

ANNUAL REPORT 2008

MANAGING RISKS TOGETHER



DUCROIRE | DELCREDERE
CREDIT INSURANCE

Providing risk management solutions throughout Europe

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> All other countries members of the European Economic Area

From Belgium in the framework of the freedom to provide services

(*) Branch of Garant Versicherungs-A.G. founded in Austria.



Peter Van Driessche
Underwriter

Comprehensive analysis: assessing buyers, sectors and countries

“We assess risks and monitor them regularly from every angle – the standing of the individual buyers and debtors, the overall state of the business sectors in which our clients are trading, and the condition of the countries they are selling to, in financial, economic and political terms.

This is a continuous process. Assessments of buyer, sector and country risk are of course made by our underwriters at the outset when they are considering an application for cover. Credit insurance is not just a form of compensation against unexpected loss. It is also a risk prevention tool: we advise our customers about the creditworthiness of potential buyers before they finalise sales contracts.

Our in-house specialists maintain a constant watch over the evolution of the key factors that define the context in which our clients are doing business, and shape our view of the trade risks that we are insuring. At least once every six weeks, the leaders of our specialist assessment teams at Ducroire | Delcredere meet together with senior group management in the Risk Management Committee.

There, we discuss the latest developments in international markets and possible scenarios for the future. We measure them against our own in-house limits and the views of our reinsurers, consider whether we should alter our assessments of risk and adjust our cover terms for future business.

In the uncertain economic and financial climate of today, credit insurance can play a vital role in helping business to continue trading safely. But if we are to provide our customers with this service, we must be alert and ready to adapt our stance, so that it is appropriate for the conditions we face in underwriting sales to companies in markets across the world.”

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Company profile

BUSINESS SCOPE

Since 2004, Ducroire | Delcredere S.A. N.V. has provided insurance and reinsurance cover against the political and commercial risks attached to trade. We also issue legal and contractual bonds. We seek to cater for the needs of companies based in Europe, delivering the risk protection that will allow them to do business with confidence both at home and in markets around the world.

Ducroire | Delcredere has the expertise and risk appetite to strongly support trade with a wide range of developing and emerging economies. We have a deep-rooted understanding of local conditions in countries on all continents, and the political and economic factors that affect the functioning of trade and levels of payment risk. We closely monitor the business climate, sector by sector, and the performance of individual companies.

This knowledge enables us to measure the risks our clients face, so that we can adapt our service and levels of cover to support them effectively.

We have developed partnerships with insurers in key foreign markets who can complement our in-house expertise with their grassroots understanding of local enterprises and economic trends.

We are also extending our own network of branches to enhance the service support that we provide to companies based in key neighbouring markets, such as France and the United Kingdom.

Our prime asset is our experienced understanding of the political and business context for trade risk in often fast-changing or fragile economies, where it may not be possible to obtain the range of current financial and corporate data that is routinely available to credit insurers when they underwrite exposure to debtors in OECD markets.

For us, to be truly global does not mean ignoring local characteristics or seeking to downplay them. It does mean understanding difference and adapting to it.

OUR MISSION

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

But in assessing and managing risk, and in pricing our insurance cover, we seek to maintain an approach based on careful analysis and a serious appreciation of the issues that we are dealing with.

We drive business expansion through risk management solutions that are rooted in local knowledge and an appreciation of the features that distinguish each market, each trading sector and each business.

OUR VISION

Fresh angles

We are not afraid to be a niche player, ready to look at issues from fresh and sometimes unconventional angles. We have the confidence to deploy our particular strengths – a deep knowledge of developing economies and emerging markets, and an appetite for less usual risks – in support of Europe-based firms as they explore business opportunities on all continents.

Tailor-made solutions

We aim to analyse the structure of our clients' business activities and the payment risks they face, so that we can tailor a package of insurance support that fits their requirements and helps them to fulfil their development ambitions. Our goal is not to sell specific products but to deliver a service and to work with our partners in key markets to provide the most effective support for customers as they engage in trade.



Paul Balthasart
Coordinator reinsurance

Reinsurance partnerships: working together to deliver cover capacity

“We work closely with our reinsurance partners to put in place the cover capacity that we expect to need over the course of each year. Under our quota share treaty they commit themselves to accepting a 40.0% proportion of the commercial and political exposure that we take on.

This is complemented by excess of loss support by debtor and by country, to provide us with further support as we underwrite hefty volumes of trade around the world. And when there is extra demand from our customers for cover on fast-growing markets or for major new business opportunities, we may offer our reinsurers the chance to join us in taking it on.

But this close working relationship must be built on reinsurers’ confidence in the ability of Ducroire | Delcredere – tested over many years – to manage country, sector and company risks effectively. What makes sense for them also makes sense for us as a commercial business, with a duty to protect our own strong capital base. It is only through a thorough understanding of the exposures that we can close reinsurance treaties with leading private market players and set insurance premiums at the levels required to produce a financial return commensurate to the risks concerned.”

OUR VALUES

At the heart of our relationship with our customers are the fundamental values that define our approach.

Respectful

We seek to be respectful of our clients and the distinctive features of their businesses, and to respond to their needs in a way that respects their individuality. Our attitude towards the countries where they trade is also marked by a respect for the unique nature of each; the differences between markets pose searching questions but, ultimately, offer opportunities for expansion. Our role is to support our customers when they explore these opportunities.

Unconventional

In our thinking we are not bound by convention. This outlook shapes what we do and how we do it; we recognise and respect what is specific to each situation. In being

ready to understand and appreciate difference, we are open to product innovation and the development of fresh solutions and tailor-made service combinations.

Close

But such understanding can only come from proximity. Each service team – in which a dedicated account manager works with a small group of underwriters and a policy manager – always remains close to our customers and their requirements, and close to conditions on the ground in the markets where those customers do business, every day. Our knowledge of their strategy is complemented by our continuing analysis of their trading partners and the environment in which they operate. It is because we are close to our clients and the situations in which they find themselves, that we can maintain and enhance our support for them.

Dirk TERWEDUWE
Deputy Chief Executive Officer

Jean-Pierre PAUWELS
Chairman

Our underwriting activity continued to grow in 2008, and Ducroire | Delcredere retained strong support for its operations among reinsurers.

But the surge in claims and potential losses, in the final months of the year, had a negative impact on the company's financial result. We have also taken rigorous care in our assessment of the declines in asset value incurred by our investment portfolio.

Although we recorded our first ever annual loss, the company remains strongly capitalised.



Alain HUART
Deputy Chief Executive Officer

Yves WINDELINCX
Chief Executive Officer

Message from the Chairman and the Executive Committee

There is no doubt that 2008 was the toughest year that Ducroire | Delcredere S.A. N.V. has faced since our foundation. For the first time in the four years that we have operated as a distinct commercial entity, we have reported a loss.

This is because we have had to set aside substantial provisions against expected credit insurance claims on 2008 business and because of a fall in the value of our investment portfolio. However, the core financial position of the company remains strong, with equity standing at EUR 101.2 million.

The results reported in this annual report for 2008 must be assessed against the background of the serious financial and economic crisis now facing the world. What began as a problem in one segment of the US financial market has quickly developed into a global economic upheaval, from which no country can be entirely immune.

Initially, there were hopes that this would have little effect on emerging and developing economies – the focus of Ducroire | Delcredere's risk exposure. But in the two final months of 2008, the crisis made its effects severely felt in these markets. The information that we have tells us that these economies will remain under pressure for some time to come.

The scale of the global downturn was generally unexpected. But although Ducroire | Delcredere could not have foreseen the crisis, we nevertheless have a clear responsibility to analyse the impact it has had on our business and to ensure that the company's forward strategy equips us well to navigate the challenging months ahead.

We have set aside provisions against possible losses. We have considered carefully the level of claims that Ducroire | Delcredere could face in relation to its risk exposure.

We have been particularly rigorous in our assessment of the declines in asset value that our investment portfolio has incurred. Although we have not actually realised the losses, we have prudently made appropriate write-downs in the value of our portfolio. Moreover, we never book potential profits or value gains in our accounts, while these remain unrealised.

It is normal that, as a credit insurance company, we pay out claims and, as a result, incur operational losses at a time of

economic crisis. But over the long-term we remain profitable. We are in an industry that is cyclical: during the good years we have set aside the revenues that enable us to maintain our operations in today's more difficult conditions.

We feel strongly that our role as a credit insurer is – within the bounds of financial prudence – to maintain support for our loyal customers in bad years as well as good. And in 2008 we saw the total value of the transactions that we insured rise by 20.7%, to EUR 12.9 billion.

Through the detailed analysis of individual countries, sectors and debtors, we aim to balance risks and maintain a broad spread of exposure. We believe that this will enable us to maintain support for our customers on a viable commercial basis – despite today's testing international economic conditions.

Our approach to risk management and underwriting is explained in more depth through a series of interviews with our specialist staff, which appear throughout this annual report.

We make a particular effort to maintain a close dialogue between our trained risk underwriters and our customers, exchanging the latest information and looking at risks case by case.

We believe that this fundamental business approach equips us well to maintain both our levels of customer service and our underlying financial strength, over the long-term. This year we shall continue with the programme of recruitment and staff development, which is fundamental to our business strategy and underpins our expertise.

To bring us even closer to our customers across Europe, we are steadily extending our international branch network. In 2008 we established a permanent operational presence in France, where we have built up an important client base over recent years.

For the management of Ducroire | Delcredere, the development of enduring relationships with our customers, with reinsurers and brokers, and with our staff is a crucial priority. We appreciate the loyalty shown by so many of our clients and the sustained support provided by our reinsurance and our broking partners.

In particular, we wish to express our warmest thanks to the staff of Ducroire | Delcredere for the professionalism and the commitment that they have shown.

EUR 62.1 million
TURNOVER; AN INCREASE BY 30.1% ON THE PREVIOUS YEAR.

15.9%
NET WRITTEN PREMIUMS FROM FRANCE



Erik Feigelson Johansson and Andrew Strong
Branch directors France and United Kingdom

“France is a highly competitive market, where credit insurance is highly developed, in support of both domestic business and export trade. However, we believe that Ducroire | Delcredere brings an expert focus on the whole turnover cover of sales to emerging economies that differentiates us from other underwriters and that will be of particular interest to French companies.”

2008 Operational Highlight

After the creation of a branch in the United Kingdom in 2006, Ducroire | Delcredere has established a branch in France, a market where we are already well entrenched as a niche player. We believe that our expertise in providing open account cover for commercial and political risks in more than 200 emerging and developing markets will prove particularly attractive to French exporters.

The new operation, which opened its doors in Paris in July 2008, is in fact our second permanent offshoot outside Belgium. Our services for clients elsewhere now generate 52.4% of our turnover.

The branch is headed by Erik Feigelson Johansson, who joined us last year after more than 20 years' experience in the industry, in a range of European and Latin American countries.

Our roots in France date back two decades, when we began to cover the trading operations of French multinational companies who were invoicing their sales through coordination centres in Belgium. We became a key insurer for a number of major groups.

Liberalisation of the European Union market in services allowed us to start covering international and domestic sales by all French firms.

By 2007 France accounted for more than a tenth of our premium income at Ducroire | Delcredere and we decided that we should establish a branch in the country, with a team of dedicated specialists based in Paris. Initially this new unit is focussing on sales and service support for customers and for brokers.

"Specialist trade credit insurance brokers, based in cities and towns all over the country, play an important role in the French market," explains Erik Feigelson Johansson. This poses challenges, but also creates opportunities for us. In making the case for Ducroire | Delcredere, our sales team know that they are dealing with experts, who understand trade risk and are demanding in their requirements. But, because they have this knowledge, they also appreciate where we can add value, through our capacity to cover large volumes of sales to the developing world.

Gradually, we are building up a distribution network across France. A growing number of brokers now propose Ducroire | Delcredere to their customers as a relevant service option, particularly for those exporting to emerging economies.

Our company is often able to offer substantial cover capacity for markets that are of special importance to French companies - in the Maghreb and West Africa, for example. We have remained willing to underwrite significant levels of new business in some of the region's more troubled countries and we maintain ample available capacity to insure trade with its largest markets.

Specialist French brokers and their clients tend to expect detailed answers to their enquiries and a close working relationship with an insurer.

It is more important for us to provide a well-researched and thoughtful answer than to simply make sure we respond within 48 hours. Sometimes, by taking a little extra time to examine the details of a proposed trade relationship, we are able to offer cover that would not be readily available elsewhere.

"Moreover, while we aim to offer premium rates that reflect the risk, we do not seek to compete primarily on pricing. Our service offer to French business is based on the range and strength of insurance cover that we can provide, and the customer support that we give in managing our relations with brokers and their customers", says Feigelson Johansson.

The foundations of our approach to the French market are insurance capacity, an understanding of developing economies and the maintenance of close working partnerships with the trading community. We are always ready to put our brokers and their insureds directly in touch with the underwriting specialists and risk analysis teams whose expertise shapes decisions on the scope and scale of cover.



Bernard Coupé
Economic and Sector Analyst

Experience and insight: understanding is key to country risk appetite

“We see our experience in assessing risks in emerging and developing markets as a special strength at Ducroire | Delcredere; many of the countries for which we have the largest capacity and exposure fall into this category and 69.5% of our total exposure is to risks in markets outside the OECD. Today our support for customers selling to these countries is more important than ever: emerging economies remain a key focus of trade growth – but they are also heavily exposed to the current global financial turmoil.

We are “on cover” for more than 200 territories around the world. But our ability to provide insurance has to be rooted in a thorough understanding of the distinctive political, financial and economic features that mark out each country. By gaining a detailed appreciation of varying local conditions and the strengths and weaknesses of individual sectors, we are often able to avoid the need to take a restrictive stance, even in today’s troubled market conditions.

We analyse key elements of each country’s external liquidity position – short-term external debt, the level of foreign exchange reserves, the current account balance, financial market confidence and payment experience – and the main economic and financial indicators. Exchange rate trends, GDP growth and inflation performance, real interest rates and price movements for major export and import commodities all affect the ability to make trade payments and service debt. The institutional context in which local companies operate – levels of corruption and the credibility of the legal system, for example – can also affect the repayment capacity of all buyers and claims recovery prospects in a country.”

Financial Highlights

INSURANCE ACTIVITY

Transactions insured

In 2008 the value of the transactions insured by Ducroire | Delcredere for the main business line whole turnover comprehensive policies reached EUR 12.9 billion; this is 20.7% more than in the previous year. We supported strongly increasing volumes of export sales to a wide range of emerging and developing economies; these included three of the "BRIC" countries (Brazil, Russia and China), Poland, Turkey, Algeria, Romania and Saudi Arabia. We also saw rising demand for coverage of sales to the United Kingdom and France.

Premium income

Net written premium income – all business lines included – rose by 38.8% in 2008, reaching EUR 64.5 million. Naturally, premium grew fastest for the insurance of trade with higher risk emerging markets that experienced substantial business growth. Overall, we saw a sharp increase in the value of insured transactions in emerging and developing countries.

The largest volumes of premium income were generated from customers in our core European markets, particularly Belgium, France, Switzerland, the Netherlands and the United Kingdom.

The increase in revenues also reflects market patterns: Ducroire | Delcredere does not seek to compete aggressively on price, but the premium rates that we charge are influenced by overall trends in the credit insurance industry. Across the market, rates fell steadily from 2005 to 2007. But in 2008, as business conditions deteriorated, this trend came to a halt and rates rose; they will continue to rise in 2009.

Claims and provisions for expected losses

The value of claims payments that we made in 2008 was actually lower than in 2007, and was indeed substantially lower than we had expected, at only EUR 10.8 million.

Recoveries of money owed to us in relation to past claims payouts, rose to EUR 2.8 million.

However, the two final months of 2008 brought a sharp rise in the number of payment failures experienced by our customers; we also received numerous reports indicating that the upsurge in non-payment by international buyers was likely to continue.

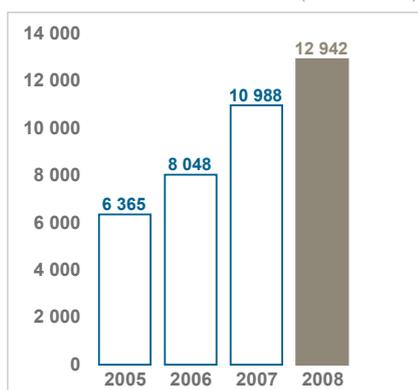
We have therefore added EUR 36.8 million to our provision for the variation in risk and expected claims – compared with only EUR 3.1 million in 2007. We expect to see further deteriorations in risk, although not all potential losses have yet been formally reported to us.

We believe that we may well suffer some large individual claims in the chemicals and petrochemicals sectors and we have identified systemic risks of loss in pharmaceuticals and commodities trade.

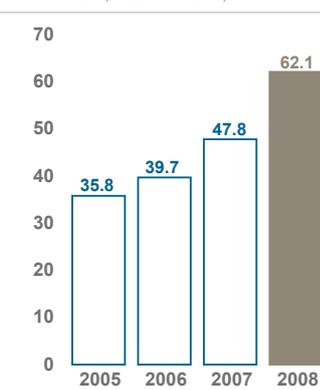
The geographical exposure of Ducroire | Delcredere remains broadly based and most individual claims pay-outs or reported losses are relatively low in value. We have so far booked provisions of EUR 1 million or more each for only three potential losses on our 2008 insurance account; these concerned transactions in Brazil, Côte d'Ivoire and Russia, in sectors ranging from commodities to low value consumer goods.

The value of transactions insured rose by 20.7% in 2008, as our European clients strongly expanded sales to emerging markets. But the financial crisis increased payment failures worldwide, particularly in the last two months of the year. We have set aside EUR 36.8 million in provisions for reported and expected losses and claims management costs.

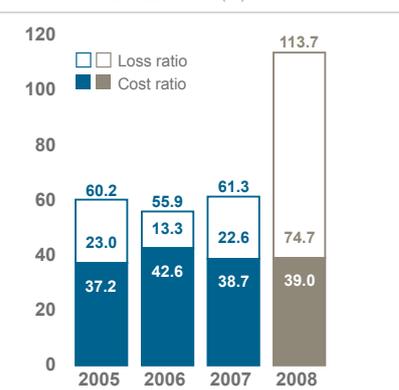
VALUE OF TRANSACTIONS INSURED (MILLIONS EUR)



TURNOVER (MILLIONS EUR)



GROSS COMBINED RATIO (%)



But the scattered pattern of these major claims does illustrate the worldwide impact of the economic crisis; last year, 69.5% of our risk exposure was in emerging and developing countries. When all factors are taken into account, our overall insurance loss rose more than fourfold, in 2008, to EUR 44.5 million. Our gross loss ratio - claims pay-outs and provisions as a proportion of insurance premium income - was 74.7%; this was still affordable, and it allowed us to achieve a positive gross margin of EUR 17.7 million.

Costs

Our costs rose by 29.6% in 2008, driven by the expansion of our geographical presence and our network of broking partners, and by the increase in our business volumes. We have continued our programme of recruitment and staff training, to maintain our large specialist skills base in country risk analysis and underwriting.

We also stepped up our purchase of credit and political risk information. But, relative to our revenues, our gross cost ratio remained stable, at 39.0%.

Outward reinsurance

Ducroire | Delcredere has maintained a stable pool of reinsurance partners for a number of years and we have consistently ceded a large proportion of our portfolio to our reinsurers each year. This has enabled us to retain the loyal support of our reinsurers in the current more difficult economic climate. Our annual reinsurance treaty was renewed as usual for the 2009 financial year. This protection adds to our equity.

In 2008 the volume of premium income ceded to reinsurers under our quota share and excess of loss treaties rose by 23.0%, to EUR 26.1 million – reflecting the overall growth in our turnover. But our reinsurance arrangements also helped to share the burden of losses; under our treaty arrangements, we passed on EUR 13.5 million in claims pay-outs and provisioning losses to our reinsurance partners.

Inward reinsurance

Ducroire | Delcredere has diversified its product range and now also accepts inward reinsurance business. This is an important growth area: sales of inward reinsurance rose by 110.0% in 2008 and this activity now accounts for 12.0% of our premium income.

However, in inward reinsurance activity, we are generally informed of claims when we actually indemnify the primary insurers. Because of this, we take a conservative approach to provisioning for incurred but not reported losses on this business over a two year cycle. We have set aside provisions of EUR 4.7 million – a rise of 141.8% on the 2007 figure – for expected losses on our inward reinsurance business last year.

INVESTMENT ACTIVITY

We have an actively managed financial investment portfolio. Because of the international decline in asset values, we have made substantial write-downs in its valuation. Meanwhile, we never book potential profits or value gains in our accounts, while these remain unrealised.

The write-downs in asset values have not, for the most part, been realised; however, we believe that it is sensible to adjust our valuation of these assets in line with the prevailing market values. Our financial investments (shares, bonds, deposits and cash) are now valued at EUR 139.7 million, compared with an acquisition value of EUR 156.6 million. Equity funds and real estate account for just 12.6% and 1.1%, respectively, of the current value of our financial investments. This reflects our conservative approach to portfolio management.

Overall, taking into account the unrealised losses but not the unrealised profits, we lost EUR 14.3 million in our investment activities in 2008. In the preceding year these produced a profit of EUR 4.2 million.

FINANCIAL RESULTS

Ducroire | Delcredere recorded a pre-tax loss of EUR 21.9 million in 2008, whereas in 2007 the company made pre-tax profit of EUR 8.8 million. We benefited from a small tax credit in 2008 and our net post-tax result was therefore a loss of EUR 21.7 million.

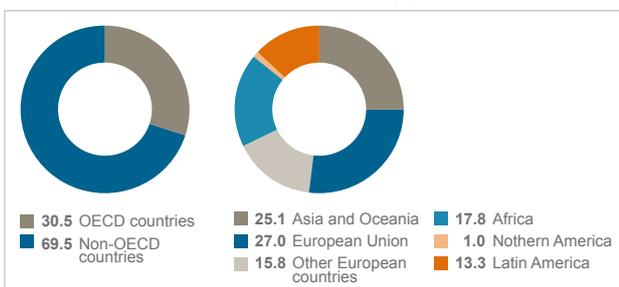
The technical result of our insurance activities was a loss of EUR 8.1 million, and a combined ratio – losses and costs as a proportion of earned premiums – of 113.6%. After taking reinsurance into account, the overall technical result was a loss of EUR 11.1 million, due to a serious increase in provisions for potential claims payouts and reported payment failures.

We drew down EUR 3.7 million from the provision for equalisation and disasters that we had set aside during the profitable years of insurance activity. Taking this into account, the insurance operations of the company ended 2008 with a final technical loss of EUR 7.4 million.

The large write-downs in the valuation of our financial investment portfolio added substantially to the company's overall loss.

Ducroire | Delcredere retains a strong capital base: our equity is EUR 101.2 million.

GEOGRAPHICAL SPREAD OF RISK EXPOSURE (%)



RESULTS OVER THE PAST FOUR YEARS (MILLIONS EUR)

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

74.7%

LOSS RATIO



Yannick Simon
Economic and Sector Analyst

Managing exposure: breadth and diversity protect our portfolio

"We take care to maintain a balanced spread of risk across different types of markets, so that we are not overly exposed to the impact of unexpected international problems, such as an energy price hike or slump, the outbreak of conflict, weather damage to key commodity export crops, or a slide in regional confidence.

There is no doubt, however, that the global financial crisis has increased levels of risk. Early hopes that emerging markets might escape have not been fulfilled; the crisis has deepened and spread since mid-September 2008; all countries have felt the impact and those with heavy short-term debt obligations face increased difficulty in rolling these over. Emerging economies mostly have stronger reserves than at the time of the 1997-98 Asian crisis. Even so, liquidity is under pressure as the crisis persists.

In November 2008 we had to downgrade the short-term country risk ratings for 60 countries. However, a decision to downgrade our risk appraisal does not necessarily mean that we will stop providing cover. At Ducroire | Delcredere, we avoid a "stop/go" approach to underwriting. We seek to maintain cover capacity for as long as possible in times of crisis, especially in supporting loyal customers."

39.0%

COST RATIO



Virginie Moens
Economic and Sector Analyst

Sector specifics: look closely for the clues

“Solid sectoral analysis is crucial to our assessment of individual buyers, particularly in emerging economies. These are business risks, attached to companies and industries; but they cannot be divorced from the wider context. In assessing them, therefore, we have to work closely with the country risk team here. We look, for example, at the local political and social significance of a sector, and how it links up with other elements of the national economy and we analyse the influence of vested interests and corruption.

We examine the structure and functioning of a sector. How does it link to other industries and how is it positioned in the economy? What are the key inputs and investment needs and how does the sales and distribution system function? We have to adjust our underwriting approach to each sector, just as we adapt it country by country.

For example, in some industries, surplus product can be stored if demand falls short, and sold later, while in other sectors the products are perishable and have to be thrown away if they cannot be sold at the planned time. The economics of certain sectors are critically dependent on world commodity price cycles; producers surprised by a price slide may be forced to sell at a loss.

As insurers we have to understand these specificities, which shape the business context. We also have to know the strengths and weaknesses of individual buyer companies.”

Corporate governance

BOARD OF DIRECTORS

Jean-Pierre PAUWELS, Chairman

Koen ALLAERT

Jean-Pierre ARNOLDI

Hans BRUYNINCKX

Ludo CUYVERS

Bernard DE CORT

Pascale DELCOMINETTE

Silvana FLAGOTHIER

Alain HUART

Fabienne L'HOOST

Jean-Philippe MERGEN

Georges STIENLET

Dirk TERWEDUWE

Daniel VAN DAELE

Michel VAN DER STICHELE

Lambert VERJUS

Jean-Jacques WESTHOF

Yves WINDELINCX

Mrs Caroline Ven resigned in 2008. We thank her for her contribution.

REMUNERATION COMMITTEE

Jean-Pierre PAUWELS

Jean-Pierre ARNOLDI

Jean-Jacques WESTHOF

EXECUTIVE COMMITTEE

Yves WINDELINCX, Chief Executive Officer

Alain HUART, Deputy Chief Executive Officer

Dirk TERWEDUWE, Deputy Chief Executive Officer

AUDIT COMMITTEE

Georges STIENLET

Fabienne L'HOOST

Daniel VAN DAELE

EXTERNAL AUDITOR

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

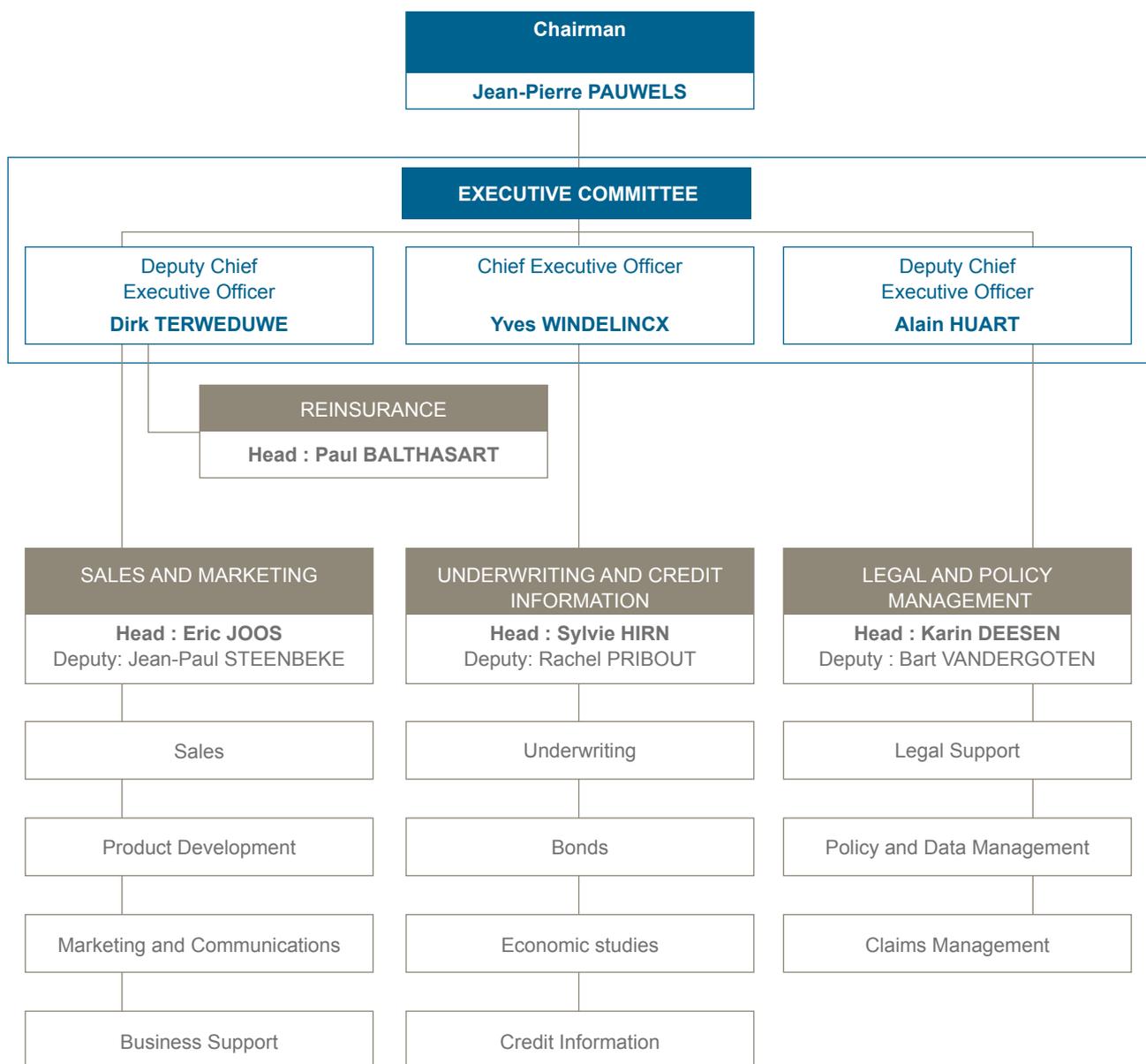
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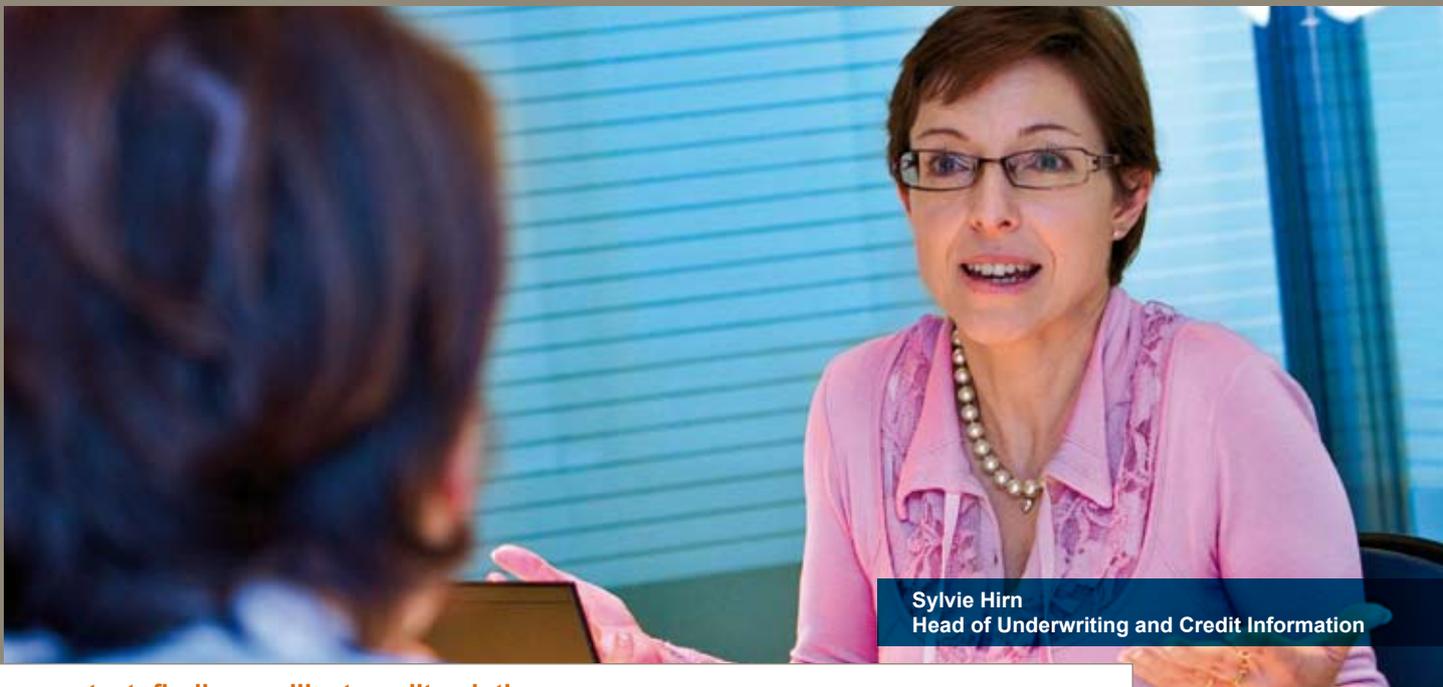
Heidi GOMBERT

COMPLIANCE OFFICER

Bart VANDERGOTEN

Operational organisation chart





Sylvie Hirn
Head of Underwriting and Credit Information

Buyer context: finding resilient credit solutions

“The starting point for assessing individual buyers is a review of the company results and other available information about the structure and performance of the company. However, at Ducroire | Delcredere, we adapt our underwriting approach to reflect our assessment of the companies, the sectors and the country in which they are based. In a troubled economy, local buyers that export or have access to secure or priority flows of foreign exchange often cope better.

But beyond such broad criteria, we also look into the pattern of a buyer’s own trading relationships, the local distribution networks within which they operate, and the risks to which they themselves are exposed. Are they, for example, affected by the slowdown in consumer demand in western economies? Will they benefit or suffer from rises in energy prices?

In even the poorest countries there are some strong companies, whose risk standing can be effectively appraised.

Published company results and sectoral economic statistics are not enough, on their own, to give us the insight we need. Often our own client, who plans to sell to the buyer concerned, will have a good understanding of the situation; he will also often be the first to pick up early signals about potential problems. That’s just one good reason for developing a direct dialogue between the customer and the underwriter – as we always seek to do.”

EUR 12.9 billion

VALUE OF TRANSACTIONS INSURED; AN INCREASE BY 20.7% ON THE PREVIOUS YEAR.



François Delfosse
Underwriter

Consistency counts: avoiding the rush to judgement

“Insuring trade with emerging markets is our core business. We analyse long-term trends and the fundamentals of each country risk, as well as recent events and present conditions. We also consider how the market could evolve in the future.

When unforeseen developments do occur, we avoid a rush to judgement. We seek to take a measured approach. Rather than setting a fixed view for a country or a sector, we regularly re-appraise our assessments, even by region or by buyer, adjusting them gradually in light of evolving conditions.

We also seek to look at the underlying trade risks and systemic issues, rather than focussing only on the headline financial data. Moreover, we back up our stance, internally, by pursuing a deeply conservative provisioning policy.

When we downgrade our risk assessment of a country, we automatically increase the level of provisions against our exposure, and adjust our cover policy. It is partly because we set aside substantial reserves in this way that we are able to maintain the levels of cover that we do.”

Accounts

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Unqualified audit opinion on the annual accounts

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

PricewaterhouseCoopers, Reviseurs d'Entreprises - Bedrijfsrevisoren, has audited the company's annual accounts as of and for the year ended Dec. 31st 2008, in accordance with the legal and regulatory requirements applicable in Belgium. It has issued an unqualified audit opinion on these financial statements.

Balance sheet (thousands EUR)

Assets	Note	Dec. 31st 2008	Dec. 31st 2007
B. Intangible assets		491	768
I. Preliminary expenses	1	128	283
II. Intangible fixed assets	2	363	485
2. Other intangible fixed assets	2	363	485
C. Investments		141 615	150 478
II. Investments in linked companies and participations	3	13 529	13 529
Other companies with a participation link		13 529	13 529
3. Participations		13 529	13 529
III. Other financial investments	4	126 625	136 543
1. Shares, shareholdings and other tangible securities		81 330	104 707
2. Bonds and other fixed-income securities		24 293	30 221
6. Deposits with other credit institutions		21 002	1 615
IV. Deposits with reinsurers		1 461	406
Dbis. Participation of reinsurers in technical provisions		24 853	10 965
I. Provision for unearned premiums and deterioration of the risk	9	9 501	3 540
III. Provision for claims	9	14 630	6 842
IV. Provision for profit sharing and refunds	9	722	583
E. Accounts receivable		29 245	16 720
I. Accounts receivable from direct insurance operations		22 949	13 790
1. Insured parties		7 602	5 461
3. Others		15 347	8 329
II. Accounts receivable from reinsurance operations	5	3 223	1 536
III. Other accounts receivable	6	3 073	1 394
F. Other assets		13 218	2 372
I. Tangible fixed assets	7	170	0
II. Available cash and cash equivalent		13 048	2 372
G. Deferred charges and accrued income		1 869	2 101
I. Earned, not yet expired interests and rent		566	144
III. Other deferred charges and accrued income		1 303	1 957
Total		211 291	183 404

Liabilities	Note	Dec. 31st 2008	Dec. 31st 2007
A. Capital and reserves		101 218	122 870
I. Subscribed capital or equivalent fund after deduction of the uncalled capital	8	100 000	100 000
1. Subscribed capital	8	150 000	150 000
2. Uncalled capital (-)	8	-50 000	-50 000
IV. Reserves		1 143	1 143
1. Legal reserve		1 143	1 143
V. Result carried forward		75	21 727
1. Profit carried forward		75	21 727
C. Technical provisions		82 895	37 028
I. Provision for unearned premiums and deterioration of the risk	9	20 744	7 929
III. Provision for claims	9	56 632	20 529
IV. Provision for profit sharing and refunds	9	1 891	1 252
V. Provision for equalisation and disasters	10	3 628	7 318
E. Provisions for other risks and charges		82	0
III. Other provisions		82	0
F. Deposits from outwards reinsurance		4 981	4 780
G. Debts		20 503	16 572
I. Debts from direct insurance activities		2 314	1 565
II. Debts from reinsurance operations	11	11 451	7 353
V. Other debts		6 738	7 654
1. Debts due to taxes, remunerations and social security		2 475	1 724
a) taxes	12	1 167	1 687
b) remunerations and social security		1 308	37
2. Others	12	4 263	5 930
H. Accrued charges and deferred income		1 612	2 154
I. Deferred income		100	100
II. Accrued charges		1 512	2 054
Total		211 291	183 404

Income statement (thousands EUR)

	Note	Dec. 31 st 2008			Dec. 31 st 2007		
		Gross transactions	Outwards reinsurance	Net transactions	Gross transactions	Outwards reinsurance	Net transactions
Gross written premiums		67 280	-28 861	38 419	48 193	-22 509	25 684
No claim bonuses and rebates		-2 767	1 323	-1 444	-1 729	987	-742
Net written premiums	13	64 513	-27 538	36 975	46 464	-21 522	24 942
Variation in provision for profit sharing and refunds	9	-639	138	-501	-272	34	-238
Variation in provision for unearned premiums	9	-4 285	1 269	-3 016	-704	242	-462
Earned premiums	A	59 589	-26 131	33 458	45 488	-21 246	24 242
Investigation revenues	B	2 556		2 556	2 291		2 291
Turnover		62 145	-26 131	36 014	47 779	-21 246	26 533
Claims paid	14	-10 836	4 846	-5 990	-11 393	5 677	-5 716
Recoveries of claims paid	14	2 755	-1 243	1 512	2 131	-635	1 496
Variation in expected recoveries of claims paid	15	407	23	430	2 075	-1 255	820
Variation in provision for the deterioration of the risk	9	-8 530	4 692	-3 838	-1 306	645	-661
Variation in provision for claims	9	-36 103	7 788	-28 315	1 626	-2 025	-399
Variation in prospects of recovery on expected claims	15	7 815	-2 580	5 235	-3 419	1 957	-1 462
Charges of claims	C	-44 492	13 526	-30 966	-10 286	4 364	-5 922
<i>Loss Ratio</i>	C/A	74.7%	51.8%	92.6%	22.6%	20.5%	24.4%
Gross margin		17 653	-12 605	5 048	37 493	-16 882	20 611
Salaries and general expenses		-14 001		-14 001	-12 532		-12 532
Broker fees		-4 343		-4 343	-2 609		-2 609
Investigation costs		-3 668		-3 668	-2 634		-2 634
Commissions for inwards reinsurance		-3 767		-3 767	-2 110		-2 110
Commissions from outwards reinsurance			9 599	9 599		8 426	8 426
Operating costs	D	-25 779	9 599	-16 180	-19 885	8 426	-11 459
<i>Cost Ratio</i>	(D+B)/A	39.0%	36.7%	40.7%	38.7%	39.7%	37.8%
Technical result	16	-8 126	-3 006	-11 132	17 608	-8 456	9 152
<i>Combined Ratio</i>	[C/A] + [(D+B)/A]	113.7%	88.5%	133.3%	61.3%	60.2%	62.2%
Financial result allocated to the technical account	4			-6 381			899
Variation in provision for equalisation and disasters				3 690			-3 082
Result of the technical account				-13 823			6 969
Financial result	4			-7 896			3 326
Extraordinary result				-189			-1 486
Result before taxes				-21 908			8 809
Taxes				256			-1 188
Result of the period				-21 652			7 621
Transferred profit							
Transfer to the legal reserve							381
Profit carried forward				-21 652			7 240

Cash flow (thousands EUR)

	Note	Dec. 31 st 2008	Dec. 31 st 2007
Net written premiums (*)	13	36 975	24 942
Investigation revenues		2 556	2 291
Claims paid (*)	14	-5 990	-5 716
Recoveries of claims paid (*)	14	1 512	1 496
Operating costs		-16 180	-11 459
		18 873	11 554
Recovered rescheduling interest (*)		107	15
Result from financial investments		-14 484	4 241
Of which non-monetary depreciations on investments		16 904	0
Advance payment of taxes		-1 090	-630
Other income and expenses		510	-1 703
		1 947	1 923
Gross cash flow		20 820	13 477
Variation in net working capital		-2 934	2 431
Variation in fixed assets			
Increase in the intangible fixed assets		-176	-461
Increase in the tangible fixed assets		-48	0
Net operational cash flow after investments		17 662	15 447
Variation of investments in linked companies and participations		0	13 529
Variation of other financial investments		6 986	1 792
Variation of available cash & cash equivalent		10 676	126

(*) After outwards reinsurance.

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

	Note	Gross transactions	Dec. 31 st 2008 Outwards reinsurance	Net transactions
Branch 14 - credit insurance				
Direct credit insurance		4 354 675	-1 994 144	2 360 531
Inwards reinsurance		1 108 632		1 108 632
Branch 15 - surety		267 967	-196 923	71 044
Commitments from issued policies	17	5 731 274	-2 191 067	3 540 207
Deposits of reinsurers in our favour		2 198		
Deposits in favour of reinsurers		0		

Notes (thousands EUR)

NOTE 1 - PRELIMINARY EXPENSES

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

Acquisition value	
At the end of the previous financial year	771
At the end of the financial year	771
Amounts written off and depreciations	
At the end of the previous financial year	-488
Variations during the financial year : booked	-155
At the end of the financial year	-643
Net book value at the end of the financial year	128

NOTE 2 - INTANGIBLE FIXED ASSETS

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

Acquisition value	
At the end of the previous financial year	600
Variations during the financial year	
Acquisitions, including own construction	176
Transfers and disposals	-215
At the end of the financial year	561
Amounts written off and depreciations	
At the end of the previous financial year	-115
Variations during the financial year : booked	-83
At the end of the financial year	-198
Net book value at the end of the financial year	363

NOTE 3 - INVESTMENTS IN LINKED COMPANIES AND PARTICIPATIONS

	Participation percentage held on Dec. 31st 2008	Participation percentage held on Dec. 31st 2007
Komerční Uverova Pojist'ovna EGAP (KUP)	33%	33%
Na Pankráci 1683/127 CZ-140 00 Prague 4 Reg. No.: 272 45 322 On Oct. 11 th 2007, a stake of 33% in the Czech company KUP has been taken by Ducroire Delcredere S.A. N.V.		

An important event took place after closing the financial year: Ducroire | Delcredere S.A. N.V. signed a contract on Feb. 25th 2009, stepping up its equity participation in the Czech insurance company Komerční Uverova Pojist'ovna EGAP (KUP). On the date of closing of the financial year the equity participation comprised 66 shares (33%) and will increase to 132 shares (66%) following the purchase of shares currently held by SACE BT.

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

	Acquisition value	Depreciation on investments	Book value	Market value	Result from financial investments
Equity	32 697	-14 132	17 565	17 565	-14 160
Real Estate	3 054	-1 480	1 574	1 574	-1 913
Corporate bonds	6 107	-173	5 934	5 934	-1 358
Government bonds	40 200	-1 114	39 086	41 004	-32
Monetary funds	26 281	-4	26 277	26 716	619
Variable investments with guaranteed capital on maturity	15 186	0	15 187	20 998	1 762
Term deposits	21 002	0	21 002	21 002	475
Investments	144 527	-16 903	126 625	134 793	-14 607
Cash and cash equivalent	13 048	0	13 048	13 048	123
Investments, cash and cash equivalent	157 575	-16 903	139 673	147 841	-14 484

Unrealised capital gains / losses at the start of the financial year	2 182
- Capital gains / + capital losses realised on the sale of investments during the financial year	-965
+ Variation in unrealised gain/losses during the financial year on investments still in portfolio	-9 952
Unrealised capital gains / losses on Dec. 31st 2008	- 8 735
- Depreciation booked on investments during the financial year	16 903
Unrealised capital gains / losses not booked on Dec. 31st 2008	8 168

	Total	Allocated to the technical result	Remaining financial result
Result from financial investments	-14 484	-6 381	-8 103
Other financial result	207	0	207
Financial result	-14 277	-6 381	-7 896

Given the importance of the financial crisis, the Board of Directors – during its session of Dec. 10th 2008 – decided to consider that the unrealised losses on the financial investments present a permanent impairment of value and to book these losses as a charge of the financial year.

NOTE 5 - ACCOUNTS RECEIVABLE FROM REINSURANCE OPERATIONS

Receivables from outwards reinsurance	574
Receivables from inwards reinsurance	902
Expected recoveries of claims paid - inwards reinsurance (see note 15)	568
Prospects of recovery on expected claims - inwards reinsurance (note 15)	1 179
	3 223

NOTE 6 - OTHER ACCOUNTS RECEIVABLE

Receivables from the parent company	1 420
Advance on premium taxes	264
VAT to be recovered	260
Corporation tax	1 090
Other receivables	39
	3 073

NOTE 7 - TANGIBLE FIXED ASSETS

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

Acquisition value	
At the end of the previous financial year	0
Variations during the financial year	
Acquisitions, including own construction	199
At the end of the financial year	199
Amounts written off and depreciations	
At the end of the previous financial year	0
Variations during the financial year : booked	-29
At the end of the financial year	-29
Net book value at the end of the financial year	170

NOTE 8 - CAPITAL AND RESERVES ON DEC. 31ST 2008

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

UNPAID CAPITAL	Uncalled amount	Called unpaid amount
Shareholders who still have to pay up		
Immo Montoyer	0	0
ONDD	50 000	0
Total	50 000	0

NOTE 9 - TECHNICAL PROVISIONS

		Outstanding on Dec. 31 st 2008			Outstanding on Dec. 31 st 2007		Variation 2008
		Gross transactions	Outwards reinsurance	Net transactions	Net transactions	Net transactions	
Branch 14 - credit insurance	direct credit insurance	8 809	-4 192	4 617	3 000	1 617	
	inwards reinsurance	2 062	0	2 062	765	1 297	
Branch 15 - surety		451	-157	294	192	102	
Provision for unearned premiums		11 322	-4 349	6 973	3 957	3 016	
Branch 14 - credit insurance	direct credit insurance	9 402	-5 152	4 250	439	3 811	
	inwards reinsurance	20	0	20	-7	27	
Branch 15 - surety		0	0	0	0	0	
Provision for the deterioration of the risk		9 422	-5 152	4 270	432	3 838	
Branch 14 - credit insurance	direct credit insurance	3 416	-1 542	1 874	1 500	374	
	inwards reinsurance	6 538	-51	6 487	2 296	4 191	
Branch 15 - surety		0	0	0	0	0	
IBNR provision		9 954	-1 593	8 361	3 796	4 565	
Branch 14 - credit insurance	direct credit insurance	30 785	-13 037	17 748	4 029	13 719	
	inwards reinsurance	4 068	0	4 068	1 215	2 853	
Branch 15 - surety		210	0	210	210	0	
Provision for expected claims		35 063	-13 037	22 026	5 454	16 572	
Branch 14 - credit insurance	direct credit insurance	11 559	0	11 559	4 437	7 122	
	inwards reinsurance	0	0	0	0	0	
Branch 15 - surety		56	0	56	0	56	
Provision for claims management costs		11 615	0	11 615	4 437	7 178	
Branch 14 - credit insurance	direct credit insurance	45 760	-14 579	31 181	11 511	21 215	
	inward reinsurance	10 606	-51	10 555	3 787	7 044	
Branch 15 - surety		266	0	266	210	56	
Provision for claims		56 632	-14 630	42 002	15 508	28 315	
Branch 14 - credit insurance	direct credit insurance	1 891	-722	1 169	668	501	
	inward reinsurance	0	0	0	0	0	
Branch 15 - surety		0	0	0	0	0	
Provision for profit sharing and refunds		1 891	-722	1 169	668	501	

NOTE 10 - PROVISION FOR EQUALISATION AND DISASTERS

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

It complies with method no.1 under Regulations no. 8 of the Banking, Finance and Insurance Commission.

As long as it does not reach 150% of the highest annual amount of premiums net of outwards reinsurance over the previous 5 years, the provision for equalisation for each year is replenished by transferring 75% of any positive technical result, provided this transfer does not exceed 12% of the premiums net of outwards reinsurance. This provision serves to offset any technical loss at the year end.

Branch 14 - credit insurance	direct credit insurance	0
	inwards reinsurance	3 628
Branch 15 - surety		0
Provision for equalisation and disasters		3 628

NOTE 11 - DEBTS FROM REINSURANCE OPERATIONS

Debts from outwards reinsurance	3 860
Expected recoveries of claims paid - outwards reinsurance (see note 15)	3 506
Prospects of recovery on expected claims - outwards reinsurance (note 15)	4 085
	11 451

NOTE 12 - OTHER DEBTS

VAT	298
Corporation tax	350
Premium taxes	307
Other	212
Tax receivables	1 167

Debts with suppliers	2 970
Debts with the parent company	1 293
Other debts	4 263

NOTE 13 - PREMIUMS

		Gross transactions	Outwards reinsurance	Net transactions
Branch 14 - credit insurance	direct credit insurance	46 518	-26 796	19 722
	inwards reinsurance	16 965	-199	16 766
Branch 15 - surety		1 030	-543	487
Written premiums net of rebates		64 513	-27 538	36 975

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

Iran	4 994	Italy	1 354	Czech Republic	699
Russia	4 223	Ukraine	1 309	Morocco	668
Brazil	2 008	China	1 254	Hungary	658
Turkey	1 653	India	912	South Africa	658
United Kingdom	1 612	Nigeria	890	Senegal	649
Algeria	1 568	Romania	884	Indonesia	562
Ecuador	1 568	Côte d'Ivoire	854	Israel	555
Saudi Arabia	1 445	Mexico	831	Germany	550
Poland	1 414	Egypt	751	Dubai	527
France	1 390	Belgium	703	Kenya	492
				Other countries	26 878
Written premiums net of rebates					64 513

NOTE 14 - CLAIMS PAID AND RECOVERIES

		Gross transactions	Outwards reinsurance	Net transactions
Branch 14 - credit insurance	direct credit insurance	8 850	-4 846	4 004
	inwards reinsurance	1 960	0	1 960
Branch 15 - surety		26	0	26
Claims paid		10 836	-4 846	5 990
Branch 14 - credit insurance	direct credit insurance	2 313	-1 243	1 070
	inwards reinsurance	427	0	427
Branch 15 - surety		15	0	15
Recoveries of claims paid		2 755	-1 243	1 512

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

		Outstanding on Dec. 31 st 2008		Outstanding on Dec. 31 st 2007		Variation 2008
		Gross transactions	Outwards reinsurance	Net transactions	Net transactions	Net transactions
Branch 14 - credit insurance	direct credit insurance	5 871	-3 537	2 334	2 397	-63
	inwards reinsurance	568	0	568	72	496
Branch 15 - surety		9	-6	3	6	-3
Expected recoveries of claims paid at historical exchange rate		6 448	-3 543	2 905	2 475	430
Unrealised exchange difference		-47	37	-10	-106	96
Expected recoveries of claims paid		6 401	-3 506	2 895	2 369	526
Branch 14 - credit insurance	direct credit insurance	9 525	-4 085	5 440	1 107	4 333
	inwards reinsurance	1 179	0	1 179	283	896
Branch 15 - surety		6	0	6	0	6
Prospects of recovery on expected claims		10 710	-4 085	6 625	1 390	5 235

NOTE 16 - OUTWARDS REINSURANCE

The risks for credit insurance covered within whole turnover comprehensive policies were ceded to a pool of reinsurers at a rate of 45%.

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

The result of the cession amounts to EUR 3 006 000 in favour of our reinsurers.

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

Russia	415 708
France	216 149
Turkey	203 392
Brazil	203 376
Poland	187 759
Belgium	175 575
Saudi Arabia	169 272
China	147 198
Algeria	145 728
Romania	128 257
Other countries	3 738 860
Commitments from issued policies per country	5 731 274

Accounting principles

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

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

Tangible fixed assets comprise computer hardware, amortised over three years and the other tangible fixed assets amortised over five years.

Investments have been entered at acquisition value.

- > **Shares and other variable-income securities** are impaired in the case of permanent losses.
- > **Bonds and other fixed-income securities, as well as loans**, are impaired when repayment on maturity of such securities and receivables is wholly or partially uncertain or compromised.
- > **Treasury bonds and other fixed-income securities** constituted for liquidity purposes are impaired when the market value is lower than the book value.

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

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

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

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

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

The **technical provisions** comprise several components :

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

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

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

- > in the case of deterioration in the country risk assessment (downgrading of the country classification);
- > when the deterioration in the macroeconomic situation in a country gives rise to an increased risk, of a systemic nature in respect of the private debtors in that country;
- > when the risk on a debtor deteriorates.

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

- > An IBNR provision (incurred but not reported) for claims not yet reported: this provision is aimed at insuring on a statistical basis the final losses of claims incurred but not yet reported to Ducroire | Delcredere S.A. N.V. at the year end. This provision is based on past experience.
- > A provision for expected claims, which is based on the probability of default:
 - >> when the default is due to the debtor, the probability of default results from the assessment by the claims manager of the probability of payment of the claim and is determined on a case-by-case basis.
 - >> when the default is due to political risks, the probability of default is set per country.

These probabilities of default apply to the amount of the insurer's commitments at the closing date for the expected claim in question.

- > A provision for claims management costs. This provision is an estimate of the future external and internal costs to be incurred for the payment and/or recovery of claims. The provision is based on a rate which is adjusted each year on the basis of past experience.

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

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

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

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

The **provision for equalisation and disasters** is constituted in order to offset the non-recurrent operating loss or to level the claims charges or to cover special risks in years to come. It complies with method no.1 under Regulations no.8 of the Banking, Finance and Insurance Commission. This provision is computed separately for

non-life direct insurance and non-life inwards reinsurance. As long as it does not reach 150% of the highest annual amount of premiums net of outwards reinsurance over the previous five years, the provision for equalisation is replenished by transferring 75% of any positive technical result, while the transfer may not exceed 12% of premiums net of outwards reinsurance. This provision serves to offset any technical loss at the year end.

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

Off-balance sheet rights and commitments

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

Account managers

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