2020

SFCR - Solvency and Financial Condition Report

Atradius
Managing risk, enabling trade

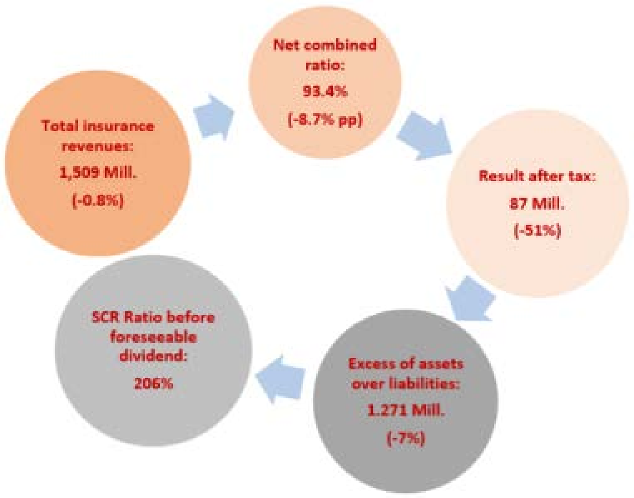
Contents

Summary

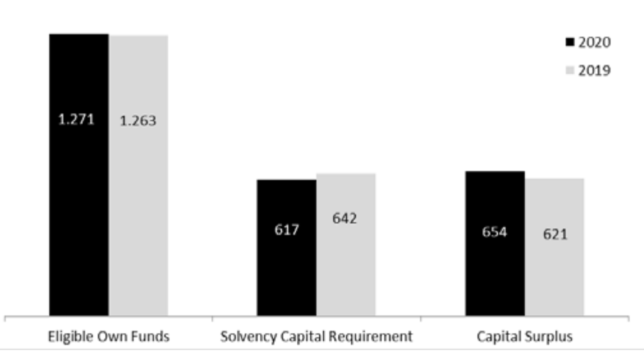
The Company

Atradius Crédito y Caución S.A. de Seguros y Reaseguros (referred to as 'ACyC' or the 'Company'), with its office at Paseo de la Castellana 4, 28046 Madrid, Spain, is a global credit insurer and aims to support its customers' growth by strengthening their credit and cash management through a wide range of products, which include credit insurance, bonding and instalment credit protection, and services as commercial information, debt collections and credit management solutions.
The main shareholder of ACyC is Atradius Insurance Holding N.V., a Company incorporated and domiciled in Amsterdam, the Netherlands. The parent Company of Atradius Insurance Holding N.V. is Atradius N.V. (together with its subsidiaries referred to as Atradius), incorporated and domiciled in Amsterdam, the Netherlands as well. The ultimate parent and the ultimate controlling party of Atradius is Grupo Catalana Occidente, S.A. (referred to as 'GCO' or 'Grupo Catalana Occidente')

Key figures 2020



Strong capital position (EUR million)



Regulation

For the preparation of the Solvency II reporting as at 31 December 2020, the Company has applied the following rules:

- Solvency II laws and regulations (Directive 2009/138/EC, Delegated Acts (EU) 2015/35);
- The Implementing Technical Standards and EIOPA Guidelines;
- Guidelines on reporting and public disclosure EIOPA – BoS-15/109;
- Delegated Acts (EU) 2019/981.

The following table summarizes the Solvency II position of ACyC as at 31 December 2020.

Eur Million	31.12.2020	31.12.2019
Excess of assets over liabilities	**1.271**	**1.366**
Foreseeable Dividends	0	(103)
Eligible Own Funds Solvency II	**1.271**	**1.263**
Solvency Capital Requirement	**617**	**642**
Minimum Capital Requirement	**154**	**160**
Surplus at 31 December before foreseeable dividends	**653,96**	**724**
Surplus at 31 December	**653,96**	**621**
Cover Ratio before foreseeable Dividends	**206%**	**213%**
Cover Ratio Eligible Own Funds	**206%**	**197%**

Solvency II requires that own funds are classified into three tiers, based on whether they are basic or ancillary own fund items and to the extent to which they possess the following characteristics:

a) Loss-absorbing capacity;
b) Subordination;
c) Sufficient duration;
d) Freedom from requirements and incentives to redeem;
e) Freedom from mandatory costs;
f) Absence of encumbrances.

ACyC basic own funds has a Tier 1 classification and ACyC does not have ancillary own funds.

In July 2017, ACyC received the approval from the Spanish regulator, DGSFP, for applying a Partial Internal Model (with an internal model for non-life underwriting risk). By applying a tailored internal model, the risk profile is adequately quantified in particular through using risk parameters such as probability of default (PD) and loss-given-default (LGD) along with exposure amounts. Atradius has been using the internal model, formerly called the ECAP model, since 2004. Atradius adapted the previously existing ECAP model, to make it Solvency II-compliant, in line with the regulation in force.

ACyC has a strong solvency ratio.

A. Business and performance

A-1 Business

A-1 a) Name and legal form of the undertaking

Atradius Crédito y Caución S.A. de Seguros y Reaseguros
Paseo de la Castellana 4
28046 Madrid
Spain

A-1 b) Supervisory authority & group supervisor

Dirección General de Seguros y Fondos de Pensiones (DGSFP)
Paseo de la Castellana 44
28046 Madrid
Spain

The Company is authorised by the DGSFP to carry out the business of credit and bonding (re)insurance. The DGSFP also acts as the group supervisor of the ultimate parent of ACyC, Grupo Catalana Occidente, S.A.

A-1 c) External auditor

External auditing services are performed by:

PRICEWATERHOUSECOOPERS AUDITORES, S.L
Paseo de la Castellana 259B
Torre PWC
28020 Madrid
Spain

A-1 d) Holders of qualifying holdings in the undertaking

The main shareholder of ACyC is Atradius Insurance Holding N.V. which is a Company incorporated and domiciled in Amsterdam, the Netherlands. The parent Company of Atradius Insurance Holding N.V. is Atradius N.V., which is a Company incorporated and domiciled in Amsterdam, the Netherlands. The ultimate parent and the ultimate controlling party of Atradius is Grupo Catalana Occidente, S.A.

A-1 e) Details of the undertaking's position within the legal structure of the group

ACyC is an indirect subsidiary of Grupo Catalana Occidente, S.A. GCO is the main shareholder of Atradius N.V., holding an economic stake of 83.2% (35.77% directly and 47.43% indirectly through the holding) Company Grupo Compañía Española de Crédito y Caución, S.L.

Shareholder structure of Atradius N.V.		Percentage of Shares
Grupo Catalana Occidente, S.A.		35.77%
Grupo Compañía Española de Crédito y Caución, S.L.		64.23%
Grupo Catalana Occidente, S.A.	73.84%	
Consorcio de Compensación de Seguros	9.88%	
Nacional de Reaseguros, S.A.	7.78%	
España, S.A. Compañía Nacional de Seguros	5.00%	
Ges Seguros y Reaseguros, S.A.	3.50%	
Total		**100.00%**

The shares of Grupo Catalana Occidente are listed on the Continuous Market of the Barcelona and Madrid Stock Exchanges. As of 31 December 2020, the main shareholder is INOC, S.A., controlling approximately 61.95% of the capital of Grupo Catalana Occidente, 32.42% of the capital is floating, 1.70% of its shares are treasury stock, and 3.92% of its shares are owned by the members of the board of directors, and related parties, of Grupo Catalana Occidente (not considered floating).

Grupo Catalana Occidente

One of the leaders in the Spanish insurance sector and in global credit insurance. Founded more than 150 years ago, it has experienced constant growth, thanks to its capacity to adapt to change and remain loyal to its principles, which are truly insurance oriented.

GCO is committed to the professional development of its employees and insurance agents, its personalised customer service and the trust its shareholders have in the organisation.

Strategic goal

To be leaders in the field of risk protection and long-term savings of families and SMEs, and to be international leaders in commercial risk coverage.
Thanks to the stability of the results and the prudent investment policy, GCO has a solid solvency position.

Insurance specialist

Over 150 years of experience.
Complete offer.
Sustainable and socially responsible model.

Solid financial structure

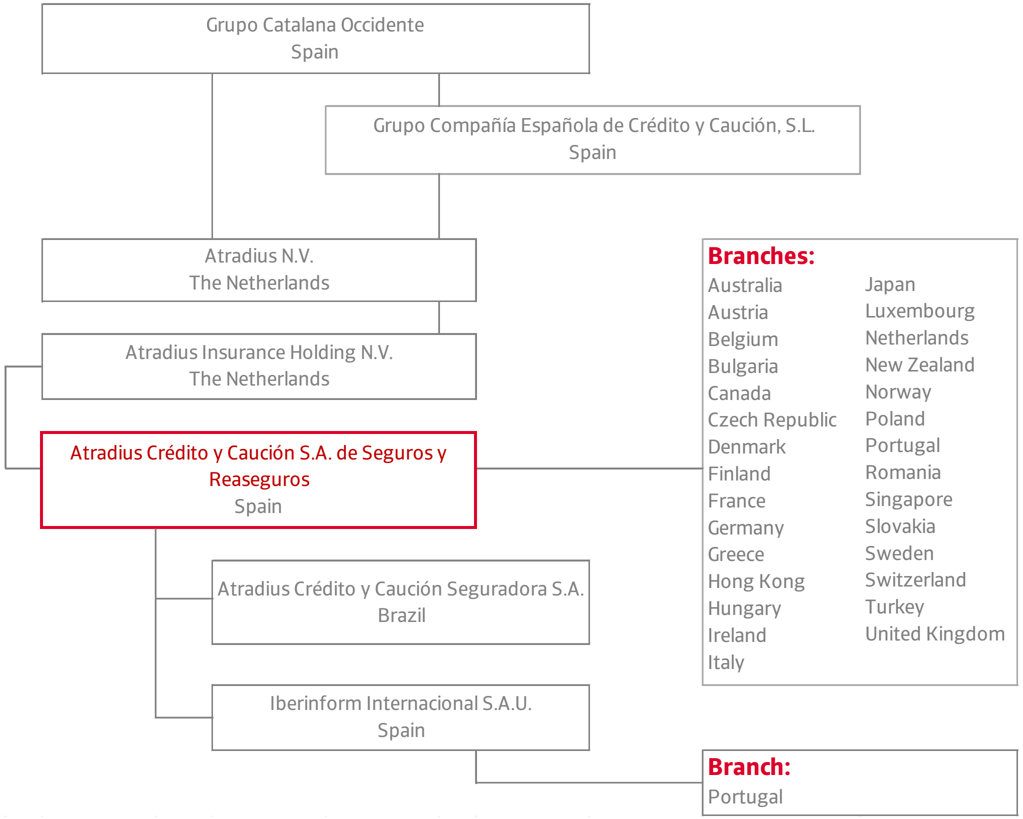
Listed on the stock exchange.
Stable, committed shareholders.
Rating A (AM Best) y A2 (Moody's).

Closeness – global presence

Approximately 18,000 intermediaries.
7,385 employees.
1,600 offices.
50 countries.

Technical rigour

Excellent non-life combined ratio
Strict cost control
Prudent and diversified investment portfolio.



Key figures Grupo Catalana Occidente

Key figures (EUR million)	**2020**	**2019**	**% change 2019/2020**
Long-term capital market value	**4,663.40**	**4,584.80**	**1.7%**
Equity	4,138.20	3,851.20	7.5%
Subordinated debt	200.7	200.5	0.1%
Return on long-term capital	**7.30%**	**11.10%**	
Funds under management	**14,758.90**	**14,377.30**	**2.7%**
Total revenue	**4,559.50**	**4,547.70**	**0.3%**
Consolidated result	**270.1**	**424.5**	**(36.4%)**

Fundación Jesús Serra

Fundación Jesús Serra was established in 2006 with the goal of channelling philanthropic action and promoting the human and professional values that characterized the founder of Grupo Catalana Occidente, Jesús Serra Santamans, from whom it receives its name. It is currently involved in projects in the fields of research, business, education, social action, sport, and promotion of the arts. In this way, we aim to contribute to the construction of a fairer, more united, and developed society in which values such as initiative, effort, and continuous improvement prevail.

The Foundation acts as a link between the different companies that make up Grupo Catalana Occidente. For this reason, one of its goals is to support the development of a common culture, by facilitating gatherings and participation from the employees and brokers who form the Company through the organization of different programs and activities.

Multi-risk
Family-home, stores, communities, offices and SMEs.

Other
Industrial Products, engineering, accidents and civil liability.

Life
Life risk, life savings, pension plans and investment funds as well as funeral and health.

Motor
Coverage for vehicles or transport fleets

The brands of the Group in the traditional business are:

Catalana Occidente Seguros

PlusUltra Seguros

Seguros Bilbao

NorteHispana Seguros

Credit insurance
Protects against financial losses due to the inability of a buyer to pay for goods purchased on credit.

Surety insurance
Protects the beneficiary if a supplier does not comply with its contractual obligations.

Reinsurance
Wide range of reinsurance options for insurance companies of the main insurers in the world.

The brands of the Group for credit insurance business are:

Atradius — Managing risk, enabling trade

Crédito y Caución — Atradius

Atradius Re

Atradius N.V.

Atradius is a world-leading provider of trade credit insurance, bonding and debt collection services with a presence in every continent. Atradius operates through 160 offices in more than 50 countries around the world, with a commitment to simplifying and improving our customers' credit management.

The main figures of Atradius N.V for 2020 and 2019 are:

Atradius N.V.

(EUR million)	2020	2019	vs 2019
Gross Insurance revenue	**1,860**	**1,896**	**(1.9%)**
Gross insurance claims and loss adjustment expenses*	(1,090)	(895)	(21.8%)
Gross insurance operating expenses	(665)	(680)	2.3%
Result Before Reinsurance	**105**	**321**	**(67.1%)**
Reinsurance result	(28)	1	(2,257.6%)
Result after reinsurance	**77**	**322**	**(76.0%)**

** Overview includes inter-segment revenue and (claims) expenses*

The main figures for Atradius Crédito y Caución, S.A. de Seguros y Reaseguros for 2020 and 2019 are:

ACyC

(EUR million)	2020	2019	vs 2019
Gross Insurance revenue	**1,509**	**1,521**	**(0.8%)**
Gross insurance claims and loss adjustment expenses*	(882)	(746)	(18.1%)
Gross insurance operating expenses	(527)	(541)	2.5%
Result Before Reinsurance	**100**	**234**	**(57.2%)**
Reinsurance result	13	11	9.3%
Result after reinsurance	**112**	**245**	**(54.1%)**

** Overview includes inter-segment revenue and (claims) expenses*

A-1 f) Material product lines and material geographical areas of business

PRODUCT LINES

Credit insurance (89.5% of total gross revenue). ACyC's core product - credit insurance - provides cover against financial losses arising when a buyer of our customer is unable to pay for goods and services bought on credit. We focus on a range of business segments: offering variations of credit insurance targeted at small and medium sized enterprises (SMEs) and large local companies and multinational corporations. For multinationals we offer a sophisticated and tailored credit management solution in the form of our Global policy. As a market leader and pioneer with 20 years of experience in this segment, ACyC Global has developed an excellent understanding of the needs of multinationals. The Special Products unit offers solutions for customers outside the framework of the Company's whole turnover policies, to cover trade but also to support trade financing.

Bonding products (8.2% of total gross revenue). A bond protects a beneficiary if the supplier - our customer - fails to meet its contractual obligations. Our range of bonding products puts customers in a stronger financial position when dealing with their business partners. ACyC offers two main groups of bonds: contract bonds (bid, performance, advance payment, maintenance) and commercial bonds (tax, excise, custom and authorization bonds) in traditional sectors like construction, engineering and travel. There is a growing demand for bonds in new sectors such as environmental services. ACyC holds a leading position in the French, Italian, Nordic (Denmark, Finland, Norway and Sweden) and Spanish bonding markets.

In 2016 the unit expanded into Germany, Belgium, the Netherlands and Luxembourg and, in 2018, into Portugal as well.

Instalment Credit Protection (2.3% of total gross revenue). Instalment Credit Protection (ICP) covers short- and medium-term risks involved in instalment-based credit agreements with private individuals and businesses. Consumer credit, leasing and renting have always been part of our product offering. In 2017 we added residential real estate insurance products for co-ownerships and for rental guarantee. Instalment Credit Protection products are offered to financial and corporate policyholders in Belgium and Luxembourg.

GEOGRAPHICAL AREAS OF BUSINESS

ACyC is incorporated in Spain and has branches in 20 countries in the European Economic Area (‘EEA’). It also conducts its insurance business in all the other EEA countries, making use of the so called ‘European Single Passport’ as well as in Monaco and San Marino. ACyC also acts in Andorra with special authorization as Spanish insurance Company.

In the EEA it has offices in: Austria, Belgium, Bulgaria, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Spain (registered office), and Sweden.
Outside the EEA, ACyC has branches in the United Kingdom (‘UK’), Switzerland, Turkey, Canada, Hong Kong, Japan, Singapore, Australia and New Zealand.

ACyC also conducts business through co-operation agreements with local partners in other regions such as China, Dubai, India and Russia.

A-1 g) Any significant business or other events that have occurred over the reporting period that have had a material impact on the undertaking

Please, see section A-2 Underwriting Performance, specific sections for Change in Reinsurance and Changes in income statement due to COVID-19.

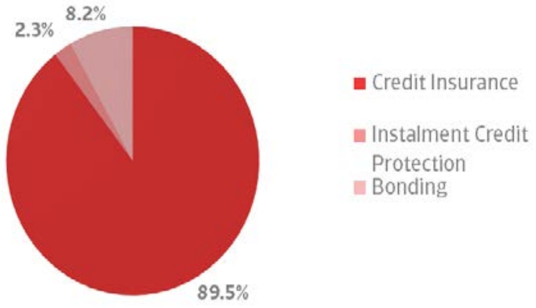
Reference is made to C-1 Underwriting Risk for COVID-19 and C-7.2 for Brexit.

A-2 Underwriting performance

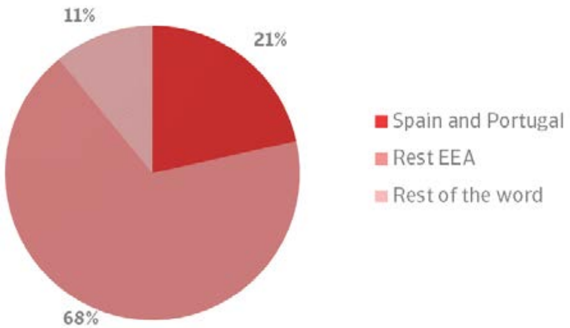
Stable result and profitable growth

Eur Million	Credit insurance		Bonding		Variation		Total		
	2020	2019	2020	2019	Credit insurance	Bonding	2020	2019	Var.
Premiums earned (direct and assumed)	**1,348**	**1,339**	**120**	**119**	**0.7%**	**1.1%**	**1,468**	**1,458**	**0.7%**
Premiums earned net of Return Prov.	1,328	1,367	108	131	(3%)	(18%)	1,436	1,498	(4%)
+/- Change in provision of unearned premiums	20	(28)	12	(12)	(174%)	(199%)	33	(40)	(181%)
+/- Change in provision of premiums outstanding recovery	(0)	(0)	(0)	0	-	-	(0)	(0)	-
Premiums earned ceded and retroceded	**(920)**	**(832)**	**(75)**	**(78)**	**(11%)**	**3.3%**	**(995)**	**(910)**	(9%)
Premiums earned ceded and retroceded net of Return Prov.	(982)	(828)	(64)	(80)	(19%)	20.8%	(1,046)	(908)	(15%)
+/- Change in provision of unearned premiums	63	(4)	(12)	2	(1,617%)	(627%)	51	(2)	(2,806%)
Net premiums earned	***429***	***507***	***44***	***41***	**(16%)**	**9.4%**	***473***	***548***	**(14%)**
Claims (direct and assumed)	**(851)**	**(707)**	**(38)**	**(47)**	**(20%)**	**18.8%**	**(889)**	**(754)**	**(18%)**
Insurance claims and loss adjustment expenses	(650)	(722)	(32)	(24)	10.0%	(33%)	(682)	(746)	8.6%
+/- Change claims and recoveries provision direct	(201)	15	(6)	(23)	(1,479%)	74.1%	(207)	(8)	(2,431%)
Claims (Ceded and Retroceded)	**572**	**456**	**23**	**29**	**25.6%**	**(20%)**	**595**	**485**	**22.8%**
Claims payments	394	456	21	15	(14%)	40.3%	414	471	(12%)
+/- Change claims and recoveries provision ceded	179	(1)	2	14	(28,542%)	(84%)	181	13	1247.1%
Net Insurance Claims	***(279)***	***(252)***	***(15)***	***(18)***	***(11%)***	***16.8%***	***(294)***	***(270)***	***(9%)***
+/- Change in other technical provisions net of reinsurance	(14)	6	(0)	0	(343%)	-	(14)	6	(343%)
Acquisition Cost (Direct and Assumed)	(167)	(169)	(9)	(9)	1.0%	4.1%	(176)	(178)	1.1%
Administrative expenses (Direct and Assumed)	(305)	(313)	(33)	(41)	2.5%	18.2%	(338)	(353)	4.3%
Broker and reinsurance commissions	373	405	38	31	(8%)	22.7%	411	436	(6%)
Other technical income	52	54	4	4	(4%)	(10%)	56	59	(4%)
Total operating expenses and other net technical expenses	**(62)**	**(17)**	**0**	**(14)**	**(268%)**	**(103%)**	**(62)**	**(31)**	**(100%)**

Premiums earned (direct and assumed)



In which material geographical areas are:



Geographical Area information

2020	Operations declared in:			
	Spain & Portugal	**Other EEA (*)**	**Rest of the World (**)**	**Total**
Net premiums				
Premiums earned direct	309	957	90	1.355
Premiums earned assumed	0	13	68	81
Insurance premium ceded to reinsurers	(209)	(740)	(97)	(1.046)
Total premiums	**100**	**229**	**60**	**390**

(*) Mainly UK, France Netherland, Italy & Germany

(**) Mainly Hong Kong & Australia

2019	Operations declared in:			
	Spain & Portugal	**Other EEA (*)**	**Rest of the World (**)**	**Total**
Net premiums				
Premiums earned direct	332	1.001	82	1.414
Premiums earned assumed	5	10	68	84
Insurance premium ceded to reinsurers	(206)	(610)	(93)	(908)
Total premiums	**131**	**402**	**57**	**590**

(*) Mainly UK, France Netherland, Italy & Germany

(**) Mainly Hong Kong & Australia

Credit Insurance & Instalment Credit Protection

In 2020 premium earned for ACyC increased by 0.7% despite the challenging economic environment of the year and a decline in insurable business transactions. This, along with savings measures taken when pandemic-related lockdowns commenced, allowed the continued investment in ACyC's digital strategy, including a range of measures to support customers while marginally decreasing the recurring expense ratio compared to 2019. Gross claims ended at EUR 851 million, an increase of 20.4% due to an economic environment that prompted for the increase in loss reserves, leading to a gross claims ratio of 63.1%.

The outbreak of the coronavirus ushered in a global pandemic with unprecedented economic consequences. World GDP is estimated to have contracted by 3.7% in 2020, a higher contraction than occurred in 2009, after the 2008 financial crisis.

There was a big decline in the output of advanced markets in the second quarter of 2020, following containment measures to limit the spread of COVID-19. The Eurozone witnessed a second wave of infections towards the end of 2020, leading to tighter restrictions and a GDP decrease of 7.1% in 2020.

Many emerging market economies remain at a critical stage in the public health crisis. This lead to a sharp downward effect on economic growth from stringent lockdowns and indirect negative effects from lower world trade. Additionally, the plunge in tourism income and commodity prices negatively impacted markets that are dependent on these sectors.

Countries in Latin America remain severely affected by the pandemic and the government response has often been slow or not had the desired impact. Two of the region's largest economies, Mexico and Argentina, were in deep recession in 2020. In Brazil, the recession was less deep due to substantial government support. Argentina faced the combined impact of a confidence crisis and the negative spill over effects from the pandemic. Mexico also witnessed a deep recession in 2020, driven by steep contractions in consumption and investment, and with the government only providing modest support.

In 2020, the competitive environment proved to be increasingly challenging and few of our credit insurance units achieved growth compared to the previous year. Asia maintained a growth trend in 2020 of 12.3% as we continue to pursue our ambition in this region. Our markets in the UK & Ireland, and Oceania also showed growth throughout the year (4.4% and 2.9% respectively), while France grew 2.5% and Belgium & Luxembourg by 0.9%. The rest of our European markets showed negative growth mainly due to the reduction in insurable business.

The growth of Atradius' Global unit compared to past years also receded. Despite an excellent retention rate, reductions in insurable turnover and premium revenue reflect decreased sales, a consequence of the current economic environment on our customers since the onset of the COVID-19 pandemic. While many customers were impacted negatively, some did however observe increased sales.

Total operating expenses (and other net technical expenses) observed an increase in 2020 though this was largely impacted by a reduction in reinsurance commissions. While this was in part due to lower overall premium volumes and lower sliding scale commissions compared to 2019, it was also largely influenced by the government reinsurance arrangements, see the section Changes in Reinsurance.

Bonding

ACyC Bonding works with different industries and maintains relationships with a large range of companies. Building a strong portfolio and maintaining good customer relationships are key priorities for ACyC Bonding. After expanding in different countries during recent year, Bonding is consolidating its strong presence within 12 markets (Italy, France, Spain, Portugal, Denmark, Finland, Norway, Sweden, Germany, Netherlands, Belgium and Luxembourg), offering tailor made products and solutions to our customers.

Earned premium in 2020 was EUR 119.9 million, a 1.1% increase on 2019. The overall growth was contributed mainly by Spain & Portugal, Germany, Finland and Sweden while other markets such as France, Netherlands, Denmark and Norway showed negative growth.

Administrative expenses decreased in 2020 by 18%, driven by multiple savings produced during the periods of confinement and restrictions during the pandemic which affected most of the year. Additionally there was a reduction in internal development expenses compared to the previous year although the development of a common Bonding platform for our customers, business partners and staff (the Bonding Business Transformation programme) continued. This common platform will help us sustain and improve our market position through the use of new technologies and modern customer and user journeys. It will support our ambition to enable geographical expansion to countries where Atradius has a footprint, support the further expansion of our bonding service portfolio and strengthen our value proposition in the Bonding business.

Despite the global impact of the pandemic in 2020, Atradius Bonding has been able to advise and support our customers on their specific needs throughout the year. Furthermore, despite the challenges of 2020, our tailored risk underwriting approach allowed Bonding to record a gross claims ratio of 32% compared to 39% in 2019.

Changes in Reinsurance

For the underwriting year 2020 quota share reinsurance treaties remained in place covering the majority of ACyC's business. Under these treaties the retention is 41% (2019: 40%), with a 37% cession to external quota share reinsurers (2019: 38%) and 22% cession to Atradius Reinsurance DAC (2019: 22%).

In addition to this, as a support to national economies in light of how the COVID-19 pandemic crisis has strongly affected the world economy, the main countries where ACyC operates have supported the business of credit insurance in the form of specific government reinsurance schemes. For details reference is made to chapter C-1.

Changes in income statement due to COVID-19

In this environment, the global economy entered a sharp recession, with the containment measures restricting economic activity and the outlook for corporate insolvencies having worsened notably. This lead to a substantial decline in insurable business transactions on which premium is generated, which subsequently impacted the premium earned for the year.

Nonetheless, fiscal stimulus packages and other temporary measures implemented by governments provided some relief. In addition to this, government reinsurance agreements in many countries also helped preserve the continuity of economic activity during the year. Furthermore, ACyC maintained its growth trend in a few larger markets such as Asia (where a steady growth ambition continues) and the market in UK & Ireland, as well as Oceania. Combined, these helped to support the premium earned for the year, despite not achieving the revenue development forecasted prior to the outbreak.

With the global recession and restricted trade, the subsequent deterioration of corporate insolvencies lead to an environment of greater risk.

Additionally, lockdowns, confinement measures and mobility restrictions changed the way in which employees worked and collaborated together, as well as how ACyC engaged with its customers. Together with savings measures implemented when lockdowns commenced, this lead to various savings in Operating Expenses which offset costs related to the implementation of the Company´s digital strategy, including a range of measures to support customers.

As governments of many of the largest European countries have relied on credit insurance to support their economies, government reinsurance agreements were implemented during the year, leading to an increased proportion of premium in these countries to be ceded, along with their losses. This had a negative impact on the reinsurance result of the Company of EUR 44.9 million.

A-3 Investment performance

The net investment result amounts to EUR 11 million. The table shows the breakdown into the main components.

Gains and losses recognised in revaluation reserve

The revaluation reserve on financial investments decreased to EUR 71 million per the end of 2020 from EUR 80 in 2019. This decline of the revaluation reserve was mainly driven by the high volatility on the equity markets driven by the uncertainty of COVID 19.

Information about any investments in securitization

The undertaking has no direct nor indirect exposure to securitized investments.

P&L

Eur Million	2020	2019
Interest income from Bonds	6	6
Dividend income Shares	6	7
Other Incomes	2	4
Financial & Properties Investments Incomes	**14**	**17**

Eur Million	2020	2019
Asset Management Expenses	(3)	(2)
Other Interest expenses	(4)	(2)
Financial Investment Expenses	**(6)**	**(4)**

Eur Million	2020	2019
Realised Gains & losses from Bonds	1	1
Realised Gains & losses from Shares	3	(1)
Total Realized Gains and losses	**4**	**0**

Revaluation Reserve

Eur Million	2020	2019
Bonds available for sale	20	14
Shares available for sale	51	66
Revaluation reserve gross of tax	**71**	**80**

A-4 Performance of other activities

Other income and expenses

Services

(EUR Millions)	2020	2019	vs 2019
Services Income and Expenses	4	2	85.0%
Service result *	**4**	**2**	85.0%

** Overview includes inter-segment revenue and claims expenses*

Other income and expenses correspond to services supplied and received by ACyC to other units within Atradius.

A-5 Any other information

AM Best has affirmed ACyC financial strength rating as A (Excellent) and the Long-Term Issuer Credit Rating of a+, also confirming the outlook as stable.

Moody's has affirmed ACyC A2 financial strength rating with a stable outlook since February 2021 (after a temporary reduction to negative outlook in March 2020 reflecting market uncertainty).

In the current circumstances, where most of the World economies have been plunged into recession added to a rising insolvencies environment, the reaffirmation of our rating is an endorsement of our financial strength, approach to managing risks and resilience to cope with the market uncertainty caused by the COVID-19 pandemic.

The ratings reflect the strength of our balance sheet, which AM Best categorises as very strong, as well as our strong operating performance, favourable business profile and appropriate enterprise risk management.

B. System of governance

B-1 General information on the system of governance

B-1.1 Corporate governance framework

ACyC Consejo de Administración (Board of Directors)

ACyC is a public limited Company organised under the laws of Spain with a (one tier) Consejo de Administración (Board of Directors (‘BoD’)), that currently consists of 9 members.

The BoD supervises the general affairs of the Company, taking into account the interests of the Company and its stakeholders. The primary responsibility for corporate governance within the Company rests with the BoD. The BoD ensures the proper organisation of the Company, the implementation of the internal control system and the definition and formalisation of suitable internal policies and procedures. The BoD provides direction concerning the running of the business in line with the Company strategy.

Composition BoD

The BoD of ACyC currently consists of 9 members at 31 December 2020:

- Ignacio Álvarez – Chairman
- Francisco Arregui
- Xavier Freixes
- Désirée van Gorp
- Carlos Halpern
- John Hourican
- Bernd Hinrich Meyer
- Hugo Serra
- José María Sunyer

The BoD meets at least four times in any calendar year. To enable proper discussion of the items on the agenda for each meeting, the BoD is provided with all relevant information and documentation in advance of those meetings.

The BoD is, amongst others, supported in its role by:

- The *Director General* (General Manager): David Capdevila
- The Executive Committee;
- The Audit Committee; and
- The key functions of the Company and the GCO/Atradius and ACyC group

functions, which report directly into the BoD and/or the (members of the) Executive Committee, as necessary.

Executive Committee

The Executive Committee has been established by the BoD and assists the *Director General* (General Manager) in performing the day-to-day management of the Company.

Composition Executive Committee

The Executive Committee currently consists of:

- The *Director General* (General Manager): David Capdevila
- Andreas Tesch
- Christian van Lint
- Claus Gramlich-Eicher
- Marc Henstridge

Audit Committee

The BoD has established an Audit Committee. This committee shall consist of at least three members. The Audit Committee meets at least three times in any calendar year.

Composition Audit Committee

The Audit Committee currently consists of:

- Xavier Freixes
- Francisco Arregui
- Bernd Hinrich Meyer

The role of the Audit Committee is mainly of an advisory nature and refers to the supervision of auditing practices, the relationship with the external and internal auditors, the monitoring of the effectiveness of the risk management systems, and the review of the financial information that the Company has to make public.

Internal Audit function

Internal audit fulfils an important role in assessing and testing the internal risk management and control system. The Director of Atradius Group Internal Audit reports to the Chairman of the Audit Committee and, with respect to day-to-day activities, to the *Director General* (General Manager) of ACyC.

Corporate governance framework Atradius N.V.

Atradius endorses the importance of sound corporate governance. Key elements of independence, accountability and transparency create a relationship of trust between Atradius and all of its stakeholders. As the Company is part of Atradius the same framework is applied for ACyC.

Atradius N.V. ('ANV') is a limited liability Company, organized under the laws of the Netherlands, with a Management Board and a Supervisory Board. The Management Board is responsible for achieving the Company's objectives, strategy, policy and results and is guided by the interests of ANV and the business connected with it. The Supervisory Board supervises ANV's general affairs and the policy pursued by the Management Board as well as the performance of the management duties by the Management Board members, taking into account the interests of the Company and the business connected with it.

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

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

Composition Management Board of ANV

- David Capdevila - Chairman and Chief Executive Officer
- Andreas Tesch - Chief Market Officer
- Christian van Lint - Chief Risk Officer
- Claus Gramlich-Eicher – Chief Financial Officer
- Marc Henstridge - Chief Insurance Operations Officer

CVs of each of the Management Board members, showing their roles, background and experience are available on the Atradius website.

The Supervisory Board supervises the Company’s general affairs and the policy pursued by the Management Board. The responsibilities of the Supervisory Board include, among others, supervising, monitoring and advising the Management Board on the Company’s strategy, performance and risks inherent to its business activities; the design and effectiveness of the internal risk management and control systems and the financial reporting process. The Supervisory Board rules describe the decision-making process and the composition and committees of the Supervisory Board.
The General Meeting has the authority to appoint the members of the Supervisory Board on the recommendation of the Remuneration, Selection and Appointment Committee of the Supervisory Board. A Supervisory Board member may be suspended or dismissed by the General Meeting at any time. The Supervisory Board shall consist of at least five members. Supervisory Board members shall resign according to a rotation scheme determined by the Supervisory Board pursuant to which each Supervisory Board member shall resign after a maximum period of four years, after the date of appointment. A resigning Supervisory Board member may be reappointed. A Supervisory Board member will resign early in the event of inadequate performance or in other circumstances in which resignation is deemed necessary by the other members of the Supervisory Board.

Composition Supervisory Board of ANV

- Ignacio Álvarez, Chairman
- Francisco Arregui, Vice-Chairman
- Xavier Freixes
- Désirée van Gorp
- Carlos Halpern
- John Hourican
- Bernd Hinrich Meyer
- Hugo Serra
- José María Sunyer

B-1.2 Key functions

Four key functions are established at the Company, all of which support the BoD in discharging its obligations. Article 13 of the Solvency II Directive defines a function, within a system of governance, as “an internal capacity to undertake practical tasks”. These four key functions are Compliance, Risk Management, Actuarial and Internal Audit. All these functions are described below. Internal Audit and Actuarial Functions are described in more detail in sections B-5 and B-6 as well.

Compliance function

The ACyC Compliance function supports the BoD and the ACyC organization in meeting its objective of complying with all applicable laws and regulations and draws support from the Group Compliance function as necessary.

Risk Management function

The ACyC Risk Management function supports the BoD and the ACyC organization in meeting its objective of effectively managing its risk profile relative to its risk appetite and draws support from the Atradius Group Risk Management department as necessary.

Actuarial function

The ACyC Actuarial function supports the BoD and the ACyC organization in ensuring the appropriateness of methodologies, underlying models and assumptions used in calculation of technical provisions, assesses the quality of data used in the calculation of technical provisions and capital requirements related to risk and regulations and ensures the adequacy of reinsurance arrangements.

Internal Audit function

The ACyC Internal Audit function, which is an independent function, evaluates, amongst other things, the adequacy and effectiveness of the internal control system and other elements of the system of governance.

B-1.3 Remuneration policy

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

The design principles underlying the remuneration policy applicable to Atradius staff consist of, amongst other things:

- Fixed and variable remuneration shall be used to align individual performance with both short and long-term corporate strategy and objectives;
- Remuneration shall reward according to performance at group and individual level as appropriate. Individual objectives shall include a combination of financial and non- financial targets as appropriate to the role, taking into account ethical behaviour and corporate responsibility;

- Performance criteria for employees will be objective, measurable and linked to individual, department and group performance as appropriate.

Typical elements of total compensation for employees of Atradius are annual base salary, annual variable remuneration and other benefits. Stock options or share purchasing programs are not applicable in Atradius. Supplementary pension schemes do exist in the form of a Defined Benefit scheme or a Defined Contribution scheme.
The variable remuneration components are further based on the following design principles:

- Performance targets are split between individual targets, unit targets and group targets for each employee. Individual targets are set on individual level agreed between manager and employee. Unit targets are set on a business unit level, group targets are set at group level and apply to all employees;
- Atradius ensures that the total variable remuneration does not limit its ability to strengthen the regulatory capital, solvency margin or equity capital of the entities that are considered to be financial institutions;
- An employee may not make use of personal hedging or any insurance linked to remuneration and liability in order to undermine the risk control effects that have been embedded in his or her variable remuneration plan;
- Atradius does not award guaranteed variable remuneration other than upon the entry into employment of new employees for at most the first year. When granting such guaranteed variable remuneration this is in line with the long-term objectives of Atradius. The variable remuneration, including the conditionally awarded part, is paid or acquired only when this is consistent with the financial condition of the Atradius Group as a whole and is justified by the performance of the Atradius Group, the individual Atradius Company, the business unit and the relevant employee;
- Atradius shall only award a severance payment if it is related to performance realised over the course of time and is shaped such that failure is not rewarded;
- Remuneration plans will include adjustments and claw-back provisions in line with any prevailing legislation.

Non-financial criteria

For staff of Atradius, variable remuneration is at least for 50% based on non-financial criteria. The non-financial criteria are well established in the Atradius competency framework and are based on technical expertise, client/business orientation, creating and delivering solutions and working relationships.

Strategic staff

Certain senior management roles in Atradius and also in ACyC are classified as strategic staff. Strategic staff are entitled to variable remuneration components as a percentage of their fixed salary. In line with the applicable legislation, the relationship between fixed and variable remuneration has been carefully considered, with a sufficiently high fixed component to allow for the non-payment of the variable component if performance criteria are not met. Furthermore, part of the pay out of variable remuneration for strategic staff is deferred in time.
There have been no material transactions with shareholders, nor with persons who exercise a significant influence on the undertaking.

B-2 Fit and proper requirements

B-2.1 Fitness requirements

The Company ensures that all strategic personnel (as defined in the ACyC Fit and Proper Policy) are 'competent' and, taking into account the obligations which are assigned to each particular individual, that they possess the proper mix of qualifications, skills and experience, to ensure that the Company is managed and supervised in a professional manner.

'Qualifications' shall be understood as the official certificates, diplomas or degrees issued by the competent authorities formally recognising the successful completion of a course of study by a person (knowledge, expertise or competency), after the corresponding evaluation. Such acknowledgment shows a certain level of education and in some cases may signal that the relevant individual possesses the skills required to practice a certain profession. More specifically, and depending on the function to be performed, the skills that must be proven are in the fields of insurance, finance, accounting, actuarial science and management.
'Knowledge' is the result of assimilating the information acquired through learning, while competency and expertise enable the individual to apply the acquired knowledge in the task has been assigned. 'Professional experience' is the practical knowledge that is relevant to the performance of one's current responsibilities.

With regard to the members of the BoD of ACyC, it must be ensured that the BoD as a whole and these persons individually are suitable for such position. This means that they, as individual substantially, and if applicable, as a collective body jointly possess the necessary qualifications, experience and skills in the following areas:

- Insurance and financial markets;
- Business model and Company strategy;
- Governance system;
- Financial and actuarial analysis;
- Regulatory framework and requirements.

B-2.2 Proper requirements

According to the 'proper' requirement, an individual who performs key functions must be a person of integrity with a good reputation. An assessment whether such person is 'proper' should include an evaluation of his or her financial soundness and honesty based on the pertinent evidence of his or her reputation, personal and professional conduct, including criminal background, financial history and supervisory history, regardless of the jurisdiction.
Being proper professionally means that the person has throughout his or her life upheld the law and adhered to good commercial and financial practices. More specifically, individuals who find themselves in any of the following situations are deemed to not meet the proper requirements:
- Criminal record for crimes involving fraud or gross negligence
- Court conviction in bankruptcy matters (disqualification under bankruptcy laws, due to status of undischarged bankrupts or similar situations under the laws of other countries);
- Serious or very serious administrative sanctions in relation to insurance operations, banking and financial operations, taxes, social security, labour or commercial matters, unfair competition, market abuse, capital movements, cross-border economic transactions, money-laundering, terrorism financing and protection of users and consumers. This includes

being barred from holding public or government office or directing financial institutions;
- Corrective or disciplinary measures imposed by the regulatory authorities of insurance companies and financial institutions or those responsible for money laundering or terrorism financing.

The following information is evaluated in order to determine whether a person is proper:
- Whether the person is involved in any judicial, bankruptcy or governmental disciplinary proceedings in connection with any insurance, banking, finance, tax, social security, labour or commercial matter, unfair competition, market abuse, capital movements, cross-border economic transactions, money laundering, terrorism financing and/or protection of users and consumers. This includes being barred from holding public or government office or directing financial institutions. Cases involving fraud, gross negligence or bankruptcy.
- Denial, withdrawal or revocation of any license or authorisation to practice a financial profession or activity or expulsion by an administrative or regulatory body responsible for overseeing the profession in question.
- Dismissal or request for resignation as an employee, agent or manager of an insurance Company.

The above notwithstanding, to evaluate all of the available information on the strategic personnel bound by the obligation of professional properness, the person's entire professional background is taken into account, including:

- The person's past experiences with regulatory and supervisory authorities; such as the reasons why he/she may have been dismissed or relieved of his/her previous duties or positions; personal solvency history and fulfilment of financial obligations; if the person has occupied positions of responsibility in credit institutions that have undergone a restructuring or insolvency (or similar) procedure; if the person has been declared insolvent under applicable bankruptcy (or similar) legislation;
- conviction for a crime or offense and penalties imposed for administrative violations, considering:
- the fraudulent or negligent nature of the crime, offence, or administrative violation; whether or not the conviction or ruling is final;
- the seriousness of the sentence or penalty imposed;
- the criminal classification of the events that led to the conviction or penalty, especially if they involve property crimes, money laundering, crimes against the socioeconomic order, the public treasury and/or the social security administration or if the crimes involved the violation of the rules governing the banking, insurance or stock market sectors or consumer protection laws; whether the conduct that led to the conviction or penalty was for the person's own benefit or harmed the interests of third parties and, where appropriate, the relevance of the events that led to the conviction or penalty in relation to the functions which are assigned or are going to be assigned to the post in question in the Company;
- the prescription of the criminal or administrative misconduct or the possible extinguishment of criminal liability;
- the person's conduct after the crime or violation was committed;

- the repetition of convictions or penalties for crimes, offences or infractions.

Strategic personnel who are aware that they are affected by any of the circumstances described in this section must report it to the Company's *Director General* (General Manager) or the Group Human Resources Director and at all times the Head of Group Legal and Compliance.

B-2.3 Evaluation of what constitutes fit and proper

In the process of evaluating the 'fit and proper' characteristics of strategic personnel, all of the requirements indicated above will be reviewed individually for each member and for the Board as a whole, bearing in mind the obligations assigned to each one to guarantee the proper mix of qualifications, knowledge and experiences to ensure that the Company is managed and supervised in a professional manner.

Situations that trigger a fit and proper evaluation

An evaluation of the fitness and properness of strategic personnel is conducted when:

- people are newly appointed;
- there are significant changes in responsibility (promotions, internal reorganisations, etc.);
- there may be a conflict of interest. The following situations constitute a conflict of interest:
- Transactions with the Company. However, ordinary transactions carried out for clients under standard conditions that are of limited relevance, i.e. if the information on such transactions is not required to express a true image of the Company's equity, financial situation and results, do not constitute a conflict of interest;
  - Using the Company's name or one's position as a director, manager or supervisor to have an undue influence on private transactions;
  - Using the Company's assets, including confidential information, for private purposes;
  - Taking advantage of the Company's business opportunities;
  - Obtaining benefits or compensation from third parties other than the Company and the Group for the discharge of his/her duties, other than gestures of professional courtesy;
  - Taking part in activities, directly or on behalf of third parties that compete or could compete with the Company or that otherwise place the person in a situation of permanent conflict with the Company's interests.

The foregoing provisions also apply in those cases where the beneficiary of the prohibited conduct or activity is a related party of the strategic personnel member.
In such cases, the strategic personnel member must notify the *Director General* (General Manager) and the Group Human Resources Director of the direct or indirect conflict between the Company's interest and those of the strategic personnel member or the persons related to him or her.

Procedure for the fit and proper evaluation of strategic personnel

Procedure for evaluating the fitness of strategic personnel

Strategic personnel are understood to be suitable, i.e. possessing adequate knowledge and experience for the performance of their functions, when they have the right education level and professional profile to perform the assigned functions as well as practical experience gained from previously occupied positions in other companies or entities with similar functions. The experience criterion will be determined based on the nature, scale and complexity of the activities and the specific functions and responsibilities of the position (to be) occupied.

Furthermore, the members of the BoD considered as a whole, must have enough professional experience to ensure their ability to make decisions independently and autonomously on the Company's behalf.

In this way, since the Company defines a standard profile of the qualifications, knowledge and experience required for each position, the Group Human Resources Department is able to evaluate the fitness of each strategic personnel member by means of the supporting documentation (copies of diplomas, checking of professional background, curriculum vitae, etc.) that should be commensurate with the responsibilities assumed.

Procedure for evaluating whether strategic personnel is proper

The evaluation whether strategic personnel is proper includes an assessment of their financial solvency and honesty based on reliable information about their reputation and their personal and professional conduct, including any criminal, financial or supervisory aspect that is germane to the evaluation.

In the first place, with regard to proper requirements, it is important to emphasize that the Company is part of Atradius, and Atradius has a Code of Conduct that stipulates the general guidelines that govern the conduct of Atradius, its directors, employees, agents and associates, in the performance of their functions and in their commercial and professional relationships, acting in accordance with the law and respecting ethical principles. It is therefore important that the individual who is being evaluated to hold a high-level position agrees to be bound by the principles and values contained in the abovementioned code.

Likewise, it is required that such individual declares in writing that he or she does not have a criminal record and must consent to the Company doing a criminal background check to verify such fact. The purpose of this analysis is to establish whether the proposed candidate for a position meets the necessary requirements.

Once the information referred to in the paragraphs above has been collected, along with any other information required on a case-by-case basis, it is analysed to determine whether or not the individual proposed for the position meets the necessary requirements.

Procedure for evaluating the fit and proper of strategic personnel who have already undergone the evaluation process in another entity of GCO

In those cases where certain members of strategic personnel have been evaluated for professional fit and proper purposes by another member Company of GCO, a new evaluation will not be required if the position to be held by strategic personnel member is analogous to the one for which he/she was previously evaluated, notwithstanding the fact that:

Group Human Resources must obtain any information that is deemed necessary from the group Company that conducted the evaluation and a statement from the strategic personnel member in question that his or her circumstances have not changed;

and The notification obligations as included in the Fit & Proper Policy still apply.

B-2.4 Strategic personnel

The Fit & Proper Policy of ACyC applies to the persons appointed in the following positions in the Company:

- Member BoD ACyC
- Members of the Executive Committee
- Persons responsible for key functions for the daily management of the Company's business. This relates to those who:
    - are employed by the Company, and
    - are in a senior management position, and
    - report directly to a member of the Executive Committee, and
    - are responsible for individuals whose tasks / activities may have a material influence on the risk profile of the Company.
- Currently staff that falls within this definition hold the following key functions:
- Director of Group Finance (also assuming the responsibility for overseeing the actuarial function)
- Director of Group Risk Management
- Director of Internal Audit
- Head of Group Legal and Compliance.

These persons are referred to jointly as 'strategic personnel'.

B-3 Risk management system including the own risk and solvency assessment

The main components of the risk management system are:

- Risk strategy;
- Risk governance;
- Risk management policies and guidelines;
- Risk boundaries;
- Measurement / monitoring / reporting;
- Risk Management function;
- Own Risk and Solvency Assessment.

Risk strategy

The risk strategy is the Company's risk appetite framework. It is aligned with the risk strategy of the ultimate parent, GCO, and consists of the following main components:

- **Risk appetite** is the aggregate level of risk that ACyC is willing to assume and manage within a determined period of time;
- **Risk tolerance** is the maximum level of risk that ACyC is willing to assume in relation to a specific risk;
- **Risk limits** are operational limits established to facilitate control of risk-taking.

Next to capital-related risk appetite, tolerances and limits, the Company (in alignment with other companies of Atradius) has also established various operational tolerances and limits for different types of risk, which are used in the day-to-day operations and embedded in the Company through its risk governance structure (see below). These tolerances include, among others:

- Strategic asset allocation for investments;
- Limitations on exposure or cover terms for countries and industry sectors;
- Group and individual buyer exposure limits;
- Credit risk limits (e.g. for reinsurance, deposits); and
- Policy and Risk Underwriting Authority levels.

Risk governance

The Company has established several risk governance committees to make decisions involving material risks, including the following:

- The Group Credit Committee and five Local Credit Committees underwrite the most material credit limits
- The Country Committee rates the credit risk of specific countries and outlines the associated risk underwriting strategy regarding those countries
- The Quantitative Model Committee approves quantitative models used within the Company. This includes both internally developed and purchased models
- The Group Investment Committee decides on the tactical allocation of assets within the investment portfolio
- The Outward Reinsurance Committee recommends appropriate reinsurance arrangements
- The Group Product Committee approves proposals for new insurance products, related service offerings, and material modifications to existing products
- The Transaction Review Committee accepts business transactions that comprise the issuing of individual insurance policies, bonds or re-insurance contracts.

These committees are overseen by the Risk Strategy Management Board ('RSMB'). The RSMB members consist of the Management Board of ANV, the Director of Group Finance, the Director of Strategy and Corporate Development and the Director of Group Risk Management.

In addition to the committees that report to the RSMB, the Provisioning Committee assesses and decides on the appropriate amount of claims provisions on both a Solvency II and IFRS basis.

As well as the committee structure, the Company uses a framework of individual authorities to facilitate approval of less material risk exposures. In each product line, staff members are assigned well-defined underwriting authorities specifying the levels of risk they can take within the framework of the Company's risk governance. The authority matrices specify 2-eyes, 4-eyes and 6-eyes requirements based on the levels of risk involved and individual authorities are assigned based on the level of expertise of the underwriter.

Risk management policies and guidelines

A framework of risk management policies and guidelines ensure alignment with the Company's objectives and (risk) strategy. Policies and guidelines cover areas such as Risk and Policy Underwriting, Reinsurance, FX, Investments, Operational Risk, Business Continuity, Information Security, Compliance, etc.

The risk management policies of the Company are aligned with the policies of GCO. As the ultimate parent, GCO has established a common framework of policies for all companies within the Group.

Risk boundaries

Risk boundaries give a clear and Company-wide aligned understanding of what business the Company wants to underwrite and the lines that it does not want to cross. Risk boundaries are used to govern the business and to enable communication with stakeholders.

Measurement / monitoring / reporting

To support the operation of the governance structure, the Company applies a system of measurement and monitoring of risks as well as reporting which enables the communication of relevant information to the appropriate decision-makers. Examples of the focus areas in this system are:

- Buyer and limit underwriting performance reporting: provisions, underwriting targets, notifications of non-payment, claims paid and received, recovery success rate, premium earned, acceptance rates, market developments;
- Exposure distribution information : distributions of buyer rating, concentrations in industry sectors, buyer countries, and buyer groups; and
- Economic capital consumption

For measurement of economic capital-related aspects of underwriting risk, the Company employs a proprietary internal model. For measurement of economic capital-related aspects of other risk types, the Company uses the Standard Formula under Solvency II. This "Partial Internal Model" has been assessed and approved for use by the College of Supervisors.

Risk Management function

The Risk Management function assists senior management of the Company with the effective operation of the Risk Management System, including the use of the (partial) internal model. This function is fulfilled by the Group Risk Management department (GRM), supported by designated risk functions within various parts of the Company.

The Risk Management function identifies, measures, monitors, reports and takes an aggregated view of risks for the purpose of:

- Monitoring and reporting the risk profile relative to risk strategies in place;
- Monitoring and reporting risk profiles for different risk types and their contributions to the overall risk profile;
- Analysing the performance with regard to the risk strategies in place.

The Risk Management function cooperates closely with central functions such as Group Buyer Underwriting, Corporate Finance, Group Finance, Strategy & Corporate Development, Group Legal and Compliance, Internal Audit, and with other organizational units within the Company.

One of the tasks of the Risk Management function is to obtain an independent validation of the Company's (partial) internal model. The independent validation is outsourced to the independent validation team within the Risk Management Department of Grupo Catalana Occidente. This department provides a comprehensive and independent technical opinion regarding the development and operation of the model and the appropriateness of its results, considering the different uses in the management of the Company and the quantification of the solvency capital requirement under Solvency II. The independent validation team operates according to an approved Validation Policy, which describes the methodology and criteria applied. The validation team shares its findings with the Quantitative Model Committee. The Quantitative Model Committee ensures that model owners take appropriate actions to remediate any findings. This ensures the ongoing quality and appropriateness of the internal model.

Own Risk and Solvency Assessment

The Company has been producing a supervisory ORSA Report since 2013. It has an established policy, governance, methodology and team of resources dedicated to the execution of its ORSA process.

The Company executes a full ORSA process

on an annual basis, but also runs all or part of the process in the event of a significant change in risk profile, Business Plan, internal model parameters or if required by management.
The ORSA is an integral part of the business, risk management and decision-making processes within the Company. The execution of the ORSA is linked to the preparation of the Company's Long-Term Plan and includes evaluation of risk and solvency positions, assuming both normal and adverse market conditions.

The ORSA includes analyses and reports of the main risks to which the Company is exposed, their resulting capital requirements, and an evaluation of the feasibility of the business plan over the normal planning horizon (5 years).

To determine and assess solvency positions, the various risks to which the Company is exposed are quantified and aggregated using the Partial Internal Model. The results are taken into consideration for capital management decisions.

Additional information per risk category

In sections C0 to C7 below (Risk Profile) we provide more information on how risks are identified, measured, monitored, managed and reported for each risk category.

B-4 Internal control system

The Company has established a framework of internal controls to assist in following the Company's strategy and achieving its objectives. The framework consists of numerous components that together comprise:

- Control environment - the foundation for the internal control system comprises the employees and the environment in which they operate. Aspects to consider include organisational values and the standards, processes and structures that provide the basis for internal control.
- Risk assessment – as part of the internal control system, risks must be identified, assessed and responded to.
- Control activities – specific tasks that must be executed on an on-going basis to ensure that risks are managed;
- Information and communication systems - to enable the Company to capture and disseminate the information necessary to conduct, monitor and control the business; and
- Monitoring – the entire internal control framework is monitored to ensure that it is operating as intended and reflects the current objectives and environment.

The Internal Audit and Compliance functions are important parts of the internal control system. The Internal Audit function is discussed in B-5, the Compliance function is described below.

Control environment

The control environment is based upon organizational values and standards of conduct. To facilitate adherence to standards, senior management has established structures, standard practices and policies.

The professional competencies and practices are outlined in the Atradius' policies regarding conduct, recruitment, remuneration, appraisal and development of employees. The most important employment practices are outlined in specific codes, such as:

- Code of Conduct
- Speak up procedure – Policy on Whistle

blowing

- Policy on Fraud Risk Management
- Policy on Customer Due Diligence
- Policy on Trading in Securities
- Policy on Employee Background Screening
- Policy on Complaint Management
- Policy on Auditor Independence
- Policy on Anti-Trust and Fair Competition
- Policy on Business in Accordance with Licences
- Policy on External Authorisation
- Policy on Insurance Distribution
- Policy on Outsourcing
- Policy on Anti-Bribery and Corruption
- Policy on Sanctions.

The Company has established various control mechanisms which are implemented through policies and procedures.

Organisational structures define roles, responsibilities, authorities and reporting lines. Within the Company, two main organisational structures exist: the managerial structure and the risk governance structure. Both structures outline the levels of authority delegated to the Company's employees when underwriting or transacting. This authority depends on an employee's function and competency.

Risk assessment

Key mechanisms to ensure that the Company identifies, understands and responds to the risks it faces include (but are not limited to):

- Strategy setting and long-term business planning;
- Periodic business review meetings between the Management Board and business units; and
- Risk Management System (see Section B-3 for further detail). This includes items such as the ORSA process, risk strategy setting and review, risk governance, and the risk management function.

Control activities

The Company implemented various control mechanisms. These mechanisms are established through policies and procedures embedding segregation of duties, approvals, verifications, management reviews, and reconciliations.

Segregation of duties is embedded in the Company's underwriting process and in its financial transactions. The underwriting process is segregated by splitting the underwriting function into a policy underwriting function and a risk underwriting function (Note: the exact terminology used may vary among product lines, but the concept is the same). This segregation prevents commercial interests influencing the amount of credit limits to be underwritten.

A financial transaction is commonly segregated by splitting the roles into an initiator, an approver, a verifier, a recorder and a reconciler. Each role is in principle held by a different employee. This reduces the risk of erroneous or inappropriate payments.

Approvals are embedded in the Company's underwriting and financial transactions processes. For example, a risk underwriter requires the approval of another more senior underwriter to underwrite a credit limit above his/her authority level. Larger amounts require the approval of more underwriters and the largest limits require Local or Group Credit Committee approval. The same principle applies in the policy

underwriting and financial transactions processes.
Management regularly receives reports (financial and other key performance and risk indicators) to monitor performance versus budgeted, forecasted, prior period, etc. to assess the extent to which the Company's objectives are being achieved, and to gain insight into risk profile developments. Examples are:

- Monthly Management Reports, detailing the financial performance of the Company, its divisions and its functions
- Risk Services Performance Overviews, detailing the credit limits underwritten, notifications of non-payment received, claims ratios, acceptance rates, etc.
- Competitor analyses, detailing and comparing the financial performance between the Company and its main competitors
- Economic Cycle Management Report, detailing the premium rates, cancellation rates, etc.
- Investment Reports, detailing the investment performance and investment position in terms of returns and allocation, credit ratings of debt instruments, splits per currency, etc.
- Risk reports, management information giving an overview of the Company's risk profile for different risk categories.

Information and Communication Systems

Information and communication systems enable the Company to capture and disseminate the information required to conduct, manage and control the business

Internally, the Company communicates through formal channels such as policies and procedures, but also through less formal communication channels such as intranet, emails and newsletters.

In certain circumstances, formal organizational structures may hinder communication of negative information upward through the managerial or risk governance structure. To ensure that negative information can also be communicated upward, the Company has established a Speak up procedure – Policy on Whistleblowing. This policy establishes an alternative communication channel to the director of Internal Audit which employees can use to communicate negative information.

Monitoring

The entire internal control framework must be monitored to ensure that it is operating as intended and reflects the current objectives and environment. The Company has implemented various mechanisms, such as control self- assessments, incident reporting and internal audit exercises.
Control-self assessments are performed to monitor the effectiveness and efficiency of both financial reporting controls and non-financial controls.

Financial reporting control self-assessments are performed on a quarterly basis to ensure that the Company's financial statements do not contain material errors by preventing errors occurring or detecting errors that have occurred.

Control overviews are stored in an online system that details:

- what controls are in place;
- why the control is performed;
- which functions and employees perform the control;
- when and what frequency; and
- who is responsible for the control?

In addition, evidence of performance of

controls is stored for review if necessary.

Compliance Function

The Compliance function consists of the group compliance function, the local compliance functions, including the local compliance function of ACyC. The local compliance function reports to the Country Manager with functional reporting to the Atradius Group compliance function. The ACyC compliance function reports to the BoD of the Company.

The Compliance function is responsible for managing relations with regulators, maintaining compliance policies, educating employees regarding compliance and drafting reports detailling relevant areas within the Company, and its branches, that are susceptible to compliance risk.

B-5 Internal audit function

The Internal Audit ('IA') function has been established at ACyC level. The IA function is an independent function and all audit work undertaken is carried out freely, objectively and independent of the activity being audited/reviewed. The IA function has developed an Internal Audit charter, approved by the Audit Committee ('AC'), which outlines the authority, responsibility and governance over Atradius Internal Audit. The IA function is responsible for advising the BoD, through its AC on the Company's system of internal control and provides regular reporting to the BoD via the AC.

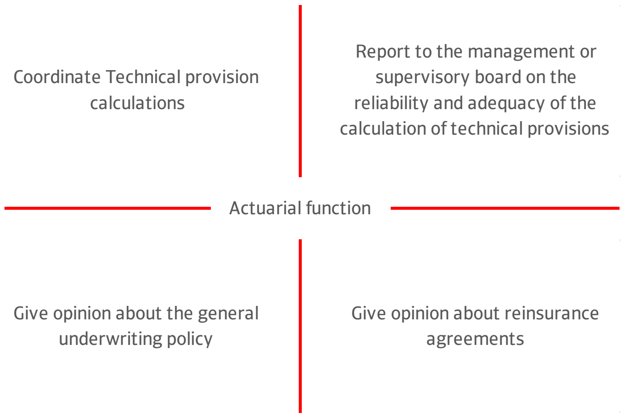
The AC supports the BoD of ACyC in fulfilling its supervisory and monitoring duties with respect to the assurance of the integrity of the Company's financial statements, the quality of the Company's risk management and controls, governance and compliance processes, the external auditor's qualifications, and the performance of internal and external auditors. The IA function has independent access to the Chairman of the AC, reports to the BoD of ACyC and reports –functionally- to the Director of GCO Corporate Internal Audit.

B-6 Actuarial function

The ACyC Actuarial Function, which is an independent function, supports the BoD and the ACyC organization in ensuring the appropriateness of methodologies, underlying models and assumptions used in calculation of technical provisions, assesses the quality of data used in the calculation of technical provisions and capital requirements related to risk and regulations and the adequacy of reinsurance arrangements and underwriting policy. It also contributes to the effective implementation of the risk management system by ensuring the continuous compliance of technical provisions within the ORSA process.

Within ACyC the Director of Group Finance is appointed as key function, assuming the responsibility for overseeing the Actuarial Function, which is outsourced to GCO via an intra-group outsourcing agreement. The ACyC

Actuarial function is, amongst others, supported by a team of technical experts (actuaries/statisticians).



B-7 Outsourcing

Introduction

The Company has a process in place that must be followed when considering outsourcing of critical or material functions. The detailed description is laid down in the ACyC Policy on Outsourcing. This policy applies only in case of (possible) outsourcing of critical or material functions/activities to a provider. It describes the approach and process for outsourcing from the start to the end of the contract.

Preparation and (risk) assessment(s)

For any new outsourcing contract, or for the renewal of an existing outsourcing contract, the preparation, relevant assessments, due diligence and selection is performed by the relevant business area/unit.

The preparation starts with an assessment of whether the outsourced function/activity is considered to be critical or material for the Company.

The preparation must include:

- An assessment (in relation to the Company) on possible
    a) material impairment of the governance system;
    b) increase in operational risk;
    c) impairment of the regulator's ability to monitor compliance;
    d) undermining of the continuous and satisfactory service to policyholders;
- Business contingency planning (including exit strategies for outsourced activities).

Approvals

Outsourcing requires prior approval by the Executive Committee. Overall responsibility for the outsourced activity/function remains with ACyC itself.

Due diligence and selection process, tender process

A tender process applies for any material outsourcing contract. Several service providers are approached to tender for the contract. The tender document clearly describes the services and performance standards required, amongst other things to ensure that a provider of suitable quality is selected.

The due diligence and selection of (applicant) provider(s) enables ACyC to understand the main risks that may arise from the outsourcing, to identify the most suitable strategies for the mitigation or management of these risks and to ensure that the provider has the ability, capacity and authorisation required by law (if applicable) to perform the outsourcing reliably and professionally.

Outsourcing key functions

If the Company intends to outsource a key function, it must address the following issues:

- Applying fit and proper procedures in assessing those employed by the service provider that will perform an outsourced key function for the Company. This requires the provider to check the fitness and propriety of all those working on the key function;
- Ensuring that those within the Company designated with overall responsibility for overseeing the outsourced key function possess sufficient knowledge and experience of the outsourced key function so as to be able to challenge the performance and results of the provider. The responsible person must be notified to the regulator.

Critical or material functions and activities

According to the Policy on Outsourcing critical or material functions and activities relate to the core business of ACyC that would otherwise be performed by ACyC itself and are essential to the operation of ACyC as it would be unable to deliver its services to policyholders without the function or activity.

The following can be considered critical or important functions/activities:

a) Key functions, which are the risk management, compliance, internal audit and the actuarial function within ACyC.
b) The design and pricing of (re)insurance products;
c) The investment of assets and portfolio management;
d) Claims handling;
e) Providing regular, or constant, compliance, internal audit, accounting, risk management or actuarial support;
f) Providing data storage in relation to the core activities of ACyC;
g) Providing ongoing, day-to-day systems maintenance or support in relation to the core activities of ACyC;
h) The ORSA process;
i) Underwriting activities.

The outsourcing contract

The policy on Outsourcing describes several subjects (not limitative) that are to be addressed in an outsourcing contract.
The relevant Atradius Country Manager, or unit Director, who outsources will ensure that effective oversight of the provider can be performed by the Company by maintaining relevant competence and ability within ACyC
For each proposed or existing outsourcing contract, the business continuity plans for Atradius offices/units impacted by non-performance of the provider must consider:

- Remedial action and processes to be invoked in the event of business disruption;
- Clear allocation of responsibility and accountability within Atradius to oversee and manage the period of disruption. If a major business disruption occurs at any time as a result of the failure of a provider to perform under an outsourcing contract, the Atradius business continuity plan will be invoked by the Company.

Internal (intragroup) outsourcing

When outsourcing by the Company is to a provider within the GCO Group, the following applies:

- in relation to outsourcing of a key function, the GCO Group entity that performs the outsourcing (a) documents which function/activity relates to which legal entity in the GCO Group and (b) ensures that the performance of the function/activity at the level of the outsourcing entity (the Company) is not impaired;

- the Company makes an assessment as to whether and to what extent it should rely on outsourcing provided by a provider in the GCO Group;
- the due diligence and selection process of the provider may be less detailed if the ACyC BoD/ Executive Committee has greater familiarity with the provider, the Company has sufficient control over, or can influence the actions of, the provider;
- a written agreement must exist, stipulating the roles and responsibilities of both parties. This agreement may be in the form of a less detailed service level agreement.

Currently, the actuarial function is outsourced to a provider at Group level (GCO). The Director of Group Finance is responsible for overseeing the outcome of that outsourced function.

ACyC outsources some of its IT functions / activities. These activities are; Application Development Support, which is conducted from the UK, the Netherlands, Germany and India; and, Desktop Managed Services, which is undertaken in the UK and Romania.

B-8 Any other information

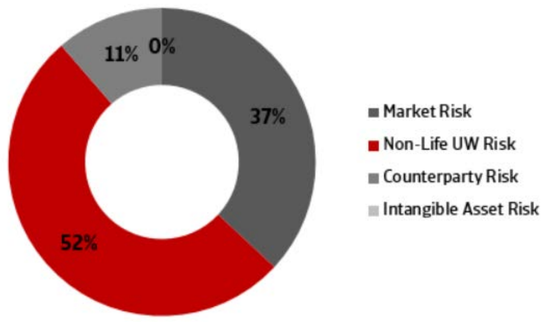
Not applicable

C. Risk profile

C-0 Contribution of the risk types to the Solvency Capital Requirement

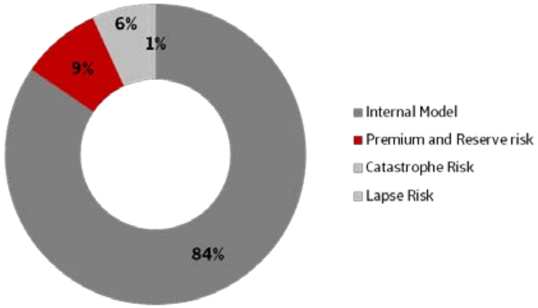
In 2017 ACyC's ultimate parent, GCO, was granted regulatory approval to use a Partial Internal Model to calculate regulatory capital requirements. ACyC uses its internally developed economic capital model for most of the non-life underwriting risk module and the Standard Formula for the market, counterparty and operational risk modules – hence the "Partial" Internal Model.

The table below illustrates the contribution of the risk types described in this section to the Basic Solvency Capital Requirement (BSCR), calculated using the Partial Internal Model.



in EUR million	Q4 2020	Q4 2019
Basic Solvency Capital Requirement		
Market Risk	327	315
Non-Life UW Risk	458	503
Counterparty Risk	101	105
Intangible Asset Risk	0	0
Total undiversified	886	923
Diversification	(204)	(208)
Total diversified	**682**	**715**
Operational Risk	**44**	**45**
Solvency Capital Requirement		
Total before tax adjustment	**726**	**760**
Tax adjustment	(109)	(118)
Solvency Capital Requirement	**617**	**642**
Minimum Capital Requirement	**154**	**160**

C-1 Underwriting risk



in EUR million	Q4 2020	Q4 2019
Non-Life UW Risk		
Internal Model	403	456
Premium and Reserve risk	41	33
Catastrophe Risk	28	26
Lapse Risk	4	5
Total undiversified	**476**	**520**
Diversification	(18)	(17)
Total diversified	**458**	**503**

Risk identification / management

Underwriting risk is the largest contributor to the Solvency Capital Requirement. It represents 52% of the Company's Basic Solvency Capital Requirement, before diversification and tax adjustments with a charge of EUR 458 million. Largest contribution to this risk category comes from the Internal Model, which declined 12% due to portfolio improvements and risk mitigation effect of COVID-19 related government schemes. The risk mitigation benefit of government schemes was partially compensated by the decrease in cession to the reinsurers.

The Company incurs underwriting risk by issuing insurance contracts and subsequently approving credit limits and bonds under those contracts.

The Company operates two main direct insurance product lines: credit insurance and bonding. Credit insurance is divided into three subcategories: traditional credit insurance, special products and instalment credit protection. Each of these sub-categories has particular risk characteristics. This section describes the different risk characteristics as well as some of the methods used to manage the risks.

The starting point for the management of underwriting risk is:

- All staff have well-defined authorities specifying the level of risk they can accept; and
- All risk acceptance must take place within the framework of the risk governance structure.

Furthermore, the Company's reinsurance structure imposes checks on the largest exposures. Exposures beyond a certain threshold are subject to special acceptance by our leading reinsurers.

COVID-19

In 2020, the most significant developments in the risk landscape are related to the worldwide effects of the COVID-19 pandemic. The pandemic has affected all risk areas – from underwriting risk (impact on buyers (credit insurance) and customers (bonding)) to financial risk to operational risk (impact on Atradius' ability to maintain its standard of service and to ensure that the needs of employees are adequately addressed). Atradius has taken steps to manage its exposure to the effects of the pandemic.

A key part of the Company's underwriting strategy during the COVID-19 crisis has been supporting customers in insuring their receivables, and, at the same time, protecting them against losses in a heightened risk environment in an explainable and comprehensible way. While COVID-19 risks were spread broadly, the risks were not uniform across all countries, sectors and portfolios. We analysed the nature and sources of the risks and how they constantly shifted, e.g. from supply chain to liquidity-related. We continually analysed all trade sectors for relevant risk factors, such as how they might be influenced by governmental response and readiness, and changing infection rates in different countries and regions. Using segmentation tools, extensive data and analytics, dedicated COVID-19 response teams coordinated the Company's worldwide risk and commercial organisations to rigorously review and take action on portfolios. Most of our underwriting algorithms were re-parameterised in the COVID-19 environment. These continuous underwriting actions were performed in alignment with commercial strategies on (re)pricing, policy restructuring and prudent sales, underpinned by a deliberate and transparent communication with the market.

Traditional credit insurance and special products

In traditional credit insurance, the Company insures its customers against the risk of non-payment of trade receivables. The causes of loss covered differ by policy and usually include all forms of legal insolvency and protracted default. Policies can also cover so-called 'political' causes of loss which include, but are not limited to, the risk of non-payment due to payment transfer problems, cancellation of export/import licenses and contract frustration. Each policy stipulates a maximum credit period that the policyholder can offer to their buyers without prior approval from the Company. 'Buyers' are the customers of the Company's insured customers, i.e., the parties on which the Company covers the credit risk. To mitigate the risk of adverse selection, the traditional credit insurance products of the Company usually cover the entire portfolio of buyers of a policyholder.

For traditional credit insurance, there are two underwriting processes: policy underwriting and risk (or buyer) underwriting. Policy underwriting is the process by which the Company decides which customers to accept as policyholders and the terms and conditions of cover that are offered. Buyer underwriting is the process by which the Company sets risk limits for each buyer and issues credit limits, thus managing risk on existing policies. Both processes are subject to Atradius´ Governance as referred in Section B and below.

In general, a policy is issued for a year. Customers must retain some of the risk for their own account to protect the Company from the risk of moral hazard. That self-retention can take the form of an uninsured percentage, a deductible on each claim, an aggregate first loss amount or a combination of these. Almost all policies stipulate the Company's maximum liability.

A customer is only covered for the credit risk on a buyer when a credit limit on the buyer has been established. Most policies allow customers to establish credit limits themselves for smaller amounts, under strict conditions specified in the policy. Larger credit limits must be decided by dedicated risk underwriting functions and issued by the Company. Credit limits are an important risk management instrument for the Company as they cap the amount that ACyC would have to pay out to a customer in the event of a claim. Moreover, the Company has, in principle, the right to immediately withdraw the credit limit of a buyer at any time if circumstances demand. Credit limits may be subject to specific conditions. The Company can also set conditions for cover

on a country or withdraw cover on a country altogether. These are important conditions and parameters for managing the Company's risk exposure.
Staff in Commercial units have well-defined authorities specifying what terms and conditions may be included in a policy. Authorities typically require the approval of two pairs of eyes and conditions become stricter as policy amounts increase. The pricing of credit insurance policies is also subject to governance within Commercial units. In addition, the methodologies applied to establish a benchmark price require the approval of the Quantitative Model Committee.

Staff in Risk Services have well-defined authorities for setting capacity on buyers and for approving credit limits.

The Company's Special Products business offers a range of bespoke policies to insure against various credit and political risks; this product line includes policies that cover single transactions, single trade relationships and asset confiscation. Unlike traditional credit insurance, credit limits in Special Products polices usually cannot be immediately withdrawn. However, the conditions of Special Products policies tend to place a greater onus of risk monitoring and diligence on the insured.

All policies are bound within clearly defined authorities issued to the policy underwriters. All buyer risk is signed off by dedicated Risk Services teams.

Instalment Credit Protection (ICP)

Policies are generally issued for a fixed period with automatic renewal. The indemnification rate can rise to 100% and recoveries are for the benefit of the Company. Recovery rates are significantly higher for ICP than for credit insurance and bonding.

Risk underwriting is performed by the risk underwriting teams. Credit decisions are primarily made based on an automated decision model; however, if required a case can be referred to an underwriter for manual assessment. Authorities are granted to underwriters according to their experience and expertise. Larger exposures are decided upon by appropriate committees according to pre-determined thresholds.

Bonding

Surety bonds insure beneficiaries against the risk of our customer not meeting contractual, legal, or tax obligations. Beneficiaries include national, regional and local governments and tax authorities as well as companies.

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

When a bond is called by the beneficiary, ACyC might mediate to resolve conflicts by working with both the customer and the beneficiary. If a payment is made by ACyC to the beneficiary, recovery action is taken against the customer which remains ultimately liable. If ACyC incurs an irrecoverable loss, it is always due to the customer's financial distress.

A sizeable portion of the bonding portfolio relates to the construction sector, while different legal and market environments in the various countries also translates into bonding customers active in other sectors. In addition, the types of bonds issued range from bid bonds, performance bonds, maintenance bonds and advance payment bonds to various types of administrative bonds. These are issued with tenors ranging from a few weeks to years.

Given the two dimensions of bonding risk – the technical risk and the financial risk – two separately organized underwriting streams exist. When establishing or renewing a bonding facility and/or issuing an individual bond the Technical Underwriting is performed by members of the Commercial units. They assess the risk of non-performance as well as bond wordings and other aspects. Financial Underwriting is performed separately from the Commercial staff, and focusses on the creditworthiness of the customer. Financial Underwriting staff sets the limits within which the bonding facilities and individual bonds can be provided to the customer. There is an authority structure in which decisions are escalated depending on the amount involved. The last two steps in this authority structure are the Local Credit Committee and the Group Credit Committee.

Measurement / monitoring

The Company monitors exposure by counterparty, sector and country across all product lines. It holds records of all policies, credit limits and buyers in various connected systems. These systems enable the Company to set system specific limits by buyer or buyer group (including bonding customers) and to monitor aggregate exposure along various dimensions.

All significant exposures are reviewed at least annually. The Company receives continuous information on buyers through online connections with business information providers and from customers reporting negative payment experiences. Buyers are reviewed whenever pertinent new information is received. The Company assigns an internal rating to buyers and the review process takes into account all sources of exposure on a buyer, including exposure for Special Products and Bonding. For ICP, consumer credit risk underwriting utilizes databases maintained by national authorities as well as its own internal consumer credit database.

Partial Internal model

The relationship between risk and capital is fundamental; risk-taking requires (regulatory) capital to be held. For many years, the Company has been using an internally developed economic capital model as a best practice measure of underwriting risk exposure. In 2017, ACyC obtained regulatory approval to use this model for calculation of regulatory capital requirements. ACyC combines this internal model with Standard Formula components and thus uses a “Partial Internal Model” as a measure of risk, which allows calculation of overall regulatory (but also economic) capital requirements.

The Company takes the results of the Partial Internal Model into consideration for risk and capital management and strategic decisions. In addition to overall risk profile quantification, the model contributes to a multitude of risk assessment activities and helps management to better monitor and manage risk levels within the organization through the allocation of risk-based capital.

For more information on the economic capital model, please see section E-4.

Risk mitigation

The Company transfers a significant portion of its underwriting risk to external reinsurers, through a number of reinsurance arrangements that include quota share and excess of loss treaties covering either the entire portfolio of the Company or specific risks.
The reinsurance treaties are renewed annually. However in order to ensure stability of capacity and pricing, the Company renews its reinsurance a year in advance.
At time of renewal, the Company assesses the optimal structure of the treaties for the forthcoming period. A number of items are taken into consideration during this review, including the cost of the synthetic capital that reinsurance provides as measured by the internal economic capital model.

For the underwriting year 2021 a quota share reinsurance treaty is in place covering the majority of the Company's business. Own retention under this treaty is 52% (compared to 41% in 2020).

There is also an excess of loss program on a per buyer/buyer group basis, covering the Company's retention under all these quota share treaties. This excess of loss treaty also provides protection for all the insurance entities within Atradius. The top of the excess of loss layers is chosen so that, in the judgement of management, there remains only a very remote possibility that failure of any single buyer group would exceed the excess of loss coverage purchased. The attachment point of the excess of loss treaties has been set such that the net retention for business ceded under the quota share treaties and excess of loss structure for any buyer group does not exceed EUR 26 million at the level of Atradius.

2020 Government agreements

The COVID-19 pandemic crisis has strongly affected the world economy.

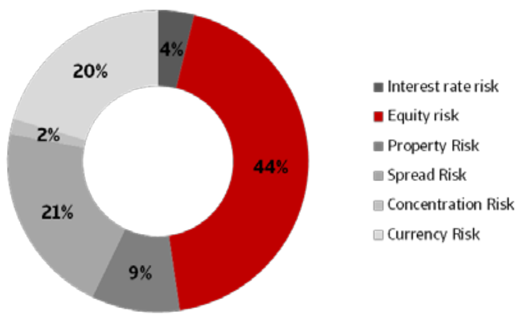
In view of this situation and, as a support to the national economy, 10 main countries where ACyC operates have supported the business of credit insurance in the form of specific government reinsurance schemes with high cession rates.

The government schemes are part of an overall package of measures and aim to ensure that sufficient liquidity is available in the market, to counteract the damage inflicted on companies affected by the outbreak and to preserve the continuity of economic activity during and after the outbreak. In particular, they aim to ensure that trade credit insurance services continue to be available to businesses. All contracts apply to direct business (gross reinsurance).

Atradius entered into agreements with Germany, Denmark, Norway, Belgium, France, Luxembourg, the Netherlands, United Kingdom, Italy and Spain. In general terms, all government schemes cover Credit Insurance with policyholders from the country and all their buyers (domestic and export credit).
In Europe, all agreements were approved by the European Union. These agreements apply before private reinsurance in place with exception of Spain. In Spain the agreement provides an additional cession (works in addition to the current private cession to the market). All government schemes are risk attaching. Cession rates for premium and claims are country specific.

The contents of the programs differ from each other but they were typically in the form of a quota-share agreement with a cession between 50% and 100%. Close to 50% of exposure was/is covered by these programs.

C-2 Market risk



in EUR million	Q4 2020	Q4 2019
Market Risk		
Interest rate risk	16	32
Equity risk	183	177
Property Risk	40	39
Spread Risk	87	74
Concentration Risk	7	6
Currency Risk	85	75
Total undiversified	**418**	**402**
Diversification	(90)	(88)
Total diversified	**327**	**315**

Identification

The Company exposes itself to market risk by obtaining assets and incurring liabilities whose value is sensitive to movements in market prices. This risk represents 37% of the Company's undiversified BSCR, before diversification and tax adjustments. With a charge of EUR 327 million, this implies an increase of EUR 12 million compared with previous year. This risk is incurred by:

- investing in debt instruments;
- investing in equity instruments;
- investing in real estate;
- underwriting insurance contracts generating provisions for future claims payments; and
- holding assets and incurring liabilities denominated in foreign currencies.

The increase in 2020 is mainly driven by increased market value of investments and symmetric adjustment due to positive developments in markets.

Measurement

Market risk is measured by using several risk metrics, including:

- value-at-risk;
- capital models of external credit assessment institutions; and
- interest rate duration.

Value-at-risk and capital models from external credit assessment institutions are both used to determine potential maximum loss for a given confidence level on the Company's financial instruments due to adverse movements in market prices or counterparties' creditworthiness. Interest rate duration assists in determining sensitivity of debt instruments and claims provisions to movements in interest rates.

Management/prudent person principle

Market risk is managed in several ways, such as:

- restriction on investment types, e.g. widely traded capital market instruments vs. derivatives;
- diversification of the investment portfolio; and
- restrictions on the interest rate duration of the debt instruments portfolio
- and implementation of a strategic asset allocation.

The Company uses an asset liability management (ALM) approach to analyse the impact of market risk on its assets and liabilities. Additionally, through the use of Solvency II constrains the Company aims to define the strategic asset allocation (SAA), so that the commitments resulting from the exposure to purchased assets and Company's insurance liabilities can be met while maximizing the expected investment return within given risk and capital constrains.

The policy of the Company is to invest only in investment grade, liquid investments taking into account the short interest rate duration of the claims provisions. Furthermore, the policy regarding financial instruments is to invest only in capital market instruments and refrain from investing in derivative instruments.

The investment process complies with the 'prudent person' principles:

- all assets covering technical provisions are invested in a manner appropriate to the nature and duration of the Company's liabilities;
- investments are only made in assets which risks can be properly identified, measured, monitored, managed and controlled and reported;
- all assets are invested in such a manner as to ensure the security, quality, liquidity and profitability of the portfolio as a whole;
- non-traded investments are kept to prudent levels;
- exposure to speculative grade assets is prudent;
- derivatives can be used only to reduce risks or facilitate efficient portfolio management;
- assets are properly diversified (asset type, issuer, group, region) to avoid excessive accumulation of risk in the portfolio as a whole.

Market risk is monitored by and reported to the Group Investment Committee and the RSMB. The Group Investment Committee meets on a monthly basis and reviews metrics such as value-at- risk, interest rate duration, and degree of diversification/concentration of the investment portfolio while the RSMB also reviews similar management information on a quarterly basis.

Under the umbrella of market risk, the largest type of risk exposure is equity risk; it contributes: EUR 183 million of the EUR 418 million total diversified market risk.

Risk mitigation

Market risk is mitigated on several layers in the Company. Firstly, constraints are set in the Group Investment Policy. This policy sets parameters within which investment risk can be taken. Investment decision making and monitoring of compliance is undertaken by the Group Investment Committee. In addition, governance bodies such as the FX Committee, Group Investment Committee and RSMB regularly review investment decisions and portfolio developments.

C-3 Credit risk

Identification

The Company exposes itself to credit risk (also referred to as counterparty default risk) by obtaining assets whose value depends on counterparties' ability to repay their obligations when due. This risk represents 11% of the Company's undiversified BSCR, before diversification and tax adjustments with a charge of EUR 101 million (2019: EUR 105 million). This risk is incurred by:

- investing in debt instruments;
- depositing cash at credit institutions;
- underwriting insurance contracts which generate premium receivables from insurance contract-holders, and

insurance intermediaries such as brokers and agents; and
- entering into reinsurance contracts generating reinsurance recoverables and receivables from reinsurers.

Measurement / assessment

Counterparty default risk is measured using several risk metrics, such as:
- capital models developed by external credit assessment institutions;
- credit ratings issued by external credit assessment institutions;
- payment history of insurance contract-holders; and
- delinquency reports (credit control reports).

Developments in these main risk metrics (as well as other information) are monitored and assessed to ensure that the exposure to credit risk is maintained within acceptable boundaries.

Counterparty default risk is monitored and reported to the relevant risk committees: Group Investment Committee in the case of investment assets or deposits; Outward Reinsurance Committee in the case of risk on reinsurers; the RSMB as the committee with the most holistic view of risk exposure. The Group Investment Committee meets monthly and reviews the distribution of credit ratings within the investment portfolio while the RSMB performs the same review of the investment portfolio on a quarterly basis. The Reinsurance Committee meets quarterly and, among others, reviews the quality of the reinsurance panel.

Management / mitigation

Counterparty default risk is managed and mitigated in several ways, such as:

- deployment of credit ratings issued by external credit assessment institutions;
- setting risk exposure limits;
- inclusion of contingent collateral clauses in reinsurance contracts; and
- withholding premiums due to reinsurers to offset occurred claims.

Credit ratings issued by external credit assessment institutions are used to ensure that the Company invests only in debt instruments or enters into reinsurance contracts with an acceptable likelihood of being settled. Currently, the policy is to invest in debt instruments with a credit rating of ‘A-‘ or higher and to enter into reinsurance contracts with reinsurers with a credit rating of ‘A-‘ or higher.

If the credit rating of a debt instrument falls below the minimum rating mentioned above, the Group Investment Committee discusses whether the Company should divest the instrument. If the credit rating of a reinsurer falls below the minimum, the reinsurance contract allows the Company to terminate the reinsurer’s subscription to the reinsurance treaty. In this way, a decision to avoid the increased risk may be taken.

The inclusion of a contingent collateral clause in a reinsurance contract requires a reinsurer that is downgraded below ‘A-‘ to provide collateral by pledging assets with, or providing an irrevocable letter of credit from a credit institution. As a result the increased risk is mitigated.

The inclusion of offset clauses in a reinsurance contract ensures that the Company can offset the receivables from and payables towards a reinsurer if any reinsurer defaults on its payables. This reduces the size of the risk exposure.

C-4 Liquidity risk

Identification

Liquidity risk may arise due to insufficient funds being available to meet cash flow requirements (funding liquidity risk), but also due to illiquidity of the assets held to meet the cash flow requirements (asset liquidity risk).

Risk mitigating measures

Liquidity risk is managed centrally, in close coordination with local business units. The primary risk mitigating practice is the monitoring of ongoing cash flow patterns combined with the maintenance of levels of cash and highly marketable securities that reflect expected cash needs.
The Company employs several supplementary measures:

- Cash-pooling (enabling the Company to instantly transfer cash between branches participating in the cash-pool);
- Inclusion of a simultaneous settlement clause in reinsurance contracts;
- Daily pricing of financial instruments with the ability to liquidate those instruments in a reasonable time -period (the Company's investment policy limits investments in financial instruments to those that can be sold in less than three business days).
- Uncommitted lines of credit to cover infrequent peaks in short-term liquidity requirements while also permitting the Company to reduce its cash balances and to benefit from a more substantial and stable investment portfolio.

Expected Profit in Future Premium.

Expected profit in future premium is calculated as per Article 260(2), Article 260(3) and Article 260(4) of the Delegated Regulation.

Methods used for the calculation of technical provisions remain the same in accordance with Article 77 of the Directive and is specified in detail within section D.2 of this document. Assumptions used within the EPIFP calculations are consistent with ones used to calculate the best estimate. The calculation to estimate expected profit in future premium is performed at the level of homogeneous risk group.

The expected profit included in future premiums calculated in accordance with Article 260 (2) of the Delegated Regulation for Q4 2020 is EUR 68.9 million (2019: 108.5 million).

C-5 Operational risk

Operational risk is the "risk of loss arising from inadequate or failed internal processes, or from people and systems, or from external events". The Solvency II Directive also states that operational risk "shall include legal risks, and exclude risks arising from strategic decisions, as well as reputation risks."

Using the Standard Formula for calculation, operational risk represents 7% of the Company's SCR, with a charge of EUR 44 million (2019: EUR 45 million).

The Company uses a framework for identifying, assessing, responding to and monitoring operational risk, which is based in part on the Committee of Sponsoring Organizations' Enterprise Risk Management (COSO ERM) Integrated Framework. The framework ensures that operational risks are considered in all parts of the Company and that objectives are more likely to be met with fewer surprises along the way.

To provide oversight and assurance in an auditable and efficient manner, the Company employs a dedicated governance, risk and compliance software platform (the 'GRC Portal') that integrates existing risk management activities across the business.

Identification

Operational risk is inherent in all the Company's key activities. The Company has developed a number of methods and tools to support identification, assessment and management of operational risk, such as:

- risk registers;
- risk and control self-assessments;
- business impact analyses;
- training (such as fraud awareness training to assist in the identification of fraudulent customers or buyers);
- monitoring of indicators of risk in the various sub-categories of operational risk.

Measurement

Atradius Leadership Team members, assisted by designated 'risk champions' across the Company, maintain local risk registers that are updated on a quarterly basis. The risk registers contain topics that management identify as significant risks for achieving objectives. Risks are quantified based on assessments of potential impact and the likelihood of a risk materialising.

The local risk registers are consolidated into a central risk register and a risk map. The highest priority risks (according to impact and likelihood) are reviewed against a risk tolerance, while mitigating actions are evaluated.

Monitoring and reporting

The performance of internal controls is monitored in a number of ways including:

- risk and control self-assessments;
- quarterly review and sign-off of financial reporting controls;
- business continuity tests; and
- incident reporting (High-level information on crystalized risks has been captured for several years. Due to their unique characteristics, information technology risk events are recorded separately).

Risk indicators are reported quarterly to the Operational Risk Committee. The Operational Risk Committee comprises senior management representatives from a cross-section of departments. It meets on a quarterly basis to discuss risk indicators and developments in the Group's assurance methods.

Management / mitigation

Once identified and assessed, risks may be accepted or mitigating actions may be taken to bring them to an acceptable target level.

Risks, the related controls, and risk mitigating actions are discussed at all levels, locations and units across the Company.

Operational risk is managed and mitigated through a framework of internal controls that address the different areas where such risk is present. This internal control system includes:

- policies, procedures and standards;
- Business Continuity Plans;
- manual and automated operational controls such as the segregation of duties, the application of signing authorities and role-based system privileges;
- ongoing education.

COVID-19

Following the initial 'lockdowns' in most countries and travel bans, actions were taken to ensure human resource and IT capabilities were sufficient to maintain the expected level of customer service and to manage the risk exposure. Many staff are working remotely and will continue to do so as necessary. IT systems have remained stable and collaboration tools have been enhanced for the whole workforce. Overall service to customers and all other counterparties is being maintained.

As subsequent lockdowns occur in various geographies, the arrangements established in the first half of the year ensure that the Company is prepared for all eventualities. The Group Incident Management Team (comprised of the Management Board and additional senior management from relevant departments) meets regularly, monitors the situation globally and locally and takes action where required.

C-6 Other material risks

C-6.1 Concentration risk

Identification

The Company exposes itself to concentration risk primarily by accumulating assets with a debtor and by underwriting credit limits on a buyer, on a group of buyers under common control, in a country or in a trade sector. If Atradius has underwritten bonds for a buyer, this contributes to the concentration.

Management / Mitigation

Concentration risk is managed using various methods:

- Concentration is a driver in the Company's economic capital model, therefore capital decisions take concentration risk into account;
- Concentration risk on underwriting exposures is typically analysed with respect to individual buyer, customer, trade/industry sector, country and/or product;
  - Credit concentration limits are assigned on an aggregated level (e.g. name / group, country) in order to manage exposure concentration on portfolio level.
  - For concentration on the largest individual buyer exposures, special excess-of-loss reinsurance treaties are established to mitigate liability in case of large claims;
  - For concentration in assets, the Company limits investments with one counterparty to less than 5% of the investment portfolio (this applies to non-government counterparties only). Similarly, the policy is to maintain no more than 5% of reinsurance contracts with one reinsurer, unless the reinsurer is considered a lead or a strategic reinsurer.

Monitoring and reporting

Concentration risk is, depending on the type, monitored and reported to the Group Investment Committee, Outward Reinsurance Committee and the RSMB. The Group Investment Committee meets monthly and reviews adherence to the policy on concentration limits for the investment portfolio while the RSMB performs a similar review of the investment portfolio on a quarterly basis. Furthermore, the RSMB reviews the concentration of credit limits underwritten per country and trade sector and for the top 50 buyers. As part of the process of renewal of the Company's reinsurance treaty, the Outward Reinsurance Committee reviews the adherence to the concentration limits for reinsurance treaties.

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

In the following table, the TPE has been aggregated and shows the exposure for ACyC credit insurance (including special products), non-consolidated.

Buyer country	**TPE 2020 (EUR million)**	**%**	**TPE 2019 (EUR million)**	**%**
Spain, Portugal	78,894	14.2%	98,302	16.4%
Germany	93,112	16.8%	92,208	15.4%
Central and Eastern Europe	58,899	10.6%	61,682	10.3%
France	44,880	8.1%	47,940	8.0%
United Kingdom	41,388	7.5%	45,129	7.5%
Italy	40,634	7.3%	42,215	7.1%
The Netherlands	29,543	5.3%	29,974	5.0%
Nordic	28,026	5.0%	28,797	4.8%
USA, Canada, Mexico	27,979	5.0%	28,185	4.7%
Other	111,688	20.1%	123,615	20.7%
Total	**555,043**	**100%**	**598,046**	**100%**

Exposures for Bonding and for ICP are not included in this table. The bonding exposure in 2020 is EUR 24.1 billion (2019: EUR 25 billion). Exposure for ICP amounts to EUR 3 billion (2019: EUR 3 billion).

C-6.2 Strategic risk

Strategic risk is the risk arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. It is the risk related to strategic planning, market developments and reputation.

Strategic risk categories are used to structure the process of identifying and assessing strategic risks. The main categories used within the Company are:

- allocation of resources: risks linked to an inadequate strategic planning and budgeting process;
- market developments: risks linked to market developments, economic environment, clients, competition;
- reputation: risks linked to an adverse change in the reputation or image of Atradius.

Strategic risks are identified and assessed quarterly at board level. The Company identifies and analyses strategic risks through various internal channels such as: the Strategy Forum (an internal discussion of strategic initiatives), the Strategic Risk Platform (comprised of senior management from various parts of the business to evaluate identified risks), Economic Research Department's overview of long-term macro-economic risks, megatrends analyses, Risk Registers of individual business units, and quantifications of required and available capital in the Long Term Planning and ORSA processes.

C-6.3 Cyber risk

Risk of financial loss, disruption or damage to reputation due to failure of IT systems or loss of data. This would typically materialise due to attacks over networks and could result in theft and misuse of information, service outages, changes in operating systems, among events.

ACyC has a suite of policies and procedures in place which address, among other things, personal data protection, privacy, and security measures. An Information Security team actively monitors and addresses threats. In addition, training ensures awareness of cyber risk among all employees and internal and external audits take place regularly.

C-6.4 Emerging risk

Emerging risks are newly developing or changing risks, which may arise due to increased exposure or sensitivity to unknown factors or to an already known threat.

Emerging risks are identified through the surveillance and assessment of the external (regulatory, geopolitical, technological changes, market developments, etc.) and internal (development of new products, entering in new markets, etc.) environment.

Among the risks defined in ACyC's risk map, the following emerging risks are identified as principal emerging risks, as these could have a major impact on the strategy of ACyC:

- Financial volatility
- Continued low interest rates

- Extended economic recession
- Regulatory developments
- Cyber risks.

Considering the circumstances of the current pandemic crisis, ACyC considers the possibility of a continued economic recession as a risk that could impact ACyC's future. The first three emerging risks above are included in the scenario analysis in ACyC's latest Own Risk and Solvency Assessment. The analysis shows that ACyC's strong solvency ratio ensures satisfaction of the interests of customers and policyholders throughout the period forecasted.

C-7 Any other information

C-7.1 Scenario and sensitivity analyses

Sensitivities of the risk profile are regularly explored by sensitivity tests as well as stress tests/scenario analyses. In the first, individual risk parameters and/or volume measures are being shocked while in the second the combined effect of several adverse developments is considered. Scenario analysis and stress testing activities are executed firm wide, embedded into the company's risk management process and serve the purpose of examining the business' resilience.

This section exemplifies sensitivity tests for different risk categories and overall scenario analyses and quantifies the impact on the Solvency Ratio. The Solvency Ratio is the key metric for ACyC to measure its ability to meet its obligations.

C-7.1.a Sensitivity analyses

As at 31 December 2020, the impact of external factors related to various risk types on ACyC has been assessed. For several sensitivity tests the impact on Solvency Ratio (as percentage point change) is shown in the following table.

Scenario	Risk Type	Solvency Ratio Impact	Resulting Solvency Ratio
Default of largest buyer	Underwriting risk	-4%	202%
Decrease of premium volume by 5%	Underwriting risk	-3%	203%
Interest rate +1%	Market risk	-5%	201%
Interest rate -1%	Market risk	6%	212%
Equity prices -10%	Market risk	5%	211%
Equity prices -25%	Market risk	7%	213%
Impairment of corporate bonds according to S&P transition matrix	Market risk	-1%	205%
Increase of credit spread by 100 bps	Market risk	-3%	203%

C-7.1b Scenario Analyses

Stress test Underwriting Risk – Increase Claim Ratio to 104%

This severe stress test examines the ceteris paribus effect of stressed economic conditions with an elevated claim ratio of 104% as at 31 December 2020. The assessment assumes an immediate impact on Solvency II Eligible Own Funds without a change in SCR, e.g. resulting from management actions or the Company's exposure management activities. This renders the assessment conservative. The following table summarizes the results of this test on ACyC level.

Effect of Increase Claims Ratio

	Solvency Ratio
Baseline	206%
Claim ratio of 104%	184%
Impact	**-22%**

Even though, in such a scenario, the Solvency Ratio would decrease by approximately 22% – driven by decreases in Eligible Own Funds – the overall solvency position would stay at acceptable levels well above 175%.

Scenario Analysis

The interplay and simultaneous occurrence of adverse developments are considered as part of the annual Own Risk and Solvency Assessment (ORSA) process. These analyses take a holistic approach and consider the impact of scenarios on the balance sheet, profit and loss statements, and ultimately on the solvency needs. Various scenarios are investigated to study the Solvency Ratio development over a multi-year time horizon – including expected (base case) and adverse developments.

The most recent ORSA has considered among others a prolonged global recession scenario with simultaneous adverse developments on revenues, claims, and the value of the investment portfolio. The scenario assumes that insurance exposures are rapidly reduced in year *t* and increase again in years *t+1* and *t+2*. Here, "year *t*" refers to the first full year after the scenario materializes.

The following table summarizes the scenario assumptions:

Used variables	Shocks	Balance Sheet Impact
Revenues	-7.3% in year *t* with moderate increase thereafter.	Indirect effect on B/S, mainly through retained profits and foreseeable dividends.
Total Potential Exposure	-15% in year *t* due to management actions and slow growth thereafter.	Indirect effect on B/S mainly through reinsurance recoverables and best estimates/risk margin (incl. other assets & other liabilities).
Claims ratio	At 104% in year *t* with slow recovery thereafter.	
Equities	-20% in year *t*.	Reduction in market value.
Property	-15% in year *t*.	Reduction in market value.
Corporate Bonds, Government Bonds, Structured Notes	+ 200bps credit spread. Interest Rate Curve of July 2020.	Reduction in market value

C-7.2 Brexit

Another notable development this year is Brexit. The UK left the European Union ('EU') on Friday 31-January 2020 enabled by the Withdrawal Agreement agreed between the EU and the UK Government. The Company's activities are continuing without interruption post-Brexit as it had prepared itself well for the regulatory changes. Atradius had applied to the UK's Prudential Regulatory Authority ('PRA') for authorisation as a Third Country Branch ('TCB') and is now operating 'as if' authorised as a TCB, under the Bank of England's Temporary Permissions Regime which will be in place for up to three years. With branches across the EEA and in the UK, Atradius continues to issue policies in all EU27 countries and in the UK.

C-7.3 Environmental, Social, and Governance risk (ESG)

Environmental, social, and governance (ESG) risks are concerned with the three main factors in measuring the sustainability and societal impact of a company. Considerations include aspects such as climate-change, social pressures and corporate governance.

Among the risks identified in ACyC's risk map, the following ESG risks are included as principal sustainability risks. The risks are classified as physical, transition and responsibility risks:

- Physical risks: arising from climate change, i.e. a series of specific meteorological events that could have financial implications for the organisation. This could be direct damage to assets, or indirect impacts due to an interruption in supply chains, e.g. the impact of an increase in claims and payments of insured goods due to an increase in natural catastrophes;
- Transition risks: arising while society transitions to a low-carbon economy. There are several factors that influence the adjustment towards a more sustainable economy, such as the evolution of public policies, regulations, new technologies and business models, changes in personal sensitivities and social preferences, and the evolution of the judicial system and legal interpretations (e.g. the economic impact of new sustainability regulations that could affect investment portfolios, or the economic impact of social pressure on certain investments due to their sustainable or non-sustainable components);
- Responsibility risks: risks due to climate-related claims through civil liability insurance policies and legal complaints against insurance companies for not managing climate risks appropriately.

Since ESG risks could impact ACyC directly or indirectly, they are being considered across all ACyC risk policies. For this reason ACyC participates in a Sustainability Committee that has been created at GCO Group level.

The measurement, monitoring and management of ESG risks is defined in the Climate Change and Environmental policy, as well as in governance policies, that require:

- The impact of the risks, as far as they are relevant, are analysed in the financial plan with the purpose of adapting the strategic plan, if necessary;
- Metrics must be implemented that allow measuring and managing the risks and opportunities derived from climate change.

A periodic report covers the identification of these risks and their impact on the business.

D. Valuation for solvency purposes

D-0 Introduction

The economic assets of ACyC under Solvency II at the end of 2020 amount to EUR 3,604 million, EUR 88 million lower than Statutory Financial Statements, performed according to Spanish Local accounting standards (hereinafter 'PCEA').
The tables below show the total difference in valuation per category. PCEA figures are already reclassified under the equivalent SII items.

The following table shows balance sheet items under SII and Statutory Accounts:

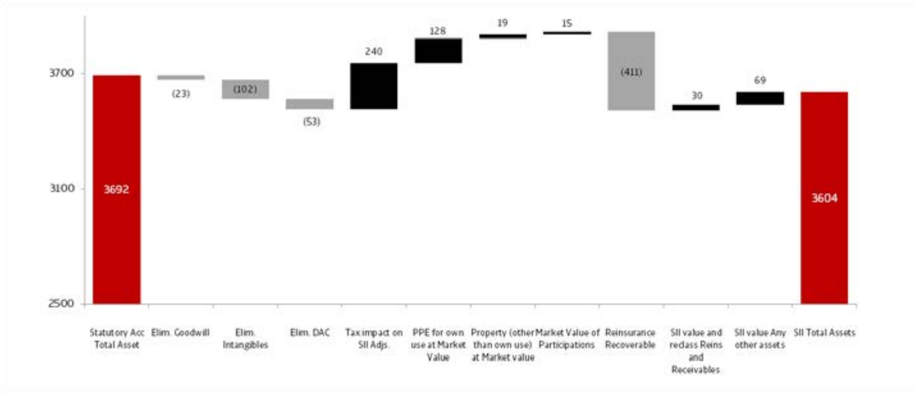
ACyC

Eur million **Assets**	**2020** **Solvency II**	**2020** **(Statutory Acc)**	**Difference**
Goodwill	0	23	(23)
Intangible assets	0	102	(102)
Deferred acquisition costs	0	54	(54)
Deferred income tax assets	424	184	240
Pension Benefit Surplus	62	62	(0)
Property, plant and equipment for own use	201	73	128
Property (other than own use)	22	3	19
Participations	33	18	15
Other Financial investments	1,372	1,372	(0)
Deposits other than cash equivalents	28	28	0
Reins. Recoverables	671	1,082	(411)
Deposit to Cedant	3	3	0
Reinsurance Receivables	186	151	35
Receivables (Insurance, intermediaries and trade	259	264	(5)
Cash and cash equivalents	266	266	0
Any other assets, not elsewhere shown	76	8	69
Total	**3,604**	**3,692**	**(88)**

Investments: represent 40% of the total assets, of which the investment in Debt securities is the main item;

In addition, when analysing valuation differences, it is necessary to consider reclassifications, according to the asset QRT (CIC CODE classifications).
Such reclassifications have no economic impact.

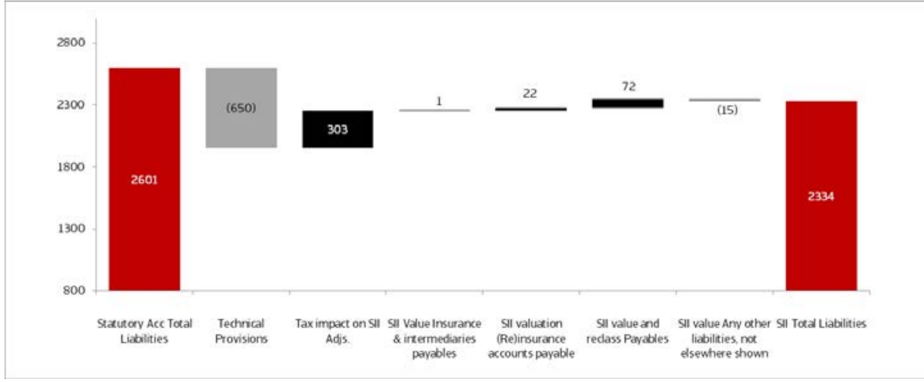
The following graph shows the assets bridge between statutory accounts and SII.



Solvency II Total liabilities balances EUR 2,334 million, EUR 268 million lower than PCEA. Being technical provision and deferred tax liabilities the more significant items as shown in the following table.

ACyC			
Eur million			
Liabilities	**2020 Solvency II**	**2020 (Statutory Acc)**	**Difference**
Technical Provisions	870	1,521	(651)
Provisions other than technical provisions	3	3	0
Pension benefit obligations	137	137	0
Deposits from reinsurers	66	66	0
Deferred tax liabilities	514	211	303
Insurance & intermediaries payables	55	54	1
(Re)insurance accounts payable	279	257	22
Payables (trade, not insurance)	288	216	72
Any other liabilities, not elsewhere shown	122	137	(16)
Total	**2,334**	**2,601**	**(268)**

Liabilities Bridge between PCEA and Solvency II is as follows:



Annex F 3 details the valuation differences between PCEA and Solvency II.

D-1 Assets valuation

At the end of 2020, ACyC has assets with a total value of EUR 3,604 million under Solvency II (EUR 3,692 million under PCEA).

The main differences are as follows:

- Goodwill: in the economic balance this is valued at zero (EUR 23 million PCEA);
- Intangibles: in the economic balance sheet these assets are valued at zero (EUR 102 million under PCEA);
- Recoverables from reinsurance: in the economic balance sheet these are valued in accordance with the valuation criteria of the technical solvency provisions (see section D.2) and considering the probability of default by the reinsurers;
- Deferred acquisition costs: the economic value of deferred acquisition costs is nil. (EUR 54 million under PCEA);
- Property, plant & equipment for own use: in the economic balance sheet are valued at their market value, determined by approved appraisal companies.
  In 2019 IFRS 16 was adopted and applied for Solvency II, in consideration of art. 75 of the Directive, with an impact both in assets and liabilities.
  Therefore, difference in this item, with PCEA is:
  + EUR 70 million due to market value;
  + EUR 58 million corresponding to IFRS 16 Right of use assets. See further details in F-3 Solvency II Valuation principles;
- Property (other than for own use): in the economic balance sheet are valued at their market value, determined by approved appraisal companies. (+ EUR 19 million);
- Participation under PCEA are valued at cost value while under Solvency II are valued according to their economic value which for ACyC is participated own funds valued applying SII rules (+ EUR 15 million).
- Any other asset not elsewhere shown: Technical items considered as customer deposit given contracts boundaries and reinsurance commissions. (+ EUR 69 million).
- Deferred tax assets: + EUR 240 million, records the tax effect of the valuation differences between PCEA and Solvency II.

Other differences are reclassification between assets and liabilities.

Comparison with the previous year

The movement in this item is mainly driven by PCEA Balance Sheet movements across periods.

Main movements have been produced in Investment with an increment of EUR 138 million and reinsurance recoverable.

D-2 Technical provisions

Valuation principles

As prescribed by the Solvency II Directive (DIR), the technical provisions are made up of three components:

- Provisions for claims outstanding (PCO): The PCO is the best estimate of cash flows relating to claim events that have already occurred, regardless of whether the claims arising from those events have been reported or not;
- Premium provisions (PP): The PP is the best estimate relating to future claim events covered by insurance and reinsurance obligations falling within the contract boundary. Cash flow projections for the calculation of the PP include claims, expenses and premiums;
- Risk Margin (RM): The Risk Margin is intended to be the amount of capital that another (re)insurer taking on the liabilities at the valuation date would require over and above the best estimate. It is calculated using a cost-of-capital approach as prescribed within the Solvency II Directive.

For the purposes of this report, the best estimate, unless otherwise specified is gross, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles.

The calculation of the technical provisions includes cash flows associated with existing contracts, for obligations up to the contract boundary.
For all products the best estimate is determined by relevant actuarial and statistical methods in combination with realistic assumptions.

The methods used and the choice of loss occurrence definition determines the split between PCO and PP. This methodology is specific to the different products within the ACyC Credit & Suretyship (C&S) business.

Choice of contract boundary

The Company has chosen the following contract boundaries. The choices are specified by product: Credit Insurance (CI), Special Products (SP), Bonding (BO), and Instalment Credit Protection (ICP).

Product	Acronym	Contract Boundary
Credit Insurance	CI	Risk Insured before balance sheet date.
Special Products	SP	All policies issued before balance sheet date that have not expired.
Bonding	BO	Bond issued before balance sheet date including extensions.
Instalment Credit Protection	ICP	End of the underlying credit obligation for all policies issued before balance sheet date.

The Company has a unilateral right to terminate future cover (shipments) to be brought under the credit insurance policies because the Company can amend i.e. vary, review or withdraw credit limit decisions under the policy. Without a credit limit decision on a buyer, no new business will be insured on that buyer.

For credit insurance, the contract boundary is chosen such that all contractual obligations for insured risks (shipments) at reporting date are provisioned for within Solvency II technical provisions.

The choice of contract boundary hence reflects the credit insurance business' ability to continually re-underwrite risks as it may at any time reduce or withdraw credit limit decisions.

Valuation methodologies

The Solvency II best estimate is valued using methodologies consistent with principles and bases used for financial reporting.

A short description of the methodologies used to determine provisions by product is provided below.

- Traditional credit insurance: provisions are calculated based on statistical methods. These are used to project claim counts for each month of risk taken on and an average claim severity to estimate ultimate claim cost. For large cases, individual assessments of provisions are made. In addition, reserves are carried for future large losses and losses resulting from reporting on specific events.
- Special Products: provisions for reported claims are calculated on a case by case basis. Provisions for future claims are based on an expected premium / expected loss ratio approach.
- Bonding: provisions for reported claims are calculated on a case-by-case basis. Provisions for future claims are based on an expected premium / expected loss ratio approach.
- ICP: claims reserves for reported but not settled claims are determined on a case by case basis. Salvage and subrogation dominate the ICP provisions due to the nature of the product: claims paid are in the order of three times premium. Claims paid are typically recovered in full over a period of over ten years. Provisions for salvage and subrogation for ICP are estimated using a chain ladder method.

Future premiums are estimated based on methods that project premiums to be received in the future at a policy level.

For all products the best estimate is determined by relevant actuarial methods in combination with realistic assumptions.

There are no future management actions assumed in the calculation of the Company's gross of reinsurance best estimate liabilities. The valuation of reinsurance recoverables assumes that future reinsurance contracts will be in line with the most recent outward reinsurance treaties in place.

Reinsurance recoverables

The ACyC C&S business' reinsurance protection derives from its reinsurance program. The main program consists of a Quota share (QS) treaty, and an Excess of Loss (XoL) program.

The ACyC C&S business main proportional reinsurance covers 59% for UWY 2020 of all technical amounts: premiums and claims.

Main proportional reinsurance treaty above, includes an internal cession with Atradius Reinsurance DAC for all technical amounts (22% for underwriting year 2020).

Parts of the ACyC C&S business are additionally protected by reinsurance arrangements supported by governments. Reference is made to Chapter C-1.

The amounts recoverable from reinsurance contracts are estimated consistently with the boundaries of the underlying contracts to which they relate. The reinsurance recoverables are calculated directly, treaty by treaty in essence without approximation.
An adjustment for expected losses due to counterparty default is included in the estimate of reinsurance recoverables. The reinsurance panel predominantly has a Standard and Poor's rating of A- or better.

Risk margin

The risk margin is defined as the cost needed to cover all future capital requirements until the final settlement of existing business.

The solvency capital requirement (SCR) is the risk capital required for one year only. Hence the SCR for individual points of time in the future needs to be estimated.

The Company follows the general guidance given under Method 1 within the EIOPA Solvency II Guideline 62 (EIOPA-BoS-14/166 EN). This assumes that the risk margin is based on a cost of capital approach for business that is considered 'existing'. For the cost-of-capital, a rate of 6% is used according to the Delegated Regulation (Article 39).
The overall approach used to calculate the risk margin is to perform a full calculation of the SCR at each future point in time using the Standard Formula with certain simplifications. The simplifications are used for the counterparty default and operational risk modules.
The method used to calculate the risk margin is based on the formula below which is prescribed in DR: Article 37(1),

$$RM = CoC \cdot \sum_{t \geq 0} \frac{SCR(t)}{(1 + r(t+1))^{t+1}}$$

where the cost–of-capital (CoC) rate used is 6% as is prescribed in DR: Article 39 and SCR(t) denotes the Solvency Capital Requirement referred to in DR: Article 38(2) at year (t). It is a formula similar to that which is used to calculate the Actual SF SCR as outlined in DIR: Article 103.

Overview of technical provisions

The table below shows the Solvency II gross best estimate, risk margin and the share of reinsurance recoverables as of 31 December 2020 for the Credit & Suretyship business:

Solvency II Technical Provision
by SII LOB and Product
31.12.2020
Eur Million

SII B/S Component/BE Split	Direct, Accepted Proportional and Non proportional C&S		Total
	PCO	PP	
Gross BE Split by Product			
CI	252	602	854
SP	43	9	52
BO	137	(45)	92
ICP	(183)	5	(179)
Gross BE Split by Product	248	571	819
Reinsurance Recoverable			
CI	168	411	578
SP	35	5	40
BO	90	(38)	52
ICP	(3)	4	1
Reins Recov. Split by Product	289	382	671
Implied Net Best Estimate	(41)	189	148
Risk Margin			51

Comparison with financial statements

The following table shows a Technical Provision comparison between PCEA, IFRS and SII.

SII calculation are based on IFRS figures. The most material differences between the SII and PCEA valuations of TP are:

Eur million	PCEA (*)	IFRS (**)	SII (***)
Gross Technical provisions	1,521	1,375	870
Ceded Technical provisions	1,082	991	671

(*) Includes UPR and Return Premium accrual
(**) Includes UPR
(***) Includes Risk Margin

PCEA to IFRS

- Spain and Portugal estimated claims recoveries are shown under PCEA in the assets split in reinsurance recoverables and Receivables (trade, not insurance). This reclassification amounts to EUR 35 million.
- Under PCEA, Return Premium accrual (gross and ceded) are shown as part of technical provisions (gross and ceded respectively) when under IFRS are shown in "any other liabilities or other asset not else where shown" (gross and ceded respectively). Net reclassification for this concept is EUR 22 million (EUR 81 million gross and EUR 59 million ceded).

IFRS to SII

- Change in bases of moving from IFRS to SII, as profit is recognised on IFRS UPR;

Change in assumptions for the traditional credit insurance product that determines the Solvency II best estimate. In principle, underlying methodologies to arrive at a best estimate do not differ from current financial statements but calibrated parameters and assumptions reflect a probability weighted average. Overall impact (Net of Reinsurance including Risk margin) of these changes is favorable by EUR 115 million

Comparison with the previous year

The Solvency II Best Estimate (gross of reinsurance and undiscounted) increases by EUR 333 million mainly driven by the increase in claims due to effect of the current environment (including COVID-19 impact). However, this impact has been partially offset by the Government Support Schemes (see Reinsurance recoverables), ending up with an increase of Solvency II Best estimate net of reinsurance of EUR 28 million.
The Risk Margin has increased by EUR 4 million as a consequence of the increase in the technical provisions.

For further information about the COVID-19 impact in ACyC, please refer to chapter A and C.

No other material assumption changes were made compared to the previous reporting period.

Level of uncertainty

The status of the economy is a major driver of the frequency and severity of claims for the credit and suretyship line of business. All forms of credit insurance and bonding bear the risk that changes in legislation, in particular of insolvency law, may affect the amount and timing of claims payments or recoveries.
In the case of traditional credit insurance, the main sources of uncertainty for

estimates of future claim payments include:

- the amounts that will be paid out as a percentage of the claim amount;
- the speed with which customers submit claims, as measured from the moment that the insured shipment took place, the expected average claims payment and the expected percentage of cases that do not lead to a payment;
- the expected number of claims for risks taken on during the most recent months since very few claims will have been reported for the most recent five to seven months (depending on the country of the customer);
- the inflow by number and size of large case; and
- the estimation of the expected recovery percentages.

As result of COVID-19, the state of the economy in the near future is significantly more uncertain than usual. This, in turn, impacts uncertainty related to the frequency and severity of claims. In light of COVID-19, governments all around the world have taken measures to support the economy. The uncertainty with respect to the timing and speed with which those measures are rolled back is also a factor.

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

For the Instalment Credit Protection business, legislative changes in Belgium may bring significant uncertainty to the estimates of salvage and subrogation held as best estimate. The C&S business is not aware of any changes in legislation that would materially affect the Best Estimate on this product.

ACyC does not apply:

- Matching adjustment referred to in Article 77b of Directive 2009/138/EC
- Volatility adjustment referred to in Article 77d of Directive 2009/138/EC
- Transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC
- Transitional deduction referred to in Article 308d of Directive 2009/138/EC

D-3 Other liabilities valuation

Economic liabilities excluding technical provisions, amount to EUR 1,464 million (EUR 1,081 million under PCEA).

As shown in D-0, the main differences between Solvency II and PCEA is:

- Deferred tax liability: + EUR 303 million, records the tax effect of the valuation differences between PCEA and Solvency II.
- Payables (trade, not insurance): In 2019 IFRS 16 has been adopted, thus in this item is included the lease + EUR 58 million. See further details in F-3 Solvency II Valuation principles.

Comparison with the previous year

The movement in this item is mainly driven by PCEA Balance Sheet movements across periods, where main variation in comparison with 2019 is in Reinsurance account payables which has increased EUR 216 million due to the government schemes.

Subordinated liabilities as part of the eligible own funds

ACyC does not have any subordinated loans.

D-4 Alternative methods for valuation

Not applicable.

D-5 Valuation techniques used on the basis of model approach

Not applicable.

E. Capital management

E-0 Introduction

Atradius, including ACyC, manages its capital with the goal of maximising shareholders value in the long run, while maintaining the necessary financial strength at entity and Group level to develop the business strategy. The capital is managed taking into account internally developed risk appetite framework as well as the solvency requirements of the relevant regulatory authorities and credit rating agencies. No material changes have been introduced throughout 2020 in the policies and processes regarding capital management.

Principles

Capital management is guided by the following principles:

- To ensure that ACyC is sufficiently capitalised to have the ability to survive by maintaining sufficient available capital after meeting its financial obligations;
- To meet the local regulatory capital requirements of all ACyC branches worldwide;
- To manage the capital adequacy of ACyC and its entities, taking into account the economic and accounting views along with the external rating agencies and regulatory capital requirements;
- To optimise capital structure by allocating funds across ACyC's entities; and
- To minimise the overall cost of funding while preserving financial flexibility.

In addition to the internally developed economic capital model, ACyC considers the solvency calculation models of the relevant regulatory authorities and credit rating agencies in its processes of managing capital to ensure capital adequacy.

Processes

ACyC has embedded processes and procedures for:

- capital planning;
- capital monitoring; and
- capital management.

Those processes and procedures aim to ensure compliance with compulsory regulations and internally self-imposed requirements for capital adequacy.

Such compliance is ensured by:

- regular assessment of solvency needs, taking into account the business strategy, actual and desired risk profile and applied risk appetite levels;
- incorporating a view on expected future investments in new businesses, revenues, claims, reinsurance expectations and dividends as these impact both available and required capital;
- monitoring duration of assets; and taking into consideration capital market expectations such as expected returns, volatilities and correlations as these may impact earnings and the shareholder equity reserves.

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 ACyC to carry on its normal course of business.

Reinsurance program

ACyC transfers a significant portion of its underwriting risk to a very strong panel of external reinsurers, through a number of reinsurance arrangements. Reference is made to Chapter C-1.

Capital fungibility and transferability

In managing its capital ACyC takes into account the risk limits defined in the internally developed risk appetite framework as well as the solvency thresholds set by the relevant regulatory authorities and credit rating agencies. In certain countries in which ACyC has insurance operations, the local insurance regulators may specify the minimum amount and type of capital that must be held locally. In such cases, the minimum required capital is to be maintained at all times throughout the year and, in addition, the local insurance regulators may have the discretionary right to impose additional capital requirements in excess of the required minimum.

E-1. Own funds

The structure of available capital follows the regulatory requirements for quality of capital (tiering) and coverage limits. Under Solvency II the own funds are classified into three categories ranked Tier I, II and III, with Tier I being the highest quality.

The following table shows the Own funds for ACyC as at 31 December 2020:

	31.12.2020	31.12.2019
Eur Million	**Tier 1**	**Tier 1**
Ordinary Share Capital	**25**	**25**
Share Premium	**1**	**1**
Reconciliation Reserve	**1.244**	**1.237**
Reserve and Retained earnings from financial Statements	1.065	1.104
Adjustment to assets	(88)	(134)
Adjustment to Technical Prov	651	819
Adjustments to other liabilities	(383)	(449)
Foreseeable Dividends	0	(103)
Total Basic Own funds	**1.271**	**1.263**

Tier I represents the share capital, share premium and other reserves based on the accounting balance sheet plus the reconciliation reserve. The reconciliation reserve comprises, among others the differences between accounting valuation and Solvency II valuation, and includes adjustments/deductions for items such as foreseeable dividends.
The Company has no Tier 2 and Tier 3 basic own funds nor any ancillary own funds.

Material differences between equity as shown in the ACyC's financial statements and the excess of assets over liabilities as calculated for solvency purpose have been explained in Section D.

The level of eligible own funds as at December 2020 has remained largely stable in comparison to 2019 as the decision of not distributing dividend compensated the decrease in net assets.

Main variations with +/- according to the impact in own funds:

- (+) Increase financial investments (excluding cash and cash equivalents) by EUR 95 million
- (+) Cash and Cash equivalents by EUR 43 million
- (+) Foreseeable Dividends EUR 103 million
- (-) Increase in net technical provisions EUR 29 million
- (-) decrease in reinsurance payables EUR 216 million

E-2 Solvency capital requirement and minimum capital requirement

In 2020, SCR has declined by EUR 25m (4%) in line with business and market developments:

- Market risk increase of EUR 13m (4%) is mainly explained by the increase in spread risk (EUR 13m) driven by new investments (other changes mainly explained by market developments);
- Non-Life UW risk decrease of EUR 45m (9%) is explained by portfolio improvements and risk mitigation effect of COVID-19 government schemes. The decreases are partially compensated by a decrease in cession to reinsurers and an increase in premium and reserve risk for Instalment Credit Protection business (not covered by internal model) because of EIOPA's parameter changes as part of updates to Solvency II Delegated Acts effective per Q1 2020.
- Tax adjustment reduction of EUR 9m (8%) is due to lower BSCR and restrictions to profit recognition horizon implied by the updates to Solvency II Delegated Acts.

The following table shows the solvency capital requirement, calculated under the approved partial internal model, and the various risk components. The calculation uses no simplified calculation, undertaking-specific parameter or the duration-based equity risk sub-module.

	Q4 2020	Q4 2019
Market Risk		
Interest rate risk	16	32
Equity risk	183	177
Property Risk	40	39
Spread Risk	87	74
Concentration Risk	7	6
Currency Risk	85	75
Total undiversified	**418**	**402**
Diversification	(90)	(88)
Total diversified	**327**	**315**
Non-Life UW Risk		
Internal Model	403	456
Premium and Reserve risk	41	33
Catastrophe Risk		
CAT recession scenario	28	26
CAT default scenario	0	0
CAT other scenario	0	0
Total undiversified	**28**	**26**
Diversification	(0)	(0)
Total diversified	**28**	**26**
Lapse Risk	**4**	**5**
Total undiversified	**476**	**520**
Diversification	(18)	(17)
Total diversified	**458**	**503**
Counterparty Risk	**101**	**105**
Basic Solvency Capital Requirement		
Total undiversified	**886**	**923**
Diversification	(204)	(208)
Total diversified	**682**	**715**
Operational Risk	**44**	**45**

Solvency Capital Requirement		
Total before tax adjustment	**726**	**760**
Tax adjustment	(109)	(118)
Solvency Capital Requirement	**617**	**642**
Eligible own funds	1.271	1.263
SCR Cover Ratio	**206%**	**197%**
Minimum Capital Requirement		
$TP_{nl,9}$	148	122
$Premium_9$	447	592
MCR_{linear}	**77**	**89**
$MCR_{combined}$	**154**	**160**
AMCR	**4**	**4**
Minimum Capital Requirement	**154**	**160**

E-3 Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement

Not applicable.

E-4 Differences between the standard formula and the partial internal model used

In order to align regulatory capital requirements with economic capital and with the risk profile of each insurance undertaking, the Solvency II regulation allows (re)insurers to calculate solvency capital requirements with internal models. This provides the opportunity to model an undertaking's specific risks more accurately than using the Standard Formula.

GCO uses an internal model to calculate the solvency capital requirement for the entities within its C&S line of business, which includes ACyC. In 2017, GCO was granted regulatory approval to use its internal model to calculate regulatory capital requirements; however, GCO has been using the internal model, formerly called the ECAP model, since 2004. GCO has not created an internal model to calculate the solvency capital requirement of ACyC due to the entry into force of Solvency II, but has adapted its formerly existing ECAP model to make it Solvency II compliant with the aim of aligning capital management, risk management and overall solvency needs with the strategy of the business.

The Standard Formula, as defined in the Solvency II regulation, is a one-size-fits-all methodology, which is applied in the same way to all lines of business of the non-life segment, by means of the following risk sub-models:

- premium and reserve risk
- lapse risk
- catastrophe risk

The solvency capital requirement (SCR) is derived from the capital charges linked to each of the three modules above. This is done by aggregating these charges using a correlation matrix stipulated in the regulation, in a similar way for all companies and lines of business in non- life insurance.

The specific features of the C&S line of business prevents it from being able to be managed or measured by the Standard Formula. Risk within C&S is adequately quantified using drivers such as probability of default (PD) and loss given default (LGD) from counterparties along with exposure amounts.

The internal model is a sophisticated mathematical and statistical model used to derive a loss distribution that fits the risk profile of the Company. Following the Solvency II regulation, the internal model is used to derive the 99.5 percentile of the losses stemming from ACyC's risk exposures on a one-year time horizon.
The main inputs of the internal model are the total potential exposure (TPE), the probabilities of default (PD), default correlations, and the losses given default (LGD).

To obtain the aforementioned distribution of losses the internal model makes use of a Monte Carlo simulation. Up to one million scenarios are simulated in order to reach a result based on the respective convergence criterion.

The internal model is applied to all product segments within ACyC except for

Instalment Credit Protection, which represents less than 1% of the business in terms of TPE.

The internal model is not used exclusively for SCR calculation purposes. It is widely used within the Company for decision-making and risk management, including:

- Underwriting strategy - use of the model output in combination with other risk evaluation measures to generate buyer underwriting strategies.
- Pricing - including an internal model-based calculation of capital costs in the pricing model.
- Business planning - this use of the model includes the annual long-term planning and budgeting processes.
- Reinsurance analysis - the model output is used in the evaluation process of different reinsurance program scenarios for capital management purposes and for deriving an appropriate risk mitigation strategy.
- Product development - use of the model for calculation and evaluation of the impact of a new product on SCR.

In the context of the risk management function, the internal model is used in the ORSA process, the ongoing assessment or redevelopment of the risk strategy and risk appetite framework, and in risk reporting. In 2020, the Company continued its efforts on further elaborating its risk appetite and risk tolerance levels.

The Company operates with a system of governance specific to the internal model to ensure appropriate control over, among other things, statistical quality, data quality, validation and the calculation processes themselves.

E-5 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement

There is no foreseeable risk of non-compliance with ACyC's Minimum Capital Requirement or Solvency Capital Requirement. The risk profile and solvency positions are monitored continuously and in case of an increase of the risk of a capital shortfall, management will take appropriate action.

E-6 Any other information

Loss-absorbing Capacity (LACDT)

Deferred tax assets: are the amounts of income taxes recoverable in future periods in respect of:

- deductible temporary differences;
- the carry forward of unused tax losses; and
- the carry forward of unused tax credits.

Temporary differences may be either:

- taxable temporary differences, which are temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled; or
- deductible temporary differences, which are temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.

In general, for all differences between the tax valuation method and the Solvency II valuation requirement the impact on deferred tax should be taken into account and accounted for. In practice, this means that since the deferred tax between tax accounts and PCEA (Spanish Local accounting standards) are already processed, any difference between Solvency II and PCEA a deferred tax has to be calculated.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. If the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable profit or loss, it is considered nil.
The tax base of an asset is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to an entity when it recovers the carrying amount of the asset. If those economic benefits will not be taxable, the tax base of the asset is equal to its carrying amount. Time horizons for reversal of temporary differences Taxable future profit is identified considering the different tax-authorities' legislation and limitations. See more details in F-3 Solvency II Valuation principles.

The LACDT calculation is carried out at branch level, taking into account the approved five years business plan as the basis for the probable (stressed) future taxable profit forecast for each of the branches. Loss carry forward and carry back rules are applied in accordance with the respective tax jurisdictions. Existing net DTAs and net DTLs in the SII balance sheet (except for those relating to pensions and intangibles) are limiting and (potentially) extending the support of the Tax Adjustment for LACDT respectively.

Net DTAs that have been recognised in the SII balance sheet are deducted from the forecasted probable (stressed) future taxable profit amounts (times tax rate) that are available to support the Tax Adjustment for LACDT purposes, i.e. the DTA corresponding with the loss caused by the SCR shock. Net DTLs that have been recognised in the SII balance sheet are taken into account to support the Tax Adjustment for LACDT purposes, to the extent that these relate to the same nature and to the same taxation authority and taxable entity as the assets that are impacted by the SCR shock. Pensions and intangibles are not taken into account given the longer term reversal period of these balance sheet items.

The following table shows the amount with which the Solvency Capital Requirement has been adjusted for the loss-absorbing capacity of deferred taxes and it how it is justified:

Eur Million	LAC DT
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	(109)
Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	48
Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	58
Amount/estimate of AC DT justified by carry back, current year	3

F. Annexes

F-1 All relevant QRTs
F-2 Overview of subsidiaries and minority shareholdings
F-3 Solvency II Valuation principles

F-1 All relevant QRTs (all amount in EUR thousand)

S.02.01.02
Balance sheet

S.02.01.02.01
Balance sheet

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	0
Deferred tax assets	R0040	424,172
Pension benefit surplus	R0050	61,941
Property, plant & equipment held for own use	R0060	201,221
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	1,454,695
Property (other than for own use)	R0080	21,940
Holdings in related undertakings, including participations	R0090	32,809
Equities	R0100	76,304
Equities - listed	R0110	76,304
Equities - unlisted	R0120	0
Bonds	R0130	1,079,554
Government Bonds	R0140	173,657
Corporate Bonds	R0150	905,898
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	216,290
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	27,798
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	0
Loans and mortgages	R0230	0
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	0
Reinsurance recoverables from:	R0270	671,098
Non-life and health similar to non-life	R0280	671,098
Non-life excluding health	R0290	671,098
Health similar to non-life	R0300	0
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	0
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	3,458
Insurance and intermediaries receivables	R0360	110,960
Reinsurance receivables	R0370	185,803
Receivables (trade, not insurance)	R0380	148,458
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	266,240
Any other assets, not elsewhere shown	R0420	76,365
Total assets	R0500	3,604,412

Liabilities		
Technical provisions - non-life	R0510	870,066
Technical provisions - non-life (excluding health)	R0520	870,066
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	819,300
Risk margin	R0550	50,766
Technical provisions - health (similar to non-life)	R0560	0
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	0
Risk margin	R0590	0
Technical provisions - life (excluding index-linked and unit-linked)	R0600	0
Technical provisions - health (similar to life)	R0610	0
Technical provisions calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	0
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	0
Risk margin	R0680	0
Technical provisions - index-linked and unit-linked	R0690	0
Technical provisions calculated as a whole	R0700	0
Best Estimate	R0710	0
Risk margin	R0720	0
Other technical provisions	R0730	
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	2,669
Pension benefit obligations	R0760	137,173
Deposits from reinsurers	R0770	66,016
Deferred tax liabilities	R0780	514,409
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Debts owed to credit institutions resident domestically	ER0801	0
Debts owed to credit institutions resident in the euro area other than domestic	ER0802	0
Debts owed to credit institutions resident in rest of the world	ER0803	0
Financial liabilities other than debts owed to credit institutions	R0810	0
Debts owed to non-credit institutions	ER0811	0
Debts owed to non-credit institutions resident domestically	ER0812	0
Debts owed to non-credit institutions resident in the euro area other than domestic	ER0813	0
Debts owed to non-credit institutions resident in rest of the world	ER0814	0
Other financial liabilities (debt securities issued)	ER0815	0
Insurance & intermediaries payables	R0820	55,159
Reinsurance payables	R0830	278,847
Payables (trade, not insurance)	R0840	287,872
Subordinated liabilities	R0850	0
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	0
Any other liabilities, not elsewhere shown	R0880	121,649
Total liabilities	R0900	2,333,858
Excess of assets over liabilities	R1000	1,270,553

S.05.01.02
Premiums, claims and expenses by line of business

S.05.01.02.01
Non-Life (direct business/accepted proportional reinsurance and accepted non-proportional reinsurance)

S.05.01.02.01
Non-Life (direct business/accepted proportional reinsurance and accepted non-proportional reinsurance)

		Line of Business for: Credit and suretyship insurance	Total
		C0090	C0200
Premiums written			
Gross - Direct Business	R0110	1,347,110	1,347,110
Gross - Proportional reinsurance accepted	R0120	81,307	81,307
Gross - Non-proportional reinsurance accepted	R0130		
Reinsurers' share	R0140	1,025,881	1,025,881
Net	R0200	402,536	402,536
Premiums earned			
Gross - Direct Business	R0210	1,372,528	1,372,528
Gross - Proportional reinsurance accepted	R0220	87,069	87,069
Gross - Non-proportional reinsurance accepted	R0230		
Reinsurers' share	R0240	994,041	994,041
Net	R0300	465,556	465,556
Claims incurred			
Gross - Direct Business	R0310	760,539	760,539
Gross - Proportional reinsurance accepted	R0320	61,695	61,695
Gross - Non-proportional reinsurance accepted	R0330		
Reinsurers' share	R0340	595,483	595,483
Net	R0400	226,751	226,751
Changes in other technical provisions			
Gross - Direct Business	R0410		
Gross - Proportional reinsurance accepted	R0420		
Gross - Non- proportional reinsurance accepted	R0430		
Reinsurers' share	R0440		
Net	R0500	0	
Expenses incurred	R0550	173,651	173,651
Other expenses	R1200		
Total expenses	R1300		173,651

S.05.02.01.03

Total Top 5 and home country - non-life obligations

S.05.02.01.01;02;03
Home Country - non-life obligations and Top 5 countries (by amount of gross premiums written) - non-life obligations

		Home country	GERMANY	FRANCE	UNITED KINGDOM	NETHERLANDS	ITALY	Total Top 5 and home country
		C0080	C0090	C0090	C0090	C0090	C0090	C0140
Premiums written								
Gross - Direct Business	R0110	291.097	173.361	136.489	127.207	110.501	102.826	941.481
Gross - Proportional reinsurance accepted	R0120	489	924	0	425	10.118	12	11.969
Gross - Non-proportional reinsurance accepted	R0130	0	0	0	0	0	0	0
Reinsurers' share	R0140	197.329	121.407	98.995	115.280	126.184	77.948	737.143
Net	R0200	94.257	52.878	37.494	12.352	-5.565	24.891	216.307
Premiums earned								
Gross - Direct Business	R0210	298.101	175.073	135.826	125.761	121.562	108.562	964.884
Gross - Proportional reinsurance accepted	R0220	4.728	-38	0	-9	7	7	4.695
Gross - Non-proportional reinsurance accepted	R0230	0	0	0	0	0	0	0
Reinsurers' share	R0240	186.067	108.969	102.847	111.139	123.868	70.099	702.990
Net	R0300	116.761	66.066	32.979	14.613	-2.300	38.471	266.589
Claims incurred								
Gross - Direct Business	R0310	240.542	69.464	35.861	111.734	41.447	52.481	551.528
Gross - Proportional reinsurance accepted	R0320	1.975	973	0	99	484	-103	3.427
Gross - Non-proportional reinsurance accepted	R0330	0	0	0	0	0	0	0
Reinsurers' share	R0340	157.337	62.828	37.325	92.212	42.194	32.405	424.303
Net	R0400	85.179	7.608	-1.464	19.621	-263	19.972	130.652
Changes in other technical provisions								
Gross - Direct Business	R0410							
Gross - Proportional reinsurance accepted	R0420							
Gross - Non-proportional reinsurance accepted	R0430							
Reinsurers' share	R0440							
Net	R0500							
Expenses incurred	R0550	36.326	56.547	19.278	6.531	987	11.629	131.299
Other expenses	R1200							
Total expenses	R1300							

S.17.01.02

Non-Life Technical Provisions

S.17.01.02.01
Non-Life Technical Provisions

		Direct business and Credit and suretyship insurance	Total Non-Life obligation
		C0100	C0180
Technical provisions calculated as a whole	R0010		
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050		
Technical provisions calculated as a sum of BE and RM			
Best estimate			
Premium provisions			
Gross	R0060	570,802	570,802
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	382,035	382,035
Net Best Estimate of Premium Provisions	R0150	188,766	188,766
Claims provisions			
Gross	R0160	248,498	248,498
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	289,063	289,063
Net Best Estimate of Claims Provisions	R0250	-40,564	-40,564
Total Best estimate - gross	R0260	819,300	819,300
Total Best estimate - net	R0270	148,202	148,202
Risk margin	R0280	50,766	50,766
Amount of the transitional on Technical Provisions			
Technical Provisions calculated as a whole	R0290		
Best estimate	R0300		
Risk margin	R0310		
Technical provisions - total			
Technical provisions - total	R0320	870,066	870,066
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	671,098	671,098
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	198,968	198,968

S.19.01.21.01

S.19.01.21.01
Gross Claims Paid (non-cumulative) - Development year (absolute amount). Total Non-Life Business

		Accident year / Underwriting year	0	1	2	3	4	5	6	7	8	9	10 & +
COLUMN_A)	ORD_Y	Z0020	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100	Underwriting year [UWY]											-195,132
N-9	R0160	Underwriting year [UWY]					-5,814	-28,291	417	-12,892	-12,433	-7,092	
N-8	R0170	Underwriting year [UWY]				840	-9,622	-29,771	-9,938	-8,098	-6,571		
N-7	R0180	Underwriting year [UWY]			93,659	-4,864	-11,999	-914	-11,222	-1,185			
N-6	R0190	Underwriting year [UWY]		568,445	87,130	1,712	-4,111	-15,561	2,197				
N-5	R0200	Underwriting year [UWY]	242,167	745,741	131,377	-44,903	-16,711	8,290					
N-4	R0210	Underwriting year [UWY]	326,088	618,071	130,663	2,999	335						
N-3	R0220	Underwriting year [UWY]	332,744	704,947	98,545	-5,627							
N-2	R0230	Underwriting year [UWY]	302,854	928,372	94,851								
N-1	R0240	Underwriting year [UWY]	330,097	805,075									
N	R0250	Underwriting year [UWY]	289,731										

S.19.01.21.02

S.19.01.21.02
Gross Claims Paid (non-cumulative) - Current year, sum of years (cumulative). Total Non-Life Business

		Accident year / Underwriting year	In Current year	Sum of years (cumulative)
COLUMN_A)	ORD_Y	Z0020	C0170	C0180
Prior	R0100	Underwriting year [UWY]	-13,945	-195,132
N-9	R0160	Underwriting year [UWY]	-7,092	-66,105
N-8	R0170	Underwriting year [UWY]	-6,571	-63,160
N-7	R0180	Underwriting year [UWY]	-1,185	63,473
N-6	R0190	Underwriting year [UWY]	2,197	639,811
N-5	R0200	Underwriting year [UWY]	8,290	1,065,961
N-4	R0210	Underwriting year [UWY]	335	1,078,156
N-3	R0220	Underwriting year [UWY]	-5,627	1,130,609
N-2	R0230	Underwriting year [UWY]	94,851	1,326,077
N-1	R0240	Underwriting year [UWY]	805,075	1,135,172
N	R0250	Underwriting year [UWY]	289,731	289,731
Total	R0260	Underwriting year [UWY]	1,166,059	6,404,594

S.19.01.21.03

S.19.01.21.03
Gross undiscounted Best Estimate Claims Provisions - Development year (absolute amount). Total Non-Life Business

		Accident year / Underwriting year	0	1	2	3	4	5	6	7	8	9	10 & +
COLUMN_AX	ORD_Y	Z0020	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100	Underwriting year [UWY]											95,443
N-9	R0160	Underwriting year [UWY]						-32,338	-25,560	-14,919	-8,113	3,546	
N-8	R0170	Underwriting year [UWY]					-32,533	-15,888	-16,031	-6,467	-108		
N-7	R0180	Underwriting year [UWY]				-47,355	-39,001	-43,952	-29,786	-12,663			
N-6	R0190	Underwriting year [UWY]			-10,910	-16,529	-24,187	-16,198	-5,304				
N-5	R0200	Underwriting year [UWY]		49,449	-74,989	-52,172	-43,536	-33,048					
N-4	R0210	Underwriting year [UWY]	152,541	-21,027	-109,109	-109,518	-94,434						
N-3	R0220	Underwriting year [UWY]	201,529	11,190	-91,471	-54,153							
N-2	R0230	Underwriting year [UWY]	248,824	-29,484	-59,548								
N-1	R0240	Underwriting year [UWY]	268,901	108,109									
N	R0250	Underwriting year [UWY]	368,681										

S.19.01.21.04

S.19.01.21.04
Gross discounted Best Estimate Claims Provisions - Current year, sum of years (cumulative). Total Non-Life Business

		Accident year / Underwriting year	Year end (discounted data)
COLUMN_AX	ORD_Y	Z0020	C0360
Prior	R0100	Underwriting year [UWY]	119,109
N-9	R0160	Underwriting year [UWY]	3,573
N-8	R0170	Underwriting year [UWY]	-91
N-7	R0180	Underwriting year [UWY]	-12,877
N-6	R0190	Underwriting year [UWY]	-5,622
N-5	R0200	Underwriting year [UWY]	-33,367
N-4	R0210	Underwriting year [UWY]	-95,323
N-3	R0220	Underwriting year [UWY]	-54,989
N-2	R0230	Underwriting year [UWY]	-60,842
N-1	R0240	Underwriting year [UWY]	106,302
N	R0250	Underwriting year [UWY]	368,675
Total	R0260	Underwriting year [UWY]	334,550

S.23.01.01.01

Own Funds

S.23.01.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	24,870	24,870			
Share premium account related to ordinary share capital	R0030	1,231	1,231			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110	0				0
Reconciliation reserve	R0130	1,244,452	1,244,452			
Subordinated liabilities	R0140	0				0
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0				0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230	0	0	0	0	0
Total basic own funds after deductions	R0290	1,270,553	1,270,553	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400	0				
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	1,270,553	1,270,553	0	0	0
Total available own funds to meet the MCR	R0510	1,270,553	1,270,553	0	0	
Total eligible own funds to meet the SCR	R0540	1,270,553	1,270,553	0	0	0
Total eligible own funds to meet the MCR	R0550	1,270,553	1,270,553	0	0	
SCR	R0580	616,597				
MCR	R0600	154,149				
Ratio of Eligible own funds to SCR	R0620	206.06%				
Ratio of Eligible own funds to MCR	R0640	824.24%				

S.23.01.01.02
Reconciliation reserve

S.23.01.01.02
Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	1.270.553
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	0
Other basic own fund items	R0730	26.101
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	1.244.452
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	68.882
Total Expected profits included in future premiums (EPIFP)	R0790	68.882

S.25.02.01
Solvency Capital Requirement - for undertakings using the standard formula and partial internal model

S.25.02.21.01
Component-specific information

Unique number of component	Components Description	Calculation of the Solvency Capital Requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios	Consideration of the future management actions regarding technical provisions and/or deferred taxes	Amount modelled
C0010	C0020	C0030	C0050	C0060	C0070
1	Market Risk	327,384	0	No embedded consideration of future management actions	0
2	Counterparty default risk	100,703	0	No embedded consideration of future management actions	0
3	Life underwriting risk	0	0	No embedded consideration of future management actions	0
4	Health Underwriting risk	0	0	No embedded consideration of future management actions	0
5	Non-life underwriting risk	458,192	0	No embedded consideration of future management actions	402,615
7	Operational risk	43,766	0	No embedded consideration of future management actions	0
8	LAC Technical Provisions	0	0	No embedded consideration of future management actions	0
9	LAC Deffered Taxes	-108,997	0	No embedded consideration of future management actions	0

S.25.02.01.02

Calculation of Solvency Capital Requirement

S.25.02.21.02
Calculation of Solvency Capital Requirement

		C0100
Total undiversified components	R0110	821,048
Diversification	R0060	-204,451
Adjustment due to RFF/MAP nSCR aggregation	R0120	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	616,597
Capital add-ons already set	R0210	
Solvency capital requirement	R0220	616,597
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	-108,997
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirement for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	
Net future discretionary benefits	R0460	

S.25.02.21.03

Approach to tax rate

S.25.02.21.03
Approach to tax rate

		Yes/No
		C0109
Approach based on average tax rate	R0590	Approach not based on average tax rate

S.25.02.21.05

Calculation of loss-absorbing capacity of deferred taxes

S.25.02.21.05
Calculation of loss absorbing capacity of deferred taxes

		LAC DT
		C0130
Amount/estimate of LAC DT	R0640	-108,997
Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	R0650	48,208
Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	R0660	57,934
Amount/estimate of AC DT justified by carry back, current year	R0670	2,855
Amount/estimate of LAC DT justified by carry back, future years	R0680	
Amount/estimate of Maximum LAC DT	R0690	-187,016

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.28.01.01.01

Linear formula component for non-life insurance and reinsurance obligations

S.28.01.01.01
Linear formula component for non-life insurance and reinsurance obligations

		MCR components
		C0010
MCRNL Result	R0010	76,739

S.28.01.01.02
Background information

S.28.01.01.02
Background information

		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080		
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100	148,202	446,969
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

S.28.01.01.05
Overall MCR calculation

S.28.01.01.05
Overall MCR calculation

		C0070
Linear MCR	R0300	76,739
SCR	R0310	616,597
MCR cap	R0320	277,468
MCR floor	R0330	154,149
Combined MCR	R0340	154,149
Absolute floor of the MCR	R0350	3,700
Minimum Capital Requirement	R0400	154,149

F-2 Overview of subsidiaries and minority shareholdings

The following table sets forth, as at 31 December 2020, the name and jurisdiction of establishment of the subsidiaries, branches, associated companies and minority shareholdings of Atradius Crédito y Caución S.A. de Seguros y Reaseguros. All companies are, directly or indirectly, wholly owned unless otherwise indicated. The companies are listed in alphabetical order.

Name	Country	Ownership
Atradius Crédito y Caución S.A. de Seguros y Reaseguros	Spain	
Australia branch	Australia	
Austria branch	Austria	
Belgium branch	Belgium	
Bulgaria branch	Bulgaria	
Canada branch	Canada	
Czech Republic branch	Czech Republic	
Denmark branch	Denmark	
Finland branch	Finland	
France branch	France	
Germany branch	Germany	
Greece branch	Greece	
Hong Kong branch	Hong Kong	
Hungary branch	Hungary	
Ireland branch	Ireland	
Italy branch	Italy	
Japan branch	Japan	
Luxembourg branch	Luxembourg	
Netherlands branch	Netherlands	
New Zealand branch	New Zealand	
Norway branch	Norway	
Poland branch	Poland	
Portugal branch	Portugal	
Romania branch	Romania	
Singapore branch	Singapore	
Slovakia branch	Slovakia	
Sweden branch	Sweden	
Switzerland branch	Switzerland	
Turkey branch	Turkey	
United Kingdom branch	United Kingdom	
Atradius Crédito y Caución Seguradora S.A.	Brazil	
Crédito y Caución do Brasil Gestao de Riscos de Crédito e Serviços LTDA	Brazil	
DAP Holding N.V.	Netherlands	2.37%[1]
Gestifatura S.A.[2]	Portugal	
Iberinform Internacional S.A.U.	Spain	
Portugal branch	Portugal	
Iberinmobiliaria, S.A.U.	Spain	
B2B SAFE, S.A.	Spain	
Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V.	Netherlands	0.50%
Verenigde Assurantiebedrijven Nederland N.V.	Netherlands	0.65%

[1] DAP Holding N.V. was dissolved on 31 December 2020.
[2] Due to intra group transfer of business, the shares in Gestifatura S.A. are held by Atradius Collections Holding B.V. as per 1 January 2021.

F-3 Solvency II Valuation principles

Valuation for solvency Purposes

The Solvency II valuation principles are in accordance with articles 75-86 of the Solvency II Directive, articles 7-16 of the Delegated Acts and the secondary Solvency II laws and regulations.

Functional and presentation currencies

Items included in the financial statements of each of the Company's branches are measured using the currency of the primary economic environment in which the branch operates (the 'functional currency'). The Solvency II balance sheet is presented in Euro (EUR).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses, that result from the settlement of foreign transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement under Spanish Local accounting standards (hereinafter 'PCEA') and is part of the eligible capital in the Solvency II balance sheet.

Non-monetary assets and liabilities whose valuation criterion is their fair value and are denominated in a foreign currency are converted in accordance with the exchange rates in force on the date when their fair value was established. Any profit or losses found are allocated to equity or to the income statement under PCEA following the same criteria as for the recording of variations in the fair value, being part of the eligible capital in the Solvency II balance sheet.

Goodwill

Goodwill under PCEA represents the excess, on the acquisition date, of the cost of the business combination over the fair value of the identifiable net assets identified in the transaction. Consequently, the goodwill is only stated when it was acquired on an onerous basis and corresponds to the future financial profits from assets that could not be individually identified and separately stated.

The goodwill is allocated to each of the cash generating units on which the profits from the synergies of the business combination are expected to fall. After the initial recognition, the goodwill is valuated at its acquisition price minus the accumulated depreciation, and, if applicable, the accumulated amount of the impairment valuation adjustments recognised. Under the applicable regulations, the useful life of the goodwill has been established at 10 years, and its depreciation is linear.

Moreover, at least on a yearly basis, it is examined whether there are signs of impairment in the value of the cash generating units, and should there be any, they are subject to an "impairment test". Impairment valuation adjustments recognised in the goodwill cannot be reversed in later financial years.

The base valuation principle for Solvency II purposes is that the economic value / fair value of goodwill is nil.

Goodwill is not an identifiable and separable asset in the market place. As a result, it does not represent an 'economic value' under Solvency II that can be separately sold or transferred if necessary to a third party.

Insurance Portfolios

Represents the difference between the fair value of the contractual insurance rights acquired and insurance obligations assumed and the liability measured in accordance with the insurer's accounting policies for insurance contracts that it issues. For Solvency II purposes ACyC applies the definition as defined for PCEA purposes.

For Solvency II purposes insurance portfolios are part of the best estimate calculation of the technical provisions. Insurance portfolios as a separate (intangible) asset must be valued to nil.

Software

Computer software acquired is treated as an intangible asset.

For ACyC annual reporting initially acquired computer software licenses are capitalised on the basis of costs incurred to acquire and to bring to use the specific software. These costs are amortised on the basis of the expected useful life between three and five years. Article 75 of the Solvency II Directive sets out the valuation of assets for Solvency II purposes: 'assets shall be valued at the amount for which they could exchange between knowledgeable willing parties in an arm's length transaction'.

Pre-designed purchased software applications (i.e. 'off the shelf' software licenses) cannot be sold to another user.

Therefore the fair value for Solvency II purposes must be stated at nil.
Computer software self-developed is treated as an intangible asset.

Article 75 of the Solvency II Directive sets out the valuation of assets for Solvency II purposes: 'assets shall be valued at the amount for which they could exchange between knowledgeable willing parties in an arm's length transaction'.

Self-developed software is tailored specially for ACyC's needs and cannot be resold to another entity.
Therefore the fair value for Solvency II purposes must be stated at nil.

Property, Plant & Equipment General

The Property Plant and Equipment (PP&E) asset group consists of Land and buildings, Fixtures and fittings, IT hardware and 'Other fixed assets'.

Land and buildings

Under PCEA, real estate investments are defined as investments on lands or buildings that are owned to obtain rents, capital gains or both. Any other land or buildings owned for the provision of services or for administrative purposes are registered as tangible fixed assets.

For ACYC annual reporting purposes land is stated at cost of acquisition (no depreciation is allowed). In the same annual report buildings are stated at cost of acquisition or construction, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The Solvency II directive 2009/138/EC, article 75, and the EIOPA 'Guidelines on recognition and valuation of assets and liabilities other than technical provisions' state that under Solvency II property assets must be valued at the most representative estimate of the amount for which the assets could be exchanged between knowledgeable willing parties in an arm´s length transaction. The economic valuation is based on market conditions at the reporting date.

In articles 9 and 10 of the Delegated Regulation (EU) 2015/35, EIOPA sets out a valuation methodology and fair value hierarchy. The main principle is to apply a valuation method for Land and buildings that is consistent with the valuation approach set out in Article 75 of Directive 2009/138/EC (fair value) as well as the fair value requirements of international accounting standards.

The fair value of land and buildings is usually determined from market based evidence by appraisal that is normally undertaken by professionally qualified persons / companies. In particular and for properties located in Spain, the appraisal value needs to be established by companies authorized to value assets in the mortgage market, pursuant to the provision in order ECO2011/2007 of October 4. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. External valuations on property must take place when significant changes occur in the real estate market or assumptions change on which previous valuations were based.

In ACyC's opinion, the Solvency II fair value needs to be assessed reflecting market conditions at the reporting date. A 'mark to market[1]' (re)valuation approach is applied by the use of external valuations. Frequency of external valuation of the fair value should fit for probable volatilities of land and buildings. ACyC assesses a 2 year valuation cycle appropriate for his land and buildings and applies accordingly.

The fair value valuation of Land and buildings is subject to the approval of the Investments Committee.

Attention must be given to the valuation of properties concerning the valuation approach used by the external valuator. The valuation of buildings is performed excluding fixtures and fittings. The fair value of fixtures and fittings is an additional value to be accounted for to the fair value of Land and buildings.

[1] Mark to market approach: the valuation of the asset as if it was traded on an open active market.

Fixtures and fittings, IT hardware and other fixed assets

Fixtures and fittings are part of the Property, plant and equipment (PP&E) asset group and as such the same definition applies as mentioned previously.

ACyC uses the following definition for assets that are classified under 'Fixtures and fittings': Items that form part of the building and would not be removed (if ACyC left) are coded to this category.

Article 75 of the Solvency II directive 2009/138/EC states that assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction. ACyC applies the cost model for Fixtures and fittings.
In terms of Solvency II, the fair value of Fixtures and fittings is prudently approximated by its book value. For this opinion ACyC has also considered the marginal materiality of fixtures and fittings for each of the regulated entities.

ACyC will measure fixtures and fittings for Solvency II purposes as it does for PCEA. The cost model applied for Fixtures and fittings as per the ACyC PCEA, except for the application of IFRS16 (as explained below), deems to reflect the fair value of Fixtures and fittings.

Specific attention should be in place to prevent double counting within the valuation of fixtures and fittings and land and buildings.

IFRS 16

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right of use ("ROU") of the underlying asset during the lease term.

Investment property

In accordance with PCEA, an Investment property is a property held to earn rentals, or for capital appreciation, or both.

This principle is considered to be in line with EIOPA's Solvency II Directive 2009/138/EC of 25 November 2009.

For Solvency II purposes, ACyC applies fair value definition (described for Land and Building, described in the Property, Plant & Equipment item).

For ACyC annual reporting purposes investment property is stated at cost of acquisition or construction, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The Solvency II directive 2009/138/EC, article 75, and the EIOPA 'Guidelines on recognition and valuation of assets and liabilities other than technical provisions' state that 'under Solvency II property assets must be valued at the most representative estimate of the amount for which the assets could be exchanged between knowledgeable willing parties in an arm´s length transaction. The economic valuation is based on market conditions at the reporting date'.

In articles 9 and 10 of the Delegated Regulation (EU) 2015/35, EIOPA sets out a valuation methodology and fair value hierarchy. The main principle is to apply a valuation method for Investment Property that is consistent with the valuation approach set out in Article 75 of Directive 2009/138/EC (fair value) as well as the fair value requirements of international accounting standards.

In ACyC's opinion the Solvency II fair value needs to be assessed reflecting market conditions at the reporting date. A 'mark to market' (re)valuation approach is applied by the use of external valuations.
Frequency of external valuation of the fair value should fit for probable volatilities. ACyC assesses a 2 year valuation cycle appropriate and applies accordingly.

Attention must be given on the valuation of investment properties concerning the valuation approach used by the external valuator. If in the valuation of investment properties the valuation of fixtures and fitting is included this should be taken into account in calculating the Solvency II adjustments.

Financial investments

ACyC's financial investments are classified as Available-for-Sale, as Loans and receivables and as investment in subsidiaries and associates under the PCEA.

Available-for-sale instruments.

For the annual report purposes ACyC uses IAS 39.9 as the basis for the definition of available-for-sale financial instruments.

IAS 39.9 defines fair value as “the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm’s length transaction”. This definition corresponds to Article 75 of the Solvency II Directive for the valuation of assets and liabilities. All financial assets shall be measured at fair value.

The fair values of financial instruments traded in active markets are based on quoted market prices at the end of the reporting period. The quoted market price used for financial investments held by the Group is the current bid price. Transaction costs on initial recognition of financial investments are expensed as incurred.

The fair values correspond with the price 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 no quoted market price is available, we use valuation techniques which are based on market prices of comparable instruments or parameters from comparable active markets (market observable data).

Loans and receivables

The Company states the financial assets in its balance sheet when it is a mandatory part of the contract or legal business under its provisions.

Recoveries of claims are only stated when their performance is sufficiently guaranteed on the date when the annual statements are prepared, and thus financial profits are expected to be obtained from them. In the case of the Spain and Portugal business, for specific recoveries in the credit insurance, by virtue of the provisions in article 43 of the Regulations for the Regulation and Supervision of Private Insurance and in Order EHA/339/2007 of February 16, implementing certain specific aspects of private insurance, the Company activates recoveries, using statistical methods, executing certain requirements and periodically subjecting the calculations made to the valuation of independent experts. In this case, the Company calculates the estimated recoveries by means of a statistical method developed for this purpose, which examines the historical evolution of the settlements for all the claims declared, including settled and ended claims under a recovery perspective, and makes it possible to establish future behavior trends, in order to apply them in a real way, estimating the recoveries in a reasonable way to be received by means of the relevant projections. For the other entities, the estimated recovery is implicit in the calculation of the technical provisions.

The amount of the estimated recoveries for the Spain and Portugal business, net of the reinsurance share, is stated in the "Loans and receivables - Other Receivables – other receivables" section in the balance sheet.
For Solvency II purposes, the estimated recoveries are included in the BEL calculations.

Financial all other assets classified under the "Loans and receivables category" are valuated at their depreciated cost.

Investment in subsidiaries, associated, and multi-group companies.

They are valued at their cost, minus, if applicable, the accumulated amount of the valuation adjustments from deterioration. Under Solvency II they are registered at economic value.

Accounts receivable on (re)insurance business

As per IAS 32 Accounts receivables (on (re)insurance business) is a financial asset defined as: it represents the contractual right to obtain cash from another party. In each case one party's contractual right to receive cash is matched by the other party's corresponding obligation to pay.

For Solvency II valuation purposes the IAS 32 definition is assumed to be a good proxy for 'the amount for which an asset could be exchanged [...] between knowledgeable, willing parties in an arm's length transaction' (article 75 of the Solvency II Directive).

ACyC recognises its Accounts receivables on (re)insurance business when due. These include amounts due to and from agents, brokers and (re)insurance contract holders. The carrying amount as per ACyC periodic financial statements reflects the fair value for Solvency II basis.

The outstanding receivables on (re)insurance business are substantially all current and consequently their fair values do not materially differ from the book value. Therefore, the balances do not need to be adjusted for Solvency II purposes.

Miscellaneous assets and accruals

Based on the annual report of ACyC several different assets are included in 'miscellaneous assets and accruals'. Therefore, no specific definition is available. The asset items included in miscellaneous assets and accruals are:

Prepayments
- Accrued income investments
- Accrued interest
- Staff loans
- Other

The items included in miscellaneous assets and accruals are substantially all current and consequently the fair values of these assets do not materially differ from the book value.

For the purposes of Solvency II, accrued investment interests are reclassified to the corresponding item of the list of assets in accordance with their CIC codes.

Cash and cash equivalents

For Cash and cash equivalents the definitions are used as per the IAS 7 definitions:

Cash

Comprises cash on hands (including borrowings) and demand deposits (= an account from which deposited funds can be withdrawn at any time without any notice to the depository institution).

Cash equivalents

Are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk in change of value.

For Solvency II purposes cash and cash equivalent (including borrowings) should be valued at an amount not less than the amount payable on demand. The cash and cash equivalent balances on the PCEA based annual report of ACyC are all current and short term.

The cash and cash equivalent (including

borrowings) balances on the balance sheet are all current and short term (less than three months) based. Therefore the PCEA based carrying amount reflects the fair value and no additional adjustments are needed.

Current and deferred income tax

For Solvency II purposes IAS 12 is used as basis for the definition of deferred tax assets and liabilities:

Deferred tax liabilities: Are the amounts of income taxes payable in future periods in respect of taxable temporary differences.

Deferred tax assets: Are the amounts of income taxes recoverable in future periods in respect of:

- deductible temporary differences;
- the carry forward of unused tax losses; and
- the carry forward of unused tax credits.

Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. Temporary differences may be either:

- taxable temporary differences, which are temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled; or
- deductible temporary differences, which are temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.

The valuation principles for current income tax receivable and payable are identical to the valuation principles as for other receivables (not reinsurance receivables) and other trade payables (not reinsurance payables). Therefore for the valuation method of current income tax receivable and payable for Solvency see II purposes. See section "Miscellaneous assets and accruals" respectively section "Trade and other payables".

In general, for all differences between the tax valuation method and the Solvency II valuation requirement the impact on deferred tax should be taken into account and accounted for. In practice, this means that since the deferred tax between tax accounts and PCEA are already processed, any difference between Solvency II and PCEA a deferred tax has to be calculated.

For Solvency II purposes the recognition and measurement of deferred tax assets and liabilities follows the same principles as stated in IAS 12. For items that are not allowed to be recognised and measured as per Solvency II but are recognised for tax purposes a deferred tax must be calculated.

While measuring deferred tax assets the time horizon of profit and losses must be taken into account for the reversal period.

Non-underwriting provisions

The Company, when preparing the annual statements, differentiate between:

- Provisions: creditor balances covering current obligations derived from past events, the cancellation of which is likely to generate an outflow of resources, but the amount and/or time of cancellation of which are not fixed;
- Contingent liabilities: potential obligations generated as a result of past events, whose future materialization is

conditional upon the occurrence or non-occurrence of one or more future events independent from the Company's will.

The annual statements include all the provisions with a higher likelihood of having to fulfill the obligation than the opposite.

Provisions are stated at the current value of the best estimate possible of the amount required to cancel or transfer the obligation, taking into account the information available on the event and its consequences at year's end, recording the adjustments made for the updating of those provisions as a financial expense as they are accrued.

Provisions for restructuring, onerous contracts, and lawsuits are recognized when ACyC has a legal or implicit obligation, as a result of past events, and there is a high likelihood of an unfruitful result entailing a loss for the Company derived from its settlement, and that loss is reasonably quantifiable.

For Solvency II valuation and classification purposes the PCEA definitions for the items included in the balance of non-underwriting provisions are assumed to be a good proxy.

Employee benefits assets/liabilities general

Post-employment benefit plans are determined by periodic actuarial calculations and are generally funded through payments to state plans, insurance companies or trustee-administered funds.

For Solvency II purposes the valuation of employee benefits (assets – including reimbursement rights and liabilities) is based on IAS 19. For ACyC annual report / financial statement purpose the valuation of employee benefits (assets – including reimbursement rights- and liabilities) are also based on IAS 19 with actuarial gain and losses directly recognised in OCI. Therefore no Solvency II related adjustments are required.

Defined benefit plans

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

The amount recognised as a defined benefit liability is the net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly. The recognition of assets that arise by over-funding of the defined benefit plan is limited to cover future deficits.
The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using applicable interest rates that are denominated in the currency in which the benefits will be paid and that have terms of maturity that approximate the terms of the related pension liability.

Other long-term employee benefits

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

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

Termination benefits

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

Profit sharing and bonus plans

A liability for bonuses and profit sharing is recognised based on a formula that takes into consideration, amongst other things, individual targets and the profit attributable to the Company´s shareholders. A liability is recognised where contractually obliged or where there is a past practice that has created a constructive obligation.

Accounts payable on (re)insurance business

For ACyC annual report purposes other liabilities are defined as: a liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.
For Solvency II purposes the definitions used in the annual report is assumed to be a good proxy.

Trade and other payables

For Solvency II valuation and classification purposes PCEA is used as basis for the definition of trade and other payables: trade payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier.

Other liabilities

For Solvency II purposes the measurement of other liabilities follows the PCEA approach. Since the balances as per PCEA are substantially all current the balances reflect the fair value as for Solvency II purposes and no additional adjustments are needed.

Contingent liabilities

Contingent liabilities are not stated in the annual statements under PCEA. For Solvency II purposes, the IFRS (IAS 37) definition of a contingent liability is used:

‘A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the undertaking; or a present obligation that arise from past events but is not recognised because: it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.’

For Solvency II purposes the contingent liabilities have to be valued based on: the probability of the occurrence of future cash outflow, and the expected present value of possible future cash outflows.

Only if the possible obligation is material it has to be included in the Solvency II balance sheet, in all other cases the obligation is to be included in a separate Solvency II disclosure.

The Secretary non-Director of the Board of Directors of Atradius Crédito y Caución S.A. de Seguros y Reaseguros, Mr. David Casanueva certifies that the members of the Board of Directors have formulated the Solvency and Financial Condition Report (SFCR) corresponding to the fiscal year ended 31 December 2020, consisting of 94 pages numbered from 1 to 94.

Madrid, 6th of April, 2021

THE SECRETARY OF THE BOARD OF DIRECTORS

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Mr. David Casanueva