10061693646

Atradius Credit Insurance NV
New Zealand Branch

Company Directory

Nature of Business	Trade Credit Insurance
Registered Office	Suite 7 Level 13 Forsyth Barr House 45 Johnston St Wellington
Company Number	1547417
IRD Number	88-865-499
Directors	Andreas TESCH Isidoro Francisco UNDA Christian van LINT
Branch of	Atradius Credit Insurance NV, The Netherlands
Auditor	Deloitte, Christchurch
Bankers	Bank of New Zealand
Solicitors	Morrison Kent
Business Location	Wellington

No disclosure has been made in respect of section 211(a), (e) to (h) and (j) of the Companies Act 1993 following a unanimous decision by the shareholders in accordance with Section 211(3) if the Act.

Deloitte.

Independent Auditor's Report to the Members of Atradius Credit Insurance NV – New Zealand Branch

We have audited the accompanying financial statements of Atradius Credit Insurance NV – New Zealand Branch, which comprises the statement of financial position as at 31 December 2012, the statement of comprehensive income and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information of Atradius Credit Insurance NV - New Zealand Branch during the financial year as set out on pages 4 to 28.

Directors' Responsibility for the Financial Statements

The directors of Atradius Credit Insurance NV are responsible for the preparation of financial statements that give a true and fair view in accordance with generally accepted accounting practice in New Zealand and for such internal control as the directors determine is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgement, 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 of the financial statements that give a true and fair view of the matters to which they relate, 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 the directors, as well as evaluating the overall presentation of the financial statements.

Our firm carries out other assurance engagements for Atradius Credit Insurance NV. The firm has no other relationship with or interests in Atradius Credit Insurance NV or its subsidiaries.

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

Deloitte.

Opinion

In our opinion, the financial statements of Atradius Credit Insurance NV – New Zealand Branch:

a. give a true and fair view of Atradius Credit Insurance NV – New Zealand Branch's financial position as at 31 December 2012 and of its performance for the year ended on that date; and

b. comply with generally accepted accounting practice in New Zealand

c. comply with International Financial Reporting Standards

Emphasis of Matter

Atradius Credit Insurance NV – New Zealand Branch is part of Atradius Credit Insurance NV, which is incorporated in the Netherlands. The assets of the branch are legally available for the satisfaction of debts of the entire company, not solely those appearing on the accompanying Statement of Financial Position and its debts may result in claims against assets not appearing thereon. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 December 2012:

- we have obtained all the information and explanations we have required; and
- in our opinion, proper accounting records have been kept by Atradius Credit Insurance NV – New Zealand Branch, as far as appears from our examination of those records.

Deloitte

Chartered Accountants
29 May 2013
Christchurch, New Zealand

Atradius Credit Insurance NV
New Zealand Branch

Statement of Comprehensive Income
For the Year Ended 31 December 2012
In New Zealand Dollars

	Note	2012	2011
Gross earned premium	3	3,864,228	3,905,859
Outward reinsurance of premium		(3,071,471)	(3,086,067)
Net premium revenue		792,757	819,792
Reinsurance commission		1,403,744	1,228,248
Fee income		216,429	231,033
Operating revenue		2,412,930	2,279,073
Underwriting expenses			
Gross claims expense	7	(2,099,555)	(403,456)
Reinsurance recoveries on claims	7	1,557,585	395,052
Commission costs	14	(533,608)	(574,634)
Underwriting Result		1,337,352	1,696,035
Administrative expenses	4	(799,639)	(979,416)
Other revenue/(expense)	6	141,119	(110,398)
Profit before tax	2	678,832	606,221
Taxation (expense)	8	(217,098)	(116,123)
Profit for the period		**461,734**	**490,098**
Other comprehensive income		-	-
Total Comprehensive Income for the year attributable to the members of Atradius Credit Insurance NV		**461,734**	**490,098**

The accompanying notes from an integral part of these financial statements.

Atradius Credit Insurance NV
New Zealand Branch

Statement of Changes in Equity
For the Year Ended 31 December 2012
In New Zealand Dollars

	Retained Deficit
Balance at 1 January 2011	(5,237,838)
Total Comprehensive Income	490,098
Balance at 31 December 2011	(4,747,740)
Balance at 1 January 2012	(4,747,740)
Total Comprehensive Income	461,734
Balance at 31 December 2012	(4,286,006)

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

Atradius Credit Insurance NV
New Zealand Branch

Statement of Financial Position
As at 31 December 2012
In New Zealand Dollars

	Note	2012	2011
Assets			
Cash and cash equivalents	11	859,146	258,959
Reinsurance receivables	18	3,110,556	1,709,511
Trade receivables	10	593,465	876,813
Deferred acquisition costs	14	144,864	139,360
Other investments	12	4,206,407	3,445,556
Miscellaneous assets and accruals		175,020	183,281
Withholding tax asset	8	28,576	16,695
Property, plant and equipment	9	20,584	19,317
Total Assets		**9,138,618**	**6,649,492**
Equity			
Retained Deficit	15	(4,286,006)	(4,747,740)
Total Equity		**(4,286,006)**	**(4,747,740)**
Liabilities			
Underwriting Provisions	17	3,425,548	1,769,960
Tax liability	8	138,270	-
Reinsurance payables	19	464,435	566,944
Other accounts payables	20	8,914,244	8,650,326
Misc liabilities and accruals		482,127	410,002
Total Liabilities		**13,424,624**	**11,397,232**
Total Equity and Liabilities		**9,138,618**	**6,649,492**

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

For and on behalf of the directors who authorised the issue of these financial statements.

Director Isidoro Unda
Date 27 May 2013

Director Christian Van Lint
Date 27 May 2013

Atradius Credit Insurance NV
New Zealand Branch

Statement of Cash Flows
For the Year Ended 31 December 2012
In New Zealand Dollars

	Note	2012	2011
Cash flows from operating activities			
Premium and other revenue received		4,360,125	5,534,437
Reinsurance payments		(1,770,236)	(3,345,541)
Payments to customers, suppliers and staff		(1,142,092)	(1,957,532)
Interest expense		-	(83,243)
Investment income		158,353	37,520
Tax		(228,979)	(117,704)
Net cash inflow from operating activities	27	**1,377,171**	**67,937**
Cash flows from investing activities			
Transfer of funds to head office for investment		(773,147)	(594,715)
Purchase of cash term deposit		-	(2,300,000)
Other		(3,837)	(26,021)
Cash flows from investing activities		**(776,984)**	**(2,920,736)**
Cash flows from financing activities			
Injection of cash funding from head office		-	2,300,000
Cash flows from financing activities		**-**	**2,300,000**
Net increase / (decrease) in cash		**600,187**	**(552,799)**
Cash and cash equivalents at the beginning of the year		258,959	811,758
Cash and cash equivalents at the end of the year	11	**859,146**	**258,959**

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

Notes to the financial statements

1 Significant accounting policies

Reporting Entity

Atradius Credit Insurance NV New Zealand Branch (the "Branch") is a branch of Atradius Credit Insurance NV, the Netherlands (parent company), a trade credit insurance company. The ultimate parent entity is Grupo Catalana Occidente SA, a company incorporated in Spain. The Branch was incorporated on 26 August 2004. The Branch has an office in Wellington.

Statement of Compliance and Basis of Presentation

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZIFRS), and other applicable Financial Reporting Standards as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards. The Branch is a profit-oriented entity and is a reporting entity for the purpose of the Financial Reporting Act 1993 and its financial statements comply with that Act.

The financial statements are presented in New Zealand Dollars (NZD), the functional currency of the Branch. The financial statements are prepared on the historical cost basis except for the investments (New Zealand Government stock holdings), which are stated at fair value.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Going Concern

The financial statements have been prepared on a going concern basis, the validity of which depends upon the continued financial support of Atradius Credit Insurance NV. During the year the branch reported a profit of $461,734 (2011: profit $490,098) and has a retained deficit of $4,286,006 (2011: deficit $4,747,740).

The Branch is part of Atradius Credit Insurance NV, which is incorporated in the Netherlands. The assets of the Branch are legally available for the satisfaction of debts of the entire company, not solely those appearing on the accompanying statement of financial position and it's debts may result in claims against assets not appearing thereon. This entity has confirmed that its policy is to ensure that the Branch is in a position to meet its disclosed obligations as and when those obligations fall due.

Premium Revenue

Premium revenue comprises amounts charged to policyholders. Premiums are brought to account from the date of attachment of risk and are earned over the period of the indemnity in accordance with the pattern of incidence of risk.

Unearned premium is determined by apportioning premiums over the effective periods of risk underwritten. They are calculated on a monthly pro-rata basis.

1 Significant accounting policies (continued)

Fee Income

Fee revenue is from services provided in relation to the trade credit insurance product and is recognised in the period the services are provided.

Acquisition (Commission) Costs

Deferred acquisition costs represent the proportion of acquisition costs (primarily commissions) attributable to unearned premiums. Deferred acquisition costs are measured at the lower of cost or recoverable amount. These costs are amortised in proportion to premiums over the estimated lives of the policies.

Outwards Reinsurance

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received.

Reinsurance Commission

Reinsurance commission is earned with respect to outwards reinsurance and is recognised as income.

Claims Outstanding

Claims expense and a liability for outstanding claims are recognised in respect of all insurance business. The liability for claims outstanding includes an estimate in respect of incurred but not reported claims, a risk margin and the anticipated direct and indirect costs of settling those claims.

Liability Adequacy Test

At each balance date, a liability adequacy test is performed to determine if the underwriting provisions are adequate. If a shortfall is identified the deferred acquisition cost is written down with a corresponding charge to the Statement of Comprehensive Income.
If additional liability is required this shall be recognised in the Statement of Financial Position as an unexpired risk liability.

Premium Receivables

All premium receivables are stated at their net realisable value. Known losses are written off against income in the period in which they become evident.

1 Significant accounting policies (continued)

Reinsurance Recoveries

Reinsurance recoveries are with respect to claims paid and claims liabilities at balance date. These recoveries are recognised as revenue.

Reinsurance Receivables

Reinsurance and other recoveries receivable on incurred but not reported claims are recognised as revenue. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims.

Property, Plant and Equipment

Owned assets
The Branch owns no land or buildings. Items of plant and equipment are stated at cost, less accumulated depreciation and impairment losses.

Depreciation
All depreciation is charged to the Statement of Comprehensive Income. Depreciation is calculated using the straight line method to allocate their cost or revalued amounts, net of any residual amounts, over their useful lives. The assets' useful lives are reviewed and adjusted if appropriate at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if it is considered that the carrying amount is greater than its recoverable amount. The following rates have been used (see note 9).

Office furniture	18% - 40% diminishing value
Fixture fittings and equipment	9% - 24% diminishing value

The residual value of assets is reassessed annually.

Investments

All investments are recorded at fair value with fair value changes recorded through the Statement of Comprehensive Income.

All assets of the branch are held to back insurance liabilities and are designated at fair value through profit or loss upon initial recognition, in accordance with the provisions of NZ IFRS 4 Appendix D. The measurement of general insurance liabilities under NZ IFRS 4 Appendix D incorporates current information; measuring the financial assets backing these general insurance liabilities at fair value eliminates or significantly reduces a potential measurement inconsistency which would arise if the assets were classified as available for sale or measured at amortised cost.

Notes to the financial statements

1 Significant accounting policies (continued)

Trade and Other Receivables

Trade and other receivables are stated at their cost less impairment losses. There have been no impairment losses.

Impairment

The carrying amounts of the Branch's assets are reviewed at each balance date to determine whether there is any indication of impairment. If such indication exists, the assets recoverable amount is estimated.

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the Statement of Comprehensive Income.

Estimated recoverable amount of receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at their original effective interest rate. Receivables with a short duration are not discounted.

Other impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount.

Trade and Other Payables

Trade and other payables are stated at cost.

Sublease Income

Income from sub-leased property is recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

1 Significant accounting policies (continued)

Expenses

Operating lease payments

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Net Financing Costs

Net financing costs comprise of interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, and fair value changes on investments and foreign exchange gains and losses. Interest income is recognised in the Statement of Comprehensive Income statement as it accrues, using the effective interest method.

Foreign Currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance date are translated to NZD at the foreign exchange rate at that date. Foreign exchange differences arising on their translation are recognised in the Statement of Comprehensive Income.

Taxation

(i) Current tax
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

(ii) Deferred tax
Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities settled, based on the tax rates enacted or substantively enacted for each jurisdiction. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences or unused tax losses can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of the other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Goods and Services Tax

Revenue, expenses and assets are recognised net of any goods and services tax (GST).

Notes to the financial statements

In New Zealand Dollars

1 <u>Significant accounting policies (continued)</u>

Statement cash flows

For the purpose of the statement of cash flows, cash is cash in bank available for use. The following terms are used in the statement of cash flows;

- operating activities are the principal revenue producing activities of the Branch;
- investing activities comprise longer term deposits held in accordance with New Zealand regulations and investments held on behalf of the Branch by Head Office; and
- financing activities are principally monies contributed by Head Office.

Segment Information

The Branch operates in one segment being Trade Credit Insurance.

Critical Accounting Judgements and Estimates

The Branch makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas where critical accounting estimates are applied are with regard both outstanding claim cases. and with regards statistical methods applied to other cases. The statistical methods are based on key variable factors being: the speed which customers submit claims, the expected average claim size and the expected fraction of cases that do not lead to a payment. The methodology is discussed in more detail in note 17.

Impact of Amendments to NZ IFRS

Standards, amendments and interpretations to existing standards that are not yet effective have not been early adopted by the Branch.

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Branch's accounting periods beginning after 1 January 2013 or later periods, and the Branch has not early adopted them. The Branch expects to adopt the following new standards on 1 January after the effective date.

- NZ IFRS 9 'Financial Instruments' (effective from 1 January 2015). The standard partly replaces NZ IAS 39 and introduces requirements for classifying and measuring financial assets and liabilities. The Branch is in the process of evaluating the potential effect of this standard.

- NZ IFRS 13 'Fair value measurement' (effective from 1 January 2013). The standard replaces the guidance on fair value measurement in existing IFRS literature with a single standard. The standard is not expected to have a material impact on the financial statements.

1 Significant accounting policies (continued)

Impact of Amendments to NZ IFRS (continued)

- NZ IFRS 10 'Consolidated Financial statements' (effective from 1 January 2013). The standard requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in NZ IAS 27 Consolidated and Separate Financial Statements. The standard is not expected to have an impact on the financial statements.

- NZ IFRS 12 'Disclosure of Interests in Other Entities' (effective from 1 January 2013). The standard requires extensive disclosure of information that enables users of the financial statements to evaluate the nature of, and risks associated with, interests in other entities. The Branch is in the process of evaluating the potential effect of this standard.

Standards, amendments and interpretations to existing standards effective 2012 or early adopted by the Branch.

The Branch has adopted the following new and amended IFRS's as of 1 January 2012:

- NZ IAS 24, 'Related party disclosures' (effective from 1 January 2011). The revised standard amends the definition of a related party. The revised standard has not resulted in any additional disclosures.

- FRS 44, 'New Zealand additional disclosures' (effective from 1 July 2011). This amends multiple standards to harmonise NZ IFRS with IFRS and Australian Accounting Standards. The amendments have not had a material impact on the financial statements.

- Improvements to NZ IFRS 2010 includes various amendments effective for periods beginning on or after 1 January 2011. The amendments have not had a material impact on the financial statements.

Atradius Credit Insurance NV
New Zealand Branch

Notes to the financial statements

In New Zealand Dollars

2 Profit before tax

	Note	2012	2011
Underwriting Result		1,337,352	1,696,035
Administrative expenses		(799,639)	(979,416)
Other (expense)/revenue	6	141,119	(110,398)
Profit Before Tax		**678,832**	**606,221**

3 Premium Revenue

	2012	2011
Premium invoiced	3,887,332	4,062,074
Movement in unearned premium balance	(23,104)	(156,215)
Gross Earned premium	**3,864,228**	**3,905,859**

4 Administrative expenses

	Note	2012	2011
Group Overhead Costs		(440,595)	(515,021)
Personnel Expenses		(201,941)	(134,641)
Lease Payments		(43,420)	(64,754)
Consultancy		(65,142)	(27,600)
Communication Cost		(8,514)	(17,774)
Travel Cost		(18,458)	(13,024)
Marketing Cost		(3,652)	(3,178)
Depreciation Cost	9	(1,515)	(1,434)
Other Expenses		(16,402)	(201,990)
Total Administrative Expenses		**(799,639)**	**(979,416)**

5 Operating Expenses include the following:

	2012	2011
Deloitte Audit Fees	22,032	27,214
Other firms' professional advice	65,142	28,175
	87,174	55,389

6 Other revenue/(expense)

	Note	2012	2011
Interest Income		158,353	37,520
Interest expense		-	(83,243)
Fair value Change in Investments		(13,354)	(6,598)
Foreign Exchange (Loss)/Gain		(3,880)	(58,077)
Total other revenue	2	**141,119**	**(110,398)**

Notes to the financial statements

In New Zealand Dollars

7 Claims and Loss Adjustment Expenses

	Gross 2012	Reinsurance 2012	Gross 2011	Reinsurance 2011
Claims provision at 1 January	951,516	(803,134)	1,198,464	(922,620)
Claims and Claims handling expenses Settled in the year	(467,071)	363,719	(650,404)	504,061
Foreign Exchange Loss on Reinsurance Asset	-	-	-	10,477
Total Gross Claims Expense	2,099,555	(1,557,585)	403,456	(395,052)
Claims provision at 31 December (note 17)	**2,584,000**	**(1,997,000)**	**951,516**	**(803,134)**

8 Taxation

	Note	2012	2011
Income Tax expense			
Income tax recognised in Statement of Comprehensive Income			
Current taxation		206,509	116,123
Deferred taxation		10,589	-
Income tax expense for the year		217,098	116,123
Reconciliation of effective tax rate			
Profit before tax	2	678,832	606,221
Income Tax using company tax rate at 28%		190,073	169,742
Non-Deductible Expenses/(Income)		86,910	(9,072)
Utilisation of tax losses		(75,484)	(160,670)
Prior year adjustment/ other taxes		15,599	116,123
Income tax expense		**217,098**	**116,123**

As at 31 December 2011 total tax losses carried forward was $269,585. These were not recognized as it was not certain that they would be utilised in the future. All these losses were utilised during 2012 and there are no losses to carry forward as at 31 December 2012.

Atradius Credit Insurance NV
New Zealand Branch

Notes to the financial statements

In New Zealand Dollars

8 (continued)

Income tax assets and liabilities	**2012**	**2011**
Income tax recognised in the Statement of Financial Position		
Withholding tax receivable	28,576	16,695
Corporation tax payable	127,681	-
Deferred tax liability in respect of timing differences	10,589	-
Tax liability	138,270	-

	2011	**(Charge)/credit to income**	**2012**
Deferred tax asset			
Provision for bad debts	5,251	(4,756)	495
Provision for employee bonuses	4,384	1,468	5,852
Accruals	12,867	12,617	25,484
	22,502	9,329	31,831
Impairment of tax asset	(22,502)	22,502	-
Total deferred tax asset	-	31,831	31,831
Deferred tax liability			
Deferred acquisition costs	-	(40,562)	(40,562)
Other	-	(1,860)	(1,860)
	-	**(42,422)**	**(42,422)**
Net deferred tax	-	(10,589)	(10,589)

Notes to the financial statements

In New Zealand Dollars

9 Property, Plant and Equipment

2012	Cost	Current Year Depreciation	Accumulated Depreciation	Carrying Value
Computer Hardware	101,895	155	99,267	2,628
Fixtures and Fittings	44,218	1,360	26,262	17,956
Total	**146,113**	**1,515**	**125,529**	**20,584**

2011	Cost	Current Year Depreciation	Accumulated Depreciation	Carrying Value
Computer Hardware	99,112	74	99,112	-
Fixtures and Fittings	44,219	1,360	24,902	19,317
Total	**143,331**	**1,434**	**124,014**	**19,317**

10 Trade and Other Receivables

	2012	2011
Trade Receivables and Pre-payments	589,523	866,268
Other Trade Receivables	3,942	10,545
	593,465	**876,813**

Trade receivables are current assets, all under 90 days old except for $31,950 which has an allowance for doubtful debts of $7,866 against it (2011:$74,668).

11 Cash and Cash Equivalents

	2012	2011
Bank Balances	859,146	258,959
	859,146	**258,959**

12 Other Investments

	2012	2011
Government bond	537,545	550,841
Term deposit	2,300,000	2,300,000
Investment held by Head office	1,368,862	594,715
	4,206,407	**3,445,556**

13 Financial Instruments

Financial Assets are classified in one of the following categories at initial recognition:

- Loans and receivables; or
- Fair value through profit or loss

Loans and Receivables
Assets in this category are measured initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method. Financial assets classified as loans and receivables include:

- Reinsurance receivables;
- Trade receivables;
- Investments held by Head Office; and
- Cash

Fair Value through Profit or Loss
Financial assets are measured at fair value with movements recognised in the Statement of Comprehensive Income. Interest is recognised on an amortised cost basis in the Statement of Comprehensive Income using the effective interest method. Fair value movements have been calculated taking this into account. Financial assets classified at fair value through profit or loss are:

- Government bonds which are at Level 2 in the fair value hierarchy under NZ IFRS7

Credit risk - financial instruments which potentially subject the Branch to a concentration of credit risk consist principally of cash, receivables and Government bonds. The Branch does not require collateral or other security to support financial instruments with credit risk and as such, no collateral exists for any of the investments held by the Branch. The maximum credit risk exposure is the carrying amount of the individual assets.

Interest rate risk – other than the Government bond, the Branch has no significant exposure to interest rate risk.

Notes to the financial statements

In New Zealand Dollars

Liquidity risk - liquidity risk is the risk that the Branch will not be able to meet its cash outflows or refinance debt obligations, as they fall due, because of lack of liquid assets or access to funding on acceptable terms. To mitigate financing and liquidity risk the Branch maintains sufficient liquid assets to ensure that it can meet its obligations and cash outflows on a timely basis.

Financial liabilities are expected to be settled within one year. An exception is the balance payable to head office being Atradius Credit Insurance NV. The majority of this balance is capital in nature and therefore is not expected to be repaid whilst the branch remains operational.

All liabilities except approximately 15% of the gross claims provision are denominated in New Zealand dollars therefore are not subject to foreign currency fluctuations.The portion of the claims provision in foreign currency is reinsured so any exchange rate fluctuates would have an immaterial effect on the results. There is no interest charged on the liabilities therefore there is no exposure to changes in interest rates."

14	Deferred acquisition costs	2012	2011
	Balance at 1 January	139,360	101,147
	Acquisition costs paid during the year	539,112	334,127
	Current period amortisation /(deferral)	(533,608)	(574,634)
	Balance at 31 December	**144,864**	**139,360**

15	Capital and reserves	2012	2011
	Retained Deficit - Opening Balance	(4,747,740)	(5,237,838)
	Net Profit	461,734	490,098
	Closing Balance	**(4,286,006)**	**(4,747,740)**

16	Operating Leases Non cancellable operating Leases rentals have the following future commitments:	2012	2011
	Less than one year	7,800	17,043
	Between one and five Years	-	-
		7,800	17,043

In New Zealand Dollars

17	Underwriting Provisions	2012	2011
	Unearned Premium		
	2012		818,444
	2013	841,548	-
	Total unearned premium	**841,548**	**818,444**
	Provision for Future claims reported		
	Underwriting Year 2001		-
	Underwriting Year 2003		-
	Underwriting Year 2004		-
	Underwriting Year 2005		7,474
	Underwriting Year 2006		-
	Underwriting Year 2007		-
	Underwriting Year 2008	78,000	1,317
	Underwriting Year 2009	4,090	16,174
	Underwriting Year 2010	4,260	23,999
	Underwriting Year 2011	1,257,650	36,302
	Underwriting Year 2012	173,000	
	Total provision for future claims reported	1,517,000	85,266
	Provision for Future claims incurred but not yet reported		
	Underwriting Year 2001		-
	Underwriting Year 2003		-
	Underwriting Year 2004		-
	Underwriting Year 2005		-
	Underwriting Year 2006		-
	Underwriting Year 2007		-
	Underwriting Year 2008		-
	Underwriting Year 2009	14,300	22,383
	Underwriting Year 2010	68,800	65,025
	Underwriting Year 2011	149,900	778,842
	Underwriting Year 2012	834,000	-
	Total provision for future claims incurred but not yet reported	1,067,000	866,250
	Total Future Claims Provision	2,584,000	951,516
	Total Underwriting Provisions	**3,425,548**	**1,769,960**

Notes to the financial statements

In New Zealand Dollars

Underwriting Provisions

Underwriting provisions comprise both future benefits to be received from premium currently written but deferred to future periods and currently estimated claims to be paid in future periods.

Provision for Future Claims

The outstanding claims provision reflects the estimation of future payments relating to claims incurred at the reporting date. The expected future payments include those in relation to claims reported but not yet paid and claims incurred but not yet reported.

The valuation of outstanding claims liabilities has been undertaken by the appointed actuary: Brett Gould of KPMG Actuarial Pty Ltd (KPMG). He is a Fellow of the New Zealand Society of Actuaries. The actuarial assessments are in accordance with the standards of the New Zealand Society of Actuaries.

The appointed actuary was satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability. The valuation comprised both individually reserved claims and aggregate statistical methods. The statistical methods considered the historical claims experience, which include loss ratios, the number and value of non payment notifications and resolution experience for non-solvencies and insolvencies.

Large claims are assessed separately, on a case by case basis. The IBNR is calculated based on the statistical analysis of historical experiences discussed above, which assumes that development patterns will be consistent with past experience appropriate for project future claim payments.

The key assumptions in the estimation of outstanding claims liabilities include the speed with which customers submit claims, as measured from the moment that the insured shipment took place, the expected average claim payment for these claims and the expected fraction of cases that do not lead to a payment. These three parameters are amongst those reviewed annually, and they are adjusted as is required based on the statistical evidence available at the time, any significant changes in the operating and business environment, as well as professional judgement.

The expected fraction of cases that do not lead to a payment is referred to as a resolution rate. The resolution rates assumed range between 57% and 84% depending upon the cause of loss and the age of the notification of non-payment received. The average resolution rate has been stable for a number of years at around 70%.

Claims handling expenses have been incorporated as an allowance for the future cost of administrating claims arising from the payment of future claims. Direct claims handling expenses are assumed to be 4% of claim payments net of reinsurance and indirect claims handling costs are provided at 2%.

A risk margin has been included to allow for uncertainties in respect of the estimation of insurance liabilities. These uncertainties may arise from the inherent variability in claims experience, the differences between the valuation models and the insurance process which it approximates, and the variances between the current and future environments for example the economic, legal, political and social environment. To determine the appropriate risk margin the appointed actuary has performed analysis of the variability in historical data, considered industry benchmarks and applied judgement in selecting assumptions. A risk margin of 26.1% has been used in the calculation of the outstanding claims liability and is intended to provide an adequacy to the 75th percentile.

The impact of any changes in assumptions used in calculating the liability valuation, if there were any, would largely be offset by a corresponding change in the respective reinsurance recoveries. Therefore no sensitivity analysis has been provided.

Claims liabilities are determined only by the invoiced amounts upon which the claim is based and is not subject to any claims inflation after the invoice date thus. Therefore no allowance has been included for inflation.

The claims liabilities have been discounted using the risk free rates as at 31 December 2012 which was derived using interpolation from the yields published by the Reserve Bank of New Zealand. The discount rate selected is a flat rate of 2.64% based on the expected duration of the outstanding liabilities.

The present value of expected cash flows for future claims including a risk margin for the company is $2,584,000 comprising central estimate of $2,073,000 (2011: 825,252) and a 26.1% risk margin of $511,000 (2011:$126,264).

Uncertainty about this amount and timing of claims payments is typically resolved within one year.

Liability Adequacy Test

The conduct of the liability adequacy test as at 31 December 2012 identified a surplus.

The test is based on prospective information and so is dependent on assumptions and judgments. It does not appear that any reasonable possible changes in the key assumptions on which the calculations are based would result in a deficiency being recognised at 31 December 2012.

Insurance Contract Risk Management

A key risk is the exposure to insurance risk arising from underwriting of credit insurance contracts. The insurance contracts transfer risks to the insurer by indemnifying the policyholders against adverse affects arising from the occurrence of specified uncertain events. Risk management activities can be separated into underwriting, claims management, reserving, and investment management. The objective of these risk management functions is to enhance the longer term financial performance of the overall insurance operations and to ensure capital and solvency requirements are met.

The frequency and severity of claims is affected by several factors. These include all factors that affect credit risk in general. Thus the status of the economy is a major driver for frequency and severity of claims. The Branch's business processes are designed to effectively manage the impact of many risk factors that affect frequency and severity of claims. Its affect may vary by country and sector. For trade credit risk, the behaviour of customers may affect the frequency and severity of claims as well, for instance through risks inherent to their business activities and their risk management practices. Specific events (e.g. natural disasters) may impact on frequency and severity of claims. But so do structural changes in the economy (e.g. easier access to markets to producers in low cost countries). The specific events or structural changes which are relevant in this respect will vary over time.

These insurance risks are controlled by underwriting procedures and adequate premium rates and policy charges.

Acceptance of risk – Access to our broad worldwide database of company information allows us to thoroughly analyse risk before acceptance. Analysis of risk considers a variety of factors including industry, geographical location and financial strength.

Pricing – Many years experience enables the underwriters to calculate acceptable pricing and acceptable terms and conditions of cover.

Claims management – Claims are handled separately to the underwriting by the claims department. Settling authorities are delegated according to level of experience to ensure adequate review of the claims assessment. Claims are managed to ensure timely and correct payment in accordance with policy conditions. Claims experience is reviewed regularly and appropriate actuarial reserves are established.

Notes to the financial statements

In New Zealand Dollars

Reinsurance – Risks underwritten are reinsured in order to limit exposure to losses, stabilise earnings, protect capital resources and ensure efficient control and spread the risk underwritten.

Atradius Credit Insurance maintains quota share reinsurance and excess of loss treaties with Atradius Reinsurance of Dublin, Republic of Ireland and with a panel of third party reinsurers. The treaties cover the lines of business, scope of cover, territorial scope, and maximum limit/exposure.

Reinsurance is placed with companies based on an evaluation of financial strength of the reinsurers, terms of coverage, and price. The financial position of reinsurers is monitored on an ongoing basis and periodically reviewed to ensure the reinsurers ability to fulfil their obligations to the Branch under respective existing and future reinsurance contracts. All the reinsurers have a rating of at least Moody's A3.

The Moody's rating for Atradius Credit Insurance and Atradius Re is A3. The A.M. Best rating is A (Excellent).

Investment management – To ensure liquidity, all investments are held in bonds and short term deposits.

Concentration of insurance risk - Analysis and monitoring of claims and credit limit data is done regularly to effectively deal with concentration by various sectors including industry, geographic location and customer.

The process before approval of credit limits to customers takes into account the risks associated with these and other sectors.

Foreign Currency Risk - The risk that the company will incur losses through exposure to foreign exchange movements is minor. There is exposure to AUD and USD bank accounts which are however managed to maintain low balances so such exposure is minimal.

Whilst the reinsurance contracts for underwriting years prior to 2010 were in EUROs they are now in NZD. The exposure to years prior to 2010 would be with respect to the claims provision for that period for which the reinsured share is NZD73,000.

18	**Reinsurance Receivables**	**2012**	**2011**
	Atradius Re, Ireland	1,640,851	535,608
	3rd Party Reinsurance Receivables	1,469,705	1,173,903
		3,110,556	**1,709,511**

Reinsurance receivables comprise in the main the reinsured share of the underwriting provisions.

In New Zealand Dollars

19 Reinsurance and Insurance Payables

	2012	2011
Atradius Re, Ireland	135,622	230,093
3rd Party Reinsurers	328,813	336,851
	464,435	**566,944**

Reinsurance Payables are settled monthly and do not accrue interest.

20 Other Accounts Payables

	2012	2011
Payroll Liabilities	20,900	14,830
Other Accounts Payable	362,584	229,068
Atradius Credit Insurance NV, Netherlands	8,530,760	8,406,428
	8,914,244	**8,650,326**

Inter-company account balances are payable on demand and do not accrue interest.

21 Identity of Related Parties

Notes 18, 19 and 20 identify the balances with related parties with whom the Branch has transacted with over the period. Those related parties are Atradius Re and Atradius Credit Insurance NV.

Material related party transactions

- The Branch maintains a quota share reinsurance treaty arranged via a broker which includes 21 treaty partners. Atradius Re-Insurance of Dublin deemed to be a related party. Re-insurance transactions have occurred with this related party during the period. Refer notes 18 and 19.
- Atradius Credit Insurance NV Amsterdam charged the Branch group overhead charges during the period of: $432,941 (2011: $480,623).
- All other intercompany balances relate to the net-shared services charges (Information Technology charges) which for 2012 was a charge of $7,654 (2011: $32,270)

All related party receivable balances are considered receivable in full.

Notes to the financial statements

In New Zealand Dollars

22 Capital Commitments

There are no capital commitments (2011: None).

23 Contingent Assets & Liabilities

Atradius Credit Insurance is party to a letter of credit from the Bank of New Zealand for the sum of $32,500 to cover payroll direct credits (2011: $32,500).

24 Credit Rating

The Insurance Companies (Ratings and Inspections) Act 1994 requires that Insurance companies that provide general insurance and disaster insurance written in New Zealand must be rated by an approved ratings agency. The approved ratings agencies are Standard & Poors or A.M. Best & Co.

The above requirement is not mandatory for trade credit insurance. Atradius Credit Insurance NV (New Zealand Branch) has elected not to be rated.

25 Solvency requirements

The Branch has a provisional licence under the Insurance (Prudential Supervision) Act 2010. Under this Act, the branch will be subject to new solvency requirements issued by the Reserve Bank of New Zealand. The new solvency requirements which apply under the new prudential supervision regime have been met both by ACI NV and the branch.

Being a global company Atradius complies with capital requirements in each regulatory regime.

26 Subsequent Events

There have been no events subsequent to balance date which require disclosure in these accounts

27 Reconciliation of Profit for the period to Net cash flows from operating activities

	Note	2012	2011
Profit		461,734	490,098
Non cash items			
Depreciation		1,515	1,434
Unrealised movement in investments		13,354	6,598
		14,869	8,032
Movement in working capital			
Trade receivables		283,348	(225,755)
Deferred acquisition costs		(5,504)	(38,213)
Reinsurance receivable		(1,401,045)	84,893
Other		8,262	(121,307)
Tax		(11,881)	(1,581)
Underwriting Provisions		1,655,588	(90,732)
Reinsurance payables		(102,509)	135,579
Other payables		402,184	(234,577)
Other NC payables		72,125	61,500
Net cash flow from operating activities		**1,377,171**	**67,937**

VAN DOORNE N.V.
60009694

I, Sanne Elizabeth Hermans, candidate civil-law notary, acting as deputy of Daan ter Braak, civil-law notary in Amsterdam, hereby certify that the attached photocopy - after having been compared with the original document - is a true copy of the document, shown to me, which has been returned to the interested party, such in accordance with article 49 paragraph 3 of the Dutch Notaries Act (*Wet op het notarisambt)*.

Amsterdam, 17 April 2013.

mr. D. ter Braak
notaris te Amsterdam

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Atradius Credit Insurance N.V. Annual report 2012

Contents

Report of the Management Board

Report of the Management Board

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 Credit Insurance N.V. 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. Throughout this report, Atradius Credit Insurance N.V. is referred to as 'the Company', and Atradius N.V. together with its subsidiaries is referred to as 'the Atradius Group'.

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, the Company 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, Special Products, 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 the Company.

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 programme throughout the Atradius Group 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 the Atradius Group, including the Company, 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 our ultimate parent company Grupo Catalana Occidente S.A. (and by association the Atradius Group, including the Company) 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

Revenue

Insurance revenue [1)]

Insurance revenue increased by 5.3% to EUR 874.7 million. This growth is a result of an increased number of new customers and record customer retention, rising insured shipments, a combination of increased earned premium resulting from continued economic recovery in some of our core markets and growth in emerging markets, partly offset by lower information income. Our Global, Special Products, Asia and Bonding business units achieved significant insurance revenue growth compared to last year, while our revenue has also benefited from the positive effect of exchange rate movements. In 2011 an amount of EUR 8.2 million was recognised as additional information service income, due to the transfer of the information services business from the Atradius Credit Insurance branches in Norway and Denmark to other Atradius Group entities.

Claims development

The gross claims ratio, based on insurance revenue, rose to 43.4% from 37.3% in 2011, but remained within healthy margins. The Company saw an increase in claims in Italy, France and The Netherlands, amongst others: mainly in our local and Bonding business operations. Claims costs rose by 22.5 reflecting economic uncertainties.

Operating expenses

The gross technical expense ratio ended the year at 35.3%, an improvement of 0.9 percentage points over 2011. Gross operating expenses were 2.4% higher than in 2011 (EUR 308.5 million compared to EUR 301.2 million). Net operating expenses increased from EUR 41.9 million in 2011 to EUR 79.6 million due to a decrease in reinsurance commission income.

Net investment result

The net investment result for 2012 ended the year at EUR 6.9 million compared to EUR 2.1 million in 2011. 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 Company's investment portfolio. The 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 Atradius 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 and 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 649.6 million at the beginning of the year, the Company's shareholder equity decreased to EUR 599.9 million, representing a return on equity of 7%. During the year, dividends of EUR 71.9 million were distributed to our shareholders compared to EUR 10.5 million in 2011. Equity was positively impacted by unrealised gains and losses on financial investments of EUR 7.9 million and negatively impacted by the recognition of actuarial losses in the pension reserve of EUR 30.7 million. The current capital position of the Company supports future growth and allows the expansion of our insured business while maintaining strong capital ratios.

The dividend payment allowed Atradius Insurance Holding N.V. to repay part of its loans to the Company. The outstanding balance of the loans is EUR 96.7 million at 31 December 2012 (2011: EUR 148.6 million).

Strategic initiatives

Meeting customer needs

In 2012 the Company 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.

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

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 the Company, as part of the Atradius Group, 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 the Atradius Group is modifying its 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 Atradius 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 Atradius Group.

As part of these ongoing preparations, the Atradius Group will continue to engage with its 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 the internal economic capital model, which the Atradius Group has used since 2004 to calculate the economic capital for various business steering and decision making purposes.

In 2012, while there was no Europe-wide Quantitative Impact Study (QIS), the Company participated in the 'Parallel Run' exercise for insurers in the Netherlands: the Company was legally required to submit to the Nederlandsche Bank a set of financial statements compiled according to Solvency II requirements. The purpose of the exercise was to gain insight into both an insurer's financial position according to the latest specifications and its degree of preparedness for Solvency II.

In 2012 the Atradius Group also began to align its 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 the Atradius Group 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 the Atradius Group 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 the strategy of stimulating local entrepreneurship.

Additionally, the Atradius Group has 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
The Atradius Group including the Company believes good corporate governance entails a careful balance between the short-term and long-term interests of the Group. The Atradius Group's 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 that the 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 N.V. is fully committed. The members of the Management Board of Atradius N.V. are also the members of the Management Board of the Company. 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. 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. While this code applies in principle to the Company, as the Company is part of the Atradius Group, it was decided to apply the code at group level. Atradius N.V. complies with both the text and spirit of the principles of the Dutch Insurer's Code in all material respect and a detailed description of the way in which Atradius N.V. complies with the specific principles of the code is available on the Atradius website. In 2011, all members of the Management Board have 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.

Information technology
The Company, as part of the Atradius Group, continues to provide innovative technology solutions to improve our services, in collaboration with 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 its 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 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 we always stay 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 the Atradius Group's 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 the Company, 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.

The Atradius Group 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 of the Company will take the gender diversity objectives into account as much as possible.

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. In addition, the 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 the Company 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.

The Management Board

Isidoro Unda
Christian van Lint
Andreas Tesch

Company financial statements 2012

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All amounts are in thousands of Euro, unless otherwise stated

Company financial statements

Statement of financial position (after profit appropriation)

Assets	Note	31.12.2012	31.12.2011
Intangible assets	6	**71,520**	**66,029**
Property, plant and equipment	7	**36,131**	**41,686**
Investment property	8	**1,958**	**2,933**
Investments in subsidiaries and joint venture	9	**50**	**50**
Financial investments	10	**771,216**	**747,124**
Reinsurance contracts	11	**687,910**	**675,062**
Deferred income tax assets	20	**94,480**	**98,942**
Current income tax assets	20	**11,450**	**21,555**
Receivables	12	**139,817**	**180,474**
Accounts receivable on insurance and reinsurance business		116,056	146,654
Other accounts receivable		23,761	33,820
Other assets		**213,118**	**195,135**
Deferred acquisition costs	13	11,846	10,924
Miscellaneous assets and accruals	14	201,272	184,211
Cash and cash equivalents	15	**10,399**	**28,689**
Total		**2,038,049**	**2,057,679**

Equity	Note	31.12.2012	31.12.2011
Capital and reserves attributable to the equity holders of the Company	16	599,892	649,624
Total		**599,892**	**649,624**

Liabilities	Note	31.12.2012	31.12.2011
Employee benefit liabilities	17	**84,753**	**62,135**
Insurance contracts	18	**869,061**	**856,099**
Provisions	19	**5,804**	**6,710**
Deferred income tax liabilities	20	**64,530**	**85,409**
Current income tax liabilities	20	**7,733**	**18,858**
Payables	21	**89,512**	**68,770**
Accounts payable on insurance and reinsurance business		65,751	48,807
Trade and other accounts payable		23,761	19,963
Other liabilities	22	**316,764**	**310,074**
Total		**1,438,157**	**1,408,055**

Total equity and liabilities		**2,038,049**	**2,057,679**

Income statement

	Note	2012	2011
Insurance premium revenue	23	867,136	812,521
Insurance premium ceded to reinsurers	23	(628,834)	(581,561)
Net premium earned		**238,302**	**230,960**
Service and other income	24	7,807	19,075
Net income from investments	25	6,940	2,142
Total income after reinsurance		**253,049**	**252,177**
Insurance claims and loss adjustment expenses	26	(379,841)	(310,022)
Insurance claims and loss adjustment expenses recovered from reinsurers	26	259,001	202,661
Net insurance claims		**(120,840)**	**(107,361)**
Net operating expenses	27	(79,646)	(41,864)
Total expenses after reinsurance		**(200,486)**	**(149,225)**
Operating result before finance costs		**52,563**	**102,952**
Finance income and expenses	28	1,862	1,315
Result for the year before tax		**54,425**	**104,267**
Income tax expense	29	(10,980)	(25,628)
Result for the year		**43,445**	**78,639**

Statement of comprehensive income

	Note	2012	2011
Result for the year		**43,445**	**78,639**
Other comprehensive income:			
Net fair value gains / (losses) on available-for-sale financial investments	16.3	7,932	2,670
Effect of the asset ceiling on defined benefit pension plans	16.6	29,100	(21,154)
Actuarial gains / (losses) on defined benefit pension plans	16.6	(59,815)	14,181
Exchange gains / (losses) on translating foreign operations	16.5	1,506	2,165
Other comprehensive income for the year, net of tax		**(21,277)**	**(2,138)**
Total comprehensive income for the year		**22,168**	**76,501**

All amounts are in thousands of Euro, unless otherwise stated

Statement of changes in equity

	Attributable to the equity holders of the Company							
	Share capital	Share premium reserve	Revaluation reserve	Regulatory and intangibles reserves	Currency translation reserve	Pension reserve	Retained earnings	Total equity
Balance at 1 January 2011	**7,740**	**420,966**	**3,447**	**174,725**	**2,550**	**(107,894)**	**82,068**	**583,602**
Result for the year	-	-	-	-	-	-	78,639	**78,639**
Other comprehensive income	-	-	2,670	-	2,165	(6,973)	-	**(2,138)**
Total comprehensive income for the year	-	-	**2,670**	-	**2,165**	**(6,973)**	**78,639**	**76,501**
Change in legal reserves	-	-	-	61,929	-	-	(61,929)	-
Dividends	-	-	-	-	-	-	(10,479)	**(10,479)**
Balance at 31 December 2011	**7,740**	**420,966**	**6,117**	**236,654**	**4,715**	**(114,867)**	**88,299**	**649,624**
Balance at 1 January 2012	**7,740**	**420,966**	**6,117**	**236,654**	**4,715**	**(114,867)**	**88,299**	**649,624**
Result for the year	-	-	-	-	-	-	43,445	**43,445**
Other comprehensive income	-	-	7,932	-	1,506	(30,715)	-	**(21,277)**
Total comprehensive income for the year	-	-	**7,932**	-	**1,506**	**(30,715)**	**43,445**	**22,168**
Change in legal reserves	-	(34,933)	-	34,933	-	-	-	-
Dividends	-	-	-	-	-	-	(71,900)	**(71,900)**
Balance at 31 December 2012	**7,740**	**386,033**	**14,049**	**271,587**	**6,221**	**(145,582)**	**59,844**	**599,892**

Statement of cash flows

	2012	2011
I. Cash flows from operating activities		
Result for the year before tax	54,425	104,267
Adjustments for:		
Realised capital (gains) / losses on investments	291	1,584
Dividends received from financial investments	(1,596)	(2,831)
Impairment loss	-	7,567
Depreciation and amortisation	14,897	15,602
Net interest income	(8,626)	(11,393)
Other non-cash items	14,800	9,832
Changes in operational assets and liabilities:		
Insurance contracts	12,962	33,391
Reinsurance contracts	(12,848)	(16,751)
Derivative assets held for risk management	-	2
Deferred acquisition costs	(922)	(950)
Accounts receivable and payable on insurance and reinsurance business	47,542	(33,436)
Changes in other assets and liabilities	2,909	20,605
Pension plans contributions	(26,097)	(20,264)
Income tax paid	(21,038)	(9,903)
Interest paid	(4,465)	(4,790)
Net cash (used in) / generated by operating activities	**72,234**	**92,532**

II. Cash flows from investing activities	**2012**	**2011**
Investments and acquisitions (cash outflows):		
Loans and receivables	(3,005)	-
Financial investments available-for-sale	(427,311)	(381,417)
Property, plant and equipment and intangible assets	(22,751)	(15,400)
Divestments, redemptions and disposals (cash inflows):		
Investment property	1,511	1,607
Loans and receivables	51,902	23,610
Financial investments available-for-sale	361,710	291,327
Property, plant and equipment and intangible assets	4,683	109
Dividends received from financial investments	1,596	2,831
Interest received	12,623	14,695
Net cash (used in) / generated by investing activities	**(19,042)**	**(62,638)**
III. Cash flows from financing activities		
Dividend paid	(71,900)	(10,479)
Net cash (used in) / generated by financing activities	**(71,900)**	**(10,479)**
Changes in cash and cash equivalents (I + II + III)	**(18,708)**	**19,415**
Cash and cash equivalents at the beginning of the year	28,689	8,077
Effect of exchange rate changes on cash and cash equivalents	418	1,197
Cash and cash equivalents at the end of the year	**10,399**	**28,689**

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

Notes to the company financial statements

1 General information

Atradius Credit Insurance N.V. ('the Company'), with its office at David Ricardostraat 1, 1066 JS, Amsterdam, the Netherlands, provides credit management services to its clients. These services include credit insurance, bonding and guarantees and instalment credit protection.

The sole shareholder of Atradius Credit Insurance N.V. is Atradius Insurance Holding N.V. The parent company of Atradius Insurance Holding N.V. is Atradius N.V. (together with its subsidiaries referred to as 'the Atradius Group'), which is a company incorporated and domiciled in Amsterdam, the Netherlands. The ultimate parent and the ultimate controlling party of the Atradius Group is Grupo Catalana Occidente, S.A. The financial statements of Atradius N.V. are consolidated within Grupo Catalana Occidente, S.A., which is a listed company in Spain.

These financial statements have been authorised for issue by the Management Board on 4 April 2013 and have been reviewed by the Supervisory Board. On 4 April 2013 the financial statements have been adopted at the General Meeting.

2 Summary of significant accounting policies

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

2.1 Basis of presentation

These company financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union plus the financial reporting requirements included in Part 9 of 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.

In accordance with the provisions of IAS 27.10, the Company did not prepare consolidated financial statements since the financial information of the group companies are part of the consolidated financial statements of a larger group, being the Atradius Group headed by Atradius N.V. which is incorporated in the Netherlands. The shareholders of the Company including those entitled to vote, have been informed and do not object to the company not presenting consolidated financial statements. The consolidated financial statements of Atradius N.V. are prepared in accordance with the IFRS as adopted by the EU and are made available for public use.

These company financial statements 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 Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

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 Company require retrospective application.

2.2.1 Standards, amendments and interpretations effective in 2012

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

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

- 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 Company's 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 Company's net result. However, the effect on total comprehensive income is not expected to be material;
- 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 Company's financial statements as the Company already prepares financial statements under IFRS;
- 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. IFRS 10 is not expected to have an impact on the Company's financial statements;
- 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. IFRS 11 is not expected to have an impact on the Company's 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. IFRS 12 is not expected to have an impact on the Company's 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 Company's 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;
- 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 Company's financial statements;
- 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 Company 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 Company's 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 Company's 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 Company'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 Company's interim 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 Company's 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 Company's 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 Company and will have no impact on the Company's financial statements.

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

- 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 Company'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 Company and will have no impact on the Company's financial statements.

2.3 Changes in presentation

The presentation of, and certain terms used in, the statement of financial position, income statement, cash flow statement, statement of changes in equity 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 Company financial statements

The following principles have been applied to the financial statements:

2.4.1 Subsidiaries and joint ventures

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally presumed to exist when the Company 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 Company controls another entity. Joint ventures are those entities over whose activities the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

The Company's investments in subsidiaries and joint ventures are accounted for at cost, net of impairment, if any. The cost price of the subsidiaries and joint ventures is deemed to be their net asset value as at 1 January 2008 (the date of transition to IFRS). Any dividends received subsequent to this date are accounted for in the income statement of the Company.

2.4.2 Intra-company transactions

Intra-company transactions, balances and unrealised gains on intra-company transactions (amongst the Company's branches) are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.5 Segment reporting

IFRS 8 requires operating segments to be identified on the basis of which the Management Board regularly reviews components of the Company 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 Company's branches are measured using the currency of the primary economic environment in which the branch operates (the 'functional currency'). The 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 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 Foreign operations

The results and financial position of the Company's branches that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

Exchange differences arising from the translation of the net investment in foreign branches 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 Company 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
JPY	0.009	0.010	0.010	0.009
PLN	0.245	0.224	0.238	0.245

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 less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to the Company'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 cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.7.2 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 Company 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.

2.7.3 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 Company, 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 Company ('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 Company 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.

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 other 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 the Company 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 valuators registered in the relevant companies 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 Company is the current bid price.

The fair values of financial instruments in markets that are not active are determined using valuation techniques. The Company uses a variety of methods and assumptions that are based on market conditions existing at the end of the reporting period. See Note 4.4.1.1 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 Company commits to purchase or sell the asset. Loans and receivables are recognised and derecognised at settlement date, which is the date the Company 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 Company has transferred substantially all the risks and rewards of ownership. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial investment and does not retain control over the investment, it derecognises the financial investment. In transfers where control over the asset is retained, the Company continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which the Company is exposed to changes in the value of the asset.

2.12 Classification of financial instruments

The Company 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 Company 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 Company 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 Company 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 Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company 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 Company on terms that the Company 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 Company 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 Company 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 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 change in their fair value and are used by the Company in the management of its short-term commitments. Bank overdrafts which are repayable on demand form an integral part of the Company'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 Company'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 the Company repurchase its own 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 Regulatory and intangibles reserves

This item comprises the the regulatory reserve (consisting of the equalisation provision and the required solvency) and the legal reserve related to the capitalisation of self developed software. These legal reserves are in accordance with Book 2, Part 9 of the Dutch Civil Code, Article 389, Subsection 6, and cannot be distributed.

2.16.5 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.

The currency translation reserve is a legal reserve in accordance with Book 2, Part 9 of the Dutch Civil Code, Article 389, Subsection 6, and cannot be distributed.

2.16.6 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 Company'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 Company cannot recover any surplus through refunds from the pensions vehicle due to solvency and/or control requirements.

The pension reserve is a legal reserve in accordance with Book 2, Part 9 of the Dutch Civil Code, Article 389, Subsection 6, and cannot be distributed.

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.

2.17 Insurance contracts

The Company issues contracts that transfer insurance risk. Insurance contracts are those contracts under which the Company 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 Company's bonding customer fails to perform a contractual obligation relative to the beneficiary.

2.17.1 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.

2.17.2 Provision for unearned premium

The recognition of unearned premium per product is discussed in Note 4.3.7.1.

2.17.3 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 Company has taken up to the end of the reporting period. The Company does not discount its liabilities (other than the recoveries on Instalment Credit Protection (ICP) product) given the cycle of the Company's business. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company 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; and
- bonding: provisions are calculated on a case-by-case basis.

Additional information on the measurement of the provision for outstanding claims is provided in Note 4.3.7.

2.17.4 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 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.

2.17.5 Reinsurance contracts

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company 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 Company under which the contract holder is another insurer (reinsurance business) are also included in insurance contracts.

The benefits to which the Company 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 Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Company 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 Company has profit commission arrangements with its reinsurance companies that are based on the loss ratio per underwriting year. The Company accounts for these commissions based on detailed assessments of the expected ultimate loss ratios.

2.17.6 Income from reinsurance contracts

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

2.17.7 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 Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Company 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.

2.17.8 Salvage and subrogation reimbursements

Some insurance contracts permit the Company to sell goods acquired in settling a claim (i.e. salvage). The Company 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.

2.18 Provisions

Provisions for restructuring, onerous contracts and litigation are recognised when the Company 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.

2.19 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.

2.20 Employee benefits

2.20.1 Post-employment benefits

The Company operates 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 Company 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 Company may pay contributions into a separate entity or fund. The Company, and in some cases the employees who are participating, funds a defined benefit plan and the Company 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 Company'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 Company 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 Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company 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 and booked in the income statement.

2.20.2 Other long-term employee benefits

The Company 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 Company'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.

2.20.3 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 Company 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 Company liability is included as part of the provisions.

2.20.4 Profit sharing and bonus plans

The Company 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 Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.21 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 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 Company 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.

2.22 Income statement

2.22.1 Income

Revenue comprises the fair value for services, net of value added tax, after eliminating inter-company revenue amongst the Company's branches. Revenue is recognised as follows:

Premium earned
Written premium includes direct business and is defined as all premium and policy related fees invoiced to third parties, excluding tax

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

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

Service and other income
Service income includes the income from information services and other service income.

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 Company'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.

2.22.2 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 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.

2.23 Leases

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

2.23.1 The Company 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.

2.23.2 The Company 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.

2.24 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 Company 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 Company.

3 Critical accounting estimates and judgements in applying accounting policies

The Company 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 Company'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 Company 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 Company 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 Company 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 Company would have suffered an additional EUR 0.0 million loss before tax (2011: EUR 4.8 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 Company 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 Company has stress-tested the main assumptions (terminal value and discount rate) which have been applied when determining the value in use for the related cash-generating units. Increasing both assumptions downward and upward by 1% respectively did not indicate any potential impairment of the goodwill under this scenario. The term 'potential' is used here since an indication of impairment does not always lead to an actual impairment charge to the income statement.

3.4 Pension and post-retirement benefits

The cost of these benefits, the present value of the pension and other post-retirement liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net periodic cost (income) for pension and post-retirement benefits include the expected long-term rate of return on the relevant plan assets and the discount rate. Any changes in these assumptions will impact the future net periodic cost (income) recorded for pension and post-retirement benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Company 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 result for the year by the amounts shown below. The analysis assumes that all other variables remain constant.

Impact on the result for the year *(before tax)*	**2012**	**2011**
Actual expected return on assets +1%	3,937	3,587
Actual discount rate +1%	1,773	2,527
Actual expected return on assets -1%	(3,937)	(3,587)
Actual discount rate -1%	(1,976)	(2,538)

4 Risk management

4.1 Integration in the Company's risk management framework

Atradius Credit Insurance N.V. is part of the Atradius Group and relies for its risk management on the Atradius Group's risk management framework. The information found in this note, therefore, is consistent, where relevant for Atradius Credit Insurance N.V., with the note on risk management found in the 2012 annual report of Atradius N.V. The corporate bodies and committees as described in Note 4.2.3, 4.3.2 and 4.4.1 operate at Atradius Group level. The Management Board members of Atradius Credit Insurance N.V. are also the members of the Management Board of Atradius N.V. and are therefore all participating in the Atradius Group's highest risk governance body, the Risk Strategy Management Board (RSMB), as described in Note 4.2.3.

4.2 Risk management

As a global insurance provider, the Company recognises the importance of risk management. The Company 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 Company. Understanding how risk-taking consumes capital allows management to steer the Company and take strategic decisions based on risk. These decisions are increasingly being informed by The Atradius Group's economic capital model. This model is used for specific risk assessment activities and allows the Company 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.

4.2.1 Solvency II

The Company as part of the Atradius 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 Company 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 Company 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 Atradius 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 Atradius Group communicates on a regular basis with the relevant supervisory authorities to ensure that progress is aligned with regulatory expectations.

4.2.2 The risk landscape

The Company's key objective is to achieve profitable and sustainable growth for the Company 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 Company's aim to offer 'best in class' credit risk management and non-risk related solutions to our customers, coupled with excellent service. The Company's core business is credit insurance. The Company 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 Company 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 Eurozone, or a sovereign default, may also lead to higher than expected claims. In addition, the Company might, in the near term, not be able to make the desired investment returns. The impact may not be limited to the Company's future performance; it may also cause negative development on claims provisions.

The Atradius 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 its underwriting profitability. In addition to these actions, the Atradius Group's capitalisation will protect its strong position in the credit insurance industry. These actions are being taken also in order to protect the Atradius Group's credit ratings.

4.2.3 The risk management and internal control framework

The Management Board is ultimately responsible for risk management and internal control within the Atradius 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 present results, developments and plans to the Supervisory Board and relevant committees thereof.

The Atradius Group's risk management policies are established to identify and analyse the risks faced by the Atradius 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 Atradius Group's activities. Through its training and management standards and procedures, the Atradius 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 Atradius Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Atradius 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.

4.2.4 Risk classification

The Company has classified its risks as insurance, financial and operational. Insurance risks are the risks of financial loss as a direct result of providing 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.

4.3 Insurance risk

4.3.1 Insurance products, their characteristics and sensitivity to insurance risk

The Company distinguishes two main direct insurance products: credit insurance and bonding. 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 Company 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 Company. 'Buyers' are the customers of the Company's insured customers, i.e., the parties that the Company insures credit risk on. In order to mitigate the risk of adverse selection, the traditional credit insurance products of the Company 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 Company 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 Company 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 Services 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 Company 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 a 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 Company. Credit limits are an important risk management instrument for the Company as they cap the amount that we would have to pay out to a customer in the event of a claim. Moreover, the Company can, in principle, withdraw the credit limit on any 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 Company 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, which operates at the Atradius Group level.

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 of 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 Special Products unit 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 polices 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 6.1 billion (2011: EUR 6.3 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 Company. 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 Company issues surety bonds for customers in Italy, France 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 Company.

When a bond is called by the beneficiary, the Company 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 Company 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.

4.3.2 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 Atradius 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 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 co-signatories 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 Atradius 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 Atradius 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 Atradius Group's 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 Atradius 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 Atradius Group's leading reinsurers;
- Group Product Committee – which decides the products that the Atradius Group will offer. It also decides on deviations from existing products, or variations of existing products;
- Country Committee – which sets the Atradius Group's underwriting policy by country, i.e. whether the Atradius Group will cover a country under what conditions. The Country Committee monitors the Atradius 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 Atradius Group manages country risk;
- Provisioning Committee – which sets the Atradius 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 Atradius 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 Atradius Group's reinsurance process. It sets the rules for the Atradius 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 Atradius 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 Company.

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.

4.3.3 Risk management tools

The Company 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 one single database, Symphony which enables the Company to set system-specific limits by buyer or buyer group. For the largest exposures, which fall in the scope of the group credit committee, the Company sets limits at the aggregate level.

Management information derived from Symphony allows the Company to monitor aggregate exposure by country, customer or buyer sector and in many other ways. While information on main bonding portfolios is not held in this system, the Company 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 Company 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 Company 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 Company'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.

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.

4.3.4 Reinsurance programme

The Atradius Group (including the Company) transfers a significant portion of its insurance risk to external reinsurers, through a number of reinsurance arrangements that include quota share (the Company transfers approximately 25.7% of its business to a Group subsidiary, Atradius Re Ltd.) and excess of loss treaties covering either the entire portfolio of the Atradius 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 Atradius 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 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, the Atradius Group, excluding the group company Compañia Española de Seguros y Reaseguros de Crédito y Caución, S.A., further referred to as Crédito y Caución, had one quota share reinsurance treaty which covered the entire business of the Atradius Group (excluding Crédito y Caución) including the Italian bonding business and the French excise bond business with a quota share of 52.5% own retention. In addition, a single excess of loss programme covering the own retention under the quota share treaty consists of excess of loss treaties (by buyer and/or buyer group). With regard to the reinsurance panel, it is the Atradius 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 treaty provides for the Atradius 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 the Atradius Group's 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 the Company has a quota share with approximately 26.4% (2011: 27.0%) own retention. This programme covers the Company's direct business, the Italian bonding business, the French excise bond business and part of instalment credit protection. For other, older, treaty years the Company has a separate quota share treaty for the Italy bonding business with retention which varies by year: between 25% and 40%.

For the underwriting year 2012 (as well as 2011), the main quota share treaty programme has a sliding scale ceding commission arrangement, under which the ceding commission paid to the Company by the reinsurers depends on the ceded underwriting year loss ratio. As a consequence, risks affecting the loss ratio of the Company 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, the excess of loss treaty for the first time covers the retention of the Atradius Group, including Crédito y Caución. The information found in this note, therefore, is consistent where relevant for the

Company with the note on the excess of loss treaties in the reinsurance section in the 2012 annual report of Atradius N.V. The attachment point of the excess of loss treaty 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, net of quota share). 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 Company'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 the programme. The effective loss may also be enlarged due to a possible impact on the ceding commission received under the quota share treaty.

4.3.5 Concentration risk

The Company 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 Company. 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 Company has issued does not necessarily give rise to credit risk at a specific point in time. The Company 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 Company'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 TPE details below show TPE gross of reinsurance; due to the non-linear nature of the excess of loss cover in the Company'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, only.

Buyer country	of which	TPE 2012 (EUR million)	%	TPE 2011 (EUR million)	%
Germany, Central and Eastern Europe, Greece, Malta, Cyprus and Turkey	Germany	68,097	21.3%	63,412	21.8%
	Central and Eastern Europe	29,312	9.2%	25,024	8.6%
	Other	4,693	1.5%	4,272	1.5%
France, Italy, Spain, Belgium and Luxembourg	France	34,047	10.7%	32,873	11.3%
	Italy	21,797	6.8%	21,279	7.3%
	Spain	16,055	5.0%	11,056	3.8%
	Belgium, Luxembourg	12,231	3.8%	11,411	3.9%
The Netherlands, Nordic countries (Denmark, Finland, Norway, Sweden) and Baltic	The Netherlands	24,066	7.5%	24,324	8.3%
	Nordic	18,874	5.9%	17,764	6.1%
	Other	873	0.3%	489	0.2%
United Kingdom, Ireland	United Kingdom	26,787	8.4%	24,278	8.3%
	Ireland	2,407	0.8%	1,857	0.6%
USA, Canada, Mexico, Central America	Total	11,992	3.8%	10,011	3.4%
Australia and New Zealand	Total	9,021	2.8%	7,107	2.4%
Rest of the world	Other	38,985	12.2%	36,342	12.5%
Total		**319,237**	**100.0%**	**291,499**	**100.0%**

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.

All amounts are in thousands of Euro, unless otherwise stated

Industry sector	TPE 2012 (EUR million)	TPE 2011 (EUR million)
Consumer durables	41,610	37,031
Electronics	40,789	33,680
Metals	37,072	35,180
Chemicals	31,540	27,612
Food	28,075	25,180
Transport	26,913	24,604
Construction	24,677	24,277
Machines	23,451	22,403
Construction materials	15,204	14,682
Services	14,889	14,269
Agriculture	10,992	9,606
Finance	9,666	9,930
Textiles	7,957	7,100
Paper	6,402	5,945
Total	**319,237**	**291,499**

The following table shows TPE aggregated by group of buyers. This is the method of aggregation that is relevant for the Company's excess of loss treaties. Assuming real outstanding exposure of 20% of TPE, only buyers with TPE in excess of around EUR 150 million could give rise to hits to the 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	1,272,403	167,789	1,188,670	158,714
20 - 100	1,483	60,763	1,381	55,703
100 - 250	244	37,035	231	35,073
250 - 500	66	22,349	60	20,401
500 - 1000	22	14,558	17	11,520
1000 - and more	11	16,743	6	10,088
Total	**1,274,229**	**319,237**	**1,190,365**	**291,499**

Exposure for bonding and for instalment credit protection has entirely different characteristics and therefore has not been included in these tables. The Company has EUR 19.2 billion (2011: EUR 18.2 billion) in bonding exposure, 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).

4.3.6 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 Company 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 Company'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 Company views these risk factors in the context of its overall business strategy.

4.3.7 Sources and assumptions

4.3.7.1 *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 4.3.6.

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:

- 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 Company's estimate for future claims payments that will result from risks taken on, but for which no claims notification has been received;
- for bonding and instalment credit protection 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 bonding and instalment credit protection business when using the risks attaching claims development tables in Note 18 to evaluate the accuracy with which the Company 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, 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 Company'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.

Provisions for expected recoveries for traditional credit insurance relate to recoveries after indemnification, i.e. recoveries after the Company has made the claims payment. The Company presents its claims reserves net of expected recoveries.

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.

4.3.7.2 *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 of 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 19 million, gross of reinsurance (2011: EUR 16 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.

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 of EUR 354 million (2011: EUR 352 million) are those for Instalment Credit Protection, EUR 148 million (2011: EUR 147 million).

For our bonding business, bonding in Italy presents the most uncertainty in terms of the part of the outstanding claims reserve. Out of EUR 217 million (2011: EUR 225 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, approximately EUR 7.5 million net of reinsurance).

4.4 Financial risk

The Company 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 Company'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 Company 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.

4.4.1 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 Atradius 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 Atradius 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 of Atradius N.V.

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 Atradius 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 investments portfolio are presented and discussed with the RSMB and with the Supervisory Board of Atradius N.V.

The Atradius Group has 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 at less than 10% 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 position of the Company, but also enables a marginally higher return compared to cash maintained on bank accounts. Short-term investments also increased as the Company has increased its deposits with Banco Santander to a total of EUR 25 million to enhance future investment income.

4.4.1.1 *Fair value of financial assets and liabilities*

The following table presents the estimated fair values of the Company'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 Company.

2012	**Available-for-sale**	**Loans and receivables**	**Liabilities at amortised cost**	**Total estimated fair value**
Investment portfolio				
Equity securities:	**362,141**	-	-	**362,141**
Shares	612	-	-	612
Investment funds	361,529	-	-	361,529
Debt securities	225,007	-	-	225,007
Loans	-	96,978	-	96,978
Short-term investments	-	85,779	-	85,779
Cash held for investments	-	1,311	-	1,311
Subtotal	**587,148**	**184,068**	-	**771,216**
Receivables and accrued interest	-	143,238	-	143,238
Cash and cash equivalents	-	10,399	-	10,399
Total financial assets	**587,148**	**337,705**	-	**924,853**
Payables and accrued interest	-	-	89,516	89,516
Deposits received from reinsurers	-	-	24,550	24,550
Total financial liabilities	-	-	**114,066**	**114,066**

All amounts are in thousands of Euro, unless otherwise stated

2011	Available-for-sale	Loans and receivables	Liabilities at amortised cost	Total estimated fair value
Investment portfolio				
Equity securities:	**291,099**	-	-	**291,099**
Shares	833	-	-	833
Investment funds	290,266	-	-	290,266
Debt securities	223,060	-	-	223,060
Loans	-	148,880	-	148,880
Short-term investments	-	35,505	-	35,505
Cash held for investments	-	48,580	-	48,580
Subtotal	**514,159**	**232,965**	-	**747,124**
Receivables and accrued interest	-	184,004	-	184,004
Cash and cash equivalents	-	28,689	-	28,689
Total financial assets	***514,159***	***445,658***	-	**959,817**
Payables and accrued interest	-	-	69,367	69,367
Deposits received from reinsurers	-	-	31,795	31,795
Total financial liabilities	-	-	**101,162**	**101,162**

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 Company establishes the accounting policies and processes governing valuation and is responsible for ensuring that these comply with all relevant accounting pronouncements. Within this governance structure, non-quoted investments or illiquid investments in which the Company 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 Company.

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.

Loans and short-term investments
For loans, short-term investments and cash held for investments, the 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.

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.

Fair value hierarchy
The fair values of the financial instruments carried at fair value (i.e. available-for-sale investments) are all based on quoted prices in active markets; no valuation techniques have been applied. Therefore, all these financial instruments can be classified as level 1 of the fair value hierarchy.

4.4.1.2 *Equity price risk*

The Company is exposed to movement in equity markets by its direct equity holdings within its investment portfolio. Potential changes in the Company'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 Company can at any time reduce its exposure to equity investments if a substantial risk is perceived in the financial markets.

Shares
The shares portfolio is diversified over the following industry sectors in the following table:

Share industry sectors	Exposure			
		Weight in %		Weight in %
	2012		2011	
Communications	154	25.2%	154	18.5%
Financial	51	8.3%	51	6.1%
Diversified	407	66.5%	628	75.4%
Total	**612**	**100.0%**	**833**	**100.0%**

Investment funds
The investment funds in which the Company 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 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 Company 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 Company's investments in investment funds are dependent on the price and income of the underlying securities and the Company may not recover the full amount invested. The Company does not invest or hold any participation in investment funds which requires the Company to invest more than its full amount invested. In addition, there can be no assurance that any of the investment funds in which the Company invests will achieve their investment objective.

All amounts are in thousands of Euro, unless otherwise stated

The profiles of the investment funds are presented in the following table:

	2012	Weight in %	2011	Weight in %
Active fixed income funds	122,539	33.9%	116,990	40.3%
Passive equities exchange traded funds	37,270	10.3%	32,563	11.2%
Absolute return funds	57,460	15.9%	57,601	19.9%
Active money market funds	144,260	39.9%	83,112	28.6%
Total	**361,529**	**100.0%**	**290,266**	**100.0%**

Active fixed income funds
The active fixed income investment portfolio consists of one corporate bond fund (2011: one) which seeks 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. The investment funds are denominated in Euro.

Passive equities exchange traded funds
The Company participates in one (2011: two) passively managed equity exchange traded funds. This fund has the investment objective to provide investors with a total return, taking into account both capital and income returns, that reflects the return of a designated benchmark index. The exchange traded fund is denominated in Euro and invests in a portfolio of equity securities that as far is possible and practicable, consists of the components of the Dow Jones Euro Stoxx 50^{SM} 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 Company 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 Company participates in two (2011: two) 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 and GBP 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.

4.4.1.3 *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 Company has various positions, the value of which is affected by fluctuations in interest rates. The Company measures the interest rate sensitivity of the investment portfolio and certain key liabilities including the insurance contracts. *The Company has a policy of using debt instruments and cash instruments to reduce interest rate risk.* The net interest rate sensitivity of the Company is maintained within prudent limits by means of buying or selling interest sensitive securities. If the need arises, the Company 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 4.4.3 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 Company's interest-bearing financial instruments was:

Fixed rate instruments - carrying amount	2012	2011
Financial assets [1]	225,007	223,060
Financial liabilities [2]	-	-
Total	**225,007**	**223,060**

Variable rate instruments - carrying amount	2012	2011
Financial assets [3]	194,467	261,654
Financial liabilities [4]	(24,550)	(31,795)
Total	**169,917**	**229,859**

[1] Fixed rate financial assets include debt securities.
[2] There are no financial liabilities at fixed rate.
[3] Variable rate financial assets include cash and cash equivalents, loans, cash held for investments and short-term investments.
[4] Variable rate financial liabilities include deposits received from reinsurers.

If the need to liquidate investment positions arises, the Company maintains the ability to do so within a reasonable time frame and at reasonable cost. Most of the Company's investments consist of highly liquid listed securities with daily pricing which can be converted to cash with minimal market impact. The Company'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	%	EUR million	%
Years	2012		2011	
0 - 1	30	13.3%	26	11.7%
1 - 3	195	86.7%	197	88.3%
Total	**225**	**100.0%**	**223**	**100.0%**
Duration	1.6 years		1.7 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.

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

All amounts are in thousands of Euro, unless otherwise stated

Income statement	**100 bps increase**	**100 bps decrease**	**100 bps increase**	**100 bps decrease**
	2012		**2011**	
Cash flow sensitivity (net) - variable rate instruments	1,912	(1,717)	2,327	(2,306)

4.4.1.4 *Value-at-Risk*

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

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

The following table shows the VaR of the Company's equity securities and the Company'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)	20.4	53.9%	25.0	74.9%
Absolute return funds	5.7	9.9%	10.3	18.0%
Debt securities:				
Government bonds (including government bond funds)	10.3	4.5%	13.8	6.1%
Corporate bonds (including corporate bond funds)	3.6	2.9%	5.8	5.0%
Total	27.6	3.9%	36.5	5.7%

The VaR of the individual portfolio component 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 5.7% at the end of 2011 to 3.9% at the end of 2012. At the same time, the VaR value decreased from EUR 36.5 million at the end of 2011 to EUR 27.6 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.

4.4.1.5 *Currency risk*

Movements in exchange rates may affect the value of 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 branches. During 2012, the Euro weakened against some of the non-Euro functional currencies (see Note 2.8.3) resulting in a foreign currency gain in other comprehensive income of EUR 1.5 million, net of tax (2011: EUR 2.2 million, net of tax).

However, the impact of these fluctuations is limited as revenues, expenses, assets and liabilities within our non-Euro operations are generally denominated in the same currencies.

The Company 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	169,223	122,819	46,404	138,242	99,250	38,992
GBP	27,539	1,235	26,304	131	2,963	(2,832)
USD	42,575	43,687	(1,112)	44,456	43,603	853
AUD	6,122	5,467	655	8,087	2,240	5,847
JPY	2,106	(1,292)	3,398	3,826	876	2,950
PLN	5,927	(386)	6,313	6,602	58	6,544
Other	10,956	7,781	3,175	21,241	4,563	16,678
Total	**264,448**	**179,311**	**85,137**	**222,585**	**153,553**	**69,032**

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.

4.4.2 Credit risk

The Company 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 Company 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 Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company 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 to the finalisation of any reinsurance contract. The Company policy for ceding to reinsurers outside the Atradius Group is to select only reinsurers that have a well-established investment grade credit rating. The normal minimum requirement is an 'A' level rating, although there are some minor exceptions. In the event that the reinsurer's rating is found to be below this threshold, the Company has the right to either terminate the reinsurance relationship during the course of the reinsurance year or else seek collateral if the relationship is to continue. 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 Company 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 Company procedures on credit exposures to individual policyholders.

All amounts are in thousands of Euro, unless otherwise stated

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 Company is to hold a, principally Euro-centric, internationally diversified portfolio and to avoid large risk concentrations. From a Standard & Poor's rating scale or comparable perspective, the overall fixed income portfolio is almost completely invested in investment grade debt securities which are rated 'A-' or higher. The Company 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:

At 31 December 2012 (EUR million)	AAA	AA	A	BBB	Other	Non Rated	Total
Receivables, claims, commissions and deposits arising from reinsurance							
Receivables, claims and commissions arising from reinsurance	-	186	181	223	3	18	611
Deposits received from reinsurers	-	(13)	(6)	(4)	(2)	-	(25)
Debt securities:							
Government bonds	110	113	-	-	-	2	225
Short-term investments:							
Deposits withheld by ceding companies	-	-	-	-	-	1	1
Bank deposits under short-term investments	21	9	24	32	-	-	86
Cash and cash equivalents	-	5	2	1	-	2	10
Total	**131**	**300**	**201**	**252**	**1**	**23**	**908**

At 31 December 2011 (EUR million)	AAA	AA	A	BBB	Other	Non Rated	Total
Receivables, claims, commissions and deposits arising from reinsurance							
Receivables, claims and commissions arising from reinsurance	-	184	447	-	-	13	644
Deposits received from reinsurers	-	(19)	(10)	(1)	-	(2)	(32)
Debt securities:					-		
Government bonds	149	36	36	1	-	1	223
Short-term investments:							
Deposits withheld by ceding companies	-	1	-	-	-	-	1
Bank deposits under short-term investments	18	11	54	-	-	-	83
Cash and cash equivalents	-	(16)	42	-	1	2	29
Total	**167**	**197**	**569**	**-**	**1**	**14**	**948**

The counterparty credit ratings and the rating of the 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	62,994	-	AAA	43,747	6,073	AAA
France	62,924	-	AA+	38,498	8,930	AAA
Australia	24,740	-	AAA	22,841	-	AAA
Netherlands	22,051	-	AAA	12,069	8,381	AAA
Belgium	14,760	-	AA+	11,185	2,888	AA
Switzerland	10,990	-	AAA	12,822	-	AAA
Austria	10,713	-	AA+	8,694	1,319	AAA
Finland	3,114	-	AAA	2,350	333	AAA
Italy	18	-	BBB+	35,995	8,370	A
Spain	-	1,370	BBB-	21,012	3,303	AA-
Portugal	-	-	BB	827	-	BBB-
Ireland	-	-	BBB+	-	-	BBB+
Rest of OECD	8,457	-	-	8,929	-	-
Rest of World	4,246	373	-	4,091	4,945	-
Total	**225,007**	**1,743**		**223,060**	**44,542**	

* *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 the Atradius Group's investment policy.

In 2012, the Company virtually disposed its direct investment in Spanish, Italian and Portuguese government bonds as the credit rating of their sovereigns have been downgraded below 'A-'. The investment policy of the Atradius Group requires the government bonds in the Company's 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 Atradius Group requires the corporate bonds in the Company's investment portfolio to be rated at least 'A-' (S&P rating) or equivalent. If a corporate bond in which the Company has indirectly invested (through an investment fund) falls below the minimum credit rating or is not rated, it should be reviewed by the GIC to decide whether the investment fund is still a suitable investment.

The maximum concentration limit per issuer (per branch and at a Company level) is 5% of the market value of the financial investments of the branch or the Company. 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 Atradius Group's Investment Policy.

4.4.3 Liquidity risk

The Company 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 Company's main sources of liquidity used to service the ongoing liquidity requirements.

The Company is exposed to liquidity risk if there is insufficient cash available to meet its financial obligations, when due, at a reasonable cost. For the Company, 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.

All amounts are in thousands of Euro, unless otherwise stated

Liquidity risk is managed at Company level, in close coordination with local operations. The Company'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 Company is liquid with EUR 144.3 million investments in money market funds (2011: 83.1 million), which can be liquidated on a daily basis with settlement on the liquidation date. The Company is able to access credit facilities to prevent certain liquidity shortages which may arise due to short-term cash flow variances. The Company 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 Company to reduce its cash balances and to benefit from a more substantial and stable investment portfolio. Finally, the Company has in place a simultaneous claims payment clause in the main reinsurance treaties. This clause allows the Company to ask the reinsurers to anticipate the payment of a large claim upon Company 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 Company has a choice of when an amount is paid, the financial liability is allocated to the latest period in which the Company 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 Company 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**
Interest bearing liabilities							
Deposits received from reinsurers	1.00%	-	18,680	5,870	-	-	24,550
Total		-	**18,680**	**5,870**	-	-	**24,550**
Non-interest bearing liabilities							
Insurance contracts		-	340,018	226,679	254,534	(18,159)	869,061
Payables		-	89,512	-	-	-	89,512
Total		-	**429,530**	**226,679**	**254,534**	**(18,159)**	**958,573**

At 31 December 2011		Contractual cash flows (undiscounted)					
	Weighted average effective interest rate %	On demand	Less than 6 months	6 to 12 months	1 to 5 years	> 5 years	Carrying amount
Interest bearing liabilities							
Deposits received from reinsurers	1.00%	-	28,122	3,533	-	140	31,795
Total		-	**28,122**	**3,533**	-	**140**	**31,795**
Non-interest bearing liabilities							
Insurance contracts		-	340,435	226,957	253,920	(20,328)	856,099
Payables		-	68,770	-	-	-	68,770
Total		-	**409,205**	**226,957**	**253,920**	**(20,328)**	**924,869**

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
Interest bearing assets							
Debt securities	0.77%	-	15,961	19,823	192,623	42	225,007
Loans to related parties	1.04%	-	-	97,995	-	-	96,978
Deposits withheld by ceding companies	1.00%	-	847	-	-	-	847
Bank deposits under short-term investments	1.76%	39,796	16,773	3,363	25,000	-	84,932
Bank deposits under cash and cash equivalents	0.00%	-	-	-	-	-	-
Cash held for investments	0.00%	1,311	-	-	-	-	1,311
Cash	0.00%	10,399	-	-	-	-	10,399
Total		**51,506**	**33,581**	**121,181**	**217,623**	**42**	**419,474**
Non-interest bearing assets							
Other financial assets		-	362,141	-	-	-	362,141
Reinsurance contracts		-	269,143	179,429	201,478	(14,374)	687,910
Receivables		-	110,455	29,362	-	-	139,817
Total		-	**741,739**	**208,791**	**201,478**	**(14,374)**	**1,189,868**

All amounts are in thousands of Euro, unless otherwise stated

At 31 December 2011	Weighted average effective interest rate %	Contractual cash flows (undiscounted) On demand	Less than 6 months	6 to 12 months	1 to 5 years	> 5 years	Carrying amount
Interest bearing assets							
Debt securities	1.91%	-	14,905	18,187	199,966	52	223,060
Loans to related parties	2.40%	-	175	151,796	-	-	148,880
Deposits withheld by ceding companies	1.00%	-	-	1,065	-	-	1,065
Bank deposits under short-term investments	0.82%	-	12,311	14,830	276	7,023	34,440
Bank deposits under cash and cash equivalents	2.25%	509	-	-	-	-	509
Cash held for investments	0.00%	48,580					48,580
Cash	0.53%	28,180	-	-	-	-	28,180
Total		**77,269**	**27,391**	**185,878**	**200,242**	**7,075**	**484,714**
Non-interest bearing assets							
Other financial assets		-	291,099	-	-	-	291,099
Reinsurance contracts		-	268,444	178,963	200,224	(16,030)	675,062
Receivables		-	140,920	39,554	-	-	180,474
Total		-	**700,463**	**218,517**	**200,224**	**(16,030)**	**1,146,635**

4.5 Operational risk

4.5.1 Operational risk management

Operational risks are the risks of direct or indirect loss resulting from inadequate or failed internal processes or systems, people or external events. The Company 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 Company's key activities and can never be entirely eliminated. However, there is a fundamental ongoing objective in addressing this type of risk. Within the Atradius Group, 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 the 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 of Atradius N.V. at periodic Business Review Meetings. High level crystallised risks have now been captured for several years, with separate records of information technology risk events stretching back even further. 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 Atradius 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 Atradius Group provides fraud awareness training to employees to help facilitate 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 Group's 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 4.5.1.1 through to 4.5.1.5.

4.5.1.1 *Risk registers and risk / control self-assessments*

While the ORM unit is responsible for facilitating operational risk management within the Atradius 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 of Atradius N.V. This ensures that operational risks are evaluated from all management perspectives.

While the risk registers use a top-down approach to capturing risks, The Atradius 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.

4.5.1.2 *Financial reporting controls*

Since 2008, the Atradius 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 of Atradius N.V., 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 of Atradius N.V. with decisions on identified deficiencies.

4.5.1.3 *Business continuity management (BCM)*

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

4.5.1.4 *Procedures*

Procedures are an important element of the Atradius 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.

4.5.1.5 *Compliance*

The Atradius Group's compliance practices support our business, our reputation and our integrity. These elements are of importance to our customers, suppliers, staff and other stakeholders. Complying with relevant laws, rules and regulations and maintaining a high standard in terms of ethics and integrity, leads to lower operational risk and more stable business processes. The Atradius Group's' Code of Conduct outlines the basic corporate, legal and ethical compliance principles and guidelines that apply to all employees of the Atradius Group and that govern the 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 Atradius 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 Atradius Group reviewed its compliance framework and has enhanced its compliance function which at an individual country level supports local country management addressing compliance responsibilities.

4.6 Capital management

4.6.1 Guiding principles

Capital management is guided by the following principles:

- to ensure that the Company 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 the Company and all of its branches worldwide;
- to manage the capital adequacy of the Company and its branches, 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 Company's branches and minimising the overall cost of funding while preserving financial flexibility.

The capital of the Atradius Group has been managed according to the group's 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.

4.6.2 The Company's objectives, policies and processes with regard to capital

Available capital is measured and managed both from an accounting and economic perspective. The Company considers the solvency calculation models of the relevant regulatory authorities and credit rating agencies to actively manage capital to ensure capital adequacy. The Company's policy is to maintain a sufficient excess above the minimum solvency capital required by the relevant regulatory authorities.

The Company 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 Company to carry on its normal course of business.

4.6.3 Regulatory capital requirements

For the Company, in the Netherlands, and where prescribed for the Company's branches, in the jurisdiction of these branches, the local insurance regulator specifies the minimum amount and type of capital that must be held by the Company or its foreign 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.

4.6.4 Regulatory capital

The minimum regulatory capital of the Company 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 required~~ cannot be lower than the one of the previous period.

The following table below summarises the minimum required capital of the Company and the regulatory capital held. Data for the current year is, in general, an estimate that is updated once the regulatory accounts are filed.

	The Netherlands 2012 [2]	The Netherlands 2011 [1]
Regulatory capital held	272,605	297,967
Minimum legal regulatory capital	70,335	66,401

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);*
2) *Preliminary estimate.*

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 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.

In the Netherlands, in addition to other applicable regulatory requirements, 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.

4.7 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 Atradius 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 Atradius 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 Atradius Group's activities and risks. The Atradius 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 latter is not a material product of Atradius Credit Insurance N.V).

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 company 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 of Atradius N.V. on a quarterly basis. In addition, the model results are included in the Atradius Group's monthly management reporting, reaching a wider senior audience both inside the Atradius 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.

4.8 Credit rating

A.M. Best assigned a financial strength rating of 'A (Excellent), outlook stable' to Atradius' key operating entities, including Atradius Credit Insurance N.V. on 12 September 2012.

Moody's assigned an insurance financial strength rating of 'A3, outlook negative' to Atradius' main operating Companies, including Atradius Credit Insurance N.V., on 25 October 2012.

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, including Atradius Credit Insurance N.V., 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 Atradius Credit Insurance N.V., was lowered to 'BBB, outlook negative' from 'A-, outlook negative' on 12 October 2012. 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.

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 Company 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 (including Instalment credit protection) and Bonding due to the different nature of the related products and the associated insurance liabilities. The segment Services includes other service related business. The corporate costs relate to corporate operations, after cost allocations to the other business segments. 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:

Business segment 2012	**Credit insurance**	**Bonding**	**Total insurance business**	**Services**	**Corporate costs**	**Total**
Insurance premium revenue	786,160	80,976	**867,136**	-	-	**867,136**
Service and other income	7,586	-	**7,586**	221	-	**7,807**
Total revenue	**793,746**	**80,976**	**874,722**	**221**	-	**874,943**
Insurance premium ceded to reinsurers	(572,107)	(56,727)	**(628,834)**	-	-	**(628,834)**
Total segment income after reinsurance	**221,639**	**24,249**	**245,888**	**221**	-	**246,109**
Insurance claims and loss adjustment expenses	(356,030)	(23,811)	**(379,841)**	-	-	**(379,841)**
Insurance claims and loss adjustment expenses recovered from reinsurers	243,089	15,912	**259,001**	-	-	**259,001**
Net insurance claims	**(112,941)**	**(7,899)**	**(120,840)**	-	-	**(120,840)**
Gross operating expenses	(277,673)	(30,462)	**(308,135)**	(53)	(277)	**(308,465)**
Commission received for business ceded to reinsurers	210,777	18,042	**228,819**	-	-	**228,819**
Net operating expenses	**(66,896)**	**(12,420)**	**(79,316)**	**(53)**	**(277)**	**(79,646)**
Operating segment result	**41,802**	**3,930**	**45,732**	**168**	**(277)**	**45,623**
Net income from investments						**6,940**
Finance income and expenses						**1,862**
Result for the year before tax						**54,425**
Income tax (expense) / income						**(10,980)**
Result for the year						**43,445**

Business segment 2012	**Credit insurance**	**Bonding**	**Total insurance business**	**Services**	**Corporate costs**	**Total**
Total segment assets	**594,601**	**233,126**	**827,727**	-	-	**827,727**
Total segment assets include:						
Reinsurance contracts	475,738	212,172	**687,910**	-	-	**687,910**
Receivables	118,863	20,954	**139,817**	-	-	**139,817**
Total segment liabilities	**626,472**	**332,101**	**958,573**	-	-	**958,573**
Total segment liabilities include:						
Insurance contracts	565,653	303,408	**869,061**	-	-	**869,061**
Payables	60,819	28,693	**89,512**	-	-	**89,512**

All amounts are in thousands of Euro, unless otherwise stated

Business segment 2011	**Credit insurance**	**Bonding**	**Total insurance business**	**Services**	**Corporate costs**	**Total**
Insurance premium revenue	742,455	70,066	**812,521**	-	-	**812,521**
Service and other income	17,760	543	**18,303**	772	-	**19,075**
Total revenue	**760,215**	**70,609**	**830,824**	**772**	-	**831,596**
Insurance premium ceded to reinsurers	(535,722)	(45,839)	**(581,561)**	-	-	**(581,561)**
Total segment income after reinsurance	**224,493**	**24,770**	**249,263**	**772**	-	**250,035**
Insurance claims and loss adjustment expenses	(300,200)	(9,822)	**(310,022)**	-	-	**(310,022)**
Insurance claims and loss adjustment expenses recovered from reinsurers	197,617	5,044	**202,661**	-	-	**202,661**
Net insurance claims	**(102,583)**	**(4,778)**	**(107,361)**	-	-	**(107,361)**
Gross operating expenses	(272,008)	(28,744)	**(300,752)**	(185)	(268)	**(301,205)**
Commission received for business ceded to reinsurers	244,097	15,244	**259,341**	-	-	**259,341**
Net operating expenses	**(27,911)**	**(13,500)**	**(41,411)**	**(185)**	**(268)**	**(41,864)**
Operating segment result	**93,999**	**6,492**	**100,491**	**587**	**(268)**	**100,810**
Net income from investments						**2,142**
Finance income and expenses						**1,315**
Result for the year before tax						**104,267**
Income tax (expense) / income						**(25,628)**
Result for the year						**78,639**

Business segment 2011	**Credit insurance**	**Bonding**	**Total insurance business**	**Services**	**Corporate costs**	**Total**
Total assets	**619,013**	**236,523**	**855,536**	-	-	**855,536**
Total segment assets include:						
Reinsurance contracts	461,646	213,416	**675,062**	-	-	**675,062**
Receivables	157,367	23,107	**180,474**	-	-	**180,474**
Total liabilities	**605,997**	**318,872**	**924,869**	-	-	**924,869**
Total segment liabilities include:						
Insurance contracts	548,630	307,469	**856,099**	-	-	**856,099**
Payables	57,367	11,403	**68,770**	-	-	**68,770**

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 above.

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

	2012	2011
Segment assets for reportable segments	**827,727**	**855,536**
Unallocated:		
Intangible assets	71,520	66,029
Property, plant and equipment	36,131	41,686
Investment property	1,958	2,933
Investments in subsidiaries and joint venture	50	50
Financial investments	771,216	747,124
Deferred income tax assets	94,480	98,942
Current income tax assets	11,450	21,555
Other assets	213,118	195,135
Cash and cash equivalents	10,399	28,689
Total assets	**2,038,049**	**2,057,679**

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

	2012	2011
Segment liabilities for reportable segments	**958,573**	**924,869**
Unallocated:		
Employee benefit liabilities	84,753	62,135
Deferred income tax liabilities	64,530	85,409
Current income tax liabilities	7,733	18,858
Other liabilities and provisions	322,568	316,784
Total liabilities	**1,438,157**	**1,408,055**

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
France, Belgium, Italy and Luxembourg	260,471	247,652
Germany, Central and Eastern Europe	211,297	206,265
The Netherlands	112,513	108,749
United Kingdom and Ireland	98,458	92,753
Nordic countries	87,168	89,320
Oceania and Asia	84,218	68,125
Spain	12,275	10,474
North America (Canada)	8,543	8,258
Total	**874,943**	**831,596**

Revenue is derived from a large number of customers and no single customer (or group under common control) contributes more than 10% to the Company's revenues.

All amounts are in thousands of Euro, unless otherwise stated

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
The Netherlands	660,604	639,891	14,432	9,691	8,140	2,516
France, Belgium, Italy and Luxembourg	457,580	473,129	22,086	31,017	2,967	1,978
Germany, Central and Eastern Europe	388,206	405,866	5,604	5,475	1,577	1,751
Nordic countries	238,081	234,077	2,073	1,887	722	695
Oceania and Asia	146,527	153,466	872	1,161	127	1,023
United Kingdom and Ireland	110,199	116,564	18,585	15,510	9,213	7,422
North America (Canada)	21,252	20,375	14	15	5	15
Spain	15,600	14,311	-	-	-	-
Total	**2,038,049**	**2,057,679**	**63,666**	**64,756**	**22,751**	**15,400**

** 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	Insurance portfolios	Software	Total
At cost at 1 January	**45,892**	**16,911**	**71,151**	**133,954**
Additions	-	-	13,521	13,521
Disposals	-	-	(286)	(286)
Effect of movements in foreign exchange rates	51	(17)	826	860
At cost at 31 December	**45,943**	**16,894**	**85,212**	**148,049**
Accumulated amortisation and impairments at 1 January	**-**	**(15,944)**	**(51,981)**	**(67,925)**
Amortisation charge for the year	-	(453)	(7,582)	(8,035)
Amortisation on disposals	-	-	26	26
Impairment loss	-	-	-	-
Effect of movements in foreign exchange rates	-	8	(603)	(595)
Accumulated amortisation and impairments at 31 December	**-**	**(16,389)**	**(60,140)**	**(76,529)**
Balance at 1 January	**45,892**	**967**	**19,170**	**66,029**
Balance at 31 December	**45,943**	**505**	**25,072**	**71,520**

2011	Goodwill	Insurance portfolios	Software	Total
At cost at 1 January	**45,743**	**16,805**	**60,751**	**123,299**
Additions	-	-	9,306	9,306
Disposals	-	-	-	-
Effect of movements in foreign exchange rates	149	106	1,094	1,349
At cost at 31 December	**45,892**	**16,911**	**71,151**	**133,954**
Accumulated amortisation and impairments at 1 January	-	**(14,695)**	**(42,886)**	**(57,581)**
Amortisation charge for the year	-	(1,231)	(7,535)	(8,766)
Impairment loss	-	-	(729)	(729)
Effect of movements in foreign exchange rates	-	(18)	(831)	(849)
Accumulated amortisation and impairments at 31 December	-	**(15,944)**	**(51,981)**	**(67,925)**
Balance at 1 January	**45,743**	**2,110**	**17,865**	**65,718**
Balance at 31 December	**45,892**	**967**	**19,170**	**66,029**

Goodwill

The goodwill relates to acquired business in 2004 and 2005. Goodwill is carried at cost (as determined at 1 January 2008).

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
ACI N.V. branch France	9,003	9,003
ACI N.V. Nordic branches (bonding)	2,727	2,698
ACI N.V. branch Germany	31,026	31,026
ACI N.V. branch Switzerland	3,187	3,165
Total	**45,943**	**45,892**

The Nordic Bonding unit includes the Company's bonding business in Denmark, Norway, Sweden and Finland.

The fair value of an individual CGU is determined based on value in use calculations, for which a discounted cash flow model is used. The cash flows are estimated using a projection period and a normalised period. The projection period is 10 years, where the first 1-3 year projections are based on financial budgets and/or forecasts. The remaining years are estimated using ratios and growth rates that converge towards their normalised term value. The terminal value is calculated based on the free cash flows in year 11, for which a normalised long-term annual cash flow is calculated and a long-term growth rate of 2.0% (2011: 2.0%). The 8.16% discount rate used (2011: 7.89%) 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).

All amounts are in thousands of Euro, unless otherwise stated

7 Property, plant and equipment

2012	Land and buildings	Fixtures and fittings	IT hardware	Total
At cost at 1 January	**31,276**	**31,555**	**31,027**	**93,858**
Additions	70	1,522	7,638	9,230
Disposals	(13,874)	(822)	(2,691)	(17,387)
Effect of movements in foreign exchange rates	23	282	447	752
At cost at 31 December	**17,495**	**32,537**	**36,421**	**86,453**
Accumulated depreciation and impairments at 1 January	**(7,272)**	**(20,947)**	**(23,953)**	**(52,172)**
Depreciation charge for the year	(379)	(2,697)	(3,739)	(6,815)
Depreciation on disposals	5,896	655	2,655	9,206
Effect of movements in foreign exchange rates	(4)	(192)	(345)	(541)
Accumulated depreciation and impairments at 31 December	**(1,759)**	**(23,181)**	**(25,382)**	**(50,322)**
Balance at 1 January	**24,004**	**10,608**	**7,074**	**41,686**
Balance at 31 December	**15,736**	**9,356**	**11,039**	**36,131**

2011	Land and buildings	Fixtures and fittings	IT hardware	Total
At cost at 1 January	**31,212**	**30,837**	**27,000**	**89,049**
Additions	62	1,289	4,743	6,094
Disposals	-	(882)	(1,212)	(2,094)
Effect of movements in foreign exchange rates	2	311	496	809
At cost at 31 December	**31,276**	**31,555**	**31,027**	**93,858**
Accumulated depreciation and impairments at 1 January	**(6,676)**	**(18,786)**	**(21,325)**	**(46,787)**
Depreciation charge for the year	(596)	(2,739)	(3,441)	(6,776)
Depreciation on disposals	-	814	1,176	1,990
Effect of movements in foreign exchange rates	-	(236)	(363)	(599)
Accumulated depreciation and impairments at 31 December	**(7,272)**	**(20,947)**	**(23,953)**	**(52,172)**
Balance at 1 January	**24,536**	**12,051**	**5,675**	**42,262**
Balance at 31 December	**24,004**	**10,608**	**7,074**	**41,686**

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

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:

	2012	2011
Italy	20,590	20,590
Belgium	-	5,530
France	280	280
Other	803	761
Total	**21,673**	**27,161**

Land and buildings are independently appraised by real estate valuators, which are registered in the relevant countries and have appropriate qualifications and experience in the valuation of properties. The Company usually revalues land and buildings every two to three years. In Italy the latest valuation on land and buildings was conducted in March 2011 by Roux Italia S.R.L., in Belgium in December 2011 by de Crombrugghe & 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 loss of EUR 3.5 million. In accordance with the sale agreement, the buyer will construct a new office building and lease it to the Company for 16 years. Until the new building is completed (expected end of 2014), the Company will use the old building free of charge. The lease of the new office building is classified as operating lease (see Note 33).

8 Investment property

	2012	2011
At cost at 1 January	**3,339**	**4,318**
Disposals	(1,014)	(979)
At cost at 31 December	**2,325**	**3,339**
Accumulated depreciation and impairments at 1 January	**(406)**	**(454)**
Depreciation charge for the year	(47)	(60)
Depreciation on disposals	86	108
Accumulated depreciation and impairments at 31 December	**(367)**	**(406)**
Balance at 1 January	**2,933**	**3,864**
Balance at 31 December	**1,958**	**2,933**

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

2012	Residential	Office	Retail	Total
Italy	-	1,279	527	1,806
The Netherlands	-	1,230	-	1,230
Sweden	146	-	-	146
Total	**146**	**2,509**	**527**	**3,182**

2011	Residential	Office	Retail	Total
Italy	-	2,794	527	3,321
The Netherlands	-	1,230	-	1,230
Sweden	140	-	-	140
Total	**140**	**4,024**	**527**	**4,691**

Land and buildings have been valued by independent real estate valuators, which are registered in the relevant countries and have appropriate qualifications and experience in the valuation of properties. The Company usually revalues land and buildings every two years. In Italy, the latest valuation on land and buildings was conducted in March 2011 by Roux Italy S.R.L., and in the Netherlands in August 2011 by Lengkeek Taxaties B.V.

All amounts are in thousands of Euro, unless otherwise stated

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.

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
Investment property which generated rental income		
Italy	-	46
Netherlands	29	31
Total	**29**	**77**
Investment property which did not generate rental income		
Italy	134	116
Total	**134**	**116**

9 Investments in subsidiaries and joint venture

The following table shows the changes in investments in subsidiaries and joint venture measured at cost:

	2012	2011
Balance at 1 January	50	462
Disposals	-	(412)
Balance at 31 December	50	50

The following table shows the changes in investments in subsidiaries:

	2012	2011
Balance at 1 January	50	50
Disposals	-	-
Balance at 31 December	50	50

The following table shows the changes in investments in joint venture:

	2012	2011
Balance at 1 January	-	412
Disposals	-	(412)
Balance at 31 December	-	-

As required by IFRS, all information from the subsidiaries and joint venture, unless otherwise stated, is based on the balance sheet dates between 30 September and 31 December.

Overview of subsidiaries, joint venture and branches:
The following table sets forth, as at 31 December 2012, the name and jurisdiction of establishment of the subsidiaries and joint venture of Atradius Credit Insurance N.V. None of the companies detailed below is listed.

	Country of incorporation	% interest held	Nature of relationship	Comment
Atradius Payments S.à.r.l.	France	100%	subsidiary	Services
Atradius Pension Trustees Ltd.	United Kingdom	100%	subsidiary	Pension trust
Atradius Receivables Management Company N.V.	Curaçao	0%	subsidiary	Credit insurance -55% prior to the disposal
NCM (UK) Holdings Ltd.	United Kingdom	100%	subsidiary	Dormant
NCM Credit Insurance Ltd.	United Kingdom	100%	subsidiary	Dormant
NCM UK Agency Ltd.	United Kingdom	100%	subsidiary	Dormant
Tokio Marine Nichido and Atradius Credit Management and Co. Ltd.	Japan	0%	joint venture	Credit insurance - 50% prior to the liquidation

- Le Sarrazin S.C.I., (100% owned dormant subsidiary) was dissolved in December 2011.
- Tokio Marine Nichido and Atradius Credit Management and Co. Ltd., has been liquidated on 31 March 2012.
- The shares in Atradius Receivables Management Company N.V. have been transferred to a third party on 20 July 2012.
- Atradius Payments S.à.r.l. was dissolved in January 2013.

The Company has branches in Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hong Kong, Hungary, Ireland, Italy, Japan, Luxembourg, New Zealand, Norway, Poland, Singapore, Slovakia, Spain, Sweden, Switzerland, Turkey and United Kingdom. The Company also has a representative office in Shanghai, China.

There are no commitments relating to the investments.

The following table shows summarised financial information of the Company's subsidiaries and joint venture:

2012	Total					
	Assets	Liabilities	Revenue	Net assets	Result for the year	Carrying amount
Atradius Payments S.à.r.l.	356	275	-	81	1	50
Atradius Pension Trustees Ltd.	-	-	-	-	-	-
Atradius Receivables Management Company N.V.	-	-	-	-	-	-
NCM (UK) Holdings Ltd.	61,267	61,267	-	-	-	-
NCM Credit Insurance Ltd.	650	650	-	-	-	-
NCM UK Agency Ltd.	-	-	-	-	-	-
Tokio Marine Nichido and Atradius Credit Management and Co. Ltd., Tokyo	-	-	-	-	-	-
Total	**62,273**	**62,192**	**-**	**81**	**1**	**50**

All amounts are in thousands of Euro, unless otherwise stated

2011	Total					
	Assets	***Liabilities***	***Revenue***	***Net assets***	**Result for the year**	**Carrying amount**
Atradius Payments S.à.r.l.	354	275	-	79	8	50
Atradius Pension Trustees Ltd.	-	-	-	-	-	-
Atradius Receivables Management Company N.V.	232	222	-	10	-	-
NCM (UK) Holdings Ltd.	59,859	59,859	-	-	-	-
NCM Credit Insurance Ltd.	635	635	-	-	-	-
NCM UK Agency Ltd.	-	-	-	-	-	-
Tokio Marine Nichido and Atradius Credit Management and Co. Ltd., Tokyo	-	-	35	-	(72)	-
Total	**61,080**	**60,991**	**35**	**89**	**(64)**	**50**

10 Financial investments

Financial investments classified by measurement category and nature 2012	**Available-for-sale**	**Loans and receivables**	**Total**
Equity securities	362,141	-	362,141
Debt securities	225,007	-	225,007
Loans	-	96,978	96,978
Short-term investments	-	85,779	85,779
Cash held for investments	-	1,311	1,311
Total	**587,148**	**184,068**	**771,216**

Financial investments classified by measurement category and nature 2011	**Available-for-sale**	**Loans and receivables**	**Total**
Equity securities	291,099	-	291,099
Debt securities	223,060	-	223,060
Loans	-	148,880	148,880
Short-term investments	-	35,505	35,505
Cash held for investments	-	48,580	48,580
Total	**514,159**	**232,965**	**747,124**

Movements in available-for-sale financial investments	Equity securities		Debt securities		Total	
	2012	2011	2012	2011	2012	2011
Balance at 1 January	**291,099**	**276,760**	**223,060**	**153,961**	**514,159**	**430,721**
Additions	191,882	178,676	235,429	202,741	427,311	381,417
Disposals	(130,212)	(158,311)	(231,498)	(133,016)	(361,710)	(291,327)
Amortisation charge for the year	-	-	(3,867)	(2,402)	(3,867)	(2,402)
Revaluations through other comprehensive income	7,956	(6,026)	1,964	375	9,920	(5,651)
Effect of movements in foreign exchange rates	1,416	-	(81)	1,401	1,335	1,401
Balance at 31 December	**362,141**	**291,099**	**225,007**	**223,060**	**587,148**	**514,159**

There was no impairment on equity investments (2011: EUR 6.9 million); there was no impairment on debt investments (2011: no impairment).

10.1 Loans

	2012	2011
Atradius Insurance Holding N.V.	96,700	148,600
Other	278	280
Total	**96,978**	**148,880**

During 2008, the Company granted two loans to its immediate parent, Atradius Insurance Holding N.V. The first loan consisting of an outstanding amount of EUR 114.7 million (at an interest rate of 1 year EURIBOR plus 50 bps per annum) has been partially repaid in 2012 with EUR 18 million. The remaining outstanding amount of EUR 96.7 million has been rolled over for one year. The second loan consisting of EUR 33.9 million (at an interest rate of 3 month EURIBOR plus 65 bps per annum) has been fully repaid in 2012.

10.2 Short-term investments and cash held for investments

	2012	2011
Deposits withheld by ceding companies	**847**	**1,065**
Within the EU	847	498
Outside the EU	-	567
Bank deposits, commercial paper and cash held for investments	**86,243**	**83,020**
Within the EU	48,035	42,588
Outside the EU	38,208	40,432
Total	**87,090**	**84,085**

11 Reinsurance contracts

	2012	2011
Reinsurers' share of insurance liabilities		
Provision for unearned premium	116,156	105,489
Claims provisions	571,754	569,573
Total	**687,910**	**675,062**
Current	475,076	473,151
Non-current	212,834	201,911

All amounts are in thousands of Euro, unless otherwise stated

Amounts due from reinsurers in respect of claims already paid by the Company 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 18.

12 Receivables

	2012	2011
Accounts receivable on insurance and reinsurance business	**116,056**	**146,654**
Amounts owed by policyholders and direct insurance operations	77,084	72,223
Receivables arising out of reinsurance	38,972	74,431
Other accounts receivable	**23,761**	**33,820**
Total	**139,817**	**180,474**

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 Company has a large number of internationally dispersed debtors (see Note 4.4.2).

An amount of EUR 42.5 million (2011: EUR 36.4 million) relates to past due receivables on insurance and reinsurance for which no impairment loss has been recognised, out of which 84.6% (2011: 87.0%) relates to receivables ageing less than three months.

All receivables are considered on an individual basis for impairment testing. As of 31 December 2012, receivables of EUR 14.3 million (2011: EUR 20.1 million) were considered to be partially impaired. The amount of the impairment taken related to these receivables was EUR 5.2 million (2011: EUR 6.8 million). This balance takes into account that a portion of the impaired receivables will be recovered. The Company does not hold any collateral over these balances.

Movements on the provision for impairment of receivables are presented in the following table:

	2012	2011
Balance at 1 January	**6,820**	**8,905**
Impairment of receivables	1,221	1,996
Receivables written off during the year as uncollectable	(2,366)	(3,013)
Unused amounts reversed	(514)	(1,068)
Balance at 31 December	**5,161**	**6,820**

The creation and release of provision for impaired receivables has been partly included in net operating expenses (see Note 27) and partly in the technical lines (for insurance business only) of the income statement (premium and commission). Amounts charged to the allowance account are written off when there is no expectation of recovery.

13 Deferred acquisition costs

	2012	2011
Balance at 1 January	**10,924**	**9,974**
Change in deferred acquisition costs	918	777
Effect of movements in foreign exchange rates	4	173
Balance at 31 December	**11,846**	**10,924**

14 Miscellaneous assets and accruals

	2012	2011
Pipeline premium	149,611	125,777
Ceded return premium	29,159	36,884
Prepayments	12,937	13,082
Accrued interest	3,421	3,530
Other	6,144	4,938
Total	**201,272**	**184,211**

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

15 Cash and cash equivalents

	2012	2011
Cash at bank and on hand	10,399	28,180
Short-term bank deposits	-	509
Cash and cash equivalents	**10,399**	**28,689**

The Company 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.

16 Capital and reserves

16.1 Share capital

Balance at 1 January and 31 December	2012	2011
Authorised share capital	10,000	10,000
Issued and fully paid share capital	7,740	7,740

The authorised share capital of the Company amounts to EUR 10,000,000 and is divided into 2,500 ordinary shares with a nominal value of EUR 4,000 each (2011: the same) of which 1,935 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
Balance at 1 January	**420,966**	**420,966**
Change in legal reserves	(34,933)	-
Balance at 31 December	**386,033**	**420,966**

All amounts are in thousands of Euro, unless otherwise stated

16.3 Revaluation reserve

	2012	2011
Balance at 1 January	**6,117**	**3,447**
Change in revaluation reserve - gross	9,808	1,263
Change in revaluation reserve - tax	(2,434)	(330)
Net (gains) / losses transferred to net profit on disposal - gross	758	2,317
Net (gains) / losses transferred to net profit on disposal - tax	(200)	(580)
Balance at 31 December	**14,049**	**6,117**

16.4 Regulatory and intangibles reserves

	2012	2011
Balance at 1 January	**236,654**	**174,725**
Change in regulatory reserve	30,999	60,423
Change in intangibles reserve	3,934	1,506
Balance at 31 December	**271,587**	**236,654**

This item consists of the following two legal reserves:

- the regulatory reserve, consisting of the equalisation provision of EUR 184.6 million (2011: EUR 157.1 million) and the required solvency of EUR 70.3 million (2011: EUR 66.4 million);
- the intangibles reserve, related to the capitalisation of self developed software of EUR 16.6 million (2011: EUR 13.1 million).

In previous years, the Company has built up these two legal reserves from its retained earnings by deducting each increase in the legal reserves from the retained earnings. In 2012, the Company decided to build up these legal reserves from the share premium reserve. Hence, the increase in these legal reserves of EUR 34.9 million in 2012 is deducted from the share premium reserve.

The following table shows the split of these two legal reserves at the end of the reporting period:

	2012	2011
Regulatory reserve	254,976	223,510
Intangibles reserve	16,611	13,144
Total	**271,587**	**236,654**

16.5 Currency translation reserve

	2012	2011
Balance at 1 January	**4,715**	**2,550**
Change in currency translation - gross	1,577	2,547
Change in currency translation - tax	(71)	(382)
Balance at 31 December	**6,221**	**4,715**

16.6 Pension reserve

	2012	2011
Balance at 1 January	**(114,867)**	**(107,894)**
Recognised actuarial gains and losses	**(59,815)**	**14,181**
Change in pension reserve - gross	(80,028)	20,574
Change in pension reserve - tax	20,213	(6,393)
Effect of the asset ceiling	**29,100**	**(21,154)**
Change in pension reserve - gross	38,627	(28,205)
Change in pension reserve - tax	(9,527)	7,051
Balance at 31 December	**(145,582)**	**(114,867)**

16.7 Retained earnings

	2012	2011
Balance at 1 January	**88,299**	**82,068**
Result for the year	43,445	78,639
Change in legal reserves	-	(61,929)
Dividends	(71,900)	(10,479)
Balance at 31 December	**59,844**	**88,299**

16.8 Dividend distribution

The dividend distribution is based on the Company financial statements. The Company is subject to legal restrictions regarding the amount of dividends it can pay to its 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.

In 2012, a distribution of EUR 71.9 million was made out of the retained earnings (2011: EUR 10.5 million).

17 Employee benefit assets and liabilities

	2012	2011
Retirement benefits	80,897	58,945
Other long-term employee benefits	3,856	3,190
Total	**84,753**	**62,135**

17.1 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 96.2% (2011: 95.9%) of the defined benefit obligation. The other plans relate to Switzerland, Norway, Italy, Sweden, Belgium and France. The recognition of assets and liabilities is determined separately for each plan.

Within the Company 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 5.6 million in 2012 (2011: EUR 5.2 million).

Under a defined benefit pension plan, the beneficiary receives a defined pension from the Company or a pension fund. The contributions payable by the Company for financing the plan are not defined in advance.

Germany

In Germany the pension rights are based on a percentage of the average salary of the last 10 years. The defined benefit pension obligation consists of three plans, of which two are closed for new employees. At year-end these pension plans had 387 active members (2011: 340 active members). The total calculated pension obligation of these plans at 31 December 2012 is EUR 70.3 million (2011: EUR 47.7 million). The assets of these plans at 31 December 2012 amounted to EUR 36.8 million (2011: EUR 32.5 million). Additionally, assets of EUR 11.6 million (2011: EUR 11.8 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.

All amounts are in thousands of Euro, unless otherwise stated

United Kingdom
In the United Kingdom the pension rights are based on a percentage of the final salary. This defined benefit pension plan has been closed to new employees since 2000. At year-end this pension plan had 236 active members (2011: 240 active members). The total calculated pension obligation of this plan at 31 December 2012 is EUR 196.1 million (2011: EUR 183.2 million). The assets of this pension plan at 31 December 2012 are EUR 163.2 million (2011: EUR 147.3 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 Company must top up the member's account.

The Netherlands
In the Netherlands the pension rights are based on a percentage of the average salary. This defined benefit pension plan has been closed to new participants since 1 January 2009. At year-end this pension plan had 397 active members (2011: 426 active members). The total calculated pension obligation of this plan at 31 December 2012 is EUR 243.0 million (2011: EUR 167.5 million). The assets of this pension plan at 31 December 2012 were EUR 239.4 million (2011: EUR 206.1 million).

Pension assets and liabilities

The following tables summarise the funded status and amounts recognised in the statement of financial position and the components of net benefit expenses recognised in the income statement.

Funded status	**2012**	**2011**	**2010**	**2009**	**2008**
Present value of defined benefit obligation	539,233	416,270	414,946	377,849	328,367
Fair value of plan assets	458,336	395,952	365,751	323,478	271,579
Pension commitments less plan assets	**80,897**	**20,318**	**49,195**	**54,371**	**56,788**
Effect of the asset ceiling	-	38,627	10,422	-	-
Deficit / (surplus) at 31 December	**80,897**	**58,945**	**59,617**	**54,371**	**56,788**
Experience (gain) / loss on plan liabilities	(2,009)	(1,562)	(7,056)	(2,114)	(2,265)
Experience (gain) / loss on plan assets	(22,588)	4,381	(10,998)	(10,175)	62,371

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 102.6 million (2011: gain of EUR 25.0 million) were recognised in the defined benefit obligation, mainly due to a significant decrease of 200 bps in the discount rates in Germany and the Netherlands.

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).

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

	2012	2011
Balance at 1 January	**416,270**	**414,946**
Employer service cost	7,404	8,879
Plan participants' contributions	2,039	1,932
Interest cost	21,232	22,588
Actuarial losses / (gains)	102,616	(24,956)
Curtailments	(384)	-
Benefits paid	(14,341)	(12,829)
Effect of movements in foreign exchange rates	4,397	5,710
Balance at 31 December	**539,233**	**416,270**

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

	2012	2011
Balance at 1 January	**395,952**	**365,751**
Expected return on assets	23,106	20,435
Actuarial gains / (losses)	22,588	(4,381)
Employer contributions	25,414	20,545
Plan participants' contributions	2,039	1,932
Benefits paid	(14,101)	(12,970)
Effect of movements in foreign exchange rates	3,338	4,640
Balance at 31 December	**458,336**	**395,952**

The fair value of plan assets at the end of the reporting period is analysed as follows:

	2012	2011
Equity securities	166,428	135,302
Debt securities	261,367	232,947
Investment property	10,512	16,498
Other	20,029	11,205
Total	**458,336**	**395,952**

The plan assets do not include any of the Company's own financial instruments, nor any property occupied or other assets used by the Company.

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 was EUR 45.7 million (2011: EUR 16.1 million).

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

All amounts are in thousands of Euro, unless otherwise stated

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 "Prognose tafel 2012-2062" + loading for experience mortality	AG "Prognose tafel 2010-2060" + loading for experience mortality

17.2 Other long-term employee benefits

	2012	2011
Early retirement	1,258	1,040
Jubilee	2,365	1,801
Other	233	349
Total	**3,856**	**3,190**

17.3 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)	7,336	7,930
Interest cost	21,339	22,719
Actuarial losses / (gains)	831	(115)
Expected return on plan assets	(23,106)	(20,435)
Cost of settlements, curtailments and termination benefits	(436)	-
Total	**5,964**	**10,099**

Expenses related to pensions are recorded under net operating expenses in the income statement (see Note 27).

17.4 Termination benefits

The termination benefits are included in the restructuring provisions (see Note 19).

18 Insurance contracts

Credit insurance	Gross	Reinsurance Asset	Net	Gross	Reinsurance Asset	Net
		2012			2011	
Claims reported and loss adjustment expenses	54,929	(125,172)	(70,243)	57,675	(127,220)	(69,545)
Claims incurred but not reported	399,587	(296,721)	102,866	380,227	(286,103)	94,124
Claims provisions	**454,516**	**(421,893)**	**32,623**	**437,902**	**(413,323)**	**24,579**
Unearned premium	111,137	(53,845)	57,292	110,728	(48,323)	62,405
Total	**565,653**	**(475,738)**	**89,915**	**548,630**	**(461,646)**	**86,984**
Bonding						
Claims reported and loss adjustment expenses	203,061	(140,429)	62,632	206,621	(143,342)	63,279
Claims incurred but not reported	13,861	(9,432)	4,429	18,457	(12,908)	5,549
Claims provisions	**216,922**	**(149,861)**	**67,061**	**225,078**	**(156,250)**	**68,828**
Unearned premium	86,486	(62,311)	24,175	82,391	(57,166)	25,225
Total	**303,408**	**(212,172)**	**91,236**	**307,469**	**(213,416)**	**94,053**
Total insurance contracts	**869,061**	**(687,910)**	**181,151**	**856,099**	**(675,062)**	**181,037**
Current	599,844	(475,076)	124,768	600,040	(473,151)	126,889
Non-current	269,217	(212,834)	56,383	256,059	(201,911)	54,148

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 amount to EUR 364 million (2011: EUR 352 million).

All amounts are in thousands of Euro, unless otherwise stated

18.1 Claims development tables

The claims development tables provide an overview of how the Company's estimate of claims provisions for underwriting years 2005-2012 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 ('risk attaching').

Credit Insurance – Gross

Claims development per underwriting year – risk attaching

Year when risk was taken	2005	2006	2007	2008	2009	2010	2011	2012	Total
Estimate of gross claims incurred:									
at the end of the year when risk was taken	432,907	540,386	518,039	751,182	527,727	364,524	471,321	551,950	
one year later	423,115	461,254	519,968	956,557	388,389	246,723	332,017		
two years later	423,152	454,687	509,376	991,686	353,766	211,450			
three years later	416,081	451,779	496,473	979,459	334,385				
four years later	409,608	444,880	488,087	974,533					
five years later	403,144	446,791	484,193						
six years later	401,107	442,126							
seven years later	398,957								
Current estimate of cumulative claims	398,957	442,126	484,193	974,533	334,385	211,450	332,017	551,950	3,729,611
Cumulative payments to date	400,155	446,574	488,744	958,468	348,809	211,240	284,286	148,054	3,286,330
Claims provision at 31 December 2012 in respect of 2005 - 2012	(1,198)	(4,448)	(4,551)	16,065	(14,424)	210	47,731	403,896	443,281
In respect of prior years (before 2005)									11,235
Total									**454,516**

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 instalment credit protection business. The premium earned for underwriting years 2009 – 2011 in the current financial year was EUR 16.3 million.

Both frequency and severity of claims for underwriting years 2009, 2010 and 2011 have developed more favourably than assumed at year-end 2011. For underwriting year 2005 and prior, recovery inflow is more positive than previously anticipated. The development on the 2006 - 2011 underwriting years is positive despite adverse losses for instalment credit protection for which the premium has yet to be earned.

Credit Insurance – Net

Claims development per underwriting year – risk attaching

Year when risk was taken	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**Total**
Estimate of net claims incurred:									
at the end of the year when risk was taken	47,336	59,402	137,335	206,101	151,740	105,446	127,688	152,828	
one year later	46,511	78,328	142,692	255,152	120,927	76,723	93,995		
two years later	44,861	77,853	139,883	264,775	112,576	66,055			
three years later	39,937	77,224	133,730	260,635	105,149				
four years later	37,896	71,336	132,172	256,565					
five years later	33,021	73,612	129,247						
six years later	33,791	72,125							
seven years later	33,073								
Current estimate of cumulative claims	33,073	72,125	129,247	256,565	105,149	66,055	93,995	152,828	909,037
Cumulative payments to date	36,407	78,929	140,660	270,612	128,076	82,352	92,767	46,743	876,546
Claims provision at 31 December 2012 in respect of 2005 - 2012	(3,334)	(6,804)	(11,413)	(14,047)	(22,927)	(16,297)	1,228	106,085	32,491
In respect of prior years (before 2005)									132
Total									**32,623**

The Company 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 2005 - 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.

All amounts are in thousands of Euro, unless otherwise stated

Bonding – Gross

Claims development per underwriting year – risk attaching

Year when risk was taken	2005	2006	2007	2008	2009	2010	2011	2012	Total
Estimate of gross claims incurred:									
at the end of the year when risk was taken	6,945	11,914	8,132	4,270	3,294	1,842	5,747	4,719	
one year later	8,717	7,892	16,830	17,586	8,868	6,241	23,837		
two years later	16,936	15,567	17,565	18,007	13,183	10,571			
three years later	19,824	17,430	21,450	20,255	14,000				
four years later	18,641	19,820	20,870	21,934					
five years later	19,782	16,980	18,524						
six years later	18,679	16,769							
seven years later	19,172								
Current estimate of cumulative claims	19,172	16,769	18,524	21,934	14,000	10,571	23,837	4,719	129,526
Cumulative payments to date	11,734	13,373	11,398	13,318	6,707	2,389	10,520	375	69,814
Claims provision at 31 December 2012 in respect of 2005 - 2012	7,438	3,396	7,126	8,616	7,293	8,182	13,317	4,344	59,712
In respect of prior years (before 2005)									157,210
Total									**216,922**

The estimate of ultimate claim costs does not include an estimate for future claim payments on cases where the Company does not yet have adverse information. This explains the increase in estimate of ultimate claim costs over time. For bonding, the Company 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 18.8 million.

As described in Note 4.3.6, bonding tends to be longer tail business and around half of the bonds written have tenors of over two years.

Bonding – Net

Claims development per underwriting year – risk attaching

Year when risk was taken	2005	2006	2007	2008	2009	2010	2011	2012	Total
Estimate of net claims incurred:									
at the end of the year when risk was taken	2,382	4,570	6,882	1,378	946	(2,400)	1,842	1,131	
one year later	3,344	1,770	8,254	9,654	3,013	1,948	6,247		
two years later	4,136	4,114	4,809	8,709	3,897	3,543			
three years later	6,128	4,594	7,259	9,577	4,281				
four years later	5,802	5,380	5,966	10,433					
five years later	6,165	4,719	5,381						
six years later	5,661	4,700							
seven years later	5,744								
Current estimate of cumulative claims	5,744	4,700	5,381	10,433	4,281	3,543	6,427	1,131	41,640
Cumulative payments to date	3,516	3,623	3,531	7,650	1,909	605	2,473	84	23,391
Claims provision at 31 December 2012 in respect of 2005 - 2012	2,228	1,077	1,850	2,783	2,372	2,938	3,954	1,047	18,249
In respect of prior years (before 2005)									48,812
Total									**67,061**

The Company has a series of quota share reinsurance covers in place. Movements arising on these contracts follow the same pattern as the gross movements.

All amounts are in thousands of Euro, unless otherwise stated

18.2 Insurance liabilities and reinsurance assets

18.2.1 Changes in insurance liabilities and reinsurance assets

Credit insurance	Gross	Reinsurance	Net	Gross	Reinsurance	Net
		2012			2011	
Balance at 1 January	**437,902**	**(413,323)**	**24,579**	**396,193**	**(389,643)**	**6,550**
Claims paid in the year	(314,507)	236,237	(78,270)	(236,131)	176,581	(59,550)
Increase/(decrease) in liabilities arising from claims	328,692	(243,097)	85,595	274,190	(197,527)	76,663
Foreign exchange rate and other movements	2,429	(1,710)	719	3,650	(2,734)	916
Balance at 31 December	**454,516**	**(421,893)**	**32,623**	**437,902**	**(413,323)**	**24,579**
Claims reported and loss adjustment expenses	54,929	(125,172)	(70,243)	57,675	(127,220)	(69,545)
Incurred but not reported	399,587	(296,721)	102,866	380,227	(286,103)	94,124
Total	**454,516**	**(421,893)**	**32,623**	**437,902**	**(413,323)**	**24,579**
Bonding						
Balance at 1 January	**225,078**	**(156,250)**	**68,828**	**243,102**	**(169,522)**	**73,580**
Claims paid in the year	(30,271)	21,458	(8,813)	(22,382)	15,727	(6,655)
Increase/(decrease) in liabilities arising from claims	23,318	(15,904)	7,414	8,204	(5,134)	3,070
Foreign exchange rate and other movements	(1,203)	835	(368)	(3,846)	2,679	(1,167)
Balance at 31 December	**216,922**	**(149,861)**	**67,061**	**225,078**	**(156,250)**	**68,828**
Claims reported and loss adjustment expenses	203,061	(140,429)	62,632	206,621	(143,342)	63,279
Incurred but not reported	13,861	(9,432)	4,429	18,457	(12,908)	5,549
Total	**216,922**	**(149,861)**	**67,061**	**225,078**	**(156,250)**	**68,828**
Claims provisions	**671,438**	**(571,754)**	**99,684**	**662,980**	**(569,573)**	**93,407**

18.2.2 Unearned premium

Credit insurance	Gross	Reinsurance	Net	Gross	Reinsurance	Net
		2012			2011	
Balance at 1 January	**110,728**	**(48,323)**	**62,405**	**109,078**	**(47,524)**	**61,554**
Movement in the period	289	(5,445)	(5,156)	958	(219)	739
Foreign exchange rate and other movements	120	(77)	43	692	(580)	112
Balance at 31 December	**111,137**	**(53,845)**	**57,292**	**110,728**	**(48,323)**	**62,405**
Bonding						
Balance at 1 January	**82,391**	**(57,166)**	**25,225**	**74,335**	**(51,622)**	**22,713**
Movement in the period	4,467	(5,361)	(894)	9,352	(6,456)	2,896
Foreign exchange rate and other movements	(372)	216	(156)	(1,296)	912	(384)
Balance at 31 December	**86,486**	**(62,311)**	**24,175**	**82,391**	**(57,166)**	**25,225**
Total provision for unearned premium	**197,623**	**(116,156)**	**81,467**	**193,119**	**(105,489)**	**87,630**

19 Provisions

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

2012	Restructuring	Onerous contracts	Litigation	Total
Balance at 1 January	**4,571**	**174**	**1,965**	**6,710**
Additional provisions	224	-	192	416
Unused amounts reversed	(486)	-	(66)	(552)
Utilised	(658)	(59)	(57)	(774)
Effect of movements in foreign exchange rates	-	4	-	4
Balance at 31 December	**3,651**	**119**	**2,034**	**5,804**
Current	1,741	51	-	1,792
Non-current	1,910	68	2,034	4,012

2011	Restructuring	Onerous contracts	Litigation	Total
Balance at 1 January	**9,243**	**569**	**3,181**	**12,993**
Additional provisions	-	-	611	611
Unused amounts reversed	(474)	(234)	(1,705)	(2,413)
Utilised	(4,198)	(159)	(122)	(4,479)
Effect of movements in foreign exchange rates	-	(2)	-	(2)
Balance at 31 December	**4,571**	**174**	**1,965**	**6,710**
Current	2,404	65	-	2,469
Non-current	2,167	109	1,965	4,241

All amounts are in thousands of Euro, unless otherwise stated

Restructuring and redundancy
In 2009, in order to realise cost savings, significant staff cuts were made which resulted in the reduction of 380 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 3.7 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 Company 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 Company and the future net incoming rental from subletting these properties is expected to fall significantly short of the Company'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 Company 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 Company.

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

20 Deferred and current income tax

Current income tax

	2012	2011
Current income tax assets	11,450	21,555
Current income tax liabilities	7,733	18,858
Total	**3,717**	**2,697**

The current income tax assets consist mainly of advances paid for local income tax. The current income tax liabilities consist mainly of income and other local income taxes payable.

Deferred income tax

	2012	2011
Deferred income tax assets before set-off	100,560	102,628
Set-off of deferred tax positions	(6,080)	(3,686)
Net deferred tax assets as presented in the statement of financial position	**94,480**	**98,942**
Deferred income tax liabilities before set-off	70,610	89,095
Set-off of deferred tax positions	(6,080)	(3,686)
Net deferred tax liabilities as presented in the statement of financial position	**64,530**	**85,409**

The gross movement on the deferred income tax is as follows:

	2012	2011
Balance at 1 January	**13,533**	**17,038**
Charge (credit) to other comprehensive income for the year	8,052	(252)
Charge (credit) to the income statement for the year	8,692	(3,571)
Effect of movements in foreign exchange rates	(327)	318
Balance at 31 December	**29,950**	**13,533**

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

Deferred income tax assets before set-off

2012	**Tax losses carried forward**	**Techncial balances**	**Pensions**	**Fiscal goodwill**	**Allowance accounts receivable**	**Other**	**Total**
Balance at 1 January	**23,941**	**29,970**	**14,628**	**19,255**	**5,436**	**9,398**	**102,628**
Recognised in other comprehensive income for the year	-	-	6,950	-	-	535	7,485
Recognised in the income statement for the year	2,175	(8,246)	(581)	(2,042)	(11)	(1,405)	(10,110)
Effect of movements in foreign exchange rates	169	90	264	-	1	33	557
Balance at 31 December	**26,285**	**21,814**	**21,261**	**17,213**	**5,426**	**8,561**	**100,560**

2011	**Tax losses carried forward**	**Techncial balances**	**Pensions**	**Fiscal goodwill**	**Allowance accounts receivable**	**Other**	**Total**
Balance at 1 January	**27,276**	**19,288**	**16,609**	**20,751**	**5,466**	**8,217**	**97,607**
Recognised in other comprehensive income for the year	-	-	(110)	-	-	(5)	(115)
Recognised in the income statement for the year	(3,586)	10,793	(2,179)	(1,496)	(31)	1,324	4,825
Effect of movements in foreign exchange rates	251	(111)	308	-	1	(138)	311
Balance at 31 December	**23,941**	**29,970**	**14,628**	**19,255**	**5,436**	**9,398**	**102,628**

The Company is part of the fiscal unity in the Netherlands, headed by Atradius N.V., and operates in a branch structure. Due to this branch structure, until 2011 losses of the foreign branches could immediately be offset against the current tax liability of the fiscal unity in the Netherlands. 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 0.6 million deferred tax assets on the losses carried forward were written down (2011: EUR 0.6 million). The fiscal goodwill is amortised over a period of 15 years (Germany) or 18 years (Italy).

All amounts are in thousands of Euro, unless otherwise stated

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

Expiration unrecognised tax losses carried forward	2012	2011
1 - 3 years	(7,170)	(7,036)
4 - 9 years	(2,391)	(2,368)
Indefinite	(10,040)	(8,491)
Total	**(19,601)**	**(17,895)**

The Company has unrecognised tax losses carried forward balances amounting to EUR 19.6 million (2011: EUR 17.9 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 Investments	Technical balances	Pensions	Equalisation provisions	Other	Total
Balance at 1 January	**(2,033)**	**(22,820)**	**(732)**	**(55,807)**	**(7,703)**	**(89,095)**
Recognised in other comprehensive income for the year	(3,169)	-	3,736	-	-	567
Recognised in the income statement for the year	(3)	11,180	(3,267)	14,429	(3,537)	18,802
Effect of movements in foreign exchange rates	(1)	(162)	(11)	(643)	(67)	(884)
Balance at 31 December	**(5,206)**	**(11,802)**	**(274)**	**(42,021)**	**(11,307)**	**(70,610)**

2011	Financial investments	Technical balances	Pensions	Equalisation provisions	Other	Total
Balance at 1 January	**(1,128)**	**(12,604)**	**(846)**	**(55,231)**	**(10,760)**	**(80,569)**
Recognised in other comprehensive income for the year	(904)	-	767	-	-	(137)
Recognised in the income statement for the year	(1)	(9,855)	(652)	(916)	3,028	(8,396)
Effect of movements in foreign exchange rates	-	(361)	(1)	340	29	7
Balance at 31 December	**(2,033)**	**(22,820)**	**(732)**	**(55,807)**	**(7,703)**	**(89,095)**

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	(2,634)	(910)
Pension reserve:		
Unrealised actuarial gains and losses	20,213	(6,393)
Asset ceiling	(9,527)	7,051
Total	**8,052**	**(252)**

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

	2012	2011
Currency translation reserve in shareholders' equity		
Current taxes on currency translation reserve	(71)	(382)
Total	(71)	(382)

21 Payables

	2012	2011
Accounts payable on insurance and reinsurance business	**65,751**	**48,807**
Payables arising out of reinsurance operations	25,624	24,638
Amounts due to policyholders	29,161	15,044
Amounts due to intermediaries and others	10,966	9,125
Trade and other accounts payable	**23,761**	**19,963**
Accounts payable	11,014	8,957
Other accounts payable	12,747	11,006
Total	**89,512**	**68,770**

The payables due are substantially all current.

22 Other liabilities

	2012	2011
Deposits received from reinsurers	24,550	31,795
Ceded pipeline premium	85,376	79,315
Return premium	49,348	59,905
Reinsurance accruals	42,177	28,210
Unearned reinsurance commission	36,594	30,197
Other accruals	35,094	37,774
Payroll and bonus accruals	31,116	29,497
IPT and stamp duties payable	8,121	8,418
Other taxes	4,384	4,366
Interest payable	4	597
Total	**316,764**	**310,074**

Other liabilities are substantially all current.

All amounts are in thousands of Euro, unless otherwise stated

23 Net premium earned

Credit insurance	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	2012			2011		
Written premium	784,211	(575,769)	208,442	741,572	(535,753)	205,819
Change in provision for unearned premium	(289)	5,445	5,156	(958)	219	(739)
Other movements	344	(286)	58	498	880	1,378
Total	**784,266**	**(570,610)**	**213,656**	**741,112**	**(534,654)**	**206,458**
Bonding						
Written premium	87,310	(63,581)	23,729	80,624	(53,298)	27,326
Change in provision for unearned premium	(4,467)	5,361	894	(9,352)	6,456	(2,896)
Other movements	27	(4)	23	137	(65)	72
Total	**82,870**	**(58,224)**	**24,646**	**71,409**	**(46,907)**	**24,502**
Total premium earned	**867,136**	**(628,834)**	**238,302**	**812,521**	**(581,561)**	**230,960**

24 Service and other income

	2012	2011
Information services and fees	7,586	18,303
Other service income	221	772
Total	**7,807**	**19,075**

Information services income and fees are part of the insurance segment. In 2011 an amount of EUR 8.2 million was recognised as additional information service income due to the transfer of the information services business from the Company's branches in Norway and Denmark to other Atradius Group companies.

25 Net income from investments

Net investment income by type of investment	2012	2011
Income		
Debt securities available-for-sale	5,323	4,694
Loans	2,783	3,183
Equity securities available-for-sale	1,866	2,831
Derivatives	-	-
Other investments	512	882
Total income from financial investments	**10,484**	**11,590**
Investment property	725	921
Total investment income	**11,209**	**12,511**
Expenses		
Debt securities available-for-sale	(1,206)	(1,534)
Equity securities available-for-sale	(1,924)	(8,086)
Derivatives	-	(2)
Handling expenses	(1,092)	(677)
Total expenses from financial investments	**(4,222)**	**(10,299)**
Investment property	(47)	(70)
Total investment expenses	**(4,269)**	**(10,369)**
Net income from investments	**6,940**	**2,142**

Net investment income by nature of income/(expense)	2012	2011
Income		
Interest	6,632	8,369
Dividends	1,596	2,831
Realised gains	2,838	1,137
Rental income from investment property	143	174
Total	**11,209**	**12,511**
Expenses		
Handling expenses	(1,093)	(677)
Realised losses	(3,129)	(2,721)
Impairment loss	-	(6,911)
Depreciation of investment property	(47)	(60)
Total	**(4,269)**	**(10,369)**
Net income from investments	**6,940**	**2,142**

In the interest income and expenses reported above, the component related to financial investments available-for-sale is net EUR 3.3 million (2011: EUR 4.3 million). This net income is derived from government bonds.

All amounts are in thousands of Euro, unless otherwise stated

Net gains / (losses) by type of investment	Impairments		Realised gains / (losses)	
	2012	2011	2012	2011
Investment property		-	582	737
Debt securities	-	-	779	(1,145)
Equity securities	-	(6,911)	(1,652)	(1,174)
Derivatives	-	-	-	(2)
Total	-	**(6,911)**	**(291)**	**(1,584)**

Net gains / (losses) by category				
Investment property	-	-	582	737
Financial assets classified as available-for-sale	-	(6,911)	(873)	(2,319)
Financial assets classified as at fair value through profit or loss	-	-	-	(2)
Total	-	**(6,911)**	**(291)**	**(1,584)**

26 Insurance claims

Credit insurance	*Gross*	*Reinsurers' share*	*Net*	*Gross*	*Reinsurers' share*	*Net*
		2012			2011	
Claims paid in the year	314,507	(236,237)	78,270	236,131	(176,581)	59,550
Change in claims provisions	14,185	(6,860)	7,325	38,059	(20,946)	17,113
Claims handling expenses	26,010	-	26,010	25,894	-	25,894
Total	**354,702**	**(243,097)**	**111,605**	**300,084**	**(197,527)**	**102,557**
Bonding						
Claims paid in the year	30,271	(21,458)	8,813	22,382	(15,727)	6,655
Change in claims provisions	(6,953)	5,554	(1,399)	(14,178)	10,593	(3,585)
Claims handling expenses	1,821	-	1,821	1,734	-	1,734
Total	**25,139**	**(15,904)**	**9,235**	**9,938**	**(5,134)**	**4,804**
Total insurance claims	**379,841**	**(259,001)**	**120,840**	**310,022**	**(202,661)**	**107,361**

For more detail on the changes in claims provisions, see Note 18.2.1.

27 Net operating expenses

	2012	2011
Total administrative expenses	218,404	217,182
Gross acquisition costs	90,979	84,800
Gross change in deferred acquisition costs	(918)	(777)
Gross operating expenses	308,465	301,205
Commissions received for business ceded to reinsurers	(228,819)	(259,341)
Total net operating expenses	**79,646**	**41,864**

Administrative expenses by type of business	2012	2011
Insurance and information expenses	245,905	244,357
Other service expenses	53	185
Corporate costs	277	268
Total gross administrative expenses	246,235	244,810
Claims handling expenses allocated to net claims charges	(27,831)	(27,628)
Total administrative expenses	**218,404**	**217,182**

Administrative expenses by nature	2012	2011
Employee benefit expenses (see table below)	164,686	165,389
Travelling and company cars	8,535	8,668
Information technology	15,136	17,424
Housing and office expenses	25,873	23,748
Other expenses	32,005	29,581
Total gross administrative expenses	246,235	244,810
Claims handling expenses allocated to net claims charges	(27,831)	(27,628)
Total administrative expenses	**218,404**	**217,182**

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 14.9 million (2011: EUR 16.3 million).

Employee benefit expenses	2012	2011
Salaries and wages	128,893	126,430
Social security costs	24,277	23,668
Pension costs - defined contribution plans	5,552	5,192
Pension costs - defined benefit plans	5,964	10,099
Total employee benefit expenses	**164,686**	**165,389**

For an explanation of the employee benefit details see Note 17.

All amounts are in thousands of Euro, unless otherwise stated

28 Finance income and expenses

	2012	2011
Other interest income	(1,279)	(1,289)
Foreign exchange (income) / expense	(583)	(26)
Total finance (income) / expense	**(1,862)**	**(1,315)**

The foreign currency exchange gain consists of EUR 1.8 million unrealised gains on monetary items partially offset by EUR 1.2 million transaction losses (2011: EUR 0.5 million unrealised gains largely offset by EUR 0.5 million transaction losses).

29 Income tax

	2012	2011
Current tax	19,672	22,057
Deferred tax	(8,692)	3,571
Total	**10,980**	**25,628**

The actual tax on the Company's result differs from the theoretical amount that would arise using the weighted average tax rate applicable to the results of the Company's branches and is analysed in the following table:

	2012	2011
Result before tax:	**54,425**	**104,267**
Tax calculated at domestic tax rates applicable to results in the respective countries	15,098	28,194
Tax exempt income	(667)	(617)
Write down (reversal) of deferred tax assets	305	(3,586)
Reassessment of prior year local tax positions	(3,545)	1,699
Other	(211)	(62)
Income tax expense / (income) for the year	**10,980**	**25,628**

The weighted average applicable tax rate was 27.7% (2011: 27.0%).

In 2012 deferred tax assets relating to losses carried forward in certain branches were written down. This is included in 'write down (reversal) of deferred tax assets'. The positive amount in 2011 mainly related to the reversal of deferred tax assets (previously written down) on losses carried forward in Italy (EUR 3.8 million), due to change of the rules relating to tax loss carried forward; losses can now be carried forward indefinitely in Italy.

The reassessment of prior year local tax positions mainly relate to an additional deduction in the UK for pensions (EUR 2.7 million) for prior periods.

30 Assets not freely disposable

Assets that are not freely disposable consist of financial investments and cash that have been mainly held for local regulatory purposes and can be used to cover technical provisions. The amount of pledged financial assets not covering technical provisions is EUR 14.8 million (2011: EUR 15.2 million). The financial assets not freely disposable are presented in the following table:

	2012	2011
Debt securities	51,421	72,352
Short-term investments	60,538	44,174
Total	**111,959**	**116,526**

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

31 Contingencies

	2012	2011
Atradius Finance B.V. bond holders 2004	120,000	120,000
Alkimmo N.V.	98	90
Other (mainly rent related)	981	940
Total	**121,079**	**121,030**

The Company acts as second priority guarantor (after Atradius N.V.) towards the holders of the bonds issued by Atradius Finance B.V., a related company which is part of the Atradius Group. The bonds are listed on the Luxembourg stock exchange.

The Company is subject to litigation in the normal course of business. The Company does not believe that such litigation will have a material effect on its profit or loss and financial condition.

32 Capital commitments

	2012	2011
Other financial obligations	44,149	28,582
Total	**44,149**	**28,582**

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

33 Operating leases

Non cancellable operating lease commitments:

	2012	2011
Less than one year	17,622	16,897
Between one and five years	52,962	52,936
More than five years	33,614	35,845
Total	**104,198**	**105,678**

The Company 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 91% (2011: 90%) of the total future payments regarding operating leases.

During the year an amount of EUR 18.9 million (2011: EUR 18.8 million) has been recognised as expense.

34 Personnel

The number of employees working for the Company:

	2012	2011
Total average number of employees (full-time equivalent)	2,330	2,335
Total year end number of employees (full-time equivalent)	2,321	2,339
Total year end number of employees	2,455	2,464

All amounts are in thousands of Euro, unless otherwise stated

35 Related party transactions

The following table provides the total value of transactions which have been entered into with related parties for the financial year:

	2012	2011
Parent [1]		
Receiving of services	(1,054)	(1,250)
Investment income	2,783	2,951
Loan receivable from parent (note 10.1)	96,700	148,600
Payables to parent	313	51
Other related parties [2]		
Rendering of services	35,001	27,091
Outward reinsurance premiums	223,073	204,822
Outward reinsurance claims	(81,727)	(54,632)
Outward reinsurance commissions	(90,209)	(99,155)
Investment income	4	236
Receivables from other related parties	32,833	60,568
Payables to other related parties	9,899	7,025

1) Parent – Atradius Insurance Holding N.V.

2) Other related parties – transactions with other subsidiaries of the Atradius Group. Transactions include the purchase (ceded insurance) and sale of reinsurance, the major related party being Atradius Re Ltd., Ireland which has a Group quota share treaty of 30% for credit insurance. Rendering of services relates to transfer pricing.

Terms and conditions of transactions with related parties

No guarantees have been provided or received for any related party balances for 2012 or 2011. For the years ending 31 December 2012 and 2011, the Company has not raised any provision or expenses for doubtful debtors relating to amounts owed by related parties.

All transactions with related parties are at arm's length.

Compensation of key current and former management personnel of the Company

The members of the Management Board of the Company also serve on the Management Board of Atradius N.V. and participate in the Boards of some of the fellow subsidiaries of Atradius N.V. The members of the Supervisory Board of the Company also serve on the Supervisory Board of Atradius N.V. 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 six members (2011: three members) and other identified staff of six members (2011: six members). With effect from 1 April 2013 David Capdevila resigned as member of the Management Board of Atradius Credit Insurance N.V.

The following table provides details on the remuneration for members of the Management Board, Supervisory Board and other identified staff.

Remuneration	2012	2011
Management Board		
Short-term employee benefits [1]	1,260	1,106
Long-term employee benefits	489	549
Post-employment benefits	206	194
Total compensation paid to Management Board members	**1,955**	**1,849**
Supervisory Board		
Short-term employee benefits [1]	75	75
Total compensation paid to Supervisory Board members	**75**	**75**

All remuneration paid to the Management Board of the Company is paid by Atradius N.V. The remuneration of the Management Board allocated to the Company is based on the Transfer Pricing policy set by the Atradius Group and agreed by the relevant tax authorities.

	2012	2011
Other identified staff		
Short-term employee benefits [1]	855	831
Long-term employee benefits	296	296
Post-employment benefits	109	99
Total compensation paid to other identified staff	**1,260**	**1,226**

[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.*

The remuneration of the other identified staff allocated to the Company is based on the Transfer Pricing policy set by the Atradius Group and agreed by the relevant tax authorities.

36 Auditor fees

The following expenses were made to the Company's Auditor for audit and non-audit services:

2012	Deloitte Accountants B.V.	Other Deloitte Network organisations	Total Deloitte Network
Audit financial statements	296	554	850
Other audit services	4	144	148
Fiscal advisory services	-	28	28
Non-audit services	-	95	95
Total	**300**	**821**	**1,121**

2011	Deloitte Accountants B.V.	Other Deloitte Network organisations	Total Deloitte Network
Audit financial statements	291	570	861
Other audit services	4	267	271
Fiscal advisory services	-	140	140
Non-audit services	-	32	32
Total	**295**	**1,009**	**1,304**

37 Events after the reporting period

There are no events to report.

Other information

Proposed profit appropriation

1. Statutory appropriation of result

In accordance with article 20 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 retained earnings and to make a distribution of EUR 38.9 million out of retained earnings.

Amsterdam, 4 April 2013

The Supervisory Board

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

The Management Board

Isidoro Unda
Christian van Lint
Andreas Tesch

Management Board

Isidoro Unda

Christian van Lint

Andreas Tesch

Supervisory Board

Paul-Henri Denieuil

Francisco Arregui

Xavier Freixes

Bernd Meyer

José Ruiz

Dick Sluimers

Supervisory Board

Paul-Henri Denieuil	**Francisco Arregui**	**Xavier Freixes**
Bernd Meyer	**José Ruiz**	**Dick Sluimers**

Supervisory Board

Paul-Henri Denieuil	**Francisco Arregui**	**Xavier Freixes**
Bernd Meyer	**José Ruiz**	**Dick Sluimers**

Supervisory Board

Paul-Henri Denieuil	Francisco Arregui	Xavier Freixes
Bernd Meyer	José Ruiz	Dick Sluimers

Supervisory Board

Paul-Henri Denieuil	Francisco Arregui	Xavier Freixes
Bernd Meyer	José Ruiz	Dick Sluimers

Independent auditor's report

To the general meeting of Atradius Credit Insurance N.V.

Report on the financial statements

We have audited the accompanying financial statements 2012 of Atradius Credit Insurance N.V., Amsterdam, the Netherlands, which comprise the statement of financial position as per 31 December 2012, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes, comprising a summary of the significant 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 Report of the Management Board 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 financial statements

In our opinion, the financial statements give a true and fair view of the financial position of Atradius Credit Insurance N.V. as per 31 December 2012 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

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 Report of the Management Board, 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 Report of the Management Board, 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, 4 April 2013
Deloitte Accountants B.V.

Signed by: C.J. de Witt

KPMG

KPMG Actuarial Pty Ltd
Australian Financial Services Licence No. 392050
10 Shelley Street
Sydney NSW 2000

PO Box H67
Australia Square NSW 1215
Australia

ABN: 91 144 686 046
Telephone: +61 2 9335 7000
Facsimile: +61 2 9335 7001
DX: 1056 Sydney
www.kpmg.com.au

14 June 2013

Mr David Huey
Managing Director, Australia & NZ
Atradius Credit Insurance N.V.
Level 5, Export House
22 Pitt Street
SYDNEY NSW 2000

Dear Mr Huey

Formal Statement – Insurance (Prudential Supervision) Act 2010

With reference to Sections 77 and 78 of the Insurance (Prudential Supervision) Act 2010, I state:

1. I am the appointed actuary to Atradius Credit Insurance N.V. New Zealand Branch ("ACINZ") and am employed by KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. I am not the appointed actuary to Atradius Credit Insurance N.V. I am independent with respect to Atradius Credit Insurance N.V. New Zealand Branch and also Atradius Credit Insurance N.V.

2. I have reviewed the actuarial information included in the audited accounts for Atradius Credit Insurance N.V. New Zealand Branch as at 31 December 2012. "Actuarial information" includes the following:

   - the unearned premium liability and the liability adequacy test;
   - the Net Outstanding Claims Liability;
   - reinsurance and any other recovery asset;
   - any deferred acquisition cost; and
   - disclosures regarding the methodology and assumptions used for calculating policy liabilities, and other disclosures.

3. No limitations have been placed on my work.

4. I have been provided with all information that I have requested in order to carry out this review.

5. In my view the actuarial information contained in the financial statements has been appropriately included, and the actuarial information used in the preparation of the financial statements has been appropriately presented.
6. I understand that no condition has been imposed under Section 21 (2) (b) as at 31 December 2012.
7. The above declarations are in accordance of my understanding of a letter dated 11 January 2012 from the Reserve Bank of New Zealand which issued a provisional licence. The provisional licence includes requirements on the appointed actuary of Atradius Credit Insurance N.V., whilst I note that I am the appointed actuary of ACINZ. I understand that ACINZ has communicated to RBNZ that Atradius only would apply for a license under the condition that the FCR should refer to the branch operation and this was agreed. I have adopted this approach specifically in regard to solvency margin calculations, financial projections and material risks.

Yours sincerely

Brett Gould

Brett Gould
As Appointed Actuary for Atradius Credit Insurance N.V. New Zealand Branch
KPMG Actuarial Pty Ltd

Fellow of the New Zealand Society of Actuaries

BUSINESS & REGISTRIES BRANCH, AUCKLAND
21 JUN 2013
RECEIVED