2017

Annual Report
Atradius Reinsurance DAC

Atradius Re

Our Staff


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Atradius Reinsurance DAC
Directors' Report and Audited Financial Statements

Year ended 31 December 2017

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

Atradius Re

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Directors

Executive Directors

Daniel Stausberg
Managing Director
(German)

Niamh Derivan
Finance Director
(Irish)

Independent Non-Executive Directors

Conor Molloy
(Irish)

Mary Brennan
(Irish)

Non-Executive Directors

David Capdevila
Chairman of the Board
(Spanish)

Marc Henstridge
(British)
appointed April 3, 2017

Antonio Rubio
(Spanish)
Appointed June 2, 2017

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2017

Principal activity and review of the business

Atradius Reinsurance DAC ("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 third party business consists of around 58% credit insurance and 42% bonding, based on premium volume. The business is underwritten by a multilingual, highly trained and experienced, international team of underwriters at 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, 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 a number of foreign jurisdictions including Argentina, Bolivia, Chile, China, Colombia, Ecuador, Guatemala, India, Mexico, Paraguay, the Republic of Panama, and Venezuela.

Atradius Reinsurance DAC ("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 2017, Atradius Re once more achieved positive results, with a profit after tax of €45.5 million. The profit and loss account for the year ended December 31, 2017, can be seen on pages 16 and 17.

KEY PERFORMANCE INDICATORS	2017	2016
	€'000	€'000
Group reinsurance revenue	347,321	324,602
Third party reinsurance revenue	133,697	132,024
Total Revenue	481,018	456,626
Gross Claims ratio %	46%	55%
Gross Expenses and commissions ratio %	40%	41%
Gross Combined operating Ratio %	86%	96%
Total Assets	1,422,902	1,384,587
Total Liabilities	720,937	725,938

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

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

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

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

No dividend is expected to be paid, during 2018, to the Company's immediate parent company, Atradius Investments Limited (2017: nil). The Company's key objective and long term strategy includes secured net profits, sustainable growth and a strong capital position.

Outlook

The outlook for 2018 is one of continued strengthening of the global economy with worldwide growth forecast to increase to 3.2%. The main challenges to growth that have been experienced in recent years – low inflation, negative bond yields, austerity and low commodity prices – are slowly starting to phase out and the outlook for emerging markets is brighter.

Atradius Re aims to continue to be a reliable business partner for all of our customers, supporting them towards profitable trade and business growth.

As well as this support for our customers, we will continue to focus on our own business to ensure we maintain our strong capital position in order to withstand financial stress, meet our financial obligations and ultimately deliver shareholder value.

Events after the reporting date

In January 2018, a representative office was set up in Brazil, in order that Atradius Reinsurance DAC could request permission of SUSEP, the Brazilian regulator, to act as an admitted reinsurer in Brazil. There were no other events after the reporting date affecting the Company

Credit Rating

In 2017, 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 DAC, with a financial strength rating of 'A excellent, outlook stable' and Moody's with 'A2, Outlook Stable'. Moody's upgraded Atradius to 'A2' from 'A3' in March 2018.

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

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 the risk of fraud.

We refer to 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 Requirements for 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.

Directors' Compliance Statement

The Directors are responsible for securing the Company's compliance with its relevant obligations and confirm that the following have been done:

- the drawing up of a compliance policy statement setting out the Company's policies that, in the opinion of the Directors, are appropriate for the Company regarding compliance by the Company with its relevant obligations;
- the putting in place of appropriate arrangements or structures that are, in the Directors' opinion, designed to secure material compliance with the Company's relevant obligations; and
- the conduct of a review of such arrangements or structures during the relevant financial year.

Capital Management

The Company's strength is evidenced by its strong and growing capital base with shareholders' funds at the end of 2017 of €702.0 million, increased from €658.6 million at the end of 2016.

The Company was in compliance with its regulatory capital requirements throughout the year.

Solvency II - Internal Model Approval

Since January 1, 2016, when Solvency II was implemented, Atradius Re's capital has been quantified using the standard formula established in the Solvency II regulations. Working closely with Atradius Re, the Atradius Group developed their own economic capital 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, Grupo Catalana Occidente (GCO), as parent company of Atradius Re, formally submitted, during 2016, the Partial Internal Model for underwriting risk, for approval to the College of Supervisors.

During 2017, Atradius Re achieved a significant milestone with the regulatory approval of the Partial Internal Model for underwriting risk. With this approval, our supervisors have confirmed the adequacy of Atradius' risk modelling capabilities and the model itself.

Atradius Re now uses the Partial Internal Model when calculating underwriting risk, for regulatory purposes. All other risks are calculated using the Standard Formula.

Directors, secretary and their interests

The Directors who served during the financial period and the present directors of the Company are listed on pages 3 and 56. The Directors and secretary had no interests in the shares of the Company or any other group undertakings at 31 December 2017 and 2016.

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.

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 2017.

Accounting Records

In accordance with sections 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.

Statement of Relevant Audit information

The Directors at the time when the Directors' report is approved have confirmed that:

- so far as that the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- that the Directors have taken all the steps that they ought to have taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors Note

The independent auditors, Deloitte, Chartered Accountants and Statutory Audit Firm, having completed ten consecutive years as auditors, from 31 December, 2008 to 31 December, 2017, will not seek reappointment as auditors to the Company in accordance with Section 383, Companies Act 2014.

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, 2017 (2016: Nil).

On behalf of the Board

Daniel Stausberg
Managing Director

Niamh Derivan
Finance Director

March 9, 2018

Directors’ Responsibilities Statement

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 DAC

Opinion on the financial statements of Atradius Reinsurance DAC (the 'company')

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 2017 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.

The financial statements we have audited 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, including a summary of significant accounting policies as set out in note 1.

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" (the relevant financial reporting framework).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Accounting and Auditing Supervisory Authority, as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you were:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current financial year and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimation of Premium Due not yet receivable ('Pipeline Premium')

Key audit matter description

International Standards on Auditing states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.

Premiums written relates 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.

For third party business, the Company typically writes risk attaching business where the amount of premium to be written on the contract is not known with certainty at the start of the contract. Therefore, premium written is based initially on estimates set by underwriters. These estimates are then applied to an actuarial risk earnings model incorporating standard actuarial statistical techniques to evaluate the appropriate earned income for each reinsurance contract. Premium estimates and related earnings are regularly reviewed against the contract performance and reports received from ceding companies to determine whether adjustments are necessary.

For group business, the Company relies on the estimates of premium reported by the ceding group companies.

Due to the significant judgement and estimation involved in the estimation of premiums written, this was considered a key audit matter.

Gross Written Premium amounted to €482 million of which €185 million was due but not yet receivable for the financial year ended 31 December 2017.

Refer to the accounting policy on page 23 and the disclosures in notes 2 and 4 of the financial statements.

How the scope of our audit responded to the key audit matter:

The procedures performed to address the key audit matter of the revenue recognition for pipeline premium included the following:

- With the assistance of our Deloitte Spain team, we understood the process for booking premium estimates for group business and reconciled the amounts recorded by the company with the information recorded in the relevant group ceding company financial records.
- For third party business, we reviewed and tested the design and operational effectiveness of controls over the initial booking of estimate premium and the controls over the subsequent review and adjustment of premium estimates. We also tested controls over the booking of cedant statements.
- With the assistance of our actuarial specialists, we considered the appropriateness of earnings patterns used for the different types of business.
- We tested the completeness and accuracy of the information utilised by underwriting and accounting in preparing the estimates for business not yet reported by ceding companies.
- For the sample of treaties we audited the key assumptions underlying the premium estimates including agreeing key information back to original treaties, agreeing reported amounts to ceding company statements, challenging the estimate with the underwriter and performing a retrospective review of premium estimates on those contracts.
- We performed an assessment of the accounting policies selected for reasonableness under the accounting framework.

Technical Provisions - Claims Outstanding

Key audit matter description

Claims outstanding 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 the company's share of the technical provisions as reported by the ceding group company.

For third party business, on inception of a policy, the underwriter determines an estimate of the ultimate loss ratio on each contract. The performance of each contract is regularly reviewed by both the underwriter and actuarial function for past performance and development and triangulation development to ensure reserves are maintained or adjusted as appropriate. Where known large events have occurred but claims have yet to be notified specific IBNR may be established for such events. In addition, reserves are reviewed on a global basis by applying standard actuarial techniques to determine the adequacy of overall booked reserves.

The delay in reporting of claims by cedants and the long tail nature of development and settlement of claims particularly for credit business increases the degree of estimation used in setting reserves. The accounting policy for technical provisions is to hold technical provisions which include a margin for uncertainty over the best estimate of claims outstanding. Due to the significant judgement and estimation involved in the valuation of the company's claims outstanding, this was considered a key audit matter.

Claims Outstanding amounted to €451 million at 31 December 2017.

Refer to the accounting policy note on page 25 and the disclosures in notes 3 and 6 of the financial statements.

How the scope of our audit responded to the key audit matter

The procedures performed to address the key audit matter of the valuation of the company's technical provisions included the following:

- In respect of group business, we coordinated with our Deloitte Spain team to recalculate the share of technical provisions on group ceded contracts and to reconcile the amounts recorded in the cedant company financial statements to the amounts recognised by the company.

- Our procedures involved issuing instructions, holding planning and coordination calls and reviewing the work performed by the team.

- For third party business, we tested the design and operating effectiveness of the key controls in place around setting initial ultimate loss ratios, the subsequent review of loss ratios and the processing of reported claims and cedant statements.

- On a sample basis, we tested the ultimate loss ratio booked by contract and the recording of the cedant statements and claims reported.

- In conjunction with our actuarial specialists, we performed an independent projection of reserves on the major classes of business and compared this to the booked reserves.

- The work of our actuarial team included reviewing actual development against expected development for prior years, challenging specific IBNR held against large claim cases and assessing the margin of uncertainty over the best estimate for consistency.

- We reconciled the data used by our actuarial team to the source systems and to the booked reserves.

Key observations

Based on the work performed, we consider the technical provisions recorded as at 31 December 2017 to be within a reasonable range. The technical provisions held include a margin for uncertainty above the best estimate and have been determined in a manner consistent with prior years.

Existence and Valuation of Financial Investments

Key audit matter description

The financial investments portfolio represents the most substantial portion of company's assets as at 31 December 2017.

Financial investments are classified as available-for-sale investments and carried at fair value with changes in fair value recognised through other comprehensive income. Financial investments are considered for impairment where there has been a significant or prolonged decline in value. Impairment losses are recognised through the profit and loss account.

The valuation (including impairment) and existence of investments represent a key risk of material misstatement in the financial statements.

Financial investments administration is managed centrally by the group for all subsidiaries including the company.

Given the nature of the financial investments held, the judgments related to the existence and valuation of the portfolio are not complex, however, we have included this as a key audit matter as a result of the significance of the size of the balance and the audit resources allocated to the area.

The Company's Financial Assets amounted to €967 million at 31 December 2017.

Refer to the accounting policy on page 24 and the disclosures in notes 3 and 15 of the financial statements.

How the scope of our audit responded to the key audit matter

The procedures performed to address the key audit matter of valuation and existence of Financial Investments included the following:

- We coordinated with Deloitte Netherlands the approach to the testing of investments including holding planning discussions and providing instructions to the team.
- We obtained an understanding over the controls in place at the company to manage and monitor investments and we tested the controls over the recording of investment related transactions by the company.
- We reconciled the information provided by our Deloitte Netherlands team to the amounts recorded in the financial statement including the note disclosures.
- We held a closing meeting with the Deloitte Netherlands team and reviewed the audit testing performed by them on the existence, which comprised independent confirmation procedures, and on valuation, which comprised independent valuation of investments.
- We reviewed and tested the company analysis of consideration of impairment.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the company to be €19,000,000 which is approximately 3% of Shareholders Equity. We have considered Shareholders Equity to be the critical component for determining materiality as it placed under scrutiny by local regulators and is therefore a key financial metric regularly assessed by Management and Shareholders. We have considered quantitative and qualitative factors such as understanding the entity and its environment, history of misstatements, complexity of the company and the reliability of the control environment.

We agreed with the Audit Committee that we would report to them any audit differences in excess of €950,000, as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the company and its environment, including group-wide controls, and assessing the risks of material misstatement within the company. We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. The risks of material misstatement that had the greatest effect on our audit are identified as key audit matters in the table above.

In establishing the overall approach to the audit, we determined three key areas of scope: third party business; group business and centrally managed functions (including investments and IT). We also assessed the type of work that required the involvement of specialists. As a result, we included actuarial and IT specialists as part of our engagement team. Where the work was performed by specialists, we gave instructions as to the type of work to be performed and reviewed the results of this work to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements. We also assessed the competency of the specialists performing the work.

The work in respect of the third party business was carried out by the audit team in Ireland. For group business, the work was performed by the Deloitte Spain audit team of the main ceding company. For centrally managed functions the audit worked was performed by our team in Deloitte Netherlands. Where the work was performed by other Deloitte member firms, we determined the level of involvement we needed to have in their work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors Report and Audited Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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, and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

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 auditor's 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.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- 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 and the directors' report has been prepared in accordance with the Companies Act 2014.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the board of directors in May 2017 to audit the financial statements for the year ended 31 December 2017. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 10 years, covering the years ending 31 December 2008 to 31 December 2017.

The non-audit services prohibited by IAASA's Ethical Standard were not provided and we remained independent of the company in conducting the audit.

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISA (Ireland) 260.

Glenn Gillard
For and on behalf of Deloitte
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2
Date: 16th March 2018

Profit & Loss Account

Financial Year Ended 31 December 2017

Profit & Loss Account

TECHNICAL ACCOUNT GENERAL REINSURANCE BUSINESS	Note	2017 €'000	2016 €'000
Gross premiums written	4	481,787	486,180
Unearned premiums	7	(769)	(29,554)
Gross premiums earned	4	**481,018**	**456,626**
Outward reinsurance premiums		(59,148)	(56,284)
Unearned outward reinsurance premiums	7	(1,373)	8,147
Outward reinsurance premiums earned		**(60,521)**	**(48,137)**
Net earned premiums		420,497	408,489
Total Technical Income		**420,497**	**408,489**
Gross claims paid		203,760	260,556
Reinsurers' share		(23,808)	(32,436)
Net claims paid		**179,952**	**228,120**
Gross change in the provision for claims	6	17,233	(5,525)
Reinsurers' share	6	(2,514)	2,512
Net change in the provision for claims		**14,719**	**(3,013)**
Claims incurred, net of reinsurance		**194,670**	**225,107**
Change in equalisation provision	19	-	(116,983)
Net operating expenses	8	180,947	177,135
Total Technical Charges		**375,617**	**285,259**
Balance on the Technical Account for General Business		**44,880**	**123,230**

Profit & Loss Account

NON-TECHNICAL ACCOUNT	Note	2017 €'000	2016 €'000
Balance on the Technical Account for General Reinsurance Business		**44,880**	**123,230**
Investment income	5		
- income from investments		4,641	5,811
- gain on the realisation of investments		5,216	1,172
- loss on the realisation of investments		(291)	(1,496)
Other charges and expenses			
- exchange gains/(losses)		2,571	(3,616)
- interest on subordinated loan		(3,750)	(2,612)
- investment administration		(1,035)	(814)
- impairment of Shares		(231)	(218)
Profit on ordinary activities before tax		**52,001**	**121,457**
Tax on profit on ordinary activities	14	(6,502)	(15,182)
Profit on ordinary activities after tax		**45,499**	**106,275**

All of the above amounts derive from continuing operations.

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

Balance Sheet

Financial Year Ended 31 December 2017

Balance Sheet

ASSETS	Note	2017 €'000	2016 €'000
Investments			
Financial investments	15	967,237	941,894
Deposits with ceding undertakings		26,167	26,789
		993,404	968,683
Reinsurers' share of technical provisions			
Provision for unearned premium	7	22,291	27,288
Claims outstanding	6	53,869	57,522
		76,160	84,810
Debtors			
Debtors arising out of reinsurance operations	16	185,493	167,469
Tangible assets	17	124	138
Other assets			
Cash at bank and in hand		87,487	81,553
Other assets	18	71,242	72,309
		158,729	153,862
Prepayments and accrued income			
Accrued interest and commission		8,992	9,625
Total assets		**1,422,902**	**1,384,587**

Balance Sheet

LIABILITIES & SHAREHOLDERS' FUNDS	Note	2017 €'000	2016 €'000
Capital and reserves			
Called up share capital presented as equity	23	635	635
Capital contribution		279,054	279,054
Subordinated loan	25	75,000	75,000
Revaluation reserve		12,233	14,418
Profit and loss account		335,043	289,542
Shareholders' funds	23	701,965	658,649
Technical provisions			
Provision for unearned premium	7	185,179	198,878
Claims outstanding	6	451,256	457,777
		636,435	656,655
Creditors			
Unearned Reinsurance Commission		5,386	5,731
Creditors arising out of reinsurance operations	20	55,613	43,541
Deposits withheld from reinsurers		266	400
Other creditors	21/22	23,237	19,611
		84,502	69,283
		1,422,902	**1,384,587**
Total liabilities and shareholders' funds		**1,422,902**	**1,384,587**

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

On behalf of the Board

Daniel Stausberg
Managing Director

Niamh Derivan
Finance Director

March 9, 2018

Statement Of Comprehensive Income

	Note	2017 €'000	2016 €'000
Results for the financial year		45,499	106,275
Other comprehensive income			
Items that may be subsequently reclassified to the income statement			
Net fair value gains/(losses) on available-for-sale financial investments		(2,495)	7,681
Income tax relating to items that may be reclassified		312	(960)
Other comprehensive income for the financial year, net of tax	23	(2,183)	6,721
Total comprehensive income for the financial year attributable to the owners of the company		**43,316**	**112,996**

Statement of Changes in Equity

	Share Capital €'000	Capital Contribution €'000	Revaluation Reserve €'000	Sub-ordinated Loan	Profit & Loss Account €'000	Total €'000
As at 31 December 2015	**635**	**279,054**	**7,695**	**-**	**183,269**	**470,653**
Profit for the financial year	-	-	-	-	106,275	106,275
OCI	-	-	6,721	-	-	6,721
Subordinated Loan	-	-	-	75,000	-	75,000
As at 31 December 2016	**635**	**279,054**	**14,416**	**75,000**	**289,544**	**658,649**
Profit for the financial year	-	-	-	-	45,499	45,499
OCI	-	-	(2,183)	-	-	(2,183)
Subordinated Loan	-	-	-	-	-	-
As at 31 December 2017	**635**	**279,054**	**12,233**	**75,000**	**335,043**	**701,965**

Notes to the Financial Statements

1 Accounting Policies

General information

Atradius Reinsurance DAC ("the Company") 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 (Insurance Undertakings: Financial Statements) Regulations, 2015.

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 DAC 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.

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

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

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 third party 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

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 is no longer required in accordance with FRS 103 Insurance Contracts. Consequently, in the prior year, the opening equalisation provision had been derecognised and unwound in full in the financial year (See note 19).

Subordinated Loan

The subordinated loan is recognised initially at fair value, net of transaction costs incurred. The subordinated loan is subsequently stated at amortised cost. The difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the fixed period of the debt during which the interest is fixed using the effective interest method. Interest payable is reported under other liabilities.

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 third party 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 third party business for adequacy. The Company's policy is to hold reserves on a global basis that represent a margin for uncertainty, or prudence margin, above the best estimate.

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 since 1 January, 2016.

The risk management and internal control framework

The risks to which Atradius Re 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 independent actuarial review of reserves is carried out, providing an independent best estimate comparison to the Company's reserves to support the business.

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 2017 and 2016 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 Crédito y Caución S.A. de Seguros y Reaseguros ("ACyC") and also third party business. Our exposures in Asia and South America are mainly attributable to our third party business, which is outside the risk assumed from the primary markets of ACyC, thus contributing positively to our diversification profile. Within all of these regions, a well-diversified spread by country and cedant is maintained.

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

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.

2017	Pre-tax profit			Shareholders' equity		
	Credit €'000	Bonding €'000	Total €'000	Credit €'000	Bonding €'000	Total €'000
5% increase in loss ratios						
Gross	(9,896)	(1,154)	(11,050)	(8,658)	(1,010)	(9,668)
Net	(8,600)	(1,134)	(9,734)	(7,525)	(992)	(8,517)
5% decrease in loss ratios						
Gross	9,896	1,154	11,050	8,658	1,010	9,668
Net	8,600	1,134	9,734	7,525	992	8,517

2016	Pre-tax profit			Shareholders' equity		
	Credit €'000	Bonding €'000	Total €'000	Credit €'000	Bonding €'000	Total €'000
5% increase in loss ratios						
Gross	(10,697)	(2,055)	(12,752)	(9,360)	(1,798)	(11,158)
Net	(9,050)	(2,205)	(11,255)	(7,919)	(1,929)	(9,848)
5% decrease in loss ratios						
Gross	10,697	2,055	12,752	9,360	1,798	11,158
Net	9,050	2,205	11,255	7,919	1,929	9,848

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 2010-2017 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 2017. Underwriting year here means the treaty year.

Claims – Gross

Claims development per underwriting year – (€ '000)

Year when risk was taken	2010	2011	2012	2013	2014	2015	2016	2017	Total
Estimate of gross claims incurred:									
at the end of the year when risk was taken	130,415	175,767	193,145	181,956	204,319	223,079	204,288	206,149	
one year later	123,778	166,538	193,589	174,348	257,978	258,836	203,554		
two years later	122,125	167,874	200,786	182,935	288,825	255,983			
three years later	117,133	168,588	212,574	186,931	288,276				
four years later	119,107	159,652	207,739	188,401					
five years later	111,372	161,319	210,836						
six years later	110,966	160,944							
seven years later	109,359								
Current estimate of cumulate claims	109,359	160,944	210,836	188,401	288,276	255,983	203,554	206,149	**1,623,501**
Cumulative payments to date	101,281	146,721	178,987	158,863	231,249	207,044	145,747	51,718	**1,221,610**
Claims provision at 31 Dec 2017 in respect of 2010 – 2017	8,078	14,222	31,849	29,537	57,027	48,939	57,807	154,431	**401,891**
In respect of prior years (before 2010)									**49,365**
Total									**451,256**

Claims – Ceded

Claims development per underwriting year – (€ '000)

Year when risk was taken	2010	2011	2012	2013	2014	2015	2016	2017	Total
Estimate of gross claims incurred:									
at the end of the year when risk was taken	13,935	14,647	26,157	6,558	9,875	25,447	16,418	15,860	
one year later	12,657	12,085	25,397	9,196	23,843	34,812	20,015		
two years later	13,493	12,571	26,484	14,811	36,107	37,031			
three years later	12,688	12,335	23,404	15,665	35,306				
four years later	12,831	10,390	21,814	16,329					
five years later	10,611	10,207	22,724						
six years later	10,522	10,090							
seven years later	10,471								
Current estimate of cumulate claims	10,471	10,090	22,724	16,329	35,306	37,031	20,015	15,860	**167,826**
Cumulative payments to date	10,100	9,713	19,014	9,668	28,227	30,311	10,747	2,583	**120,363**
Claims provision at 31 Dec 2017 in respect of 2010 – 2017	371	377	3,710	6,661	7,079	6,719	9,269	13,277	**47,463**
In respect of prior years (before 2010)									**6,406**
Total									**53,869**

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.

2017	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Available-for-sale:				
Equity securities	81,954			81,954
Debt securities:				
Government Bonds	329,464			329,464
Corporate Bonds	530,978			530,978
Short term investments	-			
Total	**942,396**			**942,396**

2016	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Available-for-sale:				
Equity securities	75,959			75,959
Debt securities:				
Government Bonds	323,784			323,784
Corporate Bonds	518,151			518,151
Short term investments	24,000			24,000
Total	**941,894**			**941,894**

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 instruments issued by Investment funds

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

	2017 €'000	Weight in %	2016 €'000	Weight in %
Passive equities exchange traded funds	22,938	100%	38,204	100%
Total	**22,938**	**100%**	**38,204**	**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.

(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 hedging, on a monthly basis, of its foreign currency exposures when natural hedges between the Company's 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 2017, is presented in the following table:

	Financial Assets 2017 €'000	Financial Liabilities 2017 €'000	Position 2017 €'000	Financial Assets 2016 €'000	Financial Liabilities 2016 €'000	Position 2016 €'000
EUR	1,070,910	416,388	654,522	1,056,824	399,496	657,328
GBP	22,274	21,166	1,108	16,869	20,641	(3,772)
USD	196,059	182,184	13,875	174,013	193,062	(19,049)
AUD	8,057	7,865	192	7,994	7,224	770
Other	123,513	166,004	(42,491)	124,166	175,552	(51,386)
Total	**1,420,813**	**793,607**	**627,206**	**1,379,866**	**795,975**	**583,891**

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.

2017	GBP €'000	USD €'000	AUD €'000	BRL €'000	COP €'000
10% increase					
Pre-tax profit	111	1,388	19	(450)	(402)
Shareholders' equity	97	1,214	17	(394)	(352)
10% decrease					
Pre-tax profit	(111)	(1,388)	(19)	450	402
Shareholders' equity	(97)	(1,214)	(17)	394	352

2016	GBP €'000	USD €'000	AUD €'000	BRL €'000	COP €'000
10% increase					
Pre-tax profit	(377)	(1,905)	77	(810)	(435)
Shareholders' equity	(330)	(1,667)	67	(709)	(381)
10% decrease					
Pre-tax profit	377	1,905	(77)	810	435
Shareholders' equity	330	1,667	(67)	709	381

(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 2017 is 2.3 years (2016: 2.8 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 2017 is also 2.3 years (2016: 2.8 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:

	2017 €millions	% of the market value	2016 €millions	% of the market value
Equity securities:				
Shares (Including equity funds)	21.8	26.60%	36.6	48.20%
Debt securities:				
Government bonds (including government bonds funds)	4.2	1.30%	4.1	1.30%
Corporate Bonds (including corporate bond funds)	7.7	1.40%	8.8	1.70%
Total portfolio	25.9	2.70%	40.1	4.20%

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 decreased from 4.2% at the end of 2016 to 2.7% at the end of 2017 and the VaR value decreased from EUR 40.1m to EUR 33.7m at the end of 2017. The decrease in the VaR percentage and the VaR value is due to a lower allocation of the investment portfolio to equities in 2017.

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 2017 are presented in the following table:

At 31 December 2017 €'000	AAA	AA	A	BBB	Other and Non-Rated	Total
Reinsurance Assets						
Reinsurers share of technical provisions		11,180	59,347	41	5,592	**76,160**
Debt securities:						
Government bonds	125,759	174,394	29,311			**329,464**
Corporate bonds	3,656	38,216	432,640	56,466		**530,978**
Equity shares		5,550	44,833	19,851	11,720	**81,954**
Short-term investments:						
Deposits withheld by ceding companies	5	8,850	5,431	6,427	5,454	**26,167**
Short term deposits and money market funds			24,841			**24,841**
Cash & Cash equivalents			87,487			**87,487**
Total	**129,420**	**238,190**	**683,890**	**82,785**	**22,766**	**1,157,051**

At 31 December 2016 €'000	AAA	AA	A	BBB	Other and Non-Rated	Total
Reinsurance Assets						
Reinsurers share of technical provisions		16,459	60,376	241	7,734	**84,810**
Debt securities:						
Government bonds	118,582	171,770	23,056		10,376	**323,784**
Corporate bonds	4,391	54,934	418,226	40,600		**518,151**
Equity shares		6,468	41,181	19,493	8,817	**75,959**
Short-term investments:						
Deposits withheld by ceding companies	12	4,792	15,486	778	5,721	**26,789**
Short term deposits and money market funds				24,000		**24,000**
Cash & Cash equivalents		14,022	67,531			**81,553**
Total	**122,985**	**268,445**	**625,856**	**85,112**	**32,648**	**1,135,046**

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.

2017	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	184,700	187	153	453	-	185,493

2016	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	166,141	619	154	555	-	167,469

Liquidity risk

Liquidity risk is the risk that Atradius Reinsurance DAC 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 88 million (2016: EUR 82 million).

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 2017 €'000	Less than 1 year	1 to 5 years	More than 5 years	Total
Insurance Contracts	394,501	241,935		**636,436**
Payables	55,613			**55,613**
Total	**450,114**	**241,935**		**692,049**
As at 31 December 2017 €'000	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Debt securities	48,216	812,226		**860,442**
Short term investments	24,841			**24,841**
Other Financial investments	108,121			**108,121**
Cash and bank deposits	87,487			**87,487**
Receivables	185,040	453		**185,493**
Reinsurance Contracts	63,878	12,282		**76,160**
Total	**517,583**	**824,961**		**1,342,544**

As at 31 December 2016 €'000	Less than 1 year	1 to 5 years	More than 5 years	Total
Insurance Contracts	405,395	251,260		**656,655**
Payables	43,541			**43,541**
Total	**448,936**	**251,260**		**700,196**

As at 31 December 2016 €'000	Less than 1 year	1 to 5 years	More than 5 years	Total
Debt securities	42,749	790,268	8,918	**841,935**
Short term investments	24,000			**24,000**
Other Financial investments	102,748			**102,748**
Cash and bank deposits	81,553			**81,553**
Receivables	167,470	(1)		**167,469**
Reinsurance Contracts	69,075	15,735		**84,810**
Total	**487,595**	**806,002**	**8,918**	**1,302,515**

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 Requirements for Insurance Undertakings 2015, but does not fall in scope of the additional requirements for major institutions. Atradius Reinsurance DAC has established a separate Audit Committee and Risk Committee as required under the 2015 Corporate Governance Code.

Capital management

Objectives, policies and processes with regard to capital

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.

In order to ensure capital adequacy, a capital buffer above the regulatory solvency capital required is maintained, such that large loss events would not impair the ability of Atradius Re to carry on its normal course of business. The capital structure of the Company consists of shareholders' funds, consisting of issued capital, subordinated loan, 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 31st December 2017 are based on the EU Directive requirements in respect of Solvency II, which became effective from 1 January 2016.

Solvency II

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. The Company's ultimate parent company Grupo Catalana Occidente applied for regulatory approval, in 2016, of a partial internal model for insurance risk. During 2017, this approval was granted. Accordingly, the partial internal model is used to calculate insurance, or underwriting, risk, and the standard formula for calculating all other risks.

The Company was in compliance with its regulatory capital requirements throughout the year.

4 Segmental information

Analysis of gross premiums written, gross premiums earned, gross claims incurred, gross operating expenses (including release of equalisation provision in the prior year) and outwards reinsurance by class of business.

	Gross premiums written 2017 €'000	Gross premiums earned 2017 €'000	Gross claims incurred 2017 €'000	Gross operating expenses 2017 €'000	Outward reinsurance 2017 €'000	Technical result 2017 €'000
Credit Reinsurance	397,860	397,776	(197,916)	(156,872)	(17,585)	25,403
Bond Reinsurance	83,927	83,242	(23,077)	(39,334)	(1,354)	19,477
Total	**481,787**	**481,018**	**(220,993)**	**(196,206)**	**(18,939)**	**44,880**

	Gross premiums written 2016 €'000	Gross premiums earned 2016 €'000	Gross claims incurred 2016 €'000	Gross operating expenses 2016 €'000	Outward reinsurance 2016 €'000	Technical result 2016 €'000
Credit Reinsurance	399,475	374,374	(213,931)	(36,659)	(2,219)	121,565
Bond Reinsurance	86,705	82,252	(41,100)	(35,210)	(4,277)	1,665
Total	**486,180**	**456,626**	**(255,031)**	**(71,869)**	**(6,496)**	**123,230**

Gross premiums written resulting from contracts concluded in:

	2017 €'000	2016 €'000
Europe	309,138	294,938
Asia	75,655	70,189
South America	40,590	46,484
North America	37,931	49,243
Oceania	12,746	15,071
Africa	5,727	10,255
Total	**481,787**	**486,180**

5 Net investment return

2017	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	2,127	4,471	(252)	(231)		**6,115**
Bonds	2,216	745	(39)			**2,922**
Cash and Cash equivalents	298					**298**
Other investment expenses					(1,035)	**(1,035)**
Total	**4,641**	**5,216**	**(291)**	**(231)**	**(1,035)**	**8,300**

2016	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	2,444	38	(1,488)	(218)		**776**
Bonds	3,126	1,134	(8)			**4,252**
Cash and Cash equivalents	241					**241**
Other investment expenses					(814)	**(814)**
Total	**5,811**	**1,172**	**(1,496)**	**(218)**	**(814)**	**4,455**

6 Claims incurred net of reinsurance

2017	Gross €'000	Reinsurance €'000	Net €'000
Outstanding claims brought forward	**(457,777)**	**57,522**	**(400,255)**
Movement on provision	(17,233)	2,514	(14,719)
Foreign exchange movement on opening provisions	23,754	(6,167)	17,587
Outstanding claims carried forward	**(451,256)**	**53,869**	**(397,387)**

2016	Gross €'000	Reinsurance €'000	Net €'000
Outstanding claims brought forward	(455,528)	56,441	(399,087)
Movement on provision	5,525	(2,512)	3,013
Foreign exchange movement on opening provisions	(7,774)	3,593	(4,181)
Outstanding claims carried forward	**(457,777)**	**57,522**	**(400,255)**

7 Unearned Premiums

2017	Gross €'000	Reinsurance €'000	Net €'000
Provision for unearned premium brought forward	(198,878)	27,288	(171,590)
Movement on unearned premium	(769)	(1,373)	(2,142)
Foreign Exchange movement on opening provisions	14,468	(3,624)	10,844
Provisions for unearned premium carried forward	**(185,179)**	**22,291**	**(162,888)**

2016	Gross €'000	Reinsurance €'000	Net €'000
Provision for unearned premium brought forward	(166,205)	18,607	(147,598)
Movement on unearned premium	(29,554)	8,147	(21,407)
Foreign Exchange movement on opening provisions	(3,119)	534	(2,585)
Provisions for unearned premium carried forward	**(198,878)**	**27,288**	**(171,590)**

8 Net Operating Expenses

	2017 €'000	2016 €'000
Net acquisition costs	171,595	177,469
Change in deferred acquisition costs	(77)	(9,640)
Administrative costs	9,429	9,306
Net operating expenses	**180,947**	**177,135**

9 Profit on ordinary activities

Profit on ordinary activities is stated after charging:

	2017 €'000	2016 €'000
Investment return	8,531	4,673
Impairment of shares	(231)	(218)
Net foreign exchange gains/(losses)	2,571	(3,616)
Auditors Remuneration	113	164
Rentals under operating leases:		
- Land & buildings	455	421
- Other	-	5
Depreciation	39	42
Staff Costs	3,219	3,134
Taxation on profits	(6,502)	(15,182)

10 Staff Costs

	2017 €'000	2016 €'000
Wages & salaries	2,520	2,460
Social Security costs	274	271
Pensions cost	200	158
Other Costs	225	245
Total	**3,219**	**3,134**

The average monthly number of employees, including executive directors, during the financial year 2017 was comprised as follows:

	2017	2016
Reinsurance activities	10	11
Support	15	15
Total	**25**	**26**

11 Auditors' remuneration

Auditors' remuneration for work carried out for the Company in respect of the financial year ended 31 December 2017 is as follows:

	2017 €'000	2016 €'000
Audit of individual company accounts (incl VAT)	73	73
Other Assurance Services	40	91
	113	**164**

There were no tax or other non-audit services provided

12 Directors' remuneration

	Number of Directors	2017	Number of Directors	2016
Aggregate emoluments paid to or receivable by directors in respect of qualifying services	7	545	6	524
Aggregate Contributions paid to a retirement benefit scheme in respect of qualifying services of directors - Defined contribution schemes	7	39	6	38
Total	**7**	**584**	**6**	**562**

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 EUR 199,623 and was fully paid in 2017 (2016: EUR 158,195).

14 Taxation on profit on ordinary activities

Corporation tax:

	2017 €'000	2016 €'000
Irish tax	(6,502)	(15,180)
Deferred tax movement	-	(2)
Total	**(6,502)**	**(15,182)**

There are deferred tax liabilities as at 31 December 2017 of (EUR 2,000) (2016: EUR 2,000), which 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 is a deferred tax asset of EUR 84,904 { 2016: EUR (227,021)} in respect of timing differences in respect of the recognition of net fair value losses on available for sale financial investments as at 31 December 2017. There are no unused tax losses or tax credits at the end of the reporting period (2016: 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:

	2017 €'000	2016 €'000
Profit on ordinary activities before tax (as restated for prior financial year)	52,001	121,457
Profit on ordinary activities multiplied by the standard rate of Irish corporation tax for the year of 12.5%	(6,500)	(15,182)
Effects of:		
Disallowable expenses and other items	(1)	(2)
Depreciation in excess of capital allowances	(1)	(1)
Over/(under) provision in respect of previous years	-	5
	(6,502)	**(15,180)**

15 Investments

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

Available-for-sale	Market Value 2017 €'000	Purchase Value 2017 €'000	Market Value 2016 €'000	Purchase Value 2016 €'000
Equities – listed	81,954	73,133	75,959	67,179
Debt securities and other fixed income securities -listed	885,283	859,767	865,935	856,080
Total	**967,237**	**932,900**	**941,894**	**923,259**

For debt securities and other fixed income securities the amount repayable at maturity totals EUR 836,265 (2016: EUR 822,983)

16 Debtors arising out of reinsurance operations

Measured at undiscounted amounts receivable

	2017 €'000	2016 €'000
Amounts owed by holding and fellow subsidiary undertakings	70,434	58,593
Amounts owed by third parties	115,059	108,876
Total	**185,493**	**167,469**

17 Tangible fixed assets

2017	**Furniture & Equipment €'000**	**Total €'000**
Costs		
As at 1 January 2017	820	820
Additions	25	25
Disposals	-	-
As at 31 December 2017	845	845
Depreciation		
As at 1 January 2017	682	682
Provided in the financial year	39	39
Disposals	-	-
As at 31 December 2017	721	721
Net book amount at 31 December 2017	**124**	**124**
Net book amount at 31 December 2016	**138**	**138**

18 Other Assets

	2017 €'000	2016 €'000
Tax asset	275	1,188
Deferred acquisition costs	70,421	70,498
Other assets	546	623
Total	**71,242**	**72,309**

19 Equalisation Provision

	2017 €'000	2016 €'000
Opening balance	-	116,983
(Decrease)/Increase in provision	-	(116,983)
Closing Balance	**-**	**-**

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 has not been recognised in the financial statements in 2016 in accordance with Financial Reporting Standard FRS 103 Insurance Contracts, and has consequently been unwound in full in the prior year.

20 Creditors arising out of reinsurance operations

Measured at undiscounted amounts payable

	2017 €'000	2016 €'000
Amounts owed to holding and fellow subsidiary undertakings	29,003	21,814
Amounts owed to third parties	26,610	21,727
Total	**55,613**	**43,541**

21 Other creditors

	2017 €'000	2016 €'000
Other Creditors	23,213	19,579
Total	**23,213**	**19,579**

22 Provisions for liabilities

Unused annual leave provision

	2017 €'000	2016 €'000
As at 1 January	**32**	**20**
(Decrease)/Increase in provision	(8)	12
As at 31 December	**24**	**32**

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	Subordinated Loan €'000	Revaluation Reserve €'000	Profit & Loss €'000	Total €'000
As at 1 January 2016	**635**	**279,054**	**-**	**7,695**	**183,269**	**470,653**
Profit for the financial year	-	-	-	-	106,275	106,275
Other comprehensive income	-	-	-	6,721	-	6,721
Subordinated Loan	-	-	75,000	-	-	75,000
As at 31 December 2016	**635**	**279,054**	**75,000**	**14,416**	**289,544**	**658,649**
As at 1 January 2017	**635**	**279,054**	75,000	**14,416**	**289,544**	**658,649**
Profit for the financial year	-	-	-	-	45,499	45,499
Other comprehensive income	-	-	-	(2,183)	-	(2,183)
Subordinated Loan	-	-	-	-	-	-
As at 31 December 2017	**635**	**279,054**	**75,000**	**12,233**	**335,043**	**701,965**

The **Called up share capital** represents the nominal value of shares that have been issued. The authorised share capital of Atradius Reinsurance DAC amounts to EUR 635,000, all of which relates to called up share capital, presented as equity, and is divided into 635,000 ordinary shares with a nominal value of EUR 1 each (2016: the same)

The **capital contribution** represents capital received from our shareholders.

The **Subordinated Loan** represents a loan 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 2017 the Company's total future minimum lease payments under non-cancellable leases were as follows.

	2017 €'000	2016 €'000
Within 1 year	315	292
Between 1 & 5 years	1,102	1,158
After 5 years	-	-

During the financial year an amount of EUR 315,054 (2016: EUR 287,968) has been recognised as expense.

25 Subordinated Loan

On 20 April 2016 the shareholders of Atradius N.V. provided a subordinated loan to Atradius Reinsurance DAC with a principal amount of EUR 75 million. The subordinated loan bears interest at a fixed rate of 5.0% per annum, payable annually in arrears on 20 April each year until and including the maturity date: 20 April 2026. Atradius Reinsurance DAC may redeem the loan on the first call date, 20 April 2021, or thereafter on each interest payment date. The subordinated loan qualifies as Tier 2 basic own funds item as set out in article 73 of the European Commission's Solvency II Delegated Regulation (2015/35).

The fair value estimate of the subordinated loan issued to Atradius Reinsurance DAC is EUR 80 million. The fair value of the subordinated loan is classified as Level 2 under the fair value hierarchy and as Tier 2 basic own funds for Solvency II. The fair value of the subordinated loan is based on a valuation model using observable market data.

The fair value estimate of the subordinated loan is provided by an external independent valuation company, which uses its own proprietary valuation systems to value securities supported by economic and market assumptions from financial information providers. The model calculates the present value of the subordinated loan's cash flows discounted using the Euro government bond yield curve as a benchmark and applying an appropriate risk spread. The risk spread applied is estimated using the credit spreads of market quoted subordinated bond issues from similar issuers and with similar rating and maturity profiles.

26 Commitments

As at 31 December 2017, there were collaterised letters of credit and reinsurance trusts issued in the amount of EUR 43,502,504 (2016: EUR 44,023,232). 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 2017 (2016: Nil).

27 Reclassifications of comparatives

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

28 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 DAC 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 DAC can be found on its website www.atradius.com.

29 Events after the reporting date

In January 2018, a representative office was set up in Brazil, in order that Atradius Reinsurance DAC could request permission of SUSEP, the Brazilian regulator, to act as an admitted reinsurer in Brazil. There were no other events after the reporting date affecting the Company.

30 Related party transaction

The total remuneration for key management personnel for the financial period totalled EUR 584,000 (2016: EUR 562,000), being remuneration disclosed in Note 12 of EUR 584,000 (2016: EUR 562,000).

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

31 Approval of the Financial Statements

The directors approved the financial statements on March 9, 2018.

Directors and Other Information

Executive Directors

Daniel Stausberg (German)
Niamh Derivan (Irish)

Non-Executive Directors

David Capdevila (Spanish)
Marc Henstridge (British) appointed April 3, 2017
Antonio Rubio (Spanish) appointed June 2, 2017

Independent Non-Executive Directors

Conor Molloy (Irish)
Mary Brennan (Irish)

Secretary

Rachel McCormac
2nd Floor
La Touche House
International Financial Services Centre
Dublin 1

Independent Auditor

Deloitte
Chartered Accountants
and Statutory Audit Firm,
Deloitte & Touche House,
Earlsfort Terrace,
Dublin 2.

Bankers

BNP Paribas Fortis SA/NV
Herengracht 595
1017CE
Amsterdam
The Netherlands

Solicitors

William Fry Solicitors
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Dublin 2.

Registered Office

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VAT No: 8276690Q

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