

# Working with you... Serving your world

Annual report 2012 Atradius N.V.



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# This is Atradius

Our mission is to support our customers' growth by strengthening their credit and cash management.

To do so, we offer a wide range of credit management products including credit insurance, reinsurance, bonding and debt collection services.

At the heart of our operations is the expertise of our people and our wealth of constantly updated intelligence on over 100 million companies across the globe. From our 160 offices worldwide we offer our services to clients in 45 countries, hold total revenue of EUR 1,601.6 million, and a share of around 31% of the global trade credit insurance market.

As the following timeline shows, we can trace our origin back almost a century and now, as a leading global credit manager, Atradius is more than ever able to fulfil its mission and thus give unparalleled reassurance to its customers and other stakeholders.

## The road to Atradius

- 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 rebrands as Atradius.
- 2008** – Grupo Catalana Occidente S.A. becomes the major shareholder of Atradius. Crédito y Caución becomes a key part of the Atradius Group.

# Our 2012 performance at a glance

## Key points

Atradius continues to be financially strong, despite the ongoing challenging economic environment.

- Total revenue increased by 3%.
- A stable investment result together with the improved quality of our investment portfolio.
- Effective risk management kept our claims ratio under control in a worsening risk environment, while our risk acceptance remained high.
- Increasing revenue and a continued focus on cost control resulted in an improvement in our cost ratio.
- A result for the year of EUR 117 million was achieved.
- Our equity position was strengthened by 5.9%, mainly due to profit generation.

## Management Board

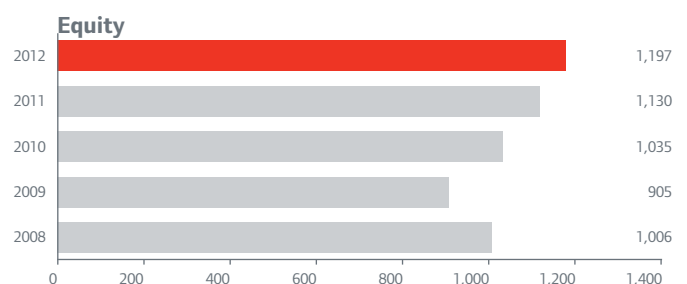
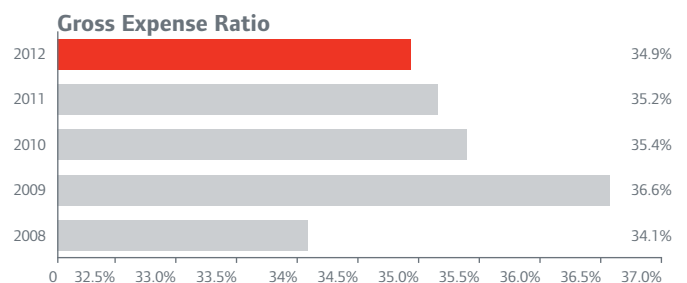
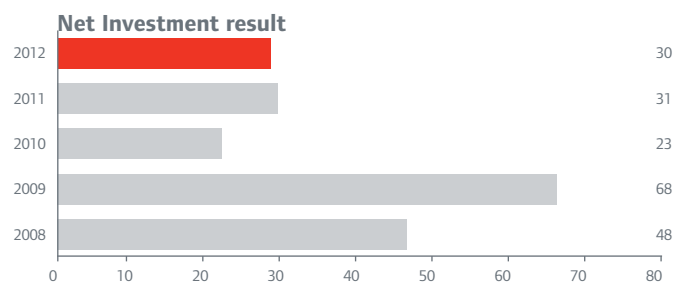
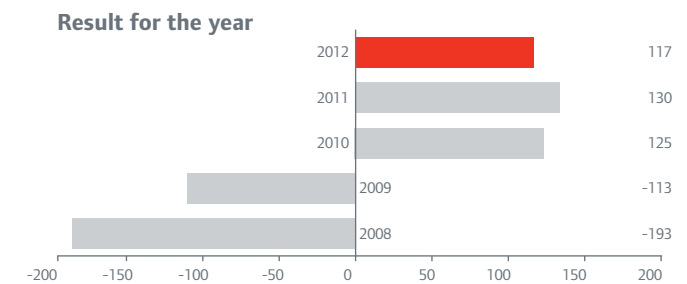
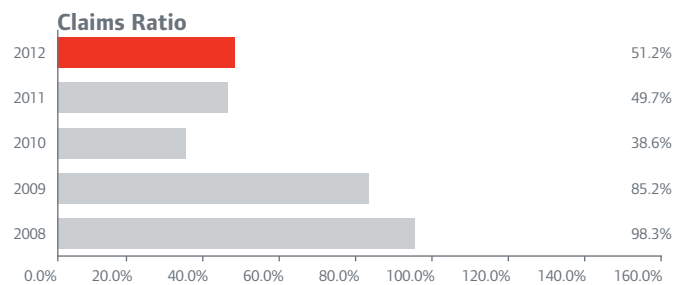
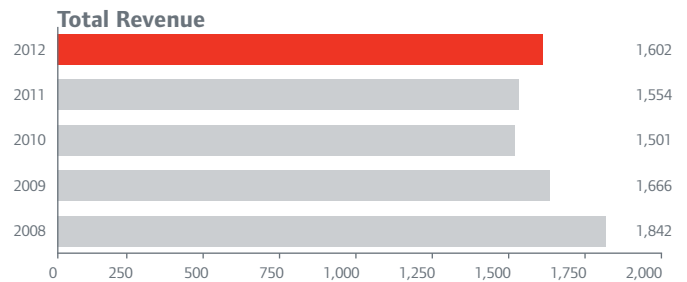
Isidoro Unda  
 David Capdevila  
 Christian van Lint  
 Andreas Tesch

## Supervisory Board

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

## Supervisory Board Committees

Remuneration, Selection and  
 Appointment Committee  
 Audit Committee



# Ten years in figures

<b>Financial Information</b> (in EUR million)	2012	2011	2010	2009	2008 <sup>(1)</sup>	2007	2006	2005	2004	2003
Insurance premium revenue	1,439.8	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
Service and other income	161.8	150.5	155.1	197.8	225.4	166.9	152.9	146.7	132.7	137.4
Total revenue	1,601.6	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
Net investment result	A	30.3	31.1	22.7	68.3	47.8	79.7	55.5	45.9	65.0
Total income	1,632.0	1,584.9	1,532.4	1,734.7	1,889.6	1,395.2	1,284.9	1,251.4	1,276.8	1,323.2
Result for the year	117.3	129.8	124.9	(113.3)	(193.4)	164.2	105.3	100.3	50.6	15.3
<b>Balance sheet information</b> (in EUR million)										
Equity	1,196.8	1,130.1	1,035.2	905.0	1,005.5	854.0	690.2	605.1	503.3	395.5
Total assets	3,737.2	3,569.8	3,275.0	3,379.5	4,010.8	2,840.3	2,874.9	2,687.9	2,832.7	2,925.1
Insurance contracts	1,592.8	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
<b>Shareholders information</b>										
Return on equity	B	10.1%	12.0%	12.9%	(11.9%)	(16.8%)	21.4%	16.3%	18.1%	11.3%
Outstanding ordinary shares (at year-end, in million)	79.1	79.1	79.1	79.1	79.1	56.6	56.6	56.6	56.6	50.0
Dividend paid (in EUR million)	43.5	25.3	0.0	0.0	25.3	0.0	11.3	5.7	0.0	0.0
<b>Technical ratios</b>										
Gross claims ratio	51.2%	49.7%	38.6%	85.2%	98.3%	39.4%	45.0%	51.8%	46.8%	60.9%
Gross expense ratio	34.9%	35.2%	35.4%	36.6%	34.1%	38.4%	39.0%	40.8%	44.8%	40.2%
Gross combined ratio	86.0%	84.9%	74.0%	121.8%	132.4%	77.8%	84.0%	92.6%	91.6%	101.1%
Net claims ratio	49.1%	50.3%	44.6%	76.6%	96.9%	41.4%	45.8%	43.9%	46.0%	53.1%
Net expense ratio	37.3%	34.2%	39.3%	46.2%	32.3%	37.7%	41.0%	47.4%	53.8%	52.4%
Net combined ratio	86.4%	84.5%	83.9%	122.9%	129.2%	79.1%	86.8%	91.3%	99.8%	105.5%
<b>Employees</b>										
Headcount, at year end	3,315	3,304	3,318	3,627	4,106	3,604	3,545	3,452	3,900	3,831
Full-time equivalents, at year end	3,143	3,149	3,171	3,488	3,863	3,366	3,304	3,256	3,632	3,578
Full-time equivalents, average	3,139	3,159	3,318	3,662	3,851	3,335	3,280	3,444	3,605	3,513

(1) Including Crédito y Caución since January 2008

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

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





## Working with you... Serving your world

The theme of our Annual report – ‘Working with you... serving your world’ – captures concisely the driving force of our ongoing mission: to complement the expertise of our customers – and indeed of all our stakeholders – with our own, in a way that helps them achieve their business goals.

In fact we hope that, in providing world-class credit management support, we can help our business partners to exceed their own ambitions.

How do we do this? Many companies may claim that their defining characteristic is their level of service. But for Atradius that simply isn't enough. Excellent service such as we provide must be accompanied by products that meet our clients' business needs – that provide the right proactive solution to the issues that they face. Our modular approach to designing credit insurance cover is just one way in which we provide that right response, which may be a simple yet effective answer for a business start-up, more sophisticated products for established companies, or all-encompassing solutions to meet the complex requirements of multi-national corporations. And, as our wide range of products also encompasses reinsurance, bonding, instalment credit protection, solutions for specific complex transactions and our worldwide debt collection operation, we build strong and lasting partnerships with our clients to serve their world, helping them to strengthen their credit management, protect their cash flow and grow their bottom line.

Our Annual report looks in detail at the tools that allow us to be more than just a supplier, but a true business partner: notably our strategic presence in many countries across the world, our extensive storehouse of market and company intelligence and, most of all, the expertise of our people in each of their specialist roles.

Because it is our people who understand our clients' aspirations and goals and who work with them to deliver the winning combination of product and service excellence.

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**Excellent service must be accompanied by products that meet clients' business needs**

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## A message from the Management Board



### **Dear stakeholder,**

As businesses worldwide continue to face economic uncertainties, ensuring the effectiveness of their credit management becomes an even higher priority. Likewise, the support that Atradius provides has assumed added importance, because it is vital that our customers understand and are protected against the trading risks they face. To that end, 2012 has again seen us focus on service excellence and on providing transparency to our customers about the extent of those risks.

At the heart of the current uncertainty is the crisis in the Eurozone, which persisted throughout 2012 with little sign of improvement. Its impact was widespread, as global economic growth was hindered by weaker performance in both developed and emerging markets. As resolution

of the problems in the Eurozone proceeds slowly, we can expect the current economic malaise to herald a new era of increased volatility and higher insolvency rates.

Despite this economic turmoil, Atradius performed well in 2012 thanks to our expertise in risk underwriting and our dedication to customer service excellence. This is borne out by our high customer retention rate, a true reflection of our focus on delivering excellent service. Overall, revenue has grown, with a particularly strong performance in our Global, Asia and Bonding business units. Not surprisingly given the economic situation, our gross claims ratio has increased since 2011 but still remains within acceptable boundaries, confirming our ability to balance risk management with growth in an environment of increasing defaults and insolvencies. Growth in the number of



customers and the extent of the exposure we cover shows the trust that our customers and brokers place in us. The continuing strong support of our reinsurers is also a sign of the confidence that the markets have in Atradius.

Customer focus is a fundamental cornerstone of what we stand for. We aim to cultivate an atmosphere of engagement and enthusiasm amongst our people, who are empowered to meet the needs of their customers and business partners and to display a spirit of entrepreneurialism. The many innovative ways in which we work with our customers and partners to grow their business include the development of advanced technology to assist our distribution partners and allow our customers to access our services online, thus improving their communication with us. We continue to develop products tailored to the needs of our wide range of customers in different locations, sectors and segments and to expand our global reach with new cooperation partners. These initiatives demonstrate both our active search for new cover opportunities and our commitment to the level of service that customers can expect from us.

Technical advancement aside, it is our people who determine our success. Our account managers, claim handlers, buyer underwriters, debt collectors, customer service centre operatives and support staff have all contributed to our 2012 results, through their dedication and professionalism. In 2012 we have also taken the first steps in delivering a Group-wide programme to increase staff engagement, emphasise our core values and unite the organisation even further.

We continue to give close attention to the regulatory requirements of Solvency II. Our Solvency II preparations are intensifying as we pursue a business-driven and pragmatic approach, not only to ensure regulatory compliance but also to add value in terms of improved and embedded risk management procedures.

The strong credit ratings that we have received from both A.M. Best (A) and Moody's (A3) affirm that our business is financially sound and geographically well diversified with solid

growth and a robust risk profile. In September, the Standard & Poor's (S&P) sovereign rating for Spain was downgraded to BBB-. Consequently, because of S&P's rating methodology, the rating of Grupo Catalana Occidente (and by association Atradius) was revised to BBB. The Management Board of Atradius N.V., suggested to Grupo Catalana Occidente S.A. to withdraw the Standard & Poor's rating. Grupo Catalana Occidente S.A. agreed on this suggestion and decided on 28 February 2013 to withdraw the Standard & Poor's rating.

### Financial performance overview

Total revenue for the Atradius Group reached EUR 1,601.6 million in 2012, up 3% on 2011. This growth is a result of an increased number of new customers, high customer retention and rising insured shipments.

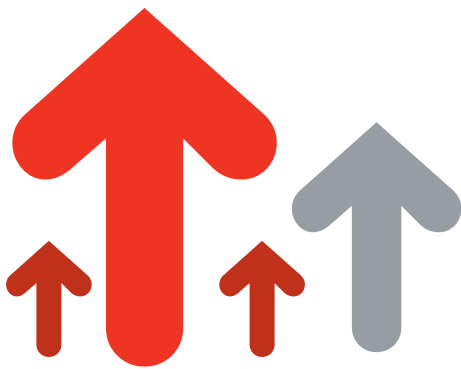
Operating expenses for insurance and service business were 1.6% higher than in 2011. A profit before tax of EUR 156.2 million - compared to EUR 160.1 million in 2011 - was driven by higher earned premium and increased service income. However, claims costs rose by 5.8% as a result of increased claims payments and changes in claims provisioning to reflect economic uncertainties. The result for the year was EUR 117.3 million.

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**Growth of customers and the extent of the exposure we cover shows the trust that our customers and brokers place in us.**

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**€156.2<sub>m</sub>**  
**profit**  
**before tax**



**Total revenue for the  
Atradius Group up**

**3%**

\*Insurance revenue is a 'non-IFRS' measure which includes Insurance premium revenue and Information services and fees (part of the item Service and other income)

## Insurance revenue

Insurance revenue\* increased by 2.8%, to EUR 1,547.3 million. This was attributable to a combination of increased earned premium and information income resulting from continued economic recovery in some of our core markets, growth in emerging markets and a positive impact from exchange rate movements. The pattern of revenue across the Group was diverse. Our Global, Asia and Bonding business units achieved significant insurance revenue growth compared to last year, while our insurance revenue for the Iberian region decreased by 5.9%.

## Claims development

The gross claims ratio, based on insurance revenue, rose to 51.2% from 49.7% in 2011, but remained within healthy margins. Exceptionally high corporate insolvencies in Southern European countries were the main reasons. We also saw an increase in claims in the Netherlands, NAFTA and our Global operation.

## Operating expenses

Gross insurance operating expenses were 2.1% higher than in 2011 (EUR 539.9 million compared to EUR 529.0 million), reflecting higher brokerage fees in line with higher gross premium. Direct operating expenses for services decreased by EUR 1.6 million to EUR 52.7 million, while the gross technical expense ratio ended at 34.9%, an improvement of 0.3 percentage points compared with 2011.

## Service income

Our service income increased by 11.4% in 2012, to EUR 59.3 million. Collections progressed very well, while Iberinform performed steadily. Collections saw a 15% increase in debt placements, due to the higher claims inflow from insured business, helping revenues to grow by 11% to EUR 43.4 million.

## Net investment result

The net investment result for 2012, including share of income of associated companies, ended the year at EUR 30.3 million: similar to the 2011 full year net investment result of EUR 31.1 million. Although the effects of the Eurozone sovereign debt crisis continued to be felt at the beginning of 2012, the financial markets returned to calmer waters in the

second half of the year. Overall therefore, 2012 was a positive year for the Atradius Group investment portfolio. The Group's investment strategy has remained on course with a focus on preserving capital to avoid large losses on the investment portfolio. Since the outbreak of the credit crisis in 2008, the Group has maintained its conservative investment strategy, which has translated into a reduced exposure to government bonds and equity instruments and an increased holding in short-term cash instruments and investment grade corporate bonds. The Group will continue with this strategy until significant and sustained improvements in the global economy and financial markets can be seen.

## Shareholders' equity

From a starting point of EUR 1,130.1 million at the beginning of the year, Atradius' shareholder equity reached EUR 1,196.8 million, representing a return on equity of 10%. During the year, dividends of EUR 43.5 million were distributed to our shareholders. Equity was positively impacted by unrealised gains and losses on financial investments of EUR 28.2 million and negatively impacted by the recognition of actuarial losses in the pension reserve of EUR 36.2 million. The overall improvement, generated mainly from retained earnings, strengthens the Group's capital position and supports future growth, allowing the expansion of our insured business while maintaining strong capital ratios.

## Strategic initiatives

### Meeting customer needs

In 2012 Atradius focused on developing new ways of delivering customer service excellence. Our decentralised organisational structure, with devolved responsibility and locally empowered staff, has proved successful in helping us meet ever-evolving customer needs, with new initiatives in the areas of buyer underwriting, online access and product development.

Moreover, as our customers have told us that they would value direct access to our buyer underwriters, we have now made that possible. Not only has this improved our communication with customers, but it also shows our willingness to listen to customers and act accordingly.

Ever since the financial crisis of 2008-2009, the importance of credit insurance has been at the

forefront of world trade. With growing trading risks, our customers need to be able to access as much cover as possible if they are to grow their business and manage their risks effectively. Therefore we have sought new ways to support their credit management and growth and in 2012 have developed technology that allows us to proactively identify new cover opportunities.

Product development that addresses the requirements of our customers in their different locations is of course essential to meeting their needs. This is therefore handled by our local teams, who are best placed to understand those varying needs and identify new product opportunities. Sharing those local ideas also creates efficient growth while keeping customer needs at the heart of what we do, and so in 2013 we will develop a shared product development platform that will allow us to deliver more innovative solutions to our customers.

### Solvency II

During 2012 Atradius continued with preparations to implement the Solvency II regulatory regime, despite the uncertainty surrounding the final form of the regulations and the implementation dates. The regime will change how insurers within the European Union (EU) determine capital requirements and implement new standards related to governance, risk management and disclosure.

Under Solvency II, required solvency capital is based on a full-balance sheet approach using economic principles for the valuation of assets and liabilities. The outcome is to be disclosed to supervisors and the public in a specific structured way.

In preparation, where necessary we are modifying our risk management and control practices to ensure consistent measurement of risk in line with Solvency II expectations.

An 'own risk and solvency assessment' (ORSA) process allows the Management Board to assess and anticipate developments in the Group's risk profile and capital positions. In 2013, the ORSA process will be further aligned with internal business management and reporting processes across the Group.

As part of these ongoing preparations, we will continue to engage with our supervisors to gain approval for the use of a partial internal model to report the solvency capital requirement at the

earliest possible time. This partial internal model is based on our internal economic capital model, which we have used since 2004 to calculate the economic capital for various business steering and decision making purposes.

In 2012 we also began to align our financial and regulatory reporting systems and processes to incorporate Solvency II requirements regarding, for instance, valuation of assets and liabilities and the production of regulatory disclosures and quantitative reporting templates. In this way Atradius continues to demonstrate its financial robustness and capabilities as a strong business partner for its customers and other stakeholders.

### **Evolve Management**

To develop our customer focus even further, in 2012 we took the first steps towards delivering a Group-wide programme that will increase staff engagement and focus on continuous improvement of our customer service.

At the start of 2013 a new mission and vision statement and a new set of corporate values have been introduced. Responsibility for implementing the programme rests with the local country management, and will be driven by our strategy of stimulating local entrepreneurship.

Additionally, we have introduced several supporting measures to encourage engagement and improvement, including a forum for idea generation and Group-wide awards to recognise examples of the promotion of our new values in action.

### **Corporate Governance**

Atradius believes good corporate governance entails a careful balance between the short-term and long-term interests of the company. Atradius' aim is to have a governance structure that is transparent and does justice to the interests of all its stakeholders: customers, shareholders, employees and society as a whole. In that respect (regulatory) developments are closely monitored in order to ensure Atradius corporate governance is commensurate with international demands in areas like the prevention of corruption and fraud and sound and controlled management of our business in general. These themes are also clearly reflected in the oath that policy makers in the financial industry have to take during 2013 and to which the Management Board of Atradius is fully committed. In 2011, all members of the Management Board had already 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. The members of the Management Board participated in the two permanent education sessions that were held in 2012, whereby specific attention was paid to developments in Corporate Governance for insurers in the Netherlands.

### **Information Technology**

Atradius continues to provide innovative technology solutions to improve its services, in collaboration with our customers, brokers and partners. New information analysis capabilities have been developed within our Customer Portfolio Analysis tool and Customer Service Charter to allow customers to assess our service performance online.

Using our online platform Serv@net, customers and brokers can now access all Atradius-generated documents, such as policies, credit limits, claims and invoices, simplifying the administration of their credit insurance policy.

The number of Atradius customers and brokers who are collaborating with us, by using our fully automated business-to-business link product Atradius Connect, is growing. This offers major opportunities for automating business flows and reducing administration.

In 2012 a new version of our rating platform was introduced, enhancing our credit information base. This is central to our service and is the engine behind the Atradius Buyer Rating tool offered free to our credit insured customers. Its strong predictive capability is a major differentiator of our service offering and supports our mission to strengthen our customers' credit management.

Information technology and related services advance rapidly and Atradius always stays up-to-date with the latest developments so that we can improve our services. We are continuously looking at ways to deliver support and innovation potential to local markets while still enjoying the benefits of a worldwide centralised IT and business process platform.

### **Human resources**

In order to measure our employees' satisfaction and engagement an Employee Satisfaction Survey (ESS) was carried out at the end of 2011. The survey

aimed to compare the satisfaction level of Atradius employees with the global industry scores and with the results of our last survey.

Early in 2012 we received the results and are pleased to see that the general satisfaction score was consistently higher than both the industry benchmark and our last survey. Our employees gave higher scores in the most important areas: confirming that they are proud of Atradius, their colleagues and managers, and satisfied with their work. To maintain and improve the results for the future, corporate and local plans have been put in place.

We are also continuing our management development programmes through the Atradius Academy, which has recently been accredited in the UK as a National Skills Academy for financial services in-house training. The Atradius Academy is also focused on the development of leadership competencies throughout the organisation and permanent education initiatives for senior management.

## Corporate responsibility

In the true spirit of corporate responsibility (CR) we continue to seek improvement in our CR progress in all its forms: our use of energy and other finite - and valuable - resources, our carbon footprint, our extracurricular activities in the communities in which we share.

The UN Global Compact, to which we are a committed signatory, provides the framework for our CR activity, but it is the enthusiasm of our people that brings this to life, through their passion and ingenuity. So, for instance, throughout our global organisation we can point to many examples of fund raising for worthwhile causes, involvement in schemes to provide education and financial services in the developing world, the promotion of employment for disabled workers, and practical ways to reduce our carbon footprint by the use of low emission vehicles and 'cycle to work' schemes. Every one of these initiatives adds to our CR record and raises expectations for what we can achieve in future years.

## The outlook for 2013

2013 will present similar challenges to those faced in 2012. Advanced economies are expected to grow slowly and Europe's ongoing debt crisis will still pose major risks to its future economic performance. In addition, insolvencies are expected to increase slightly. Meanwhile, the emerging markets will continue to drive global growth in 2013. This challenging picture emphasises the need for Atradius to continue its focus on customer service excellence and decisive risk management. Several strategic projects are already planned, including one to optimise our buyer rating and thus better manage the elevated risks, as well as projects to expand our geographic footprint and capture emerging market opportunities.

Looking further into the future, we see both opportunities and challenges in the shifting global trade landscape. Trends such as increased economic volatility and regulation, rapidly expanding new world economies, advances in technology and the rise of social media will all impact our business. We are anticipating these future challenges by addressing each of these elements in our long-term strategic planning, to ensure that we achieve our goal of being the market leader for trade credit risk management.

As we hope you will see from this Annual report, we are more than adequately prepared for these rapidly evolving times and are committed to working with our customers to serve their world, because our success will be measured by theirs.

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working with our customers to  
serve their world

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# Corporate strategy, product offering and marketing

Atradius' vision is to be the market leader in trade credit risk management and our mission is to support our customers' growth by strengthening their credit and cash management. By realising this goal, we help our customers to grow their business profitably by trading securely and in doing so we too can grow our business.

Our strengths lie in our understanding of global markets, economic trends and trade dynamics, our expertise in risk management and our excellent service. In addition, our fully integrated IT platform, adaptable to local and product-specific demands, means we can deliver accurate business intelligence on a global scale to our customers, while our geographic presence allows us to offer our services locally in 45 countries across the world.

At the heart of our operation are our people: highly skilled and professional individuals who work hard to realise our ambition of customer service excellence.

The business partners, brokers, reinsurers and agents who distribute our products also play a key role in our success: we build long-lasting relationships that are mutually beneficial to the prosperity of the credit insurance industry. We value their support and will continue to invest in initiatives that strengthen our relationships, such as our School of Agents project in Italy.

In 2013 we expect global economic growth to be under pressure, with mature markets – where credit insurance is most commonly used – facing lower growth prospects than the new world economies. While continuing to support our customers in those mature markets, our longer-term strategic plans will take advantage of the opportunities for growth in the world's emerging markets.

Indeed, wherever our customers are trading, our products and services have never been more relevant than they are now, because credit management and the need to trade securely are high on the agenda for companies across the globe. We give our customers invaluable insight into the trading risks they face, helping them to

turn this into opportunity in the knowledge that, with Atradius as their partner, they are ultimately protected if things do go wrong.

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

## Corporate strategy

Our strategy is to be a truly global organisation while delivering our credit insurance services locally: i.e. with decentralised authority and accountability to meet local needs. We will drive growth through customer service excellence and a spirit of entrepreneurialism.

Our other business lines of Collections, Bonding, Reinsurance, Instalment Credit Protection, and Special Products will continue to be run as independent units making an important profit contribution to the Group.

Our strategic goals are to:

- grow our business by expanding our support to customers;
- continue to develop our customer service proposition through our people and processes;
- develop our IT platform to ensure it remains the most integrated in the industry;
- foster a culture of entrepreneurialism and responsibility, and
- be an 'employer of choice'.

The impetus for growing our business by expanding our support to customers is the knowledge that our success is measured by that of our customers. Therefore, we focus our efforts on maximising the

cover that we can offer, providing excellent service so that our customers feel genuinely supported, and expanding our global reach to support our customers in the locations where they do business. Our risk management expertise is pivotal to this. Our extensive network of skilled underwriters, supported by sophisticated and fully integrated technology, makes our risk assessment second to none in the credit insurance industry.

Developing our customer service proposition and delivering customer service excellence in innovative ways through our people, processes and technology is central to our strategic agenda and will continue to evolve over time.

We are also committed to continued investment in our IT platform, so that it remains the most integrated in the industry. Atradius is the only international credit insurer with a fully integrated IT platform, allowing us to offer global business intelligence to our customers.

Fostering a culture of entrepreneurialism and responsibility means empowering our people to find ways to meet their customers' needs. Our organisational structure puts the power to drive business growth in the hands of our local teams, as they translate customer needs into innovative solutions.

Being an 'employer of choice' requires more than simply fringe benefits and job security. It demands that an organisation is inspiring and innovative. Although employee satisfaction is already high in Atradius, we will seek to go beyond this by offering training and development opportunities to our people, developing inspiring leaders, and focusing on employer branding to ensure we can attract and retain the best talent.

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**Atradius is the only international credit insurer with a fully integrated IT platform**

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In addition to our core business of credit insurance, we offer complementary products to enhance our customers' credit management. Our collections service is truly international. Our Special Products unit delivers specialised and tailored risk solutions. Reinsurance delivers reinsurance solutions for the credit and bonding industry. Our Bonding unit covers administrative and market bonds. Instalment Credit Protection protects against short and medium-term risks involved in multiple instalment agreements. And Dutch State Business issues credit insurance policies and guarantees to Dutch companies on behalf of the Dutch State.

We currently offer products and services in 45 different countries and continue to expand our geographic footprint. An important element of our long-term strategic planning is to expand our activities in those markets that are leading the way in the shifting global trade landscape.

Our people, expertise and technology will ensure that we achieve our strategic goals.

### **Customer service excellence**

Customer service excellence is ingrained throughout our organisation and drives our strategy at every level. It is important for us to deliver a unique customer experience by anticipating our customers' needs and aiming to exceed them. In 2012 we have continued to improve and build on our major customer service excellence projects.

For instance, we have enhanced our commitment to customer service transparency by adding new key performance indicators to our Customer Service Charter, starting with the area of Credit Limit services. This allows our customers to be aware of the service they can expect from us and also to monitor how well we are delivering that service.

We have also extended our customer and broker management information reports on buyer risks and exposure, claims and collections and added new features to enhance the user's experience.

Our online platform allows customers and brokers to view, manage and consolidate all their financial transactions with us. The 'early costs assessment' feature indicates our likely contribution towards the cost of collecting debts placed. This all adds transparency for customers in managing their accounts receivable and efficiency in our day to day interaction with customers and brokers.

Our many publications, seminars, conferences and webinars on trade related subjects are designed to keep customers and brokers informed of economic and risk developments and the opportunities for secure trade.

### Geographic strategy

Atradius has a presence in 45 countries, from which we can offer our range of credit management services to a wide range of businesses, from small and medium-size enterprises (SMEs) to large multinational companies.

However, in a rapidly changing world we need to look ahead and identify future opportunities. That means not only maintaining and building on our value proposition in established markets but also focusing on those markets that are gaining in economic power and importance. As world trade patterns change, the emerging nations of Asia, Latin America and the Middle East will lead global growth in the coming years. With this in mind, extending our operations in those emerging markets is crucial to the long-term growth prospects of our customers - and therefore Atradius.

### Product offering

Our customers trust us to provide the security they need to sell their products and services with confidence, wherever they are doing business around the world. Atradius' core product - credit insurance - protects against devastating financial losses arising from the inability of a buyer to pay for goods bought on credit.

Because every business is different, Atradius' products are designed to be flexible, so that the cover we offer can be tailored to meet each customer's unique needs and to mirror the way they do business.

For example, our 'whole turnover' credit insurance is designed in a flexible modular format that can be adapted to each individual customer's trading arrangements. This modular concept therefore serves SMEs, mid-sized and large customers engaged in both domestic and export trade. Our credit insurance can also be easily combined with other Atradius products, such as our debt collection services, to create a comprehensive credit management solution.

In 2012 we have extended the availability of our SME product Modula First to several countries

“  
our Global policy:  
widely acknowledged to be  
'best in class'

”

including Australia, New Zealand and the Czech Republic. Modula First is a simple, easy to run product: ideal for smaller firms that may not have dedicated credit management staff. That simplicity also makes Modula First an attractive product for our distribution partners.

### Global value proposition

For multinational corporations, we offer a sophisticated and tailored credit management solution in the form of our Global policy: widely acknowledged to be 'best in class'. In the 15 years since its inception, the Global policy has marked Atradius out as the clear market leader in this segment with 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 Global account teams are situated across the Atradius worldwide network and provide a local service that mirrors the customer's organisation. 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.

The Atradius buyer rating tool is provided free to complement a customer's credit insurance policy, giving access to buyer ratings on the insured buyer portfolio via our online service Serv@Net. This allows customers to assess the quality of their buyer portfolio and monitor their credit risk. Currently it provides ratings for buyers in more than 110 countries.

In addition, through our Group company Iberinform, we offer a comprehensive and accurate web-based credit information service on Spanish buyers, including buyer ratings, investigative reports, financials and public information.

### **Special Products unit**

‘Whole turnover’ cover is not always the right solution for every customer. We therefore offer a range of structured credit risk solutions for specific large and complex transactions through our Special Products service. These solutions address a range of circumstances, from enhanced credit protection for single contracts or buyers to pre-export finance, and can be combined to meet multiple needs.

## **Other products and services**

### **Collections unit**

Atradius Collections helps businesses - both credit insured and uninsured - to collect domestic and international trade debts while maintaining sound business relationships with their clients. It has built a strong reputation as a dedicated business-to-business collections specialist, leveraging the strength of Atradius credit insurance, combined with its own integrated international network of collectors, lawyers and insolvency practitioners and its online capabilities. Its clients benefit from Atradius Collections’ worldwide collections expertise ‘on the ground’, through its presence in 20 locations.

### **Instalment Credit Protection**

Atradius Instalment Credit Protection (ICP) 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 addition, Atradius ICP’s latest product, protecting co-owners of residential assets in the event that another co-owner fails to contribute to common charges and obligations, has been awarded the Innovation Trophy by Decavi, a leading insurance analyst in Belgium.

### **Bonding**

Our range of bonding products puts 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. The products available are administrative bonds (excise, customs and authorisation bonds) and market bonds (bid, performance and maintenance bonds). In addition to the traditional sectors - such as construction, engineering and travel - demand for bonds is growing in new sectors such as environmental services.

### **Reinsurance**

Atradius Re offers a wide range of reinsurance solutions for the credit insurance and bonding insurance business of primary insurers around the world. The reinsurance business is underwritten by a dedicated team of specialist underwriters based in Dublin at Atradius Reinsurance Ltd. (Atradius Re).

## **Marketing**

We communicate to all our stakeholders and in all our markets with a consistent corporate ‘voice’, giving reassurance of our stability and strength. This is achieved in large part through our many and varied forms of marketing and communications activity and ensures that our customers receive a service that adds value to their insurance cover. Our extensive publication and business event programme gives our customers, prospects and business partners valuable economic insights that can benefit their business in many ways.

### **The Atradius brand**

Brand is the perception of what an organisation stands for – both internally, to its own staff, and externally, through what it promises to its customers and other interested parties. This promise must hold true in everything that the organisation delivers. The Atradius brand stands for reliability and high quality customer service and we ensure that our many different audiences consistently experience the Atradius brand in this way.

### **Publications**

Knowledge – of markets, trade sectors, the global and regional economy and business practices worldwide – is essential in the credit insurance industry. As well as giving Atradius the means to make intelligent strategic and operational decisions, we seek to share the knowledge that we accumulate



with our customers and business partners so that they too can use it to enhance their decision making and operations.

The many reports that we produce throughout the course of the year fulfil a number of roles. Some, like our Economic Outlook and Updates, paint the 'bigger picture' of global economic conditions. Others, like our Country Reports and Market Monitors, focus on the economy, sector performance and political situation in particular countries. Our Payment Practices Barometer reflects the experience of businesses of many types and sizes in their domestic and export dealings.

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 2012 we continued our series of reports on trading with emerging markets, each report highlighting the factors that businesses should be aware of if they are to venture into these emerging markets profitably and securely. The reports, entitled 'Trade successfully with...' have been accompanied by international webinars featuring leading market experts and economic commentators.

### **Social media**

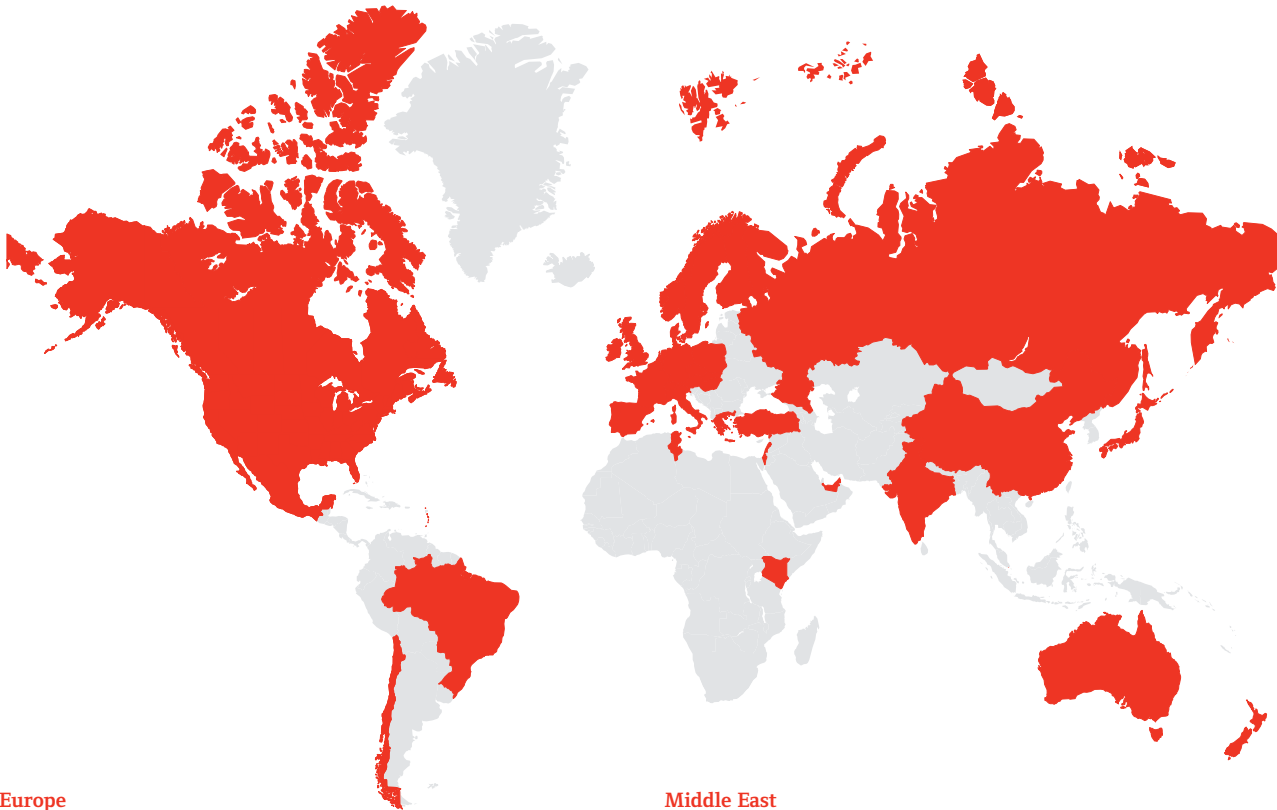
At Atradius, we embrace the use of those social media channels that help us to reach a wider audience, promote our knowledge and expertise, increase awareness of our brand and generate new leads. The measurability of the online response to social media activity has shown that our endeavours in this area – through Twitter, LinkedIn and YouTube – have increased the readership of our publications and attendance at our webinars. And, of course, social media also provides yet another two-way channel of communication to strengthen our relationships with our stakeholders.

“

customers receive a service  
that adds value to their  
insurance cover

”

# 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, Jelenia Gora
Portugal	Lisbon, Porto
Russia	Moscow
Slovakia	Bratislava
Spain	Madrid, Alcalá de Henares, Alicante, Barcelona, Bilbao, Castellón, A Coruña, Girona, Granollers, Las Palmas de Gran Canaria, Málaga, Murcia, Oviedo, Pamplona, Seville, 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 (**)
Saudi Arabia	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 (*)
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, Perth
New Zealand	Wellington

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



## Report of the Supervisory Board

In 2012 global economic growth came under strain from weaker performance in both developed countries and emerging markets. In the Eurozone the environment was depressed, with the intervention of the European Central Bank (ECB) expected to contain the crisis. Credit conditions remained tight, and the situation was at its worst in southern Europe, where all countries experienced recession.



*Ignacio Álvarez (Chairman)*

While the effects of this crisis have been felt mainly in the Eurozone itself, other countries have been affected through their trade and finance channels. The US seems to be stuck in a state of weak recovery characterised by low growth, marginal improvement in employment and a reduction of private debt levels. Economic growth in Asia, Latin America and other emerging markets has also weakened due to a fall in demand for their exports and also the need to correct internal imbalances caused by several years of strong growth.

As a result, global economic growth has remained under pressure, creating an uncertain and challenging picture that is unlikely to change in 2013. The two major potential risks that we envisage are an escalation of the crisis in the Eurozone and a further slowdown in the growth of emerging markets.

In view of this challenging environment, we are particularly pleased with the robust reported figures for 2012. We have grown in insurance revenue by 2.8%, achieving EUR 1,547.3 million and a profit for the year of EUR 117.3 million. During the year, the focus has been on improving service to customers and meeting their needs. To that end, and following the implementation of a decentralised country model organisational structure, several projects have been initiated to address our customers' needs: including direct access to underwriters and remote access to Atradius' systems.

Throughout these volatile and difficult times the Supervisory Board has continued overseeing Atradius' general affairs with special attention. In particular, steps have been taken to further enhance Atradius' governance structure, including amendments to the Supervisory Board Rules. As in 2011, the Supervisory Board was also involved in 2012 with the Remuneration Policy of the Atradius Group.

In March 2012 Jan Holsboer, who served for more than a decade on the Supervisory Board, resigned from this role. The Supervisory Board would like to thank Mr Holsboer for his valuable contribution over many years. In September 2012 Xavier Freixes was appointed as member of the Audit Committee.

The full Supervisory Board convened five times during 2012 and the Audit Committee four times, while the Remuneration, Selection and Appointment Committee convened four times. In June and September 2012 both the Supervisory Board and the Management Board participated in permanent education sessions.

During the year the Remuneration, Selection and Appointment Committee, together with the Supervisory Board, introduced changes in the composition of the Management Board.

In November 2012 Delfin Rueda resigned as CFO/CRO and member of the Management Board. The Supervisory Board would like to thank Mr Rueda for his work performed for Atradius.

Following the resignation of Delfin Rueda the roles of the CFO and CRO have again been separated. Christian van Lint was appointed Chief Risk Officer and became a member of the Management Board. Until the appointment of a new CFO, Isidoro Unda has taken over the CFO responsibilities on an interim basis.

Atradius N.V.'s Annual report contains the financial statements for the financial year 2012 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 to adopt the financial statements for 2012, to grant the Management Board members discharge from their management duties during 2012 and to grant the Supervisory Board members discharge from their supervision duties during 2012.

The Supervisory Board would like to thank the Management Board and all Atradius employees for the positive results achieved in 2012. Finally, the Supervisory Board is confident that Atradius' management team and its employees will contribute to another successful year in 2013.

The Supervisory Board,  
Ignacio Álvarez

“

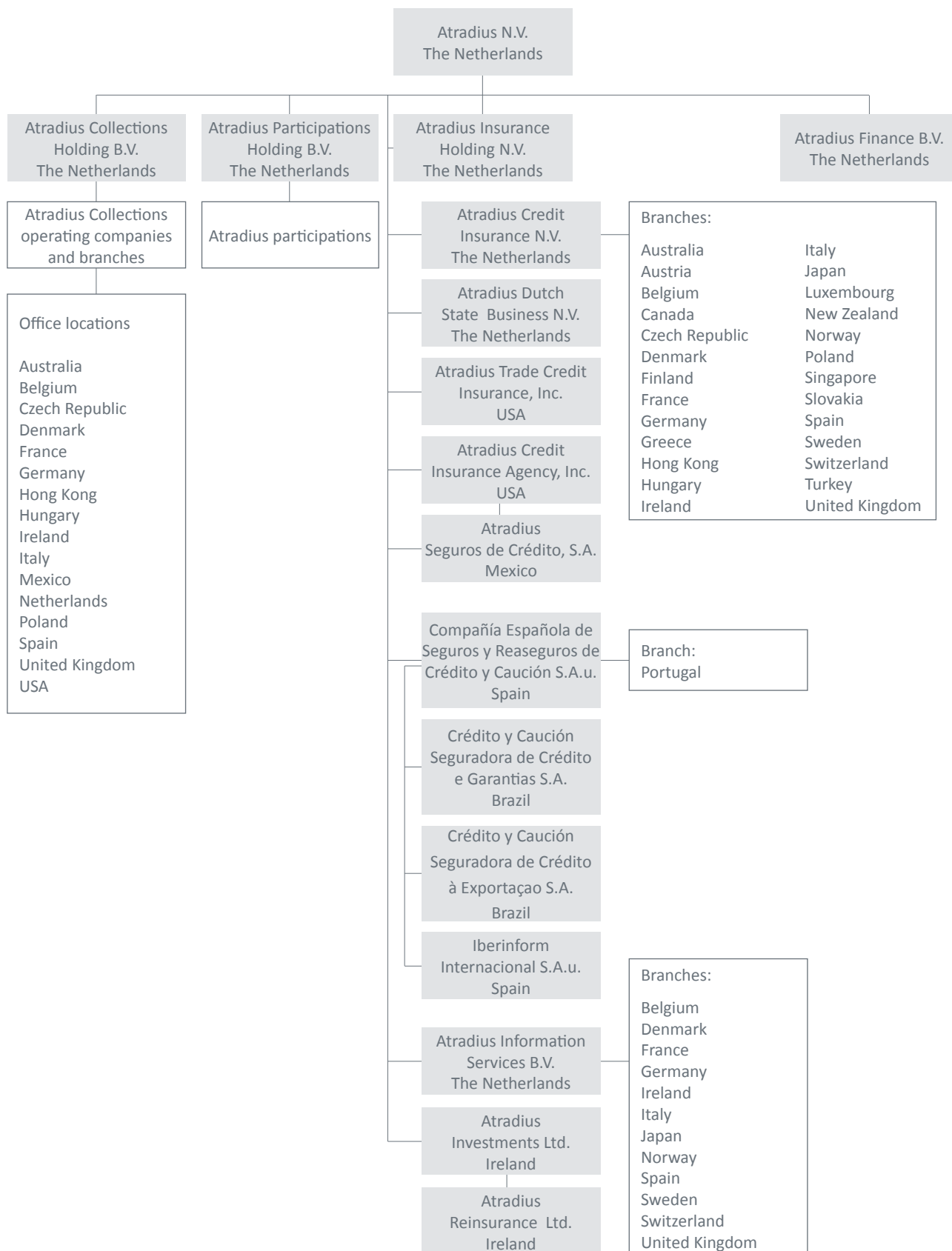
The two major potential risks that we envisage are an escalation of the crisis in the Eurozone and a further slowdown in the growth of emerging markets.

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# Atradius Group organisation chart

General overview as at 31 December 2012



# Shareholder structure



Shareholder structure of Atradius N.V. as at 31 December 2012		Percentage of shares
<b>Grupo Catalana Occidente, S.A.</b>		<b>35.77%</b>
<b>Grupo Compañía Española de Crédito y Caución, S.L.</b>		<b>64.23%</b>
<i>Grupo Catalana Occidente, S.A.</i>	73.84%	
<i>Consortio de Compensación de Seguros</i>	9.88%	
<i>Nacional de Reaseguros</i>	7.78%	
<i>España, SA Compañía Nacional de Seguros</i>	5.00%	
<i>Gés Seguros y Reaseguros</i>	3.50%	
<b>Total</b>		<b>100.00%</b>

On April 27, 2012, Grupo Catalana Occidente exercised the call option of Atradius NV shares to INOC, SA. In particular, it purchased shares equivalent to 6.48% of Atradius NV's capital, investing a total of EUR 99.8 million according to the price established in the call option contract.

Consequently, the economic stake of Grupo Catalana Occidente in Atradius NV stands at 83.20% (35.77% directly and 47.43% indirectly through the holding Grupo Crédito y Caución, SL).

Atradius NV is part of Grupo Catalana Occidente, gathering the activities related to the credit insurance business.

	Characteristics	Lines of Business
<b>Traditional Business</b>	<ul style="list-style-type: none"> <li>* Focused on Spain</li> <li>* Families and small and medium enterprises</li> <li>* Professional agency network</li> <li>* 2,476 employees</li> <li>* 1,070 offices</li> </ul>	<ul style="list-style-type: none"> <li>* Multirisk</li> <li>* Auto</li> <li>* Other Non-Life</li> <li>* Life and Financial products</li> <li>* Health</li> <li>* Funeral</li> </ul>
<b>Credit Insurance Business</b>	<ul style="list-style-type: none"> <li>* Presence in more than 40 countries</li> <li>* Companies</li> <li>* Agents and Brokers</li> <li>* 3,122 employees</li> </ul>	<ul style="list-style-type: none"> <li>* Credit insurance</li> <li>* Bonding</li> <li>* Credit reinsurance</li> </ul>

The shares of the parent company, Grupo Catalana Occidente, are listed on the Continuous Market of the Barcelona and Madrid stock exchanges as part of the IBEX Medium Cap Index. Currently, 38% of its capital is floating and the main shareholder is INOC, S.A., holding 56.71% of the Group's capital.

For further information please see the Annual Report of Grupo Catalana Occidente available at [www.grupocatalanaoccidente.com](http://www.grupocatalanaoccidente.com)



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

### The Management Board

#### Composition

The Management Board of Atradius N.V. currently consists of four members. Since 1 November 2012 there has been a vacancy for the position of Chief Financial Officer (CFO) and therefore, in the interim, CEO Isidoro Unda has taken on this responsibility.

#### 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. From 1 November 2012, as CFO ad interim, he is also responsible for the units Finance, Financial Control and Corporate Finance. 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 Board of Atradius N.V., Inverseguros S.A. and Mutua Madrileña Automovilista. He has a degree in Law and Economics from Deusto University in Bilbao.

#### 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 the organisation of 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.

#### Christian van Lint

(1960, Dutch nationality)

Christian van Lint was appointed Chief Risk Officer (CRO) with effect from 1 November 2012.

As CRO, Christian van Lint is responsible for the units Group Risk Management, Group Buyer Underwriting, Risk Services and Outward Reinsurance. He has worked for Atradius and

its predecessor companies since 1983. From February 2006 to November 2012 he was Director of the unit Group Risk Management. Before that he was Director of the unit Risk Services for the Netherlands and Nordics and held various positions in the areas of claims and recoveries, buyer underwriting and special risk management. He graduated from the School for Business Administration and Economics in Utrecht.

### **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, Portugal and Brazil) 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 the unit 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 2012.

### **Conflict of interest**

A member of the Management Board with a potential conflict of interest with the Company 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 the Company, the Company 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**

The Supervisory Board of Atradius N.V. currently consists of eight 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. He is currently the CEO of Grupo Catalana Occidente S.A. He is also the CEO of Seguros Catalana Occidente and Seguros Bilbao. Other current positions include: Chairman of the Supervisory Board of Grupo Compañía Española de Crédito y Caución S.L. and member



of the Supervisory Board of Plus Ultra Seguros. Before joining Seguros Bilbao in 1991 he worked at Banesto, Banco de Vitoria and 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). From 2003 to 2011 he was member of the Governing Board of UNESPA País Vasco y Navarra. 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 member and secretary of the Board of Grupo Catalana Occidente S.A. and Seguros Catalana Occidente S.A. Other current positions include: Vice-Chairman of the Board of Nortehispana de Seguros, member of the Board of Seguros Bilbao, Plus Ultra Seguros, INOC S.A. and Grupo Compañía Española de Crédito y Caución, S.L. and trustee at Fundación Jesús Serra. Before joining Seguros Catalana Occidente S.A. 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 35 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 Chief Executive Officer of the Euler Group and Chairman of the Comité National des Conseillers de Commerce Extérieur. 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. He is currently founder partner, General Counsel and Chief Executive Officer of Tyrus Capital SAM in Monaco. Former positions include: General Counsel Stock Exchange Barcelona and external consultant at Generalitat de Catalunya, lecturer at the Universidad Pompeu Fabra and at the ESADE Business School in Barcelona. He has a degree in Law from Universitat Autònoma in Barcelona and a Masters degree in Corporate Law from Universitat Pompeu Fabra in Barcelona.

### **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 35 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: Vice-Chairman of the Board of MGS, Seguros y Reaseguros S.A., Chairman of the Spanish Reinsurers Association, 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 Board of Grupo Catalana Occidente S.A. and Seguros Catalana Occidente S.A. Other current positions include: member of the Board and member of the Comision Permanente of Grupo Compañía Española de Crédito y Caucción S.L., CEO of Co. Sociedad de Gestion y Participacion S.L. and Newsercal S.L., member of the Audit Committee of Grupo Catalana Occidente S.A., member of the Board of Plus Ultra Seguros and INOC S.A. and trustee at Fundación Jesús Serra. Before joining Grupo Catalana Occidente S.A. he worked at Deutsche Bank in the area of product development and marketing. He has a BSBA from the University of Wales, 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 the Company's 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 the Company's 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 the Company's financial position and financial affairs. In 2012, the Audit Committee met four times. The Audit Committee currently consists of Paul-Henri Denieuil (Chairman), Ignacio Álvarez, Francisco Arregui and Xavier Freixes.

## 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 2012, the Remuneration, Selection and Appointment Committee met four 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 2012.

### Conflict of interest

A member of the Supervisory Board with a potential conflict of interest with the Company 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 the Company.

## 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 the Company's external auditor for the financial year 2012 on 4 May 2012.

### 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.

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 De Nederlandsche Bank N.V. 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 Officer (CFO), the Chief Risk Officer (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 De Nederlandsche Bank N.V.), 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;
- 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.

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%
<b>Total</b>	<b>100%</b>	<b>100%</b>



- Remuneration plans will include adjustments and claw-back provisions in line with prevailing legislation.

The role of the Chief Financial Officer and the role of the Chief Risk Officer are recognised as a Control Position and will therefore not be linked to the results of the business activities under their supervision - with the exception to the Group target (3 year average Group return on equity - ROE) - to secure their 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.

### Reviewing the remuneration policy

The remuneration policy was approved and implemented in 2011. In 2012, the Supervisory Board reviewed the remuneration policy to assure that the remuneration policy remains in line 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.

### 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. In the course of 2012 two sessions were held covering the following topics:

- Solvency II, including Use Test, ORSA, responsibilities Management and Supervisory Board and SCR, Internal Model;
- Corporate Governance of insurance companies in the Netherlands and Challenges for insurance companies.

These sessions were presented by internal and external specialists. In 2011 a self evaluation programme was implemented which includes, among other things, an assessment of the effectiveness of the permanent education plan.

A Remuneration, Selection and Appointment Committee and an Audit Committee are 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. All risk subjects dealt with in meetings of the Supervisory Board are chaired by Mr. B. Meyer.

## 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 were further formalised in Management Board rules. Moreover, a permanent education programme for the members of the Management Board was introduced in 2011. The members of the Management Board participated in the two permanent education sessions that were held in 2012.

## Risk management

Robust governance over risk management is vital for Atradius to achieve its mission and objectives. The Management Board rules and Supervisory

Board rules 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.

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

## Remuneration policy

Atradius has 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 DNB at the end of 2010. This resulted in a remuneration policy for the Atradius Group that has been approved in 2011 and reviewed in 2012. 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.



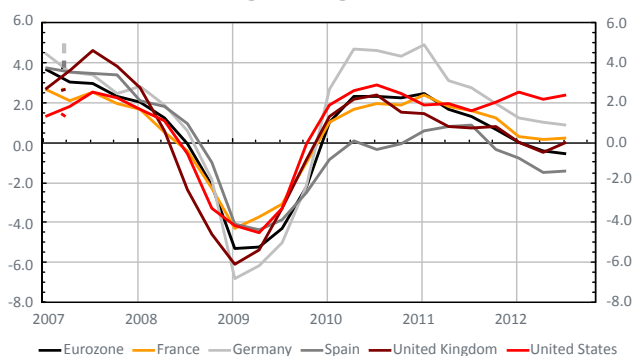
# The global economic environment

## 2012 – the Eurozone crisis continued to loom over the global economy

Growth in global economic activity continued to decline in 2012, slowing to 2.5% from 3.1% in 2011 and 4.3% in 2010. As in previous years, growth was led by the emerging markets of Asia, Latin America and Emerging Europe while in advanced markets growth was restrained: with the United States seeing only muted growth and Europe diving into a shallow recession. The real economic growth in Asia Pacific, Latin America and Eastern Europe rose by 4.7%, 2.7% and 2.5% respectively, while the United States grew by 2.3% and the Eurozone economy contracted by 0.4%. Although Europe as a whole went into recession, there were still major differences in economic activity between its member states. The German economy grew by 0.7% and the French economy by just 0.1%, while the United Kingdom stagnated. Economic contraction was more marked in Italy (-2.1%), Spain (-1.4%) and particularly so in Greece (-6.5%) and Portugal (-3.0%).

### Real GDP growth

(Annual percentage change in real GDP)



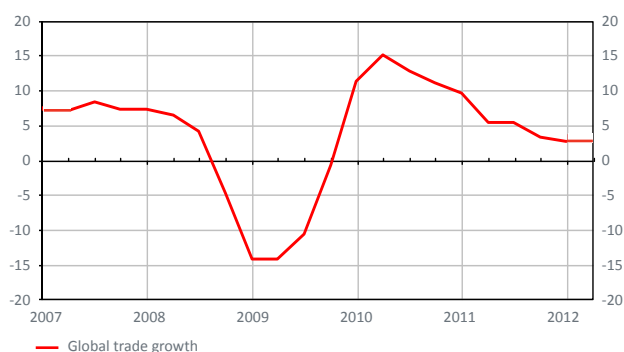
### Trade

Growth in global trade had fallen markedly in the second half of 2011, to levels considerably below the long-term average annual growth rate of 5.5%. This trend continued in 2012, reaching a relatively subdued 3% growth for the full year. The reasons for this downward trend were low global economic growth, trade financing constraints and increasing protectionism. However, there were significant

differences in the growth pattern between emerging and advanced markets, reflecting the developments in global output. Emerging markets saw increasing trade flows throughout 2012 while trade growth for the advanced markets slowed: yet another indication of emerging markets' increasing share of global trade.

### Global trade growth

(Annual percentage change in global trade volumes)

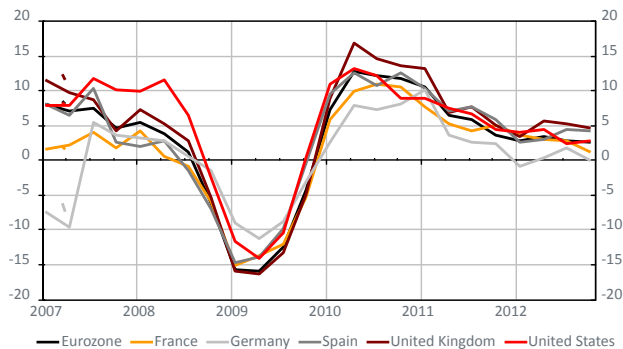


Broadly in line with the pattern in global trade, the Eurozone's export growth slowed noticeably in 2012, again with evident variation between member states. As in 2011, German and Spanish export growth was above the Eurozone average and France approximated to that average, while Belgium and the Netherlands remained below the average, showing only marginal growth. Italy's figures were even poorer. Outside the Eurozone, the United Kingdom achieved only meagre export results, while United States exports grew at around the average for advanced markets.



## Real export growth

(Annual percentage change in real export volumes)



## The Eurozone crisis

The bleak economic picture in 2012 was even slightly down on earlier expectations, which had held hope of a recovery in the second half of the year. Certainly, the vital fiscal consolidation in advanced markets had been expected to put a severe break on growth, despite ample liquidity provision by the Federal Reserve Bank and the European Central Bank (ECB). And it was clear that the banking systems in Europe and, to a lesser extent, in the United States were far from recovering from the Lehman crisis, so that lending conditions would remain tight.

The hope had been that the impact of fiscal consolidation would ease and the banking system start to recover, and that monetary easing would encourage economic activity, helped by special factors like the reconstruction in Japan and Thailand. However, none of this materialised, mainly because of the 'beast' that has dominated the global economic scene since 2011: the Eurozone crisis.

2012 started off well, with the Eurozone crisis contained as the ECB provided liquidity to the banking system in December 2011 and February 2012 to the tune of around EUR 1 trillion through its long-term refinancing operations (LTROs). These measures gave a vital injection to the banking system and helped to ease the pressure on sovereign yields, as cheap funding was used partly to buy government bonds. By early spring, sovereign spreads were moving back in the direction of early 2011 levels. But that recovery

proved extremely fragile. In May, fears over a Greek exit from the Eurozone exploded, followed by contagion, directed in particular at Spain and Italy, amid doubts about whether fiscal and structural adjustments could be made and, indeed, Eurozone politicians' willingness to put in place policies to conquer the crisis. Spanish and Italian sovereign spreads reached record highs as investors withdrew in droves, redirecting their funds to German, French, Belgian and Dutch bonds.

The bond yields of those countries indeed reached record lows as capital flight from southern to northern European banks accelerated. The Eurozone creaked...

## Long-term bond yield divergence: Eurozone markets

(10-year government bond yield spreads over the German bonds, percentage points)



... but it didn't break. That is arguably thanks to a number of policy initiatives, most of them taken during the 28-29 June European Summit: the Fiscal Compact, the European Stability Mechanism (ESM)<sup>1</sup>, moves towards a European Banking Union and the willingness of the ECB to buy government bonds. The Fiscal Compact is a step towards Fiscal Union, helping to prevent sovereign states from becoming - or remaining - debt loaded. While this addresses the sovereign leg of the Eurozone debt crisis, the ESM and the steps towards a European Banking Union also address the banking sector woes and the dangerous feedback loops between the banking sector and sovereign weakness. Finally, the ECB's willingness to buy government bonds, albeit conditionally, helped to reduce fears of a Eurozone break up. Political support

<sup>1</sup> The ESM is designed to lend to Eurozone countries in trouble in the same way that the ECB does to banks. It replaces the temporary programmes, the European Financial Stability Mechanism (EFSM) and the European Financial Stability Facility (EFSF) with similar objectives.



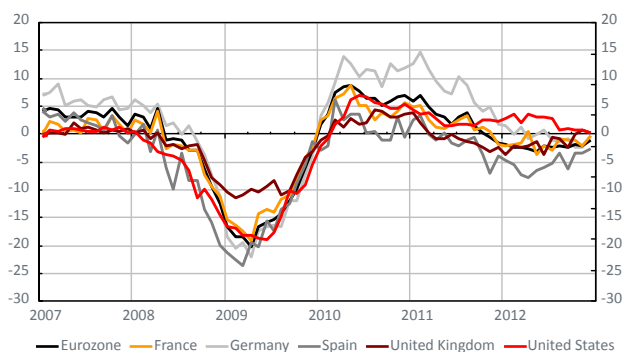
for the Eurozone was further underscored by the provision of a EUR 100 billion rescue package for the Spanish banking sector. The measures are still subject to implementation risk as details need to be worked out, but financial markets were sufficiently impressed to be calmed down. Sovereign spreads were reduced, although they are still elevated. Ireland proved a bright spot, as it is gradually moving towards regaining financial market access.

### The real economy

Meanwhile, at a global level, the real economy is still in the doldrums. Apart from the impact on the Eurozone of the turbulence in financial markets, especially that of plummeting confidence, the emerging markets – notably those in Europe – felt the effects through their trade and finance channels. Moreover, in some emerging markets a number of home-grown issues started to surface, such as the slowdown in China, amid fears of a property bubble, and in Brazil, as concerns arose about the level of inflation. That slowdown put pressure on the exports of advanced markets and consequently their ability to compensate for their own domestic woes. Industrial output growth in advanced markets stagnated during 2012, with only the US seeing any signs of growth.

### Industrial production growth

(Annual percentage change in real industrial production volumes)

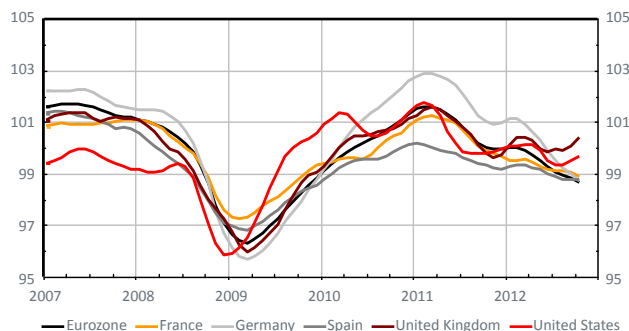


With the Eurozone crisis dominating the news, confidence remained an issue throughout 2012. This was reflected in forward-looking indicators for business and consumer confidence. Manufacturing confidence recovered somewhat in the early part of 2012 but then dropped below 100, indicating a contraction in output. While this development was most pronounced for the Eurozone, not even the

US and UK could escape. This shows clearly how recessionary tendencies ruled across the advanced markets, especially in Europe. Even in Germany manufacturing confidence nosedived, reaching levels similar to those of France and Spain.

### Manufacturing confidence

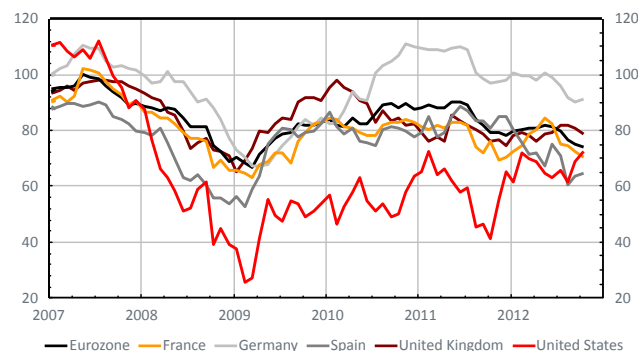
(Index units, 100 = Neutral)



Consumer confidence was low but stable at the beginning of 2012 but then started to slide again. This was particularly true in the Eurozone. Notably, consumer confidence in Germany moved into negative territory, although it is still significantly above that of France and, even more distinctly, Spain. However, in the later stages of the year, some improvement was visible in Spanish consumer confidence. In the US, confidence was low though not as bad as in 2011, especially after the announcement of further monetary stimulus measures in early autumn. Only UK consumer confidence moved into positive territory over 2012 – and, even then, it remained hesitant.

### Consumer confidence indicators

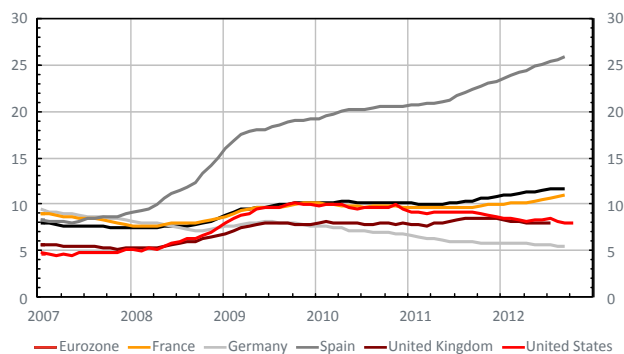
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One reason for this subdued consumer confidence was the poor labour market performance. Eurozone labour markets deteriorated in 2012, with the unemployment rate up to around 12%: the highest level recorded since the introduction of the euro. But within the Eurozone there was considerable divergence, with Germany's unemployment rate actually falling to 5.4%, leading to a slightly heated labour market and significant wage rises. However, for the rest of the Eurozone, unemployment rose: in France to 11% and in Spain to almost 27%, putting the country's social cohesion to the test. Against this backdrop, it is no wonder that consumer confidence remained so low throughout the year. In contrast, US labour markets continued to improve - to 7.8% - helped by a large dose of monetary stimulus. This figure is still high, in view of the recovery phase that the economy has reached, and a similar picture can be seen in the UK.

## Unemployment

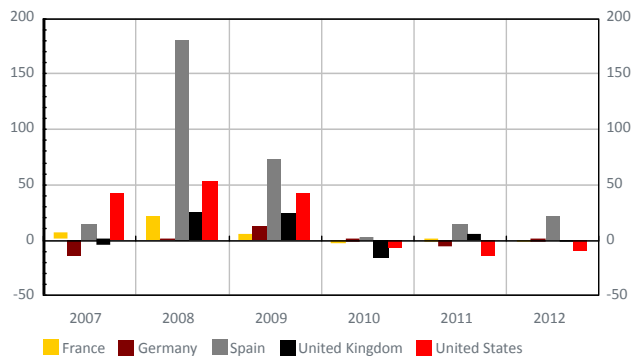
(Percentage of total workforce)



With this depressed situation in advanced markets, it may seem somewhat surprising that the total number of global insolvencies continued to fall in 2012. However, this reflects the reversion to the mean of already high levels of insolvency rather than improving conditions. Across advanced markets, the number of insolvencies fell in North America and the Nordic countries. Perhaps unexpectedly, this is also true of the Eurozone as a whole, even though the peripheral countries like Greece, Spain and Italy experienced continued sharp deterioration. The Netherlands too saw a steep increase in the number of insolvencies, while there was very little change in Germany, France and the UK.

## Insolvency growth

(Annual percentage change in total insolvencies)



## 2013 – global growth still led by the emerging markets

Although the Eurozone crisis stabilised gradually, stress levels are still high. No region has escaped its impact: clearly not the Eurozone itself, but nor have the emerging markets and the US. We are still seeing fiscal consolidation, fragility in the banking sector and a lack of confidence from businesses and, even more so, consumers, who are mindful of the current record-high unemployment levels. However, monetary easing is being applied vigorously and at last politicians are taking some important policy steps.

The outlook for 2013 hinges largely on the prospects for each of these factors: fiscal consolidation, banking sector fragility, confidence, labour market developments and monetary policy. We are also assuming that the steps taken around the 28-29 June European Summit and, as mentioned in this report, will indeed materialise as envisaged by the European leaders.

Even then, the implementation process will be slow. If the support of monetary easing continues, the banks may start to lend again and confidence will slowly but surely return. But any return of confidence will be tempered, as labour markets will need far more time to recover: there are, quite simply, too many people out of work. Moreover, alleviation of credit conditions and a resumption of bank lending will happen only over time, although we may see some signs of improvement in 2013.

Conditions in emerging markets, such as China and Brazil, are expected to strengthen, allowing those markets to accelerate their economic growth. Finally, we are assuming that the oil price will continue to hover around its current levels of USD

100-120 per barrel (Brent). If our assumptions are correct, we will see increased global growth.

According to Consensus Economics, that global growth is expected to be 2.6% in 2013: slightly up on 2012's 2.5% and still driven mainly by growth in Asia and Latin America. Emerging economies continue to catch up with advanced countries and thus increase in economic importance. Trade growth is expected to be low: at around 2%. The United States economy will grow by 2.0% in 2013: more or less the same as its 2.3% growth in 2012. The US recovery remains on track, even if the growth rate is well below its pre-crisis average. The Eurozone is likely to experience another year of negative growth (-0.1%), and the southern countries in particular will continue to face a tough environment that will include budget deficit reductions, economic contraction, and difficult financial market conditions.

The outlook for emerging economies in 2013 is more positive than for advanced markets, with growth in Asia expected to remain at 4.6% and growth in Latin America picking up to 3.5%. Chinese economic growth decelerated more in the second half of 2012 than had been expected, owing to a sharp slowdown in export growth, but is expected to reach 8.1% in 2013. Growth will also be helped by a bout of fiscal stimulus of USD 158 billion. The Middle East and North Africa region (MENA) continues to experience political unrest and economic slowdown. While prospects for Central and Eastern Europe remain strongly influenced by the restrictive credit conditions and weak economic climate in the Eurozone, growth in the region is expected to increase from 2.5% in 2012 to 2.9% in 2013.

Management of the Eurozone debt crisis made significant progress in the second half of 2012 and is supporting our 'muddle through' scenario. While the steps outlined here are pointing in the right direction, the political process is associated with uncertainty. Another escalation of the crisis therefore remains a risk to the global outlook. Likewise, the risk of a large increase in the price of oil has eased somewhat over the last six months but remain significant.

## Business performance

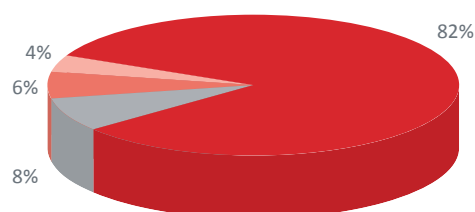
Atradius N.V. (in EUR thousands)	2012	2011	%
Insurance revenue	1,547,321	1,504,609	2.8%
Gross insurance claims and loss adjustment expenses*	(791,554)	(748,224)	5.8%
Gross insurance operating expenses *	(539,867)	(528,982)	2.1%
Reinsurance result	(94,648)	(92,594)	2.2%
<b>Insurance result</b>	<b>121,252</b>	<b>134,809</b>	<b>-10.1%</b>
Service income*	59,291	53,241	11.4%
Service expenses	(52,709)	(54,343)	-3.0%
<b>Service result</b>	<b>6,582</b>	<b>(1,102)</b>	
Net investment result **	30,341	31,104	-2.5%
<b>Operating result before finance costs</b>	<b>158,175</b>	<b>164,811</b>	<b>-4.0%</b>
<b>Profit before tax</b>	<b>156,156</b>	<b>160,092</b>	<b>-2.5%</b>
<b>Profit for the year</b>	<b>117,264</b>	<b>129,836</b>	<b>-9.7%</b>
<b>Full-time equivalents</b>	<b>3,143</b>	<b>3,149</b>	<b>-0.2%</b>

\* Overview includes inter-segment revenues and (claims) expenses

\*\* Consists of net income from investments and share of income of associated companies

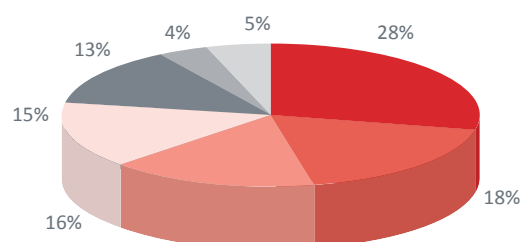
Insurance ratios	Gross		Net	
	2012	2011	2012	2011
Claims ratio	51.2%	49.7%	49.1%	50.3%
Expense ratio	34.9%	35.2%	37.3%	34.2%
Combined ratio	86.0%	84.9%	86.4%	84.5%

### Revenues by business segment



- Credit Insurance and ICP
- Reinsurance
- Bonding
- Services

### Insurance revenue by region



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

Despite the persisting financial crisis, Atradius performed well this year, with a profit of EUR 117.3 million: 9.7 % below the 2011 result. This was driven by increased revenue and a significantly improved service result. Although there was an increase in claims, this was effectively contained.

Insurance revenue increased by 2.8%, reflecting strong customer retention but also improving new business, resulting in healthy portfolio growth, and a positive impact from exchange rate movements.

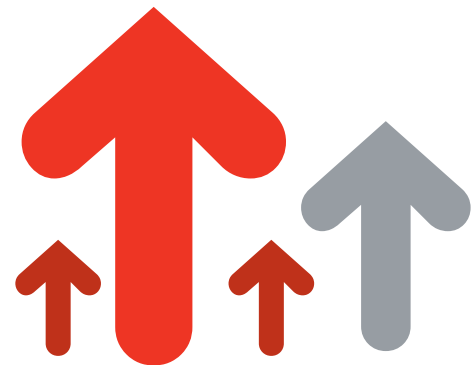
Credit Insurance excluding the Iberian market recorded an increase of 7.2% over 2011, with business in Asia (+28%), Italy (+13%) and NAFTA (+11%) all reporting strong growth. Germany – our second largest market – also performed well, with insurance revenue growth of 3.7%. However, the Iberian region – our largest market – saw a decrease in insurance revenue of 5.9%, reflecting the difficult economic situation in that region. The Spanish and Portuguese economies are experiencing extremely challenging times and one of the main challenges has been to manage the drop in insured shipments in 2012.

Other Atradius insurance products also developed positively. Special Products reported healthy year-on-year growth in insurance revenue of 7.5%, the reinsurance business revenues increased with 2.1% compared to 2011 and new business growth is reported in South America and South East Asia.

Instalment Credit Protection (ICP), which saw a 7.8% drop in revenue, stabilised in the core markets of Belgium and Luxembourg, while the continuing run-off of its French operations naturally had a negative impact on the total revenue. Bonding reported a 10% growth in revenue compared to 2011, benefiting from initiatives launched in all of its markets in earlier years.

As can be expected in difficult economic times, gross claims costs increased by 5.8%. The gross claims ratio for the financial year 2012 – still supported by positive development from earlier underwriting years – reached 51.2%.

Regionally, the claims ratios largely reflect the variations across the world's economy. The financial year claims ratio in the Asian region ended at 9.4%, due partly to positive developments of previous underwriting years. This is in sharp contrast to



**Insurance revenue increased by**

**2.8%**

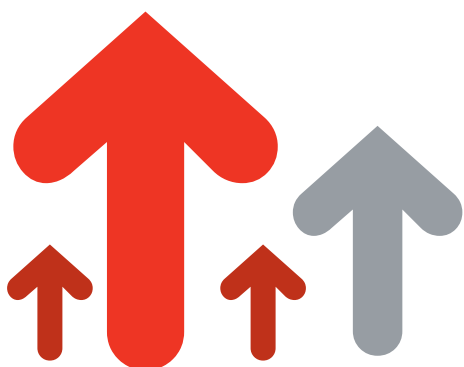
the claims ratios in the Netherlands (57%), where insolvencies in the construction sector led to increasing claims costs, and Italy (67%) which felt the full impact of the euro crisis. As a result of careful risk management, the claims ratio in Spain and Portugal ended at 79%, a 4% improvement on 2011.

2012's gross insurance operating expenses amounted to EUR 540 million: an increase of 2.1% over 2011, reflecting higher brokerage fees in line with higher gross premiums. However, the expense ratio for 2012 ended at 34.9%, an improvement of 0.3 percentage points on 2011. This demonstrates that, despite the growing revenues, costs have been contained by our focus on cost savings.

The cost of our reinsurance programme in 2012 increased by 2.2% to EUR 94.6 million, explained mainly by the higher premium ceded to our reinsurers and lower reinsurance commission.

In 2009, additional reinsurance cover had been provided for the business of Crédito y Caución in Spain by the Consorcio de Compensación de Seguros. This reinsurance contract included a payback obligation based on the performance of the Spanish insurance business. In 2012 the provision under this payback obligation was reduced by EUR 15 million, following a renewed assessment of the





**Atradius Collections  
saw an increase in revenue of**

**11%**

future performance of Crédito y Caución and taking into account the ongoing challenges in the Iberian market.

Services showed a positive result of EUR 6.6 million this year. Atradius Collections saw an increase in revenue of 11% - to EUR 43.3 million - thanks to an increase in global debt placements, a growing customer base and new partnership programmes.

Atradius Dutch State Business and Iberinform also showed a steady performance.

The net investment result, including the share of income of associated companies, ended at EUR 30.3 million. 2012 proved to be a benign year for the Atradius Group investment portfolio. Cash inflows from the Group's insurance business and organic growth, derived from positive performance of the investment portfolio, resulted in an investment result that is in line with 2011.

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despite the growing revenues  
costs have been contained

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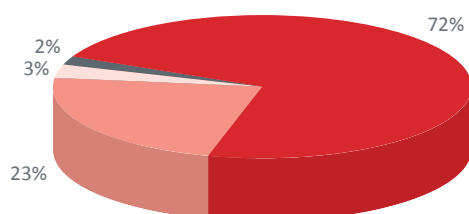
## Business segment

### Credit insurance and instalment credit protection (ICP)

(EUR thousands)	2012	2011	%
Insurance premium revenue	1,213,569	1,188,941	2.1%
Information income	107,474	100,707	6.7%
<b>Insurance revenue</b>	<b>1,321,043</b>	<b>1,289,648</b>	<b>2.4%</b>
Gross insurance claims and loss adjustment expenses *	(691,616)	(665,363)	3.9%
Gross insurance operating expenses *	(446,025)	(441,377)	1.1%
<b>Result before reinsurance</b>	<b>183,402</b>	<b>182,908</b>	<b>0.3%</b>
Reinsurance result	(77,771)	(63,418)	22.6%
<b>Result after reinsurance</b>	<b>105,631</b>	<b>119,490</b>	<b>-11.6%</b>
<b>Total credit insurance gross claims ratio</b>	<b>52.4%</b>	<b>51.6%</b>	<b>1.5%</b>
<b>Full-time equivalents</b>	<b>2,683</b>	<b>2,672</b>	<b>1.2%</b>

\*Overview includes inter-segment (claims) expenses

### Insurance revenue by product

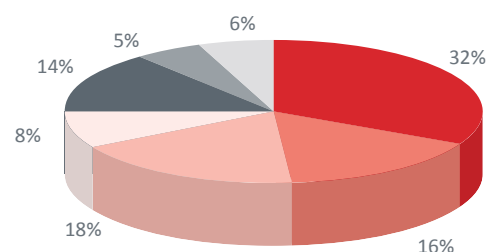


- Credit Insurance (Local Sales)
- Credit Insurance (Global & Asia)
- Credit Insurance (Special Products)
- Instalment Credit Protection

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

2012 was a year of weak global growth, with a contraction of 0.4% in the Eurozone economy. Despite this, Atradius excluding the Iberian market

### Insurance revenue by 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

achieved a good level of revenue: up 7.2% on last year, with an increase of 9.1% in information income resulting from growth in credit limit fees. However, gross insurance claims reflected the economic contraction, with an increase of 3.9% across the Group.

Atradius' decentralisation strategy was fully assimilated into our business model this year,

allowing us to better adapt our services to local needs. What is more, our risk acceptance rate was consistently high throughout the year, despite the deteriorating economic climate.

Our total potential exposure (TPE) increased by 4% to EUR 440 billion. The TPE concentration in Europe reduced from 82% to 79%: the direct result of a reduction in exposure in Greece (-35%), Spain (-13%), Portugal (-13%), the Balkans (-8%) and the Netherlands (-2%). In particular, the TPE in Greece reduced substantially following the economic turmoil there. In contrast, the TPE share of Asian countries, North America, and Australia and New Zealand increased by 20%.

The concentration of TPE by trade sector remained relatively stable. Most of our potential exposure is in metals, electronics, chemicals, consumer durables and food. The concentration in metals increased: mainly through newly generated business. However, our concentration in construction decreased because of lower economic activity and our cautious acceptance rate due to increased payment defaults in this sector.

The success of our initiatives to meet customer needs and maintain a high level of cover is borne out by this year's exceptionally high customer retention rate of 93% and the increase in new business, both of which have led to a growth in our credit insurance portfolio excluding the Iberian market to EUR 63 million.

Total local credit insurance revenue increased slightly on 2011 – by 0.5% - to EUR 972.3 million. Most markets recorded an increase: in double digits for Oceania and Italy.

Oceania's revenue grew strongly: by 20%, benefiting from the positive development of the Asian economies, an exceptional retention rate and favourable exchange rate movements. Moreover, sales of a new SME product in Oceania brought in a number of new customers.

Italy saw growth of 14%, thanks again to good customer retention and to the positive benefits of the previous underwriting year.

As well as those two notable successes, NAFTA's revenue growth of 9.6% owes much to further expansion of regional offices. And, the NAFTA region's revenue and benefited from the weaker euro development. Germany performed well with insurance revenue growth of 6%, supported by improved customer retention and the continued

strength of Germany's export-oriented economy, especially in the first half of the year. Insurance revenue in Belgium/Luxembourg and the Netherlands grew by 5.3% and 5.0% respectively, profiting from the positive outcome of previous underwriting years.

Revenue in our largest market - Spain and Portugal - decreased by 5.4%, not surprisingly in view of the difficult economic situation in that region. And, as this market represents 41% of total local credit insurance revenue, that decrease had a significant impact on the overall performance of local credit insurance. The business environment in the Iberian region deteriorated further and faster than forecast at the beginning of the year, such that, to protect our customers' trade, we revised our business and renewal conditions and tightened our buyer underwriting strategy. We have made significant effort to adjust our premium rates upwards across the board, so that they realistically reflect the worsening risk environment: especially in the most poorly performing trade sectors.

Our **Global and Asia** units represent 23% of our total credit insurance revenue. Since its inception 15 years ago, Global has been the acknowledged market leader in the multinational company segment of credit insurance and is indeed one of Atradius' unique selling points. Global's success is based on a combination of factors: dedicated teams in almost every Atradius office around the world; a consistently high quality of service provided by skilled people who always act as one team; and a global risk platform and key account underwriting service focused wholly on serving multinational customers and understanding their needs. A customer survey in 2012 confirmed Global customers' appreciation and satisfaction, and this is reflected in this year's Global revenue increase of 8.1%.

Our Asia unit reported significant revenue growth in 2012, supported by a positive impact from exchange rate movement. We continue to make substantial investments in this region, developing existing partnerships and creating new distribution channels. Revenue in Asia grew by 18.6% with even higher growth in the number of policies issued. China leads this positive development: premium income in China increased at double the regional growth rate in 2012, with a strong performance from both new and existing partnerships. In 2011, we had begun issuing policies through our local partners in Indonesia, Malaysia, Vietnam and the

Philippines. In 2012 awareness of our presence and product offering grew in the region and we saw the number of policies issued in these new markets more than double over the course of the year.

Low levels of insolvency and a strong trend towards self-insurance and other risk mitigation strategies mean that the broader Asian market is highly competitive but, despite this, we have achieved an exceptional retention rate of 92% during the year. This, together with the growth in the number of new customers in all Asian markets and our low claims experience across the region, has resulted in a solid and profitable performance for the Asian business in 2012. We will continue to invest in Asia in 2013 as we capitalise on our momentum in the region and its growing importance to the world economy.

Our **Special Products Unit (SPU)**, which offers solutions other than standard whole turnover policies, saw good growth of 7.5% in 2012, despite the difficult business environment and the need for prudent underwriting. Because of the nature of its portfolio, SPU has significant exposure in non-OECD countries, including risks in the Middle East and North Africa, but this exposure has so far not had any noticeable impact on the unit's performance. SPU continues to benefit from a very successful recovery performance on claims incurred in earlier underwriting years.

The cost of standard short-term credit insurance claims in 2012 was EUR 691.3 million, leading to a claims ratio of 53% a 3.3 % rise from 2011's ratio of 51.3%, but one that mirrors the deterioration in the economic climate during this year.

That deterioration - particularly the financial turmoil in the Eurozone - meant that most countries report an increasing claims ratio for the current underwriting year, offset by positive development from previous underwriting years. However, there were significant differences between regions. Low claims ratios were achieved in Asia (an exceptional 9.4%, due to positive development from previous underwriting years), the United Kingdom and Ireland (28%) and Germany (29%). In Oceania, due to a number of large claims, the ratio was 66%, and in Italy it was 83%. In Spain and Portugal, where defaults on business-to-business payments and banking loans are at an all time high, the ratio was 79%, although this was an improvement of 4% on 2011. Nevertheless, the claims ratio improved slightly in the second part of the year.

**Instalment credit protection (ICP)** covers the short and medium-term risks that financial and corporate policyholders face in their multiple instalment agreements with private individuals and businesses, and is available in Belgium and Luxembourg. In 2012, total insurance revenue decreased by 7.8% from the previous year, to EUR 27.5 million, due mainly to the winding down of the instalment credit protection business in France. Belgium reported stable revenue, despite the negative trend in the Belgian consumer credit market.

Claims recoveries were maintained at high level in 2012, which triggered a reassessment of the recoveries provisions, and consequently a strong reduction of the claims ratio.

Launched in Belgium in 2011, the strategic initiative targeted at the real estate industry, which covers loans made to residential co-ownerships and the common charges of those co-ownerships, continued in 2012.

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claims ratio mirrors the deterioration in the economic climate

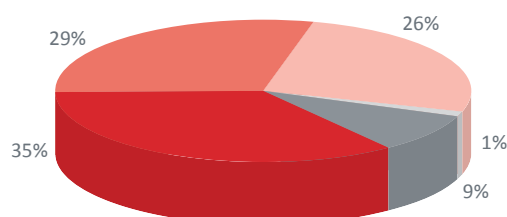
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## Business segment

### Reinsurance

(EUR thousands)	2012	2011	%
Insurance premium revenue	132,702	129,932	2.1%
<b>Insurance revenue</b>	<b>132,702</b>	<b>129,932</b>	<b>2.1%</b>
Gross insurance claims and loss adjustment expenses	(73,069)	(75,456)	-3.2%
Gross insurance operating expenses	(53,196)	(49,358)	7.8%
<b>Result before reinsurance</b>	<b>6,437</b>	<b>5,118</b>	<b>25.8%</b>
Reinsurance result	4,668	(2,459)	-289.9%
<b>Result after reinsurance</b>	<b>11,105</b>	<b>2,659</b>	<b>317.7%</b>
<b>Gross claims ratio</b>	<b>55.1%</b>	<b>58.1%</b>	<b>-5.2%</b>
<b>Full-time equivalents</b>	<b>24</b>	<b>23</b>	<b>4.4%</b>

### Reinsurance revenues by region of cedant



- North America
- Africa-Middle East
- Asia & Oceania
- Europe
- South America

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

Atradius Re's clients are leading primary insurance companies that underwrite either credit insurance or bonding insurance lines. Its reinsurance portfolio is split 62% / 38% between credit and bonding reinsurance for the underwriting year 2012 and assumes business from over 60 countries. 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 the primary underwriting of credit insurance and bonding risks with Atradius Re's distinctive 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 unit's strategy is to diversify its portfolio by region, country and business type



with a continued focus on Asia, the Middle East and South America as key development regions.

Atradius Re's total revenue of EUR 132.7 million is 2.1% higher than in 2011 and shows a steady growth in the emerging markets of South America and South East Asia. The gross claims ratio decreased – from 58.1% in 2011 to 55.1% in 2012, largely because of the risk mitigation initiatives of earlier underwriting years. The 2011 underwriting year saw some negative developments in the bonding portfolio from Eastern Europe due to continuing economic instability across the region. The 2012 underwriting year has seen a marginal reduction in premium rates and growth as economic indicators remain depressed and stagnant. Nevertheless, organic growth from core strategic markets has continued to be strong.

### Atradius Re total revenue

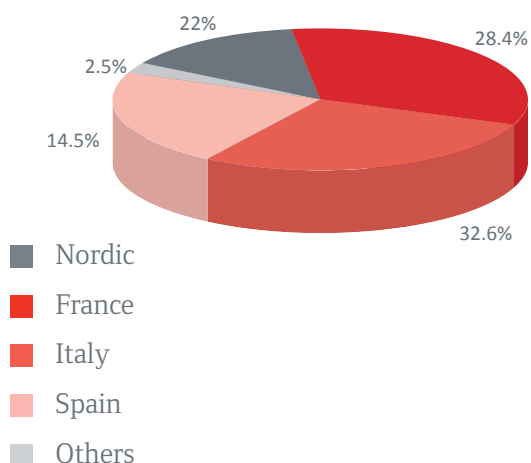
€132.7m

## Business segment

### Bonding

(EUR thousands)	2012	2011	%
Insurance premium revenue	93,576	84,486	10.8%
Information income	-	543	
<b>Insurance revenue</b>	<b>93,576</b>	<b>85,029</b>	<b>10.1%</b>
Gross insurance claims and loss adjustment expenses	(26,869)	(7,405)	262.9%
Gross insurance operating expenses	(31,568)	(29,590)	6.7%
<b>Result before reinsurance</b>	<b>35,139</b>	<b>48,034</b>	<b>-26.8%</b>
Reinsurance result	(21,545)	(26,717)	-19.4%
<b>Result after reinsurance</b>	<b>13,594</b>	<b>21,317</b>	<b>-36.2%</b>
<b>Gross claims ratio</b>	<b>28.7%</b>	<b>8.7%</b>	<b>229.7%</b>
<b>Full-time equivalents</b>	<b>117</b>	<b>115</b>	<b>1.3%</b>

### Bonding insurance revenue by region



Bonding is offered in Italy, France, Spain and the Nordic countries. In all these, Atradius focuses on the quality of its service, backed by the advanced web-based tools such as Cautionet and GarantiOnline that are available to customers. The Group's international reach provides multinational firms with a global service for all aspects of their business. Our bonding business is closely linked to the local legal environment, so that products are adapted for each country. The products available are administrative bonds (excise, customs and authorisation bonds) that cover financial risks, and market bonds (bid, performance and maintenance bonds) that cover technical risks. In addition to

the traditional sectors - such as construction, engineering and travel - demand for bonds is growing in new sectors such as environmental services, which signals a growing concern with the environment. For instance, environmental bonds relate to waste transportation, re-commissioning of land after industrial use and accidental pollution.

In 2012 insurance revenue was EUR 93.6 million: a 11% increase on 2011. In Italy, our main bonding market, revenue increased by 14%, while written premium - an indicator of the accepted risk and revenue for future years - remained on a comparable level with 2011 as result of the

still unstable economy and the public spending measures adopted by the government. In France, Atradius Bonding increased its revenue by 13% as a result of its closer links to the various segments of its customer base. Additionally, green bond solutions have materialised as a new business opportunity for France. Despite pressure on prices from renewed competition, the insurance revenue and written premium from our bonding operations in the Nordic region increased by 17% within a mixed economic environment. Such growth largely reflects the intensive commercial activity of recent years, including the reinforcement of our sales unit, 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 11% in 2012.

Meanwhile, the various local bonding operations continued to develop initiatives to support further growth: establishing new partnerships in France, and expanding both the direct sales and agents' network in Italy and our commercial presence in the Nordic region.

A strict underwriting policy and close monitoring of exposure kept the claims inflow at a moderate level during the year, despite the unstable economic environment in Europe. Active management of the claims portfolio and recoveries contributed to a positive trend in claims costs from previous underwriting years, resulting in a low claims ratio of 28.7%.

## Insurance revenue

€93.6m

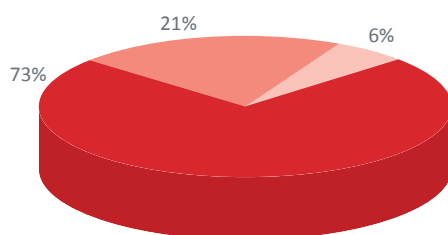
## Business segment

### Services

(EUR thousands)	2012	2011	%
Service income *	59,291	53,241	11.4%
Service expenses	(52,709)	(54,343)	-3.0%
<b>Service result</b>	<b>6,582</b>	<b>(1,102)</b>	
Full-time equivalents	319	339	-5.7%

\* includes intersegment revenues

### Services revenues



- Collections
- Dutch State Business
- Other services

Atradius' services segment comprises our debt collection operations, the export credit agency fees that we receive from the Dutch State and service revenue from Iberinform's buyer information services.

### Debt collection

Atradius Collections helps its customers - both credit insured and non-insured - to recover domestic and international trade debts while maintaining sound business relationships with their clients. It has built a strong reputation as a dedicated business-to-business collections specialist, leveraging the strength of our core business of credit insurance combined with its own integrated international network. It offers a single point of contact for all debt collection cases and worldwide collections expertise 'on the ground' through offices in 20 countries and a global network of collectors, lawyers and insolvency

practitioners. Debt collection and credit insurance complement each other as they are counter cyclical in nature, with our collection service picking up as the economy deteriorates while credit insurance prospers more in a benign environment. Our collection service supports the product and risk diversification of our business as it is free of insurance risk.

In 2012, our collections unit saw a 15% year-on-year increase in debt placements, while service income reached EUR 43.4 million: an increase of 11% on 2011. This upward trend follows the worsening of the economical climate, delays in payment behaviour and a rising number of insolvencies, leading to an overall increase in notification of non-payment of insured trade. As well as the increasing number of insured customers using our debt collection service as a component of their insurance policy, we have strengthened our lead generation and sales efforts focused on non-

insured business. This has boosted the number of businesses buying our debt collection services.

In addition, Atradius Collections has expanded its service reach in key markets by both focusing on key accounts and investing in its channel partners. Stable business growth was achieved through an increase in the share of key accounts to 28% over the previous year.

One notable success has been a partnership deal giving access to a market-leading global accounts receivable platform through which we can sell our services to many more businesses worldwide.

Improvements in operational service and delivery have also helped Atradius Collections to increase by 10% the cash generated through collected debts. Despite an increasing number of insolvencies, the overall success rate improved, helped by new operational technologies that improved the productivity of collectors in different countries. Our customers have benefited from enhanced visibility and communication as a result of a new state-of-the-art online tracking system and proactive communication by our customer service representatives. This has led to an increase in customer satisfaction levels for the fourth year in a row.

## Dutch State Business

Atradius Dutch State Business issues credit insurance policies and guarantees to Dutch companies on behalf and for the account of the Dutch State. It provides cover for risks related to infrastructural projects and the 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.

The technical results for the account of the Dutch State were positive throughout 2012. Atradius Dutch State Business also provides debt management services, under an agreement with the Dutch State, including those relating to international debt agreements concluded by the Paris Club.

Atradius Dutch State Business also manages the loan portfolio of the 'Nederlandsche Investeringsbank voor Ontwikkelingslanden'. This portfolio is in run-off and consists of concessional loans to developing countries on behalf of the Dutch State. It also provides technical assistance for establishing export credit agencies in other countries.

## Other services

Through the Group company Iberinform Internacional, S.A., Atradius offers a comprehensive and state-of-the-art web-based credit information service on Spanish buyers, including buyer ratings and investigative reports, as well as financial 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 has also been offered to non-insured customers. Thanks to increased usage in 2012, service revenue increased by 13%.



## Geographical review

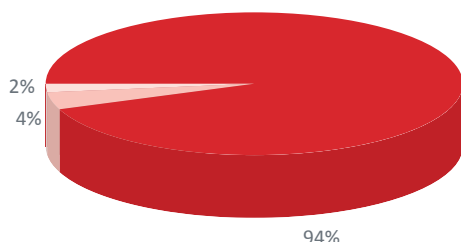
Spain, Portugal and Brazil



(EUR thousands)	2012	2011	%
Insurance premium revenue	390,118	415,359	-6.1%
Information services and fees	35,293	34,437	2.5%
Other service income *	5,512	4,551	21.1%
<b>Total revenue</b>	<b>430,923</b>	<b>454,346</b>	<b>-5.2%</b>
Gross insurance claims and loss adjustment expenses	(335,711)	(377,648)	-11.1%
Operating expenses	(112,803)	(118,495)	-4.8%
<b>Result before reinsurance</b>	<b>(17,591)</b>	<b>(41,798)</b>	<b>-57.9%</b>
<b>Gross claims ratio</b>	<b>78.9%</b>	<b>84.0%</b>	<b>-6.0%</b>
<b>Full-time equivalents</b>	<b>461</b>	<b>464</b>	<b>-0.6%</b>

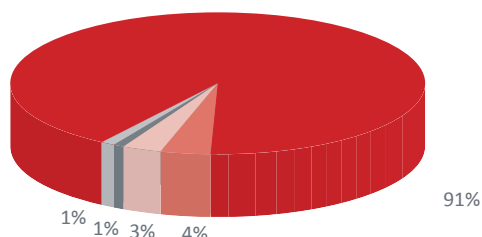
\* Including Intercompany

### Revenue by region



- Spain
- Portugal
- Brazil

### Revenue by product



- Credit Insurance (Local Sales)
- Credit Insurance (Global)
- Bonding
- Collections
- Other services

### Economic developments

The Spanish economy has struggled since the onset of the financial crisis and its economy again deteriorated in 2012, with GDP shrinking by 1.4%. The construction sector has been severely affected, with construction of new houses coming to a halt and bankruptcies in the sector hitting record highs. Banks holding large real estate portfolios have experienced a sharp reduction in their asset values and, together with the overall weak economy, this has created a need for major bank recapitalisation, forcing the government to request financial assistance from the European Union. Spain’s international competitiveness has improved and brought the current account closer into balance, but the government budget deficit remains high. The weak economic momentum is expected to continue in 2013, leading to yet another year of contraction: by 1.6%.

As the Eurozone crisis intensified in 2011, Portugal became the third member state to receive a support package. Its economy has contracted for two consecutive years: by 1.7% in 2011 and 3.0% in 2012. International lenders have granted Portugal an additional year to reach its negotiated financial

targets, recognising the serious efforts made by the government in the light of weaker than expected economic growth. In 2013 the economy is expected to shrink by 2.2%.

Brazilian economic growth slowed to 1.1% in 2012 against a backdrop of a less benign global economic situation and lower world market prices for commodities. In addition, a period of more restrictive monetary policy weighed on domestic economic performance. However, in 2013, increased government spending and the planned exploitation of the large offshore pre-salt oil reserves are expected to give the business sector and domestic consumption a boost. Brazil is expected to remain a stable market with solid investment ratings. Its economic growth is forecast to pick up to 3.4% in 2013.

### Business review

This section covers the activities of Crédito y Caución, together with the operations of the Atradius Global organisation in Spain and Portugal, and the Group company Iberinform.

The Spanish and Portuguese economies are undergoing some of the most challenging times in recent history. But, despite record high defaults on company payments and bank loans, Atradius has reduced its claims ratio by 5.1%. And, while debt recoveries have been severely hindered by the prevalence of bankruptcies, the amount, speed and cost of our recoveries have all improved. Not surprisingly in the depressed trading environment, a fall in insured shipments led to lower insurance premium revenue. However, this was partly offset by higher revenue from information income and other services. Our risk exposure has been managed in line with the prevailing economic conditions and we have maintained a stable quality profile in spite of the overall heightening of risk. Crédito y Caución has retained its leading position in the region's credit insurance market and improved the quality of its services: for instance, through its multi-platform CYCRED and uninsured debt collection. Despite lower revenue, operating expenses were kept under control, with one of the best cost ratios of the Group. Revenue from our Global operations showed a minor decrease from 2011, while claims costs decreased significantly. The continuing worsening of the region's economy resulted in a loss, before reinsurance of EUR 18 million in 2012, compared to a loss of EUR 42 million in 2011.

For our local bonding business, which covers mainly bid and performance bonds for public contracts in Spain, the severe austerity measures that have significantly lowered public expenditure meant a drop in premium income in 2012. Nevertheless, the bonding claims ratio remained favourable.

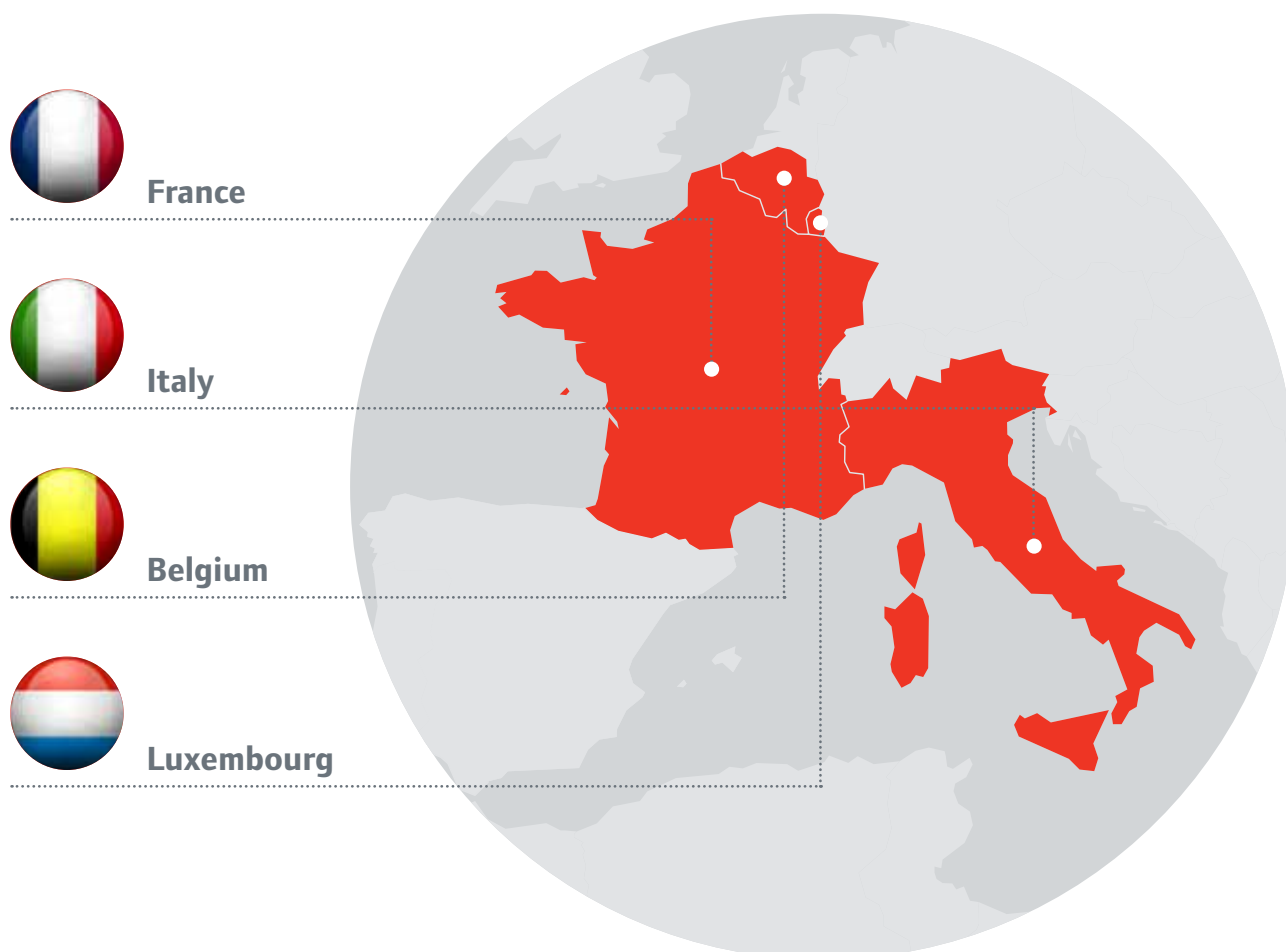
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lenders grant Portugal additional  
year to reach financial targets

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## Geographical review

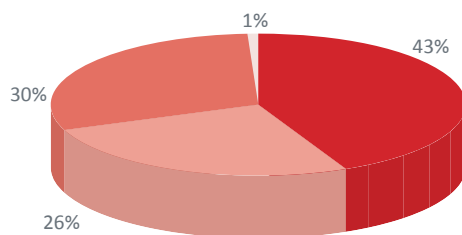
France, Italy, Belgium and Luxembourg



(EUR thousands)	2012	2011	%
Insurance premium revenue	258,091	245,639	5.1%
Information services and fees	17,277	15,853	9.0%
Other service income *	14,158	13,213	7.3%
<b>Total revenue</b>	<b>289,526</b>	<b>274,705</b>	<b>5.4%</b>
Gross insurance claims and loss adjustment expenses	(104,550)	(79,604)	31.3%
Operating expenses	(139,257)	(133,671)	4.2%
<b>Result before reinsurance</b>	<b>45,719</b>	<b>61,430</b>	<b>-25.5%</b>
<b>Gross claims ratio</b>	<b>38.0%</b>	<b>30.4%</b>	<b>24.7%</b>
<b>Full-time equivalents</b>	<b>736</b>	<b>752</b>	<b>-2.0%</b>

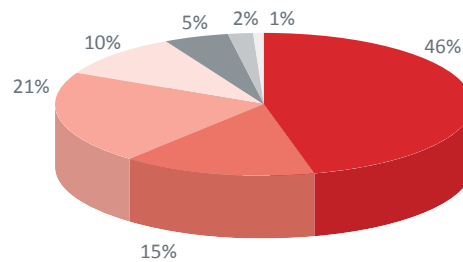
\* Including Intercompany

## Revenue by region



- France
- Belgium
- Italy
- Luxembourg

## Revenue by product



- Credit Insurance (Local Sales)
- Credit Insurance (Global)
- Bonding
- Instalment Credit Protection
- Collections
- Special Products
- Other

## Economic developments

The negative trend in the Italian economy continued in 2012, with the economy contracting 2.1%: making Italy one of the worst performing countries in the Eurozone. With reforms and reduced government spending the budget deficit is expected to improve substantially, but more efforts are needed to make sure that Italy will be able to maintain its government funding. The recession is forecast to extend well into 2013, leading to an expected contraction of 0.9% over the full year.

As in other Eurozone countries, growth in France slowed markedly in 2012: the economy entered stagnation, growing by just 0.1%. Under newly elected president Hollande, the government has pushed through austerity measures to improve its financial position. This has boosted confidence among investors, but French banks' exposure to Southern European countries remains high, making them vulnerable to deteriorating economic performance in the region. The French economy is expected to develop weakly in 2013, with growth currently forecast to be 0.1%.

Belgium, a highly open and trade dependent country, was hit hard by the weakening economic

prospects in the Eurozone in 2012, leading to a 0.2% contraction of the economy. Domestic issues are also sources of concern, such as the high level of public debt and the expensive bailout of Dexia, previously one of Belgium's largest banks. Economic activity is expected to remain stagnant in 2013, with the economy growing 0.1%.

## 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.

The region's result before reinsurance was a profit of EUR 46 million: down from 2011's EUR 61 million. The reason was the significant increase in claims - particularly in Italy - and a higher cost base. Overall, revenue increased, with a strong performance by all units. Local credit insurance revenue increased most notably in Italy (+14%) followed by Belgium & Luxembourg (+5.3%) and France (+2.0%). Apart from Belgium, claims increased, with the higher claims ratio for



underwriting year 2012 partly balanced by positive developments from previous underwriting years. Operating expenses increased, partly due to a cross-unit retirement programme, taking advantage of favourable legal circumstances, while the sale of the Namur office had a positive impact on the operating expenses. Revenue from our Global operations increased slightly but a higher claims ratio contributed to a lower result than in 2011. Special Products revenue increased significantly while claims decreased, resulting in a higher result than in 2011.

Our bonding business reported a 13% growth in insurance revenue, benefiting from initiatives launched in earlier years. Continued development initiatives were implemented to support further growth: including new partnerships in France and the development of both direct sales and the agent network in Italy. Vigilant underwriting and the close monitoring of exposure contained the claims inflow throughout the year, despite the still unstable economic environment in Europe. Compared to 2011, which was an exceptional year, gross claims increased by EUR 13 million, resulting in a decrease in the result before reinsurance from EUR 19 million in 2011 to EUR 12 million in 2012.

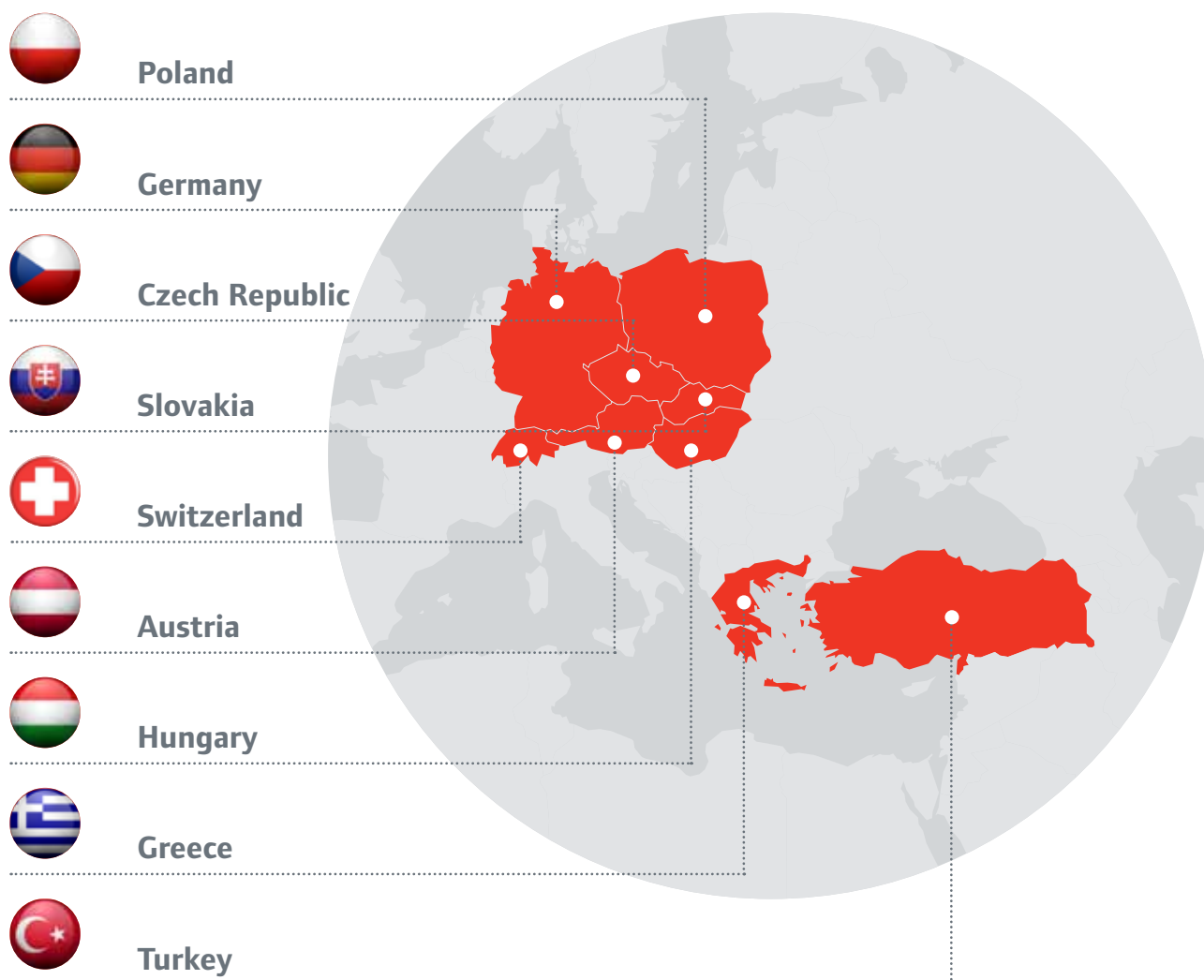
Instalment Credit Protection revenue stabilised in its core markets of Belgium and Luxembourg, while the continuing run-off of French operations detracted from total revenue. Although operating in a difficult economic environment, recoveries remained high. The use of new recovery techniques also bodes well for future recoveries. The overall claims ratio improved significantly and operating expenses remained stable, resulting in an improved result before reinsurance.

Collections revenue increased slightly, as the upward trend in claims increased the inflow of insured debt placements. The unit has also reduced its operating costs in the region, and this contributed to its positive result.

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Special Products revenue  
increased significantly  
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## Geographical review

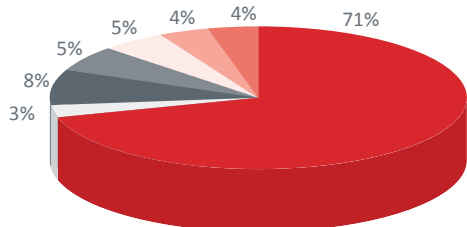
### Germany, Central and Eastern Europe



(EUR thousands)	2012	2011	%
Insurance premium revenue	211,242	205,742	2.7%
Information services and fees	24,629	22,777	8.1%
Other service income *	8,606	8,186	5.1%
<b>Total revenue</b>	<b>244,477</b>	<b>236,705</b>	<b>3.3%</b>
Gross insurance claims and loss adjustment expenses	(68,549)	(49,293)	39.1%
Operating expenses	(98,906)	(96,105)	2.9%
<b>Result before reinsurance</b>	<b>77,022</b>	<b>91,307</b>	<b>-15.6%</b>
<b>Gross claims ratio</b>	<b>29.1%</b>	<b>21.6%</b>	<b>34.7%</b>
<b>Full-time equivalents</b>	<b>585</b>	<b>591</b>	<b>-1.1%</b>

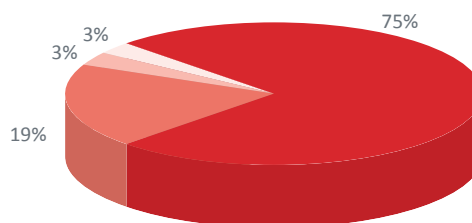
\* Including Intercompany

### Revenue by region



- Germany
- Austria
- Switzerland
- Greece
- Poland
- Czech Republic
- Other

### Revenue by product



- Credit Insurance (Local Sales)
- Credit Insurance (Global)
- Collections
- Special Products

### Economic developments

The German economy has performed relatively well over the past couple of years, but is not entirely isolated from the weak economic developments in the rest of the Eurozone. Economic growth slowed to 0.7% in 2012 from 3.0% in 2011. Growth in exports to the rest of Europe is under pressure and producer confidence is low. However, consumers remain upbeat as unemployment is low and wages rose in 2012. Austria, with its close ties to Germany, also saw its growth drop to 0.6% in 2012: down from 2.7% in 2011. Switzerland is facing upward pressure on its currency, due to the flight of international investors to perceived safer places: the Swiss economy slowed to 0.9% in 2012. The outlook for 2013 is weak across the three countries, with Germany expecting similar growth as this year at 0.7%.

The Central and Eastern European countries were adversely affected by the slowdown in economic growth in Western Europe in 2012. Exports from the region are oriented mainly towards the EU and its financial system is highly reliant on cross-border financial links with European banks. The turn in the economic tide led to economic contraction in

Croatia, Czech Republic and Hungary. Other more closed economies fared better, but performed below their 2011 level. Russia grew by 3.6% in 2012, and Slovakia, Turkey and Poland also performed well: growing by 2.4%, 2.8% and 2.2% respectively. In view of the weak outlook for economic growth in the rest of the Eurozone in 2013, growth prospect for the Central and Eastern European countries also remain muted.

Since May 2010, when the first Eurozone support package was launched, Greece has remained at the centre of the Eurozone’s financial turmoil. The Greek economy continued to contract in 2012 – by almost 6.5% – putting further pressure on the sustainability of its public finances position. The government continues to implement reforms with financial support from the international community. The outlook for 2013 remains weak, with the economy expected to contract by 4.5%.

### Business review

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

and Slovakia. The 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 both credit insured and non-insured customers.

2012 saw a solid result before reinsurance for standard credit insurance in this region, contributing EUR 53 million. This was made possible by increased revenue and the continuing favourable claims environment in Germany and some other markets. Developments from previous underwriting years in Germany also positively influenced the financial year results, supporting the good operational performance.

Overall regional growth in income was in line with expectations, while results differed between the various countries. In Germany, total revenue from standard credit insurance rose by 6.0% year-on-year, thanks to improved client loyalty, higher than expected insured shipments and profitable sales, leading to a solid increase in the customer base. Positive revenue growth was achieved in the rest of the region as a result of successful sales efforts and strong customer retention by our operations in Austria, Turkey, Poland and Hungary. Customers continue to benefit from the localisation of our risk underwriting, with levels of cover better suited to customers' needs. Lower revenue was to be expected in Greece, although we worked with our customers to support their trade during this difficult time. Revenue in Switzerland fell slightly as customers trading in important commodities and metals were hit by price volatility - especially in the steel segment - throughout the summer of 2012 and into the second half of the year.

Our Global unit in the region remained solidly profitable and, although income decreased slightly, claims were kept under control. The revenue of our Special Product Unit grew above expectations, while claims increased only moderately, resulting in a profit before reinsurance of EUR 5.2 million. Collections revenue strengthened and operating expenses decreased slightly, leading to an improved service result.

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growth in income was in line  
with expectations

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# Geographical review

## The United Kingdom and Ireland



United Kingdom



Ireland

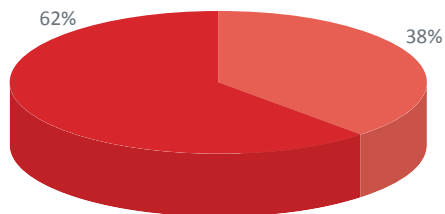


(EUR thousands)	2012	2011	%
Insurance premium revenue	243,673	232,128	5.0%
Information services and fees	5,083	4,449	14.3%
Other service income *	2,954	3,239	-8.8%
<b>Total revenue</b>	<b>251,710</b>	<b>239,816</b>	<b>5.0%</b>
Gross insurance claims and loss adjustment expenses	(107,641)	(114,663)	-6.1%
Operating expenses	(103,410)	(96,697)	6.9%
<b>Result before reinsurance</b>	<b>40,659</b>	<b>28,456</b>	<b>42.9%</b>
<b>Gross claims ratio</b>	<b>43.3%</b>	<b>48.5%</b>	<b>-10.7%</b>
<b>Full-time equivalents</b>	<b>434</b>	<b>441</b>	<b>-1.5%</b>

\* Including Intercompany

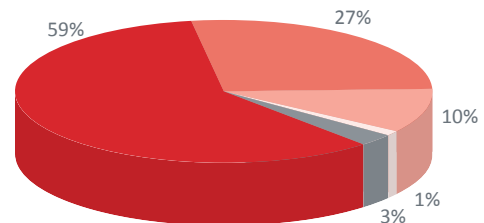


## Revenue by region



- United Kingdom
- Ireland

## Revenue by product



- Credit Insurance (Local Sales)
- Credit Insurance (Global)
- Collections
- Special Products
- Reinsurance

## Economic developments

The economy of the United Kingdom stagnated in 2012 compared to growth of 0.9% in 2011. A sharp contraction in construction activity and weak retail sales had a negative impact on the overall economy, especially during the first half of the year. As a result, unemployment remained high, at 7.8%, and subdued confidence negatively impacted private consumption. The economy was further held back by government austerity measures designed to reduce the budget deficit of 8.0% of GDP. Government debt increased to 71% of GDP and the balance of trade is negative, adding to the already weak external position. The Bank of England maintained its expansionary monetary policy to stimulate the economy while inflation decreased to 2.8%, down from 4.5% in 2011. Despite the weakening outlook for the Eurozone and uncertain external conditions, there is a widespread consensus that the UK will see recovery in 2013: growth of 1.0% is currently expected.

7% of UK exports go to Ireland, which continues to struggle with weak economic conditions. The Irish economy grew by 0.3% in 2012, due to an increase in the export of goods and services. Following the sharp contraction in the property market and subsequent financial sector bailouts by the government, debt in Ireland rose above

100% of GDP. Ireland continued to implement the financial and structural reforms it has committed to under its financial assistance programme and is seen as a country that has taken the right measures by following the advice of the international community. The readjustment in the domestic economy makes growth highly dependent on external demand, although that remains weak because of the slow economic performance in the UK and the Eurozone. Irish GDP growth is expected to pick up in 2013, reaching 0.9%.

## Business review

The region offers credit insurance through the local sales organisation and 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 third parties, mainly in emerging markets where Atradius itself does not have a direct presence.

The result before reinsurance for the region is up on 2011, due to a reduction in claims costs, although this was partially because of positive developments from previous underwriting years. Total revenue increased by 5% with a strong performance from both local credit insurance and Global supported by

the positive impact from exchange rate movements. Operating expenses increased by 6.9% due to higher pensions, building and IT costs.

The UK and Ireland local credit insurance markets remained extremely competitive. In particular, the smaller niche providers have continued to grow their market share by offering bespoke solutions as an alternative to the whole turnover concept of traditional credit insurance. Despite this, customer retention has remained exceptionally good, helped by robust risk acceptance and solid organic growth. However, the acquisition of new customers remains challenging as the credit insurance market continues to stagnate in this region. Brokers are the primary distribution channel and a great deal of effort is focused on engaging with the broker community to develop close relations and emphasise the Atradius proposition. The gross claims ratio for the region remains under control as a result of the continued focus on balanced risk management. The 2012 result also benefited from the positive developments of earlier underwriting years. Operating costs increased slightly due to higher Human Resources costs, related mainly to pensions.

Our Global unit saw an increase in revenue of more than 13%. Nevertheless, due to rising claims, the result before reinsurance decreased slightly in 2012. The result before reinsurance for London based Special Products remained positive, supported by the claims developments from previous underwriting years, although it was slightly lower than in 2011. Our collections business remained stable.

The 2012 reinsurance revenue of Atradius Re - at EUR 133 million - was largely in line with 2011, and showed steady growth of 10% in developing markets. This revenue growth is due primarily to the organic growth of existing business combined with new business growth from South America and South East Asia. The gross claims ratio decreased to 55% in 2012 from 58% in the previous year, although there were some negative developments in our bonding portfolio from Eastern Europe, where economic instability persists.

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economy held back by  
government austerity measures

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# Geographical review

## The Netherlands and the Nordic countries



Finland



Norway



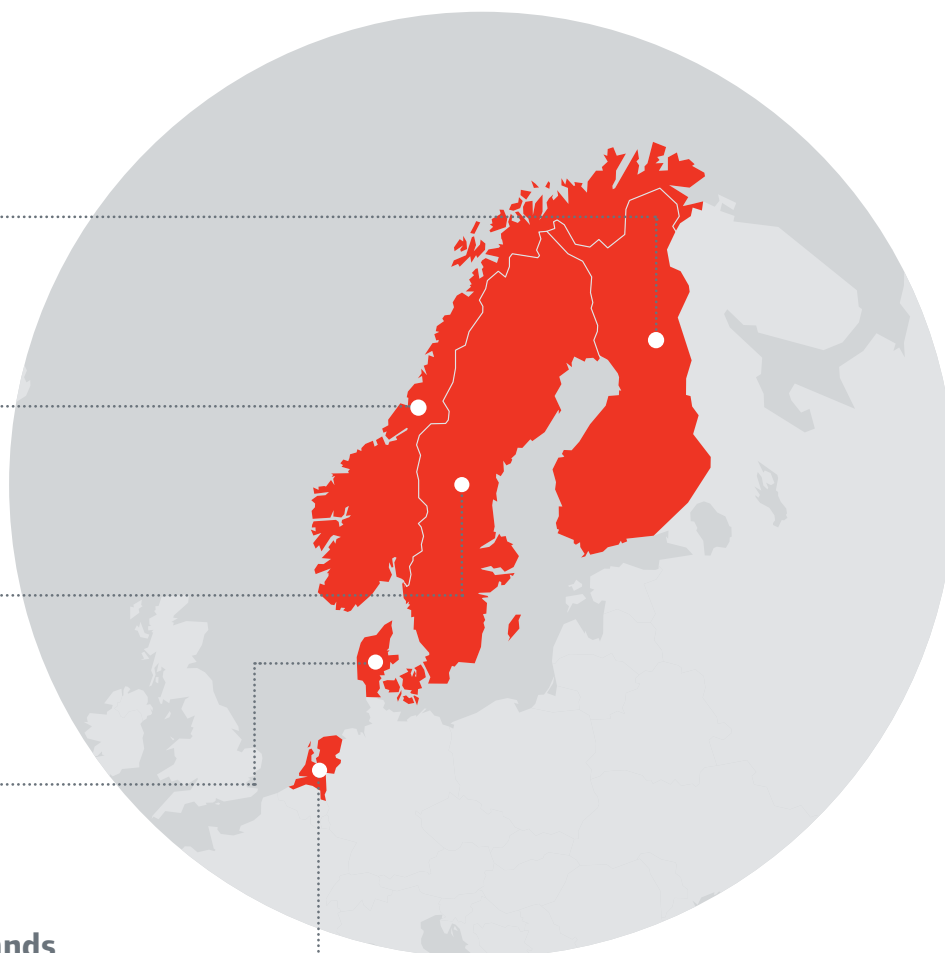
Sweden



Denmark



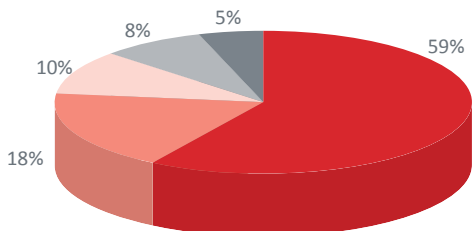
The Netherlands



(EUR thousands)	2012	2011	%
Insurance premium revenue	189,413	178,887	5.9%
Information services and fees	19,383	19,365	0.1%
Other service income *	24,486	21,254	15.2%
<b>Total revenue</b>	<b>233,282</b>	<b>219,506</b>	<b>6.3%</b>
Gross insurance claims and loss adjustment expenses	(103,629)	(70,203)	47.6%
Operating expenses	(97,418)	(98,146)	-0.7%
<b>Result before reinsurance</b>	<b>32,235</b>	<b>51,157</b>	<b>-37.0%</b>
<b>Gross claims ratio</b>	<b>49.6%</b>	<b>35.4%</b>	<b>40.2%</b>
<b>Full-time equivalents</b>	<b>622</b>	<b>614</b>	<b>1.4%</b>

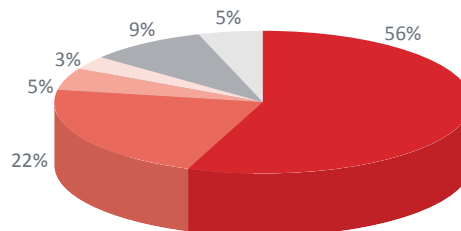
\* Including Intercompany

### Revenue by region



- Netherlands
- Denmark
- Sweden
- Norway
- Finland

### Revenue by product



- Credit Insurance (Local Sales)
- Credit Insurance (Global)
- Collections
- Special Products
- Bonding
- Dutch State Business

### Economic developments

In line with the Eurozone as a whole, the Netherlands experienced economic contraction in 2012 - by 0.9% - after growth of 1.1% in 2011. The economy remained weak, especially the construction sector, as house prices declined. In early November the centre-right and centre-left parties came to a coalition agreement, with structural reforms of the health care sector, housing market and pension system, supplemented by austerity measures to reduce the government deficit and the redistribution of wealth from rich to poor. The government deficit is projected to improve to 2.6% in 2013. Producer and consumer confidence remained low throughout 2012 and unemployment increased to 6.6%, up from 5.5% in 2011. The consensus growth forecast for 2013 is reflective of another year of recession, with the economy contracting 0.4%.

Despite close links to the Eurozone, economic growth in the Nordic countries has developed relatively robustly over the past two years. The growth momentum in 2013 is also expected to remain stronger than the Eurozone average.

Finland is the only Nordic country that has the euro, making it more vulnerable to the euro crisis. The economy grew 2.7% in 2011 but slowed to 0.2% in 2012. The economy is closely aligned with that of Germany, allowing it to profit from Germany's relative stability. Economic growth is forecast to pick up to 0.7% in 2013.

In Denmark, economic growth slowed from 1.1% in 2011 to stagnation in 2012. The Danish economy was one of the first to enter recession in 2007 and has suffered greater output losses and more corporate failures than most of its neighbours. Real estate prices have dropped by 25% and the Danish banking sector is still suffering from significant stress, putting credit conditions under pressure. The current growth expectation of 0.8% in 2013 is implicitly conditional on stabilisation of the Danish real estate market and a gradual improvement of imbalances in the Eurozone.

In Sweden, the floating currency provided a cushion against the steep drop in external demand during the crisis. The Swedish economy slowed sharply, from 3.8% growth in 2011 to 0.9% in 2012, while the Krona appreciated strongly against the euro, creating difficult export conditions. As a small

open economy, the Swedish outlook depends on a pick-up in global demand and a rebound in trade. Economic growth is expected to improve to 1.2% in 2013.

A different picture emerges from the oil-based Norwegian economy, which grew 3.4% in 2012 after 2.6% in 2011. The Norwegian economy is running a very large structural trade surplus through its oil exports and current expectations of a continued high oil price auger well for future growth, which in 2013 is expected to reach 2.9%.

## Business review

The product offering in the 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. Atradius Dutch State Business issues credit insurance policies and guarantees to Dutch companies on behalf and for the account of the Dutch State.

The result before reinsurance for the region decreased from last year, due to an increase in claim expenses, but this was partly offset by positive developments from previous underwriting years. Total revenue increased by 6.3% with a strong performance from local credit insurance in the Netherlands and from Global.

To a large extent, in the Netherlands the year was dominated by a continued and deepening crisis in the construction sector. And, unlike in earlier years, these problems pervaded the whole sector: commercial and industrial, housing and infrastructure. In fact, the whole sector almost came to a standstill and, as this sector figures extensively in our credit insurance portfolio, its problems led to a higher than expected number of claims. The challenge was to reduce the risk while at the same time continuing to properly serve our many customers in this sector. Customer feedback confirms that we succeeded in this aim, not least by our clear explanation of our necessary actions to manage their risks. Though the process was challenging, our customer retention has remained very good and we are now well prepared for

2013, which will no doubt be another difficult year for this sector. The customer portfolio is developing well and laying a solid foundation for revenue growth. 2012 saw particular growth in SME customers, driven by our direct sales force, supported by our updated sales database and lead generation system.

Denmark is our largest market in the Nordic region: contributing 45% of the region's total revenue. The Danish government's guarantee scheme for credit insurance, which proved beneficial to both Atradius and our customers at the height of the financial crisis, is being phased out as the worst of the crisis is now over. Overall, the Nordic region showed a slight decrease in revenue in 2012, while an increase in claims led to a slight decrease in the result before reinsurance.

Our Global operation maintained its successful performance in the face of strong competition. The Global team showed a moderate increase in revenue and a decrease in its claims ratio, resulting in a better outcome in 2012 than in 2011. Special Products further expanded its presence and increased its revenue, although the necessary prudent increase in claims provision means that the result before reinsurance is significantly lower.

The increase in claims boosted Atradius Collections' revenue by increasing the level of insured debt placements. Service operating costs in the region increased only slightly, and thus the overall service result improved.

Revenue from our bonding operations increased by 17%, despite the mixed economic environment and pressure on prices from renewed competition. That success shows the effectiveness of our intensive commercial activity of recent years and the close relationship that our bonding teams have maintained with their customers throughout the economic cycle. The level of claims has been kept low, leading to an improved result.

# Geographical review

## North America



Canada



The United States of America



Mexico

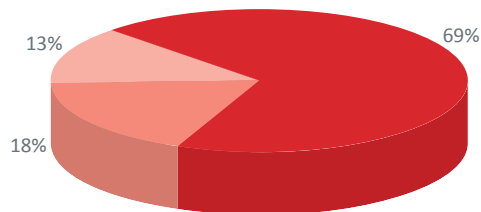


(EUR thousands)	2012	2011	%
Insurance premium revenue	66,065	59,461	11.1%
Information services and fees	2,117	1,995	6.1%
Other service income *	1,788	1,854	-3.6%
<b>Total revenue</b>	<b>69,970</b>	<b>63,310</b>	<b>10.5%</b>
Gross insurance claims and loss adjustment expenses	(20,574)	(5,534)	271.8%
Operating expenses	(30,985)	(25,029)	23.8%
<b>Result before reinsurance</b>	<b>18,411</b>	<b>32,747</b>	<b>-43.8%</b>
<b>Gross claims ratio</b>	<b>30.2%</b>	<b>9.0%</b>	<b>235.1%</b>
<b>Full-time equivalents</b>	<b>153</b>	<b>152</b>	<b>0.6%</b>

\* Including Intercompany

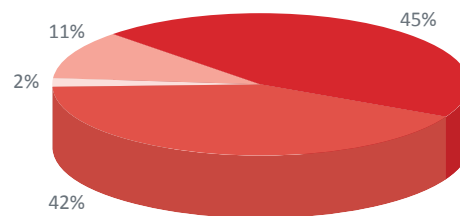


## Revenue by region



- USA
- Mexico
- Canada

## Revenue by product



- Credit Insurance (Local Sales)
- Credit Insurance (Global)
- Collections
- Special Products

## Economic developments

The United States economy continued its recovery in 2012: growing by 2.3% from 1.8% in 2011. Private consumption was a major contributor to this growth and investment also contributed positively, while government consumption and net exports had a negative impact. Despite unprecedented monetary policy stimuli, the current recovery is slower than in other post-crisis periods. As a result of the crisis, the government budget deficit increased sharply: reaching 7.8% in 2012. This large and persistent government deficit has led to public debt of 125% of GDP. The political impasse, with democrats and republicans unwilling to make concessions in debt negotiations, prevented essential budget consolidation from taking place and, if this continues, economic growth in 2013 may be below current expectations. Weaker global economic prospects, combined with the need for sharp consolidation of government finances, make the growth outlook uncertain. Poor business confidence may also impede future economic growth, which is expected to reach 2.0% in 2013.

The Canadian economy grew in line with the USA in 2012, rising by 2.0% after 2.6% in 2011, while in Mexico the economy grew by 3.9%: the same as in 2011. Economic growth in both Canada and Mexico is highly dependent on the US's business cycle. As

the US addresses its twin deficits, and monetary easing is unlikely to provide more stimuli, economic growth in Canada is expected to stabilise at 1.8% in 2013. In Mexico, growth is likely to moderate to 3.5% in 2013: roughly 75% of Mexican exports are destined for the US, and this is expected to slow.

## Business review

This region consists of the USA, Mexico and Canada, of which the USA is the largest market, accounting for 70% of the region's revenue. In the USA, Atradius offers traditional credit insurance, the non-standard credit insurance products of our Special Products team, and debt collection services.

The result before reinsurance for the region decreased considerably: from a profit of EUR 33 million in 2011 to EUR 18 million in 2012. This is due to the significant increase in claims in the USA, mainly because of the settlement of a large 2008 claim case. Apart from that, the 2012 claims costs benefited from positive developments of previous underwriting years.

The US credit insurance market continues to grow, albeit driven mainly by providers of non-cancellable limit policies. To service increased demand, our sales force and account management have been further decentralised. By focusing on growth in the small and mid-market customer

segments, we have increased the number of customers significantly. As a result of this, and supported by positive impact from exchange rate movements, our insurance revenue in the US has risen by 10%.

In Mexico, revenue increased by 18% as a result of excellent customer retention and growth in insured turnover. Claims remained low, leading to an improved result before reinsurance of EUR 7 million.

Our Canadian operation, the smallest in the region, was faced with strong competition and the insolvency of three large customers, impacting the 2012 revenue. Claims increased moderately, resulting in a decrease in the year's result compared to 2011.

Global made continued inroads into the market, increasing its revenue by 17%. Global's claims performance was enhanced by positive developments from previous underwriting years, leading to a major contribution to the region's overall result. Our Special Products and collections business remained stable.

“  
United States economy  
continued its recovery  
”

# Geographical review

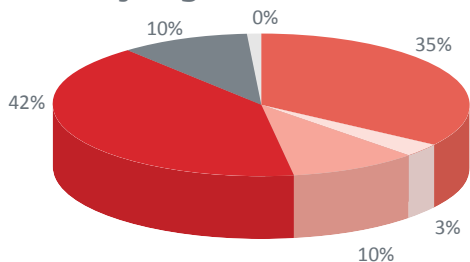
## Oceania and Asia



(EUR thousands)	2012	2011	%
Insurance premium revenue	81,245	66,144	22.8%
Information services and fees	3,692	2,375	55.5%
Other service income *	1,787	943	89.4%
<b>Total revenue</b>	<b>86,724</b>	<b>69,462</b>	<b>24.9%</b>
Gross insurance claims and loss adjustment expenses	(24,155)	(25,142)	-3.9%
Operating expenses	(35,778)	(30,075)	19.0%
<b>Result before reinsurance</b>	<b>26,791</b>	<b>14,245</b>	<b>88.1%</b>
<b>Gross claims ratio</b>	<b>28.4%</b>	<b>36.7%</b>	<b>-22.5%</b>
<b>Full-time equivalents</b>	<b>152</b>	<b>135</b>	<b>12.1%</b>

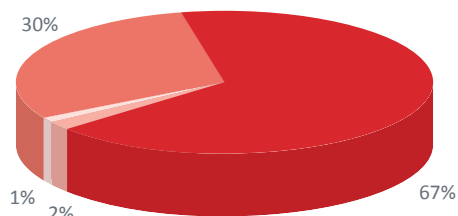
\* Including Intercompany

### Revenue by region



- Australia
- New Zealand
- Japan
- China
- Singapore
- Other

### Revenue by product



- Credit Insurance (Local Sales)
- Credit Insurance (Global & Asia)
- Collections
- Special Products

### Economic developments

Economic growth in Asia decelerated somewhat in 2012, partly as a consequence of the crisis in the Eurozone: growth in China slowed to 7.7% due to falling demand from its most important export market. However, Chinese growth is still remarkably robust and expected to pick up again in 2013, to 8.1%, encouraged by new government stimulus programmes. The main risks for China are the faltering housing market and the questionable condition of the banking sector. The economies of South East Asia continue to perform well: Indonesia and the Philippines in particular are the rising stars of the region. Economic growth in the region is expected to develop rather stably, from 5.3% in 2012 to 5.1% in 2013, driven primarily by domestic demand.

In 2012, the Japanese economy managed to recover from the tsunami disaster and realised significant economic growth - of 2.0% - for the first time in years. Unfortunately, political tensions between Japan and China escalated to a territorial dispute about the Senkaku Islands. This has led to the destruction of Japanese property in China and a consumer boycott of Japanese products. These

issues are bound to affect Japan’s growth prospects for 2013, which are now forecast to be just 0.7%. In addition, Japan is not expected to rid itself of its deflationary pressure.

Australia’s economic performance is one of the strongest among developed markets, with growth of 3.5% in 2012 and a forecast of 2.7% for 2013. High growth, driven by the mining sector, low inflation and a healthy financial sector are key strengths of the Australian economy. However, the Australian economy is vulnerable to a correction in commodity markets.

New Zealand has experienced a modest recovery from the Christchurch earthquake of February 2011. Economic growth will accelerate from 2.3% in 2012 to 2.6% GDP in 2013.

However, high household indebtedness will deter domestic consumption while New Zealand’s economy also remains disproportionately dependent on agricultural exports.

## Business review

The revenue in the region has grown fast in 2012: at almost 25%. Claims have decreased since 2011, while our operating expenses have risen in line with increased revenue. The result before reinsurance increased from EUR 14 million in 2011 to a very satisfactory EUR 27 million for 2012.

Our Asian operation continued to see significant growth in revenue as we made further investment in the region, grew our existing partnerships and established new distribution channels. Revenue in Asia grew by 28%, led by our operations in China, with an even higher percentage growth in the number of policies issued. In 2011 we began issuing policies through our cooperation partners locally in Indonesia, Malaysia, Vietnam and the Philippines and in 2012 awareness of our presence and product offering grew in the region as we saw the number of policies issued in these new markets more than double over the course of the year. Low levels of insolvency and a preference by some for self-insurance and other risk mitigation strategies have made the broader Asian market highly competitive. Despite this, we have maintained our existing customer portfolio well, with a customer retention rate in excess of 95%. Together with the growth in the number of new customers and our low claims experience across the region, this has resulted in excellent profitability for our Asian business in 2012. We will continue to invest in Asia in 2013 as we capitalise on our momentum in the region and its growing importance to the world economy.

In Oceania, we launched a product designed for small and medium enterprises and our intention is to sell this product through channels other than that of credit insurance brokers. Customer retention improved again in 2012, achieving its highest percentage since the start of our operations in this region in 2003. The customer portfolio grew by more than 10%, thanks mainly to increased business from the energy sector. Despite aggressive pricing by competitors, we have defended our market position through our strong value

proposition, resulting in a 18% rise in revenue: from EUR 27 million in 2011 to EUR 32 million in 2012. Claims in Oceania increased significantly compared to 2011 due to certain specific large claims, leading to a decrease in the result before reinsurance. The collections business remained stable in the region.

“

Economies of South East Asia  
continue to perform well

”

## Human resources

Our employees are Atradius' greatest asset and key to ensuring our customers' success. We therefore place great emphasis on fostering outstanding leadership, talent and personal development: encouraging innovation and a culture of personal accountability. Our goal is to remain the employer - as well as the business partner - of choice. By engaging and motivating our employees, and unlocking their potential through first class skills training and development opportunities, we – and our customers – gain real benefit.

### Staff development

The Atradius Academy offers a wide range of learning opportunities, imparting knowledge through both face-to-face training and online distance learning courses. Popular among these are our many in-house classroom training programmes, while the number of e-learning students using our Learning Management System continues to grow.

In 2012 we introduced new courses designed for underwriting, account management and sales staff. We also introduced an e-learning course to ensure a basic understanding of Solvency II and a revised induction course for new employees. 'Learning Pathways' training, designed primarily for underwriters, will in time be extended to our account management and sales staff. We have this year also completed a global sales training programme.

2012 saw the successful continuation of the management development programmes started in 2011, while the challenging career and personal development programmes 'Stepping Forward' and 'On the Move' will be concluded in 2013.

It is of course essential to define what we expect of our future leaders when designing training courses of this kind. To this end we have further refined our leadership profiles, documenting the desired competencies applicable to various leadership levels.

### Permanent education

The permanent education programme designed for the Management and Supervisory Boards began in 2012. So far, two sessions have taken place, covering Solvency II, Economic Capital, Governance and an Overview of the European Insurance Market. These well-received sessions were delivered by both internal and external tutors and two more sessions are planned for 2013.

### Employee satisfaction

Early in 2012 we saw the results of our Group-wide employee satisfaction survey, which measured employee engagement and satisfaction, and identified areas of strength as well as those needing improvement.

The results showed that we scored almost constantly higher than both the financial industry benchmark and the previous Atradius employee survey. Out of a possible mark of 10, we scored 7.2 for general satisfaction and the overall results of the survey proved very positive and encouraging: indicating strong relationships between colleagues and with Atradius as a preferred employer.

It is also encouraging that 2,702 Atradius employees - 80.8% of the total workforce - responded to the survey, compared to the financial industry benchmark of 78.6% and the previous Atradius survey of 68.4%. The results have been shared with all staff and presented to the Supervisory Board, Management Board and the European Workers Council. Local management, supported by HR, have



analysed the results to determine appropriate follow-up actions.

## Human resources cost and pensions

Between 2007 and 2011 Atradius contained the average full time equivalent (FTE) cost development within inflation levels. Higher costs per FTE resulting from changes to the composition of the workforce, different seniority levels and higher social security costs were offset by reductions achieved from the positive impact of staff turnover and controlled merit increases.

By analysing the trend in HR costs (salaries, variable pay, allowances and social security) across our nine main regions - representing 85% of HR related cost base - we have been able to assess the efficiency and impact of our remuneration practice and will continue the monitoring process in future years.

Atradius N.V. has taken notice of recently adopted legislation effective as of 1 January 2013 as a consequence of which a 'large' company, when nominating or appointing members of the Management Board or Supervisory Board, should take into account as much as possible a balanced composition of these Boards in terms of gender, to the effect that at least 30 percent of the positions are held by women and at least 30 percent by men.

The current composition of the Management Board and the Supervisory Board deviates from the above-mentioned percentages. With regard to future appointments, the Management Board and the Supervisory Board will take the gender diversity objectives into account as much as possible.

## Human resources information system (HRIS)

Since 2008 our Human Resources Information System has been the platform for Group-wide administration, allowing 'self-service' entry by both employees and managers. We are now reviewing the future functional needs of our internal customers and HR operation to determine the further development of this application in the coming year.

Atradius' statistics reflect the extent of Atradius payrolled employees, taking into account the standard working hours that apply in their location. Excluded from these statistics are employees on leave of absence (i.e. long-term illness and special leave of two months or more), non-payrolled staff and insourced services.

Key statistics, at 31 December 2012	2012	2011	2010	2009	2008 <sup>(1)</sup>	2007	2006	2005
Headcount	3,315	3,304	3,318	3,627	4,106	3,604	3,545	3,452
Retention rate	92.6%	91.1%	85.8%	88.6%	88.8%	82.9%	84.3%	78.4%
Sick Leave	3.1%	3.4%	3.6%	3.4%	3.0%	3.4%	3.6%	4.0%
<b>Development and training expenses as percentage of salaries</b>								
Expenses as percentage of salaries	1.4%	1.3%	1.3%	1.4%	2.5%	2.6%	2.4%	2.0%
Number of participants classroom training	1,656	1,952	1,236	1,943	4,455	n/a	n/a	n/a

<sup>(1)</sup> Including Crédito y Caucción since January 2008

## Risk and capital management

As a global insurance company, Atradius is exposed to many and varied risks: linked partly 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 of the consolidated financial statements of the Annual report.

### Risk management

#### Atradius compliance framework

Atradius' compliance practices support our business, our reputation and our integrity, each of which is 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 Atradius employees 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 included in existing business procedures. Close alignment is sought with the activities of Operational Risk Management and Internal Audit, in order to monitor and test the effectiveness of these requirements. During 2012, Atradius reviewed its compliance framework and enhanced this function through the introduction of the local compliance function which, at an individual country level, supports management in addressing compliance responsibilities.

### Developments in 2012

#### Solvency II

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

To gain insight into the possible quantitative impact of the new solvency standard, the European Insurance and Occupational Pensions Authority (EIOPA) has been running a series of Quantitative Impact Studies (QIS), in which insurers have been asked to voluntarily 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 every QIS since 2007. In 2012, while there was no Europe-wide QIS, Atradius Credit Insurance N.V. participated in the 'Parallel Run' exercise for insurers in the Netherlands. 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 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 most knowledgeable about the risks they face and therefore best qualified to model those risks. If it wishes to use an 'internal model', an insurer must first submit a formal application for supervisory approval demonstrating that its model meets certain standards: including statistical quality, calibration, documentation, validation and use of the model. Atradius intends to use such an

internal model; a significant degree of our Solvency II effort is dedicated to both internal preparations and engaging with supervisors on a regular basis.

The original Solvency II Directive was approved in 2009 with implementation planned for October 2012, but since then a number of deadlines have been missed. Consequently, in September 2012, the effective date of Solvency II was officially revised to 1 January 2014. Shortly after approval of this revision, it became clear that further delays were likely and so the actual date when the new regime will take effect remains uncertain.

With continued uncertainty over timelines, our project organisation remains flexible in its activities, interaction with supervisors and regulatory submissions and is thus well-placed to address potential challenges.

## 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 done in recent years), meet our financial obligations in a sufficiently wide range of circumstances, and ultimately deliver shareholder value.

### Capital management principles

Capital management is guided by the following principles:

- to ensure that the Group is sufficiently capitalised to be able to survive by maintaining ample available capital after meeting its financial obligations;

- to meet the local regulatory capital requirements of all Group entities, including branches and subsidiaries within the Group worldwide;
- to manage the capital adequacy of the Group and its entities, taking into account the economic and accounting views, the assessment of the external rating agencies and regulatory capital requirements;
- 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 2012 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 fourfold. This solvency ratio has remained stable at around 400%, despite the current challenging economic environment.

For a more detailed overview of the main regulatory capital requirements, please see Note 4 of the consolidated financial statements of the Annual report 2012.

### Capital position

Shareholder funds at the end of 2012 (EUR 1,196.8 million) increased by 5.9% from year end 2011 (EUR 1,130.1 million), due mainly to positive results after tax and a recovery in the value of financial investments. We consider Atradius' capitalisation to be strong, and expect shareholder funds to continue to grow in 2013 and beyond.

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Our Solvency II effort is dedicated to both internal preparations and engaging with supervisors

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## Credit ratings

In 2012 the Atradius Group obtained two new credit ratings: one from A.M. Best and one from Moody's. At the time of adoption of this Annual report, A.M. Best rates the key operating entities of the Atradius Group with 'A (Excellent), outlook stable' and Moody's with 'A3, outlook negative', both of which show the Atradius Group to be a financially sound, geographically well diversified company in the global trade credit insurance market, with solid growth, strong capitalisation and a good risk profile.

In October, as the Eurozone financial crisis continued to unfold, S&P lowered Spain's sovereign credit rating to 'BBB-, outlook negative'. As a direct result of this downgrade, the agency lowered the credit rating of the core operating entities of Grupo Catalana Occidente, S.A. to 'BBB, outlook negative' from 'A-, outlook negative'. The reason for this was that, as a Spanish based insurance group with most of its income generated within Spain, Grupo Catalana Occidente, S.A. cannot be rated significantly higher than the sovereign credit rating of Spain by the S&P rating methodology. As S&P assesses the core operating entities of Grupo Catalana Occidente, S.A. based on the group-rating approach, it assigns the same credit rating to all the core operating entities of the Spanish insurance group. Consequently, the core operating entities of the Atradius Group are assigned the same credit rating as the Spanish core operating entities of Grupo Catalana Occidente, S.A. The Management Board of Atradius N.V., suggested to Grupo Catalana Occidente S.A. to withdraw the Standard & Poor's rating. Grupo Catalana Occidente S.A. agreed on this suggestion and decided on 28 February 2013 to withdraw the Standard & Poor's rating.

## Enthusiasm and imagination – the key to real Corporate Responsibility

While Atradius is a committed signatory of the UN Global Compact on corporate responsibility (CR) we can never ‘rest on our laurels’, so to speak, or be wholly satisfied with our performance. So we are constantly looking for ways to improve our CR progress in all its forms: in our use of energy and other finite – and valuable – resources, our carbon footprint, and our extracurricular activities in the communities in which we share. An essential aspect of CR is that we give our time and our expertise to the benefit of others.

That means not just ensuring the use of low energy lighting in our offices or the recycling of paper – important as these are they are nowadays simply expected of any organisation. Beyond that, we also harness the enthusiasm and imagination of our people across our worldwide operation so that they can drive CR initiatives through their own ingenuity and a passionate belief that what they are doing is both necessary and valuable.

### Our people drive our corporate responsibility progress

So, for instance, throughout our organisation, we can point to many examples of fundraising for worthwhile causes and charities, involvement in providing education and financial services in the developing world, the promotion of employment for disabled workers, and practical ways to reduce our carbon footprint by the use of low emission company vehicles, discounted tickets for public transport and ‘cycle to work’ schemes.

A fine example of an imaginative way to reduce our energy consumption is that of the ‘tie-free summer’ held in the offices of Crédito y Caución which allowed our people there to work in comfort with less use of the air cooling system. This had the dual benefit of avoiding unnecessary gas emissions while reducing energy consumption.

Tax free cycle purchase and ‘Dr Bike’ maintenance sessions, such as those operating in our UK main office, act as an added incentive. Cycling to work does of course have personal health benefits too, as do the carefully chosen vegetarian and low fat options available in our staff restaurants and our

provision of fitness training.

In the Netherlands, among their many other fundraising activities, staff have raised money to supply school equipment to disadvantaged children in Eastern Europe. And our French organisation is supporting an initiative to help children in Africa progress through the school system.

### Our rapid response to the United States hurricane

We must mention here the response of our people in the US to the devastation wrought by Hurricane Sandy. Our Baltimore-based staff were motivated to donate vital supplies to those in New Jersey and New York whose lives had been turned upside down by the hurricane and encouraged their contacts outside the organisation to do likewise. The response was exceptional and within a few days Atradius was able to send three truckloads of much needed supplies to the worst affected areas.

### Measuring progress is essential

Atradius cannot function effectively without the fast and efficient relaying of information, internally and to our business partners. Our investment in new technologies has allowed us to enhance our services, while at the same time reducing energy usage in our Data Centre by 4% this year, complementing our eco-friendly replacement of office hardware with more energy efficient equipment.

And, just as in that instance, if the effectiveness of our CR activity is to progress it must wherever possible be measured – and our measurement process is becoming more sophisticated each year.

The following overview of Atradius' environmental performance is based on the reports of all our Atradius subsidiaries:

### **Environmental KPI**                      **2012 Figure**

Number of covered offices	86
Total covered office space (m <sup>2</sup> )	116,757
Total covered personnel (FTE)	2,775

#### **Paper used**

Non-recycled paper (sheets A4)	5,898,676
Recycled paper (sheets A4)	16,128,056

#### **Water consumption (m<sup>3</sup>)**                      20,581

#### **Energy Consumption**

Electricity from non-renewable source (kWh)	2,515,501
Electricity from renewable source (kWh)	1,479,109
Gas (m <sup>3</sup> )	179,159
CO <sub>2</sub> footprint energy (tonnes)	2,370

#### **Travel**

Employee air travel (km)	3,818,897
Employee rail travel (km)	664,926
Company lease car travel (km)	5,978,773
CO <sub>2</sub> footprint Travel (tonnes)	2,616

#### **Waste-per type**

Hazardous waste (tonnes)	5
Non-hazardous waste (tonnes)	315

Another indication of Atradius progress in constantly improving its Corporate Responsibility performance is the annual Transparency Benchmarking by the Dutch Ministry of Economic Affairs. This assesses how well the top 500 Dutch companies report on their CR activities. From 2010 to 2012, Atradius has risen from 140th to 128th place in the table of companies and more than doubled its measured score.

Every one of these initiatives adds to our CR record, but more importantly they raise expectations for what we must achieve in future years.







# Consolidated financial statements 2012

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# Consolidated financial statements

## Consolidated statement of financial position

Assets		31.12.2012	31.12.2011
	<b>Note</b>		
<b>Intangible assets</b>	<b>6</b>	161,414	160,703
<b>Property, plant and equipment</b>	<b>7</b>	130,970	131,840
<b>Investment property</b>	<b>8</b>	11,523	13,338
<b>Investments in associated companies and joint ventures</b>	<b>9</b>	36,147	30,750
<b>Financial investments</b>	<b>10</b>	1,754,365	1,534,429
<b>Reinsurance contracts</b>	<b>11</b>	693,982	691,975
<b>Deferred income tax assets</b>	<b>22</b>	113,386	134,872
<b>Current income tax assets</b>	<b>22</b>	18,672	38,289
<b>Receivables</b>	<b>12</b>	210,967	203,530
Accounts receivable on insurance and reinsurance business		169,174	172,324
Other accounts receivable		41,793	31,206
<b>Other assets</b>		<b>414,225</b>	<b>359,148</b>
Deferred acquisition costs	<b>13</b>	70,737	63,664
Miscellaneous assets and accruals	<b>14</b>	343,488	295,484
<b>Cash and cash equivalents</b>	<b>15</b>	<b>191,591</b>	<b>270,968</b>
<b>Total</b>		<b>3,737,242</b>	<b>3,569,842</b>
<b>Equity</b>			
Capital and reserves attributable to the equity holders of the Company	<b>16</b>	1,196,794	1,130,151
Non-controlling interests		(41)	(26)
<b>Total</b>		<b>1,196,753</b>	<b>1,130,125</b>
<b>Liabilities</b>			
<b>Subordinated loan</b>	<b>18</b>	118,803	118,085
<b>Employee benefit liabilities</b>	<b>19</b>	100,372	71,815
<b>Insurance contracts</b>	<b>20</b>	1,592,783	1,549,285
<b>Provisions</b>	<b>21</b>	6,212	7,102
<b>Deferred income tax liabilities</b>	<b>22</b>	110,948	136,668
<b>Current income tax liabilities</b>	<b>22</b>	11,330	23,977
<b>Payables</b>	<b>23</b>	205,573	171,086
Accounts payable on insurance and reinsurance business		171,490	137,933
Trade and other accounts payable		34,083	33,153
<b>Other liabilities</b>	<b>24</b>	<b>390,854</b>	<b>360,250</b>
<b>Borrowings</b>	<b>15</b>	<b>3,614</b>	<b>1,449</b>
<b>Total</b>		<b>2,540,489</b>	<b>2,439,717</b>
<b>Total equity and liabilities</b>		<b>3,737,242</b>	<b>3,569,842</b>

## Consolidated income statement

		2012	2011
	<b>Note</b>		
Insurance premium revenue	25	1,439,847	1,403,359
Insurance premium ceded to reinsurers	25	(653,582)	(635,775)
<b>Net premium earned</b>		<b>786,265</b>	<b>767,584</b>
Service and other income	26	161,784	150,460
Share of income of associated companies and joint ventures	27	7,722	8,710
Net income from investments	27	22,619	22,394
<b>Total income after reinsurance</b>		<b>978,390</b>	<b>949,148</b>
Insurance claims and loss adjustment expenses	28	(788,050)	(744,834)
Insurance claims and loss adjustment expenses recovered from reinsurers	28	352,677	311,575
<b>Net insurance claims</b>		<b>(435,373)</b>	<b>(433,259)</b>
Net operating expenses	29	(384,842)	(351,078)
<b>Total expenses after reinsurance</b>		<b>(820,215)</b>	<b>(784,337)</b>
<b>Operating result before finance costs</b>		<b>158,175</b>	<b>164,811</b>
Finance income and expenses	30	(2,019)	(4,719)
<b>Result for the year before tax</b>		<b>156,156</b>	<b>160,092</b>
Income tax expense	31	(38,892)	(30,256)
<b>Result for the year</b>		<b>117,264</b>	<b>129,836</b>
<b>Attributable to:</b>			
Equity holders of the Company		117,278	129,847
Non-controlling interests		(14)	(11)
		<b>117,264</b>	<b>129,836</b>
<b>Earnings per share for profit attributable to the equity holders of the Company during the year</b> (expressed in EUR per share):			
- Basic	32	1.48	1.64
- Diluted	32	1.48	1.64

## Consolidated statement of comprehensive income

		2012	2011
	<b>Note</b>		
<b>Result for the year</b>		<b>117,264</b>	<b>129,836</b>
<b>Other comprehensive income:</b>			
Net fair value gains/(losses) on available-for-sale financial investments	<b>16.3</b>	28,207	(4,624)
Effect of the asset ceiling on defined benefit pension plans	<b>16.5</b>	29,105	(21,144)
Actuarial gains/(losses) on defined benefit pension plans	<b>16.5</b>	(65,328)	16,547
Share of other comprehensive income of associated companies	<b>9</b>	(243)	-
Exchange gains/(losses) on translating foreign operations and associated companies and joint ventures	<b>16.4</b>	1,141	(384)
<b>Other comprehensive income for the year, net of tax</b>		<b>(7,118)</b>	<b>(9,605)</b>
<b>Total comprehensive income for the year</b>		<b>110,146</b>	<b>120,231</b>
<b>Attributable to:</b>			
Equity holders of the Company		110,161	120,241
Non-controlling interests		(15)	(10)
<b>Total comprehensive income for the year</b>		<b>110,146</b>	<b>120,231</b>

## Consolidated statement of changes in equity

	Attributable to the equity holders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium reserve	Revaluation reserve	Currency translation reserve	Pension reserve	Retained earnings	Total		
<b>Balance at 1 January 2011</b>	<b>79,122</b>	<b>870,265</b>	<b>(2,205)</b>	<b>(22,087)</b>	<b>(87,210)</b>	<b>197,344</b>	<b>1,035,229</b>	<b>(16)</b>	<b>1,035,213</b>
Dividends	-	(25,319)	-	-	-	-	(25,319)	-	(25,319)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(4,624)</b>	<b>(385)</b>	<b>(4,597)</b>	<b>129,847</b>	<b>120,241</b>	<b>(10)</b>	<b>120,231</b>
Result for the year	-	-	-	-	-	129,847	129,847	(11)	129,836
Other comprehensive income	-	-	(4,624)	(385)	(4,597)	-	(9,606)	1	(9,605)
<b>Balance at 31 December 2011</b>	<b>79,122</b>	<b>844,946</b>	<b>(6,829)</b>	<b>(22,472)</b>	<b>(91,807)</b>	<b>327,191</b>	<b>1,130,151</b>	<b>(26)</b>	<b>1,130,125</b>
<b>Balance at 1 January 2012</b>	<b>79,122</b>	<b>844,946</b>	<b>(6,829)</b>	<b>(22,472)</b>	<b>(91,807)</b>	<b>327,191</b>	<b>1,130,151</b>	<b>(26)</b>	<b>1,130,125</b>
Dividends	-	(43,518)	-	-	-	-	(43,518)	-	(43,518)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>28,207</b>	<b>899</b>	<b>(36,223)</b>	<b>117,278</b>	<b>110,161</b>	<b>(15)</b>	<b>110,146</b>
Result for the year	-	-	-	-	-	117,278	117,278	(14)	117,264
Other comprehensive income	-	-	28,207	899	(36,223)	-	(7,117)	(1)	(7,118)
<b>Balance at 31 December 2012</b>	<b>79,122</b>	<b>801,428</b>	<b>21,378</b>	<b>(21,573)</b>	<b>(128,030)</b>	<b>444,469</b>	<b>1,196,794</b>	<b>(41)</b>	<b>1,196,753</b>



## Consolidated statement of cash flows

	2012	2011
<b>I. Cash flows from operating activities</b>		
Result for the year before tax	156,156	160,092
Adjustments for:		
Realised capital (gains) / losses on investments	(480)	(2,591)
Unrealised capital (gains) / losses on investments	(357)	127
Dividends received from financial investments	(12,005)	(13,154)
Impairment loss	447	9,165
Share of income of associated companies and joint ventures	(7,722)	(8,710)
Depreciation and amortisation	24,732	25,241
Interest expense on subordinated loan	7,771	7,771
Net interest income	(22,517)	(21,509)
Other non-cash items	21,500	5,443
Changes in operational assets and liabilities:		
Insurance contracts	43,498	237,439
Reinsurance contracts	(2,007)	(85,341)
Derivative assets held for risk management	-	2
Deferred acquisition costs	(7,073)	(3,817)
Accounts receivable and payable on insurance and reinsurance business	36,707	(49,271)
Changes in other assets and liabilities	(37,901)	(10,351)
Pension plans contributions	(26,903)	(20,943)
Income tax paid	(26,464)	(9,238)
Interest paid	(4,390)	(6,503)
<b>Net cash (used in)/generated by operating activities</b>	<b>142,992</b>	<b>213,852</b>
<b>II. Cash flows from investing activities</b>		
Investments and acquisitions (cash outflows):		
Loans and receivables	-	(15,076)
Financial investments available-for-sale	(1,215,034)	(836,149)
Property, plant and equipment and intangible assets	(26,472)	(20,666)
Divestments, redemptions and disposals (cash inflows):		
Investment property	1,511	1,607
Loans and receivables	4,813	-
Financial investments available-for-sale	1,014,731	624,674
Financial investments fair value through profit or loss	21	4,303
Property, plant and equipment and intangible assets	8,204	3,393
Dividends received from associated companies	2,949	5,927
Dividends received from financial investments	12,005	13,154
Interest received	25,994	26,282
<b>Net cash (used in)/generated by investing activities</b>	<b>(171,278)</b>	<b>(192,551)</b>
<b>III. Cash flows from financing activities</b>		
Dividend paid	(43,518)	(25,319)
Interest paid on subordinated loan	(7,050)	(7,050)
<b>Net cash (used in)/generated by financing activities</b>	<b>(50,568)</b>	<b>(32,369)</b>
<b>Changes in cash and cash equivalents (I + II + III)</b>	<b>(78,854)</b>	<b>(11,068)</b>
Cash and cash equivalents at the beginning of the year	269,519	277,600
Effect of exchange rate changes on cash and cash equivalents	(2,688)	2,987
<b>Cash and cash equivalents at the end of the year</b>	<b>187,977</b>	<b>269,519</b>

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 office at David Ricardostraat 1, 1066 JS, 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, reinsurance, information services, collection services and instalment credit protection. The Group offers products and services in 45 countries (2011: 45 countries) and employed 3,315 people as at 31 December 2012 (2011: 3,304). 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 35.77% (2011: 29.29%) 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 2013 and have been reviewed by the Supervisory Board. On 7 March 2013 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 2012 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 2012

The Group has not adopted any standards, amendments or interpretations in 2012 which had a material impact on the consolidated financial statements of the Group.

The following amendments have been adopted in 2012, but have had no material effect on the consolidated financial statements:

- Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (effective 1 July 2011). The adoption of the amendments had no impact on the Group's consolidated financial statements as the Group already prepares financial statements under IFRS;
- Amendments to IFRS 7 Financial Instruments: Disclosures –Transfers of Financial Assets (effective 1 July 2011). The amendments 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 promote transparency in the reporting of transfer transactions,

particularly those that involve securitisation of financial assets. The Group neither retains exposure to risks and rewards nor has continuing involvement in sold financial assets. Hence, the adoption of the amendments had no impact on the Group's consolidated financial statements;

- 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. The adoption of the amendment had no impact on the Group's consolidated financial statements as investment property is not measured using the fair value model.

### 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 2012 and have not been early adopted by the Group:

- 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 amendment will have a limited impact on the presentation of the Group's consolidated statement of comprehensive income;
- 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 rather than the actual expected rate of return, 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 and to enhance the disclosure requirements for defined benefit plans. The change in the calculation method of expected return on plan assets is expected to have an effect on the Group's net result. However, the effect on total comprehensive income is not expected to be material;
- IFRS 10 Consolidated Financial Statements (effective 1 January 2014). 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 does not expect a significant change from the adoption of IFRS 10;
- IFRS 11 Joint Arrangements (effective 1 January 2014). IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers. IFRS 11 distinguishes between two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group already applies the equity method to its joint ventures. Consequently, IFRS 11 is not expected to have an impact on the Group's consolidated financial statements;
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014). 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 2014). These amendments are not expected to have a material impact on the Group's consolidated financial statements;
- In June 2012, the IASB issued Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (effective 1 January 2014). The amendments clarify the transition guidance in IFRS 10 Consolidated Financial Statements and provide additional transition relief in IFRS 10, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related

to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied. These amendments are not yet adopted by the EU;

- 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 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.

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

- Improvements to IFRSs (2009-2011), (effective 1 January 2013). A collection of amendments to IFRSs, in response to six issues addressed during the 2009-2011 cycle was issued in May 2012. The amendments impact the following standards:
  - IFRS 1 First-time Adoption of International Financial Reporting Standards - The two topics discussed were 'Repeated application of IFRS 1' and 'Borrowing costs'. These amendments are not relevant for the Group which already prepares financial statements under IFRS;
  - IAS 1 Presentation of Financial Statements - Clarification of the requirements for comparative information. The amendment clarifies that only one year of comparative information is required and that entities can voluntarily provide additional comparative information if prepared in accordance with IFRSs without having to include a complete set of financial statements for this third period. The amendment also clarifies with respect to the third statement of financial position required when an entity changes accounting policies, or makes retrospective restatements or reclassifications:
    - Opening statement of financial position is only required if impact of the change is material;
    - Opening statement of financial position should be presented as at the beginning of the immediately preceding comparative period required by IAS 1;
    - Only include notes for the third period relating to the change in accounting policy, retrospective restatement of reclassification.

The amendment to IAS 1 is not expected to have a material impact on the Group's consolidated financial statements;

- IAS 16 Property, Plant and Equipment - Classification of servicing equipment. The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The amendment to IAS 16 is not expected to have an impact on the Group's consolidated financial statements;
- IAS 32 Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments. The amendment clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes. The Group's current accounting policy is in line with the amendment to IAS 32;
- IAS 34 Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities. The amendment clarifies that the total assets and total liabilities for a particular reportable segment would be separately disclosed in interim financial reporting only when the amounts are regularly provided to the

Management Board and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment. The amendment will have a minor impact on the extent of the disclosure in the Group's interim financial statements.

- Amendments to IFRS 1 Government Loans (effective 1 January 2013). The amendments, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. This is the same relief as was given to existing preparers of IFRS financial statements. 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. For financial liabilities, most of the IAS 39 requirements are retained. The main change is that for financial liabilities designated at fair value through profit or loss, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. 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;
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities (effective 1 January 2014). These amendments include: the creation of a definition of an investment entity, the requirement that such entities measure investments in subsidiaries at fair value through profit or loss instead of consolidating them, new disclosure requirements for investment entities and requirements for an investment entity's separate financial statements. The amendments are not applicable to the Group and will have no impact on the Group's consolidated financial statements.

### 2.3 Changes in presentation

The presentation of the statement of financial position, statement of changes in equity and cash flow statement and certain notes have been changed in 2012 to provide additional and more relevant information. Certain comparative amounts have been reclassified to conform to the current period presentation.

### 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.

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 are changed where necessary to ensure consistency with the policies adopted by the Group except for the accounting for insurance contracts (see Note 2.18).

#### 2.4.2 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 interests 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 interests 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 interests 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 before 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.

### 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 are 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).

### **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 exchange rates 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 exchange rates of the most relevant functional currencies for the Group are presented below:

Currency	End Rate		Average Rate	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
GBP	1.225	1.197	1.230	1.145
USD	0.758	0.773	0.775	0.713
AUD	0.787	0.786	0.804	0.743
CAD	0.761	0.757	0.775	0.724
PLN	0.245	0.224	0.238	0.245
BRL	0.370	0.414	0.365	0.411

## 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 are estimated to be 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: i.e., 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 on 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, in general, 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 comprise 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. Buildings are depreciated using the straight-line depreciation method over the estimated economic useful life of the property: 50 years.

The fair value is determined by independent real estate valuers registered in the relevant countries and have appropriate qualifications and experience in the valuation of properties.

### 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 and derecognised at settlement date, which is the date the Group receives or delivers 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 categories: financial assets held for trading and other financial assets designated at fair value through profit or loss by management at inception. This second category includes any financial assets that the management has decided to designate to the category on initial recognition provided such a designation results in more relevant information either:

- because it eliminates or significantly reduces a measurement or recognition inconsistency (i.e., accounting mismatch); or
- because it is part of a group of financial assets, financial liabilities or both that is managed, and its performance is evaluated on a fair value basis; or
- the financial asset is a hybrid (combined) contract which contains one or more embedded derivatives, unless the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract or it is clear with little or no analysis that separation of such an embedded derivative is prohibited.

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 as gains or losses within net income from investments 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**

Objective evidence that loans and receivables are impaired can include significant financial difficulty of the counterparty, default or delinquency by a counterparty, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a counterparty will enter bankruptcy, or other observable data relating to a group of assets such as adverse changes in the payment status of counterparties, or economic conditions that correlate with defaults. 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 available-for-sale financial investments (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. If, in a subsequent period, the fair value of debt securities classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement, but only to the amortised cost price. Subsequent increases above the amortised cost price are credited against the revaluation reserve as a component of other comprehensive income. Impairment losses recognised in the income statement on equity securities cannot be reversed in subsequent periods.

#### 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). Investment properties are not allocated to cash-generating units, rather they are tested for impairment on an individual basis.

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 statement of financial position only 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 as well as cash held for investments are not available for use in the Group's day-to-day operations and are therefore not included within cash and cash equivalents. These assets are included within financial investments.

#### 2.16 Capital and reserves

##### 2.16.1 Share 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 income tax, except for impairments that are charged directly to the income statement.



#### 2.16.4 Currency translation reserve

The net exchange difference, after the deduction of income tax, 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 net assets at the beginning of the reporting period, the difference between translating these items at the rate used at the end of the previous reporting period and using the rate at the end of the current reporting period.

#### 2.16.5 Pension reserve

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

- actuarial gains and losses, after the deduction of income tax, 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 non-recognition of assets that can occur when the plan assets are higher than the projected benefit obligation and where 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 Group 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 interests

Non-controlling interests represent the proportion of shareholders' equity that is attributable to minority shareholders. Non-controlling interests are 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 interests includes any equity interest that is not held indirectly through subsidiaries.

Non-controlling interests are presented within equity separately from the equity attributable to the equity holders of the Company. Similarly, the statement of comprehensive income presents total comprehensive income for the period showing separately the amounts attributed to the equity holders of the Company and non-controlling interests. In transactions with non-controlling interests 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 interests 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 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

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 (other than the recoveries on the Instalment Credit Protection (ICP) product) 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
- 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.

### 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 (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, fund 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 of 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 in the statement of comprehensive income.

The non-recognition of assets ('asset ceiling') can occur when the plan assets are higher than the projected benefit obligation and the Group cannot recover any surplus through refunds from the pension vehicle due to solvency and/or control requirements. The effect of asset ceiling is included 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 that 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 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.

### **2.21.4 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 other things, 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

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.

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in 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 the accounting nor the taxable profit or loss, it is not accounted for.

## 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 reinsurance business and is defined as all premium and policy related fees invoiced to third parties and the reinsurance premium, excluding tax.

Written premium includes an estimate of premium not yet invoiced 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 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, rental income from 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 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.

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 rather than nominal rates, 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 part of insurance premium earned but not yet invoiced 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 0.1 million loss before tax (2011: EUR 18.7 million loss before tax), being the transfer of the total revaluation reserve for unrealised losses on equity financial investments 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, the Group has stress-tested the main assumptions (discount rate and combined ratio of terminal value) 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.

<b>Consolidated impact on the result for the year</b> (before tax)	<b>2012</b>	<b>2011</b>
Actual expected return on assets +1%	4,033	3,681
Actual discount rate +1%	1,807	2,566
Actual expected return on assets -1%	(4,033)	(3,681)
Actual discount rate -1%	(2,007)	(2,575)

## 4 Risk management

### 4.1 Risk management

As a global insurance provider, the Group recognises the importance of risk management. The Group continues to strengthen its risk management capabilities by broadening its scope 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 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 forthcoming regulatory regime, Solvency II.

#### 4.1.1 Solvency II

The Group has been actively involved in preparation for Solvency II as part of a framework set out by its ultimate parent company Grupo Catalana Occidente, S.A.

Atradius N.V. has participated in all European Insurance and Occupational Pensions Authority (EIOPA) Quantitative Impact Studies since 2007. The Group continues to monitor the impact of proposed calculation schemes on its capital, noting that implementing measures relating to the new Solvency II regime have yet to be finalised. The Group remains active in industry working groups on Solvency II and has contributed to studies undertaken by EIOPA and the European Commission on design and calibration of the Standard Formula.

The Group maintains a programme structure to oversee and steer progress on implementation. While there is uncertainty over the ultimate effective date of the new regulatory regime, the Group communicates on a regular basis with the relevant supervisory authorities to ensure that progress is aligned with regulatory expectations.

#### 4.1.2 The risk landscape

The Group's key objective is to achieve profitable and sustainable growth for the Group and its 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 initially suggested an improvement in many of our markets during 2010 and early 2011, economic uncertainty increased during 2011 and 2012, and the number of payment defaults remain at an elevated level. Any deterioration, either gradual or more abrupt, can impact the Group in several ways. A further 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.

The Group maintains a balance-sheet profile with a low level of investment risk and sound liquidity, as well as an independent operational and financial infrastructure. It also continuously introduces proper risk-mitigating actions to protect the Group's underwriting profitability. In addition to these actions, the Group's capitalisation will protect its strong position in the credit insurance industry. These actions are being taken also in order to protect the Group's credit ratings.

#### 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 we believe 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, staff maintain a 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 such as 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, centre of expertise underwriting - underwriting performed by the centres that are closest to the buyer - has been in place since the last quarter of 2009. This means that all Crédito y Caución buyers in markets outside Spain, Portugal and Andorra are underwritten in the respective centres of the rest of the Group. Conversely, all buyers of the rest of the Group that are based in Spain, Portugal and Andorra are underwritten by Crédito y Caución. This improves risk control and efficiency, and helps ensure a consistent stance on risk per buyer and robust control over exposure accumulations across the Group. These underwriting processes are supported by data links between the core buyer underwriting systems.

The following sections are structured so that, where possible, risk related aspects are presented in an integrated way. Where this is not appropriate, information related to Crédito y Caución is clearly presented separately.

#### 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 and 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 its 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 arise predominantly 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 financial instruments and include market risk, credit risk and liquidity risk. Operational risks are the risks of direct or indirect losses resulting from inadequate or failed internal processes, people, systems or external events.

## 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 and usually include all forms of legal insolvency. Policies can also cover so-called 'political' causes of loss which include but are not limited to, the risk of non-payment due to payment transfer problems, cancellation of export/import licenses and contract frustration. Traditional credit insurance does not cover non-payment of trade receivables due to commercial disputes. Each policy stipulates a maximum credit period that the policyholder can offer to their buyers without prior approval from the Group. 'Buyers' are the customers of the Group's insured customers, i.e., the parties that the Group insures credit risk on. In order to mitigate the risk of adverse selection, the traditional credit insurance products of the Group usually cover only whole portfolios of buyers.

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

Policies are issued for a fixed period: usually no longer than three years. Normally, customers retain some of the risk for their own account to protect the Group from the risk of moral hazard. That self-retention can take the form, amongst other things, of an uninsured percentage, a deductible on each claim, an aggregate first loss amount or a combination of these. Almost all policies stipulate our maximum liability. A customer is covered for the credit risk on a buyer only once a credit limit on the buyer has been established. Most policies allow customers to establish credit limits themselves for smaller amounts, under conditions specified in the policy. Larger credit limits must be issued by the Group. Credit limits are an important risk management instrument for the Group as they cap the amount that we would have to pay out to a customer in the event of a claim. Moreover, the Group can, in principle, withdraw the credit limit on a buyer at any time if circumstances demand: for instance if we believe that we are no longer comfortable with our aggregate exposure on a buyer, or if, in our judgement, the buyer will no longer be able or willing to make its trade payments. Credit limits may be subject to specific conditions and the Group can also set conditions for cover on a country or withdraw cover on a country altogether. These are important tools in managing our political risk exposure.

Credit insurance customers fall roughly into one of three categories: small and medium-sized companies, large locally based companies and multinationals. Most customers, irrespective of their size, are served by our core Modula product. This product offers flexibility in a structured, modular and controllable manner, and can be tailored to most customers' needs, with a greater level of flexibility for larger customers. As a general rule, our ability to manage and control risks under our Modula policies is not affected by this flexibility but when a change to cover terms is required that may materially affect this ability, it must 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 their needs. For most of these additional products, the risk characteristics do not materially differ from a traditional credit insurance product.

Multinationals will typically require the most tailored policies: it is generally the case that large customers need larger credit limits on their buyers to mitigate the risk of larger losses. This possible greater risk is however offset as these policies often include larger (sometimes annual aggregate) deductibles and, in the main, larger buyers are less likely to default on payments.

### Instalment credit protection

The Instalment Credit Protection (ICP) unit insures its customers against non-payment of scheduled instalment payments. Its exposure in 2012 was approximately 55% retail and 45% corporate (2011: 56% and 44% respectively), where retail exposure originates from consumer credit extended by financial institutions. Corporate exposure typically relates to the leasing to corporations of equipment such as cars and to a lesser extent computer hardware and other equipment. A small part of the portfolio consists of cover for corporate loans provided by banks. The retail exposure is by its nature highly diversified. In the corporate sector, no single risk exceeds EUR 7 million (2011: EUR 5 million).

### 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: including policies that cover single transactions, single trade relationships and asset confiscation. A distinguishing feature of our special products policies is that usually, unlike traditional credit insurance, credit limits cannot be readily withdrawn. However, the conditions of our special products policies tend to place a greater onus of risk monitoring and diligence on the insured. At the end of 2012, total potential exposure (TPE) associated with this business stood at EUR 8.8 billion (2011: EUR 8.6 billion).

As single transaction cover means that, unlike in the case of traditional credit insurance, there is not a spread of insured business, there is a potentially higher risk on the Group. However, this is mitigated in part by tighter restrictions on the special products business that we accept: as a result of which the acceptance rate is low, with more than 70% of all enquiries being rejected outright. 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 the risk of our customer not meeting contractual, legal, or tax obligations. Beneficiaries range from national, regional or local governments and tax authorities to companies.

While our customer may fail to meet its obligations either because it is unable to perform to the agreed or required level or because it is insolvent, there is also the risk that the customer may intentionally and fraudulently fail to meet its obligations. Therefore, our assessment of both the customer's financial strength and its ability to perform play an important part in the underwriting process. Unlike traditional credit insurance, exposure related to issued bonds cannot be unilaterally cancelled by the Group.

When a bond is called by the beneficiary, Atradius mediates to resolve conflicts by working with both customer and beneficiary. If a payment is finally made as a result of non-performance, recovery action is taken against the customer. If the Group does incur an irrecoverable loss it is almost always because of the customer's financial distress, making the triggers for loss similar to those of 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 range from bid bonds, performance bonds, maintenance bonds, advance payment bonds to various types of administrative bonds. These are issued with tenors ranging from a few weeks to years, but only rarely in excess of five years.

### 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), 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. It currently assumes business from over 60 countries (2011: over 75 countries) worldwide, maintaining a balanced diversity within the portfolio from each continent. The underlying business consists of around 62% credit insurance and 38% bonding (2011: 59% and 41% respectively), based on premium volume.

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

Most reinsurance business 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 rest 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.

Atradius Re has reinsurance treaties with certain clients under the terms of which collateral has been provided, or could be required to be provided, in order to meet the security or local regulatory requirements of those clients.

## 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 approval of two people and conditions become more onerous as policies become larger, with the largest policies needing sign-off by both the Director of a commercial unit and the respective Chief market officer. The pricing of credit insurance policies, new and renewed, is also subject to governance and 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 for buyer and policy underwriting up to and including Management Board level. Staff in Risk Services have well-defined authorities specifying who can set what capacity on a buyer and who can approve what credit limit. As credit amounts grow, decisions need authorisation from one or more cosignatories of increasing seniority. Even Directors of Risk Services centres can only approve capacities to a certain threshold and individual credit limits up to a 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 Services centres takes the decisions. The local credit committees again can only sign off amounts up to certain thresholds and beyond those thresholds the Group credit committee takes the decisions. The Group credit committee thus underwrites the largest buyers in terms of exposure, including the top ranked (by exposure) buyers 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. Technical underwriters assess the risk of non-performance. 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 also embedded in the Group's risk governance structure. 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, 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 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.

The risk governance structure consists of a number of bodies, including local credit committees and the Group credit committee, that act under the 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 – which acts as body of appeal for other bodies in the risk governance structure;
- Group and Local Credit Committees – which underwrite the largest buyer exposures. An additional check is performed on large exposures that exceed a certain threshold and which are subject to special acceptance by the Group's leading reinsurers;
- Group Product Committee – which decides the products that the Group will offer. It also decides on deviations from existing products, or variations of existing products;
- Country Committee – which sets the Group's underwriting policy by country, i.e., whether the Group will cover a country 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 – which 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 – which 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 – which supervises the Group's reinsurance process. It sets the rules for the Group to



- obtain and negotiate reinsurance cover from third party reinsurers. In addition, it approves material commutations;
- Reinsurance Inwards Committee – which approves the most material reinsurance business;
- Quantitative Model Committee – which 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 in the event of default, the amount and duration of loans. Premium is written and invoiced mainly at the time of inception of each covered loan. For some large policies, premium is invoiced monthly on the outstanding exposure. The indemnification rate can rise to 100% and 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. The model, without human intervention, can refer the case to an underwriter for manual assessment. Authorities are granted to underwriters according to their seniority and expertise. Cases are escalated according to pre-determined thresholds to the local ICP credit committees, then to the ICP credit committee which is authorised to approve exposures up to EUR 5 million, and finally to the Management Board member responsible for instalment credit protection.

### **Reinsurance**

Reinsurance underwriting guidelines and risk boundaries define the kind of business Atradius Re is authorised to write, with specific guidelines to type of product, capacity limit, exposure, term and diversity of the underlying insurance ceded. Particular attention is given to ensuring the diversity of business from third party clients and the level of 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 Re the aggregate total potential exposure (TPE) including the list of buyers over certain limits according to the reinsurance agreement conditions. These conditions 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 set by 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 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 in accordance with 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 rest 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, who is responsible for technical policy underwriting, and 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 rise, decisions need authorisation by more senior officials up to the Director of Risk Services. The Large Risk department regularly monitors buyers with an exposure above a certain threshold. Higher amounts require the authorisation of Crédito y Caución's Credit Committee. Exposures that meet the conditions relating to combined exposure at Group level are subject to review and approval by the Group Credit Committee.

All bonds are centrally underwritten by a central unit while (bonding) risk underwriting takes place within Risk Services and 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. It holds records of all credit insurance policies, credit limits and buyers in two systems: the main system covering all credit insurance underwritten with the exception of Crédito y Caución's and another covering Crédito y Caución business. These systems enable the Group to set system-specific limits by buyer or buyer group. Information exchange between the two systems takes place regularly in support of the Centre of Expertise underwriting structure. For the 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, customer or buyer sector and in many other ways. Information on Crédito y Caución bonding exposure is stored, together with credit exposure, identifiable as bonding exposure. While information on other bonding portfolios is not held in these systems, the Group monitors 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 pertinent new information is received. The Group assigns an internal rating to buyers and the review process takes into account all sources of exposure on a buyer through direct business: including exposure for special products and bonding. The authority structure described in this note applies to buyer reviews.

The main system 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 each customer's buyers.

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 limited capacity to modify the price suggested by the model. The whole process is 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 reinsurance, Atradius Re has a number of risk management tools available to monitor the reinsurance portfolio for performance, exposure and financial development. The reinsurance system is used to record the risk profile, ultimate estimate and related accounting information for each reinsurance treaty. This allows the reporting of performance, total aggregate exposure and accounting reinsurance result. The reinsurance system provides triangulation reporting, earnings estimates, categorisation of risks and market summary details. Performance development and exposures related to each reinsurance treaty are reviewed quarterly within certain limits and exception reporting. 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 by treaty assumed on the reinsurance system, Atradius Re also uses a buyer database to monitor individual reported buyer exposure limits issued by the original cedant that are in excess of agreed reporting thresholds. 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 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 uses 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 programme

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 quota share arrangements relating to specific transactions/policies. The reinsurance treaties are normally renewed annually, although some treaties can be multi-year. 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). A number of issues are taken into consideration, including 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 of the rating agency model.

For the underwriting year 2012, two quota share reinsurance treaties were in place: one covering all of Atradius' business, including the Italian bonding business and the French excise bond business with a quota share of 52.5% own retention, and the second covering the business of Crédito y Caución, with 55% own retention. In addition, a single excess of loss programme, covering the

own retention under both quota share treaties, consists of a series of excess of loss treaties (by buyer and/or buyer group). 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, although there are some minor exceptions. 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 2013, a similar quota share treaty will apply to most of our business. However, an additional quota share treaty is in place, with a 25% own retention for certain specific transactions/policies.

#### Quota share treaties

For the underwriting year 2012, the treaty for Atradius, excluding Crédito y Caución, has a quota share with 52.5% (2011: 52.5%) own retention. This programme covers Atradius' direct business, the Italian bonding business, the French excise bond business and part of instalment credit protection. For other, older, treaty years Atradius' has a separate quota share treaty for the Italian bonding business with retention which varies by year: between 25% and 40%.

For the underwriting year 2012, the main programme for Crédito y Caución, which applies to Spain, Andorra and Portugal, has a quota share with own retention of 55% (2011: 55%).

For the underwriting year 2012 (as well as 2011), 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, increasing the overall volatility of the net result.

#### Excess of loss treaties

For the 2012 and 2013 renewal, management has decided to combine the excess of loss programmes of Crédito y Caución with the rest of the Atradius Group, creating one joint excess of loss treaty. In so doing, the Group has mitigated the likelihood of it retaining two separate retentions if a common buyer were to fail. Atradius Re purchased an excess of loss protection for the non-group (reinsurance) business above a retention of EUR 2.5 million in 2012 and this was increased to EUR 7.5 million in 2013. The limit of this coverage was also increased in 2013, following the growth in the underlying portfolio, from EUR 12.5 million in 2012 to EUR 90.0 million in 2013.

For the underwriting year 2012, although the excess of loss treaties covered the combined retention for the entire Atradius Group (including 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 (2011: EUR 15.8 million) for Atradius, excluding Crédito y Caución, and EUR 6.0 million (2011: 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 (2011: EUR 315.0 million). 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 around EUR 39.7 million (2011: EUR 40.3 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 buyer, buyer's country or buyer's sector. The following tables illustrate the exposure at the end of 2012 and 2011 in terms of the sum of credit limits on individual buyers registered by the Group. As mentioned earlier, this is referred to as total potential exposure or TPE.

TPE is an approximate upper boundary 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 to the TPE, customers are often allowed to bring exposure under the policy through discretionary limits and 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 and, for most policies this is no more 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 lower.

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 buyer (group) matching procedures outside these two systems 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 programme, 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 and shows the exposure for credit insurance (including special products and reinsurance) only.

<b>Buyer country</b>	<b>of which</b>	<b>TPE 2012 (EUR million)</b>	<b>%</b>	<b>TPE 2011 (EUR million)</b>	<b>%</b>
Germany, Central and Eastern Europe, Greece, Malta, Cyprus and Turkey	Germany	70,266	15.8%	65,608	15.4%
	Central and Eastern Europe	31,853	7.1%	27,270	6.4%
	Other	5,151	1.1%	4,680	1.1%
Spain, Portugal, France, Italy, Belgium and Luxembourg	Spain and Portugal	90,084	20.2%	103,565	24.3%
	France	37,426	8.4%	36,391	8.5%
	Italy	24,170	5.4%	24,111	5.7%
	Belgium, Luxembourg	12,796	2.9%	11,983	2.8%
The Netherlands, Nordic countries (Denmark, Finland, Norway, Sweden) and Baltic	The Netherlands	24,898	5.6%	25,200	5.9%
	Nordic	19,823	4.5%	18,783	4.4%
	Other	1,000	0.2%	582	0.1%
United Kingdom, Ireland	United Kingdom	28,760	6.5%	25,988	6.1%
	Ireland	2,586	0.6%	2,021	0.5%
USA, Canada, Mexico, Central America and Brazil	USA	23,697	5.3%	19,548	4.6%
	Other	13,796	3.0%	12,037	2.7%
Australia and New Zealand	Australia, New Zealand	9,668	2.2%	7,639	1.8%
Rest of the world	Other	49,872	11.2%	41,228	9.7%
<b>Total</b>		<b>445,846</b>	<b>100%</b>	<b>426,634</b>	<b>100%</b>

Of the increase in TPE compared to 2011, EUR 1.3 billion is linked to changes in foreign exchange rates (see Note 2.6.3). The following table shows the distribution of TPE over buyer industry sector.

Industry sector	TPE 2012 (EUR million)	TPE 2011 (EUR million)
Metals	54,037	47,972
Electronics	50,957	43,740
Chemicals	49,339	42,952
Consumer durables	48,642	51,714
Food	40,476	42,566
Construction	35,287	36,794
Transport	35,248	34,145
Machines	30,065	30,592
Agriculture	22,146	16,057
Services	20,974	21,914
Construction materials	20,250	21,850
Textiles	16,101	13,883
Finance	11,453	12,105
Paper	10,871	10,350
<b>Total</b>	<b>445,846</b>	<b>426,634</b>

The following table shows TPE aggregated by group of buyers. This is the method of aggregation 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 around EUR 150 million (EUR 50 million for Crédito y Caución) could give rise to hits to an excess of loss treaty (2011: the same).

Value band	Number of Buyers	TPE (EUR million)	Number of Buyers	TPE (EUR million)
	2012		2011	
0 – 20	2,435,854	265,193	2,337,697	254,651
20 – 100	1,799	72,702	1,712	68,793
100 – 250	281	42,508	274	42,739
250 – 500	89	30,086	84	27,953
500 – 1000	25	16,857	25	16,826
1000 – and more	12	18,500	9	15,672
<b>Total</b>	<b>2,438,060</b>	<b>445,846</b>	<b>2,339,801</b>	<b>426,634</b>

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 20.5 billion (2011: EUR 19.5 billion), of which EUR 8.1 billion (2011: EUR 8.0 billion) is for customers based in Italy. Exposure for instalment credit protection amounts to EUR 2.1 billion (2011: EUR 2.5 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 of the frequency and severity of claims. Its effect may vary by country and sector. For trade credit risk, the behaviour of customers may also affect the frequency and severity of claims, for instance through risks inherent to their business activities and their risk management practices. Specific events (e.g. natural disasters) or structural changes in the economy (e.g. easier access to developed markets for producers in low cost countries), may impact the frequency and severity of claims. What specific events or structural changes are relevant in this respect will vary over time. In addition, the political risk cover 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 the insolvency or bankruptcy of the

bonding customer. Thus, in the end, the frequency and severity of claims is affected by similar factors as those affecting credit 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 the 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 the frequency and severity of claims at Crédito y Caución are similar to those of the rest of the Group, except that Crédito y Caución has no material exposure to political risk. The average size of claims is 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 the frequency and severity of claims in general, as described in Note 4.2.6.

The insurance liabilities that will cover claims experience after the reporting period for risks that have been accepted before the end of the reporting period consist of two elements: the provision for unearned premium (UPR) and the claims provisions for claims 'incurred but not reported', the IBNR. The accounting policies 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 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 reinsurance, the UPR relates to risk taken on.

As a consequence, the release of the provision for unearned premium should be taken into account for the credit insurance business of Crédito y Caución, bonding, instalment credit protection and reinsurance when using the 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 a 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 during which policyholders brought risk under the cover of the policy (i.e., the period in which the insured shipment has taken place). Large cases are provisioned separately, at expected loss.

In the case of traditional credit insurance, for the Group excluding Crédito y Caución, the main method for setting claims reserves produces estimates for future claims payments by the country of the 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 percentage of the pro-forma liability under the claim;
- for claims that have not yet been reported: the speed with which customers submit claims, as measured from the moment that the insured shipment took place, the expected average claims payment and the expected percentage 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 also lead to an adjustment of parameters, 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, and 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 have not only a different definition of IBNR but also a different definition of recoveries. For the Group, excluding Crédito y Caución, provisions for expected recoveries for traditional credit insurance relate to recoveries after indemnification, i.e., recoveries after the Group, excluding Crédito y Caución, 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, while the rest will reduce the amount of claims payments. As a consequence, the expected recoveries for Crédito y Caución are substantially higher, as a percentage of claims provisions gross of recoveries, than those for traditional credit insurance for the rest of the Group. 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 of traditional short-term credit insurance. For example, most credit insurance covers credit periods up to 180 days, while 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 particularly open to quantitative sensitivity analysis. However, 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 most of the inflow in early 2013 will be around 22% above the level at the end 2012 (previous year: around 20%). 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 20 million, gross of reinsurance (2011: EUR 17 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 2013 will be at the same level as at the end 2012 (this assumption was also made for 2011).

By its nature, an estimate of the expected inflow of large cases is not easy to quantify. 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 567.8 million, 2011: EUR 612.1 million) relates to the credit insurance book of Crédito y Caución (EUR 186.5 million, 2011: EUR 243.2 million). Of these expected recoveries 9% relates to claims declared before 2008 (2011: 13%), 28% relate to claims declared in 2008 or 2009 (2011: 39%), 63% relates to claims declared or to be declared in 2010 and later (2011: 48%) of which 42% relate to 2011 or later. A 1% point change in the expected recovery rates for claims declared or to be declared in 2011 or later amounts to some EUR 7 million gross of reinsurance (2011: EUR 7 million gross of reinsurance).

For our bonding business, bonding in Italy presents the most uncertainty in terms of the part of the outstanding claims reserve. Out of EUR 291 million (2011: EUR 281 million) of outstanding claims reserves for bonding, EUR 154 million (2011: EUR 156 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 27 million gross of reinsurance (approximately EUR 8 million net of reinsurance) (2011: EUR 23 million gross of reinsurance, 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, which 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 when its credit rating or capital position is under pressure, while it may adopt a less risk adverse approach when it is higher in the targeted credit rating scale or its capital is in surplus. In addition to making investment decisions, the Group Investment Committee also reviews the investment portfolio in respect of risk and performance: for instance by 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 investment portfolio are presented and discussed with the RSMB and the Supervisory Board.

The Group maintained a stable asset allocation of the investment portfolio throughout 2012, whereby the investment portfolio remained predominantly exposed to fixed income securities and cash instruments, while keeping the exposure to equities and absolute return funds to a relatively low amount of less than EUR 80 million for each of these two asset classes (see table 4.3.1.2) of the investment portfolio. Compared to 2011, the amount of investment funds increased in 2012 as excess operational cash was transferred into the investment portfolio in which it was further invested mainly in money market funds. This not only ensures the liquidity of the Group, but also enables a marginally higher return compared to cash maintained on bank accounts. In 2012 the amount of corporate bonds also increased, as the Group has started to move away from corporate bond funds (reported as investment funds) in favour of segregated corporate bond mandates (reported as corporate bonds). This improves the transparency of the corporate bond investments. Short-term investments also increased as the Group has increased its deposits with Banco Santander to a total of EUR 51 million to enhance future investment income.

#### 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. The aggregation of the fair values presented below does not represent, and should not be construed as representing, the underlying value of the Group.

2012	Available for-sale	Fair value through profit or loss	Loans and receivables	Liabilities at amortised cost	Total estimated fair value	Carrying amount
<b>Investment portfolio</b>						
Equity securities:	<b>845,250</b>	-	-	-	<b>845,250</b>	<b>845,250</b>
Shares	2,761	-	-	-	2,761	2,761
Investment funds	842,489	-	-	-	842,489	842,489
Debt securities:	<b>731,114</b>	<b>5,432</b>	-	-	<b>736,546</b>	<b>736,546</b>
Government bonds	572,488	-	-	-	572,488	572,488
Corporate bonds	129,676	-	-	-	129,676	129,676
Structured debt	28,950	5,432	-	-	34,382	34,382
Loans	-	-	<b>623</b>	-	<b>623</b>	<b>623</b>
Short-term investments	-	-	<b>165,590</b>	-	<b>165,590</b>	<b>165,590</b>
Cash held for investments	-	-	<b>6,356</b>	-	<b>6,356</b>	<b>6,356</b>
<b>Subtotal</b>	<b>1,576,364</b>	<b>5,432</b>	<b>172,569</b>	-	<b>1,754,365</b>	<b>1,754,365</b>
Receivables and accrued interest	-	-	222,683	-	222,683	222,683
Cash and cash equivalents	-	-	191,591	-	191,591	191,591
<b>Total financial assets</b>	<b>1,576,364</b>	<b>5,432</b>	<b>586,843</b>	-	<b>2,168,639</b>	<b>2,168,639</b>
Subordinated loan	-	-	-	85,400	85,400	118,803
Payables and accrued interest	-	-	-	208,780	208,780	208,780
Deposits received from reinsurers	-	-	-	55,573	55,573	55,573
Borrowings	-	-	-	3,614	3,614	3,614
<b>Total financial liabilities</b>	-	-	-	<b>353,367</b>	<b>353,367</b>	<b>386,770</b>

2011	Available for-sale	Fair value through profit or loss	Loans and receivables	Liabilities at amortised cost	Total estimated fair value	Carrying amount
<b>Investment portfolio</b>						
Equity securities:	<b>752,409</b>	-	-	-	<b>752,409</b>	<b>752,409</b>
Shares	2,598	-	-	-	2,598	2,598
Investment funds	749,811	-	-	-	749,811	749,811
Debt securities:	<b>599,552</b>	<b>5,086</b>	-	-	<b>604,638</b>	<b>604,638</b>
Government bonds	555,843	-	-	-	555,843	555,843
Corporate bonds	15,717	-	-	-	15,717	15,717
Structured debt	27,992	5,086	-	-	33,078	33,078
Loans	-	-	<b>783</b>	-	<b>783</b>	<b>783</b>
Short-term investments	-	-	<b>108,544</b>	-	<b>108,544</b>	<b>108,544</b>
Cash held for investments	-	-	<b>68,055</b>	-	<b>68,055</b>	<b>68,055</b>
<b>Subtotal</b>	<b>1,351,961</b>	<b>5,086</b>	<b>177,382</b>	-	<b>1,534,429</b>	<b>1,534,429</b>
Receivables and accrued interest	-	-	214,291	-	214,291	214,291
Cash and cash equivalents	-	-	270,968	-	270,968	270,968
<b>Total financial assets</b>	<b>1,351,961</b>	<b>5,086</b>	<b>662,641</b>	-	<b>2,019,688</b>	<b>2,019,688</b>
Subordinated loan	-	-	-	91,900	91,900	118,085
Payables and accrued interest	-	-	-	175,248	175,248	175,248
Deposits received from reinsurers	-	-	-	67,994	67,994	67,994
Borrowings	-	-	-	1,449	1,449	1,449
<b>Total financial liabilities</b>	-	-	-	<b>336,591</b>	<b>336,591</b>	<b>362,776</b>

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

The fair values are subject to a control framework designed to ensure that they are either determined or validated by a function independent of the risk taker. To this end, the 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. That company uses its 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 is 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 at 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 (see Note 18 for further details).

### Other financial liabilities and deposits received from reinsurers

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

The following tables present the fair values of the financial instruments carried at fair value:

Financial instruments measured at fair value Assets 2012	Quoted prices in active markets – level 1 <sup>1</sup>	Valuation techniques based on observable market data – level 2 <sup>2</sup>	Valuation techniques incorporating information other than observable market data – level 3 <sup>3</sup>	Total
Fair value through profit or loss:				
Debt securities – structured debt	-	-	5,432	5,432
Available-for-sale:				
Equity securities	845,250	-	-	845,250
Debt securities:				
Government bonds	572,488	-	-	572,488
Corporate bonds	129,676	-	-	129,676
Structured debt	-	-	28,950	28,950
<b>Total</b>	<b>1,547,414</b>	<b>-</b>	<b>34,382</b>	<b>1,581,796</b>

Financial instruments measured at fair value Assets 2011	Quoted prices in active markets – level 1 <sup>1</sup>	Valuation techniques based on observable market data – level 2 <sup>2</sup>	Valuation techniques incorporating information other than observable market data – level 3 <sup>3</sup>	Total
Fair value through profit or loss:				
Debt securities – structured debt	-	-	5,086	5,086
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
<b>Total</b>	<b>1,323,969</b>	<b>-</b>	<b>33,078</b>	<b>1,357,047</b>

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 a significant level of the input is 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 is summarised in the following table:

Strategy	Nominal value	Fair value	Nominal value	Fair value
	2012		2011	
Interest	33,300	28,950	36,300	27,992
Other strategies	5,500	5,432	5,800	5,086
<b>Total</b>	<b>38,800</b>	<b>34,382</b>	<b>42,100</b>	<b>33,078</b>

The following table 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	
	2012	2011
<b>Balance at 1 January</b>	<b>33,078</b>	<b>37,926</b>
<b>Total gains or losses:</b>		
in income statement (net income from investments)	367	(19)
in other comprehensive income	3,958	(526)
Purchases	-	-
Sales	(3,021)	(4,303)
Settlements	-	-
Transfers out of level 3	-	-
<b>Balance at 31 December</b>	<b>34,382</b>	<b>33,078</b>
<b>Total gains/(losses) for the year included in profit or loss for assets held at the end of the reporting period</b>	<b>357</b>	<b>(127)</b>

**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) analysis. 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 industry sectors as shown in the following table:

Share industry sectors	Exposure			
	2012	Weight in %	2011	Weight in %
Communications	435	15.8%	436	16.8%
Consumer, non-cyclical	1,263	45.7%	1,082	41.6%
Financial	422	15.3%	295	11.4%
Industrial	150	5.4%	74	2.8%
Diversified	491	17.8%	711	27.4%
<b>Total</b>	<b>2,761</b>	<b>100.0%</b>	<b>2,598</b>	<b>100.0%</b>

## 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 in 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 that 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 will generally 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 an 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 profiles of the investment funds are presented in the following table:

	2012	Weight in %	2011	Weight in %
Active fixed income funds	352,821	41.9%	422,397	56.3%
Passive equities exchange traded funds	78,700	9.3%	68,731	9.2%
Absolute return funds	67,338	8.0%	67,897	9.1%
Active money market funds	340,455	40.4%	188,235	25.1%
Other funds	3,175	0.4%	2,551	0.3%
<b>Total</b>	<b>842,489</b>	<b>100.0%</b>	<b>749,811</b>	<b>100.0%</b>

**Active fixed income funds**

The active fixed income investment portfolio consists of two corporate bond funds (2011: two) 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 Crédito y Caución 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 one (2011: two) passively managed equity exchange traded fund. This fund has the investment objective providing investors with a total return, taking into account both capital and income returns, that reflects the return of a designated benchmark index. The exchange traded fund is denominated in Euro and invests in a portfolio of equity securities that, as far as possible and practicable, consists of the components of the Dow Jones Euro Stoxx 50<sup>SM</sup> Index.

**Absolute return funds**

In general, absolute return strategies are aimed at producing 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 risk-free to levels exceeding the risk profile of equities.

The Group has invested in two absolute return funds (2011: two). These investment funds are denominated in Euro and are managed with a volatility target of between 3% and 7%. In addition, these investment funds have daily pricing and can be traded daily with a standard settlement of three business days after the trade date.

**Active money market funds**

The Group participates in three (2011: four) active money market funds. These funds have the investment objective of maximising 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 Pound 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 (2011: one). This fund is considered to be long-term holding and is monitored and evaluated frequently.

**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, the value of which 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. If the need arises, 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:

<b>Fixed rate instruments – carrying amount</b>	<b>2012</b>	<b>2011</b>
Financial assets <sup>1)</sup>	736,546	604,638
Financial liabilities <sup>2)</sup>	(118,803)	(118,085)
<b>Total</b>	<b>617,743</b>	<b>486,553</b>
<b>Variable rate instruments – carrying amount</b>	<b>2012</b>	<b>2011</b>
Financial assets <sup>3)</sup>	363,537	447,567
Financial liabilities <sup>4)</sup>	(59,187)	(69,443)
<b>Total</b>	<b>304,350</b>	<b>378,124</b>

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.

If the need to liquidate investment positions arises, the Group maintains the ability to do so within a reasonable time frame and at reasonable cost. Most of the Group's investments consist of highly liquid listed securities with daily pricing which can be converted to cash with minimal market impact. The Group's investment portfolio consists primarily of bonds from governments and corporations. The maturity profile of the fixed income portfolio is shown in the following table (discounted amounts):

Debt securities – Maturity	Exposure			
	EUR million		%	
	2012	2011	2012	2011
Years				
0 - 1	43	67	5.9%	11.1%
1 - 3	590	487	80.1%	80.5%
3 - 5	79	28	10.7%	4.6%
5 - 10	8	7	1.0%	1.2%
10 +	17	16	2.3%	2.6%
<b>Total</b>	<b>737</b>	<b>605</b>	<b>100.0%</b>	<b>100.0%</b>
Duration	1.8 years	2.0 years		
Average maturity	1.8 years	1.9 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 by 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 remains between the minimum and maximum duration limit (between one to five years for government bonds and one to three years for corporate bonds) as 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 by 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 and that the applicable interest rate cannot be negative.

Income statement	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
	2012		2011	
Cash flow sensitivity (net) – variable rate instruments	3,412	(1,484)	3,724	(3,464)

#### 4.3.1.4 Value-at-risk

The Group uses Value-at-Risk (VaR) analysis for determining the impact of changes in 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 following table shows the VaR of the Group's equity securities and the Group's debt securities separately as well as the combined position.

Value-at-risk	EUR million	% of the market value	EUR million	% of the market value
	2012		2011	
Equity securities:				
Shares (including equity funds)	45.6	53.9%	55.3	74.9%
Absolute return funds	6.2	9.2%	11.3	16.7%
Debt securities:				
Government bonds (including government bond funds)	26.8	4.5%	35.3	6.1%
Corporate bonds (including corporate bond funds)	14.9	2.9%	22.7	5.0%
Structured debt	8.6	25.0%	7.4	21.9%
<b>Total</b>	<b>70.8</b>	<b>4.1%</b>	<b>89.1</b>	<b>5.4%</b>

The VaR of the individual portfolio components is based on the VaR of the direct holdings in financial investments. For the directly held securities, the VaR is calculated based on each and every individual holding. For investment funds, the VaR is calculated for the investment fund itself and not for the look-through holdings of that fund, as the individual holdings in the investment funds cannot be traded independently: i.e., only the investment fund itself can be traded. Total portfolio VaR might not be equal to the sum of the VaR of the individual portfolio components because the correlation among them could be lower than one. The VaR percentage decreased from 5.4% at the end of 2011 to 4.1% at the end of 2012. At the same time, the VaR value decreased from EUR 89.1 million at the end of 2011 to EUR 70.8 million at the end of 2012. The reduction in VaR percentage and VaR value has been driven by lower volatility on the financial markets, and in particular for our equities and investment funds in 2012 compared to 2011.

#### 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 2012, the Euro weakened against some of the non-Euro functional currencies (see Note 2.6.3) resulting in a foreign currency gain in other comprehensive income of EUR 0.9 million, net of tax (2011: a foreign currency loss in other comprehensive income of EUR 0.4 million, net of tax).

However, the impact of these fluctuations is limited as revenue, 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 monetary financial assets and liabilities denominated in non-functional currencies as at 31 December 2012 and 31 December 2011, is presented in the following table:

	Financial assets	Financial liabilities	Net position	Financial assets	Financial liabilities	Net position
	2012			2011		
EUR	130,103	139,213	(9,110)	139,882	110,163	29,719
GBP	25,329	22,209	3,120	14,475	28,918	(14,443)
USD	167,049	203,149	(36,100)	151,345	179,143	(27,798)
AUD	35,705	37,512	(1,807)	41,387	35,108	6,279
CAD	7,661	3,654	4,007	10,345	2,961	7,384
PLN	24,407	20,997	3,410	22,149	15,868	6,281
BRL	7,131	14,847	(7,716)	7,380	14,522	(7,142)
Other	86,583	108,219	(21,636)	91,312	108,490	(17,178)
<b>Total</b>	<b>483,968</b>	<b>549,800</b>	<b>(65,832)</b>	<b>478,275</b>	<b>495,173</b>	<b>(16,898)</b>

#### Sensitivity analysis

As an indication of the currency exposure, a 10 percent strengthening of these 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 that 10 percent. This analysis assumes that all other variables, and in particular interest rates, remain constant and is performed on the same basis as for 2011. 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 following table 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
	2012			2011		
EUR	2,826,601	1,818,820	1,007,781	2,723,814	1,763,978	959,836
GBP	118,462	120,354	(1,892)	92,958	135,673	(42,715)
USD	278,413	222,218	56,195	262,742	203,980	58,762
AUD	81,760	51,327	30,433	85,815	49,816	35,999
CAD	23,623	13,580	10,043	24,621	11,269	13,352
PLN	30,522	31,479	(957)	23,975	21,229	2,746
BRL	40,705	31,061	9,644	42,859	30,253	12,606
Other	337,156	251,650	85,506	313,058	223,519	89,539
<b>Total</b>	<b>3,737,242</b>	<b>2,540,489</b>	<b>1,196,753</b>	<b>3,569,842</b>	<b>2,439,717</b>	<b>1,130,125</b>

### 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;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries;
- counterparty risk related to debt securities;
- deposits withheld by banks and ceding companies; and
- counterparty risk related to cash and cash equivalents and other receivables.

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 before the finalisation of any reinsurance contract. The Group policy is to select only reinsurers that have a well-established investment grade credit rating. The normal minimum requirement is an 'A' level rating, although there are some minor exceptions. In the event that the reinsurer's rating is found to be below this threshold, the 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 exposure to business partners, such as insured customers and brokers, is closely monitored. Potential impairments on receivables are reviewed monthly 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 if the need arises and implement this decision within a reasonable short time frame.

The counterparty ratings of receivables, short-term investments, claims, commissions and deposits arising from reinsurance, cash and cash equivalents and the rating of debt securities as at 31 December 2012 and as at 31 December 2011, are presented in the following tables:

<b>At 31 December 2012</b> <b>(EUR million)</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>Other</b>	<b>Non-rated</b>	<b>Total</b>
Receivables, claims, commissions and deposits arising from reinsurance							
Receivables, claims and commissions arising from reinsurance	-	291	271	31	4	10	607
Deposits received from reinsurers	-	(26)	(24)	(3)	(3)	-	(56)
Debt securities:							
Government bonds	236	317	5	2	-	12	572
Corporate bonds	-	22	98	5	3	2	130
Structured debt	2	2	7	6	2	15	34
Short-term investments:							
Deposits withheld by ceding companies	-	5	14	13	-	7	39
Bank deposits under short-term investments	21	14	33	65	-	-	133
Cash and cash equivalents	-	8	150	23	4	7	192
<b>Total</b>	<b>259</b>	<b>633</b>	<b>554</b>	<b>142</b>	<b>10</b>	<b>53</b>	<b>1,651</b>

<b>At 31 December 2011</b> <b>(EUR million)</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>Other</b>	<b>Non-rated</b>	<b>Total</b>
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	307	149	88	3	-	9	556
Corporate bonds	-	4	3	4	1	4	16
Structured debt	2	5	3	5	1	17	33
Short-term investments:							
Deposits withheld by ceding companies	-	3	2	12	1	10	28
Bank deposits under short-term investments	18	32	99	-	-	-	149
Cash and cash equivalents	-	56	211	-	1	3	271
<b>Total</b>	<b>327</b>	<b>501</b>	<b>679</b>	<b>24</b>	<b>-</b>	<b>63</b>	<b>1,594</b>

The counterparty credit ratings and the rating of debt securities are predominantly based on S&P rating. In the absence of the S&P rating, Moody's or Bloomberg Composite Ratings are used.

An analysis of the concentration of credit risk arising from government bonds is presented in the following table:

	Direct	Indirect	Country rating*	Direct	Indirect	Country rating*
	2012			2011		
Germany	154,300	-	AAA	113,440	9,072	AAA
France	155,813	-	AA+	86,927	13,426	AAA
Italy	18	-	BBB+	84,241	12,621	A
USA	74,390	-	AA+	76,541	-	AA+
Netherlands	53,170	-	AAA	41,588	12,592	AAA
Spain	-	1,854	BBB-	35,992	4,913	AA-
Belgium	37,022	-	AA+	23,394	4,337	AA
Australia	24,740	-	AAA	22,841	-	AAA
Austria	25,441	-	AA+	22,669	1,998	AAA
Switzerland	10,990	-	AAA	12,822	-	AAA
Mexico	13,976	-	BBB	10,621	-	A-
Finland	7,324	-	AAA	8,765	496	AAA
Portugal	-	-	BB	825	-	BBB-
Ireland	-	-	BBB+	-	-	BBB+
Greece	-	-	B-	-	-	CC
Rest of OECD	8,457	-	-	8,926	-	-
Rest of World	6,847	505	-	6,251	7,417	-
<b>Total</b>	<b>572,488</b>	<b>2,359</b>		<b>555,843</b>	<b>66,872</b>	

\* Standard & Poor's country rating at 31 December

Government bonds are generally invested in the maturity band of one to five years due to maturity constraints in our investment policy.

In 2012, the Group virtually disposed of its direct investment in Italian, Portuguese and Spanish government bonds as the credit rating of their sovereigns have been downgraded below 'A-'. The Investment Policy of the Group requires the government bonds in the Group investment portfolio to be rated at least 'A-' unless local regulatory requirements are in force which require investments in government bonds below this minimum credit rating. The proceeds were reinvested in government bonds of the main core Eurozone countries, such as Germany and France.

The Investment Policy of the Group requires the corporate bonds in the Group investment portfolio to be rated at least 'A-' (S&P rating) or equivalent.

- If a corporate bond in which the Group directly invests falls below the minimum credit rating or is not rated, it should be reviewed by the Group Investment Committee (GIC) to decide whether the corporate bond is to be sold or retained;
- If a corporate bond in which the Group has indirectly invested (through an investment fund) falls below the minimum credit rating or is not rated, it should be reviewed by the GIC to decide whether the investment fund is still a suitable investment.

The maximum concentration limit per issuer (per legal entity and at a Group level) is 5% of the market value of the financial investments of the legal entity or the Group. The concentration per issuer is evaluated by aggregating the exposure to a single issuer through both debt investments and equity securities. The GIC monitors this limit and action is taken if a concentration limit is breached.

The vast majority of corporate bonds are invested in the maturity band of one to five years due to maturity constraints in the Group's investment policy.

### 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 340 million investments in money market funds (2011: EUR 188 million), 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 (2011: 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 ask the reinsurers to anticipate the payment of a large claim upon Group request instead of the usual payment terms agreed in the reinsurance treaties.

#### Liquidity and interest risk tables

The following tables indicate 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 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.

The tables have been drawn up based on the undiscounted contractual cash flows of financial liabilities based on the earliest contractual repayment date. When the Group has a choice of when an amount is paid, the financial liability is allocated to the latest period in which the Group can be required to pay. When the lender has a choice of when an amount is paid, the financial liability is allocated to the earliest period in which the Group can be required to pay.



At 31 December 2012		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
<b>Interest bearing liabilities</b>							
Subordinated loan	7.43%	-	-	7,050	16,480	144,671	118,803
Bank overdrafts	0.98%	3,614	-	-	-	-	3,614
Deposits received from reinsurers	1.79%	-	18,680	36,893	-	-	55,573
<b>Total</b>		<b>3,614</b>	<b>18,680</b>	<b>43,943</b>	<b>16,480</b>	<b>144,671</b>	<b>177,990</b>
<b>Non-interest bearing liabilities</b>							
Insurance contracts		-	634,530	423,020	410,075	(1,365)	1,592,783
Payables		-	205,573	-	-	-	205,573
<b>Total</b>		<b>-</b>	<b>840,103</b>	<b>423,020</b>	<b>410,075</b>	<b>(1,365)</b>	<b>1,798,356</b>

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
<b>Interest bearing liabilities</b>							
Subordinated loan	6.58%	-	-	7,050	23,279	159,418	118,085
Bank overdrafts	1.63%	1,449	-	-	-	-	1,449
Deposits received from reinsurers	1.55%	-	25,398	42,596	-	-	67,994
<b>Total</b>		<b>1,449</b>	<b>25,398</b>	<b>49,646</b>	<b>23,279</b>	<b>159,418</b>	<b>187,528</b>
<b>Non-interest bearing liabilities</b>							
Insurance contracts		-	621,087	414,058	401,998	(4,324)	1,549,285
Payables		-	171,086	-	-	-	171,086
<b>Total</b>		<b>-</b>	<b>792,173</b>	<b>414,058</b>	<b>401,998</b>	<b>(4,324)</b>	<b>1,720,371</b>

At 31 December 2012	Contractual cash flows (undiscounted)						Carrying amount
	Weighted average effective interest rate %	On demand	Less than 6 months	6 to 12 months	1 to 5 years	> 5 years	
<b>Interest bearing assets</b>							
Debt securities	0.77%	-	31,365	29,822	667,526	31,579	736,546
Deposits withheld by ceding companies	1.00%	-	4,133	29,635	5,549	-	39,317
Bank deposits under short-term investments	1.76%	50,589	26,904	3,362	51,774	-	132,629
Bank deposits under cash and cash equivalents	1.00%	-	138	-	-	-	138
Cash held for investments	0.00%	6,356	-	-	-	-	6,356
Cash	0.00%	191,453	-	-	-	-	191,453
<b>Total</b>		<b>248,398</b>	<b>62,540</b>	<b>62,819</b>	<b>724,849</b>	<b>31,579</b>	<b>1,106,439</b>
<b>Non-interest bearing assets</b>							
Other financial assets		-	845,873	-	-	-	845,873
Reinsurance contracts		-	276,476	184,312	178,671	(595)	693,982
Receivables		-	166,854	44,113	-	-	210,967
<b>Total</b>		<b>-</b>	<b>1,289,203</b>	<b>228,425</b>	<b>178,671</b>	<b>(595)</b>	<b>1,750,822</b>

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
<b>Interest bearing assets</b>							
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 held for investments	0.00%	68,055	-	-	-	-	68,055
Cash	0.89%	194,315	-	-	-	-	194,315
<b>Total</b>		<b>331,032</b>	<b>125,598</b>	<b>105,015</b>	<b>542,598</b>	<b>74,008</b>	<b>1,120,260</b>
<b>Non-interest bearing assets</b>							
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
<b>Total</b>		<b>-</b>	<b>1,194,571</b>	<b>224,489</b>	<b>179,549</b>	<b>(1,931)</b>	<b>1,648,697</b>

## 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, and 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 and can never be entirely eliminated. However, there is a fundamental ongoing objective in addressing 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, and for monitoring and further enhancing the overall risk management and control framework. The ORM unit works closely with both Internal Audit and Legal and Compliance.

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' Enterprise Risk Management (COSO 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 at all levels, locations and units across the business, including with the Management Board at periodic Business Review Meetings. High-level information on crystallised risks has been captured for several years, with separate records of information technology risk events stretching back even further. To provide oversight and assurance in an auditable and efficient manner, the ORM unit employs a dedicated governance, risk and compliance software platform (the 'GRC portal') that integrates existing risk management activities across the business.

Within the Group, the 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 indications of fraud and the Group provides fraud awareness training to employees to help identification of fraudulent buyers. Internal fraud is addressed through manual and automated operational controls such as the segregation of duties, the application of signing authorities and 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.

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 the Group, the lines of business and functional areas are responsible for managing their operational risks. Leadership team members, assisted by 'risk champions', maintain local risk registers. These registers 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 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 members and the Management Board. This ensures that operational risks are evaluated from all management perspectives.

While the risk registers use a top-down approach to capturing risks, the Group 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 (which are maintained in the GRC portal) 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.

#### **4.4.1.2 Financial reporting controls**

Since 2008, the Group has conducted a quarterly 'in control' sign-off process for financial reporting risks. This is based on an assessment of associated processes, risks and controls, similar to the aforementioned self-assessments. 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**

The Group 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 2012 the Group continued with a training and awareness programme, regular review and update of local plans and monitoring of incident reviews and action plans.

#### **4.4.1.4 Procedures**

Procedures are an important element of the Group's framework for internal control. 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 these activities.

#### **4.4.1.5 Compliance**

Compliance practices support our business, our reputation and our integrity. These elements are of importance to our customers, suppliers, staff and other stakeholders. Complying with relevant laws, rules and regulations and maintaining a high standard in terms of ethics and integrity, leads to lower operational risk and more stable business processes. The Group's Code of Conduct outlines the basic corporate, legal and ethical compliance principles and guidelines that apply to all employees of the Group and

that govern the Group's 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 the Group 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 2012, the Group reviewed its compliance framework and has enhanced Atradius' compliance function through the introduction of the local compliance function which at an individual country level supports local country management addressing compliance responsibilities.

## 4.5 Capital management

### 4.5.1 Guiding principles

Capital management is guided by the following principles:

- to ensure that the Group is sufficiently capitalised to be able to survive by maintaining ample available capital after meeting its financial obligations;
- to meet the local regulatory capital requirements of all Group entities, including branches and subsidiaries within the Group worldwide;
- to manage the capital adequacy of the Group and its entities, taking into account the economic and accounting views, the assessment of the external rating agencies and regulatory capital requirements;
- 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 2012, the capital of the Atradius Group has been managed according to the Group guidelines and in close cooperation with the units involved in managing the different factors related to capital. The Atradius Group entities were able to meet their financial obligations efficiently and to comply with local legal and regulatory requirements.

### 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 market 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 in which the Group operates with insurance or reinsurance companies established according to 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 following table 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 regulatory requirements. 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.

<b>2012</b>	<b>The Netherlands</b>	<b>Spain</b>	<b>Ireland</b>	<b>US</b>	<b>Mexico</b>
Regulatory capital held (preliminary estimates)	272,605	176,265	304,872	46,968	18,252
Minimum legal regulatory capital (preliminary estimates)	70,335	51,127	71,758	3,527	4,462
<b>2011</b>	<b>The Netherlands</b>	<b>Spain</b>	<b>Ireland</b>	<b>US</b>	<b>Mexico</b>
Regulatory capital held (final) <sup>1)</sup>	297,967	172,426	302,981	47,164	13,926
Minimum legal regulatory capital (final) <sup>1)</sup>	66,401	47,775	71,758	3,596	3,327

1) Comparative regulatory capital balances have been changed to reflect the final amounts of 2011 (compared to the amounts presented in the 2011 financial statements).

The five main regulated legal entities and respective territories are Atradius Credit Insurance N.V. in the Netherlands, Crédito y Caución 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 2012 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.

Crédito y Caución is regulated in Spain by the Dirección General de Seguros y Fondos de Pensiones (DGSFP). At year-end 2012, the capital requirement is formed by the claims based calculation which is higher than the premium based calculation.

Atradius Reinsurance Ltd. is regulated in Ireland by the Irish Financial Regulator (IFR). At year-end 2012, the premium based calculation is higher than the claims based calculation and is lower than the minimum capital requirement at the end of the preceding year. However, as the net claims provision at the end of 2012 is higher than the net claims provision at the beginning of 2012, the minimum capital requirement for year-end 2012 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 2012 the premium 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 provisions to protect against the impact of large claims and catastrophes. The way in which these equalisation provisions 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 they are 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. recognise the importance of these models and are 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 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.

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 and 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

A.M. Best assigned a financial strength rating of 'A (Excellent), outlook stable' to Atradius' key operating entities (Atradius Credit Insurance N.V., Atradius Reinsurance Ltd. and Compañía Española de Seguros y Reaseguros de Crédito y Caucción, S.A.) on 12 September 2012. Additionally, A.M. Best upgraded the local financial strength rating to 'A (Excellent), outlook stable' from 'A- (Excellent), outlook stable' of Atradius Trade Credit Insurance, Inc. Concurrently, A.M. Best has assigned a debt rating of 'bbb+', outlook stable' to the subordinated bonds issued by Atradius Finance B.V.

Moody's assigned an insurance financial strength rating of 'A3, outlook negative' to Atradius' main operating companies (Atradius Credit Insurance N.V., Atradius Reinsurance Ltd., Atradius Trade Credit Insurance Inc. and Compañía Española de Seguros y Reaseguros de Crédito y Caucción, S.A.) on 25 October 2012. Moody's does not rate the subordinated bonds issued by Atradius Finance B.V.

Standard and Poor's (S&P) lowered the Spanish sovereign credit rating to 'BBB-, outlook negative' from 'BBB+, outlook negative' on 10 October 2012. As a Spanish-based insurance group, Grupo Catalana Occidente, S.A. and its core operating entities are restricted from being rated significantly higher than Spanish government based on the S&P rating methodology. Consequently, the insurer financial strength rating of Grupo Catalana Occidente, S.A.'s core operating entities (including the Atradius Group entities: Atradius Credit Insurance N.V., Atradius Reinsurance Ltd., Atradius Trade Credit Insurance, Inc. and Compañía Española de Seguros y Reaseguros de Crédito y Caucción, S.A.) was lowered to 'BBB, outlook negative' from 'A-, outlook negative' on 12 October 2012. At the same time, S&P also lowered the debt rating of the subordinated bonds issued by Atradius Finance B.V. to 'BB+' from 'BBB'. With The Management Board of Atradius N.V., suggested to Grupo Catalana Occidente S.A. to withdraw the Standard & Poor's rating. Grupo Catalana Occidente S.A. agreed on this suggestion and decided on 28 February 2013 to withdraw the Standard & Poor's rating.

In addition, S&P maintained the local insurer financial strength rating of the Group's Mexican entity, Atradius Seguros de Crédito, S.A., on 'mxAA'. However, the outlook was lowered to 'negative' from 'stable' on 19 October 2012 following the downgrade of the insurer financial strength rating of Grupo Catalana Occidente, S.A.

Each of these credit ratings reflects only the view of the rating agency at the time the credit rating was issued. Each credit rating should be evaluated separately and any explanation of the significance of a credit rating may be obtained only from the rating agency. A credit rating should not be viewed as a recommendation to buy, sell or hold securities. There is no assurance that any credit rating will remain in effect for any given period of time or that a credit rating will not be lowered, suspended or withdrawn entirely by the rating agency if, in the rating agency's judgement, circumstances so warrant.



## 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 insurance business is split into the segments Credit insurance which includes Instalment credit protection, Bonding and Reinsurance due to the different nature of the related products and the associated insurance liabilities. The segment Services includes Collection activities, Atradius Dutch State Business and other service related business. Group costs 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 in the following tables:

<b>Business segment 2012</b>	<b>Credit insurance</b>	<b>Bonding</b>	<b>Reinsurance</b>	<b>Total insurance business</b>	<b>Services</b>	<b>Inter- segment elimination</b>	<b>Group costs</b>	<b>Total</b>
Insurance premium revenue	1,213,569	93,576	132,702	<b>1,439,847</b>	-	-	-	<b>1,439,847</b>
Service and other income	107,474	-	-	<b>107,474</b>	54,310	-	-	<b>161,784</b>
Intersegment revenue	-	-	-	-	4,981	(4,981)	-	-
<b>Total revenue</b>	<b>1,321,043</b>	<b>93,576</b>	<b>132,702</b>	<b>1,547,321</b>	<b>59,291</b>	<b>(4,981)</b>	-	<b>1,601,631</b>
Insurance premium ceded to reinsurers	(594,547)	(48,271)	(10,764)	<b>(653,582)</b>	-	-	-	<b>(653,582)</b>
<b>Total segment income after reinsurance</b>	<b>726,496</b>	<b>45,305</b>	<b>121,938</b>	<b>893,739</b>	<b>59,291</b>	<b>(4,981)</b>	-	<b>948,049</b>
Insurance claims and loss adjustment expenses	(691,616)	(26,869)	(73,069)	<b>(791,554)</b>	-	3,504	-	<b>(788,050)</b>
Insurance claims and loss adjustment expenses recovered from reinsurers	327,755	12,271	12,651	<b>352,677</b>	-	-	-	<b>352,677</b>
<b>Net insurance claims</b>	<b>(363,861)</b>	<b>(14,598)</b>	<b>(60,418)</b>	<b>(438,877)</b>	-	<b>3,504</b>	-	<b>(435,373)</b>
Gross operating expenses	(446,025)	(31,568)	(53,196)	<b>(530,789)</b>	(52,709)	1,477	(9,078)	<b>(591,099)</b>
Commission received for business ceded to reinsurers	189,021	14,455	2,781	<b>206,257</b>	-	-	-	<b>206,257</b>
<b>Net operating expenses</b>	<b>(257,004)</b>	<b>(17,113)</b>	<b>(50,415)</b>	<b>(324,532)</b>	<b>(52,709)</b>	<b>1,477</b>	<b>(9,078)</b>	<b>(384,842)</b>
<b>Operating segment result</b>	<b>105,631</b>	<b>13,594</b>	<b>11,105</b>	<b>130,330</b>	<b>6,582</b>	-	<b>(9,078)</b>	<b>127,834</b>
Share of income of associated companies and joint ventures								<b>7,722</b>
Net income from investments								<b>22,619</b>
Finance income and expenses								<b>(2,019)</b>
<b>Result for the year before tax</b>								<b>156,156</b>
Income tax (expense)/income								<b>(38,892)</b>
<b>Result for the year</b>								<b>117,264</b>

<b>Business segment 2012</b>	<b>Credit insurance</b>	<b>Bonding</b>	<b>Reinsurance</b>	<b>Total insurance business</b>	<b>Services</b>	<b>Inter- segment elimination</b>	<b>Group costs</b>	<b>Total</b>
<b>Total segment assets</b>	<b>660,593</b>	<b>212,658</b>	<b>29,137</b>	<b>902,388</b>	<b>4,790</b>	<b>(2,229)</b>	<b>-</b>	<b>904,949</b>
Total segment assets include:								
Reinsurance contracts	484,298	190,589	19,095	<b>693,982</b>	-	-	-	<b>693,982</b>
Receivables	176,295	22,069	10,042	<b>208,406</b>	4,790	(2,229)	-	<b>210,967</b>
<b>Total segment liabilities</b>	<b>1,120,516</b>	<b>347,041</b>	<b>313,926</b>	<b>1,781,483</b>	<b>25,184</b>	<b>(8,311)</b>	<b>-</b>	<b>1,798,356</b>
Total segment liabilities include:								
Insurance contracts	963,600	315,760	313,423	<b>1,592,783</b>	-	-	-	<b>1,592,783</b>
Payables	156,916	31,281	503	<b>188,700</b>	25,184	(8,311)	-	<b>205,573</b>
<b>Business segment 2011</b>	<b>Credit insurance</b>	<b>Bonding</b>	<b>Reinsurance</b>	<b>Total insurance business</b>	<b>Services</b>	<b>Inter- segment elimination</b>	<b>Group costs</b>	<b>Total</b>
Insurance premium revenue	1,188,941	84,486	129,932	<b>1,403,359</b>	-	-	-	<b>1,403,359</b>
Service and other income	100,707	543	-	<b>101,250</b>	49,210	-	-	<b>150,460</b>
Intersegment revenue	-	-	-	-	4,031	(4,031)	-	-
<b>Total revenue</b>	<b>1,289,648</b>	<b>85,029</b>	<b>129,932</b>	<b>1,504,609</b>	<b>53,241</b>	<b>(4,031)</b>	<b>-</b>	<b>1,553,819</b>
Insurance premium ceded to reinsurers	(585,422)	(42,808)	(7,545)	<b>(635,775)</b>	-	-	-	<b>(635,775)</b>
<b>Total segment income after reinsurance</b>	<b>704,226</b>	<b>42,221</b>	<b>122,387</b>	<b>868,834</b>	<b>53,241</b>	<b>(4,031)</b>	<b>-</b>	<b>918,044</b>
Insurance claims and loss adjustment expenses	(665,363)	(7,405)	(75,456)	<b>(748,224)</b>	-	3,390	-	<b>(744,834)</b>
Insurance claims and loss adjustment expenses recovered from reinsurers	305,986	2,363	3,226	<b>311,575</b>	-	-	-	<b>311,575</b>
<b>Net insurance claims</b>	<b>(359,377)</b>	<b>(5,042)</b>	<b>(72,230)</b>	<b>(436,649)</b>	<b>-</b>	<b>3,390</b>	<b>-</b>	<b>(433,259)</b>
Gross operating expenses	(441,377)	(29,590)	(49,358)	<b>(520,325)</b>	(54,343)	641	(8,657)	<b>(582,684)</b>
Commission received for business ceded to reinsurers	216,018	13,728	1,860	<b>231,606</b>	-	-	-	<b>231,606</b>
<b>Net operating expenses</b>	<b>(225,359)</b>	<b>(15,862)</b>	<b>(47,498)</b>	<b>(288,719)</b>	<b>(54,343)</b>	<b>641</b>	<b>(8,657)</b>	<b>(351,078)</b>
<b>Operating segment result</b>	<b>119,490</b>	<b>21,317</b>	<b>2,659</b>	<b>143,466</b>	<b>(1,102)</b>	<b>-</b>	<b>(8,657)</b>	<b>133,707</b>
Share of income of associated companies and joint ventures								<b>8,710</b>
Net income from investments								<b>22,394</b>
Finance income and expenses								<b>(4,719)</b>
<b>Result for the year before tax</b>								<b>160,092</b>
Income tax (expense)/income								<b>(30,256)</b>
<b>Result for the year</b>								<b>129,836</b>

<b>Business segment 2011</b>	<b>Credit insurance</b>	<b>Bonding</b>	<b>Reinsurance</b>	<b>Total insurance business</b>	<b>Services</b>	<b>Inter- segment elimination</b>	<b>Group costs</b>	<b>Total</b>
<b>Total segment assets</b>	<b>653,139</b>	<b>222,167</b>	<b>17,808</b>	<b>893,114</b>	<b>3,363</b>	<b>(972)</b>	<b>-</b>	<b>895,505</b>
Total segment assets include:								
Reinsurance contracts	486,057	197,998	7,920	<b>691,975</b>	-	-	-	<b>691,975</b>
Receivables	167,082	24,169	9,888	<b>201,139</b>	3,363	(972)	-	<b>203,530</b>
<b>Total segment liabilities</b>	<b>1,102,020</b>	<b>333,656</b>	<b>280,290</b>	<b>1,715,966</b>	<b>17,248</b>	<b>(12,843)</b>	<b>-</b>	<b>1,720,371</b>
Total segment liabilities include:								
Insurance contracts	949,725	319,897	279,663	<b>1,549,285</b>	-	-	-	<b>1,549,285</b>
Payables	152,295	13,759	627	<b>166,681</b>	17,248	(12,843)	-	<b>171,086</b>

The segmental reporting follows the management point of view. In all the other insurance related notes the figures are reported based on the products of credit insurance and bonding which differs from the segmental view presented here. The underlying contracts of the Reinsurance segment are approximately 62% credit insurance contracts and approximately 38% bonding (2011: 59% and 41% respectively).

Reportable segments' assets are reconciled to total assets in the following table:

	<b>2012</b>	<b>2011</b>
<b>Segment assets for reportable segments</b>	<b>904,949</b>	<b>895,505</b>
<b>Unallocated:</b>		
Intangible assets	161,414	160,703
Property, plant and equipment	130,970	131,840
Investment property	11,523	13,338
Investment in associated companies and joint ventures	36,147	30,750
Financial investments	1,754,365	1,534,429
Deferred income tax assets	113,386	134,872
Current income tax assets	18,672	38,289
Other assets	414,225	359,148
Cash and cash equivalents	191,591	270,968
<b>Total assets</b>	<b>3,737,242</b>	<b>3,569,842</b>

Reportable segments' liabilities are reconciled to total liabilities in the following table:

	2012	2011
<b>Segment liabilities for reportable segments</b>	<b>1,798,356</b>	<b>1,720,371</b>
<b>Unallocated:</b>		
Subordinated loan	118,803	118,085
Employee benefit liabilities	100,372	71,815
Deferred income tax liabilities	110,948	136,668
Current income tax liabilities	11,330	23,977
Other liabilities and provisions	397,066	367,352
Borrowings	3,614	1,449
<b>Total liabilities</b>	<b>2,540,489</b>	<b>2,439,717</b>

Revenue from external customers allocated to the region in which the insurance contract is issued or services are rendered is presented in the following table:

	2012	2011
Spain, Portugal and Brazil	430,017	453,558
France, Belgium, Italy and Luxembourg	286,318	272,090
Germany, Central and Eastern Europe	244,155	236,380
United Kingdom and Ireland	251,649	239,732
The Netherlands	138,367	127,398
Nordic countries	94,373	91,985
North America	69,714	63,247
Oceania and Asia	87,038	69,429
<b>Total</b>	<b>1,601,631</b>	<b>1,553,819</b>

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 allocated based on where the assets are located are presented in the following table:

	Assets		Non-current assets *		Additions to property, plant, equipment and intangible assets	
	2012	2011	2012	2011	2012	2011
Spain, Portugal and Brazil	804,485	775,400	127,479	133,375	3,512	4,230
France, Belgium, Italy and Luxembourg	419,489	414,648	13,227	17,038	3,037	2,265
Germany, Central and Eastern Europe	339,845	338,402	5,625	5,480	1,599	1,752
United Kingdom and Ireland	1,071,565	1,024,232	18,934	15,845	9,299	7,579
The Netherlands	666,406	596,636	15,184	10,634	8,015	2,810
Nordic countries	190,403	177,854	2,073	1,887	722	695
North America	130,268	127,525	2,713	2,693	126	241
Oceania and Asia	114,781	115,145	957	1,243	162	1,094
<b>Total</b>	<b>3,737,242</b>	<b>3,569,842</b>	<b>186,192</b>	<b>188,195</b>	<b>26,472</b>	<b>20,666</b>

\* Non-current assets included in the above table comprise intangible assets (other than goodwill), property, plant and equipment and investment property.

## 6 Intangible assets

2012							
	Goodwill	Agent networks	Non-patented technology	Trade names	Insurance portfolios	Software	Total
<b>At cost at 1 January</b>	118,421	12,008	4,991	2,825	4,724	113,481	256,450
Additions	-	-	-	-	-	14,731	14,731
Disposals	-	-	-	-	-	(458)	(458)
Effect of movements in foreign exchange rates	29	-	-	-	(17)	822	834
<b>At cost at 31 December</b>	<b>118,450</b>	<b>12,008</b>	<b>4,991</b>	<b>2,825</b>	<b>4,707</b>	<b>128,576</b>	<b>271,557</b>
<b>Accumulated amortisation and impairments at 1 January</b>	<b>(735)</b>	<b>(3,203)</b>	<b>(1,331)</b>	<b>(2,260)</b>	<b>(4,636)</b>	<b>(83,582)</b>	<b>(95,747)</b>
Amortisation charge for the year	-	(800)	(333)	(565)	(21)	(12,281)	(14,000)
Amortisation on disposals	-	-	-	-	-	198	198
Impairment loss	-	-	-	-	-	-	-
Effect of movements in foreign exchange rates	-	-	-	-	6	(600)	(594)
<b>Accumulated amortisation and impairments at 31 December</b>	<b>(735)</b>	<b>(4,003)</b>	<b>(1,664)</b>	<b>(2,825)</b>	<b>(4,651)</b>	<b>(96,265)</b>	<b>(110,143)</b>
<b>Balance at 1 January</b>	<b>117,686</b>	<b>8,805</b>	<b>3,660</b>	<b>565</b>	<b>88</b>	<b>29,899</b>	<b>160,703</b>
<b>Balance at 31 December</b>	<b>117,715</b>	<b>8,005</b>	<b>3,327</b>	<b>-</b>	<b>56</b>	<b>32,311</b>	<b>161,414</b>
2011							
	Goodwill	Agent networks	Non-patented technology	Trade names	Insurance portfolios	Software	Total
<b>At cost at 1 January</b>	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 rates	-	-	-	-	110	1,089	1,199
<b>At cost at 31 December</b>	<b>118,421</b>	<b>12,008</b>	<b>4,991</b>	<b>2,825</b>	<b>4,724</b>	<b>113,481</b>	<b>256,450</b>
<b>Accumulated amortisation and impairments at 1 January</b>	<b>(735)</b>	<b>(2,403)</b>	<b>(999)</b>	<b>(1,695)</b>	<b>(4,563)</b>	<b>(69,288)</b>	<b>(79,683)</b>
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 rates	-	-	-	-	(20)	(831)	(851)
<b>Accumulated amortisation and impairments at 31 December</b>	<b>(735)</b>	<b>(3,203)</b>	<b>(1,331)</b>	<b>(2,260)</b>	<b>(4,636)</b>	<b>(83,582)</b>	<b>(95,747)</b>
<b>Balance at 1 January</b>	<b>117,686</b>	<b>9,605</b>	<b>3,992</b>	<b>1,130</b>	<b>51</b>	<b>31,483</b>	<b>163,947</b>
<b>Balance at 31 December</b>	<b>117,686</b>	<b>8,805</b>	<b>3,660</b>	<b>565</b>	<b>88</b>	<b>29,899</b>	<b>160,703</b>

## Goodwill

If applicable, impairment of goodwill is recognised as a separate item in the income statement. During 2012 there was no impairment charge (2011: no impairment charge).

The goodwill allocated to the main cash-generating units or groups of units (CGUs) is presented in the following table:

Cash-Generating Units	2012	2011
Crédito y Caución	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)	2,671	2,642
Other	2,304	2,304
<b>Total</b>	<b>117,715</b>	<b>117,686</b>

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. For the main portion of the goodwill, the discount rate used is 8.18% (2011: 7.89%) and 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 0.5% (2011: 0.5%). The discount rate used 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

In 2012, there was no impairment of software (2011: EUR 729 thousand).

## 7 Property, plant and equipment

2012	Land and buildings	Fixtures & fittings	IT hardware	Total
<b>At cost at 1 January</b>	<b>116,417</b>	<b>52,226</b>	<b>46,029</b>	<b>214,672</b>
Additions	70	3,745	7,926	11,741
Disposals	(8,833)	(2,353)	(4,562)	(15,748)
Transfer from investment property	1,267	-	-	1,267
Effect of movements in foreign exchange rates	119	261	379	759
<b>At cost at 31 December</b>	<b>109,040</b>	<b>53,879</b>	<b>49,772</b>	<b>212,691</b>
<b>Accumulated depreciation and impairments at 1 January</b>	<b>(10,348)</b>	<b>(36,048)</b>	<b>(36,436)</b>	<b>(82,832)</b>
Depreciation charge for the year	(1,297)	(4,482)	(4,801)	(10,580)
Depreciation on disposals	5,486	2,170	4,521	12,177
Transfer from investment property	(105)	-	-	(105)
Effect of movements in foreign exchange rates	(14)	(84)	(283)	(381)
<b>Accumulated depreciation and impairments at 31 December</b>	<b>(6,278)</b>	<b>(38,444)</b>	<b>(36,999)</b>	<b>(81,721)</b>
<b>Balance at 1 January</b>	<b>106,069</b>	<b>16,178</b>	<b>9,593</b>	<b>131,840</b>
<b>Balance at 31 December</b>	<b>102,762</b>	<b>15,435</b>	<b>12,773</b>	<b>130,970</b>
<b>2011</b>	<b>Land and buildings</b>	<b>Fixtures &amp; fittings</b>	<b>IT hardware</b>	<b>Total</b>
<b>At cost at 1 January</b>	<b>116,513</b>	<b>52,844</b>	<b>41,130</b>	<b>210,487</b>
Additions	62	2,722	6,113	8,897
Disposals	-	(3,636)	(1,730)	(5,366)
Effect of movements in foreign exchange rates	(158)	296	516	654
<b>At cost at 31 December</b>	<b>116,417</b>	<b>52,226</b>	<b>46,029</b>	<b>214,672</b>
<b>Accumulated depreciation and impairments at 1 January</b>	<b>(8,881)</b>	<b>(34,969)</b>	<b>(33,231)</b>	<b>(77,081)</b>
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 rates	(49)	(198)	(374)	(621)
<b>Accumulated depreciation and impairments at 31 December</b>	<b>(10,348)</b>	<b>(36,048)</b>	<b>(36,436)</b>	<b>(82,832)</b>
<b>Balance at 1 January</b>	<b>107,632</b>	<b>17,875</b>	<b>7,899</b>	<b>133,406</b>
<b>Balance at 31 December</b>	<b>106,069</b>	<b>16,178</b>	<b>9,593</b>	<b>131,840</b>

The depreciation expense on property for own use is reported as part of net operating expenses.

Several buildings in Spain, previously leased out under an operating lease, are classified as own use in 2012. They were reclassified from investment property (Note 8) to property, plant and equipment.

In 2012, there was no impairment of property, plant and equipment (2011: no impairment).



The fair value of land and buildings for own use is presented in the following table:

	<b>2012</b>	<b>2011</b>
Spain	84,213	94,901
Italy	20,590	20,590
Belgium	-	5,530
France	280	280
Other	4,356	4,126
<b>Total</b>	<b>109,439</b>	<b>125,427</b>

Land and buildings are independently appraised by real estate valuers, 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 most of the land and buildings were conducted in December 2012 by Inverseguros Tasaciones SAU., in Italy in March 2011 by Roux Italia S.R.L., in Belgium in December 2011 by de Crombrughe & Partners (sold December 2012) and in France in November 2011 by Sorovim Conseil Immobilier.

In December 2012, the land and building in Belgium was sold for EUR 4.5 million, resulting in a capital gain of EUR 1.2 million. In accordance with the sale agreement, the buyer will construct a new office building and lease it to the Group for 16 years. Until the new building is completed (expected at the end of 2014), the Group will use the old building free of charge. The lease for the new office building is classified as operating lease (see Note 36).

## 8 Investment property

	2012	2011
<b>At cost at 1 January</b>	<b>15,808</b>	<b>16,207</b>
Disposals	(288)	(331)
Transfer to property, plant and equipment	(1,267)	-
Effect of movements in foreign exchange rates	35	(68)
<b>At cost at 31 December</b>	<b>14,288</b>	<b>15,808</b>
<b>Accumulated depreciation and impairments at 1 January</b>	<b>(2,470)</b>	<b>(2,133)</b>
Depreciation charge for the year	(152)	(234)
Depreciation on disposals	85	100
Impairment loss	(330)	(205)
Transfer to property, plant and equipment	105	-
Effect of movements in foreign exchange rates	(3)	2
<b>Accumulated depreciation and impairments at 31 December</b>	<b>(2,765)</b>	<b>(2,470)</b>
<b>Balance at 1 January</b>	<b>13,338</b>	<b>14,074</b>
<b>Balance at 31 December</b>	<b>11,523</b>	<b>13,338</b>

The fair value and classification of the use of investment property is presented in the following table:

2012	Residential	Office	Retail	Total
Spain	-	9,306	-	9,306
Italy	-	1,279	527	1,806
Mexico	-	-	1,522	1,522
The Netherlands	-	1,230	-	1,230
Sweden	146	-	-	146
<b>Total</b>	<b>146</b>	<b>11,815</b>	<b>2,049</b>	<b>14,010</b>
2011	Residential	Office	Retail	Total
Spain	-	11,176	-	11,176
Italy	-	2,794	527	3,321
Mexico	-	-	1,442	1,442
The Netherlands	-	1,230	-	1,230
Sweden	140	-	-	140
<b>Total</b>	<b>140</b>	<b>15,200</b>	<b>1,969</b>	<b>17,309</b>

Land and buildings have been valued by independent real estate valuers, which are registered in the relevant countries and have appropriate qualifications and experience in the valuation of properties. 66% of the total fair value of land and buildings is located in Spain (2011: 65%). The Group usually revalues land and buildings every two years. In Spain, the latest valuations on the majority of the land and buildings were conducted in May 2012 by Inverseguros 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 2012, land and buildings located in Italy were sold for EUR 1.5 million (2011: Italy and France, EUR 1.6 million). The realised gains are reported as part of net income from investments.

The impairment losses reported in the table are the result of lower market valuations due to the economic circumstances in Spain.

Investment properties in Italy with a market value of EUR 638 thousand are subject to a mortgage.

The following tables show the direct operating expenses (including repairs and maintenance) arising from investment property:

	2012	2011
<b>Investment property which generated rental income</b>		
Italy	-	46
The Netherlands	29	31
Mexico	92	-
Spain	1	-
<b>Total</b>	<b>122</b>	<b>77</b>
<b>Investment property which did not generate rental income</b>		
Italy	134	116
<b>Total</b>	<b>134</b>	<b>116</b>

## 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:

	2012	2011
<b>Balance at 1 January</b>	<b>30,750</b>	<b>29,821</b>
Share of (loss)/profit	7,722	8,710
Share of other comprehensive income	(243)	-
Dividends received	(2,949)	(5,927)
Disposals	-	(1,280)
Revaluations	(11)	385
Effect of movements in foreign exchange rates	878	(959)
<b>Balance at 31 December</b>	<b>36,147</b>	<b>30,750</b>

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 167.1 million (2011: EUR 169.0 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 8.16% discount rate used (2011: 7.89%) is close to cost of equity. Based on this review, the Group has concluded that no investments should be impaired (2011: no 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 de Seguros de Crédito Continental S.A., Santiago de Chile	Chile	50.00%*	Associate	Credit insurance
Company Watch (Holdings) Ltd., London	UK	0% **	Associate	Information services
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 - liquidated 31 March 2012

\* Minus one share

\*\* 23% prior to the sale in June 2011

The following tables show summarised financial information of the Group's interest in associated companies and joint ventures:

	2012				
	Goodwill	Net assets	Carrying amount	Share of profit / (loss)	Dividends received
Graydon Holding N.V., Amsterdam	-	9,541	9,541	3,187	1,800
CLAL Credit Insurance Ltd., Tel Aviv	380	4,873	5,253	787	-
Al Mulla Atradius Insurance Consultancy & Brokerage L.L.C., Dubai	-	-	-	-	-
Compañía de Seguros de Crédito Continental S.A., Santiago de Chile	1,611	17,598	19,209	3,910	1,149
The Lebanese Credit Insurer s.a.l., Beirut	-	1,629	1,629	(190)	-
Les Assurances des Crédits Commerciaux S.A., Tunis	-	515	515	28	-
Tokio Marine Nichido and Atradius Credit Management and Co. Ltd., Tokyo	-	-	-	-	-
<b>Total</b>	<b>1,991</b>	<b>34,156</b>	<b>36,147</b>	<b>7,722</b>	<b>2,949</b>

	2011				
	Goodwill	Net assets	Carrying amount	Share of profit / (loss)	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 de Seguros de Crédito Continental S.A., Santiago de Chile	1,611	14,183	15,794	2,773	752
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)	-
<b>Total</b>	<b>1,991</b>	<b>28,759</b>	<b>30,750</b>	<b>8,710</b>	<b>5,927</b>

In June 2011, Atradius Insurance Holding N.V. sold its shares in Company Watch (Holdings) Limited ('Company Watch') back to Company Watch. The selling 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 pays back the loan in 60 monthly instalments.

The following tables show summarised financial information of the associated companies and joint ventures:

2012	Total				Result for the year
	Assets	Liabilities	Revenue	Net Assets	
Graydon Holding N.V., Amsterdam	50,785	29,583	64,474	21,202	7,082
CLAL Credit Insurance Ltd., Tel Aviv	46,150	21,783	19,899	24,367	3,936
Al Mulla Atradius Insurance Consultancy & Brokerage L.L.C., Dubai	-	-	-	-	-
Compañía de Seguros de Crédito Continental S.A., Santiago de Chile	72,778	37,583	35,916	35,195	7,820
The Lebanese Credit Insurer s.a.l., Beirut	5,714	2,383	3,822	3,331	(388)
Les Assurances des Crédits Commerciaux S.A., Tunis	5,144	3,673	1,297	1,471	80
Tokio Marine Nichido and Atradius Credit Management and Co. Ltd., Tokyo	-	-	-	-	-

2011	Total				Result for the year
	Assets	Liabilities	Revenue	Net Assets	
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	17,259	20,195	4,735
Al Mulla Atradius Insurance Consultancy & Brokerage L.L.C., Dubai	-	-	-	-	-
Compañía de Seguros de Crédito Continental S.A., Santiago de Chile	39,138	10,772	29,342	28,366	5,546
The Lebanese Credit Insurer s.a.l., Beirut	5,626	1,840	4,820	3,786	847
Les Assurances des Crédits Commerciaux S.A., Tunis	4,661	3,189	1,259	1,472	31
Tokio Marine Nichido and Atradius Credit Management and Co. Ltd., Tokyo	-	-	35	-	(72)

### Commitments and contingent liabilities

There are no commitments relating to the investments.

The following table shows the contingent liabilities relating to the investments:

	Type	Description	2012	2011
Al Mulla Atradius Insurance Consultancy & Brokerage L.L.C., Dubai	Bank guarantee	Guarantee for licences for Al Mulla	101	103

Transactions with associated companies and joint ventures are disclosed in Note 38 Related party transactions.

## 10 Financial investments

<b>Financial investments classified by measurement category and nature 2012</b>	<b>Available - for-sale</b>	<b>Fair value through profit or loss</b>	<b>Loans and receivables</b>	<b>Total</b>
Equity securities	845,250	-	-	845,250
Debt securities	731,114	5,432	-	736,546
Loans	-	-	623	623
Short-term investments	-	-	165,590	165,590
Cash held for investments	-	-	6,356	6,356
<b>Total</b>	<b>1,576,364</b>	<b>5,432</b>	<b>172,569</b>	<b>1,754,365</b>

<b>Financial investments classified by measurement category and nature 2011</b>	<b>Available - for-sale</b>	<b>Fair value through profit or loss</b>	<b>Loans and receivables</b>	<b>Total</b>
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
<b>Total</b>	<b>1,351,961</b>	<b>5,086</b>	<b>177,382</b>	<b>1,534,429</b>

Financial investments at fair value through profit or loss have been designated as such upon initial recognition.

<b>Movements in available for-sale financial investments</b>	<b>Equity securities</b>		<b>Debt securities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Balance at 1 January</b>	<b>752,409</b>	<b>647,535</b>	<b>599,552</b>	<b>512,108</b>	<b>1,351,961</b>	<b>1,159,643</b>
Additions	522,430	340,081	692,604	496,068	1,215,034	836,149
Disposals	(453,314)	(218,357)	(561,417)	(406,317)	(1,014,731)	(624,674)
Amortisation charge for the year	-	-	(10,339)	(6,774)	(10,339)	(6,774)
Revaluations through other comprehensive income	23,425	(15,061)	11,188	2,071	34,613	(12,990)
Effect of movements in foreign exchange rates	300	(1,789)	(474)	2,396	(174)	607
<b>Balance at 31 December</b>	<b>845,250</b>	<b>752,409</b>	<b>731,114</b>	<b>599,552</b>	<b>1,576,364</b>	<b>1,351,961</b>

The impairment on equity investments is EUR 0.1 million (2011: EUR 8.3 million) and EUR 0.1 million on debt investments (2011: no impairment).

**10.1 Short-term investments and cash held for investments**

	2012	2011
<b>Deposits withheld by ceding companies</b>	<b>39,317</b>	<b>28,034</b>
Within the EU	22,228	23,257
Outside the EU	17,089	4,777
<b>Bank deposits and commercial paper</b>	<b>132,629</b>	<b>148,565</b>
Within the EU	93,523	97,887
Outside the EU	39,106	50,678
<b>Total</b>	<b>171,946</b>	<b>176,599</b>

**11 Reinsurance contracts**

	2012	2011
<b>Reinsurers' share of insurance liabilities</b>		
Provision for unearned premium	133,999	137,753
Claims provisions	559,983	554,222
<b>Total</b>	<b>693,982</b>	<b>691,975</b>
Current	505,283	504,323
Non-current	188,699	187,652

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**

	2012	2011
<b>Accounts receivable on insurance and reinsurance business</b>	<b>169,174</b>	<b>172,324</b>
Amounts owed by policyholders and direct insurance operations	121,896	117,594
Receivables arising out of reinsurance	47,278	54,730
<b>Other accounts receivable</b>	<b>41,793</b>	<b>31,206</b>
<b>Total</b>	<b>210,967</b>	<b>203,530</b>

The outstanding receivables are substantially all current and consequently their fair values do not materially differ from their carrying amounts.

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 115.4 million (2011: EUR 93.5 million) relates to past due receivables on insurance and reinsurance for which no impairment loss has been recognised, out of which 58.0% (2011: 63.0%) relates to receivables ageing less than three months. The increase in the overdue receivables is due to current economic circumstances.



All receivables are considered on an individual basis for impairment testing. As of 31 December 2012, receivables of EUR 29.0 million (2011: EUR 31.2 million) were considered to be partially impaired. The amount of the impairment taken related to these receivables was EUR 19.8 million (2011: EUR 19.4 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 presented in the following table:

	2012	2011
<b>Balance at 1 January</b>	<b>19,388</b>	<b>23,362</b>
Impairment of receivables	3,625	2,015
Receivables written off during the year as uncollectable	(2,047)	(3,045)
Unused amounts reversed	(1,209)	(2,944)
<b>Balance at 31 December</b>	<b>19,757</b>	<b>19,388</b>

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

	2012	2011
<b>Balance at 1 January</b>	<b>63,664</b>	<b>59,847</b>
Change in deferred acquisition costs	8,945	3,728
Effect of movements in foreign exchange rates	(1,872)	89
<b>Balance at 31 December</b>	<b>70,737</b>	<b>63,664</b>

### 14 Miscellaneous assets and accruals

	2012	2011
Pipeline premium	249,413	212,926
Ceded return premium	31,867	28,352
Prepayments	21,188	15,704
Accrued interest	11,716	10,761
Reimbursement rights	6,126	8,180
Other	23,178	19,561
<b>Total</b>	<b>343,488</b>	<b>295,484</b>

Pipeline premium relates to shipments made by the Group's policyholders for which the Group is at risk but has not invoiced the premium.

The miscellaneous assets and accruals are substantially all current and consequently the fair values of these assets do not materially differ from their carrying amounts.

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

	2012	2011
Cash at bank and on hand	191,453	194,315
Short-term bank deposits	138	76,653
<b>Cash and cash equivalents</b>	<b>191,591</b>	<b>270,968</b>
Cash and cash equivalents	191,591	270,968
Bank overdrafts	(3,614)	(1,449)
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>187,977</b>	<b>269,519</b>

The Group manages the cash by using a cross-border cash pooling agreement. The related zero balancing and interest compensation arrangement allows 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.

The reduction in cash and cash equivalents during the year is mainly due to additional investments made by the Group in investment funds and corporate bonds.

## 16 Capital and reserves

### 16.1 Share capital

Balance at 1 January and 31 December	2012	2011
Authorised share capital	250,000	250,000
Issued and fully paid share capital	79,122	79,122

The authorised share capital of Atradius N.V. amounts to EUR 250,000,000 and is divided into 250,000,000 ordinary shares with a nominal value of EUR 1 each (2011: the same) of which 79,122,142 ordinary shares were issued and fully paid (2011: the same). The fully paid ordinary shares carry one vote per share and carry the right to dividends.

### 16.2 Share premium reserve

	2012	2011
<b>Balance at 1 January</b>	<b>844,946</b>	<b>870,265</b>
Dividends	(43,518)	(25,319)
<b>Balance at 31 December</b>	<b>801,428</b>	<b>844,946</b>

### 16.3 Revaluation reserve

	2012	2011
<b>Balance at 1 January</b>	<b>(6,829)</b>	<b>(2,205)</b>
Change in revaluation reserve – gross	33,685	(4,650)
Change in revaluation reserve – tax	(6,753)	127
Net (gains)/losses transferred to net profit on disposal – gross	1,362	(1,109)
Net (gains)/losses transferred to net profit on disposal – tax	(87)	1,008
<b>Balance at 31 December</b>	<b>21,378</b>	<b>(6,829)</b>

**16.4 Currency translation reserve**

	2012	2011
<b>Balance at 1 January</b>	<b>(22,472)</b>	<b>(22,087)</b>
Change in currency translation – gross	969	(3)
Change in currency translation – tax	(70)	(382)
<b>Balance at 31 December</b>	<b>(21,573)</b>	<b>(22,472)</b>

The Group's significant foreign currencies and sensitivity to fluctuations are set out in Note 4.3.

**16.5 Pension reserve**

	2012	2011
<b>Balance at 1 January</b>	<b>(91,807)</b>	<b>(87,210)</b>
<b>Recognised actuarial gains / (losses)</b>	<b>(65,328)</b>	<b>16,547</b>
Change in pension reserve – gross	(87,968)	24,044
Change in pension reserve – tax	22,640	(7,497)
<b>Effect of the asset ceiling</b>	<b>29,105</b>	<b>(21,144)</b>
Change in pension reserve – gross	38,634	(28,204)
Change in pension reserve – tax	(9,529)	7,060
<b>Balance at 31 December</b>	<b>(128,030)</b>	<b>(91,807)</b>

**16.6 Retained earnings**

	2012	2011
<b>Balance at 1 January</b>	<b>327,191</b>	<b>197,344</b>
Result for the year	117,278	129,847
<b>Balance at 31 December</b>	<b>444,469</b>	<b>327,191</b>

**16.7 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. The options (997,000 share options with a weighted average exercise price of EUR 17.77 per share and 265,000 nil-cost share options) were forfeited during 2011.

## 18 Subordinated loan

	2012	2011
<b>Balance at 1 January</b>	<b>118,085</b>	<b>117,367</b>
Accretion of interest	718	718
<b>Balance at 31 December</b>	<b>118,803</b>	<b>118,085</b>

In September 2004, Atradius Finance B.V., a subsidiary of the Company, 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.

The bonds are measured at amortised cost. As the Bonds are not actively traded in the market, the fair value estimate of the Bonds as at year-end 2012, amounting to EUR 85.4 million (2011: EUR 91.9 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 586 bps applied (2011: 475 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

	2012	2011
Retirement benefits	95,492	67,611
Other long-term employee benefits	4,880	4,204
<b>Total</b>	<b>100,372</b>	<b>71,815</b>

### 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, the United Kingdom and the Netherlands and these represent 93.1% (2011: 92.6%) of the defined benefit obligation. The other plans relate to Spain, Switzerland, Norway, Italy, Sweden, Belgium, Mexico and France. The recognition of assets and liabilities is determined separately for each plan.

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 7.3 million in 2012 (2011: EUR 6.7 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 have 519 active members (2011: 529 active members). The total calculated pension obligation of these plans at 31 December 2012 is EUR 88 million (2011: EUR 63 million). The assets of these plans at 31 December 2012 amounted to EUR 48 million (2011: EUR 42 million). Additionally, assets of EUR 13.7 million (2011: EUR 14.1 million) are recognised as part of the financial investments since in the event of bankruptcy, these assets are not fully secured to the members of the pension plans and therefore under IAS 19 cannot be recognised as pension assets.

## 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 has 236 active members (2011: 240 active members). The total calculated pension obligation of this plan at 31 December 2012 is EUR 196 million (2011: EUR 176 million). The assets of this pension plan at 31 December 2012 are EUR 163 million (2011: EUR 140 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 on 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 they 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 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 has 397 active members (2011: 426 active members). The total calculated pension obligation of this plan at 31 December 2012 is EUR 243 million (2011: EUR 167 million). The assets of this pension plan at 31 December 2012 are EUR 239 million (2011: EUR 206 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.

<b>Funded status</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Present value of defined benefit obligation	576,085	446,035	448,037	412,377	357,948
Fair value of plan assets	480,598	417,061	387,589	344,824	292,684
<b>Pension commitments less plan assets</b>	<b>95,487</b>	<b>28,974</b>	<b>60,448</b>	<b>67,553</b>	<b>65,264</b>
Effect of the asset ceiling	5	38,637	10,433	9	201
<b>Deficit/(surplus) at 31 December</b>	<b>95,492</b>	<b>67,611</b>	<b>70,881</b>	<b>67,562</b>	<b>65,465</b>
Experience (gain)/loss on plan liabilities	(2,047)	(2,665)	(10,264)	(2,437)	(2,265)
Experience (gain)/loss on plan assets	(23,184)	4,382	(10,899)	(9,638)	62,362
Experience (gain)/loss on reimbursement rights	154	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).

In 2012, actuarial losses of EUR 111.0 million (2011: gain of EUR 28.7 million) were recognised in the defined benefit obligation, mainly due to a significant decrease of 200 bps in the discount rates in Germany, The Netherlands and Spain.

The Dutch pension plan consists in 2012 of a net pension liability of EUR 3.6 million while in 2011 there was a net pension asset of EUR 38.6 million. The existing asset ceiling in 2011 has been fully absorbed by the increase in the pension obligation. The change in the effect of the asset ceiling is recognised in other comprehensive income decreasing the pension reserve in equity (see Note 16).

The defined benefit plans in Spain are partially 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 for an amount of EUR 6.1 million (2011: EUR 8.2 million). The related defined benefit obligation is included in this section and amounts to EUR 16.7 million (2011: EUR 12.5 million).

Changes in the present value of the defined benefit obligation are presented in the following table:

	2012	2011
<b>Balance at 1 January</b>	<b>446,035</b>	<b>448,037</b>
Employer service cost	8,257	9,624
Plan participants' contributions	2,039	1,932
Interest cost	22,899	23,421
Actuarial losses/(gains)	110,998	(28,687)
Curtailments	(384)	-
Benefits paid	(18,457)	(13,732)
Effect of movements in foreign exchange rates	4,698	5,440
<b>Balance at 31 December</b>	<b>576,085</b>	<b>446,035</b>

Changes in the fair value of plan assets are presented in the following table:

	2012	2011
<b>Balance at 1 January</b>	<b>417,061</b>	<b>387,589</b>
Expected return on assets	24,355	20,518
Actuarial gains/(losses)	23,184	(4,382)
Employer contributions	28,443	20,353
Plan participants' contributions	2,039	1,932
Benefits paid	(18,218)	(13,431)
Effect of movements in foreign exchange rates	3,734	4,482
<b>Balance at 31 December</b>	<b>480,598</b>	<b>417,061</b>

The fair value of plan assets at the end of the reporting period is analysed in the following table:

	2012	2011
Equity securities	169,533	138,702
Debt securities	269,704	240,425
Investment property	10,512	16,913
Other	30,849	21,021
<b>Total</b>	<b>480,598</b>	<b>417,061</b>

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 47.5 million (2011: EUR 16.1 million).

The Group expects to contribute approximately EUR 17.1 million to the defined benefit plans in 2013.

The principal assumptions used for the purpose of the actuarial valuations of the three main defined benefit plans are presented in the following table:

Principal actuarial assumptions	United Kingdom		Germany		The Netherlands	
	2012	2011	2012	2011	2012	2011
Discount rate	4.75%	5.00%	3.50%	5.50%	3.50%	5.50%
Expected return on plan assets	4.75%	5.80%	6.00%	6.00%	3.75%	5.90%
Expected increase of future salaries	4.00%	4.25%	3.05%	3.05%	2.00%	2.00%
Expected increase of future benefit levels	3.00%	3.00%	1.75%	1.75%	1.00%	1.00%
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 "Prognosetafel 2012- 2062" + loading for experience mortality	AG "Prognosetafel 2010- 2060" + loading for experience mortality

### 19.2 Other long-term employee benefits

	2012	2011
Early retirement	1,677	1,586
Jubilee	2,558	1,907
Other	645	711
<b>Total</b>	<b>4,880</b>	<b>4,204</b>

### 19.3 Defined benefit costs

Expenses and return on assets recorded in the income statement: (gains) and losses	2012	2011
Current service cost (net of participant contributions)	8,777	11,784
Interest cost	23,035	23,552
Actuarial losses / (gains)	775	(155)
Expected return on plan assets and reimbursement rights	(24,702)	(21,402)
Cost of settlements, curtailments and termination benefits	(436)	-
Other	-	55
<b>Total</b>	<b>7,449</b>	<b>13,834</b>

Expenses related to pensions are recorded under net operating expenses in the income statement (see Note 29).

### 19.4 Termination benefits

The termination benefits are included in the restructuring provisions (see Note 21).



## 20 Insurance contracts

Credit insurance	Reinsurance			Reinsurance		
	Gross	Asset	Net	Gross	Asset	Net
	2012			2011		
Claims reported and loss adjustment expenses	311,264	(175,895)	135,369	278,827	(161,565)	117,262
Claims incurred but not reported	549,564	(243,697)	305,867	560,325	(245,223)	315,102
<b>Claims provisions</b>	<b>860,828</b>	<b>(419,592)</b>	<b>441,236</b>	<b>839,152</b>	<b>(406,788)</b>	<b>432,364</b>
Unearned premium	285,062	(83,801)	201,261	279,823	(87,189)	192,634
<b>Total</b>	<b>1,145,890</b>	<b>(503,393)</b>	<b>642,497</b>	<b>1,118,975</b>	<b>(493,977)</b>	<b>624,998</b>
<b>Bonding</b>						
Claims reported and loss adjustment expenses	226,282	(131,576)	94,706	222,938	(135,551)	87,387
Claims incurred but not reported	64,661	(8,815)	55,846	58,150	(11,883)	46,267
<b>Claims provisions</b>	<b>290,943</b>	<b>(140,391)</b>	<b>150,552</b>	<b>281,088</b>	<b>(147,434)</b>	<b>133,654</b>
Unearned premium	155,950	(50,198)	105,752	149,222	(50,564)	98,658
<b>Total</b>	<b>446,893</b>	<b>(190,589)</b>	<b>256,304</b>	<b>430,310</b>	<b>(197,998)</b>	<b>232,312</b>
<b>Total insurance contracts</b>	<b>1,592,783</b>	<b>(693,982)</b>	<b>898,801</b>	<b>1,549,285</b>	<b>(691,975)</b>	<b>857,310</b>
Current	1,159,693	(505,283)	654,410	1,129,145	(504,323)	624,822
Non-current	433,090	(188,699)	244,391	420,140	(187,652)	232,488

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 2012 amount to EUR 567.8 million (2011: EUR 612.1 million).

## 20.1 Claims development tables

The claims development tables provide an overview of how the Group's estimate of claims provisions for underwriting years 2003-2012 has changed at successive financial year-ends. 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 2012. Underwriting year here means the year in which the risks were accepted; for reinsurance business it is the treaty year.

### Credit Insurance – Gross

#### Claims development per underwriting year – (EUR million)

Year when risk was taken	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	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	809.6	
one year later	632.8	611.0	702.7	769.9	1,050.7	1,992.9	644.8	500.3	694.4		
two years later	650.6	607.0	689.2	744.4	1,069.4	2,116.2	620.6	451.2			
three years later	645.1	606.1	672.6	742.9	1,081.1	2,122.5	592.0				
four years later	618.8	596.3	669.5	738.5	1,084.9	2,136.2					
five years later	617.5	598.4	663.7	743.0	1,094.0						
six years later	612.3	593.9	661.8	738.0							
seven years later	604.8	589.4	658.1								
eight years later	604.7	587.3									
nine years later	602.0										
Current estimate of cumulative claims	602.0	587.3	658.1	738.0	1,094.0	2,136.2	592.0	451.2	694.4	809.6	8,362.8
Cumulative payments to date	599.8	585.7	656.0	735.8	1,086.7	2,103.9	592.8	432.2	555.5	171.8	7,520.2
Claims provision at 31 December 2012 in respect of 2003 - 2012	2.2	1.6	2.1	2.2	7.3	32.3	(0.8)	19.0	138.9	637.8	842.6
In respect of prior years (before 2003)											18.2
<b>Total</b>											<b>860.8</b>

The estimate of ultimate claim costs includes the losses that have been recognised in the income statement, but excludes the impact of losses from risks 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 reinsurance business and instalment credit protection. The premium earned for underwriting years 2009-2011 in the current financial year was EUR 69.9 million.

Both frequency and severity of claims for underwriting year 2009, 2010 and 2011 have developed more favourably than assumed at year-end 2011. For underwriting years 2003 - 2006, recovery inflow is more positive than previously anticipated. The main drivers of the adverse development on the 2007 and 2008 underwriting years arise from one case (the impact of which during 2012 on underwriting year 2007 was EUR 4 million, and on underwriting year 2008 EUR 15 million), the recognition of claims for which the premium is earned during the year, and adverse development on recoveries for Crédito y Caución.

**Credit Insurance – Net****Claims development per underwriting year – (EUR million)**

<b>Year when risk was taken</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>Total</b>
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	428.6	
one year later	277.3	281.8	393.1	427.2	593.8	1,131.7	372.8	284.6	388.6		
two years later	284.3	279.8	404.7	413.2	606.6	1,207.2	349.8	253.6			
three years later	282.0	293.0	393.3	412.2	612.7	1,211.1	314.4				
four years later	290.6	286.3	392.2	406.2	615.6	1,213.8					
five years later	291.0	287.1	386.3	410.7	622.8						
six years later	287.9	283.8	385.8	406.8							
seven years later	282.7	281.9	383.1								
eight years later	284.7	280.0									
nine years later	282.6										
Current estimate of cumulative claims	282.6	280.0	383.1	406.8	622.8	1,213.8	314.4	253.6	388.6	428.6	4,574.3
Cumulative payments to date	281.3	279.4	382.5	407.0	620.6	1,203.8	322.7	250.6	310.8	84.8	4,143.5
Claims provision at 31 December 2012 in respect of 2003 – 2012	1.3	0.6	0.6	(0.2)	2.2	10.0	(8.3)	3.0	77.8	343.8	430.8
In respect of prior years (before 2003)											10.4
<b>Total</b>											<b>441.2</b>

The Group has a reinsurance programme consisting of both quota share and excess of loss treaties that covers most of the direct insurance business. For underwriting years 2003 to 2012, no events in any of those years have resulted in losses of a sufficient size to prompt recovery from the excess of loss cover on the main treaties. Movements arising on these contracts follow the same pattern as the gross movements.

The table above includes 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 2012 the Group's expected payback obligation under this arrangement decreased from EUR 24.2 million to EUR 9.2 million.

**Bonding – Gross****Claims development per underwriting year – (EUR million)**

<b>Year when risk was taken</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>Total</b>
<u>Estimate of gross claims incurred:</u>											
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	19.0	
one year later	41.4	37.1	9.6	8.5	25.6	33.2	22.1	25.7	48.8		
two years later	61.5	39.8	17.8	21.6	29.2	38.8	30.7	36.4			
three years later	67.2	42.9	24.4	24.5	34.0	45.6	34.8				
four years later	67.6	49.3	22.9	27.8	30.1	49.3					
five years later	78.5	45.5	21.8	21.6	29.3						
six years later	84.3	46.2	20.9	22.1							
seven years later	99.6	46.4	22.1								
eight years later	96.7	42.4									
nine years later	96.9										
Current estimate of cumulative claims	96.9	42.4	22.1	22.1	29.3	49.3	34.8	36.4	48.8	19.0	401.1
Cumulative payments to date	51.3	33.3	14.8	18.9	22.3	27.3	13.5	10.0	19.1	2.9	213.4
Claims provision at 31 December 2012 in respect of 2003 – 2012	45.6	9.1	7.3	3.2	7.0	22.0	21.3	26.4	29.7	16.1	187.7
In respect of prior years (before 2003)											103.2
<b>Total</b>											<b>290.9</b>

The estimate of ultimate claim costs does not include an estimate for future claim payments on cases where the Group does not yet have adverse information. This explains the increase in estimate of ultimate claim costs over time. For bonding, the Group typically earns premium, in proportion to the length of time involved, over the tenor of the bond, meaning that while an increase in the claims incurred can be seen, premium will also be recognised and this can not be seen in the table above. The premium earned for underwriting years 2009–2011 in the current financial year was EUR 50.9 million.

As described in Note 4.2.7, 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 – (EUR million)**

<b>Year when risk was taken</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>Total</b>
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	14.3	
one year later	18.5	6.2	4.5	4.1	18.4	25.0	17.2	21.7	36.7		
two years later	25.9	10.4	6.9	12.6	17.9	28.9	22.5	30.0			
three years later	28.0	14.0	12.4	14.3	21.5	34.5	26.0				
four years later	24.9	18.5	11.8	15.9	16.9	37.2					
five years later	28.5	15.8	10.0	11.6	17.3						
six years later	30.5	17.7	9.4	12.0							
seven years later	37.3	16.9	10.1								
eight years later	36.8	15.9									
nine years later	36.9										
Current estimate of cumulative claims	36.9	15.9	10.1	12.0	17.3	37.2	26.0	30.0	36.7	14.3	236.4
Cumulative payments to date	22.2	12.9	7.3	10.7	14.7	19.7	9.2	8.2	13.8	1.7	120.4
Claims provision at 31 December 2012 in respect of 2003 – 2012	14.7	3.0	2.8	1.3	2.6	17.5	16.8	21.8	22.9	12.6	116.0
In respect of prior years (before 2003)											34.6
<b>Total</b>											<b>150.6</b>

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
	2012			2011		
<b>Balance at 1 January</b>	<b>839,152</b>	<b>(406,788)</b>	<b>432,364</b>	<b>607,598</b>	<b>(308,976)</b>	<b>298,622</b>
Claims paid in the year	(662,563)	327,379	(335,184)	(459,048)	216,245	(242,803)
Increase/(decrease) in liabilities arising from claims	689,822	(340,412)	349,410	679,089	(309,157)	369,932
Foreign exchange rate and other movements	(5,583)	229	(5,354)	11,513	(4,900)	6,613
<b>Balance at 31 December</b>	<b>860,828</b>	<b>(419,592)</b>	<b>441,236</b>	<b>839,152</b>	<b>(406,788)</b>	<b>432,364</b>
Claims reported and loss adjustment expenses	311,264	(175,895)	135,369	278,827	(161,565)	117,262
Incurred but not reported	549,564	(243,697)	305,867	560,325	(245,223)	315,102
<b>Total</b>	<b>860,828</b>	<b>(419,592)</b>	<b>441,236</b>	<b>839,152</b>	<b>(406,788)</b>	<b>432,364</b>
<b>Bonding</b>						
<b>Balance at 1 January</b>	<b>281,088</b>	<b>(147,434)</b>	<b>133,654</b>	<b>285,058</b>	<b>(159,998)</b>	<b>125,060</b>
Claims paid in the year	(52,991)	19,394	(33,597)	(34,749)	14,944	(19,805)
Increase/(decrease) in liabilities arising from claims	62,879	(12,265)	50,614	30,644	(2,418)	28,226
Foreign exchange rate and other movements	(33)	(86)	(119)	135	38	173
<b>Balance at 31 December</b>	<b>290,943</b>	<b>(140,391)</b>	<b>150,552</b>	<b>281,088</b>	<b>(147,434)</b>	<b>133,654</b>
Claims reported and loss adjustment expenses	226,282	(131,576)	94,706	222,938	(135,551)	87,387
Incurred but not reported	64,661	(8,815)	55,846	58,150	(11,883)	46,267
<b>Total</b>	<b>290,943</b>	<b>(140,391)</b>	<b>150,552</b>	<b>281,088</b>	<b>(147,434)</b>	<b>133,654</b>
<b>Claims provisions</b>	<b>1,151,771</b>	<b>(559,983)</b>	<b>591,788</b>	<b>1,120,240</b>	<b>(554,222)</b>	<b>566,018</b>

**20.2.2 Unearned premium**

<b>Credit insurance</b>	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>
	<b>2012</b>			<b>2011</b>		
<b>Balance at 1 January</b>	<b>279,823</b>	<b>(87,189)</b>	<b>192,634</b>	<b>282,094</b>	<b>(90,991)</b>	<b>191,103</b>
Movement in the period	10,146	(2,449)	7,697	(3,733)	8,334	4,601
Foreign exchange rate and other movements	(4,907)	5,837	930	1,462	(4,532)	(3,070)
<b>Balance at 31 December</b>	<b>285,062</b>	<b>(83,801)</b>	<b>201,261</b>	<b>279,823</b>	<b>(87,189)</b>	<b>192,634</b>
<b>Bonding</b>						
<b>Balance at 1 January</b>	<b>149,222</b>	<b>(50,564)</b>	<b>98,658</b>	<b>137,096</b>	<b>(46,669)</b>	<b>90,427</b>
Movement in the period	7,283	671	7,954	13,452	(3,836)	9,616
Foreign exchange and rate other movements	(555)	(305)	(860)	(1,326)	(59)	(1,385)
<b>Balance at 31 December</b>	<b>155,950</b>	<b>(50,198)</b>	<b>105,752</b>	<b>149,222</b>	<b>(50,564)</b>	<b>98,658</b>
<b>Total provision for unearned premium</b>	<b>441,012</b>	<b>(133,999)</b>	<b>307,013</b>	<b>429,045</b>	<b>(137,753)</b>	<b>291,292</b>

**20.3 Government schemes**

During the credit crisis of 2008, 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 participated in both types of schemes and where necessary had 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.

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.



The impact of these government schemes on the Group's income statement is presented in the following table:

	2012	2011
Net premium earned	69	115
Net insurance claims	14,962	11,188
Other income	110	417
<b>Total gain/(loss)</b>	<b>15,141</b>	<b>11,720</b>

## 21 Provisions

The non-underwriting provisions developed as presented in the following table:

2012	Restructuring	Onerous contracts	Litigation	Total
<b>Balance at 1 January</b>	<b>4,775</b>	<b>174</b>	<b>2,153</b>	<b>7,102</b>
Additional provisions	224	-	232	456
Unused amounts reversed	(486)	-	(66)	(552)
Utilised	(661)	(59)	(75)	(795)
Effect of movements in foreign exchange rates	(3)	4	-	1
<b>Balance at 31 December</b>	<b>3,849</b>	<b>119</b>	<b>2,244</b>	<b>6,212</b>
Current	1,741	51	-	1,792
Non-current	2,108	68	2,244	4,420

2011	Restructuring	Onerous contracts	Litigation	Total
<b>Balance at 1 January</b>	<b>10,512</b>	<b>569</b>	<b>13,212</b>	<b>24,293</b>
Additional provisions	-	-	611	611
Unused amounts reversed	(497)	(234)	(1,705)	(2,436)
Utilised	(5,238)	(159)	(9,965)	(15,362)
Effect of movements in foreign exchange rates	(2)	(2)	-	(4)
<b>Balance at 31 December</b>	<b>4,775</b>	<b>174</b>	<b>2,153</b>	<b>7,102</b>
Current	2,406	65	-	2,471
Non-current	2,369	109	2,153	4,631

### 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. For most positions payments have already been made. As at 31 December 2012, the restructuring provision comprises termination benefits of EUR 3.8 million for the remaining 39 positions of which 21 employees are still part of the workforce accounting for EUR 2.2 million of the closing provision while the rest relates to the deferred payment for 18 employees who have already left the workforce.

**Onerous contracts**

The provision for onerous contracts represents the future lease payments that the Group is presently obliged 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 use 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. The lease contracts will expire during 2015.

**Litigation**

The litigation provision is related to disputes with third parties that are not related to the insurance business of the Group and for which separate provisions are set up as part of the provisions for outstanding claims.

The provision relates to the estimated cost including the costs of legal proceedings of any non insurance claims against the Group. The use in 2011 relates to the settlement with the Spanish tax authorities concerning tax filings for the years 1989-1993.

These provisions have not been discounted to reflect present value since the effect of discounting is not deemed material.

**22 Deferred and current income tax****Current income tax**

	2012	2011
Current income tax assets	18,672	38,289
Current income tax liabilities	11,330	23,977
<b>Total</b>	<b>7,342</b>	<b>14,312</b>

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 taxes payable.

**Deferred income tax**

	2012	2011
Deferred income tax assets before set-off	126,347	144,551
Set-off of deferred tax positions	(12,961)	(9,679)
<b>Net deferred tax assets as presented in the statement of financial position</b>	<b>113,386</b>	<b>134,872</b>
Deferred income tax liabilities before set-off	123,909	146,347
Set-off of deferred tax positions	(12,961)	(9,679)
<b>Net deferred tax liabilities as presented in the statement of financial position</b>	<b>110,948</b>	<b>136,668</b>

The gross movement on the deferred income tax is presented in the following table:

	2012	2011
<b>Balance at 1 January</b>	<b>(1,796)</b>	<b>8,182</b>
Charge (credit) to other comprehensive income for the year	8,362	(305)
Charge (credit) to the income statement for the year	(4,007)	(10,158)
Effect of movements in foreign exchange rates	(121)	485
<b>Balance at 31 December</b>	<b>2,438</b>	<b>(1,796)</b>

The movement in the deferred tax assets is further detailed in the following table:

**Deferred income tax assets before set-off**

2012	Financial Invest- ments	Tax losses carried forward	Technical balances	Pensions	Fiscal goodwill	Allowance accounts receivable	Other	Total
<b>Balance at 1 January</b>	<b>3,793</b>	<b>33,171</b>	<b>36,906</b>	<b>17,114</b>	<b>25,718</b>	<b>7,017</b>	<b>20,832</b>	<b>144,551</b>
Recognised in other comprehensive income for the year	(1,039)	-	-	8,441	-	-	-	7,402
Recognised in the income statement for the year	(596)	(1,780)	(11,903)	(633)	(2,514)	(1,346)	(7,653)	(26,425)
Effect of movements in foreign exchange rates	192	320	(984)	263	12	(3)	1,019	819
<b>Balance at 31 December</b>	<b>2,350</b>	<b>31,711</b>	<b>24,019</b>	<b>25,185</b>	<b>23,216</b>	<b>5,668</b>	<b>14,198</b>	<b>126,347</b>

2011	Financial Invest- ments	Tax losses carried forward	Technical balances	Pensions	Fiscal goodwill	Allowance accounts receivable	Other	Total
<b>Balance at 1 January</b>	<b>4,795</b>	<b>31,903</b>	<b>42,007</b>	<b>19,651</b>	<b>25,481</b>	<b>7,078</b>	<b>12,709</b>	<b>143,624</b>
Recognised in other comprehensive income for the year	556	-	-	(1,072)	-	-	-	(516)
Recognised in 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 rates	3	305	(406)	296	(5)	-	(73)	120
<b>Balance at 31 December</b>	<b>3,793</b>	<b>33,171</b>	<b>36,906</b>	<b>17,114</b>	<b>25,718</b>	<b>7,017</b>	<b>20,832</b>	<b>144,551</b>

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, until 2011 losses of the foreign branches could 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 changed: 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, amongst other things, for tax losses carried forward and the fiscal goodwill resulting from the legal restructuring that took place during 2004/2005 (mainly in Italy and Germany) to the extent that the realisation of the related tax benefit through the future taxable profits is likely to occur. In 2012, EUR 4.6 million deferred tax assets on the losses carried forward were written down (2011: EUR 0.8 million). The fiscal goodwill is amortised over a period of 15 years (Germany) or 18 years (Italy).

The expiration of these unrecognised tax losses carried forward is included in the following table:

<b>Expiration unrecognised tax losses carried forward</b>	<b>2012</b>	<b>2011</b>
1 – 3 years	(7,704)	(7,826)
4 – 9 years	(3,836)	(3,714)
Indefinite	(17,205)	(13,444)
<b>Total</b>	<b>(28,745)</b>	<b>(24,984)</b>

The Group has unrecognised tax losses carried forward balances amounting to EUR 28.7 million (2011: EUR 25.0 million).

The increase of unrecognised tax losses is mainly due to the writing down of deferred tax assets on the losses carried forward mentioned above.

The movement in the deferred tax liabilities is presented in the following table:

#### Deferred income tax liabilities before set-off

2012	Financial Invest- ments	Technical balances	Pensions	Equalisation provisions	Other	Total
<b>Balance at 1 January</b>	<b>(4,567)</b>	<b>(28,341)</b>	<b>(1,273)</b>	<b>(66,130)</b>	<b>(46,036)</b>	<b>(146,347)</b>
Recognised in other comprehensive income for the year	(3,710)	-	4,670	-	-	960
Recognised in the income statement for the year	1,597	14,530	(3,367)	14,469	(4,811)	22,418
Effect of movements in foreign exchange rates	41	(140)	(30)	(643)	(168)	(940)
<b>Balance at 31 December</b>	<b>(6,639)</b>	<b>(13,951)</b>	<b>-</b>	<b>(52,304)</b>	<b>(51,015)</b>	<b>(123,909)</b>
<b>2011</b>						
	Financial investments	Technical balances	Pensions	Equalisation provisions	Other	Total
<b>Balance at 1 January</b>	<b>(4,777)</b>	<b>(22,215)</b>	<b>(2,833)</b>	<b>(66,428)</b>	<b>(39,189)</b>	<b>(135,442)</b>
Recognised in other comprehensive income for the year	(424)	-	635	-	-	211
Recognised in the income statement for the year	617	(5,936)	881	(41)	(7,002)	(11,481)
Effect of movements in foreign exchange rates	17	(190)	44	339	155	365
<b>Balance at 31 December</b>	<b>(4,567)</b>	<b>(28,341)</b>	<b>(1,273)</b>	<b>(66,130)</b>	<b>(46,036)</b>	<b>(146,347)</b>

The deferred income tax charged or credited to other comprehensive income during the year is presented in the following table:

	2012	2011
Revaluation reserve in shareholders' equity:		
Available-for-sale financial investments	(4,749)	132
Pension reserve:		
Unrealised actuarial gains and losses	22,640	(7,497)
Asset ceiling	(9,529)	7,060
<b>Total</b>	<b>8,362</b>	<b>(305)</b>

The current income tax credited to other comprehensive income during the year is presented in the following table:

	2012	2011
Revaluation reserve in shareholders' equity:		
Available-for-sale financial investments	(2,091)	1,003
Currency translation reserve in shareholders' equity:		
Current taxes on currency translation reserve	(70)	(382)

## 23 Payables

	2012	2011
<b>Accounts payable on insurance and reinsurance business</b>	<b>171,490</b>	<b>137,933</b>
Payables arising out of reinsurance operations	64,171	64,667
Amounts due to policyholders	78,402	59,667
Amounts due to intermediaries	13,618	12,677
Current account Dutch state	15,299	922
<b>Trade and other accounts payable</b>	<b>34,083</b>	<b>33,153</b>
Accounts payable	27,101	22,871
Other accounts payable	6,982	10,282
<b>Total</b>	<b>205,573</b>	<b>171,086</b>

The payables arising out of reinsurance include an amount of EUR 9.2 million (2011: EUR 24.2 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

	2012	2011
Ceded pipeline premium	77,982	66,701
Return premium	70,007	58,518
Deposits received from reinsurers	55,573	67,994
Reinsurance accruals	43,608	33,821
Other accruals	42,808	39,408
Unearned reinsurance commission	39,080	34,798
Payroll and bonus accruals	36,699	36,177
IPT and stamp duties payable	11,807	11,832
Other taxes	10,083	6,839
Interest payable	2,308	2,904
Sundry creditors	899	1,258
<b>Total</b>	<b>390,854</b>	<b>360,250</b>

Other liabilities are substantially all current.

## 25 Net premium earned

Credit insurance	Gross	Reinsurers'	Net	Gross	Reinsurers'	Net
		share			share	
		2012			2011	
Written premium	1,301,995	(607,425)	694,570	1,258,680	(582,675)	676,005
Change in provision for unearned premium	(10,146)	2,449	(7,697)	3,733	(8,334)	(4,601)
Other movements	(1,768)	829	(939)	2,638	(1,275)	1,363
<b>Total</b>	<b>1,290,081</b>	<b>(604,147)</b>	<b>685,934</b>	<b>1,265,051</b>	<b>(592,284)</b>	<b>672,767</b>
<b>Bonding</b>						
Written premium	157,022	(48,757)	108,265	151,623	(47,219)	104,404
Change in provision for unearned premium	(7,283)	(671)	(7,954)	(13,452)	3,836	(9,616)
Other movements	27	(7)	20	137	(108)	29
<b>Total</b>	<b>149,766</b>	<b>(49,435)</b>	<b>100,331</b>	<b>138,308</b>	<b>(43,491)</b>	<b>94,817</b>
<b>Total premium earned</b>	<b>1,439,847</b>	<b>(653,582)</b>	<b>786,265</b>	<b>1,403,359</b>	<b>(635,775)</b>	<b>767,584</b>

## 26 Service and other income

	2012	2011
Collections and recovery services	38,338	34,997
Information services and fees	107,474	101,250
Other service income	15,972	14,213
<b>Total</b>	<b>161,784</b>	<b>150,460</b>

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

<b>Net investment income by type of investment</b>	<b>2012</b>	<b>2011</b>
<b>Income</b>		
Debt securities available-for-sale	13,977	17,137
Debt securities at fair value through profit or loss	367	320
Loans	11	22
Equity securities available-for-sale	16,008	13,941
Derivatives	-	-
Other investments	2,006	4,178
<b>Total income from financial investments</b>	<b>32,369</b>	<b>35,598</b>
Investment property	1,837	1,933
<b>Total investment income</b>	<b>34,206</b>	<b>37,531</b>
<b>Expenses</b>		
Debt securities available-for-sale	(2,662)	(339)
Debt securities at fair value through profit or loss	-	(2,782)
Equity securities available-for-sale	(6,872)	(10,364)
Derivatives	-	(2)
Handling expenses	(1,571)	(1,201)
<b>Total expenses from financial investments</b>	<b>(11,105)</b>	<b>(14,688)</b>
Investment property	(482)	(449)
<b>Total investment expenses</b>	<b>(11,587)</b>	<b>(15,137)</b>
<b>Net income from investments</b>	<b>22,619</b>	<b>22,394</b>
Share of income of associated companies and joint ventures	7,722	8,710
<b>Net income from investments including associated companies and joint ventures</b>	<b>30,341</b>	<b>31,104</b>
<b>Net investment income by nature of income/(expense)</b>	<b>2012</b>	<b>2011</b>
<b>Income</b>		
Interest	11,417	16,209
Dividends	12,005	13,154
Realised gains	9,898	7,621
Unrealised gains	357	-
Rental income from investment property	529	547
<b>Total</b>	<b>34,206</b>	<b>37,531</b>
<b>Expenses</b>		
Handling expenses	(1,570)	(1,201)
Realised losses	(9,418)	(5,030)
Unrealised losses	-	(127)
Impairment loss	(447)	(8,545)
Depreciation of investment property	(152)	(234)
<b>Total</b>	<b>(11,587)</b>	<b>(15,137)</b>
<b>Net income from investments</b>	<b>22,619</b>	<b>22,394</b>
Share of income of associated companies and joint ventures	7,722	8,710
<b>Net income from investments including associated companies and joint ventures</b>	<b>30,341</b>	<b>31,104</b>



In the interest income and expenses reported above, the component related to financial investments available-for-sale is net EUR 9.4 million (2011: EUR 12.0 million). This net income is derived from government and corporate bonds.

Net gains/(losses) by type of investment	Impairments		Realised gains/(losses)	
	2012	2011	2012	2011
Investment property	(330)	(205)	1,308	1,376
Debt securities	(51)	-	1,975	2,453
Equity securities	(66)	(8,340)	(2,803)	(1,236)
Derivatives	-	-	-	(2)
<b>Total</b>	<b>(447)</b>	<b>(8,545)</b>	<b>480</b>	<b>2,591</b>

Net gains/(losses) by category				
	2012	2011	2012	2011
Investment property	(330)	(205)	1,308	1,376
Financial assets classified as available-for-sale	(117)	(8,340)	(838)	1,109
Financial assets classified as at fair value through profit or loss	-	-	10	106
<b>Total</b>	<b>(447)</b>	<b>(8,545)</b>	<b>480</b>	<b>2,591</b>

## 28 Insurance claims

Credit insurance	Gross	Reinsurers' share		Gross	Reinsurers' share	
		2012	Net		2011	Net
Claims paid in the year	662,563	(327,379)	335,184	459,048	(216,245)	242,803
Change in claims provisions	27,259	(13,033)	14,226	220,041	(92,912)	127,129
Claims handling expenses	33,528	-	33,528	33,367	-	33,367
<b>Total</b>	<b>723,350</b>	<b>(340,412)</b>	<b>382,938</b>	<b>712,456</b>	<b>(309,157)</b>	<b>403,299</b>

Bonding						
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Claims paid in the year	52,991	(19,394)	33,597	34,749	(14,944)	19,805
Change in claims provisions	9,888	7,129	17,017	(4,105)	12,526	8,421
Claims handling expenses	1,821	-	1,821	1,734	-	1,734
<b>Total</b>	<b>64,700</b>	<b>(12,265)</b>	<b>52,435</b>	<b>32,378</b>	<b>(2,418)</b>	<b>29,960</b>

<b>Total insurance claims</b>	<b>788,050</b>	<b>(352,677)</b>	<b>435,373</b>	<b>744,834</b>	<b>(311,575)</b>	<b>433,259</b>
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For more detail on the changes in claims provisions, see Note 20.2.1.

## 29 Net operating expenses

	2012	2011
Total administrative expenses	409,623	407,713
Gross acquisition costs	190,421	178,699
Gross change in deferred acquisition costs	(8,945)	(3,728)
Gross operating expenses	591,099	582,684
Commissions received for business ceded to reinsurers	(206,257)	(231,606)
<b>Total net operating expenses</b>	<b>384,842</b>	<b>351,078</b>
<b>Administrative expenses by type of business</b>	<b>2012</b>	<b>2011</b>
Insurance and information expenses	383,185	379,814
Recoveries and collections expenses	43,206	43,977
Other service expenses	9,503	10,366
Group costs	9,078	8,657
Total gross administrative expenses	444,972	442,814
Claims handling expenses allocated to net claims charges	(35,349)	(35,101)
<b>Total administrative expenses</b>	<b>409,623</b>	<b>407,713</b>
<b>Administrative expenses by nature</b>	<b>2012</b>	<b>2011</b>
Employee benefit expenses (see table below)	264,702	264,356
Travelling and company cars	13,201	13,247
Information technology	34,108	37,363
Housing and office expenses	37,923	38,453
Other expenses	95,038	89,395
Total gross administrative expenses	444,972	442,814
Claims handling expenses allocated to net claims charges	(35,349)	(35,101)
<b>Total administrative expenses</b>	<b>409,623</b>	<b>407,713</b>

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 24.6 million (2011: EUR 25.7 million).

	2012	2011
<b>Employee benefit expenses</b>		
Salaries and wages	211,625	207,117
Restructuring costs and termination benefits	(262)	(441)
Social security costs	38,637	37,162
Pension costs – defined contribution plans	7,253	6,684
Pension costs – defined benefit plans	7,449	13,834
<b>Total employee benefit expenses</b>	<b>264,702</b>	<b>264,356</b>

For an explanation of the employee benefit details see Note 19.

### 30 Finance income and expenses

	2012	2011
Interest and fees paid on the subordinated loan	7,771	7,771
Other interest income	(2,248)	(2,178)
Foreign exchange (income)/expense	(3,504)	(874)
<b>Total finance (income)/expense</b>	<b>2,019</b>	<b>4,719</b>

The subordinated loan costs include the periodic interest expenses of EUR 7.0 million (2011: EUR 7.0 million) and the accretion of interest on the loan in the amount of EUR 0.7 million (2011: EUR 0.7 million).

The foreign currency exchange gain mainly consists of EUR 4.8 million unrealised gains on monetary items partially offset by EUR 1.3 million transaction losses (2011: EUR 1.9 million unrealised gains and EUR 1.0 million transaction losses respectively).

### 31 Income tax

	2012	2011
Current tax	34,885	20,098
Deferred tax	4,007	10,158
<b>Total</b>	<b>38,892</b>	<b>30,256</b>

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 in the following table:

	2012	2011
<b>Result before tax:</b>	<b>156,156</b>	<b>160,092</b>
Tax calculated at domestic tax rates applicable to results in the respective countries	34,033	38,611
Tax exempt income	(1,649)	(2,843)
Write down (reversal) of deferred tax assets	3,625	(3,591)
Reassessment of prior year local tax positions	(5,320)	695
Other	8,203	(2,616)
<b>Income tax expense/(income) for the year</b>	<b>38,892</b>	<b>30,256</b>

The weighted average applicable tax rate was 21.8% (2011: 24.1%).

In 2012 deferred tax assets relating to losses carried forward in certain entities were written down. This is included in 'write down (reversal) of deferred tax assets'.

Other differences in 2012 mainly relate to tax expenses resulting from the re-recognition of the deferred tax liabilities in the Netherlands for the recapture of losses of foreign branches deducted from Dutch taxable income in prior years (EUR 4.5 million), non-deductible expenses (EUR 0.4 million), and the effect of changes in income tax rates in the UK and Sweden. The benefit in other differences in 2011 mainly related to the recognition of a deferred tax asset for amortisation for tax purposes of goodwill on the transfer of business within the Group.

## 32 Earnings and dividends per share

Basic earnings per share	2012	2011
Result attributable to the equity holders of the Company	117,278	129,847
Weighted average number of ordinary shares in issue	79,122,142	79,122,142
Earnings per share (in Euro)	1.48	1.64

Basic earnings per share are calculated by 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.

### Dividend per share

The dividend paid in 2012 was EUR 43.5 million (2011: EUR 25.3 million), EUR 0.55 per share (2011: EUR 0.32 per share).

## 33 Assets not freely disposable

Assets that are not freely disposable consist of financial investments and cash that have been held mainly for local regulatory purposes and can be used to cover technical provisions. The amount of pledged financial assets not covering technical provisions is EUR 53.5 million. The financial assets not freely disposable are presented in the following table:

	2012	2011
Debt securities	106,966	114,861
Equity securities	5,113	4,097
Short-term investments	108,298	100,342
<b>Total</b>	<b>220,377</b>	<b>219,300</b>

There are no terms and conditions relating to the assets not freely disposable represented in the above table which are individually significant.

## 34 Contingencies

	2012	2011
Banco Popular Español	-	1,972
BBV Central	695	181
Export Finance and Insurance Corporation	2,996	2,993
Banco Español de Crédito	1,130	1,130
Dun & Bradstreet Inc.	955	974
Hochtief Projektentwicklung GmbH	529	529
Other (mainly rent and payroll related)	358	1,835
<b>Total</b>	<b>6,663</b>	<b>9,614</b>

Most of the amounts stated above are contingencies relating to bank guarantees. Some of these guarantees are related to lease contracts. The rental contract period of the different leased buildings is between 5 and 20 years.

## 35 Capital commitments

	2012	2011
Other financial obligations	44,149	28,582
<b>Total</b>	<b>44,149</b>	<b>28,582</b>

Other financial obligations include contracted obligations for future payments related to outsourcing, networking, imaging and licences.

## 36 Operating leases

Non cancellable operating lease commitments:

	2012	2011
Less than one year	20,987	20,367
Between one and five years	64,127	64,732
More than five years	37,147	43,251
<b>Total</b>	<b>122,261</b>	<b>128,350</b>

The Group leases office equipment and office space under a number of operating lease agreements. The lease contracts have remaining terms of between 1 and 20 years. The leasing of office space represents around 92% (2011: 92%) of the total future payments regarding operating leases.

During the year an amount of EUR 22.3 million (2011: EUR 22.5 million) has been recognised as expense.

## 37 Personnel

The number of employees working for the Group:

	2012	2011
Total average number of employees (full-time equivalent)	3,139	3,159
Total year end number of employees (full-time equivalent)	3,143	3,149
Total year end number of employees	3,315	3,304

## 38 Related party transactions

The shareholder structure of the Company is listed in the following table:

Shareholder	Number of shares	2012		Number of shares	2011	
		Percentage of outstanding shares	Percentage of voting rights		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.	28,300,001	35.77%	35.77%	23,176,627	29.29%	29.29%
INOC, S.A.	-	0.00%	0.00%	5,123,374	6.48%	6.48%
<b>Total</b>	<b>79,122,142</b>	<b>100.00%</b>	<b>100.00%</b>	<b>79,122,142</b>	<b>100.00%</b>	<b>100.00%</b>

\* As at 31 December 2012 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:

2012	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
<b>Reinsurance</b>				
CLAL Credit Insurance Ltd., Tel Aviv	3,334	-	-	320
Compañía de Seguros de Crédito Continental S.A., Santiago de Chile	7,015	-	1,803	-
The Lebanese Credit Insurer S.A.L., Beirut	1,554	625	185	166
Les Assurances des Crédits Commerciaux S.A., Tunis	658	-	127	-
<b>Insurance (other)</b>				
Graydon Holding N.V., Netherlands	-	1,372	-	-
<b>Reinsurance programme</b>				
Seguros Catalana Occidente, S.A.	2,395	2,567	2,019	620
<b>Employee benefits</b>				
Seguros Catalana Occidente, S.A.	-	-	6,126	-
<b>2011</b>				
<b>Reinsurance</b>				
CLAL Credit Insurance Ltd., Tel Aviv	3,208	-	-	-
Compañía de Seguros de Crédito Continental S.A., Santiago de Chile	7,101	-	334	-
The Lebanese Credit Insurer S.A.L., Beirut	1,308	559	341	396
Les Assurances des Crédits Commerciaux S.A., Tunis	695	-	123	-
<b>Insurance (other)</b>				
Graydon Holding N.V., Netherlands	-	1,363	-	-
<b>Reinsurance programme</b>				
Seguros Catalana Occidente, S.A.	1,959	2,451	558	615
<b>Employee benefits</b>				
Seguros Catalana Occidente, S.A.	-	-	8,180	-

Reinsurance includes transactions with associated companies.

Sales consist of the net effect of Reinsurance business (premiums, claims, recoveries and commission) and for information services provided to the Group. Purchases 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 owed 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

Seguros Catalana Occidente, S.A. participates in the credit insurance and bonding quota share reinsurance treaty for Crédito y Caución, with 1.47% of the total cession (45%) of this treaty.

No guarantees have been provided or received for any related party receivables for 2012 or 2011. For the years ending 31 December 2012 and 2011, 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:

- 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 other identified staff. Identified staff are the members of the Management Board and other identified staff. Other identified staff are the members of the RSMB, not part of the Management Board, and other staff members that hold control positions.

On 31 December 2012, the Management Board consisted of four members (2011: four members), the Supervisory Board of eight members (2011: nine members) and other identified staff of six members (2011: six members).

Remuneration	2012	2011
<b>Management Board</b>	-	-
Short-term employee benefits <sup>1)</sup>	2,118	1,923
Long-term employee benefits	822	954
Post-employment benefits	345	338
<b>Total compensation paid to Management Board members</b>	<b>3,285</b>	<b>3,215</b>
<b>Supervisory Board</b>		
Short-term employee benefits <sup>1)</sup>	423	424
<b>Total compensation paid to Supervisory Board members</b>	<b>423</b>	<b>424</b>
<b>Other identified staff</b>	<b>2012</b>	<b>2011</b>
Short-term employee benefits <sup>1)</sup>	1,135	1,138
Long-term employee benefits	393	406
Post-employment benefits	145	136
<b>Total compensation paid to other identified staff</b>	<b>1,673</b>	<b>1,680</b>

1) Short-term employee benefits include salaries, housing, social security, medical expenses, lease cars and other. In 2012 a crisis tax was raised in the Netherlands.

From the total compensation payable to Management Board members, EUR 2.5 million (2011: 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 2012

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# Company financial statements

## Company statement of financial position (after profit appropriation)

Assets		31.12.2012	31.12.2011
	<b>Note</b>		
<b>Fixed assets</b>		<b>1,203,779</b>	<b>1,137,184</b>
Property, plant and equipment	<b>3</b>	-	10
Investments in group companies	<b>4</b>	1,203,779	1,137,174
<b>Current assets</b>		<b>11,770</b>	<b>17,354</b>
Receivables from group companies		6,288	6,681
Current income tax assets	<b>5</b>	-	6,936
Cash and cash equivalents		5,482	3,737
<b>Total</b>		<b>1,215,549</b>	<b>1,154,538</b>
<b>Equity</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>	<b>6</b>		
Share capital		79,122	79,122
Share premium reserve		940,348	1,098,716
Legal reserve participations		362,460	254,727
Retained earnings		(185,136)	(302,414)
<b>Total</b>		<b>1,196,794</b>	<b>1,130,151</b>
<b>Liabilities</b>			
<b>Provision for deferred tax liabilities</b>	<b>7</b>	<b>12,119</b>	<b>11,190</b>
<b>Current liabilities</b>		<b>6,636</b>	<b>13,197</b>
Related company borrowings	<b>8</b>	-	-
Payables to group companies		1,041	7,792
Trade and other payables		48	44
Other liabilities	<b>9</b>	4,062	5,361
Current income tax liabilities	<b>5</b>	1,485	-
<b>Total</b>		<b>18,755</b>	<b>24,387</b>
<b>Total equity and liabilities</b>		<b>1,215,549</b>	<b>1,154,538</b>

## Company income statement

	2012	2011
Income after tax from group companies	128,326	140,924
Other results after tax	(11,048)	(11,077)
<b>Result for the year</b>	<b>117,278</b>	<b>129,847</b>

## Company statement of changes in equity

	Share capital	Share premium reserve	Legal reserve participations	Retained earnings	Total
<b>Balance at 1 January 2011</b>	<b>79,122</b>	<b>1,124,035</b>	<b>239,150</b>	<b>(407,078)</b>	<b>1,035,229</b>
Change in revaluation group companies	-	-	(9,221)	-	(9,221)
Change in currency translation reserve	-	-	(385)	-	(385)
<b>Net income recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>(9,606)</b>	<b>-</b>	<b>(9,606)</b>
Result for the year	-	-	-	129,847	129,847
<b>Total recognised income and expenses for the period</b>	<b>-</b>	<b>-</b>	<b>(9,606)</b>	<b>129,847</b>	<b>120,241</b>
Change in regulatory reserve	-	-	25,183	(25,183)	-
Issue of share capital	-	-	-	-	-
Dividends	-	(25,319)	-	-	(25,319)
<b>Balance at 31 December 2011</b>	<b>79,122</b>	<b>1,098,716</b>	<b>254,727</b>	<b>(302,414)</b>	<b>1,130,151</b>
<b>Balance at 1 January 2012</b>	<b>79,122</b>	<b>1,098,716</b>	<b>254,727</b>	<b>(302,414)</b>	<b>1,130,151</b>
Change in revaluation group companies	-	-	(8,016)	-	(8,016)
Change in currency translation reserve	-	-	899	-	899
<b>Net income recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>(7,117)</b>	<b>-</b>	<b>(7,117)</b>
Result for the year	-	-	-	117,278	117,278
<b>Total recognised income and expenses for the period</b>	<b>-</b>	<b>-</b>	<b>(7,117)</b>	<b>117,278</b>	<b>110,161</b>
Change in regulatory reserve	-	(114,850)	114,850	-	-
Issue of share capital	-	-	-	-	-
Dividends	-	(43,518)	-	-	(43,518)
<b>Balance at 31 December 2012</b>	<b>79,122</b>	<b>940,348</b>	<b>362,460</b>	<b>(185,136)</b>	<b>1,196,794</b>

# 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 2012 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 2013.

## 2 Summary of significant accounting policies

### 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.

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.

### 2.3 Legal reserve participations

Legal reserve participations have to be created under Dutch legislation for the reserves established by subsidiaries that cannot be distributed.

### 3 Property, plant and equipment

Fixtures and fittings	2012	2011
<b>At cost at 1 January and 31 December</b>	150	150
Accumulated depreciation and impairments at 1 January	(140)	(130)
Depreciation charge for the year	(10)	(10)
Accumulated depreciation and impairments at 31 December	<b>(150)</b>	<b>(140)</b>
<b>Balance at 1 January</b>	<b>10</b>	<b>20</b>
<b>Balance at 31 December</b>	<b>-</b>	<b>10</b>

### 4 Investments in group companies

The following table shows the changes in investments in Group companies valued using the equity method:

	2012	2011
<b>Balance at 1 January</b>	<b>1,137,174</b>	<b>1,043,153</b>
Share of (loss) / profit	128,326	140,924
Dividends received	(55,517)	(37,297)
Revaluation reserve and pension reserve movements	(8,016)	(9,221)
Foreign exchange reserve movements	1,812	(385)
<b>Balance at 31 December</b>	<b>1,203,779</b>	<b>1,137,174</b>

### 5 Current income tax

	2012	2011
Current income tax assets	-	6,936
Current income tax liabilities	1,485	-
Total	<b>(1,485)</b>	<b>6,936</b>

### 6 Capital and reserves

#### 6.1 Share capital

<b>Balance at 1 January and 31 December</b>	2012	2011
Authorised share capital	250,000	250,000
Issued and fully paid share capital	79,122	79,122

The authorised share capital of Atradius N.V. amounts to EUR 250,000,000 and is divided into 250,000,000 ordinary shares with a nominal value of EUR 1 each ordinary shares (2011: the same) of which 79,122,142 ordinary shares were issued and fully paid (2011: the same). The fully paid ordinary shares carry one vote per share and carry the right to dividends.

## 6.2 Share premium reserve

	2012	2011
<b>Balance at 1 January</b>	<b>1,098,716</b>	<b>1,124,035</b>
Transfer between legal reserve participations and share premium reserve	(114,850)	-
Dividends	(43,518)	(25,319)
<b>Balance at 31 December</b>	<b>940,348</b>	<b>1,098,716</b>

## 6.3 Legal reserve participations

	2012	2011
<b>Balance at 1 January</b>	<b>254,727</b>	<b>239,150</b>
Change in revaluation reserve and pension reserve group companies	(8,016)	(9,221)
Change in currency translation reserve	899	(385)
Change in regulatory reserve	114,850	25,183
<b>Balance at 31 December</b>	<b>362,460</b>	<b>254,727</b>

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 in the company 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;
- based on preliminary figures, the regulatory reserve mainly consists of the equalisation provision of EUR 253.4 million (2011: EUR 165.4 million) and the required solvency of EUR 201.2 million (2011: EUR 192.2 million) which are stipulated by local insurance regulators.

In previous years, the Company has built up the regulatory reserve from its retained earnings by deducting each increase in the regulatory reserve from the retained earnings. In 2012, the Company decided to build up the regulatory reserve from the share premium reserve. Hence, the increase in regulatory reserve of EUR 114.9 million in 2012 is deducted from the share premium reserve.

The following table shows the split of the legal reserve participations at the end of the reporting period:

	2012	2011
Revaluation reserve and pension reserve group companies	(64,302)	(56,286)
Currency translation reserve	(45,717)	(46,616)
Regulatory reserve	472,479	357,629
<b>Balance at 31 December</b>	<b>362,460</b>	<b>254,727</b>

## 6.4 Retained earnings

	2012	2011
<b>Balance at 1 January</b>	<b>(302,414)</b>	<b>(407,078)</b>
Transfer between legal reserve participations and retained earnings	-	(25,183)
Result for the year	117,278	129,847
<b>Balance at 31 December</b>	<b>(185,136)</b>	<b>(302,414)</b>

## 7 Provision for deferred tax liabilities

	2012	2011
<b>Balance at 1 January</b>	<b>11,190</b>	<b>5,723</b>
Additional provisions	929	5,467
Utilised	-	-
<b>Balance at 31 December</b>	<b>12,119</b>	<b>11,190</b>

## 8 Related company borrowings

	2012	2011
<b>Balance at 1 January</b>	<b>-</b>	<b>10,341</b>
Repayment of the loan	-	(10,341)
<b>Balance at 31 December</b>	<b>-</b>	<b>-</b>

The balance at 1 January 2011 comprised one loan from its subsidiary Atradius Credit Insurance N.V. The loan has been redeemed during 2011. The interest rate was 1-year Euribor plus 50 bps.

## 9 Other liabilities

	2012	2011
Other taxes	317	287
Long-term employee benefits	1,234	2,915
Other liabilities	2,511	2,159
<b>Total</b>	<b>4,062</b>	<b>5,361</b>

## 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 to third parties in the ordinary course of business amounting to EUR 0.5 million (2011: EUR 0.6 million).

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.

The Company acts as the first priority guarantor for the guaranteed subordinated loan issued by Atradius Finance B.V. (see note 18 to the consolidated financial statements).

## 11 Personnel

The number of employees (full-time equivalents) working for the Company:

	2012	2011
Total average number of employees (full-time equivalent)	5	5
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:

2012	Deloitte Accountants B.V.	Other Deloitte Network organisations	Total Deloitte Network
Audit financial statements	984	1,347	2,331
Other audit services	127	61	188
Fiscal advisory services	-	40	40
Non-audit services	-	98	98
<b>Total</b>	<b>1,111</b>	<b>1,546</b>	<b>2,657</b>

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
<b>Total</b>	<b>1,092</b>	<b>1,766</b>	<b>2,858</b>

## 13 Remuneration of Management Board and Supervisory Board

For information on 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.

## 2. Proposed appropriation of result

The Management Board proposes to the General Meeting 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 2013

### The Supervisory Board

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

### The Management Board

Isidoro Unda  
David Capdevila  
Christian van Lint  
Andreas Tesch

# Independent auditor's report

To the General Meeting of Atradius N.V.

## Report on the financial statements

We have audited the accompanying financial statements 2012 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 per 31 December 2012, 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 per 31 December 2012, the company income statement 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 per 31 December 2012 and of its result and its cashflows 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 per 31 December 2012 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 2013  
Deloitte Accountants B.V.

Signed by: C.J. de Witt

# Financial glossary

## 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.

**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 2016. 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).



## Your contact at Atradius

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# Disclaimer

The information in the chapter “The global economic environment in 2012” 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 2012, 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	Name	Country	Ownership
African Trade Insurance Agency	Kenya	1 share	Atradius Credit Management Services B.V.	Netherlands	
Al Mulla Atradius Insurance Consultancy & Brokerage	UAE	49%	Atradius Credit Management Services (RUS) LLC	Russia	
Atradius Collections B.V.	Netherlands		Atradius Dutch State Business N.V.	Netherlands	
Canada branch	Canada		Atradius Finance B.V.	Netherlands	
Czech Republic branch	Czech Republic		Atradius Information Services B.V.	Netherlands	
Denmark branch	Denmark		Belgium branch	Belgium	
Hungary branch	Hungary		Denmark branch	Denmark	
Ireland branch	Ireland		France branch	France	
Poland branch	Poland		Germany branch	Germany	
Atradius Collections Holding B.V.	Netherlands		Ireland branch	Ireland	
Atradius Collections Limited	Hong Kong		Italy branch	Italy	
Atradius Collections Limited	United Kingdom		Japan branch	Japan	
Atradius Collections Pte. Limited	Singapore		Norway branch	Norway	
Atradius Collections Pty. Limited	Australia		Spain branch	Spain	
Atradius Collections S.A.	Belgium		Sweden branch	Sweden	
France branch	France		Switzerland branch	Switzerland	
Germany branch	Germany		United Kingdom branch	United Kingdom	
Italy branch	Italy		Atradius Insurance Holding N.V.	Netherlands	
Atradius Collections, S.A. de C.V.	Mexico		Atradius Investments Limited	Ireland	
Atradius Collections S.L.	Spain		Atradius Participations Holding B.V.	Netherlands	
Atradius Collections, Inc.	USA		Atradius Pension Trustees Ltd.	United Kingdom	
Atradius Credit Information & Consulting (Shanghai) Co.	China		Atradius Reinsurance Limited	Ireland	
Atradius Credit Insurance Agency, Inc.	USA		Atradius Seguros de Crédito, S.A.	Mexico	
Atradius Credit Insurance N.V.	Netherlands		Atradius Trade Credit Insurance, Inc.	USA	
Australia branch	Australia		CLAL Credit Insurance Ltd.	Israel	20%
Austria branch	Austria		Compañía Española de Seguros y Reaseguros de Crédito y Caución	Spain	
Belgium branch	Belgium		Portugal branch	Portugal	
Canada branch	Canada		Compania de Seguros de Crédito Continental S.A.	Chile	50%*
Czech Republic branch	Czech Republic		Crédito y Caución do Brasil Gestao de Riscos de Crédito e Servicos	Brazil	
Denmark branch	Denmark		Crédito y Caución Seguradora de Crédito à Exportação S.A.	Brazil	
Finland branch	Finland		Crédito y Caución Seguradora de Crédito e Garantias S.A.	Brazil	
France branch	France		DAP Holding N.V	Netherlands	2.37%
Germany branch	Germany		Graydon Holding N.V	Netherlands	45%
Greece branch	Greece		Iberinform Internacional S.A.u	Spain	
Hong Kong branch	Hong Kong		Iberinmobiliaria, S.A.u.	Spain	
Hungary branch	Hungary		Informes Mexico, S.A. de C.V.	Mexico	51.11%
Ireland branch	Ireland		Invercyca, S.A.u.	Spain	
Italy branch	Italy		Les Assurances des Crédits Commerciaux S.A.	Tunisia	34.99%
Japan branch	Japan		NCM (UK) Holdings Ltd.	United Kingdom	
Luxembourg branch	Luxembourg		NCM Credit Insurance Ltd.	United Kingdom	
New Zealand branch	New Zealand		NCM Teri Ltd.	United Kingdom	
Norway branch	Norway		NCM UK Agency Ltd.	United Kingdom	
Poland branch	Poland		Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden	Netherlands	0.5%
Shanghai representative office	China		PTI Credit Risk Consultancy Private Ltd.	India	
Singapore branch	Singapore		Technical Credit Insurance Consultants S.A.	Belgium	
Slovakia branch	Slovakia		The Lebanese Credit Insurer s.a.l.	Lebanon	48.9%
Spain branch	Spain				
Sweden branch	Sweden				
Switzerland branch	Switzerland				
Turkey branch	Turkey				
United Kingdom branch	United Kingdom				

\* Minus one share



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