Atradius Re

Annual Report 2015

Our Staff

Leandro Acevedo
Ana Gonzalez
Patrick Campbell
Niamh Derivan
Gerard Coffey
Darryl Conlan
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Chris Denham
Andrew Harford
Nathalie Gordon
Imran Khan
Julie Graham
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Jackie Micheller
Sergio Maizza
Antoine Lemonnier
Rachel McCormac
Damian Mingorance
Amy O'Dwyer
Bryce Ndjatang Tchuetkeu
Brendan O'Connell
Catherine Roche
Conor Redmond
Mario Ricciardi
Eamonn Murray
Rana Sayegh
Patrick Schwegmann
Eoghan Smyth
Ludovica Terry
Daniel Stausberg
Giuseppe Stella
Victor Tinoco

Atradius Reinsurance Limited

Directors' Report and Audited Financial Statements

Year ended 31 December 2015

Registered No: 276690
VAT No: 8276690Q
Reinsurance Licence No: C38084

Contents

Directors

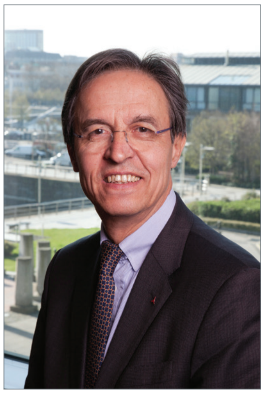
Executive Directors

Daniel Stausberg
Managing Director
(German)

Niamh Derivan
Finance Director
(Irish)

Non-Executive Directors

David Capdevila
Chairman of the Board
(Spanish)



Dominique Charpentier
(French)

Independent Non-Executive Directors

Conor Molloy
(Irish)

Mary Brennan
(Irish)

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2015.

Principal activity and review of the business

Atradius Reinsurance Limited ("Atradius Re") is a leading market reinsurer providing capacity to primary insurance companies in credit and bonding insurance.

Atradius Re currently assumes business from over 60 countries, on all continents, maintaining a balanced diversity within the portfolio. The underlying business consists of around 60% credit insurance and 40% bonding, based on premium volume. The business is underwritten by a multilingual, highly trained and experienced, international team of underwriters at Atradius Re's offices in Dublin, Ireland.

Atradius Re 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 Atradius Re 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, Atradius Re 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.

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, Brazil, Chile, China, Colombia, Ecuador, Guatemala, India, Mexico, Paraguay, the Republic of Panama, Uruguay and Venezuela.

Atradius Reinsurance Limited ("Atradius Re"), based in Dublin, Ireland, is a subsidiary of Atradius Investments Limited, also based in Dublin, Ireland, 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.

Profit for the year and future developments

In 2015, Atradius Re once more achieved positive results, in an ongoing uncertain environment. The profit for the year was €19.9 million (2014: €12.8 million).

KEY PERFORMANCE INDICATORS	2015	2014
	€'000	€'000
Group reinsurance revenue	315,150	302,007
Third party reinsurance revenue	134,744	133,772
Total Revenue	449,894	435,779
Gross Claims ratio %	55%	43%
Gross Expenses and commissions ratio %	42%	42%
Gross Combined operating Ratio %	97%	85%
Total Assets	1,266,608	1,080,138
Total Liabilities	795,955	736,262

Reinsurance revenue from the Atradius Group grew by 4.3% (2014: 7.3%). This growth is as a result of increasing levels of new business and of maintaining the customer retention rate at 91%.

Third party assumed business remained steady with growth of 1.0% (2014: increase of 4.5%). The strategy, for 2016, is to diversify and evolve the portfolio by region, country and business type, with a focus on Asia, the Middle East, Africa and Latin America, and to organically develop the existing book.

The combined financial year claims ratios of group and third party business increased from 43%, in 2014, to 55%. The low oil price and demand crisis in the commodity markets have led to greater uncertainty of economic conditions, especially in emerging markets that have a higher dependency on commodity trade and oil revenue. This is reflected in the higher claims ratio experienced in 2015.

The acquisition cost ratio for the financial year has reduced from 42%, in 2014, to 40% in 2015. The reduction is to be expected following the increase in claims costs. The expenses and commissions ratio combined has remained flat, at 42%. This is due to one-off increases in operating expenses, due to the costs of the Solvency II project.

The persistent low yield environment continues to have a negative impact on interest income. However, our investment income was more than bolstered by large realised gains on both equities and corporate bonds, during the year. The Company's investment strategy has remained on course with a focus on preserving capital to avoid large losses on the investment portfolio.

A dividend of €23.2 million was paid on 25 March 2015 (2014: €16 million), to the Company's immediate parent company, Atradius Investments Limited.

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

Events after the reporting date

On 8 April 2016, the Board of Directors of Atradius Re passed a resolution to enter into a subordinated loan agreement with a group of lenders. All lenders are resident in Spain and are either part of the GCO group, or, are minority shareholders of Compania Española de Credito y Caucion, a company which holds 64.23% of the shares of Atradius NV.

The loan is for €75 million, and is to be treated as Tier II capital. The rationale for the additional capital contribution in the form of a subordinated loan is to reinforce the solvency II capital position of Atradius Re.

The Loan agreement was executed on 18 April 2016.

Credit Rating

In 2015, the Atradius Group had credit ratings from A.M. Best and Moody's.

A.M. Best rates the key operating entities of the Atradius Group, which includes Atradius Reinsurance Limited, with a financial strength rating of 'A, outlook stable' and Moody's with 'A3, outlook stable', a testament to the group's sound performance, geographic diversification, and strong competitive position within the global trade credit insurance market.

Risk management

As a global reinsurance company, Atradius Re is exposed to many and varied risks linked both to the nature of our business and to the external environment.

The risks to which the Company is exposed could materially affect our business, the results of our operations and our financial condition. Our risk management framework has been developed to identify, assess and manage these risks, and ensure that all risks assumed are in line with the risk appetite of the Company.

The Company has classified its risks as insurance, financial and operational. Insurance risks are the risks of financial loss as a direct result of providing reinsurance; these are predominantly arising from the risk of non-payment by a buyer covered by a policy (credit reinsurance) or the risk of non-performance of a customer (bonding reinsurance). Financial risks arise out of developments in financial markets and with counterparties – including market risk, credit risk and liquidity risk. Operational risk is the risks of direct or indirect losses resulting from human error, inadequate or failed internal processes, systems or external events – and includes fraud risk.

We refer, for a description of the Company's main risks and uncertainties, and how these are managed, to note 3, Risk and Capital Management, in the financial statements.

Compliance Management

Our compliance practices support our business, our reputation and our integrity. These elements are of importance to our customers, suppliers, staff and other stakeholders. Complying with relevant laws, rules and regulations and maintaining a high standard in terms of ethics and integrity, leads to lower operational risk and more stable business processes. The Atradius code of conduct outlines the basic corporate, legal and ethical compliance principles and guidelines that apply to all employees and that govern operations and its employees' business conduct and actions. The individual compliance codes address specific compliance areas in more detail and set out detailed compliance requirements that must be met across the Company and which must be included in existing business procedures. For the monitoring and testing of effectiveness of these requirements, close alignment is sought with the activities of the Operational Risk Management and Internal Audit Units.

The Company is subject to the Corporate Governance Code for Credit Institutions and Insurance Undertakings 2015, but does not fall in scope of the additional requirements for major institutions. Atradius Re has established a separate Audit Committee and Risk Committee as required under the 2013 Corporate Governance Code.

Capital Management

Atradius Re seeks to maintain a strong capital position, helping us to support the evolution of our business, withstand financial stresses, meet our financial obligations and ultimately deliver shareholder value.

Shareholders' funds at the end of 2015 are €470.6 million, increased from €343.9 million at the end of 2014. This increase is due to results after tax and also the capital contribution received from our parent company during the year, of €140 million. The rationale for the capital contribution was to reinforce the solvency II capital position of Atradius Re.

On 18 April 2016, the Company's capital position was further increased, in the form of a €75 million loan, to be treated as Tier II capital. The lenders are all resident in Spain and are either part of the GCO group, or, are minority shareholders of Compania Española de Credito y Caucion, a company which holds 64.23% of the shares of Atradius NV.

The rationale for the additional capital contribution in the form of a subordinated loan is to further reinforce the solvency II capital position of Atradius Re.

The solvency position of the Company is strong, with regulatory capital held of 620% of the minimum Solvency I requirements. More importantly, under the new regime of Solvency II, Atradius Re is comfortably capitalised. We apply both the standard formulas as well as the internal capital model, subject to regulatory approval.

Solvency II

In January 2016, a full scale revision of the solvency framework and prudential regime applicable to insurance and reinsurance companies in the European Economic Area has been implemented. The new regulatory regime, known as "Solvency II", aims to create a harmonised, risk-oriented solvency regime which incorporates capital requirements for (re)insurance companies that are more reflective of the risks they incur.

The Solvency II framework covers three main areas (pillars):

- **Pillar 1** consists of the quantitative requirements, for example, the amount of capital the company should hold;
- **Pillar 2** focuses on requirements for the governance and risk management of (re)insurers, as well as for the effective supervision of (re)insurers;
- **Pillar 3** establishes regulatory reporting and market disclosure requirements.

Atradius Re prepared itself for Solvency II as part of a framework set out by its ultimate parent company, Grupo Catalana Occidente, S.A., and is well positioned for the new environment.

Atradius Re has been modelling economic capital requirements for many years. Working closely with Atradius Re, the Atradius Group have developed their own model, using the main risk drivers of the credit insurance and bonding business such as exposure volume, buyer quality, correlations and underwriting strategy. Since the results of this model more closely reflect the business and risk profile of both Atradius Re, and the Atradius Group, than does the Solvency II Standard Formula, Atradius Re plans to use its internal model to calculate part of its regulatory requirements.

For that reason, Grupo Catalana Occidente, S.A., has applied for regulatory approval of the partial internal model for insurance risk. Until approval is granted, the Standard Formula will be used for regulatory purposes and the proprietary model will be used for internal decision-making purposes.

Directors, secretary and their interests

The directors who served during the financial period and the present directors of the Company are listed on page 2.The directors and secretary had no interests in the shares of the Company or any other group undertakings at 31 December 2015 and 2014.

The directors are not required to retire by rotation.

Creditor payment policy

It is the Company's policy to agree with suppliers' terms of trade on an individual basis at the time orders are placed. Payments are then made in accordance with contractual obligations. The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception.

Companies Act 2014

The Companies Act 2014 was enacted on 23 December 2014. The main operative provisions of the Act were commenced from 1 June 2015, i.e. they are effective from that date. The Act has the effect that Atradius Reinsurance Limited, as an insurance undertaking, is required to convert to a designated activity company ("DAC") before the conclusion of the transitional period provided for under the Act. While there is an eighteen month transition period provided for under the Act, companies converting to DACs under the Act are required to commence the conversion process before the conclusion of fifteen months from the commencement date of the Act - that is, in advance of 31 August 2016. Atradius Reinsurance Limited will conclude this conversion process on or before 31 August 2016 and thereafter will be referred to as "Atradius Reinsurance Designated Activity Company".

Transactions involving directors

There were no contracts or arrangements of any significance in relation to the business of the Company in which the directors had any interest, as defined by the Companies Act 2014, at any time during the financial year ended 31 December 2015.

Accounting Records

In accordance with Section 281 to 285 of the Companies Act, 2014, the measures taken by the directors to secure compliance with the Company's obligation to keep proper accounting records are the use of appropriate systems and procedures and employment of competent persons. The accounting records are kept at the registered office of the Company.

Auditors Note

In accordance with Section 383 (1) of the Companies Act, 2014, the independent auditors, Deloitte, Chartered Accountants and Statutory Audit Firm, have expressed their willingness to continue in office.

Going Concern

The directors continue to adopt the going concern basis of accounting in preparing the annual financial statements, in the reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

Political Donation

There were no political donations during the financial year, 2015 (2014: Nil).

On behalf of the Board

Daniel Stausberg
Managing Director

Niamh Derivan
Finance Director

26 April 2016

Statement Of Directors' Responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with the Companies Act 2014 and the applicable regulations.

Irish company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103 Insurance Contracts ("relevant financial reporting framework"). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company as at the financial year end date and of the profit or loss of the company for the financial year and otherwise comply with the Companies Act 2014.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies for the Company Financial Statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014 and enable the financial statements to be audited.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report

To the members of Atradius Reinsurance Limited

We have audited the financial statements of Atradius Reinsurance Limited for the financial year ended 31 December 2015 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Comprehensive Income, the Statement of Changes in Equity and the related notes 1 to 31. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103 Insurance Contracts ("relevant financial reporting framework").

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with the Companies Act 2014 and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2015 and of the profit for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

Independent Auditors' Report

To the members of Atradius Reinsurance Limited

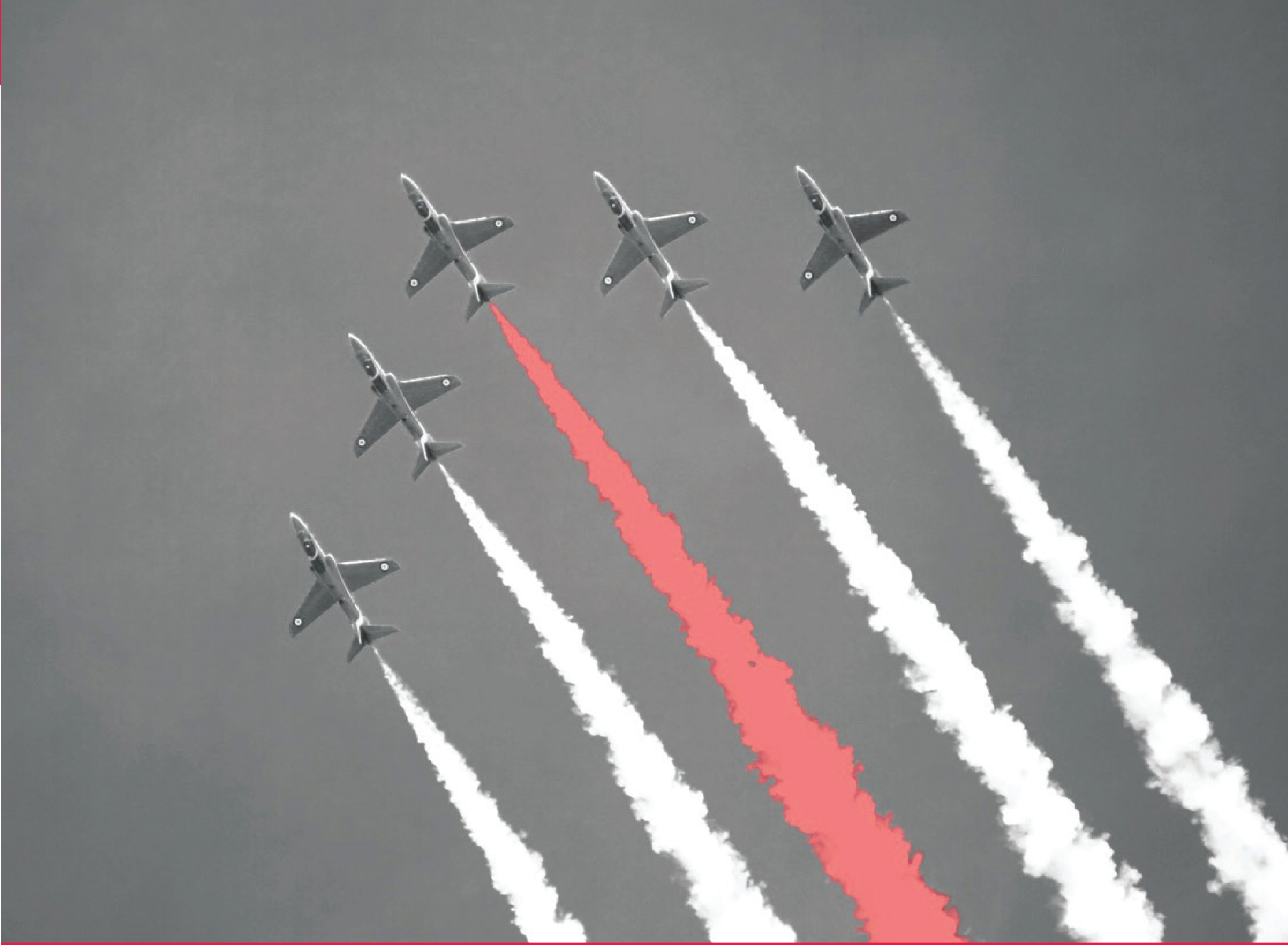
Matters on which we are required to report by the Companies Act 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Glenn Gillard
For and on behalf of Deloitte
Chartered Accountants and Statutory Audit Firm
Dublin
26 April 2016



Profit & Loss Account

Financial Year Ended 31 December 2015

Profit & Loss Account

TECHNICAL ACCOUNT GENERAL REINSURANCE BUSINESS	Note	2015 €'000	2014 €'000
Gross premiums written	4	459,118	451,542
Unearned premiums	7	(9,224)	(15,763)
Gross premiums earned	4	**449,894**	**435,779**
Outward reinsurance premiums		(57,406)	(52,550)
Unearned outward reinsurance premiums	7	6,091	(33)
Outward reinsurance premiums earned		(51,315)	(52,583)
Net earned premiums		**398,579**	**383,196**
Total Technical Income		**398,579**	**383,196**
Gross claims paid		212,610	183,577
Reinsurers' share		(15,137)	(8,756)
Net claims paid		**197,473**	**174,821**
Gross change in the provision for claims	6	33,803	6,525
Reinsurers' share	6	(13,848)	1,952
Net change in the provision for claims		**19,955**	**8,477**
Claims incurred, net of reinsurance		**217,428**	**183,298**
Change in equalisation provision	19	(4,237)	15,868
Net operating expenses	8	177,618	172,119
Total Technical Charges		**390,809**	**371,285**
Balance on the Technical Account for General Business		**7,770**	**11,911**

Profit & Loss Account

NON-TECHNICAL ACCOUNT	Note	2015 €'000	2014 €'000
Balance on the Technical Account for General Reinsurance Business		**7,770**	**11,911**
Investment income			
- income from investments	5	5,442	5,797
- gain on the realisation of investments		13,022	567
- loss on the realisation of investments		(44)	(22)
Other charges and expenses			
- exchange (losses)/gains		(2,786)	(3,365)
- investment administration		(651)	(554)
- impairment of Shares		(66)	-
Profit on ordinary activities before tax		**22,687**	**14,334**
Tax on profit on ordinary activities	14	(2,833)	(1,519)
Profit on ordinary activities after tax		**19,854**	**12,815**

All of the above amounts derive from continuing operations.

The company has no recognised gains and losses other than those included above.

The accompanying notes form an integral part of the financial statements.

Balance Sheet

Financial Year Ended 31 December 2015

Balance Sheet

ASSETS	Note	2015 €'000	2014 €'000
Investments			
Financial investments		836,062	684,419
Deposits with ceding undertakings		28,524	35,398
		864,586	719,817
Reinsurers' share of technical provisions			
Provision for unearned premium	7	18,607	12,546
Claims outstanding	6	56,441	39,699
		75,048	52,245
Debtors			
Debtors arising out of reinsurance operations	16	154,725	139,945
Tangible assets	17	174	225
Other assets			
Cash at bank and in hand		100,899	99,016
Other assets	18	61,534	59,737
		162,433	158,753
Prepayments and accrued income			
Accrued interest and commission		9,642	9,153
Total assets		**1,266,608**	**1,080,138**

Balance Sheet

LIABILITIES & SHAREHOLDERS FUNDS	Note	2015 €'000	2014 €'000
Capital and reserves			
Called up share capital presented as equity		635	635
Capital contribution		279,054	139,054
Revaluation reserve		7,695	17,612
Profit and loss account		183,269	186,575
Shareholders' funds		470,653	343,876
Technical provisions			
Provision for unearned premium	7	166,205	159,084
Claims outstanding	6	455,528	402,142
Equalisation Provision	19	116,983	121,220
		738,716	682,446
Creditors			
Unearned Reinsurance Commission		5,262	4,009
Creditors arising out of reinsurance operations	20	36,444	35,938
Deposits withheld from reinsurers		410	440
Other creditors including taxation and social security	21/22	15,123	13,429
		57,239	53,816
Total liabilities and shareholders' funds		**1,266,608**	**1,080,138**

The accompanying notes form an integral part of the financial statements.

On behalf of the Board

Daniel Stausberg
Managing Director

Niamh Derivan
Finance Director

26 April 2016

Statement Of Comprehensive Income

	Note	2015 €'000	2014 €'000
Results for the financial year		19,854	12,815
Other comprehensive income			
Items that may be subsequently reclassified to the income statement			
Net fair value (losses)/gains on available-for-sale financial investments	23	(11,334)	5,468
Income tax relating to items that may be reclassified		1,417	(684)
Other comprehensive income for the financial year, net of tax		(9,917)	4,784
Total comprehensive income for the financial year attributable to the owners of the company		**9,937**	**17,599**

Statement Of Changes In Equity

	Share Capital €'000	Capital Contribution €'000	Revaluation Reserve €'000	Profit & Loss Account €'000	Total €'000
At 31 December 2013	**635**	**139,054**	**12,828**	**189,760**	**342,277**
As at 1 January 2014 (as restated)	635	139,054	12,828	189,760	342,277
Profit for the financial year	-	-	-	12,815	12,815
Other comprehensive income	-	-	4,784	-	4,784
Dividends paid	-	-	-	(16,000)	(16,000)
As at 31 December 2014	635	139,054	17,612	186,575	343,876
Profit for the financial year	-	-	-	19,854	19,854
Other comprehensive income			(9,917)	-	(9,917)
Dividends paid	-	-	-	(23,160)	(23,160)
Capital contribution		140,000	-	-	140,000
As at 31 December 2015	**635**	**279,054**	**7,695**	**183,269**	**470,653**

Notes to the Financial Statements

1 Accounting Policies

General information

Atradius Reinsurance Limited is a company incorporated in the Republic of Ireland authorised by the Central Bank of Ireland to carry out credit and bond reinsurance business. The registered office is 2nd Floor, La Touche House, International Financial Services Centre, Dublin 1. The nature of the company's operations and its principle activities are set out in the directors report on pages 4 to 8.

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all financial years presented unless otherwise stated.

Basis of preparation

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' issued by the Financial Reporting Council, and promulgated for use in Ireland by Chartered Accountants Ireland. The company is also subject to the requirements of the Companies Acts 2014 and the European Union (Reinsurance Undertakings: Financial Statements) Regulations, 2015.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 & 103 in the current year. For more information see **note 30.**

In accordance with FRS 103, the Company has applied existing accounting policies for insurance contracts.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review which forms part of the directors ' report.

These financial statements represent the results of the Company only. The Company is consolidated into the Group Accounts of its ultimate parent company, Grupo Catalana Occidente, incorporated in Spain.

Atradius Reinsurance is a member of a group where the parent prepares publicly available consolidated financial statements which are intended to give a true and fair view. For this reason the Company qualifies to avail of the exemption under FRS 102 section 1.12, from the obligation to prepare a Statement of Cash flows.

Foreign currencies

The presentation currency of the Company is Euro. The financial statements of the company are presented in the currency of the primary economic environment in which it operates (its functional currency). The financial statements are presented in thousands of Euro (€).

Transactions denominated in foreign currencies are translated into Euro (functional currency) at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Reinsurance Classification

The Company's contracts are classified at inception, for accounting purposes, as reinsurance contracts. A contract that is classified as a reinsurance contract remains so such until all rights and obligations under the contract are extinguished or expire. Reinsurance contracts are contracts under which certain insurance risks of the primary insurer are agreed to be reinsured by the reinsurer in accordance with the contractual terms of the reinsurance contract.

Revenue Recognition

Premiums

Premiums written relate to business incepted during the financial period, together with any difference between booked premiums for prior financial years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the company, less an allowance for cancellations.

Unearned premiums represent the proportion of premiums written in the financial year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportioned basis.

Interest income

Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition would be immaterial.

Dividend income

Dividend income is recognised in the income statement on the date that the Company's right to receive payment is established.

Taxation

Current tax, including Irish corporation tax and foreign tax, is provided on the Company's taxable profits, at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. The tax expense represents the sum of the tax currently payable and deferred tax and is recognised in the profit and loss account except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from total comprehensive income as reported in the financial statements because it excludes items of income or expense that are deductible in other financial years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Tangible fixed assets

Furniture and equipment are stated at the lower of historical cost less accumulated depreciation or the net realisable value. Depreciation is calculated using the straight-line method to allocate their costs over the estimated useful lives (between 5 and 10 years). The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the profit and loss account.

Retirement benefit costs

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

Change in Presentation

The Company has chosen to adopt the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU) to account for all its financial instruments, as this provides the most relevant and reliable information on its financial position. Consequently, unrealised gains and losses arising from changes in the fair value of financial investments classified as available-for-sale are recognised at fair value through other comprehensive income. Comparative amounts have been reclassified where applicable to conform to the current period presentation. The disclosure requirements of Section 11 of FRS 102 are applied.

Financial Assets and Liabilities

The Company's financial assets comprise of available for sale non derivative debt and equity financial investments, cash and cash equivalents and receivables.

Recognition of financial assets and liabilities

Financial assets and liabilities are recognised only when the Company enters into the contractual provisions of the instrument i.e. at the time the Company has contractual rights or obligations.

Initial and subsequent measurement

Available for sale financial investments

Financial investments are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. Realised gains and losses arising from changes in the fair value of these investments are presented in the non-technical account in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of financial investments classified as available-for-sale are recognised in other comprehensive income net of tax. When financial investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as net gains or losses on financial investments.

Receivables

Receivables (including deposits) are non-derivative financial investments with fixed or determinable payments that are not quoted on an active market. Receivables arising from reinsurance contracts and deposits withheld by ceding companies are also classified in this category. They are initially recognised at fair value plus transaction costs and subsequently at fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Fair Value of financial assets and liabilities

The estimated fair value of the Company's financial assets and liabilities equals their carrying value. The fair values correspond with the price, at our best estimate, 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 there is no quoted market price available, valuation techniques are used which are based where practicable on market prices of comparable instruments or parameters from comparable active markets (market observable data). For a detailed description of how the Company determines fair value, see Fair Value of Financial Assets and Liabilities under Financial Risk.

Derecognition of financial assets and liabilities

Financial investments are derecognised when the rights to receive cash flows from the financial investments have expired or where the Company has transferred substantially all the risks and rewards of ownership. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial investment and does not retain control over the investment, it derecognises the financial investment. In transfers where control over the asset is retained, the Company continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which the Company is exposed to changes in the value of the asset.

Expenses

Net reinsurance claims
Claims charges include claims paid, the change in provision for outstanding claims, and the claims handling expenses. Claims ceded under cession contracts are recorded as reductions of gross paid claims.

Net operating expenses
Net operating expenses comprise administrative expenses and commissions. Total administrative expenses are expenses associated with selling and administrative activities (excluding commissions) after reallocation of claims handling expenses to insurance claims.

Leases

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

The Company recognises a provision for annual leave accrued by employees as a result of services rendered in the current 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.

Reinsurance contracts

Claims incurred
Claims incurred comprise claims and related expenses paid in the year and changes in the provision for outstanding claims incurred but not reported and related expenses, together with any other adjustments to claims in previous years. Where applicable, deductions are made for salvage and other recoveries.

Acquisition costs
Acquisition costs which represent commission and other related expenses are deferred over the period in which the related premiums are earned.

Provisions for outstanding claims
Outstanding claims comprise provisions for the estimated cost of settling all claims, incurred up to but not paid, at the balance sheet date whether reported or not, together with all related claims handling expenses. For group business these provisions, including claims incurred but not reported (IBNR claims) are based on latest available cedant advices. For non-group business, outstanding claims are based on latest available cedant advices with provisions for IBNR claims being estimated by reference to loss ratio methodologies. Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

Provisions for unearned premiums
The provision for unearned premiums represents that part of written premiums, gross of commission payable to intermediaries, that is estimated to be earned in subsequent periods. The change in the provision is recorded in the income statement to recognise revenue over the period of the risk.

Liability adequacy
At the end of each reporting period, a liability adequacy test is performed to ensure the overall adequacy of the total reinsurance contract liabilities, net of related deferred acquisition costs. In performing this test, current best estimates of future contractual cash flows and claims handling expenses are used. Any deficiency is immediately charged to the income statement by first writing down the related deferred acquisition costs and then by establishing a provision for losses arising from the liability adequacy test.

Deferred acquisition costs

Deferred acquisition costs are expenses of the company that are incurred in connection with the acquisition of new insurance policies or the renewal of existing policies. Deferred acquisition costs are amortised in equal instalments over the life of the reinsurance contracts. The amortisation is included in the operating expenses.

Reinsurance contracts (Outwards)

The company enters into reinsurance contracts in the normal course of business in order to limit its potential for losses arising from certain exposures. Outwards reinsurance premiums are accounted for in the same period as the related premiums for the inwards reinsurance business being reinsured.
Reinsurance liabilities comprise premiums payable for outwards reinsurance contracts and are recognised as an expense when due.

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses. Reinsurance assets are measured consistently with the amounts associated with the underlying insurance contract and in accordance with the terms of the reinsurance contract. Reinsurance is recorded as an asset unless a right of set-off exists, in which case the associated liabilities are reduced to take account of reinsurance.

Reinsurance assets are subject to impairment testing and the carrying amount is reduced to its recoverable amount. The impairment loss is recognised as an expense in the income statement. The asset is impaired if objective evidence is available to suggest that it is probable that the company will not be able to collect the amounts due from reinsurers.

Gains or losses on buying reinsurance are recognised in income at the date of purchase and are not amortised.

Equalisation policy

The Company calculates an equalisation provision in line with its requirements under the EU Directive 2005/68/EC, which was brought into force in Ireland on July 14, 2006. In accordance with Regulation 24 (2) of the EC (Reinsurance) Regulations 2006, the Central Bank of Ireland has authorised Atradius Reinsurance Limited to calculate its equalisation reserves in accordance with Method 1 of the methods set out in point D of the Annex to the Non-Life Insurance Business Directive. If Atradius Reinsurance Limited wishes to change the method of calculation of its equalisation reserve the prior approval of the Central Bank of Ireland is required.

Following the introduction on 1 January 2016 of Solvency II as the new regulatory regime applicable to (re)insurance companies, subsequent to the enactment by S.I. 485 of the European Insurance and Reinsurance Regulations 2015, an equalisation provision will no longer be required in accordance with FRS 103 Insurance Contracts. Consequently, the equalisation provision will be derecognised and unwound in full in 2016.

2 Critical accounting estimates and judgments in applying accounting policies

The Company makes estimates and assumptions that affect the reported assets and liabilities. Estimates and judgements are continually evaluated. They are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The most significant areas for which management is required to make judgements and estimates that affect reported amounts and disclosures are detailed below.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Valuations of liabilities of reinsurance contracts

For non-group business, premium estimates and reserves are set on a contract to contract basis by the company actuary in consultation with the reinsurance underwriter. The underwriters estimate the premium income, ultimate loss ratio and ultimate commission and brokerage costs. These values are then applied to an actuarial risk earnings model incorporating standard actuarial statistical techniques to evaluate the appropriate earned income, reserves setting and costs basis for each reinsurance contract. The performance of each reinsurance contract is regularly reviewed for past underwriting year performance and development and triangulation development to ensure reserves for that contract are maintained or adjusted as appropriate.

For group business, an IBNR estimate is calculated by applying loss frequency severity parameters to the volume of outstanding insured shipments. Known claims under examination and threatening losses are also included.

Reserves are reviewed on a global basis by splitting the portfolio into homogenous parts and applying standard actuarial triangulation techniques to review the overall reserve estimates for both group and non-group business for accuracy.

Measurement of fair value

The Company measures some of its financial instruments at fair value for financial reporting purposes. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Impairment of available-for-sale equity financial investments

The Company through its participation on the Atradius Group Investment committee determines that an available-for-sale equity financial investment is impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, several factors are evaluated including the normal volatility in share price, the financial health of the investment, industry and sector performance, changes in technology and operational and financing cash flows. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investment, industry and sector performance, changes in technology, and financing and operational cash flows.

3 Risk & Capital Management

Risk management

As a global reinsurance provider, the Company recognises the importance of risk management. The Company has introduced a strong governance and associated internal control system within the organisation. As part of the Atradius Group and based on additional regulatory requirements, the Company continues to strengthen its risk management capabilities by broadening risk management scope and enhancing the existing risk management tools.

The relationship between risk and capital is fundamental. Understanding how risk-taking consumes capital allows management to steer the company and take strategic decisions based on risk. These decisions are increasingly being driven by the outcome of the economic capital model. In addition, risk management and the relationship between risk and capital play a central role in the regulatory regime, Solvency II, that is in force from 1 January, 2016.

The risk management and internal control framework

The risks to which Atradius Reinsurance Limited is exposed could materially affect our business, the results of our operations and our financial condition. Our risk management and internal control framework has been developed to identify, assess and manage these risks, and thus to mitigate the possible negative impact on operations and financial results.

Risk Classification

The Company has classified its risks as insurance, financial and operational. Insurance risks are the risks of financial loss as a direct result of providing reinsurance. Financial risks are the risks associated with the balance sheet positions and include market risk, credit risk and liquidity risk. Operational risks are the risks of direct or indirect losses resulting from inadequate or failed internal processes, people, systems or external events.

Insurance risk

The Company accepts insurance risk through its insurance contracts where it assumes the risk of loss from organisations that are directly subject to underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

Insurance 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.

Reinsurance underwriting guidelines define the types of business Atradius Re is authorised to write, with specific guidelines to type of product, capacity limit, types of exposure, term, and diversity of the underlying insurance ceded. There is particular attention given to ensure the diversity of the business from third party clients and that exposure to any one country, company, or market is managed within agreed underwriting limits and capacity.

Reinsurance products, their sensitivity to insurance risk, mitigations and controls

The primary insurer writes traditional credit and/or bonding insurance and reports to Atradius Re the aggregate total potential exposure including the list of insurance buyers over certain limits per the reinsurance agreement conditions. These are reviewed regularly to monitor insurance performance and buyer stability. The underwriters estimate the premium income, ultimate loss ratio and ultimate commission and brokerage costs. These values are then applied to an actuarial risk earnings model to evaluate the appropriate earned income, reserves setting, and costs basis for each reinsurance contract. The reinsurance contract performance and TPE values are reviewed within the control limits set by the underwriting guidelines, economic capital requirements and regulatory solvency requirements. Any business that exceeds the standard control limits requires specific committee review and approval, prior to commitment.

All reinsurance business assumed is reviewed regularly in detail for past underwriting years performance, triangulation development, individual buyer exposure development and aggregate total potential exposure management, market and country exposure. Risk and policy limit setting is monitored to ensure credit quality and performance of the underlying insurance products to reinsurance terms agreed with the client. Reserves supporting the underlying business are based on standard actuarial statistical models and an annual Statement of Actuarial Opinion is produced in accordance with the Society of Actuaries in Ireland's Guidance and Regulatory requirements, providing an independent best estimate comparison to the company's reserves to support the business. The Company's reserves must be at least as much as the actuary's independent best estimate.

Insurance risk management tools

Atradius Re transfers a portion of its insurance 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 it is the Company's policy to select only reinsurers that have a high quality standard of solvency/rating. The normal minimum requirement is an 'A' level rating.

Concentration risk

Total Potential Exposure ("TPE")

The Company is exposed to concentration risk in a number of ways: by ceding company, by country/region or by market. The tables below illustrate the exposures at the end of 2015 and 2014 in terms of the sum of credit limits issued by our clients to their policyholders. This is referred to as total potential exposure or TPE.

TPE is an approximate upper boundary to real exposure, in the sense that limits issued by our clients to their policyholders does not necessarily give rise to a credit risk at a specific point in time. The real outstanding exposure under limits to a policyholder is not known in credit insurance. The 'usage' of limits is, on average, much smaller than the amount of the limit.

Exposures must be managed in order to monitor accumulations of risks across cedents and assess the potential risk of claims occurring from the failure of individual companies (or a group of related companies). The Total Potential Exposure is composed of named risk (i.e. buyers that are clearly identified) and unnamed risk. Accumulation is monitored on the named risks as these are a cedents largest risks.

For Credit reinsurance the amount monitored is the maximum accumulation of credit limits issued by the ceding company to their policyholders on any one buyer, or group depending on the treaty risk definition. For Bonding the amount used is the maximum accumulation of bonds issued by the ceding company to any one client.

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 Credit Insurance 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 Atradius Credit Insurance, thus contributing positively to our diversification profile. Within all of these regions, a well-diversified spread by country and cedant is maintained.

	2015 TPE €'000	%	2014 TPE €'000	%
Europe	112,268,697	68.77%	104,990,560	71.44%
Asia	19,620,726	12.02%	16,100,522	10.96%
North America	17,203,372	10.54%	13,245,479	9.01%
South America	9,975,624	6.11%	8,736,555	5.94%
Oceania	3,548,150	2.17%	2,991,729	2.04%
Africa	642,010	0.39%	890,235	0.61%
Total	**163,258,579**	**100.00%**	**146,955,080**	**100.00%**

Factors affecting the frequency and severity of claims

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 behaviour 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 only incurs irrecoverable losses 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.

Sources and Assumptions

Sources of uncertainty in the estimation of future claims payments

The insurance liabilities that cover claims experience after the reporting period for risks that have been accepted before the end of the reporting period consist of two elements: the provision for unearned premium (UPR) and the claims provisions for claims 'incurred but not reported', the IBNR. UPR relates to the unearned part of premium invoiced in advance and to risks that have not started. IBNR is the company's estimate for future claims payments that will result from risks taken on, but for which no claims notification has been received

Assumptions, change in assumptions and sensitivity

The risks associated with credit reinsurance and bonding are complex, as will be clear from the above and are subject to a number of influences that are not particularly open to quantitative sensitivity analysis. However, this section describes the quantitative sensitivity analysis that is feasible.

Set out below are results of sensitivity testing on the claims ratios, showing the impact on profit before tax & shareholders' equity gross, net of reinsurance and by line of business. This sensitivity analysis is the result of a change in a single factor, with other assumptions unchanged.

2015	Pre-tax profit			Shareholders' equity		
	Credit €'000	Bonding €'000	Total €'000	Credit €'000	Bonding €'000	Total €'000
5% increase in loss ratios						
Gross	(10,476)	(1,844)	(12,320)	(9,166)	(1,613)	(10,799)
Net	(9,153)	(1,718)	(10,871)	(8,009)	(1,503)	(9,512)
5% decrease in loss ratios						
Gross	10,476	1,844	12,320	9,166	1,613	10,779
Net	9,153	1,718	10,871	8,009	1,503	9,512

2014	Pre-tax profit			Shareholders' equity		
	Credit €'000	Bonding €'000	Total €'000	Credit €'000	Bonding €'000	Total €'000
5% increase in loss ratios						
Gross	(7,971)	(1,534)	(9,505)	(6,975)	(1,342)	(8,317)
Net	(7,463)	(1,701)	(9,164)	(6,530)	(1,488)	(8,018)
5% decrease in loss ratios						
Gross	7,971	1,534	9,505	6,975	1,342	8,317
Net	7,463	1,701	9,164	6,530	1,488	8,018

The company's method for sensitivity testing has not changed significantly from the prior financial year.

Claims development tables

The Claims development tables provide an overview of how the Company's recognised claims costs for underwriting years 2007-2015 have changed at successive financial year ends. This overview also provides a breakdown of the claims provisions that are held against each underwriting year as at 31 December 2015. Underwriting year here means the treaty year.

Claims – Gross

Claims development per underwriting year – (EUR million)

Year when risk was taken	<2008	2008	2009	2010	2011	2012	2013	2014	2015	Total
Estimate of gross claims incurred:										
at the end of the year when risk was taken		232,189	172,017	130,415	175,767	193,145	181,956	204,319	223,079	
one year later		327,627	157,634	123,778	166,538	193,589	174,348	257,978	0	
two years later		362,250	158,613	122,125	167,874	200,786	182,935	0	0	
three years later		363,489	150,243	117,133	168,588	212,574	0	0	0	
four years later		363,334	144,870	119,107	159,652	0	0	0	0	
five years later		362,860	144,033	111,372	0	0	0	0	0	
six years later		362,184	140,353	0	0	0	0	0	0	
seven years later		360,155	0	0	0	0	0	0	0	
Cumulative payments to date		346,308	125,655	99,485	141,307	171,114	140,713	162,561	42,165	
Claims provision at 31 Dec 2015 in respect of 2008-2015		13,847	14,698	11,887	18,344	41,460	42,222	95,418	180,913	418,788
In respect of prior years (before 2008)	36,740									36,740
Total										**455,528**

Claims – Ceded

Claims development per underwriting year – (EUR million)

Year when risk was taken	<2008	2008	2009	2010	2011	2012	2013	2014	2015	Total
Estimate of gross claims incurred:										
at the end of the year when risk was taken		(367)	7,927	13,935	14,647	26,157	6,558	9,875	25,447	
one year later		(305)	9,885	12,657	12,085	25,397	9,196	23,843	0	
two years later		(7)	10,351	13,493	12,571	26,484	14,811	0	0	
three years later		(29)	9,876	12,688	12,335	23,404	0	0	0	
four years later		(31)	9,412	12,831	10,390	0	0	0	0	
five years later		(19)	9,591	10,611	0	0	0	0	0	
six years later		(23)	8,433	0	0	0	0	0	0	
seven years later		(23)	0	0	0	0	0	0	0	
Cumulative payments to date		(21)	7,236	10,298	9,887	18,320	7,552	10,767	6,778	
Claims provision at 31 Dec 2015 in respect of 2008-2015		(2)	1,197	313	503	5,084	7,259	13,075	18,670	46,099
In respect of prior years (before 2008)	10,342									10,342
Total										**56,441**

Financial risk

Atradius Re is exposed to financial risk mainly through its financial assets, financial liabilities and reinsurance contracts. The Company monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and equity price risk), credit risk and liquidity risk.

Fair value of financial assets and liabilities

The estimated fair values of the Company's financial assets and liabilities equal their carrying value.

The fair values correspond with the price, at our best estimate, 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 there is no quoted market price available, we use valuation techniques which are based on market prices of comparable instruments or parameters from comparable active markets (market observable data). If no observable market inputs are available, valuation models are used (non-market observable data). These valuation techniques are subjective in nature and involve various assumptions about the relevant pricing factors. Changes in these assumptions could significantly affect the estimated fair values. Consequently, the fair values presented may not be indicative of the net realisable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of future fair values.

The fair values are subject to a control framework designed to ensure that they are either determined or validated by a function independent of the risk taker. To this end, the Company establishes the accounting policies and processes governing valuation and is responsible for ensuring that these comply with all relevant accounting pronouncements. Within this governance structure, non-quoted investments in which the Company invests are valued by an external independent valuation company.

The Company has minimal exposure to financial assets or liabilities which are valued at other than quoted prices in an active market.

Debt and equity securities available-for-sale

The fair value of debt and equity securities available-for-sale is based on quoted market prices, where available. For those securities not actively traded, fair values are provided by an external independent valuation company.

Other financial assets

The carrying amount of other financial assets, including cash and cash equivalents, is not materially different to their fair value, given their short-term nature.

Other financial liabilities and deposits received from reinsurers

The carrying amount of other financial liabilities and deposits received from reinsurers is not materially different to their fair value, given their short-term nature.

The following tables present the fair values of the financial instruments carried at fair value. They conform to the hierarchy disclosures in Financial Reporting Exposure Draft (FRED) 62 *Draft Amendments to FRS 102 - Fair Value hierarchy disclosures*, which was approved in March 2016 by the Financial Reporting Council (FRC) and which the Company has chosen to adopt early.

2015	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Available-for-sale:				
Equity securities	66,630			66,630
Debt securities:				
Government Bonds	287,763			287,763
Corporate Bonds	398,373			398,373
Short term investments	83,296			83,296
Total	836,062			836,062

2014	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Available-for-sale:				
Equity securities	55,447			55,447
Debt securities:				
Government Bonds	282,727			282,727
Corporate Bonds	282,493			282,493
Short term investments	63,752			63,752
Total	684,419			684,419

Level 1 - Quoted prices in active markets
This category includes financial instruments whose fair value is determined directly by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis;

Level 2 - Valuation techniques based on observable market data
This category includes financial instruments whose fair value is determined using a valuation technique (a valuation model), where inputs in the valuation model are taken from an active market or are market observable. If certain inputs in the model are not market observable, but all significant inputs are, the instrument is still classified in this category, provided that the impact of those elements on the overall valuation is insignificant. Included in this category are items whose value is derived from quoted prices of similar instruments, but for which the prices are (more than insignificantly) modified based on other market observable external data;

Level 3 - Valuation techniques incorporating information other than observable market data
This category includes financial investments whose fair value is determined using a valuation technique for which a significant level of the input is not supported by a current observable market transaction. This category also includes the financial investments for which the fair value is based on brokers quotes or pricing services. These valuations are for 100% of the fair value verified with an external independent valuation company.

Market risk

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities. The objective of the Company in managing its market risk is to ensure risk is managed in line with the Company's risk appetite. The Company has established policies and procedures in order to manage market risk and methods to measure it. Market risk comprises three types of risk: currency risk, interest rate risk, and equity price risk.

There were no changes in the Company's market risk exposure in the financial year nor to the objectives, policies and processes for managing market risk.

(i) Equity price risk

Equity price risk is the risk that the fair value of the assets that are sensitive to movements in equity prices decreases due to adverse movements in equity prices. The company is exposed to equity price risk by its investments in equity instruments, either issued by corporations or by investment funds. These risks are measured and analysed by using value at risk techniques and capital models from the external credit assessment institutions. The value at risk measures the potential maximum loss on the Company's equity instruments due to adverse movements in equity prices in the short term while the capital models measure the potential maximum loss in the long-term. The Company maintains a well-diversified portfolio of equity instruments to manage these risks.

Investment Funds

The investment funds in which the Company invests are exposed to the general investment fund risks of market risk, counterparty risk, liquidity risk and currency risk. The risks of an investment fund are driven by the nature of the assets in which the fund invests. The Company only invests in investment funds, the investment restrictions of which in their prospectus are consistent with the Atradius Group Investment Policy.

Equity and money market instruments issued by Investment funds

The portfolio of equity and money market instruments issued by investment funds are as follows:

	2015 €'000	Weight in %	2014 €'000	Weight in %
Active Fixed income Funds	-	0%	45,342	35%
Passive equities exchange traded funds	37,797	44%	55,447	42%
Active money market funds	47,296	56%	29,752	23%
Total	**85,093**	**100%**	**130,541**	**100%**

Passive equities exchange traded funds

The portfolio of passive equities exchange traded funds consists principally of exchange traded funds that passively track the Dow Jones Euro Stoxx 50 Index.

Active Money Market Funds

The portfolio of active money market funds invests in money market instruments that are denominated in Euro, US Dollar and British Pounds. The funds aim to maintain a weighted average maturity of a maximum 90 days.

(ii) Foreign currency risk management

Due to the global nature of its reinsurance business, the company incurs foreign exchange risk due to exchange rate fluctuations. This risk is managed by active hedging, on a monthly basis, of its foreign currency exposures when natural hedges between the Companys financial assets and financial liabilities, which are primarily reinsurance liabilities, are not already present.

The Company's exposure to foreign currency exchange rate risk, arising from financial assets and liabilities denominated in non-functional both major and less traded currencies as at 31 December 2015, is presented in the following table:

	Financial Assets 2015 €'000	Financial Liabilities 2015 €'000	Position 2015 €'000	Financial Assets 2014 €'000	Financial Liabilities 2014 €'000	Position 2014 €'000
EUR	914,237	406,572	507,665	755,119	395,535	359,584
GBP	20,667	21,181	(514)	24,400	22,885	1,515
USD	179,077	178,301	776	146,804	141,939	4,866
AUD	10,803	13,104	(2,301)	14,195	11,329	2,866
BRL	15,626	21,961	(6,335)	14,919	18,138	(3,219)
COP	4,719	10,450	(5,731)	7,064	12,720	(5,656)
Other	121,479	144,386	(22,907)	117,637	133,716	(16,079)
Total	**1,266,608**	**795,955**	**470,653**	**1,080,138**	**736,262**	**343,877**

The following table details the Company's sensitivity to a 10% increase and decrease in the above foreign currencies against the Euro. A 10% sensitivity rate is used as a reasonably possible change in foreign exchange rates. For each sensitivity the impact of a change in a single factor is shown, with other assumptions unchanged.

2015	GBP €'000	USD €'000	AUD €'000	BRL €'000	COP €'000
10% increase					
Pre-tax profit	(51)	78	(230)	(634)	(573)
Shareholders' equity	(45)	68	(201)	(554)	(501)
10% decrease					
Pre-tax profit	51	(78)	230	634	573
Shareholders' equity	45	(68)	201	554	501

2014	GBP €'000	USD €'000	AUD €'000	BRL €'000	COP €'000
10% increase					
Pre-tax profit	152	487	287	(322)	(566)
Shareholders' equity	133	426	251	(282)	(495)
10% decrease					
Pre-tax profit	(152)	(487)	(287)	322	566
Shareholders' equity	(133)	(426)	(251)	282	495

(iii) Interest rate risk management

Interest rate risk is the risk that the fair value of assets and liabilities, that are sensitive to movements in interest rates, decreases or increases due to adverse movements in interest rates. The Company exposes itself to this risk by investing in debt instruments and equity instruments issued by investment funds that invest in debt instruments.

The Company manages this risk by monitoring the duration of its debt instruments. Duration demonstrates the dependability of a bond's market value to a change in the underlying discount rate of that bond. The duration figure depicts the percentage change of the market value of a bond investment if the underlying discount rate is parallel shifted by 1%. The higher the duration figure, the more a bond is sensitive to movements in the underlying discount rate.

The Company uses the duration to assess its interest rate exposure and monitors whether the duration remains between the minimum and maximum duration limit (between one to five years for government bonds and one to three years for corporate bonds) as established by the Atradius Group Investment Policy. As the duration can be described as the percentage change of the bond's value when the underlying discount rate is parallel shifted by 1%, so the average maturity is the weighted average of the time until a bond has paid its final interest and principal redemption. The duration for 2015 is 2.4 years (2014: 2.2 Years); representing the years it will take for the price of the company's debt instruments to be repaid by its internal cash flows. The average maturity for 2015 is also 2.4 years (2014: 2.2 years).

Value-at-Risk

The Company measures equity price and interest rate risk by analysing the Value-at-Risk (VaR) of its financial instruments. This risk metric measures the potential maximum loss on those financial instruments due to adverse movements in equity prices and interest rates within a specified timeframe and probability (confidence level). The VaR is based on variance-covariance methodology that uses the historical volatility of the fair values of the financial instruments and the correlation between them as main inputs. These volatilities and correlations are provided by financial information providers or financial institutions.

The risk of using variance-covariance methodology or any other historical methodology is that it may underestimate the riskiness of the financial instruments. This is because these methodologies assume that the historical volatility of and correlation between the financial instruments will be repeated in the future. Therefore, it is not intended to represent or guarantee any future price movements but rather is to be used as guidance for information purposes and comparison for historical developments only.

The VaR provides insight into the maximum expected loss per asset category and on portfolio level. The fair values and percentages presented are calculated with a confidence level of 99% for a period of 12 months. This implies that there is a 1% probability of underestimating the potential maximum loss for the coming 12 months.

The following table shows the VaR of the Company's equity and debt securities:

	2015 €millions	% of the market value	2014 €millions	% of the market value
Equity securities:				
Shares (Including equity funds)	40.2	60.30%	24.5	44.30%
Debt securities:				
Government bonds (including government bonds funds)	3.8	1.30%	4	1.50%
Corporate Bonds (including corporate bond funds)	10.2	2.50%	4.8	1.70%
Total portfolio	67.1	7.70%	35.8	5.30%

The VaR of the individual portfolio components is based on the volatility of the investments to which they are ultimately exposed. The volatility of each asset class as a whole serves as input for the VaR calculation of that asset class. In case of an investment fund, the volatility of the fund (driven by the characteristics of its underlying securities) serves as input for the calculation of the VaR of that specific investment fund and is subsequently included in the VaR of the asset class. Total portfolio VaR may not be equal to the sum of the VaR of the individual portfolio components because the correlation between these components may be less than one. The VaR percentage increased from 5.3% at the end of 2014 to 7.7% at the end of 2015 and the VaR value increased from EUR 35.8m to EUR 67.1m at the end of 2015. The increase in the VaR percentage and VaR value is driven by greater volatility on the financial markets and a higher allocation to corporate bonds.

Credit risk

Credit risk is the risk that counterparties will not meet their contractual obligations to the Company. The key area in which the Company exposes itself to credit risk is the possibility that a reinsurer fails to pay a claim.

If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The Company policy is to select only reinsurers that have a well-established investment grade credit rating. The normal minimum requirement is an 'A' level rating, although there are some minor exceptions. In the event that the reinsurer's rating is found to be below this threshold, the Company has the right to either terminate the reinsurance relationship during the course of the reinsurance year or else seek collateral if the relationship is to continue.

With regard to managing the credit risks of the financial investments, the investment policy of the Company is to hold a principally Euro-centric, internationally diversified portfolio and to avoid large risk concentrations. From a Standard & Poor's rating scale or comparable perspective, the overall fixed income portfolio is almost completely invested in investment grade debt securities which are rated 'A-' or higher. If a corporate bond in which the Company has indirectly invested (through an investment fund) falls below the minimum credit rating or is not rated, it is reviewed by the Group Investment Committee to decide whether the investment fund is still a suitable investment. The maximum concentration limit per issuer is 5% of the market value of the financial investments of the company. The Group Investment Committee on which the Company sits monitors this limit and action is taken if a concentration limit is breached. The counterparty ratings of reinsurance assets, debt and equity securities and short-term investments as at 31 December 2015 are presented in the following table:

At 31 December 2015 €'000	AAA	AA	A	BBB	Other and Non-Rated	Total
Reinsurance Assets						
Reinsurers share of technical provisions		17,743	47,177	10,128		**75,048**
Debt securities:						
Government bonds	104,376	156,013			27,374	**287,763**
Corporate bonds	3,921	31,803	317,744	44,905		**398,373**
Equity shares		9,078	32,766	13,693	11,093	**66,630**
Short-term investments:						
Deposits withheld by ceding companies		3,385	15,745	3,914	5,480	**28,524**
Short term deposits and money market funds	47,296			36,000		**83,296**
Cash & Cash equivalents			16,082	84,817		**100,899**
Total	**155,593**	**218,022**	**429,514**	**193,457**	**43,947**	**1,040,533**

At 31 December 2014 €'000	AAA	AA	A	BBB	Other and Non-Rated	Total
Reinsurance Assets						
Reinsurers share of technical provisions		17,979	29,390	4,876		**52,245**
Debt securities:						
Government bonds	113,648	169,079				**282,727**
Corporate bonds	4,039	18,438	209,757	50,259		**282,493**
Equity shares		7,829	30,201	14,369	3,048	**55,447**
Short-term investments:						
Deposits withheld by ceding companies		3,841	13,252	2,123	16,182	**35,398**
Short term deposits and money market funds	29,752			34,000		**63,752**
Cash & Cash equivalents		2,137		96,879		**99,016**
Total	**147,439**	**219,303**	**282,600**	**202,506**	**19,230**	**871,078**

The following class of financial assets includes the carrying value of financial assets that are past due but not impaired. All other classes of financial assets do not include any carrying values that are past due.

2015	Neither past due nor impaired €'000	Past due 3-6 months €'000	Past due 6-12 months €'000	Past due 12 months + €'000	Past due and impaired €'000	Carrying amount €'000
Debtors arising out of reinsurance operations	152,750	708	729	538	0	154,725

2014	Neither past due nor impaired €'000	Past due 3-6 months €'000	Past due 6-12 months €'000	Past due 12 months + €'000	Past due and impaired €'000	Carrying amount €'000
Debtors arising out of reinsurance operations	138,290	1,216	111	328	0	139,945

Liquidity risk

Liquidity risk is the risk that Atradius Re would be unable to meet its payment obligations when due. Liquidity risks originate from short term fluctuations in cash flow patterns either on incoming or outgoing cash. It is the Company's policy to maintain sufficient cash and marketable securities to manage its liquidity risks. The Atradius Group Investment policy states that investments should only be in financial instruments that can be liquidated in less than 4 business days. In practice, most of the Company's assets are marketable securities which can be readily converted into cash when required. The Company is liquid with cash reserves of EUR 101 million (2014: EUR 99 million) and investments in money market funds of EUR 47 million (2014: EUR 30 million) which can be liquidated on a daily basis with settlement on the date of liquidation.

The Company's liquidity risk exposure and policy in respect of liquidity risk management has remained unchanged.

The following tables are an estimate of the amount and timing of the undiscounted main cash flows at the end of the reporting period and includes both principal and interest cash flows.

As at 31 December 2015 €'000	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Insurance Contracts	432,171	189,562		**621,733**
Payables	36,444			**36,444**
	468,615	**189,562**		**658,177**

As at 31 December 2015 €'000	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Debt securities	104,268	581,868		**686,136**
Short term investments	59,296	24,000		**83,296**
Other Financial investments	95,154			**95,154**
Cash and bank deposits	100,899			**100,899**
Receivables	154,187	538		**154,725**
Reinsurance Contracts	59,804	15,244		**75,048**
	573,608	**621,650**		**1,195,258**

As at 31 December 2014 €'000	Less than 1 year	1 to 5 years	More than 5 years	Total
Insurance Contracts	383,396	177,830		**561,226**
Payables	35,938			**35,938**
	419,334	177,830		**597,164**

As at 31 December 2014 €'000	Less than 1 year	1 to 5 years	More than 5 years	Total
Debt securities	58,492	483,043	23,685	**565,220**
Short term investments	63,752			**63,752**
Other Financial investments	90,845			**90,845**
Cash and bank deposits	99,016			**99,016**
Receivables	139,617	328		**139,945**
Reinsurance Contracts	40,115	12,130		**52,245**
	491,837	**495,501**	**23,685**	**1,011,023**

The equalisation provision has been excluded from the above tables.

Operational risk

Operational risks are the risks of direct or indirect loss from inadequate or failed internal processes, human and system errors or external events. We use this definition in line with industry practice as well as the European Union Solvency II Framework Directive. Within the Atradius Group, the Operational Risk Management (ORM) unit 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. The ORM unit works closely with both Internal audit and Legal and Compliance. Operational risk management activities such as financial reporting controls, business continuity management and reporting to management all ensure that operational risks within the organisation are identified, and maintained within risk policy guidelines.

Compliance

Our compliance practices support our business, our reputation and our integrity. These elements are of importance to our customers, suppliers, staff and other stakeholders. Complying with relevant laws, rules and regulations and maintaining a high standard in terms of ethics and integrity, leads to lower operational risk and more stable business processes. The Atradius code of conduct outlines the basic corporate, legal and ethical compliance principles and guidelines that apply to all employees and that govern operations and its employees' business conduct and actions. The individual compliance codes address specific compliance areas in more detail and set out detailed compliance requirements that must be met across the company and which must be included in existing business procedures. For the monitoring and testing of effectiveness of these requirements, close alignment is sought with the activities of the Operational Risk Management and Internal Audit Units.

The Company is subject to the Corporate Governance Code for Credit Institutions and Insurance Undertakings 2013, but does not fall in scope of the additional requirements for major institutions. Atradius Re has established a separate Audit Committee and Risk Committee as required under the 2013 Corporate Governance Code.

Capital management

The objective of the Company in managing its capital is to ensure that it is sufficiently capitalised to be able to continue as a going concern after meeting all its financial obligations and to meet its externally imposed regulatory capital requirements, while maximising the return to its shareholders.

The capital structure of the Company consists of equity shareholders' funds, consisting of issued capital, reserves and retained earnings as disclosed in note 23.

As an authorised reinsurer regulated by the Central Bank of Ireland, the Company is subject to regulatory capital requirements, which for the year ended 31 December 2015 are based on the EU Directive requirements in respect of Solvency 1. The capital requirements of Atradius Reinsurance Limited are determined by its exposure to risk and by its regulatory capital obligations. In order to ensure capital adequacy, a capital buffer above the minimum solvency capital required is maintained, which is in excess of the strict requirements such that large loss events do not impair the ability of the Company to carry on its normal course of business. This capital buffer is set at 175% of the minimum capital requirement to which it is subject. At 31 December 2015, the Company had available capital of €444.8 million (2014: 315.0 million), which represented a coverage of 620% (2014: 439%) of its minimum regulatory capital requirement as disclosed in the note below.

The Company's capital resources have been bolstered in 2015 by a capital contribution of €140m from its shareholder to ensure that the company continues to be well capitalised under the new regulatory regime Solvency II, which became effective from 1 January 2016. Solvency II applies to all EU (re)insurance companies and establishes a new set of capital requirements, risk management and disclosure standards. The capital requirements can be calculated by reference to a standard formula as defined in the Solvency II regulations, or by an internal model that most accurately reflects a company's risk profile. Together with the Atradius Group, the Company has developed an internal model to calculate its capital requirements in respect of insurance risk, since the results of this model most accurately reflect its unique business and risk profile. Consequently, the Company's ultimate parent company Grupo Catalana Occidente has applied for regulatory approval of a partial internal model for insurance risk. Pending approval, the Company will apply the standard formula for calculating its insurance risk for regulatory purposes and will use the internal model for internal decision making.

As noted above, the Company is well capitalised. It meets its solvency requirements under Solvency 1 and the aforementioned regulatory regime effective from 1 January 2016, Solvency II. On 18 April 2016, agreement was concluded to receive a subordinated loan of €75m from the Company's ultimate parent company, Groupo Catalana Occidente. This capital, which will be treated as Tier II capital under Solvency II, will further reinforce the capital position of Atradius Re and the extent of the capital buffer it maintains in excess of its minimum capital requirements.

	2015 €'000	2014 €'000
Statutory minimum capital requirement	**71,758**	**71,758**
Available capital resources:		
Shareholders' equity	470,653	343,876
Adjustments for inadmissible assets	(25,827)	(28,861)
Capital resources on a regulatory basis	**444,826**	**315,015**
Solvency Cover %	**620%**	**439%**

4 Segmental information

Analysis of gross premiums written, gross premiums earned, gross claims incurred, gross operating expenses and outwards reinsurance by class of business.

	Gross premiums written 2015 €'000	Gross premiums earned 2015 €'000	Gross claims incurred 2015 €'000	Gross operating expenses 2015 €'000	Outward reinsurance 2015 €'000	Technical result 2015 €'000
Credit Reinsurance	377,848	371,147	(209,531)	(152,099)	(9,517)	-
Bond Reinsurance	81,270	78,747	(36,882)	(34,083)	(12)	7,770
Total	**459,118**	**449,894**	**(246,413)**	**(186,182)**	**(9,529)**	**7,770**

	Gross premiums written 2014 €'000	Gross premiums earned 2014 €'000	Gross claims incurred 2014 €'000	Gross operating expenses 2014 €'000	Outward reinsurance 2014 €'000	Technical result 2014 €'000
Credit Reinsurance	363,726	360,793	(159,422)	(171,641)	(24,455)	5,275
Bond Reinsurance	87,816	74,986	(30,680)	(31,792)	(5,878)	6,636
Total	**451,542**	**435,779**	**(190,102)**	**(203,433)**	**(30,333)**	**11,911**

Gross premiums written resulting from contracts concluded in:

	2015 €'000	2014 €'000
EU Countries	286,441	292,500
Asia	69,333	60,171
South America	45,191	46,681
North America	40,356	34,881
Oceania	10,489	9,310
Africa	7,308	7,999
Total	**459,118**	**451,542**

5 Net investment return

2015	Net investment income financial year ended €'000	Net realised gains Financial year ended €'000	Net realised losses Financial year ended €'000	Impairment Financial Year ended €'000	Net investment expense Financial year ended €'000	Net investment results Financial Year ended €'000
Equities	1,842	6,398	(42)	(66)		**8,132**
Bonds	3,095	6,624	(2)			**9,717**
Receivables						
Cash and Cash equivalents	505					**505**
Other investment income						
Other investment expenses					(651)	**(651)**
Total	**5,442**	**13,022**	**(44)**	**(66)**	**(651)**	**17,703**

2014	Net investment income financial year ended €'000	Net realised gains Financial year ended €'000	Net realised losses Financial year ended €'000	Impairment Financial Year ended €'000	Net investment expense Financial year ended €'000	Net investment results Financial Year ended €'000
Equities	1,645					**1,645**
Bonds	2,694	567	(22)			**3,239**
Receivables						
Cash and Cash equivalents	1,458					**1,458**
Other investment income						
Other investment expenses					(554)	**(554)**
Total	**5,797**	**567**	**(22)**	**-**	**(554)**	**5,788**

6 Claims incurred net of reinsurance

2015	Gross €'000	Reinsurance €'000	Net €'000
Outstanding claims brought forward	(402,142)	39,699	(362,443)
Movement on provision	(33,803)	13,848	(19,955)
Foreign exchange movement on opening provisions	(19,583)	2,894	(16,689)
Outstanding claims carried forward	**(455,528)**	**56,441**	**(399,087)**

2014	Gross €'000	Reinsurance €'000	Net €'000
Outstanding claims brought forward	(382,989)	39,775	(343,214)
Movement on provision	(6,525)	(1,952)	(8,477)
Foreign exchange movement on opening provisions	(12,628)	1,876	(10,752)
Outstanding claims carried forward	**(402,142)**	**39,699**	**(362,443)**

7 Unearned Premiums

2015	Gross €'000	Reinsurance €'000	Net €'000
Provision for unearned premium brought forward	(159,084)	12,546	(146,538)
Movement on unearned premium	(9,224)	6,091	(3,133)
Foreign Exchange movement on opening provisions	2,103	(30)	2,073
Provisions for unearned premium carried forward	**(166,205)**	**18,607**	**(147,598)**

2014	Gross €'000	Reinsurance €'000	Net €'000
Provision for unearned premium brought forward	(131,770)	10,837	(120,933)
Movement on unearned premium	(15,763)	(33)	(15,796)
Foreign Exchange movement on opening provisions	(11,551)	1,742	(9,809)
Provisions for unearned premium carried forward	**(159,084)**	**12,546**	**(146,538)**

8 Net Operating Expenses

	2015 €'000	2014 €'000
Net acquisition costs	170,455	173,638
Change in deferred acquisition costs	(1,821)	(10,997)
Administrative costs	8,984	9,478
Net operating	**177,618**	**172,119**

9 Profit on ordinary activities

Profit on ordinary activities is stated after charging:

	2015 €'000	2014 €'000
Investment return	17,769	5,788
Impairment of shares	(66)	-
Net foreign exchange (losses)	(2,786)	(3,365)
Auditors Remuneration	83	77
Rentals under operating leases:		
- Land & buildings	322	325
- Other	4	6
Depreciation	45	76
Staff Costs	2,711	2,704
Taxation on profits	(2,833)	(1,519)

10 Staff Costs

Profit on ordinary activities is stated after charging:

	2015 €'000	2014 €'000
Wages & salaries	2,166	2,085
Social Security costs	244	226
Pensions cost	155	148
Other Costs	146	245
Total	**2,711**	**2,704**

The average monthly number of employees, including executive directors, during the financial year 2015 was comprised as follows:

	2015	2014
Reinsurance activities	10	10
Support	14	14
Total	**24**	**24**

11 Auditors' remuneration

Auditors' remuneration for work carried out for the Company in respect of the financial year ended 31 December 2015 is as follows:

	2015 €'000	2014 €'000
Audit of individual company accounts (incl VAT)	83	77

There was no auditors' renumeration in respect of other assurance services, tax advisory services or other non-audit services (2014: Nil).

12 Directors' remuneration

	Number of Directors	2015	Number of Directors	2014
Aggregate emoluments paid to or receivable by directors in respect of qualifying services	6	542	6	537
Aggregate Contributions paid to a retirement benefit scheme in respect of qualifying services of directors				
- Defined contribution schemes	6	38	6	37
Total	**6**	**580**	**6**	**574**

13 Employee pension scheme

Eligible staff are members of the defined contribution scheme operated by the Company. The pension cost charges to the profit and loss account for the financial year was €154,908 and was fully paid in 2015. (2014: €147,945)

14 Taxation on profit on ordinary activities

Corporation tax:

	2015 €'000	2014 €'000
Irish tax	(2,831)	(1,522)
Deferred tax movement	(2)	3
Total	**(2,833)**	**(1,519)**

There are total deferred tax liabilities as at 31 December 2015 of (2k) (2014: (4k)). These arise in respect of timing differences between the tax allowances for the cost of fixed assets for tax purposes and depreciation for accounting purposes. There are no deferred tax assets in respect of timing differences as at 31 December 2015 (2014: Nil). There are no unused tax losses or tax credits at the end of the reporting period (2014: Nil).

The current tax charge for the year is different than the current charge that would result from applying the standard rate of Irish corporation tax to the profit on ordinary activities before tax. The difference is explained below:

	2015 €'000	2014 €'000
Profit on ordinary activities before tax (as restated for prior financial year)	22,687	14,334
Profit on ordinary activities multiplied by the standard rate of Irish corporation tax for the year of 12.5%	(2,836)	(1,792)
Effects of:		
Adjustment as a result of FRS 102/103	1	2
Disallowable expenses and other items	(4)	(4)
Depreciation in excess of capital allowances	(2)	(4)
Prior years refund not previously provided for	-	335
Impact of foreign taxes	-	(89)
Over / (under) provision in respect of previous years	10	30
	(2,831)	**(1,522)**

15 Investments

The carrying value of the Company's available for sale financial investments are summarised below:

Available-for-sale	**Market Value 2015 €'000**	**Purchase Value 2015 €'000**	**Market Value 2014 €'000**	**Purchase Value 2014 €'000**
Equities – listed	66,630	59,934	55,447	45,749
Debt securities and other fixed income securities -listed	769,432	764,723	628,972	616,518
Total	**836,062**	**824,657**	**684,419**	**662,267**

For debt securities and other fixed income securities the amount repayable at maturity totals €737,335 (2014: €602,009k)

16 Debtors arising out of reinsurance operations

Measured at undiscounted amounts receivable

	2015 €'000	2014 €'000
Amounts owed by holding and fellow subsidiary undertakings	51,896	43,525
Amounts owed by third parties	102,829	96,420
Total	**154,725**	**139,945**

17 Tangible fixed assets

Measured at undiscounted amounts receivable

2015	**Furniture & Equipment €'000**	**Total €'000**
Costs		
As at 1 January 2015	821	821
Additions	-	-
Disposals	(6)	(6)
As at 31 December 2015	815	815
Depreciation		
As at 1 January 2015	596	596
Provided in the financial year	45	45
Disposals	-	-
As at 31 December 2015	641	641
Net book amount at 31 December 2015	**174**	**174**
Net book amount at 31 December 2014	**225**	**225**

2014	Furniture & Equipment €'000	Total €'000
Costs		
As at 1 January 2014	796	796
Additions	25	25
Disposals	-	-
As at 31 December 2014	821	821
Depreciation		
As at 1 January 2014	520	520
Provided in the financial year	76	76
Disposals	-	-
As at 31 December 2014	596	596
Net book amount at 31 December 2014	**225**	**225**
Net book amount at 31 December 2013	**276**	**276**

18 Other Assets

Measured at undiscounted amounts receivable

	2015 €'000	2014 €'000
Current tax asset	15	11
Deferred acquisition costs	60,857	59,037
Other assets	662	689
Total	**61,534**	**59,737**

19 Equalisation Provision

Measured at undiscounted amounts receivable

	2015 €'000	2014 €'000
Opening balance	121,220	105,352
(Decrease)/Increase in provision	(4,237)	15,868
Closing Balance	**116,983**	**121,220**

The Company's technical result, for the financial year ended 31 December 2015, for credit business was a loss of (€4,237). (2014: €21,157k). Net written premium for credit business was €323,775. (2014: €312,933k). A decrease in the provision was booked of €4,237k calculated in accordance with Method 1 of the methods set out in point D of the Annex to the Non-Life Insurance Business Directive.

From 1 January 2016, Solvency II is the new regulatory framework applicable to (re)insurance companies, following the implementation of the European Union (Insurance and Reinsurance) Regulations 2015 through S.I No .485 of 2015. As an equalisation reserve is not required by the new regulatory framework, it will not be recognised in the financial statements in 2016 in accordance with Financial Reporting Standard FRS 103 Insurance Contracts, and will consequently be unwound in full.

20 Creditors arising out of reinsurance operations

Measured at undiscounted amounts payable

	2015 €'000	2014 €'000
Amounts owed to holding and fellow subsidiary undertakings	16,697	23,547
Amounts owed to third parties	19,747	12,391
Total	**36,444**	**35,938**

21 Other creditors

	2015 €'000	2014 €'000
Tax and social security	(592)	63
Other Creditors	15,695	13,349
Total	**15,103**	**13,412**

22 Provisions for liabilities

Unused annual leave provision

	2015 €'000	2014 €'000
As at 31 January	17	-
Increase in provision	3	17
As at 31 December	**20**	**17**

The leave pay provision represents the holiday balance accrued as a result of services rendered in the current financial period and which employees are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence.

23 Capital & Reserves

	Called up Share Capital €'000	Capital Contribution €'000	Revaluation Reserve €'000	Profit & Loss €'000	Total €'000
As at 1 January 2014	635	139,054	12,828	189,760	342,277
Profit for the financial year	-	-	-	12,815	12,815
Dividends paid	-	-	-	(16,000)	(16,000)
Other comprehensive income	-	-	4,784	-	4,784
As at 31 December 2014	**635**	**139,054**	**17,612**	**186,575**	**343,876**
As at 1 January 2015	**635**	**139,054**	**17,612**	**186,575**	**343,876**
Profit for the financial year	-	-	-	19,854	19,854
Dividends paid	-	-	-	(23,160)	(23,160)
Other comprehensive income	-	-	(9,917)	-	(9,917)
Capital contribution	-	140,000	-	-	140,000
As at 31 December 2015	**635**	**279,054**	**7,695**	**183,269**	**470,653**

The Called up share capital represents the nominal value of shares that have been issued. The authorised share capital of Atradius Re amounts to €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 €1 each (2014: the same)

The capital contribution represents capital received from our shareholders.

The profit and loss reserve represents all current and prior financial period retained profits and losses.

24 Operating lease commitments

At 31 December 2015 the Company's total future minimum lease payments under non-cancellable leases were as follows.

	2015 €'000	2014 €'000
Within 1 year	199	194
Between 1 & 5 years	989	965
After 5 years	98	289

During the financial year an amount of €194,246 (2014: €194,227) has been recognised as expense.

25 Commitments

As at 31 December 2015, there were collaterised letters of credit and reinsurance trusts issued in the amount of €46,887 (2014: €45,472). These letters of credit and reinsurance trusts are issued in relation to our clients' regulatory requirements.

There were no capital commitments outstanding at the 31 December 2015 (2014: Nil)

26 Reclassifications of comparatives

Comparative figures have been reclassified where necessary to conform to the current year's presentation.

27 Immediate and ultimate parent company

Atradius Investments Limited, a company incorporated in Ireland, is the Company's parent company. Financial statements for Atradius Investments Limited are available from the 2nd Floor, La Touche House, International Financial Services Centre, Dublin 1.

Atradius Investments Limited 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.

The smallest and largest group into which the financial statements of Atradius Reinsurance Limited are consolidated is Grupo Catalana Occidente, S.A.

The consolidated financial statements are publicly available on its website www.grupocatalanaoccidente.com.

The financial statements of Atradius Reinsurance Ltd can be found on its website www.atradius.com.

28 Events after the reporting date

On 8 April 2016, the Board of Directors of Atradius Re passed a resolution to enter into a subordinated loan agreement with a group of lenders. All lenders are resident in Spain and are either part of the GCO group, or, are minority shareholders of Compania Española de Credito y Caucion, a company which holds 64.23% of the shares of Atradius N.V.

The loan is for €75 million, and is to be treated as Tier II capital. The rationale for the additional capital contribution in the form of a subordinated loan is to reinforce the solvency II capital position of Atradius Re.

The Loan agreement was executed on 18 April 2016.

29 Related party transaction

The total remuneration for key management personnel for the financial period totalled €580k (2014: €574k), being remuneration disclosed in Note 12 of €580k (2014: €574k).

Intercompany balances with Atradius N.V. are unsecured and free from guarantees. They are settled periodically, typically on a monthly basis.

30 Explanation of transition to FRS 102

This is the first financial year that the Company has presented its financial statements under Financial Reporting Standards 102 and 103 (FRS 102 & 103) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous Irish GAAP were for the financial year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014. As a consequence of adopting FRS 102 & 103, accounting policies have changed where required to comply with these standards.

Annual Leave Provision

FRS 102 requires short term employee benefits to be recognised in the period in which the employee services were rendered. Consequently, the Company now recognises a liability for unused annual leave in the period it which it is accrued. The effect of this is an additional charge to the profit and loss account of (€17k) in 2014.

Recognition of unrealised movements on available for sale financial investments in other comprehensive income

The Company has chosen to adopt the recognition and measurement provisions of IAS 39 Financial Instuments: Recognition and Measurement (as adopted for use in the EU) to account for all its financial instruments, as this provides the most relevant and reliable information on its financial position. Consequently, changes in the fair value of available for sale financial investments have been recognised in other comprehensive income rather than fair value through profit and loss. The effect of this has been to reduce the profit and loss account in the financial year to 31 December 2014 by (€4,785k) and to increase other comprehensive income for the same financial period by the equivalent amount.

Reconciliation of equity

	At 1 January 2014	At 31 December 2014
Equity reported under previous Irish GAAP	342,277	343,891
Adjustments to equity on transition to FRS102/103		
Annual leave provision	-	(17)
Tax impact on Annual leave provision	-	2
Equity reported under FRS 102 & 103	**342,277**	**343,876**

Reconciliation of profit or loss for 2014

	At 31 December 2014
Profit for the entire financial year under previous Irish GAAP	**17,614**
Annual leave provision	(17)
Recognition of unrealised gains on available for sale investments other comprehensive income	(5,468)
Tax effect of the above adjustments	686
Profit for the financial year under FRS 102 & 103	**12,815**

31 Approval of the Financial Statements

The directors approved the financial statements on 26 April 2016

Other Information

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