



Annual Report 2021

Our Staff



Atradius Reinsurance DAC

Directors' Report and Audited Financial Statements

Financial Year end 31 December 2021

Registered No: 276690

VAT No: 8276690Q

Reinsurance Licence No: C38084

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Directors

Executive Directors



Daniel Stausberg
Managing Director
(German)



Niamh Derivan
Finance Director
(Irish)



Alan Holmes
(Irish)



Barbara Cotter
(Irish)

Independent Non-Executive Directors

Non-Executive Directors



Marc Henstridge
Chairman of the Board
(British)
Appointed
April 3rd, 2019



Jörg Stensinski
(German)
Appointed
August 20th, 2020



Antonio Rubio
(Spanish)
Appointed
June 2nd, 2019

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2021.

Principal activity and review of the business

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

Atradius Re currently assumes business from 49 countries, on all continents, maintaining a balanced diversity within the portfolio. The underlying third party business consists of around 59% credit insurance and 41% bonding, based on premium volume. The business is underwritten by a multilingual, highly trained and experienced, international team of underwriters at Atradius Re's offices in Dublin, Ireland.

Atradius Re has created long-standing relationships with its clients and specialist brokers. The quality of these client and broker relationships is underscored by the Company's unique offering: combining the Atradius Group's skills in the primary underwriting of credit insurance and bonding risks with its own distinctive approach and expertise in structuring reinsurance solutions. In this way Atradius Re can anticipate and respond to its clients' specific and changing needs. It continues to evolve and succeed in the face of increasing competition and is one of only very few reinsurers to have the capacity to re-underwrite. Those services create a very distinctive added value to its clients. Moreover, because it can cross-promote and thus provide an evolving portfolio of additional expert services, Atradius Re is widely acknowledged to play an important role in the international development and growth of the credit and bonding insurance industry, particularly in emerging markets. The Company is an active member of and contributor to ICISA, PASA, and the Aman Union.

The Company is authorised and regulated by the Central Bank of Ireland and is authorised to conduct reinsurance business in the EU internal market in accordance with the provisions of the European Union (Insurance and Reinsurance) Regulations, 2015. It is authorised to carry on the business of non-life reinsurance in Ireland and in other jurisdictions, subject to complying with any requirements in those other jurisdictions. It is licensed and/or registered individually in a number of foreign

jurisdictions including Argentina, Bolivia, Brazil, Chile, China, Colombia, Ecuador, Guatemala, India, Mexico, Paraguay, the Republic of Panama, and Venezuela.

Atradius Re, based in Dublin, Ireland, is a subsidiary of Atradius N.V., a company incorporated in the Netherlands. Atradius N.V. is the majority shareholder of Atradius Crédito y Caución S.A. Seguros y Reaseguros (ACyC). The three companies form part of the wider Atradius group (the Atradius Group). Atradius N.V.'s ultimate parent is Grupo Catalana Occidente, S.A, a company incorporated and listed in Spain.

Profit for the year and future developments

In 2021, Atradius Re recorded a profit after tax of EUR 66.2 million. The profit and loss account for the year ended December 31, 2021, can be seen on pages 16 and 17.

KEY PERFORMANCE INDICATORS	2021	2020
	€'000	€'000
Group reinsurance revenue	247,604	278,130
Third party reinsurance revenue	155,016	146,918
Total Revenue	402,620	425,048
Gross Claims ratio %	31%	69%
Gross Expenses and commissions ratio %	42%	44%
Gross Combined operating Ratio %	73%	113%
Total Assets	1,380,164	1,502,377
Total Liabilities	824,577	883,779

During 2021, the Company's total revenue, or premium earned during the year, decreased from EUR 425.0 million to EUR 402.6 million. This is due to a reduction in revenue, from Group, from EUR 278.1 million to EUR 247.6 million, following a reduction in the cession from the Atradius Group.

Third party reinsurance revenue for 2021, of EUR 155.0 million, has increased from EUR 146.9 million in 2020. The Company's claims ratio has decreased from 69% to 31%. This is mainly as a result of lower than anticipated claims activity on

Group business on UWY 2020 and UWY 2019, with releases of claims provisions for these underwriting years taken place during 2021.

The commissions and direct operating expenses ratio fallen from 44% to 42%, resulting in a combined ratio of 73% (2020: 113%).

The Company's investment strategy remains on course, with a focus on preserving capital to avoid large losses on the investment portfolio. Less volatility in the equity markets, in 2021, meant that investment income was not as negatively impacted by impairments as in 2020.

The subordinated loan, which had been provided to the company by the shareholders of Atradius N.V., on 20 April 2016, was repaid in September 2021. The subordinated loan had a principal amount of EUR 75 million, and bore interest at a fixed rate of 5.0% per annum.

A dividend of EUR 136 million was paid in December 2021, to the Company's immediate parent company, Atradius Insurance Holding, NV (2020: nil).

Credit Rating

In 2021, the Atradius Group had credit ratings from A.M. Best and Moody's.

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

These ratings are a reflection of the Atradius Group being financially strong and geographically well diversified, with a solid growth and risk profile, and a strong competitive position within the global trade credit insurance market.

Risk management

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

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

The Company has classified its risks as insurance, financial, operational, climate and environmental, social and governance (ESG). Insurance risks are the risks of financial loss as a direct result of providing reinsurance; these are predom-

inantly arising from the risk of non-payment by a buyer covered by a policy (credit reinsurance) or the risk of non-performance of a customer (bonding reinsurance). Financial risks arise out of developments in financial markets and with counterparties – including market risk, credit risk and liquidity risk. Operational risk is the risks of direct or indirect losses resulting from human error, inadequate or failed internal processes, systems or external events – and includes the risk of fraud. Climate risk is the risk of 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. Environmental, social and governance (ESG) is the risk of potential damage to the reputation of Atradius Re, including external ratings if we fail to embrace ESG.

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

Compliance Management

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

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

Directors' Compliance Statement

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

- the drawing up of a compliance policy statement setting out the Company's policies that, in the opinion of the direc-

tors, are appropriate for the Company regarding compliance by the Company with its relevant obligations;

- the putting in place of appropriate arrangements or structures that are, in the directors' opinion, designed to secure material compliance with the Company's relevant obligations; and
- the conduct of a review of such arrangements or structures during the relevant financial year.

Capital Management

The Company's strength is evidenced, by its strong capital base, with capital and reserves at the end of 2021 of EUR 556 million, reduced from EUR 619 million at the end of 2020.

The reduction in capital is due to the payment of a dividend EUR 136 million in December 2021 to Atradius Insurance Holding N.V.

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

Directors, secretary and their interests

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

The directors and secretary had no interests in the shares of the Company or any other group undertakings as at 31 December 2021 and 2020 or date of appointment if later. The Directors are not required to retire by rotation.

Creditor payment policy

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

Transactions involving Directors

There were no contracts or arrangements of any significance in relation to the business of the Company in which the directors had any interest, as defined by the Companies Act 2014, at any time during the financial year ended 31 December 2021.

Accounting Records

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

Statement of Relevant Audit information

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

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

Auditors Note

In accordance with Section 383 (1) of the Companies Act, 2014, the independent auditors, PricewaterhouseCoopers, Chartered Accountants and Statutory Audit Firm, have expressed their willingness to continue in office.

Political Donation

There were no political donations during the financial year, 2021 (2020: Nil).

Events after the reporting date

It is proposed, subject to receipt of the necessary court, board, shareholder and regulatory approvals, that Atradius Re will enter into a cross-border merger with Atradius Crédito y Caucción S.A. de Seguros y Reaseguros (ACyC), sometime in 2022.

Once the merger is effective, Atradius Re will be merged into ACyC, with the transfer of Atradius Re's assets and liabilities, including all of its reinsurance obligations, as a whole, to ACyC's Irish branch. Atradius Re will be dissolved without going into liquidation.

The ACyC Irish Branch will conduct Atradius Re's business as the legal successor to Atradius Re from the date of the merger.

In the meantime, Atradius Re intends to conduct its activities in the usual way, having regard for its obligations under the Solvency II Regulations and applicable law.

A dividend is expected to be paid, on March 30, 2022, to the company's parent, Atradius Insurance Holding N.V., in the amount of EUR 29.3 million. This is approximately EUR 46.14 per share (635,000 ordinary shares).

We are closely monitoring the situation in Ukraine and taking actions where needed. We are engaging with our cedants, to assess the current exposure profile and to identify areas of attention. In addition we are communicating with other stakeholders such as our group colleagues, brokers, and regulatory bodies. Given the rapid developments with respect to sanctions, we are especially diligent in this area to ensure compliance. We do not expect a significant impact on the going concern for the Company.

There have been no other significant events affecting the Company since the reporting date, which would require adjustment or disclosure in the financial statements.

Going Concern

The directors continue to adopt the going concern basis of accounting in preparing the annual financial statements, in the reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In making this conclusion, management has considered the proposed merger, under which the company's reinsurance business will continue in its present form post the transfer.

We refer to Note 1 in the Financial Statements.

On behalf of the Board



Daniel Stausberg
Managing Director



Niamh Derivan
Finance Director

March, 2022

Directors' Responsibilities Statement

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

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

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

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

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

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

Independent Auditors' Report

To the members of Atradius Reinsurance DAC

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the company's assets, liabilities and financial position as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Irish law); and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

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

- the Balance Sheet as at 31 December 2021;
- the Profit and Loss Account for the year then ended;
- and Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

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

Independence

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

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

Other than those disclosed in note 11 to the financial statements, we have provided no non-audit services to the company in the period from 1 January 2021 to 31 December 2021.

Our audit approach

Materiality

- €4,000,000 (2020: €4,080,000)
- Based on circa 1% of Gross written premium.

Audit scope

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

Key audit matters

- Valuation of claims outstanding.
- Estimation of gross premiums earned.

The scope of our audit

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

Key audit matters

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

Key audit matter

Valuation of claims outstanding

Refer to Note 1 (Accounting Policies) and notes 2, 3 and 6 to the financial statements.

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

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

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

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

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

Estimation of gross premiums earned

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

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

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

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

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

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

How our audit addressed the key audit matter

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

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

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

For group business, this included a recalculation of the share of claims outstanding on business ceded to the Company having regard for management's reconciliations to the amounts recorded in the financial statements of the group companies. We tested the controls over claims processing and payment. We tested the reconciliation of the data used in the actuarial models to the underlying systems and reconciled the actuarial valuation outputs to the financial statements.

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

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

For third party business:

- we tested the controls over the initial booking of the premium incomes estimates on individual contracts and the subsequent review and adjustment of premium income estimates;
- for a sample of third party contracts, we tested the key assumptions underlying the premium estimates to the original contract treaties and/or to subsequent reported premium amounts from third party statements;

- with the assistance of our actuarial specialists, we considered the appropriateness of the earning patterns applied to the major classes of business for credit and surety.

No material exceptions were noted as a result of these procedures.

How we tailored the audit scope

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

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

Materiality

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

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

Overall materiality	€4,000,000 (2020: €4,080,000).
How we determined it	1% of circa Gross written premium.
Rationale for benchmark applied	We believe that gross written premium is a primary measure used by shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark..

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €200,000 (2020: €204,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's going concern assessment for the going concern period;
- Obtaining an understanding of the company's liquidity and capital position and plans for the period of the assessment;
- Evaluation of management's consideration of the impact of the proposed merger with Atradius Crédito y Caución S.A. Seguros y Reaseguros in their going concern assessment;
- Evaluation of the availability of liquidity as disclosed in note 3 of the financial statements;
- Evaluation of the company's forecast capital positions over the period of the going concern period including an evaluation of the impact of Covid-19 on the financial outlook of the company; and
- Reviewing the going concern disclosures included in the financial statements in order to assess whether the disclosures were appropriate and in accordance with Irish GAAP.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

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

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

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.
- Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at: https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2014 opinions on other matters

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

Other exception reporting

Directors' remuneration and transactions

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

Appointment

We were appointed by the directors on 18 June 2018 to audit the financial statements for the year ended 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 31 December 2018 to 31 December 2021.



Padraig Osborne

for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
March 2021



Profit & Loss Account

Financial Year Ended 31 December 2021

Profit & Loss Account

TECHNICAL ACCOUNT GENERAL REINSURANCE BUSINESS	Note	2021 €'000	2020 €'000
Gross premiums written	4	384,953	408,278
Change in unearned premiums and unexpired risks	7	17,667	16,770
Gross premiums earned	4	402,620	425,048
Outward reinsurance premiums		(52,684)	(63,922)
Change in unearned outward reinsurance premiums	7	(6,455)	(2,433)
Outward reinsurance premiums earned		(59,139)	(66,355)
Net earned premiums		343,481	358,693
Total Technical Income		343,481	358,693
Gross claims paid		125,088	226,725
Reinsurers' share		(19,218)	(33,888)
Net claims paid		105,870	192,837
Gross change in the provision for claims	6	(531)	64,755
Reinsurers' share	6	3,217	(6,839)
Net change in the provision for claims		2,686	57,916
Claims incurred, net of reinsurance		108,556	250,753
Net operating expenses	8	159,863	177,136
Total Technical Charges		268,419	427,889
Balance on the Technical Account for General Business		75,062	(69,196)

Profit & Loss Account

NON-TECHNICAL ACCOUNT	Note	2021 €'000	2020 €'000
Balance on the Technical Account for General Reinsurance Business		75,062	(69,196)
Investment income	5		
- income from investments		4,408	3,845
- gain on the realisation of investments		1,023	4,329
- loss on the realisation of investments		(540)	(3,830)
Other charges and expenses			
- exchange gains		475	9,047
- interest on subordinated loan		(2,800)	(3,750)
- investment administration		(1,298)	(1,273)
- impairment of Shares		(664)	(4,555)
Profit/(Loss) on ordinary activities before tax		75,666	(65,383)
Tax on Profit/(Loss) on ordinary activities	14	(9,491)	8,160
Profit/(Loss) on ordinary activities after tax		66,175	(57,223)

All of the above amounts derive from continuing operations.

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



Balance Sheet

Financial Year Ended 31 December 2021

Balance Sheet

ASSETS	Note	2021 €'000	2020 €'000
Investments			
Financial investments	15	937,600	1,072,768
Deposits with ceding undertakings		33,840	36,835
		971,440	1,109,603
Reinsurers' share of technical provisions			
Provision for unearned premium	7	17,411	21,861
Claims outstanding	6	65,968	67,190
		83,379	89,051
Debtors			
Debtors arising out of reinsurance operations	16	183,340	147,528
Tangible assets			
	17	14	56
Deferred Acquisition Costs			
		69,284	71,591
Other assets			
Cash at bank and in hand		66,973	69,227
Other assets	18	1,341	9,394
		68,314	78,621
Accrued income			
Accrued interest and commission		4,393	5,927
Total assets		1,380,164	1,502,377

Balance Sheet

Liabilities & Shareholders' Funds	Note	2021 €'000	2020 €'000
Capital and reserves			
Called up share capital presented as equity		635	635
Capital contribution		279,054	279,054
Revaluation reserve		27,019	20,205
Profit and loss account		248,879	318,704
	22	555,587	618,598
Subordinated Loan	24	-	75,000
Technical provisions			
Provision for unearned premiums and unexpired risks	7	187,366	193,513
Claims outstanding	6	537,512	532,359
		724,878	725,872
Creditors			
Unearned Reinsurance Commission		4,156	4,275
Creditors arising out of reinsurance operations	19	90,919	74,648
Other creditors including tax and social insurance	20	4,624	3,984
		99,699	82,907
Total liabilities and shareholders' funds		1,380,164	1,502,377

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

On behalf of the Board



Daniel Stausberg
Managing Director



Niamh Derivan
Finance Director

March, 2022

Statement Of Comprehensive Income

	Note	2021 €'000	2020 €'000
Profit/(Loss) for the financial year		66,175	(57,223)
Other comprehensive income			
Items that may be subsequently reclassified to the profit and loss account			
Net fair value gains on available-for-sale financial investments		7,787	1,303
Tax relating to items that may be reclassified		(973)	(163)
Other comprehensive income for the financial year, net of tax	22	6,814	1,140
Total increase/(decrease) in comprehensive income for the financial year attributable to the owners of the company		72,989	(56,083)

Statement of Changes in Equity

	Share Capital €'000	Capital Contribution €'000	Revaluation Reserve €'000	Profit & Loss Account €'000	Total €'000
As at 31 December 2019	635	279,054	19,065	375,927	674,681
(Loss) for the financial year	-	-	-	(57,223)	(57,223)
Other comprehensive income	-	-	1,140	-	1,140
As at 31 December 2020	635	279,054	20,205	318,704	618,598
Profit for the financial year	-	-	-	66,175	66,175
Other comprehensive income	-	-	6,814	-	6,814
Dividends Paid (€214.17 per share)				(136,000)	(136,000)
As at 31 December 2021	635	279,054	27,019	248,879	555,587

Notes to the Financial Statements

1 Accounting Policies

General information

Atradius Reinsurance DAC (“the Company”) is a company incorporated in the Republic of Ireland authorised by the Central Bank of Ireland to carry out credit and bond reinsurance business. The company registration number is 276690. The registered office is Suite 404, Block C, 77 Sir John Rogerson’s Quay, Dublin D02 VK60. The nature of the Company’s operations and its principle activities are set out in the directors’ report on pages 4 to 8.

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

Basis of preparation

The financial statements have been prepared on a going concern basis (see below) under the historical cost convention, modified to include certain items at fair value, and in accordance with accounting standards issued by the UK Financial Reporting Council (FRS 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ and FRS 103 ‘Insurance Contracts’). The Company is also subject to the requirements of the Companies Acts 2014 and the European Union (Insurance Undertakings: Financial Statements) Regulations, 2015.

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

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

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

Going concern

The directors have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company’s ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are approved (“the period of assessment”) and have prepared the financial statements on a going concern basis. As noted earlier, in making this assessment management has considered the proposed merger, under which the company’s reinsurance business will continue in its present form post the transfer.

In making this assessment the directors considered the following:

- the Company’s capital position and the surplus over its required solvency capital ratio and minimum capital ratio reflect the fact that the Company will have sufficient Own Funds to meet its Solvency Requirements;
- forecasts, for the period of assessment, which are based on the Company’s historic performance and its business plan;

- the outcome of the stress and sensitivity tests carried out by the Company for their ORSA process;
- the impact of Covid-19 on the Company's business to date and the assessments of the potential future impact of Covid-19 on the Company's business including solvency position;
- the Company's liquidity position;
- the Company's level of reinsurance, and the credit rating of those reinsurers; and
- the Company's credit rating and that of its ultimate parent.
- the plans for the business after the proposed merger which will result in the continuation of the trade.

On that basis, the directors consider it appropriate to prepare the financial statements on a going concern basis. As such the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Foreign currencies

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

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

Reinsurance Classification

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

Revenue Recognition

Premiums

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

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

Interest income

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

Dividend income

Dividend income is recognised in the profit and loss account on the date that the Company's right to receive payment is established.

Taxation

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

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

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

Tangible fixed assets

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

Retirement benefit costs

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

Financial Assets and Liabilities

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

Recognition of financial assets and liabilities

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

Initial and subsequent measurement

Available for sale financial investments

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

classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account as net gains or losses on financial investments.

Receivables

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

Cash and cash equivalents

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

Fair Value of financial assets and liabilities

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

Derecognition of financial assets and liabilities

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

Impairment of available-for-sale financial investments

The Company, through its participation in the Group Investment Committee (GIC), makes an assessment at the end of each reporting period of whether there is objective evidence that any available-for-sale financial investments are impaired.

Available-for-sale financial investments will be considered impaired and impairment losses will be incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of these financial assets that have a negative impact on the estimated future cash flows of them and which can be reliably estimated.

Expenses

Net reinsurance claims

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

Net operating expenses

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

Leases

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

Provisions

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

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

Reinsurance contracts

Claims incurred

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

Acquisition costs

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

Provisions for outstanding claims

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

Provisions for unearned premiums

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

Unexpired risks provision

An unexpired risks provision is established when the total of claims and expenses attributable to the unexpired periods of reinsurance contracts in force at the balance sheet date exceeds the unearned premium provision, net of acquisition costs, in relation to such contracts.

Liability adequacy

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

Deferred acquisition costs

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

Reinsurance contracts (Outwards)

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

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

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

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

2 Critical accounting estimates and judgements in applying accounting policies

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

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

Valuations of liabilities of reinsurance contracts

The ultimate liability arising from claims made under reinsurance contracts

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

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

For group business, being business assumed by the Company from the Atradius Group, estimates are made by the latter for future claims payments through a combination of case-by-case estimates and statistical estimates. Provisions for reported claims are set on a case-by-case basis, taking into account statistical estimates for expected recoveries and statistical estimates of claims incurred to payment ratios. The estimates for future claims payments are produced per period during which policyholders brought risk under the cover of the policy (i.e. the period in which the insured shipment has taken place). Large cases are provisioned separately, at expected loss.

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

Measurement of fair value

The Company measures some of its financial instruments at fair value for financial reporting purposes. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Where Level 1 inputs are not available, an external independent valuation company is engaged on the Company's behalf by the Atradius Group to perform the valuation. Atradius works together with the external independent valuation company to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of various instruments are disclosed in Note 3 (p.29).

Impairment of available-for-sale equity financial investments

The Company, through its participation on the Atradius Group Investment committee, determines that an available-for-sale equity financial investment is impaired when there has been a significant (40% of decrease) or prolonged (18 consecutive months) decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, several factors are evaluated including the normal volatility in share price, the financial health of the investment, industry and sector performance, changes in technology and operational and financing cash flows. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investment, industry and sector performance, changes in technology, and financing and operational cash flows.

3 Risk & Capital Management

Risk management

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

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

The risk management and internal control framework

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

Risk Classification

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

Insurance risk

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

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

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

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

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

All reinsurance business assumed is reviewed regularly in detail for past underwriting years performance, triangulation development, individual buyer exposure development and aggregate total potential exposure management, market and country exposure. Risk and policy limit setting is monitored to ensure credit quality and performance of the underlying insurance products to reinsurance terms agreed with the client. Reserves supporting the underlying business are based on standard actuarial statistical models and an independent actuarial review of reserves is carried out, providing an independent best estimate comparison to the Company's reserves to support the business.

Insurance risk management tools

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

Concentration risk

Total Potential Exposure ("TPE")

The Company is exposed to concentration risk in a number of ways: by ceding company, by country/region or by market. The tables below illustrate the exposures at the end of 2021 and 2020 in terms of the sum of credit limits issued by our clients to their policyholders. This is referred to as total potential exposure, or TPE.

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

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

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

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

	TPE 2021 €'000	%	TPE 2020 €'000	%
Europe	65,335,607	54.06%	109,548,606	65.92%
Asia	19,102,870	15.81%	26,394,670	15.88%
North America	24,767,551	20.49%	18,564,598	11.17%
South America	7,747,969	6.41%	5,915,302	3.56%
Oceania	2,001,650	1.66%	3,215,542	1.94%
Africa	1,894,885	1.57%	2,537,263	1.53%
Total	120,850,532	100.00%	166,175,981	100.00%

Factors affecting the frequency and severity of claims

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

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

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

Sources and Assumptions

Sources of uncertainty in the estimation of future claims payments

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

Assumptions, change in assumptions and sensitivity

The risks associated with credit reinsurance and bonding are complex, as will be clear from the above and are subject to a number of influences that are not particularly open to quantitative sensitivity analysis. In the current year these risks also continue to include all those associated with Covid-19. However, this section describes the quantitative sensitivity analysis that is feasible.

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

2021	Pre-tax result			Shareholders' equity		
	Credit €'000	Bonding €'000	Total €'000	Credit €'000	Bonding €'000	Total €'000
5% increase in loss ratios						
Gross	(3,920)	(2,308)	(6,228)	(3,430)	(2,019)	(5,449)
Net	(3,142)	(2,286)	(5,428)	(2,749)	(2,000)	(4,749)
5% decrease in loss ratios						
Gross	3,920	2,308	6,228	3,430	2,019	5,449
Net	3,142	2,286	5,428	2,749	2,000	4,749

2020	Pre-tax profit			Shareholders' equity		
	Credit €'000	Bonding €'000	Total €'000	Credit €'000	Bonding €'000	Total €'000
5% increase in loss ratios						
Gross	(12,723)	(1,851)	(14,574)	(11,132)	(1,620)	(12,752)
Net	(10,711)	(1,826)	(12,537)	(9,372)	(1,598)	(10,970)
5% decrease in loss ratios						
Gross	12,723	1,851	14,574	11,132	1,620	12,752
Net	10,711	1,826	12,537	9,372	1,598	10,970

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

Claims development tables

The Claims development tables provide an overview of how the Company's recognised claims costs for underwriting years 2014-2021 have changed at successive financial year ends. This overview also provides a breakdown of the claims provisions that are held against each underwriting year as at 31 December 2021. Underwriting year here means the treaty year.

Claims – Gross

Claims development per underwriting year – (EUR million)

Year when risk was taken	2014	2015	2016	2017	2018	2019	2020	2021	Total
Estimate of gross claims incurred:									
at the end of the year when risk was taken	204,319	223,079	204,288	206,149	221,130	238,473	215,106	165,857	
one year later	257,978	258,836	203,554	220,658	245,764	278,435	179,338		
two years later	288,825	255,983	211,702	216,260	246,739	280,029			
three years later	288,276	254,164	210,036	217,607	249,639				
four years later	284,849	251,756	208,479	220,151					
five years later	279,556	252,117	213,773						
six years later	276,966	249,175							
seven years later	273,345								
Current estimate of cumulative claims	273,345	249,175	213,773	220,151	249,639	280,029	179,338	165,857	1,831,307
Cumulative payments to date	245,121	226,366	192,458	187,599	199,846	184,261	31,338	7,257	1,274,247
Claims provision at 31 Dec 2021 in respect of 2014-2021	28,224	22,809	21,315	32,552	49,793	95,769	148,000	158,599	557,061
In respect of prior years (before 2014)									-19,549
Total									537,512

Claims – Ceded

Claims development per underwriting year – (EUR million)

Year when risk was taken	2014	2015	2016	2017	2018	2019	2020	2021	Total
Estimate of gross claims incurred:									
at the end of the year when risk was taken	9,875	25,447	16,418	15,860	13,018	21,341	22,292	21,768	
one year later	23,843	34,812	20,015	23,214	22,904	32,607	24,989		
two years later	36,107	37,031	21,642	25,554	25,243	31,826			
three years later	35,306	36,511	20,515	24,860	24,759				
four years later	35,080	31,824	19,814	25,671					
five years later	35,273	31,399	19,526						
six years later	34,662	30,661							
seven years later	35,006								
Current estimate of cumulative claims	35,006	30,661	19,526	25,671	24,759	31,826	24,989	21,768	214,208
Cumulative payments to date	30,966	29,438	17,177	21,951	20,065	20,405	1,900	447	142,349
Claims provision at 31 Dec 2021 in respect of 2014-2021	4,040	1,224	2,349	3,720	4,694	11,422	23,089	21,321	71,859
In respect of prior years (before 2014)									-5,891
Total									65,968

Financial risk

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

Fair value of financial assets and liabilities

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

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

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

Debt and equity securities available-for-sale

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

Other financial assets

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

Other financial liabilities and deposits received from reinsurers

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

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

2021	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Available-for-sale:				
Equity securities	102,830	-	-	102,830
Debt securities:				
Government Bonds	269,974	-	-	269,974
Corporate Bonds	557,009	-	-	557,009
Short term investments	7,787	-	-	7,787
Total	937,600	-	-	937,600

2020	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Available-for-sale:				
Equity securities	88,089	-	-	88,089
Debt securities:				
Government Bonds	308,239	-	-	308,239
Corporate Bonds	675,679	-	-	675,679
Short term investments	761	-	-	628
Total	1,072,768	-	-	1,072,768

Level 1 - Quoted prices in active markets

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

Level 2 - Valuation techniques based on observable market data

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

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

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

Market risk

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

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

(i) Equity price risk

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

Investment Funds

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

Equity instruments issued by Investment funds

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

	2021 €'000	Weight in %	2020 €'000	Weight in %
Passive equities exchange traded funds	14,099	50%	11,622	46%
Active money market fund	14,364	50%	13,426	54%
Total	28,463	100%	25,048	100%

Passive equities exchange traded funds

The passive equities exchange traded fund is an exchange traded fund that passively tracks the Dow Jones Euro Stoxx 50 Index.

Active Money Market Fund

The active money market fund invests in money market instruments that are denominated in British Pounds. The fund aims to maintain a weighted average maturity of a maximum 90 days.

(ii) Foreign currency risk management

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

The Company's exposure to foreign currency exchange rate risk, arising from financial assets and liabilities denominated in non-functional both major and less traded currencies as at 31 December 2021, is presented in the following table:

	Financial Assets 2021 €'000	Financial Liabilities 2021 €'000	Position 2021 €'000	Financial Assets 2020 €'000	Financial Liabilities 2020 €'000	Position 2020 €'000
EUR	1,012,014	431,320	580,694	1,150,372	498,350	652,022
GBP	20,261	10,651	9,610	17,499	6,971	10,528
USD	229,352	205,669	23,683	225,257	198,499	26,758
AUD	4,135	4,020	115	7,167	7,278	(111)
Other	114,402	172,917	(58,515)	102,082	172,681	(70,599)
Total	1,380,164	824,577	555,587	1,502,377	883,779	618,598

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

2021	GBP €'000	USD €'000
10% increase		
Pre-tax profit	961	2,368
Shareholders' equity	841	2,072
10% decrease		
Pre-tax loss	(961)	(2,368)
Shareholders' equity	(841)	(2,072)

2020	GBP €'000	USD €'000
10% increase		
Pre-tax profit	1,053	2,676
Shareholders' equity	921	2,341
10% decrease		
Pre-tax loss	(1,053)	(2,676)
Shareholders' equity	(921)	(2,341)

(iii) Interest rate risk management

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

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

The Company uses the duration to assess its interest rate exposure and monitors whether the duration remains between the minimum and maximum duration limit (between one to five years for government bonds and one to three years for corporate bonds), as established by the Atradius Group Investment Policy. As the duration can be described as the percentage change of the bond's value when the underlying discount rate is parallel shifted by 1%, so the average maturity is the weighted average of the time until a bond has paid its final interest and principal redemption. The duration for 2021 is 2.3 years (2020: 2.1 Years); representing the years it will take for the price of the Company's debt instruments to be repaid by its internal cash flows. The average maturity for 2021 is also 2.3 years (2020: 2.1 years).

Value-at-Risk

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

The risk of using variance-covariance methodology or any other historical methodology is that it may underestimate the riskiness of the financial instruments. This is because these methodologies assume that the historical volatility of and correlation between the financial instruments will be repeated in the future. Therefore, it is not intended to represent or guarantee any future price movements but rather is to be used as guidance for information purposes and comparison for historical developments only.

The VaR provides insight into the maximum expected loss per asset category and on portfolio level. The fair values and percentages presented are calculated with a confidence level of 99% for a period of 12 months. This implies that there is a 1% probability of underestimating the potential maximum loss for the coming 12 months.

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

	2021 €millions	% of the market value	2020 €millions	% of the market value
Equity securities:				
Shares (Including equity funds)	31.1	35.10%	56.7	76.00%
Debt securities:				
Government bonds (including government bonds funds)	2.8	1.00%	7.5	2.40%
Corporate Bonds (including corporate bond funds)	6.7	1.20%	29.8	4.40%
Total portfolio	34.2	3.60%	74.0	6.80%

The VaR of the individual portfolio components is based on the volatility of the investments to which they are ultimately exposed. The volatility of each asset class as a whole serves as input for the VaR calculation of that asset class. In the case of an investment fund, the volatility of the fund (driven by the characteristics of its underlying securities) serves as input for the calculation of the VaR of that specific investment fund and is subsequently included in the VaR of the asset class. Total portfolio VaR may not be equal to the sum of the VaR of the individual portfolio components because the correlation between these components may be less than one. The VaR percentage decreased from 6.8% at the end of 2020 to 3.6% at the end of 2021 and the VaR value decreased from EUR 74.0m at the end of 2020 to EUR 34.2 m at the end of 2021. The decrease in the VaR percentage and the VaR value is principally driven by a reduction in the volatility of equities during 2021.

Credit risk

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

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

With regard to managing the credit risks of the financial investments, the investment policy of the Company is to hold a principally Euro-centric, internationally diversified portfolio and to avoid large risk concentrations. From a Standard & Poor's rating scale or comparable perspective, the overall fixed income portfolio is almost completely invested in investment grade debt securities which are rated 'A-' or higher. If a corporate bond in which the Company has indirectly invested (through an investment fund) falls below the minimum credit rating or is not rated, it is reviewed by the Group Investment Committee to decide whether the investment fund is still a suitable investment. The maximum concentration limit per issuer is 5% of the market value of the financial investments of the Company. The Group Investment Committee on which the Company sits monitors this limit and action is taken if a concentration limit is breached. The counterparty ratings of reinsurance assets, debt and equity securities and short-term investments as at 31 December 2021 are presented in the following table:

At 31 December 2021 €'000	AAA	AA	A	BBB	Other and Non-Rated	Total
Reinsurance Assets						
Reinsurers share of technical provisions	-	21,749	61,193	-	437	83,379
Debt securities:						
Government bonds	121,862	138,922	9,190	-	-	269,974
Corporate bonds	12,072	41,654	310,977	192,306	-	557,009
Equity shares	14,364	7,824	46,174	26,005	8,463	102,830
Short-term investments:						
Deposits withheld by ceding companies	7	4,680	21,771	2,286	5,096	33,840
Short term deposits	-	-	7,787	-	-	7,787
Cash & Cash equivalents	-	-	66,759	214	-	66,973
Total	148,305	214,829	523,851	220,811	13,996	1,121,792

At 31 December 2020 €'000	AAA	AA	A	BBB	Other and Non-Rated	Total
Reinsurance Assets						
Reinsurers share of technical provisions	1,155	26,857	58,698	172	2,169	89,051
Debt securities:						
Government bonds	137,920	156,079	7,114	7,126	-	308,239
Corporate bonds	11,868	65,797	345,954	252,060	-	675,679
Equity shares	-	7,278	46,169	29,587	5,055	88,089
Short-term investments:						
Deposits withheld by ceding companies	2	3,703	23,428	3,445	6,257	36,835
Short term deposits	-	761	-	-	-	761
Cash & Cash equivalents	-	-	69,227	-	-	69,227
Total	150,945	260,475	550,590	292,390	13,481	1,267,881

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

2021	Neither past due nor impaired €'000	Past due 3-6 months €'000	Past due 6-12 months €'000	Past due 12 months + €'000	Past due and impaired €'000	Carrying amount €'000
Debtors arising out of reinsurance operations	181,328	1,673	247	92	-	183,340

2020	Neither past due nor impaired €'000	Past due 3-6 months €'000	Past due 6-12 months €'000	Past due 12 months + €'000	Past due and impaired €'000	Carrying amount €'000
Debtors arising out of reinsurance operations	145,537	1,630	49	312	-	147,528

Liquidity risk

Liquidity risk is the risk that Atradius Reinsurance DAC would be unable to meet its payment obligations when due. Liquidity risks originate from short term fluctuations in cash flow patterns either on incoming or outgoing cash. It is the Company's policy to maintain sufficient cash and marketable securities to manage its liquidity risks. The Atradius Group Investment policy states that investments should only be in financial instruments that can be liquidated in less than 4 business days. In practice, most of the Company's assets are marketable securities which can be readily converted into cash when required. The Company is liquid with cash reserves of EUR 67 million (2020: EUR 69 million).

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

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

As at 31 December 2021 €'000	Less than 1 year	1 to 5 years	More than 5 years	Total
Other Creditors	14,577	3,238	68	17,883
Insurance Contracts	434,769	290,109	-	724,878
Payables	77,660	-	-	77,660
Total	527,006	293,347	68	820,421
As at 31 December 2021 €'000	Less than 1 year	1 to 5 years	More than 5 years	Total
Debt securities	86,897	740,086	-	826,983
Short term investments	7,787	-	-	7,787
Other Financial investments	136,670	-	-	136,670
Cash and bank deposits	66,973	-	-	66,973
Receivables	183,248	92	-	183,340
Reinsurance Contracts	74,128	9,251	-	83,379
Total	555,703	749,429	-	1,305,132

As at 31 December 2010 €'000	Less than 1 year	1 to 5 years	More than 5 years	Total
Other Creditors	9,303	5,891	85	15,279
Subordinated Loan	-	-	75,000	75,000
Insurance Contracts	463,902	261,970	-	725,872
Payables	63,353	-	-	63,353
Total	536,558	267,861	75,085	879,504
As at 31 December 2020 €'000	Less than 1 year	1 to 5 years	More than 5 years	Total
Debt securities	256,794	726,117	1,008	983,919
Short term investments	761	-	-	761
Other Financial investments	124,924	-	-	124,924
Cash and bank deposits	69,227	-	-	69,227
Receivables	147,216	312	-	147,528
Reinsurance Contracts	79,809	9,242	-	89,051
Total	678,731	735,671	1,008	1,415,410

Operational risk

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

Compliance

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

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

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 and changes in operating systems.

The Atradius group 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.

Environmental, Social, and Governance risks (ESG)

Environmental, Social, and Governance (ESG) refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business.

In recent years ESG concerns have gained importance. This has among others led to the definition of the UN Global Compact that Atradius signed in 2008 (Currently, Atradius participates as part of the GCO group).

ESG concerns are increasingly used in the evaluation of companies; by investors, the media, other companies and the public in general. The image of a company is increasingly defined by the level of concern for ESG criteria:

- Environmental concerns: The threat of climate change and depletion of natural resources. The main question becomes the sustainability of products, services and therefore companies.
- Social concerns: How the company affects the wider social environment. This includes diversity, human rights, and consumer protection.
- Corporate governance concerns: The rights and responsibilities of the management of a company - its board, shareholders and the various stakeholders in the company. This includes management structure, employee relations, executive compensation, and employee compensation.

Capital management

Objectives, policies and processes with regard to capital

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

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

As an authorised reinsurer regulated by the Central Bank of Ireland, the Company is subject to regulatory capital requirements, which for the year ended 31st December 2021 are based on the EU Directive requirements in respect of Solvency II, which became effective from 1 January 2016.

Solvency II

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

4 Segmental information

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

	Gross premiums written 2021 €'000	Gross premiums earned 2021 €'000	Gross claims incurred 2021 €'000	Gross operating expenses 2021 €'000	Outward reinsurance 2021 €'000	Technical result 2021 €'000
Credit Reinsurance	301,436	316,286	(78,391)	(134,596)	(27,244)	76,055
Bond Reinsurance	83,517	86,334	(46,166)	(40,918)	(243)	(993)
Total	384,953	402,620	(124,557)	(175,514)	(27,487)	75,062

	Gross premiums written 2020 €'000	Gross premiums earned 2020 €'000	Gross claims incurred 2020 €'000	Gross operating expenses 2020 €'000	Outward reinsurance 2020 €'000	Technical result 2020 €'000
Credit Reinsurance	326,558	336,981	(254,453)	(141,381)	3,871	(54,982)
Bond Reinsurance	81,720	88,067	(37,027)	(53,443)	(11,811)	(14,214)
Total	408,278	425,048	(291,480)	(194,824)	(7,940)	(69,196)

Gross premiums written resulting from contracts concluded in:

	2021 €'000	2020 €'000
Europe	210,207	225,452
Asia	73,194	89,529
North America	54,102	45,842
South America	36,461	32,624
Oceania	4,409	8,539
Africa	6,580	6,292
Total	384,953	408,278

5 Net investment return

2021	Net investment income Financial Year ended 2021 €'000	Net realised gains Financial Year ended 2021 €'000	Net realised losses Financial Year ended 2021 €'000	Impairment Financial Year ended 2021 €'000	Net investment expense Financial Year ended 2021 €'000	Net investment results Financial Year ended 2021 €'000
Equities	3,849	503	(481)	(664)	-	3,207
Bonds	736	520	(59)	-	-	1,197
Cash and Cash equivalents	(177)	-	-	-	-	(177)
Other investment expenses	-	-	-	-	(1,298)	(1,298)
Total	4,408	1,023	(540)	(664)	(1,298)	2,929

2020	Net investment income Financial Year ended 2020 €'000	Net realised gains Financial Year ended 2020 €'000	Net realised losses Financial Year ended 2020 €'000	Impairment Financial Year ended 2020 €'000	Net investment expense Financial Year ended 2020 €'000	Net investment results Financial Year ended 2020 €'000
Equities	1,930	3,684	(3,815)	(4,555)	-	(2,756)
Bonds	1,926	645	(15)	-	-	2,556
Cash and Cash equivalents	(11)	-	-	-	-	(11)
Other investment expenses	-	-	-	-	(1,273)	(1,273)
Total	3,845	4,329	(3,830)	(4,555)	(1,273)	(1,484)

6 Claims incurred net of reinsurance

2021	Gross €'000	Reinsurance €'000	Net €'000
Outstanding claims brought forward	(532,359)	67,190	(465,169)
Movement on provision	531	(3,217)	(2,686)
Foreign exchange movement on opening provisions	(5,684)	1,995	(3,689)
Outstanding claims carried forward	(537,512)	65,968	(471,544)

2020	Gross €'000	Reinsurance €'000	Net €'000
Outstanding claims brought forward	(497,971)	64,359	(433,612)
Movement on provision	(64,755)	6,839	(57,916)
Foreign exchange movement on opening provisions	30,367	(4,008)	26,359
Outstanding claims carried forward	(532,359)	67,190	(465,169)

7 Provision for unearned premiums and unexpired risks

2021	Gross €'000	Reinsurance €'000	Net €'000
Provision for unearned premiums and unexpired risks brought forward	(193,513)	21,861	(171,652)
Movement on unearned premiums and unexpired risks	17,667	(6,455)	11,212
Foreign Exchange movement on opening provisions	(11,520)	2,005	(9,515)
Provisions for unearned premiums and unexpired risks carried forward	(187,366)	17,411	(169,955)

2020	Gross €'000	Reinsurance €'000	Net €'000
Provision for unearned premium brought forward	(221,926)	26,027	(195,899)
Movement on unearned premiums and unexpired risks	16,770	(2,433)	14,337
Foreign Exchange movement on opening provisions	11,643	(1,733)	9,910
Provisions for unearned premium carried forward	(193,513)	21,861	(171,652)

Included in the above is a provision at 31st December 2021 for unexpired risks after the balance sheet date of €1.0m (2020: €3.8m).

8 Net Operating Expenses

	2021	2020
	€'000	€'000
Net acquisition costs	147,575	153,779
Change in deferred acquisition costs	2,307	14,448
Administrative costs	9,981	8,909
Net operating expenses	159,863	177,136

9 Profit/(Loss) on ordinary activities

Profit/(Loss) on ordinary activities is stated after charging:

	2021	2020
	€'000	€'000
Investment return	3,593	3,071
Impairment of shares	(664)	(4,555)
Net foreign exchange gains/(losses)	475	9,047
Auditors Remuneration	(117)	(104)
Rentals under operating leases:		
- Land & buildings	(458)	(458)
- Other	(5)	(6)
Depreciation	(19)	(29)
Staff Costs	(3,572)	(3,212)
Taxation on profit/(losses)	(9,491)	8,160

10 Staff Costs

	2021 €'000	2020 €'000
Wages & salaries	2,889	2,494
Social Security costs	325	275
Pensions cost	196	193
Other Costs	162	250
Total	3,572	3,212

The average monthly number of full time employees, including executive directors, during the financial year 2021 was comprised as follows:

	2021	2020
Reinsurance activities	10	11
Support	17	17
Total	27	28

11 Auditors' remuneration

Auditors' remuneration for work carried out for the Company in respect of the financial year ended 31 December 2021 is as follows:

	2021 €'000	2020 €'000
Audit of individual company accounts (incl. VAT)	71	58
Other Assurance Services (incl. VAT)	46	46
	117	104

There were no tax or other non-audit services provided.

12 Directors' remuneration

	Number of Directors	2021	Number of Directors	2020
Emoluments	7	646	7	585
Benefits under long-term incentive schemes	-	-	-	-
Gain on exercise of share options	-	-	-	-
Contributions paid to a retirement benefit schemes:				
- Defined benefit scheme	-	-	-	-
- Defined contribution scheme	7	44	7	43
Compensation for loss of office paid by the Company and other termination payments	-	-	-	-
Total	7	690	7	628

13 Employee pension scheme

Eligible staff are members of the defined contribution scheme operated by the Company. The pension cost charges to the profit and loss account for the financial year was EUR 195,939 and was fully paid in 2021 (2020: EUR 193,466).

14 Taxation on profit/(loss) on ordinary activities

Corporation tax:

	2021 €'000	2020 €'000
Current Irish tax	(483)	(219)
Deferred tax: origination and reversal of timing differences	(9,008)	8,379
Total	(9,491)	8,160

There is a deferred tax asset at 31 December 2021 of EUR 0.4 million in respect of unutilised tax losses (2020: EUR 7.3m). There are deferred tax liabilities of EUR 2.0 million in respect of the recognition of net fair value gains on available for sale financial investments (2020: EUR 1.0m), and for timing differences between the tax allowances for the cost of fixed assets for tax purposes and depreciation for accounting purposes of EUR4k (2020: EUR5k). There are no unused tax credits at the end of the reporting period (2020:Nil).

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

	2021 €'000	2020 €'000
Profit/(Loss) on ordinary activities before tax	75,666	(65,383)
Profit/(Loss) on ordinary activities multiplied by the standard rate of Irish corporation tax for the year of 12.5%	(9,458)	8,173
Effects of:		
Disallowable expenses and other items	(1)	(14)
Income and other items not taxable for tax purposes	2,121	(8,389)
Origination and reversal of timing differences	(2,121)	8,389
Depreciation in excess of capital allowances	(1)	(1)
Adjustment to tax charge in respect of previous periods	(31)	2
	(9,491)	8,160

The above includes the reversal in 2021 of a deferred tax asset of 2,121 in respect of provisions deducted for tax purposes.

15 Financial Investments

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

Available-for-sale	Market Value 2021 €'000	Purchase Value 2021 €'000	Market Value 2020 €'000	Purchase Value 2020 €'000
Equities – listed	102,830	74,870	88,089	73,361
Short Term Investments	7,787	7,787	761	761
Debt securities and other fixed income securities - listed	826,983	820,676	983,918	981,559
Total	937,600	903,333	1,072,768	1,055,681

For debt securities and other fixed income securities the amount repayable at maturity totals EUR 822,103 (2020: EUR 979,855).

16 Debtors arising out of reinsurance operations

Measured at undiscounted amounts receivable

	2021 €'000	2020 €'000
Amounts owed by holding and fellow subsidiary undertakings due in less than one year	53,378	30,984
Amounts owed by third parties due in less than one year	129,962	116,544
Total	183,340	147,528

17 Tangible fixed assets

2021	Furniture & Equipment €'000	Total €'000
Costs		
As at 1 January 2021	863	863
Additions	6	6
Disposals	(782)	(782)
As at 31 December 2021	87	87
Accumulated Depreciation		
As at 1 January 2021	807	807
Provided in the financial year	19	19
Disposals	(753)	(753)
As at 31 December 2021	73	73
Net book amount at 31 December 2021	14	14
Net book amount at 31 December 2020	56	56

18 Other Assets

	2021 €'000	2020 €'000
Net Deferred Tax Assets	439	8,391
Current Tax assets	343	475
Other assets	559	528
Total	1,341	9,394

19 Creditors arising out of reinsurance operations

Measured at undiscounted amounts payable

	2021 €'000	2020 €'000
Amounts owed to holding and fellow subsidiary undertakings	49,875	33,939
Amounts owed to third parties	41,044	40,709
Total	90,919	74,648

20 Other creditors

	2021 €'000	2020 €'000
PAYE	54	46
PRSI	89	64
VAT	109	153
Other taxation	7	8
Other creditors	4,365	3,713
Total	4,624	3,984

21 Provisions for liabilities

Unused annual leave provision included in Other creditors

	2021 €'000	2020 €'000
As at 1 January	17	17
Change in provision	-	-
As at 31 December	17	17

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

22 Capital & Reserves

	Called up Share Capital €'000	Capital Contribution €'000	Revaluation Reserve €'000	Profit & Loss €'000	Total €'000
As at 1 January 2021	635	279,054	20,205	318,704	618,598
Profit for the financial year	-	-	-	66,175	66,175
Other comprehensive income	-	-	6,814	-	6,814
Dividends Paid				(136,000)	(136,000)
As at 31 December 2021	635	279,054	27,019	248,879	555,587
As at 1 January 2020	635	279,054	19,065	375,927	674,681
Loss for the financial year	-	-	-	(57,223)	(57,223)
Other comprehensive expense	-	-	1,140	-	1,140
As at 31 December 2020	635	279,054	20,205	318,704	618,598

The **called up share capital** represents the nominal value of shares that have been issued. The authorised share capital of Atradius Reinsurance DAC amounts to EUR 635,000, all of which relates to called up share capital, presented as equity, and is divided into 635,000 ordinary shares with a nominal value of EUR 1 each (2020: the same).

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

The **revaluation reserve** represents accumulated changes to the fair value of existing available-for-sale financial investments since their acquisition. Deferred taxes are provided for unrealised gains or losses arising from changes in the revaluation reserve and are included in other comprehensive income.

The **profit and loss** reserve represents all current and prior financial years retained profits and losses. This includes the impact of the dividend of EUR 136 million that was paid in December 2021.

23 Operating lease commitments

At 31 December 2021 the Company's total future minimum lease payments under non-cancellable leases were as follows.

	2021 €'000	2020 €'000
Within 1 year	399	161
Between 1 & 5 years	166	-
After 5 years	-	-

During the financial year an amount of EUR 402,082 (2020: EUR 320,658) has been recognised as an expense.

24 Commitments

As at 31 December 2021, there were collateralised deposits, letters of credit and reinsurance trusts issued in the amount of EUR 41,721,850 (2020: EUR 40,508,336). These deposits, letters of credit and reinsurance trusts are issued in relation to our clients' regulatory requirements.

25 Reclassifications of comparatives

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

26 Immediate and ultimate parent company

Atradius Insurance Holding N.V., a company incorporated in the Netherlands, is the Company's parent company. Financial statements for Atradius Insurance Holding N.V., are available from David Ricardostraat 1, 1066 JS Amsterdam, Postbus 8982, 1066 JD Amsterdam, The Netherlands.

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

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

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

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

27 Events after the reporting date

Atradius NV is the parent and sole shareholder of Atradius Re and the majority shareholder of Atradius Crédito y Caución S.A. Seguros y Reaseguros (ACyC). The three companies form part of the wider Atradius group (the Atradius Group). As part of an effort to consolidate the Atradius Group's European insurance underwriting entities, it is currently expected that Atradius Re will enter into a cross-border merger with ACyC, to be completed in 2022. The transaction remains subject to the necessary board, shareholder, court and regulatory approvals.

Upon effectiveness of the merger, Atradius Re's assets and liabilities, including all of its reinsurance obligations, would be transferred to ACyC, through its Irish branch, which would conduct Atradius Re's reinsurance business as its legal successor, with Atradius Re being dissolved without going into liquidation. In the meantime, Atradius Re intends to conduct its activities in the usual way, having regard for its obligations under the Solvency II Regulations and applicable law.

A dividend is expected to be paid, on March 30, 2022, to the company's parent, Atradius Insurance Holding N.V., in the amount of EUR 29.3 million. This is approximately EUR 46.14 per share (635,000 ordinary shares).

We are closely monitoring the situation in Ukraine and taking actions where needed. We are engaging with our cedants, to assess the current exposure profile and to identify areas of attention. In addition we are communicating with other stakeholders such as our group colleagues, brokers, and regulatory bodies. Given the rapid developments with respect to sanctions, we are especially diligent in this area to ensure compliance. We do not expect a significant impact on the going concern for the Company.

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

28 Related party transaction

The total remuneration for key management personnel for the financial year totalled EUR690,000 (2020: EUR 628,000), being remuneration disclosed in Note 12 of EUR690,000 (2020: EUR 628,000).

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

29 Approval of the Financial Statements

The directors approved the financial statements on 28th February 2022.

Directors and Other Information

Executive Directors

Daniel Stausberg (German)
Niamh Derivan (Irish)

Non-Executive Directors

Jörg Stensinski (German, appointed 20th August 2020)
Marc Henstridge (British)
Antonio Rubio (Spanish)

Independent Non-Executive Directors

Alan Holmes (Irish, appointed with effect 1st January, 2021)
Barbara Cotter (Irish, appointed with effect 1st January, 2021)

Secretary

Rachel McCormac
Suite 404, Block C,
77 Sir John Rogerson's Quay,
Dublin D02 VK60,
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Independent Auditor

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
One Spencer Dock
North Wall Quay
Dublin 1

Principal Bankers

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1017CE
Amsterdam
The Netherlands

Solicitors


William Fry Solicitors
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Dublin 2

Registered Office

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