Atradius Reinsurance DAC

Solvency and Financial Condition Report 2017

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Summary

The company

Atradius Reinsurance DAC ('the Company'), with its offices at 2nd Floor, La Touche House, International Financial Services Centre, Dublin 1, Republic of Ireland, is a leading market reinsurer providing capacity to primary insurance companies in credit and bonding insurance. The Company currently assumes business from over 60 countries, on all continents, maintaining a balanced diversity within the portfolio. The underlying third party business consists of approximately 58% credit insurance and 42% bonding, based on premium volume. The business is underwritten by a multilingual, highly trained and experienced, international team of underwriters at the Company's offices in Dublin.

During 2017, Atradius Re received regulatory approval for its partial internal model (PIM) in accordance with Article 231 of Directive 2009/138/EC, enabling it to calculate its capital requirements under Solvency II in respect of underwriting risk, in accordance with its own proprietary model, which more closely reflects its business and risk profile than does the standard formula (SF).

Atradius Re is a subsidiary of Atradius Investments Limited, also based in Dublin, which is a subsidiary of Atradius N.V., a company incorporated in the Netherlands. Atradius N.V.'s ultimate parent is Grupo Catalana Occidente, S.A, a company incorporated and listed in Spain.

Regulations

For the preparation of the Solvency II reporting as at 31st December 2017, the Company has applied the following rules:

- Solvency II laws and regulations (Directive 2009/138/EC, Delegated Acts (EU) 2015/35);
- Statutory Instrument No. 485 of 2015 "European Union (Insurance and Reinsurance) Regulations 2015";
- The transitional information requirements of the European Insurance and Occupational Pensions Authoritys (EIOPA) Delegated Acts, article 314;
- The Implementing Technical Standards and EIOPA Guidelines such as Guideline BoS 15/113 "Recognition and valuation of assets and liabilities other than technical provisions";
- The guidelines issued in the form of policy notices, Solvency II Information Notes and Q&A's by EIOPA and the Central Bank of Ireland (CBI).

Solvency Position

The following table summarises the Solvency II position of Atradius Re as at 31st December 2017. As noted previously, the Company has received regulatory approval for its partial internal model (PIM) in 2017. The capital requirements under Solvency II of the Company are therefore calculated in accordance with the PIM for the 2017 financial year. For ease of comparison, the FY2016 numbers have been calculated using the PIM also.

Solvency position	PIM mln	PIM mln
	2017	**2016**
Own funds Solvency II	718	681
Foreseeable dividends	-	-
Eligible own funds Solvency II	**718**	**681**
Solvency capital requirement (SCR)	**391**	**364**
Minimum capital requirement (MCR)	**98**	**97**
SCR Coverage	**183.9%**	**187.1%**

Solvency II requires that the own funds are classified into three tiers, based on whether they are basic or ancillary own fund items and to the extent to which they possess the following characteristics:

a) Loss absorbency capacity;
b) Subordination;
c) Sufficient duration;
d) Freedom from requirements and incentives to redeem;
e) Freedom from mandatory costs;
f) Absence of encumbrances.

The following table illustrates Own Funds by tier for the Company as at 31 December 2017:

Basic Own Fund Items (EUR millions)	Tier 1	Tier 2	Total
Ordinary paid up share capital	0.6	-	-
Capital contributions	279.1		
Other reserves from accounting balance sheet	347.3	-	-
Adjustments to assets	-240.3	-	-
Adjustments to technical provisions	279.6	-	-
Adjustments to other liabilities	-28.3	-	-
Subordinated liabilities dated	-	80.4	-
Total basic own funds	**638.0**	**80.4**	**718.4**

A. Business and Performance

A-1 Business

A-1 a) Name and legal form of the Undertaking

A-1 b) Supervisory authority & group supervisor

A-1 c) External auditor

A-1 d) Holders of qualifying holdings in the undertaking

A-1 e) Where the undertaking belongs to a group, details of the undertaking's position within the legal structure of the group

A-1 f) Material lines of business and material geographical areas of business

A-1 g) Any significant business or other events that have occurred over the reporting period that have had a material impact on the undertaking

A-2 Underwriting performance

A-3 Investment performance

A-4 Performance of other activities

A-5 Any other information

A-1 Business

A-1 a) Name and legal form of the undertaking

Atradius Reinsurance DAC (Designated Activity Company)
2nd Floor, La Touche House
International Financial Services Centre
Dublin 1
Ireland

A-1 b) Supervisory authority & group supervisor

The regulatory authority is the Central Bank of Ireland, with an address at New Wapping Street, North Wall Quay, Dublin 1, Ireland. The supervisor of the Group to which the Company belongs, Grupo Catalana Occidente S.A,, is Dirección General de Seguros y Fondos de Pensiones, with an address at Paseo de la Castellana, 44 CP 28046, Madrid, Spain.

A-1 c) External auditor

External auditing services are performed by chartered accountants and statutory audit firm Deloitte, with an address at 29 Earlsfort Terrace, Dublin 2, Ireland.

A-1 d) Holders of qualifying holdings in the undertaking

Atradius Investments Limited, a company incorporated in Ireland, is the Company's holding and parent company.

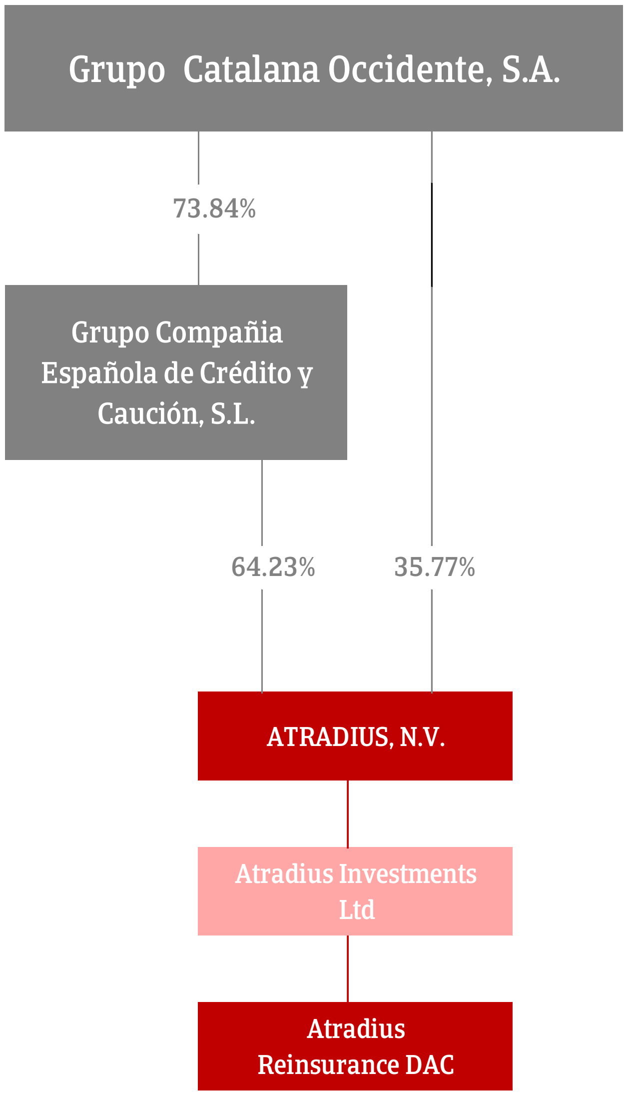
Atradius Investments Limited is a subsidiary of Atradius N.V., a company incorporated in the Netherlands.

A-1 e) Where the undertaking belongs to a group, details of the undertaking's position within the legal structure of the group

Atradius Reinsurance DAC is the 100% owned subsidiary of its parent company, Atradius Investments Limited, which is itself a 100% owned subsidiary of Atradius N.V., a company incorporated in the Netherlands.

Atradius N.V., with its office at David Ricardostraat 1, 1066 JS, Amsterdam, the Netherlands, and its subsidiaries (together referred to as 'Atradius') is a global credit insurer which aims to support its customers' growth by strengthening their credit and cash management through a wide range of credit insurance management products and services. These services include credit insurance, bonding, reinsurance, information services, collection services and instalment credit protection. Atradius offers products and services from strategically located offices on six continents and employed 3,756 people as at 31 December 2017 (2016: 3,758).

Shareholder Structure



Grupo Catalana Occidente

The ultimate parent of Atradius N.V. is Grupo Catalana Occidente, S.A. (GCO), with an economic stake of 83.2% (35.77% directly and 47.43% indirectly through the holding company Grupo Compania Española de Crédito y Caución, S.L.).

The shares of GCO are listed on the Continuous Market of the Barcelona and Madrid stock exchanges as part of the IBEX Medium Cap Index. Currently, 38% of its capital is floating and the main shareholder is INOC, S.A., holding 62% of the capital of GCO.

Thanks to the stability of its results and a prudent investment policy, GCO has a solid solvency position as can be seen from the below:

Key Figures (EUR million)	2017	2016	% change 2016/2017
Long-term capital market value	**3,755.5**	**3,508.5**	**7.0%**
Equity	3,078.6	2,834.7	8.6%
Subordinated debt	200.2	204.9	(2.3%)
Return on long-term capital	**11.8%**	**11.7%**	
Funds under management	**11,988.2**	**11,672.1**	**2.7%**
Total revenue	**4,254.3**	**4,235.8**	**0.4%**
Consolidated result	**357.3**	**324.5**	**10.1%**

GCO is one of the leaders in the Spanish insurance sector and in global credit insurance. Founded more than 150 years ago, it has experienced constant growth, thanks to its capacity to adapt to change and remain loyal to its principles, which are truly insurance oriented.

GCO is committed to the professional development of its employees and insurance agents, its personalised customer service and the trust its shareholders have in the organisation.

GCO is committed to the professional development of its employees and insurance agents, its personalised customer service and the trust its shareholders have in the organisation.

More than 20,000 insurance brokers

More than 1,500 branches

Presence in more than 50 countries

More than 6,500 employees

More than €4,000 million turnover

Strategic goal of GCO

To be leaders in the field of risk protection and long-term savings of families, as well as SMEs, and to be international leaders in commercial risk coverage.

Growth

Defining markets targeted by the group, appropriate product and service development, and establishing suitable distribution channels to reach the customer.

Profitability

Recurrent and sustained profitability based on technical and actuarial rigour, investment diversification and processes that allow tight cost ratios and quality service.

Solvency

Prioritise own resources generation and continued growth in order to support the group's expansion, ensuring compliance with commitments and ensuring appropriate shareholders returns.

	Characteristics	**Lines of Business**
Traditional business	Focused on Spain	Multi-risk
	Families and small and medium sized companies	Automobile
	Professional agency network	Other non-life
	1,405 offices	Life and financial products
		Health
		Funeral
Credit insurance business	Service offered in more than 50 countries	Credit insurance
	Companies	Bonding
	Agents and brokers	Credit and bonding reinsurance
		Debt collection
		Instalment credit protection
		Business information

Fundación Jesús Serra

Fundación Jesús Serra, named after the founder of the Grupo Catalana Occidente, was created in 2006 in order to channel the philanthropic actions of the Group and to drive the human and professional values that were characteristic of its founder. For this reason, the foundation participates in more than seventy projects in the areas of business, teaching, investigation, culture, sport and social action. In this way the Group contributes to the construction of a fairer, more united and more developed society, in which values such as initiative, effort, healthy competition and continuous improvement prevail.

A-1 f) Material lines of business and material geographical areas of business

LINES OF BUSINESS - Credit and Bonding Reinsurance

The Company is the leading specialised credit and bonding reinsurer in the market, providing reinsurance solutions for the credit insurance and bonding business of primary insurers throughout the world, through a dedicated team of multilingual, highly trained and experienced international underwriters.

The Company currently assumes business from over 60 countries, on all continents, maintaining a balanced diversity within the portfolio. The underlying third party business consists of approximately 58% credit insurance and 42% bonding, based on premium volume.

The Company has created long-standing relationships with its clients and specialist brokers. The quality of these client and broker relationships is underscored by the Company's unique offering: combining the Atradius Group's skills in the primary underwriting of credit insurance and bonding risks with its own distinctive approach and expertise in structuring reinsurance solutions. In this way, the Company can anticipate and respond to its clients' specific and changing needs. It continues to evolve and succeed in the face of increasing competition and is one of only very few reinsurers to have the capacity to re-underwrite. Those services create a very distinctive added value to its clients. Moreover, because it can cross-promote and thus provide an evolving portfolio of additional expert services, the Company is widely acknowledged to play an important role in the international development and growth of the credit and bonding insurance industry, particularly in emerging markets. The Company is an active member of and contributor to ICISA, PASA, DIMA and the Aman Union.

GEOGRAPHICAL AREAS OF BUSINESS

The Company is authorised and regulated by the Central Bank of Ireland and is authorised to conduct reinsurance business in the EU internal market in accordance with the provisions of the European Union (Insurance and Reinsurance) regulations, 2015. It is authorised to write business as a foreign reinsurer globally and is licensed and/or registered individually in Argentina, Bolivia, Chile, China, Colombia, Ecuador, Guatemala, India, Mexico, Paraguay, the Republic of Panama and Venezuela.

The full list of geographical areas from which the Company assumes business is as follows:

Europe:
Austria, Belgium, Croatia, Czech Republic, Estonia, France, Georgia, Greece, Hungary, Italy, Kosovo, Latvia, Lithuania, Macedonia, Malta, The Netherlands, Poland, Portugal, Romania, Russia, Serbia, Slovakia, Slovenia, Spain, Turkey, The United Kingdom.

Middle East:
Bahrain, Israel, Jordan, Lebanon, Oman, Saudi Arabia, United Arab Emirates.

Americas:
Argentina, Bolivia, Brazil, Columbia, Ecuador, Guatemala, Jamaica, Mexico, Paraguay, Peru, United States.

Asia:
Bangladesh, Cambodia, China, Hong Kong, India, Indonesia, Japan, Malaysia, Pakistan, Philippines, Singapore, Thailand.

Africa:
Algeria, Egypt, Kenya, Mauritius, Morocco, Nigeria, South Africa, Tunisia.

Oceania:
Australia, New Zealand.

A-1 g) Any significant business or other events that have occurred over the reporting period that have had a material impact on the undertaking

Partial Internal Model

Regulatory approval of the Company's "Partial Internal Model". The Company now has an internally developed economic capital model for the calculation of regulatory capital under Solvency II. With a solid solvency position, including well capitalised operating entities, we consider that the calculation of the SCR is aligned to our risk profile and the way we manage the business. We are also able to withstand financial stress, meet financial obligations and ultimately deliver shareholder value.

Ratings

The Atradius Group has credit ratings from both A.M. Best and Moody's.

A.M. Best rates the key operating entities of the Atradius Group, which includes Atradius Reinsurance DAC, with a financial strength rating of 'A excellent, outlook stable' and Moody's with 'A2, Outlook Stable'. Moody's upgraded Atradius to 'A2' from 'A3' in March 2018.

These ratings are a testament to the group's sound performance, geographic diversification, and strong competitive position within the global trade credit insurance market.

A-2 Underwriting performance

Stable and profitable growth

The following financial numbers are stated in accordance with the basis of preparation of the financial statements, which is FRS 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" and FRS 103 "Insurance Contracts" ("UK and Irish GAAP") issued by the Financial Reporting Council, and promulgated for use in Ireland by Chartered Accountants Ireland. The financial numbers presented are therefore in accordance with UK and Irish GAAP and are as per the financial statements.

(EUR thousands)	2017	2016	YoY (%)
Gross Insurance revenue	481,018	456,626	5.3%
Gross insurance claims and loss adjustment expenses	(220,993)	(255,031)	13.3%
Gross insurance operating expenses	(196,206)	(188,852)	(3.9%)
Reinsurance result	(18,939)	(6,496)	(191.5%)
Technical result	**44,880**	**6,247**	**618.4%**
Release of equalisation reserve	-	116,983	(100.0%)
Technical result after change in equalisation reserve	44,880	123,230	(63.6%)
Net Investment income	8,300	4,455	86.3%
Operating result before finance costs	**53,180**	**127,685**	**(58.4%)**
Finance costs	(1,179)	(6,228)	81.1%
Profit before tax	**52,001**	**121,457**	**(57.2%)**
Tax on profits	(6,502)	(15,182)	57.2%
Profits afer tax	**45,499**	**106,275**	**(57.2%)**
Em ployees (FTE)	**25**	**26**	**-3.1%**

	GROSS		NET	
	2017	**2016**	**2017**	**2016**
Claims Ratio	45.9%	55.9%	46.3%	55.1%
Expense Ratio	40.8%	41.4%	43.0%	43.4%
Combined Ratio	86.8%	97.2%	89.3%	98.4%

The following table provides a breakdown of the Company's gross earned premium by region:

	2017 €'000	%	2016 €'000	%
Europe	298,990	62%	289,526	63%
Americas	83,395	17%	79,276	17%
Asia	73,063	15%	56,875	12%
Middle East	6,568	1%	12,831	3%
Oceania	12,289	3%	11,576	3%
Africa	6,712	1%	6,542	1%
Total	**481,018**	**100%**	**456,626**	**100%**

During 2017, the Company's total revenue increased from €456.6 million to €481.0 million. The claims ratio fell from 55% to 46% and the commissions and direct operating expenses ratio from 41% to 40%, resulting in a reduction in the combined ratio from 96% to 86%.

Reinsurance revenue from the Atradius Group grew by 7.0% (2016: 3.0%). This growth is as a result of increasing levels of new business and of maintaining an excellent customer retention level of 93%. The claims ratio relating to group internal business reduced from 50% to 41%.

Third party reinsurance revenue for 2017, of €133.7 million, has increased from €132.0 million in 2016, despite continuing with targeted cycle management actions. The success of these measures is reflected in a further reduction in claims expenses, with a reduction of 23% compared to last year.

The persistent low yield environment continues to have a negative impact on interest income. While total Investment Income has increased due to gains realised early in the year, interest income has fallen when compared to prior years. The Company's investment strategy remains on course with a focus on preserving capital to avoid large losses on the investment portfolio.

No dividend is expected to be paid, during 2018, to the Company's immediate parent company, Atradius Investments Limited (2017: nil).

The Company's key objective and long term strategy includes secured net profits, sustainable growth and a strong capital position.

The Company transfers a portion of its reinsurance risk to external reinsurers/retrocessionaires, through a number of reinsurance arrangements, including quota share and excess of loss treaties. The reinsurance treaties are reviewed annually and in accordance with the Company's policy to select only reinsurers with a high quality standard of solvency/rating. The normal minimum requirement is an 'A' level rating.

Following the introduction, on 1 January 2016, of Solvency II as the new regulatory regime applicable to (re)insurance companies, an equalisation provision is no longer required in accordance with FRS 103 "Insurance Contracts". Consequently, the opening equalisation provision, totalling EUR117 million, has been derecognised and unwound in full in 2016.

A-3 Investment Performance

Investment income grew to EUR 8.3m in 2017 (86.3%). The main contributor to the increase of the investment income in relation to 2016 is the realization of EUR 4.9m gains on the sale of equities in 2017.

The revaluation reserve on financial investments declined with EUR 2.5m in 2017 (132.5%). The main contributor to this decline is the change in revaluation reserve on bonds.The Company's investment strategy has remained on course with a focus on preserving capital to avoid large losses on the investment portfolio.

Breakdown of investment income

(EUR thousands)	2017	2016	YoY (%)
Net interest income	2,514	3,366	(25.3%)
Dividends	2,127	2,444	(13.0%)
Realised gains and (losses)	4,925	(323)	1,624.8%
Impairments	(231)	(218)	(6.0%)
Investment handling expenses	(1,035)	(814)	(25.0%)
Investment result	**8,300**	**4,455**	**86.3%**

Gains and losses in the revaluation reserve

(EUR thousands)	2017	2016	YoY (%)
Equity securities	41	1,993	(97.9%)
Debt securities	(2,536)	5,688	(144.6%)
Total gains and losses recognised in revaluation reserve	**(2,495)**	**7,681**	**(132.5%)**

The table below shows the asset allocation by investment class:

(EUR thousands)	2017	2016	YoY (%)
Government Bonds	329,464	323,784	1.8%
Corporate Bonds	530,978	518,151	2.5%
Equity Shares	81,954	75,959	(7.9%)
Total	**942,396**	**917,894**	**2.7%**

A-4 Performance of other activities

n/a

A-5 Any other information

n/a

B. System of governance

B-1 General information on the system of governance

B-1.1 Corporate governance framework

B-1.2 Board of Directors (“BOD”)

B-1.3 Audit Committee (“AC”)

B-1.4 Risk Committee (“RC”)

B-1.5 Key functions

B-1.6 Remuneration policy

B-2 Fit and proper requirements

B-3 Risk management system including the own risk and solvency assessment

B-4 Internal control system

B-5 Internal Audit function

B-6 Actuarial function

B-7 Outsourcing

B-8 Any other information

B-1 General information on the system of governance

B-1.1 a) Corporate governance framework – Atradius NV

Atradius endorses the importance of sound corporate governance. Key elements of independence, accountability and transparency create a relationship of trust between Atradius and all of its stakeholders.

Atradius N.V. is a limited liability company organised under the laws of the Netherlands with a Management Board and a Supervisory Board. The Management Board is responsible for achieving the Company's objectives, strategy, policy and results and is guided by the interests of the Company and the business connected with it. The Supervisory Board supervises the Company's general affairs and the policy pursued by the Management Board as well as the performance of the management duties by the Management Board members, taking into account the interests of the Company and the business connected with it.

The Management Board as a whole is responsible for the management and the general affairs of Atradius and is supervised by the Supervisory Board. The Management Board determines Atradius' operational and financial objectives, and the strategy designed to achieve these objectives, and ensures that Atradius has in place an effective risk management system, internal control system and internal audit function. The annual business plan and budget of Atradius are submitted to the Supervisory Board for approval. The Management Board rules describe the (allocation of) duties and the decision making process of the Management Board.

The General Meeting has the authority to appoint the members of the Management Board on the recommendation of the Remuneration, Selection and Appointment Committee of the Supervisory Board. A Management Board member may be suspended or dismissed by the General Meeting at any time. The Management Board shall consist of at least three members. Management Board members are appointed for an undefined term. In the event of a vacancy, the management of Atradius N.V. will be conducted by the remaining members or sole remaining member of the Management Board.

The Management Board of Atradius N.V. currently consists of five members:

- Isidoro Unda - Chairman and Chief Executive Officer
- Andreas Tesch - Chief Market Officer
- Christian van Lint - Chief Risk Officer
- Claus Gramlich-Eicher - Chief Financial Officer
- Marc Henstridge - Chief Insurance Operations Officer

CVs of each of the Management Board members, showing their roles, background and experience are available on the website.

The Supervisory Board supervises the Company's general affairs and the policy pursued by the Management Board. The responsibilities of the Supervisory Board include, among others, supervising, monitoring and advising the Management Board on the Company's strategy, performance and risks inherent to its business activities; the design and effectiveness of the internal risk management and control systems and the financial reporting process. The Supervisory Board rules describe the decision-making process and the composition and committees of the Supervisory Board.

The General Meeting has the authority to appoint the members of the Supervisory Board on the recommendation of the Remuneration, Selection and Appointment Committee of the Supervisory Board. A Supervisory Board member may be suspended or dismissed by the General Meeting at any time. The Supervisory Board shall consist of at least five members. Supervisory Board members shall resign according to a rotation scheme determined by the Supervisory Board pursuant to which each Supervisory Board member shall resign after a maximum period of four years, after the date of appointment. A resigning Supervisory Board member may be reappointed. A Supervisory Board member will resign early in the event of inadequate performance or in other circumstances in which resignation is deemed necessary by the other members of the Supervisory Board.

The Supervisory Board of Atradius N.V. currently consists of ten members:

- Ignacio Álvarez, Chairman
- Francisco Arregui, Vice-Chairman
- Bernd Meyer
- Dick Sluimers
- Xavier Freixes
- Hugo Serra
- Désirée van Gorp
- John Hourican
- Carlos Halpern
- José María Sunyer

CVs of each of the Supervisory Board members, showing their background and experience are available on the website.

B-1.1 b) Corporate governance framework – Atradius Reinsurance DAC

Atradius Reinsurance DAC (“the Company”) endorses the importance of sound corporate governance. Key elements of independence, accountability and transparency create a relationship of trust between the Company and all of its stakeholders: employees, customers, suppliers, shareholders, regulators and the general public.

The Company is a designated activity company organised under the laws of the Republic of Ireland. The Company is a subsidiary of Atradius Investments Limited (also based in the Republic of Ireland) which is itself a subsidiary of Atradius N.V. a company incorporated in the Netherlands.

Atradius N.V.’s ultimate parent is Grupo Catalana Occidente, S.A, a company incorporated and listed in Spain. Grupo Catalana Occidente, SA is the ultimate beneficial owner (“UBO”) of Atradius Reinsurance DAC. The Company is authorised by the Central Bank of Ireland

("CBI") to carry on the business of Reinsurance and is subject to the minimum requirements as set out in the Corporate Governance Code for Credit Institutions and Insurance Undertakings (as amended from time to time).

Primary responsibility for corporate governance within the Company rests with the Board of Directors ("BOD"). The BOD supervises the general affairs of the Company, taking into account the interests of the Company and its stakeholders.

The BOD is supported in its role by:

- the establishment of two board sub-committees – Audit and Risk – which make recommendations to the BOD within the remit of their terms of reference; and
- a number of Atradius Group Committees – on which the Company has voting rights and whose activities are reported directly into the BOD and/or its sub-committees as necessary.

The Executive Directors ("EDs") are responsible for proposing strategies, for executing agreed strategies and for achieving the Company's objectives, policy and results. The ED are responsible for management and oversight of the general affairs of the Company and are supported in their roles by the establishment of:

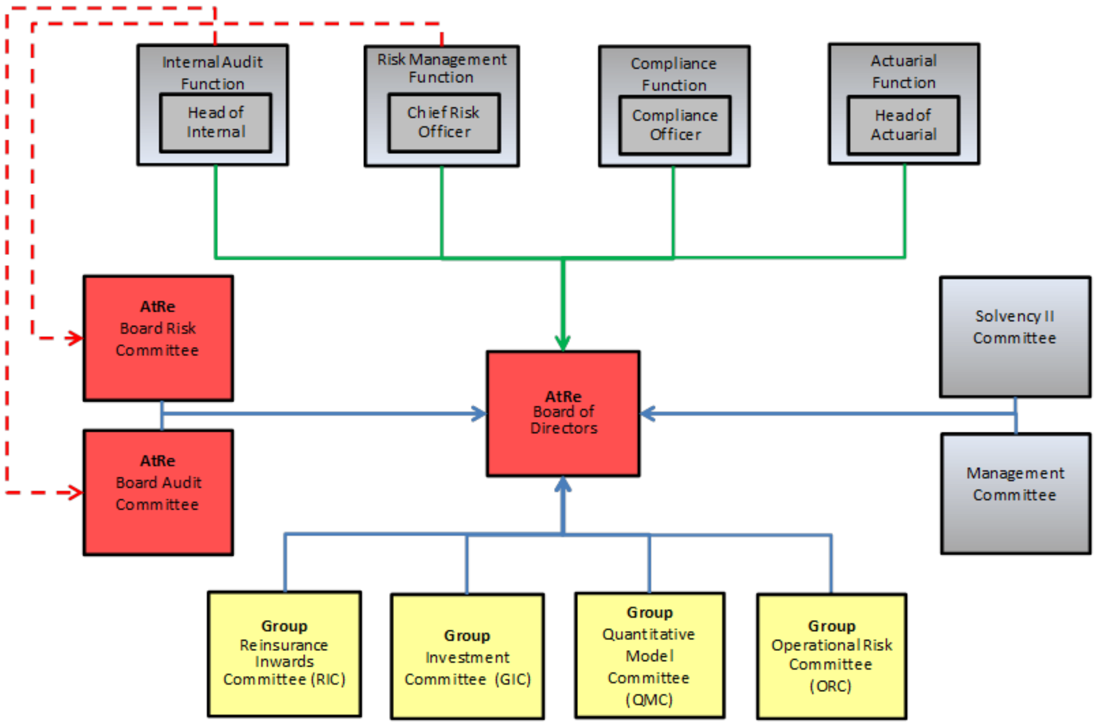
- Four key functions – Compliance, Risk Management, Actuarial and Internal Audit – which report directly to the BOD and/or its sub committees as necessary; and
- A Senior Management Team that reports directly to the ED.

The Non-Executive Directors ("NEDs") are responsible for challenging, agreeing and overseeing the execution of strategies and must participate fully in the decision making process.

The Board of Directors of Atradius Reinsurance DAC currently consists of seven members:

- David Capdevila – Chairman of the Board (non-executive director)
- Daniel Stausberg – Managing Director (executive director)
- Niamh Derivan – Finance Director (executive director)
- Marc Henstridge – non-executive director
- Antonio Rubio - non-executive director
- Conor Molloy – independent non-executive director
- Mary Brennan – independent non-executive director

Corporate governance structure



B-1.2 Board of Directors ("BOD")

The BOD is represented by a balanced proportion of executive and non-executive directors. The majority of the BOD must be NEDs. There must be a minimum of five Directors appointed to the BOD and there must be at least two independent non-executive directors appointed to the BOD at all times.

The BOD receives its powers and duties from the Company's shareholders by virtue of the Company's Articles of Association. These powers are then limited by legal and regulatory restrictions. These powers are subject to oversight by various bodies but most particularly by the Central Bank of Ireland.

The BOD meets at least four times in any calendar year. The BOD, following appropriate consultation with the ED, sets an agenda in advance of each meeting. To enable proper discussion of the items on the agenda for each meeting, the BOD is provided with all relevant information and documentation in advance of those meetings.

The BOD sets the Company strategy and oversees the implementation of this strategy by reviewing periodic and ad-hoc reports prepared by the ED, the Compliance function, the Risk Management function, the Internal Audit function, the Actuarial function, the External Actuary and External Audit as appropriate.

The BOD ensures the proper organisation of the Company, the implementation of a strong internal control system, the implementation of a strong enterprise risk management system and the definition and formalisation of suitable policies and procedures. The BOD provides direction concerning the running of the business in line with the Company strategy and is responsible for ensuring that these directions are executed by the Company.

All BOD members are required to attend all BOD meetings unless they are unable to attend due to circumstances beyond their control. The minimum quorum for decision making requires that there is a balanced representation of NEDs to EDs, ensuring a majority of non-executive directors is maintained with at least one INED present at all meetings. Decisions will be made on a simple majority basis. The Chair of the BOD retains the casting vote. The Secretary will formally record all minutes and decisions taken.

In accordance with the Articles of Association, the BOD formulates the Company's operational and financial objectives and the Company strategy designed to achieve these objectives. The annual budget and long term plan of the Company is prepared by the ED and is submitted to the BOD and Group stakeholders for their review and approval.

Board diversity policy

The BOD must satisfy itself as to the suitability of all BOD appointees. It is the policy of the BOD to consider all BOD appointments on merit. Candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board, including professional background, geographical location and gender. All appointments to the BOD must be documented in accordance with the ongoing requirements of the Corporate Governance Code and Fitness & Probity standards.

A member of the BOD with a conflict of interest with the Company will immediately report this to the Chairman of the BOD. A member of the BOD who has a conflict of interest with the Company will not participate in discussions and/or decision-making processes on any issues or transactions affected by the conflict of interest. A register of any and all conflicts of interest reported is maintained as part of the Company's records. Upon appointment to the BOD, all members are required to sign a Conflict of Interest and Fitness & Probity statement

B-1.3 Audit Committee ("AC")

The BOD must satisfy itself as to the suitability of all AC appointees. The AC supports the BOD in fulfilling its supervisory and monitoring duties with respect to the assurance of the integrity of the Company's financial statements, the external auditor's qualifications, and the performance of internal and external auditors. The AC monitors, independently and objectively, the financial reporting process within the Company and the system of internal controls. The AC also supports the ongoing communication between the External Auditor, the Internal Audit function and the BOD on issues concerning the Company's financial position and financial affairs.

Internal Audit function - Internal Audit fulfils an important role in assessing and testing the internal risk management and control system. The Director of Atradius Group Internal Audit reports to the Chairman of the AC and, with respect to day-to-day activities, to the Finance Director of the Company.

Composition of the Audit Committee

The AC consists of at least three members, all of whom must be NEDs.

The Chairman of the Committee shall be an INED ("Independent Non-Executive Director").

A quorum will exist if two members are in attendance provided there is a majority of INEDs in attendance.

AC members must have relevant expertise in financial administration and accounting for listed companies or other large companies and at least one member shall have an appropriate qualification.

The BOD shall appoint one of the AC members as AC Chairman. The AC Chairman shall be primarily responsible for the proper functioning of the AC. He shall act as the spokesman of the AC and shall be the main contact for the BOD. In particular, he will take care of good communication with the BOD and consultants appointed by the AC. The AC Chairman will maintain regular contact with the chairman of the BOD.

Members of the BOD may attend the AC by invitation however attendance shall be managed to ensure independence of the AC is not compromised in any way.

The AC has complete independence in performing its reporting and regulatory functions.

B-1.4 Risk Committee ("RC")

The BOD must satisfy itself as to the suitability of all RC appointees. Enterprise risk management is a priority for the Company (at an entity level and as part of the Group) and helps steer its financial, operating and other risks. The RC supports the BOD in fulfilling its supervisory and monitoring duties with respect to the risk strategy of the Company. The RC is supported by the Atradius Re Chief Risk Officer (CRO) who reports into the RC on a regular basis.

Risk function - The RC is responsible for reviewing and assessing the performance of the risk management function of the Company and for making recommendations as appropriate.

The RC forms part of the Company's Approved Corporate Governance Framework and is responsible for overseeing and advising the Board in relation to the current risk exposures and future risk strategies of the Company.

The RC and its individual members must operate in the context of, and must remain compliant with, the Corporate Governance Code for Credit Institutions and Insurance Undertakings.

Unless otherwise defined hereinafter, the terms used in this Risk Committee governance shall have the meaning as defined in the Governance Framework.

Composition of the Risk Committee

The RC shall consist of all current members of the BOD. A quorum will exist if three members are in attendance provided there is a majority of NEDs in attendance (one of which must also be a member of the AC).

All members must have relevant expertise in the management of risks.

Voting rights apply to each member of the Committee with the chairperson of the meeting having casting vote to reach a majority decision.

The proportionality of appropriate representation between executive and non-executive directors must be maintained.

The Chairman of the Committee shall be a NED.

The Chairman may invite other employees or advisors to attend all or part of any RC meeting.

The BOD shall appoint one of the RC members as RC Chairman. The RC Chairman shall be primarily responsible for the proper functioning of the RC. RC Chairman shall act as the spokesperson of the RC and shall be the main contact for the BOD. In particular, the RC Chairman will take care of good communication with the BOD and consultants appointed by the RC. The RC Chairman will maintain regular contact with the chairman of the BOD.

B-1.5 Key functions

Four key functions have been established at the Company, all of which support the BOD in discharging its obligations. Article 13 of the Solvency II Directive defines a function, within a system of governance, as "an internal capacity to undertake practical tasks". These four key functions are **Compliance, Risk Management, Actuarial and Internal Audit**. The Compliance and Risk Management functions are described below. The Internal Audit and Actuarial functions are described later in sections B-5 and B-6 respectively.

Compliance function

The Company's Compliance function is an independent function and as such will not be placed in a position where possible conflicts of interest may occur between Compliance responsibilities and any other responsibilities. It consists of a Compliance Officer (CO) who must be formally appointed to the role by the BOD. The role of the CO is a Pre-Approved Control Function (PCF) under the applicable CBI regulations and any appointment to this role must be pre-approved by the CBI. The Compliance function supports the BOD in meeting its objective of complying with all applicable laws and regulations.

The CO's responsibilities include, among other things:

- ensuring the regulatory and operational compliance obligations of the organisation are duly implemented, monitored and reported in a timely manner;
- ensuring that all legal and company secretarial administration is monitored and controlled with timely record keeping and reporting;
- monitoring changes in applicable law or regulations and for assessing the impact thereof as well as assessing that internal processes are compliant;
- working on a preventive basis, by providing assistance and advice on all compliance matters;
- reporting directly to the BOD;
- acting as liaison between the Company and its regulators and is responsible for coordinating and maintaining a strong and transparent relationship with its regulators;
- The CO's independence is enhanced by the provision of an independent dotted reporting line to the CO of Atradius NV. This reporting line is specifically aimed at allowing adverse reporting to take place if such reports become necessary.

Risk Management function

The Company's Risk Management ("RM") function is independent and as such will not be placed in a position where possible conflicts of interest may occur between Risk Management responsibilities and any other responsibilities. It consists of a Chief Risk Officer who must be formally appointed to the role by the BOD. The role of the CRO is a PCF under the applicable CBI regulations and any appointment to this role must be pre-approved by the CBI. The Risk Management function supports the BOD in meeting its objective of effectively managing its risk profile relative to its risk appetite and draws support from the Atradius Group Risk Management Function as necessary.

The CRO's responsibilities include, among other things:

- distinct responsibility for the RM function and for maintaining, and monitoring the effectiveness of, the risk management system;
- ensuring that effective processes are in place to identify, measure, manage, monitor and report on the risks to which the Company is, or might be, exposed to;
- responsibility for facilitating setting of the risk appetite by the BOD;
- reporting directly to the BOD via the Risk Committee;
- reporting directly to the BOD on outcomes arising from the internal model governance committees (ie. QMC), as appropriate. Furthermore, the CRO ensures that feedback the BOD has on the internal model (such as use of expert judgements, model changes and validation results), is communicated to the appropriate forum at group level.

B-1.6 Remuneration Policy

The Atradius Group remuneration policy lays down the principles and key elements of sound and controlled remuneration of all Atradius' employees, including those of Atradius Re. The Remuneration Policy supports the Group's business strategy, objectives, values and long-term interest and is aligned with the size, organisational set-up, nature and complexity of the business activities of the Group. The Remuneration Policy is designed to improve the performance and the value of the Group, to motivate, retain and attract qualified employees and to contribute to sound and efficient risk management within the Group and to discourage taking more risk taking than is acceptable to Atradius.

Employees are entitled to variable remuneration components as a percentage of their fixed salary. The relationship between fixed and variable remuneration has been carefully considered, with a sufficiently high fixed component to allow for the non-payment of the variable component if performance criteria are not met.

Typical elements of total compensation are annual base salary, annual variable remuneration and other benefits. The Company does not provide stock options or share purchasing programmes. Supplementary pension schemes do exist in the form of a defined contribution scheme.

There have been no material transactions with shareholders, nor with persons who exercise a significant influence on the undertaking.

B-2 Fit and proper requirements

The Company is authorised by the Central Bank of Ireland ("CBI") and, as such, is required to comply at all times with the Fitness & Probity (F&P) regime which came into effect on 1 December 2012.

The domestic F&P regime was reviewed in 2015 in order to determine compatibility with Solvency II. The CBI deems that individuals subject to SII F&P notification requirements in Articles 42(2) and (42(3) align to the domestic F&P regime.

Under this regime, an individual that is appointed to a "controlled function" ("CF") must comply with the F&P standards as prescribed under the regulations. A CF is defined as a role that exercises a significant influence on the conduct of the affairs of the Company monitors compliance or performs functions in a customer-facing role. Certain of these CF roles are referred to in the regulations as "Pre approved controlled functions" (PCFs) and these require the approval of the CBI before appointment.

Taking the nature of the roles into consideration, it is the policy of the Company to ensure that all employees, directors and officers are:

- competent and capable;
- honest, ethical and act with integrity at all times; and
- financially sound.

The Atradius Code on Employee Background Screening sets out when background screening must take place and the manner in which it must be conducted.

In the case of those critical or important functions that are outsourced, the fit and proper requirements will be verified in accordance with the outsourcing policy.

Fitness requirements

The Company should be well placed to determine the particular demands of a CF/PCF, i.e. what qualifications, experience, knowledge and other relevant factors will make a person fit for the performance of that function.

Probity requirements

Individuals proposed for CFs or PCFs must be honest, diligent and independent-minded and must act ethically and with integrity. Probity is a matter of character illuminated by a person's past behaviour. In general, where a person is found not to be a person of probity due to a lack of honesty, integrity or ethical judgement, that person may not be suitable for any CF or PCF.

Probity may also include individuals ensuring that they act without conflicts of interest.

Professional propriety means that the person has throughout his or her life upheld the law and adhered to good commercial practices as outlined above and also adhered to good financial practices.

Approval process

For those roles designated as CF roles or PCF roles under the regulations, the Company's Compliance Officer ("CO") is responsible for coordinating the screening of potential employees and, in the case of PCFs, for securing the approval of the Board to propose the appointment to the regulator and for securing the approval of the regulator before PCF appointment. The CO must satisfy themselves on reasonable grounds that the potential employee complies with the Fitness and Probity Standards and must obtain written confirmation that the individual agrees to always abide by those standards.

To obtain the CBI's approval requires the submission of an individual questionnaire ("IQ"), available on the Central Bank's website.

An assessment of compliance with the Fitness & Probity standards must take place at least annually but also in the event of promotion or demotion.

B-3 Risk management system including the own risk and solvency assessment

The main components of the risk management system are:

- **Risk Strategy**
- **Risk Governance**
- **Risk Management Policies and Guidelines**
- **Risk Boundaries**
- **Measurement / Monitoring / Reporting**
- **Risk Management Function**
- **Own Risk and Solvency Assessment**

Risk strategy

The risk strategy is the Company's risk appetite framework which consists of the following main components:

- **Risk appetite** is the aggregate amount of risk that the Company is willing to assume within a predetermined period;
- **Risk tolerance** is the aggregate amount of risk that the Company is willing to assume for a specific type of risk;
- **Risk limits** are operational limits established to facilitate control of risk-taking.

The risk strategy of the Company is aligned with the risk strategy of GCO.

Next to capital-related risk appetite, tolerances and limits, the Company (in alignment with other companies of Atradius) has also established various operational tolerances and limits for different types of risk which are used in the day-to-day operations and embedded in the Company through the its risk governance structure (see below). Such tolerances include, among others, the following:

- Strategic asset allocation for investments;
- Limitations on exposure or cover terms for countries and industry sectors;
- Group and individual buyer exposure limits;
- Credit risk limits (e.g. for reinsurance, deposits); and
- Policy and Risk Underwriting Authority levels.

Risk governance

To govern decisions involving material risks, the Group has established several risk governance committees for which the Company sits on:

- The Reinsurance Inwards Committee;
- The Operational Risk Committee;
- The Group Investment Committee decides on the tactical allocation of assets within the investment portfolio;
- The Provisioning Committee decides the appropriate amount of claims provisions;
- The Quantitative Model Committee approves quantitative models used within the Company. This includes both internally developed and those externally purchased;
- The Outward Reinsurance Committee recommends on an appropriate reinsurance programme;
- The Group Credit Committee and five Local Credit Committees underwrite the most material credit limits;
- The Country Committee rates the credit risk of a country and outlines the associated risk underwriting strategy regarding this country.

These committees are overseen by the Risk Strategy Management Board. Its members consist of the Management Board of Atradius N.V., the Director of Finance, the Director of Strategy and Corporate Development and the Director of Group Risk Management.

In addition to the committee structure, for less material risk exposures, the Company operates with a framework of authority matrices. For policy and risk underwriting, staff members are assigned well-defined authorities specifying the levels of risk they can take within the framework of the company's risk governance. Authority levels reflect individual underwriting expertise. Also, the authority matrices specify 2-eyes, 4-eyes and 6-eyes requirements based on the levels of risk involved.

Risk management policies and guidelines

A framework of risk management policies and guidelines ensure alignment with the Company's objectives. Policies and guidelines cover areas such as Risk and Policy Underwriting, Reinsurance, FX, Investments, Operational Risk, Business Continuity, Information Security, Compliance, etc.

The risk management policies are aligned with the policies of GCO, as GCO as the ultimate parent has established a common framework of policies for all the companies within the Group.

Risk boundaries

Risk boundaries give a clear and company-wide aligned understanding of what business the Company wants to underwrite and the lines that it does not want to cross. Risk boundaries are used to govern the business as well as enable communication with stakeholders.

Measurement / Monitoring / Reporting

To support the operation of the governance structure large amounts of management information and analysis are available at different levels of the Company, so that senior management and units can steer their business in an optimal way, e.g.

- Buyer underwriting performance reporting, e.g. provisions, underwriting targets, notifications of non-payment, claims paid and received, recovery success rate, premium earned, acceptance rates)
- Exposure distribution information, e. g. distributions of buyer ratings, concentrations in industry sectors, buyer countries, and buyer groups; and
- Economic capital consumption on different levels of granularity.

Risk Management Function

The Risk Management Function assists the BOD of the Company with the effective operation of the Risk Management System, including the use of the (Partial) Internal Model.

The Risk Management Function identifies, measures, monitors, reports and takes an aggregated view of risks with the purpose of:

- Monitoring and reporting the risk profile relative to risk strategies in place;
- Monitoring and reporting risk profiles for different risk types and their contributions to the overall risk profile;
- Analysing the performance with regard to the risk strategies in place.

The Risk Management Function's responsibilities include developing and implementing the: System of Governance; Risk Management System; Risk Strategy; Risk Governance; Risk Management-related policies (including the Own Risk and Solvency Assessment Policy); and internal capital models.

The Risk Management Function closely cooperates with other central functions such as Group Buyer Underwriting, Corporate Finance, Finance, Strategy & Corporate Development, Legal and Compliance, Internal Audit, and with other organizational units within the Company where and when deemed appropriate.

One of the main parts of the Risk Management Function is an independent department focused on the validation of the Company's internal model. The main aim of this department is to develop a comprehensive and independent technical opinion regarding the proper development and operation of the model and the appropriateness of its results, considering the different uses in the management of the Group and the quantification of the solvency capital requirement under Solvency II. The independent validation department operates according to an approved Validation Policy which describes the methodology and criteria applied. While it analyses and forms its conclusions independently, the validation department shares its findings with the Quantitative Model Committee; the Quantitative Model Committee assesses findings and ensures that model owners take appropriate actions to ensure the ongoing quality of the internal model.

Own Risk and Solvency Assessment ("ORSA")

The Company has been producing a supervisory ORSA Report since 2013. It has an established policy, governance, methodology and team of resources dedicated to execution of its ORSA process.

The Company typically executes a full ORSA process on an annual basis, but will also run all or part of the process in the event of a significant change in risk profile, retention rates/ceding percentages, Business Plan, internal model parameters or at the request of management of a governance committee of the company or the ultimate parent.

The ORSA is an integral part of the business, risk management and decision-making processes within the Company. The execution of the ORSA is tightly coupled with the preparation of the Company's Long-Term Plan and evaluates risk and solvency positions, assuming both normal and adverse market conditions.

The ORSA analyses and reports the main risks to which the Company is exposed, their resulting capital requirements and assesses the feasibility of the business plan over the normal planning horizon.

To determine and assess solvency positions, the various risks to which the Company is exposed are aggregated and quantified through the Solvency Capital Requirement– both with the Standard Formula and with the internal economic capital model. Non-quantifiable risks are also assessed and outlined in the report. The results are taken into consideration for management decisions regarding capital management.

Additional information per risk category

In sections C1 to C7 further on in the report (Risk Profile), we provide more information on how risks are identified, measured, monitored, managed and reported for each risk category.

B-4 Internal control system

The Company has established a framework of internal controls to assist in the achievement of the Company's objectives. The framework consists of numerous components that together comprise:

- **Control environment** - the employees and the environment in which they operate (e.g. organisational values, governance structures, policies);

- **Risk Assessment** – The Company must be aware of the risks that pose a threat to the achievement of its objectives. As part of the internal control system, risks must be identified, assessed, responded to and monitored;

- **Control activities** – specific mechanisms that must be executed on an on-going basis to ensure that risks are managed;

- **Information and communication** - to enable the Company to capture and disseminate the information necessary to conduct, monitor and control the business; and

- **Monitoring** - The entire internal control framework, including the objectives and components must be monitored to ensure that it is operating as intended and reflects the current goals and vision of the Company, together with the overall environment in which it operates.

The Internal Audit and Compliance functions are important parts of the internal control system and they are addressed below.

Control environment

Organisational values establish the ethical, social and environmental values to which the Company's employees should adhere. These values are outlined in the Company's codes on corporate values, conduct and corporate responsibility.

Employment practices establish the professional competencies and professional practices expected of the Company's employees. These competencies are outlined in the Company's policies on recruitment, remuneration, appraisal and development of employees. Moreover, the most important employment practices are outlined in specific codes, such as:

- Code of conduct
- Code on whistle-blowing
- Code on fraud risk management;
- Code on customer due diligence;
- Code on trading in securities;
- Code on external representation;
- Code on employee background screening;
- Code on personal data protection;
- Code on incident reporting;
- Code on complaint management;
- Code on auditor independence;
- Code on anti-trust and fair competition;
- Code on business in accordance with licenses;
- Code on Outsourcing.

The Company has established various control mechanisms, implemented through policies and procedures related to organizational structures, organisational values and employment practices.

Risk underwriters are authorised to underwrite reinsurance contracts containing certain features based on their level of competence, and in accordance with a Board approved authority matrix. As an underwriter's level of competence increases, he or she is authorised to underwrite more significant features (e.g. longer duration of contract, larger amount of maximum liability). The most significant features must be underwritten by a committee.

For the purposes of this document the key mechanisms in place within the Company for the component 'Control Environment' include:

Mechanisms	**Description**
Corporate governance	Principles and best practice provisions between the Board of Directors and the shareholders.
Corporate values	Corporate values governing the way staff treat each other, customers and other stakeholders.
Corporate responsibility	Sets out our vision and mission statement in terms of Corporate responsibility.
Code of conduct	Outlines the basic principles that apply to all employees.
Risk governance structure	The oversight, decision making bodies and structures within the Company.
Human resources	recruitment, retention, appraisal and development of staff.
Performance management	Performance management, measurement, incentives and rewards.
Proxies	Sets out delegated external signing authorities (ability to bind the Company contractually).
Signing authorities	Sets out the delegated internal signing authorities applicable to all staff.

Risk assessment

For the purposes of this document the key mechanisms in place within the Company for the component 'Risk assessment' include:

Mechanisms	Description
Strategy	Setting of strategic objectives for the Company.
Business planning	Long term planning (LTP).
Business review meetings	Periodic review between the management board of the Atradius Group and Atradius Reinsurance DAC.
Risk management system	Creates, communicates and supports a common risk terminology and positions policies and practices related to risk management.
Operational risk ratings	Pre-defined likelihood and impact scales used for the rating of risks.
Business continuity strategy	Defines the response to be taken by the Company to a number of pre-defined business interruption scenarios.
Risk categories	Pre-defined categories used within the Company to collate similar sources of risk.
Risk appetite and tolerance	Defines the amount of risk the Company is willing to take in qualitative and quantitative terms.
ORSA	Own risk and solvency assessment - process to identify, assess, monitor, manage, and report the short and long term risks and to determine the own funds necessary to ensure that overall solvency needs are met at all times, taking into account the risk profile, approved risk appetite and business strategy.
Strategy review process	Periodic review of strategy.
Risk Registers	Means of identifying, recording and responding to risks that threaten achievement of objectives across the Company.
Risk governance structure	The oversight, decision making bodies and structures within the Company.

Control activities

The Company implements various control mechanisms. These are established through policies and procedures embedding segregation of duties, approvals, verifications, management reviews, and reconciliations.

Segregation of duties is embedded in the Company's underwriting process and in its financial transactions. A financial transaction is commonly segregated by splitting the roles into an initiator, an approver, a verifier, a recorder and a reconciler. Each role is in principle held by a different employee. This reduces the risk of erroneous or inappropriate payments.

Approvals are embedded in the Company's underwriting and financial transactions processes and are formalised in a Board of Directors' approved authority matrix. Verifications are also embedded in the Company's underwriting and financial transactions processes.

Underwriters must disclose their identity when accessing the underwriting system. The same principle applies for access to the financial systems. Moreover, as part of a financial transaction, the written signature of an approver is confirmed by an employee acting as the verifier.

Management regularly reviews, including at monthly management meetings, management reports (financial and other key performance indicators) to monitor performance against budget, forecast, prior period, etc., to assess the extent to which the Company's objectives are being achieved and to identify adverse developments.

Examples are:

- monthly management accounts detailing the financial performance and position of the Company;
- monthly management reports detailing the financial performance of the third party business;
- detailed monthly reports detailing performance of the third party business by class of business and development by underwriting year;
- client profitability reports detailing performance by cedant;
- an investment report which details the investment performance and investment position of the Company in terms of returns and allocation. In addition, it shows the credit rating of the debt instruments, the investment position split per currency and its value-at-risk; and
- a review of presentations and/or updates the Company makes to Atradius Group Committees of which it is a member e.g. Group Investment Committee (GIC),

Reinsurance Inwards Committee, Operation Risk Committee, and Provisioning Committee (PC).

For the purposes of this document, key mechanisms in place within the Company for the component 'Control Activities' include:

Mechanisms	**Description**
Compliance codes	Sets out minimum compliance standards adopted. Includes codes on, amongst others; fraud, incident reporting, whistle blowing, auditor Independence, etc.
Procedures standard	Addresses minimum content requirements, change control, communication, training and adherence monitoring around Procedures.
Accounting manual	Describes the accounting policy and practices.
Group control manual	Describes detailed procedures and processes pertaining to planning, reporting, transfer pricing/cost allocation, and cost control within the Atradius Group, including Atradius Reinsurance DAC.
Business continuity policy	Sets out the policy for BCM, including impact analysis and strategy.
Application ownership	List of business applications and respective application and data owners.
Data quality policy	Sets out aspects of data quality, data ownership and how data is managed in systems and EUC applications.
Information security policy	Defines the principles to which all other security documents, systems and materials adhere.
IT general controls	IT controls that operate at a general level, such as access, change management, software development, etc.
IT application controls	IT controls that operate at an application level, such as check digits, logic tests, field validation, etc.
ORSA Policy	Describes the role of the own risk and solvency assessment within risk management and decision making.

Information and Communication

The Company communicates internally through policies and procedures, but also through channels such as intranet, emails and newsletters.

To ensure that negative information can also be communicated upward, the Company has established a code on whistleblowing. This code establishes an alternative communication channel to the Director of Internal Audit, which employees can use to communicate negative information.

For the purposes of this document, the key mechanisms in place within Atradius for the component 'Information and Communication' include:

Mechanisms	Description
Annual report	Annual report of the Company.
Atradius intranet	Internal intranet site hosting key information and news for all units.
Risk report	Management information compiled for the board of directors which gives an overview of the company' risk profile – an overview of exposure from different risk types.
Monthly management report	Monthly analysis, review and reporting of financial and non-financial KPI's for the Company's business.
ORSA	Own risk and solvency assessment - process to identify, assess, monitor, manage, and report the short and long term risks and to determine the own funds necessary to ensure that overall solvency needs are met at all times, taking into account the risk profile, approved risk tolerance and business strategy.
Investment report	A report detailing the investment performance and investment position of the Company in terms of returns and allocation. In addition, it details the credit rating of the debt instruments, the investment position split per currency and its value-at-risk.

Monitoring

The Company has implemented various control monitoring mechanisms, such as control self-assessments, incident reporting and internal audit.

Control-self assessments are performed to monitor the effectiveness and efficiency of the Company's financial reporting controls ("FRC's"), non-financial reporting controls and its operations.

Financial reporting controls are performed to ensure that the Company's financial statements exclude material errors by preventing errors occurring or detecting errors that have occurred. The Company ensures this by requiring employees contributing to the financial statements to electronically verify that there are appropriate controls and the effectiveness of these controls.

Controls are stored in a system that details:

- what controls are in place;
- why the control is performed;
- which functions and employees perform the control;
- when and how often; and
- who is responsible for the control.

In addition, evidence of performance of controls is stored for review, if necessary.

For the purposes of this document, the key mechanisms in place within the Company for the component 'Monitoring' include:

Mechanisms	Description
Business review meetings	Periodic review between the management board of the Atradius Group and the Company.
Internal audit reviews	Five-year review cycle by internal audit focused on perceived areas of greatest risk.
Control self-assessments	Periodic assessments of key controls across the business in order to gain assurance over their design and operation.

Financial reporting controls	Quarterly assessments of key controls over the accuracy of the financial statements, in terms of their design and operation.
IT general controls	Quarterly assessments of IT General controls in terms of their design and operation.
ORSA	Own risk and solvency assessment process plays a central role in monitoring risk profile and solvency needs.
Code on incident reporting	Sets the requirements relating to the reporting and resolution of significant incidents.
Operational losses	Recording and analysis of operational risk event losses.

Compliance Function

The Compliance function is an independent function that reports directly to the board of directors.

The Compliance function is, among other things, responsible for ensuring adherence to all regulatory and operational compliance obligations of the Company, managing the relations with its regulators, maintaining compliance policies and educating employees regarding compliance. For additional information on the compliance function, please refer to Section B.1-5 Key functions.

B-5 Internal audit function

The Internal Audit (IA) function is outsourced to Atradius Group via an intra group outsourcing agreement. The IA function is independent and all audit work undertaken is carried out freely, objectively and independently of the activity being audited/reviewed. The IA function has developed an Internal Audit charter specific to the Company, outlining the authority, responsibility and governance of Atradius Internal Audit. The IA function is responsible for advising the BOD (through its AC) on the Company's system of internal control and provides a quarterly update to the BOD via the AC. The IA function attends the AC in person at least once a year and by teleconference on request. The IA function has independent access to the Chairman of the AC.

B-6 Actuarial function

The Actuarial function is outsourced to Grupo Catalana Occidente S.A. via an intra-group outsourcing agreement. The Company Actuarial function consists of a Head of Actuarial Function (HoAF), who must be and has been formally appointed to the role by the BOD and who is supported in his role by a team of actuaries within the Company. The role of the HoAF is a pre-approved control function under the applicable CBI regulations and any appointment to this role must be pre-approved by the CBI.

The functions of the Head of Actuarial Function includes, among other things, the following:

- Co-ordination of the technical provision calculation;
- Reporting to the board on the reliability and adequacy of the calculation of technical provisions;
- Provide an opinion on the general underwriting policy;
- Provide an opinion about the general underwriting policy;
- Supporting the Company's ORSA, including in particular the financial effects of stresses and scenarios and the impact of management actions.

B-7 Outsourcing

Introduction

This Outsourcing Code describes, in general terms, the approach and process for outsourcing from the inception to the end of the contract, including :

- the Solvency II criteria that are relevant to consider when outsourcing critical or important functions or activities;
- how a Provider of outsourced services ("The Provider") of suitable quality is selected;
- the details to be included in the Outsourcing Contract with the Provider; and
- business contingency plans.

The Company can outsource critical functions or activities, but must retain overall responsibility for discharging all of its obligations under applicable laws, rules and regulations and must ensure that appropriate management controls and procedures operate to protect the company from risks and to comply with applicable laws, rules and regulations.

Key Functions are the following functions: risk management, compliance, internal audit and the actuarial function. A PCF individual within the Company must be identified as having responsibility for the outsourced function and must be notified to the CBI.

Approvals

The Board of Directors of the company approves all Outsourced services of critical or material functions/activities. Overall responsibility for the Outsourced activity/function remains with the Company itself and the Outsourcing must be adequately managed (for example with suitable business continuity plans in place).

Outsourcing Key Functions

If the company intends to Outsource a Key Function, the following subjects must be addressed:

- it applies fit and proper procedures in assessing persons employed by the Provider that will perform an outsourced Key Function for the Company, which means it ensures that the Provider checks the fitness and propriety of all persons working on the Key Function;

- it ensures that the person(s) within the Company designated with overall responsibility for overseeing the outsourced Key Function possesses sufficient knowledge and experience regarding the outsourced Key Function as to be able to challenge the performance and results of the Provider. This person is to be notified to the Regulator.

Outsourcing of Critical or Important Operational functions

Critical Functions:

- **Actuarial Function**
  The Actuarial Function is outsourced via an intra-group outsourcing arrangement. The jurisdiction of the service provider of this function is Spain.

- **Internal Audit**
  The Internal Audit Function is outsourced via an intra-group outsourcing arrangement. The jurisdiction of the service provider of this function is Spain.

Important Functions:

- **IT Activities**

  IT and Telecoms support services are outsourced via an intra-group outsourcing arrangement. The jurisdiction of the service provider of this function is Spain.

Reinsurance Accounting Database System support services are outsourced to a service Provider located in Bermuda.

Informing duties to regulators

The relevant Senior Manager that outsources must ensure that the Compliance Officer is informed so that they can inform the Regulator (a) prior to Outsourcing and (b) of subsequent material developments with respect to the Outsourcing. The Company should describe, in its written notification to the Regulator, any outsourcing of critical or important functions or activities and the Provider's name. When outsourcing concerns a key function, the notification should also include the name of the person in charge of the outsourced function or activities at the Provider. This information duty must be exercised in consultation with the Group Compliance Manager.

Adequacy of System of Governance

The Company considers that, given the applicability of the System of Governance to its risk profile and it's compliance with the Solvency II framework, that it is adequate to the nature, scale and complexity of the risks inherent of its business.

B-8 Any other information

n/a

C. Risk Profile

C-0 Introduction

C-1 Underwriting risk

C-2 Market risk

C-3 Credit risk

C-4 Liquidity risk

C-5 Operational risk

C-6 Other material risks

C-7 Any other information

C-0 Introduction

The principal risks to which the Company is exposed are underwriting risk, market risk, credit risk, liquidity risk and operational risk, each of which will be described in this section of the report.

In 2017 the Company was granted regulatory approval to use a Partial Internal Model ("PIM") to calculate regulatory capital requirements. The Company's internally developed economic capital model is being used to replace most of the non-life underwriting risk module for the Company.

The table on the following page illustrates the contribution to the solvency capital requirement (SCR), as calculated under the PIM for underwriting risk and the standard formula (SF) for the other risk types, each of which are to be described in this section:

	Q42017	Q42016
Market Risk:		
Interest Rate Risk	12	15
Equity Risk	27	20
Spread Risk	20	25
Currency Risk	25	16
Concentration Risk	3	1
Total undiversified	**87**	**77**
Diversification	(28)	(24)
Total diversified	**59**	**53**
Non-Life UW Risk:		
Internal Model	**384**	**357**
Premium and Reserve Risk	**3**	**2**
Catastrophe Risk		
CAT recession scenario	2	2
CAT default scenario	-	-
CAT other scenario	-	-
Total undiversified	**2**	**2**
Diversification	-	-
Total diversified	**2**	**2**
Lapse Risk	-	-
Total undiversified	**389**	**361**
Diversification	(1)	(1)
Total diversified	**388**	**360**
Counterparty risk	**11**	**12**
BSCR:		
Total undiversified	**458**	**425**
Diversification	(45)	(42)
Total diversified	**413**	**383**
Operational Risk	**15**	**14**
SCR		
Total before tax adjustment:	**428**	**397**
Tax adjustment	(37)	(33)
Solvency Capital Requirement	**391**	**364**
MCR	**98**	**97**
Eligible own funds	**719**	**681**
SCR Coverage ratio	**183.9%**	**187.1%**
MCR Coverage ratio	**733.7%**	**702.1%**

C-1 Underwriting risk

In terms of the basic solvency capital requirement (BSCR) calculated under the partial internal model, underwriting risk is by far the largest driver of the Company's SCR with a charge of EUR388m, representing 85% of the BSCR of EUR 458m before diversification.

Identification

Non-life underwriting risk is defined as the risk arising from the non-life insurance obligations in relation to the liability covered and the process used in the conduct of the business. The Company incurs underwriting risk through its reinsurance contracts, whereby it assumes the risk of loss from organisations that are directly subject to underlying loss. It takes account of uncertainty in the results of these organisations related to existing insurance and reinsurance obligations, and to new business to be written over the following 12 months. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts, in addition to unexpected premium developments.

Non- life underwriting risk is directly related to the nature of our business. Through credit reinsurance, we reinsure customers against the risk of non-payment of trade receivables. Through bonding reinsurance, we guarantee a beneficiary that our customers will meet contractual, legal or tax obligations.

Measurement

Underwriting risk is measured both on individual treaties and exposures and on the aggregated risk portfolio using several risk metrics and tools, such as:

- internally developed economic capital model;
- total potential exposure (TPE: sum of registered credit limits);
- a list of insurance buyers over certain limits in accordance with reinsurance agreement conditions;
- application of underwriters estimates of premium income, ultimate loss ratios and ultimate commissions ratios to an actuarial risk earnings model to evaluate the appropriate earned income, reserves setting and costs basis for each reinsurance contract;
- measurement of reinsurance contract performance against control limits set by the underwriting guidelines.

Management and mitigation

Underwriting risk is managed both on an individual cedant and aggregated basis by using a variety of tools, such as:

- regular detailed review of all reinsurance business for past underwriting years performance, triangulation development, individual buyer exposure development and aggregate total potential exposure management, market and country exposure;
- monitoring of risk and policy limit setting to ensure credit quality and performance of the underlying insurance products to reinsurance terms agreed with the client;
- reinsurance underwriting guidelines which define and curtail the type of business the Company is authorised to write, with specific guidelines to type of product, capacity limit, types of exposure, term and diversity of the underlying insurance ceded;
- exposure management through monitoring of total potential exposure including the list of insurance buyers over certain limits in accordance with the reinsurance agreement conditions; and
- reinsurance: the Company transfers a portion of its reinsurance risk to external reinsurers/retrocessionaires, through a number of reinsurance arrangements that include quota share and excess of loss treaties. The reinsurance treaties are reviewed annually and in accordance with the Company's policy to select only reinsurers with a high quality standard of solvency/rating. The normal minimum requirement is an 'A' level rating. During these annual reviews, the Company assesses the optimal structure of the treaties for the forthcoming period(s), including the excess of loss treaties (the attachment points, spread of the layer and the number of reinstatements). There are several considerations during this review, including the cost of synthetic capital that reinsurance provides as measured by the economic capital model, and the Solvency II capital charge under the standard formula of the various reinsurance proposals.

Monitoring and reporting

The Company has a number of risk management tools available to monitor the reinsurance portfolio for performance, exposure and financial development. The reinsurance system is used to record the risk profile, and to provide information for each reinsurance treaty. This allows the reporting of performance, total aggregate exposure and accounting reinsurance result.

The reinsurance system provides triangulation reporting, earnings estimates, categorisation of risks and market summary details. It automatically provides a suite of reports which give the underlying performance data for review by our reinsurance accounts, risk management, actuarial and finance areas. In addition to monitoring and recording TPE by treaty assumed on the reinsurance system, the Company also uses a buyer database to monitor individual reported buyer exposure limits issued by the original cedant that are in excess of agreed reporting thresholds. The Company uses the economic capital model as a tool to monitor the economic capital required by the reinsurance portfolio. This is calculated and reviewed quarterly.

C-2 Market risk

Identification

Market risk is the risk that arises from the level of volatility of the market price of the Company's financial assets and liabilities: in particular its investment portfolio.

In terms of the basic solvency capital requirement (BSCR) calculated under the partial internal model, market risk with a charge of EUR 59m, represents of 13% the BSCR of EUR 458m before diversification.

The Company is exposed to market risk by obtaining assets and incurring liabilities which value is sensitive to movements in market prices and currency exchange rates. This risk is assumed and incurred by:

- investing in debt instruments;
- investing in equity instruments;
- underwriting insurance contracts generating provisions for future claims payments; and
- obtaining assets and incurring liabilities denominated in foreign currency.

Measurement

Market risk is measured by using several risk metrics, including:

- value-at-risk;
- capital models of external credit assessment institutions; and
- interest rate duration.

Value-at-risk and capital models from external credit assessment institutions are both used to determine potential maximum loss for a given confidence level on the Company's financial instruments due to adverse movements in market prices or counterparties creditworthiness. Interest rate duration assists in determining sensitivity of debt instruments and claims provisions to movements in interest rates.

Management

Market risk is managed in several ways, such as:

- restriction on investment types, e.g. widely traded capital market instruments versus derivatives;
- diversification of the investment portfolio; and
- restrictions on the interest rate duration of the debt instruments portfolio and implementation of a strategic asset allocation (SAA).

Mitigation

Market risk is mitigated on several layers in the undertaking. Firstly, constraints are set in the Group Investment Policy that has to be reviewed and approved by the Board of Directors. This policy gives the risk taker limits in which investment risk can be taken. Monitoring of compliance is undertaken by the Atradius Group Investment Committee, of which the Finance Director ("FD") of the Company is a member with full voting rights. This committee is responsible for taking investment decisions by majority vote and monitoring compliance with the Group Investment Policy.

Monitoring and reporting

Market risk is monitored by and reported to the Atradius Group Investment Committee, on which the FD of the company is a member with full voting rights. The Group Investment Committee meets monthly and reviews metrics such as the value-at-risk, the interest rate duration of the investment portfolio and degree of diversification/concentration of the investment portfolio.

Prudent person principle

The Company's policy is to invest only in investment grade, liquid investments taking into account the short interest rate duration of the claims provisions. Furthermore, the policy regarding financial instruments is to invest only in capital market instruments and refrain from investing in derivative instruments.

Market risk is the risk that the fair value of assets and liabilities that are sensitive to market prices and counterparties creditworthiness, decrease due to adverse movements in equity prices, interest rates, ratings or currency rates. The Company exposes itself to these risks by holding assets and liabilities, the fair value of which is sensitive to movements in prices.

To measure these risks, the Company uses several risk metrics. The most important of these are value-at-risk, capital models from the credit assessment institutions, interest rate duration and the mismatch between assets and liabilities, whose fair value is denominated in foreign currency. The Company uses an asset liability management (ALM) approach to analyse the impact of market risk on its assets and liabilities. The ALM is, among other things, based on the review of commitments resulting from the Company's insurance liabilities and aims to define the strategic asset allocation (SAA), so that these commitments can be met while maximizing the expected investment return.

The investment process must comply with the 'prudent person' principles:

- all assets covering technical provisions should be invested in a manner appropriate to the nature and duration of the firm's liabilities.
- investments shall only be made into assets whose risks can be properly identified, understood, measured, monitored, managed and controlled and reported.
- all assets shall be invested in such a manner as to ensure the security, quality, liquidity and profitability of the portfolio as a whole.
- non-traded investments shall be kept to prudent levels.
- exposure to speculative grade assets must be prudent.
- derivatives should be used only to reduce risks or facilitate efficient portfolio management; assets shall be properly diversified (asset type, issuer, group, region) to avoid excessive accumulation of risk in the portfolio as a whole.

C-3 Credit risk

Identification

Credit risk (also referred to as counterparty default risk) is the risk of an adverse change in the Company's profit and changes in the creditworthiness of a counterparty.

In terms of the basic solvency capital requirement (BSCR) calculated under the partial internal model, credit risk with a charge of EUR 11m represents 2% of the BSCR of EUR 458m before diversification.

The Company is exposed to credit risk by obtaining assets whose face value depends on its counterparties ability to repay their obligations in full when due. This risk is incurred by:

- investing in debt instruments;
- depositing cash at credit institutions; and
- entering into reinsurance agreements

Measurement

Credit risk is measured using several risk metrics, such as:

- capital models developed by external credit assessment institutions;
- credit ratings issued by external credit assessment institutions;
- payment history of reinsurance contract-holders; and
- days-past-due reports (credit control reports).

Developments in these main risk metrics (as well as other information) are monitored and assessed to ensure that the exposure to credit risk is maintained within acceptable boundaries.

Management and mitigation

A credit rating issued by an external credit assessment institution is used to ensure that the Company invests only in a debt instrument or enters into a reinsurance contract with an acceptable likelihood of being settled. Currently, the policy is to invest only in debt instruments with a credit rating of 'A-' or higher and to only enter into reinsurance contracts with reinsurers with a credit rating of 'A-' or higher.

In the event that the credit rating of a debt instrument falls below the minimum, the Group Investment Committee must decide whether the Company should divest the instrument. In the event that the credit rating of a reinsurer falls below the minimum, the reinsurance contract allows the Company to terminate the reinsurer's subscription to the reinsurance treaty or to require extra collateral from that reinsurer.

Monitoring and reporting

Credit risk is monitored and reported to either the Group Investment Committee or Outward Reinsurance Committee and the Risk Committee, of the Company.

The Group Investment Committee meets monthly and reviews the distribution of credit ratings within the investment portfolio, while the Risk Committee performs the same review of the investment portfolio on a quarterly basis.

The Reinsurance Outwards Committee (ROC), which is an Atradius Group Committee, meets quarterly and reviews the credit ratings of reinsurers subscribing to the Company's reinsurance treaties.

C-4 Liquidity risk

Identification

Liquidity risk is the risk that the Company would be unable to meet it's payment obligations when due. Liquidity risks originate from short term fluctuations in cash flow patterns on either incoming or outgoing cash.

Measurement

The Company measures its liquidity risk by forecasting its required payments and comparing these to its cash positions.

Management

Liquidity risk is managed by using several tools, such as:

- holding marketable financial instruments that have daily pricing and the ability to be liquated in a reasonable time period;
- holding of ample cash reserves;
- monitoring of cash reserves to ensure sufficient liquidity.

Mitigation

The management and mitigation of liquidity risk by the above management tools is reinforced by the Group investment policy: that investments should be only in financial instruments that can be liquidated in less than four business days. In practice, most of the Company's assets are marketable securities that can be readily converted into cash when required.

Monitoring and reporting

The cash positions are monitored daily and reported on a weekly basis.

Expected profits in future premiums (EPIFP):

The expected profits in future premiums (EPIFP) figure calculated in accordance with Article 260(2) of the Delegated Regulations at the end of 2017 was EUR 25.7 million (2016:EUR 26.3 million).

C-5 Operational risk

The Company defines operational risk as the risk of direct or indirect loss from inadequate or failed internal processes, people, and systems or external events. The Company uses this definition to align with industry practice and the European Union Solvency II framework.

In terms of the Basic solvency capital requirement (BSCR) calculated under the partial internal model, operational risk with a charge of EUR 15m before diversification represents 3% of the BSCR of EUR 458m before diversification.

Within the Atradius Group, the Operational Risk Committee (ORC) is responsible for developing methods for the identification, assessment and response to risks, and for monitoring and further enhancing the overall risk management and control framework.

Identification

Operational risk is inherent in all the Company's key activities. The Company has developed a number of methods and tools to support not only identification, but also assessment and management of operational risk such as:

- risk registers;
- risk and control self-assessments; and
- financial reporting Controls.

Risks and the related controls are discussed at all levels, across the business.

Measurement

A local risk register is maintained and updated on a quarterly basis. The risk registers contain risks that management identifies as significant risks to achieving objectives and contain primarily operational risks.

Management and Mitigation

To provide oversight and assurance in an auditable and efficient manner, the Company employs a dedicated governance, risk and compliance software platform (the "GRC portal") that integrates existing risk management activities across the business.

Operational risk is managed through a framework of internal controls that address the different areas where such risk is present. This internal control system includes:

- policies, procedures and standards;
- business continuity plans;
- manual and automated operational controls such as the segregation of duties, the application of signing authorities and role-based system privileges; and
- board approved authority matrix which must be read and understood by all staff, as evidenced by employee signature, and which outlines approval requirements.

Monitoring and reporting

As noted above, the Company has a number of operational risk management tools, including risk registers, risk and control self-assessments and financial reporting controls, which are also used to monitor and report operational risk.

C-6 Other material risks

C-6.1 Concentration Risk

Identification

The Company is exposed to concentration risk primarily by accumulation of assets with a debtor and or underwriting exposure credit limits on a cedant, within a country, or within a trade sector.

Management and mitigation

Concentration risk is managed using several management tools, of which the most important is concentration limits. For example, on the asset side, the Company limits investments with a single counterparty to less than 5% of the investment portfolio (this applies to non-government counterparties only). In terms of reinsurance, exposures are closely managed to monitor accumulations of risks across cedants and to assess the potential risk of claims occurring from the failure of individual companies (or a group of related companies).

Monitoring and reporting

Concentration risk is monitored and reported to the Group Investment Committee, the Reinsurance Inwards Committee, and the BOD depending on the type of concentration risk.

The Group Investment Committee meets monthly and reviews adherence to the policy on concentration limits for the investment portfolio while the BOD performs a similar review of the investment portfolio on a quarterly basis.

The Reinsurance Inwards Committee (RIC) reviews quarterly the concentration of credit limits underwritten by country, by trade sector and for the top 50 buyers.

Before each annual renewal of the Company's excess of loss reinsurance treaty, the Reinsurance Outwards Committee (ROC) reviews the proposed reinsurance treaties and adherence to the concentration limits for reinsurance treaties.

By nature the portfolio diversification is high with a well-diversified geographical spread. As can be seen from the tables below, our principal concentrations are in Europe, due mainly to Group business that we assume from Atradius Crédito y Caución S.A. de Seguros y Reaseguros ("ACyC") and also non group third party business. Our exposures in Asia and South America are mainly attributable to our third party Non Group business, which is outside the risk assumed from the primary markets of ACyC, thus contributing positively to our diversification profile. Within all of these regions, a well-diversified spread by country and cedant is maintained.

	TPE 2017 €'000	%	TPE 2016 €'000	%
Europe	123,252,217	70.99%	121,698,929	70.28%
Asia	22,858,433	13.17%	20,245,594	11.69%
North America	18,384,089	10.59%	19,430,797	11.22%
Oceania	3,991,241	2.30%	3,890,694	2.25%
South America	3,876,337	2.23%	7,364,497	4.25%
Africa	1,257,718	0.72%	538,350	0.31%
Total	**173,620,035**	**100.00%**	**173,168,861**	**100.00%**

C-6.2 Qualitative Risks

The following is a summary of the principal qualitative risks to which the Company is exposed:

Strategic risk: This is the risk arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment.

Strategic risk categories are used to structure the process of identifying and assessing strategic risks. The main categories used within the Company are:

- Allocation of resources (risks linked to an inadequate strategic planning and budgeting process).
- Market developments (risks linked to market developments - economic environment, clients, competition).
- Reputation - (risks linked to an adverse change in the reputation or image of the Company.

The Company identifies and analyses strategic risks through various internal channels such as: the Strategy Forum (an internal discussion of strategic initiatives), the Strategic Risk Platform (comprised of senior management from various parts of the business to evaluate identified risks), Economic Research Department's overview of long-term macro-economic risks, megatrends analyses, risk registers of individual business units, and quantifications of required and available capital in the long term planning and ORSA processes.

Information and Communications Technology (ICT) Risk: One type of operational risk is the risk of financial loss, disruption or damage to reputation due to failure of IT systems. The Company considers and addresses various risks, including a disastrous event impacting a data centre, security incidents, network vulnerabilities, unauthorised activity, malicious code changes, and application specific vulnerabilities. A dedicated information security team is in place which actively monitors and takes action against threats. In addition to investments in defences and expertise, the Company also runs internal exercises to ensure the proper level of awareness among employees. Among the various measures taken, central event monitoring and logging software is in place, code quality tools are used in all projects and maintenance streams and application-specific vulnerabilities are addressed.

C-7 Any other information

Sensitivities of the risk profile are regularly explored by sensitivity tests as well as stress tests/scenario analyses. In the first, individual risk parameters and/or volume measures are shocked while in the second the combined effect of several adverse developments is considered. Scenario analysis and stress testing activities are executed group-wide, embedded in the Company's risk management process, and serve the purpose of examining the business' resilience.

This section describes sensitivity tests for different risk categories and overall scenario analyses, and quantifies the impact on the solvency ratio. The solvency ratio is the key metric for Atradius Reinsurance DAC to measure its ability to meet its obligations.

C-7.1.a Sensitivity Analyses

As at 31 December 2017, the impact of external factors related to various risk types on the Company has been assessed. For each sensitivity analysis the impact on the Solvency Ratio Coverage (as percentage point) is shown below.

Summary of Sensitivity Analyses

Scenario	Risk Type	Solvency Ratio
Default of largest buyer	Underwriting risk	-5%
Decrease of premium volume by 5%	Underwriting risk	-5%
Interest rate +1%	Market risk	-3%
Interest rate -1%	Market risk	3%
Equity prices -10%	Market risk	-1%
Equity prices -25%	Market risk	-4%
Impairment of corporate bonds according to S&P transition matrix	Market risk	0%
Increase of credit spread by 10 bps	Market risk	0%

1. Underwriting Risk Sensitivity – Default of the Largest Buyer

Underwriting risk represents the most material risk for the Company. Large buyer defaults can happen and, hence, sensitivity tests for this risk are conducted. The assessment focuses on immediate own fund impact.

Effect of largest buyer default	Solvency Ratio
Baseline	184%
Default of Largest Buyer	179%
Impact	**-5%**

In the event of the default of the largest exposure, the solvency ratio would decrease by approximately 5% pts due to a decrease in own funds. The Company’s solvency position would remain comfortable.

2. Underwriting Risk Sensitivity – Decrease of Premium Volume by 5%

In this scenario, we assess the sensitivity of the risk profile on a premium volume decrease. A reduction of premium volume by 5% is considered for this purpose. The impact of this sensitivity assessment on the solvency ratio is shown below.

Effect of decrease of premium Volume by 5%	Solvency Ratio
Baseline	184%
Decrease Premium -5%	179%
Impact	**-5%**

The solvency ratio would decrease by 5% pts driven by reduced own funds.

3. Market Risk Sensitivity – Increase / Decrease of interest Rates by 1% point

Atradius Re is exposed to market risk – including fluctuations in interest rates and their term structure. Interest rates play a role in both, the valuation of assets and of liabilities (technical provisions). This analysis quantifies the impact of ±1% change in interest rates by applying a parallel shift to the interest term structure.

Effect of Increase/Decrease Interest rate by 1% pt	Solvency Ratio
Baseline	184%
Interest Rate +1%	181%
Interest Rate -1%	187%
Impact Interest Rate +1%	**-3%**
Impact Interest Rate -1%	**+3%**

Under both scenarios, the own fund impact outweighs the SCR impact. Overall, the impact on the solvency ratio is limited.

4. Market Risk Sensitivity – Decrease Equity by 10% / 25% points

Equity holdings represent exposure to market prices. The sensitivity to reductions in equity valuations are explored by assuming decreases of 10% and 25% points, respectively. Under such assumptions, own funds would reduce in line with the reduction in equity value. At the same time, the SCR would slightly decrease as it is applied to lower base values of equities. As a result of that, this scenario would imply a slight decrease of the solvency ratio for the Company.

Effect of decrease equity value by 10% / 25%	Solvency Ratio
Baseline	184%
Equity -10%	183%
Equity -25%	180%
Impact Equity -10%	**-1%**
Impact Equity -25%	**-4%**

5. Market Risk Sensitivity – Impairment of Corporate Bonds

The sensitivity of the solvency ratio to credit rating migrations of corporate bonds is tested following Standard & Poors' one year transition probability matrix. The SCR would only slightly increase in this setting due to the application of worse credit rating. The solvency ratio would remain largely intact.

It is noteworthy that the exposure of the Company to an impairment of corporate bonds is limited as most corporate bonds have an A rating or higher. Those bonds have low transition probability to worse credit ratings.

Effect of impairment corporate Bonds	Solvency Ratio
Baseline	184%
Impairment Corporate Bonds	184%
Impact	**0%**

6. Market Risk Sensitivity – Credit Spread increase by 0.1%

This scenario assumes that credit spreads on non-government bonds increase by 0.1% pt. As a result, own funds would slightly decrease while leaving the solvency ratio essentially unchanged.

Effect of increase in credit spread	Solvency Ratio
Baseline	184%
Credit Spread +0.1%	184%
Impact	**0%**

C-7.1.b Stress Tests and Scenario Analyses

Stress test Underwriting Risk – Increase Claims Ratio to 62%

The stress test examines the ceteris paribus effect of stressed economic conditions with an elevated claim ratio of 62% (combined group and non-group business) as at 31

December 2017. The test is motivated by claims ratios observed in the 2008/2009 financial crisis. The assessment focus only on the immediate impact on the Solvency II own funds ignoring SCR changes resulting, e.g., from management actions. The following table summarizes the results of this test on ARE level.

	Solvency Ratio
Baseline	184%
Claims Ratio of 62% on ARE level	169%
Impact	**-15%**

Even though, in such a scenario, the solvency ratio would decrease by approximately 15% pts – driven by decreases in own funds – the overall solvency position would stay at acceptable levels well above 150%.

Scenario Analyses

The interplay and simultaneous occurrence of adverse developments are considered as part of the annual Own Risk and Solvency Assessment (ORSA) process. These analyses take a holistic approach and consider the impact of scenarios on the balance sheet, profit and loss statements and ultimately on the solvency needs. Various scenarios are investigated to study the solvency ratio development over a multi-year time horizon, including expected (base) and adverse developments.

The following table summarizes the scenario assumptions:

Used Variables	Shocks	Balance Impact
Revenues	-10% in year *t* with moderate increase thereafter	Indirect effect on B/S, mainly through retained profits and foreseeable dividends
Total Potential Exposure	-8% in year *t* due to management actions and slow growth thereafter	Indirect effect on B/S mainly through reinsurance recoverables and best estimates/risk margin (incl. other assets & other liabilities)
Claims Ratio	At 62% combined for group and non-group business in year *t* margin (incl. other assets with slow recovery & other liabilities) with slow recovery thereafter	
Equities	-10% in year *t*	Reduction in market value
Corporate Bonds, Government Bonds, Structured Notes	-2.5% in year *t*	Reduction in market value

The scenario and its assumptions are based on 2017 information, so that year *t* represents a hypothetical year 2018 under the assumptions above.

Even under these overall adverse conditions considered, the Company would remain well capitalized in year *t* and over the time horizon of its long-term business plan.

D. Valuation for solvency Purposes

D-0 Introduction

D-1 Assets valuation

D-2 Technical provisions valuation

D-3 Other liabilities valuation

D-4 Alternative methods for valuation

D-0 Introduction

Valuation for solvency Purposes

The Solvency II valuation principles are in accordance with articles 75-86 of the Solvency II Directive, articles 7-16 of the Delegated Acts and the secondary Solvency II laws and regulations.

The financial statements are prepared in accordance with the FRS 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" and FRS 103 "Insurance Contracts" ("UK and Irish GAAP").

For a full description of the applicable Solvency II valuation principles, please refer to Annex F-3 of this document.

Both the Solvency II balance sheet and the financial statements of Atradius Re are presented in the currency of the primary economic environment in which it operates (its functional currency). Both the Solvency II balance sheet and the financial statements are presented in thousands of Euro (EUR).

Below are overviews and descriptions of the principal differences between the Solvency II economic balance sheet and the financial statements. When analysing valuation differences between the two different bases, it is necessary to consider the criteria for reclassifications e.g accrued interest which is included in other assets in the financial statements, is part of the financial investments in the Solvency II balance sheet. Such reclassifications have no economic impact. For full details of the different valuations and re-classifications, please refer to Annex F-2 of this document.

D-1 Assets Valuation

At the end of 2017, the Atradius Re had assets with a total value of EUR 1.183 million under Solvency II (EUR 1.422 million under Irish GAAP).

The following shows the differences by asset category:

All amounts in thousands of Euro, unless otherwise stated Assets	Q4-2017 Solvency 2	Q4-2017 Stat. Acc. (Irish GAAP)	Difference
Goodwill and other Intangible assets	-	9	-9
Property, plant and equipment for own use	114	114	-
Financial investments	958,899	967,237	-8,338
Reinsurance recoverables technical provisions	41,074	76,160	-35,086
Other reinsurance recoverables			-
Deposits to cedants	26,167	26,167	-
Receivables (insurance, intermediaries and trade)	5,775	185,493	-179,718
Deferred acquisition costs	-	70,421	-70,421
Deferred income tax assets	-	85	-85
Cash and cash equivalents	104,619	87,487	17,132
Any other assets (miscellaneous, accruals, current tax)	45,955	9,729	36,226
Total	**1,182,603**	**1,422,902**	**-240,299**

- **Financial investments:** In the Solvency II balance sheet and in the financial statements, all financial investments are valued at fair value. However, in the Solvency II balance sheet, accrued interest is also included as part of the financial investments, whereas in the financial statements it is part of the accruals in other assets i.e. a reclassification difference only.

- **Reinsurance recoverables:** in the Solvency II economic balance sheet these are valued in accordance with the valuation criteria of the Solvency II provisions (see section D.2) and taking into account the probability of default of the reinsurers.

- **Deferred acquisition costs:** The Solvency II economic value of deferred acquisition costs is nil. (EUR 71 million under Irish GAAP).

- **Deferred taxes:** this balance relates to deferred taxes on the Solvency II risk margin.

- **Cash and cash equivalents:** There are no differences between the Solvency II valuation and the valuation of cash in the financial statements. However, in the Solvency II Balance sheet, a restricted deposit has been included in financial investments. In the financial statements, it is included as cash and cash equivalents i.e. a reclassification difference only.

- **Receivables:** In the financial statements, receivables in respect of future (pipeline) premium (incl. excess of loss) are included here. For Solvency II purposes, these amounts are considered as part of the best estimate liabilities.

- **Any other assets:** In the financial statements, the advance (unearned) reinsurance premium for future periods that has been received for short-term credit (re)insurance is recorded as part of the technical provisions. In the Solvency II Balance sheet, these are part of the accruals.

D-2 Technical provisions valuation

Valuation Principles

As prescribed by the Solvency II Directive (DIR), the technical provisions are made up of three components:

- **Provisions for claims outstanding** (**PCO**): The PCO is the best estimate of cash flows relating to claim events that have already occurred, regardless of whether the claims arising from those events have been reported or not.

- **Premium provisions (PP**): The PP is the best estimate relating to future claim events covered by insurance and reinsurance obligations falling within the contract boundary. Cash flow projections for the calculation of the PP include claims, expenses and premiums.

- **Risk margin** (**RM**): The RM is intended to be the amount of capital that another (re)insurer taking on the liabilities at the valuation date would require over and above the best estimate. It is calculated using a cost-of-capital approach as prescribed within the Solvency II Directive.

For the purposes of this report, the best estimate, unless otherwise specified is gross, without deduction of the amounts recoverable from reinsurance contracts.

The calculation of the technical provisions includes cash flows associated with existing contracts, for obligations up to the contract boundary.

For all products the best estimate is determined by relevant actuarial and statistical methods in combination with realistic assumptions.

The methods used and the choice of loss occurrence definition determines the split between **PCO** and **PP**. This methodology is specific to the different products within the Company's business.

Choice of contract boundary

Contract boundaries are specified by product.

Reinsurance recoverables

Atradius Re's business' reinsurance protection derives from its reinsurance programme. The main programme consists an Excess of Loss (XOL) programme. There are also a number of quota share retrocession agreements on individual treaties.

The amounts recoverable from reinsurance contracts are estimated consistently within the boundaries of the underlying contracts to which they relate. The reinsurance recoverables are calculated directly, treaty by treaty in essence without approximation.

An adjustment for expected losses due to counterparty default is included in the estimate of reinsurance recoverables. The reinsurance panel predominantly has an S&P rating of A- or better.

Risk margin

The Risk margin is defined as the cost needed to cover all future capital requirements until the final settlement of existing business.

The Solvency Capital Requirement (SCR) is the risk capital required for one year only. Hence the SCR for individual points of time in the future needs to be estimated.

The Company follows the general guidance given under Method 1 within the EIOPA Solvency II Guideline 62 (EIOPA-BoS-14/166 EN). This assumes that the risk margin is based on a cost of capital approach for business that is considered "existing". For the cost of capital, a rate of 6% is used according to the Delegated Regulation (Article 39).

The overall approach used to calculate the risk margin is to perform a full calculation of the SCR at each future point in time using the standard formula with certain simplifications. The simplifications are used for the counterparty default and operational risk modules.

The method used to calculate the risk margin is based on the formula below which is prescribed in DR: Article 37(1).

$$RM = CoC \cdot \sum_{t \geq 0} \frac{SCR(t)}{(1 + r(t+1))^{t+1}}$$

Where the cost -of c-Capital (CoC) rate used is 6% as is prescribed in DR: Article 39.

SCR(t) denotes the Solvency Capital Requirement referred to in DR: Article 38(2) at year (t). It is a formula similar to that used to calculate the actual SF SCR as outlined in DIR: Article 103.

Overview of technical provisions

The following table shows the Solvency II gross and ceded technical provisions split by line of business and the risk margin as at 31 December 2017.

EUR million	Accepted proportional credit and suretyship reinsurance	Accepted non proportional credit and suretyship reinsurance	Total
Gross best estimate	305.4	0.9	306.3
Reinsurance recoveries	40.6	0.4	41.0
Net best estimate (including adjustments for CDR risk)	264.7	0.5	265.2
Risk Margin	49.8	0.7	50.5

Comparison with the financial statements

The most material differences between the SII and IFRS valuations of TP are:

- change in bases of moving from IFRS to SII, as profit is recognised on IFRS UPR; and
- change in assumptions, for the short term credit insurance product ceded by ACyC, that determines the Solvency II best estimate. In principle, underlying methodologies to arrive at a best estimate do not differ from current financial statements but calibrated parameters and assumptions reflect a probability weighted average.

Comparison with the previous year

The Solvency II Best Estimate (net of reinsurance and undiscounted) decreases by 7,5 M€, due mainly to positive evolution of expected loss ratios and a decrease in premium revenue affected by underwriting actions.

Level of Uncertainty

The frequency and severity of claims are affected by several factors. These include all factors that affect credit risk in general. Thus the status of the economy is a major driver of the frequency and severity of claims. Its effect may vary by country and sector. For trade credit risk, the behavior of customers may also affect the frequency and severity of claims, for instance through risks inherent to their business activities and their risk management practices. Specific events (e.g. natural disasters) or structural changes in the economy (e.g. easier access to developed markets for producers in low cost countries), may impact the frequency and severity of claims. What specific events or structural changes are relevant in this respect will vary over time.

The bonding business usually incurs irrecoverable losses only when, after a bond call, any payments to beneficiaries cannot be reclaimed from the bonding customer, or its guarantors. This is almost always due to either the insolvency or bankruptcy of the bonding customer. Thus, in the end, the frequency and severity of claims is affected by similar factors as those affecting credit reinsurance.

All forms of credit reinsurance and bonding bear the risk that changes in legislation, in particular of insolvency law, may affect the amount and timing of claims payments or recoveries.

D-3 Liabilities valuation

In Annex F-2, reclassification and valuation differences are shown separately. The following table shows the total difference per liability category (excluding technical provisions). For explanations on these differences please see below and for technical provisions please see D-2.

All amounts in thousands of Euro, unless otherwise stated

Liabilities	Q4-2017 Solvency 2	Q4-2017 Stat. Acc. (Irish GAAP)		Difference
Cash deposits from reinsurers	266	266	*	-
(Re)insurance accounts payable	726	55,613		54,887
Deferred income tax liabilities	1,493	-		-1,493
Provisions other than technical provisions	-	-		-
Amounts owed to credit institutions	-	-		-
Payables (trade, not insurance)	1,386	-		-1,386
Pension benefit obligations	-	-		-
Any other liabilities and current tax liabilities	103,485	28,623	*	-74,862
Subordinated loan	80,413	75,000		-5,413
Total	**187,769**	**159,502**		**-28,267**

- **Reinsurance accounts payable:** In the Solvency II balance sheet accruals for future premium and reinsurance commission that relate to periods for which the Company is at risk but has not yet written the premium are part of the technical provisions (best estimate). In the statutory balance sheet in the financial statements, these items are presented separately as reinsurance accounts payable under creditors.

- **Deferred income tax liabilities:** Due to the various differences in the accounting policies applied in the Solvency II balance sheet and the financial statements of the Company, differences also arise in the deferred income tax positions (e.g. due to the different bases of valuations of the best estimate liabilities).

- **Any other liabilities:** The advance reinsurance premium (UPR) and the related ceded balances for future periods that have been received for short-term credit (re) insurance are recorded as part of the accruals in the Solvency II balance sheet. In the statutory balance sheet in the financial statements, these are part of the technical provisions.

D-4 Alternative methods for valuation

Valuation of the subordinated loan provided to Atradius Reinsurance DAC

Subordinated Loan

Part of the Company's basic own funds is a subordinated loan, treated as Tier II capital, in the amount of €75m, with a group of lenders that are part of the GCO Group.

The market valuation for Solvency II is based on the present value of the subordinated loan's cash flows discounted using the Euro government bond yield curve as a benchmark and applying an appropriate risk spread.

The credit spread applied is estimated using the credit spreads of market quoted subordinated bond issues by similar issuers and with similar rating and maturity profiles. The fair value estimate of the bonds is provided by an external independent valuation company, which uses its own proprietary valuation systems to value securities supported by economic and market assumptions from financial information providers.

D-5. Valuation techniques used on the basis of model approach

n/a

E. Capital Management

E-0 Introduction

E-0.1 Capital management - principles

E-0.2 Capital management - processes

E-0.3 Reinsurance programme

E-1 Own funds

E-2 Solvency capital requirement and minimum capital requirement

E-3 Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement

E-4 Differences between the standard formula and any internal model used

E-5 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement

E-6 Any other information

E-0 Capital Management – Introduction

Atradius Re seeks to maintain a strong capital position, to support the evolution of the business, withstand financial stresses, meet all financial obligations and maximise returns to our shareholders, Grupo Catalana Occidente S.A. (GCO), while protecting its customers.

E-0.1 Capital management – principles

The Company has the following guiding principles and objectives in respect of its capital management:

- Sufficient capitalisation to be able to continue as a going concern after meeting all of its financial obligations.
- To meet the externally imposed regulatory requirements based on the EU Directive requirements of Solvency II, as an authorised reinsurer regulated by the Central Bank of Ireland (“CBI”).
- To maximise the return to our shareholders Grupo Catalana Occidente S.A. (GCO), while protecting our customers.

Available capital is managed from both an accounting and an economic perspective.

Atradius Re calculates its Solvency Capital Requirements in accordance with the solvency calculation requirements of Solvency II.

In order to ensure meeting the objective of sufficient capitalisation as described above, the Company’s policy is to maintain a capital amount above the regulatory solvency capital requirement, to ensure that large loss events would not impair the ability of the Company to carry on its normal course of business.

E-0.2 Capital management – processes

The Company has embedded processes and procedures for:

- Capital planning;
- Capital monitoring; and
- Capital management.

These processes and procedures have the objective of ensuring compliance with externally imposed regulations and internally imposed requirements for capital adequacy.

Such compliance is ensured as follows:

- regular assessment of solvency needs, taking into account the business strategy, resulting risk profile and applied risk limits.
- calculation of the capital consumption of new and existing business.

E-1 Own funds

The structure of available capital follows the regulatory requirements for quality of capital in terms of (capital) tiering and coverage limits. Under Solvency II, own funds are classified into three categories ranked Tier 1, Tier 2 and Tier 3, with Tier 1 being the highest quality.

The following table illustrates the own funds by tier for the Company as at 31 December 2017:

Basic Own Fund Items (EUR millions)	Tier 1	Tier 2	Total
Ordinary paid up share capital	0.6	-	-
Capital contributions	279.1		
Other reserves from accounting balance sheet	347.3	-	-
Adjustments to assets	-240.3	-	-
Adjustments to technical provisions	279.6	-	-
Adjustments to other liabilities	-28.3	-	-
Subordinated liabilities dated	-	80.4	-
Total basic own funds	**638.0**	**80.4**	**718.4**

Tier 1:

The called up share capital represents the nominal value of shares that have been issued.

The authorised share capital of the Company amounts to EUR 635,000, all of which relates to called up share capital, presented as equity, and is divided into 635,000 ordinary shares with a nominal value of EUR 1 each.

The capital contribution represents capital received from our shareholders and approved as eligible Tier 1 capital by the Central Bank of Ireland.

Tier 2:

Subordinated loan provided to Atradius Reinsurance DAC

On 20 April 2016 the shareholders of Atradius N.V. provided a subordinated loan to Atradius Re with a principle amount of EUR 75 million. The loan agreement was executed on 18 April 2016 and the funds transferred on 20 April 2016.

The interest on the subordinated loan was fixed at 5.0% per annum, payable annually in arrears on 20 April each year until and including the maturity date: 20 April 2026. Atradius Re may redeem the loan on the first call date: 20th April 2021, or thereafter on each interest payment date.

The subordinated loan qualifies as a Tier 2 basic own funds item as set out in article 73 of the European Commission's Solvency II Delegated Regulation (2015/35).

E-2 Solvency capital requirement and minimum capital requirement

The table on the following page shows the Solvency Capital Requirement (SCR), calculated under the approved Partial Internal Model (PIM). The calculation uses no simplified calculation, undertaking-specific parameter, or the duration-based equity risk sub-module.

See also SCR QRT “S.25.01” in “F-1 Annexes all relevant QRTs”.

The solvency coverage ratio (ratio of eligible own funds to the SCR) at 31 December 2017 was 183.9% (2016:187.1% using proforma PIM).

The ratio of eligible own funds to the Minimum Capital Requirement (MCR) at 31 December 2017 was 733.7% (2016:702.1% using proforma PIM).

	Q42017	Q42016
Market Risk:		
Interest Rate Risk	12	15
Equity Risk	27	20
Spread Risk	20	25
Currency Risk	25	16
Concentration Risk	3	1
Total undiversified	**87**	**77**
Diversification	(28)	(24)
Total diversified	**59**	**53**
Non-Life UW Risk:		
Internal Model	**384**	**357**
Premium and Reserve Risk	**3**	**2**
Catastrophe Risk		
CAT recession scenario	2	2
CAT default scenario	-	-
CAT other scenario	-	-
Total undiversified	**2**	**2**
Diversification	-	-
Total diversified	**2**	**2**
Lapse Risk	-	-
Total undiversified	**389**	**361**
Diversification	(1)	(1)
Total diversified	**388**	**360**
Counterparty risk	**11**	**12**
BSCR:		
Total undiversified	**458**	**425**
Diversification	(45)	(42)
Total diversified	**413**	**383**
Operational Risk	**15**	**14**
SCR		
Total before tax adjustment:	**428**	**397**
Tax adjustment	(37)	(33)
Solvency Capital Requirement	**391**	**364**
MCR	**98**	**97**
Eligible own funds	**719**	**681**
SCR Coverage ratio	**183.9%**	**187.1%**
MCR Coverage ratio	**733.7%**	**702.1%**

E-3 Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement

n/a

E-4 Differences between the standard formula and any internal model used

For the purpose of adapting the solvency requirements to the risk profile of each company, the Solvency II regulations enable institutions to calculate solvency capital requirements using internally developed risk models.

As part of the Atradius Group, Atradius Re has been modelling it's capital requirements for many years on the basis of an economic capital model prior to the introduction of Solvency II. As this model reflects the business model of Atradius Re and its risk profile, the Company has continued to use it by working closely with the Atradius Group to adapt it to make it Solvency II compliant. This internal model has approved regulatory approval and is used for the calculation of its capital requirements in respect of underwriting risk.

The internal model better reflects our business model and risk profile for the following reasons:

- it simulates the state of the economy;
- it accounts for risk mitigation measures the Company has in place e.g. reinsurance;
- it uses the same ratings and probability of defaults (PDs) in use by the Company;
- it accounts for concentration risk and the correlations between risks;
- it accounts for "dynamic exposure management" unique to credit (re)insurance: it is possible to cut limits/manage exposures;
- the standard formula is not appropriate for credit (re)insurance as underwriting risk is split into premium and catastrophe risk, which in essence is a double counting of risks e.g. a recession is not a catastrophe for credit (re)insurance as it is already covered by premium and reserve risk;
- we have several lines of credit (re)insurance with different risk profiles not reflected by the standard formula.

The internal model, specific for underwriting risk, is a simulation model based on the Monte Carlo technique in a time horizon of one year and with a confidence level of 99.5%. Through it risks are allocated specific likelihoods of bankruptcy and a loss in the event of default, and the final distribution of losses is constructed that allows us to accurately determine the SCR.

E-5 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement

There is no unforeseeable risk of non-compliance with Atradius Re's Minimum Capital Requirement or Solvency Capital Requirement. The risk profile and solvency positions are monitored continuously and in case of an increase of the risk of a capital shortfall, management will take appropriate action.

E-6 Any other information

Tax adjustment in SCR calculation

The tax adjustment used to lower the solvency capital requirement refers to the loss absorbing capacity of deferred taxes (LACDT). The tax adjustment at 31 December 2017 was EUR37m (2016:EUR33m), representing of the basic SCR (BSCR) before the tax adjustment.

When calculating the solvency capital requirement, it is assumed that in the event of a shock event for which the magnitude of the SCR is required, in accordance with tax rules the consequent losses will be available on a 'continued going concern' basis to offset against future taxable income. The tax losses to be offset are limited to the lower of the (tax) losses and the future stressed taxable profits against which the losses can be offset.

F. Annexes

F-1 All relevant QRTs

F-2 Detailed reconciliation of the balance sheet in accordance with the financial statements and Solvency II

F-3 Solvency II valuation principles

F-1 All relevant QRTs

- SE.02.01 Balance sheet
- S.05.01 Premiums, claims and expenses by class of business
- S.05.02 Premiums, claims and expenses by country
- S.17.01 Non-life technical provisions
- S.25.02 Solvency capital requirement for undertakings using the standard formula and the partial internal model
- S.28.01 Minimum capital requirement – only life or only non-life insurance or reinsurance activity
- S.23.01 Own funds
- S.19.01 Non-life insurance claims

SE.02.01.16

Variant of Solvency II template S.02.01.01 with ECB add-ons (annual reporting, solo)

SE.02.01.16.01

Balance sheet

		Solvency II value	Statutory accounts value	Reclassification adjustments
		C0010	C0020	EC0021
Assets				
Goodwill	R0010			
Deferred acquisition costs	R0020		70,421,384.06	
Intangible assets	R0030	0.00	9,341.28	0
Deferred tax assets	R0040	0.00	84,904.23	0
Pension benefit surplus	R0050	0.00		0
Property, plant & equipment held for own use	R0060	114,362.35	114,362.35	0
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	958,898,616.17	967,237,215.14	0
Property (other than for own use)	R0080	0.00		0
Holdings in related undertakings, including participations	R0090	0.00		0
Equities	R0100	59,016,398.41	59,016,398.41	0
Equities - listed	R0110	59,016,398.41	59,016,398.41	0
Equities - unlisted	R0120	0.00		0
Bonds	R0130	869,234,758.73	860,441,791.51	0
Government Bonds	R0140	333,151,082.41	329,463,788.37	0
Corporate Bonds	R0150	536,083,676.32	530,978,003.14	0
Structured notes	R0160	0.00		0
Collateralised securities	R0170	0.00		0
Collective Investments Undertakings	R0180	22,937,619.00	22,937,619.00	0
Derivatives	R0190	0.00		0
Deposits other than cash equivalents	R0200	7,709,840.03	24,841,406.22	0
Other investments	R0210	0.00		0
Assets held for index-linked and unit-linked contracts	R0220	0.00		0
Loans and mortgages	R0230	0.00		0
Loans on policies	R0240	0.00		0
Loans and mortgages to individuals	R0250	0.00		0
Other loans and mortgages	R0260	0.00		0
Reinsurance recoverables from:	R0270	41,073,566.55	76,160,478.16	0
Non-life and health similar to non-life	R0280	41,073,566.55	76,160,478.16	
Non-life excluding health	R0290	41,073,566.55	76,160,478.16	
Health similar to non-life	R0300	0.00		
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0.00		
Health similar to life	R0320	0.00		
Life excluding health and index-linked and unit-linked	R0330	0.00		
Life index-linked and unit-linked	R0340	0.00		
Deposits to cedants	R0350	26,166,758.30	26,166,758.30	0
Insurance and intermediaries receivables	R0360	0.00		0
Reinsurance receivables	R0370	5,774,832.65	185,492,675.02	0
Receivables (trade, not insurance)	R0380	0.00		0
Own shares (held directly)	R0390	0.00		0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0.00		0
Cash and cash equivalents	R0410	104,618,641.91	87,487,060.87	0
Any other assets, not elsewhere shown	R0420	45,955,299.18	9,728,234.30	0
Total assets	**R0500**	1,182,602,077.12	1,422,902,413.71	0

Liabilities				
Technical provisions – non-life	R0510	356,859,945.30	636,435,224.50	0
Technical provisions – non-life (excluding health)	R0520	356,859,945.30	636,435,224.50	
Technical provisions calculated as a whole	R0530	0.00		
Best Estimate	R0540	306,323,510.80		
Risk margin	R0550	50,536,434.49		
Technical provisions - health (similar to non-life)	R0560	0.00		
Technical provisions calculated as a whole	R0570	0.00		
Best Estimate	R0580	0.00		
Risk margin	R0590	0.00		
Technical provisions - life (excluding index-linked and unit-linked)	R0600	0.00		0
Technical provisions - health (similar to life)	R0610	0.00		
Technical provisions calculated as a whole	R0620	0.00		
Best Estimate	R0630	0.00		
Risk margin	R0640	0.00		
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	0.00		
Technical provisions calculated as a whole	R0660	0.00		
Best Estimate	R0670	0.00		
Risk margin	R0680	0.00		
Technical provisions – index-linked and unit-linked	R0690	0.00		0
Technical provisions calculated as a whole	R0700	0.00		
Best Estimate	R0710	0.00		
Risk margin	R0720	0.00		
Other technical provisions	R0730			
Contingent liabilities	R0740	0.00		0
Provisions other than technical provisions	R0750	0.00		0
Pension benefit obligations	R0760	0.00		0
Deposits from reinsurers	R0770	265,708.23	265,708.23	0
Deferred tax liabilities	R0780	1,492,611.46	4,417.03	0
Derivatives	R0790	0.00		0
Debts owed to credit institutions	R0800	0.00		0
Debts owed to credit institutions resident domestically	ER0801	0.00		0
Debts owed to credit institutions resident in the euro area other than domestic	ER0802	0.00		0
Debts owed to credit institutions resident in rest of the world	ER0803	0.00		0
Financial liabilities other than debts owed to credit institutions	R0810	0.00		0
Debts owed to non-credit institutions	ER0811	0.00		0
Debts owed to non-credit institutions resident domestically	ER0812	0.00		0
Debts owed to non-credit institutions resident in the euro area other than domestic	ER0813	0.00		0
Debts owed to non-credit institutions resident in rest of the world	ER0814	0.00		0
Other financial liabilities (debt securities issued)	ER0815	0.00		0
Insurance & intermediaries payables	R0820	0.00		0
Reinsurance payables	R0830	725,542.10	54,226,380.28	0
Payables (trade, not insurance)	R0840	1,386,309.79	1,386,309.79	0
Subordinated liabilities	R0850	80,412,519.07	75,000,000.00	0
Subordinated liabilities not in Basic Own Funds	R0860	0.00		0
Subordinated liabilities in Basic Own Funds	R0870	80,412,519.07	75,000,000.00	0
Any other liabilities, not elsewhere shown	R0880	103,485,113.02	28,619,825.43	0
Total liabilities	**R0900**	544,627,748.97	795,937,865.26	0
Excess of assets over liabilities	**R1000**	637,974,328.15	626,964,548.45	

S.05.01.01

Premiums, claims and expenses by line of business

S.05.01.01.01

Non-Life (direct business/accepted proportional reinsurance and accepted non-proportional reinsurance)

		Line of Business for: non-life	Line of Business for: accepted	Total
		Credit and suretyship insurance	Property	
		C0090	C0160	C0200
Premiums written				
Gross - Direct Business	R0110	0.00		0
Gross - Proportional reinsurance accepted	R0120	475,620,626.00		475,620,626.00
Gross - Non-proportional reinsurance accepted	R0130		6,166,394.00	6,166,394.00
Reinsurers' share	R0140	58,523,843.00	624,275.00	59,148,118.00
Net	R0200	417,096,783.00	5,542,119.00	422,638,902.00
Premiums earned				
Gross - Direct Business	R0210			
Gross - Proportional reinsurance accepted	R0220	474,766,220.00		474,766,220.00
Gross - Non-proportional reinsurance accepted	R0230		6,251,780.00	6,251,780.00
Reinsurers' share	R0240	59,902,023.00	619,201.00	60,521,224.00
Net	R0300	414,864,197.00	5,632,579.00	420,496,776.00
Claims incurred				
Gross - Direct Business	R0310			
Gross - Proportional reinsurance accepted	R0320	217,860,581.00		217,860,581.00
Gross - Non-proportional reinsurance accepted	R0330		2,488,514.00	2,488,514.00
Reinsurers' share	R0340	25,791,120.00	531,756.00	26,322,876.00
Net	R0400	192,069,461.00	1,956,758.00	194,026,219.00
Changes in other technical provisions				
Gross - Direct Business	R0410	0.00		
Gross - Proportional reinsurance accepted	R0420	0.00		
Gross - Non- proportional reinsurance accepted	R0430		0.00	
Reinsurers' share	R0440	0.00	0.00	
Net	R0500	0.00	0.00	
Expenses incurred	R0550	181,807,704.00	818,126.00	182,625,830.00
Administrative expenses				0.00
Gross - Direct Business	R0610	0		
Gross - Proportional reinsurance accepted	R0620	9065086.65		9,065,086.65
Gross - Non-proportional reinsurance accepted	R0630		363570.35	363,570.35
Reinsurers' share	R0640	0	0	0.00
Net	R0700	9065086.65	363570.35	9,428,657.00
Investment management expenses				
Gross - Direct Business	R0710	0		0.00
Gross - Proportional reinsurance accepted	R0720	1021703.67		1,021,703.67
Gross - Non-proportional reinsurance accepted	R0730		13246.33	13,246.33
Reinsurers' share	R0740	0	0	0.00
Net	R0800	1021703.67	13246.33	1,034,950.00
Claims management expenses				
Gross - Direct Business	R0810	0		0.00
Gross - Proportional reinsurance accepted	R0820	624715.88		624,715.88
Gross - Non-proportional reinsurance accepted	R0830		19551.12	19,551.12
Reinsurers' share	R0840	0	0	0.00
Net	R0900	624715.88	19551.12	644,267.00
Acquisition expenses				
Gross - Direct Business	R0910	0		0.00
Gross - Proportional reinsurance accepted	R0920	171096196.9		171,096,196.87
Gross - Non-proportional reinsurance accepted	R0930		487505.97	487,505.97
Reinsurers' share	R0940	0	65746.84	65,746.84
Net	R1000	171096196.9	421759.13	171,517,956.00
Overhead expenses				
Gross - Direct Business	R1010	0		0.00
Gross - Proportional reinsurance accepted	R1020	0		0.00
Gross - Non-proportional reinsurance accepted	R1030		0	0.00
Reinsurers' share	R1040	0	0	0.00
Net	R1100	0	0	0.00
Other expenses	R1200			0.00
Total expenses	R1300			182,625,830.00

S.05.02.01

Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		ES	BR	CN	US	IT	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110							
Gross - Proportional reinsurance accepted	R0120		293,962,232.23	33,493,620.83	28,562,333.32	21,243,560.55	17,528,968.26	394,790,715.19
Gross - Non-proportional reinsurance accepted	R0130		59,736.88	642,456.08	764,582.47	0.00	791,071.29	2,257,846.72
Reinsurers' share	R0140		9,909,698.90	12,690,662.96	20,706,241.79	3,699,022.19	0.00	47,005,625.84
Net	R0200		284,112,270.21	21,445,413.95	8,620,674.00	17,544,538.36	18,320,039.55	350,042,936.07
Premiums earned								
Gross - Direct Business	R0210		0.00	0.00	0.00	0.00	0.00	
Gross - Proportional reinsurance accepted	R0220		288,971,100.89	32,860,733.50	27,478,688.28	21,430,158.83	17,171,972.28	387,912,653.78
Gross - Non-proportional reinsurance accepted	R0230		0.00	634,887.25	764,582.47	0.00	803,754.34	2,203,224.06
Reinsurers' share	R0240		10,289,815.10	14,644,321.23	18,499,397.26	4,252,247.80	0.00	47,685,781.39
Net	R0300		278,681,285.79	18,851,299.52	9,743,873.49	17,177,911.03	17,975,726.62	342,430,096.45
Claims incurred								
Gross - Direct Business	R0310							
Gross - Proportional reinsurance accepted	R0320		123,097,600.02	13,084,893.85	30,758,069.27	6,246,547.51	10,315,294.35	183,502,405.00
Gross - Non-proportional reinsurance accepted	R0330		0.00	349,925.85	1,239,436.31	0.00	314,675.30	1,904,037.46
Reinsurers' share	R0340		-1,883,083.25	5,020,811.16	17,471,187.71	-928.49	0.00	20,607,987.13
Net	R0400		124,980,683.27	8,414,008.54	14,526,317.87	6,247,476.00	10,629,969.65	164,798,455.33
Changes in other technical provisions								
Gross - Direct Business	R0410							
Gross - Proportional reinsurance accepted	R0420							
Gross - Non- proportional reinsurance accepted	R0430							
Reinsurers'share	R0440							
Net	R0500							
Expenses incurred	R0550		116,254,327.85	7,745,697.35	8,082,208.30	8,247,244.33	7,408,330.37	147,737,808.20
Other expenses	R1200							
Total expenses	R1300							

S.17.01.01

Non-Life Technical Provisions

S.17.01.01.01

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance		Total Non-Life obligation
		Credit and suretyship insurance	Non-proportional property reinsurance	
		C0100	C0170	C0180
Technical provisions calculated as a whole	R0010	0.00	0.00	0.00
Direct business	R0020	0.00		0.00
Accepted proportional reinsurance business	R0030	0.00		0.00
Accepted non-proportional reinsurance	R0040		0.00	0.00
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	0.00	0.00	0.00
Technical provisions calculated as a sum of BE and RM				
Best estimate				
Premium provisions				
Gross - Total	R0060	22,012,089.59	-4,735,353.87	17,276,735.72
Gross - direct business	R0070	0.00		0.00
Gross - accepted proportional reinsurance business	R0080	22,012,089.59		22,012,089.59
Gross - accepted non-proportional reinsurance business	R0090		-4,735,353.87	-4,735,353.87
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0100	5,770,037.12	-222,610.13	5,547,427.00
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0110	5,770,037.12	-222,610.13	5,547,427.00
Recoverables from SPV before adjustment for expected losses	R0120	0.00	0.00	0.00
Recoverables from Finite Reinsurance before adjustment for expected losses	R0130	0.00	0.00	0.00
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	5,710,641.21	-221,297.01	5,489,344.20
Net Best Estimate of Premium Provisions	R0150	16,301,448.38	-4,514,056.86	11,787,391.53
Claims provisions				
Gross - Total	R0160	283,403,250.16	5,643,524.93	289,046,775.08
Gross - direct business	R0170	0.00		0.00
Gross - accepted proportional reinsurance business	R0180	283,403,250.16		283,403,250.16
Gross - accepted non-proportional reinsurance business	R0190		5,643,524.93	5,643,524.93
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0200	35,349,741.99	623,641.25	35,973,383.24
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0210	35,349,741.99	623,641.25	35,973,383.24
Recoverables from SPV before adjustment for expected losses	R0220	0.00	0.00	0.00
Recoverables from Finite Reinsurance before adjustment for expected losses	R0230	0.00	0.00	0.00
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	34,959,876.59	624,345.77	35,584,222.36
Net Best Estimate of Claims Provisions	R0250	248,443,373.57	5,019,179.16	253,462,552.73
Total Best estimate - gross	R0260	305,415,339.75	908,171.06	306,323,510.80
Total Best estimate - net	R0270	264,744,821.95	505,122.30	265,249,944.25
Risk margin	R0280	49,855,861.08	680,573.42	50,536,434.49
Amount of the transitional on Technical Provisions				
TP as a whole	R0290	0.00	0.00	0.00
Best estimate	R0300	0.00	0.00	0.00
Risk margin	R0310	0.00	0.00	0.00
Technical provisions - total				
Technical provisions - total	R0320	355,271,200.83	1,588,744.47	356,859,945.30
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	40,670,517.80	403,048.75	41,073,566.55
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	314,600,683.03	1,185,695.72	315,786,378.75

S.25.02.01

Solvency Capital Requirement - for undertakings using the standard formula and partial internal model

Unique number of component	Components Description	Calculation of the Solvency Capital Requirement	Consideration of the future management actions regarding technical provisions and/or deferred taxes	Amount modelled
C0010	C0020	C0030	C0060	C0070
				0
1	Market Risk	58,889,168.53	No embedded consideration of future management actions	
2	Counterparty default risk	11,120,217.87	No embedded consideration of future management actions	0
3	Life underwriting risk	0.00	No embedded consideration of future management actions	0
4	Health Underwriting risk	0.00	No embedded consideration of future management actions	0
5	Non-life underwriting risk	388,064,046.98	No embedded consideration of future management actions	384,398,948.00
7	Operational risk	14,542,313.88	No embedded consideration of future management actions	0
8	LAC Technical Provisions	0.00	No embedded consideration of future management actions	
9	LAC Deffered Taxes	-36,548,331.62	No embedded consideration of future management actions	0

Calculation of Solvency Capital Requirement

		C0100
Total undiversified components	R0110	436,067,415.65
Diversification	R0060	-45,454,396.68
Adjustment due to RFF/MAP nSCR aggregation	R0120	0.00
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0.00
Solvency capital requirement excluding capital add-on	R0200	390,613,018.97
Capital add-ons already set	R0210	0.00
Solvency capital requirement	R0220	390,613,018.97
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	0.00
Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	R0310	-36,548,331.62
Capital requirement for duration-based equity risk sub-module	R0400	0.00
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0.00
Total amount of Notional Solvency Capital Requirement for ring fenced funds	R0420	0.00
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	0.00
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0.00
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	No adjustment
Net future discretionary benefits	R0460	0.00

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.28.01.01.05		
Overall MCR calculation		
		C0070
Linear MCR	R0300	96,674,001.11
SCR	R0310	390,613,018.96
MCR cap	R0320	175,775,858.53
MCR floor	R0330	97,653,254.74
Combined MCR	R0340	97,653,254.74
Absolute floor of the MCR	R0350	3,600,000.00
Minimum Capital Requirement	R0400	97,653,254.74

S.28.01.01		
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity		
Linear formula component for non-life insurance and reinsurance obligations		
		MCR components
		C0010
MCRNL Result	R0010	96,674,001.11

S.28.01.01.02			
Background information			
		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	0.00	0.00
Income protection insurance and proportional reinsurance	R0030	0.00	0.00
Workers' compensation insurance and proportional reinsurance	R0040	0.00	0.00
Motor vehicle liability insurance and proportional reinsurance	R0050	0.00	0.00
Other motor insurance and proportional reinsurance	R0060	0.00	0.00
Marine, aviation and transport insurance and proportional reinsurance	R0070	0.00	0.00
Fire and other damage to property insurance and proportional reinsurance	R0080	0.00	0.00
General liability insurance and proportional reinsurance	R0090	0.00	0.00
Credit and suretyship insurance and proportional reinsurance	R0100	264,744,821.95	432,338,335.98
Legal expenses insurance and proportional reinsurance	R0110	0.00	0.00
Assistance and proportional reinsurance	R0120	0.00	0.00
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0.00	0.00
Non-proportional health reinsurance	R0140	0.00	0.00
Non-proportional casualty reinsurance	R0150	0.00	0.00
Non-proportional marine, aviation and transport reinsurance	R0160	0.00	0.00
Non-proportional property reinsurance	R0170	505,122.30	5,446,433.39

S.23.01.01

Own funds

S.23.01.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	635,000.00	635,000.00		0.00	
Share premium account related to ordinary share capital	R0030	0.00	0.00		0.00	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type	R0040	0.00	0.00		0.00	
Subordinated mutual member accounts	R0050	0.00		0.00	0.00	0.00
Surplus funds	R0070	0.00	0.00			
Preference shares	R0090	0.00		0.00	0.00	0.00
Share premium account related to preference shares	R0110	0.00		0.00	0.00	0.00
Reconciliation reserve	R0130	358,285,317.35	358,285,317.35			
Subordinated liabilities	R0140	80,412,519.07		0.00	80,412,519.07	0.00
An amount equal to the value of net deferred tax assets	R0160	0.00				0.00
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	279,054,010.80	279,054,010.80	0.00	0.00	0.00
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	0.00				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0.00	0.00	0.00	0.00	0.00
Total basic own funds after deductions	R0290	718,386,847.22	637,974,328.15	0.00	80,412,519.07	0.00
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0.00			0.00	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0.00			0.00	
Unpaid and uncalled preference shares callable on demand	R0320	0.00			0.00	0.00
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0.00			0.00	0.00
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0.00			0.00	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0.00			0.00	0.00
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0.00			0.00	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0.00			0.00	0.00
Other ancillary own funds	R0390	0.00			0.00	0.00
Total ancillary own funds	R0400	0.00			0.00	0.00
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	718,386,847.22	637,974,328.15	0.00	80,412,519.07	0.00
Total available own funds to meet the MCR	R0510	718,386,847.22	637,974,328.15	0.00	80,412,519.07	
Total eligible own funds to meet the SCR	R0540	718,386,847.22	637,974,328.15	0.00	80,412,519.07	0.00
Total eligible own funds to meet the MCR	R0550	657,504,979.10	637,974,328.15	0.00	19,530,650.95	
SCR	R0580	390,613,018.96				
MCR	R0600	97,653,254.74				
Ratio of Eligible own funds to SCR	R0620	183.91%				
Ratio of Eligible own funds to MCR	R0640	673.31%				

S.23.01.01.02

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	637,974,328.15
Own shares (held directly and indirectly)	R0710	0.00
Foreseeable dividends, distributions and charges	R0720	0.00
Other basic own fund items	R0730	279,689,010.80
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0.00
Reconciliation reserve	R0760	358,285,317.35
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	0.00
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	25,272,897.00
Total Expected profits included in future premiums (EPIFP)	R0790	25,272,897.00

S.19.01.21
Non-life insurance claims

Gross Claims Paid (non-cumulative) - Development year (absolute amount). Total Non-Life Business

		0	1	2	3	4	5	6	7	8	9	10 & +		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100											-479,193.61	R0100	-479,193.61	426,929,603.46
N-9	R0160	47,287,293.33	185,880,860.02	69,217,558.16	19,718,721.25	11,893,840.92	7,915,394.58	6,526,813.52	3,315,407.87	368,378.81	-3,041,125.31		R0160	-3,041,125.31	349,083,143.15
N-8	R0170	39,249,502.57	56,865,467.96	20,098,546.39	4,101,614.95	3,180,376.14	2,049,301.35	2,004,600.85	2,607,038.84	-20,419.12			R0170	-20,419.12	130,136,029.93
N-7	R0180	15,015,518.32	43,918,722.04	20,154,261.74	10,750,444.15	4,868,801.53	4,224,096.93	1,898,089.40	-175,422.57				R0180	-175,422.57	100,654,511.54
N-6	R0190	24,215,829.71	73,620,754.66	29,769,671.99	11,608,720.33	1,174,197.51	1,250,984.09	3,897,654.16					R0190	3,897,654.16	145,537,812.45
N-5	R0200	35,264,462.68	84,169,191.38	35,437,993.58	15,376,320.24	5,753,184.15	1,653,062.32						R0200	1,653,062.32	177,654,214.35
N-4	R0210	40,289,875.80	76,311,497.87	22,491,448.48	12,677,908.32	4,378,751.39							R0210	4,378,751.39	156,149,481.86
N-3	R0220	42,951,610.44	111,991,403.73	49,948,959.15	14,632,183.21								R0220	14,632,183.21	219,524,156.53
N-2	R0230	39,783,095.19	122,667,439.03	35,192,433.53									R0230	35,192,433.53	197,642,967.75
N-1	R0240	50,958,598.85	90,960,960.68										R0240	90,960,960.68	141,919,559.53
N	R0250	51,305,535.56											R0250	51,305,535.56	51,305,535.56
													R0260	198,304,420.24	2,096,537,016.11

Gross undiscounted Best Estimate Claims Provisions - Development year (absolute amount). Total Non-Life Business

		0	1	2	3	4	5	6	7	8	9	10 & +			Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300			C0360
Prior	R0100											20,820,157.54	Prior	R0100	20,663,001.87
N-9	R0160									9,097,327.11	10,077,163.87		N-9	R0160	9,914,511.17
N-8	R0170								9,671,646.88	8,281,259.24			N-8	R0170	8,102,803.56
N-7	R0180							9,115,340.80	7,830,831.96				N-7	R0180	7,651,069.20
N-6	R0190						17,729,953.03	13,609,161.81					N-6	R0190	13,301,858.75
N-5	R0200					24,267,783.91	27,396,154.32						N-5	R0200	25,614,232.43
N-4	R0210				24,438,091.80	19,694,573.27							N-4	R0210	16,804,479.37
N-3	R0220			60,199,764.52	48,454,518.81								N-3	R0220	44,859,293.19
N-2	R0230		70,501,390.46	38,821,611.45									N-2	R0230	36,480,419.84
N-1	R0240	57,973,197.95	42,650,948.33										N-1	R0240	42,147,466.48
N	R0250	55,690,343.74											N	R0250	54,966,111.96
													Total	R0260	280,505,247.82

F-2: Detailed reconciliation of the balance sheet in accordance with the financial statements and Solvency II

Amounts x € 1.000	Statutory Accounts (Irish GAAP)		Reclassification Differences	Valuation Differences	Solvency II	
Goodwill	-			-	-	
Other intangible assets	9			(9)	-	
Goodwill & Other intangible assets		9				-
Property, Plant & Equipment		114		-		114
Property (other than own use)	-			-	-	
Participations	-			-	-	
Other financial investments	942,395		8,793		951,189	
Cash deposits	24,841		(17,132)		7,709	
Investments		967,236				958,898
Reinsurance share of TP	76,160			(76,160)	-	
Best Estimate Solvency II	-			41,074	41,074	
Reinsurance recoverables		76,160				41,074
Deposits to Cedants		26,167				26,167
Deferred Acquisition Costs		70,421		(70,421)		-
Insurance receivables (policyholder, intermediaries)	19,086		(11,224)		7,862	
Adj: Total future Premium (incl. XL) and commission (Pipeline)	166,407		(2,089)	(166,407)	- 2,089	
Insurance Receivables (policyholder, intermediaries)		185,493				5,772
Other Receivables (trade, other)						
Deferred Tax Assets		85	(85)			-
Current income tax assets			-			-
Other assets and Accruals	862				862	
Current Tax Assets	-				-	
Accrued interest financial investments	8,868		(8,793)		75	
Adj: UPR considered as Customer deposits (ceded)	-			19,128	19,128	
Adj: DAC considered as Customer deposits (gross)	-			11,482	11,482	
Adj: Commissions considered as Accrual	-		11,224		11,224	
Adj: Commisison Sliding Scales due to impact of LAT	-			3,188	3,188	
(Any) Other Assets, not elsewhere shown		9,729				45,958
Cash and Cash equivalents		87,487	17,132			104,619
Total Assets		**1,422,902**	**- 2,174**	**- 238,127**		**1,182,602**
Provisions Irish GAAP	451,256			- 451,256	-	
UPR (Unearned Premium Reserve) irish GAAP	185,179			- 185,179	-	
Best Estimate Solvency II	-			306,324	306,324	
Risk Margin Solvency II	-			50,536	50,536	
Gross Technical Provisions		636,435				356,860
Cash deposits from reinsurers		266				266
Reinsurance accounts payable	29,990		(31,354)	2,089	725	
Adj: Total future Premium (incl XL) incl. comm. (ceded Pipeline)	24,236			(24,236)	-	
(Re)insurance accounts payable		54,226				725
Deferred Tax Liabilities		4	(85)	1,573	1,488	1,493
Current income tax liabilities		-	-		-	-
Other provisions (non technical)		-			-	-
Amounts owned credit institut.		-			-	-
Payables (trade, other)		1,386			-	1,386
Pension benefit obligations		-			-	-
Adj: Total URC (Unearned Reinsurance Commission)	5,386			(5,386)	-	
Adj. total future premium	17,823			(17,823)	-	
Other liabilities and Accruals	5,411			29	5,440	
Adj: UPR considered as Customer deposits (gross)	-			30,865	30,865	
Adj: URC considered as Customer deposits	-		29,265		29,265	
Adj: Commissions considered as Accrual	-			9,955	9,955	
Adj: Commisison Sliding Scales due to impact of LAT	-			27,959	27,959	
(Any) Other liabilities		28,620				103,483
Total Liabilities		**720,937**	**- 2,174**	**- 254,551**		**464,213**
Own funds (capital and reserves)		626,965	- 0	11,010		637,975
Subordinated Loan (Solvency2)		75,000		5,413		80,413
Own Funds		**701,965**	**- 0**	**16,423**		**718,387**

F-3 Solvency II Valuation Principles (excluding technical provisions – refer D-2)

The Solvency II valuation principles are in accordance with articles 75-86 of the Solvency II Directive, articles 7-16 of the Delegated Acts and the secondary Solvency II laws and regulations.

Functional and presentation currencies

The financial statements of the Atradius Re are presented in the currency of the primary economic environment in which it operates (its functional currency). Both the financial statements and the Solvency II balance sheet are presented in thousands of Euro (EUR).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses, that result from the settlement of foreign transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement under FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland" and are part of the eligible capital in the Solvency II balance sheet.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined.

Software

Computer software acquired and computer software self-developed are treated as intangible assets and are valued at nil.

Property, plant and Equipment for own use (PPE)

In the Solvency II balance sheet PPE is stated at fair value. PPE consists of fixtures & fittings and other fixed assets. As an approximation of the fair value, PPE is measured in accordance with accounting principles applied for the financial statements.

In the financial statements, PPE is stated at historical cost less accumulated straight-line depreciation and impairment losses. The depreciation period is based on the estimated economic useful life of the asset.

Financial investments

The fair values of financial instruments traded in active markets are based on quoted market prices at the end of the reporting period. The quoted market price used for financial investments held by the Atradius Re is the current bid price. Transaction costs on initial recognition of financial investments are expensed as incurred.

The fair values correspond to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Whenever possible, the fair values are based on quoted market prices. If no quoted market price is available, we use valuation techniques based on market prices of comparable instruments or parameters from comparable active markets (market observable data).

In the financial statements, all financial instruments available for sale are classified as Level 1 of the fair value hierarchy (quoted prices in active markets), in conformity with the hierarchy disclosures in Financial Reporting Standard (FRS) 102.

Accounts receivable on (re)insurance business

Accounts receivables on (re)insurance business include amounts due from agents, brokers, insurance contract holders and reinsurers.

Since the net book value of accounts receivable balances includes an allowance for bad debt and the remaining balances are substantially all current, the carrying amount is considered to be a good approximation of the fair value.

Miscellaneous assets and accruals

The items included in miscellaneous assets and accruals are substantially all current and consequently the carrying amount in the financial statements is considered a good approximation of the fair value, for those items in the financial statements classified within any other assets in the Solvency II balance sheet.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short term deposits held on call with banks that are subject to an insignificant risk of change in their fair value and are used by Atradius Re in the management of its short-term commitments.

Current and deferred income tax

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in Atradius Re's Solvency II balance sheet. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be used.

Employee benefits assets/liabilities

Pension

Atradius Re participates in a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds.

Bonuses and annual leave

A liability for bonuses and profit sharing is recognised based on a formula that takes into consideration, amongst other things, individual targets and the profit attributable to the Atradius Re's shareholders. A liability is recognised where contractually obliged, or where there is a past practice that has created a constructive obligation.

The Company recognises a provision for annual leave accrued by employees as a result of services rendered in the current reporting period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured as the salary cost payable for the period of absence.

Accounts payable on (re)insurance business

Receivables and payables include amounts due to agents, brokers and insurance contract holders. The carrying amount is considered a good approximation of the fair value.

Trade and other payables

The trade and other payables due are substantially all current and consequently the carrying amount is considered a good approximation of the fair value.

Other liabilities

Other liabilities are substantially all current and consequently the carrying amount is considered a good approximation of the fair value.

Current and deferred income tax

For the valuation principles of current and deferred income taxes see D-1 Assets.

Contingent liabilities

Contingent liabilities relate only to non-insurance liabilities. If information about the current or potential size or nature of contingent liabilities could influence the decision-making or judgement of the intended user of that information, including the supervisory authorities, these (material) liabilities have been recognised in the Solvency II balance sheet. The value is based on the expected present value of future cash-flows required to settle the contingent liability over the lifetime of that contingent liability, using the basic risk-free interest rate term structure.