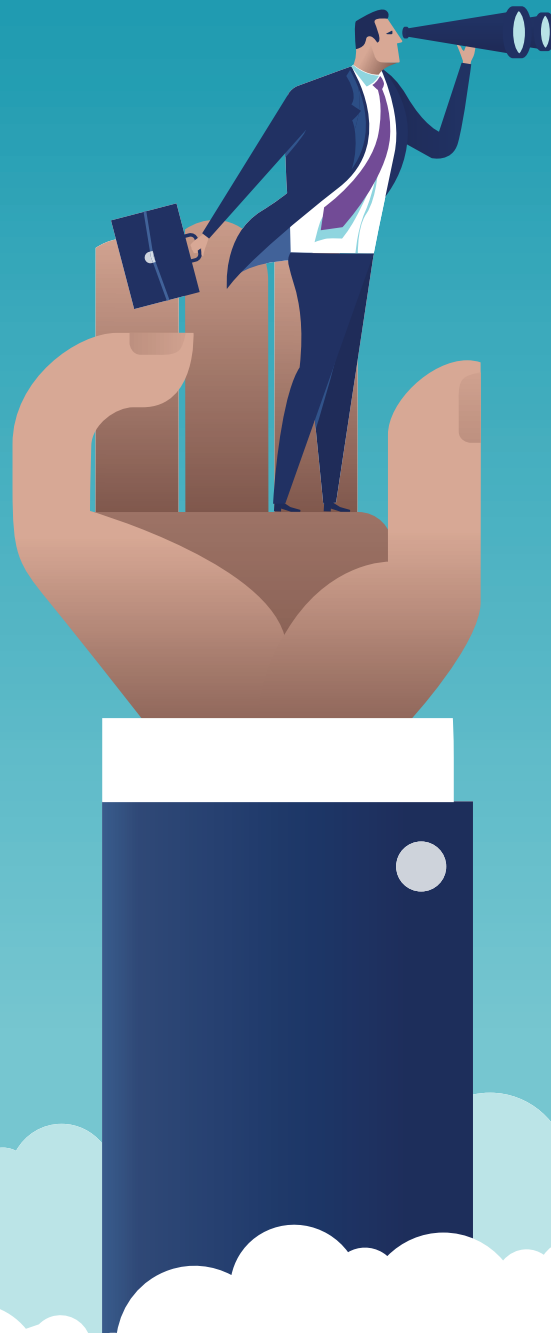




INSURANCE, FINANCING
& MANAGEMENT OF TRADE RECEIVABLES

CREDIT INSURANCE MARKET IN 2016



MAIN DRIVERS FOR GROWTH IN 2016

▶▶ The Credit Insurance Market only grew by a small amount in 2015 (at constant exchange rates). Growth was mainly driven by the Americas and Asia regions whilst Western Europe remains a mature market.

▶▶ Non-traditional business lines (including programmes supporting receivables financing) have increased their importance within Insurance carriers' sales and profitability.

▶▶ Demand for political risk cover has been a key issue in 2015 due to regional instability. This will continue in 2016.

▶▶ Digital & Big Data has become strategic in credit insurers' development to support their clients' needs

MARKET: COMPETITORS & SHARE

Global GDP will remain weak in 2016 and, as corporates are seeking new growth drivers, their demands toward insurance carriers are becoming more complex. The market needs to adapt constantly and new players might emerge. However, two main categories of insurers still remain:

«GLOBAL» INSURERS, CHARACTERISED BY:

- ▶ a strong international presence
- ▶ detailed information on very large numbers of buyers in their global databases
- ▶ global capabilities in providing credit management services

Leading insurers in this category: Atradius, Coface, Euler Hermes and QBE (for Asia and some other selected countries),

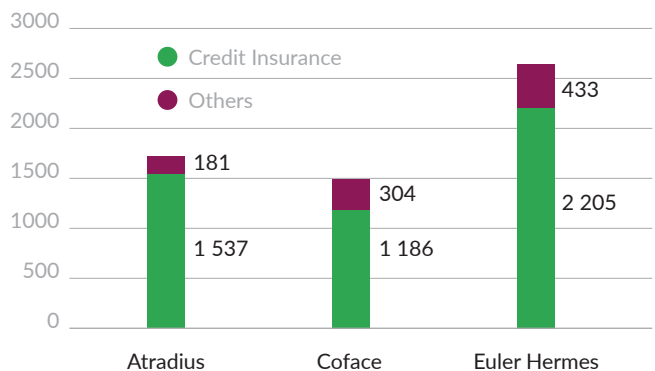
«NICHE» INSURERS, CHARACTERISED BY EXPERTISE IN:

- ▶ particular products: pure excess cover, shared excess cover, top-up, single risk (e.g.: AIG, TCRé, QBE, Lloyd's, ACE, Markel, Equinox, etc.)
- ▶ certain geographical areas (e.g.: Credimundi, FCIA, ATI, etc.)
- ▶ different types of risk: political risk, non-transfer (e.g.: Lloyd's, Garant, Liberty Mutual...)

MARKET SHARE:

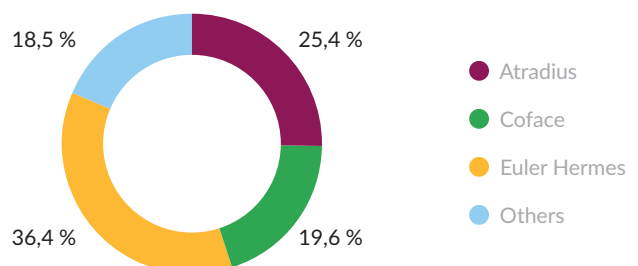
Despite the numerous players, the market remains very oligopolistic and the top 3 "global" insurers listed above share 81.5% of the market. The Credit Insurance Market is estimated at around €6.0 billion in premium (by the International Credit Insurance and Surety Association, ICISA-2014).

In 2015, turnover breakdown of the leading insurers is as follows:



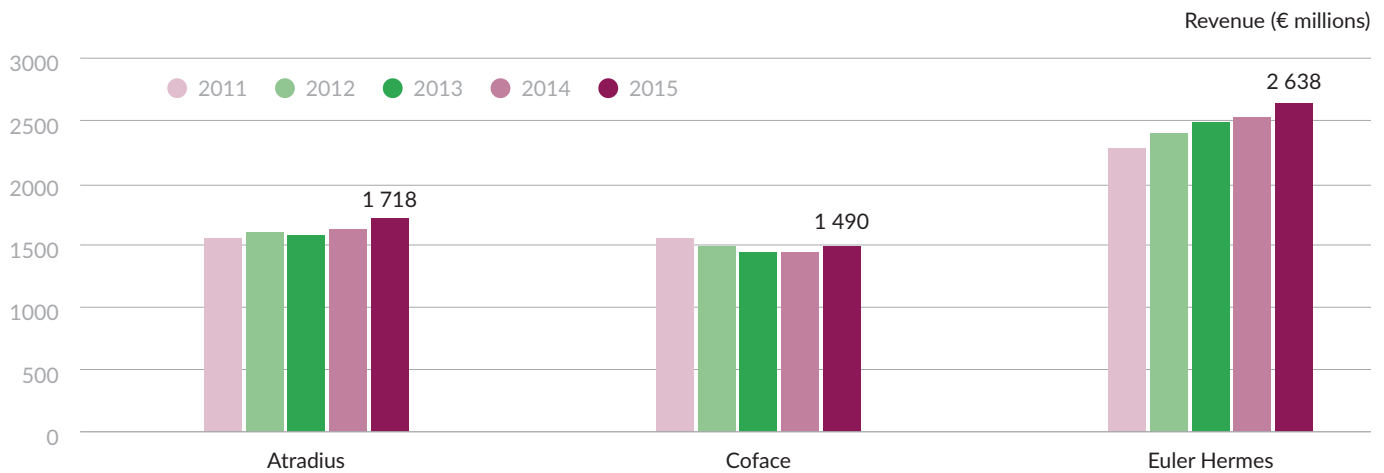
Data taken from consolidated financial statements for 2015 (in M€)

Therefore, the global market share of the main leaders can be estimated at :



Euler Hermes remains the leading credit insurance carrier with 36.4% of market share followed by Atradius 25.4%, and Coface with 19.6% as of December, 31st 2015.

FINANCIAL RESULTS OF THE LEADING PLAYERS IN 2015



At first glance, we might believe that the market has been dynamic in 2015, especially compared to other industries, as growth in turnover shows an increase between 3.4 and 5.6%.

Nevertheless, the volatility of FX rates hides the truth, and re-analysed data at constant exchange rates reveals that Atradius posts the best growth in sales (+3.6%)

Turnover 2015 VS 2014	Calculated growth	Growth at constant scope
Atradius	5,6 %	3,6 %
Coface	3,4 %	1,2 %
Euler Hermes	4,4 %	0,9 %

Please note that revenue includes premium earned through credit insurance activity and, in some cases, sales from factoring, bonding and intelligence as well as enquiry and monitoring fees.

Coface shows a slight growth in 2015 (+1.2%). In addition, a new CEO, Xavier Durand was appointed in February 2016.

So far 2016 has shown an increased demand for products from non-traditional business lines such as excess of loss, bonding, single risks, political risk cover... Credit insurance solutions linked to financing programme (factoring, derecognition, securitisation, reverse factoring) continue to be a major source of new business for insurers.

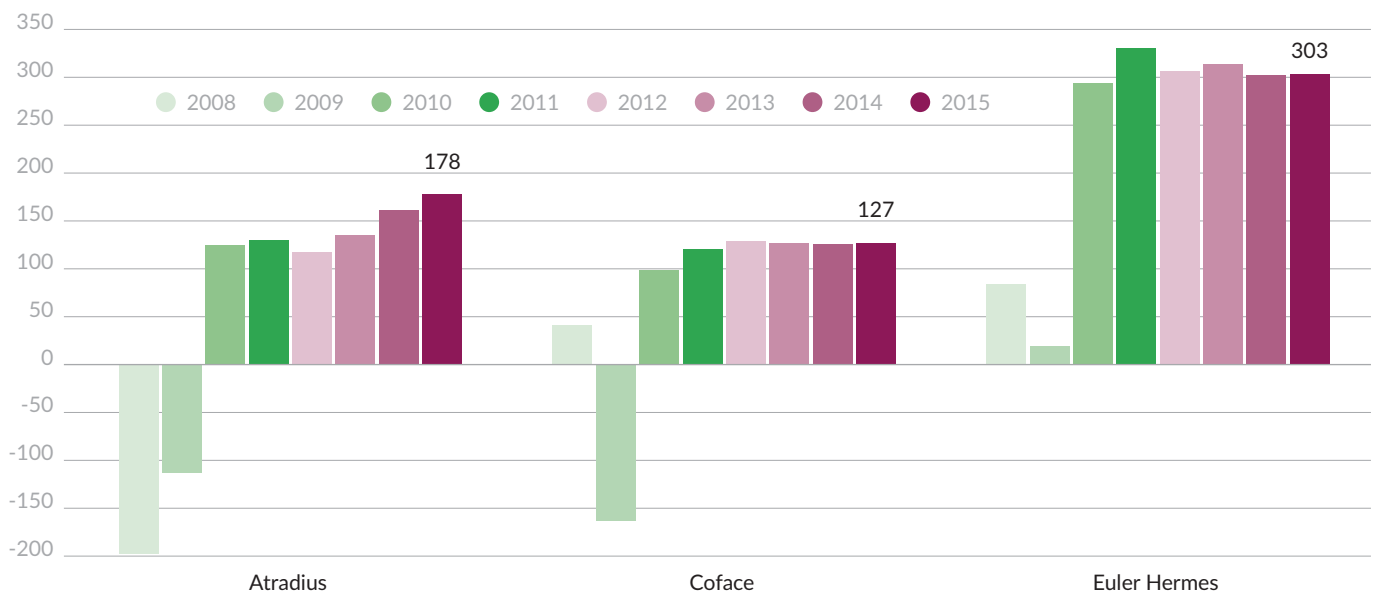
OUTLOOK BY REGION

These figures hide some large geographical disparities, and important differences in performance among the players.

In (M€)	Atradius			Coface			Euler Hermes		
	2014	2015	Var.in %	2014	2015	Var.in %	2014	2015	Var.in %
Total Turnover	1 627	1 718	5,6 %	1 441	1 490	3,4 %	2 527	2 638	4,4 %
Europe, Midle east & Africa	1 439	1 494	3,8 %	1 154	1 154	0,0 %	2 152	2 168	0,8 %
Asie Pacific	98	113	15,3 %	97	121	24,7 %	108	143	32,7 %
Américas	90	111	23,3 %	190	215	13,2 %	267	327	22,3 %
Comments	<p>▮▮ For the 2nd year in a row, Atradius has presented the best growth in terms of global sales (+3,6% at constant FX rate).</p> <p>▮▮ In a mature market Spain increased its sales by 2,5% and Germany by 3,2%. New markets, such as Asia pacific (+15,3%) & Americas (23,3%) also showed good performance supported by FX rates.</p>			<p>▮▮ Coface posted a growth in turnover of 3,4% (1,2% at constant exchange rate).</p> <p>▮▮ Emerging markets achieved their best performance ; in Asia Pacific : +25 % (+11% like for like); +10% in Latin America (+17% like for like), while in North America turnover remained stable due to the complete reorganisation of the country agency network.</p>			<p>▮▮ Turnover at constant rates is stable (+0,9%) but +18,2% in Asia and + 6,1% in Americas.</p> <p>▮▮ Important increase in service revenues (+8%).</p> <p>▮▮ Premium is up by 3,7%, driven by foreign exchange and non-traditional business lines (bonding, transactional cover, excess of loss).</p>		

NET PROFIT AFTER TAX (€ MILLIONS)

Since the last financial crisis 2008-2009 where their earnings was seriously damaged, credit insurers all show good profitability levels.



▮▮ For the second year in a row Atradius posts the best increase in profitability (+10.5% vs 2014, +19% between 2014 and 2013) with a profit of €178M.

▮▮ Coface, following a successful IPO in 2014, showed results in line with the last years: M€ 129 in 2012, M€ 127 in 2013, M€ 125 in 2014 and MP€ 127 in 2015.

▮▮ Euler Hermes NPAT remains stable as well at M€ 303 vs M€ 302 in 2014.

MEASURE OF PERFORMANCE

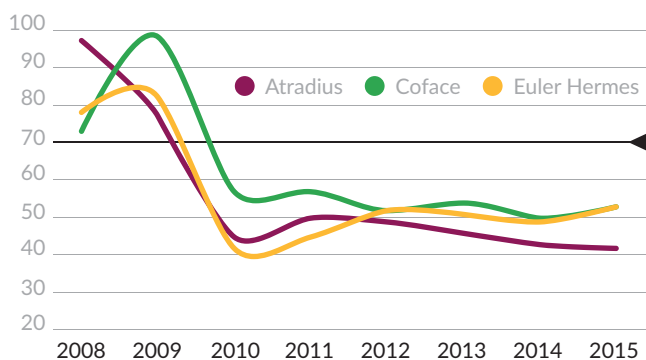
LOSS RATIO AND COMBINED RATIO (%)

The insurers' profitability is determined by their Loss Ratio (claims/premiums) and their Combined Ratio (Loss ratio plus overhead expenses). During the financial crisis, insurers (including Euler Hermes) were shaken by increased payment defaults, bankruptcies and the resulting claims paid to their insureds.

Change in Loss ratio

Loss ratio (in%)	Atradius	Coface	Euler Hermes
2008	97	73	78
2009	77	98	82
2010	45	57	42
2011	50	57	45
2012	49	52	52
2013	46	54	51
2014	43	50	49
2015	42	53	53

The theoretical break-even point of this ratio is 70% (above which Insurers consider that their operations generate a loss).



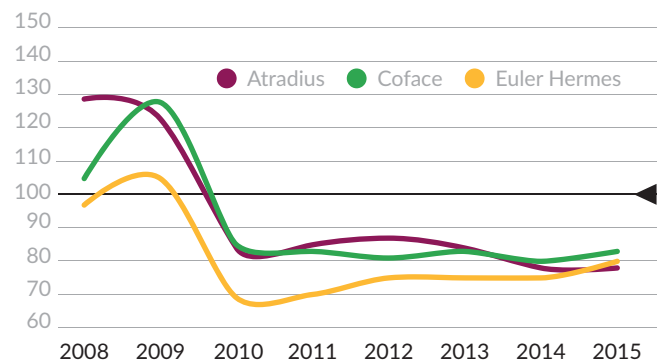
STAFF

Employees are also a measure of an insurer's capacity to provide quality service worldwide. The headcount to revenue ratio reflects the company's productivity.

Change in combined ratio

Combined ratio (in%)	Atradius	Coface	Euler Hermes
2008	129	105	97
2009	123	128	105
2010	84	85	69
2011	85	83	70
2012	87	81	75
2013	84	83	75
2014	78	80	75
2015	78	83	80

The theoretical break-even point of the combined ratio is an estimated 100% (above which Insurers consider that their operations generate a loss).



By analysing these graphs, two different phenomenon appear :

►► **Chart 1 :** Some of the players have seen their loss ratios increase this year (between 3-4 pts)

►► **Chart 2 :** Combined ratios have never been so close.

Headcount	Atradius	Coface	Euler Hermes
Numbers employed	3 333	4 578	6 466
Turnover per capita	515 452	325 470	407 980

Atradius is the company presenting the best turnover per capita.

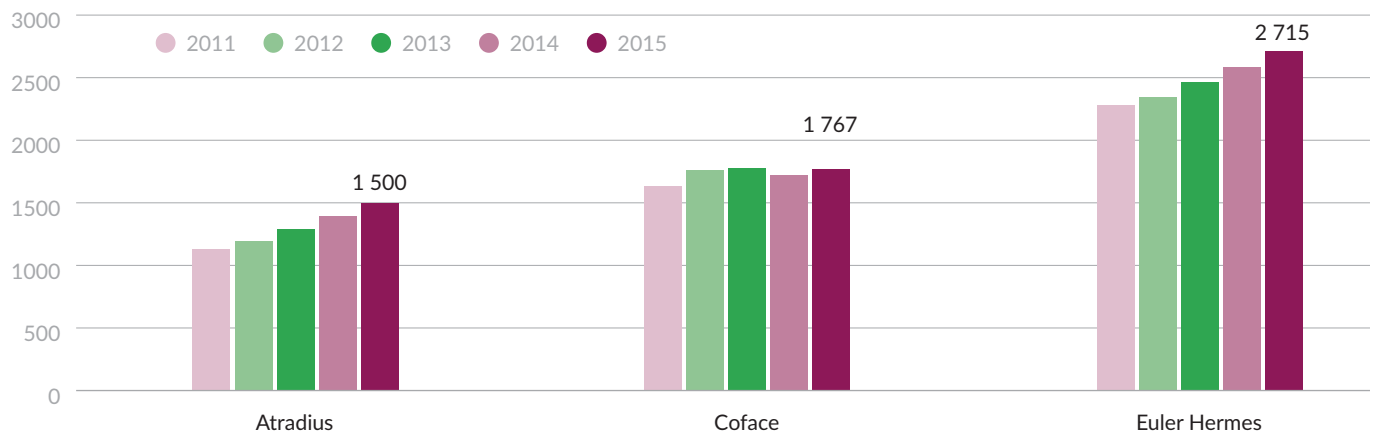
SOLVENCY & EQUITY

Due to further to changes in financial regulations (Solvency II), insurance and reinsurance companies are required to increase the weight of capital equity. Thus, the level of credit insurer's net equity must be in line with the risks they carry.

Since 2011, credit insurers have been strengthening their equity. For instance, Euler Hermes and Coface report an equity level higher than their annual turnover.

Euler presents the best financial strength in terms of Equity and Financial rating.

Net Equity (€ millions)



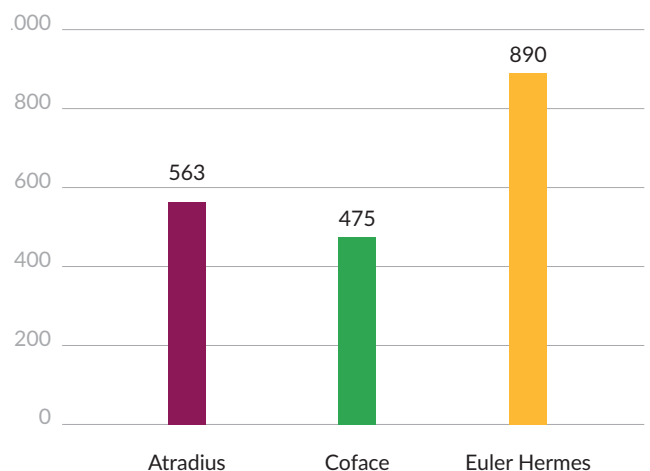
REINSURANCE

Reinsurance contributes significantly to the solvency of insurance companies. Its role has increased as credit insurance becomes more important for the growth of trade credit following the tightening of traditional financing across the world.

Atradius, Coface and Euler Hermes who currently cover 80% of credit insurance risks, would be unable to maintain growth without reinsurance.

These insurance companies use reinsurance treaties.

Total Risk Exposure (in € Billions)



As of December 31st 2015, the total amount of receivable that Euler Hermes insured reached €890 Billion, €563B for Atradius and €475B for Coface.

FINANCIAL RATINGS

To provide the most realistic view of the ratings of the leading insurers, we have analysed those issued by the major rating agencies.

The major insurers are currently rated as follows:

Companies	Ratings			
	Standard & Poors	Moody's	Fitch	A.M. Best
Atradius	–	A3 Outlook Stable	–	A outlook stable
Coface	–	A2 Not on Watch	AA- outlook stable	–
Euler Hermes	AA- outlook stable	Aa3 Not on Watch	–	A+ outlook stable

To grasp the difference among them, you will find hereunder their positions on the rating scales :



COMMENTS:

- ☐ All figures have been taken from the Insurer's 2015 consolidated financial statements.
- ☐ ICISA: data provided does not include Sinosure the large "state funded" Chinese insurer.

ABOUT

AU Group supports its clients in structuring, negotiating and implementing solutions for the :

PROTECTION AGAINST CUSTOMER'S PAYMENT DEFAULT

▶ by transferring the risk to the most suitable market

MANAGEMENT OF THE TRADE RECEIVABLES

▶ by optimising credit management tools & techniques with the use of IT solutions

FINANCING AND WORKING CAPITAL SECURITISATION

▶ by pledging trade receivables to appropriate finance companies

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