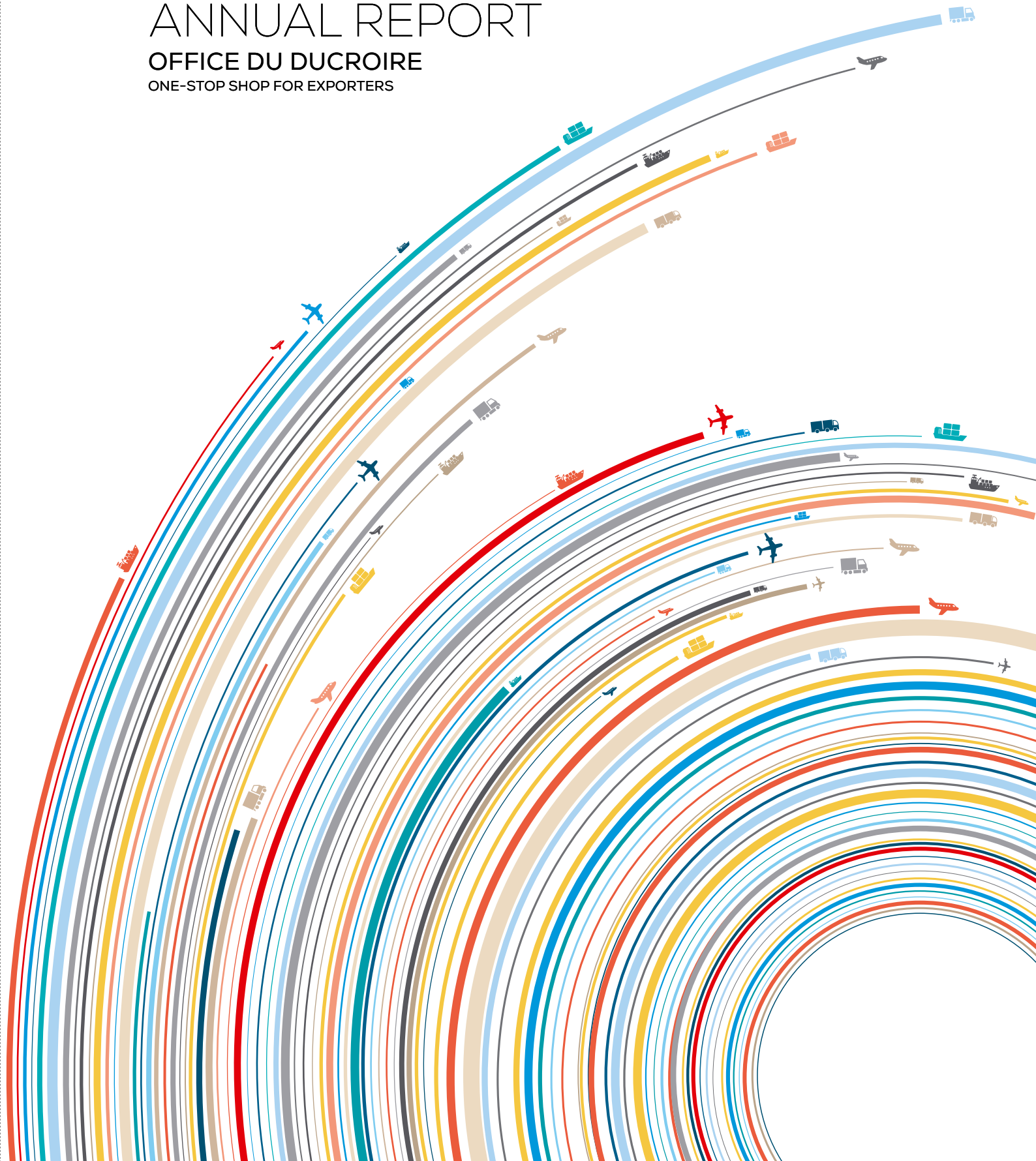


2016
ANNUAL REPORT
OFFICE DU DUCROIRE
ONE-STOP SHOP FOR EXPORTERS



2016
ANNUAL REPORT
OFFICE DU DUCROIRE
ONE-STOP SHOP FOR EXPORTERS

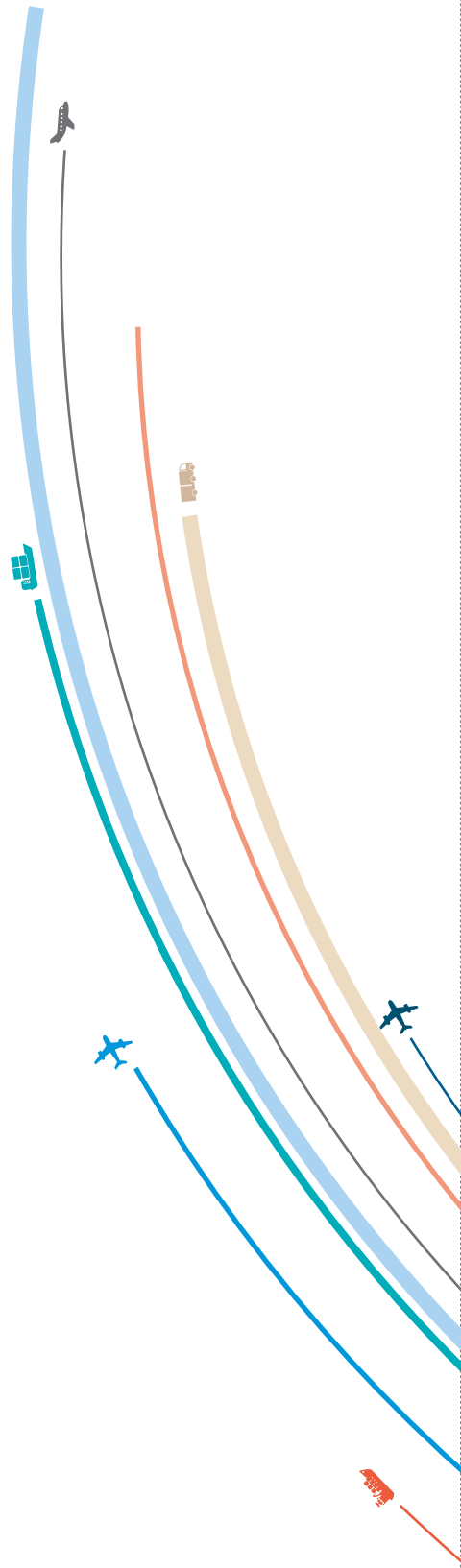





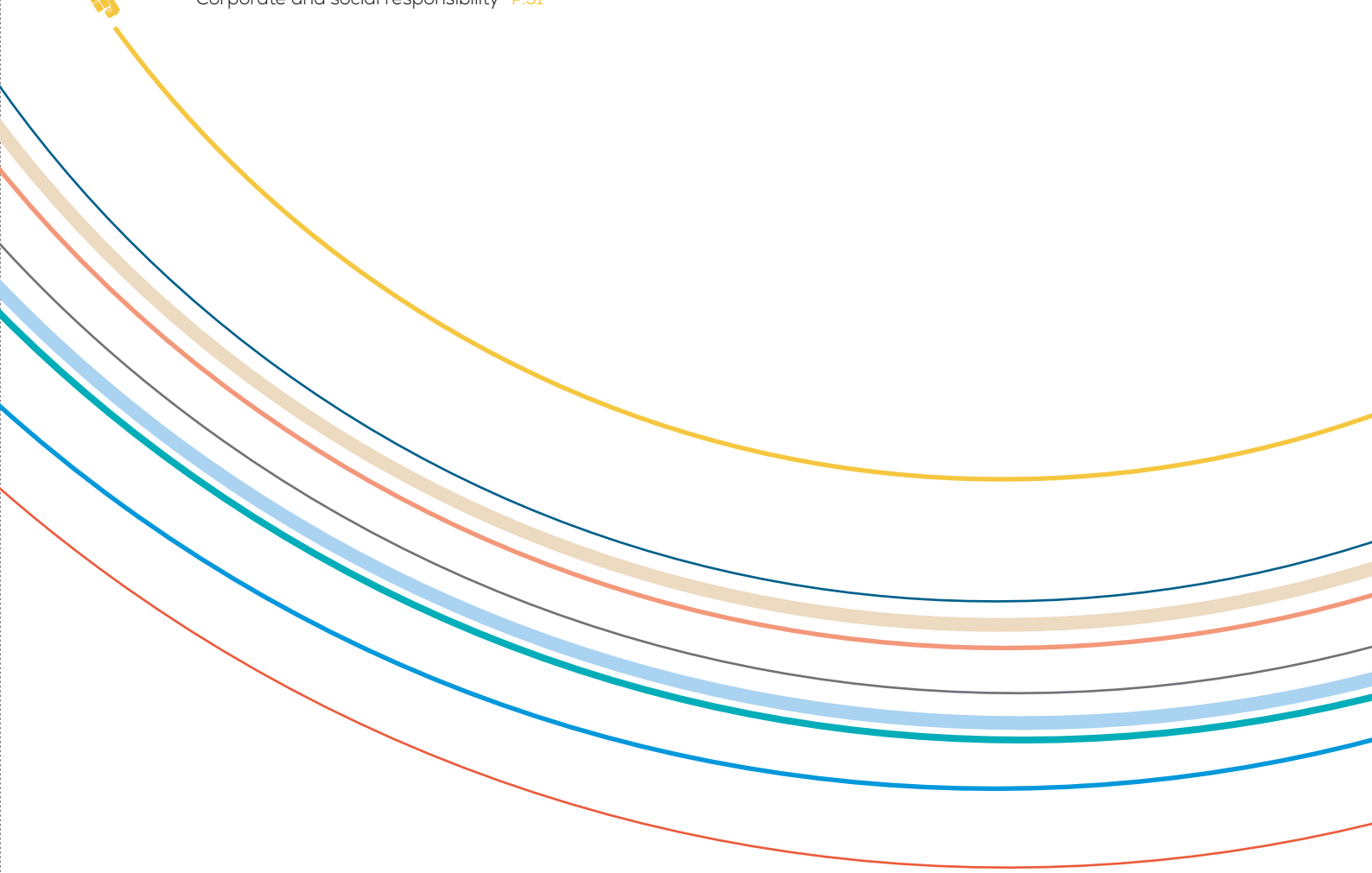


TABLE OF CONTENTS

ANNUAL REPORT 2016

	I. OFFICE DU DUCROIRE	P.4		
	Message from the President		P.5	
	Organisation and mission of the Office du Ducroire and Copel			P.6
	Cooperations	P.8		
	II. ACTIVITIES 2016	P.10		
	1. CREDIT INSURANCE		P.11	
	Key figures			P.11
	Short-term business	P.13		
	Medium and long-term business		P.14	
	On demand guarantees	P.16		
	Insurance of bank guarantees	P.16		
	2. FINANCIAL SUPPORT FOR EXPORTS		P.17	
	Key figures			P.17
	III. ANNUAL ACCOUNTS	P.20		
	1. CREDIT INSURANCE		P.22	
	Balance sheet and profit and loss accounts		P.22	
	Notes to the annual accounts	P.32		
	2. FINANCIAL SUPPORT FOR EXPORTS			P.44
	Balance sheet and profit and loss accounts		P.44	
	Notes to the annual accounts	P.46		
	3. AUDITOR'S REPORT		P.48	
	IV. APPENDIX		P.50	
	Corporate and social responsibility	P.51		



I. THE OFFICE DU
DUCROIRE

ONE-STOP SHOP FOR
EXPORTERS



MESSAGE FROM THE PRESIDENT

ARSÈNE JACOBY

Dear Customers, Dear Exporters,
Dear interested Readers,

The global economic performance in 2016 remained below par and unevenly distributed. While the economic recovery continued, albeit at a low pace, structural weaknesses as well as political uncertainties kept on challenging the robustness of the nascent global expansion. Global trade growth also remained lacklustre. In this context, Luxembourg continued to grow at a remarkable robust pace due to strong domestic demand and a dynamic financial sector.

In 2016, ODL closed its financial year with a positive net income. This return to profitability is mainly due to a significant drop in provisions for claims. Investment income, even though challenged by the low interest rate environment, also made a modest contribution to this positive outcome. Other key financial figures highlight a vigorous expansion in medium and long-term transactions whereas short term business experienced a sharp contraction. The level of new transactions increased significantly and total commitments followed suit. Developments in new exposures should however be interpreted carefully as big transactions tend to exaggerate underlying trends.

In early 2015, ODL introduced an insurance of bank guarantees issued in favour of clients of Luxembourg exporters. This new line of business has had a huge success and new transactions insured more than doubled in 2016. In 2017, ODL will further expand its co-operation with the Luxembourg financial sector in order to diversify its array of products and services. In addition, with the help of the Committee for the Promotion of Luxembourg Exports (COPEL), we will continue to nurture our companies' international business aspirations.

Let me stop here and take this opportunity to thank our fellow ECAs, esteemed private sector business partners and our customers for their continued support, fruitful cooperation and for their confidence in ODL. I would also like to thank the team at ODL for their relentless effort in servicing our export community and their hard work and dedication to help our economy to grow and diversify.

ORGANISATION AND MISSION

OF THE OFFICE DU DUCROIRE (ODL) AND COPEL

ORGANISATION

COMMITTEE ODL

- ▲ **Mr Arsène JACOBY**, President
Ministry of Finance
- ▲ **Mr Gaston STRONCK**
Ministry of Foreign and European Affairs
- ▲ **Mr Claude MAY**
Ministry of Finance (until February 2017)
- ▲ **Mr Pierre FRANCK**
Ministry of the Economy (until August 2016)
- ▲ **Mr André HANSEN**
Ministry of the Economy (since September 2016)
- ▲ **Mr Claude WIRION**
Commissariat aux Assurances
- ▲ **Mr Carlo THELEN**
Private sector
- ▲ **Mr René WINKIN**
Private sector (since January 2016)
- ▲ **Mr Frank WAGENER**
Private sector

COPEL

(COMITÉ POUR LA PROMOTION DES EXPORTATIONS LUXEMBOURGEOISES)

- ▲ **Mr André HANSEN**, President
Ministry of the Economy
- ▲ **Mr Pierre FRANCK**
Ministry of the Economy (until August 2016)
- ▲ **Mr Max FISCHBACH**
Ministry of the Economy (since September 2016)
- ▲ **Mr Jean-Louis THILL**
Ministry of Foreign and European Affairs
- ▲ **Mr Arsène JACOBY**
Ministry of Finance

SECRETARIAT

- ▲ **Ms Simone JOACHIM**
Secretary General
- ▲ **Ms Delia SCHOLTES**
Account Manager
- ▲ **Mr Francis Léon DONVEN**
Deputy Secretary General
(until March 2017)
- ▲ **Mr Nelson TEIXEIRA**
Account Manager
- ▲ **Mr Charles-Emmanuel
DE RIBAUCCOURT**
Credit Analyst
- ▲ **Ms Danielle WIRTZ**
Account Manager
- ▲ **Ms Anne-Cécile ACHTEN**
Legal Counsel
- ▲ **Mr Sohrab ZIAI**
Account Manager
- ▲ **Mr Cristiano LEAL**
Accountant
- ▲ **Auditor**
Mazars Luxembourg S.A.



ODL cover is available wherever the private sector is unable to provide insurance. ODL particularly supports exporters and banks with deliveries of goods and services to high-risk countries and projects of a long duration.

MISSION

ONE-STOP SHOP FOR EXPORTERS

The Office du Ducroire (ODL) is a public institution established in 1961. Its purpose is to foster international economic and financial relations in the interest of the Luxembourg economy, primarily through the acceptance of risks in the fields of export, import and foreign investment.

Since 2002, based on an Agreement signed with the Government, ODL promotes Luxembourg exports of goods and services by granting financial support through the COPEL (Committee for the promotion of Luxembourg exports). Such aid is granted either as partial reimbursement of the costs related to the promotion and the participation in trade fairs, or as advances repayable under certain conditions.

As a credit insurer, ODL insures exporting companies against the risk of non-payment of their customers due to insolvency or payment default or due to political risks such as the risk of currency transfer, war, revolutions, natural disasters, risk of expropriation or government action.

ODL cover is available wherever the private sector is unable to provide insurance. ODL particularly supports exporters and banks with deliveries of goods and services to high-risk countries and projects of a long duration.

All Luxembourg export companies are able to apply for financial support and/or cover regardless of the size of the company or the transaction. ODL offers innovative products and sets up international networks, enabling it to respond to the needs of Luxembourg exporters in general but also the specific needs of SMEs and start-ups.

Financial support and export credit insurance are granted in accordance with national and international rules and subject to specific conditions being met.

COOPERATIONS

COOPERATION WITH THE PRIVATE SECTOR: WHOLE-TURNOVER POLICIES

ODL offers a wholeturnover policy (called comprehensive policy (*police globale*)) for Luxembourg exporters which repeatedly supply goods and/or services to several buyers located in so called non-marketable risk countries (non EU and non OECD core countries). This policy offers protection against payment default on short-term receivables (credit terms of up to 12 months). For its Comprehensive policy, ODL has a cooperation and reinsurance agreement with CREDENDO (formerly CREDIMUNDI) in Belgium.

Since 1993, ODL is offering credit insurance policies from Euler Hermes Belgium for marketable risk countries (EU and core OECD countries). In 2009, Euler Hermes and ODL designed a new policy for the Luxembourg market called "Policy 360° Lux". This wholeturnover policy covers domestic and foreign buyers in any country.

COOPERATION WITH THE PUBLIC SECTOR: MEDIUM AND LONG-TERM CREDIT-INSURANCE

ODL has a Cooperation and Reinsurance Agreement with the Belgian public credit insurer CREDENDO (formerly Delcredere/Ducroire) and with the public entity of Euler Hermes Germany.

In 2016, a Reinsurance Agreement has been concluded with the public Export Credit Agency of Latvia (ALTUM)).

ODL also has Reinsurance Agreements with the ECAs (Export Credit Agencies) below:



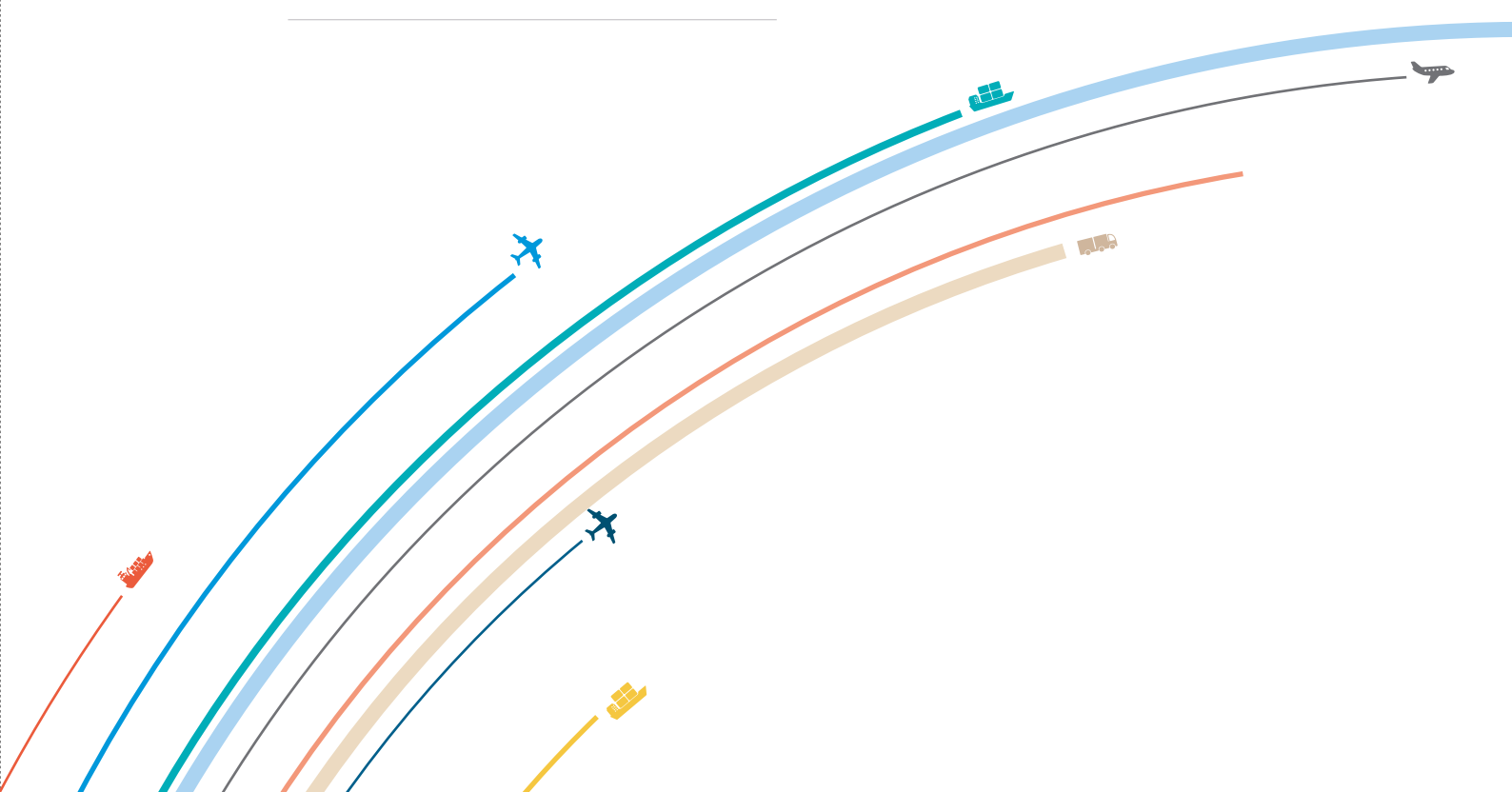
INTERNATIONAL ORGANIZATIONS

Since 2011 ODL is a member of the **Berne Union**, the largest association of public and private insurance companies in the world in the field of export and investment credits. The Berne Union, headquartered in London, is an international non-profit organization created in 1934.

The Berne Union aims to define guidelines and good practices for export credit insurance activities and foreign investment as well as to develop information exchange, expertise and advice on political and commercial risks.

berneunion 

Luxembourg participates in the **OECD Arrangement** on officially supported export credits. The Agreement, which came into force in 1978, sets up the rules for i.e. credit durations, interest rates, down payment percentages and insurance premiums, intended to create a level playing field of export credits and to reinforce international cooperation.





II. 2016

ACTIVITIES

1. CREDIT INSURANCE
2. FINANCIAL SUPPORT FOR EXPORTS

1. CREDIT INSURANCE

KEY FIGURES OF 2016

697,907,826.85 € | 549,247,243.45 €
2015

▲ NEW TRANSACTIONS INSURED

6,102,526.04 € | 6,230,668.40 €
2015

▲ WRITTEN PREMIUM

4,768,428.75 € | 3,908,852.21 €
2015

▲ EARNED PREMIUM, NET OF REINSURANCE

917,244,982.62 € | 838,833,656.62 €
2015

▲ TOTAL COMMITMENTS AS OF 31 DECEMBER

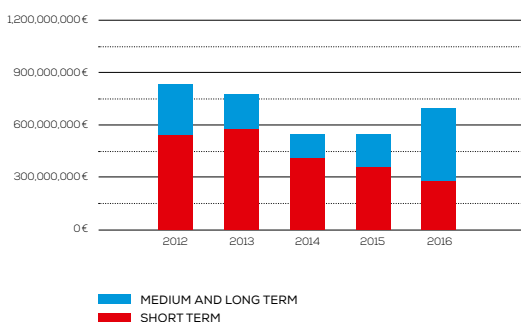
23,838,835.63 € | 12,321,891.33 €
2015

▲ CLAIMS PAID

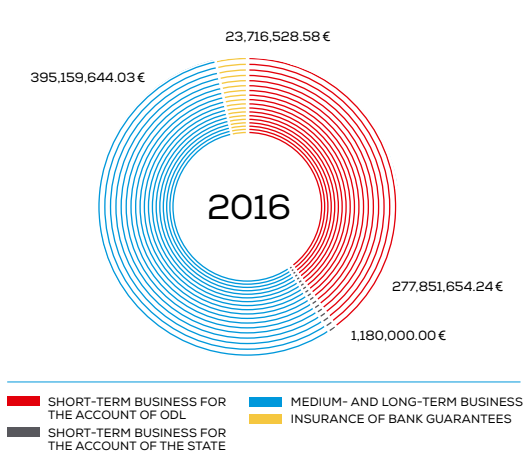
2,405,278.54 € | 1,036,166.55 €
2015

▲ RECOVERIES FOR CLAIMS PAID

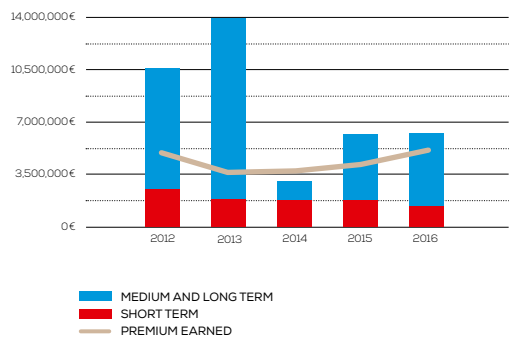
NEW TRANSACTIONS INSURED



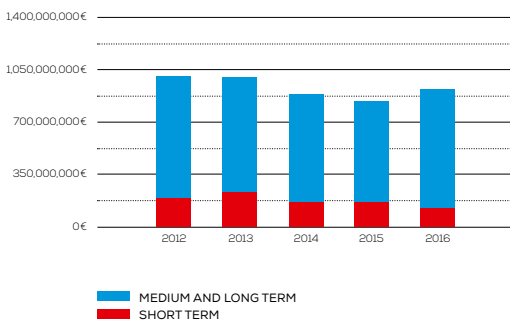
NEW TRANSACTIONS INSURED BREAKDOWN



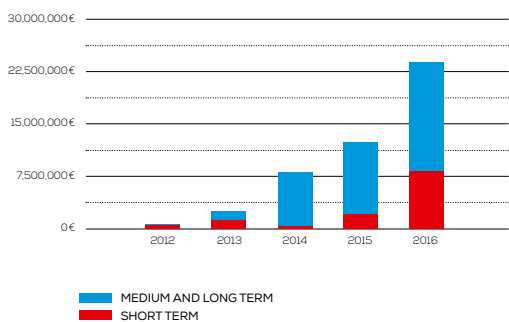
WRITTEN PREMIUM + EARNED PREMIUM



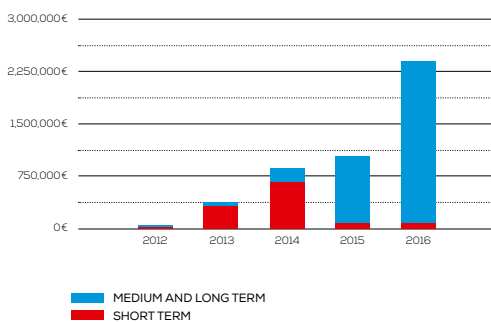
COMMITMENTS AS OF 31 DECEMBER



CLAIMS PAID



RECOVERIES FOR CLAIMS PAID



1.1 SHORT-TERM BUSINESS

BUSINESS FOR THE ACCOUNT OF ODL (WITH OR WITHOUT STATE GUARANTEE)

(IN THOUSANDS OF EUR)	WITH STATE GUARANTEE		WITHOUT STATE GUARANTEE		TOTAL	
	2016	2015	2016	2015	2016	2015
New transactions insured	231,902	310,621	45,950	47,233	277,852	357,854
Written premium	1,168	1,631	159	152	1,327	1,783
Reinsurers' share						
Insured transactions	56,542	83,199	21,364	22,358	77,906	105,557
Written premium	274	539	55	61	329	600
Commitments as of 31 December	108,831	144,261	17,737	18,548	126,568	162,809
Claims paid	8,129	2,108	181	0	8,310	2,108
Indemnities recovered	76	74	0	0	76	74

ODL covers Luxembourg exporters who are repeatedly supplying goods and/or services to several buyers in different countries against the risk of non-payment (credit terms up to 12 months).

ODL particularly supports deliveries to high-risk countries and whenever the private sector is unable to provide insurance.

Export business to "non-marketable risks" countries are covered with the guarantee of the Luxembourg State.¹

ODL, on a case by case basis, may offer coverage without State guarantee for EU countries and core

countries of the OECD (marketable risks), when insufficient cover is available from private insurers.

In its role as a one-stop shop for exporters, ODL often acts as co-insurer of Euler Hermes in whole turnover policies covering buyers located worldwide.

Last year, the demand for ODL short term cover declined. Amounts paid out for claims increased from 2.1 to 8.1 million euros. This sharp rise is primarily due to indemnities paid under a reinsurance agreement with Credendo (formerly CREDIMUNDI).

BUSINESS FOR THE ACCOUNT OF THE STATE: INDIVIDUAL TOP UP

In 2016, ODL continued to manage the Individual Top Up policy for the account of the State. This policy was launched by the Government during the financial crisis. It provides additional protection where full cover is not available under the exporters' primary policy due to the risk profile of the buyer or the country risk.

The Individual Top Up has enabled Luxembourg exporters to continue trading with their customers at higher risk levels, helping them to grow their business safely and securely knowing that the increased risks are covered.

	2016	2015
Number of companies having used the Top Up coverage	6	3
New transactions insured	1,180,000.00 €	418,845.00 €
Commitments as of 31 December	958,651.85 €	685,901.85 €
Written premium	12,400.00 €	4,388.45 €
Claims paid	0.00 €	0.00 €

The exemption for short-term business to Greece has been extended by the European Commission until 30 June 2018.²

¹ Communication of the Commission applying to short-term export credit insurance (OJ C392)

² Communication of the Commission applying to short-term export credit insurance (2017/C 206/01)

1.2 MEDIUM AND LONG-TERM BUSINESS

(IN THOUSANDS OF EUR)	WITH STATE GUARANTEE		WITHOUT STATE GUARANTEE		FOR THE ACCOUNT OF THE STATE		TOTAL	
	2016	2015	2016	2015	2016	2015	2016	2015
New transactions insured	392,064	162,571	3,095	17,717	0	0	395,159	180,288
Number of transactions insured	139	92	16	18	0	0	155	110
Written premium	4,614	4,269	74	157	0	0	4,688	4,426
Reinsurers' share								
New transactions insured	103,477	44,174	57	4,612	0	0	103,534	48,786
Written premium	1,649	1,883	1	38	0	0	1,650	1,921
Commitments as of 31 December	775,026	664,536	6,932	9,118	0	0	781,958	673,654
Offers of cover outstanding as of 31 December	19,859	60,800	0	2,280	0	0	19,859	63,080
Claims paid	15,528	10,214	0	0	0	0	15,528	10,214
Recoveries for claims paid	2,329	962	0	0	0	0	2,329	962

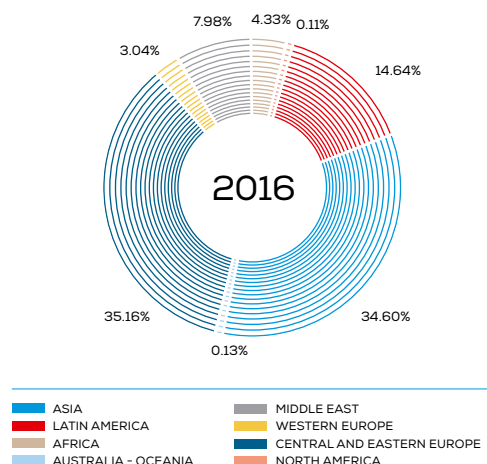
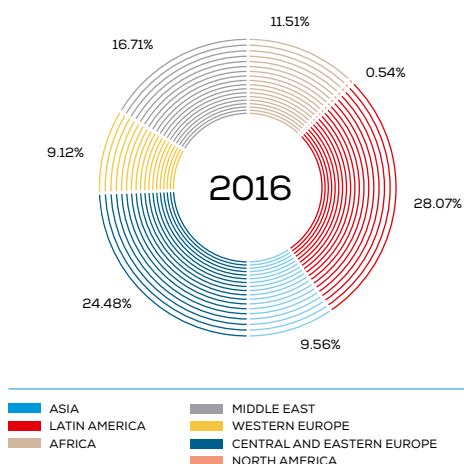
ODL covers companies against commercial and political risks in relation to exports of capital goods, industrial projects, general construction works and engineering services. These export transactions, with a completion period exceeding 12 months, are either payable on a prorata basis according to deliveries made or the progress of work, or financed through credit over several years (buyer credit / supplier credit). In addition to this basic coverage of non-payment risk, ODL can cover the cancellation (pre-shipment) risk as well as the unfair calling of bank guarantees (bid bond, advance payment guarantee, performance guarantee) that are often requested by the buyer in an export contract.

For all repayment periods exceeding two years, the regulations of the OECD Arrangement on officially supported export credits (which sets rules regarding credit terms, interest rates, required down payment percentages and insurance premiums) apply.

Coverage of medium and long-term business transactions with repayment periods exceeding two years is backed by a guarantee from the Luxembourg State or insured directly for the account of the State. ODL will have recourse to the latter if a contract has risks whose severity and duration exceed the technical capabilities of ODL, but the export is nevertheless regarded as beneficial to the Luxembourg economy. A decision to cover a transaction for the account of the State is taken by a Government council meeting on the Committee's proposal. In 2016, no transaction was covered for the account of the State.

BREAKDOWN OF NEW MEDIUM AND LONG TERM INSURED BUSINESS AS AT 31 DECEMBER 2016

BREAKDOWN OF MEDIUM- AND LONG-TERM COMMITMENTS AS AT 31 DECEMBER 2016



Last year, ODL covered new medium and long term transactions worth 395 million euros (2015: 180 million euros). Latin America accounted for the greatest share of new cover granted (28% of total cover), followed by Central and Eastern Europe (25% of total cover).

The Middle East only represents 17% of the cover granted in 2016. After the lifting of sanctions, Luxembourg exporters expressed strong interest for business with Iran. In 2016, ODL reopened cover for Iran, but so far ODL only received few applications for cover as exporters are still facing financing, regulatory and compliance challenges.

SCHEDULE FOR MEDIUM- AND LONG-TERM COMMITMENTS AS AT 31 DECEMBER 2016 (IN MILLIONS OF EUR)

TOTAL	PAYMENT											
	DELAYS	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
781.96	4.89	375.25	135.31	88.67	63.23	54.10	22.07	14.68	13.26	7.43	1.55	1.52

The commitments are derived from the future maturities under cover granted plus interest, less the percentage to be retained by the exporters or banks for their own account. The total medium- and long-term commitment of ODL on 31 December 2016 increased to 782 million euros. In terms of commitments, Asia and Central and Eastern Europe account respectively for 35% while Latin America only represents 15% of the total commitments.

The size of the Luxembourg economy and the sector breakdown of its exporting companies show a high concentration of risk in certain countries.

The three countries listed below represent 64.64% of ODL's overall medium- and long-term exposure as of 31 December 2016.



To limit the concentration of risk, CREDENDO, Belgium (formerly Delcredere/Ducroire) reinsures a large proportion of exports covered with a guarantee from ODL. For Luxembourg export contracts in which a large part of the total value is derived from goods or services produced outside of Luxembourg, ODL has reinsurance agreements in place with other ECAs.

ODL covers buyer credits put in place by Northstar Europe for European exports. For such operations, ODL is, in principle, reinsured by the public credit insurer of the exporter's country.

At 31 December 2016, ODL had issued offers of cover for contracts still under final negotiation in an amount of 19,859,482.80 €.

In 2016, claims paid increased to 15.5 million euros (2015: 10.2 million euros). This was primarily due to payment defaults in the steel sector in India. Recoveries for claims paid rose to 2.3 million euros. This increase was mainly due to the payment of interests under a re-scheduling agreement with the Indian buyer.

1.3 ON DEMAND GUARANTEES

In 2016, ODL has issued 3 on demand guarantees for a total amount of 9 million euros in favor of refinancing banks of buyer credit.

An on demand guarantee is a solution aimed at lending banks in their quest of getting the most favorable refinancing terms in the capital market. In addition to the buyer credit cover granted by ODL (typically at 95%), the on demand guarantee offers to the refinancing bank a 100% guarantee callable on first demand. In the internal relationship between ODL and the lending bank, the Terms and Conditions of Buyer Credit policy remain applicable.

1.4 INSURANCE OF BANK GUARANTEES

In January 2015, ODL launched an insurance for bank guarantees (e.g. performance bonds, advance payment bonds) issued in favor of the clients of national exporters.

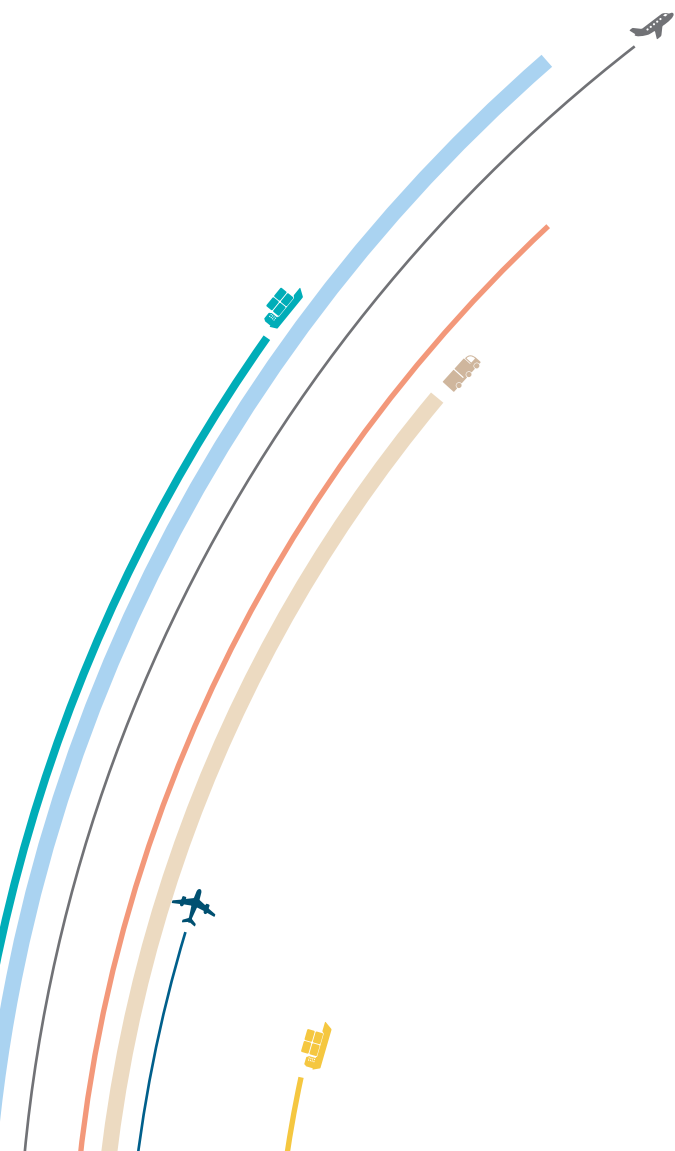
This insurance protects the issuing bank against the risk of default of the exporters and by doing so facilitates financing of international transactions by creating leverage for exporters that need credit lines from banks.

ODL generally covers 50% of the amount of the guarantee. The percentage of cover can be increased up to 80% in special cases.

The premium charged by ODL corresponds to the risk fee charged by the bank to the Luxembourg exporter on the percentage of risk taken by ODL.

	2016	2015
New transactions insured	23,716,528.58 €	10,686,772.00 €
Commitments as of 31 December	7,760,393.51 €	1,684,105.00 €
Written premium	75,356.00 €	17,676.54 €
Claims paid	0.00 €	0.00 €

In 2016, the amount of guarantees insured increased from 10.6 to 23.7 million euros.



2. FINANCIAL SUPPORT FOR EXPORTS

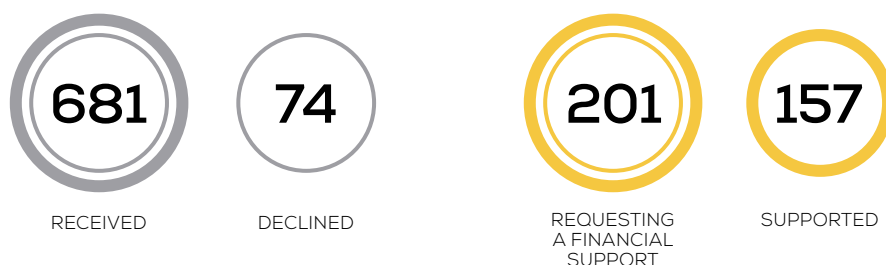
KEY FIGURES OF 2016

2,001,137.89 €

▲ AMOUNT PAID

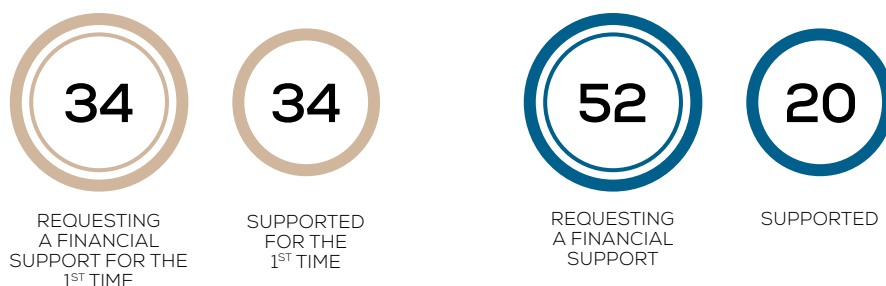
1,273,044.20 €

▲ TOTAL COMMITMENTS AS OF 31 DECEMBER



▲ NUMBER OF APPLICATIONS

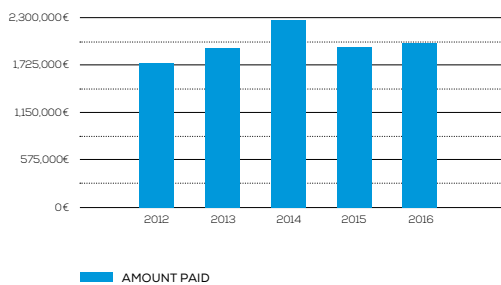
▲ NUMBER OF COMPANIES



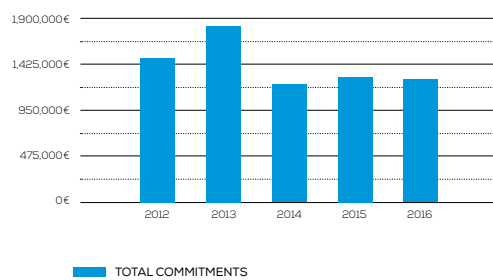
▲ NUMBER OF COMPANIES

▲ NUMBER OF START-UPS

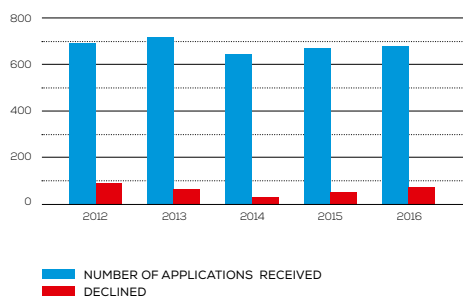
AMOUNT PAID



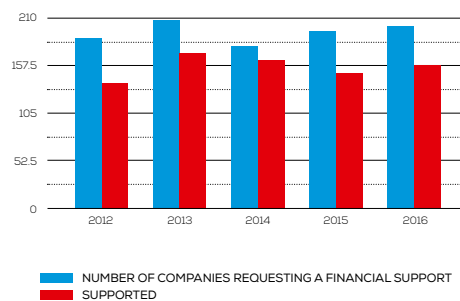
TOTAL COMMITMENTS AS OF 31 DECEMBER



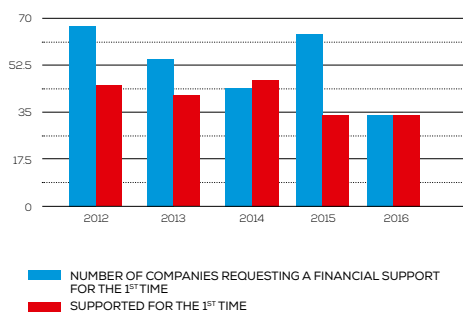
NUMBER OF APPLICATIONS RECEIVED



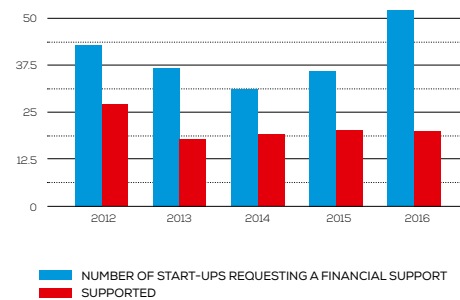
NUMBER OF COMPANIES



NUMBER OF COMPANIES (1ST TIME)



NUMBER OF START-UPS



Based on the Law of 24 July 1995 governing the Office du Ducroire and the decision of the Government of 30 November 2001 the Co-operation Agreement between the Office du Ducroire and the Government was signed on 29 April 2002.

The Agreement aims to promote Luxembourg exports through:

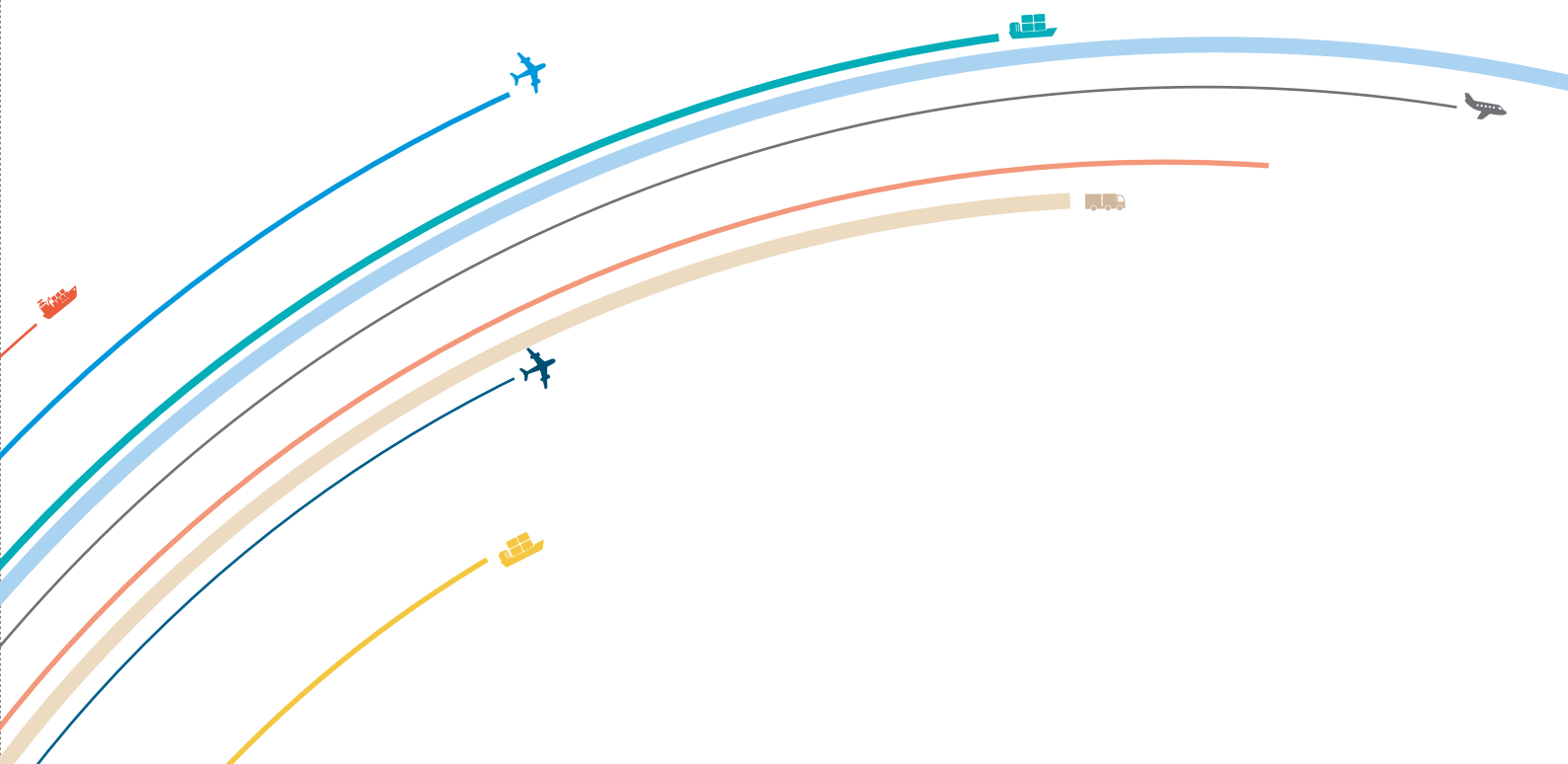
- financial support for the design and translation of promotional material, for the participation at trade fairs, seminars and conferences as well as for consultancy services.
- tied aid mechanisms like interest make-up schemes, direct grants or technical assistance.

Official support for export activities is subject to the following conditions:

- interest to the Luxembourg economy
- financial viability of the applicant
- compliance with Luxembourg legislation, EU competition rules and the OECD Arrangement on officially supported export credits.

The Agreement has been implemented by the COPEL (Committee for the Promotion of Luxembourg Exports) as referred to in the Law of 4 December 1981 relating to Government loans. COPEL functions as a sub-committee of ODL.

COPEL is composed of four civil servants from the Ministry of Finance, International Trade, Foreign Affairs and the Economy). The Committee analyses the applications and verifies the compliance with EU regulations and OECD provisions. Official support in excess of 500,000 € is subject to the approval of the Government.

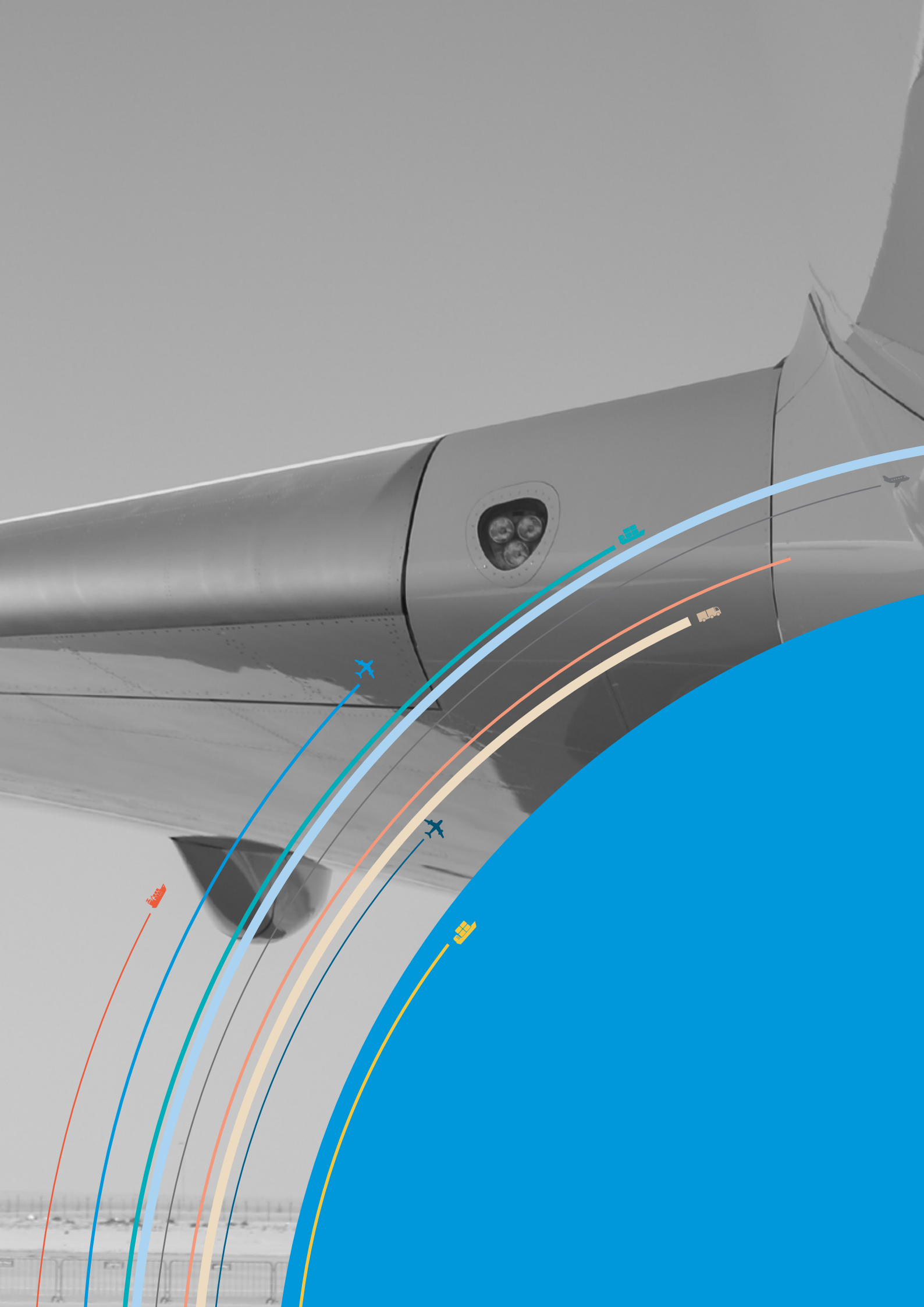


III. ANNUAL

ACCOUNTS

1. CREDIT INSURANCE
2. FINANCIAL SUPPORT FOR EXPORTS
3. AUDITOR'S REPORT





1. CREDIT INSURANCE

BALANCE SHEET FOR THE ACCOUNT WITH STATE GUARANTEE

AS AT 31.12.2016 AND 31.12.2015 IN EUR

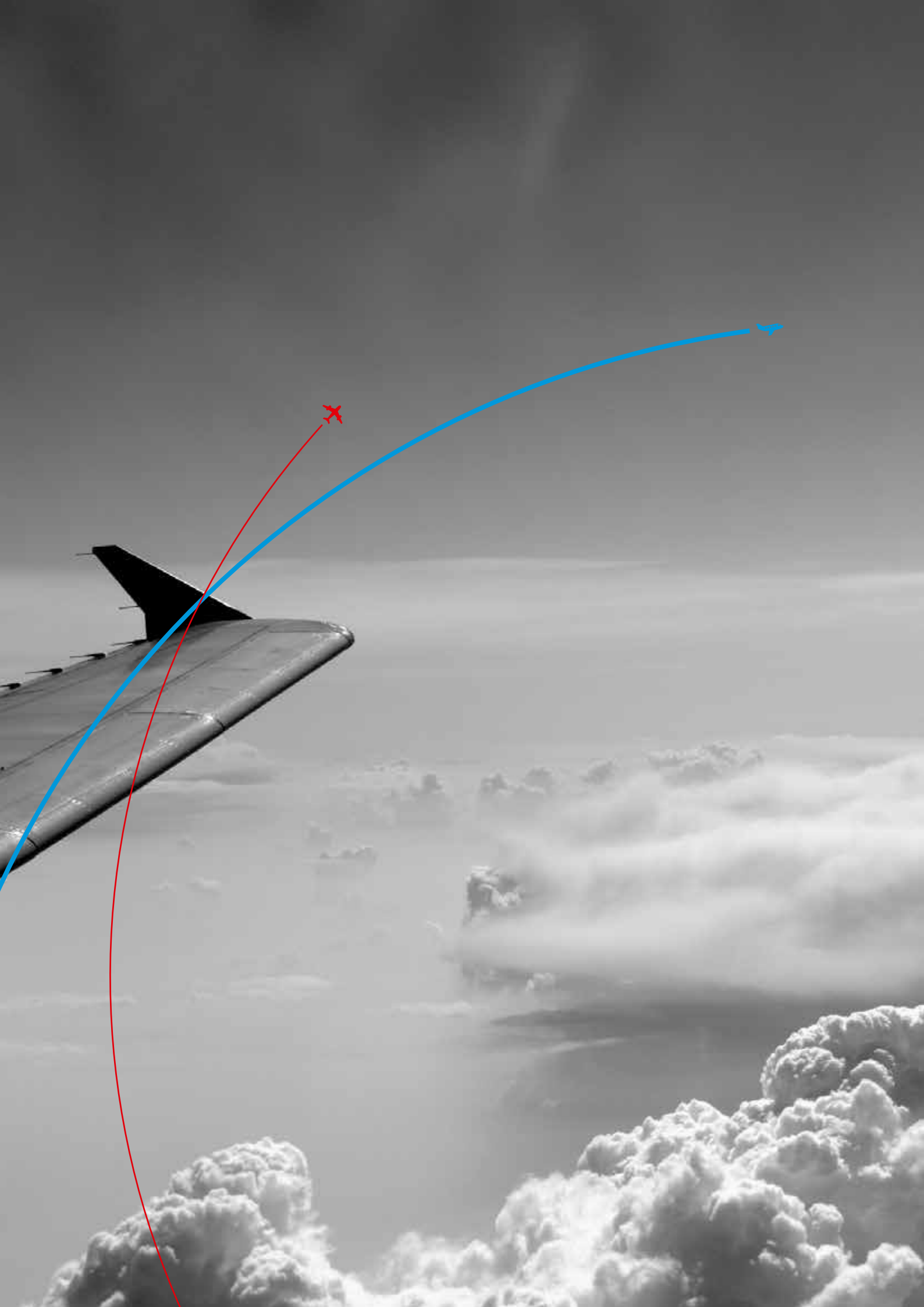
	NOTE	31.12.2016	31.12.2015
ASSETS			
C. Investments			
II. Investments in affiliated undertakings and participating interests			
3. Participating interests	3.11	0,00	1,041,528.00
III. Other Financial investments			
1. Shares and other variable-yield transferable securities and units in unit trusts	3.1.2	12,562,679.46	12,148,987.97
2. Debt securities and other fixed income transferable securities	3.1.3	100,607,475.66	105,753,309.70
6. Deposits with credit institutions		22,108,593.19	32,957,062.51
		-	-
		135,278,748.31	151,900,888.18
E. Reinsurers' share of technical provisions			
I. Provision for unearned premiums		15,214,822.92	17,350,178.05
III. Provision for claims outstanding		2,427,972.11	5,752,605.78
		-	-
		17,642,795.03	23,102,783.83
F. Debtors			
I. Debtors arising out of direct insurance operations		320,037.19	333,038.52
II. Debtors arising out of reinsurance operations		98,191.92	275,325.37
		-	-
		418,229.11	608,363.89
G. Other assets			
I. Tangible assets and stocks	3.2	26,123.48	5,189.86
II. Cash at bank and in hand		12,258,761.38	5,480,751.46
		-	-
		12,284,884.86	5,485,941.32
H. Prepayment and accrued income			
I. Accrued interest and rent		575,115.99	573,523.53
III. Other prepayment and accrued income		3,254,701.43	3,628,290.88
		-	-
		3,829,817.42	4,201,814.41
TOTAL ASSETS		169,454,474.73	185,299,791.63
Off-balance sheet commitments for the account with State guarantee		891,617,390.02	810,481,407.61

	NOTE	31.12.2016	31.12.2015
LIABILITIES			
A. Capital and reserves			
I. Subscribed capital or equivalent funds	3.3	44,525,000.00	44,525,000.00
IV. Reserves	3.3	41,476,811.11	42,378,586.62
VI. Profit or (loss) for the financial year	3.3	1,585,248.96	(901,775.51)
		-	-
		87,587,060.07	86,001,811.11
C. Technical provisions			
I. Provision for unearned premiums		24,203,135.63	27,161,031.73
III. Provision for claims outstanding		7,466,127.43	22,627,488.67
V. Equalisation provision			
2. Provision for aggravated risks		44,064,853.49	42,267,523.81
		-	-
		75,734,116.55	92,056,044.21
E. Provision for other risks and charges			
3. Other provisions		255,000.00	2,100.00
		-	-
		255,000.00	2,100.00
G. Creditors			
I. Creditors arising out of direct insurance operations		3,825,922.24	4,177,746.08
II. Creditors arising out of reinsurance operations		599,813.01	1,834,830.74
V. Other creditors			
2. Other		979.04	1,281.55
		-	-
		4,426,714.29	6,013,858.37
H. Accruals and deferred income			
I. Other accruals		1,451,583.82	1,225,977.94
		-	-
		1,451,583.82	1,225,977.94
TOTAL LIABILITIES		169,454,474.73	185,299,791.63

PROFIT AND LOSS ACCOUNT FOR THE ACCOUNT WITH STATE GUARANTEE

AS AT 31.12.2016 AND 31.12.2015 IN EUR

	NOTE	31.12.2016	31.12.2015
I. TECHNICAL ACCOUNT OF NON-LIFE INSURANCE BUSINESS			
1. Earned premiums, net of reinsurance			
a) Gross premiums written	3.4	5,856,799.43	5,917,293.85
b) Outward reinsurance premiums		(1,918,749.52)	(2,348,251.24)
c) Change in gross provision for unearned premiums		2,957,896.10	1,368,862.86
d) Change in the provision for unearned premiums, reinsurers' share		(2,135,355.13)	(1,264,023.06)
		-	-
		4,760,590.88	3,673,882.41
2. Allocated investment return transferred from the non-technical account		350,619.37	171,078.41
3. Other technical income, net of reinsurance		1,120,784.66	461,356.87
4. Claims incurred, net of reinsurance			
a) Claims paid			
aa) Gross amount	3.4	(23,657,595.62)	(12,321,891.33)
bb) Reinsurers' share		9,941,117.30	7,594,911.75
b) Change in the provision for claims			
aa) Gross amount		15,161,361.24	(2,390,400.71)
bb) Reinsurers' share		(3,324,633.67)	1,113,873.37
		-	-
		(1,879,750.75)	(6,003,506.92)
6. Bonuses and rebates, net of reinsurance		(149,950.94)	(82,995.37)
7. Net operating expenses			
a) Acquisition costs		(12,142.48)	(14,032.11)
c) Administrative expenses	3.5	(1,215,665.15)	(1,304,419.40)
d) Reinsurance commissions and profit participation		269,554.40	362,995.36
		-	-
		(958,253.23)	(955,456.15)
9. Change in equalisation provision		(1,797,329.68)	1,128,879.14
10. Balance on the technical account for non-life insurance Business		1,446,710.31	(1,606,761.61)
III. NON-TECHNICAL ACCOUNT			
1. Balance on the technical account for non-life insurance Business		1,446,710.31	(1,606,761.61)
3. Investment income	3.6	1,613,512.69	1,541,492.93
5. Investment charges	3.7	(1,029,147.07)	(992,010.04)
6. Allocated investment return transferred to the non-life technical account		(350,619.37)	(171,078.41)
7. Other income		203,882.57	339,470.55
8. Other charges, including value adjustments		(299,090.17)	(12,888.93)
		-	-
10. Profit or (loss) on ordinary activities after tax		1,585,248.96	(901,775.51)
17. Profit or (loss) for the financial year		1,585,248.96	(901,775.51)



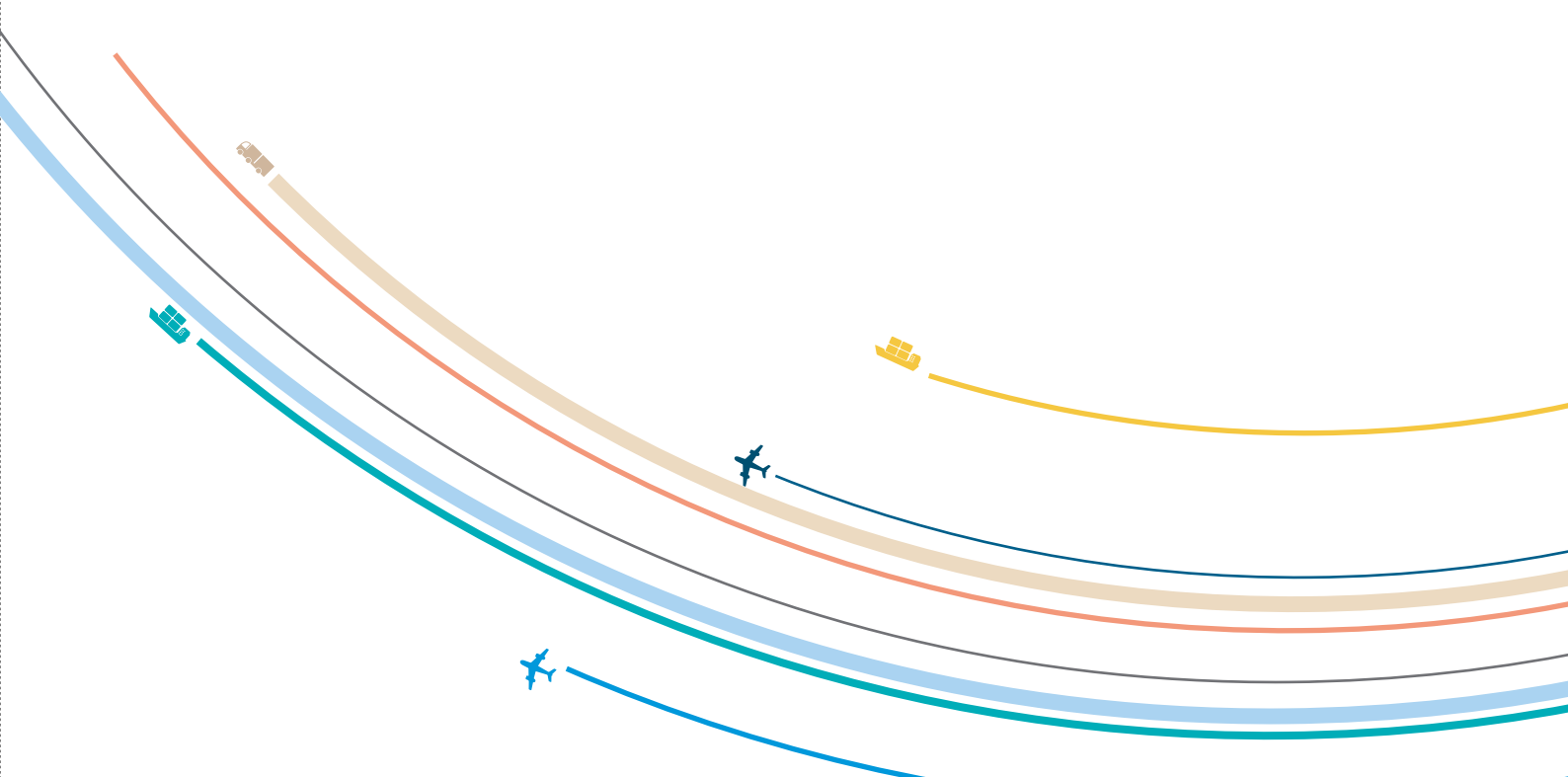
BALANCE SHEET FOR THE ACCOUNT WITHOUT STATE GUARANTEE

AS AT 31.12.2016 AND 31.12.2015 IN EUR

	NOTE	31.12.2016	31.12.2015
ASSETS			
C. Investments			
III. Other Financial investments			
6. Deposits with credit institutions		12,708,024.15	12,620,560.69
		-	-
		12,708,024.15	12,620,560.69
E. Reinsurers' share of technical provisions			
I. Provision for unearned premiums			
		6,765.04	8,163.69
III. Provision for claims outstanding			
		16,795.61	110,858.29
		-	-
		23,560.65	119,021.98
H. Prepayment and accrued income			
III. Other prepayment and accrued income			
		12,045.20	24,000.00
		-	-
		12,045.20	24,000.00
TOTAL ASSETS		12,743,630.00	12,763,582.67
Off balance-sheet commitments for the account without State guarantee		24,668,940.75	27,666,347.16



	NOTE	31.12.2016	31.12.2015
LIABILITIES			
A. Capital and reserves			
I. Subscribed capital	4.1	3,000,000.00	3,000,000.00
IV. Reserves	4.1	8,175,287.99	8,153,518.53
VI. Profit or (loss) for the financial year	4.1	258,582.58	21,769.46
		-	-
		11,433,870.57	11,175,287.99
C. Technical provisions			
I. Provision for unearned premiums		60,471.16	43,774.50
III. Provision for claims outstanding		33,591.23	219,716.59
V. Equalisation provision			
1. Balancing reserve		1,109,086.21	1,290,583.35
		1,203,148.60	1,554,074.44
E. Provisions for other risks and charges			
2. Provision for taxation	4.2	106,610.83	34,220.24
		-	-
		106,610.83	34,220.24
TOTAL LIABILITIES		12,743,630.00	12,763,582.67



PROFIT AND LOSS ACCOUNT FOR THE ACCOUNT WITHOUT STATE GUARANTEE

AS AT 31.12.2016 AND 31.12.2015 IN EUR

	NOTE	31.12.2016	31.12.2015
I. TECHNICAL ACCOUNT OF NON-LIFE INSURANCE BUSINESS			
1. Earned premiums, net of reinsurance			
a) Gross premiums written	4.3	233,326.61	308,986.10
b) Outward reinsurance premiums		(56,243.23)	(96,926.36)
c) Change in gross provision for unearned premiums		(16,696.66)	12,005.12
d) Change in the provision for unearned premiums, reinsurers' share		(1,398.65)	(7,849.55)
		-	-
		158,988.07	216,215.31
2. Allocated investment return transferred from the non-technical account			
		60,248.01	10,744.91
3. Other technical income, net of reinsurance			
4. Claims incurred, net of reinsurance			
a) Claims paid			
aa) Gross amount	4.3	(181,240.01)	0.00
bb) Reinsurers' share		90,551.85	0.00
b) Change in the provision for claims			
aa) Gross amount		186,125.36	(140,112.78)
bb) Reinsurers' share		(94,062.68)	71,056.39
		-	-
		1,374.52	(69,056.39)
6. Bonuses and rebates, net of reinsurance			
		(12,500.50)	(17,218.34)
7. Net operating expenses			
a) Acquisition costs		(4.47)	0.00
c) Administrative expenses	4.4	(78,354.40)	(87,917.18)
d) Reinsurance commissions and profit participation		13,779.90	5,979.55
		-	-
		(64,578.97)	(81,937.63)
9. Change in equalisation provision			
		181,497.14	(34,746.39)
10. Balance on the technical account for non-life insurance Business			
		325,028.27	24,001.47
III. NON-TECHNICAL ACCOUNT			
1. Balance on the technical account for non-life insurance Business			
		325,028.27	24,001.47
3. Investment income			
	4.5	100,413.35	17,908.19
6. Allocated investment return transferred to the non-life technical account			
		(60,248.01)	(10,744.91)
8. Other charges, including value adjustments			
9. Tax on profit or (loss) on ordinary activities			
		(106,611.03)	(9,395.29)
		-	-
10. Profit or (loss) on ordinary activities after tax			
		258,582.58	21,769.46
17. Profit or (loss) for the financial year			
		258,582.58	21,769.46



BALANCE SHEET FOR THE ACCOUNT OF THE STATE

AS AT 31.12.2016 AND 31.12.2015 IN EUR

	NOTE	31.12.2016	31.12.2015
ASSETS			
C. Investments			
III. Other Financial investments			
6. Deposits with credit institutions		11,744,051.73	11,698,322.57
		-	-
		11,744,051.73	11,698,322.57
TOTAL ASSETS		11,744,051.73	11,698,322.57
Off-balance sheet commitments for the account of the State		958,651.85	685,901.85

	NOTE	31.12.2016	31.12.2015
LIABILITIES			
A. Capital and reserves			
	5.1		
I. Subscribed capital	5.1	6,777,396.57	6,777,396.57
IV. Reserves	5.1	4,661,899.53	4,691,062.75
VI. Profit or (loss) for the financial year	5.1	43,787.94	(29,163.22)
		-	-
		11,483,084.04	11,439,296.10
C. Underwriting reserves			
I. Provision for unearned premiums		3,516.76	1,575.54
III. Provision for claims outstanding		257,450.93	257,450.93
		-	-
		260,967.69	259,026.47
TOTAL LIABILITIES		11,744,051.73	11,698,322.57

PROFIT AND LOSS ACCOUNT FOR THE ACCOUNT OF THE STATE AS AT 31.12.2016 AND 31.12.2015 IN EUR

	NOTE	31.12.2016	31.12.2015
I. TECHNICAL ACCOUNT OF NON-LIFE INSURANCE BUSINESS			
1. Earned premiums, net of reinsurance			
a) Gross premiums written	5.2	12,400.00	4,388.45
c) Change in gross provision for unearned premiums		(1,941.22)	(991.76)
		-	-
		10,458.78	3,396.69
2. Allocated investment return transferred from the non-technical account		55,845.43	10,078.61
4. Claims incurred, net of reinsurance			
a) Claims paid	5.2		
aα) Gross amount		0.00	0.00
bb) Reinsurers' share		0.00	0.00
b) Change in the provision for claims			
aα) Gross amount		0.00	0.00
bb) Reinsurers' share		0.00	0.00
		-	-
		0.00	0.00
7. Net operating expenses			
c) Administrative expenses	5.3	(59,746.56)	(49,357.59)
		-	-
		(59,746.56)	(49,357.59)
10. Balance on the technical account for non-life insurance Business		6,557.65	(35,882.29)
III. NON-TECHNICAL ACCOUNT			
1. Balance on the technical account for non-life insurance Business		6,557.65	(35,882.29)
3. Investment income	5.4	93,075.72	16,797.68
6. Allocated investment return transferred to the non-life technical account		(55,845.43)	(10,078.61)
		-	-
10. Profit or (loss) on ordinary activities after tax		43,787.94	(29,163.22)
17. Profit or (loss) for the financial year		43,787.94	(29,163.22)

NOTES TO THE ANNUAL ACCOUNTS AS PER DECEMBER 31, 2016 (EXPRESSED IN EUR)

NOTE 1 – GENERAL INFORMATION

1.1. Constitution of the Office du Ducroire

The Office du Ducroire (hereinafter "ODL") was established under article 1 of the modified law of 25 November 1961.

ODL is a public institution and operates under the authority of the Ministry of Finance.

The financial year of ODL begins on January 1st and ends on December 31st.

1.2 Purpose of the Office du Ducroire

The purpose of ODL is to promote international economic and financial relations in the interest of Luxembourg, mainly by the acceptance of export, import and foreign investment risks.

To achieve its purpose, ODL may:

1. issue any guarantees necessary for the reduction of risks, in particular political, credit and financial risks, incurred by companies in carrying out their activities;
2. issue any guarantees necessary for the reduction of risks attached to foreign investments. These investments must contribute to the development of the economic and social situation of the host country and to its economic relations with Luxembourg;
3. issue any guarantees necessary for the reduction of foreign exchange risks, within the limits to be stipulated by Grand-Ducal Regulation;
4. exercise, in Luxembourg and abroad, allied or supplementary activities that will facilitate the attainment of its purpose;
5. accomplish any other tasks entrusted to it by laws or regulations or assigned by the Government in Council. These missions may be the subject of agreements to be entered into by the Government and ODL and to be approved by the latter's Committee.

It is in this capacity that ODL concluded in 2002 a Cooperation Agreement with the State to promote exports of goods and services through official support by:

- intervening in export credit transactions, subsidizing or stabilizing the interest rates of trade credits;
- granting a subsidy resulting in an increased discount of the interest rate applied to a trade credit. A negative interest rate may be envisaged. The subsidy consists in the difference between the subsidized rate and the financing costs, plus the bank commission;
- financing, under associated financing scheme, in whole or part, the concessional component (grant), linked in fact or in law to the non-concessional component (trade credit) of the transaction;
- contributing to the financing of a technical assistance scheme provided within the scope of export credit for local users of goods or services of Luxembourg origin;
- providing partial reimbursement of expenses incurred in the promotion of products of Luxembourg origin abroad or employee training.

ODL performs its activity:

- for the account of the State in the event that the operations provided for under 1) and 2) above entail risks, the seriousness and duration of which exceed its technical capabilities, but whose realization is considered opportune by the Government sitting in Council or in the accomplishment of the missions entrusted to it by Laws or Regulations described above;
- on its own account and without a State guarantee for operations which, by virtue of their nature, duration and intensity of the risk attached to them, are habitually guaranteed by companies acting not on behalf of the State or with a State guarantee;
- on its own account, and with a State guarantee under all other circumstances.

Article 17 of the Law of 24 July 1995 requires ODL to keep accounting records and prepare separate annual financial statements for each type of activity referred to above.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the statutory models applicable to insurance companies under the Law of 08 December 1994 relating to the annual and consolidated annual accounts of insurance and reinsurance companies subject to Luxembourg law. ODL respects, in terms of the establishment of technical provisions, the prudential rules of the law of 7 December 2015 on the insurance sector.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Comité du Ducroire its judgment in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

ODL makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

ODL maintains its books in euro (EUR). Assets and liabilities expressed in currencies other than euro are translated at the exchange rate in force at the year-end date. Transactions in foreign currencies executed during the year are converted to euros at the exchange rate in force at the date of the transactions.

Operating income and expenses are attributed to the financial year following the principle of the accruals.

This means that:

- the portion of premiums written that cover commitments after the year-end date will not be recognised in the income for the year; only the portion of premiums corresponding to a term of coverage falling within the year in question - earned premiums - will be included as revenue;
- a claim will be included in the financial year as soon as an indicator - such as a late payment notified by an insured - indicates the possibility of compensation, not merely at the date of the actual disbursement of the compensation.

2.1. Investments

2.1.1 Investments in affiliated undertakings and participating interests

Investments in affiliated undertakings and participating interests held as Investments are valued at purchase price including the expenses incidental thereto. In case of durable depreciation in value, value adjustments are made in respect of investments, so that they are valued at the lower figure to be attributed to them at the balance sheet date. These value adjustments are not maintained if the reason for which the value adjustments were made has ceased to apply.

2.1.2 Shares and other variable-yield transferable securities and units in unit trusts

Securities for which ODL holds a capital guarantee from the bank have been valued at the acquisition value, increased by the pro-rate-temporis of the guaranteed fixed income. A value adjustment is deducted in case of durable loss at closing date. These value adjustments are not maintained if the reason for which these value adjustments were made has ceased to apply.

2.1.3 Debt securities and other fixed income transferable securities

Debt securities and other fixed income securities are carried at amortised cost. Premiums paid over the redemption value and discounts received in consideration of the redemption value are apportioned to the profit and loss account over the period to maturity. Specific value adjustments are made if an investment's amortised cost is lower than the market value. Value adjustments are not maintained if the reason for which these value adjustments were made has ceased to apply.

Market value corresponds to the last available quote on the valuation day for securities listed on a stock exchange or dealt in on another regulated market.

2.2 Reinsurers' share of technical provisions

Reinsurers' share of technical provisions includes actual or estimated amounts which, under contractual reinsurance arrangements, are the responsibility of the reinsurers.

As regards the provision for unearned premiums, the reinsurance amounts are calculated under the terms of the reinsurance contract.

2.3 Debtors

Debtors are recorded at nominal value. They are subject to value adjustments when their recovery is compromised.

2.4 Other assets

Tangible assets and stocks are valued at acquisition cost and are subject to the straight-line depreciation method. The normal anticipated useful life of fixed assets is five years.

Cash at bank and in hand are presented at nominal value.

2.5 Prepayment and accrued income

The accrued interest and rent entitlement include items that represent interest and rent that have been earned up to the balance sheet date but are not yet due.

The other prepayment and accrued income include other charges recorded during the year but relating to a subsequent financial year together with incomes relating to the exercise but only payable after the end of the latter.

2.6 Technical provisions

2.6.1 Provision for unearned premiums

Provision for unearned premiums includes the part of gross premiums written during the year to be allocated to the following year or subsequent years.

2.6.2 Provision for claims outstanding

Provision for claims outstanding represents a prudent estimate of ODL's liability for indemnities in cases where policyholders have reported late payments. The provision is calculated individually for each late payment and takes into account the risk category and the outstanding duration of each claim.

2.6.3 Equalisation provision

In accordance with the law of 7 December 2015 and the Grand-Ducal Regulation of 5 December 2007, ODL establishes in addition to the provisions guaranteeing the existing obligations at the balance sheet date, a provision for aggravated risks.

The provision for aggravated risks is calculated based of the calculation methods provided in the private insurance industry, by the legislation of the European Union and Luxembourg.

The provision for aggravated risks includes general and specific provisions laid down by ODL's Committee according to its risk assessment.

2.7 Provision for other risks and charges

Provision for other risks and charges includes the tax charge for the year for activities without the guarantee of the State by ODL.

2.8 Creditors

Creditors are recorded at the nominal value and expire during the next financial year.

2.9 Accruals and deferred income

Accruals and deferred income corresponds to income received during the financial year but relating to a subsequent financial year, as well as the charges incurred during the financial year but only payable in a subsequent financial year.

2.10 Earned premiums, net of reinsurance

Gross premiums written are recorded at the date of issuance of the invoice to the insured in application of insurance policy conditions and include all the amounts due during the year in respect of insurance contracts, regardless of whether these amounts relate wholly or in part to a subsequent year. At closing date, a reserve is recorded to allocate the transactions to the financial year.

Outward reinsurance premiums include all premiums paid or payable in respect of outward reinsurance contracts concluded by ODL.

2.11 Other technical income, net of reinsurance

This item includes net recoveries on claims paid, net of reinsurance, in direct insurance and reinsurance. These positions are evaluated at nominal value.

2.12 Claims incurred, net of reinsurance

Claims incurred net of reinsurance include amounts paid during the financial year, increased by the provisions for incurred and reported losses from the current financial year and reduced by the provision for incurred and reported claims from the previous year.

2.13 Net operating expenses

Acquisition costs comprise the costs incurred by the conclusion of insurance contracts.

Administrative expenses include the costs of premium collection, portfolio administration, management of bonuses and refunds, as well as accepted and ceded reinsurance. They also include staff costs and depreciation of furniture and equipment, except when they are included in the acquisition costs, claims incurred or investment charges.

2.14 Off balance sheet commitments

This item includes all of the claims covered by ODL as direct insurer and reinsurer.

NOTE 3 – ANALYSIS OF THE MOST IMPORTANT ITEMS RELATED TO THE ACCOUNT WITH STATE GUARANTEE

3.1 Investments

3.1.1 Investments in affiliated undertakings and participating interests

ODL holds on 31 December 2016 interests in the company NORTHSTAR EUROPE S.A. and in LUXEMBOURG FOR BUSINESS.

The movements on investments in affiliated undertakings and participating interests for the financial year are as follows:

	VALUE 01.01.2016	ADDITIONS / ALLOCATIONS	DISPOSALS / REVERSALS	VALUE 31.12.2016
Acquisition value	1,095,000.00	0.00	(382,000.00)	713,000.00
Value adjustments	(53,472.00)	(659,528.00)	0.00	(713,000.00)
Net value	1.041,528.00	(659,528.00)	(382,000.00)	0.00

3.1.2 Shares and other variable-yield transferable securities and units in unit trusts

The movements on shares and other variable-yield transferable securities and units in unit trusts for the financial year are as follows:

	VALUE 01.01.2016	ADDITIONS / ALLOCATIONS	DISPOSALS / REVERSALS	VALUE 31.12.2016
Acquisition value	12,991,059.55	0.00	0.00	12,991,059.55
Value adjustments	(842,071.58)	413,691.49	0.00	(428,380.09)
Net value	12,148,987.97	413,691.49	0.00	12,562,679.46

The market value of shares and other variable-yield transferable securities and units in unit trusts amounts as per 31 December 2016 to EUR 12,562,797.09.

3.1.3 Debt securities and other fixed income transferable securities

The movements on debt securities and other fixed income transferable securities for the financial year are as follows:

	VALUE 01.01.2016	ADDITIONS / ALLOCATIONS	DISPOSALS / REVERSALS	VALUE 31.12.2016
Acquisition value	105,569,685.50	25,306,460.00	(30,306,780.50)	100,569,365.00
Value adjustments	0.00	0.00	0.00	0.00
Reversal Discounts/ Premiums 2015	00.0	(202,800.29)	19,176.09	(183,624.20)
Discounts/ Premiums 2016	183,624.20	48,082.01	(9,971.35)	221,734.86
Net value	105,753,309.70	25,151,741.72	(30,297,575.76)	100,607,475.66

The market value of debt securities and other fixed income transferable securities amounts as per 31 December 2016 to EUR 103,399,331.00.

The bonds are valued considering Discounts/Premiums between the acquisition price and the nominal price. Discounts and premiums credited to the profit and loss account amount to EUR 9,971.35 (2015: EUR 19,176.09) respectively EUR 48,082.01 (2015: EUR 202,800.29).

Discounts not yet amortized and premiums not yet credited to the profit and loss account amount to EUR 191,256.31 (2015: EUR 17,448.91) and EUR 143,427.20 (2015: EUR 118,139.21) respectively.

3.2 Other assets

The gross values (1) and value adjustments (2) of tangible assets and stocks were as follows during the year:

	VALUE 01.01.2016	ADDITIONS / ALLOCATIONS	DISPOSALS / REVERSALS	VALUE 31.12.2016
Acquisition value (1)	106,531.05	27,828.44	(11,007.85)	123,351.64
Value adjustments (2)	(101,341.19)	(6,894.82)	11,007.85	(97,228.16)
Net value	5,189.86	20,933.62	0.00	26,123.48

3.3 Capital and reserves

Under Article 3.1) of the Law of 24 July 1995, the ODL's equity capital is made up of capital and reserves. The capital belongs to the State. The capital at the date of entry into force of the Law of 24 July 1995 amounted to LUF 1,600,000,000.00 (EUR 39,662,963.96). The capital may be increased through the capitalization of reserves or budget allocations.

As a result of a decision of the Committee of ODL ("the Committee") on 6 May 1999, the capital was converted to euros and increased from EUR 39,662,963.96 to EUR 40,000,000.00 through the capitalisation of reserves. Under Article 13 of the Organic Law of the Office du Ducroire, the Committee decided on the following financial transfers:

- on 10 November 2005, the Committee approved an increase of capital, through the transfer of reserves from the account with a State guarantee to the capital account without a State guarantee by an increase of EUR 525,000.00 bringing the account from EUR 2,475,000.00 to EUR 3,000,000.00 ;
- on 01 March 2007, the Committee approved the transfer of EUR 7,000,000.00 from reserves in the account with a State guarantee to reserves in the account without a State guarantee;

In 2008, the Government carried out a capital increase of ODL through a budget allocation of EUR 7,000,000.00 with a State guarantee, by allocation of the budget article 34.0.81.050 and in 2009 to an increase in the allocation on behalf of the State by EUR 5,000,000.00.

Capital and reserves movements for the financial year are broken down as follows:

	RESERVES (EUR)	RETAINED RESULTS (EUR)	PROFIT OR (LOSS) OF THE FINANCIAL YEAR (EUR)
Balance at 31.12.2015	42,378,586.62	0.00	(901,775.51)
Movements during the year			
Appropriation of results	(901,775.51)	0.00	901,775.51
Net result			1,585,248.96
Other movements			
Balance at 31.12.2016	41,476,811.11	0.00	1,585,248.96

3.4 Information related to premiums, claims, operating expenses and reinsurance.

	2016
Gross premiums written :	5,856,799.43
of which in direct insurance	4,458,081.66
of which in coinsurance	1,398,717.77
Gross earned premiums, net of reinsurance	4,760,590.88
Gross claims paid, net of reinsurance	(13,716,478.32)
Administrative expenses	(1,215,665.15)
Reinsurance balance	2,831,933.38

3.5 Administrative expenses

Under article 11 of the Grand-Ducal Regulation of 27 July 1997 giving effect to Articles 12 and 19 of the Law of 24 July 1995 relating to the Office du Ducroire, "the Office enters into a secretarial Agreement with the designated body, defining the conditions of reimbursement of remuneration costs applicable to personnel provided".

The designated body is the Chamber of Commerce. In 2016, this body invoiced EUR 381,562.49 (2015: EUR 345,514.55), inclusive of charges, for the reimbursement of personnel costs included in the operating expenses of the technical account of non-life insurance business.

Secondly, ODL subcontracts a portion of its management activity to Delcredre/Ducroire, Credimundi S.A and other agencies. In 2016, administrative expenses amounted to a total of EUR 499,535.15 (2015: EUR 649,366.17) included in the net operating expenses of the technical account of non-life insurance business.

The fees of the audit company included in operating expenses for the year 2016 are prorated to EUR 19,901.70 including tax (2015: EUR 18,954.00) for the account with State guarantee and relate solely to the auditing of annual accounts.

3.6 Investment income

Investment income is broken down as follows :

	2016	2015
Income deriving from investments	0.00	0.00
Income deriving from other investments	1,044,022.67	1,174,944.64
Profits deriving from the liquidation of investments	282,029.50	12,490.00
Readjustments on investments	413,691.49	151,258.00
Reversal Discounts 2015	19,176.09	0.00
Premiums	48,082.01	202,800.29
	1,807,001.76	1,541,492.93

3.7 Investment charges

Investment charges are broken down as follows:

	2016	2015
Investment management charges, including interest charges	(147,667.43)	(93,558.15)
Value adjustments on investments	(659,528.00)	(863,775.80)
Losses arising on liquidation of investments	(9,180.00)	(15,500.00)
Reversal Premiums 2015	(202,800.29)	0.00
Discounts	(9,971.35)	(19,176.09)
	(1,029,147.07)	(992,010.04)

NOTE 4 – ANALYSIS OF THE MOST IMPORTANT ITEMS RELATED TO THE ACCOUNT WITHOUT STATE GUARANTEE

4.1. Capital and reserves

Capital and reserves movements for the financial year are broken down as follows:

	RESERVES (EUR)	RETAINED RESULTS (EUR)	PROFIT OR (LOSS) OF THE FINANCIAL YEAR (EUR)
Balance at 31.12.2015	8,153,518.53	0.00	21,769.46
Movements during the year			
Appropriation of results	21,769.46	0.00	(21,769.46)
Net result			258,582.58
Balance at 31.12.2016	8,175,287.99	0.00	258,582.58

4.2 Provision for other risks and charges

The estimated tax charge at 31 December 2016 for activities without government guarantee is broken down as follows:

BREAKDOWN OF TAXATION PROVISIONS AS AT 31 DECEMBER 2016

DESCRIPTION	ACCRUAL	ADVANCES	BALANCE
Municipal Business Tax:			
• 2015 and 2016	23,719.00		23,719.00
Corporate Income Tax:			
• 2015 and 2016	82,891.83	(12,045.20)	70,846.63
TOTAL	106,610.83	(12,045.20)	94,565.63

4.3 Information related to premiums, claims, operating expenses and reinsurance.

	2016
Gross premiums written:	233,326.61
• of which in direct insurance	233,326.61
• of which in coinsurance	0.00
Gross earned premiums, net of reinsurance	158,988.07
Gross claims paid, net of reinsurance	(90,688.16)
Administrative expenses	(78,354.40)
Reinsurance balance	(47,372.81)

4.4 Administrative expenses

Under article 11 of the Grand-Ducal Regulation of 27 July 1997 giving effect to Articles 12 and 19 of the Law of 24 July 1995 relating to the Office du Ducroire, "the Office enters into a secretarial Agreement with the designated body, defining the conditions of reimbursement of remuneration costs applicable to personnel provided".

The designated body is the Chamber of Commerce. In 2016, this body invoiced EUR 30,282.74 (2015: EUR 27,421.79), inclusive of charges, for the reimbursement of personnel costs included in the operating expenses of the technical account of non-life insurance business.

Secondly, ODL subcontracts a portion of its management activity to Delcredre/Ducroire, Credimundi S.A and other agencies. In 2016, administrative expenses amounted to a total of EUR 27,559.81 (2015: EUR 41,808.06) included in the operating expenses of the technical account of non-life insurance business.

The fees of the audit company included in operating expenses as per 31 December 2016 are prorated to EUR 1,105.65 including tax (2015: EUR 1,053.00) for the account with State guarantee and relate solely to the auditing of annual accounts.

4.5 Investment income

Investment income is broken down as follows:

	2016	2015
Income deriving from other investments	100,413.35	17,908.19
	100,413.35	17,908.19



NOTE 5 – ANALYSIS OF THE MOST IMPORTANT ITEMS FOR THE ACCOUNT OF THE STATE

5.1 Capital and reserves

Capital and reserves for the financial year are broken down as follows:

	RESERVES (EUR)	RETAINED RESULTS (EUR)	PROFIT OR (LOSS) OF THE FINANCIAL YEAR (EUR)
Balance at 31.12.2015	4,691,062.75	0.00	(29,163.22)
Movements during the year			
Appropriation of results	(29,163.22)	0.00	29,163.22
Net result			43,787.94
Balance at 31.12.2016	4,661,899.53	0.00	43,787.94

5.2 Information related to premiums, claims, operating expenses and reinsurance.

	2016
Gross premiums written :	12,400.00
• of which in direct insurance	12,400.00
• of which in coinsurance	0.00
Gross earned premiums, net of reinsurance	10,458.78
Gross claims paid, net of reinsurance	0.00
Administrative expenses	(59,746.56)
Reinsurance balance	0.00

charges, for the reimbursement of personnel costs included in the operating expenses of the technical account of non-life insurance business.

The fees of the audit company included in operating expenses as per 31 December 2016 are prorated to EUR 1,103.65 including tax (2015: EUR 1,053,00) for the account with State guarantee and relate solely to the auditing of annual accounts.

5.4 Investment income

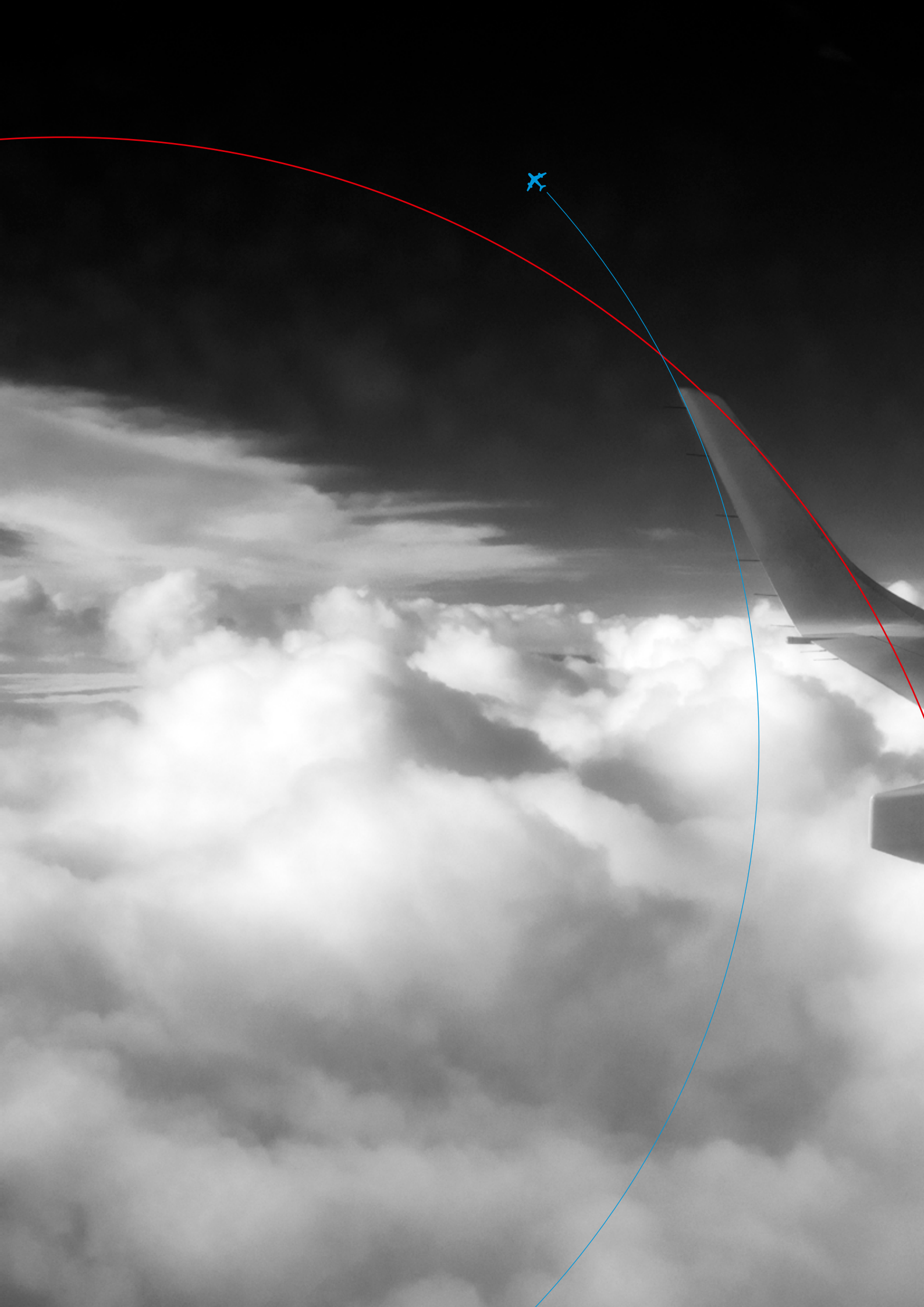
Investment income is broken down as follows:

	2016	2015
Income deriving from other investments	93,075.72	16,797.68
	93,075.72	16,797.68

5.3 Administrative expenses

Under article 11 of the Grand-Ducal Regulation of 27 July 1997 giving effect to Articles 12 and 19 of the Law of 24 July 1995 relating to the Office du Ducroire, "the Office enters into a secretarial Agreement with the designated body, defining the conditions of reimbursement of remuneration costs applicable to personnel provided".

The designated body is the Chamber of Commerce. In 2016, this body invoiced EUR 30,282.73 (2015: EUR 27,421.79), inclusive of



2. FINANCIAL SUPPORT FOR EXPORTS

BALANCE SHEET

AS AT 31.12.2016 AND 31.12.2015 IN EUR

	NOTE	31.12.2016	31.12.2015
CURRENT ASSETS			
Assets held at a bank			
Current bank accounts			
• BCEE current accounts		5,969,027.84	470,166.55
Bank fixed-term deposit accounts			
• BCEE fixed-term deposit accounts		0.00	7,493,699.62
Prepayment and accrued income			
• Accruals and deferred income		1,639.34	0.00
TOTAL ASSETS		5,970,667.18	7,963,866.17

	NOTE	31.12.2016	31.12.2015
LIABILITIES			
Capital and reserves			
Government allocations			
• Government allocations	3	6,685,425.21	8,686,208.22
Provision for commitments			
Other provisions			
• Provision for financial support granted		1,273,044.20	1,293,089.17
Creditors			
• Costs payable		254,370.58	210,351.79
Final result of the year		(2,242,172.81)	(2,225,783.01)
TOTAL LIABILITIES		5,970,667.18	7,963,866.17
Value of repayable advances		416,300.00	1,317,798.25

PROFIT AND LOSS ACCOUNT

AS AT 31.12.2016 AND 31.12.2015 IN EUR

	31.12.2016	31.12.2015
CHARGES	(2,244,353.40)	(2,251,595.04)
Financial support provided		
Financial support for trade fairs	(1,656,515.75)	(1,630,660.02)
Costs of research or advisory costs	(97,678.57)	(96,825.59)
Design costs	(59,811.68)	(63,377.58)
Promotion costs (advertising)	(130,327.08)	(102,886.52)
Registration / Certification	(8,773.96)	(5,000.00)
Interest make-up scheme	0.00	(11,930.88)
Opening of representation offices	(48,030.85)	(47,500.00)
	-	-
	(2,001,137.89)	(1,958,180.59)
Other external charges		
Property leases	(38,895.94)	(14,100.30)
Administrative expenses	(43,173.87)	(42,047.33)
Travel expenses	(5,594.29)	(6,115.69)
Bank fees and commissions	(69.60)	(162.40)
	-	-
	(87,733.70)	(62,425.72)
Personnel costs		
Gross salaries	(163,526.78)	(148,077.67)
Directors' fees	(12,000.00)	(12,000.00)
	-	-
	(175,526.78)	(160,077.67)
Other operating costs		
Change in the other provisions (Provision for financial support granted)	20,044.97	(70,911.06)
	-	-
	20,044.97	(70,911.06)
INCOME	2,180.59	25,812.03
Recoveries of financial support		
Repayable advances	0.00	4,285.56
Interest make-up scheme	0.00	6,395.18
	-	-
	0.00	10,680.74
Other income and interest		
Interest on financial accounts	2,180.59	15,131.29
	-	-
	2,180.59	15,131.29
FINAL RESULT OF THE YEAR	(2,242,172.81)	(2,225,783.01)

NOTES TO THE ANNUAL ACCOUNTS AS PER DECEMBER 31, 2016 (EXPRESSED IN EUR)

NOTE 1 – GENERAL INFORMATION

1.1. Origin of the COPEL

The “Comité pour la promotion des exportations Luxembourgeoises” (hereinafter “COPEL”) has been created by a cooperation agreement of 29 April 2002 between the Office du Ducroire (hereinafter “ODL”) and the Government. The COPEL is attached to the ODL as a subcommittee.

1.2. Purpose of the COPEL

The purpose of the COPEL is to promote Luxembourg exports through official support in the form of partial reimbursement of expenses related to the promotion, export training, participation in trade fairs or direct participation in export financing.

To achieve its objective, the COPEL decides on the acceptability of the applications in light of the general criteria established by the Cooperation Agreement, namely:

- The transaction, respectively sustained activity must represent an interest for the Luxembourg economy;
- Official support must comply with OECD rules governing officially supported export credit and related credit aid;
- The official support must comply with EU competition rules.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The COPEL keeps its books in Euro (EUR) and uses the following accounting principles:

2.1. Assets held at a bank

The assets held at a bank are presented at nominal value.

2.2. Government allocation

Pursuant to the Cooperation Agreement of 19 April 2002, the Government allocations are granted to COPEL within the limits of the budget appropriations. These allocations are used exclusively for the objectives of COPEL.

2.3. Other provisions

Other provisions consist of financial support granted but not yet paid to the exporter. These commitments are carried at nominal value.

2.4. Creditors

The costs payable are valued at their nominal value and expire during the year.

2.5. Personnel costs

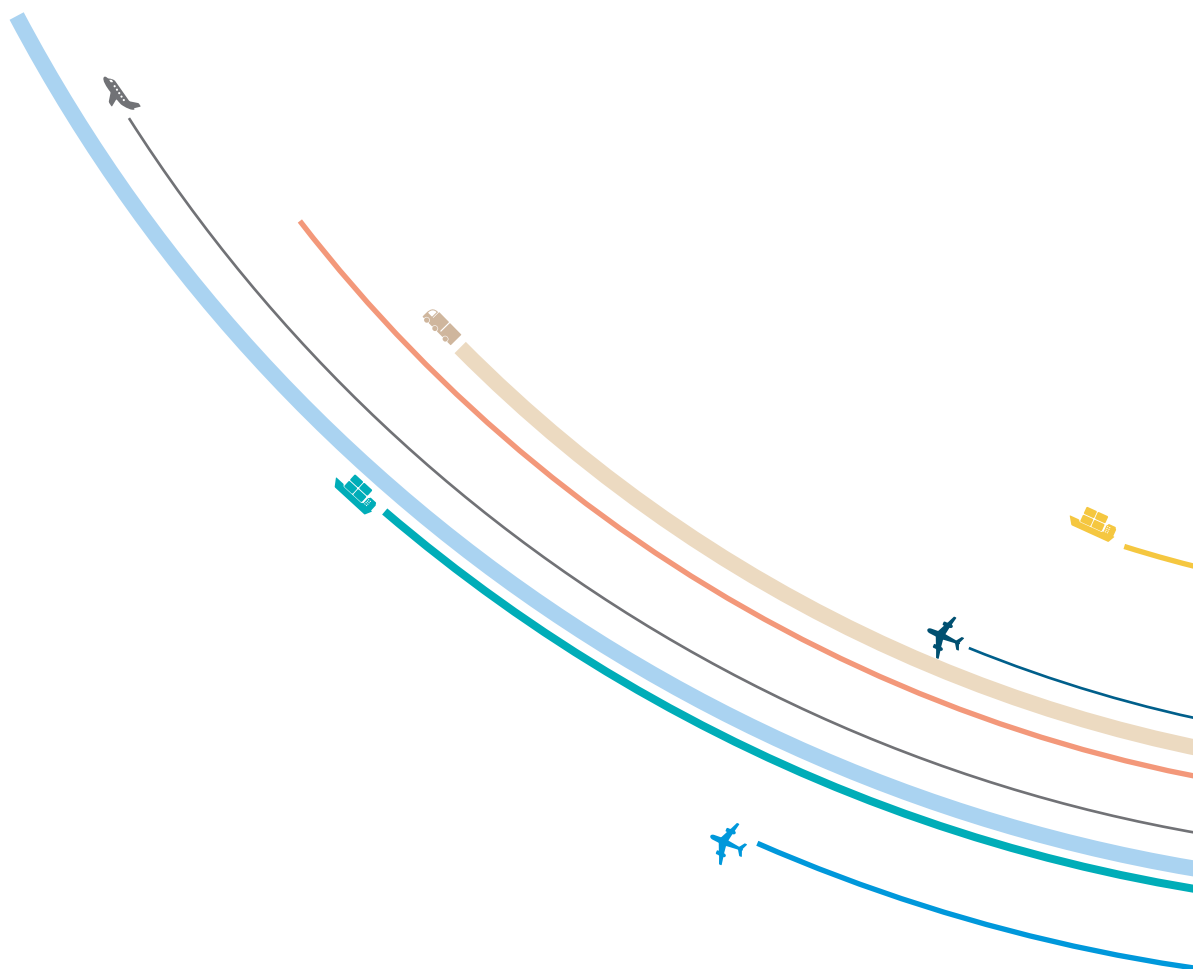
The gross salaries relate to the secretariat costs of the ODL attributable to COPEL.

NOTE 3 – GOVERNMENT ALLOCATIONS

	GOVERNMENT ALLOCATIONS (EUR)	FINAL RESULT OF THE YEAR (EUR)	TOTAL (EUR)
Balance at 31.12.2015	8,686,208.22	(2,225,783.01)	6,460,425.21
Movements during the year	225,000.00	0.00	225,000.00
Allocation of the balance	(2,225,783.01)	2,225,783.01	0.00
Balance for the year	0.00	(2,242,172.81)	(2,242,172.81)
Other movements			
Balance at 31.12.2016	6,685,425.21	(2,242,172.81)	4,443,252.40

NOTE 4 – OFF BALANCE SHEET COMMITMENTS

At the closing date, there are no off-balance sheet commitments.



3. AUDITOR'S REPORT

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Finance Minister
To the President of the Comité du Ducroire
And to the members of the Comité du Ducroire
OFFICE DU DUCROIRE
14, rue Erasme
L-1468 LUXEMBOURG

REPORT ON THE ANNUAL ACCOUNTS

Following our appointment, we have audited the accompanying annual accounts of the Office du Ducroire for the financial year ending on 31 December 2016. The annual accounts comprise the following:

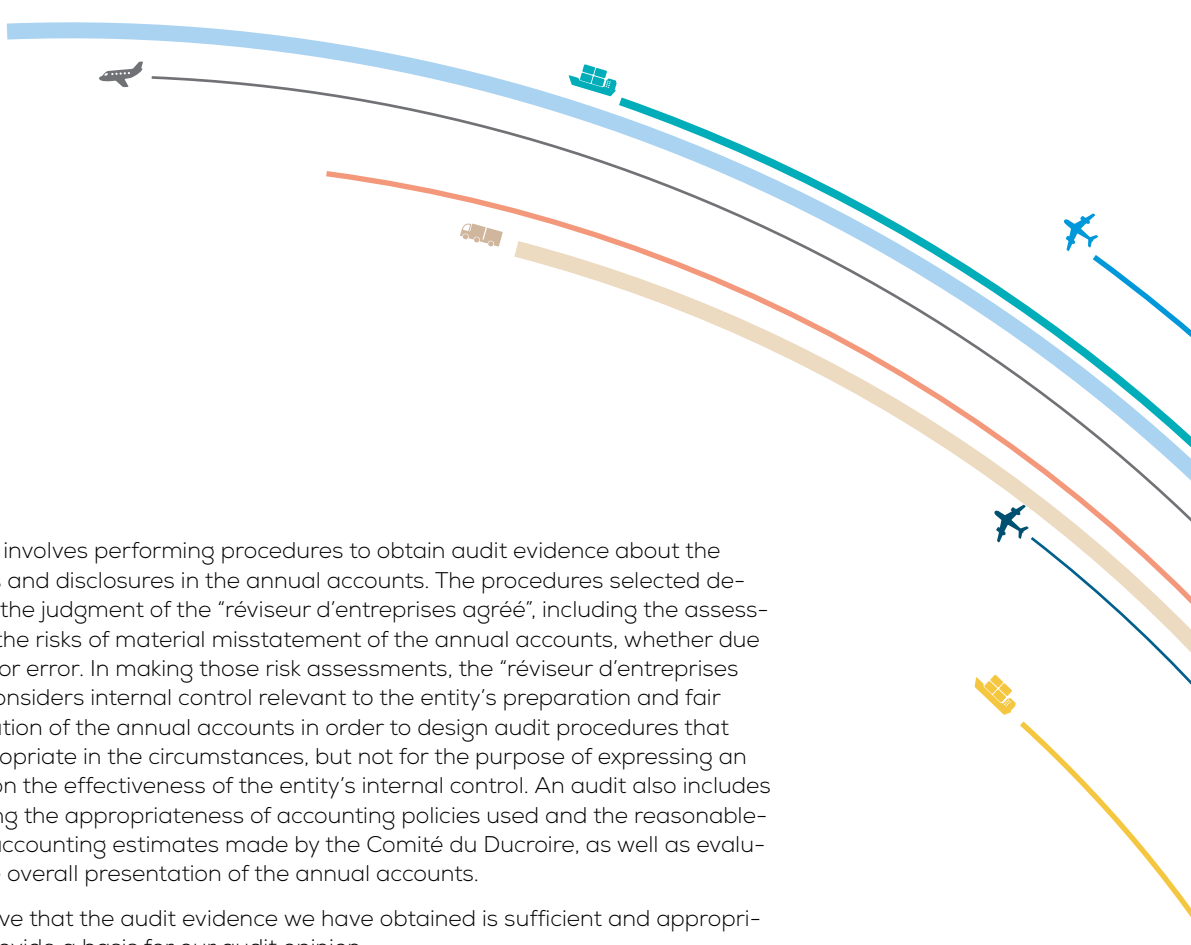
- A separate balance sheet and a profit and loss account for each activity described in Article 2, paragraphs 1), 2) and 3) of the law of 24 July 1995;
- Notes to the annual accounts, which comprise a summary of significant accounting policies and other explanatory information;
- The balance sheet as at 31 December 2016, and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information for the "Comité pour la Promotion des Exportations Luxembourgeoises" as described in the Article 6 of the convention between the Luxembourg Government and the Office du Ducroire dated 29 April 2002.

Responsibility of the Board of Directors for the annual accounts

The Comité du Ducroire is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts and for such internal control as the Comité du Ducroire determines is necessary to enable the preparation and presentation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Comité du Ducroire, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of the Office du Ducroire as of 31 December 2016, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Luxembourg, 30 June 2017

For MAZARS LUXEMBOURG,
Cabinet de révision agréé
10A, rue Henri M. Schnadt
L-2530 LUXEMBOURG

Amir CHAKROUN
Réviseur d'entreprises agréé

IV. ANNUAL REPORT APPENDIX



CORPORATE & SOCIAL RESPONSIBILITY

ODL is applying the following OCED guidelines:

- Recommendation on Common Approaches for the Officially Supported Export Credits and Environmental and Social Due Diligence
- Recommendation on Bribery and Officially Supported Export Credits
- Principles and Guidelines to Promote Sustainable Lending Practices in the Provision of Official Export Credits to Low Income Countries

ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

Projects in the industrial sector have often consequences for the importing country's inhabitants and the environment. In order to prevent and mitigate adverse environmental and social impacts of projects, ODL complies with the OECD guidelines on environmental and social due diligence for export credits.

Therefore, ODL undertakes appropriate environmental and social reviews and assessments for those projects. All projects for which ODL receives an application and for which the contractual amount exceeds 10 million SDR, or which are located in an environmentally sensitive area, are classified according to their potential environmental and social impact. If the project has the potential to have significant adverse environmental and/or social impacts, which are diverse, irreversible or unprecedented it is classified in category A. If its potential impacts are less adverse, the project is classified as category B and in category C if it has a minimal or no potentially adverse environmental and/or social impact.

ODL requires an Environmental and Social Impact Assessment (ESIA) to be carried out for all projects classified in category A. ODL verifies whether the ESIA is complete and impartial and, if necessary, calls on external environmental experts when assessing the quality of the ESIA.

The category B projects for which there is no ESIA are compared to general standards of the International Finance Corporation (IFC) and the sectoral IFC health and safety standards. If the project does not fit into the IFC standards, any other internationally recognized standards, such as European Union standards, may be used. Based on the IFC standards or the European directive, mitigating measures will be agreed upon with the exporter.

All A and B projects and their ESIA's are published on ODL's website.

COMBATING BRIBERY

Under the terms of the OECD Convention on Combating Bribery, signed on 21 November 1997, Luxembourg has taken measures to criminalise acts involving bribery of foreign public officials, transposing the provisions of the Convention to Luxembourg law in the form of the Law of 15 December 2001.

The insurance application form therefore informs the policyholder of current legislation and requires an anti-bribery declaration, as defined under the OECD Convention.

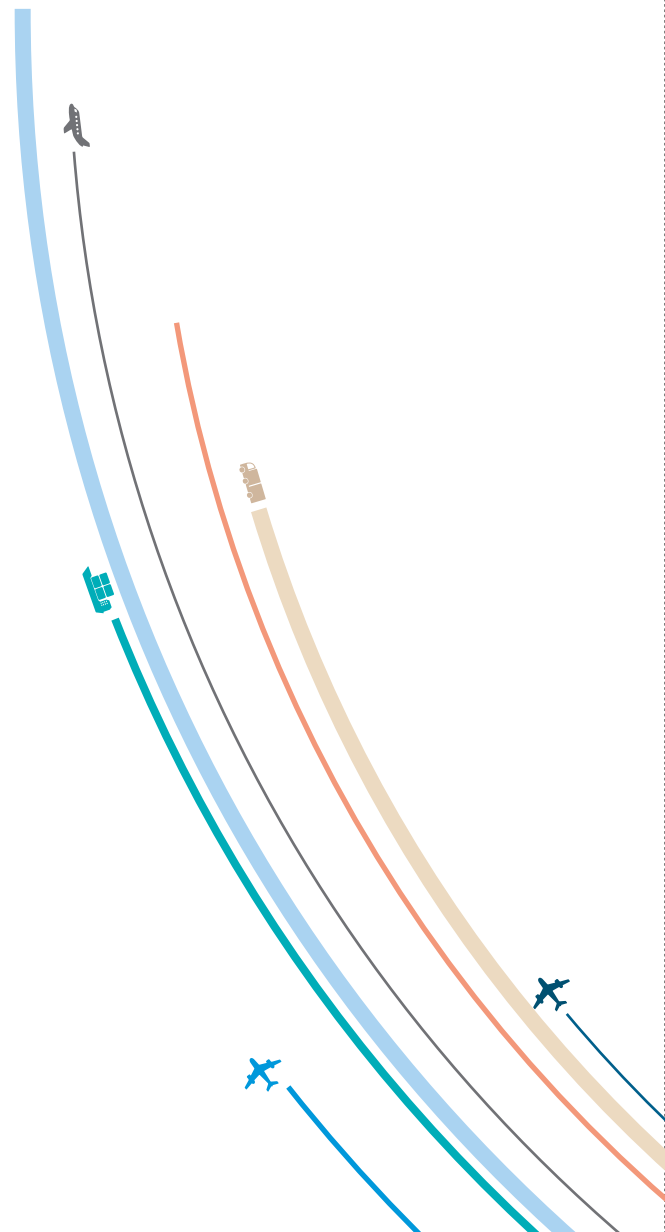
To strengthen measures to combat bribery of foreign public officials, OECD members adopted a recommendation (OECD Recommendation on Bribery and Officially Supported Export Credits) on 14 December 2006.

The procedure is two-fold:

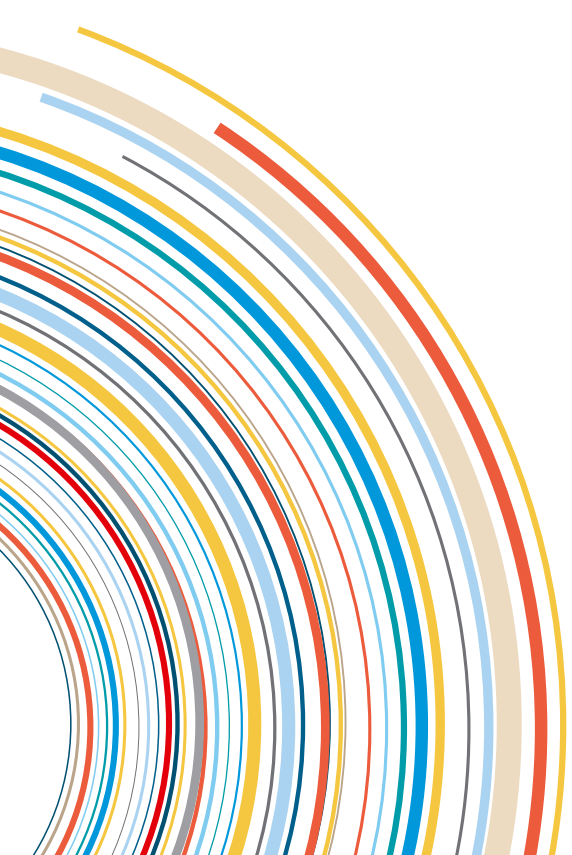
- Anti-bribery declaration:**
 With each application of cover, the exporters and banks, must submit an anti-bribery declaration in which they declare that the commercial and/or financial contract was not or will not be concluded due to criminal acts on the part of any of its employees or anyone acting on its behalf. In addition they declare that neither the policyholder nor any person acting on his behalf is included on debarment lists accessible to the public and have not been prosecuted before a national court or, in the course of the five years preceding the application, been convicted by a national court or subject to equivalent national administrative measures for breach of the laws designed to combat bribery of foreign public officials in any country whatsoever.
- Due diligence:**
 If there should be any indication from the declaration or from other sources that bribery may have been involved, further investigation will be made by ODL. This focuses on the one hand on the internal measures, processes and structures put in place by the policyholder to prevent and combat bribery. On the other hand sales agents involved in the deal as well as commission and remuneration payments will be examined. If there are indications of bribery, the Secretariat will report these to the Committee who will decide what measures need to be taken.

SUSTAINABLE LENDING

ODL undertakes to promote only lending to Low Income Countries that supports a borrowing country's economic and social progress without endangering its financial future and long-term development prospects. In consequence, such lending should, inter alia, generate net positive economic returns, foster sustainable development by avoiding unproductive expenditures, preserve debt sustainability and support good governance and transparency.







OFFICE DU DUCROIRE
14, RUE ERASME - KIRCHBERG
L-1468 LUXEMBOURG
T +352 288 554 - 1
F +352 288 554 - 99
ODL@ODL.LU

WWW.ODL.LU