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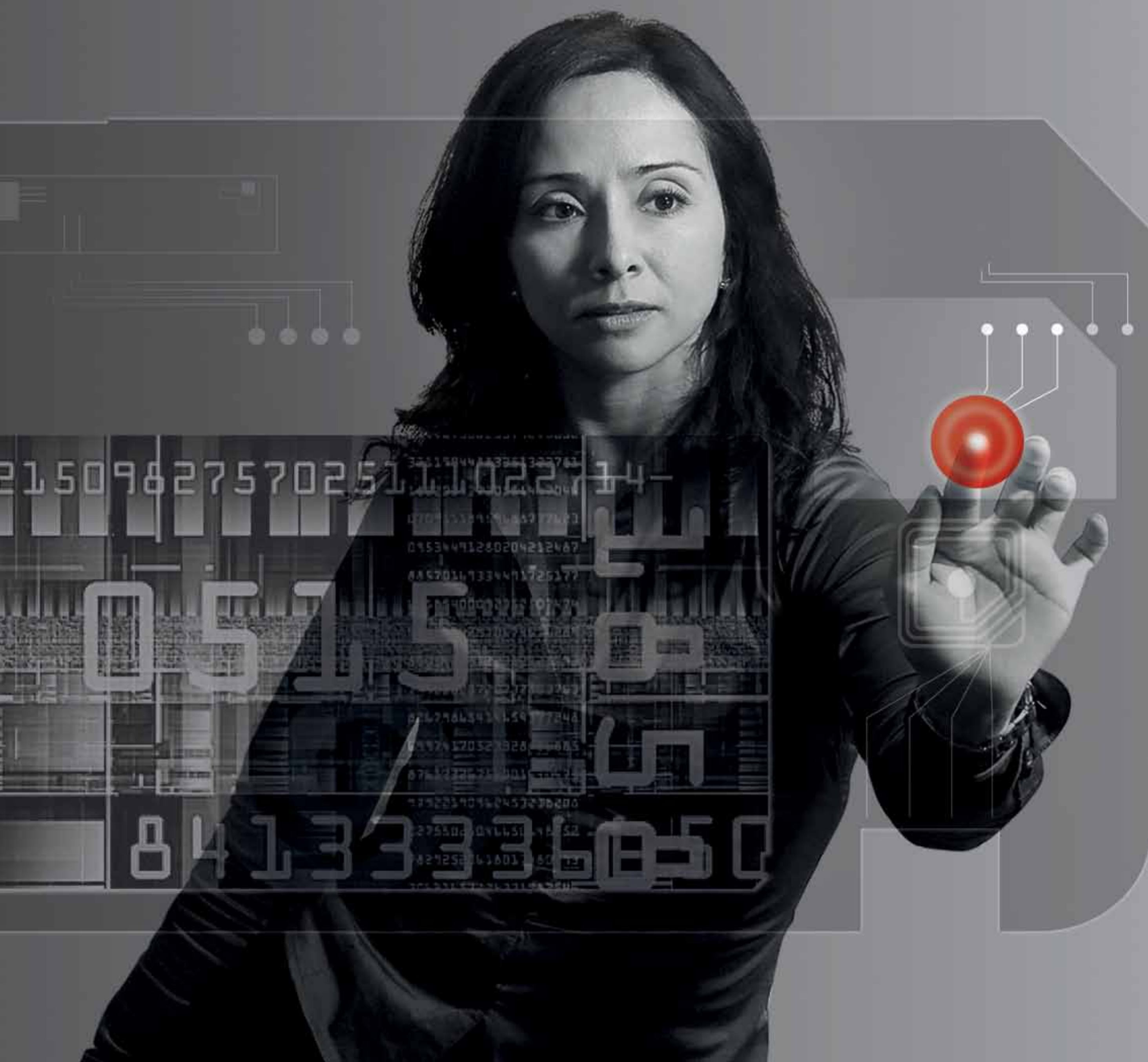
managing risk, enabling trade

Insuring the future

Annual report 2011 Atradius N.V.



Ten years in figures

Atradius N.V.

All figures in accordance with IFRS	Notes	2011	2010	2009	2008[1]	2007	2006	2005	2004	2003	2002
Financial information (in EUR million)											
Insurance premium revenue		1,403.4	1,345.6	1,468.6	1,616.4	1,148.6	1,076.5	1,058.8	1,079.1	1,098.2	1,083.8
Information and service income		150.4	155.1	197.8	225.4	166.9	152.9	146.7	132.7	137.4	152.1
Total Revenue		1,553.8	1,500.7	1,666.4	1,841.8	1,315.5	1,229.4	1,205.5	1,211.8	1,235.6	1,235.9
Net investment result	A	31.1	22.7	68.3	47.8	79.7	55.5	45.9	65.0	60.6	(50.3)
Total income		1,584.9	1,523.4	1,734.7	1,889.6	1,395.2	1,284.9	1,251.4	1,276.8	1,323.2	1,212.0
Result for the year		129.8	124.9	(113.3)	(193.4)	164.2	105.3	100.3	50.6	15.3	(77.7)
Balance sheet information (in EUR million)											
Equity		1,130.1	1,035.2	905.0	1,005.5	854.0	690.2	605.1	503.3	395.5	384.1
Total assets		3,580.1	3,275.0	3,379.5	4,010.8	2,840.3	2,874.9	2,687.9	2,832.7	2,925.1	2,700.0
Insurance contracts		1,549.3	1,311.8	1,508.1	2,166.9	1,232.1	1,349.7	1,277.4	1,207.4	1,194.5	1,119.0
Shareholders' information											
Return on equity	B	12.0%	12.9%	-11.9%	-16.8%	21.4%	16.3%	18.1%	11.3%	3.9%	-18.3%
Outstanding ordinary shares (at year-end, in EUR million)		79.1	79.1	79.1	79.1	56.6	56.6	56.6	56.6	50.0	50.0
Dividend paid (in EUR million)		25.3	0.0	0.0	25.3	0.0	11.3	5.7	0.0	0.0	3.6
Technical ratios											
Gross claims ratio		49.7%	38.6%	85.2%	98.3%	39.4%	45.0%	51.8%	46.8%	60.9%	63.6%
Gross expense ratio		35.2%	35.4%	36.6%	34.1%	38.4%	39.0%	40.8%	44.8%	40.2%	40.1%
Gross combined ratio		84.9%	74.0%	121.8%	132.4%	77.8%	84.0%	92.6%	91.6%	101.1%	103.7%
Net claims ratio		50.3%	44.6%	76.6%	96.9%	41.4%	45.8%	43.9%	46.0%	53.1%	54.0%
Net expense ratio		34.2%	39.3%	46.2%	32.3%	37.7%	41.0%	47.4%	53.8%	52.4%	51.6%
Net combined ratio		84.5%	83.9%	122.9%	129.2%	79.1%	86.8%	91.3%	99.8%	105.5%	105.6%
Employees											
Headcount, at year-end		3,304	3,318	3,627	4,106	3,604	3,545	3,452	3,900	3,831	3,691
Full-time equivalents, at year-end		3,128	3,165	3,470	3,854	3,366	3,304	3,256	3,632	3,578	3,447
Full-time equivalents, average		3,159	3,318	3,662	3,851	3,335	3,280	3,444	3,605	3,513	3,536
Credit ratings											
Standard & Poor's		A- stable									

[1] Including Crédito y Caución since January 2008

Notes:

A. Consists of net income from investments and share of income of associated companies and joint ventures.

B. Return on equity is defined as the total result for the year divided by the time weighted average shareholders' equity.

Atradius at a glance

Key points 2011

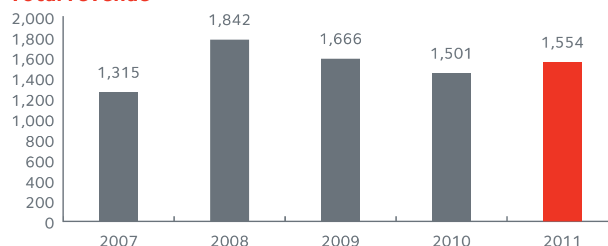
Atradius' 2011 performance continued to be strong, despite an increasingly challenging economic environment: in particular during the second half of the year.

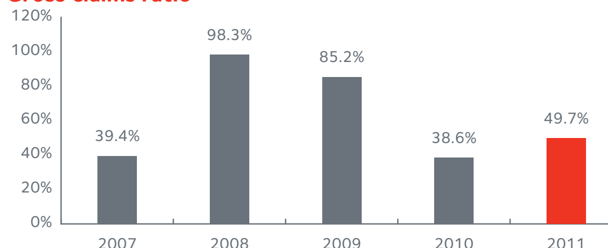
- **Total revenue increased by 3.5% over 2010, breaking the negative trend since 2008.**
- **The improved quality of our investment portfolio since 2010 improved the investment result in 2011.**
- **Strong risk management kept the claims ratio under control in the deteriorating risk environment, while risk acceptance levels remained high.**
- **A continued focus on cost control and the increasing revenue resulted in an ongoing improvement in the cost ratio.**
- **A net profit of EUR 129.8 million was achieved in 2011.**
- **Our equity position strengthened, largely due to profit generation.**

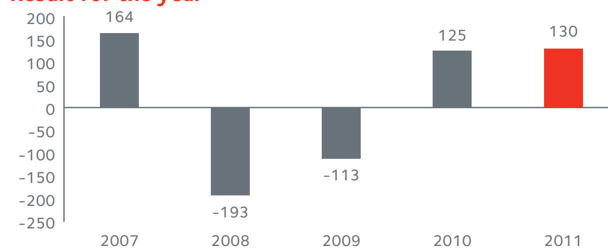
Our new 'Roadmap to Success' strategy was introduced with increased focus on customer service in a more decentralised organisation. This was well received by customers.

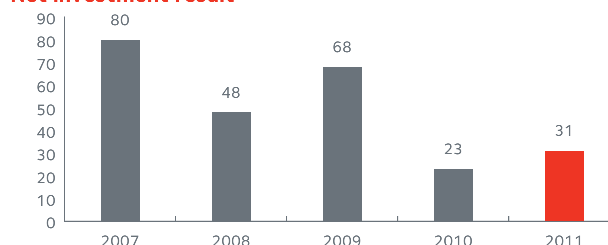
We are confident that our sound financial position and proven underwriting and risk management approach will help our customers and Atradius to navigate successfully through the uncertain economic conditions of 2012.

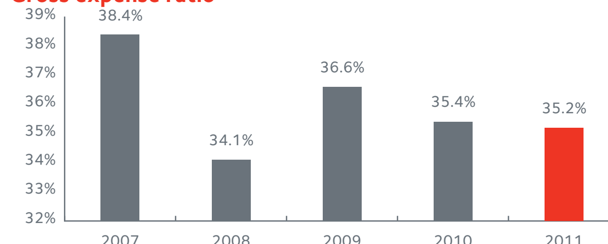
Atradius can trace its origins back almost a century. In its present form, Atradius is the result of the rebranding, in 2003, of Gerling NCM: already a global leader in credit insurance and credit management, and more recently the alliance of Atradius with the leading Spanish credit insurer Compañía Española de Seguros y Reaseguros de Crédito y Caución S.A.u. (referred to as 'Crédito y Caución'): a move that has consolidated and strengthened Atradius' global status.

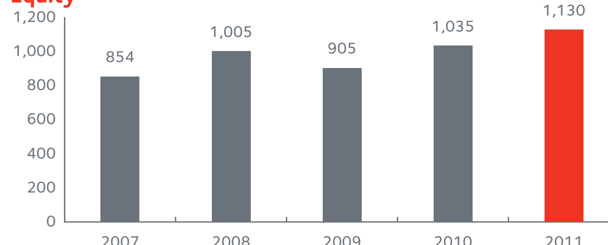












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History and development

1925 – NCM (Nederlandsche Credietverzekering Maatschappij) is founded in the Netherlands, with the aim of improving trading conditions for Dutch companies.

1929 – In Spain, Crédito y Caución is founded. Since then it has grown organically to become the dominant credit insurance and surety company on the Iberian Peninsula.

1932 – NCM partners with the Dutch government to provide export credit services to Dutch companies on behalf of the Dutch State. This relationship still exists today.

1954 – In Germany, Gerling Kreditversicherung (Gerling Credit) is established as the credit insurance arm of the Gerling Group.

1962 – Gerling Credit opens its first international branch office in Switzerland, and is the first private credit insurer to offer export credit protection.

1991 – NCM acquires the short term export credit arm of the UK's Export Credit Guarantee Department (ECGD), itself a longstanding credit insurer.

2001 – The paths of NCM and Gerling Credit meet, and Gerling NCM is formed.

2003 – Gerling NCM is rebranded as Atradius.

2008 – Crédito y Caución becomes a key part of the Atradius Group.

Internationalisation

The internationalisation of business and trade throughout the latter half of the 20th Century was well suited to the business plans of NCM and Gerling Credit and they both prospered and grew rapidly alongside the expansion of international trade. This internationalisation drove consolidation in the credit insurance industry and both NCM and Gerling Credit were leading acquirers of credit insurance and collections companies. Crédito y Caución built on its Spanish roots by focusing on the markets of Spain and Portugal. All three strategies provided a strong growth path.

The Atradius Group protects businesses against trade credit risks throughout the world with credit insurance, bonding, and collections services offered in 45 countries. Its products and services are designed to help reduce customers' exposure to buyers who are unable to pay for the products and services that they buy. With a total revenue of EUR 1,554 million and a market share of approximately 31% of the global trade credit insurance market, Atradius' products contribute to the growth of companies throughout the world by protecting them from the payment risks associated with selling products and services on credit. With 160 offices, Atradius has access to credit information on more than 100 million companies worldwide and makes around twenty thousand trade credit limit decisions daily.

Management Board

Isidoro Unda
Delfín Rueda
David Capdevila
Andreas Tesch

Supervisory Board

Ignacio Álvarez
Francisco Arregui
Paul-Henri Denieuil
Xavier Freixes
Jan H. Holsboer
Bernd H. Meyer
José Ruiz
Hugo Serra
Dick Sluimers

Supervisory Board Committees

Remuneration, Selection and Appointment Committee
Audit Committee

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Insuring the future

We understand that, when businesses across the world trust Atradius to insure their accounts receivable, they are investing in an essential safeguard for their trade. This is not only their livelihood and future, but that of their employees as well.

Atradius' focus is on protecting our customers' cash flow, reducing bad debt and, above all, preventing unforeseen payment defaults from crippling their businesses. Yet, as we are a trusted partner to business, our credit management products and services can often enable our customers to deliver more competitive sales terms and improved banking terms that help them reach their business goals.

In 2011, our team of skilled professionals, strategically positioned across 45 countries, made approximately 20,000 trade credit limit decisions daily to assist our customers in safely selling their products and services to existing and new buyers – both domestically and abroad. New revenue channels in mature and emerging markets were opened for many customers as a result of the security that they received from Atradius' credit insurance and collections services. While our underwriters work hard to accurately measure a buyer's ability to pay, there is always a possibility that a buyer will default on payment. When this happens, Atradius provides support by paying claims and pursuing the collection of overdue invoices. Over the last four years, Atradius has reimbursed customers for more than EUR 4 billion in defaulted payments from their buyers and regularly protects more than EUR 400 billion of our customers' credit sales.

Our vision for the future is one of our customers' success, and so we measure our success, in part, by that of our customers. Insuring their future with first class products and service is our number one goal and is at the heart of our mission statement. We see the Atradius mission as more than just a statement to our customers. It serves as a beacon for growth by:

- helping our customers strengthen their credit management and stabilise their cash flow;
- supporting their growth by providing accurate risk assessments;
- collecting overdue invoices;
- making new sales channels viable in some of the world's fastest growing markets;
- enabling our customers to provide more competitive sales terms;
- offering surety protection against contractual defaults;
- maintaining the highest standards of customer service; and
- preventing unforeseen payment defaults from devastating our customers' business.

We believe that trade credit insurance acts as a catalyst, ensuring the future of business. With the continued globalisation of business, Atradius credit insurance and global collections capabilities put our customers in a stronger position to capitalise on a broader horizon of opportunity. Though risk is ever-present, we pledge to manage that risk and enable our customers to sell on trade credit terms with confidence.

Report of the Supervisory Board

Ignacio Álvarez (Chairman)

Looking back at 2011, the Supervisory Board wishes to commemorate the untimely and unexpected demise of Peter Ingenlath in August 2011. Peter Ingenlath had been with Atradius and its former companies since 1990, becoming a member of the Atradius Management Board in 2003. As such, he worked very closely with the Supervisory Board. His unique personality and extensive experience within Atradius and the credit insurance market will be greatly missed.

Although early 2011 showed signs of recovery in many of the world's economies, the developments in the Eurozone, following the financial problems in Greece, cast a shadow over the economic developments for the remainder of 2011 which may also result in an uncertain economic environment in 2012.

In view of this, we are particularly pleased with the reported net profit for 2011 for Atradius of EUR 129.8 million.

Furthermore, during the financial year, ambitious projects have been undertaken which will contribute to the improvement of the company: projects which reinforce risk control; which improve operating efficiency and cost reduction; and which improve the competitiveness of our products and services. All of this aiming at the same time to reinforce our close proximity to our customers.

In addition, several steps have been taken to further align Atradius' governance structure with recent Corporate Governance developments. In this regard, the Supervisory Board Rules were amended, while a permanent education plan and annual self-assessment programme were also implemented. The Supervisory Board was also closely involved with the implementation of the remuneration policy for the Atradius Group.

In March 2011, Jesús Huerta de Soto resigned as member of the Supervisory Board. The Supervisory Board would like to thank Mr. Huerta de Soto for his valuable contribution. In September 2011 two new members were appointed to the Supervisory Board: Xavier Freixes and Hugo Serra.

In September 2011, Paul-Henri Denieuil took over the position of Chairman of the Audit Committee from Francisco Arregui, who will remain Chairman of the Remuneration, Selection and Appointment Committee, and Bernd H. Meyer was appointed to chair all risk management topics in the Supervisory Board meetings.

The full Supervisory Board convened five times during 2011 and the Audit Committee four times, whilst the Remuneration, Selection and Appointment Committee convened six times.

Following the demise of Peter Ingenlath in August 2011, the Remuneration, Selection and Appointment Committee and the Supervisory Board were involved in the selection process to find his successor. In November 2011, Andreas Tesch was appointed Chief Market Officer and became a member of the Management Board. The Supervisory Board wishes Mr. Tesch success in his new position and look forward to working with him.

The Supervisory Board further wishes to thank Isidoro Unda (Chief Executive Officer), Delfin Rueda (Chief Financial Officer and Chief Risk Officer), David Capdevila (Chief Market Officer) and Andreas Tesch (Chief Market Officer) for their efforts, expertise and experience in meeting the objectives of Atradius during 2011.

Atradius N.V.'s annual report contains the financial statements for the financial year 2011, as audited by Deloitte Accountants B.V., and has been presented to the Supervisory Board by the Management Board. The Supervisory Board has approved the annual report and advised the General Meeting of Shareholders to adopt the financial statements for 2011, to grant the Management Board members discharge from their management duties during 2011 and to grant the Supervisory Board members discharge from their supervision duties during 2011.

The Supervisory Board would like to thank the Management Board and all Atradius employees for the positive results achieved in 2011. Finally, the Supervisory Board is confident that the Atradius management team and the employees will contribute to another successful year in 2012.

The Supervisory Board,

Ignacio Álvarez

Letter to the stakeholders

Foreword by the Management Board

Dear stakeholder,

Following the global economic upheaval of 2008/2009, the credit insurance industry as a whole recovered in 2010 and, in 2011, Atradius' performance continued its positive trend. Despite an increasingly challenging economic environment – in particular, during the second half of the year – Atradius maintained its healthy profitability while protecting its customers from the worsening economic outlook.

In 2011 Atradius, supported by robust reinsurance, brokers, other business partners and staff, helped its customers to grow their revenue in the knowledge that they had a strong insurance partner at their side. As a result, we also grew our insurance revenue by 3.8% while ably managing claims costs with an increased risk appetite. The further improvements that we have made to our underwriting systems, tools and methodologies, which have enabled us to guide our customers away from unacceptable risks and towards profitable trade, have benefited not just customers but all our stakeholders, including our shareholders. Thanks to our strong insurance portfolio, we have been able to face the deteriorating economic situation with confidence.

At the start of the year, Atradius put in place its new strategy and organisational model, resulting in an even keener focus on customer service, with more localised decision making and a higher degree of authority devolved to our regional organisations. We are pleased to say that the feedback from customers, brokers, our own staff and other stakeholders has been positive. In particular, the new strategy has enabled each regional operation to tailor its products and services more precisely to local needs, and to give our customers better direct access to underwriting decision makers in their own countries. The high customer retention rate that we have enjoyed throughout the year is a further indication of our customers' loyalty, the extent to which they value the quality of our products and services, and their recognition that Atradius is truly the market leader.

In the second half of 2011 economic developments became increasingly uncertain: especially those emanating from the Eurozone crisis. During the year we saw financial rescue packages for a number of European economies: Greece, Portugal and Ireland. Large economies, including Italy and France, have also become the focus of increasing speculation about their financial sustainability. While our largest market, Spain, has continued to experience contraction and high unemployment, through proactive portfolio management we have ensured that this element of our book has remained profitable.

This uncertainty was not limited to the European economies. For example, the US lost its Standard & Poor's AAA rating for the first time amid concerns over its debt levels and budget deficits. As a result, global economic growth forecasts were slashed and, although western economies will be worst hit, it is unlikely that export focused emerging markets will emerge unscathed from a potentially severe downturn.

Throughout this economic and political turmoil, all of our customers – from SMEs to large multinational companies – have benefited from their partnership with Atradius and have been able to continue to trade with confidence in their chosen markets. In the light of the uncertain and potentially volatile outlook for 2012, we will continue to monitor the economic developments with a particular focus on the Eurozone. To be in a position to act expediently we have carried out the precautionary preparation of a framework for a co-ordinated response to a range of economic scenarios with the aim of protecting our partners from adverse effects while maintaining our customer service promises. Importantly, this means that customers and partners can rest assured that Atradius is well prepared in the event of a serious downturn.

The implementation of our new strategy 'Roadmap to Success' in 2011, with its core strategic elements those of service quality and the decentralisation of authority and accountability, is perceived positively both from the market and internally. In 2012 we will continue to build on this strategy. Allowing our customers direct access to underwriters has added value to our service to both customers and brokers and confirms our position as best quality service provider in the credit insurance industry.

2012 will be the second consecutive year in which specific service excellence projects will be implemented. In addition, investment to improve internal and external system interfaces will further enhance our customers' experience and enable simpler and more efficient communication between our customers, brokers and ourselves.

We are especially proud to be the acknowledged market leader in the credit insurance industry for our services to multinational companies: the result of our dedication to supporting trade across the globe – irrespective of the economic environment. Maintaining our leadership in serving Global customers will be another priority in 2012. We will do this by offering a distinct product and service proposition which is aligned across the globe. This will include supporting our customers by making our services available wherever they are doing business. For example, we will extend our underwriting capabilities in Russia and invest in extending our underwriting capabilities in emerging markets – including India, Dubai, China, Singapore, Saudi Arabia and Hong Kong.

Improving efficiency in order to balance our costs against revenue will remain an area of focus for us in 2012, so that we can satisfy our shareholders' expectations and maintain a fit and nimble organisation. In addition, following the milestones we already achieved in 2011, we will intensify our efforts in 2012 to achieve compliance with the new insurance regulatory

David Capdevila
Chief Market Officer

Isidoro Unda
Chief Executive Officer, Chairman of the Management Board

Andreas Tesch
Chief Market Officer

Delfín Rueda
Chief Financial & Risk Officer

regime 'Solvency II' while pursuing a business-driven approach towards the requirements. Our main ambition is not only to comply but also to benefit from the tools, systems and infrastructures being developed as part of the project.

Looking ahead to 2012 and beyond, the value that customers gain from our services will undoubtedly increase. Against a backdrop of economic uncertainty we will give our customers the confidence – through access to our global network of expertise on trade and credit management – to trade securely.

Financial performance overview

Atradius' 2011 financial performance was, to a large extent, a reflection of the general improvement in the global economy in the first half of the year, combined with Atradius' continued focus on customer service excellence. Despite the stalling economic recovery and weak financial sector conditions in the second half of the year, insolvency levels have continued to stabilise – and even improved in some countries. Lower levels of payment default have also had a positive effect on our profitability, while our sophisticated risk underwriting tools have allowed us to avoid the potential impact of deteriorating economic developments that have led to the poor growth and rising insolvency rates in a number of countries.

Total revenue for the Atradius Group reached EUR 1,553.8 million: up 3.5% on 2010. The contribution to this growth from our credit insurance operation can be ascribed to increased insured shipments, resulting from higher risk acceptance and elevated trade volumes, and to the positive premium development from previous underwriting years. A healthy customer retention rate and a 24.7% increase in the earned premium of our assumed reinsurance business both contributed significantly to this revenue development.

Operating expenses remained at almost the same level as in 2010. Despite increased claims costs (up by 33.7%), driven by changes in claims provisioning to reflect the worsening economic environment, the improved top line and reinsurance resulted to a profit before tax of EUR 160.1 million (EUR 152.7 million in 2010). The profit for the year increased to EUR 129.8 million from EUR 124.9 million in 2010, despite lower services income inflow: the result of fewer notifications of non-payment and thus fewer debt collection cases.

Insurance revenue

Insurance revenue increased by 3.8%, to EUR 1,504.6 million. This was attributable to increased earned premium resulting from a continued economic recovery and customer service initiatives that led to an excellent customer retention rate (more on these initiatives in the section on Corporate Strategy). While revenue developments across the Group are diverse, our New Markets (Oceania and Asia), Special Products and Central & Eastern Europe units showed significant insurance revenue improvements compared to last year; positive premium adjustments on previous underwriting years also contributed to some degree.

Claims development

The gross claims ratio, based on insurance revenue, rose to a still healthy 49.7% from 38.6% in 2010 – the consequence of increased claims costs resulting from the worsening economic environment – while insurance revenue increased at a slightly lower pace, despite higher risk acceptance and increased trade volumes. Moreover, elevated corporate insolvencies in Spain contributed to the higher claims ratio and, in general, the claims frequency in the second half of the year reflected the financial turmoil in the Eurozone and the US.

Operating expenses

The gross technical operating expenses were 3.2% higher than their 2010 level (EUR 529.0 million compared to EUR 512.5 million). Direct operating expenses for our other services fell by EUR 3.2 million to EUR 54.3 million, while the gross technical expense ratio, improved slightly to 35.2% from 35.4%. We will continue to focus on cost efficiency measures in 2012 and 2013.

Service income

In 2011, Atradius Collections' annual income fell to EUR 39.0 million from its EUR 42.9 million in 2010. While lower levels of insured claims in 2010 and the first half of 2011 were the main cause, income from third party collections rose by 6.0% year-on-year. Moreover, liquidity concerns and a worsening economic landscape in the second half of the year led to an increase in the number of debt placements, underlining the importance of our debt collection and debt management solutions.

Atradius Collections continued to expand its service reach through new channel partners. This has resulted in a growing customer base while reducing expenses by 5.9%, to EUR 35.4 million: partially off-setting the drop in income from credit insured debts.

Net investment result

Net investment result, including share of income of associated companies, ended 2011 at EUR 31.1 million: a 37.1% increase on 2010's EUR 22.7 million. As the quality of the investment portfolio had already improved in 2010, fewer losses were realised in 2011, and this contributed to the higher net investment income.

The Group's investment strategy has remained stable since the outbreak of the credit crisis in 2008, with a focus on preserving capital to avoid large losses on the investment portfolio. In the past three years, this strategy had resulted in a reduced exposure to government bonds and equities, and an increased holding in short term cash instruments and investment grade corporate bonds. The Group will maintain this investment strategy until we see significant and sustained improvements in the global economy and financial markets.

Shareholders' equity

From a starting point of EUR 1,035.2 million at the beginning of the year, Atradius' shareholder equity has reached EUR 1,130.1 million at the end of 2011, representing a return on equity of 12.0%. This improvement has further strengthened the Group's capital position and will support future growth, allowing the expansion of our insured business while maintaining strong capital ratios.

The positive earnings growth and level of capitalisation of Atradius and its shareholder, Grupo Catalana Occidente, S.A., has been interpreted positively by the credit rating agency Standard and Poor's, which as a consequence changed the outlook for both Atradius and its shareholder from negative to stable in July 2011. The credit rating of Atradius and its shareholder remains stable at A-.

Strategic initiatives

Our overall strategic focus remains on credit insurance, bonding, related products and services in our existing markets. In 2011 our positive initiatives continued, including several projects designed to improve customer service excellence and drive balanced revenue growth and profitability. As ever, our guiding principle is to manage risk and enable our customers to trade profitably: in short, to support our customers' future success.

Implementation of the 'Roadmap to Success'

One of the key strategic initiatives of the year was the implementation of our new strategy and organisational model – the 'Roadmap to Success' – with effect from 1 January 2011. The key aims of this strategy were to drive further customer service improvements, to give more executive powers to local management, and to add focus to operational efficiency improvements.

To help reach these strategic aims we adjusted our operational model. Country managers have assumed formal accountability for all local commercial and support functions apart from risk underwriting. This gives each Country manager both the obligation and opportunity of full P&L responsibility, enabling them to optimise all aspects of their local operation. The establishment of country management teams, engaging expertise from all functional areas, will also enhance local success. Further alignment of Risk Underwriting, Commercial and Collections operations has been achieved by the setting and monitoring of joint targets – an essential factor in attaining both local targets and group-wide aims.

As a result of this strategy of regional empowerment, we have seen positive effects in terms of entrepreneurialism, process and efficiency improvements and an even greater ability to meet customer demands through localised service offering. One of many examples of how units have adapted their operations has been the transfer of resources to front office positions in a number of our markets, leading to customer service and growth improvement initiatives.

New SME product

During the year, Atradius introduced or piloted an innovative SME product in a number of markets, including UK, Ireland, France and Belgium. Modula First is a whole turnover product for the smallest SME customers: typically those with a turnover of EUR 5 million or less. What makes this product unique in the market is that it offers the comprehensive coverage associated with other Atradius policies but with greatly simplified documentation and pricing. For example, the policy offers simple, fixed pricing based on turnover bands and insured maximum liability. Policy management is highly automated, and the policy's simplicity and minimal administration makes this product attractive to both SMEs with limited resources and to our distribution partners.

Market feedback has been very positive and, in view of the benefits this product offers to SMEs – a segment typically hard hit in uncertain economic times – we will launch it in other markets over the coming year.

Increased vigilance

Atradius has an obligation to its customers and other stakeholders to be prepared for any potential economic development that may impact on our customers' credit management and risk exposures. We do not take this obligation lightly and so, in 2011, with the risk outlook showing signs of potential severe deterioration, we have made precautionary preparations to protect our customers and partners from the impact of a range of possible adverse economic developments. As a result, Atradius is well prepared to continue serving its customers and partners throughout the economic cycle, including periods of serious potential downturn.

International strengthening

In 2011 Atradius strengthened its position in a number of future growth markets in Asia. Through our Pan-Asian cooperation partner, Tokio Marine Asia Pte Ltd, policies can now be offered locally in Indonesia, Malaysia, Vietnam and the Philippines. This demonstrates the importance Atradius places, not only on our established markets in Europe, but also on providing service excellence in markets with increasing significance for our customers.

In addition, Asia and Latin America are clearly important future growth markets and thus provide a real opportunity for Atradius to offer its services to businesses based in those markets. Atradius in Asia can now provide solutions – either directly or via a partner – in Hong Kong, Singapore, China, Japan, India, Thailand, Taiwan, Indonesia, Malaysia, Vietnam, and Philippines. In most cases, cover can be offered for both export and domestic sales with the exception of mainland China, where only domestic cover can be offered.

Information Technology

We continue to enhance our two-way electronic communications with customers via our online application Serv@Net. During 2011, we developed new features within the Serv@Net suite that allow us to exchange documents and information with our customers online. This increases the speed of service in risk underwriting and claims processing, improving efficiency for both parties.

In addition, this year we introduced brand new facilities to our online portfolio analysis and reporting tool that is available to our customers in the highly rated internet platform Serv@Net. This gives customers and brokers access to reports to help them manage the quality of their portfolios. More reports are planned, affording customers greater control of their risk portfolios. We also offer the CONNECT facility, which enables customers to manage their credit insurance using an automated business-to-business link between their systems and that of Atradius.

Our new account management tool, enabling account managers to spend less time on administration and more on meeting customers' needs, is currently being rolled out. The new system helps account managers to monitor and manage policy renewals, and provides a consolidated view of policy information and recent actions. In 2012, the tool will be further enhanced to support our account managers and create more reporting possibilities.

The additional responsibilities now devolved to our regional operations will be reflected in and supported by increased flexibility in the design of IT applications. This process has already begun, with the development of a blueprint for future IT applications that will meet both individual country requirements and the Group's strategic direction.

Solvency II

After launching the implementation phase of the Solvency II programme in 2010, Atradius continued with preparations for the new regulatory regime – despite the uncertainty around the final form of the new regulations and the implementation date. The Atradius Group is well placed to address regulatory requirements in the different jurisdictions in which it operates. Atradius is pursuing a business-driven and pragmatic approach which consists primarily of modifying the existing robust risk management systems to align with the new requirements as well as implementing new calculation and reporting processes to meet external demands.

Human resources

Our people's professional and personal development has been a key focus of our Human Resources function this year. We have further developed Atradius Academy training by substantially increasing the number of e-learning modules, and enhancing our management development programmes through close cooperation with the Rotterdam School of Management. We have also revised our remuneration policy to ensure alignment with new legislation and regulations now applicable to our industry, linking the variable remuneration and long-term performance of our Group for selected staff.

Corporate responsibility

In the light of recent global developments, it is only natural that business standards should be under the spotlight. For Atradius, corporate responsibility is, and always has been, at the heart of business operations: in terms of both a regard for the environment and as assurance to all our shareholders, business partners, customers and our people that we uphold the very best in ethical standards. As signatories of the UN Global Compact, we embrace a set of core values relating to human rights, labour standards, the environment and anti-corruption, and actively ensure that we abide by those values. As well as requiring – and encouraging – our people, wherever in the world they're based, to follow this code of practice, we have now established a global measurement framework for our key performance indicators. For each country in which we operate, we can accurately gauge our consumption of energy and other resources – including how much of that is derived from renewable and recycled sources – our greenhouse gas emissions, and our disposal of waste material. So, as we move forward, we will be able to better monitor and demonstrate more precisely the positive impact of our corporate responsibility initiatives.

We would like to thank our customers, business partners, shareholders and staff for their trust and cooperation.

The Management Board,

Isidoro Unda
Delfín Rueda
David Capdevila
Andreas Tesch

General information

Corporate strategy, product offering and marketing

As a leading credit insurer, our main objective is to achieve profitable and sustainable growth for all our stakeholders: by providing excellent service to our customers in an efficient manner and helping them to grow their businesses and profit from viable trading opportunities.

Essential to this task are our most valuable assets: our knowledge and understanding of global markets, economic trends and trade sector developments, as well as our expertise in risk management and underwriting. In uncertain times such as we experienced in 2008 and 2009 and more recently in 2011, our skills are more than ever needed to support our customers' future prosperity.

2012 will see a continuation of the uncertain economic environment. While that signals serious volatility in some countries, we will also see diversity across regions and markets. We will help our stakeholders navigate these rough waters effectively and successfully with our targeted products, risk management expertise and experience, and our comprehensive knowledge of every aspect of trade credit.

One way in which we share that knowledge and expertise with our customers and business partners is through our products and services, each tailored to meet specific needs and demands. The protection and reassurance that our insurance and debt collection service provide is the foundation on which we seek to build a lasting partnership with each of our customers. In return, our customers share with us their invaluable insights into the changing dynamics, developments, demands and needs of their markets. Those shared insights help us to adapt our products and services accordingly. By helping our customers to understand and manage the risks inherent in their trade, we aim to inspire them to greater achievements and excellence.

What follows is an overview of our corporate strategy, including our product and service offering, and our marketing approach.

Corporate strategy

The Atradius corporate strategy has two goals: to provide unrivalled service to all our customers in a cost efficient manner and to drive revenue growth and profitability. This strategy is founded on four pillars: customer service excellence; geographic coverage; operational efficiency; and product innovation, each of which is described in more detail later in this section.

Put simply, our vision is to drive the growth of the market for trade credit protection and, in doing so, to give our customers, partners, investors, and employees every opportunity to realise their ambitions successfully while safely steering a path through an uncertain economic environment: essentially, enabling them to cope with any adverse scenario, from a mild downturn to serious recession.

Three key assets enable us to fulfil this vision: our people; our technology; and our risk management expertise. We choose our people wisely, place them in or close to those countries in which our customers do business, and invest in them to ensure that they have the knowledge and experience to provide an excellent service to our customers, brokers, banks, agents and other intermediaries. Our credit insurance, bonding and collections services are offered in 45 countries and in five additional countries via associated or minority interest companies. Recently, via our Pan-Asian cooperation partner Tokio Marine Asia Pte Ltd, we have started to offer our services locally in Indonesia, Malaysia, Vietnam and the Philippines.

Essential to earning and keeping the trust of our business partners is transparency in everything we do: not least in our information technology systems which allow us to align our processes around the globe, ensuring a high quality of service and bringing absolutely consistent solutions to those of our customers who operate in more than one country. Our fully integrated risk management expertise across the Group is one of our greatest assets, as it allows us to provide an invaluable service to our customers throughout their sales cycle: assessing the creditworthiness of their buyers and alerting them to any changes in their buyers' status; protecting their credit sales; and, if necessary, bringing our collection service to bear on defaulting buyers. In short, we support their business success at every stage.

Transparency in everything we do is a central theme of the Customer Service Charter that we will be implementing in 2012, which invites our customers to monitor and assess our service performance: customer feedback can challenge our staff and our processes, helping us to make improvements to that performance. In fact, initial results from our customer survey in the Netherlands indicate that providing transparency of this kind is much appreciated by customers (62% says it has added value, 31% says it has substantially added value).

Customer service excellence

Customer service has always been our highest priority and one of our key differentiating factors. In response to our assessment of customer needs, in 2011 we enhanced our service proposition by giving customers even more direct access to our decision makers.

To augment our more decentralised approach to customer service, we changed our organisational model and commercial operations so that our customers enjoy the best possible – and speedier – local service.

From 2011, the responsibility for local support units, marketing and claims moved to their respective country organisation. Furthermore, each country's management forged closer links to areas not formally reporting to them, such as Risk Underwriting and Collections, through joint target setting.

Our Global unit, with its worldwide remit of servicing our largest multinational clients, has continued to offer a distinct

service proposition, as has our Special Products unit, ensuring an aligned offering across all markets.

This continuing strong focus on customer service excellence, enhanced through our 'Roadmap to Success' strategy, has resulted in customer retention levels far above the market average. Greater regional authority and accountability has generated products and services that directly fulfil local needs, while all our regional operations continue to meet the Group-wide customer service standard that has always been an Atradius cornerstone.

2011 saw major progress in important customer service initiatives: Commercial Portfolio Analysis (delivering management information reports to our customers and brokers via our online servicing tool Serv@net); the extension of the Atradius Buyer Rating tool (providing policyholders with an indication of the probability that insured buyers will default in the next 12 months); and the Atradius Account Management Tool (the final component of our CRM suite, which puts relationship management at the heart of all our commercial processes) all went live during 2011. A number of similar initiatives have also been introduced by Crédito y Caución.

During 2012, our goal will be to build on these improvements, further enhancing our customers' experience of Atradius.

Geographic strategy

Atradius' geographic strategy is customer-driven: to be where our customers do business. In practice, this means strengthening our existing local capabilities and entering regions which are important for our customers but where we are not yet present. A key aspect of this is to increase the local presence of risk underwriters, thereby ensuring that credit limit decisions are underpinned by local knowledge. To expand into regions that are new to us, we enter those markets either directly or through partnerships with local insurance companies.

As a result, our global footprint covers 45 countries from which we offer protection against trade credit risks throughout the world with our credit insurance, reinsurance, bonding, instalment credit protection and collections services. This network allows us to serve all types and sizes of companies, from SMEs to large multinational companies. For the latter, Atradius is the undisputed leader in the credit insurance market.

Atradius' customer portfolio is well diversified in terms of geography, industry sector and company size. While we already lead the market in our services to large companies and multinationals, in 2011 a key objective was to expand our market share in the SME and middle market segments in key countries as well as continuing to focus on emerging markets.

While SMEs have traditionally formed the core customer base for Crédito y Caución in Spain, in other Atradius markets (UK, Ireland, Denmark, France and Belgium) steps have been taken in 2011 to introduce innovative SME products. Modula First, for instance, is a whole turnover product for the smallest SME segment, typically for customers with a turnover of EUR 5 million or less.

In 2011 Atradius made inroads in a number of future growth markets in Asia, and can now issue policies locally in Indonesia, Malaysia, Vietnam and the Philippines. This is in addition to our existing growth markets, serviced either directly or via a partner, of Hong Kong, Singapore, China, Japan, India, Thailand and Taiwan.

Operational efficiency

We constantly seek to improve both our productivity and efficiency and are now well placed to reap the rewards of the significant investments that we have made in integration and infrastructure. Important improvements have been made in the areas of Claims, Risk underwriting, Bonding and Information technology.

In the Claims area, the interface between Credit insurance and Collections has been enhanced, resulting in improved communication on the progress of collection cases in relation to claims receipts. This has improved efficient communication between the two operations and provides real benefit to customers.

Another important initiative this year is the introduction of 'Early Cost Assessment'. At the start of the claims handling process, we can now provide greater clarity about the extent to which we will contribute to recovery costs. The initiative was piloted in the UK and Ireland and has been fully operational since January 2012.

Further productivity improvements resulted from decentralisation, with our regional operations now able to transfer resources from back to front office to support their growth ambitions. Our business model – together with the sophisticated technical and non-technical platforms that we have created – now allows us to combine our Group-wide and cost efficient core processes with the flexibility to tailor our offering locally, and that means that we can capture market opportunities more efficiently.

While the decentralisation process continues, we have also made real improvements to our transparency and the availability of management information, thus allowing us to readily identify potential efficiencies and synergies across regions, promoting the sharing of best practice and driving central operational excellence initiatives.

Product offering – credit insurance

Our years of experience in international trade have taught us that no two businesses are exactly alike, and this is reflected in our product strategy: to differentiate our product and service proposition based on different customer needs. We therefore

tailor our products in such a way that they provide our customers with the appropriate risk management solutions for their complete sales cycle.

Local and Global credit insurance products

Our core product is 'whole turnover' credit insurance and, in line with our customer segmentation strategy, we offer different credit insurance products to meet the specific needs of SMEs, large companies and multinational corporations.

For SMEs and large companies operating from one country, we offer Atradius Modula: a flexible modular credit insurance policy that provides protection against non-payment and allows our customers to select specific terms and conditions of cover. Atradius Modula can easily be combined with other Atradius products, such as our debt collection services, to create comprehensive solutions.

In addition to our existing SME policy, we have rolled out or piloted an innovative SME product in the UK, Ireland, France and Belgium. Modula First is a whole turnover product for the smallest SME businesses: typically those with a turnover of EUR 5 million or less. Its simplicity and low administration makes the product attractive for smaller organisations that may not have dedicated credit management staff. It is also ideal for our distribution partners because of its simplified terms and conditions. Market feedback has been very positive and demand high as a result of the uncertainty in the economic environment – with this segment being especially hard hit. Therefore, we will continue the roll out of Modula First across other countries in the coming year.

In Spain, Portugal, and Brazil we offer a product suite, through our Group company Crédito y Caución, which is well adapted to the needs of small, medium sized and large companies. This product suite provides protection for both domestic and export business, and all policy types can be tailored, by means of some 600 modules, to meet each customer's needs.

Global value proposition

For multinationals, Atradius offers a sophisticated tailored credit management solution in the form of our Global policy, widely acknowledged to be 'best in class'. As the clear market leader in the multinational segment, with more than 14 years of experience in this segment, Atradius Global has developed an excellent understanding of the needs of multinationals. Customers can choose between a credit insurance policy with standard terms and conditions serving both the parent company and all its subsidiaries, or stand-alone policies that accommodate varying performance levels and country conditions, or a combination of the two. Our dedicated Global account teams, located in the same country as both the customer's head office and its insured subsidiaries, provide extensive and consistent cross-border customer service. A dedicated key account underwriter, well versed in the customer's needs, ensures uniform and high-quality decision making across the multinational organisation and its buyer portfolio.

Product offering – other insurance products

Assumed reinsurance

We offer reinsurance protection for the credit insurance and bonding business of primary insurers operating in many markets around the world. The assumed reinsurance business is offered by a dedicated team of underwriters at Atradius Reinsurance Ltd.

Special Products

'Whole turnover' cover is not always the right solution for every customer. We therefore offer structured credit risk solutions for specific large and complex transactions through our Special Products service. These solutions range from enhanced credit protection for single contracts or buyers, a safety net against the unfair calling of bonds to pre-export finance or a combination of all of these.

Bonding

We also provide a wide range of bonding products that put customers in a stronger financial position when dealing with their business partners. A bond protects the beneficiary if the supplier – our customer – fails to meet its contractual obligations. Atradius holds a leading position in the French, Italian, Nordic and Spanish non-banking bonding markets and has an international network of business partners that have access to a wide range of bonding facilities in other markets. Within this framework, we offer different types of bond, including bid bonds, performance bonds, advance payment bonds, maintenance bonds, legal bonds, EU bonds and custom bonds. Apart from traditional sectors like construction, engineering and travel, demand for bonds is growing in new sectors such as environmental services.

Instalment Credit Protection

Atradius Instalment Credit Protection (ICP) manages and covers the short and medium-term risks involved in multiple instalment agreements with private individuals and businesses (such as consumer credit, leasing and renting) and is offered to financial and corporate policy holders in Belgium and Luxembourg. In 2011 Atradius ICP introduced a new product protecting co-owners of immovable assets against one of the co-owners failing to contribute to the common charges and obligations.

Product offering – collections

Atradius Collections helps its customers collect and recover domestic and international trade debts while maintaining sound business relationships with their clients. Atradius has built a strong reputation as a dedicated business-to-business collections specialist, leveraging the strength of our core credit insurance business, our integrated international network and online systems. Atradius Collections offers international and domestic debt collection for both small and large volumes, a single point of contact, and worldwide collections expertise 'on the ground', through offices in 17 countries and a global network of collections specialists, lawyers and insolvency

practitioners. The service is available to both our insured and uninsured customers.

Product offering – rating tools

The Atradius Buyer Rating Tool, the application enabling customers to assess the quality of their buyer portfolio and monitor their credit risk, has been enhanced and is now available in more than 100 buyer countries. It can be added to our customers' credit insurance policies, giving them access to buyer ratings on their insured buyer portfolios via our online service Serv@Net.

Through the Group company Iberinform, Atradius also offers a comprehensive and state-of-the-art web-based credit information service on Spanish buyers, including buyer ratings and investigative reports, in addition to financials and public information.

Marketing and communications

Our marketing and communications activity is an important part of the business, providing Atradius with a corporate 'voice' and delivering consistent messages to all our markets, stakeholders and the credit insurance industry as a whole.

We achieve this in a number of ways:

The Atradius Brand

The brand itself is the perception of what an organisation stands for – what it promises to its customers – and that promise must be true to what the organisation actually delivers. The Atradius Brand stands for reliability and high quality customer service. Our corporate communications and marketing activity is designed to ensure that our various audiences consistently associate the Atradius brand with these positive values and attributes.

Publications

In business, knowledge gives us the power to make intelligent strategic and operational decisions. Atradius customers receive this knowledge through our communications on specific buyer risks, and through those Atradius publications that paint the 'bigger picture' of global economic conditions (Economic Outlook and Updates); political and country risks (our regular Country Reports); key industries (our monthly Market Monitor); and B2B payment patterns (Payment Practices Barometer).

These publications are supplemented by live seminars and webinars, and topical reports designed to help businesses succeed, especially in today's volatile economic climate. In 2011, a special series of papers – 'Leading Edge: what businesses can learn from emerging market success' – has been published on our website, and formed the subject of conferences, a global webinar and media articles.

Social Media

Atradius has begun to embrace social media channels to expand our business network, promote our knowledge and expertise, increase brand awareness and generate new leads. These social media channels provide a platform for Atradius to widen its brand awareness and the readership of our relevant economic and trade related publications, and thus to build even better relationships and two way communication with our target audiences.

Customer care

To further improve our relationship with our customers – and raise the level of service that they can expect from Atradius – we have increased the range of management information available via our online channel Serv@Net. We are now identifying opportunities to offer our products, services and information in a more targeted and tailored way. To help us in this respect, in 2011 we sought customer feedback through a customer satisfaction survey undertaken in several of our key market countries.

Shareholder structure

Shareholder structure of Atradius N.V. as per 31 December 2011 (rounded figures)	Percentage of shares
Grupo Compañía Española de Crédito y Caución, S.L.*	64.23%
Grupo Catalana Occidente, S.A.	29.29%
INOC, S.A.	6.48%
Total	**100.00%**

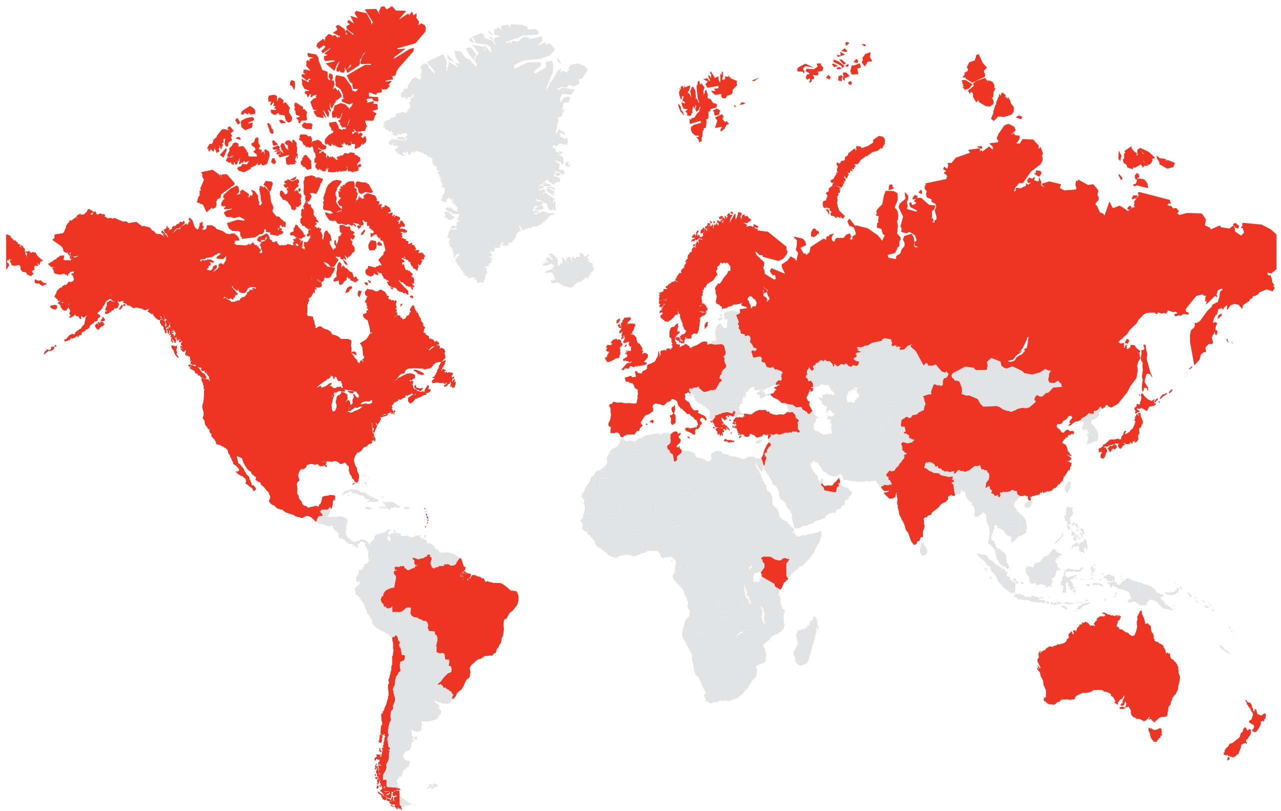
* The Spanish company Grupo Catalana Occidente, S.A., which is a listed company in Spain, owns 73.84% of Grupo Compañía Española de Crédito y Caución, S.L. On 28 April 2011, Grupo Catalana Occidente, S.A. exercised part of its call option on the shares in Atradius N.V. held bij INOC, S.A. and continued to hold a call option on the remaining 6.48% stake in Atradius N.V. held bij INOC, S.A.

Credit rating information

Credit ratings of the core entities of the Atradius Group*	Standard & Poor's	AM Best
Financial Strenght Rating and Issuer Credit Rating		
Atradius Credit Insurance N.V.	A-/Stable/A2	
Atradius Reinsurance Ltd.	A-/Stable	
Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A.	A-/Stable	
Atradius Trade Credit Insurance, Inc.	A-/Stable	A-/Stable
Atradius Seguros de Crédito, S.A.	mxAA/Stable	
Issue rating		
EUR 120 million subordinated bond	BBB	

*As per adoption of this annual report

Global footprint



Europe

Austria	Vienna
Belgium	Namur, Antwerp
Czech Republic	Prague
Denmark	Copenhagen, Århus
Finland	Helsinki
France	Paris, Aix en Provence, Bordeaux, Compiègne, Lille, Lyon, Nancy, Orléans, Rennes, Strasbourg, Toulouse
Germany	Cologne, Berlin, Bielefeld, Bremen, Dortmund, Frankfurt, Freiburg, Hamburg, Hanover, Kassel, Munich, Nuremberg, Stuttgart
Greece	Athens
Hungary	Budapest
Iceland	Reykjavik (**)
Ireland	Dublin
Italy	Rome, Milan
Luxembourg	Luxembourg
Netherlands	Amsterdam, Ommen
Norway	Oslo
Poland	Warsaw, Krakow, Poznan, Wroclaw
Portugal	Lisbon, Porto
Russia	Moscow
Slovakia	Bratislava
Spain	Madrid, Alcalá de Henares, Alicante, Barcelona, Bilbao, Castellón, A Coruña, Getafe, Girona, Granollers, Las Palmas de Gran Canaria, Málaga, Murcia, Oviedo, Pamplona, Sevilla, Tarragona, Terrassa, Valencia, Valladolid, Zaragoza
Sweden	Stockholm
Switzerland	Zurich, Lausanne, Lugano
Turkey	Istanbul
United Kingdom	Cardiff, Belfast, Birmingham, Glasgow, Leeds, London, Manchester

Middle East

Israel	Tel Aviv (*)
Lebanon	Beirut (*)
United Arab Emirates	Dubai (**)

Asia

China	Shanghai
Hong Kong	Hong Kong
India	Mumbai
Indonesia	Jakarta (**)
Japan	Tokyo
Malaysia	Kuala Lumpur (**)
Philippines	Manila (**)
Singapore	Singapore
Taiwan	Taipei (**)
Thailand	Bangkok (**)
Vietnam	Hanoi (**)

Africa

Kenya	Nairobi (*)
Saudi Arabia	Dubai (**)
South Africa	Johannesburg (**)
Tunisia	Tunis (*)

Americas

Argentina	Buenos Aires (**)
Brazil	São Paulo
Canada	Almonte (Ontario), Mississauga (Ontario), Duncan (British Columbia)
Chile	Santiago de Chile (*)
Mexico	Mexico City, Guadalajara, Monterrey
USA	Hunt Valley (Maryland), Chicago (Illinois), Los Angeles (California), New York (New York)

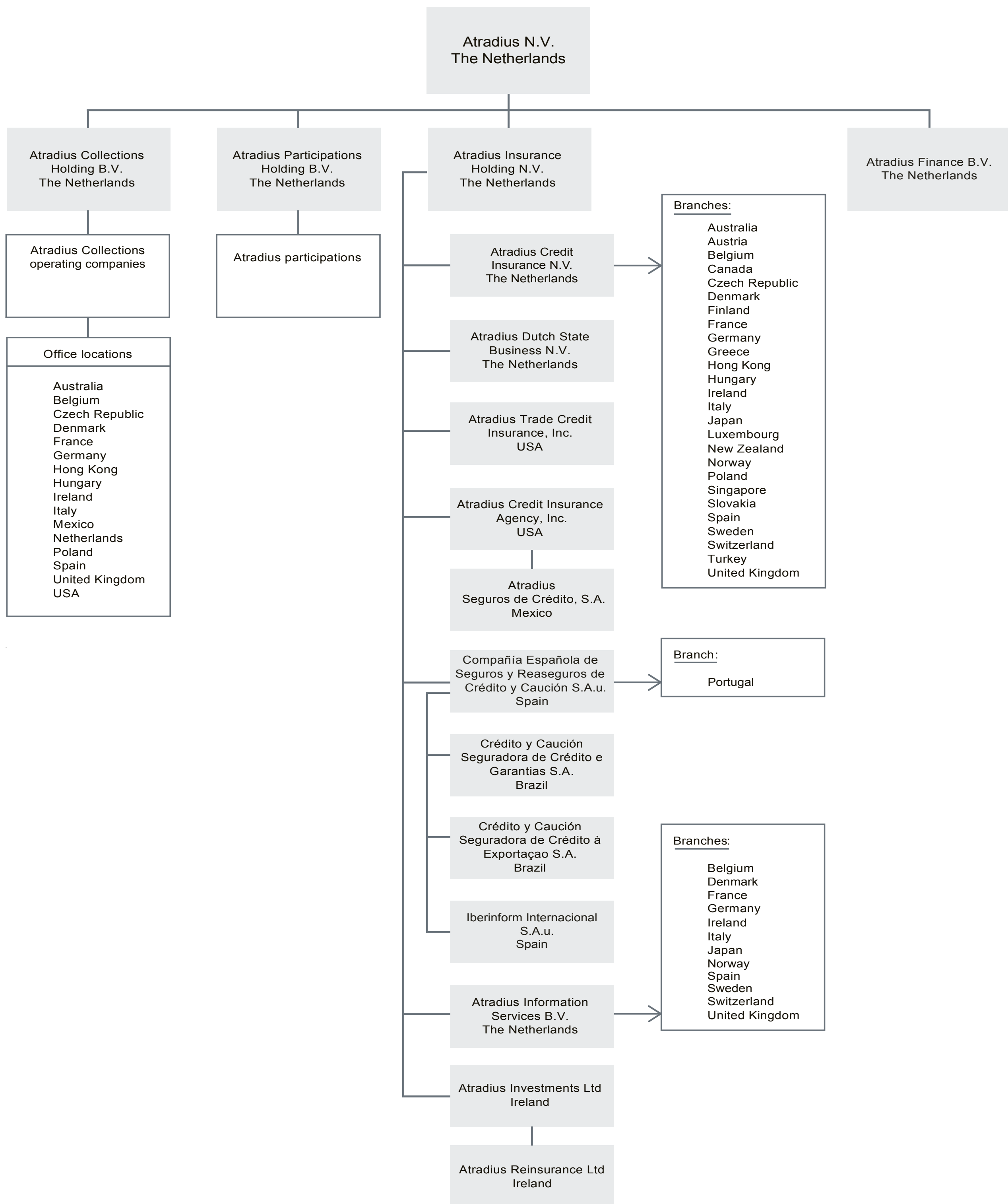
Oceania

Australia	Sydney, Brisbane, Melbourne
New Zealand	Auckland

(*) Associated company or minority interest
(**) Co-operation agreement with local partner

Atradius Group organisation chart

General overview per 31 December 2011



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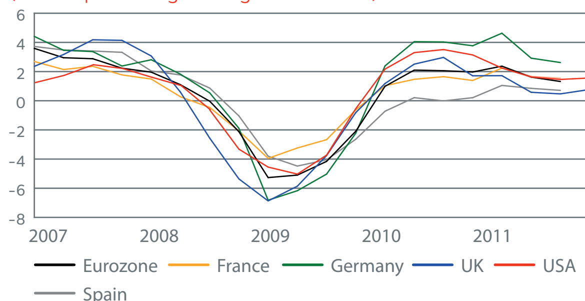
Consolidated management report

The global economic environment in 2011

Following the recovery in 2010, economic activity grew further in 2011, albeit at a more moderate pace, with world output growing by 2.9%, compared to 4.3% in 2010. This more muted growth was led by Asia, Latin America and Eastern Europe, with many of the advanced economies of Europe and North America lagging some way behind. More precisely, while real GDP in the Asia Pacific region, Latin America and Eastern Europe grew by 4.4%, 4.1% and 4.5% respectively, activity in the United States rose by 1.8% and in the Eurozone by just 1.6%. There were also sharp differences within Europe; output in Germany, the United Kingdom, France and Spain rose by 3.0%, 0.9%, 1.6% and 0.7% respectively, but fell by 1.7% in Portugal and 5.7% in Greece.

Real GDP growth
(Annual percentage change in real GDP)

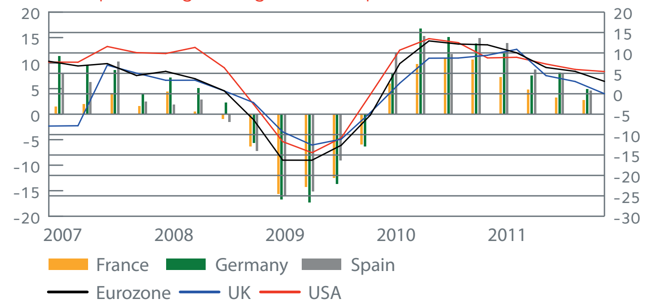


As with the trend in overall economic developments, global trade growth too moderated in 2011, reverting to its long-term average of around 6%. Trade between emerging markets, especially between Asia and South America, increased its share.

Global trade growth
(Annual percentage change in global trade volumes)

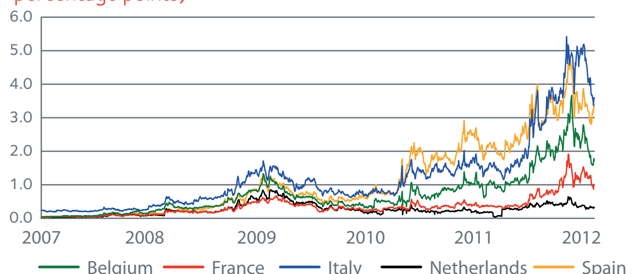
Exports from Eurozone markets broadly followed this global movement, as did exports from the United Kingdom and the United States. But again there were variations: export growth in Germany and Spain was above the Eurozone average, Belgium and The Netherlands were broadly in line with the average, while Italy fell below it. Indeed, while most of these countries approached pre-crisis export levels in 2011, Italy was the exception.

Real export growth
(Annual percentage change in real export volumes)



The moderation that was seen in economic activity in 2011 was inevitable. Fiscal expansion in the United States and Europe had to be phased out as government debt levels reached the limits of sustainability. Furthermore, unprecedented monetary easing, particularly in the United States, had to be reined in as the threat of inflation escalated as commodity and oil prices surged in late 2010. Stock accumulation, which typically happens during cyclical upswings, had come to an end. It was clear from the outset that the private sector, given the still sizeable lending constraints in the banking sector, could provide only partial compensation. But the extent of the reduction in economic activity, especially in Europe, was greater than anticipated in the early months of 2011, even taking into account the output shortfall and supply disruptions that were expected to follow the Japanese earthquake. The reason for this was the overriding economic event of 2011: the rapid escalation of the Eurozone debt crisis.

Long-term bond yield divergence: Eurozone markets
(10-year government bond yield spreads over the German Bund, percentage points)

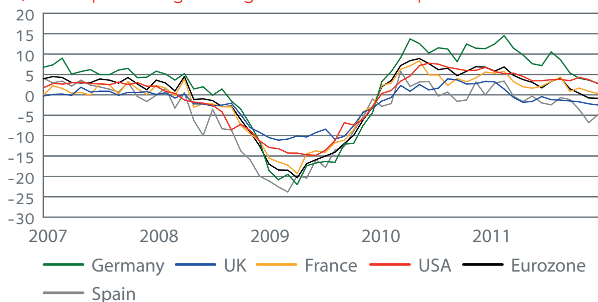


From mid-July, and in particular after the EU summit in Brussels, it became clear to financial markets that policy makers would demand ‘haircuts’ for private creditors in the Greek government debt restructuring programme. That came as something of a shock, as financial markets had assumed until then that there would be some form of joint liability between Eurozone countries. A number of stressful weeks on the financial markets followed. Then, following October’s summit, as Greek Prime Minister Papandreou suggested holding a referendum on the second Greek bailout package, tensions really escalated. Financial markets started to factor in the possibility of, at least a partial, Eurozone split. That led to widespread contagion in government bond yields across Eurozone members and put severe pressure on stock prices, particularly those of banks. Confidence in the still fragile

Eurozone banking system slipped and further pressure was put on industrial output, already weakened by fiscal consolidation and cyclical effects in several countries.

Industrial production growth

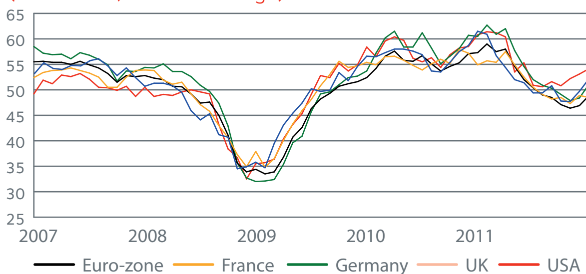
(Annual percentage change in real industrial production volumes)



Forward business confidence indicators reacted to events. The Manufacturing Purchasing Managers Index in the Eurozone, that had already started to slide in early 2011 as a result of a weaker phase in the business cycle and higher commodity prices, came under further pressure: dipping below 50 in the autumn, indicating recessive tendencies in the economy. Even Germany, the strongest Eurozone country, could not escape, although its index remained well above the levels at or below 47 experienced by France, Italy and Spain. The United States index showed a similar pattern, but avoided recession territory, helped by strong consumer spending.

Manufacturing Purchasing Managers Indices

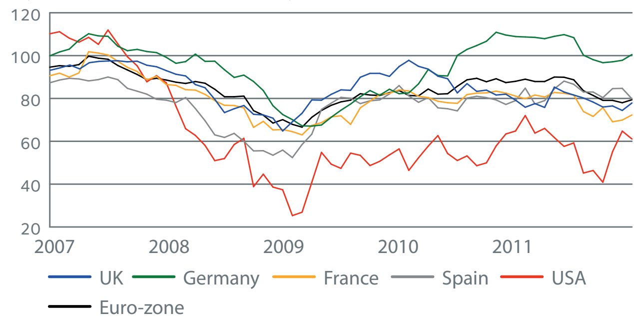
(Index units, 50 = No change)



As for consumer confidence, the indicator was broadly at a low, but stable, level in the first part of 2011. Labour market concerns that had arisen during the crisis remained broadly unchanged. Once consumers began to realise the implications of the escalation of the Eurozone crisis in the autumn, their confidence fell – even in Germany. Similarly, United States consumer sentiment remained subdued throughout the year. Low consumer confidence will eventually feed through to economic activity as spending reduces in the face of uncertainty over future jobs and income levels.

Consumer confidence indicators

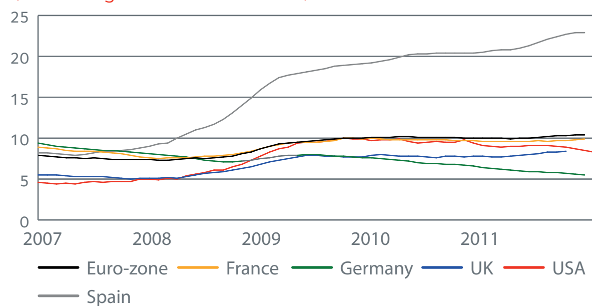
(Index units, 100 = Neutral)



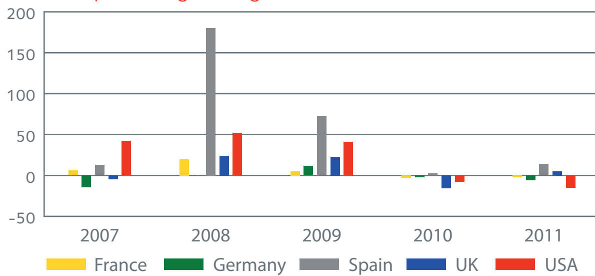
Labour markets were certainly not helpful. Even in 2010, when the economic recovery was widespread, labour markets improved only in a few countries and in 2011 we saw no fundamental change to this overall picture. Firms used the existing labour force to accommodate demand, whereas a broadly 'wait-and-see' approach was adopted for investment and hiring. Countries with fiscal headroom to use subsidies for short-term working in the Eurozone, such as Germany and the Netherlands, were better able to manage. However, other Eurozone countries, such as Spain and Ireland, saw unemployment rise – to unprecedented levels of 23% and 14% respectively, reflecting – particularly in the case of Spain – poor competitiveness. In France unemployment stabilised but at a high level of 10%. Even the United States, with its flexible labour market, could barely reduce its unprecedented high unemployment level of 9% throughout 2011.

Unemployment

(Percentage of total workforce)



The relatively weak economic developments in 2011 were reflected in the insolvency levels, which were broadly comparable to those of 2010, but with marked differences between countries. Whereas the improvement in insolvencies in France and the Netherlands was muted in 2010, it disappeared altogether in 2011. The favourable insolvency trend in the United Kingdom reversed. On the other hand, the number of insolvencies in Germany and the United States continued to decline. The current level of insolvencies is, however, far from pre-crisis levels, an observation that largely holds true for all major countries.



The global economic environment in 2012

The outlook for 2012 is inevitably affected by events in the Eurozone. Some hopeful developments were noticeable by the end of 2011. In December the Eurozone countries agreed to the stepping up of fiscal governance, for which a new inter-governmental treaty is to be signed. Following this agreement, the European Central Bank decided to provide an unprecedented three-year funding facility to the Eurozone banking system, in the sum of EUR 489 billion. This helped to calm financial markets in early 2012, with Spain and Italy able relatively smoothly to access the sovereign bond markets, though yield levels are still high; even Ireland made a modest return to the market, but the woes of Greece and, to a lesser extent, Portugal continue. Corporate bond and equity markets showed some signs of recovery but, nevertheless, the situation remains critical. Credit constraints in the European banking system, higher borrowing costs, and lower asset prices are impacting wealth, while uncertainties surrounding income and jobs have dented confidence. This eats into Eurozone growth while, because of export and global banking links, the rest of the world will not be insulated from its effects.

Global growth, based on consensus forecast, is expected to reach 2.6%, although with significant regional disparities. Both growth and expectations for 2012 slid rapidly during the second half of 2011. Now negative growth is expected for the Eurozone in 2012. The picture across member states is uniformly weak: this implies contraction in most of the peripheral countries and stagnation in the core. Germany will grow by 0.5%, France not at all, and Spain will shrink by 0.4%, as will the Netherlands, while Italy will contract by 1.3%. While the Eurozone as a whole will contract 0.3%, Asia Pacific is expected to grow by 5.0%, Latin America by 3.5% and Eastern Europe by 2.6%. These forecasts have been continuously revised downwards on a monthly basis since the second half of 2011.

Following its strong second half showing in 2011, the US is expected to continue to perform better, but, at 2.2%, the growth rate remains moderate.

Even this outlook is subject to downside risks, especially for Europe. Eurozone leaders have made some important steps, but there is still a long way to go before confidence is fully restored.

The European banking system has been given some relief by the ECB liquidity injection, but it remains fragile, and the sizeable holdings of risky government debt – especially by French and German banks – may still lead to a further tightening of already tough credit constraints: and that would deter already depleted investment. In addition, public finances – even those of the US – have become further strained by the expansionary policies in 2009. This will prevent governments from easing fiscal policy as a means of fending off an economic downturn. Governments in the Eurozone may even be forced, by the financial markets, to step up consolidation efforts in order to steer away from a vicious cycle of increasing borrowing costs and further austerity measures. This may add yet another barrier to growth. Monetary policy alone may provide some leeway, although in the US policy rates have already virtually reached zero, leaving only quantitative easing or special measures such as the Twist programme and the recently announced intention by the Federal Reserve Bank to leave the interest rate unchanged until 2014 to stimulate the economy. In the Eurozone, the policy rate of 1.00% can still be lowered and further liquidity expansion for the European banking system is on the cards, although with some reluctance as the European Central Bank mandate is, unlike the one of the Federal Reserve Bank, strongly geared towards the prevention of inflation rather than stimulating economic growth. Meanwhile, there is also risk of a sharper than expected slowdown across emerging markets in the current environment.

Risk and capital management

As a global insurance company, Atradius is exposed to many and varied risks. These are partly linked to the nature of our business and partly to the external environment. We also recognise the importance of risk management in the context of the fundamental connection between risk and capital, and this is reflected in our risk governance framework.

For more information about Atradius' risk management structure and governance, please see Note 4 in the consolidated financial statements of the annual report.

Risk management

This section details the risks to which Atradius is exposed, developments in 2011 in the areas of risk management and the outlook for 2012.

Relevant risk factors

The risks to which Atradius 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 thus to mitigate the possible negative impact on operations and financial results.

Insurance risk

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

Financial risk

Movements in financial market factors, such as equity prices, interest rates, credit spreads and currency exchange rates may have a positive or negative impact on the value of Atradius' assets and liabilities.

Operational risk

Operational risk includes the risk of loss resulting from inadequate or failed internal processes, human and system errors or external events. We use a definition in line with industry practice as well as the Solvency II Framework Directive.

For more information about these risks, please see Note 4 in the consolidated financial statements of the annual report.

Atradius compliance codes

Atradius' 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. Atradius' code of conduct outlines the basic corporate, legal and ethical compliance principles and guidelines that apply to all employees of Atradius and that govern Atradius' 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 Atradius 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. During 2011, much effort has been put into addressing requirements resulting from the introduction of the Insurer's Code by the Dutch Association of Insurers, the Regulation on Controlled Remuneration issued by the Dutch Central Bank and resulting from further improvements of Atradius' corporate governance.

Developments in 2011

Solvency II

After launching the implementation phase of the Solvency II programme in 2010, Atradius continued with preparations for the new regulatory regime – despite the uncertainty about the final form of the new regulations and the implementation date.

To acquire insight into the possible quantitative impacts of the new solvency standard, the European Insurance and Occupational Pensions Authority (EIOPA) has been running a series of quantitative impact studies (QIS). In the QISs, insurers have been requested, on a voluntary basis, to apply proposed rules to their own balance sheets to assess the impact and contribute to the formulation of appropriate regulations. Atradius has formally participated in all Quantitative Impact Studies from QIS3 in 2007 up to QIS5 in 2010 and the European Insurance Stress Test in 2011 (which incorporated a re-run of QIS5 with updated financial data. Calibration of the regulatory capital requirements for the credit and surety line of business is still under discussion in EIOPA and in the European Commission. Atradius continues to play an active role in industry contributions to the development of appropriate specifications.

One of the important aspects of Solvency II is that insurers will be permitted to calculate their regulatory capital requirements using their own internally developed models. The rationale is that the insurers are best placed to be able to model the risks that they face. To be permitted to use an 'internal model', an insurer must submit an application for supervisory approval demonstrating that its model meets certain standards: including statistical quality, calibration, documentation and validation. In addition to its internal preparations, Atradius is engaging with supervisors as part of a pre-application process to gain approval for use of its internal economic capital model.

The Solvency II Directive was approved in 2009 (with implementation planned for October 2012), but in 2011 there were extensive discussions at the European level which have increased uncertainty about the date of implementation. By the

end of 2011, it appeared likely that the date of full application of Solvency II requirements would be changed from October 2012 to January 2014. In this uncertain environment, the Atradius Group is modifying its working assumptions for scheduling of both internal activities and interaction with supervisors between now and the effective date of Solvency II. The Group is moving ahead with the knowledge that, at certain points in the future, it may have to make adjustments to address additional requirements as they arise.

During the year, Atradius laid the groundwork for addressing new regulatory requirements such as the Own Risk and Solvency Assessment (Pillar 2) and the regulatory reporting templates under Pillar 3.

Under the scope of Pillar 1, to analyse the impact of the new regulatory capital requirements on the balance sheet, Atradius contributed to the European Insurance Stress Test. It is worthwhile to note that, for the credit and surety line of business, calibration of the standard formula underwriting risk module is still very much under discussion in EIOPA and in the European Commission and Atradius continues to play an active role in industry contributions to the development of appropriate specifications.

The outlook for 2012

Given recent developments regarding Omnibus II and an expected change in the date of full application of Solvency II requirements (to 2014), Atradius is modifying its working assumptions for project activities, interaction with supervisors and regulatory submissions.

Capital management

Atradius seeks to maintain a strong capital position and to capitalise its operating entities efficiently. This helps us to support the evolution of our insurance business, withstand financial stress in adverse business and financial markets, as we have proved in recent years, meet our financial obligations in a sufficiently wide range of circumstances, and ultimately help to deliver shareholder value.

Capital management guidelines

Capital management is guided by the following principles:

- to ensure that the Group is adequately capitalised to preserve financial strength, even after a large loss event, and protect the franchise value of the Group;
- to meet the solvency capital requirements of all the Group's entities worldwide;
- to manage the capital adequacy of the Group and its entities, taking into account the internal economic and accounting views together with the external rating agency and regulatory solvency requirements; and
- to optimise capital structure by efficiently allocating funds across the Group's entities and minimising the overall cost of funding while preserving financial flexibility.

In 2011, Atradius capital has been managed according to the Group guidelines and in close cooperation with the units involved in managing the different factors related to capital. Atradius entities were able to meet their financial obligations efficiently and to comply with local legal and regulatory requirements.

Regulatory environment

The solvency position of the regulated entities of the Group is strong, with the regulatory capital held exceeding the minimum regulatory capital requirements.

For a more detailed overview of the main regulatory capital requirements, please see Note 4 of the consolidated financial statements of the annual report 2011.

Capital position

Shareholder funds at year end 2011 (EUR 1,035.2 million) increased by 14.4% compared to year end 2010 (EUR 1,035.2 million) due mainly to positive results after tax and a recovery in the value of financial investments. We consider the company capitalisation to be strong, and expect shareholder funds to continue to grow in 2012 and beyond.

Credit ratings

At the time of adopting this annual report, the core entities of Atradius (Atradius Credit Insurance N.V., Atradius Reinsurance Ltd., Atradius Trade Credit Insurance, Inc., and Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A.u.) are rated ‘A- stable outlook’ by Standard and Poor’s (S&P). As from 2009, the main Atradius entities are considered to be core operating entities of Grupo Catalana Occidente S.A. (GCO). Based on the group-rating approach of S&P, the credit rating of the main Atradius entities is aligned with the rating assessment of the GCO Group and it is reasonable to expect S&P to follow a similar approach in the future. In December 2011, the local S&P rating for the Mexican entity Atradius Seguros de Crédito, S.A.u. has been confirmed at ‘mxAA, stable outlook’ and in the USA the rating of Atradius Trade Credit Insurance, Inc. has been confirmed at ‘A-, stable outlook’ by A.M. Best.

Business performance

Atradius N.V. (in EUR thousands)	2011	2010	%
Insurance revenue	1,504,609	1,449,668	3.8%
Gross insurance claims and loss adjustment expenses*	(748,224)	(559,573)	33.7%
Gross insurance operating expenses*	(528,982)	(512,509)	3.2%
Reinsurance result	(92,594)	(244,140)	-62.1%
Technical (insurance) result	**134,809**	**133,446**	**1%**
Service income*	53,241	56,720	-6.1%
Service expenses	(54,343)	(57,452)	-5.4%
Service result	**(1,102)**	**(732)**	**50.5%**
Net investment result**	31,104	22,688	37.1%
Operating result before finance costs	**164,811**	**155,402**	**6.1%**
Result before tax	**160,092**	**152,743**	**4.8%**
Result for the year	**129,836**	**124,948**	**3.9%**

*Overview includes inter-segment revenue and (claims) expenses
**Consists of net income from investments and share of income of associated companies and joint ventures

	Gross		Net	
Technical ratios	2011	2010	2011	2010
Claims ratio	49.7%	38.6%	50.3%	44.6%
Expense ratio	35.2%	35.4%	34.2%	39.3%
Combined ratio	84.9%	74.0%	84.5%	83.9%

Atradius posted good results in 2011, due to skilled management in a highly uncertain economic environment. The result for the year was a profit of EUR 129.8 million: in line with the profit of EUR 124.9 million in 2010. The 2011 result was driven by increased revenue, a continued good claims result, reduced reinsurance costs and an improved investment result. While the 2010 result was largely driven by the favourable development of the claims result from previous underwriting years, the 2011 result has a much more solid foundation.

Insurance revenue increased by 3.8% compared to 2010. With the launch of our 'Roadmap to Success' strategy in January 2011, even more emphasis was given to customer service, including further empowerment of local management and closer cooperation between the Risk and Commercial functions, and these enhancements have been greatly appreciated by our customers. Indeed, this initiative has been a key factor in the improved customer retention that has been one of the main drivers of our revenue growth in 2011. The average premium rate decreased compared to 2010, but its impact was largely compensated for by the increase in our customers' insured turnover. Atradius' total potential exposure (TPE) grew slightly faster than revenue: increasing by 6.9%, to EUR 448 billion.

Even though the economic recovery stalled in the second half of the year, Atradius' premium income still improved. Most markets saw an increase in insurance revenue compared to 2010. Exchange rate differences had a small negative impact, of EUR 10 million, on total reported revenue growth, although there were significant differences for certain currencies.

Our local business in Asia (up 17.2%), NAFTA (16.0%), Central and Eastern Europe (14.5%) and the Nordics (11.3%) all reported strong growth. Germany – our second largest market – also performed well with insurance revenue growth of 3.6%, supported by the strong recovery of the export-oriented German economy, especially in the first half of the year. In Spain – our largest market – economic developments gave little opportunity to grow our credit insurance business. Nevertheless, Atradius adapted well to the difficult situation and managed to grow its customer base, but reduced customer turnover and a competitive environment resulted in a decrease of 3.0% in insurance revenue compared to 2010. Our business in Australia, the Netherlands and the UK also saw minor falls in insurance revenue, which for the UK can be partly explained by unfavourable exchange rate development.

There were also positive developments for other Atradius insurance products. Special Products reported healthy growth in insurance revenue of 17.0% compared to 2010, and the assumed reinsurance business increased by a notable 24.7%, due to a combination of organic growth on existing business and new business growth: primarily in Asia and South America. Instalment credit protection insurance revenue dropped by 6.5%, due mainly to the winding down of the instalment credit protection business in France, while our bonding business reported a 3.1% growth in insurance revenue compared to 2010. During the year, several initiatives were launched to further support future growth.

While in 2010 the claims result was boosted by the positive development from underwriting years 2008 and 2009, the **gross claims** result returned to its normal level in 2011. The gross claims ratio for the financial year 2011 – still supported by positive development from older underwriting years – reached 49.7%. In line with the heightening financial turmoil in the Eurozone and the US, the claims result deteriorated in the second half of the year, resulting in a claims ratio of 68.7% for underwriting year 2011. Despite the changing economic environment, Atradius maintained its risk acceptance rate in the second half of the year: a sign of our commitment to continue to support our customers in these challenging times.

On a regional level, the claims ratios largely reflect the differences in the world economy, with the financial year claims ratio relatively low at 24.8% in the Asian New Markets region but much higher in Spain and Portugal at 84%.

2011's **gross insurance operating expenses** amounted to EUR 529 million. Thanks to tight cost-control measures, the increase was kept to 3.2%: considerably lower than the increase in insurance revenue of 3.8%. This resulted in an improved expense ratio of 35.2% for 2011, compared to 35.4% for 2010. Atradius' operating expenses are largely driven by salary costs and at the end of 2011 the number of full time equivalent employees (FTE) was 3,128: a drop of 1.2% from 2010.

The **cost of reinsurance** in 2011 was EUR 92.6 million: an improvement of 62.1% over 2010. By means of the reinsurance quota share programme, reinsurers participated in Atradius' good technical result. The claims ratio of previous underwriting years developed positively in 2011, leading to additional reinsurance commission for Atradius. Total reinsurance commission received in 2011 – for both current and previous underwriting years – was EUR 231.6 million: an increase of 24.4% over 2010.

In 2009, additional reinsurance cover had been provided for the business of Crédito y Caución in Spain by the Consorcio de Compensacíon de Seguros (CCS). This reinsurance contract included a payback obligation based on the performance of the Spanish insurance business. In 2011 the provision under this payback obligation was released by EUR 19.4 million, as a result of payments made to CCS and a renewed assessment of current and future performance of Crédito y Caución.

The **service result** decreased from a negative EUR 0.7 million in 2010 to a negative EUR 1.1 million in 2011. While Atradius Dutch State Business showed a steady performance and Iberinform further enhanced its third party credit information service in 2011, Atradius Collections saw a decrease in revenue of 9.1% compared to 2010: to EUR 39 million. The drop in revenue is the result of a decrease in the level of credit insured debts in 2010 and the first half of 2011. This shows that the collections business is counter cyclical to credit insurance, with Atradius' success in reducing its claims level having a consequent impact on the level of demand for the services of Atradius Collections. Due to the improved alignment with Atradius Credit Insurance, the Collections unit now experiences an increase in the insured debt placements again. Revenue from non-insured business grew by 6% in 2011, due to boosted sales activities in this segment. Additionally, Atradius Collections has been able to expand its service reach in key markets by investing in its channel partner programme.

The **investment result** – including income from associated companies and joint ventures – was EUR 31.1 million, an increase of 37.1% over 2010. Thanks to the improved quality of the investment portfolio since 2010, fewer losses were realised in 2011, subsequently contributing to the higher net investment income in 2011 compared to the previous year. However, persistently low interest rates also had an adverse effect on interest income in 2011. The Group's investment strategy continues to focus on capital preservation to avoid large losses on the investment portfolio. In the past three years, this strategy has resulted in reduced exposure to government bonds and equities and an increased holding in short term cash instruments and investment grade corporate bonds.

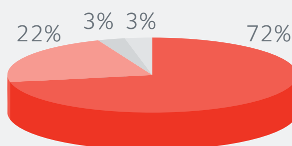
Business segment

Credit insurance and instalment credit protection

(EUR thousands)	2011	2010	%
Insurance premium revenue	1,188,941	1,157,813	2.7%
Information income	100,707	103,411	-2.6%
Insurance revenue	**1,289,648**	**1,261,224**	**2.3%**
Gross insurance claims and loss adjustment expenses *	(665,363)	(459,023)	45.0%
Gross insurance operating expenses *	(441,377)	(425,398)	3.8%
Result before reinsurance	**182,908**	**376,803**	**-51.5%**
Reinsurance result	(63,418)	(234,314)	-72.9%
Result after reinsurance	**119,490**	**142,489**	**-16.1%**
Credit insurance gross claims ratio	52.0%	36.2%	43.7%
Instalment credit protection gross claims ratio	36.4%	45.4%	-19.8%
Total gross claims ratio	**51.6%**	**36.4%**	**41.8%**
Full-time equivalents	**2,650**	**2,689**	**-1.4%**

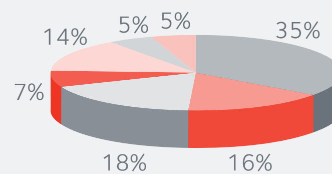
* Overview includes inter-segment (claims) expenses

Insurance revenue per product



Credit Insurance (Local)
Credit Insurance (Global & New Markets)
Credit Insurance (Special Products)
Instalment Credit Protection

Insurance revenue per region



Spain, Portugal and Brazil
France, Belgium, Italy and Luxembourg
Germany, Central and Eastern Europe
The United Kingdom and Ireland
The Netherlands and the Nordic countries
North America
Asia and Oceania

Credit insurance is Atradius' core product and comprises traditional credit insurance, covering both domestic and export trade, and the structured credit and political risk business of our Special Products team.

Atradius' credit insurance business has performed well, with credit insurance premium increasing by 2.7% compared to 2010. While the focus in 2009 was on managing the claims result at the cost of revenue loss, and 2010 marked a turning point with a positive development of claims and the first signs of recovering revenue in the second half of the year, 2011 can be characterised by increasing revenue and a claims result returning to its normal level.

With the launch of our new strategy in 2011, we adopted a more decentralised approach to servicing our customers. The organisational structure was adapted to support this by giving responsibility for local support units, marketing and claims to the respective country organisations, and with closer cooperation between our Commercial operations, Risk Services and Collections. Our customers have responded well to this initiative, which has allowed us to better adapt our services to local needs.

Despite an increasingly challenging economic environment – in particular during the second half of the year – we maintained our customer service level, with a high risk acceptance rate throughout the year and increasing total potential exposure (TPE): which grew by 6.9% in 2011.

Total local credit insurance revenue grew by 1.4% compared to 2010, reaching EUR 967 million. Most Atradius markets experienced increased income levels, with the Nordics, Central and Eastern Europe and NAFTA reporting double digit insurance revenue increases in 2011: of 11.3%, 14.5% and 16.0% respectively. Insurance revenues in Belgium-Luxembourg and France have grown by 8.4% and 4.9% respectively. Germany – as Atradius' second largest market – managed to close the year with a revenue increase of 3.6%. Higher than expected insured shipments by customers and improved retention were the main

reasons for the growth in income. This was possible because of an ongoing increase in our approval of credit limits, combined with our active communication with clients with a view to reinstating credit limits that had previously been withdrawn. The strategic changes stemming from the 'Roadmap to Success' also laid the framework for better internal cooperation – and this led to noticeable improvements in customer relations.

Markets facing lower revenue levels in 2011 were the United Kingdom (largely due to unfavourable exchange rates), Oceania, (due to the loss of a strategic customer to self-insurance), the Netherlands and Spain (reflecting the difficult economic situation in the country) with revenue losses of 3.7%, 4.3%, 2.2% and 3.0% respectively. Since Spain is by far Atradius' biggest market, with a 34.6% share of total credit insurance revenue, the revenue reduction in this country has had a major impact on the total credit insurance revenue increase.

The revenue growth was driven by strong customer retention, while new business lagged slightly behind expectation. Our customers' insured turnover increased significantly in 2011, although its positive impact on our revenue was largely countered by price erosion.

Our Global unit is the acknowledged market leader in the multinational company segment of the credit insurance industry. The Global unit structure that has now been in place for 14 years has enabled Atradius to provide the most professional service proposition available in the market for multinational customers. As a result, both our Global unit and our New Markets team operating in emerging markets performed well in 2011: supported by the burgeoning economies of the Asia Pacific region, their total revenue increased by 4.8% compared to 2010, to EUR 258.0 million.

In July, our service offering in Asia was extended through our Pan-Asian cooperation partner Tokio Marine Asia Pte Ltd. Policies can now also be issued locally in Indonesia, Malaysia, Vietnam and the Philippines. This development was well received by our customers as it allows us to cover more of their business in these Asian markets and to satisfy their needs even more comprehensively. The customer service proposition has been further enhanced in 2011 with additional services such as the Atradius buyer rating tool and customer portfolio analysis, both of which have met with positive feedback from our customers.

In the light of these developments, Atradius can be confident about the continuing success in 2012 of its service to multinational companies.

Our Special Products unit, which offers solutions other than standard whole turnover policies, saw significant growth in 2011. New business volumes continued the strong trend established towards the end of 2010, despite the slowdown in the latter part of the year due to the deteriorating economic environment and consequent moderating risk acceptance. As the average tenor of Special Products policies is longer than traditional whole turnover business, the full effect of this new business growth is not fully reflected in the 2011 revenue of EUR 34.9 million: a 17.0% increase on 2010.

Because of the nature of its portfolio, the Special Products unit has significant exposure to political risks, including risks in the Middle East and North Africa. Nonetheless, the events in that region are expected to have minimal impact on the results of the unit, which has benefited from a strong recovery from the extent of claims incurred during 2008 and 2009.

In 2011, the cost to Atradius of standard short term credit insurance claims was EUR 654.4 million: leading to a claims ratio of 52.0%. While this represents a deterioration of 15.8 percentage point from the 2010 claims ratio of 36.2%, the 2010 ratio was exceptionally low due to positive developments from previous underwriting years.

Most countries report an increasing claims ratio for the current underwriting year, largely compensated for by further positive development from previous underwriting years. In line with the heightening of the financial turmoil in the Eurozone and the US we saw a deterioration in the claims result in the second half of the year. The countries with the highest claims ratio in the Group are Poland, Greece, Ireland and Spain: largely the countries worst hit by the financial turmoil. In view of the extent of our business in Spain – 34.6% of total credit insurance income – the Spanish claims ratio of 82.3% has had a significant impact on the total Group figure.

The outlook for economic development in 2012 points to the likelihood of downside risks, especially for Europe. However, we are confident that, through our underwriting and risk management expertise, we will continue to help our customers navigate successfully through these uncertain times.

Instalment credit protection (ICP) covers the short and medium-term risks for financial and corporate policyholders in their multiple instalment agreements with private individuals and businesses, and is available in Belgium and Luxembourg. In 2011, total insurance revenue was 6.5% down on the previous year, at EUR 30.2 million, due mainly to the winding down of the instalment credit protection business in France. Belgium reported year-on-year growth of 3.3% with businesses challenged by the funding difficulties of mid-size financial institutions and the implementation of the Consumer Credit Directive.

The 2011 claims ratio was 36.4%, reflecting the growing difficulties of recovery in Belgium brought about by the trend in collective debt settlements.

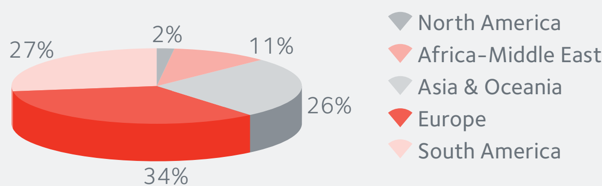
A strategic initiative targeted at the real estate industry was launched in 2011 in Belgium, providing cover for loans made to residential co-ownerships and the common charges of those co-ownerships.

Business segment

Assumed reinsurance

(EUR thousands)	2011	2010	%
Insurance premium revenue	129,932	104,199	24.7%
Information income	0	0	
Insurance revenue	**129,932**	**104,199**	**24.7%**
Gross insurance claims and loss adjustment expenses	(75,456)	(62,523)	20.7%
Gross insurance operating expenses	(49,358)	(41,978)	17.6%
Result before reinsurance	**5,118**	**(303)**	**-1,791.7%**
Reinsurance result	(2,459)	456	-639.8%
Result after reinsurance	**2,659**	**153**	**1,638.1%**
Gross claims ratio	**58.1%**	**60.0%**	**-3.2%**
Full-time equivalents	**23**	**17**	**34.6%**

Assumed reinsurance insurance revenue per region



Atradius Re, a leading global credit and bonding reinsurer, offers assumed reinsurance to third parties. The company was originally established as Namur Re in Luxembourg in 1987. Its business was combined with the business of NCM Re in 2005 in Dublin, establishing the brand Atradius Re as the leading global monoline credit and bonding reinsurer in the market.

Clients of Atradius Re are leading primary insurance companies that underwrite either credit insurance or bonding insurance lines. Atradius Re's reinsurance portfolio is split 57%/43% between credit and bonding reinsurance for the underwriting year 2011 and assumes business from over 70 countries on all five continents. Since its incorporation, Atradius Re has established long standing relationships with its clients and leads more than one third of its treaties. Its unique offering combines the know–how of the Atradius Group in primary underwriting of credit insurance and bonding risks with Atradius Re's unique approach to structuring reinsurance solutions for its clients. Acknowledged for its endeavours in establishing new credit insurance and bonding businesses, Atradius Re plays an important role in the international development and growth of the credit insurance industry – particularly in emerging markets. The company is an active member of and contributor to ICISA, PASA and, since autumn 2011, the Aman Union. In 2012, Atradius Re celebrates its 25th Anniversary.

Revenue for assumed reinsurance in 2011 totalled EUR 129.9 million: a 24.7% increase on 2010. This revenue growth was due primarily to organic growth on existing business combined with new business growth from Asia and South America.

The gross claims ratio decreased to 58.1% in 2011 from 60.0% in the previous year. The reduction in the claims ratio was due to the risk mitigation initiatives of earlier years, with the negative trends of the 2008 and 2009 underwriting years outweighed by more positive results for the 2010 underwriting year.

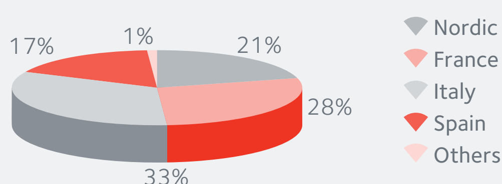
The expectation for assumed reinsurance business in 2012 is for the current underwriting year claims ratio to stabilise at present levels. Atradius Re's strategy is to continue to diversify the portfolio by region, country and business type, focusing on Asia, the Middle East and South America as key development regions.

Business segment

Bonding

(EUR thousands)	2011	2010	%
Insurance premium revenue	84,486	83,603	1.1%
Information income	543	643	-15.5%
Insurance revenue	**85,029**	**84,246**	**0.9%**
Gross insurance claims and loss adjustment expenses	(7,405)	(38,027)	-80.5%
Gross insurance operating expenses	(29,590)	(31,633)	-6.5%
Result before reinsurance	**48,034**	**14,586**	**229.3%**
Reinsurance result	(26,717)	(10,282)	159.8%
Result after reinsurance	**21,317**	**4,304**	**395.3%**
Gross claims ratio	**8.7%**	**45.1%**	**-80.7%**
Full-time equivalents	**116**	**111**	**4.6%**

Bonding insurance revenue per region



Bonding is offered in Italy, France, Spain and the Nordic countries. In all these countries, Atradius focuses heavily on the quality of its service, supported by advanced web based tools such as Cautionet or GarantiOnline, which are made available to customers. Moreover, the Group's international reach provides multinational firms with a global service for all aspects of their business. The bonding business is closely linked to the local legal environment, and products are specific to each country. The products offered in all geographic areas can be classified as administrative bonds (e.g. excise bonds, customs bonds and authorization bonds) and market bonds (e.g. bid bonds, performance bonds and maintenance bonds). Environmental bonds are a developing category, marking the growing concerns about the environment. Examples of these are bonds related to waste transportation, re-commissioning of land after industrial use, and accidental pollution.

Insurance revenue from bonding in 2011 totalled EUR 85.0 million, showing a 0.9% growth on the previous year but with significant deviations between different countries. This modest revenue growth does not however reflect the growth of activities in 2011. Written premium – an indicator of the accepted risk and revenue for future years – increased by 12.1%.

In Italy, the main Atradius Bonding market, revenue decreased by 5.1% compared to 2010, while written premium grew by 14.4%, led by the re-deployment of agents and the direct sales networks towards public works businesses. In France, Atradius Bonding increased its revenue by 9.6% as a result of its closer presence to traditional mid-size customers. Despite pressure on prices from renewed competition, the insurance revenue from our bonding operations in the Nordic region increased by 12.0% within a mixed economic environment. Such growth largely reflects the intensive commercial activity of recent years and the close relationship that Atradius Bonding teams have maintained with their customers throughout the economic cycle. For our local bonding business in Spain, the severe public measures, which significantly lowered public expenditure, resulted in a drop in insurance revenue of 9.6% in 2011.

Meanwhile the various locations have developed initiatives to support further growth: establishing a new partnership in France, developing direct sales in Italy and launching an online tool for clients in the Nordics, allowing them to keep in contact with their bond provider and manage their bond requests and releases.

The claims inflow remained very low during the year. Active management of the claims portfolio and recoveries contributed to a positive development of claims ratios from previous underwriting years, resulting in a claims ratio of 8.4% in 2011 against 51.3% in 2010.

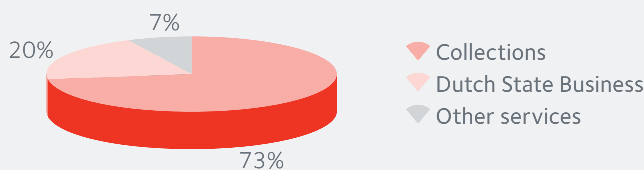
Business segment

Services

(EUR thousands)	2011	2010	%
Service income*	53,241	56,720	-6.1%
Service expenses	(54,343)	(57,452)	-5.4%
Service result	**(1,102)**	**(732)**	**50.6%**
Full-time equivalents	**339**	**348**	**-2.7%**

* includes intersegment income

Service income



The services segment comprises debt collection operations, the Export Credit Agency fees that Atradius receives from the Dutch State, and service income from Iberinform's buyer information services.

Debt collection

Atradius Collections helps its customers to recoup domestic and international trade debts while maintaining sound business relationships with their clients. Atradius has built a strong reputation as a dedicated business-to-business collections specialist, by leveraging the strength of our core credit insurance business, and through our integrated international network and online systems. Atradius Collections offers international and local debt collection (for both small and large volumes), a single point of contact for all debt collection cases, and worldwide collections expertise 'on the ground' by means of offices in 20 countries and a global network of collections specialists, lawyers and insolvency practitioners. Atradius provides debt collection services to both our insured customers and third parties. For Atradius, debt collection complements credit insurance as they are counter cyclical in nature: i.e. Collections tending to pick up as the economy deteriorates and vice versa. This service supports the product and risk diversification of our business, as it is free of insurance risk and thus reduces profit volatility.

Compared to 2010, the overall revenue of Atradius Collections decreased by 9.1% in 2011: to EUR 39.0 million. The drop in revenue resulted from a decreased level of insured debt placed in 2010 and the first half of 2011. The success rates of insured collection cases have been under pressure from the increased level of insolvencies in the portfolio, while non-insured business line revenue grew by 6% in 2011, following a global increase of debt placements. This trend can be attributed to the strengthening of sales efforts and the development of alternative distribution channels.

Debt placements by insured customers started to rise in the second half of 2011, as a result of an improved alignment with credit insurance and simplification of the overall service delivery. However, as it takes three to six months before a debt placement leads to income, this is not fully reflected yet in 2011 revenue, but is expected to grow in 2012 as a consequence of the additional inflow generated in 2011.

Additionally, Atradius Collections has been able to expand its service reach in key markets by investing in its channel partner programme. Major achievements include a newly signed partnership with a global business information provider as well as a supplier of a market leading accounts receivable platform via which Atradius Collections' services will be sold to its customers worldwide.

For the future, the aim is to increase Atradius Collections' market competitiveness and efficiency by further streamlining the case handling procedures and increasing automation.

Dutch State Business

Atradius Dutch State Business N.V. (Atradius DSB) issues credit insurance policies and guarantees to Dutch companies – and banks financing their transactions – on behalf and for account of the Dutch State. It provides cover for risks related to infrastructural projects and export of capital goods, often on medium or long-term credit, and for services to buyers in countries outside the Netherlands, that are not covered by the private market. It also provides cover for political risks related to investments in other countries. Atradius DSB developed broadly in line with expectations throughout 2011.

The relationship between Atradius and the Dutch Ministry of Finance dates back to 1932. Until the end of 2009, the State acted as the reinsurer of Atradius DSB. From 1 January 2010, the State itself became the insurer, while Atradius DSB continues to manage the State scheme. In practice, the customer contacts and activities performed under the scheme have remained unchanged, but it is now clearer to the insured that their counterparty risk is on the State.

Atradius DSB's technical results for account of the State showed healthy results throughout 2011. Under the agreement with the State, Atradius DSB also continues undertaking other services, including those related to debt agreements with countries that are concluded in the Paris Club. Since November 2009, Atradius DSB also manages the loan portfolio of the Nederlandsche Investeringsbank voor Ontwikkelingslanden N.V.. This portfolio is in run-off and consists of concessional loans to developing countries on behalf of the Dutch State.

Other services

The main component of these other services is a comprehensive state-of-the-art web-based credit information service on Spanish buyers. Provided through the Group company Iberinform Internacional, S.A.u., it includes company ratings and investigated reports as well as financials and public information. For many years this information was provided only for the benefit of Crédito y Caución's risk underwriters but, since 2009, it is also offered to non-insured customers.

Geographical review

Spain, Portugal and Brazil

Portugal

Spain

Brazil

(EUR thousands)	2011	2010	%
Insurance premium revenue	415,359	427,609	-2.9%
Information services and fees	34,437	36,010	-4.4%
Other service income *	4,550	5,281	-13.8%
Total revenue	**454,346**	**468,900**	**-3.1%**
Gross insurance claims and loss adjustment expenses	(377,648)	(255,921)	47.6%
Operating expenses	(118,496)	(118,278)	0.2%
Result before reinsurance	**(41,798)**	**94,701**	**-144.1%**
Reinsurance result	33,555	(87,740)	-138.2%
Result after reinsurance	**(8,243)**	**6,962**	**-218.4%**
Gross claims ratio	**84.0%**	**55.2%**	**52.1%**
Full-time equivalents	**443**	**466**	**-5.0%**

* including intercompany

Economic developments

After two consecutive years of contraction, the Spanish economy grew by 0.7% in 2011. Unemployment continued its steady rise towards 23%: by far the highest rate in the Eurozone. Spain's impressive growth in the decade up to the 2008 downturn can be largely attributed to rapid credit expansion and the subsequent construction boom, which masked relatively high labour costs and uncompetitive industries. This has left the construction sector burdened by excess capacity which, along with an increasingly tight credit environment, continues to constrain private demand. The marked build-up of debt among households and firms over the last decade has left the private sector more exposed to changing financing conditions. With the 10-year government bond yield trailing high above its German counterparty, funding costs have become increasingly elevated and this is feeding through to domestic lending rates. Deteriorating sovereign conditions, as manifested in recent downgrades by the major rating agencies, could lead to unanticipated debt servicing constraints which in turn will lead to rising delinquencies and financial sector losses with downside effects on the real economy. This pressure will be aggravated by the austerity measures necessary to reduce the budget deficit (6% of GDP in 2011).

As the Eurozone debt crisis intensified in the first quarter of 2011, Portugal became the third Eurozone country to receive a support package. Although Portugal's housing and banking sectors were less affected by the global downturn, the economy shares many of the same structural impediments as Spain, and fears about the sustainability of its public debt burden have kept borrowing costs high. Following harsh austerity measures, Portugal experienced a 1.5% decline in activity during 2011. While Spain will struggle to generate positive growth in 2012, Portugal is expected to contract further at an increasing rate.

After high GDP growth in 2010, with clear signs of overheating, the Brazilian economy showed more resilience in 2011. But inflation remained well above the targets of the Central Bank, forcing the monetary authority to keep the official interest rate high. In the second half of the year, monetary conditions were surprisingly eased as the cooling down of the economy intensified. The lower domestic interest rate was also aimed at discouraging portfolio capital imports. Attracted by the relatively buoyant domestic economic conditions in 2010 and the high interest rate, the oversupply of international liquidity increasingly went to the more successful emerging markets, of which Brazil is one. These capital imports drove up the exchange rate of the Real, contributing to a marked loss of competitiveness for traditional exporters of industrial products. The ultimate macro-economic consequence was deterioration in the current account of Brazil's balance of payments. In future years, GDP growth is expected to be more sustainable, keeping the current account deficits within acceptable limits.

Business review

This section covers the activities of Crédito y Caución, together with the operations of the Atradius Global organisation in Spain and Portugal. Through the Group company Iberinform, Atradius also offers a comprehensive and state-of-the-art web-based credit information service on Spanish buyers, including buyer ratings and reports, aside from financials and public information.

This is Atradius largest region, representing almost one third of its total revenue. Spain, which is one of the world's largest markets for credit insurance, represents our main operation while Portugal, a much smaller market, still continues to show timid growth. The company has become the second largest operator in Brazil's market as a result of organic growth. During 2011, the Brazilian team has been enlarged to increase and improve the service offered to customers operating in this strategic market. Crédito y Caución was the only operator to increase its market share – from 21% in 2009 to 25% during 2010 – within the South American market, with Brazil the main

market for credit insurance in the region, according to independent sources.

The European debt crisis, a flat internal market and the lack of enterprise funding have affected the default levels in the Spanish business-to-business market which had become stable since the second half of 2009. Crédito y Caución has already put in place risk management measures that are helping our customers to steer away from the worst risks.

Crédito y Caución has managed the changing environment quite successfully. Premium revenue decreased moderately – from EUR 417.0 million in 2010 to EUR 404.9 million in 2011 – in line with expectations. Its customer base has expanded, against the trend in 2009, but this improvement was tempered by a reduction in commercial activity. Risk acceptance, based on a rigorous buyer analysis, has resulted in stable exposure. Checking fee income also decreased as a consequence of our customers' lower business turnover.

The reinsurance result includes a release of EUR 19.4 million on the payback provision under the Consorcio de Compensacion de Seguros (CCS) due to payments made and a renewed assessment of the current and future performance of CyC. Furthermore the higher claims level in 2011 versus 2010 and the higher reinsurance commission resulted in a major improvement of the reinsurance result.

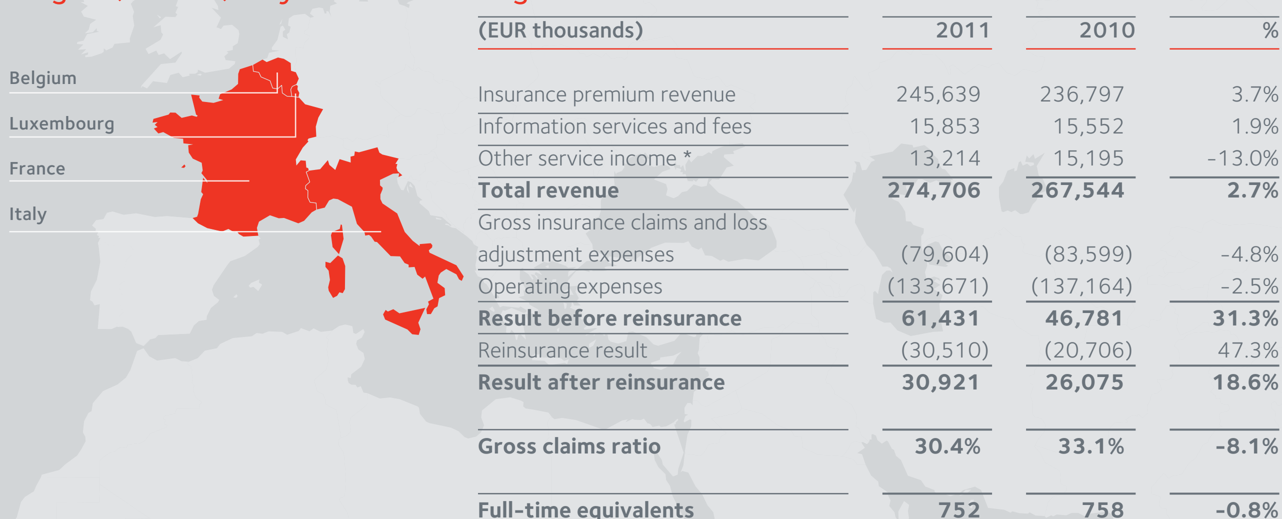
The result after reinsurance for the region decreased substantially, due to an increase in claims, from a profit of EUR 7.0 million in 2010 to a loss of EUR 8.2 million in 2011. Although early 2011 followed the 2010 trend, by the end of the first quarter several industries were showing signs of increasing financial distress.

The gross claims ratio increased from 55.2% in 2010 to 84.0% in 2011, because of the adverse economic circumstances in Spain and Portugal. The deteriorating gross claims ratio is partly due to the negative development of earlier underwriting years and the reinforcement of technical provisions.

Revenue from our Global operations showed a minor decrease compared to 2010, while the claims costs increased in line with the overall development.

For our local bonding business, which mainly covers bid and performance bonds for public contracts in Spain, severe austerity measures, which significantly lowered public expenditure, meant a drop in premium income in 2011. Nevertheless, the claims ratio remained favourable in 2011.

Belgium, France, Italy and Luxembourg



(EUR thousands)	2011	2010	%
Insurance premium revenue	245,639	236,797	3.7%
Information services and fees	15,853	15,552	1.9%
Other service income *	13,214	15,195	-13.0%
Total revenue	**274,706**	**267,544**	**2.7%**
Gross insurance claims and loss adjustment expenses	(79,604)	(83,599)	-4.8%
Operating expenses	(133,671)	(137,164)	-2.5%
Result before reinsurance	**61,431**	**46,781**	**31.3%**
Reinsurance result	(30,510)	(20,706)	47.3%
Result after reinsurance	**30,921**	**26,075**	**18.6%**
Gross claims ratio	**30.4%**	**33.1%**	**-8.1%**
Full-time equivalents	**752**	**758**	**-0.8%**

* including intercompany

Economic developments

Each of the countries in this region saw only a slight recovery in their GDP growth after the deep contraction of 2009, with Italy the weakest: up by 1.2% in 2010 and just 0.4% in 2011. Italy is now a real source of concern for Eurozone stability in the coming years, struggling with high levels of debt and below average economic performance. Large structural reforms are required to bring down the budget deficit, as the level of public indebtedness reached 120% in 2011. The escalation of the Eurozone debt crisis has driven Italian government bond yields to unsustainable levels, with the recent sovereign downgrades adding to funding pressures. The deep uncertainty regarding economic policy and an increasingly tight credit environment continue to put a drag on real economic activity, leading to an expected contraction of 1.4% in 2012.

Similarly to Italy, France has displayed poor public finance conditions, reflected in its structural budget deficit and high public indebtedness. In an environment where future financing of this debt position is likely to become tighter, the French economy may be considered to be more disadvantaged than many of its peers. Given its strong links to the Southern European countries, most affected by the sovereign debt crisis, the French banking sector appears vulnerable. Economic growth is expected to stagnate in 2012, following slow growth of 1.7% in 2011.

Belgium, as one of the world's largest trading nations, benefited from the strong rebound in global trade and grew by 2.3% in 2010 and 1.9% in 2011. The Belgian economy is, however, negatively affected by its weak political situation. The financial sector has also been subjected to significant stress during the crisis, raising additional concerns over credit conditions in the country. Forward-looking indicators point to stagnation in activity in 2012, as poor confidence and high unemployment continue to put downward pressure on domestic demand.

Business review

All countries in this region offer short term credit insurance, the non-standard credit insurance products of our Special Products team and debt collection. Italy and France also manage a bonding portfolio, while Belgium and Luxembourg offer Instalment Credit Protection (ICP).

The result after reinsurance in the region was a profit of EUR 30.9 million, a significant improvement on 2010's EUR 26.1 million, supported by a significant improvement in the claims result, increased revenue and a reduced cost base. The financial year claims ratio for the region was positively affected by developments of the previous year's underwriting year claims ratios. In France, and particularly in Italy and Belgium, the impact of the previous underwriting year's claims ratios accounted for a significant reduction in the financial year claims ratio. The improvement in the claims ratio contributed to a decrease in the reinsurance result. Overall revenue increased but was tempered by the winding down of the ICP business in France and the decrease in our collections activity. Commercial credit insurance saw a modest increase in its claims ratio but, due to the performance of claims in Bonding, the overall claims ratio for the region reduced by 2.7 percentage points. Operating expenses were further contained following 2010's restructuring, with costs down by 2.5%.

Credit insurance revenue in France grew by 9.4% despite being adversely affected by premium refunds, due to the continuous low claims situation. Furthermore, while cancellations have proved positive, the run-off of the Government support scheme and slow new business have had a negative influence on revenue growth. The streamlining of the sales organisation in 2011 has put the commercial organisation in better shape to achieve higher profitability in future.

Revenue in Italy increased considerably compared to 2010. Costs increased, but this was mainly related to one-off lower expenses

in 2010 and the additional expense in 2011 of moving to a more suitable location.

In Belgium, our customers' higher turnover and the good customer retention rate contributed to considerable sales growth in 2011. However, claims increased in frequency and in average size towards the end of the year. Revenue from our Global operations increased at a healthy rate but also experienced a higher claims ratio than in 2010.

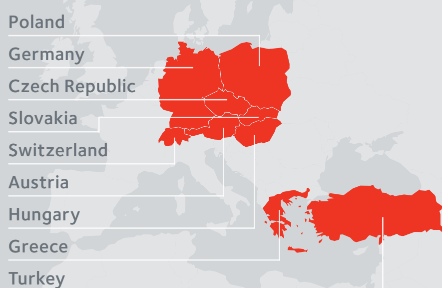
Bonding revenue in France grew by 9.6% to EUR 24.7 million, thanks to an increase in written premium of 11.5%. In Italy, the decreasing earned revenue – at EUR 28.3 million – is masking a very dynamic result in written premium (+14.4%), and in new business, following the decision to focus on public works. Claims levels in both countries reflected the low claims inflow during the year, and active management of the claims portfolio which resulted in the release of former provisions.

ICP revenue in France has progressively decreased (-51.2%) since 2009's move to wind down ICP in France, and the core remaining task is the recovery of defaulted loans. France's specific circumstances led to a portfolio reassessment, impacting the claims ratio. In Belgium revenue remained stable, showing the resistance of this business to adverse economic, financial and regulatory conditions. In a depressed economic environment, recoveries proved more difficult, but were maintained at a high level by using new recovery techniques, confirming the level of ultimate future recoveries and even improving the gross claims ratio. In Belgium, ICP has initiated a new offering to the real estate market: the coverage of loans made to residential co-ownerships and of the common charges of those co-ownerships.

Global showed a 7.3% increase in revenue and was able to reduce its cost base. However, the claims ratio increased to 43.6% in 2011, due mainly to an increase in claims costs in Belgium.

Collections revenue decreased slightly, in line with the benign claims situation in the region that led to a reduction of insured inflow. However, the unit has also been able to reduce its operating costs in the region, and thus mitigate any sizeable impact on its overall profitability.

Germany, Central and Eastern Europe



(EUR thousands)	2011	2010	%
Insurance premium revenue	205,742	195,445	5.3%
Information services and fees	22,777	24,486	-7.0%
Other service income *	8,186	9,212	-11.1%
Total revenue	**236,705**	**229,143**	**3.3%**
Gross insurance claims and loss adjustment expenses	(49,293)	(71,677)	-31.2%
Operating expenses	(96,105)	(91,779)	4.7%
Result before reinsurance	**91,307**	**65,687**	**39.0%**
Reinsurance result	(25,855)	(22,164)	16.7%
Result after reinsurance	**65,452**	**43,523**	**50.4%**
Gross claims ratio	**21.6%**	**32.6%**	**-33.8%**
Full-time equivalents	**591**	**601**	**-1.7%**

* including intercompany

Economic developments

This region covers Germany, the second largest Atradius market, together with the Central and Eastern European countries of Austria, Switzerland, Greece, Turkey, Poland, Hungary, Czech Republic, Slovakia and Russia.

Growth in Germany continues to be a major driving force in the region though, at a rate of 3.1% for 2011, this is far below previous indications because of economic stagnation in the second half of the year. The forecast for 2012 is significantly lower, at 0.6%. Austria, with its strong link to the German economy, also declined during the fourth quarter but reached 3.2% in 2011 with a slide to 0.5% expected in 2012. The moderation in growth in Switzerland, to 1.7% in 2011, was mainly due to weakened exports stemming from the strong Swiss franc.

As a region, the Central and Eastern European countries (CEE) performed reasonably well in 2011. Real economic growth continued, although at a slower pace, once these economies had emerged from 2009's recession. As exports in the region are largely oriented towards the EU, with strong cross-border financial links through the banking sector, 2012's economic prospects for the region are less benign. While the larger markets like Poland and Turkey will have some protection from the recession in the Eurozone, other more export-oriented markets like the Czech and Slovak Republics and Hungary will suffer more.

Since May 2010, when the first Eurozone support package was launched, Greece has remained at the centre of the Eurozone's financial turmoil. The sharp fallout from severe economic imbalances and the fiscal consolidation dragged GDP into a third consecutive year of decline. Economic activity fell further by 6.8% in 2011. In the light of the concerns about the Greek government's ability to meet the medium-term fiscal targets, the outlook forebodes yet another year of deep contraction in 2012.

Turkey's impressive political and economic consolidation in the last few years has strengthened its role in the region. But the high GDP growth of 2010 and 2011 will slow as inflation has to be brought under control and large external deficits have to be curbed by more restrictive budgetary and monetary policies. As a consequence, Turkey may confirm its traditional reputation as a 'boom and bust' market with a volatile currency.

Depending on the availability of commercial capital, recourse of some countries to IMF support in 2012 cannot be ruled out and any such programmes will constrain GDP growth. As an important energy exporter, Russia may well continue its robust growth of 2011 if the oil price remains high, as is currently expected. The Russian economy continues to be in need of reform and is therefore vulnerable to unfavourable external developments.

Business Review

This region's product offering comprises standard and non-standard credit insurance provided by the local and Global commercial organisations, and the Special Products unit. Service income is generated by Atradius Collections, offering debt collection to third parties and from the recovery of credit insured debt.

As in 2010, results for the region after reinsurance were very profitable, contributing EUR 65.5 million (EUR 43.5 million in 2010) to the total result. This was due mainly to lower claims and the positive development of the previous year's claims ratios, coupled with an improvement in revenue. In Germany, the impact of the previous underwriting year's claims ratio accounted for a reduction in the financial year claims ratio of 31.9 percentage points. The increase in the reinsurance commission rate in 2011 led to an improvement in the reinsurance result.

Regional growth in revenue exceeded expectations in 2011, but with differing results in the various countries.
In Germany, total revenue from standard credit insurance was 3.6% above 2010, due mainly to customers' higher than expected insured shipments, improved customer retention, successful new business inflow and therefore an increase in the customer base. The reason for this positive picture was the fundamental improvement in the acceptance rates for credit limits, combined with increased insurance cover achieved through active communication with customers with a view to adding or reinstating credit limits. The changes stemming from our 'Roadmap to Success' strategy also laid the foundation for better internal cooperation, leading to noticeable improvements in customer relations. The favourable claims experienced in Germany – at 27.5% in 2010 – entailed higher than expected premium refunds to clients, which limited revenue growth in 2011.

Positive revenue growth overall was recorded in the other countries in this region, especially in Austria, Greece, Poland and Slovakia. In Greece we were able to take advantage of the withdrawal of the local general insurer and credit insurance market leader, Ethniki. Pro-active account management and successful new business activities supported the business growth in the countries. In Austria, Switzerland and the Czech Republic our commodity and metals trading clients benefited from higher prices during the second half of 2010 and the first half of 2011, thereby increasing the volume of insured shipments. The continued positive development of Risk Services decentralisation has brought clear improvements to our knowledge of local companies and industries, enabling us to provide levels of cover better suited to clients' needs.

Revenue from our Global operations remained stable, while a decrease in the claims ratio has considerably improved their contribution to the profitability of the region. The results of our Special Products unit increased substantially over 2010.

As mentioned, Germany and the other business units in the region have benefited from reduced claims inflow and the positive developments of previous underwriting years' claims ratios, although less so than in 2010. Moreover, we saw a solid overall increase in recoveries thanks to diligent efforts by Atradius Collections.

The United Kingdom and Ireland

(EUR thousands)	2011	2010	%
Insurance premium revenue	232,128	207,568	11.8%
Information services and fees	4,449	4,902	-9.2%
Other service income *	3,239	3,466	-6.6%
Total revenue	**239,816**	**215,936**	**11.1%**
Gross insurance claims and loss adjustment expenses	(114,663)	(75,408)	52.1%
Operating expenses	(96,697)	(93,222)	3.7%
Result before reinsurance	**28,456**	**47,306**	**-39.8%**
Reinsurance result	(42,998)	(52,100)	-17.5%
Result after reinsurance	**(14,542)**	**(4,794)**	**203.3%**
Gross claims ratio	**48.5%**	**35.5%**	**36.6%**
Full-time equivalents	**441**	**447**	**-1.4%**

* including intercompany

Economic developments

After a reasonable recovery, GDP growth started to slow mid-way through 2010 in the UK, growing by 1.8% over the year. This weak growth continued throughout 2011, constrained by poor household consumption. The downward trend in the Eurozone economy that dominated the autumn of 2011 also affected UK growth, with consumer spending falling, leading to GDP growth of just 0.9%. Inflation was 3.3% in 2010 and increased to 4.5% in 2011. The Bank of England continued its expansionary monetary policy to stimulate the economy. For 2012, economic indicators are mixed, highlighting the uncertain nature of the economic forecasts. While inflation will improve, the forward-looking indicators are inconsistent and there is no certainty that some positive results in manufacturing, services and export sectors are the start of consistent growth cycle. The impact of the government debt reduction strategy and the weakness of overseas trading partners indicate GDP growth potential of no more than 0.5% in 2012. The Irish economy contracted by 0.4% in 2010, despite strong industrial production, due to a strong export position on falling prices and wages. The first half of 2011 saw an increase in growth, again driven by exports, and GDP growth reached 0.8% in 2011 Ireland continued to implement the austerity, financial and structural reforms it has committed to in return for a EUR 85 billion loan from the IMF, ECB and European Commission. These efforts were rewarded by the financial markets; with Ireland seeing its yield difference with the 10-year German bond decline after a spike in mid-2011. The readjustment of the domestic economy makes growth highly dependent on external demand, which slowed during the second half of 2011 and is expected to remain weak during 2012.

Business Review

This region offers credit insurance through the local sales organisation and the Global teams, the non-standard solutions of our Special Products unit, and debt collection services. Atradius Re, based in Ireland, offers credit and bonding reinsurance to the Atradius group and to third parties, mainly in emerging markets where Atradius itself does not have a presence.

The insurance premium of the region has shown a strong increase of nearly 12%, driven largely by assumed reinsurance activities.

The reinsurance result has improved by 17.5% to a cost of EUR 43.0 million. Compared to other regions these costs are relatively high as, next to the reinsurance costs of the UK and Ireland, they also include the costs of retro-ceding of Group related business from specific markets and older underwriting years.

The UK market remained extremely competitive, with new players seeking to increase market share by offering bespoke solutions that do not rely on the whole turnover concept of traditional credit insurance. This inevitably resulted in downward pressures on prices. Against this background, customer retention has been strong, aided by robust risk acceptance and solid organic turnover growth. However, the overall size of the credit insurance market has been static, making the acquisition of new customers challenging. A great deal of effort has been spent on re-emphasising the Atradius value proposition and engaging with the broker community – our primary distribution channel in the UK.

The Global product offering constitutes around 10% of revenue, and Global's moderate claims ratio resulted in a substantial contribution to the profitability of the region. The London based Special Products unit achieved positive momentum which is expected to continue. Our Collections business in the region showed a decrease in results, following the lower inflow of debts to collect.

The Netherlands and the Nordic countries

Finland
Norway
Sweden
Denmark
The Netherlands

(EUR thousands)	2011	2010	%
Insurance premium revenue	178,887	168,241	6.3%
Information services and fees	19,365	19,562	-1.0%
Other service income *	21,254	20,495	3.7%
Total revenue	**219,506**	**208,298**	**5.4%**
Gross insurance claims and loss adjustment expenses	(70,203)	(28,047)	150.3%
Operating expenses	(112,447)	(108,319)	3.8%
Result before reinsurance	**36,856**	**71,932**	**-48.8%**
Reinsurance result	(6,388)	(41,632)	-84.7%
Result after reinsurance	**30,468**	**30,300**	**0.6%**
Gross claims ratio	**35.4%**	**14.9%**	**137.1%**
Full-time equivalents	**614**	**618**	**-0.6%**

* including intercompany

Economic developments

After GDP contraction in the Netherlands of 3.5% in 2009, growth returned in 2010 and 2011. The Dutch economy showed weak growth of 1.5% in 2011 and is expected to contract by 0.3% in 2012, as the Eurozone economy deteriorates further. In the third quarter of 2011, GDP started to shrink in the Netherlands, owing to lower export growth, weak consumer spending and government spending cuts. Unemployment started to increase from June 2011 onwards and is expected to continue this upward trend in 2012.

The relative openness of the economies in the Nordic region means that the strong rebound in global trade has accounted for much of the regional growth dynamics over the past two years. But the composition of these countries' exports was also important. For example, Swedish and Finnish exports, dominated by the highly cyclical production sector, contributed strongly to sizeable GDP recoveries of 5.3% and 3.6% respectively in 2010, and 4.3% and 2.9% in 2011. Danish and Dutch exports such as pharmaceuticals and agricultural products, which are generally more consumer focused and less cyclical, have responded less aggressively to the turn in the cycle. Consequently, both economies have seen more moderate output swings during the past two years' recovery. The Danish economy increased by 1.3% in 2010 and 1.1% in 2011. The strong increase in the price of oil has supported Norwegian trade, leading to a 2.5% increase in GDP growth in 2011. Given expectations of a sustained high oil price, activity is forecast to increase by 2.3% in 2012. With the exception of Norway, a slowdown in exports is expected to feed through to more moderate 2012 growth rates across the region. However, comparatively healthy public sector balance sheets mean that any headwinds from fiscal consolidation are likely to be relatively light.

Business Review

The product offering in this region consists of credit insurance provided by our local and Global teams, the non-standard solutions of Special Products, and Bonding (in the Nordic region). Service income is generated by Atradius Collections in the Netherlands and Denmark and by Export Credit Agency fees from Atradius Dutch State Business in the Netherlands. Revenue for the region increased by 5.4%, while claims increased – especially in the Nordic region. This increase in claims resulted in a positive development in the reinsurance result of EUR 35.2 million, due especially to more ceded claims but also to a substantially higher reinsurance commission in 2011 than in 2010.

In the Netherlands, revenue from small and medium sized companies increased but sales to larger companies were below expectations. During the year, retention improved gradually and came close to pre-crisis levels. Despite fierce competition, Atradius maintained its high market share in the Netherlands of between 55% and 60%. The quality of Atradius' products and services, and our people's expertise, are widely recognised in the market. In January 2011, Atradius in the Netherlands launched its own direct sales channel, focusing on the SME market. The aim of this channel is not to compete with our most important channel – insurance brokers – but to concentrate on non-insured companies, thus enlarging the market penetration of credit insurance in the country. This initiative has proved promising, with a significant growth in direct contracts in 2011. Atradius also signed a cooperation agreement with FME, the largest organisation in the technological industry in the Netherlands, representing thousands of companies. This alliance provides FME members with attractive conditions and detail of cover.

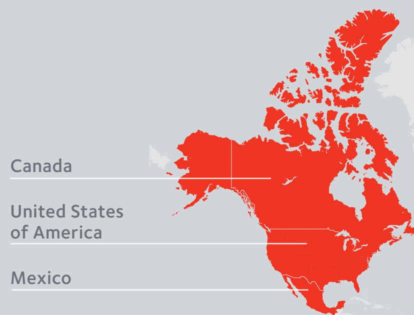
In the Nordic region, Denmark is the largest market, generating 50% of the region's total revenue. The Danish government's guarantee scheme for credit insurance proved very successful

during the financial crisis of 2008 – 2010, benefiting both Atradius and our customers. That scheme will now be phased out for OECD countries by the end of June 2012. In the Nordic region, a new SME product has been developed with Denmark taking the lead. This new product will help target the small to mid market segments with a simplified product setup that will facilitate distribution by enabling partners. The Nordic region achieved double-digit revenue growth in 2011, but unfortunately claims also increased significantly. However, the claims ratio remained relatively low in 2011 (in 2010 the claims ratio was negative due to the positive run off of previous years). In order to improve the results of the Nordic region in the future, the sales organisation is being further adapted to the needs of the customers, by optimising administration processes and focusing on multiple sales channels.

Global business showed a healthy increase in revenue in the region but also saw an increase in the claims ratio resulting in a decrease in performance in 2011. Special Products further expanded its presence and increased its revenue.

The revenue from our Bonding operations increased by 12.0% within a mixed economic environment despite the pressure on prices, which reflects the renewed competition on those markets. Such growth largely indicates the intensive commercial activity of recent years, and the close relationships that Atradius bonding teams have been able to maintain with their customers throughout the economic cycle. To build on these relationships, the units introduced a new web tool that let customers stay in close contact with their bond provider to manage their bond requests and releases. Low claims levels have been maintained despite some negative trends, especially in Denmark.

North America



(EUR thousands)	2011	2010	%
Insurance premium revenue	59,461	52,774	12.7%
Information services and fees	1,995	1,718	16.1%
Other service income *	1,854	1,927	-3.8%
Total revenue	**63,310**	**56,419**	**12.2%**
Gross insurance claims and loss adjustment expenses	(5,534)	(787)	603.5%
Operating expenses	(25,029)	(27,396)	-8.6%
Result before reinsurance	**32,747**	**28,236**	**16.0%**
Reinsurance result	(14,303)	(14,114)	1.3%
Result after reinsurance	**18,444**	**14,122**	**30.6%**
Gross claims ratio	**9.0%**	**1.4%**	**523.8%**
Full-time equivalents	**152**	**146**	**4.2%**

* including intercompany

Economic developments

After a contraction in 2009, the US economy returned to growth of 3.0% in 2010, weakening to 1.7% in 2011. Canadian output slightly outpaced its southern neighbour in 2011, rising by 2.3% in 2011, while Mexican output slowed to 3.8% after 5.4% in 2010. The US economy had a poor year, with unemployment stuck at 9.0% and political bickering over efforts to reduce the large budget deficit – also standing at 9.0%. In August, rating agency Standard & Poor's downgraded the US from AAA to AA+, reflecting its concerns over the US's capacity to service its sovereign debt in the longer term. The other major rating agencies, however, kept their US (top) ratings intact. A committee of Democrats and Republicans failed to come up with a bipartisan solution and break the political impasse. Economic growth continued on the back of business investment and remarkably positive private consumption. The Federal Reserve pursued an expansionary monetary policy to stimulate the economy, keeping interest rates low and intervening in asset markets, despite inflation rates far in excess of 2%. US banks felt pressure from their exposure to Europe and continued problems with mortgage payments, as house prices dropped further. Current expectations reflect that US growth will increase to 2.2% in 2012. As both Canada and Mexico are closely aligned with the business cycle of the US economy, the US growth dynamics will influence their 2012 growth paths.

Business Review

Of the three markets that make up this region – the USA, Canada and Mexico – the US is the largest, accounting for more than 70% of the region's revenue. In the US, Atradius offers traditional credit insurance, the non standard credit insurance products of our Special Products team, and debt collection services. The result after reinsurance for the region improved considerably: from a profit of EUR 14.1 million in 2010 to a profit of EUR 18.4 million in 2011, helped by the significant improvement in the claims result and increase in revenue. Current underwriting year claims ratios have returned to a normal level of 45%. However, due to the positive developments of previous underwriting years claims ratios, the 2011 financial year claims ratio is very low: at 9%. The low claims ratios led to large negative results for reinsurance in 2010 and 2011.

In the US, Atradius sees continuing growth in demand for our non-cancellable offering, despite strong competition from other insurance markets, both established and new, that concentrate on selling non-cancellable products. That strong competition means that some players have returned to pre-crisis risk and price levels very quickly. The more traditional whole turnover market has remained relatively stable. In 2011, Atradius in the US focused mainly on creating sustainable growth by offering risk and price levels that could be maintained. Together with Atradius' unique ability to combine the whole turnover offering with the non-cancellable concept, this proved to be pivotal to our success. For our major distribution partners, Atradius established a 'broker gateway': a concept by which all three of our major business lines are offered seamlessly to our brokers. We also boosted our regional presence in the US by strengthening the West Coast operations and opening a Chicago office. The plan is to expand this even further in the future to bring us closer to customers.

In Mexico, the major players have decreased their prices and we regained market leadership during the second half of 2011

through our ability to service existing customers and help grow their businesses. Together with our customers, we have initiated a programme to exchange information on their businesses and thus ensure that the support we provide is properly targeted.

Canada showed strong growth in major segments and solid customer loyalty: a reflection of the support that we give to our customers. We have also developed partnerships that have enabled us to penetrate the SME segment.

The presence of our Global operations in the region remained stable, while Special Products achieved a significant growth in revenue.

Oceania and Asia

(EUR thousands)	2011	2010	%
Insurance premium revenue	66,144	57,181	15.7%
Information services and fees	2,375	1,825	30.2%
Other service income *	943	1,157	-18.5%
Total revenue	**69,462**	**60,163**	**15.5%**
Gross insurance claims and loss adjustment expenses	(25,142)	(14,760)	70.3%
Operating expenses	(30,075)	(25,214)	19.3%
Result before reinsurance	**14,245**	**20,189**	**-29.4%**
Reinsurance result	(6,491)	(6,478)	0.2%
Result after reinsurance	**7,754**	**13,711**	**-43.5%**
Gross claims ratio	**36.7%**	**25.0%**	**46.7%**
Full-time equivalents	**135**	**129**	**5.1%**

* including intercompany

Economic developments

Asia remains the world's engine of economic growth, driven by China and India whose economies grew by 9.2% and 7.4% respectively in 2011. Both economies showed some signs of overheating and a gradual deceleration of growth is therefore expected in 2012.

The economies of South East Asia performed very well, and Indonesia in particular has developed into the rising star of the region.

Japan (still the world's third largest economy) has proved to be the odd one out. The country had only just begun to recover from the 2008 downturn when it was hit by the Tohoku earthquake and the tsunami. This natural disaster dragged Japan into recession (0.5% GDP contraction) in 2011. Thailand was also plagued by natural disaster: it experienced the worst floods for half a century, leading to severe supply chain disruptions. Its economy therefore showed very modest growth of 1.2% in 2011.

Nature also proved to be harsh for Australia and New Zealand. Australia was hit by major floods which caused disruption to its important mining industry. The disaster shaved off approximately half of the projected GDP growth (1.7% instead of the earlier forecast 3.2%). If demand from Asia continues, mining is expected to recover in 2012 and the sector will again drive Australian growth. Neighbouring New Zealand suffered from the Christchurch earthquake. Reconstruction efforts have had a positive effect on economic growth, but have also cut into public finances.

Business Review

The launch of our 'Roadmap to Success' strategy, with its even closer focus on customer needs, has led to an enhancement of the role of our Customer Service Centre. Within that centre, a Credit Limit Service team works closely with our Risk Services unit and now has a degree of underwriting authority so that customers can have direct contact with underwriters. Total revenue increased 15.5%, thanks to investment and economic growth in the region. While the claims ratio also increased – by 12.0 percentage points – this is still well under control. The 2010 claims ratio had benefited from positive developments of previous underwriting year ratios, and in 2011 this ratio returned to a more normal level. Operating expenses have increased due to investments in the region.

Our Asia operation has achieved high growth in revenue. The focus on this area increased in 2011 and will continue to do so, as we seek to benefit from the economic growth in the region. In July, the service offering in Asia was extended through our Pan-Asian cooperation partner Tokio Marine Asia Pte Ltd. Policies can now also be issued locally in Indonesia, Malaysia, Vietnam and the Philippines. This is an important addition to the existing cooperation partner agreements we have in China, Taiwan and Thailand. This development was well received by our customers, as it allows us to cover more of their business in these Asian markets and to satisfy their needs even more comprehensively.

In Oceania, standard credit insurance remained stable with constant revenue levels and moderate claims ratios. An SME product has been launched in the region that lends itself to sales through channels other than the normal broker channel. Customer retention improved in 2011 and the increase in customers' turnover has contributed to our revenue development. Although we have been faced with increased self insurance and with more aggressive pricing by the competition, we successfully defended our market position by demonstrating our good value proposition. The main credit insurance brokers are still dominating the market, but direct sales are gaining momentum in niche areas. Revenue in the region grew rapidly in 2011: by almost 16%.

The Global operation in the region was faced with higher claims that ate into its profitability, while the profitability of Atradius Collections and Special Products remained stable.

Human resources

To guarantee Atradius' continued success, it is essential that all our employees have the skills and mindset needed to deliver high quality services and products for our customers. For that reason, our focus is always on developing our employees – and helping them to develop themselves – through the framework of our Atradius Academy training programmes. The added challenges and responsibilities created by our new strategic organisational model have only underlined the importance of developing our people to meet those challenges.

Staff development

As the credit insurance market becomes increasingly competitive, it is vital that we develop the talent that we have within the company, to enable them to provide the excellent service to our customers that is a defining characteristic of Atradius.

The range of our training programmes is exceptionally broad, encompassing all the competencies needed to maintain and improve our market position. We have defined specific roles and responsibilities for country and Group functions to support and enhance our country organisational structure, and, in 2011, one major task for the Atradius Academy has been the further development of sales skills, with a sales programme designed and delivered to sales teams throughout our organisation.

In February 2011 the last module of the third 'On the Move' management development programmes was completed, and this was followed in the last quarter of the year with a new series of management development programmes, updated and redesigned with the help of the Rotterdam School of Management and other high quality providers to ensure that they meet current and foreseeable future business demands.

The Atradius Academy continues to offer all our employees worldwide a range of integrated learning solutions, and our Learning Management System – an electronic platform for both tailor-made and general e-learning modules – has been reinvigorated with a range of new modules. Particular attention in 2011 has been given to training on our buyer underwriting system, while a new account management tool has been introduced, using a combination of classroom, e-learning and distance learning. This new tool makes both policy renewals and administration more efficient.

Permanent education

The Atradius Academy also designed a new permanent education programme for Management and Supervisory Board members. This permanent education programme will begin in 2012.

E-performance

In 2011, for the first time, our annual staff appraisal process was managed on a global scale through the e-performance tool in the HR information system PeopleSoft. This tool strengthens our ability to manage performance and pursue continuous improvement. With performance documented digitally, we have the ability to analyse and more accurately report on performance ratings, development and training needs, and the development of the annual staff appraisal cycle.

Controlled remuneration policy

The Dutch Central Bank supervises compliance with new legislation and regulation relating to the controlled remuneration of financial institutions. The new regulations require companies to have a policy containing rules on variable remuneration for specific roles in line with the business cycle, to ensure the appropriate alignment of variable pay and long term business performance. We have adjusted our remuneration policy in accordance with these requirements. The new remuneration policy for the Atradius Group has been approved by the Remuneration, Selection and Appointment Committee and our shareholders.

Pensions

When pensions are part of the local remuneration practice in a specific country the defined contribution plans are the preferred vehicle within Atradius and are offered to new employees. The defined benefit plans that are in place have been closed for new entrants where possible.

Employee satisfaction survey

In November 2011 we again conducted a Group wide employee satisfaction survey, to measure employee engagement and satisfaction and identify areas of strength and those needing improvement.

Our performance is measured against an international benchmark and our own previous survey. All employees received an invitation to express their opinion, and 80.8% of them responded. The results will be available in the first quarter of 2012, and all employees will then be informed of the outcome of the survey.

We are pleased to report that Crédito y Caución has been identified in an independent survey by the Spanish leading business magazine Actualidad Económica as one of the top 10 overall companies to work for and the best company to work for in the insurance sector in Spain.

Key statistics, at 31 December 2011	2011	2010	2009	2008[1]	2007	2006	2005
Headcount	3,304	3,318	3,627	4,106	3,604	3,545	3,452
Full-time equivalents (FTE)	3,128	3,165	3,470	3,854	3,366	3,304	3,256
Retention rate	91.1%	85.8%	88.6%	88.8%	82.9%	84.3%	78.4%
Sickleave	3.4%	3.6%	3.4%	3.0%	3.4%	3.6%	4.0%
Development and training							
Expenses as percentage of salaries	1.3%	1.3%	1.4%	2.5%	2.6%	2.4%	2.0%
Number of participants	1,952	1,236	1,943	4,455	n/a	n/a	n/a

[1] Including Crédito y Caución since January 2008

The Atradius FTE (Full Time Equivalent) number reflects the presence of Atradius payrolled employees measured by taking into account the standard working hours applicable for their geography. Excluded from this FTE number are employees who are on Leave of Absence (Long Term Illness and Special Leave for 2 month or longer). Non-payrolled staff and insourced services are not included in this number (e.g. people who have a contract of employment with another company who invoice Atradius for their services).

Building on our commitment to corporate responsibility

At Atradius, we fully understand the value of adhering to a philosophy of genuine corporate responsibility (CR), from both an ethical standpoint and also because of the business benefits that it generates in terms of cost savings, improved customer service through employee engagement, brand value and ultimately increased profitability.

That philosophy is therefore at the heart of our business, as is evident from our CR vision and mission:

Our vision for corporate responsibility: We are a responsible global company offering credit management solutions worldwide. As such, in our pursuit of profit, we aim to manage the ethical, environmental and social risks of the way we do business. Our vision is to ensure that our decisions and actions benefit our employees, our customers, our shareholders and the communities in which we work – and that those decisions should be tempered by an understanding of their impact on the environment.

Our mission: As a business, our purpose is to make a worthwhile contribution to successful national and international trade and to our customers' prosperity. In doing so, we place a high regard for the environment and for human rights at the heart of our corporate strategy and act with absolute integrity towards our employees, our customers, our shareholders and indeed to all those with whom we interact.

We aim to instil this spirit throughout our organisation, so that we will always treat our colleagues, business and social contacts honestly and decently, and each understand our responsibility to behave in a way that protects the environment in which we work and live.

Atradius' commitment to CR and to the UN Global Compact principles on human rights, labour conditions, the environment, and anti-corruption, continues to be a central pillar of our operations. Of course, all of our stakeholders – shareholders, customers, business partners and employees – would expect us to adhere to ethical principles, and we have also found that by doing so, our business has profited in many ways.

The Atradius Group Environmental Policy

Our commitment to CR is evident from our environmental policy, which expresses our standpoint on the environment:

Energy, the environment and financial savings

One major example of our compliance with this policy is that of the redesign and equipping of our IT Data Centre – a mainstay of our ability to perform efficiently across the globe. By replacing existing equipment, such as laptop PCs, with more energy efficient models, and by rationalising and centralising our servers, we have managed to upgrade our services – both internal and external – while at the same time reducing our energy usage by 20%: a saving in financial terms of around EUR 45,000 a year.

We donated the replaced laptops, after removal of the hard disks, to charities that can sell them to raise much needed money for the local community.

In 2012 we will continue our drive for energy reduction through further server rationalisation and the replacement of desktop PCs with more energy efficient models – and of course will dispose of the replaced models in a way that brings more benefits to the community.

In line with our Group environmental policy, when deciding on new IT equipment, we seek from potential suppliers a proposal that includes evidence of their own CR standards: in the areas of respect for the environment, compliance with health and safety legislation and, in their employment policy, a respect for human rights and equal opportunities. Each vendor's response is then scored and is central to our final choice of supplier.

Reducing our carbon footprint

While the nature of our business means that we have to travel, we have made major strides to reduce our carbon footprint, through fewer flights and a conscious move in several of our regions to reduce the CO_2 emissions of our fleet of cars.

Throughout our global organisation, we continue to increase our use of energy saving devices, whether through the careful use of printers, low consumption lighting and similar day-to-day initiatives that together reap great rewards for Atradius, and ultimately for our stakeholders. For instance, the replacement, in our offices in Germany, Belgium, France and Italy, of 421 printers, copiers, fax machines and scanners with just 53 multifunctional printers will create a substantial energy saving over time.

Serving our local communities

We actively encourage all our people to devise new initiatives to enhance our corporate responsibility credentials, and many are eager to do so, whether it is through 'cycle to work' schemes, the donation of old mobile phones to worthy causes, the choice of hybrid company cars, collecting toys for underprivileged children or sponsoring worthwhile charities.

We value all of our employees and recognise their rights

We comply with the laws of the countries in which we operate as they relate to the rights of employees to collective bargaining and representation by trade unions and workers' councils. Moreover, our code of conduct lets every employee and potential employee know that they will be treated equally, regardless of nationality, race, religion, age, sex, sexual orientation, belief and despite any disability.

One aspect of this is our active employment of disabled people in suitable roles within the organisation. And we regularly undertake an independent and comprehensive survey of all our employees worldwide, so that we can establish from the ground

up what our people think of the organisation as a whole, their work, their working conditions, and opportunities for advancement. Where area's of improvement are identified, we seek to act upon them.

This survey aside, through our code of conduct and compliance codes we recognise and uphold human rights and provide channels of communication for each employee to report instances of wrong-doing, and breaches of law, rules and regulations. And we never permit any act of bribery or corruption, for instance the acceptance of any gifts that may create an obligation for the individual receiving that gift.

Links to external bodies

CR initiatives and imperatives are always subject to change. That is why, for example, Atradius gains – and adds – real value from its membership of CSR NL (affiliated to CSR Europe, the leading European business network for corporate social responsibility): a forum that allows us to network and share experiences, knowledge and best CR practice with many other major companies.

You can find details of Atradius' participation in the UN Global Compact at **www.unglobalcompact.org/participant/980-Atradius-NV**

Link to internal body

More details of our commitment to corporate responsibility can be found at **www.atradiusdutchstatebusiness.nl/dsben/cr**

Measuring our progress

As we strive to continue to make real progress in enhancing our corporate responsibility in all of these areas, it is vital that we can measure the benefits that accrue from our actions. For that reason, we have developed a system of measuring key performance indicators, for each country in which we operate, to accurately gauge our consumption of energy and other resources – and how much of that is derived from renewable and recycled sources – our greenhouse gas emissions and our methods of disposal or waste materials.

The following chart shows the information that we have collated from our Group offices in respect of 2011, and which will form the foundation on which we can track our progress in future years. The column entitled 'Reporting FTE weight' shows the percentage of replies (relative to the number of full time equivalent employees) that we have received from our Group offices in respect of their consumption of resources, travel etc.

KPI	Reported Total	Reporting FTE weight
Number of offices	73	
Total office space (m^2)	88,680	**100%**
Total personel (FTE)	3,128	
Paper Used		
Non-Recycled Paper (sheets A4)	19,827,022	97%
Recycled Paper (sheets A4)	8,658,050	
Water Consumption (m^3)	26,641	79%
Energy Consumption		
Electricity from non-renewable source (kWh)	24,167,700	95%
Electricity from renewable source (kWh)	2,564,183	
Gas (m^3)	420,816	73%
Travel		
Employee air travel (km)	9,877,887	79%
Employee rail travel (km)	1,386,191	75%
Company lease car travel (km)	10,938,419	92%
Waste-per type		
Hazardous waste (tonnes)	3	92%
Non-hazardous waste (tonnes)	340	
Waste-per disposal method		
Reused (tonnes)	9	
Recycled (tonnes)	100	
Composted (tonnes)	8	**78%**
Energy recovery (tonnes)	52	
Land fill (tonnes)	21	

Corporate governance

Atradius endorses the importance of sound corporate governance. Key elements of independence, accountability and transparency create a relationship of trust between Atradius and all of its stakeholders – employees, customers, suppliers, shareholders and the general public. Atradius N.V. is a limited liability company organised under the laws of the Netherlands with a Management Board and a Supervisory Board.

The Management Board is responsible for achieving Atradius' objectives, strategy, policy and results and is guided by the interests of the Company and its stakeholders. The Supervisory Board supervises Atradius' general affairs and the policy pursued by the Management Board as well as the performance of the management duties by the Management Board members, taking into account the interests of the Company and the business connected with it.

The Management Board

Composition

The Management Board of Atradius N.V. consists of four members.

Isidoro Unda
(1952, Spanish nationality)
Isidoro Unda was appointed Chairman of the Management Board and Chief Executive Officer (CEO) of Atradius N.V. with effect from 4 July 2007.

As CEO, Isidoro Unda is responsible for the units Strategy and Corporate Development, Human Resources and Facilities, Legal and Compliance, Internal Audit and IT Services. He has over 25 years experience in the financial and insurance sector. Before joining Atradius as CEO, he held positions with the Spanish Ministry of Finance, Consorcio de Compensación de Seguros and Crédito y Caución. Former positions include: member of the Supervisory Boards of Atradius N.V., Inverseguros S.A. and Mutua Madrileña Automovilista. He has a degree in Law and Economics from Deusto University in Bilbao.

Delfín Rueda
(1964, Spanish nationality)
Delfín Rueda held the position of Chief Financial Officer (CFO) from 24 January 2005 until he was designated Chief Financial and Risk Officer (CFO and CRO) with effect from 2 August 2010.

As CFO and CRO, Delfín Rueda is responsible for the units Finance, Financial Control, Corporate Finance, Group Risk Management, Group Buyer Underwriting, Risk Services and Outward Reinsurance. He started his career in Madrid in 1987 as Junior Consultant in the Information Technology Unit of Andersen Consulting, where he later became Senior Consultant in the Strategic Management Services Group. From 1993 he worked for UBS in London as Executive Director in Corporate Finance until he joined JP Morgan in 2000 as Senior Vice President in the Financial Institutions Group. He has a degree in Economic Analysis and Quantitative Economics from the Complutense University of Madrid and an MBA with a major in Finance from the Wharton School, University of Pennsylvania, where he also held the position of Teaching Assistant of Macroeconomics.

David Capdevila
(1966, Spanish nationality)
David Capdevila was appointed Chief Market Officer (CMO) with effect from 9 July 2008.

As CMO, David Capdevila is responsible for Crédito y Caución, through which Atradius operates in Spain, Portugal and Brazil. He is also responsible for the Atradius credit insurance operations in Belgium, France, Luxembourg and Italy, for Instalment Credit Protection, Bonding, Atradius Collections and Atradius Reinsurance. He joined Grupo Catalana Occidente, S.A. in 1992, and from 2003 to 2006 he was a member of the Executive Committee of Grupo Catalana Occidente, S.A. From February 2007 to October 2010 he was the General Manager of Crédito y Caución, of which he is now the Managing Director. He has a degree in Actuarial Economics from the University of Barcelona and an MBA from IESE Business School in Barcelona.

Andreas Tesch
(1969, German nationality)
Andreas Tesch was appointed Chief Market Officer (CMO) with effect from 4 November 2011.

As CMO, Andreas Tesch is responsible for credit insurance operations throughout Europe (excluding Belgium, France, Luxembourg, Italy, Spain and Portugal) and the NAFTA region, as well as the units Global and Oceania, Asia, Dutch State Business, Special Products and Group Communications and Commercial Development. He has worked for Atradius and its predecessor companies since 2001. From January 2007 to October 2011 he was Director of the unit Global, Oceania and New Markets and before that he was Director of Risk Services for Central and Eastern Europe. Before joining Atradius, he was a Director at Simon Kucher & Partners, where he advised clients on strategy and mergers and acquisitions. He has a degree in Business Administration from the University of Cologne.

Role and procedures

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

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

Remuneration

The Supervisory Board determines the remuneration and further employment conditions of each member of the Management Board, based on the recommendation of the Remuneration, Selection and Appointment Committee of the Supervisory Board and in accordance with the remuneration policy adopted by the General Meeting of Shareholders. Information regarding the amount of remuneration received by Management Board members can be found in the explanatory notes to the consolidated financial statements of the annual report 2011.

Conflict of interest

A member of the Management Board with a potential conflict of interest with Atradius will immediately report this to the Chairman of the Management Board who will determine whether the reported case qualifies as a conflict of interest. In the event of a conflict of interest between a member of the Management Board and Atradius, Atradius shall be represented by such member of the Management Board or the Supervisory Board as the Supervisory Board shall designate for this purpose or by such person(s) as the General Meeting of Shareholders shall have designated.

The Supervisory Board

Composition

The Supervisory Board of Atradius N.V. currently consists of nine members.

Ignacio Álvarez (Chairman)
(1960, Spanish nationality)
Mr. Álvarez was initially appointed to the Supervisory Board on 4 October 2007.

Ignacio Álvarez has more than 20 years’ experience in the insurance and financial sector. Currently, he is the General Manager of Seguros Catalana Occidente and a member of the Management Board of Grupo Catalana Occidente. He is also Chairman of Grupo Compañía Española de Crédito y Caución S.L. and Chief Executive Officer of Seguros Bilbao (a subsidiary of Grupo Catalana Occidente) and its affiliates involved in credit and finance. Before joining Seguros Bilbao in 1991 he worked at Banesto and at Arthur Andersen. From 2006 to 2010 he was Chairman of ICEA (the Spanish Institute for Cooperation and Investigation between Insurance and Pension Fund Management Companies). He graduated in Business Administration with a major in Finance and co-major in Law from Deusto University in Bilbao.

Francisco Arregui (Vice-Chairman)
(1957, Spanish nationality)
Mr. Arregui was initially appointed to the Supervisory Board with effect from 1 October 2009.

Francisco Arregui has more than 25 years’ experience in the insurance and financial sector. Currently, he is the General Manager of Grupo Catalana Occidente and member and secretary of the Board of Grupo Catalana Occidente and Seguros Catalana Occidente. Other current positions include: member of the board of Nortehispana de Seguros, Seguros Bilbao and Grupo Compañía Española de Crédito y Caución, S.L. Before joining Seguros Catalana Occidente he worked as a lawyer in Barcelona. From 2007 until May 2011 he was the Chairman of UCEAC (Union of Catalan insurance and reinsurance societies). He graduated in law from the University of Barcelona.

Paul-Henri Denieuil (Honorary Chairman)
(1941, French nationality)
Mr. Denieuil was initially appointed to the Supervisory Board on 1 May 2004.

Paul-Henri Denieuil has more than 30 years experience in Investment Banking and Financial Institutions. Until 2003 he was managing partner at Deloitte & Touche Corporate Finance. Before joining Deloitte & Touche Corporate Finance he was the Chief Executive Officer of the Euler Group. Currently, Paul-Henri Denieuil is the Mayor of Saint-Jean d’Angély and member of the Board of Sélène Patrimoine. On 14 July 2004 he was awarded Officier de la Légion d’Honneur. He graduated in Law from Paris University and earned a degree in Business Administration from Ecole des Hautes Etudes Commerciales.

Xavier Freixes
(1969, Spanish nationality)
Mr. Freixes was initially appointed to the Supervisory Board with effect from 1 September 2011.

In 1995 Xavier Freixes started his career as a practising lawyer at the law firm Cuatrecasas in Barcelona, of which he became a partner in March 2005. He moved to London in 2007 to become a senior Mergers and Acquisitions specialist at Deephaven Capital Management International Ltd. Since April 2009 he has been the founder partner, General Counsel and Chief Executive Officer of Tyrus Capital LLP in London. He has a degree in Law from Universitat Autõnoma in Barcelona and a Masters degree in Corporate Law from Universitat Pompeu Fabra in Barcelona.

Jan H. Holsboer
(1946, Dutch nationality)
Mr. Holsboer was initially appointed to the Supervisory Board on 22 December 2003.

Jan H. Holsboer has more than 35 years international experience in (re)insurance, banking and asset management. He is member of the Supervisory Boards of PartnerRe Ltd., TD Waterhouse Bank N.V., YAM Invest N.V. and YAFA S.p.A. Other current positions include: member of the boards of Stichting Imtech and Stichting Corporate Express and (not for profit) chairman of Stichting Vie d'Or, Pro Senectute and Panorama Mesdag. In addition, he is honorary president of the Geneva Association. Former positions include: member of the Executive Board of ING Group N.V. and Univar N.V. He graduated in Economics at Amsterdam University.

Bernd H. Meyer
(1946, German nationality)
Mr. Meyer was initially appointed to the Supervisory Board on 22 December 2003.

Bernd H. Meyer worked for 25 years in Gerling-Konzern in Germany where his main assignment for 22 years was credit insurance business. He is currently member of the Supervisory Board of Carl Spaeter GmbH. Former positions include: Chairman of the Management Board of Gerling NCM Credit and Finance AG. He graduated in Law from Hamburg University and passed his second state examination in Law also in Hamburg.

José Ruiz
(1946, Spanish nationality)
Mr. Ruiz was initially appointed to the Supervisory Board with effect from 1 May 2009.

José Ruiz has more than 30 years experience in the reinsurance sector. He has been the CEO of Nacional de Reaseguros, S.A. since 1988 and became the Chairman of this company in June 2009. Other current positions include: Chairman of Calculo S.A., Chairman of Audatex España, S.A. and member of the Board of Gesnorte S.A., Corporación Europea de Inversiones S.A. and UNESPA. He graduated in Law with a degree in Tax Law from the Complutense University of Madrid.

Hugo Serra
(1975, Spanish nationality)
Mr. Serra was initially appointed to the Supervisory Board with effect from 1 September 2011.

Since 2006 Hugo Serra has been a member of the Boards of Grupo Catalana Occidente and Seguros Catalana Occidente. Other current positions include: member of the Audit Committee of Grupo Catalana Occidente and member of the Boards of INOC, S.A. and (not for profit) Fundación Jesús Serra. Before joining Grupo Catalana Occidente he worked, among other positions, at Deutsche Bank in the area of product development and marketing. He has a degree in Business Administration from the Polytechnic University of Catalonia in Barcelona and an MBA from IESE Business School in Barcelona.

Dick Sluimers
(1953, Dutch nationality)
Mr. Sluimers was initially appointed to the Supervisory Board on 22 December 2003.

Dick Sluimers has been Chairman of the Board of Directors of APG N.V. (formerly ABP Pension Fund) since 2007. He joined the Board of Directors in 2003 as Chief Financial Officer. Before that he held various positions at the Ministry of Finance, ultimately as Director-General of the Budget. Other positions include: member of the Board of Trustees of the IFRS Foundation and member of the Board of Governors of the State Academy of Finances and Economics. He has a degree in Economics from the Erasmus University in Rotterdam and studied Politics for a number of years at Amsterdam University.

Role and procedures

The Supervisory Board supervises Atradius' general affairs and the policy pursued by the Management Board. The Supervisory Board rules describe the decision-making process and the composition and committees of the Supervisory Board.

The General Meeting of Shareholders has the authority to appoint the members of the Supervisory Board on the recommendation of the Remuneration, Selection and Appointment Committee of the Supervisory Board. A Supervisory Board member may be suspended or dismissed by the General Meeting of Shareholders at any time. The Supervisory Board shall consist of at least five members. A Supervisory Board member will resign early in the event of inadequate performance or in other circumstances in which resignation is deemed necessary by the other members of the Supervisory Board.

The composition of the Supervisory Board

The composition of the Supervisory Board shall be such that the combined experience, expertise and independence of its members enables the Supervisory Board to best carry out its various responsibilities. The current members of the Supervisory Board have extensive experience in insurance and reinsurance, investment banking, strategic consulting and regulatory matters.

Role of the Chairman and the Company Secretary

Among other things, the Chairman of the Supervisory Board co-ordinates the decision-making of the Supervisory Board, draws up the agenda of the Supervisory Board meetings, chairs the Supervisory Board meetings and the General Meetings of Shareholders, ensures the adequate performance of the Supervisory Board and its committees, ensures the annual evaluation of the functioning of the members of the Management Board and the Supervisory Board, and acts on behalf of the Supervisory Board in serving as the principal contact person for the Management Board. The Chairman of the Supervisory Board is assisted in his role by the Company Secretary.

Committees of the Supervisory Board

The committees of the Supervisory Board are set up to reflect both the Dutch corporate standards and the specific interests of the business of Atradius.

Audit Committee
The Audit Committee supports the Supervisory Board in fulfilling its supervisory and monitoring duties with respect to the assurance of the integrity of Atradius' financial statements, the external auditor's qualifications, and the performance of internal and external auditors. The Audit Committee monitors, independently and objectively, the financial reporting process within Atradius and the system of internal controls. The Audit Committee also facilitates the ongoing communication between the external auditor, the Management Board, the internal audit department and the Supervisory Board on issues concerning Atradius' financial position and financial affairs. In 2011, the Audit Committee met four times. The Audit Committee currently consists of Paul-Henri Denieuil (Chairman), Ignacio Álvarez and Francisco Arregui.

Remuneration, Selection and Appointment Committee
The Remuneration, Selection and Appointment Committee supports the Supervisory Board in fulfilling its supervisory and monitoring duties with respect to proposals for the appointment of members of the Management Board and the Supervisory Board, the remuneration policy, the remuneration of senior management and other corporate governance matters. In 2011, the Remuneration, Selection and Appointment Committee met six times. The Remuneration, Selection and Appointment Committee currently consists of Francisco Arregui (Chairman), Ignacio Álvarez and Paul-Henri Denieuil.

Remuneration

The General Meeting of Shareholders determines the remuneration of the members of the Supervisory Board based on the recommendation of the Remuneration, Selection and Appointment Committee and in accordance with the remuneration policy adopted by the General Meeting of Shareholders. Members of the Supervisory Board are reimbursed for their expenses. Information regarding the amount of remuneration received by Supervisory Board members can be found in the explanatory notes to the consolidated financial statements of the annual report 2011.

Conflict of interest

A member of the Supervisory Board with a potential conflict of interest with Atradius will immediately report this to the Chairman of the Supervisory Board who will determine whether the reported case qualifies as a conflict of interest. A member of the Supervisory Board will not participate in a discussion and/or decision-making process on a subject or transaction in relation to which he has a conflict of interest with Atradius.

General Meeting of Shareholders

Shareholders can exercise their rights at the General Meeting of Shareholders. The General Meeting of Shareholders is also authorised to approve important decisions regarding the identity or character of Atradius, as well as major acquisitions and divestments.

The internal and external auditor

External auditor

The General Meeting of Shareholders appoints the external auditor on the recommendation of the Audit Committee of the Supervisory Board. The Audit Committee evaluates the performance of the external auditor and also pre-approves the fees for audit and permitted non-audit services to be performed by the external auditor. The Audit Committee ensures that the external auditor is not appointed to render non-audit services that are listed explicitly as prohibited services in the Atradius Compliance Code on Auditor Independence. The General Meeting of Shareholders appointed Deloitte Accountants B.V. as Atradius' external auditor for the financial year 2011 on 9 June 2011.

Internal auditor

The internal auditor fulfils an important role in assessing and testing the internal risk management and control system. The Director of Internal Audit reports to the Chairman of the Audit Committee and, with respect to day-to-day activities, to the Chief Executive Officer of Atradius.

Remuneration policy

The remuneration policy for the Atradius Group (the 'remuneration policy') lays down the principles and key elements of sound and controlled remuneration of all Atradius' employees. The remuneration policy supports the Atradius Group's business strategy, objectives, values and long-term interest and is aligned with the size, organisational set-up, nature and complexity of the business activities of the Atradius Group. The remuneration policy is designed to improve the performance and the value of the Atradius Group, to motivate, retain and attract qualified employees and to contribute to sound and efficient risk management within the Atradius Group and not to encourage the taking of more risk than is acceptable to Atradius.

Decision making process

In 2011, Atradius spent considerable time in aligning its remuneration policy with the principles contained in the Dutch Insurer's Code, as well as the Regulation on Controlled Remuneration that was issued by the Dutch Central Bank at the end of 2010. The human resource, risk management, compliance and internal audit function within the Atradius Group were involved in this process. These efforts resulted in a remuneration policy for the Atradius Group that was adopted in 2011 by the Management Board after the approval of Atradius Supervisory Board, following a positive recommendation by the Atradius Remuneration, Selection & Appointment Committee.

Governance over remuneration is arranged in the following manner.

The Supervisory Board is responsible for:
- proposing and determining the policy for remuneration and further conditions of employment for the Management Board within the remuneration policy as adopted by the General Meeting of Shareholders;
- approving the general principles of the remuneration policy;
- reviewing the general principles of the remuneration policy periodically;
- implementing the remuneration policy;
- ensuring that a central and independent internal assessment takes place at least once a year in order to review compliance with the remuneration policy and procedures established by the Supervisory Board.

The Remuneration, Selection & Appointment Committee (RSAC) is responsible for:
- preparing the decision-making and advising the Supervisory Board on remuneration and its related responsibilities, including advising on decisions pertaining to remuneration that effect the risks and risk control of the financial institutions belonging to the Atradius Group. On preparation of such decisions, the RSAC will take into account the long term interests of the shareholders and other stakeholders;
- supervising the remuneration of higher senior managerial employees who hold Control Positions. For the purpose of this remuneration policy, the term 'Control Positions' is as defined in Art. 7 and further of the Regulation of The Dutch Central Bank of 16 December 2010, comprising rules with regard to the controlled remuneration policy of financial institutions (Dutch Controlled Remuneration Policy or 'Regeling beheerst beloningsbeleid Wft 2011'). At present, the following Management Board (MB) and Atradius Leadership Team (ALT) members are considered to hold a Control Position: the Chief Financial and Risk Officer (CFO/CRO), the Director Internal Audit, the Director Group Risk Management, the Director Legal and Compliance and the Director Group Human Resources.

Features

The design principles underlying the remuneration policy of the Atradius Group are aligned with the principles in the above mentioned regulations. The following design principles are applied in the remuneration policy:
- Remuneration shall contribute to sound and efficient risk management and shall not encourage the taking of more risk than is acceptable to Atradius;
- The remuneration shall comprise measures that should avoid conflicts of interest;
- Fixed and variable remuneration shall be used to align individual performance with both short and long-term corporate strategy and objectives. Remuneration shall reward according to performance at the Atradius Group, company/entity and individual level as appropriate. Individual objectives shall include a combination of financial and non-financial targets as appropriate to the role, taking into account ethical behaviour and corporate responsibility;
- Remuneration shall be set at levels appropriate to local employment market conditions to attract and retain talented employees within the Atradius Group, while observing the remuneration policy and applicable laws, rules and regulations;
- Remuneration shall be underpinned by performance management systems in order to differentiate between different levels of performance and thus reinforce a performance culture;
- Performance criteria for employees will be objective, measurable and linked to individual, company/entity and Group performance as appropriate;
- Non-financial rewards (other benefits) may also be used to further improve motivation and nurture employee commitment;
- Remuneration shall be practical and simple to understand, and supported by clear and timely communication;
- Atradius recognises that the way in which performance is achieved is as important as the performance result itself. Therefore remuneration shall be designed to encourage behaviour that promotes Atradius' values;
- Not all employees are entitled to variable remuneration; this also depends on the local market conditions.

Performance criteria variable remuneration components

Some specific variable remuneration components apply to the group referred to as 'Identified Staff' (as defined in the regulation of The Dutch Central Bank), which for the purpose of this remuneration policy are defined, as the categories of employees that perform a higher managerial, risk-taking or control position, and whose activities may materially affect the risk profile of Atradius. In determining this category of employees, Atradius has taken into account the size, internal organisation, nature, scope and complexity of its activities.

Following this analysis, the following functions are considered to be Identified Staff:
- Members of the Management Board;
- (Voting) members of the highest risk management governance body within Atradius: which at present is the Risk Strategy Management Board, consisting of the Management Board and the Directors/Head of Group Risk Management, Finance and Strategy and Corporate Development;
- Atradius Leadership Team (ALT)-members that hold Control Positions.

Management Board and ALT members are entitled to variable remuneration components as a percentage of their fixed salary. In line with the applicable legislation, the relationship between fixed and variable remuneration has been carefully considered, with a sufficiently high fixed component to allow for the non-payment of the variable component if performance criteria are not met.

The variable remuneration component shall further be based on the following design principles:
- Senior management employees in Control Positions are independent of the business units that they supervise, have sufficient authority and are remunerated on the basis of the realisation of the specific objectives of their position, and not related to the short term results of the business activities that they supervise;
- Atradius ensures that the total variable remuneration does not limit its ability to strengthen the regulatory capital, solvability margin or equity capital of the Atradius entities that are considered to be financial institutions;
- An employee may not make use of personal hedging or any insurance linked to remuneration and liability in order to undermine the risk control effects that have been embedded in his or her variable remuneration plan;
- Atradius does not award guaranteed variable remuneration other than upon the entry into employment of new employees for at most the first year;
- The variable remuneration, including the conditionally awarded part, is paid or acquired only when this is consistent with the financial condition of the Atradius Group as a whole and is justified by the performance of the Atradius Group, the individual Atradius company, the business unit and the relevant employee;
- Atradius shall award a severance payment only if it is related to performance realised over the course of time and is shaped such that failure is not rewarded;
- Remuneration plans will include adjustments and claw-back provisions in line with prevailing legislation.

Target	Relative weight MB member	Relative weight ALT member
Individual Targets (max 100%)	25%	33.33%
Unit Targets (max 100% for MB member, max 125% for ALT members)	25%	33.33%
Group Target (max 100% for MB member, max 125% for ALT members)	50%	33.33%
Total	**100%**	**100%**

The role of the Chief Financial & Risk Officer is recognised as a Control Position and will therefore not be linked to the results of the business activities under his supervision – with the exception to the Group target (3 year average Group return on equity – ROE) – to secure his role as controller. This also applies to ALT-members who hold Control Positions, whose variable remuneration components will be set, where possible, on the basis of the achievement of commercial and non-commercial objectives relevant to their position, and – with the exception to the Group target (3 year average Group ROE – are independent of the results of the business activities they supervise.

Pay-out

The pay-out of variable remuneration is subject to additional constraints, in accordance with the policy. The 50% pay-out related to the Group target component will be deferred in the form of a non-cash instrument and will be awarded conditionally over a period of three years after the relevant performance year, whereby the pay-out is dependent on the development of the ROE of Atradius N.V. over the previous three years. The 50% pay-out related to the Individual and Unit Target components will be deferred as a scoring percentage of the relevant component. When considering the nature of the credit insurance business, which is Atradius' core business, major risks will normally materialise within two years of Atradius entering into a credit insurance contract. Hence, the deferral period which is being adopted is considered a prudent time-horizon which should avoid excessive risk-taking. Pay-out of the deferred components is subject to review and dependent on achievement of the pre-defined performance criteria. Following this review, pay-out may be revised downwards or cancelled. Revision upwards is not possible.

To the extent permissible under applicable general principles of law of obligations – including the principle of fairness and reasonableness – and labour legislation, the Atradius Group reserves the right, at its own discretion, to amend this remuneration policy and/or to considerably reduce the variable remuneration in general if it realises materially less positive or negative financial performances, taking both the current remuneration and the reduction of remuneration of earlier earned amounts, among other things by means of malus or remuneration schemes, into account.

Dutch Insurer's Code

The Dutch Insurer's Code came into effect on 1 January 2011 and sets out principles that Dutch insurers should observe in terms of corporate governance, risk management, audit and remuneration. Although this code in principle applies only to Atradius Credit Insurance N.V., Atradius N.V. has decided to voluntarily apply the principles included in the Insurer's Code on the level of Atradius N.V.

The Insurer's Code is implemented on the basis of the 'comply or explain' principle. As a starting point, Atradius intends to align its policies with the various principles. At the same time, Atradius is of the opinion that the intentions underlying the Insurer's Code are already for the main part embedded in the Atradius culture and way of doing business. Being active in the credit insurance industry, supporting our clients in receivables risk management and thereby enabling trade is our core value proposition.

Although most of the principles contained in the Insurer's Code are already applied within Atradius, the introduction of the Insurer's Code has triggered the critically evaluation by Atradius of a number of internal processes which has led to further tightening and documenting such processes.

A description of the main issues resulting from the Insurer's Code that required specific attention by Atradius in order to ensure compliance is set out below. Atradius complies with the text and spirit of the principles of the Insurer's Code in all material respect. A detailed description of the way in which Atradius complies with the specific principles of the Insurer's Code is available on the Atradius website.

Supervisory Board

The Supervisory Board of Atradius N.V. complies in all material aspects with the principles of the Insurer's Code. In the course of a further improvement of its Corporate Governance, the Supervisory Board has implemented a permanent education programme and a self-evaluation process.

A Remuneration, Selection and Appointment Committee and an Audit Committee were already in place within Atradius. As risk management is considered to be a key area for attention, the Supervisory Board considers it important that this subject is discussed by the full Supervisory Board, rather than in a specific Risk Committee.

Management Board

All members of the Management Board have signed the moral-ethical declaration. The principles that form part of this declaration were already established in more detail in Atradius' Code of Conduct, which is applicable to all employees throughout the Group.

During 2011, the role and responsibilities of the Management Board have been further formalised in Management Board rules. Moreover, a permanent education programme for the members of the Management Board has been introduced in 2011.

Risk management

Robust governance over risk management is vital for Atradius to achieve its mission and objectives. The role and responsibilities of the Management Board and Supervisory Board have been further documented to reflect the various principles of risk management as described in the Insurer's Code.

Audit

Atradius complies with all principles contained in this section of the Insurer's Code. As a separate initiative, Internal Audit initiated an independent, external review by KPMG, which confirmed the adequacy of the set-up of the internal audit function within Atradius and its functioning within the organisation.

The head of Internal Audit initiates meetings with the external auditor and supervisors from the Dutch Central Bank on at least an annual basis for the purpose of exchanging information on risk analysis, annual audit planning and audit observations.

Remuneration policy

In 2011, Atradius spent considerable time aligning its remuneration policy with the principles contained in the Insurer's Code, as well as the Regulation on Controlled Remuneration issued by the Dutch Central Bank at the end of 2010. This resulted in a remuneration policy for the Atradius Group that was approved in 2011. The design principles underlying the remuneration policy of the Atradius Group are aligned with the principles in the above mentioned regulations, taking into consideration Atradius' strategy and risk appetite, objectives and values, the long-term interests of the Atradius Group, as well as the relevant international context and wider societal acceptance.

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Consolidated financial statements

Consolidated statement of financial position

Assets	Note	31.12.2011	31.12.2010
Intangible assets	6	**160,703**	**163,947**
Property, plant and equipment	7	**131,840**	**133,406**
Investment property	8	**13,338**	**14,074**
Investments in associated companies and joint ventures	9	**30,750**	**29,821**
Financial investments	10	**1,534,429**	**1,330,671**
Reinsurance contracts	11	**691,975**	**606,634**
Deferred income tax assets	22	**134,872**	**127,734**
Current income tax assets	22	**38,289**	**39,663**
Receivables	12	**203,530**	**216,019**
Accounts receivable on insurance and reinsurance business		172,324	173,815
Other accounts receivable		31,206	42,204
Other assets		**369,373**	**335,010**
Deferred acquisition costs	13	63,664	59,847
Miscellaneous assets and accruals	14	305,709	275,163
Cash and cash equivalents	15	**270,968**	**278,007**
Total		**3,580,067**	**3,274,986**
Equity			
Capital and reserves attributable to the equity holders of the Company		1,130,151	1,035,229
Non-controlling interest		(26)	(16)
Total	16	**1,130,125**	**1,035,213**
Liabilities			
Subordinated loan	18	**118,085**	**117,367**
Employee benefit liabilities	19	**82,040**	**89,917**
Insurance contracts	20	**1,549,285**	**1,311,846**
Provisions	21	**7,102**	**24,293**
Deferred income tax liabilities	22	**136,668**	**119,552**
Current income tax liabilities	22	**23,977**	**20,717**
Payables	23	**171,086**	**222,233**
Accounts payable on insurance and reinsurance business		137,933	188,695
Trade and other accounts payable		33,153	33,538
Other liabilities	24	**360,250**	**333,441**
Borrowings	15	**1,449**	**407**
Total		**2,449,942**	**2,239,773**
Total equity and liabilities		**3,580,067**	**3,274,986**

Consolidated income statement

	Note	2011	2010
Insurance premium revenue	25	1,403,359	1,345,615
Insurance premium ceded to reinsurers	25	(635,775)	(619,544)
Net premium earned		**767,584**	**726,071**
Service and other income	26	150,460	155,105
Share of income of associated companies and joint ventures	27	8,710	10,203
Net income from investments	27	22,394	12,485
Total income after reinsurance		**949,148**	**903,864**
Insurance claims and loss adjustment expenses	28	(744,834)	(554,965)
Insurance claims and loss adjustment expenses recovered from reinsurers	28	311,575	189,249
Net insurance claims		**(433,259)**	**(365,716)**
Net operating expenses	29	(351,078)	(382,746)
Total expenses after reinsurance		**(784,337)**	**(748,462)**
Operating result before finance costs		**164,811**	**155,402**
Finance income and expenses	30	(4,719)	(2,659)
Result for the year before tax		**160,092**	**152,743**
Income tax expense	31	(30,256)	(27,795)
Result for the year		**129,836**	**124,948**
Attributable to:			
Equity holders of the Company		129,847	124,966
Non-controlling interest		(11)	(18)
		129,836	**124,948**
Earnings per share for (loss)/profit attributable to the equity holders of the Company during the year (expressed in EUR per share):			
- Basic	32	1.64	1.58
- Diluted	32	1.64	1.58

Consolidated statement of comprehensive income

	Note	2011	2010
Result for the year		**129,836**	**124,948**
Other comprehensive income:			
Net fair value gains/(losses) on available-for-sale financial investments	16.3	(4,624)	10,421
Effect of the asset ceiling on defined benefit pension plans	16.5	(21,144)	(7,816)
Actuarial gains/(losses) on defined benefit pension plans	16.5	16,547	(1,984)
Exchange gains/(losses) on translating foreign operations and associated companies and joint ventures	16.4	(384)	7,576
Other comprehensive income for the year, net of tax		**(9,605)**	**8,197**
Total comprehensive income for the year		**120,231**	**133,145**
Attributable to:			
Equity holders of the Company		120,241	133,161
Non-controlling interest		(10)	(16)
Total comprehensive income for the year		**120,231**	**133,145**

Consolidated statement of changes in equity

	Attributable to the equity holders of the Company									
	Subscribed capital	Share premium reserve	Revaluation reserve	Currency translation reserve	Pension reserve	Share option reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2010	**79,122**	**870,265**	**(12,626)**	**(29,661)**	**(77,410)**	**2,973**	**72,378**	**905,041**	**0**	**905,041**
Issue of share capital	–	–	–	–	–	–	–	–	–	–
Dividends	–	–	–	–	–	–	–	–	–	–
Value of employee services	–	–	–	–	–	**(2,973)**	–	**(2,973)**	–	**(2,973)**
Total comprehensive income for the year	**–**	**–**	**10,421**	**7,574**	**(9,800)**	**–**	**124,966**	**133,161**	**(16)**	**133,145**
Result for the year	–	–	–	–	–	–	124,966	**124,966**	(18)	**124,948**
Other comprehensive income	–	–	10,421	7,574	(9,800)	–	–	**8,195**	2	**8,197**
Balance at 31 December 2010	**79,122**	**870,265**	**(2,205)**	**(22,087)**	**(87,210)**	**–**	**197,344**	**1,035,229**	**(16)**	**1,035,213**
Balance at 1 January 2011	**79,122**	**870,265**	**(2,205)**	**(22,087)**	**(87,210)**	**–**	**197,344**	**1,035,229**	**(16)**	**1,035,213**
Issue of share capital	–	–	–	–	–	–	–	–	–	–
Dividends	–	**(25,319)**	–	–	–	–	–	**(25,319)**	**–**	**(25,319)**
Value of employee services	–	–	–	–	–	–	–	**–**	–	**–**
Total comprehensive income for the year	**–**	**–**	**(4,624)**	**(385)**	**(4,597)**	**–**	**129,847**	**120,241**	**(10)**	**120,231**
Result for the year	–	–	–	–	–	–	129,847	**129,847**	(11)	**129,836**
Other comprehensive income	–	–	(4,624)	(385)	(4,597)	–	–	**(9,606)**	1	**(9,605)**
Balance at 31 December 2011	**79,122**	**844,946**	**(6,829)**	**(22,472)**	**(91,807)**	**–**	**327,191**	**1,130,151**	**(26)**	**1,130,125**

Consolidated statement of cash flows

	2011	2010
I. Cash flows from operating activities		
Result for the year before tax	160,092	152,743
Adjustments for:		
Realised capital (gains)/losses on investments	(2,591)	11,597
Unrealised capital (gains)/losses on investments	127	168
Other dividends received	(13,154)	(13,079)
Impairment loss	9,165	2,073
Share of income of associated companies and joint ventures	(8,710)	(10,766)
Depreciation and amortisation	25,241	23,483
Interest expense	7,050	7,050
Interest income	(21,509)	(22,699)
Other non-cash items	(6,664)	(24,751)
Changes in operational assets and liabilities:		
Insurance contracts	237,439	(196,238)
Reinsurance contracts	(85,341)	83,157
Derivative assets held for risk management	2	298
Deferred acquisition costs	(3,817)	(5,224)
Accounts receivable and payable on insurance and reinsurance business	(49,271)	87,605
Changes in other assets and liabilities	(18,466)	59,299
Income tax paid	(9,238)	(29,616)
Interest paid	(6,503)	(3,984)
Net cash (used in)/generated by operating activities	**213,852**	**121,116**
II. Cash flows from investing activities		
Investments and acquisitions (cash outflows):		
Loans and receivables	(15,076)	(100,704)
Financial investments available-for-sale	(836,149)	(724,091)
Property, plant and equipment and intangible assets	(20,666)	(7,352)
Divestments, redemptions and disposals (cash inflows):		
Investment property	1,607	600
Financial investments available-for-sale	624,674	775,715
Financial investments fair value through profit or loss	4,303	15,567
Property, plant and equipment and intangible assets	3,393	219
Dividends received from associated companies	5,927	4,985
Other dividends received	13,154	13,079
Interest received	26,282	28,551
Net cash (used in)/generated by investing activities	**(192,551)**	**6,569**
III. Cash flows from financing activities		
Dividend paid	(25,319)	–
Interest paid	(7,050)	(7,050)
Net cash (used in)/generated by financing activities	**(32,369)**	**(7,050)**
Changes in cash and cash equivalents (I + II + III)	**(11,068)**	**120,635**
Cash and cash equivalents at the beginning of the year	277,600	150,083
Effect of exchange rate changes on cash and cash equivalents	2,987	6,882
Cash and cash equivalents at the end of the year	**269,519**	**277,600**

The cash and cash equivalents are presented net of bank overdrafts (see Note 15).

Notes to the consolidated financial statements

1 General information

Atradius N.V. ('the Company'), with its statutory seat in Amsterdam, the Netherlands, and its subsidiaries (together referred to as 'the Group') provide credit management services to their clients. These services include credit insurance, bonding and guarantees, assumed reinsurance, information services, collection services and instalment credit protection. The Group offers products and services in 45 countries and employed 3,304 people as at 31 December 2011 (2010: 3,318). The parent is Grupo Compañía Española de Crédito y Caución, S.L., which owns 64.23% of the Company's shares. The ultimate parent and the ultimate controlling party of the Group is Grupo Catalana Occidente, S.A., which holds 73.84% of the shares in Grupo Compañía Española de Crédito y Caución, S.L. and 29.29% (2010: 26.66%) of the shares in Atradius N.V. The financial statements of Atradius N.V. are consolidated within Grupo Catalana Occidente, S.A., which is a listed company in Spain.

These Group consolidated financial statements have been authorised for issue by the Management Board on 7 March 2012 and have been reviewed by the Supervisory Board. On 7 March 2012 the consolidated financial statements have been adopted at the Annual General Meeting of Shareholders of Atradius N.V.

2 Summary of significant accounting policies

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

2.1 Basis of presentation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. They have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial investments, and financial investments and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

The income statement of Atradius N.V. for 2011 is incorporated in the consolidated financial statements, which allows for a presentation of a condensed company income statement in the company financial statements in compliance with Book 2, Article 402 of the Netherlands Civil Code.

All amounts in the notes are shown in thousands of Euro (EUR), rounded to the nearest thousand, unless otherwise stated.

2.2 New and revised standards

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require retrospective application.

2.2.1 Standards, amendments and interpretations effective in 2011

The Group has not adopted any standards, amendments or interpretations in 2011 which had a material impact on the consolidated financial statements of the Group.

The following amendments have been adopted in 2011, but have had no material effect on the consolidated financial statements:

- Improvements to IFRSs (May 2010). In May 2010 the International Accounting Standards Board (IASB) issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate provisions for each standard. The adoption of these amendments had a minor impact on the disclosure of credit risk in the Group's consolidated financial statements.

2.2.2 Standards, amendments and interpretations not yet adopted

The following standards, amendments and interpretations are effective for annual periods beginning after 31 December 2011 and have not been early adopted by the Group:

- Amendments to IFRS 7 Financial Instruments: Disclosures (effective 1 July 2011). The amendments will help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position and will promote transparency in the reporting of transfer transactions, particularly those that involve securitisation of financial assets.

The following standards, amendments and interpretations have not yet been endorsed by the European Union and as such have not been early adopted:

- Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (effective 1 July 2011). In respect of the removal of fixed dates, the amendments will provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRS. The amendments in respect of severe hyperinflation will provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time. The amendments will have no impact on the Group's consolidated financial statements as the Group already prepares financial statements under IFRS;
- IFRS 9 Financial Instruments (as amended in December 2011) (effective 1 January 2015). This standard will replace the current standard, IAS 39 Financial Instruments: Recognition and Measurement, and aims to reduce complexity in the accounting and reporting of financial instruments. IFRS 9 requires that an entity classifies its financial assets as subsequently measured at either amortised cost or fair value depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Group is yet to assess IFRS 9's full impact. However, initial indications are that it will affect the Group's accounting for its available-for-sale financial assets as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to certain equity investments that are not held for trading. On 16 December 2011, the IASB issued Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7), which amended the effective date of IFRS 9 to annual periods beginning on or after 1 January 2015, and modified the relief from restating comparative periods and the associated disclosures in IFRS 7;
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013). IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation - Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is currently assessing the impact of adopting IFRS 10 but does not expect a significant change;
- IFRS 11 Joint Arrangements (effective 1 January 2013). IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers. IFRS 11 is concerned principally in addressing two aspects of IAS 31: first, that the structure of the arrangement was the only determinant of the accounting and, second, that an entity had a choice of accounting treatment for interests in jointly controlled entities. IFRS 11 improves on IAS 31 by requiring a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The Group already applies the equity method to its joint ventures. Consequently, IFRS 11 is not expected to have a material impact on the Group's consolidated financial statements;
- IFRS 12 Disclosures of Interests in Other Entities (effective 1 January 2013). IFRS 12 is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is expected to have an impact on the extent of the disclosures of associates and joint arrangements in the consolidated financial statements;
- As a consequence of the issuance of IFRS 10, IFRS 11 and IFRS 12, the IASB also issued amended and retitled IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures (effective 1 January 2013). These amendments are not expected to have a material impact on the Group's consolidated financial statements;
- IFRS 13 Fair Value Measurement (effective 1 January 2013). IFRS 13 defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). The standard is not expected to have a material impact on the Group's consolidated financial statements;
- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (effective 1 July 2012). The amendments require entities to group together items within Other Comprehensive Income (OCI) that may be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. The amendments are expected to have a limited impact on the presentation of the Group's consolidated statement of comprehensive income;

- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets (effective 1 January 2012). The amendment provides an exception to the general measurement principle of deferred tax assets and liabilities in respect of investment property measured using the fair value model in accordance with IAS 40. Under the exception, the measurement of deferred tax assets and liabilities is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. This amendment will not impact the Group's consolidated financial statements as investment property is not measured using the fair value model;
- Amendments to IAS 19 Employee Benefits (effective 1 January 2013). The main features of the amendments are to eliminate an option to defer the recognition of gains and losses, known as the 'corridor method', to require the calculation of the expected return on plan assets to be based on the discount rate used for the defined benefit obligation, to improve the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring re-measurements to be presented in other comprehensive income (OCI) and to enhance the disclosure requirements for defined benefit plans. The Group is currently assessing the full impact of the amendments; however, initial indications are that the change in the calculation method of expected return on plan assets will affect the Group's net result;
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of "legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. The amendments are expected to have a limited impact on the presentation of the Group's consolidated statement of financial position;
- Amendments to IFRS 7 Disclosures-Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013). The new disclosure requirements are intended to help investors and other users to better assess the effect or potential effect of offsetting arrangements on a company's financial position. The amendments are expected to have a limited impact on the disclosure in the Group's consolidated financial statements;
- IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine (effective 1 January 2013). The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. IFRIC 20 is not relevant to the Group and will have no impact on the Group's consolidated financial statements.

2.3 Changes in presentation

The presentation of cash and cash equivalents has changed to reflect that deposits pledged for regulatory and other purposes in the amount of EUR 21.7 million (2010: EUR 7.3 million) are not available for use in the Group's day-to-day operations and that the cash held for investments of EUR 68.1 million (2010: EUR 56.0 million) is not held for the purpose of meeting short-term cash commitments. This resulted in a decrease of EUR 89.8 million (2010: EUR 63.3 million) in cash and cash equivalents and an equivalent increase in financial investments.

2.4 Consolidation

The following principles of consolidation and measurement are applied to the financial statements:

2.4.1 Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally presumed to exist when the Group owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

2.4.2 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
– assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceed the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree (if any), then the excess is recognised immediately in profit or loss as a bargain purchase.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interest are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depend on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

Intra-group transactions, balances and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group except for the accounting for insurance contracts (see Note 2.18).

2.4.3 Associated companies and joint ventures

Associated companies are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associated companies and joint ventures are accounted for using the equity method and are initially recognised at cost. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss).

The Group's share of its associated companies and joint venture's post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associated company or joint venture equals or exceeds its interest in the associated company or joint venture, including any other unsecured receivables, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associated company or joint venture.

Unrealised gains on transactions between the Group and its associated companies and joint ventures are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Associate's accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Interests in companies in which the Group does not exercise significant influence are accounted for at fair value, in accordance with the accounting principles for available-for-sale investments.

2.5 Segment reporting

IFRS 8 requires operating segments to be identified on the basis on which the Management Board regularly reviews components of the Group in order to allocate resources to the segments and to assess their performance. Operating segments are reported in a manner consistent with the internal reporting provided to the Management Board.

2.6 Foreign currencies

2.6.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in thousands of Euro (EUR), which is the Group's presentation currency.

2.6.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. A monetary item that forms part of a net investment in a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, part of the net investment in that foreign operation. In the consolidated financial statements the related exchange gains and losses on these monetary items are recognised in other comprehensive income.

Translation differences on non-monetary items, such as equities classified as available-for-sale financial investments, are included in the revaluation reserve through other comprehensive income.

2.6.3 Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing exchange rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as the foreign entity's assets and liabilities and are translated at the closing rate.

The most relevant functional currencies for the Group are presented below:

Currency	End Rate		Average Rate	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
GBP	1.197	1.162	1.145	1.166
USD	0.773	0.748	0.713	0.754
AUD	0.786	0.761	0.743	0.685
CAD	0.757	0.751	0.724	0.726
PLN	0.224	0.252	0.245	0.249

2.7 Purchase accounting, goodwill and other intangible assets

2.7.1 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see Note 2.4.2) less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to the Group's relevant cash-generating units. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill on the acquisitions of associated companies and joint ventures is included in investments in associated companies and joint ventures.

2.7.2 Agent networks

Agent networks acquired in a business combination are recognised at fair value at the acquisition date. The agent networks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation charges are included in the net operating expenses and are calculated using the straight-line method over the expected life of the agent networks which is estimated at 15 years.

2.7.3 Non-patented technology

Non-patented technology acquired in a business combination is recognised at fair value at the acquisition date. This technology has a finite useful life and is carried at cost less accumulated amortisation. Amortisation charges are included in the net operating expenses and are calculated using the straight-line method over the expected life of the technology which is estimated at 15 years.

2.7.4 Trade names

Trade names acquired in a business combination are recognised at fair value at the acquisition date. Trade names and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation charges are included in the net operating expenses and are calculated using the straight-line method to allocate the cost of trade names over their estimated useful lives which is estimated at five years.

2.7.5 Insurance portfolios

Acquired insurance portfolios are initially recognised at fair value by estimating the net present value of future cash flows related to the liability arising from insurance contracts, being the provision for unearned premium and the provision for outstanding claims at the date of acquisition. The difference between the carrying value and the fair value of the insurance contracts is recognised as an intangible asset.

The Group subsequently amortises this asset based upon the duration of the underlying cash flows. The carrying amount after initial recognition is adjusted for accumulated amortisation and any accumulated impairment losses.

2.7.6 Software

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and to bring to use the specific software. These assets are amortised on the basis of the expected useful life which is between three and five years. Computer software is stated at cost less accumulated amortisation and any accumulated impairment losses.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development team's employee costs and an appropriate portion of relevant overhead. All other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Computer software development costs recognised as assets are amortised using the straight-line amortisation method over their estimated economic useful lives, not exceeding a period of five years.

Subsequent expenditure on capitalised intangible assets are capitalised only when they increase the future economic benefits embedded in the specific assets to which they relate. All other expenditure is expensed as incurred.

2.8 Property, plant and equipment

Land and buildings comprise offices occupied by the Group ('property for own use'). Land and buildings are stated at the cost of acquisition or construction, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. For analysis of the residual value, the fair value is assessed based on active market prices, adjusted if necessary, for any difference in the nature, location or condition. All other property, plant and equipment are stated at historical cost less accumulated depreciation and subsequent impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. All other repairs and maintenance are recognised as an expense in the income statement during the financial period in which they are incurred.

Some of the Group's properties are comprised of a part that is held as investment property to earn rentals or for capital appreciation and another part that is held for own use. If these parts could be sold separately or leased out separately under a financial lease, the Group accounts for the parts separately as investment property and property for own use, respectively.

The depreciation period is based on the estimated economic useful life of the asset. Land is not depreciated. Leasehold improvements are amortised over the shorter of the estimated useful life of the improvements and the respective lease terms. All assets are depreciated using the straight-line depreciation method over the estimated economic useful lives presented below:

Asset categories	Years
Land	Nil
Buildings	50
Fixtures and fittings	3 to 10
Information systems hardware	3 to 5

2.9 Investment property

Property held for long-term rental yields that is not occupied by one of the companies of the Group, is classified as investment property.

Investment property comprises freehold land and buildings. It is stated at the cost of acquisition or construction, less any subsequent accumulated depreciation and subsequent impairment losses. For analysis of the residual value, the fair value is assessed based on active market prices, adjusted if necessary for any difference in the nature, location or condition. Buildings are depreciated using the straight-line depreciation method over the estimated economic useful life of the property, being 50 years.

2.10 Fair values of financial investments

The fair values of financial instruments traded in active markets (such as publicly traded available-for-sale securities) are based on quoted market prices at the end of the reporting period. The quoted market price used for financial investments held by the Group is the current bid price.

The fair values of financial instruments in markets that are not active are determined using valuation techniques. The Group uses a variety of methods and assumptions that are based on market conditions existing at the end of the reporting period. See Note 4.3.1.1 for the basis of the determination of the fair value of financial instruments.

2.11 Recognition and derecognition of financial investments

All purchases and sales of financial investments classified as fair value through profit or loss and available-for-sale that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognised at trade date,

which is the date that the Group commits to purchase or sell the asset. Loans and receivables are recognised at settlement date, which is the date the Group delivers or receives the asset.

Financial investments are derecognised when the rights to receive cash flows from the financial investments have expired or where the Group has transferred substantially all the risks and rewards of ownership. If the Group 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 Group 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 Group is exposed to changes in the value of the asset.

2.12 Classification of financial instruments

The Group classifies its financial investments into three categories: investments available-for-sale, loans and receivables and financial investments at fair value through profit or loss. The classification depends on the purpose for which the investments were acquired. The Group determines the classification of its investments at initial recognition and re-evaluates this at the end of each reporting period.

2.12.1 Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial investments that are either designated in this category or not classified in any of the following categories.

Financial investments are initially recognised at fair value plus transaction costs that are directly attributable to their acquisitions. 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.

2.12.2 Loans and receivables

Loans and receivables (including deposits) are non-derivative financial investments with fixed or determinable payments that are not quoted on an active market, other than those that the Group intends to sell in the short-term, or that it has designated as at fair value through income or available-for-sale. Deposits withheld by ceding companies and receivables arising from insurance contracts are also classified in this category. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

2.12.3 Financial investments at fair value through profit or loss

This category has two sub-categories: financial investments held for trading and other financial investments designated at fair value through profit or loss by management at inception. A financial investment is classified into this category at inception if acquired principally for the purpose of selling it in the short-term, if it forms part of a portfolio of financial investments in which there is evidence of short-term profit-taking, or if so designated by management. This also includes hybrid (combined) contracts. Designation by management will only take place if the related assets and liabilities are managed on a fair value basis. Derivatives are classified as held for trading unless they are designated as hedges. Transaction costs on initial recognition are expensed as incurred. Interest income from debt securities classified as at fair value through profit or loss is recognised as interest in the income statement using the effective interest method. Dividend income from equity instruments classified as at fair value through profit or loss is recognised as dividends in the income statement on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date. For all financial investments classified as at fair value through profit or loss changes in fair value are recognised in unrealised gains or losses in the income statement.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently carried at their fair value. Changes in the fair value of such derivative instruments are recognised immediately in the income statement. Those derivative instruments that are not designated as hedges are classified under held-for-trading and included in financial instruments at fair value through profit or loss.

The fair value of derivatives is based on their listed market price if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

2.13 Impairment of assets

2.13.1 Financial assets – general

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event has a negative impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

2.13.2 Financial investments – carried at amortised cost

If there is objective evidence that an impairment loss has been incurred on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

2.13.3 Financial investments – carried at fair value

The Group assesses at the end of each reporting period whether there is objective evidence that an available-for-sale financial investment is impaired. Objective evidence that financial investments carried at fair value (including debt and equity securities) are impaired can include default or delinquency by an issuer, indications that an issuer will enter bankruptcy and/or the disappearance of an active market for a security. In addition, for an investment in an equity security, management assesses whether there has been a significant or prolonged decline in its fair value below its acquisition cost.

Where such evidence exists for available-for-sale financial investments, the cumulative net loss that has been previously recognised directly in other comprehensive income is recycled from other comprehensive income (the revaluation reserve) and recognised in the income statement. Impairment losses recognised in the income statement on equity securities are not subsequently reversed. For debt securities classified as available-for-sale, the impairment loss is reversed through the income statement, but only to the amortised cost price if in a subsequent period the fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement. Subsequent increases above the amortised cost price are credited against the revaluation reserve as a component of other comprehensive income.

2.13.4 Impairment of other non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to amortisation or depreciation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised in the income statement, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. The amount of the reversal is recognised in the income statement; however impairment losses recognised for goodwill are not reversed in subsequent periods.

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount only is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Bank overdrafts which are repayable on demand form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for cash flow purposes. In the statement of financial position, bank overdrafts which do not meet the criteria for offsetting, are presented separately as liabilities under borrowings.

Deposits pledged for regulatory and other purposes are not available for use in the Group's day-to-day operations and are therefore not included within cash and cash equivalents.

2.16 Capital and reserves

2.16.1 Subscribed capital

The share capital is classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly related incremental costs (net of income tax), is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the Company's equity holders, net of any directly related incremental transaction costs and the related income tax effects.

2.16.2 Share premium reserve

Share premium reserve is the amount received by the Company in excess of the nominal value of the shares it has issued.

2.16.3 Revaluation reserve

The revaluation reserve comprises the unrealised gains/losses of the securities available-for-sale after the deduction of deferred tax, except for impairments that are charged directly to the income statement.

2.16.4 Currency translation reserve

The net exchange difference that is recognised in the currency translation reserve in each period represents the following:

- in respect of revenue, expenses and capital transactions, the difference between translating these items at actual or average exchange rates and using the exchange rate at the end of the reporting period, which is the case for recognised assets and liabilities; and
- in respect of the opening balance of equity (excluding the currency translation reserve), the difference between translating these items at the rate used at the balance sheet date at the end of the previous period and using the rate at the balance sheet date at the end of the current period.

2.16.5 Pension reserve

The pension reserve relates to the various defined benefit schemes and consists of:

- actuarial gains and losses that arise in calculating the Group's pension obligations and fair value of the plan assets in respect of a defined benefit plan in the period in which they occur; and
- the de-recognition of assets that can occur when the plan assets are higher than the projected benefit obligation and the Group cannot recover any surplus through refunds from the pensions vehicle due to solvency and/or control requirements.

2.16.6 Share option reserve

The share option reserve is the amount related to the equity-settled share-based compensation plans. This amount represents the vested part of the fair value of the option plans at grant date. At the end of each reporting period, the entity revises its estimates of the number of outstanding options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in equity through the share option reserve.

2.16.7 Retained earnings

Retained earnings are the accumulated amount of profits or losses at the end of the reporting period, which have not been distributed to shareholders.

2.16.8 Non-controlling interest

Non-controlling interest represents the proportion of shareholders' equity that is attributable to minority shareholders. Non-controlling interest is initially measured either at their fair value at the acquisition date or at the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of the acquisition. The calculation of the percentage attributable to the non-controlling interest includes any equity interest that is not held indirectly through subsidiaries.

Non-controlling interest is presented within equity separately from the equity attributable to the equity holders of the Company. Similarly, the statement of comprehensive income presents total income and expenses for the period showing separately the amounts attributed to the equity holders of the Company and non-controlling interest.

In transactions with non-controlling interest that do not result in a change in control over a subsidiary, the difference between the fair value of the consideration paid or received and the change in the non-controlling interest is recognised directly in equity.

2.17 Subordinated loans

Subordinated loans are recognised initially at fair value, net of transaction costs incurred. Subordinated loans are 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 loans using the effective interest method. Interest payable is included as part of other liabilities.

2.18 Insurance contracts

The Group issues contracts that transfer insurance risk. Insurance contracts are those contracts under which the Group accepts a significant insurance risk – other than a financial risk – from a policyholder by agreeing to compensate the beneficiary on the occurrence of an uncertain event.

Contracts which transfer significant insurance risk are accounted for in accordance with IFRS 4 Insurance Contracts.

Insurance contracts are classified into two main categories:

- Credit insurance contracts: contracts that provide for specific payments to be made to reimburse the holder for the loss it incurs because a specified debtor fails to make a payment when due under the original or modified terms of a debt instrument; and
- Bonding contracts: contracts that provide compensation to the beneficiary of the contract if the Group's bonding customer fails to perform a contractual obligation relative to the beneficiary.

Although the overall accounting principles are the same for the Group, Compañía Española de Seguros y Reaseguros de Crédito y Caución S.A.u. ('Crédito y Caución') continues to apply its existing earnings and provisioning practices in applying these principles as allowed under IFRS 4.25. The differences in their application lead to different allocations in the individual lines of the consolidated financial statements. Further reference is made to specific information included on Crédito y Caución in Note 4.2.7 and Note 20.

2.18.1 Deferred acquisition costs

Commission costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as deferred acquisition costs. All other costs are recognised as expenses when incurred. The deferred acquisition costs are subsequently amortised over the life of the policies as premium is earned.

2.18.2 Provision for unearned premium

For credit insurance and bonding contracts, premium is recognised as earned premium proportional to the insurance risk of the contract. The provision for unearned premium represents the unearned share of premium for own account (net of reinsurance), for both the credit insurance and bonding businesses. The recognition of unearned premium per product is discussed in Note 4.2.7.1.

2.18.3 Provision for outstanding claims

Claims and loss adjustment expenses are charged to the income statement as incurred based on the estimated liability for compensation owed to contract holders. They include direct and indirect claims settlement costs and arise from the risks the Group has taken up to the end of the reporting period. The Group does not discount its liabilities given the cycle of the Group's business. Liabilities for unpaid claims

are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported. When appropriate, deductions are made for salvage, subrogation and other expected recoveries from third parties.

Based on the type of business, the following methods are used to determine the provision for outstanding claims:

- direct insurance business: provisions are calculated based on statistical methods. For large cases, individual assessments are made. Estimates of expected losses are developed using historical claims experience, actual versus estimated claims experience and other known trends and developments;
- bonding: provisions are calculated on a case-by-case basis; and
- assumed reinsurance business: provisions are determined on a treaty-by-treaty basis, based on premium and loss information supplied by the ceding companies. Estimates of expected losses are developed using historical claims experience, actual versus estimated claims experience and other known trends and developments.

Additional information on the measurement of the provision for outstanding claims is provided in Note 4.2.7 of the risk management chapter.

2.18.4 Liability adequacy test

At the end of each reporting period, a liability adequacy test is performed to ensure the overall adequacy of the total insurance contract liabilities, net of related deferred acquisition costs assets. In performing this test, current best estimates of future contractual cash flows and claims handling expenses are used. Any deficiency on consolidated level 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.

2.18.5 Reinsurance contracts

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet the classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (assumed reinsurance business) are included in insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well as longer term receivables (classified as reinsurance contracts) that are dependent on the expected claims and benefits arising under the related reinsurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premium payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Group gathers the objective evidence that a reinsurance asset is impaired by applying similar procedures adopted for financial assets held at amortised cost. The impairment loss is calculated under the same method used for these financial assets.

The Group has profit commission arrangements with its reinsurance companies that are based on the loss ratio per underwriting year. The Group accounts for these commissions based on detailed assessments of the expected ultimate loss ratios.

2.18.6 Income from reinsurance contracts

The Group recognises the gains and losses from reinsurance contracts directly in the income statement.

2.18.7 Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Group gathers the objective evidence that an insurance receivable is impaired by applying similar procedures adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

2.18.8 Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell goods acquired in settling a claim (i.e. salvage). The Group may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims. The allowance is the amount that can reasonably be recovered.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

2.19 Provisions

Provisions for restructuring, onerous contracts and litigation are recognised when the Group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Restructuring provisions include employees' termination payments. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Where the effect of the time value of money is material, the provision is measured as the present value of the expenditure expected to be required to settle the obligation discounted using a pre-tax rate.

2.20 Deposits received from reinsurers

Deposits received from reinsurers represent amounts received from reinsurance companies in respect of ceded claims and premium provisions and are stated at amortised cost using the effective interest method. Interest expense is recognised on an effective yield basis, except for short-term deposits where the impact of interest would be immaterial.

2.21 Employee benefits

2.21.1 Post-employment benefits

Group companies operate various pension schemes. The schemes are determined by periodic actuarial calculations and are generally funded through payments to state plans, insurance companies or trustee-administered funds. The Group has both defined benefit plans and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, dependent on one or more factors such as age, years of service and compensation. In a defined benefit plan the Group may pay contributions into a separate entity or fund. The Group, and in some cases the employees who are participating, funds a defined benefit plan and the Group has a legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The amount recognised as a defined benefit liability is the net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly. The recognition of assets that arise by over-funding of the defined benefit plan is limited to the ability to use the surplus to generate future benefits. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate the terms of the related pension liability.

Actuarial gains and losses that arise in calculating the Group's obligations and fair value of the plan assets in respect of a defined benefit plan are recognised in the period in which they occur. These actuarial gains and losses are recognised outside the income statement and are presented in the statement of comprehensive income.

The de-recognition of assets can occur when the plan assets are higher than the projected benefit obligation and the Group cannot recover any surplus through refunds from the pensions vehicle due to solvency and/or control requirements. These de-recognitions are presented in the statement of comprehensive income.

Past service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The contributions to these plans are recognised as expenses in the income statement.

2.21.2 Other long-term employee benefits

The Group has several kinds of post-employment plans. The main plans are lump sum payments and pre-pension plans. A lump sum payment plan is a plan where the employees are entitled to a lump sum payment at the date their employment is terminated. A pre-pension plan is a plan where the employees are entitled to receive payments if they stop working before their actual retirement date.

The Group's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The net obligation is calculated annually by independent actuaries using actuarial techniques.

2.21.3 Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At the end of each reporting period, the Group revised its estimates of the number of options that were expected to vest. For equity-settled share-based compensation plans it recognised the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity. The proceeds received, net of any directly attributable transaction costs, are to be credited to subscribed capital (nominal value) and share premium reserve when the options are exercised. If the award is forfeited because of failure to meet a non-market vesting condition, the cumulative expense recorded is reversed through the income statement.

2.21.4 Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. The Group liability is included as part of the provisions.

2.21.5 Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing based on a formula that takes into consideration, amongst others, individual targets and the profit attributable to the Company's shareholders. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.22 Income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

If the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

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

Income tax in the income statement for the year comprises current and deferred tax. Income tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

2.23 Consolidated income statement

2.23.1 Income

Revenue comprises the fair value for services, net of value added tax, after eliminating revenue within the Group. Revenue is recognised as follows:

Premium earned

Written premium includes both direct business and assumed reinsurance business and is defined as all premium and policy related fees invoiced to third parties and the premium assumed, excluding tax, in respect of:

- Credit insurance
- Instalment credit protection
- Bonding

Written premium includes an estimate of not yet invoiced premium for which the Group is at risk. Accruals for premium refunds and cancellations are charged against premium written. Premium earned includes an adjustment for the unearned share of premium.

Part of the insurance premium is ceded to reinsurers. Premium ceded under reinsurance contracts is reported as a reduction of premium earned. Amounts recoverable for ceded unearned premium under cession agreements are reported as assets in the consolidated statement of financial position.

Service and other income

Service income includes the income from information services, collections and the income from activities carried out as an agent on behalf of the Dutch State. This income is recognised as the service is provided.

Share of income of associated companies and joint ventures

Associates and joint ventures are accounted for in the consolidated financial statements using the equity method. Under the equity method the investor's share of after-tax profits or losses of the associates and joint ventures is presented as a single line item in the income statement.

Net income from investments

Investment income comprises interest income on funds invested (including available-for-sale financial investments), dividend income, gains on the disposal of available-for-sale financial investments, increases in the fair value of financial investments at fair value through profit or loss, rent receivable for the year on investment property and gains on derivatives that are recognised in the income statement. Interest income is recognised as it accrues in the income statement, using the effective interest method. Dividend income is recognised in the income statement on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Investment expenses comprise interest expense on borrowings, decreases in the fair value of financial investments at fair value through profit or loss, impairment losses recognised on financial investments and investment property, and losses on derivatives that are recognised in the income statement. All borrowing costs are recognised in the income statement using the effective interest method.

Realised gains or losses on investment property recognised in the income statement represent the difference between the net disposal proceeds and the carrying amount of the property.

Foreign currency gains and losses are reported on a net basis and consist of transaction and translation results.

2.23.2 Expenses

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

Finance income and expenses

Finance costs include interest, amortisation of discount on subordinated loans and foreign exchange results. Interest income and expenses are calculated using the effective interest rate method based on market rates rather than nominal, at the date that the instrument is recognised initially or modified.

Income tax

The total sum of income tax recognised in the income statement is the sum of current tax expense (or recovery) plus the change in deferred tax assets and liabilities during the period, net of tax amounts recognised in other comprehensive income or directly in equity or arising from a business combination.

2.24 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

2.24.1 The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.24.2 The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.25 Consolidated statement of cash flows

The statement of cash flows is presented using the indirect method, whereby the result for the year before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Some of the terminology used in the statement of cash flows is explained as follows:

- *Cash flows* are inflows and outflows of cash and cash equivalents;
- *Operating activities* are the principal revenue-producing activities of the Group and other activities that are not investing or financing activities;
- *Investing activities* are the acquisition and disposal of long-term assets and other investments not included in cash equivalents; and
- *Financing activities* are activities that result in changes in the size and composition of the contributed equity and borrowings of the Group.

3 Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported assets and liabilities and contingent 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.

3.1 (Re-)insurance related estimates

The ultimate liability arising from claims made under insurance contracts

The estimate of the ultimate liability arising from claims including recoveries made, or to be made, under insurance contracts is the Group's most critical accounting estimate. Although management has endeavoured to adequately take all facts into account, by their very nature, estimates remain uncertain and the eventual outcome may differ significantly from the projected amount.

Pipeline premium

Pipeline premium is estimated as the not yet invoiced part of insurance premium earned at the end of the reporting period. Although the calculation of the pipeline premium is derived from the core business systems and calculated at policy level, the calculation does involve the use of management estimates.

Sliding scale reinsurance commission

Reinsurance commission related to the main Group quota share treaties is calculated and accounted for at a provisional rate but reviewed against the development of the loss ratio as soon as an underwriting year matures. The sliding scale commission (an additional income or expense on top of the provisional commission) is based on an estimate by management of the ultimate loss ratio for an underwriting year.

3.2 Impairment of available-for-sale equity financial investments

The Group 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, the Group evaluates among other factors, 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.

Had all the declines in fair values below cost been considered significant or prolonged, the Group would have suffered an additional EUR 18.7 million loss before tax (2010: EUR 9.9 million loss before tax), being the transfer of the total revaluation reserve for unrealised losses to the income statement.

3.3 Estimated impairment of goodwill

In accordance with its accounting policy, the Group annually tests whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates (see Note 6).

In order to test the value in use against the recognised goodwill we have stress-tested the main assumptions (terminal value and discount rate) which have been applied when determining the value in use for the related cash-generating units. Increasing both assumptions downward and upward by 1% respectively did not indicate any potential impairment of the goodwill under this scenario. The term 'potential' is used here since an indication of impairment does not always lead to an actual impairment charge to the income statement.

3.4 Pension and post-retirement benefits

The cost of these benefits, the present value of the pension and other post-retirement liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net periodic cost (income) for pension and post-retirement benefits include the expected long-term rate of return on the relevant plan assets and the discount rate. Any changes in these assumptions will impact the future net periodic cost (income) recorded for pension and post-retirement benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and post-retirement benefit obligations.

As an indication of the assumption sensitivity on the management's estimates, a one percent fluctuation of the expected return on assets and of the discount rate used as at the end of the reporting period would have increased / (decreased) the consolidated result for the year by the amounts shown below. The analysis assumes that all other variables remain constant.

Consolidated impact on the result for the year (before taxes)	**2011**	**2010**
Actual expected return on assets +1%	5,102	2,777
Actual discount rate +1%	6,803	777
Actual expected return on assets -1%	(2,216)	(3,720)
Actual discount rate -1%	3,048	(1,117)

4 Risk management

4.1 Risk management

As a global insurance provider, the Group recognises the importance of risk management and internal control systems. The Group continues to strengthen its risk management capabilities by broadening the scope of risk management and enhancing the associated internal control systems within the organisation.

The relationship between risk and capital is fundamental for the Group. Understanding how risk taking consumes capital allows management to steer the Group and take strategic decisions based on risk. These decisions are increasingly being informed by Atradius' economic capital model. This model is being used for specific risk assessment activities and allows the Group to better monitor and manage risk levels within the organisation through the allocation of risk based capital. In addition, risk management and the relationship between risk and capital play a central role in the new regulatory regime, Solvency II, which is expected to take effect 1 January 2014.

4.1.1 Solvency II

The Group has been actively involved in the preparation for Solvency II as part of the framework set out by its ultimate parent company Group Catalana Occidente, S.A. Atradius N.V. has participated in all Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS)/European Insurance and Occupational Pensions Authority (EIOPA) Quantitative Impact Studies since 2007 including the recent EIOPA European Stress Test. The Group continues to monitor the impact of proposed calculation schemes on its capital, noting that implementing measures relating to the new Solvency ll regime have yet to be finalised. The Group remains active in industry working groups on Solvency II and has recently contributed to studies undertaken by EIOPA and the European Commission on design and calibration of the Standard Formula.

During 2011, the Group, as part of the preparation activities of its ultimate parent company Grupo Catalana Occidente, S.A., continued its efforts to progress towards a successful implementation in accordance with the timelines specified by regulatory authorities.

4.1.2 The risk landscape

The Group's key objective is to achieve profitable and sustainable growth for the Group and our stakeholders. Opportunities to achieve such growth exist in our key market segments and can also be achieved through entering new markets and capturing dominant market share in a manner that is sustainable. It is the Group's aim to offer 'best in class' credit risk management and non-risk related solutions to our customers, coupled with excellent service. The Group's core business is credit insurance. The Group has developed credit insurance products that meet the specific needs of small and medium enterprises (SMEs), large local companies and multinationals.

Although key economic indicators seemed to suggest an improvement in many of our markets during 2010 and early 2011, economic uncertainty increased during 2011. While this risk was acknowledged at the time, it now remains to be seen how this will affect payment defaults. Any such deterioration, either gradual or more abrupt, might impact the Group in several ways. A renewed increase in insolvency rates may lead to higher than expected claims. Payment defaults as a direct or indirect result of an exit of one or more countries from the Euro zone, or a sovereign default may also lead to higher than expected claims. In addition, the Group might, in the near term, not be able to make the desired investment returns. The impact may not be limited to the Group's future performance; it may also cause negative development on claims provisions.

4.1.3 Crédito y Caución

The business model of Crédito y Caución differs from that of the rest of the Group in several ways. To a large extent this is for reasons specific to the Spanish market and Crédito y Caución's customer portfolio. An important difference is that Crédito y Caución predominantly serves a portfolio of small and medium-sized Spanish customers through a network of tied agents. The rest of the Atradius Group, although serving small customers, mainly targets medium-sized and large companies either directly or through broker channels. The Group intends to keep the business model of Crédito y Caución intact as it believes this to be critical to the profitability and development of the Spanish portfolio.

As a consequence, the Group maintains a different steering model for Crédito y Caución. For the Crédito y Caución operations, their staff have their formal reporting line to the General Manager of Crédito y Caución, who in turn reports to the responsible Chief Markets Officer in the Management Board. In the rest of the Group, functions like policy underwriting, buyer underwriting and risk management have reporting lines into different Management Board members of Atradius N.V.

In addition to the reporting lines within Crédito y Caución, the scope of the Group's risk governance framework, consisting of the committees that are responsible for taking the risk decisions most material to the Group, includes the Crédito y Caución business. Further details on risk governance can be found in the sections on risk mitigating procedures and controls below.

Furthermore, this centre of expertise underwriting has been in place since the last quarter of 2009. By centre of expertise underwriting the Group refers to buyer underwriting performed by the centres that are closest to the buyer. This implies that all Crédito y Caución buyers in markets outside Spain, Portugal, Andorra and Brazil are underwritten in the respective centres of the rest of the Group. Conversely, all buyers of the rest of the Group in Spain, Portugal, Andorra and Brazil are underwritten by Crédito y Caución. This improves risk control and efficiency. At the same time, it helps ensure a consistent stance on risk per buyer, as well as robust control over exposure accumulations across the Group. These underwriting processes are supported by data links between the core buyer underwriting systems.

The sections below are structured in a way that, where possible, risk related aspects are presented in an integrated manner. Where this is not appropriate, information related to Crédito y Caución is presented separately. The text makes it apparent where this is the case.

4.1.4 The risk management and internal control framework

The Management Board is ultimately responsible for risk management and internal control within the Group. Without affecting this responsibility in any way, the authority to take decisions in this context has been delegated to the Risk Strategy Management Board (RSMB). Next to all the members of the Management Board, RSMB membership includes the Director of Group Risk Management, the Director of Strategy and Corporate Development and the Director of Finance. This structure ensures that the RSMB is properly informed of all relevant technical aspects related to risk, strategy and accounting when taking decisions. The RSMB's responsibilities include the development of the framework to manage risk as well as the ongoing overview of the largest risks. The RSMB establishes the internal risk control system by determining risk control policies and prescribing risk mitigation activities. In addition, the RSMB ensures that there are processes and systems to review the effectiveness of risk management and the internal control system.

The Supervisory Board is responsible for overseeing that the Management Board implements, amongst other things, a suitable risk management and internal control system. In this respect, the Management Board, alongside the risk management functions, periodically presents results, developments and plans to the Supervisory Board and relevant committees thereof.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. Through its training and management standards and procedures, the Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in this supervisory role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

4.1.5 Risk classification

The Group has classified its risks as insurance, financial and operational. Insurance risks are the risks of financial loss as a direct result of providing insurance; these are predominantly arising from the risk of non-payment by a buyer covered by a policy (credit insurance) or the risk of non-performance of a customer (bonding). 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 fraud, inadequate or failed internal processes, people, systems or external events.

4.2 Insurance risk

4.2.1 Insurance products, their characteristics and sensitivity to insurance risk

The Group distinguishes two main direct insurance products: credit insurance and bonding. In addition, the Group writes credit and surety business as a reinsurer. Credit insurance can be divided into three subcategories: traditional credit insurance, instalment credit protection and special products. Each of these categories has particular risk characteristics.

Traditional credit insurance

In traditional credit insurance, the Group insures its customers against the risk of non-payment of trade receivables. The causes of loss covered differ by policy. They usually include all forms of legal insolvency. Policies can also cover so-called political causes of loss which, amongst others, include the risk of non-payment due to payment transfer problems, cancellation of export/import licenses and contract frustration. This enumeration is not exhaustive. Traditional credit insurance does not cover non-payment of trade receivables due to commercial disputes. Each policy has a maximum credit period that the policyholder can offer to their buyers without prior approval from the Group. In order to mitigate the risk of adverse selection, the traditional credit insurance products of the Group usually only cover whole portfolios of buyers. Here, as below, 'buyers' are the customers of the insured customers of the Group, i.e. the parties that the Group insures credit risk on.

For traditional credit insurance, there are two underwriting processes: the policy underwriting and the buyer underwriting. Policy underwriting is the process by which the Group decides which customers to accept as policyholders and which terms and conditions for cover are offered. Buyer underwriting is the process by which the Group sets risk limits per buyer and issues credit limits. Buyer underwriting allows us to manage risk on the portfolio of existing policies. The policy underwriting takes place in the commercial units, the buyer underwriting in the risk service units.

Policies are issued for a fixed period, usually no longer than three years. Customers mostly have a self-retention to protect the Group from the risk of moral hazard. Self-retention can take the form of, amongst others, a cover percentage, per claim deductibles, aggregate first losses and combinations thereof. Virtually all policies have a maximum liability. A customer is covered for the credit risk on one of his buyers only after a credit limit on the buyer has been established. Most policies allow customers to establish credit limits for smaller amounts themselves under conditions specified in the policy. Larger credit limits have to be issued by the Group. Credit limits are an important risk management instrument for the Group as they limit the amount that the Group would have to pay out to a customer for a claim but also as the Group can, in principle, withdraw credit limits on any buyer at any moment. The Group uses this right to reduce exposure where it is no longer comfortable with its aggregate exposure on a buyer. This is typically the case when, in the Group's judgement, the buyer will likely no longer be able or willing to pay its trade payables. Credit limits can be issued subject to specific conditions. The Group can also impose conditions for cover on a country, or even withdraw cover on an entire country altogether. These are important tools in managing the Group's political risk exposure.

Within credit insurance, one can roughly identify three classes of customers: small and medium-sized companies, large local companies and multinationals. Most customers, irrespective of their size, are served with our core Modula product. This product offers flexibility in a structured, modular and controllable manner, allowing it to be tailored to most customers' needs, where the level of flexibility will be greater for larger customers. The normal flexibility does not materially affect our ability to manage and control risks under the policies. When a change is required that may materially affect this ability, it needs to be formally approved by the Group Product Committee.

For small and medium-sized companies, we offer additional products based on the Modula concept that specifically cater for the needs of a small or medium sized company. For most of these additional products, the risk characteristics do not materially differ from a traditional credit insurance product.

Multinationals will typically have the most tailored policies. It is generally in the nature of large customers that they require larger credit limits on their buyers, potentially leading to larger severity losses. This is offset by the fact that often the policies include larger (sometimes annual aggregate) deductibles and by the fact that, all other things being equal, larger buyers have a lower probability of default, reducing the frequency of losses.

Instalment credit protection

The Instalment Credit Protection (ICP) unit insures its customers against non-payment of scheduled instalment payments. The exposure in 2011 was approximately 56% retail and 44% corporate, stable compared to the previous year, where retail exposure originates from consumer credit extended by financial institutions. Corporate exposure typically relates to the leasing of equipment (cars, computer hardware, etc.) to corporations and insurance of corporate loans provided by banks. The retail exposure is by nature highly diversified. In the corporate sector, no single risk exceeds EUR 5 million (2010: the same).

Special products

The Group's special products business offers a range of tailor-made policies to insure against a number of credit and political risks. These include, amongst others, policies that cover single transactions, single trade relationships and asset confiscation. One distinguishing feature of the special products policies is that most of the time it is restricted in withdrawing credit limits, contrary to traditional credit insurance. On the other hand, for special products, more conditional policy wordings are commonly used that place a more significant burden of risk monitoring and diligent behaviour on the insured. Total Potential Exposure (TPE) associated with this business at the end of 2011 was EUR 8.6 billion (2010: EUR 6.5 billion).

As the single transaction cover allows the customer to select which exposure they want covered, there is a higher risk of being adversely selected against than with traditional credit insurance. This is mitigated in part by tighter restrictions on the business Atradius accepts. As a result of which the acceptance rate is low, with more than 70% of all enquiries being rejected outright. There is significant emphasis placed on policy underwriting, especially in relation to the quality and experience of the customer and its ability to react to changing circumstances. In addition, the analysis of the nature and terms of the underlying contract plays an important role in the underwriting process.

Bonding

The Group issues surety bonds for customers in Italy, France, Spain and the Nordic region. Surety bonds insure beneficiaries against our customer not meeting contractual, legal, or tax obligations. Beneficiaries range from (local) governments and tax authorities to companies.

The main risk for the Group in Bonding is the risk of our customers not meeting these obligations. Our customers may fail to meet these obligations either because they are not able to perform to the agreed or required level, or because they become insolvent. Next to this, there is the risk of fraud on the part of the customer, where the customer intentionally does not perform. The assessment of both the customer's financial strength and his ability to perform play an important role in the underwriting process. Unlike traditional credit insurance, the exposure cannot be unilaterally cancelled by the Group.

When a bond is called by the beneficiary, Atradius mediates to resolve conflicts and aims to avoid payment by working with both customer and beneficiary. If a payment is finally made, recovery action is taken against the customer. Consequently, the situations in which the Group incurs an irrecoverable loss nearly always relate to financial distress of the customer, making the triggers for losses similar to those for traditional credit insurance.

The spread of customers over industry sectors varies by country as a result of differing legal and market environments. As a consequence, the type of bonds issued are spread between bid bonds, performance bonds, maintenance bonds, advance payment bonds and various types of administrative bonds; they are issued with tenors ranging from a few weeks to years, where we only rarely issue bonds with tenors in excess of five years.

Assumed reinsurance

The Group underwrites reinsurance programmes for the credit insurance and bonding business written by primary insurers. This business is conducted by Atradius Reinsurance Ltd. (Atradius Re), which is domiciled and regulated in Ireland.

Atradius Re provides reinsurance capacity for primary insurance companies from both the developed and developing credit insurance and bonding markets. Atradius Re currently assumes business from over 70 countries worldwide maintaining a balanced diversity within the portfolio from each continent. The underlying business consists of approximately 59% credit insurance and 41% bonding (2010: 60% and 40% respectively), based upon premium volume.

The type of credit insurance and bonding products Atradius Re reinsures is similar to those issued directly as described above.

The majority of the business assumed is on a quota share basis, where there is a close relationship between insurer and Atradius Re on monitoring and controlling the volume of business ceded within prescribed underwriting guidelines. The remainder of the portfolio predominantly consists of excess of loss cover, typically connected to the quota share business. The number of stop loss treaties is limited.

4.2.2 Risk mitigating procedures and controls – insurance risk

Authorities and risk governance

The starting point for the management of insurance risk is that all staff have well-defined authorities specifying the level of risk they can accept and that all risk acceptance must take place within the framework of the risk governance structure. The risk governance structure defines the process by which the Group decides what risks it takes on and how it manages those risks. The main elements of the risk governance structure currently in place are described below.

Staff in commercial units have well-defined authorities specifying who can bind which policies. Authorities typically require the four eyes principle. Conditions are more onerous as policies become larger. The largest policies need sign-off from both the director of a commercial unit and the respective Chief Market Officer. The pricing of credit insurance policies, new and renewed, is subject to governance. Moreover, the methodologies used to establish a benchmark price require the approval of the Quantitative Model Committee.

Buyer underwriting takes place in risk services centres that ultimately report to the Chief Risk Officer, thus ensuring a separation of responsibilities with policy underwriting up to the Management Board. Next to this, staff in risk services have well-defined authorities specifying who can set what capacity on a buyer, or who can sign-off what credit limit. As amounts grow, decisions need authorisation from one or more cosignatories, of increasing seniority. But even directors of risk service centres can only sign off capacities to a certain threshold and individual credit limits up to another lower threshold. In addition the signature of at least one other qualified buyer underwriter is always required. Beyond these thresholds, the local credit committee of the risk service centres takes decisions. The local credit committees again can only sign-off amounts up to certain thresholds. Beyond these thresholds the group credit committee takes decisions. The group credit committee thus underwrites the largest buyers in terms of exposure, including the top ranked buyers, by exposure, of each of the local credit committees.

In bonding, all bonding facilities and individual bonds are underwritten by technical underwriters who are part of the commercial units. Financial underwriters, who are not part of the commercial units, must approve the acceptance of facilities and individual bonds over certain thresholds. There is an authority structure in which decisions are escalated depending on the amounts involved. The last two steps in this authority structure are the local credit committee and the group credit committee mentioned above.

Special products is very much embedded within the Group’s risk governance structure described herein. All policies are bound within clearly defined authorities issued to the policy underwriters who report ultimately to the respective Chief Market Officer. All buyer risk is signed off by a dedicated risk services team which has a separate and distinct reporting line to the Chief Risk Officer. In addition, a dedicated risk management team with a functional reporting line to the Group Risk Management unit, ensures adherence to the risk governance model and monitors the portfolio risk and ensures compliance with the terms of the reinsurance treaty.

The Group’s reinsurance structure imposes additional checks on the largest exposures. Exposures beyond a certain threshold are subject to so-called special acceptance by our leading reinsurers. The authority structure takes into account all sources of exposure on a buyer through direct business, i.e. including exposure for special products and bonding, although threshold amounts depend on the source of exposure.

Local credit committees and the Group Credit Committee are bodies in the Group’s risk governance structure. The risk governance structure consists of a number of bodies that act under delegated authority of the RSMB, the highest risk decision body in the Group. The main bodies in the risk governance structure are:

- Risk Strategy Management Board - acts as body of appeal for other bodies in the risk governance structure;
- Group and Local Credit Committees – underwrite the largest buyer exposures. An additional check is performed on large exposures that exceed a certain threshold, which are subject to so-called special acceptance by the Group’s leading reinsurers;
- Group Product Committee - decides what products the Group will offer. It also decides on deviations from existing products, or variations of existing products;
- Country Committee - sets the Group’s underwriting policy by country, whether the Group will cover or not and under what conditions. The Country Committee monitors the Group’s exposure to country risk and sets country limits for political risk exposure. Thus, the Country Committee is the prime body through which the Group manages country risk;
- Provisioning Committee - sets the Group’s claims provisions. It sets provisioning policy, signs off claims provisions set by actuarial models and decides on claims provisions for specific high value cases;
- Group Investment Committee – sets the Group’s investment policy. On an annual basis, it proposes a Strategic Asset Allocation (SAA) which defines limits on asset classes and duration. Throughout the year it decides on a portfolio distribution within those limits on a monthly basis;
- Reinsurance Outwards Committee – supervises the Group’s reinsurance process. It sets the rules for the Group to obtain and negotiate reinsurance coverage from third party reinsurers. In addition, it approves material commutations;
- Reinsurance Inwards Committee – approves the most material assumed reinsurance;
- Quantitative Model Committee - approves models with which the Group quantifies risk. This includes credit rating, pricing and capital models.

Instalment credit protection (ICP)

Policy underwriting is performed within the commercial units. Policies are generally issued for a fixed period with tacit renewal. Premium rates are dependent on probabilities of default, expected final loss given default, amount and duration of the loans. Premium is mainly written and invoiced at the time of inception of each covered loan, with some policies having premium invoiced monthly on the outstanding exposure. Indemnification rate can go up to 100%. Recoveries are for the benefit of the Group.

Risk underwriting is performed by the risk underwriting teams within ICP. Credit decisions are made for each individual operation based on an automated decision model and manual decisions of underwriters. Authorities are granted to underwriters according to their seniority and expertise; escalation occurs according to pre-determined thresholds to the local ICP credit committees, then to the ICP credit committee and finally to the Management Board member responsible for instalment credit protection. In some cases, risk underwriting can be delegated to the policyholder, within a frame of underwriting criteria (including a mandatory consultation of the relevant national bank databases). The underwriting criteria are reviewed and formally signed off by the ICP unit and such policies always include a form of risk sharing to ensure alignment of interest. In light of the current economic environment, such policies have not been renewed at their expiry date in 2011.

Assumed reinsurance

Reinsurance underwriting guidelines define the kind of business Atradius Reinsurance Ltd. is authorised to write, with specific guidelines to type of product, capacity limit, exposure, term and diversity of the underlying insurance ceded. There is particular attention given to ensuring 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.

The primary insurer writes traditional credit and/or bonding insurance and reports to Atradius Reinsurance Ltd. the aggregate total potential exposure (TPE) including the list of buyers over certain limits according to the reinsurance agreement conditions. These are reviewed regularly to monitor insurance performance and buyer stability. 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, claims provisions setting and costs basis for each reinsurance contract. The reinsurance contract performance and TPE values are reviewed within the control limits required within the underwriting guidelines, economic capital requirements and regulatory solvency requirements. Any business that exceeds the standard control limits requires the Reinsurance Inwards Committee’s review and approval prior to commitment.

All assumed reinsurance business is reviewed regularly in detail for past underwriting years performance, triangulation development, individual buyer exposure development, aggregate total potential exposure management and 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 third party clients. An annual Statement of Actuarial Opinion is produced according to the Society of Actuaries of Ireland’s Guidelines and Regulatory requirements, providing an independent best estimate comparison to the company’s reserves to support the business.

Crédito y Caución

The Group’s risk governance structure applies to Crédito y Caución business. The remainder of this section covers aspects that are specific to Crédito y Caución.

Staff in branches (policy underwriting staff and branch managers) have well-defined authorities specifying how to underwrite new business and maintain existing policies. Large policies and extraordinary conditions or premium rates need to be approved by Crédito y Caución’s Chief Business Officer, responsible for technical policy underwriting, who has no commercial interest.

Buyer underwriters also have well-defined authorities specifying who can set what capacity on a buyer, or who can sign-off what limit. As amounts grow, decisions need authorisation from more senior officials up to the Director of Operations. The so-called Large Risk department monitors buyers with an exposure above a certain threshold on a regular basis. Higher amounts require the authorisation of Crédito y Caución’s Credit Committee. Exposures that meet the conditions with respect to combined exposure at Group level are subject to review and approval by the Group Credit Committee.

Technical underwriters, who are part of the business unit, centrally underwrite all bonding facilities and individual bonds. Bonding facilities (lines) are established by specialised underwriters in the Large Risk department.

Crédito y Caución’s risk governance is an integral part of its quality assurance system which is internally and externally audited by AENOR, the Spanish Association for Standardisation and Certification.

4.2.3 Risk management tools

The Group monitors exposure by counterparty, sector and country across all sources of insurance risk. The Group holds all credit insurance policies, all credit limits and all buyers in two systems: one covering Crédito y Caución business and one covering all other credit insurance business. These systems enable the Group to set system specific limits per buyer or per buyer group. Information exchange between the two systems takes place regularly in support of the Centre of Expertise underwriting structure. For the Group's largest exposures, which fall in the scope of the Group Credit Committee, the Group sets limits at the aggregate level.

Management information derived from these systems allows the Group to monitor aggregate exposure by country, sector of buyer, or sector of insured and in many other different ways. Information on Crédito y Caución bonding exposure is stored together with credit exposure, identifiable as being bonding exposure. Information on other bonding portfolios is not held in these systems. However, the Group does monitor the exposure from these portfolios together with exposure from credit insurance. Exposure from the instalment credit protection business is monitored separately.

All buyers with significant exposure are reviewed at least annually. The Group continually receives information on buyers through on-line connections with business information providers and from customers reporting negative payment experiences. Buyers are reviewed whenever new information requires this. The Group assigns an internal rating to all buyers on which it has exposure in excess of an internally determined threshold. The review process takes into account all sources of exposure on a buyer through direct business, i.e. including exposure for special products and bonding. The authority structure described in this note applies to buyer reviews.

The system that supports all other credit insurance business of the Group includes an integrated risk and cost-based pricing system. Most new policies and non-tacit renewals are priced starting from a price suggested by the pricing system. The pricing system is forward-looking in the sense that it takes into account the Group's risk outlook as captured in country, sector and buyer ratings. It prices policies according to the credit risk under the policy, taking into account the buyers that each customer trades with.

Crédito y Caución operates a risk and cost based pricing system for credit insurance, which produces a starting price for all new policies. Crédito y Caución's commercial units have only a limited capacity to modify the price suggested by the model. The whole process is now supported by the policy underwriting tool, which guarantees the implementation of the pricing model and the users' authorities. The implementation of the pricing system is constantly monitored.

For assumed reinsurance, Atradius Reinsurance Ltd. has a number of risk management tools available which monitor the reinsurance portfolio for performance, exposure and financial development. The reinsurance system is used to record the risk profile, ultimate estimate and related accounting information for each assumed treaty. This allows for reporting of performance, total aggregate exposure and accounting reinsurance result. The reinsurance system provides systematically triangulation reporting, earnings estimates, categorisation of risks and market summary details. Performance development and exposures related to each assumed treaty is reviewed quarterly within certain exception reporting and limits. The reinsurance system automatically provides a suite of exception reports which provide the underlying performance data for review by our reinsurance accounts, risk management, actuarial and finance areas. In addition to monitoring and recording TPE per treaty assumed on the reinsurance system, Atradius Reinsurance Ltd. also utilises a buyer database which monitors individual reported buyer exposure limits issued by the original cedant that are in excess of agreed reporting thresholds. These reported limits are reviewed and compared with existing information, at least annually. The Group uses the economic capital model as a tool to monitor the economic capital required by the assumed reinsurance portfolio. This is calculated and reviewed quarterly.

For ICP, consumer credit risk underwriting relies on the databases of the relevant national authorities. In Belgium, the National Bank of Belgium maintains two databases: a negative database, listing every credit non-payment incident and a positive database listing every credit granted to any individual. In addition, ICP maintains and utilises its own internal consumer credit database.

Both Bonding and ICP have their own pricing systems and guidelines, which are adapted to the specifics of their businesses.

4.2.4 Reinsurance

The Group transfers a significant portion of its insurance risk to external reinsurers, through a number of reinsurance arrangements that include quota share and excess of loss treaties covering either the entire portfolio of the Group or facultative quota share arrangements relating to specific transactions. The reinsurance treaties are normally renewed annually. On renewal, the Group reassesses the structure of the treaties, including the excess of loss treaties (the attachment points, spread of the layer and the number of reinstatements). There are a number of considerations that go into making these choices. These include the cost of the synthetic capital that reinsurance provides as measured by the economic capital model, the probability of exhausting the excess of loss cover and the impact on capital requirements as per rating agency model.

The Group for 2011 has three quota share reinsurance treaties in place: one for Atradius excluding Crédito y Caución, one covering the bonding business of Atradius in Italy and the third one for Crédito y Caución. In addition there is one excess of loss programme which covers the retentions under all three quota share treaties and consists of a series of (per buyer and/or buyer group) excess of loss treaties. With regard to the reinsurance panel, it is the Group's policy to select only reinsurers that have a high quality standard of solvency/rating. The normal minimum requirement is an 'A' level rating. In addition the reinsurance treaties provide for the Group to either terminate the reinsurance relationship with a reinsurer that is downgraded below A during the course of the reinsurance year or else to seek collateral if the relationship is to continue. For 2012, only two quota share treaties will be placed. One covering the entire business of Atradius including the Italian bonding business and the French excise bond business, the second covering the business of Crédito y Caución.

Quota share treaties

For underwriting year 2011, the treaty for Atradius, excluding Crédito y Caución, has a quota share with 52.5% (2010: 52.5%) own retention. This programme covers Atradius' direct business, with the exception of the Italian bonding business, the French excise bond business and part of instalment credit protection. Atradius has a separate quota share treaty for the Italian bonding business, with an own retention of 40% (50% for payment guarantees) for 2011 (2010: 40%, 50% for payment guarantees). For other, older, treaty years Atradius' retention for the Italy bonding business varies by year, between 25% and 35%. The French excise bond business is also protected by a separate excess of loss programme. For 2012, the quota share self retention of this main programme remains at 52.5% and in 2012, the Italy bonding treaty will be included in this treaty with a self retention of 52.5% as will the French excise business.

For underwriting year 2011, the main programme for Crédito y Caución, which applies to Spain, Andorra, Portugal and Brazil, has a quota share with self retention of 55% (2010: 55%).

For underwriting year 2011 (as well as 2010), the main quota share treaties of both Atradius and Crédito y Caución programmes have a sliding scale ceding commission arrangement under which the ceding commission paid to the Group by the reinsurers depends on the ceded underwriting year loss ratio. As a consequence, risks affecting the loss ratio of the Group will also pose a risk to the level of ceding commission received, enlarging the overall volatility of the net result.

Excess of loss treaties

For the renewal for 2011 and 2012, the Atradius Group decided to combine the excess of loss programmes of both Atradius and Crédito y Caución and place one joint excess of loss treaty. By having only one excess of loss programme, the Group has mitigated the likelihood of the Group retaining two separate retentions if a common buyer were to fail. Atradius Reinsurance Ltd. purchased an excess of loss protection for the non group (assumed reinsurance) business of EUR 10 million over a retention of EUR 2.5 million.

For underwriting year 2011, although the excess of loss treaties covered the combined retention of Atradius and Crédito y Caución, the attachment point of the excess of loss treaties has been set such that the net retention for business ceded under this treaty structure for any buyer or buyer group does not exceed EUR 15.8 million (2010: EUR 15.8 million) for Atradius and EUR 6.0 million (2010: EUR 6.0 million) for Crédito y Caución. The top of the excess of loss layers is chosen so that, in the judgement of management, there remains only a very remote possibility that failure of any single buyer, or buyer group, will exceed the top end of the excess of loss coverage of EUR 315.0 million net of quota share. In calculating the loss under the excess of loss coverage, no allowance is made for the reinstatement premium that has to be paid in order to reinstate the excess of loss cover after a claim on the layers. The maximum amount of total reinstatement premium in the event that all layers are fully claimed, as a consequence of a single large buyer (group) default, is in the range of EUR 40.3 million (2010: EUR 46.2 million).

As a result of accumulations of risk between business reinsured under the main treaty structure and business reinsured by other treaties, the Group's overall net retention across all business on some buyer groups can be larger than the sum of the self retention and reinstatement premiums of both programmes. The effective loss may also be enlarged due to a possible impact on the ceding commission received under the quota share treaties.

4.2.5 Concentration risk

The Group is exposed to concentration risk in a number of ways: by country of buyer, by sector of buyer and by buyer. The tables below illustrate the exposure as per end of 2011 and 2010 in terms of the sum of credit limits on individual buyers registered by the Group. We refer to this exposure as Total Potential Exposure or TPE.

TPE is an approximate upper bound to real exposure, in the sense that a limit that the Group has issued does not necessarily give rise to credit risk at a specific point in time. The Group normally does not know the real outstanding exposure under its limits on any specific buyer. The 'usage' of limits is, on average, much smaller than the amount of the limit. At the portfolio level, real outstanding exposure tends to be in the range of 10% to 30% of TPE, on top of which customers still have their own retention. In addition, customers are often

allowed to bring exposure under the policy through so-called discretionary limits. Potential exposure resulting from a discretionary limit on any buyer is not held on the Group's system. Each policy specifies the maximum discretionary limit allowed under the policy. For most policies this maximum discretionary limit is not larger than EUR 20 thousand per buyer. This illustrates that TPE is a crude measure of exposure and that, in aggregate, real exposure will be far below TPE.

The Group operates two different buyer underwriting systems for credit insurance: one for Crédito y Caución and one for all other credit insurance business. Moreover, different underwriting processes apply for identifying buyer groups across the two different systems. Therefore, the Group relies on off-line buyer (group) matching procedures to support concentration risk reporting across the Group.

The TPE details below show TPE gross of reinsurance; due to the non-linear nature of the excess of loss cover in the Group's reinsurance program, which has a finite number of reinstatements for each layer, there is no natural way to show TPE net of reinsurance.

In the following tables, the TPE has been aggregated starting from single operating entities and shows the exposure for credit insurance (including special products and assumed reinsurance) only.

Buyer country	of which	TPE 2011 (EUR million)	%	TPE 2010 (EUR million)	%
Germany, Central and Eastern Europe, Greece, Malta, Cyprus and Turkey	Germany	65,608	15.4%	60,212	15.1%
	Central and Eastern Europe	27,270	6.4%	22,838	5.7%
	Other	4,680	1.1%	4,036	1.0%
Spain, Portugal, Brazil, France, Italy, Belgium and Luxembourg	Spain, Portugal, Brazil	108,651	25.4%	111,181	27.9%
	France	36,391	8.5%	36,851	9.2%
	Italy	24,111	5.7%	21,042	5.3%
	Belgium, Luxembourg	11,983	2.8%	11,616	2.9%
The Netherlands, Nordic countries (Denmark, Finland, Norway, Sweden) and Baltic	The Netherlands	25,200	5.9%	24,978	6.3%
	Nordic	18,783	4.4%	17,473	4.4%
	Other	582	0.1%	341	0.1%
United Kingdom, Ireland	United Kingdom	25,988	6.1%	23,736	6.0%
	Ireland	2,021	0.5%	1,850	0.5%
USA, Canada, Mexico, Central America	USA	19,548	4.6%	17,634	4.4%
	Other	6,951	1.6%	5,372	1.3%
Australia and New Zealand, Oceania, New Markets and other	Australia, New Zealand	7,639	1.8%	6,446	1.6%
	Other	41,228	9.7%	33,290	8.3%
Total		**426,634**	**100%**	**398,896**	**100%**

Of the increase in TPE compared to 2010, EUR 1.9 billion is linked to changes in foreign exchange rates (see Note 2.6.3).

Industry sector	TPE 2011 (EUR million)	TPE 2010 (EUR million)
Consumer durables	51,714	50,211
Metals	47,972	45,232
Electronics	43,740	36,064
Construction	21,850	32,576
Chemicals	42,952	42,210
Transport	34,145	28,217
Machines	30,592	29,026
Food	42,566	40,556
Construction materials	36,794	24,858
Services	21,914	20,317
Textiles	13,883	13,825
Finance	12,105	12,142
Agriculture	16,057	14,527
Paper	10,350	9,135
Total	**426,634**	**398,896**

The table above shows the distribution of TPE over buyer industry sector.

Value band	Number of Buyers	TPE (EUR million)	Number of Buyers	TPE (EUR million)
	2011		2010	
0 – 20	2,337,697	254,651	2,292,074	244,024
20 – 100	1,712	68,793	1,541	62,226
100 – 250	274	42,739	253	38,726
250 – 500	84	27,953	71	23,986
500 – 1000	25	16,826	24	17,041
1000 – and more	9	15,672	6	12,893
Total	**2,339,801**	**426,634**	**2,293,969**	**398,896**

The table above shows TPE aggregated by group of buyers. This is the way of aggregating that is relevant for the Group's excess of loss treaties. Assuming real outstanding exposure of 20% of TPE, only buyers with TPE in excess of about EUR 150 million (EUR 50 million for Crédito y Caución) could give rise to hits to an excess of loss treaty (unchanged versus 2010).
Exposure for bonding and for instalment credit protection has entirely different characteristics and therefore has not been included in these tables. At Group level the bonding exposure is EUR 19.5 billion (2010: EUR 18.2 billion), of which EUR 8.0 billion (2010: EUR 8.3 billion) is for customers based in Italy. Exposure for instalment credit protection amounts to EUR 2.5 billion (2010: EUR 2.6 billion).

4.2.6 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 for frequency and severity of claims. Its effect may vary by country and sector. For trade credit risk, the behaviour of customers may affect the frequency and severity of claims as well, 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 to producers in low cost countries), may impact on frequency and severity of claims. What specific events or structural changes are relevant in this respect will vary over time. In addition, the political risk coverage that the Group provides has its own dynamics of frequency and severity of claims.

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 insolvency or bankruptcy of the bonding customer. Thus, in the end, frequency and severity of claims is affected by similar factors as to credit insurance.

All forms of credit insurance 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.

The Group's business processes are designed to effectively manage the impact of the many risk factors that affect frequency and severity of claims. The business processes continually evolve in response to how the Group views these risk factors in the context of its overall business strategy.

The factors that affect frequency and severity of claims at Crédito y Caución are similar to those of the rest of the Group. Crédito y Caución has no material exposure to political risk. Claims sizes on average are smaller than for the other Atradius entities.

4.2.7 Sources and assumptions

4.2.7.1 Sources of uncertainty in the estimation of future claims payments

The sources of uncertainty in the estimation of future claims payments include, but are not limited to, all the factors that affect frequency and severity of claims in general, as described in Note 4.2.6. Estimates for future claims payments are the basis of the recognised insurance liabilities, the claims provision (split between claims reported and loss adjustment expenses and claims incurred but not reported) and unearned premium.

The insurance liabilities that will cover claims experience after the end of the reporting period for risks that have been accepted prior to the balance sheet date consist of two parts: the provision for unearned premium (UPR) and the Claims Provisions for claims 'Incurred but not reported', the IBNR. The accounting polices, and estimation methods, for setting UPR and IBNR vary by product and in part also by entity within the Group:

- for traditional credit insurance, premium is earned in full when the underlying shipment takes place. UPR exclusively relates to the unearned part of premium invoiced in advance and it relates to risks that have not started. IBNR is the Group's estimate for future claims payments that will result from risks taken on, but for which no claims notification has been received;
- for the credit insurance business of Crédito y Caución premium is earned pro rata over the period between invoice date and due date of invoices for the insured shipments. Thus part of UPR relates to risks that have started, in the sense that the underlying insured shipment has taken place. IBNR is Crédito y Caución's estimate for future claims payments that will result from risks taken on, for which no claims notification has been received and for which the underlying invoices are overdue at the end of the reporting period;
- for bonding, instalment credit protection and assumed reinsurance the UPR relates to risk taken on.

As a consequence one should take the release in the provision for unearned premium into account for the credit insurance business of Crédito y Caución, bonding, instalment credit protection and assumed reinsurance when using the risk attaching claims development tables in Note 20 to evaluate the accuracy with which Atradius has historically estimated future claims payments.

Estimates for future claims payments are made through a combination of case-by-case estimates and statistical estimates. Provisions for reported claims are set on case-by-case basis, taking into account statistical estimates for expected recoveries and statistical estimates of claims incurred to payment ratios. The estimates for future claims payments are produced per period that policyholders brought risk under the cover of the policy (the period that the insured shipment took place). Large cases, outside Crédito y Caución, are provisioned separately, at expected loss.

For traditional credit insurance, outside Crédito y Caución, the main method for setting claims reserves produces estimates for future claims payments by country of customer, split between frequency claims and large claims. Sources of uncertainty for these estimates include the following:

- for reported claims: the amounts that will be paid out as a fraction of the pro-forma liability under the claim;
- for claims that have not yet been reported: sources of uncertainty include the speed with which customers submit claims, as measured from the moment that the insured shipment took place, the expected average claims payment for these claims and the expected fraction of cases that do not lead to a payment. These parameters are reviewed at least three times a year, and they are adjusted as required by the statistical evidence available at the time. Factors other than strict statistical evidence may lead to an adjustment of parameters as well, e.g. knowledge of changes in business processes, changes in portfolio composition, and the Group's view of economic developments;
- by the nature of the product, very few claims will have been reported for the most recent four to six months (depending on the country of the customer). Consequently, the expected number of claims for risks taken on during the most recent months is a separate source of uncertainty in the estimation of future claims payments, one that is sensitive to the development of claims experience after the end of the reporting period; and
- the inflow by number and size of large cases.

The Crédito y Caución claims reserves not only have a different definition of IBNR, but also a different definition of recoveries. Outside Crédito y Caución provisions for expected recoveries for traditional credit insurance relate to recoveries after indemnification, i.e. recoveries after Atradius has made the claims payment. At Crédito y Caución the expected recoveries are set as expected recoveries on incurred loss amounts. Only part of those recoveries will be realised as recoveries after indemnification, the remainder will reduce the amount of claims payments. As a consequence, the expected recoveries for Crédito y Caución are substantially higher, as a fraction of claims provisions gross of recoveries, than those for traditional credit insurance for the rest of Atradius. In addition, due to, among others, the absolute size and the long period over which these recoveries are realised, there may be a higher degree of uncertainty in the estimated recoveries. Atradius presents its claims reserves net of expected recoveries and in this presentation the claims provisions for traditional credit insurance at Crédito y Caución and the other Group companies are comparable, although they are set based on different methodologies.

Estimates for future claims payments for bonding have a greater uncertainty than estimates for future claims payments for credit insurance. Bonding is a longer tail business; i.e. the time between issuance of the bond and receipt of the bond call tends to be much longer than that for traditional short-term credit insurance. For example, most credit insurance covers credit periods up to 180 days; around half the number of bonds written has tenors of over two years. After receipt of a bond call, it will take longer to settle the claim and litigation is not uncommon, either following the bond call or when trying to realise recoveries. Especially in Italy, litigation tends to be a lengthy process. Outcomes of litigation cannot be predicted with certainty.

4.2.7.2 Assumptions, change in assumptions and sensitivity

The risks associated with credit insurance and bonding are complex, as will be clear from the above and are subject to a number of influences that are not very amenable to quantitative sensitivity analysis. This section describes the quantitative sensitivity analysis that is feasible.

The most important assumption used in the main method for reserving for traditional credit insurance to set the estimate for the ultimate number of claims for the most recent months of shipment is that the claims inflow in early 2012 will be around 20% above the level of end 2011. An indication of the sensitivity to projected ultimate number of claims would be the following: if the estimated ultimate number of claims for the most recent six months of risk were to change by 10%, the claims provisions would change by EUR 17 million, gross of reinsurance (2010: EUR 15 million). As in essence provisions for most recent months are set as estimated number times estimated claims size, this also describes the sensitivity to assumed claims size.

The assumption used for Crédito y Caución is that the claims inflow in early 2012 will be at the same level of end 2011.

By its nature, inflow of large cases is not really amenable to quantitative sensitivity analysis. The order of magnitude of this sensitivity would, in the judgement of management, seem to be similar to the sensitivity in the estimated number of claims for the most recent months, although, as is inevitable with severity risk, it has a longer tail.

Realised recoveries can deviate from expected recoveries. The largest component of the expected recoveries (EUR 624 million, 2010: EUR 683 million) is related to the credit insurance book of Crédito y Caución (EUR 255 million, 2010: EUR 306 million). Of these expected recoveries 13% relate to claims declared before 2008, 39% relate to claims declared in 2008 or 2009, 48% relates to claims declared or to be declared in 2010 and later. A 1% point change in expected recovery rates for claims declared or to be declared in 2010 or later amounts to some EUR 7 million gross of reinsurance.

For direct bonding the part of the outstanding claims reserve with the largest uncertainty is that for bonding Italy. Out of EUR 232 million (2010: EUR 250 million) of outstanding claims reserves for bonding, EUR 156 million (2010: EUR 166 million) is for direct bonding Italy. In management's judgement this reserve, together with the remaining unearned premium for these risks, is adequate and has an uncertainty in the order of EUR 23 million gross of reinsurance (approximately EUR 7.5 million net of reinsurance).

4.3 Financial risk

The Group is exposed to financial risk mainly through its financial assets, financial liabilities, reinsurance contracts and insurance contracts. The core components of the financial risk are market risk, credit risk and liquidity risk.

- Market risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate due to changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and equity price risk;
- Credit risk is the risk of potential loss resulting from clients or counterparties who are unable to meet their payment obligations in full when due;
- Liquidity risk is the risk that the Group is unable to meet its payment obligations, when due, at a reasonable cost.

These risks arise mainly from interest rate sensitive positions, equity instruments, credit exposures, non-Euro currency exposures and cash flow patterns.

4.3.1 Market risk

Market risk is the risk that the fair value or future cash flows of the financial assets or financial liabilities will fluctuate due to changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and equity price risk.

The Group uses an Asset Liability Management (ALM) approach to analyse the impact of market risk on its assets and liabilities. The ALM is amongst others based on the review of commitments resulting from the Group's insurance liabilities and aims to define the Strategic Asset Allocation (SAA) so that these commitments can be met while maximizing the expected investment return. The SAA is reviewed at least annually by the Group Investment Committee and the RSMB, and requires approval by the Supervisory Board.

The investment decisions within the SAA boundaries are taken by the Group Investment Committee, which meets on a monthly basis and is governed by the Atradius Group Investment Policy. These decisions are based on the risk tolerance that may change from time to time as it is driven by economic circumstances, development of the Group's business, credit rating requirements, regulatory and economic capital requirements, and shareholders' preferences. Therefore, these investment decisions are dynamic, which implies that the Group Investment Committee may adopt a strong risk adverse asset allocation in case it is close to its minimum targeted credit rating or when its capital position is under pressure, while it may adopt a less risk adverse approach in case it is higher in the targeted credit rating scale or when its capital is in a surplus position. In addition to making investment decisions, the Group Investment Committee also reviews the investment portfolio in respect of risk and performance by, amongst others, verifying that asset classes remain within SAA boundaries and by assessing the investment portfolio against the SAA benchmark. On a quarterly basis, the composition, performance and risk profile of the investments portfolio are presented and discussed with the RSMB and with the Supervisory Board.

4.3.1.1 Fair value of financial assets and liabilities

The following table presents the estimated fair values of the Group's financial assets and liabilities. Certain balance sheet items are not included in the table, as they do not meet the definition of a financial asset or liability. The aggregation of the fair values presented below does not represent, and should not be construed as representing, the underlying value of the Group.

2011	**Available-for-sale**	**Fair value through profit or loss**	**Loans and receivables**	**Liabilities at amortised cost**	**Total estimated fair value**
Investment portfolio					
Equity securities:	**752,409**	**–**	**–**	**–**	**752,409**
Shares	2,598	–	–	–	2,598
Investment funds	749,811	–	–	–	749,811
Debt securities:	**599,552**	**5,086**	**–**	**–**	**604,638**
Government bonds	555,843	–	–	–	555,843
Corporate bonds	15,717	–	–	–	15,717
Structured debt	27,992	5,086	–	–	33,078
Loans	**–**	**–**	**783**	**–**	**783**
Short-term investments	**–**	**–**	**108,544**	**–**	**108,544**
Cash held for investments	**–**	**–**	**68,055**	**–**	**68,055**
Derivatives	**–**	**–**	**–**	**–**	**–**
Subtotal	**1,351,961**	**5,086**	**177,382**	**–**	**1,534,429**
Receivables and accrued interest	–	–	214,291	–	214,291
Cash and cash equivalents	–	–	270,968	–	270,968
Total financial assets	**1,351,961**	**5,086**	**662,641**	**–**	**2,019,688**
Subordinated loan	–	–	–	91,900	91,900
Payables and accrued interest	–	–	–	175,248	175,248
Deposits received from reinsurers	–	–	–	67,994	67,994
Borrowings	–	–	–	1,449	1,449
Total financial liabilities	**–**	**–**	**–**	**336,591**	**336,591**

2010	Available-for-sale	Fair value through profit or loss	Loans and receivables	Liabilities at amortised cost	Total estimated fair value
Investment portfolio					
Equity securities:	**647,535**	**–**	**–**	**–**	**647,535**
Shares	2,809	–	–	–	2,809
Investment funds	644,726	–	–	–	644,726
Debt securities:	**512,108**	**9,408**	**–**	**–**	**521,516**
Government bonds	458,723	–	–	–	458,723
Corporate bonds	24,867	–	–	–	24,867
Structured debt	28,518	9,408	–	–	37,926
Loans	**–**	**–**	**95**	**–**	**95**
Short-term investments	**–**	**–**	**105,485**	**–**	**105,485**
Cash held for investments	**–**	**–**	**56,038**	**–**	**56,038**
Derivatives	**–**	**2**	**-**	**–**	**2**
Subtotal	**1,159,643**	**9,410**	**161,618**	**–**	**1,330,671**
Receivables and accrued interest	–	–	225,046	–	225,046
Cash and cash equivalents	–	–	278,007	–	278,007
Total financial assets	**1,159,643**	**9,410**	**664,671**	**–**	**1,833,724**
Subordinated loan	–	–	–	103,800	103,800
Payables and accrued interest	–	–	–	225,732	225,732
Deposits received from reinsurers	–	–	–	72,452	72,452
Borrowings	–	–	–	407	407
Total financial liabilities	**–**	**–**	**–**	**402,391**	**402,391**

The fair values correspond with the amounts at which the financial instruments at our best estimate could have been traded at the end of the reporting period between knowledgeable, willing parties in transactions at arm's-length. The fair values, whenever possible, are based on quoted market prices. If there is no quoted market price available, valuation techniques are used 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 Group 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 or illiquid investments in which the Group invests are valued by an external independent valuation company. This company uses their own proprietary valuation systems to value the securities supported by economic and market assumptions from financial information providers. The valuations are provided on a monthly basis and are reviewed and approved by the Group.

Debt and equity securities available-for-sale

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

Debt and equity securities and derivatives fair value through profit or loss

The fair values of securities at fair value through profit or loss are based on quoted market prices, where available. For those securities not actively traded, fair values are provided by an external independent valuation company.

Loans and short-term investments

For loans and other short-term investments, carrying amounts represent a reasonable estimate of fair values.

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.

Subordinated loan

The fair value of the subordinated loan is estimated using discounted cash flows based on interest rates that apply to similar instruments.

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 fair values of the financial instruments carried at fair value were determined as follows:

Financial instruments measured at fair value Assets 2011	Quoted prices in active markets – level 1[1]	Valuation techniques based on observable market data – level 2[2]	Valuation techniques incorporating information other than observable market data – level 3[3]	Total
Fair value through profit or loss:				
Debt securities – structured debt	–	–	5,086	5,086
Derivatives	–	–	–	–
Available–for–sale:				
Equity securities	752,409	–	–	752,409
Debt securities:				
Government bonds	555,843		–	555,843
Corporate bonds	15,717	–	–	15,717
Structured debt	–	–	27,992	27,992
Total	**1,323,969**	**–**	**33,078**	**1,357,047**

Financial instruments measured at fair value Assets 2010	Quoted prices in active markets – level 1[1]	Valuation techniques based on observable market data – level 2[2]	Valuation techniques incorporating information other than observable market data – level 3[3]	Total
Fair value through profit or loss:				
Debt securities – structured notes	–	–	9,408	9,408
Derivatives	2	–	–	2
Available–for–sale:				
Equity securities	647,535		–	647,535
Debt securities:				
Government bonds	458,723		–	458,723
Corporate bonds	24,867	–	–	24,867
Structured debt	–	–	28,518	28,518
Total	**1,131,127**	**–**	**37,926**	**1,169,053**

1) *Quoted prices in active markets – level 1*
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.

2) *Valuation techniques based on observable market data – level 2*
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.

3) *Valuation techniques incorporating information other than observable market data – level 3*
This category includes financial investments whose fair value is determined using a valuation technique for which more than an insignificant level of the input in terms that are not supported by a current observable market transaction. This category also includes the financial investments whose 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.

Structured debt

The Group holds structured debt which is classified as part of debt securities since the underlying security is a debt instrument. All structured debts contain embedded derivatives. Structured debts that include embedded derivatives, which are closely related to the debt instrument (e.g. those which are used for interest related strategies), are accounted for as available-for-sale. Structured debts that include embedded derivatives, which are not closely related to the debt instrument (e.g. those which are used for foreign exchange rate strategies or index related strategies) are designated at fair value through profit or loss. One of the main risks on the structured debt is the default risk of the guarantor of the instrument.

Structured debt can be summarised in the following table:

Strategy	**Nominal Value**	**Fair Value**	**Nominal Value**	**Fair Value**
	2011		**2010**	
Interest	36,300	27,992	36,300	28,518
Other strategies	5,800	5,086	11,900	9,408
Total	**42,100**	**33.078**	**48,200**	**37,926**

The table below details the changes in the fair value of Level 3 financial investments (valuation techniques incorporating information other than observable market data):

Financial investments Level 3	**Debt securities**	
	2011	**2010**
Balance at 1 January	**37,926**	**61,293**
Total gains or losses:		
in income statement (net income from investments)	(19)	1,972
in other comprehensive income	(526)	708
Purchases	–	–
Sales	(4,303)	(10,779)
Settlements	–	(15,268)
Transfers out of level 3	–	–
Balance at 31 December	**33,078**	**37,926**
Total gains/(losses) for the year included in profit or loss for assets held at the end of the reporting period	**(127)**	**40**

4.3.1.2 Equity price risk

The Group is exposed to movement in equity markets by its direct equity holdings within its investment portfolio. Potential changes in the Group's holdings due to price fluctuations in the equity markets are measured by Value-at-Risk (VaR) analyses. Equity price risk is mitigated by holding a diversified and liquid portfolio of equity instruments within the bandwidths of the strategic asset allocation. In addition, the Group can at any time reduce its exposure to equity investments if a substantial risk is perceived in the financial markets.

Shares

The shares portfolio is diversified over the following industry sectors on the next table:

Share industry sectors	Exposure			
	2011	%	2010	%
Communications	436	16.8%	501	17.9%
Consumer, non-cyclical	1,082	41.6%	1,098	39.1%
Financial	295	11.4%	355	12.6%
Industrial	74	2.8%	152	5.4%
Diversified	711	27.4%	703	25.0%
Total	**2,598**	**100.0%**	**2,809**	**100.0%**

Investment funds

The investment funds in which the Group invests are exposed to market risk, counterparty risk, liquidity risk and currency risk (i.e. general investment fund risks). Some markets on which the investment funds invest may prove at times to be illiquid, insufficiently liquid or highly volatile. This may affect the price at which the investment funds may liquidate positions to meet redemption requests or other funding requirements. The investment funds may be invested in securities denominated in a number of different currencies other than the reference currency in which the investment funds are denominated. In this case, changes in foreign currency exchange rates will affect the value of the participations held in such investment funds. The values of fixed income securities held by investment funds generally will inversely vary with the changes in interest rates and such variation may affect the price of the investment funds accordingly. The management company of investment funds may engage in securities lending programmes, in which the underlying securities are lent out to counterparties over a period of time. A default by a counterparty, or fall in the value of the collateral below that of the value of the securities lent may result in a reduction in the value of the fund. Some investment funds may engage in various portfolio strategies in attempt to reduce certain risks of its investments or to enhance return. These strategies include the use of options, warrants, forward currency exchange contracts, swaps and future contracts and options on futures contracts. The ability to use these strategies may be limited by market conditions and regulatory limits and there can be no assurance that any of these strategies will meet the expected targets. The net asset values of the investment funds are published daily on banking business days of the country in which the investment funds are registered. Indicative intra-day net asset values, in cases applicable, are published by providers of financial data. The investment funds can be traded on banking business days of the country in which the investments are traded.

The investment funds in which the Group invests are managed in accordance with the investment objectives and restrictions as stipulated in the prospectus of these investment funds. The price and income from the Group's investments in investment funds are dependent on the price and income of the underlying securities and the Group may not recover the full amount invested. The Group does not invest or hold any participation in investment funds which requires the Group to invest more than its full amount invested. In addition, there can be no assurance that any of the investment funds in which the Group invests will achieve their investment objective.

The investment funds have the following profiles, which are further detailed below:

		Weight in %		Weight in %
	2011		2010	
Passive fixed income funds	–	–	54,307	8.4%
Active fixed income funds	422,397	56.3%	327,961	50.9%
Passive equities exchange traded funds	68,731	9.2%	70,158	10.9%
Absolute return funds	67,897	9.1%	70,552	10.9%
Active money market funds	188,235	25.1%	117,645	18.2%
Other funds	2,551	0.3%	4,103	0.7%
Total	**749,811**	**100%**	**644,726**	**100%**

Passive fixed income funds

The passive fixed income fund investments consisted of one index tracking fund. The investment objective of this fund is to deliver a return as close as possible to the annual total return of the JPMorgan EMU 1 to 3 year index. The investment fund is restricted to investments in EMU government bonds and is denominated in Euro. The passive fixed income funds have been fully disposed in June 2011 due to the worsening of the Euro sovereign debt crisis. As of December 31, 2011 there are no passive fixed income funds in the portfolio.

Active fixed income funds

The active fixed income investment portfolio consists of two corporate bond funds which seek to achieve the objectives by investing in a diversified portfolio consisting mainly of investment grade debt securities issued by corporations, public institutions, or governments with a maximum maturity of five years. These investment funds are denominated in Euro. In addition to the corporate bond funds denominated in Euro, there are three investment funds that are held by Credito y Caucion Brazil that invest in Brazilian government bonds and corporate bonds. These funds are denominated in Brazilian Real.

Passive equities exchange traded funds

The Group participates in two passively managed equity exchange traded funds. These funds have the investment objective to provide investors with a total return, taking into account both capital and income returns, that reflects the return of a designated benchmark, which is the Dow Jones Euro Stoxx 50SM Index. The exchange traded funds are denominated in Euro and invest in a portfolio of equity securities that so far as possible and practicable consists of the components of the Dow Jones Euro Stoxx 50SM Index.

Absolute return funds

In general, absolute return strategies are aimed to produce positive returns in both positive and negative markets, independent of traditional performance benchmarks such as the general indexes. In order to achieve this objective, absolute return funds generally use different investment strategies to generate positive returns, such as multi-asset allocation, long/short strategies, quantitative strategies and technical analysis. In addition, cash return is widely used as a benchmark of these absolute return funds. In terms of riskiness, absolute return funds can be structured with different levels of risk varying from almost 0% to levels exceeding the riskiness of equities.

The Group has invested in two absolute return funds. These investment funds are denominated in Euro and are managed with a volatility target between 3% and 7%. In addition, these investment funds have daily pricing and can be traded daily with a standard settlement of T+3.

Active money market funds

The Group participates in four active money market funds. These funds have the investment objective to maximise current income to the extent consistent with the preservation of capital and the maintenance of liquidity by investing in a diversified portfolio of high quality money market securities and a short-term debt. The funds are denominated in Euro, US Dollar and British Pounds and have the objective of maintaining a weighted average maturity of no more than 90 days. The investment funds are managed with a view to maintaining a stable net asset value per share.

Other funds

The other funds portfolio consists of one Mexican equity fund and one private equity fund. These funds are considered to be long-term holdings and are monitored and evaluated on a frequent basis.

4.3.1.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group has various positions of which the value is affected by fluctuations in interest rates. The Group measures the interest rate sensitivity of the investment portfolio and certain key liabilities including the subordinated loan and insurance contracts. The Group has a policy of using debt instruments and cash instruments to reduce interest rate risk. The net interest rate sensitivity of the Group is maintained within prudent limits by means of buying or selling interest sensitive securities. Should the need arise, the Group can reduce, within a reasonable time frame, its net exposure to interest rate sensitivity by using investments or other capital market instruments.

The table in Note 4.3.3 summarises the weighted average effective interest rate at the end of the reporting period by type of interest bearing assets and liabilities as of that date. The table indicates the estimated amount and timing of the main cash flows of interest and non-interest bearing assets and liabilities.

Profile

At the end of the reporting period the interest rate profile of the Group's interest-bearing financial instruments was:

Fixed rate instruments – carrying amount	2011	2010
Financial assets[1)]	604,638	521,516
Financial liabilities[2)]	(118,085)	(117,367)
Total	**486,553**	**404,149**

Variable rate instruments – carrying amount	2011	2010
Financial assets[3)]	447,567	439,530
Financial liabilities[4)]	(69,443)	(72,859)
Total	**378,124**	**366,671**

1) Fixed rate financial assets include debt securities;
2) Fixed rate financial liabilities include the subordinated loan;
3) Variable rate financial assets include cash and cash equivalents and short-term investments;
4) Variable rate financial liabilities include borrowings and deposits received from reinsurers.

Should the need to liquidate investment positions arise, the Group maintains the ability to do so within a reasonable time frame and at reasonable cost. The large majority of the investments of the Group consist of highly tradable listed securities with daily pricing which can be converted to liquid assets with minimal market impact. Bonds are primarily government bonds or bonds from major public issuers. The maturity profile of the fixed income portfolio is as follows (discounted amounts):

Debt securities – Maturity	Exposure			
	EUR million	%	EUR million	%
	2011		2010	
0 - 1	67	11.1%	96	18.4%
1 - 3	487	80.5%	373	71.5%
3 -5	28	4.6%	24	4.6%
5 - 10	7	1.2%	8	1.5%
10 +	16	2.6%	21	4.0%
Total	**605**	**100%**	**522**	**100%**
Duration	2.0 years		2.1 years	
Average maturity	1.9 years		2.6 years	

Duration

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 with 1%. The higher the duration figure, the more a bond is sensitive to movements in the underlying discount rate.

Atradius uses the duration to assess its interest rate risk exposure and monitors whether the duration stays in between the minimum and maximum duration limit (between one to five years for government bonds and one to three years for corporate bonds) as set in the Atradius Group Investment Policy. As the duration can be described as the percentage change of a bond's value when the underlying discount rate is parallel shifted with 1%, the average maturity is the weighted average of the time until a bond has paid its final interest and principal redemption.

Cash flow sensitivity analyses for variable rate instruments

A change of 100 basis points (bps) in interest rates at the end of the reporting period would have increased (decreased) the profit before tax by the amounts shown below. This analysis instrument assumes that all other variables, in particular foreign currency rates, remain constant.

Income statement	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
	2011		2010	
Cash flow sensitivity (net) – variable rate instruments	3,724	(3,464)	2,526	(2,526)

4.3.1.4 Value-at-risk

The Group uses Value-at-Risk (VaR) analysis for determining the impact of changes of market risk on its investment portfolio. The VaR indicator represents the simulated maximum loss in value of our investment portfolio due to adverse market events within a specified time frame and probability (confidence level). The calculation of the VaR is based on the variance-covariance methodology. The main inputs for this methodology such as volatility and correlation are derived from financial information systems or are provided by external banks and investment management companies. The risk of using the variance-covariance methodology or any other historical methodology in general is that it may underestimate the riskiness of the portfolio as these methodologies assume that returns are well-behaved according to symmetrical normal distribution and that historical patterns will repeat into the future. In addition the VaR may not compensate for factors such as lack of liquidity. Therefore as the VaR is a simulation-based outcome, it is not intended to represent or to guarantee any future performance, but is used as guidance, for informational purposes and comparison of historical developments only.

The VaR provides insight into the maximum expected loss per asset category and on total investment portfolio level. The amounts and percentages presented are calculated with a given reliability level of 99% for a period of 12 months. This implies that there is 1% probability of underestimating the maximum percentage loss for the coming 12 months. The percentages are applied to the market values per asset category and total investment portfolio level to calculate the maximum expected loss in Euro.

The table below shows the VaR of the Group's debt portfolio and the Group's equity portfolio each on a separate basis as well as at the combined position.

Value-at-risk	EUR million	%	EUR million	%
	2011		2010	
Equity securities:				
Shares (including equity funds)	55.3	74.9%	46.2	61.5%
Investment funds	11.3	16.7%	13.9	15.7%
Debt securities:				
Government bonds (including government bond funds)	35.3	6.1%	23.4	4.5%
Corporate bonds (including corporate bond funds)	22.7	5.0%	16.2	4.3%
Structured debt	7.4	21.9%	8.0	20.6%
Total	89.1	5.4%	70.9	5.6%

Total portfolio VaR might not be equal to the sum of the VaR of the individual portfolio components. This is due to the fact that the correlation among them could be lower than one. Despite that the VaR percentage has decreased from 5.6% at the end of 2010 to 5.4% at the end of 2011, the VaR value has increased from EUR 70.9 million at the end of 2010 to EUR 89.1 million at the end of 2011 due to cash inflows to the investment portfolio during 2011 that delivers a higher total market value of the investment portfolio where the VaR is based upon.

4.3.1.5 Currency risk

Movements in exchange rates may affect the value of consolidated shareholders' equity, which is expressed in Euro. Foreign exchange differences taken to other comprehensive income arise on the translation of the net investment in foreign subsidiaries, associates and joint ventures. During 2011, the Euro weakened against some of the non-Euro functional currencies (see also Note 2.6.3) resulting in a foreign currency loss in other comprehensive income of EUR 0.4 million (2010: a foreign currency gain in other comprehensive income of EUR 7.6 million).

The impact of these fluctuations is limited to a significant degree, however, by the fact that revenues, expenses, assets and liabilities within our non-Euro operations are generally denominated in the same currencies.

The Group exposure to foreign currency exchange rate risk arising from financial monetary assets and liabilities denominated in non-functional currencies as at 31 December 2011 and 31 December 2010, is as follows:

	Financial assets	Financial liabilities	Net position	Financial assets	Financial liabilities	Net position
		2011			2010	
EUR	139,882	110,163	29,719	38,747	74,865	(36,118)
GBP	14,475	28,918	(14,443)	24,999	32,096	(7,097)
USD	151,345	179,143	(27,798)	132,003	131,301	702
AUD	41,387	35,108	6,279	30,543	28,327	2,216
CAD	10,345	2,961	7,384	8,847	1,439	7,408
PLN	22,149	15,868	6,281	11,321	16,161	(4,840)
Other	98,692	123,012	(24,320)	54,386	90,186	(35,800)
Total	**478,275**	**495,173**	**(16,898)**	**300,846**	**374,375**	**(73,529)**

Sensitivity analysis

As an indication of the currency exposure, a 10 percent strengthening of the aforementioned foreign currencies against the Euro as at the end of the reporting period would have increased/(decreased) the result for the year by an amount equal to the net position as presented above calculated against the aforementioned 10 percent. This analysis assumes that all other variables, in particular interest rates, remain constant and is performed on the same basis as for 2010. A 10 percent weakening of the aforementioned foreign currencies against the Euro as at the end of the reporting period would have had an equal but opposite effect.

The table below specifies the Group's gross and net positions in major currencies (both monetary and non-monetary items):

	Assets	Liabilities	Net position	Assets	Liabilities	Net position
		2011			2010	
EUR	2,734,039	1,774,203	959,836	2,557,511	1,662,780	894,731
GBP	92,958	135,673	(42,715)	73,314	122,018	(48,704)
USD	262,742	203,980	58,762	237,231	165,830	71,401
AUD	85,815	49,816	35,999	73,818	44,315	29,503
CAD	24,621	11,269	13,352	18,869	5,249	13,620
PLN	23,975	21,229	2,746	12,049	22,110	(10,061)
Other	355,917	253,772	102,145	302,194	217,471	84,723
Total	**3,580,067**	**2,449,942**	**1,130,125**	**3,274,986**	**2,239,773**	**1,035,213**

4.3.2 Credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- reinsurance contracts;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries; and
- counterparty risk with respect to debt securities.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is reviewed on a quarterly basis in the Reinsurance Outwards Committee in addition to the annual review prior to the finalisation of any reinsurance contract. The Group policy is to select only reinsurers that have a well-established investment grade credit rating. The standard minimum requirement is an 'A' level rating. In the event that the reinsurer's rating is found to be below this threshold, the Group 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. Deposits received from reinsurers mitigate the credit risk and are therefore included in the following table.

Individual operating units maintain records of the payment history for significant contract holders with whom they conduct regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors. Management information reported to the Group includes details of provisions for impairment on loans and receivables and subsequent write-offs. Internal audit makes regular reviews to assess the degree of compliance with the Group procedures on credit exposures to individual policyholders.

Credit risk to business partners, such as the insured and brokers, are monitored closely. Bad debt provisions are reviewed quarterly and updated.

With regard to managing the credit risks of the financial investments, the investment policy of the Group 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. The Group can decide at any time to tactically reduce its exposure to lower rated bonds should the need arise and implement this decision within a reasonable short time frame.

The ratings of receivables, claims, commissions and deposits arising from reinsurance, debt securities and short-term investments as at 31 December 2011 and as at 31 December 2010 are as follows:

At 31 December 2011 **(EUR million)**	**AAA**	**AA**	**A**	**BBB**	**Other**	**Total**
Receivables, claims, commissions and deposits arising from reinsurance						
Receivables, claims and commissions arising from reinsurance	–	289	299	1	20	609
Deposits received from reinsurers	–	(37)	(26)	–	(5)	(68)
Debt securities:						
Government bonds	318	140	95	3	–	556
Corporate bonds	–	4	3	4	5	16
Structured debt	2	5	3	6	17	33
Short-term investments:						
Deposits withheld by ceding companies	–	3	2	13	10	28
Bank deposits under short-term investments	18	32	99	–	–	149
Total	**338**	**436**	**475**	**27**	**47**	**1,323**

At 31 December 2010 **(EUR million)**	**AAA**	**AA**	**A**	**BBB**	**Other**	**Total**
Receivables, claims, commissions and deposits arising from reinsurance						
Receivables, claims and commissions arising from reinsurance	–	198	295	1	16	510
Deposits received from reinsurers	–	(24)	(38)	–	(10)	(72)
Debt securities:						
Government bonds	314	44	99	2	–	459
Corporate bonds	2	4	10	4	5	25
Structured debt	3	6	8	3	18	38
Short-term investments:						
Deposits withheld by ceding companies	–	4	7	11	4	26
Bank deposits under short-term investments	18	54	63	–	–	135
Total	**337**	**286**	**444**	**21**	**33**	**1,121**

In 2010, the Group disposed its direct investment in Greek government bonds. In June 2011, it also disposed its indirect investment in Greek government bonds (through an investment in a passive fixed income fund). In 2011, the Group also exited Irish government bonds; Portuguese bonds have also been partially exited with only one government bond still remaining in the government bond portfolio which will mature in June 2012. The market value of this Portuguese government bond is EUR 0.8 million.

An analysis of the concentration of credit risk arising from direct investment in sovereign debt securities is presented below:

	Government debt	Country rating	Government debt	Country rating
	2011*		2010*	
Germany	113,440	AAA	79,280	AAA
France	86,927	AAA	66,342	AAA
Italy **	84,241	A	78,900	A+
USA	76,541	AA+	83,961	AAA
Netherlands	41,588	AAA	22,243	AAA
Spain	35,992	AA-	21,709	AA
Belgium	23,394	AA	18,523	AA
Australia	22,841	AAA	27,695	AAA
Austria	22,669	AAA	9,996	AAA
Switzerland	12,822	AAA	7,170	AAA
Mexico	10,621	A-	8,735	A
Finland	8,765	AAA	4,797	AAA
Portugal	825	BBB-	2,734	A-
Ireland	–	BBB+	8,623	A
Greece	–	CC	–	BB+
Norway	–	AAA	980	AAA
Rest of OECD	8,926	–	10,230	–
Rest of World	6,251	–	6,805	–
Total	**555,843**		**458,723**	

* *Standard & Poor's rating at 31 December*
** *The Italian government bond portfolio has been disposed of in January 2012.*

Between the end of 2011 and the approval of this report, the following countries have been downgraded by Standard & Poor's: Austria and France to AA+, Spain to A, Italy to BBB+, Portugal to BB, and Greece to Selective Default. All these downgrades took place on 13 January 2012, except for the downgrade of Greece which took place on 27 February 2012.

4.3.3 Liquidity risk

The Group has an ongoing requirement for liquidity to fund such items as claims, reinsurance flows and operational costs. Premium, fees, investment income, incoming reinsurance flows and recoveries are the Group's main sources of liquidity used to service the ongoing liquidity requirements.

The Group is exposed to liquidity risk if there is insufficient cash available to meet its financial obligations, when due, at a reasonable cost. For the Group, liquidity risks may arise if large scale short-term fluctuations occur to cash flows, such as a decline in incoming cash or a rise in outgoing cash, or a combination of both.

Liquidity risk is managed at Group level, in close coordination with local operations. The Group's policy is to monitor and measure ongoing cash flow patterns and control liquidity by maintaining sufficient cash and highly marketable securities to reduce liquidity risk to acceptably low levels. The Group is liquid with EUR 188 million investments in money market funds, which can be liquidated on a daily basis with settlement on the liquidation date. The Group is able to access credit facilities to prevent certain liquidity shortages which may arise due to short-term cash flow variances. The Group maintains two uncommitted credit lines of a total amount of EUR 53 million (2010: EUR 53 million) in the form of an overdraft facility. The credit line provides liquidity to cover infrequent peaks in short-term liquidity requirements while also permitting the Group to reduce its cash balances and to benefit from a more substantial and stable investment portfolio. Finally, the Group has in place a simultaneous claims payment clause in the main reinsurance treaties. This clause allows the Group to request the reinsurers to anticipate on the payment of a large claim upon Group request compared to the usual payment terms agreed in the reinsurance treaties.

Liquidity and interest risk tables

The following table indicates the estimated amount and timing of the main cash flows at the end of the reporting period of interest and non-interest bearing liabilities and assets. The tables have been drawn up based on the undiscounted contractual cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

At 31 December 2011		Contractual cash flows (undiscounted)					
	Weighted average effective interest rate %	On demand	Less than 6 months	6 to 12 months	1 to 5 years	> 5 years	Carrying amount
Interest bearing liabilities							
Subordinated loan	6.58%	–	–	7,050	134,100	–	118,085
Bank overdrafts	1.63%	1,449	–	–	–	–	1, 449
Deposits received from reinsurers	1.55%	–	25,398	42,596	–	–	67,994
Total		**1,449**	**25,398**	**49,646**	**134,100**	**–**	**187,528**
Non-interest bearing liabilities							
Insurance contracts		–	621,087	414,058	401,998	(4,324)	1,549,285
Payables		–	171,086	–	–	–	171,086
Total		**–**	**792,173**	**414,058**	**401,998**	**(4,324)**	**1,720,371**

At 31 December 2010		Contractual cash flows (undiscounted)					
	Weighted average effective interest rate %	On demand	Less than 6 months	6 to 12 months	1 to 5 years	> 5 years	Carrying amount
Interest bearing liabilities							
Subordinated loan	6.69%	–	–	7,050	141,150	–	117,367
Bank overdrafts	1.19%	407	–	–	–	–	407
Deposits received from reinsurers	1.96%	–	25,105	47,347	–	–	72,452
Total		**407**	**25,105**	**54,397**	**141,150**	**–**	**190,226**
Non-interest bearing liabilities							
Insurance contracts		–	577,174	384,783	180,592	45,781	1,311,846
Payables		–	222,233	–			222,233
Total		**–**	**799,407**	**384,783**	**180,592**	**45,781**	**1,534,079**

At 31 December 2011		Contractual cash flows (undiscounted)					
	Weighted average effective interest rate %	On demand	Less than 6 months	6 to 12 months	1 to 5 years	> 5 years	Carrying value
Interest bearing assets							
Debt securities	1.91%	–	29,847	30,926	542,322	59,534	604,638
Deposits withheld by ceding companies	1.00%	–	–	21,218	–	6,816	28,034
Bank deposits under short-term investments	1.24%	68,662	19,098	52,871	276	7,658	148,565
Bank deposits under cash and cash equivalents	3.04%	–	76,653	–	–	–	76,653
Cash	0.89%	194,315	–	–	–	–	194,315
Total		**262,977**	**125,598**	**105,015**	**542,598**	**74,008**	**1,052,205**
Non-interest bearing assets							
Other financial assets		–	753,192	–	–	–	753,192
Reinsurance contracts		–	277,403	184,935	179,549	(1,931)	691,975
Receivables		–	163,976	39,554	–	–	203,530
Total		**–**	**1,194,571**	**224,489**	**179,549**	**(1,931)**	**1,648,697**

At 31 December 2010		Contractual cash flows (undiscounted)					
	Weighted average effective interest rate %	On demand	Less than 6 months	6 to 12 months	1 to 5 years	> 5 years	Carrying value
Interest bearing assets							
Debt securities	2.90%	–	83,672	34,461	425,235	82,292	521,516
Deposits withheld by ceding companies	1.96%	–	–	19,085	–	7,053	26,138
Bank deposits under short-term investments	1.17%	63,296	31,963	18,298	1,276	20,552	135,385
Bank deposits under cash and cash equivalents	3.03%	–	61,606	–	–	–	61,606
Cash	1.33%	216,401	–	–	–	–	216,401
Total		**279,697**	**177,241**	**71,844**	**426,511**	**109,897**	**961,046**
Non-interest bearing assets							
Other financial assets		–	647,632	–	–	–	647,632
Reinsurance contracts		–	266,901	177,934	83,511	21,170	606,634
Receivables		–	207,727	8,292	–	–	216,019
Total		**–**	**1,122,260**	**186,226**	**83,511**	**21,170**	**1,470,285**

4.4 Operational risk

4.4.1 Operational risk management

Operational risks are the risks of direct or indirect loss resulting from inadequate or failed internal processes, people, systems or external events. Atradius uses this definition which is in line with industry practice as well as the European Union Solvency II Framework Directive.

Operational risk is inherent in all the Group's key activities. It can never be entirely eliminated; however, there is a fundamental ongoing objective to address this type of risk. Within Atradius, the Operational Risk Management (ORM) unit, which is part of the Group Risk Management department, is responsible for developing methods for the identification, assessment and response to risks, plus monitoring and further enhancing the overall risk management and control framework. The ORM unit works closely with both Internal Audit and Legal and Compliance.

The ORM unit uses a framework for identifying, assessing, responding to and monitoring operational risk, which is based in part on the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Enterprise Risk Management (ERM) Integrated Framework. The framework used helps to ensure that operational risks are considered within all parts of the entity and that objectives are more likely to be met with fewer surprises along the way. Assurance methods continue to be developed and enhanced year on year, including risk registers, risks and control self assessments and business continuity plans. Additionally, risks and the related controls are discussed within all levels, locations and units across the business, including with the Management Board at periodic Business Review Meetings. High level crystallised risks have now been captured for several years, with separate records of information technology risk events stretching back even further.

Within Atradius, the operational risk of fraud, whether external or internal, is taken very seriously. In respect of external fraud, a specific department monitors the activity of customers and buyers to detect possible indicators and Atradius provides fraud awareness training to employees to help facilitate identification of fraudulent buyers. Internal fraud is addressed via manual and automated operational controls which aim to prevent the occurrence of fraud e.g. segregation of duties, application of signing authorities plus role based system privileges and authorities. In addition, internal fraud is specifically addressed within the Atradius Compliance Framework. It is important to note however that no internal control framework can give absolute assurance that fraud or attempted fraud will be prevented or detected.

To provide increased oversight, assurance and efficiency in the area of governance, risk and compliance, Atradius implemented a new governance, risk and compliance software platform (the "GRC Portal") that integrates existing risk management activities across the business.

2011 also saw increased focus on business continuity management (BCM), including business impact analysis reviews, further tests and the formalisation of the BCM framework. In addition, several offices were deemed to have increased in significance, hence were moved into scope for additional BCM measures to be implemented.

More details on each of the key operational risk management activities are provided in Notes 4.4.1.1 through to 4.4.1.5.

4.4.1.1 Risk registers and risk / control self-assessments

While the ORM unit is responsible for facilitating operational risk management within Atradius, the lines of business and functional areas are responsible for managing their operational risks. Leadership team directors, assisted by 'risk champions', maintain local risk registers. These registers now reside within the GRC Portal and contain those risks considered most significant at a local level. The content of the registers provides input to management meetings and are formally reviewed during the business review meetings. At these meetings the highest priority risks (based on an assessment of impact and likelihood), together with the risk responses are reviewed by the owning Leadership team directors and the Management Board. Separate 'Top Risk discussions' have continued with the Management Board to ensure operational risks are captured from all management perspectives.

While the risk registers utilise a top-down approach to capturing risks, Atradius also uses a bottom-up approach to identify and assess the risks inherent in our core business processes. Having previously documented the internal control systems governing these processes, self-assessments make it possible to identify and monitor anything from structural group-wide internal control weaknesses to specific individual weaknesses at local level and provides results that can be used to remedy these on a prioritised basis. A number of existing and new assessments have already been added to the GRC Portal, and further assessments are in development. As the number of assessments in the GRC Portal is increased, so does the level of assurance that can be obtained over the internal controls, however still ensuring efficiency, effectiveness and maintainability of the overall process.

4.4.1.2 Financial reporting controls

Since 2008, Atradius has conducted a quarterly 'in control' sign-off process for financial reporting risks. This is based on a prior assessment of associated processes, risks and controls, similar to the aforementioned self-assessments. This process was also migrated to the GRC Portal during 2011 and at the same time the control details were reviewed, mapped to the chart of accounts, standardised and rationalised across similar units. The Management Board, the Financial Reporting Controls (FRC) Platform and Internal Audit regularly review the results and level of assurance provided. The FRC Platform is a forum with representatives from Group Risk Management, Finance and Internal Audit, that is tasked with overseeing the FRC process and assisting the Management Board with decisions on identified deficiencies.

4.4.1.3 Business continuity management

Atradius recognises the importance of being able to recover its critical business processes in the event of any major operational disruption, business continuity management is co-ordinated by the ORM unit and is based on the internationally recognised British Standard BS25999. The overall objective is to document and test practical plans that clearly demonstrate our ability to recover key business activities within an acceptable timeframe.

Business continuity plans are structured around the following major components:

- programme management: standards, drive and co-ordination;
- understanding the organisation: risks and business impact analysis;
- business continuity strategy: appropriate recovery timescales;
- business continuity response: resources to meet recovery timescales, including people, buildings, IT;
- exercise, maintain and review: test and update documented plans; and
- embedding a BCM culture: training and awareness across the organisation.

During 2011 Atradius carried out a number of incident management exercises, disaster recovery tests, business recovery workshops and staff awareness initiatives. Several operational incidents including the Tokyo earthquake and severe weather in several locations, were successfully managed with no major impact on business operations.

4.4.1.4 Procedures

Procedures are an important element of Atradius' framework for internal controls. As such, a group-wide standard for procedures is in place, which describes minimum content requirements, change control, communication, training and adherence monitoring. Documented procedures help ensure that activities are carried out in a prescribed manner and thus help mitigate operational risk. A central inventory of key procedures is maintained to assist with the aforementioned activities.

4.4.1.5 Compliance

Atradius' 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. Atradius' Code of Conduct outlines the basic corporate, legal and ethical compliance principles and guidelines that apply to all employees of Atradius and that govern Atradius' 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 complied with across Atradius 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. During 2011, much effort has been put in addressing requirements resulting from the introduction of the Insurer's Code by the Dutch Association of Insurers, the Regulation on Controlled Remuneration issued by the Dutch Central Bank and resulting from further improvements of Atradius' Corporate Governance.

4.5 Capital management

4.5.1 Guiding principles

Capital management is guided by the following principles:

- ensure that the Group is adequately capitalised to preserve financial strength, even after a large loss event, and protect the franchise value of the Group;
- meet the solvency capital requirements of all the Group's entities worldwide;
- manage capital adequacy of the Group and its entities taking into account the internal economic and accounting views along with the external rating agency and regulatory solvency requirements; and
- optimise capital structure by efficiently allocating funds across the Group's entities and minimising the overall cost of funding while preserving financial flexibility.

4.5.2 The Group's objectives, policies and processes with regard to capital

Available capital is measured and managed both from an accounting and economic perspective. The Group considers the solvency calculation models of the relevant regulatory authorities and credit rating agencies to actively manage capital to ensure capital adequacy. The Group's policy is to maintain a sufficient excess above the minimum solvency capital required by the relevant regulatory authorities.

The Group has embedded in its procedures the necessary tests to ensure compliance with externally imposed regulations and internally imposed requirements for capital adequacy. Such compliance is ensured by:

- monitoring duration of assets and liabilities;
- incorporating a view on business expectations such as expected future investments in new businesses, revenues, claims, reinsurance expectations and dividends as these impact both available and required capital; and
- taking into consideration capital markets expectations such as expected returns, volatilities and correlations as these may impact earnings and the shareholder equity reserves.

In order to ensure capital adequacy, a capital buffer above the minimum solvency capital required is maintained, which is in excess of the strict requirements such that large loss events do not impair the ability of the Group to carry on its normal course of business.

4.5.3 Regulatory capital requirements

In each country that the Group operates with insurance or reinsurance companies established according to the local laws, and where prescribed for branches as well, the local insurance regulator specifies the minimum amount and type of capital that must be held by each of the subsidiaries or branches. The minimum required capital must be maintained at all times throughout the year. Regulators in each jurisdiction have the discretionary right to impose additional capital requirements in excess of the required minimum.

4.5.4 Regulatory capital

The table below summarises the minimum required capital for the major regulated legal entities of the Group and the regulatory capital held against each of them, both according to local GAAP. The statutory capital available, the minimum capital requirement and surplus for each insurance company in each country is subject to local regulatory requirements, which differ from jurisdiction to jurisdiction. Data for the current year is, in general, an estimate that is updated once the regulatory accounts are filed.

2011	The Netherlands	Spain	Ireland	US	Mexico
Regulatory capital held (preliminary estimates)	297,997	172,225	302,981	47,535	13,926
Minimum legal regulatory capital (preliminary estimates)	65,714	47,775	71,758	3,647	3,327

2010	The Netherlands	Spain	Ireland	US	Mexico
Regulatory capital held	270,288	162,954	288,234	42,958	15,132
Minimum legal regulatory capital	65,119	47,775	71,758	3,531	5,627

The five main regulated legal entities and respective territories are Atradius Credit Insurance N.V. in the Netherlands, Compañía Española de Seguros y Reaseguros de Crédito y Caución S.A.u. in Spain, Atradius Reinsurance Ltd. in Ireland, Atradius Trade Credit Insurance, Inc. in the USA and Atradius Seguros de Crédito S.A. in Mexico.

The minimum regulatory capital of all European entities is based on the EU insurance directive. This directive prescribes a calculation based on average gross earned premium or average gross incurred claims allowing for a maximum reinsurance percentage of 50%. The higher of the two calculations is the basis for the minimum regulatory capital. In case the net claims provisions are higher than in the previous period, the minimum regulatory capital requirement cannot be lower than the one of the previous period.

Atradius Credit Insurance N.V. is located in the Netherlands and operates globally through a branch structure. Atradius Credit Insurance N.V., including all its branches, is regulated by the Dutch Central Bank (de Nederlandsche Bank, DNB). For Atradius Credit Insurance N.V., the year end 2011 requirement is formed by the premium based calculation, which exceeds the claims based requirement. Certain branches of Atradius Credit Insurance N.V. are also subject to local regulatory capital requirements (Australia, Canada, Hong Kong, Japan, New Zealand, Singapore, Switzerland and Turkey). However, the capital allocated to these branches is part of the consolidated capital of Atradius Credit Insurance N.V. in the Netherlands and the local regulatory requirements imposed on these branches do not constitute a burden in excess of the one imposed upon Atradius Credit Insurance N.V.

Compañía Española de Seguros y Reaseguros de Crédito y Caución S.A.u. is regulated in Spain by the Dirección General de Seguros y Fondos de Pensiones (DGSFP). At year end 2011, the claims based calculation is higher than the premium based calculation, but lower than the preceding year claims based calculation. However, as the net claims provision at the end of 2011 is higher than the net claims provision at the beginning of 2011, the minimum capital requirement cannot be reduced below that of the preceding year.

Atradius Reinsurance Ltd. is regulated in Ireland by the Irish Financial Regulator (IFR). For minimum capital requirement the IFR requires the higher of both a premium and a claims based calculation. At year end 2011, the claims based calculation is higher than the premium based calculation, but lower than the preceding year claims based calculation. However, as the net claims provision at the end of 2011 is higher than the net claims provision at the beginning of 2011, the minimum capital requirement cannot be reduced below that of the preceding year.

Atradius Trade Credit Insurance, Inc. is regulated in the USA by the Maryland Insurance Administration (MIA); the required capital is determined to be the 'authorised control level risk based capital' based on the National Association of Insurance Commissioners Risk Based Capital model (RBC). RBC is a method of measuring the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. The calculation is based on applying factors to various asset, premium, reinsurance, claim, expense and reserve items, with the factors determined as higher for those items with greater underlying risk and lower for less risky items.

Atradius Seguros de Crédito S.A. is regulated in Mexico by the Comisión Nacional de Seguros y Finanzas (CNSF); the minimum solvency requirement is based on the higher of a premium or claims based calculation with additional capital required based on the quality and concentration level of the reinsurance panel. At year end 2011 the claims based calculation is higher.

In addition to other applicable regulatory requirements, in the Netherlands, Spain and Ireland, insurers and reinsurers, respectively, are required to maintain equalisation reserves to protect against the impact of large claims and catastrophes. The basis on which these equalisation reserves are established is set out in the local country regulations based on a pre-established formula applicable to certain lines of business and may be capped at a maximum level. Equalisation provisions represent a major difference between local GAAP and IFRS since it is not allowed under the latter.

4.6 Economic capital

Economic capital models measure economic risks and determine the amount of capital required to support these risks. These models permit easy comparison between products, industry sectors and geographic locations. The Group and its ultimate parent company Grupo Catalana Occidente, S.A. recognises the importance of these models and is developing the required infrastructure to implement such models. The Group believes that all of its stakeholders will benefit from this investment.

For an economic capital model to be practical for risk management, it must reflect economic reality to a fair extent in order to provide valuable information about risks and their impact on capital requirements.

The model must be sufficiently sophisticated and tailored to reflect the reality of the Group's activities and risks. The Group has developed an internal model to determine the economic capital requirements for the insurance risk for all material products: credit insurance (including special products), bonding, instalment credit protection and assumed reinsurance business.

The structure of the model is in line with industry standard models for credit risk and specifically calibrated for the features of our products. In order to adequately capture the insurance nature of the products, including the features of the reinsurance treaties with which the risks are reinsured, a model infrastructure was built in-house and tailored to our products' specific characteristics.

In order to complete the overall estimate of the capital required at group level, risk types other than insurance risk have been modelled with simpler models as placeholders.

The results, broken down to various relevant dimensions, are reported to the RSMB on a quarterly basis. In addition, the model results are included in Atradius' monthly management reporting, reaching a wider senior audience both inside the Group as well as in its ultimate parent company, Grupo Catalana Occidente, S.A. The model is used to advise on the economic benefits and other aspects of various reinsurance options during the reinsurance renewal process. In addition, the model is used for specific ad hoc risk assessment tasks.

4.7 Credit rating

At the time of adopting this Annual report, the core entities of Atradius (Atradius Credit Insurance N.V., Atradius Reinsurance Ltd., Atradius Trade Credit Insurance, Inc. and Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A.u.) are rated 'A-, outlook stable' by Standard and Poor's (S&P). For the purpose of the S&P rating, the Atradius Group is treated as a "core" entity of Grupo Catalana Occidente, S.A. In addition, the local S&P rating for the Mexican entity Atradius Seguros de Crédito, S.A. is 'mxAA, stable outlook' and in the USA Atradius Trade Credit Insurance, Inc. is rated 'A-, stable outlook' by A.M. Best.

5 Segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Management Board in order to allocate resources to the segment and to assess its performance. The segment insurance is split into Credit insurance which includes Instalment credit protection, Bonding and Assumed reinsurance due to the different nature of the related products and the associated insurance liabilities. The services segment includes Collection activities, Atradius Dutch State Business and other service related business. The Group costs segment relates to corporate operations, after cost allocations to the other business segments.

Collection activities include recovery activities on behalf of insurance companies. Transactions between segments are on an arm's-length basis in a manner similar to transactions with third parties. The accounting policies of the reportable segments are the same as described in Note 2.

Information regarding these segments is presented below:

Business segment 2011	**Credit insurance**	**Bonding**	**Assumed reinsurance**	**Total insurance business**	**Services**	**Inter-segment elimination**	**Group costs**	**Total**
Insurance premium revenue	1,188,941	84,486	129,932	**1,403,359**	–	–	–	**1,403,359**
Service and other income	100,707	543	–	**101,250**	49,210			**150,460**
Intersegment revenue	–	–	–	**–**	4,031	(4,031)	–	**–**
Total revenue	**1,289,648**	**85,029**	**129,932**	**1,504,609**	**53,241**	**(4,031)**	**–**	**1,553,819**
Insurance premium ceded to reinsurers	(585,422)	(42,808)	(7,545)	**(635,775)**	–	–	–	**(635,775)**
Total segment income after reinsurance	**704,226**	**42,221**	**122,387**	**868,834**	**53,241**	**(4,031)**	**–**	**918,044**
Insurance claims and loss adjustment expenses	(665,363)	(7,405)	(75,456)	**(748,224)**	–	3,390	–	**(744,834)**
Insurance claims and loss adjustment expenses recovered from reinsurers	305,986	2,363	3,226	**311,575**	–	–	–	**311,575**
Net insurance claims	**(359,377)**	**(5,042)**	**(72,230)**	**(436,649)**	**–**	**3,390**	**–**	**(433,259)**
Gross operating expenses	(441,377)	(29,590)	(49,358)	**(520,325)**	(54,343)	641	(8,657)	**(582,684)**
Commission received for business ceded to reinsurers	216,018	13,728	1,860	**231,606**	–	–	–	**231,606**
Net operating expenses	**(225,359)**	**(15,862)**	**(47,498)**	**(288,719)**	**(54,343)**	**641**	**(8,657)**	**(351,078)**
Operating segment result	**119,490**	**21,317**	**2,659**	**143,466**	**(1,102)**	**–**	**(8,657)**	**133,707**
Share of income of associated companies and joint ventures								**8,710**
Net income from investments								**22,394**
Finance income and expenses								**(4,719)**
Result for the year before tax								**160,092**
Income tax (expense)/ income								**(30,256)**
Result for the year								**129,836**

Business segment 2011	Credit insurance	Bonding	Assumed reinsurance	Total insurance business	Services	Inter–segment elimination	Group costs	Total
Total assets	**653,139**	**222,167**	**17,808**	**893,114**	**3,363**	**(972)**	**–**	**895,505**
Total assets include:								
Reinsurance contracts	486,057	197,998	7,920	**691,975**	–	–	–	**691,975**
Receivables	167,082	24,169	9,888	**201,139**	3,363	(972)	–	**203,530**
Total liabilities	**1,102,020**	**333,656**	**280,290**	**1,715,966**	**17,248**	**(12,843)**	**–**	**1,720,371**
Total liabilities include:								
Insurance contracts	949,725	319,897	279,663	**1,549,285**	–	–	–	**1,549,285**
Payables	152,295	13,759	627	**166,681**	17,248	(12,843)	–	**171,086**

Business segment 2010	Credit insurance	Bonding	Assumed reinsurance	Total insurance business	Services	Inter–segment elimination	Group costs	Total
Insurance premium revenue	1,157,813	83,603	104,199	**1,345,615**	–	–	–	**1,345,615**
Service and other income	103,411	643	–	**104,054**	51,051	–		**155,105**
Intersegment revenue	–	–	–	**–**	5,669	(5,669)	–	**–**
Total revenue	**1,261,224**	**84,246**	**104,199**	**1,449,669**	**56,720**	**(5,669)**	**–**	**1,500,720**
Insurance premium ceded to reinsurers	(573,481)	(43,300)	(2,763)	**(619,544)**	–	–	–	**(619,544)**
Total segment income after reinsurance	**687,743**	**40,946**	**101,436**	**830,125**	**56,720**	**(5,669)**	–	**881,176**
Insurance claims and loss adjustment expenses	(459,023)	(38,027)	(62,523)	**(559,573)**	–	4,608	–	**(554,965)**
Insurance claims and loss adjustment expenses recovered from reinsurers	165,992	20,970	2,287	**189,249**	–	–	–	**189,249**
Net insurance claims	**(293,031)**	**(17,057)**	**(60,236)**	**(370,324)**	–	**4,608**	**–**	**(365,716)**
Gross operating expenses	(425,121)	(31,633)	(41,978)	**(498,732)**	(57,452)	1,061	(13,777)	**(568,900)**
Commission received for business ceded to reinsurers	173,175	12,049	930	**186,154**	–	–	–	**186,154**
Net operating expenses	**(251,946)**	**(19,584)**	**(41,048)**	**(312,578)**	**(57,452)**	**1,061**	**(13,777)**	**(382,746)**
Operating segment result	**142,766**	**4,305**	**152**	**147,223**	**(732)**	**–**	**(13,777)**	**132,714**
Share of income of associated companies and joint ventures								**10,203**
Net income from investments								**12,485**
Finance income and expenses								**(2,659)**
Result for the year before tax								**152,743**
Income tax (expense)/ income								**(27,795)**
Result for the year								**124,948**

The segmental reporting follows the management point of view. In all the other insurance related notes the figures are reported based on the products credit insurance and bonding and this differs from the segmental view presented here. The Assumed reinsurance segment is allocated based on the underlying contracts; approximately 60% can be allocated to credit insurance and approximately 40% to bonding.

Business segment 2010	Credit insurance	Bonding	Assumed reinsurance	Total insurance business	Services	Inter–segment elimination	Group costs	Total
Total assets	**580,678**	**226,739**	**12,072**	**819,489**	**4,808**	**(1,644)**	**–**	**822,653**
Total assets include:								
Reinsurance contracts	392,829	206,667	7,138	**606,634**	–	–	–	**606,634**
Receivables	187,849	20,072	4,934	**212,855**	4,808	(1,644)	–	**216,019**
Total liabilities	**942,925**	**344,341**	**239,174**	**1,526,440**	**22,219**	**(14,580)**	**–**	**1,534,079**
Total liabilities include:								
Insurance contracts	747,296	325,512	239,038	**1,311,846**	–	–	–	**1,311,846**
Payables	195,629	18,829	136	**214,594**	22,219	(14,580)	**–**	**222,233**

Reportable segments' assets are reconciled to total assets as follows:

	2011	2010
Segment assets for reportable segments	**895,505**	**822,653**
Unallocated:		
Intangible assets	160,703	163,947
Property, plant and equipment	131,840	133,406
Investment property	13,338	14,074
Investment in associated companies and joint ventures	30,750	29,821
Financial investments	1,534,429	1,330,671
Deferred income tax assets	134,872	127,734
Current income tax assets	38,289	39,663
Other assets	369,373	335,010
Cash and cash equivalents	270,968	278,007
Total assets	**3,580,067**	**3,274,986**

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2011	2010
Segment liabilities for reportable segments	**1,720,371**	**1,534,079**
Unallocated:		
Subordinated loan	118,085	117,367
Employee benefit liabilities	82,040	89,917
Deferred income tax liabilities	136,668	119,552
Current income tax liabilities	23,977	20,717
Other liabilities and provisions	367,352	357,734
Borrowings	1,449	407
Total liabilities	**2,449,942**	**2,239,773**

Revenue from external customers is allocated to the region in which the insurance contract is issued or services are rendered:

	2011	2010
Spain, Portugal and Brazil	453,558	467,411
France, Belgium, Italy and Luxembourg	272,090	264,380
Germany, Central and Eastern Europe	236,380	228,616
United Kingdom and Ireland	239,732	215,839
The Netherlands	127,398	126,299
Nordic countries	91,985	81,595
North America	63,247	56,313
Oceania and Asia	69,429	60,267
Total	**1,553,819**	**1,500,720**

Revenue is derived from a large number of customers and no single customer (or group under common control) contributes more than 10% to the Group's revenue.

Total assets and capital expenditure are allocated based on where the assets are located:

	Assets		Additions to property, plant, equipment and intangible assets	
	2011	2010	2011	2010
Spain, Portugal and Brazil	785,625	668,209	4,230	3,230
France, Belgium, Italy and Luxembourg	414,648	353,438	2,265	1,508
Germany, Central and Eastern Europe	338,402	273,835	1,752	688
United Kingdom and Ireland	1,024,232	901,375	7,579	3,359
The Netherlands	596,636	687,294	2,810	1,625
Nordic countries	177,854	161,042	695	419
North America	127,525	127,731	241	84
Oceania and Asia	115,145	102,062	1,094	323
Total	**3,580,067**	**3,274,986**	**20,666**	**11,236**

6 Intangible assets

2011	Goodwill	Agent networks	Non-patented technology	Trade names	Insurance portfolios	Software	Total
At cost at 1 January	**118,421**	**12,008**	**4,991**	**2,825**	**4,614**	**100,771**	**243,630**
Additions	–	–	–	–	–	11,769	11,769
Disposals	–	–	–	–	–	(148)	(148)
Effect of movements in foreign exchange	–	–	–	–	110	1,089	1,199
At cost at 31 December	**118,421**	**12,008**	**4,991**	**2,825**	**4,724**	**113,481**	**256,450**
Accumulated amortisation and impairments at 1 January	**(735)**	**(2,403)**	**(999)**	**(1,695)**	**(4,563)**	**(69,288)**	**(79,683)**
Amortisation charge for the year	–	(800)	(332)	(565)	(53)	(12,882)	(14,632)
Amortisation on disposals	–	–	–	–	–	148	148
Impairment loss	–	–	–	–	–	(729)	(729)
Effect of movements in foreign exchange	–	–	–	–	(20)	(831)	(851)
Accumulated amortisation and impairments at 31 December	**(735)**	**(3,203)**	**(1,331)**	**(2,260)**	**(4,636)**	**(83,582)**	**(95,747)**
Balance at 1 January	**117,686**	**9,605**	**3,992**	**1,130**	**51**	**31,483**	**163,947**
Balance at 31 December	**117,686**	**8,805**	**3,660**	**565**	**88**	**29,899**	**160,703**

2010	Goodwill	Agent networks	Non-patented technology	Trade names	Insurance portfolios	Software	Total
At cost at 1 January	**118,366**	**12,008**	**4,991**	**2,825**	**4,609**	**92,363**	**235,162**
Additions	–	–	–	–	–	7,771	7,771
Disposals	–	–	–	–	–	(173)	(173)
Effect of movements in foreign exchange	55	–	–	–	5	810	870
At cost at 31 December	**118,421**	**12,008**	**4,991**	**2,825**	**4,614**	**100,771**	**243,630**
Accumulated amortisation and impairments at 1 January	**(735)**	**(1,602)**	**(666)**	**(1,130)**	**(4,490)**	**(57,124)**	**(65,747)**
Amortisation charge for the year	–	(801)	(333)	(565)	(68)	(11,388)	(13,155)
Amortisation on disposals	–	–	–	–	–	103	103
Impairment loss	–	–	–	–	–	(386)	(386)
Effect of movements in foreign exchange	–	–	–	–	(5)	(493)	(498)
Accumulated amortisation and impairments at 31 December	**(735)**	**(2,403)**	**(999)**	**(1,695)**	**(4,563)**	**(69,288)**	**(79,683)**
Balance at 1 January	**117,631**	**10,406**	**4,325**	**1,695**	**119**	**35,239**	**169,415**
Balance at 31 December	**117,686**	**9,605**	**3,992**	**1,130**	**51**	**31,483**	**163,947**

Goodwill

If applicable, impairment of goodwill is recognised as a separate item in the income statement. During 2011 there was no impairment charge (2010: no impairment charge).

The goodwill allocated to the main cash-generating units or groups of units (CGU's) is presented below:

Cash-Generating Units	2011	2010
Crédito y Caución S.A.u.	98,797	98,797
Atradius Trade Credit Insurance Inc.	4,750	4,750
Atradius Collections B.V.	6,426	6,426
ACI N.V. France	2,767	2,767
ACI N.V. (Nordic bonding)	2,642	2,642
Other	2,304	2,304
Total	**117,686**	**117,686**

The Nordic Bonding unit includes the Group's bonding business in Denmark, Norway, Sweden and Finland.

The fair value of an individual CGU is determined based on value in use calculations, for which a discounted cash flow model is used. The cash flows are estimated using a projection period and a normalised period. The projection period is 10 years, where the first 1-3 year projections are based on financial budgets and/or forecasts. The remaining years are estimated using ratios and growth rates that converge towards their normalised term value. The terminal value is calculated based on the free cash flows in year 11, for which a normalised long-term annual cash flow is calculated and a long-term growth rate of 2%. The 7.89% discount rate used (2010: 7.81%) is close to cost of equity. Any profits, after fulfilling minimum capital requirements, are assumed to be distributable dividends. Minimum capital requirements are calculated based on local regulatory solvency requirements and minimum shareholders' equity required (non-distributable).

Insurance portfolios

Amortisation charges of insurance portfolios are included in the insurance premium revenue and insurance claims and loss adjustment expenses for which the allocation is based on the discounted impact related to the provision for unearned premium and the provision for outstanding claims.

Software

The Group has decided to partially impair a self-developed business system in the amount of EUR 729 thousand since it did not lead to sufficient benefits.

7 Property, plant and equipment

2011	Land and buildings	Fixtures and fittings	IT hardware	Total
At cost at 1 January	**116,513**	**52,844**	**41,130**	**210,487**
Additions	62	2,722	6,113	8,897
Disposals	–	(3,636)	(1,730)	(5,366)
Effect of movements in foreign exchange	(158)	296	516	654
At cost at 31 December	**116,417**	**52,226**	**46,029**	**214,672**
Accumulated depreciation and impairments at 1 January	**(8,881)**	**(34,969)**	**(33,231)**	**(77,081)**
Depreciation charge for the year	(1,418)	(4,432)	(4,525)	(10,375)
Depreciation on disposals	–	3,551	1,694	5,245
Effect of movements in foreign exchange	(49)	(198)	(374)	(621)
Accumulated depreciation and impairments at 31 December	**(10,348)**	**(36,048)**	**(36,436)**	**(82,832)**
Balance at 1 January	**107,632**	**17,875**	**7,899**	**133,406**
Balance at 31 December	**106,069**	**16,178**	**9,593**	**131,840**

2010	Land and buildings	Fixtures and fittings	IT hardware	Total
At cost at 1 January	**116,206**	**51,465**	**38,635**	**206,306**
Additions	54	1,539	1,872	3,465
Disposals	–	(897)	(211)	(1,108)
Effect of movements in foreign exchange	253	737	834	1,824
At cost at 31 December	**116,513**	**52,844**	**41,130**	**210,487**
Accumulated depreciation and impairments at 1 January	**(7,417)**	**(30,348)**	**(28,947)**	**(66,712)**
Depreciation charge for the year	(1,442)	(4,563)	(3,788)	(9,793)
Depreciation on disposals	–	537	126	663
Impairment loss	–	(110)	–	(110)
Effect of movements in foreign exchange	(22)	(485)	(622)	(1,129)
Accumulated depreciation and impairments at 31 December	**(8,881)**	**(34,969)**	**(33,231)**	**(77,081)**
Balance at 1 January	**108,789**	**21,117**	**9,688**	**139,594**
Balance at 31 December	**107,632**	**17,875**	**7,899**	**133,406**

Land and buildings relate only to property for own use. The depreciation expense on property for own use is reported as part of net operating expenses.

The fair value of land and buildings for own use is presented below:

	2011	2010
Spain	94,901	95,147
Italy	20,590	23,506
Belgium, France	5,810	9,702
Other	4,126	3,883
Total	**125,427**	**132,238**

Land and buildings are independently appraised by real estate valuators, which are registered in the relevant countries and have appropriate qualifications and experience in the valuation of properties. The Group usually revalues land and buildings every two to three years. In Spain, the latest valuations on the majority of the land and buildings were conducted during December 2010 by Inmoseguros Sociedad de Tasaciones S.A., in Italy in March 2011 by Roux Italia S.R.L., in Belgium in December 2011 by de Crombrugghe & Partners and in France in November 2011 by Sorovim Conseil Immobilier.

8 Investment property

	2011	2010
At cost at 1 January	**16,207**	**16,303**
Disposals	(331)	(194)
Effect of movements in foreign exchange	(68)	98
At cost at 31 December	**15,808**	**16,207**
Accumulated depreciation and impairments at 1 January	**(2,133)**	**(1,666)**
Depreciation charge for the year	(234)	(535)
Depreciation on disposals	100	70
Impairment loss	(205)	–
Effect of movements in foreign exchange	2	(2)
Accumulated depreciation and impairments at 31 December	**(2,470)**	**(2,133)**
Balance at 1 January	**14,074**	**14,637**
Balance at 31 December	**13,338**	**14,074**

The fair value of investment property is presented below:

2011	Residential	Office	Retail	Total
Spain	–	11,176	–	11,176
Italy	–	3,321	–	3,321
Mexico	–	–	1,442	1,442
The Netherlands	–	1,230	–	1,230
France	–	–	–	–
Sweden	140	–	–	140
Total	**140**	**15,727**	**1,442**	**17,309**

2010	Residential	Office	Retail	Total
Spain	–	11,176	–	11,176
Italy	–	4,838	–	4,838
Mexico	–	–	1,390	1,390
The Netherlands	–	1,345	–	1,345
France	–	428	–	428
Sweden	139	–	–	139
Total	**139**	**17,787**	**1,390**	**19,316**

Land and buildings have been valued by independent real estate valuators, which are registered in the relevant countries and have appropriate qualifications and experience in the valuation of properties. The majority of land and buildings are located in Spain (65% of the total fair value). The Group usually revalues land and buildings every two to three years. In Spain, the latest valuations on the majority of the land and buildings were conducted during December 2010 by Inmoseguros Sociedad de Tasaciones S.A., in Italy in March 2011 by Roux Italy S.R.L., in the Netherlands in August 2011 by Lengkeek Taxaties B.V. and in Mexico in February 2011 by Banco Mercantil del Norte.

During 2011, land and buildings located in Italy and France were sold for EUR 1.6 million. The realised gains are reported as part of net income from investments.

9 Investments in associated companies and joint ventures

The following table shows the changes in investments in associated companies and joint ventures valued by the equity method.

	2011	2010
Balance at 1 January	**29,821**	**22,611**
Share of (loss)/profit	8,710	10,766
Dividends received	(5,927)	(4,985)
Disposals	(1,280)	–
Impairment loss	–	(563)
Revaluations	385	(3)
Effect of movements in foreign exchange	(959)	1,995
Balance at 31 December	**30,750**	**29,821**

None of the associated companies and joint ventures is listed.

As required by IFRS, all information from the associated companies and joint ventures, unless otherwise stated, is based on the balance sheet dates between 30 September and 31 December.

The fair value of the investments in associated companies is EUR 169.0 million (2010: EUR 158.0 million).

The fair value of the associated companies is determined based on value in use calculations, for which a discounted cash flow model is used. The cash flows are estimated using a projection period and a normalised period. The projection period is 10 years, where the first 1-3 year projections are based on financial budgets and/or forecasts. The remaining years are estimated using ratios and growth rates that converge towards their normalised term value. The terminal value is calculated based on the free cash flows in year 11, for which a normalised long-term annual cash flow is calculated and a long-term growth rate of 2%. The 7.89% discount rate used (2010: 7.81%) is close to cost of equity. Based on this review, the Group has decided not to impair the investments (2010: two investments were impaired).

	Country of incorporation	% interest held	Nature of relationship	Comment
Graydon Holding N.V., Amsterdam	The Netherlands	45.00%	Associate	Information services
CLAL Credit Insurance Ltd, Tel Aviv	Israel	20.00%	Associate	Credit insurance
Al Mulla Atradius Insurance Consultancy & Brokerage L.L.C., Dubai	UAE	49.00%	Associate	Other - dormant
Compañía Seguros de Crédito Continental S.A., Santiago de Chile	Chile	50.00%*	Associate	Credit insurance
Company Watch (Holdings) Ltd, London	UK	0.00%	Associate	Information services - (23% prior to the sale in June 2011)
The Lebanese Credit Insurer S.A.L., Beirut	Lebanon	48.90%	Associate	Credit insurance
Les Assurances des Crédits Commerciaux S.A., Tunis	Tunisia	34.99%	Associate	Credit insurance
Tokio Marine Nichido and Atradius Credit Management and Co. Ltd., Tokyo	Japan	50.00%	Joint venture	Credit insurance - dormant since 31 October 2011

** Minus one share*

Commitments and contingent liabilities

There are no commitments relating to the investments.

The following are contingent liabilities relating to the investments:

	Type	Description	2011	2010
Al Mulla Atradius Insurance Consultancy & Brokerage L.L.C., Dubai	Bank guarantee	Guarantee for licences for Al Mulla	103	100

The following investments have different reporting dates than the Group:

	Date	Reason
Tokio Marine Nichido and Atradius Credit Management and Co. Ltd., Tokyo	31 March 2011	The financial year in Japan runs from 1 April to 31 March

In June 2011, Atradius Insurance Holding N.V. sold its shares in Company Watch (Holdings) Limited back to the company. The purchase price of GBP 690 thousand was converted to EUR 772 thousand and deferred as an interest free loan from Atradius Insurance Holding N.V. to Company Watch. The term of the loan is five years and will expire on 30 June 2016. Company Watch will pay back the loan in 60 monthly instalments.

The following table shows the financial statements of the associated companies and joint ventures:

2011	**Total**				
	Assets	**Liabilities**	**Revenue**	**Net assets**	**Result for the year**
Graydon Holding N.V., Amsterdam	49,391	31,233	68,578	18,158	10,224
CLAL Credit Insurance Ltd, Tel Aviv	44,995	24,800	8,925	20,195	4,735
Al Mulla Atradius Insurance Consultancy & Brokerage L.L.C., Dubai	–	–	–	–	–
Compañía Seguros de Crédito Continental S.A., Santiago de Chile	39,138	10,772	6,030	28,366	5,546
Company Watch (Holdings) Ltd, London	–	–	–	–	–
The Lebanese Credit Insurer S.A.L., Beirut	5,626	1,840	985	3,786	847
Les Assurances des Crédits Commerciaux S.A., Tunis	4,661	3,189	383	1,472	31
Tokio Marine Nichido and Atradius Credit Management and Co. Ltd., Tokyo	–	–	35	–	(72)

2010	**Total**				
	Assets	**Liabilities**	**Revenue**	**Net assets**	**Result for the year**
Graydon Holding N.V., Amsterdam	57,140	37,562	71,611	19,578	15,944
CLAL Credit Insurance Ltd, Tel Aviv	43,935	27,695	9,765	16,240	3,878
Al Mulla Atradius Insurance Consultancy & Brokerage L.L.C., Dubai	–	–	5,512	–	676
Compañía Seguros de Crédito Continental S.A., Santiago de Chile	36,748	11,610	5,886	25,138	4,428
Company Watch (Holdings) Ltd, London	5,186	1,699	2,726	3,487	30
The Lebanese Credit Insurer S.A.L., Beirut	4,180	1,339	256	2,841	470
Les Assurances des Crédits Commerciaux S.A., Tunis	3,910	2,449	337	1,461	77
Tokio Marine Nichido and Atradius Credit Management and Co. Ltd., Tokyo	1,002	–	498	1,002	12

The following table shows the summarised financial information of the Group's interest in associated companies and joint ventures:

2011	**Goodwill**	**Net assets**	**Carrying amount**	**Share of profit / (loss)**	**Impairment**	**Dividends received**
Graydon Holding N.V., Amsterdam	–	8,171	8,171	4,601	–	5,175
CLAL Credit Insurance Ltd, Tel Aviv	380	4,039	4,419	947	–	–
Al Mulla Atradius Insurance Consultancy & Brokerage L.L.C., Dubai	–	–	–	–	–	–
Compañía Seguros de Crédito Continental S.A., Santiago de Chile	1,611	14,183	15,794	2,773	–	752
Company Watch (Holdings) Ltd, London	–	–	–	–	–	–
The Lebanese Credit Insurer S.A.L., Beirut	–	1,851	1,851	414	–	–
Les Assurances des Crédits Commerciaux S.A., Tunis	–	515	515	11	–	–
Tokio Marine Nichido and Atradius Credit Management and Co. Ltd., Tokyo	–	–	–	(36)	–	–
Total	**1,991**	**28,759**	**30,750**	**8,710**	**–**	**5,927**

2010	**Goodwill**	**Net assets**	**Carrying amount**	**Share of profit / (loss)**	**Impairment**	**Dividends received**
Graydon Holding N.V., Amsterdam	–	8,810	8,810	7,175	–	4,500
CLAL Credit Insurance Ltd, Tel Aviv	380	3,248	3,628	776	–	–
Al Mulla Atradius Insurance Consultancy & Brokerage L.L.C., Dubai	–	–	–	331	(381)	485
Compañía Seguros de Crédito Continental S.A., Santiago de Chile	1,611	12,569	14,180	2,214	–	–
Company Watch (Holdings) Ltd, London	–	802	802	7	(182)	–
The Lebanese Credit Insurer S.A.L., Beirut	–	1,389	1,389	230	–	–
Les Assurances des Crédits Commerciaux S.A., Tunis	–	511	511	27	–	–
Tokio Marine Nichido and Atradius Credit Management and Co. Ltd., Tokyo	–	501	501	6	–	–
Total	**1,991**	**27,830**	**29,821**	**10,766**	**(563)**	**4,985**

10 Financial investments

Financial investments classified by measurement category and nature 2011	Available-for-sale	Fair value through profit or loss	Loans and receivables	Total
Equity securities	752,409	–	–	752,409
Debt securities	599,552	5,086	–	604,638
Loans	–	–	783	783
Short-term investments	–	–	108,544	108,544
Cash held for investments	–	–	68,055	68,055
Derivatives	–	–	–	–
Total	**1,351,961**	**5,086**	**177,382**	**1,534,429**
Quoted prices in active markets	1,323,969	–	–	1,323,969
Valuation techniques	27,992	5,086	783	33,861
At face value	–	–	176,599	176,599
Total	**1,351,961**	**5,086**	**177,382**	**1,534,429**

Financial investments classified by measurement category and nature 2010	Available-for-sale	Fair value through profit or loss	Loans and receivables	Total
Equity securities	647,535	–	–	647,535
Debt securities	512,108	9,408	–	521,516
Loans	–	–	95	95
Short-term investments	–	–	105,485	105,485
Cash held for investments			56,038	56,038
Derivatives	–	2	–	2
Total	**1,159,643**	**9,410**	**161,618**	**1,330,671**
Quoted prices in active markets	1,131,125	2	–	1,131,127
Valuation techniques	28,518	9,408	95	38,021
At face value	–	–	161,523	161,523
Total	**1,159,643**	**9,410**	**161,618**	**1,330,671**

From the fair value through profit or loss category, the equity and debt securities have been designated as such upon initial recognition.

Movements in available-for-sale financial investments	Equity securities		Debt securities		Total	
	2011	2010	2011	2010	2011	2010
Balance at 1 January	**647,535**	**634,500**	**512,108**	**565,536**	**1,159,643**	**1,200,036**
Additions	340,081	281,512	496,068	442,579	836,149	724,091
Disposals	(218,357)	(272,094)	(406,317)	(503,621)	(624,674)	(775,715)
Amortisation charge for the year	–	–	(6,774)	(7,318)	(6,774)	(7,318)
Revaluations	(15,061)	(208)	2,071	(589)	(12,990)	(797)
Effect of movements in foreign exchange	(1,789)	3,825	2,396	15,521	607	19,346
Balance at 31 December	**752,409**	**647,535**	**599,552**	**512,108**	**1,351,961**	**1,159,643**

The impairment on equity investments is EUR 8.3 million (2010: EUR 0.4 million); there was no impairment on debt investments (2010: EUR 0.6 million).

10.1 Short-term investments and cash held for investments

	2011	2010
Deposits withheld by ceding companies	**28,034**	**26,138**
Within the EU	23,257	19,973
Outside the EU	4,777	6,165
Bank deposits and commercial paper	**148,565**	**135,385**
Within the EU	97,887	104,159
Outside the EU	50,678	31,226
Total	**176,599**	**161,523**

11 Reinsurance contracts

	2011	2010
Reinsurers' share of insurance liabilities		
Provision for unearned premium	137,753	137,660
Claims provisions	554,222	468,974
Total	**691,975**	**606,634**
Current	504,323	448,312
Non-current	187,652	158,322

Amounts due from reinsurers in respect of claims already paid by the Group on the contracts that are reinsured are included in the receivables (see Note 12).

The changes in the reinsurers' share of insurance liabilities are included in Note 20.

12 Receivables

	2011	2010
Accounts receivable on insurance and reinsurance business	**172,324**	**173,815**
Amounts owed by policyholders and direct insurance operations	117,594	132,994
Receivables arising out of reinsurance	54,730	40,821
Other accounts receivable	**31,206**	**42,204**
Total	**203,530**	**216,019**

The outstanding receivables are substantially all current and consequently their fair values do not materially differ from the book value.

There is no concentration of credit risk in respect of receivables as the Group has a large number of internationally dispersed debtors (see Note 4.3.2).

An amount of EUR 93.5 million (2010: EUR 111.9 million) relates to past due receivables on insurance and reinsurance for which no impairment loss has been recognised, out of which 63.0% (2010: 74.4%) relates to receivables of ageing less than three months.

All receivables are considered on an individual basis for impairment testing. As of 31 December 2011, receivables of EUR 31.2 million (2010: EUR 34.9 million) were considered to be partially impaired. The amount of the impairment taken related to these receivables was EUR 17.3 million (2010: EUR 21.3 million). This balance takes into account that a portion of the impaired receivables will be recovered. The Group does not hold any collateral over these balances.

Movements on the provision for impairment of receivables are as follows:

	2011	2010
Balance at 1 January	**21,266**	**25,412**
Impairment of receivables	2,015	11,976
Receivables written off during the year as uncollectable	(3,045)	(4,966)
Unused amounts reversed	(2,944)	(11,156)
Balance at 31 December	**17,292**	**21,266**

The creation and release of provision for impaired receivables has been partly included in net operating expenses (see Note 29) and partly in the technical lines (for insurance business only) of the income statement (premium and commission). Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

13 Deferred acquisition costs

	2011	2010
Balance at 1 January	**59,847**	**54,623**
Change in deferred acquisition costs	3,728	3,685
Effect of movements in foreign exchange	89	1,539
Balance at 31 December	**63,664**	**59,847**

14 Miscellaneous assets and accruals

	2011	2010
Pipeline premium	212,926	188,936
Prepayments	15,704	13,682
Accrued interest	10,761	9,027
Ceded return premium	28,352	22,017
Reimbursement rights	18,405	17,799
Other	19,561	23,702
Total	**305,709**	**275,163**

Pipeline premium relates to shipments made by the Group's policyholders for which the Group is on risk but have yet to be invoiced.

The miscellaneous assets and accruals are substantially all current and consequently the fair values of these assets do not materially differ from the book value.

The reimbursement rights relate to the Spanish pension plans. Since the related policies do not qualify as an insurance policy under IAS 19, the fair value cannot be netted with the related pension liability (see Note 19) but should be presented as a separate asset.

15 Cash and cash equivalents

	2011	2010
Cash at bank and on hand	194,315	216,401
Short-term bank deposits	76,653	61,606
Cash and cash equivalents	**270,968**	**278,007**

	2011	2010
Cash and cash equivalents	270,968	278,007
Bank overdrafts	(1,449)	(407)
Cash and cash equivalents in the statement of cash flows	**269,519**	**277,600**

The Group manages the cash by use of a cross-border cash pooling agreement. The related zero balancing and interest compensation arrangement does allow for offsetting of cash balances of branches within a legal entity, however, it does not allow offsetting between different legal entities. Therefore, in the statement of financial position, the related bank overdrafts that do not qualify for offsetting are presented separately as liabilities under borrowings.

16 Capital and reserves

16.1 Subscribed capital

	2011	2010
Balance at 1 January and 31 December	**79,122**	**79,122**

The share capital of EUR 79.1 million (2010: EUR 79.1 million) is divided into 79,122,142 fully paid ordinary shares with a nominal value of EUR 1.00 each. The fully paid ordinary shares carry one vote per share and carry the right to dividends.

16.2 Share premium reserve

	2011	2010
Balance at 1 January	**870,265**	**870,265**
Dividends	(25,319)	–
Balance at 31 December	**844,946**	**870,265**

16.3 Revaluation reserve

	2011	2010
Balance at 1 January	**(2,205)**	**(12,626)**
Change in revaluation reserve – gross	(4,650)	123
Change in revaluation reserve – tax	127	(986)
Net (gains)/losses transferred to net profit on disposal – gross	(1,109)	11,892
Net (gains)/losses transferred to net profit on disposal – tax	1,008	(608)
Balance at 31 December	**(6,829)**	**(2,205)**

16.4 Currency translation reserve

	2011	2010
Balance at 1 January	**(22,087)**	**(29,661)**
Change in currency translation – gross	(3)	8,746
Change in currency translation – tax	(382)	(1,172)
Balance at 31 December	**(22,472)**	**(22,087)**

The Group's significant foreign currencies and sensitivity to fluctuations are set out in Note 4.3.

16.5 Pension reserve

	2011	2010
Balance at 1 January	**(87,210)**	**(77,410)**
Recognised actuarial gains and losses	**16,547**	**(1,984)**
Change in pension reserve – gross	24,044	(1,857)
Change in pension reserve – tax	(7,497)	(127)
Effect of the asset ceiling	**(21,144)**	**(7,816)**
Change in pension reserve – gross	(28,204)	(10,424)
Change in pension reserve – tax	7,060	2,608
Balance at 31 December	**(91,807)**	**(87,210)**

16.6 Share option reserve

	2011	2010
Balance at 1 January	**–**	**2,973**
Additions	–	–
Disposals	–	(2,973)
Balance at 31 December	**–**	**–**

For more details on the share options, see Note 17.

16.7 Retained earnings

	2011	2010
Balance at 1 January	**197,344**	**72,378**
Result for the year	129,847	124,966
Balance at 31 December	**327,191**	**197,344**

16.8 Dividend distribution

The Group's dividend distribution is based on the Company financial statements. The Company and its subsidiaries are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to the excess of the Company’s shareholders' equity and reserves required by law. Additionally, certain subsidiaries are subject to restrictions on the amount of funds they may distribute in the form of dividends or otherwise and also in respect of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate.

The retained earnings in the Company financial statements cannot be used for dividend distribution since this balance is insufficient. Therefore, if any distribution takes place, the Group distributes dividends out of the share premium reserve (see Note 6.2 in the Company financial statements).

17 Share options

The Group had equity-settled share-based payment and cash-settled share-based payment option plans.

Equity-settled share-based payments

On 1 July 2006, the Group established a share option scheme for the Management Board and senior management that consisted of share options and nil-cost share options. These share options and nil-cost share options were conditional on the fact that the option holder is still employed at vesting date and an Initial Public Offering (IPO) of the Group would take place on or prior to 31 December 2010. This main vesting condition of an IPO taking place on or prior to 31 December 2010 has not been met. Based on this, the Group recognised total income of EUR 2.9 million related to equity-settled share-based payments during the year 2010. This being the share option reserve as per 31 December 2009 which has been released through the income statement as a result of the unlikely vesting of the share options and the nil-cost share options. The options were forfeited during 2011.

The movements in the number of share options outstanding and their related exercise prices are as follows:

2011	Share options		Nil-cost share options	
	Weighted average exercise price per share	Options (x 1,000)	Weighted average exercise price per share	Options (x 1,000)
Balance at 1 January	**17.77**	**997**	**–**	**265**
Granted	–	–	–	–
Forfeited	17.77	(997)	–	(265)
Exercised	–	–	–	–
Expired/lapsed	–	–	–	–
Balance at 31 December		**–**		**–**

2010	Share options		Nil-cost share options	
	Weighted average exercise price per share	Options (x 1,000)	Weighted average exercise price per share	Options (x 1,000)
Balance at 1 January	**17.77**	**1,197**	**–**	**317**
Granted	–	–	–	–
Forfeited	17.77	(200)	–	(52)
Exercised	–	–	–	–
Expired/lapsed	–	–	–	–
Balance at 31 December	**17.77**	**997**		**265**

18 Subordinated loan

	2011	2010
Balance at 1 January	**117,367**	**116,649**
Accretion of interest	718	718
Balance at 31 December	**118,085**	**117,367**

In September 2004, Atradius Finance B.V. issued guaranteed subordinated bonds with a nominal value of EUR 1,000 each for an aggregate amount of EUR 120 million (the 'Bonds'). Atradius Finance B.V. may redeem the Bonds, in whole but not in part, on 3 September 2014 and thereafter on each interest payment date. Unless previously redeemed, the Bonds will be redeemed at maturity on 3 September 2024. The Bonds bear interest at a fixed rate of 5.875% per annum, payable annually in the first 10 years, which will thereafter be reset to a floating 3 month-EURIBOR plus a margin of 2.75% per annum, payable quarterly for the remaining 10 years. The Bonds are issued by Atradius Finance B.V. and guaranteed by the Company and its subsidiary Atradius Credit Insurance N.V. The Bonds are listed on the Luxembourg Stock Exchange.

As the Bonds are not actively traded in the market, the fair value estimate of the Bonds as at year end 2011 amounting to EUR 91.9 million (2010: EUR 103.8 million) has been based on the present value of the Bonds’ cash flows discounted using the Euro government bond yield curve as benchmark and applying an appropriate risk spread.

The credit spread of 475 bps applied (2010: 310 bps) is estimated using the credit spreads of market quoted subordinated bond issues from similar issuers and with similar rating and maturity profiles. The fair value estimate of the Bonds is provided by an external independent valuation company, which uses its own proprietary valuation systems to value securities supported by economic and market assumptions from financial information providers.

19 Employee benefit assets and liabilities

	2011	2010
Retirement benefits	77,836	81,106
Other long-term employee benefits	4,204	8,811
Total	**82,040**	**89,917**

19.1 Retirement benefits

The employee benefit assets and liabilities relate mainly to pension assets and liabilities for defined benefit plans. The main defined benefit plans are in Germany, United Kingdom and the Netherlands and these represent 92.6% of the defined benefit obligation. The other plans relate to Mexico, Norway, Belgium, Sweden, Switzerland, Italy, Spain and France. The recognition of assets and liabilities is determined for each plan separately.

Within the Group there are also defined contribution plans. The contributions to these plans are recognised as expenses in the income statement. The total contributions amounted to EUR 6.7 million in 2011 (2010: EUR 6.3 million).

Under a defined benefit pension plan the beneficiary receives a defined pension from the Group or a pension fund. The contributions payable by the Group for financing the plan are not defined in advance.

Germany

In Germany the pension rights are based on a percentage of the average salary of the last 10 years. The defined benefit pension obligation consists of three plans, of which two are closed for new employees. At year end these pension plans had 529 active members (2010: 542 active members). The total calculated pension obligation of these plans at 31 December 2011 is EUR 63 million (2010: EUR 63 million). The assets of these plans at 31 December 2011 amounted to EUR 42 million (2010: EUR 41 million).

United Kingdom

In the United Kingdom the pension rights are based on a percentage of the final salary. This defined benefit pension plan has been closed to new employees since 2000. At year end this pension plan had 240 active members (2010: 246 active members). The total calculated pension obligation of this plan at 31 December 2011 was EUR 176 million (2010: EUR 164 million). The assets of this pension plan at 31 December 2011 are EUR 140 million (2010: EUR 126 million). Next to this closed pension plan, another closed plan is in place, the MPlan. This in principle is a money purchase scheme. At retirement, benefits depend upon the amount of money in an individual's personal account and the cost of buying an annuity at that time. However, members have a defined benefit underpin, which means that members are guaranteed a minimum level of benefit. If there is a deficit in an individual's personal account to secure the minimum benefit, the Group must top up the member's account.

The Netherlands

In the Netherlands the pension rights are based on a percentage of the average salary. This defined benefit pension plan has been closed to new participants since 1 January 2009. At year end this pension plan had 426 active members (2010: 454 active members). The total calculated pension obligation of this plan at 31 December 2011 is EUR 167 million (2010: EUR 181 million). The assets of this pension plan at 31 December 2011 were EUR 206 million (2010: EUR 192 million).

Pension assets and liabilities

The following tables summarise the funded status and amounts recognised in the consolidated statement of financial position and the components of net benefit expenses recognised in the consolidated income statement.

Funded status	2011	2010	2009	2008	2007
Defined benefit obligation	446,035	448,037	412,377	357,948	371,018
Plan assets	406,836	377,364	334,599	282,459	304,689
Pension commitments less plan assets	**39,199**	**70,673**	**77,778**	**75,489**	**66,329**
Effect of the asset ceiling	38,637	10,433	9	201	16,227
Deficit/(surplus) at 31 December	**77,836**	**81,106**	**77,787**	**75,690**	**82,556**
Experience (gain)/loss on plan liabilities	(2,665)	(10,264)	(2,437)	(2,265)	10,506
Experience (gain)/loss on plan assets	4,382	(10,899)	(9,638)	62,362	(7,222)
Experience (gain)/loss on reimbursement rights	262	156	143	106	–

Experience adjustments are the actuarial gains and losses that arise because of differences between the actuarial assumptions made at the beginning of the period and actual experience during the period (they exclude changes in assumptions). Experience adjustments give information about the reliability of the amounts recognised based on those assumptions (i.e. the service cost and interest cost).

The Dutch pension plan consists of a net pension asset of EUR 38.6 million (2010: EUR 10.4 million). The recognition of this asset is limited to the ability to use surpluses to generate future benefits. The Dutch pension agreement and local regulations prohibit the use of the current asset to the benefit of the Group. This part of the assets is included as part of the pension reserve and included in other comprehensive income (see Note 16).

The defined benefit plans in Spain are insured with Grupo Catalana Occidente S.A.. Since the related insurance policies do not qualify as an insurance policy under IAS 19, the fair value of the insurance policy is treated as a reimbursement right, which is recorded as part of other assets (EUR 18.4 million, 2010: EUR 17.8 million). The related defined benefit obligation is included in this section and amounts to EUR 12.5 million (2010: EUR 13.5 million).

Changes in the present value of the defined benefit obligation are as follows:

	2011	2010
Balance at 1 January	**448,037**	**412,377**
Service cost (including employee contributions)	11,556	10,824
Interest cost	23,421	22,544
Actuarial losses/(gains)	(28,687)	11,962
Losses/(gains) on curtailments	–	(623)
Termination benefit costs	–	219
Settlements	–	(1,015)
Benefits paid	(13,732)	(14,292)
Effect of movements in foreign exchange	5,440	6,041
Balance at 31 December	**446,035**	**448,037**

Changes in the fair value of plan assets are as follows:

	2011	2010
Balance at 1 January	**377,364**	**334,599**
Expected return on assets	20,518	21,259
Actuarial gains/(losses)	(4,382)	10,899
Contributions (including employee contributions)	22,285	20,322
Settlements	–	(643)
Benefits paid	(13,431)	(13,806)
Effect of movements in foreign exchange	4,482	4,734
Balance at 31 December	**406,836**	**377,364**

The fair value of plan assets at the end of the reporting period is analysed as follows:

	2011	2010
Equity securities	135,302	129,408
Debt securities	234,530	173,662
Investment property	16,498	15,484
Other	20,506	58,810
Total	**406,836**	**377,364**

The plan assets do not include any of the Group's own financial instruments, nor any property occupied or other assets used by the Group.

The expected rates of return on individual categories of plan assets are determined by reference to relevant indices published by the stock exchange of the particular country. The overall expected rate of return is calculated by weighting the individual rates for each asset class in accordance with the anticipated balance in the plan's investment portfolio. The actual return on plan assets (including reimbursement rights) was EUR 16.1 million (2010: EUR 32.2 million).

The Group expects to contribute approximately EUR 16.0 million to the defined benefit plans in 2012 (2011: EUR 15.7 million).

The principal assumptions used for the purpose of the actuarial valuations of the three main defined benefit plans are as follows:

Principal actuarial assumptions	United Kingdom		Germany		The Netherlands	
	2011	2010	2011	2010	2011	2010
Discount rate	5.00%	5.50%	5.50%	5.25%	5.50%	5.50%
Expected return on plan assets	5.80%	6.70%	6.00%	3.50%	5.90%	5.20%
Expected increase of future salaries	4.25%	4.75%	3.05%	3.05%	2.00%	3.25%
Expected increase of future benefit levels	3.00%	3.50%	1.75%	1.75%	1.00%	1.75%
Mortality table	1PM/FAL09M (medium cohort 1.5% floor, year of use)	1PM/FAL09M (medium cohort 1.5% floor, year of use)	"Richttafeln 2005 G" by Dr. Klaus Heubeck	"Richttafeln 2005 G" by Dr. Klaus Heubeck	AG "Prognose-tafel 2010-2060" + loading for experience mortality	AG "Prognose-tafel 2010-2060" + loading for experience mortality

19.2 Other long-term employee benefits

	2011	2010
Early retirement	1,586	4,774
Jubilee	1,907	1,758
Other	711	2,279
Total	**4,204**	**8,811**

In 2010 a reclassification of EUR 2.6 million was made from the restructuring provision to the early retirement plans included here. This amount had already been provided for during 2009 under the restructuring plan provision. This planned amount was paid into the retirement plan early 2011. Also included in other long-term employee benefits is an amount of EUR 0.5 million (2010: EUR 2.0 million) related to a compensation for the abolishment of a scheme for senior management. The condition for receiving this compensation is that eligible employees are still employed at predefined payment dates (July 2012 and July 2013).

19.3 Defined benefit costs

Expenses and return on assets recorded in the income statement: (gains) and losses	2011	2010
Current service cost (net of participant contributions)	11,784	9,056
Interest cost	23,552	22,544
Expected return on plan assets and reimbursement rights	(21,402)	(22,201)
Cost of settlements, curtailments and termination benefits	–	(776)
Other	(100)	(2)
Total	**13,834**	**8,621**

Expenses related to pensions are recorded under net operating expenses in the income statement.

19.4 Share-based payments

The share-based payments are included in the share options (see Note 17).

19.5 Termination benefits

The termination benefits are included in the restructuring provisions (see Note 21).

20 Insurance contracts

Credit insurance	Gross	Reinsurance Asset	Net	Gross	Reinsurance Asset	Net
		2011			2010	
Claims reported and loss adjustment expenses	278,827	(161,565)	117,262	173,054	(122,776)	50,278
Claims incurred but not reported	560,325	(245,223)	315,102	434,544	(186,200)	248,344
Claims provisions	**839,152**	**(406,788)**	**432,364**	**607,598**	**(308,976)**	**298,622**
Unearned premium	279,823	(87,189)	192,634	282,094	(90,991)	191,103
Total	**1,118,975**	**(493,977)**	**624,998**	**889,692**	**(399,967)**	**489,725**
Bonding						
Claims reported and loss adjustment expenses	222,938	(135,551)	87,387	235,681	(144,734)	90,947
Claims incurred but not reported	58,150	(11,883)	46,267	49,377	(15,264)	34,113
Claims provisions	**281,088**	**(147,434)**	**133,654**	**285,058**	**(159,998)**	**125,060**
Unearned premium	149,222	(50,564)	98,658	137,096	(46,669)	90,427
Total	**430,310**	**(197,998)**	**232,312**	**422,154**	**(206,667)**	**215,487**
Total insurance contracts	**1,549,285**	**(691,975)**	**857,310**	**1,311,846**	**(606,634)**	**705,212**
Current	1,129,145	(504,323)	624,822	969,475	(448,312)	521,163
Non-current	420,140	(187,652)	232,488	342,371	(158,322)	184,049

The liabilities for gross claims reported, loss adjustment expenses and claims incurred but not reported are net of expected recoveries from salvage and subrogation. Salvage and subrogation at 31 December 2011 amount to EUR 624.0 million (2010: EUR 683.0 million).

20.1 Claims development tables

The claims development tables provide an overview of how the total claims expense for underwriting years 2003-2011 has developed in the subsequent financial years. This overview also provides a breakdown of the claims provisions (claims reported and loss adjustment expenses and claims incurred but not reported) that are held against each underwriting year as at 31 December 2011.

Credit Insurance – Gross

Claims development per underwriting year – risk attaching – (EUR million)

Year when risk was taken	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Estimate of gross claims incurred:										
at the end of the year when risk was taken	604.7	557.8	653.8	737.3	787.9	1,438.9	749.0	515.2	739.7	
one year later	632.8	611.0	702.7	769.9	1,050.7	1,992.9	644.8	500.3		
two years later	650.6	607.0	689.2	744.4	1,069.4	2,116.2	620.6			
three years later	645.1	606.1	672.6	742.9	1,081.1	2,122.5				
four years later	618.8	596.3	669.5	738.5	1,084.9					
five years later	617.5	598.4	663.7	743.0						
six years later	612.3	593.9	661.8							
seven years later	604.8	589.4								
eight years later	604.7									
Current estimate of cumulative claims	604.7	589.4	661.8	743.0	1,084.9	2,122.5	620.6	500.3	739.7	7,666.9
Cumulative payments to date	602.2	587.3	659.2	741.3	1,086.8	2,085.2	595.9	369.7	120.9	6,848.5
Claims provision at 31 December 2011 in respect of 2003 - 2011	2.5	2.1	2.6	1.7	(1.9)	37.3	24.7	130.6	618.8	818.4
In respect of prior years (before 2003)										20.8
Total										**839.2**

The claims expense includes the losses that have been recognised in the income statement, but excludes the impact of losses that have been accepted for which the premium has yet to be earned. The consequence of this is that the claims expense for a particular underwriting year can increase in future financial years as both the premium and losses are recognised in the income statement. This is relevant for the credit insurance business written by Crédito y Caución, the assumed reinsurance business and instalment credit protection.

Both frequency and severity of claims for underwriting year 2009 and 2010 have developed more favourably than assumed at year end 2010. For underwriting years 2003, 2004 and 2005, recovery inflow is more positive than previously anticipated. The adverse development on the 2006, 2007 and 2008 underwriting years is driven by losses for instalment credit protection and assumed reinsurance for which the premium has yet to be earned and by adverse development in recovery inflow for Crédito y Caución.

Credit Insurance – Net

Claims development per underwriting year – risk attaching – (EUR million)

Year when risk was taken	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Estimate of net claims incurred:										
at the end of the year when risk was taken	263.1	255.9	363.4	488.3	430.5	814.4	417.3	281.2	399.3	
one year later	277.3	281.8	393.1	427.2	593.8	1.131.7	372.8	284.6		
two years later	284.3	279.8	404.7	413.2	606.6	1.207.2	349.8			
three years later	282.0	293.0	393.3	412.2	612.7	1.211.1				
four years later	290.6	286.3	392.2	406.2	615.6					
five years later	291.0	287.1	386.3	410.7						
six years later	287.9	283.8	385.8							
seven years later	282.7	281.9								
eight years later	284.7									
Current estimate of cumulative claims	284.7	281.9	385.8	410.7	615.6	1.211.1	349.8	284.6	399.3	4.223.5
Cumulative payments to date	283.0	280.8	385.3	412.4	622.2	1.199.0	341.5	212.1	65.2	3.801.5
Claims provision at 31 December 2011 in respect of 2003 - 2011	1.7	1.1	0.5	(1.7)	(6.6)	12.1	8.3	72.5	334.1	422.0
In respect of prior years (before 2003)										10.4
Total										**432.4**

The Group has a reinsurance programme consisting of both quota share and excess of loss treaties that cover the majority of the direct insurance. For underwriting years 2003 to 2011, there have been no events in any of those years that have resulted in losses of a sufficient size to prompt recovery from the excess of loss cover. Movements arising on these contracts follow the same pattern as the gross movements.

The table above excludes the impact of the stop loss arrangement for financial year 2009 that was provided to Crédito y Caución by Consorcio de Compensación de Seguros. This specific reinsurance arrangement operated on a financial year basis, whereas the table above is created on an underwriting year basis. In financial year 2009 the Group benefited from ceding EUR 64.5 million in claims. During financial year 2011 the Group's payback obligation under this arrangement decreased from EUR 43.6 million to EUR 24.2 million.

Bonding – Gross

Claims development per underwriting year – risk attaching – (EUR million)

Year when risk was taken	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Estimate of gross claims incurred:										
at the end of the year when risk was taken	20.6	34.0	8.6	12.5	8.8	13.2	10.7	10.2	19.3	
one year later	41.4	37.1	9.6	8.5	25.6	33.2	22.1	25.7		
two years later	61.5	39.8	17.8	21.6	29.2	38.8	30.7			
three years later	67.2	42.9	24.4	24.5	34.0	45.6				
four years later	67.6	49.3	22.9	27.8	30.1					
five years later	78.5	45.5	21.8	21.6						
six years later	84.3	46.2	20.9							
seven years later	99.6	46.4								
eight years later	96.7									
Current estimate of cumulative claims	96.7	46.4	20.9	21.6	30.1	45.6	30.7	25.7	19.3	337.0
Cumulative payments to date	46.6	32.3	13.9	15.7	19.2	23.9	8.9	4.6	3.6	168.7
Claims provision at 31 December 2011 in respect of 2003 - 2011	50.1	14.1	7.0	5.9	10.9	21.7	21.8	21.1	15.7	168.3
In respect of prior years (before 2003)										112.8
Total										**281.1**

The estimate of ultimate claim costs does not include an estimate for future claim payments on cases where Atradius does not yet have adverse information. This explains the increase in estimate of ultimate claim costs over time. For bonding we typically earn premium over the period of the experience of loss, meaning that while we see an increase in the claims incurred we will also be recognising premium and this can not be seen in the table above.

As described in Note 4.2.6, bonding tends to be longer tail business and around half of the bonds written have tenors of over two years.

Bonding – Net

Claims development per underwriting year – risk attaching – (EUR million)

Year when risk was taken	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Estimate of net claims incurred:										
at the end of the year when risk was taken	10.9	12.3	4.1	5.0	7.7	10.1	8.3	5.7	15.4	
one year later	18.5	6.2	4.5	4.1	18.4	25.0	17.2	21.7		
two years later	25.9	10.4	6.9	12.6	17.9	28.9	22.5			
three years later	28.0	14.0	12.4	14.3	21.5	34.5				
four years later	24.9	18.5	11.8	15.9	16.9					
five years later	28.5	15.8	10.0	11.6						
six years later	30.5	17.7	9.4							
seven years later	37.3	16.9								
eight years later	36.8									
Current estimate of cumulative claims	36.8	16.9	9.4	11.6	16.9	34.5	22.5	21.7	15.4	185.7
Cumulative payments to date	20.5	12.6	6.5	9.2	12.6	17.3	5.4	3.5	2.1	89.7
Claims provision at 31 December 2011 in respect of 2003 - 2011	16.3	4.3	2.9	2.4	4.3	17.2	17.1	18.2	13.3	96.0
In respect of prior years (before 2003)										37.7
Total										**133.7**

The Group has a series of quota share reinsurance covers in place. Movements arising on these contracts follow the same pattern as the gross movements.

20.2 Insurance liabilities and reinsurance assets

20.2.1 Changes in insurance liabilities and reinsurance assets

Credit insurance	Gross	Reinsurance	Net	Gross	Reinsurance	Net
		2011			2010	
Balance at 1 January	**607,598**	**(308,976)**	**298,622**	**832,044**	**(404,334)**	**427,710**
Claims paid in the year	(459,048)	216,245	(242,803)	(720,087)	266,586	(453,501)
Increase/(decrease) in liabilities arising from claims	679,089	(309,157)	369,932	466,782	(168,265)	298,517
Foreign exchange and other movements	11,513	(4,900)	6,613	28,859	(2,963)	25,896
Balance at 31 December	**839,152**	**(406,788)**	**432,364**	**607,598**	**(308,976)**	**298,622**
Claims reported and loss adjustment expenses	278,827	(161,565)	117,262	173,054	(122,776)	50,278
Incurred but not reported	560,325	(245,223)	315,102	434,544	(186,200)	248,344
Total	**839,152**	**(406,788)**	**432,364**	**607,598**	**(308,976)**	**298,622**

Bonding	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Balance at 1 January	**285,058**	**(159,998)**	**125,060**	**262,887**	**(153,020)**	**109,867**
Claims paid in the year	(34,749)	14,944	(19,805)	(32,694)	14,108	(18,586)
Increase/(decrease) in liabilities arising from claims	30,644	(2,418)	28,226	53,326	(20,984)	32,342
Foreign exchange and other movements	135	38	173	1,539	(102)	1,437
Balance at 31 December	**281,088**	**(147,434)**	**133,654**	**285,058**	**(159,998)**	**125,060**
Claims reported and loss adjustment expenses	222,938	(135,551)	87,387	235,681	(144,734)	90,947
Incurred but not reported	58,150	(11,883)	46,267	49,377	(15,264)	34,113
Total	**281,088**	**(147,434)**	**133,654**	**285,058**	**(159,998)**	**125,060**
Claims provisions	**1,120,240**	**(554,222)**	**566,018**	**892,656**	**(468,974)**	**423,682**

20.2.2 Unearned premium

Credit insurance	Gross	Reinsurance	Net	Gross	Reinsurance	Net
		2011			2010	
Balance at 1 January	**282,094**	**(90,991)**	**191,103**	**283,029**	**(84,579)**	**198,450**
Movement in the period	(3,733)	8,334	4,601	(6,060)	(3,796)	(9,856)
Foreign exchange and other movements	1,462	(4,532)	(3,070)	5,125	(2,616)	2,509
Balance at 31 December	**279,823**	**(87,189)**	**192,634**	**282,094**	**(90,991)**	**191,103**
Bonding						
Balance at 1 January	**137,096**	**(46,669)**	**90,427**	**130,124**	**(47,858)**	**82,266**
Movement in the period	13,452	(3,836)	9,616	3,591	1,356	4,947
Foreign exchange and other movements	(1,326)	(59)	(1,385)	3,381	(167)	3,214
Balance at 31 December	**149,222**	**(50,564)**	**98,658**	**137,096**	**(46,669)**	**90,427**
Total provision for unearned premium	**429,045**	**(137,753)**	**291,292**	**419,190**	**(137,660)**	**281,530**

20.3 Government schemes

During the credit crisis, governments were seeking to support the economy and trade through the following credit insurance related initiatives:

- Top-up cover and ground-up cover schemes - support to customers by reinstating or issuing new limits on buyers partly or fully withdrawn by the credit insurer;
- Stop-loss scheme - support to the credit insurance industry via stop-loss agreements, effectively supporting the economy as well.

The Group participates in both types of schemes and where necessary has a reinsurance relationship with the relevant governments.

The general features of the reinstatement of cover schemes are:

- The Group on behalf of the government reinstates partly or fully withdrawn credit limits;
- The Group accounts for these schemes and the government reimburses the Group for the expenses.

A stop-loss scheme only existed in Spain. This reinsurance was provided by Consorcio de Compensación de Seguros ('CCS') via a stop-loss contract which the Group cancelled in 2009. The Group has a repayment commitment related to this scheme that is calculated with reference to an 'Account of Experience' which balances inputs and outputs (stop-loss premium, the stop-loss indemnities and 5% administration costs) and, if the balance is negative, CCS is entitled to a partial compensation consisting of 20% of the cedant's positive technical result per year after cancellation of the scheme. After five years the account will be considered settled.

The impact of these government schemes on the Group's income statement is detailed below:

	2011	2010
Net premium earned	115	42
Net insurance claims	11,188	(38,626)
Other income	417	2,938
Total gain/(loss)	**11,720**	**(35,646)**

All government schemes are accounted for as reinsurance contracts as stated in Note 2.18.5. The CCS estimated compensation is part of the net insurance claims.

21 Provisions

The non-underwriting provisions developed as follows:

2011	Restructuring	Onerous contracts	Litigation	Cash-settled share-based payments	Total
Balance at 1 January	**10,512**	**569**	**13,212**	**–**	**24,293**
Additional provisions	–	–	611	–	611
Unused amounts reversed	(497)	(234)	(1,705)	–	(2,436)
Utilised	(5,238)	(159)	(9,965)	–	(15,362)
Other changes	–	–	–	–	-
Effect of movements in foreign exchange	(2)	(2)	–	–	(4)
Balance at 31 December	**4,775**	**174**	**2,153**	**–**	**7,102**
Current	4,775	65	2,153	–	6,993
Non-current	–	109	–	–	109

2010	Restructuring	Onerous contracts	Litigation	Cash-settled share-based payments	Total
Balance at 1 January	**37,290**	**753**	**13,659**	**1,501**	**53,203**
Additional provisions	300	78	752	65	1,195
Unused amounts reversed	–	–	(294)	–	(294)
Utilised	(24,682)	(290)	(905)	(1,566)	(27,443)
Other changes	(2,565)	–	–	–	(2,565)
Effect of movements in foreign exchange	169	28	–	–	197
Balance at 31 December	**10,512**	**569**	**13,212**	**–**	**24,293**
Current	10,512	126	13,212	–	23,850
Non-current	–	443	–	–	443

Restructuring

In 2009, in order to realise cost savings, significant staff cuts were made which resulted in the reduction of 450 positions for which a provision was required. Detailed restructuring plans had been made available for all positions. The restructuring plans were drawn up and announced to the workers council representatives and employees during 2009. Of these 450 positions, 383 had already been paid by year end 2010. Of the remaining 40 positions as at 31 December 2011, 27 employees are still part of the workforce accounting for EUR 2.4 million of the closing provision and the remainder relates to the deferred payment for approximately 13 employees who have already left the workforce.

Onerous contracts

The provision for onerous lease contracts represents the future lease payments that the Group is presently obligated to make under non-cancellable onerous operating lease contracts, less revenue expected to be earned on the lease, including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable.

The onerous contracts are related to lease contracts of buildings in the United Kingdom. These buildings are not in use by the Group and the future net incoming rental from subletting these properties is expected to fall significantly short of the Group's expenditure commitments until the expiry date of these contracts. Moreover the lease contracts of the buildings in Australia and New Zealand have expired in 2011.The expiry date of the lease contracts of the buildings in the United Kingdom will be 2015.

Litigation

The litigation provision is related to disputes with third parties that are not related to the insurance business of the Group for which separate provisions are set up as part of the provisions for outstanding claims.

The provision relates to two components: (i) the estimated cost of legal proceedings to be carried out by the assistance of external legal counsel in the form of e.g. external legal advice and representation of Atradius in a court, and (ii) any non insurance claims against the group. The anticipated expenditure for 2011 is EUR 2.2 million. These amounts have not been discounted for the purposes of measuring the provision for litigation work, because the effect is not material.

A major part of the litigation provision related to ongoing disputes with the Spanish tax authorities concerning tax filings for the years 1989-1993. These balances were settled in 2011.

22 Deferred and current income tax

Current income tax

	2011	2010
Current income tax assets	38,289	39,663
Current income tax liabilities	23,977	20,717
Total	**14,312**	**18,946**

The current income tax assets consist mainly of advances paid for local income tax. The current income tax liabilities consist mainly of income and other local income taxes payable.

Deferred income tax

	2011	2010
Deferred income tax assets before set-off	144,551	143,624
Set-off of deferred tax positions	(9,679)	(15,890)
Net deferred tax assets as presented in the statement of financial position	**134,872**	**127,734**
Deferred income tax liabilities before set-off	146,347	135,442
Set-off of deferred tax positions	(9,679)	(15,890)
Net deferred tax liabilities as presented in the statement of financial position	**136,668**	**119,552**

The gross movement on the deferred income tax is as follows:

	2011	2010
Balance at 1 January	**8,182**	**13,145**
Charge (credit) to other comprehensive income for the year	(305)	887
Charge (credit) to the income statement for the year	(10,158)	(6,840)
Effect of movements in foreign exchange	485	990
Balance at 31 December	**(1,796)**	**8,182**

The movement in the deferred tax assets is further detailed below:

Deferred income tax assets before set-off

2011	Invest-ments	Tax losses carried forward	Technical balances	Pensions	Fiscal goodwill	Allowance accounts receivable	Other	Total
Balance at 1 January	**4,795**	**31,903**	**42,007**	**19,651**	**25,481**	**7,078**	**12,709**	**143,624**
Charge (credit) to other comprehensive income for the year	556	–	–	(1,072)	–	–	–	(516)
Charge (credit) to the income statement for the year	(1,561)	963	(4,695)	(1,761)	242	(61)	8,196	1,323
Effect of movements in foreign exchange	3	305	(406)	296	(5)	–	(73)	120
Balance at 31 December	**3,793**	**33,171**	**36,906**	**17,114**	**25,718**	**7,017**	**20,832**	**144,551**

2010	Invest-ments	Tax losses carried forward	Technical balances	Pensions	Fiscal goodwill	Allowance accounts receivable	Other	Total
Balance at 1 January	**1,458**	**34,685**	**29,907**	**17,325**	**28,257**	**7,898**	**13,738**	**133,268**
Charge (credit) to other comprehensive income for the year	3,501	–	–	3,688	–	–	–	7,189
Charge (credit) to the income statement for the year	(302)	(4,700)	10,541	(1,568)	(2,776)	(836)	(1,612)	(1,253)
Effect of movements in foreign exchange	138	1,918	1,559	206	–	16	583	4,420
Balance at 31 December	**4,795**	**31,903**	**42,007**	**19,651**	**25,481**	**7,078**	**12,709**	**143,624**

One of the main Group subsidiaries, Atradius Credit Insurance N.V., the Netherlands (ACI N.V.), operates in a branch structure. ACI N.V. is part of the fiscal unity in the Netherlands, headed by Atradius N.V. Due to the branch structure, losses of the foreign branches can immediately be offset against the current tax liability of the fiscal unity of which ACI N.V. is part. However, as Dutch tax law provides for recapture rules once foreign branches become profitable again, a corresponding deferred income tax liability is recognised.

From 1 January 2012 the law in the Netherlands will change: losses of foreign branches can no longer be offset against Dutch taxable income; instead all results from foreign branches are exempt from tax in the Netherlands. However, losses incurred before 2012 are still subject to the recapture rule.

Deferred income tax assets are recognised for, amongst others, tax losses carried forward and the fiscal goodwill resulting from the legal restructuring that took place during 2004/2005 (mainly Italy and Germany) to the extent that the realisation of the related tax benefit through the future taxable profits is probable. In 2011, EUR 0.8 million deferred tax assets on the losses carried forward were impaired (2010: EUR 4.0 million).The fiscal goodwill is amortised over a period of 15 years (Germany) or 18 years (Italy).

The Group has unrecognised tax losses carried forward balances amounting to EUR 25.0 million (2010: EUR 48.0 million).The reduction of unrecognised tax losses is mainly due to change of law in Italy: losses are no longer subject to limitation of loss carry forward of five years, but can now be carried forward indefinitely.

The expiration of these unrecognised tax losses carried forward is included in the following table:

Expiration unrecognised tax losses carried forward	2011	2010
1 – 3 years	(7,826)	(20,904)
4 – 9 years	(3,714)	(14,779)
Indefinite	(13,444)	(12,351)
Total	**(24,984)**	**(48,034)**

The movement in the deferred tax liabilities is further detailed below:

Deferred income tax liabilities before set-off

2011	Investments	Technical balances	Pensions	Equalisation provisions	Other	Total
Balance at 1 January	**(4,777)**	**(22,215)**	**(2,833)**	**(66,428)**	**(39,189)**	**(135,442)**
Charge (credit) to other comprehensive income for the year	(424)	–	635	–	–	211
Charge (credit) to the income statement for the year	617	(5,936)	881	(41)	(7,002)	(11,481)
Effect of movements in foreign exchange	17	(190)	44	339	155	365
Balance at 31 December	**(4,567)**	**(28,341)**	**(1,273)**	**(66,130)**	**(46,036)**	**(146,347)**

2010	Investments	Technical balances	Pensions	Equalisation provisions	Other	Total
Balance at 1 January	**(2,336)**	**(26,631)**	**(1,012)**	**(57,929)**	**(32,215)**	**(120,123)**
Charge (credit) to other comprehensive income for the year	(5,095)	–	(1,207)	–	–	(6,302)
Charge (credit) to the income statement for the year	2,674	6,121	(553)	(7,152)	(6,677)	(5,587)
Effect of movements in foreign exchange	(20)	(1,705)	(61)	(1,347)	(297)	(3,430)
Balance at 31 December	**(4,777)**	**(22,215)**	**(2,833)**	**(66,428)**	**(39,189)**	**(135,442)**

The deferred income tax charged or credited to other comprehensive income during the year is as follows:

	2011	2010
Revaluation reserve in shareholders' equity:		
Available-for-sale financial investments	132	(1,594)
Pension reserve:		
Unrealised actuarial gains and losses	(7,497)	(127)
Asset ceiling	7,060	2,608
Total	**(305)**	**887**

The current income tax credited to other comprehensive income during the year is as follows:

	2011	2010
Revaluation reserve in shareholders' equity:		
Available-for-sale financial investments	1,003	–
Currency translation reserve in shareholders' equity:		
Current taxes on currency translation reserve	(382)	(1.172)

23 Payables

	2011	2010
Accounts payable on insurance and reinsurance business	**137,933**	**188,695**
Payables arising out of reinsurance operations	64,667	107,323
Amounts due to policyholders	59,667	64,849
Amounts due to intermediaries	12,677	13,467
Current account Dutch state	922	3,056
Trade and other accounts payable	**33,153**	**33,538**
Accounts payable	22,871	25,063
Other accounts payable	10,282	8,475
Total	**171,086**	**222,233**

The payables arising out of reinsurance includes an amount of EUR 24.2 million (2010: EUR 43.6 million) related to the stop loss arrangement with Consorcio de Compensación de Seguros ('CCS'; see also Note 20.3). The payables due are substantially all current.

24 Other liabilities

	2011	2010
Deposits received from reinsurers	67,994	72,452
Unearned reinsurance commission	34,798	29,722
Other taxes	6,839	7,397
Accruals	109,406	98,572
Return premium	58,518	46,595
Ceded pipeline premium	66,701	62,928
Sundry creditors	1,258	1,184
IPT and stamp duties payable	11,832	12,276
Interest payable	2,904	2,315
Total	**360,250**	**333,441**

25 Net premium earned

Credit insurance	**Gross**	**Reinsurers' share**	**Net**	**Gross**	**Reinsurers' share**	**Net**
		2011			**2010**	
Written premium	1,261,318	(583,950)	677,368	1,211,175	(579,388)	631,787
Change in provision for unearned premium	3,733	(8,334)	(4,601)	6,060	3,796	9,856
Total	**1,265,051**	**(592,284)**	**672,767**	**1,217,235**	**(575,592)**	**641,643**
Bonding						
Written premium	151,760	(47,327)	104,433	131,971	(42,596)	89,375
Change in provision for unearned premium	(13,452)	3,836	(9,616)	(3,591)	(1,356)	(4,947)
Total	**138,308**	**(43,491)**	**94,817**	**128,380**	**(43,952)**	**84,428**
Total premium earned	**1,403,359**	**(635,775)**	**767,584**	**1,345,615**	**(619,544)**	**726,071**

26 Service and other income

	2011	2010
Collections and recovery services	34,997	37,260
Information services and fees	101,250	104,054
Other service income	14,213	13,791
Total	**150,460**	**155,105**

Information services income and fees are part of the insurance segment. Collections and recovery services and other service income are part of the service segment.

27 Net income from investments

Net investment income by type of investment	**2011**	**2010**
Income from		
Debt securities available-for-sale	17,137	28,265
Debt securities fair value through profit or loss	320	1,302
Loans	22	15
Equity securities available-for-sale	13,941	15,754
Derivatives	–	417
Other investments	4,178	1,068
Total income from financial investments	**35,598**	**46,821**
Investment property	1,933	1,103
Total investment income	**37,531**	**47,924**
Expenses from		
Debt securities available-for-sale	(339)	(4,461)
Debt securities fair value through profit or loss	(2,782)	(1,157)
Equity securities available-for-sale	(10,364)	(26,990)
Derivatives	(2)	(912)
Handling expenses	(1,201)	(1,384)
Total expenses from financial investments	**(14,688)**	**(34,904)**
Investment property	(449)	(535)
Total investment expenses	**(15,137)**	**(35,439)**
Net income from investments	**22,394**	**12,485**
Share of income of associated companies and joint ventures	8,710	10,203
Net income from investments including associated companies and joint ventures	**31,104**	**22,688**

Net investment income by nature of income/(expense)	2011	2010
Income from		
Interest	16,210	13,478
Dividends	13,154	13,079
Realised gains	7,621	20,708
Unrealised gains	–	32
Rental income from investment property	546	627
Total	**37,531**	**47,924**
Expenses from		
Handling expenses	(1,201)	(1,384)
Realised losses	(5,030)	(32,306)
Unrealised losses	(127)	(200)
Impairment loss	(8,545)	(1,014)
Depreciation of investment property	(234)	(535)
Total	**(15,137)**	**(35,439)**
Net income from investments	**22,394**	**12,485**
Share of income of associated companies and joint ventures	8,710	10,203
Net income from investments including associated companies and joint ventures	**31,104**	**22,688**

In the interest income and expenses reported above, the component related to financial investments available-for-sale is net EUR 12.0 million (2010: EUR 12.4 million). This net income is derived from government and corporate bonds.

Net gains/(losses) by type of investment	Impairments		Realised gains/(losses)	
	2011	2010	2011	2010
Investment property	(205)	–	1,376	474
Debt securities	–	(639)	2,453	12,153
Equity securities	(8,340)	(375)	(1,236)	(23,941)
Derivatives	–	–	(2)	(284)
Total	**(8,545)**	**(1,014)**	**2,591**	**(11,598)**
Net gains / (losses) by category				
Investment property	(205)	–	1,376	474
Financial assets classified as available-for-sale	(8,340)	(1,014)	1,109	(11,892)
Financial assets classified as at fair value through profit or loss	–	–	106	(180)
Total	**(8,545)**	**(1,014)**	**2,591**	**(11,598)**

28 Insurance claims

Credit insurance	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
		2011			2010	
Claims paid in the year	459,048	(216,245)	242,803	720,087	(266,586)	453,501
Change in claims provisions	220,041	(92,912)	127,129	(253,305)	98,321	(154,984)
Claims handling expenses	33,367	–	33,367	32,525	–	32,525
Total	**712,456**	**(309,157)**	**403,299**	**499,307**	**(168,265)**	**331,042**
Bonding						
Claims paid in the year	34,749	(14,944)	19,805	32,694	(14,108)	18,586
Change in claims provisions	(4,105)	12,526	8,421	20,632	(6,876)	13,756
Claims handling expenses	1,734	–	1,734	2,332	–	2,332
Total	**32,378**	**(2,418)**	**29,960**	**55,658**	**(20,984)**	**34,674**
Total insurance claims and loss adjustment expenses	**744,834**	**(311,575)**	**433,259**	**554,965**	**(189,249)**	**365,716**

For more detail on the changes in insurance liabilities and reinsurance assets, see Note 20.2.1.

29 Net operating expenses

	2011	2010
Total administrative expenses	407,713	403,856
Gross acquisition costs	178,699	168,729
Gross change in deferred acquisition costs	(3,728)	(3,685)
Gross operating expenses	582,684	568,900
Commissions received for business ceded to reinsurers	(231,606)	(186,154)
Total net operating expenses	**351,078**	**382,746**

Administrative expenses by type of business	2011	2010
Insurance and information expenses	379,814	367,484
Recoveries and collections expenses	43,977	47,939
Other service expenses	10,366	9,513
Group costs	8,657	13,777
Total gross administrative expenses	442,814	438,713
Claims handling expenses allocated to net claims charges	(35,101)	(34,857)
Total administrative expenses	**407,713**	**403,856**

Administrative expenses by nature	2011	2010
Employee benefit expenses (see table below)	264,356	257,115
Travelling and company cars	13,247	12,571
Information technology	37,363	37,480
Housing and office expenses	38,453	40,729
Other expenses	89,395	90,818
Total gross administrative expenses	442,814	438,713
Claims handling expenses allocated to net claims charges	(35,101)	(34,857)
Total administrative expenses	**407,713**	**403,856**

Other expenses include expenses for consultancy, communication, marketing, credit information, recovery and collection and professional fees.

As part of the gross administrative expenses, depreciation, amortisation and impairment charges amount to EUR 25.0 million (2010: EUR 22.9 million).

Employee benefit expenses	**2011**	**2010**
Salaries and wages	207,117	208,332
Restructuring costs and termination benefits	(441)	250
Social security costs	37,162	36,560
Share options granted to directors and employees	–	(2,908)
Pension costs – defined contribution plans	6,684	6,260
Pension costs – defined benefit plans	13,834	8,621
Total employee benefit expenses	**264,356**	**257,115**

For an explanation of the employee benefit details see Note 19.

30 Finance income and expenses

	2011	**2010**
Interest and fees paid on the subordinated loan	7,771	7,771
Other interest	(2,178)	(1,566)
Foreign exchange (income)/expense	(874)	(3,546)
Total finance (income)/expense	**4,719**	**2,659**

The subordinated loan costs include the periodic interest expenses of EUR 7.0 million (2010: EUR 7.0 million) and the accretion of interest on the loan in the amount of EUR 0.7 million (2010: EUR 0.7 million).

The foreign currency exchange gain mainly consists of EUR 1.0 million transaction losses and EUR 1.9 million unrealised gains (2010: EUR 3.6 million gains, the remainder being unrealised losses).

31 Income tax

	2011	**2010**
Current tax	20,098	20,955
Deferred tax	10,158	6,840
Total	**30,256**	**27,795**

The actual tax on the Group's result differs from the theoretical amount that would arise using the weighted average tax rate applicable to the results of Group companies and is analysed as follows:

	2011	**2010**
Result before tax:	**160,092**	**152,743**
Tax calculated at domestic tax rates applicable to results in the respective countries	38,611	34,964
Tax exempt income	(2,843)	(4,121)
Tax effect of utilisation of tax losses/(income) not previously recognised	(3,591)	3,151
Reassessment of prior year local tax positions	695	(1,890)
Other	(2,616)	(4,309)
Income tax expense/(income) for the year	**30,256**	**27,795**

The weighted average applicable tax rate was 24.1% (2010: 22.9%).

32 Earnings and dividends per share

Basic earnings per share	2011	2010
Result attributable to the equity holders of the Company	129,847	124,966
Weighted average number of ordinary shares in issue	79,122,142	79,122,142
Earnings per share (in Euro)	1.64	1.58

Basic earnings per share are calculated dividing the net profit of the year attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Dilution

There are no instruments with dilutive potential hence diluted earnings per share is the same as basic earning per share since.

Dividend per share

The dividend paid in 2011 was EUR 25.3 million (EUR 0.32 per share). No dividend was paid in 2010.

33 Restricted financial assets

The not freely disposable assets consist of financial investments and cash that have been mainly held for local regulatory purposes. The financial assets not freely disposable are as follows:

	2011	2010
Debt securities	114,861	120,724
Equity securities	4,097	3,911
Short-term investments	100,342	99,669
Total	**219,300**	**224,304**

There are no specific material terms and conditions relating to the restricted financial assets represented in the above table which are individually significant.

34 Contingencies

	2011	2010
Banco Popular Español	1,972	7,520
BBV Central	181	1,984
Export Finance and Insurance Corporation	2,993	1,850
Talkline Nederland B.V.	–	1,650
Banco Español de Crédito	1,130	1,130
Dun & Bradstreet Inc.	974	943
Hochtief Projektenwickelung GmbH	529	529
Banque de France	–	500
Other (mainly rent and payroll related)	1,835	1,292
Total	**9,614**	**17,398**

The majority of the amounts stated above as contingencies represent bank guarantees. A number of these guarantees have been issued to several lessors. The rental contract period of the different leased buildings is between 5 and 20 years. In some rental contracts a dilapidation clause is included; however, a reliable estimate of the related contingent liability can not be made. There is also no possibility of any reimbursement under the current contracts.

35 Capital commitments

	2011	2010
Other financial obligations	28,582	39,492
Total	**28,582**	**39,492**

Other financial obligations include contracted obligations for future payments related to outsourcing, networking, imaging and licences.

36 Operating leases

	2011	2010
Less than one year	20,367	21,792
Between one and five years	64,732	64,074
More than five years	43,251	51,772
Total	**128,350**	**137,638**

The Group leases office equipment and office space under a number of operating lease agreements. The lease contracts have remaining terms between 1 and 20 years. The leasing of office space represents around 92% (2010: 90%) of the total future payments regarding operating leases.

During the year an amount of EUR 22.5 million (2010: EUR 23.7 million) has been recognised as expense.

37 Personnel

The number of employees working for the Group:

	2011	2010
Total average number of employees (full-time equivalent)	3,159	3,318
Total year end number of employees (full-time equivalent)	3,128	3,165
Total year end number of employees	3,304	3,318

38 Related party transactions

The shareholder structure of the Company is listed in the table below.

Shareholder	2011			2010		
	Number of shares	Percentage of outstanding shares	Percentage of voting rights	Number of shares	Percentage of outstanding shares	Percentage of voting rights
Grupo Compañía Española de Crédito y Caución, S.L. *	50,822,141	64.23%	64.23%	50,822,141	64.23%	64.23%
Grupo Catalana Occidente S.A.	23,176,627	29.29%	29.29%	21,095,136	26.66%	26.66%
INOC, S.A.	5,123,374	6.48%	6.48%	7,204,865	9.11%	9.11%
Total	**79,122,142**	**100.00%**	**100.00%**	**79,122,142**	**100.00%**	**100.00%**

** As at 31 December 2011 Grupo Catalana Occidente, S.A. owns 73.84% of Grupo Compañía Española de Crédito y Caución, S.L.*

The following table provides the total value of transactions which have been entered into with related parties for the financial year:

2011	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Inward reinsurance (assumed)				
Tokio Marine Nichido and Atradius Credit Management and Co. Ltd., Tokyo	(1,539)	–	–	–
Outward reinsurance (ceded)				
Swiss Reinsurance Company (up until 31 May 2010)	–	–	–	–
Seguros Catalana Occidente, S.A.	–	492	558	615
Total	**–**	**492**	**558**	**615**
Employee benefits				
Seguros Catalana Occidente, S.A.	–	(137)	18,405	–

2010	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Inward reinsurance (assumed)				
Tokio Marine Nichido and Atradius Credit Management and Co. Ltd., Tokyo	(1,247)	–	–	–
Outward reinsurance (ceded)				
Swiss Reinsurance Company (up until 31 May 2010)	–	36,850	–	–
Seguros Catalana Occidente, S.A.	–	2,644	1,191	740
Total	**–**	**39,494**	**1,191**	**740**
Employee benefits				
Seguros Catalana Occidente, S.A.	–	(155)	17,799	–

For Inward reinsurance, purchases consist of the net effect of assumed reinsurance (premiums, claims, recoveries and commission). For Outward reinsurance, sales consist of the net effect of (retro-) ceded insurance (premiums, claims, recoveries and commission). For employee benefits, purchases consist of pension contributions paid in the year; the amounts owned by related parties consists of the fair value of the related insurance policies as calculated under the requirements of IAS 19.

Terms and conditions of transactions with related parties

Swiss Reinsurance Company (Swiss Re) was, until 31 May 2010, a related party to the Group. Even though Swiss Re did not participate in the Atradius (excluding Crédito y Caución S.A.) reinsurance treaty in 2010, several transactions remained with the Group in relation to previous underwriting years for the year ending 31 December 2010. Outstanding balances at year end 2010 involved mainly the (retro-) ceding of Atradius Reinsurance Ltd. and Atradius Credit Insurance N.V. With regard to the main reinsurance programme of Crédito y Caución S.A., Swiss Re was a leading reinsurer in 2010 with 27% of cession (45%) of the credit insurance and bonding quota share reinsurance treaty.

Seguros Catalana Occidente, S.A. participates in the credit insurance and bonding quota share reinsurance treaty for Crédito y Caución S.A., with 1.47% of cession (45%) of this treaty.

No guarantees have been provided or received for any related party receivables for 2011 or 2010. For the years ending 31 December 2011 and 2010, the Group has not raised any provision or expenses for doubtful debtors relating to amounts owed by related parties.

The other relationships with the above stated related parties were as follows:

- Tokio Marine Nichido and Atradius Credit Management and Co. Ltd became dormant as a joint venture on 31 October 2011; and
- Seguros Catalana Occidente, S.A. is a fellow subsidiary.

All relationships with related parties are at arm's-length.

Compensation of key current and former management personnel of the Group

The following table provides details on the remuneration for members of the Management Board, Supervisory Board and identified staff.

On 31 December 2011, the Management Board consisted of four members (2010: four members), the Supervisory Board of nine members (2010: eight members) and identified staff of six members.

Remuneration	2011	2010
Management Board		
Short-term employee benefits [1]	1,923	2,458
Long-term employee benefits	954	1,400
Post-employment benefits	338	410
Total compensation paid to Management Board members	**3,215**	**4,268**
Supervisory Board		
Short-term employee benefits [1]	424	460
Total compensation paid to Supervisory Board members	**424**	**460**

	2011
Identified staff	
Short-term employee benefits [1]	1,138
Long-term employee benefits	406
Post-employment benefits	136
Total compensation paid to Management Board members	**1,680**

[1] *Short-term employee benefits include salaries, housing, social security, medical expenses, lease cars and other.*

Identified staff are the members of the RSMB, not part of the Management Board, and other staff members that hold control positions.

From the total compensation payable to Management Board members, EUR 2.2 million has been paid at the end of the reporting period. The remaining balance payable is subject to meeting the variable payable conditions. The Management Board and Supervisory Board members also participate in the Boards of some of the subsidiaries. Apart from this they do not have other relationships with the Company or its subsidiaries.

39 Events after the reporting period

There are no events to report.

Company financial statements 2011

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Company financial statements

Company statement of financial position (after profit appropriation)

Assets	Note	31.12.2011	31.12.2010
Fixed assets		**1,137,184**	**1,043,173**
Property, plant and equipment	3	10	20
Investments in group companies	4	1,137,174	1,043,153
Current assets		**17,354**	**30,618**
Receivables from group companies		6,681	10,020
Current income tax assets	5	6,936	7,829
Cash and cash equivalents		3,737	12,769
Total		**1,154,538**	**1,073,791**
Equity			
Capital and reserves attributable to the equity holders of the Company	6		
Subscribed capital		79,122	79,122
Share premium reserve		1,098,716	1,124,035
Share option reserve		–	–
Legal reserve participations		254,727	239,150
Retained earnings		(302,414)	(407,078)
Total		**1,130,151**	**1,035,229**
Liabilities			
Provisions	7	**11,190**	**5,723**
Current liabilities		**13,197**	**32,839**
Related company borrowings	8	–	10,341
Payables to group companies		7,792	13,168
Trade and other payables		44	44
Other liabilities	9	5,361	6,348
Current income tax liabilities	5	–	2,938
Total		**24,387**	**38,562**
Total equity and liabilities		**1,154,538**	**1,073,791**

Company income statement

	2011	2010
Income after tax from group companies	140,924	126,450
Other results after tax	(11,077)	(1,484)
Result for the year	**129,847**	**124,966**

Company changes in equity

	Subscribed capital	Share premium reserve	Share option reserve	Legal reserve participations	Retained earnings	Total
Balance at 1 January 2010	**79,122**	**1,124,035**	**2,973**	**168,077**	**(469,166)**	**905,041**
Change in revaluation group companies	-	-	-	621	-	621
Change in currency translation reserve	-	-	-	7,574	-	7,574
Change in regulatory reserve	-	-	-	62,878	(62,878)	-
Net income recognised directly in equity	**-**	**-**	**-**	**71,073**	**(62,878)**	**8,195**
Result for the year	-	-	-	-	124,966	124,966
Total recognised income and expenses for the period	**-**	**-**	**-**	**71,073**	**62,088**	**133,161**
Issue of share capital	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Value of employee services	-	-	(2,973)	-	-	(2,973)
Balance at 31 December 2010	**79,122**	**1,124,035**	**-**	**239,150**	**(407,078)**	**1,035,229**
Balance at 1 January 2011	**79,122**	**1,124,035**	**-**	**239,150**	**(407,078)**	**1,035,229**
Change in revaluation group companies	-	-	-	(9,221)	-	(9,221)
Change in currency translation reserve	-	-	-	(385)	-	(385)
Change in regulatory reserve	-	-	-	25,183	(25,183)	-
Net income recognised directly in equity	**-**	**-**	**-**	**15,577**	**(25,183)**	**(9,606)**
Result for the year	-	-	-	-	129,847	129,847
Total recognised income and expenses for the period	**-**	**-**	**-**	**15,577**	**104,664**	**120,241**
Issue of share capital	-	-	-	-	-	-
Dividends	-	(25,319)	-	-	-	(25,319)
Value of employee services	-	-	-	-	-	-
Balance at 31 December 2011	**79,122**	**1,098,716**	**-**	**254,727**	**(302,414)**	**1,130,151**

Notes to the company financial statements

1 General information

Atradius N.V. (referred to as the 'Company'), based in Amsterdam (the Netherlands), is the parent company of the Atradius Group.

The Company financial statements are part of the 2011 consolidated financial statements, which are also included in the annual report. The Company income statement has been rendered in abbreviated form pursuant to Book 2, Article 402 of the Dutch Civil Code.

The Company has applied the provisions of Article 379, Subsection 5 of Book 2 of the Dutch Civil Code. The list referred to in this article has been included in the appendix as well as filed at the offices of the Commercial Register in Amsterdam.

The Company has issued a statement of liability in accordance with Article 403, Book 2 of the Dutch Civil Code for a number of Group companies.

The Company financial statements have been authorised for issue by the Management Board on 7 March 2012.

2 Summary of significant accounting principles

2.1 Basis of presentation

The Company annual financial statements have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. In the preparation of the Company annual financial statements, the provisions of Article 362, Subsection 8 of Book 2 of the Dutch Civil Code have been applied. The valuation principles for assets and liabilities and the method of determining the result are identical to those applied in the consolidated financial statements. Reference is made to the notes thereto.

A legal reserve participations has to be created under Dutch legislation for the reserves established by subsidiaries which cannot be distributed.

All amounts in the notes are shown in thousands of Euro (EUR), rounded to the nearest thousand, unless otherwise stated.

2.2 Investments in group companies

The group companies are valued using the equity method in accordance with the accounting principles applied in the consolidated financial statements.

3 Property, plant and equipment

Fixtures and fittings	2011	2010
At cost at 1 January and 31 December	**150**	**150**
Accumulated depreciation and impairments at 1 January	**(130)**	**(118)**
Depreciation charge for the year	(10)	(12)
Accumulated depreciation and impairments at 31 December	**(140)**	**(130)**
Balance at 1 January	**20**	**32**
Balance at 31 December	**10**	**20**

4 Investments in group companies

The following table shows the changes in investments in group companies valued using the equity method:

	2011	2010
Balance at 1 January	**1,043,153**	**923,703**
Share of (loss)/profit	140,924	126,450
Dividends received	(37,297)	(14,390)
Disposals	–	(805)
Revaluation reserve and pension reserve movements	(9,221)	621
Foreign exchange reserve movements	(385)	7,574
Balance at 31 December	**1,137,174**	**1,043,153**

5 Current income tax

	2011	2010
Current income tax assets	6,936	7,829
Current income tax liabilities	–	(2,938)
Total	**6,936**	**4,891**

In 2010, the current income tax liabilities relate to the outstanding tax liability of the liquidated subsidiary Atradius Namur S.A.

6 Capital and reserves

6.1 Subscribed capital

	2011	2010
Balance at 1 January and 31 December	**79,122**	**79,122**

The share capital of EUR 79.1 million (2010: EUR 79.1 million) is divided into 79,122,142 fully paid ordinary shares with a nominal value of EUR 1.00 each. The fully paid ordinary shares carry one vote per share and carry the right to dividends.

6.2 Share premium reserve

	2011	2010
Balance at 1 January	**1,124,035**	**1,124,035**
Dividends	(25,319)	–
Balance at 31 December	**1,098,716**	**1,124,035**

6.3 Share option reserve

	2011	2010
Balance at 1 January	**–**	**2,973**
Additions	–	–
Disposals	–	(2,973)
Balance at 31 December	**–**	**–**

6.4 Legal reserve participations

	2011	2010
Balance at 1 January	**239,150**	**168,077**
Change in revaluation reserve and pension reserve group companies	(9,221)	621
Change in currency translation reserve	(385)	7,574
Change in regulatory reserve	25,183	62,878
Balance at 31 December	**254,727**	**239,150**

The total amount of equity in the company financial statements equals the shareholders' equity in the consolidated financial statements. Certain components within equity are different as a result of the following presentation differences between the company financial statements and the consolidated financial statements due to legal reserves, established by subsidiaries of Atradius N.V, which in accordance with Book 2, Part 9 of the Dutch Civil Code, Article 389, Subsection 6, cannot be distributed. In particular:

- changes in revaluation of group companies, which consists of unrealised revaluations within consolidated group companies presented in the revaluation reserve in the consolidated financial statements, and actuarial gains and losses and effect of asset ceilings within consolidated group companies presented in the pension reserve in the consolidated financial statements, are presented together in the legal reserve participations in the company financial statements;
- foreign currency translations on consolidated group companies, presented in the currency translation reserve in the consolidated financial statements, are presented in the legal reserve participations in the company financial statements;
- the regulatory reserve consisting of the equalisation provision of EUR 165.4 million (2010: EUR 138.9 million) and the required solvency of EUR 192.2 million (2010: EUR 193.6 million, based on preliminary figures) which are stipulated by local insurance regulators.

The following table shows the split of the legal reserve participations at balance sheet date:

	2011	2010
Revaluation reserve and pension reserve group companies	(56,286)	(47,065)
Currency translation reserve	(46,616)	(46,231)
Regulatory reserve	357,629	332,446
Balance at 31 December	**254,727**	**239,150**

6.5 Retained earnings

	2011	2010
Balance at 1 January	**(407,078)**	**(469,166)**
Transfer between regulatory reserve and retained earnings	(25,183)	(62,878)
Result for the year	129,847	124,966
Balance at 31 December	**(302,414)**	**(407,078)**

7 Provisions

2011	Cash-settled share-based payments	Deferred tax liabilities	Total
Balance at 1 January	**-**	**5,723**	**5,723**
Additional provisions	-	5,467	5,467
Utilised	-	-	-
Balance at 31 December	**-**	**11,190**	**11,190**
Current	-	-	
Non-current	-	11,190	11,190

2010	Cash-settled share-based payments	Deferred tax liabilities	Total
Balance at 1 January	**1,500**	**6,243**	**7,743**
Additional provisions	65	-	65
Utilised	(1,565)	(520)	(2,085)
Balance at 31 December	**-**	**5,723**	**5,723**
Current	-	-	-
Non-current	-	5,723	5,723

8 Related company borrowings

	2011	2010
Balance at 1 January	**10,341**	**19,664**
Additions (including interest)	-	71
Repayments of loans	(10,341)	(9,394)
Balance at 31 December	**-**	**10,341**

The balance at 1 January 2010 comprised one loan from its subsidiary Atradius Participations Holding B.V. and one loan from its subsidiary Atradius Credit Insurance N.V. totalling EUR 19.7 million. The loan from Atradius Participations Holding B.V. has been redeemed during 2010 and the loan from Atradius Credit Insurance N.V. has been redeemed during 2011. The interest rate of both loan agreements was set at 1-year Euribor plus 50 bps.

9 Other liabilities

	2011	2010
Other taxes	287	343
Long-term employee benefits	2,915	3,512
Other liabilities	2,159	2,493
Total	**5,361**	**6,348**

10 Contingencies

The Company has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities. The Company has given guarantees in the ordinary course of business amounting to EUR 0.6 million (2010: EUR 1.0 million) to third parties.

Atradius N.V. is head of the Dutch fiscal unity for corporate income tax, consisting of Atradius N.V., Atradius Insurance Holding N.V., Atradius Credit Insurance N.V., Atradius Participations Holding B.V., Atradius Information Services B.V., Atradius Collections Holding B.V. and Atradius Collections B.V. All companies included in the fiscal unity are jointly and severally liable for the corporate income tax payable by the fiscal unity.

The Company, like all other insurers, is subject to litigation in the normal course of business. The Company believes that such litigation will not have a material effect on its profit or loss and financial condition.

11 Personnel

The number of employees (full-time equivalents) working for the Company:

	2011	2010
Total average number of employees (full-time equivalent)	5	6
Total year end number of employees	5	5

12 Auditor fees

The following expenses were made to the Group Auditor for audit and non-audit services:

2011	Deloitte Accountants B.V.	Other Deloitte Network organisations	Total Deloitte Network
Audit financial statements	967	1,346	2,313
Other audit services	125	207	332
Fiscal advisory services	-	164	164
Non-audit services	-	49	49
Total	**1,092**	**1,766**	**2,858**

2010	Deloitte Accountants B.V.	Other Deloitte Network organisations	Total Deloitte Network
Audit financial statements	1,049	1,221	2,270
Other audit services	176	144	320
Fiscal advisory services	-	15	15
Non-audit services	-	37	37
Total	**1,225**	**1,417**	**2,642**

13 Remuneration of Management Board and Supervisory Board

For information on share-based payment plans and remuneration of the members of the Management Board and the Supervisory Board we refer to Note 38 of the consolidated financial statements.

Other information

Proposed profit appropriation

1 Statutory appropriation of result

In accordance with article 24 of the Articles of Association the result for the year is at the disposal of the Annual General Meeting of Shareholders.

2 Proposed appropriation of result

The Management Board proposes to the General Meeting of Shareholders to allocate the profit for the year to the retained earnings and to make a distribution of EUR 43.5 million out of the share premium reserve.

3 Events after the reporting period

There are no events to report.

Amsterdam, 7 March 2012

The Supervisory Board

Ignacio Álvarez
Francisco Arregui
Paul-Henri Denieuil
Xavier Freixes
Jan H. Holsboer
Bernd H. Meyer
José Ruiz
Hugo Serra
Dick Sluimers

The Management Board

Isidoro Unda
Delfín Rueda
David Capdevila
Andreas Tesch

Independent auditor's report

To the General Meeting of Shareholders of Atradius N.V.

Report on the financial statements

We have audited the accompanying financial statements 2011 of Atradius N.V., Amsterdam, The Netherlands. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company statement of financial position as at 31 December 2011, the company income statement, the company changes in equity, for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the consolidated management report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Atradius N.V. as at 31 December 2011 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Atradius N.V. as at 31 December 2011 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the consolidated management report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the consolidated management report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 7 March 2012
Deloitte Accountants B.V.

Signed by C.J. de Witt

Financial glossary

Assumed reinsurance business
The activity whereby Atradius acts as reinsurance company for credit insurance and bonding business of primary insurers. This activity is performed by a dedicated team of underwriters at Atradius Reinsurance Ltd., which is based in Ireland.

Atradius Modula
A family of modular credit insurance policies, offering companies greater flexibility to tailor their policies to their specific needs.

Bonding (product)
The activity of providing guarantees that protect the beneficiary if the supplier fails to meet the agreed performance level. Bonding is also known as surety insurance.

Buyer
A customer of our insured customer (i.e. the holder of the credit insurance policy). Buyers carry a credit risk such as protracted default, insolvency and bankruptcy. This could lead to a financial loss for our customer/policyholder. Buyer underwriting is related to the assessment of this credit risk.

Buyer underwriting
The activity related to the risk acceptance of buyers. Buyer underwriting determines the credit limits that are attached to the credit insurance policy and determines the amount for which shipments are insured. Buyers are assessed on financial and non-financial criteria, including financial status, profitability, liquidity, size, region, trade sector and payment experience.

Claim
An application by an insured customer for indemnification of a loss under the policy.

Claims ratio
A performance indicator that is defined as total claims including claims handling expenses divided by total insurance revenue.

Combined ratio
The sum of the claims ratio and the expense ratio.

Credit insurance (product)
Commercial and/or political risk insurance whereby the customer is protected against non-payment of trade receivables due to insolvency or default.

Credit limit
The maximum exposure specifically approved or otherwise authorised by the insurer in respect of a buyer.

Debt collection
Activity to collect monies owed by a company. Atradius offers this service to both insured customers and third parties.

Economic capital
The amount of risk capital, assessed on a realistic basis, required by a company to cover its risks assumed under insurance contracts.

European Economic Area (EEA)
The economic association of European countries, including all member countries of the European Union (EU) and Iceland, Norway, and Liechtenstein.

Eurozone
Refers to the European Union member states that have adopted the Euro as their currency.

Expense ratio
A performance indicator that is defined as total insurance expenses divided by total insurance revenue.

Exposure
Total amount underwritten by the insurer as cover on a buyer, a country, under a policy or under all policies.

Financial year
A period used for calculating annual financial statement but which does not require that the period reported on constitutes a calendar year.

Global
Atradius' product and service offering to multinational customers, which provides tailored credit management solutions for customers worldwide in several languages and currencies.

Insolvency
Legally recognised inability of a debtor to meet its commitments and pay its debts.

Instalment credit protection
Atradius' offering to financial and corporate policyholders in France, Belgium and Luxembourg, that protects against short and medium-term risks involved in multiple instalment agreements with private individuals and businesses (business-to-consumer).

Insurance revenue
The total of gross earned premiums and information income (i.e. credit checking fees).

Medium term business
Business (capital goods and major projects) transacted on credit terms of between two and five years.

Omnibus II
A directive of the European Commission that will amend certain provisions of the Solvency II Directive to make it consistent with the EU's new financial supervisory structure. It includes postponing the implementation date of Solvency II and empowering the Commission to apply more flexible transitional provisions for firms affected by Solvency II.

Policyholder
Our insured customer; the holder of an insurance policy for protection against the risk of non-payment by (foreign or domestic) buyers. Customers pay insurance premium to receive this protection.

Policy underwriting
The activity related to establishing the terms and conditions of the insurance policy designed to mitigate unacceptable risks. These terms and conditions include premium rate, maximum credit periods, the insurer's maximum liability, the customer's own retention and other risk sharing and mitigation aspects.

Political risk
The risk that a government buyer or a country prevents the fulfilment of a transaction, or fails to meet its payment obligations, or the risk that is beyond the scope of an individual buyer or falls outside the individual buyer's responsibility.

Premium
Amount paid by an insured customer to the insurer in return for risk coverage.

Reinsurance
A risk-sharing operation, whereby the insurer obtains cover from a third party (the reinsurer) for part of the credit risks that it has guaranteed, in exchange for the payment of a premium.

SME
Small and medium-sized enterprises.

Solvency II
A EU Directive that codifies the EU insurance regulation. It introduces a new regulatory framework and is expected to come into effect on January 2014. The Solvency II Directive aims to create a harmonised, risk-orientated solvency regime resulting in capital requirements for (re)insurance companies that are more reflective of the risks they run. Its objectives are to deepen the integration of the EU insurance market, to improve the protection of policyholders and beneficiaries, to improve the international competitiveness of EU insurers and to instil better regulation of the EU insurance markets.

Underwriter
Person charged with risk acceptance, control of that risk and the setting of cover conditions on buyers/credit limits, including any country-specific terms of cover.

Underwriting year
The year in which a risk is accepted for a shipment from a customer/policyholder to its buyer. The underwriting year performance provides management with important insight into the buyer (risk) underwriting performance. In addition, it gives information about the most recent underwriting year performance without any impact from previous underwriting years.

Whole turnover policy
Protection provided to the insured in the form of a credit insurance policy that covers the total trade receivables portfolio of an insured customer against the risk of non-payment of its buyers (for commercial risks) and the country of the buyers (for political risks).

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Disclaimer

The information in the chapter “The global economic environment in 2011” is for general guidance on matters of interest only. While we have made every attempt to ensure that the information contained in this chapter reflects careful analysis and investigations on our side before publication of this annual report, we are neither responsible for any errors or omissions nor for the results obtained from the use of this information.

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Overview of subsidiaries, branches, associated companies, joint ventures and minority shareholders

The following table sets forth, as at 31 December 2011, the name and jurisdiction of establishment of the subsidiaries, branches, associated companies and minority shareholdings of Atradius N.V. All companies are, directly or indirectly, wholly owned unless otherwise indicated. The companies are listed in alphabetical order.

Name	Country	Ownership
African Trade Insurance Agency	Kenya	1 share
Al Mulla Atradius Insurance Consultancy & Brokerage (L.L.C.)	UAE	49%
Atradius Collections B.V.	Netherlands	
Canada branch	Canada	
Czech Republic branch	Czech Republic	
Denmark branch	Denmark	
Hungary branch	Hungary	
Ireland branch	Ireland	
Poland branch	Poland	
Atradius Collections Holding B.V.	Netherlands	
Atradius Collections Limited	Hong Kong	
Atradius Collections Limited	United Kingdom	
Atradius Collections Pte. Limited	Singapore	
Atradius Collections Pty. Limited	Australia	
Atradius Collections S.A.	Belgium	
France branch	France	
Germany branch	Germany	
Italy branch	Italy	
Atradius Collections, S.A. de C.V.	Mexico	
Atradius Collections S.L.	Spain	
Atradius Collections, Inc.	USA	
Atradius Credit Information & Consulting (Shanghai) Co. Ltd.	China	
Atradius Credit Insurance Agency, Inc.	USA	
Atradius Credit Insurance N.V.	Netherlands	
Australia branch	Australia	
Austria branch	Austria	
Belgium branch	Belgium	
Canada branch	Canada	
Curaçao branch	Curaçao	
Czech Republic branch	Czech Republic	
Denmark branch	Denmark	
Finland branch	Finland	
France branch	France	
Germany branch	Germany	
Greece branch	Greece	
Hong Kong branch	Hong Kong	
Hungary branch	Hungary	
Ireland branch	Ireland	
Italy branch	Italy	
Japan branch	Japan	
Luxembourg branch	Luxembourg	
New Zealand branch	New Zealand	
Norway branch	Norway	
Poland branch	Poland	
Shanghai representative office	China	
Singapore branch	Singapore	
Slovakia branch	Slovakia	
Spain branch	Spain	
Sweden branch	Sweden	
Switzerland branch	Switzerland	
Turkey branch	Turkey	
United Kingdom branch	United Kingdom	

Name	Country	Ownership
Atradius Credit Management Services B.V.	Netherlands	
Atradius Credit Management Services (RUS) LLC	Russia	
Atradius Dutch State Business N.V.	Netherlands	
Atradius Finance B.V.	Netherlands	
Atradius Information Services B.V.	Netherlands	
Belgium branch	Belgium	
Denmark branch	Denmark	
France branch	France	
Germany branch	Germany	
Ireland branch	Ireland	
Italy branch	Italy	
Japan branch	Japan	
Norway branch	Norway	
Spain branch	Spain	
Sweden branch	Sweden	
Switzerland branch	Switzerland	
United Kingdom branch	United Kingdom	
Atradius Insurance Holding N.V.	Netherlands	
Atradius Investments Limited	Ireland	
Atradius Participations Holding B.V.	Netherlands	
Atradius Pension Trustees Ltd.	United Kingdom	
Atradius Receivables Management Company N.V.	Curaçao	55%
Atradius Reinsurance Limited	Ireland	
Atradius Seguros de Crédito, S.A.	Mexico	
Atradius Trade Credit Insurance, Inc.	USA	
Atradius Trade Credit Insurance Company, NJ	USA	
CLAL Credit Insurance Ltd.	Israel	20%
Compañia Española de Seguros y Reaseguros de Crédito y Caución, S.A.u.	Spain	
Portugal branch	Portugal	
Compania de Seguros de Crédito Continental S.A.	Chile	50%*
Crédito y Caución do Brasil Gestao de Riscos de Crédito e Servicos LTDA	Brazil	
Crédito y Caución Seguradora de Crédito à Exportaçao S.A.	Brazil	
Crédito y Caución Seguradora de Crédito e Garantias S.A.	Brazil	
DAP Holding N.V.	Netherlands	2.37%
Graydon Holding N.V.	Netherlands	45%
Iberinform Internacional S.A.u.	Spain	
Iberinmobiliaria, S.A.u.	Spain	
Informes Mexico, S.A. de C.V.	Mexico	51.11%
Invercyca, S.A.u.	Spain	
Les Assurances des Credit Commerciaux S.A.	Tunisia	34.99%
NCM (UK) Holdings Ltd.	United Kingdom	
NCM Credit Insurance Ltd.	United Kingdom	
NCM Teri Ltd.	United Kingdom	
NCM UK Agency Ltd.	United Kingdom	
Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V.	Netherlands	0.5%
PTI Credit Risk Consultancy Private Ltd.	India	
Technical Credit Insurance Consultants S.A.	Belgium	
The Lebanese Credit Insurer s.a.l.	Lebanon	48.9%
Tokio Marine Nichido and Atradius Credit Management and Co. Ltd.	Japan	50%

*Minus one share

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