



■ EXPERIENCE MARKS THE DIFFERENCE

ANNUAL REPORT 2009


Garant



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■ ABOUT GARANT

Garant AG provides credit and political risk insurance to support international companies in their international trade activities and overseas investments.

Specialized in emerging countries, Garant is the best partner to help you mitigate commercial and political risks arising from your contracts or projects worldwide.

Our risk experts will customize state-of-the-art insurance solutions to your specific needs. They will give you access to our intelligence networks devised with local partners in order to create a risk-controlled-environment. Managing and monitoring risks together will be the key to achieving your business expectations.

A SIGNIFICANT YEAR IN MANY RESPECTS

The unprecedented financial and economic recession of 2009 has prompted major changes in the market and led to a significant rise in demand for trade credit insurance. Facing a marked increase in claim payouts, trade credit insurers nonetheless demonstrated their ability to fulfil their obligations towards their clients and respond to this challenge.

As was the case for each and every credit insurer, all the companies in the ONDD group faced a significant increase in claim payouts as more buyers defaulted on their payments. The credit crisis of 2007 spread to the real economy in 2008, and the consequences for us as a credit insurer made themselves felt with a certain time lag, as is the case with any recession. This delayed effect is typical of our industry.

Claims rose sharply during the first half of 2009 and then stabilised in the second half. We can now be fairly confident of having left the critical phase behind. But for the first time in many years, the ONDD group closed 2009 with a consolidated negative result of €40m. This loss indicates that even in very hard times, the group was able to fulfil its mission: that of indemnifying its clients and supporting them when they run into difficulties.

The effects of the crisis were generally much more apparent in 2009 than 2008. On the other hand, having suffered a significant loss in 2008 following the stock market crash, the financial result turned positive again in 2009. We ended 2009 with - despite the recession - only a slight reduction in equity, partly thanks to the very high level of premiums received.

Although world trade declined by around 12%, there was clearly no drop in demand for the ONDD group products: consolidated sales, i.e. the volume of premiums before cession to reinsurers, soared by 38%. As a result of the crisis, many companies have become more risk-aware and have once again recognised the usefulness of a solution that protects them against risks. This rise in premiums partly offset the rise in claim payouts.

Despite the 2009 loss, stability and solvency of ONDD parent company have in no way been affected as is demonstrated by its renewed AA+ rating assigned by S&P. The company could even pursue its international expansion and set up a joint venture with Russian insurance market leader OJSC Ingostrakh, co-shareholder of Garant, giving the group a foothold on the Russian credit market. This collaboration gives our insurance clients access to local cover on the Russian market and also makes it easier for Russian companies to obtain credit insurance. The group also increased its stake in KUPEG, the Czech subsidiary of Ducroire | Delcredere S.A. N.V. to 66%. This operation enables us to develop our geographic presence on the Central European market. In May 2010, ONDD acquired from OJSC Ingostrakh an additional 33%

stake in Garant, bringing its participation to 83%. This new capital structure is in line with ONDD's international business strategy and emphasizes our confidence in Garant's expertise and solid growth potential as single risk insurer. It will enable us to combine insurance capacities and meet client demand better. We will also gain easier access to the Swiss credit insurance market which offers considerable potential, thereby creating new growth prospects for both ONDD parent company and Garant.

2009 can certainly be seen as a significant year. The ONDD group has demonstrated the core value of its products and the necessity of credit insurance in international commercial transactions. Besides, the first half of 2010 bodes well for the rest of the year as figures are by far better than those of 2009. There are still good times ahead for credit insurance!

Dirk Terweduwe
Chairman of the
supervisory Board of Garant
CEO of ONDD

THE NEW AGE OF CREDIT INSURANCE

2009 has proven to be a bad year for the credit insurance market overall. The insurance industry probably began to really suffer as a result of the crisis from the summer of 2008, and for single risk medium-term activities there have been negative results on an unprecedented scale.

A significant amount of claims have been declared during the first half of the year. For the first time in its history of approximately forty years, the private market for single political and commercial risks has had to demonstrate its capacity to manage real turmoil and to meet clients' expectations in terms of claims management, loss payment and recovery actions.

Many observers were wondering what would happen: would the insurers try to avoid the losses with legal disputes? Would some of them withdraw or collapse? Would reinsurance capacity broadly evaporate? Or, on the contrary, would the market show its strength, resilience and, in a word, its reliability? This crisis soon emerged as "THE" test for single risk insurers.

A TEST OF MARKET EFFICIENCY

It is widely acknowledged today that the market did indeed respond according to the expectations of its custo-

mers, and maybe even better than the short-term turnover segment. Claims have been paid – and paid on time. None of the market players have failed or even withdrawn as a result of the crisis, and policyholders and insurers are working closely together on a global basis in order to achieve optimum recovery.

From now on, the market will have acquired creditworthiness based on crisis experience. Those who had doubts about its credibility will hopefully feel more confident in the quality of protection it affords.

This aspect is not the only positive result of the recent developments: The 2009 claim record has also shown that certain apprehensions frequently expressed about this activity did not become a reality.

In an economic and financial downturn of such magnitude, the specter of total regional or even national losses did not materialize. On the contrary, it appears that claims have tended to arise in individual situations due, either to the financial difficulty of a specific player or, in several cases, to the unexpected impact of political interference in certain private transactions.

Indeed, some countries have triggered an increased number of claims, such as Ukraine, but there has been nothing like a general non-payment of all insured Ukrainian debtors. It is further evidence of the crucial role of the strictly selecting risks which the market has historically followed. The non-universality and non-standardization of single risk markets represents its greatest protection against any systemic crisis and justifies its in-depth assessment of qualitative criteria besides the traditional quantitative approach.

Though human factors are less predictable in actuarial terms than other standard criteria, and thus do not facilitate any modeling exercise, they remain key to the understanding of the motivation of international trade entities, which trigger the outcome of so many commercial contracts.

Another interesting feature demonstrated by the 2009 track record, is the fact that the small entities have been performing at least as well as the bigger ones in terms of financial scale.

This evidence enhances the assumption whereby a good balancing of the portfolio in proportion to the size of the equity is more important than the amount of such equity itself. The smaller players have had to spontaneously pay a great deal of attention to the spread and dilution of their risks in order to avoid any lethal accumulation of exposures of a similar nature. This is probably the reason why private insurers have never been caught in massive global debt rescheduling programs, such as ECAs have experienced over the past decades.

As risk sharing remains a crucial requirement in a market lacking facultative reinsurance support, direct underwriters also have to concern themselves with the issue of accumulation in their reinsurers' books. As long as the traditional syndication process operates, it is possible for reinsurers to be aware of the global exposure carried by the market on a specific transaction. However, the excessive concentration of the reinsurance capacities with a number of risk carriers that is too limited does not appear to be sustainable in the long run, while it has since been proven that the demand will keep increasing in the coming years.

It is thus of the utmost importance



Louis Habib-Deloncle

to strengthen the links with existing reinsurers and to convince many more of them that they should also join this market, acquire knowledge and experience in this segment and contribute to a stable supply, which is essential to enhance the confidence between policyholders and insurers. More broadly, the need for information and transparency appears to be an absolute necessity in the wake of the crisis. All the players, whether they are exporters, bankers, brokers, reinsurers or even direct underwriters, not forgetting regulators or auditors, are keen to receive more information on this "single risk" activity. More communication and more information will not harm the market but on the contrary, will help its growth. For the first time, credit insurance is now being regarded by political leaders as essential to the vitality of domestic and international trade. When it was announced that some credit limits would be reduced or cancelled to avoid bankruptcies, most of the EU governments decided to set up state reinsurance or direct scheme in order to support and boost their national trade flows.

THE MERITS OF THE CRISIS

From now on, credit insurance has to be better integrated with the banking sector in international trade practices. The crisis has shown that some traditional international standards and uses have been at stake, such as the difference between the handling of commercial and purely financial debt in any rescheduling process. In the first instance, private insurers should work side by side with the Bern Union members in order to have such principles now fully integrated and accepted in international commercial and financial law, possibly through the ICISA (International Credit Insurance and Surety Association). All in all, credit insurers are now bound to adapt to a new context of international trade flows. Emerging

markets will play a greater part in this field, with a number of opportunities and challenges for credit insurance.

THE CRISIS HAS SHOWN WE ARE A SOLID CREDIT INSURER

Garant will have learnt a great deal from its experience in the last eighteen months, and is adapting and improving its business approach to match these new challenges. 2009 brought a loss of EUR 1.37 million against a premium volume of EUR 16.5 million (+4.9% on 2008). In addition to this, Garant has retained a EUR 1.24 million equalization reserve, which almost offset the recorded loss.

This result is likely to improve, given ongoing negotiations to mitigate potential claims or recover paid losses. No new potential claim of any significance has been reported since August last year and it looks like the first months of 2010 are showing signs of a substantial improvement, both in claims handling and in the increase in demand. International trade remains driven by the need for emerging countries to develop their economies, but it would be far too optimistic to consider that the crisis is now over. Trust and confidence will probably not come back in full before new governance has been defined and implemented in the financial markets and in the banking sector. There is an unexpressed feeling in the international community that those who triggered the crisis should contribute to its solution, at least by taking measures to ensure it will not happen again; and, if such entities fail to do this alone, the G20 governments should decide and enforce these reforms. It is apparent that there is still a long way to go before confidence in the banking system can be restored,

which will of course slow down the recovery of international trade flows. However, in the meantime, exporters and international investors should turn increasingly towards credit insurance, as fewer possibilities are offered by the credit derivatives market and the appetite for risk self-retention is lower since the crisis.

THE FUTURE OF GARANT

In such a risky and still volatile environment, Garant will on one hand, focus on its skills and expertise, to continue to select the best performing operators and the priority requirements of local economies.

Garant, in the same way as its peers in the market, has delivered the expected services during the crisis while remaining financially sound, and has thus gained credibility with its clients. Garant, again like its peers, intends to contribute to enhancing the knowledge of credit insurance as a valuable tool for protecting the balance sheet of manufacturers, commodity traders, exporters or importers, and banks and international investors, against commercial and political risks worldwide.

Louis Habib-Deloncle
Chairman of the
Managing Board

GARANT AT A GLANCE

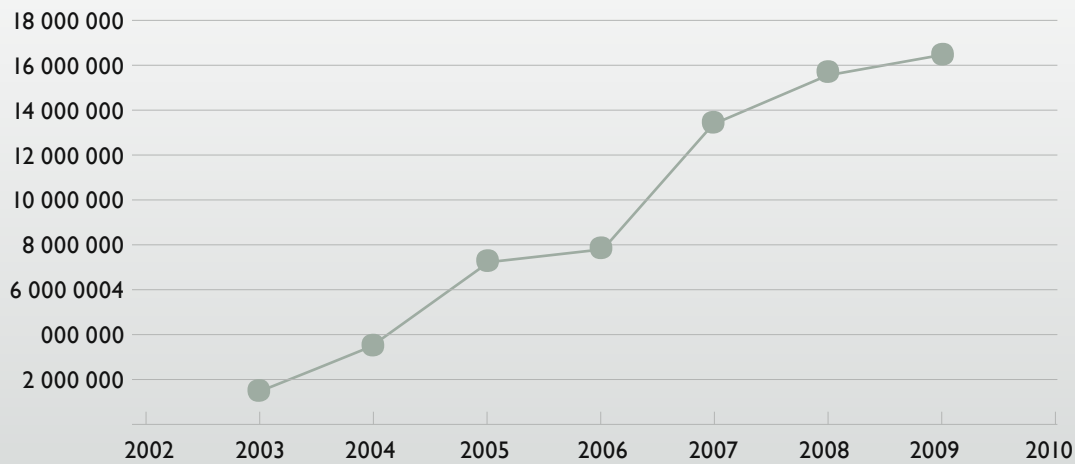
- Established in 1958
- Headquartered in Vienna, Austria
- Local offices in Switzerland
- Operates in credit and political risk insurance
 - Turnover credit insurance
 - Single-Buyer credit insurance
 - Contract risk insurance (export contracts, import contracts, bonds and on-demands guarantees, permanent investments or mobile assets)
- Customized and state-of the-art solutions meeting your insurance needs
- Integrated know-how and expertise in risk management and mitigation
- Insurance operations in more than 160 countries
- Strong position in the Eastern European countries, Middle East and Africa, Central and South Asia and Latin America

FINANCIAL HIGHLIGHTS

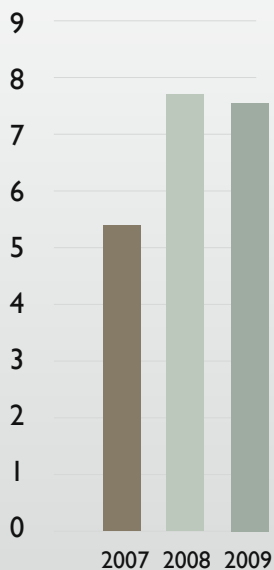
“The crisis has shown we are a solid specialist credit insurer, with an outlook which supports our growth targets on firm foundations”

	2009	2008
Gross premium written	16.5	15.7
Gross loss ratio	121.6%	32.9%
Gross operating expenses	20.6%	23.1%
Investment result	5.1%	3.3%
Solvency margin	496.3%	524%

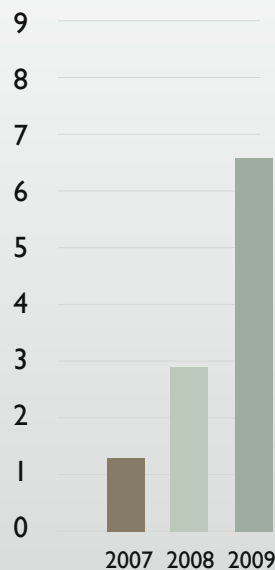
Premium volume growth
In EUR



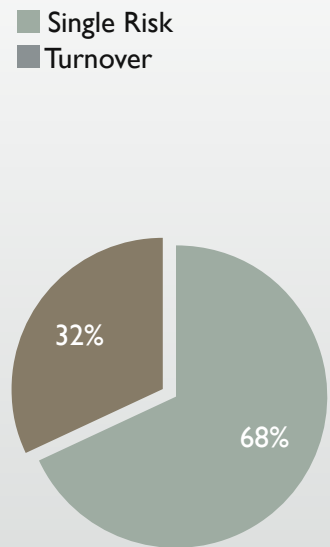
Net premiums
in EUR Million



Net claims
in EUR Million



2009 Split by product





MILESTONES

1958

Ingosstrakh, the Russian leading insurance company, created GARANT AG, in Austria, to cover credit and political risks between Russian companies and western exporters operating in the Eastern block.

2004

New international management and new team are appointed. After recapitalization, Garant implements a new international strategy committed solely to credit and political risk coverage **WORLDWIDE** with a strong focus on emerging countries.

2008

Garant celebrates its 50th anniversary.

1991

Fall of Soviet Union - Garant embodies a unique experience in the new CIS and Eastern European markets. The company tries to develop other lines of business.

2006

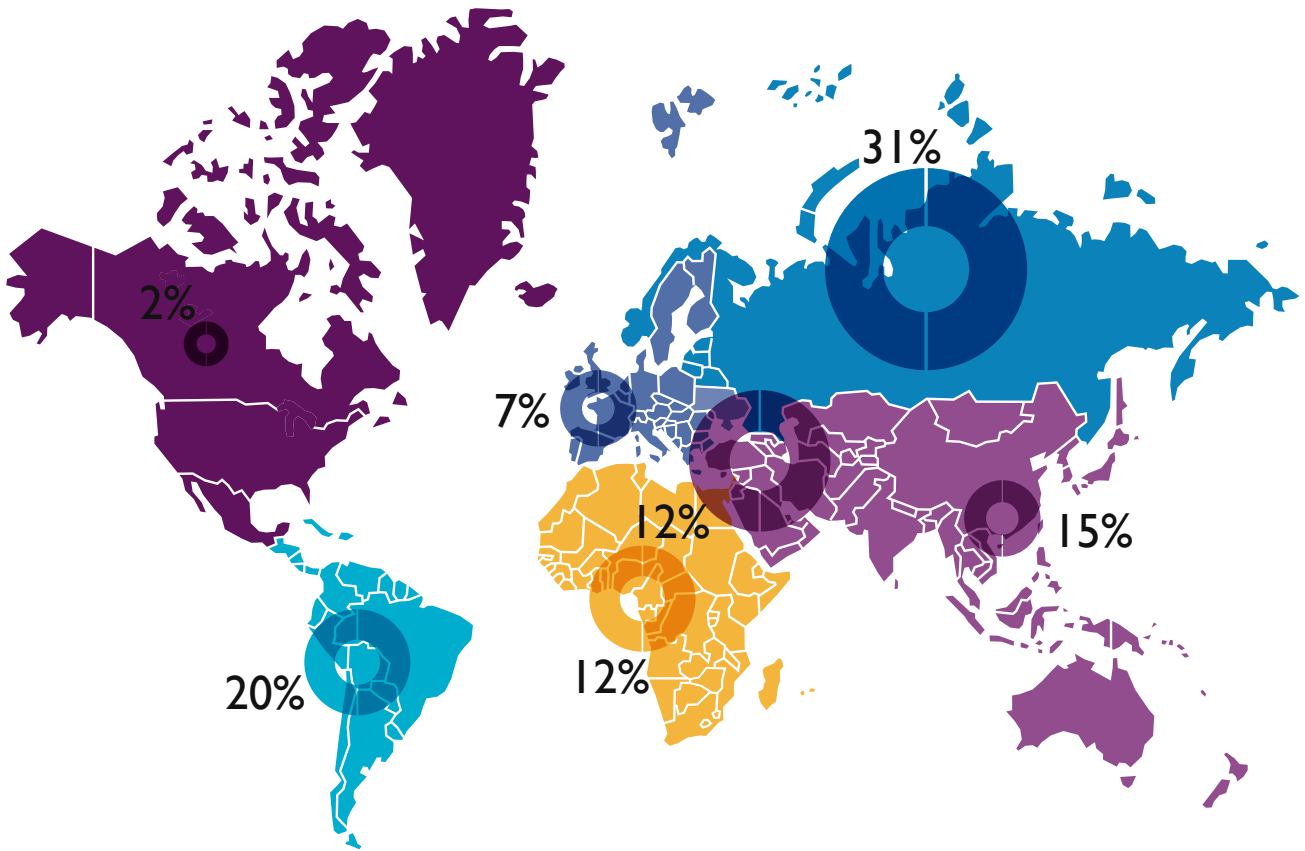
Garant open its capital to ONDD, which, after a capital increase, owns 50% of the shares on a equal basis with Ingosstrakh. The company opens its first branch in Switzerland.

2010

ONDD increases its shareholding interest to 83%.



GLOBAL RISK EXPOSURE



Russia & the CIS

Armenia
Azerbaijan
Belarus
Estonia
Georgia
Kazakhstan
Kyrgyzstan
Latvia
Lithuania
Moldova
Russian Federation
Tajikistan
Ukraine
Uzbekistan

Asia

China
Hong Kong
India
Indonesia
Japan
Malaysia
New Caledonia
Philippines
Singapore
Taiwan
Thailand

Europe

Albania
Austria
Bosnia & Herzegovina
Cyprus
Croatia
Czech Republic
Estonia
France
Hungary
Italy
Macedonia
Netherlands
Norway
Poland
Romania
Serbia
Slovakia
Slovenia
Spain
Sweden
Switzerland
United Kingdom

Africa

Algeria
Angola
Cameroon
Gabon
Gambia
Ivory Coast
Kenya
Libya
Morocco
Mauritania
Nigeria
Sierra Leone
South Africa
Sudan
Tunisia

North America

Canada
USA

Latin America

Argentina
Bahamas
Brazil
Chile
Colombia
Cuba
Ecuador
El Salvador
Guatemala
Mexico
Panama
Peru
Venezuela

Middle East

Egypt
Iran
Israel
Kuwait
Lebanon
Oman
Qatar
Syria
Tunisia
Turkey
United Arab Emirates

CORPORATE MANAGEMENT

Garant has adopted a two-tiered governance structure with a Managing Board and Supervisory Board. Governance is based on the strict separation of management functions carried out by the managing board, and overseeing functions, carried out by the supervisory board.

The supervisory board, which represents our shareholders, has taken into account the new shareholding structure since the supervisory board meeting dated 11 May 2009.

SUPERVISORY BOARD

Dirk Terweduwe

Chairman of the Supervisory Board (since May 2010),
CEO of ONDD

Frank Wanwingh

(since May 2010)
Deputy CEO of ONDD

Alain Flabat

Head of Finance and Reinsurance of ONDD

Alexander Grigoriev

General Director of Ingosstrakh

Tatyana Kaygorodova

Head of the Direct Investment Department,
Ingosstrakh

AUDITORS

**KPMG Wirtschaftsprüfungs-und
Steuerberatungs GmbH**

**Mag. Michael Schlenk
Mag. Ludwig Schumich**

MANAGING BOARD

Louis Habib-Deloncle

Chairman of the Managing Board

Dmitri Lokshin

Member of the Managing Board

Walter Blom

Member of the Managing Board

THE MANAGEMENT BOARD AND EXECUTIVE MANAGEMENT



Louis Habib-Deloncle

Chairman



Dmitri Lokshin

Member of the Managing Board



Walter Blom

Member of the Managing Board



Valérie Talbot

Chief Risk Officer,
GTS Global Trade Security



Christian Torché

Head of reinsurance,
Manager of the Swiss market



Brigitta Ayasch

Head of Accounting Department



“A wealth of management experience, underwriting expertise and a visionary mindset”

ACTIVITY HIGHLIGHTS

MANAGING THE UNPREDICTABLE LANDSCAPE

Because our business is to manage adversity, it is incumbent upon us, in hard times, to do more and to play our role of support for international trade and growth on firm foundations.

2009 was a challenging year for the global economies, international firms and credit insurance industry as well. Starting in 2008, it was in that year that the financial crisis had the greatest impact.

The credit and political risk insurance market has been hit by losses during the last two years, but the market has responded well to the expectations. Garant itself has been affected by an unusual increase in claims compared to the previous years, while showing no sign of systemic loss in its portfolio.

Instead, as a specialist political risk insurer, Garant has fared well during the crisis, demonstrating that we are a solid credit insurer. We have a business model that has proven its validity even in the most difficult times, a very well balanced portfolio spread, and healthy capital and balance sheet. Garant's outlook for 2010 is good, and we have proven in the last two years that the right strategy and appropriate risk management make all the difference.

RECOGNIZED AS AN EMERGING LEADER

Long before the global economic crisis, we believed that profitability must be measured on a long-term basis. Six years

after its restructuring, Garant is recognized as an emerging leader in commercial and single risk insurance, with enhanced reliability and unparalleled expertise to manage specific risks within emerging nations.

In the light of its operating performance, Garant has been able to achieve its business projections in a globally depressed environment, the premium turnover increasing at a steady pace in the course of 2009 to reach EUR 16.5 million (+5%). Despite the drop in trade, which was identified as severe and sudden, the demand for credit and political risk coverage remains high as the magnitude of the decline in trade flows varies in the different regions of the globe. Indeed, the non-OECD countries seem to have been generally more resilient to the global financial crisis, showing signs of recovery earlier in 2009. We see increasingly different dynamics in mature and emerging markets. Even if the contraction of commodities prices has led to the postponement of some projects, most of the emerging economies have not been confronted with major problems of private or public debt rescheduling, which is ultimately limited to a small number of countries. Our focus on emerging countries and their exponential growth remains a "high premium" strategy.

Credit insurance activity has been recognized as crucial for the wealth of the national economies. Most of the European governments have taken state-backed initiatives to maintain an adequate capacity of credit insurance coverage by way of their export credit agencies. In the private market, new capacities, originating mainly from the Bermudas, have appeared with the 2010 reinsurance renewal. The entry of new players is good as we consider that additional capacities will enable the increasing requirement for coverage to be addressed, along with the critical issue of aggregate ceilings as evidenced by single risk activity in some countries.

The financial crisis creates a very challenging environment of risk and opportunities for our company. Obviously, the current crisis is conducive to rising claims and losses provoked by the rise of bankruptcies and insolvencies in credit tur-

nover business, though less in single risk business. However, global instability amplified by the crisis (social unrest, political violence, budgetary pressures, protectionist measures, etc.) put the political risk concerns at the forefront for global leaders. During 2009, the need for political risk coverage drove good business opportunities and the wealth of experience of our risk underwriters in addition to stricter underwriting conditions made the difference in minimizing risks and gaining opportunities. We navigated through the hurdles that are inevitable in a recessionary environment and continued to build our business.

FOCUS ON THE FUNDAMENTALS

The portfolio reflects the sound development of Garant and its affiliates. Despite the global downturn, Garant's turnover totals EUR 16.5 million, up 5% compared to last year, with an aggregate exposure exceeding EUR 2.1 billion. At the end of 2009, the premium split by type of business shows a predominance of single risk coverage, representing 68% of our portfolio. Garant maintains the very high quality of its portfolio with optimum diversification by type of risk, region, tenor cover, industry sector and limit range cover. We continue to focus on priority trade and investments deals, which tend to provide greater security.

Our continued focus on the fundamentals: core business development and capital strength, serves us well in good times as well as bad. Thanks to our reinsurance program, Garant continues to show strong capital protection. With EUR 15 million gross per capacity and a total net risk exposure of EUR 1.3 million, Garant maintains an optimum capital protection, net retention ultimately representing 5.4% of our capital. The solvency margins remains four times higher than required, up to 400%. The solvency ratio decreased from 56.3% to 45.3% of the balance sheet total.

With the crisis, the cost of reinsurance has become more expensive due to the





*“Our business is to help
creating opportunities
within adversity”*



consequences of the claims impacting our excess on loss programs. Garant cooperates efficiently with fifteen international reinsurers participating in our reinsurance programs, which enhance our risk dilution strategy.

Due to the rise of claims, Garant closed the 2009 financial year with an annual loss of EUR 1.368 million. In addition to this, Garant has retained a EUR 1.24 million equalization reserve, which almost offset the recorded loss.

The reason for not using the equalization reserve in full during such a major crisis year is simply due to the regulatory constraint by which the equalization reserve must be spread separately between direct and indirect business, while Garant has been recording losses much more on the indirect side than in its direct portfolio, resulting in the impossibility of re-crediting such an equalization reserve in full. Although negative, this result demonstrates that Garant can go through the crisis without compromising its future. This result will improve with the ongoing negotiations to mitigate potential claims or recover paid losses.

A CHANGING CLAIM LANDSCAPE

During its 30-year history, the political risk market has been through a number of claims cycles but shows ultimate loss ratios lower than 30%, while trade credit and structured trade credit loss ratios varied between 25% and 50%. For its part, Garant historically demonstrates a very low loss track record in both lines of business. With the effects of the crisis, our company has been as affected by the rise in claims as all credit insurers, but at a lower level. As we usually strive to find solution in the best interests of the customer when a claim is made, we promote close cooperation with the other insurers involved in the claim, we look at all solutions to avoid or reduce the loss, and we always pay the loss incurred fairly and promptly.

At Garant, the bulk of losses with regard to single risk activity were declared during the first half of 2009, while no major loss expectations are recorded during the second half of the year. We note that most of the declared claims come from policies underwritten in 2008, while a small proportion relate to the 2007 underwriting year. This seems to demonstrate that medium-term maturities do not entail further risk exposure than short-term coverage. We also note that some of the claims, notably in Eastern European countries, are not a matter of pure financial defaults by the buyer/guarantor, but a mixture of fraudulent operations, political interference and a pernicious financial situation. In this respect, the market experience of our underwriters and top management is a valuable asset for resolving conflicts of interests. Garant pays close attention to adapting its underwriting practices to local rules and legal environments which notably vary from a region to another.

In terms of severity, we note that the greatest potential loss does not exceed EUR 5 million at the year end, which represents a third of our maximum authorized capacity.

The strict discipline of our underwriting policy and our high level of reinsurance protection, added to an effective risk management and control, play a key role in Garant successfully overcoming the global crisis and the wave of claims. It proves once again that our business remains sustainable and recurrent. And we repeat: the profitability of the political risk insurance market is also supported by the high rate of return on recoveries.

ACTIVITY HIGHLIGHTS

THE BEST DECISIONS FOR THE LONG-TERM HEALTH OF GARANT

During the course of the year, we controlled the acquisition and operating expenses well. For the fourth consecutive year, Garant has reduced its cost ratio – from 40.7% in 2008 to 39.7% in 2009, without compromising the quality of its services. In 2009, operating expenses decreased by 3.1% in comparison with the previous year. We increased productivity thanks to the experience and full dedication of our teams in Vienna and Geneva. In this respect, the share of earned premium at the Swiss office continued increasing at a steady pace, reaching EUR 4.993 million, compared to EUR 3.4 million in 2008. Moreover, we showed a positive net investment income amounting to EUR 835,700, improving our performance in comparison with the previous year (EUR 530,000). Despite very low interest rates,

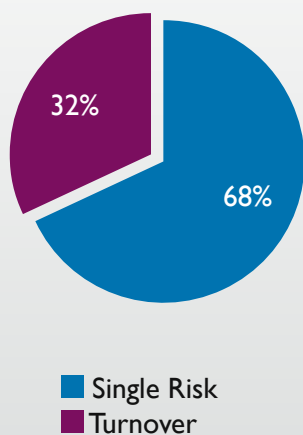
Garant secured stable values and yields. Thanks to the decision made in November 2007 to shift the company's investments into cash time deposits en masse, Garant avoided financial losses due to the stock-market panic. To compensate for decreasing rates of interest, the management decided at the end of the year to intensify the investment in fixed income securities. Furthermore, in 2009, Garant achieved the cession of all its past liabilities through current reinsurance contracts and a stop-loss contract. Our focus continues to be making decisions that are the best for the long-term health of Garant. In this regard, the shareholder's decision to increase the share of ONDD in Garant's capital, although this had not been brought about at the end of 2009, will reinforce Garant's position with regard to a new clientele, while retaining strong commercial relationships with our historical shareholder, Ingosstrakh.

LOOKING AHEAD

We anticipate that 2010 will continued to build a difficult operating environment, but Garant will continue to do well. During 2009, we continue build our business, strengthen our teams and expand our capabilities in market knowledge and risk-community involvement.

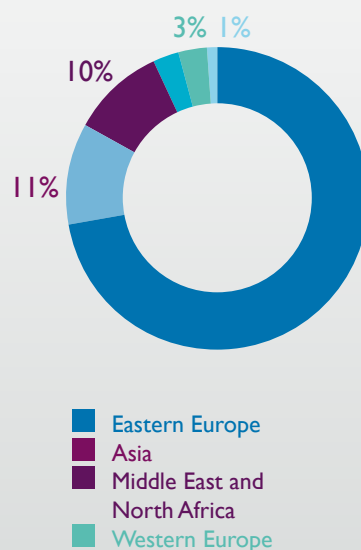
Lastly, the financial crisis emphasized that standardization as well as modeling can be inadequate when referring to human activities. When it comes to experience, with its historical background, its solid network of shareholders and the wealth of experiences of its management Garant stands out. After the shock of the crisis, a growing number of exporters and banks opted for insurance protection. The credit and political risk products demonstrated their value, and so did Garant too. We will continue to fulfill our customers' needs in all the countries where they operate.

2009 Split by product

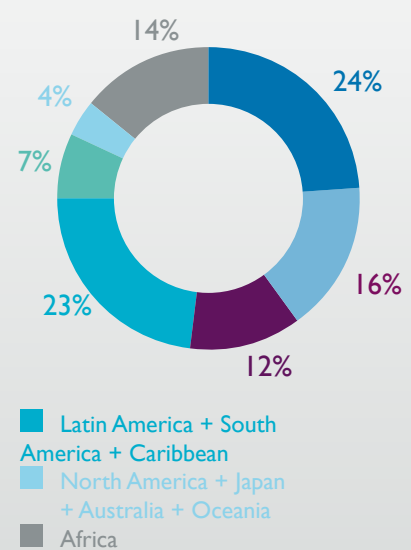


2009 Aggregate exposure by Debtor origin

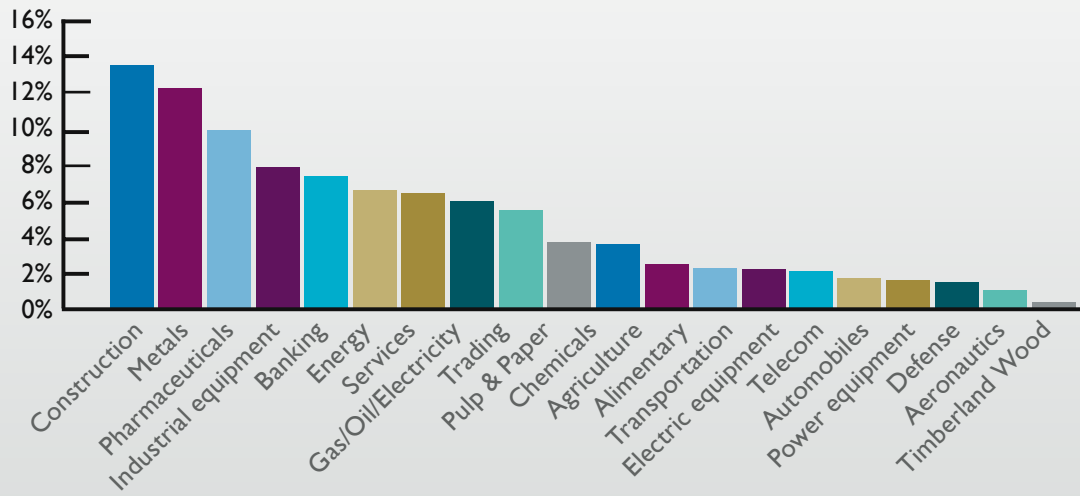
Credit turnover insurance



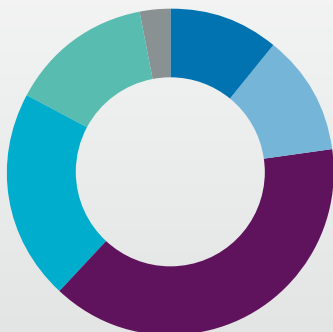
Single risk insurance



2009 Aggregate exposure by economic sector of Debtor (in %)

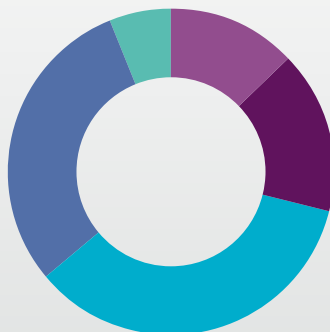


2009 Aggregate exposure by type of Country category



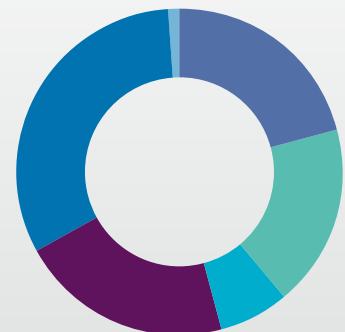
- Category 1 (highest)
- Category 2 (good)
- Category 3 (adequate)
- Category 4 (questionable)
- Category 5 (poor)
- Category 6 (lowest)

2009 Aggregate exposure by risk limit range



- up to 2mEUR
- >2mEUR, up to 5mEUR
- >5mEUR, up to 10mEUR
- >10mEUR, up to 15mEUR
- >15mEUR, up to 20mEUR

2009 Aggregate exposure by tenor



- up to 12 months
- 13 to 18 months
- 19 to 24 months
- 25 to 36 months
- 37 to 60 months
- 61 months & above

RISK MANAGEMENT

ESSENTIALLY A RISK MANAGER

Due to the financial crisis and the ensuing recession, 2009 was a year of appraisal and adjustments in our risk management policy, because all appropriate measures to withstand the changing environment were taken by senior management at the earlier stage of the crisis, and even earlier, at the end of 2007, with regard to our investment policy.

At Garant, we keep our risk management very flexible, constantly assessing the environment, and varying assumptions quickly in conjunction with risk issues, based on the greater risk interconnections which we observed in the crisis environment. We place our risk management at the top level, which favors a holistic view of Garant's risk spectrum.

The Managing Board of Garant, which is highly involved in the risk mitigation process, has demonstrated the company's strong resistance to the global crisis and, moreover, its capacity to ensure steady growth during turbulent times. The management maintains a focus on sound risk management discipline, reinforcing our market strength year on year.

The risk policy of Garant remains focused on better identification and monitoring of all potential risks to avoid any major risks and to minimize their financial impact in the event that they materialize.

SOLVENCY AND ADEQUATE CAPITAL RISK

RISK ASSESSMENT

Garant meets capital and solvency requirements to fulfill its obligations under foreseeable and unpredictable circumstances and to absorb any potential losses that may occur from technical or other risks.

With 15 million euro gross per capacity in 2009 and a total net per risk exposure of 1,350 million Euros, Garant has maintained its capital protection, the net retention representing 5,4% of its capital, which is similar to the previous year.

Garant demonstrates a strong capital base for 2009. The solvency margin is up to 400%, i.e. four times higher than required.

RISK MONITORING

In the process of the Solvency II development, in 2009 Garant participated in the case study, QIS 4.5, in cooperation with the FMA for the third time. Senior management has mobilized internal resources to perform a close monitoring of Solvency II issues to be able to act in time.

Garant also participated in the Solvency II Expert Working Group within the framework of ICISA, which resumed lobbying efforts to become a contributor to the Solvency II process.

STRATEGIC RISK

RISK ASSESSMENT

Garant has been able to achieve its business projections despite the global economic crisis, with the premium turnover increasing at a steady pace in 2009. We believe that no change in Garant's strategy is necessary.

Rather, Garant, as a specialist political risk insurer, has fared well during the crisis, demonstrating that the maturity and resilience of the political risk insurance industry enables it to withstand any major crisis without compromising its existence.

RISK MONITORING

At the end of 2009, we noted that the risk of bankruptcies and insolvencies, particularly small and medium companies, remained high, even if economic recovery was reported from one sector to another, or one country to another, supported by unusual policy stimulus.

Rising global imbalances may indeed occur in the post crisis economy, partly with the quasi-continuity of a financial system which has provoked the crisis.

Such a context still creates a challenging environment of risk and opportunities for Garant.

The shareholder's decision to increase the share of ONDD in Garant's capital reinforces Garant's position.

MARKETING RISK

RISK ASSESSMENT

At the end of the year, we noted that the financial crisis and the ensuing recession amplified political uncertainty worldwide.

We report a higher trend of political risk coverage needs which drives good business opportunities and confirms our marketing policy focused on the PRI solutions in emerging countries.

Although external market conditions have changed to some extent due to the governmental actions in the European credit insurance market to overlap with the lack of capacity, we report no major risk from this change in the market, as far as Garant is concerned. On the other hand, the banks facing credit contractions are less present on the credit insurance market.

RISK MONITORING

Risk sharing remains at the heart of our strategy. Closer cooperation with other insurers and reinsurers by way of co-insurance and reinsurance is part of our business development.

UNDERWRITING RISK

RISK ASSESSMENT

With regard to the nature of our activity, risk underwriting is a key issue. Following the adjustments made in the earliest part of the crisis, Garant is well equipped to address the potential increase in risk within the international context. Higher selectivity and stricter underwriting conditions increase our control of risk in the underwriting process.

In the light of the crisis, we note that the market experience of Garant's underwriters and senior management is a valuable asset in the risk management practices. We have seen more fraudulent operations occurring in the market, notably in the Eastern European countries.

RISK MONITORING

The management and staff of Garant have many years of experience in risk underwriting and management and have developed a strong combination of expertise, knowledge and customized decisions.

At Garant, there is no standardization model applied to the decision-making process because of the variety of qualitative and subjective features of each transaction.

We continue to focus on priority trade deals as these provide greater security, and to focus on emerging countries, where the potential for the negative effects of the crisis are lower in comparison with the developed countries.

In a very changeable environment, we make particular efforts in full time market intelligence and comprehensive tracking of external resources to ensure that all potential risks are spotted in a timely manner.

REINSURANCE RISK

RISK ASSESSMENT

The volatility and the concentration of the reinsurance market remain major concerns.

Our 2010 reinsurance structure remains unchanged as it matches our existing needs.

The reinsurers have confirmed their confidence in Garant by renewing their respective participations at the same level as 2009.

RISK MONITORING

Garant actively monitored the reinsurance market in the course of the crisis.

Also, Garant has made particular efforts to provide training and knowledge on the specific aspects of our products, especially single risk, to take an active part in the decision process of the reinsurers.

CLAIM MANAGEMENT RISK

RISK ASSESSMENT

The claim management risk has increased due to the rise in potential claims originating from business underwritten in 2007/2008.

However, Garant is not exposed to any systemic claim, thanks to the soundness of our underwriting practices and our strict policy guidelines.

Legal risks become an issue as they may generate conflicts of interpretation and interest.

RISK MONITORING

Most of the claims are directly managed by Garant, but in some cases, we implement collective actions with others insurers involved in the risk.

Consequently, senior executives have led the claims management from the top, with personal involvement in risk mitigation. It becomes obvious the extent to which market experience is a valuable asset to form constructive resolution scenarios, avoid potential losses, and generate expected recoveries.

Garant is also fully aware of legal risk issues and mitigates them by active lobbying with the industry and lawyers associations, to achieve a codification of rules and practices for greater clarification.

RISK MANAGEMENT

ESSENTIALLY A RISK MANAGER

HUMAN CAPITAL RISK

RISK ASSESSMENT

The year 2009 was marked by an extreme scenario pandemic with the H1N1 virus, which turned out to have been overestimated. The company has not been impacted by the infection.

RISK MONITORING

More generally, Garant continues to promote the acquisition of new talents and the sustainability of teams to lessen human capital risk and ensure business continuity.

IT RISK

RISK ASSESSMENT

Having a high level of security awareness, the management has pursued the ongoing improvement of Garant's IT system to ensure greater coordination of all departments.

RISK MONITORING

Implementation of an IT platform with the object of accommodating the entire business process for full integration.

REPUTATIONAL RISK

RISK ASSESSMENT

Due to our insurance activity, compliance failures are the greatest source of reputational risk.

Risk reputation may increase with non-adherence to our commitments. The crisis enhances the obligation for insurers to comply with their contractual obligations towards the insured.

RISK MONITORING

Garant is fully aware of this risk and has paid great attention to playing its part as a reliable and trusted risk carrier.

FINANCIAL RISKS

RISK ASSESSMENT

During the course of the extended financial crisis, we have been weighing our risk management and supervision of financial issues, such as liquidity, interest rate and currency risks.

The ongoing review of our investment practices has been intensified to respond promptly and take appropriate initiatives when required.

RISK MONITORING

Interest rate risk
To hedge the risk of change in value, we retain fixed-income securities until their maturity and adjust their duration to the market situation and liquidity requirements when purchasing.

Liquidity risk
Risks from market volatility are recognized and mitigated in a timely manner by means of weekly updating of our liquidity planning and investments in comprehensive liquid funds.

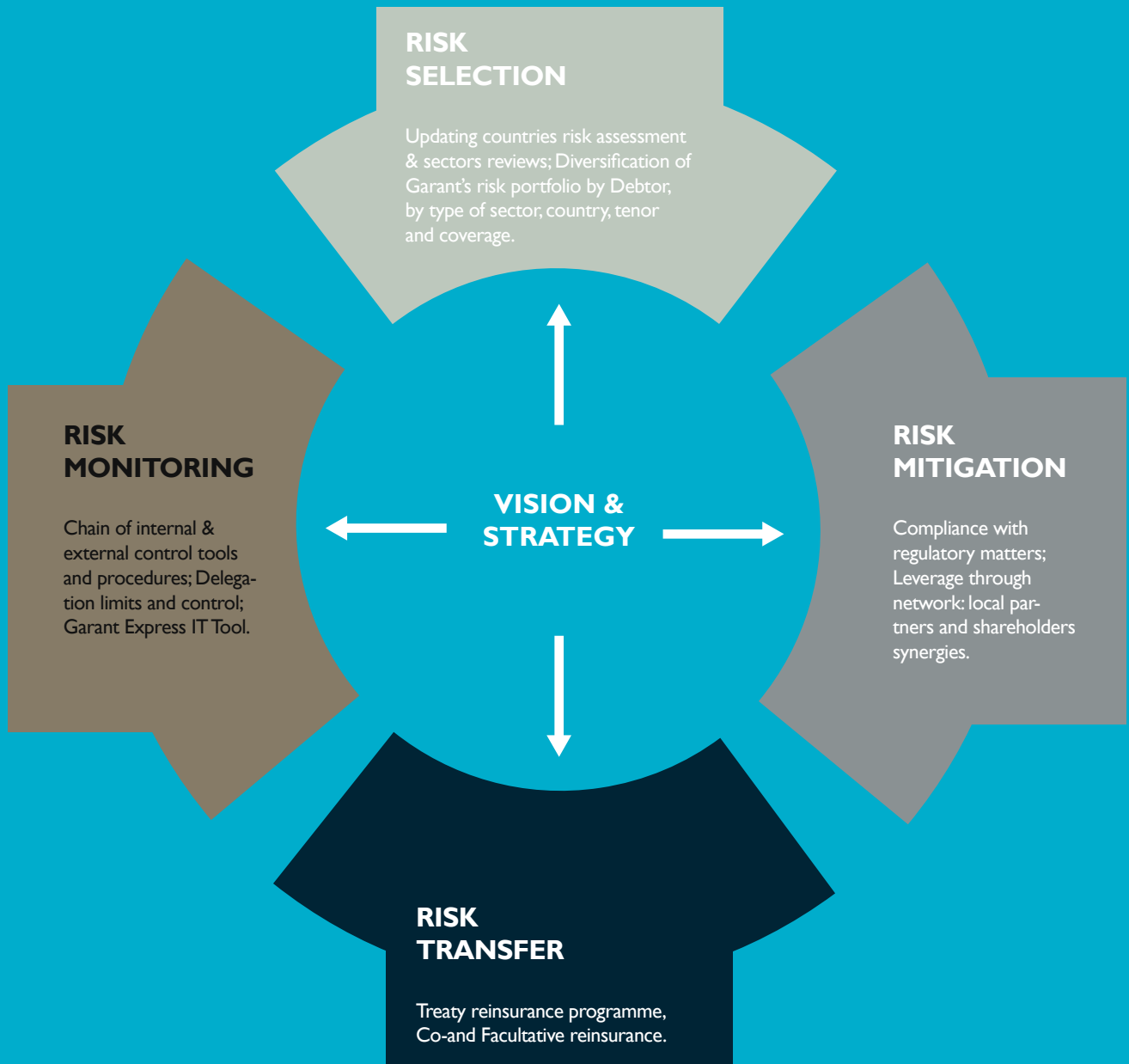
Currency Risk

We mitigate the currency risk by keeping open currency positions below 5% of Garant's equity.

With the present volatility of the financial markets, financial protection tools such as futures and options are barely accessible or are only available for too high a financial outlay. In 2009, the open currency position did not exceed 5% of Garant's equity.

The depreciation of the Euro compared to the dollar has positively impacted our financial accounts, the technical profit according to the "profit and loss control accounts". On the other hand, the depreciation of the Euro has had a negative impact on the running costs for the Swiss Branch.

RISK MANAGEMENT PROCESS





OUR BUSINESS PRINCIPLES

“It is Garant’s ambition to support our international clients in achieving global success in each of their markets, a goal we can only attain through a solid foundation and ethical principles.”

As part of a niche insurance market which is also international, Garant is recognized as one of the few experienced and expert market players in commercial and political risk insurance.

Our objective is to maintain the highest level of expertise, continuously updating our information, confronting our analysis of controversial opinions, and tracking the changes of local contexts and legal frameworks together with the new protection requirements to safeguard clients’ interests. We strive to provide high client value with practical assessments delivered in the form of customized, concrete and state-of-the-art policy solutions and risk mitigation.

GARANT IS COMMITTED TO A PRAGMATIC APPROACH

Garant knows that no one, not even the largest government or private institution, can purport to carry all the risks and related insurance coverage linked to export credit and political risks alone, whether for a large corporate client or, even less so, for an entire national or regional clientele. We promote risk sharing between all parties involved in risk: insurers, reinsurers and clients.

Risk sharing is the essence of our insurance activity. It calls for a different approach to the risks and the clients. Against this backdrop, everything is negotiated to maintain equal rights between all parties involved. Risks are no longer managed and “manageable” by single entities but all parties are involved in the risk management strategies.

GARANT IS COMMITTED TO A SUSTAINABLE DEVELOPMENT

When carrying long term exposures, we have to ensure that the insured underlying operations are going to be of use in the long run to the host economy in assisting sustainable economic development and population welfare. If not, there is little chance that the commercial partnership will continue, thus increasing the risk of dispute.

LOYALTY IS AS A MAJOR ADDED VALUE FOR CLIENTS

A loyalty business partner creates the conditions of a win/win situation, thus generating greater profits for all parties involved. Garant is taking the time and effort to ensure that all parties involved in a risk have the same understanding of each other’s rights and duties in order to avoid any “unfairness”.

We also believe that loyalty comes with the understanding of business practices all around the world. Garant is committed to respecting all local parties equally and is concerned with precluding any external attempt to impose unfair treatment upon them.



I GARANT IN THE MARKET

DEEP MARKET KNOWLEDGE, STRONG CULTURE

Committed to continuous improvement, Garant's management takes the initiative in enhancing market knowledge and addressing the specific challenges our clients face in the credit insurance industry.

We consider that it is very important to give our clients a global perspective on the trade and investment insurance solutions we provide, as well enabling complete understanding of market practices.



AIDA Association Internationale de Droit des Assurances

In 2009, a joint initiative of Garant and AIDA led to the creation of a working group on export credit insurance at the international association for insurance law. Formed in 1960, AIDA aims to promote and develop cooperation between its members at an international level, with a view to increasing the study and knowledge of international and national insurance law and related matters. The new credit insurance working party held its first meeting on October 22, 2009 in Zurich, Switzerland.

Opening the session, the co-chairman, Louis Habib-Deloncle, along with French Law Professor, Jérôme Kullmann, stressed the need for greater knowledge of credit insurance rules and practices. "We intend to create more knowledge and better understanding about legal issues that confront export credit insurance rules and practices worldwide, and to provide guidance to professionals. In the face of a scarcity of jurisprudence in this matter, notably in the field of political risk insurance, everybody - providers as well as the insureds, will benefit from a codification of rules and practices providing more transparency and clarification with regard to our business."

In this respect, the working party will deliver comparative studies between the various practices in the global market, with a view to achieving best practice in the industry. The new working party may play an important part in advocating market discipline with regard to legal issues, alongside the efforts instigated by the International Credit Insurance and Surety Association (ICISA).

<http://www.aida.org.uk/>



ICISA Single Risk Committee

In June 2009, the International Credit Insurance and Surety Association (ICISA) set-up a new committee for "non-traditional credit insurance business" launched under the influence of single risk insurance providers and Mr. Werner Jäger, a very reputable reinsurer, Managing Director of Hannover Re, and the driving force behind the creation of the committee of which he was chairman until his sudden departure in April 2010.

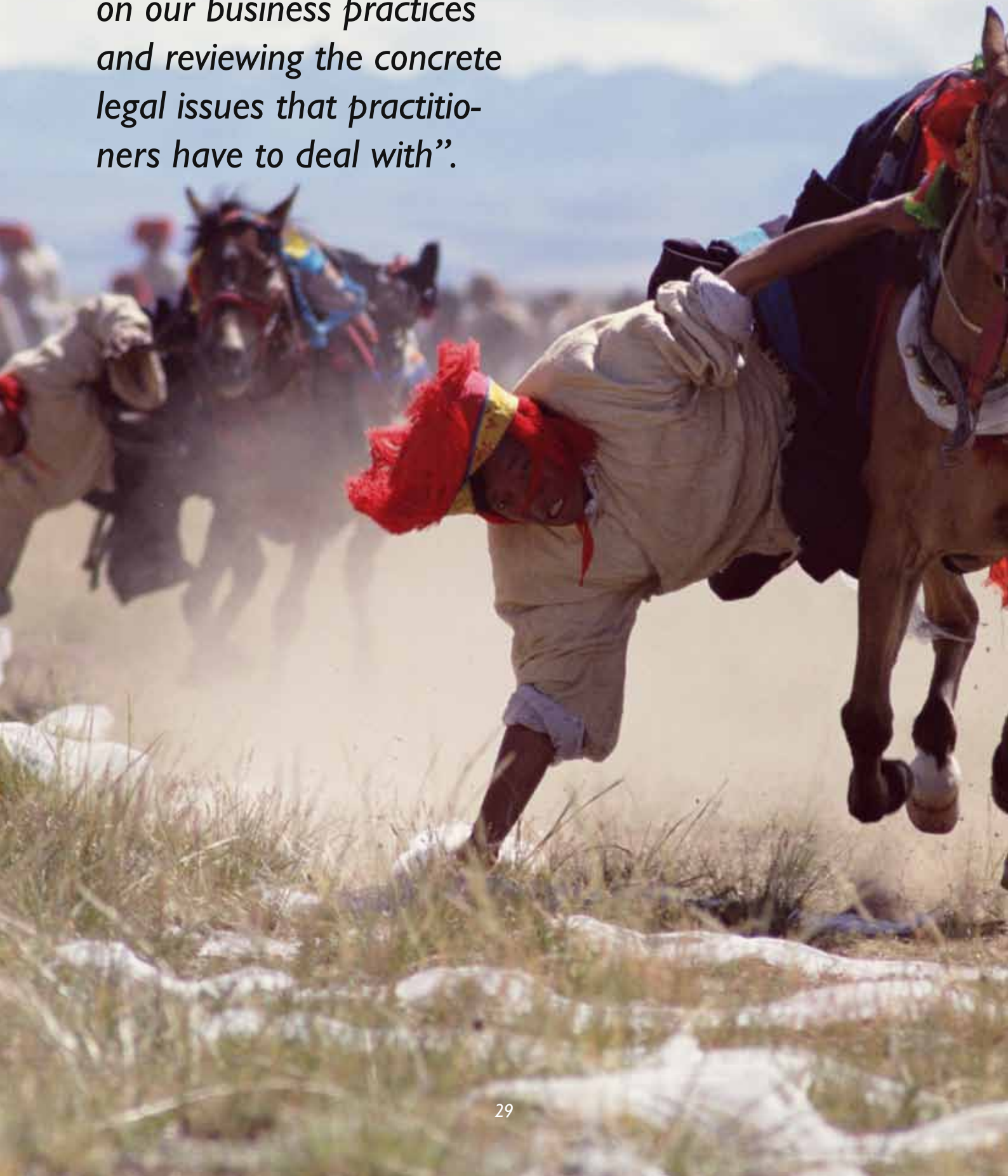
Indeed, the new Single Risk Committee strives to represent the increasing number of ICISA Members who offer products that whole-turnover underwriters consider to be "non-traditional", such as cover for single risks, medium-term risks, political risks, and structured finance.

The Single Risk Committee, which held its inaugural meeting in September 2009, aims to initiate and oversee all related lobby and advocacy initiatives (e.g. towards regulatory authorities) directly related to these types of risk.

It is also a good place for providers to exchange views on the market and draw initial conclusions on the crisis and its impact on the political risk insurance industry.

Garant is committed to making a significant contribution towards addressing critical issues and enhancing quality and market efficiency.

“In the wake of crisis, there is momentum towards forward-thinking on our business practices and reviewing the concrete legal issues that practitioners have to deal with”.



GLOBAL PARTNER, LOCAL RISKS

COMMERCIAL NETWORK



CREDIT RISKS PRODUCTS

Commercial Risk Coverage

- Insolvency
- Protracted Default (at least 180 days waiting)

POLITICAL RISKS PRODUCTS

Imports risks

- Non-delivery of pre-financed goods and non reimbursement of advance payment;
- The confiscation of products belonging to the insured in countries of risk or in transit;
- The cancellation or non-respect of a contract by a government debtor;
- The cancellation or non-respect of a contract by a private sector debtor in the wake of government decisions or wars;
- Non-honouring of arbitration awards.

Exports risks

- The contract repudiation by a public debtor;
- Contract frustration due to act or decision emanating from a public authority;
- Withdrawal of export approval and licenses;
- Inconvertibility and/or non transfer;
- The non-repatriation of goods;
- The confiscation or embargo of goods;
- Non-honouring of arbitration awards;
- Change of law and/or regulations.

Investment risks

- The confiscation, expropriation, nationalisation, requisition or destruction of the company's assets;
- Non-repossession of assets by the insured company following government restriction measures, privatisation or halting operations; forced abandonment
- Non-honouring of arbitration awards;
- Non-repatriation of dividends.

Unfair calling bonds

- Unfair calling of bonds by the government beneficiary;
- Non-honouring of arbitration awards.



BALANCE SHEET

AS OF DECEMBER 31, 2009

ASSETS	31.12.2009 EUR	31.12.2008 TEUR
A. Intangible assets		
Other intangible assets	226,846.47	376
B. Investments		
I. Assets in affiliated companies and participating interests	32,647.73	33
II. Other financial investments		
1. Shares and other variable yield securities	1,272,265.11	1,334
2. Debt securities and other fixed income securities	9,278,116.40	4,852
3. Deposits with credit institutions	23,564,638.61	23,604
III. Deposits with reinsurance companies	0.00	253
C. Debtors		
I. Debtors arising from direct insurance operations		
1. policyholders	3,452,415.91	2,559
2. intermediaries	11,010.96	10
3. insurance companies	0.00	1
II. Debtors arising from reinsurance operations	3,904,654.10	4,386
III. Other debtors	274,755.88	301
D. Accrued interest	412,595.82	681
E. Other assets		
I. Tangible assets and stocks (without land and buildings)	105,448.30	112
II. Cash at credit institutions and cash in hand	4,977,932.32	2,126
III. Other	25,891.02	14
F. Prepayments and accrued income	71,116.73	69
	47,610,335.36	40,712

LIABILITIES AND STOCKHOLDERS' EQUITY	31.12.2009	31.12.2008
	EUR	TEUR
A. Capital		
I. Share capital		
Nominal amount	25,000,248.00	25,000
II. Risk reserve § 73 a VAG taxed share	0.00	4
III. Net loss	-3,433,438.41	-2,065
thereof loss brought forward:		
EUR 2,064,801.74; Prior year: TEUR 2,538		
B. Technical provisions, net of reinsurance		
I. Provision for claims outstanding		
I. Gross	28,056,664.35	15.505
2. Reinsurers' share	-17,920,226.70	-8,760
II. Provision for Premium refund		
I. Gross	493,405.23	264
2. Reinsurers' share	-424,266.92	-191
III. Equalisation provision	1,235,000.00	2,772
IV. Other technical provisions		
I. Gross	97,400.00	0
2. Reinsurers' share	-36,812.00	0
C. Non-technical provisions		
I. Provisions for severance payments	224,923.00	206
II. Provisions for pensions	1,572,321.00	1,478
III. Provisions for taxation	8,148.14	53
IV. Other provisions	242,405.51	389
D. Deposits received from reinsurers	8,348,288.17	1,971
E. Creditors		
I. Creditors arising from direct insurance operations		
1. Policyholder	5,356.41	1
2. Intermediaries	685,821.89	565
3. Insurance companies	11,233.68	3
II. Creditors arising from reinsurance operations	3,237,199.74	3,260
III. Other creditors	206,664.27	255
	47,610,335.36	40,712
Contingent liabilities	0,00	39

PROFIT AND LOSS ACCOUNT

AS OF DECEMBER 31, 2009

TECHNICAL ACCOUNT	31.12.2009 EUR		31.12.2008 TEUR	
I. Earned premiums				
a) Premiums written				
aa) Gross	16,522,557.82		15,732	
ab) Reinsurers'share	-8,995,957.31	7,526,600.52	-8,088	7,645
b) Change in the provision for unearned premiums				
ba) Gross	-97,400.00		136	
bb) Reinsurers'share	218,503.39	121,103.39	-12	124
II. Claims incurred				
a) Claims paid				
aa) Gross	-7,494,504.41		-1,258	
ab) Reinsurers'share	4,319,112.26	-3,175,292.15	922	-336
b) Change in the provision for claims outstanding				
ba) Gross	-12,549,577.15		-4,151	
bb) Reinsurers'share	9,159,023.24	-3,390,553.91	1,343	-2,808
III. Expenses for the no-claim-bonus				
a) Gross	-439,263.89		-133	
b) Reinsurers'share	395,289.15	-43,974.74	92	-41
IV. Operating expenses				
a) Commissions and other acquisition costs	-3,654,459.89		-3,707	
b) Administrative expenses	-2,369,620.57		-2,511	
c) Reinsurance commissions & bonuses from reinsurance covers	1,523,096.91	-4,500,983.55	2,287	-3,931
V. Other technical charges		-323,542.24		-194
VI. Transfer to equalisation reserve		1,537,000.00		-378
7. Technical account balance		-2,249,642.69		82

NON-TECHNICAL ACCOUNT	31.12.2009 EUR	31.12.2008 TEUR	
1. Technical account balance		-2,249,5642.69	82
2. Investment income and interest income			
a) Income from other investments	954,581.23		1,056
b) Income on the realisation of investments	231,896.13		336
c) Other investment income & investment return	18,708.85	1,205,186.21	684 2,076
3. Investment charges / Interest paid			
a) Investment management charges	-35,239.27		-34
b) Value adjustments on investments	-67,385.81		-651
c) Interest expenses	-8,493.35		-19
d) Losses on the realisation of investments	-33,880.48		-352
e) other charges for investments	-224,529.45	-369,528.36	-490 -1,547
4. Other non-technical income		137,666.54	22
5. Other non-technical charges		-116,383.57	-90
6. Profit or loss on ordinary activities		-1,392,701.87	542
7. Tax on income		21,004.28	-34
8. Profit / Loss for the year		-1,371,697.59	508
9. Release of Reserves			
a) Release of the Risk pursuant § 73a VAG		3,626.80	0.00
10. Transfer to Reserves			
a) Transfer to the Risk Reserve § 73a VAG		0.00	-4
11. Annual Profit/Loss		-1,368,070.79	505
12. Loss brought forward		-2,065,367.62	-2,570
13. Net loss		-3,433,438.41	-2,065

Where to find Garant

AUSTRIA

Wohllebengasse 4
A - 1040 Vienna
Tel. 00 43 | 505 28 96
Fax. 00 43 | 505 28 96 30

SWITZERLAND

Route de l'Aéroport 29,
Case Postale 351
CH - 1215 Geneva 15
Tel. 00 41 22 908 30 70
Fax. 00 41 22 908 30 79

