



Annual Report 2018

Our Staff



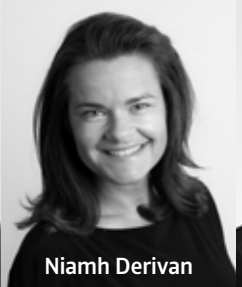
Victor Corraera



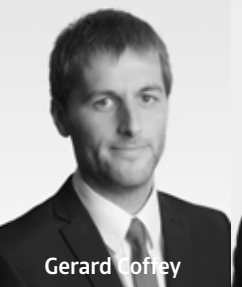
Vera Duraes



Patrick Campbell



Niamh Derivan



Gerard Coffey



Darryl Conlan



Nigel Mahon



Chris Denham



Donal O'Maolalain



Michelle Yang Qiu



Imran Khan



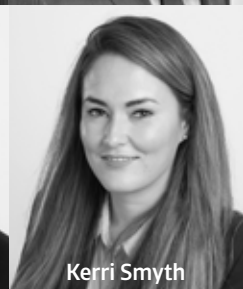
Antoine Lemonnier



Gauri Grover



Tilen Mihelič



Kerri Smyth



Sergio Maizza



Rachel McCormac



Damian Mingorance



Ruth Vallenduuk



Bryce Ndjatang Tchuetcheu



Brendan O'Connell



Patrick De Almeida



Catherine Roche



Mario Ricciardi



Giuseppe Stella



Judit Gordan



Patrick Schwebann



Eoghan Smyth



Ludovica Terry



Daniel Stausberg



Sarah Barry



Cillian O'Dowd

Atradius Reinsurance DAC

Directors' Report and Audited Financial Statements

Year ended 31 December 2018

Registered No: 276690

VAT No: 8276690Q

Reinsurance Licence No: C38084



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Directors

Executive Directors



Daniel Stausberg
Managing Director
(German)



Niamh Derivan
Finance Director
(Irish)

Independent Non-Executive Directors



Conor Molloy
(Irish)



Mary Brennan
(Irish)

Non-Executive Directors



David Capdevila
Chairman of the Board
(Spanish)



Marc Henstridge
(British)
appointed April 3, 2018



Antonio Rubio
(Spanish)
Appointed June 2, 2018

Directors' Report



The directors present their annual report and the audited financial statements for the year ended 31 December 2018

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

Atradius Re currently assumes business from 65 countries, on all continents, maintaining a balanced diversity within the portfolio. The underlying third party business consists of around 65% credit insurance and 35% bonding, based on premium volume. The business is underwritten by a multilingual, highly trained and experienced, international team of underwriters at Atradius Re’s offices in Dublin, Ireland.

Atradius Re has created long-standing relationships with its clients and specialist brokers. The quality of these client

and broker relationships is underscored by the Company’s unique offering: combining the Atradius Group’s skills in the primary underwriting of credit insurance and bonding risks with its own distinctive approach and expertise in structuring reinsurance solutions. In this way Atradius Re can anticipate and respond to its clients’ specific and changing needs. It continues to evolve and succeed in the face of increasing competition and is one of only very few reinsurers to have the capacity to re-underwrite. Those services create a very distinctive added value to its clients. Moreover, because it can cross-promote and thus provide an evolving portfolio of additional expert services, Atradius Re is widely acknowledged to play an important role in the international development and growth of the credit and bonding insurance industry, particu-

larly in emerging markets. The Company is an active member of and contributor to ICISA, PASA, and the Aman Union.

The Company is authorised and regulated by the Central Bank of Ireland and is authorised to conduct reinsurance business in the EU internal market in accordance with the provisions of the European Union (Insurance and Reinsurance) regulations, 2015. It is authorised to carry on the business of non-life reinsurance in Ireland and in other jurisdictions, subject to complying with any requirements in those other jurisdictions. It is licensed and/or registered individually in a number of foreign jurisdictions including Argentina, Bolivia, Brazil, Chile, China, Colombia, Ecuador, Guatemala, India, Mexico, Paraguay, the Republic of Panama, and Venezuela.

During 2018, a representative office was set up in Brazil, and Atradius Reinsurance DAC was accepted by SUSEP, the Brazilian regulator, to act as an admitted reinsurer in Brazil.

Atradius Reinsurance DAC ("Atradius Re"), based in Dublin, Ireland, is a subsidiary of Atradius Investments Limited, also based in Dublin, Ireland, which is a subsidiary of Atradius N.V., a company incorporated in the Netherlands. Atradius N.V.'s ultimate parent is Grupo Catalana Occidente, S.A, a company incorporated and listed in Spain.

Profit for the year and future developments

In 2018, Atradius Re once more achieved positive results, with a profit after tax of €19.6 million. The profit and loss account for the year ended December 31, 2018, can be seen on pages 15 and 16.

KEY PERFORMANCE INDICATORS	2018	2017
	€'000	€'000
Group reinsurance revenue	355,508	347,321
Third party reinsurance revenue	131,364	133,697
Total Revenue	486,872	481,018
Gross Claims ratio %	48%	46%
Gross Expenses and commissions ratio %	44%	40%
Gross Combined operating Ratio %	92%	86%
Total Assets	1,471,099	1,422,902
Total Liabilities	836,773	795,937

During 2018, the Company's total revenue increased from €481.0 million to €486.9 million. The claims ratio has risen from 46% to 48% and the commissions and direct operating expenses ratio from 40% to 44%, resulting in an increase in the combined ratio from 86% to 92%.

Reinsurance revenue from the Atradius Group grew by 2.0% (2017: 7.0%). This growth is as a result of increasing levels of new business and of maintaining an excellent customer retention level of 94%. The claims ratio relating to group internal business increased from 41% to 45%. This increase is

partly attributable to the decision to provide for uncertainties around Brexit, with a specific Brexit provision of €11.35 million being booked, during 2018.

Third party reinsurance revenue for 2018, of €131.4 million, has reduced from €133.7 million in 2017. This is due to the maintenance of a conservative, forward looking underwriting approach, with emphasis on increasing profitability thresholds over the cycle. The success of this approach is reflected in a further reduction in claims expenses.

The Company's prudent investment portfolio continues to be challenged, in a difficult environment with low or negative interest rates and volatile equity markets. The Company's investment strategy remains on course with a focus on preserving capital to avoid large losses on the investment portfolio.

No dividend is expected to be paid, during 2019, to the Company's immediate parent company, Atradius Investments Limited (2018: nil).

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

Outlook

The economic outlook for 2019 is uncertain with global growth rates expected to ease to 2.8% (from 3.0% in 2018). Tightening global monetary conditions, fading US fiscal stimulus, and increased volatility in financial markets are all contributing to the slowdown. The impact of Brexit is still uncertain, but Atradius Re and the wider Atradius group are well prepared for various scenarios, and will continue to support customers who may be affected.

Atradius Re aims to continue to be a reliable business partner for all of our customers, steering them away from risks and towards opportunities, where possible, and enabling trade and managing risks on their behalf.

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

Credit Rating

In 2018, the Atradius Group had credit ratings from A.M. Best and Moody's.

A.M. Best rates the key operating entities of the Atradius Group, which includes Atradius Reinsurance DAC, with a financial strength rating of 'A excellent, outlook stable' and Moody's with 'A2, Outlook Stable'.

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

Risk management

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

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

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

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

Compliance Management

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

business conduct and actions. The individual compliance codes address specific compliance areas in more detail and set out detailed compliance requirements that must be met across the Company and which must be included in existing business procedures. For the monitoring and testing of effectiveness of these requirements, close alignment is sought with the activities of the Operational Risk Management and Internal Audit Units.

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

Directors' Compliance Statement

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

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

Capital Management

The Company's strength is evidenced by its strong and growing capital base with capital and reserves at the end of 2018 of €634 million, increased from €627 million at the end of 2017.

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

Directors, secretary and their interests

The Directors who served during the financial period and the present directors of the Company are listed on page 2.

The Directors and secretary had no interests in the shares of the Company or any other group undertakings as at 31 December 2018 and 2017.

The Directors are not required to retire by rotation.

Creditor payment policy

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

Transactions involving Directors

There were no contracts or arrangements of any significance in relation to the business of the Company in which the Directors had any interest, as defined by the Companies Act 2014, at any time during the financial year ended 31 December 2018.

Accounting Records

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

Statement of Relevant Audit information

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

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

Auditors Note

In line with the legal requirements for mandatory auditor rotation under Statutory Instrument 312 of 2016, PricewaterhouseCoopers were newly appointed auditors in 2018.

Going Concern

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

Political Donation

There were no political donations during the financial year, 2018 (2017: Nil). 2

On behalf of the Board



Daniel Stausberg
Managing Director



Niamh Derivan
Finance Director

March 27, 2019

Directors' Responsibilities Statement

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

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

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

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

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

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

Independent Auditors' Report

To the members of Atradius Reinsurance DAC

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

In our opinion, Atradius Reinsurance DAC's financial statements:

- give a true and fair view of the company's assets, liabilities and financial position as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Irish law); and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Directors Report and Audited Financial Statements, which comprise:

- the Balance Sheet as at 31 December 2018;
- the Profit and Loss Account for the year then ended;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law.

Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the company.

Other than those disclosed in note 11 to the financial statements, we have provided no non-audit services to the company in the period from 1 January 2018 to 31 December 2018.

Our audit approach

Materiality

- €4,880,000
- Based on 1% of gross written premium.

Audit scope

- We performed a full scope audit of the company's financial statements, based on materiality levels.

Key audit matters

- Valuation of claims outstanding
- Estimation of gross premiums earned

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter

Valuation of claims outstanding

Refer to Note 1 (Accounting Policies) and notes 3 and 6 to the financial statements

The claims outstanding provision, which arises from both group and third party business is the company's largest liability and its valuation involves considerable judgement.

The group business claims outstanding provision including incurred but not reported claims are based on the company's share of the technical provisions as reported by the ceding group company.

For third party business, reserves are determined on an individual contract basis based on an estimated ultimate loss ratios which are regularly reviewed for development. Where known large events have occurred, specific IBNR may be established for these events.

The third party business reserves are also reviewed on an overall basis by applying standard actuarial techniques, which involve key assumptions, to determine the adequacy of the booked claims outstanding provision. The key assumptions underlying these calculations are reporting delays, development patterns and loss ratios.

As a result, the valuation of claims outstanding was a key area of focus.

Estimation of gross premiums earned

Refer to Note 1 (Accounting Policies) and notes 2, 4 and 16 to the financial statements.

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

Group premium income is based on the estimate of premium income reported by the ceding group companies each year.

For third party business, the company writes risk attaching business where the amount of premium to be written in individual contracts is not known with certainty at the start of the contract. An estimate of the expected premium income is made at the beginning of each third party business contract which is then earned over the duration of the contract based on an actuarial risk earnings model incorporating actuarial statistical techniques to evaluate the appropriate earned premium income. Premium estimates and related earned premium income are reviewed by reference to reports received from the third party companies to determine whether premium adjustments are necessary.

Due to the judgement and estimates involved in the estimation of gross written and earned premium income, this was a key area of focus.

How our audit addressed the key audit matter

We evaluated the actuarial methodologies and key assumptions with the assistance of our actuarial specialists. This involved:

- assessing the methodologies and assumptions underpinning management's actuarial valuations for both group and third party business; and
- carrying out our own independent valuations for the major classes of third party business.

Our work included an assessment of management's analysis of the output of the calculations from the actuarial model.

For group business, this included a recalculation of the share of claims outstanding on business ceded to the Company having regard for management's reconciliations to the amounts recorded in the financial statements of the group companies. We tested the controls over claims processing and payment.

We tested the reconciliation of the data used in the actuarial models to the underlying systems and reconciled the actuarial valuation outputs to the financial statements.

We concluded that the methodologies and assumptions adopted were appropriate and the claims outstanding provision was calculated in accordance with these.

We gained an understanding of the process for booking premium income for group business and reconciled the amounts recorded by the Company, on sample basis, to the information recorded in the financial records for the group ceding companies.

For third party business:

- we tested the controls over the initial booking of the premium incomes estimates on individual contracts and the subsequent review and adjustment of premium income estimates;
- for a sample of third party contracts, we tested the key assumptions underlying the premium estimates to the original contract treaties and/or to subsequent reported premium amounts from third party statements;
- with the assistance of our actuarial specialists, we considered the appropriateness of the earning patterns applied to the major classes of business for credit and surety.
- No material exceptions were noted as a result of these procedures.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	€4,880,000
How we determined it	1% of gross written premium.
Rationale for benchmark applied	We believe that gross written premium is the primary measure used by shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €244,000 (2017: N/A) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period

of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.
- Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

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

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting**Companies Act 2014 opinions on other matters**

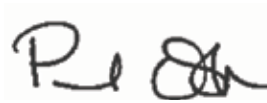
- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement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

Companies Act 2014 exception reporting**Directors' remuneration and transactions**

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on 18 June 2018 to audit the financial statements for the year ended 31 December 2018 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.


Padraig Osborne

for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
27 March 2019



Profit & Loss Account

Financial Year Ended 31 December 2018

Profit & Loss Account

TECHNICAL ACCOUNT GENERAL REINSURANCE BUSINESS	Note	2018 €'000	2017 €'000
Gross premiums written	4	487,918	481,787
Unearned premiums	7	(1,046)	(769)
Gross premiums earned	4	486,872	481,018
Outward reinsurance premiums		(49,460)	(59,148)
Unearned outward reinsurance premiums	7	(313)	(1,373)
Outward reinsurance premiums earned		(49,773)	(60,521)
Net earned premiums		437,099	420,497
Total Technical Income		437,099	420,497
Gross claims paid		202,659	203,760
Reinsurers' share		(20,530)	(23,808)
Net claims paid		182,129	179,952
Gross change in the provision for claims	6	30,731	17,232
Reinsurers' share	6	112	(2,514)
Net change in the provision for claims		30,843	14,718
Claims incurred, net of reinsurance		212,972	194,670
Net operating expenses	8	205,147	180,947
Total Technical Charges		418,119	375,617
Balance on the Technical Account for General Business		18,980	44,880

Profit & Loss Account

NON-TECHNICAL ACCOUNT	Note	2018 €'000	2017 €'000
Balance on the Technical Account for General Reinsurance Business		18,980	44,880
Investment income	5		
- income from investments		6,258	4,641
- gain on the realisation of investments		2,634	5,216
- loss on the realisation of investments		(2,020)	(291)
Other charges and expenses			
- exchange gains/(losses)		1,702	2,571
- interest on subordinated loan		(3,750)	(3,750)
- investment administration		(1,104)	(1,035)
- impairment of Shares		(344)	(231)
Profit on ordinary activities before tax		22,356	52,001
Tax on profit on ordinary activities	14	(2,805)	(6,502)
Profit on ordinary activities after tax		19,551	45,499

All of the above amounts derive from continuing operations.

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



Balance Sheet

Financial Year Ended 31 December 2018

Balance Sheet

ASSETS	Note	2018 €'000	2017 €'000
Investments			
Financial investments	15	1,012,501	967,237
Deposits with ceding undertakings		24,655	26,167
		1,037,156	993,404
Reinsurers' share of technical provisions			
Provision for unearned premium	7	23,907	22,291
Claims outstanding	6	53,681	53,869
		77,588	76,160
Debtors			
Debtors arising out of reinsurance operations	16	188,812	185,493
Tangible assets			
	17	95	124
Other assets			
Cash at bank and in hand		81,181	87,487
Other assets	18	77,791	71,242
		158,972	158,729
Prepayments and accrued income			
Accrued interest and commission		8,476	8,992
Total assets		1,471,099	1,422,902

Balance Sheet

Liabilities & Shareholders' Funds	Note	2018 €'000	2017 €'000
Capital and reserves			
Called up share capital presented as equity	22	635	635
Capital contribution		279,054	279,054
Revaluation reserve		43	12,233
Profit and loss account		354,594	335,043
		634,326	626,965
Subordinated Loan	24	75,000	75,000
Technical provisions			
Provision for unearned premium	7	191,329	185,179
Claims outstanding	6	479,304	451,256
		670,633	636,435
Creditors			
Unearned Reinsurance Commission		5,896	5,386
Creditors arising out of reinsurance operations	19	58,485	55,613
Deposits withheld from reinsurers		176	266
Other creditors	20/21	26,583	23,237
		91,140	84,502
Total liabilities and shareholders' funds		1,471,099	1,422,902

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

On behalf of the Board



Daniel Stausberg
Managing Director



Niamh Derivan
Finance Director

March 27, 2019

Statement Of Comprehensive Income

	Note	2018 €'000	2017 €'000
Results for the financial year		19,551	45,499
Other comprehensive income			
Items that may be subsequently reclassified to the income statement			
Net fair value gains/(losses) on available-for-sale financial investments		(2,495)	7,681
Income tax relating to items that may be reclassified		312	(960)
Other comprehensive income for the financial year, net of tax	22	(12,190)	(2,183)
Total comprehensive income for the financial year attributable to the owners of the company		7,361	43,316

Statement of Changes in Equity

	Share Capital €'000	Capital Contribution €'000	Revaluation Reserve €'000	Profit & Loss Account €'000	Total €'000
As at 31 December 2016	635	279,054	14,416	289,544	583,649
Profit for the financial year					
OCI	-	-	-	45,499	45,499
Subordinated Loan	-	-	(2,183)	-	(2,183)
As at 31 December 2017	635	279,054	12,233	335,043	626,965
Profit for the financial year					
OCI	-	-	-	19,551	19,551
Subordinated Loan	-	-	(12,190)	-	(12,190)
As at 31 December 2018	635	279,054	43	354,594	634,326

Notes to the Financial Statements

1 Accounting Policies

General information

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

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

Basis of preparation

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

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

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

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

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

Foreign currencies

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

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

Reinsurance Classification

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

Revenue Recognition

Premiums

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

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

Interest income

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

Dividend income

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

Taxation

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

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

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

Tangible fixed assets

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

Retirement benefit costs

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

Financial Assets and Liabilities

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

Recognition of financial assets and liabilities

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

Initial and subsequent measurement

Available for sale financial investments

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

Receivables

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

Cash and cash equivalents

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

Fair Value of financial assets and liabilities

The estimated fair value of the Company's financial assets and liabilities equals their carrying value. The fair values correspond with the price, at our best estimate, that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Whenever possible, the fair values are based on quoted market prices. If there is no quoted market price available, valuation techniques are used which are based where practicable on market prices of comparable instruments or parameters from comparable active markets (market observable data). For a detailed description of how the Company determines fair value, see Fair Value of Financial Assets and Liabilities under Financial Risk.

Derecognition of financial assets and liabilities

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

Expenses

Net reinsurance claims

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

Net operating expenses

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

Leases

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

Provisions

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

The Company recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured as the salary cost payable for the period of absence.

Reinsurance contracts

Claims incurred

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

Acquisition costs

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

Provisions for outstanding claims

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

Provisions for unearned premiums

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

Liability adequacy

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

Deferred acquisition costs

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

Reinsurance contracts (Outwards)

The company enters into reinsurance contracts in the normal course of business in order to limit its potential for losses arising from certain exposures. Outwards reinsurance premiums are accounted for in the same period as the related premiums for the inwards reinsurance business being reinsured.

Reinsurance liabilities comprise premiums payable for outwards reinsurance contracts and are recognised as an expense when due.

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

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

Subordinated Loan

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

2 Critical accounting estimates and judgments in applying accounting policies

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

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

Valuations of liabilities of reinsurance contracts

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

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

Reserves are reviewed on a global basis by splitting the portfolio into homogenous parts and applying standard actuarial triangulation techniques to review the overall reserve estimates for both group and third party business for adequacy. The Company's policy is to hold reserves on a global basis that represent a margin for uncertainty, or prudence margin, above the best estimate.

Measurement of fair value

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

Impairment of available-for-sale equity financial investments

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

3 Risk & Capital Management

Risk management

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

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

The risk management and internal control framework

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

Risk Classification

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

Insurance risk

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

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

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

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

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

All reinsurance business assumed is reviewed regularly in detail for past underwriting years performance, triangulation development, individual buyer exposure development and aggregate total potential exposure management, market and country exposure. Risk and policy limit setting is monitored to ensure credit quality and performance of the underlying insurance

products to reinsurance terms agreed with the client. Reserves supporting the underlying business are based on standard actuarial statistical models and an independent actuarial review of reserves is carried out, providing an independent best estimate comparison to the Company's reserves to support the business.

Insurance risk management tools

Atradius Re transfers a portion of its insurance risk to external reinsurers/retrocessionaires, through a number of reinsurance arrangements that include quota share and excess of loss treaties. The reinsurance treaties are reviewed annually and it is the Company's policy to select only reinsurers that have a high quality standard of solvency/rating. The normal minimum requirement is an 'A' level rating.

Concentration risk

Total Potential Exposure ("TPE")

The Company is exposed to concentration risk in a number of ways: by ceding company, by country/region or by market. The tables below illustrate the exposures at the end of 2018 and 2017 in terms of the sum of credit limits issued by our clients to their policyholders. This is referred to as total potential exposure or TPE.

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

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

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

By nature the portfolio diversification is high with a well-diversified geographical spread. As can be seen from the tables below, our principal concentrations are in Europe, due mainly to Group business that we assume from Atradius Crédito y Caución S.A. de Seguros y Reaseguros ("Acyc") and also third party business. Our exposures in Asia and South America are mainly attributable to our third party business, which is outside the risk assumed from the primary markets of Acyc, thus contributing positively to our diversification profile. Within all of these regions, a well-diversified spread by country and cedant is maintained.

	TPE 2018 €'000	%	TPE 2017 €'000	%
Europe	131,172,748	71.52%	123,252,217	70.99%
Asia	23,964,975	13.07%	22,858,433	13.17%
North America	17,980,880	9.80%	18,384,089	10.59%
South America	4,473,334	2.44%	3,991,241	2.30%
Oceania	3,669,507	2.00%	3,876,337	2.23%
Africa	2,141,244	1.17%	1,257,718	0.72%
Total	183,402,688	100.00%	173,620,035	100.00%

Factors affecting the frequency and severity of claims

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

The bonding business usually only incurs irrecoverable losses when, after a bond call, any payments to beneficiaries cannot be reclaimed from the bonding customer, or its guarantors. This is almost always due to either the insolvency or bankruptcy of the bonding customer. Thus, in the end, the frequency and severity of claims is affected by similar factors as those affecting credit reinsurance.

All forms of credit reinsurance and bonding bear the risk that changes in legislation, in particular of insolvency law, may affect the amount and timing of claims payments or recoveries.

Sources and Assumptions

Sources of uncertainty in the estimation of future claims payments

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

Assumptions, change in assumptions and sensitivity

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

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

2018	Pre-tax profit			Shareholders' equity		
	Credit €'000	Bonding €'000	Total €'000	Credit €'000	Bonding €'000	Total €'000
5% increase in loss ratios						
Gross	(9,989)	(1,681)	(11,670)	(8,740)	(1,471)	(10,211)
Net	(9,036)	(1,613)	(10,649)	(7,907)	(1,411)	(9,318)
5% decrease in loss ratios						
Gross	9,989	1,681	11,670	8,740	1,471	10,211
Net	9,036	1,613	10,649	7,907	1,411	9,318

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

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

Claims development tables

The Claims development tables provide an overview of how the Company's recognised claims costs for underwriting years 2010-2018 have changed at successive financial year ends. This overview also provides a breakdown of the claims provisions that are held against each underwriting year as at 31 December 2018. Underwriting year here means the treaty year.

Claims – Gross

Claims development per underwriting year – (EUR million)

Year when risk was taken	2011	2012	2013	2014	2015	2016	2017	2018	Total
Estimate of gross claims incurred:									
at the end of the year when risk was taken	175,767	193,145	181,956	204,319	223,079	204,288	206,149	221,130	
one year later	166,538	193,589	174,348	257,978	258,836	203,554	220,658		
two years later	167,874	200,786	182,935	288,825	255,983	211,702			
three years later	168,588	212,574	186,931	288,276	254,164				
four years later	159,652	207,739	188,401	284,849					
five years later	161,319	210,836	186,620						
six years later	160,944	208,128							
seven years later	160,178								
Current estimate of cumulative claims	160,178	208,128	186,620	284,849	254,164	211,702	220,658	221,130	1,747,429
Cumulative payments to date	147,002	179,880	163,305	240,633	216,311	177,657	150,727	45,507	1,321,022
Claims provision at 31 Dec 2018 in respect of 2011-2018	13,176	28,248	23,314	44,216	37,853	34,045	69,931	175,623	426,407
In respect of prior years (before 2011)									52,897
Total									479,304

Claims – Ceded

Claims development per underwriting year – (EUR million)

Year when risk was taken	2010	2011	2012	2013	2014	2015	2017	2018	Total
Estimate of gross claims incurred:									
at the end of the year when risk was taken	14,647	26,157	6,558	9,875	25,447	16,418	15,860	13,018	
one year later	12,085	25,397	9,196	23,843	34,812	20,015	23,214		
two years later	12,571	26,484	14,811	36,107	37,031	21,642			
three years later	12,335	23,404	15,665	35,306	36,511				
four years later	10,390	21,814	16,329	35,080					
five years later	10,207	22,724	16,249						
six years later	10,090	22,666							
seven years later	10,087								
Current estimate of cumulative claims	10,087	22,666	16,249	35,080	36,511	21,642	23,214	13,018	178,467
Cumulative payments to date	9,711	19,025	9,722	28,930	32,954	15,442	14,266	1,142	131,192
Claims provision at 31 Dec 2018 in respect of 2011-2018	377	3,641	6,527	6,150	3,557	6,200	8,947	11,876	47,275
In respect of prior years (before 2011)									6,406
Total									53,681

Financial risk

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

Fair value of financial assets and liabilities

The estimated fair values of the Company's financial assets and liabilities equal their carrying value. The fair values correspond with the price, at our best estimate, that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Whenever possible, the fair values are based on quoted market prices. If there is no quoted market price available, we use valuation techniques which are based on market prices of comparable instruments or parameters from comparable active markets (market observable data). If no observable market inputs are available, valuation models are used (non-market observable data). These valuation techniques are subjective in nature and involve various assumptions about the relevant pricing factors. Changes in these assumptions could significantly affect the estimated fair values. Consequently, the fair values presented may not be indicative of the net realisable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of future fair values.

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

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

Debt and equity securities available-for-sale

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

Other financial assets

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

Other financial liabilities and deposits received from reinsurers

The carrying amount of other financial liabilities and deposits received from reinsurers is not materially different to their fair value, given their short-term nature. The following tables present the fair values of the financial instruments carried at fair value.

2018	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Available-for-sale:				
Equity securities	59,945			59,945
Debt securities:				
Government Bonds	346,583			346,583
Corporate Bonds	549,066			549,066
Short term investments	56,907			56,907
Total	1,012,501			942,396

2017	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Available-for-sale:				
Equity securities	81,954			81,954
Debt securities:				
Government Bonds	329,464			329,464
Corporate Bonds	530,978			530,978
Short term investments	24,841			24,841
Total	967,237			967,237

Level 1 - Quoted prices in active markets

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

Level 2 - Valuation techniques based on observable market data

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

Level 3 - Valuation techniques incorporating information other than observable market data

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

Market risk

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

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

(i) Equity price risk

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

Investment Funds

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

Equity instruments issued by Investment funds

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

	2018 €'000	Weight in %	2017 €'000	Weight in %
Passive equities exchange traded funds	11,439	100%	22,938	100%
Total	11,439	100%	22,938	100%

Passive equities exchange traded funds

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

(ii) Foreign currency risk management

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

The Company's exposure to foreign currency exchange rate risk, arising from financial assets and liabilities denominated in non-functional both major and less traded currencies as at 31 December 2018, is presented in the following table:

	Financial Assets 2018 €'000	Financial Liabilities 2018 €'000	Position 2018 €'000	Financial Assets 2017 €'000	Financial Liabilities 2017 €'000	Position 2017 €'000
EUR	1,113,662	453,858	659,804	1,070,910	416,388	654,522
GBP	22,202	20,713	1,489	22,274	21,166	1,108
USD	202,380	174,632	27,748	196,059	182,184	13,875
AUD	9,869	8,602	1,267	8,057	7,865	192
Other	122,986	178,968	(55,982)	125,602	168,334	(42,732)
Total	1,471,099	836,773	634,326	1,422,902	795,937	626,965

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

2018	GBP €'000	USD €'000	AUD €'000	BRL €'000	COP €'000
10% increase					
Pre-tax profit	149	2,775	127	(1,002)	(362)
Shareholders' equity	130	2,428	111	(877)	(317)
10% decrease					
Pre-tax profit	(149)	(2,775)	(127)	1,002	362
Shareholders' equity	(130)	(2,428)	(111)	877	317

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

(iii) Interest rate risk management

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

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

The Company uses the duration to assess its interest rate exposure and monitors whether the duration remains between the minimum and maximum duration limit (between one to five years for government bonds and one to three years for corporate bonds) as established by the Atradius Group Investment Policy. As the duration can be described as the percentage change of the bond's value when the underlying discount rate is parallel shifted by 1%, so the average maturity is the weighted average of the time until a bond has paid its final interest and principal redemption. The duration for 2018 is 1.7 years (2017: 2.3 Years); representing the years it will take for the price of the company's debt instruments to be repaid by its internal cash flows. The average maturity for 2018 is also 2.3 years (2017: 2.3 years).

Value-at-Risk

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

The risk of using variance-covariance methodology or any other historical methodology is that it may underestimate the riskiness

of the financial instruments. This is because these methodologies assume that the historical volatility of and correlation between the financial instruments will be repeated in the future. Therefore, it is not intended to represent or guarantee any future price movements but rather is to be used as guidance for information purposes and comparison for historical developments only. The VaR provides insight into the maximum expected loss per asset category and on portfolio level. The fair values and percentages presented are calculated with a confidence level of 99% for a period of 12 months. This implies that there is a 1% probability of underestimating the potential maximum loss for the coming 12 months.

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

	2018 €millions	% of the market value	2017 €millions	% of the market value
Equity securities:				
Shares (Including equity funds)	21.2	35.30%	21.8	26.60%
Debt securities:				
Government bonds (including government bonds funds)	10.2	3.00%	4.2	1.30%
Corporate Bonds (including corporate bond funds)	7.8	1.40%	7.7	1.40%
Total portfolio	28.5	2.90%	25.9	2.70%

The VaR of the individual portfolio components is based on the volatility of the investments to which they are ultimately exposed. The volatility of each asset class as a whole serves as input for the VaR calculation of that asset class. In case of an investment fund, the volatility of the fund (driven by the characteristics of its underlying securities) serves as input for the calculation of the VaR of that specific investment fund and is subsequently included in the VaR of the asset class. Total portfolio VaR may not be equal to the sum of the VaR of the individual portfolio components because the correlation between these components may be less than one. The VaR percentage increased from 2.7% at the end of 2017 to 2.9% at the end of 2018 and the VaR value increased from EUR 25.9m to EUR 28.5m at the end of 2018. The increase in the VaR percentage and the VaR value is due to the volatility of equities during 2018.

Credit risk

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

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

With regard to managing the credit risks of the financial investments, the investment policy of the Company is to hold a principally Euro-centric, internationally diversified portfolio and to avoid large risk concentrations. From a Standard & Poor's rating scale or comparable perspective, the overall fixed income portfolio is almost completely invested in investment grade debt securities which are rated 'A-' or higher. If a corporate bond in which the Company has indirectly invested (through an investment fund) falls below the minimum credit rating or is not rated, it is reviewed by the Group Investment Committee to decide whether the investment fund is still a suitable investment. The maximum concentration limit per issuer is 5% of the market value of the financial investments of the company. The Group Investment Committee on which the Company sits monitors this limit and action is taken if a concentration limit is breached. The counterparty ratings of reinsurance assets, debt and equity securities and short-term investments as at 31 December 2018 are presented in the following table:

At 31 December 2018 €'000	AAA	AA	A	BBB	Other and Non-Rated	Total
Reinsurance Assets						
Reinsurers share of technical provisions		12,110	61,239		4,239	77,588
Debt securities:						
Government bonds	163,256	148,511	34,816			346,583
Corporate bonds	8,255	75,570	423,103	42,138		549,066
Equity shares		6,419	34,888	14,082	4,556	59,945
Short-term investments:						
Deposits withheld by ceding companies		7,387	7,258	4,813	5,197	24,655
Short term deposits and money market funds			56,907			56,907
Cash & Cash equivalents			81,181			81,181
Total	171,511	249,997	699,392	61,033	13,992	1,195,925

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

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

2018	Neither past due nor impaired €'000	Past due 3-6 months €'000	Past due 6-12 months €'000	Past due 12 months + €'000	Past due and impaired €'000	Carrying amount €'000
Debtors arising out of reinsurance operations	188,774	5	18	15	-	188,812

2017	Neither past due nor impaired €'000	Past due 3-6 months €'000	Past due 6-12 months €'000	Past due 12 months + €'000	Past due and impaired €'000	Carrying amount €'000
Debtors arising out of reinsurance operations	184,700	187	153	453	-	185,493

Liquidity risk

Liquidity risk is the risk that Atradius Reinsurance DAC would be unable to meet its payment obligations when due. Liquidity risks originate from short term fluctuations in cash flow patterns either on incoming or outgoing cash. It is the Company's policy to maintain sufficient cash and marketable securities to manage its liquidity risks. The Atradius Group Investment policy states that investments should only be in financial instruments that can be liquidated in less than 4 business days. In practice, most of the Company's assets are marketable securities which can be readily converted into cash when required. The Company is liquid with cash reserves of EUR 81 million (2017: EUR 88 million).

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

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

As at 31 December 2018 €'000	Less than 1 year	1 to 5 years	More than 5 years	Total
Other Creditors	21,083	5,468	5,468	26,583
Subordinated Loan				75,000
Insurance Contracts	414,160	256,473	256,473	670,633
Payables	58,485			58,485
Total	493,728	261,941	261,941	830,701
As at 31 December 2018 €'000	Less than 1 year	1 to 5 years	More than 5 years	Total
Debt securities	157,239	738,410		895,649
Short term investments	56,907			56,907
Other Financial investments	84,600			84,600
Cash and bank deposits	81,181			81,181
Receivables	188,797	15		188,812

Reinsurance Contracts	65,325	12,263		77,588
Total	634,049	750,688		1,384,737

As at 31 December 2017 €'000	Less than 1 year	1 to 5 years	More than 5 years	Total
Other Creditors	19,710	3,488	39	23,237
Subordinated Loan			75,000	75,000
Insurance Contracts	394,501	241,934		636,435
Payables	55,613			55,613
Total	469,824	245,422	75,039	790,285

As at 31 December 2017 €'000	Less than 1 year	1 to 5 years	More than 5 years	Total
Debt securities	48,216	812,226	-	860,442
Short term investments	24,841			24,841
Other Financial investments	108,121			108,121
Cash and bank deposits	87,487			87,487
Receivables	185,040	453		185,493
Reinsurance Contracts	63,878	12,282		76,160
Total	517,583	824,961		1,342,544

Operational risk

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

Compliance

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

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

Capital management

Objectives, policies and processes with regard to capital

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

In order to ensure capital adequacy, a capital buffer above the regulatory solvency capital required is maintained, such that large loss events would not impair the ability of Atradius Re to carry on its normal course of business. The regulatory capital structure of the Company consists of shareholders' funds, comprising issued capital, reserves and retained earnings as disclosed in note 22 plus the subordinated loan as disclosed in note 24.

As an authorised reinsurer regulated by the Central Bank of Ireland, the Company is subject to regulatory capital requirements, which for the year ended 31st December 2018 are based on the EU Directive requirements in respect of Solvency II, which became effective from 1 January 2016.

Solvency II

Solvency II applies to all EU (re)insurance companies and establishes a new set of capital requirements, risk management and disclosure standards. The capital requirements can be calculated by reference to a standard formula as defined in the Solvency II regulations, or by an internal model that most accurately reflects a company's risk profile. Together with the Atradius Group, the Company has developed an internal model to calculate its capital requirements in respect of insurance risk, since the results of this model most accurately reflect its unique business and risk profile. Regulatory approval for this internal model was received in 2017. Accordingly, the partial internal model is used to calculate insurance, or underwriting, risk, and the standard formula for calculating all other risks. The Company was in compliance with its regulatory capital requirements throughout the year.

4 Segmental information

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

	Gross premiums written 2018 €'000	Gross premiums earned 2018 €'000	Gross claims incurred 2018 €'000	Gross operating expenses 2018 €'000	Outward reinsurance 2018 €'000	Technical result 2018 €'000
Credit Reinsurance	414,796	411,645	(199,779)	(184,180)	(17,994)	9,692
Bond Reinsurance	73,122	75,227	(33,611)	(32,396)	68	9,288
Total	487,918	486,872	(233,390)	(216,576)	(17,926)	18,980

	Gross premiums written 2017 €'000	Gross premiums earned 2017 €'000	Gross claims incurred 2017 €'000	Gross operating expenses 2017 €'000	Outward reinsurance 2017 €'000	Technical result 2017 €'000
Credit Reinsurance	397,860	397,776	(197,916)	(156,872)	(17,585)	25,403
Bond Reinsurance	83,927	83,242	(23,076)	(39,335)	(1,354)	19,477
Total	481,787	481,018	(220,992)	(196,207)	(18,939)	44,880

Gross premiums written resulting from contracts concluded in:

	2018 €'000	2017 €'000
Europe	328,603	309,138
Asia	77,813	75,655
South America	23,611	40,590
North America	36,155	37,931
Oceania	12,405	12,746
Africa	9,331	5,727
Total	487,918	481,787

5 Net investment return

2018	Net investment income Financial Year ended €'000	Net realised gains Financial Year ended €'000	Net realised losses Financial Year ended €'000	Impairment Financial Year ended €'000	Net investment expense Financial Year ended €'000	Net investment results Financial Year ended €'000
Equities	2,692	2,378	(1,830)	(344)		2,896
Bonds	2,948	256	(24)			3,180
Cash and Cash equivalents	618		(166)			452
Other investment expenses					(1,104)	(1,104)
Total	6,258	2,634	(2,020)	(344)	(1,104)	5,424

2017	Net investment income Financial Year ended €'000	Net realised gains Financial Year ended €'000	Net realised losses Financial Year ended €'000	Impairment Financial Year ended €'000	Net investment expense Financial Year ended €'000	Net investment results Financial Year ended €'000
Equities	2,127	4,471	(252)	(231)		6,115
Bonds	2,216	745	(39)			2,922
Cash and Cash equivalents	298					298
Other investment expenses					(1,035)	(1,035)
Total	4,641	5,216	(291)	(231)	(1,035)	8,300

6 Claims incurred net of reinsurance

2018	Gross €'000	Reinsurance €'000	Net €'000
Outstanding claims brought forward	(451,256)	53,869	(397,387)
Movement on provision	(30,731)	(112)	(30,843)
Foreign exchange movement on opening provisions	2,683	(76)	2,607
Outstanding claims carried forward	(479,304)	53,681	(425,623)

2017	Gross €'000	Reinsurance €'000	Net €'000
Outstanding claims brought forward	(457,777)	57,522	(400,255)
Movement on provision	(17,232)	2,514	(14,718)
Foreign exchange movement on opening provisions	23,753	(6,167)	17,586
Outstanding claims carried forward	(451,256)	53,869	(397,387)

7 Unearned Premiums

2018	Gross €'000	Reinsurance €'000	Net €'000
Provision for unearned premium brought forward	(185,179)	22,291	(162,888)
Movement on unearned premium	(1,046)	(313)	(1,359)
Foreign Exchange movement on opening provisions	(5,104)	1,929	(3,175)
Provisions for unearned premium carried forward	(191,329)	23,907	(167,422)

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

8 Net Operating Expenses

	2018 €'000	2017 €'000
Net acquisition costs	193,491	171,595
Change in deferred acquisition costs	2,897	(77)
Administrative costs	8,759	9,429
Net operating expenses	205,147	180,947

9 Profit on ordinary activities

Profit on ordinary activities is stated after charging:

	2018 €'000	2017 €'000
Investment return	5,768	8,531
Impairment of shares	(344)	(231)
Net foreign exchange gains/(losses)	1,702	2,571
Auditors Remuneration	85	113
Rentals under operating leases:		
- Land & buildings	458	455
- Other	13	-
Depreciation	29	39
Staff Costs	3,301	3,219
Taxation on profits	(2,805)	(6,502)

10 Staff Costs

	2018 €'000	2017 €'000
Wages & salaries	2,655	2,520
Social Security costs	290	274
Pensions cost	148	200
Other Costs	208	225
Total	3,301	3,219

The average monthly number of employees, including executive directors, during the financial year 2018 was comprised as follows:

	2018	2017
Reinsurance activities	10	10
Support	15	15
Total	25	25

11 Auditors' remuneration

Auditors' remuneration for work carried out for the Company in respect of the financial year ended 31 December 2018 is as follows

	2018 €'000	2017 €'000
Audit of individual company accounts (incl VAT)	45	73
Other Assurance Services	40	70
	85	113

There were no tax or other non-audit services provided

12 Directors' remuneration

	Number of Directors	2018	Number of Directors	2017
Aggregate emoluments paid to or receivable by directors in respect of qualifying services	7	553	7	545
Aggregate Contributions paid to a retirement benefit scheme in respect of qualifying services of directors - Defined contribution schemes	7	40	7	39
Total	7	593	7	584

13 Employee pension scheme

Eligible staff are members of the defined contribution scheme operated by the Company. The pension cost charges to the profit and loss account for the financial year was EUR 147,731 and was fully paid in 2018 (2017: EUR 199,623).

14 Taxation on profit on ordinary activities

Corporation tax:

	2018 €'000	2017 €'000
Current Irish tax	(4,223)	(6,502)
Deferred tax: origination and reversal of timing differences	1,418	-
Total	(2,805)	(6,502)

There are deferred tax assets of 3.245m (2017:85k) in respect of timing differences in respect of deductible expenses of 1.418m (2017:Nil) and in respect of the recognition of net fair value losses on available for sale financial investments of 1.826m (2017:85k) as at 31 December 2018. There are no unused tax losses or tax credits at the end of the reporting period (2017:Nil).

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

	2018 €'000	2017 €'000
Profit on ordinary activities before tax	22,356	52,001
Profit on ordinary activities multiplied by the standard rate of Irish corporation tax for the year of 12.5%	(2,795)	(6,500)
Effects of:		
Disallowable expenses and other items	(1,422)	(1)
Origination of timing differences	1,418	-
Depreciation in excess of capital allowances	(1)	(1)
Over/ (under) provision in respect of previous years	(5)	-
	(2,805)	(6,502)

15 Investments

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

Available-for-sale	Market Value 2018 €'000	Purchase Value 2018 €'000	Market Value 2017 €'000	Purchase Value 2017 €'000
Equities – listed	59,945	62,310	81,954	73,133
Short Term Investments	56,907	56,907	24,841	24,841
Debt securities and other fixed income securities - listed	895,649	891,675	860,442	859,767
Total	1,012,501	1,010,892	967,237	957,741

For debt securities and other fixed income securities the amount repayable at maturity totals EUR 880,748 (2017: EUR 836,265).

16 Debtors arising out of reinsurance operations

Measured at undiscounted amounts receivable

	2018 €'000	2017 €'000
Amounts owed by holding and fellow subsidiary undertakings	74,894	70,434
Amounts owed by third parties	113,918	115,059
Total	188,812	185,493

17 Tangible fixed assets

2018	Furniture & Equipment €'000	Total €'000
Costs		
As at 1 January 2018	845	845
Additions	-	-
Disposals	-	-
As at 31 December 2018	845	845
Depreciation		
As at 1 January 2018	721	721
Provided in the financial year	29	29
Disposals	-	-
As at 31 December 2018	750	750
Net book amount at 31 December 2018	95	95
Net book amount at 31 December 2017	124	124

18 Other Assets

	2018 €'000	2017 €'000
Deferred Tax Assets	3,245	85
Current Tax assets	693	190
Deferred acquisition costs	73,318	70,421
Other assets	535	546
Total	77,791	71,242

19 Creditors arising out of reinsurance operations

Measured at undiscounted amounts payable

	2018 €'000	2017 €'000
Amounts owed to holding and fellow subsidiary undertakings	28,500	29,003
Amounts owed to third parties	29,985	26,610
Total	58,485	55,613

20 Other creditors

	2018 €'000	2017 €'000
Other Creditors	26,566	23,213
Total	26,566	23,213

21 Provisions for liabilities

Unused annual leave provision

	2018 €'000	2017 €'000
As at 1 January	24	32
(Decrease)/Increase in provision	(7)	(8)
As at 31 December	17	24

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

22 Capital & Reserves

	Called up Share Capital €'000	Capital Contribution €'000	Revaluation Reserve €'000	Profit & Loss €'000	Total €'000
As at 1 January 2018	635	279,054	12,233	335,043	626,965
Profit for the financial year	-	-	-	19,551	19,551
Other comprehensive income	-	-	(12,190)	-	(12,190)
As at 31 December 2018	635	279,054	43	354,594	634,326
As at 1 January 2017	635	279,054	14,416	289,544	583,649
Profit for the financial year	-	-	-	45,499	45,499
Other comprehensive income	-	-	(2,183)	-	(2,183)
As at 31 December 2017	635	279,054	12,233	335,043	626,965

The **Called up share capital** represents the nominal value of shares that have been issued. The authorised share capital of Atradius Reinsurance DAC amounts to EUR 635,000, all of which relates to called up share capital, presented as equity, and is divided into 635,000 ordinary shares with a nominal value of EUR 1 each (2017: the same).

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

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

23 Operating lease commitments

At 31 December 2018 the Company's total future minimum lease payments under non-cancellable leases were as follows.

	2018 €'000	2017 €'000
Within 1 year	328	315
Between 1 & 5 years	787	1,102
After 5 years	-	-

During the financial year an amount of EUR 327,609 (2017: EUR 315,054) has been recognised as expense.

24 Subordinated Loan

On 20 April 2016 the shareholders of Atradius N.V. provided a subordinated loan to Atradius Reinsurance DAC with a principal amount of EUR 75 million. The subordinated loan bears interest at a fixed rate of 5.0% per annum, payable annually in arrears on 20 April each year until and including the maturity date: 20 April 2026. Atradius Reinsurance DAC may redeem the loan on the first call date, 20 April 2021, or thereafter on each interest payment date.

In the prior year, the subordinated loan was presented as part of capital and reserves, rather than being presented as a financial liability, in the balance sheet. The prior year comparatives have been restated in order to conform with the current year's presentation. The impact on the comparatives is to reduce capital and reserves by EUR75 million and to present the subordinated loan as a standalone item on the balance sheet, however there is no impact on regulatory capital of the Company, the solvency ratio, the profit and loss recognised, nor the amounts available for distribution.

The subordinated loan qualifies as a Tier 2 basic own funds item as set out in article 73 of the European Commission's Solvency II Delegated Regulation (2015/35).

The fair value estimate of the subordinated loan issued to Atradius Reinsurance DAC is EUR 81.5 million (2017: EUR 80 million). The fair value of the subordinated loan is classified as Level 2 under the fair value hierarchy and as Tier 2 basic own funds for Solvency II. The fair value of the subordinated loan is based on a valuation model using observable market data.

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

25 Commitments

As at 31 December 2018, there were collateralised letters of credit and reinsurance trusts issued in the amount of EUR 41,202,912 (2017: EUR 43,502,504). These letters of credit and reinsurance trusts are issued in relation to our clients' regulatory requirements.

There were no capital commitments outstanding as at the 31 December 2018 (2017: Nil).

26 Reclassifications of comparatives

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

27 Immediate and ultimate parent company

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

Atradius Investments Limited is a subsidiary of Atradius N.V., a company incorporated in the Netherlands. Atradius N.V.'s ultimate parent is Grupo Catalana Occidente, S.A., a company incorporated and listed in Spain.

The largest group into which the financial statements of Atradius Reinsurance DAC are consolidated is Grupo Catalana Occidente, S.A., following consolidation into Atradius N.V.

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

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

28 Events after the reporting date

There are no events after the reporting date which require adjustment or disclosure in the financial statements.

29 Related party transaction

The total remuneration for key management personnel for the financial period totalled EUR 593,000 (2017: EUR 584,000), being remuneration disclosed in Note 12 of EUR 593,000 (2017: EUR 584,000).

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

31 Approval of the Financial Statements

The directors approved the financial statements on 21st March 2019.

Directors and Other Information

Executive Directors

Daniel Stausberg (German)
Niamh Derivan (Irish)

Non-Executive Directors

David Capdevila (Spanish)
Marc Henstridge (British)
Antonio Rubio (Spanish)

Independent Non-Executive Directors

Conor Molloy (Irish)
Mary Brennan (Irish)

Secretary

Rachel McCormac
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International Financial Services Centre
Dublin 1

Independent Auditor

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
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Bankers

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The Netherlands

Ulster Bank Ireland DAC
Ulster Bank Group Centre
George's Quay
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Ireland

Solicitors

William Fry Solicitors
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Registered Office

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