	-	-	-	-	-	-	(51)	(51)
Plan settlements	-	-	-	-	-	-	-	-	-	-	-
Benefits paid	(513)	-	(166)	-	(6 854)	(9 603)	(1 778)	164	(137)	-	(18 887)
Currency translation difference	-	-	-	-	(32 765)	-	-	-	(353)	153	(32 965)
Other	-	-	-	-	-	545	1 195	-	214	-	1 954
Fair value of plan assets - Total - Closing	6 984	-	2 890	-	234 545	451 191	19 146	22 426	5 936	887	744 004
Net commitments <0	(4 434)	(3 048)	(1 148)	(8 724)	(22 938)	(196 590)	(6 392)	(3 869)	(1 664)	(684)	(249 492)
Net commitments >0	-	-	-	-	-	-	-	-	-	-	-
Actuarial Gain / Loss - Cumulative amount in Other Comprehensive Income											
- Actuarial Gain / Loss - Gross - Opening value	(1 722)	364	(331)	(593)	(58 375)	(139 472)	(3 084)	(2 556)	(335)	273	(205 831)
- Actuarial Gain / Loss - Gross - Movement	(1 179)	(322)	(415)	(80)	(30 330)	(5 249)	(949)	919	(1 668)	45	(39 228)
Actuarial Gain / Loss - Gross - Closing Value	(2 901)	42	(746)	(673)	(88 706)	(144 721)	(4 033)	(1 637)	(2 003)	318	(245 060)
- Actuarial Gain / Loss - Tax effect - Closing value	839	163	256	184	18 611	44 649	1 824	411	673	-	67 610
Actuarial Gain / Loss - Net of tax - Closing value	(2 062)	205	(490)	(489)	(70 095)	(100 072)	(2 209)	(1 226)	(1 330)	318	(177 450)
Expenses for the period	(700)	(57)	(15)	(755)	205	(17 105)	(724)	(1 285)	(100)	(122)	(20 658)
Current period service cost	(629)	-	-	(694)	-	(13 057)	(613)	(1 201)	(82)	(105)	(16 381)
Finance cost (effect of undiscounting)	(193)	(57)	(72)	(61)	(7 943)	(13 569)	(455)	(436)	(222)	(32)	(23 040)
Interest income on plan assets	122	-	57	-	8 148	9 521	344	352	204	16	18 763
Profit/loss on curtailment/settlement	-	-	-	-	-	-	-	-	-	-	-
Asset ceiling limitation	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Actuarial assumptions ⁽¹⁾											
Discounting rates used	0,90%	0,90%	0,90%	1,50%	2,75%	1,80%	1,40%	1,30%	2,75%	2,10%	
Inflation rate used	1,80%	1,80%	1,80%	1,50%	2,35%	1,50%	-	-	2,00%	2,10%	
Expected rate of salary increase	2,00%	2,00%	2,00%	1,5%/0,50% ⁽⁴⁾	-	2,10%	2,50%	2,00%	3,00%	2,25%	
Expected rate of increase of medical costs	-	-	-	-	-	-	-	-	-	-	
Rate of increase of benefit used by plan	1,80%	1,80%	1,80%	-	3,20%	-	-	-	-	-	
Plan retirement age	60	60	60	62 and 66 ⁽³⁾	65	63	60	67	65	67	
Plan residual service period	-	-	-	-	-	15	11	16	-	-	
Other significant actuarial assumption used	-	-	-	-	-	-	-	-	-	-	
Structure of plan assets ⁽²⁾											
Equities	-	-	-	-	46,10%	9,30%	3,14%	-	5,00%	6,70%	
Bonds	-	-	100,00%	-	23,60%	55,40%	90,60%	-	87,00%	43,90%	
Real estate	100,00%	-	-	-	7,80%	3,30%	4,67%	-	8,00%	7,40%	
Other instruments	-	-	-	-	22,50%	32,00%	1,59%	100,00%	-	42,00%	

⁽¹⁾ Actuarial assumptions: Germany and Belgium correspond to the actuarial assumptions of the more significant company.

⁽²⁾ Structure of hedging assets by entity. Germany and Netherlands correspond to the statistic of the more significant company.

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

⁽⁴⁾ 1.50% for the executives and 0.50% for the non-executives

Notes to the consolidated financial statement

Sensitivity of actuarial assumptions

As far as the Germany scope is concerned (89% of Group net commitments for the defined-benefit retirement plans), an increase of the discount rate by 50 bps would decrease the defined-benefit obligation by €44 million. A decrease of 50 bps would lead to an increase of €51 million. An increase or a decrease of the salary by 25 bps would have no material effect on the defined-benefit obligation.

Estimation of future benefit payments

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

<u>(in thousands of euros) Pension Benefits</u>	
2017	16 604
2018	16 136
2019	17 378
2020	17 915
2021	18 957
2022	19 722
2023-2027	106 328

Note 17 Borrowings

Breakdown by type

<u>(in € thousands)</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Subordinated debt	-	-
Term loans and other term borrowings	259 633	252 181
Bank overdraft	1 935	38
Borrowings from banking sector businesses	261 568	252 219
Other borrowings	2 041	2 031
Total borrowings	263 609	254 250

Bank borrowings mainly correspond to the following items:

- 2015 loan of €110 million from BNP Paribas with redemption in June 18, 2020, with fixed annual interest rate of 0.97% (negotiated in June, 2015);
- 2010 loan of €110 million from HSBC with redemption on June 18, 2020, with fixed annual interest rate of 0.97% (previously €125 million loan and 1.885% fixed annual interest rate, renegotiated in June, 2015);
- Credit line of €32 million from AAREAL Bank with redemption on October 22, 2023, with variable annual interest rate Euribor 3M plus 1.55% margin. As at December 2016, this line has been totality drawn down (to €32 million);
- Accrued interest for €0.2 million.

Some borrowings are subject to step-up clauses providing for an increase in the annual interest rate in the event of an external rating downgrade by *Standard & Poor's* or any other equivalent rating agency considered in the loan agreements.

The other borrowings are a loan granted by Moody's to Euler Hermes Rating in relation to the collaboration signed in September 2016 to provide tailored rating services to European SMEs.

Breakdown by maturity

<u>(in € thousands)</u>	<u>3 months or less</u>	<u>3 months to 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Total borrowings	2 115	7 462	222 032	32 000	263 609

Notes to the consolidated financial statement

Breakdown by maturity for interests to be paid

(in € millions)	2017	2018
Borrowing 2015 of €110 million maturity 06/18/2020, annual fixed rate to 0.97%	1,07	1,07
Borrowing 2010 of €110 million maturity 06/18/2020, annual fixed rate to 0.97%	1,07	1,07
Total future interest expenses with others than Allianz group	2,13	2,13

(in € millions)	2017	2018 à 2023 ⁽¹⁾	2024
Borrowing 2013 of €32 million maturity 22/10/2023, Euribor 3M + 1.55% ⁽²⁾	0,39	2,74	0,39
Total future interest expenses with others than Allianz group	0,39	2,74	0,39

⁽¹⁾ This interest is accumulated over 7 years; the annual interest on loans amounts to €0.39 million.

⁽²⁾ The line of credit of € 32 million maturity October 2023 has been totally drawn down.

Note 18 Technical reserves

(in € thousand)	December 31, 2016	Allowance net of writebacks	Foreign exchange differences	Changes in consolidation scope	Other changes	December 31, 2017
Reserve for unearned premiums	464 764	35 864	(22 960)	-	(631)	477 037
Reserve for claims net of forecasts of recoveries	1 738 299	107 083	(51 356)	-	(9 082)	1 784 944
Reserve for no-claims bonuses and rebates	152 753	8 719	(2 120)	-	(81)	159 271
Gross technical reserves	2 355 816	151 666	(76 436)	-	(9 794)	2 421 252
Reserve for unearned premiums	25 183	406	(715)	-	-	24 874
Reserve for claims net of forecasts of recoveries	542 175	54 966	(9 304)	-	(1 546)	586 291
Reserve for no-claims bonuses and rebates	31 624	1 289	(393)	-	-	32 520
Reinsurers' share of technical reserves	598 982	56 661	(10 412)	-	(1 546)	643 685
Net technical reserves	1 756 834	95 005	(66 024)	-	(8 248)	1 777 567

Claims reserves

(in € thousand)	December 31, 2017			December 31, 2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Claims reserves gross of recoveries	2 016 155	(667 552)	1 348 603	1 970 789	(624 369)	1 346 420
Current period	1 082 305	(307 431)	774 874	1 014 364	(271 582)	742 782
Prior periods	933 850	(360 121)	573 729	956 425	(352 787)	603 638
Recoveries to be received	(231 211)	81 261	(149 950)	(232 490)	82 194	(150 296)
Current period	(72 044)	15 311	(56 733)	(66 337)	14 188	(52 149)
Prior periods	(159 167)	65 950	(93 217)	(166 153)	68 006	(98 147)
Claims reserves	1 784 944	(586 291)	1 198 653	1 738 299	(542 175)	1 196 124

Breakdown by type of reserve

(in thousand)	December 31, 2017			December 31, 2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Reserves for unearned premiums	477 037	(24 874)	452 163	464 764	(25 183)	439 581
Claims reserves	1 784 944	(586 291)	1 198 653	1 738 299	(542 175)	1 196 124
of which, reserves for known claims	1 233 383	(427 233)	806 150	1 293 168	(431 679)	861 489
of which, reserves for late claims	698 528	(231 953)	466 575	604 309	(182 562)	421 747
of which, reserves for claims handling expenses	83 790	(8 366)	75 424	73 364	(10 128)	63 236
of which, other technical reserves	454	-	454	(52)	-	(52)
of which, recoveries to be received	(231 211)	81 261	(149 950)	(232 490)	82 194	(150 296)
No-claims bonuses and rebates	159 271	(32 520)	126 751	152 753	(31 624)	121 129
Technical reserves	2 421 252	(643 685)	1 777 567	2 355 816	(598 982)	1 756 834

Notes to the consolidated financial statements

Note 19 Insurance and reinsurance liabilities

Breakdown by type and by maturity

(in € thousands)	December 31, 2017	December 31, 2016			
Policyholders' guarantee deposits and miscellaneous	93 196	102 455			
Liabilities due to policyholders and agents	100 593	115 506			
Liabilities arising from inward insurance and reinsurance transactions	193 789	217 961			
Liabilities due to reinsurers and assignors	83 770	32 507			
Deposits received from reinsurers	6 901	7 266			
Outwards reinsurance liabilities	90 671	39 773			
Total insurance and reinsurance liabilities	284 460	257 734			
(in € thousands)	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total insurance and reinsurance liabilities	268 860	8 742	6 858	-	284 460

Note 20 Other liabilities

Breakdown by type and by maturity

(in € thousands)	December 31, 2017	December 31, 2016			
Tax and social liabilities	159 530	157 343			
Other operating liabilities	126 745	148 341			
Deferred income	34 073	27 977			
Other accrued expenses	-	-			
Other liabilities	259	238			
Total other liabilities	320 607	333 899			
(in € thousands)	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total other liabilities	302 124	16 920	1 541	23	320 607

Notes to the consolidated financial statement

Note 21 Breakdown of operating income

(in € thousands)	December 31, 2017			December 31, 2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Premiums and commissions	2 348 499	(672 563)	1 675 936	2 326 251	(652 458)	1 673 793
Premiums refunded	(147 501)	31 919	(115 582)	(126 416)	29 160	(97 256)
Gross premiums written - credit insurance	2 200 998	(640 644)	1 560 354	2 199 835	(623 298)	1 576 537
Change in unearned premiums	(35 864)	3 500	(32 364)	(29 606)	(15 909)	(45 515)
Earned premiums	2 165 134	(637 144)	1 527 990	2 170 229	(639 207)	1 531 022
Service revenues	401 814	-	401 814	399 677	-	399 677
Turnover	2 566 948	(637 144)	1 929 804	2 569 906	(639 207)	1 930 699
Net investment income	87 386	-	87 386	75 326	-	75 326
Claims paid	(872 248)	229 147	(643 101)	(992 306)	286 975	(705 331)
Claims reserves expenses	(90 078)	56 889	(33 189)	8 113	(876)	7 237
Claims handling expenses	(128 641)	1 747	(126 894)	(103 918)	2 174	(101 744)
Insurance services expenses	(1 090 967)	287 783	(803 184)	(1 088 111)	288 273	(799 838)
Brokerage commissions	(228 470)	-	(228 470)	(218 906)	-	(218 906)
Other acquisition costs	(256 135)	-	(256 135)	(265 263)	-	(265 263)
Change in acquisition costs capitalised	11 627	-	11 627	9 024	-	9 024
Contract acquisition expenses	(472 978)	-	(472 978)	(475 145)	-	(475 145)
Impairment of portfolio securities and similar	-	-	-	-	-	-
Administration expenses	(251 259)	-	(251 259)	(227 571)	-	(227 571)
Commissions received from reinsurers	-	245 280	245 280	-	233 748	233 748
Other ordinary operating income and expenses	(358 929)	-	(358 929)	(360 381)	-	(360 381)
Current operating income	480 201	(104 081)	376 120	494 024	(117 186)	376 838

Notes to the consolidated financial statement

Cost of claims

(in € thousands)

	December 31, 2017			December 31, 2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Cost of claims for the current period	1 412 450	(371 246)	1 041 204	1 296 315	(322 066)	974 249
of which, claims paid	259 520	(59 401)	200 119	230 931	(54 269)	176 662
of which, claims reserves	1 050 869	(309 441)	741 428	980 651	(265 541)	715 110
of which, claims handling expenses	102 061	(2 404)	99 657	84 733	(2 256)	82 477
Recoveries for the current period	(86 309)	17 008	(69 301)	(72 722)	15 388	(57 334)
Recoveries received	(13 456)	1 547	(11 909)	(6 873)	1 188	(5 685)
Change in reserves for recoveries	(72 853)	15 461	(57 392)	(65 849)	14 200	(51 649)
Cost of claims from prior periods	(174 263)	17 176	(157 087)	(117 722)	(14 146)	(131 868)
of which, claims paid	758 290	(236 378)	521 912	900 731	(289 788)	610 943
of which, claims reserves	(959 133)	252 897	(706 236)	(1 037 638)	275 561	(762 077)
of which, claims handling expenses	26 580	657	27 237	19 185	81	19 266
Recoveries from prior periods	(60 911)	49 279	(11 632)	(17 760)	32 549	14 789
Recoveries received	(132 106)	65 085	(67 021)	(132 483)	55 894	(76 589)
Change in reserves for recoveries	71 195	(15 806)	55 389	114 723	(23 345)	91 378
Cost of claims	1 090 967	(287 783)	803 184	1 088 111	(288 275)	799 836

Notes to the consolidated financial statement

Note 22 Net financial income

(in € thousands)

	December, 31 2017	December 31, 2016
Revenues from investment property	9 263	6 672
Revenues from equity & debt securities	53 274	49 536
Available for sale assets through equity	53 274	49 536
Trading assets	-	-
Held to maturity	-	-
Revenues from loans, deposits and other financial investments	11 191	14 815
Other financial income	(59)	421
Investment income	73 668	71 444
Depreciation of investment property	(2 660)	(2 686)
Investment management expenses	(7 934)	(8 965)
Interest paid to reinsurers	(164)	(154)
Other financial expenses	-	-
Investment expenses	(10 758)	(11 805)
Profits (losses) on sales of property	8	-
Net profits (losses) on sales of securities	26 138	21 608
Available for sale assets through equity	26 138	18 806
Trading assets	-	-
Held to maturity	-	-
On sales of loans to banks and customers	-	2 802
Profits (losses) on sales of participating interests	-	-
Net gain (loss) on sales of investments less impairment and depreciation write backs	26 146	21 608
Change in fair value of derivatives	(9 624)	(2 914)
Change in fair value of trading assets	-	-
Change in fair value of investments recognised at fair value through the income statement	(9 624)	(2 914)
Reserve for impairment of investments	(730)	(414)
Change in impairment of investments	(730)	(414)
Net change in foreign currency	8 684	(2 593)
Net financial income (excluding financing expense)	87 386	75 326

In 2017, the net change in foreign currency is mainly due to the weakening of the US dollar against the euro. In 2016, it was mainly due to the depreciation of the pound sterling against the euro.

Note 23 Operating leases

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

(in € thousands)

	December 31, 2017						
	United Kingdom	United States	Northern Europe ⁽¹⁾	Germany	France	Asia	Others
Less than 1 year	2 188	2 921	3 142	6 855	14 367	1 877	3 149
1 to 5 years	4 170	7 128	12 128	32 727	59 300	3 838	7 552
More than 5 years	207	19	-	77 198	50 527	-	4 072
Total	6 565	10 068	15 270	116 780	124 194	5 715	14 773

⁽¹⁾ Includes the Netherlands, Scandinavia and Belgium.

Notes to the consolidated financial statements

The Group has a rental contract for its First Tower headquarter in La Défense. The rental contract has been renewed for a duration of 10.5 years from July 1st 2016, for an annual amount of € 9.815 thousand net of rent reduction.

Note 24 Other ordinary operating revenues and expenses

(in € thousands)	December 31, 2017	December 31, 2016
Other ordinary operating income	19 435	18 305
Other ordinary operating expenses	(368 998)	(371 338)
Employee profit sharing and bonuses	(9 366)	(7 348)
Other ordinary operating expenses	(378 364)	(378 686)
Other ordinary operating income and expenses	(358 929)	(360 381)

The other ordinary operating expenses mainly concern expenses related to services activities.

Note 25 Other operating revenues and expenses

(in € thousands)	December 31, 2017	December 31, 2016
Other non-ordinary operating income	-	35 049
Other non-ordinary operating expenses	(16 582)	(38 548)
Other non-ordinary operating income and expenses	(16 582)	(3 499)

The other non-ordinary operating expenses are related to restructuring costs (see Note 1 "Significant events").

Note 26 Corporation tax

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

The tax charge is split as follows:

(in € thousands)	December 31, 2017	December 31, 2016
Current income tax		
France	(12 355)	11 378
Other countries	110 412	71 222
Subtotal	98 057	82 600
Deferred income tax		
France	(8 641)	(2 049)
Other countries	(38 493)	14 291
Subtotal	(47 134)	12 242
Total Corporation tax as reported in the income statement	50 923	94 842

The current income tax expense of Euler Hermes Group includes a one-off €31.0 million positive effect, resulting from the reimbursement of the 3% taxation on paid dividends over years 2013 to 2017, as this tax was deemed unconstitutional. The 2016 current income tax expense included a 2016 one-off €9.8 million positive effect relating to the claim on the non-taxable portions of dividend income received from European subsidiaries owned at 95% or more.

Notes to the consolidated financial statements

Tax proof

The reconciliation between the 34.43% theoretical tax expense (pre-tax profit multiplied by the applicable tax rate in France for the period concerned) and the effective 13.79% tax expense is as follows:

(in € thousands)	12M 2017	12M 2016
Consolidated income before taxes	369 300	382 491
Theoretical tax rate	34,43%	34,43%
Tax at theoretical tax rate	127 150	131 692
Contribution of companies booked at equity	(4 275)	(5 050)
Impact of differences between Group and local tax rates	(49 829)	(40 844)
Local specific taxes	6 195	5 568
Net tax on other items non taxable or non deductible	(9 962)	(3 081)
Tax group boni	-	(892)
Dividends	8 429	11 129
Corrections and adjustments on prior years periods	(44 563)	(13 798)
Deferred tax assets unrecognized and provisions for tax uncertainties	17 345	9 886
Other permanent differences	433	232
Tax at effective tax rate	50 923	94 842
Effective tax rate	13,79%	24,80%

The main variances are due to:

- the differences in tax rates, due to the presence of the Group in countries which have a different theoretical tax rates;
- the share of the non-deductible costs and charges for the dividends received outside the French Tax Group;
- permanent differences (mainly taxation without basis and unrecognized tax losses);
- reduced rates;
- specific tax positions (mainly adjustments on prior year periods of tax losses).

Note 27 Earnings per share and dividend per share

Earnings per share

	December 31, 2017	December 31, 2016
Distributable net income (in € thousands)	315 445	286 952
Weighted average number of ordinary shares before dilution	42 017 258	42 842 180
Earnings per share (in €)	7,51	6,70
Distributable net income (in € thousands)	315 445	286 952
Weighted average number of ordinary shares after dilution	42 017 258	42 842 180
Diluted earnings per share (in €)	7,51	6,70

The average number of shares resulting from dilution is nil both in 2017 and 2016.

The net income, Group Share, is used as the basis for this calculation.

Dividend per share

The Management will propose to the Shareholder's Meeting of May 30, 2018 the payment of a dividend of €4.85 per share on the 2017 result.

Notes to the consolidated financial statements

Note 28 Segment data

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

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

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

Profit & loss by segment – year-end December 2017

(in € thousands)

Year-end December 31, 2017

	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries, Middle East & Africa	Americas	Asia Pacific	Group reinsurance	Group services	Inter-segment eliminations	Group
Premiums written	618 903	361 936	481 457	272 032	313 770	128 618	1 714 223	-	(1 542 440)	2 348 499
Premiums refunded	(62 575)	(28 569)	(26 456)	(15 636)	(6 527)	(4 441)	(100 289)	-	96 992	(147 501)
Change in unearned premiums	3 156	(2 517)	(4 783)	(5 887)	(12 982)	(13 646)	(28 297)	-	29 092	(35 864)
Earned premiums - non-Group	559 484	330 850	450 218	250 509	294 261	110 531	1 585 637	-	(1 416 356)	2 165 134
Services revenues - non-Group	145 705	85 622	94 463	71 386	46 841	34 015	-	116 261	(192 479)	401 814
Turnover - intra-sectoral	705 189	416 472	544 681	321 895	341 102	144 546	1 585 637	116 261	(1 608 835)	2 566 948
Investment income	18 094	14 464	11 501	9 892	6 974	4 980	30 818	178 433	(187 770)	87 386
<i>Of which, dividends</i>	<i>(1 098)</i>	<i>(828)</i>	<i>(1 171)</i>	-	-	-	<i>(1 816)</i>	<i>(182 667)</i>	<i>187 556</i>	<i>(24)</i>
Total ordinary income	723 283	430 936	556 182	331 787	348 076	149 526	1 616 455	294 694	(1 796 605)	2 654 334
Insurance services expenses	(250 191)	(182 701)	(205 878)	(123 817)	(139 107)	(111 235)	(784 890)	2 353	704 499	(1 090 967)
Outwards reinsurance income	314 303	194 503	263 039	117 156	174 630	107 774	552 826	-	(1 191 168)	533 063
Outwards reinsurance expenses	(406 767)	(223 838)	(333 388)	(179 429)	(211 314)	(85 547)	(613 216)	-	1 416 355	(637 144)
Other income and expenses	(286 855)	(165 983)	(234 211)	(135 970)	(134 731)	(82 707)	(554 993)	(166 864)	679 148	(1 083 166)
Total other income and expenses	(629 510)	(378 019)	(510 438)	(322 060)	(310 522)	(171 715)	(1 400 273)	(164 511)	1 608 834	(2 278 214)
CURRENT OPERATING INCOME	93 773	52 917	45 744	9 727	37 554	(22 189)	216 182	130 183	(187 771)	376 120
Other non ordinary operating expenses and income	(4 530)	962	(10 239)	(2 126)	-	-	-	-	(649)	(16 582)
OPERATING INCOME	89 243	53 879	35 505	7 601	37 554	(22 189)	216 182	130 183	(188 420)	359 538
Financing expenses	(65)	(3 095)	(218)	(56)	(29)	-	(739)	(2 277)	215	(6 264)
Share of Income from companies accounted by the equity meth	3 809	9 829	-	-	-	(381)	-	2 769	-	16 026
Corporation tax	(25 185)	(9 006)	(9 029)	(3 485)	(13 900)	(765)	(19 330)	30 002	(225)	(50 923)
CONSOLIDATED NET INCOME	67 802	51 607	26 258	4 060	23 625	(23 335)	196 113	160 677	(188 430)	318 377
NET INCOME, GROUP SHARE	67 797	49 839	26 233	2 868	23 625	(23 335)	196 113	160 735	(188 430)	315 445
Non controlling interests	5	1 768	25	1 192	-	-	-	(58)	-	2 932

Notes to the consolidated financial statements

Profit & loss by segment – year-end December 2016

(in € thousands)

Year-end December 31, 2016

	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries, Middle East & Africa	Americas	Asia Pacific	Group reinsurance	Group services	Inter-segment eliminations	Group
Premiums written	625 937	355 942	478 345	285 727	291 432	117 115	1 652 591	-	(1 480 838)	2 326 251
Premiums refunded	(62 152)	(29 102)	(25 079)	1 270	(5 521)	(2 224)	(89 104)	-	85 496	(126 416)
Change in unearned premiums	(2 917)	(5 733)	(18 062)	(6 928)	2 189	1 981	(8 136)	-	8 000	(29 606)
Earned premiums - non-Group	560 868	321 107	435 204	280 069	288 100	116 872	1 555 351	-	(1 387 342)	2 170 229
Services revenues - non-Group	145 573	82 674	93 245	69 960	47 194	31 138	-	92 628	(162 635)	399 677
Turnover - intra-sectoral	706 441	403 781	528 449	349 929	335 294	148 010	1 555 351	92 628	(1 549 977)	2 569 906
Investment income	20 740	24 909	6 352	7 280	7 191	(1 205)	16 863	802 289	(809 093)	75 326
<i>Of which, dividends</i>	<i>(1 179)</i>	<i>(4 705)</i>	<i>(601)</i>	-	-	-	-	<i>(801 152)</i>	<i>807 637</i>	-
Total ordinary income	727 181	428 690	534 801	357 209	342 485	146 805	1 572 214	894 917	(2 359 070)	2 645 232
Insurance services expenses	(214 818)	(161 115)	(184 587)	(189 608)	(117 638)	(117 481)	(759 018)	2 943	653 211	(1 088 111)
Outwards reinsurance income	257 694	175 238	220 811	192 215	155 105	120 364	517 863	-	(1 117 268)	522 022
Outwards reinsurance expenses	(369 841)	(223 299)	(317 609)	(206 929)	(208 564)	(86 893)	(613 413)	-	1 387 340	(639 208)
Other income and expenses	(281 810)	(161 747)	(225 005)	(138 922)	(132 228)	(82 201)	(534 444)	(132 350)	625 610	(1 063 097)
Total other income and expenses	(608 775)	(370 923)	(506 390)	(343 244)	(303 325)	(166 211)	(1 389 012)	(129 407)	1 548 893	(2 268 394)
CURRENT OPERATING INCOME	118 406	57 767	28 411	13 965	39 160	(19 406)	183 202	765 510	(810 177)	376 838
Other non ordinary operating expenses and income	11 629	(6 191)	(1 651)	-	(559)	-	-	(4 665)	(2 062)	(3 499)
OPERATING INCOME	130 035	51 576	26 760	13 965	38 601	(19 406)	183 202	760 845	(812 239)	373 339
Financing expenses	(90)	(3 073)	(416)	(33)	(15)	-	(510)	(3 512)	1 458	(6 191)
Share of Income from companies accounted by the equity meth	4 884	7 444	-	-	-	(740)	-	3 755	-	15 343
Corporation tax	(34 771)	(17 044)	(8 687)	(4 814)	(14 498)	(873)	(21 860)	7 714	(9)	(94 842)
CONSOLIDATED NET INCOME	100 058	38 903	17 657	9 118	24 088	(21 019)	160 832	768 802	(810 790)	287 649
NET INCOME, GROUP SHARE	100 058	38 947	17 640	8 394	24 088	(21 019)	160 832	768 802	(810 790)	286 952
Non controlling interests	-	(44)	17	724	-	-	-	-	-	697

Depreciation, amortization and provisions by segment

(in € thousands)

Year-end December 31, 2017

	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries, Middle East & Africa	Americas	Asia Pacific	Group reinsurance	Group services	Inter-segment eliminations	Group
Provisions for loans and receivables	(1 459)	(3 365)	(2 825)	(188)	(328)	(179)	(1 047)	(3 622)	-	(13 013)

(in € thousands)

Year-end December 31, 2016

	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries, Middle East & Africa	Americas	Asia Pacific	Group reinsurance	Group services	Inter-segment eliminations	Group
Provisions for loans and receivables	(663)	(2 593)	(1 450)	(47)	(80)	(79)	(690)	(412)	-	(6 014)

Notes to the consolidated financial statements

Balance sheet by segment – year-end December 2017

(in € thousands)

Year-end December 31, 2017

	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries, Middle East & Africa	Americas	Asia Pacific	Group reinsurance	Group services	Inter-segment eliminations	Group
Goodwill	-	-	61 074	5 936	31 728	3 134	-	-	-	101 872
Other intangible assets	133 254	30 069	21 206	16 412	1 441	2 229	48	14 558	(4 915)	214 302
Investments - insurance businesses	233 547	335 890	975 237	43 411	252 980	123 714	1 498 809	693 871	(106 663)	4 051 796
Investments accounted for by the equity method	66 894	68 381	-	-	-	2 234	-	68 257	-	205 766
Share of assignees and reinsurers in the technical reserves and financial liabilities	313 654	143 717	259 104	247 339	119 604	163 366	529 595	110	(1 132 804)	643 685
Insurance and reinsurance receivables	50 580	65 979	166 979	87 844	120 655	62 121	274 057	(37)	(174 694)	653 484
Other assets	1 068 375	667 931	163 615	277 674	91 319	66 560	132 666	179 939	(1 855 385)	792 694
Total assets	1 866 304	1 311 967	1 647 215	678 616	617 727	423 358	2 436 175	956 698	(3 274 461)	6 663 599
Technical reserves	549 267	284 800	512 101	412 237	281 389	245 849	1 340 292	48	(1 204 731)	2 421 252
Liabilities related to inward insurance and reinsurance transactions	23 645	52 394	36 945	35 163	7 506	14 096	88 082	2 099	(66 141)	193 789
Liabilities related to outward reinsurance transactions	15 408	9 617	26 395	23 068	70 980	20 703	59 195	43	(134 738)	90 671
Other liabilities	434 067	181 600	1 885 594	61 872	46 248	22 949	60 578	358 056	(1 861 476)	1 189 488
Total liabilities	1 022 387	528 411	2 461 035	532 340	406 123	303 597	1 548 147	360 246	(3 267 086)	3 895 200

Goodwill in the Northern Europe segment consists of the United Kingdom € 48,097 thousands, Benelux for € 9,459 thousands and the Czech Republic for € 3,518 thousands. The goodwill of Czech Republic is presented in the CGU column "Other" of Note 3 Goodwill. The country Italy is not part of the Northern Europe sector but of the Mediterranean sector. The Mediterranean countries, Middle East & Africa segment comprises the goodwill of Italy for € 5,820 thousands and the goodwill of Greece for €116 thousands.

Balance sheet by segment – year-end December 2016

(in € thousands)

Year-end December 31, 2016

	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries, Middle East & Africa	Americas	Asia Pacific	Group reinsurance	Group services	Inter-segment eliminations	Group
Goodwill	-	-	62 756	5 936	36 121	3 507	-	-	-	108 320
Other intangible assets	47 966	29 954	20 811	16 288	495	3 029	84	12 379	(4 914)	126 092
Investments - insurance businesses	438 329	416 634	1 059 289	43 295	277 475	128 717	1 488 789	156 656	(128 032)	3 881 152
Investments accounted for by the equity method	68 485	63 400	-	-	-	2 974	-	67 160	-	202 019
Share of assignees and reinsurers in the technical reserves and financial liabilities	273 660	120 390	245 340	259 501	127 646	131 554	447 426	110	(1 006 645)	598 982
Insurance and reinsurance receivables	64 893	80 082	161 909	72 521	119 171	72 850	297 017	(47)	(173 465)	694 931
Other assets	959 504	583 978	252 723	278 553	90 353	50 106	129 370	181 668	(1 631 853)	894 402
Total assets	1 852 837	1 294 438	1 802 828	676 094	651 261	392 737	2 362 686	417 926	(2 944 909)	6 505 898
Technical reserves	527 959	252 266	517 707	413 710	295 961	207 737	1 207 036	48	(1 066 608)	2 355 816
Liabilities related to inward insurance and reinsurance transactions	24 431	53 432	55 964	35 817	9 015	17 484	102 279	2 362	(82 823)	217 961
Liabilities related to outward reinsurance transactions	17 017	17 871	11 960	19 046	70 915	19 351	6 731	43	(123 161)	39 773
Other liabilities	446 501	190 148	1 676 248	60 966	58 088	30 369	52 500	369 021	(1 664 505)	1 219 336
Total liabilities	1 015 908	513 717	2 261 879	529 539	433 979	274 941	1 368 546	371 474	(2 937 097)	3 832 886

Notes to the consolidated financial statements

Note 29 Related parties

Euler Hermes Group is mainly owned by Allianz France SA, which in turn is 100%-owned by the Allianz group. The breakdown of the Euler Hermes Group shareholding is as follows:

	Number of shares	%
Allianz France SA	26 864 230	63,00%
Allianz SE	6 388 392	14,98%
Investitori SGR S.p.a	800	0,00%
Treasury shares	619 189	1,45%
Sub-total	33 872 611	79,44%
Public (bearer securities)	8 769 024	20,56%
Total	42 641 635	100,00%

Transactions

(in € thousands)	December 31, 2017			December 31, 2016		
	Allianz SE & other Allianz companies	Allianz France SA	Related companies and joint ventures	Allianz SE & other Allianz companies	Allianz France SA	Related companies and joint ventures
Operating revenues	51 898	-	146 493	50 500	-	138 168
	(29 254)	-	(67 761)	(49 678)	-	(61 243)
Net outward reinsurance income or expenses	(54 875)	-	(3 956)	(58 892)	-	58 284
Financing expenses	(22)	-	-	(9)	-	-
Other net income/(expenses)	(32 905)	-	(59 394)	(24 977)	-	(45 436)
<i>thereof contract acquisition expenses</i>	(16 846)	-	(46 815)	(17 658)	-	(46 615)
<i>thereof other service expenses</i>	(17 684)	-	(12 584)	(7 495)	-	(9 548)
<i>thereof change in fair value of investments recognised at fair value through profit or loss</i>	398	-	-	(133)	-	-
<i>thereof realized gains from disposal of at equity entity ⁽¹⁾</i>	-	-	-	-	-	10 712
<i>thereof net investment income</i>	1 227	-	5	309	-	15

⁽¹⁾ corresponds in 2016 to the net realized gain on Graydon disposal

Receivables and liabilities

(in € thousands)	December 31, 2017			December 31, 2016		
	Allianz SE & other Allianz companies	Allianz France SA	Related companies and joint ventures	Allianz SE & other Allianz companies	Allianz France SA	Related companies and joint ventures
Current accounts (accrued interests included)	52 242	-	-	72 558	-	-
Net operating receivables	4 272	153	5 196	6 748	153	2 017
Operating liabilities	(14 671)	(35)	(2 035)	(17 162)	(441)	511

The current account with Allianz SE corresponds to part of the Group's cash position, which is centralised by Allianz SE under a cash pooling arrangement.

Remuneration of senior executives

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

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

Notes to the consolidated financial statements

Group Board of Management members

(in € thousands)	December 31, 2017
Salaries and other short term benefits for the year	6 438
Capital gain from SAR/RSU exercise	-
Benefits in kind	482
Other indemnities	120
Total	7 040
Share-based attribution (number)	16 908
- Euler Hermes options & Euler Hermes Group LTI	11 215
- AEI (ex RSU)	5 693

Details related to the share-based compensation plans are mentioned in Note 30.

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

In addition to being eligible for the AGIRC-ARRCO supplementary pension plan, Frédéric Bizière, Dirk Oevermann, Clarisse Kopff and Paul Overeem are eligible for a supplementary defined-contribution pension plan managed by AG2R/ARIAL Assurances. Paul Overeem and Dirk Oevermann are respectively eligible for a 401(k) pension plan in the United States and a defined-contribution plan in Germany.

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

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

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

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

(in € thousands)	2017	2016
Attendance fees owed by Euler Hermes Group ⁽¹⁾	85	85

Notes to the consolidated financial statements

Note 30 Share-based compensation plans

Allianz group Equity Incentive plans

The schemes set in place under the *Allianz group Equity Incentives* plan concern executives of Allianz and its subsidiaries worldwide. Starting in 1999, Allianz issued Stock Appreciation Rights (SAR) whose remuneration is entirely and directly a function of Allianz's share price performance. From 2003, Allianz issued Restricted Stock Units (RSU) with a vesting period of four or five years. The remuneration is granted by each entity concerned in accordance with the conditions set by Allianz. The reference price of SAR and RSU for the remuneration of the beneficiaries is the average trading price of Allianz shares over the ten trading days immediately preceding Allianz's Annual Shareholders' Meeting.

Characteristics of the SAR and RSU plans

	SAR plans	
	March 2010	Total
(in € thousands)		
Total commitment	-	-
Opening commitment	807	807
Charge recognised during the period	-	-
Exercise of SAR	-807	-807
Closing commitment	-	-

	RSU plans					Total
	March 2013	March 2014	March 2015	March 2016	March 2017	
Fair value at 31 december 2017 (in € per share)	-	191,50	183,41	174,99	166,27	
(in € thousands)						
Total commitment	-	3 072	2 896	2 689	2 247	10 904
Opening commitment	3 849	2 066	1 374	847	-	8 136
Charge recognised during the period	346	1 001	918	779	829	3 873
Exercise of RSU	-4 195	-113	-93	-111	-	-4 512
Closing commitment	-	2 954	2 199	1 515	829	7 497

- SAR

After a vesting period of four years, the SAR can be exercised at any time between the second anniversary date and the seventh anniversary date under the following conditions:

- if the Allianz share price exceeds the reference price by at least 20% on the exercise date;
- if during the contractual period, the Allianz share price outperformed the Dow Jones index at least once for a period of five consecutive days.

If these conditions are met, the Allianz group companies must pay in cash the difference between the reference price and the Allianz share price on the exercise date.

- RSU

On the exercise date, after a four-year vesting period, Allianz can choose to remunerate the RSU in cash or to allocate Allianz shares or other securities granting access to the capital. If it opts for cash remuneration, payment will be made based on the average price of the Allianz share over the ten trading days prior to the end of the vesting period.

Impact on the consolidated financial statements as at December 31, 2017

The fair value of the liabilities resulting from the SAR and RSU plans is reassessed at each balance sheet date based on the Allianz share price, until expiry of the obligation, and is calculated using the Cox-Ross-Rubinstein binomial valuation model. The charge is recognised as the rights are vested, and is thus spread over four years for the SAR and five years or four years for the RSU. As at December 31, 2017, the liability relating to the SAR and RSU still to be exercised amounted to €7,497 thousand.

Notes to the consolidated financial statements

Information on plans currently in effect:

Allocation date	Year ended December 31, 2017						RSU					
	SAR			SAR			Rights vesting period (years)	RSU at the opening	RSU granted	RSU cancelled	RSU exercised	RSU transferred
	Rights vesting period (years)	Reference price (€)	SAR at the opening	SAR granted	SAR cancelled	SAR exercised						
March 2010	4	87	11 582			-11 582						
March 2013							4	25 402			-25 402	
March 2014							4	18 124			-744	-1 337
March 2015							4	17 101			-654	-659
March 2016							4	16 872			-904	-604
March 2017							4	-	13 910			-398

Euler Hermes Group Long-Term Incentive plans

Four Euler Hermes Group Long-Term Incentive (LTI) plans are in effect as at December 31, 2017: the plans implemented in March 2014, March 2015, March 2016 and March 2017. The beneficiaries of the scheme are employees and members of the Board of Management of Euler Hermes Group (under Allianz grade 12 to 21). The Euler Hermes Long-Term Incentive is a variable, long-term equity based plan providing an opportunity for executives and key employees to benefit from the Group's success over the long-term. The general rules of granting, capping (200% share price growth) and paying out are identical to *Allianz group Equity Incentive Plan* rules.

The Euler Hermes Group LTI is granted in the form of RSU (Restricted Stock Units) of Euler Hermes Group with a four-year vesting period at the allocation date. The conditions of the Euler Hermes LTI plans foresee that, in case of delisting of the company, the RSU will be released by the company to the participants, without taking into account the vesting, on the day the delisting becomes effective, and at the share price on the last trading day before the delisting. The company has estimated that, in the current circumstances, the delisting is more likely than not, and has booked a provision for this accelerated vesting. The impact thereof is estimated to €9.1 million.

Characteristics of the Euler Hermes Group RSU plans

<i>(in € thousands, unless otherwise specified)</i>	Euler Hermes Group RSU plans					Total
	March 2013	March 2014	March 2015	March 2016	March 2017	
Fair value at December 31, 2017 (in euros per share)		122,00	122,00	122,00	122,00	
Total commitment (excluding social contributions)	-	3 907	5 073	5 710	6 023	20 714
Opening commitment	4 230	2 244	2 171	1 636	-	10 281
Charge recognised during the period	(71)	1 663	2 902	4 074	6 023	14 592
Exercise of options	(4 159)	-	-	-	-	(4 159)
Closing commitment	-	3 907	5 073	5 710	6 023	20 714

Euler Hermes Group RSU are allocated on the basis of a common Grant Price. This is calculated as the arithmetic average of the Euronext trading closing prices of the Euler Hermes Group stock over the ten trading days following the Euler Hermes Group financial press conference prior to and including the allocation date.

The number of Euler Hermes Group RSU granted to the participants equals the LTI allocation value divided by the fair value at allocation of a single Euler Hermes Group RSU. The Euler Hermes Group RSU plans in effect as at December 31, 2017 were granted as of March 2014 (first plan), March 2015 (second plan), March 2016 (third plan) and March 2017 (fourth plan).

The settlement for each EH RSU will be a cash payment ("Cash Settlement").

Notes to the consolidated financial statements

Information on plans currently in effect:

Year ended December 31, 2017						
EH RSU						
Grant date	Rights vesting period (in years)	RSU at the opening	RSU granted	RSU cancelled	RSU exercised	RSU transferred
March 2013	4	51 619			-51 619	
March 2014	4	34 049		-2 023		
March 2015	4	44 311		-2 726		
March 2016	4	49 645		-2 838		
March 2017	4	-	49 370			

The attribution to the Group Management Board is as follows:

- RSU Allianz 5,693;
- RSU Euler Hermes Group 11,215.

The RSU fair value impact amounting to €6,990 thousand was reallocated to financial expenses.

Note 31 Other information

Group employees (contracted headcount)

The breakdown of Group employees is as follows:

	December 31, 2017	December 31, 2016
Germany & Switzerland	1 585	1 649
France	805	807
Northern Europe	1 627	1 617
Mediterranean Countries & Africa	588	586
America	494	497
Asia Pacific	316	336
Reinsurance entities	19	20
Service Group	409	387
Total Group	5 843	5 899

The staff numbers shown correspond to the contracted headcount. Employees of equity associates are not included.

Staff expenses

	2017	2016
(in € thousands)		
Staff expenses	(552 192)	(535 289)
Employee profit-sharing and bonuses	(9 366)	(7 348)
Total staff expenses	(561 558)	(542 637)

Staff costs totalled €561.6 million in 2017 against €542.6 million in 2016. In addition to the accelerated vesting of Euler Hermes LTI share-based compensation plans (see Note 30 "Share-based compensation plans"), the increase in staff cost in 2017 is mainly due to the conventional salary increase.

Remuneration due to members of the Group Board of Management for the year 2017 came to 7,040 thousand (2016: €7,040 thousand).

Notes to the consolidated financial statements

Note 32 Commitments given and received

(in € thousands)	December 31, 2017	December 31, 2016
Commitments received	9 449	8 932
Deposits, sureties and other guarantees	9 449	8 932
Commitments given	112 648	35 710
Deposits, sureties and other guarantees	112 648	35 710
- Commitments guarantees for the benefit of policyholders	62 000	-
- Commitments to different investment funds	29 642	19 068
- Commitments related to offices and car lease contracts	-	3 858
- Commitment guarantee to Allianz China General Insurance Co Ltd.	4 476	3 411
- Commitments to Allianz Global Risk US Insurance Company	3 496	-
- Independent guarantee CACIB	3 284	3 284
- Commitments to InvestitionsBank Landes Brandenburg	1 857	1 857
- Others	7 894	4 232

The Group is committed to guaranteeing for the benefit of certain policyholders, administrator and custodians the payment upon default of payment by EH Brazil for a guaranteed amount of €62 million at end December 2017.

The Group is committed to investing directly or through co-investments in mutual funds. The commitment totals €29,642 thousand at end December 2017 against €19,068 thousand at end December 2016.

A commitment amounting to €3,284 thousand has been given since 2012 in the form of autonomous first demand guarantee in favor of the CACIB Company as a security deposit for rental of *First Tower* in La Défense.

In 2016, the Group issued a guarantee to Allianz China General Insurance Co Ltd in order to meet the new insurance regulation in China that requires the local insurer (i.e. Allianz China) to obtain a bank guarantee from the reinsurer (Euler Hermes Group) to meet its risks or capital requirements. The commitment amounts to €4,476 thousand at end December 2017.

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

Within the framework agreement relating to the Spanish joint-venture Solunion, the Group and MAPFRE have a mutual liability guarantee commitment.

Letter of comfort Export Credit Guarantee business

Euler Hermes Germany manages the official export credit guarantee scheme on behalf and for account of the German Federal Government. With effect from January 1st, 2014 this business went from Euler Hermes Deutschland AG (now Euler Hermes Deutschland, branch of Euler Hermes SA (NV)) to Euler Hermes AG (the former Euler Hermes Forderungsmanagement AG). Due to this switch Euler Hermes Deutschland signed a binding letter of comfort to the German Federal Ministry for Economic Affairs and Energy. Euler Hermes Deutschland assures that Euler Hermes AG will be capable to fulfill its duties towards the federal government resulting from the business until January 1st, 2014 for 5 years.

Notes to the consolidated financial statements

Note 33 Auditors' fees

In EUR thousands

(in € thousands)	KPMG S.A.				EXCO Paris Ace			
	Amount		%		Amount		%	
	2017	2016	2017	2016	2017	2016	2017	2016
Audit								
o Statutory audit and report on company and consolidated financial statements								
- Issuer	323	369	9%	10%	172	192	42%	43%
- Fully-consolidated subsidiaries	2 905	3 056	80%	79%	232	240	56%	53%
o Other services directly related to appointment as statutory auditor								
- Issuer	102	157	3%	4%	6	17	1%	4%
- Fully-consolidated subsidiaries	291	240	8%	6%	4		1%	
Sub total	3 621	3 822	100%	99%	414	449	100%	100%
Other services provided to fully-consolidated subsidiaries								
o Legal, tax and social								
o IT								
o Strategy								
o Human resources								
o Other	5	41	0%	1%				
Sub total	5	41	0%	1%				
TOTAL	3 626	3 864	100%	100%	414	449	100%	100%

Note 34 Subsequent events

No subsequent events occurred since December 31, 2017 closing which would impact the assumptions of the annual closing.

Note 35 Risk Management

The paragraphs from the Risk Management 4.2 to 4.2.5 are part of the Group financial statements. They are included in the section 4 "Major risk factors and their management within the Group" of this Registration Document.

Euler Hermes Group announces three Board of management changes to shift the gears on its transformation

- Chantal Schumacher is appointed Group Chief Financial Officer as of today and a member of the Group Board of Management, effective April 1st, replacing Clarisse Kopff who is leaving the company to take on a new role as Chief Financial Officer at Allianz France.
- Michael Eitelwein is appointed Group Chief Operating Officer as of today and a member of the Group Board of Management, effective April 1st, replacing Ludovic Sénécaut who will be leaving the company to pursue new challenges outside the Group.
- Michele Pignotti's responsibilities as member of the Group Board of management in charge of Market Management will now also include Commercial & Distribution activities effective April 1st 2018 following Paul Overeem's upcoming retirement on March 31st 2018.
- As announced on December 12th 2017, Virginie Fauvel was appointed Chief Transformation Officer as of January 15th, 2018, and will become a member of the Group Board of Management in charge of the Americas region as of April 1st, 2018.

PARIS – 9 FEBRUARY – In a move to strengthen and accelerate its growth and transformation, Euler Hermes Group announces three Board of management changes:

Chantal Schumacher is appointed Group Chief Financial Officer as of today and a member of the Group Board of Management, effective April 1st.

Chantal has a highly international career path: she joined the Allianz group in 1999 at Allianz AG Asset Management as chief of staff, then spent 3 years in the US in the actuary and controlling department. After a quick start as a project manager in Group development, she became Head of Planning and Controlling at Allianz Global Risks. She then headed the Global Planning & Performance department at AGCS for 9 years and moved on to become Global Finance Director & Regional Head of Finance for Allianz Global Assistance. In 2016, Chantal became CFO at Allianz Re. Chantal, 47, is Luxembourgish and holds an MBA in Finance from the University of Chicago, Booth School of Business.

Chantal replaces **Clarisse Kopff**, former CFO and member of the Group Board of Management, who is leaving the company to take on a new role as Chief Financial Officer at Allianz France.

Michael Eitelwein is appointed Group Chief Operating Officer as of today and a member of the Group Board of Management, effective April 1st.

Michael brings with him more than 15 years' proficiency in designing and managing large scale, technology-enabled transformation scenarios in globalizing enterprises, from a startup in Silicon Valley to the BASF Group. He also has over 8 years of experience within Allianz, and in his most recent position at Allianz, Michael was Head of Group Enterprise Architecture, where he led the introduction of new digital technologies and capabilities such as Big Data, AI, Blockchain and IoT solutions for commercial and consumer business lines. He successfully defined Allianz Group's Enterprise Architecture as well as a holistic strategic framework for operations & IT. Michael, 45, is German and holds a Master's degree in Electrical engineering from the Karlsruhe Institute of Technology.

Michele Pignotti's responsibilities as member of the Group Board of management in charge of Market Management will now also include Commercial & Distribution activities effective April 1st 2018.

As Head of Market Management activities since 2016, Michele has pushed his teams to achieve great results around True Customer Centricity – leading to the increase of the Group's Net Promoter Score and raising Euler Hermes Group's position on the market.

Michele replaces **Paul Overeem**, who is retiring on March 31st 2018. Paul established Euler Hermes Kredietverzekering in the Netherlands, and served as its Chief Executive Officer. For the next 25 years, his international assignments have reflected increasing responsibility, before finally joining the Euler Hermes Group Board of Management in January 2013.

“Euler Hermes’ employees join me in thanking Clarisse, Paul and Ludovic for their strong commitment to the Group. We’re wishing them all the best and every success for their future plans”, said **Wilfried Verstraete, Chairman of the Euler Hermes Board of Management**.

He added: *“I am delighted that Chantal Schumacher and Michael Eitelwein are joining us as driven, highly-competent and respected professionals with strong international experience. Together with Virginie Fauvel, our recently nominated Chief Transformation Officer, and the other members of the Board of Management, they will contribute with their vision and their energy to our focus towards shifting the gears on our transformation”*.

Euler Hermes Group

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Euler Hermes is the global leader in trade credit insurance and a recognized specialist in the areas of bonding, guarantees and collections. With more than 100 years of experience, the company offers business-to-business (B2B) clients financial services to support cash and trade receivables management. Its proprietary intelligence network tracks and analyzes daily changes in corporate solvency among small, medium and multinational companies active in markets representing 92% of global GDP. Headquartered in Paris, the company is present in over 52 countries with 6,050 employees. Euler Hermes is a subsidiary of Allianz, listed on Euronext Paris (ELE.PA) and rated AA by Standard & Poor's. The company posted a consolidated turnover of €2.6 billion in 2017 and insured global business transactions for €894 billion in exposure at the end of 2017.

Further information: www.eulerhermes.com, LinkedIn or Twitter @eulerhermes.

Cautionary note regarding forward-looking statements: The statements contained herein may include prospects, statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such forward-looking statements. Such deviations may arise due to, without limitation, (i) changes of the general economic conditions and competitive situation, particularly in the Allianz Group's core business and core markets, (ii) performance of financial markets (particularly market volatility, liquidity and credit events), (iii) frequency and severity of insured loss events, including from natural catastrophes, and the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) particularly in the banking business, the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the euro/US-dollar exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the impact of acquisitions, including related integration issues, and reorganization measures, and (xi) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

*Not for distribution in the United States, Canada, Japan, Australia, South Africa, or Italy
This press release does not constitute an offer to purchase any securities*

**Further proposed simplified cash tender offer for Euler Hermes Group shares
followed by a squeeze-out**

PARIS – 28 FEBRUARY 2018 – Following Allianz' initial tender offer for Euler Hermes Group shares and additional purchases by Allianz of Euler Hermes Group shares, Allianz announced on 23 February 2018 its intention to file in the coming weeks a further simplified cash tender offer at a price of 122 euros per share (in cash). This simplified cash tender offer will be followed by a squeeze-out, for the remaining 1,998,131 Euler Hermes Group shares held by minority shareholders which represent 4.69% of the share capital and voting rights of Euler Hermes Group.¹

The Supervisory Board of Euler Hermes Group convened on 28 February 2018 and asked Mr Olivier Péronnet (Finexsi), as an independent expert, to prepare a further fairness opinion (*attestation complémentaire*) regarding the financial terms of the offer and the subsequent squeeze-out in accordance with Article 261-1 I and II of the General Regulation of the French financial markets authority (*Autorité des marchés financiers*).

¹ Excluding the 619,189 treasury shares and on the basis of a total of 42,641,635 shares and voting rights. On this basis, Allianz Group currently holds 40,024,315 Euler Hermes Group shares (excluding the treasury shares), representing 93.86% of the share capital and voting rights of Euler Hermes Group.

Disclaimer: This press release is not an offer to purchase securities. The offer will be made only pursuant to the offer documentation which will contain the full terms and conditions of the offer. The offer documentation will be subject to review by the AMF and the offer will only be opened once the AMF has granted its clearance. Any decision in respect of the offer should be made only on the basis of the information contained in such offer documentation.

This press release was prepared for informational purpose only. The diffusion of this press release, the offer and its acceptance may be subject to specific regulations or restrictions in certain countries. The offer is not made for persons subject to such restrictions, neither directly nor indirectly, and may not be accepted in any way from a country where the offer would be subject to such restrictions. Consequently, persons in possession of this press release shall inquire about potential applicable local restrictions and comply with them.

Euler Hermes Group excludes all liability in the event of any breach of the applicable legal restrictions by any person.

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Euler Hermes is the global leader in trade credit insurance and a recognized specialist in the areas of bonding, guarantees and collections. With more than 100 years of experience, the company offers business-to-business (B2B) clients financial services to support cash and trade receivables management. Its proprietary intelligence network tracks and analyzes daily changes in corporate solvency among small, medium and multinational companies active in markets representing 92% of global GDP. Headquartered in Paris, the company is present in 52 countries with 6,050 employees. Euler Hermes is a subsidiary of Allianz, listed on Euronext Paris (ELE.PA) and rated AA by Standard & Poor's. The company posted a consolidated turnover of €2.6 billion in 2017 and insured global business transactions for €894 billion in exposure at the end of 2017. Further information: www.eulerhermes.com, [LinkedIn](#) or Twitter [@eulerhermes](#)

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